Equities

30 September 2011 | 43 pages

India Cement Sector

Still Early to Get Constructive; Grasim Top Pick

- **Cement stocks ahead of near-term fundamentals, we remain cautious** — Cement stocks have run up in the last three months largely on an upturn in cement prices due to volume cutbacks by producers. Stocks have outperformed the Sensex by 11-29% in the past three months and trade at EV/t of $137-157, Sep12 PE of 17-19x and EV/EBITDA of 8.7-9.1x. Grasim (best relative value: P/E 8.7x, EV/EBITDA 5.6x) continues to be our only Buy. Maintain Sell on Ambuja, UltraTech and ACC. Cement prices have downside risk; a stock correction would offer better value.
- **Demand is sluggish so far** — Demand trends so far have come in below expectations. Domestic demand has risen only 3.4% yoy during Apr-Aug11, and with faster growth for the remainder of the year, growth is likely to reach 8% in FY12. Growth has been impacted by slower infrastructure spending, particularly in south India and weak trends in some urban real estate markets.
- **Supply yet to be absorbed** — India has been prolific in cement capacity addition with 93mtpa, an increase of 56% since FY08, more than double the cumulative demand growth of 26% since then. Another 65m tpa (+31%) is expected during FY12-14E. The industry is more consolidated than before (top 5 = 51% of capacity), but a long tail of ~30 players will make co-ordination difficult to sustain for long periods.
- **Prices set for a fall** — The surge in capacity combined with slower demand led to a 5-29% fall in regional prices from April to July 2011, with southern prices remaining steady. Despite slower demand trends, prices have recovered most of the lost ground since July 2011. The higher prices may sustain for a while, but with utilization levels at ~70-80%, we believe there is strong downside price risk.
- **Costs on an uptrend** — Companies are also struggling with costs specifically for raw materials (fly ash, slag), fuel (coal) and freight, especially those companies which depend on imported coal (Ambuja, UltraTech). In our view, the cost pressures are likely to continue as more capacities come on stream.
- **Grasim remains Buy; maintain Sell on ACC, Ambuja and UltraTech** — We continue to use replacement cost of US$120/t (in line with current capex trends) as our key valuation tool. We might turn more positive, all things being equal, on a correction below replacement costs. We believe there is an unjustified valuation dissonance with Grasim – at a CY11E EV/t of US$82 and maintain Buy (1L). We see downside on Sell-rated Ambuja (EV/t of US$156), UltraTech (US$137) and ACC (US$132) – in that order.

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	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
Ticker	Old	New	Old	New	Old	New	Old	New
ABUJ.BO	3L	3L	Rs108.00	Rs117.00	Rs6.95	Rs7.50	Rs7.80	Rs7.83
ACC.BO	3L	3L	Rs975.00	Rs996.00	Rs61.75	Rs58.97	Rs68.63	Rs57.60
GRAS.BO	1L	1L	Rs3,010.00	Rs2,728.00	Rs232.05	Rs270.10	Rs237.23	Rs266.16
ULTC.BO	3L	3L	Rs985.00	Rs1,000.00	Rs49.32	Rs71.30	Rs50.90	Rs64.17

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Contents

Investment Summary

Cement stocks have outperformed on the back of price hikes aided by volume cuts.

Cement majors have outperformed the Sensex in the last 6-12 months, with the biggest outperformance in the past three months (by 23-29%) largely on an upturn in cement prices (artificial scarcity), under-ownership and the domestic nature of the industry (unlike other commodities which get impacted by international price/demand trends). While the structural long-term outlook is positive, valuations seem to reflect that the cyclical pain is almost behind us.

Stocks are ignoring oversupply concerns, but we remain cautious on the sector. We would wait for stocks to be cheaper, before being more constructive.

In our opinion, stocks have run ahead of the near-term concerns and we remain cautious on the sector. We believe valuations should be more balanced between the structural and cyclical outlook, with an EV/t closer to replacement cost at US$120. We continue to use replacement costs of US$120/t (in line with current capex trends) as our primary value tool. Stocks should trend closer to replacement cost over the next 3-6 months, and, all things being equal, we might become more constructive on the stocks if they dip below this benchmark.

Maintain Sell on Ambuja, UltraTech, ACC. Grasim is our top sector pick.

We maintain Sell on Ambuja, UltraTech, and ACC (in that order). These stocks trade at an EV/t of between US$137-157, Sep12 PE of 17-19x, and EV/EBITDA of 8.7-9.1x. We believe Grasim (at US$82 EV/t, 5.6x EV/EBITDA and 8.7x P/E on Sep12E) looks cheap on an absolute and relative basis, and maintain Buy on the stock. The lower valuation for Grasim could be due to a holding company discount for its cement assets (more than is justified) and the diversified nature of its assets. However, in our view, the steady nature of the VSF (Viscose Staple Fibre) business should provide some near-term downside protection.

Near-Term Concerns on Sector

1. **Demand sluggish** — Demand has risen ~3.4% during April- August 2011, and with faster growth for the remainder of the year, growth is likely to reach 8% in FY12. Growth is being impacted by slower infrastructure spending (particularly in South India) and weak trends in some urban real estate markets.

2. **Supply yet to be absorbed** — India has been prolific in cement capacity addition with 93mtpa, an increase of 56% since FY08, more than double the cumulative demand growth of 26% since then. Another 65mtpa (+31%) is expected during FY12-14E. The industry is more consolidated than before (Top 5 = 51% of capacity) but a long tail of ~30 players will make co-ordination difficult to sustain.

3. **Prices set for a fall** — The oversupply situation, combined with slower demand, led to a 5-29% fall in regional prices from April to July 2011, with Southern prices remaining steady. Despite sluggish demand trends, cement prices have recovered most of the lost ground since Jul 2011 (reportedly due to artificial scarcity). The higher prices may sustain for a while, but with utilization levels at ~70-80% we believe there is downside price risk. We expect prices to remain firm in the near term, but believe a correction is likely in the next 3-6 months.

4. **Costs on an uptrend** — Companies are also struggling with costs, specifically for raw materials (fly ash, slag), fuel (coal), and freight. In our view, cost pressures are likely to continue as more capacities come on stream.

5. **SFIO Recommends Action** — The *Economic Times* reported on 21Sep 2011, that the Competition Commission of India (CCI) will start proceedings against India's top companies for abuse of market dominance and collaboration to jack up prices, based on the report by The Serious Fraud Investigation Office (SFIO), which is the investigation wing of the Ministry of Corporate Affairs. If the charges are upheld, the CCI has the power to impose penalties.

Stock Price Performance

Figure 1. India Cement Sector – Share Price Performance

		Absolute Performance (%)								Relative Performance (%)							
	CMP	1D	1W	1M	3M	6M	1Y	18M	YTD	1D	1W	1M	3M	6M	1Y	18M	YTD
Cement Index		0%	-2%	8%	13%	1%	2%	19%	0%	0%	2%	8%	25%	15%	20%	26%	20%
ACC	1088	0%	1%	9%	12%	4%	7%	14%	1%	0%	5%	9%	24%	18%	25%	21%	21%
Ambuja Cements	147	-1%	-2%	10%	11%	6%	1%	20%	3%	0%	2%	10%	23%	20%	19%	28%	22%
Grasim Industries	2266	-2%	-4%	5%	8%	-7%	3%	-13%	-3%	-2%	0%	5%	20%	7%	21%	-6%	17%
India Cements	69	-2%	-9%	6%	-2%	-26%	-42%	-47%	-36%	-2%	-5%	6%	10%	-12%	-24%	-40%	-16%
Madras Cements Ltd	100	0%	-5%	22%	23%	2%	-15%	-14%	-6%	1%	-1%	21%	35%	16%	3%	-7%	14%
Shree Cement Ltd	1790	-1%	-2%	9%	1%	-8%	-14%	-22%	-11%	-1%	2%	9%	13%	6%	4%	-14%	9%
UltraTech Cement	1147	1%	-2%	7%	20%	5%	9%	1%	6%	2%	2%	7%	32%	19%	28%	8%	26%

Source: Citi Investment Research and Analysis, Prices as on 28 Sep 2011.

Cement – Comparative Valuations

Figure 2. India Cement Sector – Statistical Abstract

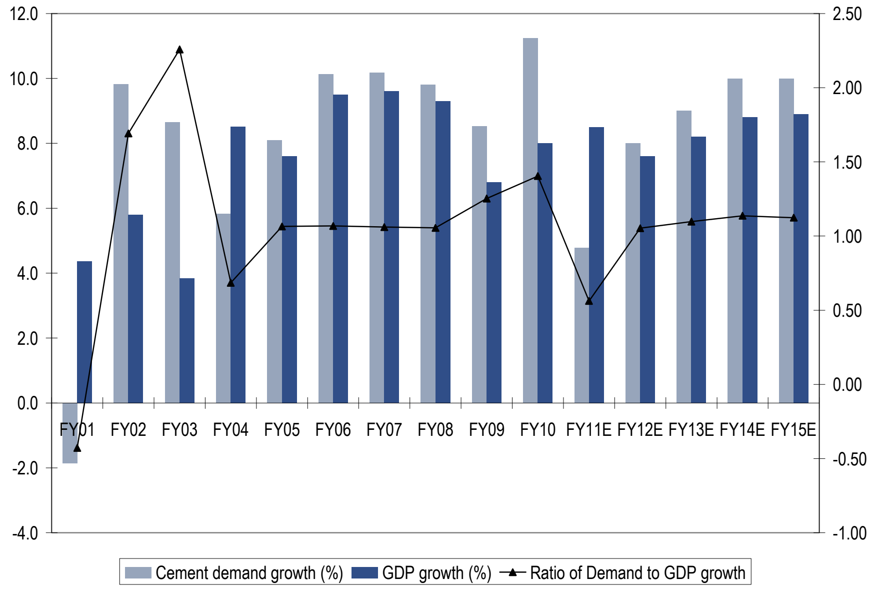
Company	Ticker	Rating	Market Cap	Current Price	Target Price	EPS (Rs)		P/E (x)		EV/EBITDA (x)		EV/tonne (US$)	
			($m)	(Rs)	(Rs)	CY11	CY12	CY11	CY12	CY11	CY12	CY11	CY12
						FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ACC	ACC.BO	3L	4,159	1,088	996	59	58	18.4	18.9	8.9	8.8	134	132
Ambuja	ABUJ.BO	3L	4,583	147	117	8	8	19.6	18.8	9.4	9.0	158	155
Grasim	GRAS.BO	1L	4,233	2,266	2,728	270	266	8.4	8.5	5.5	5.4	81	78
UltraTech	ULTC.BO	3L	6,405	1,147	1,000	71	64	16.1	17.9	8.7	8.8	136	136

Source: Citi Investment Research and Analysis estimates. Prices as of 28 Sep 2011. Rs/US$ rate at 47.

Demand Trends Are Weak

Demand growth in the past ten years has on average been 8.7% pa. The average ratio of cement demand growth to GDP growth has been 1.1x in the past seven years. The growth in FY11 was below expectations at 4.8%. We expect demand growth to be 8% in FY12, 9% in FY12 and 10% in FY13.

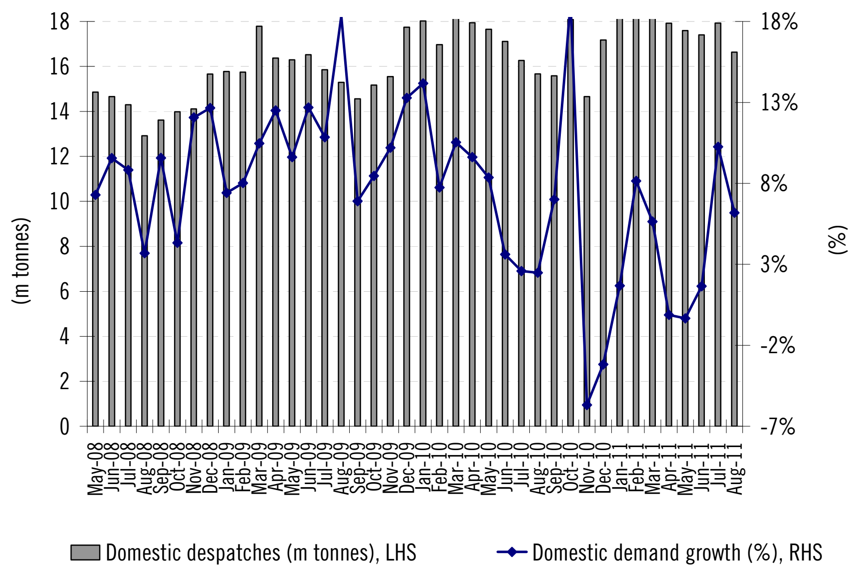
Figure 3. Cement demand growth (%) vs. GDP growth (%)



Source: Cement Manufacturers' Association (CMA), Company Reports, Citi Investment Research and Analysis

Cement demand trends have been quite weak in April-August 2011, with domestic demand growth of only ~3.4% yoy. The main reasons for this are: 1) slower infrastructure demand, particularly in South India and 2) lower demand from some urban real estate markets.

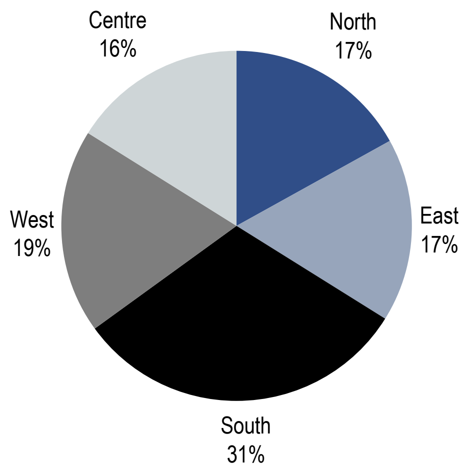
Figure 4. Monthly domestic cement consumption (m tonnes) and growth (% YoY)



Source: Cement Manufacturers' Association (CMA), Company Reports, Citi Investment Research and Analysis

The Southern region consumes the largest proportion of cement (31%) in India. The rest of the regions each consume similar shares of between 16-19%.

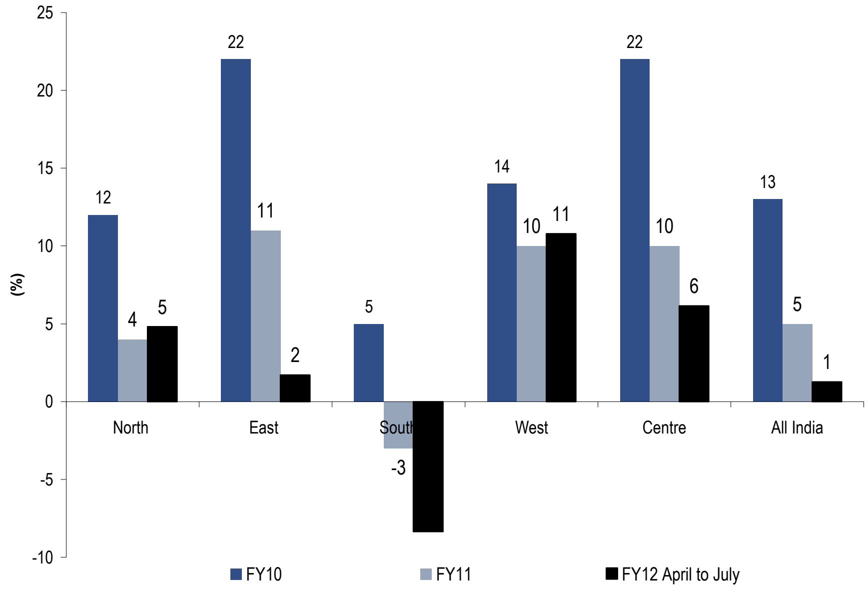
Figure 5. FY11 region-wise cement consumption (in volume terms)



Source: CMA, Citi Investment Research and Analysis

Figure 6 gives indicative trends for demand as data from ACC and Ambuja are not available from FY10 onwards. Limited infrastructure creation is taking place in South India, particularly Andhra Pradesh. Anecdotal information (from industry sources and press reports) suggests demand growth may be stronger in Northern India than CMA numbers suggest. Western India continues to report relatively strong demand growth.

