

## News at a glance

**Indian Steel makers hike prices w.e.f 3<sup>rd</sup> Oct'06.** Tata Steel has increased the price of cold rolled steel by Rs 300-500 per tonne and of galvanized steel by Rs 3,500 per tonne due to rising input costs. **JSW Steel** hiked **hot-rolled coil prices** by **Rs 300/t** for retail customers and traders.

**Domestic steel production up 15% in first 8 months of 2006:** Rising demand has perked up domestic steel production by 15.3 per cent in the first eight months of the year when Indian steelmakers produced 28 million tonne against 24.3 million tonne in the corresponding period last year.

World steel production during the eight months stood at 801.9 million tonne, up 9.4 per cent from last year's 733.1 million tonne in January-August of 2005. This was driven primarily by growth in Asia.

China produced 272.5 million tonne in the first eight months compared with 229.8 million tonne in 2005 and produced 36.16 million tons of crude steel in September 2006 up by 18.5% YoY.

**SAIL's RSP create half yearly record on all fronts:** RSP has reported production of 1.46 million tones of sinter up by 34% YoY, 1.04 million tonnes of hot metal up by 40% YoY, 0.98 million tonnes of crude steel, 0.92 million tonnes of saleable steel up by 40% YoY and dispatch of 0.91 million tonnes of saleable steel during April to September 2006 period.

**Tata Steel output rises in the first half of the financial year:** Hot metal production at 2.641 million tonne and crude steel production at 2.455 million tonne was higher by 4 per cent and 5 per cent respectively as compared to the volumes in the first half of last year. Saleable steel production at 2.368 million tonne registered a significant increase of 10 per cent.

**Hindustan Zinc Ltd. hiked Zinc prices w.e.f 7<sup>th</sup> Oct'06** by Rs.1500/t to Rs.1,82,000/t. The company had last lifted zinc prices on September 30, 2006. Towards the end of the month, the company hiked zinc prices w.e.f 28<sup>th</sup> Oct'06 to Rs. 212,300/t. The price hike has been due to the surge in global prices of Zinc, which attained peak levels on LME towards the end of the month.

**Haldia fast becoming hub for iron-ore exports:** China, the biggest importer of iron ore in the world, has brought much cheer to the Haldia dock complex (HDC). Iron ore exports from Haldia stood at 4.77 million tonne till October against 4.49 million tonne in the corresponding period last fiscal. The HDC's current monthly average iron ore handling is 7.3 lakh tonne, up from 6.5 lakh tonne registered last fiscal.

**Metal Scrap import norms tightened:** The government has decided to further tighten norms for metal scrap imports in order to check any repetition of a blast that occurred two years back at the Bhushan Steel plant in Ghaziabad.

Prospective suppliers are required to secure a pre-shipment inspection certificate. From April 1, 2007, the suppliers will also need to register themselves with the Directorate General of Foreign Trade. The move comes at a time when scrap prices are firming up and with the tightening of norms prices may rise further.

**China adjusts import-export tax of certain products in order to reduce trade surplus, effective from 1<sup>st</sup> Nov'06:** Export tax of primary aluminium, copper and nickel has been raised to 15% from the earlier rates of 5%, 10% and 2% respectively. Export tax of coking bituminous coal, coke and semi coke has been raised form 0% to 5%. For imported products, the import tax on major coal products has been decreased to 1% (coke and semi coke down to 0%). The 10% export tax on steel products affects steel semis (billet and slabs).

**CRU Index Behaviour (Source: [www.cruspi.com](http://www.cruspi.com))**

	Aug'06	% Change(Y-Y)	Sep'06	% Change(Y-Y)	Oct'06	% Change(Y-Y)
Global Index	162.01	26.10	157.41	15.20	156.32	12.50
North America Index	163.71	38.80	161.02	18.70	156.53	8.30
Europe Steel Index	174.32	34.30	175.14	30.50	175.6	24.70
Asia Steel Index	154.2	15.10	145.48	4.90	145.53	8.00
Longs Index	153.94	16.40	154.19	11.50	154.54	8.50
Flats Index	166.02	31.10	159.01	17.10	157.2	14.50
Metallics Index	193.1	17.00	197.97	0.90	191.86	12.80
Stainless Index	164.69	29.10	181.63	47.90	168.61	39.10

**CRUspi for global index** of finished steel prices has seen a third successive, but marginal monthly fall in October, with weakness stemming mostly from sheet markets in North America.

**CRUspi for long products** stabilized with Chinese recovery, prices remaining sluggish in Asian import markets and predominantly stable elsewhere.

A weaker US market dragged down the **CRUspi for metallics index**.

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## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario:

**After a downward revision in Sep'06, short-term corrections had been done by steel makers announcing hike in prices in Oct'06. With effect from 3<sup>rd</sup> Oct'06, Tata Steel increased the price of cold rolled steel by Rs 300-500 per tonne and of galvanized steel by Rs 3,500 per tonne owing to rising input costs.**

**JSW Steel** hiked hot-rolled coil prices by Rs 300/t, to Rs 27,800 a ton for retail customers and traders, Seshaghri Rao, Finance Director, said.

**Uttam Galva Steels Ltd.** raised galvanized steel prices for December contracts by Rs 1,000 a ton and by Rs 2,000 for products sold in the spot market. The company again made a revision of prices w.e.f 18<sup>th</sup> Oct'06 and increased the prices of all its galvanized steel products by Rs.1000/t in the domestic spot market. Rising input costs coupled with an increase in zinc prices has led to an increase in price.

#### **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
Sep Week 1	29,500	29,000	29,000	34,500	34,500	36,500	36,500
Sep Week 2	29,500	29,000	29,000	34,500	34,500	36,500	36,500
Sep Week 3	29,500	29,000	29,000	34,500	34,500	36,500	36,500
Sep Week 4	29,500	29,000	29,000	34,500	34,500	36,500	36,500
Oct Week 1	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 2	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 3	29,900	29,400	29,900	34,900	34,900	36,900	36,900
Oct Week 4	29,900	29,400	29,900	34,900	34,900	36,900	36,900

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

	Billets(100*100mm)	MS Rounds(22/25 mm)	MS Squares(22/25 mm)	MS Angles(25*6mm)	MS Channel (75*40mm)	MS Channel (125*65 mm)
Sep Week 1	21,500	24,300	24,200	24,400	24,700	25,200

Sep Week 2	21,900	24,500	24,300	24,500	24,500	25,100
Sep Week 3	22,400	24,700	24,800	24,800	25,000	25,500
Sep Week 4	22,500	24,700	24,800	24,900	25,200	25,700
Oct Week 1	23,000	25,300	25,300	25,500	25,900	26,100
Oct Week 2	22,200	24,600	24,400	24,800	25,100	25,300
Oct Week 3	22,900	25,000	25,000	25,400	25,500	25,800
Oct Week 4	23,000	25,000	25,000	25,200	25,500	25,800

