

Valuations: Indian companies

	Price (INR)	EV/EBITDA FY13E	EV/EBITDA FY14E	P/BV FY13E
Steel				
Tata Steel	421	6.9	6.2	1.5
SAIL	86	8.9	7.4	0.9
JSW Steel	767	6.6	6.0	1.0
JSPL	417	9.4	8.8	2.0
NMDC	189	5.2	3.9	2.5
Sesa Goa	174	5.9	4.6	1.0
Non-ferrous				
Sterlite Inds.	103	3.9	3.6	0.7
HZL	136	5.6	4.0	1.8
Nalco	50	7.0	6.3	1.1
Hindalco	118	7.1	6.3	1.2

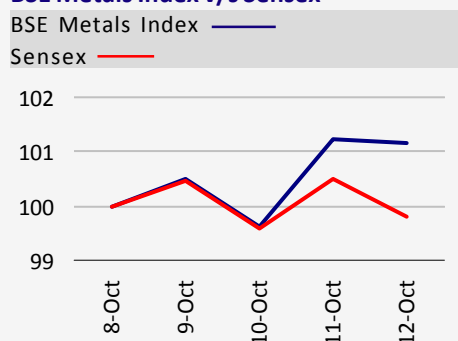
Note: Detailed table on pg 23 Source: MOSL

Valuations: Global companies

	Price	EV/EBITDA CY11	EV/EBITDA CY12	P/BV CY11
Mining				
BHP	AUD 33.5	6.3	5.6	2.7
FMG	AUD 3.9	5.7	3.8	2.7
Rio Tinto	AUD 56.4	6.0	5.0	1.9
Vale	USD 18.2	4.9	4.7	1.2
Teck Res.	USD 30.5	5.5	5.0	1.0
Xstrata	GBp 953.4	7.4	5.8	1.0
Steel				
A. Mittal	EUR 11.4	6.3	5.3	0.4
Posco	k KRW 351.5	5.6	4.9	0.7
US Steel	USD 21.2	5.6	4.6	0.9
Nucor	USD 38.6	8.9	6.3	1.6
JFE	JPY 1003	7.9	6.4	0.4
Gerdau	BRL 19.1	9.0	7.4	1.1
Bao Steel	CNY 4.6	5.7	5.9	0.8
Non-ferrous				
Alcoa	USD 8.7	9.9	6.7	0.7
Norsk Hyd.	NOK 26.4	9.1	6.1	0.8
Rusal	HKD 4.4	17.3	13.0	0.8

Detailed on pg 23 Source: Bloomberg

BSE Metals Index v/s Sensex



Source: Bloomberg

Note: Indexed to 100 on 8 October 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 15-Oct	%	Week 8-Oct	%	Quarter 2-Jul	%	YTD FY13 2-Apr
STEEL							
TMT- Mumbai (INR/ton)	36,500	1	36,300	1	36,300	-9	39,900
HRC- Mumbai (INR/ton)	33,425	0	33,531	0	33,383	-12	38,095
HRC (USD/ton) fob CIS	538	0	538	0	540	-15	635
METALLICS							
Sponge iron - Raipur (INR/ton)	22,050	0	22,100	0	22,050	-9	24,200
Pig iron - Raipur (INR/ton)	26,000	0	26,000	0	26,000	2	25,385
Iron ore spot (USD/ton) cfr China	118	9	108	9	108	-22	150
Coke (USD/ton) fob	335	3	325	5	320	-9	370
Shred. scrap (USD/ton) Rotterdam	338	-2	345	-2	345	-18	410
ALUM.							
LME inventories ('000 ton)	5,070	1	5,034	0	5,059	0	5,077
LME Spot (USD/ton)	1,975	-5	2,087	-4	2,068	-6	2,098
Indian prices (INR '000/ton)	104	-3	108	-5	110	-3	108
ZINC							
LME inventories ('000 ton)	1,012	1	1,002	2	996	13	896
LME Spot (USD/ton)	1,900	-6	2,032	-7	2,037	-5	2,003
Indian prices (INR '000/ton)	100	-5	105	-8	109	-3	103
COPPER							
LME inventories ('000 ton)	216	-2	221	-4	224	-16	258
LME Spot (USD/ton)	8,179	-1	8,298	0	8,191	-4	8,480
Indian prices (INR '000/ton)	430	0	430	-2	437	0	431
OTHERS							
Gold (INR/10gms)	31,080	1	30,882	-1	31,301	11	28,075
Sliver (INR/1kg)	60,187	0	60,338	-1	60,915	8	55,950
Lead Spot LME (USD/ton)	2,169	-4	2,265	-3	2,238	7	2,020
FC 6-8% C basis 60% Cr (USD/lb Cr)	1.02	-1	1.04	-3	1.05	-14	1.19
MISC.							
INR/USD	53.1	1	52.6	1	52.5	4	50.9
BDI	926	5	883	19	777	-1	934

Source: Metal Bulletin/Bloomberg/Steel Mint/MOSL

Iron ore and coking coal prices rallied but did little to steel prices

- Indian HRC import prices remained flat WoW at INR33,425/t as Russian mills cut offer prices, which has been offset by INR depreciation. Chinese HRC export prices were up USD20/t WoW driven by increase in iron ore and coking prices and are now non-competitive in Indian market hence did not matter. Both iron ore prices (up by USD10/t WoW to USD118/t) and coking coal prices (USD7/t WoW to USD149/t) rallied in the beginning of week but ran out of steam in the middle of week as demand did not support.
- Steel prices are at their two year low levels in most geographies such as Europe, Russia, Middle East and Turkey. The prices declined in Europe, Russia, Middle East and N. America by 2%, 3%, 3% and 3% WoW respectively. However Chinese steel prices rebounded increasing 4% WoW.
- The World Steel Association, in its recent release, has cut global demand growth forecast from 3.6% to 2.1% for CY12 because the expectation of recovery in second half of the year has been belied and from 4.5% to 3.2% for CY13 to factor in slowdown.
- Base metals prices witnessed downtrend as Aluminium, Copper, Zinc and Lead prices decreased 5%, 1%, 6% and 4% respectively.

Contents

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Ferrous

HRC Mumbai prices decreased 0.3% WoW to INR33,425/t

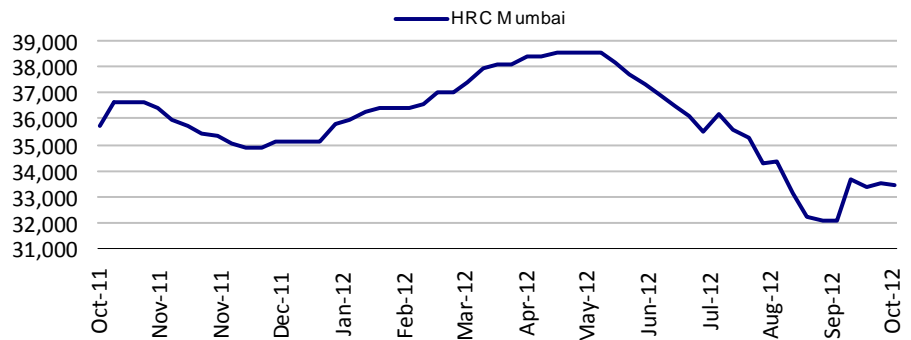
TMT Mumbai prices increased 0.8% WoW to INR 36,500/t

Sponge iron prices decreased 0.2% WoW to INR 22,050/t

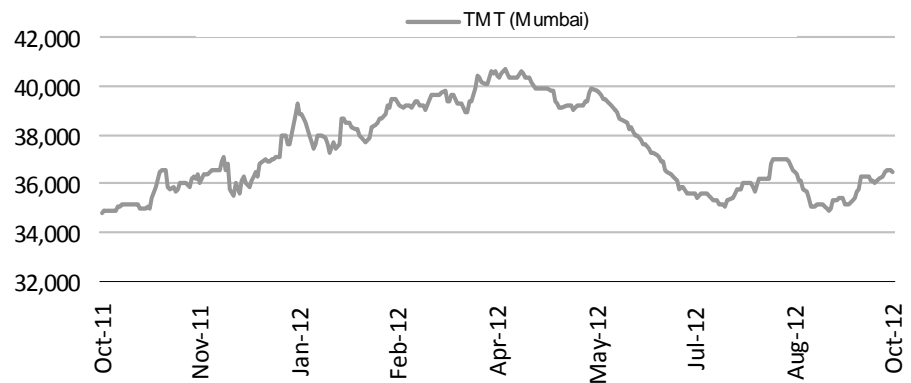
Ferrous

INDIA

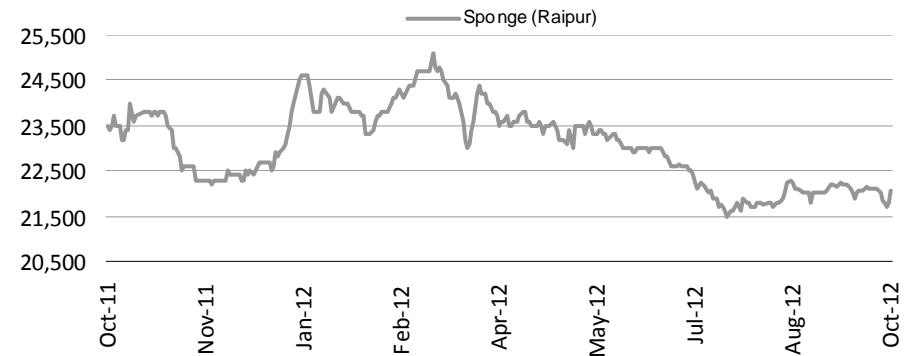
Indian flat steel prices (INR/T, excl. ED & VAT)



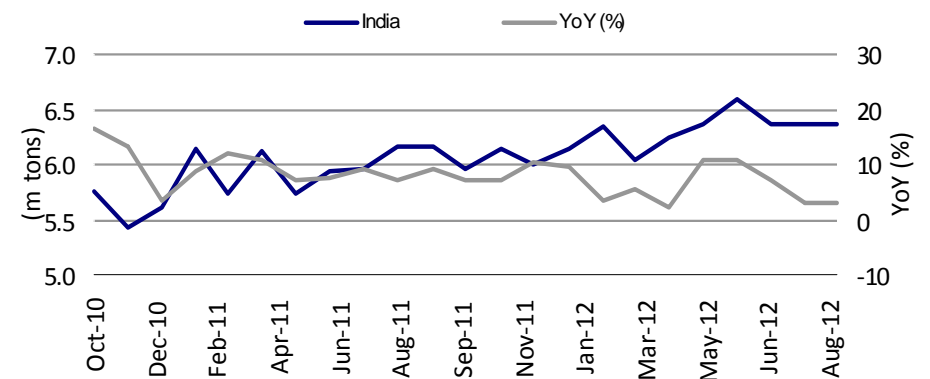
Indian long steel price (INR/T, excl. ED & VAT)



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



India: Monthly crude steel production



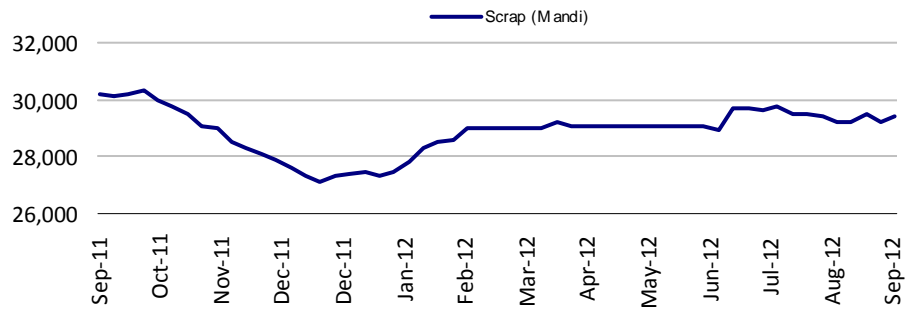
Source: SteelMint/WSA/MOSL

Ferrous

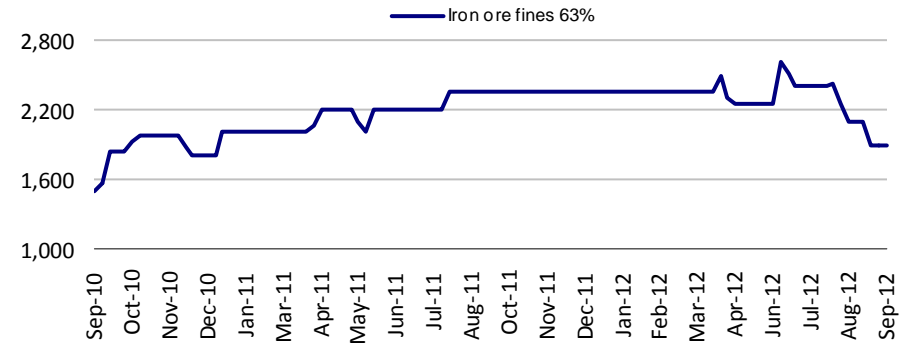
INDIA

Scrap Mandi (INR/t)

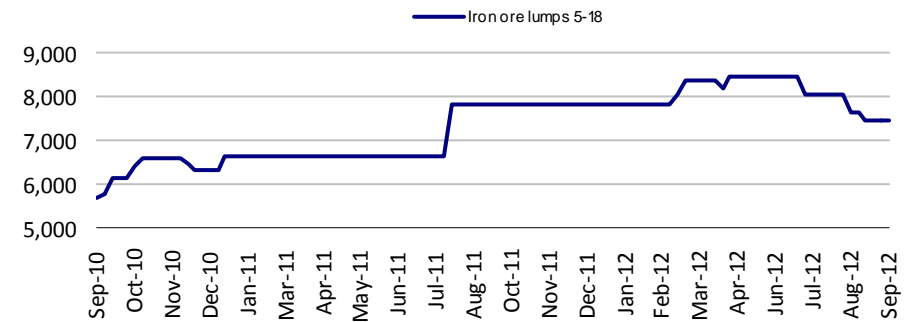
Scrap (Mandi) prices were flat WoW at INR29,500/t



