

August 16, 2011

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	Accumulate
Rating	
Price	Rs62
Target Price	Rs78
Implied Upside	25.8%
Sensex	16,840

(Prices as on August 12, 2011)
Trading data

Market Cap. (Rs bn)	131.7
Shares o/s (m)	2,124.7
3M Avg. Daily value (Rs m)	998.6

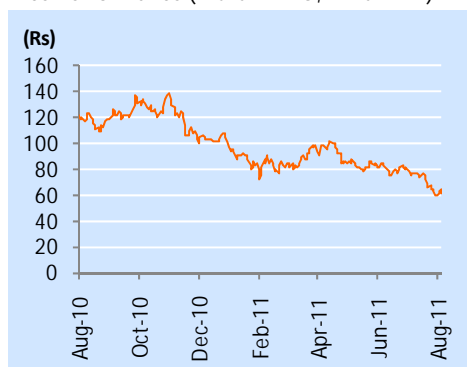
Major shareholders

Promoters	46.84%
Foreign	19.32%
Domestic Inst.	11.57%
Public & Other	22.27%

Stock Performance

(%)	1M	6M	12M
Absolute	(18.3)	(24.3)	(47.8)
Relative	(9.8)	(19.3)	(41.0)

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



Source: Bloomberg

■ **Flat Revenue growth:** Construction revenues (constituting 40% of the total revenues) de-grew by 11.3% YoY for Q1FY11; however, cement sales were up by 12.9% YoY. This was mainly on account of a 20% growth in despatches YoY to 4.2m tonnes. Realisations were a tad lower at Rs3,800/tonne down by 5.4% YoY and up by 14.8% QoQ.

■ **Real Estate, EPC aids EBITDA, while Cement EBIT margins suffer:** EBIT margins for construction which disappointed in Q4FY11 and which were lower in Q1FY11 rose to 19.6% in Q1FY12. This was above our expectation of 6% as we had considered in house construction to have higher share in revenue booking. For cement, the EBIT per tonne declined to Rs464/tonne from Rs482/tonne in Q4FY12 and Rs818/tonne in Q1FY11. EBIT margin for cement stood at 11.9% which was in line our expectation of 12% lower by 800bps YoY. Real Estate EBIT margins were the surprise factor with a 1100bps improvement YoY which aided the overall results. Overall EBITDA margins stood at 23.4% which was up by 317bps YoY on back of better EPC and Real Estate margins.

■ **Higher interest continues to dent PAT:** Interest continues to increase YoY by 30.6% and QoQ by 5% to Rs4.3bn. Tax rate was also higher to 40% as compared to 28% YoY which led to a APAT growth of 1% YoY. However the profits were higher than our expectations of Rs791m.

■ **Valuations:** Triggers in terms of commissioning of YEW, increased land sales in JPI and pick-up in construction revenues in JPA fares well for upsides in the stock, going forward. The stock is available at a core P/E of 7.7x FY13E. Maintain **'Accumulate'**

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	100,889	132,166	142,725	175,106
Growth (%)	75.0	31.0	8.0	22.7
EBITDA (Rs m)	23,114	31,388	32,626	38,111
PAT (Rs m)	8,583	7,563	8,099	9,380
EPS (Rs)	4.0	3.6	3.6	4.2
Growth (%)	(46.4)	(11.9)	2.4	15.8
Net DPS (Rs)	0.5	0.7	0.4	0.5

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	22.9	23.7	22.9	21.8
RoE (%)	11.4	8.7	8.0	8.1
RoCE (%)	6.8	6.1	6.1	6.5
EV / sales (x)	2.7	2.3	2.3	2.0
EV / EBITDA (x)	11.8	9.5	9.9	9.3
PE (x)	15.3	17.4	17.0	14.7
P / BV (x)	1.5	1.5	1.2	1.2
Net dividend yield (%)	0.8	1.1	0.7	0.8

