

Q2 better than expectations

■ Event: Volumes surprise on the upside, Operating expenses lower as well

JSW reported higher than expected Q2 PAT pre-ex of Rs4.9bn (-16%QoQ, +9%YoY; UBS-e/consensus of Rs1.1bn/Rs2.5bn), and EBITDA of Rs12.9bn (-7%QoQ, +39%YoY; UBS-e/consensus of Rs6.2bn/Rs10bn) driven by a) higher volumes of 1.88 mt vs UBS-e of 1.56mt, while ASP was largely in line at Rs40,516/t, b) lower than expected raw material cost of Rs26,250/t (+Rs1,532/t QoQ) c) lower staff costs (lesser by Rs0.3bn over Q1FY12).

■ Impact: EBITDA/t higher than expected; Iron cost higher by Rs800/t QoQ

EBITDA/t was Rs6,850/t (-15%QoQ, +17%YoY) higher than UBS-e of Rs3,977/t (UBS-e for FY12 is Rs5,364/t). Though the production was impacted by c450kt in the quarter due to mining ban, sales were higher due to a) inventory liquidation from Q1 b) re-rolling volumes of 0.18mt for JSW ISPAT. JSW incurred higher iron ore cost of cRs800/t in the quarter due to increased purchases from the market.

■ Action: Stock price discounts the negatives, look beyond the current mess

The management has lowered FY12 sales guidance to 7.8mt vs 9mt earlier while we forecast 6.9mt. 1H sales were 3.6mt. We believe a lot of the negative news is already discounted by the current stock price. JSW is currently trading at attractive valuations of FY13E EV/EBITDA / PB of 5x/0.7x. At an EV (FY12E) of cUS\$6bn, JSW is trading @40% discount to replacement value.

■ Valuation: Maintain Buy with a PT of Rs700

We value JSW on 6x FY13E EV/EBITDA. We don't value investment in Ispat.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	188,970	238,407	289,611	388,477	412,934
EBIT (UBS)	27,118	30,435	21,120	42,886	56,685
Net Income (UBS)	15,686	17,261	9,071	21,937	31,160
EPS (UBS, Rs)	83.86	77.36	40.66	98.32	139.66
Net DPS (UBS, Rs)	9.50	11.34	4.55	9.83	13.60

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	16.4	12.8	7.3	11.0	13.7
ROIC (EBIT) %	13.8	11.5	6.7	11.7	14.8
EV/EBITDA (core) x	7.1	7.4	7.5	5.0	4.0
PE (UBS) x	10.9	14.5	14.3	5.9	4.2
Net dividend yield %	1.5	1.0	0.8	1.7	2.3

Source: Company accounts, Thomson Reuters, 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 Rs580.45 on 21 Oct 2011 23:54 SGT

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Global Equity Research

India

Steel

12-month rating **Buy**
Unchanged

12m price target **Rs700.00/US\$13.98**
Unchanged

Price **Rs580.45/US\$11.59**

RIC: JSTL.BO BBG: JSTL IB

24 October 2011

Trading data (local/US\$)

52-wk range	Rs1,351.50-549.50/US\$30.63-11.18
Market cap.	Rs130bn/US\$2.59bn
Shares o/s	223m (ORD)
Free float	54%
Avg. daily volume ('000)	2,907
Avg. daily value (m)	Rs1,922.2

Balance sheet data 03/12E

Shareholders' equity	Rs170bn
P/BV (UBS)	0.8x
Net Cash (debt)	(Rs207bn)

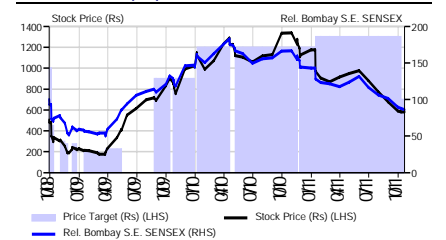
Forecast returns

Forecast price appreciation	+20.6%
Forecast dividend yield	1.2%
Forecast stock return	+21.8%
Market return assumption	13.3%
Forecast excess return	+8.5%

EPS (UBS, Rs)

	03/12E	03/11	Actual
	UBS	Cons.	
Q1E	10.98	23.82	23.21
Q2E	11.79	11.79	24.93
Q3E	7.72	7.73	16.33
Q4E	10.16	10.16	21.49
03/12E	40.66	40.66	
03/13E	98.32	98.32	

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 7.