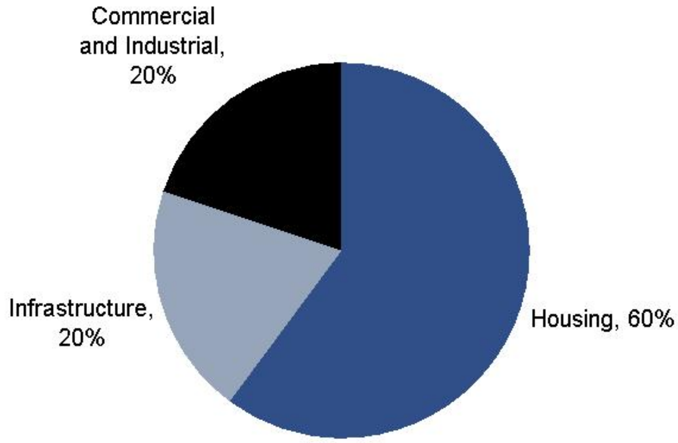
Figure 6. Region-wise demand growth (%)



Source: CMA, Citi Investment Research and Analysis

Together, urban and rural housing account for ~60% of India's cement consumption. India is in the early stages of economic growth and cement is mainly sold in bagged form. Bulk cement and RMC form less than 5% of sales and brands still earn premium prices. Anecdotal evidence (from industry sources and press reports) suggests that urban demand is sluggish. Some of the incremental growth is also coming from rural India and low income housing. The good monsoon this year should have a positive impact on rural demand growth in 2HFY12 and FY13.

Figure 7. India Cement Consumption by Sector

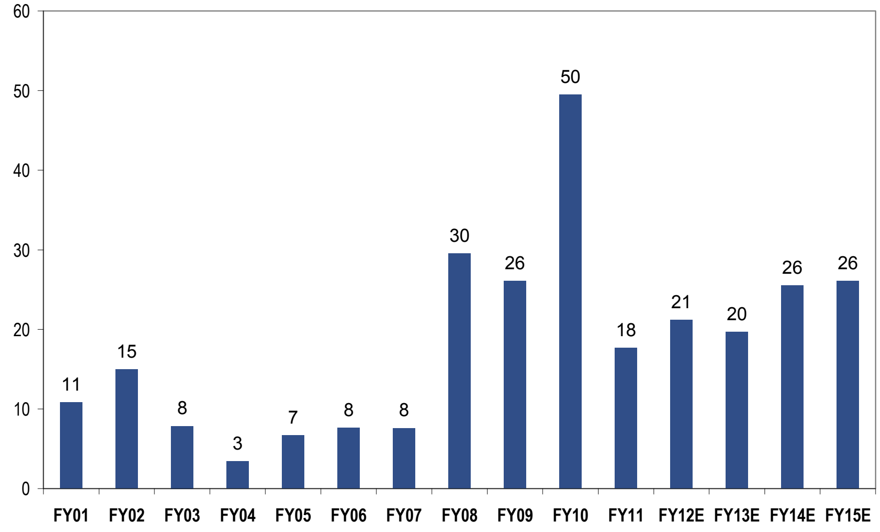


Source: Citi Investment Research and Analysis

Supply: Significant Amount Still To Be Absorbed

In the last three years, 93mtpa of cement capacity has been set up, an increase of 56% over the FY08 base. In contrast, cumulative demand growth has been 26% in the same period. Another 65mtpa (+31%) of capacity is expected over the next three years.

Figure 8. India – Yearly capacity addition (mtpa)



Source: CMA, Company Reports, Citi Investment Research and Analysis Estimates

We expect an oversupply in FY11-13 and utilization rates to be around 75-80%, which in the past has meant depressed prices. In Figure 9 we have assumed delays to plant completion and relatively higher levels of demand growth relative to FY11 ranging from 8-11%.

Figure 9. India – Domestic Cement Demand and Supply

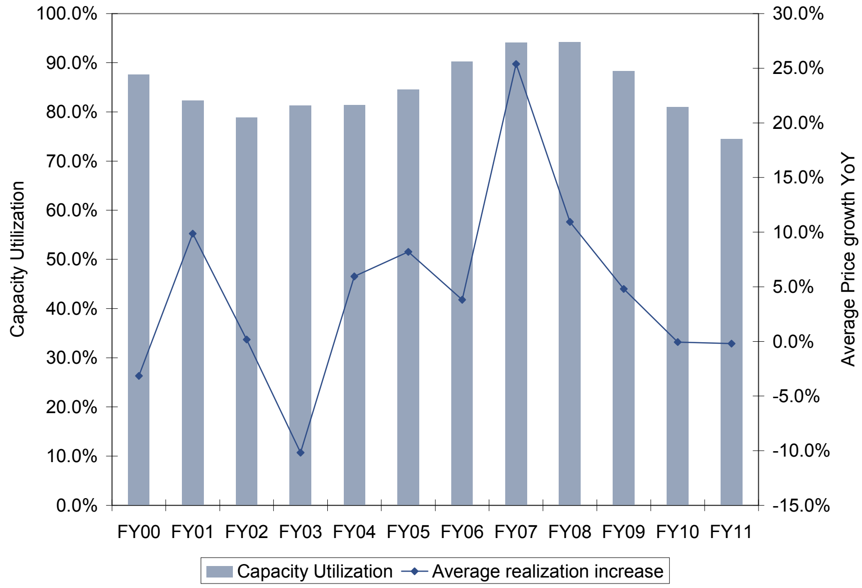
Year	Capacity m tpa	Prod m tpa	Prod gr (%)	Capacity utilisation (%)	Domestic Despatches m tpa	Dom demand gr (%)	Cement exports m tpa	Clinker exports m tpa	Surplus/ deficit m tpa
FY2000	106.9	94.0	15.1	87.6	91.9	15.2	2.0	1.2	0.18
FY2001	117.7	93.4	-0.6	82.3	90.2	-1.9	3.1	2.0	0.12
FY2002	132.7	102.4	9.6	78.9	99.0	9.8	3.4	1.8	0.00
FY2003	140.6	111.4	8.7	81.3	107.6	8.7	3.5	3.5	0.28
FY2004	144.0	117.5	5.5	81.4	113.9	5.8	3.4	5.6	0.27
FY2005	150.7	127.6	8.6	84.6	123.1	8.1	4.1	6.0	0.42
FY2006	158.3	141.8	11.2	90.2	135.6	10.1	6.0	3.2	0.24
FY2007	165.9	155.7	9.8	94.1	149.4	10.2	5.9	3.1	0.41
FY2008	195.4	168.3	8.1	94.2	164.0	9.8	3.7	2.4	0.65
FY2009	221.5	181.6	7.9	88.3	178.0	8.5	3.2	2.9	0.42
FY2010	271.0	200.7	10.5	81.0	198.0	11.2	2.3	3.1	0.42
FY2011	288.7	210.6	4.9	74.5	207.5	4.8	2.0	2.0	1.13
FY2012E	309.9	258.9	23.0	83.6	224.1	8.0	2.0	2.0	32.86
FY2013E	329.5	275.6	6.5	83.6	244.2	9.0	2.0	2.0	29.41
FY2014E	355.0	298.5	8.3	84.1	268.6	10.0	2.0	2.0	27.86
FY2015E	381.1	316.0	5.9	82.9	295.5	10.0	2.0	2.0	18.51

Note: Capacity utilization is adjusted for period for which the plant is available.

Source: CMA, Company Reports, Citi Investment Research and Analysis Estimates.

Average cement prices have shown higher average YoY growth in periods when industry capacity creation in the preceding years has been muted. This enables utilization levels to be high and has a positive impact on cement price trends. Note that the highest price rise since FY01 was in FY07 when utilization levels were at 94%. Current utilization levels range between 70-80%.

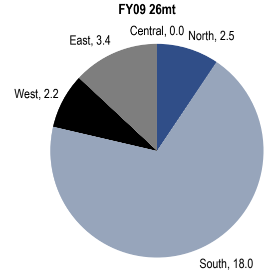
Figure 10. Cement capacity utilization (%) vs. average domestic price change (%)



Source: Industry Reports, CMA, Citi Investment Research and Analysis Estimates

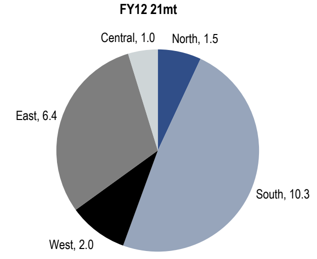
New capacity creation tends to be region-centric and is largely based on immediate past demand trends in that region. For instance, robust demand growth (10-14% during FY07-09) in South India led to substantial new capacity in FY09 and FY10. South India then witnessed the biggest price drops in 1HFY11.

Figure 11. Regional capacity addition - FY09 (26mtpa)



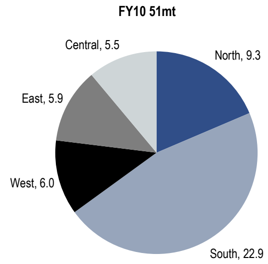
Source: Company Reports, CMA, CIRA

Figure 12. Regional capacity addition – FY12E (21mtpa)



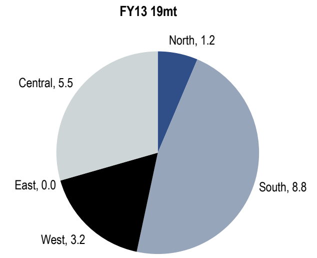
Source: Citi Investment Research and Analysis

Figure 13. Regional capacity addition – FY10 (51mtpa)



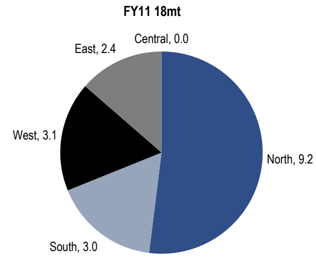
Source: Company Reports, CMA, CIRA

Figure 14. Regional capacity addition – FY13E (19mtpa)



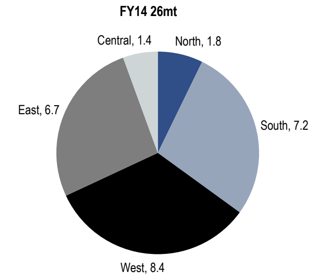
Source: Company Reports, CMA, CIRA

Figure 15. Regional capacity addition – FY11 (18mtpa)



Source: Company Reports, CMA, CIRA

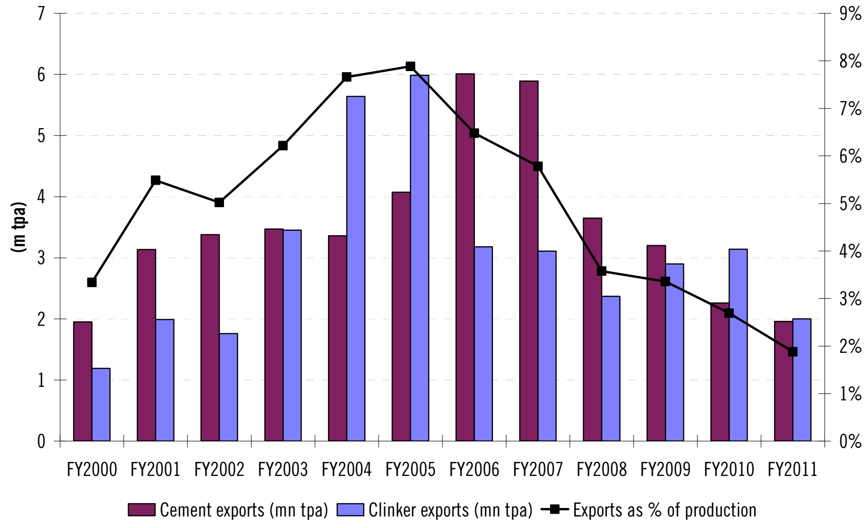
Figure 16. Regional capacity addition – FY14E (26mtpa)



Source: Company Reports, CMA, CIRA

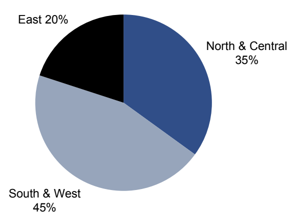
Exports are only used as a balancing factor in India. Most of India's exports are sent out from Western India. Ambuja and UltraTech are among the biggest exporters, and major export markets are Sri Lanka, Nepal and the Middle East.

Figure 17. Cement +Clinker Exports as a % of Production



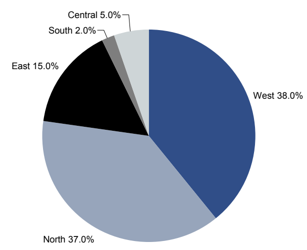
Source: CMA, Company Reports, Citi Investment Research and Analysis

Figure 18. ACC Sales by Region



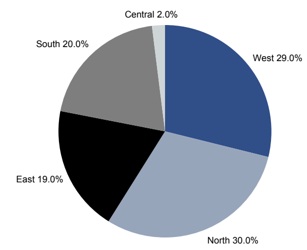
Source: Company Reports, CMA, CIRA

Figure 19. Ambuja Sales by Region



Source: Company Reports, CMA, CIRA

Figure 20. UltraTech Sales by Region

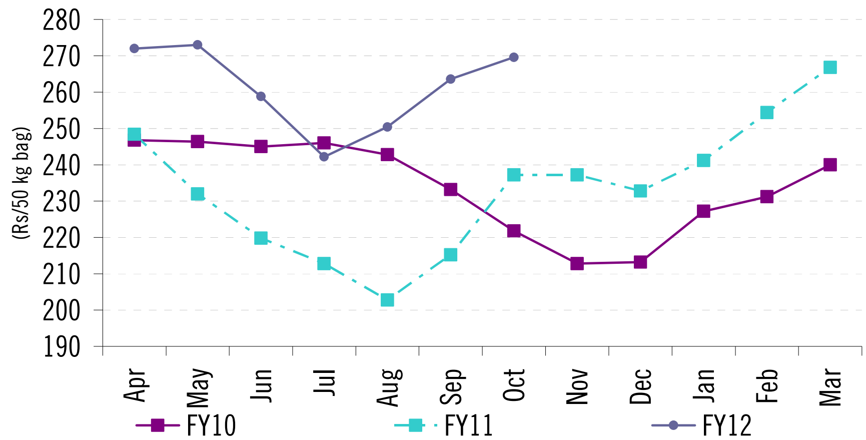


Source: Company Reports, CMA, CIRA

Prices Appear Propped Up, Risk to the Downside

Since FY08, cement prices have largely remained in a range between Rs210 and Rs250 per 50kg bag. The surge in supply creation led to a collapse in prices in 1HFY11. Surprisingly, despite the massive oversupply, prices have recovered and pushed up even further, largely in an attempt by producers to compensate for surging costs. We believe the hike is unlikely to be sustained due to the large amount of excess capacity and the still-fragmented Indian market.

