Date of Report: June 01, 2009

News at a Glance

Indian Steel production up 4% in April: Backed by improved demand from auto and construction sectors, the country's steel production increased by nearly four per cent to 4.49 million tonnes in April compared to the corresponding month last year. In April 2008, the finished steel production stood at 4.33 million tonnes. Steel Secretary P K Rastogi attributed the overall increase in April production to robust demand from consuming sectors as also clearing of inventories by steel companies. During the month under review, the import of steel items increased by 5.6 per cent to 3.80 lakh tonnes as against 3.60 lakh tonnes. Exports, however, took a beating and fell nearly 16 per cent to 3.10 lakh tonnes from 3.68 lakh tonnes.

Tata Steel sales volume up 31 per cent in April: Tata Steel's sales volume surged by 31 per cent to 4.52 lakh tonnes in April on the back of robust demand from auto and construction sectors. During the month under review, Tata Steel saw its saleable steel production surging by 30 per cent to 5.16 lakh tonnes as against 3.96 lakh tonnes. The sale of long products, mainly used in construction industry, increased by 39 per cent, while that of flat items used by auto and consumer durable sectors, increased by 27 per cent.

Galvanized steel price increased by 5%: Indian steel makers have increased prices of galvanized steel by up to 5% due to sharp escalation in price of zinc, a key input. Secondary steel makers such as Uttam Galva and Bhushan Steel have raised prices by up to Rs 2,250/tonne and Tata Steel has increased prices of specific grades having high zinc content by Rs 300-500/tonne.

Tata Steel, RINL hikes steel prices by 3%: Some steel makers such as Tata Steel and Rashtriya Ispat Nigam (RINL) have increased prices of long products sold in the spot market by up to 3% or Rs 1,000/tonne this month on the back of rise in demand for metal from the construction sector. On the back of increased demand, Tata Steel has increased prices of long products by Rs 300-500/tonne and public sector steel maker RINL has increased long product prices by up to Rs 1,000/tonne.

JSW Steel April Output Rises on 60% on Rural Demand: JSW produced 456,000 metric tons of the steel in April compared with 284,000 tons a year earlier.

World steel output down 23% in April: Production of crude steel in April was 89.5m tonnes, according to the World Steel Association's regular report covering 66 of the leading steelmaking countries. This was 3% down from March and 23% down from April last year. China's April production was down 4% year-on-year; April output saw its sharpest fall in North America where production of 5.8m t was 49% less than in the same month last year mostly because of a 53% fall in the USA. The European Union saw a fall of 48%.

Indian pig iron attracts bidding interest: Two bids were submitted in MMTC's recent pig iron tender for the supply of one lot of 30,000 tonnes for June shipment. MMTC Transnational Pte Ltd (MTPL) is believed to have posted the higher bid at around $273.50/tonne fob. Steel Base submitted the lower bid at $270/t fob. This tender's results are significant because Indian export tenders had attracted very little buying interest in recent months and tenders had lapsed without conclusion.

India scrap metal importers want controls eased: Indian scrap importers will hold talks with the government to seek an easing of restrictions imposed in April over concerns about radioactive materials. More than 25,000 tonnes of scrap metal are currently being held at Indian ports after the Ministry of Environment and Forests classified scrap metal as "hazardous waste”.

Shipping: Fighting strong currents: Having encountered stressful times, the shipping sector’s relationship with the stock market, it appears, is showing signs of improvement. Reports have it that Indian shipping stocks, from lows of March, rebounded by an average 60 per cent, outperforming the Sensex’s 46 per cent gain during the period. The rally is attributed to the rise in Chinese demand for coal and iron ore, even as iron ore stocks at Chinese ports continue to pile up.

The basket of **base metals** tended to fare better in the first half of May on the basis of good fundamentals and improved demand from the investors and industries. Moreover, the production cut backs by various producers have further contributed to the rally in the metal prices in the first week of May. Base metals in LME viz. Nickel and zinc prices shot up by a whopping 8 per cent in the first week of May while Aluminum and copper prices increased by over 5 per cent and lead prices swung up by more than 2.3 per cent over the same period. In Mumbai; copper, nickel, zinc, etc. registered handsome gains as well in the beginning of the month. However in the middle of the month, the sentiments changed as volatility once again began to creep in and markets started trading on a mixed note. Base metal prices were also hit on the back with widespread investment liquidation and finally ended up in exhibiting a weakening price trend in the second week of May. The base metals pack ended in the negative territory on the close of May week 03 as economic pessimism affected market sentiments. Despite a weaker dollar, prices could not get support as speculative selling came in; leading to further dip in the metal prices in the penultimate week of May. The market remained choppy even in the concluding week as mixed economic data dampened the market and investor sentiments all across the world. Almost all the metals irrespective of home and abroad depicted a declining trend in the last week of May.

With the commencement of the month of May, **zinc** prices moved northward exhibiting a rise of more than 8 per cent in the first week as compared to the week before both in home and abroad as the demand in the market improved temporarily during that week. However, in the following weeks zinc was unable keep up the pace of the price increase that it exhibited in May week 01 mainly due to the poor market sentiment arising out of the ongoing economic pessimism. Over a fortnight, zinc in LME witnessed a drop of nearly 3 per cent while its counterpart in Mumbai depicted a drop of nearly 7 per cent. India’s largest producer of zinc, Hindustan Zinc Ltd. has slashed its zinc prices by Rs. 1,000/MT on May Week 03 and further slashed it by Rs.1100/MT in the fourth week of the month.

Crude oil kicked off with a strong note with the commencement of May as the oil price shot past USD 55/barrel mark in the very first week of the month after the US Energy Department report showed that the US refinery demand is expected to spurt up as the output ramped up to meet the fuel consumption before the summer peak. A firm trend was maintained in the second and third week of May as the demand for crude oil improved further and the refiners are found to increase their output capacity as the US nears its crucial summer driving season when demand for gasoline is at its peak. The oil prices sailed strong in the concluding week of May surpassing the 6-month high of USD 63/barrel mark on May 27, 2009. Over a fortnight, NYMEX crude oil rose by more than 8 per cent while over a month the oil prices rose by a whopping 22 per cent. According to the market sources, crude oil prices have risen on the back of buoyant performance by equity markets and the rising trend is expected to continue in the coming days as well.

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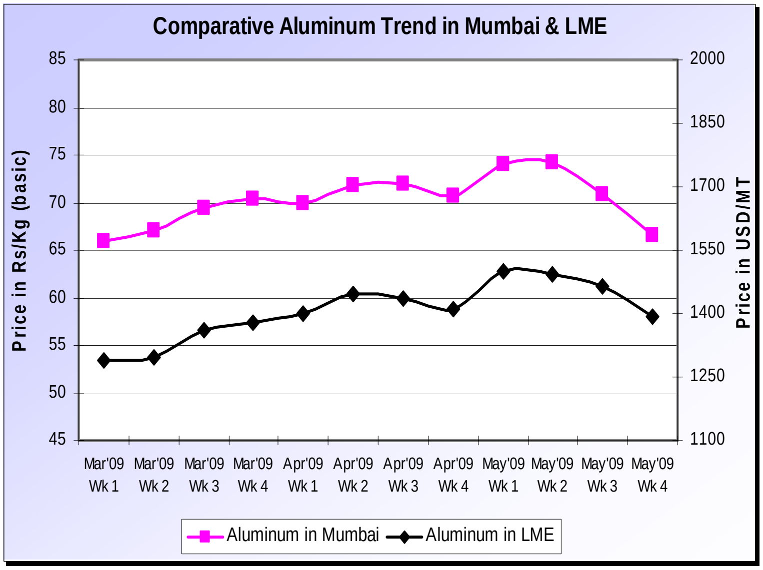

