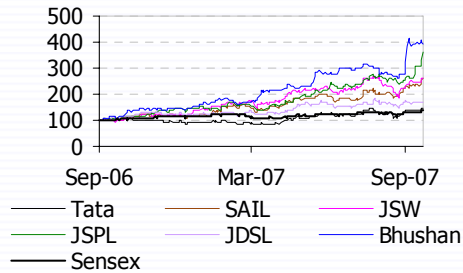
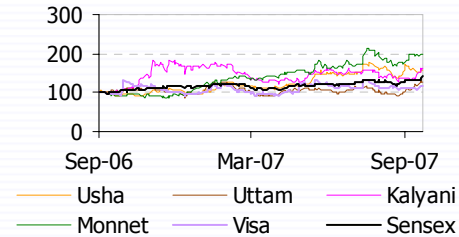


Relative Performance



Relative Performance



Indian Steel Sector

Aggressively leveraged!

Financial summary

Company	Price (Rs)	EPS^ CAGR	EV/EBITDA FY09E	RoCE FY09E	D/E FY09E	Tgt Price (Rs.)	Rel.to Sec	Company	Price (Rs)	EPS^ CAGR	EV/EBITDA FY09E	RoCE FY09E	D/E FY09E	Tgt (Rs.)	Rel.to Sec
SAIL	201	19	5.0	53	0.1	235	OP	Usha Martin	63	57	4.0	32	1.0	74	OP
Tata Steel	795	34	5.9	20	1.6	702	N	Monnet	388	12	7.3	15	1.9	355	N
JSPL	5,099	45	6.7	24	1.2	4,813	N	Visa Steel	43	175	5.6	27	2.5	40	UP
JSW Steel	823	23	5.9	27	1.2	660	N	Uttam Galva	44	22	3.7	18	1.1	Not Rated	-
Bhushan Steel	916	36	10.2	19	2.5	572	UP	Kalyani	423	11	10.5	24	0.4	Not Rated	-
Jindal Stainless	163	30	4.6	30	1.7	141	N	Mukand	87	22	5.0	15	1.2	Not Rated	-

Source: ENAM Research; * Note: OP: Outperformer; N: Neutral; UP: Underperformer Note: ^ EPS CAGR for 2 years

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September 27, 2007

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Executive Summary

- **Global steel industry:**
 - Resources segment remains in the midst of a sweet spot of a steel cycle
 - Supply squeeze and high supplier concentration to keep resource prices higher
 - Non-integrated steel making companies remain vulnerable from rising input costs
 - Steel prices continue to remain firm but short term fluctuations to remain during inventory adjustment and tactical negotiations with the iron ore/ coal supplier

- **Given its captive rich iron ore resource, Indian steel industry is well placed**
 - But increasing cost of coking coal might dampen Indian profits
 - Indian companies are leveraging aggressively
 - While resource intensive companies are getting bigger by acquiring steel making companies
 - ... Smaller steel making companies are expanding rapidly and integrating backward

- **Winners: Players with focus on resources/ high profitability, growth & reasonable financial leverage**

- **Sector Outperformers: SAIL, Usha Martin**

- **Sector Neutral: Tata Steel, JSW Steel, JSPL, Jindal Stainless, & Monnet Ispat**

Comparative Valuations

Company	Price	Mkt cap	EPS (Rs.)		2yr CAGR	D/E (x)	P/E (x)		RoE (%)		RoCE (%)		EV/EBITDA (x)		Tgt Price	Relative
	(Rs)	(USD mn)	FY08	FY09	(%)	FY09	FY08	FY09	FY08	FY09	FY08	FY09	FY08	FY09	(Rs.)	to Sector
SAIL	201	20,932	18	21	19	0.1	10.9	9.5	38	33	55	53	5.9	5.0	235	OP
Tata Steel	795	15,512	73	85	34	1.6	10.9	9.3	22	25	18	20	6.0	5.9	702	N
JSPL	5,099	3,951	293	488	45	1.2	17.4	10.5	30	35	25	24	9.9	6.7	4,813	N
JSW Steel	823	3,314	89	105	23	1.2	9.3	7.8	25	21	29	27	6.9	5.9	660	N
Bhushan Steel	916	979	92	103	36	2.5	10.0	8.9	28	25	19	19	10.6	10.2	572	UP
Jindal Stainless	163	587	21	29	30	1.7	7.7	5.7	28	29	24	30	5.7	4.6	141	N
Usha Martin	63	354	7	11	57	1.0	9.2	5.6	22	29	25	32	5.5	4.0	74	OP
Monnet Ispat	388	347	39	49	12	1.9	9.8	7.9	22	22	15	15	8.3	7.3	355	N
Visa Steel	43	118	3	12	175	2.5	13.9	3.6	10	32	18	27	15.7	5.6	40	UP
Uttam Galva	44	93	17	17	22	1.1	2.6	2.6	28	22	22	18	4.0	3.7	-	Not Rated
Kalyani	423	465	25	25	11	0.4	16.8	16.7	22	19	29	24	10.5	10.5	-	Not Rated
Mukand	87	160	14	18	22	1.2	6.3	4.8	14	16	13	15	5.8	5.0	-	Not Rated

Source: Company, ENAM Research



Global Steel industry: Evaluation

Resources segment remains in a sweet spot

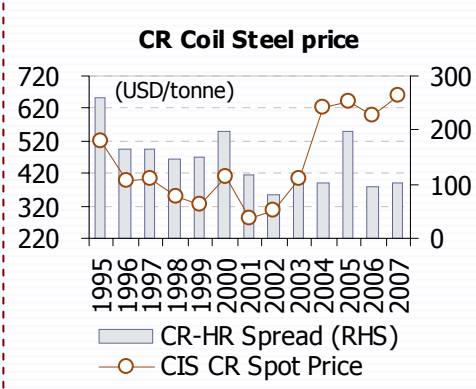
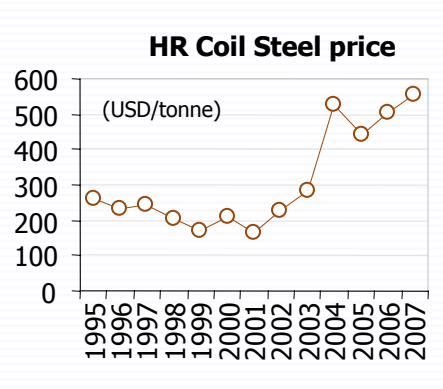
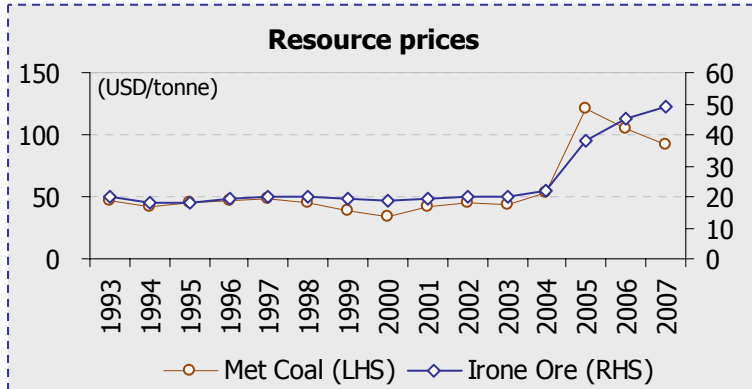
Profitability evaluation across value chain

Resources

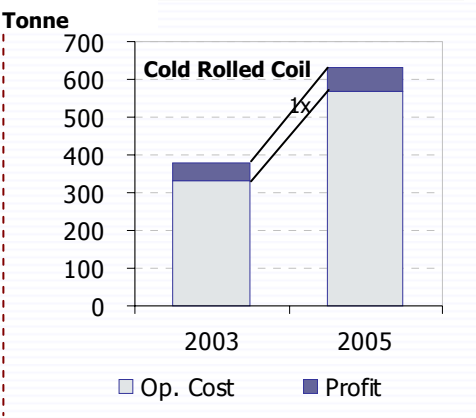
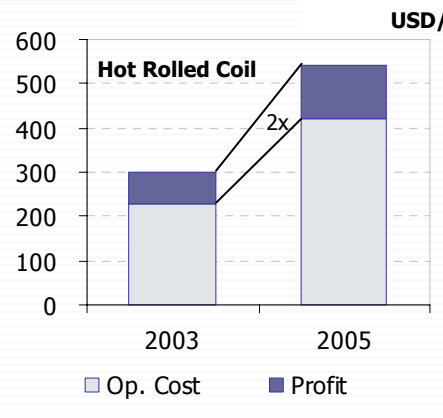
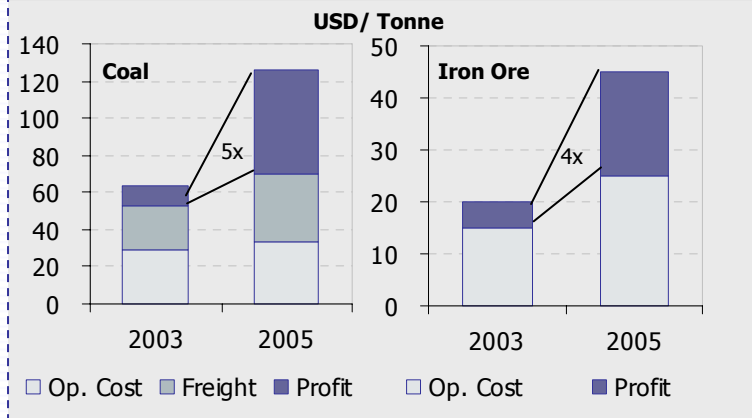
Pure Iron & Steel Making

Processing

Pricing



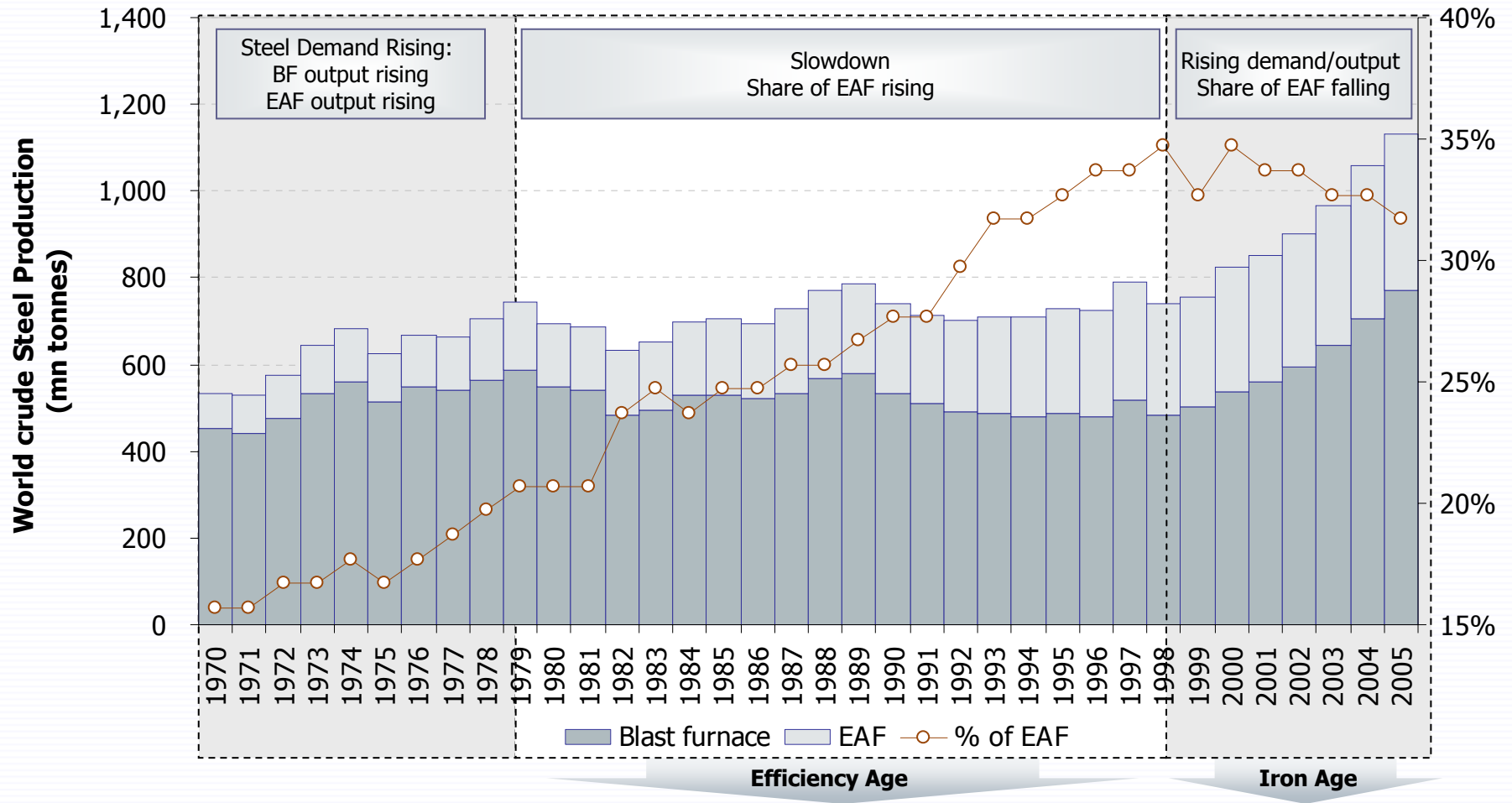
Profitability Trend → **4-5x rise** **2x rise** **Flat**



Capital Intensity → **Low** **High** **Medium**

Control over resources remains key to profitability

Resources demand to rise further



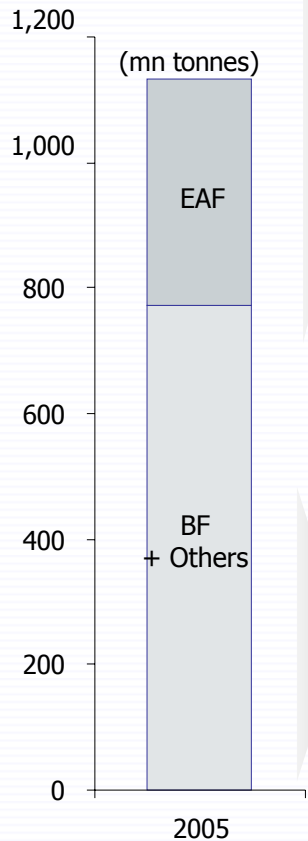
Source: World Steel (IISI), Eurofer, OCED, ENAM Research

- Incremental steel demand/supply from the western world/ matured economies
- EAF : Scrap preferred inputs
- Iron ore and coal took back stage

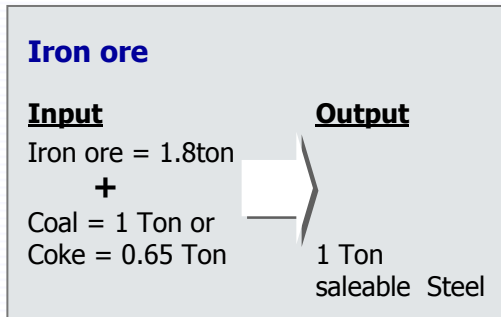
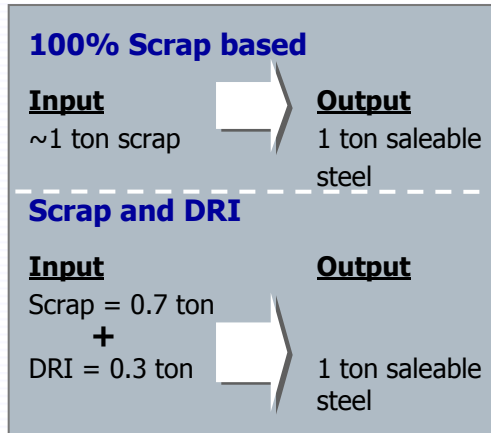
- Incremental steel demand largely China & developing world
- Iron ore and coal taking centre-stage

Steel making: Cost drivers

Steel output: By process



Cost drivers



EAF: Production cost (USD/Tonne)

Without Captive inputs	Price (USD)	Input/ Tonne Output	Cost (USD)
Scrap (100%)	330	1.08	356
Other inputs			80
RM Cost	-	-	436
Conversion + overhead	-	-	40
TOTAL	-	-	476

BF + Others: Production cost (USD/Tonne)

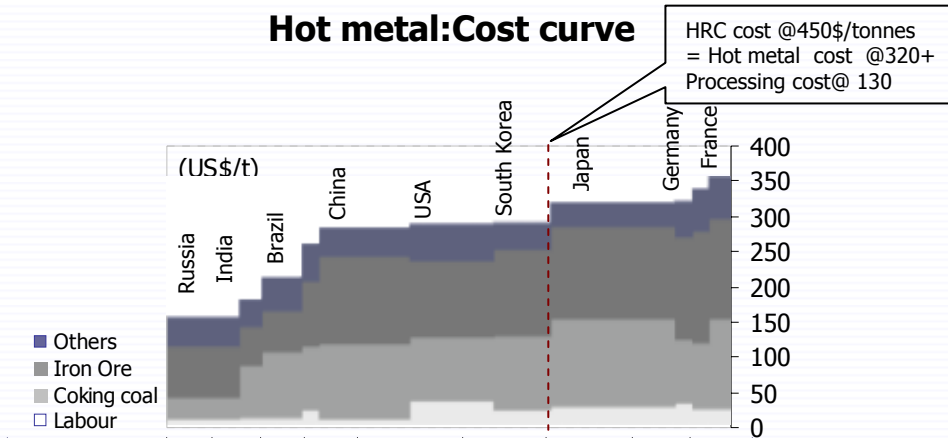
Without Captive inputs	Price (USD)	Input/ Tonne Output	Cost (USD)
Iron ore contract price (cif)	84	1.8	151
Met-Coal Contract price cif	138	1	138
Other inputs+Overhead	-	-	100
TOTAL (Liquid Steel)	-	-	389
Casting + Rolling	-	-	60
TOTAL	-	-	449
Hot Rolled Operating Cost	-	-	449

