

## News at a glance

**The beginning of the year saw a cut in import duty on steel and cement:** In order to check rising inflation and reduce the cost of manufacturing and infrastructure development, the Indian government reduced import duty on items like stainless steel, cement, aluminium, zinc, copper, specified capital goods and project import. The import duty on stainless steel and alloy steel has been brought down to 5% from 7.5%.

**Government of India sets up monitoring committee to regulate steel prices:** The government has set up a committee comprising members of both public and private sector steel producers to monitor steel prices on a continuous basis and to check artificial hike in prices. This would help small consumers to get steel at reasonable prices. The committee will interface between producers and consumers to stabilize the prices.

**SAIL, Tata Steel registered record sales volume:** Steel Authority of India (SAIL) reported record production of 3.318 million tonne (MT) of saleable steel, and highest-ever sales of 3.014 million tonne during the quarter ended December, 2006. In the first nine months of 2006-07, Tata Steel's saleable steel production stood at 3.66 million tonne - an increase of 11%. Total sales stood at 3.532 million tonne, an increase of 11.70%.

**Up gradation of IISCO Burnpur Steel Plant:** The up gradation plan will increase crude steel capacity from 0.5 million tonnes/year to 2.5 million tonnes/year by 2010.

**Inflation reached its 2 year high:** Inflation surged to the highest level of 6.12 percent for the week ended January 6 as against 5.58 percent a week earlier. The surge in inflation is due to price hike of food products and fuel items and increasing pressure on interest rates ahead of RBI's Credit Policy Review slated for January 31.

**China's steel export reached 43.01 million tonnes in 2006:** China's steel exports hit a record high in 2006 of 43.01 million tonnes up by 109.6% YoY while imports dropped by 28.3% to 18.51 million tonnes resulting in net steel exports of 24.5 million tonnes for the year 2006. China imported 28.62 million tonnes of iron ore in December 2006, and imports for the whole year totaled 326.3 million tons.

**Tin has skyrocketed in price, touched a high of 12,540US\$/t on LME January end:** The monthly world average price of tin increased from December 2005 to December 2006 by 66% because of a late-year surge that drove the monthly price to a 17-year high. Tin averaged \$4.05/lb on the London Metal Exchange (LME) in 2006, up from \$3.34 in 2005—and more than double the \$2.04 average of 2001-2002. The sales price has been elevated by fears among traders of a global supply shortage due to a crackdown on illegal mining in Indonesia.

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

Index	Nov'06	% Change(Y-Y)	Dec'06	% Change(Y-Y)	Jan'07	% Change(Y-Y)
Global	154.68	14.40	150.18	13.80	149.14	14.40
North America	153.67	6.90	145.4	1.10	141.55	-1.60
Europe Steel	172.3	22.90	166.68	18.50	165.97	18.70
Asia Steel	145.53	14.10	143.87	19.80	144.29	23.10
Longs	152.53	11.70	150.82	14.40	152.97	16.60
Flats	155.75	15.70	149.87	13.50	147.23	13.30
Metallics	191.37	8.90	195.52	14.80	206.62	27.00
Stainless	208.34	74.00	216.63	87.20	192.76	66.70

A mixed trend in prices in several regions has kept **CRUspi Global** index on a lower note.

As a result of relatively firm demand conditions for the time of year and rising scrap costs, long product prices have increased in several regions since the start of the year. This has led to a rise in **CRUspi Longs** index

The **CRUspi for sheet** products has fallen for the sixth month in succession. At 147.2, it is now 2% lower than last month's level and around 14% off its most recent peak.

Metallics prices made a strong start to 2007. Demand has improved in North America. Asian mills have become more optimistic. Stronger local and export demand lifted EU prices. All this in general has led to a rise in **CRUspi Metallics** index.

Volatility in stainless steel prices has kept the **CRUspi stainless** index on a downward trend.

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## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario:

**Steel Demand remained strong:** Steel consumption increased at eight percent during April-October, 2006. Production grew at a faster rate of 8.6 percent during the same period. Demand from all the consumer segments including the construction sector remained strong. It will also receive a boost from slew of SEZ projects that are being planned.

**Galvanized steel prices remained firm:** Prompted by rising zinc prices, galvanized steel companies hiked the prices w.e.f January'07. JSW Steel hiked the prices of its galvanized products by Rs.1500/t.

**Steel firms up 2%:** In the domestic market, steel prices firmed up in the beginning of the month owing to a combination of increasing raw material prices and rising infrastructure sector demand. Tata Steel raised prices of its Tiscon brand of long products by Rs.500/t w.e.f 1<sup>st</sup> January'07.

#### **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
Dec Week 1	30,000	29,500	30,000	35,000	35,000	37,000	37,000
Dec Week 2	30,000	29,500	30,000	35,000	35,000	37,000	37,000
Dec Week 3	30,000	29,500	29,500	35,000	35,000	37,000	37,000
Dec Week 4	30,200	29,700	30,200	35,200	35,200	37,200	37,200
Jan'07 Week 1	30,200	29,700	30,200	35,200	35,200	37,200	37,200
Jan'07 Week 2	30,500	29,900	30,400	35,400	35,400	37,400	37,400
Jan'07 Week 3	30,700	30,200	30,600	35,600	35,600	37,600	37,600
Jan'07 Week 4	30,900	30,500	30,700	35,700	35,700	37,700	37,700

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

	MS Billets(100*100 mm)	Concast Billets(100*100 mm)	MS Rounds (22/25 mm)	MS Squares (22/25 mm)	MS Angles(25*6mm)	MS Channel (75*40m m)	MS Channel(125*65m m)
Dec Week 1	22,900	24,100	24,700	24,900	24,700	25,200	25,700
Dec	22,800	22,900	24,700	24,500	24,700	25,200	25,700

Week 2							
Dec Week 3	23,200	23,400	25,100	24,900	25,000	25,300	25,800
Dec Week 4	23,300	23,900	25,100	24,900	25,000	25,300	25,800
Jan'07 Week 1	24,000	24,100	25,000	25,000	25,200	25,500	26,100
Jan'07 Week 2	23,800	23,900	25,300	25,300	25,500	25,800	26,400
Jan'07 Week 3	24,200	24,300	25,800	25,700	26,000	26,300	26,700
Jan'07 Week 4	23,900	24,000	25,700	25,500	25,700	26,000	26,700