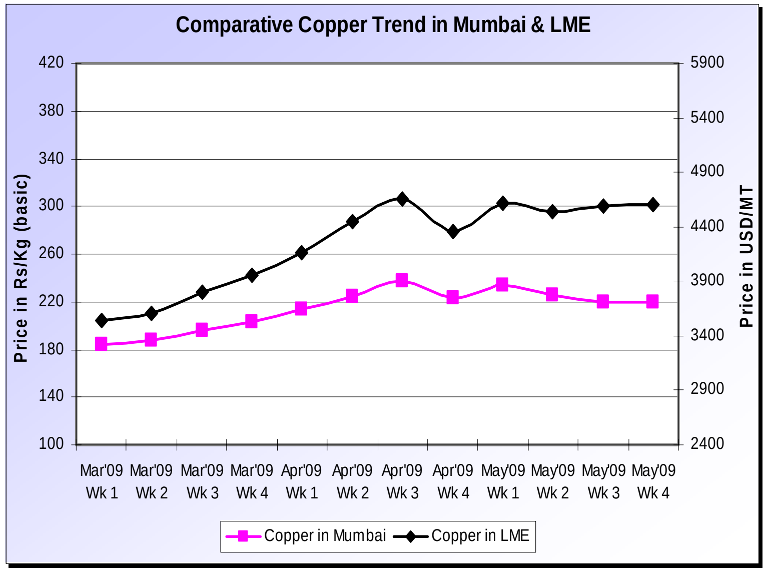

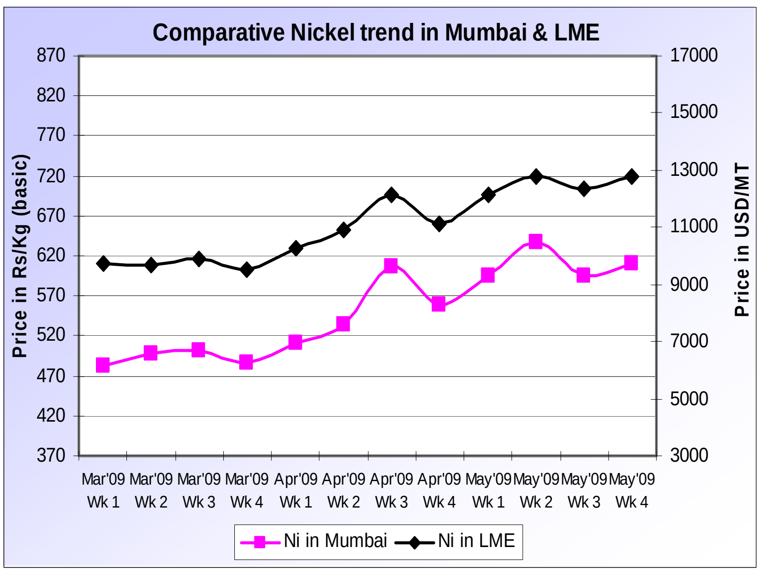

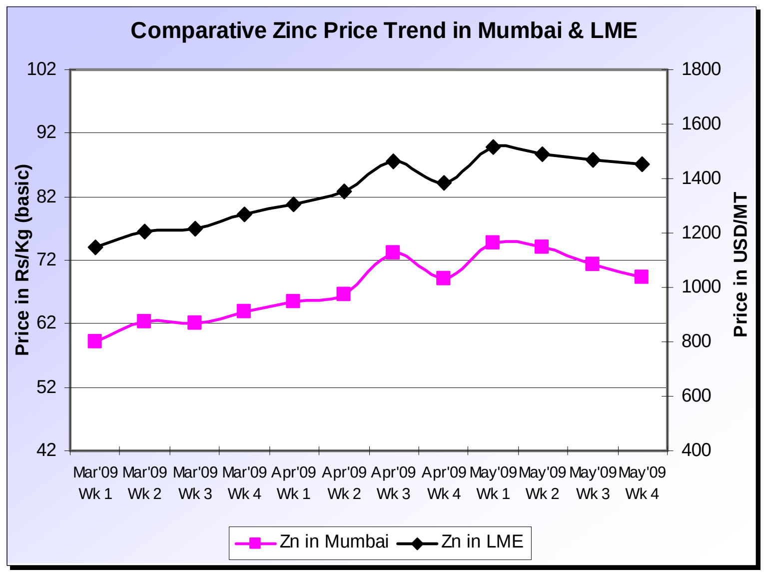

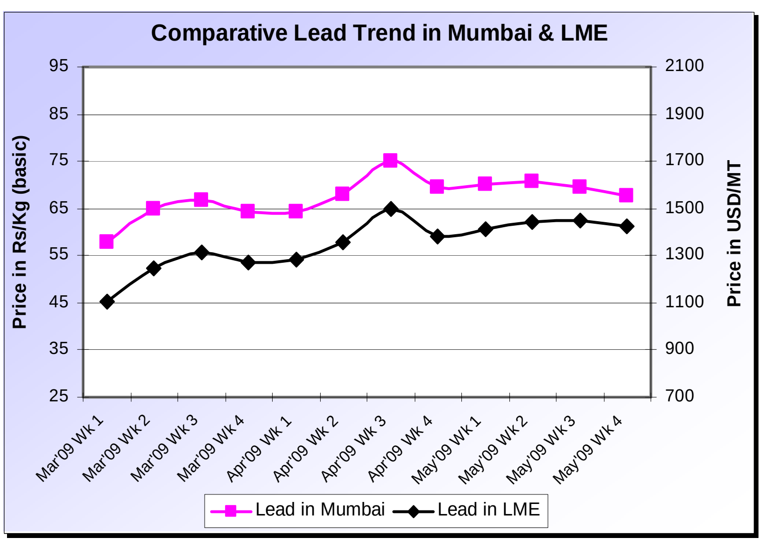

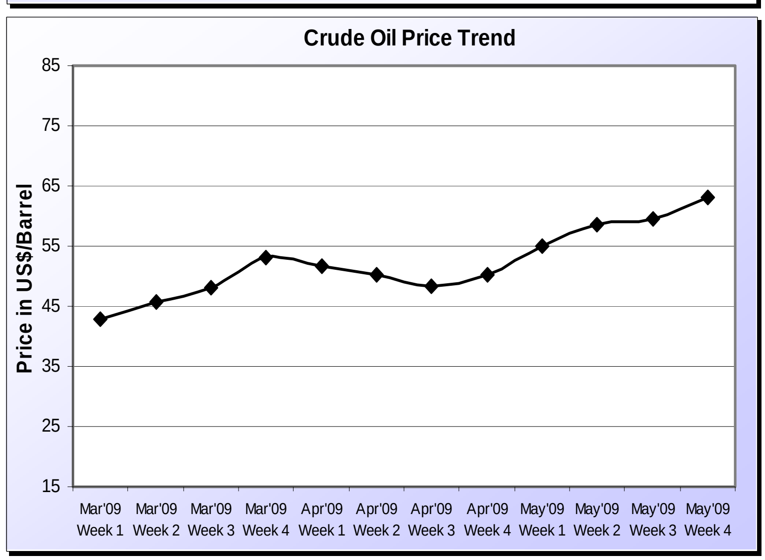

CRU Index Behaviour (Source: www.cruspi.com)

Index	Feb'09	% Change (M-M)	Mar'09	% Change (M-M)	Apr'09	% Change (M-M)	May'09	% Change (M-M)	% Change (Y-Y)
Global	152.55	-3.90	141.24	-7.40	130.24	-7.80	129.85	-0.30	-51.50
North America	148.75	-5.10	139.53	-6.20	124.05	-11.10	114.83	-7.40	-54.90
Europe	146.79	-4.00	134.82	-8.20	125.71	-6.80	131.15	4.30	-40.60
Asia Steel	157.97	-3.10	145.80	-7.70	136.39	-6.50	137.97	1.20	-54.30
Longs	179.16	-7.10	167.06	-6.80	152.18	-8.90	154.01	1.20	-49.20
Flats	139.34	-1.70	128.42	-7.80	119.35	-7.10	117.85	-1.30	-53.00
Metallics	181.90	-8.60	157.74	-13.30	150.67	-4.50	174.63	15.90	-62.70
Stainless	105.85	-11.20	103.71	-2.00	102.11	-1.50	108.47	6.20	-47.10

Outside of North America, prices appear to have approached or found a bottom in many markets over the past month, although high stocks and overcapacity remain. Although sentiment is improving, market fundamentals remain weak, with excess capacity, particularly in Asia, while high stocks continue to weigh on the market.
The *CRUspi long products* index has risen a little over the past month, with further falls in long products prices in North America counteracted by rises in Asia and Europe.
Dragged down by yet more price falls in the USA, the *CRUspi for steel sheet* has declined, though at a much lesser rate than in previous months given limited price rises elsewhere.
Revival of scrap prices buoyed by surge in Chinese and Turkish imports helped in driving the *CRUspi metallic* index on a positive direction.

Aftermath of Election Result:

May 18, 2009 – Market reactions after central poll results: Enthused by the decisive verdict to the UPA, the stock markets witnessed a strong rally and drove Indian equity benchmark Sensitive Index, or Sensex, up 17.3% and drove the Indian rupee nearly 3 per cent higher on May 18, 2009; with investors particularly rejoicing the fact that the new government would be formed without the influence of the Left parties. The rupee appreciation has affected the MCX gold price to decline by more than Rs 350 per 10 gm or 2.5% even as international spot prices trade above USD 930 / ounce. All the sectoral indices, led by realty, surged on the Bombay Stock Exchange on May 18 with the benchmark Sensex hitting its upper circuit within minute of opening of trade. The major BSE sectoral indices surged as much as 16 per cent in the opening of trade, as the victory of the Congress-led UPA in the general elections propelled investor sentiment. Among the sectoral indices, realty surged the most 15.84 per cent to 2,785.80 points, followed by bankex (13.63 per cent to 7,244.48 points), consumer goods (12.83 per cent to 9,789.83 points) and power (12.39 per cent to 2,491.20 points) among others.

It's time to push infra projects, says India Inc: A stable government at the Centre. Markets rebounding. Suddenly, Corporate India's outlook has turned positive. India Inc, which had shelved mega projects and adopted a wait-and-watch approach after the global economic tsunami eight months ago, is now revisiting these plans with a vengeance. Industry observers said a buoyant market will open up a new window of opportunities to raise funds to fuel expansion plans, especially in the infrastructure sector.

JSW Steel, for instance, is looking at recommencing its Greenfield project plans that were earlier put on hold. These include investing Rs 4,000 crore in its West Bengal steel plant, besides its yet-to-be-announced Jharkhand steel project.

Some Tata group companies are said to be cautiously revising their capex plans in line with the uptrend in market sentiments. For instance, while Tata Steel has been enhancing capacity at select high-return plants in Jamshedpur and Orissa, it has deferred its titanium project in Chennai. "The direction is certainly positive. But government actions in the next two-three months will have to be watched closely to ensure continuity in the direction," said Adesh Gupta, the new CFO of Grasim Industries. It is estimated that about $700 billion worth of investments will be channeled to improve India's infrastructure sector. The infrastructure thrust will generate demand for both cement and steel.

An overview and road ahead for the some of the steel consuming sectors:

Infrastructure sector of India expects a boom in the days ahead: The promise of long-awaited reform and less stringent investment climate and ownership rules in India is on the threshold of becoming a reality which will benefit both the foreign companies as well as the Indian ones with the emergence of the Indian National Congress as the single largest party in the nation. According to market sources, the newly formed government will also expedite the implementation of the infrastructure projects under public private partnership (PPP) programme. The Planning Commission has put in place a mechanism for enhancing private sector participation in the infrastructure sector. The government had envisaged private sector investment to the tune of Rs 6,01,959 crore in infrastructure during the 11th Five-Year Plan (2007-12), out of Rs 20,27,169 crore total investment in the sector. This is expected to infuse a huge impetus to the steel sector of the country as the demand for the construction steel will shoot up with the expansion and development of the country's infrastructure. Moreover, Prime Minister Manmohan Singh's re-election may spur the investment needed to fund a USD 500 billion plan to build roads, ports and bridges and continue a rural jobs program that lifted demand in villages and towns. Experts believe that foreign investments will once again start to creep in gradually Capital inflows will probably also be a boon to infrastructure and real estate companies. There are many domestic investors who took refuge in cash during the run up to the election and will now be ready to jump back into the stock market.

Automotive Sector gradually recovering: It has been all doom and gloom for the global automotive industry in the current climate but the logistics players reeling from the downturn remain confident of the industry's long-term prospects. Recently-published financial results from major international logistics providers serving the Asian and general global automotive industry confirm that sector has been one of the hardest hit by the current worldwide economic downturn. Indian auto sector also has been sailing through choppy waters since the past few months. The auto sales growth has been only 0.71 per cent as compared to the last fiscal. The major thrust in the sector had been experienced only in the last quarter due to government's stimulus package by introducing the excise duty cut. In the post-election domestic market, the interest rates are likely to go down by two percentage points as the newly-elected UPA government is all set to tell banks to lower the lending rates as part of a fourth stimulus package to be announced within 100 days of its formation. The objective of the government is to boost domestic demand to pull the economy out of economic slowdown. However, of late the automotive sector has started to heal up its wounds as the demand in the market is gradually ameliorating. Segments in the automobile sector, particularly two and three wheelers and passenger cars, are showing modest revival of demand, which in turn have signaled the improvement in the flat steel demand across the country. Steel majors of the country like Tata Steel & Essar witnessed a 30 per cent jump in the sales while JSW Steel's sales more than doubled during the month.

Ship building industry still grappling: After attacked by the financial crisis, the slowing world economy and the highly-increased shipping transport capacity forced ship market into downward channel. Global shipbuilding market is not expected to be good in 2009. Global new ship turnover posted fewer than 2 million DWT (deadweight tonnage) in Q1 of 2009, so that the whole year's turnover is expected to be fewer than 20 million DWT and lower than the order cancellations. As a result the demand for the steel items from this sector is expected to remain low in the coming days.

(UJJAL BHATTACHARYA)
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Date of Report: June 01, 2009

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario

The domestic steel market saw some recovery in the month of May; however the Longs product market witnessed a mixed trend with prices declining by the end of the month.

Flat product market conditions remained stable throughout the month. The flat steel market across the country depicted a steady trend over a week with the demand in the market remaining more or less stable. HRC prices prevailed at Rs.28,000/tonne, basic while Plate prices prevailed at Rs.29,000/tonne, basic. CRC prices ruled at Rs.31,500/tonne, basic in the second week of the month. Buyers adopted a wait and see attitude just before the Lok Sabha Elections and waited for the uncertainty to diminish after the Election results. Post Election results, market saw some improvement with demand coming up across some products. The market of HRC in Mumbai saw a little increasing trend with the conclusion of the election. The CRC market remained firm with prices prevailing at around Rs. 34,500/MT (basic) in the fourth week of the month. However, the sustainability of this rising steel prices in the domestic market is yet to be seen as the real demand still lacks in the market and buyers are wary of making purchases in huge volumes.
India's HRC import prices rise to $430-440 cfr: Indian importers have booked commercial grade hot rolled coil at $430-440 per tonne cfr from Ukrainian and Russian mills in the final week, up from $410-420 per tonne cfr last week. Indian buyers are still reluctant to book even though margins are good, because there is a fear of anti-dumping duties and speculation that the government may restrict the use of import licences, said a trader.

