

Dear Shareholders,

9<sup>th</sup> February, 2005

Let me take this opportunity to place on record my deep sense of appreciation for the trust reposed by you all these years, which has been one of the motivating factors for us in successfully surmounting the challenges, we faced during the period of growth, in recent times.

Our country is endowed with abundant natural resources, where **WATER** is & shall remain perhaps the largest and singular such resource, which is bound to usher a new era of prosperity for our nation in this century. The Government of India's thrust on development of infrastructure with focus on creation of 50,000 MW of Hydropower by 12th Five Year Plan augurs well for the country and offers a great business opportunity for your group.

As you are aware, Jaiprakash Associates Limited (JAL), the holding company of Jaypee Hotels Limited took the pioneering initiative in 1992 when Govt. of India initiated the reform process and invited private sector participation in Power Sector, by undertaking 300 MW Baspa-II Hydro Project on **Build Own Operate (BOO)** basis. To further this objective, 400 MW Vishnuprayag H.E project was undertaken subsequently in 1994. This project is scheduled to be commissioned in 2006. In 1999, JAL had also signed **Project Implementation Agreement** with Govt of Himachal Pradesh for development of 1000 MW Karcham-Wangtoo Hydro Electric Project and it is expected to be commissioned by year 2010. **By March 2010 the Group would have developed Hydro Power Generating Capacity of 1700 MW**, making it India's largest producer of hydropower in the private sector, contributing its might to the hydropower requirement of the Country.

JAL's core competence of undertaking Engineering and Construction of Hydropower projects is fully leveraged in Development of Group's **Build Own Operate (BOO)** initiative in Hydropower Sector, which directly gets translated in **time bound completion** of these National assets, thereby ensuring creation of new capacities within planned project cost.

It would be our continued endeavor to increase the Group's participation in private hydropower sector on **Build Own Operate** basis in the emerging power scenario of the country.

As you are aware, 300 MW Baspa-II Hydro Electric Project (**Owned by Jaiprakash Hydro-Power Limited**) as on date, the largest hydropower project in private sector, has been successfully commissioned in June 2003 and is **operating above the rated capacity**.

Group's initiative in power sector on strength of hydropower means that Group would be producing and adding 8 billion (800 Crores) units to the National Grid from the raw material which is inexhaustible and immune from inflationary trend, thereby securing bright future for all its stakeholders.

With a view to monetize its investment and to provide an opportunity to participate in these initiatives, JAL has decided to "**Offer for Sale**" (**OFS**) 180 million equity shares of **Jaiprakash Hydro-Power Limited (JHPL)** to the public. JHPL has accordingly filed the Draft Red Herring Prospectus with SEBI on 7th February, 2005 for the said IPO. The Offer for Sale is expected to be open for subscription to Public from the third week of March 2005.

I also take this opportunity to inform you that to strengthen the bond and the trust among stakeholder fraternity of **JAYPEE FAMILY** 10% reservation has been made in the said "Offer for Sale" for the stakeholders of **Jaiprakash Associates Ltd. and**



*Panoramic view of head works of Baspa-II Project*

**Jaypee Hotels Ltd.** This being an Offer for Sale, as permissible under the SEBI (DIP) guidelines, no concessional terms other than making reservation are being offered.

I firmly believe that as shareholders of Jaypee Group, you shall come forward with enthusiasm to SHARE THE POWER SHARE.

The Electricity Act, 2003 ushers in comprehensive reforms in all segments of power sector - generation, transmission and distribution. Electricity will soon be a service traded on benchmarks of customer satisfaction such as quality, pricing and service. Competition among service providers will demand improvement in efficiency and productivity and customer care to international standards and utility companies such as JHPL will have the opportunity to address these exciting new avenues.

It would not be prudent to draw parallel of this “**Offering**” in the market, as there are no similar comparison for these shares. Reference comparison could, however, be made to some of the listed Power Utility Companies, most of whom have a non-hydropower generation base.

Baspa-II India's largest Hydropower Plant in the private sector is ideally suited to meet peak load power demand and is fueled from snow fed Baspa River, therefore is poised for a brighter tomorrow in power deficit scenario which is likely to continue in foreseeable future, thereby ensuring assured returns to JHPL.

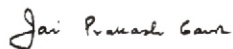
Power Sector and more so Hydropower segment is on inflection stage, offering exciting growth opportunities and your Group with the largest footprint in Hydropower segment in power sector enjoys the **first mover advantage**.

We are committed to continuously enhance the share holder value. We invite you to participate in this opportunity and share the Prosperity from Power.

Further details of the Issue including the Risk Factors will be available at the website, [www.jhpl.com](http://www.jhpl.com) and that of the Book Running Lead Managers (BRLMs), Lead Managers (LMs) to the Issue and SEBI.

The Offer for Sale is being made through Book Building and the price band shall be decided in consultation with the BRLMs/LMs after SEBI clearance of the Draft Red Herring Prospectus. The cut-off date for eligibility of the shareholders for bid entitlement of JHPL shares out of the reservation will be communicated through Newspaper advertisements. Application forms for the said public offer will be sent to you before the opening of the Issue.

With best wishes for a prosperous year.