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

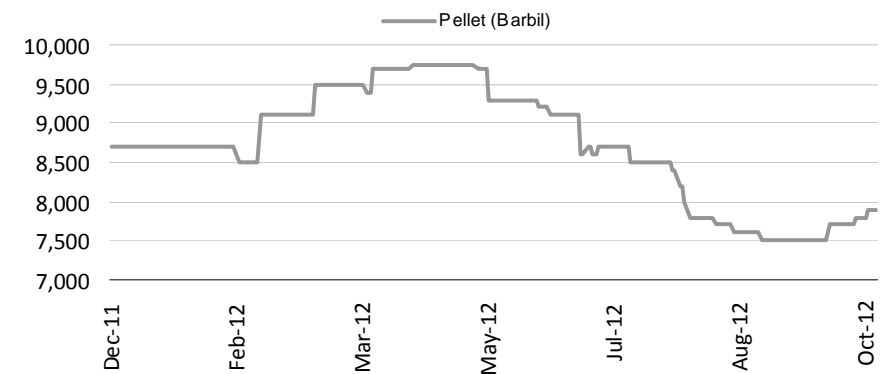


Iron ore lumps 63% 5-18 (INR/t)



Pellet (Barbil) INR/t

Pellet prices increased 1.3% WoW to INR7,900/t

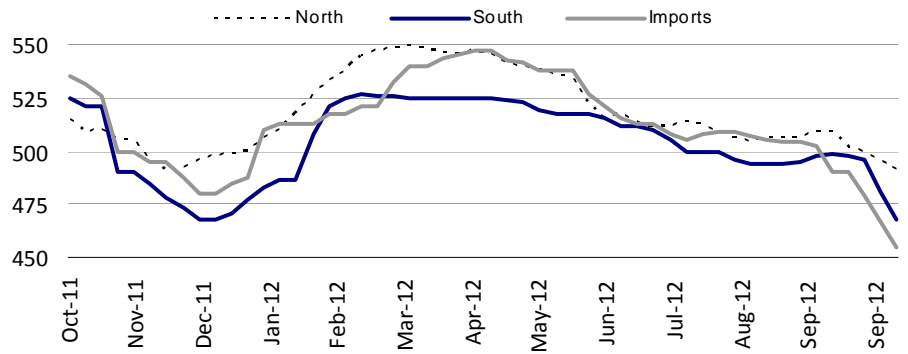


Source: SteelMint/WSA/MOSL

European Union

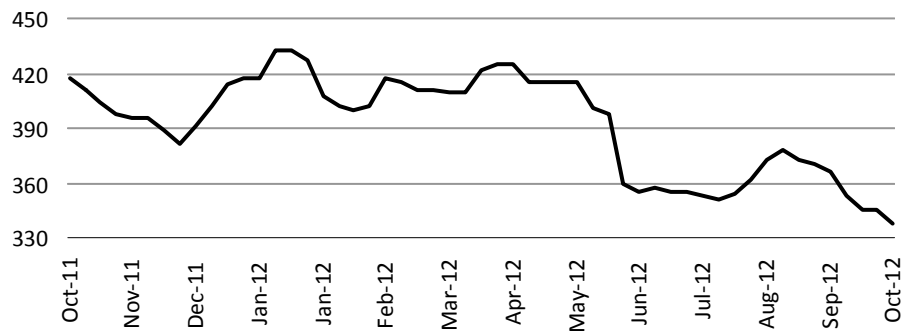
European steel prices (EUR/ton)

North European HRC prices decreased 1% WoW to Euro491/t close to their two year low levels

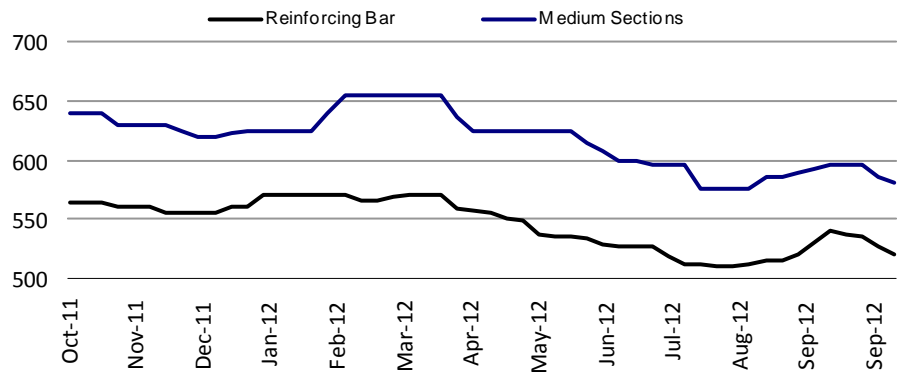


Rotterdam: shredded scrap prices (USD/t)

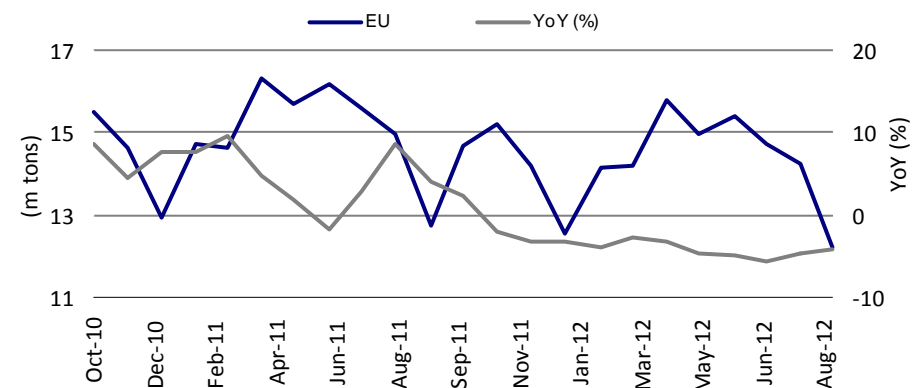
Rotterdam Shredded scrap prices decreased 2.2% WoW to USD338t



European medium section prices (EUR/ton)



European Union: Monthly crude steel production

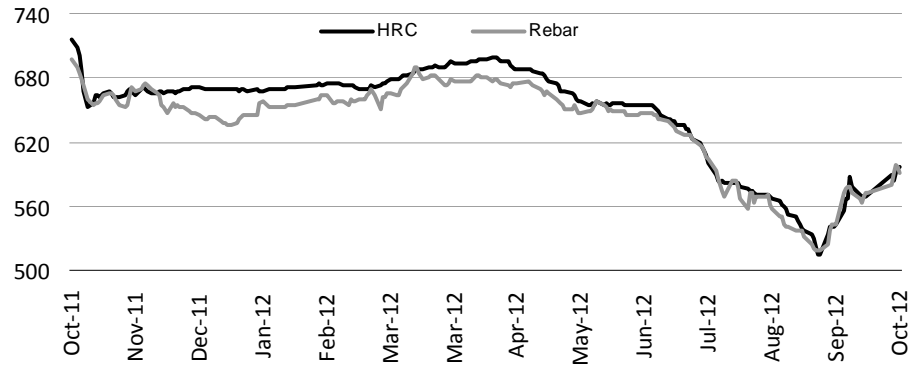


Source: Metal Bulletin/Bloomberg/WSA/MOSL

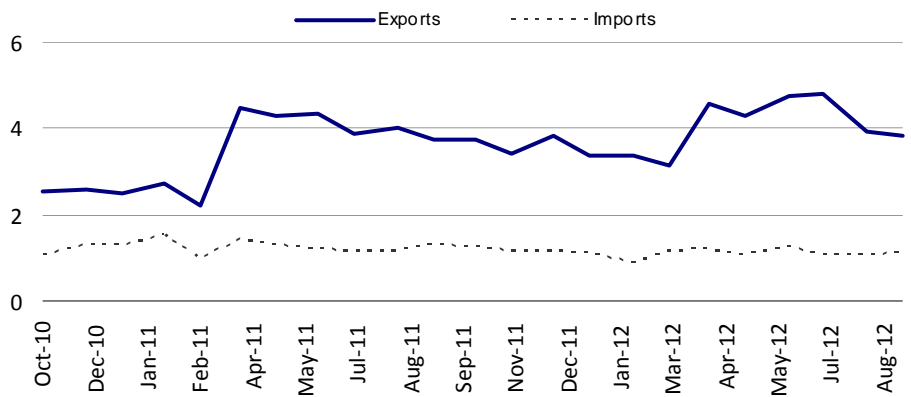
China

China HRC prices increased 4.6% WoW to USD596/t driven by increase in iron ore and coking coal prices

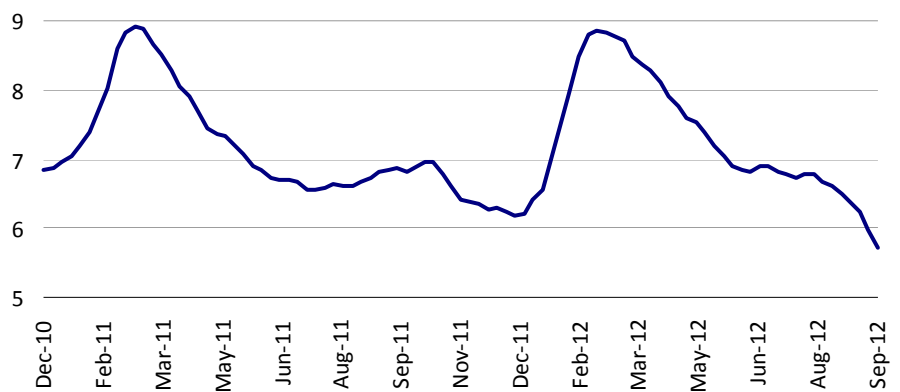
China domestic prices (USD/ton)



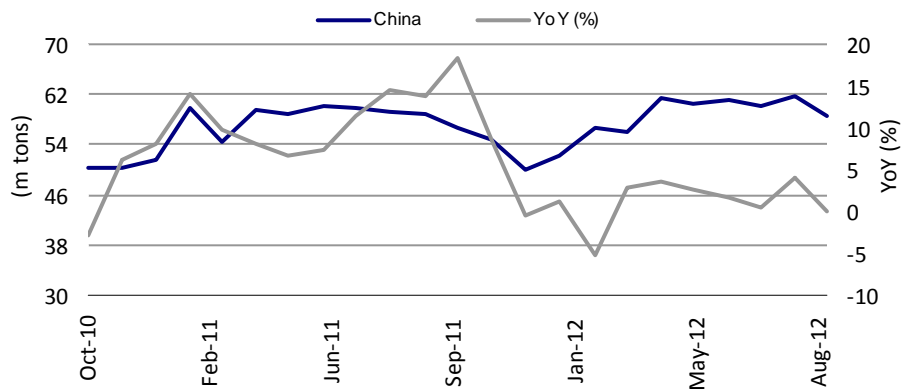
Steel trade (m ton)



Steel inventories (m tons)



Monthly crude steel production

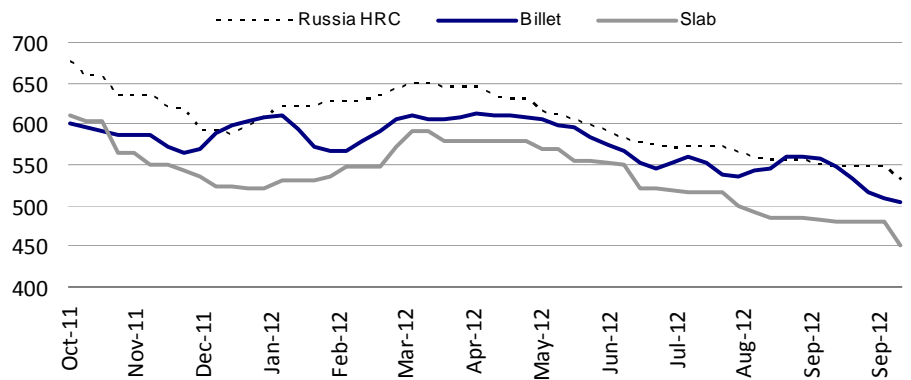


Source: Metal Bulletin/Bloomberg/WSA/MOSL

Other regions

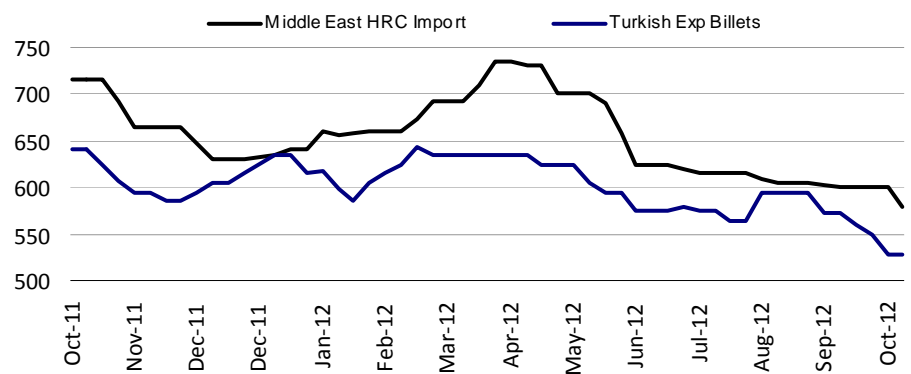
CIS steel export prices (USD/ton)