Long product market saw almost a stable trend in the first half of the month. The price of angle steel remained stable with demand and supply coming to a relatively balanced point. Market price of angle steel Q235 25-100mm prevailed in the range of Rs.29,000-29,500/MT (basic) in the second week. The price of wire rod remained unchanged with demand and supply coming to a relatively balanced market. Market price of low carbon steel wire rod was in the range of Rs. 30,000-32,000/MT (basic) in the second week. According to the market sources, buyers are more interested to purchase from local markets and not from foreign countries because the import duty in India is as high as 10 per cent. The market sentiment however got weakened before the Elections as everybody kept their fingers crossed before the announcement of the result. Billet prices fell by almost 1 percent over a week due to lower demand and prices prevailed in the range of Rs.22,000 to Rs.22,500 per tonne,basic. Post-election too market conditions remained unpredictable and slightly volatile initially, however some price improvement was seen in the later part of the third week. Prices improved by significant margins in the range of Rs.500 to Rs.100 per tonne across various semi-finished and finished steel items. TMT Bar price also saw a rise of around Rs.400 per tonne in a day at various places. The price of Angle steel too firmed up by 2 percent in a week.

However, the market was again bogged down by weak sentiment and sluggish demand in the remaining days of the month. The market preferred to remain circumspect till the budgetary policies are enunciated by the new government. Uncertainty continued to prevail in the construction sector in South with price remaining unchanged for the 6th consecutive week. Some of the major projects like Ennore Port, Chennai Ring Road, Madurvel Port Chennai and Chennai to Kanyakumari road widening have been put on hold due to uncertainty about DMK representation in the Central Cabinet as most of these projects were sanctioned during the tenure of previous government.

Billet sales in the domestic Indian market continue to be depressed with ex-mill prices narrowing another Rs 300 ($6) to a low of Rs 22,000-22,200 per tonne. A Mumbai-based rebar manufacturer agreed that there was little demand so lower prices were justified.

The metallic market also witnessed a declining trend in the last few days due to low demand in the market and buyers remaining wary of making huge volumes of purchase. Steel ingot prices fell in the range of Rs.200 to 800 per tonne as market sources believe that a sharp rise in the steel prices are not expected in the coming days since the market is still influenced by the global financial crisis. Moreover, with the monsoon showing its arrival, this will further affect the steel prices in the coming days and slow down the movement of material.

CIS billet export offers to India increase to $ 410-425 /tonne cfr: CIS billet export offers to India have increased by around $10-25 per tonne to $410-425 per tonne cfr Indian ports. But Indian importers have not yet accepted the higher offers and no bookings have been reported at the higher levels. Indian billet prices have been falling for more than three weeks with prices touching Rs22,000 ($440) per tonne levels.

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

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	HR Sheet Cutting
Apr'09 Wk 1	25579	22390	23103	23710	21563	19472
Apr'09 Wk 2	25347	22670	23893	25114	22235	19073
Apr'09 Wk 3	23813	22620	23545	25315	22454	--
Apr'09 Wk 4	24821	22808	24217	25794	22838	14600
May'09 Wk 1	25500	22658	23728	25780	22289	15300
May'09 Wk 2	24311	22919	25338	25667	22587	20104
May'09 Wk 3	25050	23475	25563	24733	22336	--
May'09 Wk 4	25692	23218	23818	23766	22042	--

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

Products	Apr'09 Price (Avg.)	May'09 Price (Avg.)	% change (May'09 over Apr'09)	% change (May'09 over May'08)
Cobble Plate	24890	25138	0.99	-17.86
Def HR Plate	22622	23068	1.97	-18.96
Semi Rolled Plate	23689	24612	3.89	-25.41
SRP Coil Form	24983	24986	0.01	-26.39
HR Sheet Cutting	17715	17702	-0.07	-27.35
Def HR Coil	23948	24978	4.30	-12.82
Def HR Sheet	25367	25500	0.53	-16.10

Attached below is the data table:

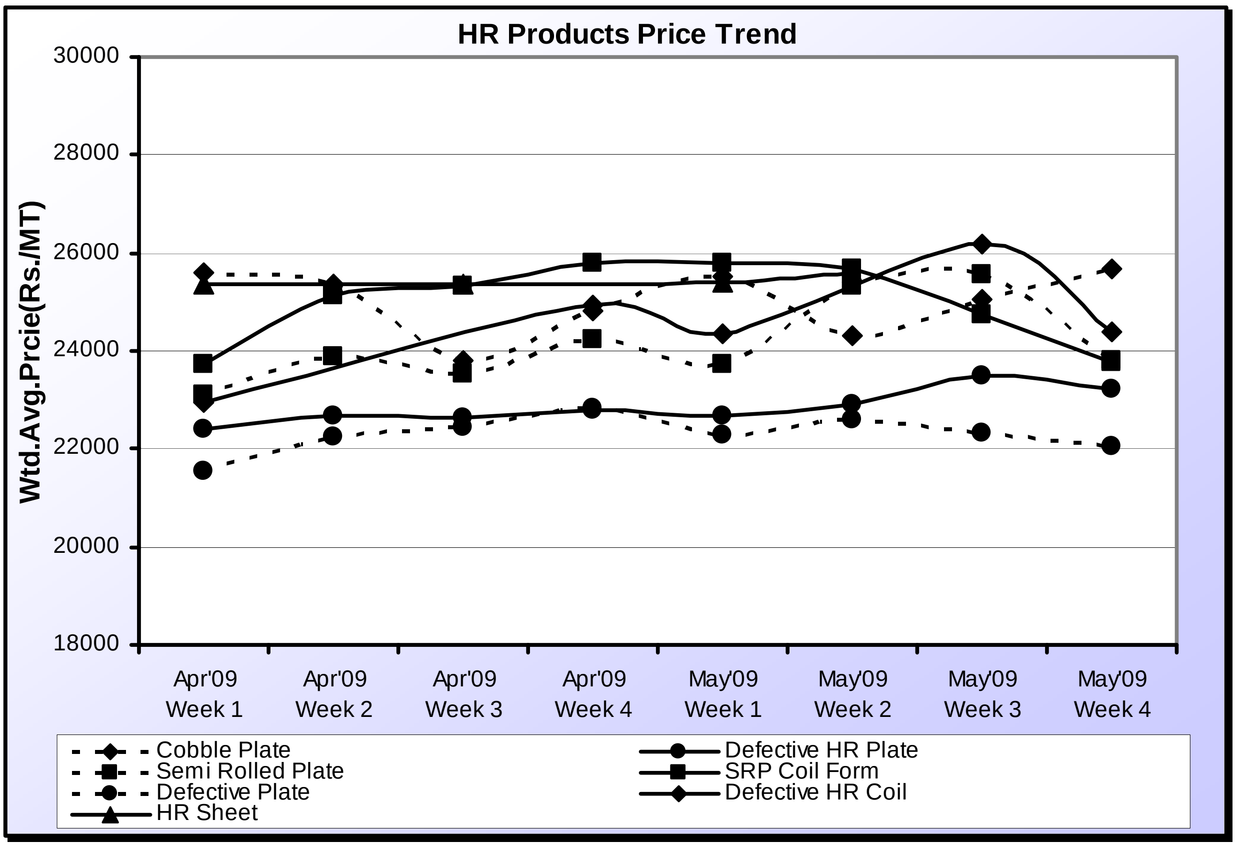
Week	CR Coil End From SPM-I	CR Coil End From SPM-II	Def Chequered Plate	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
Apr'09 Wk 1	25677	26750	22178	22675	--	--	29050
Apr'09 Wk 2	25505	--	22818	18745	26398	35499	28847
Apr'09 Wk 3	25824	25850	23077	21437	26255	35250	28584

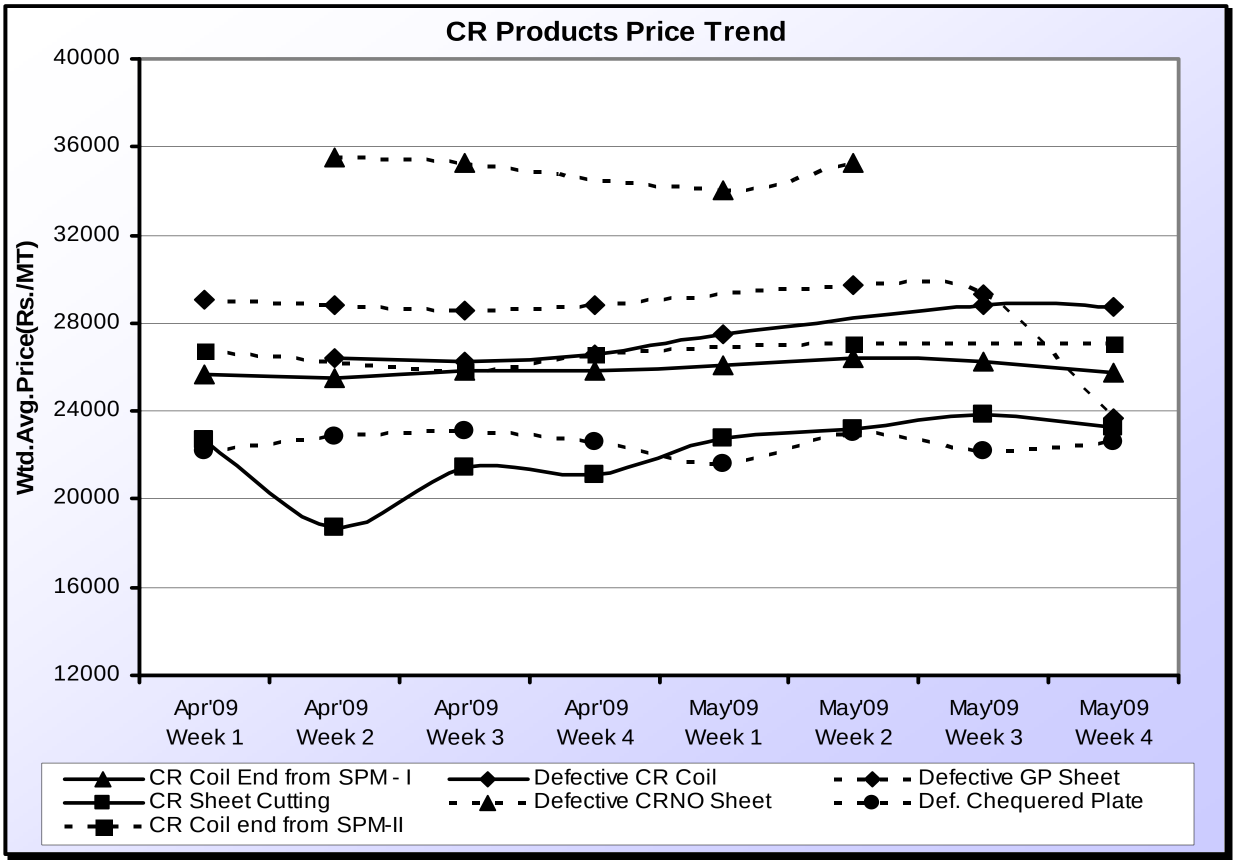
Apr'09 Wk 4	25825	26600	22597	21100	26550	--	28825
May'09 Wk 1	26066	--	21575	22771	27500	34050	--
May'09 Wk 2	26400	27050	23057	23200	--	35250	29750
May'09 Wk 3	26268	--	22162	23850	28857	--	29275
May'09 Wk 4	25715	27050	22597	23245	28700	--	23664

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

Products	Apr'09 Price(Avg.)	May'09 Price(Avg.)	% change(May'09 over Apr'09)	% change(May'09 over May'08)
CR Coil End from SPM-I	25708	26112	1.57	-6.76
CR Coil End from SPM-II	26400	27050	2.46	-3.30
Def CR Coil	26401	28352	7.39	-2.57
Def GP Sheet	28826	27563	-4.38	0.48
Def CRNO Sheet	35374	34650	-2.05	-9.54

Following graphs show the price trend observed in the auction services of www.metaljunction.in for the month of Apr 2009 & May 2009 for different HR and CR products.





