

ACTION

Removed from Asia Pacific Buy List

Everest Kanto Cylinder (EKCL.BO)

Dubai sales uncertainty a key headwind; downgrade to Neutral

What happened

We are downgrading EKCL to Neutral from Buy, as we expect the uncertainty over cylinder sales and realizations from the Dubai facility (44% of FY09 sales, Iran major market) to continue at least till FY10 end. Although domestic cylinder sales, particularly to the OEM segment, should grow over the next 6 m, this may not be enough to fill the gap from Dubai slowdown, in our view. Our revised 12-m DCF based TP of Rs 173 (vs Rs 228 earlier) implies upside potential of 20%. Since we added the stock to our Buy list on May 27, 2008, it has fallen 55.6% vs a 5.9% rise for the BSE Sensex driven by concerns on Dubai sales and margin underperformance.

Current view

While our thesis of EKC benefitting from favorable regulatory changes in India and incremental gas supply from the KG – D6 basin remains intact, problems at the Dubai operations of the company will dominate earnings for the next 6-12 months, in our view. We cut our FY11E and FY12E sales estimates by 15% - 28% due to lack of clarity on the time-frame over which cylinder volumes and realizations on sales from the Dubai facility (which caters to the Iran market) would improve. Given the company's strong operating leverage, we reduce our EPS estimates for FY10E-12E by 37% - 79% leading to the 24% reduction in our 12-m TP. We are 20% and 6% below Bloomberg consensus on our FY10E and FY11E EPS estimates. We also introduce our FY13E EPS estimate of Rs 22.32 for the company.

The stock currently trades at a FY11E PE of 12.6X – at 34% and 42% discounts to its own historical (4-year) median 12-month fwd PE and the MSCI India index – which we believe adequately reflects uncertainties on the Dubai operations over this period.

Upside Risks: 1) Faster than expected recovery in Dubai sales 2) Improvement in order inflow from Indian OEMs.

Downside Risks: 1) Prolonged slowdown in the auto market and in gas supply expansion in India, 2) Volatile oil and steel prices.

INVESTMENT LIST MEMBERSHIP

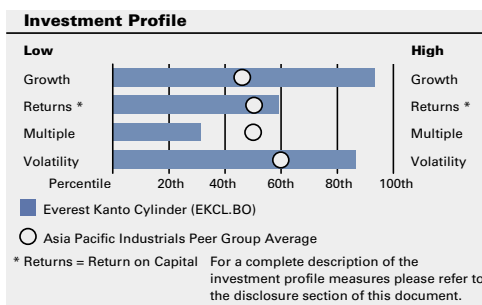
Neutral

Coverage View: Neutral

India:
Packaging

Ishan Sethi
+91(22)6616-9048 | ishan.sethi@gs.com Goldman Sachs India SPL

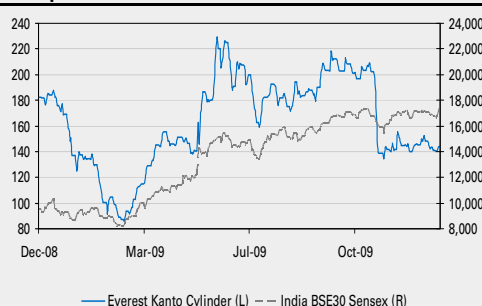
Vaishnavi Kandalla
+91(80)6637-8660 | vaishnavi.kandalla@gs.com Goldman Sachs India SPL



Key data	Current
Price (Rs)	144.35
12 month price target (Rs)	173.00
Market cap (Rs mn / US\$ mn)	14,602.2 / 313.0
Foreign ownership (%)	12.5

	3/09	3/10E	3/11E	3/12E
EPS (Rs) New	13.59	3.59	11.43	19.07
EPS revision (%)	0.0	(78.5)	(52.8)	(36.8)
EPS growth (%)	29.0	(73.6)	217.9	67.0
EPS (dil) (Rs) New	13.59	3.59	11.43	19.07
P/E (X)	10.6	40.2	12.6	7.6
P/B (X)	2.4	2.3	2.0	1.6
EV/EBITDA (X)	10.9	15.1	7.3	4.7
Dividend yield (%)	1.0	1.0	1.0	1.0
ROE (%)	25.0	5.8	16.7	23.2

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(28.8)	(29.6)	(20.9)
Rel. to India BSE30 Sensex	(31.5)	(40.1)	(57.5)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 12/24/2009 close.

