

News at a glance

Global Steel production down in 2008: MEPS expects global steel production in 2008 to be finalized at close to 1328 million tonnes. This equates to a 16 million tonne (1.2 percent) decrease on the year earlier outturn.

Steel price recovery doesn't withstand for long. Prices see a drop beginning of third week in the range of Rs.800 to Rs.1200/tonne across semi-finished and finished steel items. Prices further drop by 2 to 3 percent in the last week. Weak end-user demand from industries such as the automotive and appliance sectors is taking its toll on steel buying and buyers are cautious.

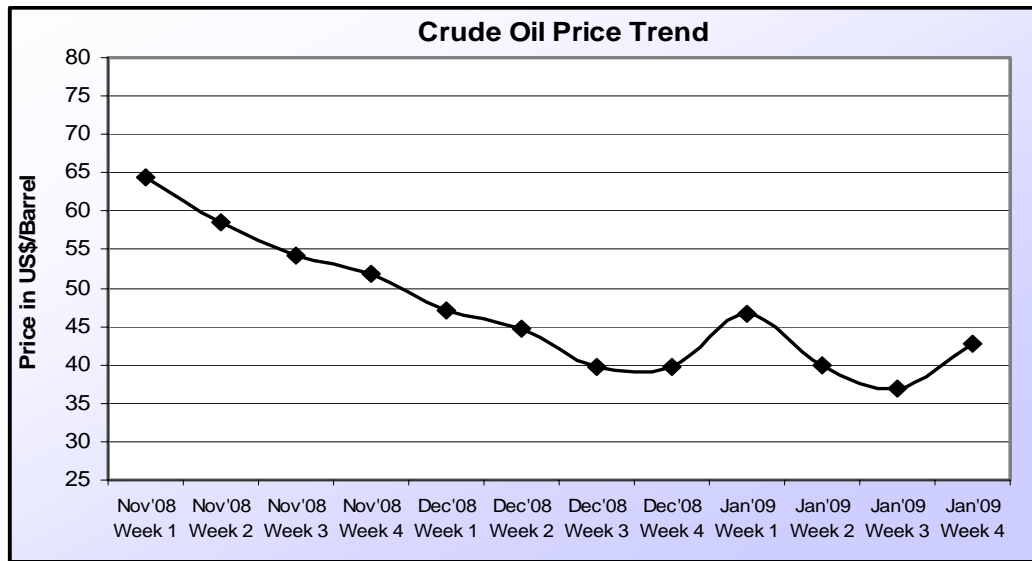
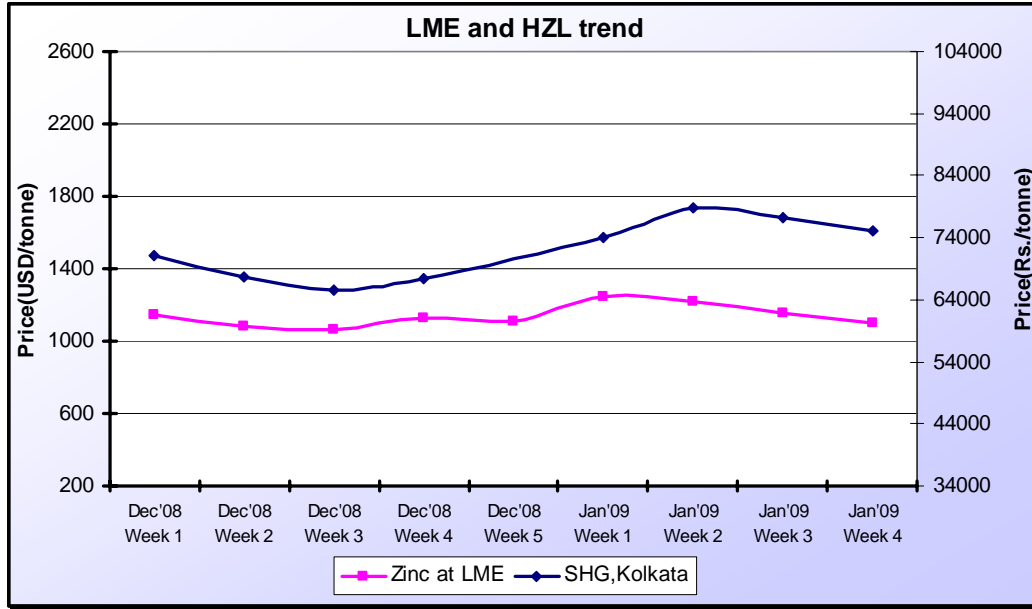
Market sentiment continues to remain weak with demand remaining poor across various parts of the world.

Duty exemption on TMT Bars, customs duty on zinc withdrawn: With exemptions withdrawn, the importers will now have to bear 10 per cent countervailing duty on TMT bars and five per cent customs duty on import of zinc and Ferro alloys.

Metals see a rise beginning of New Year with some of the buyers trying to replenish their stocks. However, lack of actual buying still refrains the buyers from making any real purchase. The month ended on a declining note for various non-ferrous items.

Zinc started off on a positive note with the inception of the New Year, 2009; with the zinc prices improving both in the domestic as well as in the international markets in the 1st week of January. However, the zinc prices witnessed a slight softening in the prices in the following weeks. **Hindustan Zinc Limited** has lowered the zinc prices by Rs. 1,200/tonne in the fourth week of January. HG Zinc at Kolkata prevailed at Rs. 74,000/tonne (excl. Sales Tax & Excise Duty) on 24th Jan, 2009 while Zinc at LME prevailed at USD 10.76.5/MT on 30th Jan exhibiting a drop of more than 4% over a week.

After remaining at a low in the month of December, 2008; the NYMEX **Crude oil** prices in the international market improved slightly beginning of the year 2009, going as high as USD 48.81/barrel on 5th January, 2009; however, this rise in the price was not sustainable enough as it once again crashed down to USD 40.83/barrel on Jan 09 exhibiting a drop of 16.34% over a span of four days. Prices further inched down to 34USD/barrel on Jan 20 and the market continues to remain volatile. Prices closed at 42 USD/barrel end of the month.



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

Index	Nov'08	% Change (M-M)	Dec'08	% Change (M-M)	Jan'09	% Change (M-M)	% Change (Y-Y)
Global	182.95	-23.90	155.15	-15.20	158.69	2.30	-13.10
North America	187.11	-20.80	157.93	-15.60	156.69	-0.80	-6.40
Europe	174.96	-20.70	160.33	-8.40	152.87	-4.70	-6.60
Asia Steel	184.93	-27.10	150.65	-18.50	163.09	8.30	-19.30
Longs	216.81	-21.70	174.48	-19.50	192.77	10.50	-6.40
Flats	166.14	-25.20	145.56	-12.40	141.77	-2.60	-17.20
Metallics	141.31	-42.70	185.53	31.30	195.62	5.40	-29.90
Stainless	152.23	-9.60	144.80	-4.90	128.36	-2.30	-30.40

Prices show signs of bottoming and some products rise: The fall in finished steel prices has eased over the past month, and some products have even seen prices rise, principally Asian sheet products and rebar. The impact is seen on the Global Cruspi index which has remained positive over a month.

The CRUspi long products index has risen this month, due to prices stabilizing in Europe and increasing, at least for some products, in North America and Asia. The CRUspi for steel sheet has fallen again, but by just 2.6%. Assisted by production cuts seen in recent months, it looks like stability has, for now, been restored to sheet markets.



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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario

Flat product market remained stable in the beginning of the month. The first week of the year 2009 exhibited a stable price trend across the steel market of the country though the demand in the market still remains a matter of concern as the buyers are buying only specific amounts to meet their requirements. Liquidity crunch still holds from stocking any material at the moment. The market of steel plate still runs slow in Mumbai, with the weak demand and temporarily stable price. Prices prevailed Rs. 29,000/tonne (basic), unchanged since the beginning of the year 2009. The HRC market still runs sluggish in Mumbai, with low purchasing interest from buyers and inactive prediction from traders. Price of IS2062 2.0mm is around 28,000/tonne (basic), as participants realized it meaningless to move the price up or down at this moment as the buyers currently does not intend to build any stock before the market rebounds. CRC market also remained more or less stable with the price prevailing at around Rs. 31,000/tonne in Mumbai market. Sources predict that a further decrease is unlikely to happen in a short time due to the reducing stock in the market. Price is expected to keep stable in the coming days as demand is unlikely to rebound much at this moment and consumption is not expected to increase in the month of February.

