

**News at a Glance**

**India tightens regulation on shredded scrap imports:** India has made it compulsory for importers of shredded scrap to furnish a Pre Shipment Inspection (PSI) certificate stating that the cargo does not contain any radioactive material. The regulation will be effective for bills of lading dated on and after 23 March, according to a notification published this week by the Directorate General of Foreign Trade (DGFT) of India's commerce ministry.

India has also banned imports of all scrap – except shredded – from Hodaideh in Yemen and Bandar Abbas in Iran.

**World steel output dropped 22% in February:**

| <b>Crude steel output</b>  |          |              |              |          |
|----------------------------|----------|--------------|--------------|----------|
| '000 t. Source: Worldsteel |          |              |              |          |
|                            | Feb 2009 | Jan-Feb 2009 | Jan-Feb 2008 | % change |
| EU 27                      | 10,060   | 19,881       | 34,858       | -43.0    |
| Other Europe               | 1,973    | 4,141        | 5,328        | -22.3    |
| CIS                        | 6,938    | 13,515       | 20,946       | -35.5    |
| N. America                 | 5,187    | 10,756       | 22,909       | -53.0    |
| S. America                 | 2,430    | 4,849        | 7,969        | -39.1    |
| Africa                     | 1,033    | 2,100        | 3,001        | -30.0    |
| Mid. East                  | 1,338    | 2,565        | 2,631        | -2.5     |
| Asia                       | 54,552   | 111,609      | 121,755      | -8.3     |
| Oceania                    | 338      | 851          | 1,442        | -41.0    |
| Total 66 countries         | 83,848   | 170,268      | 220,839      | -22.9    |

China was the only major steelmaking country to show a year-on-year increase in crude steel production in February. Total production by the 66 countries reporting to the World Steel Association was 83.8m tonnes, less than January's 86.4m t and 22% below the 107.5m t produced in February last year. India is the world's third-largest steelmaking country so far this year, as its February output of 4.1m t was down only 11.5% year-on-year.

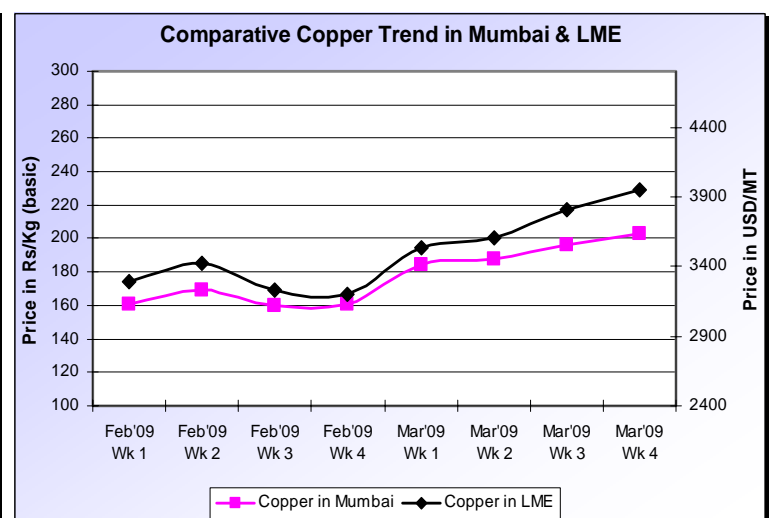
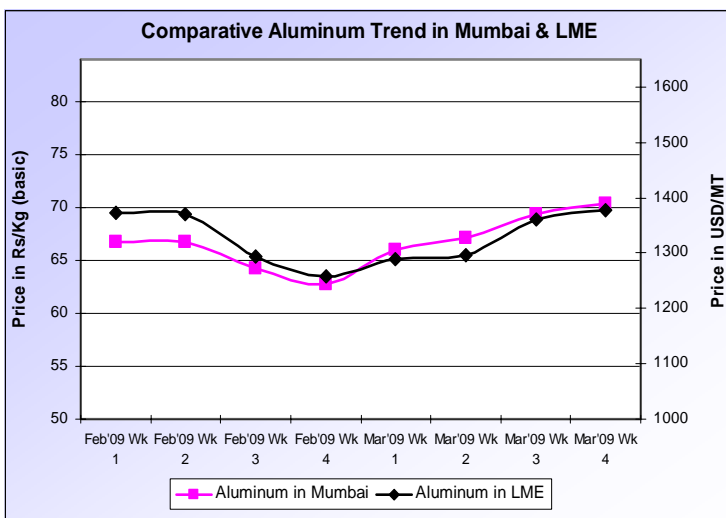
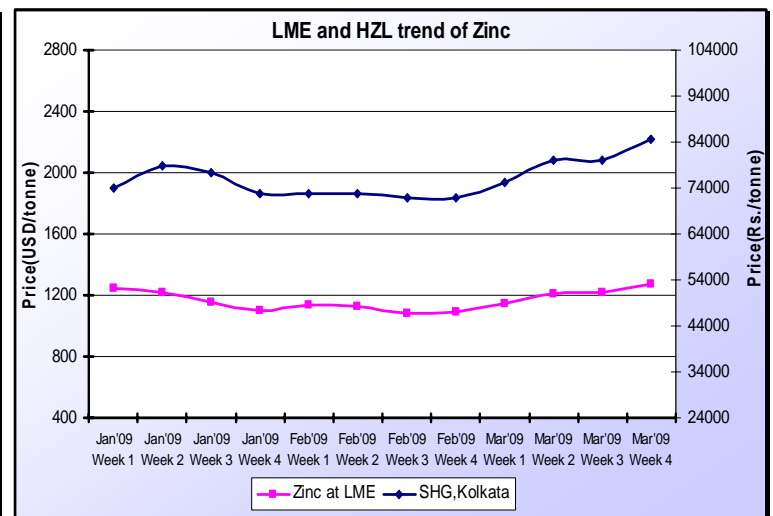
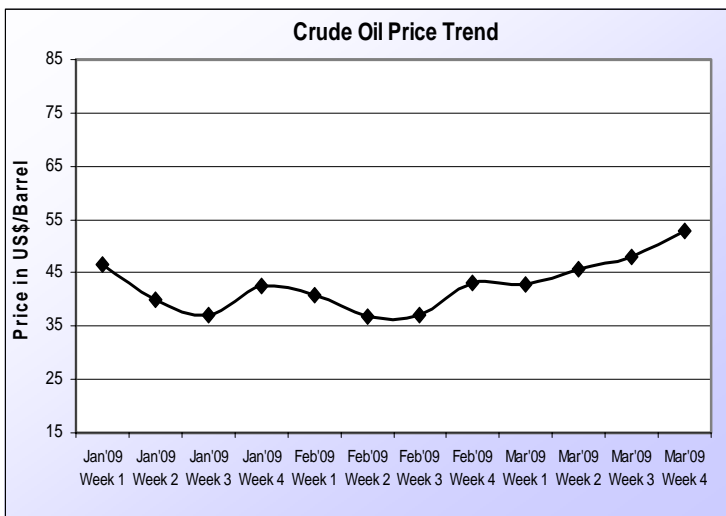
**Ship-breaking is booming in India:** Alang in Gujarat, the world's largest ship-breaking facility, is booming as low freight rates and lack of business due to recession is forcing many international ship liners to scrap their ships. A global economic slowdown has hit industries ranging from automakers to investment banks, but in one small town on the western coast of India, business is at record levels and workers can hardly keep up with demand. In Alang, on the coast of Gujarat State, home to world's largest ship-breaking facility, the financial year to April will be one of the best ever, as a slowdown in global trade and lower freight rates mean that ships are being scrapped faster. But there is a flip side. Activists fret that the booming business will encourage disregard for safety and environmental guidelines, which they say ship breakers are already flouting.

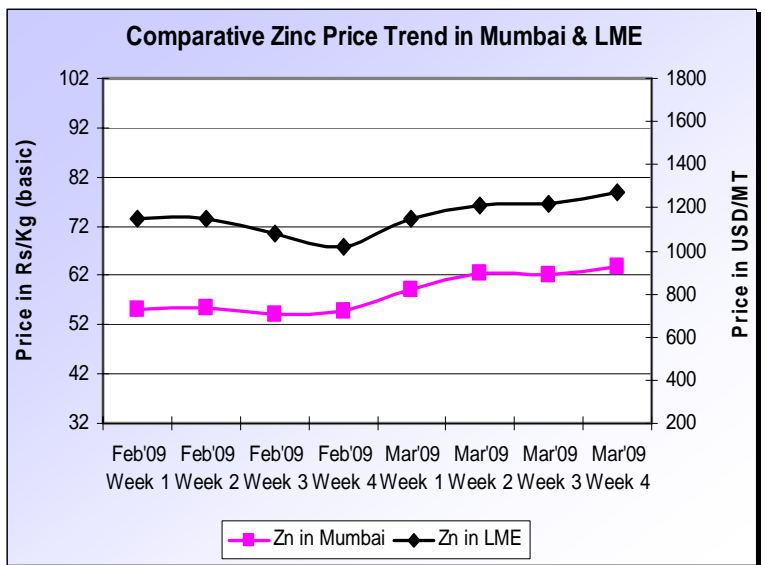
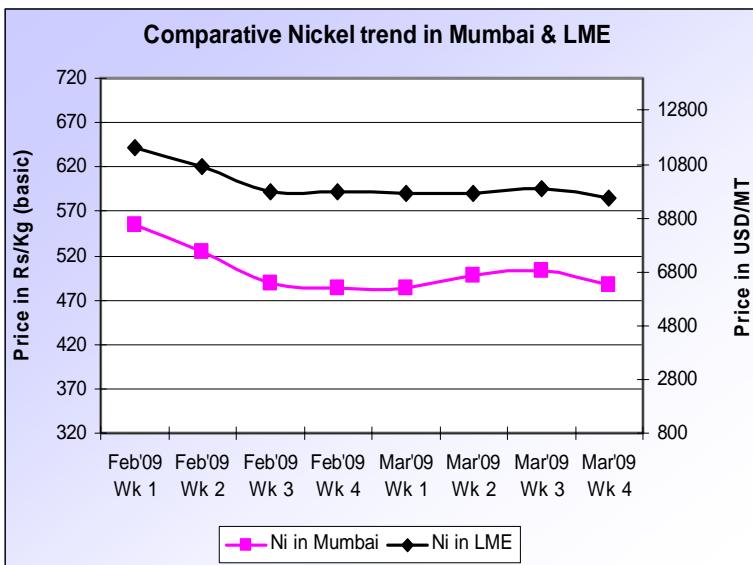
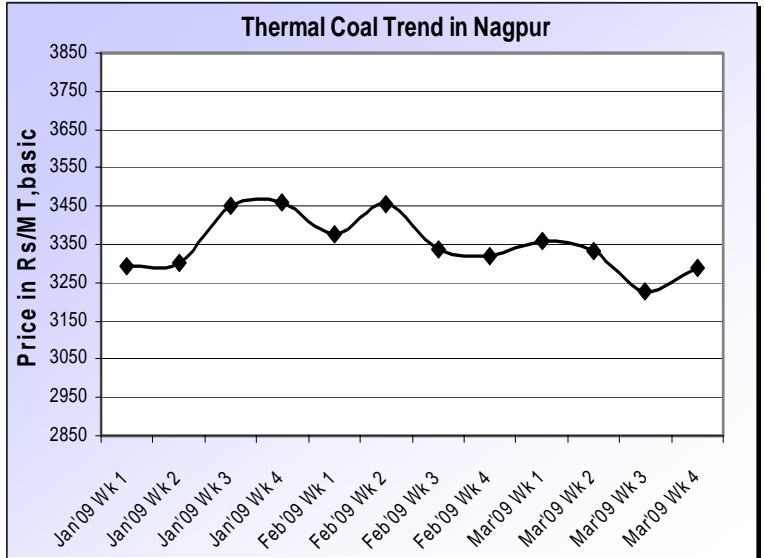
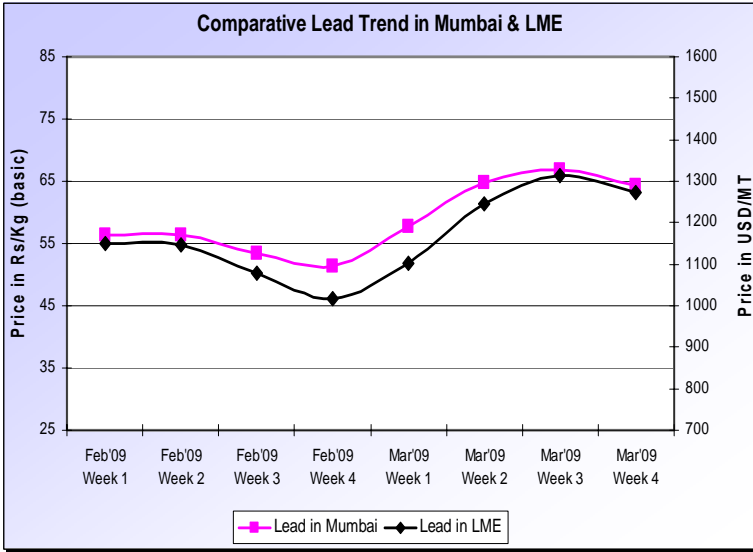
Metals saw some improvement both at London Metal Exchange and in the domestic market.

