

India: Building - Materials

Strong demand n-t, but mismatch imminent; Ambuja on CL-Sell

Industry context

Three triggers for this industry update: 1) Stronger-than-expected demand over the last few months and improving economic fundamentals - we raise our cement demand CAGR estimate for FY09E-FY12E by 140bp to 8.3%. (2) Higher-than-expected capacity additions in FY10E ytd - we raise our supply growth CAGR estimate for FY09E-FY12E by 90bp to 9.2%. 3) We accordingly revise our earnings estimates for our coverage group by -30% to +75% for FY10E-FY12E, and our EV/RC-based 12-m TPs by 22%-81% (moving to mid-cycle multiples from trough previously on greater visibility and reduced risk for demand).

Source of opportunity

We believe that strong near-term demand and producer discipline can potentially delay, but not prevent the emerging demand-supply mismatches, in an industry that enjoys relatively low barriers to entry, and in which a number of players have committed significant capital for new capacity. Hence, we maintain our cautious stance on the Indian cement sector. To contextualize, the industry added 14mn MT of capacity in the first 4 months of this fiscal year alone, which is about 6% of end-FY09E capacity, and compares with 21mn MT added in the entire FY09. We expect the industry to add 31mn MT of capacity in FY10.

Best sell idea

We retain Sell on Ambuja Cements (ABUJ.BO) and add it to our Conviction List. We believe its industry-leading margins have been competed away, and consequently its 25% valuation premium to Indian peers is likely to be affected, in our view. Our new 12-m EV/RC-based TP of Rs80 (from Rs59), implies 19% potential downside. We also retain Sell on ACC (ACC.BO) with revised 12-m EV/RC-based TP of Rs662 (from Rs507), implying 17% potential downside.

Best buy idea

We raise Ultratech Cement (ULTC.BO) to Buy from Neutral with revised 12-m EV/RC-based target TP of Rs894 (from Rs494), implying 19% potential upside. On the back of Ultratech's strong volume growth and cost-reduction initiatives, we expect 12% earnings CAGR over FY09E-FY12E, the highest in our India cement coverage.

Risks

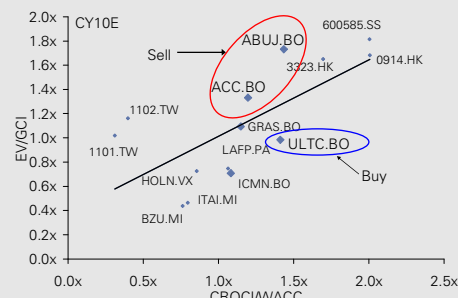
Key risks include higher-than-expected urban demand, lower-than-expected capacity additions and the impact of the monsoon on the rural economy.

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SNAPSHOT OF VALUATIONS



* ABUJ.BO is on our regional Conviction List.
Source: Datastream, Goldman Sachs Research estimates.

SUMMARY OF RATINGS AND KEY CHANGES

(Rs/share)	Rating	12-month price target (Rs)	Current price (Rs)	Potential upside/downside
ACC	Sell	662.00	799.30	-17%
Ambuja Cements	Sell*	80.00	99.00	-19%
India Cement	Neutral	126.00	129.55	-3%
Grasim Industries	Neutral	2,682.00	2,659.35	1%
Ultratech Cement	Buy	894.00	750.60	19%

Company	Previous Rating	Previous TP (Rs)	Revised Rating	Revised TP (Rs)	Target Price % change
ACC Limited	Sell	507	Sell*	662	31%
Ambuja Cement	Sell	59	Sell*	80	36%
Grasim Industries	Neutral	1,520	Neutral	2,682	76%
Ultratech Cement	Neutral	494	Buy	894	81%
India Cements	Neutral	103	Neutral	126	22%

Net Income Rs mn	Revised			% Revision		
	FY2010E	FY2011E	FY2012E	FY2010E	FY2011E	FY2012E
ACC Limited	16,308	12,648	12,345	69%	75%	60%
Ambuja Cement	12,779	12,328	12,189	12%	18%	-3%
Grasim Industries	28,500	20,364	23,347	39%	0%	-6%
India Cements	5,300	4,027	3,456	-2%	-20%	-30%
Ultratech Cement	14,065	11,963	13,829	43%	62%	44%

Source: Datastream, Goldman Sachs Research estimates.

* This stock is on our regional Conviction List.

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Source: Company data, Goldman Sachs Research estimates

The prices in the body of this report are based on the market close of August 26, 2009.

Demand risks receding - poor monsoon vs. urban recovery

In our previous sector report, *Demand nearing peak on election stimulus; Sell ACC, Ambuja*, dated March 20, 2009, we had outlined two sources of risk for the Indian cement sector: (1) lack of visibility on demand growth beyond June 2009 (till the momentum of election-related spend and pre-monsoon construction activity was expected to last); and (2) excess capacity build-up looming in the horizon, which we had expected to have an impact on utilization levels and the cement-pricing scenario.

Absolute stock performance due to strong demand momentum

In our view, the strong monthly despatch growth (after the trough in October 2008), which continued to surprise the market and had an impact on the sector's stock price performance was largely driven by:

- Strong demand on single-unit housing projects from the rural / semi-urban areas on the back of government sops which included higher farm prices to farmers when MSP (minimum support price) was hiked successively, farm loan waiver scheme, rural employment guarantee scheme, Sixth Pay Commission payouts, etc; and
- Pre-election government spending (on public works maintenance projects, rural infrastructure spending, beautification of district headquarters, etc.)

Thus, the relative weakness in the organized urban construction markets (both residential as well as commercial) and a slower pace of infrastructure spend ytd was more than offset by the strength in the rural and semi-urban demand, in our view. As a result, the Indian cement industry has witnessed robust demand momentum ytd (see Exhibit 1).

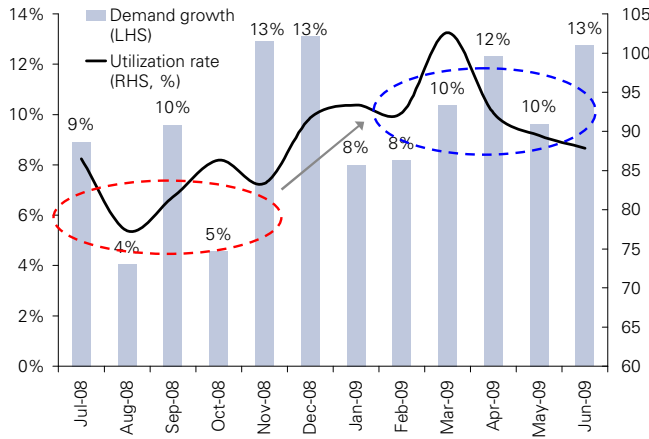
Poor monsoon vs. urban recovery – raising demand growth estimates

Poor monsoon (see Exhibit 5) does not bode well for Indian cement demand outlook as it will impact the rural purchasing power and discretionary spends, in our view. We expect the portion of incremental demand coming from rural areas to be impacted by poor monsoon. However, going forward, this is likely to be offset by improving outlook on urban real estate (especially low-cost housing projects being undertaken by a number of developers) and enhanced allocations for infrastructure spend. We expect a pick up in infrastructure / urban real estate demand in the coming quarters. Our GS Global ECS Research team expects Indian IP yoy% growth to trough in 1QFY10, and recover thereafter, with a pick-up in activity levels in 2HFY10 (see Exhibit 3). The monthly infrastructure index also shows signs of having bottomed out (see Exhibit 4).

We therefore raise our cement demand growth estimate for FY2010E to 8.2% (from 6% earlier). The strong despatch growth numbers for the industry have driven a strong rally in cement stock prices on an absolute basis. However, we also note that the cement stocks under our coverage have underperformed the BSE Sensex on an average by about 20% since our previous update in late March 2009 (see Exhibit 2).

Exhibit 1: Monthly yoy demand growth has been stronger than our expectations...

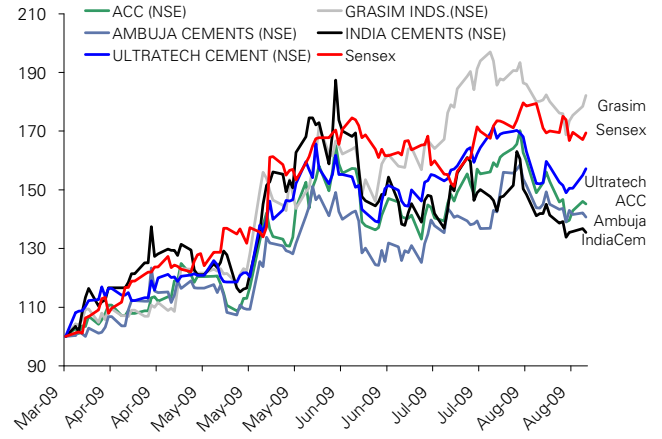
Demand growth (yoy) and utilization rates



Source: CMIE.

Exhibit 2: ... leading to absolute stock price performance since late March, in our view

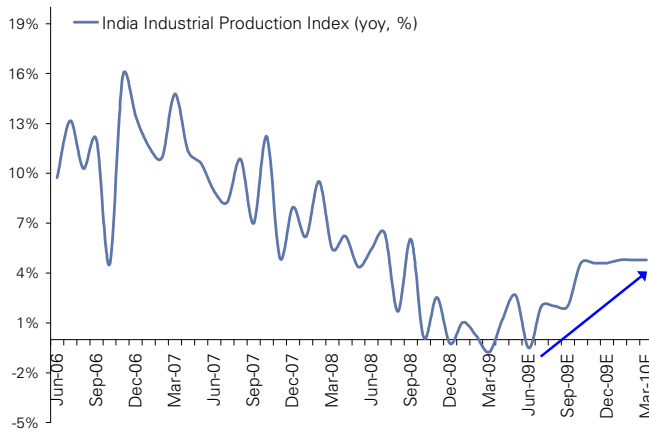
Stock prices and BSE Sensex rebased to 100 on Mar 20, 2009



Source: Datastream.

Exhibit 3: Our GS Global ECS Research team forecasts decline in IP to trough in June quarter

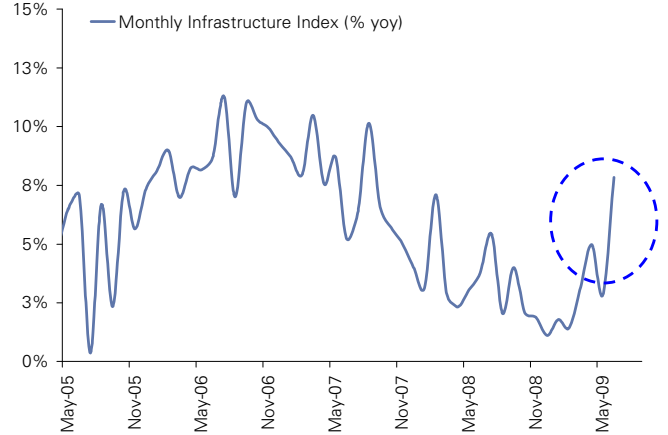
India Monthly Industrial Production Index



Source: Bloomberg, CEIC, GS Global ECS Research estimates.