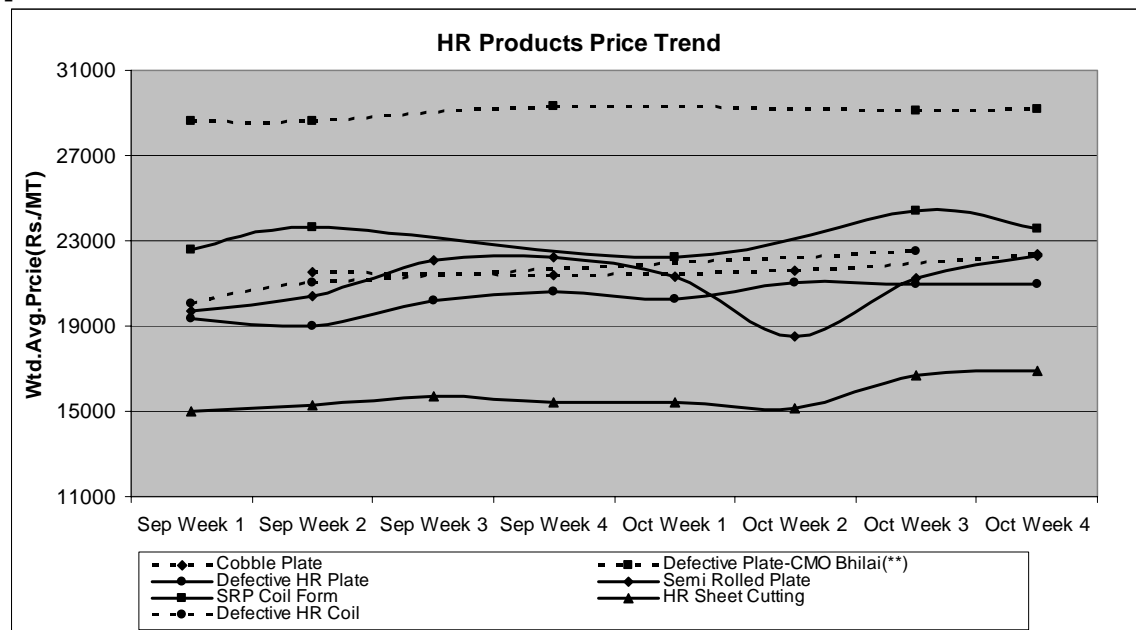
Note: Flat & Long Price (Rs. /MT, incl.excise duty)

**Price Movement**

	Review	Outlook
Items	Oct'06 over Sep'06	Nov'06 over Oct'06
HR Coils	↔	↔
CR Coils	↔	↔
GP/GC Coils	↔	↑
Long Products	↔	↔

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

Following graphs show the price trend observed in the auction services of Metal Junction for the month of September & October 2006 for different HR and CR products.



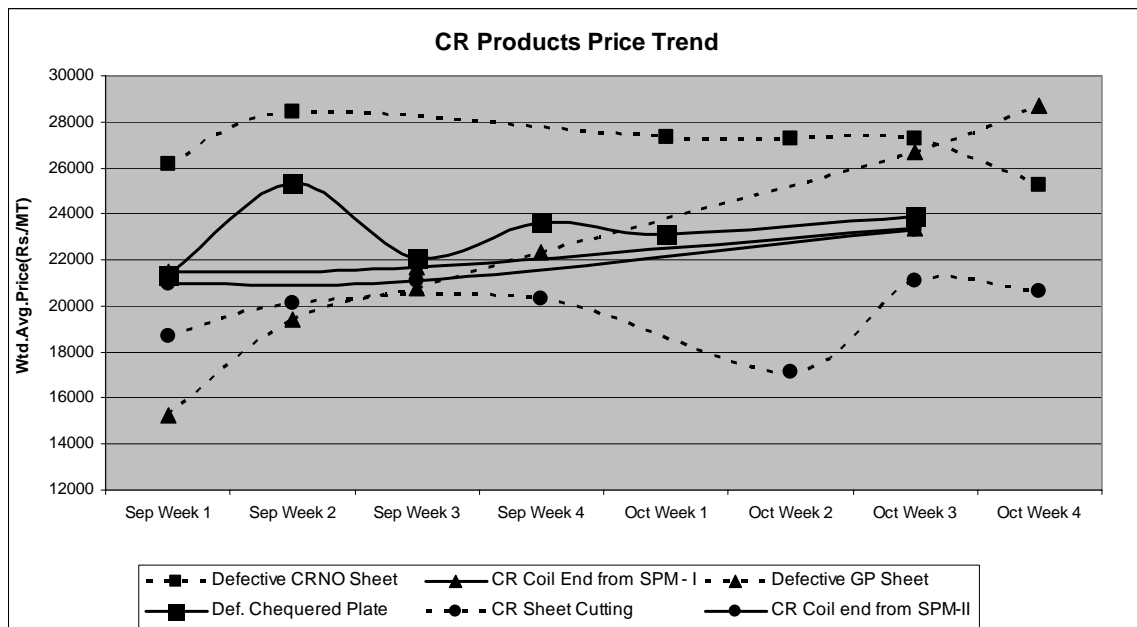
Note: Price is basic, \*\* implies price incl.excise duty

Attached below is the data table:

Week	Cobble Plate	Def.Plate-CMO Bhilai	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def.HR Coil
Sep Wk 1	NA	28597	19339	19706	22579	14984	20040
Sep Wk 2	21506	28619	19007	20430	23660	15309	21050
Sep Wk 3	NA	NA	20189	22079	NA	15691	NA
Sep Wk 4	21409	29282	20615	22254	NA	15448	NA
Oct Wk 1	NA	NA	20279	21305	22228	15419	NA
Oct Wk 2	21588	NA	21007	18475	NA	15128	NA
Oct Wk 3	NA	29104	20966	21220	24400	16684	22475
Oct Wk 4	22373	29181	20931	22279	23547	16894	NA

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

Products	Sep'06 Price (Avg.)	Oct'06 Price (Avg.)	% change(Oct '06 over Sep'06)	% change(Oct'06 over Oct'05)
Cobble Plate	21458	21981	2.44	7.35
Def Plate-CMO Bhilai	28833	29143	1.08	17.96
Def HR Plate	19788	20796	5.09	12.93
SRP Coil Form	23120	23392	1.18	12.78
HR Sheet Cutting	15358	16031	4.38	1.78
Def.HR Coil	20545	22475	9.39	21.64



Price is basic

**Attached below is the data table:**

Week	Def CRNO Sheet	C R Coil End From SPM-I	Def GP Sheet	Def Chequered Plate	CR Sheet Cutting	C R Coil End From SPM-II
Sep Wk 1	26161	21462	15239	21385	18700	20947
Sep Wk 2	28450	NA	19436	25300	20150	
Sep Wk 3	NA	21661	20749	22100	NA	21077
Sep Wk 4	NA	NA	22337	23600	20350	NA
Oct Wk 1	27341	NA	NA	23100	NA	NA
Oct Wk 2	27267	NA	NA	NA	17150	NA
Oct Wk 3	27273	23385	26694	23911	21124	23300
Oct Wk 4	25273	NA	28690	NA	20645	NA

