

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

Steel prices dip by Rs. 200-250 on slack demand: Steel prices have declined by Rs. 200-250 per tonne across the board since October 1 in Mumbai with the slackening of demand. With this revision, plates and hot-rolled (HR) coils are quoting in the range of Rs 27,500-27,800 per tonne, while cold-rolled (CR) coils are quoting in the range of Rs 33,000-33,100 per tonne. **(Business Standard)**

Dip in TMT steel prices by Rs 500/ tonne: Due to lack of demand from **construction sector**, TMT price slid by Rs.500/MT in Mumbai in the fag end of October. Excess rains in various parts of the country coupled with less demand from the exports market such as the US resulted in depressed demand for steel. The demand from in-house consumers has also declined because of the festive season. **(Business Standard)**

Price trend of prime steel prevailing in Mandi Govindgarh market:

Flat Products: Price (Rs. /MT) incl.excise duty

	14.10.05	30.09.05	23.09.05	16.09.05	02.09.05	30.08.05	26.08.05
Plate(5-10 mm)	28000	28000	28000	28000	28300	28000	28300
HR Coil	27500	27500	27500	27500	27800	27500	27800
HR Sheets	27500	27500	27500	27500	27800	27500	27800
CR Coil	33000	33000	33000	33000	33100	33000	33100
CR Sheets	32000	32000	32000	32000	32100	32000	32100
GP Coil	35000	35000	35000	35000	35100	35000	35100
GP Sheets	35000	35000	35000	35000	35100	35000	35100

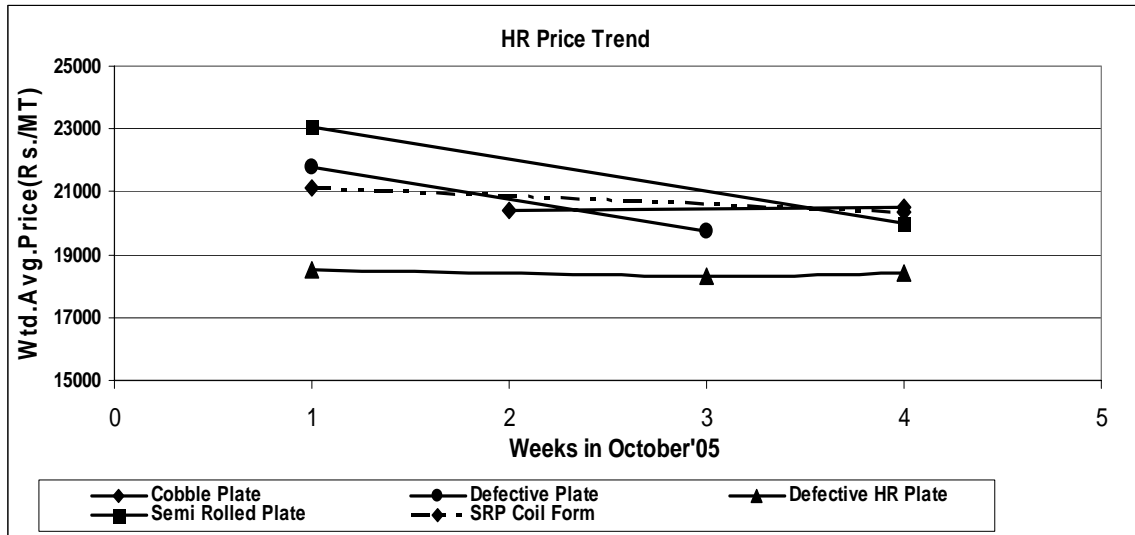
Long Products: Price (Rs. /MT) incl.excise duty

	14.10.05	30.09.05	27.09.05	23.09.05	20.09.05	02.09.05	30.08.05
Billets(100*100 mm)	20900	22300	21600	22200	22300	22200	22400
Blooms(DSP)	24500	24700	21000	24600	21500	24800	22000
MS Rounds(22/25 mm)	23400	23800	23900	23900	24400	24700	25100
MS Squares(22/25 mm)	23100	23600	23600	23800	24300	24500	24600
MS Angles(25*6mm)	23300	23800	23700	24100	24200	24900	25100
MS Channels(75*40 mm)	23800	24400	24400	24600	24900	25400	25800
Joists(150*75mm)	24500	25500	25500	25500	25500	26000	26000

Source: Steel Trade Intelligence

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

Following graphs show the price trend observed in the auction services of Metal Junction for the month of October for different HR and CR products.



Price is basic

Attached below is the data table:

Week	Cobble Plate	Defective Plate	Defective HR Plate	Semi Rolled Plate	SRP Coil Form
1		21763	18507	23050	21100
2	20416				
3		19743	18332		
4	20535		18407	20004	20381

Summary of price and % change:

Products	Sep Price(Average)	Oct Price(Average)	% change
Cobble Plate	21214	20476	-3.47883
Defective Plate	21308	20753	-2.60466
Defective HR Plate	19628	18415	-6.17995
Semi Rolled Plate	22345	21527	-3.66077
SRP Coil Form	23400	20741	-11.3632

