News at a glance

Steel makers hike prices of hot rolled steel by Rs 1,000 to Rs 1,500 per tonne w.e.f 1st July'06: Leading steel players have increased prices of hot-rolled steel by Rs.1,000 to Rs.1,500/t.

Global steel output powers ahead: Steel production is rising again after a slowdown during last year due to prices dipping 30-40%.The global steel production has firmly crossed the 100 million tonnes mark in the month of May '06, at a level nearly 10% higher than last year.

Steel production in first five months of the calendar year '06 is 7.3% higher than corresponding period last year. This is similar to the growth rate seen in calendar year '05 over '04.

India & China are among the fastest growing steel nations. The developing nations are growing at a steady pace and are expected to consume large amounts of steel in infrastructure and construction.

At the current growth rate, it is expected that Indian steel production could reach 45 million tonnes at the end of the year. The table below gives the global production figures for the first five months of Year 2006.

	Production(Million tonnes)	Growth (%)
China	162.2	19.91
Japan	47.3	-0.01
US	41.6	4.48
Russia	28.7	4.6
S.Korea	19.7	-0.64
Germany	19.3	0.48
India	17.4	16.67
Ukraine	16.3	0.3
Italy	13.1	3.37
Brazil	12.1	-10
Total	488.8	7.28

Source: *International Iron & Steel Institute*

Steel Production in Q1'06 of SAIL & Tata Steel:

SAIL: 3.1 million tonnes of saleable steel in the first quarter of 2006-07, 8% higher than previous year level.

Tata Steel: 1.11 million tonnes of saleable steel in the first quarter of 2006-07, 17% higher than previous year level.

Hindustan Zinc increased zinc prices twice in a row after a cut of Rs.2300/t in the beginning of the month: **The company however announced a cut** of Rs.5100/t *(2.85%)* **in the end of the month.** On **6th July'06**, the company raised zinc prices by *6.86%* to **Rs 177,600 per ton.**

On **8th July'06** the company raised the prices of zinc to Rs **179,400 per tonne** up by *1.01%* from Rs **177,600.** This fluctuation has been in line with global trend where prices have fluctuated in the range of +/- 3%.

Nickel Breaks Barrier to touch a high of 29,845$/t on 17th July'06 at LME, highest in 19 years: A 58% jump over a month, 24% jump over a week and 3% jump over a day. Nickel inventories at LME registered warehouses dropped further, recording the lowest level since August 2005.

Strong demand from stainless steel sector **(stainless steel accounts for 70% of Nickel consumption)** and stock depletion has kept Nickel prices on a fluctuating note.

Aluminium majors Hindalco and Nalco has hiked aluminium prices by Rs.2000/t in the beginning of July'06. With the current price revision, Nalco is selling aluminium ingot at Rs 1,25,250 a tonne (basic), while aluminium wire rods are quoting at Rs 1,33,750 a tonne (basic). The price rise has been in line with international trend where prices at LME have steadied around the 2500$/t mark.

Hindustan Copper (HCL) increased its product prices by Rs 9,000 a tonne in July'06. Prices of copper 8 mm rod shot up to Rs 3,65,700/t (basic) and of 11 mm, 12 mm,15 mm rods perked up to Rs 3,67,600 a tonne (basic).

Ship-breaking industry shifts to Bangladesh: **Bangladesh** has emerged recently as the world's largest ship scrapper, with about **50% of the global ship-breaking market. India, Pakistan and China** together accounts for **another 45%,** with Turkey also an important player, according to industry observers. The respective market shares of India and Turkey, in particular, have been dwindling.

Major factor hurting Indian ship-breakers is the government's 6% duty on ships.

CRU Index Behaviour (Source: www.cruspi.com)
Steel prices - CRUspi indices are compiled from a weighted basket of steel prices. In total, there are eight weighted indices:

Carbon Steel: six indices (CRUspi global, CRUspi flats, CRUspi longs, CRUspi North America, CRUspi Europe and CRUspi Asia)

Stainless Steel & Metallics (scrap, pig iron and DRI/HBI)

	May'06	% Change(Y-Y)	June'06	% Change(Y-Y)	July'06	% Change(Y-Y)
Global Index	156.96	4.10	165.76	20.30	166.61	32.00
North America Index	154.13	10.30	162.08	22.90	164.61	35.40
Europe Steel Index	168.87	8.60	171.09	17.30	174.32	29.50
Asia Index	152.03	-1.70	164.97	20.50	163.51	31.50
Longs Index	151.46	8.10	158.23	24.00	159.3	27.70
Flats Index	159.69	2.30	169.5	18.60	170.23	34.10
Metallics Index	205.07	21.70	213.67	59.30	214.78	47.40
Stainless Index	127.00	-3.70	139.96	6.80	144.64	10.30

While all the indices have shown a strong improvement in July'06 over July'05 and the percentage change has been more as compared to June'06 over June'05, the metallics index has shown a bit of slowdown in terms of percentage. This has been mainly due to softening in prices of pig iron, scrap worldwide. However, the overall steel scenario still remains strong globally.

(DIPANKAR CHAKRABARTI)
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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

HIGHLIGHTS:

Steel makers hike prices of hot rolled steel by Rs 1,000 to Rs 1,500 per tonne w.e.f 1st July'06: Leading steel players have increased prices of hot-rolled steel by Rs.1,000 to Rs.1,500/t. Long product prices have remained unchanged. The price increase has been in line with international trend where prices have increased steadily till the first week of July'06 after which the market had seen a steadiness.

Indian HRC import market quiet: The spot HRC import market in India is weak because of the ongoing monsoon season, weakening of Indian rupee against dollar and also because the offered prices are not competitive with those available in the domestic market. Also there is enough of domestic supply in the market currently.

Price trend of prime steel (Flat) in Mandi Govindgarh market:

Primary Flat Products	Mar-06	Apr-06	May-06	June-06	July-06
Plate(5-10 mm)	27000	28000	28000	28500	28700
HR Coil	27500	28000	27500	28000	28200
HR Sheets	27500	28000	27500	28000	28200
CR Coil	33000	33000	33000	33500	33700
CR Sheets	33000	33000	33000	33500	33700
GP Coil	35300	35000	35000	35500	35700
GP Sheets	35500	35000	35000	35500	35700

Price trend of prime steel (Long) in Mandi Govindgarh market:

Primary Long Products	Mar-06	Apr-06	May-06	June-06	July-06
Billets(100*100mm)	21900	22200	21400	20900	21600
MS Rounds(22/25 mm)	23600	24400	23500	23200	24100
MS Squares(22/25 mm)	22500	23800	23500	23700	24200
MS Angles(25*6mm)	23600	24400	23900	23600	24100
MS Angles(100*6mm)	24700	25800	25000	24600	25400
MS Channels(75*40mm)	24000	24800	24300	23900	24600
MS Channels(125*65mm)	24700	25200	24700	24900	25400

