

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

Steel prices dip considerably on low demand: Steel prices declined across all sections in Mandi Gobindgarh, the benchmark steel market in the country, as demand - especially from the construction industry - that was expected to come in before Diwali has not appeared to be there even after one week of the festival. The price drop assumes significance as it has, in fact, been a move against the projection of traders and analysts. **(Business Standard)**

Steel companies cut HR prices for November: Following heavy pressure on global steel prices, major steel makers have reduced the selling price of hot rolled steel with effect from November. Prices of HR Coils & Sheets are now prevailing at an average of around Rs.26,000/MT including excise duty. **(Steel Trade Today)**

Price trend of prime steel prevailing in Mandi Govindgarh market:

Primary Flat Products: Price (Rs. /MT) incl.excise duty

	25.11.05	15.11.05	14.10.05	30.09.05	16.09.05	30.08.05
Plate(5-10 mm)	25000	28000	28000	28000	28000	28000
HR Coil	26500	27500	27500	27500	27500	27500
HR Sheets	26000	27500	27500	27500	27500	27500
CR Coil	32000	33000	33000	33000	33000	33000
CR Sheets	32000	33000	32000	32000	32000	32000
GP Coil	33000	35000	35000	35000	35000	35000
GP Sheets	32000	35000	35000	35000	35000	35000

Primary Long Products: Price (Rs. /MT) incl.excise duty

	25.11.05	15.11.05	14.10.05	30.09.05	27.09.05	30.08.05
Billets(100*100 mm)	19500	20300	20900	22300	21600	22400
Blooms(DSP)	24500	21300	24500	24700	21000	22000
MS Rounds(22/25 mm)	21800	22700	23400	23800	23900	25100
MS Squares(22/25 mm)	21100	22800	23100	23600	23600	24600
MS Angles(25*6mm)	21900	22400	23300	23800	23700	25100
MS Channels(75*40 mm)	22500	23000	23800	24400	24400	25800
Joists(150*75mm)	23400	23700	24500	25500	25500	26000

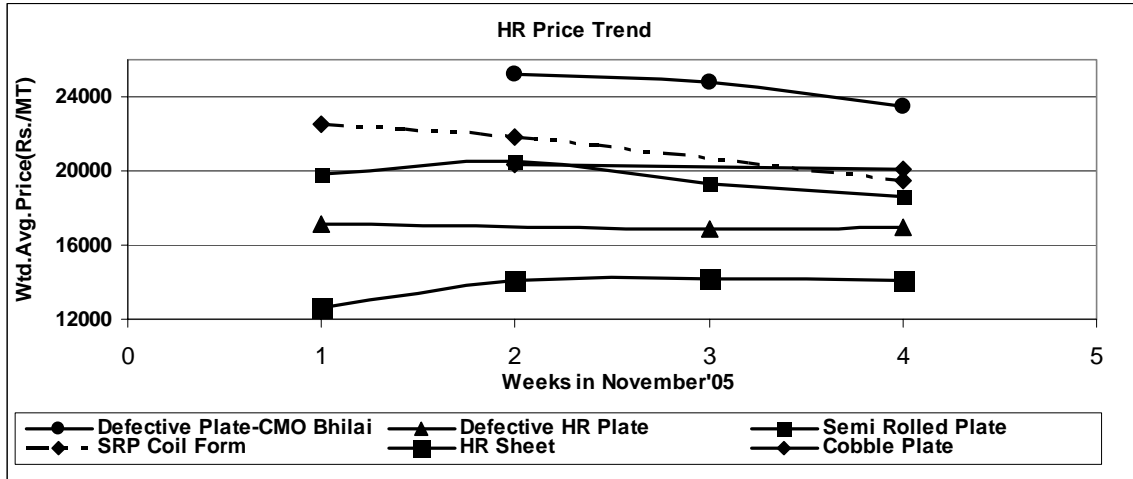
Source: Steel Trade Intelligence**Price Movement**

	Review	Outlook
Steel Product	October 2005 over September 2005	November 2005 over October 2005
HR Coils	↓	↓
CR Coils	↑	↓
GP/GC Coils	↑	↓
Long Products	↓	↓

Source: CRISIL Report

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 November for different HR and CR products.



