

## News at a glance

**Budget 2007-08:** Reduction in custom duty is announced on most chemicals and plastics from 12.5% to 7.5% and on seconds and defectives of steel from 20% to 10%.

Export duty of Rs 2,000/tonne levied on chrome-ore concentrates and Rs 300/tonne on iron ores and concentrates. Import duty on all coking coals has been removed irrespective of ash content.

**Slash in freight rates for fuel, iron-ore announced in rail budget 2007-08:** The railway minister has slashed freight rates for all minerals including iron-ore and limestone by 6% and for diesel, petrol and ammonia by 5%.

**The beginning of February saw a rise in HRC price in India by Rs.500-1000/tonne ex-works:** The rise is attributed to strong demand from downstream steel producers and higher prices of hot rolled coils imported from China and Russia.

**India's 6 core sectors register 8.3% yoy growth in 9 months:** According to the Economic Survey 2006-07 an overall index of 6 core industries like electricity, coal, steel, crude oil, petroleum refinery products and cement having a direct bearing on infrastructure registered a growth of 8.3% in April to December 2006 as compared to 5.5% registered during April to December 2005.

**Indian producers to increase galvanized sales to auto and appliances sectors:** Indian producers of galvanized sheet and coil will increase sales to the domestic car manufacturing sector to 12 percent of total production over the next three years. Producers also agreed to increase sales to the domestic appliances sector to 10 percent over the same period. Total sales to both sectors last year was five percent.

**Strong demand for CRGO allows India to import:** India will source at least 3,000 tonnes of cold rolled grain oriented steel (CRGO) for use in transformers from Japan's Nippon Steel during the year ending March 2008, reflecting growing demand in the country for electrical steel. Prices of CRGO steel have risen from around \$1,200 per tonne in 2004 to \$4,000 per tonne this year.

**Hindustan Zinc Ltd.** reduced zinc prices twice in the beginning of the month and was revised to Rs.1,59,100/t. This was in tandem with zinc price at LME. However, prices were hiked by 3.74% in the third week of the month and again by 4.2% in the fourth week of the month to Rs.1,70,600/t in order to sell at par with the international prices.

**World crude steel output starts 2007 with a bang:** Global crude steel output touched 107.9 million tonnes in January 2007 beating the previous best total of 106million tonnes produced in November 2006 and 95 million tonnes produced in January 2006.

**Nickel, Tin shines at LME:** The month saw a sharp jump in prices of metals with Nickel showing a jump of more than 10 percent over a month and Tin showing a jump of more than 13 percent over a month.

(DIPANKAR CHAKRABARTI)

Senior General Manager - Technology & Steel Operations

## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario:

**Steel firms increase HR prices by Rs 500/ tonne in the beginning of the month:** Domestic steel companies have increased prices of hot-rolled coils by an average of Rs 500 per tonne, the first upward trend seen this year. The move comes after international prices showed signs of firming up this month, especially in the US markets.

**Announcement of Budget makes steel industry happy:** Duty imposition on export of iron-ore and chrome ore is welcomed as good news in the domestic sector where availability will increase and in a way will conserve the scarce resources of the country for the long term benefit. This will incentivise growth of steel industry which is facing problems in getting captive iron ore mines. This may, particularly help projects such as JSW Steel’s Bengal project, where the company is buying iron ore from market without depending on captive mines. The industry is also happy with the fact that FM has removed import duty on all coking coals, irrespective of ash content. Though reduction in import duty in secondary and defective steel may increase competition.

#### **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
Jan'07 Week 1	30,200	29,700	30,200	35,200	35,200	37,200	37,200
Jan'07 Week 2	30,500	29,900	30,400	35,400	35,400	37,400	37,400
Jan'07 Week 3	30,700	30,200	30,600	35,600	35,600	37,600	37,600
Jan'07 Week 4	30,900	30,500	30,700	35,700	35,700	37,700	37,700
Feb'07 Week 1	30,900	30,500	30,700	35,700	35,700	37,700	37,700
Feb'07 Week 2	30,900	30,500	30,700	35,700	35,700	37,700	37,700
Feb'07 Week 3	30,900	30,500	30,700	35,700	35,700	37,700	37,700
Feb'07 Week 4	30,900	30,500	30,700	35,700	35,700	37,700	37,700

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

	MS Billets(100*100 mm)	CC Billets(100*100 mm)	MS Rounds (22/25 mm)	MS Squares (22/25 mm)	MS Angles(25*6mm)	MS Channel (75*40m m)	MS Channel (125*65 mm)
Jan'07 Week 1	24,000	24,100	25,000	25,000	25,200	25,500	26,100
Jan'07 Week 2	23,800	23,900	25,300	25,300	25,500	25,800	26,400
Jan'07 Week 3	24,200	24,300	25,800	25,700	26,000	26,300	26,700
Jan'07 Week 4	23,900	24,000	25,700	25,500	25,700	26,000	26,700
Feb'07 Week 1	24,300	24,600	26,000	26,200	26,000	26,100	26,800
Feb'07 Week 2	24,000	24,400	26,300	25,800	25,700	26,200	26,900
Feb'07 Week 3	24,100	24,200	26,200	25,600	25,800	26,300	26,800
Feb'07 Week 4	24,300	24,400	26,300	25,800	25,700	26,500	27,000