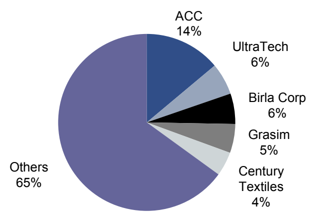
Figure 21. Average Cement Prices (Rs per 50kg bag)



Source: Industry Sources, Citi Investment Research and Analysis

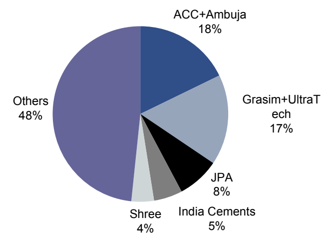
Consolidation in India has progressed since FY97. The Top 5 players accounted for 35% of capacity back then, but this has risen to 52% in FY11. However, there is still a long tail with ~30 players making up the balance 45%.

Figure 22. FY97 – Top 5 at 35%



Source: Citi Investment Research and Analysis

Figure 23. FY11 – Top 5 at 52%



Source: Citi Investment Research and Analysis

Company Focus

- Company Update
- Target Price Change
- Estimate Change

Sell/Low Risk	**3L**
Price (29 Sep 11)	Rs1,089.90
Target price	Rs996.00
from Rs975.00	
Expected share price return	-8.6%
Expected dividend yield	1.8%
Expected total return	**-6.8%**
Market Cap	Rs204,624M
	US$4,168M

Price Performance
(RIC: ACC.BO, BB: ACC IN)

ACC (ACC.BO)

Sell: Good Market Spread; But Valuations Not Cheap Enough

- **Raising TP to Rs996** — We raise our target price to Rs996 from Rs975 based on Sep12 (vs. Dec11 earlier) EV/tonne of US$120. At our revised target price, ACC would trade at EV/EBITDA of 8x and P/E of 17.2x. ACC has risen 13% in the past three months and outperformed the Sensex by 24% on the back of price hikes by cement companies despite surplus capacity. ACC trades at US$132/t, not too expensive relative to current replacement costs (US$120/t); however, we would recommend waiting for a correction before entering the stock.

- **Cement prices have downside risk —** Cement producers have cut volumes and artificially boosted prices citing various factors (slower demand/transport bottlenecks/shortage of rail capacity). This volume cut has helped producers raise prices over the last few months by 9-27% since the lows of Jul11 (except south India where prices remained steady since May11) to compensate for lower volumes/rising costs. However the Indian cement industry remains oversupplied (with at least 10% surplus until FY14) and fragmented (~30 companies; top 5 control 51% of capacity) – and hence cement prices have downside risk.

- **Revising estimates** — We cut PAT estimates by 5% for CY11 and 16% for CY12. This change incorporates: 1) lower volumes based on trends so far (although ACC's volume growth exceeds its peers); 2) higher costs to reflect current trends; and 3) higher prices by 13/12% in CY11 and CY12. We now assume realizations will rise 9% yoy in CY11 (vs -5% earlier) and rise 1% in CY12 (vs +2% earlier).

- **Expansion update** — ACC's total capacity as of Dec 2009 was 26mtpa and has been hiked to a current level of ~30mtpa due to expansions at Wadi, Karnataka (world's largest kiln of 12,500tpd) and Chanda, Maharashtra. Based on trends so far, we expect volumes to rise by 11% in CY11 and 10% in CY12. While ACC has yet to make a final decision, there is potential for setting up an additional 3-5mtpa of brownfield capacity in the next 2-3 years. ACC's captive power capacity is 361MW and meets ~75% of its requirements. ACC continues to focus on use of alternative fuels and raw materials (tyres, industrial waste, plastic waste), however overall usage is still quite small.

- **Upside risks** — (1) Continued price strength, (2) Delays in capacity, and (3) Higher-than-expected demand growth.

Figure 24. ACC – Statistical Abstract

YE 31 Dec	Revenue (Rs m)	PAT (Rs m)	EBITDA (Rs m)	EPS (Rs)	EPS growth (%)	P/E (x)	EV/EBITDA (x)	EV/tonne (US$)
CY07	68,807	12,798	19,186	68.2	17%	15.9	9.2	178
CY08	71,658	11,787	17,332	62.8	-8%	17.3	9.6	183
CY09	79,427	16,067	24,797	85.6	36%	12.7	7.0	155
CY10	76,022	10,137	15,540	54.0	-37%	20.1	9.7	146
CY11E	93,520	11,070	18,107	59.0	9%	18.4	8.9	134
CY12E	103,995	10,813	18,309	57.6	-2%	18.9	8.8	132
CY13E	115,732	11,311	18,673	60.2	5%	18.1	8.1	127

Source: Citi Investment Research and Analysis, Prices as on 28 Sep 2011. Rs/US$ at 47.

Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	12.7	20.2	18.5	18.9	18.1
EV/EBITDA adjusted (x)	7.3	10.7	9.2	9.1	8.4
P/BV (x)	3.4	3.2	2.9	2.6	2.4
Dividend yield (%)	2.1	2.8	1.8	1.8	1.8
Per Share Data (Rs)					
EPS adjusted	85.58	54.00	58.97	57.60	60.25
EPS reported	85.58	54.00	58.97	57.60	60.25
BVPS	320.45	344.59	380.23	414.51	451.44
DPS	23.00	30.50	20.00	20.00	20.00
Profit & Loss (RsM)					
Net sales	79,427	76,022	93,520	103,995	115,732
Operating expenses	-55,640	-61,484	-77,073	-87,805	-98,750
EBIT	**23,787**	**14,538**	**16,447**	**16,190**	**16,982**
Net interest expense	-843	-568	-1,071	-1,171	-1,271
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	**22,944**	**13,970**	**15,376**	**15,019**	**15,710**
Tax	-6,877	-3,833	-4,305	-4,205	-4,399
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	**16,067**	**10,137**	**11,070**	**10,813**	**11,311**
Adjusted earnings	16,067	10,137	11,070	10,813	11,311
Adjusted EBITDA	27,208	18,465	21,306	21,199	22,141
Growth Rates (%)					
Sales	10.8	-4.3	23.0	11.2	11.3
EBIT adjusted	37.7	-38.9	13.1	-1.6	4.9
EBITDA adjusted	34.6	-32.1	15.4	-0.5	4.4
EPS adjusted	36.3	-36.9	9.2	-2.3	4.6
Cash Flow (RsM)					
Operating cash flow	**23,979**	**19,507**	**5,652**	**13,467**	**15,374**
Depreciation/amortization	3,421	3,927	4,859	5,009	5,159
Net working capital	2,504	1,190	-1,771	-691	756
Investing cash flow	**-21,812**	**-9,803**	**-3,801**	**-5,110**	**-3,032**
Capital expenditure	-15,440	-8,111	-6,500	-7,500	-6,000
Acquisitions/disposals	-7,966	-2,270	-500	-500	-500
Financing cash flow	**-4,546**	**-6,367**	**-5,559**	**-5,549**	**-5,649**
Borrowings	849	-431	0	0	0
Dividends paid	-4,392	-5,035	-4,488	-4,378	-4,378
Change in cash	**-2,379**	**3,337**	**-3,708**	**2,808**	**6,692**
Balance Sheet (RsM)					
Total assets	**100,846**	**111,013**	**115,244**	**123,441**	**134,190**
Cash & cash equivalent	7,464	10,800	7,093	9,900	16,592
Accounts receivable	2,037	1,783	3,587	3,704	3,805
Net fixed assets	63,145	66,452	68,093	70,584	71,425
Total liabilities	**40,684**	**46,318**	**43,857**	**45,618**	**49,434**
Accounts payable	16,350	14,615	18,520	20,028	23,000
Total Debt	5,669	5,238	5,238	5,238	5,238
Shareholders' funds	**60,162**	**64,695**	**71,387**	**77,822**	**84,756**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	34.3	24.3	22.8	20.4	19.1
ROE adjusted	29.4	16.2	16.3	14.5	13.9
ROIC adjusted	32.0	18.2	19.4	18.2	18.6
Net debt to equity	-3.0	-8.6	-2.6	-6.0	-13.4
Total debt to capital	8.6	7.5	6.8	6.3	5.8

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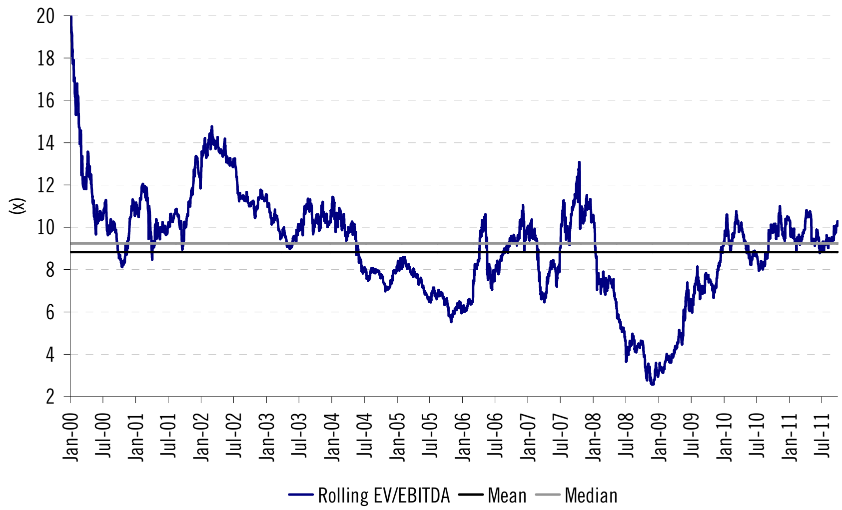
Estimate Revisions

Figure 25. ACC – Estimate Revisions, CY11E-12E

	CY11E			CY12E		
	Old	New	% change	Old	New	% change
Sales volumes (m)	25.1	23.8	-5%	27.3	26.3	-4%
Net sales (Rs bn)	87.2	93.5	7%	96.5	104.0	8%
EBITDA (Rs bn)	19.4	18.1	-7%	21.2	18.3	-14%
Net profit (Rs bn)-adj	11.6	11.1	-5%	12.9	10.8	-16%
EPS (Rs)	61.8	59.0	-5%	68.6	57.6	-16%
Net realisation (Rs/t)	3,451	3,902	13%	3,520	3,941	12%
YoY change in average realisation (%)	-5.0%	9.1%		1.9%	0.9%	

Source: Citi Investment Research and Analysis estimates

Figure 26. ACC 1-yr forward rolling EV/EBITDA



Source: Datastream, Company Reports and Citi Investment Research and Analysis

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Data as of: 23-Sep-11

Radar Screen Quadrant Definitions

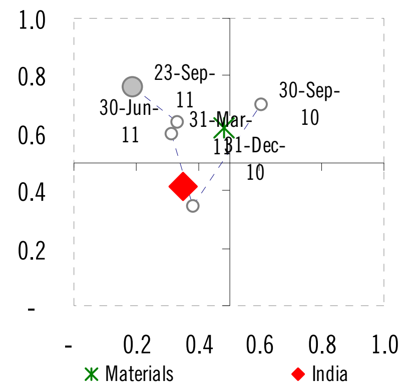
Glamor *Poor relative value but superior relative momentum*	**Attractive** *Superior relative value and superior relative momentum*
Unattractive *Poor relative value and poor relative momentum*	**Contrarian** *Superior relative value but poor relative momentum*

ACC Quants View – Glamour

ACC currently lies in the Extreme corner of the Glamour quadrant of our Value-Momentum map with strong momentum but relatively weak value scores. It has been a resident there since the past 6 months. Compared to its peers in the Materials sector, ACC fares worse on the valuation metric but better on the momentum metric. Similarly, compared to its peers in its home market of India, ACC fares worse on the valuation metric but better on the momentum metric.

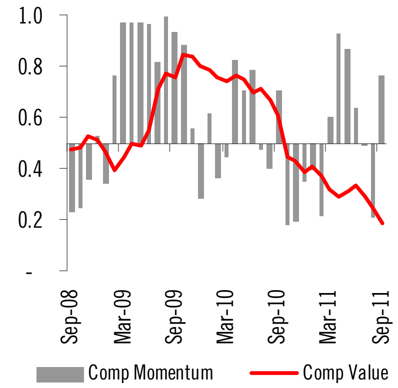
From a macro perspective, ACC is likely to benefit from falling Commodity (ex-oil) prices, falling EM yields, and a weaker US Dollar.

Figure 27. Radar Quadrant Chart History



Source: CIRA

Figure 28. Radar Valuation and Momentum Scores



Source: CIRA

Figure 29. Radar Model Inputs

IBES EPS (Actual and Estimates)

FY(-2)	58.60	Implied Trend Growth (%)	1.23
FY(-1)	83.14	Trailing PE (x)	19.83
FY0	57.27	Implied Cost of Debt (%)	9.11
FY1	62.41	Standardised MCap	(0.08)
FY2	73.07		

Note: Standardised MCap calculated as a Z score – (mkt cap - mean)/std dev – capped at 3

Source: Citi Investment Research and Analysis, Worldscope, I/B/E/S

Figure 30. Stock Performance Sensitivity to Key Macro Factors

Region	0.95	Commodity ex Oil	(0.27)
Local Market	0.63	Rising Oil Prices	0.03
Sector	0.12	Rising Asian IR's	0.16
Growth Outperforms Value	0.43	Rising EM Yields	(0.54)
Small Caps Outperform Large Caps	(0.05)	Weaker US$ (vs Asia)	1.13
Widening US Credit Spreads	(0.16)	Weaker ¥ (vs US$)	(0.16)

Source: Citi Investment Research and Analysis

ACC

Company description

ACC is India's second largest cement company with a capacity of ~30m tpa. ACC is located in all the major domestic markets and hardly exports any cement. ACC's market breakdown is as follows: south+west 45%, north+central 35% and east 20%. Holcim holds a 50.3% stake in ACC. Adding the market presence of Holcim's other group company in India (Ambuja Cements) takes Holcim's total capacity to 57m tpa in India and gives it an 18% overall market share and a significant presence in several key markets. In the past few years, ACC has focused on cost-cutting, selling unviable cement capacity and exiting non-cement businesses. ACC has been allocated coal blocks in Madhya Pradesh, which are likely to be operational by 2013. ACC generated ~75% of its captive power requirements in CY10 which will rise further as new capacities are being set up with captive power plants. Captive power capacity has risen to 360MW. While ACC has yet to take a final decision, there is a potential for setting up an additional 3-5mtpa of brownfield cement capacity in the next 2-3 years. Based on trends so far, we expect cement sales volumes to rise by 11% in CY11 and 10% in CY12. ACC continues to focus on use of alternative fuels and raw materials (tyres, industrial waste, plastic waste) however overall usage is still quite small.

Investment strategy

Our recommendation on ACC is Sell/Low Risk (3L), with a target price of Rs996. Producers have reportedly cut back on volumes, using the ensuing scarcity to hike prices. While we expect prices to remain firm in the near term, there is downside risk given adequate supply and a long tail (~30) of companies (despite the Top 5 majors accounting for 51% of capacity). ACC trades at an EV/t of US$132/t, which does not appear overly expensive relative to current replacement costs, but, all other things being equal, we would have to see a correction below the benchmark before becoming more constructive, given our cautious view on the sector. Maintain Sell as valuations appear to price in the positives but not the weak near-term pricing/earnings outlook and cost pressures.

Valuation

We use EV/tonne to value ACC, a common metric used to value cement companies. We set our target price at Rs996, in line with current trends in replacement cost of US$120/t. We value ACC in line with replacement costs (rather than at a discount to replacement costs) as long term demand growth is expected to be robust and new capacity creation is slowing down. Our target price of Rs996 equates to an EV/EBITDA valuation of 8x and a PE of 17.2x.

Risks

We rate ACC as Low Risk, in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. We view this as appropriate based on ACC's relatively healthy balance sheet (it has a net cash position) and focus on cost cutting. The main upside risks to our target price include: (1) Continued price strength; (2) Delays in industry capacity; and (3) Higher-than-expected domestic demand growth.