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Everest Kanto Cylinder: Summary financials

Profit model (Rs mn)	3/09	3/10E	3/11E	3/12E	Balance sheet (Rs mn)	3/09	3/10E	3/11E	3/12E
Total revenue	8,565.5	7,224.3	11,526.0	14,452.9	Cash & equivalents	392.7	19.0	267.9	1,464.4
Cost of goods sold	(4,606.0)	(4,745.4)	(6,994.7)	(8,481.9)	Accounts receivable	980.5	827.0	1,319.4	1,654.4
SG&A	(1,990.9)	(1,897.4)	(2,865.8)	(3,333.4)	Inventory	4,884.9	4,745.4	5,380.5	6,058.5
R&D	--	--	--	--	Other current assets	876.4	876.4	876.4	876.4
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	7,134.4	6,467.7	7,844.2	10,053.6
EBITDA	2,661.4	1,376.3	2,818.1	4,083.0	Net PP&E	7,307.8	7,529.8	7,623.0	7,511.3
Depreciation & amortization	(692.8)	(794.7)	(1,152.6)	(1,445.3)	Net intangibles	0.0	0.0	0.0	0.0
EBIT	1,968.6	581.6	1,665.5	2,637.7	Total investments	29.1	29.1	29.1	29.1
Interest income	33.7	31.4	1.5	21.4	Other long-term assets	0.0	0.0	0.0	0.0
Interest expense	(271.7)	(385.3)	(385.3)	(385.3)	Total assets	14,471.2	14,026.6	15,496.2	17,594.0
Income/(loss) from uncons. subs.	0.0	0.0	0.0	0.0	Accounts payable	1,397.9	765.7	1,221.7	1,531.9
Others	(133.4)	200.0	200.0	200.0	Short-term debt	886.9	886.9	886.9	886.9
Pretax profits	1,597.2	427.7	1,481.7	2,473.8	Other current liabilities	452.0	417.9	417.9	417.9
Income tax	(155.9)	(64.1)	(326.0)	(544.2)	Total current liabilities	2,736.7	2,070.5	2,526.4	2,836.7
Minorities	0.0	0.0	0.0	0.0	Long-term debt	5,333.7	5,333.7	5,333.7	5,333.7
Net income pre-preferred dividends	1,441.3	363.5	1,155.7	1,929.6	Other long-term liabilities	204.6	204.6	204.6	204.6
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	5,538.3	5,538.3	5,538.3	5,538.3
Net income (pre-exceptionals)	1,441.3	363.5	1,155.7	1,929.6	Total liabilities	8,275.0	7,608.8	8,064.8	8,375.0
Post-tax exceptionals	(66.0)	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	1,375.2	363.5	1,155.7	1,929.6	Total common equity	6,196.3	6,417.7	7,431.5	9,219.0
EPS (basic, pre-except) (Rs)	14.25	3.59	11.43	19.07	Minority interest	0.0	0.0	0.0	0.0
EPS (basic, post-except) (Rs)	13.59	3.59	11.43	19.07	Total liabilities & equity	14,471.2	14,026.6	15,496.2	17,594.0
EPS (diluted, post-except) (Rs)	13.59	3.59	11.43	19.07	BVPS (Rs)	61.25	63.44	73.46	91.13
DPS (Rs)	1.40	1.40	1.40	1.40					
Dividend payout ratio (%)	10.3	39.1	12.3	7.4					
Free cash flow yield (%)	(7.2)	(1.0)	3.3	9.7					
Growth & margins (%)	3/09	3/10E	3/11E	3/12E	Ratios	3/09	3/10E	3/11E	3/12E
Sales growth	62.0	(15.7)	59.5	25.4	ROE (%)	25.0	5.8	16.7	23.2
EBITDA growth	74.3	(48.3)	104.8	44.9	ROA (%)	11.7	2.6	7.8	11.7
EBIT growth	50.1	(70.5)	186.4	58.4	ROACE (%)	17.8	5.4	11.2	16.2
Net income growth	31.9	(73.6)	217.9	67.0	Inventory days	306.3	370.4	264.2	246.1
EPS growth	29.0	(73.6)	217.9	67.0	Receivables days	40.2	45.7	34.0	37.6
Gross margin	46.2	34.3	39.3	41.3	Payable days	86.1	83.2	51.9	59.2
EBITDA margin	31.1	19.1	24.5	28.3	Net debt/equity (%)	94.1	96.6	80.1	51.6
EBIT margin	23.0	8.1	14.5	18.3	Interest cover - EBIT (X)	8.3	1.6	4.3	7.2
					Valuation	3/09	3/10E	3/11E	3/12E
Cash flow statement (Rs mn)	3/09	3/10E	3/11E	3/12E	P/E (analyst) (X)	10.6	40.2	12.6	7.6
Net income pre-preferred dividends	1,441.3	363.5	1,155.7	1,929.6	P/B (X)	2.4	2.3	2.0	1.6
D&A add-back	692.8	794.7	1,152.6	1,445.3	EV/EBITDA (X)	10.9	15.1	7.3	4.7
Minorities interests add-back	0.0	0.0	0.0	0.0	Dividend yield (%)	1.0	1.0	1.0	1.0
Net (inc)/dec working capital	(1,405.8)	(339.1)	(671.6)	(702.8)					
Other operating cash flow	561.9	353.9	383.8	363.9					
Cash flow from operations	1,290.1	1,173.0	2,020.6	3,036.0					
Capital expenditures	(2,754.1)	(1,016.7)	(1,245.8)	(1,333.6)					
Acquisitions	(2,890.2)	0.0	0.0	0.0					
Divestitures	372.5	0.0	0.0	0.0					
Others	32.0	31.4	1.5	21.4					
Cash flow from investments	(5,239.8)	(985.3)	(1,244.3)	(1,312.2)					
Dividends paid (common & pref)	(141.7)	(142.0)	(142.0)	(142.0)					
Inc/(dec) in debt	3,423.2	0.0	0.0	0.0					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	413.8	(419.4)	(385.3)	(385.3)					
Cash flow from financing	3,695.3	(561.4)	(527.4)	(527.4)					
Total cash flow	(254.4)	(373.7)	248.9	1,196.5					

