

Valuations: Indian companies

	Price (INR)	EV/EBITDA FY12E	P/BV FY13E	P/BV FY12E
Steel				
Tata Steel	438	5.4	4.3	1.4
SAIL	108	7.2	7.7	1.1
JSW Steel	602	7.5	6.1	0.8
JSPL	525	9.5	8.2	2.7
Sesa Goa	220	5.7	6.0	1.1
Non-ferrous				
Sterlite Inds.	119	4.0	2.8	0.8
HZL	120	4.2	3.0	1.8
Nalco	62	5.3	3.4	1.3
Hindalco	130	5.4	5.1	1.3
Mid-caps				
Monnet Ispat	484	14.4	9.6	1.3
Godawari	111	3.0	3.5	0.5
Sarda Energy	125	9.3	6.6	0.5
Tata Sponge	302	1.7	0.9	0.8
Adhunik Metaliks	53	5.8	4.8	0.6
Bhushan Steel	327	8.8	8.0	1.0
Jai Balaji	97	7.4	7.9	0.6
Rain Comm.	30	2.8	2.9	0.5
Prakash Inds.	49	2.5	2.3	0.3

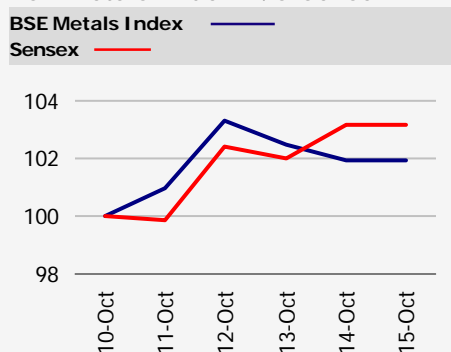
Note: Detailed table on pg 19 Source: MOSL

Valuations: Global companies

	Price	EV/EBITDA CY11	P/BV CY12	P/BV CY11
Steel				
A. Mittal	EUR 12.1	4.9	4.4	0.4
Posco	k KRW 371	4.5	4.0	0.8
US Steel	USD 22.0	5.2	3.5	0.8
Nucor	USD 31.6	5.9	4.8	1.3
Gerdau	BRL 13.4	6.2	5.3	1.0
Bao Steel	CNY 5.1	5.4	4.7	0.8
Non-ferrous				
Alcoa	USD 9.6	5.4	5.0	0.7
Teck Res.	USD 29.2	3.6	3.2	1.0
Xstrata	GBP 8.2	3.7	3.2	0.8
BHP	AUD 35.0	3.9	3.8	2.3
Rio Tinto	AUD 61.8	3.5	3.3	1.6

Note: Detailed table on pg 19 Source: Bloomberg

BSE Metals Index v/s Sensex



Source: Bloomberg

Note: Indexed to 100 on 10 October 2011

Individual stock performance table on pg 20

Metal Prices

	CMP 17-Oct-11	Week % 10-Oct-11	Quarter % 1-Oct	YTD CY11 % 1-Jan-11
STEEL				
HRC Tube grade-Mumbai (INR/ton)	38,078	0	38,078	12 33,998
HRC (USD/ton) fob CIS	665	-2	678	5 635
HRC (USD/ton) fob China	712	-2	724	-4 738 -5 749
METALLICS				
Sponge iron - Raipur (INR/ton)	23,700	3	23,100	8 22,000 22 19,400
Pig iron - Raipur (INR/ton)	24,479	-1	24,751	0 24,479 16 21,124
Iron ore spot (USD/ton) cfr China	168	-6	179	-6 179 -5 176
Coke (USD/ton) fob	425	-2	435	-2 435 9 390
Shred. scrap (USD/ton) fob Rotterdam	418	-3	431	-4 434 3 406
ALUM.				
LME inventories ('000 ton)	4,549	0	4,559	0 4,558 6 4,277
3m LME (USD/ton)	2,225	0	2,228	3 2,157 -10 2,470
Indian prices (INR '000/ton)	107	0	107	-1 108 -3 110
ZINC				
LME inventories ('000 ton)	798	-2	811	-3 824 14 699
3m LME (USD/ton)	1,931	1	1,920	4 1,860 -16 2,308
Indian prices (INR '000/ton)	93	3	91	0 93 -14 109
COPPER				
LME inventories ('000 ton)	450	-2	459	-5 475 21 371
3m LME (USD/ton)	7,545	3	7,290	11 6,800 -19 9,346
Indian prices (INR '000/ton)	369	4	355	8 340 -16 439
OTHERS				
Gold (Rs/10gms)	26,887	3	26,196	3 26,077 31 20,575
Sliver (Rs/1kg)	53,371	3	51,958	4 51,100 16 46,065
Lead 3m LME (USD/ton)	2,026	1	2,005	3 1,961 -21 2,550
Ferro-chrome 6-8% C60%(USD/lb Cr)	1.15	0	1.15	0 1.15 -13 1.32
MISC.				
INR/USD	49.0	0	49.0	0 49.2 10 44.7
BDI	2,173	7	2,032	15 1,886 23 1,773

Source: MMR/LME/Metal Bulletin/SteelPricesIndia/MOSL

Indian steel prices defy global downtrend; Sponge iron at 3-year high

- Steel prices in major geographies continued their decline with China (down 4% WoW), Europe (down 0.5% WoW) and the Middle East (down 1.7% WoW). Prices were flat in North America, Turkey and Russia. However Indian long steel prices increased 3-6% WoW and flat product prices rose 0-1% WoW. Sponge iron prices increased 2.6% WoW to INR23,700/t reaching a three-year high and pig iron prices were down 1.1% WoW at INR24,479.
- Chinese spot iron ore CIF prices decreased sharply, falling 6% WoW to USD165/t (down USD33 from their peak in February 2011) with similar cuts (down 5-8% WoW) in iron swaps. Richard Bay thermal coal prices declined 1.6% WoW to USD112/t.
- 4QFY12 charge chrome settlement rolled over at USD1.20 per pound. Despite the rand's favorable movement, South African producers were plagued by high power costs. However, the worsening economic scenario in Europe prevented a hike in contracts by European stainless steel mills.
- NMDC raised prices of fines sold from Bailadila complex (Chhattisgarh) by 17% to INR3,380/ton for the December quarter as the local iron-ore market remains tight. It also increased prices of lumps by 7-8%. Thus 3QFY12 average contract prices are expected to increase by 14-15% QoQ to ~INR4,600 (v/s our earlier estimate of INR3,900). Fines constitute ~60% of total volumes.
- Rio Tinto plans a major retreat from the aluminum business as it plans to sell 13 assets, including smelters and alumina refineries in Australia, New Zealand, France, Germany, the US and the UK.

Contents

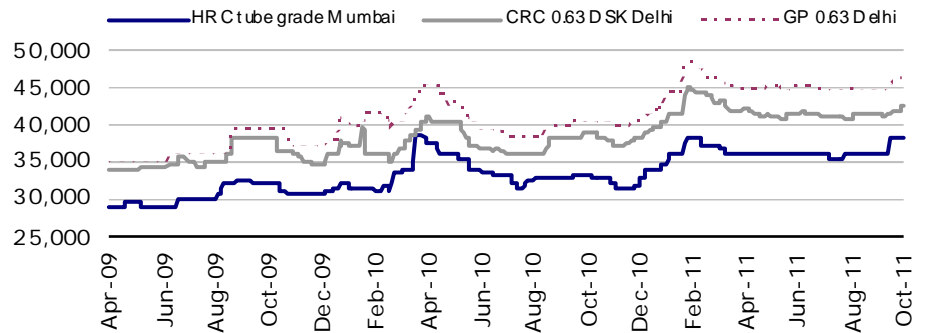
	Page No.
Ferrous	3-9
India	3
European Union	4
China	5
Other regions	6 & 7
Steel raw material	8 & 9
Ferro alloys	10
Non ferrous	11-15
Aluminum	11
Copper	12
Zinc	13
Commodity curve analysis.....	14
China non-ferrous trade data.....	15
Key indicators	16
Industrial production growth across the globe ...	17
BSE Exchange Announcements	18
Metals valuation matrix	19
Metals stock performance	20

Ferrous

Ferrous

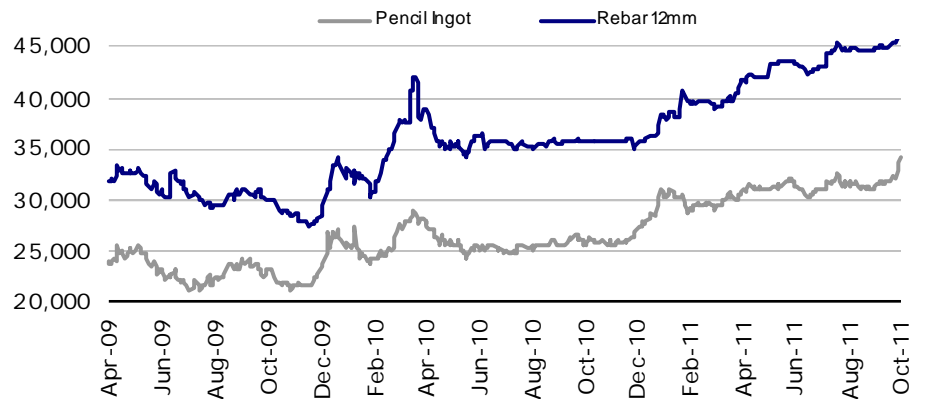
INDIA

Weekly average prices for flat products (INR/t)



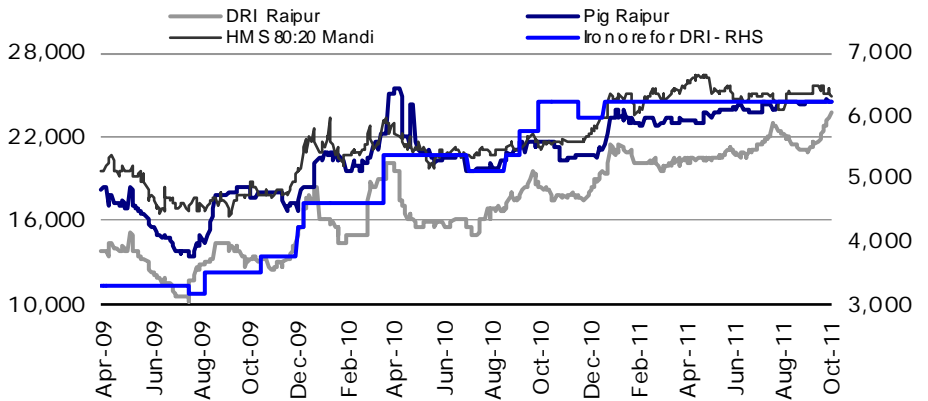
CRC 0.63 DSK Delhi grade prices increased 0.8% WoW to INR42,191/t

Weekly average price for long products (Mandi; INR/t)



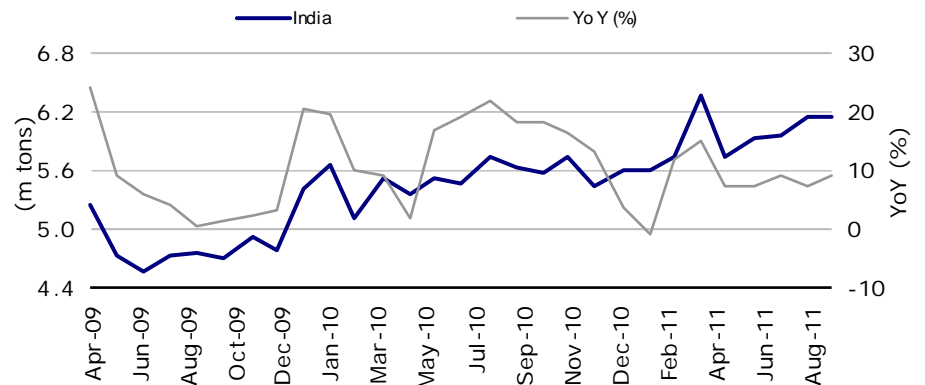
Pencil ingot prices increased 6.2% WoW to INR34,200/t

