

December 20, 2006

Stock Rating
Overweight

Industry View
Attractive

Tata Steel

Clarity on Corus Should Pave Way to Outperformance

What's Changed

Price Target	Rs640.00 to Rs637.00
F07E EPS	From Rs 85.09 to Rs 80.52
F08E EPS	From Rs 86.16 to Rs 86.49
F09E EPS	From Rs 81.72 to Rs 81.69

Conclusion: Tisco has underperformed its peers (e.g., SAIL, by 23.3%) and the Sensex (by 21.8%) since Oct 1, 2006, largely due to uncertainties regarding its Corus acquisition plan. We believe that as the probability of Corus being snapped up by CSN grows, Tisco's stock price can compensate for its recent underperformance. Our target price of Rs637 implies upside potential of 36.3% from here. We note that steel prices have held up well despite growing inventories in the US, and we expect a further up-tick in steel prices in India by 1QF08, which should drive strong performance by the stock.

What's New: We are pruning are EPS estimates for F07 by 5.4% and raising our F08 estimates by 0.4% to account for our changed outlook on steel prices.

We analyzed some recent cases where steel players looking to acquire another company saw their stock come under pressure but saw meaningful rebound once clarity (on possibility of the acquisition, or the price being paid, etc) was achieved. We believe this should apply to Tisco stock, too, as we approach settlement of the Corus issue. Risk to our positive stance would be that Tisco succeeds in acquiring Corus after offering more than 4-5% higher than CSN's bid of 515 p.

Valuation: The stock currently trades at a P/E of 5.4x on our F08 projection, a level that, to us, doesn't seem to reflect the company's strong competitive positioning and solid growth pattern. As steel prices likely show resilience in the coming months, we believe that consensus earnings estimates (which are 21.4% lower than our F08 projection) will move closer to ours, even as Corus-related de-rating will probably be worked off.

Key Ratios and Statistics

Reuters: TISC.BO Bloomberg: TATA IN

India Steel

Price target	Rs637.00
Shr price, close (Dec 18, 2006)	Rs467.40
Mkt cap, curr (mn)	Rs258,785
Mkt cap, curr (mn)	US\$5,798
52-Week Range	Rs679.00-341.35
Sh out, basic, curr (mn)	553.7

Fiscal Year (Mar)	2006	2007e	2008e	2009e
ModelWare EPS (Rs)*	63.33	80.52	86.49	81.69
Prior ModelWare EPS (Rs)	-	85.09	86.16	81.72
Revenue, net (Rs mn)	151,394	171,873	177,119	176,520
ModelWare net inc (Rs mn)	35,064	46,756	52,686	49,761
P/E	8.5	5.8	5.4	5.7
P/BV	3.0	1.8	1.4	1.2
Div yld (%)	2.4	3.9	4.1	3.6

* = Please see explanation of Morgan Stanley ModelWare later in this note.
e = Morgan Stanley Research estimates

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Tata Steel

Tata Steel: Financial Summary

Profit and Loss Statements

Rs mn (Year-end March)	F2005	F2006	F2007E	F2008E	F2009E
Gross Sales	158,636	171,442	193,092	198,681	196,486
Less Excise	13,779	20,048	21,219	21,562	19,966
Net Sales	144,857	151,394	171,873	177,119	176,520
(Inc)/Dec in stock in trade	-2,896	-1,049	-1,015	341	230
Raw Material	17,151	23,683	27,845	22,539	20,846
Purch of fin/semi fin steel	13,053	6,561	3,851	2,502	2,214
Employee Cost	14,101	14,043	14,625	14,856	15,415
Purchase of power	7,120	8,192	9,628	9,905	10,558
Freight and handling	9,367	10,043	10,843	11,334	11,864
Other Mfg. Expenses	21,775	23,591	24,865	24,688	25,161
Other Expenses	8,104	8,670	10,417	10,362	10,668
Expenditure Capitalised	2,048	1,126	2,442	2,958	3,845
EBITDA	59,130	58,787	73,256	83,550	83,409
Depreciation	6,188	7,751	7,791	7,755	8,735
Int. & Finance Charges	1,868	1,184	1,467	3,242	6,050
Other Income	1,480	2,548	5,891	6,201	5,758
Extraordinary items	(286)	-	-	-	-
Tax	18,231	17,336	23,133	26,068	24,620
PAT	34,609	35,064	46,756	52,686	49,761

Balance Sheets

Rs mn (Year-end March)	F2005	F2006	F2007E	F2008E	F2009E
Sources of Funds					
Share Capital	5,537	5,537	5,807	6,092	6,092
Reserves	65,062	92,016	142,093	194,651	232,606
Net Worth	70,599	97,553	147,900	200,743	238,698
Loans	27,397	25,162	40,031	80,031	144,031
Deferred Tax Liability	8,294	9,569	8,760	8,996	9,227
Provision for ESS	15,143	13,887	17,274	17,275	17,276
Capital Employed	121,432	146,170	213,964	307,044	409,231
Application of Funds					
Gross Fixed Assets	130,851	153,131	155,394	161,134	210,586
Depreciation	58,455	66,057	73,855	81,539	90,203
Net Fixed Assets	72,397	87,074	81,539	79,595	120,383
Capital WIP	18,727	11,577	73,227	156,227	222,227
Investments	24,327	40,700	32,847	34,490	31,041
Inventory	18,724	21,748	23,547	20,788	20,786
Sundry Debtors	5,818	5,394	7,151	8,396	9,345
Cash & Bank Balances	2,467	2,884	16,474	29,689	28,581
Others	13,826	12,351	18,862	19,897	19,964
Sundry Creditors	23,200	25,340	25,885	24,862	24,835
Other Liabilities	3,699	3,020	2,262	2,262	2,262
Provisions	10,102	9,727	14,151	17,761	19,080
Net Current Assets	3,836	4,289	23,737	33,884	32,499
Misc. Expenditures	2,147	2,531	2,615	2,849	3,083
Application of Funds	121,432	146,170	213,964	307,044	409,231

