

Asia India

Resources Metals & Mining

Deutsche Bank



6 October 2009

Sterlite Industries

Reuters: **STRL.BO** Bloomberg: **STLT IN** Exchange: **BSE** Ticker: **STRL**

Raising estimates on commodity forecast upgrade

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Global non-ferrous forecasts revised upwards

Our global commodities team has raised the price forecasts for both Aluminum and Zinc. Aluminum price forecasts have been raised by 17% for CY09 and 27% on CY10 while Zinc price forecasts have been raised by 18% for CY09 and 20% for CY10. Following the upward revision, we are raising the TP for Sterlite to INR855/share and reiterate our Buy recommendation on the stock.

Earnings estimates revised upwards by 29-36%

Following the non-ferrous price forecast upgrades by our global commodities team, we are revising upward our earnings estimates by 36% for FY10 and 29% for FY11. A major portion of the earnings upgrade is being contributed by Hindusthan Zinc where we have revised our EBITDA estimates for FY10-12 by 47%-55%. We now expect the company to record earnings CAGR of 35% over FY10-12.

Aggressive expansion in zinc and power to derisk company

Increasing zinc prices will complement Sterlite's aggressive Greenfield expansions in zinc and lead. The aggressive expansion in zinc and power capacity will allow Sterlite to progressively reduce its revenue and earnings focus on its legacy copper business where it is only a converter

Price target, valuation and key risks

Our SOTP-derived TP of Rs855/share, translates into a PE valuation of 9.6x FY2011 earnings – a near 27% discount to the corresponding valuation of global diversified miners. We value the zinc business at 8.4x FY11 EBITDA, copper business at 6x FY11 EBITDA, Balco at 8x FY11 EBITDA and we use a combination of P/B and NPV methodology for SEL. Key risks: sustained non-ferrous metal price weakness and appreciation of rupee (see page 6 onwards for valuation and risks details).

Forecasts and ratios

Year End Mar 31	2008A	2009A	2010E	2011E	2012E
Sales (INRm)	247,053.6	211,442.2	243,242.1	320,605.6	371,132.5
EBITDA (INRm)	78,682.2	47,041.3	66,789.1	110,594.4	125,399.4
EBIT(INRm)	72,732	40,035	56,393	95,257	108,426
Reported EPS FD(INR)	71.07	47.56	57.95	88.83	101.26
Reported NPAT (INRm)	45,018.9	33,694.9	44,992.6	74,998.2	85,496.1
DB EPS growth (%)	-14.5	-33.6	23.9	53.3	14.0
DB EPS FD(INR)	70.47	46.78	57.95	88.83	101.26
OLD DB EPS FD(INR)	70.47	49.19	42.47	68.63	72.48
% Change	0.0%	-4.9%	36.4%	29.4%	39.7%
PER (x)	10.4	10.5	13.3	8.7	7.6
EV/EBITDA (x)	4.9	5.7	7.5	4.3	3.4
DPS (net) (INR)	4.00	3.50	3.84	3.95	4.13
Yield (net) (%)	0.5	0.7	0.5	0.5	0.5

Source: Deutsche Bank estimates, company data

¹ DB EPS is fully diluted and excludes non-recurring items² Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Forecast Change

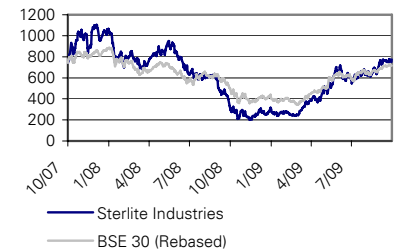
Buy

Price at 6 Oct 2009 (INR)	773.15
Price target - 12mth (INR)	855.00
52-week range (INR)	778.35 - 200.50
BSE 30	16,866

Key changes

Price target	665.00 to 855.00	↑	28.6%
Sales (FYE)	182,938 to 243,242	↑	33.0%
Op prof margin (FYE)	19.3 to 23.2	↑	19.9%
Net profit (FYE)	32,975.4 to 44,992.6	↑	36.4%

Price/price relative



Performance (%)	1m	3m	12m
Absolute	15.3	31.4	130.6
BSE 30	7.5	20.1	42.9

Stock data

Market cap (INRm)	652,771
Market cap (USDm)	13,737
Shares outstanding (m)	776.4
Major shareholders	–
Free float(%)	38
Avg daily value traded (USDm)	70.5

