

Valuations: Indian companies

	Price (INR)	EV/EBITDA FY13E	EV/EBITDA FY14E	P/BV FY13E
Steel				
Tata Steel	409	7.0	6.8	1.5
SAIL	93	7.5	7.1	0.9
JSW Steel	732	6.8	6.9	1.0
JSPL	427	9.6	8.9	2.0
NMDC	197	5.3	4.2	2.6
Sesa Goa	180	3.0	3.8	1.0
Non-ferrous				
Sterlite Inds.	104	4.1	3.8	0.8
HZL	132	5.7	4.0	1.8
Nalco	53	9.1	7.8	1.1
Hindalco	118	7.3	6.4	1.2

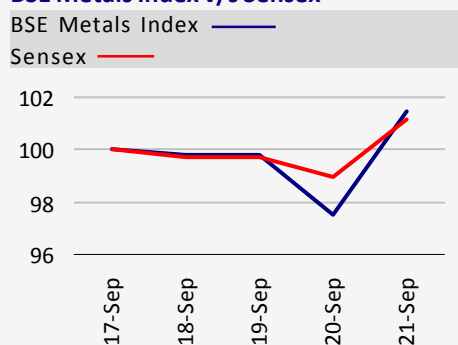
Note: Detailed table on pg 23 Source: MOSL

Valuations: Global companies

	Price	EV/EBITDA CY11	EV/EBITDA CY12	P/BV CY11
Mining				
BHP	AUD 33.7	6.3	5.6	2.4
FMG	AUD 3.6	5.4	3.5	2.3
Rio Tinto	AUD 56.3	5.9	4.8	1.8
Vale	USD 18.6	5.1	4.3	1.2
Teck Res.	USD 30.8	5.3	4.6	0.9
Xstrata	GBP 1005	7.5	5.9	1.0
Steel				
A. Mittal	EUR 12.4	6.4	5.3	0.4
Posco	k KRW 381	6.0	5.2	0.8
US Steel	USD 19.9	5.3	4.1	0.9
Nucor	USD 39.5	9.0	6.3	1.6
JFE	JPY 1125	7.7	6.3	0.4
Gerdau	BRL 20.1	9.3	7.6	1.1
Bao Steel	CNY 4.7	5.6	5.7	0.8
Non-ferrous				
Alcoa	USD 9.1	9.2	6.5	0.7
Norsk Hyd.	NOK 28.4	9.6	6.3	0.8
Rusal	HKD 4.5	16.8	12.7	0.8

Detailed on pg 23 Source: Bloomberg

BSE Metals Index v/s Sensex



Source: Bloomberg

Note: Indexed to 100 on 17 September 2012
Stock performance table on pg 24

Investors are advised to refer through disclosures made at the end of the Research Report.

Metal Prices

	CMP 24-Sep	%	Week 17-Sep	%	Quarter 2-Jul	%	YTD FY13 2-Apr
STEEL							
TMT- Mumbai (INR/ton)	35,200	0	35,300	-3	36,400	-12	39,900
HRC (USD/ton) fob CIS	553	0	553	0	553	-13	635
HRC (USD/ton) fob China	575	6	543	-11	645	-17	693
METALLICS							
Sponge iron - Raipur (INR/ton)	22,200	0	22,200	-2	22,600	-8	24,200
Pig iron - Raipur (INR/ton)	26,000	0	26,000	2	25,385	2	25,385
Iron ore spot (USD/ton) cfr China	108	2	106	-22	139	-28	150
Coke (USD/ton) fob	320	7	300	-10	355	-14	370
Shred. scrap (USD/ton) Rotterdam	353	-4	366	-11	398	-14	410
ALUM.							
LME inventories ('000 ton)	5,086	0	5,079	5	4,823	0	5,077
LME Spot (USD/ton)	2,093	-3	2,162	14	1,834	0	2,098
Indian prices (INR '000/ton)	113	-5	119	8	105	5	108
ZINC							
LME inventories ('000 ton)	977	6	920	-2	995	9	896
LME Spot (USD/ton)	2,097	2	2,054	14	1,843	5	2,003
Indian prices (INR '000/ton)	113	0	113	8	104	9	103
COPPER							
LME inventories ('000 ton)	219	3	214	-14	256	-15	258
LME Spot (USD/ton)	8,282	0	8,293	9	7,604	-2	8,480
Indian prices (INR '000/ton)	450	-3	462	4	433	4	431
OTHERS							
Gold (INR/10gms)	31,562	-1	31,925	7	29,510	12	28,075
Sliver (INR/1kg)	61,321	-1	62,213	17	52,256	10	55,950
Lead Spot LME (USD/ton)	2,276	1	2,243	27	1,796	13	2,020
FC 6-8% C basis 60% Cr (USD/lb Cr)	1.05	0	1.06	-9	1.15	-11	1.19
MISC.							
INR/USD	53.5	-1	53.9	-3	55.4	5	50.9
BDI	774	17	663	-23	1,004	-17	934

Source: Metal Bulletin/Bloomberg/Steel Mint/MOSL

Global steel CU down 3pp to 75%; Steel prices up 6% in China; coking coal still declining

- Global monthly crude steel production decreased 0.5% YoY to 123.7mt in August as most regions such as China, Europe and North America registered degrowth/flat production. Capacity utilization decreased 3.2pp MoM to 75.5%. Global steel production seems to be rebounding in September as Chinese mills ramp up production again.
- Indian TMT Mumbai (long) prices declined 0.3% WoW while Sponge iron prices were flat WoW at INR22,200/t. HRC Mumbai prices based on import parity increased 5% due to increase in prices in China
- Steel prices rebound in China continued for second consecutive week, increasing 6% WoW while prices declined in Europe and North America by 0.9% and 2.3% respectively. Prices were flat in other geographies.
- 63.5% Fe iron ore price increased 2% WoW to USD108/t. However, coking coal prices continue to decline, down by USD4 WoW to USD144/t fob.
- Base metals prices were mixed with Aluminium decreasing 3% WoW while Zinc and Lead increasing 2% and 1% WoW respectively.
- Indian government has banned sale of iron ore by companies granted captive mines for steel production.
- Odisha miners has cut iron ore prices for the fourth consecutive time in last 3 months due to weak demand.

Contents

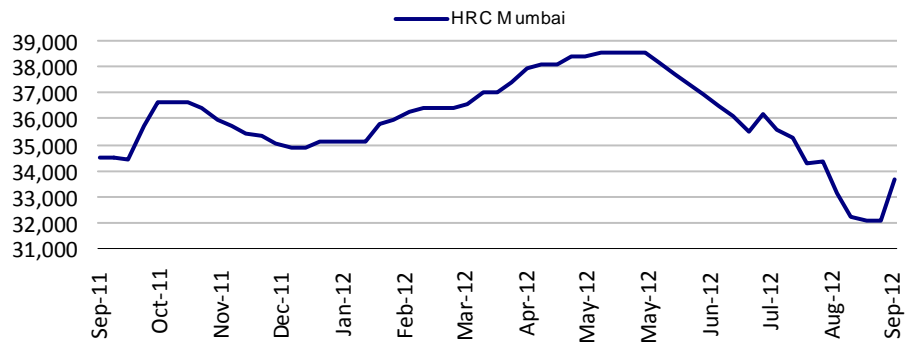
	Page No.
Ferrous	3-10
India	3 & 4
European Union	5
China	6
Other regions	7 & 8
Steel raw material	9 & 10
Ferro alloys	11
Non ferrous	12-18
Aluminum	12
Copper	14
Zinc	15
Lead	16
Commodity curve analysis	17
China non-ferrous trade data	18
Key indicators	19-20
Industrial production growth across the globe	21
BSE Exchange announcements	22
Metals valuation matrix	23
Metals stock performance	24

Ferrous

Ferrous

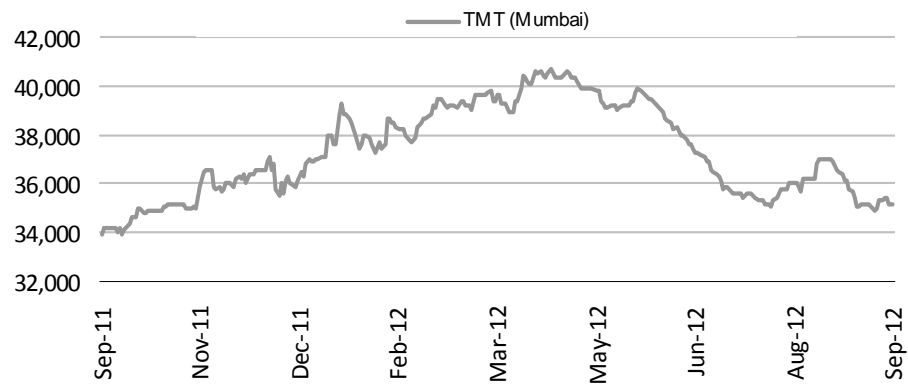
INDIA

Indian flat steel prices (INR/T, excl. ED & VAT)



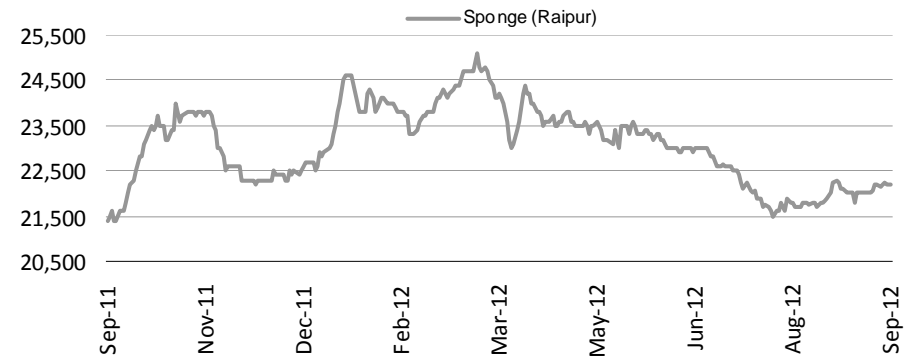
HRC Mumbai prices increased 5% WoW to INR33,651/t

Indian long steel price (INR/T, excl. ED & VAT)



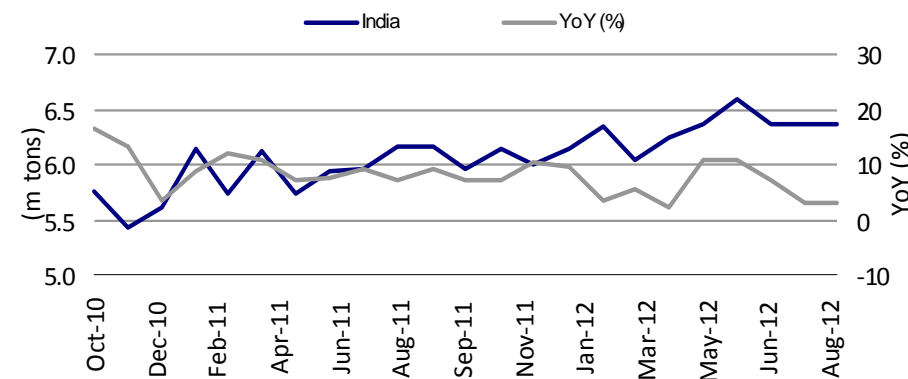
TMT Mumbai prices decreased 0.3% WoW to INR 35,200/t

Steel intermediates prices (INR/T, excl. ED & VAT)



Sponge iron prices were flat WoW at INR 22,200/t

India: Monthly crude steel production



India monthly crude steel production increased 3.2% YoY to 6.4mt in August

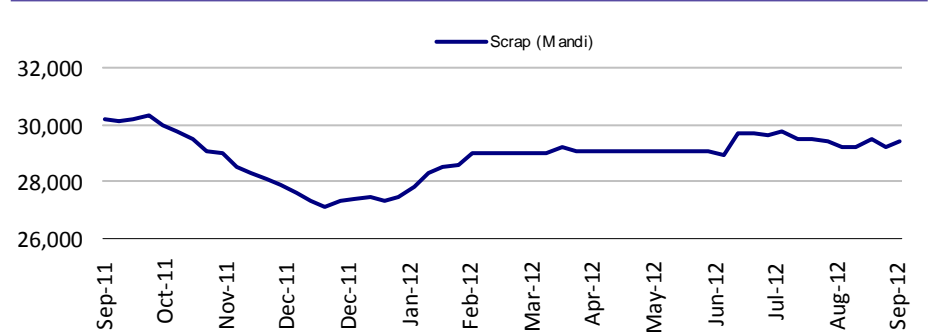
Source: SteelMint/WSA/MOSL

Ferrous

INDIA

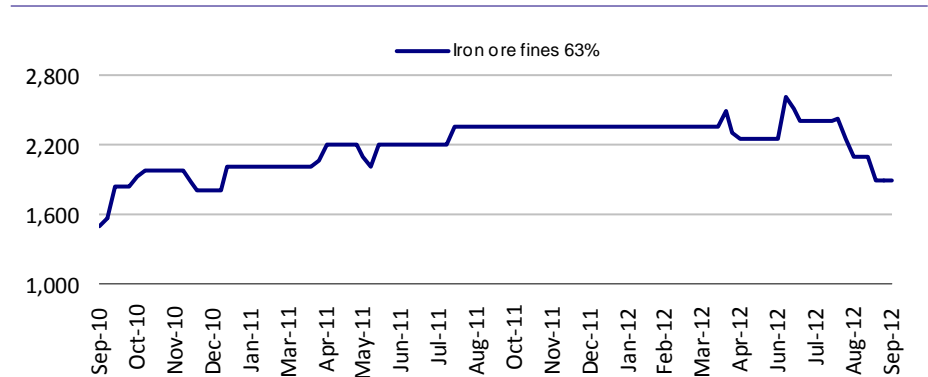
Scrap (Mandi) prices decreased 0.7% WoW to INR29,200/ton

Scrap Mandi (INR/t)