Cash Flow Statements

Rs mn (Year-end March)	F2005	F2006	F2007E	F2008E	F2009E
Net Profit	34,609	35,064	46,756	52,686	49,761
Depreciation	6,188	7,751	7,791	7,755	8,735
Change in Inventory	-6,233	-3,024	-1,800	2,760	1
Change in Debtors	695	424	-1,757	-1,244	-949
Change in Other Assets	-7,253	1,476	-6,511	-1,035	-67
Change in Creditors	3,363	2,141	545	-1,023	-27
Change in Other Liabilities	1,440	-679	-758	0	0
Change in Provisions	5,042	-374	4,424	3,610	1,319
Capex	-18,732	-15,279	-63,906	-88,811	-115,523
Other Investing Cash Flow	-2,385	-16,373	7,852	-1,642	3,449
Change in Equity	-954	94	15,402	13,235	0
Dividends Paid	-8,214	-8,204	-11,811	-13,079	-11,806
Change in Borrowings	-6,426	-2,236	14,869	40,000	64,000
Change in Other LT Liabilities	-595	20	2,578	237	232
Change in Misc. Exp	-586	-384	-84	-234	-234
Inc/(Dec) in Cash	-40	417	13,590	13,215	-1,108

Ratio Analysis

	F2005	F2006	F2007E	F2008E	F2009E
EPS	62.5	63.3	80.52	86.49	81.69
Book Value per Share	127.5	176.2	254.7	329.5	391.8
Valuation					
P/E	6.4	8.5	5.8	5.4	5.7
EV/EBITDA	4.2	5.4	4.0	3.9	4.6
EV/Sales	1.7	2.1	1.7	1.8	2.2
Price to Book Value	3.1	3.0	1.8	1.4	1.2
Dividend Yield (%)	3.2	2.4	3.9	4.1	3.6
Profitability Ratios (%)					
EBITDA Margin	40.8	38.8	42.6	47.2	47.3
Net Profit Margin	23.9	23.2	27.2	29.7	28.2
Average RoE	59.8	41.7	38.2	30.2	22.6
Average RoCE	32.5	27.1	25.7	21.5	15.6
Turnover Ratios					
Debtors (Days)	15	13	15	17	19
Inventory (Days)	80	86	87	81	81
Creditors (Days)	99	100	96	97	97
Asset Turnover (x)	1.6	1.5	1.1	0.8	0.5
Growth (%)					
Net Sales	35.4	4.5	13.5	3.1	-0.3
EBITDA	81.1	-0.6	24.6	14.1	-0.2
Net Profit	98.1	1.3	33.4	12.7	-5.6
EPS	32.1	1.3	27.2	7.4	-5.6
Leverage Ratio					
Debt/Equity	0.39	0.26	0.27	0.40	0.60
Net debt/Equity (x)	0.35	0.23	0.16	0.25	0.48

E = Morgan Stanley Research estimates
Source: Company data, Morgan Stanley Research

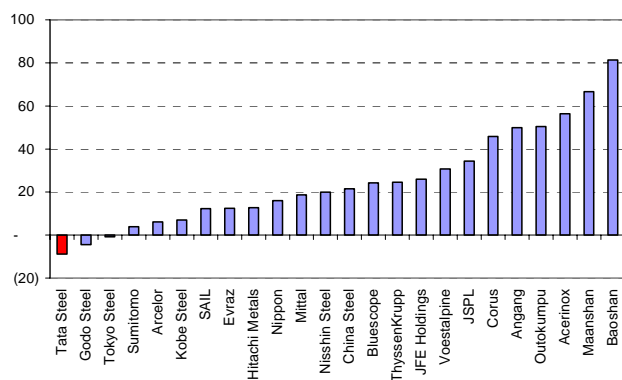
Investment Case

Summary & Conclusions

Tisco has underperformed its peers (e.g., SAIL, by 23.3%) and the Sensex (by 21.8%) since Oct 1, 2006, and we think this is largely due to uncertainties regarding its plan to acquire steel maker Corus.

Exhibit 1

Tata Steel vs. Global Peers: Share Price Performance in Last Three Months



Source: Bloomberg, Morgan Stanley Research

We expect the factors that contributed to Tisco stock's underperformance in the last three months to erode in the coming 4-5 weeks and accordingly feel that the stock can provide good returns from here.

1. We think that pitted against a seemingly aggressive competitor, Tisco may not go too far in its pursuit of Corus, thus removing a stumbling block to the stock's price performance.
2. Steel prices in India look better than what the market seems to be pricing into the stock. As fears of major declines in steel prices dissipate in India, the stock should commence its upward trail. In our view, the consensus numbers, which are about 21.4% lower than our F08 projections, are unduly pessimistic and reflect exaggerated expectations of a steel price slump that we consider unlikely.

Exhibit 2

Consensus EPS vs. Morgan Stanley Estimates

	F07E	F08E
Consensus EPS	72.9	67.9
Morgan Stanley EPS Estimates	80.5	86.5
% Difference	-9.4%	-21.4%

Source: IBES, Bloomberg, Morgan Stanley Research Estimates

The stock currently trades at a P/E valuation of 5.4x based on our F08 estimates, and, to us, this level seems to be capturing a large proportion of the negatives that could potentially grip the company. We are reducing our F07 estimates by 5.4% but increasing our F08 estimates by 0.4%, thus reducing our DCF-based price target by 0.5%, to Rs637. Our new target implies upside potential of 36.3%, and the risk to this stance would be a scenario where Tisco bids aggressively (say, above 540 p) for Corus and wins.

