

## News at a glance

**Galvanized steel prices hiked w.e.f 1<sup>st</sup> Nov '06 as zinc firms up:** Steel companies have increased the prices of galvanized products by Rs.2000 to Rs.3500/t on the back of rising zinc prices and strong domestic demand. JSW Steel, SAIL and ISPAT Industries have increased prices by Rs.1000/t. Essar steel by Rs.1500/t and Uttam Galva by Rs.2000-3500/t.

**With GDP growth of 7-9% projected over next 5-8 years, future of steel industry looks promising:** SAIL plans to increase its capacity up to 22 million tonnes by 2010 and 40 million metric tonne by 2020. Medium sized players like Jindal, Essar, Ispat and others are too gearing up to defend their turf and have announced more than Rs 30,000 crores for expansions. Jindal Steel Works Ltd. plans to invest Rs 15,000 crore at Jindal Vijayanagar Steel Ltd. in three years.

**Twenty steel projects will commence production in Orissa:** The Orissa government has signed MOUs to add in excess of 50 MT per annum capacity in steel making, 4 mt per annum in alumina refining and 15 MT per annum in chemical refining and 13,000 MW in power generation by 2010-2011.

**Steel demand coming from Auto sector:** The Indian automobile industry is suggesting steel for automotive may be produced in India, stressing more on high strength steel (HSS). HSS, an alloy of steel, reduces the brittle nature of steel and makes it more malleable and ductile. At present, HSS is being imported from Japan and Korea. With 15% growth in automobile sector, Indian steelmakers foresee a 15-20% higher demand for steel products for automobile production.

**World Steel production has remained higher than expected:** World crude steel production reached 105.9 million metric tonnes in the month of October, 7.4% higher than for the same month in 2005 and up 4% compared to last month. Chinese steel production in October rose 18% year over year to 37.7 million metric tons and was up 4% compared to last month. In the European Union, October production increased by 4%; in Russia, output was up by 16%. With steelmaking cutbacks announced by major U.S. mills, production in October was 7% lower than for the same month in 2005.

**IISI remains optimistic about growth in steel demand next year:** International Iron & Steel Institute (IISI) expects world steel demand to rise by 5% in 2007, reaching 1.18bn tonnes.

**Hindustan Zinc Ltd. raised prices after two subsequent price cuts:** HZL raised selling prices of its zinc products by Rs.300/t effective from 18th Nov'06. Earlier, the company cut prices by Rs.12,700/t effective from 16th Nov'06 in line with LME. It had also slashed zinc prices by Rs.200/t in its previous revision on 11th Nov'06. With the latest revision, HZL is quoting high-grade zinc at Rs.2,21,000/t while special high-grade and prime-western zinc are sold at Rs.2,21,500/t and Rs.2,18,200/t respectively. Zinc has been buoyed

by rising demand from China, the world's largest consumer of the metal where consumption rose by 7% in the first nine months of the year.

**NMDC to start two new iron ore mines:** Each of the mines would have an initial annual capacity of 3 million tonnes. With domestic demand for iron ore increasing, NMDC's iron ore production is likely to rise to about 27 million tonnes in the financial year ending March 2007, from about 25 million tonnes in the previous year. However, the company's exports in 2006-07 is likely to fall to 3.0-3.5 million tonnes from about 6 million tonnes in 2005-06 as demand from domestic sector is expected to have a steady rise.

**CRU Index Behaviour (Source: [www.cruspi.com](http://www.cruspi.com))**

Index	Sep'06	% Change(Y-Y)	Oct'06	% Change(Y-Y)	Nov'06	% Change(Y-Y)
Global	157.41	15.20	156.32	12.50	154.68	14.40
North America	161.02	18.70	156.53	8.30	153.67	6.90
Europe Steel	175.14	30.50	175.6	24.70	172.3	22.90
Asia Steel	145.48	4.90	145.53	8.00	145.53	14.10
Longs	154.19	11.50	154.54	8.50	152.53	11.70
Flats	159.01	17.10	157.2	14.50	155.75	15.70
Metallics	197.97	0.90	192.17	13.00	191.37	8.90
Stainless	181.63	47.90	200.24	65.20	193.25	61.40

Global Steel prices continue to head downwards. Weakness in price in North America has been the main driver behind the fall in **global CRUspi** index.

Across most markets, prices have been heading downwards due to scrap price decline, rising stock-to-shipment ratios and arrival of winter. This has kept the **CRUspi Longs** index on a falling note for this month.

**CRUspi Flats** fall for the fourth consecutive month. Although the rate of decline in the CRUspi for sheet products has again eased, it is fair to say that fundamentals in each of the major consuming markets are not strong.

European and North American sentiment weakened which lowered down the **CRUspi Stainless** index for the month. End-user resistance to any further rise in price, moderation in real consumption growth in some sectors and deceleration in buying activity have been the reasons for a slump in index.

(DIPANKAR CHAKRABARTI)  
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## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario:

**Flat products** market remained stable and prices firmed up towards the end of the month.

**Galvanized steel prices hiked as zinc firms up:** Steel companies have increased the prices of galvanized products by Rs.2000 to Rs.3500/t on the back of rising zinc prices and strong domestic demand.

JSW Steel, SAIL and ISPAT Industries have increased prices by Rs.1000/t. Essar steel by Rs.1500/t and Uttam Galva by Rs.2000-3500/t. The increase is with effect from 1<sup>st</sup> Nov'06.

Uttam Galva increased its list price by Rs.2000/t but the actual price was increased by Rs.3000-3500/t.

**Indian HRC Import Market remained quiet throughout the month:** Demand has been hit by rising galvanized steel prices caused by the higher costs of zinc. Buyers were cautious and have been bidding for HRC at \$505-510/t cfr. Trader reports that 15,000 tonnes of Chinese origin rerolling grade (10% of 1.8mm/2mm, the remaining thicker gauges of up to 3mm) was booked at around \$528-530/t cfr. Also 20,000 tonnes of 2.0mm-2.5mm (mostly 2mm) 3 feet wide HRC from Indonesia was booked at the same price. It is expected that import buying will resume more strongly as buyers have to book very soon for end December or early January shipment.

