



February 6, 2008

The All India Cement dispatches grew by 6.1% YoY & 4.8% QoQ. The year to date dispatches grew by 9% compared with year to date dispatches of FY2006-07. The details of the same are as follows:

Fig in Mn. Tonnes	Q3 FY 07-08	Q3 FY 06-07	Growth (%)	Q2 FY 07-08	Growth (%)	YTD FY 07-08	YTD FY 06-07	Growth (%)
North	14.2	13.3	6.2	13.6	4.3	41.5	38.3	8.2
East	5.8	6.2	-6.0	5.3	10.8	17.7	17.4	1.7
West	7.8	7.1	9.5	7.0	11.6	22.8	19.9	15.0
South	11.9	10.8	10.6	12.1	-1.2	36.0	32.7	10.3
All India	39.7	37.4	6.1	37.9	4.8	118.1	108.3	9.0

Source : CMA

The combined cement dispatches of 5 major companies in India (Which holds 43% of total installed capacity as on March 2007) Viz. ACC, Ambuja Cement, UltraTech Cement, Grasim Industries & India Cement has grown by 4.7% YoY & 4.0 % QoQ. The combined performance of these five major companies reveals that QoQ sales has grown by 8.2% while net profit showed a de-growth of -7.5% mainly on account of higher tax provision in current quarter for Ambuja Cement. The net profit margin in Q3FY2007-08 is 16.3% against 17.6% in Q3FY2006-07.

Industry Outlook:

Indian Cement industry, the 2nd largest cement producer in the world, is going through the boom phase of the cycle. The total installed capacity as on March 07 is 175mn tonnes. For the last four years the domestic demand is growing at CAGR of 9.7%. In FY07 some of the companies are working on 100% capacity utilisation level indicating the strong demand for cement. Domestic cement consumption for the first 9 months of FY2008 was 118.1 mn. tonnes, up 9% against 108.3mn tonnes in first 9 months of FY2007.

We expect the Indian economy to grow at 9% and strong domestic infrastructural investment will ensure that cement demand grows at 10%. To grab the opportunity in the growing sector Indian cement companies has announced aggressive capacity expansion plans to the tune of 100mn tonnes, which will be added to the present capacity of 175mn tonnes over FY2008 to FY2010.

But as per our discussion with equipment suppliers there is a delay of around 4-6 months on account of delay in equipment supplies & civil & construction work. Even though we assumed a delay of 3 months on an average we expect the demand supply scenario to remain tight till FY09. After taking into consideration project delay period of 3 months the excess supply in FY2009 will be mere 5mn tonnes while the same in FY2010 will be 20mn tonnes. **Thus we expect that till FY2009 though there won't be major upside for cement prices but the current prices will be sustainable but from FY2010 onwards there will be a pricing pressure on account of excess supply to the tune of 20mn tonnes.**

We continue to be positive on ACC, UltraTech Cement, JK Lakshmi Cement & Deccan Cement.



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ACC Ltd.

Buy

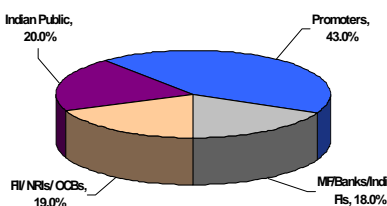
CMP: Rs 767

Target Price: Rs 1200

Key Data

Market Cap (Rs bn)	143
Market Cap (US\$ mn)	3600
52 WK High / Low	1314 / 615
Avg Daily Volume	182889
Face Value (Rs)	10
BSE Sensex	18,660
Nifty	5464
BSE Code	500410
NSE Code	ACC
Reuters Code	ACC.BO
Bloomberg Code	ACC IN

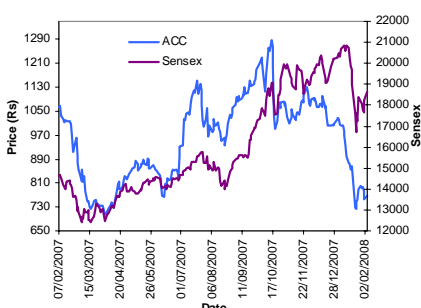
Shareholding Pattern (%)



Price Performance (%)

	Absolute	Relative
3 Months	(23.9)	(23.6)
6 Months	(21.6)	(46.8)
12 Months	(25.9)	(54.2)

BSE vs ACC



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Q3CY2007 Result Update

Acc's financial performance continues to be dented by higher input cost. For Q4CY2007 sales grew by 10.2% YoY but Adjusted EBIDTA fell by 6.5% YoY mainly on account of higher input cost. We continue to maintain buy on the stock with a price target of Rs 1200.

