

News at a Glance

Iron ore demand fall in China hits shipping sector: The commodity shipping rates are all set to crash because China has halted iron ore imports from India.

The shipping rates had gone up in the beginning of this month but a dip in demand for Indian iron ore from China, which is negotiating its long-term contracts with Australia and Brazil, has sent a chill down the spine of shipping trade. A lull in the dry bulk freight market is expected till China finalizes its long-term contracts in a week's time.

The Baltic Dry Index, an index for commodity shipping rates on 26 global routes, posted three consecutive drops in the third week on falling rates to haul coal and iron ore for making steel. With the commodity demand collapse leading to lack of enough cargo to fill up a Capesize, many of these vessels have been idled.

India cuts excise duty, service tax by 2% pre budget: Giving relief to the industry reeling under the impact of slowdown, the government reduced by 2 per cent rates of excise duty and service tax. While the general excise duty has been reduced from 10 per cent to 8 per cent, the rate of service tax cut from 12 per cent to 10 per cent. The duty on bulk cement has been reduced from 10 per cent to 8 per cent.

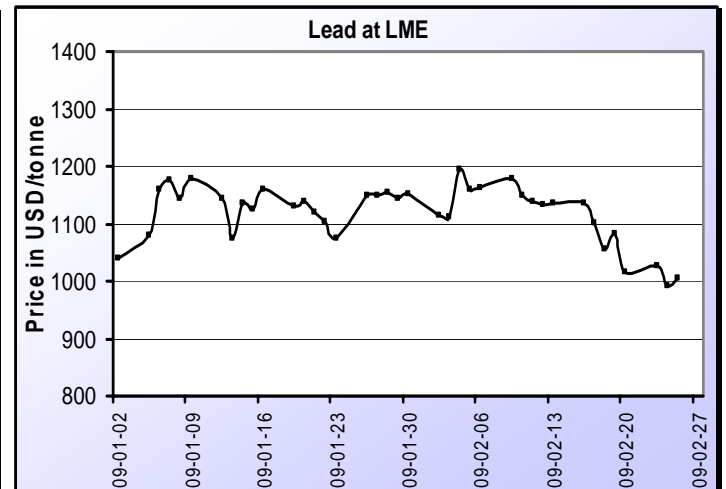
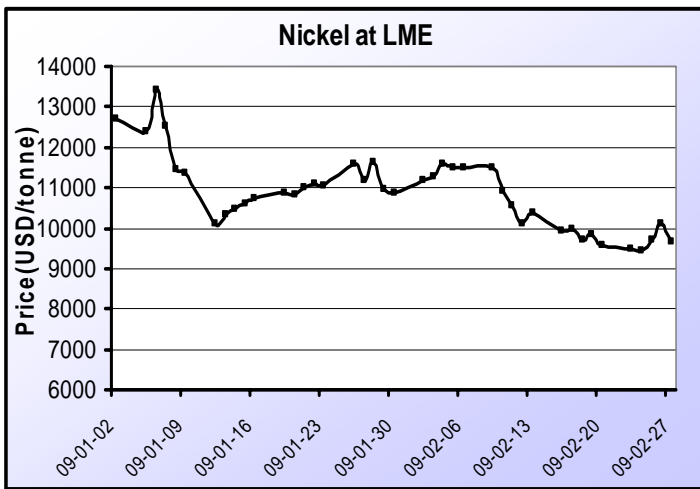
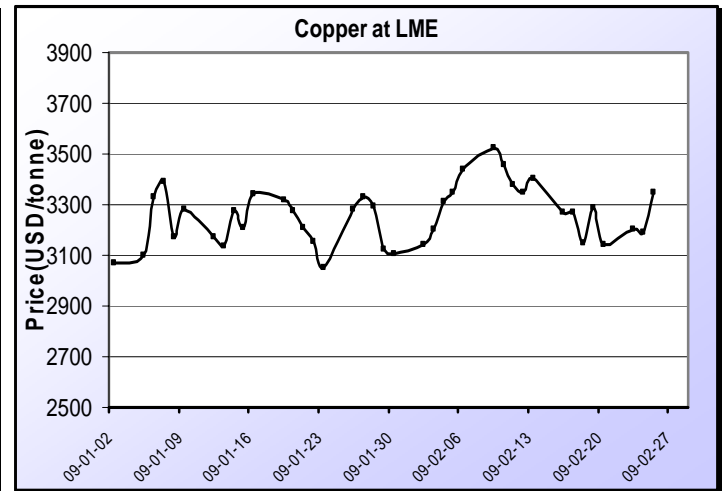
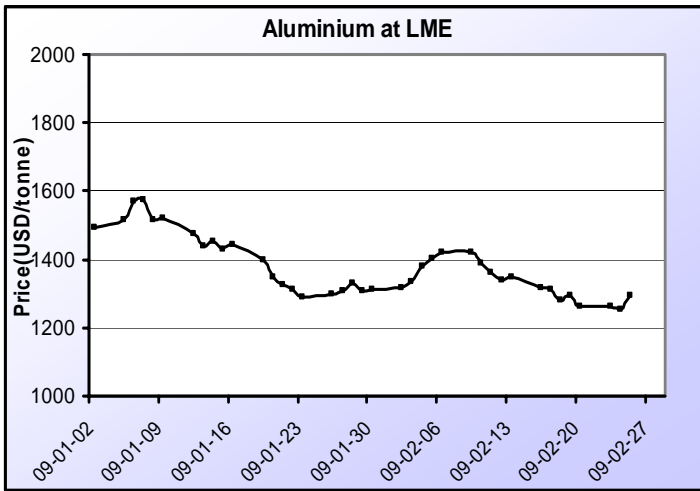
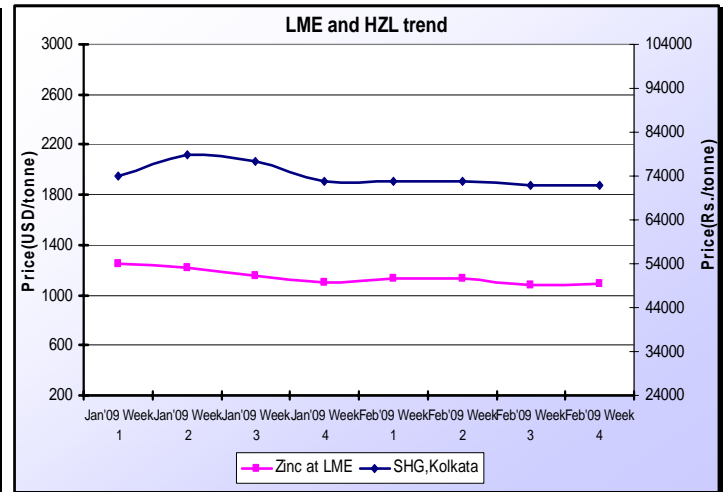
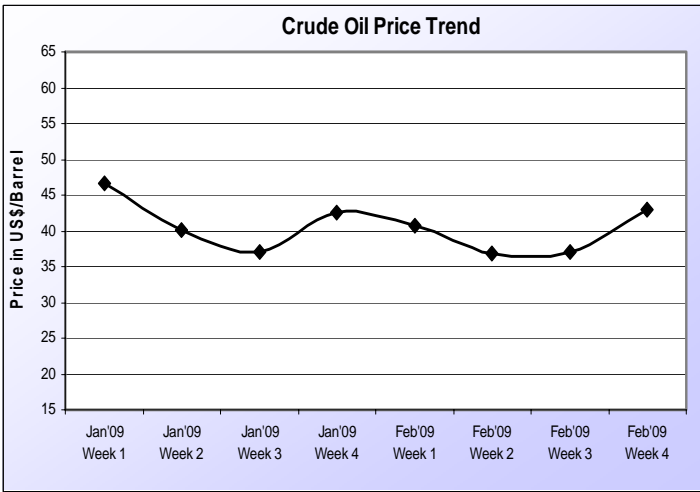
Impact: Steel Prices to drop by Rs.500-800/tonne, cement prices to drop by Rs.3 a bag, Aluminium sector also to see some relief with the benefit being passed on to the end consumer. Other sectors including rubber, textiles, vehicles etc to see some relief.

Mixed trend in **Metal prices** on lack of demand from industrial users. Lack of construction activities and declining consumer confidence has affected the prices of major Base metals including Nickel adversely.

After a slight rise noticed since the beginning of the month, prices once again dipped in the second week as the global economic slowdown reduced demand for industrial metals used in buildings and cars. Also, weak demand from stainless steel sector kept Nickel prices on a fluctuating note. Prices fell further towards the end of the month in the non-ferrous metal market in the national capital largely in line with weakening global trend. The month ended on a negative note for the base metals.