**Zinc** prices saw a significant improvement both in the domestic and in the international market in the first week of March. Zinc in LME rose by more than 5.3 per cent as compared to the last week of

February while zinc in Mumbai market increased by more than 7.5 per cent with the demand situation improving slightly in the market. In the 2nd & 3rd week of March, zinc at both LME and Mumbai exhibited a firm price trend. In the March Week 04, zinc in LME witnessed an increase of nearly 4 per cent as compared to the week before and prevailed at USD 1300/MT on 31st March, 2009 whereas over the same period in Mumbai, zinc reflected a rise more than 3 per cent and prevailed at 66.25/Kg (basic) on March 31, 2009.

The month of March saw some improvement in the **Crude oil** prices all over the world with the slump in the supply from OPEC which reined the decelerating oil prices to some extent. Crude oil prices remained stable in the first week of March as not much movement of the market forces was observed in the international crude oil market. Oil prices started moving northward from the 2nd week of March, evident from the 6 per cent over a week rise in the price of NYMEX Crude oil in the international market. The crude oil prices further strengthened in the March Week 03 on the backdrop of tight supply and ameliorating demand conditions. The final week of March exhibited a rising trend for the crude oil prices in the international market as the demand was gradually picking up as compared to that of the previous months and the NYMEX Crude oil depicted a rise of more than 9 per cent over a week and an increase of nearly 15.5 per cent over a fortnight. On 31st March, 2009; NYMEX Crude Oil prevailed at USD 49.66/barrel in the world oil market.





**CRU Index Behaviour (Source: www.cruspi.com)**

| Index         | Dec'08 | % Change (M-M) | Jan'09 | % Change (M-M) | Feb'09 | % Change (M-M) | Mar'09 | % Change (M-M) | % Change (Y-Y) |
|---------------|--------|----------------|--------|----------------|--------|----------------|--------|----------------|----------------|
| Global        | 155.15 | -15.20         | 158.69 | 2.30           | 152.55 | -3.90          | 141.24 | -7.40          | -36.40         |
| North America | 157.93 | -15.60         | 156.69 | -0.80          | 148.75 | -5.10          | 139.53 | -6.20          | -28.40         |
| Europe        | 160.33 | -8.40          | 152.87 | -4.70          | 146.79 | -4.00          | 134.82 | -8.20          | -32.30         |
| Asia Steel    | 150.65 | -18.50         | 163.09 | 8.30           | 157.97 | -3.10          | 145.80 | -7.70          | -41.80         |
| Longs         | 174.48 | -19.50         | 192.77 | 10.50          | 179.16 | -7.10          | 167.06 | -6.80          | -33.40         |
| Flats         | 145.56 | -12.40         | 141.77 | -2.60          | 139.34 | -1.70          | 128.42 | -7.80          | -38.10         |
| Metallics     | 187.88 | 31.30          | 198.96 | 5.90           | 181.90 | -8.60          | 157.22 | -13.60         | -50.60         |
| Stainless     | 131.34 | -13.70         | 119.23 | -9.20          | 105.85 | -11.20         | 120.56 | 13.90          | -37.70         |

As the global economy continues to weaken, demand for finished steel has continued to fall in all major markets, and the pace of decline in prices has picked up again after moderating over the first two months of the year. The *CRUs<sup>pi</sup> long* products index has fallen further over the past month, as continuing economic weakness has fed through into lower demand and therefore lower prices. After declining only marginally in February, the *CRUs<sup>pi</sup>* for *steel sheet* has dropped 8 percent this month, with price falls gathering pace in almost all regions. With underlying demand dead in the water and with destocking pressures remaining in many regions, the next move for sheet prices is likely to be downwards once more. The metallic market continued to remain grim with month on month *CRUs<sup>pi</sup>* index showing a negative change of around 14 percent.



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## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario

**Flat product market** conditions continued to remain weak. The demand of CRC remained weak in Mumbai market, with the shortage of production orders from downstream industries, and the price saw a further decrease. Price of SPCC 1.0mm prevailed at around Rs. 30,500/tonne (basic) in the first week, dropping slightly by Rs. 500/tonne as compared to that of the last week. The HRC and Steel Plate market in Mumbai saw no progress, with the still weak demand and stable price. Prices of IS2062 5.5mm HRC continued to prevail at Rs.28,000/tonne, basic in the second week. The month ended on a sluggish note with prices of CRC prevailing at Rs.30,500/tonne, basic. Moreover, the end of the financial year brought in no new hopes of fresh purchases as most of the buyers remained away from buying and stocking of material.

**Long product market** experienced a downtrend throughout the month with sentiment remaining poor. After experiencing a slightly improved price scenario in the concluding week of February, the Ingot and melting scrap across the country exhibited a slightly softened price trend in the last two to three of the first week of March. Both Ingot and Melting scrap prices across the country suffered a price fall in the range of 1 to 1.7 per cent on average over a week. The week ended on a dropping note of Rs.200 to Rs.400/tonne for Ingot at various places. The market of wire rod continued to remain stagnant due to weak demand from the end users under the backdrop of global financial crisis. The market price of low carbon wire rod was in the range of Rs. 28,000-29,000/tonne (basic) in India in the second week. The market of angle steel remained inactive due to weak downstream demand under the backdrop of economic slow down throughout the world. The market price of angle steel Q235 25-100mm was in the range of Rs. 29,000-30,000/tonne (basic) in India in the third week. The steel market across the country remained softened in the third week of March as the demand in the market continues to remain low and slow. Over a week Ingot prices at various places exhibited a drop in the range of 2 to 3 percent over a week. Melting scrap at Mandi Govindgarh too depicted a declining trend in the last week depicting a drop of nearly 4 per cent over a week. The month ended on a negative note with prices seeing a further drop. The price of TMT bars slumped by nearly 8% over a week due to lack of demand under the backdrop of world economic recession. The market price of TMT bar was in the range of Rs. 24,000-26,000/tonne (basic) in India towards the end of the month. On the other hand, the market price of wire rod went down by about 7% over a week because of scarce demand from end users affected by global financial crisis and prices prevailed in the range of Rs. 26,500-28,000/tonne (basic).

#### **Price Trend as observed in the Auctions held at Metal Junction for Flat Products:**

Attached below is the data table:

| Week        | Cobble Plate | Def.HR Plate | Semi Rolled Plate | SRP Coil Form | Def Plate | HR Sheet Cutting |
|-------------|--------------|--------------|-------------------|---------------|-----------|------------------|
| Feb'09 Wk 1 | 25204        | 22450        | 22960             | 23690         | 19656     | 16200            |
| Feb'09 Wk 2 | 24901        | 21750        | 23492             | 24317         | 20876     | 18857            |
| Feb'09 Wk 3 | 23540        | 21787        | 23087             | 23754         | 20381     | 18866            |
| Feb'09 Wk 4 | 21541        | 22442        | 24816             | 25750         | 21507     | --               |

|             |       |       |       |       |       |       |
|-------------|-------|-------|-------|-------|-------|-------|
| Mar'09 Wk 1 | 24546 | 22691 | 23608 | 24765 | 21527 | 20245 |
| Mar'09 Wk 2 | 26171 | 21231 | 22993 | 23459 | 21413 | 16415 |
| Mar'09 Wk 3 | 25790 | 22474 | 22694 | 23432 | 21569 | 15450 |
| Mar'09 Wk 4 | 25812 | 22233 | 22362 | 23874 | 22109 | 16850 |

**Percent change (m-m & y-y basis):**

| Products          | Feb'09 Price (Avg.) | Mar'09 Price (Avg.) | % change (Mar'09 over Feb'09) | % change (Mar'09 over Mar'08) |
|-------------------|---------------------|---------------------|-------------------------------|-------------------------------|
| Cobble Plate      | 23797               | 25580               | 7.49                          | -23.76                        |
| Def HR Plate      | 22107               | 22157               | 0.22                          | -23.55                        |
| Semi Rolled Plate | 23589               | 22914               | -2.86                         | -24.24                        |
| SRP Coil Form     | 24378               | 23883               | -2.03                         | -21.61                        |
| HR Sheet Cutting  | 17974               | 17240               | -4.09                         | -33.18                        |

