

Strong rally; Best is behind

Downgrade from Neutral to U/perform; PO & EPS unchanged

Sterlite is up 50% over the last one month. It is one of the best performers not just in India but also among the global metal stocks. It now ranks among the most expensive metal stocks globally trading at FY10E P/E of 22.5x and EV/EBITDA of 8.9x. Earnings outlook remains dismal. We forecast 4Q profit fall of >20% q-o-q and FY10 fall of 68%. Hence we recommend selling the strong recent rally.

Running ahead of zinc leverage; ally still barely break-even

Zinc (~60% of Group EBITDA post minorities) tends to be the most significant driver of stock performance. Over the four year period of 2004-2007, correlation with zinc was very high at 0.97. This correlation has broken down to just 0.2 over the last five months given that the stock has run up far ahead of zinc price recovery. We believe the beta trade has been played excessively and it is now time to book profit, more so when aluminum division is still barely break even.

Price outlook and demand fundamentals unchanged

The recent rally in the metal sector reflects positive impact of continued commodities buying by China and an increase in confidence in global financial markets. Confidence aside, we have not identified any significant improvement in demand. Hence we believe the recent rally in metal prices will not sustain. From their recent bottoms, ally / zinc / copper are up 8 / 26 / 44%.

Asarco & aluminum capex to drain down surplus cash

On cons. basis, Group has surplus cash of \$3.6bn. But this should be drawn down fully to fund Asarco acqn. (\$1bn & balance staggered) & Ally capex (\$2.5bn). We believe Asarco will be EPS dilutive & negative free cash flows and key negatives.

Estimates (Mar)

(Rs)	2007A	2008A	2009E	2010E	2011E
Net Income (Adjusted - mn)	45,826	44,639	35,530	11,533	16,392
EPS	82.04	63.01	50.15	16.28	23.14
EPS Change (YoY)	170.8%	-23.2%	-20.4%	-67.5%	42.1%
Dividend / Share	4.00	4.00	3.76	1.22	1.74
Free Cash Flow / Share	60.55	36.98	2.00	(68.36)	(30.81)
ADR EPS (US\$)	1.81	1.56	0.992	0.322	0.457
ADR Dividend / Share (US\$)	0.088	0.099	0.074	0.024	0.034

Valuation (Mar)

	2007A	2008A	2009E	2010E	2011E
P/E	4.33x	5.63x	7.08x	21.81x	15.34x
Dividend Yield	1.13%	1.13%	1.06%	0.344%	0.489%
EV / EBITDA*	2.31x	2.78x	4.58x	8.62x	6.80x
Free Cash Flow Yield*	13.45%	10.42%	0.564%	-19.26%	-8.68%

* For full definitions of *iQmethod*SM measures, see page 11.

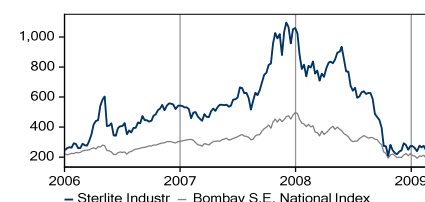


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Stock Data

Price (Common / ADR)	Rs355.00 / US\$7.14
Price Objective	Rs249.00 / US\$4.50 to US\$5.40
Date Established	4-Mar-2009 / 30-Mar-2009
Investment Opinion (Common)	C-2-8 to C-3-8
Investment Opinion (ADR)	C-2-8 to C-3-8
Volatility Risk	HIGH / HIGH
52-Week Range	Rs164.50-Rs990.00
Market Value (mn)	US\$4,973
Shares Outstanding (mn)	708.5 / 708.5
Average Daily Volume	4,098,682
ML Symbol / Exchange	XTNDF / BSE
ML Symbol / Exchange	SLT / NYS
Bloomberg / Reuters	STLT IN / STRL.BO
ROE (2009E)	14.8%
Net Dbt to Eqty (Mar-2008A)	-42.2%
Est. 5-Yr EPS / DPS Growth	-25.0% / -24.0%
Free Float	40.0%



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Refer to important disclosures on page 12 to 14. Analyst Certification on Page 10. Price Objective Basis/Risk on page 10.