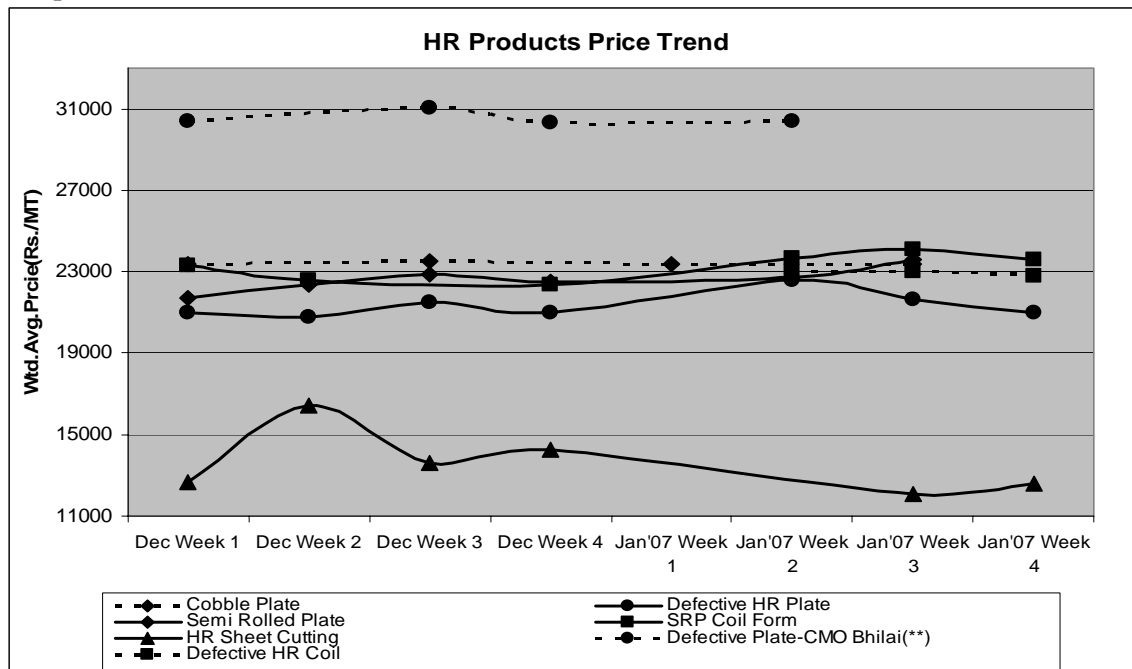
Note: Flat & Long Price (Rs. / MT, incl.excise duty, retail price)

### Price Movement

	Review	Outlook
Items	Jan'07 over Dec'06	Feb'07 over Jan'07
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 December 2006 & January 2007 for different HR and CR products.



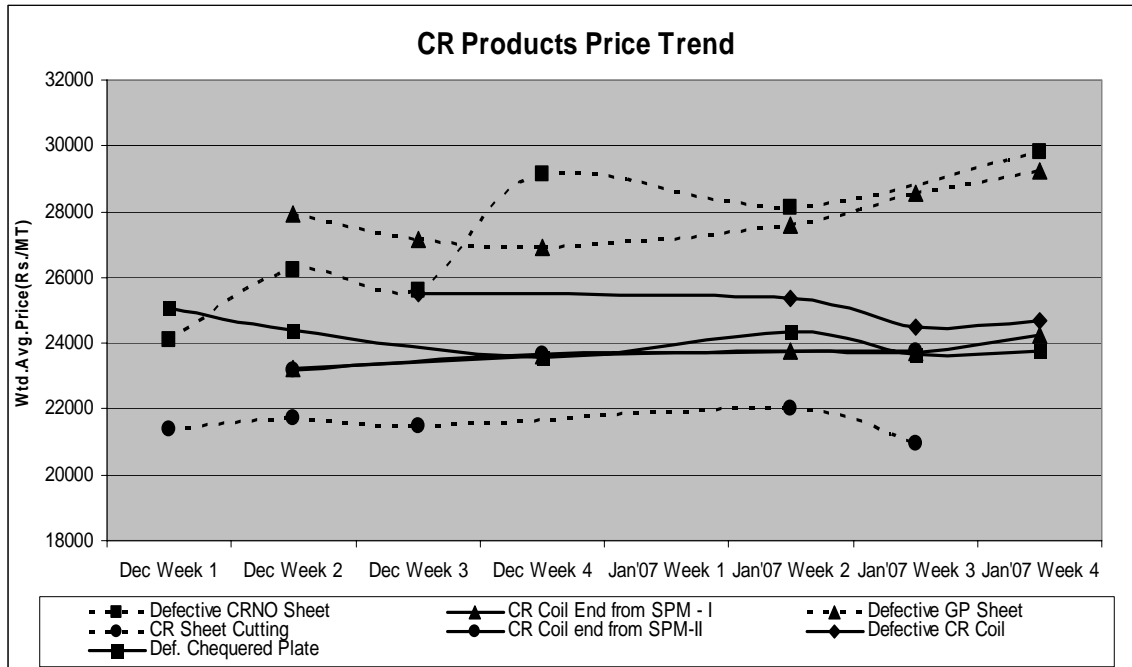
Note: Price is basic, \*\* implies price incl.excise duty

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def Plate-CMO Bhilai	Def HR Coil
Dec Wk 1	23353	21014	21719	23306	12650	30375	NA
Dec Wk 2	NA	20767	22391	22550	16449	NA	NA
Dec Wk 3	23519	21472	22900	NA	13575	31080	NA
Dec Wk 4	NA	20956	22500	22350	14263	30317	NA
Jan'07 Wk 1	23408	NA	NA	NA	NA	NA	NA
Jan'07 Wk 2	NA	22557	22705	23671	NA	30397	23000
Jan'07 Wk 3	23408	21623	23570	24079	12050	NA	22984
Jan'07 Wk 4	NA	20980	NA	23622	12600	NA	22780

