

News at a glance

Year 2006 saw its ups and downs in steel and metals market with the year ending on a positive note. Mergers, acquisitions and expansions were the keynotes that took the Indian steel market on a driver's seat and ended with a sign of smart beginning in the year 2007.

2006 over 2005 had a good amount of growth in various steel sectors: Steel demand remained robust and prices have been ruling higher than the year ago level. Steel companies have posted healthy growth in sales and profits which led to a healthy financial performance. Contribution too came from pig iron companies, aluminium companies.

With huge expansions in domestic steel market, strong focus came into both iron-ore and coal sectors. The requirement for coal is expected to rise along with iron ore and foreseeing this, the domestic companies are looking to acquire coal mines abroad.

Year 2006 saw a record in world crude steel output: The eleven month output reached 1,112m tonnes, 8.9% more than in January–November 2005. China saw an 18.4% y-y growth, EU had 6% y-y growth and North America had almost 6% y-y growth.

Year 2006 witnessed a 19 year high for Nickel & Tin: Supply shortage resulted in surge in price with Nickel touching a high of 35,450\$/t on LME and Tin touching a high of 11,895\$/t on LME.

Some more events towards the end of the year:

Steel price Monitoring Committee formed: There will be no regulation of prices. The committee would monitor and analyze prices. The terms of reference of the committee include formulation of strategy regarding future price based on an adaptive model, monitoring price movements of various categories of steel producers, discussing and analyzing variations and recommending strategies vi-a-vis steel production, consumption and trading.

Essar Steel hikes capacity to 4.6 mt: Essar Steel has increased capacity at Hazira to 4.6 million tonnes, from 2.4 million tonnes at a cost of Rs 1,975 crore. The Essar expansion will lead to increased manufacture of high-value products. With Tata Steel already expanding capacity at Jamshedpur, the stage looks set for local steelmakers to counter ambitious plans by Mittal Steel and Posco.

Chinese buying boosts Goan iron ore exports: Increased buying by China has led to an upsurge in exports of iron ore from Goa this year. In April–October 2006, Goan iron ore exports totaled 11.9m tonnes, up by 38.5% in the same period last year. In the first week of December, 63.5% Fe was quoted at \$52–54/t fob and 58% Fe was quoted at \$36–37/t fob.

Hindustan Zinc Ltd. raised its zinc prices in the beginning of the month to Rs. 230,500 per tonne up by 0.74% on last week end. However, effective 9th Dec'06,

there was a reduction of Rs.1500/t.The end of the month saw a final revision to Rs.2,24,700/t.

Iron ore Price hike of 9.5% settlement takes place for the year 2007, an indicator of positive steel outlook: The agreement by China's biggest steelmaker, Baosteel, to a price rise of 9.5% with Australian mining giants Rio Tinto Ltd and BHP Biliton Ltd, and the world's biggest producer of iron ore, Brazil's CVRD, has sent positive signals through the steel industry.

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

Index	Oct'06	% Change(Y-Y)	Nov'06	% Change(Y-Y)	Dec'06	% Change(Y-Y)
Global	156.32	12.50	154.68	14.40	150.18	13.80
North America	156.53	8.30	153.67	6.90	145.4	1.10
Europe Steel	175.6	24.70	172.3	22.90	166.68	18.50
Asia Steel	145.53	8.00	145.53	14.10	143.87	19.80
Longs	154.54	8.50	152.53	11.70	150.82	14.40
Flats	157.2	14.50	155.75	15.70	149.87	13.50
Metallics	192.17	13.00	191.37	8.90	195.52	14.80
Stainless	200.24	65.20	208.34	74.00	196.98	70.20

Global Steel prices kept falling for the fifth successive month. Seasonal weakness has led to lower demand in North America and Europe. This kept the **global CRUspi** index on a lower note.

Prices have fallen further in most markets due to continuing seasonal weakness in construction activity, as well as scrap price decline. This has kept the **CRUspi Longs** index on a falling note.

The weakness in world steel sheet prices has intensified during the past month, resulting in the **CRUspi for sheet products** falling by almost six points from month-ago levels, to 149.9.

US Bundle prices saw modest gains, Asian scrap prices strengthened. This kept the **CRUspi metallics** index on a higher note.

Stainless steel market remained buoyant in Europe and softened in Asia and American market. Such a mixed trend kept the **CRUspi stainless** index on a lower note.

(DIPANKAR CHAKRABARTI)
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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

The beginning of December saw a cut in domestic HRC prices by 2% to align with import prices. The price cut has taken HRC list prices to around \$530/t ex-works. Ukrainian HRC for pipe making and industrial use (end January and early February shipment) was booked at \$485/t cfr Mumbai. Other deals include bookings of Russian rerolling HRC (comprising 1.8mm and 2.00mm thickness) sold at \$528-530/t cfr and Iranian rerolling 2mm up HRC at around \$524/t cfr.

The **end of the month** witnessed a stable domestic HRC market with demand remaining stable. Offers and supply have remained stable for both the import and domestic markets.

Steel Acquisition: While major companies are planning organic growth, Tata Steel has gone a step ahead and taken the inorganic route to growth. After buying Natsteel and Millennium Steel, the company is planning to acquire world's eight largest steel producer, Corus. CSN, the Brazil based steel maker has made a counter-offer at a premium of about five per cent to Tata Steel's acquisition price.

Steel investments coming up with demand remaining upbeat: Indian steel companies are planning to expand capacities at a fast pace. Healthy demand from construction, booming auto demand and buoyancy in mechanical industry renders a strong growth outlook to the future domestic demand. Most of the major steel companies laid out plans to built huge steel capacities in India.