Steel intermediates and raw material prices (INR/t)



DRI prices increased 2.6% WoW to INR23,700/t

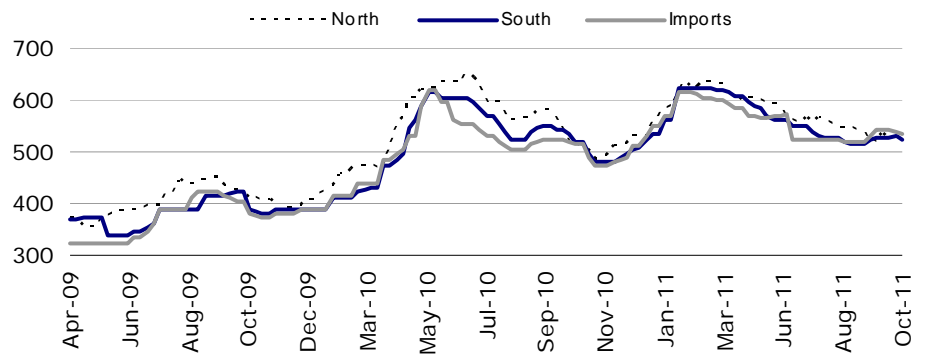
India: Monthly crude steel production



Source: SteelPricesIndia/WASA/MOSL

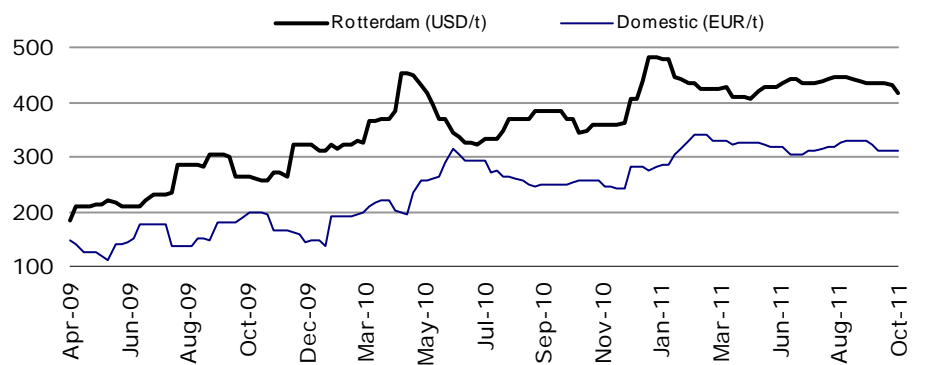
European Union

Hot rolled coil prices in Europe (EUR/t)



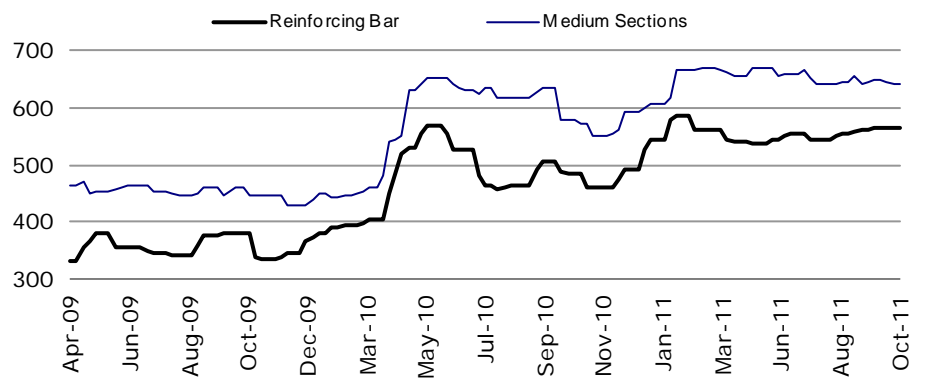
North European HRC prices were flat and South European prices declined 0.5% WoW to Euro526/t

Shredded scrap price movement



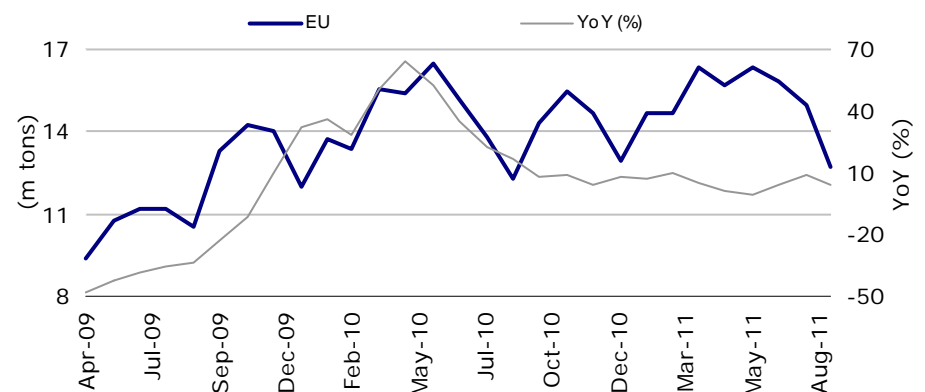
Rotterdam export shredded scrap prices declined 3.2% WoW to USD418/t

Price movement of domestic reinforcing bar and medium section (EUR/t)



European medium section prices decreased 0.4% WoW

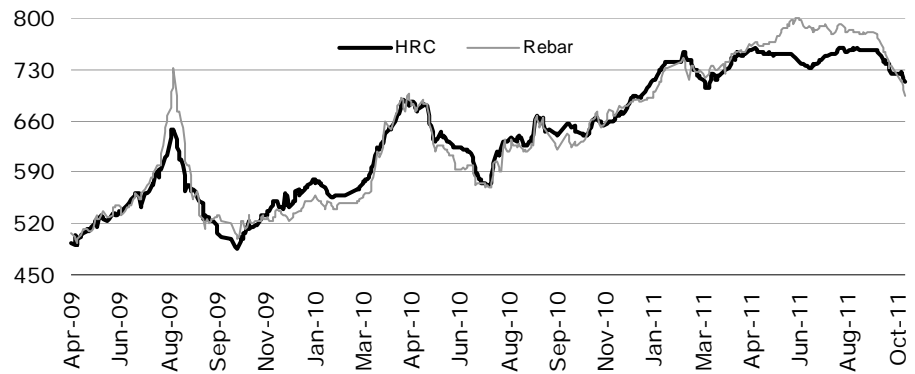
European Union: Monthly crude steel production



Source: Metal Bulletin/Bloomberg/SBBS/WASA/MOSL

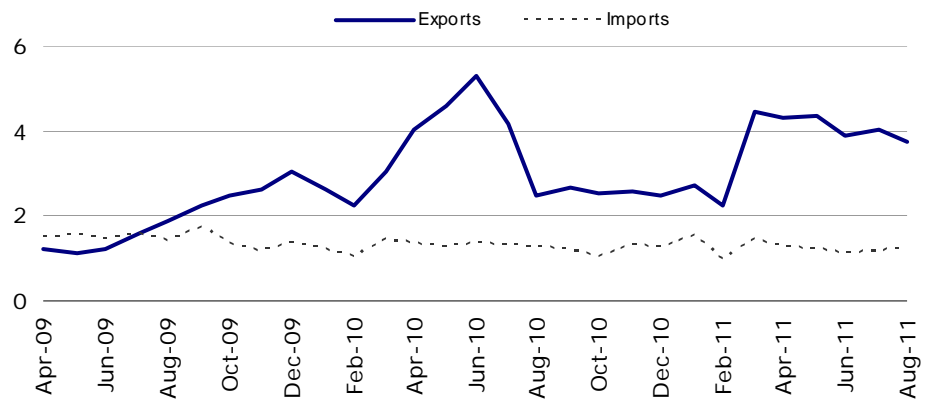
China

Domestic steel prices (USD/t)

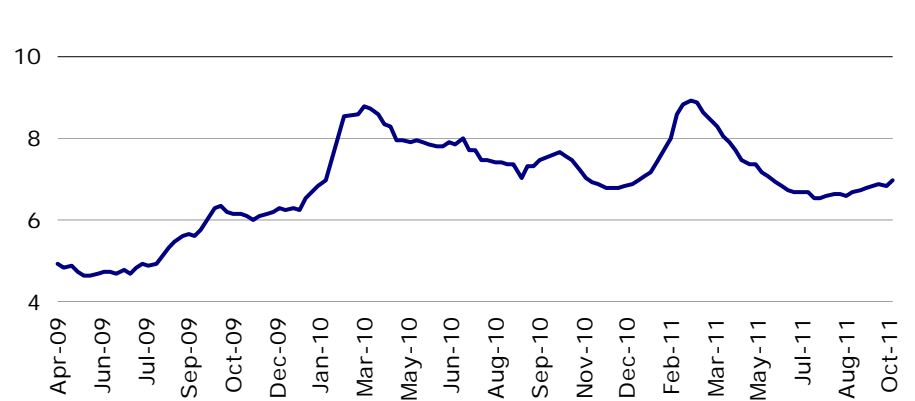


Chinese HRC prices were down 1.7% WoW at USD726/t and rebar prices were down 5.5% WoW at USD693/t

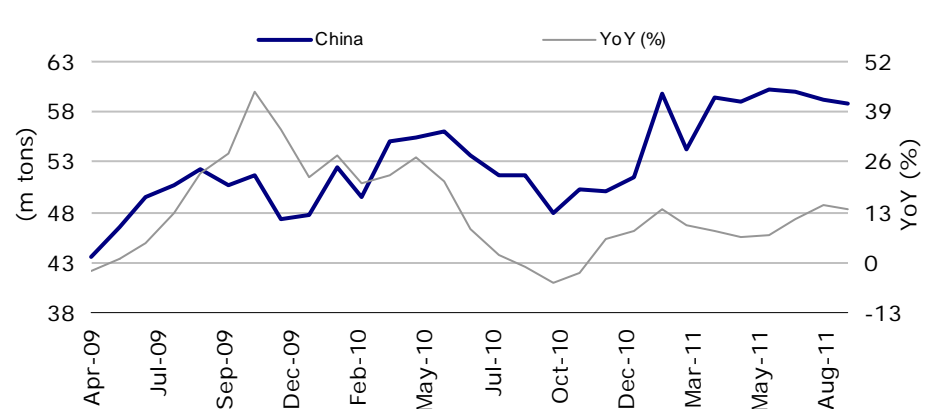
Steel trade (m tons)



Steel inventories (m tons)