The key highlights of the results:

Sales value & volume: The Production, dispatch & sales figures for the company are:

	Fig in Mn Tonnes		
	Q4 CY2007	Q3 CY2007	Q4 CY2006
Production	4.9	4.8	4.9
Dispatch	4.9	4.8	4.8
Sales	5.0	4.7	4.8

Sales volume for the quarter is up by 4.2% YoY where as for the whole year CY2006-07 the sales are 20.0mn tonnes against 18.8mn tonnes in CY2005-06. The sales turnover of the company is up by 10.2% at Rs 17.8bn during the quarter as compared to Rs 16.2bn during corresponding quarter of the previous year. In the current quarter ACC reported per tonne realisation of Rs3375 against Rs. 3460/pr tonne in Q3CY2007.

During the year sale of cement reached an all time high of 20.0Mn tonnes, representing an upside of 6.1%, as compared to previous financial year. **Total group turnover for the year was Rs 70.7bn, up 20.8% over the group turnover in CY2006. The per tonne cement realisation was Rs 3659 against 3401/per tonne in Q4CY2006.**

Higher input cost drive down margins: Operating Profit margins were under pressure due to higher raw material cost (including Excise & Purchases) & other expenditure which increased by 16.9% & 36.1% YoY respectively. ACC's other expenditure increased by 36.1% to Rs 4.8bn from 3.5bn year ago. This was primarily due to implementation of ERP & other IT initiatives for aligning company's process with Holcim, The operating profit margin for Q4CY2007 is 28.3% against 23.4% in Q4CY2006 & 27.9% in Q3CY2007. **The per tonne EBIDTA realisation was Rs 856 against Rs 938 in Q4CY2006.**

Key Financials

Y/E December. Rs in Mn	CY2005	CY2006	CY2007	CY2008(E)
Net Sales	30932	57469	70674	82083
% change		85.8	22.9	16.1
Net Profit	5137	12396	14273	16316
% change		141.3	15.2	14.3
EPS(Rs.)	28.3	66.4	76.2	87.1
EBIDTA Margin (%)	26.1	32.6	30.6	32.9
P/E(x)	27.1	11.5	10.1	8.8
P/CEPS(x)	20.7	9.6	8.3	7.5
ROE (%)	23.9	39.2	33.0	27.8
ROCE (%)	17.3	31.6	30.5	26.5
P/BV(x)	6.6	4.5	3.3	2.5
EV/EBIDTA(x)	22.5	10.1	8.5	6.9
EV/Tonne(x)(USD)	257	247	210	205

Source: Company, FQ Research

Other Developments during the quarter:

RMC Division: The company intends to transfer the Ready Mixed Concrete Business to its wholly owned subsidiary ACC Concrete Limited w.e.f CY2008. During the year the activity resulted in loss before tax of Rs 0.7bn and loss after tax of Rs.0.4bn against loss before tax of Rs.30mn and loss after tax of Rs.15.9mn in CY2006.

In the current quarter the company has booked a one time gain of Rs 2bn on account of sale of surplus land which led to higher profitability during the quarter.

New Green field expansion of 3mn tonnes: ACC has announced a new green field project of 3mn tonnes at Chanda in Maharashtra along with 25 MW of captive power plant at a total cost of Rs 14.5bn, which is scheduled to be completed in 2010. Brown field expansion of 1.2mn tonnes in Bargarh, Orrisa & 3mn tonnes plant at Wadi, Karnataka are on scheduled & expected to be commissioned in Q1CY2009 & Q1CY2010 respectively. Along with this new capacity addition, the total capacity of ACC will be 27mn tonnes at the end of CY2010.

Realisation P/MT, Cost P/MT, EBIDTA P/MT

	Q4CY2007	Q4CY2006	Rs. Per MT %Change
Net Average Realisation	3659	3401	7.6
Raw material (Including Excise & Purchases)	560	479	16.9
Salary	162	221	(26.6)
Power	647	559	15.7
Freight	443	476	(6.9)
Other	990	727	36.1
Total Cost	2803	2463	13.8
EBIDTA	856	938	(8.8)

Quarterly & Year End Financial Highlights:

Rs. in Mn.	Q4 CY2007	Q4 CY2006	Change %	CY2007	CY2006	Change %
Net sales	17858	16191	10.2	70674	57469	23.0
Operating Expenditure	13682	11724	16.7	51363	40262	27.6
PBIDTA	4175	4466	(6.5)	22630	19496	16.1
PBIDTA Margin (%)	23.0	27.6		30.6	32.6	
Other Income	2329	852		3319	2289	
Interest	230	41		244	544	
Depreciation	1089	771		3130	2610	
PBT	5185	4506	15.0	19256	16343	17.8
Less :Tax	870	833		4981	3939	
PAT(Adj. for Min. Int)	4314	3673	17.4	14273	12396	15.1
PAT Margin (%)	21.4	21.5		19.3	20.7	

Valuation:

At current market price of Rs 767, ACC trades at 8.8x CY2008E EPS, 6.9x EV/EBIDTA and EV/Tonne of \$205. We value the stock at 14 times CY2008E earnings which gives the price of Rs 1200, an upside of 56 % from this level.