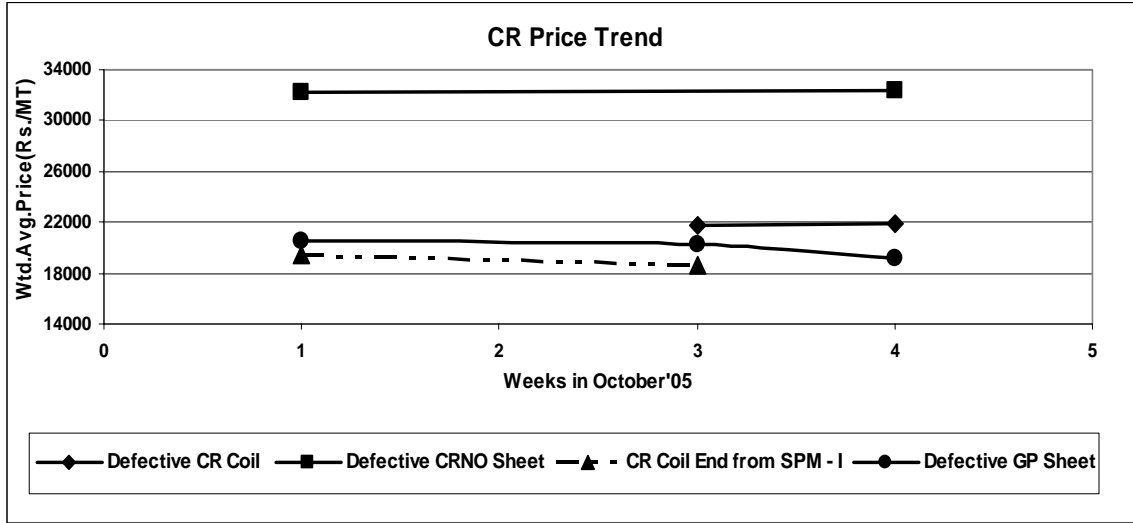
Cobble Plate: The product showed a steady price trend in the month of October.

Defective Plate: The product showed a declining price trend towards the end of the month.

Defective HR Plate: The product showed a steady price trend and stabilized around Rs.18,400 mark in the end of the month.

Semi Rolled Plate: This product touched it's peak in the second week of the month and then had a steady decline in price.

SRP Coil Form: The product ended with a declining note in the fourth week.



Price is basic

Attached below is the data table:

Week	Defective CR Coil	Defective CRNO Sheet	CR Coil End from SPM - I	Defective GP Sheet	Defective CRUA Cut Sheet
1		32227	19476	20509	
2					
3	21781		18674	20265	18181
4	21849	32374		19200	

Summary of price and % change:

Products	Sep Price(Average)	Oct Price(Average)	% change
Defective CR Coil	22875	21815	-4.63388
Defective CRNO Sheet	32433	32301	-0.40699
CR Coil End from SPM - I	19528	19075	-2.31975
Defective GP Sheet	19393	14994	-22.6834
Defective CRUA Cut Sheet	19428	18181	-6.41857

Defective CR Coil: The product showed a steady price trend in the third and fourth week.

Defective CRNO Sheet: The product stabilized around Rs.32,370 mark in the fourth week.

CR Coil End from SPM-I: The product showed a falling price trend in the third week.

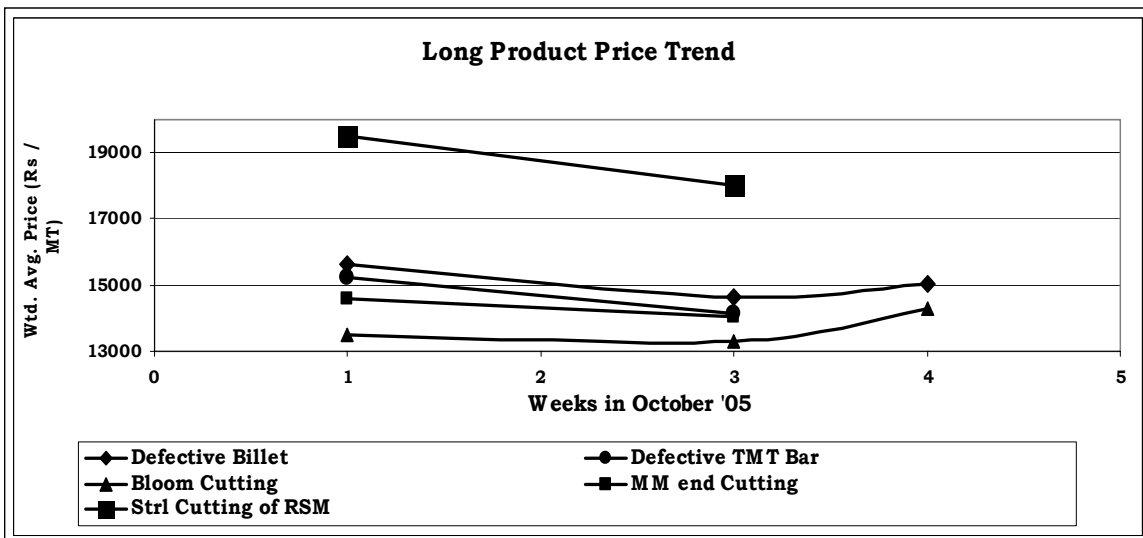
Defective GP Sheet: The product had a steady fall in price throughout the month as rain had made the demand very very low.

Defective CRUA Cut Sheet: The product was auctioned once in the entire month and hence is not depicted in the graph. It touched around Rs.18,180 mark in the third week.

