



Company – Jai Prakash Associates Ltd  
Underperformer

Industry - Construction & Contracting - Civil  
Target Price – 90/86

### About the Company

Jaiprakash Associates Limited, the flagship company of the Jaypee Group, is a leader in Engineering and Construction of Hydropower projects in India, the Group has the largest market share in the Indian Hydropower, E&C and EPC sector having participated in 54% of Hydropower projects developed in 10th 5-Year Plan in different capacities.

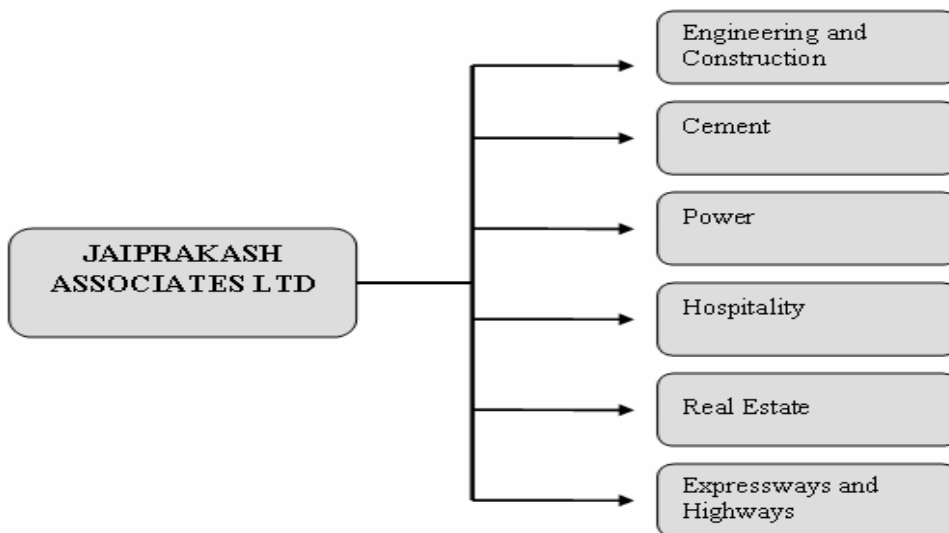
JAL is the only integrated solution provider for Hydropower projects in the country with a track record of strong project implementation in different capacities and has participated in projects that have added over 8840 MW of Hydroelectricity to the National grid between 2002 to 2009.

The Group also has the distinction of executing three out of five Hydropower projects contracted on an EPC basis in the country till March 2009. Two of these, 300 MW Chamera - II and 520 MW Omkareshwar, have been completed ahead of schedule.

After having established a strong presence in the Hydropower sector, your Company has initiated its entry into Thermal Power, Wind Power Projects, Transmission, Oil & Gas Exploration and Coal Mining, by itself/through its subsidiaries,

The Company is amongst the largest cement producers in the country and it produces special blend of Portland Pozzolana Cement under the brand name 'Jaypee Cement' (PPC). The cement business of the Group, till recently concentrated in the Central Region of the country is now poised for a Pan India presence.

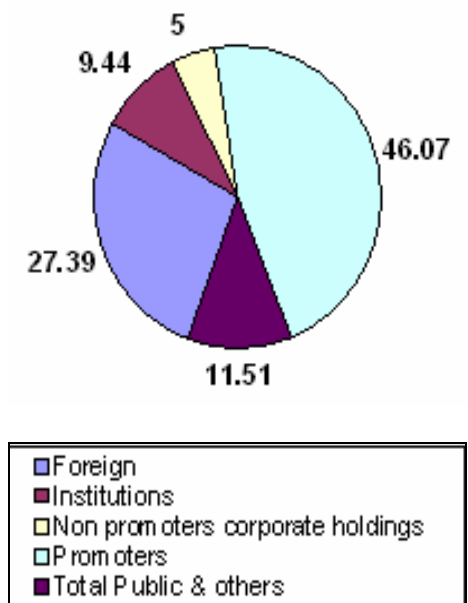
### Business Model



### Statistics

NSE Code	JPASSOCIAT
BSE Code	532532
Face Value	Rs 2
52 W High/Low	180/41.13
Market cap	26488.26 cr.
Dividend Yield (%)	0.79
EPS (TTM)	8.80
P/E Ratio	14.31
Book Value (Rs)	29.63

### Share Holding Pattern



## SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>The Group has the largest market share in the Indian Hydropower</li> <li>Only integrated solution provider for Hydropower projects in the country</li> <li>Amongst the largest cement producers in the country</li> </ul>	<ul style="list-style-type: none"> <li>Fall in margin over the last one year due to increasing cost of raw material</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>The road freight industry will be growing at a compound annual growth rate (CAGR) of 9.9 per cent from 2007-08 to 2011-12 (Planning Commission)</li> <li>The government is targeting an investment of US\$ 20.38 billion over the next two years in the infrastructure sector</li> <li>US\$ 494 billion of investment is proposed for the Eleventh Plan period (2007-12), which would increase the share of infrastructure investment to 9 per cent of GDP from 5 per cent in 2006-07 (Planning Commission)</li> </ul>	<ul style="list-style-type: none"> <li>Slowdown in the economy could impact investment and activity in infrastructure and adversely affect business</li> <li>Increased competition in Engineering and Construction may put pressure on operating margins</li> </ul>