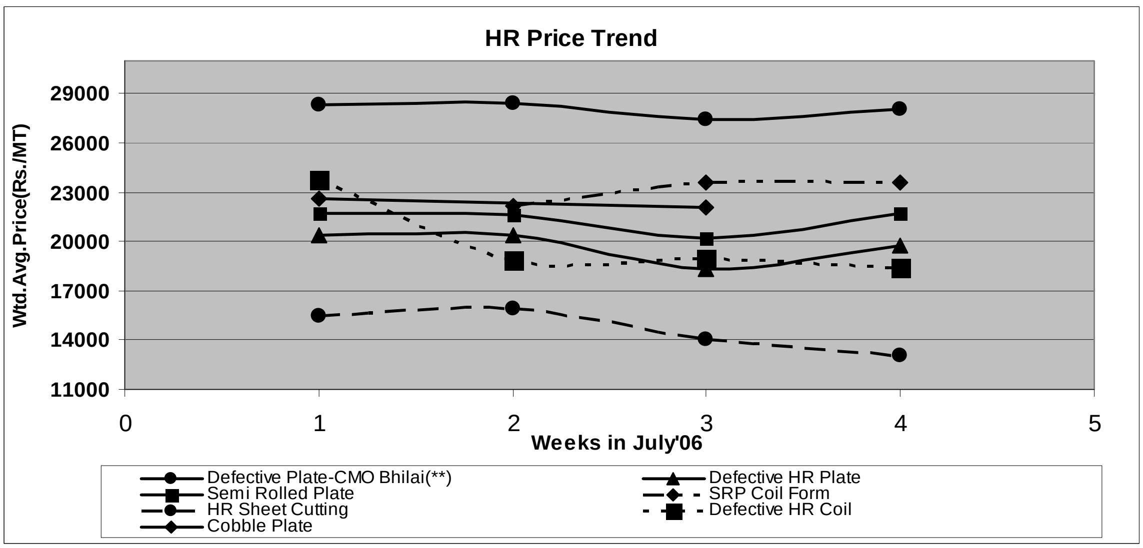
Note: Flat & Long Price (Rs. /MT, incl.excise duty)

Price Movement

	Review	Outlook
Items	July'06 over June'06	Aug'06 over July'06
HR Coils	↑	↔
CR Coils	↑	↔
GP/GC Coils	↑	↔
Long Products	↑	↔

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

Following graphs show the price trend observed in the auction services of Metal Junction for the month of July 2006 for different HR and CR products.



Note: Price is basic, ** implies price incl.excise duty

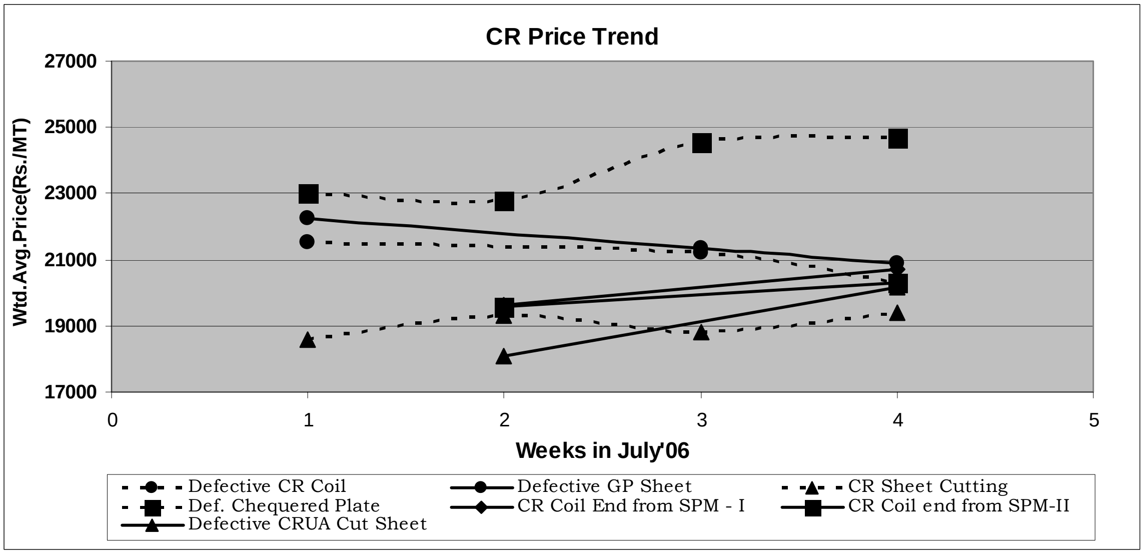
Attached below is the data table:

Week	Def.Plate-CMO Bhilai	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def.HR Coil	Cobble Plate
1	28346	20416	21698		15477	23800	22565
2	28383	20369	21600	22116	15903	18839	
3	27413	18287	20208	23573	14012	18939	22109
4	28010	19792	21718	23546	13071	18392	

Summary of price and % change (m-m basis):

Products	June Price(Avg.)	July Price(Avg.)	% change	Price Movement(July' 06 over June'06)
Def Plate-CMO Bhilai	26207	28038	6.99	↑
Def HR Plate	18179	19716	8.46	↑
Semi Rolled Plate	20164	21306	5.66	↑
SRP Coil Form	22657	23079	1.86	↑

HR Sheet Cutting	13748	14616	6.31	↑
Def. HR Coil	18848	19992	6.07	↑
Cobble Plate	21650	22337	3.17	↑



Price is basic

Attached below is the data table:

Week	Def CR Coil	Def GP Sheet	CR Sheet Cutting	Def Chequered Plate	C R Coil End From SPM-I	C R Coil End From SPM-II	Def. CRUA Cut Sheet
1	21511	22261	18590	23000			
2			19300	22800	19607	19568	18100
3	21198	21344	18822	24550			
4	20300	20885	19393	24700	20705	20295	20150

