

8th March, 2016

JAL:SEC:2016

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Dear Sirs

Jaiprakash Associates Limited (the "Issuer")
U.S.\$150,000,000 5.75 per cent. Convertible Bonds due 2017 ("Bonds")
ISIN-XS0823518765

Interest was payable on the Bonds on the semi-annual interest payment date of 7 March 2016. The Issuer wishes to inform you that it has not paid such interest. The Issuer intends to engage in discussions with holders of the Bonds (the "Bondholders") to arrive at a solution in respect of the unpaid interest.

Background

By way of background, the Issuer is engaged in businesses which include, among others: (i) cement manufacturing and marketing; (ii) engineering and construction; (iii) real estate development; and (iv) hospitality and sports management. The Issuer's business and results of operations have been adversely affected in recent financial periods on account of certain factors, including those set out below.

1. The Indian economy continues to remain sluggish, as it has been for the last three years. The Indian economy has further been affected by the recent global economic uncertainties and liquidity crisis, volatility in interest rates, currency exchange rates, commodity and electricity prices. This has resulted in business in general, and infrastructure companies like ourselves in particular, experiencing very unfavourable financial and operating conditions.
2. In particular, adverse conditions in certain key sectors of the Indian economy have impacted groups/companies such as the Issuer, which had incurred debt in order to invest in the infrastructure sector in India. The power sector in India is currently experiencing certain significant challenges that have never been witnessed before, particularly those related to lower capacity-utilization and lower power tariffs. Furthermore, in recent financial periods, a number of



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real estate and infrastructure projects (particularly, hydropower projects) experienced delays and reduced growth. As a result, the engineering and construction division of the Issuer, which is one of its core businesses, could not procure new contracts. The slow down in the Indian Infrastructure sector has also slowed down cement business, which has seen lower capacity utilization and lower realization impacting the performance of cement division of the Issuer.

3. The Issuer and its subsidiaries and affiliates (together, the "**Group**") have demonstrated their intention of reducing their debt through, among other things:
 - a) the sale of the Group's cement manufacturing assets in the States of Gujarat, Jharkhand and Haryana (which sale was completed during the period between July 2014 and April 2015);
 - b) the sale of two key hydropower projects in Himachal Pradesh (which sale was completed in September 2015); and
 - c) the sale of wind power assets in the states of Gujarat and Maharashtra.
4. In January 2015, the Issuer signed an agreement with Ultratech Cement Limited ("**Ultratech**") to sell two of its cement manufacturing assets in the State of Madhya Pradesh. However, the transaction was withdrawn in the last week of February 2016 due to, among others, certain pending amendments to the Mines and Minerals (Development and Regulation) Act, 1957, which affected the transfer of mining leases.
5. The Group, in pursuit of its objective of reducing its debt, has now signed a binding Memorandum of Understanding with Ultratech for the sale of a significant portion of its cement business (the "**Cement Business Transaction**"), which includes certain identified operating cement manufacturing assets in the States of Uttar Pradesh, Madhya Pradesh, Himachal Pradesh, Uttarakhand, Andhra Pradesh and Karnataka and a Grinding Unit which is currently under implementation in Uttar Pradesh. Under the terms of the Cement Business Transaction, the enterprise value for these assets, with an operating capacity of 18.40 million tons per annum (mtpa), has been agreed at Rs.165,000 million. The completion of the Cement Business Transaction is subject to the execution of definitive agreements, receipt of all statutory and regulatory approvals and compliance with certain regulatory requirements.

The factors set out above, among others, have had a cumulative impact on the Issuer's operations and have not only resulted in a higher cost of financing for the Issuer but also affected its cash flows. Further, in view of the weak performance of the Indian infrastructure sector and volatility in the Indian equity markets, the Issuer has not been able to raise equity funds. While the conditions related to the recovery of Indian infrastructure sector have improved marginally, the Indian government, over the past two years, has taken certain initiatives in this regard. However, it may take certain additional time before these initiatives begin to show significant results.

Next Steps

In view of the foregoing facts and circumstances, the Issuer has not paid the interest which was payable on the Bonds on 7 March 2016 and it proposes to pay the same out of the proceeds of the Cement Business Transaction described in above, along with the applicable default interest. The Issuer will be engaging with the Bondholders to address this matter.

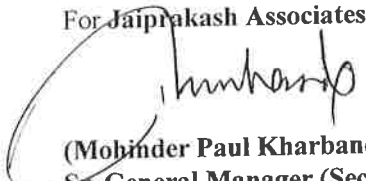


The Issuer is now requesting all Bondholders to identify themselves to the Issuer by contacting Mr. Suren Jain at suren.jain@jalindia.co.in and Mr. Mohinder Paul Kharbanda at mohinder.kharbanda@jalindia.co.in

Thanking you,

Yours faithfully

For Jaiprakash Associates Limited


(Mohinder Paul Kharbanda)
Sr. General Manager (Sectl.) & Company Secretary

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