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iQprofileSM Sterlite Industries India Ltd.

Key Income Statement Data (Mar)	2007A	2008A	2009E	2010E	2011E
(Rs Millions)					
Sales	243,868	247,054	184,758	144,253	163,335
Gross Profit	94,589	78,682	47,732	25,348	32,133
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	86,550	72,732	41,107	18,043	24,133
Net Interest & Other Income	3,026	12,475	15,517	5,776	5,776
Associates	NA	NA	NA	NA	NA
Pretax Income	89,576	85,207	56,624	23,819	29,909
Tax (expense) / Benefit	(24,707)	(21,935)	(9,400)	(4,764)	(5,982)
Net Income (Adjusted)	45,826	44,639	35,530	11,533	16,392
Average Fully Diluted Shares Outstanding	559	708	708	708	708

Key Cash Flow Statement Data

Net Income	45,826	44,639	35,530	11,533	16,392
Depreciation & Amortization	8,039	5,950	6,625	7,306	8,000
Change in Working Capital	(15,668)	(874)	6,755	5,468	(2,576)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	15,341	9,629	10,740	4,382	6,677
Cash Flow from Operations	53,537	59,345	59,651	28,688	28,493
Capital Expenditure	(19,718)	(33,141)	(58,233)	(77,120)	(50,320)
(Acquisition) / Disposal of Investments	(1,314)	(15,958)	(2,627)	(7,880)	(7,880)
Other Cash Inflow / (Outflow)	NA	NA	NA	NA	NA
Cash Flow from Investing	(21,031)	(49,099)	(60,860)	(85,000)	(58,200)
Shares Issue / (Repurchase)	(3,464)	81,024	0	0	0
Cost of Dividends Paid	(2,748)	(3,442)	(3,038)	(986)	(1,402)
Cash Flow from Financing	(11,762)	82,224	14,217	(986)	(1,402)
Free Cash Flow	33,820	26,203	1,418	(48,432)	(21,827)
Net Debt	(14,283)	(117,806)	(113,559)	(56,261)	(25,152)
Change in Net Debt	(26,294)	(87,827)	4,247	57,298	31,109

Key Balance Sheet Data

Property, Plant & Equipment	97,176	124,367	175,975	245,790	288,110
Other Non-Current Assets	2,967	18,925	21,552	29,432	37,312
Trade Receivables	NA	NA	NA	NA	NA
Cash & Equivalents	60,387	168,551	181,559	124,261	93,152
Other Current Assets	30,824	31,698	24,942	19,474	22,050
Total Assets	191,354	343,541	404,028	418,957	440,624
Long-Term Debt	46,103	50,745	68,000	68,000	68,000
Other Non-Current Liabilities	9,174	13,537	13,537	13,537	13,537
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	0	0	0	0	0
Total Liabilities	55,277	64,282	81,537	81,537	81,537
Total Equity	136,076	279,259	322,492	337,420	359,088
Total Equity & Liabilities	191,354	343,541	404,028	418,957	440,624

iQmethodSM - Bus Performance*

Return On Capital Employed	38.2%	20.2%	9.2%	3.5%	4.5%
Return On Equity	57.1%	27.7%	14.8%	4.4%	6.0%
Operating Margin	35.5%	29.4%	22.2%	12.5%	14.8%
EBITDA Margin	38.8%	31.8%	25.8%	17.6%	19.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.2x	1.3x	1.7x	2.5x	1.7x
Asset Replacement Ratio	2.5x	5.6x	8.8x	10.6x	6.3x
Tax Rate (Reported)	27.6%	25.7%	16.6%	20.0%	20.0%
Net Debt-to-Equity Ratio	-10.5%	-42.2%	-35.2%	-16.7%	-7.0%
Interest Cover	22.8x	22.8x	10.8x	4.4x	5.9x

Key Metrics

* For full definitions of iQmethodSM measures, see page 11.

