J.P.Morgan

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Cement

Near-term outlook remains hazy; Medium-term demand optimism priced into the large caps

India
Metals & Mining

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We believe Street estimates are aggressive for large cap cement companies, and unless we see a strong 'V' shaped infrastructure spending recovery over the next 12 months, industry demand growth >8% is unlikely over the next 2 years. Further, capacity addition should continue to outpace demand over this period. After multi quarter upward EPS revisions, we see risks of EPS cuts.

- **Stay UW on ACC, ACEM and UTCEM; Top Pick is GRASIM:** We build in 1% technology & know-how fee imposition on ACC and ACEM (build in some offset). Our earnings estimates imply sharp EBITDA/T recovery from Dec quarter levels across the board, driven by some demand recovery, price increases and lower costs. We are below consensus and believe there is likely large downside to consensus estimates for FY14/CY13 if demand recovery is muted. UTCEM's capacity addition strategy (adding aggressively) is completely opposite from ACC and ACEM (little addition). We believe the historical liquidity premium of large caps should reduce given increasing liquidity and free float of smaller names.
- **Cement-If you are positive on cement demand, steel is a better play:** The bull argument on cement is that after 2-3 years of weak demand, we are on the cusp of a sharp demand (>10%) recovery. We estimate H1FY13 demand growth was in 3-4% range and the high base, weak economy means H2 would be muted. 2013 is an election year (many states go to elections, with national elections in 2014), and this underpins our 7% demand growth estimate for FY14. **In our view, cement demand CANNOT increase in isolation, and would likely come with steel demand growth. Indian steel companies are adding little capacity and demand increase would allow them to raise prices back to import levels**.
- **Current over-capacity of +100MT should continue to increase over the next 2 years.** We expect incremental capacity addition to outstrip demand over the next 2 years. Approval documents from the Ministry of Environment (MoEF) show potentially large capacity additions post FY15. Solving of India's coal deficit would likely mean further capacity addition as power companies grapple with ways to dispose of fly ash.
- **Pricing discipline requires some base level of demand growth:** Supply discipline has been strong allowing cement prices to remain near record highs. However, continued supply discipline and price increase requires underlying demand strength. As can be seen over the last 2-3 months, weak demand would lead to sharp price corrections.

Equity Ratings and Price Targets

Company	Symbol	Mkt Cap (Rs mn)	Price (Rs)	Rating Cur	Rating Prev	Price Target Cur	Price Target Prev
ACC Limited	ACC.BO	262,636.50	1,398.90	UW	n/c	1,170.00	1,080.00
Ambuja Cements Limited	ABUJ.BO	303,357.00	196.80	UW	n/c	170.00	145.00
UltraTech Cement Ltd	ULTC.BO	541,060.70	1,973.50	UW	n/c	1,600.00	1,400.00
Grasim Industries Ltd	GRAS.BO	289,042.00	3,150.15	OW	n/c	3,770.00	3,750.00

Source: Company data, Bloomberg, J.P. Morgan estimates. n/c = no change. All prices as of 09 Jan 13.

See page 43 for analyst certification and important disclosures, including non-US analyst disclosures.

Cement - Housing alone cannot drive ~ 10% demand growth

One of the key issues with cement is tracking end demand growth. There is very little data as to where the end cement is consumed and hence a lot of the perceived demand drivers for cement consumption essentially have only anecdotal evidence. Conventional wisdom is that cement is essentially a 'housing' product and more than 2/3rd of cement sold is consumed by the housing sector and hence demand can increase even when there is a weak economy. The bull argument on cement is that we are on the cusp of a multi-year high demand growth phase.

We disagree with the above argument. Historically, the best period for India's cement demand growth, FY06-10, when demand grew close to 8+% every year was also the period when the Indian economy was growing strongly, and more importantly infrastructure spending was at peak levels.

In our view, the 4 broad drivers of cement demand are as follows:

a) **Rural Housing**

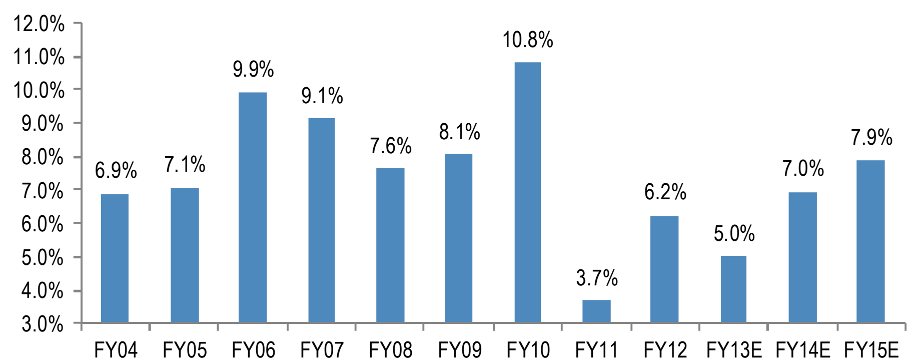
b) **Urban Housing**

c) **Public Infrastructure**

d) **Private Infrastructure**

There is a cement demand to GDP growth multiplier, which historically has averaged at 1.5x, but in years of very weak economic growth, the relationship has broken.

Figure 1: India Cement Demand Growth



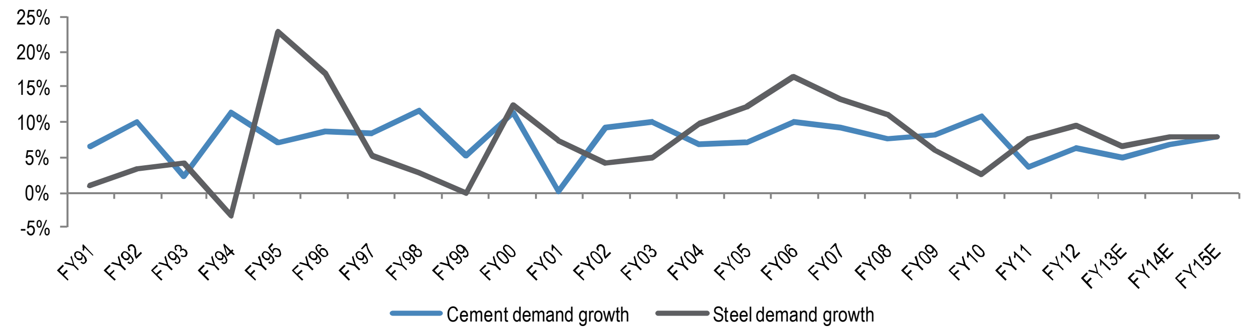
Source: Company reports, CMA and J.P. Morgan estimates.

FY14-15E demand growth expected at 7-8%, but there could be downside if infrastructure demand does not revive

Given that 2013 is an election year, with many of the states going into elections and with national elections in 2014, there are expectations that demand could see a sharp revival, especially after the last 2-3 years of weak demand. FY13E has been a slow year. With official CMA numbers not available, actual complete data is unavailable. We have done a bottom up aggregation of 17 companies, which historically accounted for 3/4th of India's cement dispatches. H1FY13 aggregate cement sales volume growth for these companies was only at 5%. **Lack of government spending has been the other key reason behind the weak cement demand growth. Over the next few months, as the weather improves, so should cement demand, allowing some price increases to go through. However, we are unlikely to return to +10% demand growth rate any time soon.**

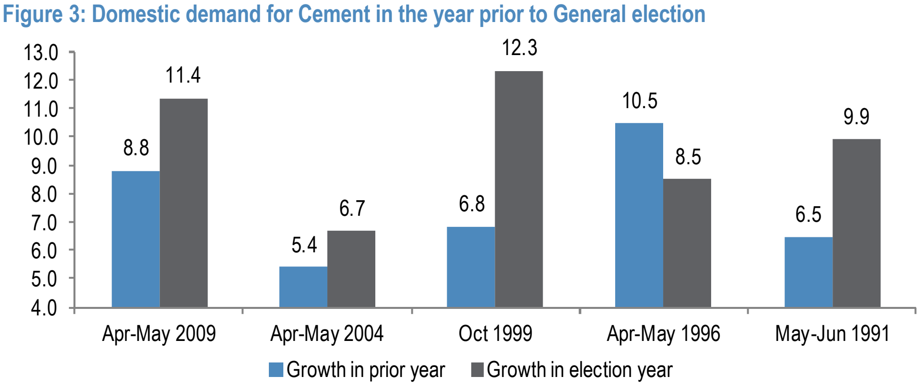
We are building in cement demand growth of 7-8% over FY14-16E period. This translates into 16-20MT per year, comparable to the absolute demand increase seen in FY10, at the peak of India's infrastructure boom.

Figure 2: India Cement and Steel Demand Growth Trends



Source: CMA, JPC and J.P. Morgan estimates.

Figure 3: Domestic demand for Cement in the year prior to General election



Source: Company reports, CMA and J.P. Morgan estimates.

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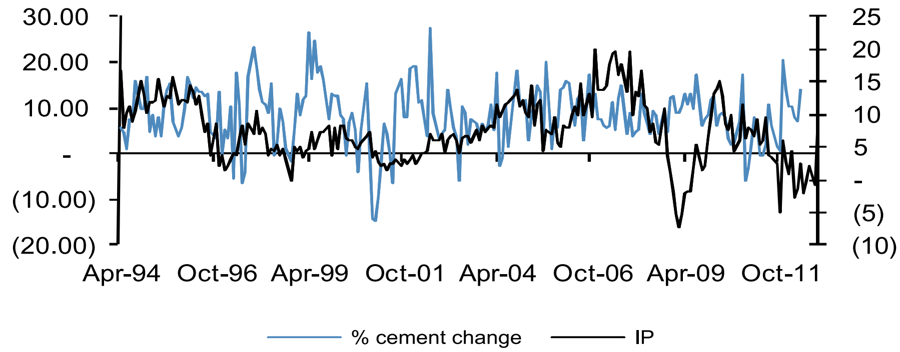
Figure 4: Cement Demand Growth and India IP



Source: Bloomberg and CMA.Capacity Addition- Not a complete stop in our view

We estimate current cement over-capacity stands at +100MT and from here at least over the next 2 years, capacity addition is likely more than demand growth. Our capacity addition is based on publicly available data and channel checks. Our analysis of regulatory approvals given by the Ministry of Environment and Forests (MOEF) suggest much higher additions over the next 3-4 years. **The bull argument is that cement capacity additions are likely to slow down sharply from here given the following issues**:

a) **Long delays in land acquisition and securing regulatory approvals**

b) Sharply higher implied profitability requirements for the newer capacity to be profitable

In our view, companies are again starting on the capacity addition cycle. Admittedly not all companies are adding capacity or have plans to do so. For example, UTCEM has the most aggressive capacity addition plan and over the next 6 months would bring on stream~10MT capacity, and over the next 3 years, at least 15MT more capacity in our view (though some may be acquired). **The reason why we believe capacity addition is NOT as difficult as seen by some is that unlike steel, cement capacity is relatively easier to add. The land requirement is smaller and geographically limestone is more widely available and hence capacities need not be set up in only a few states. Brownfield capacity addition does not require large extra land and hence can be set up more easily.**

We factor in end capacity of 388MT in FY15E but see upside risks to the capacity addition estimates, and more importantly with investors (especially private equity) willing to infuse equity, means more of the smaller companies are likely to add capacity.

The other factor which in our view could be critical going forward is the role of the power/steel companies. These industries generate large amounts of fly ash and slag, disposing which is difficult. Power companies have the land, power capacity and also fly ash and hence the incremental capital spend to set up a cement unit is not as much as the $120-140/T as talked about. Over the last 2-3 years, non traditional companies like JSW Cement, Reliance Cement (Not Listed) have entered the cement industry setting up capacity.

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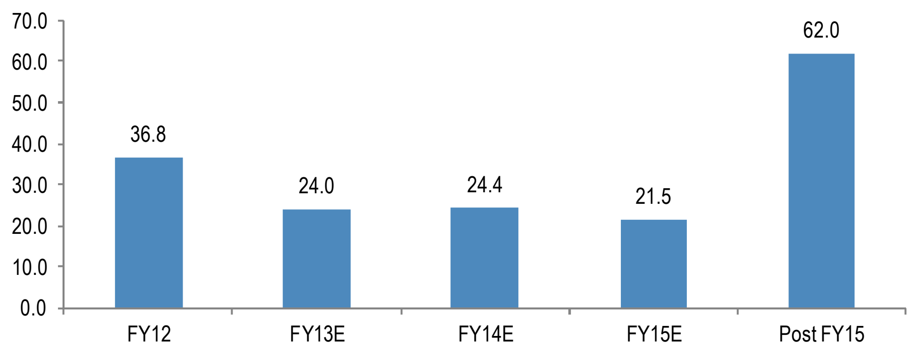
Table 1: India Cement Demand-Supply Model

India Total	FY09	FY10	FY11	FY12E	FY13E	FY14E	FY15E
Total Capacity for the year	205	237	268	279	295	311	325
Year-end Capacity	212	252	281	318	342	367	**388**
Capacity Addition on prod basis	***31.6***	***32.5***	***31.0***	***10.5***	***16.0***	***16.0***	***14.0***
Total Capacity addition on end basis	**22.9**	**40.7**	**29.0**	**36.8**	**24.0**	**24.4**	**21.5**
Domestic Demand	178	198	208	220	231	248	267
Demand Growth	**8.8**	**11.4**	**4.9**	**6.1**	**5.1**	**7.0**	**8.0**
Exports	5.2	4.7	2.5	3.0	3.0	3.0	3.0
Growth	-12.7	-8.0	-47.3	20.0	0.0	0.0	0.0
Total Demand	**182.8**	**202.6**	**210.1**	**223.2**	**234.4**	**250.6**	**270.4**
Growth	**8.1**	**10.8**	**3.7**	**6.2**	**5.0**	**7.0**	**7.9**
Cap Util - Total capacity (%)	89	85	78	80	80	81	83
Cap Util - Gross capacity (%)	**86%**	**80%**	**75%**	**70%**	**68%**	**68%**	**70%**

Source: Company reports, CMA and J.P. Morgan estimates.

Figure 5: Cement Capacity Addition (MT) Over next few years



Source: Company reports and J.P. Morgan estimates.

Over capacity requires continued SUPPLY DISCIPLINE for pricing and profitability to be maintained

Supply discipline has been very strong over the past 3 years and even in the face of weak demand and over-capacity the industry has been able to achieve record profitability and cement prices in the market. From here, in our view continued supply discipline is critical for cement prices to hold and profitability to be maintained. Our earnings estimates and assumptions build in continued supply discipline from current levels.

One of the key factors driving supply discipline over the last few years was consolidation in the industry as the top 6 players capacity share surged to 57% in FY09 from 49% in FY05. However, we see the consolidation reducing over the coming years and expect the top 6 share to reduce to 50%. This, in our view, is driven by new companies entering the sector and the smaller companies adding more

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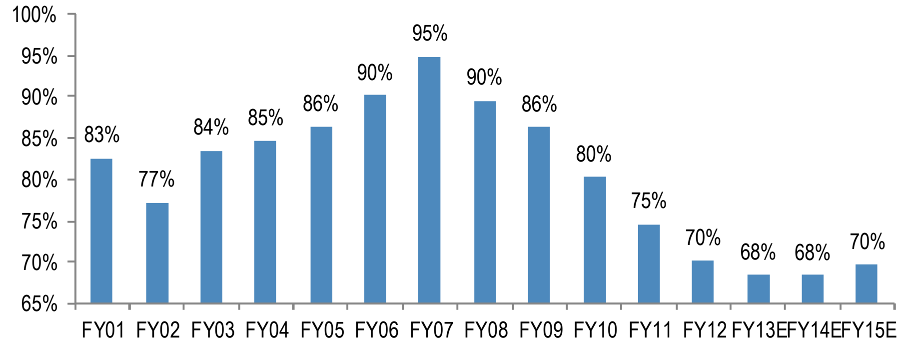
capacity. We are assuming this development would NOT have an impact on supply discipline but admittedly is a key risk to our assumptions

Figure 6: Cement Industry Utilization Rates



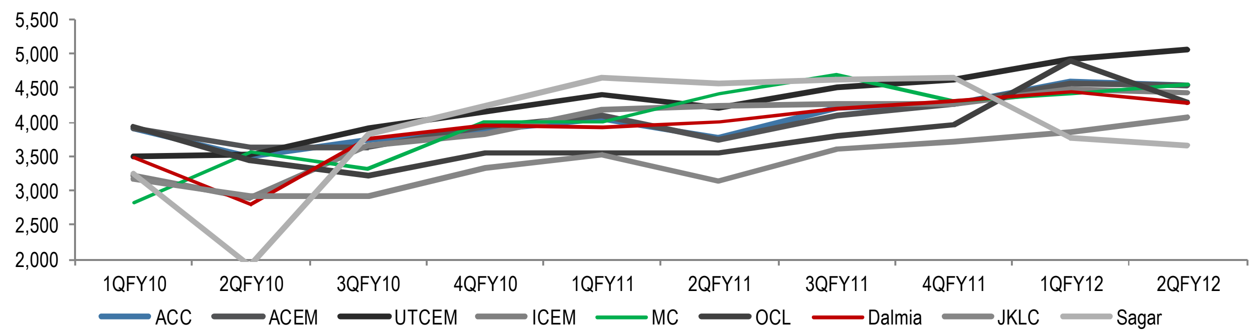
Source: Company reports, CMA and J.P. Morgan estimates.

Table 2: India Cement: Consolidation

	North	South	East	West	India
Top 5 Players Share	**71%**	**51%**	**74%**	**67%**	**50%**
UltraTech	17%	11%	8%	24%	16%
ACC	10%	9%	15%	13%	10%
Ambuja	13%		14%	11%	9%
Jaypee	14%			17%	9%
India Cem		12%			5%
ShreeCem	17%				
MadrasCem		10%			
Chettinad		9%			
OCL			18%		
Lafarge			19%		
Century				9%	

Source: Company reports and J.P. Morgan.

Figure 7: Quarterly realization/MT for Cement Cos over last 2 years



Source: Company reports for NC companies and J.P. Morgan estimates for ACC, ACEM, UTCEM.

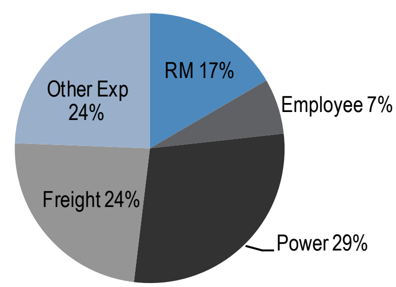
Modest cost increase likely from here

Global coal prices have fallen sharply over the last 12 months, but the impact has been muted given the INR depreciation and higher local coal prices. From here power and fuel cost inflation is likely to be benign unless domestic coal availability changes (which is a possibility given the coal demand supply mismatch in India).

However, we continue to expect freight costs, raw material costs and other expenses to continue to track broader inflation levels of 6-7% from here. Freight costs in particular could spike up if diesel prices are increased by the Government

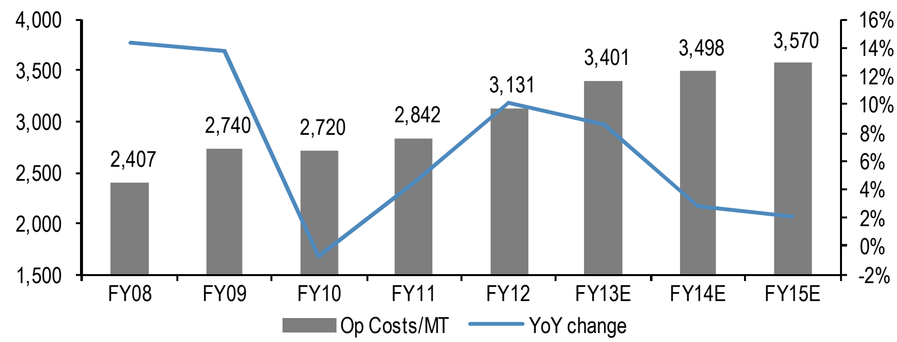
Over the past 2-3 years, the industry has demonstrated strong pricing power and has passed on cost increases. Our earnings assumptions build in continued pricing power for the sector and ability to pass on the higher costs that the industry faces.

