

News at a glance

Metals hit new heights in London: Developing countries' growing appetite for metals, including copper, has prompted price increases recently.

- **Copper:** Copper touched **\$8,619/t** on **11th May'06**, a rise of \$471/t as compared to earlier day. The metal made a record high of \$8,783/t in the month of May and this has been instigated by strong demand in the market.
- **Nickel:** The metal touched it's highest this year on **30th May'06** and closed at **23,025\$/t**. Growing demand from stainless steel makers, who account for about two-thirds of global nickel consumption has caused a booming rise in nickel price with supply not being able to meet the demand.
- **Zinc:** The metal touched it's highest this year on **11th May'06** and closed at **3,980\$/t**, a 10% rise as compared to earlier day. Booming global demand led by China's rapid industrialization has led to a rise in price.
- **Aluminium:** Strong demand forecasted in the future is keeping aluminium prices high. The metal closed at a high of **3,270\$/t** on **11th May'06**. Increased demand from cars, airplanes and commercial transportation has sent aluminum to 18-year highs.

Ferro-Chrome and **Molybdenum** prices remained firm globally with strong demand from stainless steel mills. Also, tighter supply has played a significant role in achieving high prices and this is expected to continue for the second quarter of the year.

China ultimately accepts to a 19% rise in iron-ore price putting an end to months of negotiations with the world's top miners, including Brazil's CVRD. It was inevitable once all the major players had announced settlements variously with the Europeans and the Japanese.

Steel makers in India including major Steel manufacturer Tata Steel raised HR coil and Galvanized prices in the beginning of May'06 due to rise in international steel prices.

Hindustan Zinc cuts Zinc prices on LME dip: Forced by the price decline on LME, Hindustan Zinc Ltd. slashed prices of it's products w.e.f 22nd May'06.

The company cut the price of high-grade zinc by Rs.2500/t to Rs,1,83,400/t from Rs.1,85,900/t in its last revision on May 11. The price of special high grade

zinc was slashed down to Rs.1,83,600/t from Rs.1,86,100/t as per the last revision.

Stainless Steel output to rise 8% or more with China as the leader: Global stainless production will be 26.4m tonnes this year, an increase of more than 8% over last year's world production of 24.3m tonnes. China is estimated to have a stainless steel production of 13.75 million tonne this year and Americas are expected to be at 2.85 million tonne.

Stainless and heat-resisting crude steel production (in '000 tonnes)

| Region | 2004 | 2005 | +/- % | 2006 (e) | +/- % |
|----------------------------|---------------|---------------|-------------|---------------|------------|
| Western Europe/Africa | 9,422 | 8,823 | -6.4 | 9,480 | 7.4 |
| Central and Eastern Europe | 318 | 310 | -2.5 | 320 | 3.2 |
| The Americas | 2,933 | 2,689 | -8.3 | 2,850 | 6.0 |
| Asia | 11,897 | 12,498 | 5.1 | 13,750 | 10.0 |
| World total | 24,570 | 24,320 | -1.0 | 26,400 | 8.6 |

Source: International Stainless Steel Forum (ISSF)

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

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

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

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

| | Mar'06 | % Change(Y-Y) | Apr'06 | % Change(Y-Y) | May'06 | % Change(Y-Y) |
|---------------------|--------|---------------|--------|---------------|--------|---------------|
| Global Index | 138.24 | -13.00 | 148.97 | -4.40 | 156.96 | 4.10 |
| North America Index | 145.13 | -4.70 | 148.86 | 5.30 | 154.13 | 10.30 |
| Europe Steel Index | 148.00 | -10.60 | 159.62 | -0.70 | 168.87 | 8.60 |
| Asia Index | 128.79 | -19.00 | 143.14 | -11.50 | 152.03 | -1.70 |
| Longs Index | 138.07 | -0.20 | 146.4 | 2.40 | 151.46 | 8.10 |
| Flats Index | 138.32 | -18.20 | 150.24 | -7.40 | 159.69 | 2.30 |
| Metallics Index | 183.64 | -2.40 | 194.61 | 0.90 | 205.07 | 21.70 |
| Stainless Index | 120.72 | -9.40 | 121.8 | -8.10 | 127.00 | -3.70 |

As seen from the above table, steel index values across various categories have improved on a month to month basis which clearly gives a positive indication of rise in steel prices across various categories. The year-on-year basis index is also showing positive figures across most of the categories which clearly indicates healthy steel scenario worldwide though the Asian market is still lagging behind as compared to other places.

(DIPANKAR CHAKRABARTI)
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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

HIGHLIGHTS:

Steel makers hike prices with rising international prices: Steel major **Tata Steel** hiked HR Coil prices by Rs.1000/t, galvanized by Rs.2000/t. The price of hot-rolled coil has been raised by 4% to about Rs 26,000 a metric tonne w.e.f from the second week of May. **JSW Steel Ltd** announced a hike in the price of HR coils by Rs 1,750 per tonne. It also raised prices of galvanized products by Rs 2,000 per tonne. **Essar Steel** has increased prices of hot rolled coils by 5-7 per cent, the company's spokesperson said.

Uttam Galva Steels Ltd raised prices of GC products by Rs 2,000 per tonne and of hot-rolled steel by Rs 1,500 to Rs 1,700 a tonne mainly due to rising input costs and also due to fluctuations in London Metal Exchange. Chennai based **AML Steel**, also hiked prices by Rs 2,000 per tonne.

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

| Primary Flat Products | Feb-06 | Mar-06 | Apr-06 | May-06 |
|-----------------------|--------|--------|--------|--------|
| Plate(5-10 mm) | 25700 | 27000 | 28000 | 28000 |
| HR Coil | 26700 | 27500 | 28000 | 27500 |
| HR Sheets | 26200 | 27500 | 28000 | 27500 |
| CR Coil | 33000 | 33000 | 33000 | 33000 |
| CR Sheets | 33200 | 33000 | 33000 | 33000 |
| GP Coil | 35200 | 35300 | 35000 | 35000 |
| GP Sheets | 35200 | 35500 | 35000 | 35000 |

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

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

| Primary Long Products | Feb-06 | Mar-06 | Apr-06 | May-06 |
|-----------------------|--------|--------|--------|--------|
| Billets(100*100mm) | 20500 | 21900 | 22200 | 21400 |
| MS Rounds(22/25 mm) | 22600 | 23600 | 24400 | 23500 |
| MS Squares(22/25 mm) | 22700 | 22500 | 23800 | 23500 |
| MS Angles(25*6mm) | 22600 | 23600 | 24400 | 23900 |
| MS Angles(100*6mm) | 23750 | 24700 | 25800 | 25000 |
| MS Channels(75*40mm) | 23000 | 24000 | 24800 | 24300 |
| MS Channels(125*65mm) | 23600 | 24700 | 25200 | 24700 |