Company Description

Sterlite is India's largest non-ferrous metals and mining company based on net sales. It is also one of India's most diversified metals company with presence in zinc, aluminum, copper and in the near future merchant power generation.

Investment Thesis

Sharp recent outperformance now makes Sterlite among the most expensive metal stocks globally. Earnings outlook however remains dismal and hence the potential for the stock to de-rate. We expect metal prices to remain capped owing to weak demand outlook and supply closures take time to be implemented. Lastly, Sterlite's is cash rich but the surplus cash will be drained down to fund Asarco (earnings dilutive in our view) and aluminum capex.

Stock Data

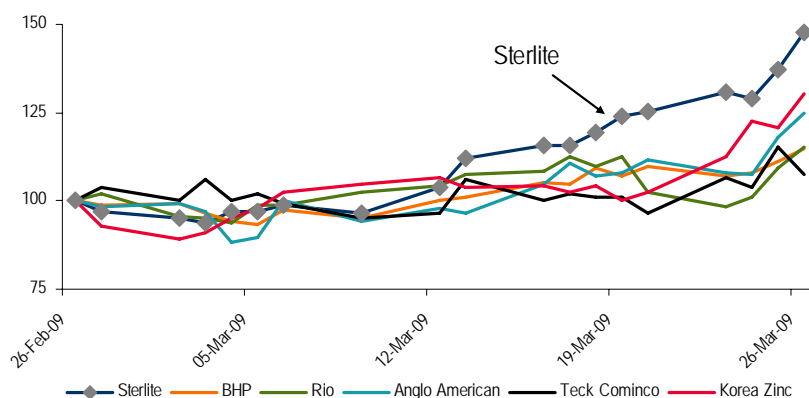
Shares / ADR	1.00
Price to Book Value	1.0x

Sharp run up, ripe for correction Best performing stock in India and globally

Over the last one month Sterlite has shot up 50%. This makes it one of the best performing stocks not only in India but also globally among the large cap metals and mining stocks. Within India, its out-performance can be explained by the fact that it offered a high beta trade with a strong balance sheet – net cash of \$2bn.

We believe the best is behind, valuation is rich and the metals rally may not sustain given the weak global economic outlook. Hence we downgrade the stock to Under-perform. Our PO remains unchanged at Rs249, which implies downside potential of 33%. Our EPS estimates also remain unchanged. We forecast current year EPS of Rs50 which is a fall of 20% y-o-y. In FY10, we forecast EPS to fall again by 68% to Rs16.3. The declining EPS is essentially owing to weaker metal prices.

Chart 1: Indexed 1-month stock performance



Source: Bloomberg, Banc of America Securities – Merrill Lynch

Expensive on P/E and EV/EBITDA

Based on one year forward earnings, Sterlite trades at P/E of 22.5x and EV/EBITDA of 8.9x. This makes Sterlite the second most expensive metal stocks globally. Table 1 gives the valuation comps for the large cap base metal stocks.

Table 1: Comparative Valuations

Company	ML Code	QRQ	Stock Price	Mkt Cap USD m	P/E		EV/EBITDA		P/BV	
					FY09E	FY10E	FY09E	FY10E	FY09E	FY10E
Sterlite	XTNDF	C-3-8	366	5,242	7.3	22.5	4.7	8.9	1.0	1.0
Hindalco	HNDF	C-3-8	52	1,852	13.9	NM	5.1	7.8	0.6	0.6
NALCO	NAUDF	C-3-8	234	3,058	11.1	30.7	6.9	19.2	1.5	1.5
Vedanta	VDNRF	C-2-7	706	2,773	7.8	244.4	2.0	4.5	0.7	0.7
BHP Billiton	BHPBF	B-2-7	1459	126,243	13.5	17.8	6.6	8.2	2.9	2.9
RIO	RTPPF	C-1-7	2382	53,424	4.3	11.2	5.3	6.0	2.1	1.9
Anglo American	AAUKF	B-3-9	1252	23,495	4.1	15.7	3.0	6.6	1.1	1.0
Xstrata Plc	XSRAF	C-2-9	464	20,113	2.4	11.2	3.9	7.0	0.5	0.7