Figure 8: Operating Cost Breakup for Indian Cement Company



Source: Company reports and J.P. Morgan estimates.

Figure 9: Average Operating Cost/Mt for Large Cement Cos



Source: Company reports and J.P. Morgan estimates.

Quite a few cement assets available currently

Given the over-capacity, the absence of M&A has been surprising. In our view, difference in asking price between the seller and the buyer has been the key reason. The other issue, in our view, has been the absence of foreign companies as buyers. Over the past few years, most of the buyers of cement assets have been foreign cement companies like Holcim, CRH and Heidelberg among others. Over the last 2-3 years, the foreign companies have been facing stressed balance sheets and tough conditions in their home markets and have been absent.

Media reports (Global Cement, Bloomberg, CNBC) highlight a slew of cement capacities available for outright/partial sale. So far no transaction has been completed

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given the uncertainty of the cement market. **The available capacities include- JPA's Gujarat units, Lafarge India, ABG Cement, Shriram Cement among others**.

Of the above capacities, excluding Lafarge, we believe utilization levels at the other plants remain below implied national average of ~70%.

Consensus estimates imply sharp pick up in volumes and profitability

Bloomberg consensus estimates for ACC, ACEM and UTCEM imply EBITDA CAGR of 15-21% and EPS CAGR of 17-21% over the next 2 years. We are 3-30% below consensus estimates on the above companies. Our broad assumptions are of 6.5-7.5% industry volume growth and ASP/T increase of 2-3% over the next 2 years.

In our view, consensus estimates imply sharply higher volume and pricing growth v/s our estimates. Admittedly, this is an election year, but the kind of demand and pricing growth build in consensus estimates, imply a sharp V shaped infrastructure spending pick up, of which we are seeing no signs as of now. In our view, there is likely downside to street earnings estimates for the large caps.

Table 3: India Cement Cos: JPMe vs. Consensus Estimates

		EPS		EBITDA	
		FY14E	FY15E	FY14E	FY15E
ACC	JPMe	87	99	24,849	27,801
	Consensus	89	103	26,499	30,720
		-3%	**-4%**	**-6%**	**-10%**
Ambuja	JPMe	12	12	27,468	29,729
	Consensus	13	15	29,412	33,689
		-7%	**-14%**	**-7%**	**-12%**
UltraTech	JPMe	100	108	52,682	57,079
	Consensus	122	153	60,653	74,625
		-18%	**-29%**	**-13%**	**-24%**
Grasim	JPMe	334	353	43,932	50,902
	Consensus	360	422	51,874	62,620
		-7%	**-16%**	**-8%**	**-18%**

Source: Company reports, Bloomberg and J.P. Morgan estimates.

Table 4: Indian Cement- JPMe vs Consensus Valuation Summary

		CMP	Mkt Cap	P/E		EV/EBITDA	
				FY14E	FY15E	FY14E	FY15E
ACC	JPMe	1,403	264,061	16.2	14.2	9.8	8.6
	Consensus			15.8	13.7	8.5	7.1
Ambuja	JPMe						
	Consensus	198	304,382	17.0	15.9	9.9	9.0
				15.8	13.6	8.9	7.4
UltraTech	JPMe						
	Consensus	1,974	541,005	19.7	18.3	11.0	10.1
				16.2	12.8	9.6	7.6

Source: Company reports, Bloomberg and J.P. Morgan estimates. Valuations are as of 8 Jan 2013.

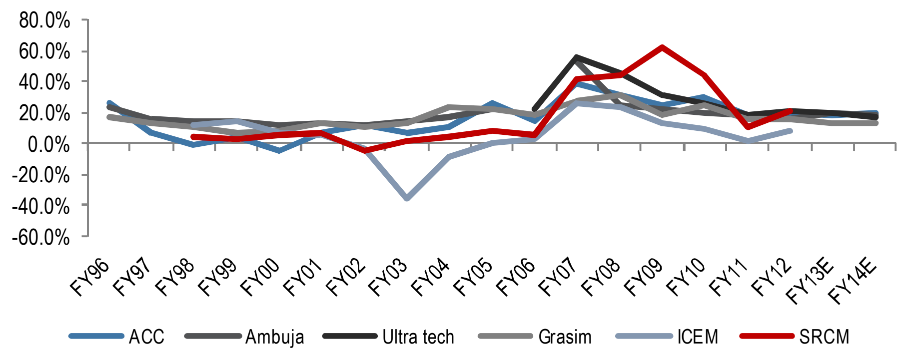
Return ratios have deteriorated, while valuation multiples have surged for the large caps…

Cement stocks, particularly large caps have re-rated sharply over the past 2 years, even as underlying industry fundamentals have remained weak, and pricing lower has come at the cost of lower utilizations. We agree with the view that a cash rich balance sheet of ACC and ACEM should warrant a higher than historical multiple, but at the same time, the return ratios (RoE, ROCE) have not really moved up and in fact remained in a range of 18-25%, below the previous peak cycle returns of +30%.

Valuation multiples have on the other hand continued to increase and on both a) earnings and b) replacement costs basis at/near multi year highs as investors (particularly foreign investors) bid up the stocks

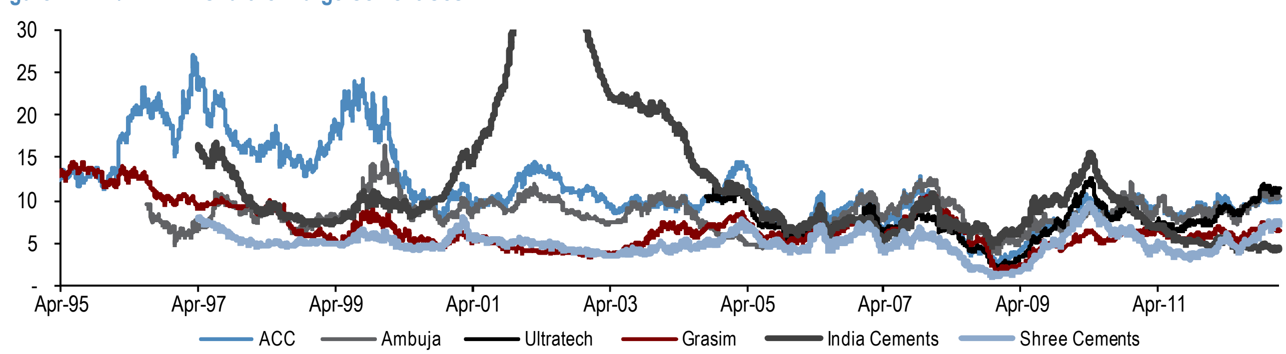
In our view, given where expectations and valuations are, disappointment on the operational front would be negative for stock prices.

Figure 10: RoE for Large Cement Cos



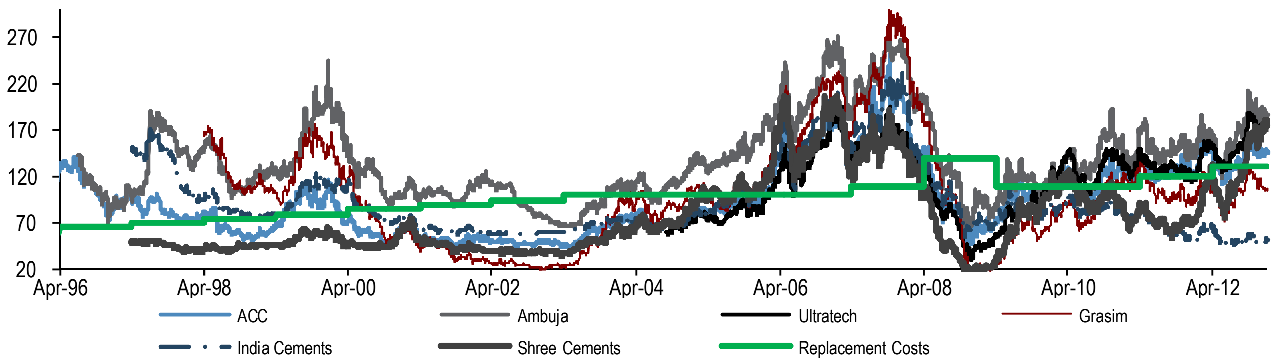
Source: Company reports for NC companies and J.P. Morgan estimates.

Figure 11: EV/EBITDA Chart for Large Cement Cos



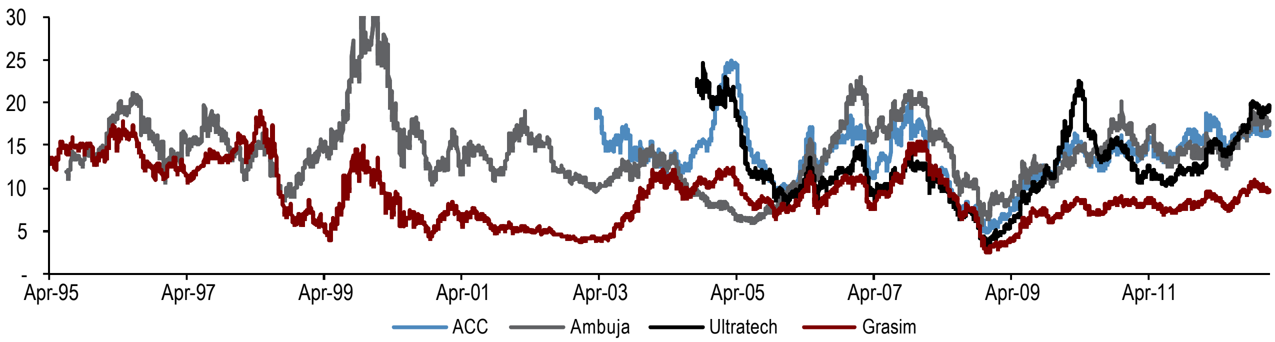
Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos (ICEM & SRCM) based on Bloomberg consensus.

Figure 12: EV/MT for Large Cement Cos



Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos (ICEM & SRCM) based on Bloomberg consensus.

Figure 13: P/E Ratio for Large Cement Cos

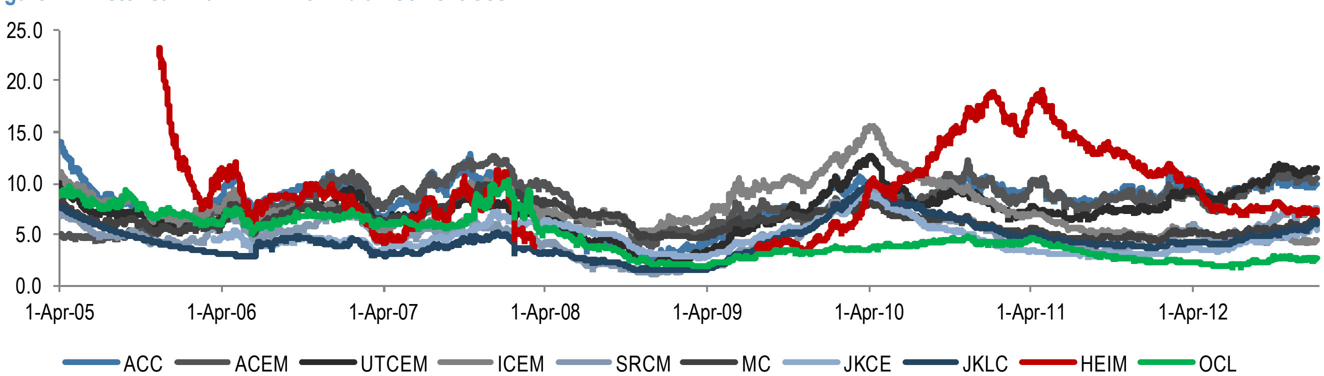


Source: Company reports and J.P. Morgan estimates.

……Mid Cap cement companies remain at a significant discount

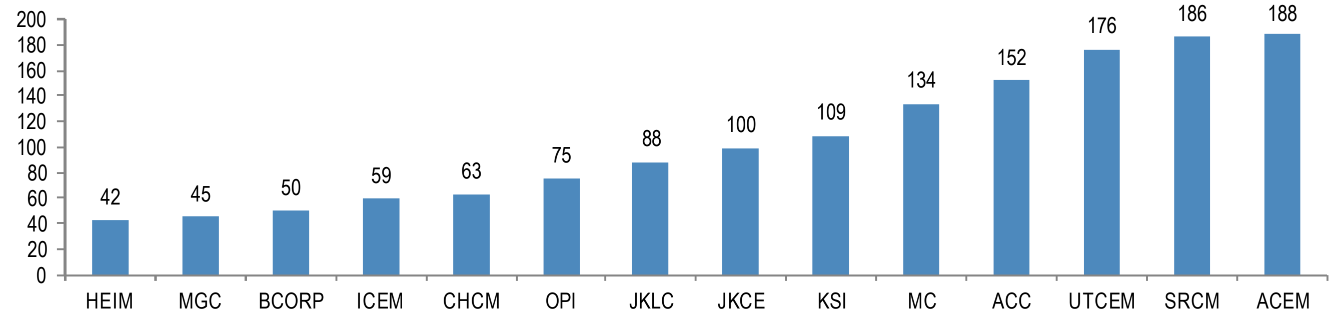
Mid caps outperformed large caps in 2012, but even after the sharp rally, remain at a significant discount to large caps, particularly given that balance sheets are broadly strong across most companies and financial leverage is low. The difference in profitability is between national pan India players and the smaller regional players, but not enough to justify the valuation discount, in our view

Figure 14: Historical EV/EBITDA For Indian Cement Cos



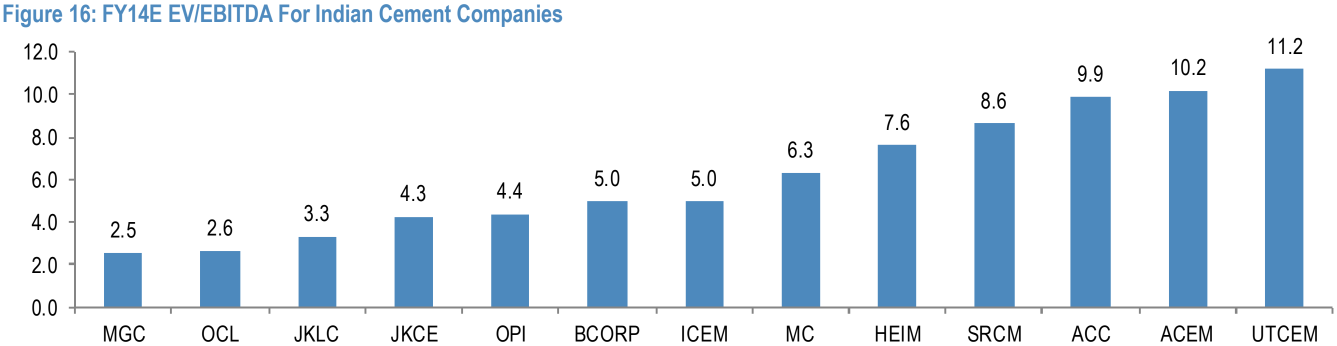
Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos (ICEM & SRCM) based on Bloomberg consensus.

Figure 15: FY14E EV/T for Indian Cement Cos



Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos (all companies except ACC, ACEM and UTCEM) based on Bloomberg consensus.

Figure 16: FY14E EV/EBITDA For Indian Cement Companies



Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos (all companies except ACC, ACEM and UTCEM) based on Bloomberg consensus..

Table 5: Cement Global Valuation Summary

		LC	EV/EBITDA		P/E	
	Rating	Price	FY14E	FY15E	FY14E	FY15E
India						
ACC	UW	1402	9.8	8.6	16.2	14.2
Ambuja	UW	198	9.9	9.0	17.0	15.9
UltraTech	UW	1971	11.0	10.1	19.6	18.3
Grasim	OW	3174	6.6	5.5	9.5	9.0
India Cement	NC	91	4.1	3.6	7.2	6.2
Madras Cement	NC	241	6.2	5.3	11.4	9.9
Europe & Latam						
Cemex	OW	10	8.9	7.7		
Ciments Francais	NC	44	3.8	3.5	11.9	8.1
Holcim	N	69	6.5		15.0	
Italcementi	UW	5	4.8			
Lafarge	N	49	6.6		14.5	
Asia Ex. India						
Anhui Conch Cement	OW	19	9.7	8.7	14.5	12.6
Taiwan Cement	UW	39	39.3	36.6	15.2	13.6
Asia Cement	UW	37			14.7	14.0
Semen Gresik	NR	16000	11.2	9.4	16.9	14.4
Indocement	OW	22100	10.9	9.1	15.1	12.7
Holcim Philippin	NC	13	12.3		23.3	
Siam Cement	OW	446	14.2	12.5	18.0	15.5

Source: Company reports and J.P. Morgan estimates. Note: Not Covered Cos based on Bloomberg consensus. Valuations are as of 8 Jan 2013.

Foreign Ownership remains at multi year highs

Foreign institutional investor behavior has been completely opposite to Domestic investors with Foreign ownership at multi year highs particularly in stocks like ACC, ACEM and Ultratech.

Table 6: FII ownership as % of outstanding

%

FII	Jun-08	Mar-09	Mar-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
ACC						16.2%	17.3%	18.3%	18.3%	19.6%
Ambuja	9.1%	10.3%	12.6%	14.9%	15.2%	24.0%	25.0%	25.8%	26.2%	27.9%
UltraTech	21.2%	21.4%	24.1%	27.2%	23.7%	15.0%	16.1%	17.7%	19.2%	20.1%
Grasim	5.8%	2.3%	10.9%	12.9%	13.4%	23.4%	23.5%	23.5%	23.5%	23.5%
India Cements	21.2%	23.2%	23.4%	23.6%	23.6%	27.2%	27.0%	29.2%	29.3%	28.6%
Shree Cement	28.5%	26.9%	27.7%	25.8%	26.3%	8.5%	8.3%	8.2%	7.9%	7.9%
Madras Cement	6.9%	3.3%	4.9%	5.9%	6.2%	7.7%	7.6%	6.5%	6.7%	5.0%

Source: Company reports, BSE, NSE.

Table 7: DII ownership as % of out standing

%

DII	Jun-08	Mar-09	Mar-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
ACC	22.6%	22.4%	20.0%	15.6%	15.3%	14.6%	13.2%	11.9%	12.2%	10.7%
Ambuja	15.8%	17.1%	16.5%	14.7%	14.6%	14.5%	13.6%	12.5%	12.4%	10.6%
UltraTech	8.7%	8.9%	11.7%	7.8%	7.8%	7.2%	6.4%	5.5%	4.8%	4.3%
Grasim	21.0%	20.9%	19.8%	18.2%	17.8%	17.8%	18.0%	16.9%	16.8%	15.9%
India Cements	17.8%	19.6%	20.4%	18.7%	17.7%	16.7%	15.9%	17.8%	19.2%	19.8%
Shree Cement	7.7%	10.1%	8.8%	6.1%	5.8%	4.5%	5.0%	5.0%	5.3%	5.4%
Madras Cement	21.5%	20.6%	19.1%	21.2%	21.0%	20.9%	21.3%	21.3%	18.0%	23.8%

Source: Company reports, BSE, NSE

Remain UW on ACC, ACEM, UTCEM; Top pick remains GRASIM

We remain UW on the large cap cement companies as current stock prices are pricing in a very strong rebound in demand and profitability, which is unlikely in our view. For ACC and ACEM, the imposition of the 1% knowhow fees is negative and even though we assume some offset impacts EPS by ~3%. ACC and ACEM currently have high dividend payout and limited capacity addition plans, while UTCEM is adding capacity aggressively. UTCEM is trading at a premium to ACC and ACEM (ACC has the lowest margins of the three cos).

