

April 29th, 2005

GRUPO IMSA, S.A. DE C.V.

IMSA UBC / BMV

Continuing coverage: Grupo IMSA with firm strategies to keep growing.

Investment Recommendation: MARKET PERFORM

Price: \$ 24.70 IPC: 12,322.99 IMC30: 227.79 S&P500:1,156.85

- o Finishes 2004 with record sales, with a 40% increase and an EBITDA growth of 93%, in dollar terms.
- o Net interest coverage was 18.3 times at the end of 2004.
- o Starting April 7th, 2005 will de-list its ADRs from the NYSE
- o Sold ENERMEX's participation to Johnson Controls.
- o It is part of the IPC, of the Mexican Stock Exchange for the first time.
- o Acquires assets of Polymer Coil Coaters and signs a steel sheet supply agreement with the British Corus Group for 10 years.
- o Improves its credit rating from AA to AA+.
- o Pays US\$ 30 millions in dividends in April
- o Target price: Ps\$ 26.73.

Valuation	2004^a	2005E	2006E
EPS	\$5.41	\$4.80	\$8.54
P / EPS	4.56	5.57	3.13
EBITDA *	\$6.53	\$6.36	\$10.77
P / EBITDA	3.78	4.20	2.48

Market Cap

Stock Data

Shares outstanding UBC (000)	561,800	52 Week Range	\$34.2 - \$21.9
Market Cap (M)**	\$13,876	12-Mo. Stock Performance [^]	9.77%
Enterprise Value (M)***	\$18,233	Dividends paid on 20/04/05	\$0.70
6-Mo. Avg. Daily Volume	85,571	Book Value per Share	\$27.25
P / BV	0.6438	Beta	0.55

All data is as of the stated date.

Source: BMV , Infosel Inversionista, Yahoo Financiero

* EBITDA is based on operating income plus depreciation and amortization, divided by the number of shares outstanding.

** Equity Market Capitalization is based on market price times the number of shares outstanding.

All amounts are in Mexican pesos

*** Enterprise value is based on market capitalization adjusted for long-term debt, minority interest, cash, and short-term investments.

[^]Performance is based on closing prices and dividends paid from April 29th, 2003 to April 29th, 2004.

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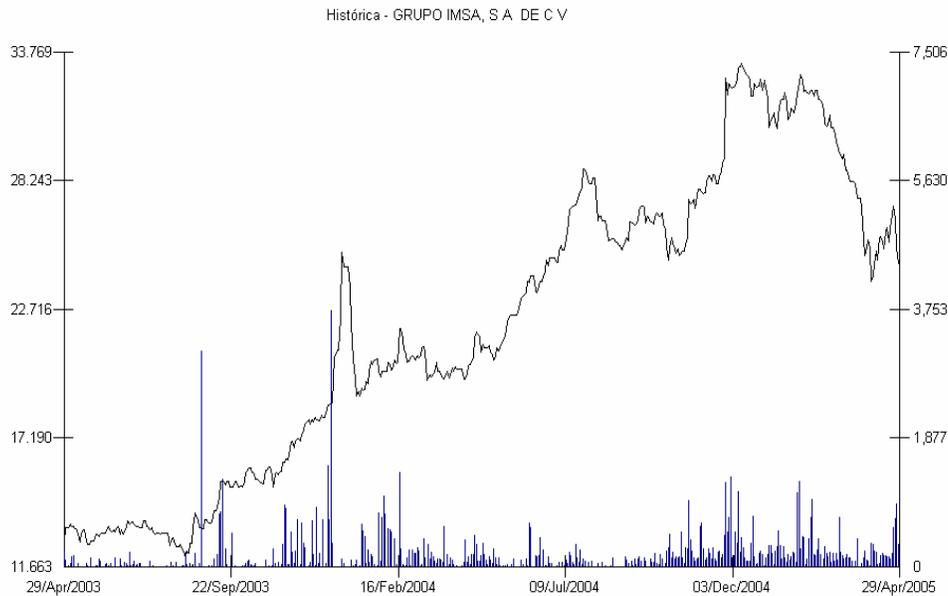
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STOCK PERFORMANCE



Source: Invertia Plus

Stock Performance vs. IPC



COMPANY OVERVIEW

Grupo IMSA was founded in 1936 and is currently a holding company that is involved in three business sectors, steel, construction and aluminum, through its divisions IMSA ACERO, IMSALUM and IMSATEC, being the first the most representative of the company.

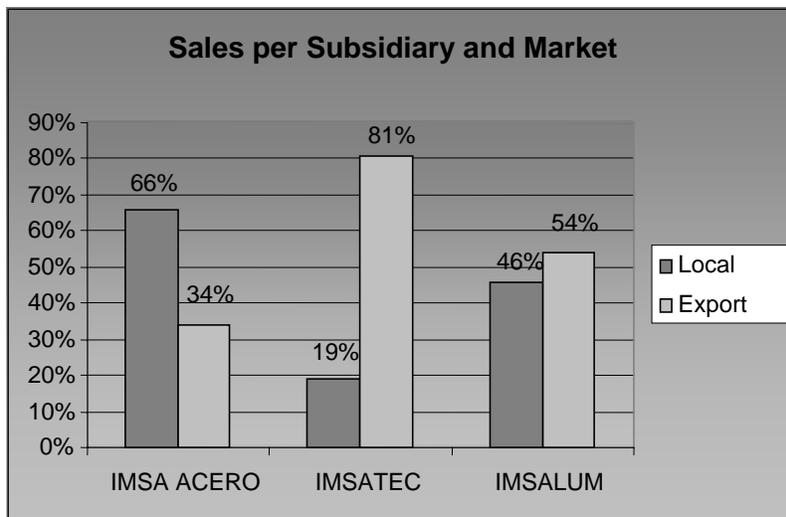
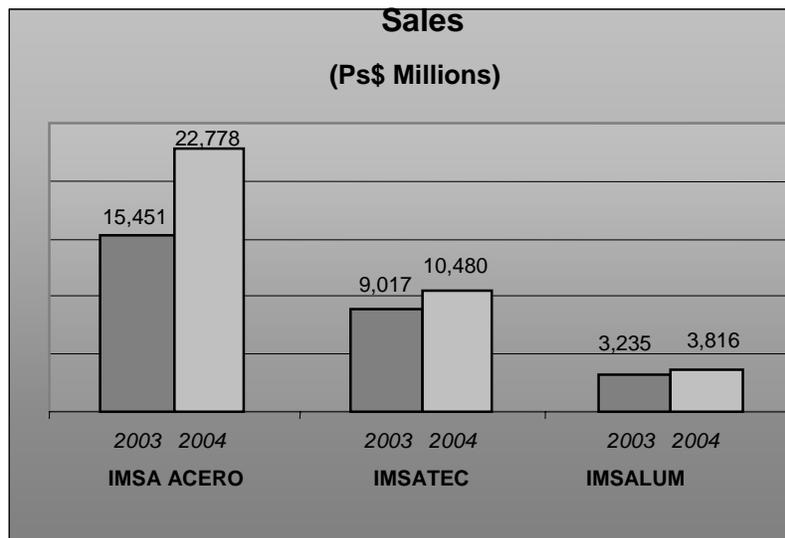
Its presence in Central America and the US was strengthened through several strategic partnerships in different countries. Its participation in the European markets is currently growing through operations in Spain.