Key indicators (FY1)

ROE (%)	14.2
Net debt/equity (%)	-16.2
Book value/share (INR)	447.54
Price/book (x)	1.7
Net interest cover (x)	13.8
Operating profit margin (%)	23.2

Deutsche Bank AG/Hong Kong

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Model updated:06 October 2009

Running the numbers**Asia****India****Metals & Mining****Sterlite Industries**

Reuters: STRL.BO

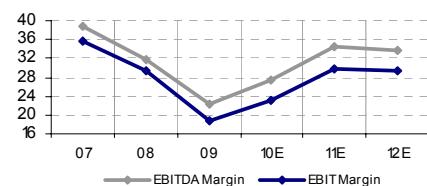
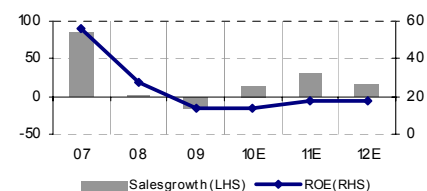
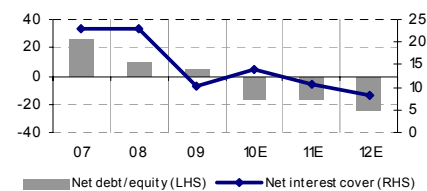
Bloomberg: STLT IN

Buy

Price (6 Oct 09)	INR 773.15
Target price	INR 855.00
52-week Range	INR 200.50 - 778.35
Market Cap (m)	INRm 652,771 USDm 13,737

Company Profile

Sterlite is one of India's largest non-ferrous metals and mining companies with operations across aluminium, copper, zinc and lead. It is also in the process of developing a commercial power generation business in India. It is a subsidiary of London listed Vedanta Resources plc, a London based diversified FTSE 100 metals and mining group.

Price Performance**Margin Trends****Growth & Profitability****Solvency****Abhay Lajawala**

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Fiscal year end 31-Mar	2007	2008	2009	2010E	2011E	2012E
Financial Summary						
DB EPS (INR)	82.38	70.47	46.78	57.95	88.83	101.26
Reported EPS (INR)	80.66	71.07	47.56	57.95	88.83	101.26
DPS (INR)	4.00	4.00	3.50	3.84	3.95	4.13
BVPS (INR)	178.7	314.8	361.5	447.5	531.9	628.4
Weighted average shares (m)	556	633	708	776	844	844
Average market cap (INRm)	257,453	465,803	349,068	652,771	652,771	652,771
Enterprise value (INRm)	276,461	385,306	270,226	498,308	479,470	422,672
Valuation Metrics						
P/E (DB) (x)	5.6	10.4	10.5	13.3	8.7	7.6
P/E (Reported) (x)	5.7	10.3	10.4	13.3	8.7	7.6
P/BV (x)	2.62	2.27	0.98	1.73	1.45	1.23
FCF Yield (%)	21.1	9.4	nm	6.1	7.7	14.5
Dividend Yield (%)	0.9	0.5	0.7	0.5	0.5	0.5
EV/Sales (x)	1.1	1.6	1.3	2.0	1.5	1.1
EV/EBITDA (x)	2.9	4.9	5.7	7.5	4.3	3.4
EV/EBIT (x)	3.2	5.3	6.7	8.8	5.0	3.9

Income Statement (INRm)

Sales revenue	243,868	247,054	211,442	243,242	320,666	371,133
Gross profit	101,631	86,916	54,115	71,364	116,390	132,116
EBITDA	94,589	78,682	47,041	66,789	110,594	125,399
Depreciation	8,039	5,950	7,007	10,397	15,337	16,974
Amortisation	0	0	0	0	0	0
EBIT	86,550	72,732	40,035	56,393	95,257	108,426
Net interest income(expense)	-3,791	-3,186	-3,973	-4,092	-8,886	-13,061
Associates/affiliates	-1	-42	-1,536	1,346	4,790	13,774
Exceptionals/extraordinaries	-957	380	553	0	0	0
Other pre-tax income/(expense)	6,817	15,661	21,543	19,467	24,888	28,275
Profit before tax	89,576	85,207	57,604	71,768	111,259	123,640
Income tax expense	24,733	21,935	10,255	12,382	20,227	23,040
Minorities	19,045	18,591	12,671	15,739	20,823	28,878
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	44,841	45,019	33,695	44,993	74,998	85,496
DB adjustments (including dilution)	957	-380	-553	0	0	0
DB Net profit	45,797	44,639	33,142	44,993	74,998	85,496