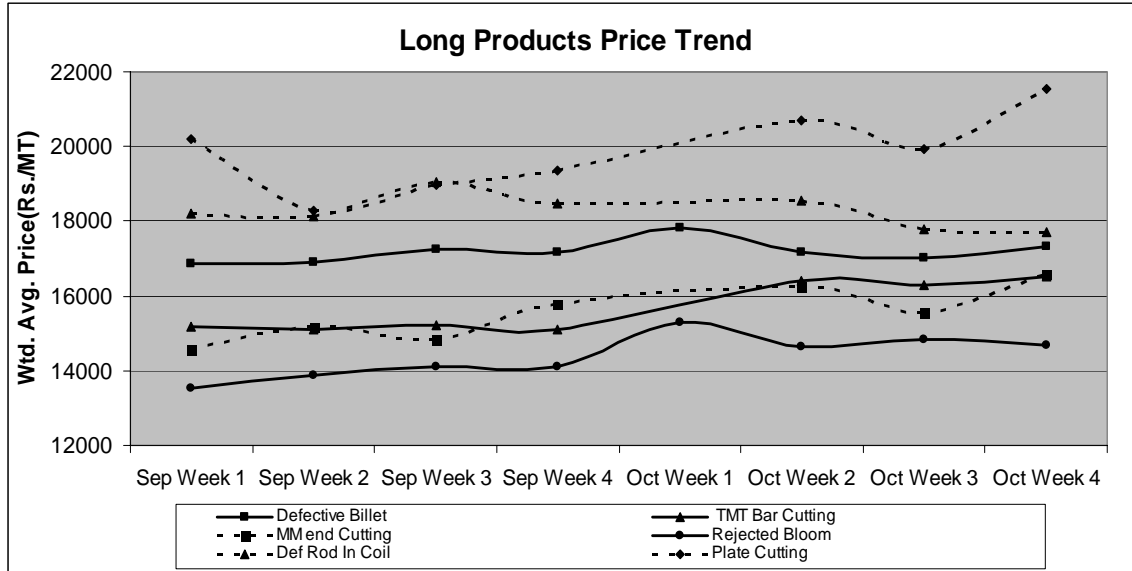
**Summary of price and % change (m-m & y-y basis):**

Products	Sep'06 Price(Avg.)	Oct'06 Price(Avg.)	% change(Oct '06 over Sep'06)	% change(Oct '06 over Oct'05)
<b>Def CRNO Sheet</b>	27305	26788	-1.89	-17.07
<b>CR Coil End from SPM-I</b>	21561	23385	8.46	22.59
<b>Def Chequered Plate</b>	23096	23506	1.78	NA
<b>CR Sheet Cutting</b>	19733	19640	-0.47	NA
<b>CR Coil End from SPM-II</b>	21012	23300	10.89	25.05

**Outlook:** Auction platform has reflected steelmakers' announcement of price hike of HR, CR and galvanized materials in the domestic market. Most of the items have shown an improvement in the range of 1-10% compared to earlier month with GP Sheet showing a sharp rise in price towards the end of the month. The sharp rise has been due to input material like zinc reaching its peak level in the end of the month and the seasonal effect on Galvanized Products' price. With market sentiment improving, it is expected that auction platform will maintain a strong price trend in the coming month.

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

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



**Price is basic**

Attached below is the data table:

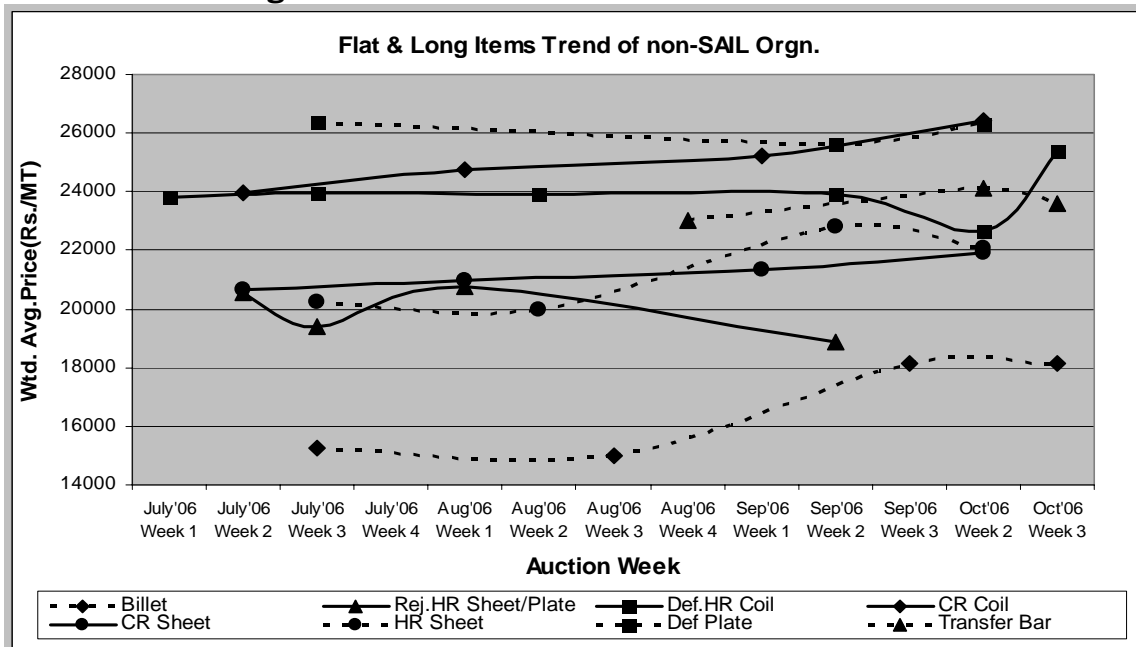
Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Def Rod In Coil	Plate Cutting
Sep Wk 1	16855	15163	14553	13542	18223	20202
Sep Wk 2	16923	15099	15198	13896	18117	18276
Sep Wk 3	17233	15200	14826	14098	19043	18959
Sep Wk 4	17161	15118	15811	14117	18492	19359
Oct Wk 1	17833	NA	NA	15300	NA	NA
Oct Wk 2	17166	16402	16243	14629	18545	20688
Oct Wk 3	17003	16300	15560	14844	17770	19948
Oct Wk 4	17316	16513	16595	14688	17695	21557

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

Products	Sep'06 Price(Avg.)	Oct'06 Price(Avg.)	% change(Oct'06 over Sep'06)	% change(Oct'06 over Oct'05)
Def Billet	17043	17329	1.68	14.70
TMT Bar Cutting	15145	16405	8.32	11.67
MM End Cutting	15097	15902	6.86	12.80
Rejected Bloom	13913	14865	6.84	-0.90
Def Rod In coil	18469	18157	-2.52	10.32
Plate Cutting	19199	20318	7.98	9.30

**Outlook:** The auction platform has shown an improved price trend and most of the items have shown an improvement in the range of 1-8% as compared to the last month. This has been in line with the Ingot prices which have varied in the range of 2-5% as compared to earlier month. With the arrival of winter and construction sector booming up, demand for structurals, TMT etc. are expected to pick up and improve the price trend of long products in the coming month.