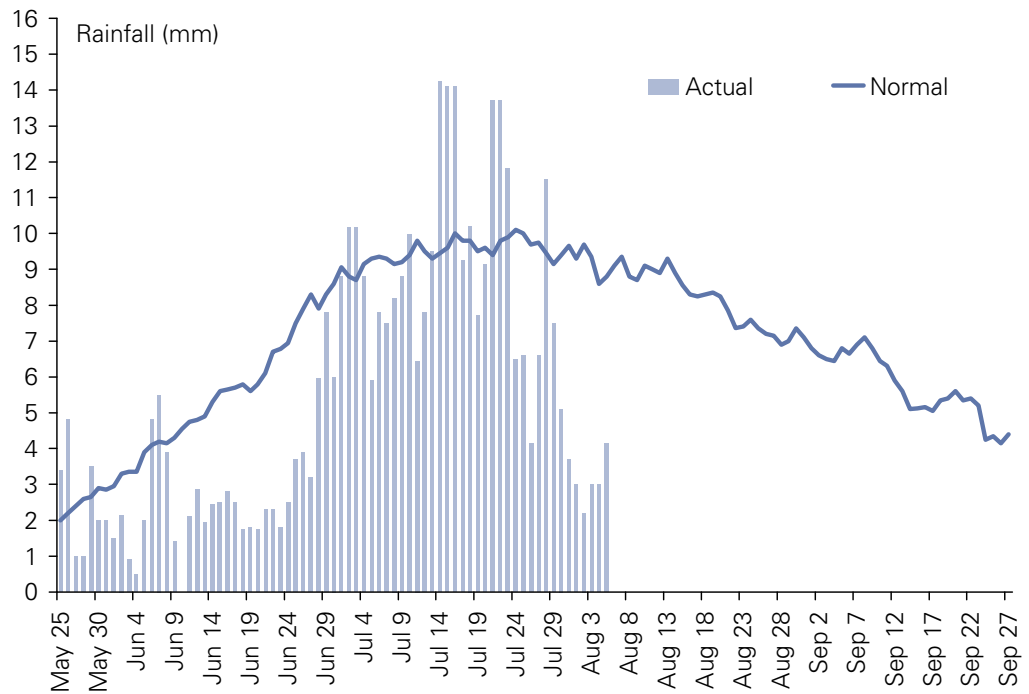
Exhibit 4: Infrastructure index has bottomed out, in our view

India Monthly Infrastructure Index



Source: Bloomberg, CEIC, GS Global ECS Research.

Exhibit 5: Lower-than-normal monsoon could have negative impact on cement demand
All-India rainfall (mm)



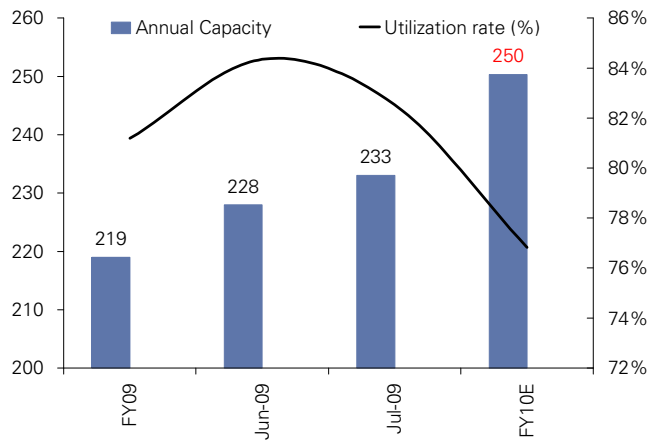
Source: IMD, Goldman Sachs Research.

Low entry barriers, rapidly increasing supply is still a concern

The Indian cement industry has commissioned 14 mn MT of new capacity between April – July 2009 and we expect the total cement capacity to go up to 250 mn MT by March 2010 (see Exhibit 6). We expect that 26 mn MT of new capacity is likely to be commissioned over the next 12 months. We therefore expect supply growth to outstrip demand till FY2012E (see Exhibit 7). This is likely to impact industry-wide utilization rates and cement prices over the next 12 – 18 months, in our view.

Exhibit 6: Industry has added 14 mn MT of capacity in 4 months ytd

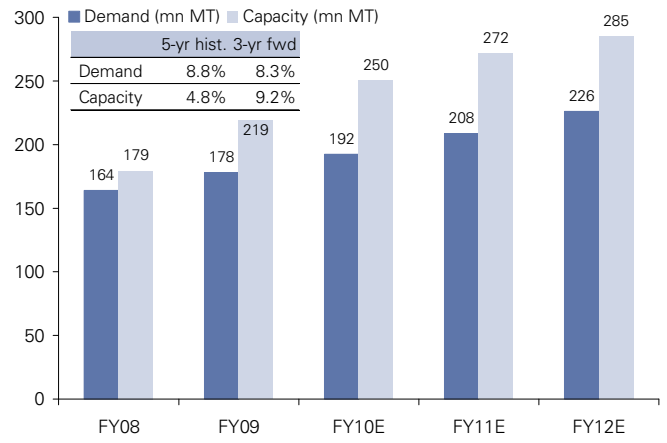
Annual capacity level (mn MT) and utilization rate (%)



Source: CMIE, Goldman Sachs Research estimates.

Exhibit 7: We expect supply growth to outstrip demand over the next 3 years

Demand and capacity growth over FY2008-FY2012E



Source: CMIE, Goldman Sachs Research estimates.

Exhibit 8: Cement industry enjoys relatively low entry barriers, with a number of projects under implementation scheduled for commissioning by March 2010 (we assume that roughly 9 mn MT of capacity out of this will get delayed and spill over to the next year)
List of projects expected to be completed by March 2010

Company / Location	State	Zone	Capacity (mn MT)	Expected by
Jaiprakash Associates Solan	Himachal Pradesh	North	3.0	Dec-09
Grasim Industries Kotputli, Jaipur	Rajasthan	North	4.5	Sep-09
Jaykaycem Ltd Muddapur, Bagalkot	Karnataka	East	3.0	Oct-09
Jaiprakash Associates Vayor, Kachchh.	Gujarat	West	1.2	Nov-09
ACC Bargah, Sambalpur	Orissa	East	1.0	Sep-09
Chettinad Cement Corp Keelapalur, Ariyalur	Tamil Nadu	South	2.5	Oct-09
Andhra Cements Guntur	Andhra Pradesh	South	2.1	Sep-09
Ambuja Cements Dadri, Ghaziabad	Uttar Pradesh	Central	1.5	Mar-10
Ambuja Cements Panipat	Haryana	North	1.5	Dec-09
ACC Kudithini, Bellary	Karnataka	South	1.1	Mar-10
ACC Wadi, Gulbarga	Karnataka	South	0.3	Mar-10
Shree Cement Suratgarh, Ganganagar	Rajasthan	North	1.0	Mar-10
India Cements Satna	Madhya Pradesh	Central	2.0	Jan-10
Shree Cement Roorkie, Haridwar	Uttar Pradesh	Central	1.0	Mar-10
Total expected capacity			25.7	

Source: CMIE.

Valuation: Using EV/RC, backed by Director's cut and P/B vs. ROE

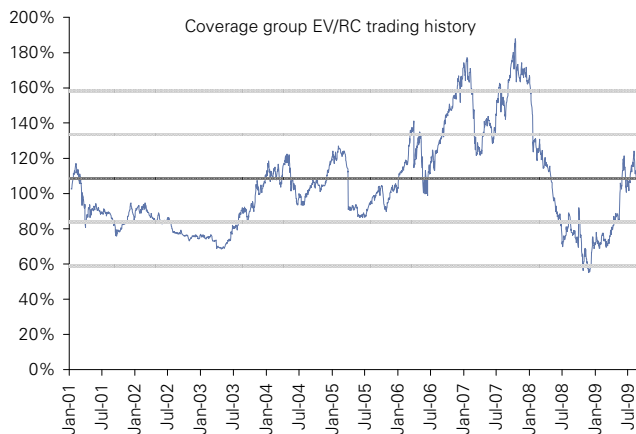
We continue to use EV/RC-based valuation methodology for our cement coverage group, as we believe it is a simple and widely-referred metric used by investors for this sector.

We also cross-check our analysis using Director's Cut and P/B vs. ROE-based valuation frameworks. A detailed analysis by our Asia-Pacific Tactical Research team suggests that

focusing on cash returns reduces accounting distortions (Please refer to the report published on August 7, 2009 'Asia: Introducing Director's Cut – Returns matter more than growth'). Their analysis reveals a consistently high correlation between the valuation of cash invested in the business and the spread of economic returns to the cost of capital. The Director's Cut framework aims to **capture intra-sector value by identifying undervalued and overvalued stocks on the basis of their sector relative EV/GCI (market value of the assets) to CROCI/WACC (excess returns)** (see Exhibit 11). We perform a similar analysis on a P/B vs. ROE framework to identify relative valuation opportunities in the Indian cement sector (see Exhibit 12)

On the Director's Cut framework, Ambuja and ACC screen as expensive whereas Ultratech Cement screens as attractive relative to global peers (see Exhibit 11). Similarly, on a P/B vs. ROE framework, Ultratech appears attractively valued in comparison with global peers (see Exhibit 12), whereas valuations for Ambuja and ACC look stretched relative to Indian peers (see Exhibit 21).

Exhibit 9: Cement sector coverage – trading close to mid-cycle on EV/RC basis...



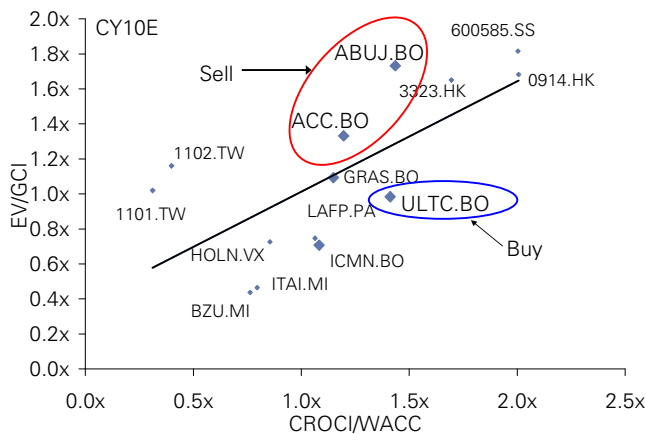
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 10: ... and marginally below mid-cycle on P/B basis



Source: Datastream, Company data, Goldman Sachs Research estimates.

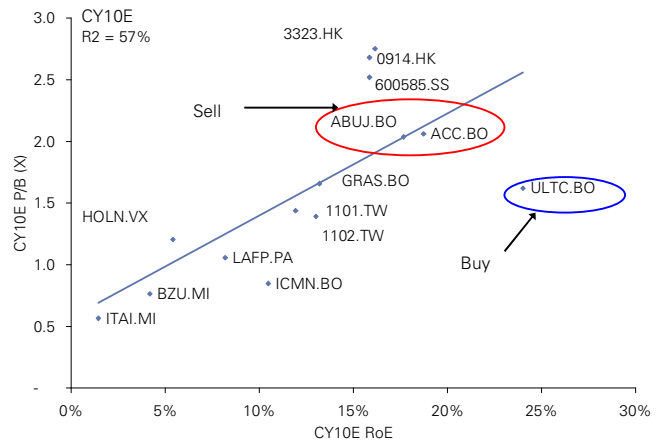
Exhibit 11: Director's Cut (EV/GCI vs. CROCI/WACC) valuation snapshot



* ABUJ.BO is on our regional Conviction List.

Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 12: Shareholder's return (P/B vs. ROE)-based valuation snapshot



* ABUJ.BO is on our regional Conviction List.

Source: Datastream, Company data, Goldman Sachs Research estimates.

Sell Ambuja (add to Conviction List) and ACC; U/G Ultratech to Buy

We retain our cautious stance on the Indian cement sector. We retain Sell rating on Ambuja (and add it to our Conviction List) as well as on ACC on declining returns and expensive relative valuations. However, at the same time we see an opportunity in the strong demand momentum in near to medium term, and upgrade Ultratech Cement to Buy. We like Ultratech Cement's strong volume growth and returns profile, and attractive valuations.

Given the strong demand and pricing environment which has surprised to the upside so far, we are now pushing the timeline of our arguments on overcapacity, weak utilisation and price decline behind. We therefore revise our cement price estimates and volume assumptions for the companies in our coverage and incorporate cost savings from recent initiatives. This leads to a revision of our FY2010E-FY2012E EPS estimates for stocks under our coverage (CY2009E-CY2011E for ACC and Ambuja) by -30% to +75%.

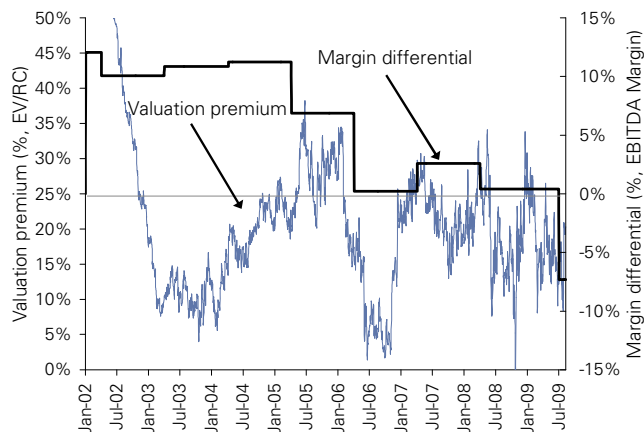
Given that the demand-side risk has now considerably receded, we move to mid-cycle multiples in our valuation framework (from trough earlier). This leads to a 22%-81% revision in our 12-month target prices.

Ambuja Cement (ABUJ.BO, Sell, on our Conviction list): Weak volume growth, expensive valuations

We retain Sell on Ambuja Cement and add it to our regional Conviction list, as we believe:

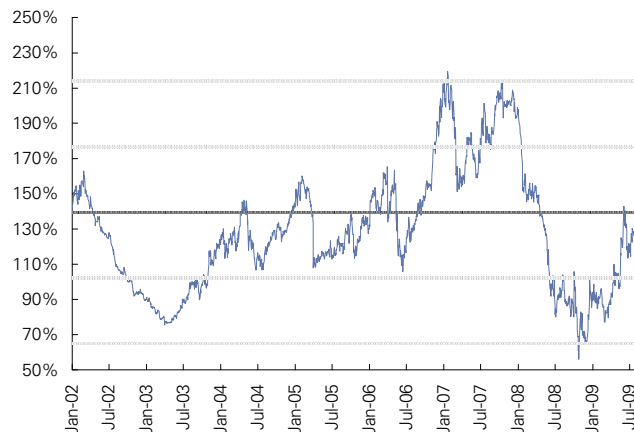
- Its back-ended capacity expansion projects, shortage of clinker (expected to persist till completion of the Bhatapara expansion in Chhattisgarh), and planned shutdowns in its North Indian plants in 2HCY09 will limit volume upside in the near term. We expect around 7.7% volume growth in CY2009 (below the industry average of 8.2%), amongst the lowest in our coverage group.
- We expect 440 bp erosion in EBITDA margins and its ROE to decline by 940 bp over CY2008-CY2010E. In our view, Ambuja is the only cement company in our coverage whose EPS peaked in CY2008 on the back of its relatively low operating leverage vs. peers, whereas for all other companies we expect earnings to peak this year (i.e., FY2010E / CY2009E).
- We revise our CY2009E-CY2011E EPS estimates by -3% to 18% on revised volume estimates (7% to 16% from 6% to 11% earlier) and pricing assumptions (-5% to 2% from -1% to 2% earlier).
- Unjustified expensive valuations - Ambuja has historically traded at a premium to the sector due to its low-cost structure and sector-relative superior margins. However, we believe that Ambuja's high relative margins and ROEs have been competed away as competitors have adopted similar cost-reduction strategies (see Exhibit 13).
- The stock is currently trading at 2.0X CY2010E P/B vs. the Indian cement coverage group which is trading at an average of 1.6X 2010E P/B. We revise our EV/RC-based 12-month target price to Rs80 (from Rs59) by applying 100% EV/RC (from 80% earlier).
- Risks to our view: Strong despatch growth, expectations of parent company hiking stake, and stronger-than-expected pricing.

Exhibit 13: Ambuja – EV/RC premium and margins relative to peers



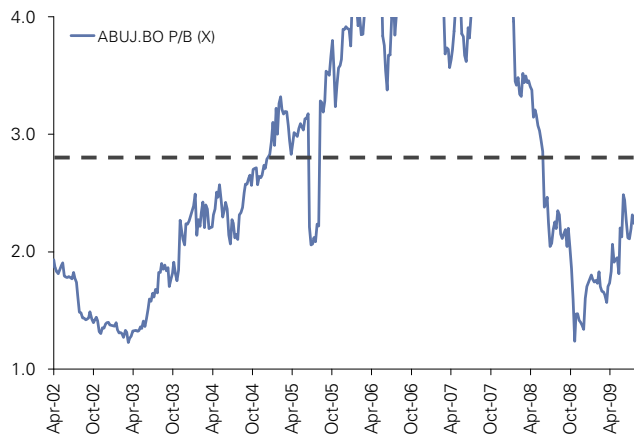
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 14: Ambuja – EV/RC chart



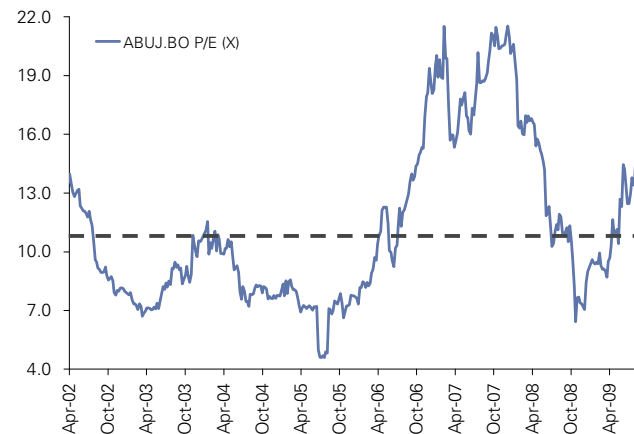
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 15: Ambuja – P/B trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 16: Ambuja – P/E trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

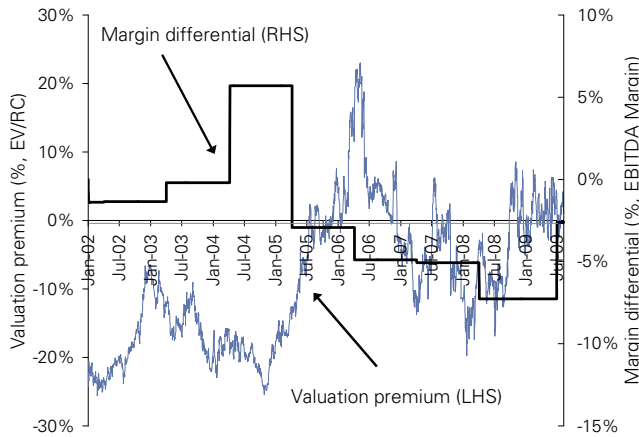
ACC (ACC.BO, Sell): Low relative returns, expensive relative valuation

We maintain our Sell rating on ACC on expensive relative valuations.

- Industry lagging volume growth (6.3% in CY2009E) from back-ended capacity expansion projects and planned shutdowns in 2HCY2009.
- We expect around 540 bp erosion in EBITDA margins and 1050 bp decline in ROE over CY2009E-CY2010E. We revise our CY2009E-CY2011E EPS estimates by 60% to 75% on revised pricing (-5% to 2% from -2% to 1% earlier) and significantly lower cost estimates.
- We believe ACC’s relatively high historical ROEs (which justified premium valuations historically) have eroded over the past few years (see Exhibit 17), and its competitors like Grasim Industries (with its subsidiary Ultratech Cement) now enjoy similar economies of scale and nation-wide presence that ACC enjoyed until a few years ago.

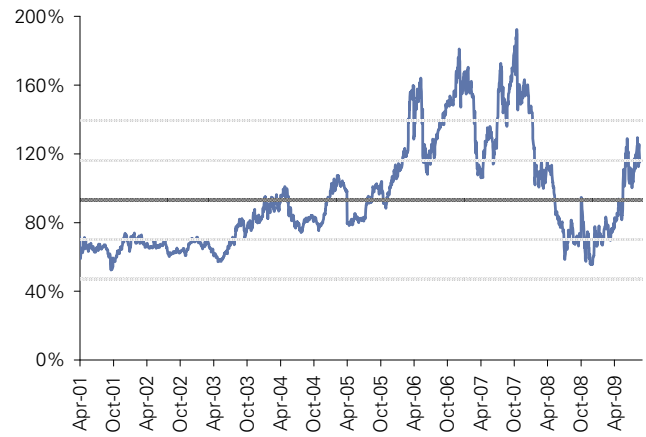
- The stock is currently trading at 2.1X CY2010E P/B – at over 30% premium to the Indian sector average of 1.6X 2010E P/B. We revise our EV/RC based 12-month target price to Rs662 (from Rs507) by applying 100% EV/RC (from 70% earlier).
- Risks to our view: Strong despatch growth, expectations of parent company hiking stake, and stronger-than-expected pricing.