Cash Flow (INRm)

Cash flow from operations	72,608	73,755	48,812	81,545	111,905	126,361
Net Capex	-18,401	-29,839	-53,403	-44,834	-61,772	-31,700
Free cash flow	54,206	43,916	-4,591	36,712	50,133	94,661
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-2,234	-2,834	-2,480	-3,240	-3,336	-3,489
Net inc/(dec) in borrowings	-5,550	4,642	19,390	4,326	34,426	-1,872
Other investing/financing cash flows	-27,269	-110,763	-657	-13	-17,702	-5,000
Net cash flow	19,154	-65,040	11,663	37,784	63,520	84,301
Change in working capital	-2,906	2,576	-6,451	11,763	5,536	8,788

Balance Sheet (INRm)

Cash and other liquid assets	11,134	24,536	55,048	149,374	200,969	265,999
Tangible fixed assets	97,176	124,367	172,104	206,541	252,976	267,702
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	52,219	162,941	162,062	163,420	185,912	204,686
Other assets	79,460	82,099	60,500	72,000	81,073	94,797
Total assets	239,990	393,942	449,714	591,336	720,930	833,185
Interest bearing debt	46,103	50,745	70,135	74,461	108,886	107,015
Other liabilities	57,812	63,940	56,129	55,144	58,295	62,024
Total liabilities	103,916	114,685	126,264	129,605	167,182	169,039
Shareholders' equity	99,815	223,024	256,129	377,860	449,055	530,574
Minorities	36,259	56,233	68,132	83,871	104,694	133,572
Total shareholders' equity	136,074	279,257	324,261	461,731	553,749	664,146
Net debt	34,969	26,210	15,087	-74,913	-92,082	-158,985

Key Company Metrics

Sales growth (%)	85.8	1.3	-14.4	15.0	31.8	15.8
DB EPS growth (%)	147.7	-14.5	-33.6	23.9	53.3	14.0
EBITDA Margin (%)	38.8	31.8	22.2	27.5	34.5	33.8
EBIT Margin (%)	35.5	29.4	18.9	23.2	29.7	29.2
Payout ratio (%)	5.0	5.6	7.4	6.6	4.4	4.1
ROE (%)	55.9	27.9	14.1	14.2	18.1	17.5
Capex/sales (%)	7.5	12.1	25.3	18.4	19.3	8.5
Capex/depreciation (x)	2.3	5.0	7.6	4.3	4.0	1.9
Net debt/equity (%)	25.7	9.4	4.7	-16.2	-16.6	-23.9
Net interest cover (x)	22.8	22.8	10.1	13.8	10.7	8.3

Source: Company data, Deutsche Bank estimates

Investment Summary

Outlook and investment thesis

We are raising our FY10 and FY11 earnings estimates for Sterlite by 36% and 29% respectively on the back of non-ferrous price forecast upgrade by our global commodities team. Our Buy rating continues to be premised on three key factors: (1) a 35% CAGR in earnings over FY10-FY12 driven by an aggressive organic growth pipeline in high return zinc and power businesses, (2) potential to unlock further value by buying out the government's minority stakes in Balco and Hindustan Zinc (here we would wish the transaction is completed as soon as possible, before zinc prices move up again), and (3) attractive valuation—stock currently trades at a PE of 8.4x FY2011 earnings, which is a 27% discount to the current valuation of its global peers. Sterlite is building the strategic architecture to achieve global scale efficiencies in its aluminum, zinc and power businesses. We also believe the pace at which the company is proceeding to build global scale will allow it to create a sustainable first mover advantage as a local company with global scale in the world's most unique and compelling metals geography. We expect India to emerge as the world's fastest growing aluminum market and among the fastest growing zinc markets in the decade of 2010, allowing the company to optimally participate in the country's move to its fastest growing phase of materials intensive growth.