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

Products	Dec'06 Price (Avg.)	Jan'07 Price (Avg.)	% change(Jan'07 over Dec'06)	% change(Jan'07 over Jan'06)
Cobble Plate	23436	23408	-0.12	26.37
Def HR Plate	21052	21720	3.17	35.70
Semi Rolled Plate	22377	23138	3.40	24.92
SRP Coil Form	22735	23791	4.64	30.97
Def Plate-CMO Bhilai	30591	30397	-0.63	34.95



Price is basic

**Attached below is the data table:**

Week	Def CRNO Sheet	CR Coil End From SPM-I	Def GP Sheet	CR Sheet Cutting	C R Coil End From SPM-II	Def CR Coil	Def Cheque-red Plate
Dec Wk 1	24100	NA	NA	21400	NA	NA	24400
Dec Wk 2	26243	23255	27930	21750	23200	NA	NA
Dec Wk 3	25600	NA	27180	21500	NA	25509	23550
Dec Wk 4	29150	23629	26912	NA	23646	NA	NA
Jan'07 Wk 1	NA	NA	NA	NA	NA	NA	NA
Jan'07 Wk 2	28144	23769	27602	21999	NA	25350	24350
Jan'07 Wk 3	NA	23706	28570	20970	23750	24477	23691
Jan'07 Wk 4	29800	24227	29220	NA	NA	24700	23778

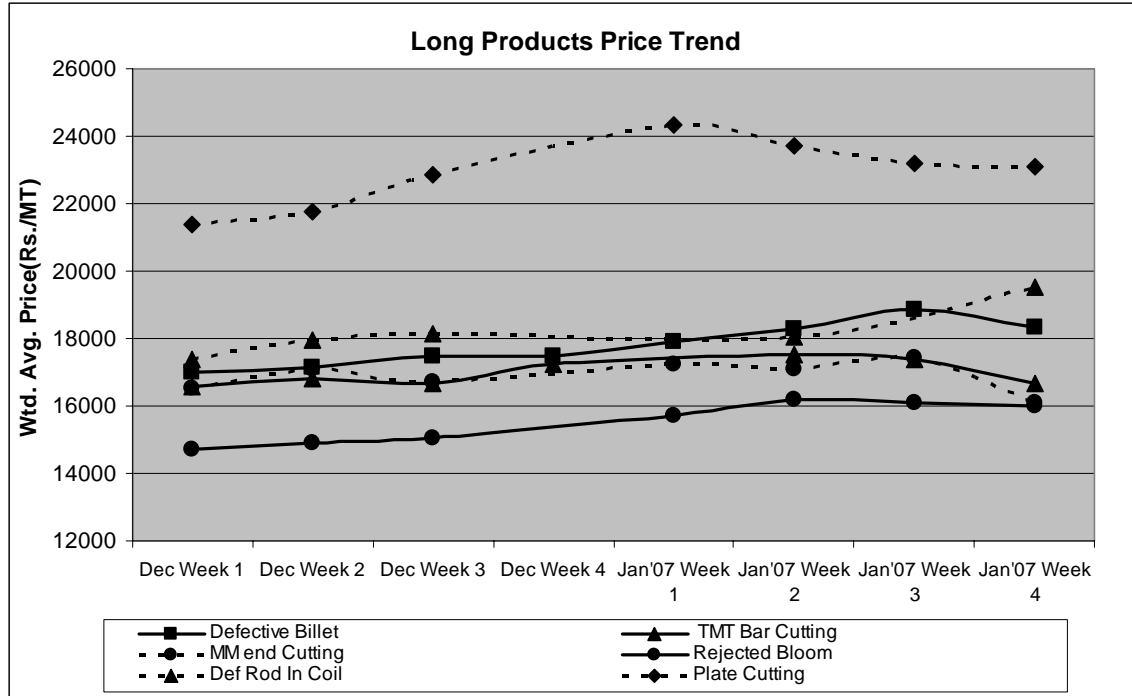
**Summary of price and % change (m-m & y-y basis):**

Products	Dec'06 Price(Avg.)	Jan'07 Price(Avg.)	% change(Jan '07 over Dec'06)	% change(Jan' 07 over Jan'06)
<b>Def CRNO Sheet</b>	26273	28972	10.27	14.91
<b>CR Coil End from SPM-I</b>	23442	23900	1.95	51.26
<b>Def GP Sheet</b>	27340	28464	4.11	60.39
<b>CR Sheet Cutting</b>	21550	21485	-0.30	20.04
<b>CR Coil End from SPM-II</b>	23423	23750	1.40	45.48
<b>Def CR Coil</b>	25509	24842	-2.61	37.49
<b>Def Chequered Plate</b>	24333	23940	-1.62	44.35

**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 and firmed up since the mid of the month. With demand remaining strong, prices are expected to achieve an improved trend 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 December 2006 & January 2007 for 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
Dec Wk 1	17005	16568	16544	14701	17359	21386
Dec Wk 2	17159	16800	17087	14905	17972	21779
Dec Wk 3	17487	16674	16727	15064	18161	22866
Dec Wk 4	17498	17498	NA	NA	NA	NA
Jan'07 Wk 1	17926	17926	17230	15729	NA	24320
Jan'07 Wk 2	18295	18295	17088	16206	18054	23715
Jan'07 Wk 3	18871	18871	17408	16105	NA	23206
Jan'07 Wk 4	18322	18322	16091	16002	19511	23075

