

News at a glance

Steel prices start melting: Steel prices are set to fall by Rs. 4,000/tonne - Rs. 6,000/tonne in the domestic market. The softening of steel prices in the international market and a drop in the domestic demand have compelled almost all the steel majors of the country to effect a price cut.

Indian iron ore export market stagnates: The export market for Indian iron ore has come close to a standstill, with virtually no exports shipping in the past few weeks. Trading in iron ore has been impacted by the prevailing credit crisis and a cut-back in production by major Chinese steel companies. India's exports of iron ore — nearly 50% of which is supplied to China — have also declined sharply, with 30 million tonnes of iron ore bound for China reportedly stuck in various ports of the country.

NMDC raises domestic iron ore fines prices by 10.5% and of lumps by 40%: Mr. Rana Som chairman of NMDC said in a telephone interview that NMDC Limited has reportedly raised contract prices of the steelmaking material by as much as 40%. The prices of fines have been increased by as much as 10.5% while that of lumps were raised by as much as 40%. Company's upward price revision for exports comes at a time when there is a slump in demand for steel, following which the prices have declined by over 30% to 70%.

Some Indian mills cut production on market slowdown: India's Essar Steel halted another of its four electric furnaces on 24 October in a bid to reduce product stocks.

Essar operates a 4.6m tonnes/year integrated works in Hazira in the western state of Gujarat. It is scrambling to reduce inventories from around 300,000 t currently, industry sources tell SBB. "We are looking at stock reductions of around 40,000-50,000 t this month," Essar says.

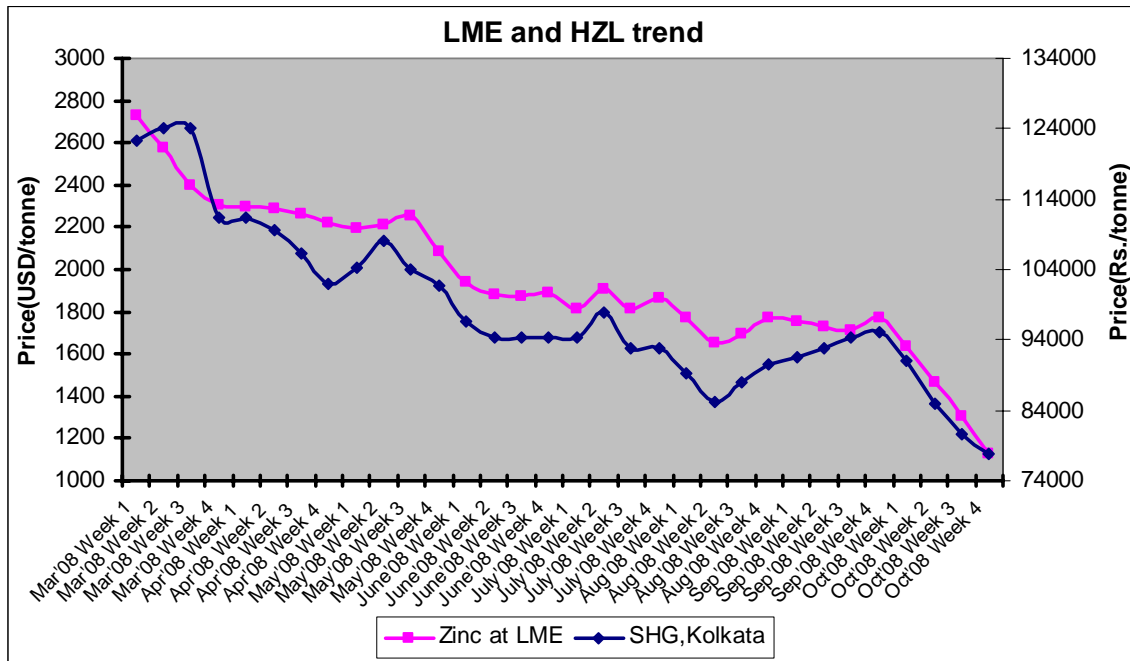
Ispat Industries has also idled its blast furnace for fifteen days for what it also claims are maintenance reasons.

Bhushan Steel Ltd has cut production of galvanized steel by 20-30 percent due to a slowdown in demand.

Recession in Crude Oil sector continues: Over a month, the Crude oil price in the international market has slumped by 35 per cent and prevailed at USD 64.55/barrel on Oct 31, 2008. Concern that the decline in the U.S. economy will curb fuel demand in the world's largest energy user is further poised to bring down prices. Sentiment is very fragile at the moment and heavily influenced by concern about recessions in the major developing economies.

Hindustan Zinc Limited has curtailed the zinc prices by Rs. 4,300/tonne in the third week. HG Zinc at Kolkata prevailed at Rs. 79,700/tonne (excl. Sales Tax & Excise Duty) on 18th Oct as compared to Rs. 84,000/tonne (excl. Sales Tax & Excise Duty) on Oct 11 (indicating a drop of more than 5 per cent over a week). Prices were further slashed to Rs.76,900/tonne towards the end of the month. On the other hand, over a week, zinc at LME has declined by 12.63 per cent.

The movement of zinc market in October is out of most participants' expectation. Impacted by the financial crisis, zinc has been on the slumping road in the past two weeks.



Fall in base metal prices seen; prices revive towards the end of the month on the back of a short-covering: Base metals continued their decline, trading well below their cost of production. Nickel lead the decline losing more than 80 percent from its peak and touching a low of USD8805/tonne this month. Zinc saw a drop of 36% over a month and Copper saw a drop of 30% over a month.