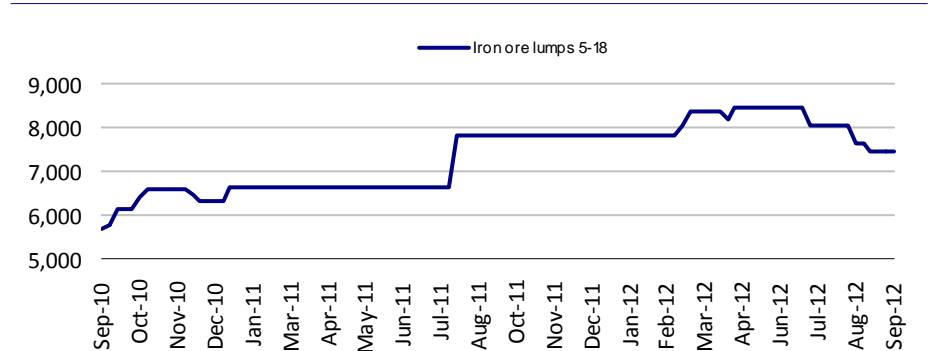
Iron ore 63% fines prices were flat WoW at INR1,900/t

Iron ore fines 63% (INR/t) ex mine



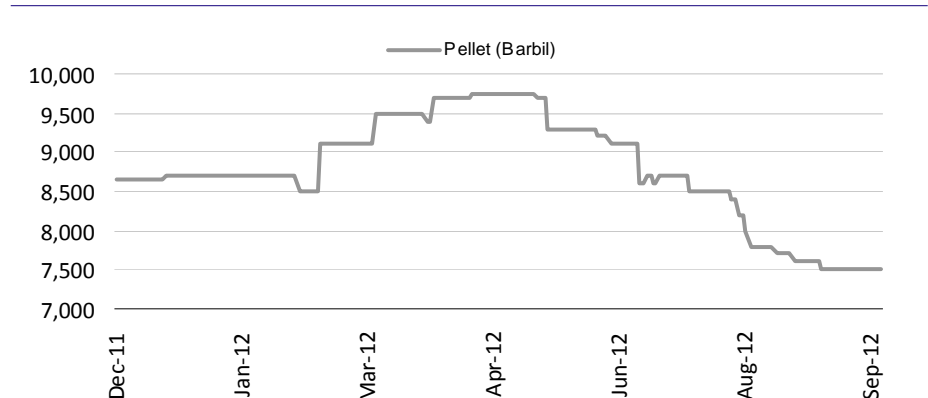
Iron ore 63% lumps Odisha prices declined by INR200/t

Iron ore lumps 63% 5-18 (INR/t)



Pellet prices were flat WoW at INR7,500/ton

Pellet (Barbil) INR/t

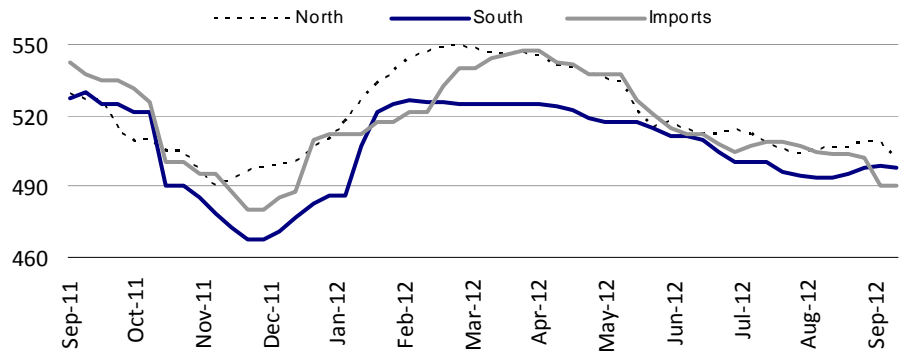


Source: SteelMint/WSA/MOSL

European Union

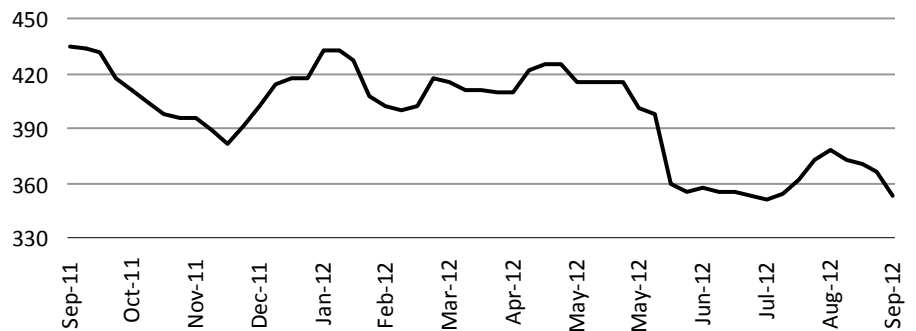
European steel prices (EUR/ton)

European HRC prices decreased 0.9% WoW

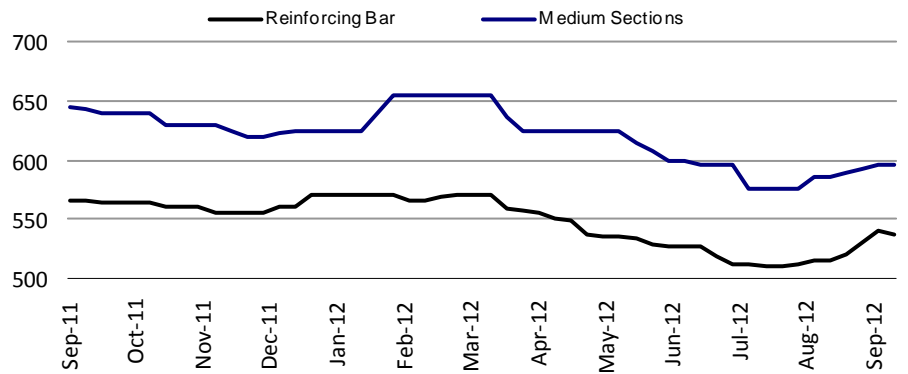


Rotterdam: shredded scrap prices (USD/t)

Rotterdam Shredded scrap prices decreased 3.8% WoW to USD353t

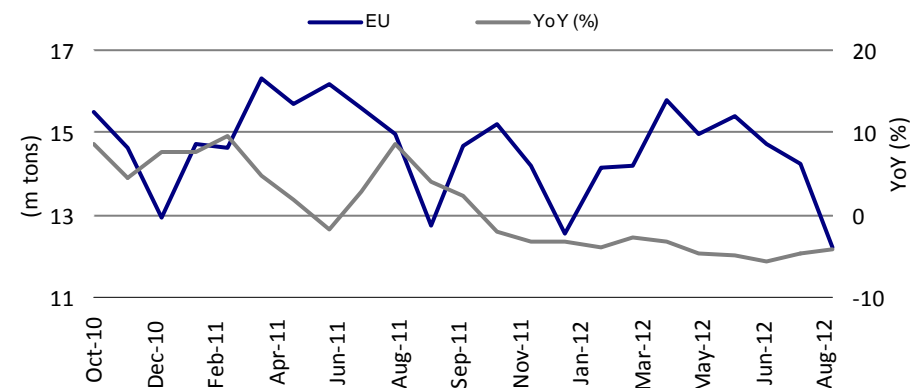


European medium section prices (EUR/ton)



European Union: Monthly crude steel production

Europe monthly crude steel production decreased 4.2% YoY to 12.2mt in August

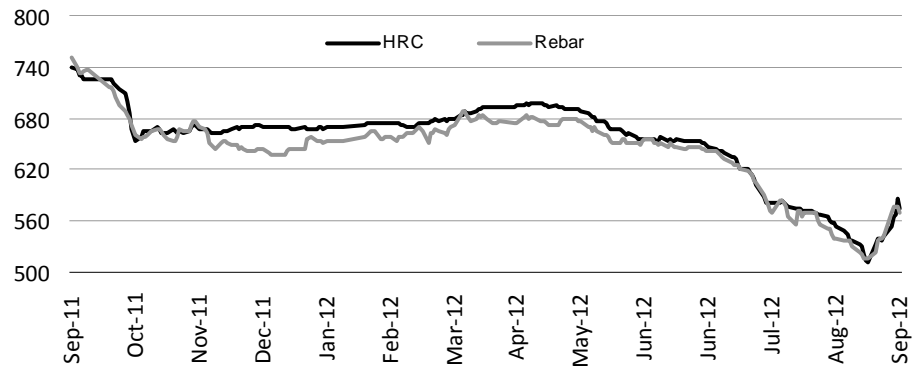


Source: Metal Bulletin/Bloomberg/WSA/MOSL

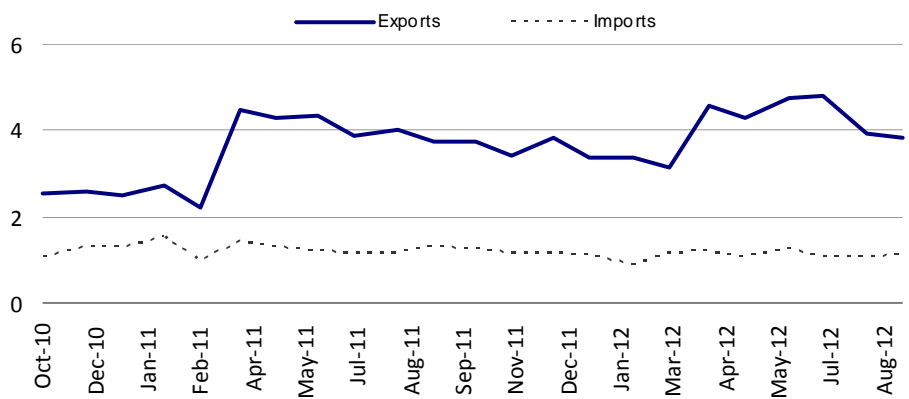
China

China domestic prices (USD/ton)

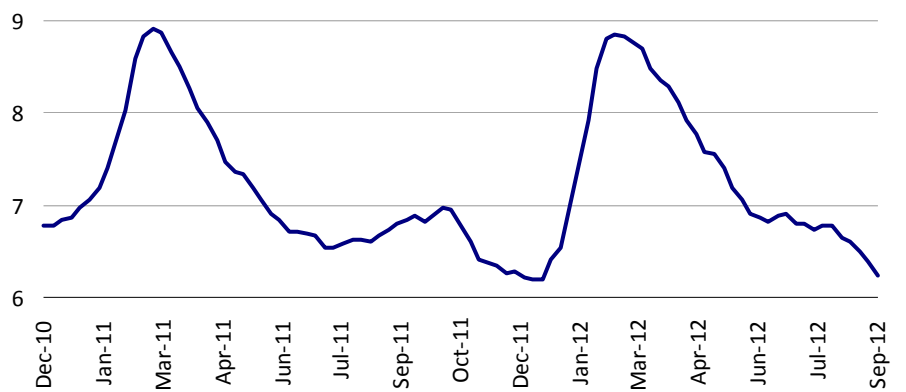
China steel prices rebounded with HRC prices increasing 6.1% WoW to USD575/t



Steel trade (m ton)

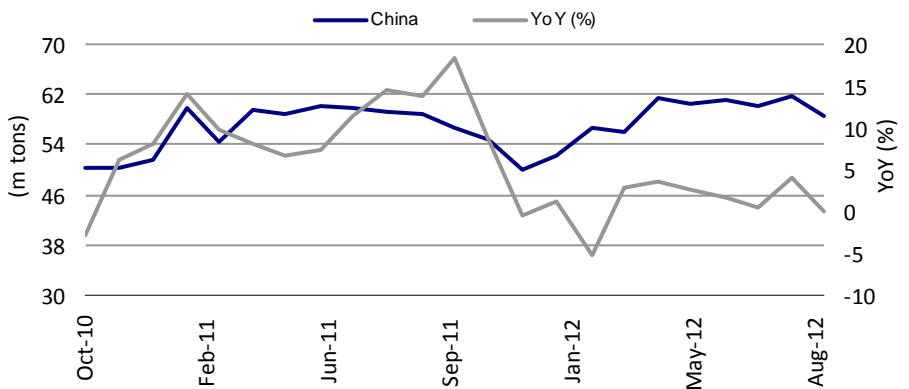


Steel inventories (m tons)



Monthly crude steel production

China monthly crude steel production decreased 0.1% YoY to 58.7mt in August

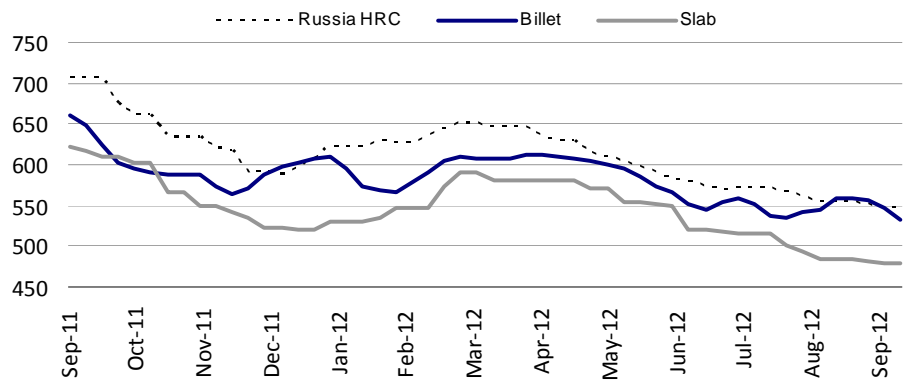


Source: Metal Bulletin/Bloomberg/WSA/MOSL

Other regions

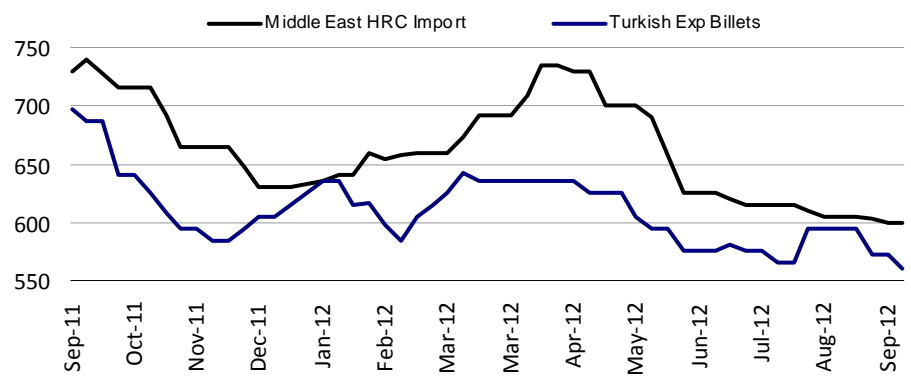
CIS steel export prices (USD/ton)