In our view, the large cap cement companies are priced to perfection and require a large beat versus already stretched estimates/expectations.

We remain OW on GRASIM with a revised PT of Rs3770/share. In our view, it remains among the cheaper cement plays (60% ownership of UTCEM) and the VSF volume growth from FY14E should drive standalone earnings higher.

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Table 8: Cement: Valuation Summary

Company	Curr Price	No of Shares	Rating	Year	EPS (Rs)	EPS Growth (% yoy)	PE (x)	EV/ EBITDA (x)	EV/ Tonne (US$)
Grasim Consol	3,174	92	OW	FY13E	301	4	10.6	7.3	129
				FY14E	334	11	9.5	6.6	101
				FY15E	353	6	9.0	5.5	94
ACC	1,402	188.2	UW	CY12E	72.4	3	19.4	10.9	153
				CY13E	86.8	20	16.2	9.8	150
				CY14E	98.8	14	14.2	8.6	133
Ambuja	198	1,537	UW	CY12E	11.0	35	18.0	10.9	188
				CY13E	11.6	6	17.0	9.9	184
				CY14E	12.5	7	15.9	9.0	170
Ultratech	1,971	274	N	FY13E	97	9	20.2	12.0	191
				FY14E	100	3	19.6	11.0	172
				FY15E	108	7	18.3	10.1	167

Source: Company reports, Bloomberg and J.P. Morgan estimates. Valuations are as of 8 Jan 2013.

How has India's consumption pattern changed over last 15 years

India's cement and steel consumption growth saw a sharp pick up between the years 2003 and 2009 with both cement and steel entering a multi year phase of double digit increase, which since then has come off sharply over the last 12 months.

While granular state wise end steel consumption data is not available, the same is available for cement, and given that construction/infrastructure is a common large driver for both cement and steel consumption, we believe analyzing cement consumption on a state-wide basis gives a good read through for:

a) **Which states were the key drivers for demand**

b) **What were the key demand drivers of materials consumption over 2004-2009 period**

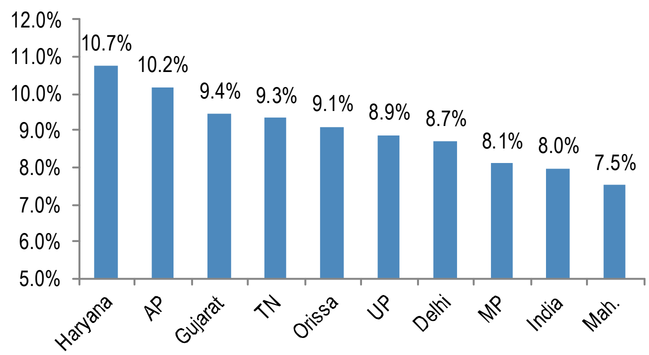
Which states were the key drivers for demand

India's cement consumption increased by a CAGR of 10.3% between FY05-10, one of the best periods for cement consumption and was the best 5-year period since we have data starting from 1990. More importantly, this 5-year period was characterized by each year reporting strong y/y growth, unlike previous periods where strong growth in 1 year was followed by very low/negative growth in the next year. In the same period, steel consumption increased by a CAGR of 10% implying strong materials intensive growth in demand.

However, the growth in cement demand was not uniform across India, with a few states seeing demand increase by a CAGR of 11-18%. The key states which accounted for bulk of the demand and the CAGR growth rates are as follows:

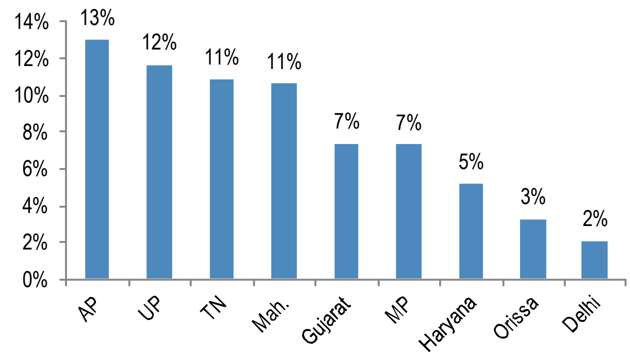
The fastest growing states were AP, Haryana, Tamil Nadu, Tamil Nadu, MP+Chatissgarh, Gujarat, Karnataka, Orissa, Rajasthan, UP+UTHK, and lastly Maharashtra. These states cumulatively accounted for 81% of the incremental Indian cement consumption during FY05-10. However, for FY11, many of these states have shown negative y/y growth and in our view any recovery in materials demand would need demand revival in the above states.

Figure 17: Cement demand CAGR for FY05-10 in key states and India



Source: CMA and J.P. Morgan calculations.

Figure 18: % contribution of key states to incremental FY05-10 demand



Source: CMA and J.P. Morgan calculations.

What were the key demand drivers of materials consumption over 2004-2009 period

While infrastructure capex is the key driver for materials demand, we have done a more detailed granular analysis in terms of key states and key sectors capex. The analysis is based on CMIE (Centre for Monitoring of Indian Economy) capex data.

The below chart is based on capex completed in a year. While the number is in Rsbn and hence gives only a cash spending perspective (and to that extent inflation distorts this number), in our view it still gives a good understanding of how has India's capex surged through the last few years. **Completed capex increased by 6x in FY10 over FY04 and more importantly came down y/y by 31% in FY11 (co-inciding with the slow down in cement and steel demand).**

Analyzing the sub segment wise capex data, on a rolling 5-year basis, on a completed capex basis, it is seen that India saw capex completion surge the most in the FY05-10 period with capex completion across segments with the dominant being services (which would include railways, roads, airport, metro, water & sewage pipeline, shipping & shipping services), power generation, metals, mining, chemicals.

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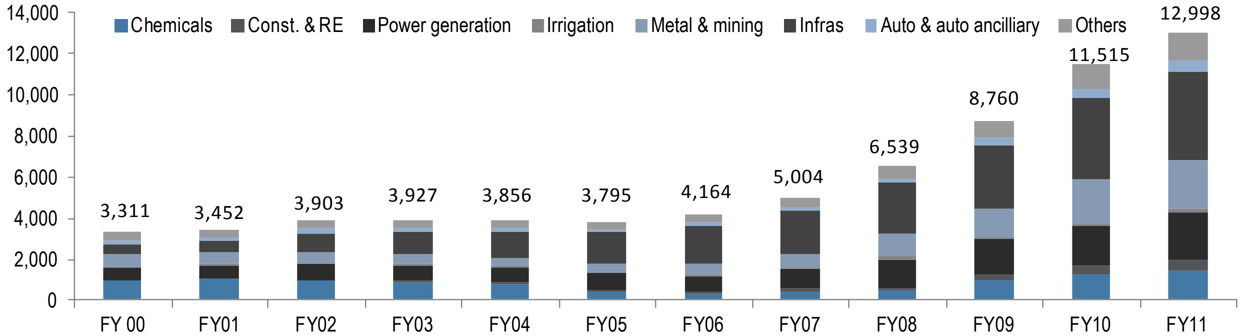
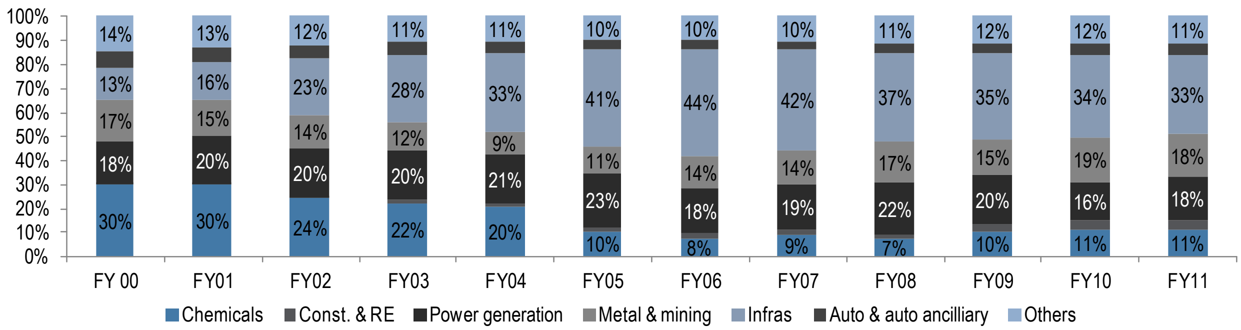
Figure 19: India's rolling 5yr capex and key segments (Rs bn)



Source: CMIE and J.P. Morgan calculations.

Figure 20: Key segments contributing to the rolling 5yr capex in India



Source: CMIE and J.P. Morgan calculations.

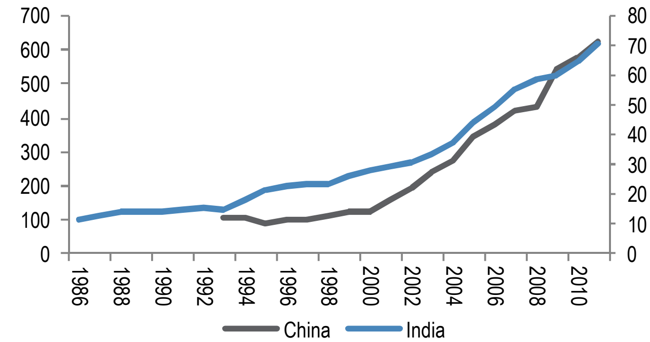
Materials- India v/s China

We often get the question from investors about India's materials intensity/consumption and its comparison with China and whether India can see a TAKE OFF similar to what China saw in the early 1990s. Currently China's consumption of key materials like steel, cement and aluminum is multiple of India (with steel consumption being 9x, cement at 9x and aluminum at 10x). However, the worrying fact is that the difference has widened significantly over the last few years even as India's GDP growth has picked up. Worryingly measuring consumption in terms of intensity (steel consumption per GDP PPP basis) shows India's steel intensity increased by ONLY 7% in 2010 compared to 1995 while China's steel intensity increased by 62% over the same period of time. Currently China's steel intensity stands at 3.75x that of India.

India's GDP PPP/Capita in 2009 (source World Bank) stood at ~$2993 while China's stood at $6200. India's 2009 GDP PPP/Capita is at the same level as that of China's in 2001; however, India's steel consumption in 2009 was only 40% of China's 2001 consumption while cement consumption stood at 33%, highlighting that on **GDP PPP/Capita basis it is difficult to ascertain if INDIA can see a TAKE OFF of materials consumption anytime soon**.

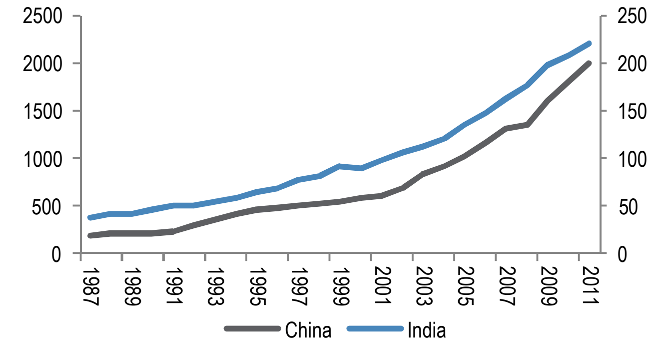
On a per capita basis, China's cement and steel consumption was 7.5x and 7.8x that of India's in 2010. India's per capita consumption has been increasing steadily, however the growth has not been exponential as many had expected given the increased focus on infrastructure.

Figure 21: Steel Consumption (MT) for India and China



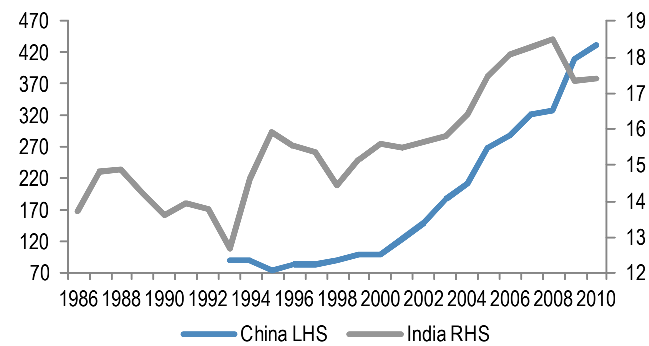
Source: JPC and CISA.

Figure 22: Cement Consumption (MT) for India and China



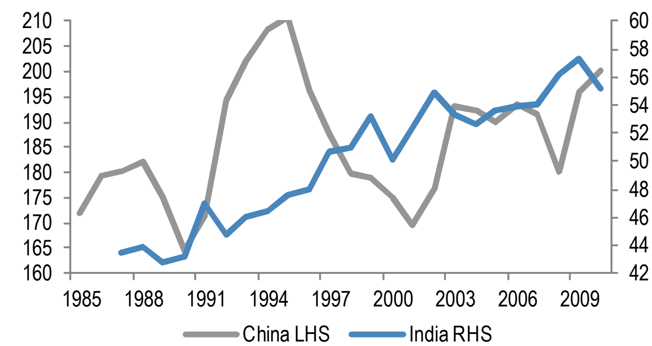
Source: CMA and CCA.

Figure 23: Steel intensity - India vs. China



Source: World Bank, JPC and CISA

Figure 24: Cement intensity- India vs. China



Source: World Bank, CMA and CCA.

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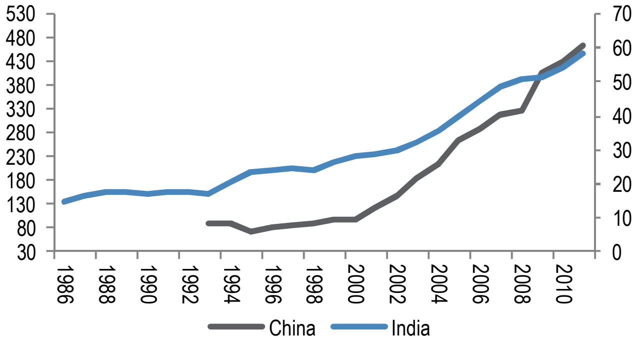
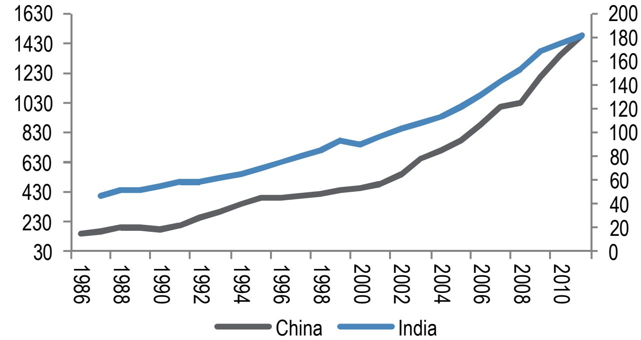
Figure 25: Steel consumption per capita (kgs)



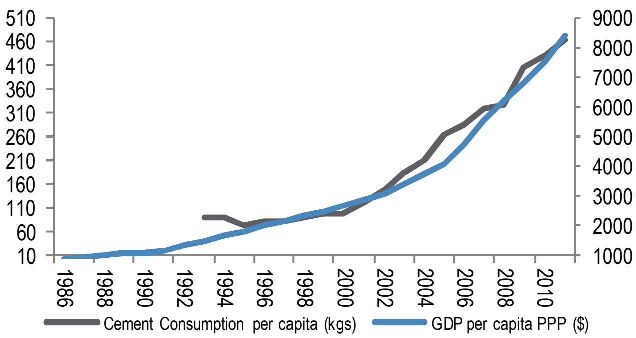
Source: World Bank, JPC, CISA

Figure 26: Cement consumption per capita (kgs)



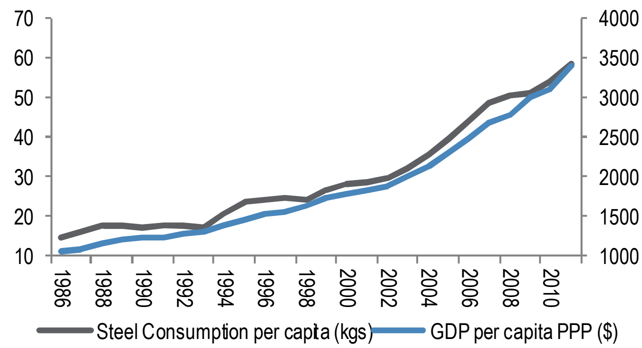
Source: World Bank, CMA and CCA

Figure 27: Per capita steel consumption and GDP PPP - China



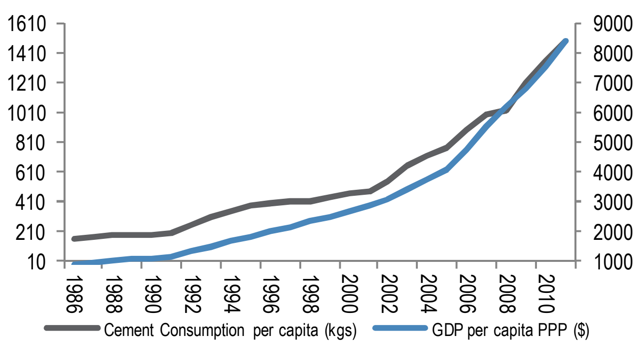
Source: CISA and World Bank.

Figure 28: Per capita steel consumption and GDP PPP - India



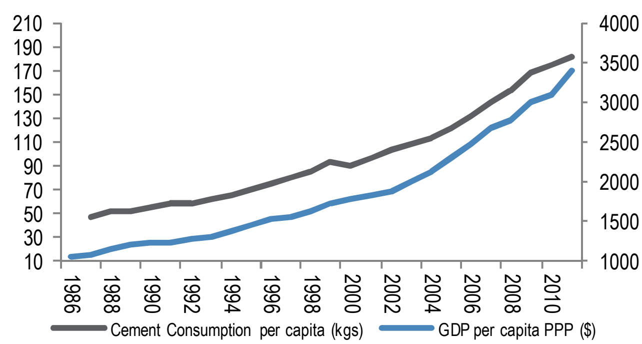
Source: JPC and World Bank.

Figure 29: Per capita cement consumption and GDP PPP - China



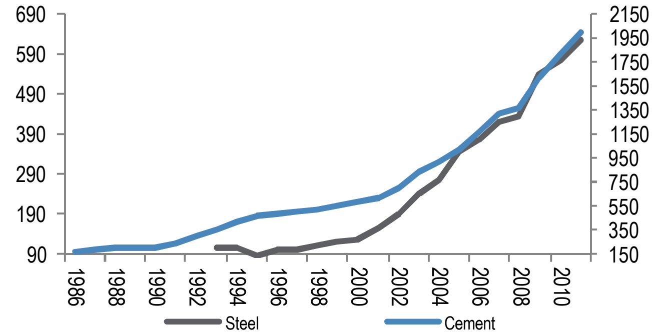
Source: World Bank and CCA.

Figure 30: Per capita cement consumption and GDP PPP - India



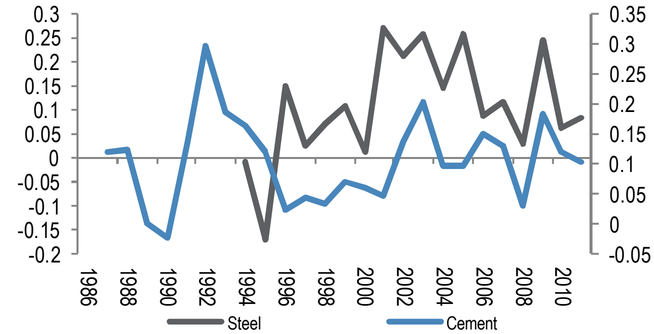
Source: World Bank and CMA.