Exhibit 17: ACC – EV/RC premium and margins relative to peers



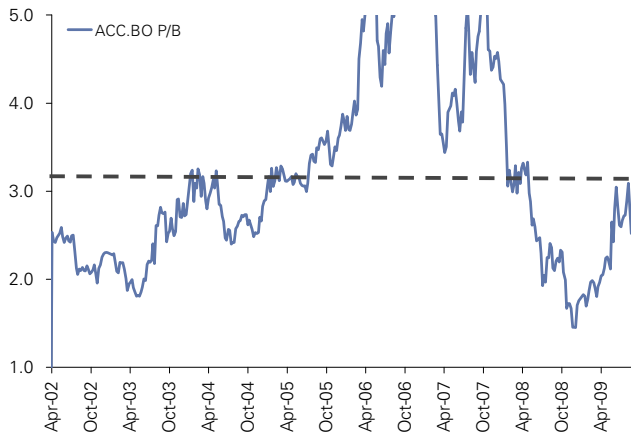
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 18: ACC – EV/RC trading history



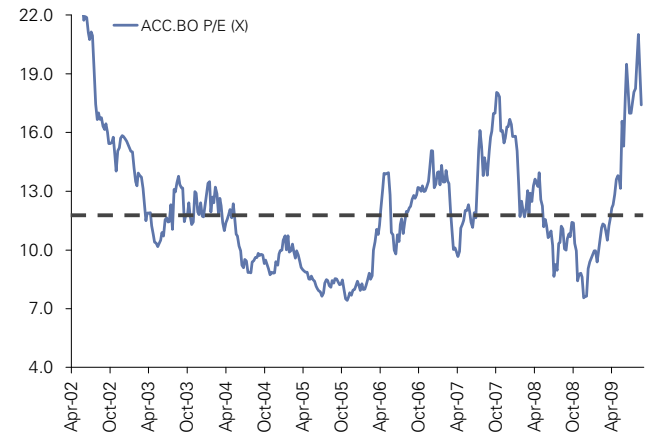
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 19: ACC – P/B (X) trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 20: ACC – P/E trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

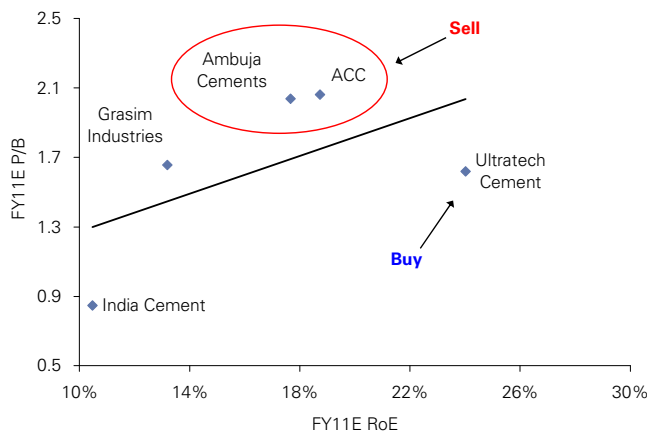
Ultratech Cement (ULTC.BO, Buy): Operating leverage, high returns and attractive valuation

We upgrade Ultratech Cement to Buy from Neutral as we believe:

- Ultratech is best positioned to benefit from near-term demand momentum in a firm pricing environment—we expect a 21% volume growth in FY2010E from the recently commissioned new capacity vs. 8.2% cement demand growth in India.
- About 20% of its sales is in eastern India, which has seen a strong demand growth (14.8% consumption growth ytd vs. all-India average growth of 11.2%) and pricing environment ytd (11% up qoq in 1QFY10).

- We expect significant cost savings from higher reliance on captive power (moving to 80% from 45% self sufficiency from FY2010 onwards).
- Ultratech has emerged as a sizeable cement player with low cost and sector-leading return profile. We revise our FY2010E-FY2012E EPS estimates by 43% to 62% on higher volume (5% to 21% from 7% to 11% earlier), higher pricing (-6% to 3% from -4% to 6% earlier) and lower cost assumptions.
- **The stock is currently trading at 1.5X FY2010E P/B – in line with the sector average of 1.6X, inspite of a sector-leading ROE over the past 3 years and over FY2010E-FY2012E (see Exhibit 25).** We revise our EV/RC -based 12-month target price to Rs894 (from Rs494) by applying 100% EV/RC (from 75% earlier).
- Risks to our view: Weaker despatch growth, faster-than-expected decline in cement prices.

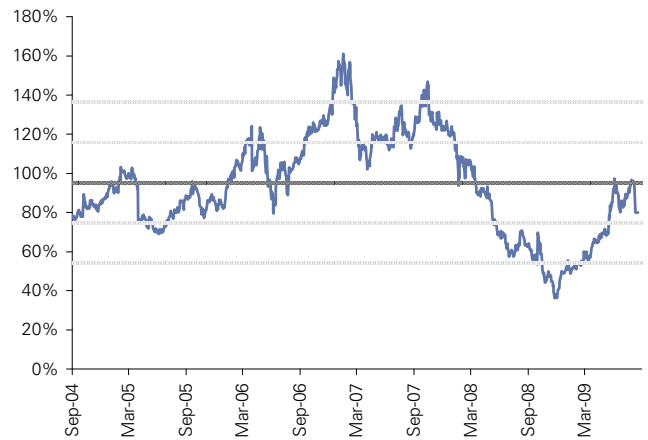
Exhibit 21: Ultratech Cement – P/B valuation (X) relative to ROE compared with Indian cement peers



* Ambuja Cements is on our regional Conviction List.

Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 22: Ultratech Cement – EV/RC trading history



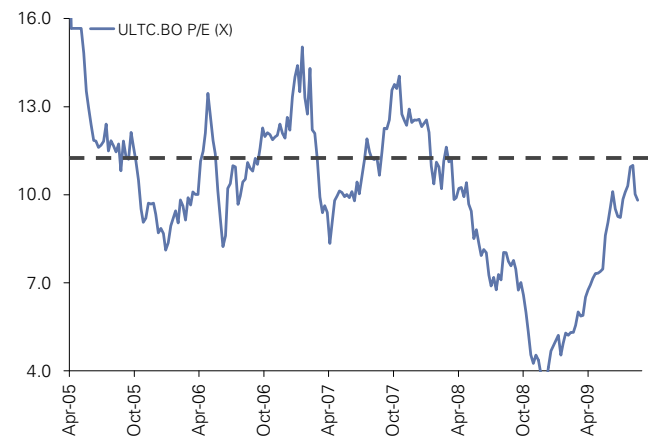
Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 23: Ultratech Cement – P/B (X) trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

Exhibit 24: Ultratech Cement – P/E trading history



Source: Datastream, Company data, Goldman Sachs Research estimates.

Grasim Industries (GRAS.BO, Neutral): Strong volume growth, but fairly valued

We maintain our Neutral rating on Grasim Industries.

- We expect a 21% volume growth in FY2010E in Grasim's cement business (on a consolidated basis), from the recently commissioned and ramp-up of new capacity.
- We also expect significant cost savings from higher reliance on captive power (moving to 80% from 70% self sufficiency from FY2010 onwards).
- However, our outlook for the VSF business is muted – given the weak end demand for textiles across key geographies.
- We revise our FY2010E-FY2012E EPS estimates by -6% to 40% on revised volume, pricing and cost assumptions.
- The stock is currently trading at FY2011E P/B of 1.7X, roughly in line with the sector average of 1.6X. We revise our 12-month SOTP- and EV/RC- based target price to Rs2,682 (from Rs1,520) by applying 100% EV/RC (from 75% earlier) on its cement businesses.
- Downside risk to our view includes delays in ramp-up of capacity utilization leading to lower volumes and severe-than-expected downturn in the VSF business. Upside risk to our view includes strong growth in cement despatches and firm pricing.

India Cements (ICMN.BO, Neutral): Fairly valued as compared with its trading history

We maintain our Neutral rating on India Cements.

- South India has started showing signs of a slow demand momentum in the past few months on account of: (1) a high base effect after a robust demand growth in the past year; and (b) a lack of new government-sponsored infrastructure projects.
- India Cements has lagged industry-wide despatch growth ytd (1.7% growth ytd vs. 11.4% growth for India) due to planned and unplanned shutdowns at some of its plants and recurring disruptions to power supply from the grid.
- We expect 22% volume growth in FY2010E – from ramp-up of new capacity and a low base effect (after a flat FY2009E despatch growth). We revise our FY2010E-FY2012E EPS estimates by -2% to -30% on revised volume (-3% to 22% from 0% to 9% earlier) and pricing assumptions (-6% to 1% from -4% to 9% earlier).
- The stock is currently trading at FY2011E P/B of 0.8X, which is at a 50% discount to the sector average of 1.6X. We believe this is justified in the context of its low historical as well as estimated ROEs relative to the sector (see Exhibit 25). We revise our 12-month EV/RC-based target price to Rs126 (from Rs103) by applying mid-cycle EV/RC of 85% (from 65% earlier).
- Upside risk to our view includes strong despatch growth and firm pricing in southern India. Downside risks to our view include delays in ramp-up of capacity utilization leading to lower volumes and weaker pricing environment.

Global Comparables

Exhibit 25: Cement Sector - global comparables table

Name	Ticker	GS Rating	Crcncy	Price Date	Current Price	Mkt Cap (US \$ Mn)	Target Price	Up/Dn to TP	P/E (x)		P/B (x)		EV/EBITDA (x)	
									CY09E	CY10E	CY09E	CY10E	CY09E	CY10E
India														
ACC	ACC.BO	Sell	Rs	26-Aug-2009	799.3	3,065	662.0	-17%	9.2	11.9	2.4	2.1	6.0	7.0
Ambuja Cements	ABUJ.BO	Sell*	Rs	26-Aug-2009	99.0	3,081	80.0	-19%	11.8	12.2	2.3	2.0	7.0	6.8
India Cement	ICMN.BO	Neutral	Rs	26-Aug-2009	129.6	584	126.0	-3%	7.1	8.3	0.9	0.8	4.5	4.9
Grasim Industries	GRAS.BO	Neutral	Rs	26-Aug-2009	2,659.4	4,983	2,682.0	1%	9.1	10.9	1.9	1.7	5.2	5.0
Ultratech Cement	ULTC.BO	Buy	Rs	26-Aug-2009	750.6	1,910	894.0	19%	7.2	7.5	2.0	1.6	4.4	4.1
Regional Average						2,724		-4%	8.9	10.2	1.9	1.6	5.4	5.6
ASEAN, Taiwan, China														
Asia Cement	1102.TW	Buy	NT\$	26-Aug-2009	34.5	3,129	43.0	25%	12.3	11.1	1.5	1.4	53.2	46.8
Taiwan Cement	1101.TW	Buy	NT\$	26-Aug-2009	34.1	3,410	45.0	32%	18.4	12.4	1.5	1.4	43.8	34.3
Anhui Conch Cement (A)	600585.SS	Neutral	Rmb	26-Aug-2009	44.9	11,603	49.0	9%	22.7	16.6	2.9	2.5	13.2	10.0
Anhui Conch Cement (H)	0914.HK	Neutral	HK\$	26-Aug-2009	47.7	12,341	61.0	13%	24.1	17.3	3.1	2.7	14.0	10.4
China National Building Material	3323.HK	Buy	HK\$	26-Aug-2009	15.4	5,576	28.4	63%	16.9	13.4	3.4	2.8	8.0	6.9
Regional Average						7,212		28%	18.9	14.2	2.5	2.2	26.4	21.7
Europe														
Lafarge	LAFP.PA	Buy*	€	26-Aug-2009	59.6	19,062	60.0	1%	13.6	11.6	1.1	1.1	7.5	6.7
Buzzi Unicem	BZU.MI	Sell	€	26-Aug-2009	12.1	3,231	8.9	-26%	16.4	16.8	0.8	0.8	7.1	6.9
Holcim	HOLN.VX	Neutral	SFr	26-Aug-2009	71.8	19,270	59.1	-18%	21.1	19.7	1.3	1.2	9.0	7.8
Italcementi	ITAI.MI	Neutral	€	26-Aug-2009	10.5	3,422	8.6	-18%	17.6	27.4	0.6	0.6	6.5	6.8
Regional Average						11,246		-15%	17.2	18.9	0.9	0.9	7.5	7.1
Global Average						6,762		4%	14.8	14.1	1.8	1.6	13.5	11.7