Price is basic

Attached below is the data table:

Week	Defective Plate-CMO Bhilai	Defective HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet	Cobble Plate
1		17122	19855	22500	12602	
2	25225		20518	21844	14050	20305
3	24812	16885	19344		14205	
4	23520	16924	18599	19466	14069	20080

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

Products	Oct Price(Average)	Nov Price(Average)	% change
Defective Plate-CMO Bhilai	24706	24520	-0.75
Defective HR Plate	18415	16977	-7.81
Semi Rolled Plate	21527	19579	-9.05
SRP Coil Form	20741	21270	2.55
HR Sheet	15750	13732	-12.81
Cobble Plate	20476	20193	-1.38

Defective Plate-CMO Bhilai: The product showed a declining price trend towards the end of the month.

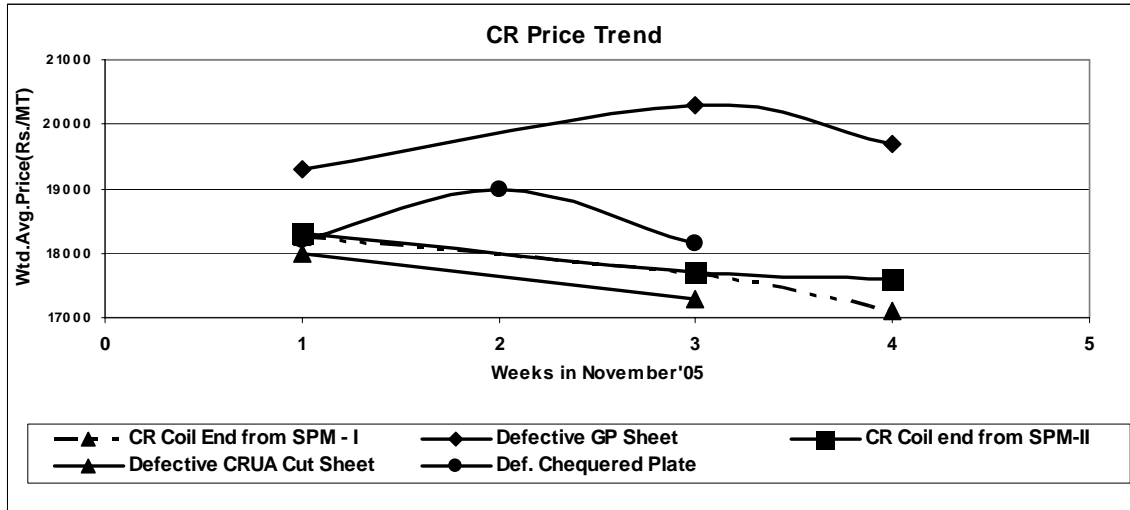
Defective HR Plate: The product showed a declining price trend till the third week and then again a slight rise in price in the end of the month.

Semi Rolled Plate: This product touched its peak in the second week of the month and then had a steady decline in price.

SRP Coil Form: The product ended with a declining note in the fourth week.

HR Sheet: The product showed a rise in price in the second and third week and then again a fall in the fourth week of the month.

Cobble Plate: The product showed a downward trend in the month of November.



Price is basic

Attached below is the data table:

Week	CR Coil End from SPM - I	Defective GP Sheet	CR Coil End from SPM - II	Defective CRUA Cut Sheet	Def. Chequered Plate
1	18266	19308	18302	18000	18190
2					19000
3	17681	20295	17709	17300	18139
4	17115	19694	17597		

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

Products	Oct Price(Average)	Nov Price(Average)	% change
CR Coil End from SPM - I	19075	17687	-7.28
Defective GP Sheet	19992	19766	-1.13
CR Coil End from SPM - II	18632	17869	-4.10
Defective CRUA Cut Sheet	18181	17650	-2.92
Def. Chequered Plate	No auction	18443	

CR Coil End from SPM-I: The product showed a falling price trend in the end of the month.

Defective GP Sheet: The product ended with a negative note in the end of the month.

CR Coil End from SPM-II: The product too depicted a falling price trend.