Valuation

Given the diversity of Sterlite's business portfolio, we use a sum-of-the-parts valuation to derive our target price for Sterlite. We have valued the company's zinc business at 8.4x FY11 EBITDA – a premium to its other global peers in zinc. We have valued the copper business at 6x FY2011 EBITDA – a near 30% discount to the target valuation of its zinc business. We believe that this discount, though large, is justified on account of the copper business's low returns and margins as it is only a custom smelter. A structurally tight copper market, reduces the likelihood of copper TC/RCs – the key determinant of Sterlite's earnings – improving meaningfully over our forecast period. In this context, any positive surprise in acquiring Asarco will be a strong stock price catalyst. We have assigned a valuation of 8x FY11 EBITDA to Balco. This is at a slight discount to the current valuation of Nalco – now the only pure play aluminum company in India and among a handful globally. Our power analysts (Manish Saxena and Deepak Agrawala) have used a combination of comparative price/book of peer groups and NPV methodology to estimate the value of upcoming 2400MW project of Sterlite Energy (SEL) in Orissa. Our SOTP-derived target price of Rs855/share translates into a PE valuation of 9.6x FY2011 earnings.

Risks

- 1) LME prices (Aluminum and Zinc) remain the most important determinants of Sterlite's earnings and sustained weakness in global non-ferrous prices forms a key downside risk to our estimates and recommendation.
- 2) Delay in Government approvals for securing raw materials for its operations and litigations relating to environmental regulations.
- 3) Delays in capacity expansions could put our volume growth assumptions at risk and form a downside risk to our estimates.
- 4) Sharp appreciation of rupee from current levels will hurt domestic realizations and hence earnings.

Raising estimates by 36% and 29% for FY10 and FY11

Following our global commodity forecast revisions (details on page 4 and 5), we have aligned our earnings estimates for Sterlite to the revised non-ferrous price forecasts. The commodity forecast upgrades for Zinc and aluminum have resulted in an upward revision to our earnings estimates for FY10 by 36% and for FY11 by 29%.

Figure 1: Estimates change - summary

(INR mn)	FY10			FY11		
	Old	New	% change	Old	New	% change
Net sales revenue	182,938	243,242	33%	249,843	320,606	28%
EBITDA	48,104	66,789	39%	83,600	110,594	32%
Net profit	32,975	44,993	36%	57,945	74,998	29%
EPS	42.5	58.0	36%	68.6	88.8	29%
EBITDA margins	26.3%	27.5%	116 bps	33.5%	34.5%	103 bps
PAT margins	18.0%	18.5%	47 bps	23.2%	23.4%	20 bps

Source: Deutsche Bank

DB's global commodity view

Zinc – Solid fundamentals, upgrading forecasts by 18-20%

We have upgraded our forecast price for zinc by 18%, 20% and 11% for 2009, 2010 and 2011 respectively. The upgrade for 2009 is largely a mark-to-market exercise, while we expect prices in 2010 to be modestly higher y/y, followed by further strength pricing in 2011. While zinc is exposed to largely the same economic pressures impacting the other base metals, we would characterize the zinc market as reasonably well supported. This is a function of our expectation that supply could remain relatively constrained (both at the mine and smelter level) and demand reasonably firm, even post the re-stocking trend that we are currently witnessing globally. In particular we expect demand from China to remain strong given high levels of infrastructure investment combined with surging production of auto's and white goods, all of which use galvanized steel. Importantly, zinc inventories at the exchange level are quite low on weeks of consumption basis and are not expected to rise significantly.

Figure 2: DB Zinc Supply/Demand Model

Mt	2006	2007	2008	2009e	2010e	2011e
World Refined Production	10.5	11.2	11.5	10.7	10.5	11.2
World Refined Consumption	11.2	38.1	11.2	10.8	10.4	11.6
Market Balance	-0.66	-0.25	0.34	-0.11	0.10	-0.37
Average Zinc cash price (USD/t)	3,277	3,262	1,896	1,609	1,737	1,984
Average Zinc cash price (USc/lb)	148.6	147.9	86.0	73.0	78.8	90.0

Source: Brook Hunt, Deutsche Bank

Aluminum - A possible out-performer in early 2010, upgrading forecasts by 20-29%

We have upgraded our forecast price for aluminum, by 20%, 27% and 39% for 2009, 2010 and 2011 respectively. The adjustment for 2009 is largely a mark-to-market exercise, while we expect prices in 2010 to be modestly higher y/y, followed by considerably stronger pricing in 2011. The physical supply/demand fundamentals for aluminum remain very challenging. The market is characterized by significant overcapacity, located in China, and large inventory levels. Ordinarily this would result in a fairly obvious prognosis for the metal: chronically depressed metal prices over the short and medium term. This however is not quite the case, for despite the physical imbalances, there are emerging financial factors

DB's Global Commodities Team

which have breathed some life into what would otherwise be a distinctly moribund and uninspired market.

