News at a glance

2008 at a glance:

Slash in steel prices in the month of May to control inflation. Flat products saw a slash by Rs.4000/tonne and Long products by Rs.2000/tonne.
Rupee Dollar appreciation made Imports costlier and this again shoot up the steel prices.
Global recession had its worst impact beginning of October. Within a fortnight steel prices plunged by Rs.4000 to Rs.9000/tonne.Raw materials got a major hitch with prices falling to its lowest level. In six months Ingot prices saw a drop ranging between 35 to 40 percent. Metals too witnessed a sharp fall with Nickel touching at 8805 USD/tonne at LME , lowest since 2003.Copper too touched its lowest in three years at 2850USD/tonne.
The sector had its worst impact and regained some momentum only in the last month of the year.

December Month at a glance:

Steelmakers slash prices wef December by Rs.1200 to Rs.1500/tonne.

November world crude steel output dips by 19% YoY: 66 countries reporting to the World Steel Association have produced 89 million tonnes in November 2008, down by 19% YoY. The decline was 12.4% in October 2008 as compared to same period in 2007. Total world crude steel production was 1,224.6 million tonnes in the January to November 2008 period, up by 0.9% YoY.

India cuts Excise Duty by 4% across the board to boost demand: Faced with a slowing economy that's refusing to respond to monetary measures such as interest rate cuts, the government on Sunday, 7th Dec, took the fiscal route to stimulate growth. It announced an across-the-board 4% cut in excise duties.

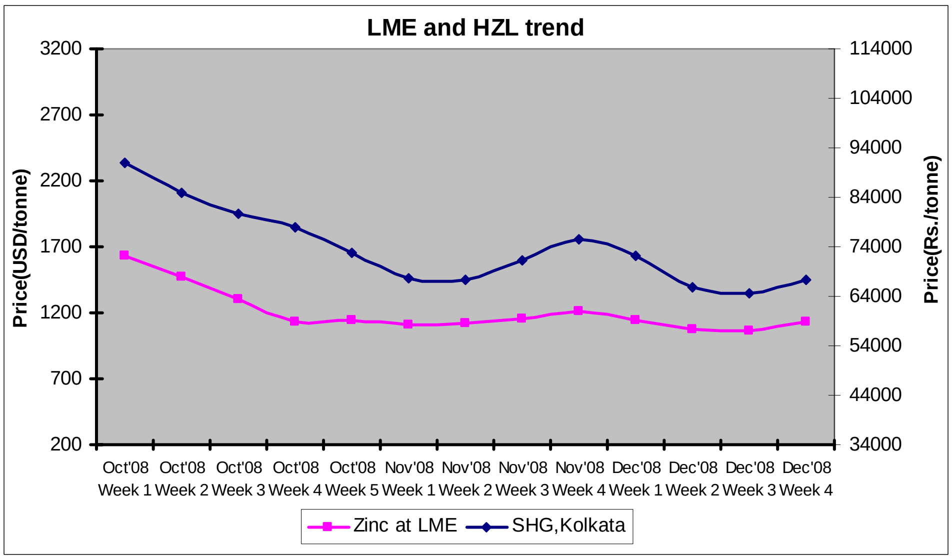
The government has re-instigated a 5% import duty on semi-finished, flat and long products; it has also launched an anti-dumping investigation covering HR coil and plate imports from 15 countries, including China, Ukraine, Russia and Iran.

Government cuts export duty on iron ore: As part of its economic stimulus package, the government has cut export duty to 0% on iron ore fines and 5% on lumps. At present, 8% ad-valorem export duty exists on iron ore fines, while that on lumps stands at 15%.National Mineral Development Corporation (NMDC), has reduced Iron ore prices by 25 per cent, with effect from December 1 .

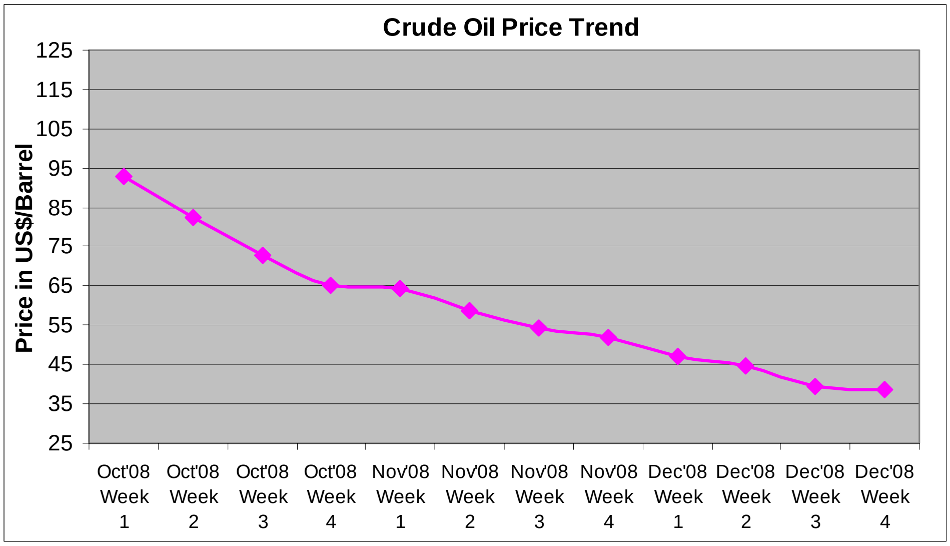
Date of Report: Jan 01, 2009

Base metals on the LME slide on gloomy outlook in December: Over a month, Copper at London metal Exchange has seen a drop of more than 16 percent and went below 3000 USD/tonne. Copper in the domestic market has also seen a falling trend with prices dropping by around 20 percent over a month and closed at Rs.141/kg, basic in Mumbai market.

Zinc remained low in the first half of December all over the world. The zinc prices exhibited a slight improvement both in the domestic market and in the international market in the last few days. **Hindustan Zinc Limited** has raised the zinc prices by Rs. 2,800/tonne in the fourth week of December. HG Zinc at Kolkata prevailed at Rs. 66,400/tonne (excl. Sales Tax & Excise Duty) on 25th Dec as compared to Rs. 64,600/tonne (excl. Sales Tax & Excise Duty) on Dec 18 (indicating an increase of more than 2.7 per cent over a week).



Recession in Crude Oil sector continues: Crude oil crashes...slips below US$36/bpd: Oil prices plunged below US$36 per barrel for the first time since June 2004, as worldwide energy demand continues to shrink amid a weakening global economy, offsetting the OPEC's move to slash output by a further 2.2 million barrels per day (bpd). Oil prices have tumbled 75% from a record US$147.27 struck on July 11.



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

Index	Oct'08	% Change (M-M)	Nov'08	% Change (M-M)	Dec'08	% Change (M-M)	% Change (Y-Y)
Global	240.29	-10.90	182.95	-23.90	155.15	-15.20	-11.90
North America	236.19	-8.70	187.11	-20.80	157.93	-15.60	3.40
Europe	220.64	-16.40	174.96	-20.70	160.33	-8.40	-5.00
Asia Steel	253.57	-9.20	184.93	-27.10	150.65	-18.50	-22.30
Longs	276.83	-10.50	216.81	-21.70	174.48	-19.50	-14.40
Flats	222.14	-11.10	166.14	-25.20	145.56	-12.40	-10.40
Metallics	246.46	-23.50	141.31	-42.70	185.53	31.30	-22.90
Stainless	168.40	-7.60	152.23	-9.60	144.80	-4.90	-23.60

Steel prices have continued to fall rapidly over the past month in all major regions, although the pace of the decline has moderated a little, if only compared to last month's record falls. The CRUspi index has seen a negative drop across various categories for this month except for metallics index where there has been a modest change and the credit goes to modest improvement in scrap prices at the end of the month despite poor demand.

(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

Date of Report: Jan 01, 2009

STEEL INDUSTRY MARKET SCENARIO

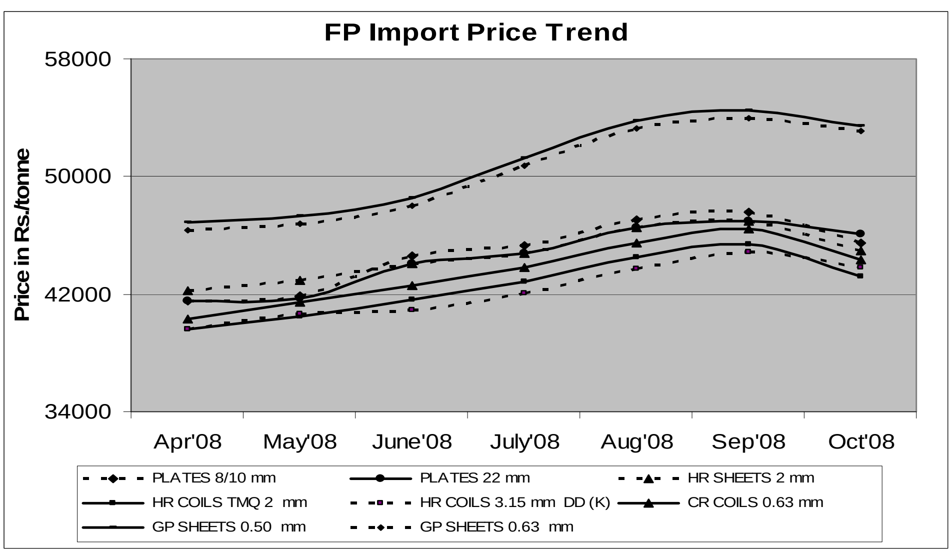
FLAT & LONG PRODUCT

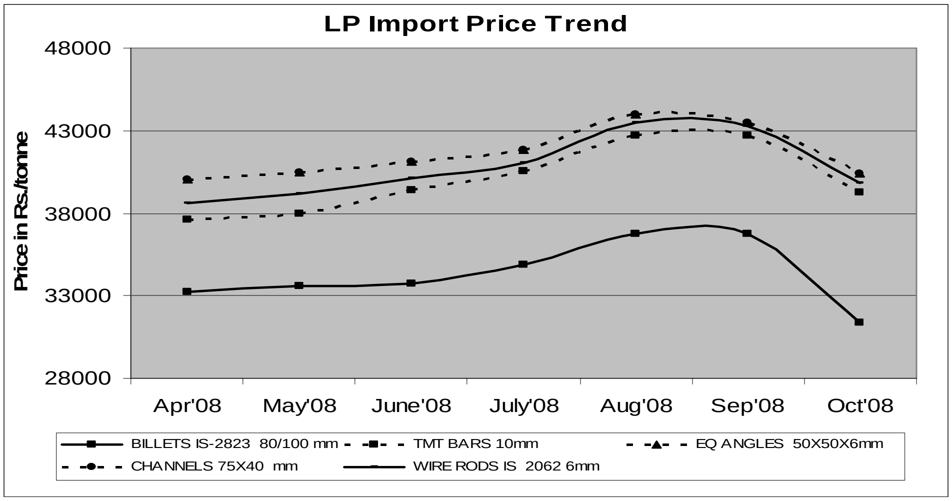
Domestic Scenario:

Flat product market remained dull in the beginning of the month. Over a week prices saw a drop of Rs.1000/tonne across various items. Plate prices ruled at Rs.30,000/tonne, basic in the second week of the month. HRC, CRC market continued to remain slow with weak demand and watching attitude from buyers and sellers. Prices of HRC ruled at Rs.28,000/tonne, basic and CRC at Rs.32,000/tonne, basic in the end of the month.