Outlook: As compared to the month of September there has been a negative change for both HR and CR items. Moreover, with continuous dip in ingot price, prices of flat product items are expected to remain softened in the market for remaining of the year.

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 October for different long products.



Price is basic

Attached below is the data table:

Week	Defective Billet	Defective TMT Bar	Bloom Cutting	Strl.cutting of RSM	MM end Cutting
1	15613	15235	13475	19500	14577
2					
3	14659	14147	13302	18000	14026
4	15053		14300		

Summary of price and % change:

	Sep Price(Average)	Oct Price(Average)	% change
Defective Billet	15784	15108	-4.282818044
Defective TMT Bar	14856	14691	-1.110662359
Bloom Cutting	12825	13692	6.760233918
MM end Cutting	14793	14302	-3.31913743
Strl Cutting of RSM	15543	18750	20.63308242

Defective Billet: The product showed a rising price trend in the fourth week.

Defective TMT Bar: The product showed a declining price trend in the third week of the month.

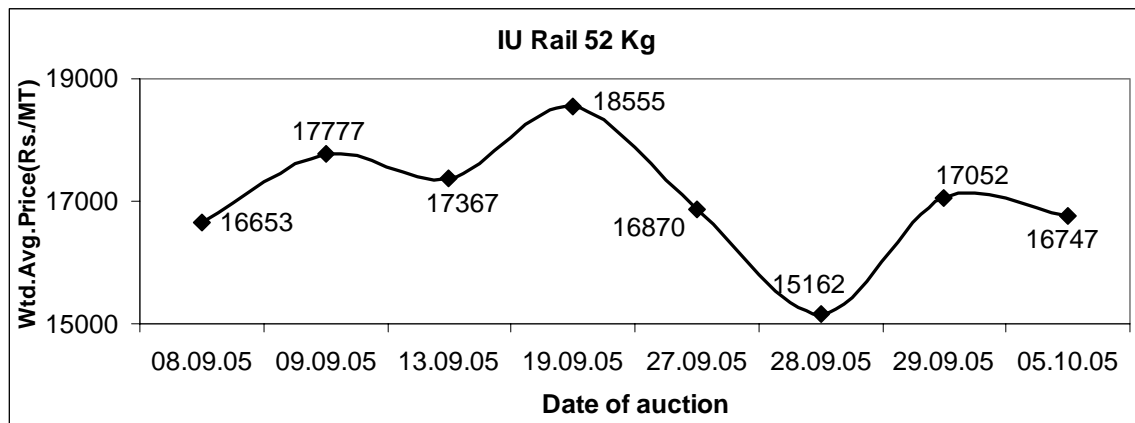
Bloom Cutting: The product showed a upward turn in price in the fourth week.

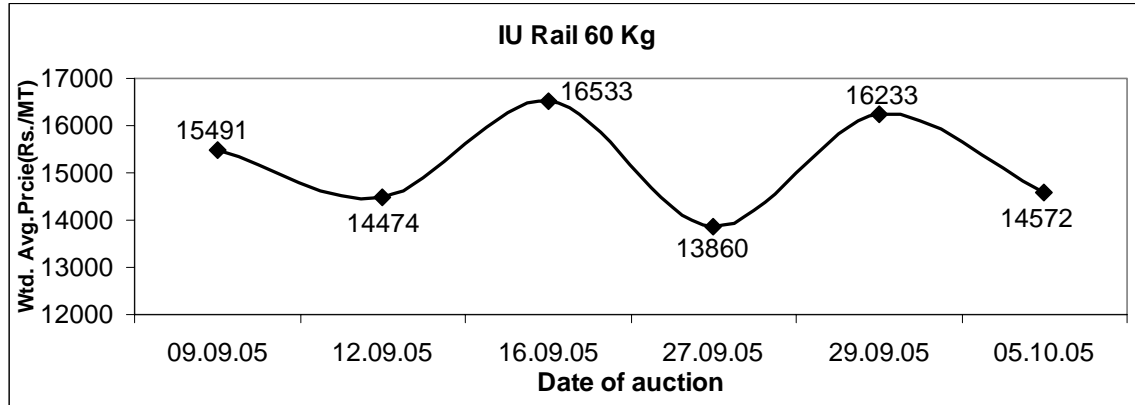
Strl.Cutting of RSM: The product too showed a declining price trend.

MM End Cutting: The product ended with negative note in the market.

Outlook: With continuous dip in ingot price, prices of most of the long product items will remain softened in the market.

IU Rail (52 kg) price trend on metal junction platform:



IU Rail (60 kg) price trend on metal junction platform:**IU Rail 52 kg:**

08.09.05	16653	CMO Faridabad
09.09.05	17777	CMO Kanpur
13.09.05	17367	CMO Ghaziabad
19.09.05	18555	CMO Bhilai
27.09.05	16870	CMO Chennai
28.09.05	15162	CMO Faridabad
29.09.05	17052	CMO Ghaziabad
05.10.05	16747	CMO Bhilai

IU Rail 60 kg:

09.09.05	15491	CMO Kanpur
12.09.05	14474	CMO Bhilai
16.09.05	16533	CMO Mandi
27.09.05	13860	CMO Bhilai
29.09.05	16233	CMO Mandi
05.10.05	14572	CMO Bhilai

Price is basic

Both the IU Rail grades showed a fall in price in the first week of October.

