

News at a glance

Steel export down to 5 million tonnes, import up at 4 million tonnes in last three years: One reason for the rise in import has been the mismatch in demand and supply. Another reason for the closing gap between steel export and import is international input prices. With rise in input prices, profits of steelmakers have declined and hence they have been reluctant to continue export.

Steel Authority of India Ltd. raises prices of flat and long products by Rs.800-1500/tonne w.e.f May, 2007: Prices of hot-rolled coils have been raised by Rs.1000/tonne, plate prices have been increased by Rs.1500/tonne and galvanized product prices have been raised by Rs.800/tonne.

Uttam Galva hikes prices of galvanized steel and other products w.e.f May, 2007: Increasing demand from makers of automobiles and home appliances has led the company to raise prices by an average of Rs.4500/tonne for long term customers. The price of cold-rolled coil was raised by 16%.

SAIL, RSP achieves record production in April, 2007: The plant produced 147,200 tonnes of hot metal, 132,590 tonnes of crude steel and 117,393 tonnes of saleable steel, 22,900 tonnes of hot rolled plates, 6,004 tonnes of CRNGO and 24,027 tonnes of plates from the plate mill.

Duty on low-grade Iron-Ore slashed to Rs.50/tonne: The export duty on iron-ore fines with less than 62% iron content has been reduced from Rs.300/tonne to Rs.50/tonne. This has been done in order to protect the margins of exporters who command a lower price in the international market at around Rs.1000-1500/tonne for iron-ore fines with less than 62% iron content.

Pig Iron prices fall in India's export tender with quiet market prevailing in Asia including India: Steel Base posted the highest-priced bid at \$351.57/t fob in Vizag's recent May 18 export tender for the supply of 25,000 tonnes for June shipment. In the earlier export tender, MTPL clinched the supply of 30,000 tonnes of pig iron in MMTC's 10 May tender at \$361.05/t fob.

Steel price correction to take place that will reflect the international trend and strengthening rupee: Without any price hike, steel prices are expected for market correction that will reflect the declining international price trend. With cheaper imports which are due to rupee appreciation, the difference in domestic price with landed imports is to the tune of Rs.1000/tonne.

Hindustan Zinc Ltd. raised zinc prices in the beginning of the month to Rs.1,80,900/tonne and again a rise in the second week to Rs.1,90,300/tonne. However, prices saw a decrease in the fag end of the month, and there was a reduction of Rs.5300/tonne and a further reduction in the end of the month with prices being revised to Rs.1,71,300/tonne.

China's Ministry of Finance imposed extra export tariffs while cutting import duties w.e.f June, 2007 to narrow widening trade surplus: A list of some of the products in which export tax has been imposed is given below:

Product	Old Tax	Announced
HRC	0%	5%
HR plates	0%	5%
Wire Rod	0%	10%
Rebars	0%	10%
Sections	0%	10%
Billet & slabs	10%	15%
Pig iron	10%	15%
Coke & semi coke	5%	15%
Ferroalloy	10%	15%

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

Index	Mar'07	% Change(Y-Y)	Apr'07	% Change(Y-Y)	May'07	% Change(Y-Y)
Global	160.65	16.20	168.35	13.00	171.6	9.30
North America	148.39	2.20	154.97	4.10	153.3	-0.50
Europe	172.45	16.50	179.25	12.30	179.58	6.30
Asia Steel	161.35	25.30	170.19	18.90	177.95	17.00
Longs	169.23	22.60	183.62	25.40	187.92	24.10
Flats	156.4	13.10	160.77	7.00	163.49	2.40
Metallics	244.6	33.20	245.1	25.90	230.64	12.50
Stainless	228.22	80.90	235.95	78.10	238.91	74.90

Global price recession noticed especially in North America has kept the **CRUspi Global index** on a moderate note and there has been a change of only 1.90% over a month.

A downward trend noticed both across flat and long products in various regions have kept the **CRUspi Longs and Flats index** on a slightly improved note.

CRU's metallics price index has fallen back from recent peak with scrap prices heading down across Asia, EU and US market.

(UJJAL BHATTACHARYA)
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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

Long Product prices showed a declining market trend since the mid of May and continued to remain so till the end of the month. Flat product prices showed a slight softening towards the end of the month after maintaining a firm trend. The market indicates a steady decline in the coming month.

HRC Import market remained quiet: Local buyers are unwilling to pay more than \$615-620/tonne cfr for imports of rerolling HRC. Weakened galvanized steel export prices, particularly for the USA and in Europe, have also caused Indian buyers to lag behind in their bidding price for imports.

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

	Plate(5-10 mm)	HR Coil	HR Sheet	CR Coil	CR Sheet	GP Coil	GP Sheet
Apr'07 Week 1	31,500	31,200	31,000	35,900	35,900	37,900	37,900
Apr'07 Week 2	31,500	31,200	31,000	35,900	35,900	37,900	37,900
Apr'07 Week 3	31,500	31,200	31,000	35,900	35,900	37,900	37,900
Apr'07 Week 4	31,500	31,200	31,000	35,900	35,900	37,900	37,900
May'07 Week 1	32,000	32,100	31,900	36,500	36,700	38,500	38,500
May'07 Week 2	32,000	32,100	31,900	36,500	36,700	38,500	38,500
May'07 Week 3	31,500	31,200	31,000	35,900	35,900	37,900	37,900
May'07 Week 4	32,000	32,100	31,900	36,500	36,700	38,500	38,500

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

	MS Billets(100*100 mm)	Concast Billets(100*100 mm)	MS Rounds (22/25 mm)	MS Angles(25*6mm)	MS Channel (75*40mm)	MS Channel (125*65 mm)	CTD Bars(ISI) 8mm
Apr'07 Week 1	25,500	25,600	27,800	27,700	28,100	28,300	31,600
Apr'07 Week 2	25,900	26,200	27,600	27,500	27,900	28,400	31,400
Apr'07 Week 3	26,000	26,200	28,400	28,100	28,600	28,900	32,000
Apr'07 Week 4	25,500	25,600	27,600	27,600	28,100	28,400	31,200

May'07 Week 1	26,000	26,100	28,300	28,400	28,500	28,800	32,100
May'07 Week 2	25,900	26,200	27,600	28,100	28,400	28,700	31,500
May'07 Week 3	25,100	25,200	27,400	27,900	28,100	28,400	31,000
May'07 Week 4	25,200	25,300	27,800	28,200	28,400	28,700	31,400

