

News at a glance

Zinc price dips as stocks jump: Zinc prices have fallen nearly 22% since touching \$3,980/tonne on 11 May'06. Stocks remained at their lowest levels in more than five years, having fallen nearly 50% since the beginning of the year. Prices of Zinc started showing signs of stability in the last week of June'06.

Hindustan Zinc cuts Zinc prices by 7%: In its third revision this month, HZL lowered zinc prices by 7% at Rs.13,400/t effective 14th June'06. With this decrease the high grade zinc price is quoted at Rs.1,72,600/t.

Previous revision was on June 10th'06, when reduction was by Rs.9300/t. The cut has been in line with the declining trend at LME where zinc prices slumped by \$365 to \$3,090/t between June 9 & 14.

Indian Galvanized makers not to reduce prices in spite of Zinc prices cut: This is because for galvanized manufacturers zinc price cut has been compensated by a steep hike in fuel, freight and raw material prices like hot-rolled products which form a major input. Also, the zinc price cut is a temporary phenomenon as in the last three months zinc price has risen by more than 34%.

World steel output up 9.3% in May: World crude steel production in May increased 9.3 per cent to 104.13 million tonne from about 95.26 million tonne in the corresponding month of 2005. Production between January and May increased 7.06 per cent to 490.68 million tonne from 458.32 million tonne in the previous year. While China's production has been up 19% this year, India's production has been up 17% so far this year.

Steel prices hiked in the beginning of June'06: Major steel producers have announced price hikes in the range of Rs.500-1000/t reflecting the global trend. **Tata Steel** increased prices of its hot rolled coils by Rs 500 to Rs 1,000 per tonne.

Essar Steel increased prices of various grades of hot rolled steel by 3% to 4%, which works to around Rs 1,000 a tonne. **JSW Steel Ltd** also announced a hike in the price of hot-rolled coils by Rs 1,000 per tonne. **Ispat** has increased prices of steel by around Rs 1,000 per tonne.

Iron ore export deals with Japan, Korea: India has signed new five-year agreements with Japan and South Korea for iron ore exports.

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

Steel prices - CRUspi indices are compiled from a weighted basket of steel prices. In total, there are eight weighted indices:

Carbon Steel: six indices (CRUspi global, CRUspi flats, CRUspi longs, CRUspi North America, CRUspi Europe and CRUspi Asia)

Stainless Steel & Metallics (scrap, pig iron and DRI/HBI)

	Apr'06	% Change(Y-Y)	May'06	% Change(Y-Y)	June'06	% Change(Y-Y)
Global Index	148.97	-4.40	156.96	4.10	165.76	20.30
North America Index	148.86	5.30	154.13	10.30	162.08	22.90
Europe Steel Index	159.62	-0.70	168.87	8.60	171.09	17.30
Asia Index	143.14	-11.50	152.03	-1.70	164.97	20.50
Longs Index	146.4	2.40	151.46	8.10	158.23	24.00
Flats Index	150.24	-7.40	159.69	2.30	169.5	18.60
Metallics Index	194.61	0.90	205.07	21.70	213.67	59.30
Stainless Index	121.8	-8.10	127.00	-3.70	139.96	6.80

Strong Improvement has been seen across all the segments after a long time in June'06 over June'05. The improvement in index values clearly represents a healthy steel scenario globally.

All raw materials are benefiting from rising demand as steel output expands. The most immediate impact has been in the **scrap** market with the CRU metallic price index soaring by 31% since the New Year and currently standing just below its all time high.

Prices have continued to boom in the resurgent steel market and this is clearly reflected in the CRU steel price index which has hit record levels this month.

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

HIGHLIGHTS:

Indian mills increased prices of flat products: **Tata Steel** increased prices of its hot rolled coils by Rs 500 to Rs 1,000 per tonne. **Essar Steel** increased prices of various grades of hot rolled steel by 3% to 4%, which works to around Rs 1,000 a tonne. **JSW Steel Ltd** also announced a hike in the price of hot-rolled coils by Rs 1,000 per tonne. **Ispat** increased prices of steel by around Rs 1,000 per tonne. The price hike in the HR segment is influenced by the trend in the international market.

Firm Steel trend has once again led the steel stock prices to revive: The Mittal - Arcelor has allowed steel stock prices to have decent gains in the end of June'06. SAIL is now trading more than 1.5 per cent higher while Tata Steel is trading flat.

Prices of Steel items moved up in the end of June'06. With demand strengthening and growth registered by steel-intensive industries like automobiles, consumer durables, construction and engineering goods the effect was seen on steel prices. The prime price of HR Plates rallied high in June. Overall there is strengthening of price in the market of flat. Long was slow in gaining price and slowly had an upward movement.

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

Primary Flat Products	Mar-06	Apr-06	May-06	June-06
Plate(5-10 mm)	27000	28000	28000	28500
HR Coil	27500	28000	27500	28000
CR Coil	33000	33000	33000	33500
CR Sheets	33000	33000	33000	33500
GP Coil	35300	35000	35000	35500
GP Sheets	35500	35000	35000	35500

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

Primary Long Products	Mar-06	Apr-06	May-06	June-06
Billets(100*100mm)	21900	22200	21400	21700
MS Rounds(22/25 mm)	23600	24400	23500	23700
MS Squares(22/25 mm)	22500	23800	23500	23700
MS Angles(25*6mm)	23600	24400	23900	24100
MS Angles(100*6mm)	24700	25800	25000	25200
MS Channels(75*40mm)	24000	24800	24300	24600
MS Channels(125*65mm)	24700	25200	24700	24900

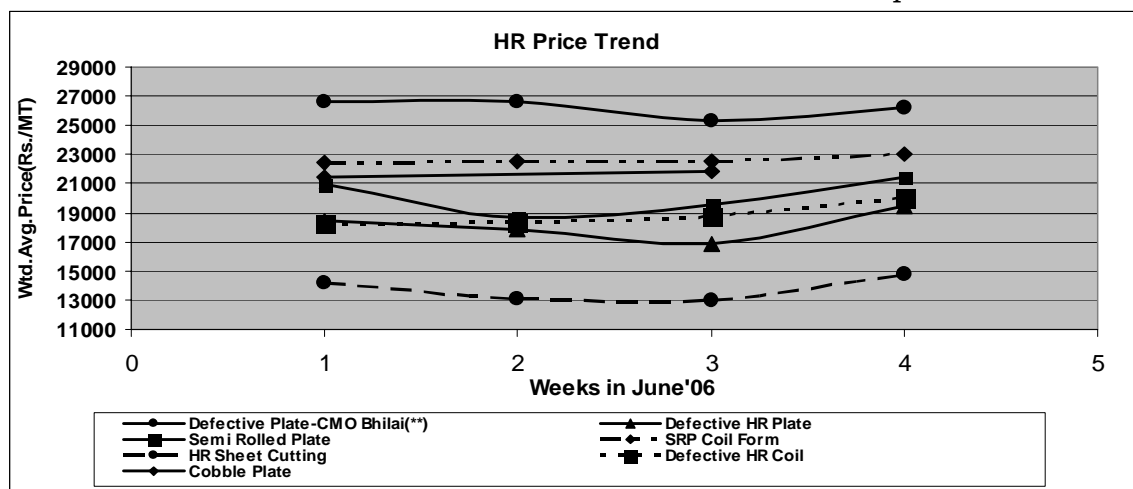
Note: Flat & Long Price (Rs. /MT, incl.excise duty)