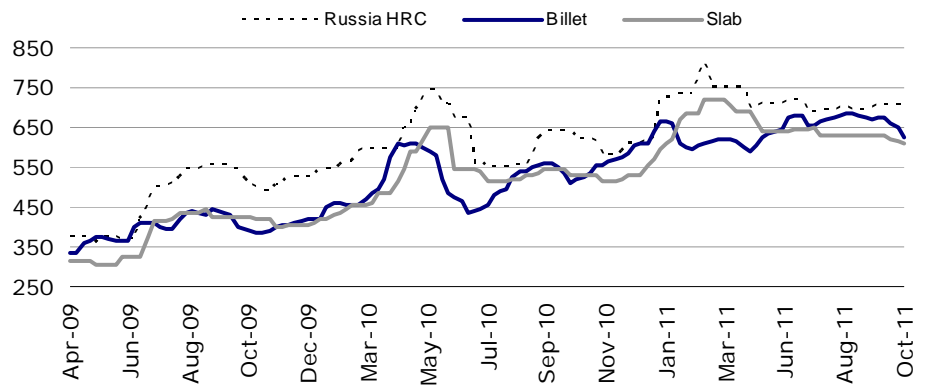
Monthly crude steel production



Source: Metal Bulletin/Bloomberg/SBBS/WSA/MOSL

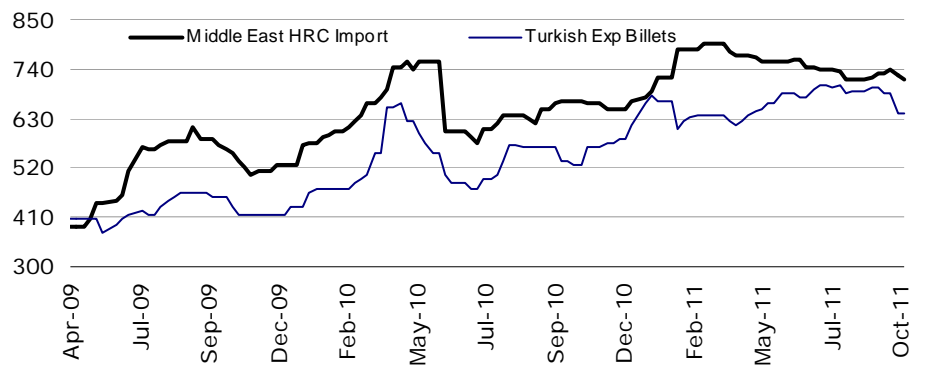
Other regions

CIS steel export prices (USD/t)



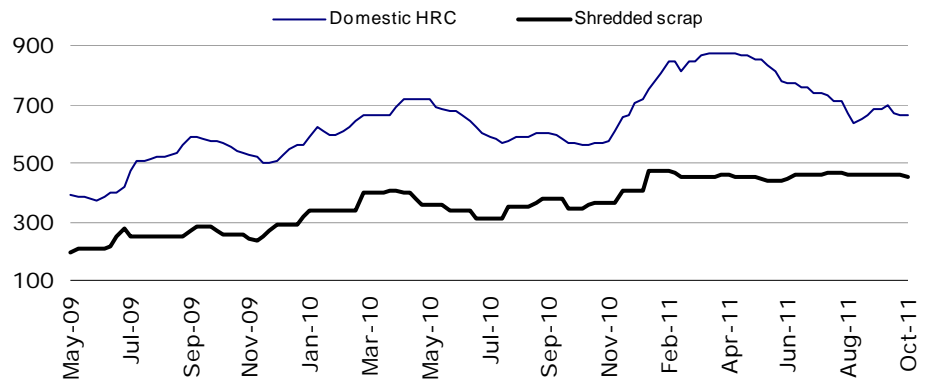
Black Sea export billet prices decreased 3.7% WoW to USD624/t

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



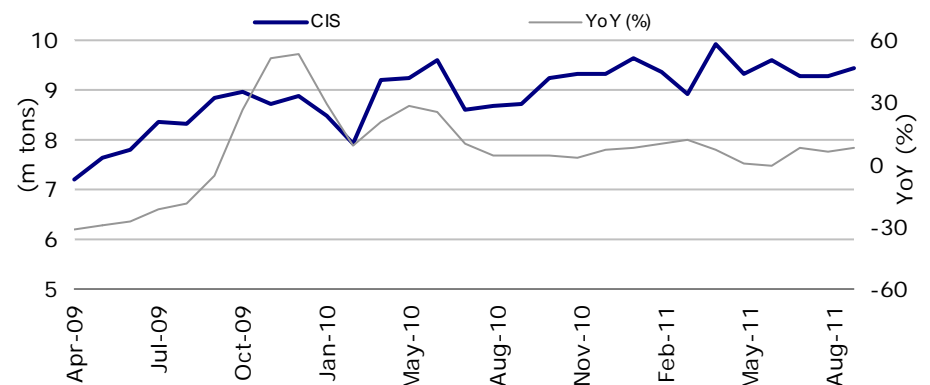
Turkish export billets prices were flat WoW at USD640/t

North America domestic HRC prices (USD/t)



North American local HRC prices were flat WoW at USD665/t

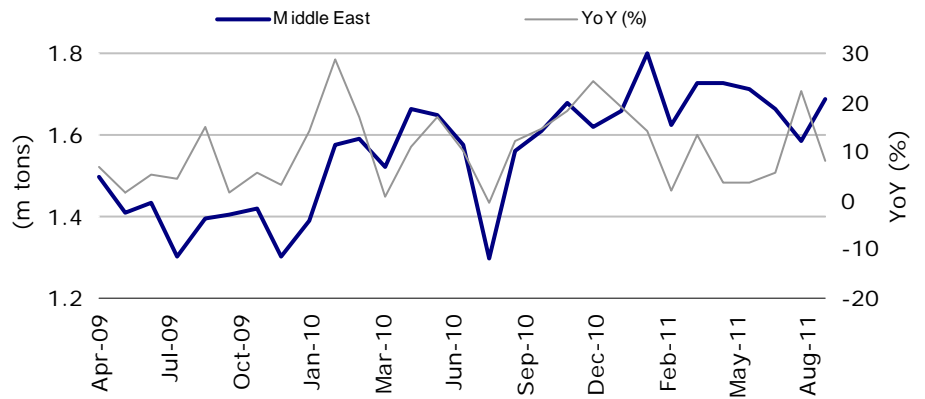
CIS: Monthly crude steel production



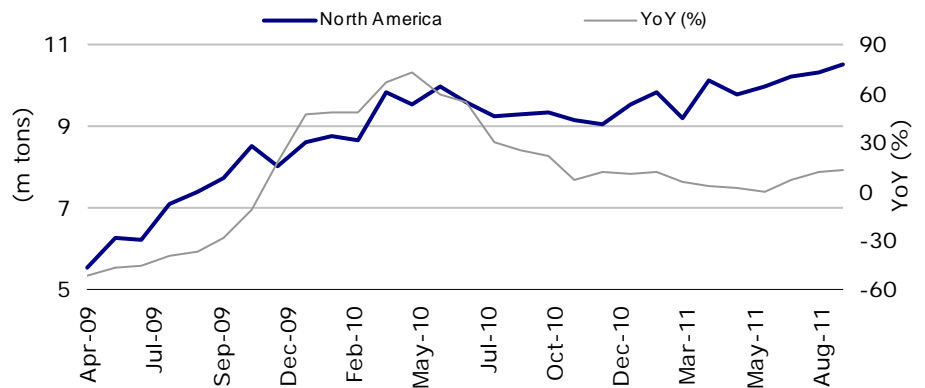
Source: Metal Bulletin/SBBS/WSA/Bloomberg/MOSL

Other regions

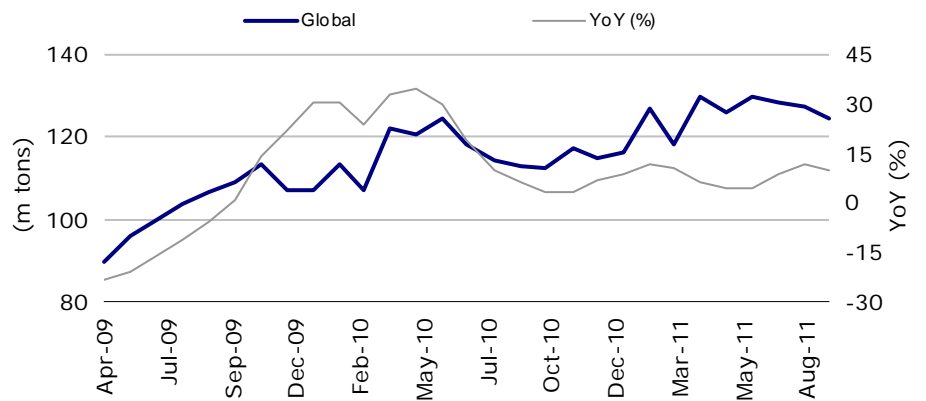
Middle East: Monthly crude steel production



North America: Monthly crude steel production



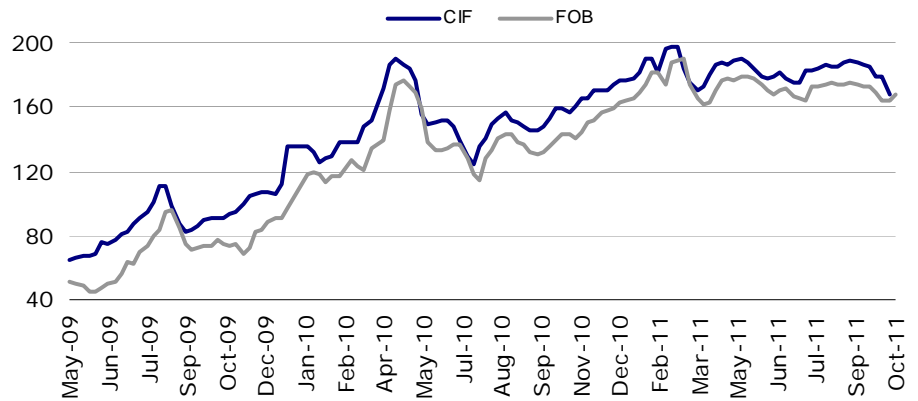
Global: Monthly crude steel production



Source: Bloomberg/WSA/MOSL

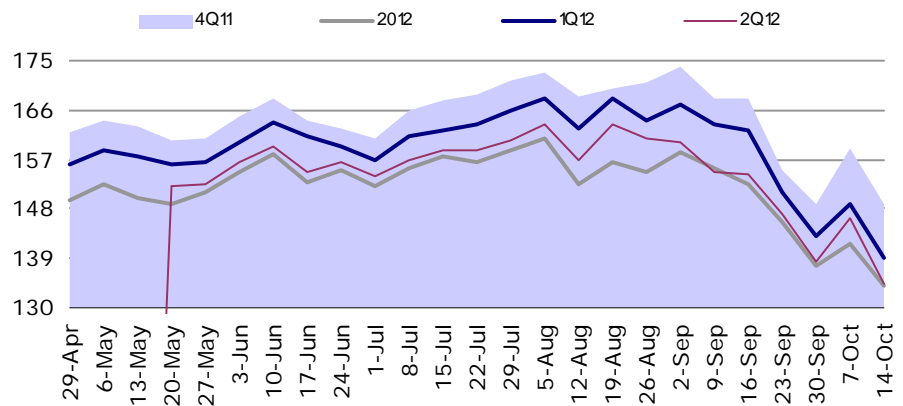
Steel raw materials

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



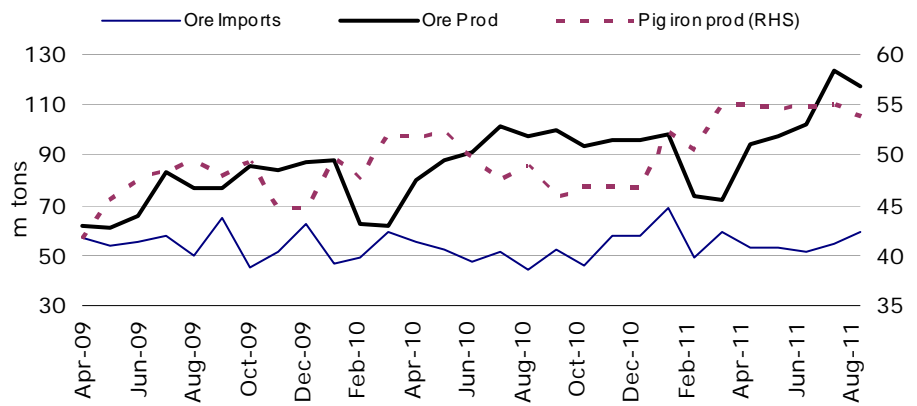
China spot CFR iron ore decline 6%
WoW to USD165/t DMT