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.

Analyst Contributors

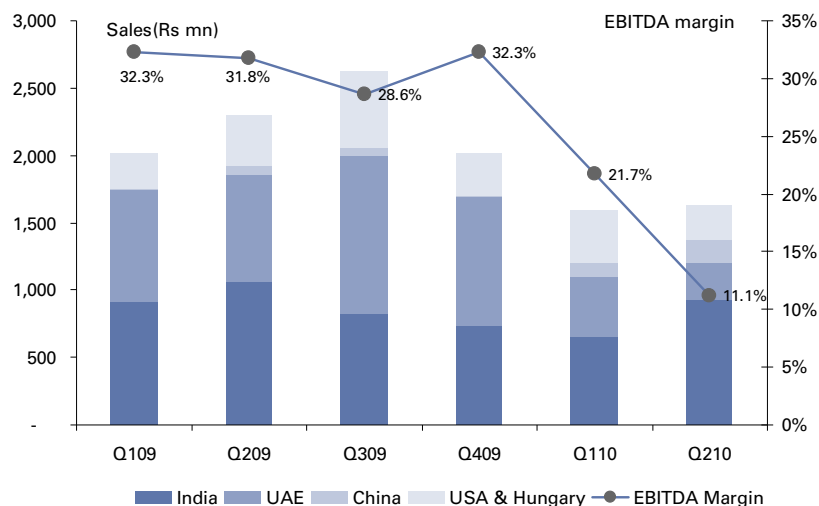
Ishan Sethi

ishan.sethi@gs.com

Vaishnavi Kandalla

vaishnavi.kandalla@gs.com

Exhibit 1: Sales from the high realization Dubai market have dropped substantially in 1HFY10 – leading to a severe contraction in EBITDA margins
 Quarterly revenue and margin profile – Everest Kanto Cylinders



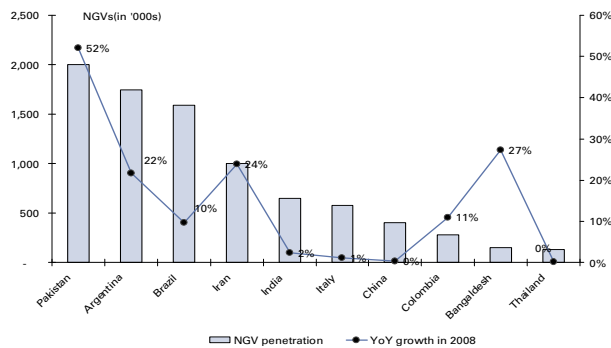
Source: Company data, Goldman Sachs Research.

