

**May 06, 2013**

Rupa Shah  
rupashah@plindia.com  
+91-22-66322244

Rating	Accumulate
Price	Rs75
Target Price	Rs81
Implied Upside	8.0%
Sensex	19,576
Nifty	5,944

*(Prices as on May 03, 2013)*
**Trading data**

Market Cap. (Rs bn)	166.8
Shares o/s (m)	2,219.1
3M Avg. Daily value (Rs m)	1956.6

**Major shareholders**

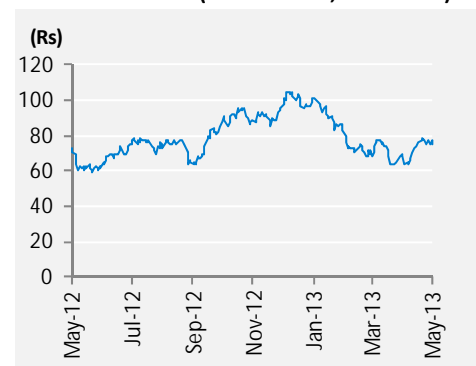
Promoters	46.08%
Foreign	22.02%
Domestic Inst.	13.91%
Public & Other	17.99%

**Stock Performance**

(%)	1M	6M	12M
Absolute	10.1	(15.3)	2.8
Relative	6.0	(19.7)	(11.3)

**How we differ from Consensus**

EPS (Rs)	PL	Cons.	% Diff.
2014	3.1	3.6	-12.9
2015	4.4	4.8	-9.3

**Price Performance (RIC: JAIA.BO, BB: JPA IN)**


Source: Bloomberg

■ **Q4FY13 - a better show in sales QoQ on all fronts:** Cement and EPC business revenues were up by 11% and 20% QoQ; however, YoY down by 3% and 13.4%, respectively. Real Estate revenues were flat QoQ but grew by 14.3% on a YoY basis. Overall, net revenues for JPA in Q4FY13 stood at Rs38.6bn, registering a de-growth of 4%. **Despatches in Q4FY13 de-grew by 4.6% YoY to 4mt. Realisations at Rs4,091/tonne were up 1.7% YoY.** For FY13, revenues were up by 3% YoY and PAT plunged by a 51.2%.

■ **Growth in Cement EBIT/tonne, Construction margins inching to normalcy:** Cement margins managed to improve by 110bps YoY for Q4FY13 due to cost control measures and better realisations. For FY13, the margins remained flat at 11.6%. Construction, on account of lower sales, reported a 400bps YoY decline in margins for Q4FY13 and 150bps decline for FY13. Real estate margins at 34.7% in FY13 were down from 46.9% in FY12.

■ **Interest costs mainly in control, depreciation costs higher:** Interest cost declined by 5.3% YoY in Q4FY13 but grew by 3.8% QoQ. For FY13, the interest cost was up by 13%. Depreciation costs increased by 18.2% in FY13 on the back of 13% increase in fixed assets. Current debt stands at Rs230bn (approx.). LT loans increased by 23% YoY to Rs189bn. NWC rose by 6.3% YoY or Rs7.6bn on account of higher loans & advances and receivables.

■ **Updates:** JPA is targeting to pare down the debt by Rs20-30bn through stake sale in Gujarat cement plant and land parcels in NCR region. The company is also planning an investment holiday in the coming year.

■ **Valuation & Recommendations:** We have reduced our FY14/15 PAT estimates on the back of lower cement sales and low margins, taking into account the current slack in the cement sector. For JPA, the overhang remains in terms of higher debt. However, a potential stake sale in JCL is expected to re-rate the stock. **We maintain 'Accumulate' on the stock.**

Key financials (Y/e March)	2012	2013	2014E	2015E
Revenues (Rs m)	127,429	132,087	145,856	166,751
Growth (%)	(2.6)	3.7	10.4	14.3
EBITDA (Rs m)	33,294	31,755	34,266	39,205
PAT (Rs m)	10,263	5,013	6,930	9,728
EPS (Rs)	4.8	2.3	3.1	4.4
Growth (%)	35.5	(53.2)	38.2	40.4
Net DPS (Rs)	0.6	0.3	0.4	0.5