It was listed at the Mexican Stock Exchange (BMV) on December 1996, as part of the holdings sector with the ticker IMSA UBC. In the same year, it also became listed at the NYSE under the ticker IMY, through an ADR program, whose ratio is 9 UBC, as of April 7th 2005.

Following its strategy on focusing in only three market segments, by the third quarter of 2004 it sold 100% of Enermex to Johnson Controls, completely abandoning the car battery business.

Such sale contributed to a considerable decrease of its debt levels, which allowed, among other factors, that the rating agencies Fitch Ratings and S&P upgrade the Group, from AA to AA+ (national scale) with a stable perspective. At the same time, S&P increased its grade in the global scale from BBB- to BBB.

Thanks to the growth that IMSA has achieved, for the first time in its history, as of February of this year is included in the IPC.



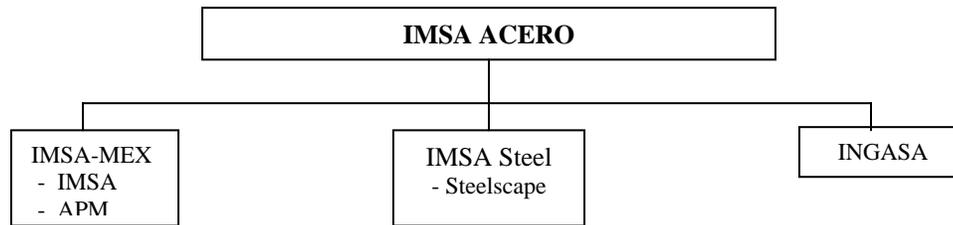
Source: Based on data from the company's 4Q report

Subsidiaries

IMSA ACERO

It was established in 1994 as a subsidiary of Grupo IMSA and in turn holds Industrias Monterrey and APM S.A. de C.V. It is a secondary producer in the steel industry and has grown favorably by acquiring companies in Mexico as well as in the US and Latin America, increasing its coverage in international markets.

Through its companies, it supplies to the transformation and construction markets a large variety of alternatives for the modern needs.



Source: from data from the 2004 annual report

The line of products it offers is:

- Hot rolled steel sheets
- Cold rolled steel sheets
- Zinc galvanized steel plate, Galvalume® or Galvanneal®
- Pre-painted and Galvanized steel plate
- Galvanized steel tubular profiles

With the purpose of increasing its production capacity, in 2004 IMSA Acero acquired assets from Polymer Coil Coaters (a steel painting industrial plant in Alabama, US), which has a capacity of 135,000 tons annually. This transaction corresponds to a US\$ 29 million outlay for the company.

It also signed an agreement with the European consortium Corus Group for the supply of steel plate for the next 10 years. With this agreement it will secure 16% of the production of the English plant, estimated between 3.2 and 3.6 million annual tons of steel plate, which represents 20% of current and future needs for this material; this will allow IMSA to avoid supply shortages and minimize the possibilities of stopping its plants.

MARKET SHARE OF GRUPO IMSA				
Country	Products	Segments	Market Share	Position
Mexico	Galvanized and painted steel	IMSA ACERO	38%	1
	Aluminum Protuberances	Imsalum	43%	1
	Aluminum Scales	Imsalum	72%	1
	Insulated Panels	Imsatec	52%	1
	Fiber Glass panels	Imsatec	84%	1
Central America	Galvanized steel	IMSA ACERO	33%	1
US	Pre-painted Steel *	IMSA ACERO	45%	1
	Pre-engineered metal	Imsatec	15%	2
	Fiber glass panels	Imsatec	20%	2

	Insulated Panels	Imsatec	42%	1
	Ladders	Imsalum	18%	2
Spain	Fiber Glass Panels	Imsatec	80%	1

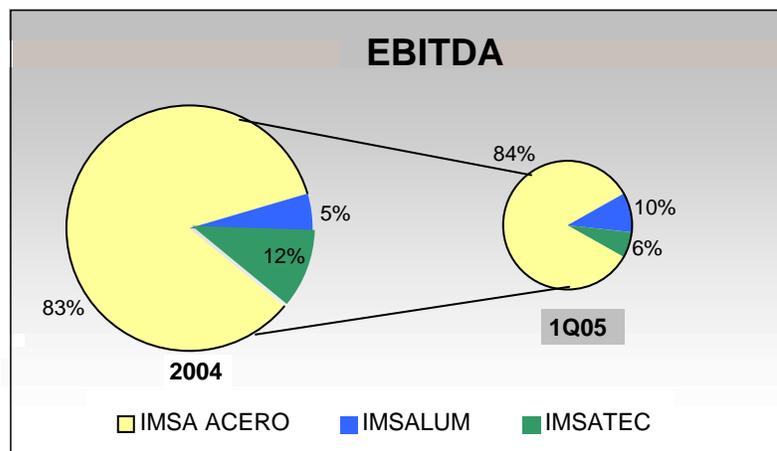
*West coast USA

Source: IMSA

At the closing of 2004, this subsidiary reported record sales, by volume, of 2.345 million tons, due to the strong global demand of steel and the consequent increase in prices.

In general terms, IMSA achieved extremely satisfactory results, since its gross profits grew 87%, and coupled with the strategy to decrease expenses, allowed it to close with a 152.9% increase in operation earnings as compared to 2003. This in turn, allowed the subsidiary to increase its EBITDA by 97.9% compared to last year.

The increase in EBITDA was due to a temporal difference in sale prices and inventories, given that they had price agreements for certain utilities that protected them of the increase in steel market price.