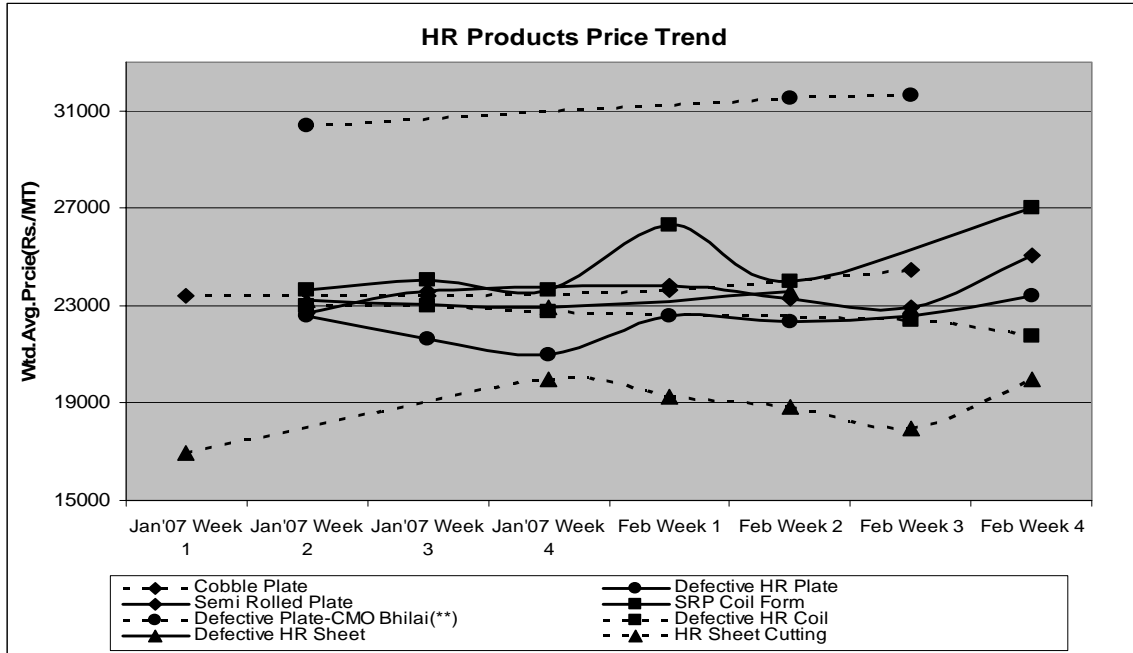
Note: Flat & Long Price (Rs. /MT, incl.excise duty, retail price)

**Price Movement**

	Review	Outlook
Items	Feb'07 over Jan'07	Mar'07 over Feb'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.com for the month of January & February 2007 for different HR and CR products.



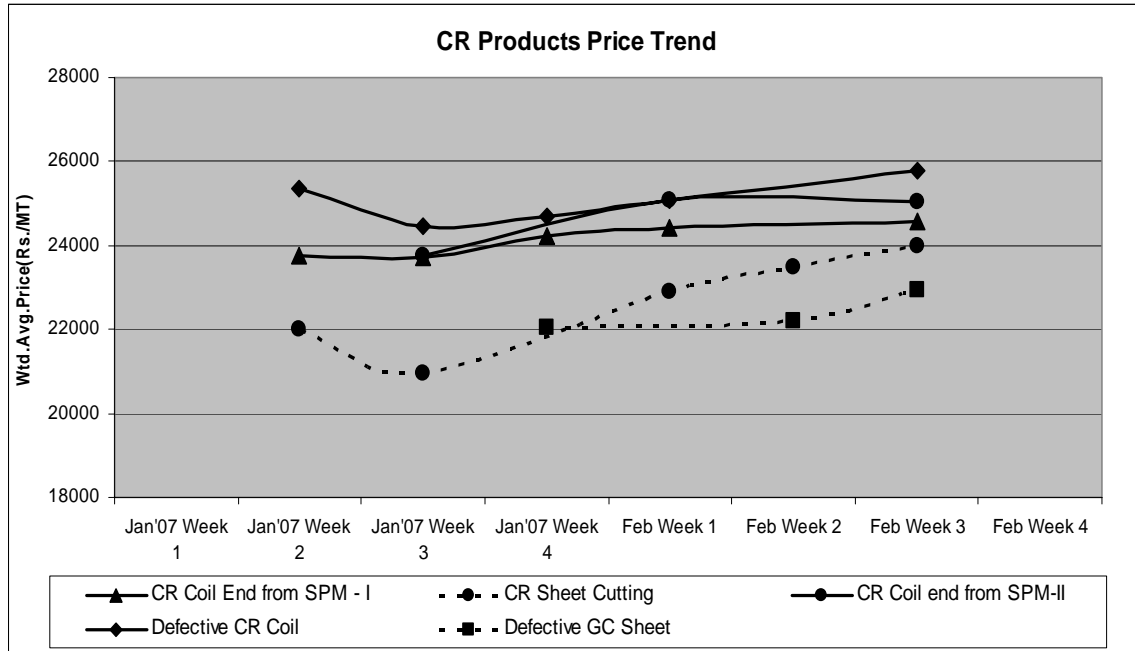
**Note:** Price is basic, \*\* implies price incl. excise duty

Attached below is the data table:

Week	Cobble Plate	Def. HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate-CMO Bhilai	Def HR Coil	Def HR Sheet	HR Sheet Ctng
Jan'07 Wk 1	23408	NA	NA	NA	NA	NA	NA	16972
Jan'07 Wk 2	NA	22557	22705	23671	30397	23000	23222	NA
Jan'07 Wk 3	23408	21623	23570	24079	NA	22984	NA	NA
Jan'07 Wk 4	NA	20980	NA	23622	NA	22780	22930	19950
Feb'07 Wk 1	23630	22560	23809	26300	NA	NA	NA	19247
Feb'07 Wk 2	NA	22363	23298	24029	31516	NA	23608	18871
Feb'07 Wk 3	24455	22560	22913	NA	31622	22400	NA	17950
Feb'07 Wk 4	NA	23383	25080	27004	NA	21740	NA	19950

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

Products	Jan'07 Price (Avg.)	Feb'07 Price (Avg.)	% change(Feb'07 over Jan'07)	% change(Feb'07 over Feb'06)
Cobble Plate	23408	24043	2.71	27.98
Def HR Plate	21720	22716	4.59	37.98
Semi Rolled Plate	23138	23775	2.75	24.53
SRP Coil Form	23791	25777	8.35	34.31
Def Plate-CMO Bhilai	30397	31569	3.86	37.25
HR Sheet Cutting	18461	19005	2.94	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 GC Sheet
Jan'07 Wk 1	NA	NA	NA	NA	NA
Jan'07 Wk 2	23769	21999	NA	25350	NA
Jan'07 Wk 3	23706	20970	23750	24477	NA
Jan'07 Wk 4	24227	NA	NA	24700	22050
Feb'07 Wk 1	24439	22900	25098	25082	NA
Feb'07 Wk 2	NA	23500	NA	NA	22200
Feb'07 Wk 3	24557	24000	25050	25776	22950
Feb'07 Wk 4	NA	NA	NA	NA	NA

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

Products	Jan'07 Price(Avg.)	Feb'07 Price(Avg.)	% change(Feb'07 over Jan'07)	% change(Feb'07 over Feb'06)
<b>CR Coil End from SPM-I</b>	23900	24498	2.50	48.49
<b>CR Sheet Cutting</b>	21485	23467	9.22	NA
<b>CR Coil End from SPM-II</b>	23750	25074	5.57	46.07
<b>Def CR Coil</b>	24842	25429	2.36	34.32
<b>Def GC Sheet</b>	22050	22575	2.38	NA