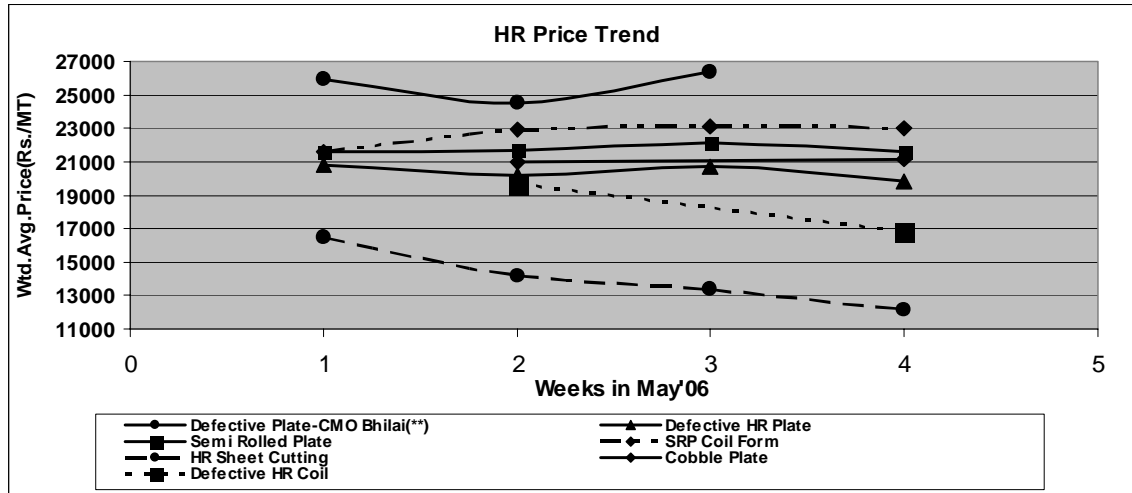
Note: Price (Rs. /MT, incl.excise duty)

Price Movement

| | Review | Outlook |
|---------------|--------------------|---------------------|
| Steel Product | May'06 over Apr'06 | June'06 over May'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 May 2006 for different HR and CR products.



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

Attached below is the data table:

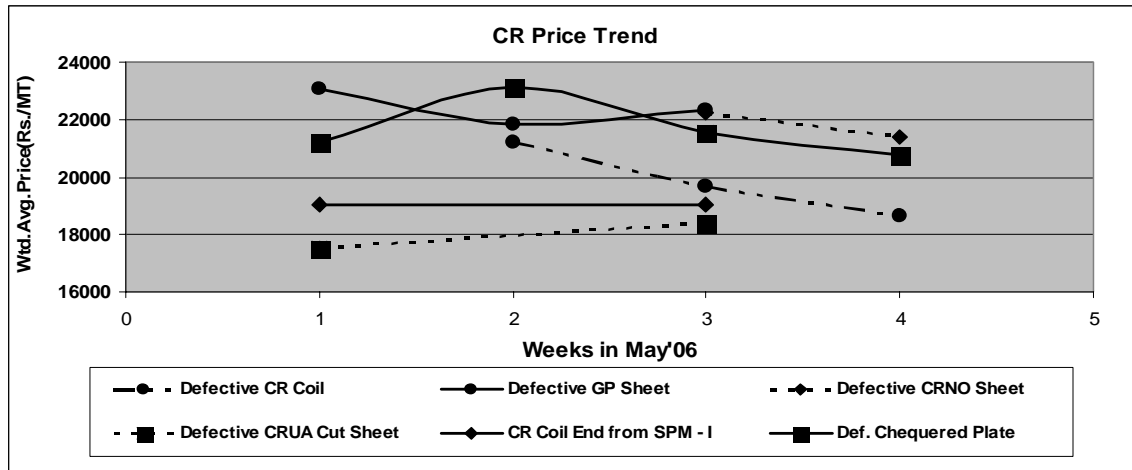
| Week | Def.Plates-CMO Bhilai | Def.HR Plate | Semi Rolled Plate | SRP Coil Form | HR Sheet Cutting | Cobble Plate | Def.HR Coil |
|------|-----------------------|--------------|-------------------|---------------|------------------|--------------|-------------|
| 1 | 25912 | 20850 | 21566 | 21597 | 16500 | | |
| 2 | 24486 | 20212 | 21725 | 22943 | 14158 | 21010 | 19678 |
| 3 | 26391 | 20710 | 22177 | 23132 | 13400 | | |
| 4 | | 19806 | 21607 | 23057 | 12154 | 21126 | 16800 |

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

| Products | Apr Price(Avg.) | May Price(Avg.) | % change |
|---------------------------|-----------------|-----------------|----------|
| Defective HR Plate | 19700 | 20395 | 3.53 |
| Semi Rolled Plate | 21590 | 21769 | 0.83 |
| SRP Coil Form | 22197 | 22682 | 2.18 |
| HR Sheet Cutting | 13784 | 14053 | 1.95 |
| Cobble Plate | 21097 | 21068 | -0.14 |
| Def. HR Coil | 19303 | 18239 | -5.52 |

Summary of Price Movement in Auction Platform

| Products | Price Movement(Apr'06 over Mar'06) | Price Movement(May'06 over Apr'06) |
|--------------------|------------------------------------|------------------------------------|
| Defective HR Plate | ↑ | ↑ |
| Semi Rolled Plate | ↑ | ↑ |
| SRP Coil Form | ↑ | ↑ |
| HR Sheet Cutting | ↓ | ↑ |
| Cobble Plate | ↑ | ↓ |
| Def. HR Coil | ↓ | ↓ |



Price is basic

Attached below is the data table:

| Week | Def. CR Coil | Def. GP Sheet | Def. CRNO Sheet | Def. CRUA Cut Sheet | CR Coil End from SPM-I | Def. Chequered Plate |
|------|--------------|---------------|-----------------|---------------------|------------------------|----------------------|
| 1 | | 23050 | | 17505 | 19028 | 21200 |
| 2 | 21198 | 21824 | | | | 23100 |
| 3 | 19674 | 22339 | 22250 | 18400 | 19048 | 21550 |
| 4 | 18642 | | 21400 | | | 20784 |

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

| Products | Apr Price(Avg.) | May Price(Avg.) | % change |
|------------------------|-----------------|-----------------|----------|
| Def. CR Coil | 21023 | 19838 | -5.64 |
| Def. GP Sheet | 22110 | 22404 | 1.33 |
| Def. CRUA Cut Sheet | 20569 | 17953 | -12.72 |
| CR Coil End from SPM-I | 20429 | 19038 | -6.81 |

Summary of Price Movement in Auction Platform

| Products | Price Movement(Apr'06 over Mar'06) | Price Movement(May'06 over Apr'06) |
|------------------------|------------------------------------|------------------------------------|
| Defective CR Coil | ↑ | ↓ |
| Defective GP Sheet | ↓ | ↑ |
| Def.CRUA Cut Sheet | ↑ | ↓ |
| CR Coil End from SPM-I | ↑ | ↓ |