Russian HRC prices decreased 3.2% to USD530/t to their two year low levels



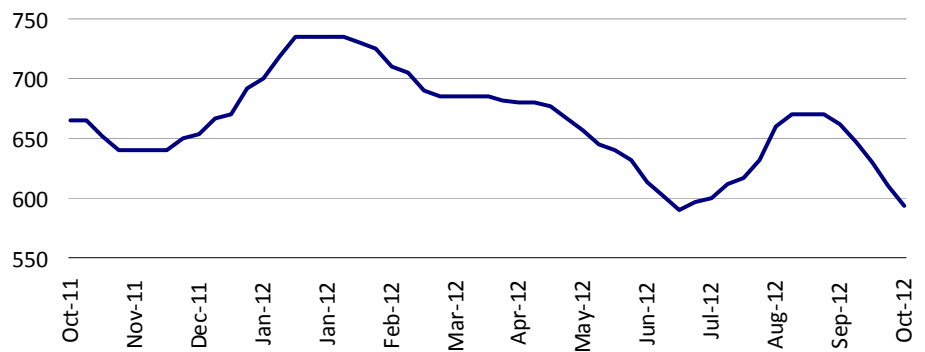
Middle East import and Turkish export steel prices (USD/ton)

Middle east import HRC prices decreased 3.3% WoW to USD580/t to their two year low levels

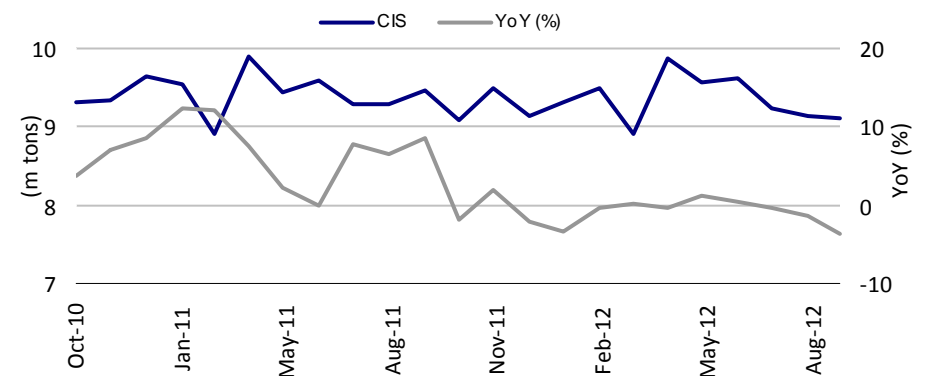


North America HRC prices (USD/ton)

North American local HRC prices decreased 2.7% WoW to USD594/t



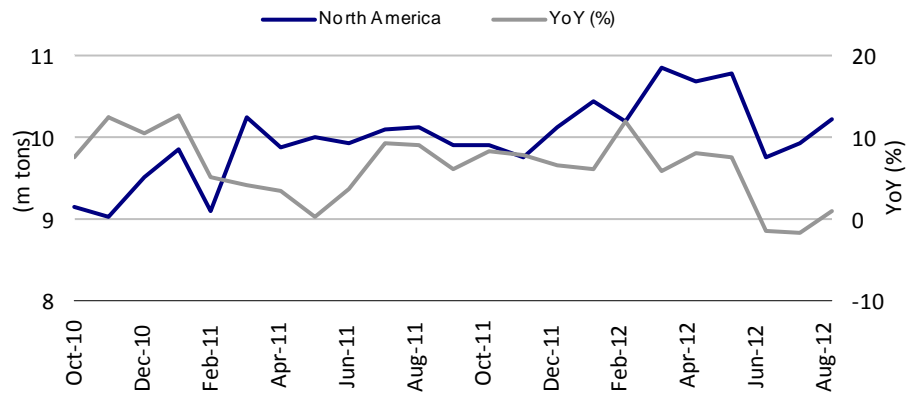
CIS: Monthly crude steel production



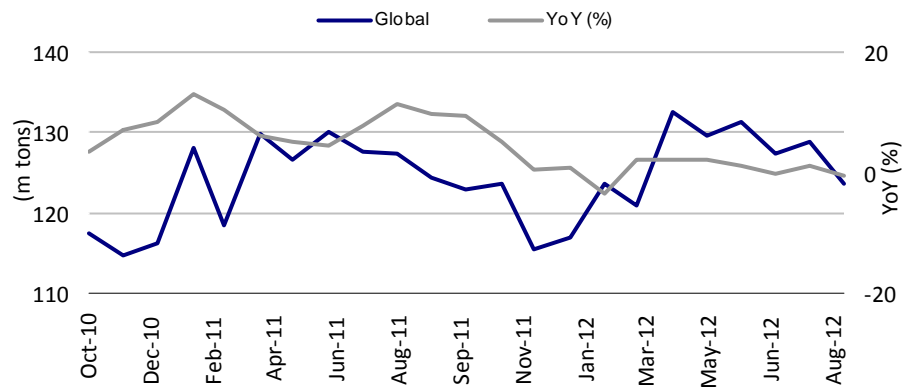
Source: Metal Bulletin/WSA/Bloomberg/MOSL

Other regions

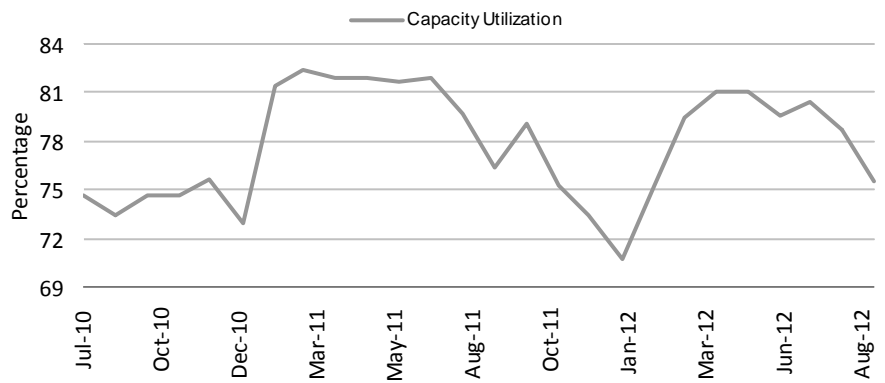
North America: Monthly crude steel production



Global: Monthly crude steel production



Global: Monthly crude steel capacity utilization

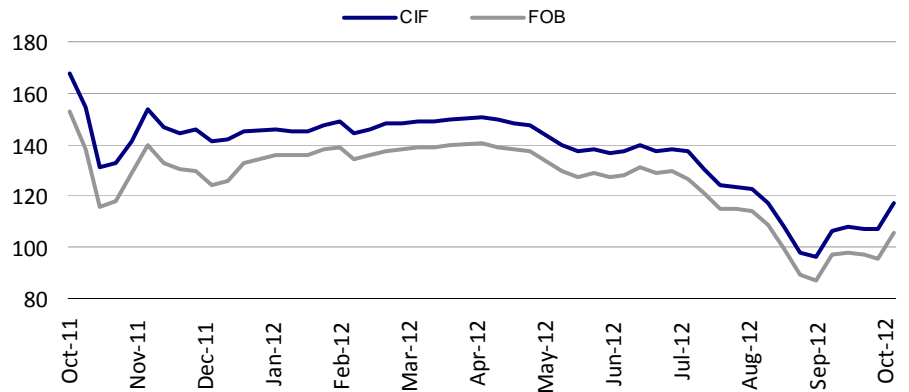


Source: Bloomberg/WSA/MOSL

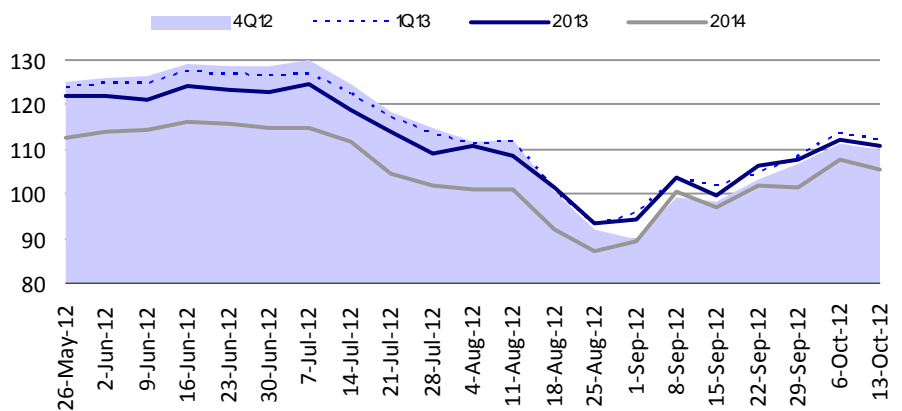
Steel raw materials

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

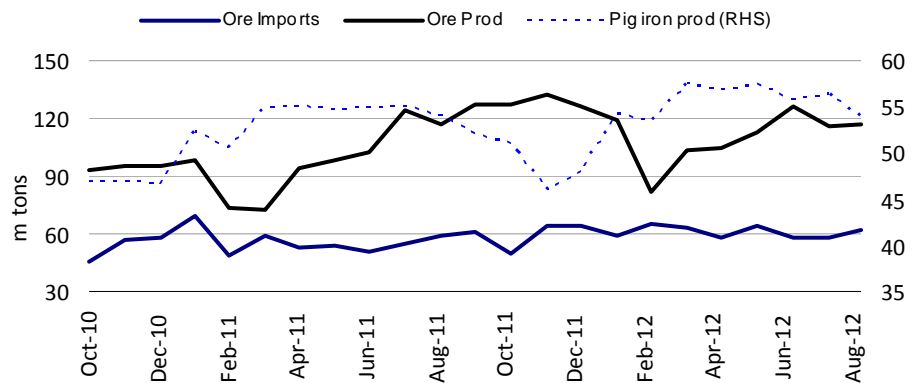
China spot CFR iron ore prices increased 9% WoW to USD118/ton DMT as Chinese mills returned to the market after week long holiday



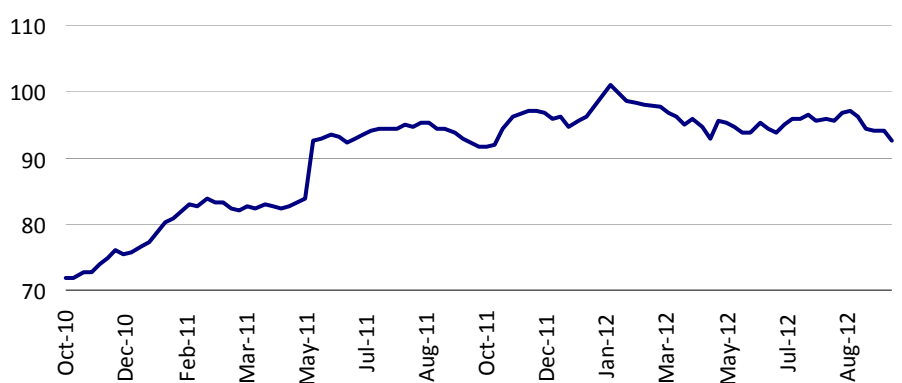
OTC iron-ore swaps (USD/ton)



China iron-ore production and imports (m tons)



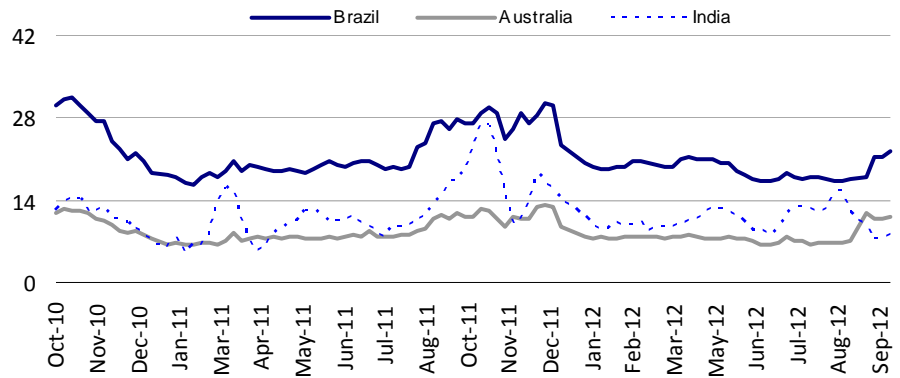
China iron-ore inventories (m tons)



Source: Metal Bulletin/Bloomberg/MOSL

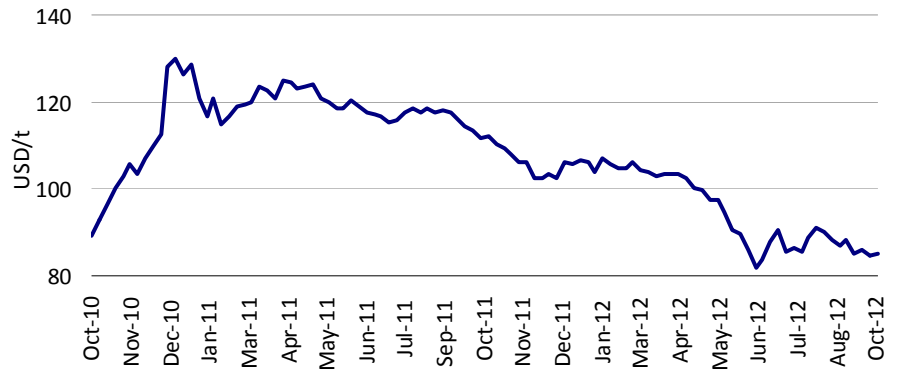
Steel raw material

Freight rates to China (USD/ton)