Zinc prices saw a slight improvement in the international market in the first week of February as the zinc in LME rose by around 3 per cent as compared to the last week of January. However, in the third week of February the zinc prices witnessed a slight softening in the prices both in the domestic as well as in the international market. **Hindustan Zinc Limited** has lowered its zinc prices by Rs. 1,000/tonne in the third week of February. HG Zinc at Kolkata from HZL is currently prevailing at Rs. 70,900/tonne (excl. Sales Tax & Excise Duty) unchanged since 19th Feb, while Zinc at LME prevailed at USD 1075/MT on 27th Feb,2009.

Crude Oil prices continued to remain volatile in the international market with the month ending on an average of 43 USD/barrel. Poor off take by the consuming industries coupled with ample supplies kept the world oil market sliding through out the month. Crude oil slipped to the nadir for the month in the second week, with NYMEX Crude falling flat at USD 33.98/barrel. It continued its lopsided movement in the following weeks as well.



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

Index	Dec'08	% Change (M-M)	Jan'09	% Change (M-M)	Feb'09	% Change (M-M)	% Change (Y-Y)
Global	155.15	-15.20	158.69	2.30	152.55	-3.90	-24.10
North America	157.93	-15.60	156.69	-0.80	148.75	-5.10	-18.40
Europe	160.33	-8.40	152.87	-4.70	146.79	-4.00	-16.80
Asia Steel	150.65	-18.50	163.09	8.30	157.97	-3.10	-29.90
Longs	174.48	-19.50	192.77	10.50	179.16	-7.10	-24.20
Flats	145.56	-12.40	141.77	-2.60	139.34	-1.70	-24.00
Metallics	185.53	31.30	195.62	5.40	179.08	-8.50	-40.00
Stainless	131.34	-13.70	119.23	-9.20	124.91	4.80	-33.50

After a slight ease in prices noticed last month, prices once again saw a drop this month as weaker demand takes hold. All the major regions have witnessed a drop in price with global cruspi index seeing a drop up to 4 percent over a month. The CRUspi long products index has fallen once again this month, as weak demand has led to price declines in all major regions of the world. The CRUspi for steel sheet has edged down by a further 1.7%. With demand so very weak across all regions, the price stability that past production cuts created still looks rather flimsy. Scrap recovery falters as steel markets remain in the doldrums. The cruspi metallics index saw a drop of around 8.5 percent over a month. Scant signs of a short-term recovery seen in the stainless steel sector.



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Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario

Flat product market remained stable in the beginning of the month. The price of IS2062 2.0mm HRC prevailed at around Rs. 28,000/MT (basic), and the demand showed not much rebound or fall. The market of CRC also remained slow, with not much rebound compared with that of one month ago. Price of SPCC 1.0mm prevailed at around Rs 31,000/MT (basic) in the first week. Demand continued to remain weak in the following weeks as poor demand exists in the downstream sector. Prices however continued to rule stable. With the announcement in cut in excise duty by 2 percent, some fluctuations were noticed however prices of flat products continued to rule stable at the end of the month.

Long product market almost experienced a downtrend throughout the month with sentiment remaining poor. The price of TMT bar went down by 3-4% in the beginning of second week because of low demand and prevailed at Rs. 25,000-26,000/tonne (basic). Billet market continued to remain slow and prices prevailed at Rs.23,000/tonne, basic. Wire Rod prices ruled in the range of Rs.29,000 to Rs.30,000/tonne, basic in the end of the month with demand remaining weak from downstream sector.

According to the market sources, the sentiment remained weak as most of the suppliers lost their confidence in the future market. The metallic market witnessed some improvement in price in the fag end of second week with Ingot prices rising in the range of 3 to 6 percent across various places. However, the sustainability could not remain for long as prices once again dipped in the range of 1 to 2 percent in the third week of the month accompanied by sluggish demand and low market sentiment. The month ended on a slightly stable note with prices varying in the range of +/- 1 percent limit.

Price Movement

	Review	Outlook
Items	Feb'09 over Jan'09	Mar'09 over Feb'09
HR Coils	↔	↔
CR Coils	↔	↔
GP/GC Coils	↔	↔
Long Products	↔	↔

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

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	HR Sheet Cutting
Jan'09 Wk 1	26529	23164	24269	25590	21290	16250
Jan'09 Wk 2	25761	22947	22786	24050	20861	17050
Jan'09 Wk 3	24497	22393	23199	20300	19182	18416

Jan'09 Wk 4	24682	22339	22144	22337	20154	19457
Feb'09 Wk 1	25204	22450	22960	23690	19656	16200
Feb'09 Wk 2	24901	21750	23492	24317	20876	18857
Feb'09 Wk 3	23540	21787	23087	23754	20381	18866
Feb'09 Wk 4	21541	22442	24816	25750	21507	--

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

Products	Jan'09 Price (Avg.)	Feb'09 Price (Avg.)	% change (Feb'09 over Jan'09)	% change (Feb'09 over Feb'08)
Cobble Plate	25367	23797	-6.19	-13.18
Def HR Plate	22711	22107	-2.66	-13.57
Semi Rolled Plate	23099	23589	2.12	-8.80
SRP Coil Form	23069	24378	5.67	-9.07
HR Sheet Cutting	17793	17974	1.02	-20.93
Def HR Sheet	26400	24850	-5.87	-12.11

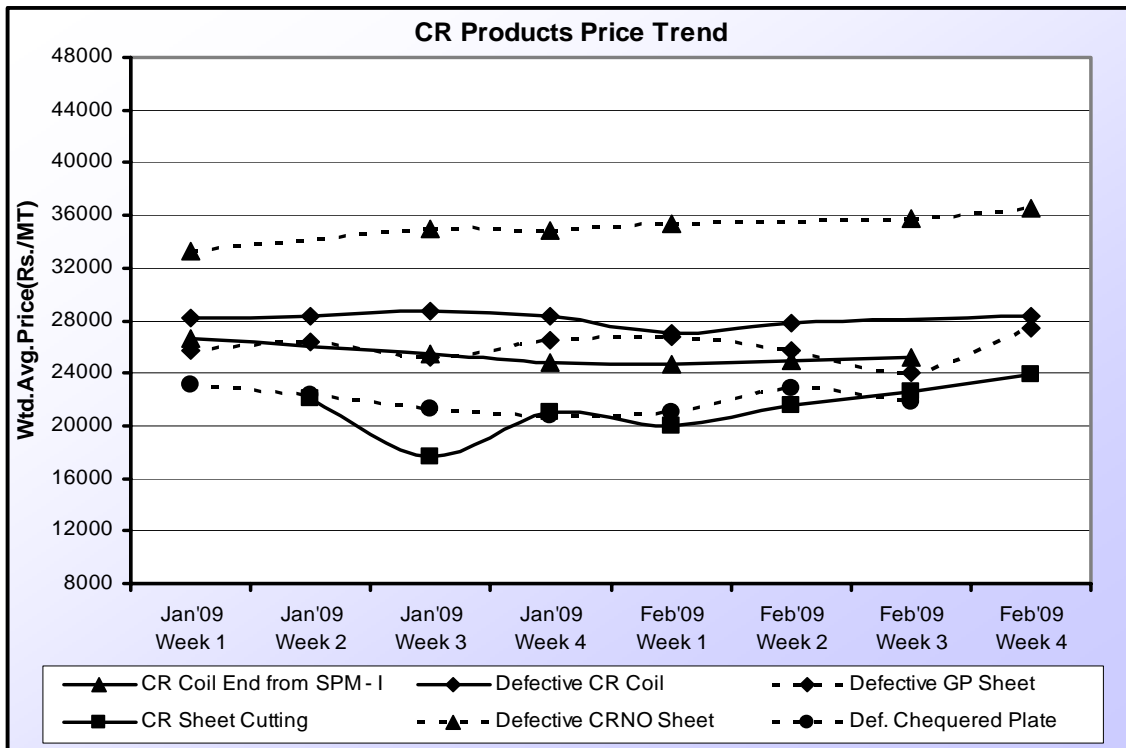
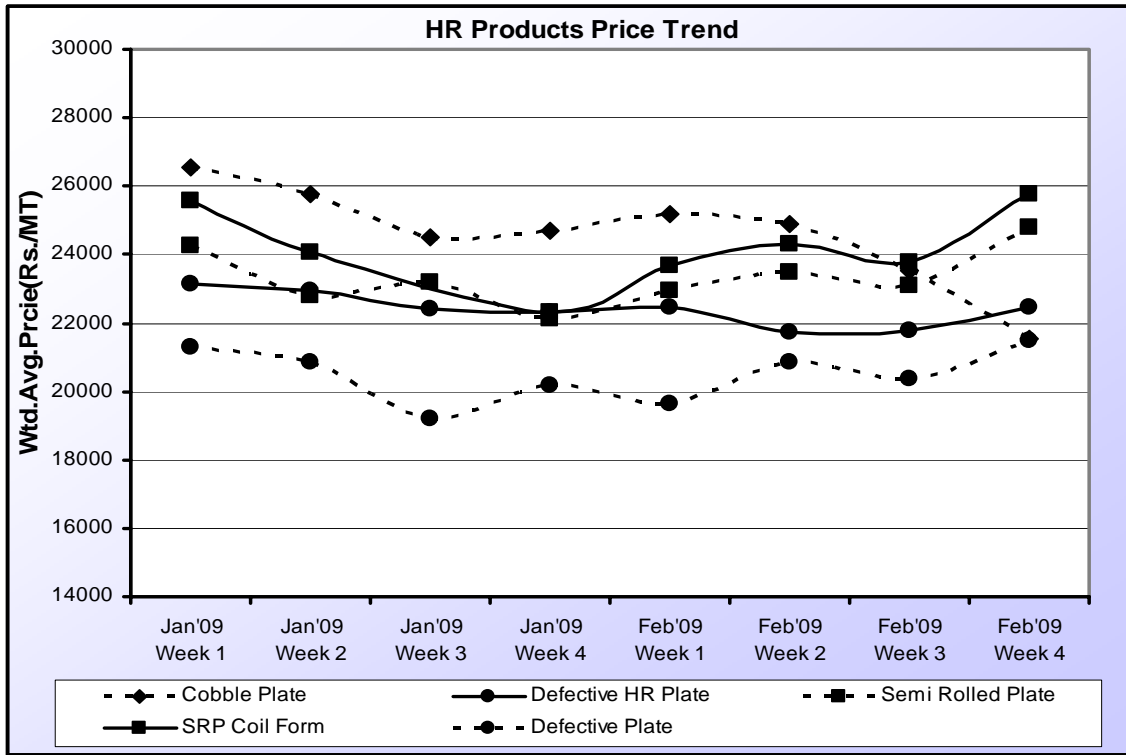
Attached below is the data table:

