

## APPENDIX B



**ICRA Limited**  
An Associate of Moody's Investors Service

Ref: D/RAT/2010-11/I-60/2

April 15, 2010

Mr. Pramod Aggarwal  
Vice President (Finance)  
Jaypee Infratech Limited  
Sector -128, Noida - 201 304  
Uttar Pradesh

Dear Sir,

**Re: ICRA Grading of Initial Public Offer of Rs.1650 crore to be issued by Jaypee Infratech Limited to the Public ("IPO")**

Please refer to your mandate letter dated April 2, 2010 for grading the Rs. 1650 crore IPO of Jaypee Infratech Limited. The Rating Committee of ICRA, after due consideration, has assigned the "IPO Grade 3" (pronounced Initial Public Offer Grade three) grading to the captioned IPO programme. This grading indicates average fundamentals.

In any of your publicity material or other document wherever you are using the above grading, it should be stated as "IPO Grade 3". We would appreciate if you can sign on the duplicate copy of this letter and send it to us as a token of your confirmation about the use of this letter. The rationale for assigning the above grading will be sent to you in due course.

Notwithstanding anything to the contrary: An ICRA IPO Grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO Grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further the ICRA IPO Grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such Issuer nor can it be considered as an authentication of any of the financial statements of the company and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA is provided on an "as is" basis, without representations and warranties of any nature.

This grading is specific to the terms and conditions of the proposed IPO issue as was indicated to us by you and any change in the terms or size of the IPO would require the grading to be reviewed by us. If there is any change in the terms and conditions or size of the rated IPO, as above, the same must be brought to our notice before the issue of the IPO. If there is any such change after the grading is assigned by us, it would be subject to our review and may result in change in the grading assigned.

*Shyam Mohan*

*Mamta Singh*

Building No. 8, 2<sup>nd</sup> Floor  
Tower A, DLF Cyber City  
Phase II, Gurgaon - 122002

Tel : + 91 - 124 - 4545300  
Fax : + 91 - 124 - 4545350

website : [www.icra.in](http://www.icra.in)  
email : [info@icraindia.com](mailto:info@icraindia.com)

Regd. Office: 1105, Kailash Building, 11<sup>th</sup> Floor, 26, Kasturba Gandhi Marg, New Delhi - 110001

**RATING • RESEARCH • INFORMATION**



ICRA reserves the right to suspend, withdraw or revise the above grading at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the aforesaid grading assigned to you.

The grading, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Equity Shares to be issued by you. If the instrument rated, as above, is not issued by you within a period of 6 months from date of this letter communicating the grading, the same would stand withdrawn unless revalidated before the expiry of 6 months.

You are required to keep us forthwith informed of any developments (including any default or delay in repayment of interest or principal amount of any debt instruments/ borrowing or proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts) which may have a direct or indirect impact on the grading assigned to the aforesaid IPO programme.

We thank you for your kind cooperation extended during the course of the grading exercise. Should you require any clarification, please do not hesitate to get in touch with us.

With kind regards,

Yours sincerely,  
for ICRA Limited

*Sabyasachi Majumdar*

Sabyasachi Majumdar  
(Vice President)

*Manita Singh*

Manita Singh  
(Senior Analyst)



## ICRA Limited

An Associate of Moody's Investors Service

### ICRA assigns IPO Grade 3 to the proposed IPO of Jaypee Infratech Limited

ICRA has assigned an IPO Grade 3, indicating average fundamentals to the proposed Initial Public Offer (IPO) of Jaypee Infratech Limited (JIL). ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

JIL is proposing an IPO of Rs. 16.50 billion and an offer for sale of 600 million shares through a 100% book building route. The IPO proceeds are proposed to be used primarily for financing the Yamuna Expressway Project and for general corporate purposes.

