

**November 15, 2011**

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

	<b>Accumulate</b>
Rating	
Price	Rs75
Target Price	Rs76
Implied Upside	1.3%
Sensex	17,119

*(Prices as on November 14, 2011)*
**Trading data**

Market Cap. (Rs bn)	158.8
Shares o/s (m)	2,124.7
3M Avg. Daily value (Rs m)	1466.4

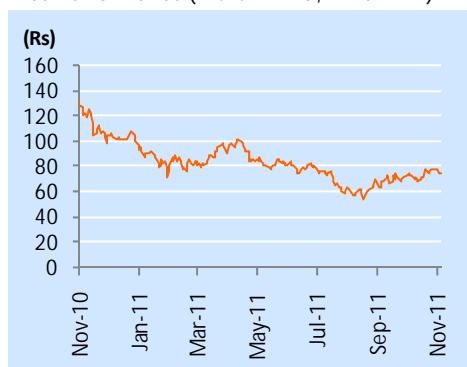
**Major shareholders**

Promoters	46.68%
Foreign	18.59%
Domestic Inst.	12.86%
Public & Other	21.67%

**Stock Performance**

(%)	1M	6M	12M
Absolute	1.5	(14.5)	(42.2)
Relative	1.3	(6.9)	(27.1)

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



Source: Bloomberg

- **Flat revenue growth, in line with our expectations:** Construction revenues (constituting 48% of the total revenues) were flat YoY for Q2FY11; however, cement sales were up by 9.6% YoY. This was mainly on account of 20.6% growth in despatches YoY to 4.1m tonnes. Realisations were lower at Rs3,229/tonne, down by 10% YoY and 17% QoQ.
- **Real Estate, EPC aids EBITDA, while Cement EBIT margins slip in red:** EBIT margins for construction continued their dream run and stood at 36.1%, while real estate margins were at 43%. For cement, EBIT per tonne slipped to red at Rs(72)/tonne from Rs464/tonne in Q1FY12 and Rs553/tonne in Q2FY11. Overall EBITDA margins stood at 22.3% which was down by 48bps YoY, mainly hit on account of higher cement division costs.
- **Dose of higher other income aids PAT:** Interest continues to increase YoY by 25%, but was lower QoQ by 5% to Rs4bn. However, this was made up by an increase in OI by 47% YoY, while tax continues to remain high at 42%. Thus, reported PAT came at 1.3bn which was higher by 11.3% YoY and 20% QoQ.
- **Valuations:** The company is struggling with lower cement demand and thus, we believe that lowering price to sell off the inventory could lead to further deterioration in earnings. However, a positive traction in EPC re-affirms that power projects/YEW is progressing fairly. We have marginally lowered our earnings, giving effect to higher tax rate. The stock is available at a core P/E of 16.3x FY13E. We believe the valuations are fair at this juncture but the revival in cement prices will aid the outlook. Maintain **'Accumulate'**.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	100,889	130,844	139,065	169,633
Growth (%)	75.0	29.7	6.3	22.0
EBITDA (Rs m)	23,114	30,082	31,758	36,893
PAT (Rs m)	8,583	7,571	6,285	7,676
EPS (Rs)	4.0	3.6	2.8	3.5
Growth (%)	(46.4)	(11.9)	(20.6)	22.1
Net DPS (Rs)	0.5	0.7	0.3	0.4

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	22.9	23.0	22.8	21.7
RoE (%)	11.4	8.5	6.5	7.5
RoCE (%)	6.8	5.9	5.7	6.2
EV / sales (x)	3.0	2.7	2.5	2.3
EV / EBITDA (x)	12.9	11.7	11.0	10.4
PE (x)	18.5	21.0	26.5	21.7
P / BV (x)	1.9	1.7	1.7	1.6
Net dividend yield (%)	0.6	0.9	0.5	0.6

Source: Company Data; PL Research

Prabhudas Lilladher Pvt. Ltd. and/or its associates (the 'Firm') does and/or seeks to do business with companies covered in its research reports. As a result investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Please refer to important disclosures and disclaimers at the end of the report