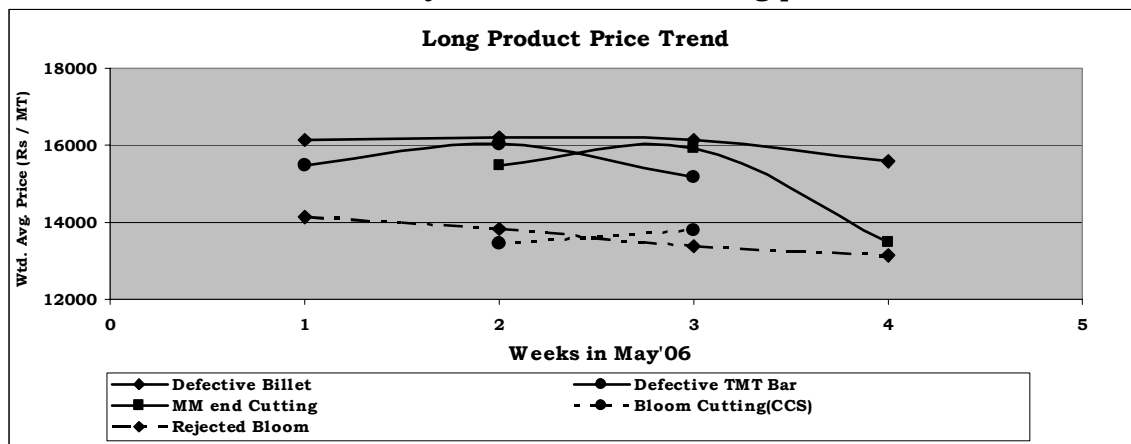
Outlook: Since the third week of the month the auction platform has shown a continuous drop in price with sentiment remaining weak. Though there was good availability of material, however material movement took place slowly because of buyers not willing to purchase. Demand has been affected because of metals meltdown on LME which had its effect on domestic stock market with both metal and steel stocks getting a setback especially in the mid of May.

Market behaved in a very volatile manner and this had its effect on buyer's sentiment as they were not sure of what is further going to happen. So, they kept their fingers crossed with demand slowing down and the effect being seen on the auction platform towards the end of the month. However, market correction did take place with steel stock and metals stock reviving to some extent and prices are expected to remain firm in the beginning of the next month.

Overall, a steady trend is expected but it is still a wait and watch scenario as market volatility still remains with the effect being clearly seen from the share prices of two domestic steel majors SAIL and Tata Steel which are having its ups and downs on a day to day basis.

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 May 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 | 16151 | 15492 | | | 14150 |
| 2 | 16222 | 16041 | 13433 | 15473 | 13825 |
| 3 | 16152 | 15164 | 13810 | 15919 | 13375 |
| 4 | 15587 | | | 13479 | 13150 |

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

| Products | Apr Price(Avg.) | May Price(Avg.) | % change |
|--------------------|-----------------|-----------------|----------|
| Defective Billet | 16465 | 16028 | -2.65 |
| Defective TMT Bar | 16246 | 15566 | -4.19 |
| Bloom Cutting(CCS) | 13893 | 13622 | -1.95 |
| MM end Cutting | 17129 | 14957 | -12.68 |
| Rejected Bloom | 14681 | 13625 | -7.19 |

Summary of Price Movement in Auction Platform

| Products | Price Movement(Apr'06 over Mar'06) | Price Movement(May'06 over Apr'06) |
|--------------------|------------------------------------|------------------------------------|
| Defective Billet | ↓ | ↓ |
| Defective TMT Bar | ↑ | ↓ |
| Bloom Cutting(CCS) | ↑ | ↓ |
| MM end Cutting | ↑ | ↓ |
| Rejected Bloom | ↑ | ↓ |

Outlook: The long product items behaved in a volatile manner in the month of May and closely followed the ingot trend which had a continuous drop in prices since the second week of May. On an average there has been a drop of 6.5% in ingot price on month to month basis. Since the beginning of third week most of the long product items have shown a downward movement in price and this has been distinctly with ingot trend which is a major driver in long product prices movement.

Market behaved in a very volatile manner and this had its effect on buyer's sentiment as they were not sure of what is further going to happen. So, they kept their fingers crossed with demand slowing down, stock accumulating and the effect being seen on the auction platform towards the end of the month. However, market correction did take place with steel stock and metals stock reviving to some extent and prices are expected to remain firm in the beginning of the next month.

Overall, a steady trend is expected but it is still a wait and watch scenario as market volatility still remains with the effect being clearly seen from the share prices of two domestic steel majors SAIL and Tata Steel which are having it's ups and downs on a day to day basis.

Ingot Trend

| | May Week 1 | May Week 2 | May Week 3 | May Week 4 |
|-----------|------------|------------|------------|------------|
| Kolkata | 14858 | 14696 | 14685 | 14389 |
| Mandi | 18405 | 18142 | 18070 | 17549 |
| Ghaziabad | 18000 | 17569 | 17445 | 16835 |
| Raipur | 15671 | 15341 | 15252 | 14789 |
| Mumbai | 17948 | 17423 | 17039 | 16714 |

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) |
| Apr'05 | | | | | | |
| May'05 | -9.96 | | -5.40 | | -2.64 | |
| 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 |
| | Billet | | Bloom | | TMT Cutting | |
| | %Change (m-m) | % Change (y-y) | %Change (m-m) | %Change (y-y) | %Change (m-m) | % Change (y-y) |
| Apr'05 | | | | | | |
| May'05 | -7.77 | | -13.21 | | -3.22 | |
| 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 |

International Scenario

HIGHLIGHTS:

Taiwan's steel demand is forecasted to rise by 2.8%: Taiwan's apparent finished steel consumption this year is forecast to rise to 20.46m tonnes, up 2.8% from 19.91m tonnes of last year. The consumption will comprise 12.03m tonnes of long products, 7.52m tonnes of flat products and 0.91m tonnes of tubes. This compares with last year's apparent consumption of 11.71m tonnes of long products, 7.32m tonnes of flat products and 0.88m tonnes of tubes. Last year, finished steel production amounted to 24.79m tonnes and this year it is forecast to rise marginally to 25.46 m tonnes.

Europe: Steel Prices had a positive trend in the month of May'06 and are continuously on an upward trend with demand booming up and availability becoming a major issue. Strong market sentiment is prevailing across France & Germany and prices of Sections may rise if there is further rise in scrap prices.

Asia: Prices of both flat and long product items had a positive trend in the month of May with demand recovering in the steel market.