Name	Ticker	GS Rating	Crcncy	ROE 3-yr hist	ROE CY09E	ROE CY10E	Debt to Equity		EBITDA Margin		Div Yield	
							CY09E	CY10E	CY09E	CY10E	CY09E	CY10E
India												
ACC	ACC.BO	Sell	Rs	38%	29%	19%	-2%	-4%	31%	26%	2%	1%
Ambuja Cements	ABUJ.BO	Sell*	Rs	32%	21%	18%	-3%	-11%	30%	27%	2%	2%
India Cement	ICMN.BO	Neutral	Rs	16%	13%	10%	56%	55%	30%	26%	2%	2%
Grasim Industries	GRAS.BO	Neutral	Rs	32%	18%	13%	20%	4%	27%	25%	1%	1%
Ultratech Cement	ULTC.BO	Buy	Rs	41%	33%	24%	23%	5%	32%	31%	1%	1%
Regional Average				32%	23%	17%	19%	10%	30%	27%	2%	1%
ASEAN, Taiwan, China												
Asia Cement	1102.TW	Buy	NT\$	13%	13%	13%	12%	13%	21%	24%	4%	5%
Taiwan Cement	1101.TW	Buy	NT\$	10%	8%	12%	13%	12%	13%	15%	4%	6%
Anhui Conch Cement (A)	600585.SS	Neutral	Rmb	22%	13%	16%	19%	20%	24%	27%	1%	1%
Anhui Conch Cement (H)	0914.HK	Neutral	HK\$	22%	13%	16%	19%	20%	24%	27%	1%	1%
China National Building Material	3323.HK	Buy	HK\$	17%	16%	16%	160%	130%	22%	22%	0%	1%
Regional Average				17%	13%	15%	45%	39%	21%	23%	2%	3%
Europe												
Lafarge	LAFP.PA	Buy*	€	15%	7%	8%	82%	68%	23%	23%	2%	3%
Buzzi Unicem	BZU.MI	Sell	€	14%	4%	4%	42%	40%	21%	21%	3%	3%
Holcim	HOLN.VX	Neutral	SFr	14%	5%	5%	71%	59%	19%	19%	0%	2%
Italcementi	ITAI.MI	Neutral	€	8%	2%	1%	64%	63%	18%	17%	2%	3%
Regional Average				13%	5%	5%	65%	57%	20%	20%	2%	3%
Global Average				21%	14%	13%	41%	34%	24%	23%	2%	2%

* This stock is on our regional Conviction list.

Note: For important disclosures, please go to <http://www.gs.com/research/hedge.html>. For methodology and risks associated with our 12-month target prices mentioned, please refer to analyst's previously published research.

Source: Datastream, Goldman Sachs Research estimates.

Key estimate revisions

Exhibit 26: Cement Sector – key estimate revisions

	Old Estimates					New Estimates					Change to estimates		
	CY08A	CY09E	CY10E	CY11E	CAGR	CY08A	CY09E	CY10E	CY11E	CAGR	CY09E	CY10E	CY11E
ACC Limited													
Sales (Rs Mn)	73,086	78,746	83,307	92,635	6%	73,086	79,380	81,163	86,920	5%	0.8%	-2.6%	-6.2%
yoy %	4%	8%	6%	11%		5%	9%	2%	7%				
EBITDA (Rs Mn)	18,987	17,259	14,633	14,996	-10%	18,987	24,796	20,909	20,010	2%	43.7%	42.9%	33.4%
yoy %	-5%	-9%	-15%	2%		-5%	31%	-16%	-4%				
PAT (Rs Mn)	12,128	9,668	7,226	7,711	-21%	12,128	16,308	12,648	12,345	-4%	68.7%	75.0%	60.1%
yoy %	-16%	-20%	-25%	7%		-16%	34%	-22%	-2%				
EPS (fully diluted) (Rs/share)	64.45	51.38	38.40	40.98	-21%	64.45	86.67	67.21	65.60	-4%	68.7%	75.0%	60.1%
yoy %	-16%	-20%	-25%	7%		-16%	34%	-22%	-2%				
<i>Based on fiscal year ending December 31.</i>													
Ambuja Cements													
Sales (Rs Mn)	62,347	67,991	74,547	83,581	10%	62,347	71,656	79,095	84,141	11%	5.4%	6.1%	0.7%
yoy %	9%	9%	10%	12%		11%	15%	10%	6%				
EBITDA (Rs Mn)	19,382	20,096	18,816	22,018	4%	19,382	21,245	21,146	20,660	2%	5.7%	12.4%	-6.2%
yoy %	-11%	4%	-6%	17%		-12%	10%	0%	-2%				
PAT (Rs Mn)	14,023	11,491	10,461	12,553	-4%	14,023	12,779	12,328	12,189	-5%	11.2%	17.8%	-2.9%
yoy %	-21%	-18%	-9%	20%		-21%	-9%	-4%	-1%				
EPS (fully diluted) (Rs/share)	9.20	7.54	6.87	8.24	-4%	9.20	8.39	8.09	8.00	-5%	11.2%	17.8%	-2.9%
yoy %	-21%	-18%	-9%	20%		-21%	-9%	-4%	-1%				
<i>Based on fiscal year ending December 31.</i>													
Grasim Industries													
Sales (Rs Mn)	178,520	186,183	198,404	191,001	2%	184,039	199,743	203,163	215,969	5%	7.3%	2.4%	13.1%
yoy %	5%	4%	7%	-4%		8%	9%	2%	6%				
EBITDA (Rs Mn)	47,322	44,574	43,586	43,553	-3%	43,296	55,383	47,966	51,877	6%	24.2%	10.1%	19.1%
yoy %	-5%	-6%	-2%	0%		-13%	28%	-13%	8%				
PAT (Rs Mn)	23,299	20,430	20,393	24,956	2%	21,867	28,500	20,364	23,347	2%	39.5%	-0.1%	-6.4%
yoy %	-19%	-12%	0%	22%		-24%	30%	-29%	15%				
EPS (fully diluted) (Rs/share)	254.15	222.86	222.45	272.23	2%	238.53	310.89	222.13	254.67	2%	39.5%	-0.1%	-6.4%
yoy %	-19%	-12%	0%	22%		-24%	30%	-29%	15%				
<i>Based on fiscal year ending March 31.</i>													
India Cements													
Sales (Rs Mn)	34,367	35,576	37,774	44,036	9%	32,788	39,514	40,768	39,701	7%	11.1%	7.9%	-9.8%
yoy %	13%	4%	6%	17%		8%	21%	3%	-3%				
EBITDA (Rs Mn)	10,096	10,913	10,122	10,252	1%	9,277	11,945	10,294	9,535	1%	9.5%	1.7%	-7.0%
yoy %	-6%	8%	-7%	1%		-14%	29%	-14%	-7%				
PAT (Rs Mn)	4,966	5,412	5,004	4,966	0%	4,322	5,300	4,027	3,456	-7%	-2.1%	-19.5%	-30.4%
yoy %	-22%	9%	-8%	-1%		-32%	23%	-24%	-14%				
EPS (fully diluted) (Rs/share)	17.88	19.48	18.02	17.88	0%	15.56	19.08	14.50	12.44	-7%	-2.1%	-19.5%	-30.4%
yoy %	-22%	9%	-8%	-1%		-32%	23%	-24%	-14%				
<i>Based on fiscal year ending March 31.</i>													
Ultratech Cement													
Sales (Rs Mn)	63,831	67,378	68,215	69,698	3%	63,831	75,173	77,379	81,003	8%	11.6%	13.4%	16.2%
yoy %	16%	6%	1%	2%		16%	18%	3%	5%				
EBITDA (Rs Mn)	17,603	18,040	15,022	17,173	-1%	17,696	25,398	22,849	24,940	12%	40.8%	52.1%	45.2%
yoy %	-1%	2%	-17%	14%		-1%	44%	-10%	9%				
PAT (Rs Mn)	9,770	9,824	7,371	9,592	-1%	9,770	14,065	11,963	13,829	12%	43.2%	62.3%	44.2%
yoy %	-3%	1%	-25%	30%		-3%	44%	-15%	16%				
EPS (fully diluted) (Rs/share)	78.46	78.89	59.19	77.03	-1%	78.49	112.99	96.10	111.09	12%	43.2%	62.3%	44.2%
yoy %	-3%	1%	-25%	30%		-3%	44%	-15%	16%				

Based on fiscal year ending March 31. Historical year represents fiscal year ending March 31, 2008 for Grasim, India Cements and Ultratech; and December 31, 2007 for ACC and Ambuja Cements.

Source: Datastream, Goldman Sachs Research estimates.