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Table 1: Standalone Q1FY12 results

Rs m	Q2 FY11	Q1FY12	Q2FY12A	QoQ	YoY
Volume (mt)	1,583	1,714	1,882	10%	19%
Net Sales	57,128	70,646	76,251	8%	33%
Decrease/(increase) in inventory	3,288	(3,564)	(1,433)		
Cons of raw material	33,734	45,932	50,836	11%	51%
Total raw material	37,022	43,143	49,403	15%	33%
Power and fuel	2,951	4,056	4,351	7%	47%
Staff cost	1,291	1,766	1,463	-17%	13%
Other expenditure	6,574	7,791	8,144	5%	24%
Total expenditure	47,838	56,755	63,360	12%	32%
EBITDA	9,291	13,891	12,890	-7%	39%
EBITDA margin	16.3%	19.7%	16.9%	-14%	4%
Depreciation	3,324	3,879	4,039	4%	21%
EBIT	5,967	10,012	8,852	-12%	48%
Interest	1,993	1,966	2,344	19%	18%
Other Income	2,264	217	439	102%	-81%
Exceptional Items – forex loss			5,130		
PBT	6,238	8,263	1,817	-78%	-71%
Taxes	1,783	2,480	546	-78%	-69%
Tax rate %	23%	30%	30%		
PAT	4,454	5,783	1,271	-78%	-71%
PAT Pre-ex	4,454	5,783	4,862	-16%	9%

Source: Company data, UBS Research.

Table 2: Cost Structure Progression

Rs/t	Q2 FY11	Q1FY12	Q2FY12A	QoQ	YoY
Net blended realisation	36,089	41,217	40,516	-2%	12%
Total raw material	23,387	24,719	26,250	6%	12%
Power and fuel	1,864	2,366	2,312	-2%	24%
Staff cost	815	1,030	777	-25%	-5%
Other expenditure	4,153	4,997	4,327	-13%	4%
Total expenditure	30,220	33,113	33,666	2%	11%
EBITDA	5,869	8,104	6,849	-15%	17%
EBITDA (\$/t)	130	180	152	-15%	17%

Source: Company data, UBS Research, Note: USDINR =45

Table 3: Product Mix

mt	Q2 FY11	Q1FY12	Q2FY12A	QoQ	YoY
Semis	0.086	0.14	0.08	-45%	-12%
Rolled Flat	1.215	1.28	1.47	14%	21%
Rolled Long	0.281	0.29	0.34	16%	20%
Total Saleable Steel	1.583	1.71	1.88	10%	19%

Source: Company data

Key takeaways from the conference call

1. Exceptional Loss -Forex

- There was an exceptional loss of Rs5.1bn in the P&L on account of rupee depreciation vs USD. This is loss arising out of LCs (Letter of Credits)/acceptances for coking coal import payments. This loss is notional in nature and could reverse in the coming quarters if the rupee appreciates. Similarly, loss of Rs5bn on the foreign currency loans due to rupee depreciation has been capitalized.
- Staff costs in Q1FY12 were high due to provisions of gratuity. Hence, Q2FY12 staff costs have seen a 17% QoQ decline.

2. Guidance

- The management has lowered FY12 sales volume guidance to 7.8mt vs the earlier 9mt, due to the lower capacity utilizations owing to iron ore supply constraints. JSW has sold c3.6mt in 1H, will have to sell c4.2mt in 2H to meet 7.8mt guidance. However, we have been conservative and forecast 6.9mt sales for FY12.

3. Iron ore scenario in Karnataka

- JSW has purchased 2.08mt in the 6 e-auctions conducted till date, while only 0.3mt has been shipped to its site. Bottlenecks relating to logistics are being sorted and the despatches are expected to improve over the coming weeks.
- The landed cost of iron ore that JSW has received till now from the e-auction is Rs3,300/t.
- The iron ore inventory sale of 1.5mt per month + NMDC sales of c1mt per month is sufficient for the steel industry in the region. In fact, JSW is favourably placed vis-à-vis the other e-auction participants as it is one of the few players in the region that runs on iron ore fines and a large part (c70%) of the 25mt inventory is fines.
- The CEC report submitted to honourable SC, based on which the SC temporarily banned iron ore mining in Karnataka has classified the mines in the state into 3 categories:
 - 14 mines with a cumulative capacity of c1.5mt per month have no irregularities and JSW's JV mine is a part of these
 - 22 mines with a cumulative capacity of c2mtpa have been found to have minor irregularities.