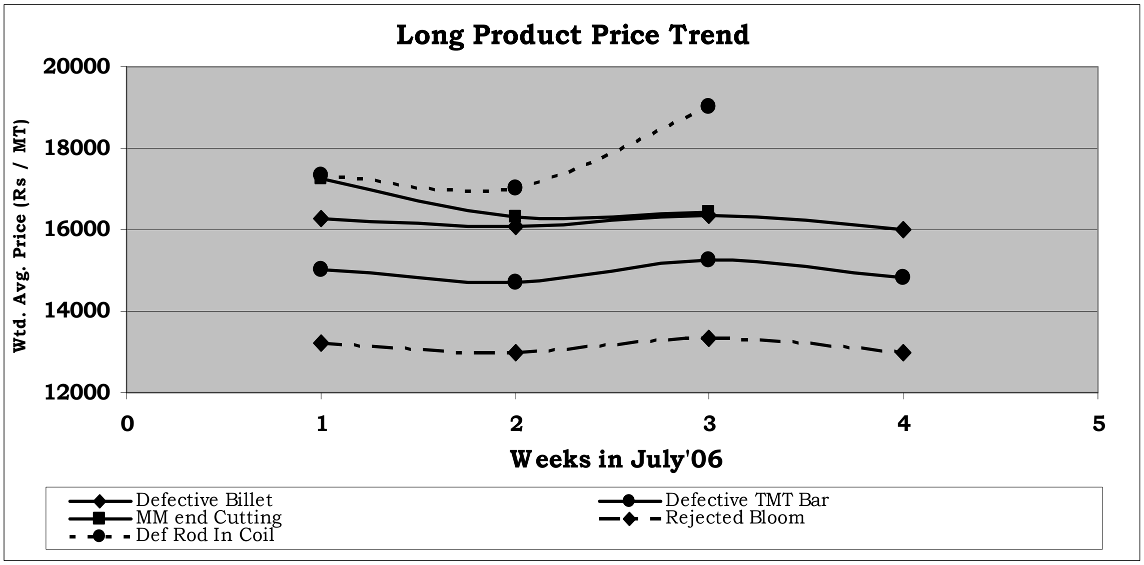
Summary of price and % change (m-m basis):

Products	**June Price(Avg.)**	**July Price(Avg.)**	**% change**	**Price Movement(July'06 over June'06)**
Def. CR Coil	20095	21003	4.52	↑
CR Sheet Cutting	17974	19026	5.85	↑
CR Coil End from SPM-I	18737	20156	7.57	↑
CR Coil End from SPM-II	18715	19932	6.50	↑

Outlook: Though there was a rise in prices for most of the HR and CR items in the early July, however prices stabilized towards the end of the month. A similar stable trend is expected in the coming month and prices are expected to hover around the current levels.

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

Following graph shows the price trend observed in the auction services of Metal Junction for the month of July 2006 for different long products.



Price is basic

Attached below is the data table:

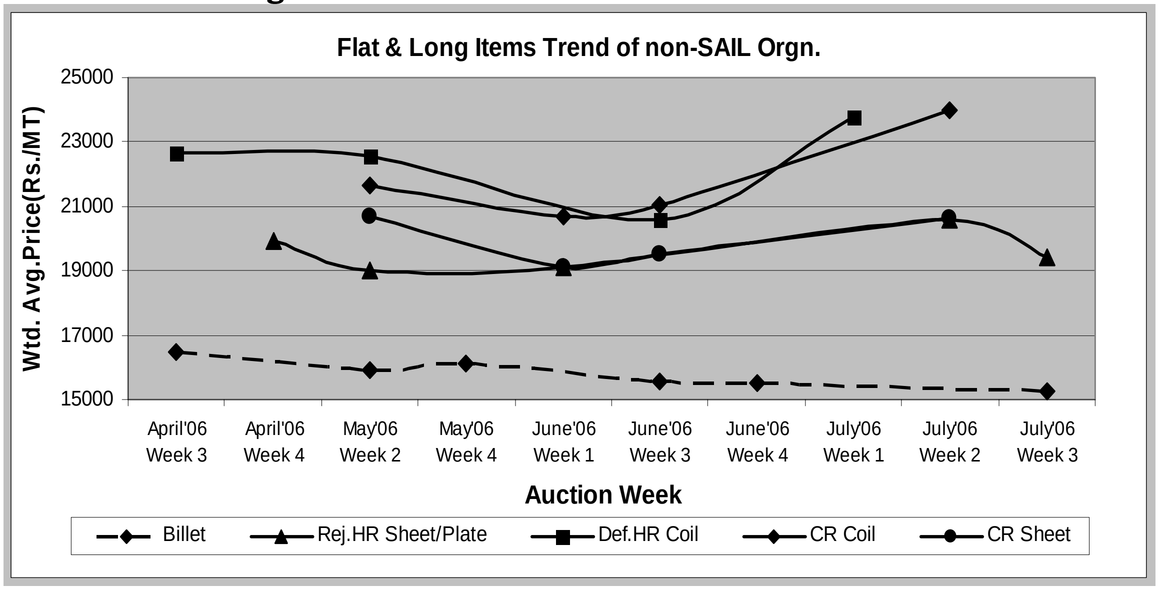
Week	Defective Billet	Defective TMT Bar	MM End Cutting	Rejected Bloom	Def Rod In Coil
1	16283	15001	17250	13200	17323
2	16090	14689	16328	13000	17014
3	16336	15248	16421	13328	19023
4	16015	14828		13000	

Summary of price and % change (m-m basis):

Products	June Price(Avg.)	July Price(Avg.)	% change	Price Movement(July'06 over June'06)
Def Billet	15684	16181	3.17	↑
Def TMT Bar	14900	14942	0.28	↑
MM End Cutting	16366	16666	1.83	↑
Def Rod In coil	16219	17787	9.67	↑

Outlook: The auction platform has shown a stable price trend throughout the month of July and an improved trend as compared to the earlier month. With ingot prices remaining firm throughout the month, the effect was clearly seen on auction platform. With the arrival of monsoon, demand might have a dip due to weak sentiment prevailing in the market and prices are expected to remain on a softened note. There may also be delayed effect of global billet market slowdown.

