

India

Steel

 12-month rating **Buy**
Unchanged

 12m price target **Rs1,050.00/US\$26.71**
Prior:Rs875.00/US\$22.26

 Price **Rs845.10/US\$21.50**

RIC: TISC.BO BBG: TATA IN

8 November 2007
Trading data (local/US\$)

52-wk range	Rs990.60-413.00/US\$25.13-9.35
Market cap.	Rs618bn/US\$15.7bn
Shares o/s	731m (ORD)
Free float	69%
Avg. daily volume ('000)	1,092
Avg. daily value (Rsm)	828.5

Balance sheet data 03/08E

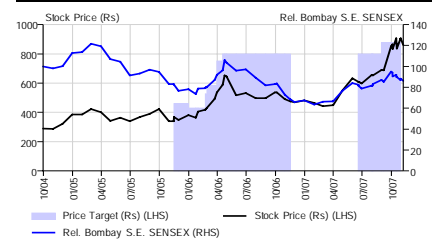
Shareholders' equity	Rs264bn
P/BV (UBS)	2.3x
Net Cash (debt)	(Rs440bn)

Forecast returns

Forecast price appreciation	+24.2%
Forecast dividend yield	1.9%
Forecast stock return	+26.1%
Market return assumption	12.4%
Forecast excess return	+13.7%

EPS (UBS, Rs)

	03/08E		03/07	Actual
	From	To	Cons.	
Q1E	-	-	-	-
Q2E	-	-	-	-
Q3E	-	-	-	-
Q4E	-	-	-	-
03/08E	112.05	118.86	107.20	
03/09E	119.79	120.95	114.60	

Performance (Rs)


Source: UBS

www.ubs.com/investmentresearch

Raising price target and earnings

■ Corus earnings remain key driver to combined entity profits

Tata Steel stand-alone accounts for only 35% of combined entity EBITDA of Tata Steel for 1QFY08. The rest is accounted for primarily by Corus operations. We believe that the process improvements plans put in place by Tata Steel and synergy benefits of the combination are not being priced in by the market.

■ Corus earnings stream could be more variable

Unlike Tata Steel's domestic operations, Corus remains exposed to raw material price hikes. These, if not passed on in steel prices, would bite into Corus earnings from March-April 2008. Process improvement benefits can partly mitigate raw material pressures.

■ Raising price target from Rs.875 to Rs.1,050

We are raising FY08E EPS from Rs.112.05 to Rs.118.86 and FY09E EPS from Rs.119.79 to Rs.120.95. We are introducing FY2010E EPS at Rs.112.4. Earnings upgrade and cut in risk free rate from 8.5% to 7.5%, in line with our economic forecast drive our price target upgrade.

■ Valuation maintain Buy rating

We maintain our Buy rating on the stock. Our DCF assumes WACC of 10.93% and long-term growth of 5%.

Highlights (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Revenues	165,046	197,626	1,120,447	1,109,546	1,193,160
EBIT (UBS)	45,168	61,540	150,392	145,718	150,331
Net Income (UBS)	35,064	42,222	86,863	88,387	92,398
EPS (UBS, Rs)	63.33	72.71	118.86	120.95	112.39
Net DPS (UBS, Rs)	14.00	15.73	16.00	17.00	15.16

Profitability & Valuation	5-yr hist av.	03/07	03/08E	03/09E	03/10E
EBIT margin %	19.1	31.1	13.4	13.1	12.6
ROIC (EBIT) %	38.8	58.8	38.2	21.6	21.1
EV/EBITDA (core) x	3.9	3.8	4.7	5.9	5.4
PE (UBS) x	8.0	6.9	7.1	7.0	7.5
Net dividend yield %	4.3	3.1	1.9	2.0	1.8

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs845.10 on 08 Nov 2007 22:31 GMT

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

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Table 1: Q1FY08 consolidated results trend