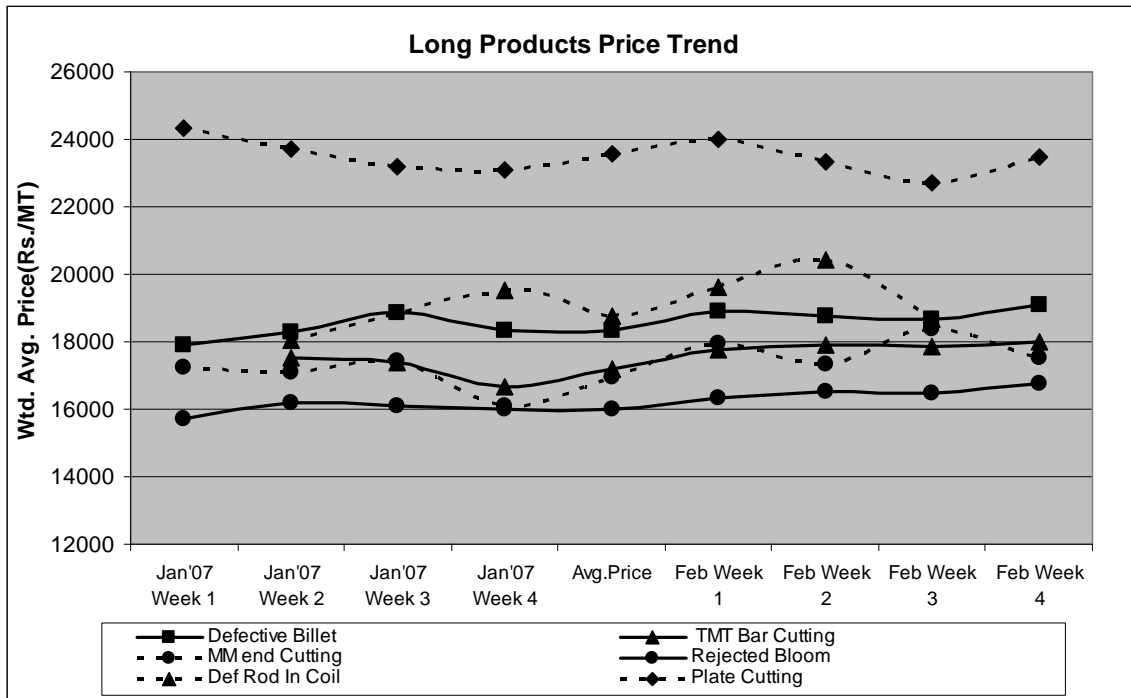
**Outlook:** Domestic market has behaved in an upward direction and prices have been firming up since the mid of January. Rising input costs especially of iron-ore and coal has led to a rise in steel prices. Flat product prices have shown a firm trend since the beginning of February. The auction platform has also shown an improved price trend as compared to the earlier month. Local market

rates have further improved in Mandi Govindgarh steel market since the third week of the month.

The auction platform has witnessed an improved price trend throughout the month of February and prices are further expected to improve in the coming month with domestic market remaining competitive as compared to import prices.

**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 January & February 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
Jan'07 Wk 1	17926	NA	17230	15729	NA	24320
Jan'07 Wk 2	18295	17515	17088	16206	18054	23715
Jan'07 Wk 3	18871	17381	17408	16105	NA	23206
Jan'07 Wk 4	18322	16684	16091	16002	19511	23075
Feb'07 Wk 1	18900	17756	17929	16350	19600	24014
Feb'07 Wk 2	18742	17899	17322	16533	20407	23341
Feb'07 Wk 3	18683	17873	18403	16500	18650	22708
Feb'07 Wk 4	19113	17979	17546	16750	NA	23474

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

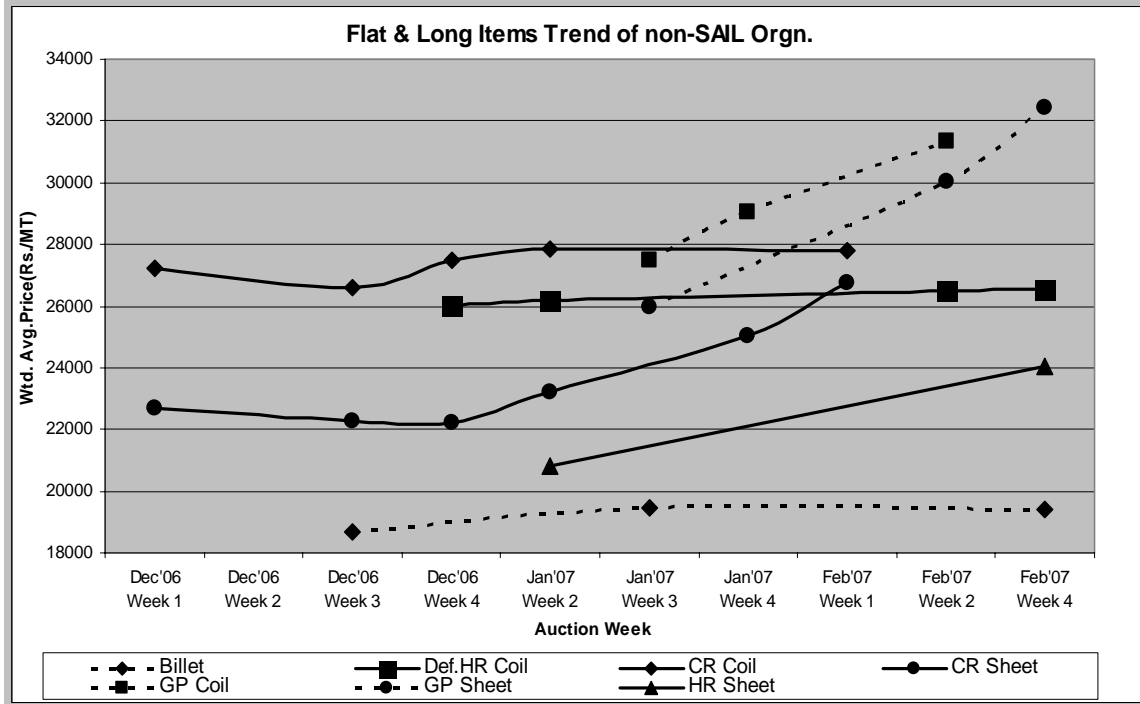
<b>Products</b>	<b>Jan'07 Price(Avg.)</b>	<b>Feb'07 Price(Avg.)</b>	<b>% change(Feb'07 over Jan'07)</b>	<b>% change(Feb'07 over Feb'06)</b>
<b>Def Billet</b>	18354	18859	2.75	22.18
<b>TMT Bar Cutting</b>	17193	17877	3.98	19.10
<b>MM End Cutting</b>	16954	17800	4.99	22.56
<b>Rejected Bloom</b>	16011	16533	3.26	42.50
<b>Def Rod In coil</b>	18782	19552	4.10	25.78
<b>Plate Cutting</b>	23579	23384	-0.83	NA