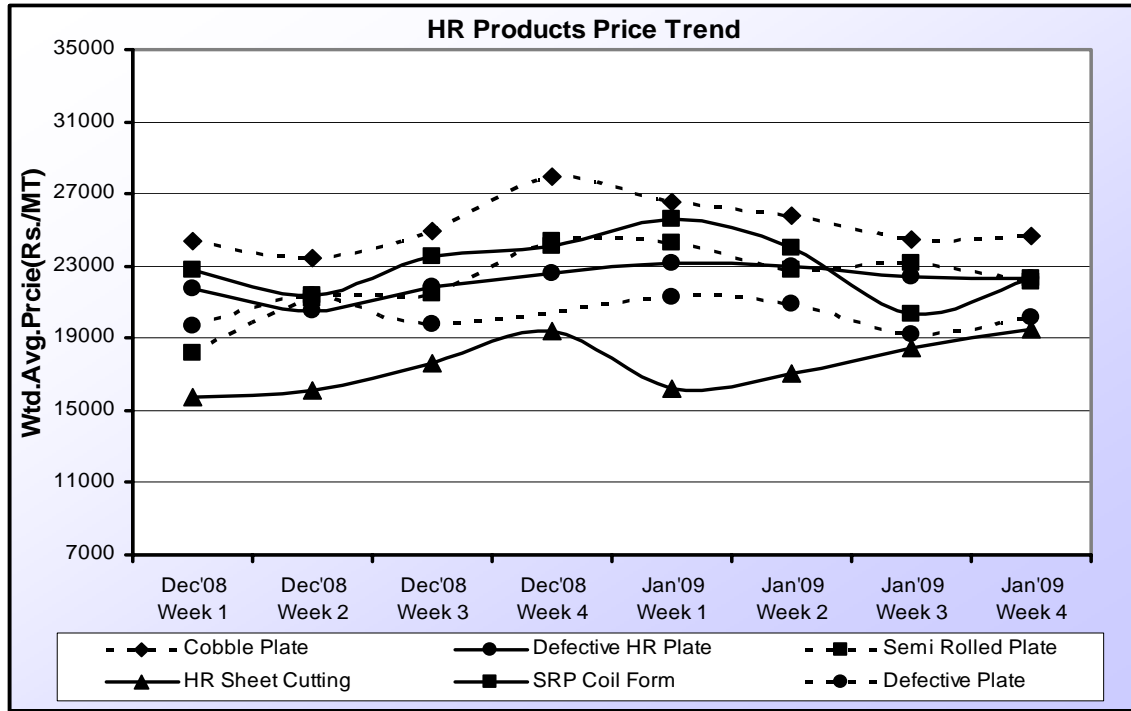
Long product market remained stable in the beginning of the month with metallic prices remaining stable. However, prices once again retreated since the end of second week with Angle prices going down by as much as 7 percent due to low demand from end users. SAIL reduces TMT Bar prices to Rs.34,800/tonne (all incl.) for 8, 10,12mm wef Jan'09 from Rs.39,800/tonne earlier month. With drop in scrap and Steel Ingot prices, a drop of around Rs.2000/tonne was noticed in the longs segment in the third week of the month. The price of angle steel further decreased by Rs.1,000/tonne over a week because of weak demand and also as most of the traders are eager to clear out their inventories for the time being. TMT Bar price further went down by 3 to 4 percent in one week because of low demand. The month ended with a negative note as poor sentiment still continues to grip the market and buyers remaining apprehensive of making purchase decision. Price can see further drop in the coming days in the range of 2 to 3 percent as demand continues to remain low from construction and other industries.

Price Movement

	Review	Outlook
Items	Jan'09 over Dec'08	Feb'09 over Jan'09
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 www.metaljunction.in for the month of Dec 2008 & Jan 2009 for different HR and CR products.



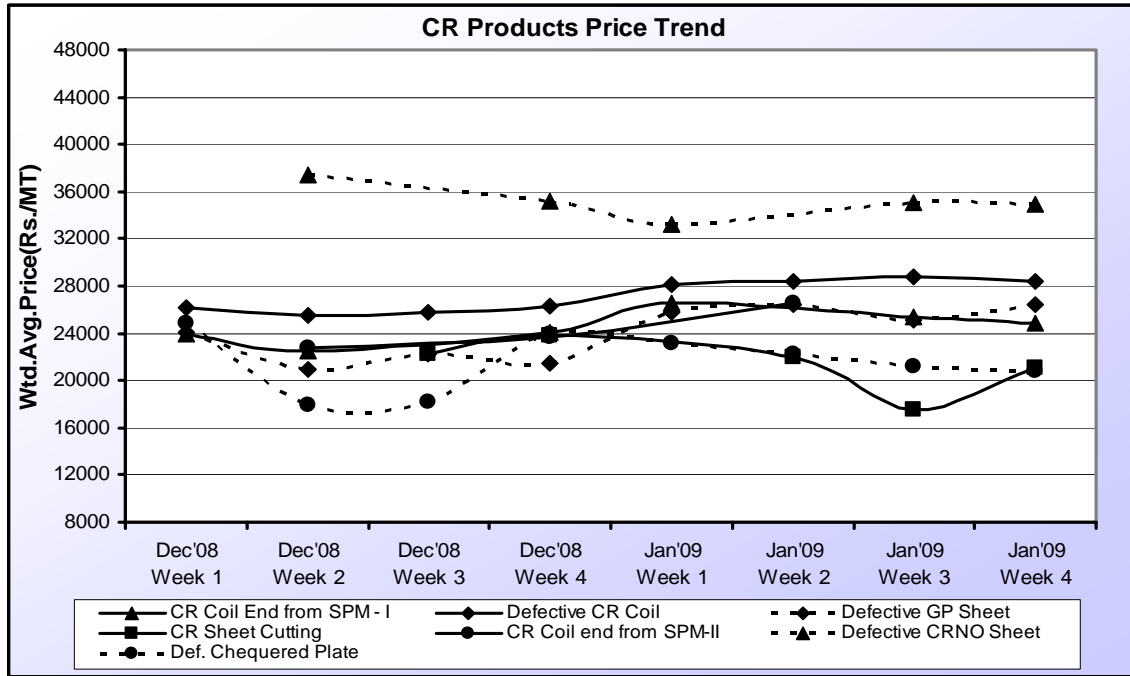
Price in Rs./t is basic

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	Def HR Coil	HR Sheet Cutting
Dec'08 Wk 1	24338	21759	18200	22782	19658	20903	15772
Dec'08 Wk 2	23444	20556	21211	21408	21408	21000	16107
Dec'08 Wk 3	24914	21856	21479	23565	19753	20200	17586
Dec'08 Wk 4	27978	22642	24339	24132	--	22607	19369
Jan'09 Wk 1	26529	23164	24269	25590	21290	--	16250
Jan'09 Wk 2	25761	22947	22786	24050	20861	--	17050
Jan'09 Wk 3	24497	22393	23199	20300	19182	--	18416
Jan'09 Wk 4	24682	22339	22144	22337	20154	24400	19457

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

Products	Dec'08 Price (Avg.)	Jan'09 Price (Avg.)	% change (Jan'09 over Dec'08)	% change (Jan'09 over Jan'08)
Cobble Plate	25168	25367	0.79	-1.96
Def HR Plate	21703	22711	4.64	-6.29
SRP Coil Form	22972	23069	0.42	-4.97
HR Sheet Cutting	17208	17793	3.40	-10.07



Price in Rs./t is basic

Attached below is the data table:

Week	CR Coil End From SPM-I	Def Chequered Plate	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
Dec'08 Wk 1	24010	24899	--	26148	--	24130
Dec'08 Wk 2	22553	17900	--	25550	37450	20889
Dec'08 Wk 3	--	18170	22300	25728	--	22214
Dec'08 Wk 4	24117	23884	23850	26250	35203	21520
Jan'09 Wk 1	26622	23138	--	28150	33283	25764
Jan'09 Wk 2	--	22281	22037	28350	--	26367
Jan'09 Wk 3	25446	21225	17600	28752	35000	25141
Jan'09 Wk 4	24871	20789	21029	28358	34900	26477