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

	Plate(5-10 mm)	HR Coil	HR Sheet	CR Coil	CR Sheet	GP Coil	GP Sheet
Oct Week 1	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 2	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 3	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 4	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Nov Week 1	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Nov Week 2	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Nov Week 3	30,000	29,500	30,000	35,000	35,000	37,000	37,000
Nov Week 4	30,000	29,500	30,000	35,000	35,000	37,000	37,000

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

	Billets(100*100mm)	MS Rounds (22/25 mm)	MS Squares (22/25 mm)	MS Angles(25*6mm)	MS Channel (75*40mm)	MS Channel (125*65 mm)
Oct Week 1	23,000	25,300	25,300	25,500	25,900	26,100
Oct Week 2	22,200	24,600	24,400	24,800	25,100	25,300
Oct Week 3	22,900	25,000	25,000	25,400	25,500	25,800
Oct Week 4	23,000	25,000	25,000	25,200	25,500	25,800
Nov Week 1	23,000	24,900	25,000	25,200	25,500	25,800
Nov Week 2	22,800	24,900	25,000	25,200	25,300	25,700
Nov Week 3	22,700	24,600	24,400	24,600	25,300	25,700
Nov Week 4	22,700	24,600	24,400	24,600	25,300	25,700

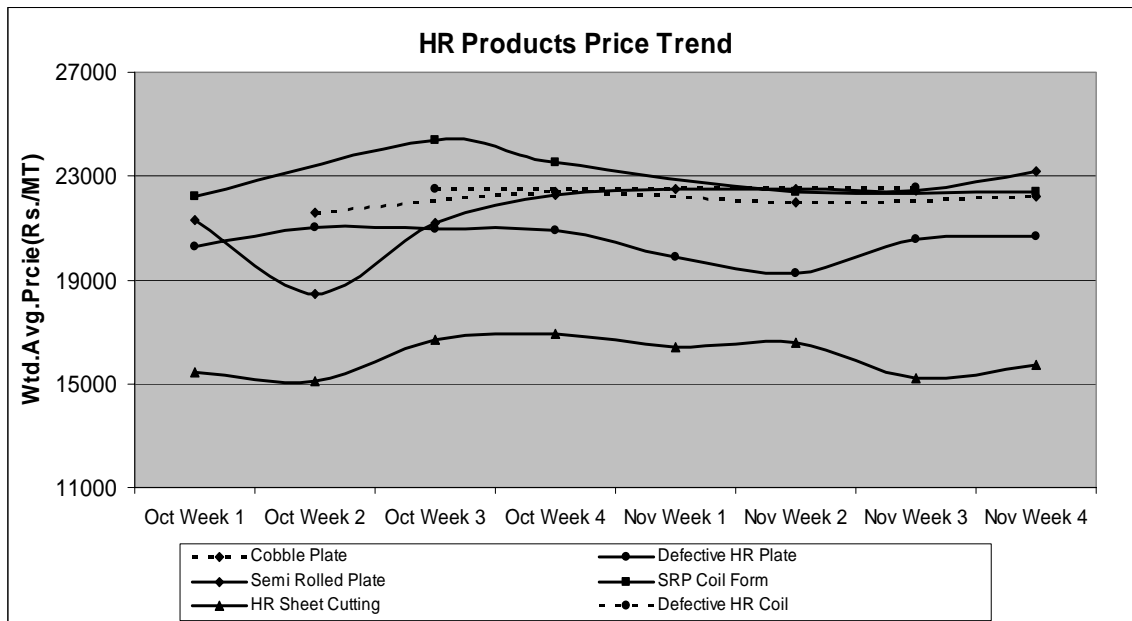
*Note: Flat & Long Price (Rs. /MT, incl.excise duty)*

**Price Movement**

	<b>Review</b>	<b>Outlook</b>
Items	Nov'06 over Oct'06	Dec'06 over Nov'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 October & November 2006 for different HR and CR products.



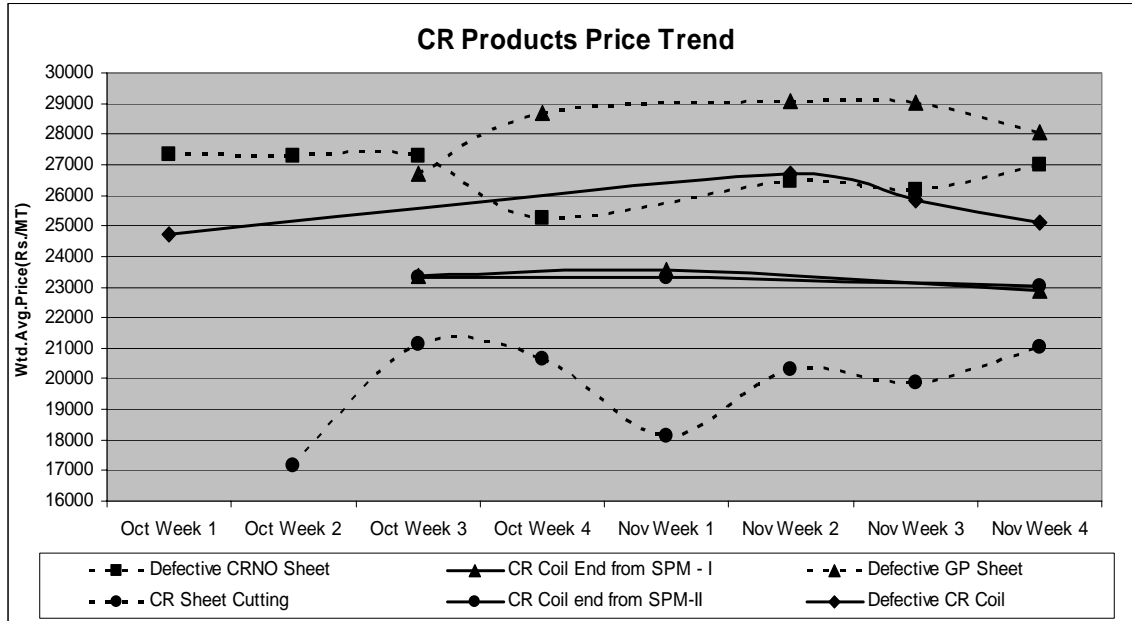
**Note:** Price is basic, \*\* implies price incl.excise duty

**Attached below is the data table:**

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def.HR Coil
Oct Wk 1	NA	20279	21305	22228	15419	NA
Oct Wk 2	21588	21007	18475	NA	15128	NA
Oct Wk 3	NA	20966	21220	24400	16684	22475
Oct Wk 4	22373	20931	22279	23547	16894	NA
Nov Wk 1	NA	19886	22483	NA	16393	NA
Nov Wk 2	22001	19264	22518	22393	16592	NA
Nov Wk 3	NA	20578	22418	NA	15235	22570
Nov Wk 4	22223	20684	23185	22404	15735	NA

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

Products	Oct'06 Price (Avg.)	Nov'06 Price (Avg.)	% change(Nov'06 over Oct'06)	% change(Nov'06 over Nov'05)
Cobble Plate	21981	22112	0.60	9.50
Def HR Plate	20796	20103	-3.33	18.41
Semi Rolled Plate	20820	22651	8.79	15.69
SRP Coil Form	23392	22399	-4.25	5.31
HR Sheet Cutting	16031	15989	-0.26	16.44
Def.HR Coil	22475	22570	0.42	29.97



**Price is basic**

Attached below is the data table:

Week	Def CRNO Sheet	C R Coil End From SPM-I	Def GP Sheet	CR Sheet Cutting	C R Coil End From SPM-II	Def CR Coil
Oct Wk 1	27341	NA	NA	NA	NA	24700
Oct Wk 2	27267	NA	NA	17150	NA	NA
Oct Wk 3	27273	23385	26694	21124	23300	NA
Oct Wk 4	25273	NA	28690	20645	NA	NA
Nov Wk 1	NA	23574	NA	18108	23300	NA
Nov Wk 2	26449	NA	29074	20295	NA	26696
Nov Wk 3	26155	NA	29049	19863	NA	25833
Nov Wk 4	26983	22863	28050	21050	23043	25100

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

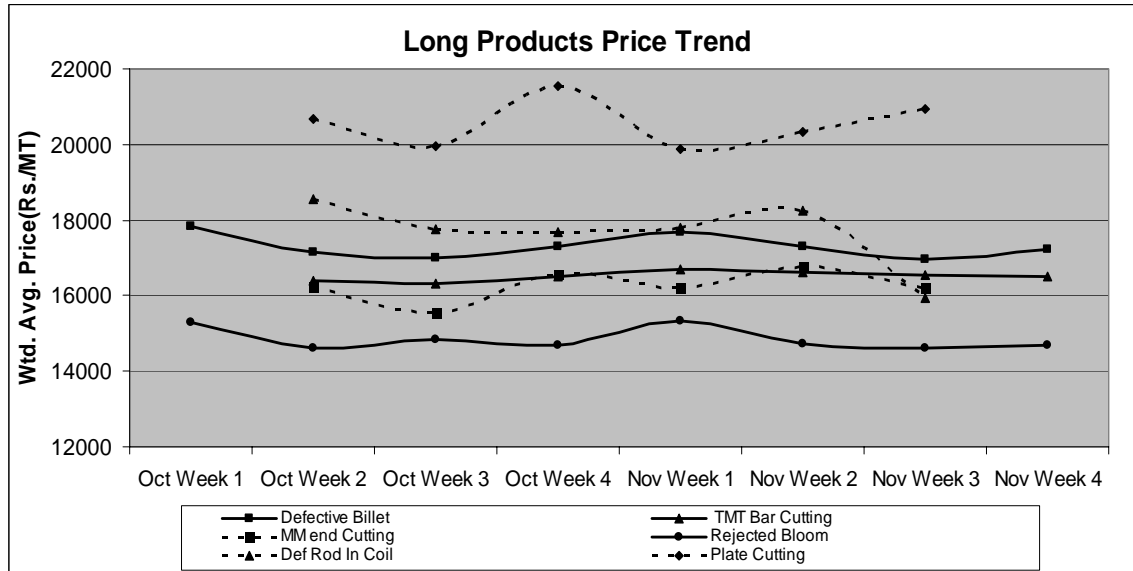
Products	Oct'06 Price(Avg.)	Nov'06 Price(Avg.)	% change(Nov '06 over Oct'06)	% change(Nov '06 over Nov'05)
<b>Def CRNO Sheet</b>	26788	26529	-0.97	NA
<b>CR Coil End from SPM-I</b>	23385	23218	-0.71	31.27
<b>Def GP Sheet</b>	27692	28725	3.73	45.33
<b>CR Sheet Cutting</b>	19640	19829	0.96	10.99
<b>CR Coil End from SPM-II</b>	23300	23172	-0.55	29.68
<b>Def CR Coil</b>	24700	25876	4.76	25.31

**Outlook:** The auction platform has maintained a stable trend throughout the month and remained aligned with the domestic flat products market where prices remained stable. With demand increasing from construction and

infrastructure sectors, prices are expected to remain stable in the coming month.

**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 October & November different long products.



Price is basic

Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Def Rod In Coil	Plate Cutting
Oct Wk 1	17833	NA	NA	15300	NA	NA
Oct Wk 2	17166	16402	16243	14629	18545	20688
Oct Wk 3	17003	16300	15560	14844	17770	19948
Oct Wk 4	17316	16513	16595	14688	17695	21557
Nov Wk 1	17692	16705	16201	15325	17798	19879
Nov Wk 2	17296	16607	16766	14713	18232	20332
Nov Wk 3	16954	16546	16216	14600	15950	20943
Nov Wk 4	17217	16494	NA	14688	NA	NA

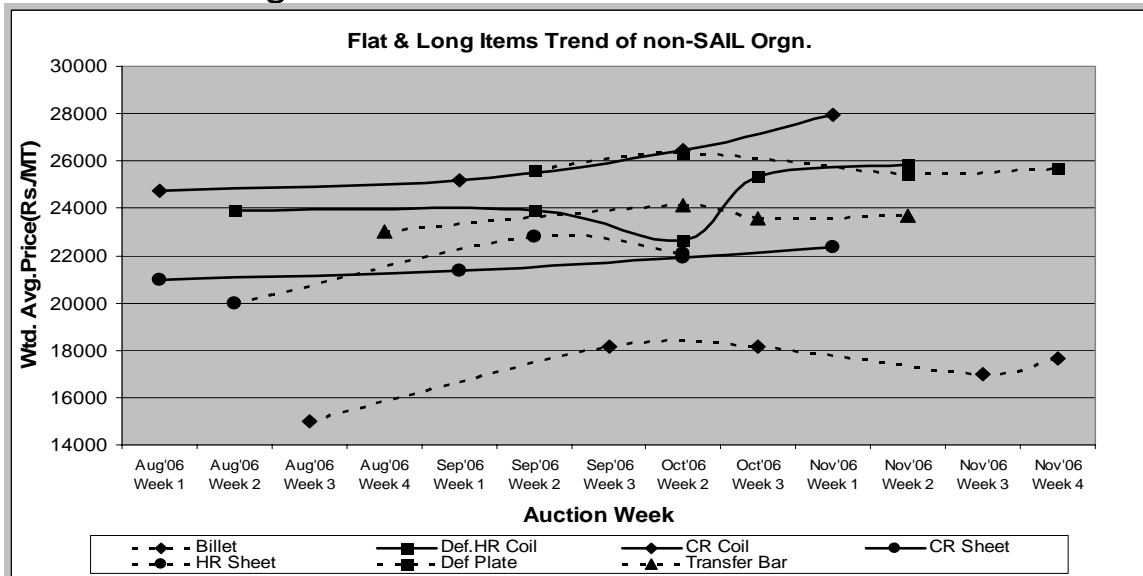
**Summary of price and % change (m-m & y-y basis):**

Products	Oct'06 Price(Avg.)	Nov'06 Price(Avg.)	% change(Nov'06 over Oct'06)	% change(Nov'06 over Nov'05)
Def Billet	17329	17290	-0.23	18.19
TMT Bar Cutting	16405	16588	1.12	15.12
MM End Cutting	16133	16394	1.62	10.09
Rejected Bloom	14865	14831	-0.23	5.94
Def Rod In coil	18003	17327	-3.75	8.95
Plate Cutting	20731	20385	-1.67	16.44

**Outlook:** While the auction platform showed an improved price trend in the month of October, however prices received a setback in the month of November due to supply exceeding demand and domestic market behaving in a slightly volatile manner. Traders at various places were unwilling to allow fresh stocks to enter into the market and this resulted in piling of old stocks which were bidded at lower prices. Moreover, there was abundant supply of similar material in the local market which too resulted in pulling down the prices. As a result of these factors, a temporary lull existed in the domestic market with Sponge iron, ingot, melting scrap and long products showing a softening in price movement.