February 6, 2008

UltraTech Cement

Buy

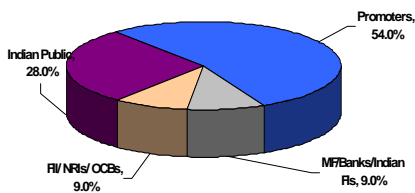
CMP: Rs 899

Target Price: Rs 1300

Key Data

Market Cap (Rs bn)	112
Market Cap (US\$ mn)	2600
52 WK High / Low	1165 / 662
Avg Daily Volume	43069
Face Value (Rs)	10
BSE Sensex	18,660
Nifty	5464
BSE Code	532538
NSE Code	ULTRACEMCO
Reuters Code	ULTC.BO
Bloomberg Code	UTCEM IN

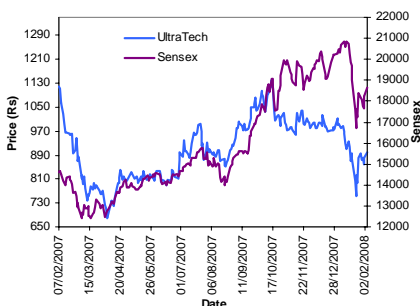
Shareholding Pattern (%)



Price Performance (%)

	Absolute	Relative
3 Months	(7.9)	(7.6)
6 Months	0.9	(24.3)
12 Months	(15.4)	(43.7)

BSE vs UltrTech Cement



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Q3FY2007 Result Update

The splendid performance of UltraTech Cement will not only make it engineer's choice but investor's choice as well. Higher realisation and operational efficiency has resulted in excellent financial performance for the company. The sales have grown by 9.7% and the net profit margin has substantially improved from 16.6% in Q3FY2006-07 to 19.9% in Q3FY2007-08. We continue to maintain buy on the stock with a price target of Rs 1300, which translate the valuation into FY2010E EV/EBIDTA of 6.4x & EV/Tonne of USD 135.

The key highlights of the results:

- Net Sales** have grown by 9.7% at Rs 13.8bn vs. Rs 12.6bn mainly because of higher realisation per MT on domestic and export front as well.
- Cost (Excluding Depreciation & Interest)** stood at Rs 2090/ MT vs. Rs 2028/ MT. Raw material cost per tonne has come down by 33.5% at Rs 240/ MT on account of operational efficiency. Interest cost, in line with expectation, has come down from Rs 2bn to Rs 1.7bn. Depreciation was almost flat at Rs 5.8bn vs. Rs 5.7bn in Q3FY2006-07.
- EBIDTA** margin has substantially improved from 30.2% to 33.9% mainly on account of higher realisation and operational efficiency. **EBIDTA/tonne stands at Rs 1072 vs. Rs 875 in Q3FY2006-07.**
- Profit after tax** showed a growth of 31.4% at Rs.2.79bn in Q3 FY2007-08 against Rs.2.12bn in Q3FY2006-07. **The net profit margin is 19.9% against 16.6% in Q3FY2006-07.**

Key Financials

Y/E March (Rs. Mn)	FY 2006-07	FY20007-08(E)	FY2008-09(E)	FY2009-10(E)
Net sales	49687	58745	68148	68178
% change	46.8	18.2	16.0	0.04
Net Profit	7867	9597	9469	9660
% change	247.0	22.0	-1.3	2.0
EPS(Rs.)	63.1	77.1	76.1	77.6
EBIDTA Margin (%)	29.6	29.3	28.4	29.0
P/E(x)	14.3	11.7	11.8	11.6
P/CEPS(x)	25.0	11.0	9.4	8.1
ROE (%)	44.5	35.9	26.6	21.5
ROCE (%)	37.7	32.4	28.1	24.5
P/BV(x)	6.3	4.2	3.1	2.5
EV/Sales(x)	2.5	2.2	1.9	1.9
EV/EBIDTA(x)	8.2	7.5	6.6	6.4
EV/TON(USD)	180	192	148	135

Source: Company, FQ Research

Sales value & volume: The Production & sales figures for the company are:
 Production & sales volume.