Source: World Steel (IISI), Bloomberg, Eurofer, OCED, ENAM Research

Iron ore and coking coal are equally critical inputs

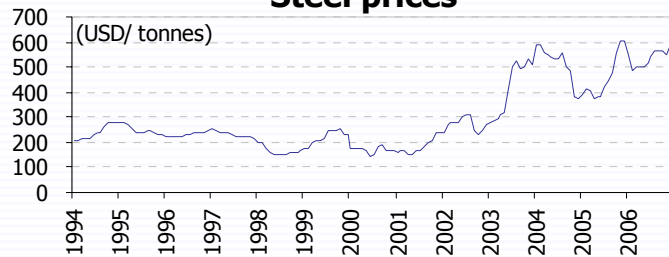
Global steel cost curve/ Resource position:

Hot metal:Cost curve



Tight Iron ore situation										
Company			✓			✓	✓	✓	✓	✓
Country			✓			✓	✓	✓	✓	✓
Tight Coal Situation										
Company		✓	✓	✓	✓	✓	✓	✓	✓	✓
Country		✓	✓			✓	✓	✓	✓	✓

Steel prices



Bullish Case: 702 \$ /tonnes

Normal Case: 639 \$ /tonnes

Worst Case: cash cost of production = 450 \$

Steel Price Economics

Best Case	(USD/ Tonne)
Greenfield Capital Cost (USD/ ton)	1,200
Operating cost	450
EBIT @ 16% ROCE	192
Depreciation @ 5%	60
EBITDA	252
Cost of Production	450
Selling Price of saleable steel	702

Source: ENAM Research

Base Case	(USD/ Tonne)
Brownfield Capital Cost Case (USD/ ton)	900
Operating cost	450
EBIT @16% ROCE	144
Depreciation @ 5%	45
EBITDA	189
Cost of Production	450
Selling Price of saleable steel	639

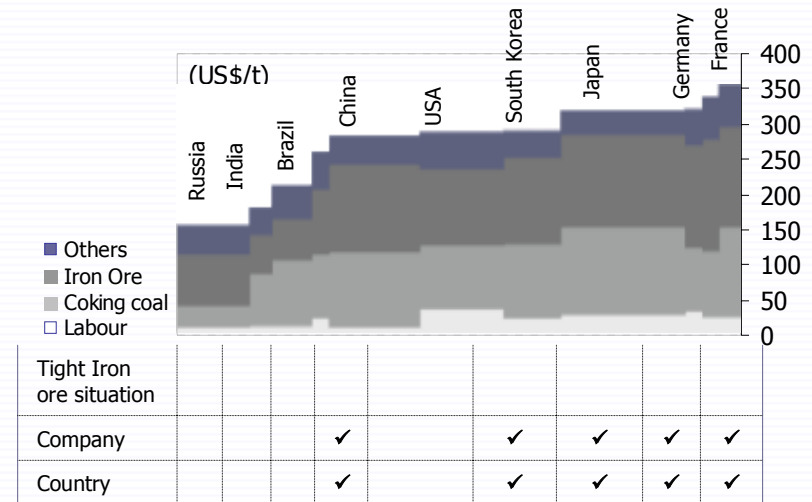
Russia is best placed. While India and Brazil have ore advantage, China enjoys coal advantage

Iron ore supply still in the hands of a few

Iron Ore: Global demand (mn tonnes)

Countries	Steel output	BF ^	Iron Ore requirement	Source/Availability		Imports
China	349	87%	548	Local	Net import	275
Europe	220	58%	230	Local	Net import	154
North America	128	44%	101	Local	-	-
Russia+CIS	113	84%	171	Local	-	-
Latin America	45	64%	52	Local	-	-
Japan	112	74%	151		Net import	132
Korea	48	56%	48		Net import	42
India	38	55%	38	Local	-	-
Others	116	-	-		Net import	131
World	1,132	68%	1,338			734

Hot metal: Cost curve



Iron Ore: Global Supply concentrated in few hands

Countries	(mn tonnes)	Key Players	
Australia	238	Rio BHP Billiton	137 101
Latin America	240	CVRD	218
India	80	India (Fragmented)	80
Others (CIS/Africa/Canada)	176	Others	198
Total	734		734

~62 % of the total

Local iron ore situation

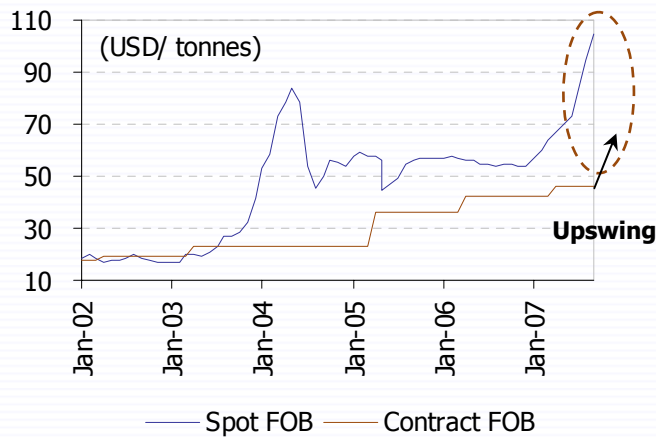
Countries	Status	Structure
China	Fragmented	Largely govt. owned and village ownership Poor quality, high cost
India	Fragmented	High quality, Low cost
North America	Consolidated	-
Russia+CIS	Consolidated	-
Latin America	Consolidated	-

Source: World Steel (IISI), Eurofer, OCED, ENAM Research, Note: ^BF stands for blast furnace

Supply concentration and tight local situation remain the key factors

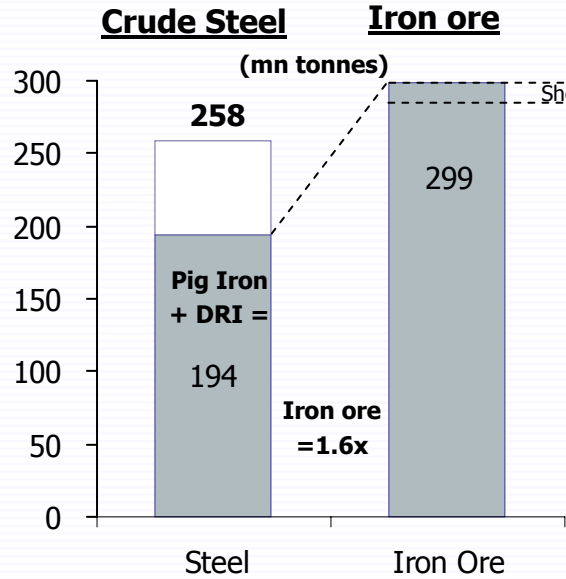
Iron ore: Demand-supply mismatch

Iron ore prices

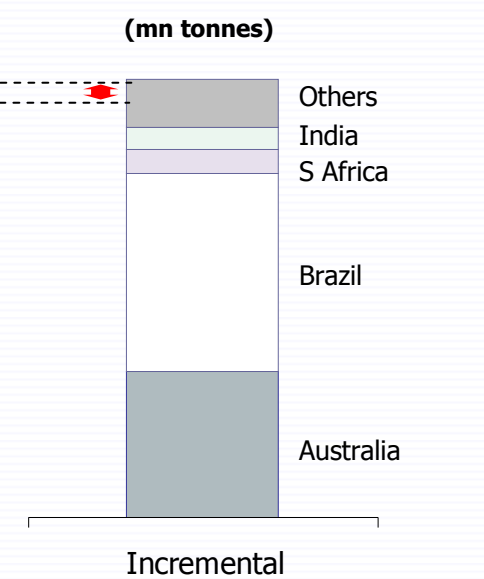


Next year contract prices likely to go up significantly, high level of spot prices

Incremental demand (CY08 + CY09+CY10)



Incremental capacity (CY08 + CY09+CY10)



(mn tonnes)	Realistic case					
	CY05	CY06	CY07E	CY08E	CY09E	CY10E
Steel Output	1,139	1,240	1,352	1,446	1,533	1,610
% Growth	7	9	9	7	6	5
Pig Iron + DRI	850	930	1,014	1,085	1,150	1,207
Iron ore	1,315	1,439	1,568	1,678	1,779	1,868
% Pig Iron + DRI share	75	75	75	75	75	75
Incremental Demand (10 over 07)	-	-	-	-	-	299

Incremental Supply (mn tonnes)	
BHP Billiton	35
Rio Tinto	60
CVRD	130
Kumba	15
India	15
Others	30
TOTAL	285

Source: World Steel (IISI), Eurofer, OCED, ENAM Research

Contract Prices expected to rise with demand-supply mismatches

Coking coal supply getting concentrated

Global coking coal demand (mn tonnes)

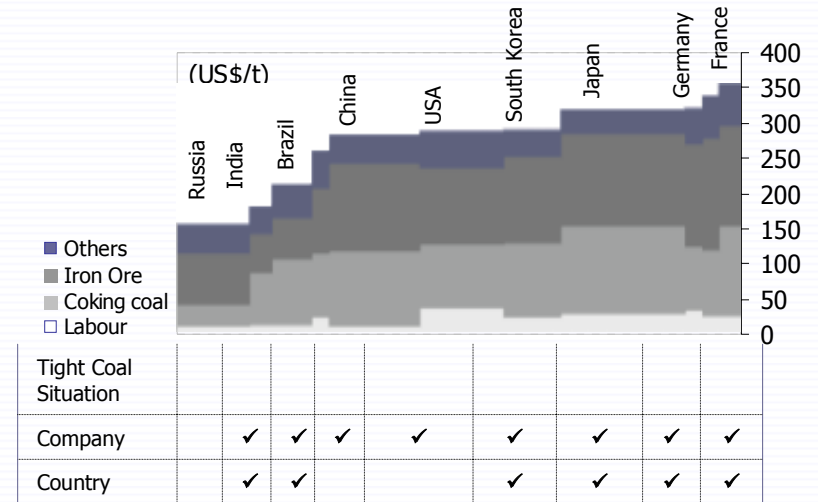
Countries	Steel output	BF^	Coking coal requirement	Source/Availability	Imports
China	349	87%	304	Local	-
Europe	220	58%	128	Net import	60
North America	128	44%	56	Local	0
Russia+CIS	113	84%	95	Local	0
Latin America	45	64%	29	Net import	29
Japan	112	74%	84	Net import	84
Korea	48	56%	27	Net import	27
India	38	55%	21	Net import	18
Others	116	-	-	Net import	10
World	1,132	68%	744		228

Supply: Concentrated in few hands

Countries	(mn tonnes)	Key Players	
Australia	125	BHP Billiton/ Mitsubishi	45
		Anglo /Mitsui	12
		Rio Tinto	10
Canada	26	Elk Vally	20
		X strata	10
USA	26		
Indonesia	19		
Russia	12		
Others	20	Others	131
Total	228	Total	228

~50% of the total
~70% of Hard coking coal

Hot metal: Cost curve



Local situation

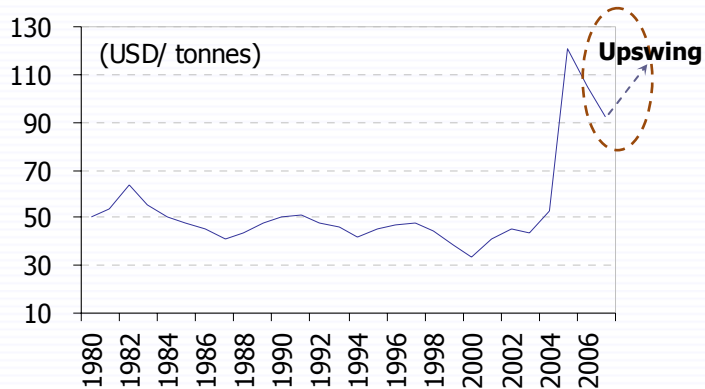
Countries	Status	Structure	Nos	% of Output
China	Fragmented	Large sate owned	119	47
		State owned local	2,000	16
		Town & Village	32,000	37
North America	Consolidated			
Russia+CIS	Consolidated			

Source: ENAM Research, ^ Note: BF stands for blast furnace

Coking coal supply concentration is rising

Coking coal: Tightness ahead

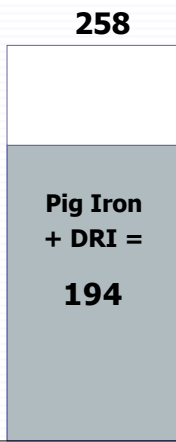
Coking Coal Prices



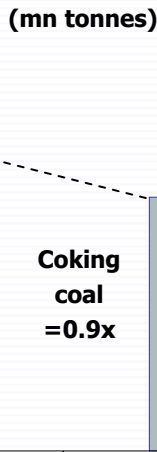
Coal prices are likely to rise, again on rising imports from China/Asia and slower additional supply

Incremental demand (CY08 + CY09+CY10)

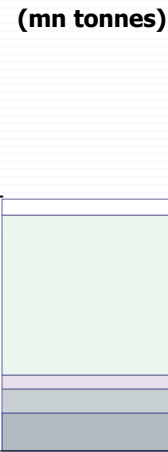
Crude Steel



Coking Coal



Incremental capacity (CY08 + CY09+CY10)



(mn tonnes)	Realistic case					
	CY05	CY06	CY07E	CY08E	CY09E	CY10E
Steel Output	1,139	1,240	1,352	1,446	1,533	1,610
% Growth	7	9	9	7	6	5
Pig Iron	795	871	946	1,012	1,073	1,127
Coking Coal	731	801	870	931	987	1,037
% Pig Iron share	70	70	70	70	70	70
Incremental coking Coal Demand (09 over 07)	-	-	-	-	-	166

Incremental Net Supply (mn tonnes)	
China	105
Australia	25
Canada	15
Russia	10
Africa/Others	10
TOTAL	165

Source: World Steel (IISI), Eurofer, OCED, ENAM Research

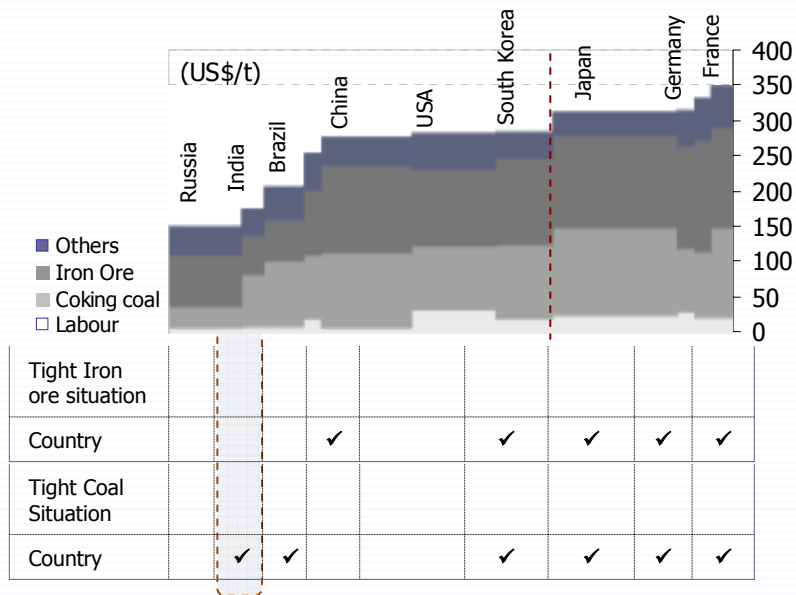
Coking coal tightness to resurface. Prices to go up