Price in Rs./t is basic

Outlook: The flat steel market conditions remained firm in the month of May. The first week of the month almost depicted stability in the market with demand conditions improving to some extent. However, not much movement was noticed prior to Elections as everybody wanted to adopt a wait and watch attitude. Market sentiment improved to some extent after the declaration of Election results and most of the flat steel items depicted a healthy price trend in the third week of the month. HRC price ruled at Rs.28, 000/tonne, basic, CRC price ruled at Rs.31,500/tonne, basic while Steel Plate price ruled at Rs.29,000/tonne, basic. The end of the month saw a firm trend in the flats segment both in the domestic market and in e-auction platform with demand conditions remaining stable. CR Coil prices prevailed at around Rs.34,500/tonne in Mumbai market while Galvanized coil prevailed at Rs.46,000/tonne.basic. The e-auction price trend also remained stable across both HR and CR items and with demand coming up from various sectors; a steady trend can be expected in the coming days.

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

Attached below is the data table:

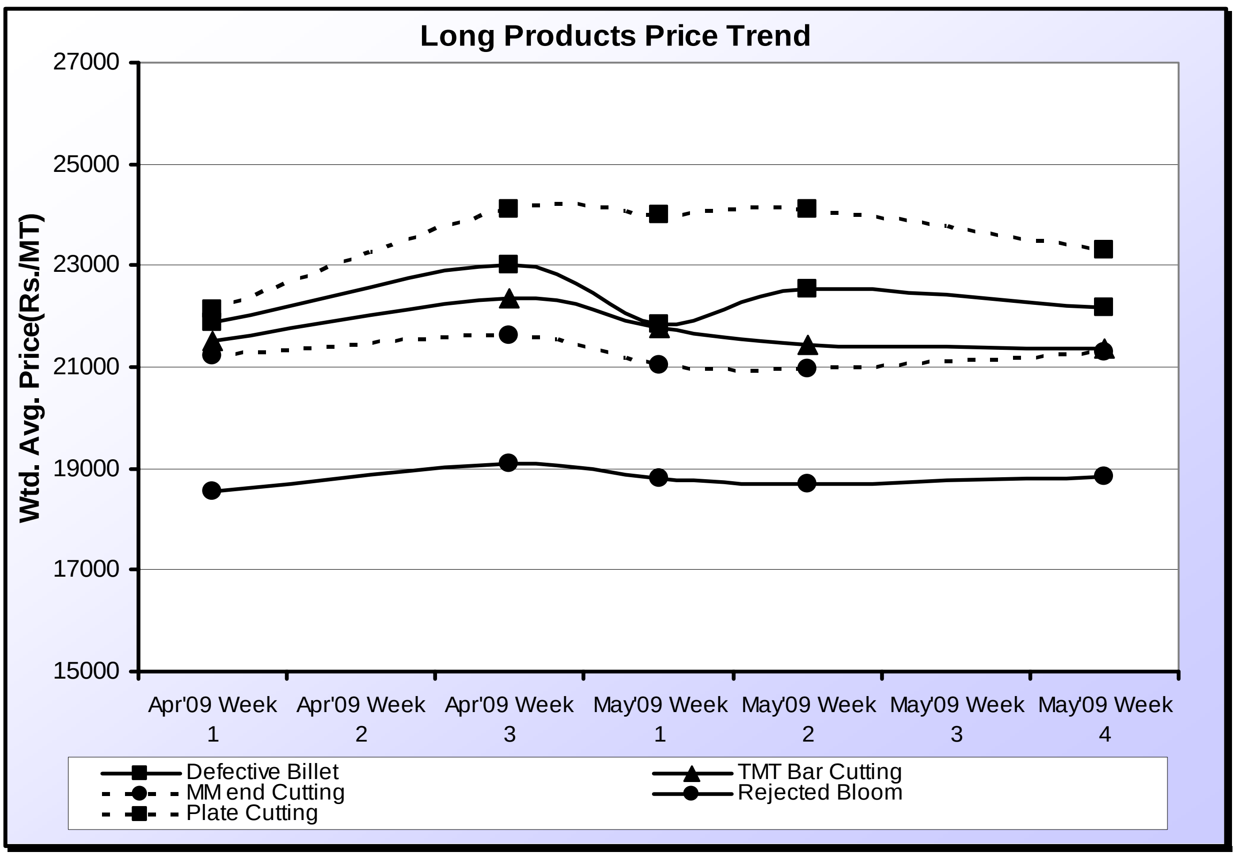
Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting
Apr’09 Wk 1	21872	21500	21231	18533	22137
Apr’09 Wk 2	--	--	--	--	--
Apr’09 Wk 3	23007	22350	21616	19089	24112
Apr’09 Wk 4	--	--	--	--	--

May'09 Wk 1	21838	21764	21050	18799	23996
May'09 Wk 2	22546	21436	20958	18689	24100
May'09 Wk 3	--	--	--	--	--
May'09 Wk 4	22178	21382	21300	18844	23299

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

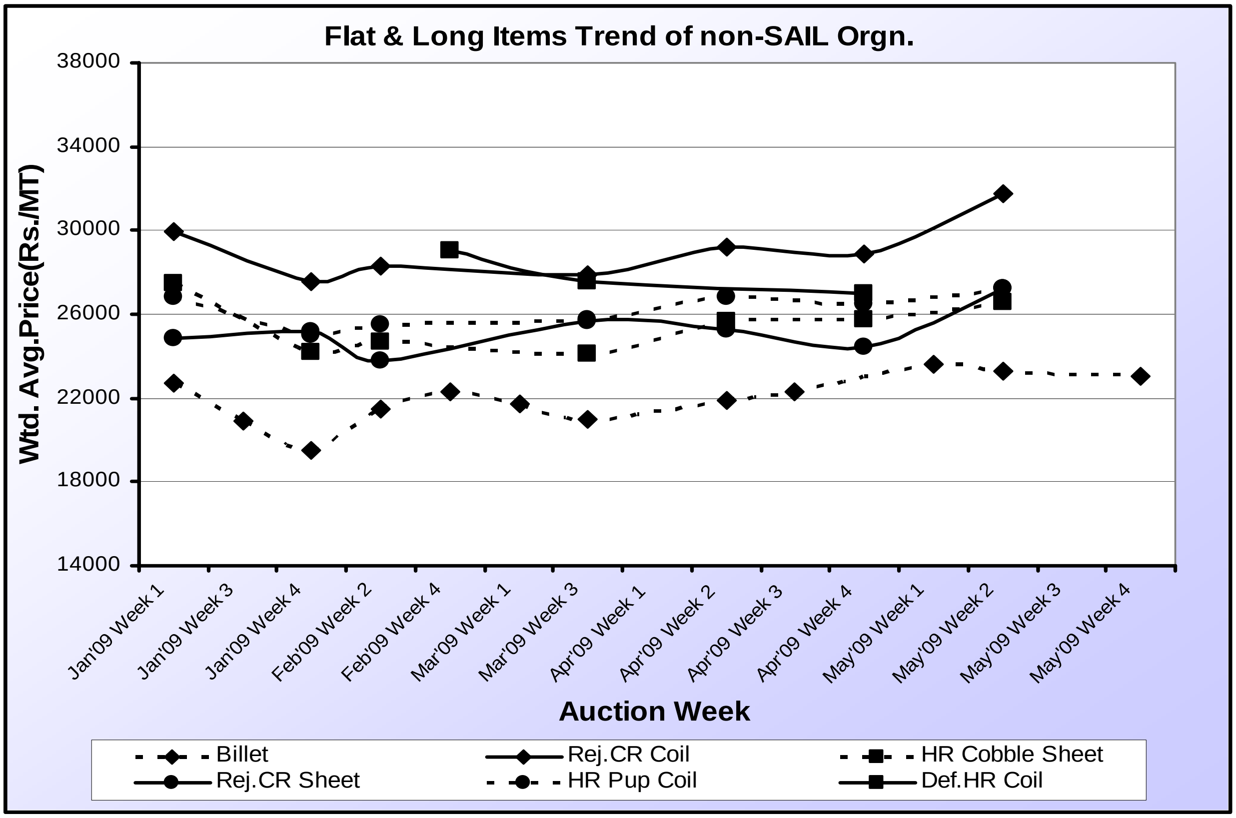
Products	Apr'09 Price(Avg.)	May'09 Price(Avg.)	% change(May'09 over Apr'09)	% change(May'09 over May'08)
Def Billet	22440	22188	-1.12	-20.00
MM End Cutting	21424	21103	-1.50	-19.00
Plate Cutting	23124	23798	2.91	-20.00
Rejected Bloom	18811	18778	-0.18	-21.00
TMT Bar Cutting	21925	21527	-1.81	-18.00

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Apr 2009 & May 2009 for different long products.



Price in Rs./t is basic

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



Price in Rs./t is basic

Outlook: The long product segment started on a stable note in the beginning of the month. Steel Ingot prices exhibited a price variation the range of +/- 0.5 percent over a week while the finished steel items almost remained steady with strong demand coming up from end users. TMT Bar price prevailed at around Rs. 29,000/tonne, basic in Mumbai market in the first week of the month. Market conditions however deteriorated prior to Elections as buyers' sentiment received a setback due to unstable political environment. Steel ingot prices dropped in the range of 1 to 2 percent over a week while Melting Scrap and Sponge Iron prices too declined in the range of 1 to 4 percent. Market remained slow and sluggish even after the declaration of results as there was no clear indication as to where the domestic market conditions are heading. Billet prices also fell by around 1 percent in the domestic market to prevail at around Rs.22,000/tonne, basic in the third week of the month. However, finished steel items like Wire Rod and Angles made a slight positive movement in price by around 2 percent in the end of third week but the movement was only a temporary phenomenon as prices once again slid in the end of the month. With the onset of monsoon, steel prices got further affected accompanied by slow movement of material. The auction platform too ended on a negative note at the end of the month with drop in prices noticed in the range of 1 to 2 percent over a week. Finished steel items made a drop in price in the range of Rs.700 to Rs.1000 per tonne over a week at the end of the month because downstream customer demand is not strong enough and uncertainty in market sentiment prevails for the time-being.
Lack of confidence towards the market on part of the market participants was clearly reflected by the downhill movement of the ingot prices too over a week across the country. Ingot prices at various places of the country plummeted in the range of 2.5 to 3.5 per cent over a week, Melting scrap prices too portrayed a similar declining trend (a drop of around 3.3 per cent over a week) and Sponge iron price at Raipur took a nosedive in the last week as prices dipped by around 4 per cent over a week. On the backdrop of such a scenario not much movement in the steel prices is expected

to be seen till the release of the central budget and conditions are expected to remain soft in the coming days.