OTC iron ore swaps (USD/t)

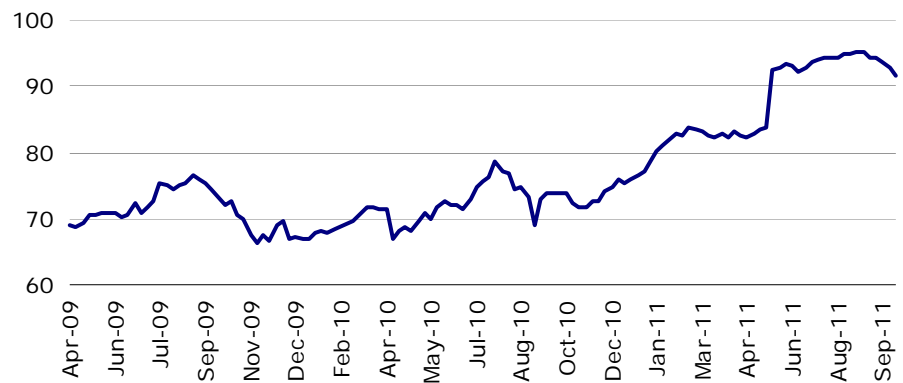


Iron ore swaps traded lower (down
5-8% WoW) in line with spot prices

China iron ore production and imports (m tons)



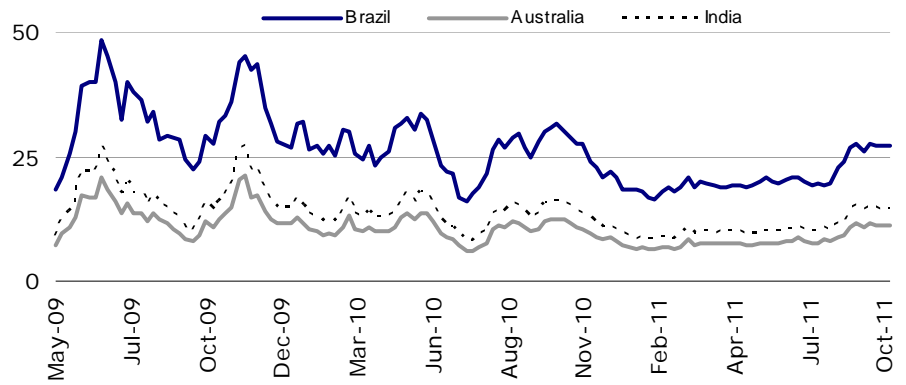
China iron ore inventories (m tons)



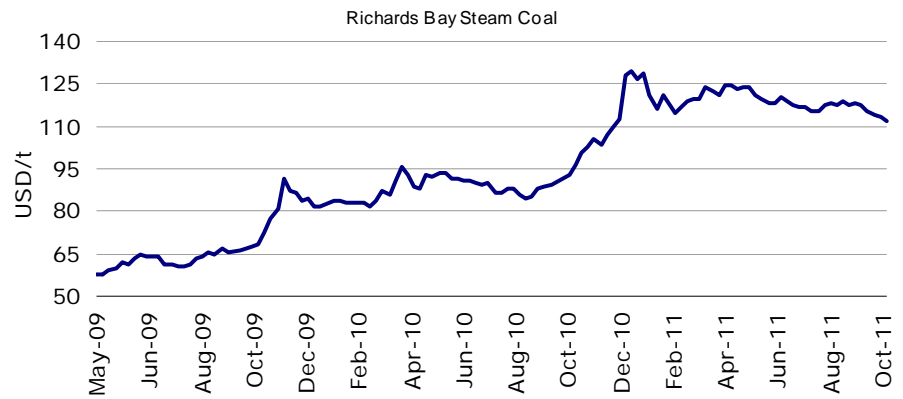
Source: Metal Bulletin/Bloomberg/MOSL

Steel raw materials

Freight rates to China (USD/t)

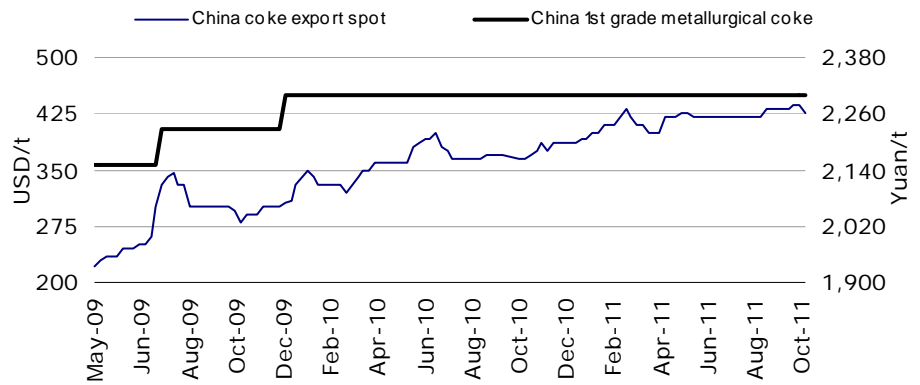


Coal price index



Richard Bay Steam coal prices decreased 1.6% WoW to USD112/t

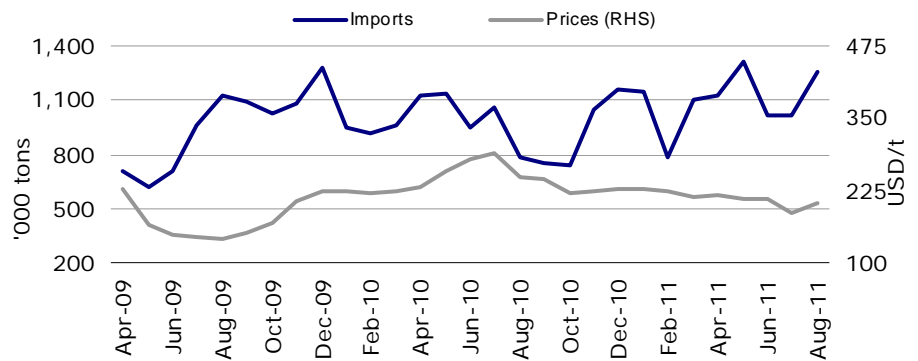
Coke price index



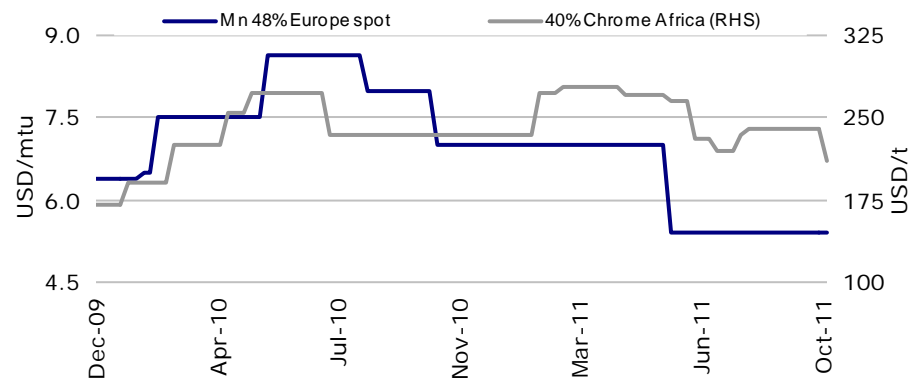
Source: Metal Bulletin/Bloomberg/MOSL

Ferro alloys

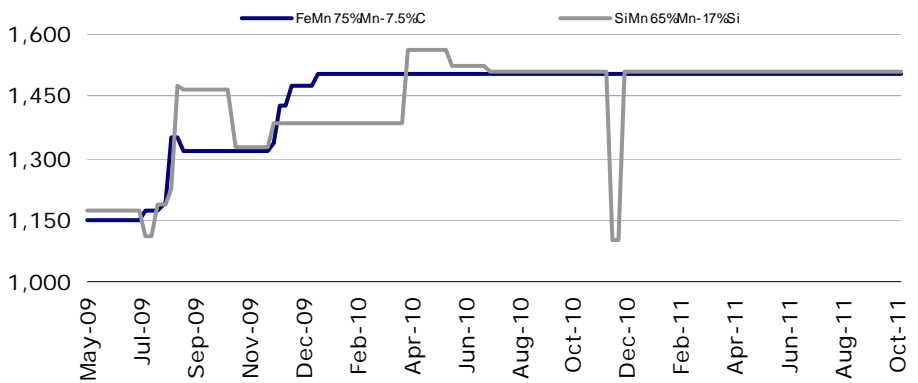
China's imports of manganese ore & conc



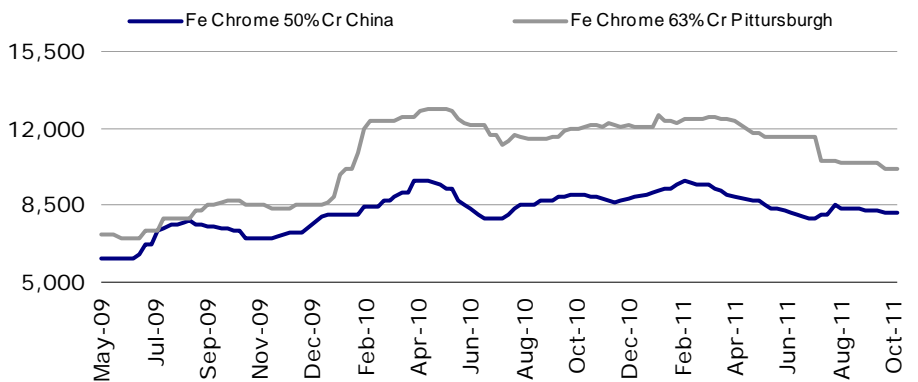
Manganese and chrome ore FOB spot prices



Ferro and silico manganese prices (USD/t)



Ferro chrome CIF prices (CNY/t)