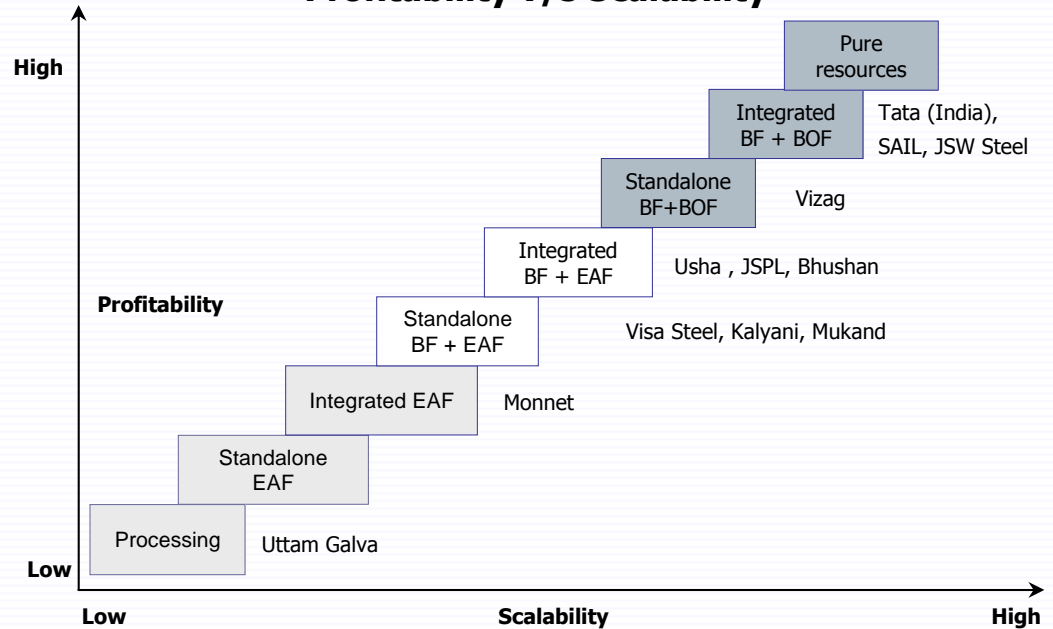
Indian steel industry: Outlook

Integrated companies are best placed

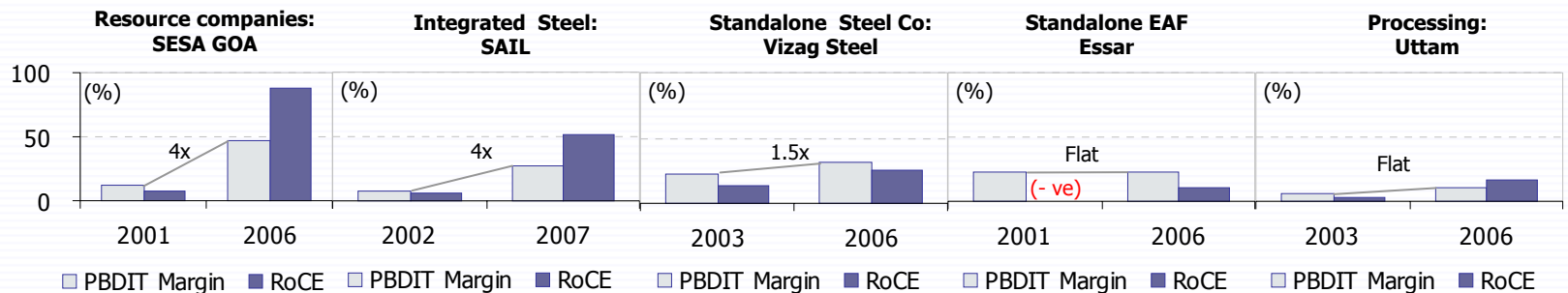
Hot metal: Cost curve



Profitability v/s Scalability

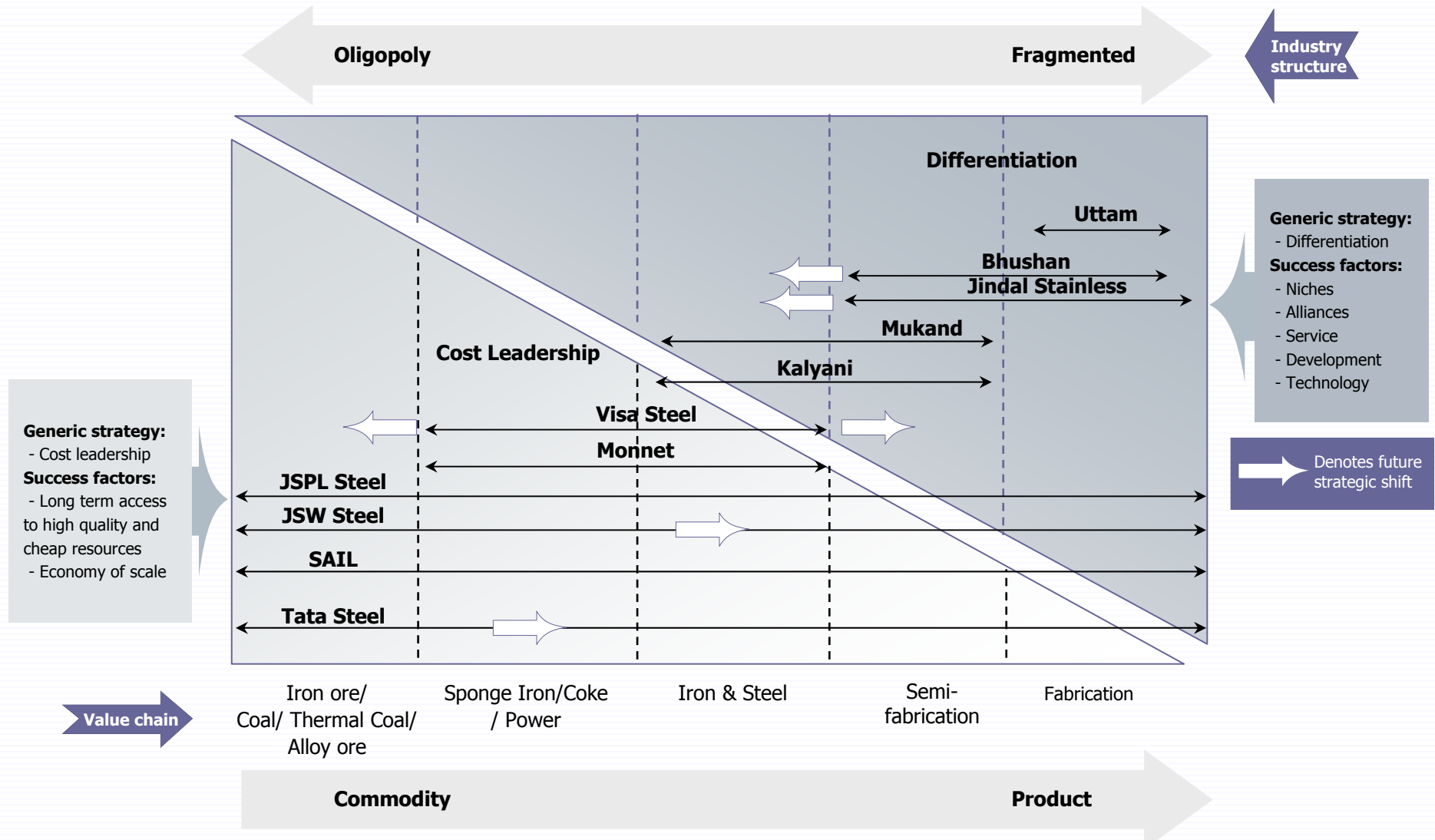


Profitability Trend **4x rise** **4x rise** **1.5x rise** **Flat** **Flat**



Players with resource linkages have gained during the current boom

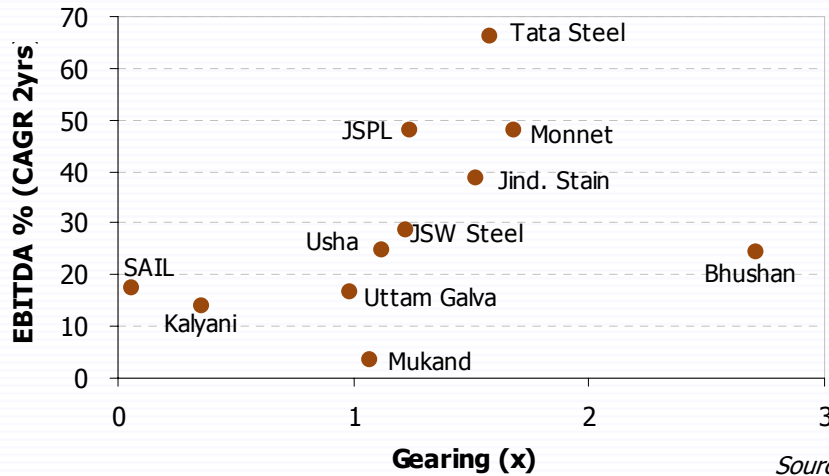
Indian steel companies: Positioning



Aggressive investment lined up across the value chain!

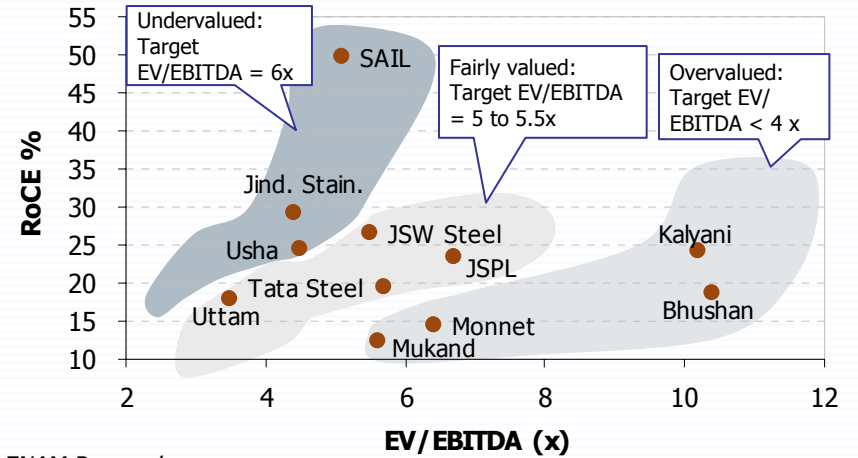
Indian steel sector: A comparison

Growth & Gearing



Source: Company, ENAM Research

ROCE & Valuations



Rating	Co. Name	CMP	Target Price	Upside / (Downside)
Sector Outperformer	SAIL	201	235	17
	Usha Martin	63	74	17
Sector Neutral	Tata Steel	795	702	(12)
	JSPL	5,099	4813	(6)
	JSW Steel	823	660	(20)
	Jindal Stainless	163	141	(14)
Sector Underperformer	Monnet	388	355	(9)
	Bhushan Steel	916	572	(38)
	Visa Steel	43	40	(6)

High earnings CAGR, high margin (resource focus) and reasonable gearing



Valuations

Domestic Peer Valuations....

Company	Period	Adj. PAT (Rs mn)	FDEPS (Rs)	FDEPS gwth (%)	ROCE (%)	ROE (%)	PE (X)	EV/ EBITDA (X)	Reco & Target Price	
Steel Authority Of India Ltd (CMP: Rs 201) (MCap: USD 20.9bn)	FY06	39,434	9.5	(41.0)	39	35	8.7	4.9	Target Price	235
	FY07	61,607	14.9	56.2	54	42	13.5	8.3	Upside/(Downside)	16.7
	FY08E	76,123	18.4	23.6	55	38	10.9	5.9	Tgt Multiple	6x FY09 EV/EBITDA
	FY09E	87,473	21.2	14.9	53	33	9.5	5.0	Reco	Outperformer
Tata Steel Ltd (CMP: Rs 795) (MCap: USD 15.5bn)	FY06	34,177	37.9	0.3	57	42	14.1	7.9	Target Price	702
	FY07	42,647	47.3	24.8	41	36	9.5	5.2	Upside/(Downside)	(11.7)
	FY08E	65,770	73.0	54.2	18	22	10.9	6.0	Tgt Multiple	5.5x FY09 EV/EBITDA
	FY09E	76,577	85.0	16.4	20	25	9.3	5.9	Reco	Neutral
Jindal Steel & Power Ltd (CMP: Rs 5099) (MCap: USD 4bn)	FY06	5,735	186.2	8.5	29	36	10.2	9.0	Target Price	4,813
	FY07	7,102	230.6	23.8	29	32	10.3	9.0	Upside/(Downside)	(5.6)
	FY08E	9,029	293.2	27.1	25	30	17.4	9.9	Tgt Multiple	SOP
	FY09E	15,019	487.6	66.3	24	35	10.5	6.7	Reco	Neutral
JSW Steel Ltd (CMP: Rs 823) (MCap: USD 3.3bn)	FY06	4,923	26.5	(38.6)	21	16	11.4	5.6	Target Price	660
	FY07	12,870	69.3	161.4	34	29	7.1	4.7	Upside/(Downside)	(19.8)
	FY08E	16,532	89.0	28.5	29	25	9.0	6.8	Tgt Multiple	6x FY08 EV/EBITDA
	FY09E	19,490	104.9	17.9	27	21	7.7	5.8	Reco	Neutral
Bhushan Steel Ltd (CMP: Rs 916) (MCap: USD 1bn)	FY06	1,545	35.7	0.7	15	19	5.2	6.9	Target Price	572
	FY07	2,406	55.6	55.8	18	23	9.2	9.4	Upside/(Downside)	(37.5)
	FY08E	3,976	91.8	65.3	19	28	10.0	10.6	Tgt Multiple	5x FY10 EV/EBITDA
	FY09E	4,479	103.5	12.7	19	25	8.9	10.2	Reco	Underperformer
Jindal Stainless Ltd (CMP: Rs 163) (MCap: USD 0.6bn)	FY06	1,615	7.5	(28.7)	15	18	15.1	10.3	Target Price	141
	FY07	3,640	17.0	125.4	23	30	7.2	6.0	Upside/(Downside)	(13.6)
	FY08E	4,512	21.1	23.9	24	28	7.7	5.7	Tgt Multiple	4x FY09 EV/EBITDA
	FY09E	6,134	28.7	36.0	30	29	5.7	4.6	Reco	Neutral

Source: ENAM Research

... Valuations contd...

Company	Period	Adj. PAT (Rs mn)	FDEPS (Rs)	FDEPS gwth (%)	ROCE (%)	ROE (%)	PE (X)	EV/ EBITDA (X)	Reco & Target Price	
Usha Martin Ltd (CMP: Rs 63) (MCap: USD 0.4bn)	FY06	833	3.1	87.1	15	16	10.6	5.4	Target Price	74
	FY07	1,223	4.6	46.8	18	18	8.2	5.5	Upside/(Downside)	17.0
	FY08E	1,842	6.9	50.6	25	22	9.2	5.5	Tgt Multiple	6x FY08 EV/EBITDA
	FY09E	3,005	11.2	63.2	32	29	5.6	4.0	Reco	Outperformer
Monnet Ispat & Energy Ltd (CMP: Rs 388) (MCap: USD 0.3bn)	FY06	1,058	30.8	(13.9)	14	29	9.4	10.2	Target Price	355
	FY07	1,348	39.3	27.4	13	27	6.1	8.8	Upside/(Downside)	(8.6)
	FY08E	1,355	39.5	0.5	15	22	9.8	8.3	Tgt Multiple	SOP
	FY09E	1,678	48.9	23.8	15	22	7.9	7.3	Reco	Neutral
Visa Steel Ltd (CMP: Rs 43) (MCap: USD 0.1bn)	FY06	125	1.1	90.1	12	7	47.1	21.2	Target Price	40
	FY07	173	1.6	39.0	9	6	17.0	17.9	Upside/(Downside)	(6.0)
	FY08E	338	3.1	94.7	18	10	13.9	15.7	Tgt Multiple	4x FY10 EV/EBITDA
	FY09E	1,310	11.9	288.1	27	32	3.6	5.6	Reco	Underperformer
Uttam Galva Steels Ltd (CMP: Rs 44) (MCap: USD 0.1bn)	FY06	744	7.1	(21.5)	19	25	6.4	6.0		
	FY07	1,184	11.2	59.2	22	27	2.8	4.8		
	FY08E	1,765	16.8	49.1	22	28	2.6	4.0		
	FY09E	1,776	16.9	0.6	18	22	2.6	3.7	Reco	Not Rated
Kalyani Steels Ltd (CMP: Rs 423) (MCap: USD 0.5bn)	FY06	666	15.2	57.2	27	23	18.5	11.5		
	FY07	899	20.6	34.9	29	23	17.1	10.8		
	FY08E	1,098	25.1	22.1	29	22	16.8	10.5		
	FY09E	1,105	25.3	0.7	24	19	16.7	10.5	Reco	Not Rated
Mukand Ltd (CMP: Rs 87) (MCap: USD 0.2bn)	FY06	777	9.9		11	13	11.6	7.7		
	FY07	961	12.2	23.6	12	14	6.6	5.8		
	FY08E	1,094	13.9	13.9	13	14	6.3	5.8		
	FY09E	1,437	18.3	31.4	15	16	4.8	5.0	Reco	Not Rated

Source: ENAM Research



Risks to call

Risks to our call

Risk Factors

- ➔ Sharp contraction/ slowdown in world demand leading to lower prices
- ➔ India – overseas supply restriction on high quality met-coal. China - restriction

Mitigating Factors

- ➔ Favourable growth outlook for key consuming regions. Developed economies too are adding to growth.
- ➔ Alternate sources of supply (Canada, America) will help mitigate the risks of supply shortage from any particular country



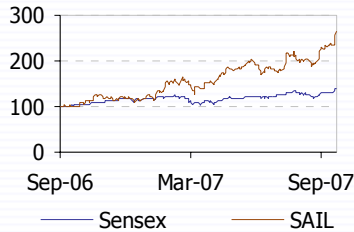
Company Section

Stock data

No. of shares	: 4,130mn
Market cap	: Rs.832bn
52 week high/low	: Rs.206/Rs.74
Avg. daily vol. (6mth)	: 10.6mn shares
Bloomberg code	: SAIL IN
Reuters code	: SAIL.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	: 85.8	0.0
FII's	: 6.4	0.2
MFs / UTI	: 1.0	(0.4)
Banks / FIs	: 4.3	0.3
Others	: 2.5	(0.2)

Relative performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	286,597	39,434	-	9.5	(41)	8.7	35	39	4.9	2.3	0.3
2007	343,331	61,607	-	14.9	56	13.5	42	54	8.3	3.6	0.2
2008E	383,649	76,123	18.0	18.4	24	10.9	38	55	5.9	3.6	0.1
2009E	410,432	87,473	19.4	21.2	15	9.5	33	53	5.0	4.0	0.1

Source: *Consensus broker estimates, Company

SAIL

Relative to sector: **Outperformer**

Rs 201

Target Price: Rs 235
Potential Upside: 17%

Maintaining domestic leadership

Executive summary

➔ SAIL is best placed on the India growth story

- Sizable presence and domestic leadership
- Captive resources, scalable and integrated

➔ Growing dominance: Backed by cash flows and resources

- **Capacity:** To rise from 12mn to 24+mn tonnes in FY11 through internal growth and acquisitions
- **Cost competitiveness:** Captive resources (iron ore, coal) and modernization
- **Rich product mix:** Higher value-added sales

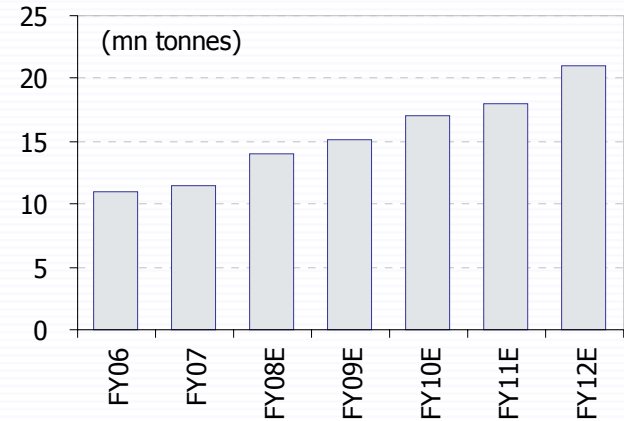
➔ Globally cost competitive player in steel

- Vertically integrated and one of the lowest cost producers (HRC) at ~USD325
- Sizable iron ore resource (~2bn tonnes new mines) already allotted
- Hedge against cyclical downturn

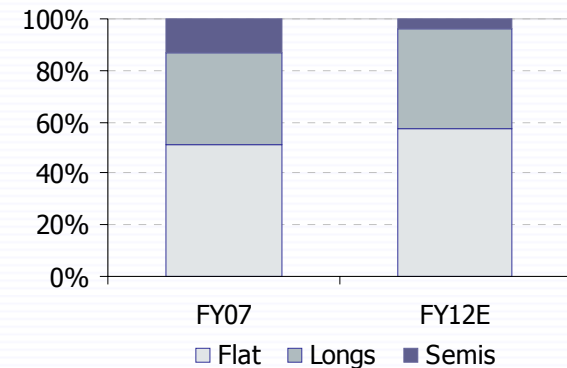
➔ Steady growth and attractive valuations