Figure 3: DB Aluminum Supply/Demand Model

Mt	2006	2007	2008	2009e	2010e	2011e
World Refined Production	33.9	38.1	39.6	37.7	37.0	38.8
World Refined Consumption	34.4	38.0	38.0	34.5	36.2	38.6
Market Balance	-0.49	0.15	1.64	3.15	0.88	0.20
Average Aluminum cash price (USD/t)	2,566	2,639	2,571	1,823	1,855	1,923
Average Aluminum cash price (USc/lb)	116.6	119.8	116.5	82.7	84.2	87.3

Source: ICSG, Brook Hunt, Deutsche Bank

Please refer to the latest "Commodities Quarterly" dated 1 Oct '09 by Micael Lewis and our global commodities team for more details.

Valuation

Valuation methodology and argument

Given the combination of businesses and the varying profile of the businesses, we choose to use a SOTP valuation to derive our target price for Sterlite. We continue to value the company's highly attractive zinc business at 8.4x FY11 EBITDA – at a premium to its other global peers in zinc. We believe this premium is justified on account of Hindustan Zinc's low cost status and impressive mineralogy which makes it the most profitable zinc company, globally. We have valued the copper business at 6x FY11 EBITDA – a near 30% discount to the target valuation of its zinc business. We believe that this discount is justified on account of the copper business's low returns and margins as it is only a custom smelter. We have assigned a valuation of 8x FY11 EBITDA to Balco. This is at a slight discount to the current valuation of Nalco – now the only pure play aluminum company in India.

Figure 4: SOTP valuation for Sterite

SOTP	Methodology	Multiple assigned	FY11 estimated EBITDA/EPs (INR mn)	EV (INR mn)	Net debt	Implied market cap	Sterlite's share (%)	Contribution to Sterlite's market cap (INR mn)	Contribution per share
Hindusthan Zinc	EV/EBITDA	8.4	56,037	470,710	(169,782)	640,492	64.9%	415,807	493
Balco	EV/EBITDA	8	14,043	112,346	34,029	78,317	51.0%	39,942	47
Sterlite Copper	EV/EBITDA	6	11,255	67,531	(128,341)	195,872	100%	195,872	232
Sterlite Energy Limited	FCF					34,747	100%	34,747	41
VAL	FCF					119,601	29.5%	35,282	42
Sterlite valuation								721,651	855