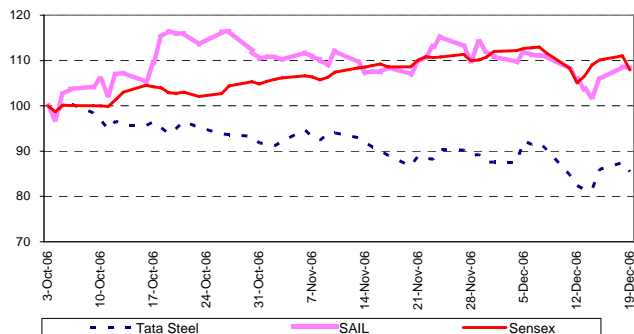
In that case, the stock price could be depressed in the next 3-6 months as the market may look unfavorably on an expensive acquisition, even if the long-term prospects of that acquisition turn out to be value-accretive. A lot would depend on the company's synergy plans and the way these plans are explained to investors. However, we foresee a low probability that Tisco would make an aggressive bid, since it would be unduly stretching its balance sheet if it paid more than 535-540 p for Corus, and there wouldn't be much left on the table for Tisco to capture in the form of cost synergies, we feel. To put this in perspective, at 540 pence per share, Corus's EV/EBITDA multiple, based on consensus estimates (source: IBES, Bloomberg), would be 6.5x for 2007, or 24.9% higher than the mean EV/EBITDA of our Global Steel coverage universe.

Uncertainty about Corus Acquisition Has Contributed to Muted Stock Performance

While we feel that, at a reasonable price, a Corus acquisition could be value-accretive for Tisco, the market has penalized Tisco's stock due to the related uncertainties.

Exhibit 3

Tata Steel, SAIL, and Sensex since Oct 1, 2006 (Rebased)



Source: Bloomberg, Morgan Stanley Research

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To show how the performance of a stock can be affected during the bidding period, we cite the example of Mittal Steel, whose stock performance was depressed while it was bidding for Arcelor (Exhibit 8).

However, as we move into the last leg of the race for Corus, we believe that the latter's attractiveness for Tisco is waning, especially against the backdrop of an increased counter bid from CSN. We note that, as reported by Bloomberg, the UK Takeover Panel has stated that both Tata Steel and CSN are allowed to revise their bids until Jan 30 and that, in case of a competitive situation, Corus could be auctioned.

Based on a perceived thinning margin of safety and increased stretching of the balance sheet, we see a high probability of one of the following two events taking place:

- Tisco bids once more, to 525–530 p (2–3 % higher than CSN's current bid), but is overtaken by another counter bid from CSN, which wins Corus.
- Tisco withdraws from the race for Corus and starts looking for other opportunities.

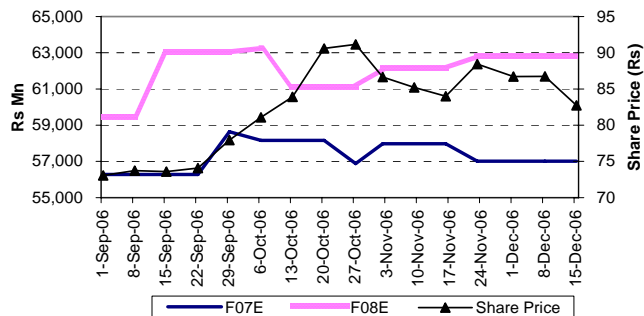
Either of these two events would reduce the uncertainty regarding Tisco (which has led to a de-rating of the stock in the last three months).

As shown in Exhibit 4, consensus PAT estimates for SAIL have been raised for F08 and F09, and the stock price has appreciated, implying that SAIL's valuation multiple (P/E) has risen by 7.2%. This leads us to believe that the Street's steel price expectation has not changed materially during this period.

There have also been upgrades in consensus PAT estimates for Tata Steel for F08 and F09 (Exhibit 5), but its stock price has dropped significantly during this period leading to a de-rating of the stock, with its P/E multiple having fallen by 13.6%. As explained above, we do not believe there has been much change in the consensus outlook for steel prices, so we attribute this drop in Tata Steel's share price mainly to the confusion regarding the Corus acquisition.

Exhibit 4

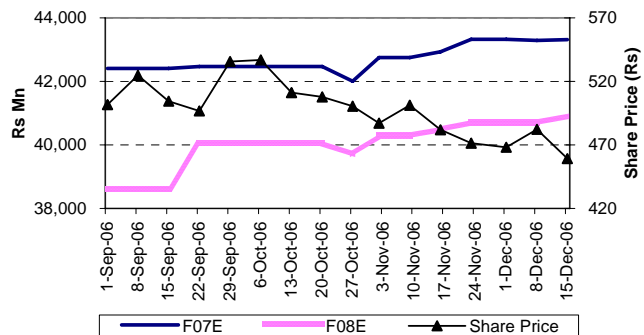
Consensus PAT Estimates for SAIL (Rs Mn)



Source: IBES, FactSet, Morgan Stanley Research

Exhibit 5

Consensus PAT Estimates for Tata Steel (Rs Mn)



Source: IBES, FactSet, Morgan Stanley Research

Steel Prices — Look For Gains by End-4QF08 in India

Even in the wake of bulked up steel inventory levels in North America, steel prices have held up well in the Asian region, we believe. Inventories in Asia remain low, while the CIS countries (which traditionally have been big exporters to the Asian region) are no longer as aggressive (in terms of either quantum of exports or pricing) as they used to be, due to the rapidly increasing domestic demand in that region.