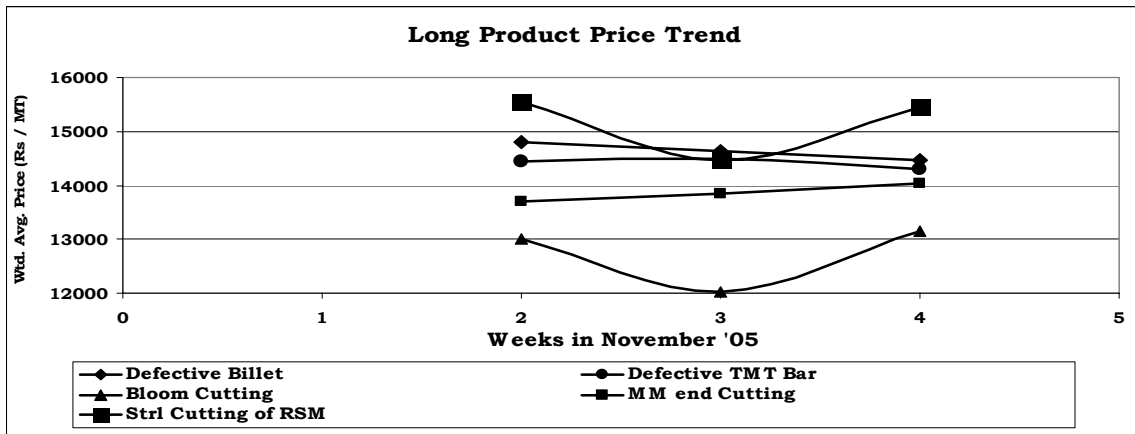
Defective CRUA Cut Sheet: The product showed a negative growth in the end of the month.

Defective Chequered Plate: The product had a rise in price in the second week and then again ended with a falling note.

Outlook: As compared to the month of October there has been a negative change in price for most of the HR and CR items in the month of November. Moreover, with continuous dip in ingot price, prices of flat product items are expected to remain softened in the market for remaining of the year.

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 November for different long products.



Price is basic

Attached below is the data table:

Week	Defective Billet	Defective TMT Bar	Bloom Cutting	MM end Cutting	Strl.cutting of RSM
1					
2	14798	14438	12998	13696	15534
3	14625	14489	12015	13832	14461
4	14465	14300	13153	14029	15460

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

Products	Oct Price(Avg.)	Nov Price(Avg.)	% change
Defective Billet	15108	14629	-3.17
Defective TMT Bar	14691	14409	-1.92
Bloom Cutting	13692	12722	-7.08
MM end Cutting	14302	13853	-3.14
Strl Cutting of RSM	18750	15152	-19.19

Defective Billet: The product showed a declining price trend throughout the month.

Defective TMT Bar: The product more or less showed a steady price trend.

Bloom Cutting: The product showed a huge drop in price in the third week and then recovered back to end with a positive note.

MM End Cutting: The product showed a steady rise in price.

Strl.Cutting of RSM: The product had a major dip in the third week of the month and then did show a rising trend in the fourth week.

Outlook: With continuous dip in ingot price, prices of most of the long product items are expected to remain softened in the coming month. All the items had a negative percentage change in price as compared to the previous month.

Pencil Ingot Price Trend Comparison for October-November (in Mandi Govindgarh &Raipur market) (Source: NCDEX) Price is basic

Mandi Govindgarh (Rs. /t)

	Price(Rs./t)	Percentage change(w to w basis)
October Week 1	17631	-1.64
October Week 2	17421	-1.19
October Week 3	16798	-3.58
October Week 4	17083	1.70
November Week 1	16792	-1.70
November Week 2	16846	0.32
November Week 3	16594	-1.50
November Week 4	16092	-3.03

Raipur (Rs. /t)

	Price(Rs./t)	Percentage change(w to w basis)
October Week 1	15481	-0.28
October Week 2	15154	-2.11
October Week 3	14565	-3.89
October Week 4	14661	0.66
November Week 1	14753	0.63
November Week 2	14566	-1.27
November Week 3	14562	-0.03
November Week 4	14273	-1.98

International Scenario

Europe: European flat product prices forecast for 2006 by MEPS: Fourth quarter price rise announcements by European mills making flat rolled products has prevented prices falling further. Indeed they have achieved some small increase in per-tonne sales revenue. Several EU producers say they will be looking for further price rises in the first quarter of next year. This would leave it at just below €500 per tonne in March. More gains should be available in period two if the expected industrial and construction activity in the EU picks up. **(Steel Trade Today)**

Asia: Steel consumption will grow slowly in all the main markets. Orders from China have suffered because of over stocking. There seems nothing to stop further increases in China's growing surplus in long products. During the first quarter flat product markets will be tighter in the region. Long product prices will, at best, be stable over the next few months. **(Metal Bulletin)**

Overall Scenario:

HR and CR prices, both domestic and Asian are expected to remain weak in the coming month driven by low demand and increased supply. The temporary demand-supply mismatches in the CR market are likely to remain same over the next month and prices are expected to remain weak further. Renewed buying interest in the galvanized export market will raise prices for galvanized products but the rise will be limited by increased supply in the galvanized market. Demand from government contracts may only pick up after December 2005, so the prices of long products in the domestic market are expected to remain weak.