– The rest of the 50+ mines have major irregularities.

- On 6th November 2011, when the CEC, state government and other authorities submit the environmental impact assessment/rehabilitation & reclamation reports to the SC, there is high likelihood that the first 2 categories of mines are allowed to operate, which would suffice the iron ore requirement of the region including that of JSW.

4. Coke batteries running at full capacity despite low steel utilization rates

- JSW is currently operating its coke oven batteries at full capacity despite very low blast furnace utilization, due to which there is coke inventory of 200 kt available. This strategy has helped avoid any force majeure on coking coal purchases and the resultant penalties.

5. FY12 capex vis-à-vis guidance

- Management had earlier guided for Rs80bn capex for FY12 while till date only Rs20 bn has been spent, though the management has not admitted to any slow down in the expansion plans – a) 10 to 12 mtpa b) 6mtpa green field West Bengal project.

6. Overseas Businesses

- US plate & pipe business- The capacity utilization has improved to 37%; the slowdown in the plate segment, is being compensated by a strong pipe business and the management expects improved performance over the coming quarters.
- Production at Chile iron ore mine was in line with that of last quarter at c0.2mt.

7. Exports & Sales Mix

- Exports were 18% of volumes in Q2, while sales through the retail venture - JSW Shoppe increased 16% YoY to 372kt which is c25% of total domestic sales.

8. Steel Price Outlook

- JSW increased steel prices by c4% in October and expects that any softness in global prices will not directly translate to India due to the depreciating rupee.

9. Increase in stake by JFE & promoter warrants

- JFE group currently holds 14.99% in JSW Steel and intends to increase it further, however JSW board at this stage has not decided on allowing JFE to increase its stake.
- The promoters hold warrants that expire in Dec @Rs1,200/sh which in all likelihood will be subscribed to, which should certainly act as a positive sign for the stock price.

Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	85,544	123,455	158,863	188,970	238,407	289,611	21.5	388,477	34.1	412,934	6.3
Operating expenses (ex depn)	(58,866)	(94,517)	(129,530)	(148,865)	(192,375)	(252,091)	31.0	(325,155)	29.0	(334,842)	3.0
EBITDA (UBS)	26,678	28,939	29,333	40,105	46,032	37,520	-18.5	63,322	68.8	78,092	23.3
Depreciation	(4,983)	(7,419)	(9,878)	(12,987)	(15,597)	(16,399)	5.1	(20,436)	24.6	(21,406)	4.7
Operating income (EBIT, UBS)	21,695	21,519	19,455	27,118	30,435	21,120	-30.6	42,886	103.1	56,685	32.2
Other income & associates	1,452	3,723	3,202	5,962	3,437	3,663	6.6	3,876	5.8	3,927	1.3
Net interest	(3,996)	(5,730)	(11,556)	(11,080)	(9,454)	(11,934)	26.2	(15,689)	31.5	(17,472)	11.4
Abnormal items (pre-tax)	0	0	(7,948)	0	0	0	-	0	-	0	-
Profit before tax	19,151	19,512	3,153	22,000	24,417	12,849	-47.4	31,073	141.8	43,141	38.8
Tax	(6,233)	(7,658)	(726)	(6,467)	(7,823)	(4,265)	-45.5	(9,745)	128.5	(12,731)	30.6
Profit after tax	12,919	11,854	2,427	15,533	16,594	8,584	-48.3	21,328	148.5	30,410	42.6
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(159)	(475)	32	153	667	487	-27.0	609	25.1	749	23.0
Net income (local GAAP)	12,760	11,379	2,459	15,686	17,261	9,071	-47.4	21,937	141.8	31,160	42.0
Net Income (UBS)	12,760	11,379	7,784	15,686	17,261	9,071	-47.4	21,937	141.8	31,160	42.0
Tax rate (%)	33	39	23	29	32	33	3.6	31	-5.5	30	-5.9
Pre-abnormal tax rate (%)	33	39	30	29	32	33	3.6	31	-5.5	30	-5.9
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	77.81	60.83	13.15	83.86	77.36	40.66	-47.4	98.32	141.8	139.66	42.0
EPS (UBS)	77.81	60.83	41.62	83.86	77.36	40.66	-47.4	98.32	141.8	139.66	42.0
Net DPS	10.96	14.00	1.00	9.50	11.34	4.55	-59.8	9.83	116.0	13.60	38.3
Cash EPS	108.20	100.50	94.42	153.29	147.27	114.16	-22.5	189.91	66.4	235.60	24.1
BVPS	328.08	406.41	401.87	480.11	728.33	763.42	4.8	850.01	11.3	973.23	14.5
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	102,020	208,017	278,943	284,090	323,183	389,643	20.6	422,054	8.3	422,383	0.1
Net intangible fixed assets	39	7,831	7,831	8,992	10,932	10,932	0.0	10,932	0.0	10,932	0.0
Net working capital (incl. other assets)	(9,585)	(23,089)	(49,560)	(45,906)	(51,339)	(50,346)	-1.9	(49,340)	-2.0	(49,191)	-0.3
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	92,474	192,759	237,215	247,176	282,777	350,228	23.9	383,647	9.5	384,125	0.1
Investments	2,450	4,696	3,966	6,282	29,138	29,040	-0.3	29,040	0.0	29,040	0.0
Total capital employed	94,924	197,455	241,181	253,458	311,915	379,268	21.6	412,687	8.8	413,165	0.1
Shareholders' equity	53,798	75,999	75,150	89,781	162,503	170,333	4.8	189,651	11.3	217,145	14.5
Minority interests	0	1,919	2,732	2,187	2,358	2,358	0.0	2,358	0.0	2,358	0.0
Total equity	53,798	77,918	77,882	91,968	164,861	172,691	4.7	192,009	11.2	219,504	14.3
Net debt / (cash)	41,126	119,537	163,299	161,490	147,054	206,577	40.5	220,677	6.8	193,661	-12.2
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	94,924	197,455	241,181	253,458	311,915	379,268	21.6	412,687	8.8	413,165	0.1
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	21,695	21,519	19,455	27,118	30,435	21,120	-30.6	42,886	103.1	56,685	32.2
Depreciation	4,983	7,419	9,878	12,987	15,597	16,399	5.1	20,436	24.6	21,406	4.7
Net change in working capital	4,673	9,163	26,220	(7,734)	1,787	(992)	-	(2,061)	107.7	(1,502)	-27.1
Other (operating)	2,663	5,488	(4,424)	6,405	4,383	4,476	2.1	4,811	7.5	5,003	4.0
Operating cash flow (pre tax/interest)	34,014	43,589	51,129	38,775	52,201	41,003	-21.5	66,072	61.1	81,593	23.5
Net interest received / (paid)	(3,996)	(5,730)	(11,556)	(11,080)	(9,454)	(11,934)	26.2	(15,689)	31.5	(17,472)	11.4
Dividends paid	(2,664)	(3,405)	(558)	(2,409)	(3,501)	(1,611)	-53.99	(3,101)	92.48	(4,162)	34.22
Tax paid	(3,528)	(5,266)	(475)	(2,388)	(4,177)	(4,265)	2.1	(8,690)	103.8	(11,378)	30.9
Capital expenditure	(23,242)	(121,209)	(80,804)	(19,294)	(56,631)	(82,858)	46.3	(52,848)	-36.2	(21,735)	-58.9
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	764	13,596	(1,497)	(1,797)	30,344	141	-99.5	155	9.9	170	9.4
Share issues	287	13	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	1,636	(78,411)	(43,762)	1,808	8,782	(59,523)	-	(14,100)	-76.3	27,016	-
FX / non cash items	(1,424)	0	0	0	5,655	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	212	(78,411)	(43,762)	1,808	14,436	(59,523)	-	(14,100)	-76.3	27,016	-
Core EBITDA	26,678	28,939	29,333	40,105	46,032	37,520	-18.5	63,322	68.8	78,092	23.3
Maintenance capital expenditure	0	0	0	0	0	0	-	0	-	0	-
Maintenance net working capital	0	0	0	0	0	0	-	0	-	0	-
Operating free cash flow, pre-tax	26,678	28,939	29,333	40,105	46,032	37,520	-18.5	63,322	68.8	78,092	23.3