- We forecast an EPS of Rs 18.4 for FY08 and Rs 21.2 for FY09
- At CMP Rs 201, SAIL trades at 5.0x FY09E EV/EBITDA - maintain sector **Outperformer** rating

SAIL: Volumes to almost double in 6 yrs



Enrichment of product mix



Source: Company, ENAM Research

SAIL: Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	282,656	339,231	380,149	406,932
Other operating income	3,941	4,100	3,500	3,500
Total income	286,597	343,331	383,649	410,432
Cost of goods sold	196,762	226,324	235,517	241,608
Contribution (%)	32	34	39	41
Advt/Sales/Distrn O/H	23,245	23,084	25,874	28,090
Operating Profit	66,590	93,923	122,258	140,734
Other income	6,523	15,323	8,838	7,176
PBIDT	73,113	109,246	131,096	147,910
Depreciation	12,073	12,115	12,465	13,165
Interest	4,678	3,321	3,293	2,211
Other pretax	0	0	0	0
Pre-tax profit	56,362	93,810	115,338	132,534
Tax provision	16,928	32,203	39,215	45,062
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	39,434	61,607	76,123	87,473
E/o income / (Expense)	695	416	0	0
Reported PAT	40,130	62,023	76,123	87,473

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	(1.3)	20.0	12.1	7.0
OPM	23.6	27.7	32.2	34.6
Oper. profit growth	(37.1)	41.0	30.2	15.1
COGS / Net sales	68.7	65.9	61.4	58.9
Overheads/Net sales	8.1	6.7	6.7	6.8
Depreciation / G. block	4.1	4.1	4.0	4.0
Effective interest rate	9.3	7.8	9.6	10.1
Net wkg.cap / Net sales	(0.1)	(0.0)	(0.0)	(0.0)
Net sales / Gr block (x)	1.0	1.1	1.2	1.3
RoCE	39.0	53.9	54.6	53.1
Debt / equity (x)	0.3	0.2	0.1	0.1
Effective tax rate	30.0	34.3	34.0	34.0
RoE	35.2	41.7	37.8	33.0
Payout ratio (Div/NP)	23.5	23.8	22.1	21.5
EPS (Rs.)	9.5	14.9	18.4	21.2
EPS Growth	(41.0)	56.2	23.6	14.9
CEPS (Rs.)	12.5	17.8	21.4	24.4
DPS (Rs.)	2.3	3.6	3.6	4.0

Source: Company, ENAM Research

SAIL: Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	181,677	227,772	272,041	330,679
Gross block	293,605	299,127	311,627	329,127
Net fixed assets	121,621	115,977	116,012	120,347
CWIP	7,579	12,360	24,860	42,360
Investments	2,079	4,870	4,870	4,870
Wkg. cap. (excl cash)	(13,025)	(1,802)	(14,338)	(12,804)
Cash / Bank balance	62,581	96,098	140,369	142,903
Others/Def tax assets	841	268	268	33,002
Capital employed	181,677	227,772	272,041	330,679
Equity capital	41,304	41,304	41,304	41,304
Reserves	82,552	130,536	189,805	258,443
Borrowings	42,976	41,805	26,805	16,805
Others	14,845	14,127	14,127	14,127

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	20,639	57,621	56,734	39,068
Cash profit	47,909	73,004	88,588	100,638
(-) Dividends	9,419	14,784	16,854	18,835
Retained earnings	38,490	58,220	71,734	81,803
Issue of equity	0	(0)	0	0
Borrowings	(14,722)	(1,171)	(15,000)	(10,000)
Others	(3,129)	573	(0)	(32,735)
Applications	20,639	57,621	56,734	39,068
Capital expenditure	12,758	11,252	25,000	35,000
Investments	0	2,791	0	0
Net current assets	6,620	11,223	(12,537)	1,534
Change in cash	1,260	32,355	44,271	2,534

Source: Company, ENAM Research

Stock Data

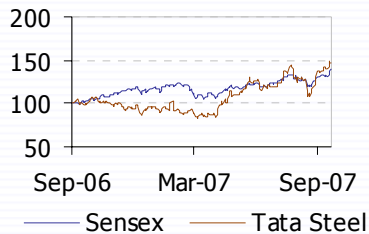
No. of shares*	: 609mn
Market cap ^	: Rs 484bn
52 week high/low	: Rs.808/ Rs.399
Avg. daily vol. (6mth)	: 4.3mn shares
Bloomberg code	: TATA IN
Reuters code	: TISC.BO

* Fully diluted equity

^ Mkt Cap based on current equity

Shareholding (%) Jun-07 QoQ chg

Promoters	: 33.8	3.3
FIIIs	: 22.7	5.2
MFs / UTI	: 2.1	(1.1)
Banks / FIs	: 15.6	(3.0)
Others	: 25.8	(4.4)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary (Consolidated)

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Cons. EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	151,394	34,177	-	37.9	0	14.1	42	57	7.9	9.1	0.3
2007	175,520	42,647	-	47.3	25	9.5	36	41	5.2	9.6	0.7
2008E	1,185,605	65,770	90.2	73.0	54	10.9	22	18	6.0	14.8	1.8
2009E	1,185,621	76,577	92.4	85.0	16	9.3	25	20	5.9	14.8	1.6

Source: *Consensus broker estimates, Company, ENAM estimates on fully diluted equity. Note:- FY08 & FY09 estimates are on Tata + Corus consolidated basis. .

Tata Steel

Relative to Sector: **Neutral****Rs 795**Target Price: Rs 702
Potential Upside: -12%

Short term challenges before long term gain

Executive Summary

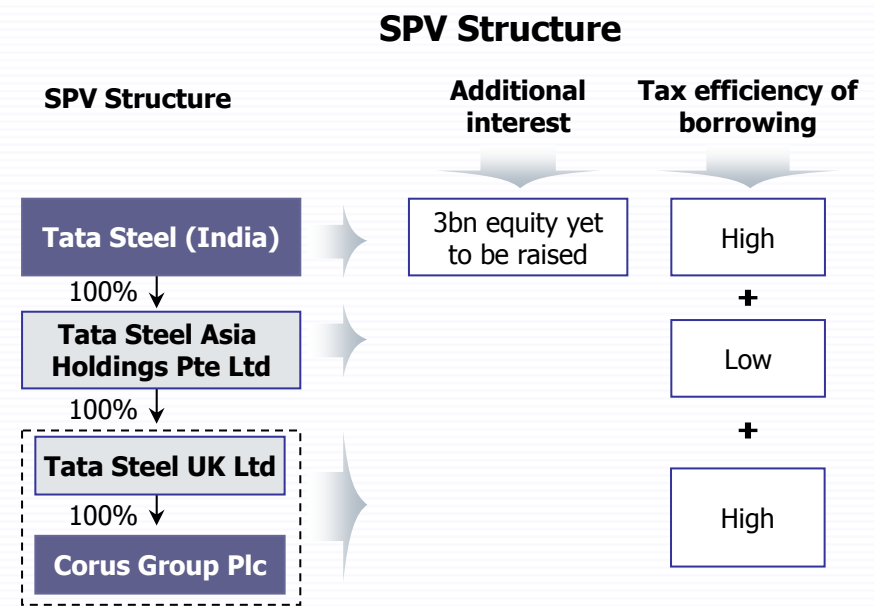
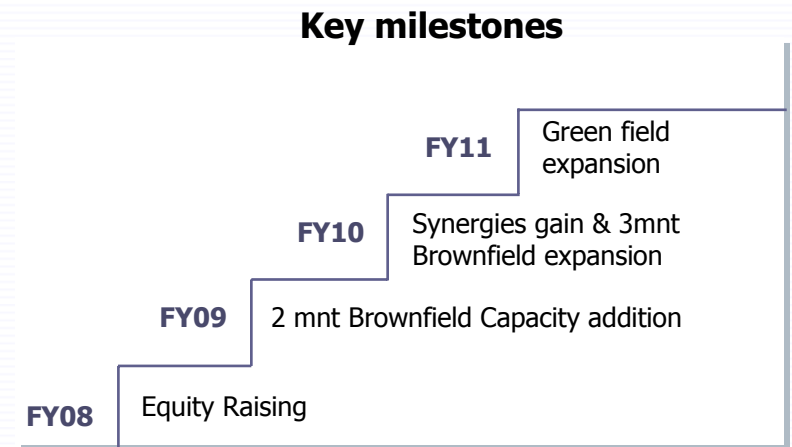
- ➔ **Milestones in the offing...**
 - Equity raising and capacity expansion are the key to future success of Tata Steel

- ➔ **... but not without short-term financial challenges:**
 - Higher interest costs on bridge debt financing
 - Tax inefficiencies for one of the SPVs (Tata Steel Asia)

- ➔ **Thus, sustainable success hinges on:**
 - Improving margin by enhancing integrated operations in India
 - Corus synergy gains/ reducing the high operating leverage

- ➔ **Risks:**
 - Increased financial leverage
 - Drag on operating margin with acquisition of Corus

- ➔ **Valuations:**
 - Re-rating depends on completion of key milestones
 - Maintain sector **Neutral** rating



Source: Company, ENAM Research

Tata Steel: Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	149,101	173,216	1,183,278	1,183,224
Other operating income	2,293	2,304	2,327	2,397
Total income	151,394	175,520	1,185,605	1,185,621
Cost of goods sold	73,120	85,743	895,716	873,400
Contribution (%)	53	53	24	26
Advt/Sales/Distrn O/H	19,487	20,045	107,675	119,810
Operating Profit	58,787	69,733	182,214	192,411
Other income	2,161	3,242	4,891	4,723
PBIDT	60,948	72,974	187,105	197,134
Depreciation	7,751	8,193	43,199	44,938
Interest	1,684	1,739	44,770	36,191
Other pretax	0	0	0	0
Pre-tax profit	51,513	63,042	99,137	116,004
Tax provision	17,336	20,395	33,367	39,427
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	34,177	42,647	65,770	76,577
E/o income / (Expense)	887	(426)	0	0
Reported PAT	35,064	42,222	65,770	76,577

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	4.8	16.2	583.1	(0.0)
OPM	39.4	40.3	15.4	16.3
Oper. profit growth	(0.8)	18.6	161.3	5.6
COGS / Net sales	48.3	48.9	75.5	73.7
Overheads/Net sales	12.9	11.4	9.1	10.1
Depreciation / G. block	5.0	5.1	4.8	4.8
Effective interest rate	6.4	2.9	14.3	7.0
Net wkg.cap / Net sales	0.0	0.0	0.1	0.1
Net sales / Gr block (x)	1.0	1.1	2.2	1.3
RoCE	57.3	40.6	18.5	19.6
Debt / equity (x)	0.3	0.7	1.8	1.6
Effective tax rate	33.7	32.4	33.7	34.0
RoE	41.8	36.5	22.1	24.8
Payout ratio (Div/NP)	23.4	20.4	20.3	17.4
EPS (Rs.)	37.9	47.3	73.0	85.0
EPS Growth	0.3	24.8	54.2	16.4
CEPS (Rs.)	46.5	56.4	121.0	134.9
DPS (Rs.)	9.1	9.6	14.8	14.8

Source: Company, ENAM estimates ; FY08E & FY09E: Tata Steel & Corus consolidated

Tata Steel: Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	143,639	253,950	821,893	822,499
Gross block	154,074	160,295	900,012	934,264
Net fixed assets	87,075	85,431	316,244	329,536
CWIP	11,577	24,974	50,000	50,000
Investments	20,266	36,925	74,322	92,234
Wkg. cap. (excl cash)	1,403	5,669	127,417	125,652
Cash / Bank balance	2,884	76,814	87,415	80,592
Others/Def tax assets	20,433	24,137	166,495	144,485
Capital employed	143,639	253,950	821,893	822,499
Equity capital	5,537	5,807	9,009	9,009
Reserves	89,484	133,130	288,331	312,193
Borrowings	25,162	96,453	531,096	506,636
Others	23,457	18,560	(6,543)	(5,339)

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	21,259	114,801	468,784	67,554
Cash profit	43,204	48,760	103,798	121,764
(-) Dividends	8,204	8,606	13,352	13,352
Retained earnings	34,999	40,154	90,446	108,412
Issue of equity	0	13,932	150,571	(16)
Borrowings	(2,236)	71,292	434,643	(24,460)
Others	(11,505)	(10,577)	(206,876)	(16,382)
Applications	21,259	114,801	468,784	67,554
Capital expenditure	15,281	19,946	299,037	58,230
Investments	5,527	16,659	37,397	17,911
Net current assets	34	4,266	121,748	(1,765)
Change in cash	417	73,930	10,602	(6,823)

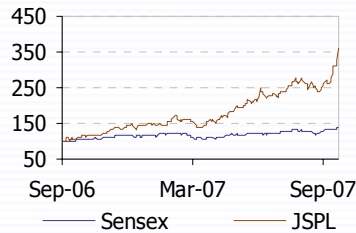
Source: Company, ENAM estimates ; FY08E & FY09E: Tata Steel & Corus consolidated

Stock Data

No. of shares	: 31mn
Market cap	: Rs 157bn
52 week high/low	: Rs 5,849/Rs 1,603
Avg. daily vol. (6mth)	: 36,200 shares
Bloomberg code	: JSP IN
Reuters code	: JNSP.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	: 59.0	(0.0)
FII's	: 23.3	0.2
MFs / UTI	: 4.7	0.2
Banks / FIs	: 0.0	(0.0)
Others	: 13.0	(0.3)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary- Consolidated

Y/E March	Sales (Rs mn)	Adj PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	25,893	5,735	-	186.2	9	10.2	36	29	9.0	15.0	1.8
2007	34,995	7,102	-	230.6	24	10.3	32	29	9.0	18.0	2.1
2008E	54,678	9,029	300.7	293.2	27	17.4	30	25	9.9	18.0	2.0
2009E	72,793	15,019	419.5	487.6	66	10.5	35	24	6.7	20.0	1.2

Source: *Consensus broker estimates on standalone basis; Company, ENAM estimates

Jindal Steel & Power Ltd

Rs 5,099

Target Price: 4,813
Potential Upside: -6%

Relative to Sector: **Neutral**

Growth fuelled by coal

Investment Summary

➤ Resource advantage:

- Sizable iron ore & thermal coal reserves used in steel & power

➤ Sponge iron & steel business: Cost

competitive (~25%) compared to BF producers

- Profitable and rapidly growing business (75% of FY07 EBIT)
- Steel expansion: 2.5 mtpa steel capacity already in place; volumes to nearly triple in two years from current level
- Optimizing captive resources for further value addition (flat products - steel plates)
 - ▶ EAF+ BF (captive iron ore + imported coking coal)

➤ Power: Offsetting steel cyclicality

- Hugely profitable business – (25% of FY07 EBIT)
- Power capacity to increase nearly four times from current 340 MW through subsidiary; setting up 1,000 MW mega thermal power project using captive coal
- High ROE business (~30% ROE) , merchant power plant outside the purview of regulated returns

➤ Valuations

- At CMP of Rs 5,099 the stock trades at 6.7x FY09E consolidated EV/EBITDA
- Sector **Neutral** rating

FY09 SOP Valuation: Sensitivity

		EV/EBITDA for Steel Business				
		4	5	6	7	8
P/B For Power Busi.	1.5	2,625	3,301	3,976	4,651	5,327
	2.0	2,904	3,580	4,255	4,930	5,606
	2.5	3,183	3,859	4,534	5,209	5,885
	3.0	3,462	4,138	4,813	5,488	6,164
	3.5	3,741	4,417	5,092	5,767	6,443
	4.0	4,020	4,696	5,371	6,046	6,722

Source: ENAM Research

Company Financials

Income Statement

Y/E March	2006	2007	2008E	2009E
Net sales	25,893	34,995	54,678	72,793
Other operating income	8	203	0	0
Total income	25,901	35,198	54,678	72,793
Cost of goods sold	12,272	17,037	22,880	28,382
Contribution (%)	53	52	58	61
Advt/Sales/Distrn O/H	3,559	4,113	9,074	13,088
Operating Profit	10,070	14,049	22,724	31,323
Other income	348	359	115	160
PBIDT	10,418	14,408	22,839	31,483
Depreciation	2,192	3,366	4,850	6,264
Interest	942	1,591	4,535	4,683
Other pretax	0	0	0	0
Pre-tax profit	7,284	9,452	13,454	20,536
Tax provision	1,549	2,419	4,426	5,508
(-) Minority Interests	0	(7)	(2)	9
Associates	0	62	0	0
Adjusted PAT	5,735	7,102	9,029	15,019
E/o income / (Expense)	(3)	(43)	0	0
Preference dividend	0	0	0	0
Reported PAT	5,733	7,060	9,029	15,019

Key Ratios

Y/E March	2006	2007	2008E	2009E
Sales growth	15.4	35.2	56.2	33.1
OPM	38.9	40.1	41.6	43.0
Oper. profit growth	13.0	39.5	61.8	37.8
COGS / Net sales	47.4	48.4	41.8	39.0
Overheads/Net sales	13.7	11.7	16.6	18.0
Depreciation / G. block	6.7	6.7	4.7	6.0
Effective interest rate	3.9	3.6	7.3	7.2
Net wkg.cap / Net sales	0.2	0.1	0.2	0.2
Net sales / Gr block (x)	0.9	0.8	0.7	0.7
RoCE	28.7	29.1	24.6	23.9
Debt / equity (x)	1.8	2.1	2.0	1.2
Effective tax rate	21.3	25.6	32.9	26.8
RoE	36.3	32.3	29.6	35.1
Payout ratio (Div/NP)	8.1	7.9	6.1	4.1
EPS (Rs.)	186.2	230.6	293.2	487.6
EPS Growth	8.5	23.8	27.1	66.3
CEPS (Rs.)	257.4	339.9	450.6	691.0
DPS (Rs.)	15.0	18.0	18.0	20.0