Source: Bloomberg, Banc of America Securities – Merrill Lynch

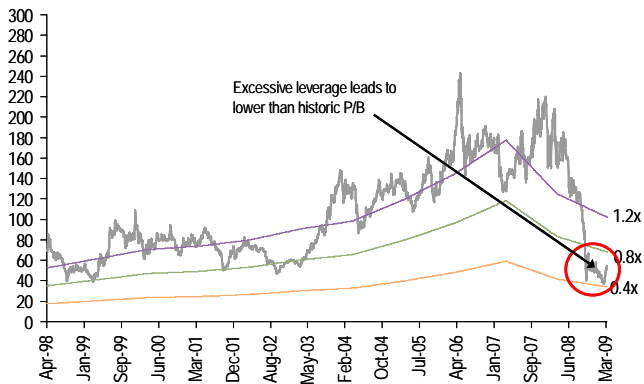
Not most expensive on P/B, but upside limited

Given the big falls in metals prices we are perhaps somewhere at the bottom / tough of the cycle. The trough may however continue to prolong for an extended period owing to weak global demand and supplies continuing to run ahead of demand. P/B is a useful valuation metric to look at during the bottom of the cycle.

On P/B, Sterlite trades at 1x which does not make it excessively expensive. However, it is useful to look at P/B multiple in the previous down cycles. Past trends indicate that metal stocks in India tend to bottom out at 0.7-0.8x (barring undue stress on the balance sheet). This implies that Sterlite has potential downside of around 30% and upside is limited. Hence an un-favorable risk reward scenario.

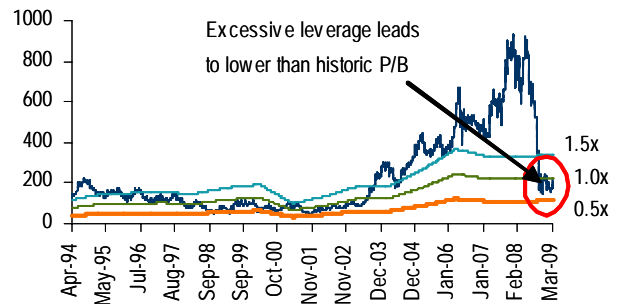
Chart 2 and 3 show the P/B trends. Sterlite does not have a useful price history prior to 2003 and so we use Hindalco and Tata Steel stock price trends as proxy.

Chart 2: Hindalco 1-yr forward P/B trends



Source: Bloomberg, Banc of America Securities – Merrill Lynch

Chart 3: Tata Steel 1-yr forward P/B trends



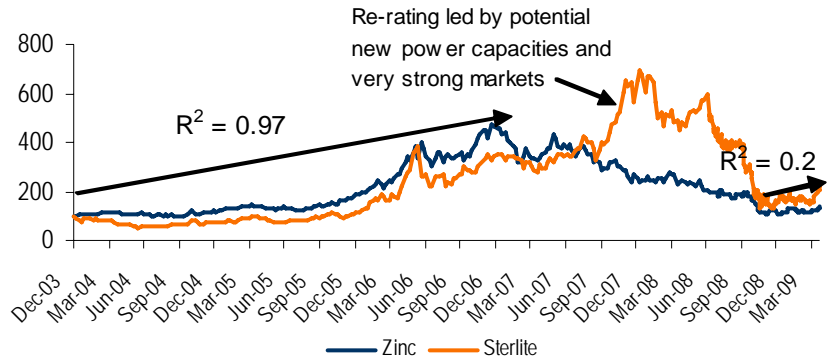
Source: Bloomberg, Banc of America Securities – Merrill Lynch

Running ahead of zinc leverage

Zinc accounts for ~60% of Group EBITDA (post minorities) and tends to be the most significant driver of stock performance. Over the four year period, 2004-2007, correlation with zinc was very high at 0.97. This correlation has broken down to just 0.2 over the last five months given the sharp stock run up over the last few weeks. We believe the beta trade has been played excessively and it is now time to book profit.