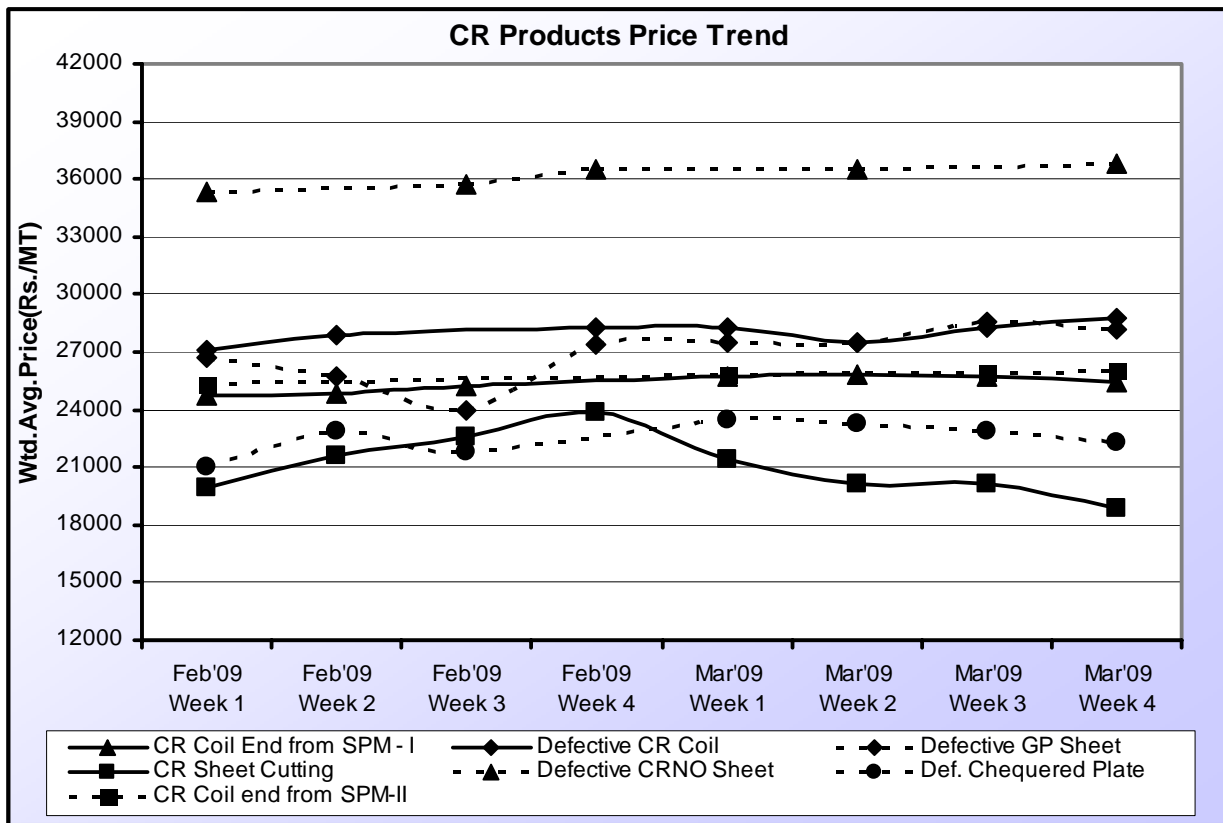
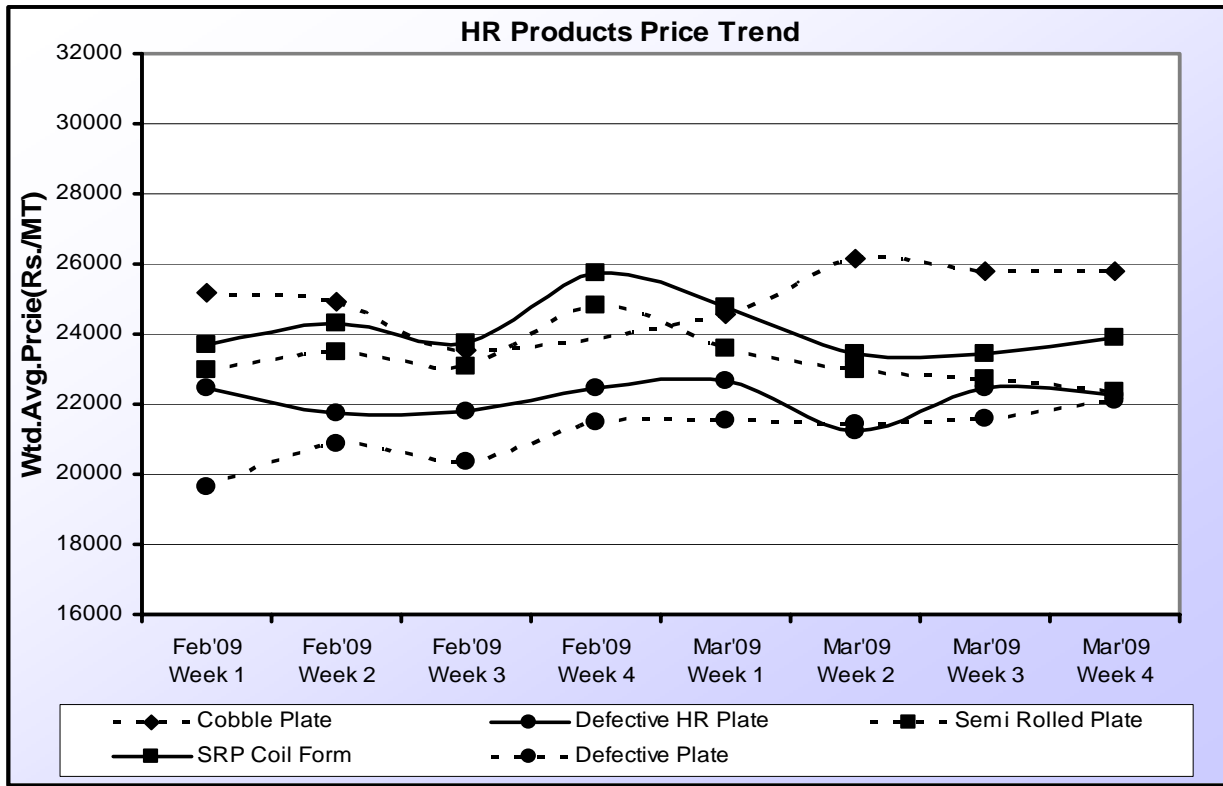
**Attached below is the data table:**

| Week        | CR Coil End From SPM-I | Def Chequered Plate | CR Sheet Cutting | Def CR Coil | Def CRNO Sheet | Def GP Sheet |
|-------------|------------------------|---------------------|------------------|-------------|----------------|--------------|
| Feb'09 Wk 1 | 24700                  | 21050               | 19985            | 27064       | 35325          | 26750        |
| Feb'09 Wk 2 | 24881                  | 22914               | 21611            | 27851       | --             | 25684        |
| Feb'09 Wk 3 | 25250                  | 21817               | 22601            | --          | 35726          | 24000        |
| Feb'09 Wk 4 | --                     | --                  | 23867            | 28322       | 36500          | 27402        |
| Mar'09 Wk 1 | 25734                  | 23497               | 21457            | 28319       | --             | 27444        |
| Mar'09 Wk 2 | 25820                  | 23250               | 20144            | 27500       | 36476          | 27527        |
| Mar'09 Wk 3 | 25726                  | 22843               | 20140            | 28316       | --             | 28550        |
| Mar'09 Wk 4 | 25453                  | 22327               | 18850            | 28729       | 36825          | 28178        |

**Percent change (m-m & y-y basis):**

| Products               | Feb'09 Price(Avg) | Mar'09 Price(Avg) | % change(Mar'09 over Feb'09) | % change(Mar'09 over Mar'08) |
|------------------------|-------------------|-------------------|------------------------------|------------------------------|
| CR Coil End from SPM-I | 24944             | 25683             | 2.97                         | -16.82                       |
| Def CR Coil            | 27746             | 28216             | 1.69                         | -3.59                        |
| Def GP Sheet           | 25959             | 27925             | 7.57                         | -13.08                       |
| CR Sheet Cutting       | 22016             | 20148             | -8.49                        | -26.74                       |
| Def CRNO Sheet         | 35851             | 36651             | 2.23                         | -0.99                        |

Following graphs show the price trend observed in the auction services of [www.metaljunction.in](http://www.metaljunction.in) for the month of Feb 2009 & Mar 2009 for different HR and CR products.



Price in Rs./t is basic

**Outlook:** The flat steel market conditions have remained stable beginning of March with demand remaining more or less stable. The prices of HR Coil in Mumbai market continued to prevail stable at Rs. 28,000/MT (basic) for over a month while steel plate in Mumbai prevailed at Rs. 29,000/MT (basic), almost a stable trend. However, the market received a set back beginning of third week with Steel Plate and CR Coil prices dropping by Rs.1000/tonne on an average. CR Coil in Mumbai market prevailed at Rs.30,500/tonne (basic) in the end of the month.

The overall demand situation in the market remained sluggish. This ongoing sparse demand situation in the market is unable to provide any up thrust to the steel prices in the domestic steel market and the domestic prices have remained softened for more than a month now. The auction platform has also remained aligned with the domestic market with prices remaining more or less stable throughout the month. The Export – Import market conditions have remained softened with export price of Heavy Plate seeing a drop of 60 USD/tonne over a month, import price of HR Coil seeing a drop of 10 USD/tonne. The coming days are expected to see a stable market condition with the beginning of New Financial Year.

**Price Trend as observed in the Auctions held at Metal Junction for Long Products:**

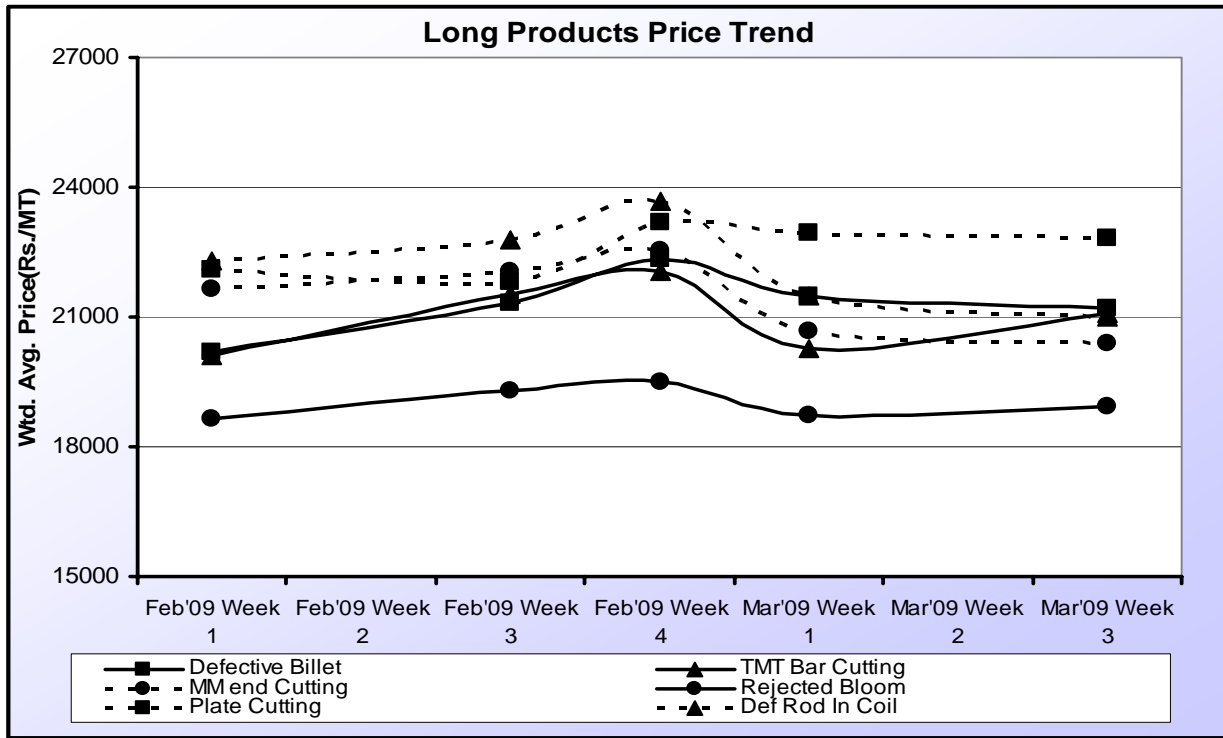
Attached below is the data table:

| Week        | Def Billet | TMT Bar Cutting | MM End Cutting | Rej Bloom | Plate Cutting | Def Rod In Coil |
|-------------|------------|-----------------|----------------|-----------|---------------|-----------------|
| Feb'09 Wk 1 | 20196      | 20114           | 21664          | 18657     | 22082         | 22311           |
| Feb'09 Wk 2 | --         | --              | --             | --        | --            | --              |
| Feb'09 Wk 3 | 21336      | 21535           | 22056          | 19300     | 21828         | 22774           |
| Feb'09 Wk 4 | 22357      | 22038           | 22533          | 19494     | 23206         | 23667           |
| Mar'09 Wk 1 | 21496      | 20281           | 20679          | 18746     | 22955         | 21485           |
| Mar'09 Wk 2 | --         | --              | --             | --        | --            | --              |
| Mar'09 Wk 3 | 21196      | 21075           | 20374          | 18936     | 22813         | 21000           |
| Mar'09 Wk 4 | --         | --              | --             | --        | --            | --              |