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



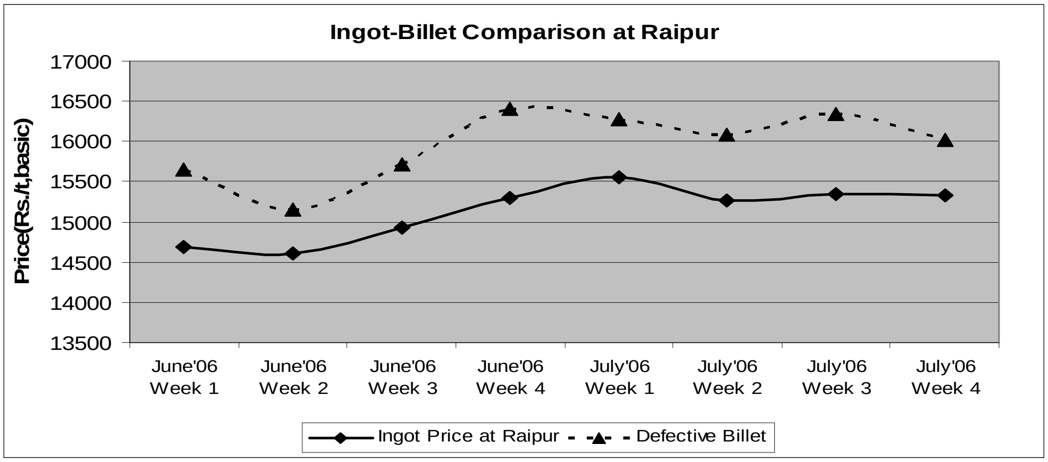
Price is basic

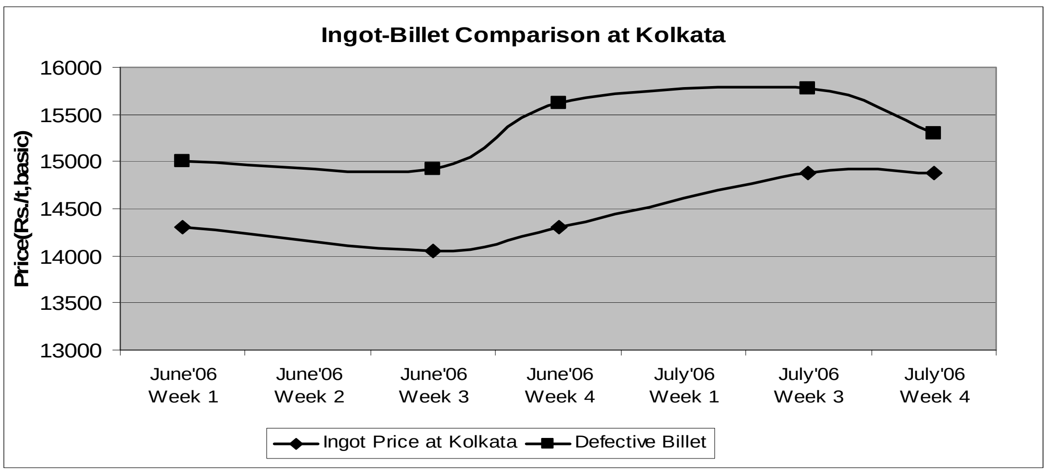
Ingot Trend

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
June Week 1	16586	20496	19491	17185	19241
June Week 2	16442	20379	19357	17000	18622
June Week 3	16283	20334	19408	16996	18769
June Week 4	16557	20333	19691	17578	19367
July Week 1	17213	20678	20321	18081	19483
July Week 2	17199	20779	19842	17872	19161
July Week 3	17259	21125	20068	17806	19008
July Week 4	17559	21256	19908	17903	19251

Price: (Rs. /t, incl excise duty)

The graphs below indicate the Ingot-Billet Comparison across Raipur & Kolkata:





International Scenario

HIGHLIGHTS:

Europe: Prices of flat products have remained stable in the month of July with demand remaining firm. Long product prices have also remained steady in European market.

USA: Prices of flat products has remained stable with demand remaining good in the market. Demand remained strong for plates, HR Coils, CR Coils, Rebars and Merchant Bars.

Asia: Prices of flat products have come down in the end of the month as Asian demand has remained lacklustre. Galvanized steel prices have been falling due to weaker sentiment and slowing down in purchases. Billet prices have also remained on a lower note due to lacklustre activity and seasonal effect.

China: There has been an overall downward trend both in Flat & Long products market. Weak Sentiment, lower interest from overseas market, seasonal effect, low demand are various factors governing the recent fall in domestic prices in China.

Billet prices have remained on a softened note since the end of June'06 and this has been mainly due to slack in construction sector. Due to rainy season building work has been hindered and there has been fall in steel demand.

Rebar market has remained quiet and prices have almost remained unchanged in the last two weeks of July'06.

Hot Rolled Coil prices have fallen significantly in China: Weak sentiment in the market has caused prices to drop below $500/t. Buying interest has fallen from overseas market.

Plate export prices from China have softened because of buying interest from overseas market softening. Prices are expected to remain stable.

The table gives an overview of price movement in both flat & long steel sector in China: *Note: 8.11 Yuan=1 US $*

Item Description	% Change over a week(July Week 4 over July Week 3)	% Change over a month(July'06 over June'06)	% Change in the last 6 months
Steel Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-4.94	-5.81	48.5
Steel Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	-2.44	-7.40	36.9
Steel Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	-2.04	-2.75	32.5
Steel Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	-1.02	-3.31	27.7
Steel Chinese Domestic Rebar Eastern China Yuan/t	0.71	-6.83	6.01
Steel Chinese Domestic Rebar Southern China Yuan/t	-0.31	-5.14	0.91
Steel Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.00	-8.52	6.98
Steel Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	-0.32	-7.83	3.92

OUTLOOK:

USA: Flat product prices are expected to remain firm in the short-term. Strong market demand is forecasted in long products sector and prices are expected to remain firm.

Europe: Prices of flat and long product items are expected to remain firm with demand still remaining firm especially in the long products sector.

China: Sentiment is expected to remain weak in the market with onset of monsoon. Demand for longs is expected to remain low with slower construction activity. Prices to remain on a lower note both in flat & long products sector.

India: A robust outlook for the end user industries such as automobile, consumer durables, construction, power and packaging and an estimated GDP growth of 7-8 per cent will ensure that demand for steel and metals remain buoyant in the domestic market. Favourable demand-supply balance, low global metal inventories coupled with firm raw material prices will help sustain metal prices in the short-term. According to sources, some expert comments suggest that steel prices will remain positive in the short-term and some even suggest that prices will remain stable till the end of the year. Also, long-term players are not to be affected by the cyclical changes in steel prices.

Further, good demand of steel in the future might as well boost steel imports. According to government statistics released, steel consumption in the country has grown on a compounded basis of 9.70% since 2002-03 while production of steel during the same period has grown by only 6.60% leaving the room open for imports. Also, imports have risen sharply while exports have seen decline. The net export of steel stood at 4.5 million tonnes in 2002-03 and it ahs declined to 4.3 million tonnes in 2005-06. Imports have risen from 1.5 million tonne in 2002-03 to 3.7 million tonne in 2005-06.

Data Sources:

1) Steel Trade Today
2) www.ncdex.com
3) Steel Trade Intelligence
4) Metal Bulletin
5) Steel Business Briefing

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

Date of Report: August 01, 2006

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Iron ore:

Spot prices for Indian Iron-Ore strengthen in China: Encouraged by the 19% rise in iron-ore prices last month, spot market prices for Indian Iron-Ore (63% Fe) into China have increased in the range of $71-73/t (landed) and stabilized in the fourth week of the month.

Indian Iron-Ore Prices Landed at China

	Mar'06	Apr'06	May'06	Jun'06	July'06
Indian 63% Fe $/t CFR China	67-72	67-73	65-72	68-74	70-75

Recommendations made by Hoda Committee on Iron-Ore: Indian iron ore miners will have to pay mining royalties to local authorities based on the iron ore's sales value. Currently, Indian iron ore miners pay royalties of Rs. 27/tonne. An export tax will apply to exports of high grade lump ore (with Fe content of 65% and above) while other types of iron ore will be exempted from such duty.

Pig Iron:

Pig Iron prices remained firm in the month of July with state of demand still remaining on a positive note. However, with monsoon making a strong and delayed start in the country since the fag end of the month, the demand is expected to remain on a lower note.