## Key Developments

- The Company is expanding its Cement Production Capacity to 29.25 MTPA. An additional capacity of 4.3 MTPA is being added through Joint Ventures with SAIL (Steel Authority of India Limited) taking the Group's total capacity to 33.55 MTPA by 2011 which will make Jaypee Group the 3rd largest Cement producing group in India.
- The company in the process of implementing new Greenfield projects in Northern, Central, Western & Southern parts of the country.
- It has raised Rs 10 billion through issue of non-convertible debentures (NCDs) to Standard Chartered India.
- Company has also decided to raise low cost funds to the extent of Rs. 5 billion by way of private placement of unsecured rated commercial papers.
- It has also decided to disinvest / offer for sale upon 60 million equity shares out of 1.21 billion equity shares of Rs 10 each held by the company in Jaypee Infratech, a subsidiary of Jaiprakash Associates.
- Commissioning of new 2.4 MTPA cement plant at Sewagram in Kutch, Gujarat
- Company crossed one million tonne mark in cement despatches in November 2009 for the first time.



- Commissioning of 1.75 MnTPA Jaypee Himachal Cement Grinding and Blending Plant, Bagheri, H.P.
- Commissioning of 2.2 MnTPA Bhilai Jaypee Cement Ltd., Satna (Madhya Pradesh).
- Jaypee Cement announced the commissioning of its state-of-the-art Jaypee Roorkee Cement Grinding Unit (JRCGU) at Roorkee, Uttarakhand. The unit, with an annual capacity of 1.2 million tonnes, shall further consolidate the strength of Jaypee Cement in the markets of Uttarakhand and Western UP
- Issue of bonus shares in December 2009 in the ratio of 1 equity shares for every 2 equity shares of Rs 2 each held on 18th December 2009.
- FCCB's aggregating USD 10,000 (Out of total FCCB-1 of USD 100 million due on 17.02.2010) have been converted into 9264 equity shares of Rs 2 each at a pre-determined price of Rs 47.262 per share, thereby increasing the paid-up share capital of the company by Rs 18,528 and the share premium account by Rs 4.19 lakh.

## Results Watch

### Q3FY10 Results (all comparisons with Q3FY09) Y-o-Y

- Total income at Rs 2967.68 crore, up by 100.07% from Rs 1483.30 crore
- EBIDTA at Rs 889.09 crore, up by 116.55% from Rs 410.58 crore
- PBT at Rs 502.90 crore, up by 131.28% from Rs 217.44 crore
- PAT (before extraordinary items) at Rs 314.96 crore, up 86.79% from Rs 168.62 crore
- EPS at Rs 1.49 per share
- Operating margin of 31.17%
- Cement dispatches(including clinker sale) in Q3FY10 was at 28.64 lac MT up 51.37% v/s 18.92 lac MT in Q3FY09

### Segmental Division Results Highlights – Q3FY10

- Turnover from Cement Division (including cement products) at Rs 948.34 crore v/s Rs 589.63 crore registering growth of 60.83%
- The construction segment revenue grew 130% to Rs 1643.05 crore during the quarter under review, while the cement and the real estate vertical also did phenomenally well.
- Cement PBIT increased by 50% to Rs 236.39 crore and the construction segment PBIT went up by 369% to Rs 410.71 crore.
- Turnover from Engineering Division (including Real Estate, Hotels, Wind Power) at Rs 2037.08 crore v/s Rs 830.89 crore registering a growth of 145.16%



## Technical Analysis

Technically, the counter has been witnessing a continuous downside rally since last few days. Daily chart of the past few weeks suggests consolidation in the counter, and it has recently given a breakdown below the range of 140-165 to touch the current lows of 122. The stock is showing weakness along with consistent volumes indicating that the focus is more on sell side. Given the Negative oscillators set-up, the stock could under perform as long as it sustains below the short-term moving averages. In daily charts it is trading well below the crossover of 9 & 18 days WMA as well as 100 days SMA indicating the bearish trend to continue in the short as well as medium term. 14 days RSI is trading with upward bias at 27 level which indicates that the counter is already in oversold zone. There we may see some bounce back rally in prices in the coming days. This upside should be best utilised to create short positions in the counter for significant gains. MACD and stochastic also giving bearish indications.

On weekly charts also the trend is looking bearish. Three consecutive bearish candlesticks support the negative trend in the medium term. A clear-cut breakdown below the Bollinger band gives a sign of further downside rally in medium term with or without early consolidation. A strong support is available at 115 level. Immediate and next resistance is placed at 148. A confirmatory breakdown below the support level will take the counter to the lower level of 90-85.

We hold bearish view for the stocks in the short to medium term.

<b>Important Level</b>			
<b>Resistance</b>		<b>Support</b>	
<i>R1</i>	<i>136</i>	<i>S1</i>	<i>115</i>
<i>R2</i>	<i>150</i>	<i>S2</i>	<i>108</i>
<i>R3</i>	<i>158</i>	<i>S3</i>	<i>94</i>
<i>R4</i>	<i>170</i>	<i>S4</i>	<i>86</i>



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