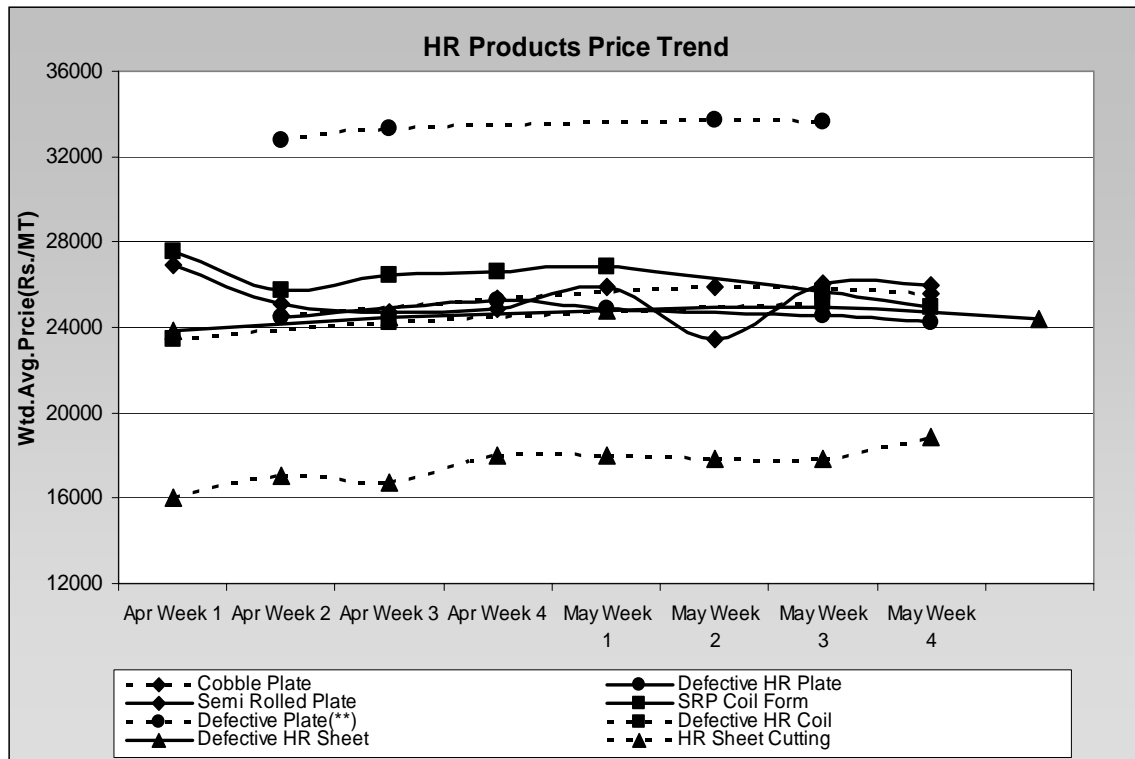
Note: Flat & Long Price (Rs. /MT, incl.excise duty, retail price)

Price Movement

	Review	Outlook
Items	May'07 over Apr'07	June'07 over May'07
HR Coils	↔	↓
CR Coils	↔	↓
GP/GC Coils	↔	↓
Long Products	↓	↓

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

Following graphs show the price trend observed in the auction services of www.metaljunction.in for the month of April & May 2007 for different HR and CR products.



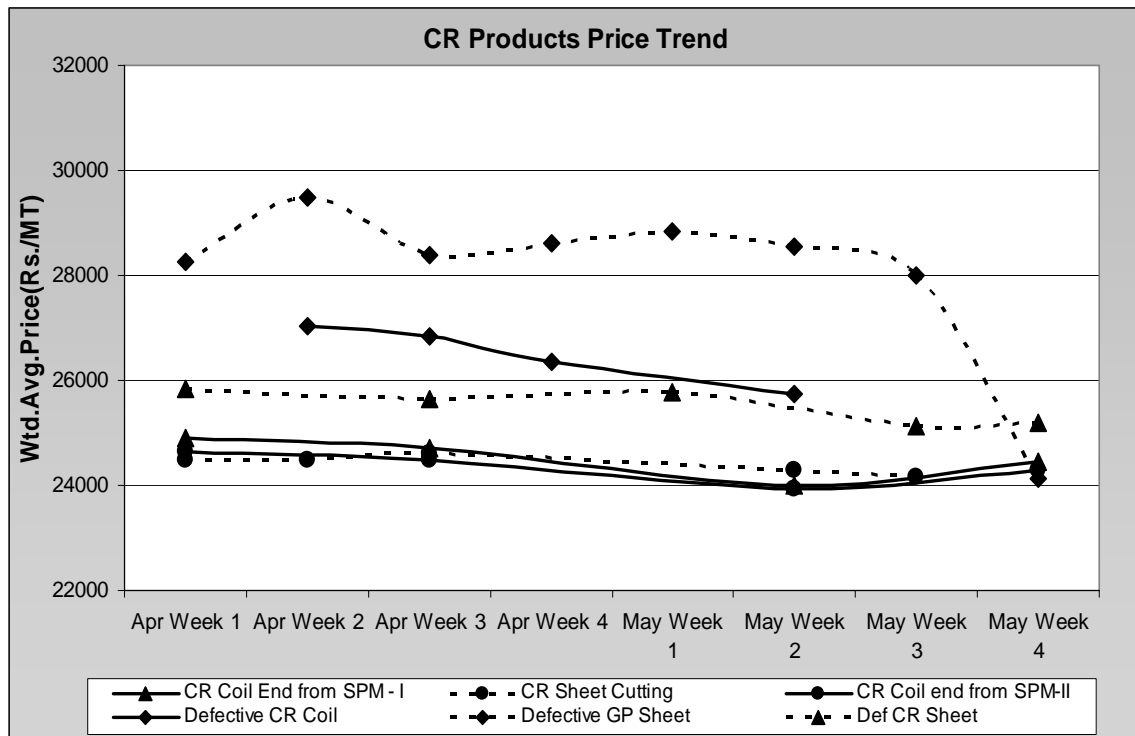
Note: Price is basic, ** implies price incl.excise duty

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	Def HR Coil	Def HR Sheet
Apr'07 Wk 1	NA	NA	26926	27550	NA	23452	NA
Apr'07 Wk 2	24516	24475	25126	25725	32744	NA	24453
Apr'07 Wk 3	NA	NA	24703	26457	33303	24205	NA
Apr'07 Wk 4	25339	25276	24880	26588	NA	NA	24750
May'07 Wk 1	NA	24900	25882	26850	NA	NA	NA
May'07 Wk 2	25897	NA	23450	NA	33688	NA	24938
May'07 Wk 3	NA	24522	26088	25674	33609	25200	NA
May'07 Wk 4	25552	24265	25950	24950	NA	NA	24400

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

Products	Apr'07 Price (Avg.)	May'07 Price (Avg.)	% change(May'07 overApr'07)	% change(May'07 over May'06)
Cobble Plate	24927	25724	3.20	22.10
Def Plate	33023	33649	1.89	31.46
Def HR Plate	24876	24562	-1.26	20.44
Semi Rolled Plate	25409	25342	-0.26	16.42
SRP Coil Form	26580	25825	-2.84	13.86
HR Sheet Cutting	16944	18134	7.02	29.04
Def HR Coil	23829	25200	5.75	38.17
Def HR Sheet	24602	24669	0.28	NA



Price is basic

Attached below is the data table:

Week	CR Coil End From SPM-I	CR Sheet Cutting	C R Coil End From SPM-II	Def CR Coil	Def Chequered Plate	Def GP Sheet	Def CR Sheet
Apr'07 Wk 1	24915	24500	24654	NA	NA	28271	25827
Apr'07 Wk 2	NA	24500	NA	27045	25150	29500	NA
Apr'07 Wk 3	24694	24600	24484	26838	NA	28390	25650
Apr'07 Wk 4	NA	NA	NA	26341	NA	28600	NA
May'07 Wk 1	NA	NA	NA	NA	NA	28850	25785
May'07 Wk 2	24000	24300	23929	25750	NA	28550	NA
May'07 Wk 3	NA	24150	NA	NA	NA	27994	25131
May'07 Wk 4	24444	NA	24275	NA	26400	24131	25191

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

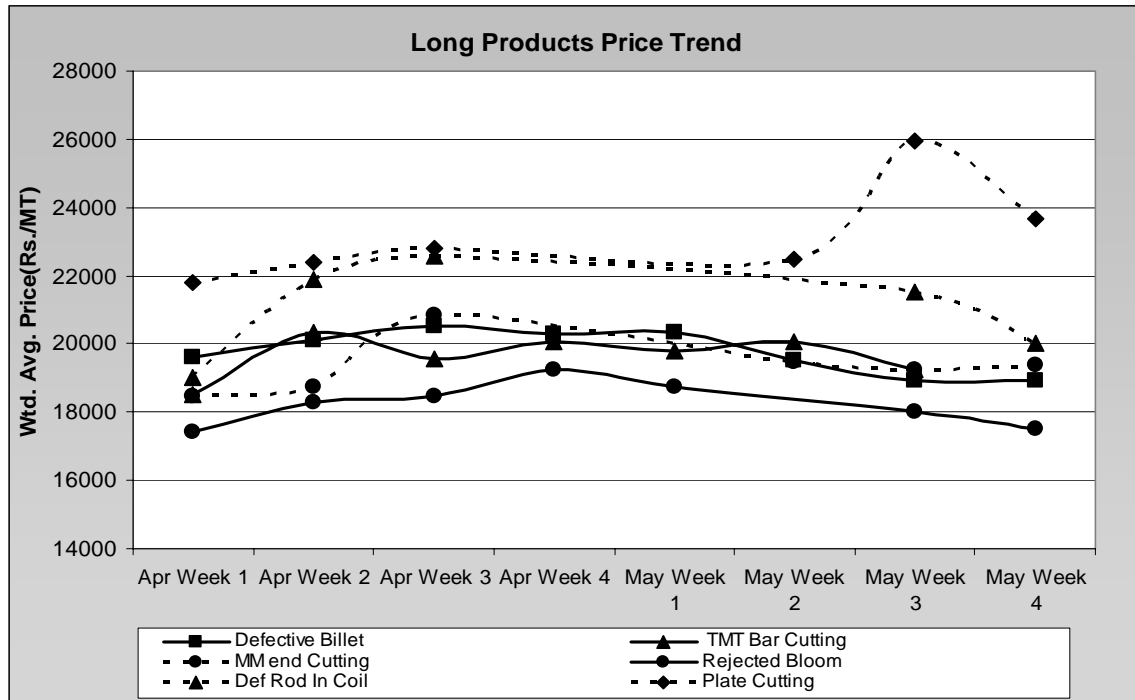
Products	Apr'07 Price(Avg.)	May'07 Price(Avg.)	% change(May'07 over Apr'07)	% change(May'07 over May'06)
CR Coil End from SPM-I	24805	24222	-2.35	27.23
CR Coil End from SPM-II	24569	24102	-1.90	NA
CR Sheet Cutting	24534	24225	-1.26	11.85
Def Chequered Plate	25150	26400	4.97	NA
Def CR Coil	26742	25750	-3.71	29.81
Def CR Sheet	25739	25369	-1.44	NA
Def CRNO Sheet	29400	31913	8.55	46.22
Def GP Sheet	28690	27381	-4.56	22.22

Outlook: The auction platform has shown a stable price trend in the beginning of the month remaining aligned with the domestic market where HR, CR and GP items have shown a stable price trend. However, with a lowering demand prices have shown a downward trend then onwards and the month on month change has remained negative. This has been in line with the domestic market where a slight softness in Flat product items has been noticed and with Ingot prices showing a downward trend throughout the month, there has been a threat in the buyers mind not to further stock material.

With government asking steel majors to keep prices under control, the auction platform is expected to fetch prices on a lower note in the coming month.

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 April & May 2007 for different long products.



Price is basic

Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Def Rod In Coil	Plate Cutting
Apr'07 Wk 1	19629	18500	18450	17408	19031	21789
Apr'07 Wk 2	20125	20356	18721	18275	21900	22413
Apr'07 Wk 3	20526	19553	20836	18457	22575	22819
Apr'07 Wk 4	20312	20071	NA	19225	NA	NA
May'07 Wk 1	20320	19777	NA	18757	NA	NA
May'07 Wk 2	19510	20050	19477	NA	NA	22464
May'07 Wk 3	18940	19224	19238	18025	21535	25964
May'07 Wk 4	18925	NA	19402	17500	20000	23651

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

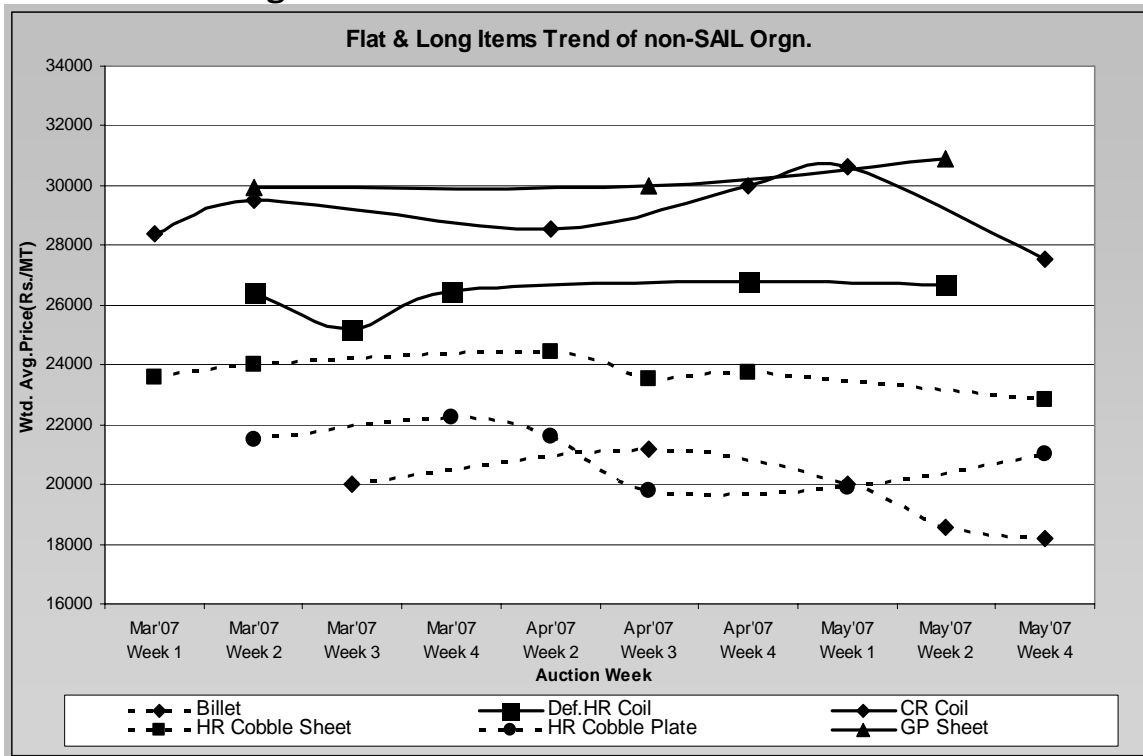
Products	Apr'07 Price(Avg.)	May'07 Price(Avg.)	% change(May'07 over Apr'07)	% change(May'07 over May'06)
Def Billet	20148	19424	-3.60	21.18
Def Rod In Coil	21169	20768	-1.90	24.27
MM End Cutting	19336	19372	0.19	29.52
Plate Cutting	22341	24026	7.55	NA
Rejected Bloom	18342	18094	-1.35	32..80
TMT Bar Cutting	19620	19684	0.33	26.45