Source: Company Data; PL Research

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**Exhibit 1: Q1FY12 Result Overview (Rs m)**

Y/e March	Q1FY12	Q1FY11	YoY gr. (%)	Q4FY11	FY12E	FY11	YoY gr. (%)
Net Sales	31,423	31,742	(1.0)	39,822	142,725	132,166	8.0
Expenditure							
RM, Construction, Mfg. & Others	17,685	19,935	(11.3)	24,056	80,925	79,898	1.3
<i>% of Net Sales</i>	<i>56.3</i>			<i>60.4</i>	<i>56.7</i>	<i>60.5</i>	
Sales, Admin & Personnel	1,744	1,465	19.0	1,550	11,418	5,960	91.6
<i>% of Net Sales</i>	<i>5.5</i>			<i>3.9</i>	<i>8.0</i>	<i>4.5</i>	
Other Expenses	4,520	3,591	25.9	5,915	16,556	16,547	0.1
<i>% of Net Sales</i>	<i>14.4</i>	<i>11.3</i>		<i>14.9</i>	<i>11.6</i>	<i>12.5</i>	
Increase decrease in stock in trade	122	330		(208)	1,200	(1,627)	
Total Expenditure	24,071	25,321	(4.9)	31,313	110,099	100,778	9.2
EBIDTA	7,353	6,421	14.5	8,510	32,626	31,388	3.9
<i>Margin (%)</i>	<i>23.4</i>	<i>20.2</i>	<i>317.0</i>	<i>21.4</i>	<i>22.9</i>	<i>23.7</i>	<i>(89.0)</i>
Depreciation	1,721	1,503	14.5	1,507	6,852	6,079	12.7
EBIT	5,632	4,918	14.5	7,003	25,774	25,309	1.8
Interest	4,284	3,279	30.6	4,048	16,186	13,942	16.1
Other Income	439	436	0.8	924	2,500	1,036	141.3
Ex	(2)	5,132		(3)	-	5,139	
PBT	1,795	7,199	(75.1)	3,876	12,088	17,542	(31.1)
Tax	725	2,039	(64.4)	857	3,989	5,881	(32.2)
<i>Tax Rate (%)</i>	<i>40.4</i>	<i>28.3</i>		<i>22.1</i>	<i>33.0</i>	<i>33.5</i>	
Reported PAT	1,070	5,160	(79.3)	3,020	8,099	11,661	(30.5)
Adj PAT	1,070	1,061	0.8	3,020	8,099	7,563	7.1

Source: Company Data, PL Research

Exhibit 2: Segmental Breakup (Rs m)