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



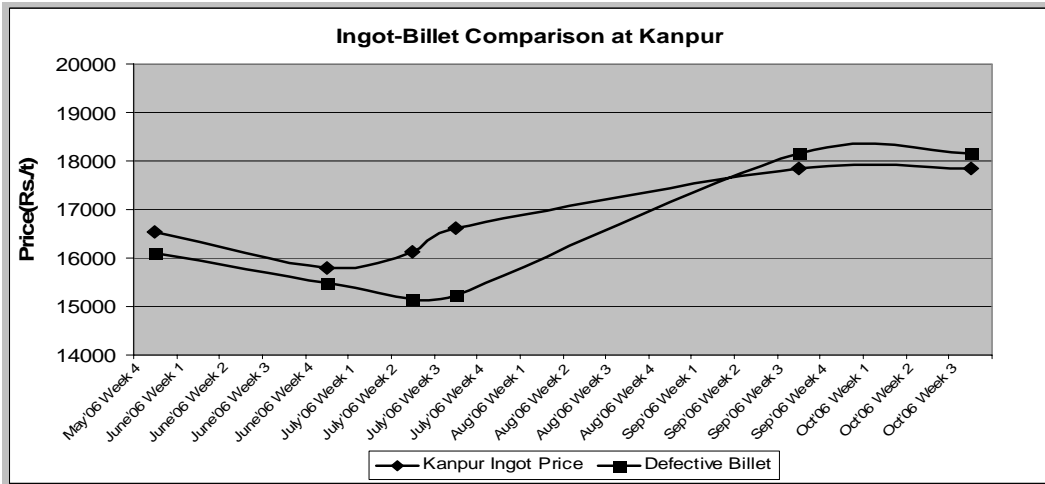
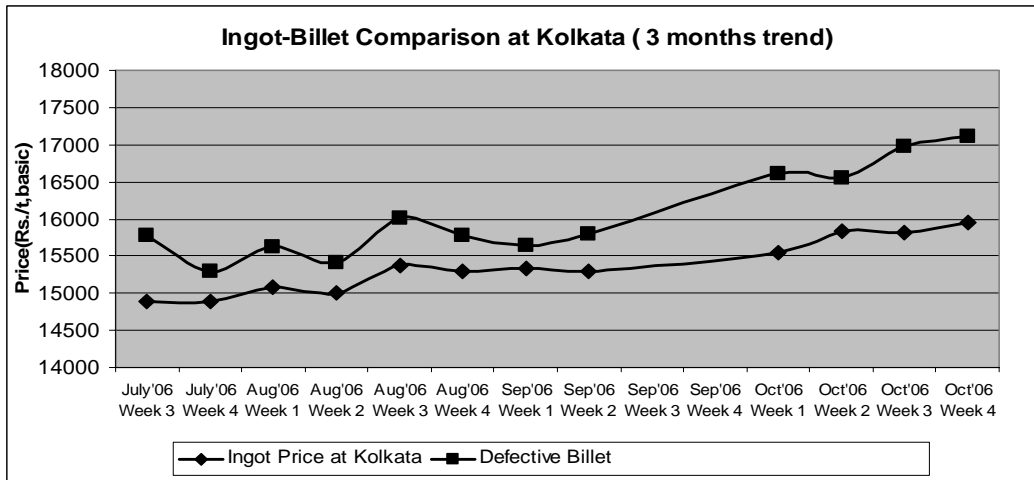
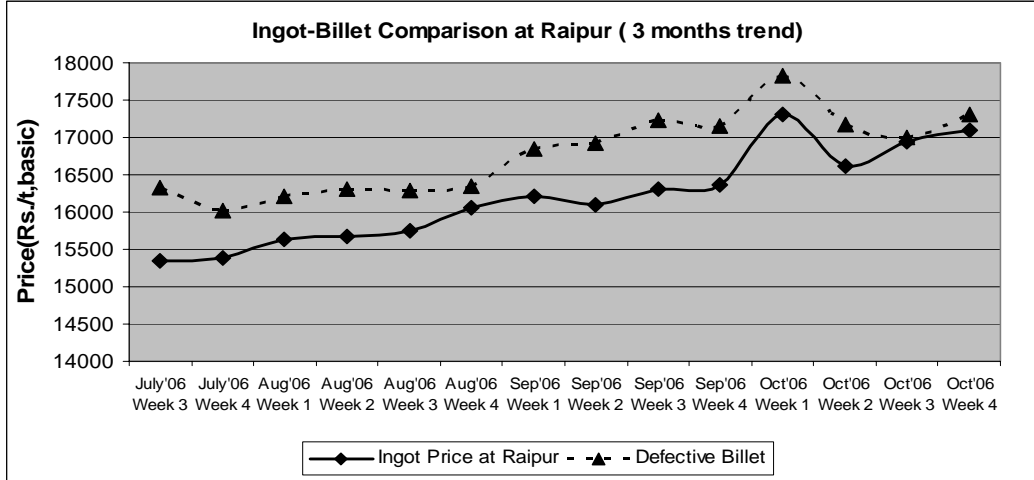
Price is basic

**Ingot Price (8 weeks trend)**

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Sep Week 1	15290	18365	17754	16141	17900
Sep Week 2	15298	18529	17905	16135	18000
Sep Week 3	15303	18677	18023	16466	18515
Sep Week 4	15275	18940	18249	16423	18400
Oct Week 1	15637	19403	18910	17235	19200
Oct Week 2	15776	18861	18406	16746	18468
Oct Week 3	15841	19278	18717	16971	18545
Oct Week 4	16025	19341	18816	17188	18832

Price: (Rs. /t, basic)

The graphs below indicate the Ingot-Billet Trend across Raipur, Kolkata & Kanpur region:



## **International Scenario**

**Quiet Market in both Flat & Long Products sector globally with seasonal effect and holiday shutdowns.**

**Asia: Slab import spot markets remained quiet in East Asia:** Taiwanese users are showing no interest to make bookings. The last concluded deals for rerolling slab were done last month at around \$430-440/t cfr for Chinese material. The Korean slab import market is also quiet. Chinese slab offer prices to Korea are now \$5/t lower than in end-September. One reason for this softness is the slowing demand for HRC in Europe and USA.

**Import markets for longs and billet remained quiet in East Asia:** The import market remained quiet in the entire month as customers wanted to have a wait-and-watch scenario if the market will further fall.

**Spot import market for Cold Rolled Coil remained sluggish in South-East Asian market.** Export offers prices hovered around the \$600/t cfr level. Export offers from Taiwan and the regional mills in Southeast Asia have fallen to \$570-580/t fob for annealed CRC. Chinese export offers to the US market are prevailed at \$530-540/t fob for full-hard CRC. The cold rolled coil market is softening and buying interest has fallen to below \$600/t cfr levels.

**China:** Construction Steel market remained on a downward note with prices moving downward as compared to the earlier month. Domestic **merchant bar** prices remained stable with market demand prevailing at lower levels as compared to the situation before National holiday when demand was strong. The market has remained quiet.

Chinese domestic merchant bar prices 50mm angle, incl.17%VAT, Shanghai FOB

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06*
RMB/t	3080-3160	3110-3130	3170-3200	3170-3220	3170-3200

\*SBB Forecast

**Hot Rolled Coil** prices moved downward in the third week of the month. HRC prices for thick gauge material prevailed at around RMB 3,700/t, around RMB 200/t lower than the peak they reached just after the long holiday. In line with the HRC market, the price of slab is also tending down. It has reached about RMB 3,000/t, some RMB 50/t lower than last month.

**Slab export market remained stable in China:** Export prices have been prevailing at \$400-420/tonne fob, which goes mainly to South-East Asia and Middle East. In the Chinese domestic market, slab prices have remained stable at around RMB 3,000/t.