**Percent change (m-m & y-y basis):**

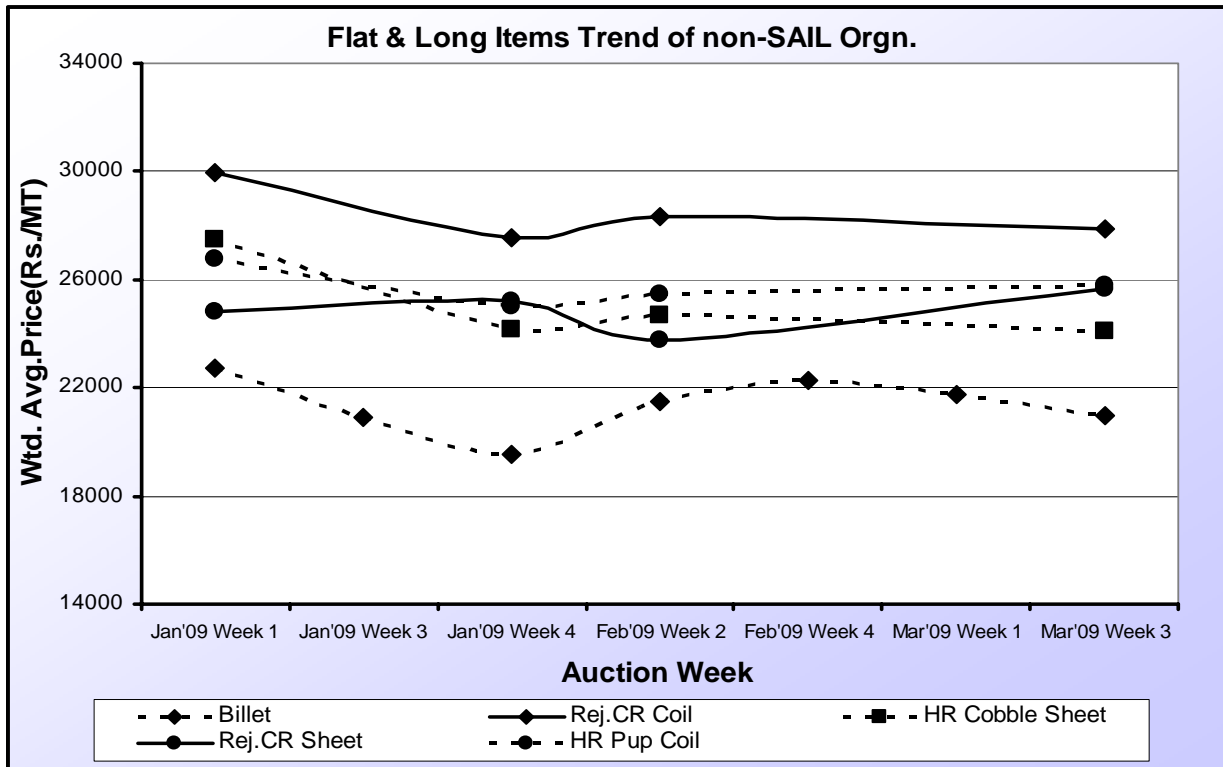
| Products        | Feb'09 Price(Avg.) | Mar'09 Price(Avg.) | % change(Mar'09 over Feb'09) | % change(Mar'09 over Mar'08) |
|-----------------|--------------------|--------------------|------------------------------|------------------------------|
| Def Billet      | 21297              | 21346              | 0.23                         | -31.00                       |
| MM End Cutting  | 22084              | 20526              | -7.05                        | -29.00                       |
| Plate Cutting   | 22372              | 22884              | 2.29                         | -26.00                       |
| Rejected Bloom  | 19150              | 18841              | -1.62                        | -29.00                       |
| TMT Bar Cutting | 21229              | 20678              | -2.59                        | -28.00                       |
| Def Rod in Coil | 22918              | 21243              | -7.31                        | -35.00                       |

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Feb 2009 & Mar 2009 for different long products.



Price in Rs./t is basic

**The graph below indicates the price trend of Flat & Long items auctioned from non-SAIL organizations**



Price in Rs./t is basic

**Outlook:** Though the last week of February saw a slightly northwardly movement in the ingot prices across the country but this price improvement was not sustained in March Week 1 as the ingot prices across the country slightly softened in the range of 1 to 1.7 per cent over a week on an average. Melting scrap in Mandi Govindgarh also exhibited a marginal sliding trend over a week with the prices dwindling by 1.30 per cent after witnessing some improvement in the last week of February. The 2<sup>nd</sup> week of March didn't witness any significant turn around in the domestic steel market and the market continued its downward trend across the various segments of the long steel sector across the country. Moreover, with the Holi festival being celebrated all across the country it seemed to have played a dampening role for the steel demand. March Week 03 began on a downward note with the ingot prices at various places of the country moving further southward. Over a week Ingot prices at various places exhibited a drop in the range of 2 to 3 percent. Finished product prices across various places also depicted a downward trend with prices dropping in the range of Rs. 800 to Rs.1000/tonne. Melting scrap at Mandi Govindgarh too depicted a declining trend; a drop of nearly 4 per cent over a week and prevailed around Rs. 20,760/MT (incl. ED) on 21<sup>st</sup> March. The final week of FY 2008-09 remained by and large dormant with hardly any major movement being noticed in prices and consumption pattern. Ingot price movements across the country were sluggish over a week and to some extent depicted a softening tendency over a week (an average price drop of 1 to 2 per cent across various places). The auction platform depicted a declining trend across various items and has exhibited a negative drop over a year. In the prevailing scenario, the long products market is expected to remain a bit softened with demand still remaining sluggish in the market and a clear picture is still awaited till the month of June.

### **Vizag Steel Plant Prices:**

| Items    | Dimension (in mm) | Grades         | w.e.f. 09.03.09 | w.e.f. 23.02.09 | w.e.f. 07.01.09 |
|----------|-------------------|----------------|-----------------|-----------------|-----------------|
| Billet   | 125x125           | IS 2830        | 26000           | 25750           | 25750           |
| Billet   | 65x65             | IS 2831        | 26150           | 25900           | 25900           |
| Bloom    | 320x250           | WT             | 25800           | 25550           | 25550           |
| Channel  | 150x75            | IS 2062 Grd A  | 34150           | 34150           | 34150           |
| Rebar    | 16                | IS 1786 Fe 415 | na              | na              | 30050           |
| Rebar    | 16                | IS 1786 Fe 500 | 31800           | 31050           | 31050           |
| Rebar    | 8                 | IS 1786 Fe 415 | na              | na              | 29750           |
| Rebar    | 8                 | IS 1786 Fe 500 | 31500           | 30750           | 30750           |
| Round    | 40                | IS 2062 Grd A  | 29450           | 29450           | 30450           |
| Wire Rod | 7                 | PC 115         | 32450           | 32450           | 32450           |
| Wire Rod | 8                 | IS 7887        | 31150           | 30150           | 30150           |

N.B. Vizag Steel Prices (Post discount), Price in Rs/MT, incl. ED & excl. VAT

### **International Scenario**

**Asia:** Market remained depressed. Buyers have lost confidence; they would rather wait and see. Demand for imported CRC is very weak. Sentiment in East Asian steel markets has worsened in recent weeks because of uncertainties over when demand might recover the continued poor health of the regional and global economies, and falling steel and raw material prices. Tight credit availability continues to plague trading in the region. Also changing trading patterns are measures by governments to support their steel industries and safeguard home markets, such as Indonesia's recent regulation of steel imports.

Traders are also concerned by the incidence of renegotiated steel contracts and of steel cargoes being rejected because steel prices have fallen ahead of arrivals. This will delay recovery in the regional markets. Spot prices for rebar imported into East Asia were at \$400/tonne cfr as demand was just not there. Plate import market also remained quiet in SE Asia with interest from suppliers remaining weak. Ukrainian material was last concluded at \$565/tonne cfr, and Indonesian and Indian origin material at \$550-560/t cfr.

**China:** The market has been on a downtrend with prices heading further South. Chinese domestic hot rolled coil prices have been dropping quickly while wire rod market prices have continued to slip amid a new round of price cuts by producers. Weak demand is not helping to reduce stocks and is generally creating a negative atmosphere in the market. The import and export markets of China had low activity due to softer overseas demand and slow domestic markets. On Shanghai markets, commercial grade 4.75 mm to 12 mm x 1500 mm hot rolled coil was priced 3280 Chinese yuan per ton to 3300 Chinese yuan per ton in the second week which marks a decline of 20 Chinese yuan per ton as compared to the previous week. Slab prices saw further cut towards the end of the month. As slab prices are affected by the price collapse and the production cuts in the downstream HRC and plate market, so slab can not show any recovery in a short term, according to sources.

**CIS:** Market remains dull with hardly any buying activity prevailing in the market. HRC prices prevailed in the range of 400-420 USD/tonne cfr China. Prices of billet offered for export from Russia and Ukraine appear to have hit the bottom. Billet appears to have changed hands at \$270-310/t fob Black/Baltic Sea in the third week. Wire rod prices weaken with limited supply and SBB forecasts prices to prevail in the range of 350-400\$/tonne fob Black/Baltic Sea in the coming month Long-term demand prospects continue to remain weak.

**US:** The market continued to behave negatively across various products. Prices of hot dipped galvanized steel declined on a continuous pace in accordance with those of base metal prices and ruled at US\$784 per ton to US\$838 per ton in the second week of the month. Scrap prices slid again in United States of America which drove the tariffs of wire rod downward. The current market position has reached its bottom and prices shall not be declining too much any further. The domestic pricing in United States of America slid by US\$22 per ton as compared to those of previous week. The prices of low carbon content wire rods stood at approximately US\$595 per ton to US\$617 per ton in the second week. The US rebar market continued to be soft with mill fob prices prevailing at around \$500-510 a short ton in the third week. The month ended on a negative note with coil prices still remaining low and HR Coil price seeing the biggest fall, averaging at \$450 per short ton, fob mill.

**Europe:** The European market remained dull throughout the month. Merchant bar prices in north-west Europe have continued to fall, and are down a further €20-30/tonne since early February. Prices remain under pressure, as buyers anticipate further falls in scrap costs, and demand is poor. Imported plate prices are dipping further in southern Europe; with purchases still few and far between. Domestic demand still remains low, which in turn affects imported volumes. "Everything is a total disaster. A few transactions are made here and there, but on the whole the plate market has stopped. The situation is a lot worse in Spain than it is in Italy," says a Spanish trader. Current plate prices in the region have lowered and are between the €600-700/tonne ex-works mark. Construction activity continues to remain depressed with activity in the European Union falling by 7.3% in January compared with the same month in 2008. Strip product prices in southern Europe have dipped again this month with exports also faltering. April is not expected to be fruitful as in other years and the overall year is not looking good.