We believe that as the US market works off its inventory in the next 2-3 months, steel prices in that region could weaken by a further 5–7%. However, production cuts by steel makers (October production was down 8% MoM) in that region should provide support to steel prices, we feel.

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China Dynamics Don't Look Unfavorable for Steel Prices

During our recent visit to China (where we met some large steel makers and some steel consultancy firms), we noted that things are much better at the ground level than the general perception regarding the oversupply situation in that country. The steel companies we visited expect a seasonal pick-up in demand to lift steel prices in 2QCY07 after a flat pricing scenario in 1QCY07.

The general tone in our meetings was one of guarded optimism: Most of the industry players we spoke with indicated that they expect steel pricing to be better in CY07 than it has been in CY06. Many expect steel demand growth to be in the 11-15% range in CY07, which would represent a mild slowdown from the 20% growth rate this year.

Supply and Net Exports

As the industry's new capacity growth is also expected to slow to the 10% vicinity, the producers we met with do not see a problem with oversupply or a further increase in net exports. Interestingly, they look for capacity growth to re-accelerate in 2008 after a modest slowdown in 2007.

Low Inventories Augur Well for Indian Steel Prices . . .

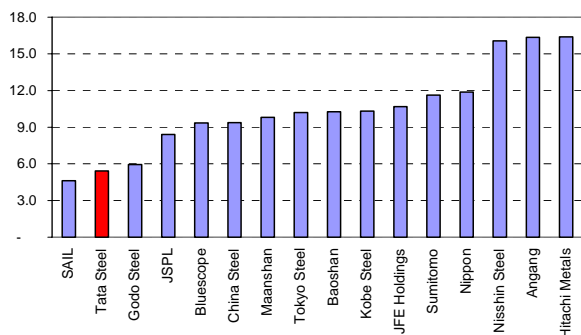
Steel inventories in India remain low, thus supporting market activity. As transaction prices for steel were cut by 0-2% in December (after hikes in September and November), import activity remains dull; we expect steel prices in India to strengthen by the end of 4QF08. As fears of a price slump ease, we feel this could provide a boost to stock performance.

Recent Underperformance and Lower Valuation vs. Global Peers

Tata Steel has underperformed its global peers, and its valuation remains among the lowest in our Global Steel coverage universe.

Exhibit 6

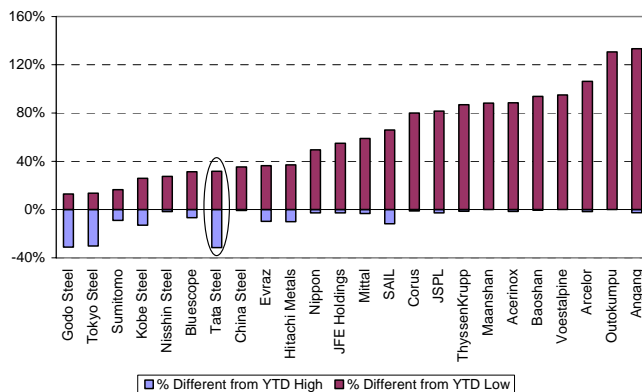
Global Steel: P/E Multiples (2007E/F08E)



Source: Morgan Stanley Research Estimates

Exhibit 7

Global Steel Stocks: Current Share Price vs. YTD High and YTD Low



Note: Exhibit shows percentage difference between current share price and YTD High price and YTD Low price.

Source: Bloomberg, Morgan Stanley Research

Company Description

Tisco, a flagship company of the Tata group, is the second-largest steel maker in India, with a capacity of 5 mtpa and a high level of vertical integration. Its sales basket consists of 40% long products, with flat products constituting the rest. Tata Steel has brownfield expansion plans of 2.4 mtpa and greenfield expansion plans of 9 mtpa at various stages of implementation. The company is considering acquisitions to boost growth.