Source: 2004 annual report and 1Q report 2005

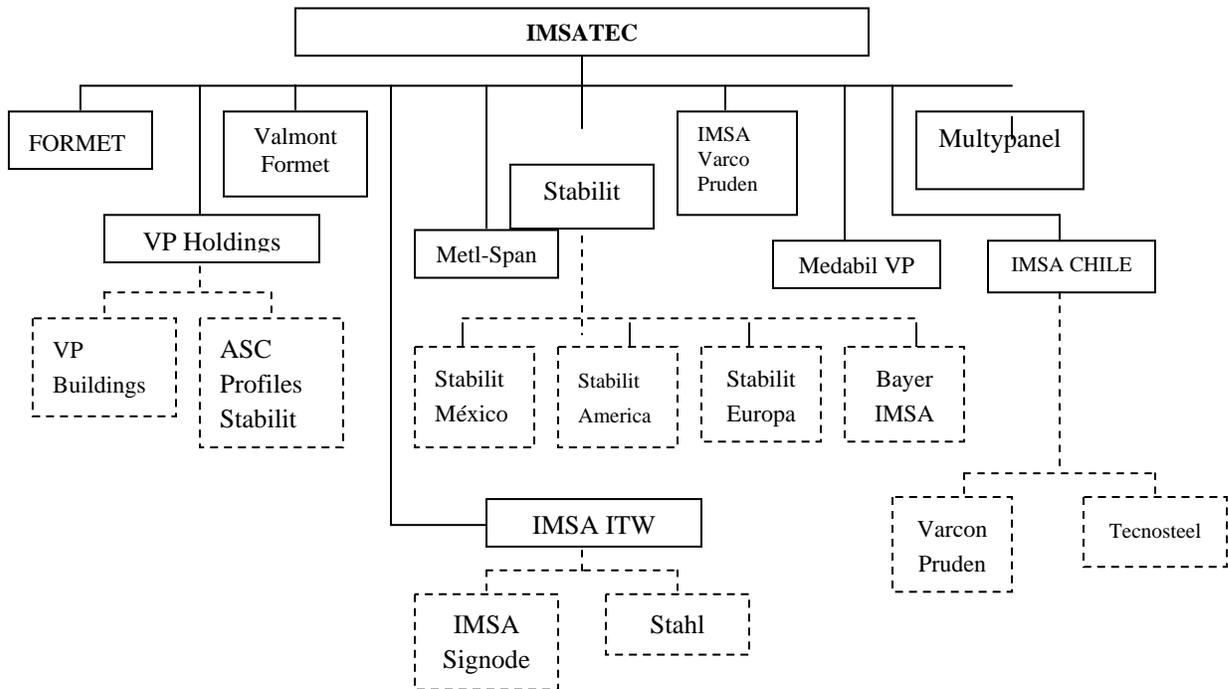
Nevertheless, for the first quarter of 2005, the company did not show such encouraging results, despite that sales grew by 22.5% compared to the 1Q of 2004. This growth is explained by higher prices in IMSA's products and a change in the mix to products with higher added value.

But, sales by volume, showed an 11.5% decrease, compared to the same period the previous year, due to the decrease in both national and international sales. The largest relative reduction was in domestic sales, given the decrease in demand from the construction sector in Mexico.

In spite of the increase in sales, operation earnings fell 18.5% compared to the same quarter of the previous year; this was due to a higher cost of sales, given the important increase of its raw materials (mainly zinc and aluminum). Thus, its EBITDA decreased by 13.3% compared to 1Q04.

IMSATEC

This subsidiary manages the products for the construction industry and the fastening and packaging elements (steel and plastic). It has the largest number of divisions, which allows them to offer more specialized products. It started as a result of acquisitions of different companies specialized in construction products and has presence in countries like the US, Spain, Chile and Mexico.



Source: Based on Company information

This division offers the following products:

- Pre-designed metallic buildings
- Metallic components for roofs, covers, walls and in-between-floors
- Thermally insulated steel panels
- Fiberglass, acrylic and polyester reinforced plastic panels
- Polycarbonate sheets
- Sewer tops, signs and steel bumpers for highway construction
- Towers and steel poles for electricity and telecommunications
- Steel and plastic fasteners
- Highly specialized screws

Concerning its financial results, at the end of 2004, the reported income for the company had an increase of 16.2% compared to last years' results, due by the increment in sale prices and the greater dynamics of the non-residential construction sector in Mexico and in the US. The operation earnings grew 53% and operation margins were of 4.5% against 3.2% of the previous year. The EBITDA grew 27%.

By 1Q05, the division had larger sales, which grew 4.2% compared to 2004. In spite of selling a lesser volume, prices increased, but it reported a Ps\$ 14 million loss in operation, when in 2003 it had profits of \$23 million. The behavior of these variables is explained by the lesser demand and higher supplies costs (steel, brick, plastic, and aluminum scrap metal).

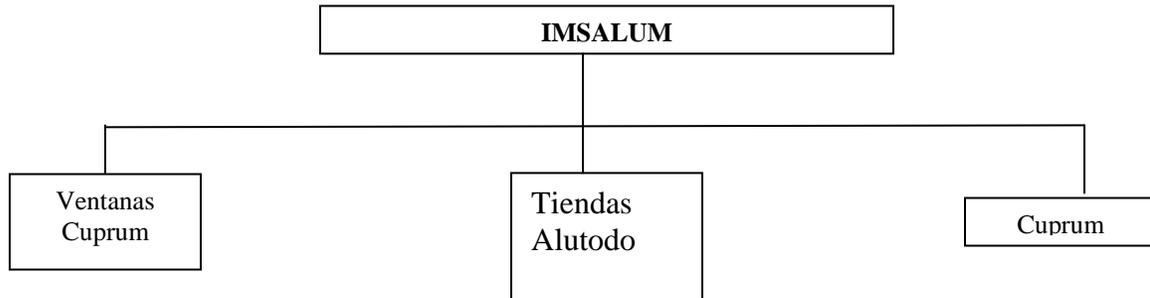
IMSALUM

In Mexico, with this subsidiary, a 40% of market share in the aluminum market is achieved; it is the largest producer of aluminum extrusion and ladders in the country, as well as the second ladder manufacturer in the US.

The company also has a large number of aluminum retail stores.

Just like the other Group's divisions, IMSALUM has strengthened itself in the last few decades, acquiring important companies in the segment like Cuprum, Davidson Ladders and Alcomex, in order to capture a bigger segment of the market.

By the end of 2004, this division acquired a plant in Baja California, Mexico, that will increase extrusion capacity by 20%.