Long product market remained sluggish in the beginning of the month. With steelmakers announcing cut in prices by Rs.1200 to Rs.1500/tonne, the market further saw a dull scenario. Prices saw a drop in the range of 4 to 6 percent in the first week with Mumbai steel market receiving a major setback due to the terrorist attack. However, some pace was gained since the end of second week with prices seeing almost a stable trend varying in the positive range of 1 to 2 percent) after a series of steps was taken by the Union Government to stream line the steel markets. Fluctuations in steel market were reduced and with few buyers returning to the market, prices reached to some amount of stability after bottoming out. However, demand has still not shown any major recovery. Material booking is taking place only according to buyers' demand and no stocking is done. Billet market continued to run slow due to inactive purchase from rolling mills and prevailed at Rs.20,000/tonne, ex-works. The month however ended on a stable note, promising to remain stable beginning of New Year.

Indian Import Price Trend: Import prices saw a dip in the month of October both across flat and long items.





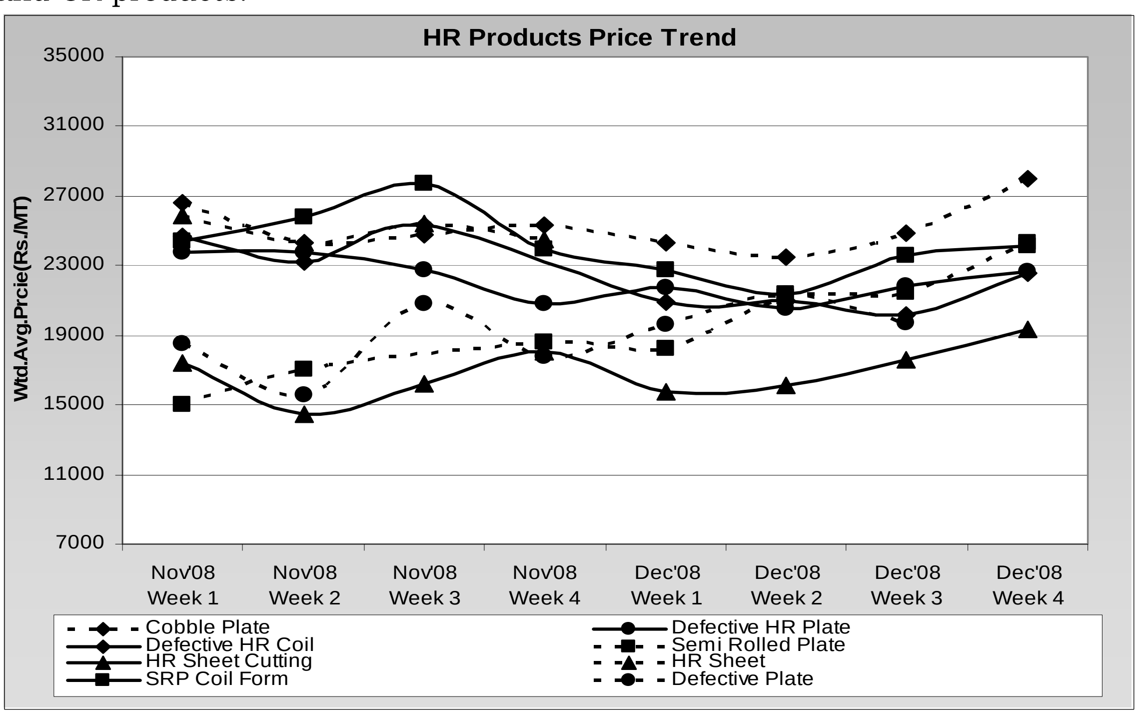
Price in Rs./t is landed

Price Movement

	Review	Outlook
Items	Dec'08 over Nov'08	Jan'09 over Dec'08
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 Nov 2008 & Dec 2008 for different HR and CR products.



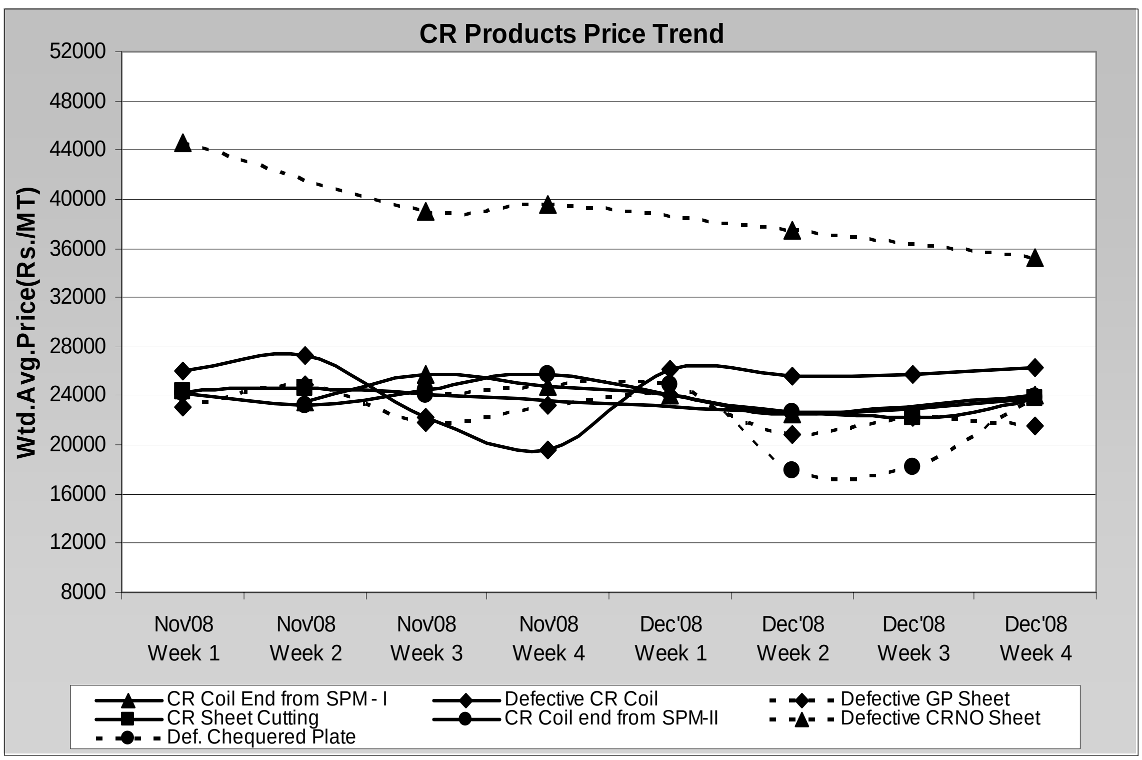
Price is basic

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
Nov'08 Wk 1	26638	23745	15050	24450	18518	24674	17418
Nov'08 Wk 2	24336	23732	17064	25800	15562	23237	14501
Nov'08 Wk 3	24795	22706	--	27750	20785	25339	16202
Nov'08 Wk 4	25289	20804	18603	23957	17770	--	18040
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

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

Products	Nov'08 Price (Avg.)	Dec'08 Price (Avg.)	% change (Dec'08 over Nov'08)	% change (Dec'08 over Dec'07)
Cobble Plate	25265	25168	-0.38	3.66
Def HR Plate	22747	21703	-4.59	-5.19
SRP Coil Form	25489	22972	-9.88	-7.20
HR Sheet Cutting	16540	17208	4.04	-13.16
Def HR Coil	24417	21177	-13.27	-11.76



Price is basic

Attached below is the data table:

Week	CR Coil End From SPM-I	CR Coil End From SPM-II	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
Nov'08 Wk 1	--	24149	24294	26022	44650	23148
Nov'08 Wk 2	23566	23266	24625	27243	--	24935
Nov'08 Wk 3	25704	24465	--	22187	39041	21786
Nov'08 Wk 4	24775	25726	--	19623	39600	23225
Dec'08 Wk 1	24010	--	--	26148	--	24130
Dec'08 Wk 2	22553	22724	--	25550	37450	20889
Dec'08 Wk 3	--	--	22300	25728	--	22214
Dec'08 Wk 4	24117	23726	23850	26250	35203	21520

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

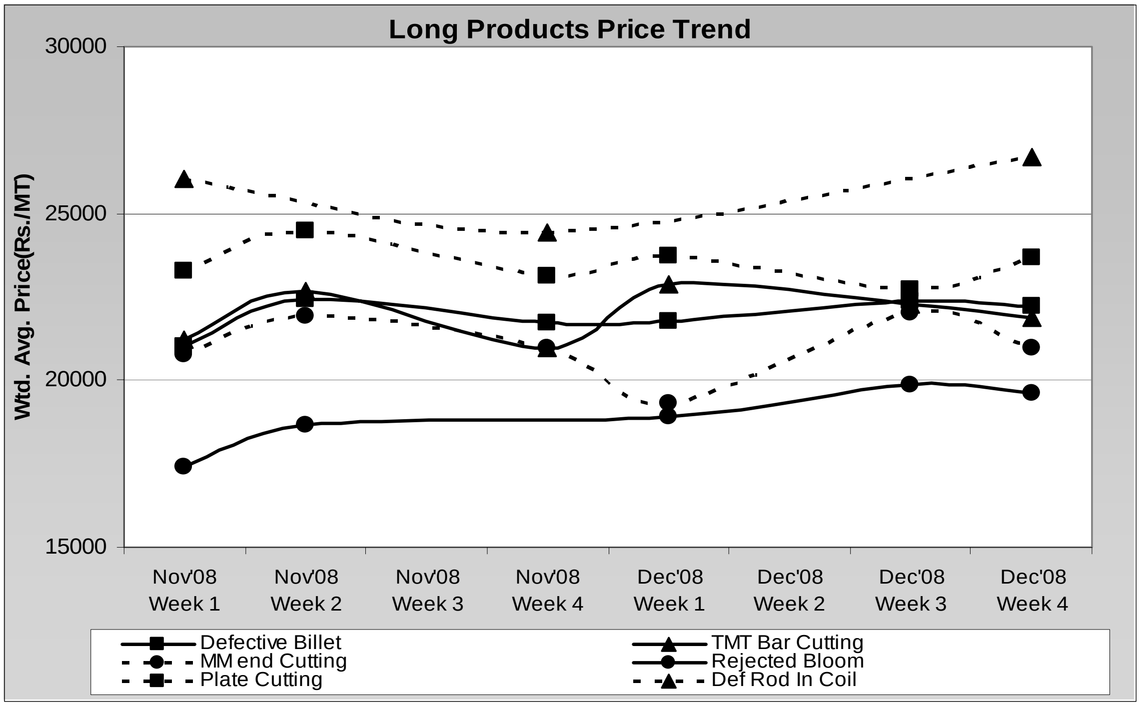
Products	Nov'08 Price(Avg)	Dec'08 Price(Avg)	% change(Dec'08 over Nov'08)	% change(Dec'08 over Dec'07)
CR Coil End from SPM-I	24682	23560	-4.55	-6.00
CR Coil End from SPM-II	24401	23225	-4.82	-4.82
Def CR Coil	23769	25919	9.05	1.69
Def CRNO Sheet	41097	36326	-11.61	22.33
Def GP Sheet	23273	22188	-4.66	-14.53
CR Sheet Cutting	24460	23075	-5.66	-2.22

Outlook: The flats market remained sluggish with no real demand coming up. Prices continued to see a downturn and with export duty being slashed by 4 percent, the volatility in market got reduced to some extent. Both import and export market too received a setback in this global downturn and continued to run slow. The month ended on a stable note with prices almost stabilizing across various items.