	Fig in Mn MT		
	Q3FY2007-08	Q2FY2007-08	Q3FY2006-07
Production	3.6	3.3	3.6
Sales			
Cement-Domestic	3.4	3.2	3.2
Cement-Export	0.3	0.2	0.4
Clinker(Domestic & Export)	0.7	0.3	0.8

Volume wise YoY cement sale is almost flat at 3.7Mn.MT against 3.6Mn.MT in Q3FY2006-07. The effective capacity utilisation stood at 102%. Though QoQ the cement sale is up by 14.7% in Q2FY2007-08 the sales of Gujarat plant(GCW) were affected due to flood & compulsory maintenance. The sales for the quarter, including RMC, have grown by 9.7% to Rs 13.8bn from Rs 12.6bn on account of higher realisation from domestic as well as export market. The domestic cement realisation stood at Rs 3318/MT against Rs 3019/MT & export realisation is Rs 3497/MT against Rs 2791/MT in the corresponding quarter of last year.

EBIDTA Margin higher on account of operational efficiency & higher realisation: The Operating Profit margins are 33.9% against 30.2% in Q3FY2006-07. The EBIDTA saw a growth of 23.3% at Rs 4.7bn vs. Rs 3.8bn in Q3FY2006-07. The improvement in EBIDTA is on account of average higher realisation by 8.9% and decrease in raw material cost by 33.5%.

Realisation P/MT, Cost P/MT, EBIDTA P/MT

	Rs. Per MT		
	Q3 FY2007-08	Q3 FY2006-07	%Change
Net Average Realisation	3163	2904	8.9
Raw material	240	361	(33.5)
Salary	100	73	37.3
Power	741	667	11.2
Freight	542	496	9.3
Other	468	432	8.3
Total Cost	2091	2028	3.1
EBIDTA	1072	875	22.4

Costing: Increase in variable cost per tonne was restricted to 3.1% as a result of improved production efficiencies. This was despite higher energy costs by 11.2%, primarily due to escalating coal prices.

Quarterly & 9 Months ended financial highlights:

	Q3FY20 07-08	Q3FY20 06-07	Change %	9 Mth Ended Dec07	9 Mth Ended Dec06	Change %
Net sales	13820	12602	9.7	39081	34453	13.4
Operating Expenditure	9136	8802	3.8	26765	24360	9.9
PBIDTA	4684	3800	23.3	12316	10093	22.0
PBIDTA Margin	33.9	30.2		31.5	29.3	
Other Income	201	169		728	420	
Interest	174	202		564	665	
Depreciation	583	571		1722	1662	
PBT	4128	3196	29.1	10758	8186	31.4
Less :Tax	1334	1071		3511	2679	
PAT	2794	2125	31.5	7247	5507	31.6
PAT Margin	19.9	16.6		18.2	15.8	



At current market price of Rs 899 the stock is trading at PE of 11.8x FY2009E & 11.6x FY2010E. On EV/EBIDTA basis the stock is trading at 6.6x FY2009E & 6.4x FY2010E. We continue to recommend buy on the stock with a price target of Rs 1300. At our price target the assets are valued at USD 187/Tonne while EV/EBIDTA stands at 8.9x.



February 6, 2008

JK Lakshmi Cement

Buy

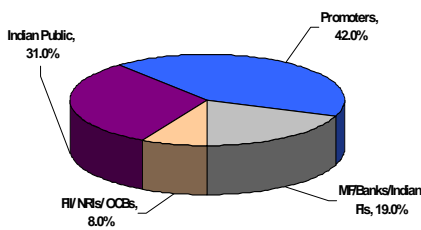
CMP: Rs 141

Target Price: Rs 250

Key Data

Market Cap (Rs bn)	8
Market Cap (US\$ mn)	201
52 WK High / Low	221 / 97
Avg Daily Volume	116756
Face Value (Rs)	10
BSE Sensex	18,660
Nifty	5464
BSE Code	500380
NSE Code	JKLAKSHMI
Reuters Code	JKCR.BO
Bloomberg Code	JKLC IN

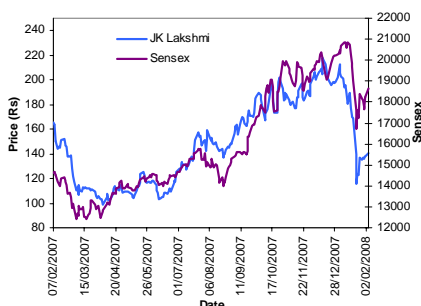
Shareholding Pattern (%)



Price Performance (%)

	Absolute	Relative
3 Months	(23.3)	(23.0)
6 Months	(7.5)	(32.7)
12 Months	(6.3)	(34.6)

BSE vs JK Lakshmi Cement



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Q3FY2007 Result Update

Mazbooti guaranteed for cement & growth guaranteed for the investors. The performance of JK Lakshmi cement was in line with our expectations except for the one time payment of ex-gratia to its employees on the occasion of silver jubilee year & consultancy charges for debt restructuring. The top line has grown by 23.5% and the bottom line growth stands at 11.0%. EBIDTA Margin stood at 30.6% basically low on account of one time ex-gratia payment to employees. We continue to maintain buy on the stock with a target price of Rs 250 which represents upside of 78.6% from current market price of Rs 141.