Company Focus

Ambuja Cements (ABUJ.BO)

Sell: An Expensive Stock

- Company Update
- Target Price Change
- Estimate Change

Sell/Low Risk	3L
Price (29 Sep 11)	Rs147.15
Target price	Rs117.00
from Rs108.00	
Expected share price return	-20.5%
Expected dividend yield	1.7%
Expected total return	**-18.8%**
Market Cap	Rs225,526M
	US$4,594M

Price Performance
(RIC: ABUJ.BO, BB: ACEM IN)

- **TP hiked to Rs117, maintain Sell** – We raise our TP to Rs117 (from Rs108) based on Sep12 EV/tonne of US$120 (vs. Dec11 earlier). At our revised TP, Ambuja trades at an EV/EBITDA of 7.0x and a P/E of 15.2x for Sep12. At its current price, the stock trades at Sep12 EV/tonne of US$156, 9.1x EV/EBITDA and 19.1x P/E. Maintain Sell on relatively expensive valuations, expected price correction due to massive capacity creation, and cost pressures.

- **Estimates changed** — We raise our PAT estimate by 8% for CY11, but leave it largely unchanged for CY12. Ambuja's volumes have come in lower than expectations and we cut CY11-12 sales volumes each by 6%. However, average selling prices have been firmer than anticipated & we now expect average prices to be 9-10% higher than in our previous estimates. We expect average domestic prices to rise 9% yoy in CY11E (earlier -6%) & 1% in CY12E (earlier -6%).

- **Update on expansion plans** — Ambuja's capacity was raised to 25m tpa as of end-CY10 as it commissioned the following capacities during CY10: 2.2mtpa clinker units each in Chhattisgarh and Himachal Pradesh; 1.5mtpa cement grinding capacity each in Uttar Pradesh and Himachal Pradesh. Capacity has been further raised to 27m tpa in mid-CY11 with the commissioning of 1mtpa cement grinding capacity each in Chhattisgarh and Maharashtra. Ambuja is going ahead with plans to set up 2.2mtpa clinker capacity in Rajasthan. Ambuja has ~410MW of captive power which helps meet ~80% of its power needs.

- **Key developments** — 1) Ambuja has invested in a JV for captive coal mining, which will take 2-3 years for commissioning; 2) In 2Q CY11, Ambuja acquired an 85% stake in Dang Cement Nepal for Rs191m; 3) In Jul11, Ambuja spent Rs100m to acquire 50% in a JV, Counto Microfine Products; 4) Rs165m spent on acquiring 60% stake in Dirk India, a fly ash processor.

- **Stock is expensive** — Cement prices fell during April to July11, but have recovered most of the lost ground since July as volumes have been reportedly cut to help hike prices. Prices have been hiked by 9-27% since July and (in all markets except the south where Ambuja has a negligible presence) prices are likely to remain firm near term. However, we maintain Sell on Ambuja as we expect a price correction due to the existing oversupply and as it is relatively expensive at an EV/t of US$156/t.

- **Upside risks** — (1) Continued price strength, (2) Delays in capacity and (3) higher-than-expected demand growth.

Figure 31. Ambuja – Statistical Abstract

YE 31 Dec	Revenue (Rs m)	Net Profit (Rs m)	EBITDA (Rs m)	EPS (Rs)	EPS growth (%)	P/E (x)	EV/EBITDA (x)	EV/tonne (US$)
CY08	62,347	11,828	17,779	7.8	-16%	18.9	11.0	208
CY09	70,769	12,184	18,669	8.0	3%	18.4	9.9	202
CY10	73,902	12,434	18,236	8.2	2%	18.0	9.7	172
CY11E	82,246	11,423	18,528	7.5	-8%	19.6	9.4	158
CY12E	90,820	11,925	18,842	7.8	4%	18.8	9.0	155
CY13E	100,007	12,449	19,363	8.2	4%	18.0	8.4	150

Source: Citi Investment Research and Analysis estimates, Prices as on 28 Sep 2011, Rs/US$ at 47.

Fiscal year end 31-Dec	2009	2010	2011E	2012E	2013E
Valuation Ratios					
P/E adjusted (x)	18.4	18.0	19.6	18.8	18.0
EV/EBITDA adjusted (x)	10.3	10.4	9.9	9.5	9.0
P/BV (x)	3.5	3.1	2.8	2.6	2.3
Dividend yield (%)	1.6	1.8	1.8	1.7	1.7
Per Share Data (Rs)					
EPS adjusted	8.00	8.17	7.50	7.83	8.18
EPS reported	8.00	8.17	7.50	7.83	8.18
BVPS	42.49	48.15	52.61	57.50	62.74
DPS	2.40	2.60	2.60	2.50	2.50
Profit & Loss (RsM)					
Net sales	70,769	73,902	82,246	90,820	100,007
Operating expenses	-52,511	-57,062	-65,317	-73,714	-82,173
EBIT	**18,257**	**16,840**	**16,929**	**17,106**	**17,834**
Net interest expense	-224	-487	-595	-530	-530
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	**18,033**	**16,353**	**16,334**	**16,576**	**17,304**
Tax	-5,849	-3,919	-4,910	-4,651	-4,855
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net income	**12,184**	**12,434**	**11,423**	**11,925**	**12,449**
Adjusted earnings	12,184	12,434	11,423	11,925	12,449
Adjusted EBITDA	21,227	20,712	21,387	21,740	22,531
Growth Rates (%)					
Sales	13.5	4.4	11.3	10.4	10.1
EBIT adjusted	7.8	-7.8	0.5	1.0	4.3
EBITDA adjusted	8.7	-2.4	3.3	1.6	3.6
EPS adjusted	3.0	2.1	-8.1	4.4	4.4
Cash Flow (RsM)					
Operating cash flow	**21,292**	**18,743**	**6,527**	**13,123**	**14,653**
Depreciation/amortization	2,970	3,872	4,459	4,634	4,697
Net working capital	4,459	-219	-2,432	-1,234	-28
Investing cash flow	**-16,337**	**-5,332**	**-2,633**	**-3,102**	**-3,832**
Capital expenditure	-12,844	-7,710	-6,120	-6,000	-7,000
Acquisitions/disposals	-3,946	1,662	627	0	0
Financing cash flow	**-4,667**	**-4,735**	**-3,093**	**-5,161**	**-5,005**
Borrowings	-1,230	-1,007	0	0	0
Dividends paid	-3,919	-4,267	-2,498	-4,631	-4,475
Change in cash	**288**	**8,675**	**801**	**4,860**	**5,816**
Balance Sheet (RsM)					
Total assets	**88,608**	**103,197**	**107,656**	**116,823**	**126,747**
Cash & cash equivalent	8,807	17,482	18,283	23,142	28,958
Accounts receivable	1,522	1,282	2,019	2,737	3,014
Net fixed assets	61,545	65,585	67,246	68,611	70,914
Total liabilities	**23,926**	**29,901**	**27,567**	**29,285**	**31,234**
Accounts payable	9,223	11,063	11,214	12,722	14,298
Total Debt	1,657	650	650	650	650
Shareholders' funds	**64,682**	**73,296**	**80,089**	**87,538**	**95,512**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	30.0	28.0	26.0	23.9	22.5
ROE adjusted	20.1	18.0	14.9	14.2	13.6
ROIC adjusted	21.2	20.3	17.7	17.5	17.6
Net debt to equity	-11.1	-23.0	-22.0	-25.7	-29.6
Total debt to capital	2.5	0.9	0.8	0.7	0.7

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Estimate Revisions

Figure 32. Ambuja Estimate Changes CY11E-CY12E

	CY11E			CY12E		
	Old	New	% change	Old	New	% change
Sales volumes (m)	22.5	21.1	-6%	24.4	23.0	-6%
Net sales (Rs bn)	79.5	82.2	3%	88.3	90.8	3%
EBITDA (Rs bn)	17.2	18.5	8%	18.6	18.8	1%
Net profit (Rs bn)-adj	10.6	11.4	8%	11.9	11.9	0%
EPS (Rs)	6.9	7.5	8%	7.8	7.8	0%
Net Domestic Realisation (Rs)	3,561	3,923	10%	3,633	3,962	9%
YoY change in average realisation (%)	-6%	9%		-6%	1%	

Source: Citi Investment Research and Analysis estimates

Figure 33. Ambuja 1-yr forward rolling EV/EBITDA

Source: Datastream, Company Reports and Citi Investment Research and Analysis

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Data as of: 23-Sep-11

Ambuja Quants View – Unattractive

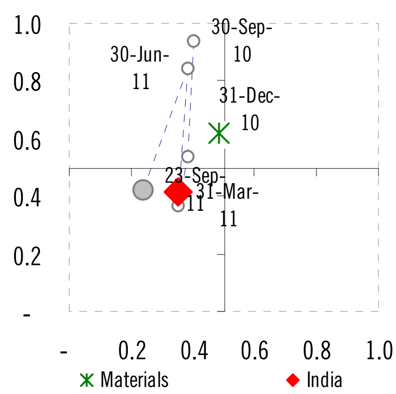
Ambuja Cements currently lies in the Unattractive quadrant of our Value-Momentum map with weak momentum and weak value scores. The stock has moved from the Glamour quadrant to the Unattractive quadrant in the past 3 months indicating a fall in momentum along with valuations remaining weak. Compared to its peers in the Materials sector, Ambuja Cements fares worse on the valuation metric and on the momentum metric. On the other hand, compared to its peers in its home market of India, Ambuja Cements fares worse on the valuation metric but better on the momentum metric.

From a macro perspective, Ambuja Cements has a low Beta to the region, so can be expected to hold its own given a decline in the regional market. It is also likely to benefit from falling EM yields, and a weaker US Dollar.

Radar Screen Quadrant Definitions

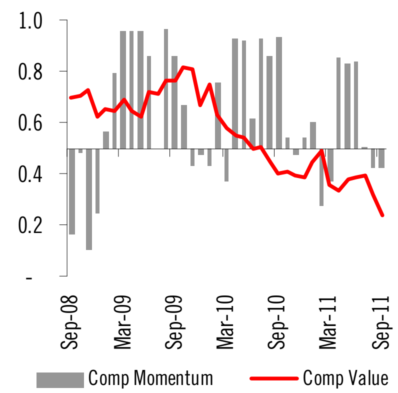
Glamor *Poor relative value but superior relative momentum*	**Attractive** *Superior relative value and superior relative momentum*
Unattractive *Poor relative value and poor relative momentum*	**Contrarian** *Superior relative value but poor relative momentum*

Figure 34. Radar Quadrant Chart History



Source: CIRA

Figure 35. Radar Valuation and Momentum Scores



Source: CIRA

Figure 36. Radar Model Inputs

IBES EPS (Actual and Estimates)

FY(-2)	9.13	Implied Trend Growth (%)	1.05
FY(-1)	7.98	Trailing PE (x)	17.47
FY0	8.26	Implied Cost of Debt (%)	9.11
FY1	8.39	Standardised MCap	0.05
FY2	9.38		

Note: Standardised MCap calculated as a Z score – (mkt cap - mean)/std dev – capped at 3

Source: Citi Investment Research and Analysis, Worldscope, I/B/E/S

Figure 37. Stock Performance Sensitivity to Key Macro Factors

Region	0.74	Commodity ex Oil	(0.04)
Local Market	0.71	Rising Oil Prices	(0.19)
Sector	(0.28)	Rising Asian IR's	0.15
Growth Outperforms Value	1.06	Rising EM Yields	(0.60)
Small Caps Outperform Large Caps	(0.35)	Weaker US$ (vs Asia)	2.18
Widening US Credit Spreads	(0.07)	Weaker ¥ (vs US$)	(0.30)

Source: Citi Investment Research and Analysis

Ambuja Cements

Company description

Ambuja Cements (ACL) is one of India's lowest-cost cement producers with relatively much higher EBITDA margins due to its focus on the retail cement market (giving higher realizations), modern plants with low power and fuel consumption, and use of sea transport. In recent times its EBITDA margins and EBITDA/tonne are only slightly higher or in line with its peers due to their continuing focus on reducing costs and Ambuja's reliance on imported coal (~30% of its requirements). Its capacity is currently 27m tpa and it is going ahead with plans to set up 2.2mtpa of clinker capacity in Rajasthan. Its largest markets are North India (40% of sales volumes) and West India (40%). East India accounts for 20% of its volumes. Holcim holds around 50% in ACL. Adding on the capacity of ACC gave the Holcim Group a total capacity of 57m tpa in India and a significant presence in several key markets.

Investment strategy

We rate ACL Sell/Low Risk (3L) with a target price of Rs117. This is based on expected pricing pressures due to the current industry oversupply and as the stock looks relatively expensive at an EV/t of US$156/t. Prices have recovered lost ground by 9-27% since Jul11 largely on the back of production cutbacks and despite sluggish demand trends. We expect EBITDA margins to decline yoy during CY11-13 largely due to sluggish price trends. ACL benefits from its captive power capacity of ~410MW which meets 80% of its power requirements. We expect domestic cement prices to rise 8.5% in CY11, and 1% in CY12 and 2% in CY13. We expect volumes to grow 4% in CY11, 9% in CY12 and 8% in CY13. Maintain Sell on relatively expensive valuations, expected price correction, and cost pressures.

Valuation

We use EV/tonne to value ACL, a common metric used to value cement companies. We set our target price at Rs117, in line with current trends in replacement cost of US$120/t. We value ACL in line with replacement costs (as against a discount used earlier) as long term demand growth is expected to be robust and new capacity creation is slowing down. Our target price of Rs117 equates to a Sep12 EV/EBITDA valuation of 7.0x and a PE of 15.2x.

Risks

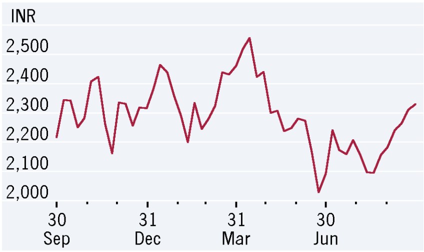
We rate ACL Low Risk, in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. We think this is appropriate based on its relatively healthy balance sheet (it has a net cash position) and focus on cost cutting. Key upside risks to our target price include: (1) Continued price strength; (2) Delays in industry capacity; and (3) Better-than-expected domestic demand growth.

Company Focus

- Company Update
- Target Price Change
- Estimate Change

Buy/Low Risk	**1L**
Price (29 Sep 11)	Rs2,329.95
Target price	Rs2,728.00
from Rs3,010.00	
Expected share price return	17.1%
Expected dividend yield	0.9%
Expected total return	**17.9%**
Market Cap	Rs213,667M
	US$4,352M

Price Performance
(RIC: GRAS.BO, BB: GRASIM IN)



Grasim Industries (GRAS.BO)

Buy: Attractive Cement Valuations; VSF Steady

- **Maintain Buy** — Grasim offers exposure to both cement and Viscose Staple Fibre (VSF) and we feel it is the best way to gain exposure to the India cement sector. There is value even after we apply a 10% holding company discount to replacement cost to value its cement capacity of 51mtpa (Grasim holds 60% in UltraTech Cement (UTCL) which in turn controls 3m tpa in ETA Star Cement). Its VSF/chemical business (30-32% of cons. EBITDA) offers some downside protection and should generate steady EBITDA of Rs18-20bn pa during FY12-14. We feel there is an unjustified valuation dissonance – at a FY13 EV/t of US$82 vs. replacement cost of US$120 – we maintain Buy on Grasim.