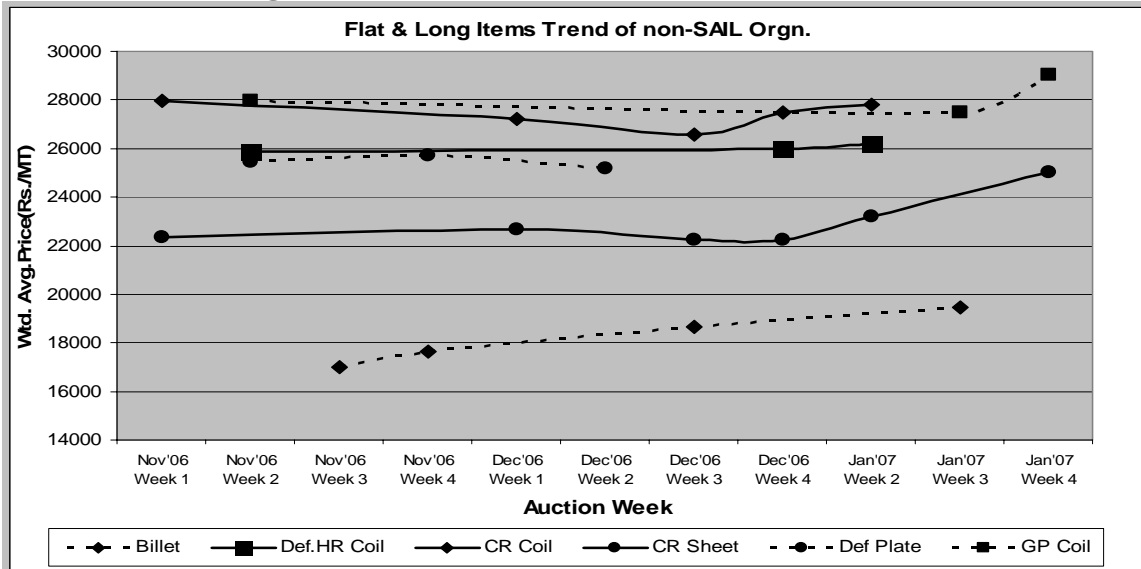
**Summary of price and % change (m-m & y-y basis):**

Products	Dec'06 Price(Avg.)	Jan'07 Price(Avg.)	% change(Jan'07 over Dec'06)	% change(Jan'07 over Jan'06)
Def Billet	17287	18354	6.17	27.35
TMT Bar Cutting	16824	17193	2.19	21.89
MM End Cutting	16786	16954	1.00	23.63
Rejected Bloom	14890	16011	7.53	28.13
Def Rod In coil	17831	18782	5.34	30.52
Plate Cutting	22010	23579	7.13	NA

**Outlook:** The auction platform showed an improved trend in the mid of the month in alignment with the domestic market. Billet auctioned from Kolkata had a percentage change of 0.02% in Week 2 compared to Week 1, TMT

auctioned form Kolkata had a percentage change of 3.34% in Week 2 compared to Week 1. Billet auctioned from Raipur had a percentage change of 2.06% in Week 2 compared to Week 1; TMT auctioned from Kolkata had a percentage change of 1.52% in Week 2 compared to Week 1. Prices further improved in the third week of the month. Billet auctioned from Durgapur had a percentage change of 1.99% in Week 3 compared to Week 2; Billet auctioned from Kolkata had a percentage change of 1.61% in Week 3 compared to Week 2. Ingot from Kolkata had a percentage change of 1.51% in Week 3 compared to Week 2. Billet auctioned from Raipur had a percentage change of 3.15% in Week 3 compared to Week 2. However, prices showed a slight drop towards the end of the month. This was in alignment with fluctuation in Ingot price especially at Raipur market during that period which was due to stock accumulation and a slow movement of material at higher prices. With a stable domestic market trend, the auction platform is expected to fetch similar prices to a slightly improved trend in the coming month.

**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
Dec Week 1	15883	19119	18588	16959	18909
Dec Week 2	15878	19216	18705	17164	19214
Dec Week 3	16088	19289	18794	17214	19528
Dec Week 4	16458	19796	19308	17798	19786
Jan'07 Week 1	16459	19789	19172	17703	19755
Jan'07 Week 2	16549	20033	19558	18057	20259
Jan'07 Week 3	16656	20367	19937	18443	20447
Jan'07 Week 4	16753	20285	19586	18141	20173

Price: (Rs. /t, basic)

Increase in demand by steel manufacturers has pushed up the price of Ingot across various places.

**International Scenario**

**Steady Steel market in Asia:** Hot rolled cut sheet buying remained steady in S.E.Asia. Transaction prices remained at \$500-510/t cfr for March shipments of 3mm up 12mm thickness cut sheet from China. Demand remained strong at Singapore.

**Good Steel market sentiment in China:** Chinese mills have raised their HRC export offer prices by \$20/t since last month. For commercial grade HRC, prices were at around 475-480/t fob, and for rerolling quality, prices were around \$490-500/t fob. Hot rolled cut sheet is being offered at \$490-500/t fob. Domestic CRC prices remained stable. Export offer prices of CRC have increased to \$570-580/t fob Shanghai to South East Asia and almost \$600/t to North America.

Chinese mills have raised their offer prices of long products to South-East Asia. The prices of 16mm and up debar have risen to \$430-435/t,cfr, the price of 6.5mm up wire rod was also offered at similar levels.

Domestic Chinese plate prices increased by around RMB 100/tonne.

Chinese rebar prices increased slightly and export prices also moved up. The price increase of various steel items has been due to low stocks and good Chinese steel market sentiment.

**Positive start in Europe:** The beginning of 2007 has seen warmer weather than normal in Europe, enabling many construction sites to return to work earlier than expected. Bar, rod import prices increased with a recent increase in scrap and billet prices and demand returning to good levels. Sections and merchant bar prices have gone up in Southern Europe with demand remaining strong. Southern European sections and merchant bars have been quoting at €600-650/t and €510- 540/t respectively. HR, CR Coil prices have increased in Europe. The latest South European ex-works HR coil reference price is up €7/tonne from third week at €447/tonne (\$577/t). The North European ex-works CR coil reference price is up €1/t at €590/t (\$761/t).

**Demand remains strong in CIS:** Following its weakening in December, the export price of CIS billet has recovered an upward trend. From the levels of around \$400-420/t fob Black/Baltic Seas for January produced billet in the beginning of December, the price reached \$420-430/t by the end of the month. With holidays being over and people returning to business, demand remains strong.

CIS Billet Export Prices FOB (US\$/t)

Nov-06	Dec-06	Jan-07	Feb-07(*)	Mar-07(*)
410-415	400-420	420-430	430-450	440-460

\* SBB Forecast

**US:** HR, CR Coil prices have increased in USA. HRC and CRC reference prices in Midwest USA are \$13 and \$11/short ton higher respectively than prices reported in the third week. The HDG price eased to \$757/s.ton (\$833/t).

**Political uncertainties continue to hit Thai Steel:** The steel market in Thailand is very quiet as demand remains weak. The rebar market in Thailand is very poor, prices have not moved up. Steel demand from construction and infrastructure projects has been quiet. Increasing pessimism after the bomb blasts and changes in investment laws have affected steel demand.