Source: Metal Bulletin/Bloomberg/MOSL

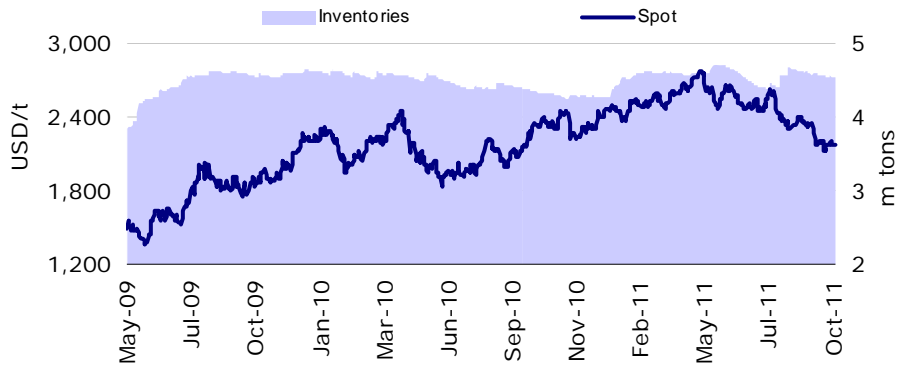
Non-ferrous

Non-ferrous

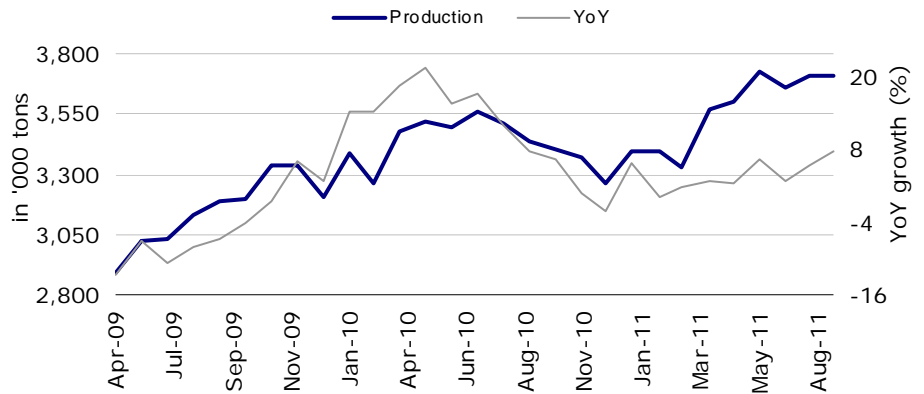
Aluminum

Aluminum spot prices decreased 0.3% WoW to USD2,171/t

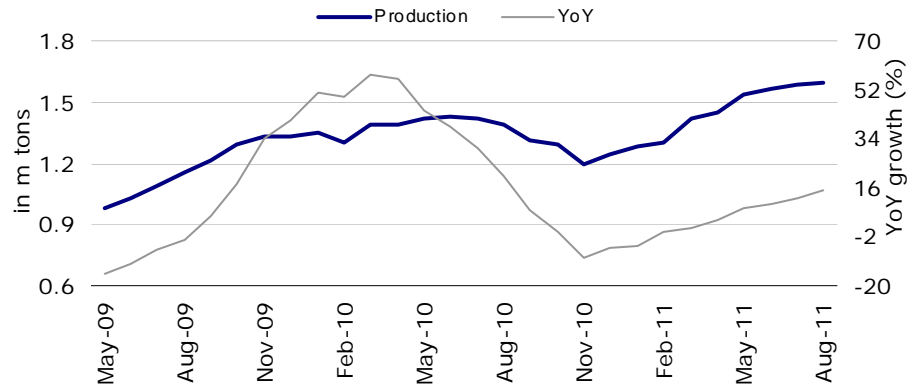
LME inventories and prices



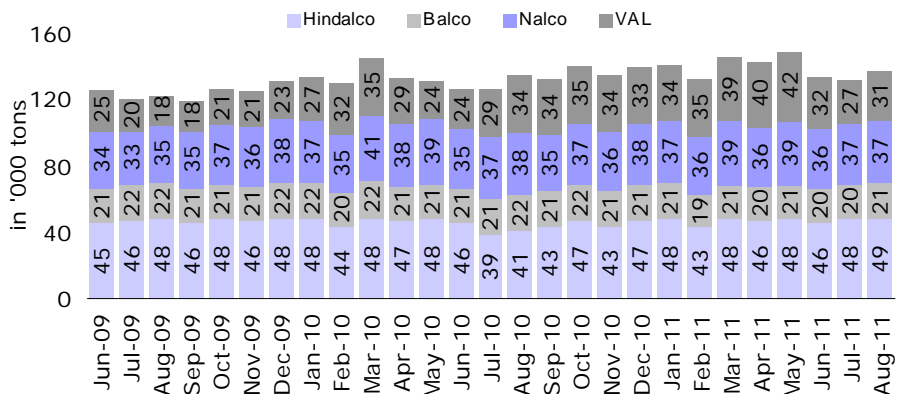
Global primary aluminum monthly production and YoY growth



China primary aluminum monthly production and YoY growth



India: Company-wise primary aluminum monthly production



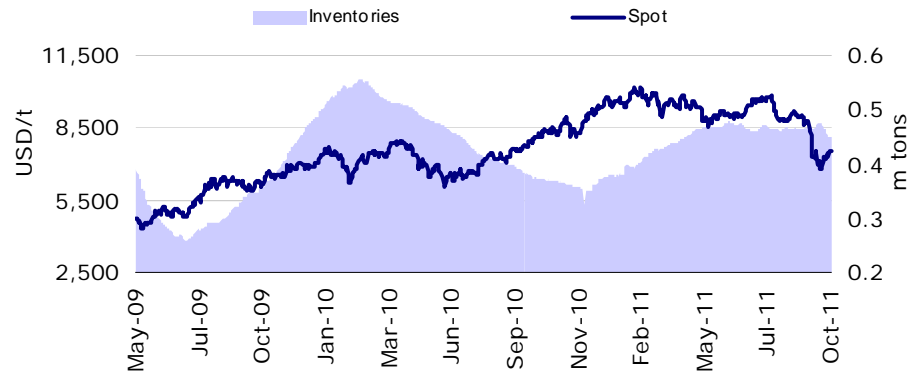
Source: Metal Bulletin/LME/Bloomberg/MOSL

Non-ferrous

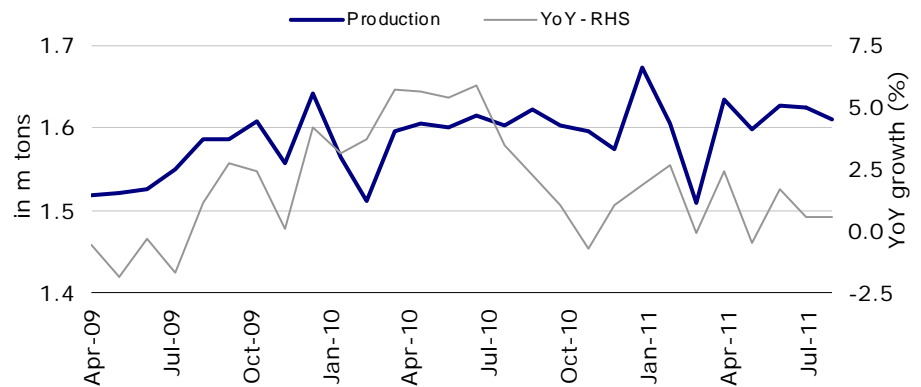
Copper

LME inventories and prices

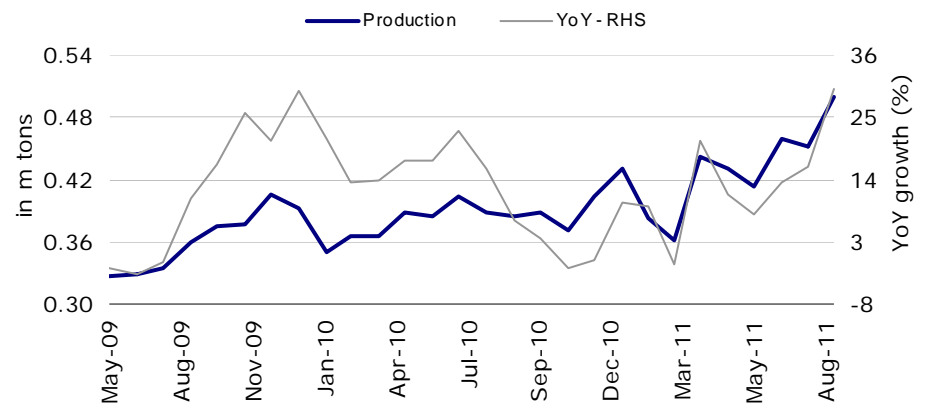
Copper spot prices increased 2.6% WoW to USD7,500/t



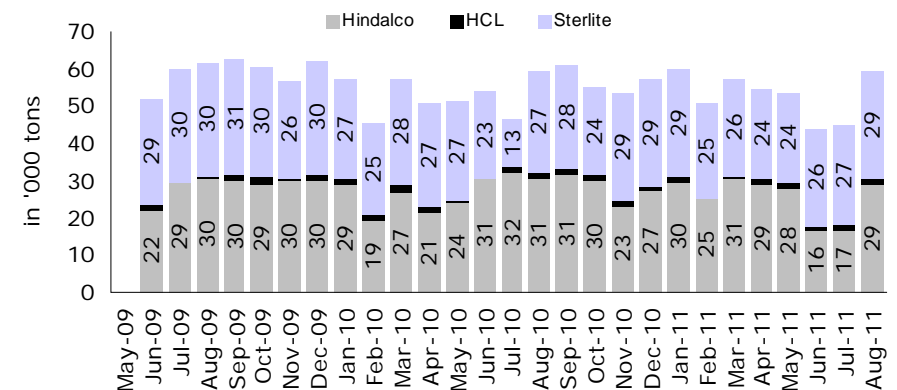
Global refined copper monthly production and YoY growth



China refined copper monthly production and YoY growth



India: Company-wise refined copper monthly production



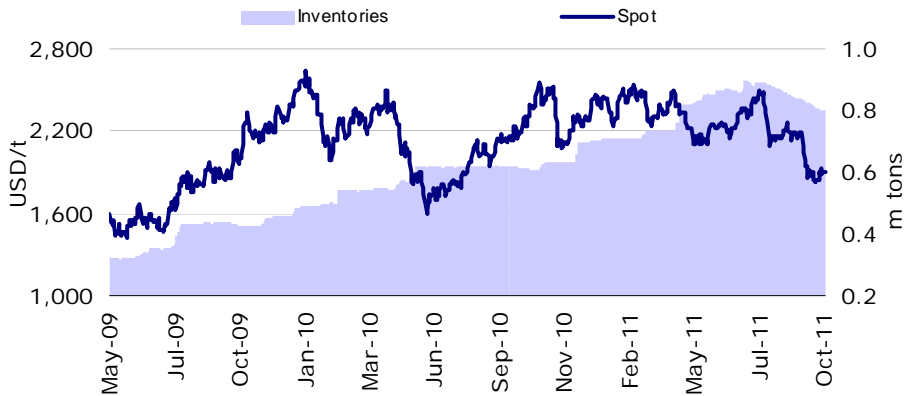
Source: Metal Bulletin/LME/Bloomberg/MOSL