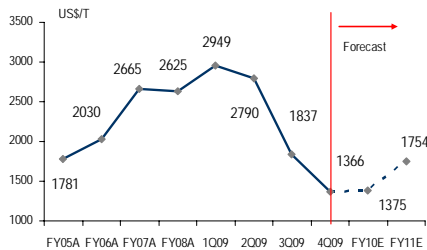
It is interesting to note that even at the current aluminum price of \$1405/t and Rupee / US\$ rate of Rs51, Sterlite's aluminum is likely to be barely profitable.

Chart 4: Indexed Zinc prices (LME) vs Sterlite stock performance



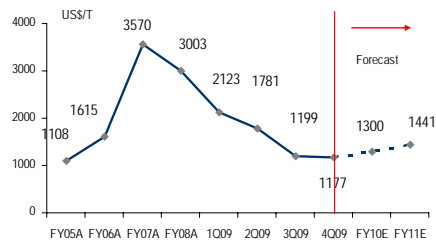
Source: Bloomberg, Banc of America Securities – Merrill Lynch

Chart 5: Aluminum price trends



Source: Bloomberg, Banc of America Securities – Merrill Lynch

Chart 6: Zinc price trends



Source: Bloomberg, Banc of America Securities – Merrill Lynch

What is driving the sharp run up in metal prices?

Aluminum / zinc / copper have run up 8 / 26 / 44% from their recent bottoms. However, they still continue to be 20-40% lower over the last six months. We believe the recent run up is reflecting the positive impact of continuing commodities buying by China and an increase in confidence in global financial markets.

China imports shoot up in Feb

In February China imported big volumes of refined copper (274kt, +96% y-o-y) and zinc (84.5kt, +368% y-o-y). This is a surprise to us because there is nothing much happening downstream for these metals with semis output rates modest weak especially for zinc and aluminum, the two most important metals for Sterlite. Tables 2 and 3 provide the data for China's metals trade, apparent consumption and production.

We believe the market thinks the State Reserve Bureau (SRB) is doing bottom-of-the-market buying. SRB has a mandate to stabilize prices and have a reserve of critical commodities for the domestic economy. This mandate has likely expanded recently ahead of an infra-focused stimulus program going forward. We believe the market also expects that SRB is preparing for a big government infrastructure spend, probably firing up in 2010.

China export policy changes may be a party pooper

China's Feb export numbers are weak, reflecting declining global economic activity and RMB's appreciation. The Chinese government is expected to implement a range of export-supportive policies such as higher export tax rebates. This should be bearish for ex-China metals prices.

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Table 2: China's metals Trade (kt) - Feb 09

	Feb-09	%YoY	Jan-Feb 09	%YoY
Aluminum				
Primary imports	24	9%	49.4	-4%
Primary exports	11	-72%	28.6	-69%
Alumina imports	421	41%	752	-22%
Semis exports	56.7	-63%	140	-55%
Semis output	950.7	11%	1810	-2%
Bauxite imports	1060	-44%	2149	-46%
Copper				
Refined imports	274.4	96%	457	67%
Refined output	321.5	22%	610	15%
Conc. Imports	445	0%	950	0%
Semis imports	45.8	-33%	76.7	-49%
Semis output	549.8	43%	928	7%
Zinc (refined & unwrought zinc alloy)				
Imports	84.5	368%	103.7	211%
Exports	2.1	-69%	3.1	-82%

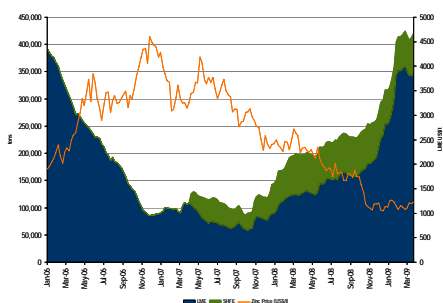
Source: Antaike, China customs, Bloomberg, NBS, BAS-ML Research

Table 3: China's Production, Net Imports & Apparent Consumption (kt)