In the first week of the month, price drop in auction platform was minimal; however in the second week there was a drop of around 5% on an average for most of the items auctioned. Similar trend was noticed in the third week of the month. However, a slight improved trend was noticed in the fourth week of the month and prices are expected to hover at these levels in the coming month with the arrival of winter and construction sector booming up.

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



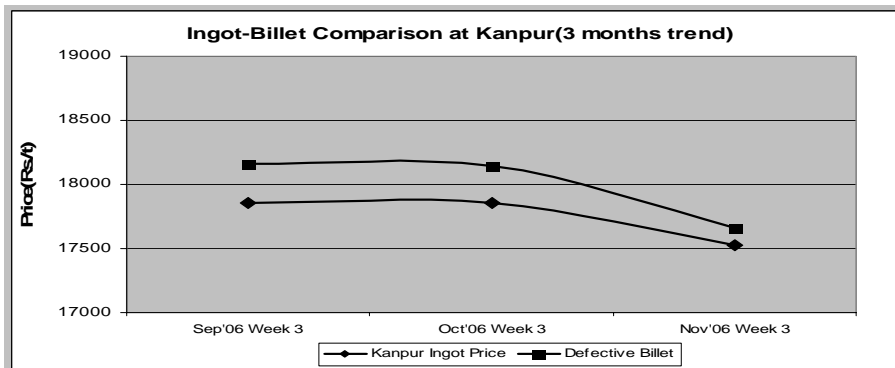
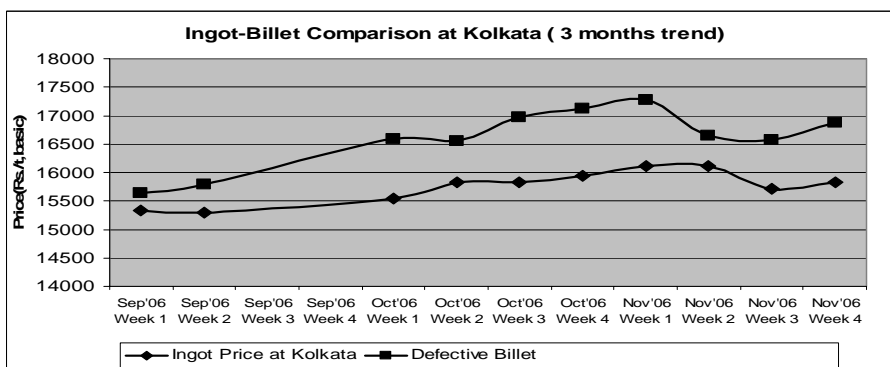
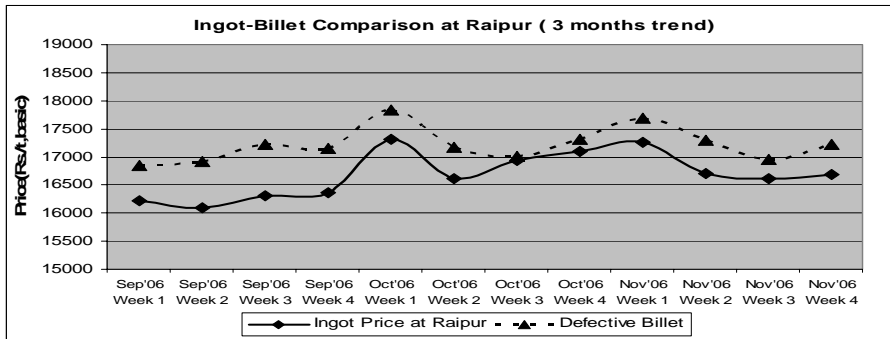
**Price is basic**

**Ingot Price (8 weeks trend)**

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Oct Week 1	15637	19403	18910	17235	19200
Oct Week 2	15776	18861	18406	16746	18468
Oct Week 3	15841	19278	18717	16971	18545
Oct Week 4	16025	19341	18816	17188	18832
Nov Week 1	16164	19478	18922	17181	19109
Nov Week 2	16108	19153	18492	16720	18873
Nov Week 3	15753	19137	18416	16579	18814
Nov Week 4	15860	19040	18393	16701	18872

Price: (Rs. /t, basic)

**The graphs below indicate the Ingot-Billet Trend across Raipur, Kolkata & Kanpur region:**



As seen from the above graphs, Billet auctioned from various places has closely followed in line with Ingot trend. While prices improved till the end of October; however a drop in price was noticed in the second week of November. A softened trend was noticed in the third week of the month across various places and billet auctioned remained in line with the ingot trend. However the trend improved in the fourth week of the month and stability in price trend is expected in the short-term.

### **International Scenario**

**Asia: HRC import market remained soft in South-East Asia:** The prevailing export price for rerolling HRC from Chinese mills is around \$480-490/t fob.

CRC import market remained depressed in East Asia because of poor sentiment and weak demand from regional galvanized players. They are being hit by high zinc prices and slack demand for galvanized steel in USA. Presently buyers are in a wait-and-see mode as market sentiment is weak.

However, slab import prices in East Asia have risen due to 10% Chinese tax on export of semis.

**China:** Merchant bar prices moved slightly down in the domestic market as demand remained on a lower note due to seasonal effect. Wire Rod prices remained stable in Chinese domestic market. Rebar export prices out of China remained stable. Billet prices remained stable throughout the month.

Domestic HDG prices softened by around \$4-6/t towards the end of the month. Prices are expected to remain stable in the coming month.

Domestic HRC market weakened a bit towards the end of the month, though supply and demand situation remained in balance.

**Europe:** Rebar and Wire Rod import prices remained on a downward trend in Southern Europe. Demand has weakened with the approach of winter which brings a slowdown in building activity. Domestic prices also received a setback due to cheap imports from China.

**CIS:** Prices of rebar and wire rod exported from CIS have weakened as compared to last month's levels and further weakening is expected. The general slowdown during the Ramadan festival last month, combined with new export duties imposed on Chinese steel, which pushed producers there to export more rolled products, are affecting the market adversely.

Compared to other commodities, Plate export prices remained firm on tight supply and good demand for ship-building and construction grades.