Russian HRC prices were flat WoW at USD548/t to their two year low levels



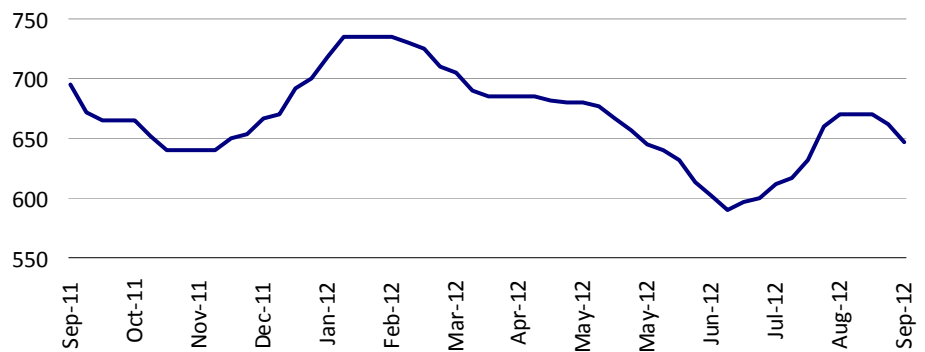
Middle East import and Turkish export steel prices (USD/ton)

Middle east import HRC prices were flat WoW at USD600/ton



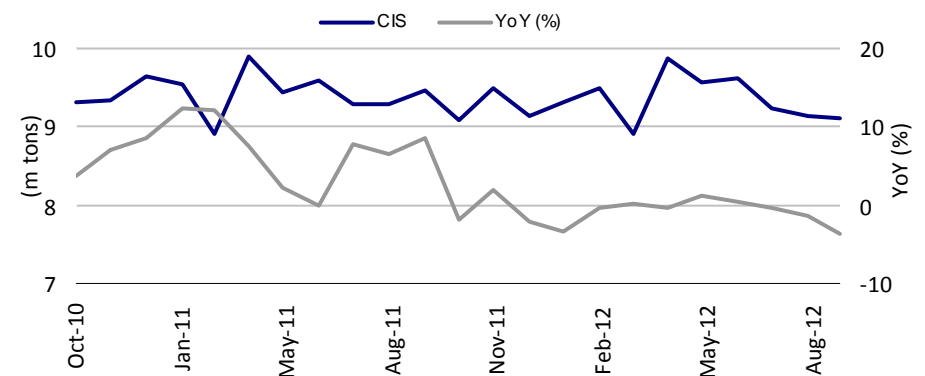
North America HRC prices (USD/ton)

North American local HRC prices decreased 2.3% WoW to USD648/ton



CIS: Monthly crude steel production

CIS monthly crude steel production decreased 3.8% YoY to 9.1mt in August

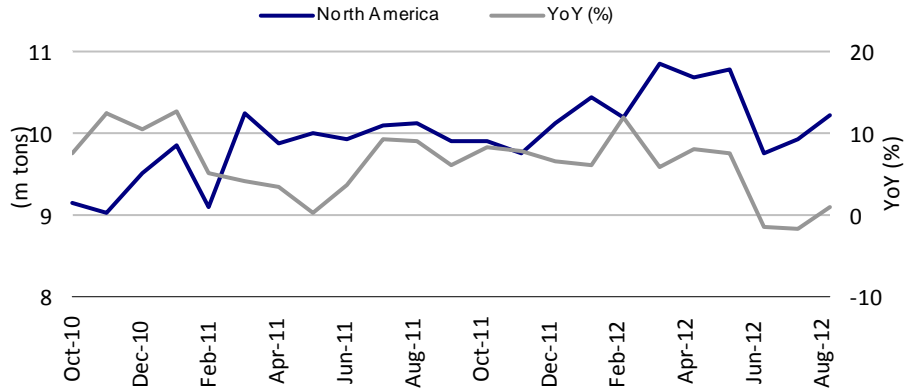


Source: Metal Bulletin/WSA/Bloomberg/MOSL

Other regions

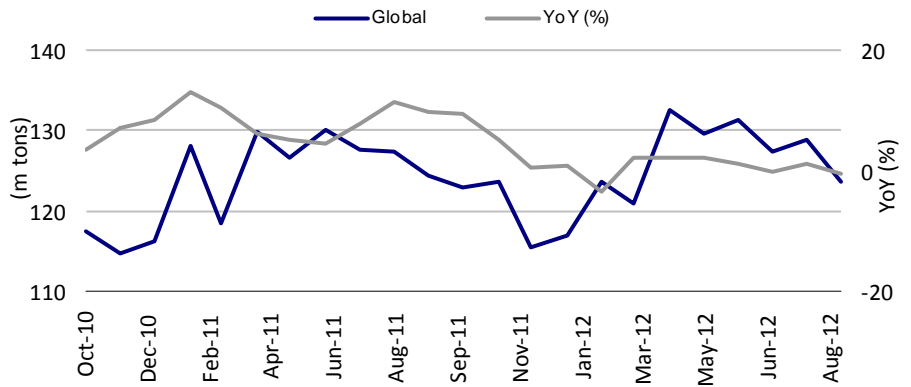
North America: Monthly crude steel production

North America monthly crude steel production increased 0.1% YoY to 10.2mt in August



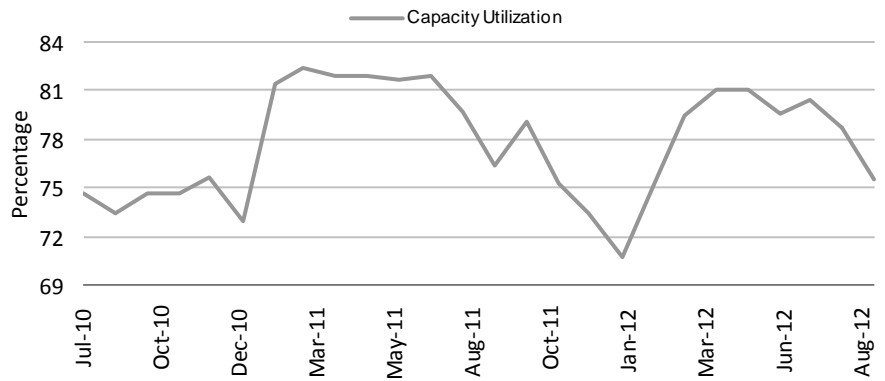
Global: Monthly crude steel production

Global monthly crude steel production decreased 0.5% YoY to 123.7mt in August



Global: Monthly crude steel capacity utilization

Global monthly crude steel utilization decreased 3.2pp MoM to 75.5% in August

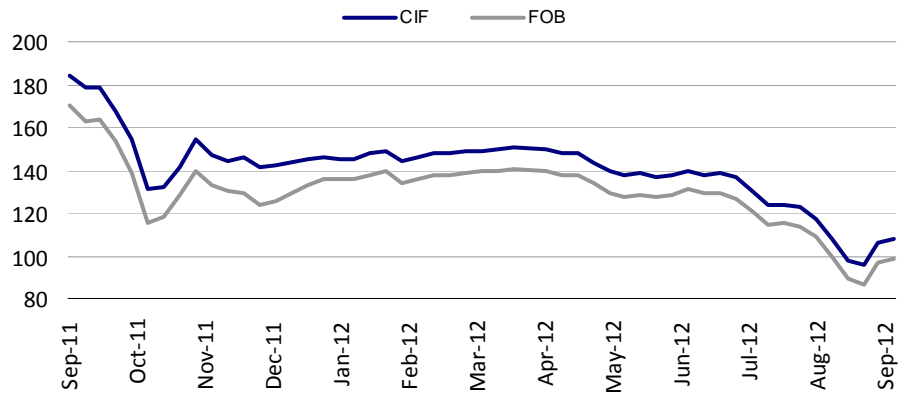


Source: Bloomberg/WSA/MOSL

Steel raw materials

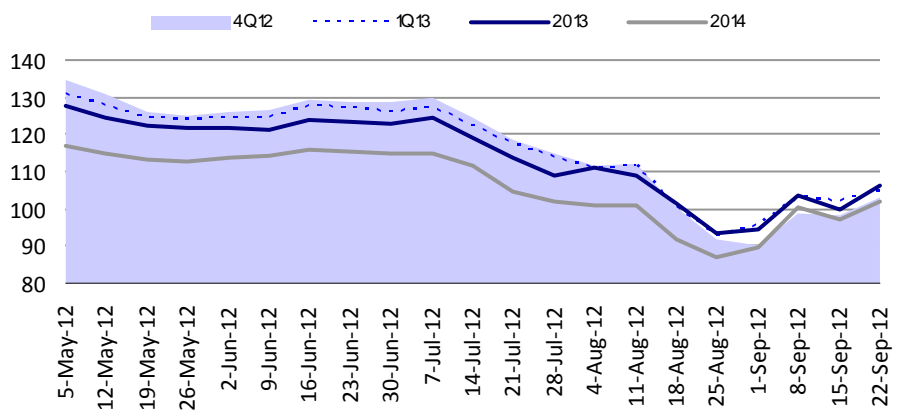
Indian 63.5% grade iron-ore fines in China (USD/ton)

China spot CFR iron ore prices increased 2% WoW at USD108/ton DMT

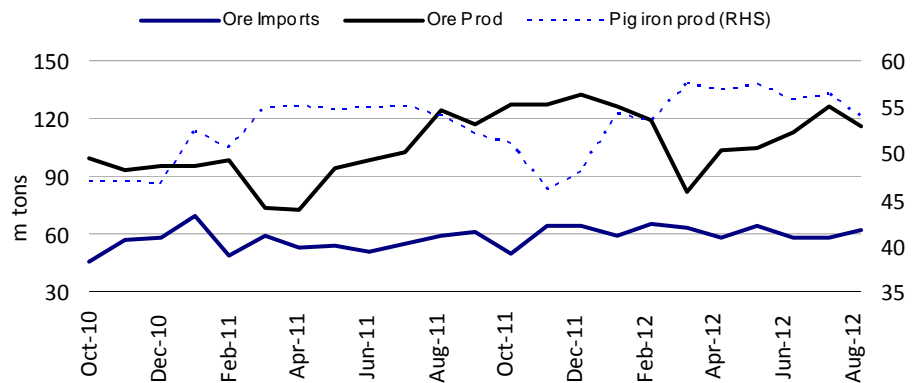


OTC iron-ore swaps (USD/ton)

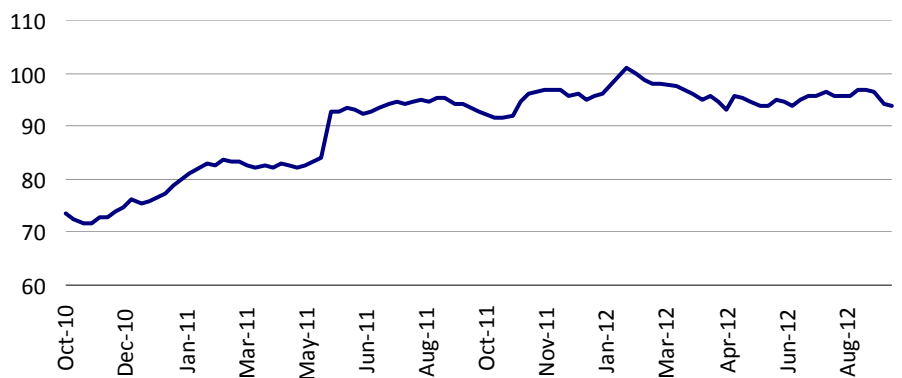
Iron ore swaps prices increased 4% WoW mirroring spot prices recovery



China iron-ore production and imports (m tons)



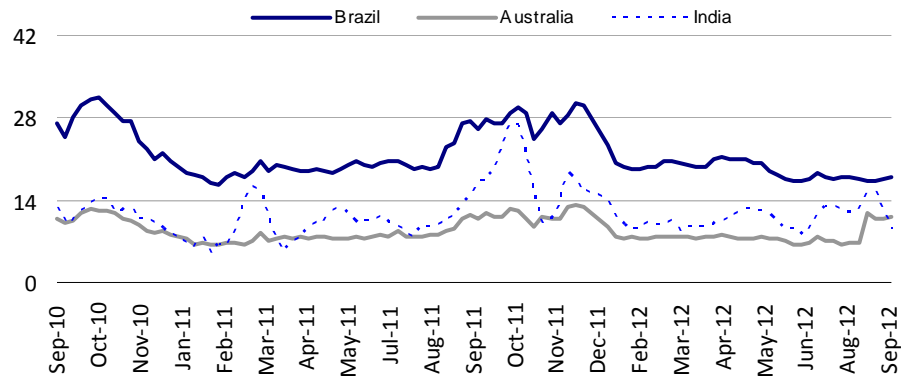
China iron-ore inventories (m tons)