Profitability & Valuation	2012	2013	2014E	2015E
EBITDA margin (%)	26.1	24.0	23.5	23.5
RoE (%)	9.5	3.9	5.1	6.8
RoCE (%)	6.7	5.2	5.4	6.3
EV / sales (x)	2.9	2.9	2.5	2.1
EV / EBITDA (x)	11.3	12.1	10.5	9.0
PE (x)*	7.0	14.3	10.4	7.4
P / BV (x)	1.3	1.3	1.2	1.1
Net dividend yield (%)	0.8	0.4	0.5	0.7

Source: Company Data; PL Research

\* Adjusted for subsidiary valuations

**Exhibit 1: Q4FY13 Result Overview (Rs m)**

Y/e March	Q4FY13	Q4FY12	YoY gr. (%)	Q3FY13	FY13	FY12	YoY gr. (%)
<b>Net Sales</b>	<b>38,642</b>	<b>40,264</b>	<b>(4.0)</b>	<b>33,984</b>	<b>132,087</b>	<b>127,429</b>	<b>3.7</b>
<b>Expenditure</b>							
RM, Construction, Mfg. & Others	22,912	21,686	5.7	20,793	74,790	70,990	5.4
<i>% of Net Sales</i>	<i>59.3</i>	<i>53.9</i>		<i>61.2</i>	<i>56.6</i>	<i>55.7</i>	
Sales, Admin & Personnel	2,196	1,541	42.5	2,043	8,080	6,613	22.2
<i>% of Net Sales</i>	<i>5.7</i>	<i>3.8</i>		<i>6.0</i>	<i>6.1</i>	<i>5.2</i>	
Other Expenses	5,453	5,820	(6.3)	4,991	19,619	17,068	14.9
<i>% of Net Sales</i>	<i>14.1</i>	<i>14.5</i>		<i>14.7</i>	<i>14.9</i>	<i>13.4</i>	
Increase decrease in stock in trade	(426)	1,381		(1,469)	(2,157)	(536)	
Total Expenditure	30,135	30,428	(1.0)	26,359	100,332	94,135	6.6
<b>EBITDA</b>	<b>8,507</b>	<b>9,836</b>	<b>(13.5)</b>	<b>7,625</b>	<b>31,755</b>	<b>33,294</b>	<b>(4.6)</b>
<i>Margin (%)</i>	<i>22.0</i>	<i>24.4</i>		<i>22.4</i>	<i>24.0</i>	<i>26.1</i>	
Depreciation	1,908	1,638	16.5	1,813	7,261	6,142	18.2
<b>EBIT</b>	<b>6,599</b>	<b>8,199</b>	<b>(19.5)</b>	<b>5,813</b>	<b>24,494</b>	<b>27,153</b>	<b>(9.8)</b>
Interest	5,490	5,800	(5.3)	5,327	20,114	17,817	12.9
Other Income	679	675	0.5	1,176	3,034	3,747	(19.0)
Ex	43	49		8	93	61	
<b>PBT</b>	<b>1,831</b>	<b>3,123</b>	<b>(41.4)</b>	<b>1,670</b>	<b>7,508</b>	<b>13,143</b>	<b>(42.9)</b>
Tax	596	285	108.9	561	2,495	2,880	(13.4)
<i>Tax Rate (%)</i>	<i>32.5</i>	<i>9.1</i>		<i>33.6</i>	<i>33.2</i>	<i>21.9</i>	
<b>Reported PAT</b>	<b>1,235</b>	<b>2,838</b>	<b>(56.5)</b>	<b>1,109</b>	<b>5,013</b>	<b>10,264</b>	<b>(51.2)</b>
<b>Adj. PAT</b>	<b>1,235</b>	<b>2,838</b>	<b>(56.5)</b>	<b>1,109</b>	<b>5,013</b>	<b>10,264</b>	<b>(51.2)</b>