**The table gives an overview of price movement in flat & long steel sector:**

**FLAT**

|                                      | <b>Jan-09</b> | <b>Feb-09</b> | <b>Mar-09</b> | <b>Apr-09*</b> |
|--------------------------------------|---------------|---------------|---------------|----------------|
| <b>N.Europe domestic</b>             |               |               |               |                |
| HRC - Ex-Works €/t                   | 455-535       | 438-506       | 415-477       | na             |
| CRC - Ex-Works €/t                   | 520-590       | 510-559       | 482-525       | 450-510        |
| HDG - Ex-Works €/t                   | 555-635       | 540-610       | 495-545       | 485-545        |
| <b>S.Europe domestic</b>             |               |               |               |                |
| HRC - Ex-Works €/t                   | 380-410       | 350-400       | 340-400       | 340-400        |
| CRC - Ex-Works €/t                   | 420-500       | 420-500       | 390-450       | 390-450        |
| HDG - Ex-Works €/t                   | 480-520       | 480-520       | 470-520       | 470-520        |
| <b>N.America domestic</b>            |               |               |               |                |
| HRC - FOB US Midwest mill \$/s.ton   | 505-525       | 500-520       | 445-490       | na             |
| CRC - FOB US Midwest mill \$/s.ton   | 560-600       | 560-600       | 560-580       | 540-560        |
| HDG - FOB US Midwest mill \$/s.ton   | 660-700       | 660-700       | 600-660       | 600-640        |
| <b>China domestic</b>                |               |               |               |                |
| HRC - Shanghai (incl. 17% vat) RMB/t | 3625-3675     | 3630-3650     | 3288-3328     | na             |
| CRC - Shanghai (incl. 17% vat) RMB/t | 4258-4323     | 4378-4438     | 4055-4085     | na             |
| HDG - Shanghai (incl. 17% vat) RMB/t | 4600-4620     | 4450-4500     | 4050-4100     | na             |
| <b>China export</b>                  |               |               |               |                |
| HRC - FOB Shanghai \$/t              | 570-580       | 550-560       | 490-500       | na             |
| CRC - FOB Shanghai \$/t              | 640-650       | 590-600       | 520-530       | na             |
| HDG - FOB Shanghai \$/t              | 630-640       | 600-610       | 580-600       | na             |
| <b>East Asia Import</b>              |               |               |               |                |
| HRC - CFR \$/t                       | 475-488       | 468-484       | 388-422       | 380-410        |
| CRC - CFR \$/t                       | 540-580       | 540-560       | 500-550       | 480-520        |
| HDG - CFR \$/t                       | 700-730       | 680-710       | 630-650       | 630-650        |

**LONG**

|  | <b>Jan-09</b> | <b>Feb-09</b> | <b>Mar-09</b> | <b>Apr-09*</b> |
|--|---------------|---------------|---------------|----------------|
| <b>Europe domestic</b>                                 |               |               |               |                |
| Medium sections - delivered €/t                        | 450-650       | 400-615       | 400-540       | na             |
| Rebar - delivered €/t                                  | 400-480       | 330-420       | 320-350       | 320-350        |
| Wire Rod (mesh quality) - delivered €/t                | 400-460       | 340-400       | 340-360       | na             |
| <b>N.America domestic</b>                              |               |               |               |                |
| Rebar - FOB US Midwest mill \$/s.ton                   | 610-625       | 500-530       | 505-515       | na             |
| Wire Rod (mesh quality) - FOB US Midwest mill \$/s.ton | 880-900       | 620-640       | 590-610       | na             |
| <b>China domestic</b>                                  |               |               |               |                |
| Rebar - Shanghai (incl. 17%                            | 3600-3620     | 3575-3600     | 3178-3200     | na             |

|   |           |           |           |         |
|---|-----------|-----------|-----------|---------|
| vat) RMB/t  |           |           |           |         |
| Seamless Pipe(219mm*6mm) - Shanghai (incl. 17% vat) RMB/t | 5150-5250 | 5088-5163 | 4575-4650 | na      |
| <b>China export</b>                                       |           |           |           |         |
| Wire Rod (drawing quality) - FOB Shanghai \$/t            | 550-650   | 560-590   | 560-590   | na      |
| <b>East Asia Import</b>                                   |           |           |           |         |
| Rebar CFR \$/t  | 450-470   | 473-485   | 414-428   | 410-420 |
| Wire Rod(mesh quality)-CFR \$/t                           | 450-460   | 480-490   | 430-470   | 430-460 |
| <b>Black Sea Export</b>                                   |           |           |           |         |
| Rebar FOB \$/t  | 430-500   | 390-480   | 370-430   | 350-380 |
| Wire Rod(mesh quality)-CFR \$/t                           | 430-500   | 400-480   | 350-420   | 350-400 |

Note: 1 RMB=0.15US\$, \*: SBB Forecast

## Outlook

**Hopes of quick recovery receding:** With economic conditions continuing to worsen, demand is expected to remain weak, especially as stimulus packages are not expected to have much effect for some months.

Mill outages continue in the US, with operating levels now under 50 percent. There is still negative pressure on transaction prices as sales fail to recover. All the major steel consuming sectors are affected by the financial and economic crisis - from construction through to manufacturing and particularly the auto industry. Moreover, distributors are buying very little as they wait to see some pick up in consumption. Although holes are appearing in inventories, they are not being filled.

Chinese values have been on a downward trend for the majority of the last month. However, having lifted production at the start of the year, local mills have begun to cut output again in response to the re- emergence of excess supply. Additionally, the government's policies aimed at boosting consumption should start to revive demand in the near future. Steel exports continue to contract and overseas sales of manufactured goods are declining because the main destinations, Europe, US and South Korea, have been severely hit by the global downturn. Cheap steel imports, especially from Russia and Ukraine, are putting a strain on the domestic market.

In Western Europe, the mills are curbing capacity but market players question whether the cuts are sufficient. Distributors are still destocking because sales to end-users are so poor that the whole process is taking much longer than anticipated. Credit issues are exacerbating an already dismal demand situation. The producers have held back from making official announcements for the second quarter. They lowered prices for March output, amidst weak demand, financial uncertainty and severe competition for the small amounts of business that were available.

The overall scenario still remains grim in the international market with conditions not expected to improve in the short-term.

**Indian steel demand likely to surge after June – Deloitte:** It is reported that domestic steel demand is likely to recover by the Q1 of the next fiscal on the back of a rise in construction activity pushed by the stimulus packages announced by the government. Mr Kumar Kandaswami senior director of Deloitte India said that "Post June, demand for steel is likely to pick up as construction activity may improve especially in rural and semi-urban areas." Mr Kandaswami, however, said that the real impact of the stimulus packages would be visible when the policy initiatives taken by the government actually help projects to get implemented. With the government allowing state run infrastructure financing firm IIFCL to raise INR 40,000 crore through tax free bonds for refinancing PPP projects, as part of its fiscal packages, steel demand is likely to look upwards.

Overall, the domestic steel market is expected to remain stable in the short-term. No significant price movement is expected till June'09.

**Data Sources:**

- 1) NCDEX
- 2) Steel Town Weekly, Mandi Govindgarh
- 3) Steel Business Briefing
- 4) Metal Bulletin
- 5) MEPS
- 6) Asian Metal
- 7) Steel Trade Intelligence



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## STEEL INDUSTRY MARKET SCENARIO

### SCRAP

#### Domestic Scenario

**Steel Scrap:** After witnessing slight improvement in the end of February, the beginning of March saw a drop in ingot prices in the range of Rs.200 to 400/tonne at various places.

Market conditions remained quiet amidst weak demand. The month of March has not shown any significant price movement for the metallic and over a fortnight a softened trend has continued with prices varying in the negative range of 2 to 4%.Ups and downs still continues to grip the steel market at present.

Sponge Iron market has also not made any significant movement with prices remaining almost stable over a week and over a fortnight. While the Melting Scrap market has behaved negatively over a fortnight with prices dropping by almost 3 percent. Over a week there has been a fall of 2 percent in prices at Mandi Govindgarh market in the second week. The steel market across the country remained softened in the third week of March as well as the demand in the market continued to remain low and slow. Over a week Ingot prices at various places exhibited a drop in the range of 2 to 3 percent. Melting scrap at Mandi Govindgarh too depicted a declining trend; a drop of more than 3.5 per cent was noticed. The month ended on a negative note due to sluggishness in demand owing largely to the buyers go slow attitude before the beginning of the new Financial Year.

**Stable demand, prices for Indian scrap imports:** Indian import prices and demand for shredded and heavy melting steel scrap have been relatively stable over the past month mainly due to the sluggishness of demand over the said period. The selling prices of HMS 1&2 80:20 have been hovering at around USD 255-265/tonne cfr based on quality of the scrap, its origin and reliability of the seller. According to trading sources in Kolkata, an offer for containerized scrap is around 20,000 tonne of HMS 80:20 sold while the offer of whole or broken into smaller quantities is hovering around USD 260/tonne cif Kandla and Nhava Sheva ports.

**Indian domestic coke prices stable:** Over the past month, domestic prices for low ash metallurgical (LAM) coke in India have climbed by around Rs 500-1,000/tonne (\$10-20/t) on stable demand, to reach Rs 14,000-15,000/t ex-plant. Last month in east India, LAM coke with an ash content of 12-13% was selling at Rs 13,500-14,000/t ex-plant excluding taxes. LAM coke 20-80mm in size is going at Rs 17,000/t in the western state of Gujarat. On the other hand coking coal import prices into India have been stable, showing a slight downward trend, with current prices fluctuating between \$140-165/t fob in the spot market depending on origin. The general market sentiment is to wait and watch for lower coal prices till the renegotiation sets the benchmark for the next financial year.

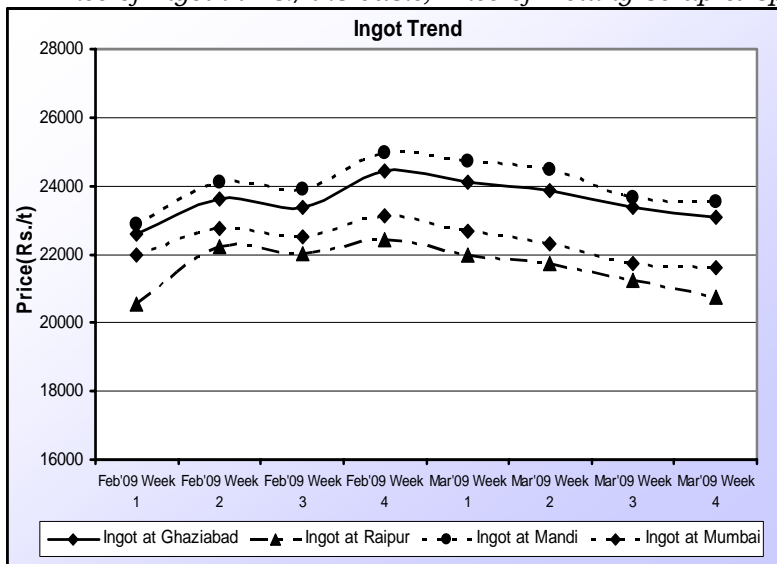
**Sponge Iron prices slip 10 percent in a month:** Prices of sponge iron have come down by 10 per cent in the last one month on falling demand from steel manufacturers. The steel-making raw material is currently quoted at Rs 13,500 per tonne compared to Rs 15,000 a month ago. The sponge iron demand was likely to remain under pressure at least till June-end, because of a combination of factors such as the general elections and a sluggish trend in manufacturing activities.

**Iron Ore: Iron ore fines market continues to remain dim worldwide:** Since the second week of February, the market has again seen a dip with prices dropping by USD3/tonne in the last week of February. The month of March too started on a deteriorating note with prices making a significant drop across various grades. Grade Fe=63.5% saw a drop of 7 USD/tonne since the end of February and prevailed at 67USD/tonne cfr China port in the third week. This is mainly attributed to the falling demand from China and reduced purchasing activity. Market further deteriorated end of the month with prices dropping by 3 USD/tonne over a week for Fe=63% grade. A further slowdown is expected in the month of April. Goan ore with 58% Fe sold at \$35/t fob in the last week which represented a drop of around 5-10% from mid-March. Iron ore with 50% Fe content was offered at around \$15/t fob but GMOEA has heard of only a few transactions for that grade.