Figure 31: China's Cement and Steel Consumption (MT)



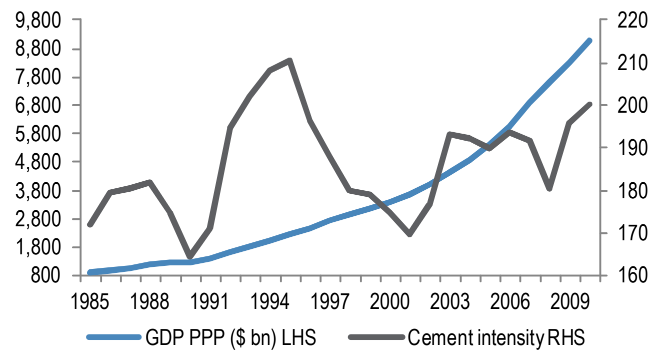
Source: CCA and CISA.

Figure 32: China's Cement and Steel Consumption Growth



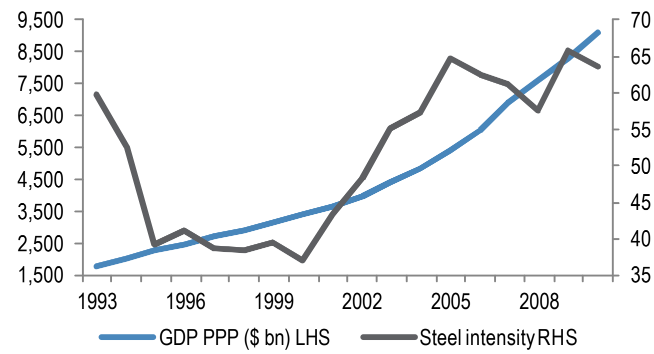
Source: CCA and CISA.

Figure 33: China's GDP PPP and Cement intensity



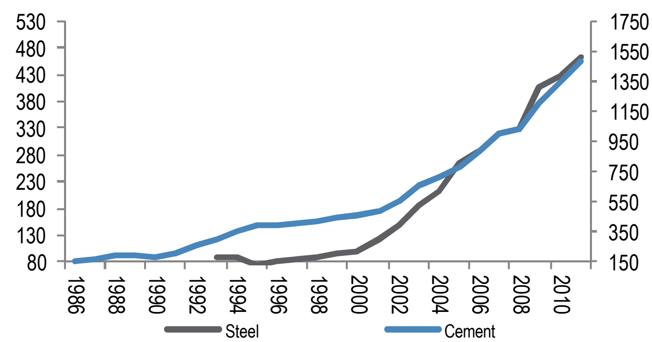
Source: Work Bank and CISA. Note: Intensity of use is in kg per 1000 US$ of GDP. GDP PPP is constant 2005.

Figure 34: China's GDP PPP and Steel intensity



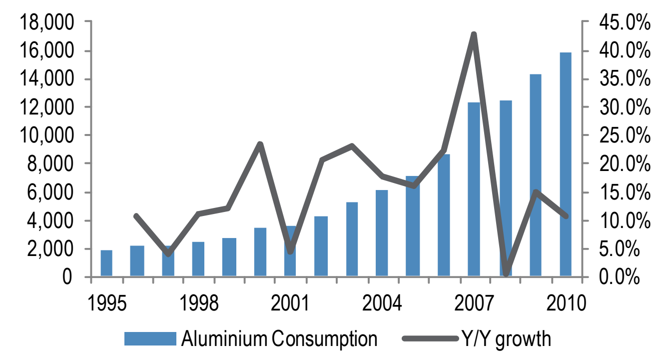
Source: Work Bank and CISA. Note: Intensity of use is in kg per 1000 US$ of GDP. GDP PPP is constant 2005.

Figure 35: China's Per Capita Cement and Steel Consumption (in kgs)



Source: CCA and CISA.

Figure 36: China's Aluminium Consumption (kt) and Growth

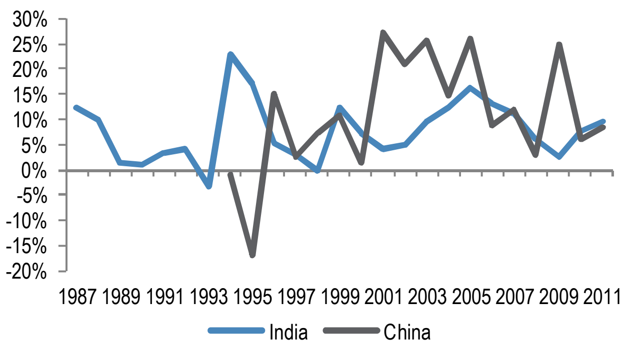


Source: Brook Hunt.

Has India's trajectory changed over the last few years? Yes, it did spike up between 2004-09, but worryingly has come off

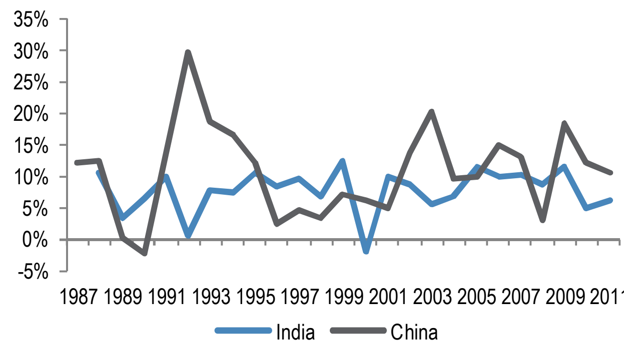
India's steel and cement consumption growth rates have been increasing and in fact between CY04-09, cement and steel demand increased at a CAGR of 8.8% and 8.2% respectively. However during the same time, China's cement and steel consumption increased at a CAGR of 11.1% and 13.9% respectively, and that too on a higher base. India's steel intensity saw a steady increase between 2003 through 2008, but since then has dipped, with a similar trend seen in cement intensity (based on GDP PPP). While overall growth rates in terms of y/y increase for both steel and cement have been in high single digits for India (compared to mid teens for China), the worrying fact is that over the last 1 year both steel and cement intensity/yoy growth has come off. **It was between 2003 and 2009 for cement and 2003 and 2008 that India's cement and steel demand on a y/y basis increased sharply higher than GDP growth, with both cement and steel showing double digit growth.**

Figure 37: India vs. China Steel consumption growth



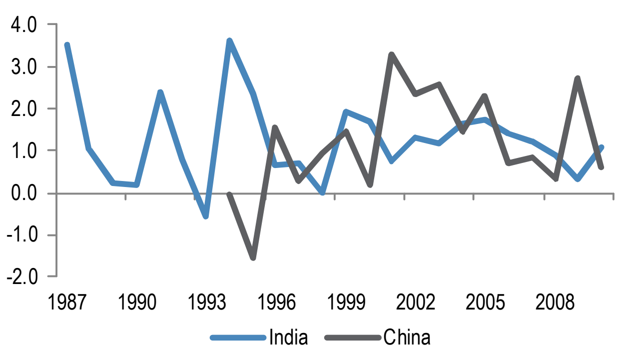
Source: CISA and JPC.

Figure 38: India vs. China Cement consumption growth



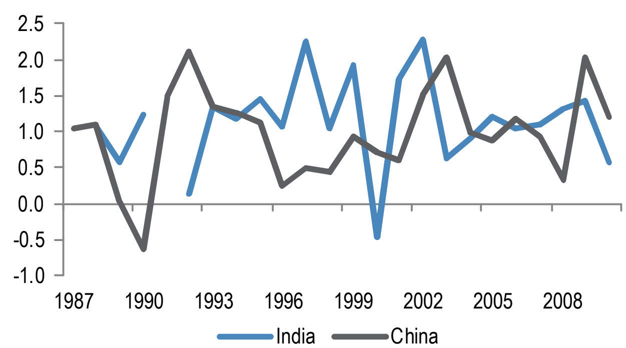
Source: CCA and CMA.

Figure 39: India and China Steel consumption growth to GDP growth



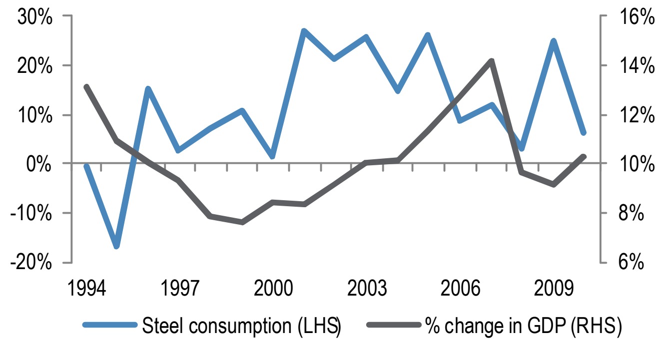
Source: CISA, JPC and World Bank.

Figure 40: India and China Cement consumption growth to GDP growth



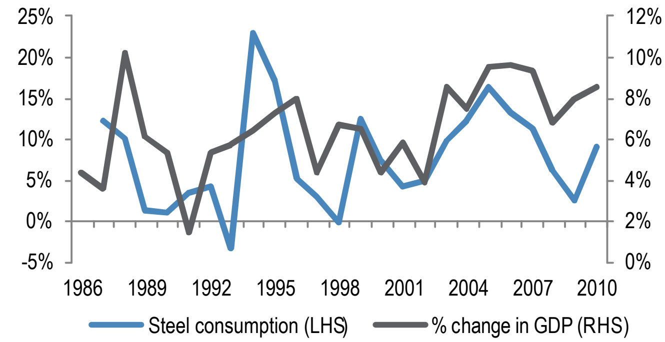
Source: CCA, CMA and World Bank.

Figure 41: Change in China's Steel Consumption and GDP



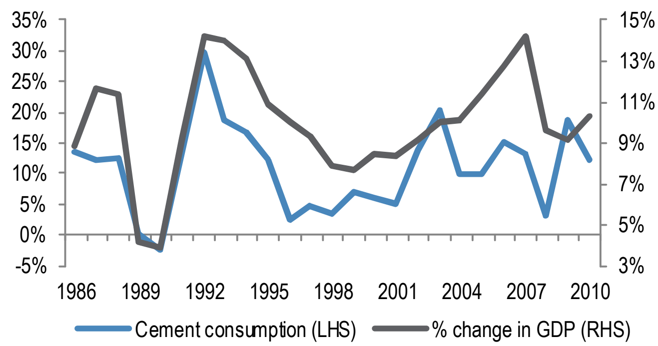
Source: CISA and SSB.

Figure 42: Change in India's Steel Consumption and GDP



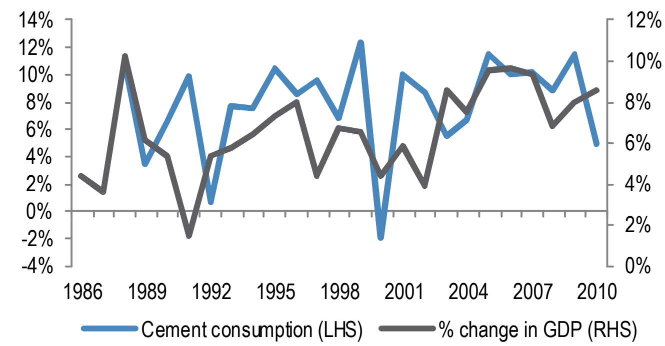
Source: ICSO and JPC.

Figure 43: Change in China's Cement Consumption and GDP



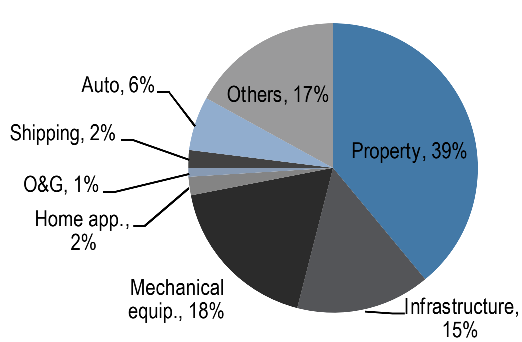
Source: CCA and SSB.

Figure 44: Change in India's Cement Consumption and GDP



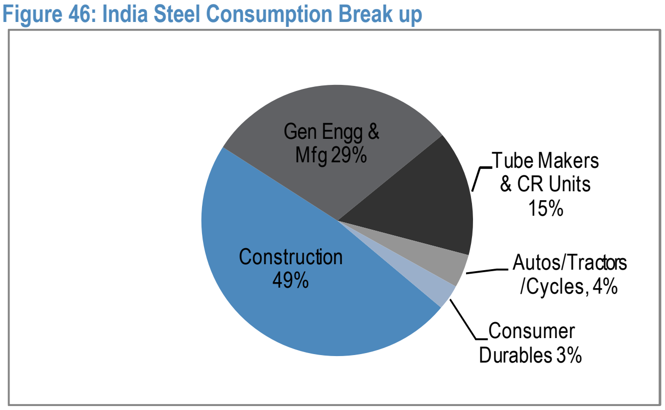
Source: ICSO and CMA.

Figure 45: China Steel Consumption Break up



Source: China Association of Steel and Iron Works.

Figure 46: India Steel Consumption Break up



Source: JPC.

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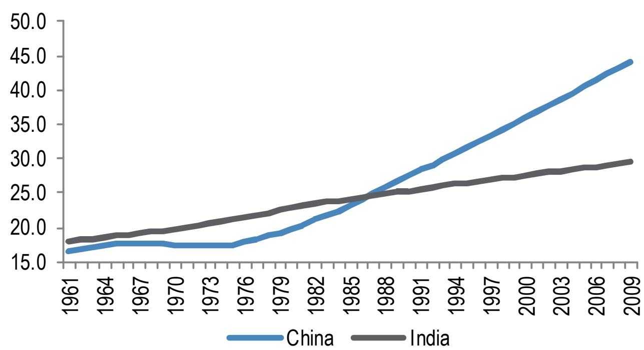
Is Urbanization the key differentiator? NO, it is GDP composition, Fixed Capital Formation

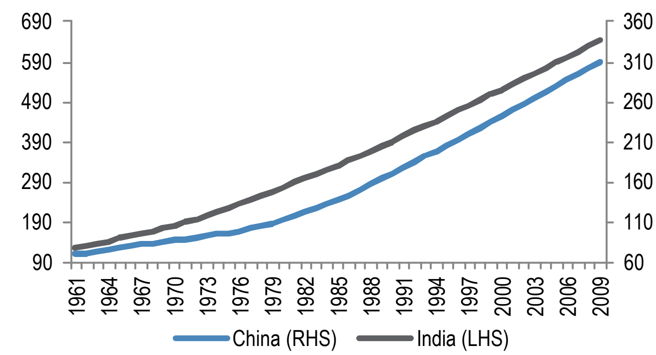
Given the sharp difference in materials consumption between India and China and also the differing growth levels, we try to analyze the potential drivers for the same and which can also help us identify us to when can India's growth level sharply spike up. While there is a difference in the level of urbanization between both the countries (which is often attributed as the key driver for the sharp difference, we believe the sharp difference in intensity/per capita usage cannot be explained only by differing levels of urbanization. India's urban population growth is not significantly lower than that of China's (as the below graph shows).

Figure 47: China and India - % of Urban Population



Source: World Bank.

Figure 48: China and India - Urban Population in Mn



Source: World Bank.

Sharply higher Fixed Capital Formation for China, much higher share of industry in GDP

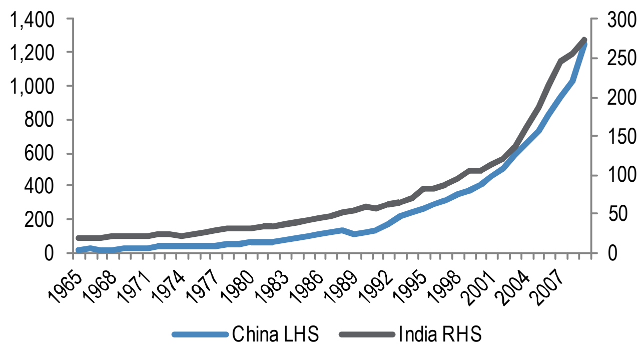
China's Fixed Capital formation has been sharply higher than that of India, not only in growth terms but also in sheer absolute $ numbers. Also the share of industry as a % of GDP has been much higher in China compared to India. Analyzing the data in terms of intensity of usage v/s FCF (fixed capital formation), China's steel and intensity usage picked up sharply from 2001 onwards (between 2000 and 2005, China's steel consumption increased at a CAGR of 22%) at the same time Fixed Capital formation (data source World Bank) entered a 8 year phase of high teens y/y growth. While India's fixed capital formation also entered a high teens y/y growth phase at the same time (starting CY03), over the last 2 years the growth rate has come off sharply and so has the cement/steel intensity.

The key difference has been at the pace of GFC as % of GDP has moved in both the countries and the materials demand change has broadly kept pace with the same. While India's GFC as % of GDP went from early 20's in 2000 to gradually touch 31% in 2009, China's GFC as % of GDP went from 34% in 2000 to 46% in 2009.

The other big differentiator has been the composition of GDP, with industry accounting for 27% of India's GDP (source World Bank) while in China's case it stood at 46%. This trend has broadly remained the same over the last few years.

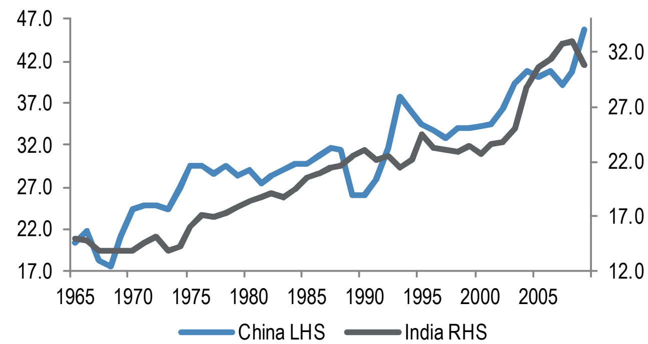
Net Net we believe for India's materials consumption to enter a multi year high teens growth area (similar to what we saw between the period of 2004-2009), we need to see a sharp pick up in infrastructure capex.

Figure 49: India and China Gross Fixed Cap. Formation ($bn)



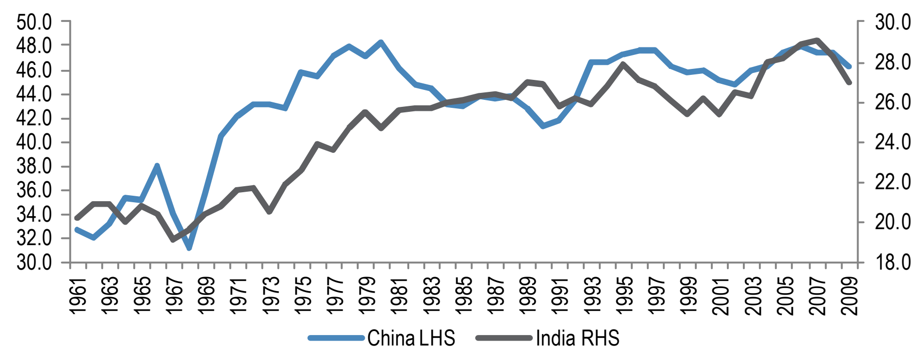
Source: World Bank

Figure 50: India and China GFCF as % of GDP



Source: World Bank.

Figure 51: India and China: Industry as % of GDP



Source: World Bank.