**Outlook:** After a slight downturn in the fourth week of January, prices of several items recovered in the beginning of February and then onwards maintained a stable trend till the second week of the month. A slight drop in price was noticed in the auction platform in the beginning of the third week which was a temporary phenomenon and prices recovered then onwards and on an average there was an improvement by around 1-2%. Ingot price at Raipur had also shown improvement in price by around 2% in the third week of the month.

Local market rates improved in Mandi Govindgarh steel market in the third week of the month.

The auction platform has witnessed an improved price trend throughout the month of February and prices are further expected to improve in the coming month with domestic market remaining competitive as compared to import prices.

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



**Price is basic**

**Ingot Price (8 weeks trend)**

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Jan'07 Week 1	16459	19789	19172	17703	19755
Jan'07 Week 2	16549	20033	19558	18057	20259
Jan'07 Week 3	16656	20367	19937	18443	20447
Jan'07 Week 4	16753	20285	19586	18141	20173
Feb'07 Week 1	16752	20336	19691	18330	20275
Feb'07 Week 2	16729	20274	19687	18348	20300
Feb'07 Week 3	16726	20496	19976	18685	20477
Feb'07 Week 4	16976	20468	19898	18748	20690

Price: (Rs. /t, basic)

Firm steel market has kept Ingot prices across various places firm throughout the month of February.

**International Scenario**

**Asia:** Steel prices remained on an upward note in the month of February. Ship plate export prices were raised to around \$650-660/tonne cfr Singapore with demand remaining strong. Billet import prices too increased in South East Asian market with demand remaining strong.

**China:** HRC and CRC prices remained steep in domestic market. Plate prices remained stable in domestic market in the beginning of the month with positive sentiment existing. Strong market sentiment supported by a rise in ex-works prices for both sections and flat products had kept merchant bar prices stable.

**Europe:** Bar and rod import prices continued rising in South Europe with strong demand coming from Turkey and a lack of supply. HRC and HDG import prices increased in Europe.

**CIS:** Export prices of plate from CIS increased by an average of 5% with domestic market booming. Billet export prices have been rocketing with an accelerated speed. Price is expected to touch \$500/t by the beginning of April. The supply/ demand ratio is affecting prices. Further, surging demand of rebars in regions such as Middle East, Russia and Turkey has added to the pressure on billet supply.

CIS Billet Export Prices FOB (US\$/t)

Dec-06	Jan-07	Feb-07(*)	Mar-07(*)	Apr-07(*)
400-420	420-430	430-450	450-480	470-500

\* SBB Forecast

**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(Feb'07 Week 4 over Feb'07 Week 3)	% Change over a month(Feb'07 over Jan'07)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	0.00	1.21	6.33
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	0.00	0.00	4.88
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	0.00	0.00	6.84
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	0.00	-0.60	9.78
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.00	1.26	0.94
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	0.00	1.91	1.27
CIS Export Rebar Black Sea/Baltic Sea \$/t	0.00	4.17	13.64
CIS Export Billet Black Sea/Baltic Sea \$/t	0.00	15.12	25.32
United States Import CR coil \$ per short ton	0.00	-1.64	-16.67
United States Import HR coil \$ per short ton	0.00	-1.96	-16.67
United States Import Rebar. \$ per short ton	0.00	10.20	1.89
EU Domestic Hot rolled coil Euros per tonne	2.17	6.82	0.47
EU Domestic Cold rolled coil Euro per tonne	3.70	5.66	0.47
EU Domestic Hot-dip galvanized coil Euro per tonne	0.00	1.56	0.47

Note: 1 RMB=0.13US\$

## **OUTLOOK:**

**Global:** The billet import market in South East Asia is expected to remain firm. Prices are likely to rise further due to strong regional demand, soaring scrap costs and robust demand from markets outside the region, including the Middle East. Chinese semis will continue to be strong because of high demand from the rolling mills in Asia and of the export tax on semis.

Traders in Hong Kong and Singapore are expecting long products prices to rise due to strong demand from the Middle East, USA and Europe.

The current uptrend in prices is expected to be sustained for the next few months as there is healthy demand prevailing.

**India:** Prices are expected to remain firm in the short term in order to remain aligned with rising international prices. European and US demand is further expected to pick up which will further push up international prices.

Demand for Hot Rolled Coil is expected to increase in domestic market as JSW Steel; India's largest HRC producer has shut a furnace at its Vijayanagar plant as a result of fire. Demand from auto and housing sectors is expected to keep domestic steel prices on a firmer note.

*Budget Impact in India:* Reduction of custom duty from 20 % to 10 % on defective and seconds steel items may witness higher import of such materials. Many in steel industry feel that cut in import duty on such materials may result in dumping of poor quality of steel in India. However, experts believe in short term it will not have any significant impact on steel prices in India.

## **Data Sources:**

- 1) [www.ncdex.com](http://www.ncdex.com)
- 2) Steel Trade Intelligence
- 3) Metal Bulletin
- 4) Steel Business Briefing
- 5) MEPS
- 6) Steel Town Weekly (Mandi Govindgarh)

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## STEEL INDUSTRY MARKET SCENARIO

### SCRAP

#### Domestic Scenario

**Bullish market for Iron ore continued in the month of February:** The Indian iron ore (Fe 63%) CIF price was \$83-85 per-ton in the third week of February 2007, rising \$4-\$5 per ton compared to the third week of January 2007 with strong demand coming from China. The international market is currently witnessing a strong movement in iron ore prices. The market has remained quiet strong in Chinese market with stocks at port rising just before the beginning of Chinese holidays. The domestic market has also shown some good price movement recently in iron ore market. With Mitsui selling its 51% stake in Sesa Goa, the company has strong potential to meet demand coming from steel sector and contribute to the GDP.