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

Item Description	% Change over a week(Jan'07 Week 4 over Jan'07 Week 3)	% Change over a month(Jan'07 over Dec'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	1.22	8.64	7.79
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	0.00	8.04	7.50
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	1.01	5.26	4.17
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	1.60	8.09	4.74
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.00	2.58	6.00
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	0.00	1.29	1.62
CIS Export Rebar Black Sea/Baltic Sea \$/t	0.00	10.34	11.63
CIS Export Billet Black Sea/Baltic Sea \$/t	0.00	4.88	10.26

Note: 8.11 Yuan=1 US \$

### OUTLOOK:

**Global:** The outlook is quite positive because there is a reasonable balance between the supply and demand for steel. Overall there is a continuing growth in the requirement for steel, particularly in the developing world. With the Beijing Olympics taking place in 2008, there is going to be a lot more use of steel in China, so, prices will be reasonably good.

It is predicted that China will experience capacity expansion in the year 2007 with demand making an upward movement. Hot rolled coil capacity addition is set to peak this year, with 20 million tonnes of fresh capacity estimated to come on stream.

Demand continues to remain high in CIS countries. All February tonnages have been booked up and with scrap and other raw materials prices going strong, there is little likelihood that producers will be willing to lower the prices.

Steel demand will remain steady in the short-term in US and Europe. Prices will see an increase in these regions in the next three months.

In general, the economy is doing well all over the world and the way the Asian markets are behaving, prices will remain stable or there may be an upward trend.

**India:** Steel prices to remain stable in the short-term with demand coming up from various construction sectors. The pick-up in demand has significantly been reflected in the steel stocks, with major steel scrips hovering close to their 52-week highs. Demand in Northern region is likely to pick up with construction beginning ahead of the Commonwealth Games in New Delhi in 2010. Also, the Delhi government is putting in place the Master Plan 2021 to meet housing requirements, which will lead to shooting up of demand for steel.

**Data Sources:**

- 1) [www.ncdex.com](http://www.ncdex.com)
- 2) Steel Trade Intelligence
- 3) Metal Bulletin
- 4) Steel Business Briefing
- 5) MEPS
- 6) Business Standard
- 7) The Economic Times
- 8) Steel Town Weekly (Mandi Govindgarh)

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## STEEL INDUSTRY MARKET SCENARIO

### SCRAP

#### Domestic Scenario

**Bullish market for Iron ore continues:** The Indian iron ore (Fe 63.5%) CIF price was \$79-80 per-ton in the third week of January, 2007, rising by \$1 compared to January 15, 2007 with strong demand coming from China. Prices have risen by up to 9.5 percent from previous business, which was done at \$73-74/tonne cfr in late December, 2006. Chinese iron ore import market will continue to heat up till Middle of February, as steel mills stock up for the Chinese New Year holiday, which falls in mid-February.

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

	Sep'06	Oct'06	Nov'06	Dec'06	Jan'07
Indian 63% Fe \$/t CFR China	72-74	72-73	73-74	75-77	79-80

**Pig Iron prices remained firm with demand remaining buoyant:** With market demand remaining strong, prices remained stable in the domestic market. In the first eight months of fiscal 2007, consumption grew by 7% outstripping production growth of 4.2%. In Delhi and Chennai market, steel grade pig iron prices ruled firm at Rs.17,000/t (incl. excise and sales). W.e.f 1<sup>st</sup> Jan'07, Vishakapatnam Steel Plant raised the price of pig iron by Rs.400/t.

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

Item	Dec Week 3	Dec Week 4	Jan'07 Week 1	Jan'07 Week 2	Jan'07 Week 3	Jan'07 Week 4
Steel Grade	18,300	18,400	17,500	19,400	19,400	19,700
Foundry Grade	20,100	20,200	19,800	20,000	20,000	20,300

**Strong sentiment fuels higher bids for Indian pig iron:** Stemcor posted the highest bid of \$330.75/tonne fob in MMTC's January 19 export tender for 30,000 tonnes of pig iron for February/March shipment. The tender attracted two other bids: Steel Base \$326.50 and MTPL \$324.00. The results of this tender reflect strong market sentiment.

**Demand for Sponge Iron remains upbeat:** Buoyed by healthy growth in steel production, demand for sponge iron remained strong. Sponge Iron output also increased by a healthy 32 percent till November'06. The supply demand scenario made prices continued to soften. Prices of hot briquetted iron declined in Delhi, Mumbai and Kolkata markets.

**Melting Scrap prices** remained firm throughout the month with a good jump over earlier month's prices.

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

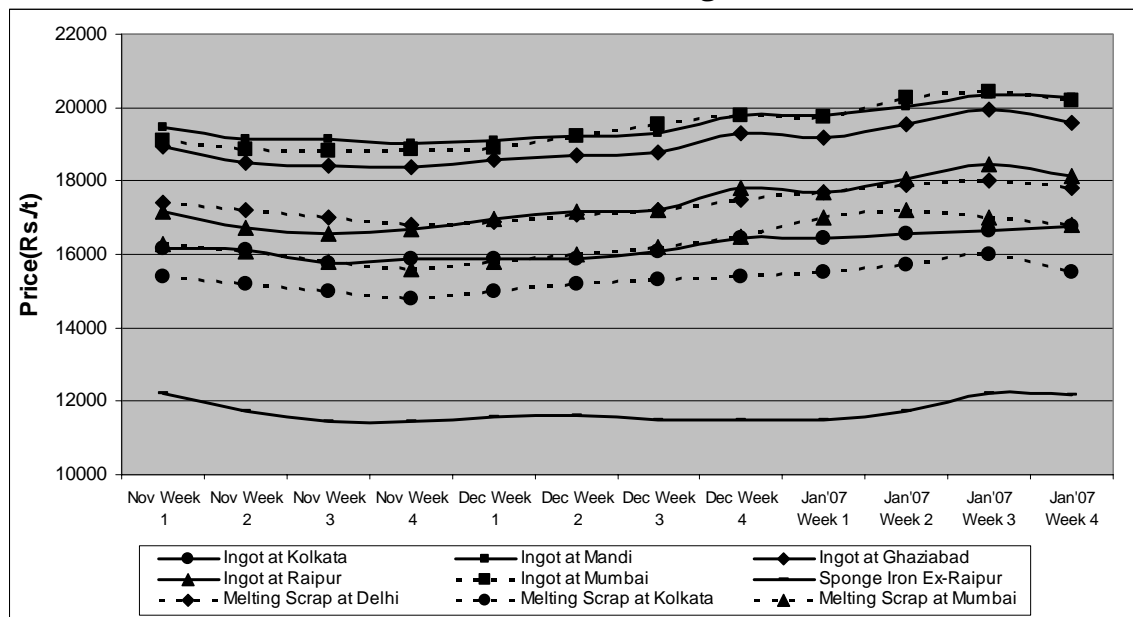
Place	Delhi	Kolkata	Mumbai
Dec Week 1	16,900	15,000	15,800
Dec Week 2	17,100	15,200	16,000
Dec Week 3	17,200	15,300	16,200
Dec Week 4	17,200	15,300	16,200
Jan'07 Week 1	17,700	15,500	17,000
Jan'07 Week 2	17,900	15,700	17,200
Jan'07 Week 3	18,000	16,000	17,000
Jan'07 Week 4	17,800	15,500	16,800

