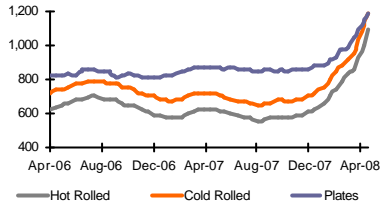
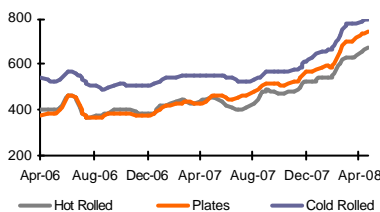


2nd May, 2008

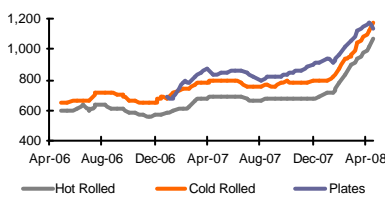
US Steel Prices



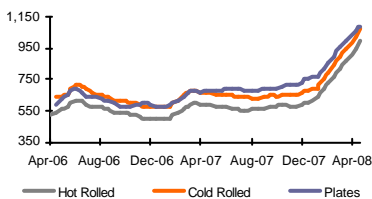
China Steel Prices



W. Europe Steel Prices



World Steel Prices



Source: SteelBenchmarker™ WSD

Note:

All prices are in USD/t

All prices are exworks, ex-factory

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Cost push continues to drive steel prices

World Steel Dynamics (WSD) Steel Benchmarker™ reported a continued upward movement in steel prices globally with the US leading the trend again. Over the last fortnight, Hot Rolled Coil (HRC) prices have increased by USD94/t in US, by USD59/t in Europe and by USD14/t in China. During the same period Cold Rolled Coil (CRC) prices have increased by USD76/t in US, by USD63/t in Europe and by USD6/t in China. This is the 12th straight increase in HRC prices reported by WSD in US since Oct '07. HRC prices in US increased from USD577/t in Oct. '07 to USD1,097/t in Apr. '08, an increase of USD520/t (90%) in the last 6 months.

US Steel prices uptrend continues

Steel prices in US continued the rally. HRC prices increased by USD94/t (9.4%) since last fortnight and are currently quoted at USD1,097/t. During the same period, CRC prices also increased by USD76/t and are currently quoted at USD1,194/t, representing a gain of 6.8%. The increase in prices is primarily driven by increasing raw material costs and shortage of physical metal.

European prices showing persistent strength

European steel prices have shown a persistent strength, on the back of surging raw material costs. HRC prices in Western Europe have increased by USD59/t over the last fortnight and are currently quoted at USD1,066/t, representing a gain of 5.9%. Currently the CRC price in Europe is USD1,179/t an increase of USD63/t (5.6%). Surging raw material costs is the most important factor driving prices. This is the 6th straight increase in HRC prices in Europe since Jan. '08. HRC prices in Europe have increased from USD713/t in Jan. '08 to USD1,066/t, representing a gain of USD353/t (49.5%) in the last 3 months.

China steel prices show moderate increase

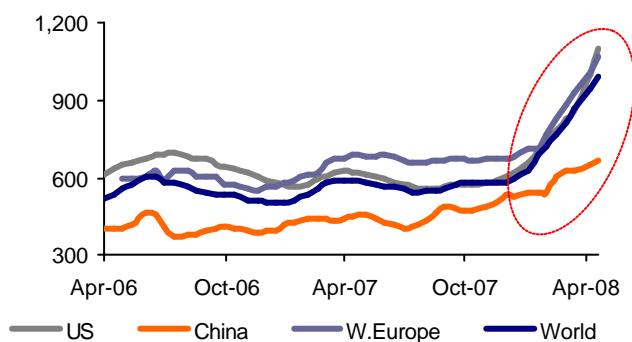
Steel prices in China have depicted a relatively moderate increase as compared to price increase in US and Europe, in the last fortnight. HRC prices in China are currently quoted at USD671/t, an increase of USD14/t (2.1%), over the last fortnight. CRC prices in China have been relatively stable at USD796/t, representing a nominal price increase of 0.8% over the last fortnight. Steel prices in China have been subdued primarily because of declining exports leading to increasing availability of steel in domestic market. As per the recent data from General Administration of Customs, China, steel exports in Feb. '08 were to the tune of 3.11mt (yoy down 29%, mom down 25%). However, with the current round of price hikes globally, we believe Chinese steel mills might re-look at the export markets, with the only factor restricting exports, being high trade surplus with US. In Mar. '08, steel exports from China were to the tune of 4.15mt (mom up 33.4%).

The beneficiaries in the Indian steel industry

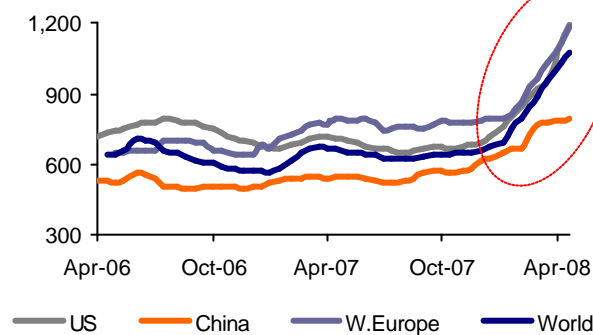
We believe the key beneficiaries, of the global price hikes, in Indian steel industry will be Tata Steel (company's 75% of the consolidated capacity operates in Europe, i.e. Corus) followed by JSW (due to its plate and pipe mill operations in US). The Indian government has taken various measures to control the inflation by trying to curb the rise in the domestic steel prices. The government has recently reduced custom duty on various steel products from 5% to nil, abolished 14% CVD on TMT bars, reduced custom duty on met coke, ferro alloys and zinc from 5% to nil and imposed 15% export tax on primary forms, semi finished steel, HRC, 10% export tax on specified rolled products including CR pipes and tubes and 5% on galvanized sheets/coils. However, we believe that these measures are unlikely to have a significant impact on domestic steel prices as currently, supply lags demand significantly and large part of demand is for long products; while export taxes have been levied on flat products and products like galvanized steel, which has relatively small market in India. In the current scenario, Tata Steel, by virtue of acquiring Corus and captive raw material sources for Indian operations (100% captive for iron ore and 70% captive for coking coal), is positioned to benefit the most as compared to its peers in India. We maintain BUY on Tata Steel with target price of Rs1,083 (10x FY09E FDEPS of Rs108.3) and JSW with a target price of Rs1,583 (10x FY10E FDEPS of Rs158.3)

Flat steel prices – on uptrend

Hot Rolled Price trends



Cold Rolled Price trends



Source: SteelBenchmarker™ World Steel Dynamics

Note: all the steel prices are reported in USD/t on ex-factory, ex-works basis.

Steel prices are sourced from SteelBenchmarker™, World Steel Dynamics

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