Outlook: The domestic market remained steady in the beginning of the month with increased demand. Scrap prices improved by Rs.1000/tonne across all the regions due to material tightness prevailing in the market. Sponge Iron demand too led to a rise in price in the second week of the month, however prices

showed a slight dip then onwards and market has remained depressed. The semi-finished and finished long products market has remained on a downward note in the last three weeks of the month and market sentiment has been on a softened note. Buyers are unwilling to go for further stocking of material and not much demand is there in the market which is keeping the prices on a downward note. **Over a month Ingot at Raipur** had Rs.1020/tonne drop, **Ingot at Kolkata** had Rs.1060/tonne drop, **Ingot at Ghaziabad** had Rs.810/tonne drop, **Ingot at Mandi** had Rs.2080/tonne drop and **Ingot at Mumbai** had Rs. 1300/tonne drop.

With low demand due to declining trends, auction platform is expected to fetch prices on a slightly downward note in the coming month.

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



Price is basic

Ingot Price Trend

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Apr'07 Week 1	18655	21406	20662	19550	21473
Apr'07 Week 2	18734	21902	21219	19945	21741
Apr'07 Week 3	19009	22101	21807	20422	22054
Apr'07 Week 4	18788	23533	21308	20039	21950
May'07 Week 1	18668	21959	21363	20050	21919
May'07 Week 2	18190	21742	20998	19777	21471
May'07 Week 3	17864	21208	20359	18987	20850
May'07 Week 4	17725	21450	20498	19015	20647

Price: (Rs. /t, basic)

International Scenario

Global Price Recession Begins in most of the markets with sentiment softening, demand lowering down and sluggish buying activity pertaining.

Asia: Buying sentiment remained low in Asian market with prices in domestic market not rising.

China: Plate prices increased in domestic market as compared to April with slight tightness of supply and high export prices till the mid of May, however prices showed a steady decline towards the end of the month after the Chinese government levied a 5% export tax on plate. Domestic **HRC and CRC** prices declined towards the end of the month after remaining on a quieter note since the beginning of May. Domestic **Galvanized** market has also remained weakened due to lack of end-user demand.

Billet prices showed a declining trend with resistance coming from downstream item manufacturers. **Domestic Rebar** prices also moved down which is seen as a market correction after prices touched its peak. **Wire Rod** market also remained sluggish and prices declined by 10% in the last week after the announcement of export tax.

Europe: The domestic and import market witnessed a downward trend in the month of May. Demand has not been that buoyant and oversupply hit the market. Rebar and Wire Rod market has remained softened. Plate imports also weakened with buyers reducing their purchases.

US: Prices weakened in the US market across various items including HR, CR, Galvanized and Long Product items. Sentiment on demand outlook has tended to be negative and prices are further expected to decrease in the coming month.

CIS: Slab export prices softened in the month of May. The export market for Rebar also slipped with stocks remaining high and scrap prices weakening.

The table gives an overview of price movement in flat & long steel sector in China (Domestic) CIS (Export) US (Import) & EU (Domestic):

Item Description	% Change over a week(May'07 Week 4 over May'07 Week 3)	% Change over a month(May'07 over Apr'07)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-2.78	-1.18	10.53
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	-1.10	1.58	14.50
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	0.00	3.09	8.70
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	0.61	4.18	6.41

Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	-0.52	8.19	22.76
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	-1.80	7.89	23.15
CIS Export Rebar Black Sea/Baltic Sea \$/t	0.00	-6.9	20
CIS Export Billet Black Sea/Baltic Sea \$/t	0.00	-7.55	24.05
United States Import HR coil \$ per short ton	-1.64	-1.64	15.39
United States Import CR coil \$ per short ton	0.00	0.00	11.48
EU Domestic Hot rolled coil Euros per tonne	0.00	0.00	0.45
EU Domestic Cold rolled coil Euro per tonne	1.67	1.67	0.45

Note: 1 RMB=0.13US\$

OUTLOOK:

Global: There have been modest price reductions for most of the products in the international market. Consumption has remained lackluster and with scrap costs decline and slack market, prices are expected to go down further.

Also, China's new export tax policy is expected to keep the market sentiment bearish. Domestic prices in Chinese market are expected to go down further with downstream demand entering a seasonal off-peak period and supply growing. Demand from Europe and US is expected to shrink further with the upcoming summer vacation.

India: Steel prices have remained firm in H2FY07 based on increased demand, increase in the input cost of metallics and high freight costs.

Peak scrap prices are correcting. It is expected that steel prices may cool off from the peak level but settle at a high level. While a global slowdown may cap the upside in steel prices, the ongoing consolidation and production cutbacks in the steel industry will act as a cushion.

Data Sources:

- 1) www.ncdex.com
- 2) Steel Trade Intelligence
- 3) Metal Bulletin
- 4) Steel Business Briefing
- 5) Steel Town Weekly (Mandi Govindgarh)