**US:** Rebar and Rod prices remained on a downward note in the domestic market as high imports flooded the market.

***The table gives an overview of price movement in flat & long steel sector in China (Domestic), US (Import) & CIS (Export):***

Item Description	% Change over a week(Nov Week 4 over Nov Week 3)	% Change over a month(Nov'06 over Oct'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-1.32	-4.34	-15.73
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	3.82	-0.97	-7.27
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	0.00	-1.08	-11.54

Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	-1.71	-3.16	-10.33
Chinese Domestic Rebar Eastern China Yuan/t	-1.00	0.34	-6.92
Chinese Domestic Rebar Southern China Yuan/t	5.03	0.30	-4.02
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	-0.32	0.32	-10.38
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	-0.97	0.00	-11.49
US Import HR Coil \$/t	0.00	0.00	-16.12
US Import CR Coil \$/t	0.00	0.00	-15.28
US Import Slab \$/t	0.00	0.00	-4.55
US Import Rebar \$/t	0.00	0.00	2.00
US Import Wire Rod \$/t	0.00	0.00	-3.92
CIS Export Rebar Far East \$/t	-2.13	NA	21.05
CIS Export Rebar Black Sea/Baltic Sea \$/t	0.00	-4.26	4.65
CIS Export HR Coil Far East \$/t	0.00	0.00	0.00
CIS Export CR Coil Far East \$/t	0.00	0.00	0.00
CIS Export Billet Far East \$/t	-1.22	NA	22.73
CIS Export Billet Black Sea/Baltic Sea \$/t	-2.47	-5.95	-1.25
CIS Export Wire Rod(Mesh) Far East \$/t	0.00	NA	18.42

Note: 8.11 Yuan=1 US \$

## OUTLOOK:

**Global:** Analysts say that steel prices are expected to decline in the coming months. There has been a little bit of softening in the market recently, particularly in North America and to a certain extent in Europe. According to traders there are expectations of a certain weakening of the market at the end of the year due to approaching holidays and seasonal demand fluctuations.

Markets for construction steel are expected to decline around the end of the year with demand falling in winter.

However, analysts believe consolidation will be the answer to falling prices as that will help maneuvering supply. If the consolidation trend continues, steel prices are likely to become less volatile.

**India:** Steel prices expected for correction in December due to fall in international steel prices and increased availability. The demand for steel will rise in winter which will lead to a further increase in imports.

Increased Demand from construction steel sector is further going to increase use of billets and ingots as a substitute of scrap. This is because scrap is becoming a threat in terms of quality aspect and also availability in market is less as compared to billets and ingots. With the re-rollers now switching to other raw materials, prices of scrap have started stabilizing and might even go down in the future. With demand exceeding supply, prices have been on the move except for occasional downward slides when cheap imports arrive in the country.

**Further projects coming up with steel sector booming:** Domestic steel expansion coming up with demand coming up from infrastructure and construction sectors. Rashtriya Ispat Nigam Ltd. (RINL) has an expansion plan to raise its capacity from 3.6 million tonnes per annum to 16 million tonnes by 2018. Steel Authority of India Ltd. (SAIL) has announced plans to expand the capacity to 40 million tonnes by 2020 from 13.5 million tonnes presently. Tata Steel Ltd. is going to expand capacity at its mother plant in Jamshedpur from 4.8 million tonnes to 10 million tonnes by 2010.

**Data Sources:**

- 1) [www.ncdex.com](http://www.ncdex.com)
- 2) Steel Trade Intelligence
- 3) Metal Bulletin
- 4) Steel Business Briefing
- 5) MEPS

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## STEEL INDUSTRY MARKET SCENARIO

### SCRAP

#### Domestic Scenario

**Iron ore:** The landed price of Indian iron ore in China has been up a little since mid-October. In the second week of November, price of iron ore fines (Fe 63.5%) was about \$73-74/dry metric tonne on a cfr basis. Prices have remained stable for the remaining part of the month and are expected to remain steady in the coming month.

#### **Indian Iron-Ore Prices Landed at China**

	Aug'06	Sep'06	Oct'06	Nov'06	Dec'06
Indian 63% Fe \$/t CFR China	71-72	72-74	72-73	73-74	73-74

\*SBB Forecast

**Pig Iron:** With market demand remaining strong, pig iron prices showed an improved price trend in the beginning of November, and then showed some downward trend due to market volatility. However, prices firmed up towards the end of the month with good demand of raw materials coming up.

#### **Price trend of Pig Iron in Mandi Govindgarh: (Rs. /t, incl. Excise, landed)**

Item	Oct Week 3	Oct Week 4	Nov Week 1	Nov Week 2	Nov Week 3	Nov Week 4
Steel Grade	18,500	18,500	18,600	18,400	18,400	18,400
Foundry Grade	20,500	20,500	20,200	20,200	20,200	20,200

#### **Price trend of Pig Iron on Metal junction platform (Rs. /t, basic)**

Auction Week	Wtd.Avg.Price	% Change
Aug Week 3	14,767	
Aug Week 4	15,119	2.38
Sep Week 1	14,678	-2.92
Sep Week 2	14,986	2.10
Oct Week 2	14,942	-0.29
Nov Week 2	14,946	0.03

**Sponge Iron:** Prices showed a falling trend throughout the month and ended with a bit of improved trend in the end of the month thus indicating a stable trend in the coming month with an improved demand in the market.

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

	Price (Rs./t)		Price (Rs./t)	% change(d-d)
1-Oct-06	NA	1-Nov-06	12352	
7-Oct-06	11825	7-Nov-06	11898	0.62

14-Oct-06	11451	14-Nov-06	11567	1.01
21-Oct-06	12149	21-Nov-06	11459	-5.68
28-Oct-06	11959	28-Nov-06	11581	-3.16

**Scrap:**

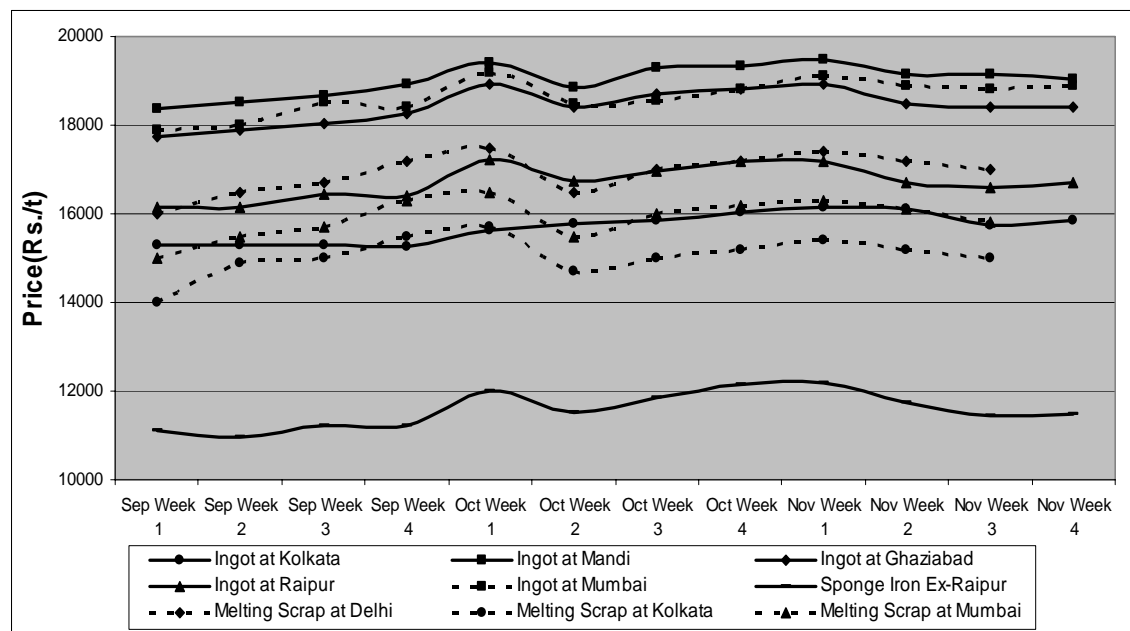
**Melting Scrap Price (Rs. /t, Incl.Excise & Sales, Landed)**