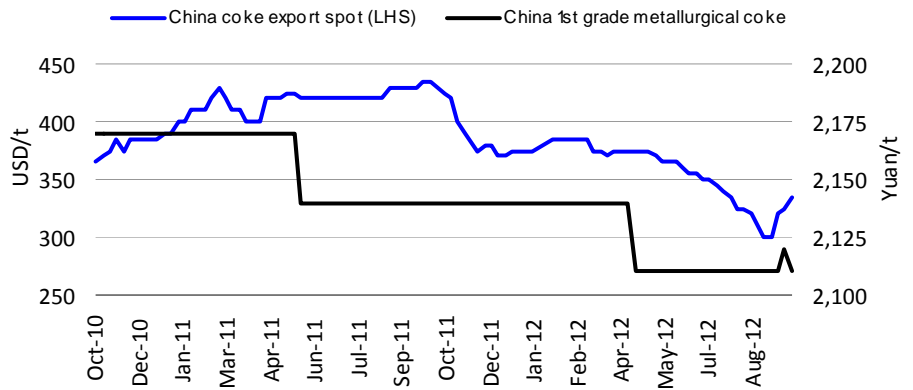
Coal price index

Richards Bay Steam Coal

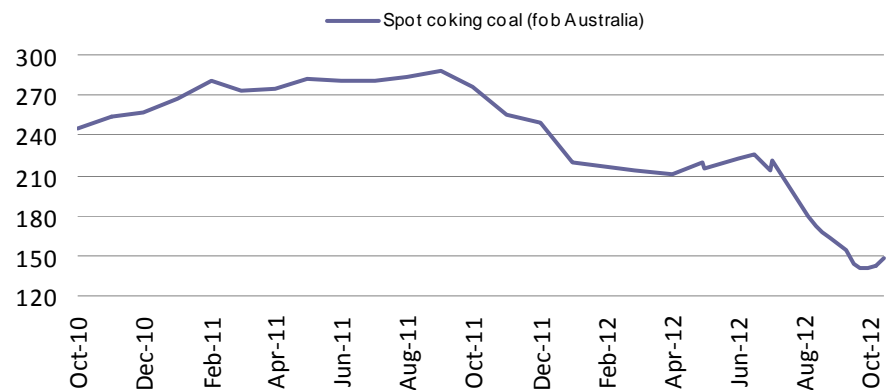


Richard bay steam coal price increased 0.2% WoW to USD85/ton

Coke price index



Coking coal (USD/t)

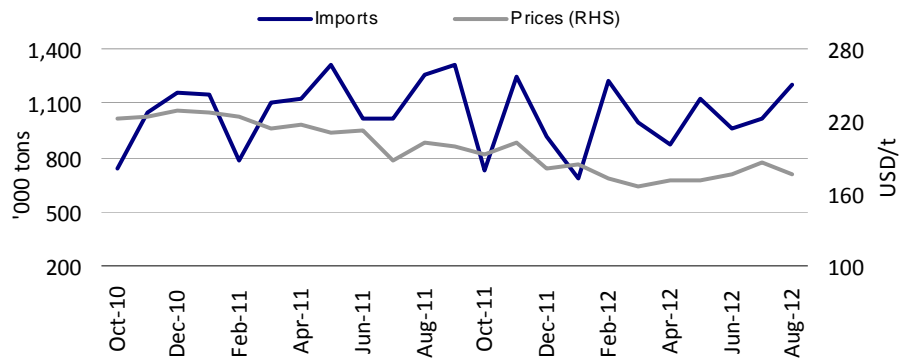


Spot coking coal FOB Australia increased 5% WoW to USD149/t

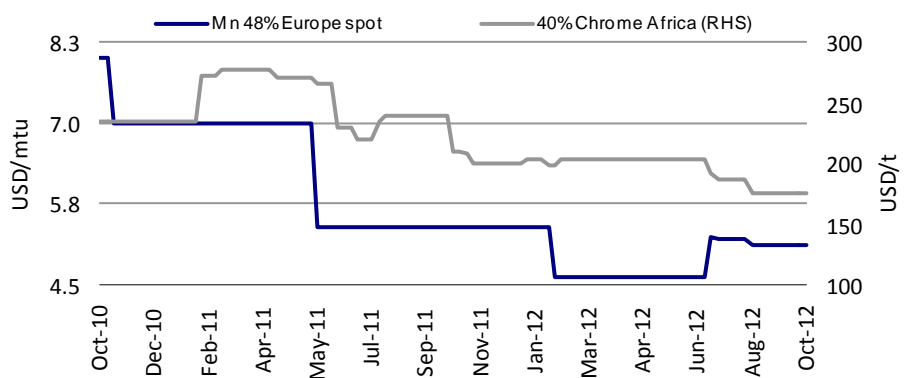
Source: Metal Bulletin/Bloomberg/MOSL

Ferro alloys

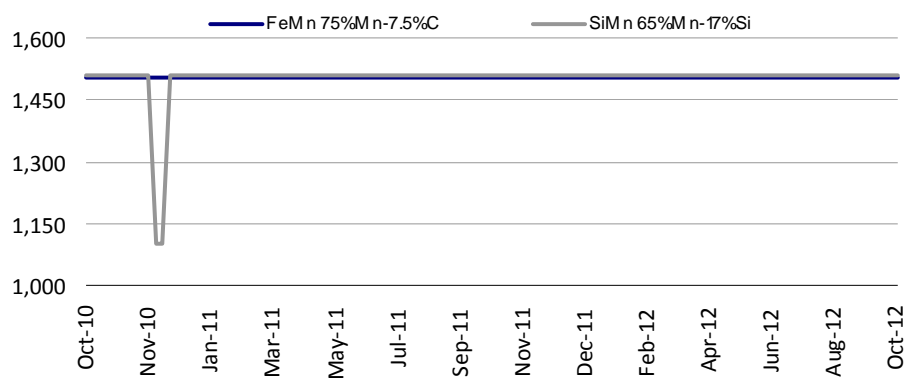
China's imports of manganese ore and conc



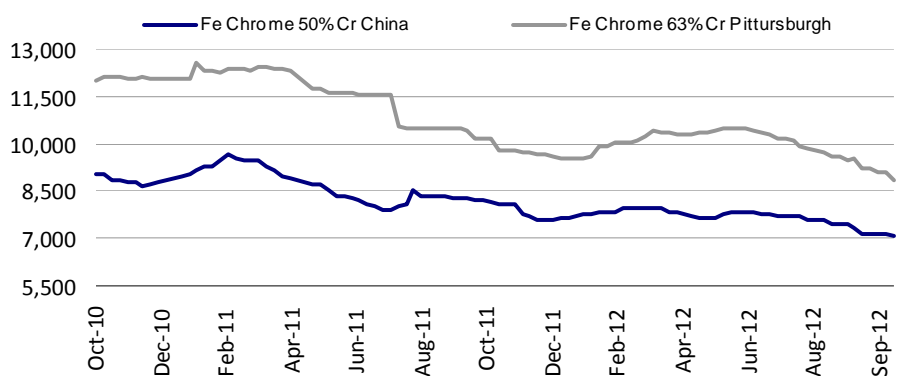
Manganese and chrome ore FOB spot prices



Ferro and silico manganese prices (USD/t)



Ferro chrome CIF prices (CNY/t)



Source: Metal Bulletin/Bloomberg/MOSL

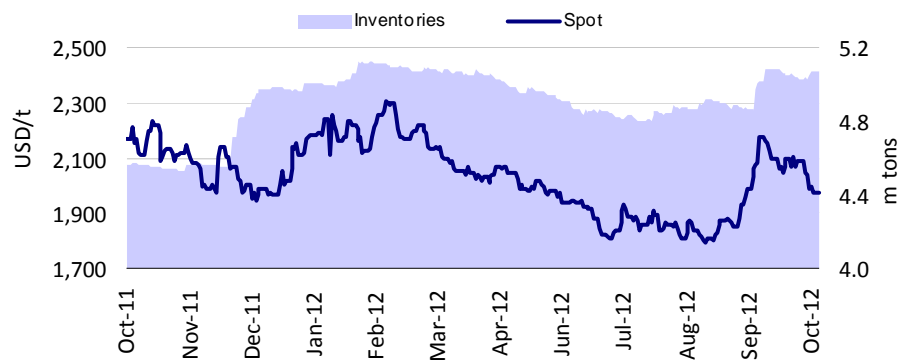
Non-ferrous

Non-ferrous

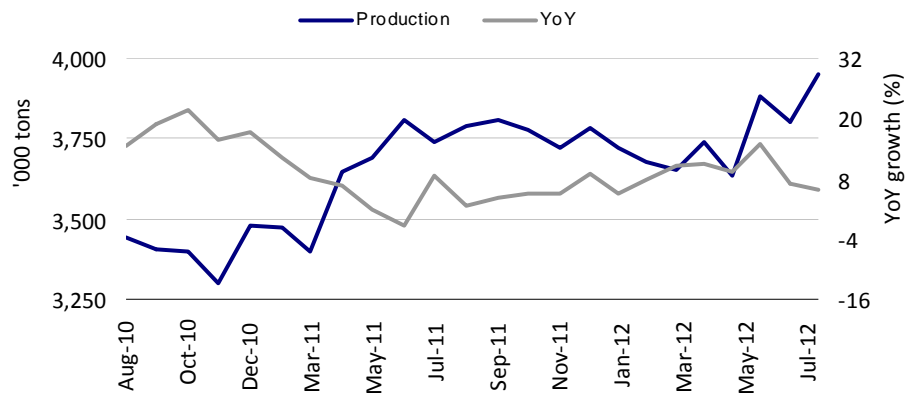
Aluminum

Aluminum spot prices decreased 5% WoW to USD1,975/ton

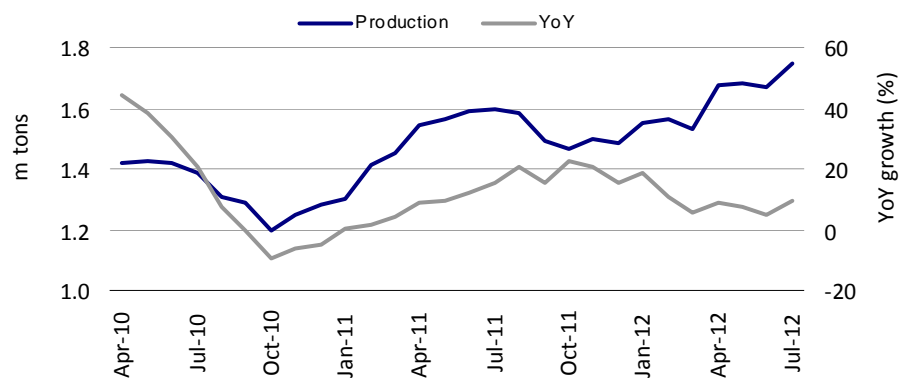
LME inventories and prices



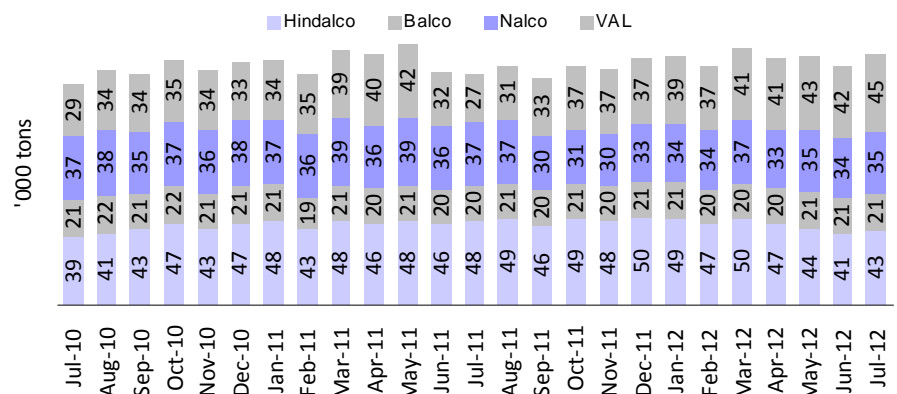
Global primary aluminum monthly production and YoY growth