Source: Company Data, PL Research

**Exhibit 2: Segmental Break-up (Rs m)**

Y/e March	Q4FY13	Q4FY12	YoY gr. (%)	Q3FY13	FY13	FY12	YoY gr. (%)
<b>Revenues</b>							
Cement	16,363	16,867	(3.0)	14,747	60,459	54,650	10.6
Construction	15,327	17,706	(13.4)	12,757	53,143	58,423	(9.0)
Wind Power	51	43	19.3	38	382	356	7.4
Hotel	685	558	22.8	693	2,314	1,965	17.7
Real Estate	6,408	5,604	14.3	6,124	16,860	14,170	19.0
Unallocated	147	146	0.5	94	600	718	(16.5)
Investments	157	193	(18.9)	777	1,208	2,012	(40.0)
<b>Net Revenues</b>	<b>39,321</b>	<b>40,939</b>	<b>(4.0)</b>	<b>35,160</b>	<b>135,121</b>	<b>131,176</b>	<b>3.0</b>
<b>EBIT</b>							
Cement	2,239	2,128	5.2	1,179	7,021	6,526	7.6
<i>Margin (%)</i>	<i>13.7</i>	<i>12.6</i>		<i>8.0</i>	<i>11.6</i>	<i>11.9</i>	
Despatches mt*	4.0	4.2	(4.6)	3.7	14.5	14.2	2.2
EBIT per tonne*	559.7	507.5	10.3	318.6	484.2	459.9	5.3
Realisation per tonne*	4,091	4,024	1.7	3,986	4,170	3,851	8.3
Realisation per Bag Rs (Est)*	205	201		199	208	193	
Construction	2,930	4,232	(30.8)	2,896	13,821	16,054	(13.9)
<i>Margin (%)</i>	<i>19.1</i>	<i>23.9</i>		<i>22.7</i>	<i>26.0</i>	<i>27.5</i>	
Wind Power	(1)	(8)	(84.6)	(13)	175	156	12.2
<i>Margin (%)</i>	<i>(2.3)</i>	<i>(18.2)</i>		<i>(34.4)</i>	<i>45.9</i>	<i>43.9</i>	
Real Estate	2,026	2,447	(17.2)	2,210	5,853	6,647	(11.9)
<i>Margin (%)</i>	<i>31.6</i>	<i>43.7</i>		<i>36.1</i>	<i>34.7</i>	<i>46.9</i>	
Hotel	127	30	324.3	139	209	36	484.6
<i>Margin (%)</i>	<i>18.6</i>	<i>5.4</i>		<i>20.0</i>	<i>9.0</i>	<i>1.8</i>	
Unallocated	(8)	(4)	102.6	(4)	(38)	(47)	(19.2)
<i>Margin (%)</i>	<i>(5.4)</i>	<i>(2.7)</i>		<i>(4.1)</i>	<i>(6.3)</i>	<i>(6.5)</i>	
Investments	153	193	(20.7)	768	1,195	2,012	(40.6)
<i>Margin (%)</i>	<i>97.8</i>	<i>100.0</i>		<i>98.8</i>	<i>99.0</i>	<i>100.0</i>	
<b>Total</b>	<b>7,466</b>	<b>9,009</b>	<b>(17.1)</b>	<b>7,174</b>	<b>28,237</b>	<b>31,383</b>	<b>(10.0)</b>

Source: Company Data, PL Research (\*PL Ests.)