**Budget will affect the export of Iron Ore:** With imposition of duty of 300 Rs/Ton on export of Iron Ore in the current financial budget may have impact on the export quantity and price of Iron Ore.

#### **Indian Iron-Ore Prices Landed at China**

	Dec'06	Jan'07	Feb'07 Wk 1	Feb'07 Wk 2	Feb'07 Wk 3	Feb'07 Wk 4
Indian 63% Fe \$/t CFR China	75-76	80-81	80-83	80-83	83-85	83-85

**Pig Iron prices remained firm with demand remaining buoyant:** Pig iron demand remained strong with 28 lakh tonnes of pig iron consumed during April-November 2006.

#### **Price trend of Pig Iron in Mandi Govindgarh: (Rs. /t, incl. Excise, landed)**

Item	1 <sup>st</sup> Feb'07	8 <sup>th</sup> Feb'07	15 <sup>th</sup> Feb'07	17 <sup>th</sup> Feb'07	24 <sup>th</sup> Feb'07	3 <sup>rd</sup> Mar'07
Steel Grade	19,500	19,500	19,600	20,000	19,600	20,200
Foundry Grade	20,700	20,700	20,800	21,200	20,800	21,300

**Prices of Sponge Iron strengthened further:** With steel prices firming up and demand remaining strong, prices of hot briquetted iron also followed the same trend. The prices increased in all the metropolitan markets by around 7-8% and were ruling above the year ago-levels. Firm price and improving demand from steel companies led to acceleration in sponge iron production. The output increased by 40 per cent for the second consecutive month in December. Prices of Sponge Iron are expected to increase further with rising demand of TMT and structurals by the construction sector.

**Small Sponge Iron units are coming up:** In a bid to cash in on the current perkiness in the steel sector, small and medium sized sponge iron units are rapidly coming up in the country's iron ore-rich regions – including Orissa and Chhattisgarh. Each of these units has a kiln capacity of up to 1,00,000 tonne.

The share of steel production through the sponge iron route has jumped to approximately 60 per cent now from around 40 per cent two-three years ago. With the steel industry currently banking on locally available raw materials owing to higher prices of melting scraps, sponge iron producers are expected to see good days going forward.

**Melting Scrap prices** firmed up in Kolkata, Delhi and Mumbai market with demand remaining upbeat, shortage in supply of raw material and imports declining drastically.

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

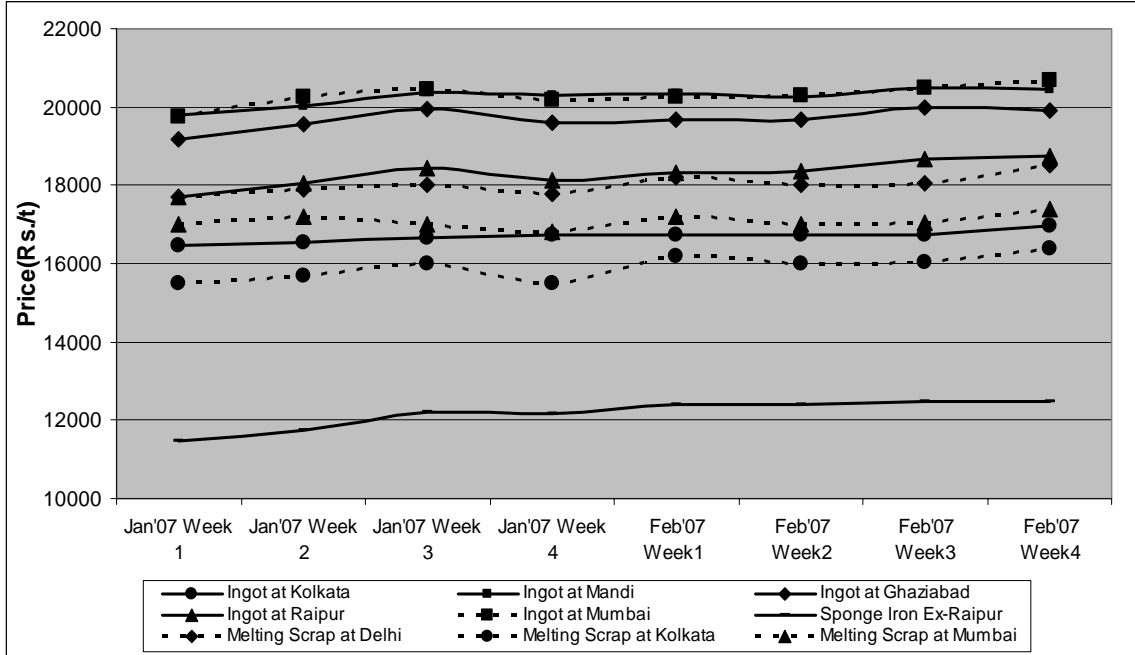
Place	Delhi	Kolkata	Mumbai
Jan'07 Week 1	17,700	15,500	17,000
Jan'07 Week 2	17,900	15,700	17,200
Jan'07 Week 3	18,000	16,000	17,000
Jan'07 Week 4	17,800	15,500	16,800
Feb'07 Week 1	18,200	16,200	17,200
Feb'07 Week 2	18,000	16,000	17,000
Feb'07 Week 3	18,050	16,050	17,050
Feb'07 Week 4	18,500	16,400	17,400
Mar'07 Week 1	19,000	16,900	18,000

**Price Movement**

	Review	Outlook
Scrap	Feb 2007 over Jan 2007	March 2007 over Feb 2007
Pig Iron	↔	↑
Sponge Iron	↔	↑
Melting Scrap	↔	↑

Note: March prices to remain slightly upward as compared to February.