Price trend of Pig Iron: (Rs. /t, incl. Excise, landed)

Item	Place	June-06	July-06	% change (Jul'06 over June'06)	Price Movement
Pig Iron(SG)	Kolkata	16,100	16,400	1.86	↑
	Raipur	15,900	16,050	0.94	↑
	Mandi Govindgarh	17,000	17,500	2.94	↑
Pig Iron(FG)	Mandi Govindgarh	18,200	18,500	1.65	↑

SG: Steel Grade, FG: Foundry Grade

Sponge Iron:

Sponge iron prices improved to a certain extent by around 4.69% in the month of July as compared to the earlier month. Demand has improved to certain extent in the market; however with the arrival of monsoon the market sentiment is expected to remain on a softened note with demand remaining moderate.

Price trend of Sponge Iron Ex-Raipur: (Rs. /t, Basic)

Month	Price	Price Movement	% Change
Mar-06	10719		
Apr-06	10466	↓	-2.36
May-06	9471	↓	-9.51
June-06	9155	↓	-3.34
July-06	9584	↑	4.69

Scrap:

Melting Scrap Price (Rs. /t, Incl.Excise & Sales, Landed)

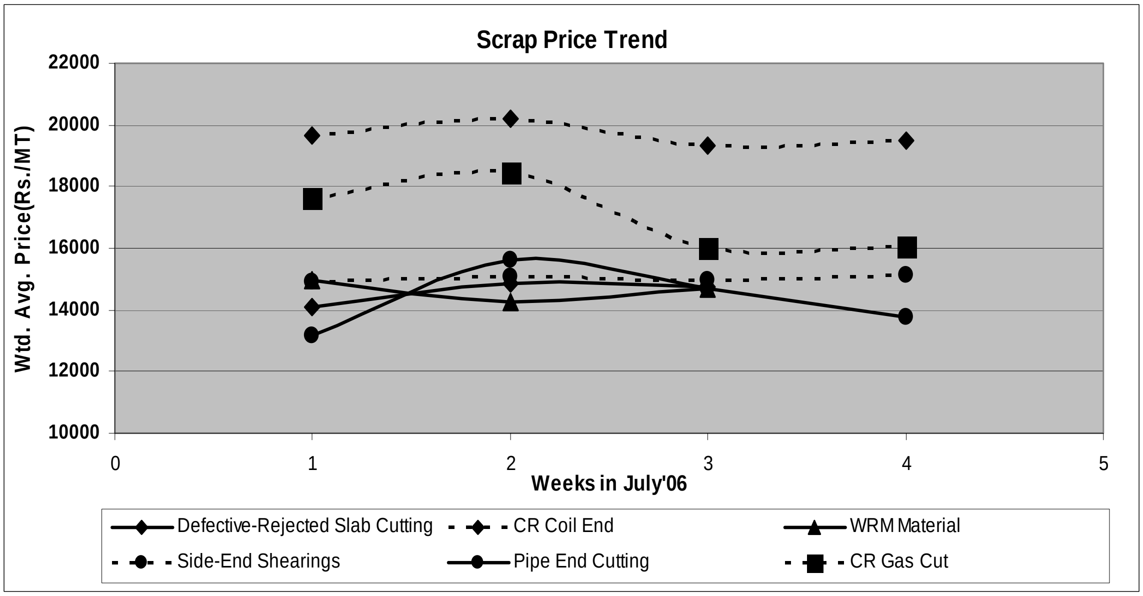
Place	May-06	June-06	July-06	% change (Jul'06 over June'06)	Price Movement
Delhi	16,500	15,100	15,200	0.66	↑
Kolkata	15,000	14,000	14,200	1.43	↑
Mumbai	16,000	14,600	14,800	1.37	↑

Price Movement

	Review	**Outlook**
Steel Product	July 2006 over June 2006	Aug 2006 over July 2006
Pig Iron	↑	↔
Sponge Iron	↑	↔
Melting Scrap	↑	↔

Price Trend as observed in the Auctions held at Metal Junction:

Following graph shows the price trend observed in the auction services of Metal Junction for the month of July 2006 for different scrap products.



Price is basic

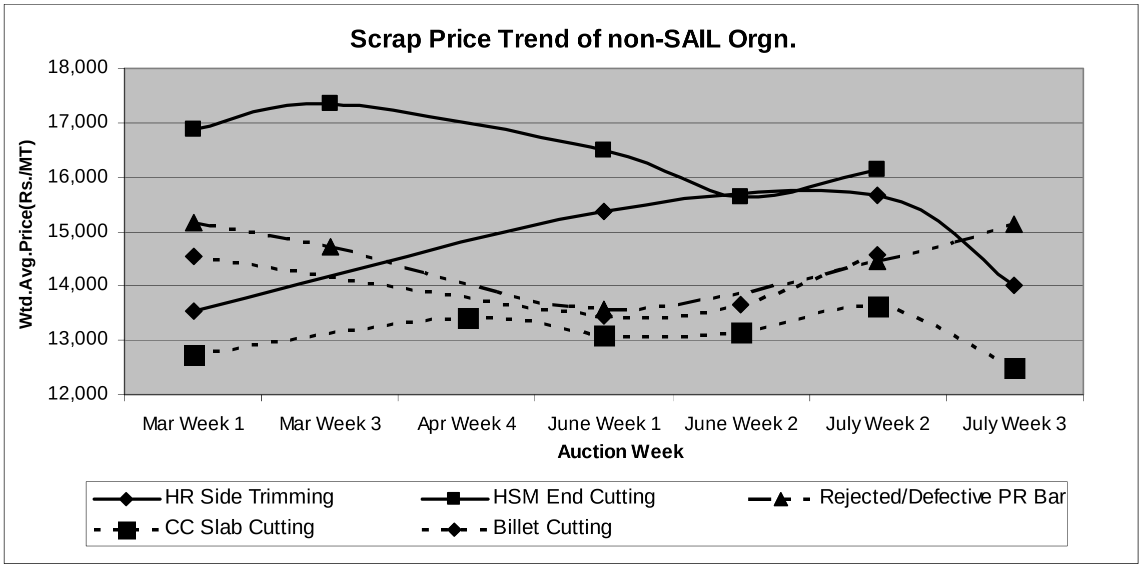
Attached below is the data table:

Week	Def.Rej. Slab Cutting	CR Coil End	WRM Material	Side-End Shearing	Pipe Cutting	CR Gas Cut
1	14100	19643	14941	14900	13140	17650
2	14829	20223	14270	15085	15607	18450
3	14741	19313	14675	14966	14697	15981
4		19505		15128	13744	16077

Summary of price and % change (m-m basis):

Products	June Price (Avg.)	July Price(Avg.)	% change	Price Movement(July'06 over June'06)
Def-Rej Slab Cutting	14539	14557	0.12	↑
CR Coil End	19637	19671	0.17	↑
Side-End Shearings	14790	15020	1.56	↑

The graph below indicates the price trend of scrap items auctioned from non-SAIL organizations



Price is basic

Outlook: The auction platform has shown improvement in prices as compared to earlier month and the overall trend has remained firm throughout the month of July'06. Sponge Iron prices have shown a firm improvement in the month of July'06 and there has been on an average a 4.69% percentage rise in price. With this scenario, the demand for scrap remained strong in the market and positive price movement was noticed in our auction platform in July Week 4 after a certain fall in the third week of the month when the buyer's sentiment was a bit soft. With Ingot prices also showing a positive movement in the fourth week of July'06, overall scrap price movement remained steady.