Summary financials

Exhibit 27: ACC – Summary financials

ACC					Balance sheet (Rs mn)				
Profit model (Rs mn)	12/08	12/09E	12/10E	12/11E		12/08	12/09E	12/10E	12/11E
Total revenue	73,086	79,380	81,163	86,920	Cash & equivalents	9,842	8,677	14,334	21,793
Cost of goods sold	(32,767)	(24,636)	(28,389)	(32,060)	Accounts receivable	3,102	4,350	3,335	3,572
SG&A	(9,786)	(10,350)	(11,168)	(12,254)	Inventory	7,933	6,483	7,097	8,015
R&D	--	--	--	--	Other current assets	6,475	6,475	6,475	6,475
Other operating profit/(expense)	(14,488)	(22,606)	(24,672)	(26,797)	Total current assets	27,352	25,985	31,242	39,855
EBITDA	18,987	24,796	20,909	20,010	Net PP&E	50,726	62,718	73,742	74,541
Depreciation & amortization	(2,942)	(3,008)	(3,976)	(4,201)	Net intangibles	0	0	0	0
EBIT	16,045	21,789	16,933	15,809	Total investments	6,791	6,791	6,791	6,791
Interest income	--	915	851	1,162	Other long-term assets	0	0	0	0
Interest expense	(400)	(486)	(746)	(792)	Total assets	84,868	95,494	111,775	121,187
Income/(loss) from uncons. subs.	0	0	0	0	Accounts payable	14,340	9,449	11,278	10,540
Others	1,720	1,247	1,160	1,584	Short-term debt	0	0	0	0
Pretax profits	17,366	23,465	18,198	17,762	Other current liabilities	9,911	9,911	9,911	9,911
Income tax	(5,238)	(7,157)	(5,550)	(5,418)	Total current liabilities	24,250	19,360	21,188	20,451
Minorities	0	0	0	0	Long-term debt	4,820	7,320	11,320	11,320
Net income pre-preferred dividends	12,128	16,308	12,648	12,345	Other long-term liabilities	6,521	6,521	6,521	6,521
Preferred dividends	0	0	0	0	Total long-term liabilities	11,341	13,841	17,841	17,841
Net income (pre-exceptionals)	12,128	16,308	12,648	12,345	Total liabilities	35,591	33,201	39,029	38,292
Post-tax exceptionals	0	0	0	0	Preference Shares	0	0	0	0
Net income	12,128	16,308	12,648	12,345	Total common equity	49,277	62,293	72,746	82,895
EPS (basic, pre-exceptionals) (Rs)	64.71	87.01	67.48	65.87	Minority interest	0	0	0	0
EPS (basic, post-exceptionals) (Rs)	64.71	87.01	67.48	65.87	Total liabilities & equity	84,868	95,494	111,775	121,187
EPS (diluted, post-exceptionals) (Rs)	64.45	86.67	67.21	65.60	BVPS (Rs)	262.6	332.0	387.7	441.8
DPS (Rs)	20.03	15.00	10.00	10.00					
Dividend payout ratio (%)	30.9	17.2	14.8	15.2					
Free cash flow yield (%)	2.3	(0.0)	2.6	6.6					
Growth & margins (%)					Ratios				
	12/08	12/09E	12/10E	12/11E		12/08	12/09E	12/10E	12/11E
Sales growth	4.3	8.6	2.2	7.1	ROE (%)	26.7	29.2	18.7	15.9
EBITDA growth	(5.0)	30.6	(15.7)	(4.3)	ROA (%)	15.7	18.1	12.2	10.6
EBIT growth	(5.3)	35.8	(22.3)	(6.6)	ROACE (%)	30.5	30.4	19.2	17.0
Net income growth	(15.7)	34.5	(22.4)	(2.4)	Inventory days	(84.9)	(106.8)	(87.3)	(86.0)
EPS growth	(15.7)	34.5	(22.4)	(2.4)	Receivables days	15.0	17.1	17.3	14.5
Gross margin	55.2	69.0	65.0	63.1	Payable days	(147.1)	(176.2)	(133.2)	(124.2)
EBITDA margin	26.0	31.2	25.8	23.0	Net debt/equity (%)	(10.2)	(2.2)	(4.1)	(12.6)
EBIT margin	22.0	27.4	20.9	18.2	Interest cover - EBIT (X)	-40.2	NM	NM	NM
Cash flow statement (Rs mn)					Valuation				
	12/08	12/09E	12/10E	12/11E		12/08	12/09E	12/10E	12/11E
Net income pre-preferred dividends	12,127.9	16,308.4	12,647.6	12,344.8	P/E (analyst) (X)	12.4	9.2	11.9	12.2
D&A add-back	2,941.8	3,007.6	3,976.1	4,201.1	P/B (X)	3.0	2.4	2.1	1.8
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	6.1	6.0	7.0	7.0
Net inc/(dec) working capital	745.4	(4,688.6)	2,228.5	(1,892.0)	Dividend yield (%)	2.5	1.9	1.3	1.3
Other operating cash flow	2,029.1	0.0	0.0	(0.0)					
Cash flow from operations	17,844.2	14,627.5	18,852.2	14,653.9					
Capital expenditures	(14,762.1)	(15,000.0)	(15,000.0)	(5,000.0)					
Aquisitions	0.0	0.0	0.0	0.0					
Divestitures	1,000.0	0.0	0.0	0.0					
Others	893.9	0.0	0.0	0.0					
Cash flow from investments	(12,868.2)	(15,000.0)	(15,000.0)	(5,000.0)					
Dividends paid (common & pref)	(4,338.5)	(3,292.7)	(2,195.1)	(2,195.1)					
Inc/(dec) in debt	1,756.2	2,500.0	4,000.0	0.0					
Common stock issuance (repurchase)	13.9	0.0	0.0	0.0					
Other financing cash flows	0.0	0.0	0.0	0.0					
Cash flow from financing	(2,568.4)	(792.7)	1,804.9	(2,195.1)					
Total cash flow	2,407.6	(1,165.2)	5,657.1	7,458.8					

Source: Company data, Goldman Sachs Research estimates.

Exhibit 28: Ambuja Cements – Summary financials

Ambuja Cements					Balance sheet (Rs mn)				
Profit model (Rs mn)	12/08	12/09E	12/10E	12/11E		12/08	12/09E	12/10E	12/11E
Total revenue	62,347	71,656	79,095	84,141	Cash & equivalents	8,518	6,034	12,195	21,436
Cost of goods sold	(20,087)	(24,612)	(26,847)	(30,615)	Accounts receivable	2,246	2,945	2,167	2,305
SG&A	(7,228)	(8,015)	(9,619)	(10,712)	Inventory	9,398	12,306	12,203	13,916
R&D	(13,257)	(13,826)	(16,796)	(18,289)	Other current assets	3,233	3,233	3,233	3,233
Other operating profit/(expense)	(4,991)	(6,583)	(7,690)	(6,947)	Total current assets	23,395	24,517	29,798	40,890
EBITDA	19,382	21,245	21,146	20,660	Net PP&E	51,400	60,775	63,772	62,690
Depreciation & amortization	(2,598)	(2,625)	(3,003)	(3,083)	Net intangibles	43	43	43	43
EBIT	16,784	18,620	18,143	17,577	Total investments	3,324	3,324	3,324	3,324
Interest income	--	711	561	931	Other long-term assets	0	0	0	0
Interest expense	(321)	(288)	(352)	(394)	Total assets	78,161	88,659	96,937	106,946
Income/(loss) from uncons. subs.	0	0	0	0	Accounts payable	8,802	9,440	8,826	10,065
Others	152	30	47	78	Short-term debt	62	62	62	62
Pretax profits	16,615	19,072	18,400	18,192	Other current liabilities	5,936	5,936	5,936	5,936
Income tax	(5,676)	(6,294)	(6,072)	(6,003)	Total current liabilities	14,800	15,438	14,824	16,063
Minorities	0	0	0	0	Long-term debt	2,824	3,824	4,324	4,824
Net income pre-preferred dividends	10,939	12,779	12,328	12,189	Other long-term liabilities	3,808	3,808	3,808	3,808
Preferred dividends	0	0	0	0	Total long-term liabilities	6,632	7,632	8,132	8,632
Net income (pre-exceptionals)	10,939	12,779	12,328	12,189	Total liabilities	21,432	23,070	22,956	24,695
Post-tax exceptionals	3,083	0	0	0	Preference Shares	0	0	0	0
Net income	14,023	12,779	12,328	12,189	Total common equity	56,729	65,589	73,980	82,251
EPS (basic, pre-exceptionals) (Rs)	7.20	8.41	8.11	8.02	Minority interest	0	0	0	0
EPS (basic, post-exceptionals) (Rs)	9.22	8.41	8.11	8.02	Total liabilities & equity	78,161	88,659	96,937	106,946
EPS (diluted, post-exceptionals) (Rs)	9.20	8.39	8.09	8.00	BVPS (Rs)	37.3	43.1	48.6	54.0
DPS (Rs)	2.20	2.20	2.21	2.20					
Dividend payout ratio (%)	23.9	26.2	27.3	27.4					
Free cash flow yield (%)	(4.7)	0.5	6.5	8.7					
Growth & margins (%)	12/08	12/09E	12/10E	12/11E	Ratios	12/08	12/09E	12/10E	12/11E
Sales growth	9.3	14.9	10.4	6.4	ROE (%)	27.1	20.9	17.7	15.6
EBITDA growth	(11.3)	9.6	(0.5)	(2.3)	ROA (%)	19.5	15.3	13.3	12.0
EBIT growth	(13.9)	10.9	(2.6)	(3.1)	ROACE (%)	23.6	21.8	18.8	17.9
Net income growth	(20.7)	(8.9)	(3.5)	(1.1)	Inventory days	(138.2)	(160.9)	(166.6)	(155.7)
EPS growth	(20.7)	(8.9)	(3.5)	(1.1)	Receivables days	10.8	13.2	11.8	9.7
Gross margin	67.8	65.7	66.1	63.6	Payable days	(132.1)	(135.3)	(124.2)	(112.6)
EBITDA margin	31.1	29.6	26.7	24.6	Net debt/equity (%)	(9.9)	(3.3)	(10.6)	(20.1)
EBIT margin	26.9	26.0	22.9	20.9	Interest cover - EBIT (X)	-52.4	NM	NM	NM
Cash flow statement (Rs mn)	12/08	12/09E	12/10E	12/11E	Valuation	12/08	12/09E	12/10E	12/11E
Net income pre-preferred dividends	10,939.4	12,778.5	12,327.8	12,188.7	P/E (analyst) (X)	10.8	11.8	12.2	12.4
D&A add-back	2,597.6	2,624.6	3,002.8	3,082.8	P/B (X)	2.7	2.3	2.0	1.8
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	7.0	7.0	6.7	6.5
Net inc/(dec) working capital	(2,611.5)	(2,969.3)	266.8	(612.3)	Dividend yield (%)	2.2	2.2	2.2	2.2
Other operating cash flow	(916.5)	(0.0)	(0.0)	(0.0)					
Cash flow from operations	10,009.0	12,433.9	15,597.3	14,659.2					
Capital expenditures	(16,415.3)	(12,000.0)	(6,000.0)	(2,000.0)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	5,893.3	0.0	0.0	0.0					
Others	6,934.4	0.0	0.0	0.0					
Cash flow from investments	(3,587.6)	(12,000.0)	(6,000.0)	(2,000.0)					
Dividends paid (common & pref)	(3,902.3)	(3,918.3)	(3,936.2)	(3,918.3)					
Inc/(dec) in debt	(434.1)	1,000.0	500.0	500.0					
Common stock issuance (repurchase)	12.4	0.0	0.0	0.0					
Other financing cash flows	(4.8)	0.0	0.0	0.0					
Cash flow from financing	(4,328.8)	(2,918.3)	(3,436.2)	(3,418.3)					
Total cash flow	2,092.6	(2,484.5)	6,161.2	9,240.8					

Source: Company data, Goldman Sachs Research estimates.