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

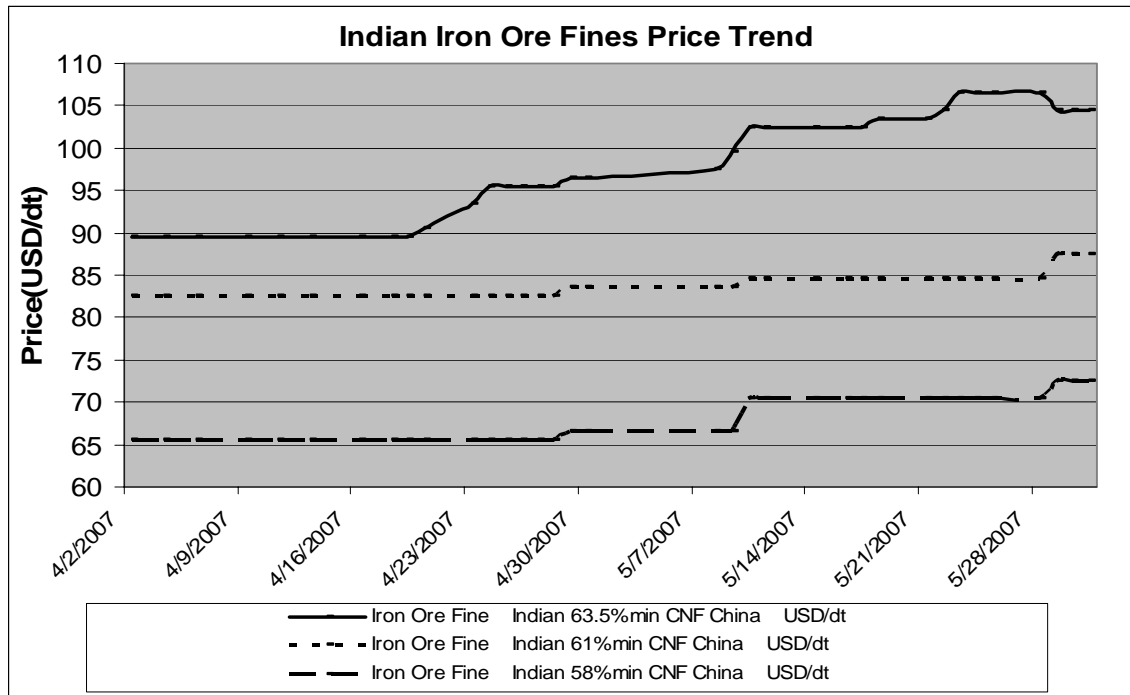
Domestic Scenario

Changes to India's Iron-Ore export tax to have little impact: The decision by the Indian government to cut the tax on exports of low-grade iron ore fines from Rs.300/tonne to Rs.50/tonne has failed to please most exporters as only one quarter of the country's exports will be affected by the change. Some traders suggest that the supply of low-grade Indian ore will become tighter from next month because of the monsoon season.

Prices of Indian iron ore fines in China market has shown a rising trend and has improved by around 5-10% in the last one month; however prices of higher grade showed a slight fall with import market remaining quiet after tax imposition.

Tight supply and strong demand has led to continuous rise in demand for Indian Iron-Ore Fines and it is further going to hasten before the onset of monsoon in India.

The graph below indicates Indian Iron-Ore Fines (Grade wise) price trend CNF China



As seen from the above graph, prices have improved towards the end of the month.

Raw material Prices witnessed a downward trend in the domestic market with demand lowering down.

Pig Iron prices lowered down towards the end of the month.

The beginning of the month saw steel grade pig iron prices prevailing in the range of Rs.15,800-16,000/tonne (basic), prices improved in the mid of May by Rs.300/tonne. However, prices softened towards the end of the month and prevailed in the range of Rs.15,400-15,500/tonne with semi-finished and finished steel market remaining bearish.

Sponge Iron prices showed a continuous downward trend in the month of May, in alignment with Scrap, Ingot and Pig Iron market. Prices from Raipur market showed a fall of around Rs.500/tonne over a month. A similar softened market is expected in the coming month.

Melting Scrap prices showed signs of softening with market sentiment lowering and buyers unwilling to further stock material. The second week of the month saw scrap prices dropping in the range of 1-2%.

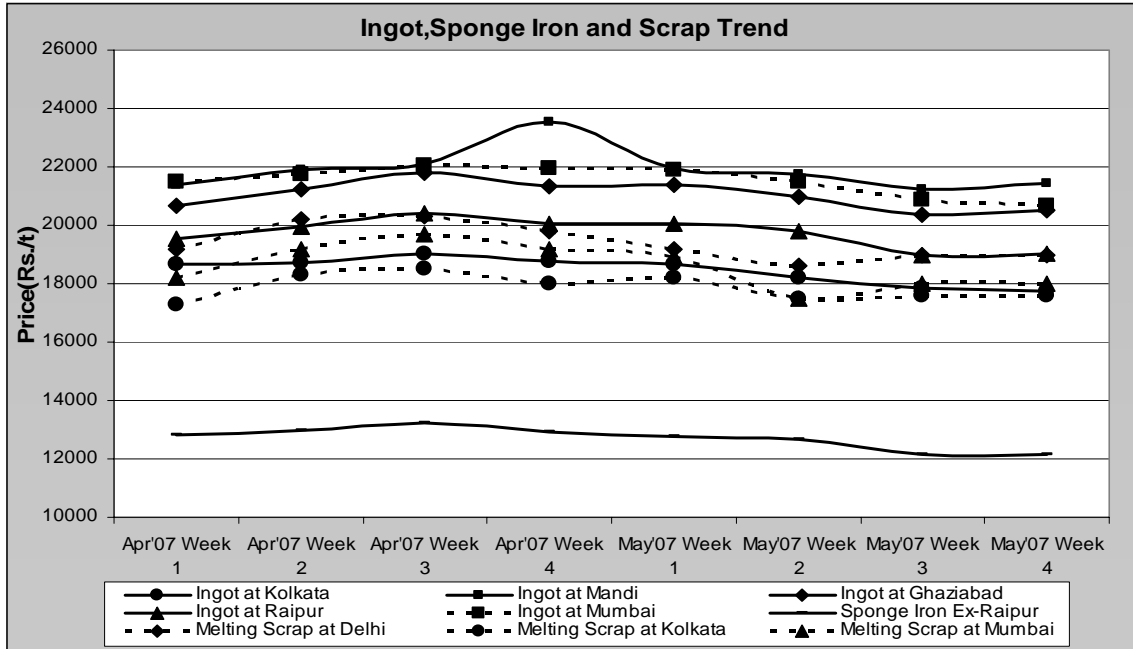
Melting Scrap Price (Rs. /t, Incl.Excise & Sales, Landed)

Place	Delhi	Kolkata	Mumbai
Apr'07 Week 1	20,200	18,300	19,200
Apr'07 Week 2	20,300	18,500	19,700
Apr'07 Week 3	19,800	18,000	19,200
Apr'07 Week 4	19,500	18,500	19,000
May'07 Week 1	19,200	18,200	18,900
May'07 Week 2	18,600	17,500	17,500
May'07 Week 3	19,000	17,600	18,000
May'07 Week 4	19,000	17,600	18,000

Price Movement

	Review	Outlook
Scrap	May 2007 over April 2007	June 2007 over May 2007
Pig Iron	↓	↓
Sponge Iron	↓	↓
Melting Scrap	↓	↓