Source: Metal Bulletin/Bloomberg/MOSL

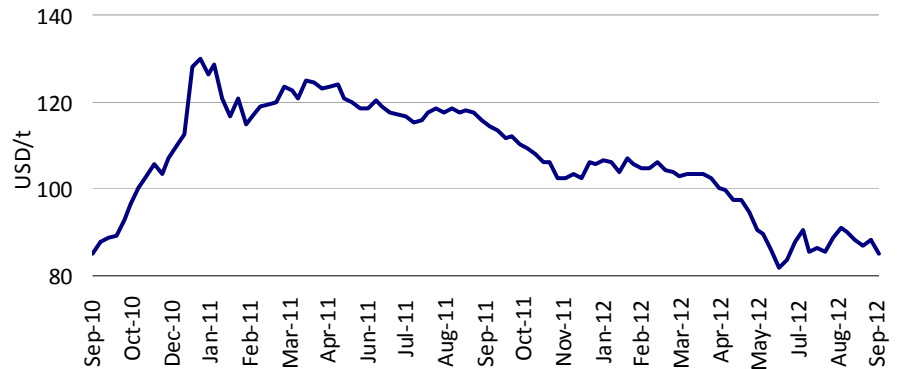
Steel raw material

Freight rates to China (USD/ton)



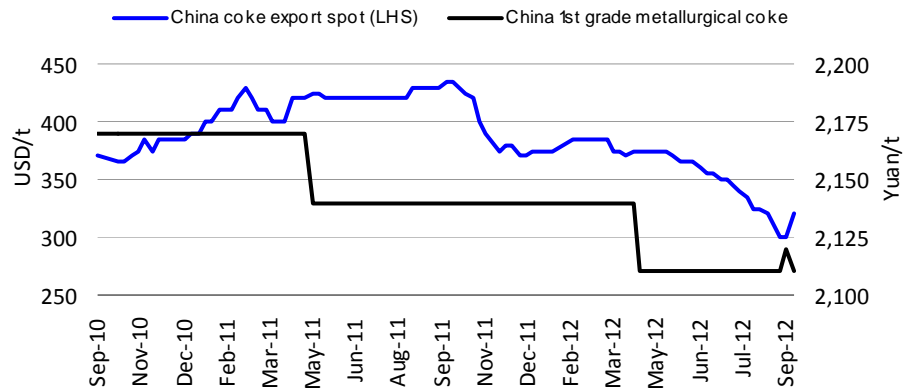
Coal price index

Richards Bay Steam Coal



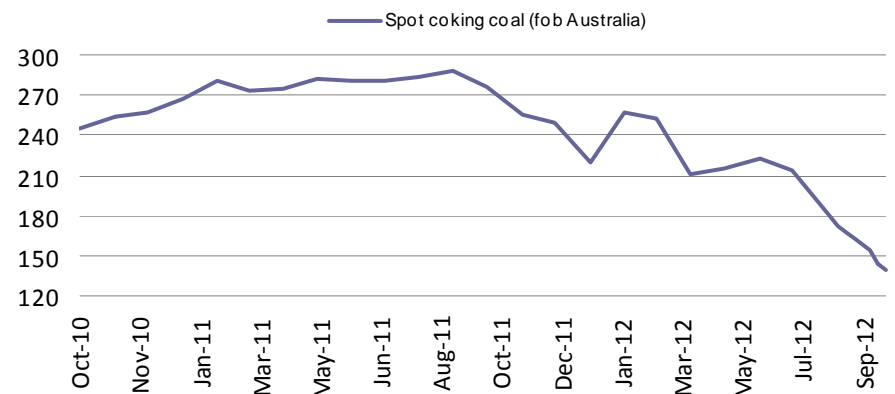
Richard bay steam coal price decreased 3% WoW to USD85/ton

Coke price index



China 2nd grade coke spot prices increased 7% WoW at USD320/ton

Coking coal (USD/t)

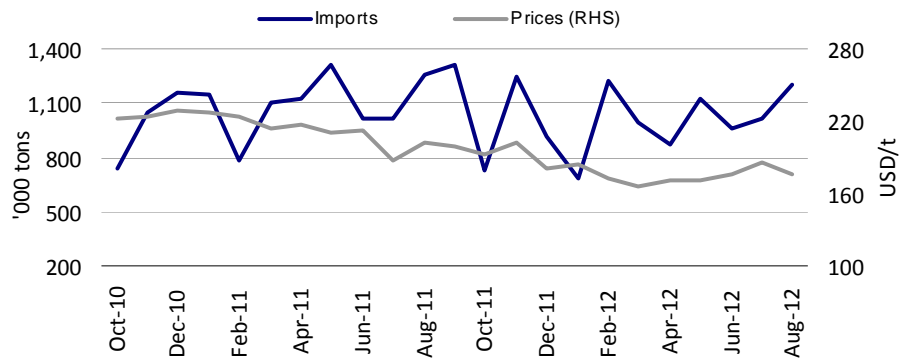


Spot Hard Coking coal FOB Australia prices declined by USD4/t to USD140/t

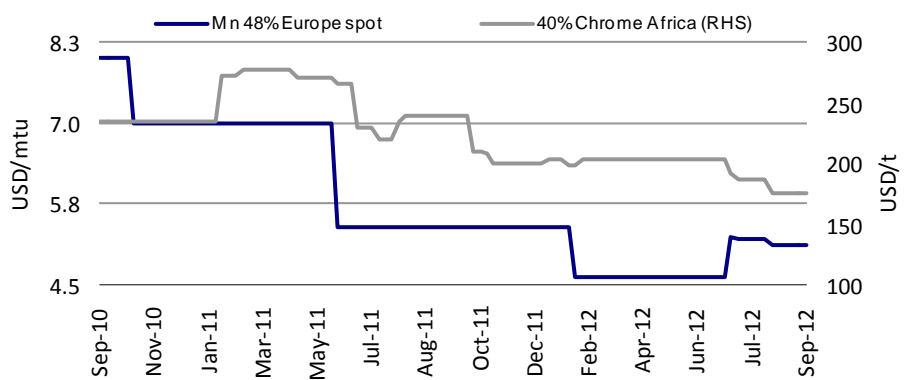
Source: Metal Bulletin/Bloomberg/MOSL

Ferro alloys

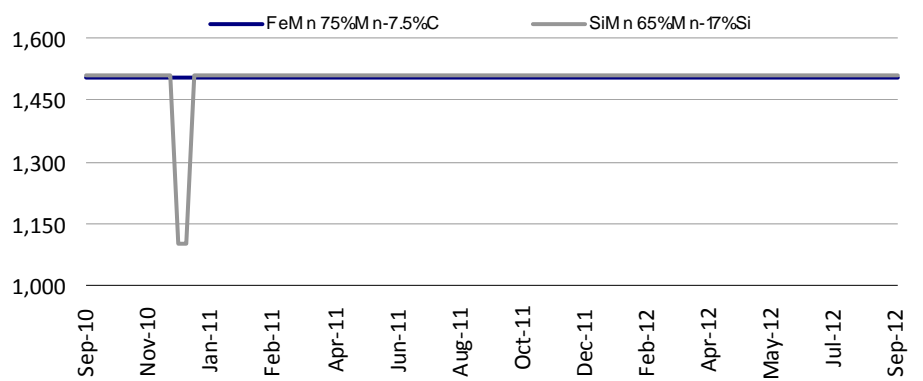
China's imports of manganese ore and conc



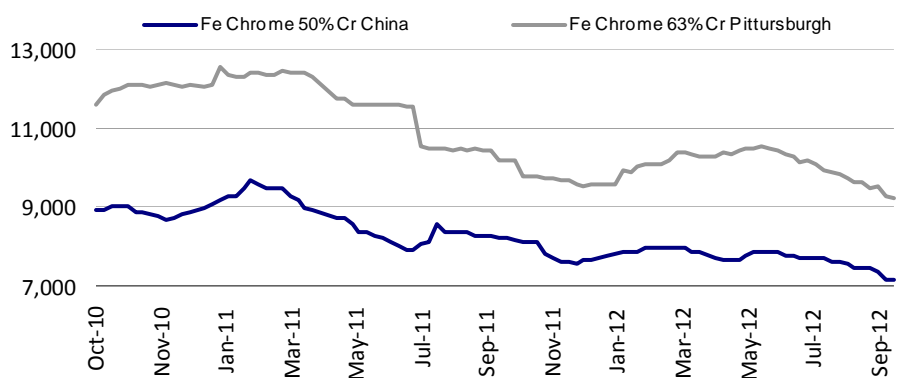
Manganese and chrome ore FOB spot prices



Ferro and silico manganese prices (USD/t)



Ferro chrome CIF prices (CNY/t)



Source: Metal Bulletin/Bloomberg/MOSL

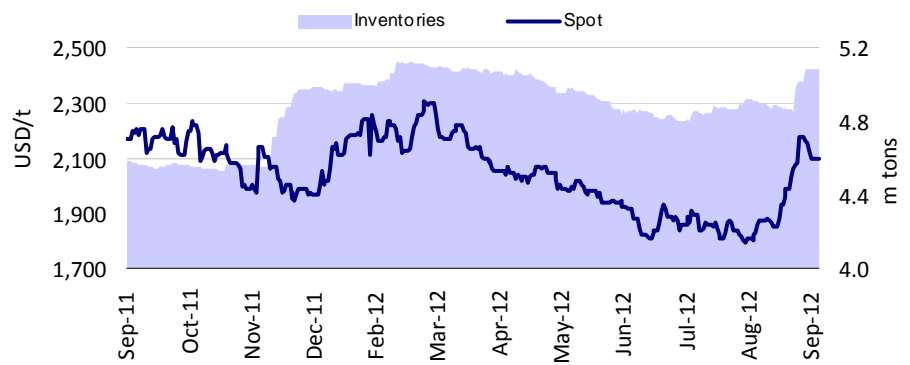
Non-ferrous

Non-ferrous

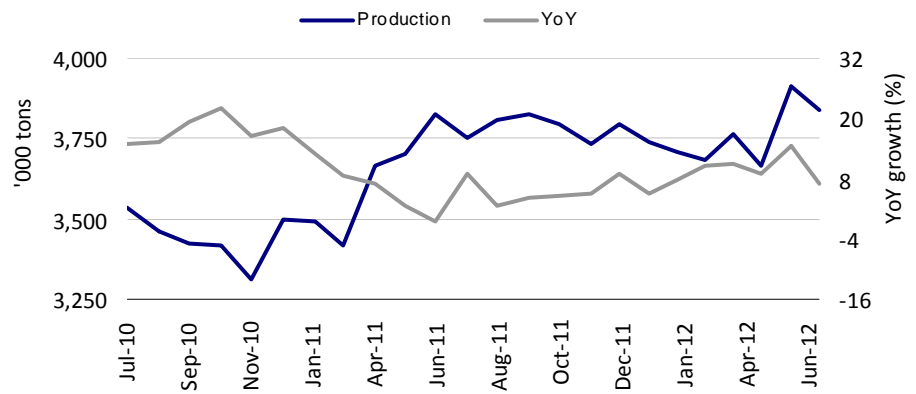
Aluminum

Aluminum spot prices decreased 3% WoW to USD2,093/ton

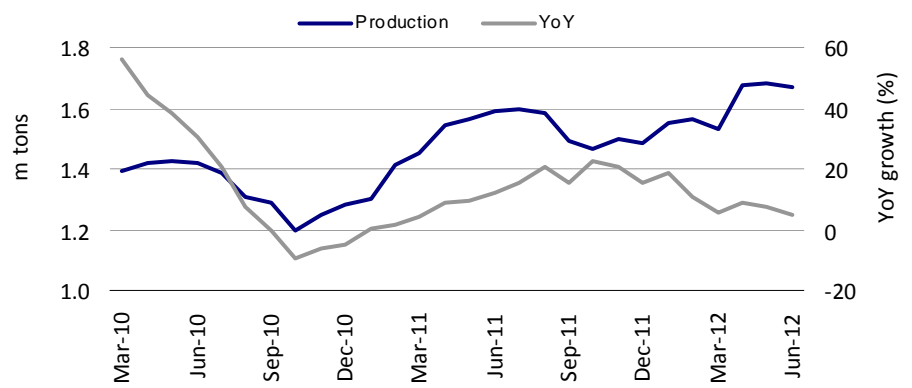
LME inventories and prices



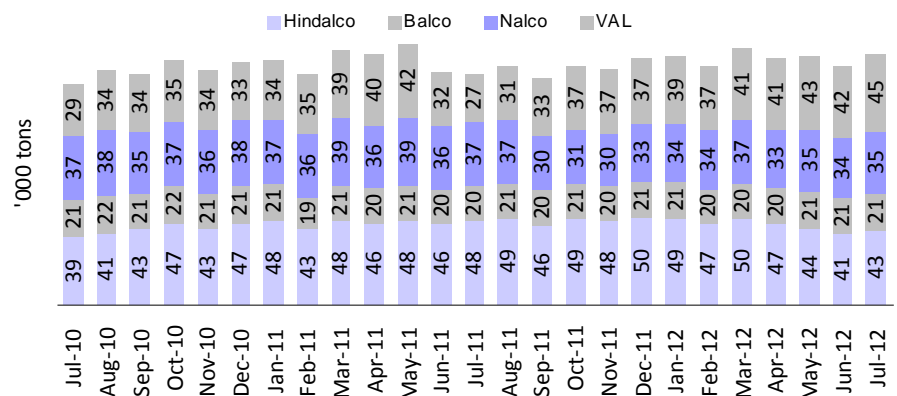
Global primary aluminum monthly production and YoY growth