Exhibit 29: Grasim Industries – Summary financials

Grasim Industries									
Profit model (Rs mn)	03/09	03/10E	03/11E	03/12E	Balance sheet (Rs mn)	03/09	03/10E	03/11E	03/12E
Total revenue	184,039	199,743	203,163	215,969	Cash & equivalents	2,270	44,560	68,603	99,351
Cost of goods sold	(104,450)	(115,132)	(123,926)	(129,825)	Accounts receivable	8,239	12,118	12,832	13,659
SG&A	(44,951)	(39,458)	(42,180)	(44,699)	Inventory	22,210	26,100	22,994	24,642
R&D	--	--	--	--	Other current assets	12,625	14,911	14,911	14,911
Other operating profit/(expense)	0	0	0	0	Total current assets	45,343	97,689	119,340	152,563
EBITDA	43,296	55,383	47,966	51,877	Net PP&E	142,181	155,581	161,171	157,994
Depreciation & amortization	(8,658)	(10,229)	(10,910)	(10,432)	Net intangibles	20,010	20,010	20,010	20,010
EBIT	34,638	45,153	37,056	41,445	Total investments	35,635	5,959	5,959	5,959
Interest income	1,760	2,866	3,602	5,065	Other long-term assets	0	0	0	0
Interest expense	(3,105)	(3,887)	(4,136)	(4,357)	Total assets	243,169	279,240	306,481	336,526
Income/(loss) from uncons. subs.	159	0	0	0	Accounts payable	20,313	22,159	23,972	26,026
Others	2,772	85	85	85	Short-term debt	7,798	11,939	12,939	13,939
Pretax profits	36,225	44,218	36,607	42,238	Other current liabilities	16,293	16,293	16,293	16,293
Income tax	(9,914)	(12,662)	(10,786)	(12,582)	Total current liabilities	44,404	50,391	53,204	56,258
Minorities	(4,445)	(6,417)	(5,457)	(6,309)	Long-term debt	51,364	54,659	57,159	59,659
Net income pre-preferred dividends	21,867	25,139	20,364	23,347	Other long-term liabilities	15,919	15,926	15,926	15,926
Preferred dividends	0	0	0	0	Total long-term liabilities	67,283	70,584	73,084	75,584
Net income (pre-exceptionals)	21,867	25,139	20,364	23,347	Total liabilities	111,687	120,976	126,288	131,843
Post-tax exceptionals	0	3,361	0	0	Preference Shares	0	0	0	0
Net income	21,867	28,500	20,364	23,347	Total common equity	114,779	135,144	151,615	169,797
EPS (basic, pre-exceptionals) (Rs)	238.53	274.23	222.13	254.67	Minority interest	16,704	23,120	28,578	34,887
EPS (basic, post-exceptionals) (Rs)	238.53	310.89	222.13	254.67	Total liabilities & equity	243,169	279,240	306,481	336,526
EPS (diluted, post-exceptionals) (Rs)	238.53	310.89	222.13	254.67	BVPS (Rs)	1,252.0	1,474.2	1,653.9	1,852.2
DPS (Rs)	30.00	30.00	30.00	30.00					
Dividend payout ratio (%)	12.6	9.6	13.5	11.8					
Free cash flow yield (%)	3.0	2.2	9.9	13.2					
Growth & margins (%)	03/09	03/10E	03/11E	03/12E	Ratios	03/09	03/10E	03/11E	03/12E
Sales growth	8.4	8.5	1.7	6.3	ROE (%)	21.2	22.8	14.2	14.5
EBITDA growth	(12.7)	27.9	(13.4)	8.2	ROA (%)	9.7	10.9	7.0	7.3
EBIT growth	(19.2)	30.4	(17.9)	11.8	ROACE (%)	15.8	17.5	14.5	16.2
Net income growth	(24.4)	30.3	(28.5)	14.6	Inventory days	(69.3)	(76.6)	(72.3)	(67.0)
EPS growth	(24.4)	30.3	(28.5)	14.6	Receivables days	18.3	18.6	22.4	22.4
Gross margin	43.2	42.4	39.0	39.9	Payable days	(72.7)	(67.3)	(67.9)	(70.3)
EBITDA margin	23.5	27.7	23.6	24.0	Net debt/equity (%)	43.3	13.9	0.8	(12.6)
EBIT margin	18.8	22.6	18.2	19.2	Interest cover - EBIT (X)	-25.8	-44.2	-69.4	NM
Cash flow statement (Rs mn)	03/09	03/10E	03/11E	03/12E	Valuation	03/09	03/10E	03/11E	03/12E
Net income pre-preferred dividends	21,866.6	25,139.4	20,363.8	23,346.9	P/E (analyst) (X)	11.1	8.6	12.0	10.4
D&A add-back	8,657.8	10,229.3	10,910.1	10,432.2	P/B (X)	2.1	1.8	1.6	1.4
Minorities interests add-back	4,444.6	6,416.7	5,457.4	6,309.0	EV/EBITDA (X)	4.9	4.8	5.1	4.2
Net inc/(dec) working capital	(4,689.5)	(7,576.9)	4,204.0	(420.0)	Dividend yield (%)	1.1	1.1	1.1	1.1
Other operating cash flow	1,834.8	0.0	(0.0)	0.0					
Cash flow from operations	32,114.3	34,208.4	40,935.3	39,668.1					
Capital expenditures	(26,467.9)	(28,000.0)	(16,500.0)	(8,000.0)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	0.0	10,300.0	0.0	0.0					
Others	(10,831.9)	0.0	0.0	0.0					
Cash flow from investments	(37,299.8)	(17,700.0)	(16,500.0)	(8,000.0)					
Dividends paid (common & pref)	(3,032.9)	(3,892.8)	(3,892.8)	(4,420.2)					
Inc/(dec) in debt	7,990.6	4,500.0	3,500.0	3,500.0					
Common stock issuance (repurchase)	437.6	0.0	0.0	0.0					
Other financing cash flows	(842.8)	25,174.5	(0.0)	(0.0)					
Cash flow from financing	4,552.5	25,781.7	(392.8)	(920.2)					
Total cash flow	(633.0)	42,290.1	24,042.6	30,747.9					

Source: Company data, Goldman Sachs Research estimates.

Exhibit 30: India Cements – Summary financials

India Cement Profit model (Rs mn)	03/09	03/10E	03/11E	03/12E	Balance sheet (Rs mn)	03/09	03/10E	03/11E	03/12E
Total revenue	32,788	39,514	40,768	39,701	Cash & equivalents	852	236	41	2,141
Cost of goods sold	(10,058)	(12,746)	(13,963)	(14,034)	Accounts receivable	3,540	5,413	5,026	4,895
SG&A	(5,839)	(7,856)	(8,572)	(8,637)	Inventory	3,705	5,794	6,071	6,102
R&D	(8,916)	(8,173)	(9,267)	(9,011)	Other current assets	13,339	13,339	13,339	13,339
Other operating profit/(expense)	(731)	(1,098)	(1,204)	(1,167)	Total current assets	21,435	24,781	24,476	26,476
EBITDA	9,277	11,945	10,294	9,535	Net PP&E	47,123	52,319	55,787	57,102
Depreciation & amortization	(2,033)	(2,304)	(2,532)	(2,684)	Net intangibles	136	136	136	136
EBIT	7,244	9,641	7,762	6,851	Total investments	1,590	1,590	1,590	1,590
Interest income	1,154	--	--	--	Other long-term assets	0	0	0	0
Interest expense	(1,121)	(1,730)	(2,009)	(2,051)	Total assets	70,283	78,825	81,988	85,304
Income/(loss) from uncons. subs.	0	0	0	0	Accounts payable	3,799	4,365	3,825	3,845
Others	(793)	0	0	0	Short-term debt	2,452	2,952	3,452	3,952
Pretax profits	6,483	7,911	5,753	4,800	Other current liabilities	7,734	7,734	7,734	7,734
Income tax	(2,161)	(2,611)	(1,726)	(1,344)	Total current liabilities	13,985	15,051	15,011	15,531
Minorities	0	0	0	0	Long-term debt	17,428	20,428	20,428	20,428
Net income pre-preferred dividends	4,322	5,300	4,027	3,456	Other long-term liabilities	2,556	2,556	2,556	2,556
Preferred dividends	0	0	0	0	Total long-term liabilities	19,984	22,984	22,984	22,984
Net income (pre-exceptionals)	4,322	5,300	4,027	3,456	Total liabilities	33,970	38,035	37,996	38,515
Post-tax exceptionals	0	0	0	0	Preference Shares	0	0	0	0
Net income	4,322	5,300	4,027	3,456	Total common equity	36,314	40,790	43,992	46,789
EPS (basic, pre-exceptionals) (Rs)	16.25	19.93	15.14	12.99	Minority interest	0	0	0	0
EPS (basic, post-exceptionals) (Rs)	16.25	19.93	15.14	12.99	Total liabilities & equity	70,283	78,825	81,988	85,304
EPS (diluted, post-exceptionals) (Rs)	15.56	19.08	14.50	12.44	BVPS (Rs)	128.8	144.7	156.1	166.0
DPS (Rs)	2.34	2.50	2.50	2.00					
Dividend payout ratio (%)	14.4	12.5	16.5	15.4					
Free cash flow yield (%)	(10.2)	(12.9)	(3.7)	2.3					
Growth & margins (%)	03/09	03/10E	03/11E	03/12E	Ratios	03/09	03/10E	03/11E	03/12E
Sales growth	8.2	20.5	3.2	(2.6)	ROE (%)	12.4	13.7	9.5	7.6
EBITDA growth	(14.1)	28.8	(13.8)	(7.4)	ROA (%)	6.5	7.1	5.0	4.1
EBIT growth	(23.9)	33.1	(19.5)	(11.7)	ROACE (%)	8.4	10.8	8.2	7.2
Net income growth	(32.2)	22.6	(24.0)	(14.2)	Inventory days	(127.1)	(136.0)	(155.1)	(158.3)
EPS growth	(32.2)	22.6	(24.0)	(14.2)	Receivables days	37.0	41.3	46.7	45.6
Gross margin	69.3	67.7	65.8	64.7	Payable days	(113.1)	(116.9)	(107.1)	(99.7)
EBITDA margin	28.3	30.2	25.2	24.0	Net debt/equity (%)	52.4	56.7	54.2	47.5
EBIT margin	22.1	24.4	19.0	17.3	Interest cover - EBIT (X)	NM	-5.6	-3.9	-3.3
Cash flow statement (Rs mn)	03/09	03/10E	03/11E	03/12E	Valuation	03/09	03/10E	03/11E	03/12E
Net income pre-preferred dividends	4,321.8	5,300.3	4,027.2	3,456.0	P/E (analyst) (X)	8.3	6.8	8.9	10.4
D&A add-back	2,033.2	2,304.2	2,532.2	2,684.2	P/B (X)	1.0	0.9	0.8	0.8
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	5.7	4.8	5.7	5.9
Net inc/(dec) working capital	(2,205.5)	(3,396.1)	(430.0)	120.1	Dividend yield (%)	1.8	1.9	1.9	1.5
Other operating cash flow	1,929.1	0.0	0.0	0.0					
Cash flow from operations	6,078.5	4,208.4	6,129.3	6,260.2					
Capital expenditures	(9,538.3)	(7,500.0)	(6,000.0)	(4,000.0)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	0.0	0.0	0.0	0.0					
Others	(294.7)	0.0	0.0	0.0					
Cash flow from investments	(9,833.0)	(7,500.0)	(6,000.0)	(4,000.0)					
Dividends paid (common & pref)	(658.9)	(824.5)	(824.5)	(659.6)					
Inc/(dec) in debt	980.8	3,500.0	500.0	500.0					
Common stock issuance (repurchase)	28.1	0.0	0.0	0.0					
Other financing cash flows	0.0	0.0	0.0	0.0					
Cash flow from financing	350.0	2,675.5	(324.5)	(159.6)					
Total cash flow	(3,404.4)	(616.0)	(195.2)	2,100.7					

Source: Company data, Goldman Sachs Research estimates.