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

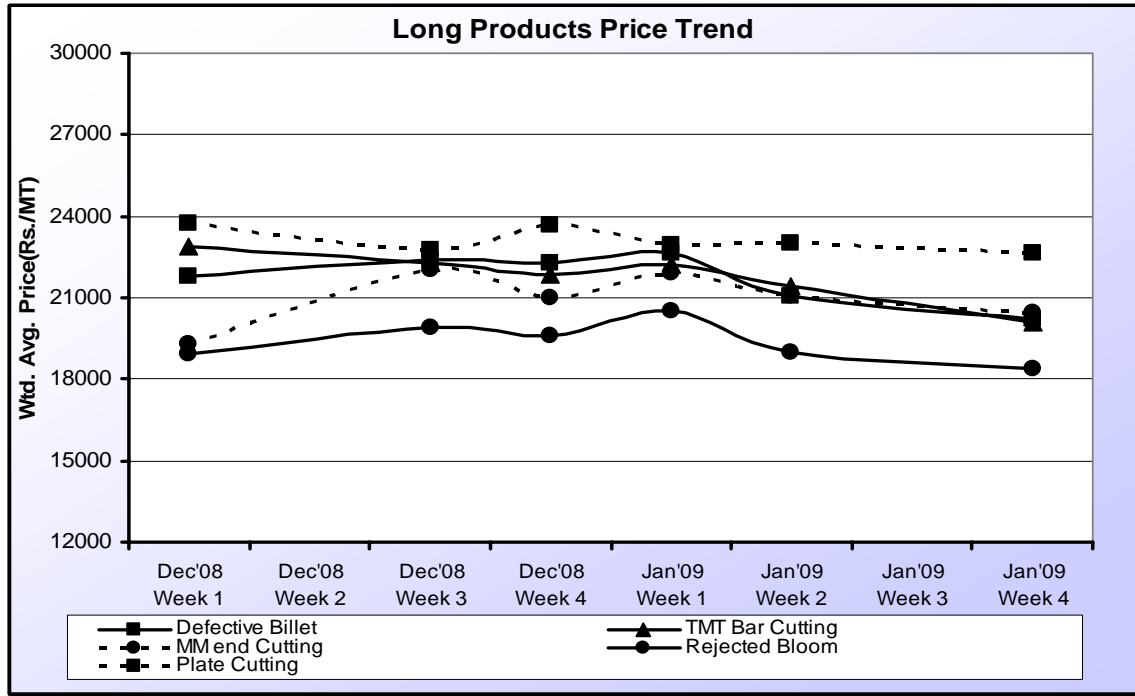
Products	Dec'08 Price(Avg)	Jan'09 Price(Avg)	% change(Jan'09 over Dec'08)	% change (Jan'09 over Jan'08)
CR Coil End from SPM-I	23560	25646	8.86	0.45
Def CR Coil	25919	28403	9.59	6.32
Def CRNO Sheet	36326	34394	-5.32	16.11
Def GP Sheet	22188	25937	16.90	-1.87
Def Chequered Plate	21213	21858	3.04	-12.94

Outlook: The flats market remained sluggish with no real demand coming up. Initial signs of stability were seen in the beginning of the month; however market again witnessed a downtrend since the third week. This has been in line with the international market where the steel prices have once again retreated following low demand and trading. The auction platform has remained more or less aligned with the domestic steel market and ended on a softened note across

various HR and CR items. The coming days are not expected to show much movement in the market and with sluggish demand still ruling the situation is not expected to show any sign of recovery.

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 Dec 2008 & Jan 2009 for different long products.



Price in Rs./t is basic

Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting	Def Rod In Coil
Dec'08 Wk 1	21786	22871	19310	18912	23741	--
Dec'08 Wk 2	--	--	--	--	--	--
Dec'08 Wk 3	22398	22285	22018	19880	22748	--
Dec'08 Wk 4	22249	21850	20977	19621	23682	26678
Jan'09 Wk 1	22622	22215	21934	20501	22972	24315
Jan'09 Wk 2	21038	21400	21088	19005	23029	22879
Jan'09 Wk 3	--	--	--	--	--	--
Jan'09 Wk 4	20215	20100	20472	18406	22649	18500

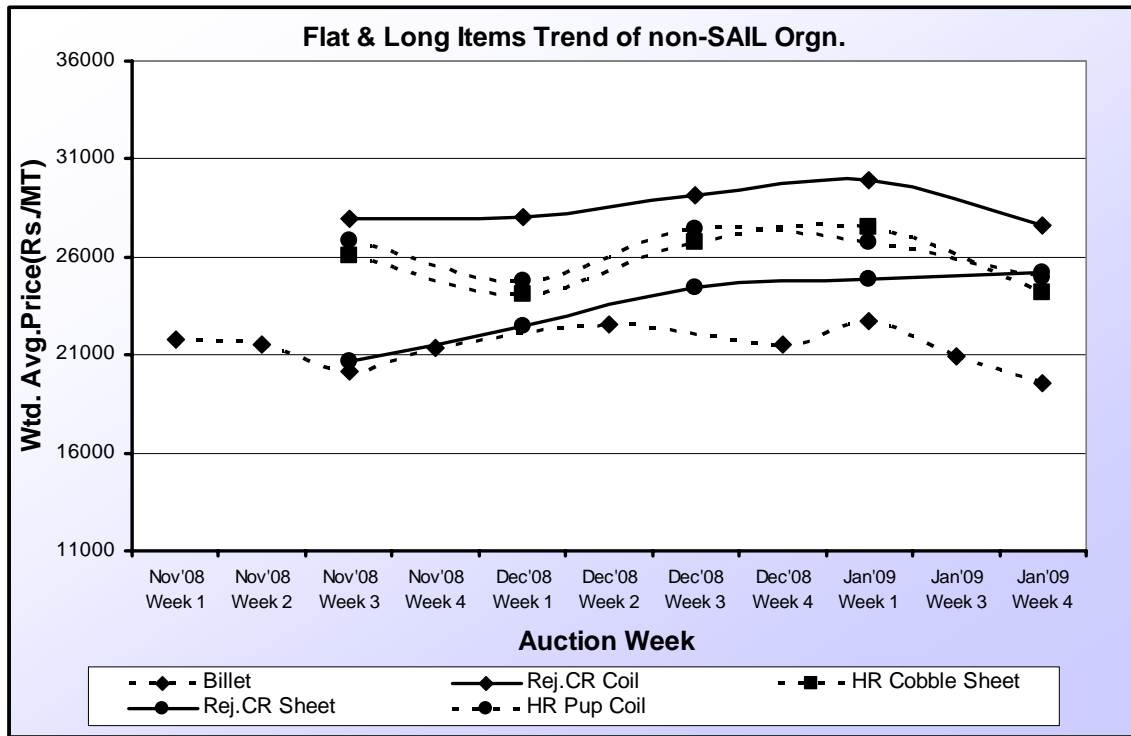
Summary of price and % change (m-m & y-y basis):

Products	Dec'08 Price(Avg.)	Jan'09 Price(Avg.)	% change(Jan'09 over Dec'08)	% change(Jan'09 over Jan'08)
Def Billet	22144	21292	-3.85	-5.00
MM End Cutting	20769	21165	1.91	0.00
Plate Cutting	23390	22883	-2.17	1.00

Rejected Bloom	19471	19304	-0.86	-4.00
TMT Bar Cutting	22335	21238	-4.91	-2.00

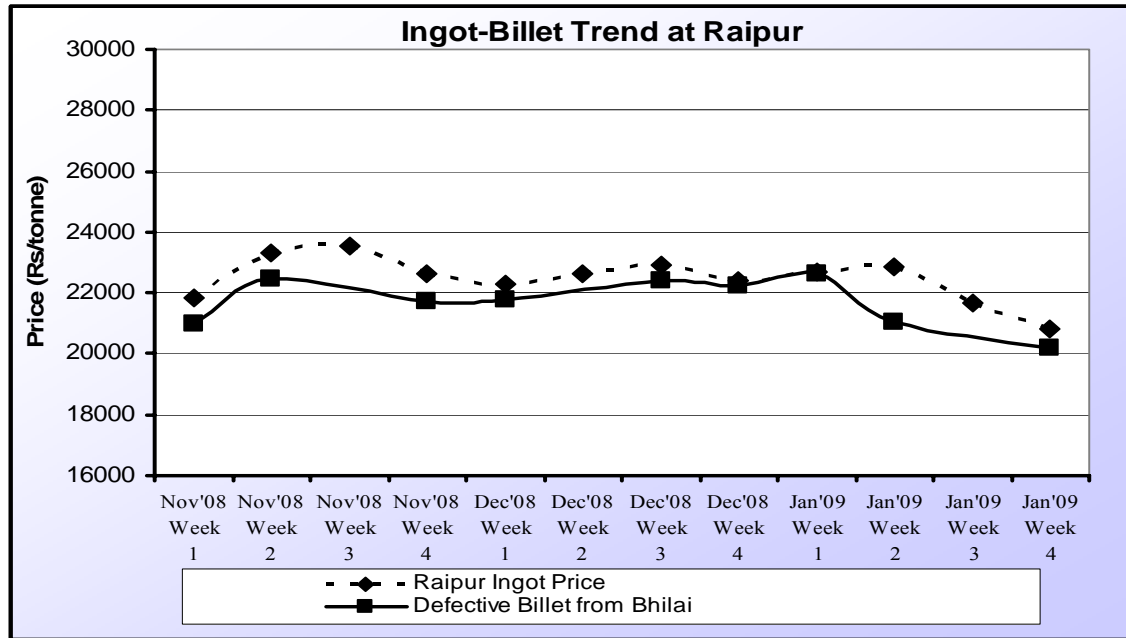
Outlook: After a period of volatility and too much ups and downs in the market, some respite was noticed in beginning of the month. Prices saw some stability in the market accompanied by imposition of import duty on some steel items and buyers buying only specific amount of material to meet their requirement. However, the third week of the month once again witnessed a declining trend with buying remaining sluggish in the market. The impact was felt in the e-auction where prices dropped by Rs 1000 to Rs.3000/tonne over a fortnight. Ingot prices further inched down by 4 to 6 percent in the last two weeks and the overall impact was felt in the finished long products sector where prices dropped by Rs.3000/tonne over a month. With the global market once again receiving a setback, no sign of recovery is anticipated in the coming month.