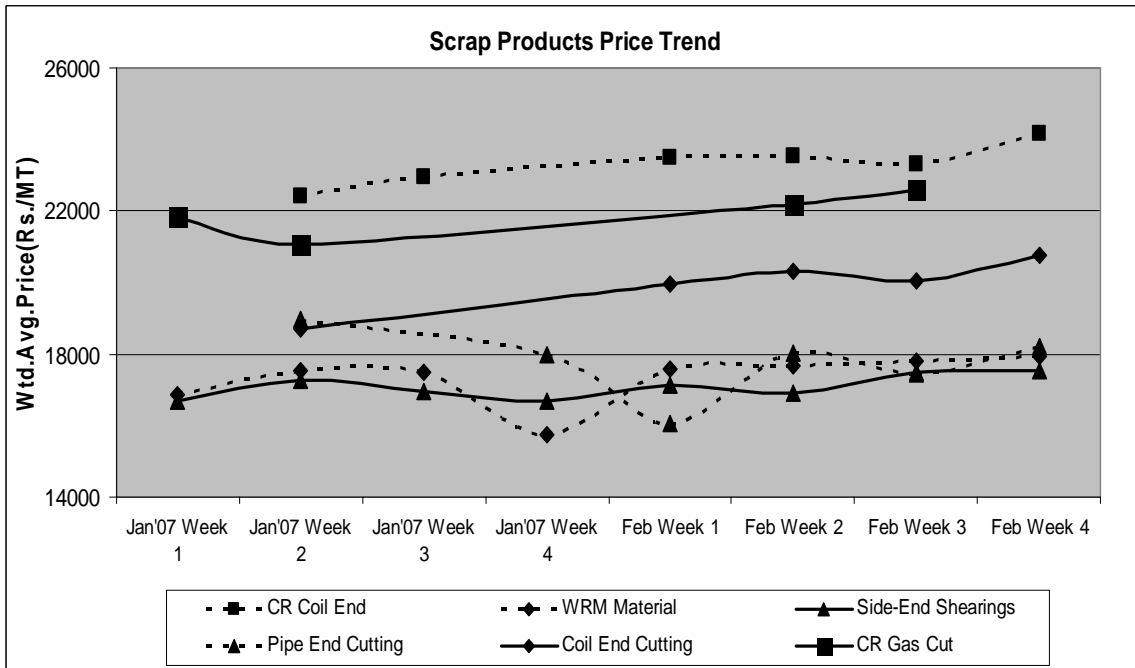
**A comparative price trend of Ingot, Sponge Iron and Melting Scrap:** After a mixed trend of ups and downs prevailing in the earlier month, prices firmed up in the month of February by almost 2.5%. With raw material demand increasing and sales moving up, prices remained on a firmer note.



*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.com](http://www.metaljunction.com):**

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



**Price is basic**

Attached below is the data table:

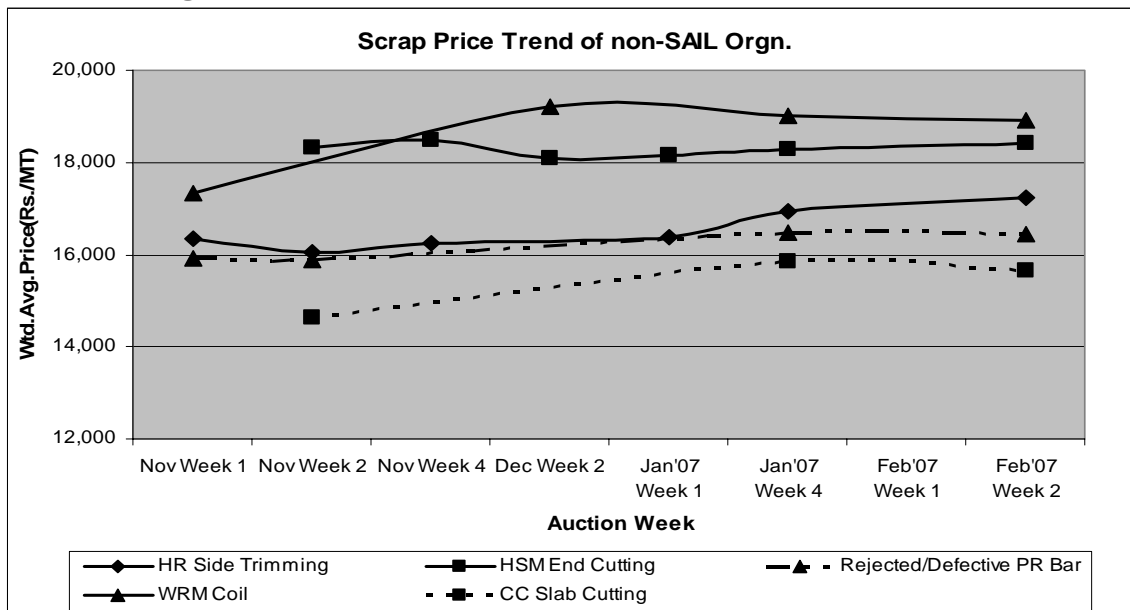
Week	CR Coil End	WRM Material	Side-End Shearings	Pipe End Cutting	Coil End Cutting	CR Gas Cut
Jan'07 Wk 1	NA	16880	16699	NA	NA	21850
Jan'07 Wk 2	22436	17550	17252	18972	18717	21059
Jan'07 Wk 3	22956	17500	16977	NA	NA	NA
Jan'07 Wk 4	NA	15753	16708	17968	NA	NA
Feb'07 Wk 1	23500	17592	17155	16050	19961	NA
Feb'07 Wk 2	23522	17661	16920	18050	20306	22200
Feb'07 Wk 3	23311	17824	17482	17426	20030	22600
Feb'07 Wk 4	24153	17933	17550	18210	20750	NA

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

Products	Jan'07 Price(Avg.)	Feb'07 Price (Avg.)	% change(Feb'07 over Jan'07)	% change(Feb'07 over Feb'06)
CR Coil End	22696	23622	4.08	35.30
WRM Material	16921	17752	4.91	17.32
Side-End Shearing	16909	17277	2.17	18.68
Coil End Cutting	18717	20262	8.25	NA
CR Gas Cut	21455	22400	4.41	51.04

**Outlook:** Scrap prices showed a steady price movement since the beginning of the month with demand remaining quite strong and good amount of material off take taking place in the market. Prices improved as compared to earlier month and with strong demand for raw materials prevailing in the market, a firm trend prevailed throughout the month.

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



Price is basic

**International Scenario:**

**Sharp rise in scrap prices in the international market with demand remaining buoyant.**

**Asia:** Pig Iron market in East Asia remained firm. Offers have been prevailing in the range of \$360-370/tonne cfr. Pig iron from Russia's Black Sea and India has been prevailing at around \$335/t fob, but offers are very limited.