International Scenario:

HIGHLIGHTS:

Iron-Ore Prices stabilize in China: Despite the recent weak performance of China's steel markets, spot market prices for Indian Iron-Ore (63% Fe) into China have remained at $71-73/t (landed). In the mid of monsoon season, when Indian export volumes drop by half, fob prices for Indian Iron-Ore have stayed firm at around $54-56/t since late June. Domestic prices especially in North-East China have remained quiet.

China's Iron Ore Prices (Import & Domestic)

	Mar-06	Apr-06	May-06	June-06	July-06
CFR China($/t)	67-72	67-73	65-72	68-74	70-75
Ex-Works(RMB/t)	460-540	450-540	460-550	470-550	490-550

Pig Iron Prices remain stable in China: Pig Iron price in China are presently prevailing at $355/t cfr Korea/Taiwan/Japan. Presently Indian pig iron prices in South East Asia are prevailing at $350/t cfr.

The tables below indicate global price trend of Pig Iron:

Grade	Place	Price	Price Movement (July'06 over June'06)
Steel CIS Export	Black Sea/Baltic Sea	333($/t)	↑
Steel CIS Export	Far East	324($/t)	↑
Steel EU Import(Basic)	cfr Western Europe	275(Euro/t)	↔

1US$=Rs.46.56, 1Euro=Rs.59.45

Europe: **European Scrap Prices remained stable in July'06:** With demand remaining strong, ferrous scrap prices remained steady in the month of July. Prices in UK also remained steady though there was slight softening of export prices by up to £10/t.Prices might weaken a bit in August with buying slowing down from certain regions. For instance, Turkish buying has been absent from European market for sometime now.

European Shredded Scrap:

	Apr-06	May-06	June-06	July-06	Aug-06(*)
Domestic Ex-Works(Euro/t)	195-215	200-220	210-230	210-230	200-220
Rotterdam Export FOB($/t)	225-235	230-235	260-270	270-280	270-280

(*)-SBB Forecast

U.S: Domestic **prices** for most of the scrap grades have **remained firm** in the month of July. Prices of shredded and heavy scrap grades have remained stable and might pick up by very small margins depending on regional demand.

Asia: **Scrap Prices softened due to weak sentiment in the market:** With little activity in steelmaking raw materials market in East Asia, prices have started weakening. Scrap Import prices have fallen by around 10$/t since the mid of July'06.The decline in scrap market is due to downward price trend in finished steel prices in China market.

China**:** Scrap market has shown signs of weakness due to slackening demand in construction sector. With billet prices falling down recently, the effect is seen on scrap prices too. China's Scrap import market has also shown signs of weakness.

Steel Scrap No 1 Heavy melting United States Iron Age composite – d/d Pittsburgh/Philadelphia/Chicago

Month	Average Price($ per long ton)	Price movement
Mar-06	228	
Apr-06	236	↑
May-06	236	↔
June-06	245	↑
July-06	245	↔

Steel Scrap No 1 heavy melting United States fob East Coast $ per tonne

Month	Average Price($ per long ton)	Price movement
Mar-06	220	
Apr-06	229	↑
May-06	229	↔
June-06	260	↑
July-06	260	↔

Steel Scrap Shredded United States fob East Coast $ per tonne

Month	Average Price($ per long ton)	Price movement
Mar-06	224	
Apr-06	233	↑
May-06	233	↔
June-06	261	↑
July-06	264	↑

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

Month	Average Price($ per tonne)	Price movement
Mar-06	212	
Apr-06	223	↑
May-06	231	↑
June-06	254	↑
July-06	252	↓

Steel Scrap Shredded fob Rotterdam $ per tonne

Month	Average Price($ per tonne)	Price movement
Mar-06	227	
Apr-06	237	↑
May-06	242	↑
June-06	268	↑
July-06	267	↓

OUTLOOK:

Scrap prices to remain softened as it was seen from third week of July, especially in Asia where demand has gone down due to construction sector receiving a setback. Weakness in prices of finished steel as observed in the largest global player China, will have an effect on the prices of scrap as a whole. Hence, outlook of scrap price is south bound.

While in other regions prices have stabilized, the demand for scrap is expected to remain weak in the short-term and a seasonal softness in scrap prices is also expected.

In US prices of pig iron are expected to decline by roughly 9% in the near-term and the decline is linked to softening in scrap prices. Prices of shredded scrap and other grades are expected to remain lower in August'06.

In the domestic market, prices of pig iron, sponge iron and melting scrap are expected to remain stable with demand remaining moderate.

Data Sources:

1) Metal Bulletin
2) Steel Trade Today
3) Steel Trade Intelligence
4) Steel Business Briefing

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STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

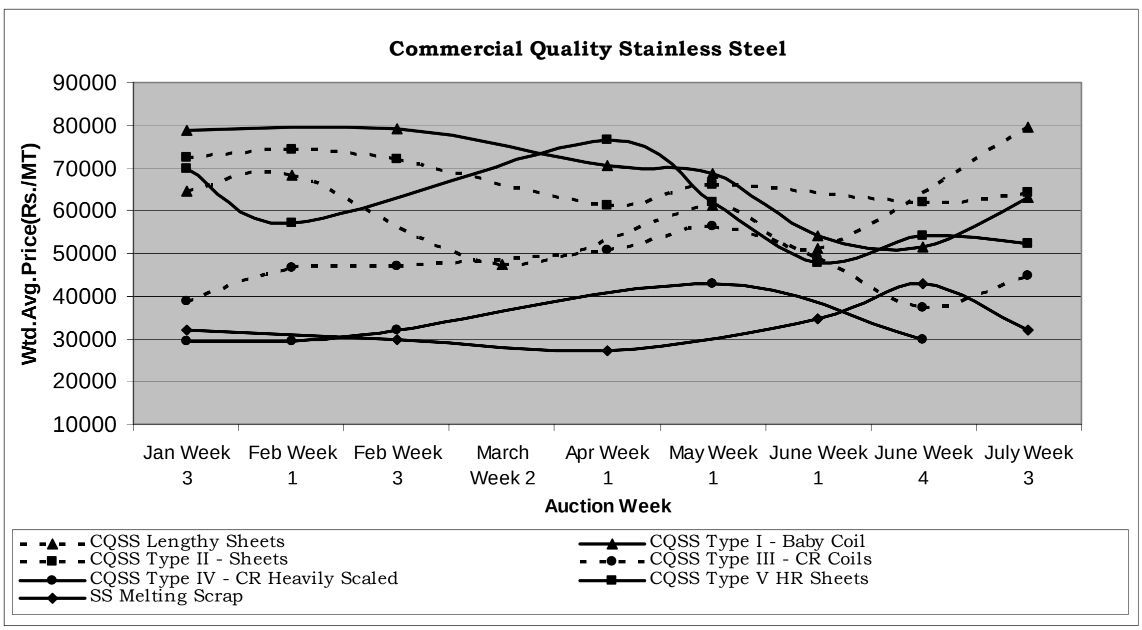
Domestic Scenario:

Salem Steel Plant Expansion approved by Board of Steel Authority of India Ltd: With rising demand in this sector, SAIL has approved expansion of SSP. The expansion plan includes installation of steel making facilities, including a continuous slab cluster and expansion of the plant's cold rolling capacity. The new steel making facility, with a capacity to produce 1,80,000 tonnes of stainless steel slabs per annum will enable it to become more cost competitive and compete with the global stainless steel market.