Exhibit 2: CNG is still far cheaper than petrol – incentive to convert still high
 Economics of CNG conversion

	CNG			Petrol
	Cars @ 20 km per day	Cars @ 50 km per day	Public Transport @100 km per day	
Fuel Unit	Kg	Kg	Kg	Litre
Fuel cost per unit (Rs)	24.65	24.65	24.65	48.8
Mileage (km per unit)	14	14	12	12
Fuel cost per km (Rs)	1.8	1.8	2.1	4.1
Savings per km (Rs)	2.3	2.3	2.0	
Conversion kit cost (Rs)	40,000	40,000	40,000	
Break - even (km)	17,372	17,372	19,909	
Kms traveled per day	20	50	100	
Payback period (years)	2.4	1.0	0.5	

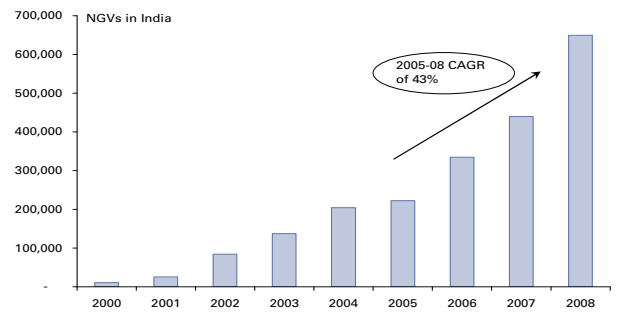
Source: Bharat Petroleum, Mahanagar Gas Limited, Goldman Sachs Research estimates.

Exhibit 3: Penetration of NGVs in India and China is still very low
Top 10 NGV countries globally



Source: IANGV

Exhibit 4: India has about 650,000 NGVs as of 2008 end.
Growing at a CAGR of 43% over 2005-08
Growth of NGVs in India



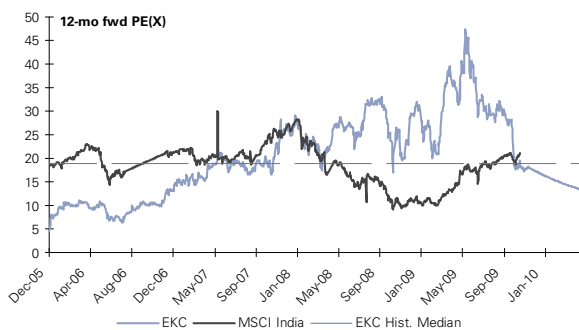
Source: IANGV

Exhibit 5: EKC is one of the leading cylinder manufacturers, globally
Profile of global cylinder manufacturers

Company	Current Capacity (Cylinders)	Plant Locations	Target Markets
Beijing Tianhai Industry Company (BTIC)	1,500,000	China (5 plants)	Domestic (65%), Exports(35%)
Tianjin Tianhai High Pressure Vessel Company (45% held by TPCO Investment Co. Ltd)	1,200,000	Tianjin FTZ- China	Domestic, Exports
Everest Kanto Cylinders	1,020,000	Dubai(2 plants), China	India, U.A.E, Pakistan, Iran, Bangladesh, Thailand, China,
Faber Cylinders	900,000	Italy(4 plants)	> 50 countries world-wide including Pakistan, Italy
Luxfer Group	NA	France	Americas(52%), Europe(47%)
Rama Cylinders	300,000	India	Iran, Pakistan, Bangladesh, Thailand, Russia
Nitin Fire Protection Industries	250,000	Vizag SEZ	mostly exports
Dynetek Cylinders	200,000	Canada, Germany	Europe(56%), Americas(35%)
Inflex - Argentoil S.A	240,000	Argentina (2 plants)	Argentina, US, Canada, UK, Italy, India, Pakistan, Australia, NewZealand, Indonesia, Bangladesh

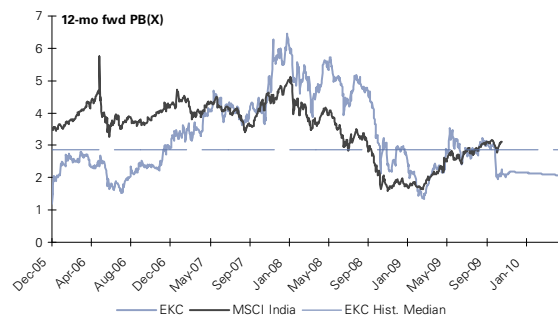
Source: Company data, Goldman Sachs Research.