Jaiprakash Gaur

**Registered Office :** Jaypee Palace Hotel, Near Tora Village, Fatehabad Road, Agra-282 003 (U.P). India Tel.: +91-562-2330800  
**Head Office :** Jaypee Vasant Continental, Vasant Vihar, New Delhi-110 057. India Tel.: +91-11-26148800



Side view of Barrage of Baspa-II project at El. 2520.50 M.

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Let me take this opportunity to place on record my deep sense of appreciation for the trust reposed by you all these years, which has been one of the motivating factors for us in successfully surmounting the challenges, we faced during the period of growth, in recent times.

As you are well aware, your company during last one decade has been successfully competing with the reputed International players in Engineering Construction Business, due to exemplary skill sets & commitment of its human resources, continued thrust on absorption of latest technology while building on its core strength. It's contribution in hydropower development of the country got recognized when it became the only company to get CR-1 rating by ICRA indicating very strong contract execution capacity for hydropower (EPC) contracts in India with average values of up to Rs.2, 000 crores.

You would have observed the following financial results of your company for 9 months ended on 31st December, 2004 for FY-05:

Particulars	Rs. in Crores		
	Nine Months ended 31-12-04 (FY-05)	Nine Months ended 31-12-03 (FY-04)	% Change in FY-05 w.r.t FY-04
Gross Revenue	2134	1730	23%
Profit Before Tax	230	162	42%
Net profit	140	110	27%
EPS	7.90	6.21	27%

I believe these robust operational results in the post amalgamation phase of the company must have been satisfying to you, reflection of which has also started to appear, as it seems, in the movement of share prices in Stock Market in recent past.

As a shareholder, it is a pride for all of us that the Company has successfully placed US \$100 Million Foreign Currency Convertible Bonds (FCCBs) on 27th January 05 in the international market. These Bonds are convertible at an initial price of Rs.236.12 per share. The approval granted by you by way of postal ballots for the aforesaid convertible Bonds issue has been successfully complied with. You will be happy to know that the Bonds will be listed on the Singapore Stock Exchange w.e.f. 16th February, 2005.

Our country is endowed with abundant natural resources, where **WATER** is & shall remain perhaps the largest and singular such resource, which is bound to usher a new era of prosperity for our nation in this century. The Government of India's thrust on development of infrastructure with focus on creation of 50,000 MW of Hydropower by 12th Five Year Plan augurs well for the country and offers a great business opportunity for your company.

Company's Cement business, after completion of recent modernization/capacity expansion plan, is now **7 million tonnes per annum** thereby giving it strong position in Northern India while making the Cement plant the **largest single location cement complex of the country**. With the pro-active approach to keep the cost of cement production most competitive, cost of power (accounting for almost 33 % of cost of Cement) has been to a great extent brought under control by setting up of two thermal power



plants of 50 MW which are now operational and account for more than 55% of total power requirement. Work on another 38 MW thermal Power plant is under way which would make your Cement Plant complex house the Captive Thermal Power capacity of 88 MW, i.e **largest captive thermal power plant in the cement business of the country.** With sustained growth in Cement consumption and renewed thrust of Govt. of India towards infrastructure development of the country, your company with its cement business, having achieved all round cost economy at all levels of production process, is bound to be benefitted by upsurge in demand, from this line of business.

Work on **3 million tonne per annum Greenfield Cement Plant** in Himachal Pradesh has commenced with targeted commissioning by March 2007, which would take company's cement production capacity to more than 10 million tonne per annum thereby giving it more than 20% market share in **Northern India** ..... the fastest growing market of the country.

As you are aware your company took the pioneering initiative in 1992 when Govt. of India initiated the reform process and invited private sector participation in Power Sector, by undertaking 300 MW Baspa-II Hydro Project on **Build Own Operate (BOO)** basis. To further this objective, 400 MW Vishnuprayag H.E project was undertaken subsequently in 1994. This project is scheduled to be commissioned in 2006. In 1999, the Company had also signed **Project Implementation Agreement** with Govt. of Himachal Pradesh for development of 1000 MW Karcham-Wangtoo Hydro Electric Project and it is expected to be commissioned by year 2010. **By March 2010 the Group would have developed Hydropower Generating Capacity of 1700 MW**, making it India's largest producer of hydropower in the private sector, contributing its might to the hydropower requirement of the Country.

Company's core competence of undertaking Engineering and Construction of Hydropower projects is fully leveraged in development of Group's **Build Own Operate (BOO)** initiative in Hydropower Sector, which directly gets translated in **time bound completion** of these National assets, thereby ensuring creation of new capacities within planned project cost.

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**Jaypee Hotels Ltd.** This being an Offer for Sale, as permissible under the SEBI (DIP) guidelines, no concessional terms other than making reservation are being offered.

Our indomitable faith in the potential of our beloved country, courage of all members of the workforce of the Group and the trust reposed by dear shareholders of our company has made this organization move continuously forward and in the process has enabled Jaiprakash Associates Ltd. to create niche for itself as a leading infrastructure group of the country.

I firmly believe that as shareholders of Jaypee Group you shall come forward with enthusiasm to **SHARE THE POWER SHARE**.

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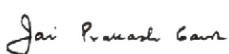
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With best wishes for a prosperous year.



Jaiprakash Gaur

**Registered Office** : 5 Park Road, Hazratganj, Lucknow - 226 001. Tel.: +91-522-2237154, 2238524  
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