India Steel

Industry View: Attractive

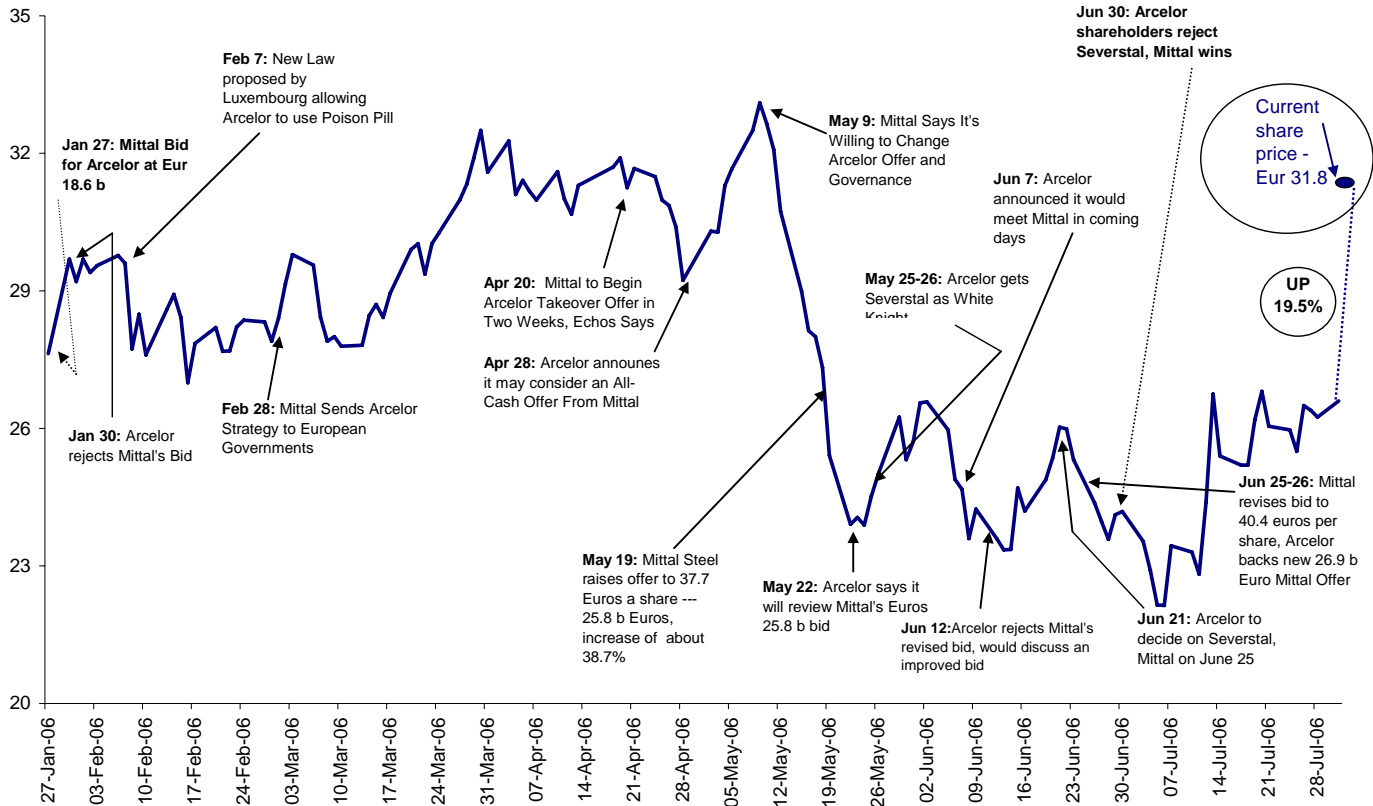
We view the Indian steel industry as Attractive with expectations of an early double-digit demand growth in the coming 12-18 months. We believe that as excessive pessimism regarding the threat of steel imports from China recedes and given the low inventory situation in India, Indian domestic prices will appreciate further by end of 4QF07.

MSCI Country: India

Asia Strategist's Recommended Weight: 2.2%
MSCI Asia/Pac All Country Ex Jp Weight: 6.7%