Exhibit 6: EKCL currently trades at a 12-m fwd PE of 16.4X, vs its historical median 12-m fwd PE of 19X
12-month fwd PE trend – Everest Kanto Cylinders



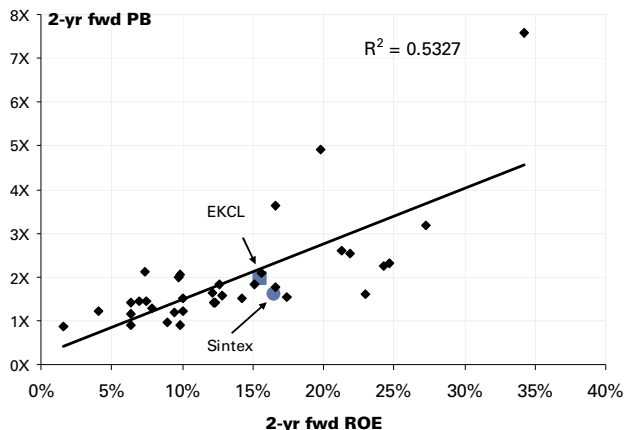
Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 7: EKCL currently trades at a 12-m fwd PB of 2.0X, at a 31% discount to its historical median of 2.9X
12-month fwd PB trend – Everest Kanto Cylinders



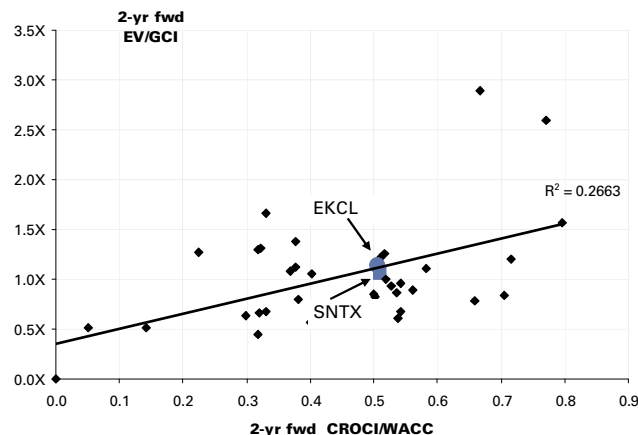
Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 8: EKCL trades inline with global peers on a 2-yr fwd PB vs ROE basis and...



Source: Bloomberg, Goldman Sachs Research estimates

Exhibit 9: Also on a 2-yr fwd EV/GCI vs CROCI/WACC basis



Source: Bloomberg, Goldman Sachs Research estimates.

Exhibit 10: Share price performance versus peer group
Price as of close on December 23, 2009