China primary aluminum monthly production and YoY growth



India: Company-wise primary aluminum monthly production

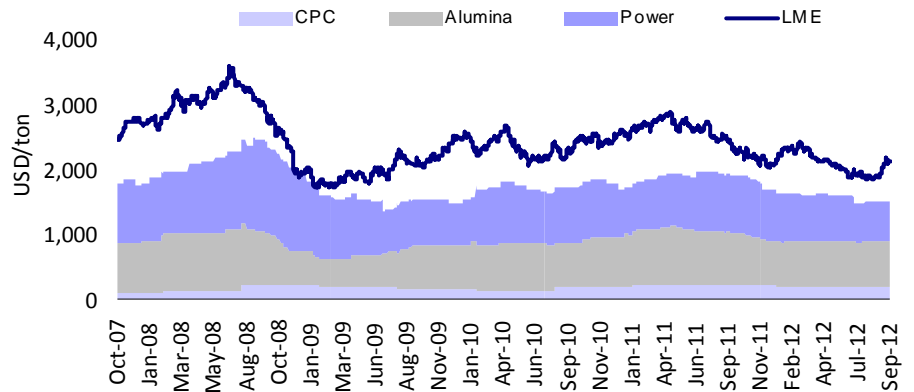


Source: Metal Bulletin/Bloomberg/MOSL

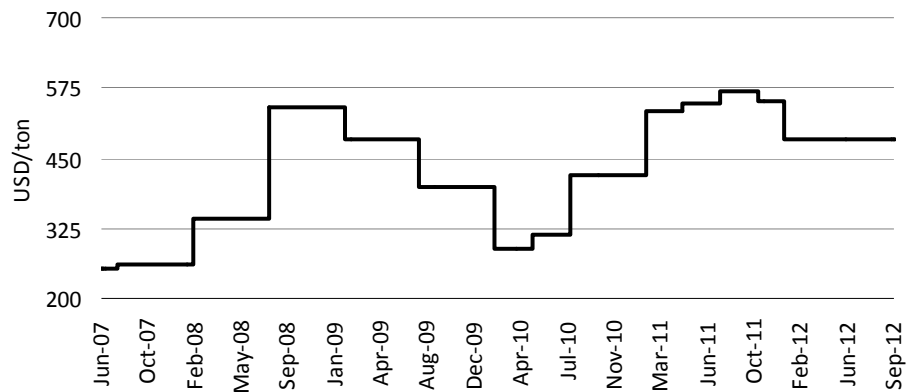
Non-ferrous

Aluminum

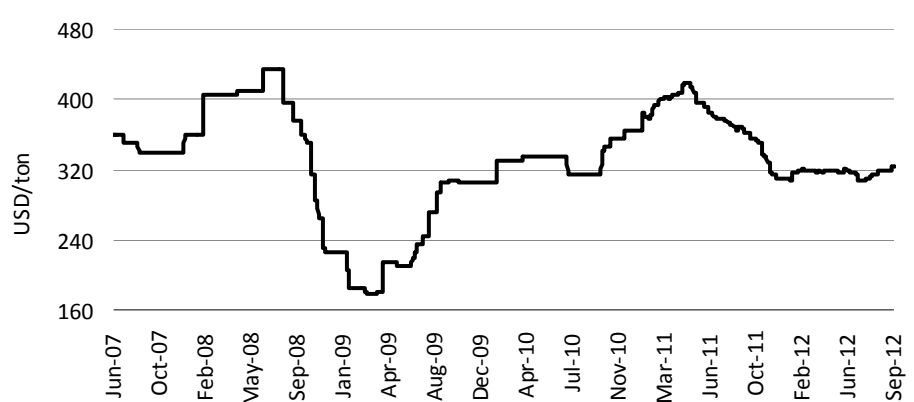
Aluminum raw material and power cost for marginal producer in US



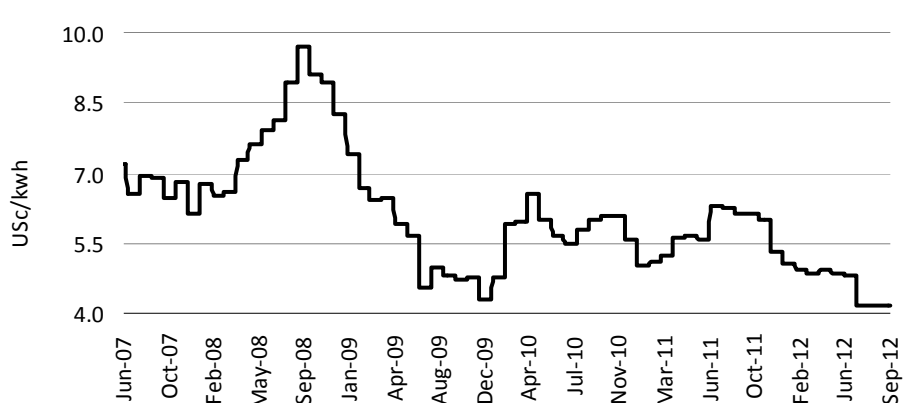
CPC US



Alumina



Industrial power US (Louisiana)



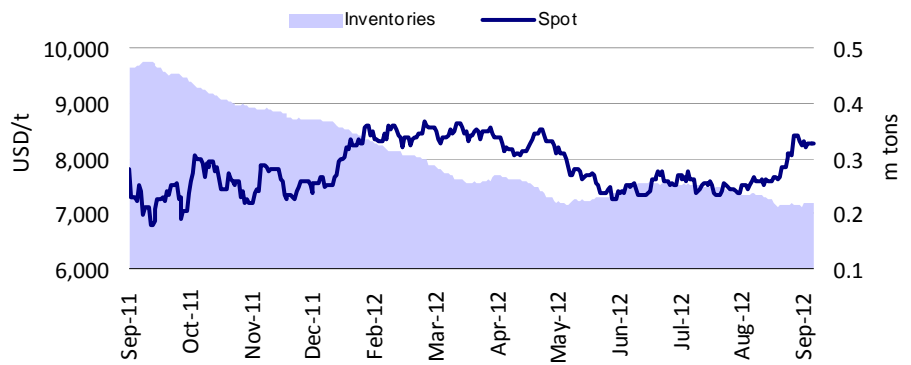
Source: Metal Bulletin/Bloomberg/Industry/MOSL

Non-ferrous

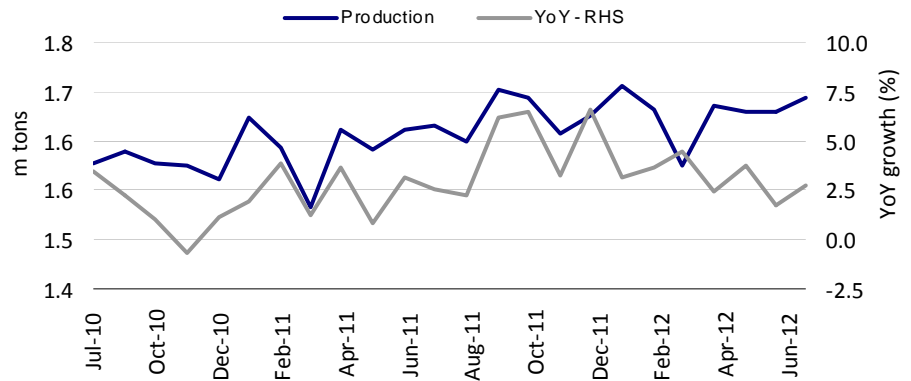
Copper

Copper spot prices were flat WoW at USD8,282/ton

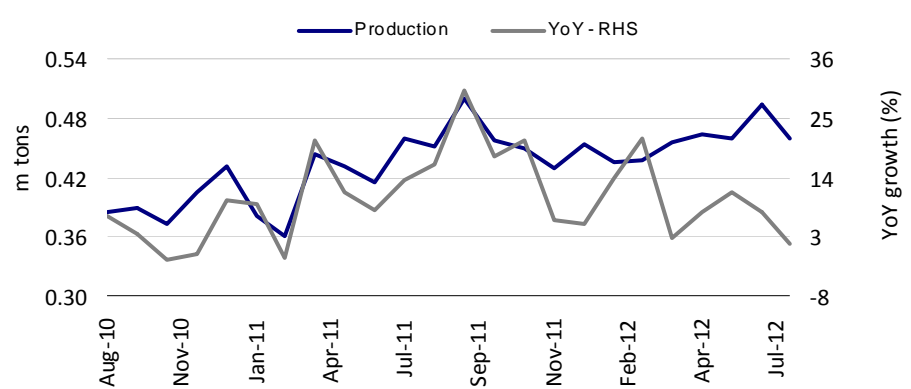
LME inventories and prices



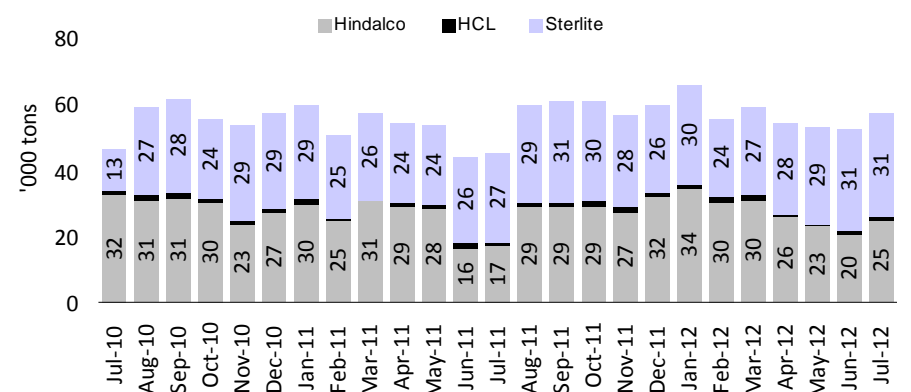
Global refined copper monthly production and YoY growth



China: Refined copper monthly production and YoY growth



India: Company-wise refined copper monthly production



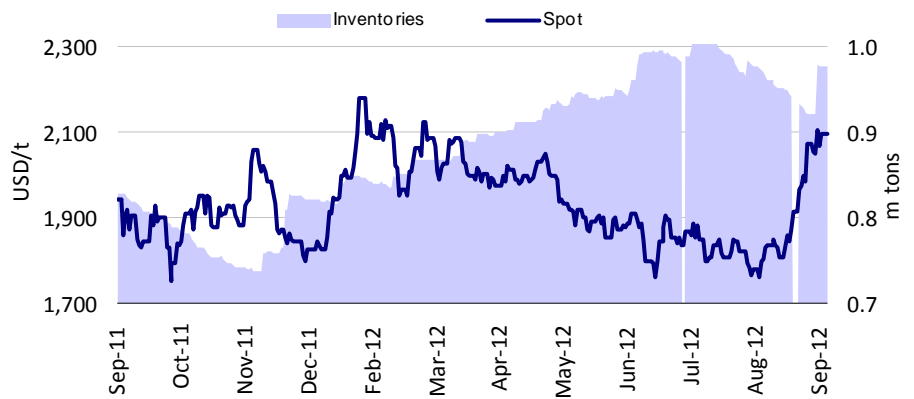
Source: Metal Bulletin/Bloomberg/MOSL

Non-ferrous

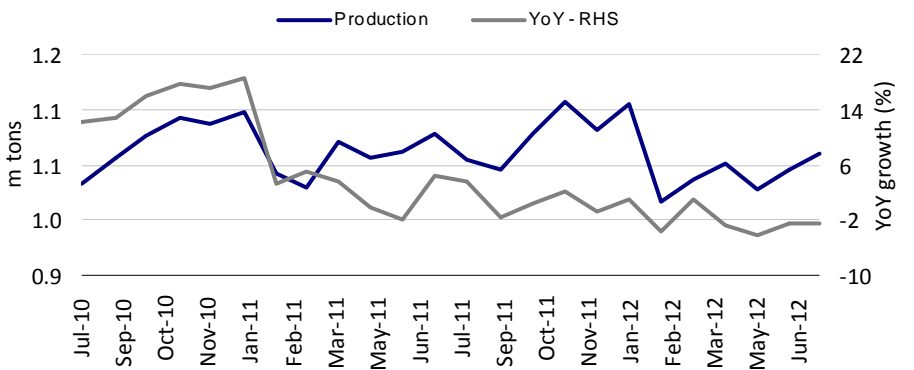
Zinc

LME inventories and prices

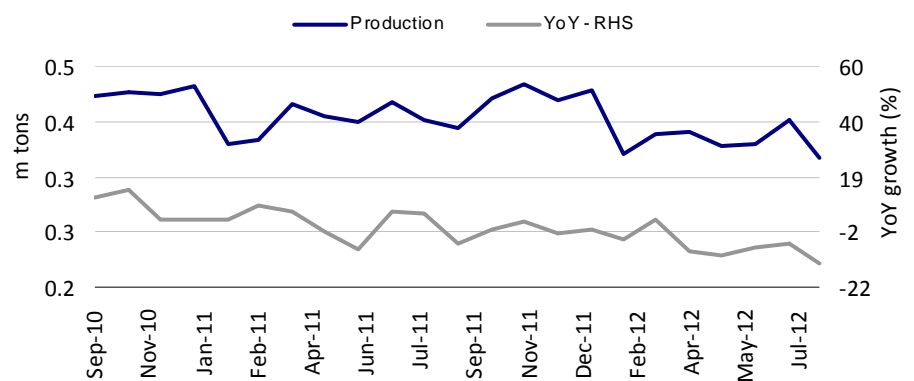
Zinc spot prices increased 2% WoW to USD2,097/ton



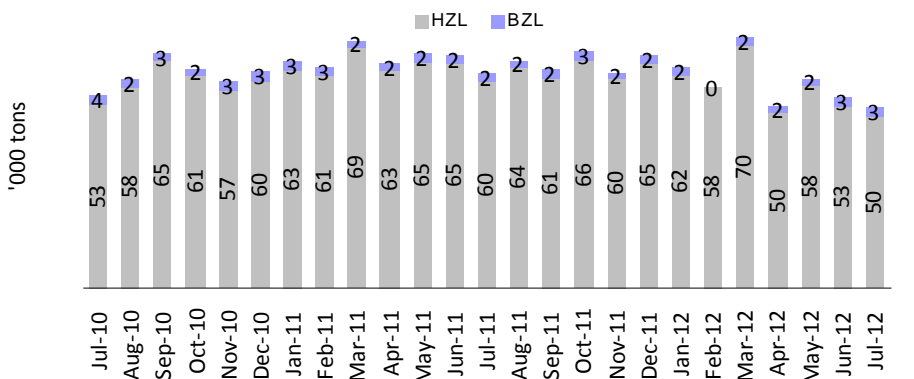
Global refined zinc monthly production and YoY growth