Place	Delhi	Kolkata	Mumbai
Oct Week 1	17,500	15,700	16,500
Oct Week 2	16,500	14,700	15,500
Oct Week 3	17,000	15,000	16,000
Oct Week 4	17,200	15,200	16,200
Nov Week 1	17,400	15,400	16,300
Nov Week 2	17,200	15,200	16,100
Nov Week 3	17,000	15,000	15,800
Nov Week 4	16,800	14,800	15,600

**Price Movement**

	Review	Outlook
Scrap	Nov 2006 over Oct 2006	Dec 2006 over Nov 2006
Pig Iron	↓	↔
Sponge Iron	↓	↔
Melting Scrap	↓	↔

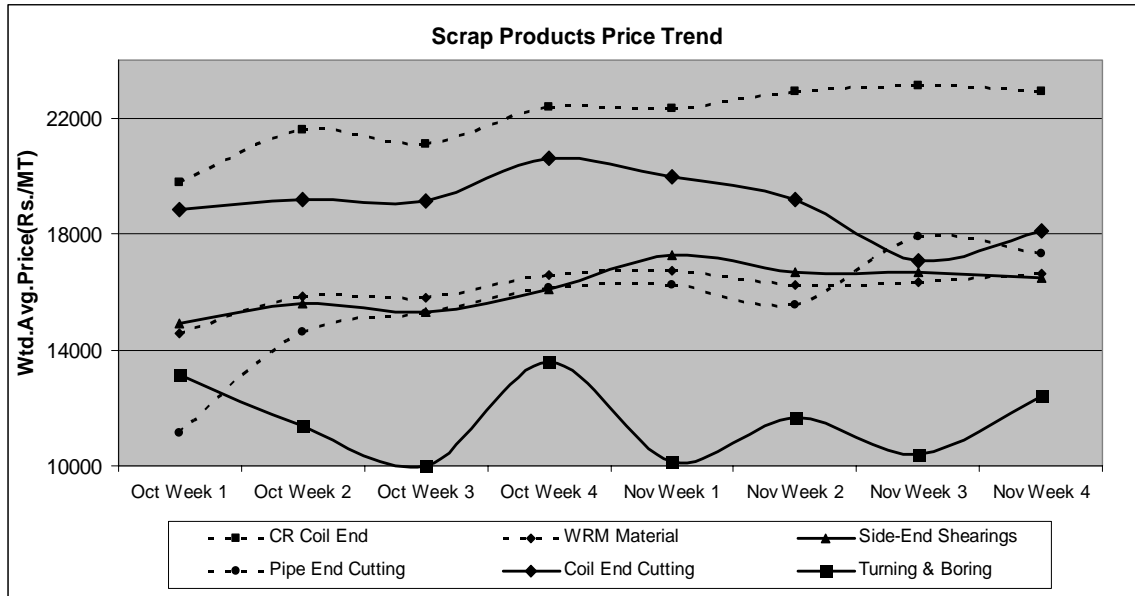
**A comparative price trend of Ingot, Sponge Iron and Melting Scrap:** A falling trend is indicated since the beginning of November; however prices stabilized towards the end of the month.



*Ingot & Sponge Iron is basic; Melting Scrap price is including excise duty & sales tax. Price (Rs./t)*

**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 October & November 2006 for different scrap products.



**Price is basic**

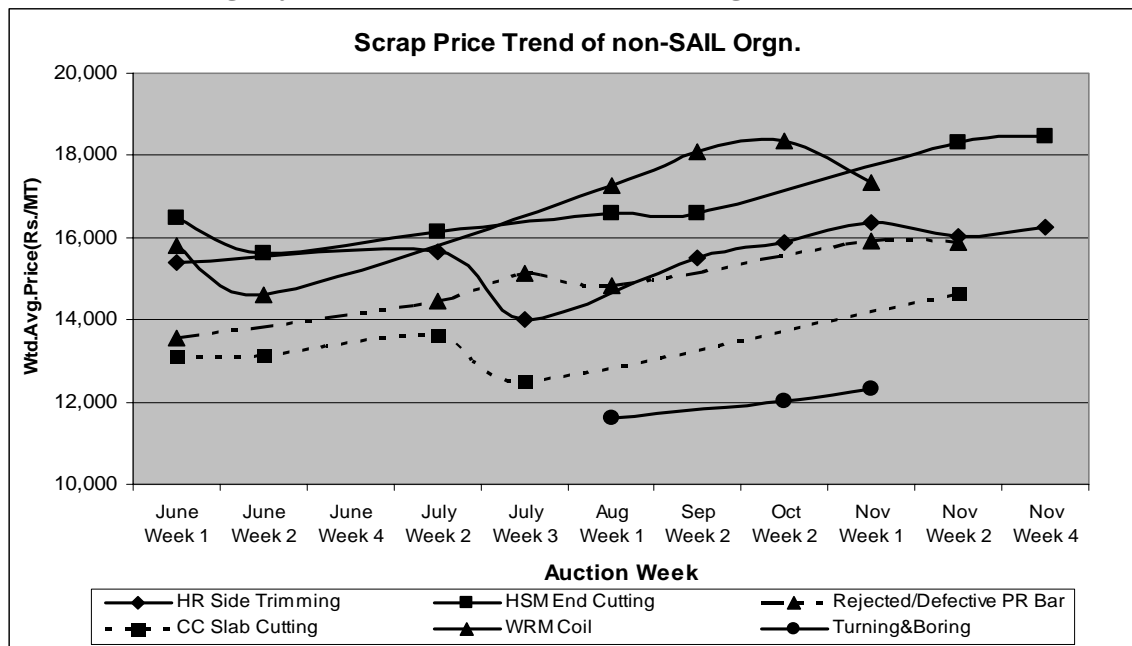
Attached below is the data table:

Week	CR Coil End	WRM Material	Side-End Shearings	Pipe End Cutting	Coil End Cutting	Turning & Boring
Oct Wk 1	19796	14550	14903	11121	18820	13139
Oct Wk 2	21606	15850	15583	14623	19181	11378
Oct Wk 3	21101	15782	15294	15238	19117	10000
Oct Wk 4	22394	16563	16112	16146	20600	13566
Nov Wk 1	22333	16750	17275	16224	19989	10150
Nov Wk 2	22938	16250	16666	15567	19202	11650
Nov Wk 3	23093	16348	16692	17895	17050	10400
Nov Wk 4	22938	16617	16486	17310	18122	12423