Company	Ticker	Primary analyst	Price currency	Price as of 12/23/09	Price performance since 05/27/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Industrials Peer Group								
Everest Kanto Cylinder	EKCL.BO	Ishan Sethi	Rs	143.25	-55.6%	-29.8%	-31.8%	-21.4%
ACC	ACC.BO	Pritesh Vinay	Rs	856.05	30.6%	2.5%	15.0%	76.3%
Ambuja Cements	ABUJ.BO	Pritesh Vinay	Rs	98.80	1.2%	-0.1%	14.4%	38.4%
Asia Cement	1102.TW	Jim Hung	NT\$	33.85	-36.3%	-6.1%	4.2%	36.2%
Bharat Heavy Electricals	BHEL.BO	Ishan Sethi	Rs	2,354.85	42.0%	3.6%	10.2%	72.6%
China Communications Construction (H)	1800.HK	Tommy Wong	HK\$	7.24	-57.3%	-18.8%	-19.1%	-20.0%
China Railway Construction (A)	601186.SS	Tommy Wong	Rmb	8.80	-18.5%	-1.1%	-13.5%	-9.5%
China Railway Construction (H)	1186.HK	Tommy Wong	HK\$	9.86	-15.7%	-12.7%	-15.6%	-11.6%
China Railway Group (A)	601390.SS	Tommy Wong	Rmb	6.06	-9.6%	2.5%	-8.9%	11.4%
China Railway Group (H)	0390.HK	Tommy Wong	HK\$	5.89	-15.6%	-15.6%	1.9%	13.1%
Daewoo Engineering & Construction	047040.KS	Sean Choi	W	12,500.00	-26.7%	-12.9%	11.6%	34.1%
Dongfang Electrical Corporation (A)	600875.SS	Franklin Chow, CFA	Rmb	44.85	42.9%	-8.7%	12.5%	68.5%
Dongfang Electrical Corporation (H)	1072.HK	Franklin Chow, CFA	HK\$	41.75	69.7%	-8.6%	55.8%	139.9%
Doosan Heavy Industries & Construction	034020.KS	Paul Hwang	W	70,300.00	-42.1%	1.9%	5.1%	11.8%
Doosan Infracore	042670.KS	Paul Hwang	W	16,750.00	-52.4%	-13.4%	12.0%	6.0%
GMR Infrastructure	GMRI.BO	Ishan Sethi	Rs	68.00	1.4%	-3.3%	-2.2%	84.9%
Grasim Industries	GRAS.BO	Pritesh Vinay	Rs	2,418.25	10.0%	-14.1%	8.5%	98.7%
GS Engineering & Construction	006360.KS	Sean Choi	W	112,000.00	-20.3%	20.0%	53.4%	90.8%
Guangxi Liugong	000528.SZ	Tommy Wong	Rmb	19.63	-14.7%	18.2%	23.9%	128.3%
GVK Power and Infrastructure	GVKP.BO	Ishan Sethi	Rs	48.00	-1.8%	5.4%	20.5%	119.7%
Harbin Power Equipment	1133.HK	Franklin Chow, CFA	HK\$	6.66	-51.3%	-17.3%	-2.5%	19.1%
Hyundai Development	012630.KS	Sean Choi	W	37,500.00	-42.9%	-12.6%	-16.9%	16.3%
Hyundai Engineering & Construction	000720.KS	Sean Choi	W	67,900.00	-20.8%	3.8%	19.1%	20.6%
Hyunjin Materials	053660.KQ	Paul Hwang	W	25,200.00	-41.9%	2.9%	-32.1%	13.9%
India Cement	ICMN.BO	Pritesh Vinay	Rs	120.55	-23.1%	-8.4%	-13.2%	27.8%
IRB Infrastructure Developers	IRBI.BO	Ishan Sethi	Rs	245.10	35.3%	17.1%	65.4%	101.7%
IVRCL Infrastructure and Projects	IVRC.BO	Ishan Sethi	Rs	353.50	-6.9%	-4.1%	16.1%	148.9%
Jaiprakash Associates	JAIA.BO	Ishan Sethi	Rs	146.95	-1.4%	-5.9%	9.5%	180.8%
Larsen & Toubro	LART.BO	Ishan Sethi	Rs	1,671.85	21.9%	2.3%	12.5%	115.8%
Lonking Holdings	3339.HK	Tommy Wong	HK\$	5.05	8.0%	21.4%	58.3%	147.5%
Punj Lloyd	PUJL.BO	Ishan Sethi	Rs	202.20	-36.3%	-23.1%	2.7%	33.4%
Sany Heavy	600031.SS	Tommy Wong	Rmb	33.49	28.0%	-3.7%	20.2%	118.0%
Shanghai Electric Group	2727.HK	Franklin Chow, CFA	HK\$	3.37	-23.1%	-11.8%	7.7%	18.7%
Sintex Industries	SNTX.BO	Ishan Sethi	Rs	252.45	-34.8%	1.7%	23.0%	33.5%
Taewoong	044490.KQ	Paul Hwang	W	75,100.00	-37.4%	-7.7%	-22.4%	-5.2%
Taiwan Cement	1101.TW	Jim Hung	NT\$	33.40	-33.9%	-7.1%	14.4%	38.9%
Ultratech Cement	ULTC.BO	Pritesh Vinay	Rs	898.15	41.2%	17.0%	36.5%	150.8%
India BSE30 Sensex				17,231	5.9%	3.1%	20.3%	77.9%

Note: Prices as of most recent available close, which could vary from the price date indicated above. This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database

Exhibit 11: EKCL trades in line with global peers on 2-yr fwd PB basis, while offering slightly above global average returns. Current valuations adequately balance potential risks to the company's business model over the next 12 months with the company's attractive exposure to the global Natural Gas Vehicle market, in our view.
Valuation Comparison – Everest Kanto Cylinders vs global peers