Week	CR Coil End From SPM-I	Def Chequered Plate	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
Jan'09 Wk 1	26622	23138	--	28150	33283	25764
Jan'09 Wk 2	--	22281	22037	28350	--	26367
Jan'09 Wk 3	25446	21225	17600	28752	35000	25141
Jan'09 Wk 4	24871	20789	21029	28358	34900	26477
Feb'09 Wk 1	24700	21050	19985	27064	35325	26750
Feb'09 Wk 2	24881	22914	21611	27851	--	25684
Feb'09 Wk 3	25250	21817	22601	--	35726	24000
Feb'09 Wk 4	--	--	23867	28322	36500	27402

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

Products	Jan'09 Price(Avg)	Feb'09 Price(Avg)	% change(Feb'09 over Jan'09)	% change(Feb'09 over Feb'08)
CR Coil End from SPM-I	25646	24944	-2.74	-6.16
CR Coil End from SPM-II	26520	25300	-4.60	-5.19
Def CR Coil	28403	27746	-2.31	-4.02
Def GP Sheet	25937	25959	0.08	-7.62
Def Chequered Plate	21858	21927	0.31	-18.18

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



Price in Rs./t is basic

Outlook: The domestic flat steel market remained more or less stable over a week with the steel prices remaining stable in first few days of the month. The demand in the market however continued to move at a slow pace across the country. Over a week, the auction

platform remained more or less stable as the flat steel items auctioned from various clients have reflected no significant movement in their prices. The domestic market for the flat steel items remained by and large stable over a week. The latter half of the month continued to exhibit a stable trend. However, the galvanized items auctioned from various clients exhibited a falling trend over a week mainly because of the recent softening of the zinc prices both in the domestic and in the world market. Other items haven't reflected much movement since the latter half of the last month with the demand in the market remaining by and large stagnant. The prices of various flat steel items in Mumbai market viz. HR Coil and CR Coil in the remained stable since Jan third week and prevailed at Rs. 28,000/MT (basic), Rs. 31,000/MT (basic) respectively. However, whether the recent cut in the excise duty by the Indian government is going to impact the domestic demand and the steel prices across the country is still to be seen. If raw materials continue to witness a downward trend, the flat products segment is anticipated to see drop in prices in the month of March or else a stable trend can be anticipated taking into consideration the demand of material coming up.

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

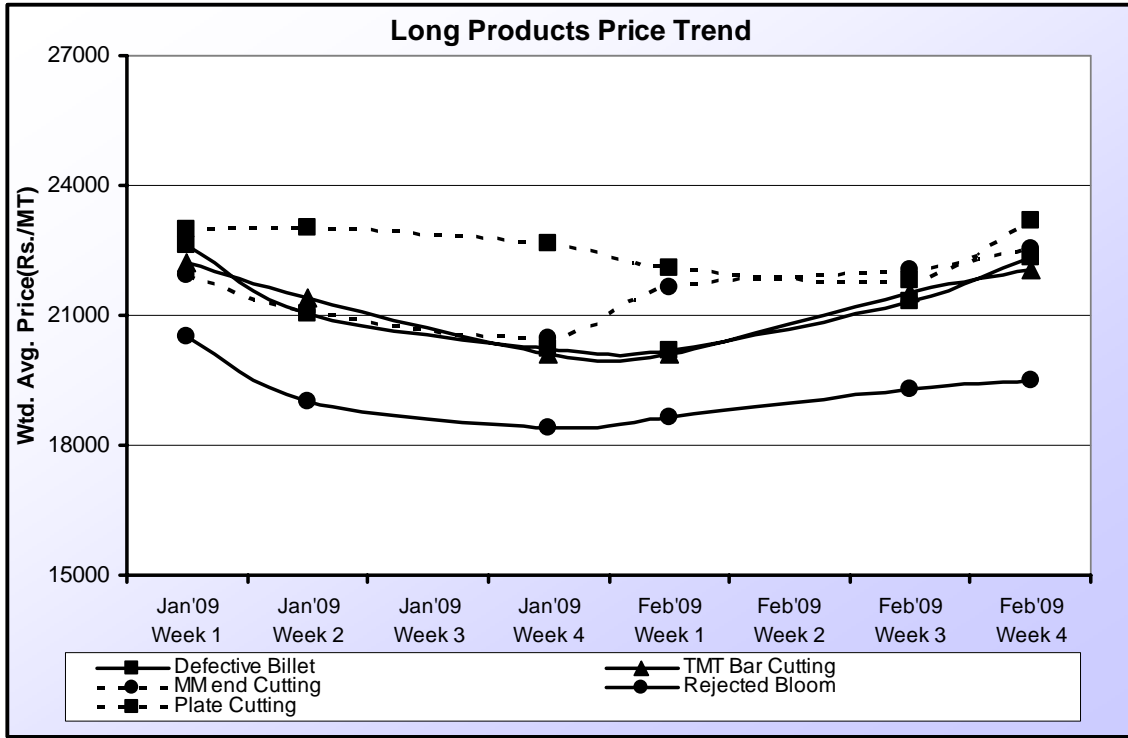
Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting	Def Rod In Coil
Jan'09 Wk 1	22622	22215	21934	20501	22972	24315
Jan'09 Wk 2	21038	21400	21088	19005	23029	22879
Jan'09 Wk 3	--	--	--	--	--	--
Jan'09 Wk 4	20215	20100	20472	18406	22649	18500
Feb'09 Wk 1	20196	20114	21664	18657	22082	22311
Feb'09 Wk 2	--	--	--	--	--	--
Feb'09 Wk 3	21336	21535	22056	19300	21828	22774
Feb'09 Wk 4	22357	22038	22533	19494	23206	23667