The key highlights of the results:

- Net Sales** have grown by 23.5% YoY at Rs 2823.5mn vs. Rs 2286.4mn driven by higher realisation per MT (14.7%) & volume growth (7.7%).
- Cost (Excluding Depreciation & Interest)** stood at Rs 2154/ MT vs. Rs1854/MT. The increase has come from higher employee cost which is Rs 192/MT against Rs 110/MT in Q3FY2006-07. Interest cost rose by 63.5% YoY due to one time settlement cost of Rs 20mn.
- EBIDTA** margin was under pressure due to higher employee cost & selling & distribution expenses. EBIDTA Margin stands at 30.6% against our expectation of 31.6%. **EBIDTA per tonne for Q3FY2007-08 is Rs 951 vs. Rs 854 in Q3FY2006-07.**
- Profit after tax** showed a growth of 11.0% at Rs 611mn in Q3FY2007-08 against Rs 550.6mn in Q3FY2006-07. **The net margin is 21.6% against 24.2% in Q3 FY2006-07.**

Key Financials

Y/E March (Rs. Mn)	FY2006-07	FY20007-08(E)	FY 2008-09(E)	FY2009-10(E)
Net sales	8438	11185	13018	13736
% change	44.9	32.5	16.4	5.5
Net Profit	1781	2660	2908	2726
% change	221.3	49.4	9.3	-6.3
EPS(Rs.)	32.3	45.8	47.5	44.5
EBIDTA Margin (%)	30.6	33.7	32.7	28.7
P/E(x)	4.4	3.1	3.0	3.2
P/CEPS(x)	3.6	2.7	2.4	2.6
ROE (%)	43.5	39.5	30.4	22.3
ROCE (%)	18.9	25.5	24.8	20.8
P/BV(x)	2.0	1.3	0.9	0.7
EV/Sales(x)	1.6	1.2	0.9	0.8
EV/EBIDTA(x)	5.1	3.5	2.8	2.8
EV/TON(USD)	138	97	60	54

Source: Company, FQ Research

Sales value & volume: The Production & sales figures for the company are:
 Production & sales volume.

	Fig in lacs MT		
	Q3FY2007-08	Q2FY2007-08	Q3FY2006-07
Production	8.9	8.7	8.3
Sales	9.1	8.7	8.4

The per tonne realisation has increased by 14.7% at Rs 3106/tonne against Rs 2709/ tonne in Q3FY2006-07. Thus on account of higher sales volume & better realisation the sales has grown by 23.5% YoY at Rs 2823.5mn from Rs 2286.4mn.

EBIDTA Margin lower on account of higher staff cost & selling & distribution expenses: During the quarter under review the operating margin saw pressure on account of higher selling & distribution cost & one time ex-gratia payment to the employees on the occasion of silver jubilee year. The operating profit margin was Rs 872.9mn against Rs 939.5mn in Q2FY2007-08. As a % to net sales the margin stood at 30.6% in Q3FY2007-08, 31.6% in Q3FY2006-07 & 34.3% in Q2FY2007-08.

Realisation P/MT, Cost P/MT, EBIDTA P/MT

	Rs. Per MT		
	Q3 FY2007-08	Q3 FY2006-07	%Change
Net Average Realisation	3106	2709	<i>14.6</i>
Raw material	421	308	<i>36.7</i>
Salary	192	110	<i>74.5</i>
Power	641	715	<i>(10.3)</i>
Selling & Admn.	505	392	<i>28.8</i>
Other	396	330	<i>20.0</i>
Total Cost	2155	1855	<i>16.2</i>
EBIDTA	951	854	<i>11.4</i>

Earnings Revision:

We have revised our earnings estimate for the company after taking in to consideration the replacement of high cost of debt and revised debt figures of the company. Also we have revised our FY2007-08 estimates taking in to account for one time expenses on account of ex-gratia payment & financial consultancy charges paid for debt restructuring.