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



Price in Rs./t is basic

The graph below gives Prime Ingot & Billet-auctioned trend at Raipur



Price in Rs./tonne is basic

International Scenario

China: Flat Prices have remained stable after witnessing a slight rise in the beginning of the month. Transactions have recently slowed with Chinese New Year approaching. Market prices are unlikely to have any significant ups or downs during the holiday period as traders and end users return home. Chinese billet prices have continued to drop over the past few days without any recovery of demand in sight. However, it is also believed that there is little room for prices to further drop.

Increases in Chinese wire rod prices since the start of 2009 have proved short-lived, as prices have begun dropping again. Shanghai offers for 6.5mm drawing quality wire rod have been clipped to RMB 3,700-3,750/tonne (\$541-549/t) in the third week, down by RMB 20-30/t.

CIS: Prices firmed up slowly and gently. Prices of hot rolled and cold rolled coils for export saw some recovery with HRC selling at \$380-400/tonne fob Black Sea in the second week of the month. From the levels of around \$350-375/tonnes fob Black Sea in December, when deals were "sporadic" and the mood "uncertain", there are signs that sales of billet will improve, both in price and volume. However, sources warn, current conditions may be not enough to sustain this gentle increase, and should prices of scrap slump again; the price of billet may follow. The plate export market remained quiet towards the end of the month with wait and see attitude.

US: The flat and long market remained on a downward trend. US steel rebar market remained depressed as production has steadily declined since October 2008. The Platts reference price for 20 foot standard grade rebar was steady at

USD 520 per short ton ex works US Southeast, but producers hope to maintain their current transaction levels in February 2009.

UK: Demand continues to remain weak with prices remaining a bit confused. There is a gradual trend upwards, according to some participants, who suggest Turkish-led scrap price increases are filtering through into mill prices for steel reinforcement. However, currency fluctuations are preventing mills from raising prices too much. Despite local mills trying to appear bullish, the consensus among most players is that there is no basis for producer optimism. There is still no actual demand existing in the market.

Europe: Plate market remained unusually quiet with market showing some activity since the second week after the holidays. Medium sections and merchant bar prices in northern Europe too remained under pressure prevailed at around €620-€650/tonne (£557-584/t) on the continent as a result of high stocks, with sales down around 20-25%. Merchant bar is also faring badly on the continent with sagging demand weighing on prices. Activity in Europe seemed to rebound slightly at the beginning of January as customers postponed December orders until January. However, the market is now quiet again and will remain so in February. Rebar prices tumbled further in the end of the month and prevailed at €390-420/t delivered.

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

FLAT

	Nov 08	Dec 08	Jan-09	Feb-09*
N.Europe domestic				
HRC - Ex-Works €/t	590-710	475-610	455-535	455-515
CRC - Ex-Works €/t	730-790	620-750	520-590	510-575
HDG - Ex-Works €/t	790-845	695-790	555-635	540-615
S.Europe domestic				
HRC - Ex-Works €/t	400-450	400-420	380-410	380-410
CRC - Ex-Works €/t	480-550	450-500	420-500	420-500
HDG - Ex-Works €/t	500-550	470-500	480-520	480-520
N.America domestic				
HRC - FOB US Midwest mill \$/s.ton	620-680	530-550	500-540	na
CRC - FOB US Midwest mill \$/s.ton	720-780	600-650	560-600	na
HDG - FOB US Midwest mill \$/s.ton	780-840	680-740	660-700	na
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	3370-3400	3700-3750	3820-3850	3850-3900
CRC - Shanghai (incl. 17% vat) RMB/t	3900-4100	4380-4400	4400-4500	4470-4550
HDG - Shanghai (incl. 17% vat) RMB/t	4150-4170	4580-4600	4600-4620	4600-4650

China export				
HRC - FOB Shanghai \$/t	460-470	500-510	570-580	570-580
CRC - FOB Shanghai \$/t	550-560	610-620	640-650	640-660
HDG - FOB Shanghai \$/t	640-650	620-630	630-640	640-660
East Asia Import				
HRC - CFR \$/t	450-520	410-500	450-480	470-490
CRC - CFR \$/t	580-680	560-610	550-580	550-580
HDG - CFR \$/t	700-900	700-730	700-730	720-750

LONG

Europe domestic	Nov 08	Dec 08	Jan-09	Feb-09*
Medium sections - delivered €/t	640-800	600-660	600-660	na
Rebar - delivered €/t	415-460	400-480	400-480	400-490
Wire Rod (mesh quality) - delivered €/t	430-460	400-460	400-460	400-465
Black Sea export				
Rebar - FOB \$/t	400-550	420-500	430-500	430-480
Wire Rod (mesh quality) - FOB \$/t	450-550	430-520	430-500	430-480
N.America domestic				
Rebar - FOB US Midwest mill \$/s.ton	610 - 625	610-625	610-625	na
Wire Rod (mesh quality) - FOB US Midwest mill \$/s.ton	1130 - 1170	980-1120	880-900	na
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	3450 - 3550	3450-3500	3600-3620	na
China export				
Wire Rod (drawing quality) - FOB Shanghai \$/t	480 - 500	550-650	550-650	na
East Asia Import				
Rebar CFR \$/t	380-440	410-430	450-470	470-480
Wire Rod(mesh quality)-CFR \$/t	400-450	430-450	450-460	450-460

Note: 1 RMB=0.14US\$, *: SBB Forecast

Outlook:

According to MEPS study, the steel market is forecast to remain weak during the first half of 2009 in all parts of the world. Demand for motor vehicles, home appliances and residential properties are likely to remain poor. However, a degree of inventory building should occur but to levels well below those in the first half of 2008.

The difficult time will be the first quarter as many plants remain closed or on restricted working patterns. This should be followed by a period of slow growth as mill order books show modest improvement from some restocking by end users and distributors as credit eases somewhat.

Total EU-27 steel output in 2008 is now predicted to be 200 million tonnes - 3 percent below the previous year's figure. Several integrated mills shuttered their plants in the final trimester in an effort to rebalance supply and demand in the region. A further reduction in output is forecast for 2009. Demand from the construction and auto segments has collapsed and is not likely to pick up in the near term. The EU-15 nations are expected to report a 6.25 million tonne decrease in steel output in 2008. Output curbs are predicted for the first quarter of 2009. An economic recession is looming in many of these member states. As a result, a further 13 million tonne reduction is anticipated in 2009. Steel making in the United States in 2008 will turn out to be almost 7 percent below the prior year's result. Demand from many of the traditional industrial and building sectors is expected to be lower in 2009. The import threat could intensify. This leads to forecast a further reduction in output compared to 2008.

The bad world economic situation influences Indian market greatly, and the real estate industry is still in slow progress. Therefore, the supply surpasses demand. A producer with an output of 4 million tons per year of billet and rebar in India reported that TMT bar price continues to go down. Limited buyers are watching the market and waiting for a lower price. The market has no signs of warming up, and most suppliers lose their confidence in the future market.

Data Sources:

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



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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Steel scrap: The first week of the year 2009 exhibited a stable price trend across the steel market of the country though the demand in the market still remains a matter of concern as buyers are buying only specific amounts to meet their requirements. However, in order to stimulate domestic demand, the government's imposition of import duty on various steel products might prevent the market price from further going down, and a stable price trend might be expected in the coming days.

According to market sources, the domestic steel scrap market runs stable yet slow in India, as the demand for the material is weak. Price for scrap HMS1 imported from European countries is about USD280/tonne CIF India, a stable trend noticed till the third week. A trader confirmed this by stating that the price of steel scrap HMS1 is USD280/tonne CIF India, unchanged since the beginning of the month, but the demand is very slow and few deals are being concluded. Prices saw a drop since the third week of the month by 3 to 4 percent accompanied by drop in other raw material and finished steel items price. The month ended on a sluggish note with further drop in prices seen in the range of 1 to 3 percent in the last week.