Price Movement

	Review	**Outlook**
Steel Product	July 2006 over June 2006	August 2006 over July 2006
Stainless Steel	↑	↑

Price Trend as observed in the Auctions held at Metal Junction for Stainless Steel Products:



Price is basic

Auction Trend of Commercial Quality & Prime Stainless Steel

Commercial Quality SS							
	CQSS Lengthy Sheets	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III - CR Coils	CQSS Type IV - CR Heavily Scaled	CQSS Type V HR Sheets	SS Melting Scrap
Jan Week 3	64507	78843	72268	38969	29327	69998	31966
Feb Week 1	68485		74241	46595	29532	57005	
Feb Week 3		79046	72149	47070	31989		29811
Mar Week 2	47500						
Apr Week 1		70703	61074	50728		76711	27057
May Week 1	61100	68856	66065	56463	42902	61952	
June Week 1	51300	54046		48963		47644	34827
June Week 4		51351	61778	37140	30000	54002	42929
July Week 3	79607	62980	64115	44930		52326	32000

Prime SS			
	SS Low Nickel	Type-300	Type-400
Apr Week 1			
Apr Week 2	67505	124006	60000
May Week 1			
June Week 1	72299	130848	53973
June Week 4	71489	121939	51760
July Week 4	74269	139330	53172

Note: Auction prices in Rs. /MT quoted above are basic

Outlook:
The auction platform has shown improvement in prices for most of the items in the month of July and this has been closely in line with domestic and international market, where sentiment has remained quite strong. At present the stainless steel sector is booming up both domestically and internationally and with rise in input prices especially of nickel, the effect is seen on stainless steel sector especially for grades 200 and 300.Nickel accounts for more than 60 percent of cost of making 300 series of stainless steel where 8-10% of nickel is used.

With demand remaining strong, prices are also expected to remain firm in the coming auction.

International Scenario:

HIGHLIGHTS:

China: **Stainless CRC prices rising fast in China:** After a drop in mid-June, stainless cold rolled coil prices have been moving up. Prices for 2mm thick

304/2B material have risen by around RMB 800–900/tonne ($97–109/t) in a week.

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

	Apr'06	May'06	June'06	July'06	Aug'06(*)
CR 304 2B	22500-27000	27000-28000	25300-27500	26000-29000	29000-30000

(*)SBB Forecast

Stainless 200 series supply is tight in China: With supply remaining tight, market prices of 200 series cold rolled stainless steel have been on a rise in China's major stainless steel markets.

China Type 202 Stainless Sheet Prices, RMB/t Domestic FOB Foshan (incl.17% VAT)

	Apr'06	May'06	June'06	July'06	Aug'06(*)
CR 2B	17000-17200	17000-22200	20300-22000	21000-23000	22000-23000

(*)SBB Forecast

Stainless Scrap Prices moving up in China: Due to the continuous upturn in the international nickel market, stainless scrap prices in China have seen significant increases since mid–June. In the light of the continuing strength of the international nickel market, stainless scrap prices are expected to remain high in the short term.

Europe:

Stainless Coil Prices moving up in European Market: Buoyed by strong demand and rising Nickel prices, stainless coil prices have been on a positive note.

CR 304 2B 2mm,Euro/t Ex-Works	Apr'06	May'06	June'06	July'06	Aug'06(*)
N.Europe	1240-1290	1300-1400	1370-1470	1400-1500	1450-1550
S.Europe	1180-1220	1240-1310	1310-1400	1370-1470	1420-1520

(*)SBB Forecast

European Stainless Scrap Prices continue moving upwards: Strong market for stainless steel in Europe is maintaining demand for stainless scrap at a high level. With nickel prices showing an upward movement, scrap prices are also expected to remain up. It is expected that scrap requirements will hardly soften in the medium-term. With stainless steel production expected to reach 27 million tonnes at the end of the year, stainless scrap demand is also expected to hit 7.5 million tonnes this year, up from 6.8 million tonnes in the year 2005.

Date of Report: August 01, 2006

US Stainless Scrap Prices moving upwards: Based on strong demand and rise in nickel prices, stainless scrap prices have been on a rise in domestic US market. Delivered prices for standard 18–8 stainless steel scrap have moved in a range of $2,060–2,100 per long ton, up from $1,925–1,965/ long ton on average in mid–June.

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

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

Month	Average Price($ per tonne)	Price movement
Mar-06	2250	
Apr-06	2333	↑
May-06	2550	↑
June-06	2825	↑
July-06	2850	↑

Stainless Steel Asia Grade 304 2mm CR coil 2B cif East Asian port

Month	Average Price($ per tonne)	Price movement
Mar-06	2400	
Apr-06	2533	↑
May-06	2775	↑
June-06	3000	↑
July-06	3000	↔

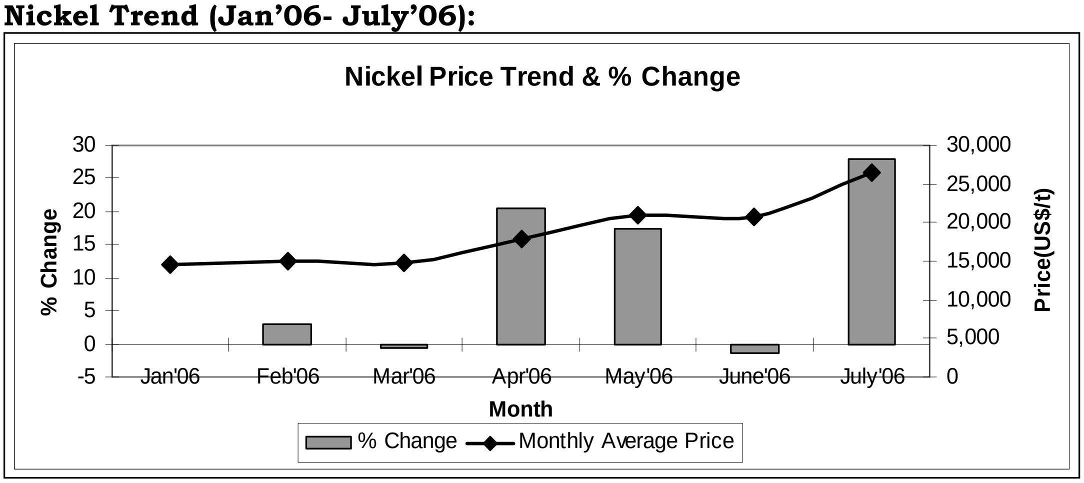
Stainless Steel EU Domestic 2mm 304 CR stainless strips