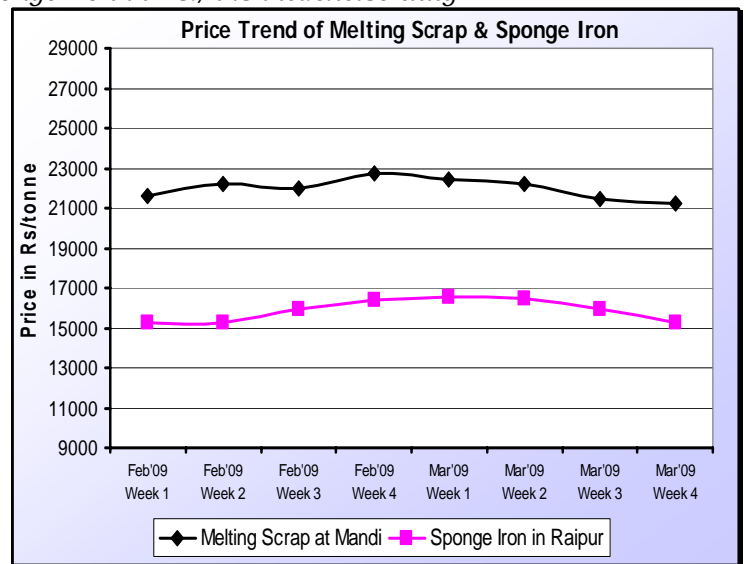
**Price Trend of Ingot, Sponge Iron, Melting Scrap**

|               | Ingot at Mandi | Ingot at Ghaziabad | Ingot at Raipur | Ingot at Mumbai | Sponge Iron at Raipur | Melting Scrap at Mandi |
|---------------|----------------|--------------------|-----------------|-----------------|-----------------------|------------------------|
| Feb'09 Week 1 | 22865          | 22586              | 20534           | 21959           | 15244                 | 21630                  |
| Feb'09 Week 2 | 24121          | 23606              | 22215           | 22764           | 15236                 | 22220                  |
| Feb'09 Week 3 | 23887          | 23378              | 22011           | 22518           | 15928                 | 21950                  |
| Feb'09 Week 4 | 24983          | 24425              | 22431           | 23136           | 16420                 | 22724                  |
| Mar'09 Week 1 | 24725          | 24097              | 21984           | 22695           | 16563                 | 22410                  |
| Mar'09 Week 2 | 24480          | 23871              | 21739           | 22300           | 16455                 | 22200                  |
| Mar'09 Week 3 | 23642          | 23359              | 21255           | 21727           | 15946                 | 21455                  |
| Mar'09 Week 4 | 23522          | 23095              | 20739           | 21617           | 15283                 | 21220                  |

Price of Ingot in Rs./t is basic; Price of Melting Scrap & Sponge Iron in Rs./t is incl.excise duty



Price in Rs./t is basic;



Price in Rs./t is incl.excise duty

**Price Trend as observed in the Auctions held at Metal Junction for Flat Products:**

Attached below is the data table:

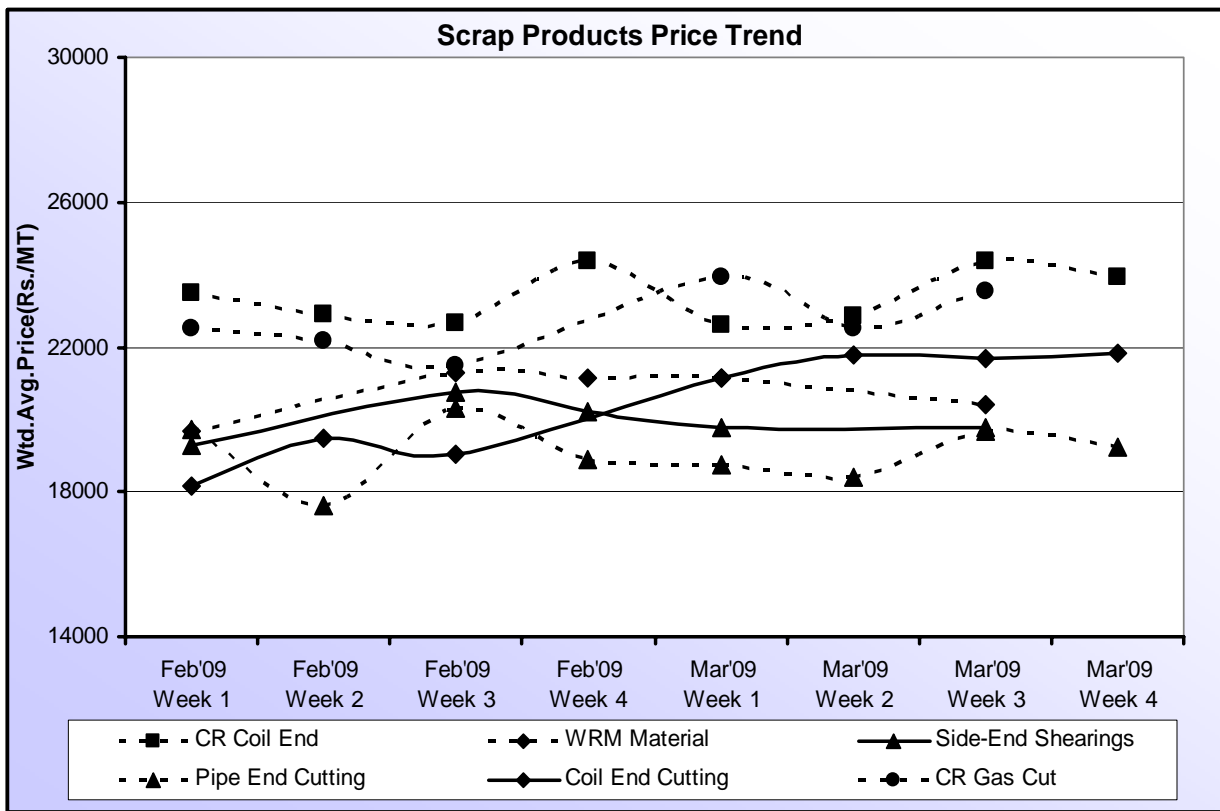
| Week        | CR Coil End | WRM Material | Side-End Shearing | Pipe End Cutting | Coil End Cutting | CR Gas Cut | BP Coil End |
|-------------|-------------|--------------|-------------------|------------------|------------------|------------|-------------|
| Feb'09 Wk 1 | 23483       | 19687        | 19271             | 19716            | 18150            | 22506      | --          |

|             |       |       |       |       |       |       |       |
|-------------|-------|-------|-------|-------|-------|-------|-------|
| Feb'09 Wk 2 | 22926 | --    | --    | 17597 | 19484 | 22150 | 25944 |
| Feb'09 Wk 3 | 22671 | 21275 | 20729 | 20300 | 19023 | 21507 |       |
| Feb'09 Wk 4 | 24362 | 21164 | 20197 | 18912 | --    | --    | --    |
| Mar'09 Wk 1 | 22594 | 21150 | 19770 | 18729 | 21121 | 23916 | 27550 |
| Mar'09 Wk 2 | 22877 | --    | --    | 18393 | 21765 | 22519 | --    |
| Mar'09 Wk 3 | 24364 | 20415 | 19772 | 19697 | 21673 | 23546 | 27800 |
| Mar'09 Wk 4 | 23933 | --    | --    | 19250 | 21837 | --    | --    |

**Percent change (m-m & y-y basis):**

| Products          | Feb'09 Price(Avg.) | Mar'09 Price(Avg.) | % change(Mar'09 over Feb'09) | % change(Mar'09 over Mar'08) |
|-------------------|--------------------|--------------------|------------------------------|------------------------------|
| CR Coil End       | 23360              | 23442              | 0.35                         | -14.00                       |
| Side-End Shearing | 20066              | 19771              | -1.47                        | -29.00                       |
| WRM Material      | 20709              | 20783              | 0.36                         | -28.00                       |
| Pipe End Cutting  | 19131              | 19017              | -0.60                        | -28.00                       |

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Feb 2009 and Mar 2009 for different scrap products.



Price in Rs./t is basic

**Outlook:** The beginning of the month witnessed some stability with the steel industry taking some relief due to the waiving off of quality control order on iron and steel. The steel Ingot market witnessed a marginal sliding trend. Since then market conditions have remained quiet amidst weak demand. Over a fortnight, a drop of 2 to 4 percent was noticed in the metallic sector and the auction platform too remained aligned with the domestic market conditions. The latter half of the month did not witness any significant price movement either and both Steel Ingot and Melting

Scrap prices varied in a negative range of 2 to 3 percent. The Sponge Iron market also witnessed a drop of around 3 percent over a week in the third week and a drop of around 7 percent over a fortnight. The final week of FY 2008-09 remained by and large dormant with hardly any major movement being noticed both in case of prices of the long steel items and in case of the market forces steering the consumption decisions of the market participants. The reason for such an inert situation of the market probably is: it being the Year End the buyers have adopted a wait and see attitude for the time being are perhaps not ready to quote higher prices for the commodities. The auction platform has overall reflected a softened price movement over a month and over a year there has been a significant downward trend noticed. The coming days are only expected to see some stability in the market.

### International Scenario

**The International Ferrous Scrap market remains in a turmoil with demand remaining poor. All regions of the globe see prices fall amid huge cuts in steel output.**

The Shredded Steel Scrap United States FOB East Coast decreased to USD 210/MT in Mar Week 02 from USD 225/MT in Mar Week 01 and HMS Scrap 1 & 2 (80:20 mix) United States export FOB East Coast also depicted a falling trend over a week with the prices falling to USD 205/MT in March Week 03 from USD 220/MT in Mar Week 01. The Steel Scrap No 1 Heavy melting United States Iron Age composite (d/d Pittsburgh/Philadelphia/Chicago) decreased to USD 157.5/MT in Mar Week 03 from USD 181.5/MT in Mar Week 02. Situation was no better in the European markets as well as the Shredded Steel Scrap FOB Rotterdam suffered a fall of USD 15/MT over a week to prevail at USD 200/MT in March week 02 and further inched down to USD 195/MT in Week 03.

**China domestic steel scrap prices fall:** China's steel scrap prices decreased in March for the first time in five months, dropping back almost to December levels because of a lack of demand. The price for heavy melting steel scrap (over 6mm thick) in Eastern China has decreased to around RMB 2,300-2,400/tonne (\$336-351/t) from early February's RMB 2,700-2,800/t. Mills believe there is unlikely to be any recovery for scrap prices before June this year, because China's economic stimulus plan is having little impact on steel demand.