Vizag Steel Plant Prices:

Items	Dimension (in mm)	Grades	w.e.f. 04.05.09	w.e.f. 09.04.09	w.e.f. 09.03.09
Billet	125x125	IS 2830	25500	26000	26000
Billet	65x65	IS 2831	25650	26150	26150
Bloom	320x250	WT	25300	25800	25800
Channel	150x75	IS 2062 Grd A	34500	34500	34150
Rebar	16	IS 1786 Fe 500	34050	33850	31800
Rebar	8	IS 1786 Fe 500	33750	33550	31500
Round	40	IS 2062 Grd A	31200	31200	29450
Wire Rod	7	PC 115	33450	31950	32450
Wire Rod	8	IS 7887	32300	30800	31150

N.B. Vizag Steel Prices (Post discount), Price in Rs/MT, incl. ED & excl. VAT

International Scenario

Asia: CRC import markets in SE Asia picked up in the beginning of month by around $30/tonne to $510-520/t cfr; however buying is not very strong and there is no significant push in demand. HRC import prices too firmed up and the last transaction price was at around $430-440/tonne, cfr. Import market of galvanized remained unchanged at $580-600/tonne, cfr. Billet import prices improved to around $420-430/t cfr levels. Bookings in Vietnam for Russian material took place at $420-425/t cfr in the third week of the month. Offer prices further moved up to $445-455/tonne, cfr in the fourth week, however bookings were very few. However, traders say that import buying levels are still low because buyers are concerned that market sentiment may change and prices begin slipping. Certain countries in the region including Vietnam will see a seasonal slowdown because of the rainy season in the third quarter. "People do not want to buy much; this is the high season but it will last for one more month," a Vietnamese importer said. The market is still in a wait and watch mode.

China: Improved sentiment pushed up Chinese merchant bar prices by around $7/tonne beginning of the month on expectations that demand will improve. Supported by rebounding steel prices, Chinese billet prices have continued to increase since late April. In northern China's Tangshan area, mills' ex-works prices for 150mm Q235 billet have soared to RMB 3,200/tonne ($469/t) in the second week, on cash payment basis with 17% VAT. This compares with prices of RMB 3,020/t at the end of April. Rebar prices strengthened since late April and prices prevailed at about RMB 3,400-3,420/t in the second week of the month. The flat product prices also surged as mills increased their prices. In Shanghai 1.0mm CRC from Maanshan Steel was offered at RMB 4,250/t ($625/t) in the third week with VAT, up by RMB 100/t from 13 May, while similar coils from Tangshan Iron & Steel in the Tianjin market were offered at RMB 4,150/t, up by RMB 150/t from 13 May. HRC prices continued to increase in the fourth week of the month and prevailed at $494/tonne with 17 percent VAT. Plate prices also continued to rise and prevailed at $500/tonne with 17% VAT in the fourth week, up by RMB 100/t from earlier this month. However, despite market prices increasing, transactions are few and far between, and thus most traders believe price rises will be limited without the support of stronger sales.

Market sources say that most traders are still quite prudent about the price rises because downstream demand has not showed any signs of significant recovery, except for cold rolled auto sheet. However, stocks at most large traders remain low which is also contributing to stronger prices. Most traders believe it is unlikely that market prices will climb significantly before the end of the month, because traders have to make sales to generate enough cash flow to book next month's deliveries.

CIS: The export market remained weak after the major buying surge from Egypt subsided. Already congested Egyptian ports are unlikely to welcome any CIS material in the near future, as domestic producers are sure to lower their prices to drive away the competition. The CIS producers once again enjoyed a shaky equilibrium in the month end, with no certainty over what will next month bring. The CIS Billet Export market also assumes a wait and see attitude. CIS Plate export market also remained weak with little hope of turnaround before the end of the year. Sales and demand are down, and the prices have come off again. Ukrainian plate is said to be offered at $425/t fob Black Sea base, Russian plate is $430-460/t fob Black Sea, base, with producers keen to push for an increase next month. According to sources, Egypt starting to buy again next month may bring more certainty to the market; otherwise there would be a calm and quiet summer.

US: Market remained softened with hot rolled coil prices contracting below $400 per short tonne as demand remained weak. Cold rolled coil prices remained below $500 per short tonne. Prices might fall a little further, but market sources say the latest US inventory report showing total steel stocks (predominately flat rolled) falling by 700,000 s.t in April is encouraging.

Europe: Plate market in Europe weakened further. Domestic prices are said to be around €470-520/t ex-works depending on thickness for S275, and some €30/t higher for S355. The north EU mills are running at 40-60% capacity. The southern market too represents a similar picture with prices of both domestic and imported material declining. Demand is very low and there is no business. Domestic prices for commodity plate are said to be around €450-500/tonne ex-works, while imported material is offered at €430-470/t CIF. In the coming months plate prices are expected to continue downwards as market players predict a slow summer.

<u>The table gives an overview of price movement in flat & long steel sector:</u>

FLAT

	Mar-09	**Apr-09**	**May-09**	**June-09***
N.Europe domestic				
HRC - Ex-Works €/t	386-453	318-399	331-411	na
CRC - Ex-Works €/t	454-512	406-459	408-469	na
HDG - Ex-Works €/t	495-545	445-505	455-540	480-555
Plate - Ex-Works €/t	540-710	520-650	470-570	470-550
S.Europe domestic				
HRC - Ex-Works €/t	340-400	350-400	330-350	330-350
CRC - Ex-Works €/t	390-450	390-450	390-410	390-410
HDG - Ex-Works €/t	470-520	470-520	395-450	395-450
Plate - Ex-Works €/t	550-650	450-500	440-475	440-475
N.America domestic				
HRC - FOB US Midwest mill $/s.ton	440-484	403-435	372-400	360-380

CRC - FOB US Midwest mill $/s.ton	560-580	500-540	460-500	440-480
HDG - FOB US Midwest mill $/s.ton	600-660	585-620	547-587	500-540
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	3276-3312	3145-3182	3342-3362	na
CRC - Shanghai (incl. 17% vat) RMB/t	4054-4088	3968-4012	4112-4160	na
HDG - Shanghai (incl. 17% vat) RMB/t	4050-4100	4050-4060	4280-4300	na
China export				
HRC - FOB Shanghai $/t	490-500	490-500	470-480	na
CRC - FOB Shanghai $/t	520-530	520-530	520-530	na
HDG - FOB Shanghai $/t	530-540	530-540	530-540	na
East Asia Import				
HRC - CFR $/t	394-422	405-425	428-440	440-450
CRC – CFR $/t	480-530	480-500	500-530	520-550
HDG – CFR $/t	600-650	580-600	580-600	600-620

LONG

Europe domestic	Mar-09	Apr-09	May-09	June-09*
Medium sections - delivered €/t	400-558	380-520	380-525	na
Rebar - delivered €/t	310-350	390-465	390-445	na
Wire Rod (mesh quality) - delivered €/t	300-350	320-390	330-390	na
N.America domestic				
Rebar - FOB US Midwest mill $/s.ton	504-514	465-491	460-480	480-500
Wire Rod (mesh quality) - FOB US Midwest mill $/s.ton	590-610	490-500	490-510	515-535
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	3172-3192	3172-3195	3365-3392	na
Seamless Pipe(219mm*6mm) - Shanghai (incl. 17% vat) RMB/t	4520-4600	4225-4288	4250-4300	na
China export				
Wire Rod (drawing quality) - FOB Shanghai $/t	500-590	455-485	480-490	na
East Asia Import				
Rebar CFR $/t	412-426	442-452	460-470	465-475
Wire Rod(mesh quality)-CFR $/t	430-470	440-470	470-500	470-500
Black Sea Export				
Rebar FOB $/t	370-430	350-425	410-460	390-450
Wire Rod(mesh quality)-CFR $/t	350-420	350-400	400-430	390-430

Note: 1 RMB=0.15US$, *: SBB Forecast

Outlook

Experts expect the demand to stabilize in latter part of 2009, leading to a mild recovery in 2010. The improvement in steel consumption for the second half of 2009 will depend on the effects of government packages, the continued stabilization of financial systems and a return of consumer confidence.

International: Market sentiment has visibly changed in the steel sector. The downward pressure on steel prices appears to be abating, helped by the recent severe production cuts, which have limited availability. Nevertheless, underlying demand remains weak. Customers are still not placing orders far in advance but diminishing inventory levels have caused mill sales to pick up slightly.
The German market is very quiet as buyers hesitate to finalize business and are only purchasing small quantities on as short as possible delivery schedules. Companies are not ordering anything that is surplus to their immediate requirements. Service centres are reportedly operating on average at 50 percent of their usual activity. Consequently, stock reduction is proceeding quite slowly. The French market continues to be characterized by weak demand and ongoing destocking. However, producers have stabilized strip mill product prices and some are applying a small increase, although this is not linked to any improvements in consumption.

In Italy, market players are less pessimistic than four weeks ago. At last, they can see signs of movement in activity, although they are quick to point out this situation may be only temporary. For the first time in many months, service centers are starting to issue enquiries. Their stocks have been depleted and replenishment is necessary.

There is very little demand from UK end-users. Manufacturing industry continues to struggle but a few positive signs are developing. In the construction industry, government backed projects for hospitals and prisons are generating more demand. In general, stock depletion is progressing well but resale prices from some distributors still do not reflect replacement costs. Market confidence has strengthened slightly even though it remains uncertain. Nevertheless, players feel that the recent relentless deterioration in market conditions has been arrested for now. In fact, some buyers are confident enough to start to consider importing again.

Further price rises will be limited in the near term: Although the worst of the price declines may be behind us, continued demand weakness and high stocks relative to shipments will keep a lid on any price increases in the near future.

India: India’s steel demand will accelerate this year as the incoming Congress party-led government increases investments in infrastructure, following its best showing in an election in two decades, according to an official.

Prime Minister Manmohan Singh’s re-election may spur the investment needed to fund a $500 billion plan to build roads, ports and bridges and continue a rural jobs program that lifted demand in villages and towns. Bharat Heavy Electricals Ltd. said it expects as much as $1.5 billion of new power-equipment orders in the first quarter as pending government projects are cleared.

“Demand for construction grade steel will jump as we expect investments to increase sharply in infrastructure,” said Bharath S., an analyst at Sundaram BNP Paribas Mutual Fund.

Data Sources:
1) NCDEX
2) Steel Town Weekly, Mandi Govindgarh
3) Steel Business Briefing
4) Metal Bulletin
5) MEPS
6) Asian Metal
7) Steel Trade Intelligence
8) Bloomberg

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Steel Scrap: The steel market across the country remained more or less stable beginning of the month. Ingot prices depicted a stable trend at various places of the country and Melting scrap and Sponge iron also depicted more or less a stable trend in the domestic market. Demand in the market hasn't witnessed any major change over a week and has remained by and large stable. The mid of the month saw some improvement in the market with an improvement in demand coming up from the construction sector. However, the improvement was only short-lived as the Election period had a major impact amongst the buyers' sentiment. There was a wait and watch attitude in the market as everybody awaited the formation of a stable government in the country. Prices of various metallic items dipped in the range of 1 to 4 percent over a week. Post Election result did not either create much hype in the market as the earlier two days made a rise in prices of most of the items in the range of Rs.500 to Rs.1000 per tonne boosted by the sharp surge in Sensex. However, there was once again a market correction and prices dipped by Rs.500 to 800 per tonne across various items influenced by the global financial crisis. The month ended on a downward note for the scrap segment as demand remained low. There was not much buying in the market and buyers did not make any huge volumes of purchase accompanied by slow movement of material. Real demand still lacks in the market and the approach of monsoon has further aggravated the situation. Sponge Iron market has too witnessed a drop in price since the fourth week in the range of Rs.200 to Rs.400 per tonne as there isn't much demand existing in the market and coming days are more or less expected to see a similar downtrend in the market.