Iron ore: After a downturn noticed till the third week of November, Iron Ore prices have ruled stable since then across various grades. The export market has remained stable, conditions improved slightly with few buyers returning to the market in the New Year, but the overall demand still continues to run weak. In terms of the future market, it is anticipated that the iron ore fines price will remain stable and it will be very hard for export price to increase as importers cannot accept higher price. In the last few days the market has behaved reasonably well as compared to the earlier month with prices remaining stable, however the overall export market still remains slow.

Moreover, Iron ore stocks at China's main seaports have continued to decrease from last December. With the upward trend in domestic steel prices, China's iron ore market is now recovering. Chinese port officials confirm that the uptake of iron ore from ports is clearly increasing.

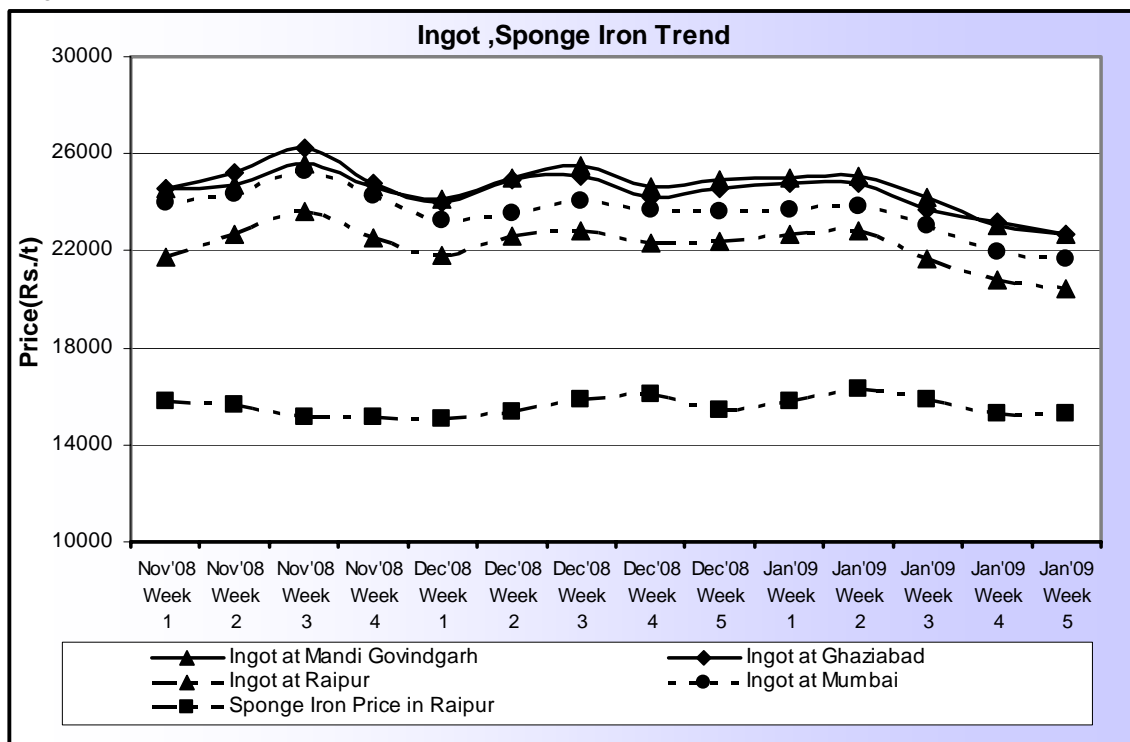
Price Movement

	Review	Outlook
Scrap	Jan 2009 over Dec 2008	Feb 2009 over Jan 2009
Pig Iron	↔	↓
Sponge Iron	↔	↓
Melting Scrap	↔	↓

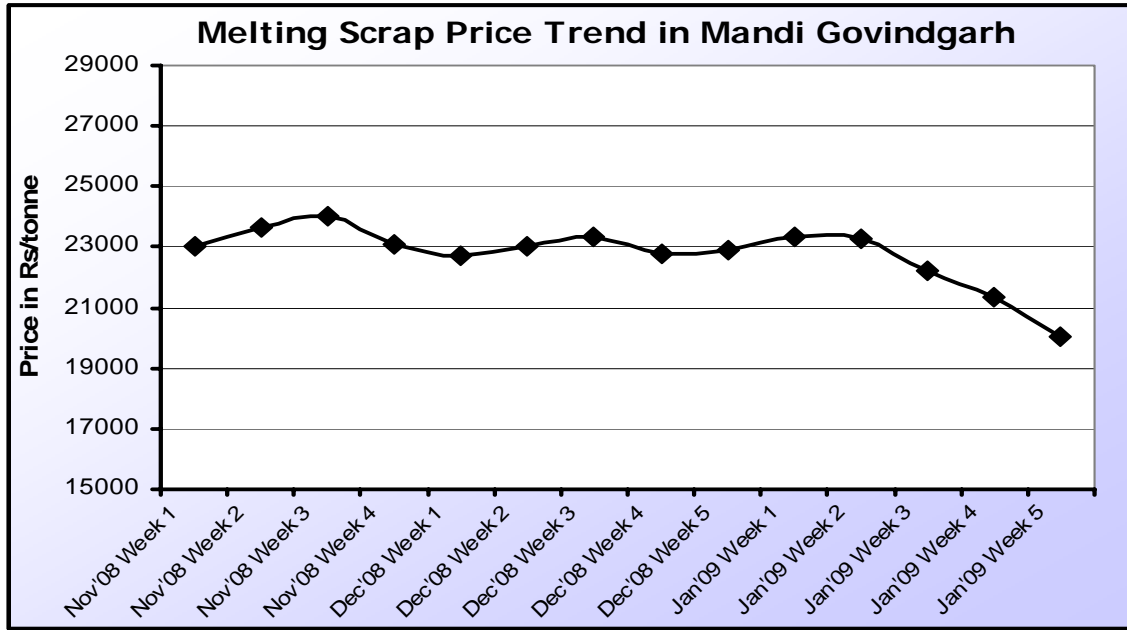
Price Trend of Ingot, Sponge Iron, Melting Scrap

	Ingot at Mandi	Ingot at Ghaziabad	Ingot at Raipur	Ingot at Mumbai	Sponge Iron at Raipur	Melting Scrap at Mandi
Dec'08 Week 1	24104	23998	21832	23232	15098	22733
Dec'08 Week 2	25021	24924	22643	23572	15341	23025
Dec'08 Week 3	25474	25091	22822	24064	15842	23350
Dec'08 Week 4	24629	24215	22289	23706	16081	22800
Dec'08 Week 5	24962	24552	22393	23643	15423	22897
Jan'09 Week 1	25010	24754	22702	23720	15813	23367
Jan'09 Week 2	25079	24797	22842	23836	16280	23250
Jan'09 Week 3	24167	23696	21642	23014	15844	22190
Jan'09 Week 4	23070	23161	20809	21936	15283	21329
Jan'09 Week 5	22671	22691	20429	21700	15263	20068

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



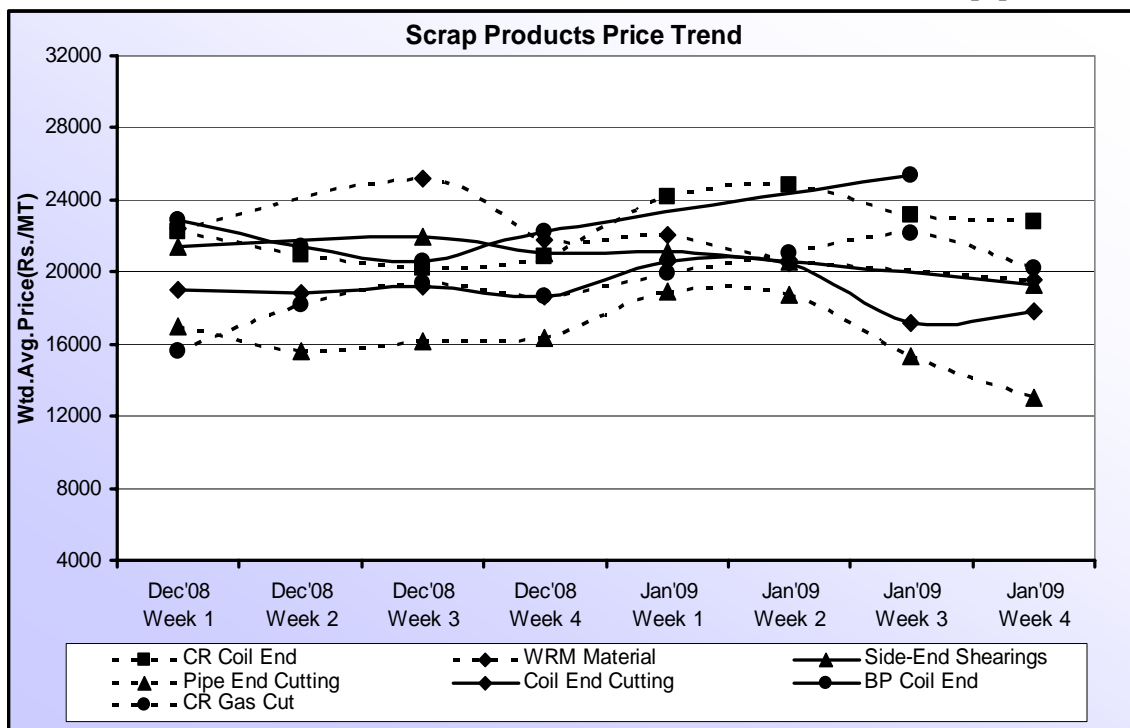
Price in Rs./t is basic,



Price in Rs./t is incl.excise duty

Price Trend as observed in the Auctions held at www.metaljunction.in:

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Dec 2008 and Jan 2009 for different scrap products.