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
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
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

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)
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
Dec Week 1	22,900	24,700	24,900	24,700	25,200	25,700
Dec Week 2	22,800	24,700	24,500	24,700	25,200	25,700
Dec Week 3	23,200	25,100	24,900	25,000	25,300	25,800
Dec Week 4	23,300	25,100	24,900	25,000	25,300	25,800

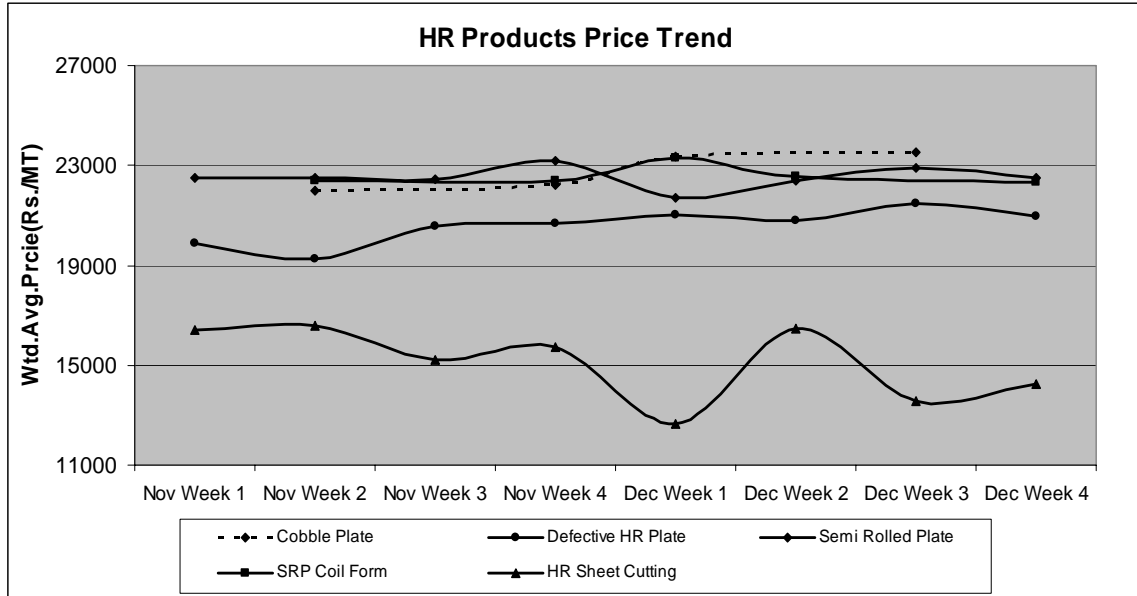
Note: Flat & Long Price (Rs. /MT, incl.excise duty, retail price)

Price Movement

	Review	Outlook
Items	Dec'06 over Nov'06	Jan'07 over Dec'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 November & December 2006 for different HR and CR products.



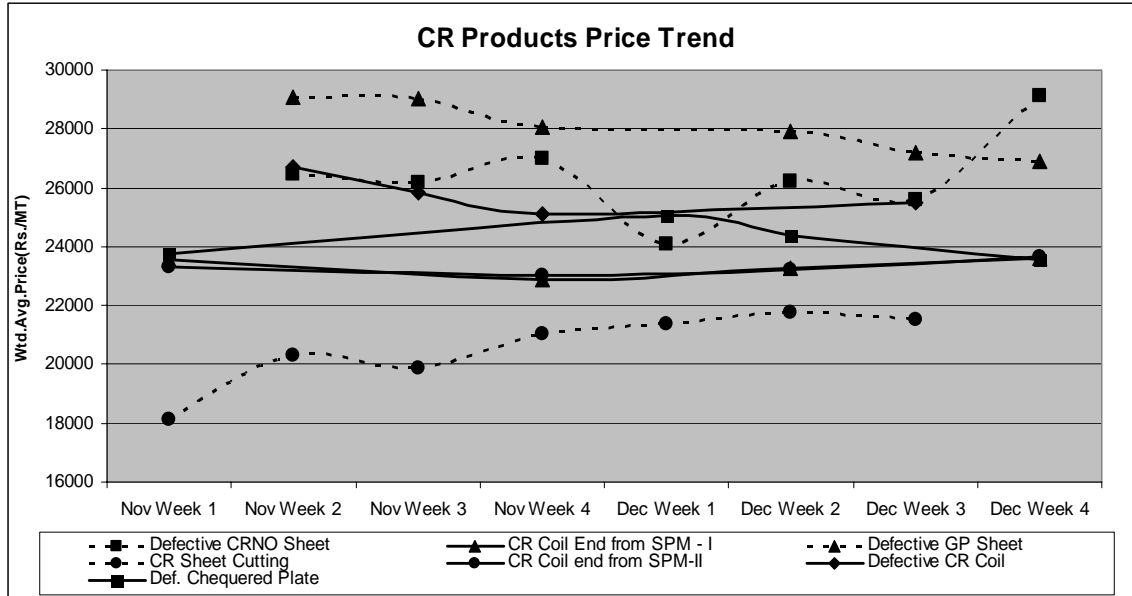
Note: Price is basic, ** implies price incl. excise duty

Attached below is the data table:

Week	Cobble Plate	Def. HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting
Nov Wk 1	NA	19886	22483	NA	16393
Nov Wk 2	22001	19264	22518	22393	16592
Nov Wk 3	NA	20578	22418	NA	15235
Nov Wk 4	22223	20684	23185	22404	15735
Dec Wk 1	23353	21014	21719	23306	12650
Dec Wk 2	NA	20767	22391	22550	16449
Dec Wk 3	23519	21472	22900	NA	13575
Dec Wk 4	NA	20956	22500	22350	14263

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

Products	Nov'06 Price (Avg.)	Dec'06 Price (Avg.)	% change(Dec'06 over Nov'06)	% change(Dec'06 over Dec'05)
Cobble Plate	22112	23436	5.99	28.08
Def HR Plate	20103	21052	4.72	32.65
Semi Rolled Plate	22651	22377	-1.21	17.36
SRP Coil Form	22399	22735	1.50	20.65



Price is basic

Attached below is the data table:

Week	Def CRNO Sheet	CR Coil End From SPM-I	Def GC Sheet	Def GP Sheet	CR Sheet Cutting	C R Coil End From SPM-II	Def CR Coil
Nov Wk 1	NA	23574	NA	NA	18108	23300	NA
Nov Wk 2	26449	NA	NA	29074	20295	NA	26696
Nov Wk 3	26155	NA	NA	29049	19863	NA	25833
Nov Wk 4	26983	22863	21050	28050	21050	23043	25100
Dec Wk 1	24100	NA	21000	NA	21400	NA	NA
Dec Wk 2	26243	23255	16550	27930	21750	23200	NA
Dec Wk 3	25600	NA	22100	27180	21500	NA	25509
Dec Wk 4	29150	23629	NA	26912	NA	23646	NA