Particulars. Rs million	Corus+ International Business		Tata Steel Stand alone Q1 FY08	% contribution Corus + International	% contribution Tata Steel Stand alone
	Consolidated Q1 FY08	Q1 FY08			
Net Sales	311,545.6	269,569.8	41,975.8	86.5	13.5
Expenses					
Material Cost	137,113.0	129,588.9	7,524.1	94.5	5.5
Staff cost	39,802.8	36,036.9	3,765.9	90.5	9.5
Other expenses	85,586.5	71,892.4	13,694.1	84.0	16.0
Total expenses	262,502.3	237,518.2	24,984.1	90.5	9.5
EBITDA	49,043.3	32,051.6	16,991.7	65.4	34.6
EBITDA Margin (%)	15.7	11.9	40.5		
Depreciation	10,298.2	8,185.8	2,112.4	79.5	20.5
EBIT	38,745.1	23,865.8	14,879.3	61.6	38.4
Interest	8,920.8	8,120.9	799.9	91.0	9.0
Other Income	1,742.1	280.9	1,461.2	16.1	83.9
PBT (before exceptional income)	31,566.4	16,025.8	15,540.6	50.8	49.2
Exceptional Items					
Employee separation	-548.9	-3.1	-545.8	0.6	99.4
Contri to sports infra	-1,500.0	0.0	-1,500.0	0.0	100.0
Exchange Gain / (Loss)	5,379.4	-150.8	5,530.2	-2.8	102.8
Actuarial Gains/ (Loss) on Funds for Employee Benefits	41,008.7	41,008.7	0.0	100.0	0.0
PBT	75,905.6	56,880.6	19,025.0	74.9	25.1
Tax	12,525.7	7,387.6	5,138.1	59.0	41.0
Tax rate	16.5	13.0	27.0	78.7	163.7
PAT	63,379.9	49,493.0	13,886.9	78.1	21.9

Source: Company data

As seen in table 1, Corus + International operations account for 86% of net sales, but only 65% of EBITDA. This reflects the higher operating profitability of the domestic business. EBITDA margins were 40.5% of net sales for Q1 FY08 for Tata Steel stand-alone, significantly higher than the 11.9% recorded for Corus + International business. The addition of 1.8 mtpa brownfield capacity expansion should move the proportion of Tata Steel standalone earnings to 50% of operating profits for the combined entity.

Corus will remain the biggest swing factor till Tata Steel completes its domestic capacity expansion

Corus is implementing a process improvement program to improve efficiency and profitability of its operations. In addition to efficiency gains, accumulated losses in the UK business will generate estimated tax breaks of €50mn pa.

Table 2: Integration benefits and Corus Operating Process gains

Projected Estimates	Total	FY09E	FY10E	FY11E	FY12E	FY13E
Process Improvement/Synergy Gains (GBP Mn)	525	105	105	105	105	105

Source: UBS estimates

Tata Steel own 67% in Millenium Steel (now renamed Tata Steel Thailand Ltd.) and has been focusing on improved operating performance for the business. Tata Steel Thailand will invest Thai Baht 3,600mn over 2007-2008 for installation of a mini blast furnace (capacity 500,000 tpa). The blast furnace is slated to be operational by Q3 2008 and will raise profitability of the Thai business. This will allow substitution of expensive/unreliable supplies of scrap with iron ore and coke reducing raw material costs and improving product quality. Improving profitability of the SE Asian business will be key to raising overall profitability of the international operations of Tata Steel.

Improving profitability of SE Asian Business

Tata Steel Ltd.