Pencil Ingot Price Trend Comparison for September-October (in Mandi Govindgarh & Raipur market) (Source: NCDEX)**Mandi Govindgarh (Rs. /t)**

	Price (Rs./t)	Percentage change (w to w basis)
September-Week 1	18830	
September-Week 2	18556	-1.45512
September-Week 3	18155	-2.16103
September-Week 4	17924	-1.27238
October Week 1	17631	-1.63468
October Week 2	17421	-1.19108
October Week 3	16798	-3.57614
October Week 4	17085	1.708537

Raipur (Rs. /t)

	Price(Rs./t)	Percentage change(w to w basis)
September-Week 1	16637	
September-Week 2	15836	-4.81457
September-Week 3	15519	-2.00177
September-Week 4	15524	0.032219
October Week 1	15481	-0.27699
October Week 2	15154	-2.11227
October Week 3	14565	-3.88676
October Week 4	14659	0.645383

Price is basic.

International Scenario

North America: US hurricane reconstruction helps rebounding plate market: The North American **plate market** is benefiting from increased demand related to Gulf Coast rebuilding efforts after three consecutive hurricanes. Currently **plate prices** are ruling at around \$700 per short ton, rising from a low of \$610 per short ton on 8th September, 2005. There will be no shortage of steel in the future. Imports will rise in the first quarter. It is expected that high price rises in the fourth quarter will be the last for now. Even if customers do not set a ceiling on prices directly, offers from overseas will damp enthusiasm for higher prices. **(Metal Bulletin)**

Europe: After two months of strong inventory-building steel sales will be slower again, until after the annual stock reductions of December. Demand will be held in check as fears over the economic impact of high oil prices will rule out any exuberant general recovery in industrial activity. There will not be any rush back to full production at EU steel plants and the increased attractions of the USA should limit the tonnage of imports heading for the EU. **Price rise is possible in the first quarter**, but they will be late and modest in all categories. **(Metal Bulletin)**

Asia: Steel consumption will grow in all the main markets; orders from China have suffered because of over stocking, but this effect will be worked out by January. There seems nothing to stop further increases in China's growing surplus in long products During the first quarter flat product markets will be tighter in the region. Long product prices will, at best, be stable over the next few months. Flat product prices will have a disturbed November but begin to stabilize in December, and show firmness without making great gains in the first quarter. **(Metal Bulletin)**

Steel Price Forecasts as per Metal Bulletin Research:



As trade flows, market will converge and global pricing is expected to improve in the first quarter of 2006.

Overall Scenario:

Real demand from the construction and engineering segments is quite sluggish at the moment leading to low demand and low price. However, an increase in price is anticipated when the weather improves and activity expands once again in 2006.

Steel prices in India may drop in November: A sharp rise in steel production in China has sparked off fears of it having a dampening impact on Indian steel prices in the domestic market.

According to market intelligence of Indian steel companies, the growth in production is much higher than the growth of consumption in China. Factoring in the decrease in Chinese imports and consumption growth, it is reckoned that China will have about 10-15 million tonnes of excess production on an annual basis. Indian steel companies believe that if China is not able to absorb this excess production and starts to export even 5-10 million tonnes per annum, it may have an adverse impact on Indian prices. In such an eventuality, there is every possibility that India's integrated steel producers may have to go in for another round of downward price corrections in November. **(Daily News Analysis)**

Data Sources:

- 1) Business Standard
- 2) Steel Business Briefing
- 3) www.ncdex.com
- 4) IAS software
- 5) Steel Trade Intelligence
- 6) MEPS
- 7) Daily News Analysis
- 8) Metal Bulletin

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

A difficult future for pig iron producers as prices plunge: Only those Indian pig iron producers with captive sources of raw materials such as iron ore and coking coal will survive a period of depressed prices, Tata Metalics md Harsh Jha warned at the MB/Metal Junction Steel Metalics Conference in Kolkata. Domestic pig iron prices are around Rs12,500-13,000 (\$276-287) per tonne at present, down from Rs15,000 per tonne earlier this year. **(Metal Bulletin)**

Price trend of foundry grade pig iron in Mandi Gobindgarh (Rs. /t)

Month	Price(All inclusive)
June-05	19875
July-05	18080
August-05	17875
September-05	19000
October 1 st week	19000

Price trend of steel grade pig iron :(Rs. /t, all inclusive)

Month	Delhi	Chennai	Mumbai	Kolkata
May-05	20000	18500	19500	19450
Jun-05	19000	17500	18300	17500
Jul-05	18000	17000	17500	15500
Aug-05	19750	17500	17000	16650
Sep-05	18500	17500	17500	16625

Price trend (Rs. /t, basic) of pig iron grades for various plants is as follows:

Plant	August-05	September-05	October-05
SAIL-BSL(Mixed grade)	11,800	13,500	12,300
SAIL-BSP(Steel grade)	13,300	13,400	12,100
VSP(Steel grade)	11,500	12,500	12,000
NINL(Steel grade)	11,500	12,500	12,500
KISCO(Foundry grade)	12,800	13,100	12,850