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

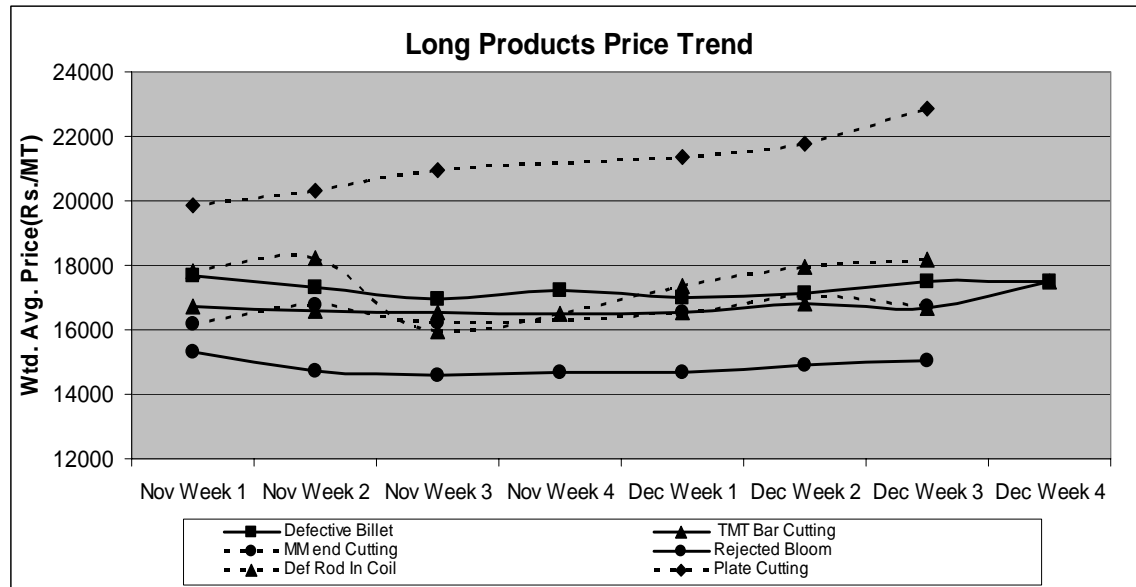
Products	Nov'06 Price(Avg.)	Dec'06 Price(Avg.)	% change(Dec '06 over Nov'06)	% change(Dec '06 over Dec'05)
Def CRNO Sheet	26529	26273	-0.96	NA
CR Coil End from SPM-I	23218	23442	0.97	46.16
Def GP Sheet	28725	27340	-4.82	51.18
CR Sheet Cutting	19829	21550	8.68	NA
CR Coil End from SPM-II	23172	23423	1.08	45.05
Def CR Coil	25876	25509	-1.42	38.76

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 towards the end of the month. With

demand remaining strong, prices are expected to achieve an improved trend in the beginning of New Year.

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

Following graph shows the price trend observed in the auction services of Metal Junction for the month of November & December 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
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
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

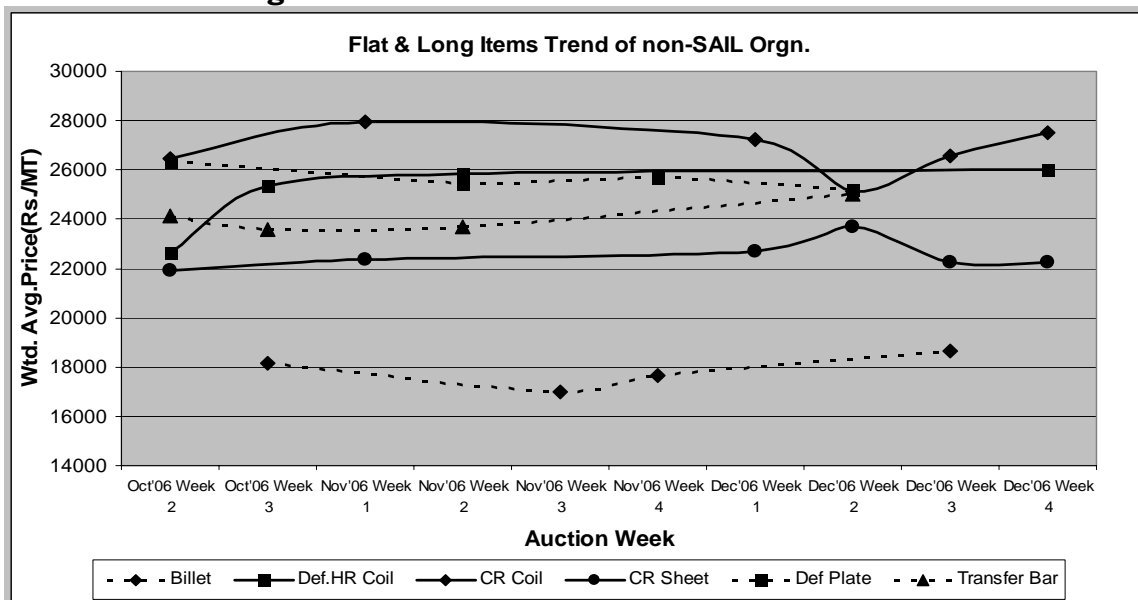
Summary of price and % change (m-m & y-y basis):

Products	Nov'06 Price(Avg.)	Dec'06 Price(Avg.)	% change(Dec'06 over Nov'06)	% change(Dec'06 over Dec'05)
Def Billet	17290	17287	-0.02	25.47
TMT Bar Cutting	16588	16885	1.79	22.15
MM End Cutting	16394	16786	2.39	23.59
Rejected Bloom	14831	14890	0.40	16.24
Def Rod In coil	17327	17831	2.91	14.86
Plate Cutting	20385	22010	7.97	32.60

Outlook: The auction platform ended on a positive note in the end of the year. Prices have achieved an improved trend as compared to earlier month and a positive performance was also noticed as compared to last year. There was significant improvement in auction prices aligned with domestic market where ingot prices also showed a considerable improvement as compared to earlier month.

With demand seen both for raw materials and finished steel, the market is expected to remain firm in the coming month.