Income statement (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Revenues	92,233	113,316	152,507	165,046	197,626	1,120,447	467.0	1,109,546	-1.0	1,193,160	7.5
Operating expenses (ex depre)	(74,913)	(84,256)	(98,315)	(112,127)	(127,893)	(929,433)	626.7	(927,246)	-0.2	(1,003,629)	8.2
EBITDA (UBS)	17,320	29,060	54,192	52,919	69,733	191,014	173.9	182,300	-4.6	189,531	4.0
Depreciation	(5,555)	(6,251)	(6,188)	(7,751)	(8,193)	(40,623)	395.8	(36,582)	-9.9	(39,201)	7.2
Operating income (EBIT, UBS)	11,765	22,809	48,005	45,168	61,540	150,392	144.4	145,718	-3.1	150,331	3.2
Other income & associates	3,908	5,072	6,837	8,416	2,816	3,500	24.3	4,000	14.3	4,000	0.0
Net interest	(3,048)	(1,222)	(1,868)	(1,184)	(1,739)	(35,586)	1946.4	(34,832)	-2.1	(32,387)	-7.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	12,625	26,660	52,973	52,400	62,617	118,305	88.9	114,886	-2.9	121,944	6.1
Tax	(2,502)	(9,197)	(18,231)	(17,336)	(20,395)	(31,443)	54.2	(26,499)	-15.7	(29,545)	11.5
Profit after tax	10,123	17,462	34,742	35,064	42,222	86,863	105.7	88,387	1.8	92,398	4.5
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	10,123	17,462	34,742	35,064	42,222	86,863	105.7	88,387	1.8	92,398	4.5
Net Income (UBS)	10,123	17,462	34,742	35,064	42,222	86,863	105.7	88,387	1.8	92,398	4.5
Tax rate (%)	20	34	34	33	33	27	-18.4	23	-13.2	24	5.0
Pre-abnormal tax rate (%)	20	34	34	33	33	27	-18.4	23	-13.2	24	5.0
Per share (Rs)	03/03	03/04	03/05	03/06	03/08	03/08E	% ch	03/09E	% ch	03/10E	% ch
EPS (local GAAP)	18.28	31.54	62.75	63.33	72.71	118.86	63.5	120.95	1.8	112.39	-7.1
EPS (UBS)	18.28	31.54	62.75	63.33	72.71	118.86	63.5	120.95	1.8	112.39	-7.1
Net DPS	5.33	6.66	13.00	14.00	15.73	16.00	1.7	17.00	6.3	15.16	-10.8
Cash EPS	28.32	42.83	73.92	77.33	86.82	174.45	100.9	171.01	-2.0	160.07	-6.4
BVPS	57.70	81.78	127.50	176.18	250.66	361.69	44.3	463.33	28.1	573.68	23.8
Balance sheet (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Net tangible fixed assets	75,438	78,579	91,122	98,651	144,922	329,186	127.1	356,014	8.1	409,858	15.1
Net intangible fixed assets	0	0	0	0	0	187,788	-	187,788	0.0	187,788	0.0
Net working capital (incl. other assets)	5,844	(106)	3,517	3,938	8,378	140,968	1582.6	144,951	2.8	139,453	-3.8
Other liabilities	(22,842)	(24,030)	(23,437)	(23,457)	(22,957)	0	-	0	-	0	-
Operating invested capital	58,440	54,443	71,202	79,131	130,344	657,942	404.8	688,753	4.7	737,099	7.0
Investments	11,946	21,941	24,327	40,700	40,700	46,226	13.6	46,226	0.0	46,226	0.0
Total capital employed	70,385	76,384	95,529	119,831	171,044	704,168	311.7	734,980	4.4	783,325	6.6
Shareholders' equity	31,860	45,159	70,599	97,553	145,552	264,313	81.6	338,588	28.1	471,633	39.3
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	31,860	45,159	70,599	97,553	145,552	264,313	81.6	338,588	28.1	471,633	39.3
Net debt / (cash)	38,525	31,225	24,930	22,277	25,491	439,855	1625.5	396,392	-9.9	311,692	-21.4
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	70,385	76,384	95,529	119,831	171,044	704,168	311.7	734,980	4.4	783,325	6.6
Cash flow (Rsm)	03/03	03/04	03/05	03/06	03/07	03/08E	% ch	03/09E	% ch	03/10E	% ch
Operating income (EBIT, UBS)	11,765	22,809	48,005	45,168	61,540	150,392	144.4	145,718	-3.1	150,331	3.2
Depreciation	5,555	6,251	6,188	7,751	8,193	40,623	395.8	36,582	-9.9	39,201	7.2
Net change in working capital	8,242	(4,085)	4,092	(82)	(8,554)	(158,936)	1758.1	(4,714)	-97.0	5,455	-
Other (operating)	142	556	(1,726)	(162)	(1,442)	(500)	-65.3	(500)	0.0	(500)	0.0
Operating cash flow	25,703	25,531	56,558	52,674	59,737	31,578	-47.1	177,086	460.8	194,487	9.8
Net interest received / (paid)	(3,048)	(1,222)	(1,868)	(1,184)	(1,739)	(35,586)	1946.4	(34,832)	-2.1	(32,387)	-7.0
Dividends paid	(1,849)	(3,425)	(4,708)	(8,806)	(8,380)	(11,029)	31.6	(13,382)	21.3	(14,118)	5.5
Tax paid	394	97	(29,192)	(17,674)	(17,797)	(31,443)	76.7	(26,499)	-15.7	(29,545)	11.5
Capital expenditure	(6,514)	(8,757)	(17,858)	(15,097)	(53,523)	(447,191)	735.5	(63,410)	-85.8	(93,044)	46.7
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	(2,818)	(9,996)	(2,385)	(16,373)	0	14,836	-	0	-	0	-
Share issues	0	0	0	0	0	49,774	-	0	-	54,807	-
Cash flow (inc)/dec in net debt	15,777	7,301	7,384	1,957	(18,886)	(425,062)	2150.7	43,463	-	84,699	94.9
FX / non cash items	(9,416)	(2)	(1,088)	695	15,672	10,698	-31.7	0	-	0	-
Balance sheet (inc)/dec in net debt	6,361	7,300	6,296	2,652	(3,214)	(414,364)	12793.3	43,463	-	84,699	94.9
Core EBITDA	17,320	29,060	54,192	52,919	69,733	191,014	173.9	182,300	-4.6	189,531	4.0
Maintenance capital expenditure	0	0	0	0	0	0	-	0	-	0	-
Maintenance net working capital	0	0	0	0	0	0	-	0	-	5,455	-
Operating free cash flow, pre-tax	17,320	29,060	54,192	52,919	69,733	191,014	173.9	182,300	-4.6	194,987	7.0