The tables below give international steel price trend and forecast for the month of June:

| CIS slab export price | | | | | | ©SBB 2006 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Jan - June 06 | | | | | | |
| | Jan 06 | Feb 06 | Mar 06 | Apr 06 | May 06 | Jun 06* |
| FOB \$/t | 270 - 330 | 280 - 350 | 290 - 360 | 310 - 380 | 370 - 430 | 390 - 450 |

| CIS plate export prices | | | | | | ©SBB 2006 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Jan - June 06 | | | | | | |
| | Jan 06 | Feb 06 | Mar 06 | Apr 06 | May 06 | Jun 06* |
| FOB \$/t | 400 - 540 | 400 - 550 | 400 - 580 | 400 - 610 | 450 - 630 | 450 - 650 |

| China domestic FOB Shanghai | | | | | ©SBB 2006 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| (incl. 17% vat) RMB/t | | | | | |
| | Feb 06 | Mar 06 | Apr 06 | May 06 | Jun 06* |
| Rebar | 2790 - 2860 | 2790 - 2950 | 2920 - 2960 | 2960 - 3000 | 2980 - 3200 |

* SBB Forecast

The increase in rebar price shows that the market is reacting to higher billet prices. Also, the market demand is growing with continued strength in China's economy and construction sector.

| European sections and merchant bars(Euros/t) | | | | | ©SBB 2006 |
|--|-----------|-----------|-----------|-----------|-----------|
| | Feb 06 | Mar 06 | Apr 06 | May 06 | Jun 06* |
| Medium sections delivered | 470 - 530 | 480 - 540 | 490 - 550 | 520 - 570 | 530 - 580 |
| Merchant Bar delivered | 450 - 510 | 470 - 520 | 480 - 540 | 500 - 560 | 510 - 570 |

| Southern European flat products Ex-Works | | | | | ©SBB 2006 |
|---|-----------|-----------|-----------|-----------|-----------|
| | Feb 06 | Mar 06 | Apr 06 | May 06 | Jun 06* |
| HRC | 375 - 420 | 400 - 430 | 440 - 470 | 500 - 510 | 500 - 510 |
| CRC | 480 - 510 | 520 - 530 | 540 - 570 | 580 - 610 | 580 - 610 |
| HDG | 500 - 530 | 540 - 570 | 580 - 615 | 665 - 700 | 665 - 700 |

* SBB Forecast

The table below indicates the domestic steel price trend in **China** from **Apr'06-May'06** and % change on a month to month basis. The items had a positive trend in the month of May.

| Products | Apr'06 | May'06 | % Change (m-m) | Price Movement |
|---|--------|--------|----------------|----------------|
| Steel Chinese Domestic Hot rolled coil(2mm and up) Eastern China(Yuan/tonne) | 4033 | 4105 | 1.79 | ↑ |
| Steel Chinese Domestic Hot rolled coil(2mm and up) Southern China(Yuan/tonne) | 3917 | 3975 | 1.48 | ↑ |
| Steel Chinese Domestic Prices Cold rolled coil(0.5-2mm) Eastern China(Yuan/tonne) | 5023 | 5033 | 0.20 | ↑ |
| Steel Chinese Domestic Rebar Eastern China (Yuan/tonne) | 2933 | 2980 | 1.60 | ↑ |
| Steel Chinese Domestic Rebar Southern China (Yuan/tonne) | 3280 | 3280 | 0.00 | ↑ |
| Steel Chinese Domestic Wire Rod(mesh quality) Eastern China(Yuan/tonne) | 3053 | 3245 | 6.29 | ↑ |

Note: 1 US Dollar = 8.11 Yuan

OUTLOOK:

Asia: With demand recovering, Baoshan Iron& Steel will raise product prices by 13% in the third quarter of the year. Prices for hot-rolled coil will increase by 300 yuan (HK\$289.98) a tonne to 3,942 yuan, in the quarter ending September. Prices for cold-rolled coil will increase by 300 yuan to 4,796 yuan a tonne and for zinc-galvanized steel by 600 yuan to 5,127 yuan a tonne from second-quarter levels.

North America: Prices are expected to remain on upward trend in the short-term with stock levels falling further. Demand is expected to remain strong.

Europe: Steel prices in the European market are likely to soar, according to market sources. Amid inventory compactions and declines in steel imports in Europe, steel price rises in the Chinese market may impact the European markets.

India: Steel prices are expected to rise with another announcement of price hike by the steel majors in the coming month. Prices are expected to rise in the range of Rs.1500-2000/t in line with a positive international trend and a 19% rise in iron-ore prices internationally including China.

Data Sources:

- 1) Steel Trade Today
- 2) www.ncdex.com
- 3) Steel Trade Intelligence
- 4) Metal Bulletin
- 5) Steel Business Briefing
- 6) Steel Scenario Statistical Year Book

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Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Iron ore:

Spot prices for Indian Iron Ore increases finally: Encouraged by the 19% increase in CVRD contract prices for iron ore fines in Germany and Japan, spot prices for Indian iron ore (63% Fe) landed in China have climbed into the \$68-70/t range.

Fob prices for Indian ore are now up at around \$52-54/t - rising by \$1-2/t since early May.

With the 2-to-3-month-long monsoon season approaching the western coast of India, some iron ore ports in the Goa region are believed to have closed. Iron ore ports on the eastern coast of India will be affected as of June.

China's Iron-Ore Prices-Imports

| | Feb'06 | Mar'06 | Apr'06 | May'06 | Jun'06* |
|---------------------------------|--------|--------|--------|--------|---------|
| Indian 63% Fe \$/t CFR China | 65-71 | 67-72 | 67-73 | 65-72 | 68-74 |

*-SBB Forecast

Price Movement

| | Review | Outlook |
|---------------|-----------------------------|----------------------------|
| Steel Product | May 2006 over April 2006 | June 2006 over May 2006 |
| Pig Iron | ↓ | ↓ |
| Sponge Iron | ↓ | ↓ |
| Melting Scrap | ↓ | ↓ |

Pig Iron:

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

| Item | Place | Apr-06 | May-06 | Price Movement |
|--------------|------------------|--------|--------|----------------|
| Pig Iron(SG) | Kolkata | 16,600 | 16,000 | ↓ |
| | Raipur | 16,290 | 15,800 | ↓ |
| | Mandi Govindgarh | 17,900 | 16,800 | ↓ |
| Pig Iron(FG) | Mandi Govindgarh | 19,000 | 17,800 | ↓ |

SG: Steel Grade, FG: Foundry Grade

Price of Steel Grade Pig Iron as on May, Week 4, 2006

| Places | Price(Rs./t) |
|-------------|---------------------|
| Ex-Vizag | 12,400(basic) |
| Ex-Rourkela | 13,000(basic) |
| Ex-Bokaro | 12,300(basic) |
| BSO Bhilai | 13,800(incl.excise) |

Sponge Iron:

Continuous drop in Sponge Iron Price is causing worry for steelmakers

Steel producers are worried over declining sponge iron prices. In the domestic market, sponge iron price (basic) has declined from a high of Rs.11,800/t in the beginning of April to Rs.9299/t presently (a drop of around 22%).

Mini sponge iron producers are having tough time because of high input cost and low realization. Input cost for sponge iron production has gone up by 25 per cent with an absolute rise in iron ore prices by 19 per cent in exports as well as domestic market.

Prices of long products are weakening due to lowering demand and a slow down in construction activities in India which has caused sponge iron prices to dwindle in the market.