Source: Company, ENAM Research

Company Financials

Balance Sheet

Y/E March	2006	2007	2008E	2009E
Total assets	54,541	84,065	109,335	115,162
Gross block	32,948	50,267	102,716	105,215
Net fixed assets	27,505	42,428	90,049	86,284
CWIP	19,033	36,630	2,500	2,941
Investments	302	982	982	982
Wkg. cap. (excl cash)	6,314	2,934	13,639	17,188
Cash / Bank balance	1,388	1,091	2,165	7,766
Others/Def tax assets	0	0	0	0
Capital employed	54,541	84,065	109,335	115,162
Equity capital	154	154	154	154
Reserves	18,285	25,391	35,413	49,739
Borrowings	33,299	54,370	69,618	61,118
Others	2,803	4,150	4,150	4,150

Cash flow

Y/E March	2006	2007	2008E	2009E
Sources	26,448	32,890	30,120	12,090
Cash profit	8,587	11,746	13,878	21,292
(-) Dividends	527	643	632	702
Retained earnings	8,061	11,103	13,246	20,590
Issue of equity	7	0	0	0
Borrowings	18,330	21,071	15,248	(8,500)
Others	51	715	1,626	0
Applications	26,448	32,890	30,120	12,090
Capital expenditure	23,587	35,886	18,341	2,940
Investments	(3)	680	0	0
Net current assets	1,838	(3,380)	10,705	3,549
Change in cash	1,027	(297)	1,074	5,601

Source: Company, ENAM Research

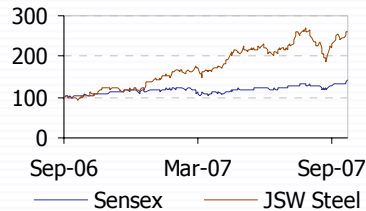
Stock Data

Diluted No. of shares : 186mn
 Market cap : Rs 135bn*
 52 week high/low : Rs 825/Rs 277
 Avg. daily vol. (6mth) : 723,600 shares
 Bloomberg code : JSTL IN
 Reuters code : JSTL.BO

*MCap calculated on current no of shares

Shareholding (%) Jun-07 QoQ chg

Promoters	:	46.4	(0.1)
FII's	:	23.4	4.7
MFs / UTI	:	5.2	(1.3)
Banks / FIs	:	4.1	(0.4)
Others	:	20.9	(2.9)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary – (Consolidated)

Y/E March	Net Sales (Rs mn)	Adj. PAT (Rs mn)	EPS# (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	61,801	4,923	26.5	(39)	11.4	16	18	5.6	7.7	1.2
2007	85,944	12,870	69.3	161	7.1	29	26	4.7	12.8	0.9
2008E	122,416	16,532	89.0	28	9.3	25	29	6.9	14.3	1.3
2009E	156,015	19,490	104.9	18	7.8	21	27	5.9	14.3	1.2

Source: Company, ENAM estimates; #EPS computed on fully diluted shares

JSW Steel Ltd

Relative to Sector: **Neutral**

Rs 823

Target Price: Rs 660
 Potential Upside: **-20%**

Robust growth, but leverage a drag

Investment Summary

- ➔ **Robust volume growth with enrichment in product mix: To grow ~3x in 4 years**
 - Set to grow from 3.8 mtpa to 10 mtpa by FY11
 - Diversified product mix: Long products capacity & acquisition of plate mill in USA

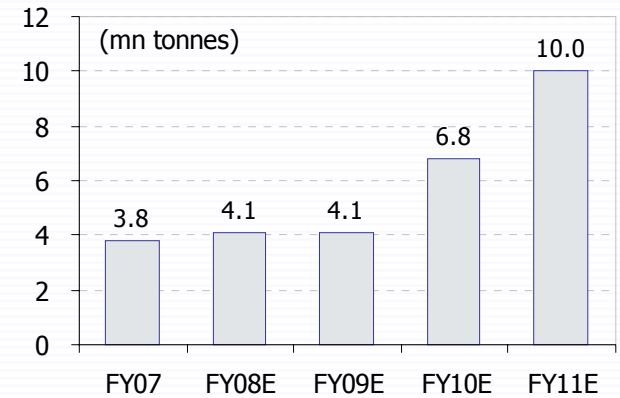
- ➔ **Cost competitive expansion supported by healthy cash flows**
 - Capacity expansion at capital cost of ~USD 540/ tonne
 - Total project cost – Rs 171 bn
 - Timely commissioning of facilities holds the key

- ➔ **Recent acquisition of US Steel facilities**
 - To further enrich product mix
 - Signs of capital misallocation
 - Increased financial risk with rising leverage

- ➔ **Risk factors**
 - Increased financial leverage
 - Input cost pressure (especially increase in coal & coke costs)

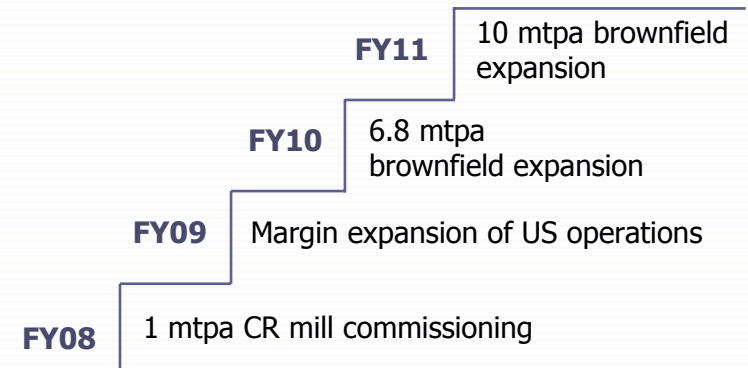
- ➔ **Valuations**
 - Financial risks, arising out of leverage would offset valuation upside, until project execution milestones are reached
 - Valuations capture near term upsides. Sector **Neutral** rating with a target price of Rs 660

JSW: Capacity Buildup Schedule



Source: Company, ENAM Research

Key milestones



Source: Company, ENAM Research

Company Financials: Consolidated

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	59,062	79,598	117,657	151,160
Other operating income	2,739	6,346	4,760	4,855
Total income	61,801	85,944	122,416	156,015
Cost of goods sold	39,179	51,215	76,030	97,877
Contribution (%)	38	44	39	38
Advdt/Sales/Distrn O/H	4,905	6,543	9,620	11,604
Operating Profit	17,716	28,186	36,767	46,533
Other income	133	245	154	116
PBIDT	17,850	28,431	36,921	46,649
Depreciation	4,676	4,982	5,431	7,466
Interest	3,882	4,347	6,703	9,696
Other pretax	0	0	0	0
Pre-tax profit	9,291	19,102	24,787	29,487
Tax provision	4,369	6,232	8,190	9,766
(-) Minority Interests	0	0	66	232
Associates	0	0	0	0
Adjusted PAT	4,923	12,870	16,532	19,490
E/o income / (Expense)	3,364	(229)	0	0
Preference dividend	279	279	0	0
Reported PAT	8,565	12,920	16,532	19,490

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	(4.2)	34.8	47.8	28.5
OPM	30.0	35.4	31.2	30.8
Oper. profit growth	(23.8)	59.1	30.4	26.6
COGS / Net sales	63.4	59.6	62.1	62.7
Overheads/Net sales	7.9	7.6	7.9	7.4
Depreciation / G. block	5.6	5	5	5
Effective interest rate	9.1	10	9	9
Net wkg.cap / Net sales	0.0	0.0	0.0	0.1
Net sales / Gr block (x)	0.7	0.8	1.0	1.1
RoCE	17.8	26.5	28.8	26.7
Debt / equity (x)	1.2	0.9	1.3	1.2
Effective tax rate	47.0	32.6	33.0	33.1
RoE	15.6	28.9	24.7	21.4
Payout ratio (Div/NP)	17.3	18.9	16.0	13.6
EPS (Rs.)	26.5	69.3	89.0	104.9
EPS Growth	(38.6)	161.4	28.5	17.9
CEPS (Rs.)	51.7	96.1	118.2	145.1
DPS (Rs.)	7.7	12.8	14.3	14.3

Source: Company, ENAM Research

Company Financials: Consolidated

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	88,902	105,849	197,872	230,758
Gross block	83,684	105,128	133,869	151,065
Net fixed assets	65,180	81,891	104,659	114,422
CWIP	18,619	20,029	45,000	70,000
Investments	851	1,929	1,929	1,929
Wkg. cap. (excl cash)	3,264	(1,379)	7,449	11,706
Cash / Bank balance	989	3,378	6,017	1,457
Others/Def tax assets	0	0	32,818	31,244
Capital employed	88,902	105,849	197,872	230,758
Equity capital	1,570	1,640	1,858	1,858
Reserves	36,162	49,562	80,628	97,574
Borrowings	43,751	44,521	105,259	121,199
Others	7,420	10,127	10,127	10,127

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	14,466	23,935	95,441	42,540
Cash profit	13,241	23,924	22,028	27,187
(-) Dividends	1,711	2,664	2,647	2,647
Retained earnings	11,531	21,261	19,381	24,540
Issue of equity	1,771	1,904	15,321	0
Borrowings	1,164	770	60,739	18,000
Others	0	0	0	0
Applications	14,466	23,935	95,441	42,540
Capital expenditure	13,070	22,854	49,000	42,422
Investments	0	1,079	42,951	0
Net current assets	1,632	(2,387)	3,407	4,454
Change in cash	(236)	2,389	83	(4,335)

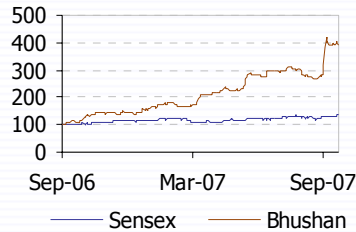
Source: Company, ENAM Research

Stock Data

No. of shares	: 43mn
Market cap	: Rs.39bn
52 week high/low	: Rs.1,018/ Rs.265
Avg. daily vol.(6mth)	: 166,400 shares
Bloomberg code	: BHUS IN
Reuters code	: BSSL.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	: 64.2	0.0
FII's	: 2.4	0.6
MFs / UTI	: 0.0	0.0
Banks / FIs	: 1.2	0.0
Others	: 32.3	(0.6)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV / EBITDA (x)	DPS (Rs)	D/E (x)
2006	27,150	1,545	-	35.7	1	5.2	19	15	6.9	2.7	2.3
2007	38,149	2,406	-	55.6	56	9.2	23	18	9.4	2.9	2.7
2008E	41,900	3,976	-	91.8	65	10.0	28	19	10.6	3.0	2.7
2009E	43,820	4,479	-	103.5	13	8.9	25	19	10.2	3.2	2.5
2010E	50,410	4,803	-	111.0	7	8.3	21	18	6.0	4.0	2.1

Source: *Consensus broker estimates, Company, ENAM estimates

Bhushan Steel

Relative to Sector: **Underperformer**

Rs 916

Target Price: Rs 572
Potential Upside: **-38%**

Backward integration, up move in profits

Investment Summary

- **Established player in the value added steel segment**
 - Leading manufacturer of galvanized steel and color coated galvanized products
 - Logistic advantages with existing facilities situated near the port

- **Backward integration with investment in steel manufacturing**
 - Orissa Project - Greenfield steel making capacity of 2.2 mtpa with 110 MW captive power plant
 - ▶ Plant located within close proximity of iron ore, coal reserves as well as Paradip Port
 - ▶ Full commissioning of the project expected by the end of FY09

- **Resource Linkages – Orissa**
 - Coal – Allotted coal mines in New Patrapara region
 - Iron Ore – Applied for allocation of iron ore mines

- **Foraying into power business through Bhushan Energy**
 - Planning to set up 2,000 MW power plant through its subsidiary Bhushan Energy Pvt. Ltd.
 - Energy business likely to provide stability to the cyclical steel business

- **Earnings Driver**
 - Partial commissioning of Orissa facilities (billets and power) to provide earnings growth for FY08 and FY09
 - Full commissioning of the Orissa facilities to provide earnings growth for FY10 and onwards

- **Valuations**
 - At CMP Rs 916, the stock is trading at 10.2x FY09E EV/EBITDA
 - Sector **Underperformer** rating with a target price of Rs 572.

Company Financials

Income statement

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Net sales	38,149	41,900	43,820	50,410
Other operating income	228	778	622	498
Total income	38,377	42,678	44,442	50,908
Cost of goods sold	31,232	33,616	34,145	33,801
Contribution (%)	19	22	23	34
Advt/Sales/Distrn O/H	1,467	1,362	1,498	1,947
Operating Profit	5,679	7,700	8,800	15,160
Other income	180	180	180	180
PBIDT	5,859	7,880	8,980	15,340
Depreciation	2,089	2,212	2,482	4,972
Interest	773	935	1,167	4,650
Other pretax	0	0	0	0
Pre-tax profit	2,997	4,733	5,332	5,718
Tax provision	591	757	853	915
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	2,406	3,976	4,479	4,803
E/o income / (Expense)	0	0	0	0
Reported PAT	2,406	3,976	4,479	4,803

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2007	2008E	2009E	2010E
Sales growth	40.5	9.8	4.6	15.0
OPM	14.9	18.4	20.1	30.1
Oper. profit growth	43.3	35.6	14.3	72.3
COGS / Net sales	81.4	78.8	76.8	66.4
Overheads/Net sales	3.8	3.2	3.4	3.8
Depreciation / G. block	7.8	6.0	6.0	6.0
Effective interest rate	2.9	2.5	2.5	9.0
Net wkg.cap / Net sales	0.2	0.2	0.2	0.2
Net sales / Gr block (x)	1.7	1.3	1.1	0.8
RoCE	18.0	19.2	18.5	18.4
Debt / equity (x)	2.7	2.7	2.5	2.1
Effective tax rate	19.7	16.0	16.0	16.0
RoE	22.8	28.3	24.7	21.2
Payout ratio (Div/NP)	5.2	3.3	3.1	3.6
EPS (Rs.)	55.6	91.8	103.5	111.0
EPS Growth	55.8	65.3	12.7	7.2
CEPS (Rs.)	103.8	142.9	160.8	225.8
DPS (Rs.)	2.9	3.0	3.2	4.0

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Total assets	45,802	59,648	72,489	78,621
Gross block	26,937	36,858	41,358	82,858
Net fixed assets	17,235	24,944	26,963	63,491
CWIP	18,921	25,000	34,500	1,500
Investments	209	209	209	209
Wkg. cap. (excl cash)	8,437	9,017	9,582	12,052
Cash / Bank balance	1,001	478	1,236	1,369
Others/Def tax assets	0	0	0	0
Capital employed	45,802	59,648	72,489	78,621
Equity capital	433	433	433	433
Reserves	11,712	15,558	19,899	24,531
Borrowings	32,420	42,420	50,920	52,420
Others	1,237	1,237	1,237	1,237

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Sources	17,934	15,333	14,598	8,414
Cash profit	5,069	6,187	6,960	9,775
(-) Dividends	124	130	137	171
Retained earnings	4,945	6,057	6,823	9,603
Issue of equity	240	0	0	0
Borrowings	12,058	10,000	8,500	1,500
Others	691	(724)	(725)	(2,690)
Applications	17,934	15,333	14,598	8,414
Capital expenditure	15,092	16,000	14,000	8,500
Investments	17	0	0	0
Net current assets	2,639	580	565	2,470
Change in cash	186	(1,248)	33	(2,557)

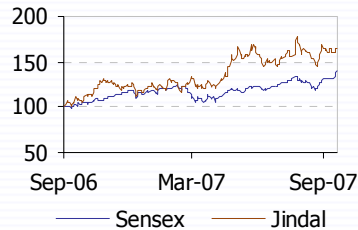
Source: Company, ENAM Research

Stock Data

No. of shares	:143mn
Market cap	:Rs 23bn
52 week high/low	:Rs 178/Rs 100
Avg. daily vol.(6mth)	:544,200 shares
Bloomberg code	:JDSL IN
Reuters code	:JIST.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	42.6	(0.7)
FIIIs	:	9.6	0.7
MFs / UTI	:	6.4	1.4
Banks / FIs	:	2.0	(0.7)
Others	:	39.5	(0.7)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	30,797	1,615	-	7.5	(29)	15.1	18	15	10.3	1.1	2.2
2007	47,823	3,640	-	17.0	125	7.2	30	23	6.0	1.5	1.9
2008E	60,195	4,512	-	21.1	24	7.7	28	24	5.7	1.8	1.8
2009E	72,484	6,134	-	28.7	36	5.7	29	30	4.6	2.6	1.7

Source: *Consensus broker estimates, Company, ENAM estimates

Jindal Stainless

Relative to Sector: **Neutral**

Rs 163

Target Price: Rs 141
Potential Upside: **-14%**

Stainless future

Investment summary

➤ One of the largest stainless steel players

- A dominant player in the fast growing Indian stainless steel market
- Control over chrome ore within close proximity

➤ Expansion plans - Orissa Project in three phases

- Phase I - Investment in ferro alloy, coke oven and captive power plants
 - ▶ Backward integration to improve profitability
- Setting up 0.8 mtpa stainless steel facility in phase II, expected to be complete by the end of FY10
- Phase III of the project to include another 0.8 mtpa expansion of stainless steel facilities and 3.2 mtpa steel making capacity
- Expansion in phased manner to service the capital expenditure for the coming phases
- Expansion of hot-rolled and cold-rolled facilities at the existing Hisar location

➤ Earnings drivers

- FY08: Firm stainless steel realisations and margin improvement through partial commissioning of Orissa project (ferro chrome & 125MW power plant)
- FY09: Commissioning of ferro alloy facilities, coke oven batteries and another 125 MW power plant

➤ Risks

- Rising prices of raw materials
- Substitution risk

➤ Valuations

- Upside on iron ore mine allocation given its timely and sizable investment in Orissa
- At CMP 163, the stock is trading at 4.6x FY09E EV/EBITDA
- Sector **Neutral** rating with a target price of Rs 141

Company Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	30,797	47,823	60,195	72,484
Other operating income	1,229	1,058	1,107	1,205
Total income	32,026	48,881	61,301	73,689
Cost of goods sold	26,279	37,865	45,915	50,605
Contribution (%)	14	18	19	23
Advt/Sales/Distrn O/H	1,404	2,480	3,720	6,697
Operating Profit	4,343	8,536	11,666	16,387
Other income	283	16	18	20
PBIDT	4,626	8,552	11,684	16,407
Depreciation	1,365	2,161	3,174	3,629
Interest	841	704	1,776	3,622
Other pretax	0	0	0	0
Pre-tax profit	2,420	5,688	6,734	9,155
Tax provision	805	2,047	2,222	3,021
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	1,615	3,640	4,512	6,134
E/o income / (Expense)	(18)	(110)	0	0
Reported PAT	1,597	3,530	4,512	6,134