Data Sources:

- 1) Business Standard
- 2) Steel Trade Today
- 3) www.ncdex.com
- 4) IAS software
- 5) Steel Trade Intelligence
- 6) CRISIL Report
- 7) Metal Bulletin

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Pig iron prices decline on falling demand: Pig iron prices have declined because of falling demand from steel producers. There are two reasons for slump in demand from steel producers - its substitution with scrap and downturn in demand from main steel products. Steel producers have cut their production by about 5-10 per cent in order to clear the existing stocks. Market sources predict that upturn may take at least one quarter to happen. **(Business Standard)**

Price Movement

	Review	Outlook
Steel Product	October 2005 over September 2005	November 2005 over October 2005
Sponge Iron	↓	↓
Pig Iron	↓	↓
Ferro-chrome	↓	↔
Ferro-silicon	↔	↔

Higher supply and the likelihood of weak scrap prices in the next two to three months are expected to keep domestic and global prices of both pig iron and sponge iron subdued. The continuous correction in the supply scenario coupled with subdued demand will keep the prices of all ferro-alloys stable at current levels as has been depicted in the above table. **(CRISIL Report)**

Price trend of foundry grade pig iron in Mandi Gobindgarh (Rs. /t, all inclusive)

Month	Price(All inclusive)
June-05	19875
July-05	18080
August-05	17875
September-05	19000
October -05	18734
November-05	17400

Price trend of steel grade pig iron :(Rs. /t, all inclusive)

Month	Delhi	Chennai	Mumbai	Kolkata
Jun-05	19000	17500	18300	17500
Jul-05	18000	17000	17500	15500
Aug-05	19750	17500	17000	16650
Sep-05	18500	17500	17500	16625
Oct-05	18500	17500	18000	15750

Source: IAS

Price trend (Rs. /t, basic) of pig iron grades for various plants is as follows:

Plant	Aug-05	Sep-05	Oct-05	Nov-05
SAIL-BSL(Mixed grade)	11,800	13,500	12,300	11,800
SAIL-BSP(Steel grade)	13,300	13,400	12,100	11,800
VSP(Steel grade)	11,500	12,500	12,000	11,700
NINL(Steel grade)	11,500	12,500	12,500	11,800
KISCO(Foundry grade)	12,800	13,100	12,850	12,500

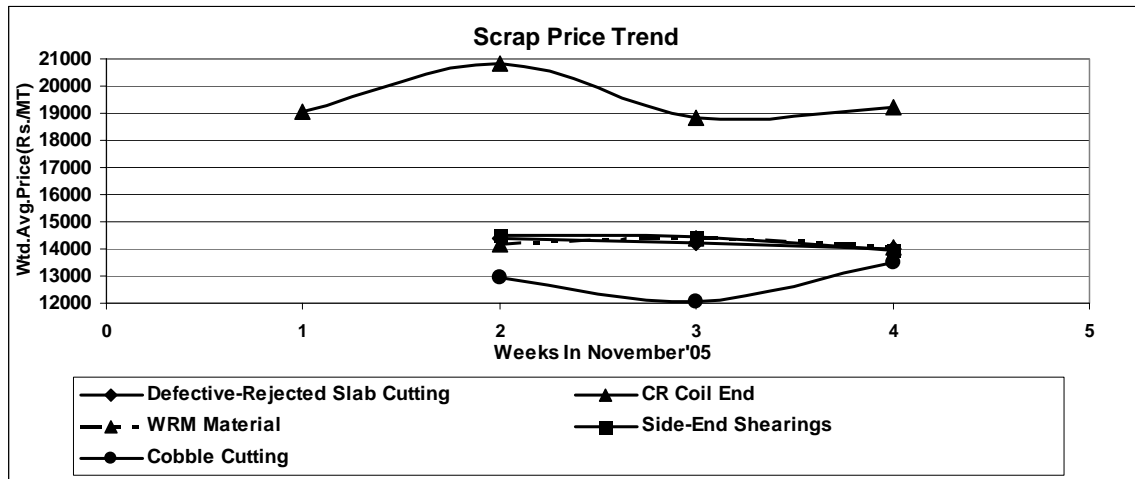
Melting Scrap Price (Landed) (Rs. /tonne)

Place	July	August	September	October	November
Delhi	15000	15600	15,000	13,200	12050
Chennai	15000	14000	14,000	12,300	11000
Mumbai	14000	12000	13,500	11,000	10020
Kolkata	15500	14075	14,300	12,100	10700

Source: IAS

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 November 2005 for different scrap products.