**Europe:** Prices have remained stable in Europe. Rebar/Rod prices have remained stable in North European market. Scrap prices have risen in recent

weeks, but are still lower than at their high point in July, and are not expected to have an impact on northern European rebar and rod prices. While end user demand is strong, the market is still in a period of adjustment with most players wanting to end the year with low stocks.

European Rebar & Wire Rod Prices €/t, Aug-Nov'06

	Aug-06	Sep-06	Oct-06	Nov-06*
Rebar	500-560	500-560	440-520	440-520
Wire Rod(mesh quality)	450-470	450-470	430-450	430-450

\*SBB Forecast

**CIS:** Long product export prices remained unchanged in the first week of the month in a quiet market. There has been little export activity out of the CIS because of the month of Ramadan, national holiday in China and the onset of winter in Europe. Rebar was exported at \$470-480 per tonne fob Black Sea in the second week, down slightly from the previous week's \$470-490 per tonne, while mesh quality wire rod export contracts continued to be settled at \$470-475 per tonne fob. Export prices of billet also remained softened due to low demand and sentiment declining in the market.

**US: HRC prices lowest since May'06:** The HRC reference price FOB mill has fallen by \$16.50/tonne to \$655/t in the third week of the month as compared to earlier week. Prices are under pressure because of oversupply due to record inventory.

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

Item Description	% Change over a week(Oct Week 4 over Oct Week 3)	% Change over a month(Oct'06 over Sep'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-1.51	-3.92	-2.00
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	-0.72	0.00	4.30
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	-2.11	-1.06	-6.06
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	-0.63	3.26	-3.46
Chinese Domestic Rebar Eastern China Yuan/t	-0.34	-2.32	1.37
Chinese Domestic Rebar Southern China Yuan/t	-0.30	-0.60	1.52

Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	-0.96	-2.21	0.65
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	-0.65	-2.22	0.00
US Import HR Coil \$/t	0.00	0.00	5.77
US Import CR Coil \$/t	0.00	0.00	10.00
US Import Slab \$/t	0.00	0.00	12.5
US Import Galvanized Coil \$/t	0.00	0.00	6.67
US Import Rebar \$/t	0.00	0.00	27.91
US Import Wire Rod \$/t	0.00	0.00	13.04

Note: 8.11 Yuan=1 US \$

### OUTLOOK:

Internationally prices are expected to remain stable in the coming month and firm up in the short-term in the wake of the beginning of construction season and consumption pattern moving up.

Russian construction is expected to grow 10–15% next year and the domestic consumption of billet, rebars etc. is expected to further go up.

The North American average flat products price is predicted to remain reasonably flat over the next few months. The long products sector is anticipated to remain stable with demand remaining fair.

**India:** JSW Steel sees stable steel prices as the Indian economy is picking up speed to accelerate the growth momentum and the manufacturing sector in the last quarter showed a robust growth of over 11%. Prices are expected to remain stable barring short term corrections.

Tata Steel MD sees stable outlook for H2 with global demand to grow by 9% and domestic demand by 10% and steel prices to remain at current levels.

### Data Sources:

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

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## STEEL INDUSTRY MARKET SCENARIO

### SCRAP

#### Domestic Scenario

**Iron ore:** Landed Price of Indian Iron-Ore to China had increased towards the end of September and remained at the same level in the month of October: The spot price for Indian iron-ore has remained at about \$72-73/t in the entire month and freight rates have hovered around \$18-20/t.

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

	July'06	Aug'06	Sep'06	Oct'06	Nov'06*
Indian 63% Fe \$/t CFR China	70-75	71-72	72-74	72-73	74-75

\*SBB Forecast

**Pig Iron:** With market demand remaining strong, pig iron prices showed an improved price trend in the second week of October and then onwards have achieved stability.

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

Item	Sep Week 3	Sep Week 4	Oct Week 1	Oct Week 2	Oct Week 3	Oct Week 4
Steel Grade	18,200	18,200	18,200	18,500	18,500	18,600
Foundry Grade	20,300	20,400	20,300	20,500	20,500	20,600

#### **Price trend of Pig Iron on Metal junction platform (Rs. /t, basic)**

Auction Week	Wtd.Avg.Price	% Change
Aug Week 1	14,358	
Aug Week 2	14,698	2.37
Aug Week 3	14,767	0.47
Aug Week 4	15,119	2.38
Sep Week 1	14,678	-2.92
Sep Week 2	14,986	2.10
Oct Week 2	14,942	-0.29

**Sponge Iron:** Sponge Iron prices surged by 9 per cent in the third week of the month owing to rising demand from the steel industry and a shortfall in the supply of sponge iron.

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

	Price (Rs./t)		Price (Rs./t)	% change(d-d)
1-Sep-06	11148	1-Oct-06	NA	
7-Sep-06	11033	7-Oct-06	11825	7.18
14-Sep-06	10963	14-Oct-06	11451	4.45
21-Sep-06	11127	21-Oct-06	12149	9.19
28-Sep-06	11275	28-Oct-06	11959	6.07

**Scrap:** With Sponge Iron prices showing an improved trend and steel demand increasing with the arrival of winter, scrap prices too remained on a higher note. With raw material market in strong position, demand is further expected to go up.

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

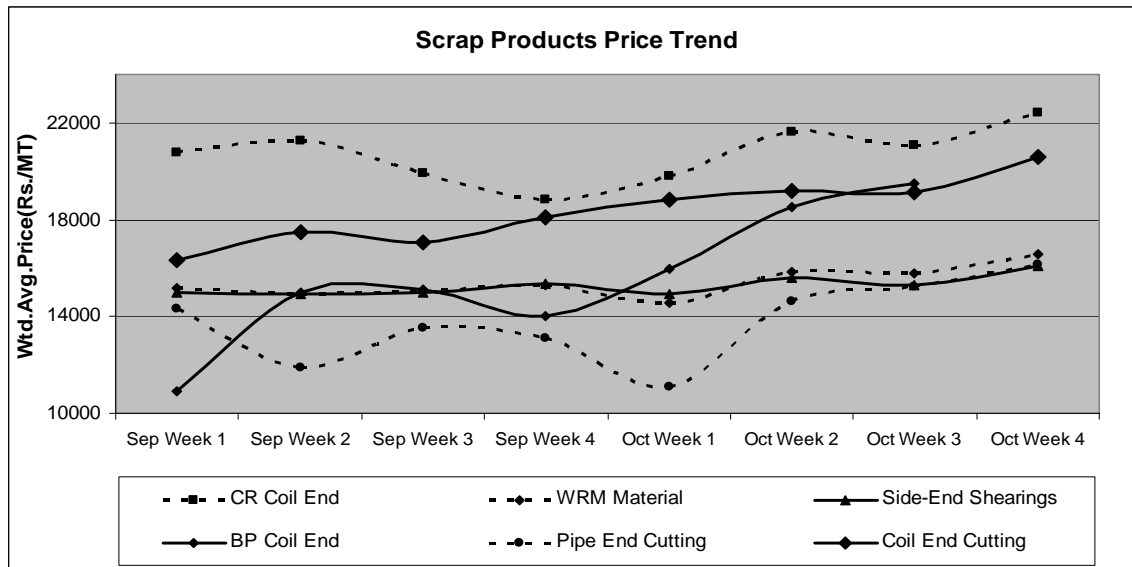
Place	Delhi	Kolkata	Mumbai
Sep Week 1	16,000	14,000	15,000
Sep Week 2	16,500	14,900	15,500
Sep Week 3	16,700	15,000	15,700
Sep Week 4	17,200	15,500	16,300
Oct Week 1	17,500	15,700	16,500
Oct Week 2	16,500	14,700	15,500
Oct Week 3	17,000	15,000	16,000
Oct Week 4	17,200	15,200	16,200