Companies	Ticker	Currency Symbol	Price 12/24/2009	GS Rating	Market Cap US\$mn	P/E (X)		EV/EBITDA (X)		P/B (X)		ROE (%)		EPS CAGR (%)		EBITDA margin (%)	
						1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr fwd	2-yr fwd	1-yr	2-yr	1-yr fwd	2-yr fwd
India - Industrials																	
Everest Kanto Cylinder	EKCL.BO	Rs	143.25	Neutral	310	39.9	12.5	15.0	7.3	2.3	1.9	6%	16%	-74%	-8%	19%	24%
Sintex Industries	SNTX.BO	Rs	252.45	Neutral	736	12.1	9.6	8.4	6.8	1.9	1.6	15%	17%	-13%	5%	17%	18%
Larsen & Toubro	LART.BO	Rs	1671.85	Neutral	20,907	29.5	23.4	17.3	14.2	6.0	4.9	19%	20%	12%	19%	12%	12%
Punj Lloyd	PUJL.BO	Rs	202.2	Neutral	1,433	16.1	12.2	8.5	7.6	1.8	1.6	11%	13%	NM	NM	8%	8%
Mcap - weighted Average (Mean)						28.2	22.1	16.4	13.5	5.5	4.6	18%	19%	9%	17%	12%	12%
Median						22.8	12.4	11.8	7.4	2.1	1.8	13%	16%	-13%	5%	14%	15%
Asia Pacific Industrials																	
Chiyoada	6366.T	¥	716	Sell	2,023	67.2	29.9	-6.3	-2.8	1.3	1.2	1%	4%	-68%	-3%	2%	5%
Dooosan Heavy Industries & Construction	034020.KS	₩	70300	Neutral	6,252	28.5	18.6	13.4	2.2	2.1	-12%	7%	NM	NM	8%	10%	
Hitachi Construction Machinery	6305.T	¥	2345	Buy	5,270	80.6	18.0	11.1	6.9	1.6	1.4	2%	7%	-66%	23%	10%	13%
JGC	1963.T	¥	1709	Buy	4,707	16.1	10.7	2.7	1.6	1.7	1.5	11%	14%	-15%	13%	11%	11%
Komatsu	6301.T	¥	1864	Buy*	19,655	47.1	19.2	13.8	9.1	2.2	2.0	4%	10%	-51%	10%	11%	13%
Mitsubishi Heavy Industries	7011.T	¥	321	Sell	11,738	55.7	9.8	8.7	0.9	0.9	0.0	2%	-82%	-11%	7%	9%	
Sumitomo Heavy Industries	6302.T	¥	467	Buy*	3,070	40.1	18.1	7.2	5.9	1.2	1.2	3%	6%	-49%	7%	8%	9%
China Railway Construction (H)	1186.HK	HKS	9.86	Neutral	15,686	16.2	12.0	6.3	5.7	2.1	1.8	13%	15%	67%	50%	4%	4%
China Railway Group (H)	0390.HK	HKS	5.89	Buy	16,177	16.9	12.4	7.4	6.5	1.8	1.6	10%	12%	NM	NM	4%	5%
Mcap - weighted Average (Mean)						26.7	22.0	9.5	7.3	1.8	1.6	5%	10%	-19%	13%	7%	9%
Median						40.1	18.1	7.4	6.5	1.7	1.5	3%	7%	-51%	10%	8%	9%
Europe Industrials																	
D S Smith	SMDS.L	£	125	Neutral	779	14.2	10.7	5.0	4.5	1.0	1.0	7%	9%	-30%	-4%	8%	8%
Huhtamaki	HUHV.HE	€	9.47	Sell	1,354	11.2	12.3	6.1	6.7	1.3	1.2	12%	10%	NM	46%	11%	10%
Metso OYJ	MEQ1V.HE	€	23.92	Sell	4,812	15.1	20.6	7.8	9.1	2.2	2.1	15%	10%	-44%	-36%	11%	9%
Rexam	REXL	£	284.2	Buy	3,266	11.2	9.0	6.7	6.2	0.8	0.9	8%	10%	-19%	0%	14%	16%
Bucher Industries	BUCN.S	SFr	109	Neutral	1,098	14.8	14.4	7.5	6.3	1.3	1.3	8%	8%	-61%	-36%	8%	9%
Georg Fischer	FIN.S	SFr	260.75	Neutral	1,019	18.7	8.5	0.9	1.0	-16%	-3%	NM	NM	3%	6%	6%	6%