**Price Movement**

	Review	Outlook
Scrap	Jan 2007 over Dec 2006	Feb 2007 over Jan 2007
Pig Iron	↔	↔
Sponge Iron	↔	↔
Melting Scrap	↑	↔

**A comparative price trend of Ingot, Sponge Iron and Melting Scrap:**

A mixed trend was noticed in the month of January, 2007 with prices showing a rising trend in the beginning of the month and then a slight drop towards the end of the month with demand outlook remaining stable.

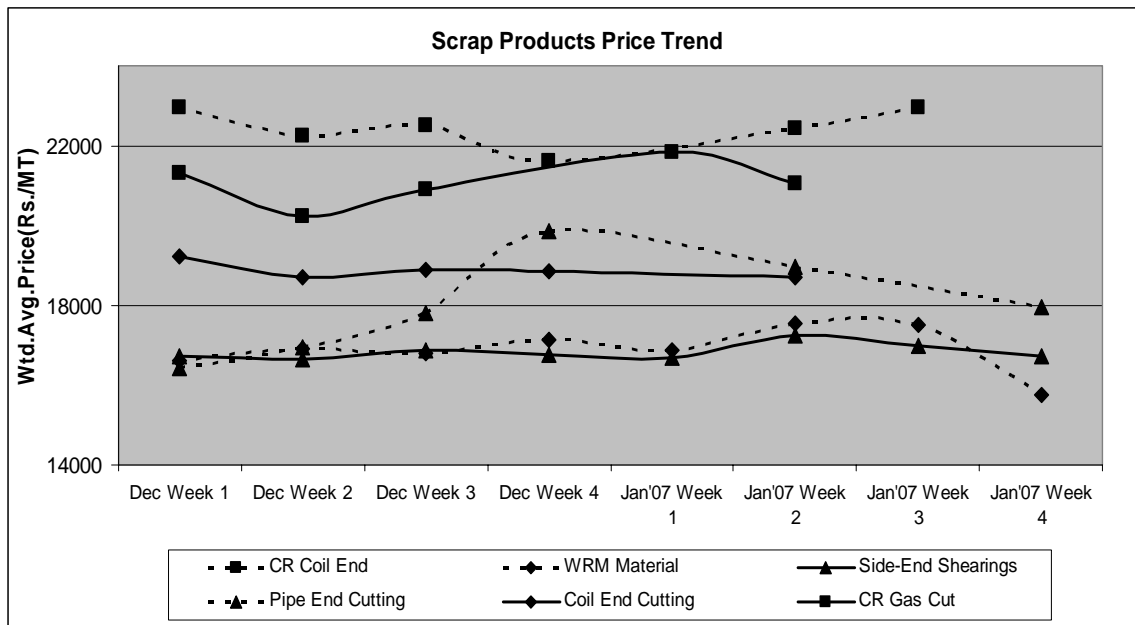


*Ingot & Sponge Iron is basic; Melting Scrap price is including excise duty & sales tax. Price (Rs. /t)*

**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 December 2006 & January 2007 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	CR Gas Cut
Dec Wk 1	22946	16625	16710	16439	19218	21300
Dec Wk 2	22236	16900	16651	16961	18700	20250
Dec Wk 3	22515	16800	16878	17815	18900	20900
Dec Wk 4	21624	17134	16778	19850	18838	NA
Jan'07 Wk 1	NA	16880	16699	NA	NA	21850
Jan'07 Wk 2	22436	17550	17252	18972	18717	21059
Jan'07 Wk 3	22956	17500	16977	NA	NA	NA
Jan'07 Wk 4	NA	15753	16708	17968	NA	NA

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

Products	Dec'06 Price (Avg.)	Jan'07 Price(Avg.)	% change(Jan'07 over Dec'06)	% change(Jan'07 over Jan'06)
<b>CR Coil End</b>	22331	22696	1.64	41.67
<b>WRM Material</b>	16865	16921	0.33	20.05
<b>Side-End Shearing</b>	16754	16909	0.92	25.64
<b>Pipe Cutting</b>	17766	18470	3.96	37.90
<b>Coil End Cutting</b>	18914	18717	-1.04	NA
<b>CR Gas Cut</b>	NA	21455	NA	50.26

**Outlook:** Scrap prices showed good movement in the beginning of the month with demand remaining quite strong and good amount of material off take taking place in the market. However, prices dipped a bit in the fourth week of the month in alignment with the domestic market. With market stabilizing, auction prices are expected to hover around similar levels in the coming month.

**International Scenario:**

**US Domestic scrap** prices have increased for all grades in January, 2007 due to continued strong demand from domestic and overseas mills. No. 1 dealer bundles and No. 1 busheling are both selling in a range of \$260-265 per long ton on a delivered basis this month, up from \$220-230/l.t. in December for both products. Prices for heavy grades are up by about \$20/.l.t. on average. No. 1 heavy melting scrap is currently in a range of \$230-240/l.t.