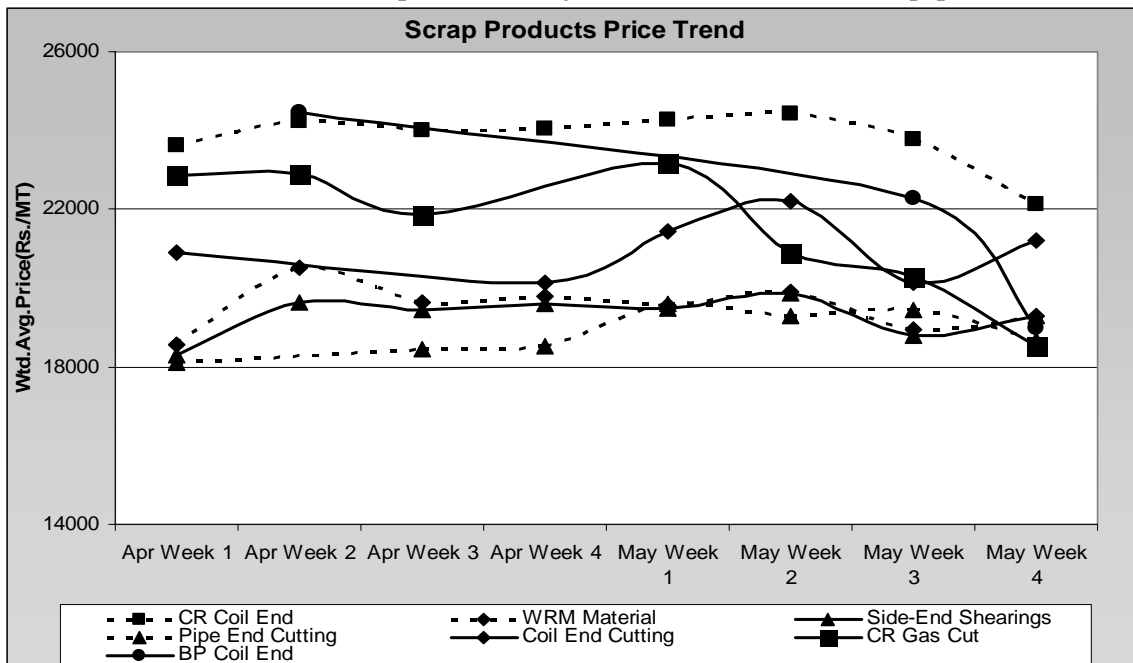
The graph below gives a comparative price trend of Ingot, Sponge Iron and Melting Scrap:



Ingot & Sponge Iron is basic; Melting Scrap price is including excise duty & sales tax. Price (Rs./t)

Price Trend as observed in the Auctions held at www.metaljunction.in:

Following graph shows the price trend observed in the auction services of Metal Junction for the month of April and May 2007 for different scrap products.



Price is basic

Attached below is the data table:

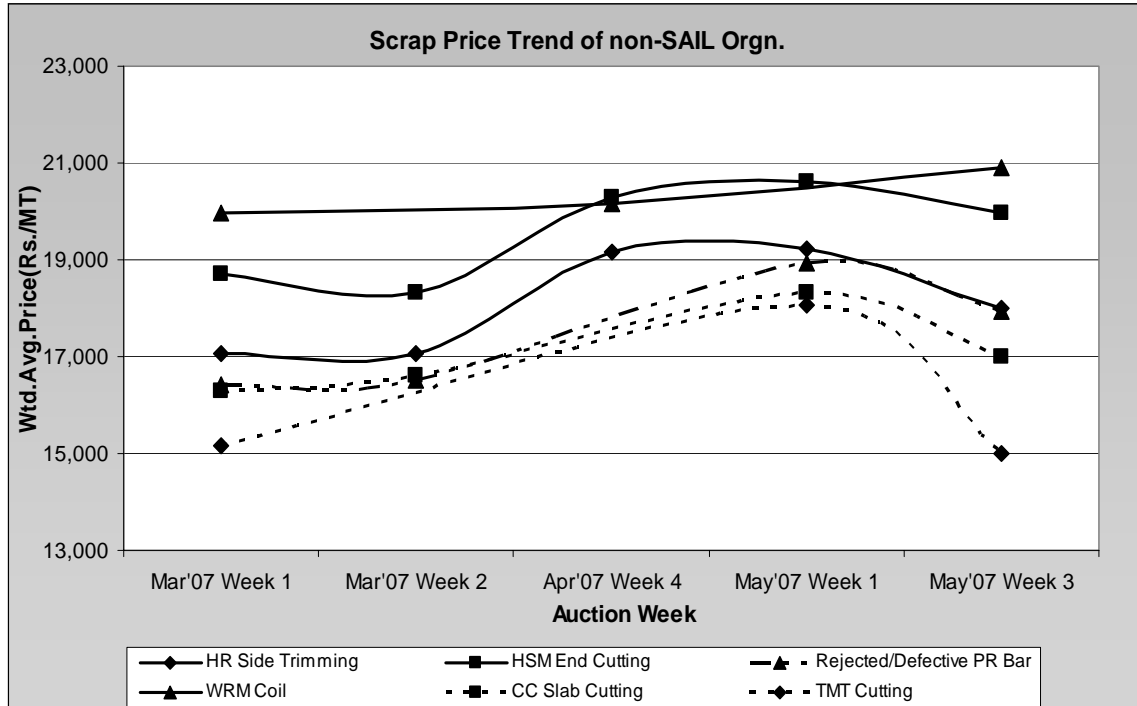
Week	CR Coil End	WRM Material	Side-End Shearing	Pipe End Cutting	Coil End Cutting	CR Gas Cut	BP Coil End
Apr'07 Wk 1	23630	18566	18296	18033	20894	22850	NA
Apr'07 Wk 2	24222	20532	19629	NA	NA	22891	24450
Apr'07 Wk 3	24022	19629	19426	18454	NA	21850	NA
Apr'07 Wk 4	24051	19780	19597	18541	20140	NA	NA
May'07 Wk 1	24278	19575	19478	19583	21442	23164	NA
May'07 Wk 2	24412	19918	19865	19278	22219	20900	NA
May'07 Wk 3	23788	18947	18799	19442	20150	20295	22300
May'07 Wk 4	22109	19273	19308	18696	21196	18532	19000

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

Products	Apr'07 Price (Avg.)	May'07 Price(Avg.)	% change(May'07 over Apr'07)	% change(May'07 over May'06)
BP Coil End	24450	20650	0.65	9.48
Coil End Cutting	20517	21252	3.58	NA
CR Coil End	23981	23647	-1.39	19.86
CR Gas Cut	22530	20723	-8.02	15.08
Pipe Cutting	18360	19250	4.85	13.54
Side-End Shearing	19237	19362	0.65	27.74
WRM Material	19627	19428	-1.01	28.24

Outlook: Scrap prices declined in the auction platform in the third and fourth week of the month and remained aligned with the domestic market where scrap prices have on an average shown a softened trend. With seasonal effect and finished steel prices coming down in the short-term, the raw material prices are not expected to make much movement.

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



Price is basic

International Scenario:

Scrap Market remained on a downward note globally. The decline is expected to continue.

Asia: Scrap market has remained quiet in the month of May with prices showing a downward trend.

China: The iron ore import market has remained quiet in the last week of May after tax imposition as steelmakers are waiting for clearer market directions. The market is further expected to weaken with softened steel market, mounting supply of domestic ore concentrate, slipping freight cost and restrained supply from India.

Steel scrap import has also shown a continuous drop in the month of May and scrap prices edged down in the domestic market.

US: Scrap prices tumbled since the beginning of May by as much as \$75/long ton. In April, prices dropped by \$20-30/long ton on No 1 bundles and No 1 busheling compared to March prices, and shredded scrap prices were down by \$50/long ton.

EU: Scrap prices showed a downward trend towards the end of the month.

UK: Ferrous scrap prices saw a downward movement for the second consecutive month. There isn't any supply problem and surge in offers to exporters suggest further softening of prices.