The auction platform has remained more or less aligned with the domestic steel market. Prices are expected to rule stable in the short-term however it will take time to regain the actual pace and allow full-fledged trading activity in the market.

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 Nov 2008 & Dec 2008 for different long products.



Price is basic

Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting
Nov'08 Wk 1	21002	21201	20763	17392	23266
Nov'08 Wk 2	22447	22682	21943	18679	24463
Nov'08 Wk 3	-	-	-	-	-
Nov'08 Wk 4	21737	20959	20980	-	23123
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

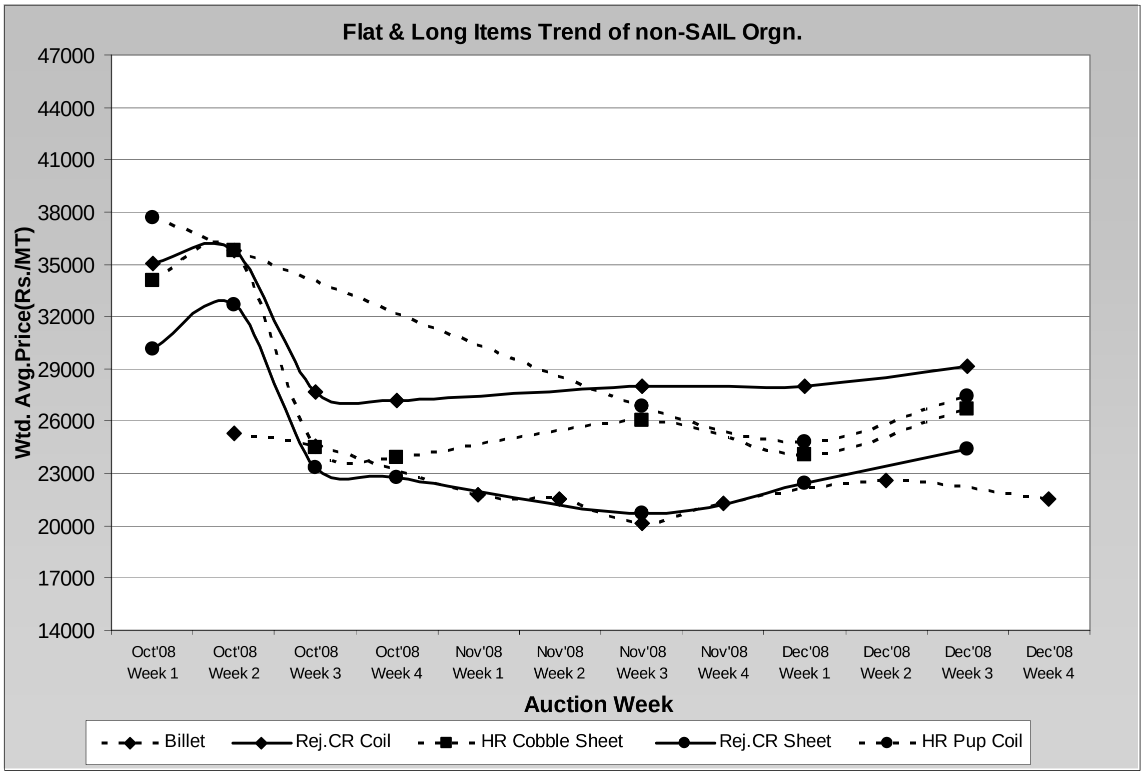
Summary of price and % change (m-m & y-y basis):

Products	Nov'08 Price(Avg.)	Dec'08 Price(Avg.)	% change(Dec'08 over Nov'08)	% change(Dec'08 over Dec'07)
Def Billet	21729	22144	1.91	8.00
MM End Cutting	21229	20769	-2.17	6.00
Plate Cutting	23617	23390	-0.96	4.00
Rejected Bloom	18035	19471	7.96	2.00
TMT Bar Cutting	21614	22335	3.34	14.00

Outlook: After a period of volatility and too much ups and downs in the market, some respite was noticed in the month of December. Prices stabilized to some extent and with Government adopting few measures, some buying activity was restored in the market. Though demand remained slow and trading graduated at a slow pace, however the prices of the long product items remained stable at the end of the year.

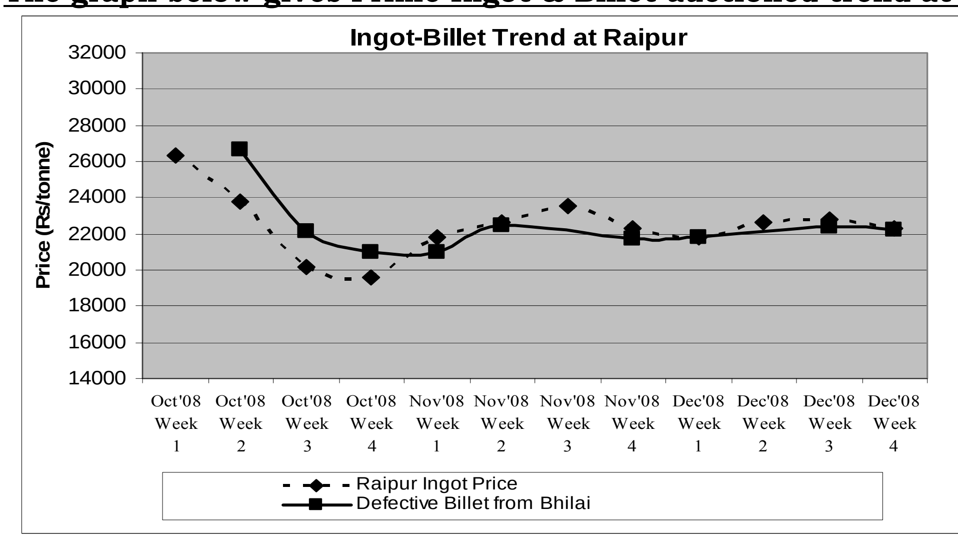
The auction platform remained more or less aligned with the domestic market. Prices are expected to rule stable in the short-term however it will take time to regain the actual pace and allow full-fledged trading activity in the market.

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



Price is basic

<u>The graph below gives Prime Ingot & Billet-auctioned trend at Raipur</u>

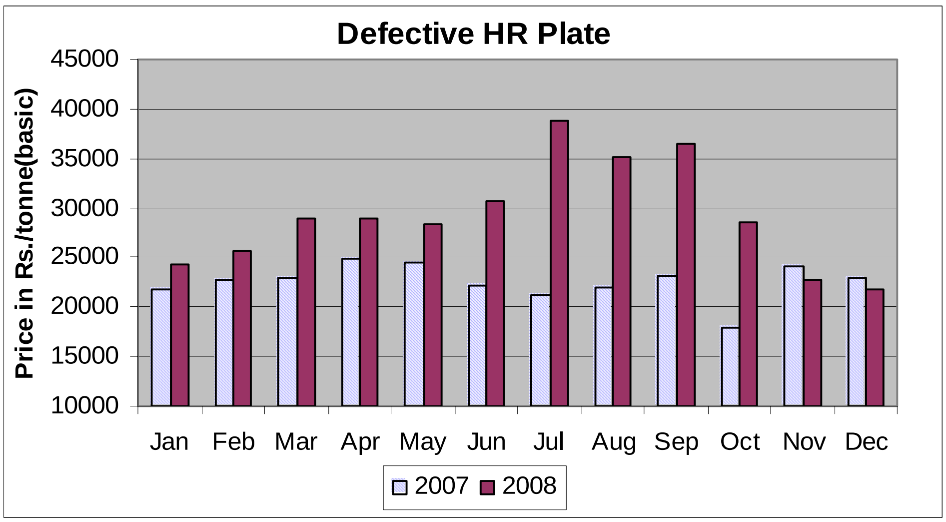


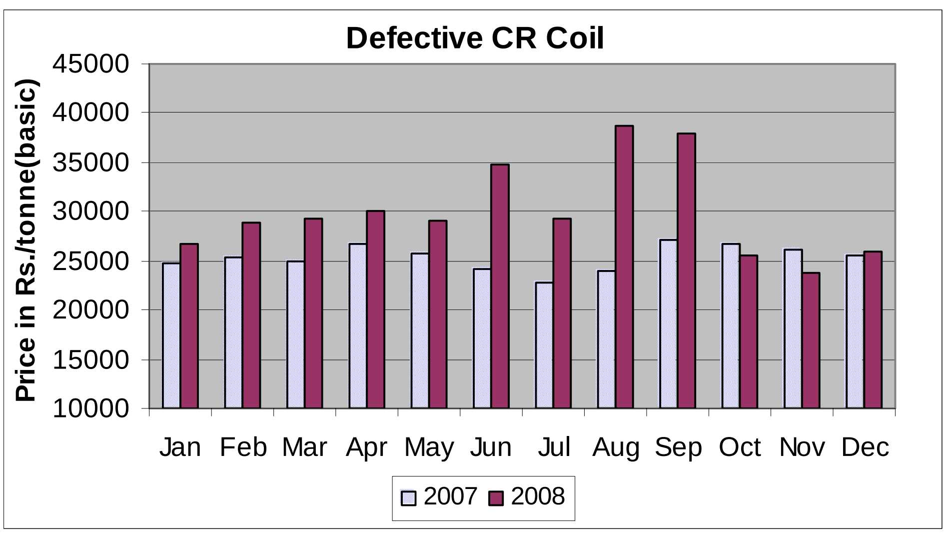
Price in Rs./tonne is basic

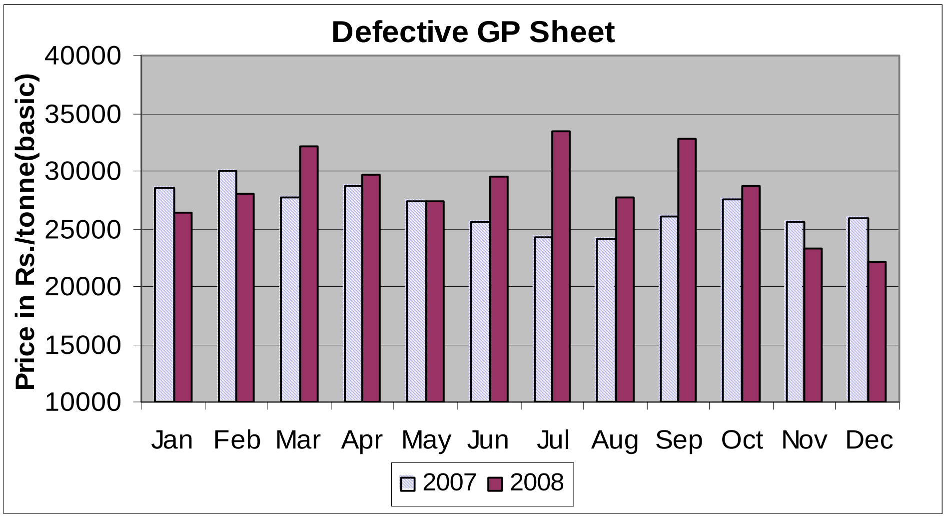
Auction price trend Comparison (Y-Y)

Year 2008 performed fairly well till the month of September with prices touching its peak in the month of July as compared to same period last year; however the sharp impact of global recession was also felt in the e-auction since October. Prices nosedived to its lowest in the month of November and till the first half of December; however prices stabilized to some extent in the end of the year accompanied by various policies adopted by the Government to mobilize the sector. The graphs below give an overview of the price performance across various flat and long product items.