	Aluminum	Copper*	Zinc
China's Apparent Consumption (kt)			
Jan-Feb 08	2048	804	582
Jan-Feb 09	1785	1066	600
%chg	-12.9%	32.6%	3.1%
Feb08	986	404	279
Feb-09	882	596	347
%chg	-10.5%	47.5%	24.5%
China's Production (kt)			
Jan-Feb 08	2089	532	566
Jan-Feb 09	1764	610	500
%chg	-15.5%	14.7%	-11.7%
Feb08	1004	264	268
Feb-09	869	322	265
%chg	-13.4%	21.6%	-1.0%
China's Net Imports (kt)			
Jan-Feb 08	-40	272	16
Jan-Feb 09	21	456	101
%chg	n/a	67.6%	511.8%
Feb08	-18	140	11
Feb-09	13	274	82
%chg	n/a	96.4%	625.0%

Source: Antaike, China customs, BAS-ML Research *excludes SRB releases

Chart 7: Zinc Inventory & LME Price Trends



Source: Bloomberg

Zinc fundamentals

Demand hit by a weaker steel market

We expect zinc surplus of 87mt in the current year and 73mt next year. Global demand for zinc is driven primarily by the steel market, with the galvanized steel sector accounting for nearly half of all zinc consumed. Given the great uncertainties surrounding the global steel market, demand for zinc should remain under threat. Steel producers have already idled production on a large scale around the world, which makes for a very weak outlook for zinc-intensive galvanized sheet production. So far, there are no signs of restart of the idled capacity as underlying demand for galvanized sheet has collapsed. This is forcing zinc consumption down significantly. With car production continuing to fall, steel orders and galvanized sheet production is falling in most countries.

But inventory scenario not as bad

Production curtailments for zinc have come at an early stage in the cycle and have been extensive. Moreover, a tighter zinc concentrate market implies that downside for zinc prices may not be substantial. This is further supported by zinc inventories, which after building tremendously in 2HCY08, are now stabilizing.

Chart 7 and table 4 give the inventory trends and our demand supply forecasts.

Table 4: Zinc Demand Supply Model

	2006A	2007A	2008E	2009E	2010E	2011E	2012E
Supply							
World ex-China	7,311	7,441	7,628	7,399	7,627	7,861	8,043
China	3,163	3,728	3,925	3,920	3,935	4,040	4,201
Total Supply	10,474	11,169	11,553	11,319	11,562	11,901	12,244
% chg y-o-y	4%	7%	3%	-2%	2%	3%	3%
Demand							
World ex-China	7,960	7,907	7,759	7,487	7,569	7,639	7,787
China	3,166	3,531	3,690	3,745	3,920	4,085	4,281

Table 4: Zinc Demand Supply Model

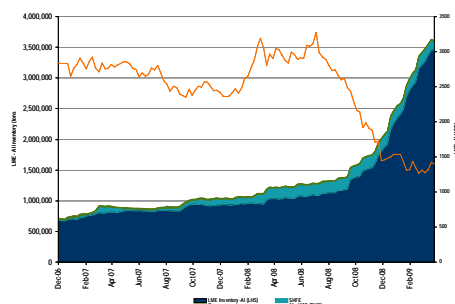
	2006A	2007A	2008E	2009E	2010E	2011E	2012E
Total Demand	11,126	11,438	11,449	11,232	11,489	11,724	12,068
% chg y-o-y	5%	3%	0%	-2%	2%	2%	3%
Surplus / (deficit)	-652	-269	104	87	73	177	176

Source: Banc of America Securities – Merrill Lynch

Aluminum fundamentals Demand outlook weakest, limited infrastructure spending benefits

We expect aluminum surplus of 807mt in the current year and 514mt next year. As is the case with most commodities, aluminum consumption has dropped sharply led by weaker economic scenario. In a scenario of improving economic outlook, we expect aluminum to lag other metals in terms of price recovery. This is because aluminum demand tends to be relatively more consumer centric rather than infrastructure centric. And secondly on the supply side, the surplus in aluminum is far higher than in the case of other metals.