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

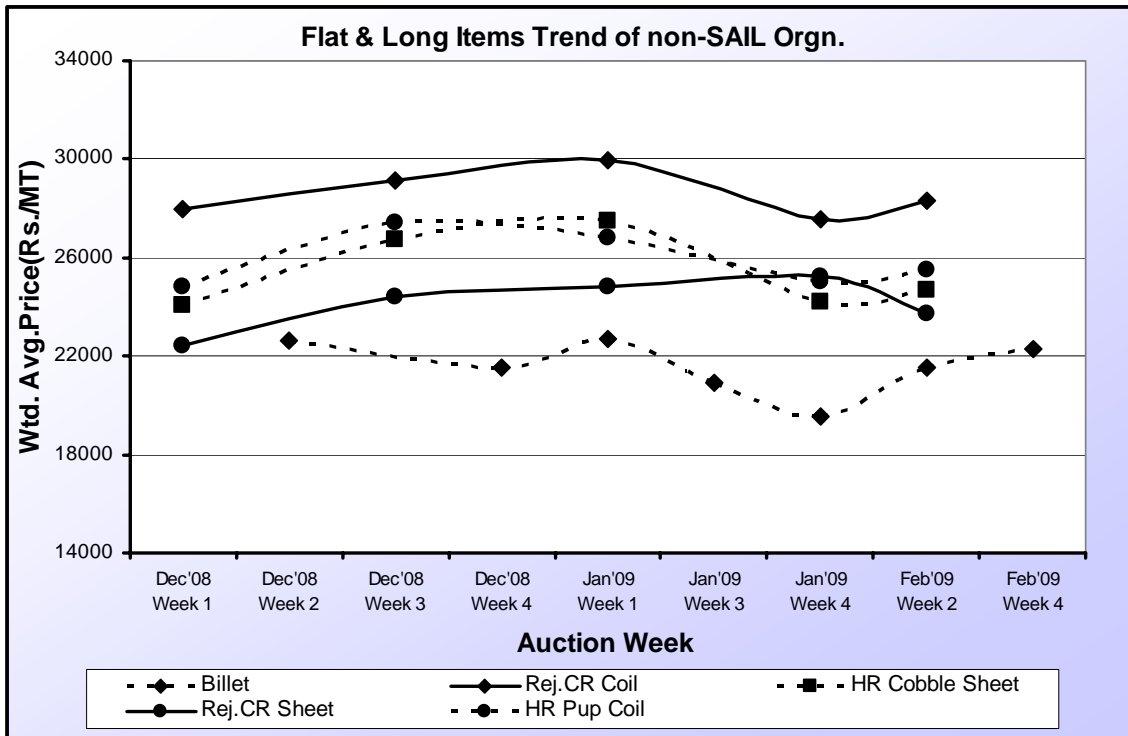
Products	Jan'09 Price(Avg.)	Feb'09 Price(Avg.)	% change(Feb'09 over Jan'09)	% change(Feb'09 over Feb'08)
Def Billet	21292	21297	0.02	-17.00
MM End Cutting	21165	22084	4.34	-11.00
Plate Cutting	22883	22372	-2.24	-13.00
Rejected Bloom	19304	19150	-0.80	-16.00
TMT Bar Cutting	21238	21229	-0.05	-16.00

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



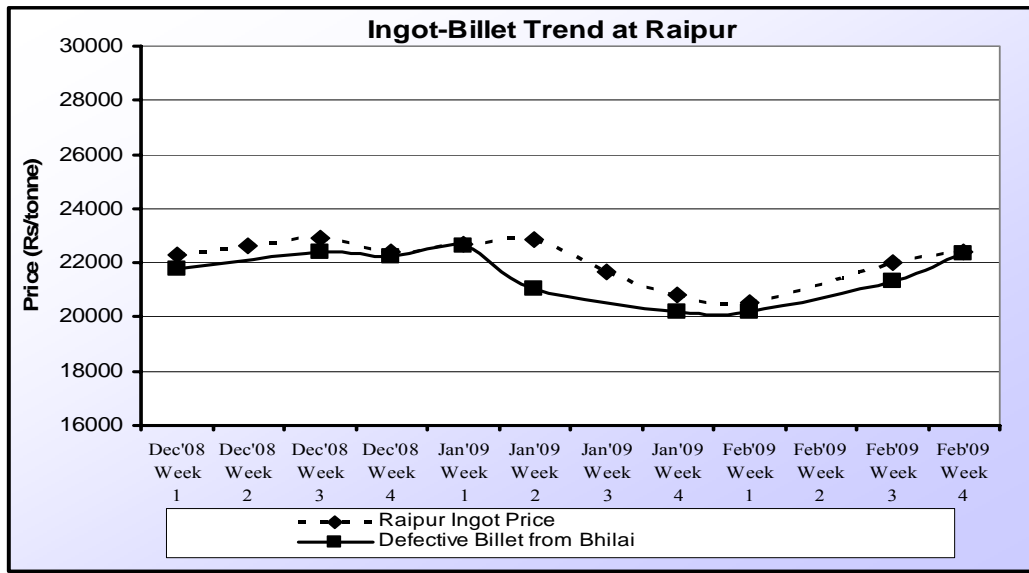
Price in Rs./t is basic

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



Price in Rs./t is basic

The graph below gives Prime Ingot & Billet-auctioned trend at Raipur



Price in Rs./tonne is basic

Outlook: The domestic steel market remained sluggish but stable over a week as the demand in the steel market has almost desiccated of late. Off take of the finished goods has been on the lower side in the first week owing to the sliding trend in the market affecting buying psychology negatively.

In line with the waning global demand for steel and a weak world market, the domestic steel market continued to experience a sliding trend. After a slight improvement in metallic prices in the first two weeks, a descending trend was once again noticed in the third week of the month. The semi-finished and finished steel items continued to exhibit a declining price trend in the domestic market. The auction platform also witnessed a weakening trend as compared to the earlier month across various items; however the month ended with a slight improvement in prices noticed in the e-auction which might be attributed to the demand for material coming up. However, the overall sentiment still continues to remain weak and the decline in price can be offset if demand of material comes up from various sectors.

International Scenario

Asia: Market remained depressed. Bearish sentiment has hit the region due to continued concerns about economic slowdown and, more recently, the appearance of low-priced offers by "desperate" mills. Traders blame the weak European and Middle East markets for lower-priced offers to Southeast Asia. Limited bookings of hot rolled coil into Southeast Asia took place at around \$430-440/tonne cfr in the third week. Mills in south East Asia and Taiwan offered HRC at \$460-480/t fob in the end of the month. The import market remained slow with shipbuilding plate prices failing by around \$30/t compared to bookings made three to four weeks ago.

China: Market continued to remain weak after slight rise in price noticed in the beginning of the month. The second week saw a drop in prices by 7 to 8USD/tonne for wire rods. H beam prices too remained soft on uncertain demand. Plate prices weakened with plunge in hot rolled coil prices. In Shanghai, 14-20mm plate prevailed at \$588-596/tonne in the mid of

February. Domestic Galvanized prices too remained weak because of falling cold rolled coil prices and a lack of trader confidence in the market for the month of March. In Shanghai, 1mm HDG prevailed at \$654-662/tonne in the third week of the month, down by almost 30 USD/tonne from the beginning of the month. The month ended on a negative note with CRC prices falling by almost 38USD/tonne in a week to end at 610USD/tonne. Slab prices too remained weak with weakening HRC and Plate market.

CIS: Market collapses further across various products. From the levels of \$380-390/tonne fob Black/Baltic Sea two weeks ago, when buyers were ready to pay \$20/t less, offers of CIS-produced billet moved down a notch again in the third week. With demand in China and South-East Asia all but gone, the pressure has increased on producers to find buyers for their products. However, buyers are reluctant to commit to paying anything over \$340-350/t. The Rebar and Wire Rod export market too collapsed with demand described as “little to none”, and the situation aggravated by recently increased production volumes. The prevailing price of rebar from the CIS has been \$390/t fob Black Sea in the third week of the month. Uncertainty over the future and continued lack of regular financial backing for steel suppliers, traders and consumers is wreaking havoc in the long products market.

US: US steel market is going through a tough time currently with the prices of various steel items plummeting with the plunge in demand from the steel end users. The month of February remained grossly softened for various steel items. The latest reference prices from The Steel Index released in the last week of Feb-09 exhibited that the US plate prices have fallen by more than 2% since Feb Week 03. The US plate reference price FOB Midwest mill has dropped by USD 17/ short tonne as compared to third week of February and ended the month at USD 783/short tonne (\$863/tonne). US sheet prices have also rock bottomed in the last few days.

Europe: Market behaved negatively in the entire month. Plate prices and demand dwindled with end users' stock remaining high. Medium sections and merchant bar prices continued on a downward trend. In Spain merchant bar prices continued to fall by around €50/tonne on last month as demand remained very bad. Sections prices from grade 0 to grade 1 ranged from €400-550/t, whereas merchant bar was at €400-450/t in southern Europe. The month ended on a negative note as demand continued to dwindle. There is little confidence in the market with no willingness to buy.