Price in Rs./t is basic

Attached below is the data table:

Week	CR Coil End	WRM Material	Side-End Shearing	Pipe End Cutting	Coil End Cutting	CR Gas Cut	BP Coil End
Dec'08 Week 1	23000	22000	17000	21000	19000	16000	23000
Dec'08 Week 2	22000	23000	16000	21000	19000	18000	22000
Dec'08 Week 3	24500	21000	16000	22000	20000	19000	23000
Dec'08 Week 4	22000	23000	16000	21000	20000	19000	22000
Jan'09 Week 1	24000	21000	18000	22000	21000	20000	23000
Jan'09 Week 2	24500	21000	18000	22000	21000	20000	23000
Jan'09 Week 3	23000	21000	15000	22000	20000	17000	24000
Jan'09 Week 4	23000	21000	13000	22000	20000	18000	23000

Dec'08 Wk 1	22269	22395	21390	17018	19059	15638	22900
Dec'08 Wk 2	20935	--	--	15607	18854	18225	21415
Dec'08 Wk 3	20218	25211	22003	16146	19237	19363	20621
Dec'08 Wk 4	20840	21764	20996	16382	18615	18670	22248
Jan'09 Wk 1	24180	22042	21174	18906	20580	19970	--
Jan'09 Wk 2	24839	20699	20575	18702	20488	21046	--
Jan'09 Wk 3	23164	--	--	15365	17195	22104	25400
Jan'09 Wk 4	22752	19535	19258	12996	17852	20200	--

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

Products	Dec'08 Price(Avg.)	Jan'09 Price(Avg.)	% change(Jan'09 over Dec'08)	% change(Jan'09 over Jan'08)
Coil End Cutting	18941	19029	0.46	-12.00
CR Coil End	21066	23734	12.67	-4.00
Pipe Cutting	16288	16492	1.25	-18.00
Side-End Shearing	21463	20336	-5.25	-5.00
WRM Material	23124	20758	-10.23	-6.00
CR Gas Cut	17974	20830	15.89	-6.00

Outlook: The beginning of the month saw some improvement in price both in the domestic market and in the auction platform. Ingot prices across various places too witnessed a rise in the range of 0.5 to 2 percent over a fortnight. However, the latter half of the month again saw a slide with buying continuing to remain poor. Ingot prices saw a sharp drop in the range of 5 to 7 percent over a fortnight and a similar drop was also noticed in the e-auction. With steel prices again seeing a slide and the international market making a further drop in scrap prices after a recovery, the coming days are expected to reflect a softened trend.

International Scenario

The steel scrap items in the international market witnessed some improvement in their prices in the beginning of the month. The shredded steel scrap United States FOB East Coast prevailed at around USD 260/MT while the shredded steel scrap FOB Rotterdam prevailed at around USD 265/MT in the first week. However, buying interest still continues to run weak and prices once again witnessed a slide towards the end of the month.

US scrap prices look set to increase this month: No. 1 busheling scrap prices did not move over the long Christmas/New Year holiday and are still around \$275 a long tonne, delivered, and no sizeable deals were underway as businesses resumed operations yesterday. But with US manufacturing output at a 28-year low and automakers severely cutting production, less industrial scrap has been generated, which will exert pressure on prime grades. Market sources speculate these prices will rise as much as \$100/l.t this month.

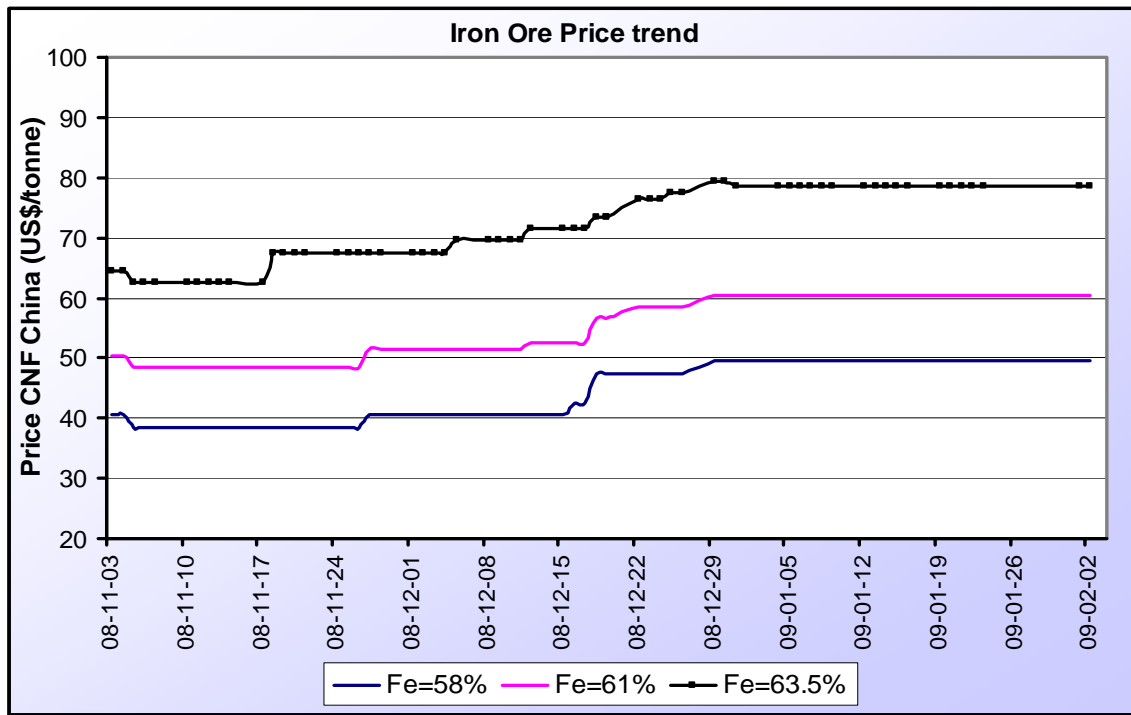
UK scrap prices edge up, but still subdued on slack demand: Weak domestic demand continues to weigh on UK ferrous scrap prices. Corus is out of the

market for a third successive month and it is anticipated that the Anglo-Dutch mill will not restart buying this quarter. The continental European scrap market is also quiet. While domestic UK demand is well down, scrap supply is also falling. As industrial production as a whole weakens, less new scrap will be produced, and obsolete material also looks scarce. So if demand does increase, sources say, there could be real volatility over coming months.

Turkish domestic scrap prices decrease: Turkish domestic scrap prices are being depressed by import offer prices that decreased by \$5/tonne in the beginning of fourth week. Local scrap prices are quoted at TL 360-420/tonne (\$222-259/t) currently, and these prices are TL 20-60/t lower than last week.

Italian scrap prices drops: Italian scrap prices have fallen further in the last few days according to the market sources. At the moment in Italy, E3 scrap (heavy melting) is around €190/MT (USD 249/MT) delivered, down by €10/MT (USD 13/MT) compared to last week, as are E40 (shredded), now at €210/MT (USD 275/MT), and E8 (new production) at around €230/MT (USD 301/MT).