Main products:

- Aluminum profiles for industrial and architectural uses
- Aluminum, fiberglass, steel and wood ladders
- Pre-fabricated aluminum and PVC windows and doors

By the end of 2004, this division results had an 18% sales increase in pesos, but the cost of sales grew by 22.4%, which affected gross and operations earnings; the latter reaching only a 10.1% increment compared to 2003, this, as a consequence of an increase in aluminum prices (20% on average this year); but its strong program to reduce expenses, allowed them a proportional decrease to sales and therefore an improvement in operation margin.

The company is still favored by the boost of the housing sector in Mexico, which equals a sales volume increment of 21.7%, compared to 2003, and also supported by new contracts with US clients.

At the closing of March, 2005, sales of this division increased 6% compared to the same period of 2004, as a consequence of an increment in ladder sales, by volume, in the US and an increase in the final product price, to reflect aluminum's revised prices. This supply has been rising, which reflects into a smaller operation profit, which decreased 23.8% compared to 1Q04. Operation margins where of 5.5% vs. 7.6% of the previous year.

Different segments of IMSALUM could not adjust their final prices and on top of that, transportation costs increased, given that the increments in oil prices had as a consequence price increase in diesel and gasoline in the US.

According to the behavior of the aluminum's price, which reached its peak in March and started to fall, the division expects better results for this year, since it will adjust final product prices and at the same time, achieve scales of economy.

BOARD OF DIRECTORS

<p><i>Eugenio Clariond Garza</i> Honorary Chairman of the board for life. Founded the company in 1936</p>	<p>Enrique González González Substitute Director. Legal Chief Officer of Grupo IMSA; has 28 years in the company.</p>
<p>Eugenio Clariond Reyes Chairman of the Board, CEO of Grupo IMSA; has 45 years in the company.</p>	<p>Javier García de Anda Substitute Director. CEO of IMSA; 30 years in the company.</p>
<p>Marcelo Canales Clariond Board Secretary, Strategy and Chief Finance Officer of IMSA; 26 years in the company.</p>	<p>Oscar Maldonado Charles Substitute Director. CEO of APM, 13 years in the company.</p>
<p>Santiago Clariond Reyes Board treasurer, CEO of IMSA ACERO; has 40 years in the company.</p>	<p>Ricardo Garza Villarreal Substitute Director since 2002.</p>
<p>Salvador Kalifa Assad Member since 1998.</p>	<p>Juan Carlos Zambrano Benítez Substitute Director. Member since 2002.</p>
<p>Enrique Zambrano Benítez Member since 1997.</p>	<p>Antonio del Valle Perochena Substitute Director. Member since 2002.</p>
<p>Antonio del Valle Ruíz Member since 1998.</p>	<p>Emilio González Lorda Substitute Director. Member since 2002.</p>
<p>Eugenio Garza Herrera Member since 2001.</p>	<p>Juan Domingo Beckmann Legorreta Substitute Director since 2005.</p>
<p>Juan Beckmann Vidal Member since 2005.</p>	<p>Héctor Estrada Inda Substitute Director. Member since 2002</p>
<p>Consuelo Canales de Valdés Member since 1998.</p>	<p>Ninfa Clariond Reyes Substitute Director. Member since 2003.</p>
<p>Ernesto Canales Santos Auditor. Member since 1998.</p>	<p>María Clariond de De la Garza Substitute Director. Member since 2002</p>
<p>Benjamín Clariond Reyes Member in 1976-1991, 1994-1996, 1997-2002, CEO of IMSATEC.</p>	<p>Felipe Múzquiz Ballesteros CEO of IMSALUM. Member since 1996.</p>
<p>José Gerardo Clariond Reyes Member since 1991. E-business Officer of Grupo IMSA.</p>	<p>Ricardo Santiago Beltrán García Substitute commissioner since 2002.</p>
<p>Susana Canales de Odriozola Member since 2002.</p>	<p>Jorge Alberto Villarreal González Commissioner, since 2002.</p>

Board of Officers

Eugenio Clariond Reyes
CEO of Grupo IMSA

Marcelo Canales Clariond
Strategic planning and Chief Financial Officer of Grupo IMSA

Santiago Clariond Reyes
CEO of IMSA ACERO

Benjamín Clariond Reyes
CEO of IMSATEC

Felipe Múzquiz Ballesteros
CEO of IMSALUM

Lic. José Enrique González González
Legal Chief Officer of Grupo IMSA

C.P. Jorge Alberto Villarreal González
Commissioner

GRUPO IMSA'S STRATEGY

- Focusing on leading markets

Given the decision to leave the car market, Grupo IMSA is planning to concentrate on keeping its leading position in the segments it is stronger: steel, aluminum and construction. Besides, this decision allows it to strengthen its financial position and generate value for the shareholders.

- Administrative and operations efficiency

With standards like 6-Sigma and continuous improvement programs, it seeks to be more competitive, minimizing costs, increasing productive efficiency and waste reduction, in order to face market challenges.

- Sustained Development

IMSA promotes eco-efficiency, supported by its Officers, and encourages the Sustained Development culture by participating in forums, councils and programs that promote the sustainable use of natural resources. As an example, it takes advantage of water, where APM in Monterrey has contributed to the increase in black waters processing for operational use. It also improves the transformation processes for several residues into sub-products or reusable raw materials.