- **Revising TP to Rs2,728 (from Rs3,010)** — We value its 51mtpa cement capacity using an EV/t of $120/t for Sep12 (vs. Mar12), in-line with replacement costs, but apply a 10% holding company discount, to get a value of Rs1,623 (vsRs1,598) for Grasim's 60% holding in UTCL. We value Grasim's other businesses (VSF/Chemicals) at an EV/EBITDA of 6x FY12E, at a premium to hard commodity stocks which trade at ~5x (given steady profits), giving a value of Rs1,105, (vs Rs1,411 due to lower VSF profits). Our TP implies a Sep12 adj EV/EBITDA of 6.6x and P/E of 10.2x. Our PAT estimates rise 16/12% in FY12/FY13 largely on the back of higher cement profits (UTCL) and despite lower VSF profitability.

- **Cement: positive near term; but downside risk** — UTCL plans two brownfield capacities totaling 9.2mtpa (Chhattisgarh & Karnataka) at a total capex of Rs51bn (~US$120/t) by FY14. Additional capex of Rs59bn ($1.2bn) will be spent on logistics/power/modernisation/RMC. UTCL targets completion by FY14, but we assume full completion only by FY15. While cement prices have recovered lost ground recently and should remain firm in the near term, we believe there is downside risk as there is surplus capacity and the market is still fragmented.

- **VSF outlook is steady** — Current capacity is 334ktpa (~11% of world) and is expected to be hiked by 156ktpa to 490ktpa by FY14. This includes 36ktpa of brownfield capacity in Karnataka (Rs4.5bn) and 120ktpa of greenfield capacity (to make specialty fibres) at Vilayat, Gujarat (Rs17bn). As VSF prices have come off from high levels of Rs152/kg to Rs120-125/kg, margins would be lower, but still likely to remain at ~30-32%. Grasim gains from its integrated capacity. Key risks include prices of cotton/PSF; pulp/caustic soda prices; Chinese VSF output.

- **Downside risks** — Lower cement/VSF prices/demand; capacity additions.

Figure 38. Grasim – Statistical Abstract

YE 31 Mar	Revenue (Rs m)	Net Profit (Rs m)	EBITDA (Rs m)	EPS (Rs)	EPS growth (%)	P/E (x)	EV/EBITDA (x)	EV/tonne (US$)
FY08	169,735	28,914	49,589	315		7.2	5.9	
FY09	184,039	21,867	43,296	239	-24%	9.5	6.8	
FY10	199,334	30,955	57,874	338	42%	6.7	4.4	
FY11	212,690	22,790	46,832	249	-26%	9.1	6.6	76
FY12E	234,341	24,768	52,582	270	9%	8.4	5.5	81
FY13E	255,598	24,407	53,222	266	-1%	8.5	5.4	78
FY14E	277,870	25,025	59,422	273	3%	8.3	4.8	62

Source: Citi Investment Research and Analysis estimates, Prices as on 28 Sep 2011, Rs/US$ at 47

Other Per Share Data

NAV	na
Discount to NAV	na

Fiscal year end 31-Mar	2010	2011	2012E	2013E	2014E
Valuation Ratios					
P/E adjusted (x)	6.9	9.4	8.6	8.8	8.5
P/BV (x)	1.7	1.5	1.3	1.1	1.0
Dividend yield (%)	1.3	0.9	0.9	0.9	0.9
Payout Ratio (%)	8.9	8.0	7.4	7.5	7.3
Per Share Data (Rs)					
EPS adjusted	337.57	248.53	270.10	266.16	272.90
EPS reported	337.57	248.53	270.10	266.16	272.90
BVPS	1,365.83	1,589.24	1,837.74	2,082.30	2,333.60
DPS	30.00	20.00	20.00	20.00	20.00
Profit & Loss (RsM)					
Net sales	199,334	212,690	234,341	255,598	277,870
Operating expenses	-146,059	-170,107	-187,359	-209,911	-229,536
EBIT	**53,276**	**42,584**	**46,982**	**45,686**	**48,334**
Net interest expense	-3,346	-4,056	-3,985	-4,247	-6,621
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	**49,930**	**38,528**	**42,997**	**41,440**	**41,713**
Tax	-15,957	-11,084	-11,825	-11,340	-11,349
Extraord./Min.Int./Pref.div.	-3,018	-4,654	-6,403	-5,693	-5,338
Reported net income	**30,955**	**22,790**	**24,768**	**24,407**	**25,025**
Adjusted earnings	30,955	22,790	24,768	24,407	25,025
Adjusted EBIT	53,276	42,584	46,982	45,686	48,334
Growth Rates (%)					
Sales	8.3	6.7	10.2	9.1	8.7
EBIT adjusted	36.0	-20.1	10.3	-2.8	5.8
EPS adjusted	41.5	-26.4	8.7	-1.5	2.5
Cash Flow (RsM)					
Operating cash flow	**48,288**	**35,595**	**42,414**	**47,614**	**50,238**
Depreciation/amortization	9,947	11,384	12,125	14,388	18,555
Net working capital	-1,497	-4,250	4,552	180	3,450
Investing cash flow	**-35,139**	**-32,092**	**-60,299**	**-63,959**	**-13,471**
Capital expenditure	-14,555	-16,727	-64,115	-70,811	-20,938
Acquisitions/disposals	-32,909	-19,087	-2,709	0	0
Financing cash flow	**-12,040**	**-3,107**	**25,199**	**22,143**	**-10,432**
Borrowings	-4,647	4,799	31,421	30,600	400
Dividends paid	-3,270	-3,290	-2,237	-4,210	-4,210
Change in cash	**1,109**	**396**	**7,314**	**5,798**	**26,336**
Balance Sheet (RsM)					
Total assets	**277,736**	**320,214**	**389,962**	**457,667**	**494,488**
Cash & cash equivalent	2,370	2,844	10,155	16,000	42,589
Accounts receivable	8,803	14,346	18,222	19,041	19,805
Net fixed assets	145,527	157,894	209,884	266,307	268,690
Total liabilities	**114,941**	**130,967**	**171,062**	**210,250**	**218,394**
Accounts payable	17,864	21,943	40,044	45,011	49,058
Total Debt	55,992	67,827	99,248	129,848	130,248
Shareholders' funds	**162,795**	**189,248**	**218,900**	**247,417**	**276,093**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	26.7	20.0	20.0	17.9	17.4
ROE adjusted	25.7	16.8	15.8	13.6	12.4
ROA adjusted	11.9	7.6	7.0	5.8	5.3
Net debt to equity	32.9	34.3	40.7	46.0	31.7
Total debt to capital	25.6	26.4	31.2	34.4	32.1

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADataServicesAsiaPacific@citi.com or +852-2501-2791

Powered by: dataCentral

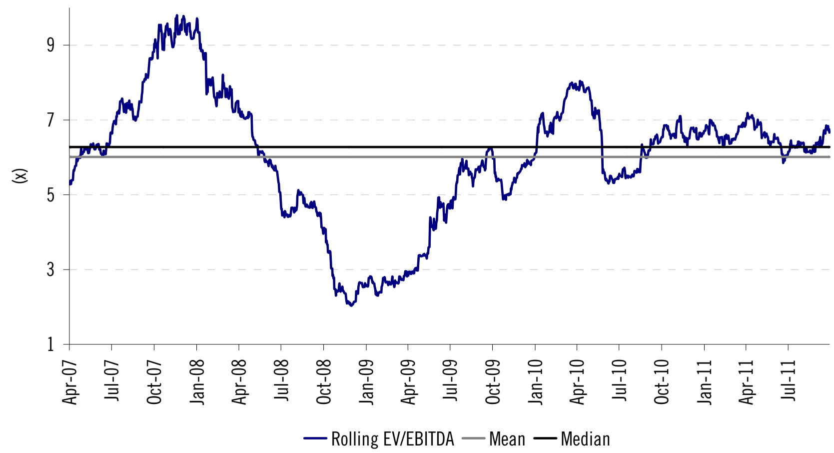
Estimate changes

Figure 39. Grasim Estimate Changes FY12E-FY13E

	FY12E			FY13E		
	Old	New	% change	Old	New	% change
Average Cement Realisation (Rs/t)	3,334	3,468	4%	3,404	3,532	4%
Average VSF Realisation (Rs/kg)	145.5	132.9	-9%	148.4	139.6	-6%
Net sales (Rs bn)	231.2	234.3	1%	253.0	255.6	1%
EBITDA (Rs bn)	47.3	52.6	11%	48.8	53.2	9%
Net profit (Rs bn)-adj	21.3	24.8	16%	21.8	24.4	12%
EPS - Consolidated (Rs)	231	270	17%	237	266	13%

Source: Citi Investment Research and Analysis

Figure 40. Grasim 1-yr forward rolling EV/EBITDA



Source: Datastream, Company Reports and Citi Investment Research and Analysis

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Data as of: 23-Sep-11

Radar Screen Quadrant Definitions

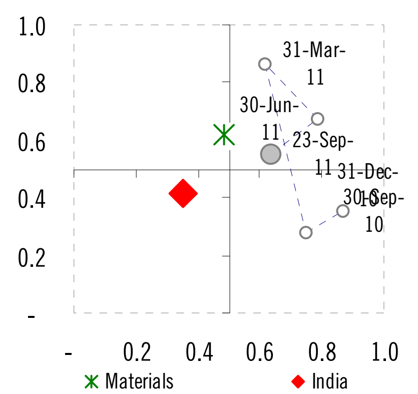
Glamor *Poor relative value but superior relative momentum*	**Attractive** *Superior relative value and superior relative momentum*
Unattractive *Poor relative value and poor relative momentum*	**Contrarian** *Superior relative value but poor relative momentum*

Grasim Quants View - Attractive

Grasim Industries currently lies in the Attractive quadrant of our Value-Momentum map with strong value and momentum scores. It has been a resident there since the past 6 months. Compared to its peers in the Materials sector, Grasim Industries fares better on the valuation metric but worse on the momentum metric. On the other hand, compared to its peers in its home market of India, Grasim Industries fares better on the valuation metric and on the momentum metric.

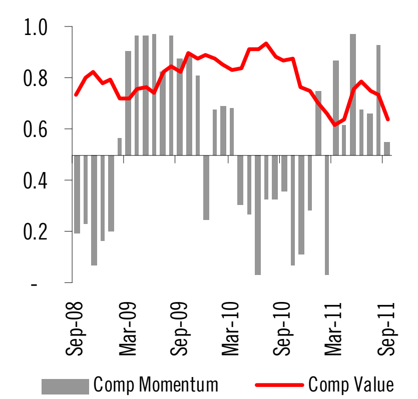
From a macro perspective, Grasim Industries has a low Beta to the region, so can be expected to hold its own given a decline in the regional market. It is also likely to benefit from falling Commodity (ex-oil) prices, falling EM yields, and a weaker US Dollar.

Figure 41. Radar Quadrant Chart History



Source: CIRA

Figure 42. Radar Valuation and Momentum Scores



Source: CIRA

Figure 43. Radar Model Inputs

IBES EPS (Actual and Estimates)

FY(-2)	238.49	Implied Trend Growth (%)	3.52
FY(-1)	337.47	Trailing PE (x)	8.78
FY0	248.35	Implied Cost of Debt (%)	6.05
FY1	316.75	Standardised MCap	(0.07)
FY2	299.63		

Note: Standardised MCap calculated as a Z score – (mkt cap - mean)/std dev – capped at 3

Source: Citi Investment Research and Analysis, Worldscope, I/B/E/S

Figure 44. Stock Performance Sensitivity to Key Macro Factors

Region	0.66	Commodity ex Oil	(0.31)
Local Market	0.51	Rising Oil Prices	(0.04)
Sector	0.10	Rising Asian IR's	(0.08)
Growth Outperforms Value	0.26	Rising EM Yields	(0.68)
Small Caps Outperform Large Caps	0.87	Weaker US$ (vs Asia)	1.37
Widening US Credit Spreads	(0.23)	Weaker ¥ (vs US$)	(0.05)

Source: Citi Investment Research and Analysis

Grasim Industries

Company description

Grasim is a diversified company with two main businesses - cement and viscose staple fibre (VSF). These two core businesses account for 96% of sales. It has other minor divisions such as chemicals and textiles. Grasim holds 60% in UltraTech Cement (UTCL), which has 49m tpa of capacity and is India's largest cement company. UTCL also controls ETA Star Cement which has 3m tpa of capacity based in the UAE, Bahrain and Bangladesh, taking the group's total cement capacity to 52mtpa. VSF capacity is based within Grasim (capacity 334,000 tonnes) and accounts for 20% of sales. The non-cement businesses account for ~30% of Grasim's consolidated EBITDA. UTCL plans to set up 9.2mtpa of cement capacity by FY14 in order to maintain its market share. UTLC has a market share of 17% with well spread out markets. It sells 30% in north India, 29% in west, 20% in south, 19% in the east and 2% in the export market. Grasim's VSF capacity accounts for 11% of the global market, and is expected to rise to 490k tpa by FY14.

Investment strategy

We rate Grasim as Buy/Low Risk (1L) with a target price of Rs2,728. Grasim offers exposure to both cement and VSF. In our opinion it is the best way to gain exposure to the India cement sector, and it offers value even after applying a 10% holding company discount to replacement cost to value its cement capacity of 51mtpa (Grasim holds 60% in UltraTech Cement (UTCL)). Its VSF/chemical business (30-32% of cons. EBITDA) offers some downside protection and should generate steady EBITDA of Rs18-20bn pa. We also view that Grasim is trading at an unjustified valuation dissonance - a CY11E EV/t of US$82 vs. replacement cost of US$120. UTCL has started work on 9.2mtpa of brownfield cement capacities (4.8mtpa at Chhattisgarh & 4.4mtpa at Karnataka) at a total capex of Rs51bn (~US$120/t), with completion expected by early-FY14. While prices have recovered lost ground recently and should remain firm near term, we believe there is downside risk as there is more than adequate supply and the market is still fragmented.

Valuation

We value Grasim using SOTP. We value its 51mtpa cement capacity using an EV/tonne (a common metric used for cement companies) of US$120/t for Sep12, in-line with replacement costs, but apply a 10% holding company discount due to the changed group structure, imputing a value of Rs1,623/share for Grasim's 60% holding in UTCL. Grasim's other businesses (VSF/Chemicals) are valued at an EV/EBITDA of 6x Sep12, at a premium to hard commodity businesses which are trading at ~5x (given its steady margin generating capability), giving a value of Rs1,105/share. Our Grasim target price of Rs2,728 implies Sep12 EV/EBITDA of 6.6x and P/E of 10.2x.

Risks

We rate Grasim Low Risk, in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. Key downside risks to our target price include: (1) Sharp downward rating for cement stocks due to falling cement prices/demand; (2) A fall in prices of VSF and/or competing fibres which would negatively impact margins; and 3) Changes in the duty/tax regime to the detriment of producers.

Company Focus

UltraTech Cement (ULTC.BO)

Sell: Cement Prices Have Downside Risk

- Company Update
- Target Price Change
- Estimate Change

Sell/Low Risk	3L
Price (29 Sep 11)	Rs1,133.85
Target price	Rs1,000.00
from Rs985.00	
Expected share price return	-11.8%
Expected dividend yield	0.6%
Expected total return	**-11.2%**
Market Cap	Rs310,735M
	US$6,329M

Price Performance
(RIC: ULTC.BO, BB: UTCEM IN)

- **Await correction —** We raise TP to Rs1,000 (from Rs985) based on Sep12 (rolling forward from Mar12) adj. EV/t of $120. At our revised TP, UTCL would trade at an EV/EBITDA of 7.7x; P/E of 14.8x. The stock has gained due to recent price hikes (largely on the back of volume cuts), and further hikes could lead to trading opportunities. However we maintain Sell as there are downside risks due to surplus capacity/cost pressures. UTCL (at $137/t) is not cheap, and all else being equal, we could become constructive when valuations dip below replacement costs (US$120/t). We prefer Grasim for exposure to UTCL.