Price Movement

	Review	Outlook
Items	June'06 over May'06	July'06 over June'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 June 2006 for different HR and CR products.



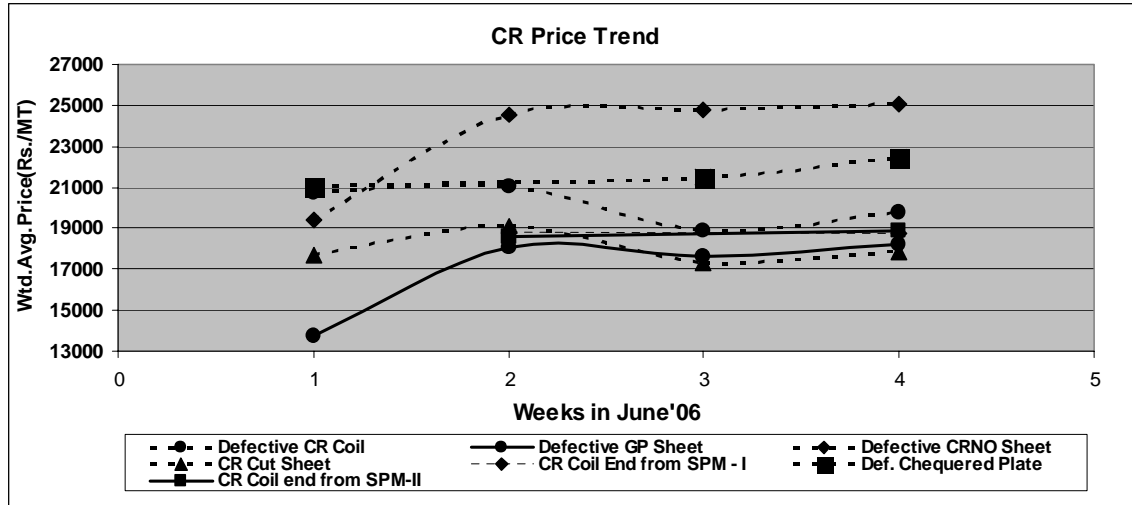
Note: Price is basic, ** implies price incl.excise duty

Attached below is the data table:

Week	Def.Plates-CMO Bhilai	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def.HR Coil	Cobble Plate
1	26661	18465	20980	22462	14143	18280	21451
2	26583	17867	18686	22582	13090	18345	
3	25343	16895	19552	22584	12952	18727	21849
4	26241	19487	21436	23000	14807	20041	

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

Products	May Price(Avg.)	June Price(Avg.)	% change	Price Movement(June'06 over May'06)
Def Plate-CMO Bhilai	25596	26207	2.39	↑
Semi Rolled Plate	21769	20164	-7.37	↓
SRP Coil Form	22682	22657	-0.11	↓
HR Sheet Cutting	14053	13748	-2.17	↓
Def. HR Coil	18239	18848	3.34	↑
Cobble Plate	21068	21650	2.76	↑



Price is basic

Attached below is the data table:

Week	Def. CR Coil	Def. GP Sheet	Def. CRNO Sheet	CR Cut Sheet	CR Coil End from SPM-I	Def Chequered Plate	CR Coil End from SPM-II
1	20729	13770	19429	17709		21059	
2	21029	18049	24565	19086	18777		18560
3	18870	17585	24731	17295		21506	
4	19751	18194	25059	17805	18697	22463	18869

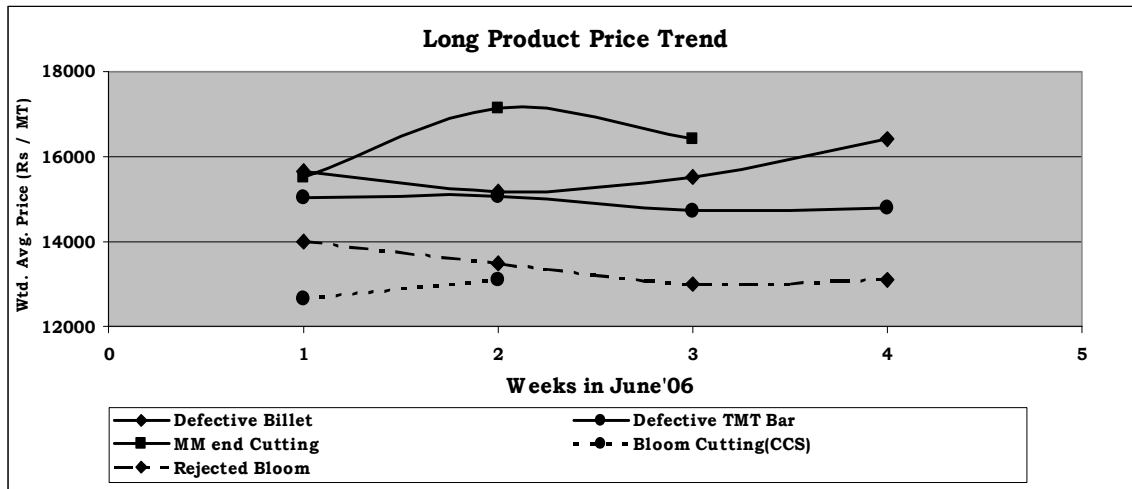
Summary of price and % change (m-m basis):

Products	May Price(Avg.)	June Price(Avg.)	% change	Price Movement(June' 06 over May'06)
Def. CR Coil	19838	20095	1.30	↑
Def. CRNO Sheet	21825	23446	7.43	↑
CR Cut Sheet	18890	17974	-4.85	↓
CR Coil End from SPM-I	19038	18737	-1.58	↓

Outlook: The auction platform achieved its stability since the mid of June'06. Steel majors announced price hike for flat products in the beginning of the month and domestic steel market regained its stability after a period of volatility. The effect was seen on auction platform. A similar stable trend is expected in the coming month and prices are expected to hover around the current levels before the arrival of monsoon when prices may again go down. Specially CR products will have higher stocking in this month and may show sluggishness.