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



Price is basic

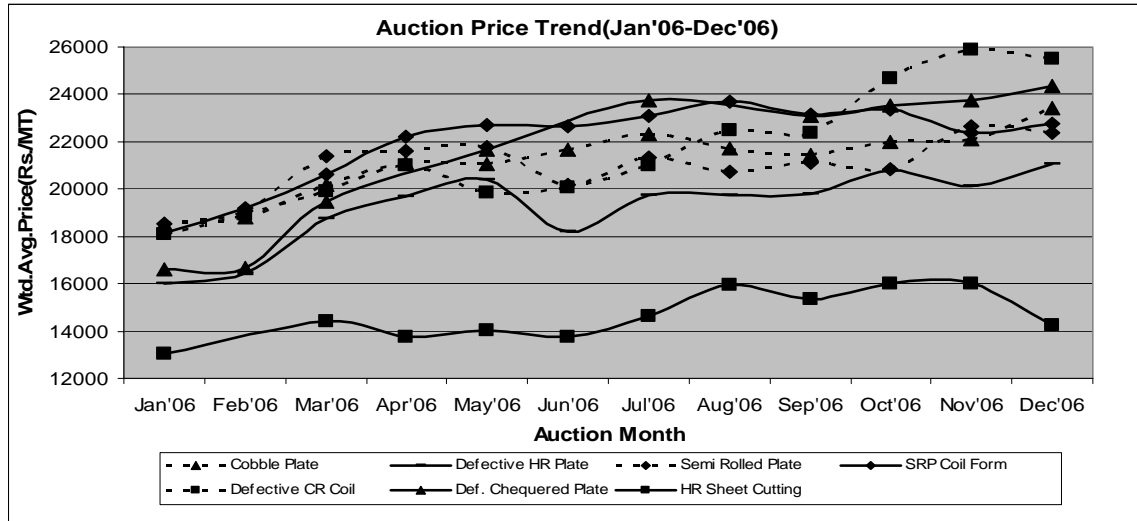
Ingot Price (8 weeks trend)

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
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
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

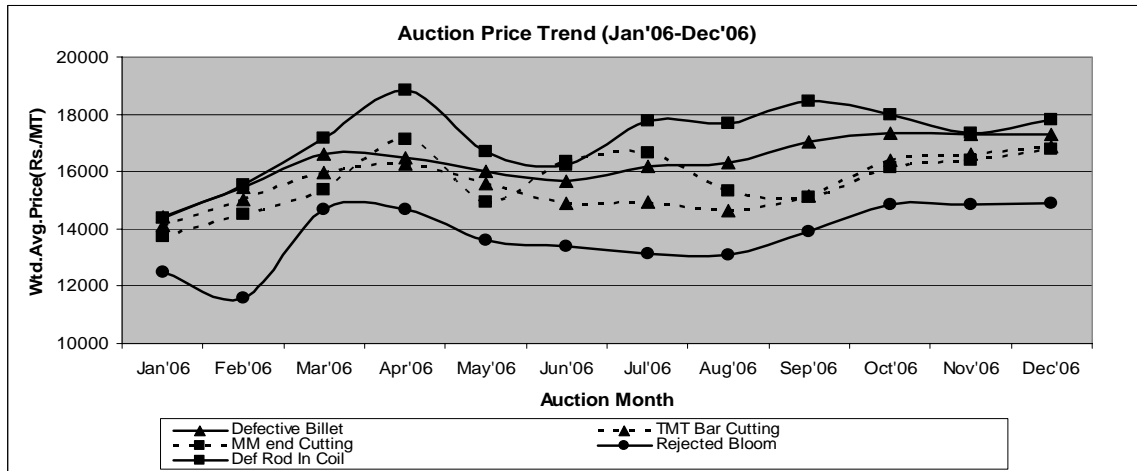
Price: (Rs. /t, basic)

Auction performance for the Year 2006:

Flat Products:



Long Products:



Both Flat products and Long products ended on a positive note in the end of the year. For instance, Cobble Plate had a price gain of Rs.4913/MT in Dec'06 over Jan'06; Defective HR Plate had a price gain of Rs.5046/MT in Dec'06 over Jan'06, Semi-Rolled Plate had a price gain of Rs.3855/MT in Dec'06 over Jan'06, Defective CR Coil had a price gain of Rs.7441/MT in Dec'06 over Jan'06, Defective Chequered Plate had a price gain of Rs.7748/MT in Dec'06 over Jan'06. Defective Billet had a price gain of Rs.2875/MT in Dec'06 over Jan'06, TMT Bar Cutting had a price gain of Rs.2780/MT in Dec'06 over Jan'06 and Defective Rod in Coil had a price gain of Rs.3440/MT in Dec'06 over Jan'06.

Following the growth in price for different items, a similar movement is expected in the beginning of the New Year.

International Scenario

Asia: Billet import prices remained firm in South-East Asia. Deals were done at \$425-430/t cfr with buying activity remaining strong. However, the Asian import market for CRC and HDG remained quiet with little buying activity.

China: Chinese long products market remained relatively stable. CRC prices have been on a rise due to low stocks. Domestic slab prices have remained stable. The recently levied 10% tax on semis is also putting pressure on the domestic market. Domestic HDG prices have been on a falling note. Seasonal factors are contributing to weak domestic demand; however prices are expected to stabilize with soaring zinc prices.

HDG export prices remained stable, with 1.0 mm thick HDG prevailing at about \$690-700/t fob.

Billet export prices from China remained unchanged at \$405-410/t fob; however, freight costs have caused export prices to rise. Freight costs from China to countries such as Thailand and Vietnam have risen by about \$5/t to around \$25-30/t.

Japan: Medium plate prices strengthened in Japan for the first time over a year as a result of buoyant demand and reduced supply. Market demand, particularly for building construction remained firm.

Europe: HRC, CRC prices saw a mixed trend.

CIS: Plate export prices remained stable with supply remaining tight. Russian exports are scarce due to rising domestic demand coming from ship-building, bridge-building, heavy machinery manufacturing sectors and oil and gas exploration companies.

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(Dec Week 4 over Dec Week 3)	% Change over a month(Dec'06 over Nov'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	0.00	0.53	-12.79
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	0.00	-2.45	-9.13
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	0.00	2.15	-10.38
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	0.00	1.73	-11.32

Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.00	0.00	-3.73
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	0.00	0.32	-2.52
US Import HR Coil \$/t	0.00	-1.92	-17.74
US Import CR Coil \$/t	0.00	0.00	-15.28
CIS Export Rebar Black Sea/Baltic Sea \$/t	0.00	-3.33	-1.14
CIS Export Billet Black Sea/Baltic Sea \$/t	0.00	1.23	-2.38

Note: 8.11 Yuan=1 US \$

OUTLOOK:

Global: Steel prices to stabilize in the first quarter of 2007. Demand is robust, both in Europe and Asian sector. Some slowdown is expected in US; however that will be neutralized because of the robust scenario in other continents. So, prices are expected to stabilize in the next quarter, January to March.