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

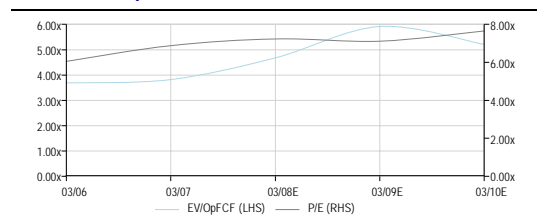
12m price target

Rs1,050.00

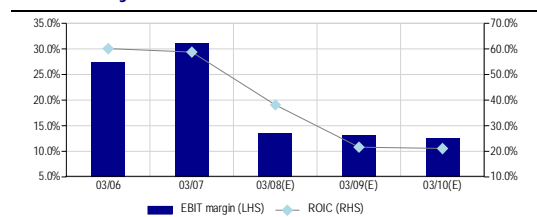
Company profile

Established in 1907, Tata Steel - the Tata group's flagship company - is India's largest integrated private sector steel company. Its 5m ton Jamshedpur plant produces both flat and long products, and completed a 1m ton expansion in April 2005. Tata Steel has captive iron ore and coal mines and one of the world's most modern steel making and finishing facilities at Jamshedpur in eastern India. In August 2004, the company announced its first major overseas investment, in NatSteel, Singapore, giving it a manufacturing footprint in six countries in Asia Pacific.

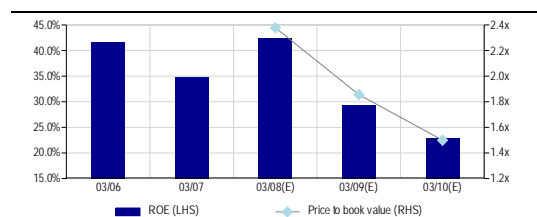
Value (EV/OpFCF & P/E)



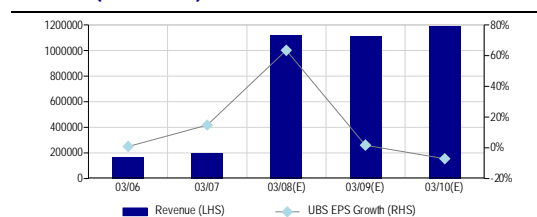
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
P/E (local GAAP)	8.0	6.1	6.9	7.1	7.0	7.5
P/E (UBS)	8.0	6.1	6.9	7.1	7.0	7.5
P/CEPS	4.3	5.0	5.8	4.8	4.9	5.3
Net dividend yield (%)	4.3	3.7	3.1	1.9	2.0	1.8
P/BV	1.9	2.2	2.0	2.3	1.8	1.5
EV/revenue (core)	1.1	1.2	1.3	0.8	1.0	0.9
EV/EBITDA (core)	3.9	3.7	3.8	4.7	5.9	5.4
EV/EBIT (core)	4.9	4.3	4.3	5.9	7.4	6.8
EV/OpFCF (core)	3.9	3.7	3.8	4.7	5.9	5.2
EV/op. invested capital	1.9	2.6	2.5	2.3	1.6	1.4

Enterprise value (Rsm)	03/06	03/07	03/08E	03/09E	03/10E
Average market cap	212,156	283,395	707,314	707,314	707,314
+ minority interests	0	0	0	0	0
+ average net debt (cash)	23,603	23,884	232,673	418,123	354,042
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(40,700)	(40,700)	(46,226)	(46,226)	(46,226)
Core enterprise value	195,059	266,579	893,760	1,079,211	1,015,130

Growth (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue	23.4	8.2	19.7	NM	-1.0	7.5
EBITDA (UBS)	61.0	-2.3	31.8	173.9	-4.6	4.0
EBIT (UBS)	103.8	-5.9	36.2	144.4	-3.1	3.2
EPS (UBS)	103.4	0.9	14.8	63.5	1.8	-7.1
Cash EPS	55.6	4.6	12.3	100.9	-2.0	-6.4
Net DPS	51.0	7.7	12.4	1.7	6.3	-10.8
BVPS	29.6	38.2	42.3	44.3	28.1	23.8