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

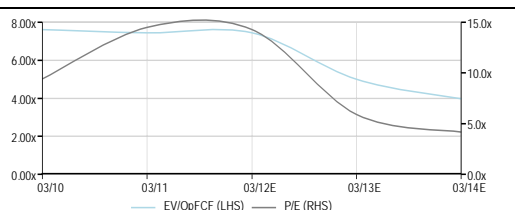
12m price target

Rs700.00

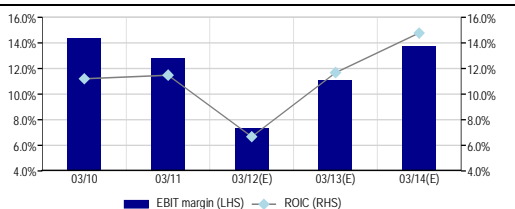
Company profile

JSW Steel, a flagship of the Sajjan Jindal group, is the fastest growing steel company in India. It targets to increase crude steel capacity from 3.8m tonnes at present to 10m tonnes by 2010. With the proposed integration of SISCOL (Southern Iron and Steel Company Ltd), JSW will become the third largest steel company in the country in terms of volume. It was the first Indian company to operate steel making units in 1994 using the coal reduction (Corex) process. In August 2007, JSW acquired a plates and pipes business in the US in order to move into higher value-added steel products.

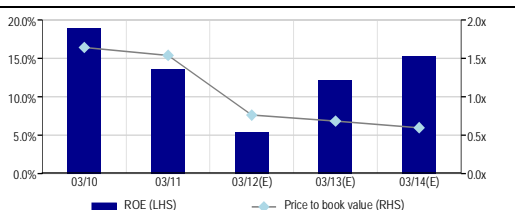
Value (EV/OpFCF & P/E)



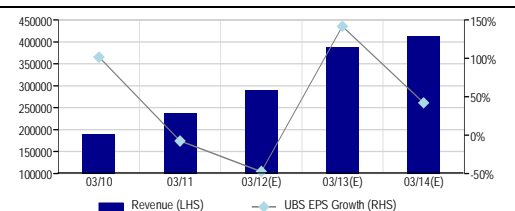
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	16.5	9.4	14.5	14.3	5.9	4.2
P/E (UBS)	10.9	9.4	14.5	14.3	5.9	4.2
P/CEPS	6.0	5.1	7.6	5.1	3.1	2.5
Net dividend yield (%)	1.5	1.2	1.0	0.8	1.7	2.3
P/BV	1.5	1.6	1.5	0.8	0.7	0.6
EV/revenue (core)	1.5	1.6	1.4	1.0	0.8	0.8
EV/EBITDA (core)	7.1	7.6	7.4	7.5	5.0	4.0
EV/EBIT (core)	10.1	11.3	11.3	13.2	7.4	5.5
EV/OpFCF (core)	7.1	7.6	7.4	7.5	5.0	4.0
EV/op. invested capital	1.4	1.3	1.3	0.9	0.9	0.8

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	147,452	215,217	129,508	129,508	129,508
+ minority interests	2,187	2,358	2,358	2,358	2,358
+ average net debt (cash)	162,394	154,272	176,816	213,627	207,169
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(6,282)	(29,138)	(29,040)	(29,040)	(29,040)
Core enterprise value	305,751	342,709	279,642	316,454	309,996

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	29.2	19.0	26.2	21.5	34.1	6.3
EBITDA (UBS)	14.6	36.7	14.8	-18.5	68.8	23.3
EBIT (UBS)	8.8	39.4	12.2	-30.6	103.1	32.2
EPS (UBS)	-0.1	101.5	-7.7	-47.4	141.8	42.0
Cash EPS	8.0	62.3	-3.9	-22.5	66.4	24.1
Net DPS	0.8	NM	19.3	-59.8	116.0	38.3
BVPS	22.1	19.5	51.7	4.8	11.3	14.5

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	22.7	21.2	19.3	13.0	16.3	18.9
EBIT / revenue	16.4	14.4	12.8	7.3	11.0	13.7
Net profit (UBS) / revenue	8.9	8.3	7.2	3.1	5.6	7.5