- **Revising estimates** — We do some catching up and raise PAT estimates by 46% for FY12 and 26% for FY13. This change incorporates: 1) higher prices to reflect current trends (our average prices are 4% higher than previous estimates); 2) lower costs than we had anticipated; 3) a reduction in volumes by 4-5%. We now assume realizations rising 11% yoy in FY12 (vs +3% earlier) and continue to expect a marginal 2% yoy increase in FY13.

- **Continued cost pressures —** Costs such as coal and freight continue to be a key issue for the cement industry. About a third of UTCL's coal is imported and we expect continued uptrend in international prices, which we expect will rise from US$125/t in FY12 to US$148/t in FY14. Additionally domestic coal linkage prices (a third of usage) have been hiked by Coal India by ~30% in end-Feb, with a commensurate increase in the price of e-auction coal (~18% of usage).

- **India's largest cement company; expanding further —** UTCL plans to further hike its capacity in India by 9.2mtpa (from 49mtpa to 58mtpa) – 4.8mtpa in Chhattisgarh and 4.4mtpa in Karnataka at a capex of Rs52bn (~$120/t). Additional capex of Rs59bn ($1.2bn) will be spent on logistics, power, modernisation and RMC capacity. UTCL targets completion by FY14, but we assume completion only by FY15.

- **Low margins for international cement business —** In Sep 2010, UTCL acquired controls of ETA Star Cement: 2.3m tpa clinker capacity in UAE, and grinding units in UAE (2.1mtpa), Bahrain (0.4mtpa) and Bangladesh (0.5mtpa). Despite sluggish demand trends, ETA Star operates at 85-90% utilization, but profitability is poor at EBITDA/tonne of Rs100-150/tonne.

- **Upside risks —** Higher prices; capacity delays; better-than-expected demand.

Figure 45. UltraTech Statistical Abstract

YE 31 Mar	Revenue (Rs m)	Net Profit (Rs m)	EBITDA (Rs m)	EPS (Rs)	EPS growth (%)	P/E (x)	EV/EBITDA (x)	EV/tonne (US$)
FY08	56,234	10,101	18,359	81.1		14.1	9.2	186
FY09	65,636	9,781	18,178	78.6	-3%	14.6	8.9	149
FY10	71,751	10,950	21,052	88.0	12%	13.0	7.1	130
FY11E	136,912	13,674	28,601	49.9	-43%	23.0	13.0	137
FY12E	181,590	19,539	40,850	71.3	43%	16.1	8.7	136
FY13E	198,450	17,586	40,252	64.2	-10%	17.9	8.8	136
FY14E	216,462	16,432	44,247	60.0	-7%	19.1	8.2	129

Source: Citi Investment Research and Analysis estimates, Prices as on 28 Sep 2011, Rs/US$ at 47.

Fiscal year end 31-Mar	2010	2011	2012E	2013E	2014E
Valuation Ratios					
P/E adjusted (x)	12.9	22.7	15.9	17.7	18.9
EV/EBITDA adjusted (x)	15.0	11.3	8.5	9.3	8.5
P/BV (x)	3.1	2.9	2.5	2.2	2.0
Dividend yield (%)	0.5	0.5	0.6	0.6	0.6
Per Share Data (Rs)					
EPS adjusted	87.96	49.90	71.30	64.17	59.96
EPS reported	87.96	49.90	71.30	64.17	59.96
BVPS	371.09	388.50	451.67	507.71	559.53
DPS	6.00	6.00	7.00	7.00	7.00
Profit & Loss (RsM)					
Net sales	71,751	136,912	181,590	198,450	216,462
Operating expenses	-54,596	-116,441	-150,948	-170,487	-187,869
EBIT	**17,155**	**20,471**	**30,642**	**27,963**	**28,592**
Net interest expense	-1,178	-2,995	-3,380	-3,402	-5,654
Non-operating/exceptionals	0	0	0	0	0
Pre-tax profit	**15,978**	**17,476**	**27,262**	**24,561**	**22,938**
Tax	-5,011	-3,866	-7,864	-7,089	-6,619
Extraord./Min.Int./Pref.div.	-16	63	141	114	112
Reported net income	**10,950**	**13,674**	**19,539**	**17,586**	**16,432**
Adjusted earnings	10,950	13,674	19,539	17,586	16,432
Adjusted EBITDA	21,052	28,601	40,850	40,252	44,247
Growth Rates (%)					
Sales	9.3	90.8	32.6	9.3	9.1
EBIT adjusted	14.9	19.3	49.7	-8.7	2.3
EBITDA adjusted	15.8	35.9	42.8	-1.5	9.9
EPS adjusted	12.0	-43.3	42.9	-10.0	-6.6
Cash Flow (RsM)					
Operating cash flow	**15,933**	**19,983**	**29,824**	**32,788**	**34,671**
Depreciation/amortization	3,897	8,130	10,207	12,289	15,654
Net working capital	-795	-1,971	-2,897	173	-2,024
Investing cash flow	**-8,431**	**-22,399**	**-49,280**	**-52,529**	**-10,883**
Capital expenditure	-2,723	-12,662	-51,827	-55,111	-13,718
Acquisitions/disposals	-6,283	-3,627	0	0	0
Financing cash flow	**-7,404**	**2,481**	**20,746**	**19,569**	**-7,883**
Borrowings	-5,358	39,338	26,037	25,200	0
Dividends paid	-728	-871	-1,911	-2,229	-2,229
Change in cash	**98**	**65**	**1,290**	**-173**	**15,905**
Balance Sheet (RsM)					
Total assets	**83,750**	**216,298**	**267,894**	**315,615**	**336,166**
Cash & cash equivalent	1,117	1,901	3,191	3,018	18,923
Accounts receivable	2,100	8,248	12,027	12,967	13,973
Net fixed assets	52,185	135,052	176,672	219,494	217,557
Total liabilities	**37,479**	**109,176**	**143,602**	**176,080**	**182,542**
Accounts payable	11,411	30,572	37,171	42,216	46,576
Total Debt	16,071	55,409	81,446	106,646	106,646
Shareholders' funds	**46,271**	**107,122**	**124,291**	**139,534**	**153,625**
Profitability/Solvency Ratios (%)					
EBITDA margin adjusted	29.3	20.9	22.5	20.3	20.4
ROE adjusted	26.6	17.9	17.0	13.4	11.2
ROIC adjusted	22.1	16.3	13.4	9.8	9.3
Net debt to equity	32.3	50.0	63.0	74.3	57.1
Total debt to capital	25.8	34.1	39.6	43.3	41.0

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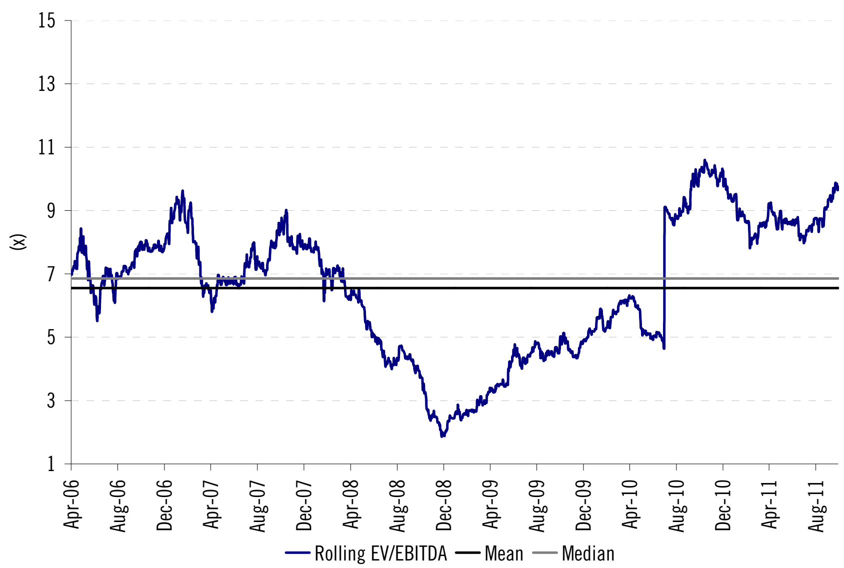
Estimate changes

Figure 46. UltraTech Estimate Changes FY12E-FY13E

	FY12E			FY13E		
	Old	New	% change	Old	New	% change
Net sales (Rs bn)	173.8	181.6	5%	192.0	198.5	3%
EBITDA (Rs bn)	29.5	38.3	30%	30.7	37.7	23%
Net profit (Rs bn)-adj	13.5	19.5	45%	13.9	17.6	26%
EPS (Rs)	49.3	71.3	45%	50.9	64.2	26%
Volumes - incl clinker (m tonnes)	45.2	43.4	-4%	49.9	47.2	-5%
Net realization (Rs/t)	3,334	3,468	4%	3,404	3,532	4%
YoY change in average realisation (%)	3%	11%		2%	2%	

Source: Citi Investment Research and Analysis estimates

Figure 47. UltraTech 1-yr forward rolling EV/EBITDA



Source: Datastream, Company Reports and Citi Investment Research and Analysis

UltraTech Quants View – Unattractive

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Data as of: 23-Sep-11

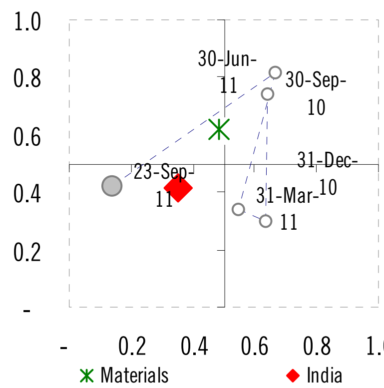
Radar Screen Quadrant Definitions

Glamor *Poor relative value but superior relative momentum*	**Attractive** *Superior relative value and superior relative momentum*
Unattractive *Poor relative value and poor relative momentum*	**Contrarian** *Superior relative value but poor relative momentum*

Ultratech Cement currently lies in the Unattractive quadrant of our Value-Momentum map with weak momentum and weak value scores. The stock has moved from the Attractive quadrant to the Unattractive quadrant in the past 3 months indicating a fall in both value and momentum scores. Compared to its peers in the Materials sector, Ultratech Cement fares worse on the valuation metric and on the momentum metric. On the other hand, compared to its peers in its home market of India, Ultratech Cement fares worse on the valuation metric but better on the momentum metric.

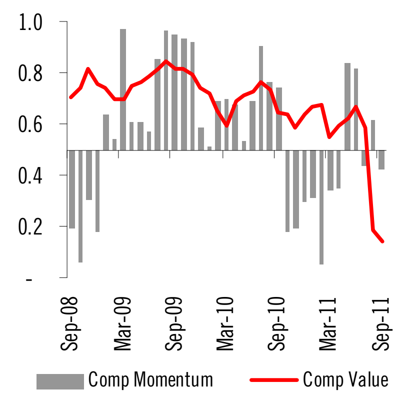
From a macro perspective, Ultratech Cement has a low Beta to the region, so can be expected to hold its own given a decline in the regional market. It is also likely to benefit from falling EM yields.

Figure 48. Radar Quadrant Chart History



Source: CIRA

Figure 49. Radar Valuation and Momentum Scores



Source: CIRA

Figure 50. Radar Model Inputs

IBES EPS (Actual and Estimates)

FY(-2)	78.57	Implied Trend Growth (%)	(2.24)
FY(-1)	87.95	Trailing PE (x)	23.18
FY0	61.37	Implied Cost of Debt (%)	5.25
FY1	68.88	Standardised MCap	0.04
FY2	79.68		

Note: Standardised MCap calculated as a Z score – (mkt cap - mean)/std dev – capped at 3

Source: Citi Investment Research and Analysis, Worldscope, I/B/E/S

Figure 51. Stock Performance Sensitivity to Key Macro Factors

Region	0.63	Commodity ex Oil	(0.13)
Local Market	0.19	Rising Oil Prices	0.02
Sector	(0.59)	Rising Asian IR's	0.02
Growth Outperforms Value	0.26	Rising EM Yields	(0.71)
Small Caps Outperform Large Caps	0.35	Weaker US$ (vs Asia)	0.43
Widening US Credit Spreads	(0.14)	Weaker ¥ (vs US$)	0.01

Source: Citi Investment Research and Analysis

UltraTech Cement

Company description

UltraTech Cement (UTCL) is India's largest cement company and incorporates the cement businesses of the Aditya Birla group. UTCL's merger with Grasim's cement division (Samruddhi) wef 1 July 2010 gives it total grey cement capacity of 49mtpa. Its acquisition of ETA Star Cement in September 2010 has taken its capacity to 52mtpa. UTCL plans to hike its capacity in India by 9.2mtpa to 58mtpa) taking overall capacity to 61mtpa by FY14/FY15 at a capex of Rs52bn ($120/t). A further Rs59bn ($1.2bn) will be spent on logistics, power, modernisation and RMC capacity. Based on its capacity for FY11, its market share was ~17%. Its markets are well spread out, and it sells 30% in north India, 29% in west, 20% in south, 19% in the east and 2% in the export market. UTCL also has 0.6m tpa of white cement capacity, RMC plants with a total capacity of 10.4m cubic mtrs, and ~500 MW of captive thermal power capacity. ETA Star Cement (3m tpa of capacity) has operations in UAE, Bahrain and Bangladesh. ETA Star Cement operates at 85-90% utilization levels but profitability is poor at ~Rs100-150/t. In India, ULTC is known for the consistent high quality of its cement, and manages to earn a premium price over other cement brands in several markets. Grasim owns 60% of ULTC.

Investment strategy

We rate ULTC as Sell/Low Risk (3L) with a target price of Rs1,000. Cement producers have cut volumes and artificially boosted prices citing various factors (sluggish demand/transport bottlenecks/shortage of rail capacity). This volume cut has helped producers raise prices over the last few months by 9-27% since the lows of Jun11 to compensate for lower volumes/rising costs. However the Indian cement industry remains oversupplied (with at least 10% surplus until FY14) and fragmented (~30 companies; top 5 control 51% of capacity) – and hence cement prices have downside risk. While the recent price hikes have been positive, (and further hikes could lead to trading opportunities) there are downside risks due to surplus capacity/cost pressures. UTCL (at $137/t) is not cheap, and all else being equal, we could become constructive when valuations dip below replacement costs (US$120/t). We prefer Grasim for exposure to UTCL.

Valuation

We use EV/tonne to value ULTC, a common metric used to value cement companies. We set our target price at Rs1,000, in line with current trends in replacement cost of US$120/t. We value ULTC in line with replacement costs (rather than at a discount) as long term cement demand growth is expected to be robust and new capacity creation is slowing down. Our target price of Rs1,000 equates to an EV/EBITDA valuation of 7.7x and a PE of 14.8x.

Risks

We rate ULTC as Low Risk in line with our quantitative risk-rating system, which tracks 260-day historical share price volatility. Key upside risks to our target price include: (1) Continued pricing strength; (2) Delays in capacity; (3) Higher rates of demand growth.