Rs. Mn.	Earlier Estimates			Revised Estimates		
	FY07-08E	FY08-09E	FY09-10E	FY07-08E	FY08-09E	FY09-10E
Net sales	11185	13018	13736	11185	13018	13736
EBIDTA	3839	4265	3958	3789	4265	3958
EBIDTA Margin (%)	<i>34.1</i>	<i>32.7</i>	<i>28.7</i>	<i>33.7</i>	<i>32.7</i>	<i>28.7</i>
PBT	2841	3164	2969	2923	3280	3074
PAT	2586	2805	2633	2660	2908	2726
PAT Margin (%)	<i>23.0</i>	<i>21.5</i>	<i>19.1</i>	<i>23.7</i>	<i>22.3</i>	<i>19.8</i>
EPS(Rs.)	44.5	45.8	43.0	45.8	47.5	44.5

Quarterly & 9 Months ended financial highlights:

Rs. in Mn.	Q3FY07 -08	Q3FY06 -07	Change e %	9 Mth Ended Dec07	9 Mth Ended Dec06	Change e %
Net sales	2823	2286	23.5	8163	5806	40.6
Operating Expenditure	1958	1565	25.1	5522	4094	34.9
PBIDTA	865	721	19.9	2642	1712	54.3
PBIDTA Margin	30.6	32.0				
Other Income	8	10		51	22	
Interest	113	70		220	190	
Depreciation	145	109		436	328	
PBT	613	553	11.1	2037	1216	67.5
Less :Tax	3	2		6	5	
PAT	611	551	11.0	2031	1173	73.1
PAT Margin	21.6	24.2		24.7	20.1	

Valuation:

At current market price of Rs.141, JK Lakshmi trades at FY2009-10E PE of 3.2x ,EV/EBIDTA of 2.8x and EV/Tonne of \$54. We continue to recommend buy on the stock with a price target of Rs 250 ,which value the stock at FY2009-10E EV/EBIDTA of 4.4x & EV/Tonne of USD 88.



February 6, 2008

Deccan Cement

Buy

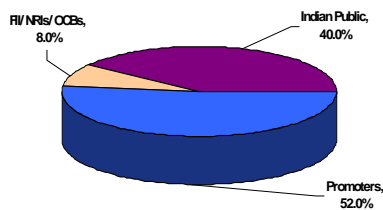
CMP: Rs 141

Target Price: Rs 250

Key Data

Market Cap (Rs bn)	2.2
Market Cap (US\$ mn)	55
52 WK High / Low	464 / 116
Avg Daily Volume	13179
Face Value (Rs)	10
BSE Sensex	18,660
Nifty	5464
BSE Code	502137
NSE Code	DECCANCE
Reuters Code	DCNC.BO
Bloomberg Code	DECM IN

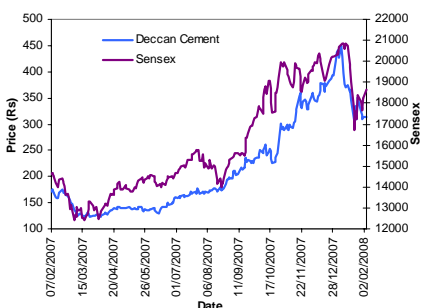
Shareholding Pattern (%)



Price Performance (%)

	Absolute	Relative
3 Months	4.9	5.2
6 Months	86.0	60.8
12 Months	85.5	57.1

BSE vs Asahi India Glass



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Q3FY2007 Result Update

Deccan cement delivered 14.4% YoY growth in top line derived from core cement business growth. The net profit margin improved by 515 basis points to 23.0% from 17.9% in Q3FY2006-07. The improvement in margin is contributed by higher realisation per MT.

The key highlights of the results:

- Net Sales** have grown by 14.4% YoY at Rs 493.1mn vs. Rs431.0mn. The cement realisation/per tonne for the quarter stood at Rs 2970 which is low as compared to Rs 3227/tonne for first six months of FY2007-08. Deccan cement sold 155272 tonnes of cement in current quarter. The total sale quantity for 9 months of FY2007-08 is 472217 tonnes.
- EBIDTA margin** has substantially improved from 29.9% in Q3FY2006-07 to 37.4% in Q3FY2007-08. This was mainly driven by higher realisation/tonne of cement. But QoQ EBIDTA margin is down by 361 basis points mainly on account of lower realisation/tonne compared with Q2FY2007-08. The EBIDTA Margin for Q2FY2006-07 was 41.0%. EBIDTA realisation/tonne for Q3FY2007-08 was Rs 951.
- YoY the company delivered 46.8% jump in net profit at Rs 114.3mn against Rs 77.8mn in Q3FY2006-07.** The lower sales realisation in current quarter compared to Q2FY2007-08 has also impacted the net profit margin as well. The net profit margin in Q3FY2007-08 is 23.0% against 25.8% in Q2FY2007-08.
- The capex plan of 1mn tonne cement capacity and 18MW coal based thermal power plant are in progress and expected to be commissioned by December'08.