The table gives an overview of price movement in flat & long steel sector:

FLAT

	Dec-08	Jan-09	Feb-09	Mar-09*
N.Europe domestic				
HRC - Ex-Works €/t	475-610	455-535	438-506	na
CRC - Ex-Works €/t	620-750	520-590	510-5559	na
HDG - Ex-Works €/t	695-790	555-635	540-610	495-545
S.Europe domestic				
HRC - Ex-Works €/t	400-420	380-410	350-400	350-400
CRC - Ex-Works €/t	450-500	420-500	420-500	420-500
HDG - Ex-Works €/t	470-500	480-520	480-520	480-520
N.America domestic				
HRC - FOB US Midwest mill \$/s.ton	530-550	505-525	500-520	480-500

CRC - FOB US Midwest mill \$/s.ton	600-650	560-600	560-600	560-580
HDG - FOB US Midwest mill \$/s.ton	680-740	660-700	660-700	600-660
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	3700-3750	3625-3675	3630-3650	na
CRC - Shanghai (incl. 17% vat) RMB/t	4380-4400	4258-4323	4378-4438	na
HDG - Shanghai (incl. 17% vat) RMB/t	4580-4600	4600-4620	4450-4500	4300-4400
China export				
HRC - FOB Shanghai \$/t	500-510	570-580	550-560	540-550
CRC - FOB Shanghai \$/t	610-620	640-650	590-600	580-590
HDG - FOB Shanghai \$/t	620-630	630-640	600-610	600-610
East Asia Import				
HRC - CFR \$/t	410-500	475-488	468-484	436-466
CRC - CFR \$/t	560-610	540-580	540-560	530-550
HDG - CFR \$/t	700-730	700-730	680-710	670-700

LONG

	Dec-08	Jan-09	Feb-09	Mar-09*
Europe domestic				
Medium sections - delivered €/t	600-660	450-650	400-615	400-540
Rebar - delivered €/t	400-480	390-470	390-450	na
Wire Rod (mesh quality) - delivered €/t	400-460	400-460	400-450	na
N.America domestic				
Rebar - FOB US Midwest mill \$/s.ton	610-625	610-625	500-530	na
Wire Rod (mesh quality) - FOB US Midwest mill \$/s.ton	980-1120	880-900	620-640	na
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	3450-3500	3578-3605	3575-3600	3230-3260
Wire Rod - Shanghai (incl. 17% vat) RMB/t	3430-3480	3650-3680	3820-3850	3240-3250
China export				
Wire Rod (drawing quality) - FOB Shanghai \$/t	550-650	550-650	560-590	560-590
East Asia Import				
Rebar CFR \$/t	410-430	465-473	473-488	440-460
Wire Rod(mesh quality)-CFR \$/t	430-450	480-500	480-490	470-490
Black Sea Export				
Rebar FOB \$/t	420-500	430-500	390-480	370-430
Wire Rod(mesh quality)-CFR \$/t	430-520	430-500	400-480	390-450

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

Outlook

Weakness expected to continue in short term with no immediate recovery: Demand is expected to remain weak as economic conditions continue to worsen, while any boost from government stimulus packages may not be seen for some while yet. Further, difficult trading conditions continue to persist both in the flat and long products segment.

European prices expected to reach rock bottom in the next month or so. With the economic crisis deepening, MEPS forecasts a further steel price reduction in the short term. Customers are expected to continue de-stocking as demand during the first half of 2009 is likely to remain low. . Weakening scrap costs, coupled with poor demand from the construction sector are further expected to pull down the prices. Many are still not sure whether the second half of 2009 will be any better than the first half. Market sentiment continues to remain depressed. The slightly more positive attitude witnessed at the start of 2009 has evaporated a month later. Producers failed to achieve the first quarter price rises they had hoped for, due to continuing weak demand and a lack of any desire on the part of customers to order ahead.

The Indian steel industry has entered an uncertain period. After a continuous fall in transaction values, off late some demand of material has cropped up in the market. The announcement of the cut in duties has indicated a further cut in steel prices as most of the steel producers agree to cut prices in the range of Rs.500 to Rs.800/tonne across various product categories in order to boost demand. If conditions remain favorable and sentiment improves in the market with a stable scenario, then trading volumes are further expected to pick up which might further be accelerated with the anticipated drop in prices.

Data Sources:

- 1) NCDEX
- 2) Steel Town Weekly, Mandi Govindgarh
- 3) Steel Business Briefing
- 4) Metal Bulletin
- 5) MEPS
- 6) Asian Metal



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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Steel Scrap: After witnessing a slight improvement in the prices till the second week of February, the domestic steel market once again witnessed a depressed market scenario in Feb Week 03. The market sentiment remained low over a week as the demand in the market still continues to remain sluggish. Ingot prices across the country remained by and large softened (a drop up to 1.5 percent in price has been noticed). Melting Scrap prices also reflected a weakening trend over a week (a drop of around 1.05 percent has been noticed over a week). The Scrap import market has further weakened as the demand from steel mills keeps weak and prices of steel products remaining softened. A trader said that the price of steel scrap HM1&2 (80:20) is USD260/t CIF India, USD20/t lower than that of one week ago, and the price still keeps at a downward trend due to weak demand. Pig Iron and Sponge Iron market stabilized to some extent after the October-December gyration. Steel grade pig iron prevailed at Rs.16,000/tonne, basic. However, many of the pig iron manufacturers are still operating at 50 percent of capacity only.

Iron Ore: The end of the Chinese New Year saw a subdued market; however prices made a recovery after the holidays. Indian Iron Ore performed strongly well in the Chinese market, the price of Fe=63.5% has risen to around \$83-85/tonne on cfr basis after the holidays, up from \$79-81/tonne the week before the holiday. Till the second week of February prices have increased in the range of 3 to 4 percent across various grades. However, the market has again seen a dip since then with prices dropping by USD3/tonne in the last couple of days. Indian fines of 63.5% ferrous content were traded thinly at \$81-83 per tonne cfr China in the spot market, down from \$84-86 per tonne last week. Many observers and traders feel that the market may come by another 10-15% in foreseeable future due to fall in steel prices in China since the end of last week and steelmakers do not want to build up too much inventory. Trader pessimism returns as spot iron ore price drops. Many traders believe the price could keep falling, reversing a gradual recovery over recent months which have seen prices increase by around 30% since a low of \$65/t in mid-October. Traders have become increasingly pessimistic, saying there have been very few transactions this week because most of their customers forecast that iron ore prices may decrease further next week. The Indian export market too saw a few transactions as most exporters in India could not receive orders from China due to slow steel market and weak demand from consumers. In terms of the future market, players hold a pessimistic attitude.

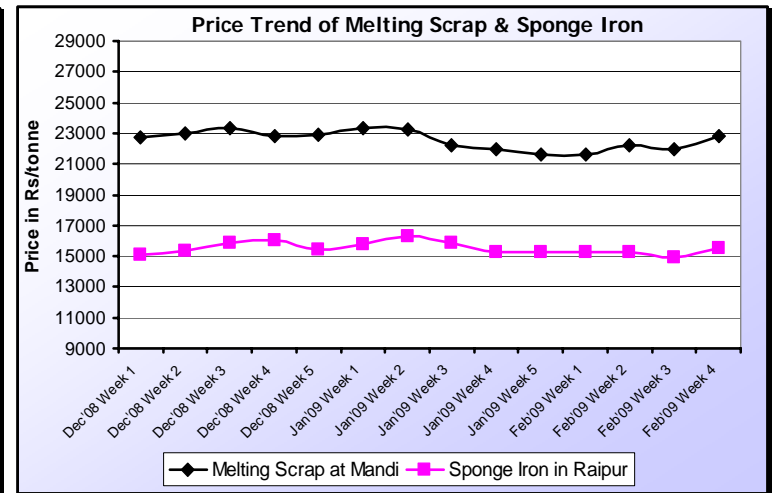
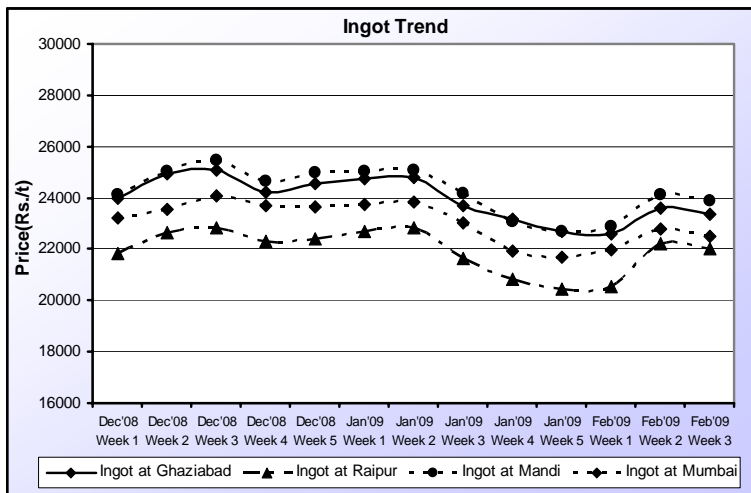
Price Movement

	Review	Outlook
Scrap	Feb'09 over Jan'09	Mar'09 over Feb'09
Pig Iron	↓	↔
Sponge Iron	↓	↔
Melting Scrap	↓	↔

Price Trend of Ingot, Sponge Iron, Melting Scrap

	Ingot at Mandi	Ingot at Ghaziabad	Ingot at Raipur	Ingot at Mumbai	Sponge Iron at Raipur	Melting Scrap at Mandi
Jan'09 Week 1	25010	24754	22702	23720	15813	23360
Jan'09 Week 2	25079	24797	22842	23836	16280	23250
Jan'09 Week 3	24167	23696	21642	23014	15844	22190
Jan'09 Week 4	23070	23161	20809	21936	15283	22000
Jan'09 Week 5	22671	22691	20429	21700	15263	21620
Feb'09 Week 1	22865	22586	20534	21959	15244	21630
Feb'09 Week 2	24121	23606	22215	22764	15236	22220
Feb'09 Week 3	23887	23378	22011	22518	14950	21950
Feb'09 Week 4	24983	24425	22431	23136	15550	22780