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ACC Limited

Company Data	
52-week Range (Rs)	1,545.35 - 1,091.50
Market cap (Rs mn)	262,637
Market cap ($ mn)	4,756
Price (Rs)	1,398.90
Date Of Price	09-Jan-13
3-mth trading volume (mn)	0.1
3-mth trading value ($ mn)	1.9
Shares O/S (mn)	188
NIFTY	6,002

ACC Limited (Reuters: ACC.BO, Bloomberg: ACC IN)

Rs in mn, year-end Dec	FY10A	FY11A	FY12E	FY13E	FY14E
Net Sales (Rs mn)	77,173	94,387	108,040	119,362	130,623
Net Profit (Rs mn)	11,200.1	13,252.6	13,626.1	16,335.8	18,587.0
EPS (Rs)	59.52	70.42	72.41	86.81	98.77
Net profit growth (%)	-30.3%	18.3%	2.8%	19.9%	13.8%
ROE	17.9%	19.4%	18.1%	19.6%	19.8%
P/E (x)	23.5	19.9	19.3	16.1	14.2
P/BV (x)	4.1	3.7	3.3	3.0	2.6
EV/EBITDA (x)	16.9	15.1	11.1	9.9	8.8

Source: Company data, Bloomberg, J.P. Morgan estimates.

Remain UW- Profitability to remain lower than ACEM & UTCEM: We remain UW on ACC with a revised Dec-13PT of Rs1170/share (based on 8x CY13 EV/EBITDA). In our view ACC's profitability should continue to lag ACEM and UTCEM going forward. Over the past few quarters, ACC's EBITDA/T has been lower by Rs260/T compared to ACEM and Rs190/T compared to UTCEM. The difference has been driven by relatively higher costs/T compared to ACC and ACEM, while ASP/T has been broadly in line with the other companies.

Similar to ACEM- No aggressive capacity addition plans: Both ACC and ACEM are not aggressively pursuing capacity addition, unlike UTCEM. In our view, this is likely driven by weak financials at parent Holcim and hence capital spend is tight, even though ACC, similar to ACEM has a cash rich balance sheet. In our view, any acquisition also looks unlikely. ACC is currently implementing expansion at Jamul, which should get commissioned by mid CY15E and on a net basis add 3.5MT. Current capacity is 30MT and full year utilization in our view stood at 80%. Hence the company can increase volumes by ~8% over the next 3 years, by which the expansion would get commissioned.

1% technology & know how fee negative: We are assuming some offset from the current expenses against the1% Technology & Know-How Fees to be paid to parent Holcim. Even then we believe EPS would likely be impacted by 3-4% in CY13E.

Remain UW with revised PT of Rs1170: We remain UW on ACC with revised PT of Rs1170 based on 8x CY13E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple for ACC is at 10% discount to industry leader UTCEM's multiple. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

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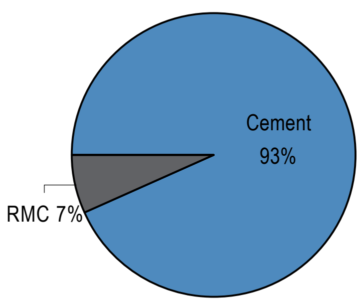
Company description

ACC's primary activities include manufacture of ordinary portland cement, fly ash-and-slag-based cement. The group operates in two segments: Cement and Ready Mix Concrete. The group has operations only in India.

Figure 52: ACC— CY11 revenue break-up



Source: Company reports.

Table 10: EPS estimates—J.P. Morgan vs. consensus

Rs	J.P. Morgan	Consensus
2013E	86.8	88.9
2014E	98.8	103.3

Source: Bloomberg, J.P. Morgan estimates.

Table 9: ACC—P&L sensitivity metrics

CY13E	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption		
Impact of each 1%	+/-1%	+/-2%
Average realization growth assumption		
Impact of each 1%	+/-4%	+/-5%
Raw material cost/MT assumption		
Impact of each 5%	+/-4%	+/-4%
Coal cost/MT assumption		
Impact of each 5%	+/-3%	+/-3%

Source: J.P. Morgan estimates.

Price target and valuation analysis

We remain UW on ACC with revised Dec-13 PT of Rs1170 based on 8x CY13E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple for ACC is at 10% discount to industry leader UTCEM's multiple. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

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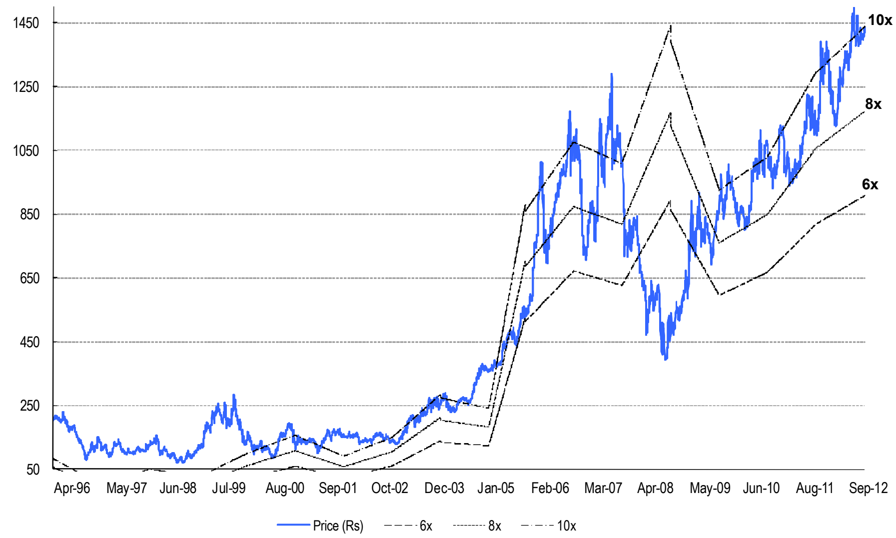
Figure 53: ACC—EV/EBITDA bands

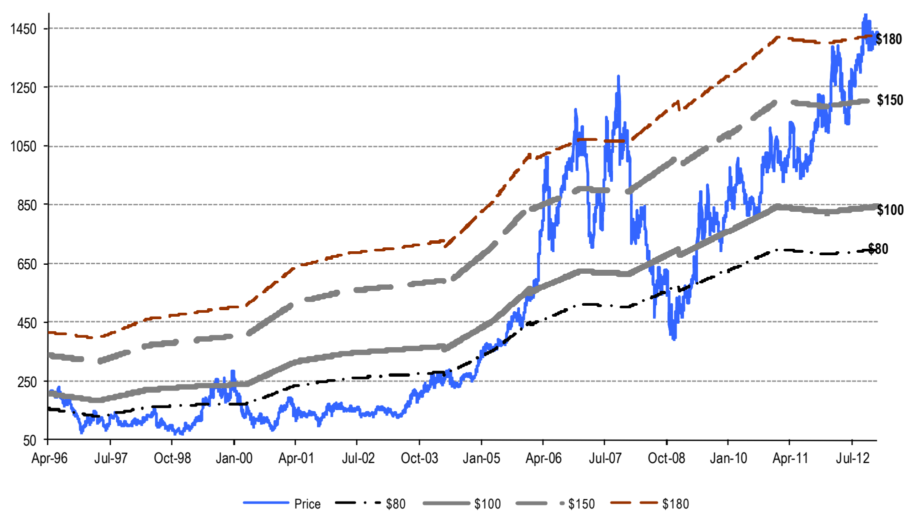
x, Rs



Source: Company reports, J.P. Morgan estimates.

Figure 54: ACC—EV/tonne bands

US$, Rs



Source: Company reports, J.P. Morgan estimates.

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ACC Limited: Summary of Financials

Income Statement

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Revenues	77,173	94,387	108,040	119,362
% change Y/Y	(3.9%)	22.3%	14.5%	10.5%
EBITDA	15,540	16,991	22,304	24,849
% change Y/Y	-37.3%	9.3%	31.3%	11.4%
EBITDA Margin	20.1%	18.0%	20.6%	20.8%
EBIT	11,613	12,238	16,976	19,485
% change Y/Y	NM	5.4%	38.7%	14.8%
EBIT Margin	15.0%	13.0%	15.7%	16.3%
Net Interest	-568	-969	-910	-910
Earnings before tax	14,615	15,404	18,666	22,075
% change Y/Y	-36.3%	5.4%	21.2%	18.3%
Tax	-3,414	-2,152	-5,040	-5,740
as % of EBT	23.4%	14.0%	27.0%	26.0%
Net Income (Pre exceptionals)	11,200.1	13,252.6	13,626.1	16,335.8
Minority interest	-	-	-	-
PAT (Post minority interest)	-	-	-	-
EPS-consolidated	59.52	70.42	72.41	86.81
% change Y/Y	(30.3%)	18.3%	2.8%	19.9%

Cash flow statement

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Net Income (Pre exceptionals)	11,200.1	13,252.6	13,626.1	16,335.8
Depr. & amortization	3,927	4,753	5,328	5,363
Change in working capital	4,690	-3,741	-6,755	-2,071
Cash flow from operations	19,817	14,265	12,198	19,628
Net Capex	-7,234	-4,729	-9,147	-11,000
Free cash flow	12,582	9,535	3,052	8,628
Equity raised/(repaid)	10	85	-2	0
Debt raised/(repaid)	-431	-131	1,893	0
Other	123	1,568	0	0
Dividends paid	-6,677	-6,110	-6,624	-7,245
Beginning cash	7,464	10,800	16,526	27,094
Ending cash	10,800	16,526	27,094	28,476
DPS	35.49	32.47	35.20	38.50

Balance sheet

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Inventories	9,150	10,997	12,563	13,879
Debtors	1,783	2,604	7,203	7,957
Cash and cash equivalents	10,800	16,526	27,094	28,476
Loans and advances	5,801	6,053	6,000	6,000
Total CA	27,534	36,179	52,859	56,313
LT investments	17,027	16,250	4,000	4,000
Net fixed assets	66,452	66,429	70,248	75,884
Goodwill	-	-	-	-
Total Assets	111,013	118,857	127,107	136,198
Liabilities				
Provisions	62,815	70,043	77,045	86,136
Other current liabilities	22,849	10,540	12,000	12,000
Total current liabilities	37,464	36,644	36,000	36,000
Total debt	5,238	5,107	7,000	7,000
Other liabilities	3,615	5,184	5,184	5,184
Total Liabilities	46,318	46,935	48,184	48,184
Shareholders' equity	64,695	71,923	78,923	88,014

Ratio Analysis

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
EBITDA margin	20.1%	18.0%	20.6%	20.8%
Operating margin	-	-	-	-
Net margin	14.5%	14.0%	12.6%	13.7%
Sales growth	(3.9%)	22.3%	14.5%	10.5%
EPS growth	(30.3%)	18.3%	2.8%	19.9%
Interest coverage (x)	27.37	17.53	24.51	27.31
Net debt to total capital	-8.2%	-15.5%	-24.7%	-23.7%
Net debt to equity	-8.6%	-15.9%	-25.5%	-24.4%
Sales/assets	0.73	0.82	0.88	0.91
Assets/equity	1.48	1.65	1.61	1.55
ROE	17.9%	19.4%	18.1%	19.6%
ROCE	17.1%	16.7%	20.8%	21.5%

Source: Company reports and J.P. Morgan estimates.

Ambuja Cements Limited

Company Data	
52-week Range (Rs)	223.00 - 135.60
Market cap (Rs mn)	303,357
Market cap ($ mn)	5,493
Price (Rs)	196.80
Date Of Price	09-Jan-13
3-mth trading volume (mn)	0.6
3-mth trading value ($ mn)	1.1
Shares O/S (mn)	1,541
NIFTY	6,002

Ambuja Cements Limited (Reuters: ABUJ.BO, Bloomberg: ACEM IN)

Rs in mn, year-end Dec	FY10A	FY11A	FY12E	FY13E	FY14E
Net Sales (Rs mn)	73,902	85,145	97,485	106,440	116,729
Net Profit (Rs mn)	12,370.8	12,531.1	16,909.6	17,837.3	19,136.6
EPS (Rs)	8.09	8.16	11.01	11.61	12.45
Net profit growth (%)	1.5%	1.3%	34.9%	5.5%	7.3%
ROE	17.9%	16.3%	19.9%	18.8%	17.9%
P/E (x)	24.3	24.1	17.9	17.0	15.8
P/BV (x)	4.1	3.7	3.4	3.0	2.7
EV/EBITDA (x)	16.3	15.4	11.4	10.4	9.4

Source: Company data, Bloomberg, J.P. Morgan estimates.

Remain UW- Profitability in line with UTCEM; Valuations stretched: We remain UW on ACEM with a revised Dec-13 PT of Rs170/share (based on 8.4x CY13E EV/EBITDA). In our view ACEM's profitability should continue to be in line with UTCEM going forward and higher than ACC. ACEM is currently trading at 9.9x CY13E EV/EBITDA; $183/T and 16.9x P/E

Similar to ACC- No aggressive capacity addition plans: Both ACC and ACEM are not aggressively pursuing capacity addition, unlike UTCEM. In our view, this is likely driven by weak financials at parent Holcim and hence capital spend is tight, even though ACEM, similar to ACC has a cash rich balance sheet. In our view, any acquisition also looks unlikely. ACEM is currently implementing expansion at Rajasthan which would add 3.5MT. In our view, ACEM has not yet fully started work on the plant an hence any final date for commissioning remains difficult to predict. Current capacity is 27.5MT and full year utilization in our view stood at 80%. Hence the company can increase volumes by ~8% over the next 3 years, by which the expansion would get commissioned.

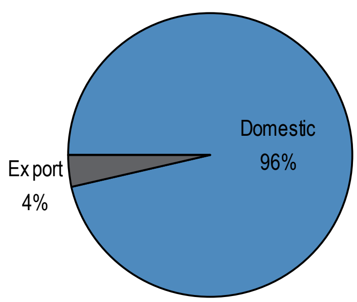
1% technology & knowhow fee negative: We are assuming some offset from the current expenses against the1% Technology & Know-How Fees to be paid to parent Holcim. Even then we believe EPS would likely be impacted by 3-4% in CY13E.

Remain UW with revised PT of Rs170: We remain UW on ACEM with revised PT of Rs170 based on 8.4x CY13E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple for ACC is at 5% discount to industry leader UTCEM's multiple. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

Company description

Ambuja Cements Limited was earlier known as Gujarat Ambuja Cements Limited (GACL). The group's principal activity is to manufacture and market cement and clinker for both domestic and export markets.

Figure 55: Ambuja—CY11 Customer break-up



Source: Company reports.

Table 12: EPS est—J.P. Morgan vs. consensus

(Rs)	J.P. Morgan	Consensus
2013E	11.6	12.5
2014E	12.5	14.5

Source: Bloomberg, J.P. Morgan estimates.

Table 11: Ambuja—P&L sensitivity metrics

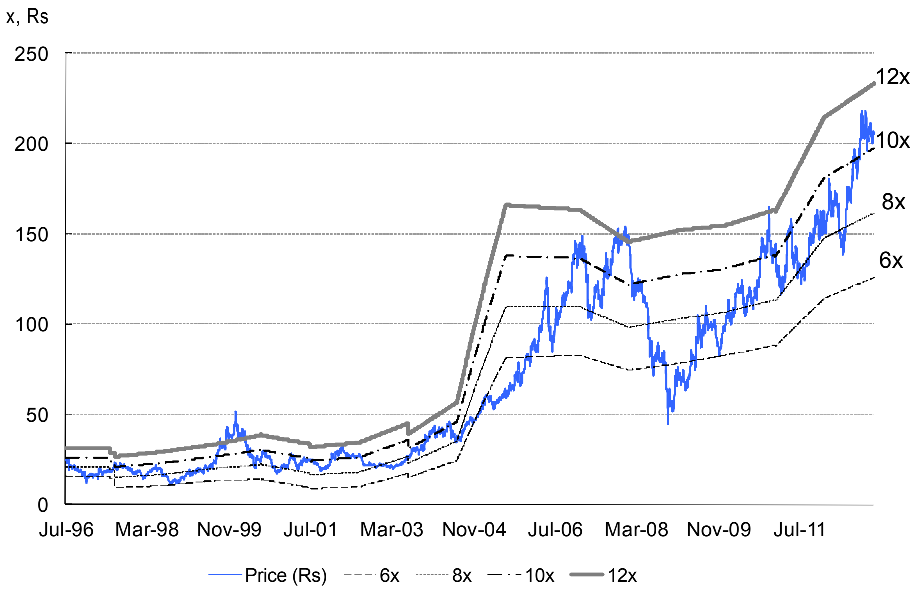
CY13E	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption		
Impact of each 1%	+/-1%	+/-1%
Average realization growth assumption		
Impact of each 1%	+/-4%	+/-4%
Raw material cost/MT assumption		
Impact of each 5%	+/-2%	+/-2%
Coal cost/MT assumption		
Impact of each 5%	+/-3%	+/-3%

Source: J.P. Morgan estimates.

Price target and valuation analysis

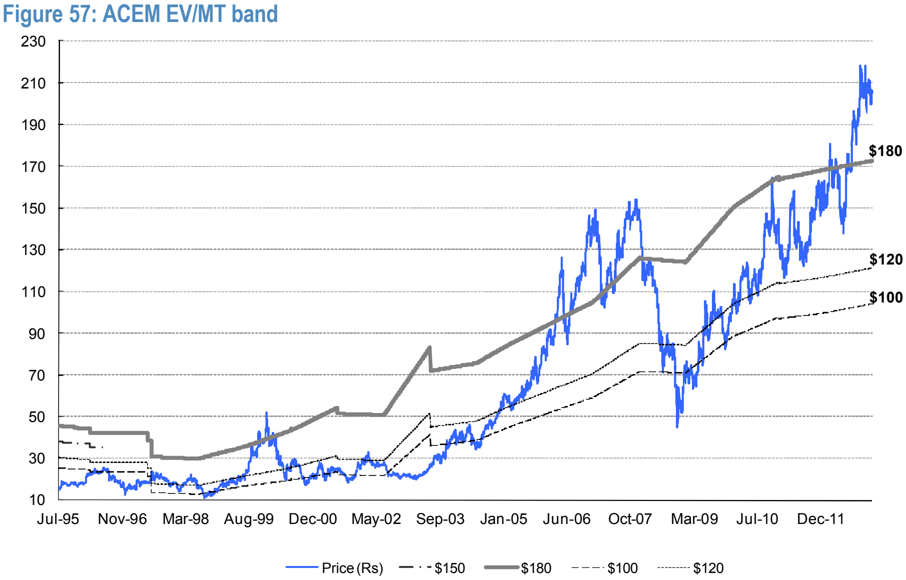
We remain UW on ACEM with revised Dec-13 PT of Rs170 based on 8.4x CY13E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple for ACC is at 5% discount to industry leader UTCEM's multiple. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

Figure 56: ACEM EV/EBITDA band chart



Source: Company reports and J.P. Morgan estimates.