However traders say that the mini sponge iron producers especially in Chhatisgarh are exhausting their inventories. Once these inventories are cleared, expected in 15 days, the industry would face supply crunch and thereby, the price would go up. The table below indicates Sponge Iron price trend Ex-Raipur. A drop of 9.5% is seen in the month of May over April.

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

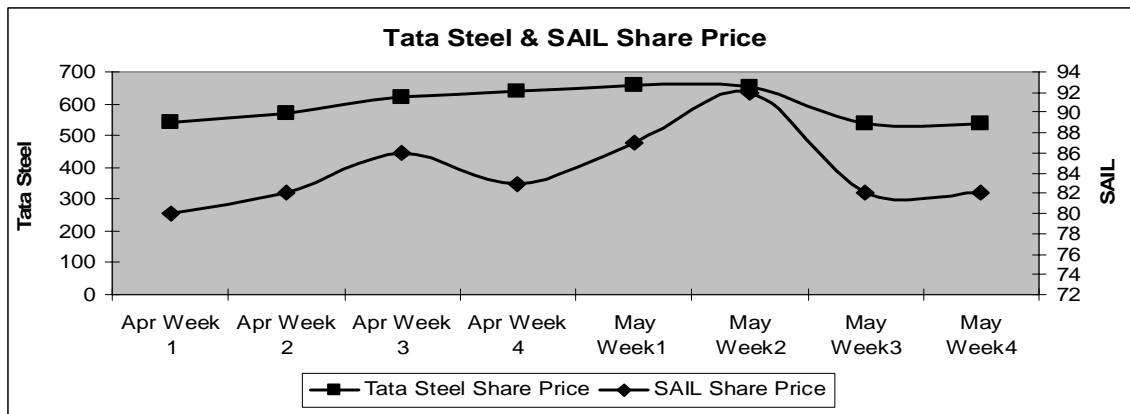
| Month | Price | Price Movement | % Change |
|--------|-------|----------------|----------|
| Jan-06 | 9638 | | |
| Feb-06 | 9809 | ↑ | 1.77 |
| Mar-06 | 10719 | ↑ | 9.28 |
| Apr-06 | 10466 | ↓ | -2.36 |
| May-06 | 9471 | ↓ | -9.51 |

Scrap:

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

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

At a time when steel market is acting in a very volatile manner with steel stocks and metal stocks having ups and downs in the stock market, the effect is seen on raw material and finished steel prices. Both Melting Scrap and Sponge Iron had a downward trend since the third week of May'06 with buyers restricting their demand waiting for some stability in the market. The steel sector scenario is further very distinct from the stock market behaviour of both Tata Steel and SAIL which had a major fall in price since the second week of May after having a significant rise since the beginning of April'06. However both the steel majors did manage to stabilize in the end of the month.

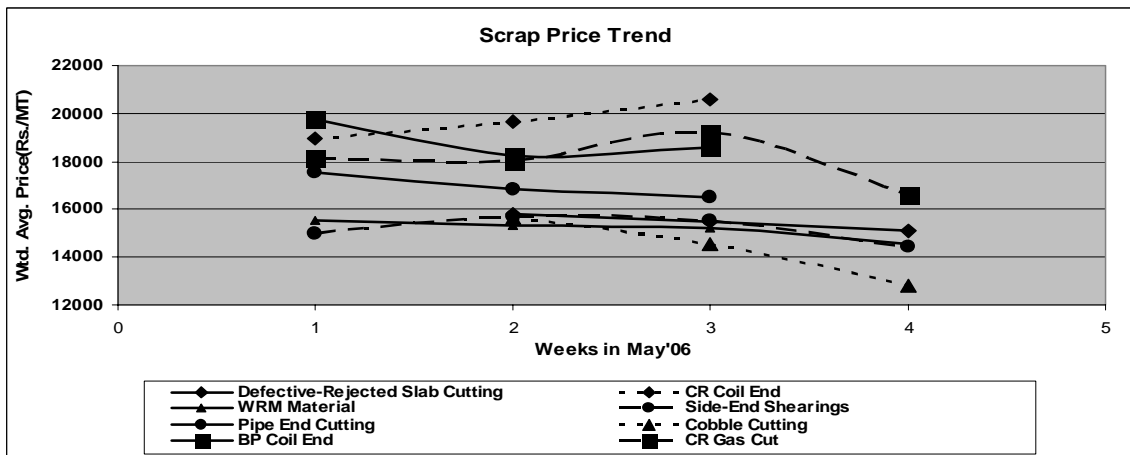


CIF Indian Import Prices of Scrap in the month of March'06

| Products | Landed At | Rs./tonne |
|---------------------------|-------------|-----------|
| Heavy Melting Steel Scrap | Tughlaqabad | 12,190 |
| Light Melting Scrap | JNP | 10,371 |
| Shredded Steel Scrap | Madras | 13,944 |

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 May 2006 for different scrap products.



Price is basic

Attached below is the data table:

| Wk | Def.Rej. Slab Cutting | CR Coil End | WRM Material | Side-End Shearing | Pipe Cutting | Cobble Cutting | BP Coil End | CR Gas Cut |
|----|-----------------------|-------------|--------------|-------------------|--------------|----------------|-------------|------------|
| 1 | | 18948 | 15539 | 14975 | 17300 | | 19750 | 18150 |
| 2 | 15809 | 19636 | 15300 | 15691 | | 15650 | 18237 | 18028 |
| 3 | 15475 | 20603 | 15181 | 15520 | 17260 | 14528 | 18600 | 19250 |
| 4 | 15076 | | 14578 | 14447 | 16471 | 12800 | | 16600 |

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

| Products | Apr Price (Avg.) | May Price(Avg.) | % change |
|----------------------|------------------|-----------------|----------|
| Def-Rej Slab Cutting | 16550 | 15453 | -6.63 |
| CR Coil End | 19951 | 19729 | -1.11 |
| WRM Material | 16423 | 15150 | -7.75 |
| Side-End Shearings | 15919 | 15158 | -4.78 |
| Pipe Cutting | 17010 | 16955 | -0.32 |
| BP Coil End | 19417 | 18862 | -2.86 |

Summary of Price Movement in Auction Platform

| Products | Price Movement(Apr'06 over Mar'06) | Price Movement(May'06 over Apr'06) |
|---------------------------------|------------------------------------|------------------------------------|
| Defective-Rejected Slab Cutting | ↑ | ↓ |
| CR Coil End | ↑ | ↓ |
| WRM Material | ↑ | ↓ |
| Side-End Shearings | ↑ | ↓ |
| BP Coil End | ↑ | ↓ |
| Pipe Cutting | ↑ | ↓ |

Outlook: Scrap items auctioned ended with a negative note in the fourth week of the month. Overall, the trend has been downward as compared to the last month. Ingot had a continuous drop in price since the third week of May and the impact was clearly seen in the auction platform.

With Ingot prices making a major dip across all the places especially in Mandi Govindgarh market where there has been a drop of Rs.1100/t as on May 22, 2006 the auction platform is expected to remain on a softened note.