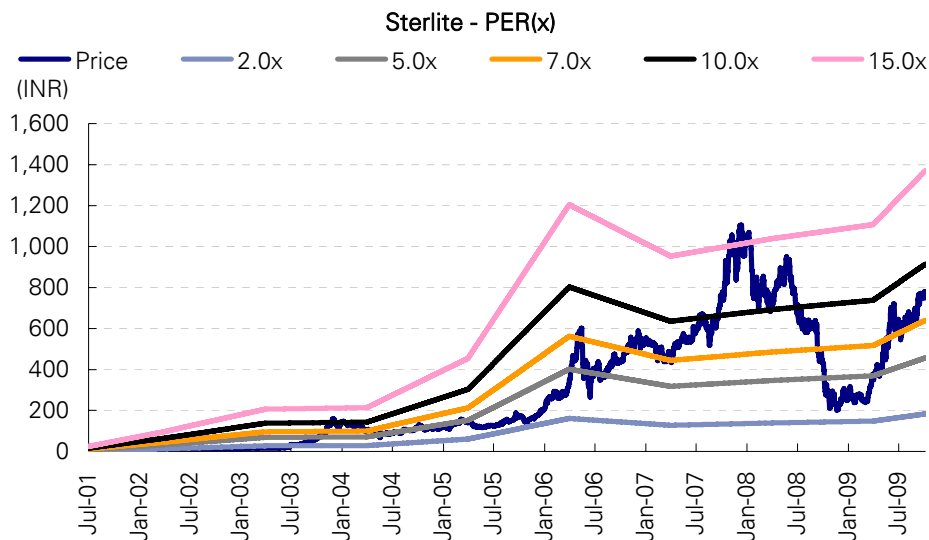
Source: Deutsche Bank

Our power analysts (Manish Saxena and Deepak Agrawala) have used a combination of comparative price/book of peer groups and NPV methodology to estimate the value of upcoming 2400MW project of Sterlite Energy (SEL) in Orissa. We have assumed that company would be using captive coal from the Rampia and Dip side of Rampia mines from FY13 onwards. Based on a captive coal mining cost assumptions of INR 500/t (in line with private sector coal mines in India), this would lead to a blended cost of coal at INR850/t. Accordingly, we estimate this plant could generate an RoE of 16-18% - higher than the businesses which have single power project on fixed tariff basis (like ultra mega power projects) over the life cycle of the project. Also, a high proportion of the power generated (~65%) is likely to be dedicated to group company Vedanta Aluminum which would ensure that the receivables risk is much lower than the peer groups who are targeting greater proportion of sales to loss making State Electricity Boards.

On a comparative assessment with its peer groups within DB coverage universe, we estimate the value of the power asset of SEL at a price/book of 2.25x - which is in with its peers - Tata Power and Lanco Infratech - leading to a value of INR61.6bn. As mentioned earlier, Sterlite's power plant enjoys a lesser risk vis-a-vis Lanco Infratech and Tata Power on the collection front though at this juncture the risk on long-term fuel security (beyond 12 years) is marginally higher vis-a-vis its peers. Our NPV methodology gives a value of INR7.9bn for the power plant. This is based on a cost of equity of 15% (risk free rate of 8.1% - in line with DB estimates, equity risk premium of 5.4% - in line with DB estimates and beta of 1.3). An average of these two methods would give a value of INR34.7bn. Important parameters which can impact the value of the power asset include (a) commissioning schedule, (b) cost of coal procurement, (c) proportion of sale of power for captive purpose (for aluminum production) and merchant sale, and (d) plant load factor levels of the plant as initial supply of coal would be from Coal India Ltd - which at times has been erratic in the quality of coal supply.

SOTP price translates into a FY2011 PE of 9.6x

Our SOTP-derived target price implies a FY11 PE multiple of 9.6x. This implies a 27% discount to the valuation multiple of its diversified mining peers globally. We would expect this discount to narrow if the company raised its holding in Hindustan Zinc – the most attractive company in Sterlite's suite of companies and Balco, which would help untangle the company's minority holdings.

Figure 5: Sterlite - PER (x) valuation band chart

Source: Deutsche Bank

Downside risks**Sustained weakness in global non-ferrous prices**

LME prices (Aluminum and Zinc) remain one of the most important determinants of Sterlite's earnings. Given the high sensitivity of stock to LME prices, a sustained weakness in global non-ferrous prices could delay the earnings recovery and form a key downside risk to our estimates and recommendation.

Delay in Government approvals and capacity expansions

The company is in the process of securing reserves of zinc and bauxite for its operations which is contingent upon regulatory and licensing restrictions imposed by government of India. Any delay in obtaining timely approvals for new mines / renewal of previous licenses could affect the resource accretion to the company. Also, our forecasts – which assume an aggressive volume growth pipeline – would also be at risk if the expansions are delayed.

Downside risks to the power business

Important parameters which can impact the value of the power asset include (a) commissioning schedule (b) Cost of coal procurement (c) proportion of sale of power for captive purpose (for aluminum production) and merchant sale (d) plant load factor levels of the plant as initial supply of coal would be from Coal India Ltd - which at times has been erratic in the quality of coal supply.