Figure 57: ACEM EV/MT band



Source: Company reports and J.P. Morgan estimates

Ambuja Cements Limited: Summary of Financials

Income Statement

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Revenues	73,902	85,145	97,485	106,440
% change Y/Y	4.4%	15.2%	14.5%	9.2%
EBITDA	18,236	19,061	25,634	27,444
% change Y/Y	-2.3%	4.5%	34.5%	7.1%
EBITDA Margin	24.7%	22.4%	26.3%	25.8%
EBIT	14,364	14,609	19,914	21,924
% change Y/Y	NM	1.7%	36.3%	10.1%
EBIT Margin	19.4%	17.2%	20.4%	20.6%
Net Interest	1,989	2,662	3,250	2,850
Earnings before tax	16,353	17,271	23,164	24,774
% change Y/Y	-9.3%	5.6%	34.1%	7.0%
Tax	-3,983	-4,740	-6,254	-6,937
as % of EBT	24.4%	27.4%	27.0%	28.0%
Net Income (Pre exceptionals)	12,370.8	12,531.1	16,909.6	17,837.3
Minority interest	-	-	-	-
PAT (Post minority interest)	-	-	-	-
EPS-consolidated	8.09	8.16	11.01	11.61
% change Y/Y	1.2%	0.8%	34.9%	5.5%

Cash flow statement

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Net Income (Pre exceptionals)	12,370.8	12,531.1	16,909.6	17,837.3
Depr. & amortization	3,872	4,452	5,720	5,520
Change in working capital	19,911	16,286	18,638	21,014
Cash flow from operations	19,911	16,286	18,638	21,014
Net Capex	-7,912	-6,504	-11,204	-8,000
Free cash flow	11,999	9,781	7,434	13,014
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	9,682	3,387	1,471	6,475
Other	-	-	-	-
Dividends paid	4,625	5,703	5,679	6,539
Beginning cash	8,807	17,482	20,712	22,689
Ending cash	17,482	20,712	22,689	29,164
DPS	2.60	3.19	3.30	3.80

Balance sheet

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
Inventories	9,019	9,250	12,186	13,305
Debtors	1,282	2,409	2,437	2,661
Cash and cash equivalents	17,482	20,712	22,689	29,164
Loans and advances	3,406	5,676	7,000	8,000
Total CA	31,188	38,047	44,312	53,130
LT investments	6,260	8,643	5,000	5,000
Net fixed assets	65,585	67,637	73,122	75,602
Goodwill	-	-	-	-
Total Assets	103,032	114,327	122,434	133,732
Liabilities				
Provisions	70,241	77,626	86,065	97,363
Other current liabilities	10,966	11,061	12,000	12,000
Total current liabilities	23,942	26,942	27,000	27,000
Total debt	650	494	1,000	1,000
Other liabilities	5,309	6,436	5,300	5,300
Total Liabilities	29,901	33,872	33,300	33,300
Shareholders' equity	73,301	80,694	89,134	100,432

Ratio Analysis

Rs in millions, year end Dec	FY10	FY11	FY12E	FY13E
EBITDA margin	24.7%	22.4%	26.3%	25.8%
Operating margin	19.4%	17.2%	20.4%	20.6%
Net margin	16.7%	14.7%	17.3%	16.8%
Sales growth	4.4%	15.2%	14.5%	9.2%
EPS growth	1.2%	0.8%	34.9%	5.5%
Interest coverage (x)	-	-	-	-
Net debt to total capital	-24.0%	-26.1%	-25.3%	-29.4%
Net debt to equity	-23.0%	-25.1%	-24.3%	-28.0%
Sales/assets	0.77	0.78	0.82	0.83
Assets/equity	1.33	1.42	1.37	1.33
ROE	17.9%	16.3%	19.9%	18.8%
ROCE	20.5%	18.8%	23.2%	22.9%

Source: Company reports and J.P. Morgan estimates.

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UltraTech Cement Ltd

Company Data	
52-week Range (Rs)	2,154.20 - 1,093.75
Market cap (Rs mn)	541,061
Market cap ($ mn)	9,797
Price (Rs)	1,973.50
Date Of Price	09-Jan-13
3-mth trading volume (mn)	0.0
3-mth trading value ($ mn)	0.2
Shares O/S (mn)	274
NIFTY	6,002

UltraTech Cement Ltd (Reuters: ULTC.BO, Bloomberg: UTCEM IN)

Rs in mn, year-end Mar	FY11A	FY12A	FY13E	FY14E	FY15E
Net Sales (Rs mn)	132,099	183,131	205,490	224,771	245,280
Net Profit (Rs mn)	14,042.3	24,461.9	26,680.4	27,503.6	29,520.4
EPS (Rs)	51.24	89.26	97.35	100.35	107.71
Net profit growth (%)	28.4%	74.2%	9.1%	3.1%	7.3%
ROE	18.4%	20.8%	19.1%	16.8%	15.7%
P/E (x)	38.5	22.1	20.3	19.7	18.3
P/BV (x)	5.1	4.2	3.6	3.1	2.7
EV/EBITDA (x)	23.3	13.6	12.2	11.2	10.3

Source: Company data, Bloomberg, J.P. Morgan estimates.

Strong profitability but stretched valuations: We remain UW on UTCEM with a revised Dec-13PT of Rs1600/share (based on 9x). In our view UTCEM's pan India national presence combined with a strong brand have resulted in strong underlying profitability with EBITDA/T among the highest in the industry. Valuations at 11.0x FY14E EV/EBITDA; 19.6x P/E and $172/T EV/T are very high in our view and difficult to justify from a 1-2 year basis.

Aggressive capacity addition plans; Also open to buying capacity: In our view, UTCEM has very aggressive capacity addition plans. The current expansion of ~10MT should get commissioned over the next few months. Our analysis of the Ministry of Environment and Forests (MoEF) records highlights large approvals taken by UTCEM to add capacity from here. We expect the company to announce further new capacity addition programs over the next 12 months as the existing projects are commissioned. UTCEM is also open to buying capacity in our view. Media reports (ET) have consistently highlighted UTCEM as one of the potential buyers for JPA's cement capacity in Western India. UTCEM's balance sheet in our view can easily fund expansion and the ~$700mn Operating Cash Flow does allow the company to undertake +5MT expansion every year easily. While the expansion plans are positive for a long term investors, in the near term muted industry volume growth would likely weigh on the company. We believe current utilization levels are near 80% and would likely fall over the next 2 years as capacity addition sharply outstrips sales volume growth.

Remain UW with revised PT of Rs1600: We remain UW on UTCEM with revised PT of Rs1600 based on 9x FY14E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple UITCEM is at the higher end of the company's trading range given the continued strong under lying profitability. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

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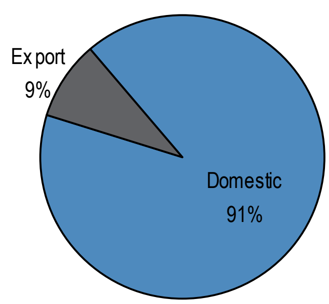
Company description

UltraTech Cement Limited has an annual capacity of 56 million tonnes. It manufactures and markets ordinary portland cement, portland blast furnace slag cement and portland pozzalana cement. It also manufactures ready-mix concrete (RMC). UltraTech Cement is the country's largest exporter of cement clinker. Its export markets span countries around the Indian Ocean, Africa, Europe and the Middle East. UltraTech Cement operates as a subsidiary of Grasim Industries Limited.

Figure 58: UltraTech—FY11 customer break-up



Source: Company reports.

Table 14: EPS est—J.P. Morgan vs. consensus

(Rs)	J.P. Morgan	Consensus
FY14E	100.4	120.9
FY15E	107.7	148.2

Source: Bloomberg, J.P. Morgan estimates.

Table 13: UltraTech—P&L sensitivity metrics

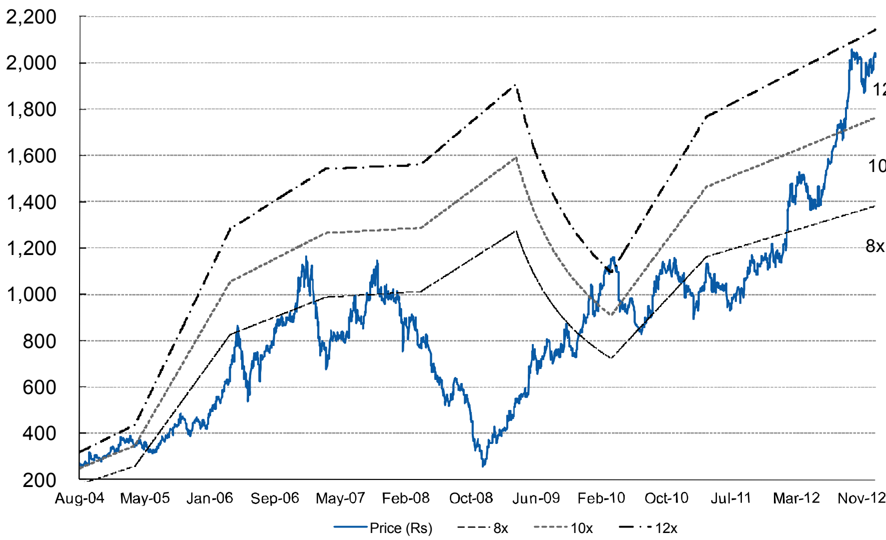
FY14E	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption		
Impact of each 1%	+/-1%	+/-2%
Average realization growth assumption		
Impact of each 1%	+/-3%	+/-5%
Raw material cost/MT assumption		
Impact of each 5%	+/-3%	+/-4%
Coal cost/MT assumption		
Impact of each 5%	+/-3%	+/-4%

Source: J.P. Morgan estimates.

Price target and valuation analysis

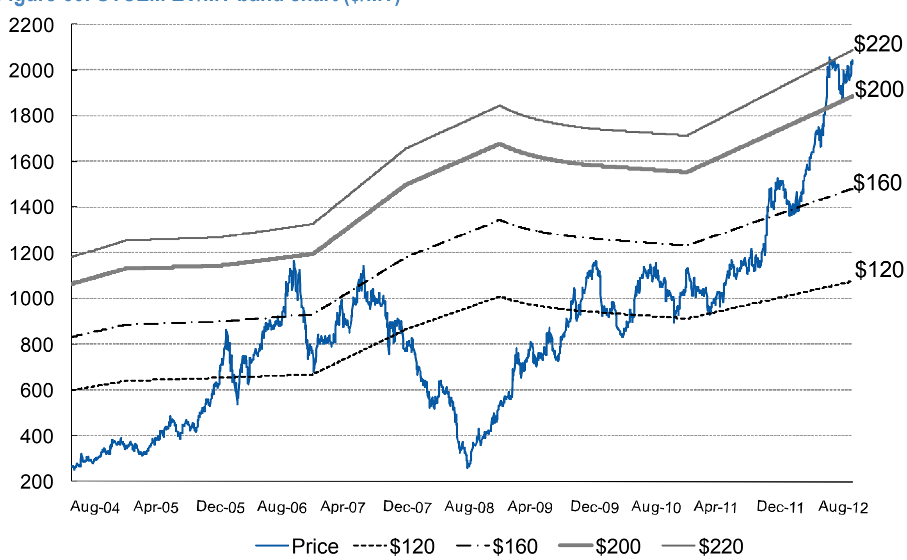
We remain UW on UTCEM with a revised Dec-13 PT of Rs1600 based on 9x FY14E EV/EBITDA. We move the valuation methodology to EV/EBITDA from EV/T as the companies have demonstrated strong pricing power and profitability has been stable. Our target multiple UITCEM is at the higher end of the company's trading range given the continued strong underlying profitability. Key risks to our PT and estimates are a sharp recovery in cement demand to help drive higher than expected volume growth (and therefore utilization levels) and reduction in operating cost per tone improving margins.

Figure 59: UTCEM EV/EBITDA band chart



Source: Company reports and J.P. Morgan estimates.

Figure 60: UTCEM EV/MT band chart ($/MT)



Source: Company reports and J.P. Morgan estimates.

UltraTech Cement Ltd: Summary of Financials

Income Statement				
Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Revenues	183,131	205,490	224,771	245,280
% change Y/Y	38.6%	12.2%	9.4%	9.1%
EBITDA	41,474	47,443	52,682	57,079
% change Y/Y	63.1%	14.4%	11.0%	8.3%
EBITDA Margin	22.6%	23.1%	23.4%	23.3%
EBIT	32,449	37,990	39,641	42,772
% change Y/Y	82.6%	17.1%	4.3%	7.9%
EBIT Margin	17.7%	18.5%	17.6%	17.4%
Net Interest	-2,239	-2,475	-3,150	-3,600
Earnings before tax	33,929	38,115	39,291	42,172
% change Y/Y	90.0%	12.3%	3.1%	7.3%
Tax	9,467	11,434	11,787	12,652
as % of EBT	27.9%	30.0%	30.0%	30.0%
Net Income (Pre exceptionals)	24,461.9	26,680.4	27,503.6	29,520.4
Minority interest	-	-	-	-
PAT (Post minority interest)	-	-	-	-
EPS-consolidated	89.26	97.35	100.35	107.71
% change Y/Y	74.2%	9.1%	3.1%	7.3%

Cash flow statement				
Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Net Income (Pre exceptionals)	24,461.9	26,680.4	27,503.6	29,520.4
Depr. & amortization	9,026	9,454	13,041	14,307
Change in working capital	4,883	-3,732	-2,434	-3,172
Cash flow from operations	38,370	32,402	38,110	40,655
Net Capex	-23,513	-42,034	-45,000	-35,000
Free cash flow	14,857	-9,632	-6,890	5,655
Equity raised/(repaid)	29	-885	0	0
Debt raised/(repaid)	63	5,090	0	0
Other	-11,473	-289	0	0
Dividends paid	-2,553	-3,015	-3,618	-3,618
Beginning cash	1,448	1,882	19,561	9,053
Ending cash	1,882	19,561	9,053	11,090
DPS	8.00	10.00	12.00	12.00

Balance sheet				
Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Inventories	20,359	24,175	26,444	28,856
Debtors	7,660	7,611	8,325	9,084
Cash and cash equivalents	1,882	19,561	9,053	11,090
Loans and advances	11,711	12,000	12,000	12,000
Total CA	68,021	63,347	55,821	61,031
LT investments	11,478	11,478	11,478	11,478
Net fixed assets	135,308	167,888	199,848	220,541
Goodwill	-	-	-	-
Total Assets	229,432	257,337	281,771	307,674
Liabilities				
Trade Payables	20,897	24,000	24,000	24,000
Other current liabilities	21,408	18,340	18,888	18,888
Total current liabilities	42,305	42,340	42,888	42,888
Total debt	39,910	45,000	45,000	45,000
Other liabilities	18,619	18,619	18,619	18,619
Total Liabilities	100,834	105,959	106,507	106,507
Shareholders' equity	128,598	151,379	175,265	201,167

Ratio Analysis				
Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
EBITDA margin	22.6%	23.1%	23.4%	23.3%
Operating margin	17.7%	18.5%	17.6%	17.4%
Net margin	13.4%	13.0%	12.2%	12.0%
Sales growth	38.6%	12.2%	9.4%	9.1%
EPS growth	74.2%	9.1%	3.1%	7.3%
Interest coverage (x)	18.53	19.17	16.72	15.86
Net debt to total capital	8.3%	14.7%	17.9%	15.1%
Net debt to equity	10.3%	17.9%	21.4%	17.7%
Sales/assets	0.85	0.84	0.83	0.83
Assets/equity	1.78	1.70	1.61	1.53
ROE	20.8%	19.1%	16.8%	15.7%
ROCE	20.4%	20.6%	18.9%	18.2%

Source: Company reports and J.P. Morgan estimates.

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Grasim Industries Ltd

Company Data	
52-week Range (Rs)	3,511.00 - 2,210.00
Market cap (Rs mn)	289,042
Market cap ($ mn)	5,234
Price (Rs)	3,150.15
Date Of Price	09-Jan-13
3-mth trading volume (mn)	0.1
3-mth trading value ($ mn)	1.3
Shares O/S (mn)	92
NIFTY	6,002

Grasim Industries Ltd (Reuters: GRAS.BO, Bloomberg: GRASIM IN)

Rs in mn, year-end Mar	FY11A	FY12A	FY13E	FY14E	FY15E
Net Sales (Rs mn)	212,690	252,443	240,879	272,833	298,628
Net Profit (Rs mn)	22,647.9	26,474.6	27,570.5	30,637.7	32,408.6
EPS (Rs)	246.97	288.65	300.59	334.04	353.34
Net profit growth (%)	-17.2%	16.9%	4.1%	11.1%	5.8%
ROE	16.7%	16.7%	15.6%	15.7%	14.6%
P/E (x)	12.8	10.9	10.5	9.4	8.9
P/BV (x)	2.0	1.7	1.6	1.4	1.2

Source: Company data, Bloomberg, J.P. Morgan estimates.

Remain OW- Cheapest cement play among the large caps: We remain OW on GRASIM with a revised Dec-13 PT of Rs3770 based on sum of the parts. We value the company's 60% holding in UTCEM at 20% discount to our PT of Rs1600. Our PT implies the cement holding at $136/T, and we believe at current price, the cement holding value stands at $107/T, the cheapest among the large cap cement companies. We admit that GRASIM's cement holding should be subject to a HOLDCO discount, though the current discount of ~44% is excessive in our view especially given that GRASIM's holding stands at 60%.

VSF business- Volume growth to drive earnings growth: VSF realizations have been under pressure recently given the surplus capacity in China. However given the INR depreciation, VSF prices should hold out at current levels and given GRASIM's high vertical integration, margins should be steady at +20%.

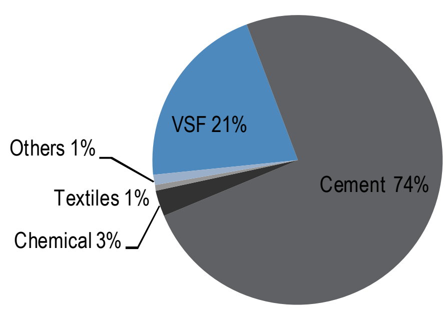
Next level of capital spend- No clarity as to where it would come from: Unlike subsidiary, UTCEM which is aggressively spending on expanding cement capacity, GRASIM has not yet announced any further expansion plans in VSF. Cash balance remains strong, and we wait to see how the cash is deployed.

Remain OW- See upside risk to our estimates on VSF earnings: We remain OW on GRASIM with a revised PT of Rs3770/share. We maintain our valuation methodology and see upside risks to our earnings estimates from VSF margins. The key risk to the stock price is any sharp decline in VSF prices and therefore, profitability of the standalone business. Delays in VSF capacity expansion would also be negative.

Company description

Grasim's principal activities include manufacture of viscose staple fibre (VSF), cement, chemicals and textiles. The company's VSF plants are located at Nagda in Madhya Pradesh, Kharach in Gujarat and Harihar in Karnataka, with an aggregate capacity of 333,975tpa. Grasim, along with its subsidiary UltraTech Cement Ltd., has a capacity of ~50MT and is a leading cement player in India. The company is expanding its VSF (156kt) and cement capacities (9.2MT through UTCEM).

Figure 61: Grasim—FY12 revenue break-up



Source: Company reports.

Table 16: EPS est—J.P. Morgan vs. consensus

Rs	J.P. Morgan	Consensus
FY14E	334	360
FY15E	353	422

Source: Bloomberg, J.P. Morgan estimates.

Table 15: Grasim—P&L sensitivity metrics

FY14E	EBITDA impact (%)	EPS impact (%)
Cement sales volume assumption		
Impact of each 1%	+/-1%	+/-1%
Cement average realization assumption		
Impact of each 1%	+/-3%	+/-3%
VSF sales assumption		
Impact of each 5%	+/-1%	+/-2%
VSF sales realization		
Impact of each 5%	+/-1%	+/-2%

Source: J.P. Morgan estimates.

Price target and valuation analysis

Our Dec-13 PT of Rs3770 is based on sum of the parts. We value VSF business at a multiple of 5.5x and company's 60% holding in UTCEM at 20% discount to our PT of Rs1600. The key risk to the stock price is any sharp decline in VSF prices and therefore, profitability of the standalone business. Delays in VSF capacity expansion would also be negative.