- Social Responsibility

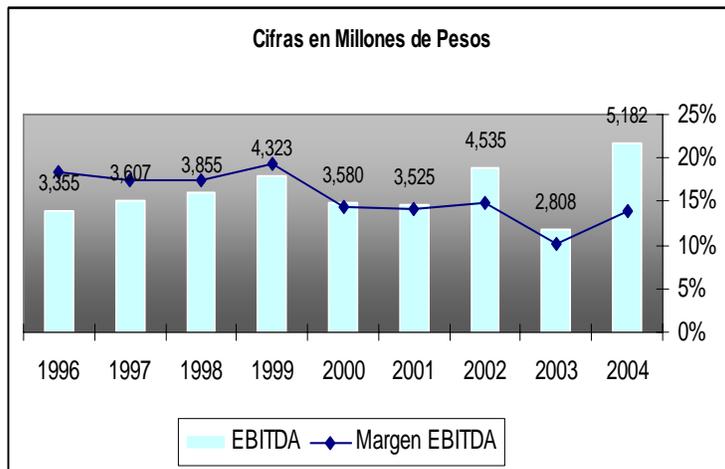
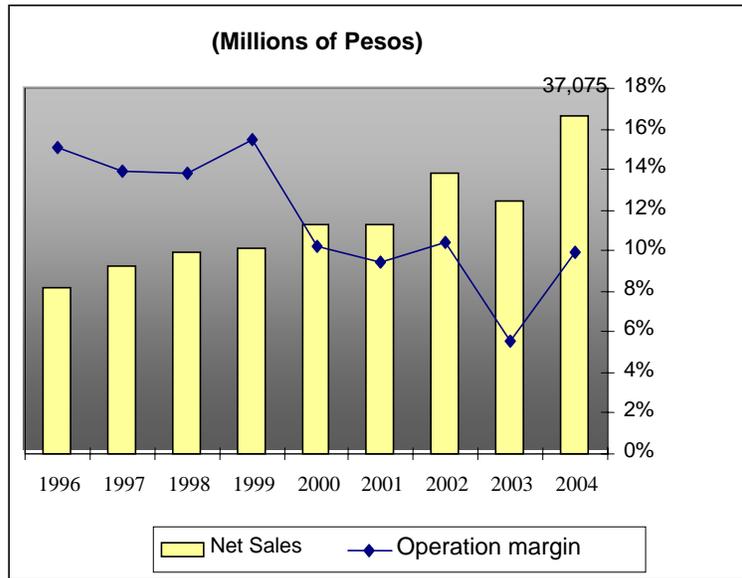
IMSA has invested in programs for employees so they can work in better conditions and achieve integral development with their families.

CORPORATE GOVERNANCE

Measures in this topic have been implemented, like forming the Compensation Committee and an Audit Committee. Additionally, it has six independent directors that form the Administration Board.

FINANCIAL SUMMARY

In broad terms, the results for 2004 were very satisfactory; sales reached historic levels, representing the dynamics of the markets where it takes part: steel, aluminum and construction. The increment was 33.8% in pesos, compared to the previous year. Regarding national sales, they grew 43.7% and foreign sales grew 25% compared to 2003.



Source: Based on data from Infosel.

Additionally, the cost of sales grew in less proportion than sales and the operational costs only grew by 0.2%, which allowed a yearly growth of 139.6% in operation earnings.

The good performance of sales is explained by the vigor that steel has shown at a global level, and the performance of the construction sector. Besides, strategies implemented by the company, in order to keep costs and expenses down, have allowed them to maintain effective production capacity and continue with expansion projects.

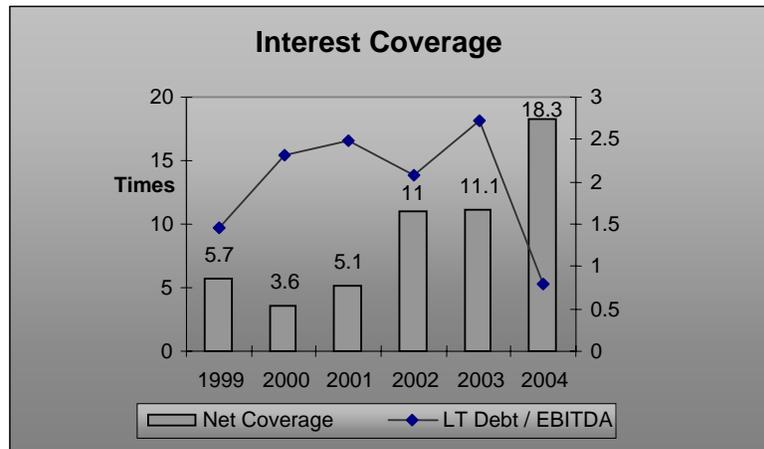
In 2004 the company had an important sell out of the car battery business and the funds received were used to pay debt. In 2004, its net liabilities decreased a 24%.

But in the first quarter of 2005 the costs of supplies and energy had a strong negative impact in IMSA.

In the first quarter of the year, sales grew 15.8% in pesos, compared to 1Q04. But the cost of sales grew 21.8%, which had a negative impact in operation earnings, dropping 29.5%.

In spite of the cost behavior, it is important to note that IMSA managed to lower its operation expenses by 11% this year, which is the result of its cost and expense reduction programs it implemented.

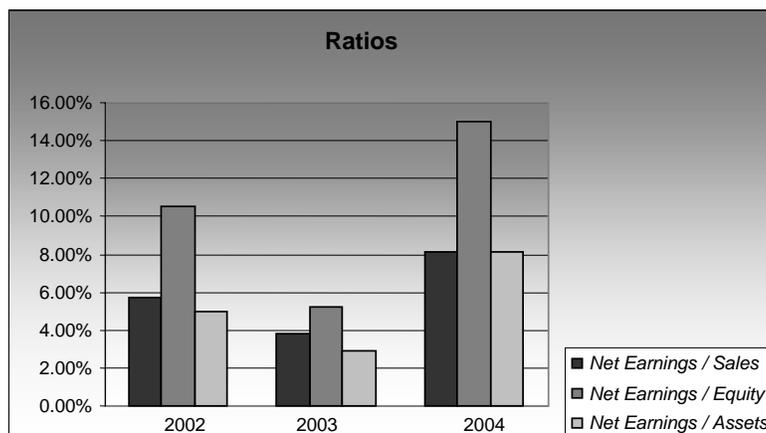
That explains the leverage level reduction and the interest coverage increase from 12.2 times in the 4Q03 to 21.9 times in 4Q04.



Source: Based on data from Infosel and Reuters.

The liabilities / asset ratio decreased by the end of last year to 42% compared to 54% in 2003.

Regarding the main performance ratios for IMSA, results from 2004 outperform 2003's, as is the case of investment performance that shows the effectiveness of available assets.



Source: Based on data from Finsat.

INDUSTRY ANALYSIS

Grupo IMSA is involved in the steel and construction sectors, but it has a larger participation in the former.

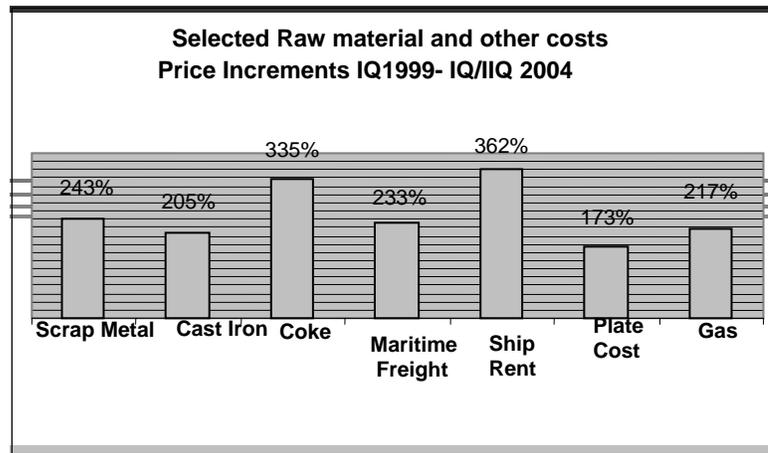
Steel Industry

The steel industry generates 550,000 direct and indirect jobs, and generates 1.4% of the GDP; 7.4% of the Industrial GDP and 10.4% of the Manufacturing GDP.