Non-ferrous

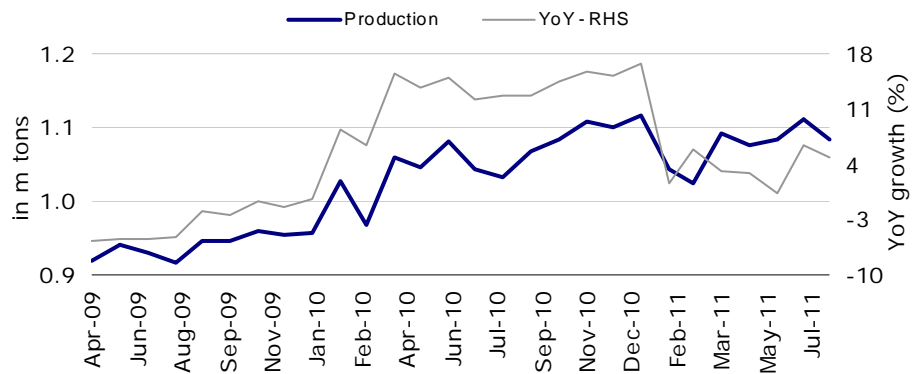
Zinc

LME inventories and prices

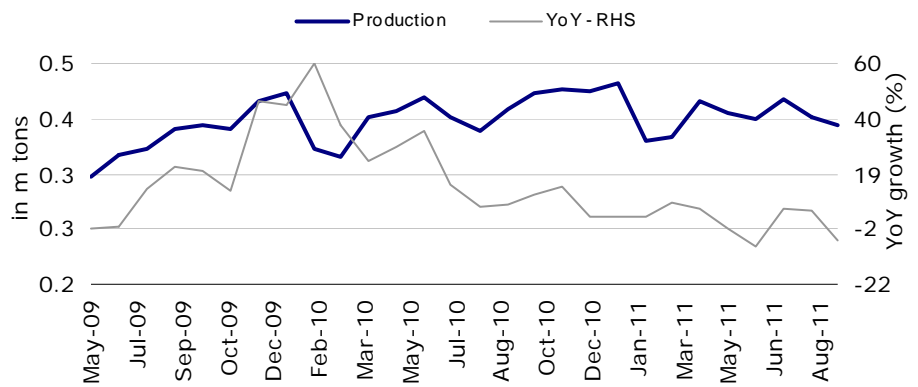
Zinc spot prices decreased 0.1%
WoW to USD1,901/t



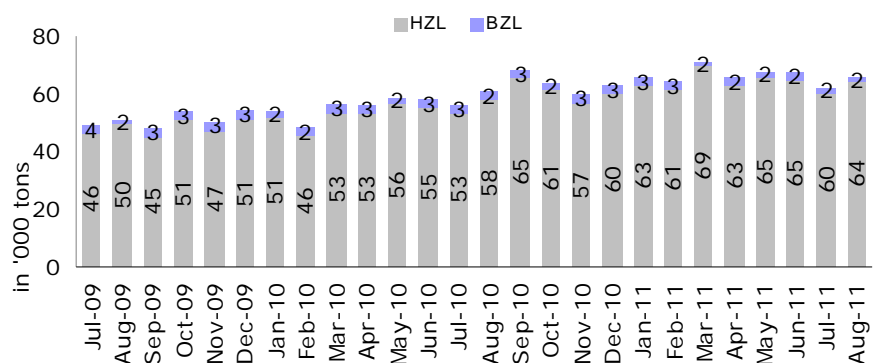
Global refined zinc monthly production and YoY growth



China refined zinc monthly production and YoY growth



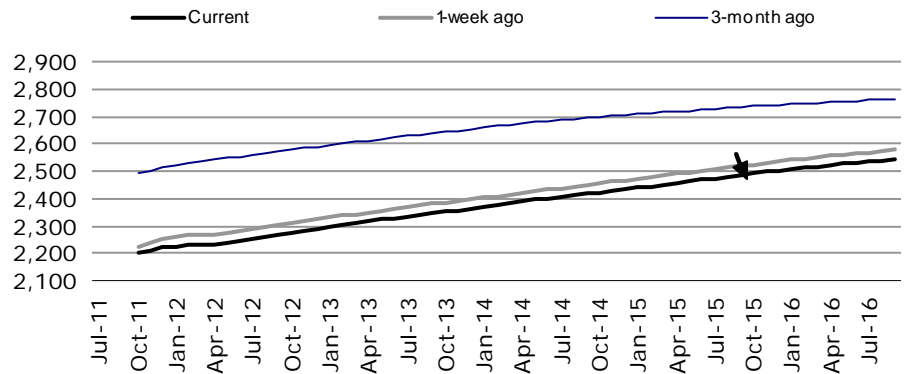
India: Company-wise refined zinc monthly production



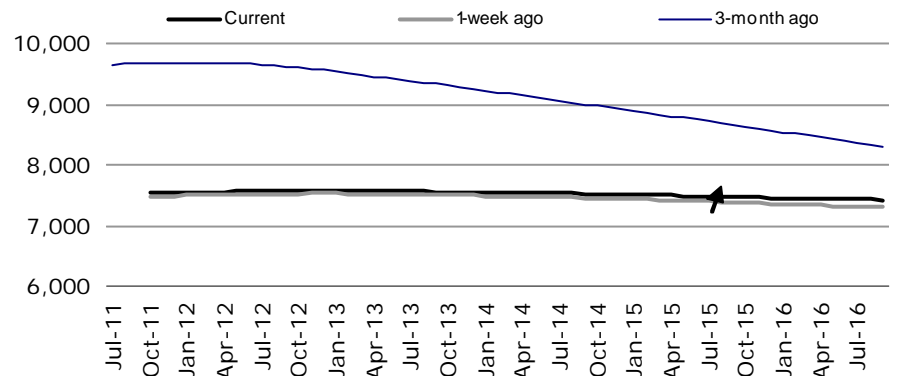
Source: Metal Bulletin/LME/Bloomberg/MOSL

Commodity forward curves

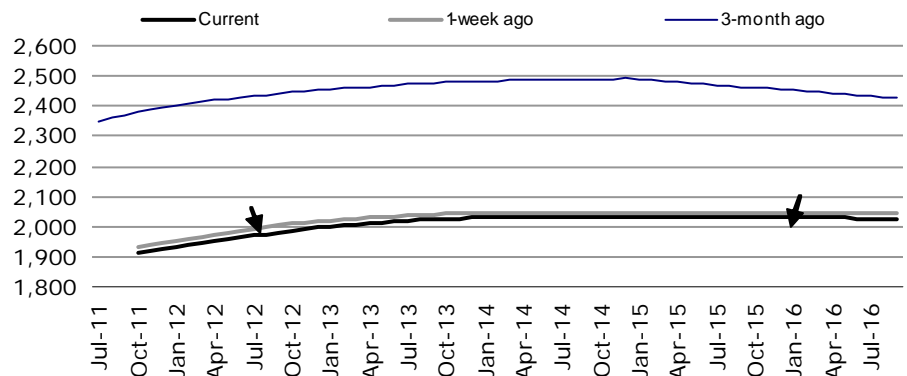
LME aluminum (USD/t)



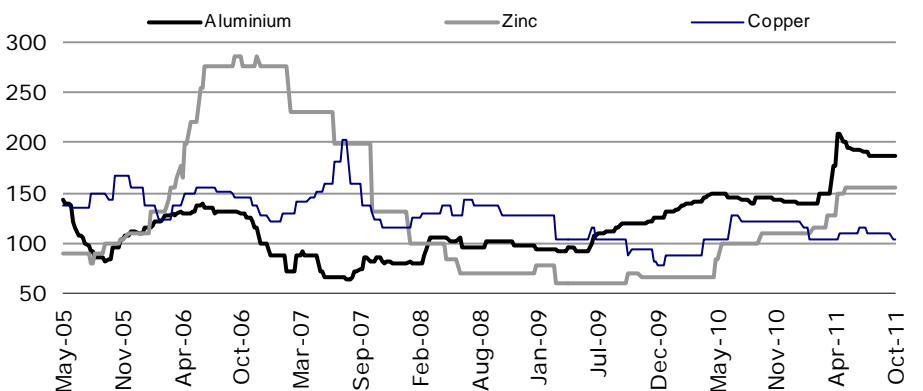
LME copper (USD/t)



LME zinc futures (USD/t)



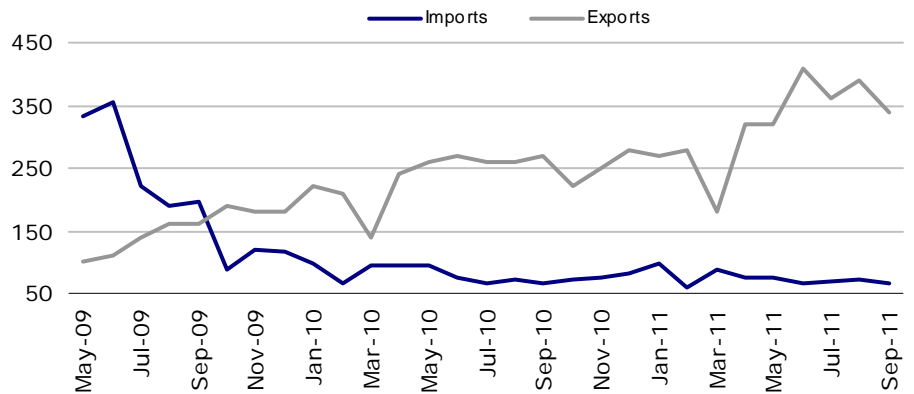
Base metals US spot premium (USD/t)



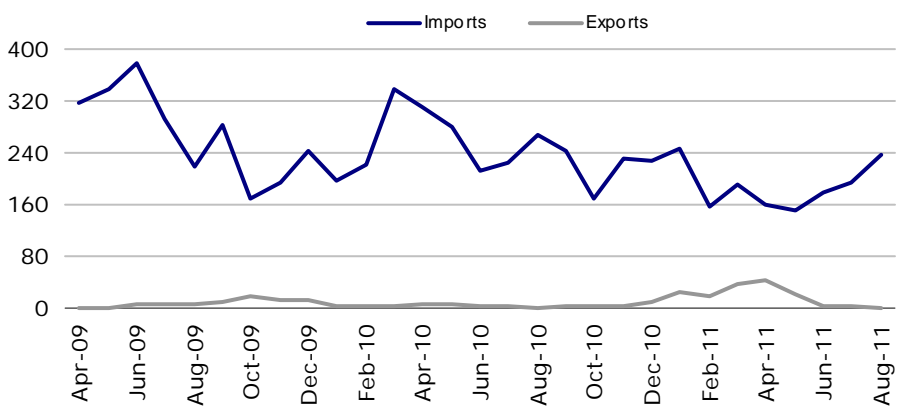
Source: LME/Metal Bulletin/Bloomberg/MOSL

China non-ferrous trade data

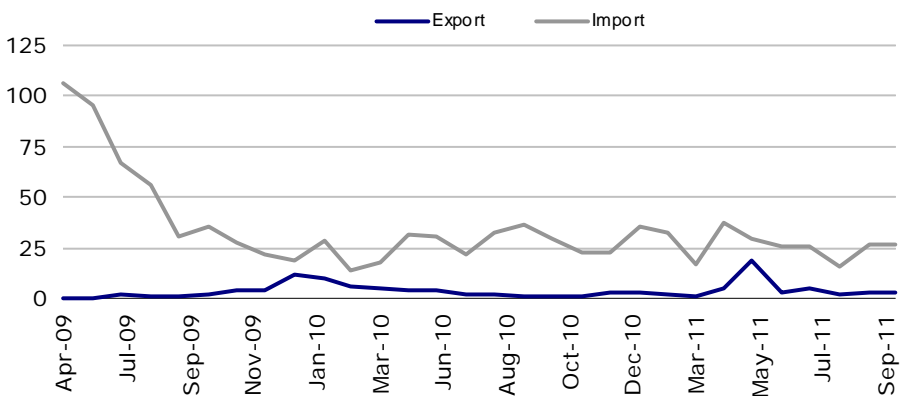
China's aluminum trade ('000 tons)