Source: IAS

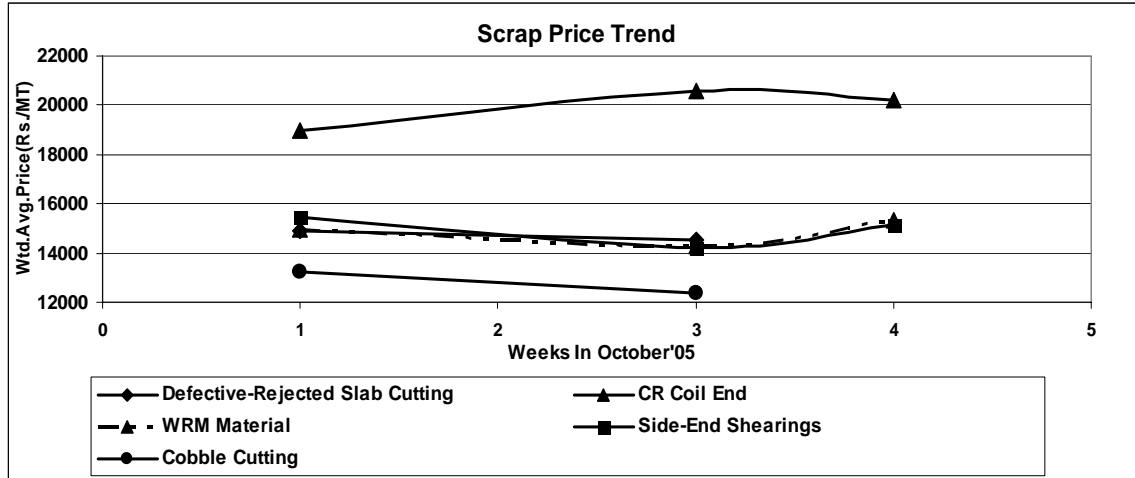
Melting Scrap Price (Landed) (Rs. /tonne)

Place	June	July	August	September	October
Delhi	15800	15000	15600	15,000	13,200
Chennai	15000	15000	14000	14,000	12,300
Mumbai	14500	14000	12000	13,500	11,000
Kolkata	14000	15500	14075	14,300	12,100

Source: IAS

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

Following graph shows the price trend observed in the auction services of Metal Junction for the month of October 2005 for different scrap products.



Price is basic

Attached below is the data table:

Week	Defective-Rejected Slab Cutting	CR Coil End	WRM Material	Side-End Shearings	Cobble Cutting
1	14875	18972	14968	15471	13242
2					
3	14516	20574	14310	14217	12390
4		20226	15336	15148	

Summary of price and % change:

Products	Sep Price	Oct Price	% change
Defective-Rejected Slab Cutting	14859	14696	-1.096978
CR Coil End	20198	19924	-1.35657
WRM Material	14861	14871	0.0672902
Side-End Shearings	14932	14945	0.0870613
Cobble Cutting	13332	12816	-3.870387

Defective-Rejected Slab Cutting: The product showed a declining price trend.

CR Coil End: The product showed a rise in price in the third week and then again a fall in the fourth week.

WRM Material: The product ended with a positive note in the fourth week of the month.

Side-End Shearings: This product too ended with a positive note at the end of the month.

Cobble Cutting: The product showed a dip of around Rs.850/MT in the third week of the month.

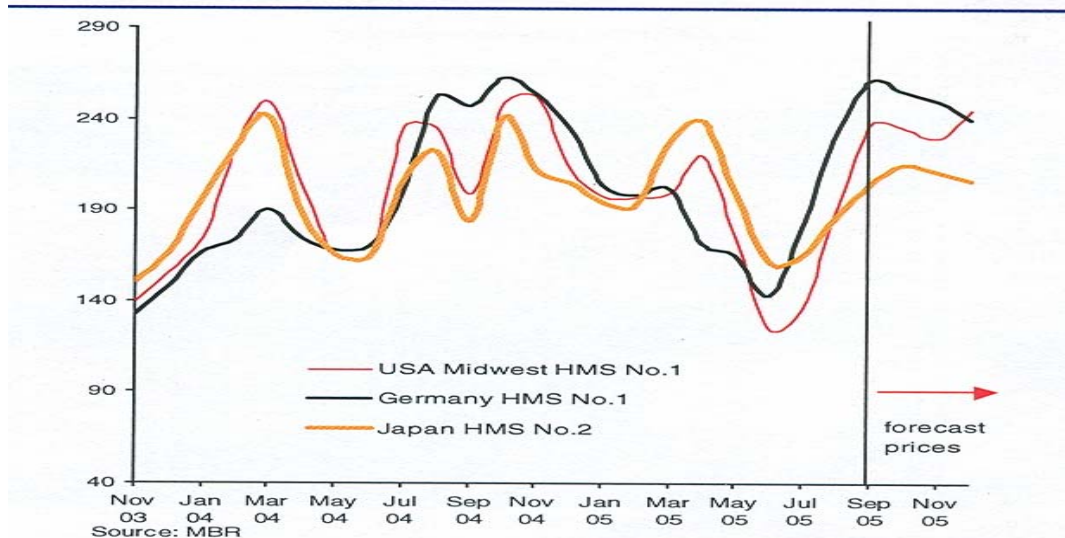
Outlook: While WRM material and Side-End Shearings showed some stability in the market, the other scrap items once again showed a negative percentage change in price. The market is expected to remain on a softer price note in the coming month with not much improvement in price.