Indian steel scrap importers bid low: Affected by the sluggish steel market, the trading of steel scrap remained inactive in India beginning of the month. Importers kept the price low at USD240-245/t CIF Mumbai for HMS1&2, the same as that of last week of April. The import market continued to remain low end of the month with CIF prices prevailing in the range of USD220-225/t for HMS1&2. This is mainly attributed to the low demand in the market and with the onset of monsoon it is expected that demand of raw materials including steel scrap from steel mills will reduce.

Indian sponge iron prices fall $16 beginning of May as supply rises: Indian domestic sponge iron prices have fallen Rs 800 ($16) per tonne beginning of the month from last week of April to Rs 13,000 as supply outstrips demand. Producers are running at full capacity to generate off-gases to produce power as it is the peak of summer and state grid supply is low.

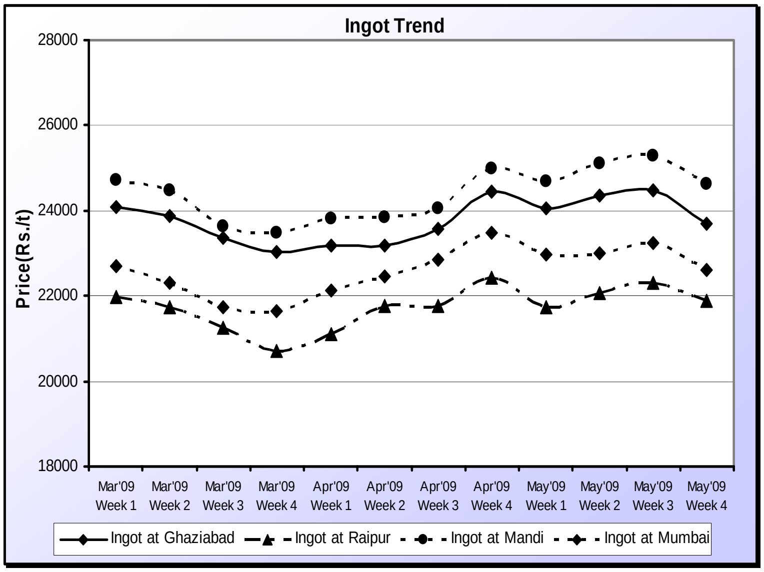
The steep rise in prices last month also encouraged the restarting of many plants that had shut down when prices fell to Rs 10,000 per tonne. Prices continued to rule stable till Election results were out as buyers waited for uncertainties in the Indian economic and political spheres to subside. The month however ended on a declining note with prices again seeing a fall and prices dropping as much as Rs.100 per tonne in a day at Raipur market. Prices are expected to fall a further Rs 200 per tonne before stabilizing, said market participants, and at least one billet producer in Chhattisgarh-has postponed buying fresh stocks in anticipation of lower prices.

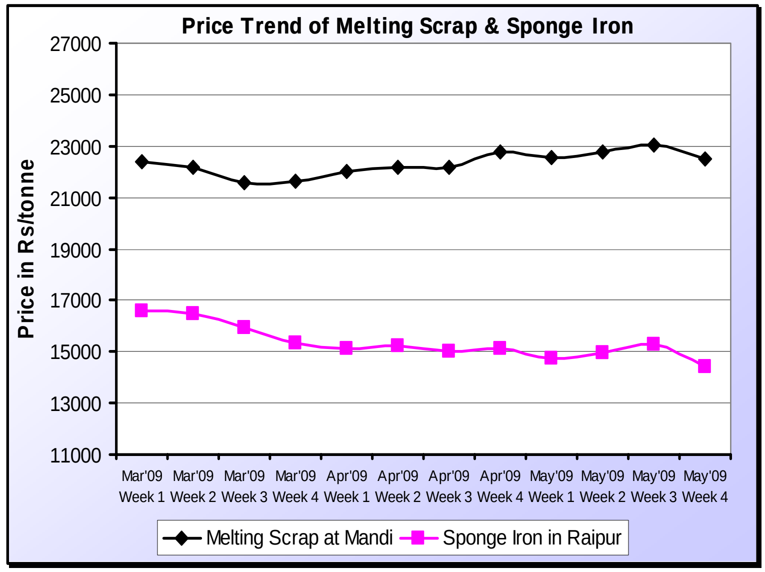
Indian pig iron prices stable, demand looking up: Although Indian domestic pig iron prices have remained fairly stable over the past month, demand has received a visible boost, with a further spurt expected in June.
Foundry grade pig iron rose from levels of Rs 18,500/t ex-works in April to Rs 19,200/t ($403/t) this month. Steelmaking grade pig iron is being offered by state-owned Vizag Steel at Rs 15,300/t ex-works, down from Rs 16,200/t in April, owing to excess stocks of the material.
However most private players have maintained an average price of Rs 16,500-18,400/t ex-works.

Iron Ore: The Iron Ore Fines sector remained flat in the beginning of May due to low Chinese interest. Indian traders said most of China's higher purchases were sourced from Australia where some Chinese firms have invested, leaving Indian traders supplying smaller volumes of lower grades from the western coastal state of Goa. The exporter said an increase in buying before the monsoon next month had raised demand slightly, but that had also congested the Goa port and shipments were delayed.
The export price of iron ore fines showed an upward trend in India in the second week. Prices moved up further in the third and fourth week and there was a rise of around 6 percent noticed over a month. This was mainly buoyed by slow but continuous demand as Chinese traders kept feeding local steel mills despite warnings of a steel glut. Indian Iron ore Fine Fe=63.5% grade prevailed at 68 USD/tonne cnf China in the fourth week. Considering that the steel market in China becomes active at present, it is predicted that the demand of iron ore fines will turn stronger and the price may move up again in the following days.

Price Trend of Ingot, Sponge Iron, Melting Scrap

	Ingot at Mandi	Ingot at Ghaziabad	Ingot at Raipur	Ingot at Mumbai	Sponge Iron at Raipur	Melting Scrap at Mandi
Apr’09 Week 1	**23822**	**23178**	**21104**	**22122**	**15138**	**22000**
Apr’09 Week 2	23844	23183	21777	22464	15210	22200
Apr’09 Week 3	**24060**	**23563**	**21760**	**22850**	**14998**	**22180**
Apr’09 Week 4	24984	24453	22423	23485	15141	22796
May’09 Week 1	**24698**	**24043**	**21737**	**22972**	**14723**	**22550**
May’09 Week 2	25106	24349	22072	23000	14979	22785
May’09 Week 3	**25304**	**24469**	**22311**	**23227**	**15259**	**23019**
May’09 Week 4	24626	23687	21876	22600	14430	22523





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

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

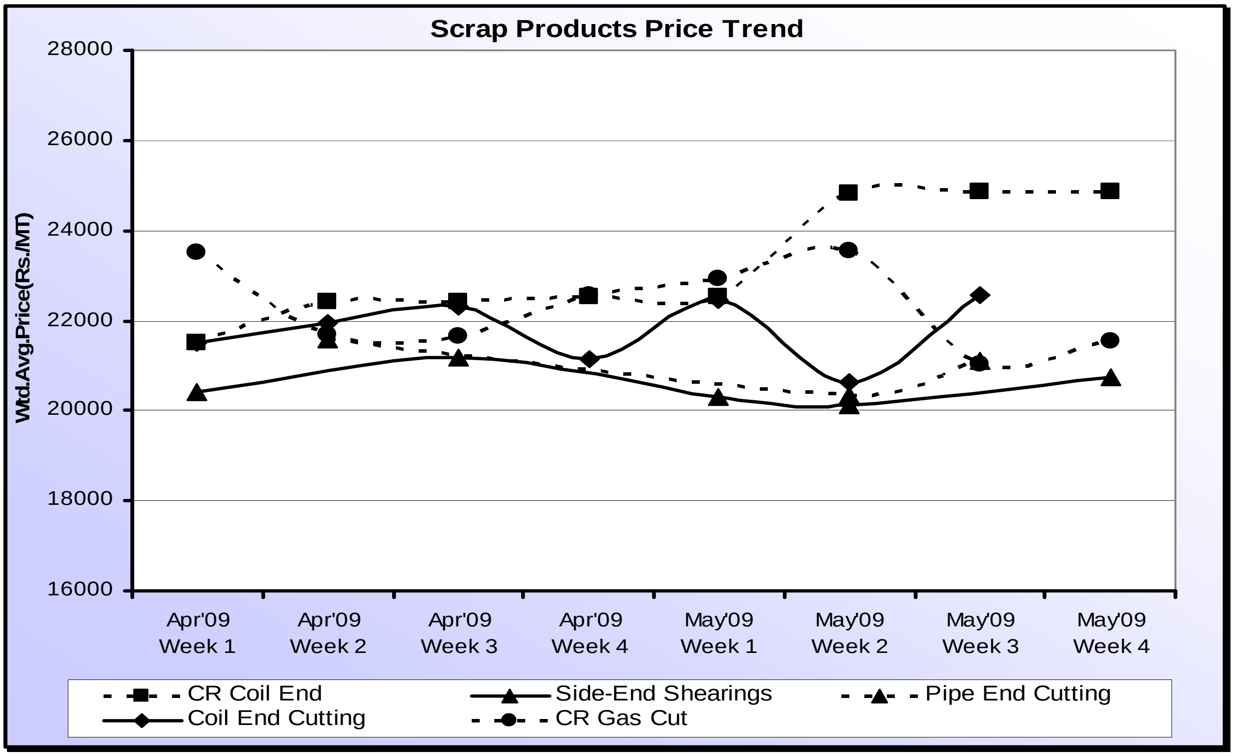
Attached below is the data table:

Week	CR Coil End	Side-End Shearings	Pipe End Cutting	Coil End Cutting	CR Gas Cut
Apr’09 Wk 1	21511	20400	--	21500	23500
Apr’09 Wk 2	22437	--	21577	21954	21707
Apr’09 Wk 3	22411	21165	--	22300	21654
Apr’09 Wk 4	22543	--	--	21134	22558
May’09 Wk 1	22537	20300	--	22463	22913
May’09 Wk 2	24833	20137	20324	20637	23549
May’09 Wk 3	24854	--	21100	22554	21050
May’09 Wk 1	24860	20730	--	--	21528

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

Products	Apr’09 Price(Avg.)	May’09 Price(Avg.)	% change(May’09 over Apr’09)	% change(May’09 over May’08)
CR Coil End	22226	24271	9.20	-8.00
Side-End Shearing	20783	20389	-1.90	-20.00
BP Coil End	25025	24500	-2.10	-8.00
Pipe End Cutting	21577	20712	-4.01	-2.00
CR Gas Cut	22355	22260	-0.42	13.00
Coil End Cutting	21722	21884	0.75	-9.00

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



Price in Rs./t is basic

Outlook: The beginning of the month saw a stable trend in the domestic market. Both Melting scrap and Sponge iron depicted more or less a stable price trend boosted by some improvement in the construction sector. However, market sentiment received a setback prior to Elections with very little demand coming up due to uncertainties in the political atmosphere. The metallic segment witnessed a price drop in the range of 1 to 2 percent over a week in the second week of the month. Conditions improved to some extent after the declaration of Election results with Steel Ingot prices improving in the range of Rs.300 to Rs.500 per tonne within a day and Scrap market also seeing some viability. However, this was not sustained for long as demand conditions once again retreated in the market with no real demand coming up and buyers unwilling to make any huge volumes of purchase. The last week of the month saw a declining price trend due to low demand in the market and steel prices falling under the backdrop of global financial crisis. Sponge Iron prices witnessed a drop of around 5 percent over a week while Melting Scrap prices in Mandi Govindgarh market witnessed a drop of around 2 percent over a week. The e-auction price trend remained aligned with the domestic market and with the prevailing market conditions accompanied by the onset of monsoon; a declining price trend can be expected.