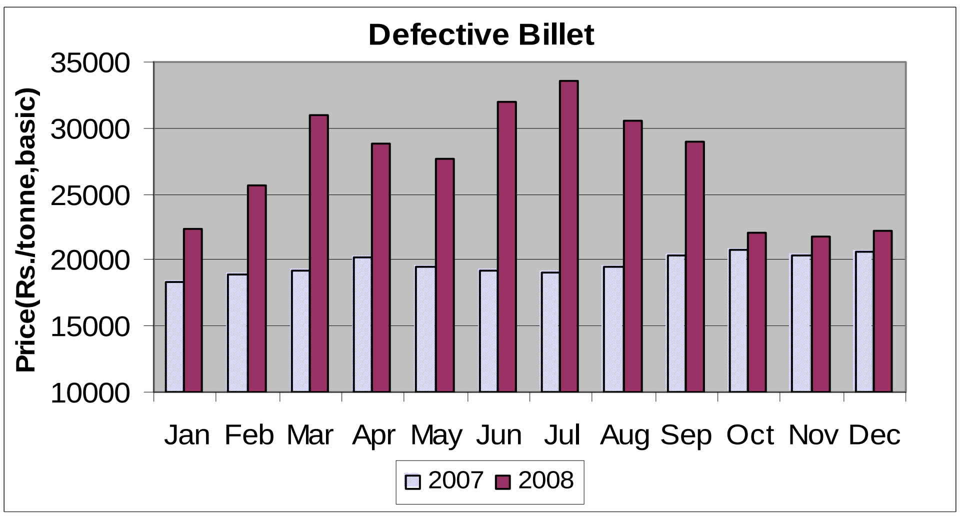
FLAT

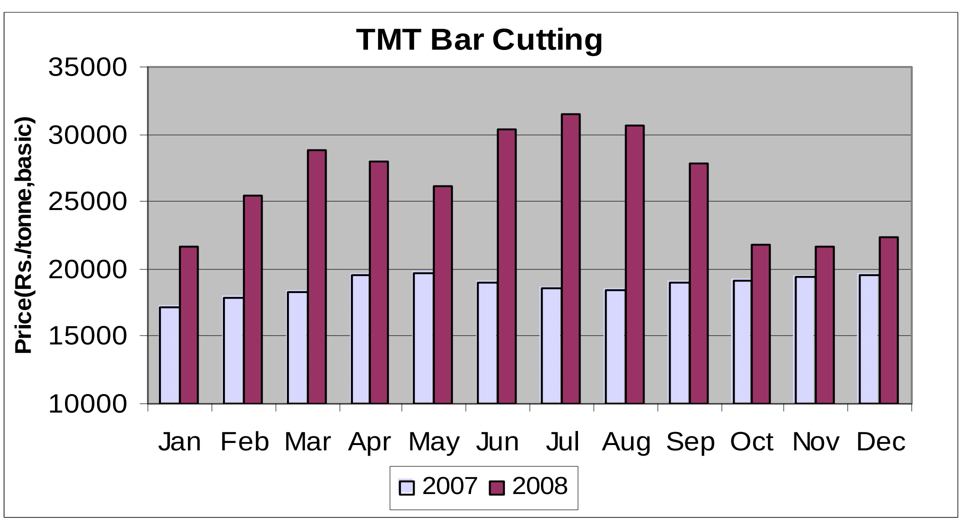


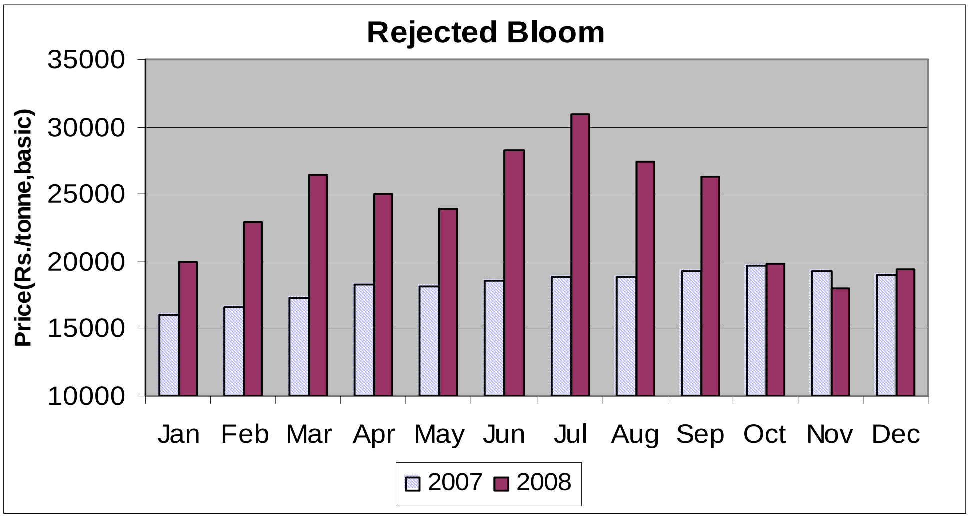



Defective GP Sheet
Price in Rs./tonne(basic)
40000
35000
30000
25000
20000
15000
10000
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2007 2008

LONG


Defective Billet
Price(Rs./tonne,basic)
35000
30000
25000
20000
15000
10000
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2007 2008


TMT Bar Cutting
Price(Rs./tonne,basic)
35000
30000
25000
20000
15000
10000
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
2007 2008



Price in Rs./t is basic

International Scenario

China's crude steel output hit 30-month low in November: China's crude steel output decreased in November for the fifth month in a row to hit a low of 35.19m tonnes, down by 2% from October and by 11.3% from the same period of last year. This was the lowest monthly total since April 2006 when China's mills produced just 34.61m t.

Asia: Import market remained quiet with Billet prices prevailing at $390-400/tonne cfr SE Asia in the first week. The approach of Year end and seasonal holidays has led to reduced buying activity. Also, there has been a lot of inventory in the market with buying sentiment remaining poor as banks are not very keen to issue LCs at the year end.

China: Domestic hot-dip galvanized prices have firmed since the beginning of December in tandem with rising cold rolled coil prices and as a result of the HDG production cuts. In Shanghai, offer prices for 1.0mm HDG from Wuhan Steel are around RMB 4,350/t ($640/t) with 17% VAT in the third week, up by almost RMB 100/t from late last month. Wire Rod prices dipped on weak demand. 6.5mm drawing quality wire rod was offered at about RMB 3,520-3,550/t ($512.7-517.1/t)in the second week.

Europe: Rebar prices hold up in southern Europe; demand still low. No imports have really emerged in the region this month either, with only a few offers of around €400/t CIF. For January, no clear predictions have been given. However, the January rebar market could mirror this month's and stay reasonably stable. More movement is expected in February, when people's stock levels may have eased a little. The medium sections market was in a downturn this month, with demand virtually at a standstill and prices dipping slightly. Import levels have been very low with prices at the same levels as last month and similar to domestic prices, with no transactions taking place. In January, prices may be expected to climb, but at a slow pace, with customers returning to buy small amounts.

CIS: Market remained quiet with demand remaining low. December-rolled HRC has sold at about $400-450/tonne (€316-356/t) for Russian material, and $380-425/t for Ukrainian material, and cold rolled about $60-70/t higher, all on the FOB Black Sea basis. Genuine need for material is still very low as financing is still a problem. Those who have got finance after waiting for two months are slowly returning to the market but the percentage is still very low. With Europe winding down for Christmas and the CIS following, there will be little time to fill up January order books.

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

FLAT

	Sep 08	Oct 08	Nov 08	Dec 08
N.Europe domestic				
HRC - Ex-Works €/t	720 - 780	680 - 775	590-710	475-610
CRC - Ex-Works €/t	790-845	745-820	730-790	620-750
HDG - Ex-Works €/t	820 - 880	800 - 850	790 - 845	695.790
S.Europe domestic				
HRC - Ex-Works €/t	700 - 730	530 - 580	400-450	400-450
CRC - Ex-Works €/t	770 - 800	600 - 660	480-550	480-550
HDG - Ex-Works €/t	800 - 820	650 - 680	500-550	500-550
N.America domestic				
HRC - FOB US Midwest mill $/s.ton	980 - 1020	760 - 820	620-680	500-600
CRC - FOB US Midwest mill $/s.ton	1030 - 1060	860 - 900	720-780	600-700
HDG - FOB US Midwest mill $/s.ton	1140 - 1180	960-1020	780-840	660-760
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	4450 - 4500	3150 - 3200	3370-3400	3450-3480
CRC - Shanghai (incl. 17% vat) RMB/t	5450 - 5500	4000 - 4070	3900-4100	4150-4180
HDG - Shanghai (incl. 17% vat) RMB/t	5980 - 6000	4450 - 4500	4150-4170	4150-4170
China export				
HRC - FOB Shanghai $/t	760 - 780	620 - 630	460-470	500-510
CRC - FOB Shanghai $/t	850 - 900	750 - 800	550-560	550-560
HDG - FOB Shanghai $/t	920-950	860-890	640-650	640-650
East Asia Import				
HRC - CFR $/t	800-930	500-800	450-520	480-500
CRC – CFR $/t	900-1100	800-950	580-680	550-600
HDG – CFR $/t	1000-1150	900-1050	700-900	680-730

LONG

Europe domestic	Sep 08	Oct 08	Nov 08	Dec 08
Medium sections - delivered €/t	770 - 900	630 - 780	640-800	600-660
Rebar - delivered €/t	480 - 620	410 - 480	415-460	415-460
Wire Rod (mesh quality) - delivered €/t	520 - 670	420 - 450	430-460	430-460
Black Sea export				
Rebar - FOB $/t	650 - 1000	450 - 650	400-550	500-580
Wire Rod (mesh quality) - FOB $/t	680 - 1000	500 - 680	450-550	500-600
N.America domestic				
Rebar - FOB US Midwest mill $/s.ton	1005 - 1035	935 - 965	610 - 625	610-625
Wire Rod (mesh quality) - FOB US Midwest mill $/s.ton	1130 - 1170	1130 - 1170	1130 - 1170	980-1120
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	4600 - 4650	3430 - 3480	3450 - 3550	3480-3550
China export				
Wire Rod (drawing quality) - FOB Shanghai $/t	850 - 880	600 - 640	480 - 500	550-650
East Asia Import				
Rebar CFR $/t	750-850	460-700	380-440	410-430
Wire Rod(mesh quality)-CFR $/t	780-880	480-700	400-450	430-450

Note: 1 RMB=0.15US$

Outlook:

Steel prices have bottomed out across various products. Market expected to stabilize in the short-term with supply demand gap bridging down.