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 June 2006 for different long products.



Price is basic

Attached below is the data table:

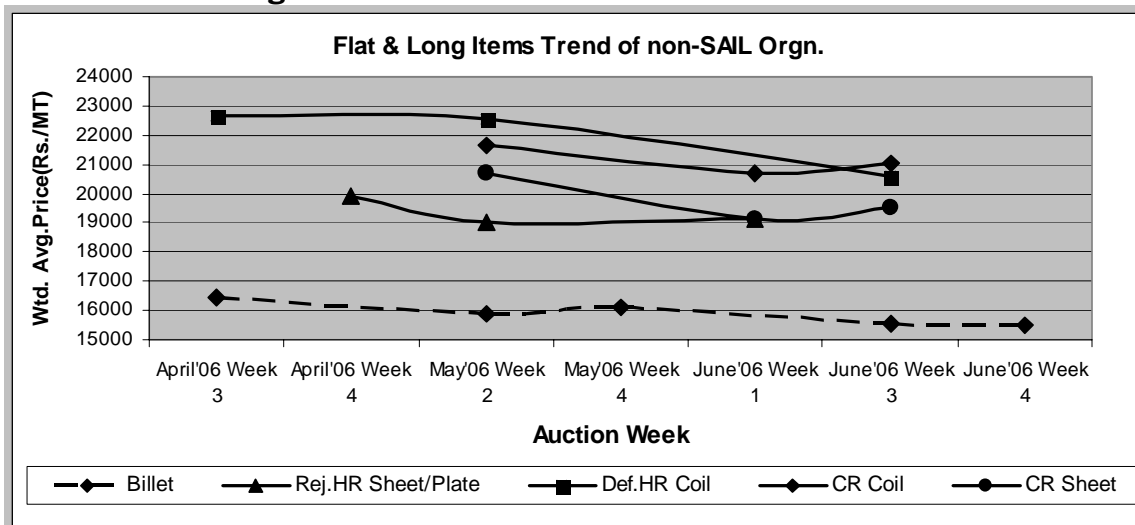
Week	Defective Billet	Defective TMT Bar	Bloom Cutting(CCS)	MM End Cutting	Rejected Bloom
1	15651	15047	12642	15517	14000
2	15161	15061	13114	17153	13500
3	15513	14710		16428	13000
4	16412	14780			13100

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

Products	May Price(Avg.)	June Price(Avg.)	% change	Price Movement(June'06 over May'06)
Def Billet	16028	15684	-2.15	↓
Def TMT Bar	15566	14900	-4.28	↓
Bloom Ctg(CCS)	13622	12878	-5.46	↓
Rejected Bloom	13625	13400	-1.65	↓

Outlook: The auction platform achieved its stability since the mid of June'06. With ingot prices firming up since the mid of the month, the effect was seen on the auction platform with buyers sentiment improving to some extent. However, material movement took place slowly as buyers were apprehensive of volatility of market. It is expected that prices will hover around the current levels before the arrival of monsoon when prices may again go down due to less construction work.

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



Price is basic

Analysis of Flat & Long Product Items on Metal Junction Platform:

	HR Plate		CR Coil		CR Cut Sheet	
	%Change (m-m)	% Change (y-y)	%Change (m-m)	%Change (y-y)	%Change (m-m)	% Change (y-y)
June'05	-15.62		-8.88		-12.34	
July'05	-20.46		-16.12		-13.06	
Aug'05	14.24		5.10		7.76	
Sep'05	5.78		7.66		6.57	
Oct'05	1.08		-4.63		-0.20	
Nov'05	-9.98		-6.60		-7.85	
Dec'05	-7.51		-9.77		-14.86	
Jan'06	0.54		-1.72		2.88	
Feb'06	1.13		4.78		-0.82	
Mar'06	18.99		2.14		19.05	
Apr'06	4.76	-22.11	8.72	-24.80	2.37	-17.04
May'06	-0.31	-13.76	-2.79	-22.73	0.90	-14.03
June'06	5.12	7.44	-2.57	-7.35	-5.81	-7.63
	Billet		Bloom		TMT Cutting	
	%Change (m-m)	% Change (y-y)	%Change (m-m)	%Change (y-y)	%Change (m-m)	% Change (y-y)
June'05	-5.30		-7.99		-2.00	
July'05	-12.55		-12.37		-13.45	
Aug'05	3.82				0.81	
Sep'05	0.99				1.32	
Oct'05	-4.30		2.33		-2.19	
Nov'05	-3.41		0.00		-1.77	
Dec'05	-5.68		-6.06		-3.73	
Jan'06	4.64		11.29		1.46	

Feb'06	7.10				7.19	
Mar'06	8.43		7.07		6.64	
Apr'06	0.17	-15.01	-0.64	-18.78	2.39	-7.91
May'06	-4.62	-12.11	-7.19	-13.15	-5.64	-10.22
June'06	-2.14	-9.17	-0.18	-5.78	-4.17	-12.20

Ingot Trend

	June Week 1	June Week 2	June Week 3	June Week 4
Kolkata	16586	16442	16283	16557
Mandi	20496	20379	20334	20333
Ghaziabad	19491	19357	19408	19691
Raipur	17185	17000	16996	17578
Mumbai	19241	18622	18769	19367

Price: (Rs./t, incl excise duty)

International Scenario**HIGHLIGHTS:**

Europe: Both domestic and imported plate prices continued to increase with strong sentiment prevailing in European market. The increase in the value of the euro against the dollar is making the EU a more attractive market. Steel prices in Europe are catching up with those in the US.

German Steel industry moving forward with economy growing: A revival of the construction sector, an upturn in manufacturing, and stronger domestic consumption is helping the domestic market to move forward. Steel production and consumption are running higher than in 2005 and activity in German steel-using industries is accelerating. However, threat remains from cheap steel import and high electric power costs.

Long & Flat product export prices on a continuous rise in CIS countries: In the end of May'06 there was an increase of \$10-15/t of rebars and in the end of June'06 it has been in the range of \$450-460/t fob Black Sea. Wire Rod export prices have been hovering around €440/t cfr ex-Turkey and Egypt, and €410/t cfr ex-China, in Europe. Export prices of HR and CR coils have increased by roughly US\$170/t to US\$540/t and US\$650/t respectively on a fob Black Sea port basis.