Margins (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBITDA / revenue	24.6	32.1	35.3	17.0	16.4	15.9
EBIT / revenue	19.1	27.4	31.1	13.4	13.1	12.6
Net profit (UBS) / revenue	14.7	21.2	21.4	7.8	8.0	7.7

Return on capital (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT ROIC (UBS)	38.8	60.1	58.8	38.2	21.6	21.1
ROIC post tax	-	40.2	39.6	28.0	16.6	16.0
Net ROE	36.5	41.7	34.7	42.4	29.3	22.8

Coverage ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
EBIT / net interest	21.7	NM	NM	4.3	4.3	4.8
Dividend cover (UBS EPS)	3.8	4.5	4.6	7.4	7.1	7.4
Div. payout ratio (% , UBS EPS)	33.2	22.1	21.6	13.5	14.1	13.5
Net debt / EBITDA	1.0	0.4	0.4	2.3	2.2	1.6

Efficiency ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Revenue / op. invested capital	1.8	2.2	1.9	2.8	1.6	1.7
Revenue / fixed assets	1.5	1.7	1.6	3.4	2.1	2.1
Revenue / net working capital	15.3	44.3	32.1	15.0	7.8	8.4

Investment ratios (x)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
OpFCF / EBIT	1.2	1.2	1.1	1.3	1.3	1.3
Capex / revenue (%)	8.9	9.1	27.1	NM	5.7	7.8
Capex / depreciation	1.7	1.9	6.5	NM	1.7	2.4

Capital structure (%)	5Yr Avg	03/06	03/07	03/08E	03/09E	03/10E
Net debt / total equity	57.9	22.8	17.5	NM	NM	66.1
Net debt / (net debt + equity)	36.7	18.6	14.9	62.5	53.9	39.8
Net debt (core) / EV	27.3	12.1	9.0	26.0	38.7	34.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs845.10 on 08 Nov 2007 22:31 GMT Market cap(E) may include forecast share issues/buybacks.

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■ **Tata Steel Ltd.**

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■ **Statement of Risk**

Our earnings estimates and valuation are subject to fluctuations, based on global and domestic steel prices and the prices of key raw materials such as coking coal which are difficult to predict. Tata Steel's backward integration for key raw materials such as iron ore and downstream expansion into value added products would only partly mitigate the impact of these variables.

■ **Analyst Certification**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	55%	40%
Neutral	Hold/Neutral	36%	35%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	0%	29%
Sell	Sell	0%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Tata Steel Ltd. ^{5, 13, 22}	TISC.BO	Suspended	N/A	Rs860.05	07 Nov 2007

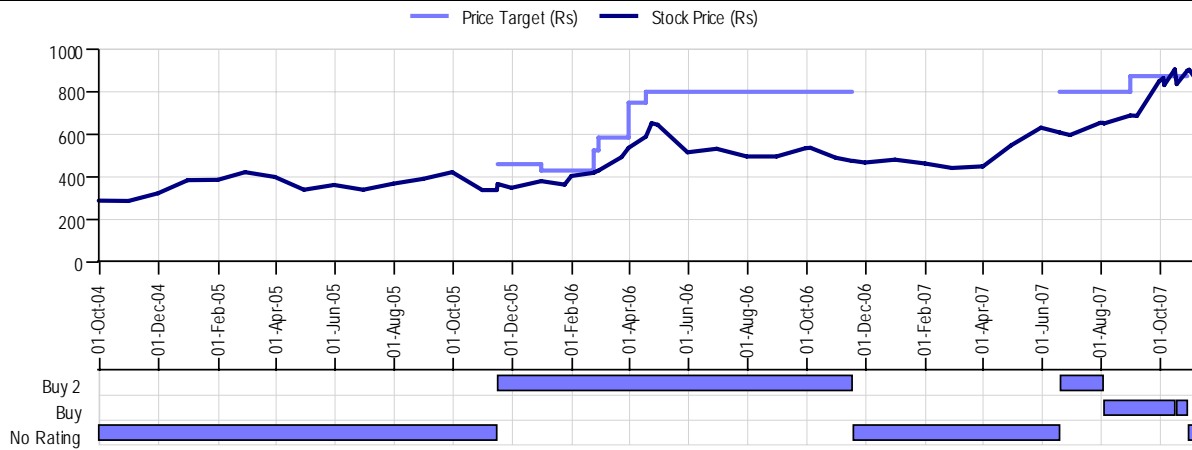
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

5. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
22. UBS AG, its affiliates or subsidiaries held other significant financial interests in this company/entity as of last month's end (or the prior month's end if this report is dated less than 10 working days after the most recent month's end).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Tata Steel Ltd. (Rs)



Source: UBS; as of 07 Nov 2007

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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