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

Products	Oct'06 Price (Avg.)	Nov'06 Price(Avg.)	% change(Nov'06 over Oct'06)	% change(Nov'06 over Nov'05)
<b>CR Coil End</b>	21224	22826	7.55	17.14
<b>WRM Material</b>	15686	16491	5.13	16.19
<b>Side-End Shearing</b>	15473	16780	8.45	17.42
<b>Pipe Cutting</b>	14282	16749	17.27	6.82
<b>Coil End Cutting</b>	19429	18591	-4.31	NA
<b>Turning &amp; Boring</b>	12021	11156	-7.20	13.94

**Outlook:** While, since the first week of October, melting and rerollable items have shown an improved price trend in the domestic market, however prices started softening since the first week of November and stabilized towards the end of the month. The auction platform had its ups and downs throughout the month with fluctuations in market demand. However, prices are expected to stabilize in a slightly downward trend in the coming month.



**International Scenario:**

**Scrap demand has seen a strong rise across the regions with Europe heading a record for scrap demand:** With European steel output showing a 4% increase in first half of 2006 over 2005 to 100.7 million tonnes, ferrous scrap merchants appear to be heading for a record year for shipments. European scrap exports in January–June 2006 rose by more than 15% to 5.1mt, while imports fell by almost 8% to 3.3mt. With European crude steel output expected to remain strong in Q4 to achieve a full year production of over 200mt experts anticipate stable regional scrap prices through to year end.

**European Scrap prices remained unchanged:** Market remained stable throughout the month with little price variation across the region. Continuing mild weather in northern Europe means there is no sign yet of any seasonal downturn in scrap collection activity, and material is said to be flowing well with mills holding good inventories. Scrap prices are expected to remain unchanged next month.

**Chinese prices of iron-ore concentrate firmed up** towards the end of the month as compared to early November. The ex-works price for 66% Fe concentrate was about RMB 540-550/t, a marked increase from early November’s RMB 515-525/t.

**Chinese scrap prices remained stable:** Prices are prevailing at around RMB 2,100/t for domestic heavy scrap.

**China's pig iron market** showed an upward trend due to strong demand from mills.

**UK domestic scrap prices slip, export trade quiet:** Quiet market conditions, negligible export trade and a slight slippage in prices characterized the UK scrap market this month.

**US Domestic Scrap prices remained weak since the beginning of the month, prices stabilized towards the end:** Prices remained lower as compared to last month with scrap demand said to be reacting to recent weakness in the flat-rolled steel market and cutbacks in automotive production. In the month of November, Shredded steel was selling locally at locations in the east and northeast in a range of 225-230/long ton delivered to the mill. Dealer bundles and No. 1 busheling were both selling in a range of \$220-230/l.t. compared with October ranges of \$240-255/l.t. and \$245-255/l.t. respectively.

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

Month	Average Price(\$ per long ton)	Price movement
Aug-06	195	
Sep-06	198	↑
Oct-06	198	↔
Nov-06	198	↔

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

Month	Average Price(\$ per long ton)	Price movement
Aug-06	238	
Sep-06	245	↑
Oct-06	241.5	↓
Nov-06	242.5	↑

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

Month	Average Price(\$ per long ton)	Price movement
Aug-06	242	
Sep-06	249	↑
Oct-06	246.5	↓
Nov-06	247.5	↑

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

Month	Average Price(\$ per tonne)	Price movement
Aug-06	244	
Sep-06	250	↑
Oct-06	246	↓
Nov-06	247.5	↑

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

Month	Average Price(\$ per tonne)	Price movement
Aug-06	234	
Sep-06	240	↑
Oct-06	232	↓
Nov-06	235	↑

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

Month	Average Price(\$ per tonne)	Price movement
Aug-06	248	
Sep-06	255	↑
Oct-06	251	↓
Nov-06	253	↑

**OUTLOOK:**

**Scrap prices to remain firm in the short-term both in the domestic and international market with demand booming up.**

**Scrap steel imports to rise in China in the year 2007:** China will need to import 12 million to 15 million tonnes of scrap steel in 2007, to meet rising domestic demand. China's scrap demand this year is estimated to be 75.9m tonnes, with 80mt forecast for 2007. China imported 4.6 million tonnes of scrap steel in the first nine months of 2006, down 43 per cent from the same period the year before.

Demand for scrap steel is outpacing supply in India and China along with other developing countries. This demand is expected to fuel the scrap metal market and alternative sources of supply. The demand will also accelerate the development of new technologies to exploit unproductive scrap.

Prediction says that with the steady rise of 18% in crude steel production the input of scrap steel and iron ore will also increase and this will keep the price of these products firm in the coming months.

**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:

**Stainless steel demand remains strong:** Jindal's exports of stainless steel grew 67% in the second quarter of fiscal year 2006-07. As projected in the month of October, global stainless steel demand is expected to rise by 14.3% in the year 2006. Demand in Asian market is expected to grow 17.5%. With demand remaining strong in the domestic market also, Jindal stainless is going for further expansion and is expected to produce more than 600,000 tonnes in 2006 at its Hisar plant.

**Salem Steel Plant going for expansion:** Rs.1,553 crore expansion project is coming up in its existing complex which is expected to go on stream by the end of 2009. The company had performed well in the current financial year by selling 44,125 tonnes of stainless steel products and 68,214 tonnes of carbon steel products upto the month of October.

#### Price Movement

	Review	Outlook
Steel Product	November 2006 over October 2006	December 2006 over November 2006
Stainless Steel	↑	↑

#### **Auction Trend of Commercial Quality & Prime Stainless Steel**

Commercial Quality SS						
Auction Week	CQSS Lengthy Sheets Gr 304	CQSS Type I - Baby Coil	CQSS Type II - SS Assorted Sheets	CQSS Type III -CR Coils	CQSS Type V HR Sheets	SS Melting Scrap
Sep Week 1	182100	110803	121367	65320	65900	39271
Sep Week 3	NA	91651	84000	57849	105141	35338
Oct Week 2	NA	99047	140000	70118	81664	34053
Oct Week 4	149700	104303	103668	50661	67619	36416
Nov Week 1	164400	88067	83963	60492	56733	44428

<b>Prime SS</b>			
Auction Week	SS Low Nickel	Type-300	Type-400
Aug Week 2	82618	152551	53848
Sep Week 1	86895	166100	52011
Sep Week 2	105455	163475	60707
Oct Week 1	114910	169813	53345
Nov Week 1	137250	199604	64198

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

**Outlook:** Commercial Quality stainless steel prices showed a somewhat declining trend in the beginning of November, a time when prices were on a declining note in the international market with nickel prices also getting a setback. The prime stainless steel domestic market witnessed an improved trend on a month to month basis in our auction platform compared to commercial grade as buyers opted for the better material and thus helped in fetching better prices.