Reduction in prices of coke is going to benefit steel companies that are manufacturing steel through the blast furnace route. But companies that are importing scrap and using electric arc furnaces to manufacture steel would not get the benefit of the reduction in the coke prices.

India: The steel industry recovered from a slump in prices, marched forward powered by increased demand from neighboring China, besides boom in real estate, port and aviation sectors. With the government betting big on infrastructure growth through public-private partnership, the steel industry geared up to reap rich benefits from the sector which would require more than 200 billion dollars in investments. All major domestic steel utilities jumped into the fray and announced elaborate expansion plans with Tatas leading the way. The beginning of 2007 is expected to witness a stable movement in prices.

Data Sources:

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

(DIPANKAR CHAKRABARTI)

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Bullish market for Iron ore: Prices saw a rise for **Fe 63.5% grade** as strong demand came from China. The FOB Indian port price prevailed at \$54-56/t fob since the second week of December. The situation further became bullish in the third week of the month and prices ruled at \$55-56/t fob for 63.5% Fe material. Prices further improved in the end of the month with Fe 63.5% grade fetching a landed price of around \$76-77/t in Northern Chinese ports.

Strong demand was also seen for **60-62% Fe**, for which prices were in a range of \$50-54/t fob. However, **56-58% Fe grade** prevailed at a low of \$36/t towards the end of the month as costs of getting this material to the Goan ports is much lower than in other parts of India.

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	75-77

Stability seen in Pig Iron market: With market demand remaining strong, prices remained stable in the domestic market.

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

Item	Nov Week 3	Nov Week 4	Dec Week 1	Dec Week 2	Dec Week 3	Dec Week 4
Steel Grade	18,400	18,400	18,400	18,400	18,300	18,400
Foundry Grade	20,200	20,200	20,200	20,200	20,100	20,200

A mixed trend in Sponge Iron prices continues: Higher input costs and lower demand from steel producers have kept sponge iron prices on a falling note.

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

	Price (Rs./t)		Price (Rs./t)	% change(d-d)
1-Nov-06	12352	1-Dec-06	11560	-6.41
7-Nov-06	11898	7-Dec-06	11531	-3.08
14-Nov-06	11567	14-Dec-06	11635	0.59
21-Nov-06	11459	21-Dec-06	11502	0.38
28-Nov-06	11581	28-Dec-06	11596	0.13

Improved price trend seen in Scrap market in the month of December with demand picking up: With demand outpacing supply, the scrap market has shown a significant growth.

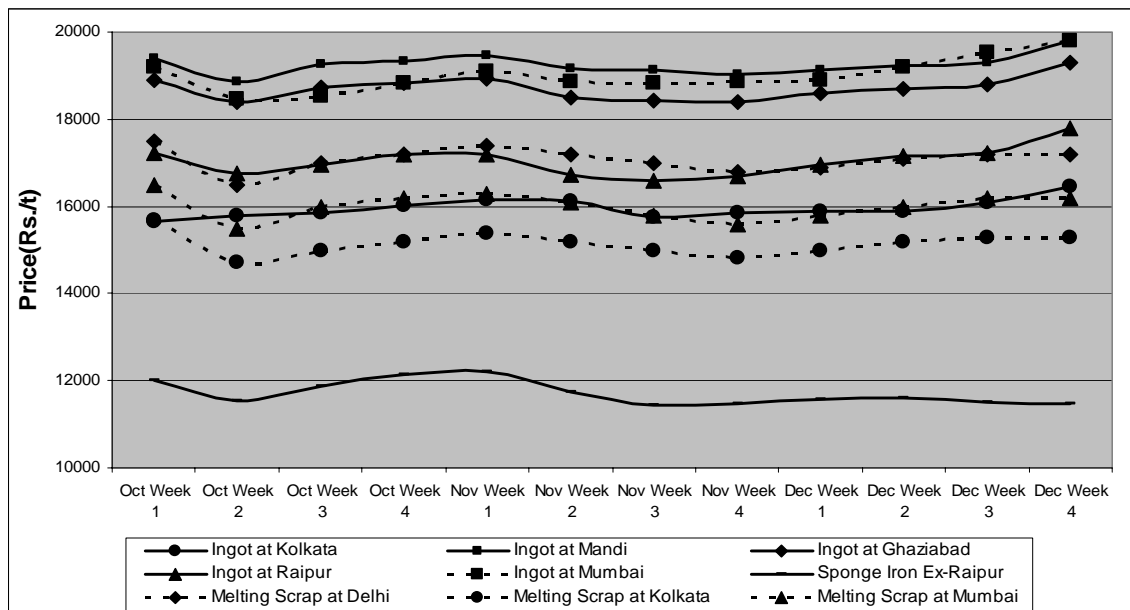
Melting Scrap Price (Rs. /t, Incl.Excise & Sales, Landed)

Place	Delhi	Kolkata	Mumbai
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
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