China primary aluminum monthly production and YoY growth



India: Company-wise primary aluminum monthly production

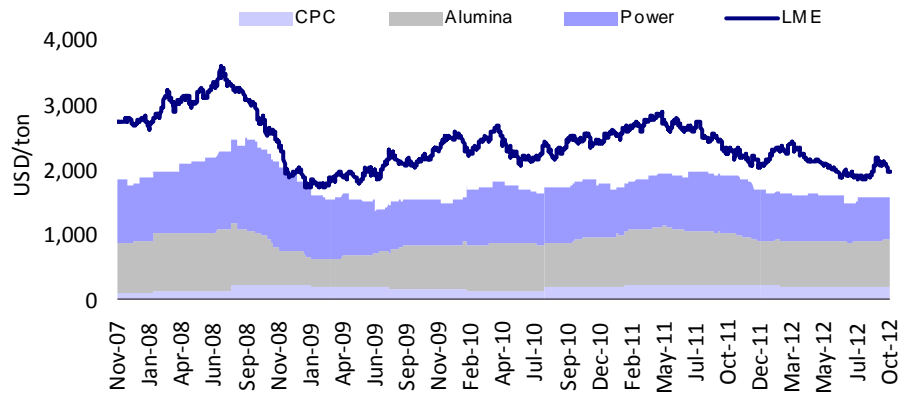


Source: Metal Bulletin/Bloomberg/MOSL

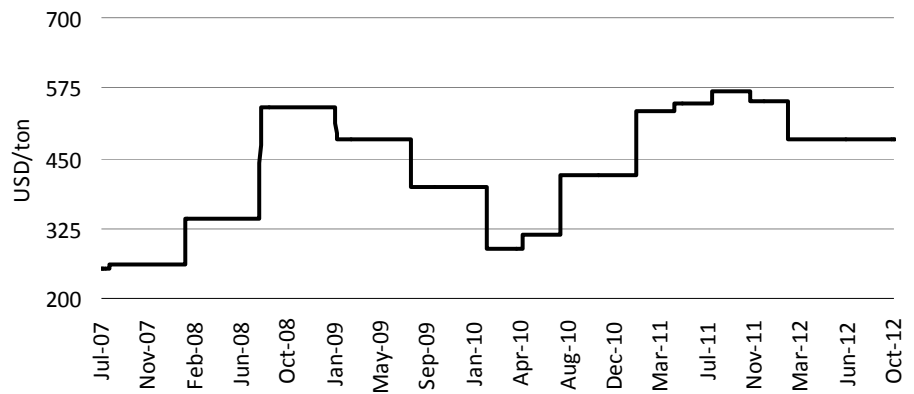
Non-ferrous

Aluminum

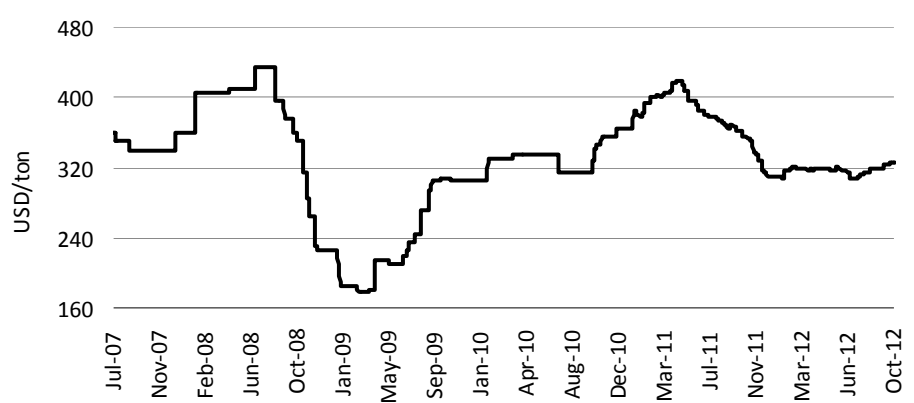
Aluminum raw material and power cost for marginal producer in US



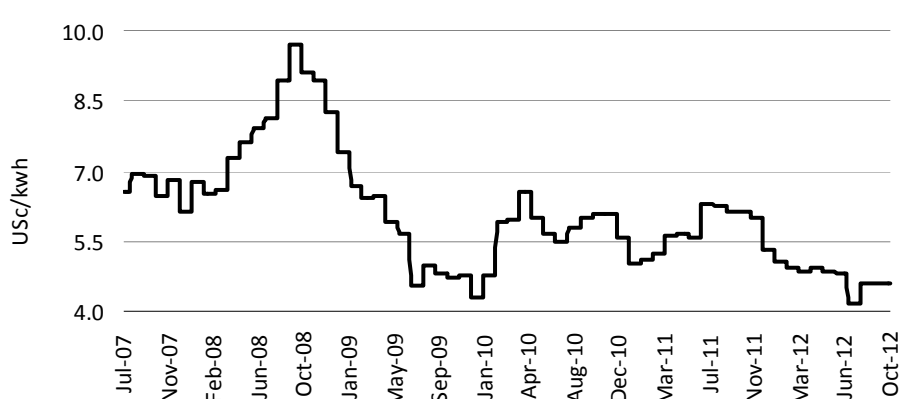
CPC US



Alumina



Industrial power US (Louisiana)



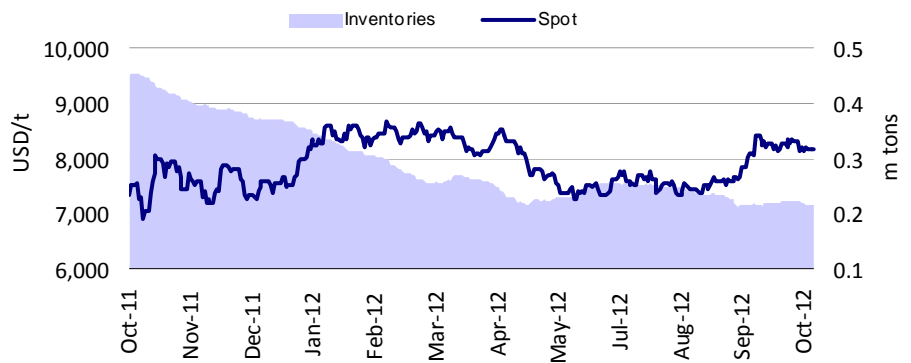
Source: Metal Bulletin/Bloomberg/Industry/MOSL

Non-ferrous

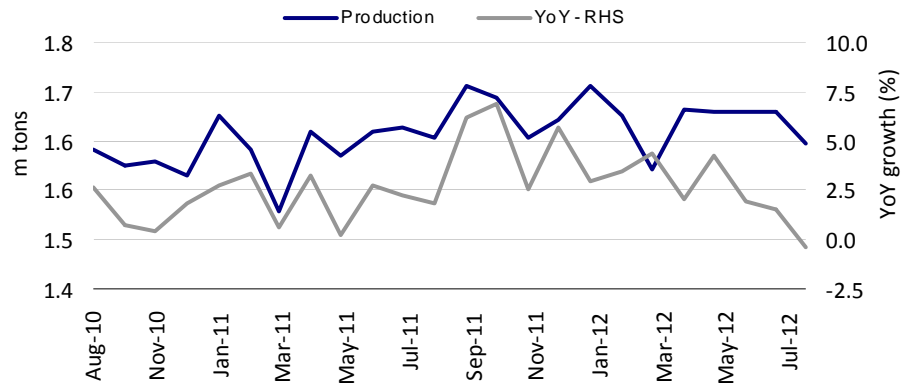
Copper

Copper spot prices decreased 1% WoW to USD8,179/ton

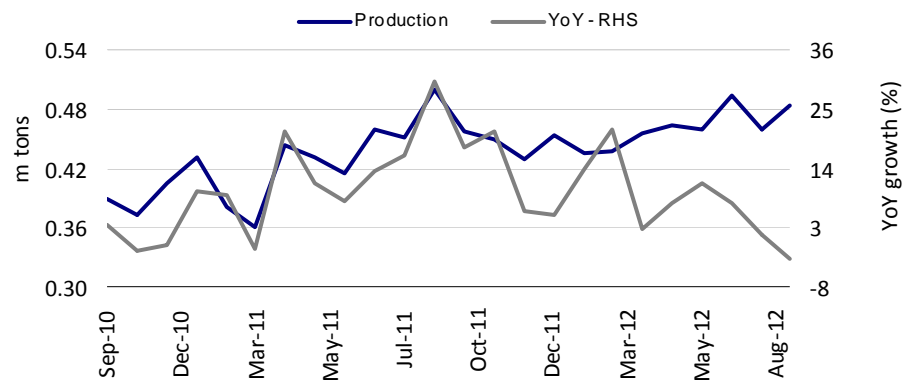
LME inventories and prices



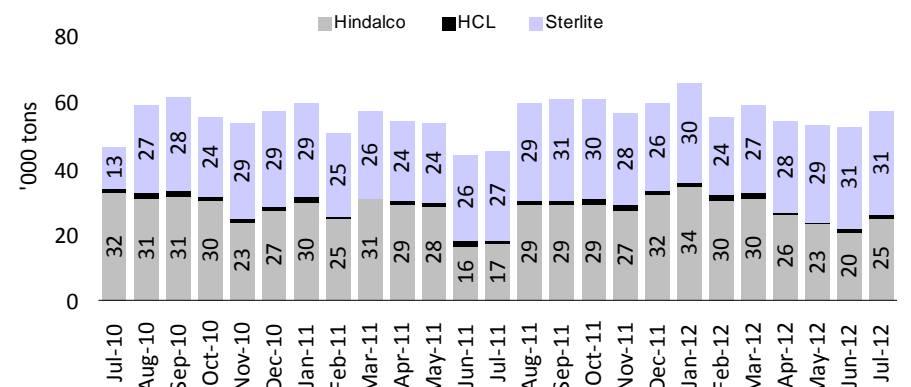
Global refined copper monthly production and YoY growth



China: Refined copper monthly production and YoY growth



India: Company-wise refined copper monthly production



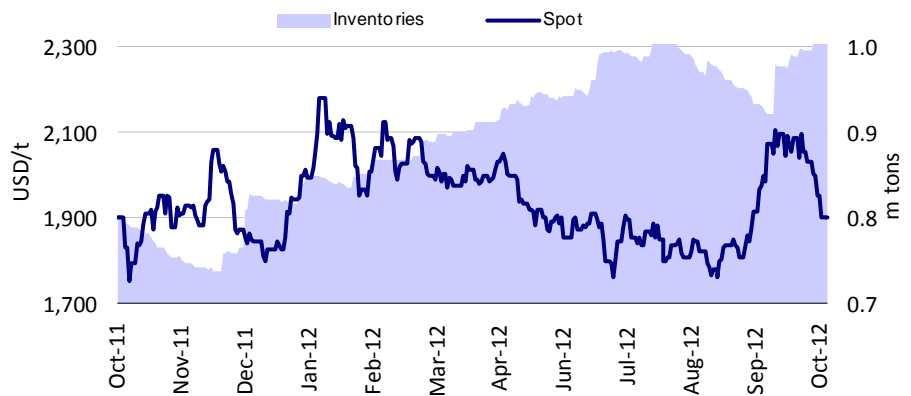
Source: Metal Bulletin/Bloomberg/MOSL

Non-ferrous

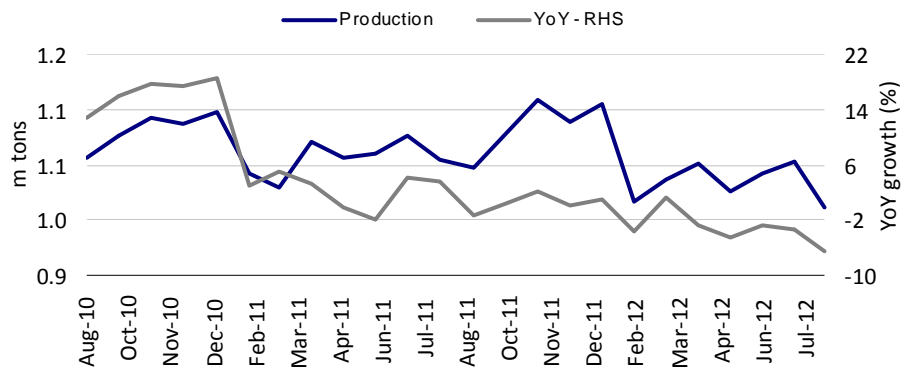
Zinc

LME inventories and prices

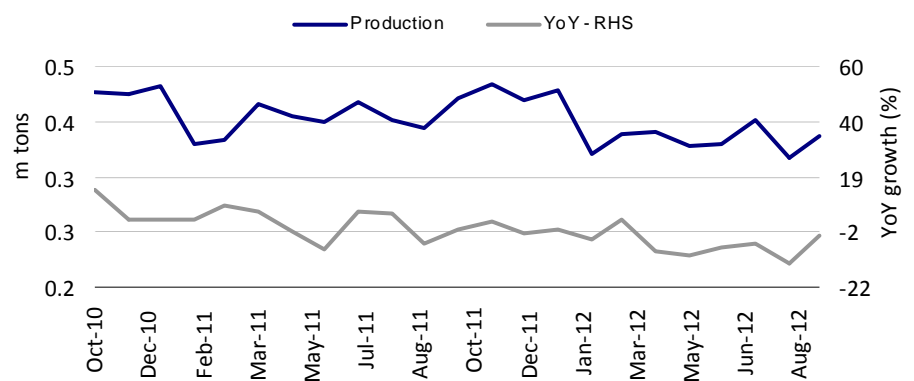
Zinc spot prices decreased 6% WoW to USD1,900/ton



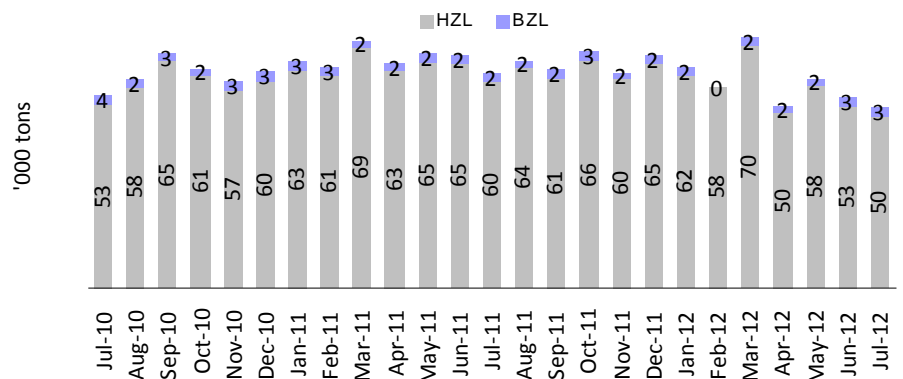
Global refined zinc monthly production and YoY growth