International Scenario:

HIGHLIGHTS:

China resists upward pressure on spot iron ore prices: China accounts for 43% of global iron ore imports and won't agree to a 19% increase in iron ore prices in Germany & Japan. Steel output in China, the world's biggest

producer, reached a record 38.3 million tons last month, an increase of 27.5 percent from a year ago. Chinese imports of iron ore rose 23.5 percent to 108 million tons in the first four months of 2006.

The tables below indicate global price trend of Pig Iron and Scrap:

| Grade | Place | Price | Price Movement (May'06 over Apr'06) |
|------------------------|----------------------|-------------------|-------------------------------------|
| Steel CIS Export | Black Sea/Baltic Sea | 255(\$/t) | ↔ |
| Steel CIS Export | Far East | 270(\$/t) | ↔ |
| Steel EU Import(Basic) | cfrr Western Europe | 225(Euro/t) | ↔ |
| Steel Grade | United States Import | 310(\$/short ton) | ↑ |

1US\$=Rs.46.36, 1Euro=Rs.59.62

Ferrous Scrap Prices have shown continuous improvement since the beginning of 2006 and has achieved a stable trend till date in the month of May. However, prices have been on an upward trend since the third week of May in Rotterdam.

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

| Month | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Jan-06 | 208 | |
| Feb-06 | 220 | ↑ |
| Mar-06 | 228 | ↑ |
| Apr-06 | 236 | ↑ |
| May-06 | 236 | ↔ |

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

| Month | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Jan-06 | 185 | |
| Feb-06 | 205 | ↑ |
| Mar-06 | 220 | ↑ |
| Apr-06 | 229 | ↑ |
| May-06 | 229 | ↔ |

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

| Month | Average Price(\$ per long ton) | Price movement |
|--------|--------------------------------|----------------|
| Jan-06 | Not available | |
| Feb-06 | 210 | |
| Mar-06 | 224 | ↑ |
| Apr-06 | 233 | ↑ |
| May-06 | 233 | ↔ |

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

| Month | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Jan-06 | 182 | |
| Feb-06 | 200 | ↑ |
| Mar-06 | 212 | ↑ |
| Apr-06 | 223 | ↑ |
| May-06 | 228 | ↑ |

Steel Scrap Shredded fob Rotterdam \$ per tonne

| Month | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Jan-06 | 202 | |
| Feb-06 | 215 | ↑ |
| Mar-06 | 227 | ↑ |
| Apr-06 | 237 | ↑ |
| May-06 | 242 | ↑ |

OUTLOOK:

Market sentiment is down. There has been a drop in pig iron prices in the range of Rs.500-600/t till the third week of May.

Since the beginning of May, there has been a drop of Rs.746/t in Sponge Iron prices. Also, there has been a drop in melting scrap prices by Rs.500-700/t since the third week of May. At a time when steel market is acting in a very volatile manner with steel stocks and metal stocks having ups and downs in the stock market, the effect is seen on raw material and finished steel prices.

So, it is expected that pig iron market will also go down. Market is giving a falling indication. Though scrap prices have shown a stable trend till the third week of May in international market, the trend remains downward in the domestic market. Though there was a positive scenario till the second week of May'06, however there has been a sharp fall in price in the range of Rs.500-700/t since the third week of May.

With Ingot prices making a major dip across all the places especially in Mandi Govindgarh market where there has been a drop of Rs.1100/t as on May 22, 2006 melting scrap prices are expected to remain on a softened note.

Data Sources:

- 1) Metal Bulletin
- 2) Steel Trade Today
- 3) Steel Trade Intelligence
- 4) Steel Business Briefing

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

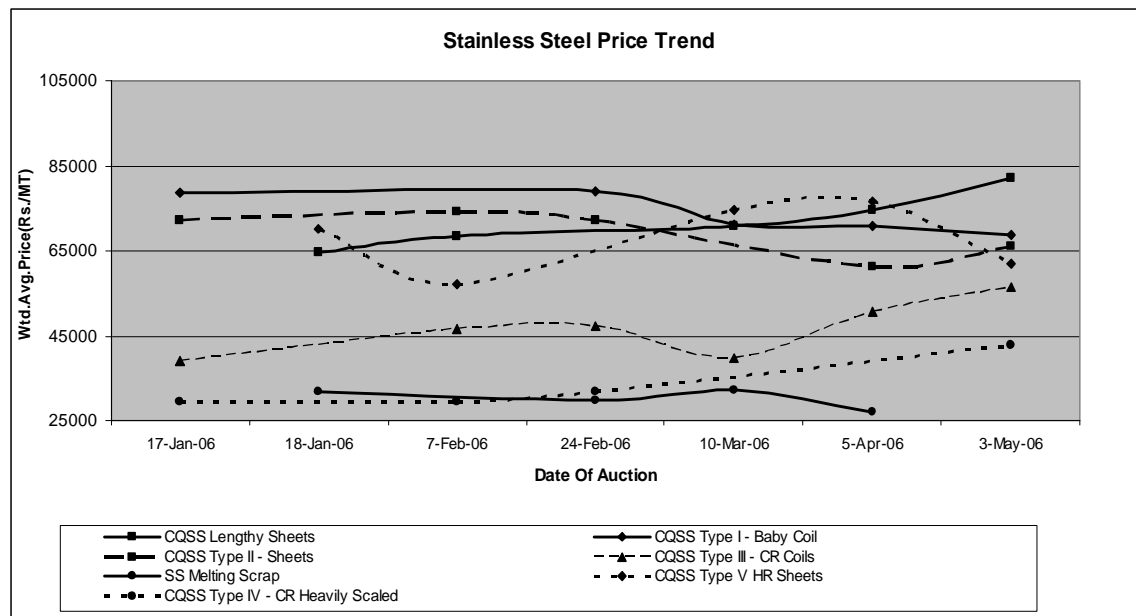
HIGHLIGHTS:

Jindal Stainless raised Stainless Steel prices: Jindal Stainless raised the prices of its products by more than Rs 6,000/t in the beginning of May due to increase in input costs. Rising input costs have subsequently increased the cost of production of stainless steel and hence an increase in prices.

Price Movement

| | Review | Outlook |
|-----------------|--------------------------|-------------------------|
| Steel Product | May 2006 over April 2006 | June 2006 over May 2006 |
| Stainless Steel | ↑ | ↑ |

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



Price is basic

Attached below is the data table:

| | 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 |
|-----------|---------------------|-------------------------|-----------------------|--------------------------|--------------------------------|-----------------------|------------------|
| 17-Jan-06 | | 78843 | 72268 | 38969 | 29327 | | |
| 18-Jan-06 | 64507 | | | | | 69998 | 31966 |
| 7-Feb-06 | 68485 | | 74241 | 46595 | 29532 | 57005 | |
| 24-Feb-06 | | 79046 | 72149 | 47070 | 31989 | | 29811 |
| 10-Mar-06 | 70982 | 70993 | | 39533 | | 74444 | 32145 |
| 5-Apr-06 | 74582 | 70703 | 61074 | 50728 | | 76711 | 27057 |
| 3-May-06 | 81975 | 68856 | 66065 | 56463 | 42902 | 61952 | No auction |

Summary of Price Movement in Auction Platform

| Products | Price Movement(Apr'06 over Mar'06) | Price Movement(May'06 over Apr'06) |
|--------------------------|------------------------------------|------------------------------------|
| CQSS Lengthy Sheets | ↑ | ↑ |
| CQSS Type I Baby Coil | ↓ | ↓ |
| CQSS Type II-Sheets | | ↑ |
| CQSS Type III - CR Coils | ↑ | ↑ |
| CQSS Type V HR Sheets | ↑ | ↓ |

Outlook:

As compared to the earlier month there has been an improvement in prices across most of the categories in the month of May 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 rising significantly, prices are expected to remain on a higher note in the coming month.