Price Movement

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

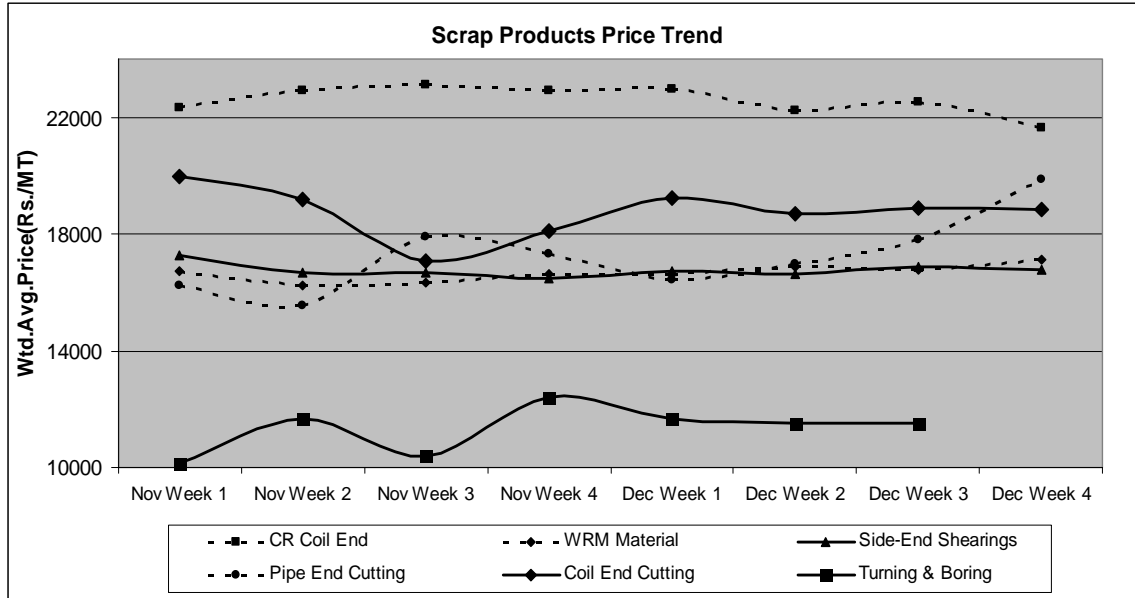
A comparative price trend of Ingot, Sponge Iron and Melting Scrap: A falling trend is indicated since the beginning of December; however prices stabilized towards the end of the month.



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 November & December 2006 for different scrap products.



Price is basic

Attached below is the data table:

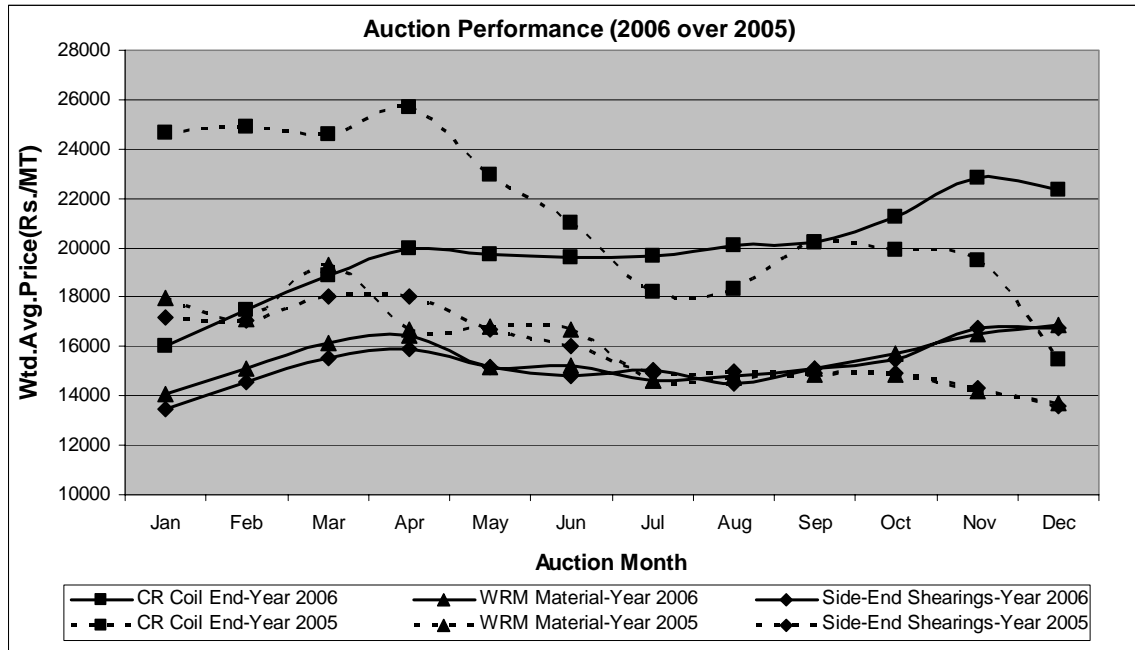
Week	CR Coil End	WRM Material	Side-End Shearings	Pipe End Cutting	Coil End Cutting	Turning & Boring
Nov Wk 1	22333	16750	17275	16224	19989	10150
Nov Wk 2	22938	16250	16666	15567	19202	11650
Nov Wk 3	23093	16348	16692	17895	17050	10400
Nov Wk 4	22938	16617	16486	17310	18122	12423
Dec Wk 1	22946	16625	16710	16439	19218	11693
Dec Wk 2	22236	16900	16651	16961	18700	11500
Dec Wk 3	22515	16800	16878	17815	18900	11500
Dec Wk 4	21624	17134	16778	19850	18838	NA

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

Products	Nov'06 Price(Avg.)	Dec'06 Price (Avg.)	% change(Dec'06 over Nov'06)	% change(Dec'06 over Dec'05)
CR Coil End	22826	22331	-2.17	44.55
WRM Material	16491	16865	2.27	23.27
Side-End Shearing	16780	16754	-0.15	23.10
Pipe Cutting	16749	17766	6.07	25.87
Coil End Cutting	18591	18914	1.74	NA
Turning & Boring	11156	11564	3.66	NA

Outlook: Scrap prices stabilized in the end of the year thus aligning with the domestic market. Prices too showed an improved trend as compared to similar period last year. With demand remaining strong, prices are expected to improve in the coming month.

Auction Performance for the Year 2006 over 2005:



An overall improved trend achieved as compared to last year.

International Scenario:

Ferrous Scrap export demand remained firm: Overseas demand for ferrous scrap continued at a steady pace but much of the modest price gains are being eroded by higher ocean freight rates. Demand remained strong from Eastern Mediterranean; also more activity was seen from South Korea, Taiwan and Thailand.

Ferrous scrap prices continued to soar in Japan as demand remained strong: Domestic scrap prices have rocketed this year as EAF steelmakers increase output due to strong demand and slowing exports of cheap products from China. Overall national prices are up by 35 percent since the beginning of the year, with Tokyo prices rising by around 38 percent. EAF output has risen by an average of 4.9 percent a month in the first 10 months of this year compared with 2005. High domestic prices also had an effect on export prices with a rise of almost 8.6% over previous month's average price.