Exhibit 8

Mittal Steel: Share Price Performance during its Bid for Arcelor

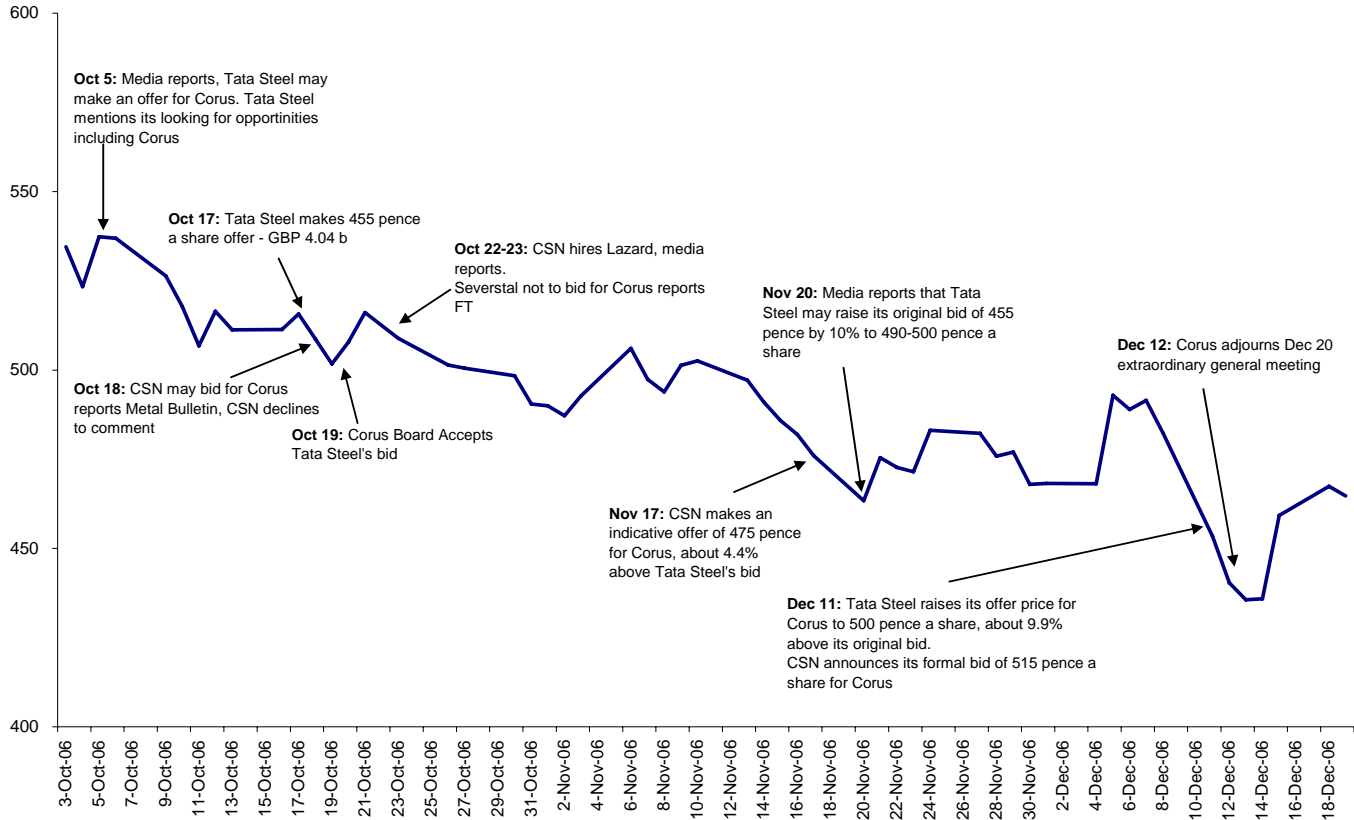


Source: Bloomberg, Morgan Stanley Research

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Exhibit 9

Tata Steel: Share Price Performance since it Bid for Corus



Source: Bloomberg, Morgan Stanley Research

Valuation and Price Target

Price Target

Tata Steel is currently trading at a 5.4x P/E and an EV/EBITDA multiple of 3.9x on our F2008 estimates. To set our price target, we use our two-phase discounted cash flow valuation. We assume a long-term average steel price of US\$340 per ton (US\$425 in F2006; US\$453 in F2007) and a 9.2% weighted average cost of capital. Based on this, we arrive at our 12-month target price of Rs637, implying upside potential of 36.3% from current levels.

At our target price of Rs637, the stock would trade at a P/E of 7.4x and an EV/EBITDA multiple of 5.2x on our F08 estimates.

Exhibit 10

Tata Steel: DCF Calculation

Particulars	Rs
(A) Present value of the explicit phase	166,526
Terminal value	502,762
Terminal growth rate	2%
(B) Present value of the terminal value	248,908
(A+B) Total present value	415,434
Net present value as on date	393,672
Net debt	23,556
Equity Value Rs mn	370,115
Shares (m)	581
One year forward DCF based value	637

Source: Morgan Stanley Research Estimates

Note: All data in Rs million unless otherwise stated.

Exhibit 11

Tata Steel: WACC Calculation

Particulars	%
Risk Free Return (Rf)	7.0%
Market Premium (Rm)	6.5%
Assumed Beta	1.12
Cost of Equity (Re)	14.3%
Equity (%)	45.0%
Cost of Debt (Rd)	7.5%
Tax rate	33.1%
After-tax cost of debt (Rd [1-t])	5.0%
Debt (%)	55.0%
WACC	9.2%

Source: Company data, Morgan Stanley Research

Risks to our price target. A slump in steel demand in the Western markets or China could deflate the positive steel price outlook. In addition, if the Chinese government applies sudden

brakes to fixed-asset investment growth, mainland steel consumption could be hampered. However, such a move could also bring down China's steel capacity creation and production growth.

Aggressive production growth in China could be another stumbling block for global steel prices, in our view. Both scenarios could lead to events contrary to our expectations.

A correction in the Indian stock market could also be a risk factor, in our view.