**Price Movement**

	Review	Outlook
Scrap	Oct 2006 over Sep 2006	Nov 2006 over Oct 2006
Pig Iron	↑	↑
Sponge Iron	↑	↑
Melting Scrap	↑	↑

**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 2006 for different scrap products.



**Price is basic**

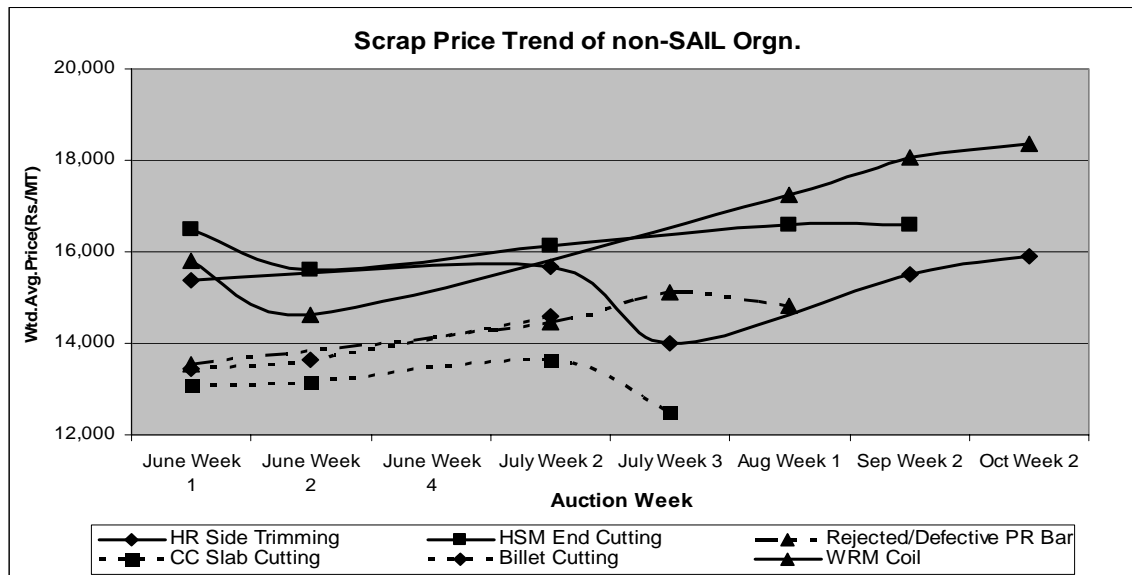
**Attached below is the data table:**

Week	CR Coil End	WRM Material	Side-End Shearing	BP Coil End	Pipe End Cutting	Coil End Cutting
Sep Wk 1	20777	15200	15006	10932	14349	16323
Sep Wk 2	21256	14937	14930	14972	11875	17479
Sep Wk 3	19920	15050	15018	15103	13560	17064
Sep Wk 4	18846	15300	15382	14023	13098	18117
Oct Wk 1	19796	14550	14903	15990	11121	18820
Oct Wk 2	21606	15850	15583	18521	14623	19181
Oct Wk 3	21101	15782	15294	19494	15238	19117
Oct Wk 4	22394	16563	16112	NA	16146	20600

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

Products	Sep'06 Price(Avg.)	Oct'06 Price (Avg.)	% change(Oct'06 over Sep'06)	% change(Oct'06 over Oct'05)
<b>CR Coil End</b>	20200	21224	5.07	6.52
<b>WRM Material</b>	15122	15686	3.73	5.48
<b>Side-End Shearing</b>	15084	15473	2.58	3.53
<b>BP Coil End</b>	14699	18002	22.47	NA
<b>Pipe Cutting</b>	13221	14282	8.03	NA
<b>Coil End Cutting</b>	17246	19429	12.66	NA

**Outlook:** The auction platform has shown an improved trend in the month of October as compared to the earlier month. With raw material market remaining strong and demand for steel sector showing a continuous upward improvement, the auction platform has also shown a stable to upward price movement. The market is further expected to pick up and gain momentum with the end of festive season and arrival of winter when construction activities will remain buoyant.



**International Scenario:**

In the international sector, scrap prices have shown a softened trend in the month of October as compared to the earlier month. East Asian scrap import market remained quiet throughout the month.

**Iron-Ore import trade active in China as compared to last month:** The current spot price for Indian iron ore (Fe 63.5%) in China remained at the September level of about \$72-73/dry metric tonne cfr basis. However, trading at China's ports was more active than last month. The current spot price for Brazil iron ore fines (Fe 65%) is around \$76/t cfr basis in China, but trading is not active at the ports.

**Chinese scrap prices remained stable in the domestic market throughout the month.** Prices hovered at lower levels as compared to earlier month. For instance, major mills in eastern China have offered about RMB 1,950-2,200/tonne (\$247-278/t) incl. 17% VAT, for heavy scrap (> 6mm), compared with a prevailing price of about RMB 2,010/t in September. In northern China, prices were about RMB 1,960-2,120/t compared with September's RMB 1,970-2,050/t. Import business has remained quiet because overseas prices have remained higher as compared to domestic prices.

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

Month	Average Price(\$ per long ton)	Price movement
July-06	245	
Aug-06	195	↓
Sep-06	198	↑
Oct-06	198	↔

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

Month	Average Price(\$ per long ton)	Price movement
July-06	260	
Aug-06	238	↓
Sep-06	245	↑
Oct-06	242	↓

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

Month	Average Price(\$ per long ton)	Price movement
July-06	264	
Aug-06	242	↓
Sep-06	249	↑
Oct-06	247	↓

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

Month	Average Price(\$ per tonne)	Price movement
July-06	262	
Aug-06	244	↓
Sep-06	250	↑
Oct-06	246	↓

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

Month	Average Price(\$ per tonne)	Price movement
July-06	252	
Aug-06	234	↓
Sep-06	240	↑
Oct-06	232	↓

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

Month	Average Price(\$ per tonne)	Price movement
July-06	267	↓
Aug-06	248	↓
Sep-06	255	↑
Oct-06	251	↓

**OUTLOOK:**

**Scrap prices to remain firm in the short-term both in the domestic and international market.**

**Stiff import norms to hit Indian metal scrap industry hard:** The government's decision to impose stricter norms on imports of metal scraps is likely to have an adverse impact on the industry. The move is likely to have a greater impact on Gujarat, as it is the largest importer of steel scrap in the country.

Due to increasing scrap prices, most steel units in Gujarat now prefer sponge iron as input material which is still about 6%-7% cheaper than scraps.

The decision to ban high-sea sales is likely to have a major impact on Indian importers as most of these scrap importers are marginal in nature and depend on high-sea sales for their requirement. High-sea sales are sales undertaken before customs clearance. The government has been wary of explosives which find its way into the country through import of scraps and in order to track the suppliers the government decided to completely ban high-sea sales.