North America: There has been an upward movement in steel prices with demand strengthening from construction sector and energy industry. With demand-supply gap reducing, there has been an upward movement in US prices for sheets, plates and long products.

Asia: Steel prices rally once again in Asia with demand supply fundamentals remaining tight and raw material costs on a rise. Chinese domestic prices which

achieved it's stability in the month of April and May resumed an upward direction in the month of June'06.

The table below gives international steel price trend and forecast for the month of July'06:

	Mar'06	Apr'06	May'06	June'06	July'06(*)
China Domestic Billet FOB Shanghai(incl. 17% Vat)RMB/t	2700-2800	2850-2860	2900-2920	3110-3150	3200-3250
China Domestic Slab FOB Shanghai(incl. 17% Vat)RMB/t	2550-2850	3000-3150	3000-3200	3050-3250	NA
East Asia Import Billet CFR(\$/t)	355-380	380-410	410-430	415-430	430-440
East Asia Import Slab CFR(\$/t)	340-415	410-430	430-450	450-480	480-500
N.Europe Domestic HRC Ex-Works(Euro/t)	415-435	420-450	470-500	485-510	485-510
N.Europe Domestic CRC Ex-Works(Euro/t)	515-525	515-530	550-580	570-595	570-595
S.Europe Domestic HRC Ex-Works(Euro/t)	400-430	440-470	500-510	500-520	510-520
S.Europe Domestic CRC Ex-Works(Euro/t)	520-530	540-570	580-610	590-600	600-610
East Asia Import HRC CFR \$/t	430-480	490-530	520-550	530-550	550-570
East Asia Import CRC CFR \$/t	550-600	600-650	670-700	670-710	700-720
China Domestic HRC FOB Shanghai(incl 17% VAT)RMB/t	3400-4100	3500-4200	3500-4200	3600-4200	NA

China Domestic CRC FOB Shanghai(incl 17% VAT)RMB/t	4400-5300	4500-5350	4500-5250	4750-5500	NA
Europe Domestic Rebar Delivered(Euro/t)	405-520	420-530	430-530	440-530	NA
Europe Domestic Wire Rod(mesh quality) Delivered(Euro/t)	385-430	420-430	440-460	430-480	NA
East Asia Rebar CFR \$/t	370-390	390-410	400-420	420-440	430-450
East Asia Wire Rod(mesh quality) CFR \$/t	380-400	400-420	410-430	420-440	430-450
China Domestic Rebar FOB Shanghai(incl 17%VAT)RMB/t	2790-2950	2920-2960	3120-3150	3230-3280	3300-3350
China Domestic Wire Rod(mesh quality) FOB Shanghai(incl 17%VAT)RMB/t	2930-3070	3100-3150	3480-3500	3500-3550	NA

* SBB Forecast

Note: 1 US\$=8.2 RMB, 1Euro=Rs.59.06, 1US\$=Rs.46.06

OUTLOOK:

US: A decline in long products imports is expected in the second half of the year due to high priced import offers from low priced sellers, strong gains in domestic Asian market and a relatively weak dollar against the Euro. Turkish and Asian rebar prices have risen much more dramatically over the past few months, which have made them less attractive to US importers. Further, import pricing has been very similar to domestic US pricing. With market fundamentals remaining tight, domestic prices are expected to remain strong.

Europe: Steel prices are expected to increase 30% in Europe in the next one year with increase in raw material prices. Demand for steel is expected to remain healthy which will further support rise in steel prices.

Asia: South East Asian steel demand to rise by 6% annually: In the next ten years steel demand in South East Asia is expected to rise by around 6% per

year. Thailand, Vietnam and Malaysia are expected to have the highest rates of demand growth. The region's consumption structure will become more advanced in the next ten years. Due to increased automobile and appliance production flat products will be consumed more in the region. Steel prices are expected to increase 15% in Asia in the next one year.

India: Steel prices to stabilize in the second half of the year. The Arcelor-Mittal merger is expected to bring down volatility in steel prices. Prices of both flat & long product items are expected to hover at current levels by mid-July, however with the onset of monsoon prices are expected to soften.

Data Sources:

- 1) Steel Trade Today
- 2) www.ncdex.com
- 3) Steel Trade Intelligence
- 4) Metal Bulletin
- 5) Steel Business Briefing
- 6) CRU Monitor
- 7) CRISIL Research Report

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Iron ore:

Spot prices for Indian Iron-Ore strengthen in China: Encouraged by the 19% rise in iron-ore prices last month, spot market prices for Indian Iron-Ore (63% Fe) into China have increased in the range of \$71-73/t (landed). FOB prices for Indian Ore are presently around \$54-56/t, up by \$1-2/t since early June'06. Ocean freight costs have also moved up slightly to \$16-17/t.

China's Iron-Ore Prices-Imports

	Mar'06	Apr'06	May'06	Jun'06	July'06(*)
Indian 63% Fe \$/t CFR China	67-72	67-73	65-72	68-74	70-76

*-SBB Forecast

Indian Government to cut Iron-Ore exports to half: The government has decided to slash the volume of iron ore exports at a minimum of 3.5 million tonnes against a level of 7 million tonnes last year. This has been done in order to make it available more to domestic steel producers.

Pig Iron:

Pig Iron prices moved upwards in June'06. A healthy demand for the material helped stabilize the prices. Buoyancy in sectors such as automobiles and engineering has boosted the demand for pig iron. The boom in the housing and infrastructure sector led to higher production in small foundries thereby pushing up demand for pig iron in June before the onset of monsoon.

Price trend of Pig Iron: (Rs. /t, incl.excise, landed)

Item	Place	May-06	June-06	Price Movement
Pig Iron(SG)	Kolkata	16,000	16,100	↑
	Raipur	15,800	15,900	↑
	Mandi Govindgarh	16,800	17,000	↑
Pig Iron(FG)	Mandi Govindgarh	17,800	18,200	↑

SG: Steel Grade, FG: Foundry Grade

Auction Trend of Pig Iron

Auction Week	Eastern India (Si>2.00%)	Southern India (Si<1.00%)	Eastern India (Si<1.00%)	Punjab		
				Si 1.25%-1.74%	Si 1.75%-1.99%	Si 2.00%-2.24%
Mar'06 Week 2	13532			12775		
Mar'06 Week 3	13340	12300				
Mar'06 Week 4						
Apr'06 Week 1			14325			
Apr'06 Week 2			14117	12800		
Apr'06 Week 3		12317	13890		13575	
Apr'06 Week 4	14223			13250		
May'06 Week 1						13425
May'06 Week 2			11338	12975		
May'06 Week 3	14172		13490			
May'06 Week 4		12303	12690	12525		
June'06 Week 1			13600	13525		
June'06 Week 2						
June'06 Week 3	13581					
June'06 Week 4	13892					

Price (Rs./MT, basic)

Sponge Iron:

Since the beginning of new Financial Year prices of Sponge Iron have shown a downward trend and the major reason for the lack of movement in Sponge Iron prices is the fact there is an abundant supply of scrap in local and foreign markets and no major change in prices is expected in the coming few months. Also, demand for Sponge Iron is expected to remain stable until the monsoon sets in.