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



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

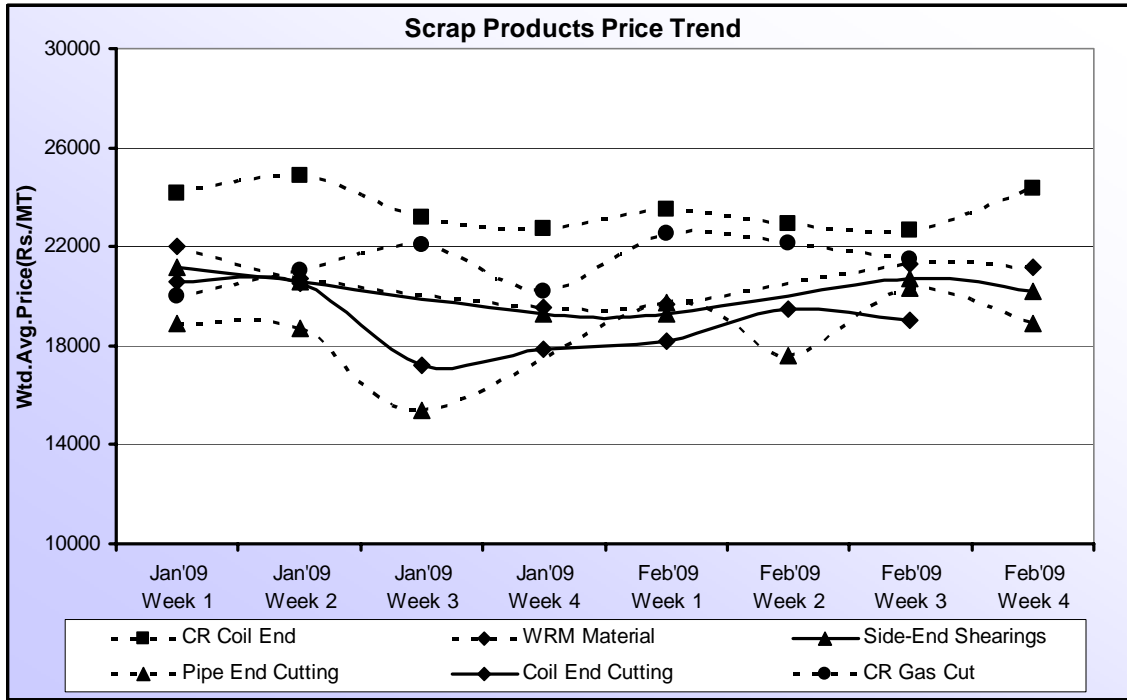
Attached below is the data table:

Week	CR Coil End	WRM Material	Side-End Shearing	Pipe End Cutting	Coil End Cutting	CR Gas Cut	BP Coil End
Jan'09 Wk 1	24180	22042	21174	18906	20580	19970	--
Jan'09 Wk 2	24839	20699	20575	18702	20488	21046	--
Jan'09 Wk 3	23164	--	--	15365	17195	22104	25400
Jan'09 Wk 4	22752	19535	19258	--	17852	20200	--
Feb'09 Wk 1	23483	19687	19271	19716	18150	22506	--
Feb'09 Wk 2	22926	--	--	17597	19484	22150	25944
Feb'09 Wk 3	22671	21275	20729	20300	19023	21507	--
Feb'09 Wk 4	24362	21164	20197	18912	--	--	--

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

Products	Jan'09 Price(Avg.)	Feb'09 Price(Avg.)	% change(Feb'09 over Jan'09)	% change(Feb'09 over Feb'08)
Coil End Cutting	19029	18886	-0.75	-19.00
CR Coil End	23734	23360	-1.57	-9.00
Side-End Shearing	20336	20066	-1.33	-15.00
WRM Material	20758	20709	-0.24	-17.00

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



Price in Rs./t is basic

Outlook: The beginning of the month saw some improvement in price both in the domestic market and in the auction platform. Ingot prices across various places too witnessed a rise in the range of 4 to 7 percent over a fortnight. Melting Scrap prices too witnessed a rise of around 3 percent over a fortnight. However, the latter half of the month again saw a slide with buying continuing to remain poor. Ingot prices ended the month with a drop of around Rs.400 to Rs.500/tonne noticed over a day at various places and a sluggish trend was also noticed in e-auction prices. With steel prices again seeing a slide and the international market making a further drop in scrap prices after a recovery, the coming days are expected to reflect a softened trend.

International Scenario

After a slight revival steel scrap prices once again nosedive with demand weakening at various places. The month ended with a negative sentiment indicating a further downtrend in the future market.

Italian Scrap prices are on the declivity: According to the market sources, the Italian steel mills cannot sell their finished steel products and their slow restart of production has in turn pushed down the scrap steel prices. In the second week, E3 scrap (heavy melting) prevailed at around €180/tonne (USD 232/tonne), E8 (new production) around €210/tonne (USD 271/tonne) and E40 (shredded) €220/tonne (USD 284/tonne) delivered into mill.

East Asian scrap import markets soften: Sentiment for imported scrap in East Asia has recently weakened according to the market sources. Bulk scrap bookings recently made in the region exceeded \$300/tonne cfr. One cargo of US-origin shredded was booked in end-January at \$317/tonne cfr China and three cargoes, for February shipments, were booked by Korean mills at \$308/t cfr for HMS No.1 in mid-January. Containerized shredded has been offered in the second week at around \$285/t cfr Southeast Asia. Market continues to remain quiet.

US scrap market prices fall about \$15-30/1.ton in the second week of the month: Ferrous scrap demand is being plagued by mills running on reduced schedules as well as weak interest from China and Turkey, two primary export markets. Bottling scrap and bundles are in the \$225-\$230/long ton range, down from \$260/1.t in January. HMS Nos 1 & 2 are selling for around \$185-\$190/1.t, down from \$200/1.t, and plate and structural scrap is down \$30 to \$220/1.t. Shredded scrap sold at \$210/1.t in the third week. The month ended on a negative note with further decline of \$10 a long ton expected.

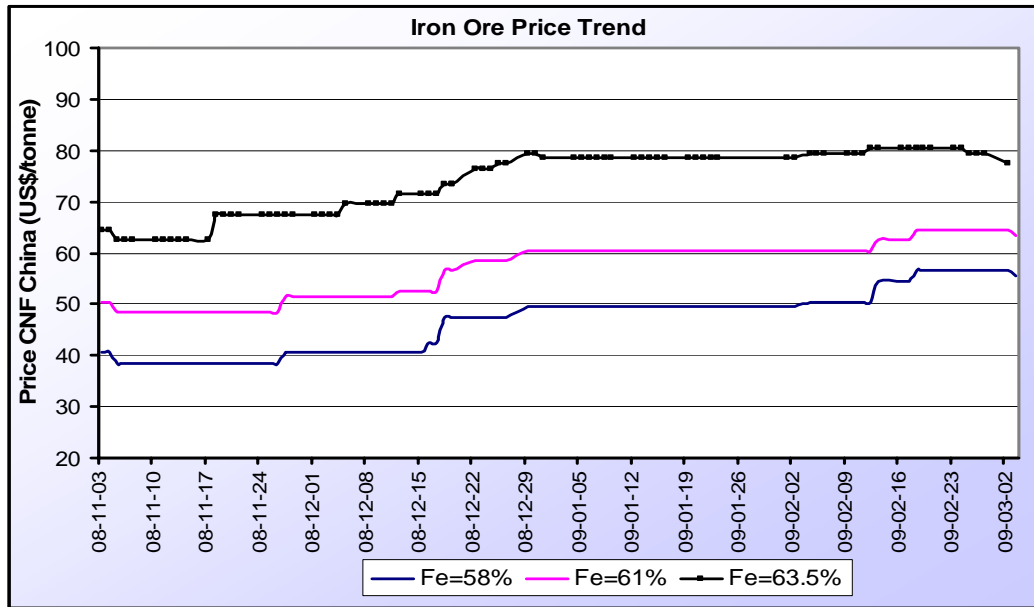
US pig iron market remains dead: US pig iron market sees no buyers as most American consumers continue to refrain from making new deals for pig iron. The lack of interest is attributed to pessimistic expectations concerning recovery of demand for finished products and shortage of liquidity steelmakers are facing. Offer prices of suppliers from northern Brazil have gone slightly down. In particular, pig iron prices are USD 300 per tonnes to USD 305 per tonnes fob on this destination, by USD 5 per tonnes less than at the beginning of February. Pig iron from south Brazil has gone down too, by about USD 10 per tonnes to USD 280 per tonnes to USD 285 per tonnes fob.

UK scrap prices fall on continued lack of demand: Scrap prices in the UK are under pressure because of lacklustre demand with only one domestic mill in the market. Domestic shredded prices could fall around £20/t because of very weak demand. Scrap buyers are apparently nervous that material will have devalued by the time it arrives because of market volatility.