Hexagon AB	HEXAB.ST	Skr	101.5	Neutral	3,504	17.1	12.2	14.2	10.7	2.1	1.8	8%	13%	-29%	0%	20%	24%
Maire Tecnimont	MTCM.MI	€	2.425	Neutral	1,113	6.5	6.3	4.7	4.1	1.9	1.6	27%	23%	-3%	0%	7%	7%
Outotec	OTEIV.HE	€	23.64	Neutral	1,413	23.4	20.8	11.9	10.5	4.0	3.6	18%	17%	-62%	-35%	8%	9%
Mcap - weighted Average (Mean)						13.4	13.0	8.7	7.5	2.1	1.9	14%	13%	-20%	-6%	12%	13%
Median						13.4	12.2	7.5	6.7	1.9	1.6	12%	10%	-29%	-2%	8%	9%
US Industrials																	
Ball Corp.	BLL	\$	51.79	Neutral	4,854	13.1	11.8	7.8	6.7	3.2	2.5	24%	22%	10%	11%	13%	13%
Chicago Bridge & Iron	CBI	\$	19.81	Buy*	1,896	11.1	10.4	4.6	3.8	2.3	1.8	20%	17%	NM	NM	8%	9%
BWAY Holding Co.	BWY	\$	19.86	Neutral	473	11.7	9.7	4.7	4.0	1.9	1.5	17%	17%	22%	22%	14%	15%
Crown Holdings, Inc.	CCK	\$	25.5	Neutral	4,136	12.7	11.3	6.5	5.9	23.4	7.6	55%	34%	17%	15%	13%	12%
Owens-Illinois, Inc.	OI	\$	33.11	Buy	5,572	11.2	8.6	6.1	4.9	3.1	2.3	24%	24%	-22%	1%	19%	21%
Pactiv Corporation	PTV	\$	23.76	Buy	3,148	9.6	9.3	5.3	4.8	3.1	2.3	32%	25%	41%	21%	24%	23%
Sealed Air Corporation	SEE	\$	21.69	Sell	4,076	15.0	13.2	6.5	5.8	1.6	1.4	12%	12%	3%	8%	16%	16%
Silgan Holdings Inc.	SLGN	\$	54.45	Neutral	2,071	13.4	12.4	6.0	5.4	3.2	2.6	24%	21%	10%	9%	14%	14%
Fluor Corp.	FLR	\$	43.84	Neutral	7,841	11.4	13.1	4.4	4.2	2.4	2.1	21%	16%	5%	-4%	6%	6%
Foster Wheeler Ltd.	FWLT	\$	28.84	Buy	3,647	9.9	11.3	5.4	5.1	4.4	3.2	43%	27%	-22%	-17%	11%	10%
Granite Construction Inc.	GVA	\$	33.46	Neutral	1,258	18.3	17.6	6.0	4.8	1.5	1.5	8%	7%	-43%	-23%	9%	9%
Jacobs Engineering Group Inc.	JEC	\$	38.14	Neutral	4,703	16.6	14.8	6.8	5.7	1.6	1.5	10%	10%	-28%	-10%	5%	5%
Quanta Services, Inc.	PWR	\$	21.89	Buy	4,348	33.6	21.9	12.6	8.8	1.5	1.4	5%	6%	-26%	7%	10%	13%
The Shaw Group Inc.	SHAW	\$	29.52	Neutral	2,460	14.0	11.4	6.2	4.8	1.6	1.4	11%	12%	4%	13%	5%	5%
URS Corp.	URS	\$	45.43	Neutral	3,699	14.7	13.8	7.2	6.2	0.9	0.9	6%	6%	16%	11%	6%	6%
KBR, Inc.	KBR	\$	18.74	Neutral	2,998	10.8	12.1	3.0	2.7	1.3	1.2	12%	9%	-12%	-11%	5%	5%
Mcap - weighted Average (Mean)						14.3	12.8	6.4	5.4	3.9	2.3	21%	17%	-2%	2%	11%	11%
Median						12.9	11.9	6.1	5.0	2.1	1.7	19%	16%	4%	8%	10%	11%
Global Average																	
Mcap - weighted Average (Mean)						21.7	18.3	9.4	7.6	2.9	2.2	12%	13%	-11%	8%	9%	10%
Median						14.8	12.4	6.7	6.1	1.8	1.6	11%	12%	-21%	5%	9%	10%

* - indicates stock is on the GS regional conviction list

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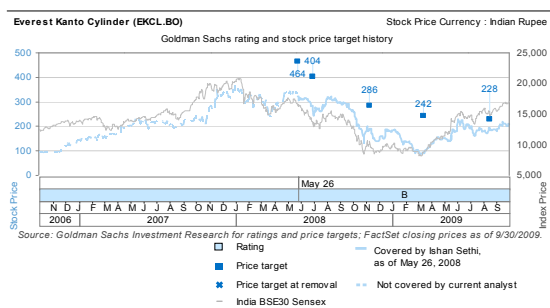
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