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

Month	Price	Price Movement	% Change
Feb-06	9809		
Mar-06	10719	↑	9.28
Apr-06	10466	↓	-2.36
May-06	9471	↓	-9.51
June-06	9155	↓	-3.34

Scrap:

Prices of scrap moved up in the month of June'06 due to higher freight costs.

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

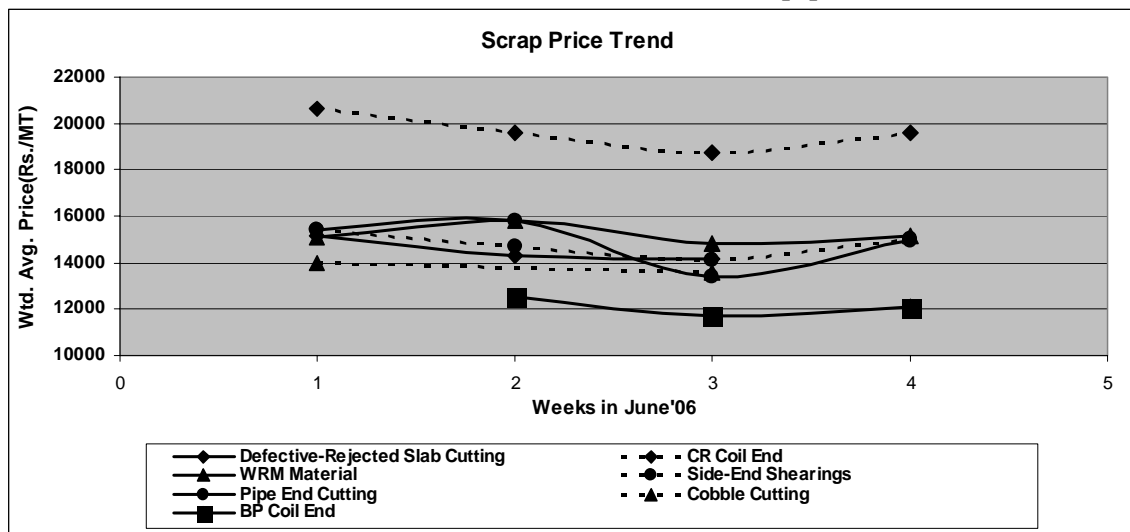
Place	Jan-06	Feb-06	Mar-06	Apr-06	May-06	June-06
Delhi	14,250	14,350	15,100	16,200	15,500	15,600
Chennai	14,150	14,300	15,100	16,500	15,700	15,950
Mumbai	14,300	14,500	15,200	16,500	15,600	15,800
Kolkata	12,800	12,900	14,900	15,500	15,050	15,400

Price Movement

	Review	Outlook
Steel Product	June 2006 over May 2006	July 2006 over June 2006
Pig Iron	↑	↑
Sponge Iron	↓	↔
Melting Scrap	↑	↔

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 June 2006 for different scrap products.



Price is basic

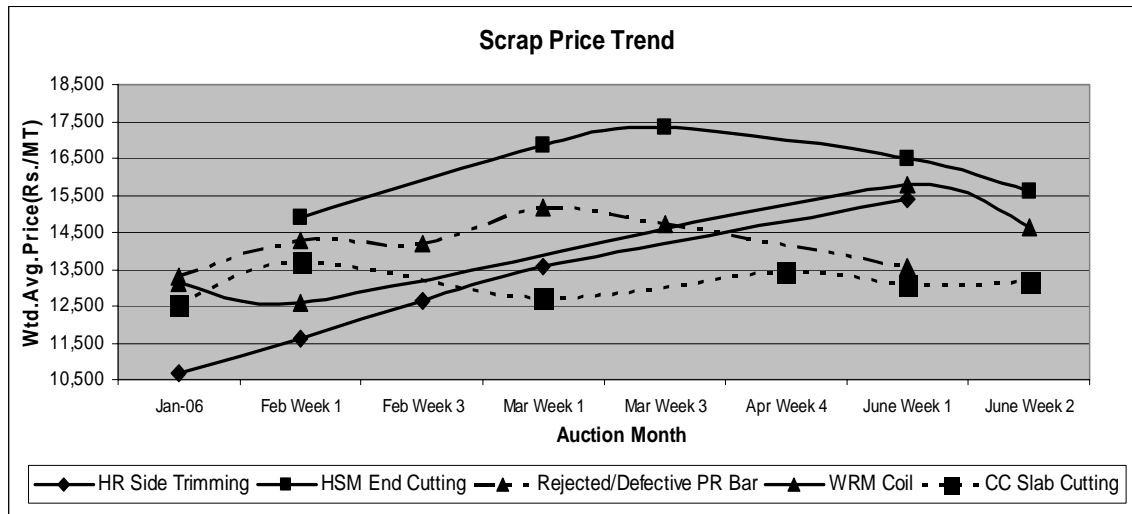
Attached below is the data table:

Week	Def.Rej. Slab Cutting	CR Coil End	WRM Material	Side-End Shearing	Pipe Cutting	Cobble Cutting	BP Coil End
1	15142	20649	15097	15388	15431	13982	
2	14275	19587	15810	14680	15814		12518
3	14200	18731	14804	14100	13416	13600	11712
4		19582	15150	14992	14960		12105

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

Products	May Price(Avg.)	June Price (Avg.)	% change	Price Movement(June' 06 over May'06)
Def-Rej Slab Cutting	15453	14539	-5.91	↓
CR Coil End	19729	19637	-0.47	↓
WRM Material	15150	15215	0.43	↑
Side-End Shearings	15158	14790	-2.43	↓
Cobble Cutting	14326	13791	-3.73	↓

The graph below indicates the price trend of scrap items auctioned from non-SAIL organizations



Price is basic

Outlook: Scrap items auctioned ended with a positive note in the fourth week of the month. The auction trend has stabilized since the third week of the month. With domestic market firming up and Ingot prices showing signs of stability, the auction platform is expected to maintain a stable trend in the coming month before the onset of monsoon.