**Exhibit 3: SOTP**

Entities	Assumptions	Total Value (Rs m)	PSV (Rs)
Standalone	Val. of standalone businesses	168,833	76
JP Infratech-Yamuna Expressway-84% stake	NPV @30% Holdco Disc.	45,419	21
JPVL Listed-72.5% held by JPA	NPV @ 20-25% Holdco Disc.	49,448	22
Other Projects/Shares	Proportional inv. by JAL	14,648	7
Less: Debt	Balance Debt	110,814	50
Add: FY13 Cash	Cash	13,027	6
<b>SOTP</b>		<b>180,560</b>	<b>81</b>

Source: PL Research

**Income Statement (Rs m)**

Y/e March	2012	2013	2014E	2015E
<b>Net Revenue</b>	<b>127,429</b>	<b>132,087</b>	<b>145,856</b>	<b>166,751</b>
Raw Material Expenses	(536)	(2,157)	(650)	(500)
Gross Profit	127,965	134,244	146,506	167,251
Employee Cost	6,613	8,080	9,412	11,698
Other Expenses	88,058	94,409	102,829	116,348
<b>EBITDA</b>	<b>33,294</b>	<b>31,755</b>	<b>34,266</b>	<b>39,205</b>
Depr. & Amortization	6,142	7,261	7,985	8,241
Net Interest	17,817	20,114	18,437	18,224
Other Income	3,686	2,940	2,500	2,000
<b>Profit before Tax</b>	<b>13,021</b>	<b>7,320</b>	<b>10,344</b>	<b>14,740</b>
Total Tax	2,880	2,495	3,413	5,012
<b>Profit after Tax</b>	<b>10,141</b>	<b>4,825</b>	<b>6,930</b>	<b>9,728</b>
Ex-Od items / Min. Int.	—	—	—	—
<b>Adj. PAT</b>	<b>10,263</b>	<b>5,013</b>	<b>6,930</b>	<b>9,728</b>
<b>Avg. Shares O/S (m)</b>	<b>2,126.5</b>	<b>2,219.1</b>	<b>2,219.1</b>	<b>2,219.1</b>
<b>EPS (Rs.)</b>	<b>4.8</b>	<b>2.3</b>	<b>3.1</b>	<b>4.4</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2012	2013	2014E	2015E
C/F from Operations	13,608	32,581	22,727	28,765
C/F from Investing	(28,440)	(28,549)	(9,602)	(5,000)
C/F from Financing	428	(1,227)	(10,739)	(21,332)
Inc. / Dec. in Cash	(14,403)	2,805	2,386	2,433
Opening Cash	24,625	10,222	13,027	15,412
Closing Cash	10,222	13,027	15,412	17,845
FCFF	(34,422)	(984)	4,436	5,734
FCFE	(26,176)	3,681	(16,838)	2,305

**Key Financial Metrics**

Y/e March	2012	2013	2014E	2015E
<b>Growth</b>				
Revenue (%)	(2.6)	3.7	10.4	14.3
EBITDA (%)	10.7	(4.6)	7.9	14.4
PAT (%)	35.5	(51.2)	38.2	40.4
EPS (%)	35.5	(53.2)	38.2	40.4
<b>Profitability</b>				
EBITDA Margin (%)	26.1	24.0	23.5	23.5
PAT Margin (%)	8.1	3.8	4.8	5.8
RoCE (%)	6.7	5.2	5.4	6.3
RoE (%)	9.5	3.9	5.1	6.8
<b>Balance Sheet</b>				
Net Debt : Equity	1.7	1.6	1.4	1.3
Net Wrkng Cap. (days)	42,374	10,878	32,085	44,137
<b>Valuation</b>				
PER (x)*	7.0	14.3	10.4	7.4
P / B (x)	1.3	1.3	1.2	1.1
EV / EBITDA (x)	11.3	12.1	10.5	9.0
EV / Sales (x)	2.9	2.9	2.5	2.1
<b>Earnings Quality</b>				
Eff. Tax Rate	21.9	33.2	33.0	34.0
Other Inc / PBT	28.6	40.9	24.2	13.6
Eff. Depr. Rate (%)	3.6	4.0	4.2	4.2
FCFE / PAT	(255.1)	73.4	(243.0)	23.7

