

Current	Previous
CMP : Rs.73	
Rating : BUY	Rating : BUY
Target : Rs.163	Target : Rs.163

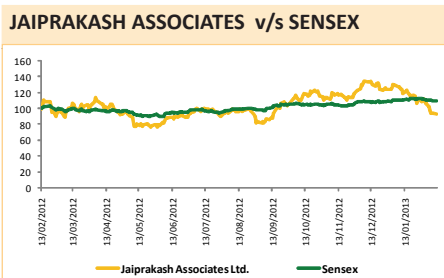
STOCK INFO	
BSE	532532
NSE	JPASSOCIAT
Bloomberg	JPA IN
Reuters	JAIA.BO
Sector	Construction & Engineering
Face Value (Rs)	2
Equity Capital (Rs mn)	4,310
Mkt Cap (Rs mn)	156,660
52w H/L (Rs)	107/59
3m Avg Daily Volume (BSE + NSE)	19,511,065

SHAREHOLDING PATTERN	%
(as on 31st Dec. 2012)	
Promoters	46.1
FII's	22.0
DII's	13.9
Public & Others	18.0

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
JAIPRAKASH ASSO.	-24	-22	-6
SENSEX	-2	4	9

Source: Capitaline; IndiaNivesh Research



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## Higher operating expenses and slow-down in Cement & Construction business pulls down profitability

### Q3FY13 Standalone Results Update

JP Associates (JPA) reported 15.3% year-over-year and 13.9% sequential increase in revenues to Rs 33.9 bn.

Cement's business (41.9% of Q3FY13 total income) reported 7.5% sequential & 7.0% year-over-year increase. In line with top-3 cement players, JPA's cements business was impacted due to softening in the dispatches and average blended realizations.

Construction business (36.3% of Q3FY13 total income) reported 2.7% year-over-year increase & 1.1% sequential decline in its segment revenues. Further, Real Estate business (17.4% of quarter's total income), reported a strong 98.9% year-over-year increase. We sense that JPA's Real Estate segment was benefitted from some pick-up in Noida Real Estate market (as has been the case with other peer group players).

The overall EBITDA margins declined from 28.7% in Q3FY12 and 26.5% in Q2FY13 to 22.4% in Q3FY13. The year-over-year EBITDA margin compression is primarily owing to 16.3% and 27.1% increase seen across Direct Construction, Manufacturing & Power expenses (to Rs 12.2 bn) and other expenses (to Rs 4.9 bn), respectively.

If we look at segment-wise unadjusted EBIT margins, Cement business reported 693 bps year-over-year margin compression to 8.0% levels, owing to softening demand and prices, lower capacity utilization. We sense increase in raw material, fuel and depreciation expenses to have led to such EBIT margin compression. Construction segment reported decline of 714 bps in its year-over-year EBIT margins, owing to higher sub-contracting & raw material expenses. Despite sharp jump in Real Estate segment's top-line, EBIT margins on a year-over-year basis declined from 47.9% in Q3FY12 to 36.1% in Q3FY13.

JPA reported PAT margins of 3.3% during the quarter (vs. 4.3% in Q2FY13 & 10.5% in Q3FY12). Year-over-year EBITDA margin compression when coupled with (1) 9.9% increase in depreciation expenses (to Rs 1.8 bn), (2) 24.2% fall in other income (to Rs 1.1 bn), (3) 20.7% increase in tax expenses (to Rs 5.3 bn) led to overall PAT margin compression.

### Outlook & Valuation:

We sense the current quarter's cement business performance to be one quarter aberrance. With higher expectations built-in from upcoming budget, where lot of favorable policy announcements are to be made, we sense that all business segment of JPA would get benefitted. Also, the recent rate cuts are an icing on cake, as being a highly levered company, with any re-financing of debt, the overall interest costs of the company in the next 2-3 quarters can be controlled.

We expect JPA top-line (esp. Cement & Real Estate) to report strong top-line and bottom-line growth in FY14E on account of revival in business, operating levers coming in to play (post reforms announcements) and a possible ease in interest rate expenses.

JP Associates in last 1-month has corrected by 24.0%. At CMP of Rs 73/share, the stock is trading at FY13E and FY14E, EV/EBITDA multiple of 8.5x and 6.9x, respectively. Post Q3FY13 results, any correction in the stock price from here-on should be looked upon as an opportunity to BUY the stock, with FY14E SoTP (sum-of-the-Parts) based price target of Rs 163.

## Standalone Financials

(Rs in mn.)	Q3FY13	Q2FY13	Q3FY12	q-o-q ch.	y-o-y ch.
Net income from operations	33,983.9	29,825.4	29,470.1	13.9%	15.3%
Changes in Stock -In -Trade	7,106.5	6,958.5	4,831.8	2.1%	47.1%
Direct Const., Manu. & Power Exp.	12,218.3	8,317.3	10,504.7	46.9%	16.3%
Employee Cost	2,042.9	2,069.3	1,761.7	-1.3%	16.0%
Other expenditure	<u>4,990.8</u>	<u>4,569.5</u>	<u>3,926.1</u>	9.2%	27.1%
Operating Expenses	26,358.5	21,914.6	21,024.3	20.3%	25.4%
EBITDA	7,625.4	7,910.8	8,445.8	-3.6%	-9.7%
EBITDA Margin (%)	22.4%	26.5%	28.7%		
Depreciation	1,812.9	1,777.6	1,650.2	2.0%	9.9%
Other Income	<u>1,176.3</u>	<u>447.8</u>	<u>1,552.7</u>	162.7%	-24.2%
Profit before Interest & Taxes	6,988.8	6,581.0	8,348.3	6.2%	-16.3%
Interest and finance charges	<u>5,327.0</u>	<u>4,643.6</u>	<u>4,414.6</u>	14.7%	20.7%
Profit but bef. Excep. Items	1,661.8	1,937.4	3,933.7	-14.2%	-57.8%
Prior period adjustments	<u>8.1</u>	<u>32.8</u>	<u>16.3</u>	-75.3%	-50.3%
Profit before tax	1,669.9	1,970.2	3,950.0	-15.2%	-57.7%
Tax Expenses	<u>560.6</u>	<u>690.1</u>	<u>852.3</u>	-18.8%	-34.2%
Net profit	1,109.3	1,280.1	3,097.7	-13.3%	-64.2%
Effective tax rate (%)	33.6%	35.0%	21.6%		
PAT Margins (%)	3.3%	4.3%	10.5%		
EPS- Diluted	0.49	0.58	1.40		

Source: Company Filings; IndiaNivesh Research



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