

## APPENDIX C



## CREDIT ANALYSIS & RESEARCH LTD.

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April 14, 2010  
Shri Pramod Aggarwal  
Vice President-Finance,  
Jaypee Infratech Ltd  
Sector-128, Noida-201304,  
Distt. Gautam Budh Nagar.(UP)

### Confidential

Dear Sir,

### IPO Grading

Please refer to our letter dated February 09, 2010 and your letter dated March 25, 2010.

2. CARE has assigned 'CARE IPO Grade 3' [Grade Three] to the proposed IPO issue of JIL. 'CARE IPO Grade 3' indicates average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the fundamentals of the issuer. The grade assigned to any individual issue represents a relative assessment of the 'fundamentals' of the issuer.
3. Please note that wherever 'CARE IPO Grade 3' [Grade Three] appears, it should invariably be followed by the definition 'CARE IPO Grade 3' [Grade Three] indicates 'average fundamentals'.
4. The explanatory notes regarding the grading symbols of CARE for IPO grading are given in Annexure I. The rationale for this grading will be communicated to you separately.
5. Please arrange to get the grading revalidated, in case the proposed IPO issue is not made within two months from the date of this letter.
6. Please note that the IPO grading is a one time exercise undertaken before an IPO issue and it does not have any ongoing validity.
7. Please note that as per the existing regulations, CARE is required to disclose all IPO gradings. As such, in the absence of any request for review of grading within a week of this letter, CARE will disclose this IPO grading to the public.
8. Please note that the disclaimer as given hereunder should be disclosed wherever the IPO grading assigned by CARE is mentioned, including offer document and issue prospectus.

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Head Office : 4th Floor, Godrej Coliseum Somaiya Hospital Road, Behind Everand Nagar  
Off. Eastern Express Highway, Sion (East), Mumbai-400 022

9. If you need any clarification, you are welcome to approach us in this regard.

Thanking You,

Yours faithfully,

  
[Kapil Saxhdeva]  
Senior Manager

  
[Jatin Babbar]  
Manager

Encl : As above

**DISCLAIMER:**

CARE's IPO grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as information obtained from sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earnings prospects of the issuer; also it does not indicate compliance/violation of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

Annexure I

CARE IPO grading Scale

CARE IPO grade	Evaluation
CARE IPO Grade 5	Strong fundamentals
CARE IPO Grade 4	Above average fundamentals
CARE IPO Grade 3	Average fundamentals
CARE IPO Grade 2	Below average fundamentals
CARE IPO Grade 1	Poor fundamentals

April 15, 2010  
Shri Pramod Aggarwal  
Vice President-Finance,  
Jaypee Infratech Ltd  
Sector-128, Noida-201304,  
Distt. Gautam Budh Nagar.(UP)

Dear Sir,

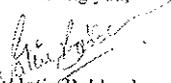
IPO Grading

Please refer to our letters dated February 22, 2010 and April 14, 2010 on the above subject.

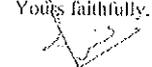
2. The rationale for the IPO grading is attached as an Annexure - I. Kindly note that the rationale would be published in the forthcoming issue of our quarterly journal, 'CAREVIEW'.
3. A write-up on the above IPO Grading is proposed to be issued to the press shortly. A press release is enclosed for your perusal as Annexure - II.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

  
[Jatin Babbar]  
Manager

Yours faithfully,

  
[Kapil Sachdeva]  
Senior Manager

Encl: As above

April 15, 2010

Annexure I  
Grading Rationale

Jaypee Infratech Ltd.

IPO Grading

CARE IPO Grade 3

CARE has assigned a 'CARE IPO Grade 3' to the proposed Initial Public Offer (IPO) of Jaypee Infratech Ltd. (JIL). CARE IPO Grade 3 indicates Average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer.