Domestic Scrap prices remained on a higher note in US: Prices remained higher in the beginning of the month with business getting underway. Shredded steel delivered to the mills was sold in a range of \$230-235/long ton. No. 1 dealer bundles and No. 1 busheling were both sold in a range of \$235-245/long ton up from a range of \$220-230/long ton in November.

US Scrap Export prices remained steady on continued steady demand: Standard mixed cargoes of shredded scrap was sold in a range of \$240-244 per long ton (\$236-240/tonne) fob US port. While domestic scrap prices have seen

an upward movement, however US export prices have exhibited very little movement over the past ten weeks. Prices for 80-20 No. 1 and No. 2 HMS was generally sold in a range of \$240-242/1.t. fob US east coast port.

UK Scrap prices declined due to seasonal pressures: A short working month and the usual drive to minimize scrap inventories at the end of the accounting year are the main reasons for the weakness in scrap prices. Scrap arisings are described as very quiet, with volumes low, and demolition scrap particularly scarce. UK export business is also quiet, with little interest from Spain and Turkish scrap buying subdued because of the weak dollar. Spanish mills, operating shorter hours due to unfavorable winter power tariffs and with holiday closures are also staying out of the market.

Scrap prices remained steady in Europe: With good amount of stocks still there in the year-end, prices remained steady in most parts of Europe.

Iron-Ore prices firmed up in China: Prices are strongly firming up because mills are hastening purchases ahead of the winter slowdown in supply. The second week of the month saw a rise of \$1/t for Fe 63.5% Indian iron ore. CIF Chinese Port price was prevailing at \$74-76/t since the mid of December. Prices further firmed up towards the end of the month with market remaining quite stable.

Pig iron prices increased in China market with strong demand: With steel market remaining good, demand and prices for pig iron remained strong and are further expected to go up.

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

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

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

Month	Average Price(\$ per long ton)	Price movement
Oct-06	241.5	
Nov-06	242.5	↑
Dec-06	245	↑

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

Month	Average Price(\$ per long ton)	Price movement
Oct-06	246.5	
Nov-06	247.5	↑
Dec-06	250	↑

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

Month	Average Price(\$ per tonne)	Price movement
Oct-06	246	
Nov-06	247.5	↑
Dec-06	250	↑

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

Month	Average Price(\$ per tonne)	Price movement
Oct-06	232	
Nov-06	235	↑
Dec-06	240	↑

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Oct-06	251	
Nov-06	253	↑
Dec-06	255	↑

OUTLOOK:

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 already led to a surge in prices and imported material in India is available at a higher than expected prices.

In Europe, crude steel production has increased 4% to 100.7 million tonnes in the first half of 2006, while scrap consumption is estimated to have risen by 5% over the same period to 53 million tonnes.

In Russia, a sharp increase in domestic scrap consumption followed the addition of significant arc furnace capacity.

Following strong demand, scrap prices are further expected to increase in January when consumers replenish for the winter.

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:

Impact of rising nickel prices on stainless steel prices: Nickel prices have touched their highest levels since 1987 on dwindling supply and this will impact the stainless steel makers. Stainless price is spot price and this keeps on changing with the nickel moment. At present, Indian steel companies like Jindal Steel are highly positive as nickel shortages and rise in nickel prices will be hugely beneficial to Indian companies.

Price Movement

	Review	Outlook
Steel Product	December 2006 over November 2006	January 2007 over December 2006
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
Sep Week 1	110803	NA	121367	65320	65900	39271
Sep Week 3	91651	85000	84000	57849	105141	35338
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

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

Outlook: The auction platform has witnessed a mixed trend in the month of December. The domestic market has also shown a fluctuating movement in alignment with the international trend of Nickel on LME. With stock variation, Nickel prices had its ups and downs throughout the month; however it ended on a positive note thus indicating a brighter month in the New Year. With the input prices expected to remain strong, the domestic stainless steel market is also anticipated to remain positive in the short-term.

International Scenario:

Global stainless steel output up by more than 30% in Q3: Global stainless crude production came to 7.1mt during Q3, an increase of 30.4% year-on-year, according to the International Stainless Steel Forum (ISSF). The sharp increase is due to a well-performing world economy.

Chinese Nickel Stainless Steel prices remained stable: The austenitic grade prices remained steady; however prices could drop in the short-term due to falling demand from end-users.

Soaring stainless steel prices in Japan: The domestic market prices of austenitic stainless CR Sheets have reached record highs. Strong demand, tight supply and rising nickel prices have been the main factors for the surge. Further, stocks are maintained flat so as to have controlled supply in the spot market and a beef-up in exports. Japan's total stainless exports in October rose 2.8% from September and by a sizzling 45.7% from October 2005 to reach 135,680t. Total January–October exports were up 8.6% y-y to 1.23m t.

Stainless Scrap prices remained steady in US as demand softened: With continued strong nickel prices throughout December, scrap prices remained steady in spite of less buying in December. Delivered prices for standard 18–8 stainless steel scrap in mid-December was in a range of \$2,700–2,775 per long ton, up from a level in early November of \$2,600–2,690/1.t.

Stainless Scrap prices rises in UK on rising LME Nickel prices and healthy demand: UK 18/8 stainless steel scrap prices have risen by as much as £90 (\$175) per tonne since the beginning of December.

The tables below give an overview of stainless steel prices worldwide

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

	Sep'06	Oct'06	Nov'06	Dec'06
HR 304	28500-30700	30500-32500	30600-32600	30800-32500

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

	Sep'06	Oct'06	Nov'06	Dec'06
CR 304 2B	31400-34400	34600-35000	34700-35100	35000-36000

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

Month	Average Price(\$ per tonne)	Price movement
Sep-06	3440	
Oct-06	3650	↑
Nov-06	3900	↑
Dec-06	3870	↓

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

Month	Average Price(\$ per tonne)	Price movement
Sep-06	3740	
Oct-06	4025	↑
Nov-06	4250	↑
Dec-06	4190	↓

Europe:

CR 304 2B 2mm,Euro/t Ex- Works	Sep'06	Oct'06	Nov'06	Dec'06
N.Europe	1550-1650	1600-1700	1650-1750	1700-1850
S.Europe	1500-1600	1550-1650	1700-1750	1800-1850