Source: Company Data, PL Research. \* Adjusted for subsidiary valuations

**Balance Sheet Abstract (Rs m)**

Y/e March	2012	2013	2014E	2015E
Shareholder's Funds	123,043	133,323	138,867	146,650
Total Debt	225,322	229,987	208,712	205,283
Other Liabilities	12,437	13,727	14,111	15,412
<b>Total Liabilities</b>	<b>360,802</b>	<b>377,037</b>	<b>361,690</b>	<b>367,345</b>
Net Fixed Assets	204,946	193,495	174,886	170,871
Goodwill	—	—	—	—
Investments	68,825	88,913	88,913	88,913
Net Current Assets	87,027	94,629	97,891	107,559
Cash & Equivalents	10,222	13,027	15,412	17,845
Other Current Assets	158,445	168,409	165,960	180,381
Current Liabilities	81,640	86,807	83,481	90,667
Other Assets	5	—	1	2
<b>Total Assets</b>	<b>360,803</b>	<b>377,036</b>	<b>361,691</b>	<b>367,345</b>

**Quarterly Financials (Rs m)**

Y/e March	Q1FY13	Q2FY13	Q3FY13	Q4FY13
<b>Net Revenue</b>	<b>29,636</b>	<b>29,825</b>	<b>33,984</b>	<b>38,642</b>
<b>EBITDA</b>	<b>7,713</b>	<b>7,911</b>	<b>7,625</b>	<b>8,507</b>
% of revenue	26.0	26.5	22.4	22.0
Depr. & Amortization	1,763	1,778	1,813	1,908
Net Interest	4,653	4,644	5,327	5,490
Other Income	731	448	1,184	722
<b>Profit before Tax</b>	<b>2,037</b>	<b>1,970</b>	<b>1,670</b>	<b>1,831</b>
Total Tax	649	690	561	596
<b>Profit after Tax</b>	<b>1,382</b>	<b>1,259</b>	<b>1,109</b>	<b>1,235</b>
<b>Adj. PAT</b>	<b>1,382</b>	<b>1,259</b>	<b>1,109</b>	<b>1,235</b>

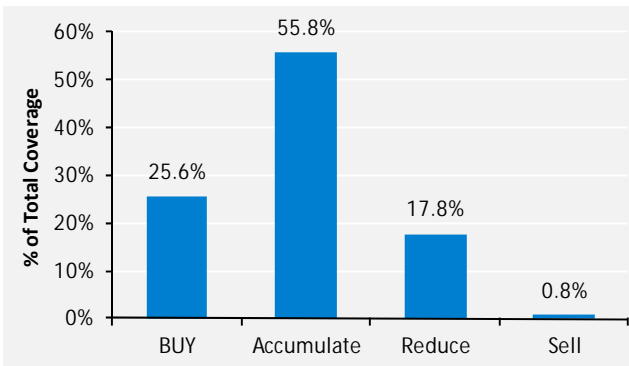
**Key Operating Metrics**

Y/e March	2012	2013	2014E	2015E
Const. (Rs m)	58,423	53,143	59,500	67,412
Cement Prod. (Rs m)	54,650	60,459	71,081	83,063
Hotel & Hosp. (Rs m)	1,965	2,314	2,513	2,890
Real Est. (Rs m)	14,170	16,860	17,063	23,625
Wind Power (Rs m)	356	382	400	450
Invnt. (Rs m)	2,012	1,208	3,264	3,329
Unallocated (Rs m)	731	600	500	500
Int. as a % to sales	14.0	15.2	12.6	10.9
EBIT Marg. - Cem (%)	11.9	11.6	14.0	14.2
Order book (Rs bn)	301.4	273.0	250.0	220.0
Int Rate (%)	7.9	8.7	8.8	8.9
Capex (Rs bn)	14.5	18.5	9.6	5.0
NCA/Sales (%)	68.3	71.6	67.1	64.5
RM & Const Cost (%)	55.7	56.6	59.0	59.0

Source: Company Data, PL Research.

Prabhudas Lilladher Pvt. Ltd.  
3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India  
Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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