North European scrap prices fall on thin buying: Prices settled lower for February because of weak demand and a significant drop in new arisings. The domestic price for shredded in Germany has fallen to €165-170/t on a delivered basis with some mills barely producing and others only buying small amounts to cover weakened order-books, according to one merchant.

Southern European scrap prices decrease: Prices have dropped by around €30/tonne compared to January. The yards at small scrap merchants are empty as the tendency is to sell daily quantities and refrain from stocking up, says an Italian merchant. Elsewhere in the region scrap merchants are working but with the current cutbacks by steel In the third week in southern Europe, E3 scrap (heavy melting) prevailed at €170/t, E8 (new production) around €210/t and E40 (shredded) €170-180/t delivered into mill.

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



Price is CNF China in US\$/t

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

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

Month	Average Price(\$ per long ton)	Price movement
Nov-08	101.00	↓
Dec-08	141.17	↑
Jan-09	202.00	↑
Feb-09	187.00	↓

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

Month	Average Price(\$ per long ton)	Price movement
Nov-08	194.00	↓
Dec-08	220.00	↑
Jan-09	260.00	↑
Feb-09	248.00	↓

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

Month	Average Price(\$ per long ton)	Price movement
Nov-08	202.00	↓
Dec-08	225.00	↑
Jan-09	269.00	↑
Feb-09	258.00	↓

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

Month	Average Price(\$ per tonne)	Price movement
Nov-08	188.00	↓

Dec-08	210.00	↑
Jan-09	261.00	↑
Feb-09	241.00	↓

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

Month	Average Price(\$ per tonne)	Price movement
Nov-08	165.00	↓
Dec-08	190.00	↑
Jan-09	231.00	↑
Feb-09	211.00	↓

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Nov-08	196.00	↓
Dec-08	220.00	↑
Jan-09	270.00	↑
Feb-09	250.00	↓

Outlook

UK ferrous scrap buyers seek declines of £10-40 for March contracts: UK ferrous scrap buyers are trying to negotiate price decreases of up to £40 (\$58) per tonne for March contracts. With Corus out of the market and other mills and foundries buying much reduced volumes, merchants are increasingly focused on the export market. Weakening demand in key markets such as India, Turkey and Spain have led to price declines in the UK, with docksides dropping prices by another £10 per tonne this week, bringing the total decline for the month to £20. "The market is just very weak at the moment. There is not a lot of activity or interest; very few people are buying material," one merchant said. "The market is very, very sensitive at the moment to any kind of sale; there is so little activity that any buying puts upwards pressure on prices, just for it to fall back again when buyers leave the market," another merchant said. The overall sentiment still holds weak as buyers are wary to make purchases. Prices are further expected to drop in the month of March.

Data Sources:

- 1) Steel Town Weekly, Mandi Govindgarh
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) Asian Metal



(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario

Mixed trend in Metal prices on lack of demand from industrial users. Lack of construction activities and declining consumer confidence has affected the prices of major Base metals including Nickel adversely.

After a slight rise noticed since the beginning of the month, prices once again dipped in the second week as the global economic slowdown reduced demand for industrial metals used in buildings and cars. Also, weak demand from stainless steel sector kept Nickel prices on a fluctuating note with a 4 percent drop noticed over a week in the second week both in the domestic and international market. Prices further dropped by another 7 percent in the third week.

The month ended on a negative note with a further drop of around 2 percent over a week as weak sentiment still continues in the stainless steel sector.

Prevailing Prime Stainless Steel Price:

Kolkata

Grade 304: Rs.1,30,000/tonne (basic)

Grade 316: Rs.1,98,000/tonne (basic)

Grade 430 seconds: Rs.70,000-75,000/tonne (basic)

Gujarat

Grade301-thickness-2.5-8-HRAP-for2B/2D/slitarising:Rs.1,02,000- 1,12,000/tonne (basic)

Grade304-thickness-2.5-8-HRAP-for2B/2D/slitarising:Rs.1,12,000-1,20,000/tonne (basic).

Grade316-thickness-2.5-8-HRAPfor2B/2D/slitarising:Rs.1,72,000- 1,85,000/tonne (basic).

Delhi

Grade 201 (1mm - 3mm): Rs.75,000-Rs.80,000/tonne (basic)

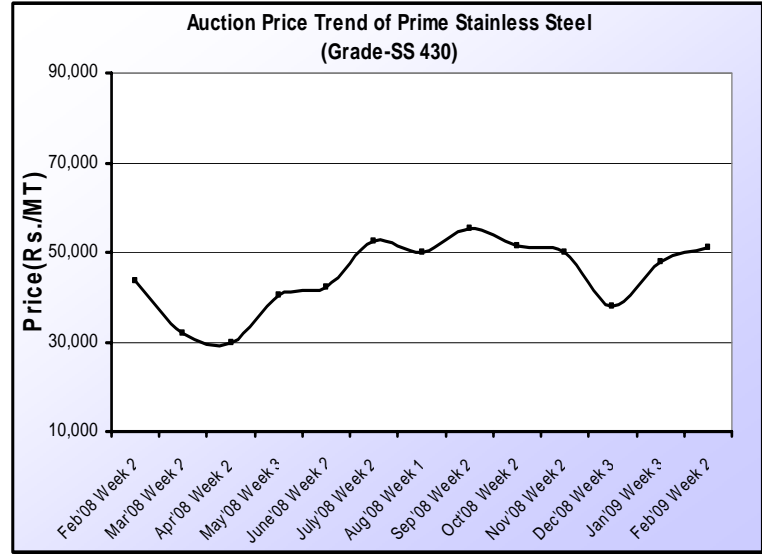
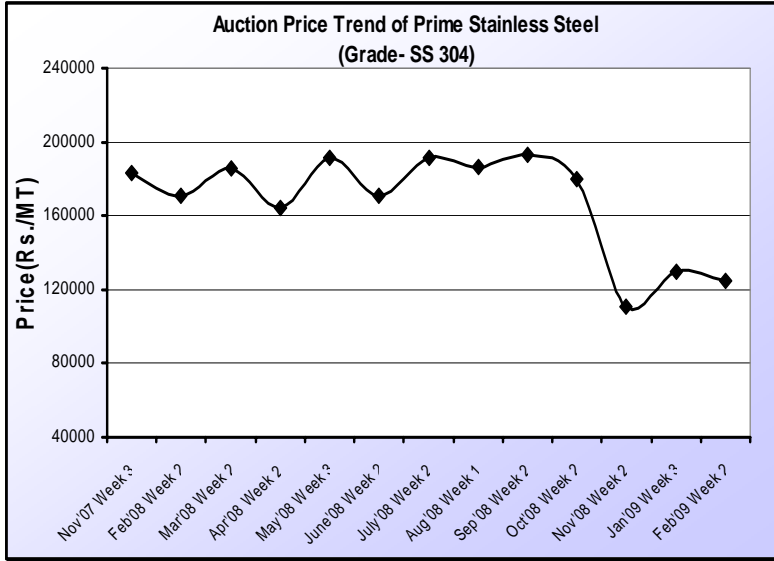
Grade 301 (1mm - 3mm): Rs.95,000-Rs.1,00,000/tonne (basic)

Grade 304 (1mm - 3mm): Rs.1,10,000-Rs.1,15,000/tonne (basic)

Price Movement

	Review	Outlook
Steel Product	Feb'09 over Jan'09	Mar'09 over Feb'09
Stainless Steel	↔	↔

The graph below gives the auction trend of Stainless Steel:



Price (Rs./tonne) is basic

As seen from the above graphs, grade 304 has seen a drop in the month of February as compared to the earlier month. This may be attributed to the fall in Nickel and other raw material prices which exhibited a softening trend throughout the month.

Outlook: The market continued to witness a downward sentiment in line with the global recessionary market. There has been no actual demand coming up and with the major raw materials seeing a volatile price movement, the various grades of stainless steel has been affected. With consumption remaining poor and market sentiment still remaining skeptical, the stainless steel prices are not expected to show much movement in the coming month. According to market sources, demand is expected to come up only after the month of March.

International Scenario

China: Stainless Steel market price remained stable in the beginning of the month. In East China, the market demand of stainless steel grading 201 remained weak, the price of 201/2B 2.0mm coil prevailed at around RMB13,000/t (1820USD/tonne) and that of 201/No.1 6.0mm plate at RMB11,400/t(1596USD/tonne) in the second week, the same as those of last weekend. In East China, the market of stainless steel grading 304 too remained sluggish. Encumbered by the weakening demand, the price still went at a low level. The price of 304/2B 2.0mm coil from Taiyuan Steel was about RMB16,500/t (2310USD/tonne). Prices dipped further in the third week with grade 304 HRC prevailing at RMB 14,300-14,800/t (\$2,091-2,164/t). Grade 202 prices plunged by RMB 1,100/tonne (\$161/t) while Grade 430 prices slipped by RMB 500/t (\$73/t).