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	(0.9)	55.3	25.9	20.4
OPM	14.1	17.8	19.4	22.6
Oper. profit growth	(15.7)	96.5	36.7	40.5
COGS / Net sales	82.1	77.5	74.9	68.7
Overheads/Net sales	4.4	5.1	6.1	9.1
Depreciation / G. block	6.2	6.5	6.5	6.5
Effective interest rate	4.7	2.9	6.0	10.0
Net wkg.cap / Net sales	0.2	0.1	0.0	0.1
Net sales / Gr block (x)	1.6	1.7	1.5	1.4
RoCE	14.8	22.7	24.0	29.5
Debt / equity (x)	2.2	1.9	1.8	1.7
Effective tax rate	33.3	36.0	33.0	33.0
RoE	18.0	30.1	27.8	29.1
Payout ratio (Div/NP)	14.9	9.0	8.4	9.1
EPS (Rs.)	7.5	17.0	21.1	28.7
EPS Growth	(28.7)	125.4	23.9	36.0
CEPS (Rs.)	13.9	27.1	35.9	45.6
DPS (Rs.)	1.1	1.5	1.8	2.6

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	34,964	44,785	54,666	67,741
Gross block	21,967	33,260	48,831	55,831
Net fixed assets	17,770	27,237	39,634	43,005
CWIP	6,285	10,571	10,000	18,000
Investments	3,102	1,886	1,886	1,886
Wkg. cap. (excl cash)	5,836	3,129	2,768	4,545
Cash / Bank balance	1,971	1,962	378	306
Others/Def tax assets	0	0	0	0
Capital employed	34,964	44,785	54,666	67,741
Equity capital	261	428	428	428
Reserves	9,811	13,718	17,849	23,424
Borrowings	22,110	26,723	32,473	39,973
Others	2,783	3,916	3,916	3,916

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	12,512	11,982	13,054	16,704
Cash profit	3,510	6,934	7,686	9,763
(-) Dividends	238	318	381	559
Retained earnings	3,272	6,616	7,304	9,204
Issue of equity	803	869	0	0
Borrowings	8,457	4,614	5,750	7,500
Others	(20)	(117)	(0)	(0)
Applications	12,512	11,982	13,054	16,704
Capital expenditure	8,094	15,914	15,000	15,000
Investments	1,172	(1,217)	0	0
Net current assets	1,843	(2,707)	(362)	1,777
Change in cash	1,403	(8)	(1,584)	(73)

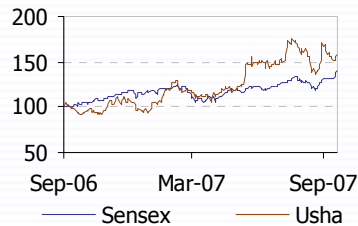
Source: Company, ENAM Research

Stock Data

No. of shares	:268mn
Market cap	:Rs.16bn
52 week high/low	:Rs.65/ Rs.30
Avg. daily vol. (6mth)	:462,800 shares
Bloomberg code	:USM IN
Reuters code	:USBL.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	46.2	2.4
FIIIs	:	19.8	1.0
MFs / UTI	:	14.9	0.1
Banks / FIs	:	5.3	(0.4)
Others	:	13.8	(3.1)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV / EBITDA (x)	DPS (Rs)	D/E (x)
2006	18,020	833	-	3.1	87	10.6	16	15	5.4	0.5	1.5
2007	19,647	1,223	-	4.6	47	8.2	18	18	5.5	0.8	1.3
2008E	23,407	1,842	-	6.9	51	9.2	22	25	5.5	0.9	1.2
2009E	29,634	3,005	-	11.2	63	5.6	29	32	4.0	1.0	1.0

Source: *Cons. broker estimates, Company, ENAM estimates

Usha Martin

Relative to Sector: **Outperformer**

Rs 63

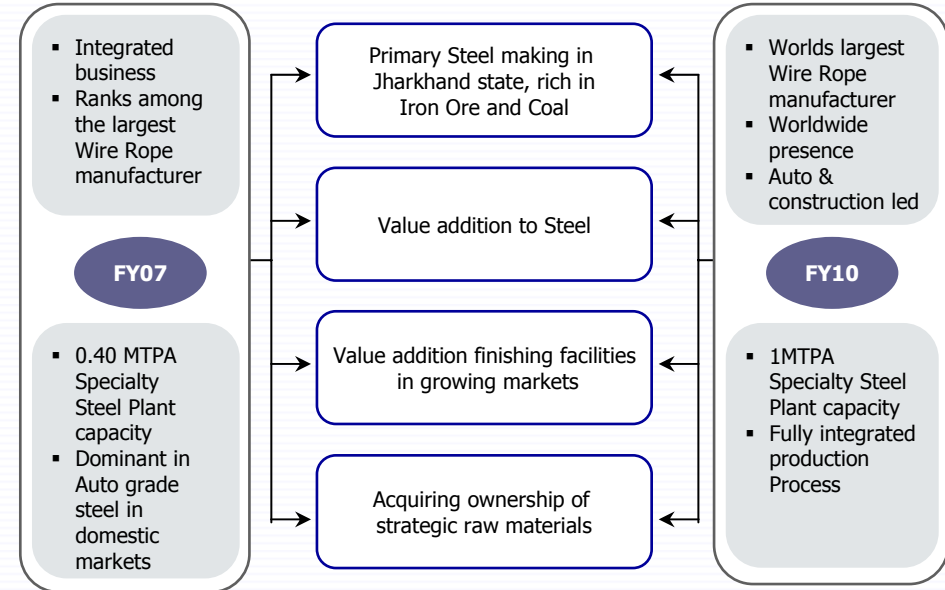
Target Price: Rs 74
Potential Upside: 17%

Strong edifice

Investment Summary

- ➔ **Stronghold in wire and wire-ropes segment**
 - Operating in the niche segment of wire rope and wire rods market
- ➔ **Resource linkages**
 - Iron Ore : Allotted iron ore mines with reserves estimated to be around 80-100 MT
 - Coal Mines – Allotted coal mines with reserves of ~40mt in Jharkhand (Better quality coal; can partially reduce dependence on imported coking coal)
- ➔ **Earnings drivers**
 - FY08 & FY09: Commissioning of iron ore mining facilities and firm realizations to improve margins
- ➔ **Risks**
 - Increase in freight costs might make its products uncompetitive in the European and US markets
 - Execution risk – Medium
- ➔ **Valuations**
 - At CMP Rs 63, the stock is trading at 4.0x FY09E EV/EBITDA
 - Sector **Outperformer** rating with a target price of Rs 74

Usha Martin: Growth module



Source: Company, ENAM Research

Company Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	18,020	19,647	23,407	29,634
Other operating income	41	18	19	19
Total income	18,061	19,665	23,425	29,654
Cost of goods sold	12,773	13,369	15,695	19,720
Contribution (%)	30	33	33	34
Advt/Sales/Distrn O/H	2,187	2,768	2,898	3,006
Operating Profit	3,102	3,528	4,832	6,928
Other income	22	0	0	0
PBIDT	3,123	3,528	4,832	6,928
Depreciation	960	935	1,058	1,273
Interest	910	915	1,010	1,152
Other pretax	0	0	0	0
Pre-tax profit	1,254	1,678	2,765	4,503
Tax provision	411	441	912	1,486
(-) Minority Interests	11	13	11	12
Associates	0	0	0	0
Adjusted PAT	833	1,223	1,842	3,005
E/o income / (Expense)	11	152	0	0
Reported PAT	843	1,374	1,842	3,005

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	16.2	9.0	19.1	26.6
OPM	17.2	18.0	20.6	23.4
Oper. profit growth	30.8	13.7	37.0	43.4
COGS / Net sales	70.7	68.0	67.0	66.5
Overheads/Net sales	12.1	14.1	12.4	10.1
Depreciation / G. block	5.2	4.6	5.0	5.0
Effective interest rate	9.5	10.0	10.0	10.1
Net wkg.cap / Net sales	0.2	0.2	0.2	0.2
Net sales / Gr block (x)	1.0	1.0	1.1	1.3
RoCE	15.4	17.9	24.5	31.5
Debt / equity (x)	1.5	1.3	1.2	1.0
Effective tax rate	32.7	26.3	33.0	33.0
RoE	16.5	18.2	22.1	28.6
Payout ratio (Div/NP)	16.5	16.0	13.1	8.8
EPS (Rs.)	3.1	4.6	6.9	11.2
EPS Growth	87.1	46.8	50.6	63.2
CEPS (Rs.)	6.7	8.0	10.8	15.9
DPS (Rs.)	0.5	0.8	0.9	1.0

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	15,912	18,669	21,269	25,509
Gross block	18,588	20,155	21,155	25,453
Net fixed assets	10,943	11,474	11,417	14,442
CWIP	731	1,998	4,198	3,700
Investments	4	4	4	304
Wkg. cap. (excl cash)	3,557	4,703	4,286	5,715
Cash / Bank balance	677	490	1,365	1,348
Others/Def tax assets	0	0	0	0
Capital employed	15,912	18,669	21,269	25,509
Equity capital	251	268	268	268
Reserves	5,643	7,279	8,879	11,619
Borrowings	8,651	9,630	10,630	12,130
Others	1,367	1,492	1,492	1,492

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	1,090	3,692	3,891	5,739
Cash profit	2,065	2,296	2,910	4,290
(-) Dividends	139	220	242	266
Retained earnings	1,926	2,076	2,669	4,024
Issue of equity	1,185	494	0	0
Borrowings	(1,821)	979	1,000	1,500
Others	(199)	143	222	215
Applications	1,090	3,692	3,891	5,739
Capital expenditure	1,576	2,733	3,200	3,800
Investments	(441)	0	0	300
Net current assets	(228)	1,145	(417)	1,429
Change in cash	184	(186)	1,107	210

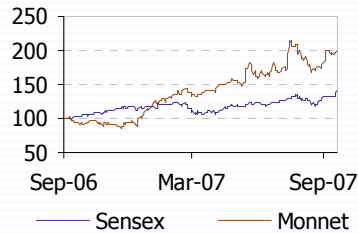
Source: Company, ENAM Research

Stock Data

No. of shares	: 35.5mn
Market cap	: Rs.14bn
52 week high/low	: Rs.392/Rs.143
Avg. daily vol.(6mth)	: 67,600 shares
Bloomberg code	: MISP IN
Reuters code	: MNET.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	54.9	0.0
FIIIs	:	14.2	1.6
MFs / UTI	:	7.8	4.0
Banks / FIs	:	0.9	(0.6)
Others	:	22.2	(5.1)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV / EBITDA (x)	DPS (Rs)	D/E (x)
2006	5,324	1,058	-	30.8	(14)	9.4	29	14	10.2	4.8	2.1
2007	6,378	1,348	-	39.3	27	6.1	27	13	8.8	5.1	1.8
2008E	11,088	1,355	-	39.5	1	9.8	22	15	8.3	5.4	2.0
2009E	14,244	1,678	-	48.9	24	7.9	22	15	7.3	5.7	1.9

Source: *Consensus broker estimates, Company, ENAM estimates

Monnet Ispat

Relative to Sector: **Neutral**

Rs 388

Target Price: Rs 355
Potential Upside: **-9%**

Powering Ahead

Investment summary

➤ Iron & Steel business:

- Profitable and rapidly growing business with control over resources viz. coal, iron ore and captive power
- Expansion of capacity at Raigarh –
 - ▶ Expansion of sponge iron capacity by 0.5 mtpa
 - ▶ Structural steel facility expansion by 1.0 mtpa (expected to commence operations by end of FY09)

➤ Power business:

- Setting up a 1,000 MW power plant through SPV
- Low variable cost of power generation with coal sourced from the parent company
- Merchant power plant, therefore, high ROE business

➤ Earnings drivers:

- Volume growth in the steel business with capacity additions
- Power business to provide stability to the cyclical steel business
- Estimated EPS of Rs 39.5 and Rs 48.9 in FY08 & FY09, respectively

➤ Valuations:

- At CMP of Rs 388, it is trading at 7.3x FY09E EV/EBITDA
- Sector **Neutral** rating with a target price of Rs 355

Monnet: Expansion plan	
Business model - FY07	
Metals	
- Sponge Iron (tpa)	800,000
- Steel (tpa)	300,000
- Ferro Alloys (tpa)	60,000
Captive Power	
- Power (MW)	150
Mining	
- Coal Mine (tpa)	1.00 mn

↓ FY11 ↓

Metals business

Metals	
- Sponge Iron (tpa)	800,000
- Steel (tpa)	1,300,000
- Rolling Mill (tpa)	200,000
- Ferro Alloys (tpa)	60,000
Captive Power	
- Power (MW)	450
Mining	
- Coal Mine - Raigarh (tpa)	1.00 mn
- Coal Mine - Angul (tpa)	1.70 mn

Power business through SPV

Thermal Power plant	1,000 MW
<ul style="list-style-type: none"> ■ Merchant Power Plant outside the purview of restriction on return on capital ■ Coal to be sourced from captive mines of the parent company 	

Source: Company, ENAM Research

Company Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	5,324	6,378	11,088	14,244
Other operating income	2	6	5	5
Total income	5,326	6,384	11,093	14,249
Cost of goods sold	3,666	4,276	7,498	9,602
Contribution (%)	31	33	32	33
Advt/Sales/Distrn O/H	276	361	552	827
Operating Profit	1,384	1,748	3,044	3,820
Other income	326	503	151	163
PBIDT	1,710	2,251	3,195	3,983
Depreciation	249	330	521	644
Interest	234	260	1,061	1,342
Other pretax	0	0	0	0
Pre-tax profit	1,227	1,661	1,613	1,998
Tax provision	168	313	258	320
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	1,058	1,348	1,355	1,678
E/o income / (Expense)	0	0	0	0
Reported PAT	1,058	1,348	1,355	1,678

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	2.7	19.8	73.9	28.5
OPM	26.0	27.4	27.4	26.8
Oper. profit growth	(22.8)	26.3	74.1	25.5
COGS / Net sales	68.8	67.0	67.6	67.4
Overheads/Net sales	5.2	5.6	5.0	5.8
Depreciation / G. block	4.2	4.0	3.5	3.5
Effective interest rate	3.4	2.8	9.0	9.0
Net wkg.cap / Net sales	0.3	0.3	0.3	0.3
Net sales / Gr block (x)	1.0	0.9	1.0	0.9
RoCE	14.0	13.5	14.8	14.8
Debt / equity (x)	2.1	1.8	2.0	1.9
Effective tax rate	13.7	18.8	16.0	16.0
RoE	29.4	27.5	21.5	22.0
Payout ratio (Div/NP)	15.7	13.1	13.7	11.6
EPS (Rs.)	30.8	39.3	39.5	48.9
EPS Growth	(13.9)	27.4	0.5	23.8
CEPS (Rs.)	38.1	48.9	54.6	67.6
DPS (Rs.)	4.8	5.1	5.4	5.7

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	13,260	16,374	21,044	25,278
Gross block	5,984	8,303	14,892	18,392
Net fixed assets	5,010	6,999	13,068	15,924
CWIP	1,811	3,589	1,500	1,500
Investments	185	448	448	448
Wkg. cap. (excl cash)	1,713	2,440	4,313	5,520
Cash / Bank balance	4,542	2,897	1,715	1,885
Others/Def tax assets	0	0	0	0
Capital employed	13,260	16,374	21,044	25,278
Equity capital	325	343	343	343
Reserves	3,776	5,366	6,536	8,020
Borrowings	8,657	10,036	13,536	16,286
Others	502	628	628	628

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	5,006	3,445	5,191	4,877
Cash profit	1,368	1,804	1,876	2,322
(-) Dividends	166	176	185	194
Retained earnings	1,201	1,628	1,691	2,127
Issue of equity	120	437	0	0
Borrowings	3,696	1,379	3,500	2,750
Others	(12)	1	0	(0)
Applications	5,006	3,445	5,191	4,877
Capital expenditure	2,583	4,099	4,500	3,500
Investments	95	264	0	0
Net current assets	521	727	1,873	1,208
Change in cash	1,808	(1,644)	(1,182)	170

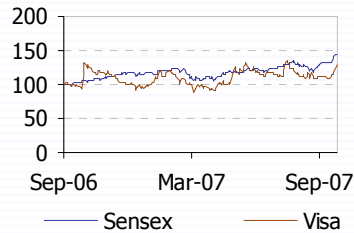
Source: Company, ENAM Research

Stock Data

No. of shares	: 110mn
Market cap	: Rs.5bn
52 week high/low	: Rs.48/Rs.25
Avg. daily vol.(6mth)	: 224,200 shares
Bloomberg code	: VISA IN
Reuters code	: VISA.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	72.7	0.0
FII's	:	15.8	0.1
MFs / UTI	:	0.0	0.0
Banks / FIs	:	0.0	0.0
Others	:	11.5	(0.1)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV / EBITDA (x)	DPS (Rs)	D/E (x)
2007	5,312	173	-	1.6	39	47.1	6	9	21.2	0.0	0.7
2008E	6,933	338	-	3.1	95	17.0	10	18	17.9	0.0	1.6
2009E	14,551	1,310	-	11.9	288	13.9	32	27	15.7	0.0	2.8
2010E	19,225	1,655	-	15.0	26	3.6	30	27	5.6	1.7	2.5

Source: *Consensus broker estimates, Company, ENAM estimates

Visa Steel

Relative to Sector: **Underperformer**

Rs 43

Target Price: Rs 40
Potential Upside: **-6%**

Execution holds the key

Investment summary

- **Multi-product portfolio:**
 - Diversified product portfolio including pig iron, coke, coking coal, steam coal and chrome concentrates

- **Expansion of operations in Orissa:**
 - Setting up 0.5 mtpa stainless steel plant along with 50,000 tpa ferro chrome, 0.3 mtpa sponge iron, and 75MW waste heat recovery power plant
 - Logistic advantages with Kalinganagar facilities situated within close proximity of resource linkages as well as port