**Exhibit 1: Q2FY12 Result Overview (Rs m)**

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
<b>Net Sales</b>	<b>30,675</b>	<b>29,933</b>	<b>2.5</b>	<b>31,423</b>	<b>62,098</b>	<b>61,675</b>	<b>0.7</b>
<b>Expenditure</b>							
RM, Construction, Mfg. & Others	16,331	19,086	(14.4)	17,685	33,996	39,021	(12.9)
<i>% of Net Sales</i>	<i>53.2</i>	<i>63.8</i>		<i>56.3</i>	<i>54.7</i>	<i>63.3</i>	
Sales, Admin & Personnel	1,846	1,453	27.0	1,744	3,590	2,918	23.0
<i>% of Net Sales</i>	<i>6.0</i>	<i>4.9</i>		<i>5.5</i>	<i>5.8</i>	<i>4.7</i>	
Other Expenses	4,975	3,747	32.8	4,520	9,495	7,338	29.4
<i>% of Net Sales</i>	<i>16.2</i>	<i>12.5</i>		<i>14.4</i>	<i>15.3</i>	<i>11.9</i>	
Increase decrease in stock in trade	690	(1,164)		122	812	(834)	
Total Expenditure	23,843	23,122	3.1	24,071	47,893	48,443	(1.1)
<b>EBITDA</b>	<b>6,832</b>	<b>6,811</b>	<b>0.3</b>	<b>7,353</b>	<b>14,205</b>	<b>13,232</b>	<b>7.4</b>
<i>Margin (%)</i>	<i>22.3</i>	<i>22.8</i>	<i>(48.1)</i>	<i>23.4</i>	<i>22.9</i>	<i>21.5</i>	<i>142.1</i>
Depreciation	1,761	1,528	15.3	1,721	3,482	3,031	14.9
<b>EBIT</b>	<b>5,071</b>	<b>5,283</b>	<b>(4.0)</b>	<b>5,632</b>	<b>10,723</b>	<b>10,201</b>	<b>5.1</b>
Interest	4,049	3,234	25.2	4,284	8,312	6,513	27.6
Other Income	1,210	820	47.6	439	1,619	1,255	29.0
Ex	(3)	-		(2)	(5)	5,131	
<b>PBT</b>	<b>2,228</b>	<b>2,897</b>	<b>(23.1)</b>	<b>1,795</b>	<b>4,025</b>	<b>10,095</b>	<b>(60.1)</b>
Tax	942	1,741	(45.9)	725	1,667	3,780	(55.9)
<i>Tax Rate (%)</i>	<i>42.3</i>	<i>60.1</i>		<i>40.4</i>	<i>41.4</i>	<i>37.4</i>	
<b>Reported PAT</b>	<b>1,287</b>	<b>1,156</b>	<b>11.3</b>	<b>1,070</b>	<b>2,357</b>	<b>6,314</b>	<b>(62.7)</b>
<b>Adj PAT</b>	<b>1,287</b>	<b>1,156</b>	<b>11.3</b>	<b>1,070</b>	<b>2,356</b>	<b>2,217</b>	<b>6.3</b>