The graphs below give the Iron Ore Fines trend of Indian origin CNF China port over a year:



Price is CNF China in US\$/t

The tables below give the Scrap price trend across various regions:

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

Month	Average Price(\$ per long ton)	Price movement
Oct-08	215.00	

Nov-08	101.00	↓
Dec-08	141.17	↑
Jan-09	202.00	↑

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

Month	Average Price(\$ per long ton)	Price movement
Oct-08	215.00	
Nov-08	194.00	↓
Dec-08	220.00	↑
Jan-09	260.00	↑

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

Month	Average Price(\$ per long ton)	Price movement
Oct-08	220.00	
Nov-08	202.00	↓
Dec-08	225.00	↑
Jan-09	269.00	↑

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

Month	Average Price(\$ per tonne)	Price movement
Oct-08	245.00	
Nov-08	188.00	↓
Dec-08	210.00	↑
Jan-09	261.00	↑

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

Month	Average Price(\$ per tonne)	Price movement
Oct-08	188.00	
Nov-08	165.00	↓
Dec-08	190.00	↑
	231.00	↑

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Oct-08	243.00	
Nov-08	196.00	↓
Dec-08	220.00	↑
Jan-09	270.00	↑

Outlook

According to market sources, Indian Export Iron ore market is expected to improve as some buyers return to the market, importers begin to purchase the material in small quantities seeing that the steel market becomes stable and the

Indian government canceled the export duty to stimulate the export, so traders are expecting the iron ore fines market to increase.

In terms of the future market, it is predicted that the iron ore fines prices will remain stable.

With steel market still under crisis, metallic prices are expected to remain in doldrums.

Data Sources:

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



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Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario

The year 2008 ended on a sluggish note both for stainless steel and nickel all across the world. However, the year 2009 started on a positive note for Nickel at LME and a sharp rise of around 23 percent was noticed over a week with Nickel at LME prevailing at USD 11450/MT on Jan 08, 2009 while in the Mumbai market Nickel rose by more than 25% over a week and prevailed at Rs. 608.35/Kg (basic).

This rise in price might be attributed to the reopening of market after the holidays; however, this increase in price cannot yet be inferred as a sustainable positive movement as the overall market sentiment still remains pessimistic. Prices once again retreated both in the domestic and international market with a drop of around 14 percent noticed in the third week.

Prices have ended on a softened note indicating a sluggish demand still existing in the market and market continuing to remain grim.

Indian December stainless steel imports dips by 70% YOY: India's stainless steel imports dipped by 70% YoY to 6,000 tonnes in December 2008, weakening the industry's demand for raising import duty on the alloy. After surging by over 60% to 20,000 tonnes in November 2008, the imports declined by 14,000 tonnes in December 2008, as demand weakened after buyers delayed their purchases in anticipation of the prices to cool down further.

Prevailing Prime Stainless Steel Price:

Kolkata

Grade 304: Rs.1,27,000/tonne (basic)

Grade 316: Rs.1,95,000/tonne (basic)

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

Gujarat

Grade301-thickness-2.5-8-HRAP-for2B/2D/slitarising:Rs.1,02,000-1,10,000/tonne (basic)

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

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

Grade SSLN1-thickness- 2.5-8- HRAP-for 2B/2D/slit arising: Rs.84,000/tonne (basic).

Delhi

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

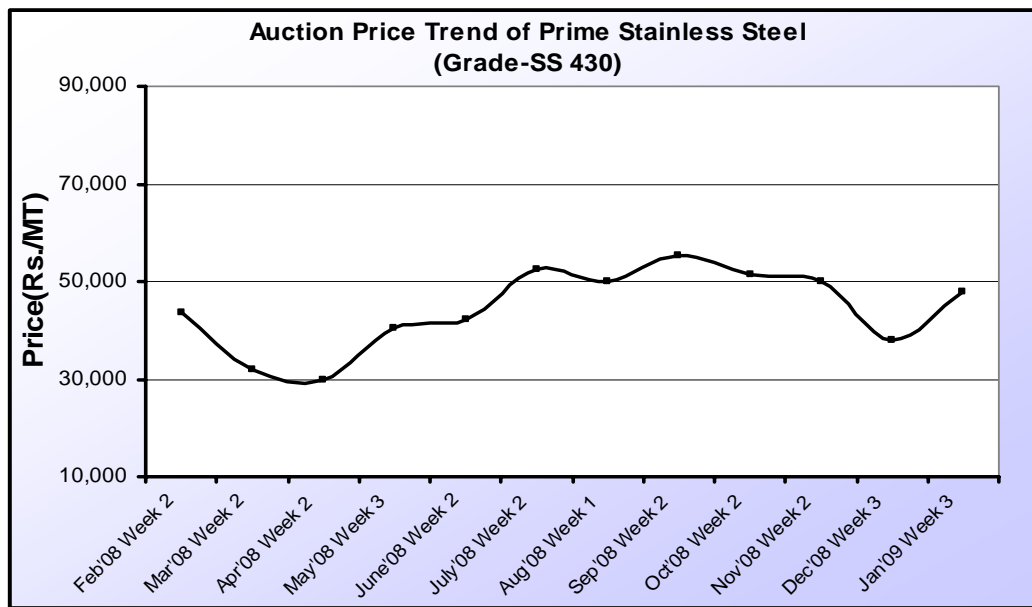
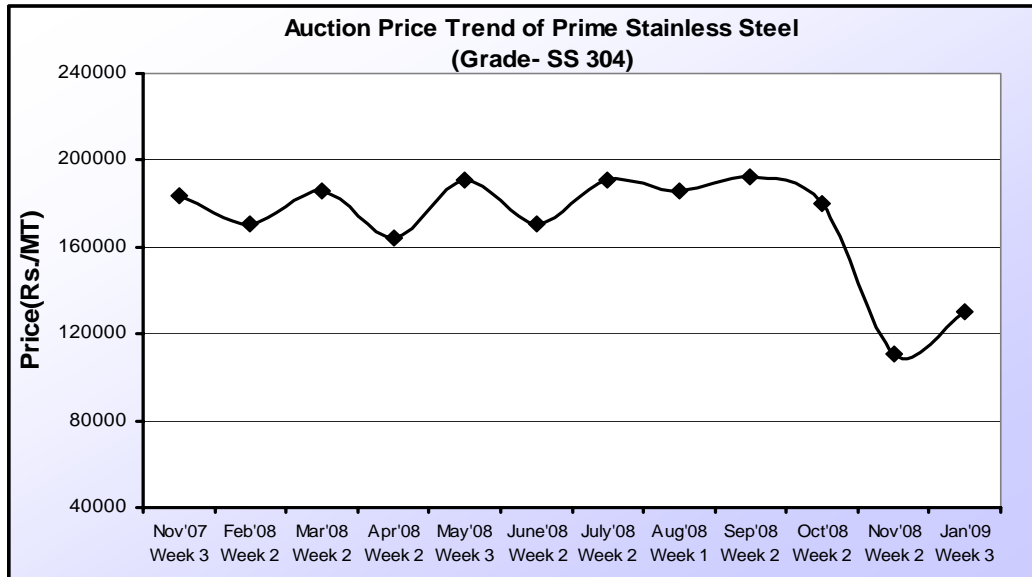
Grade 301 (1mm - 3mm): Rs.95,000-Rs.1,00,000/tonne (basic)

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

Price Movement

	Review	Outlook
Steel Product	Jan'09 over Dec'08	Feb'09 over Jan'09
Stainless Steel	↔	↔

The graph below gives the auction trend of Stainless Steel:



Price (Rs./tonne) is basic

As seen from the above graphs, prices have seen a rise in the month of January which might be attributed to the momentary rise in Nickel price by around 25 percent; however prices again saw a retreat.

Outlook: Rise in Nickel prices saw some recovery in stainless steel price beginning of the month; however the overall market still continues to remain in a deteriorating condition. There has been no actual demand coming up and with the major raw materials seeing a volatile price movement, the various grades of stainless steel has been affected. With consumption remaining poor and market sentiment still remaining skeptical, the stainless steel prices are expected to witness a downward trend in the coming month with end-user demand still expected to remain sluggish.

International Scenario

Many Asian stainless steel producers and traders are shunning business as they adopt a wait-and-see attitude in the wake of recent nickel price fluctuations. Traders put prices of 304 2mm 2B CR sheet for one-to-two-month delivery at \$2,000-2,150/tonne cfr China, unchanged from December. Traders are not confident that steel mills will succeed in winning price increases even if nickel prices stabilize. The market is still conservative on the whole, and customers have no requirements at the moment. Demand is not good and buying is likely to remain slow. Prices remained stable in the end of the month.

It is reported that there will be no wide adjustment in Chinese stainless steel market before the spring festival. Chinese domestic stainless prices have continued to ease over the past month due to weak demand. Grade 304 prices fell by RMB 500-600/tonne (\$73-88/t) while Grade 202 and 430 prices both slipped by RMB 100/t (\$15/t).

Japan's NSSC shuttering some steel plants for 6 months. Nikkei reported that Nippon Steel & Sumikin Stainless Steel Corp announced that it would suspend thin sheet production lines for at least 6 months, as demand from homebuilders and electronics makers drops.