The steel industry is divided in 3 sectors, the primary producers, the secondary producers (where IMSA participates) and distribution centers.

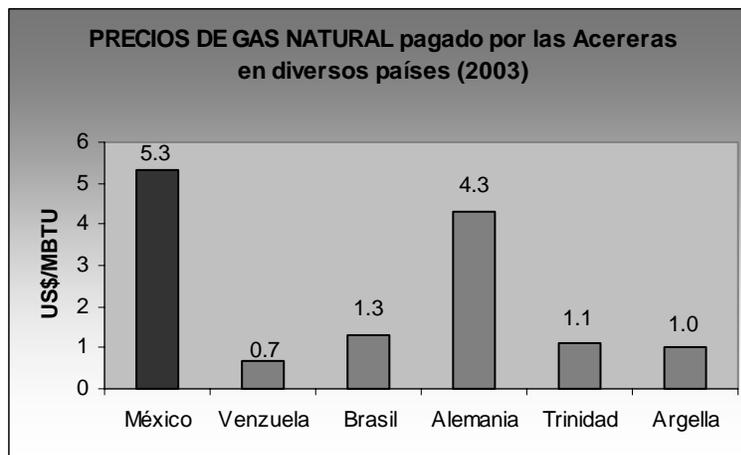
After five years of financial difficulties due to the low price in steel, today the industry is in a growth and strengthening stage. During 2004 the production of steel grew 7.7% globally, which translates to better prices and a rise in supplies.

This coupled with the increase in prices of components by almost 65%. For example, last year the price of a ton of scrap metal grew 57%; natural gas grew 61%; electricity and iron ore grew 15% and 19% respectively. All of this impacted in the final prices in the steel industry, since it has the largest consumption of gas and electricity.



Source: CANACERO

This increase in supplies and energy is shown in the sector's results, not only primary producers (although more strongly affected), but also in secondary producers like IMSA.



Source: CANACERO

Regarding production, during the period of 2003 to 2005, it is estimated that Japan and NAFTA will be the entities with the maximum usage of their installed capacity to produce steel, and that China will consume 300 million tons instead of 100 million.

Global steel production 2003-2004 (millions of tons)

COUNTRY	2003	2004e	%Var	2005e	% Var
China	220	255	15.9	289	13.2
Japan	111	110	-0.6	108	-1.6
The rest of Asia	110	111	1.6	115	3.6
EU (15)	160	163	1.8	167	2
NAFTA	121	122	0.3	127	3.9
CEI	108	115	6.1	120	4.3
Rest of the World	134	140	4.5	140	0
TOTAL	964	1,016	5.4	1,066	4.8

Source: CANACERO, Steel Perspectives 2005.

On a side note, the national consumption in China is expected to grow at a slower pace, due to the fact that the Chinese government will implement policies to moderate their growth. This will bring a partial stabilization to the demand for the next cycles.

But this fact does not imply a strong impact in Imsacero's sales, since Mexico is part of NAFTA and will continue to trade with the US, of which a favorable performance in the next few years is expected.

Consumo Aparente de Acero en el Mundo:

	2003	% vs 02	2004e	% vs 03	2005e	% vs 04
<i>China</i>	258	25%	292	13.2%	317	8.6%
<i>UE (15)</i>	157	1%	162	3.2%	164	1.2%
<i>Resto de Asia</i>	155	3%	162	4.5%	167	3.1%
<i>TLCAN</i>	144	8%	161	11.8%	166	3.1%
<i>Japón</i>	77	5%	79	2.6%	80	1.3%
<i>CEI</i>	55	12%	56	1.8%	59	5.4%
<i>Resto del Mundo</i>	137	8%	147	7.3%	154	4.8%
Total	983		1,059	7.7%	1,107	4.5%

Source:
CANACERO, Steel perspectives 2005

Regarding the estimates generated, a Director of the CANACERO Exterior commission said that steel production and consumption will not rise as fast in 2005 as it did in 2004. In Mexico's case, according to current expectations, production will rise by 7% in 2005, which stands for 17.8 million tons of liquid steel.

According to CANACERO, the ANC will be boosted by the positive expectations of steel prices and the reactivation of some industries like automobiles, household appliances and construction, similar to 2004; all of this benefits IMSA, since those are the sectors if participates in.

Producción, Capacidad Instalada de Acero y Utilización: (millones de toneladas):

	2002	2003	2004e	2005e
<i>Producción de Acero</i>	14	15.2	16.7	17.8
<i>Crecimiento</i>		9%	10%	7%
<i>Capacidad Instalada</i>	19	19.1	19.4	19.5
<i>Crecimiento</i>		1%	2%	1%
% Utilización	74%	80%	86%	91%

Source: CANACERO, Steel perspectives for Mexico 2005

Today there is great competition in the national and global markets, where standards are high and prices have to be competitive. During the last 5 years global demand for steel products grew, which is why the steel sector invested over US\$ 5 billion in cutting edge technology, information systems, employee training and international certifications, like ISO, VDA or QS, in order to boost global competition.

Construction industry

The construction industry employs 3.9 million people, 12% of the working population, and has a multiplication factor: for every 5 jobs created in the sector, two more are generated in related sectors. This means that 5.6 million jobs in Mexico depend directly or indirectly in the construction sector.

This sector in the Mexican economy has been the most dynamic in the current administration, supported by both government policy and economic recovery that has been observed in the last few years.