International Scenario:

HIGHLIGHTS:

Rising demand for raw materials with steel capacity expansion. Pig iron prices in the Far East have reached record levels within the past month as chronic supply shortages and rising demand force prices ever higher. Another reason for record pig iron prices has been the rising cost of **iron ore**. Furthermore, spot prices have risen again amid increasing signs that supply has struggled to cope with demand. The first half of this year has seen shipments from some of the key exporting countries fall below expectations. Sources say that India is struggling to maintain its existing level of exports. If this proves true then spot values are likely to trend upwards during the second half of the year.

Iron-Ore Prices strengthen in China: Encouraged by the 19% rise in iron-ore prices last month, prices have also strengthened in China. Purchase prices for domestic concentrate have gone up by around RMB 50/t (\$6.25/t) to RMB 500-550/t (including 13% VAT).

China's Iron Ore Prices (Import & Domestic)

	Mar-06	Apr-06	May-06	June-06	July-06(*)
CFR China(\$/t)	67-72	67-73	65-72	68-74	70-76
Ex-Works(RMB/t)	460-540	450-540	460-550	470-550	500-560

***SBB Forecast**

Pig Iron Prices strengthen in China: With steel market conditions improving globally, the impact has been seen on raw material prices which have improved significantly since the end of May'06. In Eastern China, purchase prices of pig iron climbed to RMB 2,250-2,400/t (\$281-300/t) up from RMB 2,150-2,200/t in late May.

China's Pig Iron Prices

	Mar-06	Apr-06	May-06	June-06	July-06(*)
Hebei(RMB/t)	2000-2200	2050-2200	2100-2250	2150-2400	2250-2450

***SBB Forecast**

US Shredded Scrap exports get boost from Asia: Stronger shredded scrap demand from steelmakers and foundries in several Asian countries boosted U.S. exports by 19.1 percent in April. Exports to China, the US industry's biggest offshore customer rose to 30,127 tonnes from 11,895 tonnes in March'06. India boosted its purchases to 27,361 tonnes in April; more than triple the 8,589 tonnes it bought in March.

US Export scrap prices go higher: US export scrap prices increased for the seventh time in the month of June'06 on higher domestic values and good demand from mills across the Atlantic.

Strong demand of steel scrap seen in Vietnam: With new steel projects coming up, Vietnam needs to import 1.4 million to 1.5 million tonnes of steel scrap annually in the coming years. The domestic demand for steel scrap is estimated at 2.2 million to 2.3 million tons per annum with local supplies amounting to 800,000 tonnes.

The tables below indicate global price trend of Pig Iron and Scrap :(A positive movement in June'06)

Grade	Place	Price	Price Movement (June'06 over May'06)
Steel CIS Export	Black Sea/Baltic Sea	329(\$/t)	↑
Steel CIS Export	Far East	319(\$/t)	↑
Steel EU Import(Basic)	cfr Western Europe	275(Euro/t)	↑

1US\$=Rs.46.06, 1Euro=Rs.59.06

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

Month	Average Price(\$ per long ton)	Price movement
Feb-06	220	
Mar-06	228	↑
Apr-06	236	↑
May-06	236	↔
June-06	245	↑

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

Month	Average Price(\$ per long ton)	Price movement
Feb-06	205	
Mar-06	220	↑
Apr-06	229	↑
May-06	229	↔
June-06	260	↑

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

Month	Average Price(\$ per long ton)	Price movement
Feb-06	210	
Mar-06	224	↑
Apr-06	233	↑
May-06	233	↔
June-06	261	↑

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

Month	Average Price(\$ per tonne)	Price movement
Feb-06	200	
Mar-06	212	↑
Apr-06	223	↑
May-06	231	↑
June-06	254	↑

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Feb-06	215	
Mar-06	227	↑
Apr-06	237	↑
May-06	242	↑
June-06	268	↑

OUTLOOK:

Steel scrap prices to remain firm internationally. With strong consumption by the mills and tight scrap supply conditions prevailing, prices are expected to remain firm. Also, with finished steel prices still on an increase, price of pig iron, sponge iron and scrap are expected to remain firm globally.

Domestically, prices of steel intermediates are expected to move marginally or remain stable driven by good demand and tight supply conditions. Prices of Pig Iron are expected to move upwards driven by high demand, higher freight costs and a tight supply situation until the monsoon sets in.

Data Sources:

- 1) Metal Bulletin
- 2) Steel Trade Today
- 3) Steel Trade Intelligence
- 4) Steel Business Briefing
- 5) CRISIL Research Report

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

HIGHLIGHTS:

Jindal may follow Mittal merger route: The domestic stainless steel maker is banking on the Mittal Steel-Arcelor merger to pave a smoother way in its consolidation strategy in Eastern Europe. The company has lined up a series of acquisitions in Eastern Europe. At present it is ranked 15th on the global charts. At present, Jindal Stainless has a capacity of 600,000 tonne, and with the expansion in Orissa, the company would be among the top 10 players with a capacity of 1.6 million tonne.

Stainless Steel Prices in India

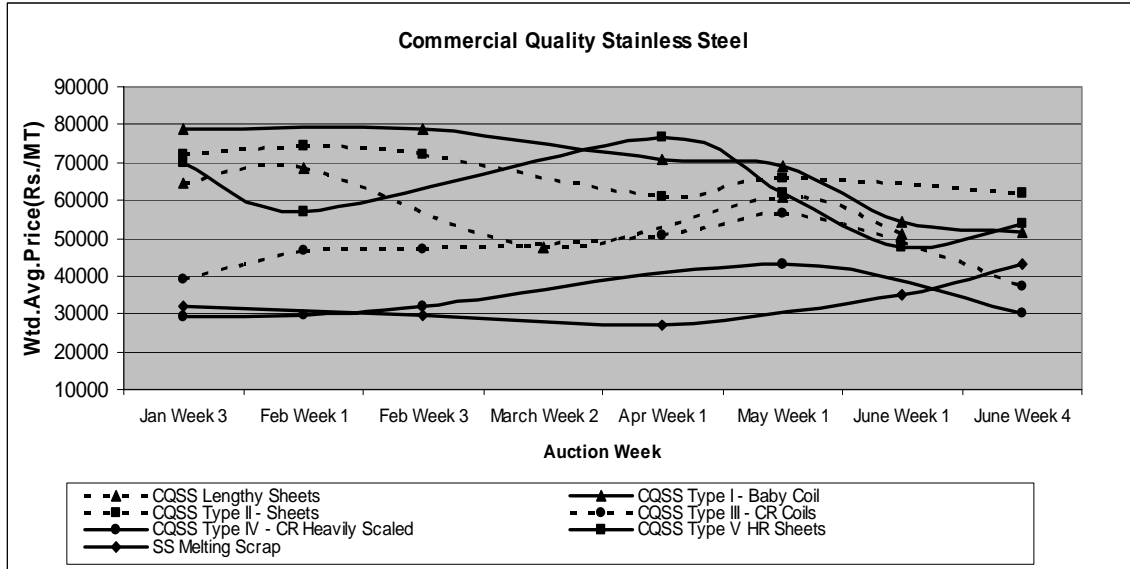
	June'05	May'06	June'06	% Change (m-m)	% Change (y-y)
FOB India (Gr 304,2mm HR Coil)\$/t	2300-2500	2650-2700	2850-2900	7.5	23.9
FOB India (Gr 304,2mm CR Coil)\$/t	2900-3250	3000-3200	3300-3500	10.0	13.8
Domestic Gr 304,2mm HR Coil,Rs./t	110,500-116,000	119,000-121,000	126,000-128,000	5.9	7.7
Domestic Gr 304,2mm CR Coil,Rs./t	118,500-121,500	131,000-132,000	139,000-140,000	6.1	10.5