International Scenario:

USA looking at restricting scrap exports to China: US Government is going to temporarily restrict the exporting of metal scrap from the USA to China. The industries are worried about the large demand for metal scrap from China and think that the increasing demand will lead to the price of metal scrap in USA rising and finally leading to demand exceeding supply. **(Steel Trade Today)**

Stainless scrap prices lose ground: Cutbacks in stainless steel production have had knock-on effects in the stainless steel scrap market. With nickel prices softening as well, stainless steel scrap prices have been on a downward ride in Europe, losing around \$100/tonne late in September. With stainless steel production cutbacks being extended into Q4 2005, it could be some time before stainless steel scrap prices enjoy support from a revival in market activity. **(Metal Bulletin)**

Global ferrous scrap prices (\$/tonne)



As seen from the above graph, global ferrous scrap prices are expected to remain on a softer note in the month of November.

The tables below indicate the price trend of Pig Iron, HMS-I &HMS-II scrap:

Steel CIS Export Prices Pig Iron \$ per tonne. Far East

Price Date	Price
7-Nov-05	270
31-Oct-05	270
24-Oct-05	270
3-Oct-05	270
26-Sep-05	270
19-Sep-05	270
29-Aug-05	270
22-Aug-05	270
1-Aug-05	270
25-Jul-05	270
18-Jul-05	270
11-Jul-05	270
13-Jun-05	270
6-Jun-05	270
30-May-05	270
23-May-05	270
9-May-05	280
2-May-05	280
25-Apr-05	300
20-Apr-05	310

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

Price Date	Price
13-Oct-05	194.33
6-Oct-05	208
29-Sep-05	225.83
22-Sep-05	231.67
15-Sep-05	234.17
09-Sep-05	236.83
01-Sep-05	203.17
25-Aug-05	199.33
18-Aug-05	187.67
11-Aug-05	187.67
4-Aug-05	157.67
28-Jul-05	142.67
21-Jul-05	137.67
14-Jul-05	137.67
7-Jul-05	122.83
30-Jun-05	120.83
26-May-05	168.83

**Steel Scrap No 2 Bundles United States Iron Age composite - d/d
Pittsburgh/Philadelphia/Chicago \$ per long ton:**

Price Date	Price
13-Oct-05	147.83
6-Oct-05	174.5
29-Sep-05	184.5
22-Sep-05	184.50
15-Sep-05	184.50
09-Sep-05	156.17
25-Aug-05	149.5
18-Aug-05	142.17
11-Aug-05	142.17
4-Aug-05	112.83
28-Jul-05	112.83
21-Jul-05	106.83
14-Jul-05	106.83
7-Jul-05	121.17
30-Jun-05	121.17
2-Jun-05	121.17
26-May-05	132.83
19-May-05	136.17
12-May-05	139.17
5-May-05	160.5

Source: Metal Bulletin

Overall Scenario:

Internationally, ferrous scrap prices are further expected to fall. However, with the beginning of 2006, it is expected that demand for scrap will pick up as higher steel prices in US and Europe could see production cuts. Scrap usage is expected to increase in electric arc furnaces with mini-mills winding up or down production. If seen from the domestic perspective, a downward price trend is expected throughout the month of November.

Data Sources:

- 1) Metal Bulletin
- 2) Steel Trade Today
- 3) IAS software

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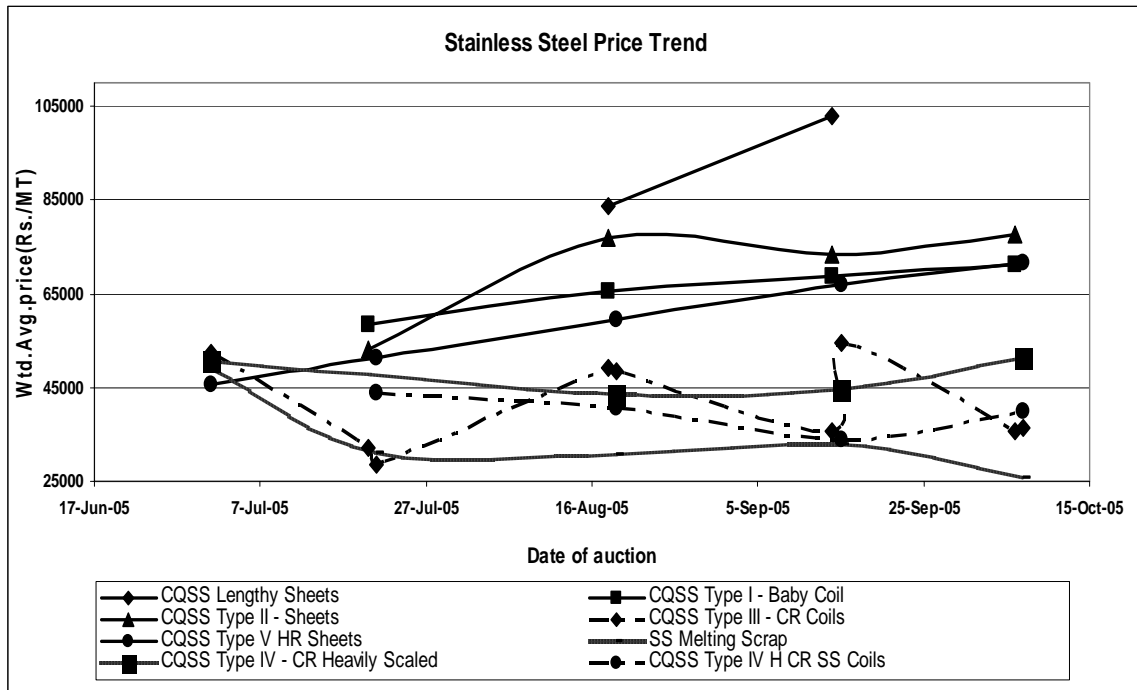
STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

Stainless steel prices in India will remain weak due to lack of demand in the export market. Though the prices of most of the items have stabilized as compared to the earlier months, however demand is not picking up. It's becoming very difficult to move the material in the market and hence to clear the piled up stock, suppliers are offering further lower prices so that the buyers ultimately lift the material.