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-07	219.25	
Feb-07	233.83	↑
Mar-07	281.20	↑
Apr-07	274.37	↓
May-07	246.16	↓

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

Month	Average Price(\$ per long ton)	Price movement
Jan-07	252.5	↑
Feb-07	276.25	↑
Mar-07	305	↑
Apr-07	297.5	↓
May-07	290	↓

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

Month	Average Price(\$ per long ton)	Price movement
Jan-07	261.25	↑
Feb-07	281.25	↑
Mar-07	310	↑
Apr-07	302.5	↓
May-07	295	↓

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

Month	Average Price(\$ per tonne)	Price movement
Jan-07	268.75	↑
Feb-07	283.75	↑
Mar-07	323	↑
Apr-07	307.8	↓
May-07	303	↓

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

Month	Average Price(\$ per tonne)	Price movement
Jan-07	255	↑
Feb-07	268.75	↑
Mar-07	305	↑
Apr-07	290	↓
May-07	285	↓

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Jan-07	273.75	↑
Feb-07	288.75	↑
Mar-07	328	↑
Apr-07	312.8	↓
May-07	308	↓

OUTLOOK:

In the international market, there is an expectation amongst scrap buyers that prices will decline further in the short term with American and Japanese scrap prices drop to a record low in the month of May.

In India, scrap prices are expected to come down further in the next two months as scrap supply has opened up from CIS and finished steel prices further coming down with the onset of monsoon.

Data Sources:

- 1) Metal Bulletin
- 2) Steel Trade Intelligence
- 3) Steel Business Briefing
- 4) Steel Town Weekly (Mandi Govindgarh)
- 5) www.asianmetal.com

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STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

Cut in customs duty on Nickel from 5% to 2% brings some relief to the Indian stainless steel industry: 50% of India's stainless steel industry's nickel requirements are met through import of scrap for which there is no duty relief. However, it is expected that cost of production would reduce by Rs.4000/tonne on stainless steel grades which uses primary nickel and the prices of some grades would reduce by about 2%.

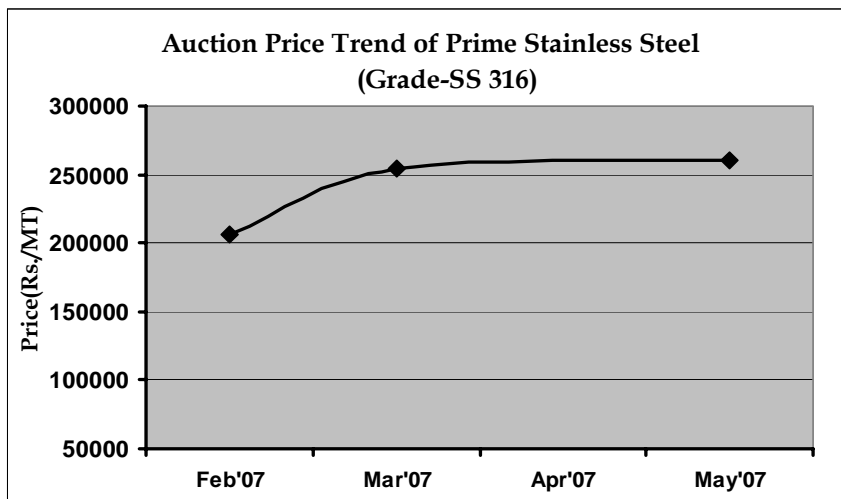
Indian Stainless Steel sector to grow at 5%, Jindal Stainless in an expansion drive: Strong demand for consumer products is expected to keep stainless steel industry continue growing at 4-5% this year.

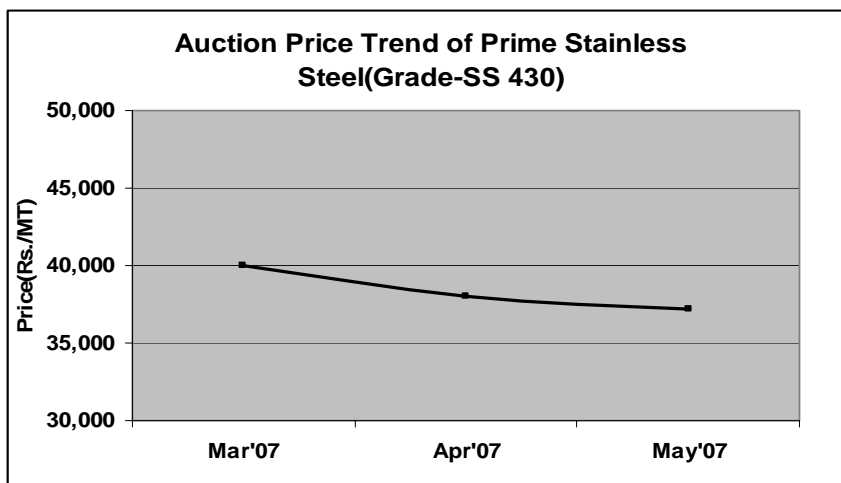
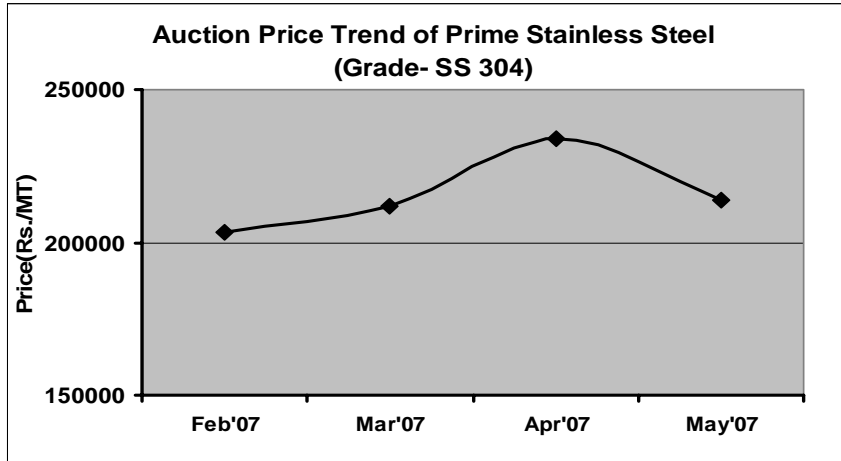
Jindal Stainless plans to set up a 0.8 million tonne per annum stainless steel plant in Orissa. Jindal hopes to become one of the cheapest producers of stainless steel. The company is also expected to focus on exports that would include both ferro-chrome and specialized stainless steel products.

Price Movement

	Review	Outlook
Steel Product	May 2007 over April 2007	June 2007 over May 2007
Stainless Steel	↑	↔

Auction Price Trend of Prime Grade Stainless Steel:





Price is basic

Outlook: The auction platform has remained aligned with domestic stainless steel market. As seen from the above graphs, prices of grade 304 have shown a declining price trend in the month of May with demand reducing due to sharp rise of Nickel costs. While nickel grade stainless steel expected to fetch lower prices, overall stainless steel prices are expected to remain stable in the coming month.

International Scenario:

Stainless Steel market is changing rapidly with mills taking demand for low or non-nickel grades.