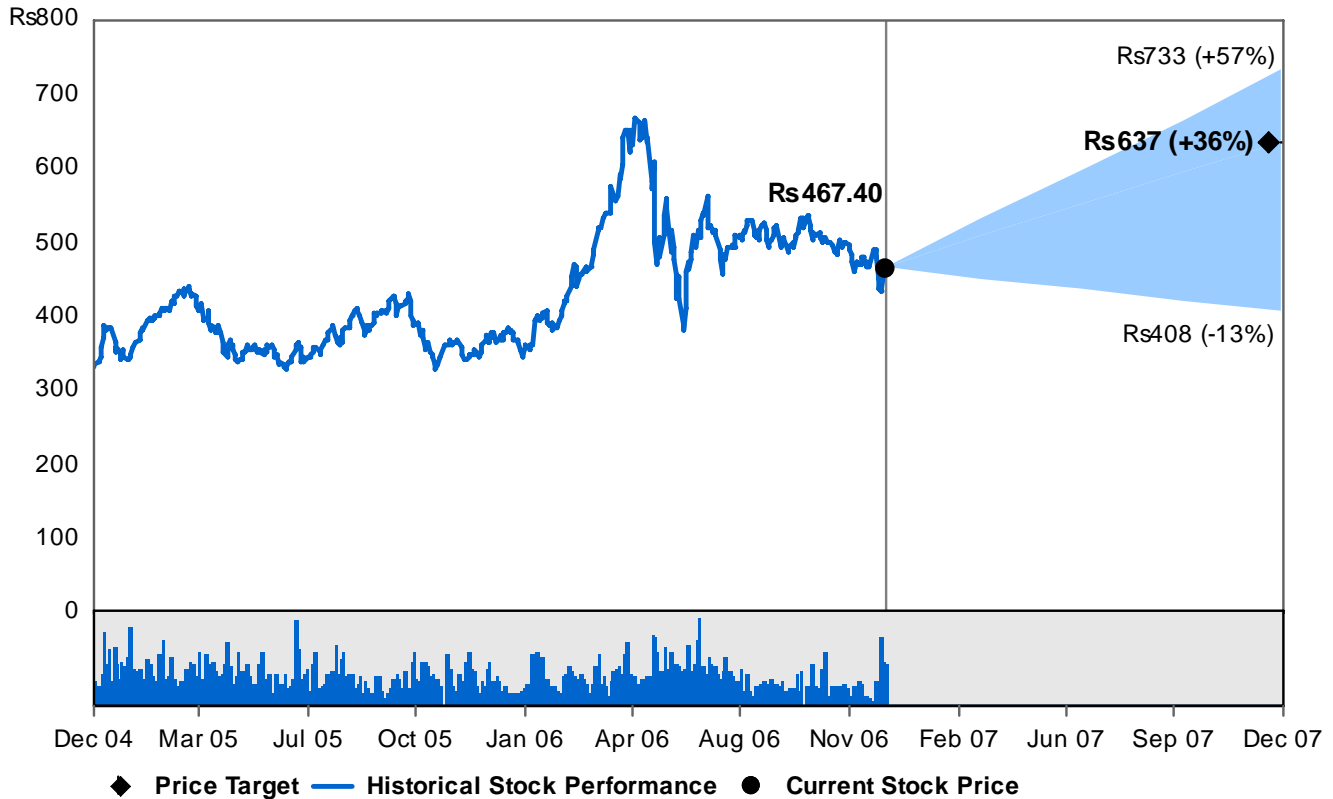
Bull- and Bear-Case Scenarios

In our Bull case, we believe that amidst a sharp upturn in steel prices, Tata Steel's stock price could reach our Bull case DCF-based fair value of Rs733. This scenario could play out if steel prices remain strong for a prolonged period. Favorable factors for this scenario would be a sustained period of demand growth, a continued strain on raw materials supplies, and a reduction in supply growth in China. We model 3% higher steel prices than in our Base case scenario, leading us to a long-term average steel price of US\$350 per ton. We also pencil in 1% lower production costs in the long run compared to our Base case. This results in a Bull case value of Rs733 per share, implying upside potential of 56.8% from current levels.

In our Bear case scenario, we estimate that Tata Steel's share price could fall to Rs408 per share, based on a two-phase DCF analysis. This takes into account a pessimistic steel price outlook and a scenario in which Tisco bids 550 pence per share for Corus and wins it. A further pick-up in steel production growth in China, coupled with a fall-off in supply discipline in the West and an economic slowdown globally, would depress steel industry growth. In such a scenario, we model steel prices for F08-F09 and long-term prices to be lower by 10% and 3%, respectively, than under our Base case. We also build in higher cost of production than in the Base case, assuming the company will be able to achieve only part of its projected cost reduction targets. Also, in the event that Tata Steel goes ahead with its bid for Corus and offers 550 pence per share, above its initial bid of 455 pence and its revised bid of 500 pence, the stock's value would probably be negatively affected. Here we have modeled for synergy cost savings of US\$70 per ton of slab shipped to Corus plants and the ability of Tata Steel to ship about 3 mt of slabs to Corus per year. We thus derive a Bear case value of Rs408 per share, implying downside potential of 12.7% from current levels.

Exhibit 12

Tata Steel: Risk-Reward View

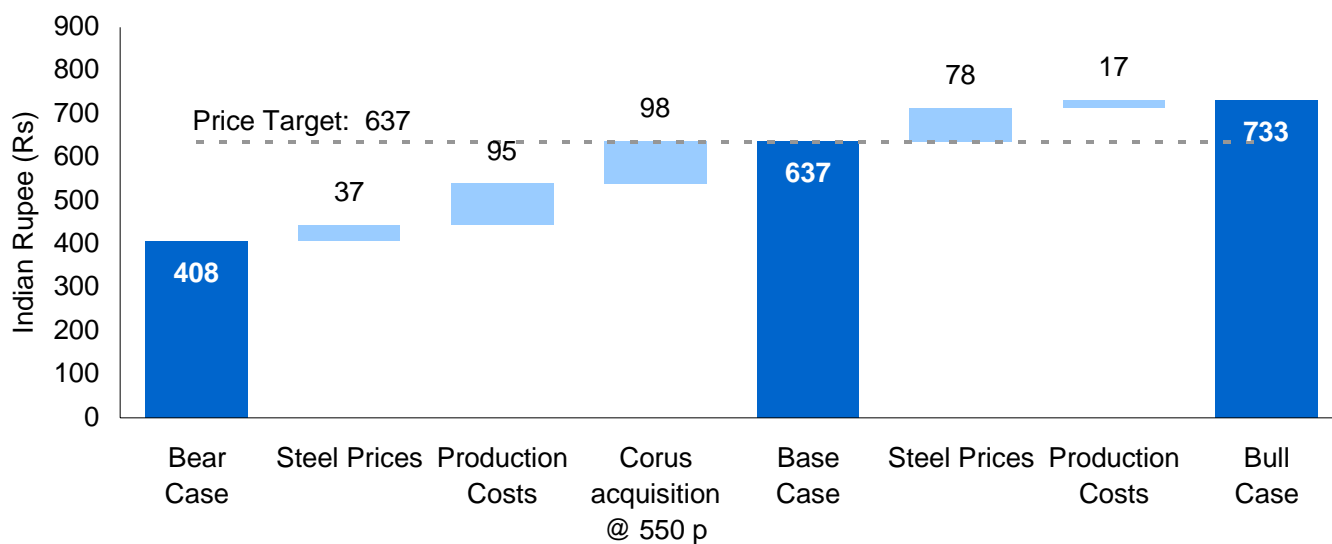


Source: Morgan Stanley Research Estimates

Bull Case Rs733	8.6x Bull Case F08e EPS	Our DCF-based Bull case incorporates higher than Base case steel prices. Here we project steel prices beginning in F10 to be about 3% higher than in our Base case scenario on the assumption that a sustained period of demand growth, continued strain on raw material supplies, and a reduction in supply growth in China will keep steel prices materially higher than historical long-term prices.
Base Case Rs637	7.4x Base Case F08e EPS	Our Base case DCF fair value for the stock assumes a WACC of 9.2%, explicit phase of eight years, and a terminal growth rate of 2%. We are modeling in long-term HR steel pricing of US\$340 per ton. We have included Phase I of the Orissa project (3 mt capacity) in our valuation model.
Bear Case Rs408	5.8x Bear Case F08e EPS	Our Bear case scenario takes into account a pessimistic steel price outlook and a scenario where Tisco bids 550 pence for Corus. We believe that this would result from a further pick-up in steel production growth in China, coupled with a fall-off in supply discipline in the West and an economic slowdown globally, taking the sheen off steel industry growth. This results in steel prices for F08-F09 and long-term prices being lower by 10% and 3%, respectively, than under our Base case. We also build in higher cost of production than in the Base case, assuming the company will be able to achieve only part of its projected cost reduction targets. Also, should Tata Steel go ahead with its bid for Corus and offer 550 pence per share, above its initial bid of 455 pence and its revised bid of 500 pence, the stock's value would likely be negatively affected. Here we have modeled for synergy cost savings of US\$70 per ton of slab shipped to Corus plants and ability of Tata Steel to ship about 3 mt of slabs to Corus per year..