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



Price is basic

Attached below is the data table:

	CQSS Lengthy Sheets	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III - CR Coils	CQSS Type IV - CR Heavily Scaled	CQSS Type IV H CR SS Coils	CQSS Type V HR Sheets	SS Melting Scrap
1-Jul-05				52349	50514		45559	49264
20-Jul-05		58317	52984	32285				
21-Jul-05				28551		43672	51483	31170
18-Aug-05	83697	65665	76798	49044				
19-Aug-05				48500	43343	40691	59598	30863
14-Sep-05	102900	68737	73323	35663				
15-Sep-05				54428	44723	33766	66972	32680
6-Oct-05		71321	77535	35506				
7-Oct-05				36234	51333	39826	71573	25633

CQSS Lengthy Sheets: The product had no auction in the month of October.

CQSS Type I Baby Coil: The product showed a positive trend in the beginning of October.

CQSS Type II-Sheets: The product showed a positive trend in the beginning of October.

CQSS Type III-CR Coils: The product showed a positive trend in the beginning of October.

CQSS Type IV - CR Heavily Scaled: The product showed a positive sentiment in the market.

CQSS Type IV H CR SS Coils: The product showed a phenomenal rise in price in the month of October.

CQSS Type V HR Sheets: The product showed a rise in price and ended with a positive note in the month of October.

SS Melting Scrap: The product had a fall in price with a decrement of around Rs.7000/MT in the month of October.

Outlook: The auction price trend of all the stainless steel items except for stainless steel melting scrap showed a positive sentiment in the **first week of October**. However, with international and domestic scenario showing a dip in market in the **month of October**, prices getting a setback with majority of players cutting down prices due to fall in demand, it is expected that the auction platform will maintain a soft trend in the month of November.

International Scenario:

Danger looms for stainless steel sector as China racks up production:

China is already having a determining influence on global stainless markets. In the first half of this year, its stainless crude steel production jumped by 54 percent year-on-year, while output in almost every other country was falling. The surging expansion of domestic production is making China less of an import market, and more of an exporter in its own right. One large nickel supplier expects Chinese stainless consumption to grow by 9 percent per year for the next decade. Even if this rapid growth rate is realized, it will still leave China with an exportable surplus of stainless steel from its newly expanded plants. **(MEPS)**

Chinese FeCr, FeMo prices stable on weak demand: Offer prices for imports of high carbon ferro-chrome into China have remained largely unchanged at 5500-5900 yuan per tonne duty paid as **demand from stainless steel producers** remains weak. The market is quiet and could remain so as long as the stainless steel market does not recover **(Metal Bulletin)**

Forecast for stainless steel production by ISSF: The International Stainless Steel Forum ISSF has released a new forecast for the global stainless crude steel production in 2005 and 2006. The global forecast for 2005 is for an increase of 1.8% with production touching at 25 million tons. **Factors** affecting the slowdown in the growth of the production include high stainless prices based on exceptional high raw materials costs that obliged stainless steel fabricators and stockholders to reduce significantly their stocks of stainless steel products in **2005**.

In Western Europe/Africa a decrease of 4.5% is expected. Production in The Americas will be reduced by 2.5% compared to 2004. Production in the Central and Eastern Europe region will decrease by 23.1% compared to 2004.

During 2006, ISSF expects the underlying demand for stainless steel products to rise by around 5%. However, this may depend on the prices for raw materials. If prices increase further, demand may be affected. Total production in 2006 is expected to be 26.5 million tonnes for the year. Asia, driven by China, will again take the lead. Production is expected to rise by 6.6% to 13.8 million tonnes in 2006. **(Steel Trade Today)**

The tables below give an overview of stainless steel prices worldwide :(**Metal Bulletin**)

Stainless Steel Asia Grade 304 HR sheet cif East Asian port \$ per tonne

Price Date	Price
28-Oct-05	1950
21-Oct-05	1950
14-Oct-05	1950
7-Oct-05	1950
30-Sept-05	1950
23-Sept-05	1950
16-Sept-05	1950
9-Sept-05	1950
2-Sept-05	1950
26-Aug-05	1950
19-Aug-05	1950
12-Aug-05	2100
5-Aug-05	2100
29-Jul-05	2100
22-Jul-05	2100
15-Jul-05	2100
8-Jul-05	2100
1-Jul-05	2250