Price is basic

Attached below is the data table:

Week	Defective-Rejected Slab Cutting	CR Coil End	WRM Material	Side-End Shearings	Cobble Cutting
1		19081			
2	14400	20809	14176	14500	12952
3	14200	18823	14374	14436	12060
4	14000	19230	14031	13935	13500

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

Products	Oct Price(Average)	Nov Price(Average)	% change
Defective-Rejected Slab Cutting	14696	14200	-3.38
CR Coil End	19924	19486	-2.20
WRM Material	14871	14194	-4.56
Side-End Shearings	14945	14290	-4.39
Cobble Cutting	12816	12837	0.17

Defective-Rejected Slab Cutting: The product showed a declining price trend.

CR Coil End: The product ended with a positive note in the fourth week.

WRM Material: The product showed a declining trend at the end of the month.

Side-End Shearings: This product too showed a declining price trend throughout the month.

Cobble Cutting: The product ended with a positive note in the fourth week of the month.

Outlook: Except for cobble cutting which did reach some point of stability, all the other scrap items once again showed a negative percentage change in price as compared to the earlier month. The market is expected to remain on a softer price note in the coming month with not much improvement in auction price.

International Scenario:

West European Scrap Market: A more balanced European market has emerged this month after October's sharp price falls, and current indications point to limited price changes in the weeks ahead. But slackening EU demand for finished products, and longs in particular, as winter approaches, coupled with abundant domestic scrap supply, has prompted mills to try and resist any price increases. (www.steelweek.com)

Far East Scrap Market: Scrap prices have maintained a downward trend in East Asia amid weak demand in China, South Korea and Taiwan. Chinese mills expect further decline in prices, citing a good level of supply in the market and a good level of inventories at Far Eastern mills, according to the traders. HMS1 scrap from the US West Coast to China is put at around \$230/t c&f. (www.steelweek.com)

The tables below indicate the price trend of Pig Iron and HMS-I scrap:

Steel CIS Export Prices Pig Iron \$ per tonne. Far East

Price Date	Price
28-Nov-05	270
21-Nov-05	270
14-Nov-05	270
7-Nov-05	270
31-Oct-05	270
24-Oct-05	270
3-Oct-05	270
26-Sep-05	270
19-Sep-05	270
29-Aug-05	270
22-Aug-05	270
1-Aug-05	270
25-Jul-05	270
18-Jul-05	270
11-Jul-05	270
13-Jun-05	270
23-May-05	270
9-May-05	280
2-May-05	280
25-Apr-05	300
20-Apr-05	310

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

Price Date	Price
24-Nov-05	200
10-Nov-05	200
13-Oct-05	194.33
6-Oct-05	208
29-Sep-05	225.83
22-Sep-05	231.67
15-Sep-05	234.17
09-Sep-05	236.83
01-Sep-05	203.17
25-Aug-05	199.33
18-Aug-05	187.67
11-Aug-05	187.67
4-Aug-05	157.67
28-Jul-05	142.67
21-Jul-05	137.67
14-Jul-05	137.67
7-Jul-05	122.83
30-Jun-05	120.83
26-May-05	168.83

Steel Scrap HMS I fob Rotterdam Price \$ per tonne

Price Date	Price
24-Nov-05	215
10-Nov-05	215
3-Nov-05	215
27-Oct-05	215
20-Oct-05	205
13-Oct-05	205
6-Oct-05	205
29-Sep-05	235
22-Sep-05	235
15-Sep-05	255
8-Sep-05	255
1-Sep-05	255
25-Aug-05	245
18-Aug-05	245
11-Aug-05	210
14-Jul-05	210
30-Jun-05	195
23-Jun-05	165
9-Jun-05	150
2-Jun-05	205

Source: Metal Bulletin

Overall Scenario:

Internationally, ferrous scrap prices are further expected to fall. Scrap usage is expected to increase in electric arc furnaces with mini-mills winding up production.