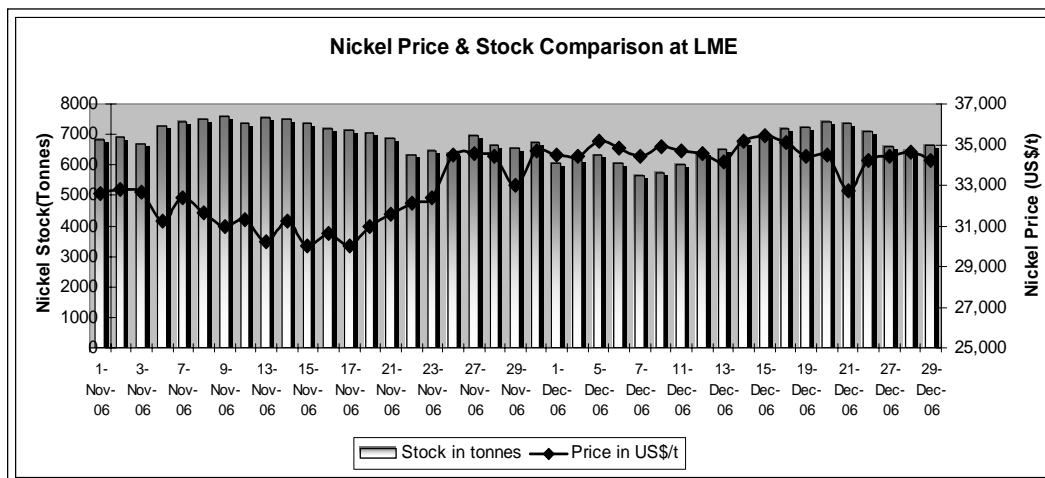
Stainless Steel EU Domestic 2mm 304 CR stainless strips

Month	Average Price(Euros/tonne)	Price movement
Sep-06	1853	↑
Oct-06	1964	↑
Nov-06	2010	↑
Dec-06	2101	↑

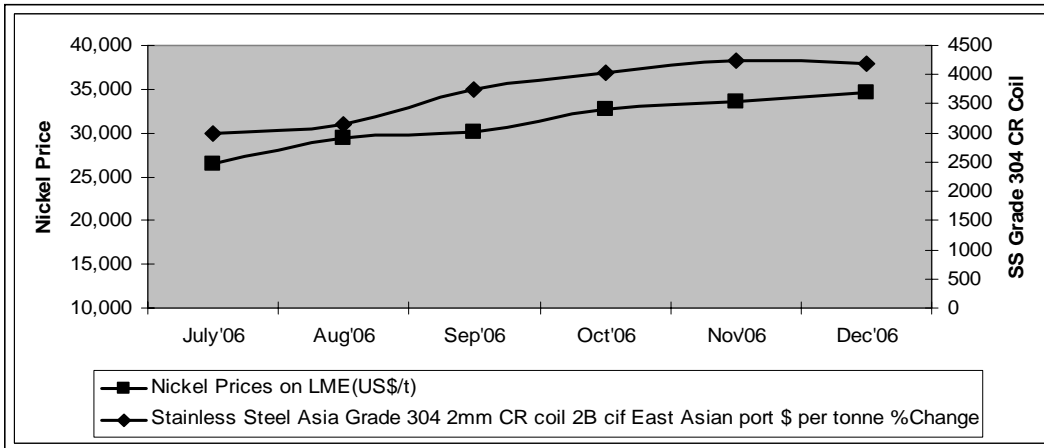
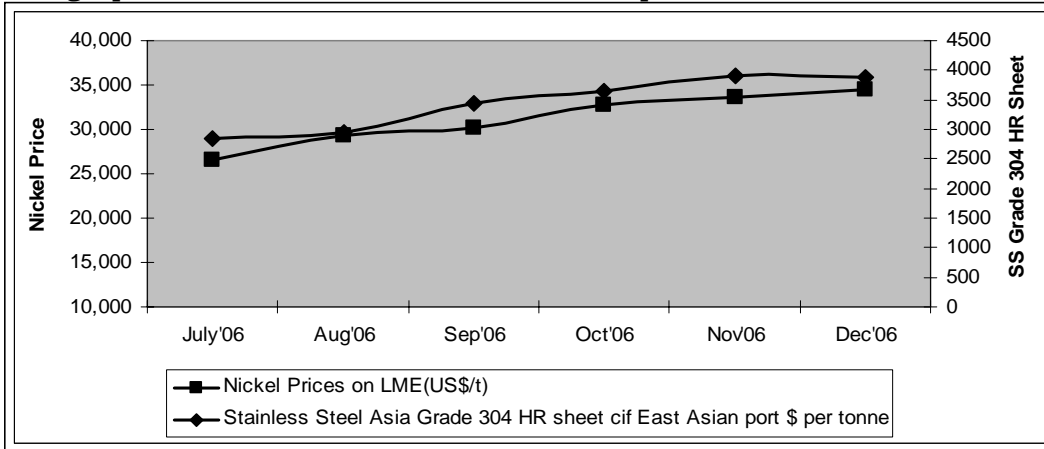
Note: 1US\$=Rs.44.30, 1Euro=Rs.58.28, 8.11 RMB=1US\$

Nickel Trend: Prices had its ups and downs throughout the month

Month	Average Price	% Change(m-m)	% Change(y-y)
Jul'06	26,551	28.02	81.84
Aug'06	29,377	10.64	97.29
Sep'06	30,089	2.42	111.47
Oct'06	32,682	8.62	163.50
Nov'06	33,614	2.85	177.44
Dec'06	34,548	2.78	157.26



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



OUTLOOK:

Stainless steel prices are expected to remain higher in early January due to unprecedented hike in Nickel prices on London Metal Exchange. Nickel stocks are extremely low and any small capacity problems could further lead to rise in prices.

In the short-term MEPS forecast stainless steel prices moving even higher, due to further nickel price rise on the LME during December.

Global stainless steel output is expected to rise 14% in the year 2006. A substantial rise in output has been seen in EU, US and Asia. A momentous expansion in crude steel output has occurred this year in China. With production of stainless steel rising at such a pace, the demand for nickel has been at extraordinary levels. Nickel prices have jumped to record highs.

India: A strong growth in demand for stainless steel products would be there with India becoming the second fastest growing economy in the world. It is expected that strong demand would arise from infrastructure development, chemical and other processing industries, the transport sector and building and construction.

Data Sources:

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

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