China: On the back of strong demand coming from stainless steel sector, the Chinese domestic stainless steel prices showed a continuous rise in the month of May. 2mm thick 304/2B CRC in Foshan has been prevailing at RMB 43,300-43,400/t (\$5,637-5,650/t), including 17% VAT, up from RMB 41,600-41,900/t in April. Prices for 304/No.1 HRC (3mm x 1,250mm) have increased to about RMB 39,000-41,500/t in Wuxi and Foshan markets, up from RMB 36,000-

36,500/t last month. Due to shortage of material, prices are expected to move up in the coming days.

Increased stainless steel production in Chinese market leads to decline in imports: The first quarter of 2007 saw a decline of imports to 98,000 tonnes, down from 500,000 tonnes in the first quarter of 2006. This was accompanied by more than 90% increase in Chinese stainless production in Q1 against first quarter output last year.

European stainless steel sector has witnessed a slightly downward price trend in the month of May with demand being hurt for Nickel grade stainless steel and companies planning to increase output of Nickel free stainless steel. Also, increasing exports from Asian countries including China and South Korea have contributed to a fall in the European Stainless Steel market.

The tables below give an overview of stainless steel prices worldwide

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

Month	Average Price(\$ per tonne)	Price movement
Jan-07	3850	
Feb-07	3875	↑
Mar-07	4060	↑
Apr-07	4700	↑
May-07	4700	↔

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

Month	Average Price(\$ per tonne)	Price movement
Jan-07	4150	
Feb-07	4225	↑
Mar-07	4380	↑
Apr-07	5000	↑
May-07	5000	↔

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

	Mar'07	Apr'07	May'07	June'07*
HR 304	36000-36500	36000-36500	39000-41500	39000-41600

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

	Mar'07	Apr'07	May'07	June'07*
CR 304 2B	38500-39000	41600-41900	43300-43400	43400-43500

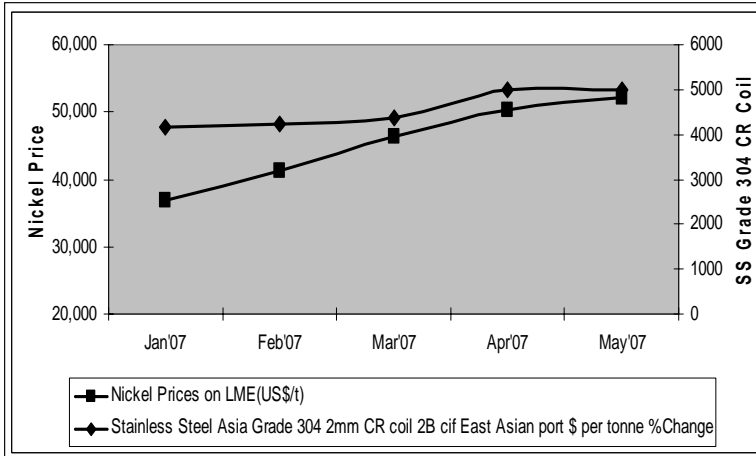
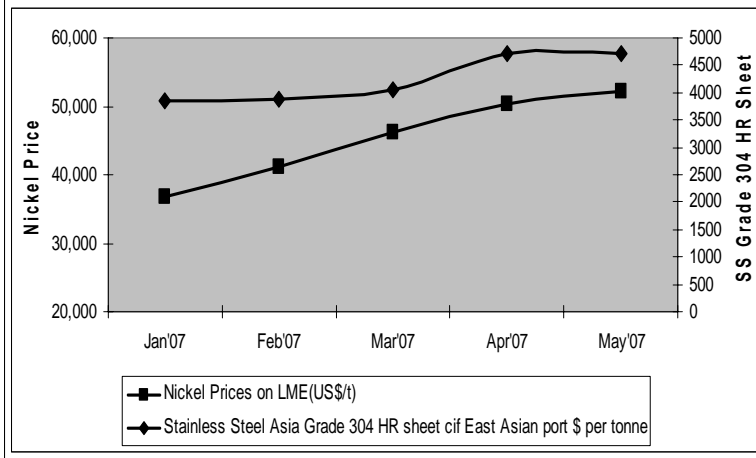
Europe:

CR 304 2B 2mm, Euro/t Ex-Works	Mar'07	Apr'07	May'07	June'07*
N.Europe	1650-1750	1300-1600	1300-1400	1200-1300
S.Europe	1600-1700	1300-1500	1250-1300	1200-1250

***-SBB Forecast**

Note: 1US\$=Rs.40.48, 1Euro=Rs.54.46, 1 RMB=0.13US\$

The graphs below indicate SS-Ni trend for the period Jan'07-May'07

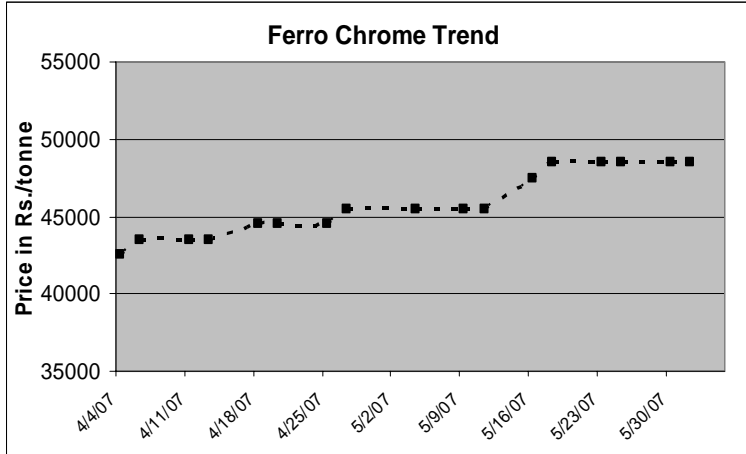


Rising Price trend of Raw Materials observed in the month of May

Nickel Trend: Nickel price touched it's highest at 52,370 US\$/t in the month of April'07 and 54,100 US\$/t in the month of May'07. After a record peak, prices showed some correction in the last week of May.

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Jan'07	36,799	6.52	153.02
Feb'07	41,158	11.85	174.90
Mar'07	46,282	12.45	211.28
Apr'07	50,232	8.54	180.30
May-07	52,143	3.80	148.10

Ferro-Chrome (HC 60%min) Price Trend Ex Works India:



OUTLOOK:

Globally, Stainless steel prices may fall driven by increased global market competition between Chinese and European producers, Posco, South Korea’s largest steelmaker, said. Also, switching over to cheaper alternatives to Nickel is further expected to keep stainless steel prices on a lower note this quarter as compared to last quarter. It is also expected that growth in Nickel demand in the future is likely to be slower than the overall expansion in the stainless steel sector.

India: The Indian stainless steel market is largely dependent on imports for its nickel requirement. Due to this, a movement in global prices directly impacts the Indian business.

A few months ago, supply was tight causing prices to touch all-time highs. Now, with nickel available freely, LME prices are going down. With input prices lowering down from its peak records and stainless steel makers switching over to other grades, stainless steel prices are expected to stabilize in the short-term with a reduced cost of production being forecasted.

Data Sources:

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

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