International Scenario

Signs of life return to the scrap market: International demand, led by Turkey and China, drives price recovery. Surge in Chinese import demand buoys Asian metallic prices. Export resurgence lifts EU prices. Squeeze on supply aides recovery, but local demand continues to sag.

Scrap import prices ascend in East Asia: The scrap import market in East Asia continued to firm. Offers of bulk shipment to Southeast Asia prevailed at around $295/t cfr for 80:20 in the third week of the month. Containerized 80:20 scrap was booked at around $270/t cfr Taiwan and new offer prices prevailed at $280-285/t cfr in the third week.

China's domestic steel scrap prices rise: Chinese domestic prices of steel scrap have risen since late April due largely to China's steel market recovery. The price for heavy melting steel scrap (over 6mm thick) in eastern China has strengthened to around RMB 2,380-2,450/tonne ($349-359/t), from late April's RMB 2,280-2,350/t, including 17% VAT. According to market sources, securing domestic steel scrap is still difficult although prices have increased. More domestic steel scrap traders would return to the market should steel prices remain firm for a longer time but that domestic scrap supply may not see an obvious increase until local governments clarify policies on VAT refunds to scrap traders.

UK scrap prices rise marginally on export demand: UK scrap prices have increased as a result of lower stocks and increased export demand, primarily from Turkey. Prices for May have risen by an average of £10-20/tonne depending on grade, sources believe. Shredded is now pegged at £145-175/tonne (€162-196/t).However, the rises may not stick because of continued weak requirements. One steel producer believes scrap prices still have further to fall as they are too high compared to product prices. However another source believes certain mills are paying a premium to big suppliers.

European scrap prices increase in the month of May: Scrap prices in southern Europe have generally gained around €10-15/tonne in May compared to April. This is due to the shorter supply of scrap. The Spanish and Greek markets are more stable than the Italian market, where scrap prices keep falling and increasing every day. Scrap prices in northern Europe have been settled at higher prices than last month - after apparently longer than usual negotiations - because of export demand. In Germany prices for most grades have firmed by around €20/tonne in the east of the country, sources say. The price of shredded scrap in Germany is now pegged at around €180-190/t delivered, while HMS 1+2 are around €170/t delivered. Domestic demand is still weaker than usual, with all mills producing below capacity, and some producers have not bought any material this month. Export demand has been the main upward driver. Prices may soften slightly next month unless export demand remains strong.

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

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

Month	Average Price($ per long ton)	Price movement
Feb-09	187.00	
Mar-09	178.00	↓
Apr-09	146.00	↓
May-09	168.00	↑

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

Month	Average Price($ per long ton)	Price movement
Feb-09	248.00	
Mar-09	210.00	↓
Apr-09	214.00	↑
May-09	228.00	↑

Steel Scrap Shredded United States fob East Coast $ per tonne

Month	Average Price($ per long ton)	Price movement
Feb-09	258.00	
Mar-09	215.00	↓
Apr-09	220.00	↑
May-09	234.00	↑

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

Month	Average Price($ per tonne)	Price movement
Feb-09	241.00	
Mar-09	198.00	↓
Apr-09	219.00	↑
May-09	233.00	↑

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

Month	Average Price($ per tonne)	Price movement
Feb-09	211.00	
Mar-09	168.00	↓
Apr-09	189.00	↑
May-09	203.00	↑

Steel Scrap Shredded fob Rotterdam $ per tonne

Month	Average Price($ per tonne)	Price movement
Feb-09	250.00	
Mar-09	204.00	↓
Apr-09	224.00	↑
May-09	238.00	↑

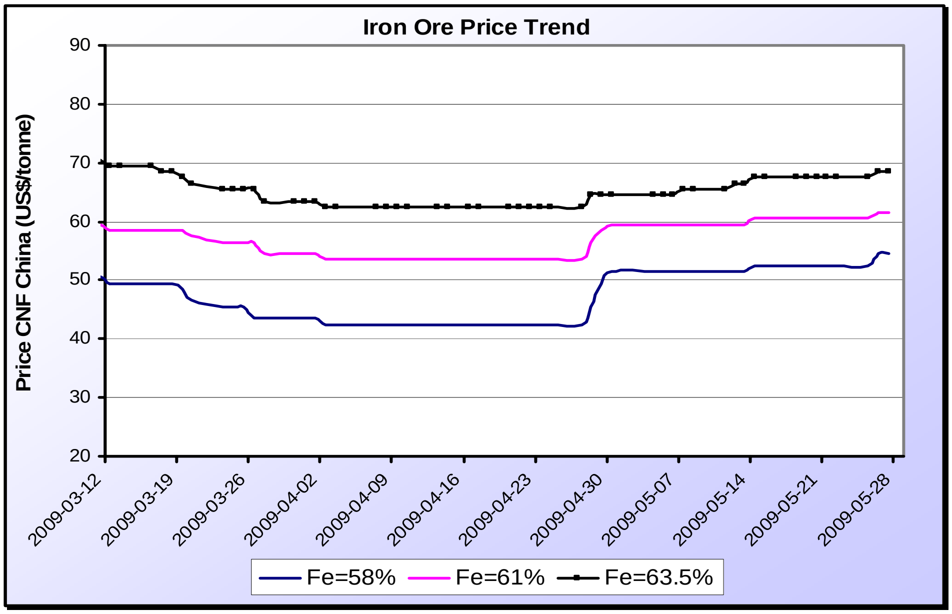
Steel CIS Export Pig Iron $ per tonne Black Sea/Baltic Sea

Month	Average Price($ per tonne)	Price movement
Feb-09	260.00	
Mar-09	220.00	↓
Apr-09	210.00	↓
May-09	260.00	↑

Steel EU Imports Pig Iron (basic steelmaking) cfr Western Europe Euro per tonne

Month	Average Price($ per tonne)	Price movement
Feb-09	214.00	
Mar-09	186.00	↓
Apr-09	170.00	↓
May-09	na	

The graphs below give the Iron Ore Fines trend of Indian origin CNF China port



Price is CNF China in US$/t

Outlook

US scrap market could fall in June: Mixed signals are providing little visibility as to where US scrap prices are headed in June. Some sources indicate the market will fall $10-20 a long ton, others suggest prices will be flat, while another faction indicates prices could inch up $10-15/l.t. But the majority of sources are calling the market flat to down, citing domestic and export reasons for a potential leveling out of prices. On the domestic front, sources indicate there is no demand at the moment and the dynamics are expected to weaken further next month. “More places are shutting down than are increasing a tad. The shutdowns will more than offset the uptick. Prices will fall," said an eastern US scrap dealer. In the export market, after buying shredded material for $300/l.t delivered last month, importing Asian countries are trying to push prices down $10, said one trader. It is expected that US suppliers will not be able to count on a quick return of Turkish buyers; in fact Turkish steel export prices have been softening in the last few weeks and Europe and Black Sea origin scrap has been selling for less than the US offers. Therefore, Turkish mills will be reluctant buyers in the next few weeks.

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

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STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario

The stainless steel sector saw revival in demand with prices improving in the range of Rs.5000 to Rs.10,000 per tonne as compared to the earlier month.
The beginning of May has seen a rise in Nickel price by around 5 to 6 percent both in the domestic market and at LME. However, since the mid of this month; nickel gradually started to loose its ground and prices started faltering in the third week both in the domestic market as well as on the international front. Nickel prices picked up marginally at the end of May as compared to the third week mainly due to the weakening of US dollar in the world market but the demand in the market still continues to remain inert. The domestic market however sees an improved condition with Nickel prices ending on a positive note and this is mainly attributed to the gain in consumer confidence in the stainless steel segment. According to market sources, purchasing is taking place in good quantity and conditions are expected to stabilize in the coming days.

Indian stainless producers urge end of FeNi import tax: The Indian Stainless Steel Development Association (ISSDA) will step up its push for the cancellation of India's 5% import tax on Ferro-nickel as a new government in India takes form, says ISSDA president N.C. Mathur. While Indian stainless demand is still weak, the new government in New Delhi looks positive for the industry, says Mathur.

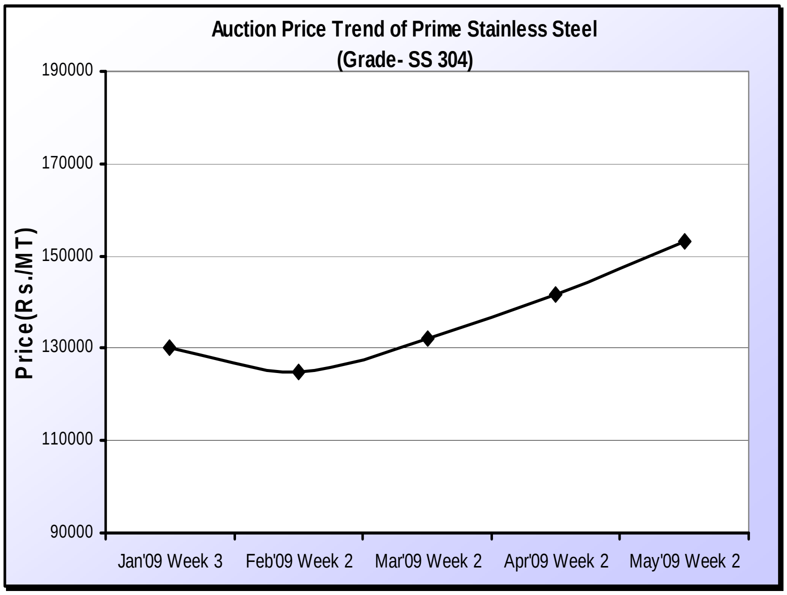
Jindal doubles PT Maspion's stainless capacity to 150,000 tpy: India's Jindal Stainless has expanded its Indonesian subsidiary PT Maspion Stainless Steel to 150,000 tpy, from 70,000 tpy.
However, Maspion Stainless is operating at just 50% of capacity due to the poor economy. Indonesia is an important manufacturing hub for Jindal Stainless due to its low operational costs and access to other Southeast Asian countries, and Maspion Stainless hopes to ramp up to full capacity "when market picks up, hopefully at the end of 2009", said commissioner R.K. Goyal. Maspion Stainless exports 60% of its stainless steel to the rest of Southeast Asia and to Europe, leaving 40% for the domestic market.