Europe: Southern European stainless market is still quiet with no sign of improvement at the moment. Orders are low and companies are not producing at anything like full capacity. A long products mill executive refuses to make any forecast "that could be proved wrong in a

few weeks”, but comments that producers or fabricators who are putting prices up are only doing so to test the market, even though demand is weak.

The tables below give an overview of stainless steel prices worldwide

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

Type	Nov'08	Dec'08	Jan'09	Feb'09	Mar'09*
HR 304	17000-17500	15600-16100	15000-15500	14300-14800	14300-14800
CR 304 2B	17700-18200	17000-17500	16500-17000	15700-16200	15700-16200
CR 202 2B	14500-14700	15100-15300	15000-15200	15000-15200	13900-14100
CR 430 2B	10000-10200	9600-9800	9500-9700	9500-9700	9000-9200

Europe:

CR 304 2B 2mm,Euro/t Ex-Works	Nov'08	Dec'08	Jan'09	Feb'09	Mar'09*
N.Europe	950-1000	900-970	850-950	850-920	na
S.Europe	900-950	900-920	900-920	870-900	na

Europe:

CR 430 BA 2mm,Euro/t Ex-Works	Nov'08	Dec'08	Jan'09	Feb'09	Mar'09*
N.Europe	950-980	950-1000	920-1000	900-970	na
S.Europe	970-1000	940-980	920-950	900-930	na

(*): SBB forecast

Note: 1US\$= Rs.51.66, 1Euro= Rs.65.21, 1 RMB=0.15US\$

Raw materials scenario:

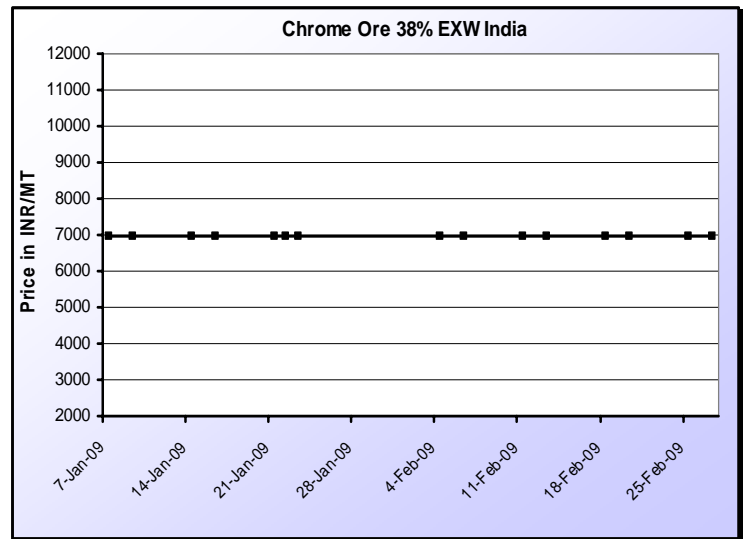
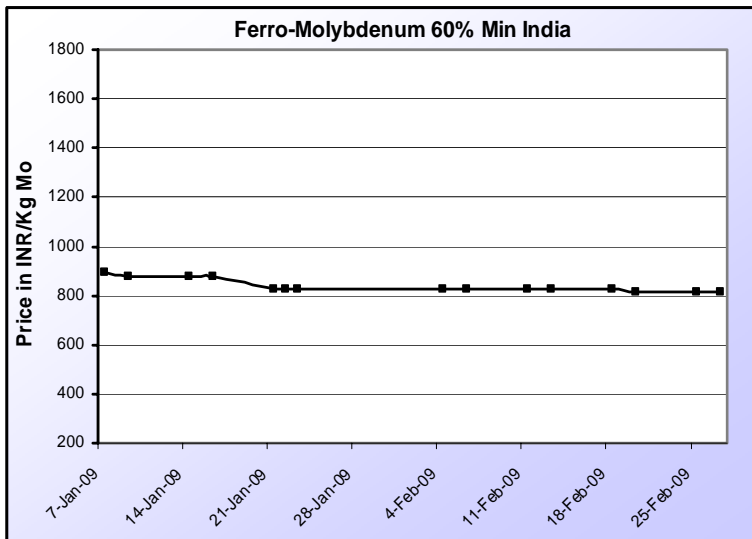
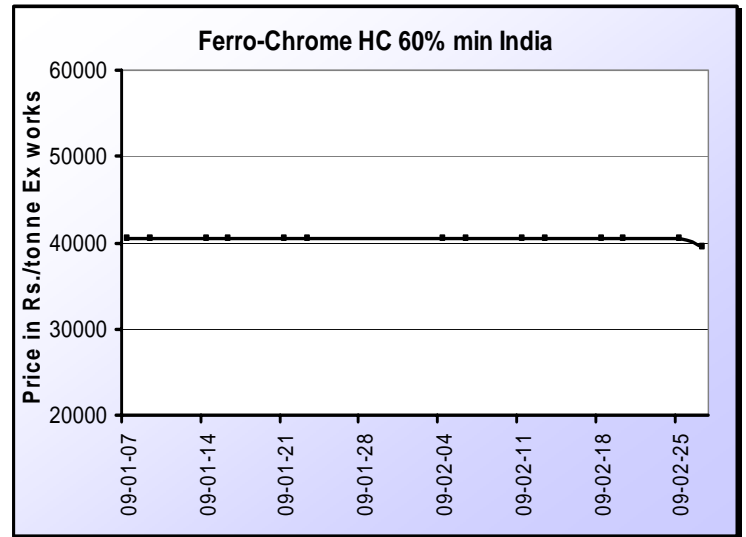
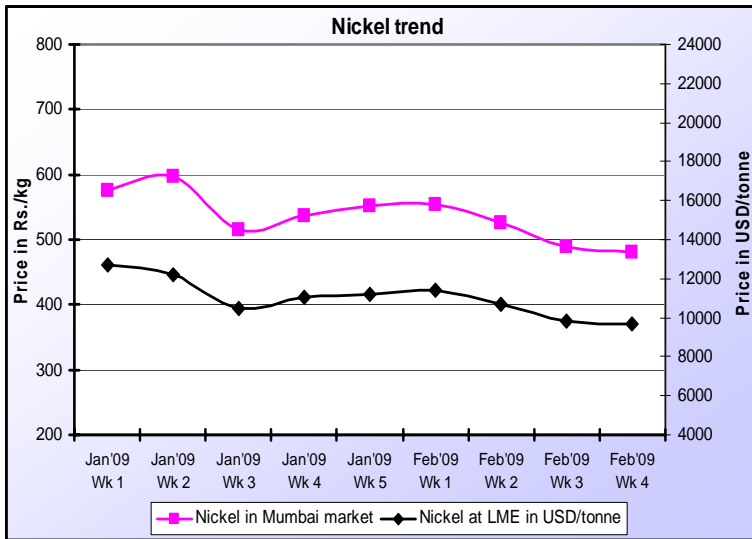
Nickel Trend: Nickel market remained quite volatile in the entire month. After witnessing a slight improvement in the beginning of the month, prices dipped to its lowest at 9450USD/tonne and exhibited an 8 percent drop over a month.

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Oct-08	12,357	-30.89	-60.18
Nov-08	10,694	-12.14	-65.04
Dec-08	9687	-9.42	-62.69
Jan-09	11,298	16.64	-59.17
Feb-09	10,399	-7.96	-62.78

Ferro Alloy market remained quiet with demand remaining low: After witnessing a fall in prices till the third week of February, the Ferromolybdenum market remained more or less stable in India with the prices remaining in the range of INR790-825/kg. Currently, the participants are not very active in purchasing molyoxide because of the uncertainty of the market direction and are expecting that the price may go down further in Europe.

Currently the demand for ferrochrome remains very slow as the buyers are watching the market with little intention of purchasing any materials. Indian Chrome ore market also

depicted a sluggish trend over a month as there has been hardly any price movement for chrome ore in the Indian market in the month of February.



Outlook

India: Market is steady at present. Demand is more or less stable. Demand is expected to grow up after March.

International: Market participants are pessimistic towards the future market seeing the inactive market transaction. Customers still refuse to purchase materials actively for the time being as they keep a wait and see attitude. Affected by the slow economy, end users have not resumed the normal production, which causes the demand for stainless steel to keep weak at the moment. Industry observers believe there could be further downside pressure on 304 prices in the near-term as users are limiting purchases in anticipation of a worsening

economic climate. Demand remains weak for all stainless steel grades, traders say, adding that there could be further downside to prices in the near-term on expectations of a worsening global economy. Traders had initially expected 400-series prices to remain relatively stable but oversupply in the market is forcing prices lower, similar to the other grades.

Data Sources:

- 1) www.lme.co.uk
- 2) Steel Business Briefing
- 3) [Metal](#) Bulletin
- 4) MEPS
- 5) NCDEX
- 6) Asian Metal



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