Key Financials

Y/E March (Rs. Mn)	FY2006-07	FY2007-08(E)	FY 2008-09(E)	FY2009-10(E)
Net sales	1717	2280	2898	5065
% change	39.4%	32.8%	27.1%	74.8%
Net Profit	284	558	550	716
% change	217.9%	96.6%	-1.5%	30.3%
EPS(Rs.)	40.6	79.8	73.3	95.5
EBIDTA Margin (%)	28.4	39.9	36.0	31.7
P/E(x)	7.7	3.9	4.3	3.3
P/CEPS(x)	6.5	3.5	3.2	2.2
ROE (%)	30.3%	37.3%	24.5%	24.2%
ROCE (%)	36.5%	23.6%	16.2%	20.5%
P/BV(x)	2.3	1.5	1.0	0.8
EV/Sales(x)	1.2	1.8	1.9	1.1
EV/EBIDTA(x)	4.1	4.5	5.2	3.3
EV/TON(USD)	64	130	75	75

Source: Company, FQ Research

Realisation P/MT, Cost P/MT, EBIDTA P/MT

	Rs. Per MT	
	Q3 FY2007-08	9 Months ended Dec08
Net Average Realisation	2970	3143
Raw material	569	605
Salary	88	91
Power	705	663
Other	595	711
Total Cost	1957	2072
EBIDTA	951	1070

Quarterly & 9 Months ended financial highlights:

Rs. in Mn.	Q3FY07 -08	Q3FY06 -07	Change %	9 Mth Ended Dec07	9 Mth Ended Dec06	Change %
Net sales	493	431.0	14.4	1559	1250.6	24.7
Operating Expenditure	309	302	2.3	970	909.45	6.7
PBIDTA	184	129	42.8	589	341	72.7
PBIDTA Margin	37.4	30.0		37.8	27.3	
Other Income	3	4		18	12	
Interest	1	2		4	6	
Depreciation	15	15		43	40	
PBT	170	117	45.6	560	307	82.3
Less :Tax	56	39		190	103	
PAT	114	78	46.8	370	205	80.9
PAT Margin	23.0	17.9		23.5	16.2	

Valuation:

For the 9 month ended the company has ended with an EPS of Rs 52.9. We expect the company to end with a full year EPS of Rs 79.8. Addition of 1mn tonne cement capacity by December08 will boost the sales for years coming ahead. Backed by higher volume growth & savings in power cost on account of 18 MW power plant we expect the company to end FY2010 with an EPS of Rs 95.5. We continue to maintain buy on the stock with a price target of Rs 580.



February 6, 2008.

Binani Cement

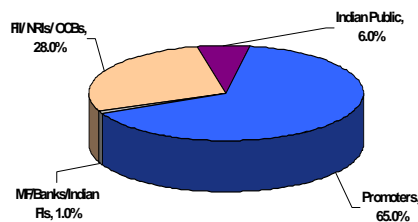
Not Rated

CMP: Rs 92.

Key Data

Market Cap (Rs bn)	18.7
Market Cap (US\$ mn)	466.7
52 WK High / Low	221 / 97
Avg Daily Volume	116756
Face Value (Rs)	10
BSE Sensex	18,660
Nifty	5464
BSE Code	532849
NSE Code	BINANICEM
Reuters Code	BINC.BO
Bloomberg Code	221 / 97

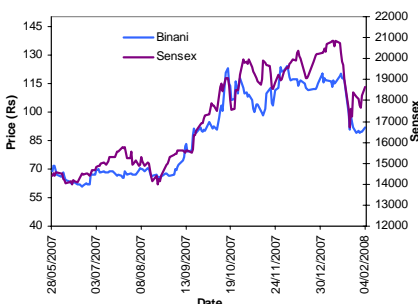
Shareholding Pattern (%)



Price Performance (%)

	Absolute	Relative
3 Months	(13.6)	(13.3)
6 Months	32.0	6.8

BSE vs Binani Cement



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Q3FY2007 Result Update

Capacity addition of 2.25Mn.MT in December 07 has helped Binani cement to register impressive sales growth of 41.0% YoY. Driven by higher sales volume & improved sales realisation the company delivered a whopping 209.1% jump in net profit at Rs 539.5mn from Rs 174.5mn in Q3FY2006-07. We have not rated the stock.