- **Resource linkages:**
 - Allotted iron ore mines in Orissa & co-allotted the Patrapara Coal block in Talcher, Orissa
 - Applied for captive coking coal blocks in West Bokaro

- **Earnings driver:**
 - FY08 & FY09: Commissioning of coke oven batteries, power plant and ferro chrome facilities
 - FY10: Full commissioning of the steel facilities to boost revenues and captive power along with ferro chrome facilities to improve margin

- **Valuations**
 - At CMP Rs 43, the stock is trading at 15.7x FY09E EV/EBITDA
 - Sector **Underperformer** rating with a target price of Rs 40

Capacity addition schedule

Visa steel (tonnes)	Existing Cap.	Commissioning Sch.		Visa Steel
	FY07	FY08	FY09	FY09
Pig Iron	225,000	-	-	225,000
Chrome concentrate	100,000	-	-	100,000
Chrome powder	100,000	-	-	100,000
Coke	300,000	100,000	-	400,000
Ferro Chrome		50,000	-	50,000
Sponge Iron		300,000	-	300,000
Power (MW)		75	-	75
Special & Stainless Steel		-	500,000	500,000

Source: Company, ENAM Research

Company Financials

Income statement

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Net sales	5,312	6,933	14,551	19,225
Other operating income	0	0	0	0
Total income	5,312	6,933	14,551	19,225
Cost of goods sold	4,623	5,798	11,132	14,192
Contribution (%)	13	16	23	26
Advt/Sales/Distrn O/H	252	265	529	899
Operating Profit	437	871	2,890	4,134
Other income	36	58	15	3
PBIDT	473	929	2,906	4,137
Depreciation	98	136	526	566
Interest	64	289	424	1,101
Other pretax	0	0	0	0
Pre-tax profit	311	504	1,956	2,470
Tax provision	138	166	645	815
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	173	338	1,310	1,655
E/o income / (Expense)	32	0	0	0
Reported PAT	205	338	1,310	1,655

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2007	2008E	2009E	2010E
Sales growth	38.3	30.5	109.9	32.1
OPM	8.2	12.6	19.9	21.5
Oper. profit growth	21.2	99.2	231.8	43.0
COGS / Net sales	87.0	83.6	76.5	73.8
Overheads/Net sales	4.7	3.8	3.6	4.7
Depreciation / G. block	3.7	4.0	4.0	4.0
Effective interest rate	1.9	4.0	4.0	9.0
Net wkg.cap / Net sales	0.0	0.0	0.0	0.0
Net sales / Gr block (x)	2.5	2.3	1.8	1.4
RoCE	9.4	18.2	27.5	26.6
Debt / equity (x)	1.6	2.8	2.5	2.1
Effective tax rate	44.3	33.0	33.0	33.0
RoE	5.9	10.5	32.3	30.4
Payout ratio (Div/NP)	0.0	0.0	0.0	11.4
EPS (Rs.)	1.6	3.1	11.9	15.0
EPS Growth	39.0	94.7	288.1	26.3
CEPS (Rs.)	2.5	4.3	16.7	20.2
DPS (Rs.)	0.0	0.0	0.0	1.7

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Total assets	8,245	13,083	16,643	19,110
Gross block	2,663	3,390	13,140	14,140
Net fixed assets	2,493	3,084	12,308	12,743
CWIP	3,727	8,500	3,500	5,000
Investments	1,634	684	84	84
Wkg. cap. (excl cash)	288	313	505	772
Cash / Bank balance	103	502	245	511
Others/Def tax assets	0	0	0	0
Capital employed	8,245	13,083	16,643	19,110
Equity capital	1,100	1,100	1,100	1,100
Reserves	1,961	2,299	3,609	5,076
Borrowings	4,986	9,486	11,736	12,736
Others	198	198	198	198

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2007	2008E	2009E	2010E
Sources	3,533	4,973	4,086	3,033
Cash profit	364	473	1,836	2,221
(-) Dividends	0	0	0	188
Retained earnings	364	473	1,836	2,033
Issue of equity	0	0	0	0
Borrowings	3,126	4,500	2,250	1,000
Others	44	(0)	(0)	0
Applications	3,533	4,973	4,086	3,033
Capital expenditure	3,787	5,500	4,750	2,500
Investments	(796)	(950)	(600)	0
Net current assets	515	24	193	267
Change in cash	26	399	(257)	266

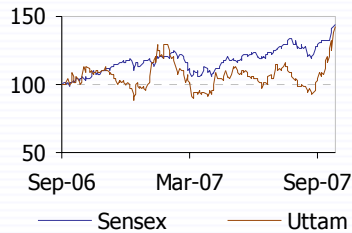
Source: Company, ENAM Research

Stock Data

No. of shares	: 83mn
Market cap	: Rs.4bn
52 week high/low	: Rs.48/Rs.26
Avg. daily vol.(6mth)	: 571,600 shares
Bloomberg code	: UTTM IN
Reuters code	: UTTM.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	36.1	0.0
FIIIs	:	0.6	0.0
MFs / UTI	:	0.1	0.0
Banks / FIs	:	3.0	(0.0)
Others	:	60.3	0.0

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	17,882	744	-	7.1	(21)	6.4	25	19	6.0	0.0	2.5
2007	25,753	1,184	-	11.2	59	2.8	27	22	4.8	0.0	1.8
2008E	31,556	1,765	-	16.8	49	2.6	28	22	4.0	0.0	1.4
2009E	32,187	1,776	-	16.9	1	2.6	22	18	3.7	0.0	1.1

Source: *Consensus broker estimates, Company, ENAM estimates

Uttam Galva

Rs 44**Relative to Sector: Not Rated**

Low risk, low return

Investment summary

➤ Current operations

- Leading player of cold rolled and galvanized steel products for the automobiles, white goods and engineering sectors

➤ Future plans

- Expansion of cold rolled steel capacity to 1 mn tonnes
- Investment in galvanised and cold rolling mill complex in Ghana.

➤ Earnings driver

- Expansion of cold rolled capacity to boost volume growth
- Firm realisations to drive earnings growth for FY08 as well as FY09
- We expect FY08E EPS of Rs 16.8 and FY09E EPS of Rs 16.9

➤ Risks

- Slowdown in the automobile industry
- Increase in input costs

➤ Valuations

- At CMP 44, the stock is trading at 3.7x FY09E EV/EBITDA

Company Financials

Income statement

(Rs mn)

Y / E March	2006	2007	2008E	2009E
Net sales	17,882	25,753	31,556	32,187
Other operating income	0	0	0	0
Total income	17,882	25,753	31,556	32,187
Cost of goods sold	15,012	21,863	26,519	26,810
Contribution (%)	16	15	16	17
Advt/Sales/Distrn O/H	995	1,216	1,459	1,751
Operating Profit	1,875	2,674	3,578	3,626
Other income	96	167	134	127
PBIDT	1,971	2,841	3,712	3,753
Depreciation	380	490	666	714
Interest	774	1,163	1,085	1,066
Other pretax	0	0	0	0
Pre-tax profit	817	1,188	1,961	1,973
Tax provision	73	4	196	197
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	744	1,184	1,765	1,776
E/o income / (Expense)	0	(53)	0	0
Reported PAT	744	1,131	1,765	1,776

Source: Company, ENAM Research

Key ratios

(%)

Y / E March	2006	2007	2008E	2009E
Sales growth	(14.5)	44.0	22.5	2.0
OPM	10.5	10.4	11.3	11.3
Oper. profit growth	(3.4)	42.6	33.8	1.3
COGS / Net sales	84.0	84.9	84.0	83.3
Overheads/Net sales	5.6	4.7	4.6	5.4
Depreciation / G. block	3.9	4.4	4.0	4.0
Effective interest rate	11.3	12.6	11.0	11.0
Net wkg.cap / Net sales	0.1	0.1	0.1	0.1
Net sales / Gr block (x)	2.2	2.5	2.3	1.9
RoCE	19.4	21.9	22.2	17.7
Debt / equity (x)	2.5	1.8	1.4	1.1
Effective tax rate	9.0	0.4	10.0	10.0
RoE	24.9	26.7	27.8	21.9
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	7.1	11.2	16.8	16.9
EPS Growth	(21.5)	59.2	49.1	0.6
CEPS (Rs.)	10.7	15.9	23.1	23.7
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	12,007	15,324	17,089	18,525
Gross block	9,740	11,216	16,658	17,858
Net fixed assets	6,968	7,955	12,731	13,216
CWIP	1,393	4,442	500	800
Investments	1	31	31	31
Wkg. cap. (excl cash)	1,638	2,668	3,568	3,624
Cash / Bank balance	2,006	228	259	853
Others/Def tax assets	0	0	0	0
Capital employed	12,007	15,324	17,089	18,525
Equity capital	834	1,053	1,053	1,053
Reserves	2,557	4,412	6,177	7,953
Borrowings	8,615	9,859	9,859	9,519
Others	0	0	0	0

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	4,696	3,808	2,431	2,150
Cash profit	1,123	1,674	2,431	2,490
(-) Dividends	0	0	0	0
Retained earnings	1,123	1,674	2,431	2,490
Issue of equity	63	874	0	0
Borrowings	3,510	1,244	0	(340)
Others	(0)	16	0	0
Applications	4,696	3,808	2,431	2,150
Capital expenditure	2,406	4,526	1,500	1,500
Investments	0	30	0	0
Net current assets	875	1,030	900	56
Change in cash	1,414	(1,778)	31	594

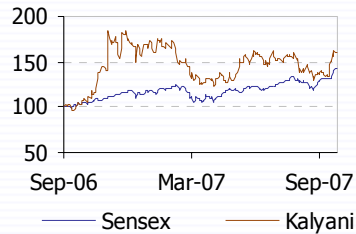
Source: Company, ENAM Research

Stock Data

No. of shares	: 43.7mn
Market cap	: Rs.18bn
52 week high/low	: Rs.509/Rs.272
Avg. daily vol.(6mth)	: 5,500 shares
Bloomberg code	: KS IN
Reuters code	: KLSL.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	53.0	0.0
FIIIs	:	4.3	(0.3)
MFs / UTI	:	7.6	1.4
Banks / FIs	:	0.7	(0.3)
Others	:	34.4	(0.8)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)	D/E (x)
2006	5,439	666	-	15.2	57	18.5	23	27	11.5	3.3	0.3
2007	8,683	899	-	20.6	35	17.1	23	29	10.8	4.0	0.2
2008E	10,809	1,098	21.6	25.1	22	16.8	22	29	10.5	4.8	0.2
2009E	12,346	1,105	25.4	25.3	1	16.7	19	24	10.5	5.0	0.4

Source: *Consensus broker estimates, Company, ENAM estimates

Kalyani Steels

Rs 423Relative to Sector: **Not Rated**

Leveraged to domestic auto sector growth

Investment summary

➤ Current operations

- A leading player in the forging carbon and alloy steel
- A proxy on the automobile industry growth in India

➤ Expansion plans:

- Blast furnace capacity expansion by 250,000 tonnes
- Steel making capacity expansion by 100,000 tonnes

➤ Investment in SJK Steel plant in Andhra Pradesh

- ▶ Acquisition of 90% interest in Joint venture with Gerdau, Brazil
- ▶ SJK currently has alloy steel facility of 275,000 tpa
- ▶ Plans to enhance capacity to 1.6 mtpa

➤ Investment value

- Value of investments (at CMP) is around ~65% of the market capitalization of the company
- Core steel business (excluding the value of investments) is currently valued at ~6x FY08E earnings

➤ Risks

- Slowdown in the automobile industry
- A rise in input costs

➤ Valuations

- At CMP Rs 423, the stock is trading at 10.5x FY09E EV/EBITDA

Company Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	5,439	8,683	10,809	12,346
Other operating income	200	428	428	428
Total income	5,639	9,110	11,237	12,774
Cost of goods sold	4,191	6,931	8,579	9,725
Contribution (%)	27	25	25	25
Advt/Sales/Distrn O/H	300	684	821	1,108
Operating Profit	1,148	1,495	1,837	1,941
Other income	89	0	0	0
PBIDT	1,237	1,495	1,837	1,941
Depreciation	182	179	227	263
Interest	46	65	85	143
Other pretax	0	0	0	0
Pre-tax profit	1,009	1,252	1,525	1,535
Tax provision	343	353	427	430
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	666	899	1,098	1,105
E/o income / (Expense)	0	0	0	0
Reported PAT	666	899	1,098	1,105

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	(28.7)	59.6	24.5	14.2
OPM	21.1	17.2	17.0	15.7
Oper. profit growth	34.4	30.2	22.8	5.7
COGS / Net sales	74.3	76.1	76.3	76.1
Overheads/Net sales	5.3	7.5	7.3	8.7
Depreciation / G. block	6.3	6.0	6.0	6.0
Effective interest rate	3.9	7.4	8.0	8.0
Net wkg.cap / Net sales	0.3	0.2	0.2	0.2
Net sales / Gr block (x)	1.9	3.0	3.2	3.0
Incremental RoCE	57.7	469.1	31.2	6.9
RoCE	26.6	29.1	28.9	24.1
Debt / equity (x)	0.3	0.2	0.2	0.4
Effective tax rate	34.0	28.2	28.0	28.0
RoE	23.1	22.9	22.0	18.8
Payout ratio (Div/NP)	21.6	19.4	19.0	19.9
EPS (Rs.)	15.2	20.6	25.1	25.3
EPS Growth	57.2	34.9	22.1	0.7
CEPS (Rs.)	19.4	24.7	30.3	31.3
DPS (Rs.)	3.3	4.0	4.8	5.0

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	4,735	5,791	7,180	9,015
Gross block	2,894	2,963	3,782	4,382
Net fixed assets	1,896	1,787	2,379	2,717
CWIP	96	470	500	900
Investments	912	1,931	1,931	2,931
Wkg. cap. (excl cash)	1,746	1,556	1,873	2,129
Cash / Bank balance	85	48	496	338
Others/Def tax assets	0	0	0	0
Capital employed	4,735	5,791	7,180	9,015
Equity capital	421	437	437	437
Reserves	2,897	4,103	4,992	5,877
Borrowings	956	812	1,312	2,262
Others	461	439	439	439

Source: Company, ENAM Research

Cash flow

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Sources	823	1,235	1,616	2,099
Cash profit	1,071	1,055	1,325	1,368
(-) Dividends	144	175	209	219
Retained earnings	927	880	1,116	1,149
Issue of equity	0	16	0	0
Borrowings	(448)	(144)	500	950
Others	343	482	0	(0)
Applications	823	1,235	1,616	2,099
Capital expenditure	69	443	850	1,000
Investments	104	1,019	0	1,000
Net current assets	645	(190)	317	256
Change in cash	4	(38)	448	(158)

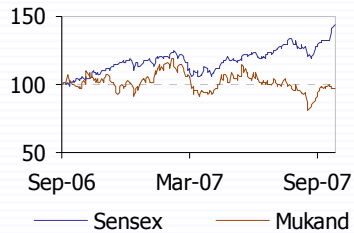
Source: Company, ENAM Research

Stock Data

No. of shares	: 73mn
Market cap	: Rs.6bn
52 week high/low	: Rs.106/Rs.68
Avg. daily vol.(6mth)	: 126,400 shares
Bloomberg code	: MUK IN
Reuters code	: MUKA.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	:	46.8	(0.0)
FII's	:	7.4	1.4
MFs / UTI	:	4.8	(0.0)
Banks / FIs	:	11.9	0.0
Others	:	29.0	(1.3)

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

Y/E March	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS (Rs.)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV / EBITDA (x)	DPS (Rs)	D/E (x)
2006	15,651	777	-	9.9	28	11.6	13	11	7.7	0.0	1.7
2007	18,104	961	-	12.2	24	6.6	14	12	5.8	1.1	1.4
2008E	19,295	1,094	12.5	13.9	14	6.3	14	13	5.8	1.1	1.3
2009E	21,702	1,437	17.4	18.3	31	4.8	16	15	5.0	1.2	1.2

Source: *Consensus broker estimates, Company, ENAM estimates

Mukand Limited

Rs 87Relative to Sector: **Not rated**

Rich product mix

Investment summary

➔ Current operations

- Player in the niche segment of specialty steel for automobile segment (~85% of the total volume sales)
- Other business interests include industrial machinery (overhead cranes etc) and road construction

➔ Expansion plans

- Expansion of hot metal capacity to 0.6 mtpa, expansion of rolling mill capacity to 0.3 mtpa and wire rod mill capacity to 0.3 mtpa
- MoU with NV Bekaert to produce 12,000 tonnes of Stainless Steel wires

➔ Earnings driver:

- Commissioning of semi finished steel facilities and hot rolling mill facilities in March'08 to boost revenues as well as margins from FY09 onwards
- We expect FY08E EPS of Rs 13.9 and FY09E EPS of Rs 18.3

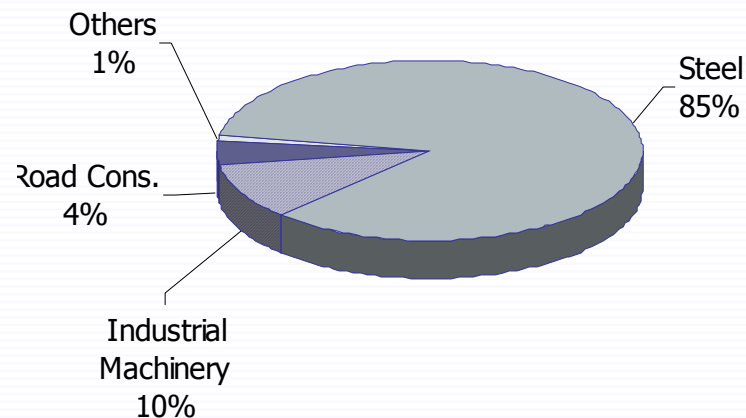
➔ Risks

- Slowdown in the automobile industry
- Increase in input costs

➔ Valuations

- At CMP Rs 87, the stock is trading at 5x FY09E EV/EBITDA

Mukand : Segment Revenues



Mukand : Segment EBIT

Segment Results (Rs mn)	FY06	FY07
Steel	1,634	1,944
Industrial machinery	318	470
Road Construction	(51)	(196)
Other Products	3	35
Eliminations	0	16
EBIT	1,903	2,268