Source: Company Data, PL Research

**Exhibit 2: xxx**

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
<b>Revenues</b>							
Cement	13,239	12,084	9.6	16,272	28,512	26,499	7.6
Construction	15,548	15,710	(1.0)	12,748	28,296	30,082	(5.9)
Wind Power	161	122	31.7	119	280	232	20.7
Hotel	380	375	1.4	424	804	744	8.0
Real Estate	2,018	3,233	(37.6)	3,469	5,487	6,894	(20.4)
Unallocated	271	344	(21.0)	176	472	677	(30.3)
Investments	560	40	1,304.0	80	614	73	741.5
<b>Net Revenues</b>	<b>31,884</b>	<b>30,752</b>	<b>3.7</b>	<b>31,833</b>	<b>63,717</b>	<b>62,930</b>	<b>1.3</b>
<b>EBIT</b>							
Cement	(295)	1,883	NA	1,940	1,645	4,746	(65.3)
<i>Margin (%)</i>	<i>(2.2)</i>	<i>15.6</i>		<i>11.9</i>	<i>5.8</i>	<i>15.4</i>	
<i>Despatches mt</i>	<i>4.1</i>	<i>3.4</i>	<i>20.6</i>	<i>4.2</i>	<i>8.3</i>	<i>6.9</i>	<i>19.9</i>
<i>EBIT per tonne</i>	<i>(71.9)</i>	<i>554</i>	<i>NA</i>	<i>464.6</i>	<i>198.8</i>	<i>687.8</i>	<i>(71.1)</i>
Realisation per tonne	3,229	3,554	(9.1)	3,898	3,445	3,840	(10.3)
Construction	5,616	3,290	70.7	2,500	8,116	4,357	86.3
<i>Margin (%)</i>	<i>36.1</i>	<i>20.9</i>		<i>19.6</i>	<i>28.7</i>	<i>15.3</i>	
Wind Power	111	81	37.1	71	181	150	20.6
<i>Margin (%)</i>	<i>68.9</i>	<i>66.1</i>		<i>59.0</i>	<i>64.7</i>	<i>38.9</i>	
Real Estate	873	1,332	(34.4)	1,851	2,724	2,890	(5.7)
<i>Margin (%)</i>	<i>43.3</i>	<i>41.2</i>		<i>53.4</i>	<i>49.6</i>	<i>50.7</i>	
Hotel	(70)	(15)	NA	(17)	(87)	(28)	NA
<i>Margin (%)</i>	<i>(18.3)</i>	<i>(4.1)</i>		<i>(4.0)</i>	<i>(10.8)</i>	<i>9.1</i>	
Unallocated	(63)	(3)	NA	54	(82)	(15)	NA
<i>Margin (%)</i>	<i>(23.2)</i>	<i>(0.8)</i>		<i>30.8</i>	<i>(17.4)</i>	<i>348.7</i>	
Investments	560	40	1,304.0	(19)	614	5,205	(88.2)
<i>Margin (%)</i>	<i>100.0</i>	<i>100.0</i>		<i>(24.1)</i>	<i>100.0</i>	<i>100.0</i>	
<b>Total</b>	<b>6,732</b>	<b>6,607</b>	<b>1.9</b>	<b>6,379</b>	<b>12,498</b>	<b>32,765</b>	<b>(61.9)</b>

Source: Company Data, PL Research

**Exhibit 3: Balance Sheet (Rs m)**

Y/e March	H1FY12	H1FY11	FY11
Share Capital	4,253	4253	4253
Reserves	91,769	87,185	89,721
Loans	230,927	204,446	217,076
DTL	12,814	11,015	11,940
FA	199,582	162,664	183,096
Investments	67,789	56,522	64,838
NCA	72,391	87,713	75,057

Source: Company Data, PL Research

**Exhibit 4: SOTP**

<b>Entities</b>	<b>Method</b>	<b>Total Value (Rs m) PSV (Rs)</b>	
Standalone	Cement- \$100/tonne FY12E Capacity of 33m, EPC at 6x FY13E EV/EBIDTA	139,714	63
JP Infratech-Yamuna Expressway-84% stake	NPV at 25% discount	26,871	12
JPVL Listed-72.5% held by JPA	NPV at 25% discount of power projects	54,285	24
Other Projects	BV of investments	26,912	12
Less: Debt		98,755	46
Add: FY11 Cash		24,625	11
<b>SOTP</b>		<b>173,652</b>	<b>76</b>