Sharp appreciation of rupee from current levels

Global Peer Valuation

Figure 6: Sterlite Global Peer Valuation

Company	Year End	Rating	Currency	Price	Target price	Mkt cap	PER(x)		EV / EBITDA		P / BV		P / CFPS		Div Yield	
				5-Oct-09		USD bn	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E (%)	
Diversified																
Bhp Billiton Ltd	30-Jun	Hold	AUD	36.3	39.0	176.6	15.1	12.1	7.5	7.0	3.6	3.1	12.5	10.4	2.7	
Hindalco	31-Mar	Non Rated	INR	118.2	NA	4.2	20.5	14.2	8.4	6.8	1.1	1.1	4.8	4.5	0.0	
Rio Tinto Ltd	31-Dec	Buy	AUD	56.9	70.0	97.7	16.7	13.5	8.0	6.3	2.7	2.4	14.0	8.0	1.4	
Sterlite Industries	31-Mar	Buy	INR	750.4	855.0	13.3	13.4	8.4	9.7	7.5	1.6	1.4	8.7	7.0	0.5	
Vedanta Resources	31-Mar	Buy	GBP	1,912.0	2,300.0	8.6	13.6	9.1	7.5	5.6	1.9	1.6	7.7	3.1	1.1	
Aluminum																
Alcoa	31-Dec	Buy	USD	13.4	17.0	14.3	NM	20.9	35.7	9.3	1.0	1.1	12.4	7.3	1.9	
Alumina	31-Dec	Buy	AUD	1.7	2.4	3.7	43.5	22.6	36.8	21.6	1.2	1.2	27.0	70.6	0.0	
Chalco	31-Dec	Buy	HKD	8.1	9.5	12.3	NM	16.9	-170.6	12.3	1.8	1.6	10.4	6.4	0.0	
Nalco	31-Mar	Sell	INR	336.7	126.0	4.5	21.3	14.9	11.8	9.1	2.1	1.9	14.1	11.4	1.4	
Norsk Hydro Asa	31-Dec	Hold	NOK	38.6	37.3	8.1	NM	57.1	42.1	10.3	1.0	0.9	43.3	33.7	0.0	
Copper																
Antofagasta Plc	31-Dec	Hold	GBP	746.5	725.0	11.7	16.5	12.6	6.7	5.3	2.2	1.9	15.3	7.0	1.2	
Freeport-Mcmoran	31-Dec	Hold	USD	67.3	72.0	31.8	15.5	9.2	5.9	4.6	3.8	2.8	12.0	5.8	0.0	
Grupo Mexico	31-Dec	Buy	MXN	25.6	33.0	14.4	16.1	9.5	6.8	4.4	2.8	2.4	15.4	6.1	2.3	
Jiangxi Copper	31-Dec	Hold	HKD	17.0	16.5	6.6	14.1	10.1	6.7	4.9	2.1	1.8	6.9	8.0	2.0	
Kazakhmys Plc	31-Dec	Hold	GBP	1,002.0	1,091.0	8.6	8.7	7.8	4.3	3.1	1.2	1.1	12.2	7.8	0.0	
KGHM	31-Dec	Hold	PLN	84.3	85.0	5.8	5.8	5.8	2.9	2.8	1.6	1.5	6.1	4.2	13.8	
Southern Copper	31-Dec	Hold	USD	30.2	23.0	25.7	25.8	15.0	13.0	8.0	6.4	5.3	29.3	11.7	1.2	
Zinc																
Boliden Ab	31-Dec	Sell	SEK	72.9	43.4	2.8	9.3	7.0	5.5	3.9	1.2	1.0	4.1	5.8	0.0	
Nyrstar Nv	31-Dec	Hold	EUR	7.9	8.5	1.1	21.4	23.2	7.8	6.4	1.2	1.1	6.3	7.9	0.0	