The IPO Grade assigned by ICRA reflects the experience and competence of the promoter company Jaiprakash Associates Limited (JAL) in executing infrastructure projects; low land acquisition risk of the project; achievement of financial closure with respect to debt; and the significant physical progress achieved in constructing the expressway so far. The grading also takes into consideration the availability of sizeable land parcels in areas like Noida and Greater Noida for real estate development at relatively low cost. The grading is however constrained by the high market risk especially for the real estate development; implementation risk associated with the remaining part of the expressway; execution risk associated with the sizeable real estate projects, all of which are still under development; and funding risks in the event of cost-overrun above the proposed project cost of Rs. 97.39 billion, given the fact that the Engineering, Procurement and Construction (EPC) contract for the expressway has been awarded on a cost-plus basis. The expressway faces high market risk given the competition from the existing National Highway 2 (NH2), although this is not significant given that ICRA expects that profit from sale of real estate will be the key revenue driver for the company. Out of the five land parcels available to JIL, the land parcels in Noida and Greater Noida have high marketability. So far the company has received a satisfactory response to its real estate launches in Noida, however, achieving similar sales on a sustained basis over the long term can prove to be challenging. This is particularly so given the sizeable developable space that JIL plans to sell (~58 million square feet in Noida and ~87 million square feet in Greater Noida, assuming FAR of 150). In addition, the company faces competition from numerous other players which have sizeable real estate development plans in Noida and Greater Noida. Apart from the Noida and Greater Noida land parcels, the Concession Agreement (CA) also provides JIL rights for development of similar land parcels in Mirzapur, Tappal and Agra. The market risks for these land parcels are higher given the low current demand and lack of adequate physical and social infrastructure in these areas. However, despite these market risks, comfort can be taken from the low cost of land, which provides significant pricing flexibility and at the same time enhances the profitability potential. Going forward, timely completion of the expressway and delivery of existing real estate projects would be crucial for sustained real estate sales.

#### Company Profile:

Jaypee Infratech Limited (JIL) is a Special Purpose Vehicle (SPV) promoted by Jaiprakash Associates Limited (JAL), the flagship company of the Jaypee Group, to construct a 6-lane access controlled expressway (extendable upto 8 lane) from Noida to Agra in Uttar Pradesh (UP) -- the project being called the Yamuna Expressway Project. JAL holds 99.1% in JIL. The project was conceived by Government of UP (GoUP) in 2001 and Yamuna Expressway Industrial Development Authority (YEA) was set up as a nodal agency by GoUP to plan and construct the proposed expressway. The concession was awarded to

Building No. B-2, Floor  
Tower A, DLF Cyber City  
Phase II, Gurgaon - 122002



Tel: 0124 - 4545390  
Fax: 0124 - 4545350

website: [www.icra.in](http://www.icra.in)  
email: [info@icra.in](mailto:info@icra.in)

Regd. Office: 1105, Kalash Building, 11 Floor, 25, Kasturba Gandhi Marg, New Delhi - 110001

RATING • RESEARCH • INFORMATION



## ICRA Limited

An Associate of Moody's Investors Service

JAL (later transferred to JIL) in February 2003 for a concession period of 36 years. In addition to the development and operation of the expressway, the Concession Agreement (CA, between YIEA and JAL) also grants JIL the rights to develop 25 million sq. meters of land in five different parcels along the proposed expressway. Given the high cost of development of the expressway and its high market risk, the real estate land parcels have been awarded as a viability gap funding towards the project cost. Given the location of the project, it has significant importance towards the state's economic development plan. JIL reported revenues of Rs. 5.55 billion and Profit After Tax of Rs. 2.67 billion in FY 2008-09. This operating income was largely booked on account of sale of land to group companies.

For further details please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel. No. +91-124-4545304)  
sabyasachi@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)  
vivek@icraindia.com



Copyright, 2009, ICRA Limited. All Rights Reserved.  
Contents may be used freely with due acknowledgement to ICRA

**Disclaimer:** Notwithstanding anything to the contrary, an ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.

Building No. B, 2<sup>nd</sup> Floor  
Tower A, DLF Cyber City  
Phase II, Gurgaon - 122002

Tel. : +91 124 4545300  
Fax : +91 124 4545360

website : [www.icra.in](http://www.icra.in)  
email : [info@icraindia.com](mailto:info@icraindia.com)

Regd. Office: 11th, Kailash Garden, 11<sup>th</sup> Floor, 26, Kasturba Gandhi Marg, New Delhi - 110001

RATING • RESEARCH • INFORMATION