Source: PL Research



**Income Statement (Rs m)**

Y/e March	2010	2011	2012E	2013E
<b>Net Revenue</b>	<b>100,889</b>	<b>130,844</b>	<b>139,065</b>	<b>169,633</b>
Raw Material Expenses	831	(1,626)	1,200	850
Gross Profit	100,058	132,469	137,865	168,783
Employee Cost	6,653	5,957	8,344	10,178
Other Expenses	70,292	96,431	97,763	121,712
<b>EBITDA</b>	<b>23,114</b>	<b>30,082</b>	<b>31,758</b>	<b>36,893</b>
Depr. & Amortization	4,561	6,078	6,852	8,000
Net Interest	10,558	13,942	17,586	19,400
Other Income	7,321	3,378	2,500	2,500
<b>Profit before Tax</b>	<b>15,316</b>	<b>13,440</b>	<b>9,820</b>	<b>11,993</b>
Total Tax	6,733	5,867	3,535	4,318
<b>Profit after Tax</b>	<b>8,583</b>	<b>7,572</b>	<b>6,285</b>	<b>7,676</b>
Ex-Od items / Min. Int.	17,016	8,195	—	—
<b>Adj. PAT</b>	<b>8,583</b>	<b>7,571</b>	<b>6,285</b>	<b>7,676</b>
<b>Avg. Shares O/S (m)</b>	<b>2,124.7</b>	<b>2,126.5</b>	<b>2,224.1</b>	<b>2,224.1</b>
<b>EPS (Rs.)</b>	<b>4.0</b>	<b>3.6</b>	<b>2.8</b>	<b>3.5</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2010	2011	2012E	2013E
C/F from Operations	5,103	8,623	46,476	4,624
C/F from Investing	(53,390)	(28,568)	(14,834)	(34,266)
C/F from Financing	57,993	23,083	(19,219)	15,410
Inc. / Dec. in Cash	9,706	3,138	12,423	(14,232)
Opening Cash	29,086	38,792	24,625	36,445
Closing Cash	38,792	24,625	36,445	23,149
FCFF	(50,642)	(22,606)	24,947	(38,277)
FCFE	(2,617)	15,384	28,683	(19,135)

**Key Financial Metrics**

Y/e March	2010	2011	2012E	2013E
<b>Growth</b>				
Revenue (%)	75.0	29.7	6.3	22.0
EBITDA (%)	37.9	30.1	5.6	16.2
PAT (%)	(3.9)	(11.8)	(17.0)	22.1
EPS (%)	(46.4)	(11.9)	(20.6)	22.1
<b>Profitability</b>				
EBITDA Margin (%)	22.9	23.0	22.8	21.7
PAT Margin (%)	8.5	5.8	4.5	4.5
RoCE (%)	6.8	5.9	5.7	6.2
RoE (%)	11.4	8.5	6.5	7.5
<b>Balance Sheet</b>				
Net Debt : Equity	1.7	2.0	1.9	2.1
Net Wrkng Cap. (days)	(15,940)	7,768	(18,502)	(25,804)
<b>Valuation</b>				
PER (x)	18.5	21.0	26.5	21.7
P / B (x)	1.9	1.7	1.7	1.6
EV / EBITDA (x)	12.9	11.7	11.0	10.4
EV / Sales (x)	3.0	2.7	2.5	2.3
<b>Earnings Quality</b>				
Eff. Tax Rate	44.0	43.7	36.0	36.0
Other Inc / PBT	66.4	42.6	25.5	20.8
Eff. Depr. Rate (%)	3.5	4.1	4.2	4.1
FCFE / PAT	(30.5)	203.2	456.4	(249.3)

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	85,007	93,973	99,019	104,804
Total Debt	179,087	217,076	220,812	239,954
Other Liabilities	9,232	11,940	8,741	9,756
<b>Total Liabilities</b>	<b>273,327</b>	<b>322,990</b>	<b>328,572</b>	<b>354,514</b>
Net Fixed Assets	145,103	183,096	196,543	217,570
Goodwill	—	—	—	—
Investments	55,763	64,838	65,214	65,214
Net Current Assets	72,461	75,057	60,608	66,999
<i>Cash &amp; Equivalents</i>	<i>38,792</i>	<i>24,625</i>	<i>36,445</i>	<i>23,149</i>
<i>Other Current Assets</i>	<i>92,198</i>	<i>106,898</i>	<i>112,556</i>	<i>134,727</i>
<i>Current Liabilities</i>	<i>58,529</i>	<i>56,467</i>	<i>88,393</i>	<i>90,877</i>
Other Assets	—	20	5	—
<b>Total Assets</b>	<b>273,327</b>	<b>323,010</b>	<b>322,370</b>	<b>349,783</b>