International Scenario:

HIGHLIGHTS:

The **stainless steel market has remained strong** in the month of May with prices strengthening across all the key trading regions. In Asia, prices of both CR 304 grade and HR 304 grade have improved significantly by an average of around 6% at the end of the month. Elsewhere in Asia, Japanese domestic demand remained strong coupled with a buoyant export market especially to the Middle-East.

Nickel price rise, tight supply drive Asian stainless prices higher: Prices of East Asian-origin stainless steel are continuing to rise on strong nickel prices and tight supply.

Grade 304 HR sheet is trading at \$2,600-2,700 per tonne cif **China**, an increase from \$2,400-2,600 per tonne at the end of April. The price of grade 304 2mm CR coil 2B also rose further to \$2,800-2,900 per tonne cif **China** from \$2,700-2,900 per tonne two weeks ago. The surge in stainless prices has caused customers to become cautious, checking demand to a certain extent; however they still have to buy given low inventory levels.

Strong Stainless Steel demand in Europe: Finished stainless steel demand in Europe continued to remain strong in the month of May and mills are running at high capacity levels with no sign of the market weakening. The demand for stainless steel scrap has been high and with supply tightening it has been very difficult to meet the demand. Merchant prices for 18/8 solids are upwards and are prevailing at \$1,900/tonne, and look likely to remain high with Nickel price remaining above the 20,000 US\$/t mark. The recovery in the German economy is also gaining pace which is boosting stainless steel consumption in the domestic market.

In USA, prices have remained strong throughout the month of May. **Allegheny** announced a 9% increase in strip products and 2-5% increase in plate, **AK Steel** announced a 6% hike in strip products and a 9% hike in plate products, **NAS** announced a 3% hike in strip products and a 5% hike in plate.

POSCO increased prices of stainless steel: The Company increased prices of its stainless steel products by 9% w.e.f from May 3rd 2006. There has been an increase of 9% for Stainless Steel HR and 8% for Stainless Steel CR.

Nickel touches an all-time high of 23,025\$/t at LME: After having ups and downs in the market, the metal finally ended on a positive note. Market correction was noticed with prices falling by around 4.08% in the fag end of the month. However with strong demand from stainless steel sector, with China being the major driving force, Nickel reached it's highest in the end of the month and prices are further expected to rise. The metal had it's second best performance at LME after zinc.

Rapid rise in Nickel Prices boosts stainless steel surcharges: Stainless Steel producers have increased surcharges on flat rolled products. The combination of base price and surcharge increase has increased the price of stainless steel grades.

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

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

| Month | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Jan-06 | 1984 | |
| Feb-06 | 2050 | ↑ |
| Mar-06 | 2250 | ↑ |
| Apr-06 | 2333 | ↑ |
| May-06 | 2550 | ↑ |

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

| Month | Average Price(\$ per tonne) | Price movement |
|--------|-----------------------------|----------------|
| Jan-06 | 2084 | |
| Feb-06 | 2175 | ↑ |
| Mar-06 | 2400 | ↑ |
| Apr-06 | 2533 | ↑ |
| May-06 | 2775 | ↑ |

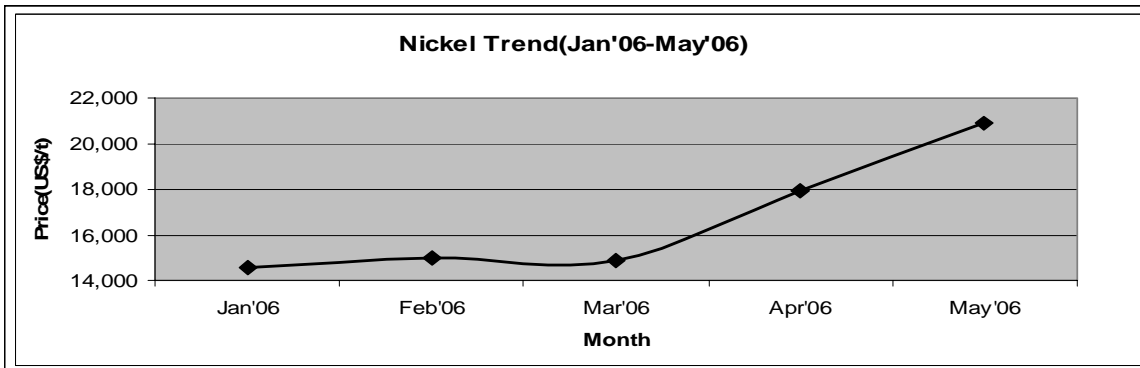
Stainless Steel EU Domestic 2mm 304 CR stainless strips

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

Source :(Metal Bulletin)

Note: 1US\$=Rs.46.36, 1Euro=Rs.59.62

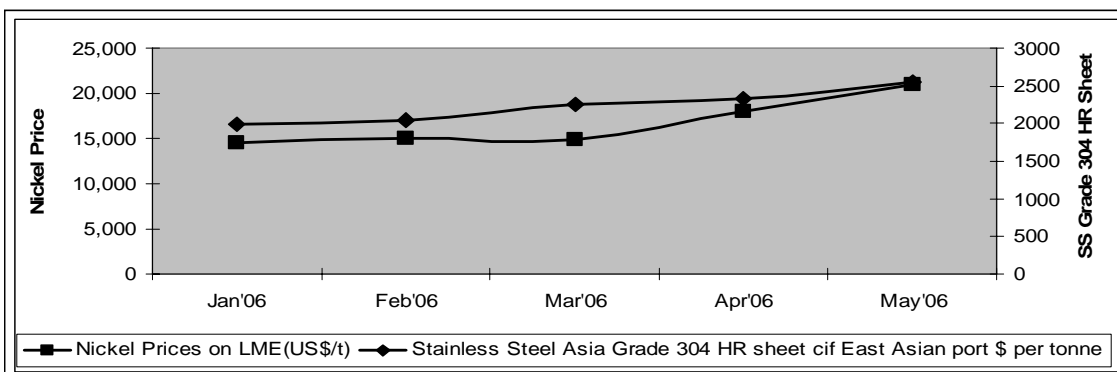
Nickel Trend (Jan'06- May'06):