Chart 8: Aluminum Inventory vs LME price



Source: Bloomberg

Inventory scenario looks grim

Among all the base metals, aluminum inventories are the highest at 13.6 weeks in February versus the last peak of 9 weeks in Aug 2003. Despite this inventories continue to build up as production cuts so far have not been adequate. We estimate primary aluminum production is running at an annualized rate of 33m tons, which makes the market over supplied by at least 15%.

There does not as yet appear a silver lining on the horizon. While China has so far contributed to almost half of the global production curtailments, further cut backs may be difficult. This is because cost of making aluminum is coming down and it is likely that a good number of Chinese producers are still profitable at current aluminum prices. Alumina prices have been coming down and energy often tends to be subsidized for the Chinese smelters.

Charts 8 and table 5 give the inventory trends and our demand supply forecasts.

Table 5: Aluminum Demand Supply Model

	2006A	2007A	2008E	2009E	2010E	2011E	2012E
Supply							
World ex-China	24583	25554	25917	24678	25054	25767	26510
China	9349	12588	12950	13015	13158	13447	13851
Total	33932	38142	38867	37693	38212	39215	40361
% chg y-o-y	6%	12%	2%	-3%	1%	3%	3%
Demand							
World ex-China	25641	25714	25344	23725	24078	24642	25140
China	8790	12300	13038	13160	13621	14234	14917
Total	34431	38014	38382	36885	37699	38875	40057
% chg y-o-y	8%	10%	1%	-4%	2%	3%	3%
Surplus / (deficit)	-499	128	485	807	514	340	304

Source: Banc of America Securities – Merrill Lynch

Sterlite Earnings Forecasts

Table 6: Key Assumptions - Zinc

	FY08A	FY09E	FY10E	FY11E
Volume (kt)	426	545	625	720
% chg	22%	28%	15%	15%
Zinc Price - LME - \$/t	3044	1559	1300	1441
Import duty	5%	5%	5%	5%
Rupee	40.2	46	48.5	45.9
Zinc realisation - Rs/t	135,654	76,632	65,494	68,398
Turnover	78,455	54,037	49,216	59,579
EBITDA (Rs mn)	53,398	25,194	17,475	20,970
EBITDA/ton (Rs/t)	125,252	46,203	27,955	29,141
EBITDA Margin	68%	47%	36%	35%

Source: Company, Banc of America Securities - Merrill Lynch

Table 7: Key Assumptions - Aluminum

	FY08A	FY09E	FY10E	FY11E
Volume (kt)	359	357	336	368
% chg	15%	-1%	-6%	9%
Al Price - LME (US\$/t)	2593	2237	1375	1754
Import Duty	5%	5%	5%	5%
Rupee	40.2	46.0	48.5	45.9
Al- Realisation - Rs/t	115,865	115,022	73,947	88,551
Turnover	41596	41063	24855	32587
EBITDA (Rs mn)	13231	9623	-1292	3526
EBITDA/ Ton (Rs/t)	36855	26956	-3844	9581
EBITDA Margin	32%	23%	-5%	11%

Source: Company, Banc of America Securities - Merrill Lynch

Table 8: Key Assumptions - Copper

	FY08A	FY09E	FY10E	FY11E
Volume (kt)	339	310	380.7	380.7
% chg	9%	-9%	23%	0%
Cu TCRC (cents/ lb)	21	12	18	15
Domestic volumes	40%	40%	40%	40%
Export volumes	60%	60%	60%	60%
CU LME - (US\$/t)	7,531	5,868	3,500	3,761
Turnover - Rs mn	122,055	89,658	70,181	71,169
EBITDA (Rs mn)	11,121	12,415	8,666	7,138
EBITDA/ Ton (Rs/t)	32,805	40,047	22,762	18,749
EBITDA Margin	9%	14%	12%	10%