*The grading takes into account the promoter's experience in the construction business, accomplished management profile, preparedness level of the expressway project as reflected by funds tied up, acquired project land and the status of physical progress achieved. The grading also considers the importance of the project in view of the expressway being part of the state government's economic development plan and significant land bank allocated for real estate development to the company. The grading is constrained by implementation risks associated with residual project development as well as susceptibility of the revenue profile of the company to the risks associated with real estate sector as majority of the revenues and cash generation in future is expected from real estate development.*

Background

JIL is a Special Purpose Vehicle promoted by Japirakash Associates Ltd. (JAL) [Rated 'CARE A+'/'PR1'] to develop, construct and operate Yamuna Expressway Project, a 165 km six-lane (extendable to eight lanes) access-controlled toll expressway between Noida and Agra in Uttar Pradesh. The project was initially awarded to JAL via bidding route on Build-Own-Operate (BOT) basis in 2003 and was later assigned to JIL. The concession period for the project is 36 years starting from the Commercial Operation Date (COD).

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### Management

JAL is the major promoter shareholding company and held 99.1% stake in JIL as on December 1, 2009. JAL is the flagship company of the Jaypee Group. JAL is a dominant player in the construction of multipurpose river valley and hydropower projects and has been involved in construction of major engineering projects for the last three decades, including complex hydro power/river valley projects and is primarily engaged in the business of manufacturing & marketing of cement (one of the largest cement manufacturers in India), engineering & construction, and real estate and hospitality. Mr. Manoj Gaur, B.E.(Civil), is the Chairman of JIL and Jaypee Group. He has been associated with various activities of the Jaypee Group including engineering, construction, hydro power, cement, real estate, information technology, hospitality and educational initiatives.

Mr. O.P. Arya, IAS (Retd.) is the Managing Director-cum Chief Executive Officer of JIL. He has held a number of important positions in Govt. of India (GoI), including the Chief of the Serious Frauds Office, Joint Secretary to GoI, Ministry of Home Affairs, Deputy Secretary/ director to the GoI in the Department of Petrochemicals and Chemicals. He is assisted by qualified personnel in various departments.

### Corporate Governance

The Board of JIL comprises 20 directors, of which the Chairman of the Board is non-executive and non-independent director. JIL has seven executive and 13 non-executive directors on the Board, of which 10 are independent directors. Pre-IPO, promoters and promoter group held more than 99% shareholding in the company as of December 1, 2009. Balance stake was held by Bennett Coleman & Co. Ltd and executive directors. In terms of the Clause 49 of the Listing Agreement, JIL has constituted Audit Committee; Shareholders'/ Investors' Grievance, Share Allotment and Share Transfer Committee; Remuneration Committee; and IPO Committee. All committees were constituted on November 16, 2009.

### Project Details

The expressway project was conceived with the idea to reduce the travel time between New Delhi and Agra and also to open up avenue for industrial and urban development of the region and provide the base for convergence to tourism and other allied industries. The scope of the project includes development of expressway and the concessionaire (JIL) is granted rights by Yamuna Expressway Development Authority (YEDA), the nodal agency for toll collection till the concession period and land development of approximately 25 mn sq mt of land in five different parcels along expressway for commercial, amusement, industrial, institutional and residential development. The land for expressway and real estate development shall be made available on lease by YEDA at a consideration of the acquisition price plus lease rental.

At present, the process of allotment of land for expressway and real estate development is underway. The total land requirement for expressway and associated structures is at 5,060 acres out of which about 4,029 acres of land is in possession of the company as on October 31, 2009. The land for real estate development shall be provided in five parcels of about 1,235 acres each (aggregating 6175 acres) at locations namely Noida, Agra, Dhankur, Tappal and Mirzapur in Uttar Pradesh. About 3,079 acres of land in total has been transferred to JIL as on October 31, 2009. The construction on expressway started in May 2007 and currently the work is on for the entire road length. JAL is appointed as the contractor for the expressway development. The expressway is proposed to get completed by 2011.

The total cost of the project is estimated at Rs.9,739 crore including land acquisition cost aggregating Rs.2,619 crore (for expressway and real estate) cost of construction Rs.5,500 crore (for expressway) and balance Rs.1,820 crore towards preliminary expenses, contingencies and interest during construction. The cost is proposed to be funded through debt of Rs.6,000 crore (fully tied-up), net proceeds of proposed IPO aggregating Rs.1,500 crore, equity contribution from promoters Rs.1,250 crore (already brought in) and balance in the form of contribution from real estate development. Total expenditure incurred as on October 31, 2009 stood at Rs.5,336 crore, majority of which went towards

land acquisition (Rs.2,359 crore) and construction costs (Rs.2,453 crore). The expenditure was funded through debt aggregating Rs.3,279 crore, equity contribution from promoters Rs.1,250 crore and contribution from real estate development Rs.807 crore.