Stainless Steel prices have been on an upward trend in the new Financial Year and are expected to stabilize in the coming month.

Price Movement

	Review	Outlook
Steel Product	June 2006 over May 2006	July 2006 over June 2006
Stainless Steel	↑	↔

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



Price is basic

Auction Trend of Commercial Quality & Prime Stainless Steel

Commercial Quality SS							
	CQSS Lengthy Sheets	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III - CR Coils	CQSS Type IV - CR Heavily Scaled	CQSS Type V HR Sheets	SS Melting Scrap
Jan Week 3	64507	78843	72268	38969	29327	69998	31966
Feb Week 1	68485		74241	46595	29532	57005	
Feb Week 3		79046	72149	47070	31989		29811
Mar Week 2	47500						
Apr Week 1		70703	61074	50728		76711	27057
May Week 1	61100	68856	66065	56463	42902	61952	
June Week 1	51300	54046		48963		47644	34827
June Week 4		51351	61778	37140	30000	54002	42929

Price is basic (Rs./MT)

Prime SS			
	SS Low Nickel	Type-300	Type-400
Apr Week 1			
Apr Week 2	67505	124006	60000
May Week 1			
June Week 1	72299	130848	53973
June Week 4	71489	121939	51760

Price is basic (Rs./MT)

Outlook:

The auction platform has shown a stable trend in the month of June'06 and this has been closely in line with domestic and international market, where prices of stainless steel grades have gone up with rise in input prices. With demand booming up in the stainless steel sector and input costs stabilizing in the end of the month, prices are expected to remain firm in the coming month.

International Scenario:

HIGHLIGHTS:

A K Steel holding Corp. to increase stainless steel prices by 6% w.e.f July, 2nd'06: The increase will have an effect on hot-rolled and cold-rolled stainless steel sheet and strip products, tubular-quality products and continuous mill plate products. Earlier the company had raised prices in the month of May'06.

Strong demand drives European Stainless Sheet prices higher: Despite of rising alloy surcharges and base prices, demand continues to remain strong and one main reason behind this is concern about supply in the future. As such customers are ordering more steel.

	Mar-06	Apr-06	May-06	June-06	July-06(*)
N.Europe	1140-1170	1240-1290	1300-1400	1370-1470	1420-1520
S.Europe	1080-1110	1180-1220	1240-1310	1310-1400	1360-1450

***SBB Forecast**

Stainless Steel Long Products demand remains firm in European market: Prices for stainless steel remained firm in European market with rising alloy surcharges. Demand remains strong with automotive and aerospace sector having a healthy scenario. Indian imports of 304 grade stainless steel bright bar seems to be sporadic especially in Northern Europe.

The tables below give an overview of stainless steel prices worldwide. A positive movement has been noticed throughout the month of June.

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

Month	Average Price(\$ per tonne)	Price movement
Feb-06	2050	
Mar-06	2250	↑
Apr-06	2333	↑
May-06	2550	↑
June-06	2825	↑

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

Month	Average Price(\$ per tonne)	Price movement
Feb-06	2175	
Mar-06	2400	↑
Apr-06	2533	↑
May-06	2775	↑
June-06	3000	↑

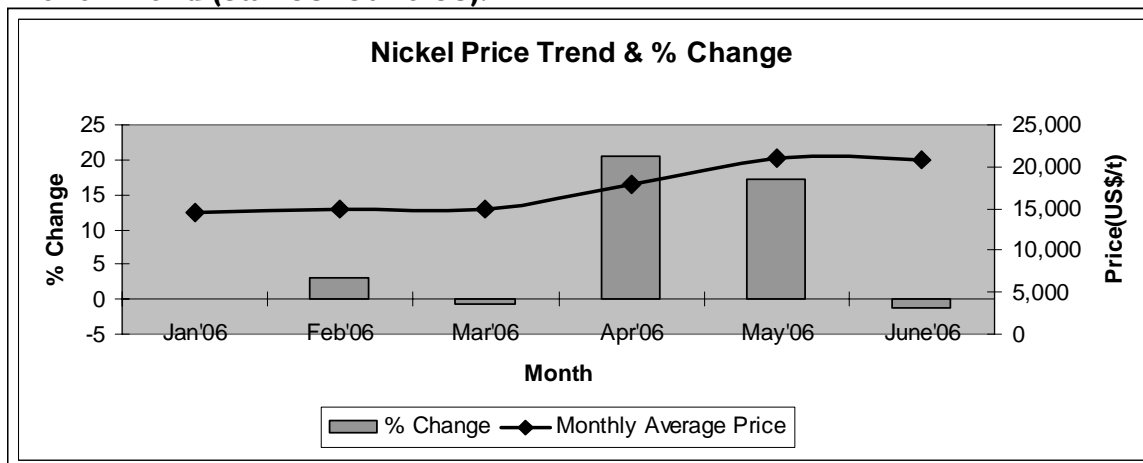
Stainless Steel EU Domestic 2mm 304 CR stainless strips

Month	Average Price(Euros/tonne)	Price movement
Feb-06	1050	
Mar-06	1070	↑
Apr-06	1110	↑
May-06	1350	↑
June-06	1350	↔

Source :(Metal Bulletin)

Note: 1US\$=Rs.46.06, 1Euro=Rs.59.06

Nickel Trend (Jan'06- June'06):