Domestically, prices of sponge iron will continue to remain weak over the next two to three months driven by greater domestic supply. Scrap prices are also expected to fall slightly over the next month due to anticipated weak demand in EU and US. Continued weak scrap prices and increased supply will continue to exert pressure on pig iron prices, which is expected to decline marginally till December 2005.

Data Sources:

- 1) Metal Bulletin
- 2) Steel Trade Today
- 3) IAS software
- 4) www.steelweek.com
- 5) CRISIL Report

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STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

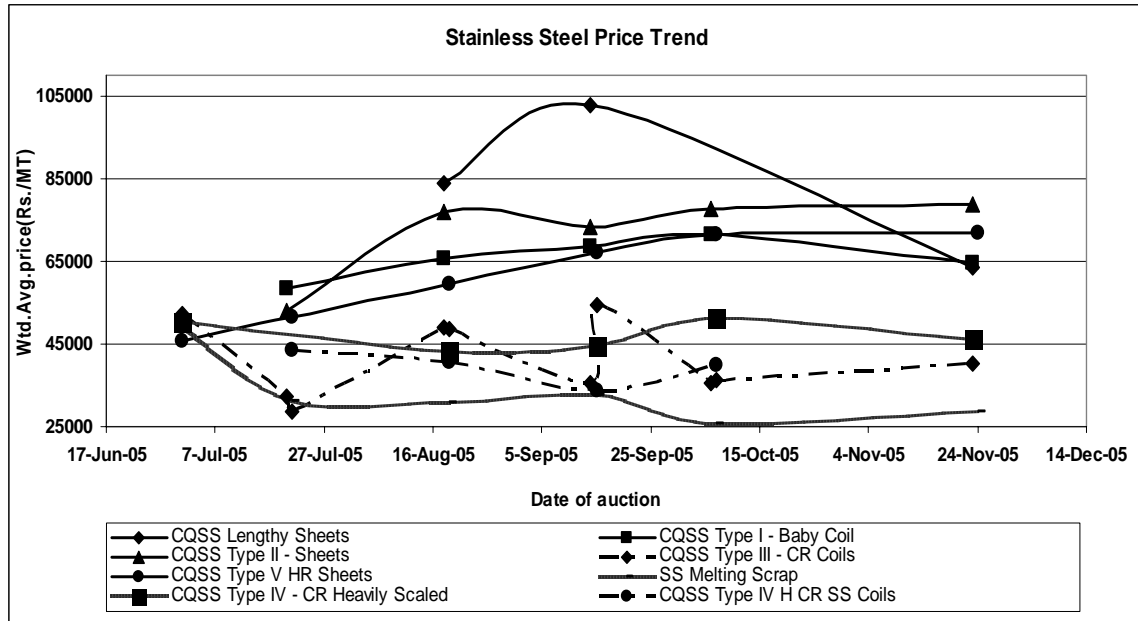
Domestic Scenario:

Stainless steel prices in India will remain weak due to lack of demand in the export market. Though the prices of most of the items have stabilized as compared to the earlier months, however demand is not picking up. It's becoming very difficult to move the material in the market and hence to clear the piled up stock, suppliers are offering further lower prices so that the material may be pushed into the market.

Price Movement

	Review	Outlook
Steel Product	October 2005 over September 2005	November 2005 over October 2005
Stainless Steel	↓	↓

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



Price is basic

Attached below is the data table:

	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 IV H CR SS Coils	CQSS Type V HR Sheets	SS Melting Scrap
1-Jul-05				52349	50514		45559	49264
20-Jul-05		58317	52984	32285				
21-Jul-05				28551		43672	51483	31170
18-Aug-05	83697	65665	76798	49044				
19-Aug-05				48500	43343	40691	59598	30863
14-Sep-05	102900	68737	73323	35663				
15-Sep-05				54428	44723	33766	66972	32680
6-Oct-05		71321	77535	35506				
7-Oct-05				36234	51333	39826	71573	25633
23-Nov-05	63680	64507	78733	40211	46233	No auction		
24-Nov-05						No auction	71815	28552

CQSS Lengthy Sheets: The product had a downtrend in the month of November.

CQSS Type I Baby Coil: The product had a decline in price for the auction held in the month of November.

CQSS Type II-Sheets: The product showed a positive trend in the month of November.