Source: Company, Banc of America Securities - Merrill Lynch

Table 9: Summarized earnings estimates

	FY 08A	FY 09E	FY 10E	FY 11E
Revenues	247054	184758	144253	163335
YoY Change	1%	-25%	-22%	13%
EBITDA	78682	47732	25348	32133
Margins	32%	26%	18%	20%
- Copper Tuticorin	11121	12415	8666	7138
- Balco	13231	9623	-1292	3526
- Zinc	53398	25194	17475	20970
- Tasmania Cu Mine	1192	500	500	500
- Others	-259	0	0	0
Depreciation	5,950	6,625	7,306	8,000
Interest (net)	3,186	3,808	4,080	4,080
Other Income	15,661	19,325	9,856	9,856
Tax	21,935	9,400	4,764	5,982
PAT	63,272	47,224	19,055	23,928
Minority Interest	-18591	-10740	-4382	-6677
Share of Associates	-42	-954	-3140	-859
PAT post minority	44,639	35,530	11,533	16,392
YoY Change	-3%	-20%	-68%	42%
EPS	63	50	16	23
YoY Change	-23%	-20%	-68%	42%

Source: Company, Banc of America Securities – Merrill Lynch

Price objective basis & risk Sterlite Industr (XTNDF / SLT)

Our PO of Rs249 (USD5.4) is based on sum of the parts for the metals and merchant power business. We value the metals business at Rs232/share, at a 15% discount to 12 month DCF value of Rs273. The discount emanates from continuing weak metal prices and hence the significant downside risk to our earnings estimates. We value the merchant power business at Rs17/share, which is 50% share that Sterlite does not sell in-house.

Our DCF valuation for the metals business builds in long term metal prices from FY16E onwards and we take a WACC of 13.7% and perpetuity growth of 0%. We forecast long term zinc prices of \$1521/t and long term aluminum prices of \$2073/ton. Near term our zinc price forecast is \$1300/t for FY10E and \$1441/t for FY11E. Our valuation of the power business is based on capacity of 2400MW by FY11, capex of \$1.9bn and gearing of 70%.

Upside risks to our PO are higher than forecast metal prices and higher than forecast power capacity over the next two years. Downside risks are lower metals prices and continuing hurdles in minority stake increase.

Analyst Certification

I, Vandana Luthra, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Metals & Mining Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Angang Steel	ANGGF	347 HK	Frank Zhang
	Banpu Pcl	BPULF	BANPU TB	Komsun Suksumrun
	PT Adaro Energy Tbk	XPDRF	ADRO IJ	Daisy Suryo
	PT Bayan Resources Tbk	XBAYF	BYAN IJ	Daisy Suryo
	Tambang Batubara	PBATF	PTBA IJ	Daisy Suryo
NEUTRAL				
	Intl Nickel In	PTNDF	INCO IJ	Daisy Suryo
	Maanshan Iron & Steel	MAANF	323 HK	Frank Zhang
UNDERPERFORM				
	Aneka Tambang	XANEF	ANTM IJ	Daisy Suryo
	Bumi Resources	PBMRF	BUMI IJ	Daisy Suryo
	Hindalco	HNDFF	HNDL IN	Vandana Luthra
	Jindal Steel and Power Limited	XJDLF	JSP IN	Bhaskar.N.Basu,CFA
	JSW Steel	XJWJF	JSTL IN	Bhaskar.N.Basu,CFA
	NALCO	NAUDF	NACL IN	Vandana Luthra
	Sesa Goa Limited	XSGAF	SESA IN	Bhaskar.N.Basu,CFA
	Steel Authority of India	SLAUF	SAIL IN	Bhaskar.N.Basu,CFA
	Sterlite Industr	XTNDF	STLT IN	Vandana Luthra
	Sterlite Industries India Limited	SLT	SLT US	Vandana Luthra
	Tata Steel	TAEFL	TATA IN	Bhaskar.N.Basu,CFA

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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XTNDF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of February 28, 2009 or such later date as indicated.

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SLT Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of February 28, 2009 or such later date as indicated.

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Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	54	39.42%	Buy	19	40.43%
Neutral	30	21.90%	Neutral	5	20.00%
Sell	53	38.69%	Sell	8	20.00%

Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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