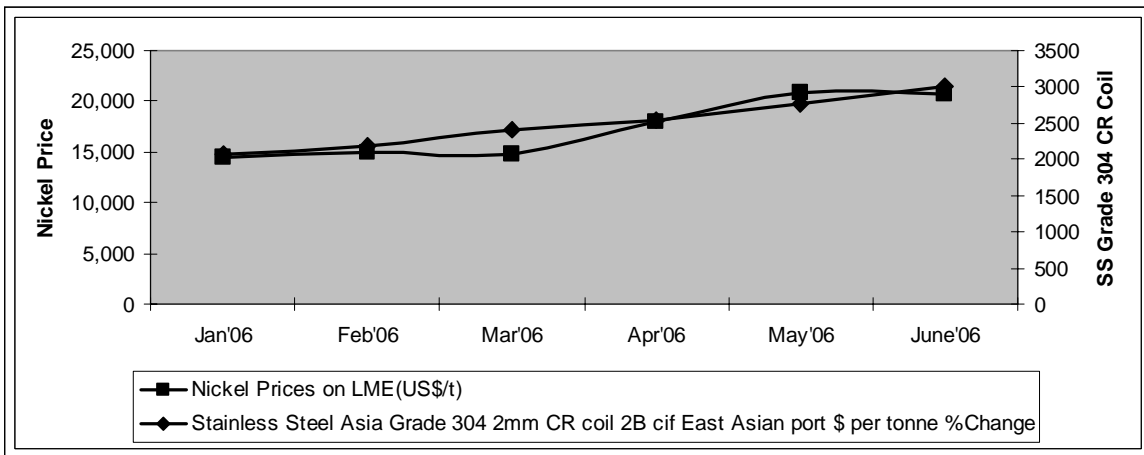
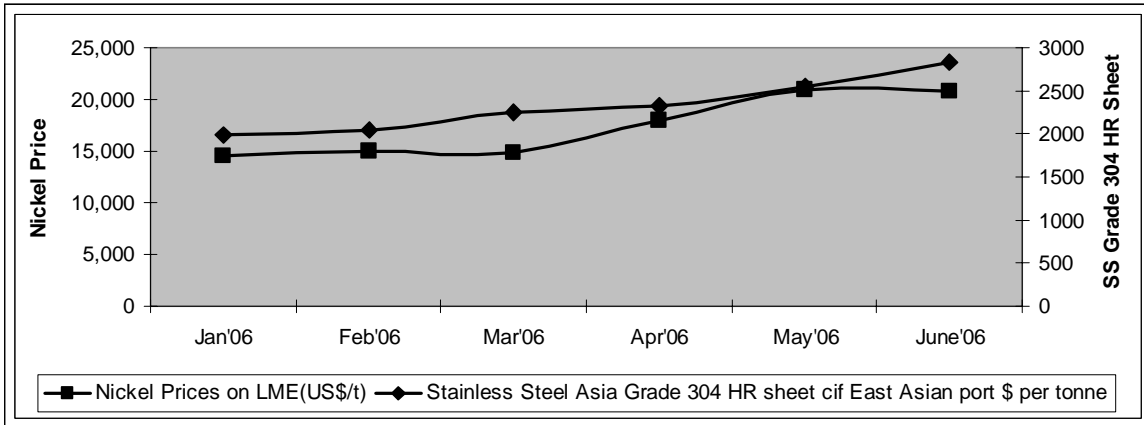


Market correction took place in the month of June and prices firmed up in the end of the month.

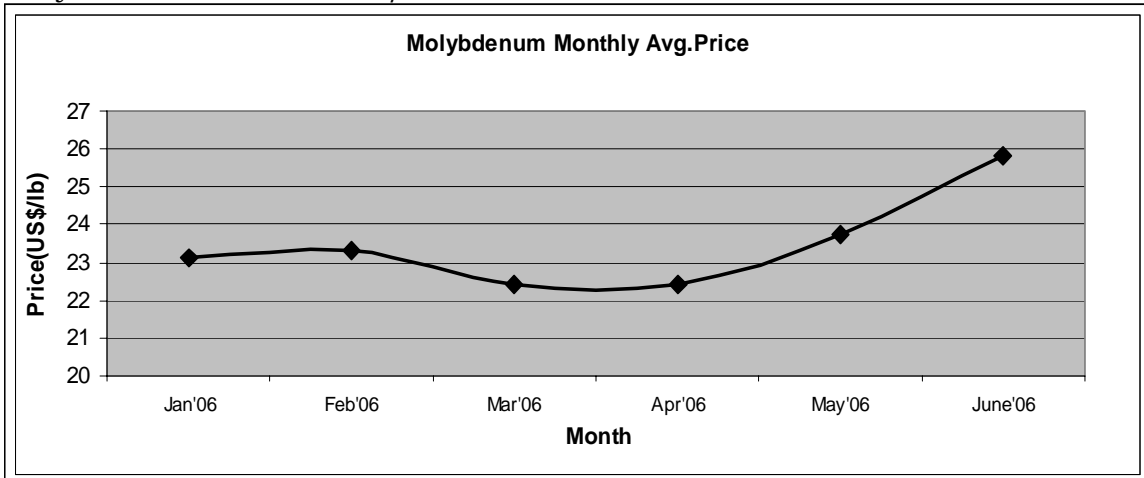
Highest price achieved by Nickel in the respective months:

Jan'06	Feb'06	Mar'06	Apr'06	May'06	June'06
15,175	15,275	15,160	20,150	23,025	22,290

The graphs below indicate SS-Ni trend. Stainless Steel has closely followed in line with Nickel.



Molybdenum ended at 26\$/lb in the month of June'06.



OUTLOOK:

Stainless Steel Production expected to rise 7.5% this year: With strong stainless steel demand prevailing in Asian and European regions, global stainless crude output is forecasted at 26.25 million tonnes this year, an increase of 1.85 million tonnes (7.5 percent) year on year. Stainless steelmaking in China and Russia is expected to be close to 4 million tonnes in 2006. In China, capacity expansion is coming up and in rest of Asia modest rise in output is expected. With demand booming up, output growth is anticipated in India too.

Stainless Steel prices to remain strong worldwide in the short-term: With rise in input costs, stainless steel prices are expected to remain bullish till the month of September, at least. With rise in demand, production is starting to rise so as to meet the demand. However, with the beginning of third quarter, it is forecasted that demand for inputs like nickel, chrome and molybdenum will lower down and there will be a correction in selling prices. With this effect, stainless steel prices are expected to drift lower towards the latter part of the year.

Data Sources:

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

(DIPANKAR CHAKRABARTI)
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