CQSS Type III-CR Coils: The product had a rise in price after a slump in the month of October.

CQSS Type IV - CR Heavily Scaled: The product showed a downward price trend for the auction held in the month of November.

CQSS Type IV H CR SS Coils: The product had no auction in the month of November.

CQSS Type V HR Sheets: The product showed a steady rise in price and ended with a positive note in the month of November.

SS Melting Scrap: The product had a rise in price in the month of November.

Outlook: The auction platform had a mix of rise and fall in price for the stainless steel items. However, with international and domestic scenario further showing a dip in market in the **month of November** and with majority of players cutting down prices due to fall in demand, it is expected that the auction platform will maintain a soft trend in the month of December.

International Scenario:

Asian stainless steel prices fall further: Prices for **stainless hot rolled sheets** and **cold rolled coils** entering China from East Asia have fallen further on declining nickel prices, weak demand and strong domestic supply. Demand is not very good presently as the peak season is almost over and companies keep stock levels low at the end of the year. Prices could fall even further next month as traders expect Chinese stainless mills to cut December shipment prices, production and capacity continues to grow and demand becomes even quieter as the peak consumption season nears its end in China. **(Metal Bulletin)**

Japanese Stainless: Stainless steel prices in Japan continue to drop in the face of relentless pricing pressure from China. Japanese mills have reached a point where exports orders have dropped so drastically that they now have little option but to cut their own prices. Japanese **CR403 series c&f Asian ports** is now standing at around \$2,100/t, down from \$2,300/t a month ago, while **No.1 HR** prices have dropped by around \$150/t to \$1,950/t. Traders expect stainless prices to drop by at least a further \$30-50/t. by yearend, particularly with weak demand expected over the Chinese New Year period. **(www.steelweek.com)**

Chinese stainless steel annual growth to be 9% for next 10 years: China's stainless steel consumption is expected to register a healthy 9% annual growth during the next 10 years. Chinese steel consumption is projected to grow to 8-10mt/y by between 2010-2012 and to 12mt/y by 2014. The Chinese stainless steel production will increasingly meet domestic demand. **(www.steelweek.com)**

Global demand for Stainless Steel flats to be 22mt in 2010: Global stainless steel flat-product demand is projected to reach 22mt by 2010, according to Pascal Payet- Gaspard, CEO of **Arcelor Stainless International**. By the decade's end, 90% of stainless sheet demand would be in CR form, compared to last year's share of about 83% in a 16mt market. The CEO foresees a 1mt/y increase in demand for flat products from 2005 through to 2009, with China being the main driving force behind the market's growth. **(www.steelweek.com)**

The tables below give an overview of stainless steel prices worldwide :(**Metal Bulletin**)

Stainless Steel Asia Grade 304 HR sheet cif East Asian port \$ per tonne

Price Date	Price
25-Nov-05	1950
18-Nov-05	1950
11-Nov-05	1950
21-Oct-05	1950
14-Oct-05	1950
30-Sept-05	1950
9-Sept-05	1950
26-Aug-05	1950
19-Aug-05	1950
12-Aug-05	2100
5-Aug-05	2100
8-Jul-05	2100
1-Jul-05	2250