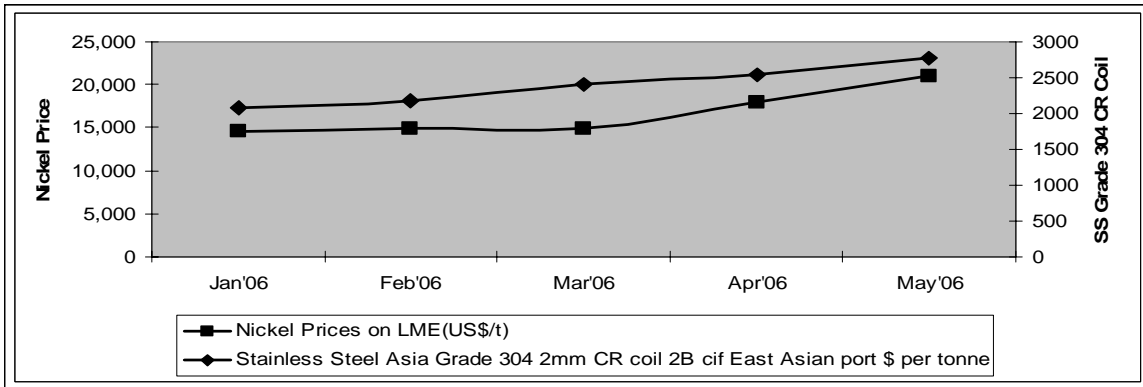


Highest price achieved by Nickel in the respective months:

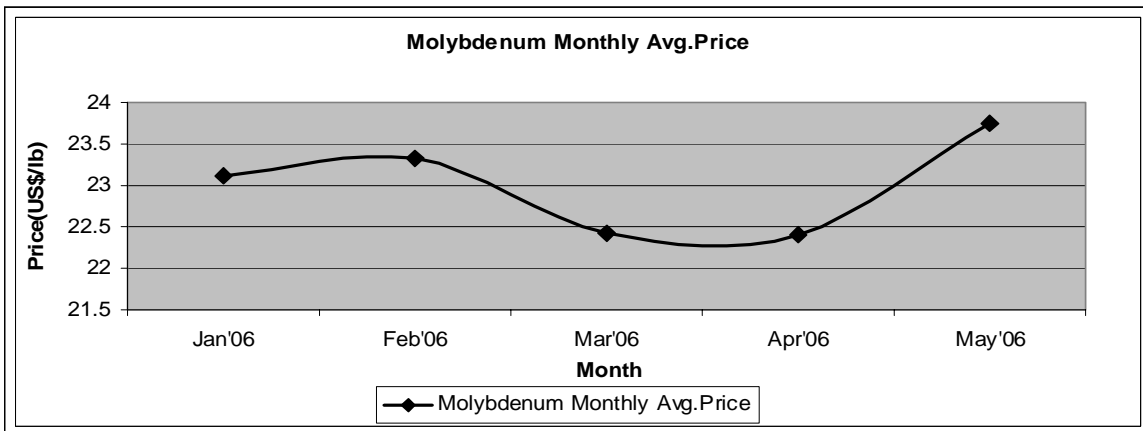
| Jan'06 | Feb'06 | Mar'06 | Apr'06 | May'06 |
|--------|--------|--------|--------|--------|
| 15,175 | 15,275 | 15,160 | 20,150 | 23,025 |

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





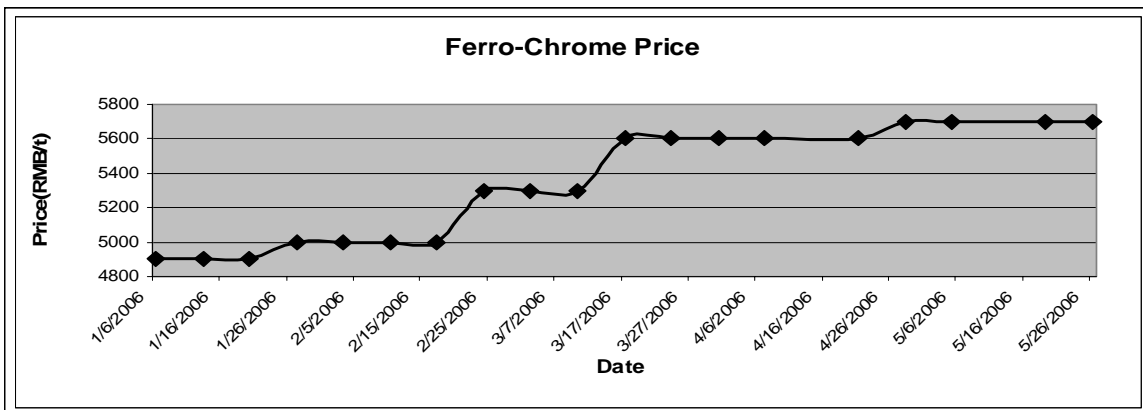
Molybdenum Canned molybdic oxide United States Free market \$ per lb Mo in warehouse



Molybdenum had a rise in price since the second week of May'06 and ended at 25 \$/lb.

Ferro-Chrome:

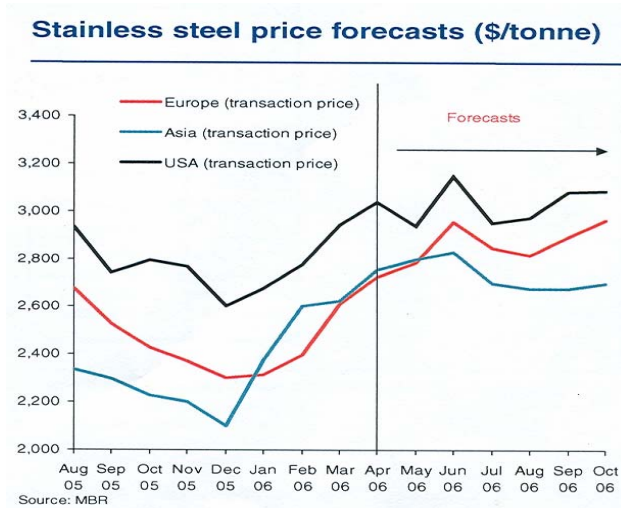
Since January 2006, Ferro-Chrome achieved it's highest in the month of April at 5700 RMB/t and maintained a stable trend in the month of May.



OUTLOOK:

Strengthening Stainless Steel prices globally are spurring higher utilization rates in China, but robust consumption growth has kept the supply of material in check. However, crude stainless steel production is now recovering in Europe and Asian economies. Chinese expansions are going steady with the country's top six stainless mills targeting an overall increase in cold rolled output of 44% in 2006 compared to previous year. It is expected that stainless steel production will rise by 8.6% this year after falling by 1% last year. China is the major driving force of stainless steel capacity growth and nickel consumption growth.

Buoyed demand coupled with rising alloy costs bodes well for stainless steel prices in the short term and prices are expected to remain on a positive note both domestically and internationally in the coming month.



Data Sources:

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

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