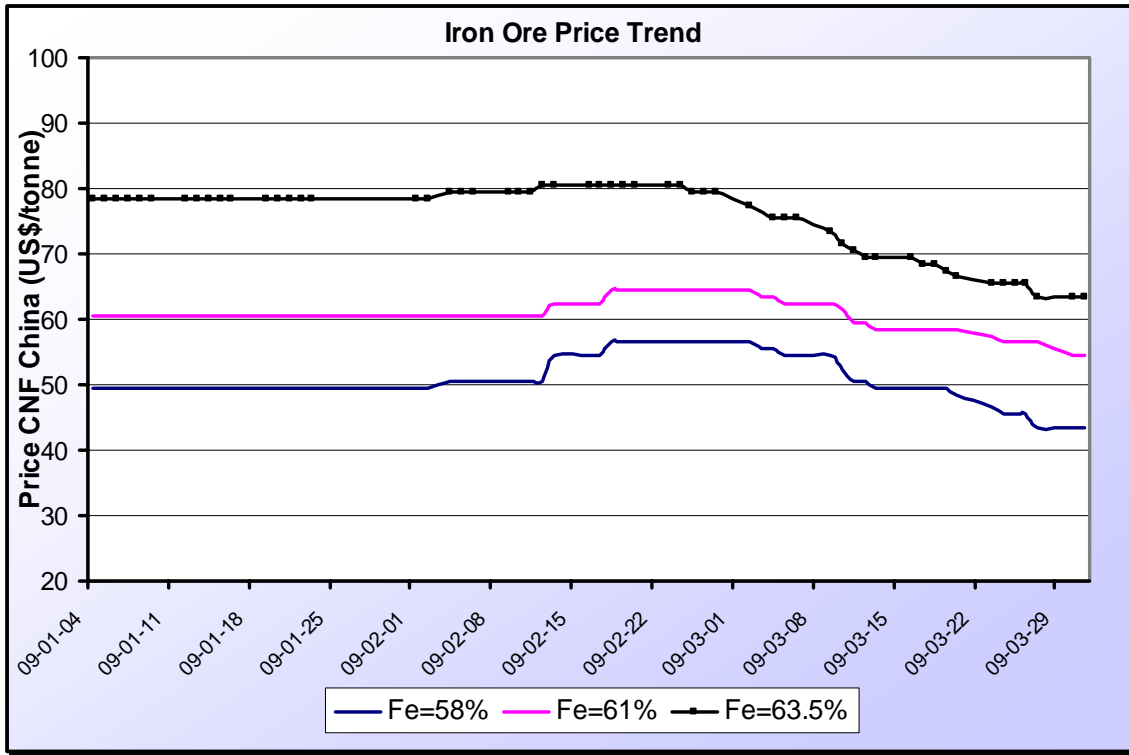
**Asia:** Renewed weakness in Chinese steel prices hits Asian scrap demand. Scrap prices remained down in Asian market with import prices sliding down due to weak sentiment for finished steel. Offer prices were heard at \$230-240/tonne cfr Taiwan for containerized heavy melting scrap 1&2 80:20 in the second week.

**Europe:** Weak demand from domestic and export markets depressed scrap prices €10-30/t lower. Mills in the region are not working to full capacity and only need 20-30% of their usual requirements with Vallourec not buying any scrap from the market, one source states. In Luxembourg mills only require a third of their usual material and demand in Belgium is also very poor.

**US:** US scrap prices are eroding further and there is now widespread speculation that April's prices will fall below the baseline used by electric furnace mills to establish raw material surcharges. This would eliminate surcharges for May deliveries. As to current delivered prices to US mills, shredded scrap is at \$170/l.t, busheling is selling for \$175/l.t and heavy melting scrap has fallen \$10 to \$150/l.t, according to midwestern and east coast US sources. Flows in and out of scrap yards are

weak and depressing, said one yard manager who expects the lackluster activity to last well into the second quarter. A mill source indicates that the industry is anxious for scrap prices to stabilize, which would help shore up the selling prices for finished steel goods.

**The graphs below give the Iron Ore Fines trend of Indian origin CNF China port**



Price is CNF China in US\$/t

**The tables below give the Scrap & Pig Iron price trend across various regions:**

**Steel Scrap No 1 Heavy melting United States Iron Age composite - d/d Pittsburgh/Philadelphia/Chicago \$ per long ton**

| Month  | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Dec-08 | 141.17                         |                |
| Jan-09 | 202.00                         | ↑              |
| Feb-09 | 187.00                         | ↓              |
| Mar-09 | 178.00                         | ↓              |

**Steel Scrap No HMS I &II (80:20 mix) United States Export fob East Coast \$ per tonne**

| Month  | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Dec-08 | 220.00                         |                |
| Jan-09 | 260.00                         | ↑              |
| Feb-09 | 248.00                         | ↓              |
| Mar-09 | 210.00                         | ↓              |

**Steel Scrap Shredded United States fob East Coast \$ per tonne**

| Month  | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Dec-08 | 225.00                         |                |
| Jan-09 | 269.00                         | ↑              |
| Feb-09 | 258.00                         | ↓              |
| Mar-09 | 215.00                         | ↓              |

**HMS 1 & 2 (80:20 mix) Iron and Steel Scrap Rotterdam Export \$/tonne**

| Month  | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Dec-08 | 210.00                      |                |
| Jan-09 | 261.00                      | ↑              |
| Feb-09 | 241.00                      | ↓              |
| Mar-09 | 198.00                      | ↓              |

**Steel Scrap HMS 1&2 fob Rotterdam Export (50:50 mix)**

| Month  | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Dec-08 | 190.00                      |                |
| Jan-09 | 231.00                      | ↑              |
| Feb-09 | 211.00                      | ↓              |
| Mar-09 | 168.00                      | ↓              |

**Steel Scrap Shredded fob Rotterdam \$ per tonne**

| Month  | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Dec-08 | 220.00                      |                |
| Jan-09 | 270.00                      | ↑              |
| Feb-09 | 250.00                      | ↓              |
| Mar-09 | 204.00                      | ↓              |

**Steel CIS Export Pig Iron \$ per tonne Black Sea/Baltic Sea**

| Month  | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Dec-08 | 270.00                      |                |
| Jan-09 | 280.00                      | ↑              |
| Feb-09 | 260.00                      | ↓              |
| Mar-09 | 220.00                      | ↓              |

**Steel EU Imports Pig Iron (basic steelmaking) cfr Western Europe Euro per tonne**

| Month  | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Dec-08 | 190.00                      |                |
| Jan-09 | 203.00                      | ↑              |
| Feb-09 | 214.00                      | ↑              |
| Mar-09 | 186.00                      | ↓              |

## Outlook

Steel scrap costs have continued to erode, pushing down market prices for various steel mill products, and further scrap costs are expected to slide in April. "Steel demand and pricing continue to look very bleak," according to analysts.

**Indian scrap prices slide by \$10 as demand weakens:** Ferrous scrap prices in India have weakened as falling steel prices and low demand for finished products put a damper on scrap demand, sources said. "Indian buyers have become very quiet in the past few days. Prices for finished products have come down quite a bit, and the market for finished products in India is very weak," one Indian importer said. Exporters to India are still struggling to get containers shipped, with material getting stuck in ports like Antwerp and Rotterdam as there are no ships available, sources said. "It's impossible to get space on sailings to India and Pakistan; there is simply no space available as a lot of owners have cancelled sailings on these routes. The coming days seem to be bleak in the domestic Scrap market.

### Data Sources:

- 1) Steel Town Weekly, Mandi Govindgarh
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) Asian Metal



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## STEEL INDUSTRY MARKET SCENARIO

### STAINLESS STEEL

#### Domestic Scenario

The stainless steel sector continues to remain stable as demand for the time-being has not improved much and according to sources demand is expected to come up after the month of March only. The raw materials governing stainless steel price has more or less stabilized beginning of March with Nickel in the domestic market making a rise of 4% over a week and Nickel at London Metal Exchange remaining stable over a week.

Demand in the market is expected to become a bit slow in the coming few days with the 2008-09 financial year coming to an end. Market is expected to pick up from April onwards. The raw materials governing stainless steel price has more or less stabilized beginning of March with Nickel in the domestic market making a slight drop of 0.8% over a week and Nickel at London Metal Exchange also making a slight drop of 0.8% over a week in the third week of the month. The month ended on a quiet note with not of much buying activity being round the corner due to Year End and Nickel prices slid further both at LME and in Mumbai market, witnessing a drop of more than 3 percent over a week.

#### Prevailing Prime Stainless Steel Price:

##### Kolkata

Grade 304: Rs.1,25,000/tonne (basic)

Grade 316: Rs.1,98,000/tonne (basic)

Grade 430 seconds: Rs.70,000-75,000/tonne (basic)

##### Gujarat

Grade301-thickness-2.5-8-HRAP-for2B/2D/slitarising:Rs.1,02,000- 1,12,000/tonne (basic)

Grade304-thickness-2.5-8-HRAP-for2B/2D/slitarising:Rs.1,12,000-1,20,000/tonne (basic).

Grade316-thickness-2.5-8-HRAPfor2B/2D/slitarising:Rs.1,72,000- 1,85,000/tonne (basic).

Grade SSLN1-thickness- 2.5-8- HRAP-for 2B/2D/slit arising: Rs. 75,000 – 85,000/tonne (basic)

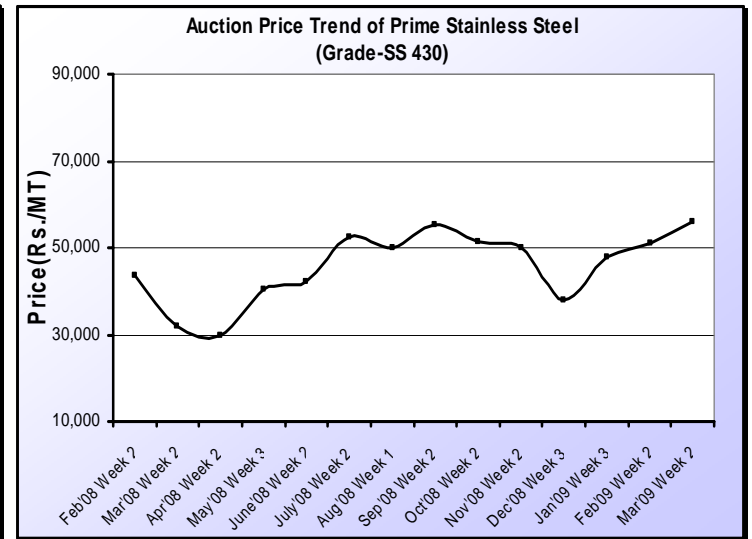
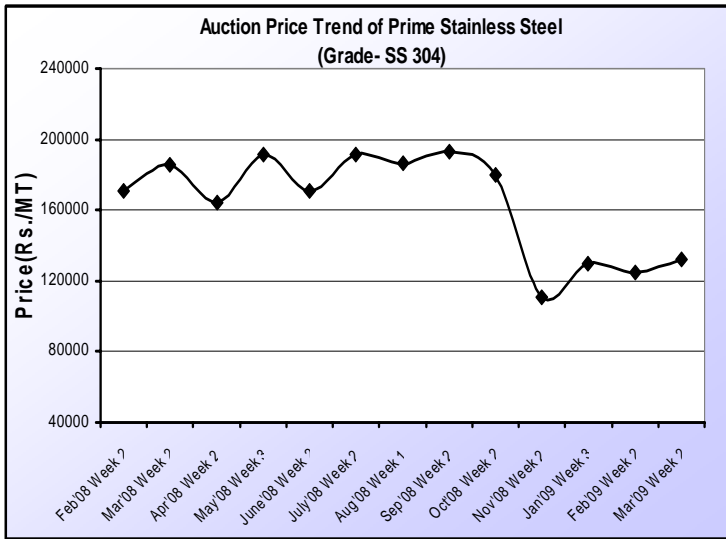
##### Delhi

Grade 201 (1mm - 3mm): Rs.75,000-Rs.80,000/tonne (basic)

Grade 301 (1mm - 3mm): Rs.95,000-Rs.1,00,000/tonne (basic)

Grade 304 (1mm - 3mm): Rs.1,10,000-Rs.1,15,000/tonne (basic)

#### The graph below gives the auction trend of Stainless Steel:



Price (Rs./tonne) is basic

As seen from the above graphs, stainless steel prices more or less stabilized with demand remain stable in the market and not much of trading was seen in the entire month.