Source: Deutsche Bank, Hindalco based on Bloomberg consensus estimates

Price performance

Figure 7: Non ferrous stocks price performance

Stock	Currency	LTP	Mkt Cap	Return (%)				
		05-Oct-09	USD bn	1 Week	1 Month	3 Month	6 Month	1 Year
Diversified								
BHP Billiton Ltd	AUD	36.3	176.6	-2.1%	-0.8%	12.6%	14.3%	19.4%
Hindalco	INR	118.2	4.2	-6.7%	12.4%	51.4%	103.0%	20.9%
Rio Tinto Ltd	AUD	56.9	97.7	-3.1%	2.9%	20.1%	36.5%	-18.9%
Sterlite Industries	INR	750.4	13.3	0.0%	11.9%	25.9%	95.5%	89.6%
Vedanta Resources	GBP	1,912.0	8.6	1.2%	9.8%	44.6%	147.3%	87.6%
Aluminum								
Alcoa	USD	13.4	14.3	-0.1%	10.2%	42.6%	66.5%	-30.2%
Alumina Ltd	AUD	1.7	3.7	-4.1%	11.1%	32.2%	24.6%	-42.8%
Chalco	HKD	8.1	12.3	-2.9%	-7.4%	15.5%	54.7%	80.4%
NALCO	INR	336.7	4.5	-2.8%	1.1%	15.5%	33.8%	-3.6%
Norsk Hydro	NOK	38.6	8.1	1.5%	8.5%	34.0%	53.1%	5.1%
Copper								
Antofagasta PLC	GBP	746.5	11.7	-0.7%	3.7%	29.4%	41.4%	96.3%
Freeport-McMoran Copper	USD	67.3	31.8	-2.4%	2.0%	49.6%	65.7%	50.0%
Grupo Mexico	MXN	25.6	14.4	1.3%	14.9%	89.0%	140.8%	171.5%
Jiangxi Copper	HKD	17.0	6.6	-0.5%	-2.9%	35.4%	97.9%	118.8%
Kazakhmys Plc	GBP	1,002.0	8.6	-6.7%	2.0%	66.4%	135.1%	76.1%
KGHM	PLN	84.3	5.8	-2.7%	1.6%	9.1%	59.1%	84.3%
Southern Copper	USD	30.2	25.7	-1.7%	6.8%	57.8%	65.8%	93.5%
Zinc								
Boliden AB	SEK	72.9	2.8	-3.8%	-1.8%	27.3%	45.8%	148.8%
Nyrstar Nv	EUR	7.9	1.1	-7.5%	4.2%	43.7%	134.6%	82.9%

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Sterlite Industries	STRL.BO	773.15 (INR) 6 Oct 09	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

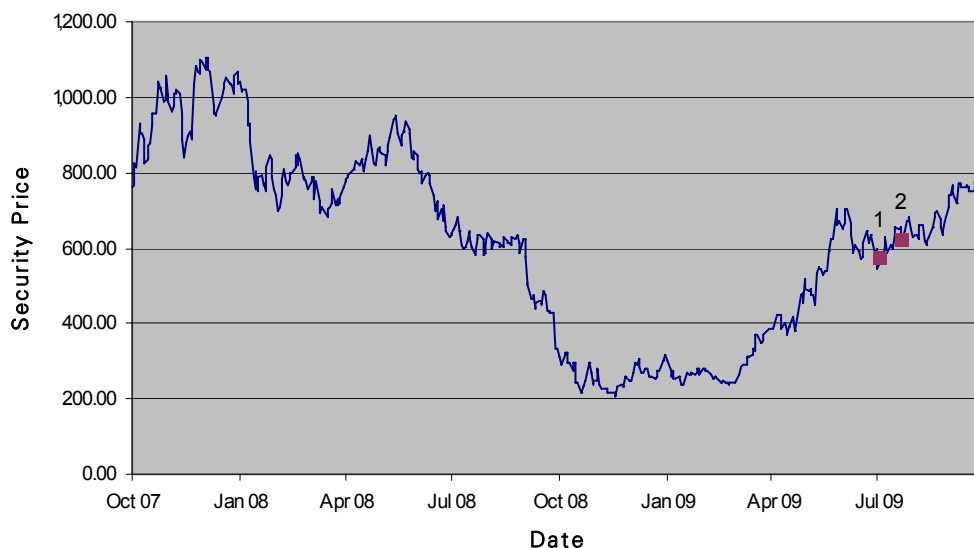
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Historical recommendations and target price: Sterlite Industries (STRL.BO)

(as of 10/6/2009)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	10/7/2009:	Buy, Target Price Change INR660.00	2.	29/7/2009:	Buy, Target Price Change INR665.00
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Equity rating key Equity rating dispersion and banking relationships

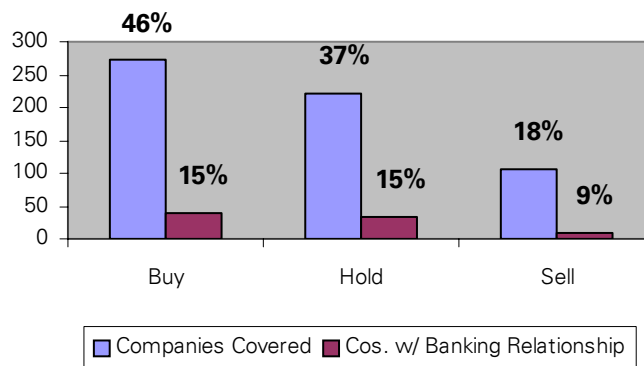
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