Stainless Steel Asia Grade 304 2mm CR coil 2B cif East Asian port \$ per tonne

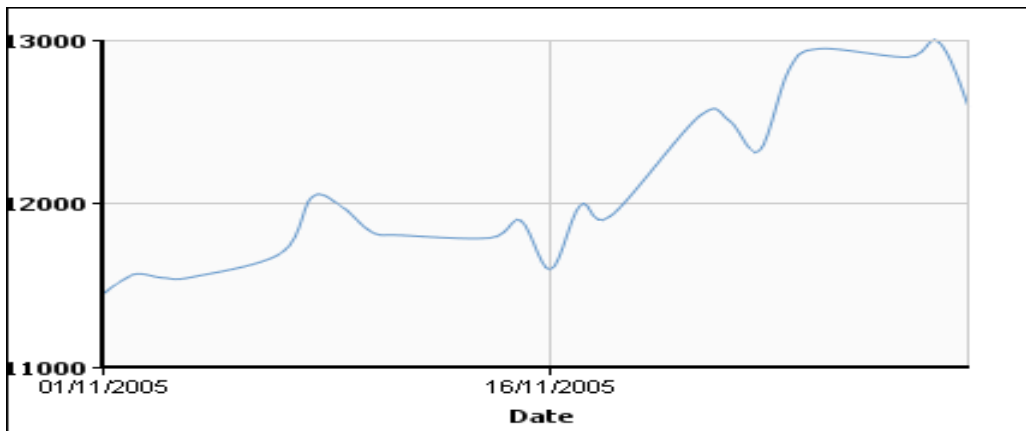
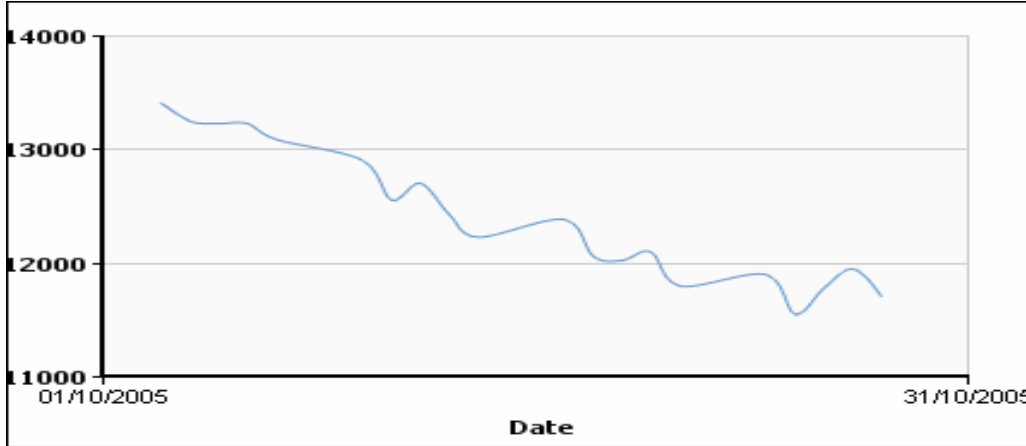
Price Date	Price
25-Nov-05	2050
18-Nov-05	2050
11-Nov-05	2100
21-Oct-05	2150
14-Oct-05	2150
30-Sept-05	2150
23-Sept-05	2150
2-Sept-05	2150
26-Aug-05	2250
19-Aug-05	2250
12-Aug-05	2300
15-Jul-05	2300
1-Jul-05	2400

Stainless Steel EU Domestic 2mm 304 CR stainless strip Euros per tonne

Price Date	Price
25-Nov-05	1050
18-Nov-05	1050
11-Nov-05	1050
21-Oct-05	1050
7-Oct-05	1080
30-Sep-05	1080
23-Sep-05	1080
16-Sep-05	1080
26-Aug-05	1080
19-Aug-05	1080
12-Aug-05	1120
1-Jul-05	1120

As seen from the above tables, Asian stainless steel prices fell further and the the European stainless steel market reached to some point of stability. A global downward trend is expected further in the coming month.

Nickel Trend in the month of October & November:



Price of Nickel (US \$/tonne) (Source: www.lme.co.uk)

The price of nickel reached to a mark of **12,600 US\$/t** in the end of November, **700US\$/t** higher compared to the end of earlier month when it ended at **11,900 US\$/t**. Though it showed some positive trend in the month of November at certain points, however it ended with a lower price note thus reflecting the downturn scenario in stainless steel.

Nickel demand is expected to be strong in 2006: While recent weakness in the nickel price reflects a sharp increase in supplies of secondary nickel reaching the market, it is expected that 2006 will see nickel demand bounce back strongly. In the broker’s view, the oversupply of nickel will last through the first half of next year, but the market is likely to rebalance over the course of 2006, leading to a re-tightening of the market. Also, it is expected that the tightness will flow through into 2007 before the market again moves into over-supply in 2008 and 2009, when prices are likely to return to long-term trend levels. **(Steel Trade Today)**

Overall Scenario:

Worldwide demand for stainless steel remains weak with prices of Grade 304 HR and CR in Asia making no positive movement. Volatility in nickel price clearly indicates the softened market scenario in Stainless Steel. In domestic market too, prices are expected to remain on a weaker note as demand is not picking up. A further decline in stainless steel production is expected in the remainder of 2005. Production cuts announced by major European as well as South-East Asian players will help correct the global demand-supply situation and it may arrest the steep fall in prices.

Data Sources:

- 1) www.lme.co.uk
- 2) Steel Trade Today
- 3) Metal Bulletin
- 4) www.steelweek.com

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GM – Steel Sales