Already scrap imports in Gujarat is at an all-time low during the current fiscal. In the past six months, ports in Gujarat imported just 0.73 lakh tonnes of scrap, as against 3.87 lakh tonnes in the previous year. Scrap importers are already pressurized due to escalating prices and 5% import duty and 4% countervailing duty which the government slapped from last budget.

**Experts expect sponge iron prices to remain firm this quarter in the domestic market:** The steel industry is in a buoyant mood as a result of the anticipated higher demand for steel in the winter season when demand for structural steel and TMT will go up by about 15 per cent because of a boom in construction activities.

The expansion in the capacity of steel production will require more sponge iron, which can be met through a proportionate enhancement in sponge iron capacity. The input cost of sponge iron production has also gone up by 25 per cent with a rise in iron ore prices by 19 per cent in the global as well as the domestic markets. Experts believe that sponge iron prices would remain firm in this quarter, as the current situation is expected to remain unchanged.

**Data Sources:**

- 1) Metal Bulletin
- 2) Steel Trade Today
- 3) Steel Trade Intelligence
- 4) Steel Business Briefing
- 5) The Economic Times
- 6) Business Standard

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## STEEL INDUSTRY MARKET SCENARIO

### STAINLESS STEEL

#### Domestic Scenario:

Stainless Steel prices continue to be on an upward note with demand for 200 series increasing in the domestic market. Increasing price of Nickel has led to a further rise in Stainless Steel prices. Further expansion is coming up with Jindal Stainless taking up the Orissa project which is 1.6 million tonnes fully integrated stainless steel plant.

#### Price Movement

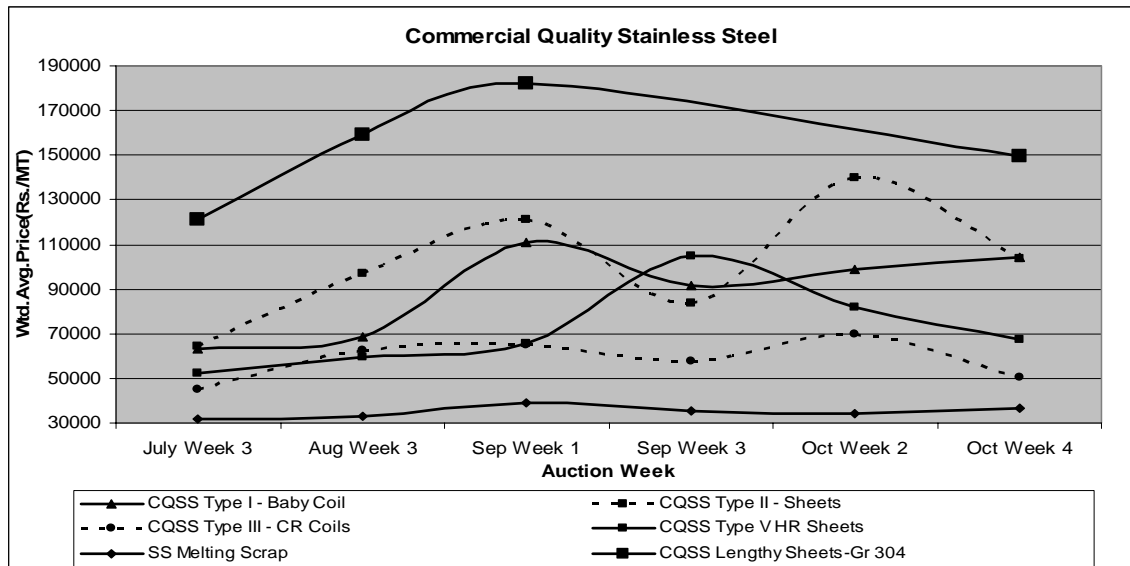
	Review	Outlook
Steel Product	October 2006 over September 2006	November 2006 over October 2006
Stainless Steel	↑	↑

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

<b>Commercial Quality SS</b>						
Auction Week	CQSS Lengthy Sheets Gr 304	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III -CR Coils	CQSS Type V HR Sheets	SS Melting Scrap
Aug Week 3	159400	68549	97143	62366	59307	32745
Sep Week 1	182100	110803	121367	65320	65900	39271
Sep Week 3	NA	91651	84000	57849	105141	35338
Oct Week 2	NA	99047	140000	70118	81664	34053
Oct Week 4	149700	104303	103668	50661	67619	36416

<b>Prime SS</b>			
Auction Week	SS Low Nickel	Type-300	Type-400
July Week 2	71607	139026	50293
July Week 4	74269	139330	53172
Aug Week 2	82618	152551	53848
Sep Week 1	86895	166100	52011
Sep Week 2	105455	163475	60707
Oct Week 1	114910	169813	53345

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



**Outlook:** Stainless Steel Prices have shown a stable trend in the beginning of the month; however prices did decline to some extent towards the end of the month. This has been closely in line with the international trend, where prices have stabilized since the mid of October.

With demand remaining strong, prices are expected to remain firm in the short-term.

**International Scenario:**

**HIGHLIGHTS:**

**Asia: Stainless Steel prices surge as supply tighten:** Asian stainless prices for 300 series material surged by \$200-300 per tonne in the third week of the month due to strong nickel prices and tight supply. East Asian-origin grade 304 hot rolled stainless sheet and grade 304 2mm 2B CR coil have been trading at \$3,700-3,800 per tonne cif China and \$4,100-4,250 per tonne cif China respectively in the month of October. Supply for imported materials is tight and most of the East Asian mills are selling domestic rather than exporting due to better domestic prices and demand.

**Domestic Stainless Steel prices continue to rise in China:** CR stainless products increased by RMB 500-800/t (\$63/t-\$101/t) and HR products by about RMB500/t in the third week of the month as compared to earlier week.

*The tables below give an overview of stainless steel prices worldwide.*

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

	July'06	Aug'06	Sep'06	Oct'06
HR 304	23200-25300	25000-30000	28500-30700	30500-32500

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

	July'06	Aug'06	Sep'06	Oct'06
CR 304 2B	26000-29000	29000-30000	31400-34400	34600-35000

**Europe:**

CR 304 2B 2mm,Euro/t Ex-Works	July'06	Aug'06	Sep'06	Oct'06
N.Europe	1400-1500	1450-1550	1550-1650	1600-1700
S.Europe	1370-1470	1420-1520	1500-1600	1550-1650

**Stainless Steel Asia Grade 304 HR sheet cif East Asian port**

Month	Average Price(\$ per tonne)	Price movement
Aug-06	2950	
Sep-06	3440	↑
Oct-06	3650	↑

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

Month	Average Price(\$ per tonne)	Price movement
Aug-06	3150	
Sep-06	3740	↑
Oct-06	4025	↑