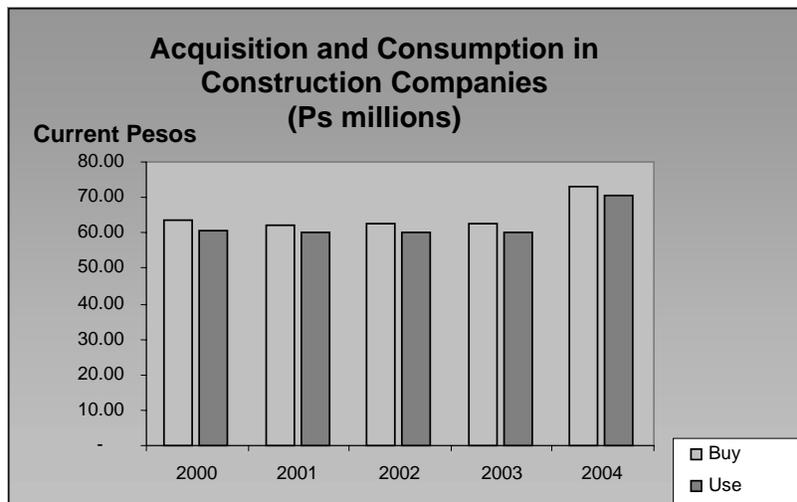
According to INEGI, the GPD in construction closed 2004 with a 5.3% annual growth and a 5% growth in 2005 is expected. This performance was only surpassed by the transport, storage and telecommunication sectors (9.7%) and by the basic metal industry (6.0%)

So as the industrial sector (mining, manufacturer, construction, and electricity, gas and water) registered a 3.8% increase in 2004.

This sector is related to the steel, since 50% of the steel consumed in Mexico is used in construction, the other 50 goes to diverse industries. But the use of other structural elements of steel like the IPR's or HSS plates is still relatively low, which allows it to compete with concrete, cement and plastics.

Concerning the use of steel structures in buildings, an improvement was reached 20 years ago one building in 120 had a steel structure; currently one in 20 is built with steel structures, according to Fernando Frias Beltrán, president of the IMCA (Steel Construction Mexican Institute).

Corrugated steel rods, and wire derivatives are some of the main products used in housing construction, and these move in the international context to fix price – commodities-. But, the price of both has risen in Mexico less than the supplies compared to other countries.



Source: Based on data from CANACERO

Taxes

Regarding the global economy, the sector must face the subsidies of competing countries like China, India, Brazil and the European Union, which, according to the CANACERO, believes in tax fixing and compensatory quotas to imports in order to protect national industries.

The taxing policy for steel was divided in three stages to provide better and cleared information.

<i>Stage</i>	<i>Time periods</i>
1 st	From September 6 th , 2002 to August 31 st , 2003
2 nd	From September 1 st , 2003 to March 31 st , 2004
3 rd	Starting April 1 st , 2004

Source: Economic Secretary

This proposal has the following advantages:

- Allows for certainty, for producers and users of steel supplies in applicable taxes for a certain time period.
- Keeps a congruent tax policy with our main commercial partner and allows for more commerce with partner countries in a competitive way, since imports of these supplies do not pay the maximum tax for the third party countries.

There are important changes in the world stage, like the availability of steel which has provoked an increment in international prices by an average of 45% of this basic supply in the first months of 2005.

The products believed to affect the most are sheets and profiles with taxes brackets between 13 and 18%; which were agreed to be reduced by 4 percentage points.

Macro economic variables

	2005e	2006e
28 day CETES	9.09%	8.25%
Average TIIE	9.39%	8.56%
Inflation	3.76%	3.70%
Mexico GDP*	3.95%	3.49%
Exchange Rate (Ps/USD)	\$11.32	\$12.02
US GPD*	3.6%	3.2%
US 10 year bonds	4.7%	5.3%

Source: Based on data from Banamex *Real

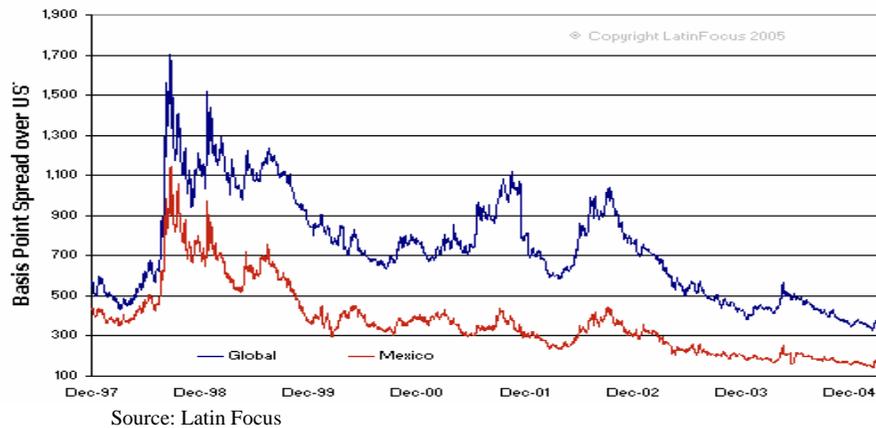
According to estimates of the IMF, the global economy had a good performance in 2004 since growth was at around 5%, the highest expansion rate in almost 30 years. The profits of companies grew, contributing to heal their balances; external interest rates stayed low, which coupled with the former factor, stimulated private investment. On the other hand, the creation of jobs followed the economic growth in various countries, which supported private consumption. All of this helped to cushion the recent rise in oil prices.

But, this growth was not equal in every country; the US and China, contributed especially to the global economy. Even though there was an economic acceleration in Europe and Japan during the first months of 2004, the reactivation did not became solid or lasting, while Latin America had a lower rate, where unemployment and poverty are still at very high levels and there is great income disparity.

During the first months of 2005 there is an alert situation since there is volatility in the oil market and in variables like exchange rates, interest rates and inflation. According to the IMF the means taken to strengthen the fiscal situation and correct structural deficiencies will be crucial.

These circumstances have affected Mexico, where a rise in interest rates that match those of the US, as well as Inflation.

COUNTRY RISK



COMPETITION ANALYSIS

HYLSAMEX

A subsidiary of ALFA, S.A. de C.V. it is a holding that manufactures steel products through Hylsa and Galvak. It is a steel company and a primary steel producer, with a large participation in the North American market. Its products keep a good position in the construction and manufacturer industries, car parts and appliances. It has 7,347 employees.

It maintains strategic partnerships with ten companies in Mexico, the US, Germany, Venezuela, Argentina and Brazil. It trades at the BMV and in the US.

Alfa officially announced it is selling out its participation in this company and some Mexican companies are interested, which is currently at 42 pesos per share.

RYERSON TULL

It is one of the most important North American companies, dedicated to the distribution and process of metals and other materials. It operates through two subsidiaries: Joseph T. Ryerson and Son, Inc. and J.M. Tull Metals Company, Inc. It has 3,600 employees.