**Outlook:** The domestic market witnesses some amount of stability with stable demand prevailing in the market. With raw material prices still fluctuating and international market still remaining weak, the domestic market remained skeptical. There was no major buying activity seen in the market and with the Year End being round the corner buyers refrained from making huge purchases and stocking the material. The auction platform too reflected some amount of stability and the coming days are expected to see a stable market only with buying activity expected to improve with the onset of the New Financial Year.

**International Scenario**

**Asian stainless prices slip \$50/t on slow demand:** Asian stainless steel prices fell \$50/tonne in the 9 March week as slow demand persists in the market. Prices fell down further by another \$50-100/tonne in the week of 16 March, as Taiwanese and Korean producers were forced to lower prices in the wake of sluggish demand. East Asian-origin grade 304 cold rolled sheets for delivery in one-to-two months were trading at \$1,850-1,900/t cfr China in the third week, down from \$1,900-2,000/t a week earlier.

**Weak demand further weakens Chinese Import market:** China's foreign trade in stainless flat products continued to slide in January with imports registering sharper declines than December in the wake of a demand slump in the country. Chinese imports of stainless flats 600mm wide and over fell by 52% year-on-year to 37,894 tonnes in January, according to data from the Chinese Customs. Exports of the same products plunged 78% y-o-y to 9,933 t in the same month. Imports of stainless flats below 600mm reached only 7,570 t in January, down 51% y-o-y. Exports of these narrow coils dipped by 51% y-o-y to 4,770 t in January.

Market observers say this is likely to continue at least for the first quarter of the year on a slowdown in global stainless consumption and economic activity during the period.

**Chinese Stainless Steel prices slip on weak demand:** Grade 304 hot rolled and cold rolled coils slipped RMB 600-800/tonne (\$88-117/t) over the past two weeks on sluggish demand. Prices of 3mm thick 304 HRC prevailed at RMB 13,700-14,200/t (\$2,003-2,075/t) in southern China's Foshan market in the third week, down by RMB 600/t from RMB 14,300-14,800/t in mid-February. Also in Foshan, the price of 2mm thick 304/2B CRC prevailed at RMB 14,900-15,400/t (\$2,177-2,250/t), down RMB 800/t from RMB 15,700-16,200/t two weeks ago. Prices include 17% VAT.

Domestic prices for grades 202 and 430 stainless coils have slipped further over the past two weeks, with grade 202 plunging RMB 900/tonne (\$132/t) and 430 inching lower by RMB 100/t (\$15/t) in the sluggish market. Prices of 2mm thick 202/2B CRC in southern China's Foshan prevailed at RMB 13,000-13,200/t (\$1,900-1,930/t) in the third week, down from RMB 13,900-14,100/t in late February. Prices of 2mm thick 430/2B CRC in Foshan have slipped to RMB 8,900-9,100/t (\$1,301-1,330/t) from RMB 9,000-9,200/t two weeks ago. All prices include 17% VAT. Poor demand, coupled with recent falls in the 300-series market, took 200-series prices lower whereas falling Ferro-chrome prices led 400-series prices to dip.

**The tables below give an overview of stainless steel prices worldwide**

**Chinese Domestic Stainless Coil Prices, RMB/t FOB Foshan (incl.17% VAT)**

| Type      | Dec'08      | Jan'09      | Feb'09      | Mar'09      | Apr'09*     |
|-----------|-------------|-------------|-------------|-------------|-------------|
| HR 304    | 15600-16100 | 15000-15500 | 14300-14800 | 14300-14800 | 13700-14200 |
| CR 304 2B | 17000-17500 | 16500-17000 | 15700-16200 | 15700-16200 | 14900-15400 |
| CR 202 2B | 15100-15300 | 15000-15200 | 15000-15200 | 13900-14100 | 13000-13200 |
| CR 430 2B | 9600-9800   | 9500-9700   | 9500-9700   | 9000-9200   | 8900-9100   |

**Europe:**

| CR 304 2B<br>2mm,Euro/t<br>Ex-Works | Dec'08  | Jan'09  | Feb'09  | Mar'09* | Apr'09*  |
|-------------------------------------|---------|---------|---------|---------|----------|
| N.Europe                            | 900-970 | 870-920 | 820-900 | 870-950 | 930-1000 |
| S.Europe                            | 900-920 | 850-900 | 850-880 | 900-940 | 940-960  |

**Europe:**

| CR 430 BA<br>2mm,Euro/t<br>Ex-Works | Dec'08   | Jan'09  | Feb'09  | Mar'09* | Apr'09* |
|-------------------------------------|----------|---------|---------|---------|---------|
| N.Europe                            | 950-1000 | 920-970 | 880-930 | 910-950 | 930-980 |
| S.Europe                            | 940-980  | 900-940 | 870-910 | 900-960 | 920-980 |

(\*): SBB forecast

**Note:** 1US\$= Rs.50.29, 1Euro= Rs.66.78, 1 RMB=0.15US\$

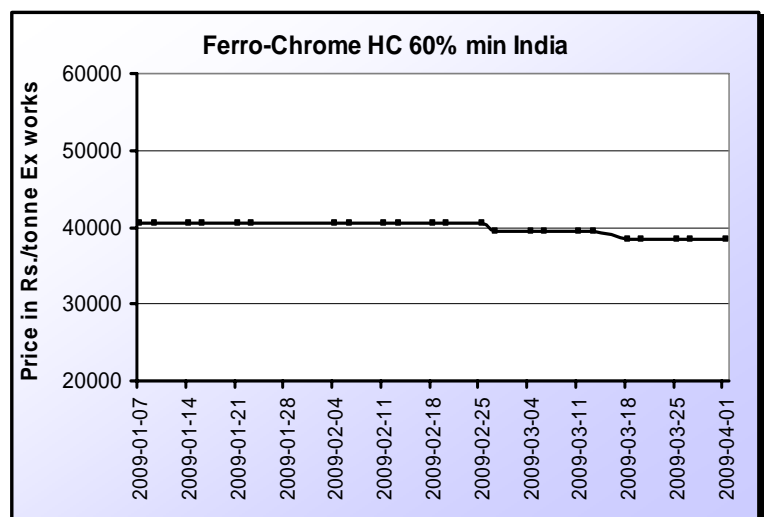
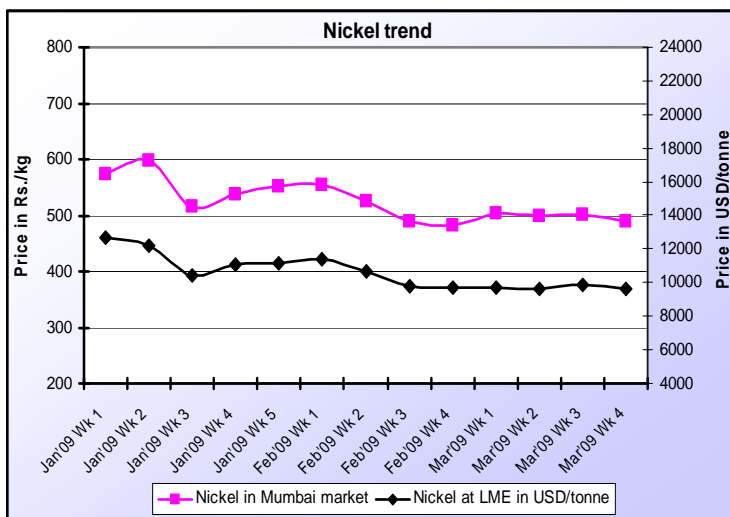
**Raw materials scenario:**

**Nickel Trend:** With the beginning of the month of March, Nickel prices unlikely the other metals across the world didn't reflect any significant movement as the world's transaction prices of nickel based stainless CR sheets are thought to have bottomed out both in Asia and in the Western markets. In March Week 01 nickel in both LME and in the domestic market didn't exhibit much movement in the prices. In the following week nickel prices across the world reflected a slight

softening tendency while in the third week nickel saw some improvement in its prices both in India and abroad owing to a marginal improvement in the demand condition in the said week. However, this improvement in the prices failed to sustain itself as the nickel prices again glided down in the final week of March with the demand in the market taking a nosedive once again. The end of the month saw a drop of more than 3 per cent over a week at LME whereas over a fortnight it saw a drop of nearly 1.8 per cent. A similar situation was noticed in the Mumbai market as over a week, nickel in Mumbai suffered a fall of nearly 3 per cent while over a fortnight nickel witnessed a drop of nearly 2 per cent. Nickel in Mumbai prevailed at Rs. 479.2 /Kg (basic) on 31st March, 2009. (Rs. 3/Kg down in a day). Nickel in LME prevailed at USD 9,400 /tonne on 31st March, 2009 (down by USD 50/MT from the day before).

| Month  | Average Price of Nickel | % Change(m-m) | % Change(y-y) |
|--------|-------------------------|---------------|---------------|
| Oct-08 | 12,357                  | -30.89        | -60.18        |
| Nov-08 | 10,694                  | -12.14        | -65.04        |
| Dec-08 | 9687                    | -9.42         | -62.69        |
| Jan-09 | 11,298                  | 16.64         | -59.17        |
| Feb-09 | 10,399                  | -7.96         | -62.78        |
| Mar-09 | 9690                    | -6.82         | -68.95        |

**Ferro Alloy market remained quiet with demand remaining low:** The ferro-alloys sector remained stable without much price changes being noticed. Ferromolybdenum prices remained more or less stable and the price has stabilized at around Rs. 750-800/kg for ferromolybdenum 60% in domestic market. Over a fortnight a drop of Rs.30/kg was noticed. After experiencing a drop of more than 2.45 per cent in the third week of February, the Indian Ferro chrome prices have remained more or less stable till now, however prices dipped by Rs.1000/tonne towards the end of the month. Indian Ferro vanadium market remained quiet over a month with the prices not depicting any significant movement as the demand remains sluggish all around. On the other hand, the European market for Ferro vanadium is also moving along at a sluggish pace with limited demand in the market resulting in the conclusion of only a handful of deals in the last few days.



## Outlook

The commodity stainless steel market remains weak, driven by downturns in such consumer-oriented markets as automotive and appliances. Prices, therefore, are softening.

The international market remains pessimistic towards the future market seeing the inactive market transaction. Market researchers report that original equipment manufacturers are buying very little stainless steel, no matter what the product group. Some manufacturers had such a poor production fourth quarter of 2008 that they have no requirements for replacement metal for the first three months of this year. Atop that, mills and service centers are trying to reduce their inventories, which already are at low levels. Customers are not interested to make any fresh purchases at present and are more content to hold a wait and watch attitude for the time being.

The domestic Indian market is more or less steady at present. Demand is more or less stable. In next one week, stainless steel market is expected to remain a bit slow due to the financial year end and buyers are not expected to spend much and stock material.

**Bleak outlook dents stainless raw material markets:** Macquarie Research presents a dismal outlook for demand for stainless raw materials such as nickel, manganese, molybdenum and ferrochrome. It says quarterly global stainless output growth will only turn positive year-on-year in the fourth quarter of 2009. Nickel prices are likely to remain depressed this year. Molybdenum should remain in modest surplus after 2010, limiting price-recovery potential to \$15/lb in the next few years. This compares to \$29/lb in 2008. More than 50% of global manganese and chrome alloy capacity has been temporarily closed.

The extent of the spot FeCr price recovery this year remains uncertain as it hinges on stainless demand and how long FeCr producers maintain output cuts.

### Data Sources:

- 1) www.lme.co.uk
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) MEPS
- 5) NCDEX
- 6) Asian Metal



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