China: Refined zinc monthly production and YoY growth



India: Company-wise refined zinc monthly production



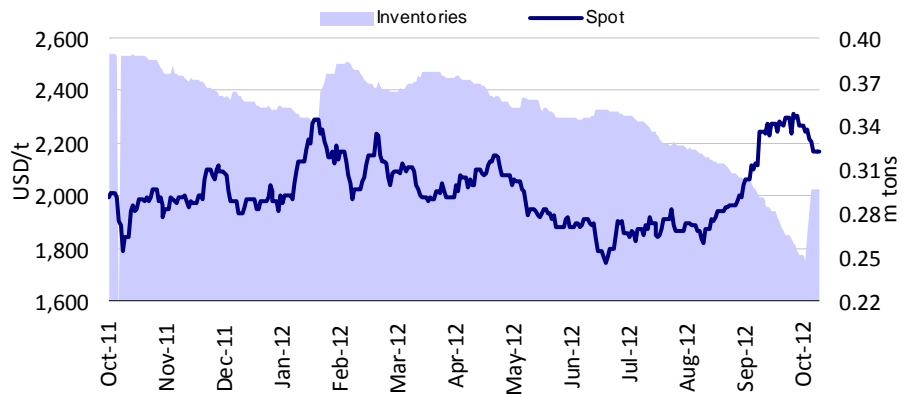
Source: Metal Bulletin/Bloomberg/MOSL

Non-ferrous

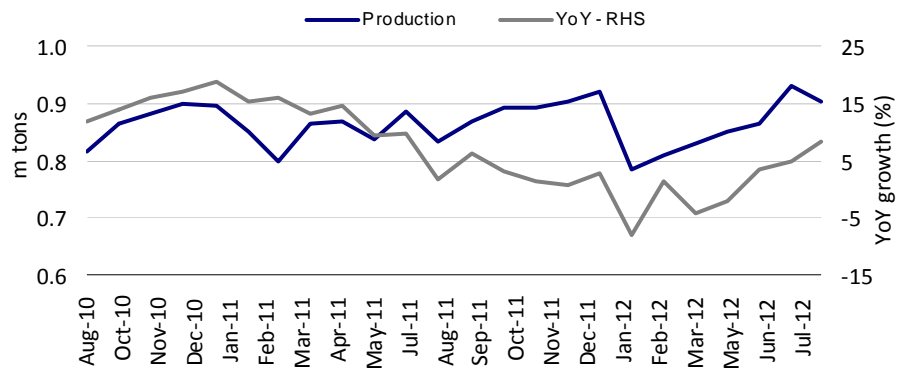
Lead

Lead spot prices decreased 4% WoW to USD2,169/ton

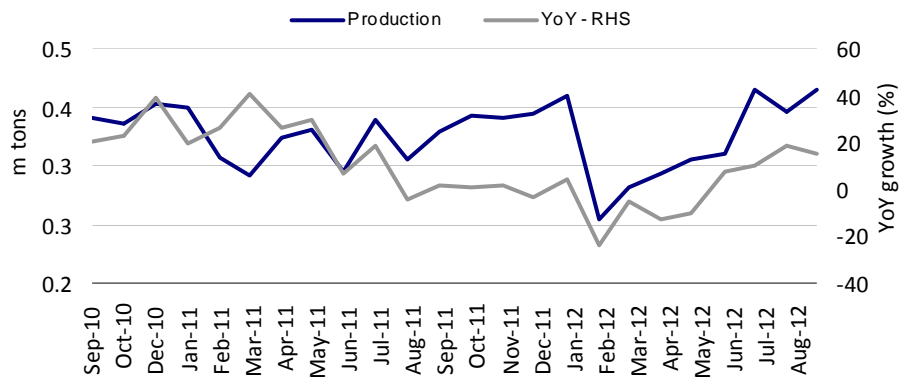
LME inventories and prices



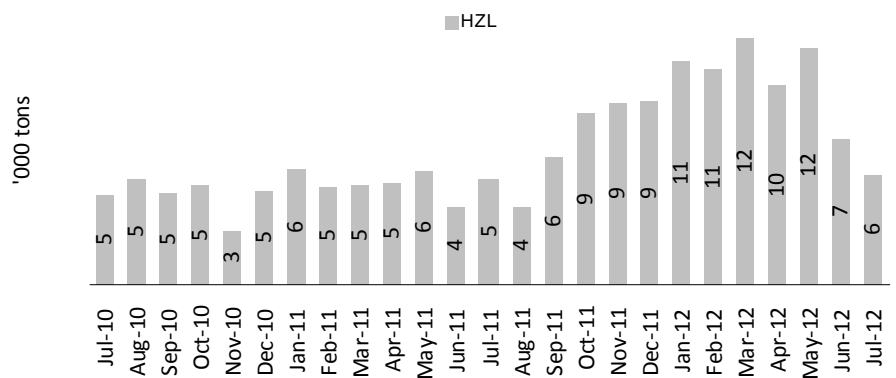
Global refined lead monthly production and YoY growth



China: Refined lead monthly production and YoY growth



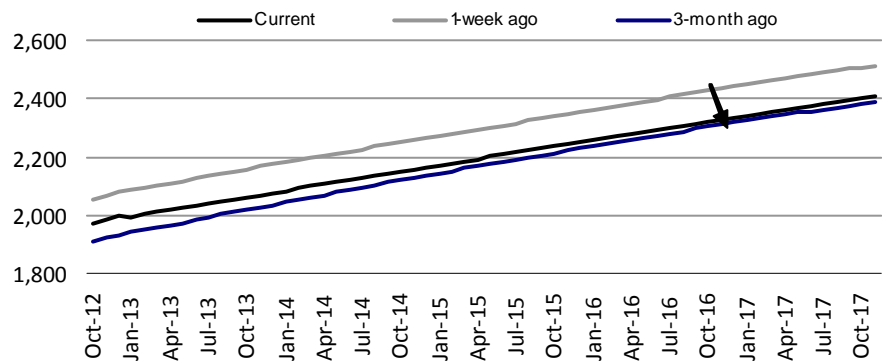
India: Company-wise refined lead monthly production



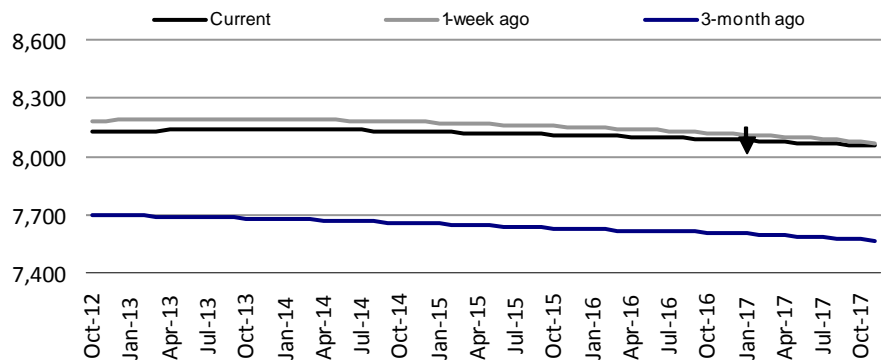
Source: Metal Bulletin/Bloomberg/MOSL

Commodity forward curves

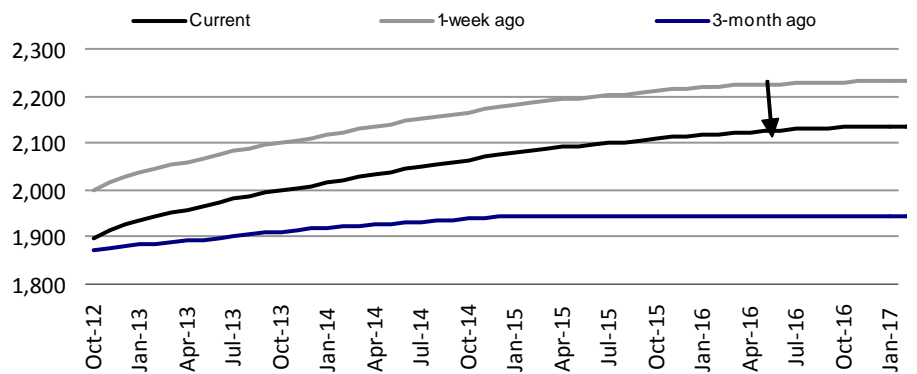
LME aluminum (USD/ton)



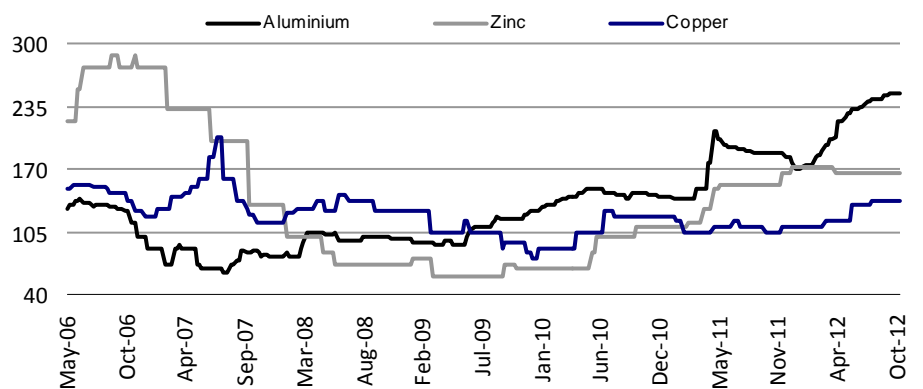
LME copper (USD/ton)



LME zinc futures (USD/ton)



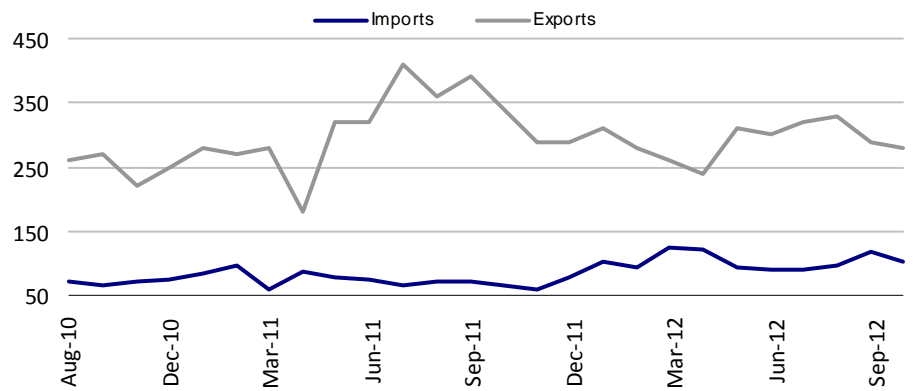
Base metals US spot premium (USD/ton)



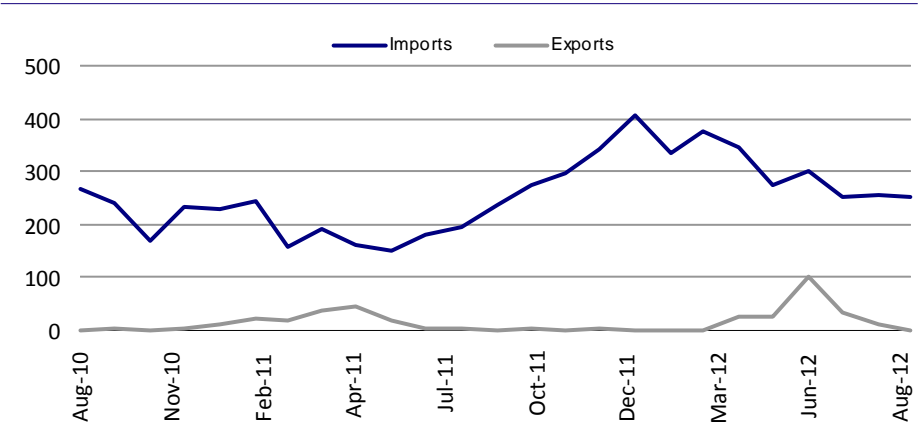
Source: Metal Bulletin/Bloomberg/MOSL

China non-ferrous trade data

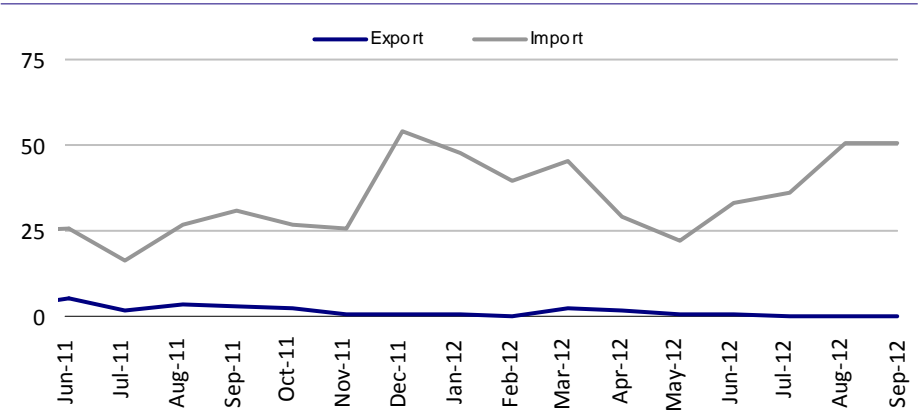
China's aluminum trade ('000 tons)