It is focused in service and distribution of steel and other materials; it principally sells carbon rolled sheet and plates of stainless steel and aluminum and carbon bars. It has operations in Canada, Mexico and India. In January 2005 the company acquired Integris Metals, Inc., from Alcoa Inc. and Billiton for approximately US\$410 million.

The company buys metal in bulk (metal sheets, bars, etc.) directly from the primary producers and process them into smaller portions to satisfy customer needs.

Due to the behavior of the end user in the steel market, Ryerson Tull is looking for partnerships with strategic partners in order to provide up to 80% of their supplies.

GIBRALTAR

A North American company with participation in the US, Canadian, Mexican, European, Asian, Central and South American markets; it offers over 5,000 products for construction and other industrial markets. It processes, manufactures and distributes steel. It has 3,900 employees.

It has 26 plants in Canada and Mexico to produce steel sheets with different specifications and process metallic products to cover the specific characteristics the market demands, especially the industrial consumer. In October 2004 it changed its name from Gibraltar Steel Corporation to Gibraltar Industries, Inc.

WORTHINGTON

It is an industrial steel controller specialized in steel treatment and fabrication of metal products. It has operations at international levels in 10 companies through an infrastructure of 63 plants. It has 6,700 employees.

It achieves participation in different markets by forming strategic alliances with companies from the sector; in Mexico it has an alliance with Hylsa. In November 2004, signed a joint venture with Encore Coils Ltd. Holdings, a Canadian steel company, to make steel pipes in Canadian plants and thus supply to clients in that region.

WERNER Co.

An American company leader in the manufacture and distribution of ladders and climbing equipment; it has over 50 years of designing, producing and distributing experience.

Operates through its plants in Pennsylvania, Illinois, Alabama, Kentucky and California and is the current leading ladder producer.

It is IMSALUM's strongest competitor in the ladder market, but it is expected that IMSA will achieve a better position given that Werner has been losing ground on account of its unstable financial position.

Ratios

	P \$	BV \$	P / BV X	EBI \$	P / EBI X	EV/EBITDA X
IMSA	24.7	38.37	0.64	4.79	5.16	2.03
HYLSAMEX	36.75	28.76	1.28	10.78	3.41	3.82
RYERSON	115.82	9.86	11.74	21.06	5.5	7.46
GIBRALTAR	232.86	14.3	16.29	19.62	11.87	7.43
WORTHINGTON	180.21	23.5	7.67	11.08	16.26	9.87

	Ticker	Net	Operation	EBITDA	Liquidity	Net Interest
		Sales	Margin		Ratios	Coverage
IMSA	IMSA	37,075	10.1	5,182	2.03	18.3
HYLSAMEX	HYLSAMX	27,760	27.6	7,486	2.24	9.25
RYERSON	RT	37,042	2.94	1,326	0.34	3.13
GIBRALTAR	ROCK	11,382	9.13	1,320	2.76	8.76
WORTHINGTON	WOR	26,689	4.63	1,991	1.75	3.48

- In millions of Pesos
- Fix exchange rate as of 2004
- Source: Based on data from Reuters and Infotel

INVESTMENT THESIS

- **Market leadership**

IMSA is the leader in the areas that participates; this has been achieved through its strategies and high quality standards.

- **Sustained Growth**

2004 was an exceptional year for the company, in spite of the reduced profits in 1Q05, it is expecting improvements as the year progress and will keep up with the historical levels it has reached.

- **Solid financial structure**

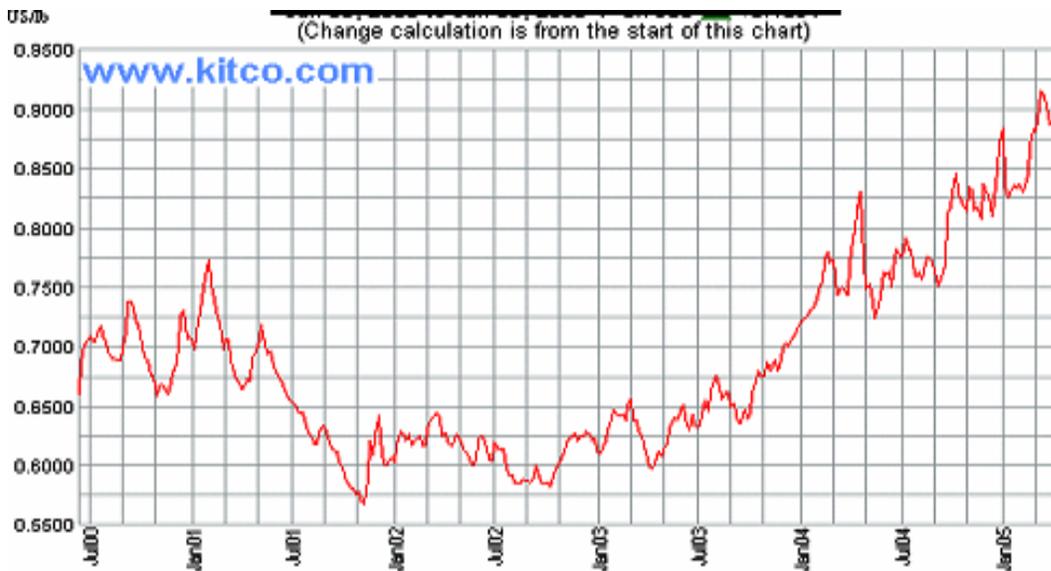
The sale of ENERMEX and the good results obtained in 2004 allowed IMSA to lower its debt substantially. The company still keeps good profit and efficiency ratios.

COMPANY RISKS

- **Raw materials' cost**

Margins have been punished by the energy tendency to rise, as well as steel, aluminum and scrap metal..

5 Year Aluminum



Macro economic factors

A weak growth is expected from the US and as a result for Mexico as well. IMSA is in a cyclical sector, dependent on factors like GDP growth, interest rates and public expenditure policies.

INVESTMENT SUMMARY

The evaluation process of IMSA's stock was performed using the DCF methodology and Relative Valuation with ratios of similar companies; the weights were equal for both methods.

For the first method, the discount rate applied was 13.96% annual, which is the result of its WACC. To obtain the cost of capital the CAPM model was used.

For the DCF, the target price obtained was \$26.73, which implies an upside of 8%.

The method using relative valuation considered the following companies: Worthington, Gibraltar, Hylsamex and Ryerson. The P / EBITDA ratio implied a target price of \$29.10 and an upside of 17%.

After applying both valuation methods, the average obtained was \$27.9, with a 12.9% increase of the current price of \$24.7, which generates a **Market Perform** recommendation.