Y/e March	Q1FY12	Q1FY11	YoY gr. (%)	Q4FY11	FY12	FY11	YoY gr. (%)
Revenues							
Cement	16,272	14,415	12.9	15,685	71,771	54,558	31.6
Construction	12,748	14,373	(11.3)	17,806	70,423	60,527	16.3
Wind Power	119	110	8.5	39	350	314	11.5
Hotel	424	369	14.8	517	1,961	1,810	8.3
Real Estate	3,469	3,661	(5.2)	5,968	7,366	17,117	(57.0)
Unallocated	176	334	(47.3)	435	901	1,460	(38.3)
Investments	80	33	142.7	924	-	1,036	NA
Net Revenues	31,833	32,178	(1.1)	40,746	152,773	133,202	14.7
EBIT							
Cement	1,940	2,863	(32.2)	2,229	10,739	8,396	27.9
<i>Margin (%)</i>	<i>11.9</i>	<i>19.9</i>		<i>14.2</i>	<i>15.0</i>	<i>15.4</i>	
Despatches mt	4.2	3.5	19.3	4.6	21.9	15.9	37.8
EBIT per tonn	464.6	818.0	(43.2)	482.4	490.3	528.1	(7.2)
Realisation per tonn	3,898	4,119	(5.4)	3,395	3,277	3,431	(4.5)
Construction	2,500	1,048	138.5	2,185	12,560	9,267	35.5
<i>Margin (%)</i>	<i>19.6</i>	<i>7.3</i>		<i>12.3</i>	<i>17.8</i>	<i>15.3</i>	
Wind Power	71	70	0.7	(30)	175	122	43.3
<i>Margin (%)</i>	<i>59.0</i>	<i>63.6</i>		<i>(76.2)</i>	<i>50.0</i>	<i>38.9</i>	
Real Estate	1,851	1,558	18.8	2,855	3,683	8,686	(57.6)
<i>Margin (%)</i>	<i>53.4</i>	<i>42.6</i>		<i>47.8</i>	<i>50.0</i>	<i>50.7</i>	
Hotel	(17)	(13)	29.2	100	150	165	(9.0)
<i>Margin (%)</i>	<i>(4.0)</i>	<i>(3.5)</i>		<i>19.3</i>	<i>7.7</i>	<i>9.1</i>	
Unallocated	54	5,139	(98.9)	(14)	270	5,092	(94.7)
<i>Margin (%)</i>	<i>30.8</i>	<i>1,538.6</i>		<i>(3.1)</i>	<i>30.0</i>	<i>348.7</i>	
Investments	(19)	33	NA	924	-	1,036	NA
<i>Margin (%)</i>	<i>(24.1)</i>	<i>100.0</i>		<i>100.0</i>	<i>-</i>	<i>100.0</i>	
Total	6,379	10,698	(40.4)	8,249	27,578	32,765	(15.8)

Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2010	2011	2012E	2013E
Net Revenue	100,889	132,166	142,725	175,106
Raw Material Expenses	831	(1,627)	1,200	850
Gross Profit	100,058	133,793	141,525	174,256
Employee Cost	6,653	5,960	8,563	10,506
Other Expenses	70,292	96,444	100,335	125,638
EBITDA	23,114	31,388	32,626	38,111
Depr. & Amortization	4,561	6,079	6,852	8,000
Net Interest	10,558	13,942	16,186	19,400
Other Income	7,321	2,078	2,500	2,500
Profit before Tax	15,316	13,445	12,088	13,211
Total Tax	6,733	5,881	3,989	3,831
Profit after Tax	8,583	7,564	8,099	9,380
Ex-Od items / Min. Int.	17,016	8,195	—	—
Adj. PAT	8,583	7,563	8,099	9,380
Avg. Shares O/S (m)	2,124.7	2,125.5	2,223.1	2,223.1
EPS (Rs.)	4.0	3.6	3.6	4.2

Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	5,103	35,776	22,065	5,355
C/F from Investing	(53,390)	(48,032)	(14,834)	(34,266)
C/F from Financing	57,993	2,569	109	15,615
Inc. / Dec. in Cash	9,706	(9,687)	7,340	(13,296)
Opening Cash	29,086	38,792	29,105	36,445
Closing Cash	38,792	29,105	36,445	23,149
FCFF	(50,642)	(8,988)	(371)	(36,573)
FCFE	(2,617)	8,492	23,874	(17,431)

Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
Growth				
Revenue (%)	75.0	31.0	8.0	22.7
EBITDA (%)	37.9	35.8	3.9	16.8
PAT (%)	(3.9)	(11.9)	7.1	15.8
EPS (%)	(46.4)	(11.9)	2.4	15.8
Profitability				
EBITDA Margin (%)	22.9	23.7	22.9	21.8
PAT Margin (%)	8.5	5.7	5.7	5.4
RoCE (%)	6.8	6.1	6.1	6.5
RoE (%)	11.4	8.7	8.0	8.1
Balance Sheet				
Net Debt : Equity	1.7	1.9	1.6	1.8
Net Wrkng Cap. (days)	(15,940)	11,325	(18,505)	(25,807)
Valuation				
PER (x)	15.3	17.4	17.0	14.7
P / B (x)	1.5	1.5	1.2	1.2
EV / EBITDA (x)	11.8	9.5	9.9	9.3
EV / Sales (x)	2.7	2.3	2.3	2.0
Earnings Quality				
Eff. Tax Rate	44.0	43.7	33.0	29.0
Other Inc / PBT	66.4	35.2	20.7	18.9
Eff. Depr. Rate (%)	3.5	3.8	3.9	3.8
FCFE / PAT	(30.5)	112.3	294.8	(185.8)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	85,007	89,827	112,276	119,533
Total Debt	179,087	196,566	220,812	239,954
Other Liabilities	9,232	7,623	8,741	9,756
Total Liabilities	273,327	294,016	341,829	369,243
Net Fixed Assets	145,103	170,797	210,046	231,073
Goodwill	—	—	—	—
Investments	55,763	70,795	71,171	71,171
Net Current Assets	72,461	52,404	60,608	66,999
<i>Cash & Equivalents</i>	<i>38,792</i>	<i>29,105</i>	<i>36,445</i>	<i>23,149</i>
<i>Other Current Assets</i>	<i>92,198</i>	<i>97,303</i>	<i>112,556</i>	<i>134,727</i>
<i>Current Liabilities</i>	<i>58,529</i>	<i>74,004</i>	<i>88,393</i>	<i>90,877</i>
Other Assets	—	20	5	—
Total Assets	273,327	294,016	341,830	369,243

Quarterly Financials (Rs m)

Y/e March	Q2FY11	Q3FY11	Q4FY11	Q1FY12
Net Revenue	29,933	28,937	39,822	31,423
EBITDA	6,811	7,915	8,510	7,353
<i>% of revenue</i>	<i>22.8</i>	<i>27.4</i>	<i>21.4</i>	<i>23.4</i>
Depr. & Amortization	1,528	1,542	1,507	1,721
Net Interest	3,234	3,382	4,048	4,284
Other Income	820	588	921	439
Profit before Tax	2,897	3,571	3,876	1,786
Total Tax	1,741	1,245	857	725
Profit after Tax	1,156	2,327	3,020	1,061
Adj. PAT	1,156	2,327	3,020	1,061

Key Operating Metrics

Y/e March	2010	2011	2012E	2013E
Const. (Rs m)	55,892	58,686	70,423	80,987
Cement Prod. (Rs m)	39,751	51,621	71,771	97,038
Hotel & Hosp. (Rs m)	1,543	1,783	1,961	2,255
Real Est. (Rs m)	6,536	14,036	7,366	9,358
Wind Power (Rs m)	320	355	350	400
Invnt. (Rs m)	393	401	401	409
Unallocated (Rs m)	1,488	1,153	500	500
Int. as a % to sales	10.5	10.5	11.3	11.1
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	351.6	291.2	235.2
Int Rate (%)	5.9	7.1	7.3	8.1
Capex (Rs bn)	42.3	33.0	14.5	34.3
NCA/Sales (%)	71.8	39.7	42.5	38.3
RM & Const Cost (%)	56.5	60.5	56.7	58.8

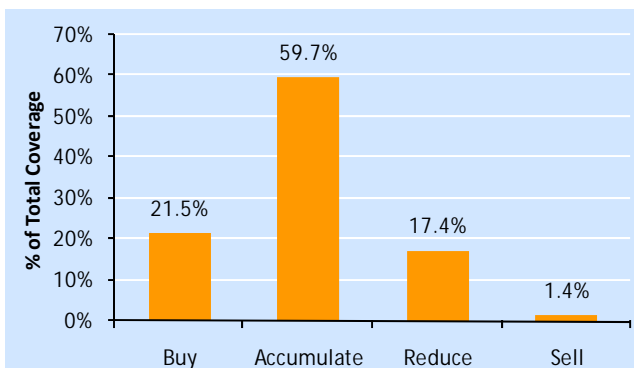
Source: Company Data, PL Research.

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

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