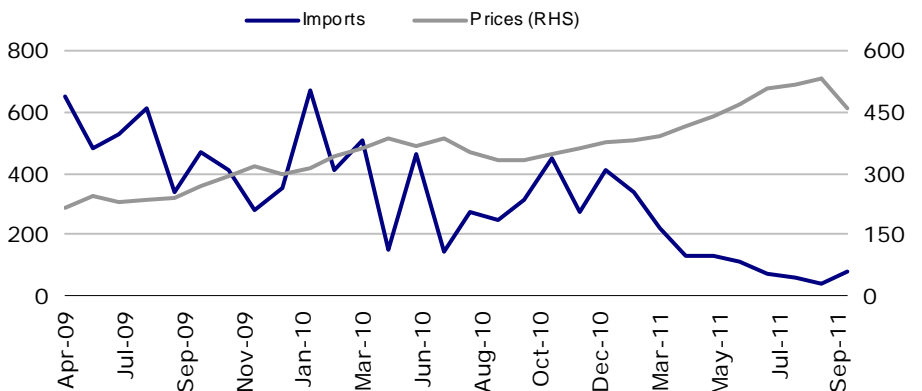
China's refined copper trade ('000 tons)



China's refined zinc trade ('000 tons)



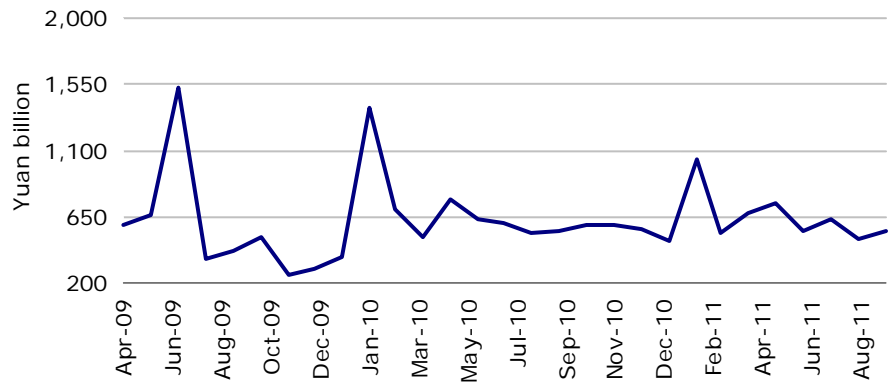
China's alumina imports ('000 tons) and prices (USD/t)



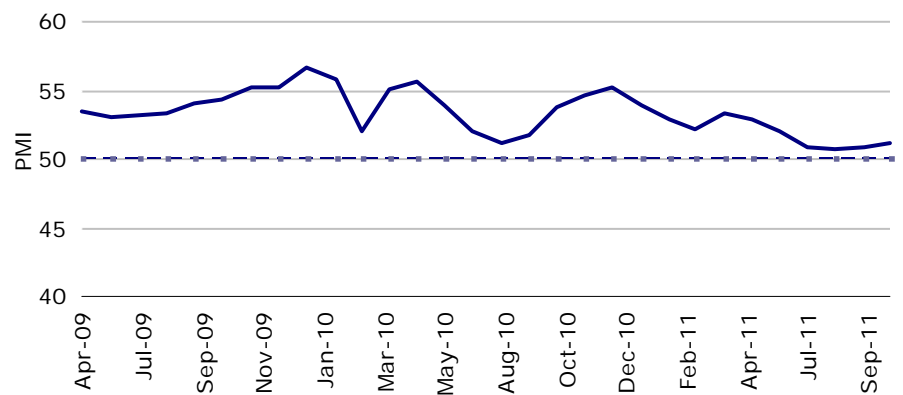
Source: LME/Metal Bulletin/Bloomberg/MOSL

Key indicators

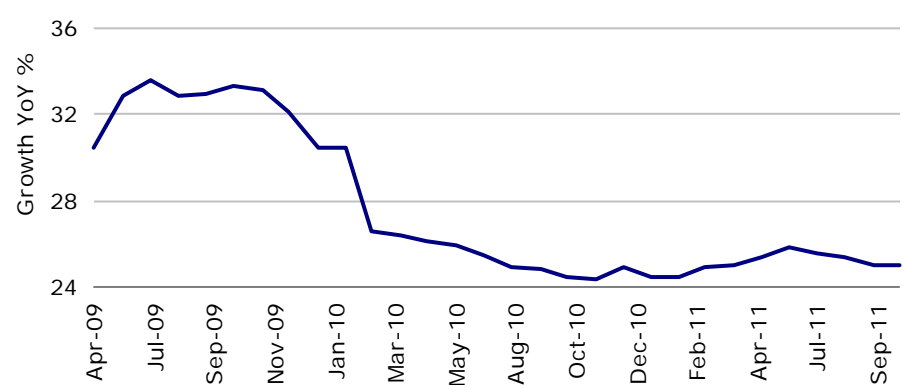
China new loan growth



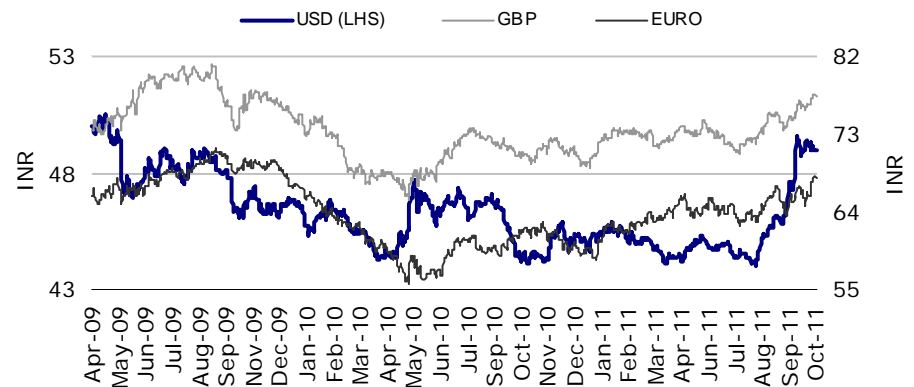
China PMI



China fixed asset investment



Currency movement with respect to the rupee

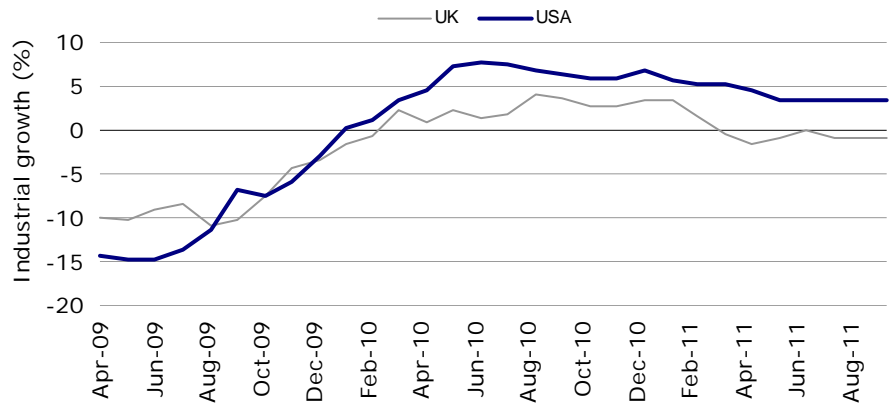


The rupee depreciated 0.1% WoW against the dollar and was trading at 49.02 INR/USD

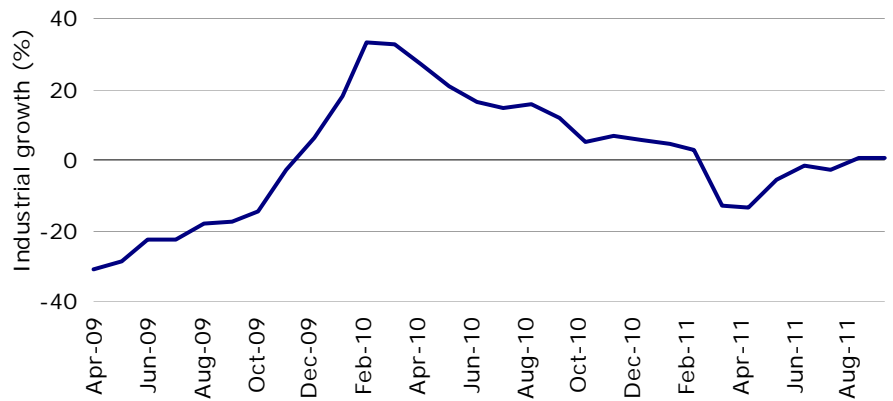
Source: Bloomberg/MOSL

Industrial production growth

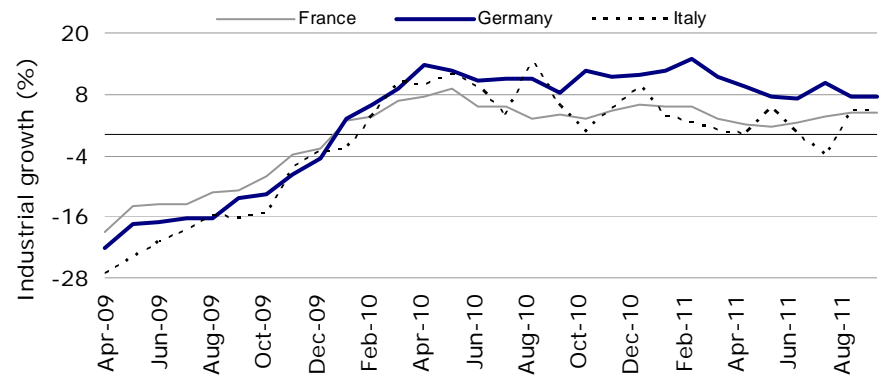
UK and USA



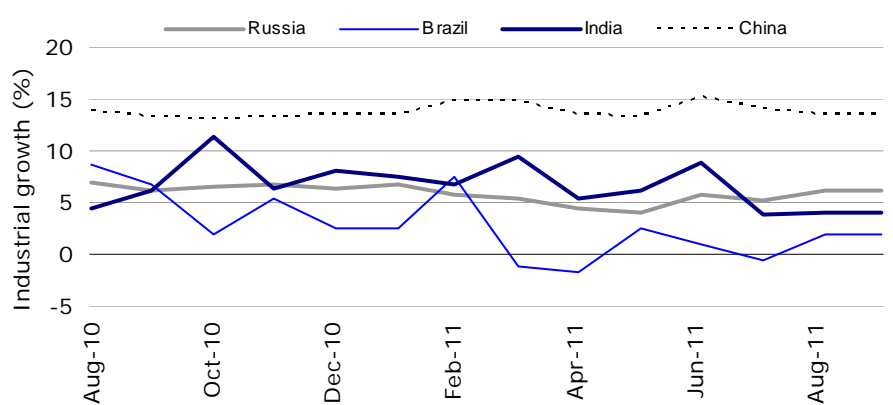
Japan



European Union



BRIC



Source: Bloomberg/MOSL

Stock Exchange Announcements

- **JSW Steel** announced that due to a delay in completion of an audit exercise of certain subsidiary/joint venture/associate companies, the meeting of the board of directors, to be held on 21 October 2011, will consider only the unaudited standalone financial results of JSW Steel for the quarter and half year ended 30 September, instead of both, the standalone and consolidated financial results, as intimated earlier.
- **JSW Steel** and Marubeni-Itochu Steel Corporation signed a 50-50 joint venture agreement to set up a state-of-the-art steel processing center in North India.
- **Hindalco Industries** allotted 40,635 equity shares of par value of INR1 to optionees on exercise of options granted to employees under the company's Employee Stock Option Scheme, 2006.
- **Sterlite Industries'** Special Leave Petition was listed on 11 October 2011 in the Supreme Court for interim directions for a copper smelter unit of the company. The court directed Tamil Nadu Pollution Control Board (TNPCB) to issue direction within two weeks to implement measures to improve the smelter, as suggested by NEERI, CPCB and TNPCB.
- **Rain Commodities** board will consider buying back its shares in a meeting of the board of directors, to be held on 25 October 2011.