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	13.8	11.2	11.5	6.7	11.7	14.8
ROIC post tax	-	7.9	7.8	4.5	8.0	10.4
Net ROE	4.6	19.0	13.7	5.5	12.2	15.3

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	3.3	2.4	3.2	1.8	2.7	3.2
Dividend cover (UBS EPS)	13.7	8.8	6.8	8.9	10.0	10.3
Div. payout ratio (% UBS EPS)	13.1	11.3	14.7	11.2	10.0	9.7
Net debt / EBITDA	3.7	4.0	3.2	5.5	3.5	2.5

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	0.9	0.8	0.9	0.9	1.1	1.1
Revenue / fixed assets	0.8	0.7	0.8	0.8	0.9	1.0
Revenue / net working capital	NM	NM	NM	NM	NM	NM

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	1.4	1.5	1.5	1.8	1.5	1.4
Capex / revenue (%)	NM	10.2	23.8	28.6	13.6	5.3
Capex / depreciation	5.9	1.5	3.6	5.1	2.6	1.0

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	NM	NM	90.5	NM	NM	89.2
Net debt / (net debt + equity)	58.0	64.3	47.5	54.8	53.8	47.1
Net debt (core) / EV	47.8	53.1	45.0	63.2	67.5	66.8

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

Valuations: based on an average share price that year, (E): based on a share price of Rs580.45 on 21 Oct 2011 23:54 SGT Market cap(E) may include forecast share issues/buybacks.

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■ JSW Steel

JSW Steel, a flagship of the Sajjan Jindal group, is the fastest growing steel company in India. It targets to increase crude steel capacity from 3.8m tonnes at present to 10m tonnes by 2010. With the proposed integration of SISCO (Southern Iron and Steel Company Ltd), JSW will become the third largest steel company in the country in terms of volume. It was the first Indian company to operate steel making units in 1994 using the coal reduction (Corex) process. In August 2007, JSW acquired a plates and pipes business in the US in order to move into higher value-added steel products.

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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.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

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 2011.

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.

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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).

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UBS Securities India Private Ltd: Navin Gupta, CFA.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
JSW Steel^{4, 6}	JSTL.BO	Buy	N/A	Rs580.45	21 Oct 2011

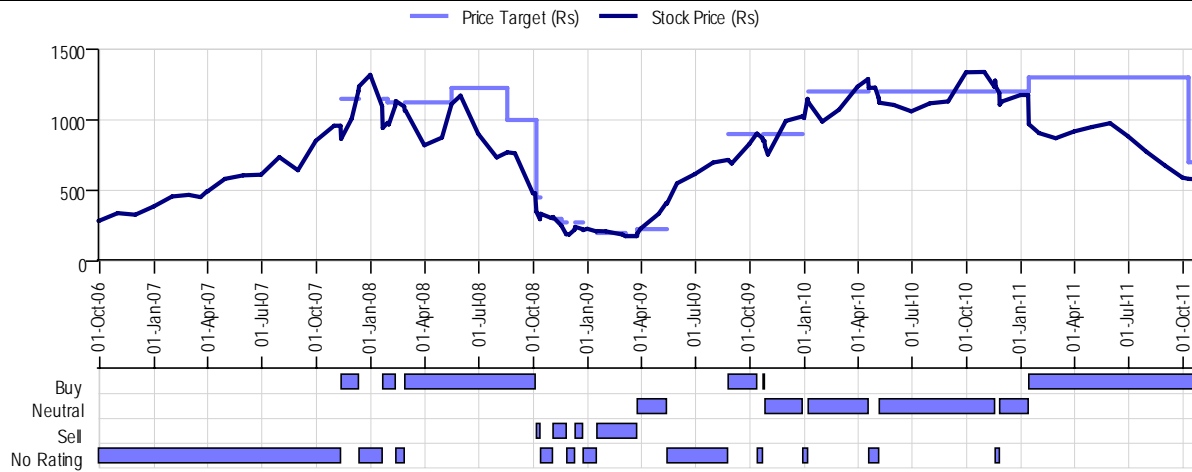
Source: UBS. All prices as of local market close.

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JSW Steel (Rs)



Source: UBS; as of 21 Oct 2011

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