China: Refined zinc monthly production and YoY growth



India: Company-wise refined zinc monthly production



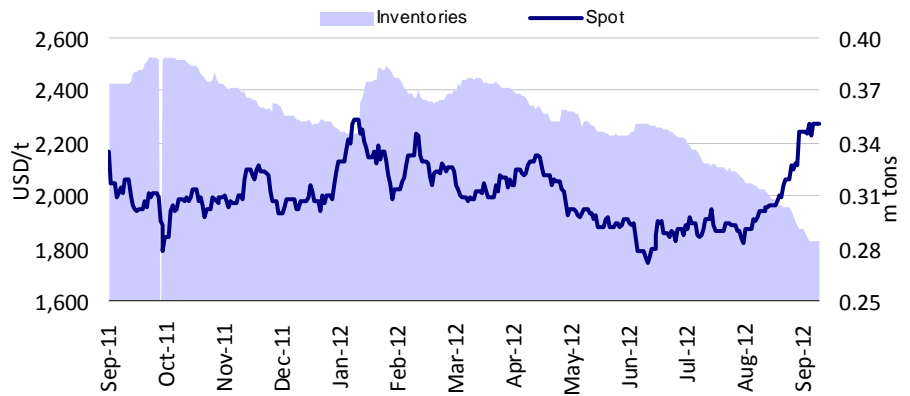
Source: Metal Bulletin/Bloomberg/MOSL

Non-ferrous

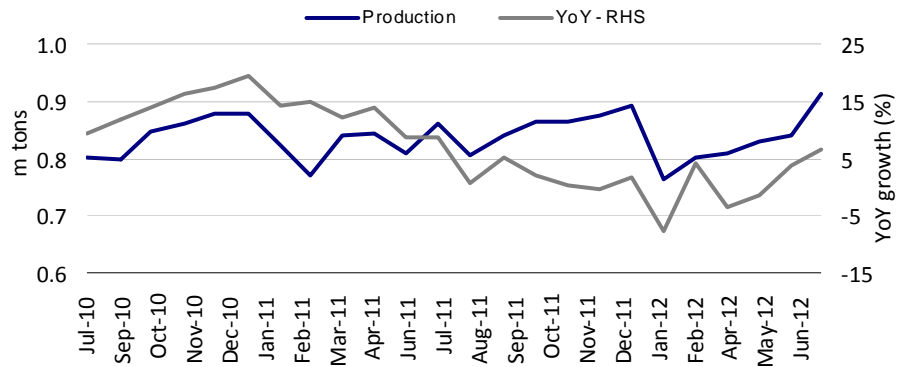
Lead

Lead spot prices increased 1% WoW to USD2,276/ton

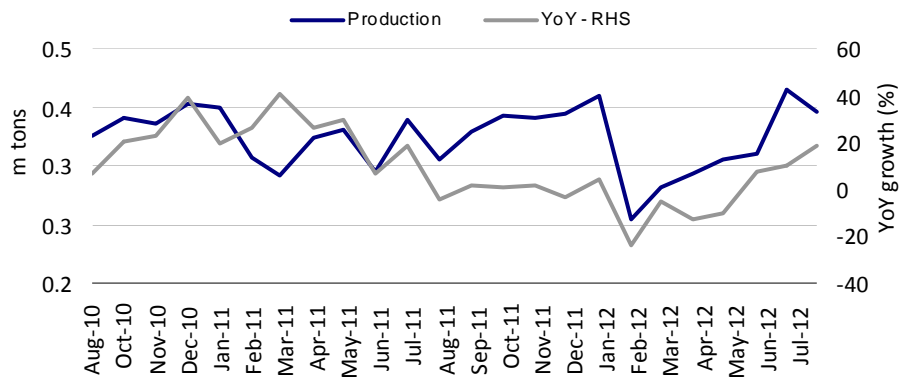
LME inventories and prices



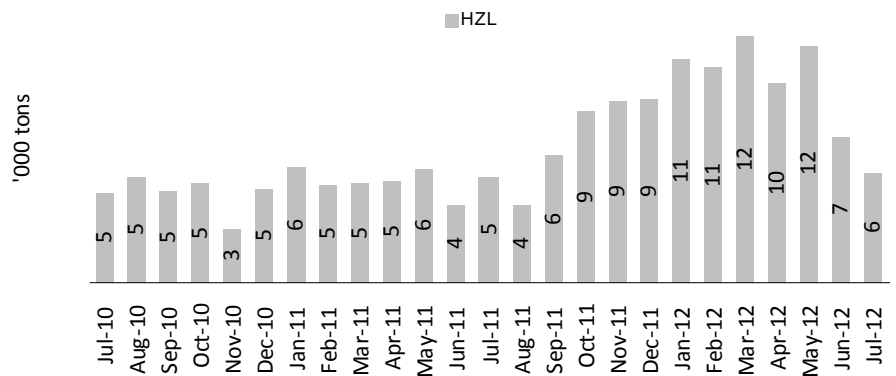
Global refined lead monthly production and YoY growth



China: Refined lead monthly production and YoY growth



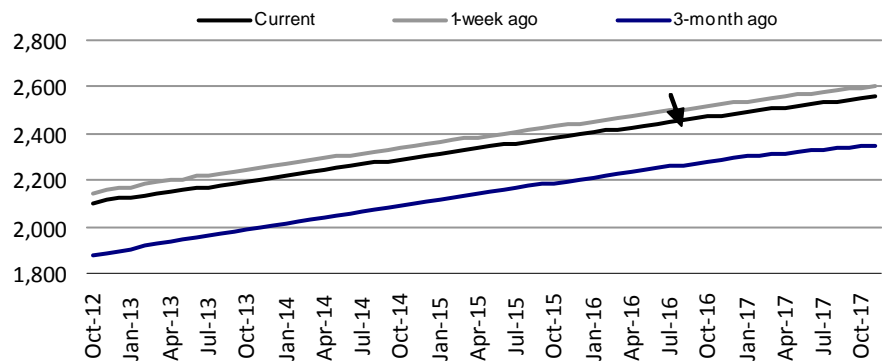
India: Company-wise refined lead monthly production



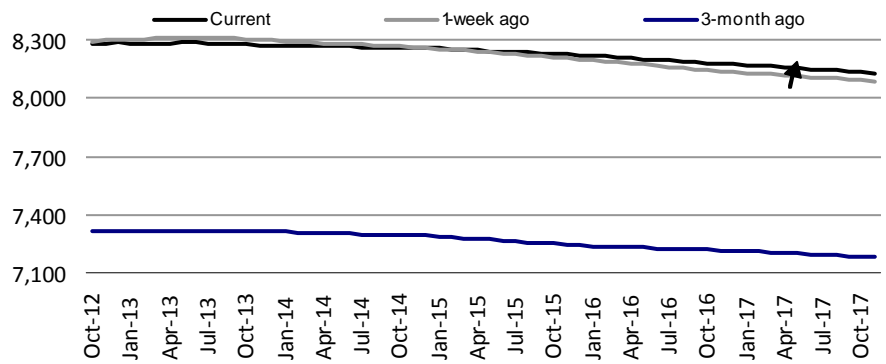
Source: Metal Bulletin/Bloomberg/MOSL

Commodity forward curves

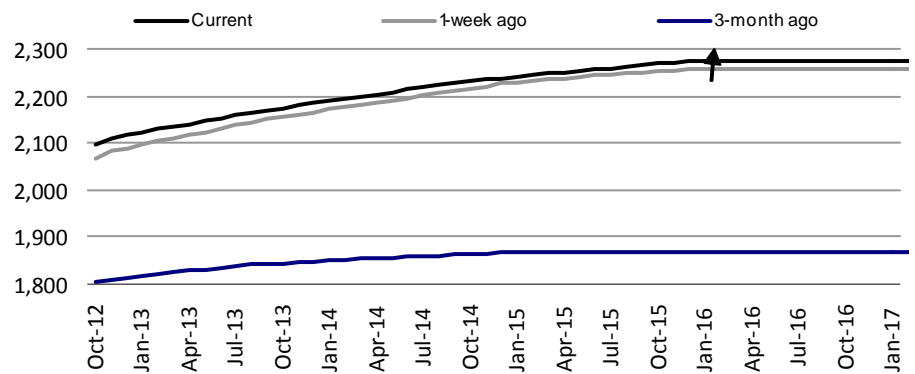
LME aluminum (USD/ton)



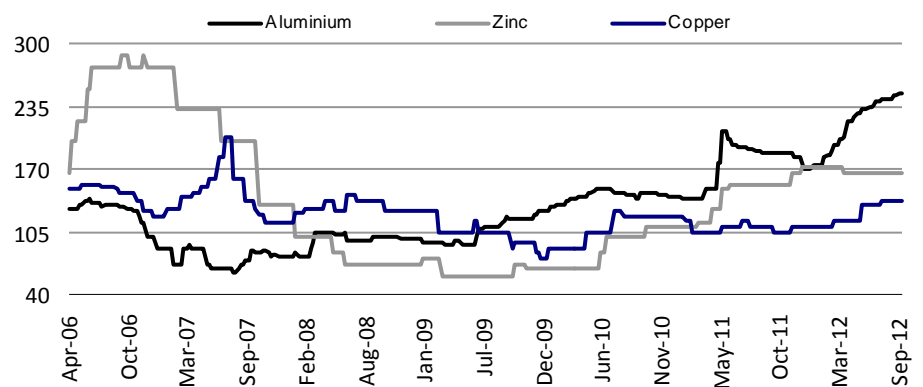
LME copper (USD/ton)



LME zinc futures (USD/ton)



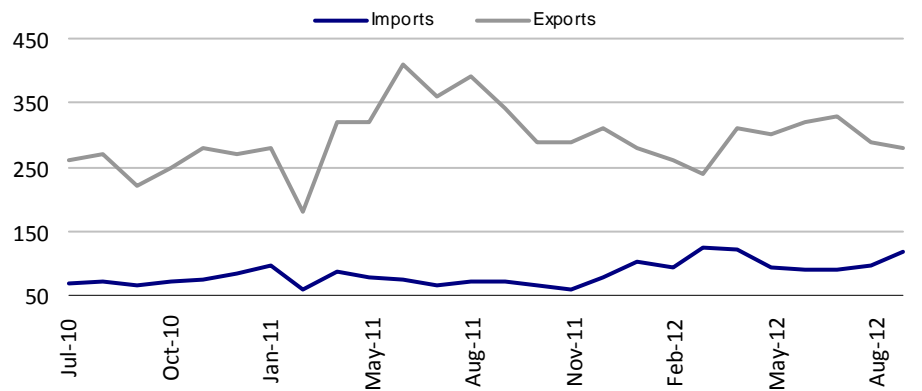
Base metals US spot premium (USD/ton)



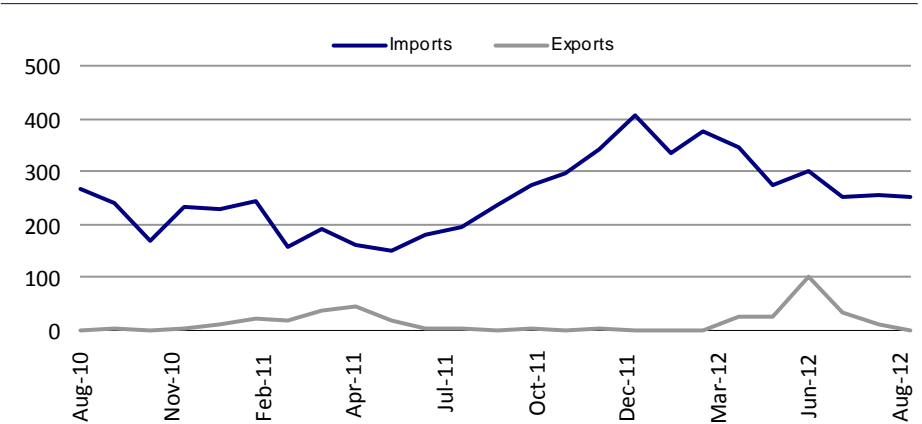
Source: Metal Bulletin/Bloomberg/MOSL

China non-ferrous trade data

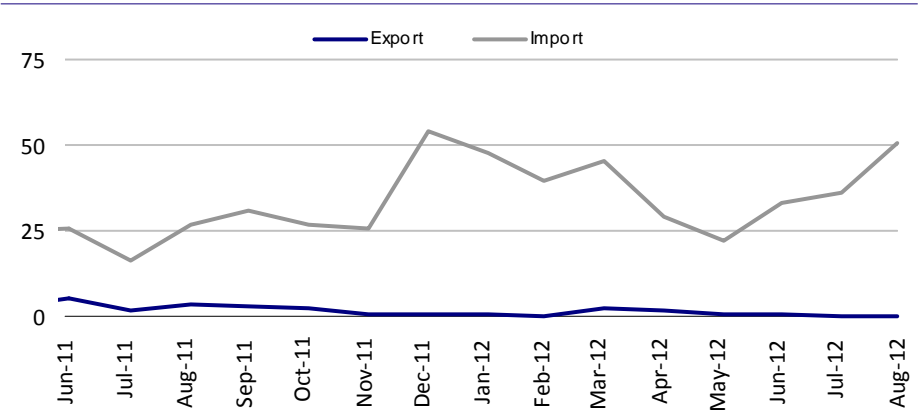
China's aluminum trade ('000 tons)