Month	Average Price(Euros/tonne)	Price movement
Mar-06	1070	
Apr-06	1110	↑
May-06	1350	↑
June-06	1350	↔
July-06	1475	↑

Source: Metal Bulletin

Note: 1US$=Rs.46.56, 1Euro=Rs.59.45, 8.11 RMB=1 US $

Nickel Trend (Jan'06- July'06):

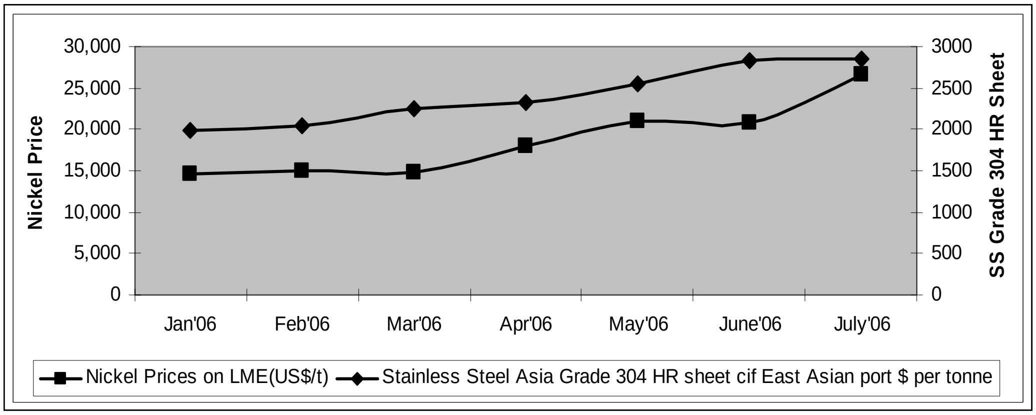


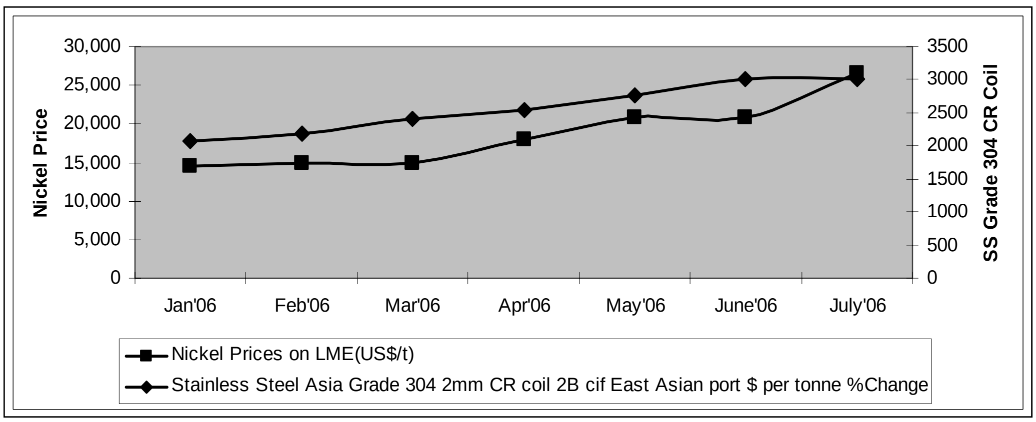
Nickel had a sharp jump in prices in the second & third week of July'06 and then had a market correction to end at the 26,000$/t mark.

Highest price achieved by Nickel in the respective months:

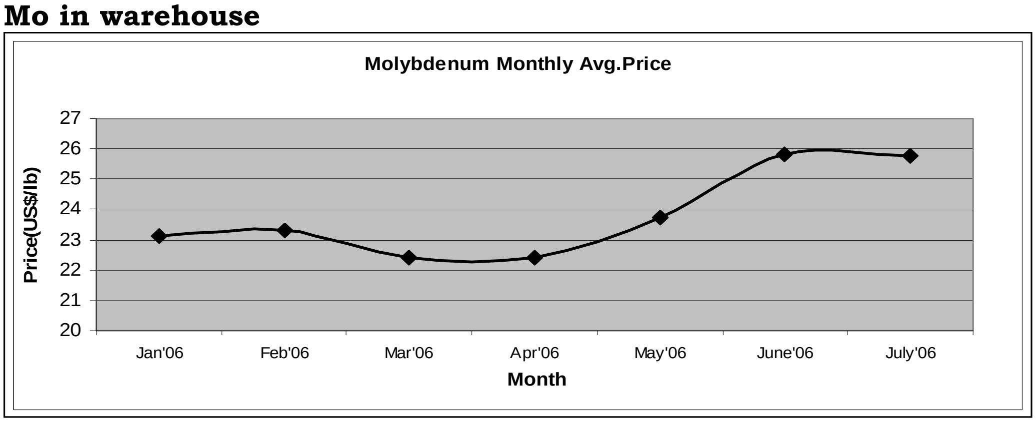
Jan'06	Feb'06	Mar'06	Apr'06	May'06	June'06	July'06
15,175	15,275	15,160	20,150	23,025	22,290	29,845

The graphs below indicate SS-Ni trend. Stainless Steel has closely followed in line with Nickel.





Molybdenum Canned molybdic oxide United States Free market $ per lb Mo in warehouse



Molybdenum ended on a slightly lower note in the fourth week of July'06 and ended at 25$/lb.

OUTLOOK:

Stainless Steel demand to remain strong in US: Successive price increases on stainless steel flat products are evidence that the market will remain strong in the third quarter of year 2006. Good demand lies from various sectors like aerospace and defense, chemical processing industry, oil and gas, electrical energy, and medical.

World stainless steel output has reached record highs in the first quarter of 2006: A jump of 0.3% as compared to similar period last year. Compared to fourth quarter of last year, worldwide rise has been 12.2 %. In America, rise has been 17.7%, 12.6% rise in Western Europe/Africa region, 11.1% rise in Asia compared to fourth quarter of last year.

This clearly gives a picture of strong demand recovery in stainless steel across various places in the world as a result of which production is on a rise. The remaining half of the year is expected to see strong demand from this sector and prices are also expected to remain on a positive note.

Data Sources:

1) www.lme.co.uk
2) Steel Trade Today
3) Metal Bulletin
4) MEPS
5) Steel Business Briefing
6) Business Standard

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