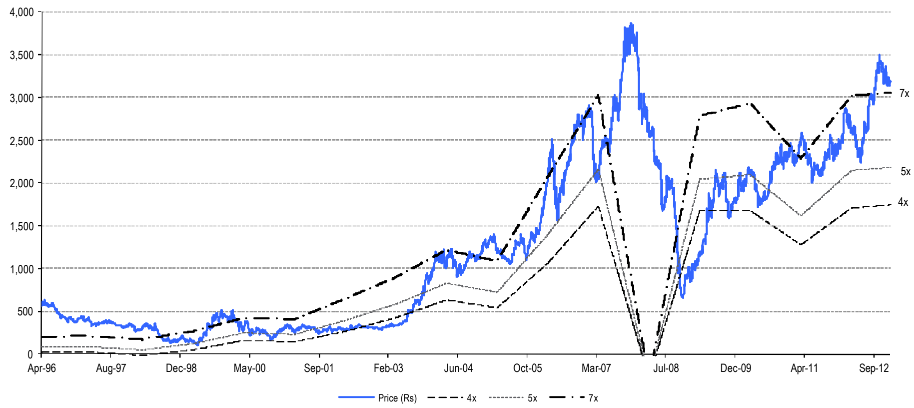
Table 17: GRASIM- SOTP Break Up

Rs bn, Rs

	Mcap Contribution (Rs bn)
VSF 5.5x of FY14E EBITDA	85.6
Chemical 0.2x of FY12E Sales	1.4
Grasim standalone EV	**87.0**
Net debt - Standalone	-21.8
Grasim - Standalone M cap	108.8
60% holding in UTCEM at 20% discount to our PT of Rs1600	236.8
Total Grasim Implied M cap	**345.6**
Per share value (Rs/share)	**3,770**

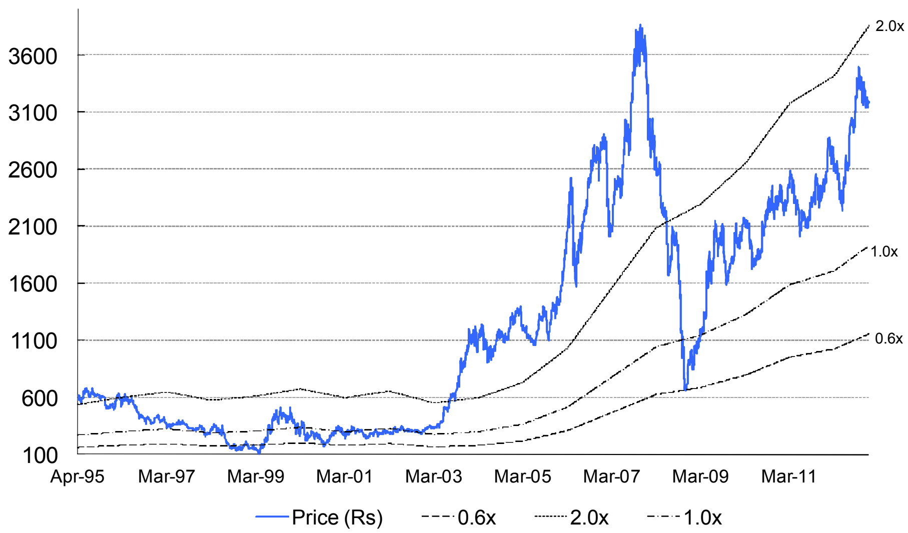
Source: Company reports and J.P. Morgan estimates.

Figure 62: Grasim EV/EBITDA band chart



Source: Company reports, Bloomberg and J.P. Morgan estimates.

Figure 63: Grasim P/BV band chart



Source: Company reports, Bloomberg and J.P. Morgan estimates.

Grasim Industries Ltd: Summary of Financials

Income Statement

Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Revenues	252,443	240,879	272,833	298,628
% change Y/Y	18.7%	(4.6%)	13.3%	9.5%
EBITDA	55,749	58,467	67,536	72,769
% change Y/Y	19.0%	4.9%	15.5%	7.7%
EBITDA Margin	22.1%	24.3%	24.8%	24.4%
EBIT	51,658	56,476	61,830	65,909
% change Y/Y	21.3%	9.3%	9.5%	6.6%
EBIT Margin	20.5%	23.4%	22.7%	22.1%
Net Interest	-3,136	-3,355	-3,925	-4,375
Earnings before tax	48,522	53,121	57,905	61,534
% change Y/Y	25.9%	9.5%	9.0%	6.3%
Tax	13,208	15,479	17,066	18,117
as % of EBT	27.2%	29.1%	29.5%	29.4%
Net Income (Pre exceptionals)	26,474.6	27,570.5	30,637.7	32,408.6
Minority interest	-8,840	-10,072	-10,201	-11,008
PAT (Post minority interest)	26,475	27,570	30,638	32,409
EPS-consolidated	288.65	300.59	334.04	353.34
% change Y/Y	16.9%	4.1%	11.1%	5.8%

Cash flow statement

Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Net Income (Pre exceptionals)	26,474.6	27,570.5	30,637.7	32,408.6
Depr. & amortization	4,091	1,990	5,706	6,860
Change in working capital	-222	6,233	-3,346	-6,053
Cash flow from operations	46,636	53,966	51,499	52,723
Net Capex	-33,708	-41,689	-48,500	-38,500
Free cash flow	12,928	12,278	2,999	14,223
Equity raised/(repaid)	-8,177	-24,491	-12,822	-13,810
Debt raised/(repaid)	2,530	-14,258	-4,000	0
Other	-5,264	21,761	11,704	12,692
Dividends paid	-2,184	-2,091	-2,091	-2,300
Beginning cash	2,844	3,252	19,610	15,400
Ending cash	3,252	19,610	15,400	26,205
DPS	22.50	20.00	20.00	22.00

Balance sheet

Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
Inventories	30,711	29,714	33,250	36,191
Debtors	17,288	11,303	12,862	13,974
Cash and cash equivalents	3,252	19,610	15,400	26,205
Loans and advances	14,568	16,000	15,000	17,000
Total CA	65,819	76,628	76,512	93,371
LT investments	78,758	55,598	55,598	55,598
Net fixed assets	175,138	206,737	241,230	264,371
Goodwill	24,964	24,964	24,964	24,964
Total Assets	365,344	384,600	418,978	458,977
Liabilities				
Provisions	-	-	-	-
Other current liabilities	23,923	22,961	23,509	23,509
Total current liabilities	50,276	50,961	51,709	51,709
Total debt	70,358	56,099	52,099	52,099
Other liabilities	21,690	21,617	21,617	21,617
Total Liabilities	142,324	128,677	125,425	125,425
Shareholders' equity	170,687	181,747	207,673	234,980

Ratio Analysis

Rs in millions, year end Mar	FY12	FY13E	FY14E	FY15E
EBITDA margin	22.1%	24.3%	24.8%	24.4%
Operating margin	20.5%	23.4%	22.7%	22.1%
Net margin	10.5%	11.4%	11.2%	10.9%
Sales growth	18.7%	(4.6%)	13.3%	9.5%
EPS growth	16.9%	4.1%	11.1%	5.8%
Interest coverage (x)	17.77	17.43	17.21	16.63
Net debt to total capital	29.5%	15.2%	14.7%	9.5%
Net debt to equity	39.3%	20.1%	17.7%	11.0%
Sales/assets	0.74	0.64	0.68	0.68
Assets/equity	2.14	2.12	2.02	1.95
ROE	16.7%	15.6%	15.7%	14.6%
ROCE	22.7%	23.6%	24.9%	24.1%

Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile

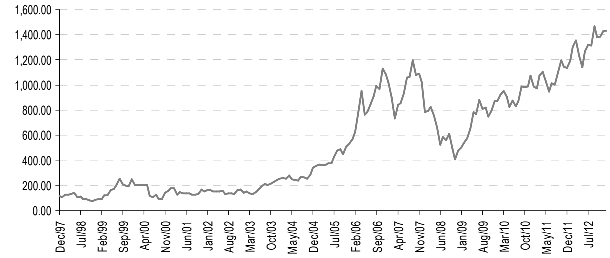
ACC Ltd. (INDIA / Materials)

As Of: 04-Jan-2013

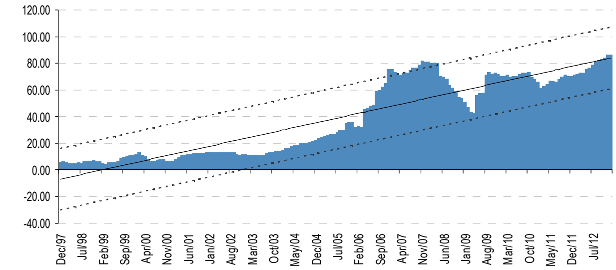
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

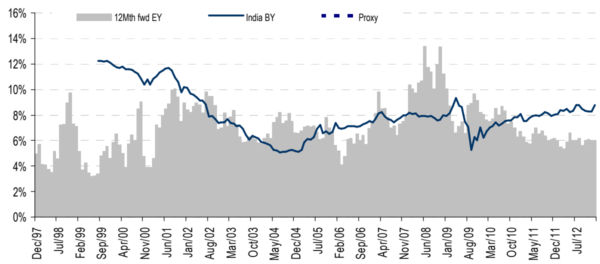
Local Share Price — **Current: 1429.90**



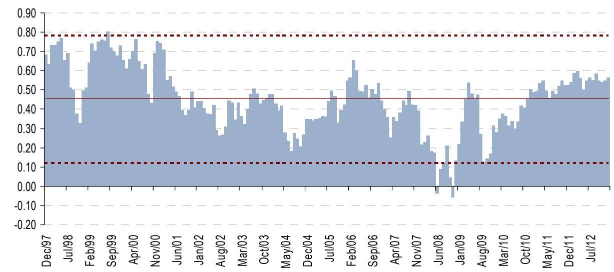
12 Mth Forward EPS — **Current: 86.12**



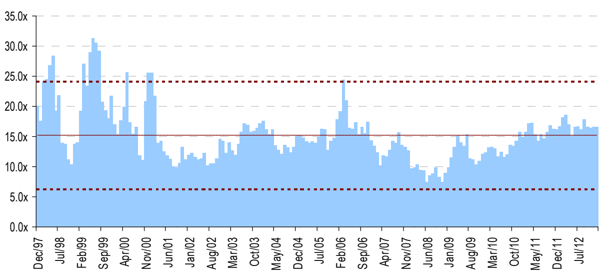
Earnings Yield (& local bond Yield) — **Current: 6%**



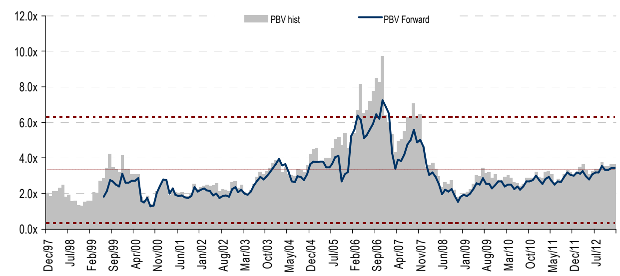
Implied Value Of Growth* — **Current: 56.29%**



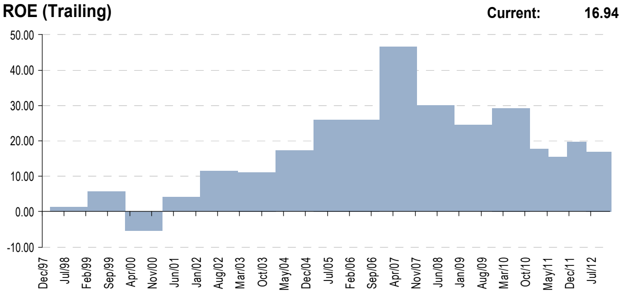
PE (1Yr Forward) — **Current: 16.6x**



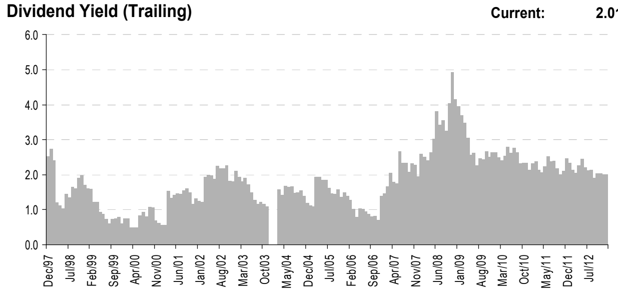
Price/Book Value — **Current: 3.7x**



ROE (Trailing) — **Current: 16.94**



Dividend Yield (Trailing) — **Current: 2.01**



Summary

ACC Ltd.									**As Of:**			4-Jan-13
INDIA	**SEDOL**	**6155915**							**Local Price:**			1,429.90
Materials									**EPS:**			86.12
	Latest	**Min**	**Max**	**Median**	**Average**	**2 S.D.+**	**2 S.D. -**		**% to Min**	**% to Max**	**% to Med**	**% to Avg**
12mth Forward PE	**16.60x**	7.46	31.28	14.25	15.19	24.15	6.24		-55%	88%	-14%	-8%
P/BV (Trailing)	**3.67x**	1.31	9.71	3.05	3.35	6.36	0.33		-64%	164%	-17%	-9%
Dividend Yield (Trailing)	**2.01**	0.00	4.93	1.81	1.81	3.45	0.17		-100%	145%	-10%	-10%
ROE (Trailing)	**16.94**	-5.45	46.63	17.35	17.39	43.38	-8.61		-132%	175%	2%	3%
Implied Value of Growth	**56.3%**	-0.06	0.80	0.46	0.45	0.78	0.12		-110%	42%	-19%	-20%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

** Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity =Bond Yield + 5.0% (ERP)*

JPM Q-Profile

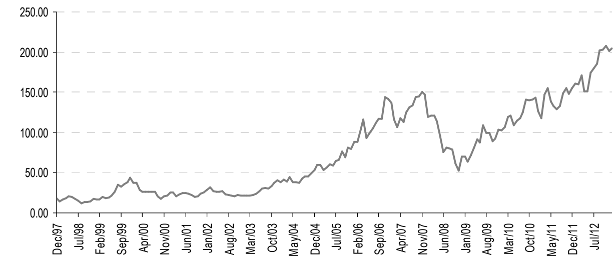
Ambuja Cements Ltd. (INDIA / Materials)

As Of: 04-Jan-2013

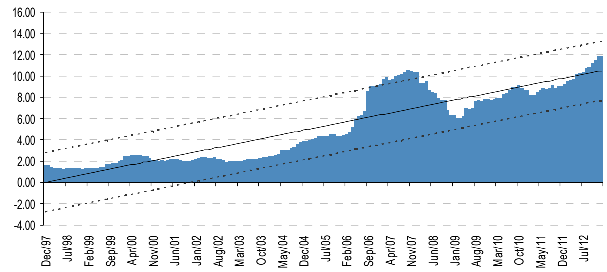
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

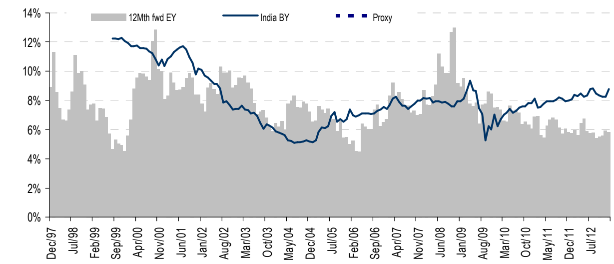
Local Share Price Current: 204.25



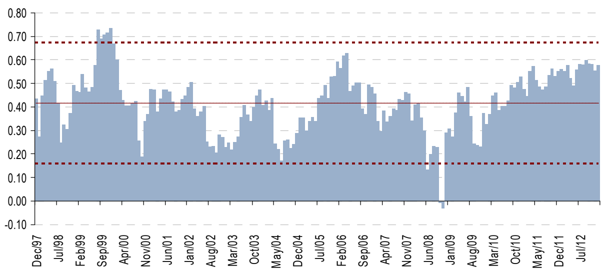
12 Mth Forward EPS Current: 11.89



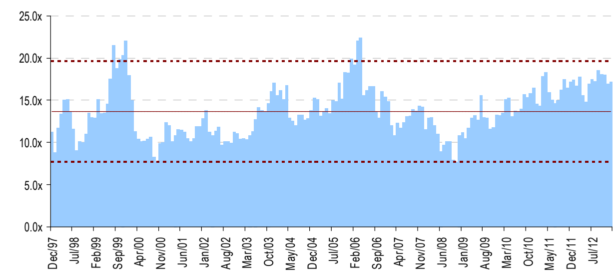
Earnings Yield (& local bond Yield) Current: 6%



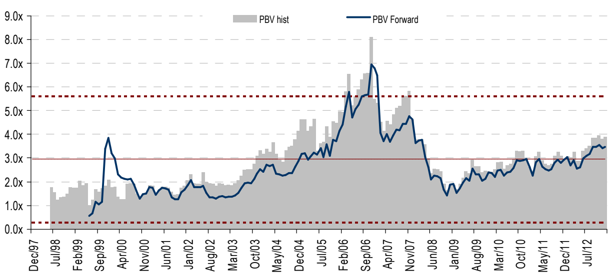
Implied Value Of Growth* Current: 57.76%



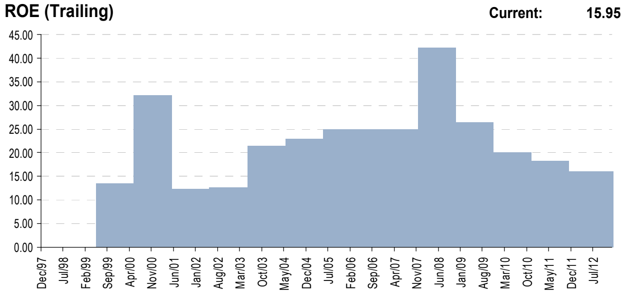
PE (1Yr Forward) Current: 17.2x



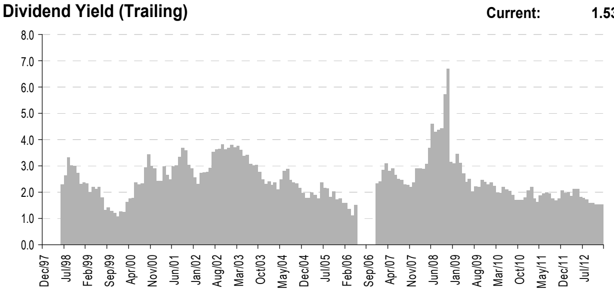
Price/Book Value Current: 3.9x



ROE (Trailing) Current: 15.95



Dividend Yield (Trailing) Current: 1.53



Summary

Ambuja Cements Ltd.								**As Of:**				4-Jan-13
INDIA	**SEDOL**	**B09QQ11**						**Local Price:**				204.25
Materials								**EPS:**				11.89
	Latest	**Min**	**Max**	**Median**	**Average**	**2 S.D.+**	**2 S.D. -**		**% to Min**	**% to Max**	**% to Med**	**% to Avg**
12mth Forward PE	**17.18x**	7.69	22.43	13.40	13.70	19.64	7.75		-55%	31%	-22%	-20%
P/BV (Trailing)	**3.89x**	1.02	8.12	2.70	2.96	5.64	0.29		-74%	109%	-31%	-24%
Dividend Yield (Trailing)	**1.53**	0.00	6.70	2.31	2.39	4.24	0.54		-100%	339%	51%	57%
ROE (Trailing)	**15.95**	12.27	42.14	21.37	22.16	38.14	6.18		-23%	164%	34%	39%
Implied Value of Growth	**57.8%**	-0.03	0.73	0.43	0.42	0.67	0.16		-105%	27%	-26%	-28%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

** Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity =Bond Yield + 5.0% (ERP)*

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JPM Q-Profile

UltraTech Cement Ltd. (INDIA / Materials)