The tables below give an overview of stainless steel prices worldwide

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

Type	Nov'08	Dec'08	Jan'09	Feb'09*
HR 304	17000-17500	15600-16100	15000-15500	14800-15300
CR 304 2B	17700-18200	17000-17500	16500-17000	16300-16800
CR 202 2B	14500-14700	15100-15300	15000-15200	15000-15200
CR 430 2B	10000-10200	9600-9800	9500-9700	9500-9700

Europe:

CR 304 2B 2mm,Euro/t Ex-Works	Nov'08	Dec'08	Jan'09	Feb'09*
N.Europe	950-1000	900-970	850-950	850-920
S.Europe	900-950	900-920	900-920	870-900

Europe:

CR 430 BA 2mm,Euro/t Ex-Works	Nov'08	Dec'08	Jan'09	Feb'09*
N.Europe	950-980	950-1000	920-1000	900-970
S.Europe	970-1000	940-980	920-950	900-930

(*): SBB forecast

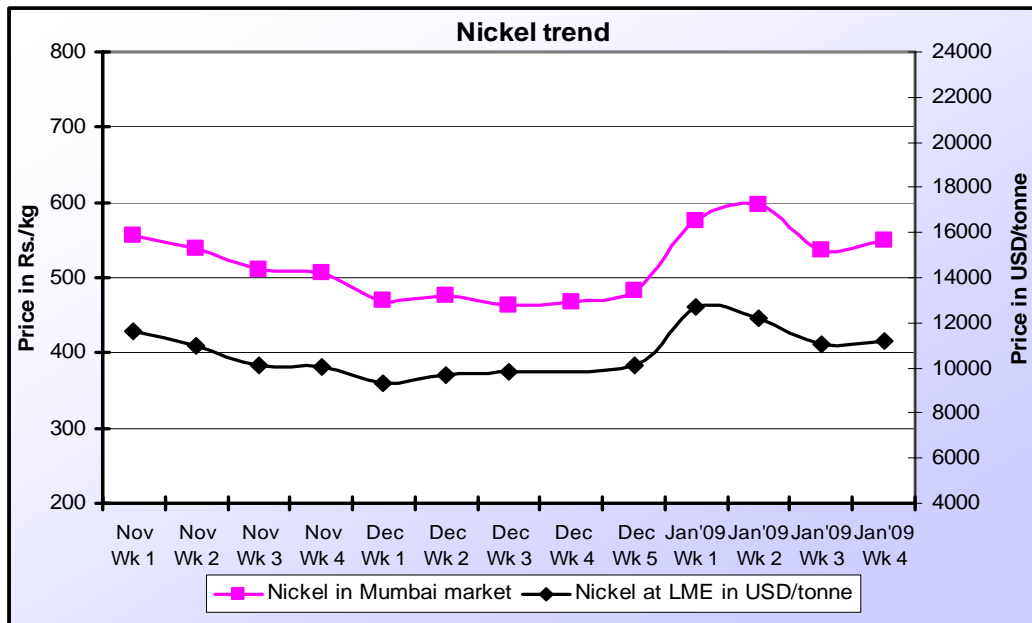
Note: 1US\$= Rs.48.98, 1Euro= Rs.63.76, 1 RMB=0.14US\$

Raw materials scenario:

➤ **Nickel Trend:** Nickel market remained quite volatile in the entire month; however prices have improved since last December indicating a positive change of around 17 percent over a month.

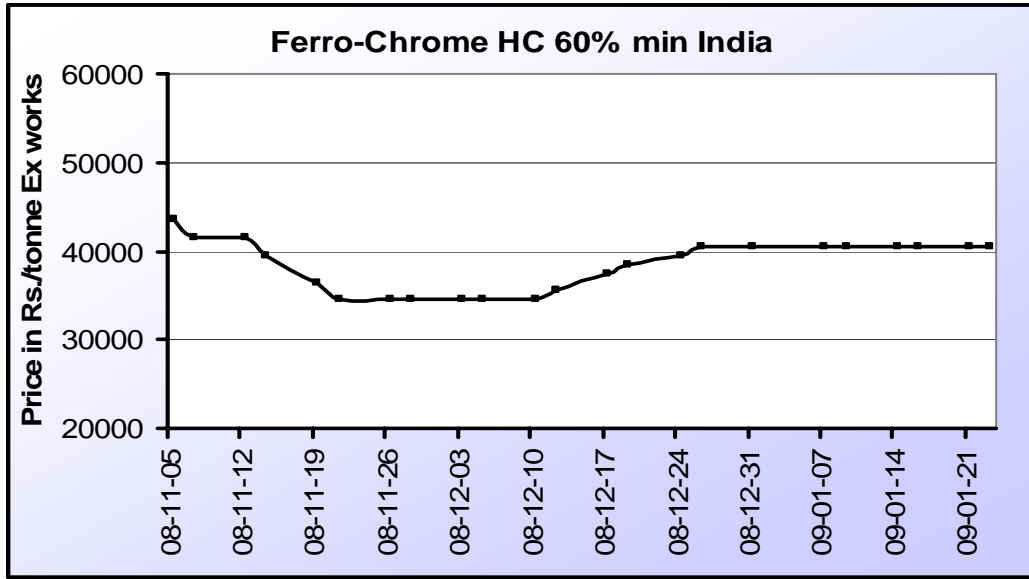
Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Oct-08	12,357	-30.89	-60.18
Nov-08	10,694	-12.14	-65.04
Dec-08	9687	-9.42	-62.69
Jan-09	11,298	16.64	-59.17

Nickel Trend in the Domestic market and at London Metal Exchange



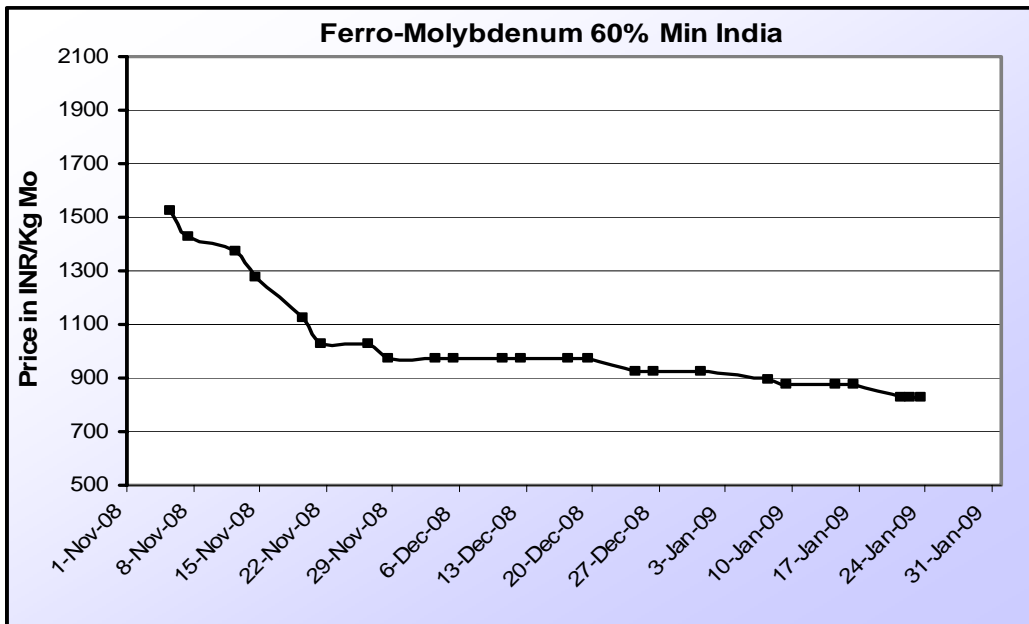
➤ **Ferro chrome** market rules stable in the Indian market over a month.

Ferro Chrome HC 60% min EXW India INR/mt



➤ **Indian ferromolybdenum market** remains stable: With few buyers in the market, Indian ferromolybdenum market remains slow and stable at present, and the prices of ferromolybdenum 60% remain in the range of INR850-900/kg (USD30.10-31.90/kg). Demand continues to remain low and is expected to remain dull.

Ferro-molybdenum 60%min India INR/kg Mo



Outlook

SBB forecasts a downward price trend in the coming month.

Since the second week of January, Nickel has again retreated as demand from end-users still remains weak overall. The slight improvement is only a temporary phenomenon which complies with replenishing the stocks as and when required, but the overall market sentiment still remains pessimistic. Taking these factors into consideration, a steady market can only be expected in the near future with the financial turmoil still continuing and demand remaining very thin worldwide.

Stainless Steel market to hold steady in the near-future with price decline gap reducing after a series of production cut measures adopted by the mills, however buying is still expected to remain slow. Traders expect that there will be no significant drop in prices.

MEPS forecasts EU stainless steel prices to fall further. Decline in ferro-chrome prices is expected to affect various grades of stainless steel.

Data Sources:

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



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