Source: Company, ENAM Research

Company Financials

Income statement

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Net sales	15,651	18,104	19,295	21,702
Other operating income	285	218	218	218
Total income	15,935	18,323	19,514	21,920
Cost of goods sold	12,619	14,512	15,405	17,277
Contribution (%)	21	22	21	21
Advt/Sales/Distrn O/H	834	1,074	1,157	1,169
Operating Profit	2,482	2,737	2,952	3,475
Other income	0	0	0	0
PBIDT	2,482	2,737	2,952	3,475
Depreciation	579	567	624	644
Interest	1,013	995	994	1,035
Other pretax	0	0	0	0
Pre-tax profit	890	1,175	1,334	1,797
Tax provision	112	215	240	359
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	777	961	1,094	1,437
E/o income / (Expense)	330	(27)	0	0
Reported PAT	1,107	933	1,094	1,437

Source: Company, ENAM Research

Key ratios

(%)

Y/E March	2006	2007	2008E	2009E
Sales growth	3.6	15.7	6.6	12.5
OPM	15.9	15.1	15.3	16.0
Oper. profit growth	34.4	10.3	7.9	17.7
COGS / Net sales	79.2	79.2	78.9	78.8
Overheads/Net sales	5.2	5.9	5.9	5.3
Depreciation / G. block	5.2	4.9	5.0	5.0
Effective interest rate	9.1	9.1	9.2	9.2
Net wkg.cap / Net sales	0.5	0.5	0.5	0.5
Net sales / Gr block (x)	1.3	1.6	1.6	1.7
RoCE	11.3	12.5	12.9	14.6
Debt / equity (x)	1.7	1.4	1.3	1.2
Effective tax rate	12.6	18.3	18.0	20.0
RoE	13.5	13.9	14.0	16.0
Payout ratio (Div/NP)	0.0	9.2	8.2	6.6
EPS (Rs.)	9.9	12.2	13.9	18.3
EPS Growth	28.0	23.6	13.9	31.4
CEPS (Rs.)	17.2	19.4	21.8	26.4
DPS (Rs.)	0.0	1.1	1.1	1.2

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

Y/E March	2006	2007	2008E	2009E
Total assets	17,535	18,065	19,569	21,362
Gross block	11,169	11,502	12,471	12,871
Net fixed assets	6,709	6,520	6,865	6,622
CWIP	248	569	600	1,200
Investments	953	966	966	966
Wkg. cap. (excl cash)	8,294	9,015	10,352	11,594
Cash / Bank balance	1,332	995	786	981
Others/Def tax assets	0	0	0	0
Capital employed	17,535	18,065	19,569	21,362
Equity capital	788	788	788	788
Reserves	5,682	6,529	7,533	8,876
Borrowings	11,267	10,545	11,045	11,495
Others	(201)	204	204	204

Source: Company, ENAM Research

Cash flow

(Rs mn)

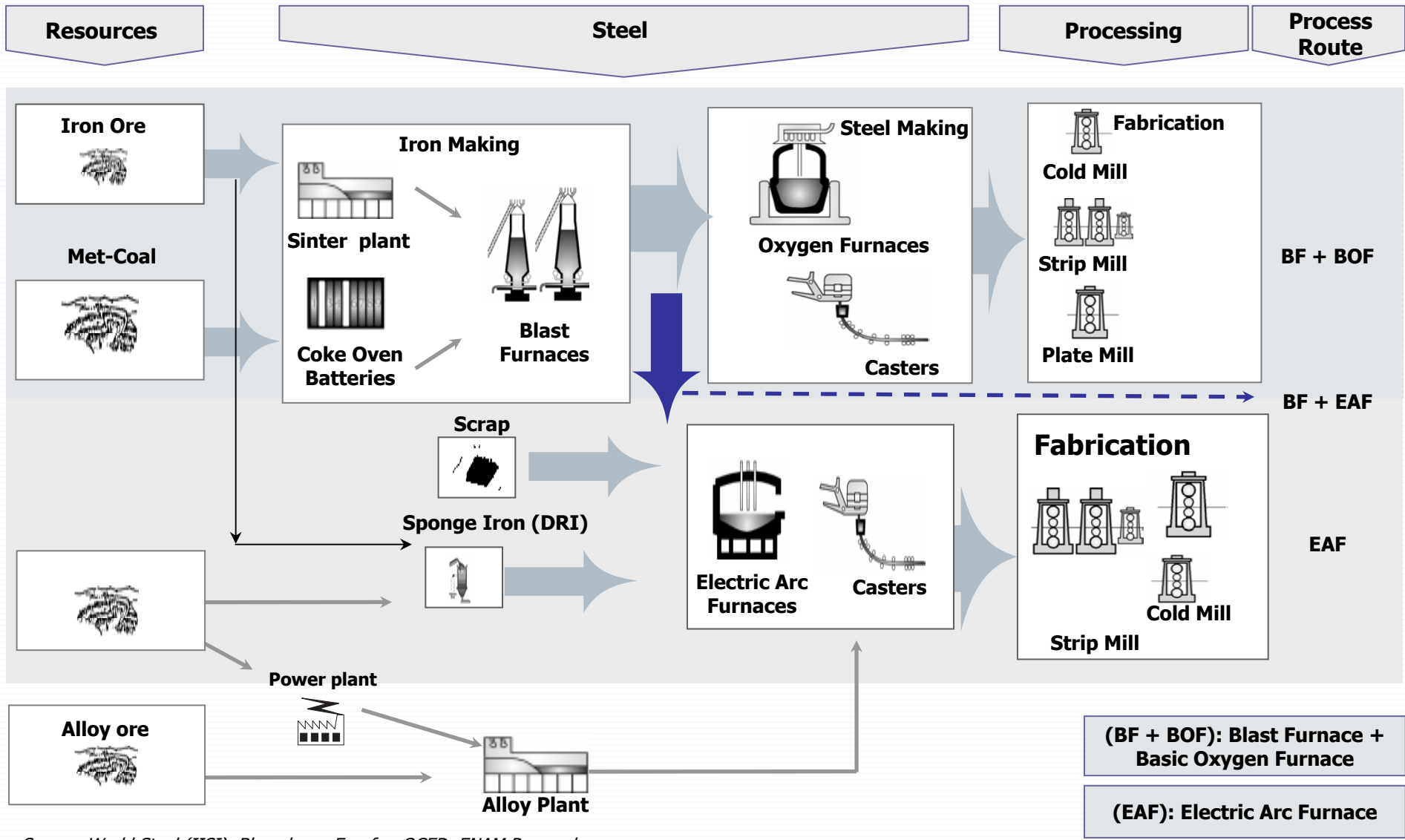
Y/E March	2006	2007	2008E	2009E
Sources	3,315	1,096	2,128	2,347
Cash profit	1,156	1,932	1,718	2,081
(-) Dividends	0	86	90	94
Retained earnings	1,156	1,846	1,628	1,986
Issue of equity	0	0	0	0
Borrowings	217	(723)	500	450
Others	1,942	(28)	(0)	(90)
Applications	3,315	1,096	2,128	2,347
Capital expenditure	609	699	1,000	1,000
Investments	(135)	13	0	0
Net current assets	1,935	721	1,337	1,241
Change in cash	906	(337)	(210)	105

Source: Company, ENAM Research



Annexure

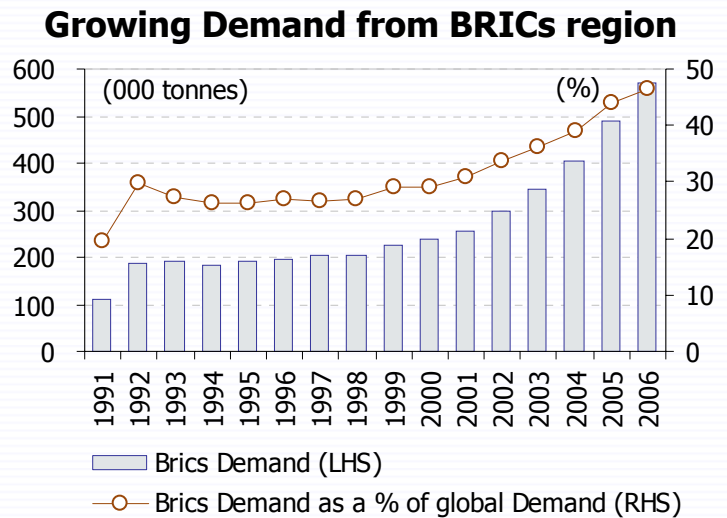
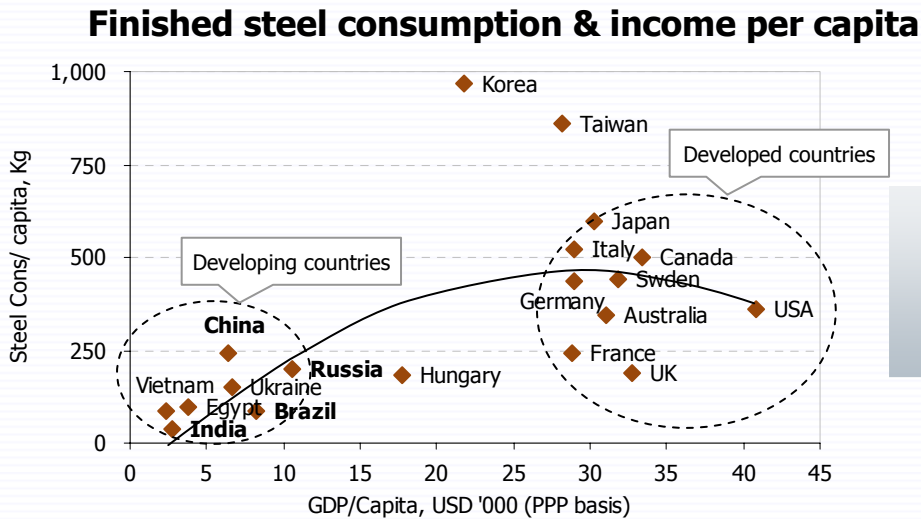
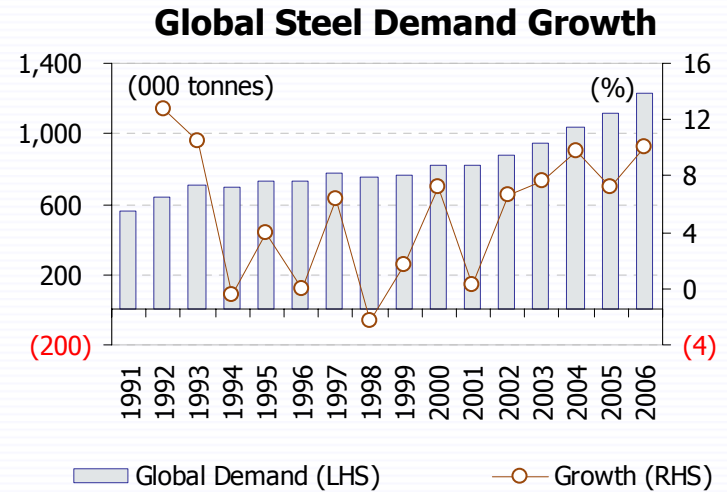
Annexure # 1: The value chain



Source: World Steel (IISI), Bloomberg, Eurofer, OCED, ENAM Research

Annexure #2: Strong Demand

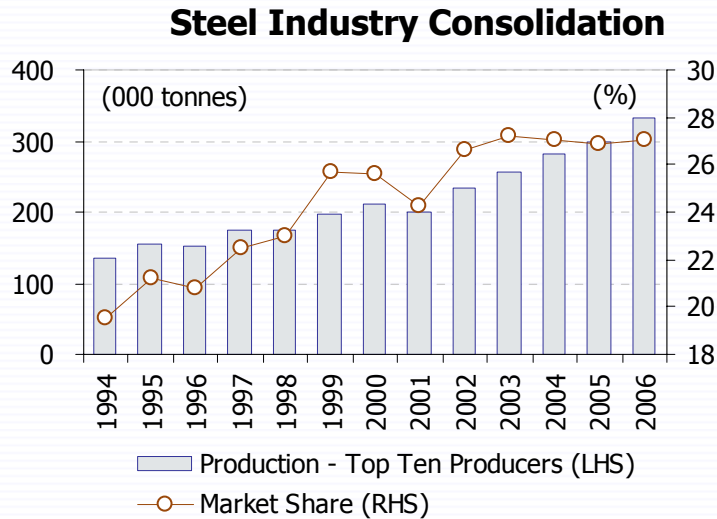
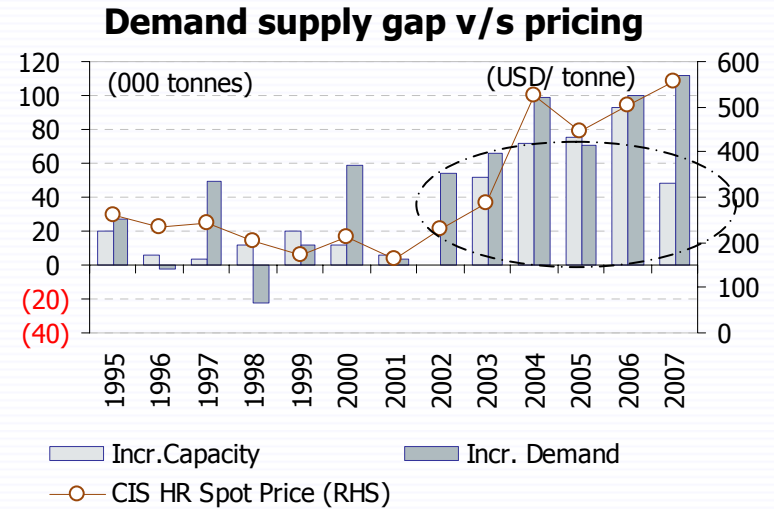
- Robust global demand growing at a CAGR of ~7% over the past six years
- Growth in the BRICs region providing strong impetus to the global demand growth
- Rising income levels and industrial growth in the BRICs region supporting the rising steel demand



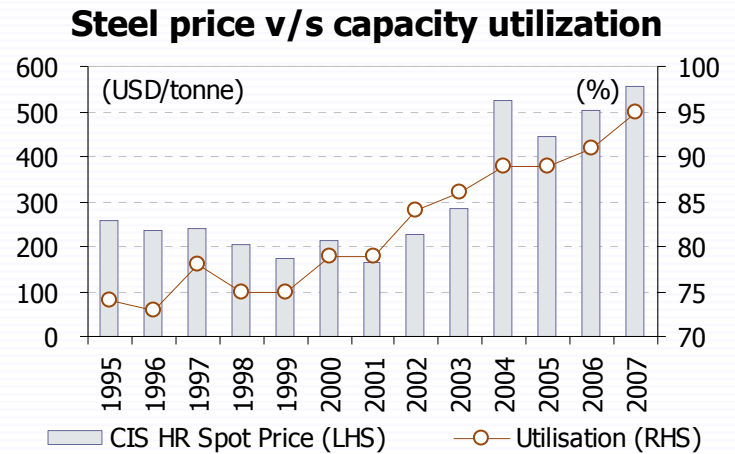
Source: IISI, IMF, ENAM Research

Annexure# 3: Tight supply scenario

- Industry operating at the highest capacity utilization rates
- Large Chinese capacity addition for local consumption to replace old capacities
- Industry consolidation and cutbacks are the key price drivers



Source: IISI, ENAM Research

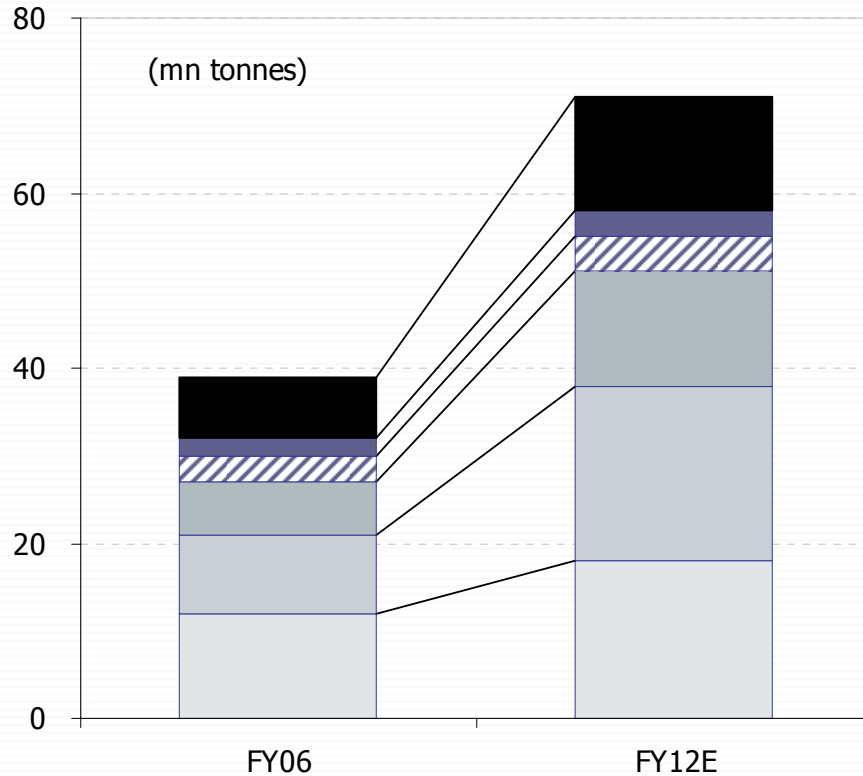


Source: ENAM Research

Strong demand and tight supply to maintain firm prices

Annexure# 4: Indian steel market

India: Over the next 6 years



Major growth drivers

- Others ✓
- Packaging & Durable
- Transportation
- Infrastructure ✓
- Industrials ✓
- Construction ✓

Source: World Steel (IISI), Company, ENAM Research

Indian market to grow at 10% pa

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1. Analyst ownership of the stock	Yes	Yes	No	No	No	No	No	No	No	No	No	No
2. Firm ownership of the stock	No	No	No	No	No	No	No	No	No	No	No	No
3. Directors ownership of the stock	No	No	No	No	No	No	No	No	Yes	Yes	No	Yes
4. Investment Banking mandate	No	No	No	No	No	No	No	No	No	No	No	No
5. Broking relationship	No	No	No	No	No	No	No	No	No	No	No	No

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