Exhibit 31: Ultratech Cement – Summary financials

Ultratech Cement									
Profit model (Rs mn)	03/09	03/10E	03/11E	03/12E	Balance sheet (Rs mn)	03/09	03/10E	03/11E	03/12E
Total revenue	63,831	75,173	77,379	81,003	Cash & equivalents	10,940	12,951	24,628	41,428
Cost of goods sold	(20,014)	(24,385)	(26,321)	(26,998)	Accounts receivable	1,862	5,149	4,240	4,439
SG&A	(5,781)	(6,746)	(7,275)	(7,714)	Inventory	6,920	11,084	8,774	8,999
R&D	(17,130)	(15,338)	(17,203)	(18,164)	Other current assets	3,790	3,790	3,790	3,790
Other operating profit/(expense)	(6,440)	(7,481)	(8,481)	(8,089)	Total current assets	23,511	32,974	41,431	58,656
EBITDA	17,696	25,398	22,849	24,940	Net PP&E	53,130	58,454	65,204	63,303
Depreciation & amortization	(3,230)	(4,176)	(4,751)	(4,901)	Net intangibles	0	0	0	0
EBIT	14,466	21,223	18,099	20,039	Total investments	453	453	453	453
Interest income	404	911	1,072	2,006	Other long-term assets	0	0	0	0
Interest expense	(1,255)	(1,449)	(1,579)	(1,708)	Total assets	77,094	91,881	107,088	122,412
Income/(loss) from uncons. subs.	0	0	0	0	Accounts payable	7,231	6,681	8,653	8,876
Others	0	0	0	0	Short-term debt	3,019	4,019	5,019	6,019
Pretax profits	13,615	20,685	17,592	20,337	Other current liabilities	5,196	5,196	5,196	5,196
Income tax	(3,844)	(6,619)	(5,630)	(6,508)	Total current liabilities	15,446	15,896	18,869	20,091
Minorities	0	0	0	0	Long-term debt	18,397	19,397	20,397	21,397
Net income pre-preferred dividends	9,770	14,065	11,963	13,829	Other long-term liabilities	7,229	7,229	7,229	7,229
Preferred dividends	0	0	0	0	Total long-term liabilities	25,627	26,627	27,627	28,627
Net income (pre-exceptionals)	9,770	14,065	11,963	13,829	Total liabilities	41,073	42,523	46,495	48,718
Post-tax exceptionals	0	0	0	0	Preference Shares	0	0	0	0
Net income	9,770	14,065	11,963	13,829	Total common equity	36,021	49,358	60,593	73,694
EPS (basic, pre-exceptionals) (Rs)	78.49	112.99	96.10	111.09	Minority interest	0	0	0	0
EPS (basic, post-exceptionals) (Rs)	78.49	112.99	96.10	111.09	Total liabilities & equity	77,094	91,881	107,088	122,412
EPS (diluted, post-exceptionals) (Rs)	78.49	112.99	96.10	111.09	BVPS (Rs)	289.4	396.5	486.7	592.0
DPS (Rs)	5.00	5.00	5.00	5.00					
Dividend payout ratio (%)	6.4	4.4	5.2	4.5					
Free cash flow yield (%)	7.7	0.4	10.8	16.8					
Growth & margins (%)	03/09	03/10E	03/11E	03/12E	Ratios	03/09	03/10E	03/11E	03/12E
Sales growth	15.9	17.8	2.9	4.7	ROE (%)	31.0	32.9	21.8	20.6
EBITDA growth	(0.9)	43.5	(10.0)	9.1	ROA (%)	14.0	16.6	12.0	12.1
EBIT growth	(6.6)	46.7	(14.7)	10.7	ROACE (%)	23.1	27.1	20.3	22.5
Net income growth	(3.0)	44.0	(14.9)	15.6	Inventory days	(118.7)	(134.7)	(137.7)	(120.1)
EPS growth	(3.0)	44.0	(14.9)	15.6	Receivables days	11.5	17.0	22.1	19.6
Gross margin	68.6	67.6	66.0	66.7	Payable days	(136.8)	(104.1)	(106.3)	(118.5)
EBITDA margin	27.7	33.8	29.5	30.8	Net debt/equity (%)	29.1	21.2	1.3	(19.0)
EBIT margin	22.7	28.2	23.4	24.7	Interest cover - EBIT (X)	-17.0	-39.4	-35.7	NM
Cash flow statement (Rs mn)	03/09	03/10E	03/11E	03/12E	Valuation	03/09	03/10E	03/11E	03/12E
Net income pre-preferred dividends	9,770.4	14,065.5	11,962.7	13,829.5	P/E (analyst) (X)	9.6	6.6	7.8	6.8
D&A add-back	3,230.0	4,175.5	4,750.5	4,900.5	P/B (X)	2.6	1.9	1.5	1.3
Minorities interests add-back	0.0	0.0	0.0	0.0	EV/EBITDA (X)	4.2	4.1	4.1	3.2
Net inc/(dec) working capital	(1,084.6)	(8,001.6)	5,192.0	(201.7)	Dividend yield (%)	0.7	0.7	0.7	0.7
Other operating cash flow	1,937.4	(0.0)	0.0	(0.0)					
Cash flow from operations	13,853.2	10,239.4	21,905.3	18,528.3					
Capital expenditures	(8,297.9)	(9,500.0)	(11,500.0)	(3,000.0)					
Acquisitions	0.0	0.0	0.0	0.0					
Divestitures	0.0	0.0	0.0	0.0					
Others	31.1	0.0	0.0	0.0					
Cash flow from investments	(8,266.8)	(9,500.0)	(11,500.0)	(3,000.0)					
Dividends paid (common & pref)	(622.4)	(728.2)	(728.2)	(728.2)					
Inc/(dec) in debt	3,818.8	2,000.0	2,000.0	2,000.0					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	(116.5)	0.0	0.0	0.0					
Cash flow from financing	3,079.9	1,271.8	1,271.8	1,271.8					
Total cash flow	8,666.3	2,011.2	11,677.0	16,800.1					

Source: Company data, Goldman Sachs Research estimates.

Reg AC

I, Pritesh Vinay, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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The precise calculation of each metric may vary depending on the fiscal year, industry and region but the standard approach is as follows:

Growth is a composite of next year's estimate over current year's estimate, e.g. EPS, EBITDA, Revenue. **Return** is a year one prospective aggregate of various return on capital measures, e.g. CROCI, ROACE, and ROE. **Multiple** is a composite of one-year forward valuation ratios, e.g. P/E, dividend yield, EV/FCF, EV/EBITDA, EV/DACF, Price/Book. **Volatility** is measured as trailing twelve-month volatility adjusted for dividends.

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Disclosures

Coverage group(s) of stocks by primary analyst(s)

Pritesh Vinay: Asia Commodities Companies, Asia Pacific Steel.

Asia Commodities Companies: ACC, Aluminum Corporation of China (A), Aluminum Corporation of China (H), Ambuja Cements, Angang Steel (A), Angang Steel (H), Anhui Conch Cement (A), Anhui Conch Cement (H), Baoshan Iron & Steel, China Coal Energy (A), China Coal Energy (H), China National Building Material, China Shenhua Energy (A), China Shenhua Energy (H), Grasim Industries, Hidili Industry International Development, Hindalco Industries, Hindustan Zinc, India Cement, Jiangxi Copper (A), Jiangxi Copper (H), Maanshan Iron & Steel (A), Maanshan Iron & Steel (H), National Aluminium Company, Shenzhen Zhongjin Lingnan Nonfermet, Sterlite Industries (India), Ultratech Cement, Western Mining, Wuhan Iron and Steel, Yanzhou Coal Mining (A), Yanzhou Coal Mining (H), Yunnan Chihong Zinc & Germanium, Zhaojin Mining Industry, Zhongjin Gold, Zijin Mining(H).

Asia Pacific Steel: Dongkuk Steel Mill, Hyundai Steel, Jindal Steel & Power, JSW Steel, POSCO, POSCO (ADR), Sesa Goa, Steel Authority of India, Tata Steel.

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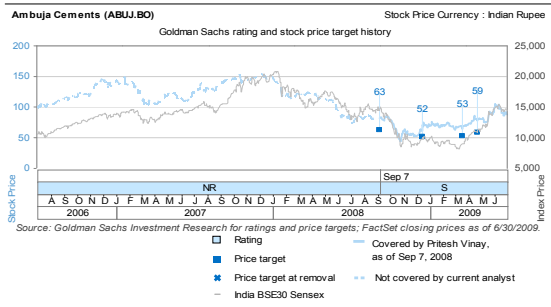
Distribution of ratings/investment banking relationships

Goldman Sachs Investment Research global coverage universe

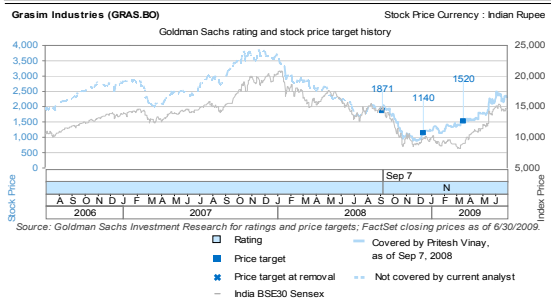
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	30%	51%	19%	54%	52%	44%

As of July 1, 2009, Goldman Sachs Global Investment Research had investment ratings on 2,709 equity securities. Goldman Sachs assigns stocks as Buys and Sells on various regional Investment Lists; stocks not so assigned are deemed Neutral. Such assignments equate to Buy, Hold and Sell for the purposes of the above disclosure required by NASD/NYSE rules. See 'Ratings, Coverage groups and views and related definitions' below.

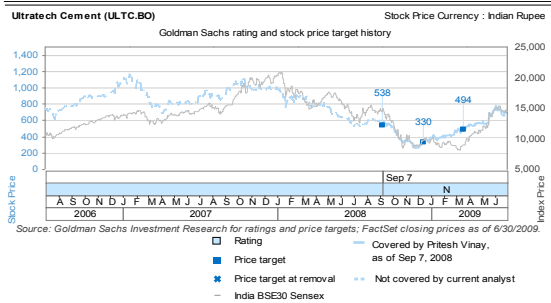
Price target and rating history chart(s)



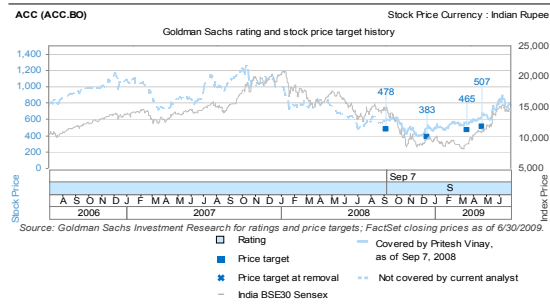
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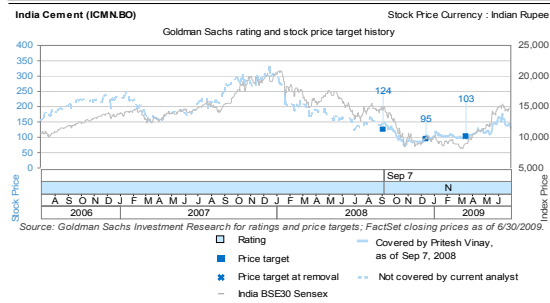
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