Stainless Steel Asia Grade 304 2mm CR coil 2B cif East Asian port \$ per tonne

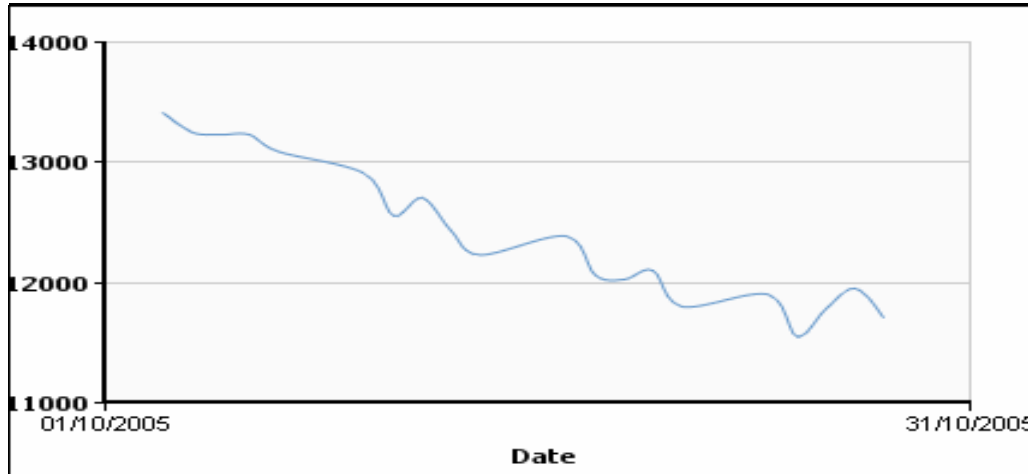
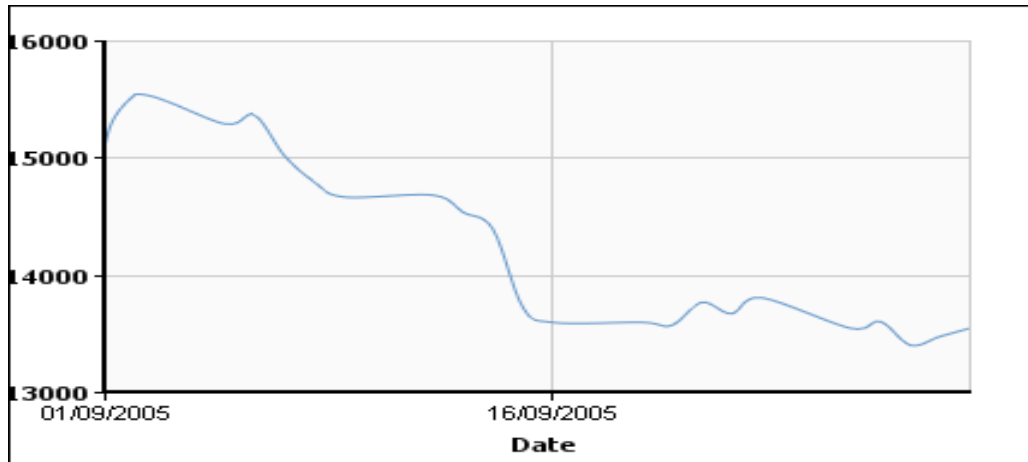
Price Date	Price
28-Oct-05	2150
21-Oct-05	2150
14-Oct-05	2150
7-Oct-05	2150
30-Sept-05	2150
23-Sept-05	2150
16-Sept-05	2150
9-Sept-05	2150
2-Sept-05	2150
26-Aug-05	2250
19-Aug-05	2250
12-Aug-05	2300
5-Aug-05	2300
29-Jul-05	2300
22-Jul-05	2300
15-Jul-05	2300
8-Jul-05	2300
1-Jul-05	2400

Stainless Steel EU Domestic 2mm 304 CR stainless strip Euros per tonne

Price Date	Price
28-Oct-05	1050
21-Oct-05	1050
14-Oct-05	1050
7-Oct-05	1080
30-Sep-05	1080
23-Sep-05	1080
16-Sep-05	1080
9-Sep-05	1080
2-Sep-05	1080
26-Aug-05	1080
19-Aug-05	1080
12-Aug-05	1120
5-Aug-05	1120
29-Jul-05	1120
22-Jul-05	1120
15-Jul-05	1120
8-Jul-05	1120
1-Jul-05	1120

As seen from the above tables, Asian stainless steel prices remained stable without any further increase, however the European stainless steel prices showed a further downturn in the market. A global downward trend is expected further in the coming month.

Nickel Trend in the month of September & October:



Price of Nickel (US \$/tonne) (Source: www.lme.co.uk)

Increasing scrap metal competitiveness and availability are likely to eat into global demand for primary nickel. On the supply side, growth in mine production has been less than expected, offsetting demand weakness. Moreover, a deteriorating stainless steel picture is further clouding nickel's short-term price horizon.

Forecast for Nickel: Nickel price forecasts for **2007** are slower, according to Citigroup officials. Nickel prices are projected to average \$7/lb this year and are expected to slide to \$6.50/lb in 2006 and \$5.75 in 2007. **(Steel Trade Today)**

Overall Scenario:

Worldwide demand for stainless steel remains weak with prices of Grade 304 HR and CR in Asia making no positive movement. Further fall in nickel price clearly indicates the softened market scenario in Stainless Steel. In the domestic market too, prices are expected to remain on a weaker note as demand is not picking up. A further decline in stainless steel production is expected in the remainder of 2005. However, the most bullish commentators have not changed their views in the face of the price collapse and deteriorating short-term stainless outlook. Their views were always based on a longer-term appraisal of supply-demand balances over the next few years and most of them are sticking to their guns, even while conceding the immediate prospects for further weakness.

Data Sources:

- 1) www.lme.co.uk
- 2) Steel Trade Today
- 3) [MEPS](#)
- 4) Metal Bulletin

(DIPANKAR CHAKRABARTI)
GM – Steel Sales