Appendix A-1

Analyst Certification

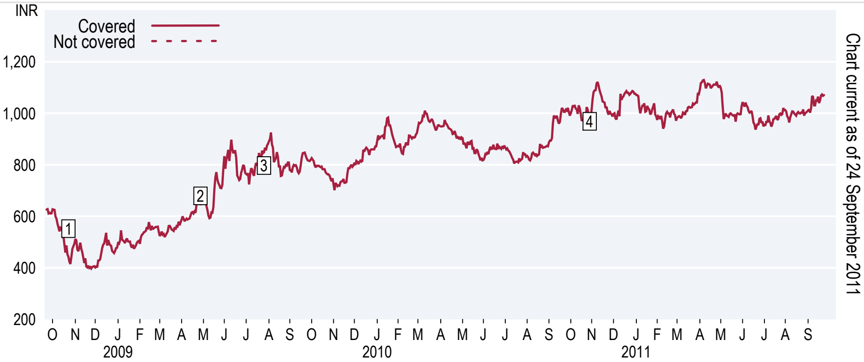
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

ACC (ACC.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Pradeep Mahtani



	Date	Rating	Target Price	Closing Price
1	23-Oct-08	3M	*395.00	442.85
2	28-Apr-09	3M	*540.00	643.75
3	27-Jul-09	3M	*635.00	848.20
4	28-Oct-10	*3L	*975.00	984.20

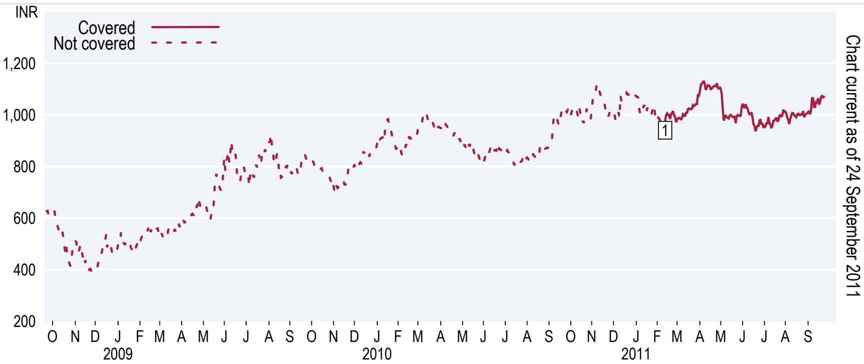
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

ACC (ACC.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Pradeep Mahtani



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	977.20

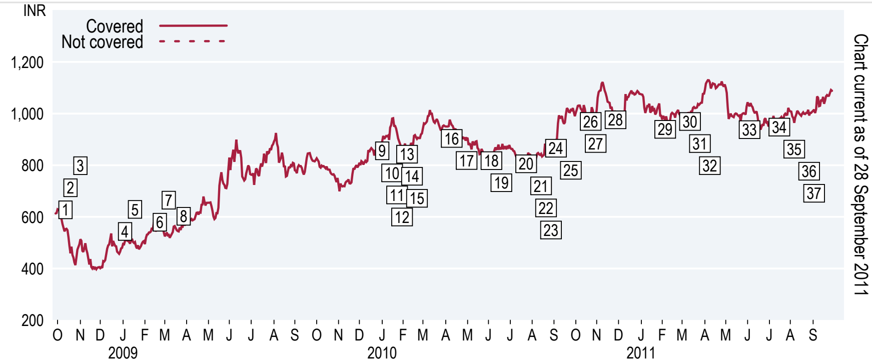
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

ACC Ltd (ACC.NS)

Rating History
Global Quantitative Research
Asia Radar Screen

Analyst: Paul R Chanin



	Date	Rating	Target Price	Closing Price
1	13-Oct-08	*5	-	552.35
2	20-Oct-08	*4	-	458.95
3	3-Nov-08	*5	-	513.35
4	5-Jan-09	*3	-	507.55
5	19-Jan-09	*4	-	502.40
6	23-Feb-09	*3	-	553.85
7	6-Mar-09	*2	-	530.20
8	27-Mar-09	*1	-	581.15
9	1-Jan-10	*3	-	872.45
10	15-Jan-10	*4	-	980.80
11	22-Jan-10	*2	-	923.95
12	29-Jan-10	*1	-	871.70
13	5-Feb-10	*2	-	845.55

	Date	Rating	Target Price	Closing Price
14	12-Feb-10	*3	-	885.90
15	19-Feb-10	*2	-	901.85
16	9-Apr-10	*3	-	955.70
17	30-Apr-10	*1	-	905.05
18	4-Jun-10	*2	-	841.90
19	18-Jun-10	*1	-	862.10
20	23-Jul-10	*2	-	819.95
21	13-Aug-10	*3	-	844.00
22	20-Aug-10	*2	-	871.05
23	27-Aug-10	*1	-	872.10
24	3-Sep-10	*2	-	896.65
25	24-Sep-10	*1	-	1,014.60
26	22-Oct-10	*4	-	983.55

	Date	Rating	Target Price	Closing Price
27	29-Oct-10	*5	-	985.35
28	26-Nov-10	*4	-	1,003.00
29	4-Feb-11	*5	-	974.70
30	11-Mar-11	*4	-	992.50
31	25-Mar-11	*3	-	1,037.80
32	8-Apr-11	*2	-	1,120.85
33	3-Jun-11	*3	-	1,028.65
34	15-Jul-11	*4	-	980.15
35	5-Aug-11	*5	-	964.15
36	26-Aug-11	*4	-	992.55
37	2-Sep-11	*3	-	1,015.25

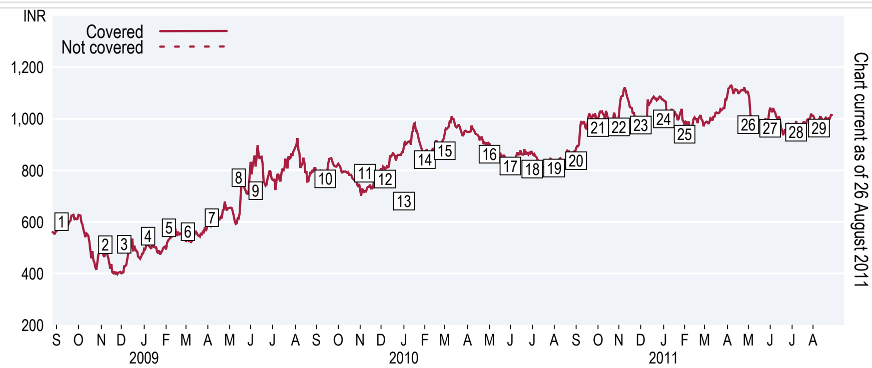
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

ACC Ltd (ACC.BO)

Rating History
Global Quantitative Research
World Radar Screen

Analyst: Chris Montagu
Covered since May 23 2009



	Date	Rating	Target Price	Closing Price
1	8-Sep-08	*9	-	599.55
2	7-Nov-08	*10	-	478.70
3	4-Dec-08	*6	-	428.20
4	7-Jan-09	*3	-	510.45
5	5-Feb-09	*5	-	531.50
6	4-Mar-09	*8	-	540.75
7	7-Apr-09	*5	-	580.90
8	14-May-09	*3	-	613.65
9	8-Jun-09	*2	-	814.90
10	14-Sep-09	*1	-	767.10

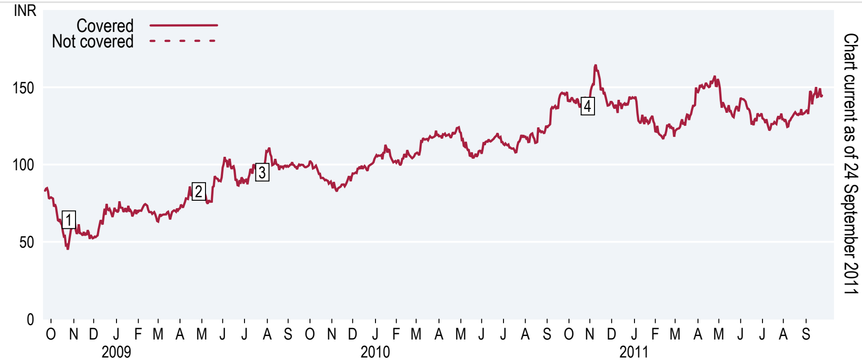
	Date	Rating	Target Price	Closing Price
11	9-Nov-09	*4	-	720.20
12	7-Dec-09	*3	-	802.60
13	1-Jan-10	*4	-	871.50
14	1-Feb-10	*5	-	873.20
15	1-Mar-10	*7	-	922.95
16	1-May-10	*2	-	906.15
17	1-Jun-10	*7	-	818.55
18	1-Jul-10	*2	-	866.90
19	1-Aug-10	*4	-	831.45
20	1-Sep-10	*6	-	886.80

	Date	Rating	Target Price	Closing Price
21	1-Oct-10	*2	-	1,000.00
22	1-Nov-10	*9	-	1,014.35
23	1-Dec-10	*8	-	997.55
24	1-Jan-11	*7	-	1,075.60
25	1-Feb-11	*8	-	973.95
26	1-May-11	*5	-	1,108.25
27	1-Jun-11	*6	-	1,043.30
28	7-Jul-11	*8	-	991.40
29	9-Aug-11	*6	-	996.05

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ambuja Cements (ABUJ.BO)
Ratings and Target Price History
Fundamental Research
Analyst: Pradeep Mahtani

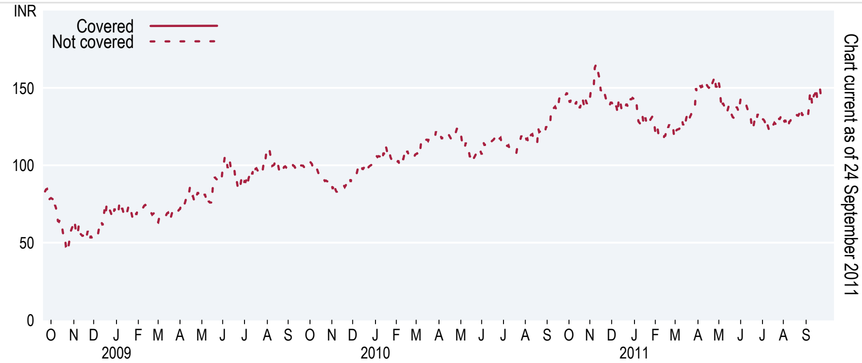


	Date	Rating	Target Price	Closing Price
1	27-Oct-08	3M	*46.00	49.15
2	28-Apr-09	3M	*70.00	80.85
3	27-Jul-09	3M	*71.00	95.25
4	28-Oct-10	*3L	*108.00	140.95

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

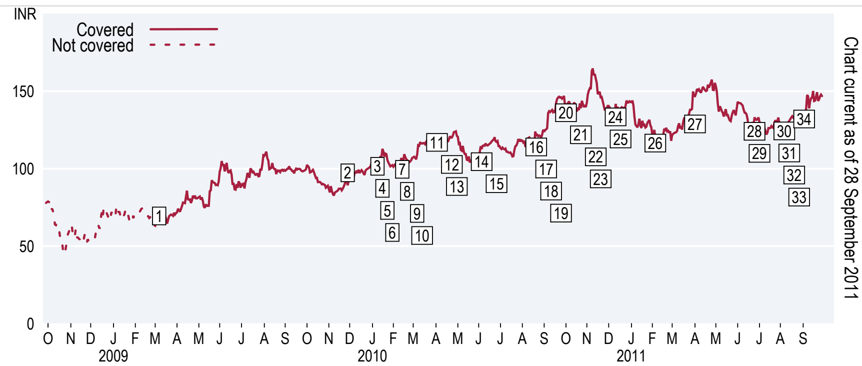
Ambuja Cements (ABUJ.BO)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)
Analyst: Pradeep Mahtani



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ambuja Cements Ltd (ABUJ.BO)
Rating History
Global Quantitative Research
Asia Radar Screen
Analyst: Paul R Chanin
Covered since March 6 2009



	Date	Rating	Target Price	Closing Price
1	6-Mar-09	*1	-	67.30
2	27-Nov-09	*2	-	89.25
3	8-Jan-10	*3	-	105.75
4	15-Jan-10	*4	-	112.80
5	22-Jan-10	*3	-	105.55
6	29-Jan-10	*2	-	102.30
7	12-Feb-10	*4	-	106.80
8	19-Feb-10	*1	-	105.50
9	5-Mar-10	*2	-	109.15
10	12-Mar-10	*3	-	116.15
11	2-Apr-10	*4	-	118.30
12	23-Apr-10	*2	-	120.10
13	30-Apr-10	*1	-	121.15
14	4-Jun-10	*3	-	112.70
15	25-Jun-10	*1	-	117.25
16	20-Aug-10	*2	-	121.45
17	3-Sep-10	*1	-	125.35
18	10-Sep-10	*2	-	136.50
19	24-Sep-10	*3	-	146.10
20	1-Oct-10	*1	-	141.95
21	22-Oct-10	*3	-	139.05
22	12-Nov-10	*4	-	158.15
23	19-Nov-10	*3	-	145.55
24	10-Dec-10	*4	-	141.80
25	17-Dec-10	*3	-	138.40
26	4-Feb-11	*4	-	120.70
27	1-Apr-11	*2	-	146.80
28	24-Jun-11	*3	-	133.10
29	1-Jul-11	*4	-	129.90
30	5-Aug-11	*3	-	124.35
31	12-Aug-11	*4	-	130.85
32	19-Aug-11	*3	-	132.20
33	26-Aug-11	*4	-	132.10
34	2-Sep-11	*5	-	135.35

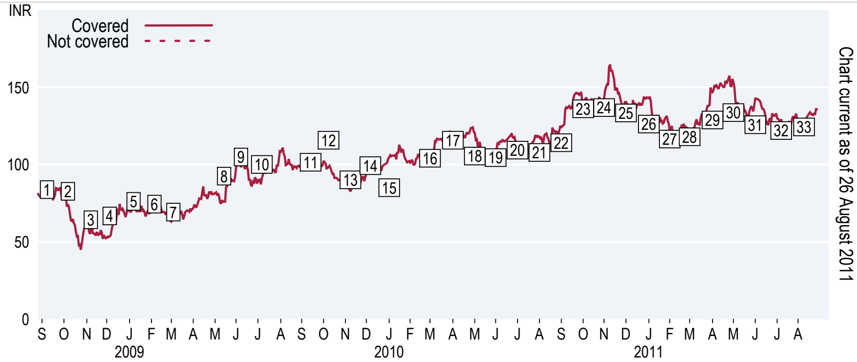
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ambuja Cements Ltd (ABUJ.BO)

Rating History
Global Quantitative Research
World Radar Screen

Analyst: Chris Montagu
Covered since May 23 2009



	Date	Rating	Target Price	Closing Price
1	8-Sep-08	*9	-	83.80
2	7-Oct-08	*8	-	74.30
3	7-Nov-08	*10	-	56.40
4	4-Dec-08	*9	-	53.65
5	7-Jan-09	*7	-	72.20
6	5-Feb-09	*6	-	70.10
7	4-Mar-09	*4	-	67.85
8	14-May-09	*2	-	75.95
9	8-Jun-09	*1	-	98.20
10	7-Jul-09	*2	-	91.25
11	14-Sep-09	*1	-	96.95

	Date	Rating	Target Price	Closing Price
12	8-Oct-09	*2	-	98.50
13	9-Nov-09	*1	-	82.60
14	7-Dec-09	*6	-	94.55
15	1-Jan-10	*7	-	103.70
16	1-Mar-10	*3	-	106.90
17	1-Apr-10	*8	-	118.30
18	1-May-10	*3	-	121.15
19	1-Jun-10	*7	-	107.00
20	1-Jul-10	*3	-	113.20
21	1-Aug-10	*6	-	117.50
22	1-Sep-10	*4	-	123.80