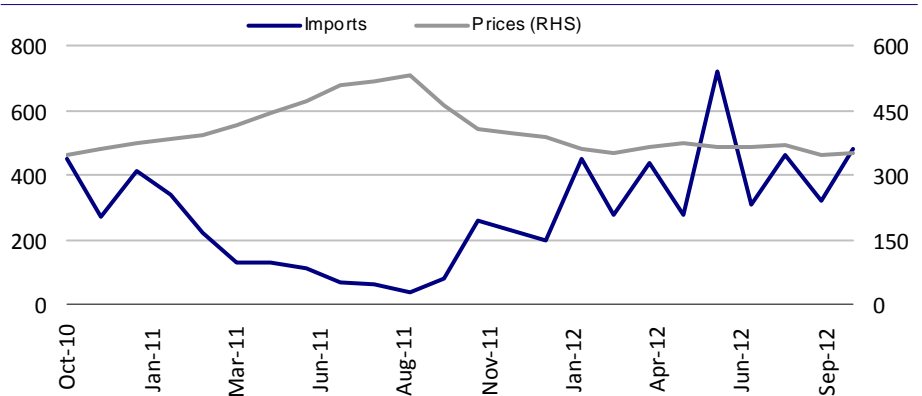
China's refined copper trade ('000 tons)



China's refined zinc trade ('000 tons)



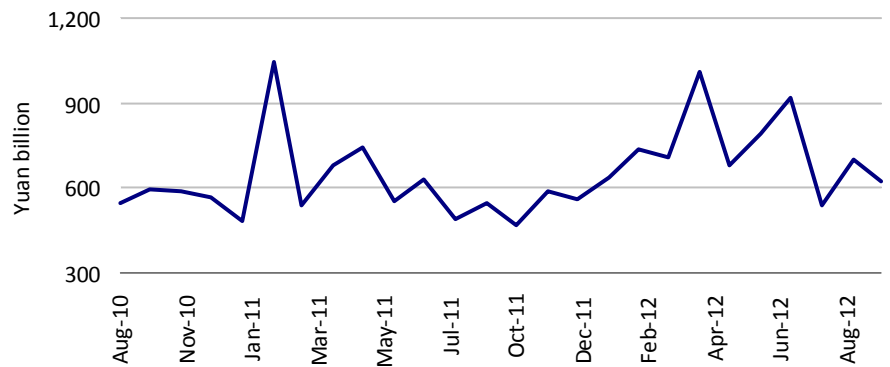
China's alumina imports ('000 tons) and prices (USD/ton)



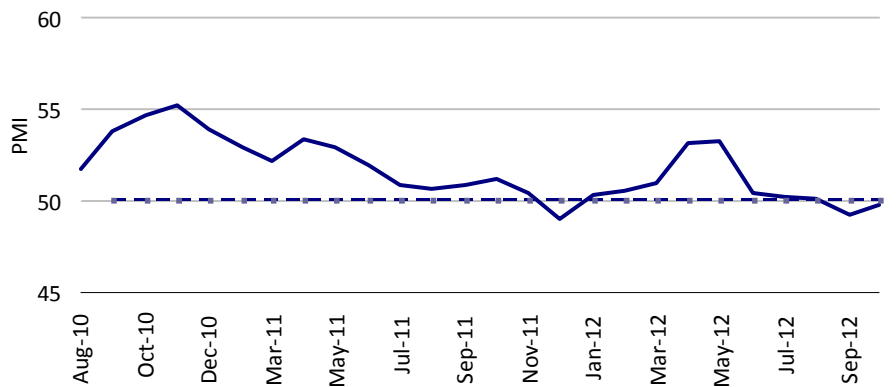
Source: Metal Bulletin/Bloomberg/MOSL

Key indicators

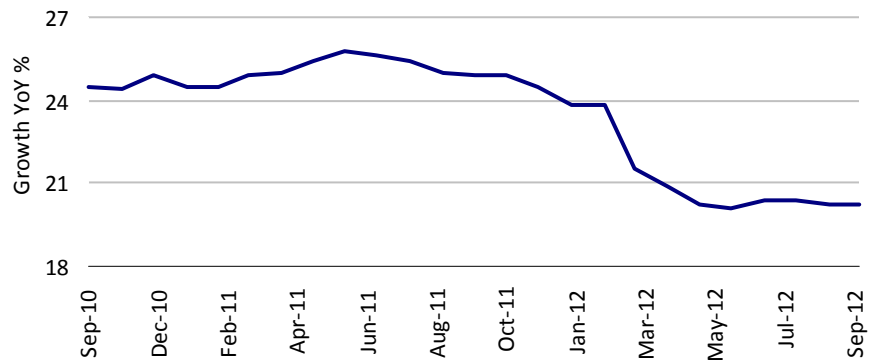
China new loan growth



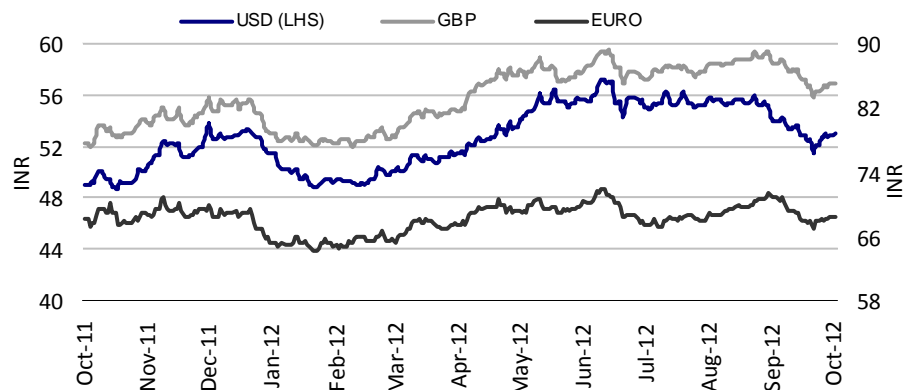
China PMI



China: Fixed asset investment



Currency movement with respect to the rupee

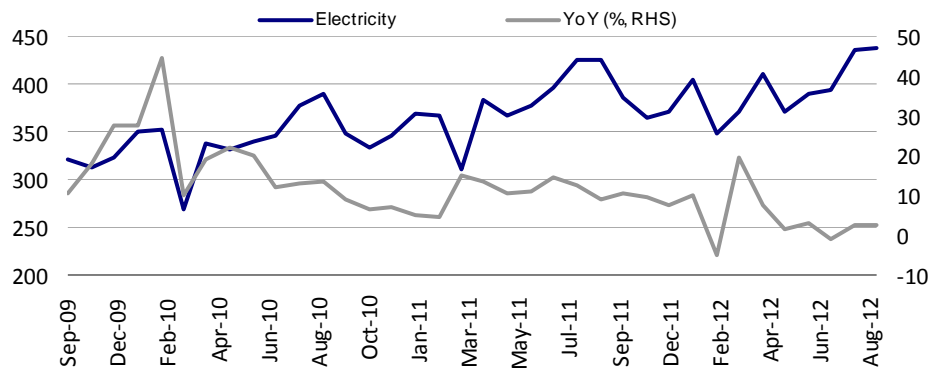


The rupee depreciated 0.8% WoW against the US dollar and was trading at INR53.04/USD

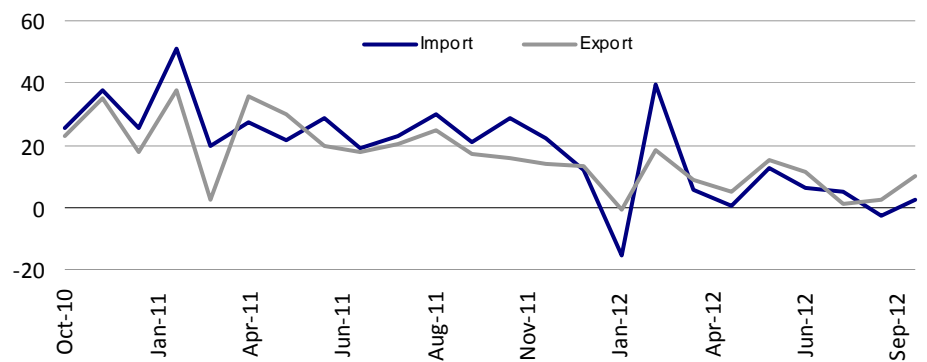
Source: Bloomberg/MOSL

Key indicators (Contd..)

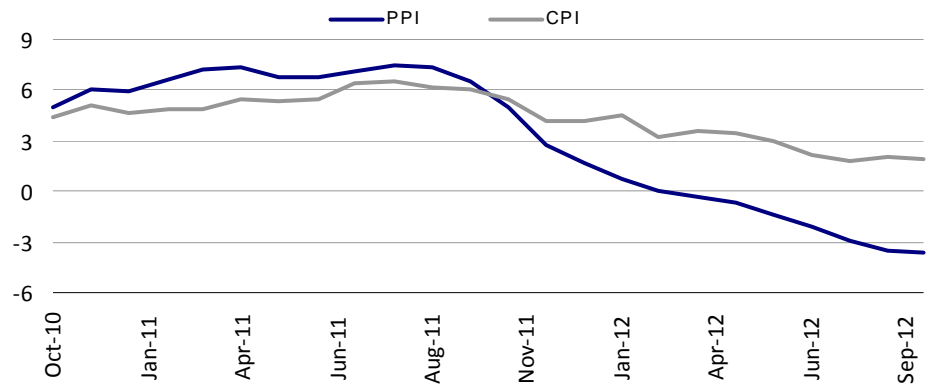
China Energy Production Electricity (b kwh)



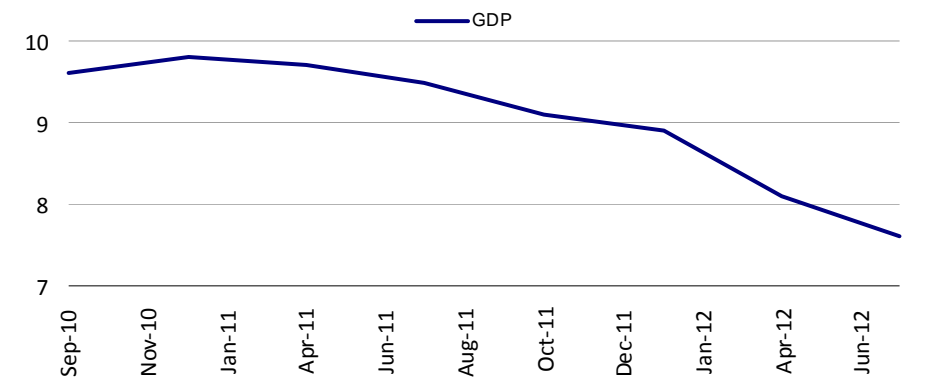
China Monthly Trade YoY (%)



China Price Index YoY (%)



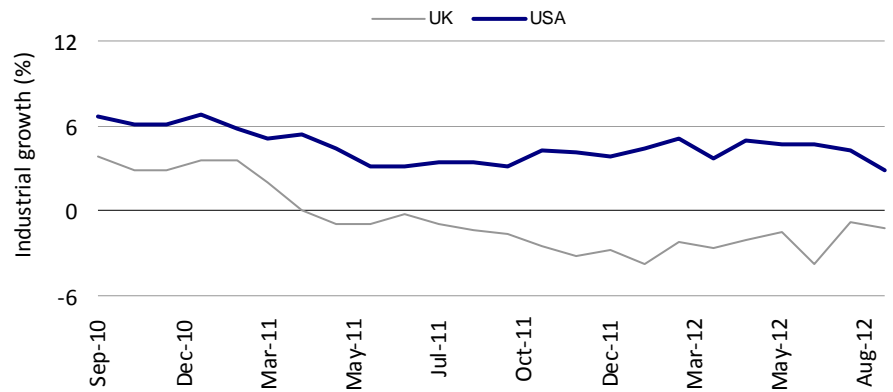
China GDP YoY (%)