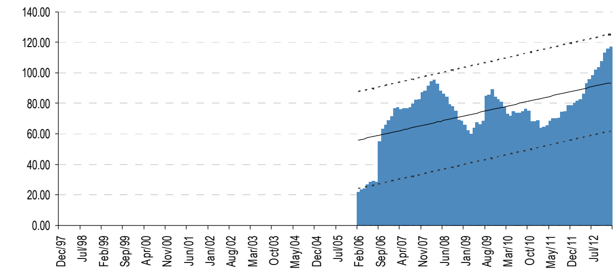
As Of: 04-Jan-2013

Global Equity Quantitative Analysis

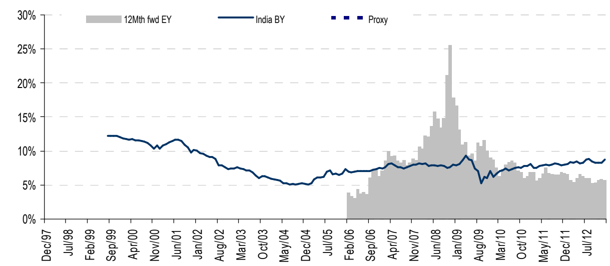
Quant_Strategy@jpmorgan.com

Local Share Price Current: 2035.25

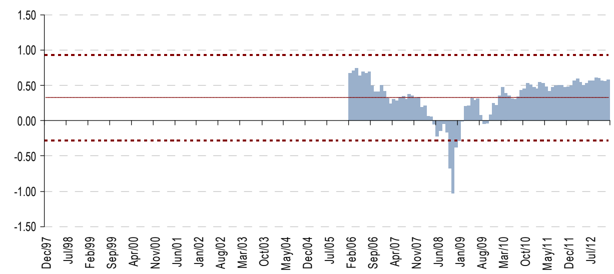
12 Mth Forward EPS Current: 117.14



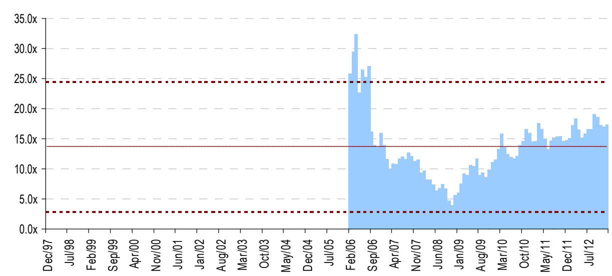
Earnings Yield (& local bond Yield) Current: 6%



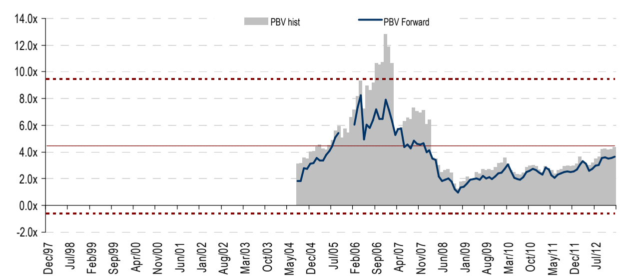
Implied Value Of Growth* Current: 58.23%



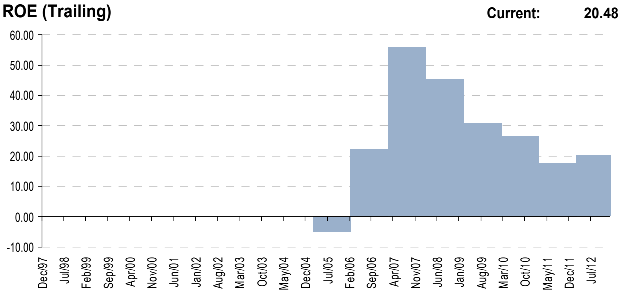
PE (1Yr Forward) Current: 17.4x



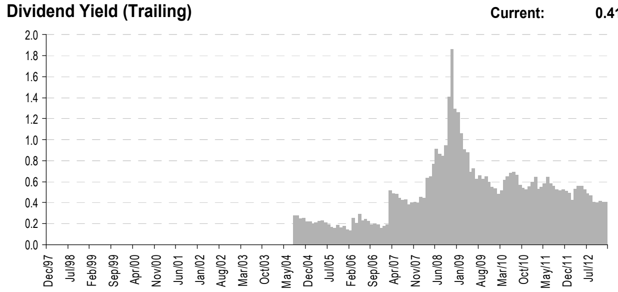
Price/Book Value Current: 4.3x



ROE (Trailing) Current: 20.48



Dividend Yield (Trailing) Current: 0.41



Summary

UltraTech Cement Ltd.			**As Of:**	4-Jan-13
INDIA	**SEDOL**	**B01GZF6**	**Local Price:**	2,035.25
Materials			**EPS:**	117.14

	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	**17.37x**	3.91	32.36	13.45	13.70	24.48	2.92	-77%	86%	-23%	-21%
P/BV (Trailing)	**4.35x**	1.25	13.10	3.49	4.47	9.49	-0.56	-71%	201%	-20%	3%
Dividend Yield (Trailing)	**0.41**	0.13	1.86	0.49	0.50	1.08	-0.08	-67%	354%	20%	23%
ROE (Trailing)	**20.48**	-5.27	55.87	26.61	26.83	61.58	-7.92	-126%	173%	30%	31%
Implied Value of Growth	**58.2%**	-1.02	0.74	0.40	0.33	0.93	-0.28	-276%	27%	-31%	-44%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

** Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity =Bond Yield + 5.0% (ERP)*

JPM Q-Profile

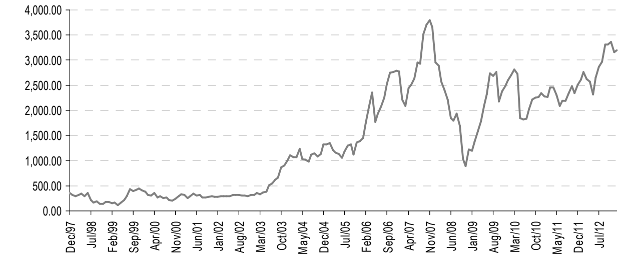
Grasim Industries Ltd. (INDIA / Materials)

As Of: 04-Jan-2013

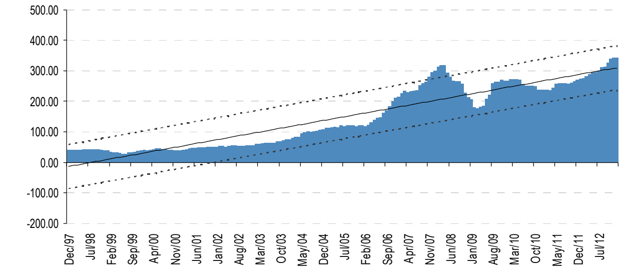
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

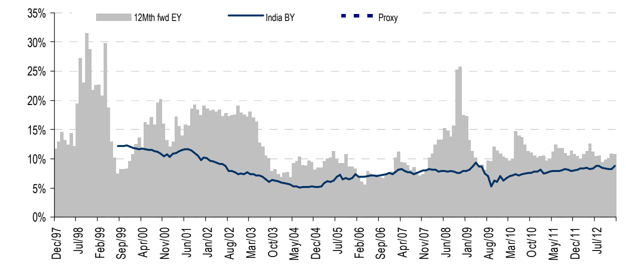
Local Share Price Current: 3192.75



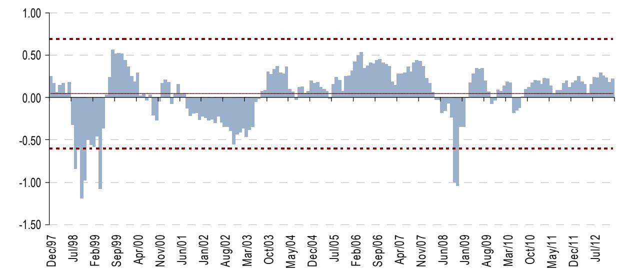
12 Mth Forward EPS Current: 343.78



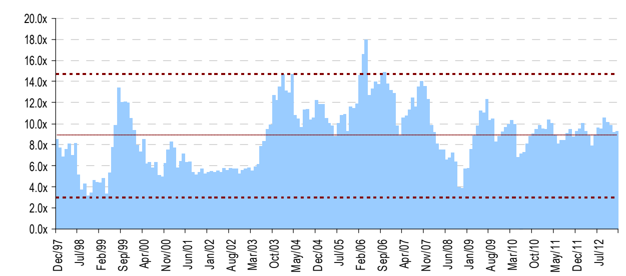
Earnings Yield (& local bond Yield) Current: 11%



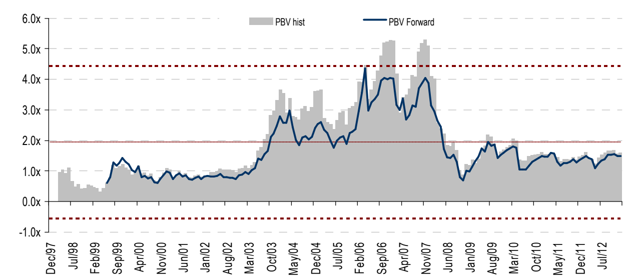
Implied Value Of Growth* Current: 21.86%



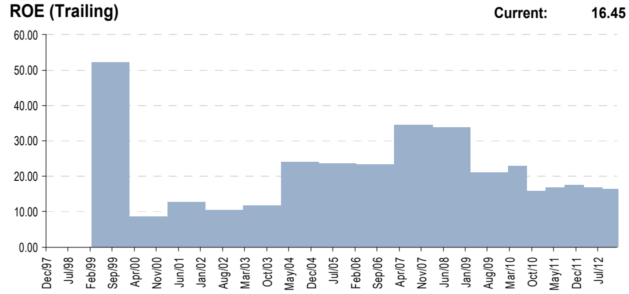
PE (1Yr Forward) Current: 9.3x



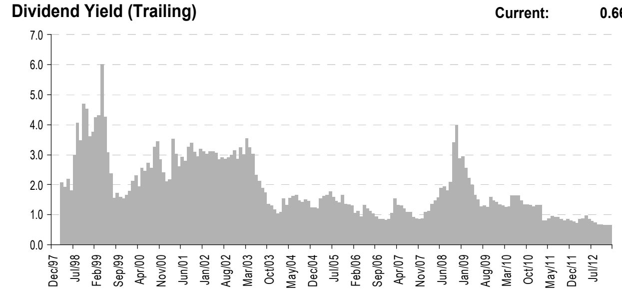
Price/Book Value Current: 1.6x



ROE (Trailing) Current: 16.45



Dividend Yield (Trailing) Current: 0.66



Summary

Grasim Industries Ltd.								As Of:			4-Jan-13
INDIA	SEDOL	6099927						Local Price:			3,192.75
Materials								EPS:			343.78
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	**9.29x**	3.18	17.99	8.99	8.91	14.77	3.05	-66%	94%	-3%	-4%
P/BV (Trailing)	**1.59x**	0.31	5.30	1.54	1.95	4.45	-0.54	-80%	234%	-3%	23%
Dividend Yield (Trailing)	**0.66**	0.66	6.02	1.57	1.91	3.92	-0.11	0%	805%	136%	187%
ROE (Trailing)	**16.45**	8.58	52.23	21.08	22.12	44.89	-0.64	-48%	217%	28%	34%
Implied Value of Growth	**21.9%**	-1.19	0.57	0.13	0.05	0.69	-0.60	-644%	160%	-40%	-78%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs   ** Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity =Bond Yield + 5.0% (ERP)*

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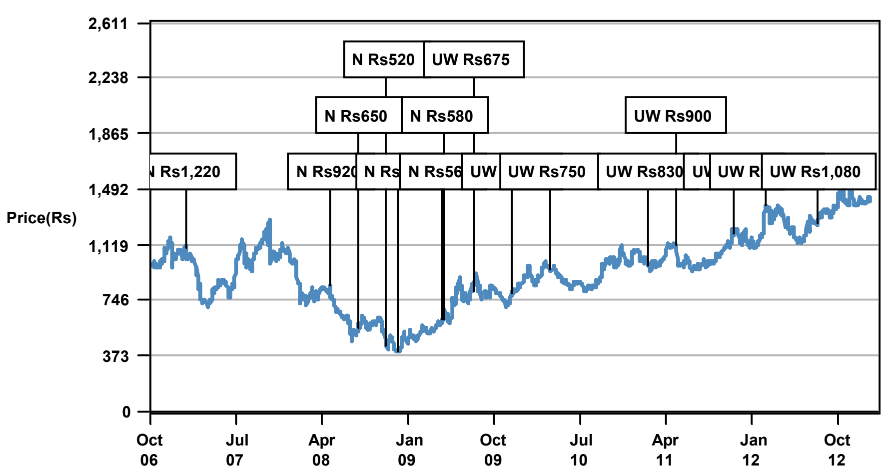
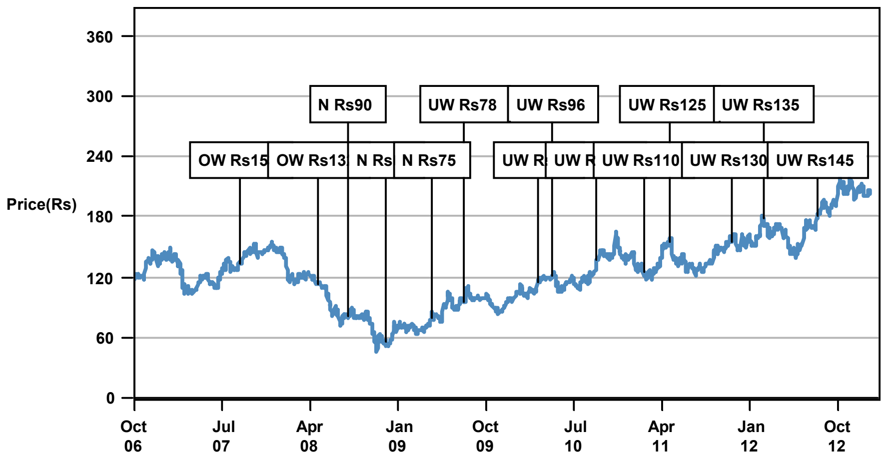


Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jan 22, 2007.

Date	Rating	Share Price (Rs)	Price Target (Rs)
22-Jan-07	N	1105.60	1220.00
24-Apr-08	N	844.45	920.00
24-Jul-08	N	560.75	650.00
23-Oct-08	N	442.85	520.00
25-Nov-08	N	402.85	450.00
16-Apr-09	N	616.50	560.00
22-Apr-09	N	613.50	580.00
23-Jul-09	UW	807.80	675.00
26-Nov-09	UW	794.05	650.00
24-Mar-10	UW	957.50	750.00
03-Feb-11	UW	984.15	830.00
27-Apr-11	UW	1112.55	900.00
01-Nov-11	UW	1195.05	950.00
09-Feb-12	UW	1389.30	1000.00
26-Jul-12	UW	1260.85	1080.00

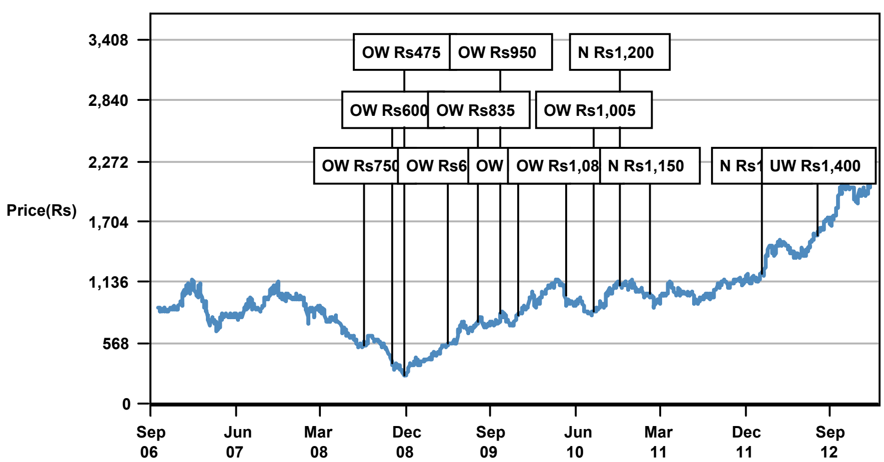
Ambuja Cements Limited (ABUJ.BO, ACEM IN) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
26-Aug-07	OW	133.20	153.00
26-Apr-08	OW	113.35	132.00
27-Jul-08	N	81.80	90.00
25-Nov-08	N	56.05	60.00
16-Apr-09	N	80.15	75.00
23-Jul-09	UW	96.15	78.00
09-Mar-10	UW	114.80	89.00
23-Apr-10	UW	121.05	96.00
07-Sep-10	UW	136.00	100.00
03-Feb-11	UW	125.20	110.00
27-Apr-11	UW	155.60	125.00
02-Nov-11	UW	155.30	130.00
10-Feb-12	UW	178.20	135.00
26-Jul-12	UW	179.70	145.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Aug 26, 2007.

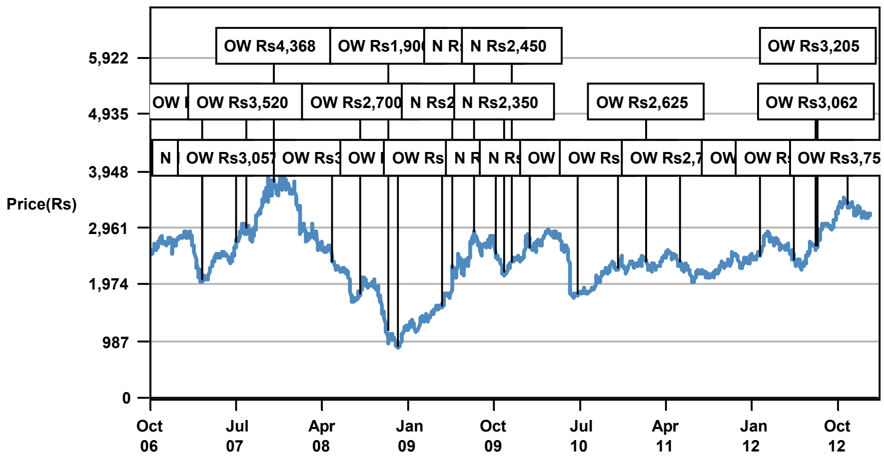
UltraTech Cement Ltd (ULTC.BO, UTCEM IN) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
20-Jul-08	OW	538.65	750.00
19-Oct-08	OW	375.80	600.00
25-Nov-08	OW	259.85	475.00
16-Apr-09	OW	559.70	670.00
21-Jul-09	OW	775.70	835.00
05-Oct-09	OW	848.95	950.00
26-Nov-09	OW	829.90	860.00
30-Apr-10	OW	1015.35	1085.00
29-Jul-10	OW	869.80	1005.00
26-Oct-10	N	1100.15	1200.00
25-Jan-11	N	1023.10	1150.00
23-Jan-12	N	1218.45	1250.00
20-Jul-12	UW	1566.60	1400.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jul 20, 2008.

Grasim Industries Ltd (GRAS.BO, GRASIM IN) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 13, 2007.

Date	Rating	Share Price (Rs)	Price Target (Rs)
13-Mar-07	N	2053.90	2800.00
14-Mar-07	OW	2053.90	2800.00
04-Jul-07	OW	2701.75	3057.00
30-Jul-07	OW	2945.35	3520.00
28-Oct-07	OW	3779.10	4368.00
04-May-08	OW	2380.45	3470.00
27-Jul-08	OW	1816.15	2700.00
24-Oct-08	OW	1180.05	1900.00
25-Nov-08	OW	913.65	1350.00
16-Apr-09	OW	1610.30	1850.00
20-May-09	N	2253.35	2300.00
28-Jul-09	N	2884.70	2550.00
05-Oct-09	N	2503.35	2300.00
01-Nov-09	N	2184.10	2350.00
26-Nov-09	N	2360.50	2450.00
23-Jan-10	N	2619.80	2640.00
25-Jun-10	OW	1798.65	2250.00
28-Oct-10	OW	2278.90	2550.00
26-Jan-11	OW	2355.60	2625.00
12-May-11	OW	2359.50	2700.00
25-Jan-12	OW	2487.20	2850.00
07-May-12	OW	2418.10	2700.00
20-Jul-12	OW	2634.80	3062.00
27-Jul-12	OW	2645.05	3205.00
29-Oct-12	OW	3380.80	3750.00

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*Percentage of investment banking clients in each rating category.
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