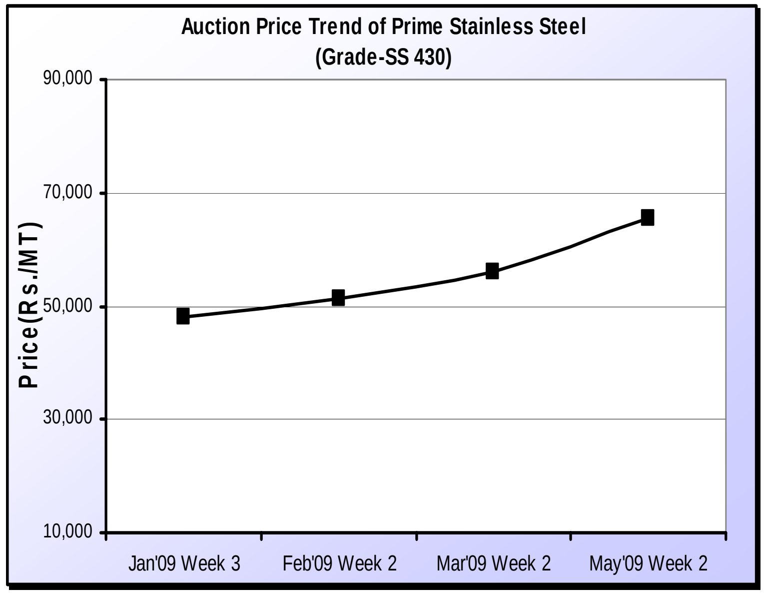
Prevailing Price of Prime Stainless Steel:

Gujarat
Grade304-thickness-2.5-8-HRAP-for2B/2D/slitarising: Rs.1,25,000-1,40,000/tonne (basic).
Grade 304 imported: Rs. 1,20,000-1,35,000/tonne ex-Mumbai
Grade 316-thickness-2.5-8- HRAP for 2B/2D/slit arising: Rs.2,10,000-2,25,000/tonne (basic).
Grade SSLN1-thickness- 2.5-8- HRAP-for 2B/2D/slit arising: Rs. 85,000 – 1,00,000/tonne (basic)
Grade SSLN4-thickness- 2.5-8- HRAP-for 2B/2D/slit arising: Rs. 1,35,000 –1,50,000/tonne (basic)

Delhi
Grade 201 (1mm - 3mm): Rs.1,00,000/tonne (basic)
Grade 301 (1mm - 3mm): Rs.1,10,000/tonne (basic)
Grade 304 (1mm - 3mm): Rs.1,45,000/tonne (basic)

The graph below gives the auction trend of Stainless Steel:





Price (Rs./tonne) is basic

As seen from the above graphs, stainless steel price has picked up in the month of May accompanied by a rise in Nickel price.

Outlook: The auction platform witnessed a rising price trend across both 300 and 400 series in the month of May with improvement in demand conditions and raw material prices seeing a rising price trend. With Nickel and chrome prices improving both in the domestic and international market the stainless steel market too made some amount of recovery as demand improved to some extent. The international market also exhibited a stable trend with rate of decline slowing down. An increase in prices in the range of Rs.500 to Rs.10,000 per tonne was noticed over a month across various grades. With market conditions improving to some extent in the domestic field, a stable trend can be expected in the coming days.

International Scenario

Stainless steel prices rebound in May: Japanese mills said that 300 series stainless steel demands have come back to the level of last September before financial crisis. Currently, it's said that inquiries are mostly from China, Taiwan and Hong Kong. In far eastern market, stainless steel current prices have increased by USD 300 per tonne as compared with April and predicted to increase by USD 50 per tonne in June. On the other hand, stainless steel makers in China, such as TISCO, Baosteel, and POSCO, resumed full operations. Meanwhile, European stainless steel prices have increased by EUR 200 per tonne as local demands are picking up gradually.

Asian stainless prices rise $100/t over a fortnight: Prices of East Asian-origin grade 304 cold rolled sheets for delivery in one-to-two months rose $50/tonne to $1,950-2,050/t cfr China in the first week after Taiwanese producers pushed through higher offer prices. Prices were at $1,900-2,000/t cfr China a week ago. Prices went up again in the second week by another $50/tonne to prevail at $2,000-2,100/t cfr China and went up further by $50/tonne in the third week. The month ended on a positive note with prices rising by another $50-100 per tonne over a week. Market participants note that buying is mostly done by traders and stockists who believe now is a good time to enter the market as prices have hit a bottom. Demand from end-users remains sluggish, however. The price increases are mostly driven by the recent rebound in nickel prices. Nickel prices on the London Metal Exchange were at $12,150 on 14 May. This is a decline of about $600/t from the start of the week but is nevertheless an increase from the $11,000/t-level seen at end-April. Nickel prices settled at $13,335/40/t on 28 May, rising around $1,000/t over the week. Industry observers are expecting producers to continue adjusting prices in line with nickel price changes.

Chinese 304 stainless prices up again: Chinese stainless 304 hot rolled and cold rolled coil prices increased by RMB 300-400/t ($44-59/t) in the first week after stainless producers raised their prices in response to higher nickel prices. In southern China's Foshan market, prices of 3mm thick 304 HRC were at RMB 15,300-15,600/t ($2,243-2,287/t), up by RMB 300/t from RMB 15,000-15,300/t at end-April. CRC 2mm thick 304/2B was at RMB 16,400-16,900/t ($2,404-2,477/t), RMB 400/t higher than the RMB 16,000-16,500/t at end-April. Prices include 17% VAT. Prices increased further in the third week. 3mm thick 304 HRC prevailed at RMB 15,900-16,200/t ($2,329-2,373/t), up by RMB 600/t from RMB 15,300-15,600/t at the start of May. CRC 2mm thick 304/2B is now RMB 16,800-17,200/t ($2,461-2,520/t), RMB 300-400/t higher than the RMB 16,400-16,900/t two weeks ago. Prices include 17% VAT.

Nickel market still sees inactive demand in China: Supported by the US dollars depreciation, 3-month nickel on LME rose by USD650/t to USD12,775/t on May 22, and nickel market also followed the upward movement in China. Traders revealed that they continued to receive few orders, as most buyers have little interest in replenishing more stocks, worrying that nickel market may go down further in the following days. Meanwhile, some small traders prefer to replenish stocks if nickel price continues to move up further. The whole market saw little momentum, and the demand from stainless steel plants remained slow. Therefore, most participants hold wait-and-see attitudes towards the future market.
According to sources, the US dollars supported nickel market temporarily and there is little momentum from the consumption to push up nickel market. Meanwhile, it is sure that stainless steel plants still need sometime to recover.

Posco cuts stainless prices for 300 and 400 series: Posco has now slashed domestic prices of its austenitic and ferritic hot rolled and cold rolled coil by KRW 300-600,000/tonne ($239-479/t). The Korean firm announced its revised prices on 19 May but these are effective from 15 May. The cuts take the new price for grade 304 HRC (2-3mm) to KRW 2.55m/t ($2,034/t) and that for 304 CRC (2mm) to KRW 2.82m/t ($2,249/t). That for grade 430 HRC is KRW 1.69m/t ($1,348/t) and for CRC is now KRW 2.07m/t ($1,651/t).

Chinese FeCr import prices inch up: Chinese import prices of India-origin Ferro-chrome (6-8% C, 58-60% Cr) for one-month delivery inched up 1 cent/lb to 61-64 cents/lb CIF China as India suppliers continued to raise offer prices. Indian sellers started raising offer prices in April claiming tight supply, rising production costs and stronger demand and prices for stainless steel. The major consumer of FeCr in China, 400-series stainless steel, has witnessed stable prices and demand in recent weeks, and this stability could provide support for FeCr prices, market observers' note.

The tables below give an overview of stainless steel prices worldwide

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

Type	Feb'09	Mar'09	Apr'09	May'09	June'09*
HR 304	14300-14800	14300-14800	13300-13800	15000-15300	15900-16200
CR 304 2B	**15700-16200**	**15700-16200**	**14400-14900**	**16000-16500**	**16800-17200**
CR 202 2B	15000-15200	13900-14100	13000-13200	14200-14400	14100-14300
CR 430 2B	**9500-9700**	**9000-9200**	**8900-9100**	**9200-9400**	**9200-9400**

Europe

CR 304 2B 2mm,Euro/t Ex-Works	Feb'09	Mar'09	Apr'09	May'09	June'09*
N.Europe	820-900	870-950	930-980	930-1060	980-1120
S.Europe	**850-880**	**900-940**	**940-960**	**940-1030**	**980-1080**

Europe

CR 430 BA 2mm,Euro/t Ex-Works	Feb'09	Mar'09	Apr'09	May'09	June'09*
N.Europe	880-930	910-950	950-980	950-1050	970-1090
S.Europe	**870-910**	**900-960**	**920-960**	**940-1020**	**960-1060**

East Asia import

Type	Feb'09	Mar'09	Apr'09	May'09	June'09*
CR 304 2B 2mm CFR$/t	**2000-2138**	**1870-1950**	**1875-1950**	**2012-2100**	**2050-2150**

(*): SBB forecast **Note:** 1US$= Rs.47.24, 1Euro= Rs.66.30, 1 RMB=0.15US$

Raw materials scenario:

Nickel Trend: The market for nickel was robust up till the middle of May with the nickel prices galloping up at a brisk pace after experiencing a softened trend in the last week of April owing to the improvement in demand from the stainless steel mills and tight supply situation. In London, the physical supply was under pressure owing to the reduced arrivals which helped the spot nickel prices to soar up. Nickel in LME rose by more than 8 per cent and nearly 5.5 per cent in the first two weeks of May respectively. However, since the mid of this month; nickel gradually started to loose its ground and prices started faltering in the third week both in the domestic market as well as on the international front. Nickel prices picked up marginally at the end of May as compared to the third week mainly due to the weakening of US dollar in the world market but the demand in the market still continues to remain inert. According to the market sources, currently there is hardly any prospective demand in the market as most of the buyers have little interest in replenishing more stocks because the demand from stainless steel plants is extremely slow and sluggish.

Ferro Alloy market remained more or less stable: The domestic Ferro chrome market remained by and large stable through out the month of May after experiencing a price increase of Rs. 1000/MT with the commencement of May, since then the Ferro-chrome market remained stable till May week 03. However, just at the close of the month; the Ferro chrome prices once again swung up by Rs. 1000/MT in the domestic market as the demand condition slightly improved of late. In the domestic market, the High Carbon (60% min) Ferro chrome is currently prevailing at Rs. 41,500/MT ex-works on an average. The domestic as well as the international market for Ferro molybdenum market remained by and large stable in the first half of May after experiencing a price improvement of around Rs. 30/Kg in the beginning of the month. The Ferro-Moly prices further exhibited some improvement in the third week of this month as the prices swung up Rs. 50/Kg. At present, the Ferro-moly (60% min) prices are prevailing at around Rs. 775/Kg in the domestic market. The Ferro manganese market across the country remained grossly stable. The demand in the market has remained stagnant since beginning of April which has kept the Ferro-manganese prices stable across the country. In the domestic market, the HC Ferro-manganese (65 -70%) is prevailing at a price of Rs. 41,000/MT ex-works.

Nickel price trend at London Metal Exchange:

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Jan-09	11,298	16.64	-59.17
Feb-09	10,399	-7.96	-62.78
Mar-09	9690	-6.82	-68.95
Apr-09	11,110	14.67	-61.35
May-09	13,139	18.25	-48.92

Outlook

Korean mills to cut stainless CRC prices in June: Korea's Hyundai Steel and its subsidiary BNG Steel will cut domestic list prices of austenitic cold rolled stainless steel from 1 June, passing on the lower prices they are now paying for Posco stainless hot bands. The stainless re-roller is passing on the cuts that Posco announced on 19 May to its 300 and 400-series stainless of KRW 300-600,000/t, retroactive from 15 May. Posco's new price for grade 304 HRC (2-3mm) is KRW 2.55m/t ($2,047/t) and that for 304 CRC (2mm) KRW 2.82m/t ($2,264/t). That for grade 430 HRC is KRW 1.69m/t ($1,357/t) and for CRC is now KRW 2.07m/t ($1,662/t), as SBB reported.
India: The domestic stainless steel market exhibited slight improvement of late and a stable to a firm market condition can be expected in the coming days.

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

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