Price stability may be seen in the New Year: An end to scrap price falls along with the rebalancing of demand with lower production should see prices stabilize in the New Year, but no significant price recovery is expected.

CISA expects China steel market to rebound in H2 of 2009: China Business cited Mr. Qi Xiangdong, deputy secretary general of China Iron & Steel Association as saying that China is still in the mid of urbanization and industrialization and has large demand for steel products. Mr. Qi suggested a difficult path for the Q1 next year but expects the market recovery to come in the Q2, with conditions in the H2 better than the H1.

India: In India, capacity will increase by less than was previously expected, reflecting delays to many greenfield projects and weaker market conditions.
With a number of policy changes adopted by the government, the import market will remain unattractive. Imports of HRC into India will only be possible for end-

users who are licensed to do so; traders and stockists will not be granted import licenses.

MBR believes these moves will go a long way in making the Indian market unattractive to exporters. Indian mills seeking to export coil will however benefit from changes to the duty entitlement passbook scheme that will allow them to offset import duty that they may have incurred in importing raw materials. With the approach of New Year holiday, the market is not expected to show much activity and is expected to show a stable price trend in the coming month.

Data Sources:

1) NCDEX
2) Steel Town Weekly, Mandi Govindgarh
3) Steel Business Briefing
4) Metal Bulletin
5) JPC

(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Steel scrap market remained sluggish in India beginning of the month as there was almost no demand from buyers. Price of steel scrap H1&2 (80:20) prevailed at USD200/t (fob), unchanged since early last month.
The imported scrap market too went down slow in India. An Indian trader quoted USD280/t CFR India for HMS1 scrap from European countries shipped by containers, but the demand remained low and most steel mills have withdrawn from the market under the great pressure from bad sales of steel products. Demand from steel mills still continued to run weak. Material booking took place only according to buyers' demand and no stocking was done. The global financial crisis made so many customers withdraw from the market, hence; traders intended to watch the market for a while and held a pessimistic attitude.
However, since the second week of the month, the domestic market depicted a slightly stable movement without much of variation. Steel Ingot prices witnessed more or less a stable price trend in the second week with the ingot prices varying in the positive range of 2% to 3% on an average over a week.
The month ended on a stable note bringing in some amount of relief after the predominantly poor market conditions prevailing for a long time.
Other materials too witnessed stability in the second and third week with Pig Iron ex-Kolkata prevailing at Rs.19,000/tonne while Sponge Iron Ex-Raipur prevailing at Rs.15,500/tonne on an average.

Iron ore: After a downturn noticed till the third week of November, Iron Ore price too stabilized in the end of the month and continued to rule stable in the end of year across various grades. The export market remained stable, conditions improved slightly with few buyers returning to the market. In the last few days of the month, the market has behaved reasonably well with prices increasing by 3 to 4 USD/tonne over a week for above 60 grades.
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.
An Indian trader said that buyers from China bid USD77/t CIF for iron ore fines 63.5%, increasing by USD7/t compared with that of last month. Some steel mills in China resume production, which will support the demand to increase. In terms of the future market, it is predicted that the iron ore fines price will go up slightly in the following month.

Indian coke market slowly revives: The Indian coke manufacturing industry – which saw a big slump starting October, and drastically reduced sales in November – is only now beginning to slowly limp back into action.

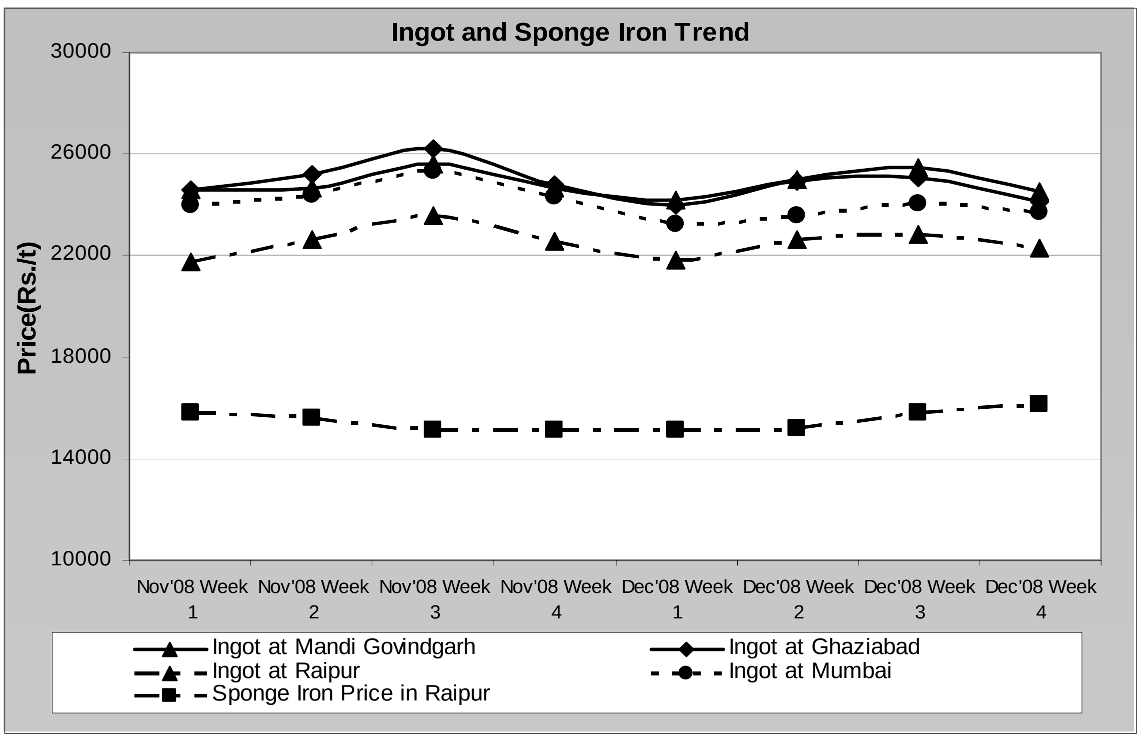
Mid-December spot prices for metallurgical coke with an ash content of 12-13% hovered at around Rs. 18,000/tonne ($384/t) ex-works in east India.
As the steel industry in India and elsewhere went through turmoil due to the international market conditions, coke demand fell drastically in November, with almost no transactions taking place. Spot imports of coking coal with 12-13% ash content declined dramatically in November and was being offered at prices as low as $150-200/t cif from USA. Now it has increased to around $250/t cif.

The raw materials month ended on a stable note bringing in some amount of relief after the predominantly poor market conditions prevailing for a long time. Signs of stability are expected in the near future; however not much bounce in the market is expected as it will take time for both the buyers and sellers to regain confidence in the market. With banks reducing interest rates on home loans; it is expected that construction activities will come up again and demand will improve in the market, but that is again a distant possibility which will take a period of two to three months to bring in fresh buying activity in the market. Till then a stable movement in prices is anticipated.

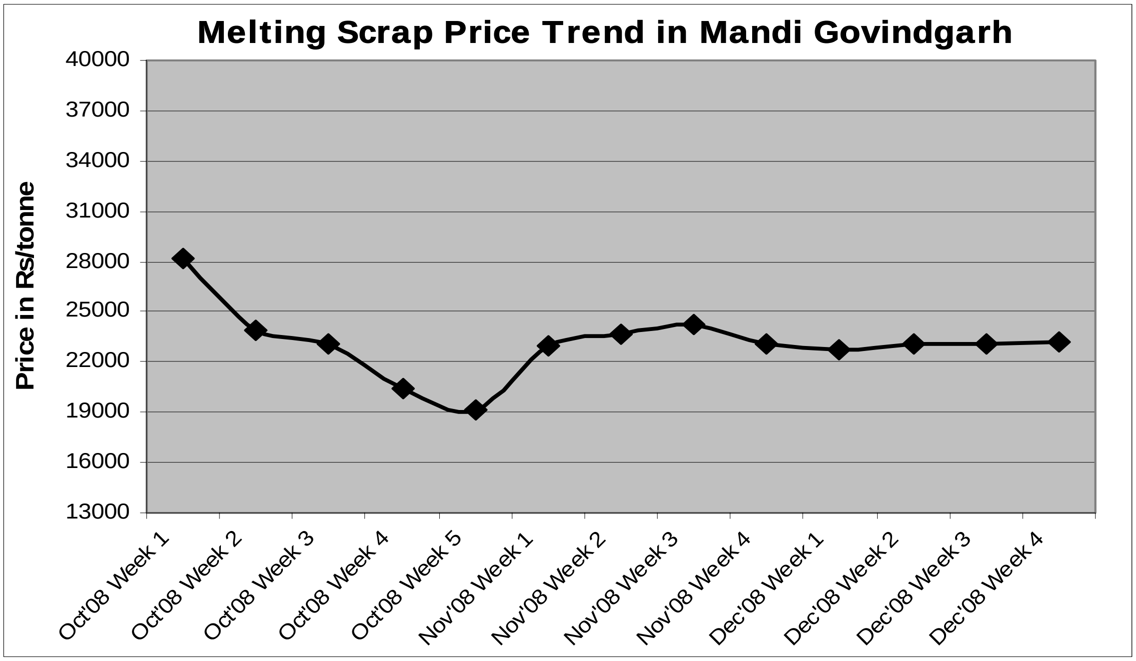
Price Movement

	Review	**Outlook**
Scrap	Dec 2008 over Nov 2008	Jan 2009 over Dec 2008
Pig Iron	↔	↔
Sponge Iron	↔	↔
Melting Scrap	↔	↔

Domestic Price Trend:

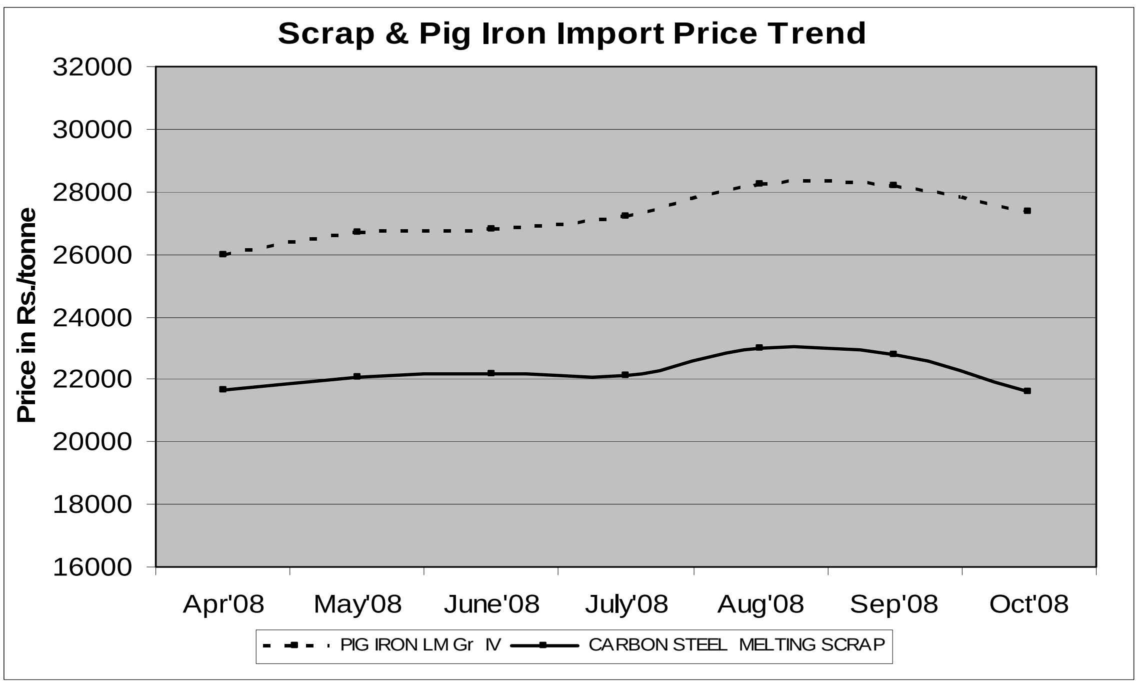


Price in Rs./tonne is basic



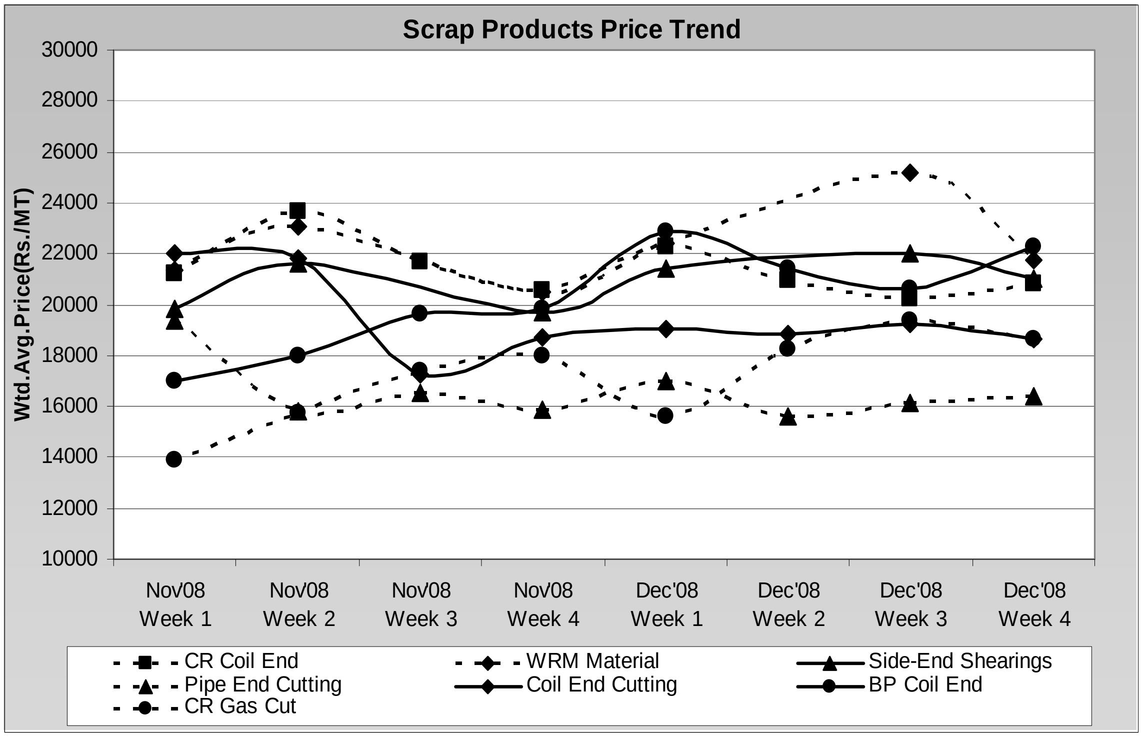
Price in Rs/tonne is including excise duty

Import Price Trend: Import prices saw a dip in the month of October.



Price in Rs./t is landed

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 Nov 2008 and Dec 2008 for different scrap products.



Price is basic

Attached below is the data table:

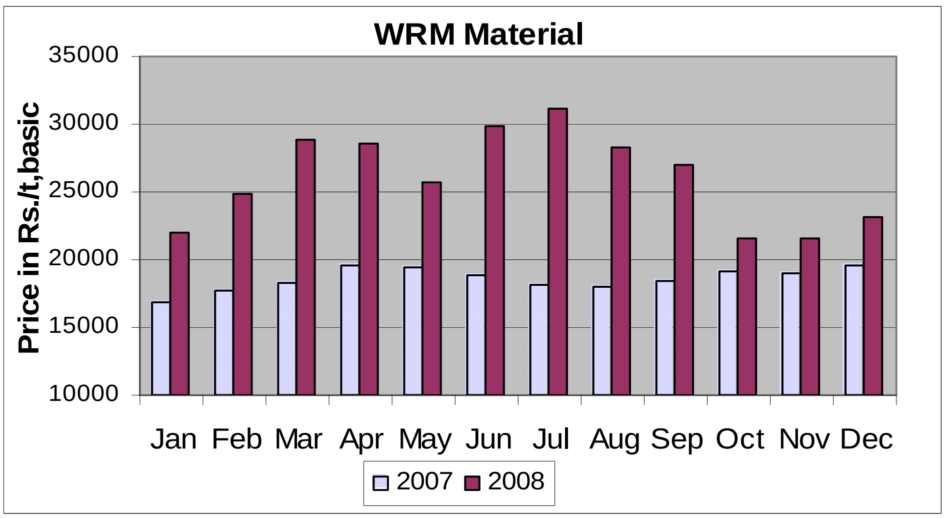
Week	CR Coil End	WRM Material	Side-End Shearing	Pipe End Cutting	Coil End Cutting	CR Gas Cut	BP Coil End
Nov'08 Wk 1	21232	21368	19839	19340	22016	10626	17011
Nov'08 Wk 2	23673	23050	21620	15783	21833	15716	18000
Nov'08 Wk 3	21679	--	--	16520	17278	17407	19620
Nov'08 Wk 4	20566	20500	19734	15883	18690	18000	19835
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	21066	21764	20996	16288	18941	17974	21796

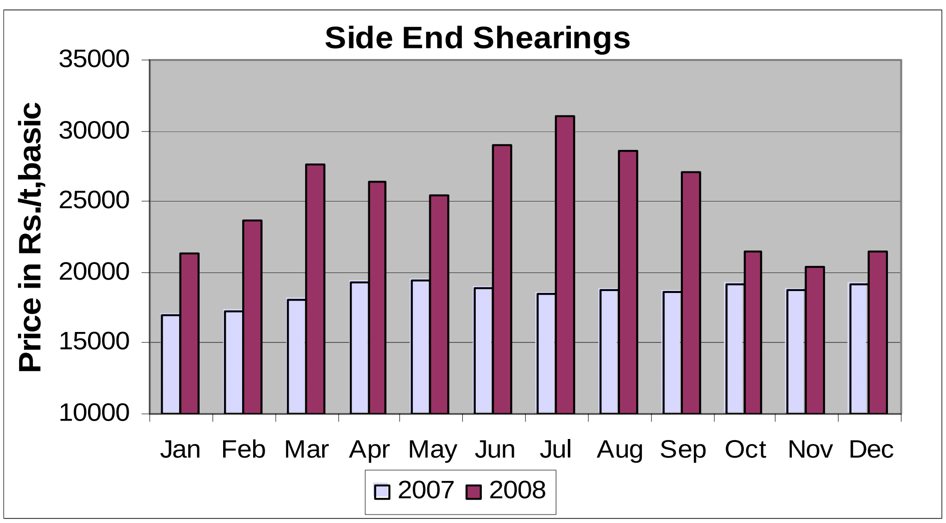
Summary of price and % change (m-m & y-y basis):

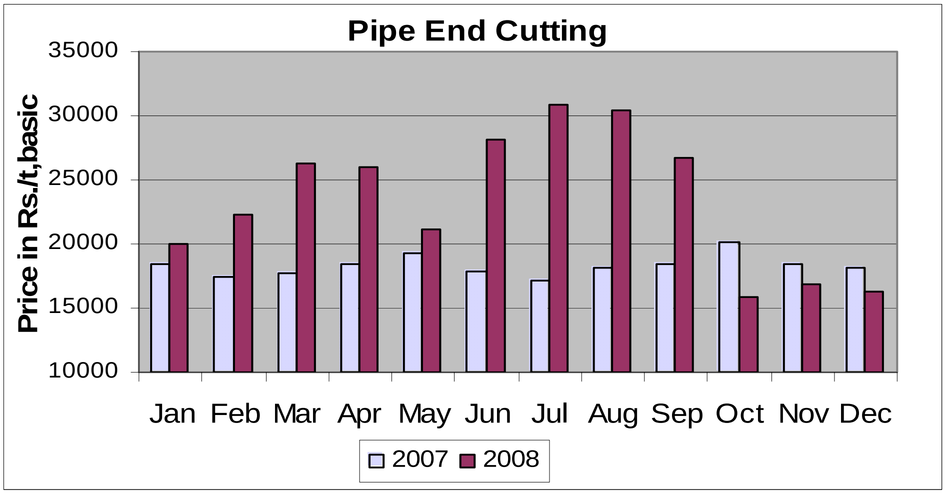
Products	Nov'08 Price(Avg.)	Dec'08 Price(Avg.)	% change(Dec'08 over Nov'08)	% change(Dec'08 over Dec'07)
Coil End Cutting	19954	18941	-5.08	-9.00
CR Coil End	21788	21066	-3.31	-6.00
Pipe Cutting	16882	16288	-3.52	-10.00
Side-End Shearing	20398	21463	5.22	12.00
WRM Material	21639	23124	6.86	18.00

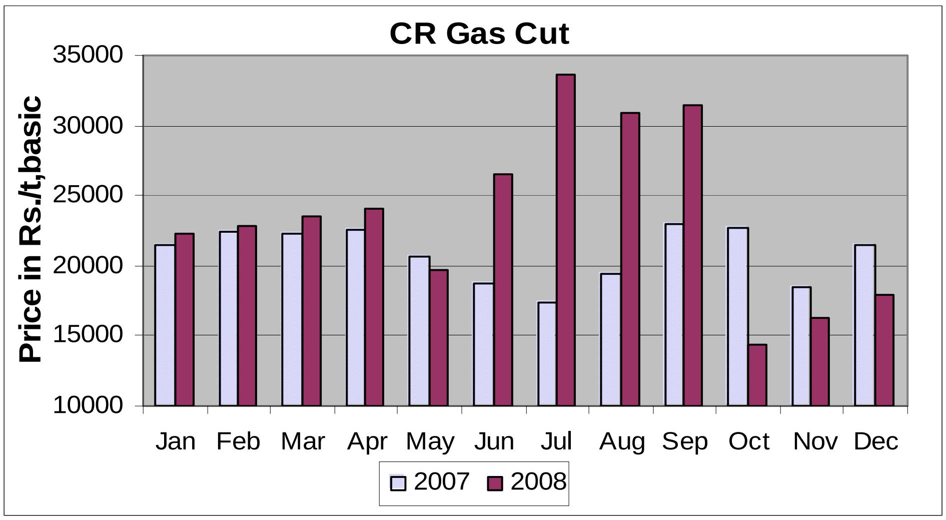
Outlook: The month started on a softened note with prices of raw materials seeing a drop in the range of 1 to 1.5 percent. Ingot prices across various places too witnessed a drop in the range of 1.5 to 3 percent across various places with buying activity still remaining poor. However, the latter half of the month saw some relief in prices with some of the buyers returning to the market. A smooth sailing in price has been noticed in the last two weeks; demand of steel has gone up and traders have started business fearlessly. For another couple of weeks, the steel prices may not be affected and are expected to remain stable in the coming month.