However, with strong demand pertaining in the market, prices are expected to remain firm in the short-term.

**International Scenario:**

**Domestic Stainless Steel prices remained stable in China:** Prices remained stable since the beginning of November thus reflecting balance between demand and supply.

**US Stainless Scrap prices weaken:** US domestic stainless scrap prices declined as nickel prices staged a retreat from historical highs in mid-October. Delivered prices for standard 18-8 stainless scrap were in a range of \$2,600-2,690/long ton (\$2,559-2,648/tonne) in most regions, down as much as 10% from one month ago. LME nickel prices have declined approximately 13% in little more than four weeks.

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

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

	Aug'06	Sep'06	Oct'06	Nov'06
HR 304	25000-30000	28500-30700	30500-32500	30600-32600

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

	Aug'06	Sep'06	Oct'06	Nov'06
CR 304 2B	29000-30000	31400-34400	34600-35000	34700-35100

**Europe:**

CR 304 2B 2mm,Euro/t Ex-Works	Aug'06	Sep'06	Oct'06	Nov'06
N.Europe	1450-1550	1550-1650	1600-1700	1650-1750
S.Europe	1420-1520	1500-1600	1550-1650	1700-1750

**Stainless Steel Asia Grade 304 HR sheet cif East Asian port**

Month	Average Price(\$ per tonne)	Price movement
Aug-06	2950	
Sep-06	3440	↑
Oct-06	3650	↑
Nov-06	3900	↑

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

Month	Average Price(\$ per tonne)	Price movement
Aug-06	3150	
Sep-06	3740	↑
Oct-06	4025	↑
Nov-06	4250	↑

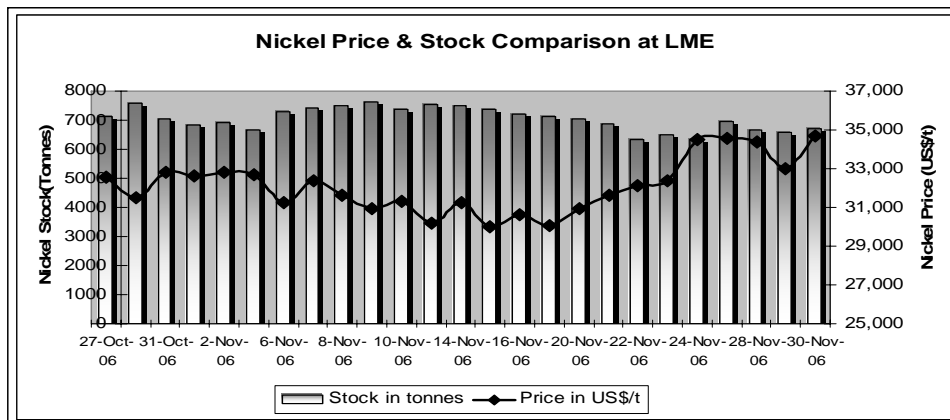
**Stainless Steel EU Domestic 2mm 304 CR stainless strips**

Month	Average Price(Euros/tonne)	Price movement
Aug-06	1765	
Sep-06	1853	↑
Oct-06	1964	↑
Nov-06	2010	↑

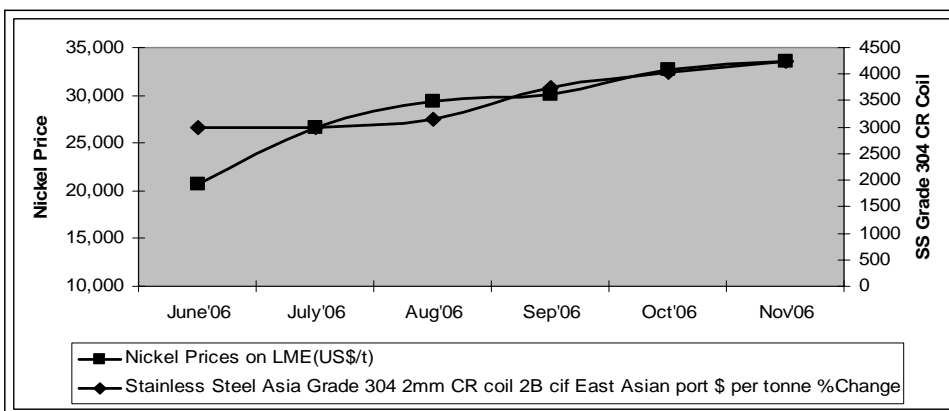
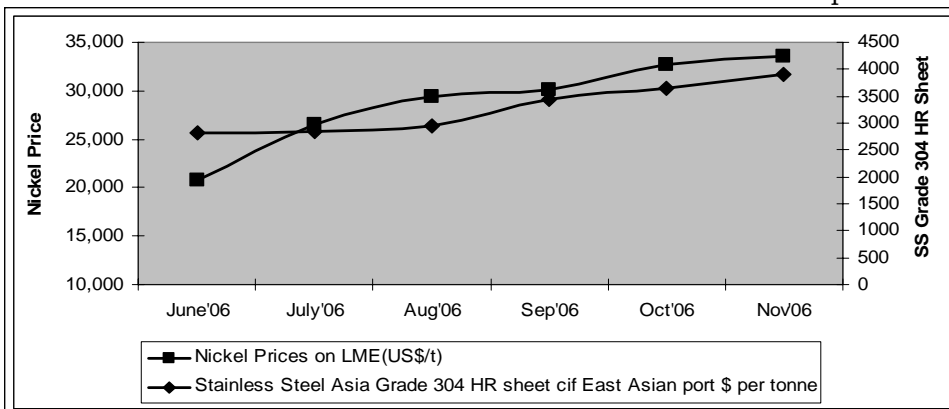
**Note:** 1US\$=Rs.44.74, 1Euro=Rs.59.05, 8.11 RMB=1US\$

**Nickel Trend:** Prices improved towards the end of the month after a cyclical downturn in the second and third week.

Month	Highest Price Achieved By Nickel	% Change(m-m)
June'06	22,290	
Jul'06	29,845	33.89
Aug'06	34,700	16.27
Sep'06	32,245	-7.07
Oct'06	34,490	6.96
Nov'06	34,700	0.61



The graphs below indicate SS-Ni trend. Prices remained on an upward mode in the month of November.



**OUTLOOK:**

Stainless steel prices have reached record levels, and are expected to remain positive in the next few months. One of the reasons is increasing raw material costs.

The alloy surcharges that North American and European mills add to their basis figures have jumped by over 160 percent since the start of this year. Buyers of stainless steel appear to have become much more cautious as prices have risen. However, this does not appear to have kept buyers out of the market to any severe degree. Mills report steady demand from end-users, with delivery lead-times for some products stretching into January and even February.

**Data Sources:**

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

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