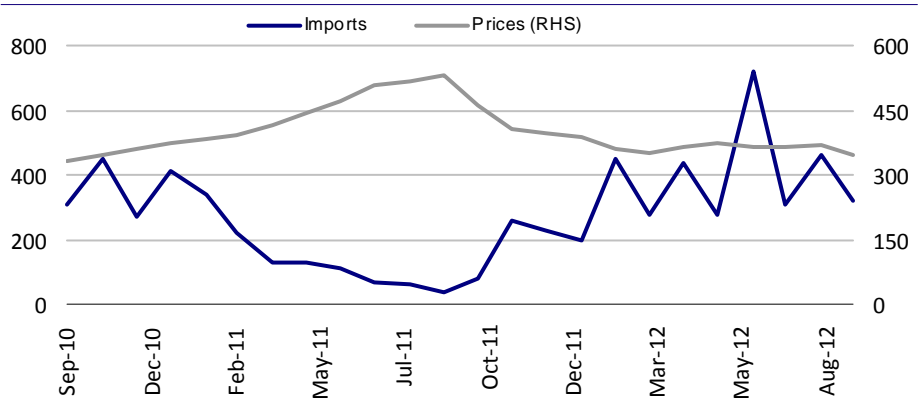
China's refined copper trade ('000 tons)



China's refined zinc trade ('000 tons)



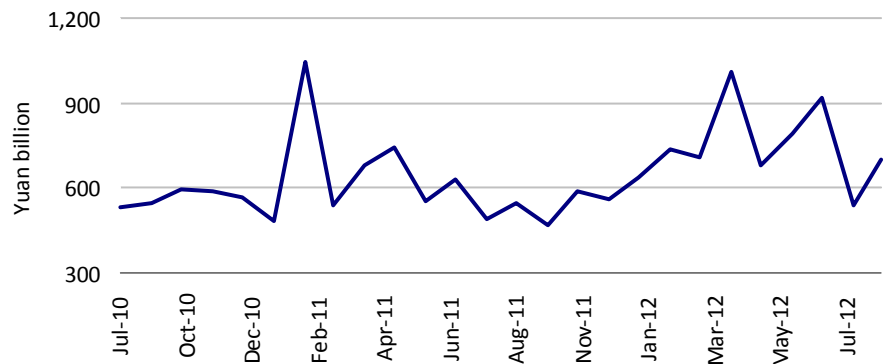
China's alumina imports ('000 tons) and prices (USD/ton)



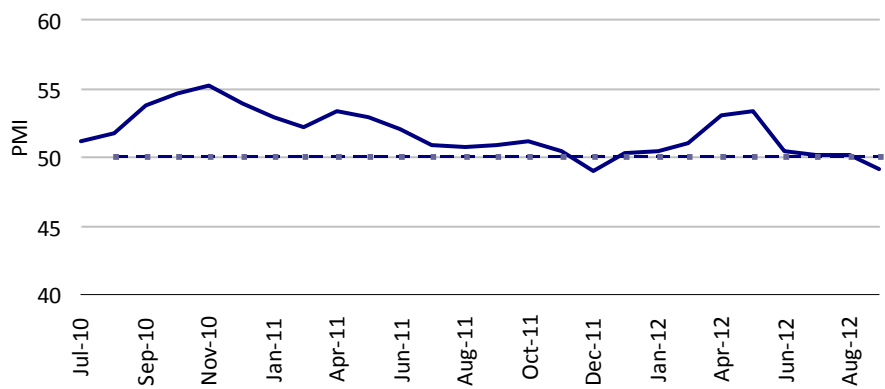
Source: Metal Bulletin/Bloomberg/MOSL

Key indicators

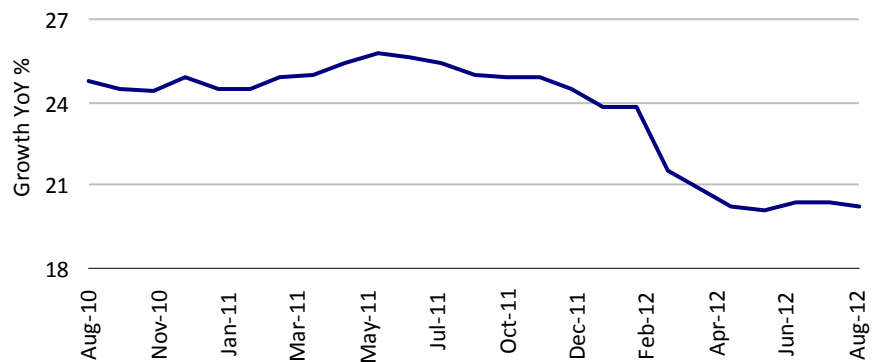
China new loan growth



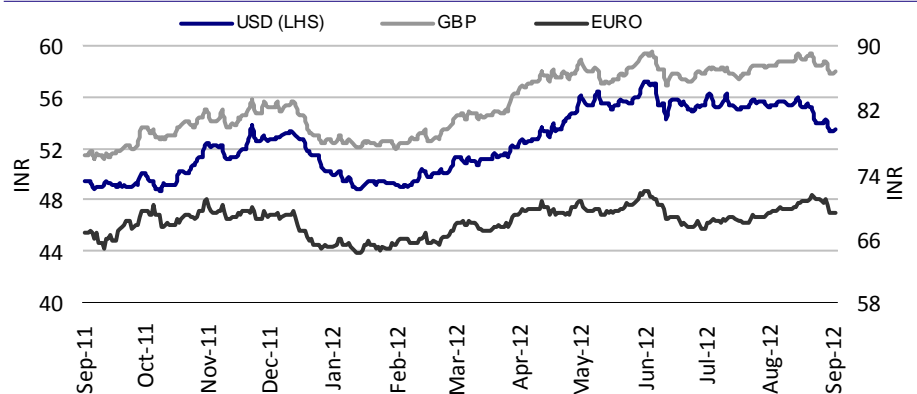
China PMI



China: Fixed asset investment



Currency movement with respect to the rupee

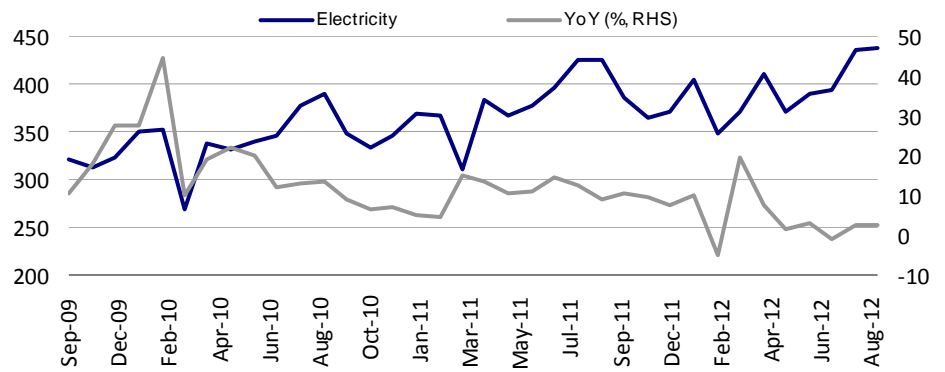


The rupee appreciated 1% WoW against the US dollar and was trading at INR53.5/USD

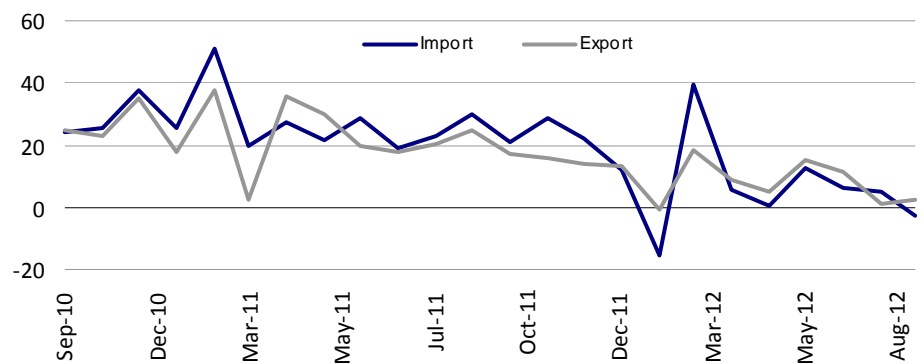
Source: Bloomberg/MOSL

Key indicators (Contd..)

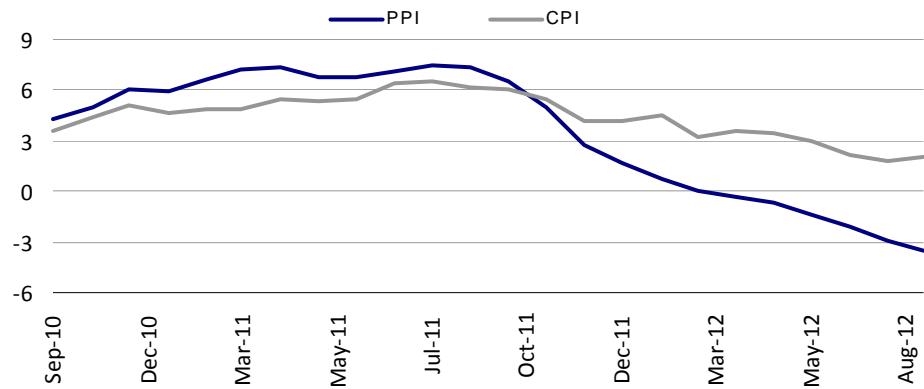
China Energy Production Electricity (b kwh)



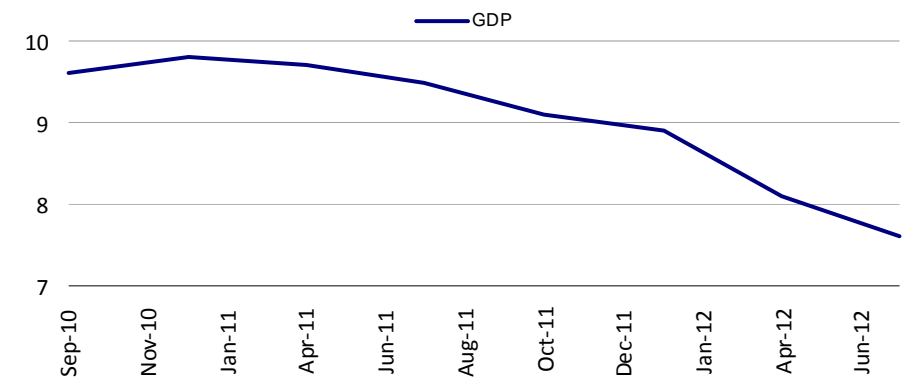
China Monthly Trade YoY (%)



China Price Index YoY (%)



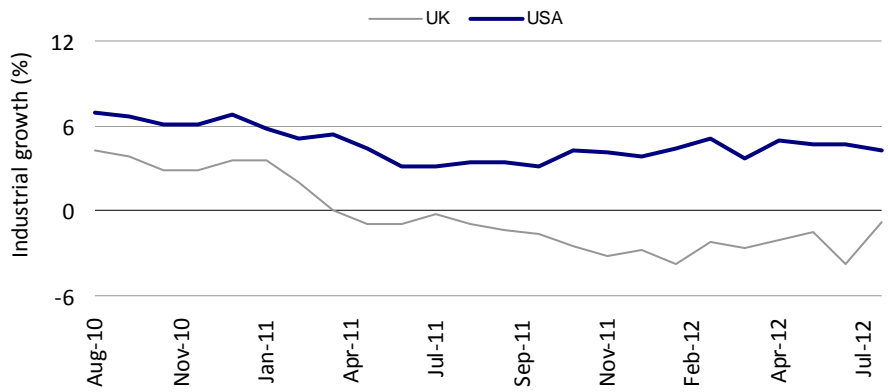
China GDP YoY (%)



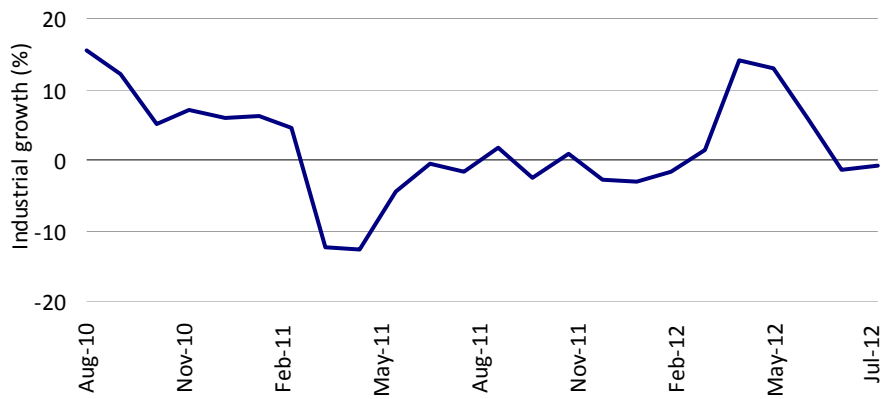
Source: Bloomberg/MOSL

Industrial production growth

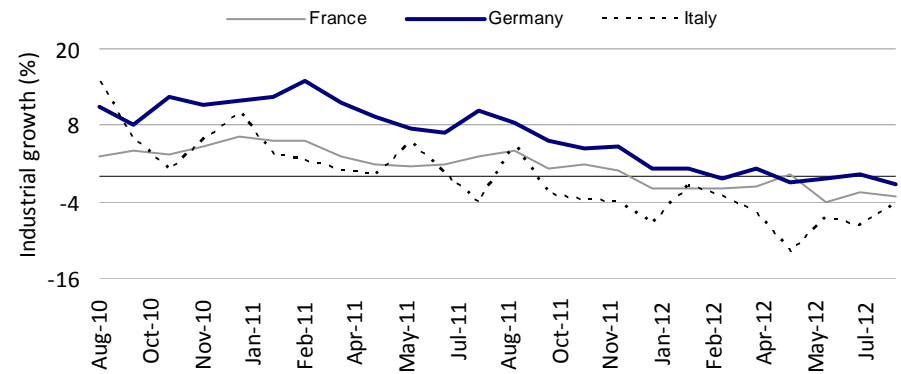
The UK and the US



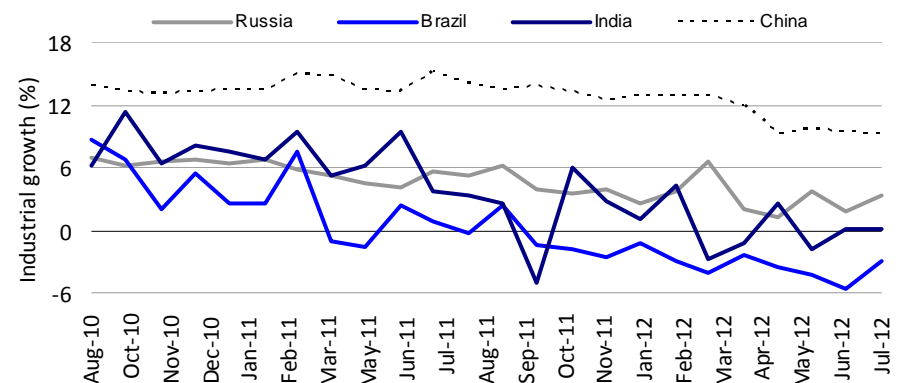
Japan



European Union



BRIC



Source: Bloomberg/MOSL

Stock Exchange announcements

- **NMDC** had declared the final dividend of INR 2.50 per share for FY12 in addition to the two interim dividends of INR 1 per share each.
- **Hindalco Industries** has achieved financial closure for its INR132b greenfield Aditya Aluminium smelter project at Lapanga in Odisha. The project has been funded in a debt equity ratio of 75:25 with a debt component of INR99b. The debt carries a tenor of 12.5 years and is priced at the SBI base rate plus 125 bps which presently works out to 11.25% p.a. SBI Capital Markets and IDBI Bank led the debt syndication with a total of 28 commercial banks and financial institutions participating in the transaction.
- **Jai Balaji Industries** has received the Corporate Debt Restructuring letter of approval dated September 20, 2012 from CDR Empowered Group/ CDR Cell pursuant to the CDR package approved by the CDR empowered group.