Results announcements

- Jindal Steel and Power: 18 October
- Sesa Goa: 25 October
- Sterlite Industries: 24 October
- Hindustan Zinc: 19 October
- Rain Commodities: 25 October

Metals Valuation Matrix

Valuations: Indian companies

	Rating	Price (INR)	Mkt Cap (USDM)	EPS (INR)			P/E (X)		EV/EBITDA (X)		P/B (X)	
				FY11	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Steel												
Tata Steel	Buy	438	8,625	62.3	60.8	78.4	7.2	5.6	5.4	4.3	1.4	1.2
SAIL	Sell	108	9,043	10.2	10.2	9.6	10.6	11.2	7.2	7.7	1.1	1.0
JSW Steel	Sell	602	2,723	77.4	50.2	54.4	12.0	11.1	7.5	6.1	0.8	0.7
JSPL	Buy	525	9,941	40.1	42.8	52.9	12.3	9.9	9.5	8.2	2.7	2.2
Sesa Goa	Neutral	220	4,010	49.0	46.5	40.9	4.7	5.4	5.7	6.0	1.1	0.9

Non-ferrous

Sterlite Inds.	Buy	119	8,108	15.2	20.1	20.4	5.9	5.8	4.0	2.8	0.8	0.7
Hindustan Zinc	Buy	120	10,278	11.6	15.4	16.8	7.8	7.1	4.2	3.0	1.8	1.5
Nalco	Neutral	62	3,239	4.1	5.1	6.6	12.2	9.4	5.3	3.4	1.3	1.2
Hindalco	Buy	130	5,254	17.6	18.5	19.3	7.1	6.8	5.4	5.1	1.3	1.1

Mid Caps

Monnet Ispat	Neutral	484	697	43.7	37.1	56.0	13.0	8.6	14.4	9.6	1.3	1.2
Godawari	Buy	111	78	27.0	49.9	55.9	2.2	2.0	3.0	3.5	0.5	0.4
Sarda Energy	Neutral	125	95	19.1	15.4	18.8	8.1	6.7	9.3	6.6	0.5	0.5
Tata Sponge	Buy	302	104	65.8	61.6	70.7	4.9	4.3	1.7	0.9	0.8	0.7
Adhunik Metaliks	Buy	53	144	14.9	13.7	19.9	3.9	2.7	5.8	4.8	0.6	0.5
Bhushan Steel	Neutral	327	1,554	44.9	48.1	59.4	6.8	5.5	8.8	8.0	1.0	0.9
Jai Balaji	Buy	97	137	12.2	9.2	7.0	10.5	13.8	7.4	7.9	0.6	0.6
Rain Commodities*	Not Rated	30	229	9.3	18.3	13.8	1.6	2.2	2.8	2.9	0.5	0.4
Prakash Industries	Buy	49	145	19.9	20.2	21.1	2.4	2.3	2.5	2.3	0.3	0.3

* Rain Commodities follows calendar year reporting. Read FY11/FY12/FY13 as CY10/CY11/CY12

Source: MOSL

Valuations: Global companies

	BBG Code	Currency	Price	Mkt Cap (USD M)	P/E (X)		EV/EBITDA(X)		P/BV CY11
					CY11	CY12	CY11	CY12	
Steel									
Arcelor Mittal	MT NA	EUR	12.1	25,144	6.3	5.2	4.9	4.4	0.4
Posco	005490 KS	k KRW	371.0	26,968	6.8	6.1	4.5	4.0	0.8
US Steel	X US	USD	22.0	3,169	19.2	5.6	5.2	3.5	0.8
Nucor	NUE US	USD	31.6	10,014	12.2	9.0	5.9	4.8	1.3
Gerdau	GGBR4 BZ	BRL	13.4	11,537	11.9	9.3	6.2	5.3	1.0
Bao Steel	600019 CH	CNY	5.1	14,036	8.0	6.5	5.4	4.7	0.8
Non-Ferrous									
Alcoa	AA US	USD	9.6	10,184	8.4	7.3	5.4	5.0	0.7
Teck Resources	TCK US	USD	29.2	17,424	6.1	5.5	3.6	3.2	1.0
Xstrata	XTA LN	GBP	8.2	37,840	5.7	4.8	3.7	3.2	0.8
BHP-Billiton	BHP AU	AUD	35.0	163,646	7.1	6.9	3.9	3.8	2.3
Rio Tinto	RIO AU	AUD	61.8	90,914	6.2	6.0	3.5	3.3	1.6

Source: Bloomberg

Metals Stock Performance

NMDC outperformed the BSE Sensex over the past one month and Hindalco underperformed

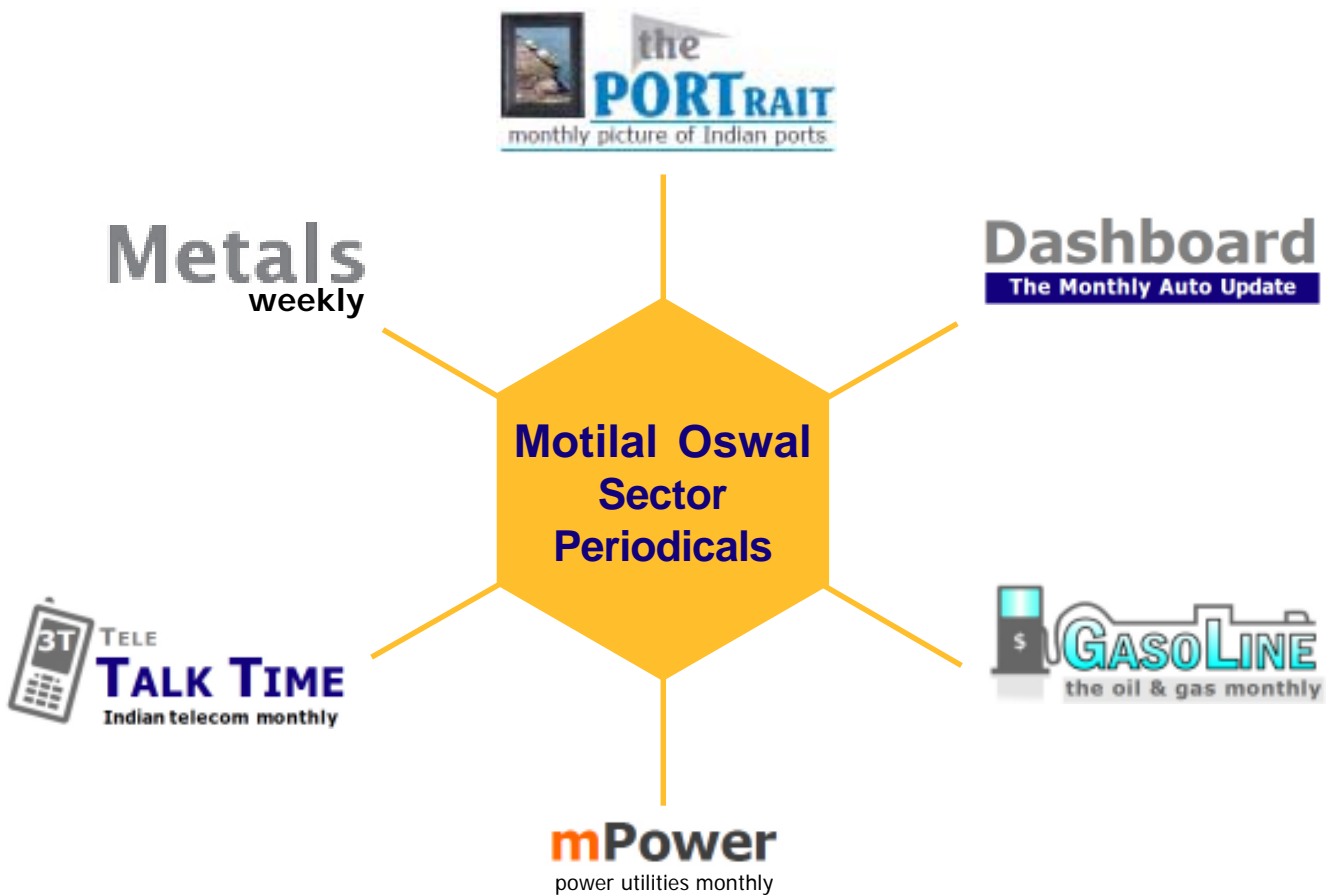
Among mid-cap companies, Jai Balaji underperformed the BSE Sensex over the past one month

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	-4.4	-24.0	-31.1	-32.6	-8.1	-15.7	-17.8	-16.0
SAIL	1.4	-17.8	-37.0	-51.9	-2.3	-9.5	-23.7	-35.2
JSW Steel	-7.5	-30.5	-37.5	-55.4	-11.2	-22.2	-24.2	-38.7
JSPL	-0.7	-16.8	-23.0	-27.1	-4.4	-8.6	-9.7	-10.4
NMDC	11.2	-0.3	-11.4	-11.5	7.5	8.0	1.9	5.2
Sesa Goa	-3.0	-25.8	-31.4	-41.1	-6.7	-17.5	-18.1	-24.4
Non-Ferrous								
Sterlite Inds.	-4.6	-28.5	-31.1	-34.5	-8.4	-20.2	-17.9	-17.9
Hindustan Zinc	-5.2	-10.2	-17.0	-1.3	-9.0	-1.9	-3.8	15.4
Nalco	-3.1	-23.7	-36.4	-38.6	-6.8	-15.5	-23.2	-22.0
Hindalco	-9.4	-27.8	-38.6	-40.4	-13.2	-19.6	-25.3	-23.8
Mid Caps								
Monnet Ispat	-1.6	-3.9	-8.5	-11.8	-5.3	4.3	4.8	4.9
Godawari	-23.3	-32.2	-40.4	-49.3	-27.0	-24.0	-27.1	-32.6
Sarda Energy	-13.7	-40.7	-53.5	-55.2	-17.4	-32.4	-40.3	-38.6
Tata Sponge	-1.1	-14.2	-14.2	-20.2	-4.8	-6.0	-1.0	-3.6
Adhunik Metaliks	-5.1	-33.8	-43.3	-53.2	-8.9	-25.5	-30.1	-36.5
Bhushan Steel	-2.7	-25.3	-34.3	-36.6	-6.5	-17.1	-21.0	-19.9
Jai Balaji	-23.9	-47.2	-53.2	-59.7	-27.6	-38.9	-39.9	-43.0
Rain Commodities	-7.7	-30.2	-17.3	-21.3	-11.5	-22.0	-4.0	-4.6
Prakash Industries	-4.3	-31.4	-45.0	-69.7	-8.0	-23.2	-31.7	-53.0
SENSEX	3.7	-8.2	-13.3	-16.7	-	-	-	-

■ Best performer ■ Worst performer

Source: MOSL/Bloomberg



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Companies where there is interest

Jindal Steel & Power, Prakash Industries
Tata Steel
None
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