**China:** Scrap prices jumped in Chinese market in the second week of the month with strong demand coming from steelmakers. Steelmakers have raised purchase prices in order to store scrap that will support steel production ahead of the Chinese New Year holiday that began in the third week of the month. Since then, prices have remained firm and market has remained stable. Iron ore prices in Chinese domestic market have also moved up.

**US:** Domestic scrap prices have seen a rise in the range of \$30-40/1ton from a month ago. In the second week of the month, mill delivered prices for No 1 busheling scrap and No 1 bundles has been \$290-300/1.t f up from \$260-265/1.t last month. Delivered shredded scrap prices are about \$290-295/1.t, up from \$245-255/1.t a month ago.

Ferrous scrap exports remained strong and sales continued at a steady pace. The absence of much export scrap from Russia, Ukraine and other Soviet States because of rebound in steelmaking there and stiffer export rules has driven Turkish mills and others to turn to US and Western Europe to make up the shortfall.

**Europe:** Scrap prices moved up with firm steel demand, rising product prices and leanness in scrap availability. Compared to the month of January when prices moved a bit downwards, price rise has been in the range of zero to €5/tonne on local arisings in the Italian market, €10-20/t in France, €15-20/in Germany and €25/t in Switzerland.

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

Month	Average Price(\$ per long ton)	Price movement
Dec-06	202	
Jan-07	219.25	↑
Feb-07	223.33	↑

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

Month	Average Price(\$ per long ton)	Price movement
Dec-06	245	
Jan-07	252.5	↑
Feb-07	276.25	↑

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

Month	Average Price(\$ per long ton)	Price movement
Dec-06	250	
Jan-07	261.25	↑
Feb-07	281.25	↑

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

Month	Average Price(\$ per tonne)	Price movement
Dec-06	250	
Jan-07	268.75	↑
Feb-07	283.75	↑

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

Month	Average Price(\$ per tonne)	Price movement
Dec-06	240	
Jan-07	255	↑
Feb-07	268.75	↑

**Steel Scrap Shredded fob Rotterdam \$ per tonne**

Month	Average Price(\$ per tonne)	Price movement
Dec-06	255	
Jan-07	273.75	↑
Feb-07	288.75	↑

**OUTLOOK:** Australia-based scrap multinational Sims says it expects ferrous scrap prices to remain firm, as supply is restricted and demand is buoyant. High prices are also favored by tightness in availability of alternative metallics such as HBI and pig iron, and by a strengthening of steel prices. Sims says that scrap prices have risen significantly in most international markets since the start of 2007.

*Budget Impact in India:* Export duty on iron ore and concentrate is the first step taken by the government to discourage iron ore export. It will have two fold impact on those steel units who do not own iron ore mines. The availability of iron ore will improve and this, in turn, will have a moderating effect on domestic prices of iron ore which has been rising at high rate since last four years.

**Data Sources:**

- 1) Metal Bulletin
- 2) Steel Trade Intelligence
- 3) Steel Business Briefing
- 4) Steel Town Weekly (Mandi Govindgarh)

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## STEEL INDUSTRY MARKET SCENARIO

### STAINLESS STEEL

#### Domestic Scenario:

#### **Salem Steel Plant in major expansion, an estimated cost of Rs. 1533 crore:**

With growing demand from stainless steel sector, new steel melting and continuous casting facilities will be installed to enable the plant to produce 180,000 tonnes per annum of stainless steel slabs. The capacity of SSP's existing Cold Rolling Complex will also be expanded to hike production of cold-rolled stainless steel to 146,000 tpa. It has also bagged an order to supply 11,300 tonnes of ferritic stainless steel strips to the Government of India Mint at Kolkata. The strips, to be used for minting coins, will be supplied in grade 430.

#### **Price Movement**

	<b>Review</b>	<b>Outlook</b>
Steel Product	February 2007 over January 2007	March 2007 over February 2007
Stainless Steel	↔	↑

#### **Auction Trend of Commercial Quality & Prime Stainless Steel**

Auction Week	CQSS Type I - Baby Coil	CQSS Type II - Lengthy Sheet	CQSS Type II - SS Assorted Sheets	CQSS Type III -CR Coils	CQSS Type IV -Coils-Sheets	CQSS Type V HR SS Sheets	SS Melting Scrap
Dec Week 1	96244	91214	102968	56232	56395	97603	40552
Dec Week 3	96195	64888	118718	62950	44783	70078	37003
Jan'07 Week 2	84011	37100	NA	59234	66738	62346	37406
Feb'07 Week 1	90544	NA	84795	85594	NA	121985	38576
Feb'07 Week 3	105676	NA	82800	76114	100616	73820	39356

<b>Prime SS</b>			
Auction Week	SS Low Nickel	Type-300	Type-400
Nov Week 1	137250	199604	64198
Jan'07 Week 2	111815	268371	53754
Feb'07 Week 1	185200	185921	60261

Note: Auction prices in Rs. /MT quoted above are basic

**Outlook:** The auction platform has witnessed a mixed trend in price in the month of February, 2007. This has been in alignment with domestic stainless steel prices which have varied in co-ordination with the Nickel movement on London Metal Exchange. With stock variation, Nickel prices had its ups and downs; and ended with a sharp rise in price towards the end of the month. Stainless steel market has remained bullish in the international arena and prices are expected to show an upward movement in the coming month.

**International Scenario:**

**China becomes world’s largest stainless steel producer in 2006:** China’s stainless steel output jumped 68% year on year to 5.3 million tonnes. China imported 2.5 million tonnes of stainless steel products, down 20.13 percent, and exported 904,000 tonnes, surging 122.64 percent year on year. China's huge domestic demand for stainless steel is on the rise, absorbing most of its own supply. In 2006, China's per capita consumption of stainless steel exceeded 4.6 kg.

**Stainless Steel prices rise in Asian market:** High Nickel costs led to rise in stainless steel prices by \$50-200/tonne. In the second week the month, East Asian origin grade 304 hot rolled stainless sheet traded at \$3900-4000/tonne cif China, while grade 304 2mm 2B CR Coil traded at \$4300-4500/tonne cif China.

**Bullish Nickel Trend led to higher stainless steel alloy surcharges in Europe and N.America:** The surcharge rise has been for grades 304, 316 and 430. The impact on core stainless grade 304 is a rise of around €140/t to put the average surcharge at an all time high of €2,360/t. In North America the increases are \$1.52/lb on type 304, which equates to €2,581/tonne. Type 316 surcharges have risen on both continents assisted by an upturn in molybdenum prices in January after some softening in December.