Exhibit 13

Tata Steel: Bear to Bull



Source: Morgan Stanley Research Estimates

Exhibit 14

Tata Steel: Key Assumptions

	F2004	F2005	F2006A	F2007E	F2008E	F2009E
Saleable steel sales volume	3.96	3.94	4.42	4.84	5.17	5.62
% change YoY	1.4	-0.6	12.2	9.7	6.9	8.7
Average realization (Rs per ton)	19,290	25,262	24,069	25,430	24,465	22,479
% change YoY	21.8	31.0	-4.7	5.7	-3.8	-8.1
Other revenues	27,071	40,044	38,384	41,795	44,295	44,332
% change YoY	27.8	47.9	(4.1)	4.2	6.0	0.1
Imported coking coal cost (Rs per ton)	3,475	3,717	6,892	5,550	3,882	3,598
% change YoY	2.8	7.0	85.4	(13.7)	(30.1)	(7.3)
Coke rate	563	557	536	545	545	535
% change YoY	3.9	(1.0)	(3.9)	(2.2)	-	(1.8)
Saleable steel to hot metal ratio	913	937	879	906	925	893
% change YoY	1.9	2.7	-6.2	3.1	2.1	-3.5

Source: Company data, Morgan Stanley Research Estimates



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of November 30, 2006)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	804	38%	291	43%	36%
Equal-weight/Hold	966	45%	302	44%	31%
Underweight/Sell	367	17%	90	13%	25%
Total	2,137		683		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

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Underweight (U or Under) - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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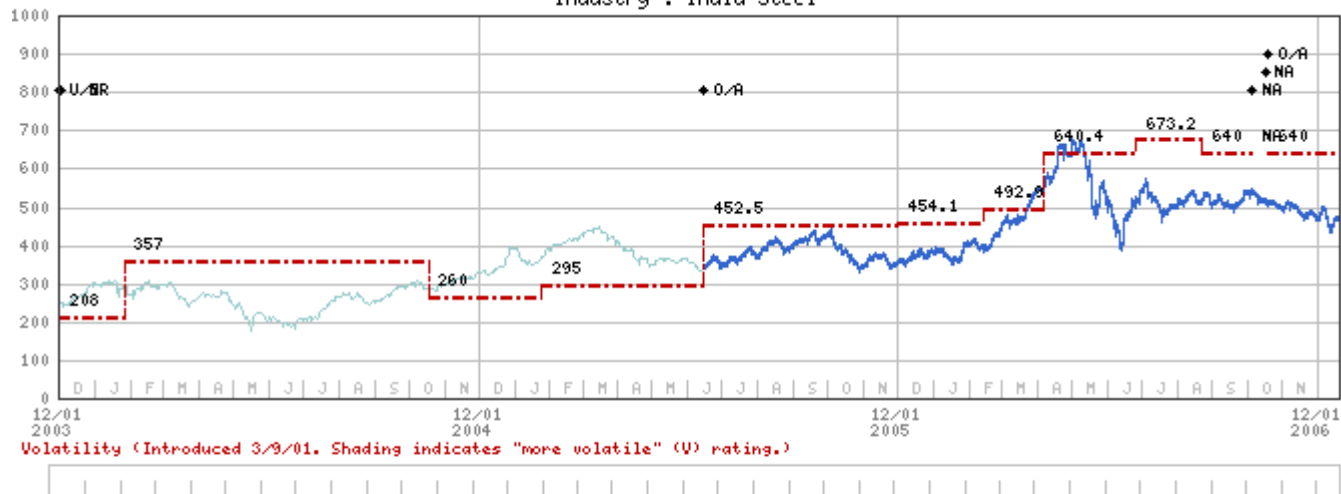
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Stock Price, Price Target and Rating History (See Rating Definitions)

Tata Steel (TISC.BO) - As of 12/19/06 in INR
Industry : India Steel



Stock Rating History: 1/24/03 : U/NR; 12/2/03 : U/C; 6/15/05 : O/A; 10/5/06 : NA; 10/17/06 : NA; 10/20/06 : O/A

Price Target History: 10/31/03 : 208; 1/27/04 : 357; 10/18/04 : 260; 1/24/05 : 295; 6/15/05 : 452.5; 12/1/05 : 454.1; 2/14/06 : 492.9; 4/7/06 : 640.4; 6/26/06 : 673.2; 8/23/06 : 640; 10/5/06 : NA; 10/20/06 : 640

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
 Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAU)
 Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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December 20, 2006

Tata Steel

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Industry Coverage:India Steel

Company (Ticker)	Rating (as of)	Price (12/19/2006)
Vipul Prasad		
Jindal Steel & Power (JNSP.BO)	O (09/30/2005)	Rs2,157.90
Steel Authority Of India (SAIL.BO)	O (06/15/2005)	Rs84.50
Tata Steel (TISC.BO)	O (10/20/2006)	Rs454.55

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