Other than the toll revenue, the project business model is largely driven by sale of real estate development along the expressway. The company plans to develop and sell close to 380 mn sq ft of area.

#### **IPO details**

The proposed issue would comprise fresh issue of ‘\*’ number of equity shares of Rs.10 each at the issue price which is yet to be decided aggregating Rs.1,650 crore, and an offer for sale of up to 60,000,000 equity shares of Rs.10 each at the issue price by the selling shareholders (JAL). Further, the company is also exploring the possibility of the pre-IPO placement. If the pre-IPO placement is completed, the number of equity shares issued pursuant to the pre-IPO placement will be reduced from the fresh issue subject to a minimum net issue size of 10% of the post-issue share capital and the net issue aggregating to at least Rs. 100 crore. The activities for which funds are being raised by JIL through this issue, after deducting the proceeds from the offer for sale are:

- (i) to partially finance the Yamuna Expressway Project; and
- (ii) General corporate purposes.

#### **Financials**

For the year ended March 31, 2009, which was JIL's first year of revenue recognition, it generated sales of Rs.555 crore on account of sale of undeveloped land (about 342 acres), of which Rs.440 crore (about 259 acres) was to group companies. The company earned a PAT of Rs.267 crore in FY09.

Overall gearing ratio stood at 1.50 times as on March 31, 2009. During the current financial year (FY10), the promoters have brought in their balance share of equity for the project (aggregating Rs.1250 crore).

### Industry overview

Huge investments in infrastructure development in India are planned in the eleventh as well as twelfth plan periods and the government is actively encouraging private investments in infrastructure development, including public private partnerships. Highways and expressways form the backbone of roadways development in the country. Though growth and development in road network has been witnessed over the years, significant investments are required to improve the quality and network of roads and highways as well as connectivity between various states.

The real estate sector is one of the major contributors to the Indian economy. The Indian property market witnessed stupendous growth till 2007. However, since 2008, the sector has been facing multiple challenges namely limited financing options, lower off take, correction in selling prices and increasing input costs. These factors led to the significant erosion in the risk profile of the majority of the real estate players in the country and have affected the growth and earning potential of the companies. However post FY09, on account of the relatively favourable interest rate scenario, increased offering in the form of affordable housing and renewed economic outlook, the real estate industry has witnessed some signs of improvement.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities.

Annexure II  
Press Release

CARE assigns 'CARE IPO Grade 3' to proposed IPO of Jaypee Infratech Ltd. (JIL)

CARE has assigned a 'CARE IPO Grade 3' to the proposed Initial Public Offer (IPO) of Jaypee Infratech Ltd. (JIL). CARE IPO Grade 3 indicates Average fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative assessment of the fundamentals of the issuer.

**IPO Grading Rationale**

The grading takes into account the promoter's experience in the construction business, accomplished management profile, preparedness level of the expressway project as reflected by funds tied up, acquired project land and the status of physical progress achieved. The grading also considers the importance of the project in view of the expressway being part of the state government's economic development plan and significant land bank allocated for real estate development to the company. The grading is constrained by implementation risks associated with residual project development as well as susceptibility of the revenue profile of the company to the risks associated with real estate sector as majority of the revenues and cash generation in future is expected from real estate development.

**Company Profile**

JIL is a Special Purpose Vehicle promoted by Japirakash Associates Ltd. (JAL) to develop, construct and operate Yamuna Expressway Project, a 165 km six-lane (extendable to eight lanes) access-controlled toll expressway between Noida and Agra in Uttar Pradesh. The company is contemplating to come with an IPO to raise approximately Rs.1,650 crore, excluding offer for sale of up to 6 cr ? equity shares of Rs.10 each at the issue price by the selling shareholders (JAL) to partly meet the funding requirement for the Yamuna Expressway Project and balance for general corporate purposes.

**Analyst Contact**

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Tel # 01123318701  
Email: kapil.sachdeva@careratings.com

April 15, 2010

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*CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications*

**Disclaimer**

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