**Japan’s stainless major raises rod prices:** Nippon Steel & Sumikin Stainless (NSSC) is raising domestic prices of its austenitic and ferritic stainless wire rod for March contracts and April delivery to compensate for higher alloy costs.

**Nickel reached record high:** The end of the month saw a record high with Nickel touching 44,495\$/t. Strong demand from stainless steel mills, supply disruptions and project delays have all boosted nickel prices, which have climbed nearly 175 percent in February 2007 over February 2006.

**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
Nov-06	3900	
Dec-06	3870	↓
Jan-07	3850	↓
Feb-07	3875	↑

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

Month	Average Price(\$ per tonne)	Price movement
Nov-06	4250	
Dec-06	4190	↓
Jan-07	4150	↓
Feb-07	4225	↑

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

	Nov'06	Dec'06	Jan'07	Feb'07
HR 304	30600-32600	30800-32500	30500-31800	33000-33500

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

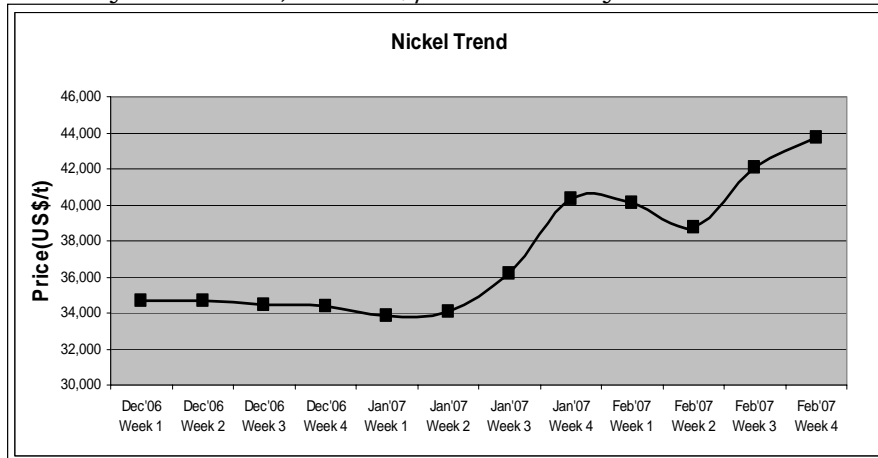
	Nov'06	Dec'06	Jan'07	Feb'07
CR 304 2B	34700-35100	35000-36000	34700-35500	36500-36800

**Europe:**

CR 304 2B 2mm,Euro/t Ex- Works	Nov'06	Dec'06	Jan'07	Feb'07
N.Europe	1650-1750	1750-1850	1750-1800	1700-1800
S.Europe	1700-1750	1750-1800	1700-1750	1650-1750

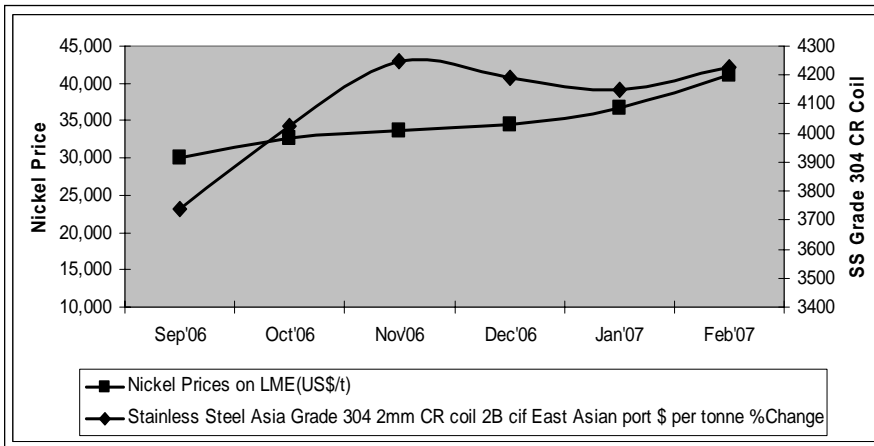
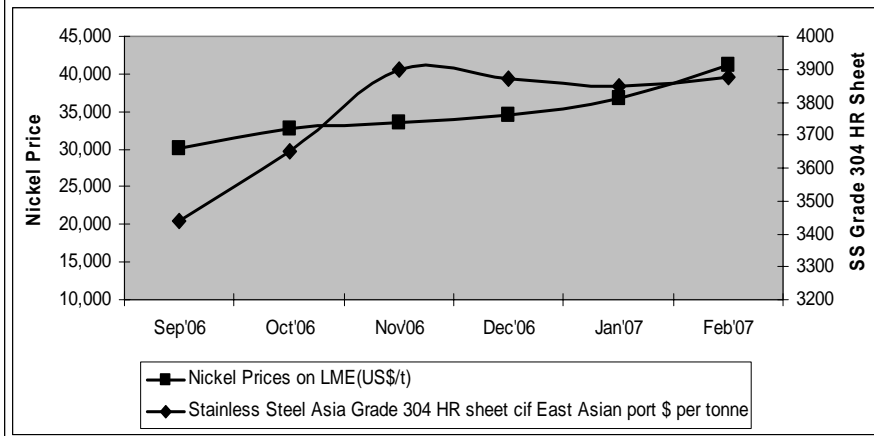
**Note:** 1US\$=Rs.44.26, 1Euro=Rs.58.26, 1 RMB=0.13US\$

**Nickel Trend:** Nickel price touched it's highest at 41,300 US\$/t in the month of January'07 and 44,495 US\$/t in February'07.



Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Nov'06	33,614	2.85	177.44
Dec'06	34,548	2.78	157.26
Jan'07	36,799	6.52	153.02
Feb'07	41,158	11.85	174.90

The graphs below indicate SS-Ni trend for a period of six months.



**Globally**, stainless steel prices are expected to remain on an upward note on the back of rising Nickel prices.

China is expected to increase March list prices for stainless steel cold rolled products by as much as 5 percent on the back of rising Nickel prices and tight domestic stainless steel supply. Market sentiment among traders remains quite strong with March and April being the peak demand months for stainless.

Posco is also expected to raise domestic stainless prices by 6 percent w.e.f March, 2007 due to rising Nickel prices which rose by more than 10% over a month.

**Data Sources:**

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

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