**Stainless Steel EU Domestic 2mm 304 CR stainless strips**

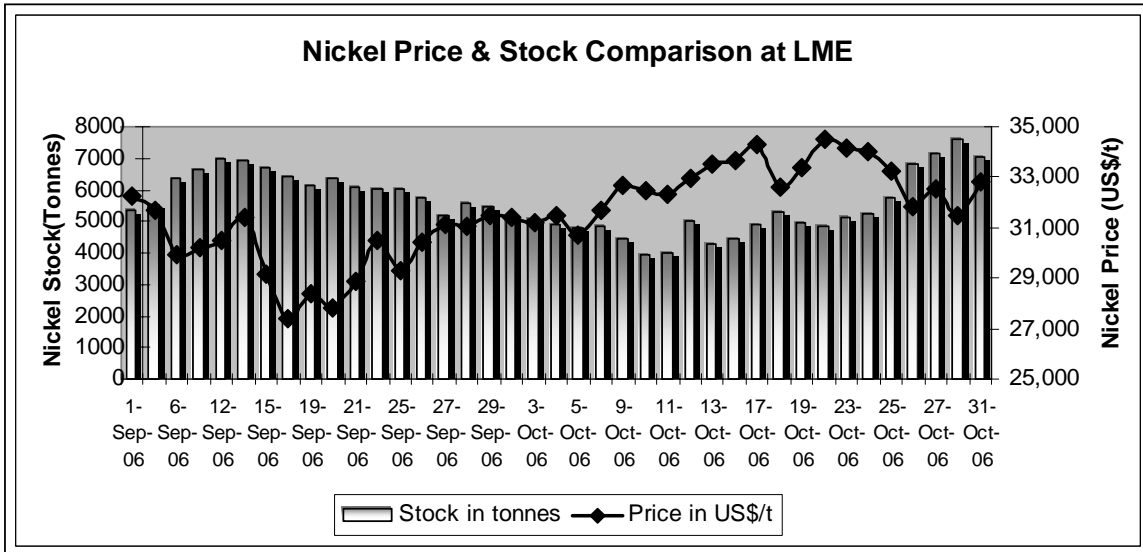
Month	Average Price(Euros/tonne)	Price movement
Aug-06	1765	
Sep-06	1853	↑
Oct-06	1964	↑

**Note:** 1US\$=Rs.45.03, 1Euro=Rs.57.15, 8.11 RMB=1US\$

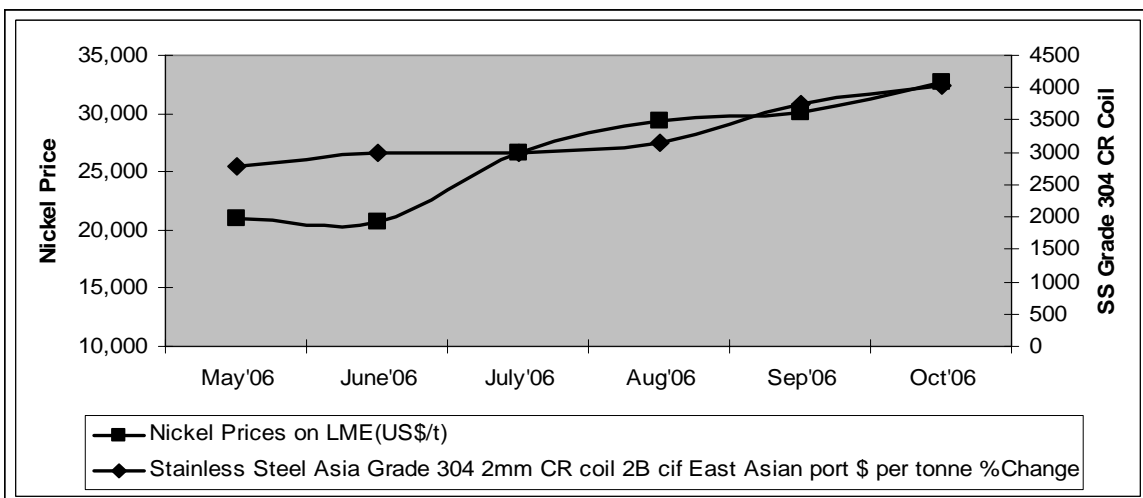
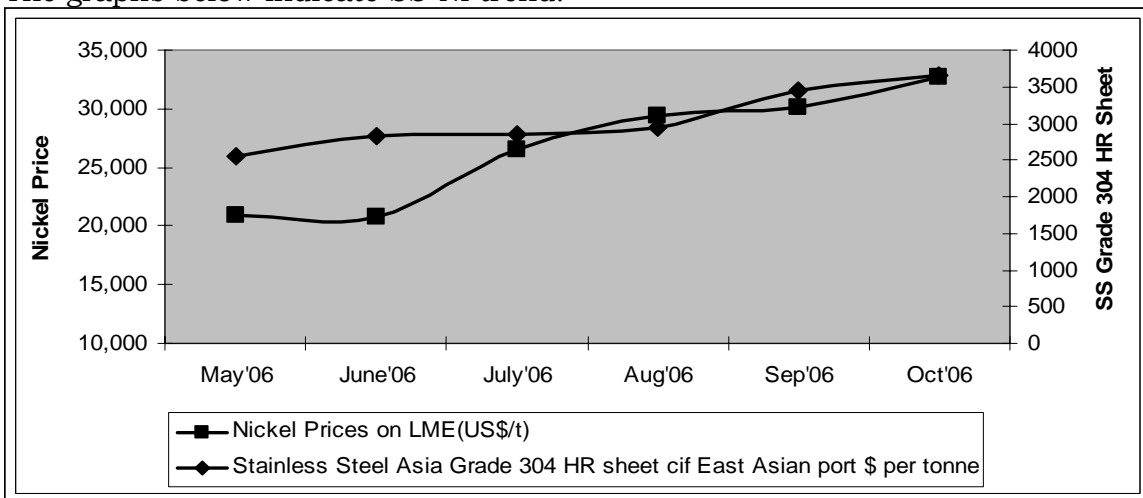
**Stainless Steel scrap shines as Nickel hardens:** High Nickel prices on London Metal Exchange allow steel-makers to opt for cheaper scrap. The hike in nickel prices is increasing the supply of scrap onto the market. World trade in stainless scrap has risen by more than 1 million tonnes over the last four years. Stainless Steel mills are using more of scrap metal and it is having a pick-up in prices as compared to last year when it was lagging behind. It is expected that if Nickel prices stay above the 30,000\$/t mark then stainless steel would get more into line with scrap.

**Nickel Trend:**

Month	Highest Price Achieved By Nickel	% Change(m-m)
Aug'06	34,700	16.27
Sep'06	32,245	-7.07
Oct'06	34,490	6.96



The graphs below indicate SS-Ni trend.



**OUTLOOK:**

Stainless Steel prices are expected to move up further in the short-term with prices of Nickel rising continuously. Also, over the past six months stainless steel demand has been significantly higher than real consumption. Consumption is expected to grow rapidly in the long-term.

In Malaysia, consumption is expected to improve next year with the implementation of big construction projects under the Ninth Malaysia Plan. Malaysia's current stainless steel per capita consumption is about 7.4kg.

China's stainless steel production and manufacturing capacities have increased significantly and currently it is the world's second largest stainless steel producer. The targeted production capacity is 5.6 million tonnes at the end of this year. As per the market specialists the growth of Stainless will be fostered by Asia in near future.

The chairman of Jindal Stainless Steel, Mr.Ratan Jindal feels that stainless steel prices would remain firm for the next two-three quarters. Jindal Stainless is looking forward to global acquisitions and plan to hike cold rolled coils capacity from 1.5 lakh to 2.5 lakh tpa.

**Data Sources:**

- 1) [www.lme.co.uk](http://www.lme.co.uk)
- 2) Steel Trade Today
- 3) Metal Bulletin
- 4) MEPS
- 5) Steel Business Briefing

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