Auction price trend Comparison (Y-Y)
Year 2008 performed fairly well till the month of September with prices touching its peak in the month of July as compared to same period last year; however the sharp impact of global recession was also felt in the e-auction since October. Prices nosedived to its lowest in the month of November and ended on a slightly stable note in the month of December. The graphs below give an overview of the price performance across various scrap items.









Price in Rs./t is basic

International Scenario

Scrap Prices in the international front showed some signs of improvement in the month of December.

The Heavy Melting Steel Scrap No.1 United States saw an increase of US$ 11.67/MT over a week to prevail at US$ 119.17/MT in the second week, while Heavy Melting Steel Scrap No.2 United States and Heavy Melting Steel Scrap (80:20 mix) United States FOB East Coat remained stable over a week. Shredded Steel scrap FOB Rotterdam has also remained more or less stable over a week.

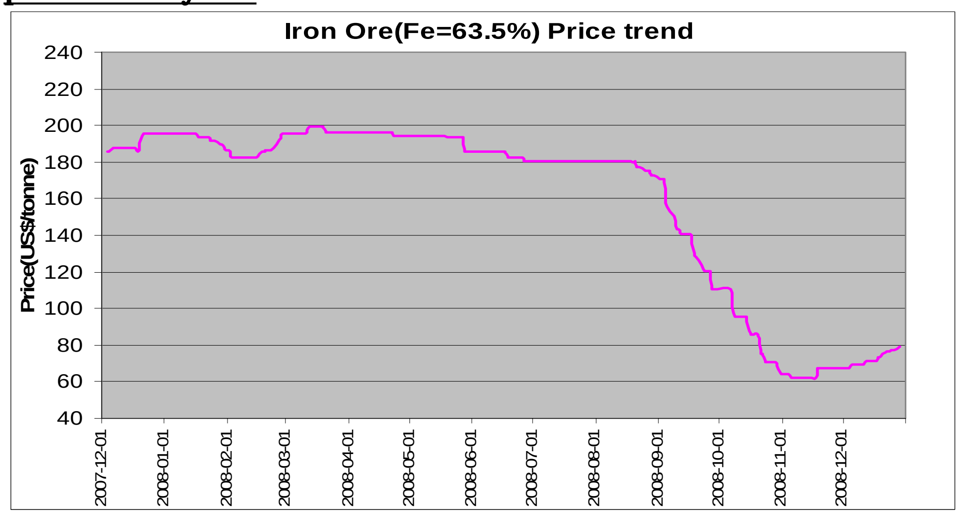
European scrap demand weak, but prices move up: in Germany the December increase is around €70-75/tonne for heavy melting scrap (E3) in the industrial Ruhr, and €60-70/t in the east of the country. This is said to be sufficient to encourage scrap to flow after recent low prices had stifled arisings. In the French market scrap has risen by €30-80/t for December depending on grade and region.

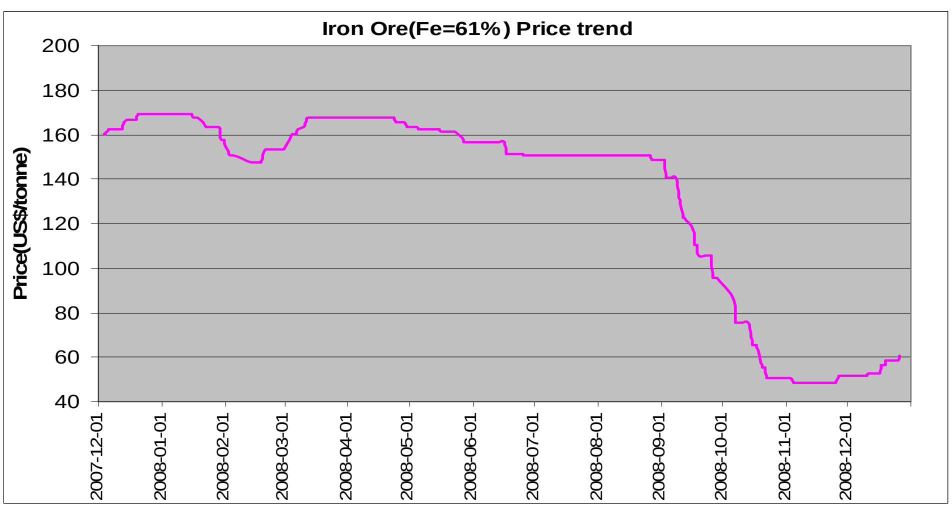
The European market ends the year with prices lower than at the start, but not as far down as some of the steep price falls of 3-4 months ago might suggest. With some mills not planning to resume melting until mid-January, early 2009 scrap demand looks likely to be modest.

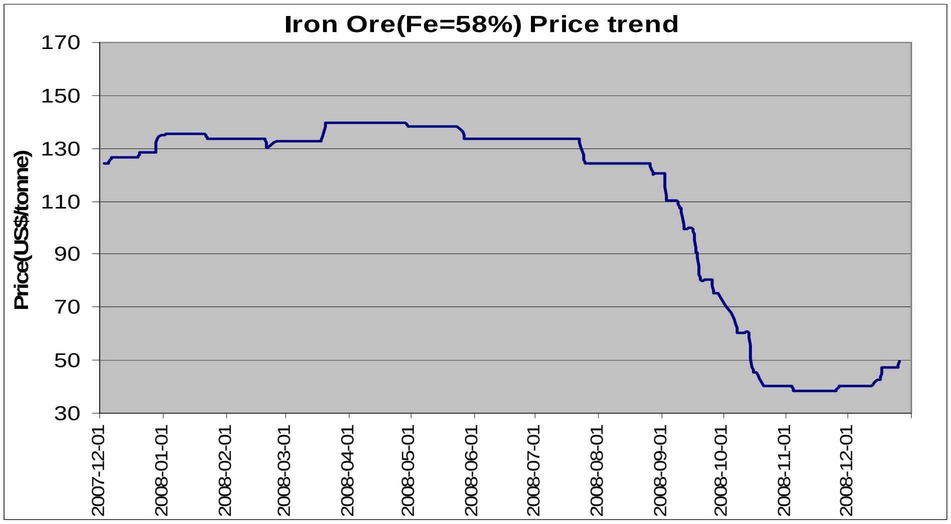
US scrap prices push higher: US scrap prices are continuing their uptrend and market sources indicate that prices will improve further in January. Prime scrap, which includes dealer bundles and busheling scrap, sold at $275 a long ton delivered in the third week, up considerably from $200/l.t three weeks ago.

The international market for **Iron Ore Fines** has been badly hit by the global recession. Both domestic and import prices of Iron Ore Fines have shown a downward trend in China, though some stability was restored towards the end of the month. As seen from the graphs, year on year trend reflects the downward movement with prices bottoming out and have regained some pace in the end of the year.

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







Price is CNF China in US$/t

<u>The tables below give the Scrap price trend across various regions:</u>

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	↑

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	↑

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	↑

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	↑

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	↑

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	↑

Outlook

Scrap Prices to stabilize in the short-term but will take some time to regain the pace.Iron ore prices too to take time to return to its earler trend.Till then a stability will prevail.
Brazil's scrap sector will need more time to rebound: Even if the Brazilian scrap market rebounds in January, the market's pace is expected to be very slow compared to normal conditions, according to experts.
Some merchants reduced their activities so much they would need a long time to re-establish scrap flows in the supply chain. This situation forced the merchants to increase their inventories and reduce their scrap buying and processing at the same time. Further complicating matters is continued weak demand from mills facing the impact of the global financial crisis and government delays in infrastructure spending.

Scrap shortage is expected to continue in China despite the slowdown in steel production.Sources predict steel scrap supply to be less than 10 million tonnes next year while demand is expected to be on a higher note.

Data Sources:
1) Steel Town Weekly, Mandi Govindgarh
2) Steel Business Briefing
3) Metal Bulletin
4) Asian Metal
5) JPC

(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

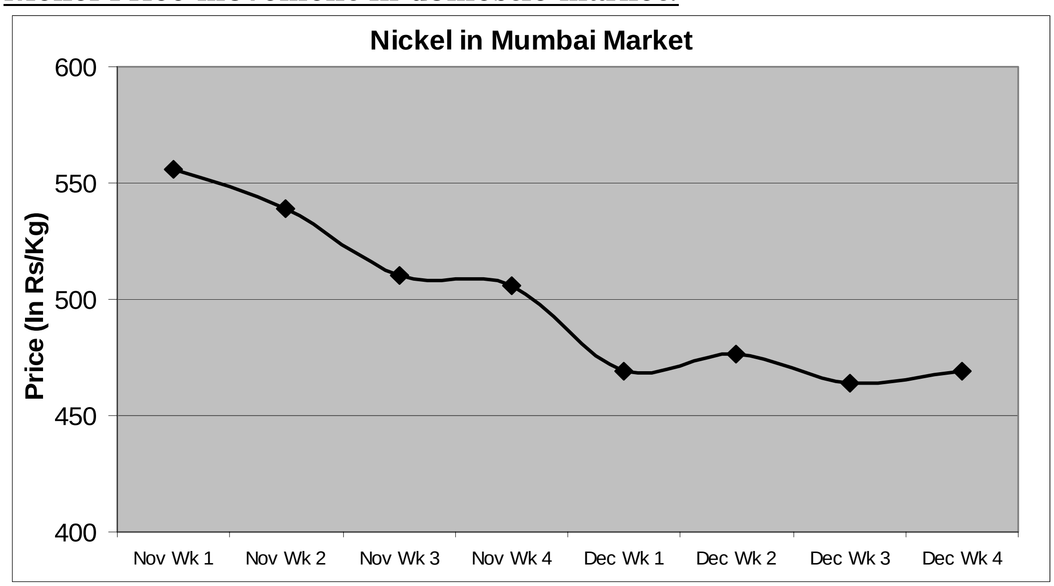
The domestic stainless steel market has exhibited a declining price trend across various grades as the price of Nickel and other raw materials have witnessed a softened trend both in the domestic as well as in the international market. Poor demand from stainless steel mills has kept the Nickel prices on a downward note. However, a slight stability was seen in the fourth week of the month.
Over a week, Nickel in Mumbai market experienced a drop of around 2.5 per cent while Nickel at LME remained unchanged. In LME, Nickel prevailed at US$ 9650/tonne on Dec 23, a drop of around 5 percent over a month and in Mumbai market Nickel prevailed at Rs. 470.35/ Kg (basic) on Dec 23, a drop of 7 percent over a month.