The key highlights of the results:

- Net Sales** have grown by 41.0% YoY from Rs 1654.1mn in Q3FY2006-07 to Rs 2333.1mn in Q3FY2007-08. Volume wise cement sales has grown by 13.7% at 0.67Mn.MT from 0.59Mn.MT in Q3FY2006-07. Average net sales realisation/tonne is Rs 3085 against Rs 2817 in the corresponding quarter of last year.
- Cost (Excluding Depreciation & Interest):** The operating cost/tonne has come down by 2.8% to Rs 1916/MT from Rs.1971/MT a year ago. Depreciation was high by 43.9% mainly because of fixed assets addition of 22.3 MW of power plant & Clinkerisation unit at the existing location of Binanigram, Sirohi.
- EBIDTA margin** has substantially improved from 30.0% to 37.9% mainly on account of higher volume, higher realisation and operational efficiency. **EBIDTA/tonne stands at Rs 1168 vs. Rs 845 in Q3FY2006-07.**
- Profit after tax** for Q3FY2007-08 is Rs 539.5mn vs. Rs 174.5mn in Q3FY2006-07. **The net margin is 22.3% against 9.5% in Q3FY2006-07.**

Key Financials

Y/E March (Rs. Mn)	FY2006-07	FY2007-08(E)	FY 2008-09(E)	FY2009-10(E)
Net sales	6798	10523	17670	15370
% change	39.2%	54.8%	67.9%	-13.0%
Net Profit	956	2343	3118	2375
% change	80.5%	145.1%	33.1%	-23.8%
EPS(Rs.)	4.7	11.5	15.4	11.7
EBIDTA Margin (%)	34.0	34.5	34.9	31.1
P/E(x)	19.5	8.0	6.0	7.9
P/CEPS(x)	13.4	6.4	4.7	6.0
ROE (%)	31.7%	43.8%	36.8%	21.9%
ROCE (%)	18.8%	25.5%	35.6%	23.5%
P/BV(x)	6.2	3.5	2.2	1.7
EV/Sales(x)	3.7	2.3	1.4	1.6
EV/EBIDTA(x)	10.9	6.7	3.9	5.0
EV/TON(USD)	281	102	101	100

Source: Company, FQ Research

Other developments during the quarter:

- The Kiln and the Cement grinding unit of the expansion project at Binanigram commenced commercial production from 2nd October, 2007 and 6th December, 2007 respectively. Consequent to this the cement capacity of the company has been increased from 2.2Mn.MTPA to 4.5 Mn. MTPA. The Spilt Cement grinding unit for the expansion project which is under installation at Neem ka Thana located in North Rajasthan is scheduled to be completed in Q4FY2007-08 which will further increase the cement capacity to 6.0 Mn MTPA. In Q3FY2007-08 the company has sold 0.08Mn. MT of Clinker and 0.67Mn. MT of Cement compared to 0.59Mn. MT of Cement in the corresponding quarter of the previous year.
- Development work has been initiated in respect of the lignite mine allotted to the company in the State of Rajasthan. Production from the mines is expected to start in early 2009. The supply of lignite from the mines would facilitate reduction in cost of power from CPP.
- The Board has approved raising of funds in foreign currency up to USD125mn by way of FCCBs/GDRs/ADRs and/or any other instruments to inter-alia facilitate expansion of capacities and for overseas acquisitions.

Realisation P/MT, Cost P/MT, EBIDTA P/MT

	Q3 FY2007-08	Q3 FY2006-07	Rs. Per MT %Change
Net Average Realisation	3085	2816	9.5
Raw material	142	425	(66.5)
Salary	90	73	23.8
Power	798	601	32.6
Freight	604	549	9.9
Other	281	321	(13.6)
Total Cost	1916	1971	(2.8)
EBIDTA	1168	845	38.3

Quarterly & 9 Months ended financial highlights:

Rs. in Mn.	Q3FY20 07-08	Q3FY20 06-07	Change %	9 Mth Ended Dec07	9 Mth Ended Dec06	Change %
Net sales	2333.1	1654.1	41.0	6426.7	4935.0	30.2
Operating Expenditure	1449.2	1157.8	25.2	4108.4	3301.4	24.5
PBIDTA	883.9	496.3	78.1	2318.3	1633.6	41.9
PBIDTA Margin (%)	37.9	30.0		36.0	33.1	
Other Income	20	16.5		97.5	28.7	
Interest	138.2	82.2		312.0	241.2	
Depreciation	155.6	108.1		380.1	323.6	
PBT	610.1	322.5	89.1	1626.2	1068.8	52.1
Less :Tax	70.6	148.0		198.8	396.1	
PAT	539.5	174.5	209.2	1524.9	701.4	117.4
PAT Margin (%)	22.3	9.5		18.2	15.8	

Valuation:

At current market price of Rs 92 the stock is trading at P/E of 6.0x FY2009E & 7.9x FY2010. On EV/EBIDTA basis the stock is trading at 3.9x FY2009E & 5.0x FY2010E. We have not rated the stock.

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Website: www.finquestonline.com

Ratings (Returns)

Buy > 15%

Hold 0-15%

Sell > -10%

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