**US Export scrap** prices jumped more than \$20 per tonne on average in the first two weeks of January after a lull during December during which prices were little changed. The increase was driven in part by major purchases by Turkish mills since the beginning of the year. Standard cargoes of shredded scrap are selling in a range of \$263-267 per long ton (\$259-263/tonne) compared with early December levels, basis fob US port.

**Europe:** Pig iron prices climbed by \$20 in a month with higher scrap prices and rail freight costs in Russia.

**East Asian scrap import market remained firm:** The scrap import market in East Asia is still firming with higher asking prices from suppliers. Offers of heavy melt to the region have exceeded \$320/t cfr. Offer prices have moved by \$5-10/t in Asia. Offers for 80:20 HMS scrap from the USA have risen to \$335-340/t cfr south East Asia.

**Asian Pig Iron market remained firm:** With rising scrap prices, market remained bullish. The domestic Chinese pig iron price kept on increasing due to strong demand from mills and prevailed at RMB 2,350/t (\$302/t) incl. VAT ex-plant towards the end of the month.

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

Month	Average Price(\$ per long ton)	Price movement
Nov-06	198	↔
Dec-06	202	↑
Jan-07	219.25	↑

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

Month	Average Price(\$ per long ton)	Price movement
Nov-06	242.5	↑
Dec-06	245	↑
Jan-07	252.5	↑

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

Month	Average Price(\$ per long ton)	Price movement
Nov-06	247.5	↑
Dec-06	250	↑
Jan-07	261.25	↑

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

Month	Average Price(\$ per tonne)	Price movement
Nov-06	247.5	↑
Dec-06	250	↑
Jan-07	268.75	↑

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

Month	Average Price(\$ per tonne)	Price movement
Nov-06	235	↑
Dec-06	240	↑
Jan-07	255	↑

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

Month	Average Price(\$ per tonne)	Price movement
Nov-06	253	↑
Dec-06	255	↑
Jan-07	273.75	↑

**OUTLOOK:**

International consumption of scrap remained at a high level. The high demand for scrap steel in developing countries, along with demand in China and India that is outpacing domestically generated scrap, will cause significant growth in the scrap metal market, according to the World Scrap Congress 2006 and research by Industrial Info Resources. Strong demand for this raw material has led to a surge in prices.

Following strong demand, scrap prices are further expected to increase in the short-term.

**Data Sources:**

- 1) Metal Bulletin
- 2) Steel Trade Intelligence
- 3) Steel Business Briefing
- 4) Steel Town Weekly (Mandi Govindgarh)

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## STEEL INDUSTRY MARKET SCENARIO

### STAINLESS STEEL

#### Domestic Scenario:

**Soaring nickel rubs shine off Indian stainless steel:** Soaring global nickel prices combined with a recently introduced lower duty on a range of finished metals will hit margins of Indian stainless steel makers. N C Mathur, president of the Indian Stainless Steel Development Association, said a jump in nickel had surprised the industry. Duty changes introduced by the government on a range of commodities to help curb rising inflation would add to firms' woes as imports became more competitive. Stainless steel industry had also asked the government to reduce the import duty on nickel to zero from 5 percent to give some relief to manufacturers.

**Jindal Stainless export sale had jumped high:** Jindal Stainless has reported a massive 239% increase in export sales, as well as a 35% increase in domestic sales against the corresponding quarter of financial year 2005-6 (October to December). This helped the company achieve an increase in turnover of 97% in Q3 of FY2006-07. Production of all types of stainless increased, but demand both within India as well as globally for 200 series (chrome-manganese) is high.

#### **Price Movement**

	<b>Review</b>	<b>Outlook</b>
Steel Product	January 2007 over December 2006	February 2007 over January 2007
Stainless Steel	↑	↔

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

Auction Week	CQSS Type I - Baby Coil	CQSS Type II - Lengthy Sheets	CQSS Type II - SS Assorted Sheets	CQSS Type III - CR Coils	CQSS Type V HR Sheets	SS Melting Scrap
Oct Week 2	99047	NA	140000	70118	81664	34053
Oct Week 4	104303	84710	103668	50661	67619	36416
Nov Week 1	88067	144300	83963	60492	56733	44428
Dec Week 1	96244	91214	102968	56232	97603	40552
Dec Week 3	96195	64888	118718	62950	70078	37003
Jan'07 Week 2	84011	NA	NA	59234	62346	37406

<b>Prime SS</b>			
Auction Week	SS Low Nickel	Type-300	Type-400
Sep Week 1	86895	166100	52011
Sep Week 2	105455	163475	60707
Oct Week 1	114910	169813	53345
Nov Week 1	137250	199604	64198
Jan'07 Week 2	111815	268371	53754

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

**Outlook:** The auction platform has witnessed a downward trend in price in the month of January, 2007. This has been in alignment with domestic stainless steel prices which have varied in co-ordination with the Nickel movement on London Metal Exchange. With stock variation, Nickel prices had its ups and downs; however prices showed a good jump towards the end of the month. With volatility existing in the market, an impact is noticed on domestic stainless steel sector and prices are expected to hover around similar levels in the coming month without any wide jump.

### **International Scenario:**

**China becomes world's largest stainless steel producer:** China has become the world's largest stainless steel producer with its output exceeding five millions tons in 2006 for the first time, up 60 percent from 2005. China's stainless steel production capacity reached 12 million tons by December 2006 with no less than 20 new plants to commence production this year. World demand for the raw material of stainless steel, nickel, has shot up.

**High-carbon FeCr rises 6% on strong demand but limited supply:** High carbon ferro-chrome prices have risen by almost 6 percent in Europe as demand from stainless steel producers remains robust and material is relatively tight. Ferro-chrome 6-8 percent carbon basis 60 percent chrome is changing hands at 67-72 cents per lb in-warehouse from 65-68 cents previously.