Market feedback of Prime SS

Gujarat
Grade 301: Rs.1,05,000 -1,10,000/tonne (basic)
Grade 304: Rs.1,10,000-1,15,000/tonne (basic)
Grade 316: Rs.1,70,000- 1,80,000/tonne (basic)

Delhi
Grade 201: Rs.65,000 -75,000/tonne (basic)
Grade 301: Rs.90,000-95,000/tonne (basic)
Grade 304: Rs.1,00,000 to Rs.1,05,000/tonne (basic)

Nickel Price movement in domestic market:

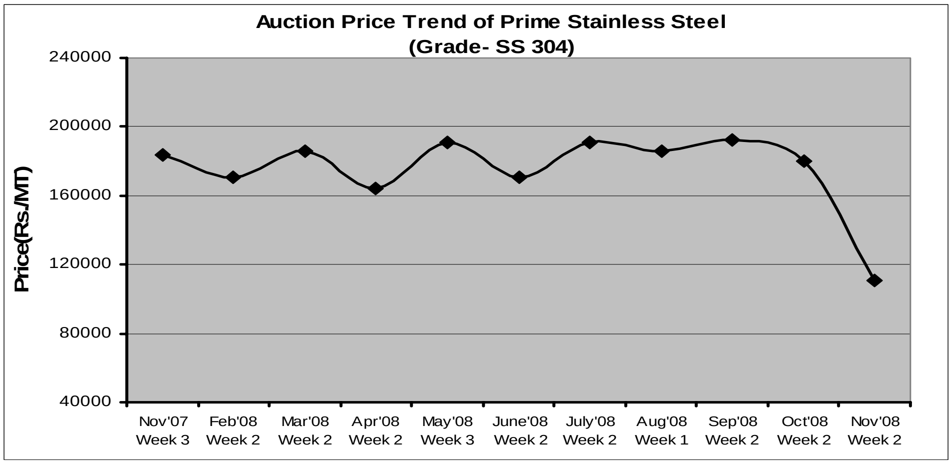


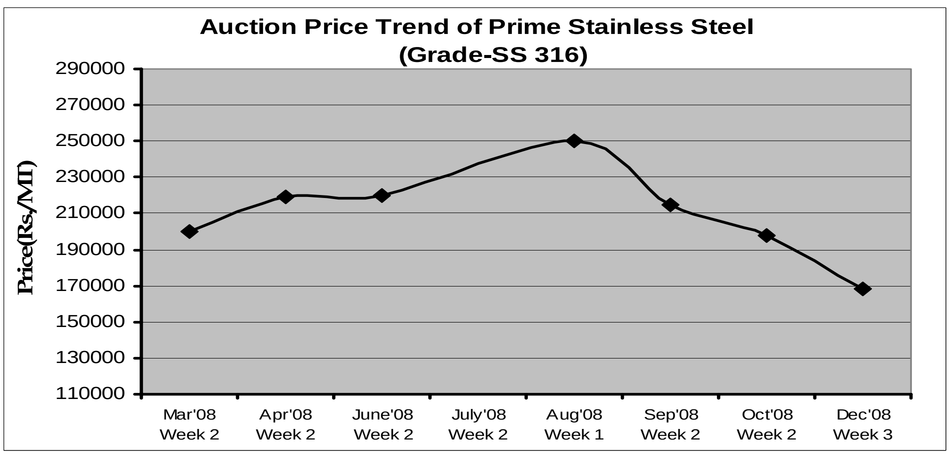
Price (Rs./kg) is basic

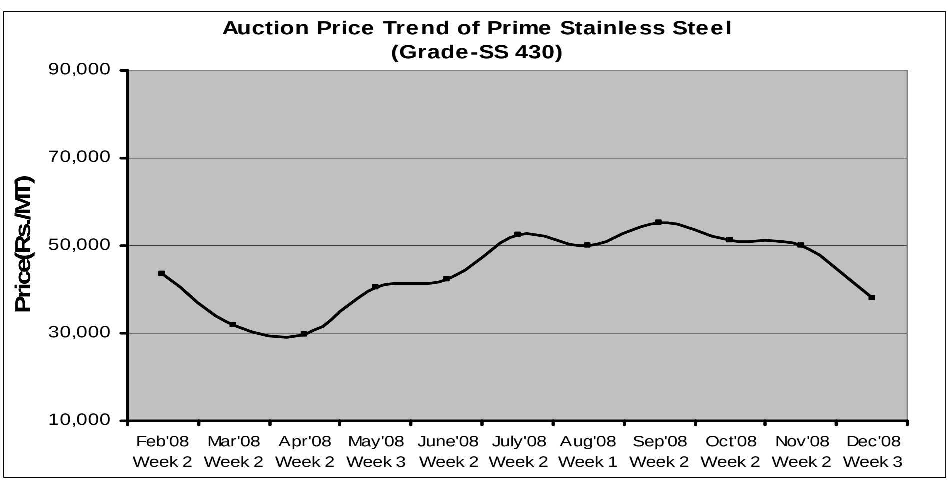
Price Movement

	Review	**Outlook**
Steel Product	Dec 2008 over Nov 2008	Jan'09 over Dec'08
Stainless Steel	↓	↔

The graph below gives the auction trend of Stainless Steel:







Price (Rs./tonne) is basic

Outlook: Prices continued to rule on a lower note with raw material prices receiving a setback. With demand remaining poor stainless steel market showed no revival and the auction platform too remained aligned with the domestic market. Further, the slump in the international sector added to the woes and prices have seen a drop in the range of 8 to 12 percent over a month. Nickel prices too witnessed a drop of around 10 percent over a month. 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.

International Scenario:

Global stainless steel prices falling on weak demand. Nickel prices remained significantly down. Chrome prices have also been declining, and molybdenum has had a steep price fall in recent weeks.
Chromium metal market remained quiet in European market as more steel mills shut down for Christmas celebrations. Chinese chrome ore market too remained weak as there has been no improvement in demand. Chrome Ore prices in India saw a drop of Rs.1000/tonne over a month and presently have been ruling stable.
Ferro molybdenum market remained slow in India and prices of FeMo 60% have been ruling in the range of Rs.950-1050/kg, however further drop was noticed in the last few days and prices dropped to Rs.900-950/kg.
Experts hold negative views about the market trend, believing that the market could not see any true improvement in the following months.
Molyoxide witnessed a drop of around 55 percent in two months.

Stainless Steel export market too remained dim as overseas buyers have been refusing to purchase in large amounts. **SBB forecasts a downward trend in the coming month.**

Asia: Asian stainless 304 prices inched lowered in the first week, declining by $100/tonne as suppliers slash prices due to weak demand. Prices of 304 2mm 2B CR sheet for one-to-two-month delivery were at $2,100-2,200/tonne cfr China, down from $2,100-2,300/t cfr China a week earlier. Prices slipped by another 50 USD/tonne in the second week. The month ended on a declining note with prices further dropping by 50 USD/tonne. Prices of 304 2mm 2B CR sheet for one-to-two-month delivery were at $2,000-2,150/tonne cfr China, down from $2,050-2,200/t cfr China last week.

Stainless Steel Scrap market remained inactive in Chinese market. Prices have remained stable in the last few days and 304 stainless scrap prevailed at around RMB9300/t = 1395USD/tonne, excluding VAT. **Chinese domestic** prices of grade 202 stainless cold rolled coils rebounded by RMB 600/tonne ($87/t) on tight supply but those for 430 CRC continued to ease, falling RMB 400/t ($58/t) in the past week on weak demand. The rebound in 202 prices is due to production cuts by 200-series stainless producers. However, as demand remains weak the price increase is likely to be temporary and prices could still decline in the near-term.

European stainless bar demand poor; effective prices down: European stainless bar is experiencing weaker demand as some core markets decline and stockists continue to try and hold down inventories due to declining alloy surcharges and worsening trading conditions. Mills have responded by reducing output. Recent weeks have seen effective prices tumble, due more to a steep fall in alloy surcharges than to marked-down base prices.

The tables below give an overview of stainless steel prices worldwide

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

Type	Oct'08	Nov'08	Dec'08	Jan'09*
HR 304	18300-18800	17000-17500	15600-16100	15000-15500
CR 304 2B	19000-19500	17700-18200	17000-17500	16500-17000
CR 202 2B	18000-18200	14500-14700	15100-15300	15000-15200
CR 430 2B	10800-11000	10000-10200	9600-9800	9400-9600

Europe:

CR 304 2B 2mm,Euro/t Ex-Works	Oct'08	Nov'08	Dec'08	Jan'09*
N.Europe	1000-1070	950-1000	900-970	870-920
S.Europe	980-1050	900-950	900-920	850-900

Europe:

CR 430 BA 2mm,Euro/t Ex-Works	Oct'08	Nov'08	Dec'08	Jan'09*
N.Europe	1000-1100	950-980	950-1000	920-970
S.Europe	1020-1050	970-1000	940-980	900-940

Europe:

304L Bright Bar 25-80mm dia-delivered, € cent/kg	Oct'08	Nov'08	Dec'08	Jan'09*
Domestic	100-125	90-125	90-120	90-110

(*): SBB forecast

Note: 1US$= Rs.48.83, 1Euro= Rs.68.21, 1 RMB=0.15US$

Nickel Trend: Nickel prices have seen a falling trend throughout the month of December on account of global economic recession with prices touching a low of 9050USD/tonne.The month ended on a declining note with a sharp drop 10 percent noticed 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	9608	-10.16	-63.00

Outlook:

Demand and prices have been falling across Asia, causing producers to cut back production. Orders on the stainless mills continue to fall despite massive production cuts. Suppliers of raw materials - nickel, chromium, molybdenum and scrap - have all reduced their selling prices in an effort to stimulate the market but to no avail. This input price deflation is depressing short term demand for stainless steel.
As stated by MEPS Survey, transaction prices for grade 304 products are forecast to decline further in the short term due to falling raw material costs. Type 316 figures are expected to record a substantial drop of approximately $US1700 per tonne in the next few months as molybdenum values plummet. Consequently, customers are likely to wait before committing to new purchases.
Demand is also likely to remain weak in the near-term as users are cautious about taking in inventory amid the economic uncertainty, observers say. While prices remain on a downward trend, traders believe the size of the price declines will become smaller as the market stabilizes from the early panic-selling.
As the Chinese New Year holidays come nearer, some suppliers may also sell their inventory cheap in the market in order to have more cash on hand before the lunar year ends, possibly causing stainless prices to dip further.

Data Sources:
1) www.lme.co.uk
2) Steel Business Briefing
3) Metal Bulletin
4) MEPS
5) NCDEX

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