	Date	Rating	Target Price	Closing Price
23	1-Oct-10	*3	-	141.95
24	1-Nov-10	*8	-	142.70
25	1-Dec-10	*7	-	140.50
26	1-Jan-11	*4	-	143.05
27	1-Feb-11	*8	-	121.45
28	1-Mar-11	*9	-	121.80
29	1-Apr-11	*7	-	146.80
30	1-May-11	*5	-	155.40
31	1-Jun-11	*7	-	143.15
32	7-Jul-11	*9	-	129.35
33	9-Aug-11	*6	-	128.15

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Grasim Industries (GRAS.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Pradeep Mahtani

	Date	Rating	Target Price	Closing Price
1	24-Oct-08	3M	*1,007.61	951.99
2	28-Apr-09	3M	*1,265.16	1,615.88
3	27-Jul-09	3M	*2,232.11	2,609.89
4	28-Oct-10	*1L	*2,640.00	2,281.95
5	17-Mar-11	1L	*3,010.00	2,438.60

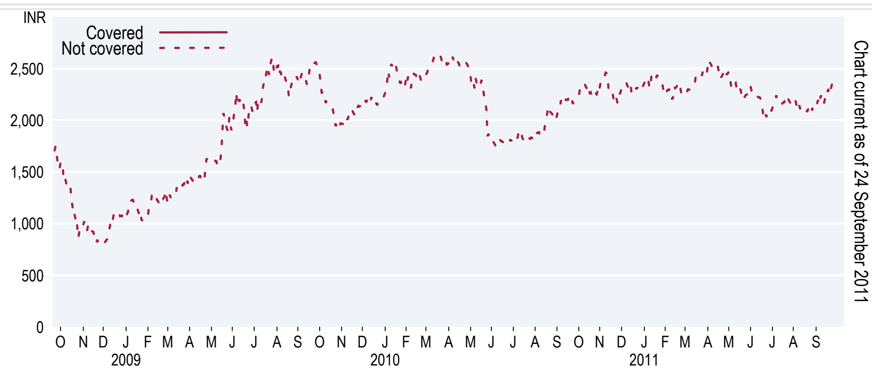
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Grasim Industries (GRAS.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Pradeep Mahtani



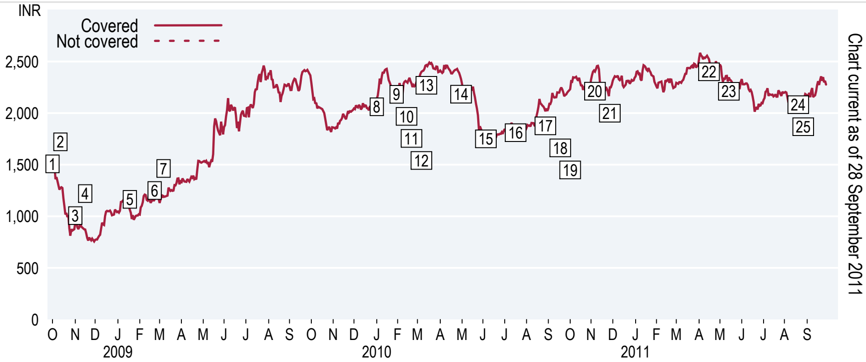
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Grasim Industries Ltd (GRAS.NS)

Rating History
Global Quantitative Research
Asia Radar Screen

Analyst: Paul R Chanin



#	Date	Rating	Target Price	Closing Price
1	29-Sep-08	*3	-	1,477.31
2	13-Oct-08	*2	-	1,275.68
3	3-Nov-08	*3	-	939.49
4	17-Nov-08	*4	-	871.59
5	19-Jan-09	*3	-	1,062.95
6	23-Feb-09	*4	-	1,147.90
7	6-Mar-09	*1	-	1,195.46
8	1-Jan-10	*3	-	2,111.10
9	29-Jan-10	*1	-	2,217.00
10	12-Feb-10	*3	-	2,311.89
11	19-Feb-10	*1	-	2,287.58
12	5-Mar-10	*2	-	2,400.00
13	12-Mar-10	*1	-	2,465.84
14	30-Apr-10	*2	-	2,327.88
15	4-Jun-10	*3	-	1,772.50
16	16-Jul-10	*2	-	1,834.10
17	27-Aug-10	*3	-	2,017.70
18	17-Sep-10	*2	-	2,230.35
19	1-Oct-10	*3	-	2,232.05
20	5-Nov-10	*4	-	2,402.60
21	26-Nov-10	*3	-	2,249.00
22	15-Apr-11	*2	-	2,521.90
23	13-May-11	*1	-	2,346.05
24	19-Aug-11	*5	-	2,081.70
25	26-Aug-11	*2	-	2,092.85

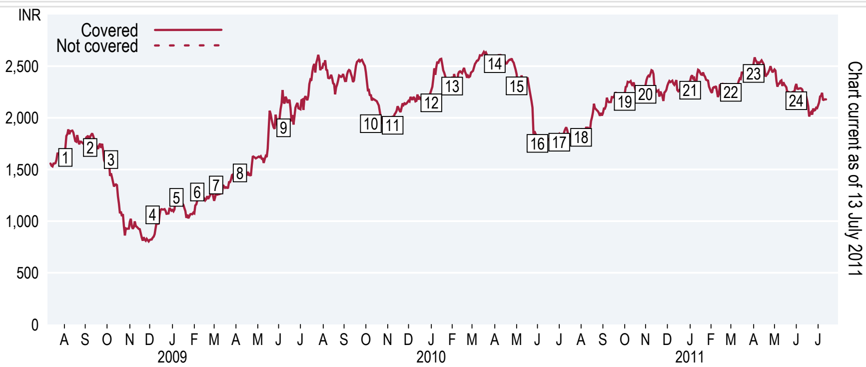
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Grasim Industries Ltd (GRAS.BO)

Rating History
Global Quantitative Research
World Radar Screen

Analyst: Chris Montagu
Covered since May 23 2009



#	Date	Rating	Target Price	Closing Price
1	3-Aug-08	*5	-	1,659.26
2	8-Sep-08	*6	-	1,817.99
3	7-Oct-08	*5	-	1,462.48
4	4-Dec-08	*6	-	839.16
5	7-Jan-09	*1	-	1,207.64
6	5-Feb-09	*4	-	1,198.47
7	4-Mar-09	*3	-	1,279.98
8	7-Apr-09	*2	-	1,416.44
9	8-Jun-09	*1	-	2,152.49
10	8-Oct-09	*2	-	2,224.74
11	9-Nov-09	*1	-	2,017.48
12	1-Jan-10	*5	-	2,239.07
13	1-Feb-10	*1	-	2,398.48
14	1-Apr-10	*3	-	2,556.30
15	1-May-10	*5	-	2,465.48
16	1-Jun-10	*3	-	1,783.85
17	1-Jul-10	*5	-	1,843.00
18	1-Aug-10	*2	-	1,833.45
19	1-Oct-10	*3	-	2,231.85
20	1-Nov-10	*7	-	2,317.70
21	1-Jan-11	*6	-	2,340.80
22	1-Mar-11	*3	-	2,292.55
23	1-Apr-11	*2	-	2,529.90
24	1-Jun-11	*1	-	2,327.80

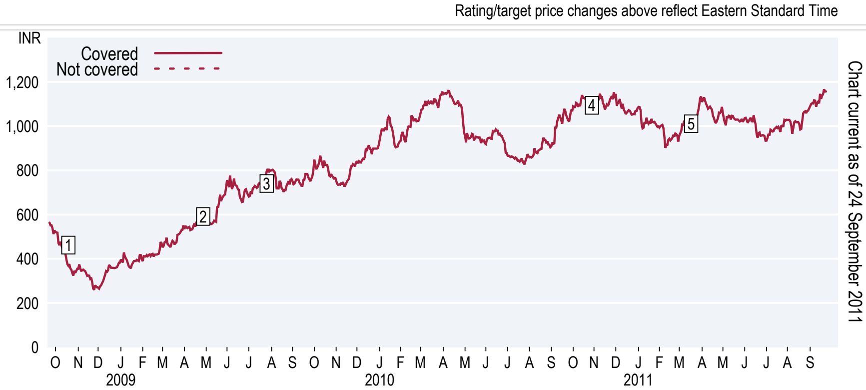
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

UltraTech Cement (ULTC.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Pradeep Mahtani



#	Date	Rating	Target Price	Closing Price
1	19-Oct-08	3M	*370.00	375.80
2	28-Apr-09	3M	*500.00	569.60
3	27-Jul-09	3M	*745.00	796.25
4	28-Oct-10	*3L	*965.00	1,093.90
5	17-Mar-11	3L	*985.00	1,021.50

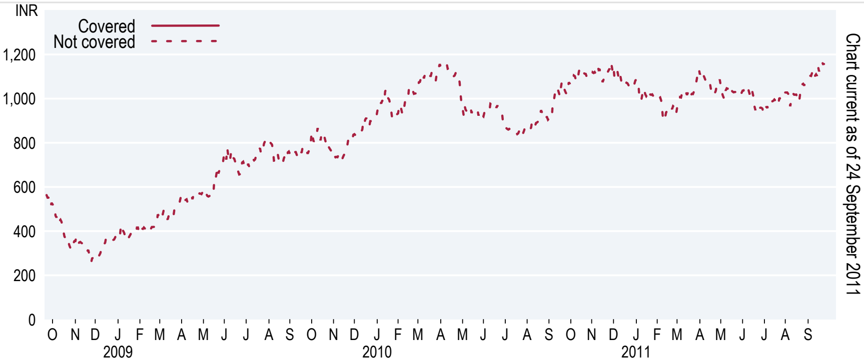
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

UltraTech Cement (ULTC.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Pradeep Mahtani



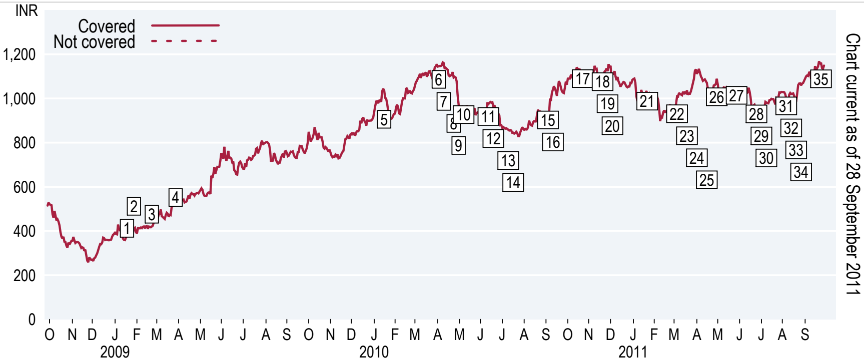
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ultratech Cement Ltd (ULTC.NS)

Rating History
Global Quantitative Research
Asia Radar Screen

Analyst: Paul R Chanin



#	Date	Rating	Target Price	Closing Price
1	19-Jan-09	*3	-	380.70
2	28-Jan-09	*1	-	412.15
3	23-Feb-09	*2	-	416.95
4	27-Mar-09	*1	-	529.20
5	15-Jan-10	*2	-	1,036.95
6	2-Apr-10	*1	-	1,144.25
7	9-Apr-10	*2	-	1,159.90
8	23-Apr-10	*3	-	1,094.75
9	30-Apr-10	*1	-	972.75
10	7-May-10	*2	-	945.45
11	11-Jun-10	*NR	-	974.60
12	18-Jun-10	*1	-	960.10

#	Date	Rating	Target Price	Closing Price
13	9-Jul-10	*2	-	858.25
14	16-Jul-10	*1	-	845.10
15	3-Sep-10	*2	-	920.20
16	10-Sep-10	*1	-	1,026.30
17	22-Oct-10	*4	-	1,112.80
18	19-Nov-10	*3	-	1,097.60
19	26-Nov-10	*4	-	1,123.55
20	3-Dec-10	*3	-	1,110.50
21	21-Jan-11	*4	-	1,024.00
22	4-Mar-11	*3	-	1,009.75
23	18-Mar-11	*2	-	1,036.75
24	1-Apr-11	*3	-	1,111.25

#	Date	Rating	Target Price	Closing Price
25	15-Apr-11	*4	-	1,070.55
26	29-Apr-11	*3	-	1,089.15
27	27-May-11	*1	-	1,034.55
28	24-Jun-11	*3	-	957.70
29	1-Jul-11	*2	-	936.05
30	8-Jul-11	*3	-	981.65
31	5-Aug-11	*2	-	1,000.45
32	12-Aug-11	*3	-	1,019.95
33	19-Aug-11	*1	-	987.95
34	26-Aug-11	*3	-	1,059.55
35	23-Sep-11	*5	-	1,162.00

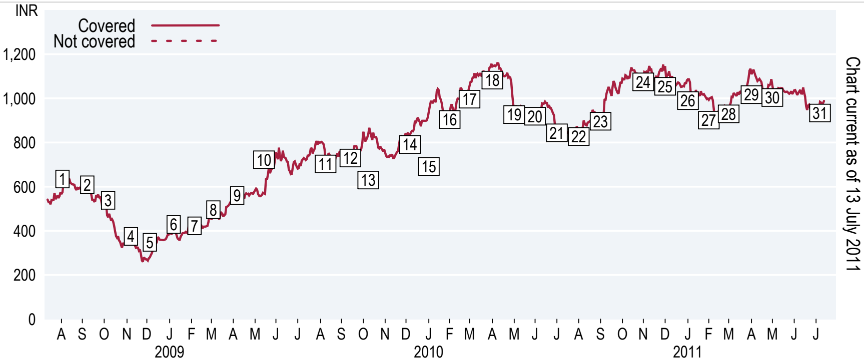
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Ultratech Cement Ltd (ULTC.BO)

Rating History
Global Quantitative Research
World Radar Screen

Analyst: Chris Montagu
Covered since May 23 2009



	Date	Rating	Target Price	Closing Price
1	3-Aug-08	*2	-	566.55
2	8-Sep-08	*6	-	581.00
3	7-Oct-08	*5	-	461.55
4	7-Nov-08	*8	-	349.30
5	4-Dec-08	*4	-	279.75
6	7-Jan-09	*2	-	410.15
7	5-Feb-09	*3	-	410.10
8	4-Mar-09	*7	-	474.00
9	7-Apr-09	*3	-	538.60
10	14-May-09	*2	-	569.85
11	10-Aug-09	*1	-	718.85
12	14-Sep-09	*2	-	730.15
13	8-Oct-09	*1	-	837.65
14	7-Dec-09	*2	-	835.50
15	1-Jan-10	*1	-	915.10
16	1-Feb-10	*3	-	932.90
17	1-Mar-10	*2	-	1,038.10
18	1-Apr-10	*7	-	1,144.20
19	1-May-10	*6	-	972.35
20	1-Jun-10	*7	-	919.00
21	1-Jul-10	*1	-	865.60
22	1-Aug-10	*2	-	864.35
23	1-Sep-10	*4	-	908.95
24	1-Nov-10	*9	-	1,101.15
25	1-Dec-10	*7	-	1,145.65
26	1-Jan-11	*5	-	1,082.15
27	1-Feb-11	*10	-	993.10
28	1-Mar-11	*7	-	957.20
29	1-Apr-11	*8	-	1,109.20
30	1-May-11	*5	-	1,086.80
31	7-Jul-11	*9	-	984.10

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 30 Jun 2011	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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Citi Investment Research & Analysis Quantitative World Radar Screen Model Coverage	30%	40%	30%			
% of companies in each rating category that are investment banking clients	26%	21%	20%			
Citi Investment Research & Analysis Quantitative Decision Tree Model Coverage	48%	0%	52%			
% of companies in each rating category that are investment banking clients	53%	0%	43%			
Citi Investment Research & Analysis Asia Quantitative Radar Screen Model Coverage	20%	60%	20%			
% of companies in each rating category that are investment banking clients	26%	23%	19%			
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