**Quarterly Financials (Rs m)**

Y/e March	Q3FY11	Q4FY11	Q1FY12	Q2FY12
<b>Net Revenue</b>	<b>28,937</b>	<b>39,822</b>	<b>31,423</b>	<b>30,675</b>
<b>EBITDA</b>	<b>7,915</b>	<b>8,510</b>	<b>7,353</b>	<b>6,832</b>
% of revenue	27.4	21.4	23.4	22.3
Depr. & Amortization	1,542	1,507	1,721	1,761
Net Interest	3,382	4,048	4,284	4,049
Other Income	588	921	439	1,210
<b>Profit before Tax</b>	<b>3,571</b>	<b>3,876</b>	<b>1,786</b>	<b>2,228</b>
Total Tax	1,245	857	725	942
<b>Profit after Tax</b>	<b>2,327</b>	<b>3,020</b>	<b>1,061</b>	<b>1,287</b>
<b>Adj. PAT</b>	<b>2,327</b>	<b>3,020</b>	<b>1,061</b>	<b>1,287</b>

**Key Operating Metrics**

Y/e March	2010	2011	2012E	2013E
Const. (Rs m)	55,892	60,292	61,132	70,302
Cement Prod. (Rs m)	39,751	49,350	76,605	103,573
Hotel & Hosp. (Rs m)	1,543	1,773	1,600	1,840
Real Est. (Rs m)	6,536	17,052	9,603	9,358
Wind Power (Rs m)	320	1,183	350	400
Invnt. (Rs m)	393	—	—	—
Unallocated (Rs m)	1,488	1,193	500	500
Int. as a % to sales	10.5	10.7	12.6	11.4
EBIT Marg. - Cem (%)	26.0	15.4	15.5	16.0
EBIT Marg. - EPC (%)	21.0	15.3	14.5	15.0
Order book (Rs bn)	385.3	349.8	298.7	253.4
Int Rate (%)	5.9	6.4	8.0	8.1
Capex (Rs bn)	42.3	19.5	14.5	34.3
NCA/Sales (%)	71.8	57.4	43.6	39.5
RM & Const Cost (%)	56.5	60.9	56.7	58.8

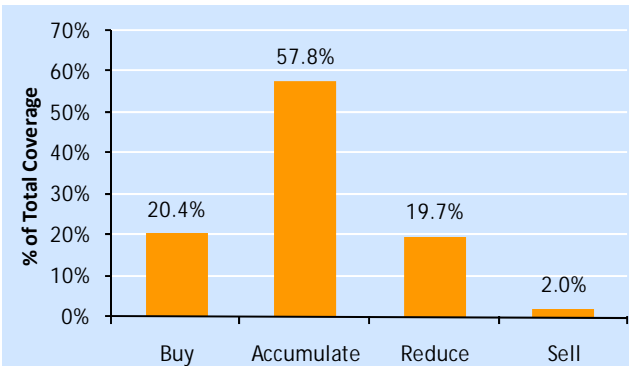
Source: Company Data, PL Research.

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

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

#### For Clients / Recipients in United States of America:

All materials are furnished courtesy of Direct Access Partners LLC ("DAP") and produced by Prabhudas Lilladher Pvt. Ltd. ("PLI"). This material is for informational purposes only and provided to Qualified and Accredited Investors. You are under no obligation to DAP or PLI for the information provided herein unless agreed to by all of the parties. Additionally, you are prohibited from using the information for any reason or purpose outside its intended use. Any questions should be directed to Gerard Visci at DAP at 212.850.8888.