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

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

	Oct'06	Nov'06	Dec'06	Jan'07
HR 304	30500-32500	30600-32600	30800-32500	30500-31800

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

	Oct'06	Nov'06	Dec'06	Jan'07
CR 304 2B	34600-35000	34700-35100	35000-36000	34700-35500

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

Month	Average Price(\$ per tonne)	Price movement
Oct-06	3650	↑
Nov-06	3900	↑
Dec-06	3870	↓
Jan-07	3850	↓

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

Month	Average Price(\$ per tonne)	Price movement
Oct-06	4025	↑
Nov-06	4250	↑
Dec-06	4190	↓
Jan-07	4150	↓

**Europe:**

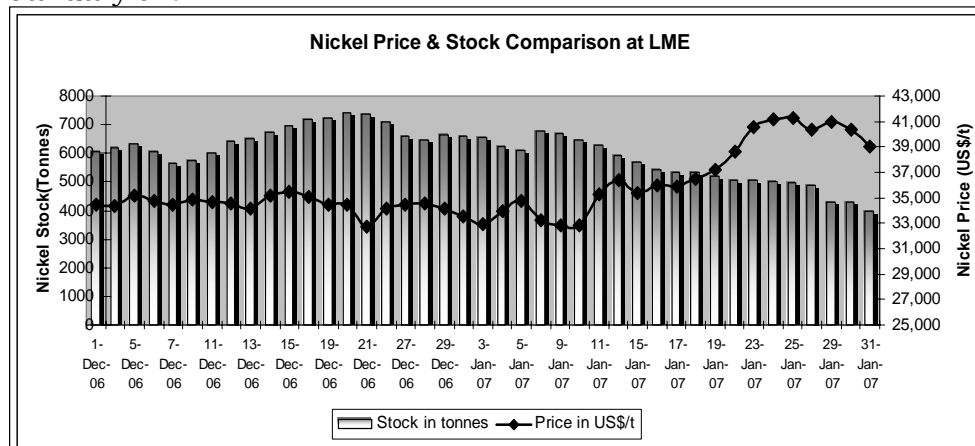
CR 304 2B 2mm,Euro/t Ex-Works	Oct'06	Nov'06	Dec'06	Jan'07
N.Europe	1600-1700	1650-1750	1750-1850	1750-1800
S.Europe	1550-1650	1700-1750	1750-1800	1700-1750

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

Month	Average Price(Euros/tonne)	Price movement
Oct-06	1964	↑
Nov-06	2010	↑
Dec-06	2101	↑
Jan-07	2101	↔

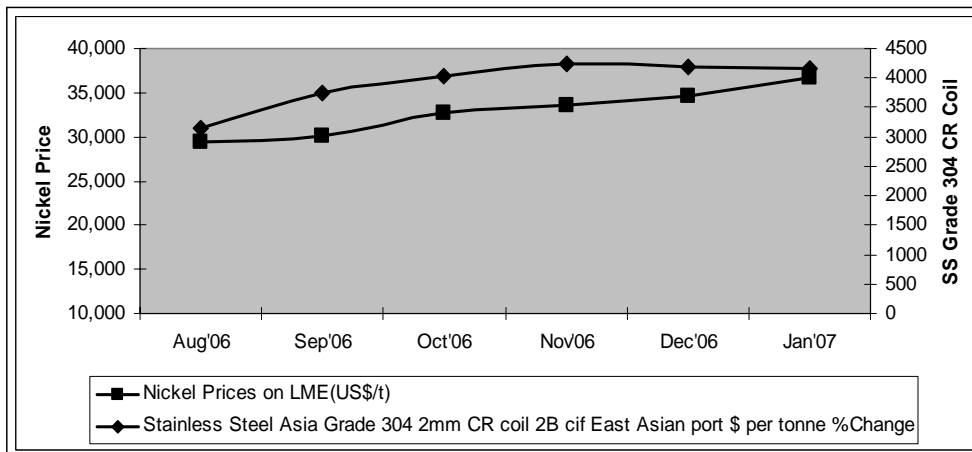
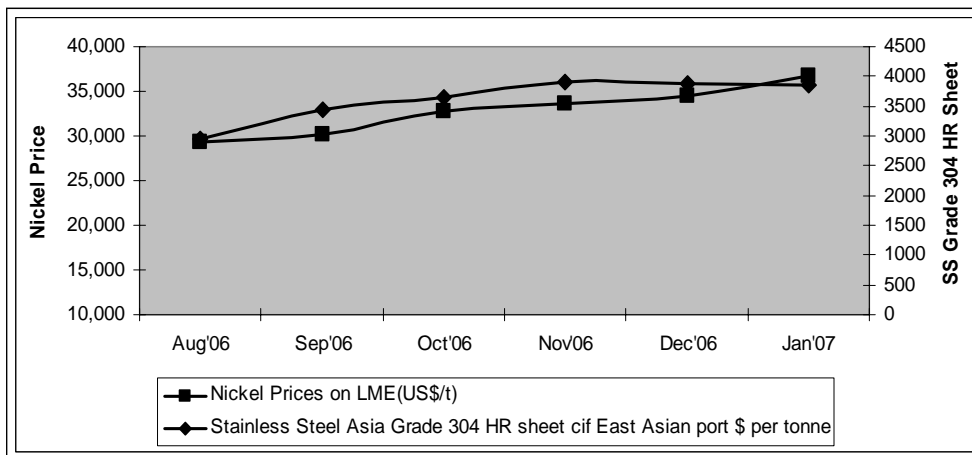
**Note:** 1US\$=Rs.44.14, 1Euro=Rs.57.45, 8.11 RMB=1US\$

**Nickel Trend:** Nickel price touched it's highest at 41,300 US\$/t in the month of January'07.



Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Oct'06	32,682	8.62	163.50
Nov'06	33,614	2.85	177.44
Dec'06	34,548	2.78	157.26
Jan'07	36,799	6.52	153.02

The graphs below indicate SS-Ni trend for a period of six months.



**OUTLOOK:**

**Globally**, stainless steel prices are expected to behave in a slightly volatile manner due to a fluctuating movement in prices of raw materials like Nickel and Chromium.

**India:** According to VS Jain, Managing Director and CEO of Jindal Stainless, stainless steel prices are expected to remain volatile. Significant increase in Nickel prices is also going to affect Stainless Steel prices. Nickel and particularly the scrap in the Nickel which is not available in India are of consideration.

**Data Sources:**

- 1) [www.lme.co.uk](http://www.lme.co.uk)
- 2) Metal Bulletin
- 3) Steel Business Briefing
- 4) MEPS

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