Metals Valuation Matrix

Valuations: Indian companies

	Rating	Price (INR)	Mkt Cap (USD M)	EPS (INR)			P/E (X)		EV/EBITDA (X)		P/B (X)	
				FY12	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Steel												
Tata Steel	Sell	409	7,168	18.6	31.0	46.4	13.2	8.8	7.0	6.8	1.5	1.3
SAIL	Sell	93	6,890	9.0	9.1	9.3	10.2	9.9	7.5	7.1	0.9	0.8
JSW Steel	Sell	732	2,936	66.5	50.7	49.4	14.4	14.8	6.8	6.9	1.0	0.9
JSPL	Neutral	427	7,200	42.4	40.4	38.9	10.6	11.0	9.6	8.9	2.0	1.7
NMDC	Buy	197	14,066	18.5	21.0	24.6	9.4	8.0	5.3	4.2	2.6	2.1
Sesa Goa	Neutral	180	2,797	31.8	41.7	33.5	4.3	5.4	3.0	3.8	1.0	0.9

Non-Ferrous

Sterlite Inds.	Buy	104	6,323	16.7	17.3	17.5	6.0	5.9	4.1	3.8	0.8	0.7
Hindustan Zinc	Buy	132	10,099	13.2	14.0	16.3	9.4	8.1	5.7	4.0	1.8	1.5
Nalco	Neutral	53	2,430	3.4	3.0	2.9	17.8	17.9	9.1	7.8	1.1	1.1
Hindalco	Buy	118	4,204	17.1	18.1	19.8	6.5	6.0	7.3	6.4	1.2	1.0

CMP=current market price

Source: MOSL

Valuations: Global companies

	BBG Code	Currency	Price	Mkt Cap (USD M)	P/E (X)		EV/EBITDA(X)		P/BV
					CY11	CY12	CY11	CY12	CY11
Mining									
BHP-Billiton	BHP AU	AUD	33.7	179,048	12.2	10.5	6.3	5.6	2.4
FMG	FMG AU	AUD	3.6	11,655	7.3	4.5	5.4	3.5	2.3
Rio Tinto	RIO AU	AUD	56.3	94,546	10.1	8.5	5.9	4.8	1.8
Vale	Vale US	USD	18.6	98,871	7.5	6.6	5.1	4.3	1.2
Teck Resources	TCK US	USD	30.8	18,023	10.7	9.0	5.3	4.6	0.9
Xstrata	XTA LN	GBP	1,005.0	48,935	13.1	10.7	7.5	5.9	1.0
Steel									
Arcelor Mittal	MT NA	EUR	12.4	25,029	16.1	9.0	6.4	5.3	0.4
Posco	005490 KS	k KRW	381.0	29,365	10.9	9.3	6.0	5.2	0.8
US Steel	X US	USD	19.9	2,877	13.4	8.6	5.3	4.1	0.9
Nucor	NUE US	USD	39.5	12,536	22.2	12.5	9.0	6.3	1.6
JFE	5411 JT	JPY	1,125.0	8,525	10.1	6.5	7.7	6.3	0.4
Gerdau	GGBR4 BZ	BRL	20.1	16,090	17.5	13.9	9.3	7.6	1.1
Bao Steel	600019 CH	CNY	4.7	12,699	7.0	9.9	5.6	5.7	0.8
Non-Ferrous									
Alcoa	AA US	USD	9.1	9,741	36.4	12.5	9.2	6.5	0.7
Norsk Hydro	NHY NO	NOK	28.4	10,231	88.3	19.8	9.6	6.3	0.8
Rusal	486 HK	HKD	4.5	8,838	15.7	8.6	16.8	12.7	0.8

Source: Bloomberg

Metals Stock Performance

Among large-cap companies, SAIL has outperformed and Sterlite has underperformed the BSE Sensex over the last one month

Among mid-cap companies, Rain Commodities outperformed and Prakash Industries has underperformed the BSE Sensex over the last one month

Among global mining companies, Vedanta was the best performer while FMG was the worst performing stock over the last one month

Among global steel majors, Bao Steel was the best performer while Nippon was the worst performing stock over the last one month

Metals stock performance on absolute and relative basis (%)

Months	Absolute Perf (%)				Relative Perf to Sensex (%)			
	1	3	6	12	1	3	6	12
Steel								
Tata Steel	5.5	-2.3	-8.9	-5.4	0.0	-12.8	-16.9	-21.4
SAIL	10.2	2.8	-2.5	-11.5	4.8	-7.7	-10.5	-27.6
JSW Steel	-0.6	13.0	-0.4	15.6	-6.0	2.5	-8.4	-0.4
JSPL	7.3	-1.6	-20.4	-18.6	1.8	-12.1	-28.4	-34.6
NMDC	6.6	11.8	19.6	-13.4	1.1	1.3	11.6	-29.5
Sesa Goa	-5.9	-2.9	-9.1	-13.1	-11.4	-13.4	-17.1	-29.1
Non-Ferrous								
Sterlite Inds.	-7.2	4.6	-7.7	-15.1	-12.6	-5.9	-15.7	-31.1
Hindustan Zinc	1.8	11.4	2.2	4.6	-3.6	0.9	-5.8	-11.4
Nalco	1.2	-10.1	-4.0	-16.7	-4.2	-20.6	-12.0	-32.7
Hindalco	6.1	0.4	-10.6	-12.3	0.6	-10.1	-18.6	-28.3
Mid Caps								
Monnet Ispat	-0.9	-17.0	-37.2	-39.9	-6.4	-27.4	-45.2	-56.0
Godawari	-1.3	3.1	11.8	-7.7	-6.7	-7.4	3.8	-23.7
Sarda Energy	-1.6	-1.9	-15.0	-9.3	-7.0	-12.4	-23.0	-25.3
Tata Sponge	1.9	-9.8	2.0	2.8	-3.5	-20.3	-6.0	-13.2
Adhunik Metaliks	-0.5	-13.6	-43.7	-44.9	-6.0	-24.1	-51.7	-60.9
Bhushan Steel	1.0	2.5	19.4	44.9	-4.5	-8.0	11.4	28.9
Jai Balaji	-9.4	10.1	-16.6	-69.7	-14.9	-0.4	-24.6	-85.7
Rain Commodities	2.9	4.8	0.5	43.9	-2.5	-5.7	-7.5	27.9
Prakash Industries	-12.6	6.1	14.9	-1.1	-18.0	-4.3	6.8	-17.1
SENSEX	5.5	10.5	8.0	16.0	-	-	-	-

■ Best performer ■ Worst performer

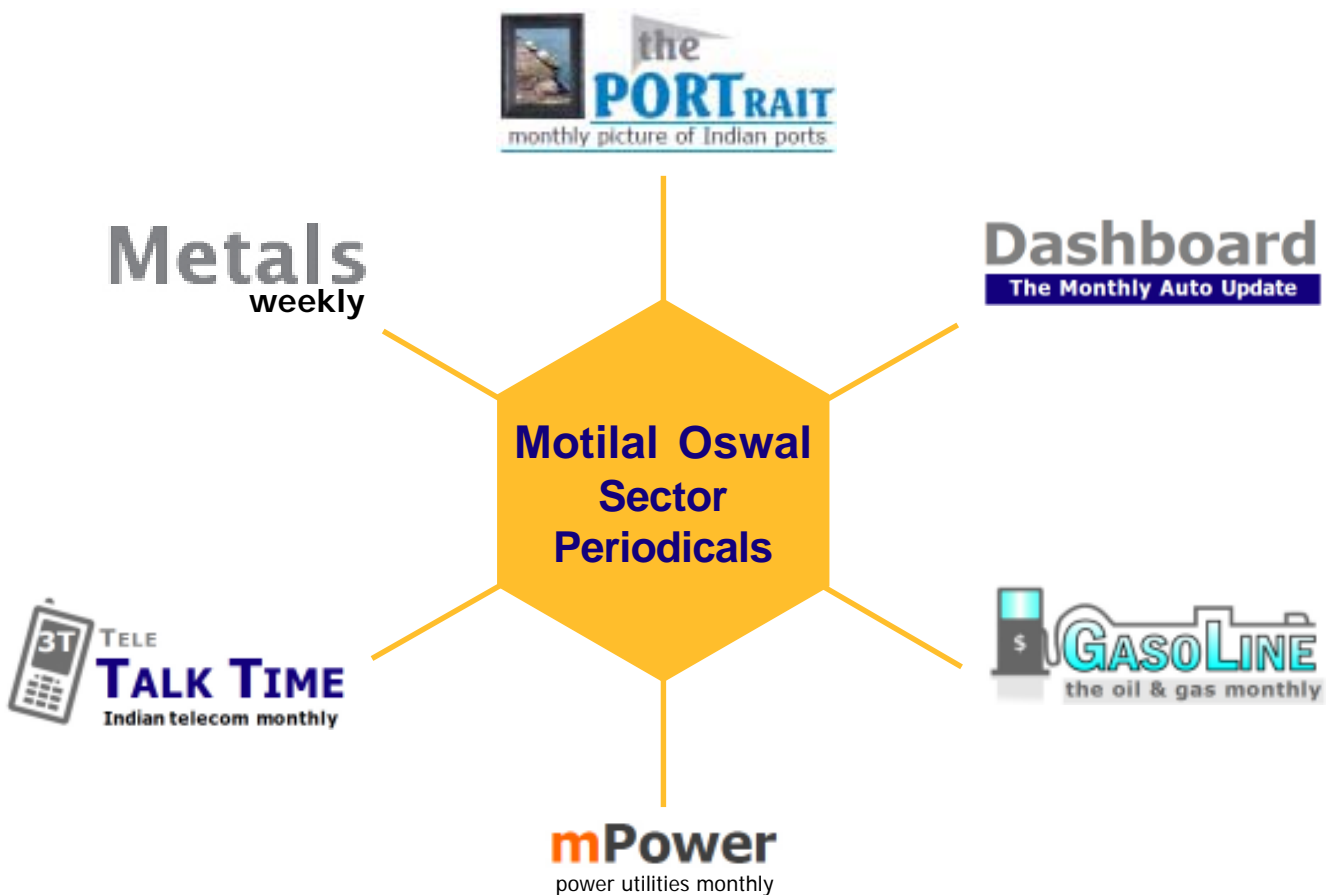
Source: MOSL/Bloomberg

Global metals stock performance on absolute basis (%)

	Absolute Perf (%)				
	1week	1month	3 months	6 months	12 months
Mining					
Rio Tinto	-5.4	4.5	2.0	-10.1	1.9
BHP Billiton	-2.5	0.6	5.6	-3.2	-3.6
Vale	-3.8	9.6	-2.7	-18.4	-22.3
FMG	20.1	-9.8	-26.9	-40.2	-27.5
Xstrata	-4.6	8.3	23.1	-9.1	21.7
Anglo American	-4.8	2.8	-6.2	-21.2	-14.0
Vedanta	-0.6	17.5	20.2	-17.4	-2.4
Steel					
US Steel	-6.4	-4.2	4.1	-33.0	-10.3
Nucor	-0.9	2.0	7.0	-8.5	25.1
Arcelor Mittal	-3.7	0.8	4.0	-17.0	8.0
Bao Steel	-1.3	11.5	3.6	-6.9	-8.4
Posco	0.1	0.4	1.5	-2.0	3.9
JFE Holdings	-7.4	1.1	-17.9	-38.1	-37.2
Nippon	-6.8	-4.7	-7.9	-28.1	-27.1
Thyssen Krupp	-2.9	5.6	33.9	-12.4	-9.3
Voest Alpine	-4.9	7.2	13.7	-3.7	17.4
Gerdau	-2.8	6.8	23.7	-2.6	30.7
Aluminium					
Alcoa	-4.7	5.8	5.9	-9.7	-9.3
Rusal	-3.2	3.9	0.2	-22.3	-38.4
Chalco	-3.6	-1.8	-2.1	-13.7	-9.3

■ Best performer ■ Worst performer

Source: MOSL/Bloomberg



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