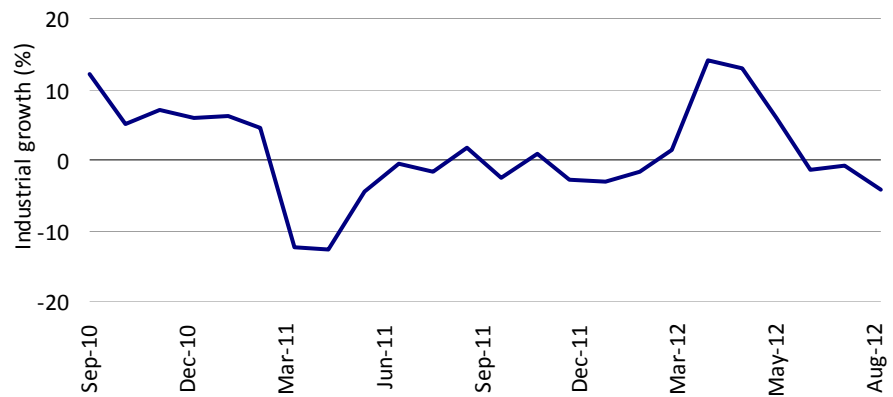
Source: Bloomberg/MOSL

Industrial production growth

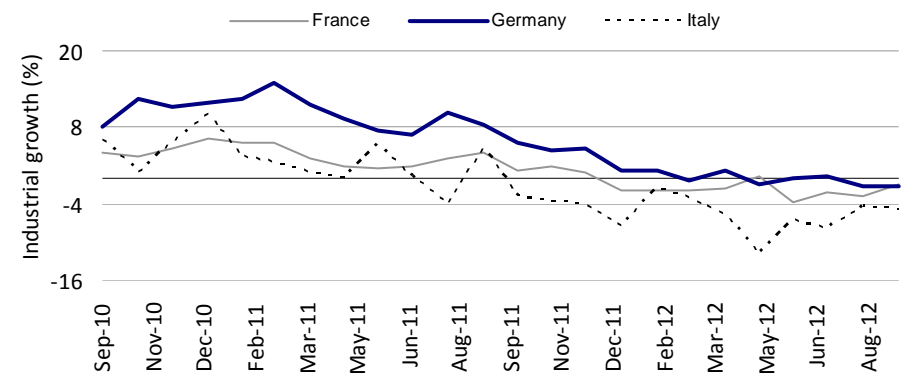
The UK and the US



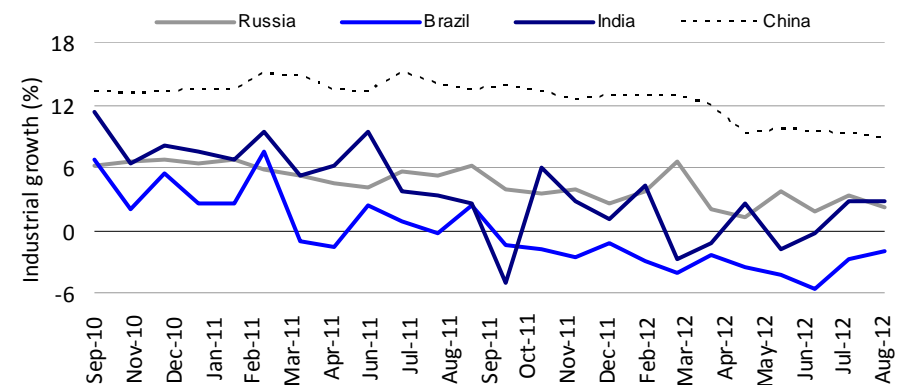
Japan



European Union



BRIC



Source: Bloomberg/MOSL

Stock Exchange announcements

- **Sesa Goa** announced the production release for 2QFY13. Sale of iron ore was 0.2mt in 2QFY13 vs 1.6mt in 2QFY12. Iron ore operations were affected by the mining ban in Karnataka, a temporary restriction on iron ore extraction in Goa, and transportation restrictions in South Goa during the monsoons.
- **Hindustan Zinc** announced the production release for 2QFY13. Mined metal content was down 9% YoY. It maintained that mined metal production for FY13 will be slightly higher than FY12 as per mining plan. It also announced that Board will consider interim dividend, if any, for FY13 during its meeting on October 18,2012.
- **Sterlite Industries** announced the production release for 2QFY13. Copper cathode production was flat YoY. Zinc international production was flat YoY. Balco aluminium production increased 4% QoQ. Due to regulatory delays first tapings from 325ktpa Korba III smelter is expected in 4QFY13. First three units of 600MW each at SEL continue to operate at 50% PLF due to evacuation problems. Fourth unit is under trial run.
- **JSW Steel** crude steel production increased 25% YoY to 2.2mt in 2QFY13.

Results announcements

- **Hindustan Zinc** - 18th October 2012
- **Tata Sponge** - 19th October 2012
- **Cairn India** - 22nd October 2012
- **JSW Steel** - 28th October 2012
- **Hindalco** - 6th November 2012

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	421	7,750	18.6	32.2	56.6	13.1	7.4	6.9	6.2	1.5	1.3
SAIL	Sell	86	6,755	9.0	6.7	8.6	12.9	10.0	8.9	7.4	0.9	0.8
JSW Steel	Sell	767	3,245	66.5	49.9	73.7	15.4	10.4	6.6	6.0	1.0	0.9
JSPL	Neutral	417	7,396	42.4	39.8	38.5	10.5	10.8	9.4	8.8	2.0	1.7
NMDC	Buy	189	14,242	18.5	20.4	24.9	9.3	7.6	5.2	3.9	2.5	2.0
Sesa Goa	Buy	174	2,866	31.8	35.9	33.5	4.8	5.2	5.9	4.6	1.0	1.0

Non-Ferrous

Sterlite Inds.	Buy	103	6,559	16.7	16.8	17.8	6.1	5.8	3.9	3.6	0.7	0.7
Hindustan Zinc	Buy	136	10,886	13.2	14.6	16.8	9.3	8.1	5.6	4.0	1.8	1.5
Nalco	Neutral	50	2,445	3.4	3.5	3.3	14.4	15.3	7.0	6.3	1.1	1.0
Hindalco	Buy	118	4,447	17.1	18.9	20.6	6.2	5.7	7.1	6.3	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
					CY11	CY12	CY11	CY12	
Mining									
BHP-Billiton	BHP AU	AUD	33.5	174,822	12.4	10.6	6.3	5.6	2.7
FMG	FMG AU	AUD	3.9	11,866	8.8	5.1	5.7	3.8	2.7
Rio Tinto	RIO AU	AUD	56.4	93,210	10.4	9.0	6.0	5.0	1.9
Vale	Vale US	USD	18.2	96,257	7.7	6.7	4.9	4.7	1.2
Teck Resources	TCK US	USD	30.5	17,874	11.2	9.8	5.5	5.0	1.0
Xstrata	XTA LN	GBP	953.4	45,922	12.2	10.8	7.4	5.8	1.0
Steel									
Arcelor Mittal	MT NA	EUR	11.4	23,042	17.2	9.3	6.3	5.3	0.4
Posco	005490 KS	k KRW	351.5	27,556	10.2	8.8	5.6	4.9	0.7
US Steel	X US	USD	21.2	3,057	15.1	10.5	5.6	4.6	0.9
Nucor	NUE US	USD	38.6	12,248	22.4	12.4	8.9	6.3	1.6
JFE	5411 JT	JPY	1,003.0	8,159	11.5	6.9	7.9	6.4	0.4
Gerdau	GGBR4 BZ	BRL	19.1	15,073	16.7	13.2	9.0	7.4	1.1
Bao Steel	600019 CH	CNY	4.6	12,880	6.9	10.8	5.7	5.9	0.8
Non-Ferrous									
Alcoa	AA US	USD	8.7	9,274	37.3	13.1	9.9	6.7	0.7
Norsk Hydro	NHY NO	NOK	26.4	9,546	83.1	19.9	9.1	6.1	0.8
Rusal	486 HK	HKD	4.4	8,526	16.0	8.3	17.3	13.0	0.8

Source: Bloomberg

Metals Stock Performance

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

Among mid-cap companies, Adhunik Metaliks outperformed and Monnet Ispat has underperformed the BSE Sensex over the last one month

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

Among global steel majors, Thyssen Krupp was the best performer while JFE Holdings 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	8.5	-1.2	-6.5	-4.1	4.9	-9.7	-15.7	-13.4
SAIL	6.6	-7.6	-8.1	-20.4	3.0	-16.1	-17.3	-29.7
JSW Steel	11.5	10.6	4.0	27.4	7.9	2.1	-5.3	18.1
JSPL	22.0	-3.0	-16.1	-20.5	18.4	-11.5	-25.4	-29.8
NMDC	-1.4	-0.1	14.6	-25.7	-5.0	-8.6	5.3	-35.0
Sesa Goa	8.5	-8.9	-6.7	-21.0	4.8	-17.4	-15.9	-30.3
Non-ferrous								
Sterlite Inds.	9.0	-0.5	-3.4	-13.6	5.4	-9.0	-12.7	-22.9
Hindustan Zinc	4.1	15.7	10.2	13.1	0.5	7.2	1.0	3.8
Nalco	-6.2	-13.0	-13.9	-19.9	-9.8	-21.5	-23.2	-29.3
Hindalco	7.7	-2.2	-5.5	-8.4	4.1	-10.7	-14.7	-17.8
Mid Caps								
Monnet Ispat	2.7	-23.2	-36.0	-37.8	-0.9	-31.7	-45.2	-47.1
Godawari	3.5	-3.6	5.6	9.1	-0.1	-12.1	-3.6	-0.2
Sarda Energy	9.8	1.2	-6.4	5.3	6.2	-7.3	-15.7	-4.0
Tata Sponge	6.4	-3.4	-0.7	8.0	2.8	-11.9	-10.0	-1.4
Adhunik Metaliks	15.0	-2.7	-23.6	-38.2	11.4	-11.2	-32.9	-47.5
Bhushan Steel	9.1	6.6	26.5	54.1	5.5	-1.9	17.3	44.8
Jai Balaji	10.4	11.8	-13.6	-60.7	6.8	3.4	-22.8	-70.1
Rain Commodities	12.6	21.4	5.0	59.9	9.0	13.0	-4.2	50.6
Prakash Industries	6.4	-9.0	8.7	8.2	2.8	-17.5	-0.6	-1.1
SENSEX	3.6	8.5	9.2	9.3	-	-	-	-

■ Best performer ■ Worst performer

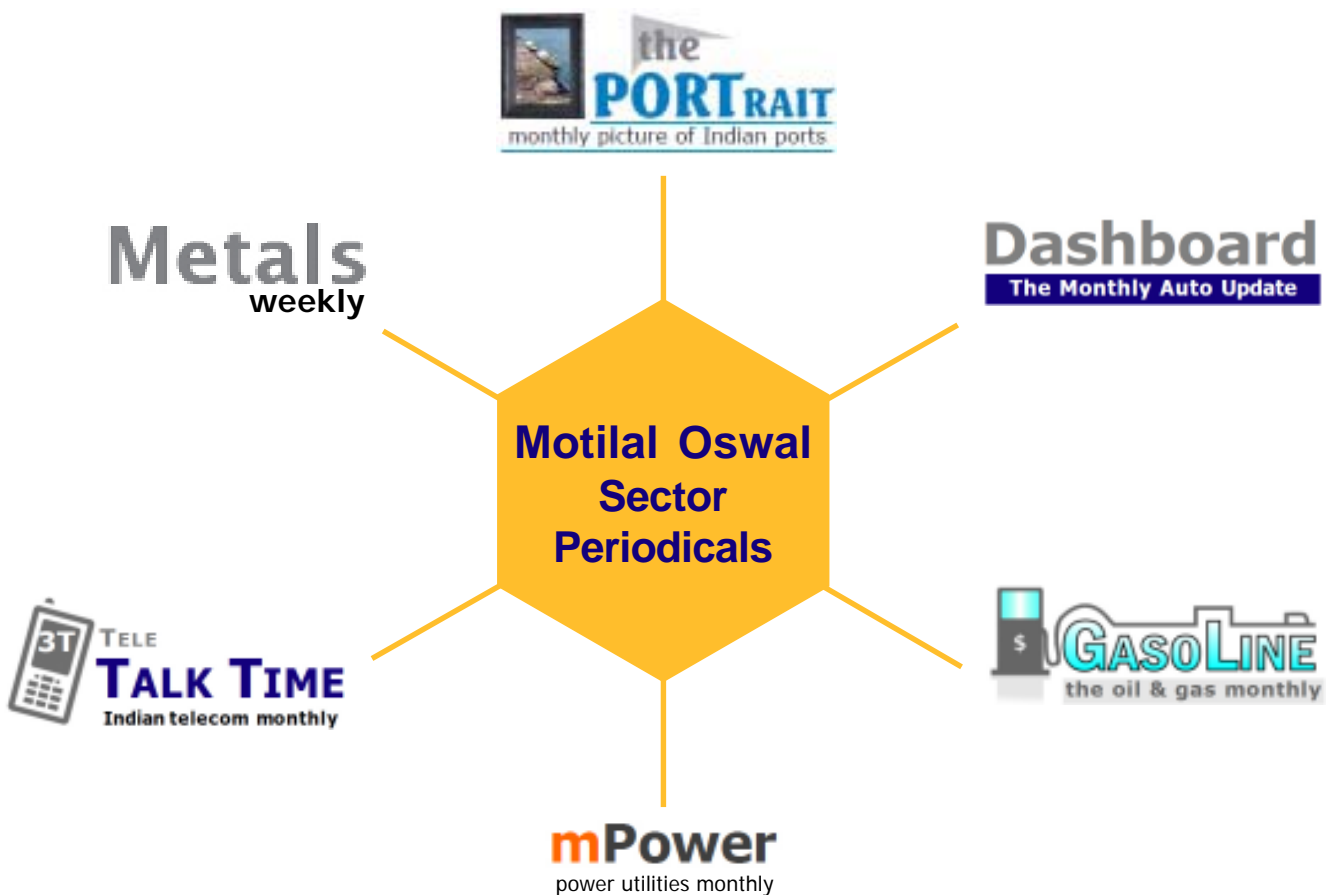
Source: MOSL/Bloomberg

Global metals stock performance on absolute basis (%)

	Absolute Perf (%)				
	1week	1month	3 months	6 months	12 months
Mining					
Rio Tinto	1.2	-1.8	0.1	-12.3	-9.7
BHP Billiton	0.7	2.3	10.0	-2.7	-9.0
Vale	2.8	-4.2	-7.3	-23.7	-28.4
FMG	6.6	28.8	-15.0	-35.0	-21.3
Xstrata	0.0	-4.0	13.7	-11.5	0.2
Anglo American	0.7	-4.4	-10.8	-19.4	-22.7
Vedanta	-1.5	12.8	18.6	-8.5	-10.6
Steel					
US Steel	6.9	-5.1	4.7	-24.9	-14.0
Nucor	0.0	-4.7	0.4	-7.2	7.5
Arcelor Mittal	0.4	-6.7	-7.1	-13.3	-20.3
Bao Steel	0.7	0.4	10.3	-4.6	-12.5
Posco	-3.7	-4.6	-2.2	-8.6	-6.0
JFE Holdings	-3.3	-9.9	-13.0	-38.0	-33.2
Nippon	1.9	-4.2	-1.8	-21.5	-27.8
Thyssen Krupp	0.2	0.8	21.4	0.8	-16.9
Voest Alpine	-3.9	-7.4	12.8	-0.6	-2.5
Gerdau	0.2	-9.4	9.3	-2.1	12.5
Aluminium					
Alcoa	-4.4	-9.8	3.2	-11.8	-15.3
Rusal	-5.4	3.8	2.1	-24.3	-38.2
Chalco	1.8	8.1	7.1	-11.9	-14.4

■ Best performer ■ Worst performer

Source: MOSL/Bloomberg



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Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com