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

Index	Aug'08	% Change (M-M)	Sep'08	% Change (M-M)	Oct'08	% Change (M-M)	% Change (Y-Y)
Global	284.79	-2.90	269.55	-5.40	240.29	-10.90	40.00
North America	269.14	2.40	258.68	-3.90	236.19	-8.70	60.10
Europe	264.14	-1.10	263.81	-0.10	220.64	-16.40	31.30
Asia Steel	305.42	-6.30	279.11	-8.60	253.57	-9.20	35.00
Longs	327.57	-1.20	309.25	-5.60	276.83	-10.50	41.30
Flats	263.55	-4.00	249.83	-5.20	222.14	-11.10	39.10
Metallics	425.55	-14.50	322.32	-24.30	246.46	-23.50	2.30
Stainless	186.66	-3.50	182.17	-2.40	178.68	-1.90	-4.80

Lack of credit crunches prices: Global steel prices have fallen significantly in all areas over the last month as the global credit crisis continues to sap demand.

The **CRUspi long products index** has seen its largest ever fall this month, with dramatic price declines in Europe along with further reductions in Asia and North America.

Reflecting large sheet price falls in almost all regions, the **CRUspi for steel sheet** has seen 28 points or 11% wiped off its value in the last month alone. Against the background of weak economic and credit conditions, industrial production growth is suffering badly in many regions, and as a consequence, so is steel sheet consumption growth.

Scrap price slide continues with **metallics index** taking a sharp dip over a month.

Stainless steel production restraint is still the broad theme in Asian markets. Falling raw material prices, a gloomy economic backdrop, and continued slack supply/demand fundamentals keep stainless prices on a downward trend in Europe. The **Cruspi index** has also remained negative over a month.



(UJJAL BHATTACHARYA)
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STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

The First Half of October:

Dull market prevails with slowdown in global economy. The steel market across the country has been affected by the global price crash and is currently experiencing a downward price trend. **Slump in the international steel prices has led to a grim scenario in India's domestic steel industry.** The raw materials and finished steel sector has been sharply affected and over a fortnight prices have plunged in the range of Rs.4000-9000/tonne.

HRC market shows no sign of rebound in Mumbai: The market of HRC in Mumbai shows little rebounding trend at present, and the demand remains weak with the watching attitude from buyers as well as the downward price. Current price of SS400 5.5mm is around INR43,000/tonne INR 2,000/tonne lower than that one week ago.

CRC market remains dull in Mumbai: The CRC market remains dull in Mumbai at present, with the wait and watch attitude from buyers and the recent downward price trend. Current price of SPCC 0.5mm is around INR49,000/tonne (USD1,022/tonne), INR2,000//tonne (USD42/tonne) lower than that one week ago, and market participants predicted that the dim situation would continue in following days.

Ingot prices across the country have **declined by Rs. 2,000/tonne to Rs. 4,000/tonne over a week.** Melting Scrap Price has seen a **drop of Rs.4000/tonne over a fortnight.** Pig Iron price fell by 10% in Raipur market over a week. Sponge Iron price in Mandi Govindgarh dropped by more than 8% over a week while Cast Iron Turning in Mandi Govindgarh declined by nearly 5.5%.

Rebar prices plunge in India: Domestic prices of Thermo Mechanically Treated (TMT) rebars in India have fallen markedly since September to reach around Rs 37,000/tonne (US\$768/tonne).

The Second Half of October:

Steel plate price drops again in Mumbai: The price of steel plate witnesses a further decrease in Mumbai with the weak demand, and market participants predicted that the low level may continue in following weeks influenced by the Diwali Festival. Current price of IS2062 20mm is around INR 40,000/tonne (USD804/t), down by INR 4,000/tonne (USD80/t) than that of one week ago.

CRC demand remains weak in Mumbai: The demand for CRC remains weak in Mumbai at present, influenced by the Diwali Festival and the watching attitude from buyers. Current price of SPCC 1.0mm is around INR41,000/t

(USD819/t), INR4,000/t (USD80/t) lower than that one week ago. Market participants predicted that the market can not rebound during the festival, which will last into the end of November.

Steel billet market slow in India with price reduction: Affected by the slow steel market, the steel billet market runs sluggish in India, and the price also decreases to about Rs19,700 (USD400) per tonne Ex works, down by Rs2,500 per tonne compared with that of last week.

TMT bar market witnesses a big fall in India, prices show no major change during Diwali with few buying and selling activities taking place: The price of TMT bar drops by 15% in a week influenced by the sharp price decline in China coupled with the weak demand from end users. Current prevailing market price of TMT bar is in the range of INR 24,500-25,500/tonne (USD490-510/tonne) in India. Market observers predicted it will keep low in following week under the backdrop of global financial crisis.

Prime Steel Price movement (in terms of percentage change):

Flat

	Plate	HR Coil	HR Sheet	CR Coil	CR Sheet
Jan'08 over Jan'07	20.68	21.69	19.11	15.85	16.13
Feb'08 over Feb'07	20.38	20.98	19.21	15.96	16.24
Mar'08 over Mar'07	24.44	24.83	23.75	20.22	20.36
Apr'08 over Apr'07	26.74	29.01	28.22	24.37	24.38
May'08 over May'07	25.49	27.05	26.28	23.52	23.01
Jun'08 over Jun'07	32.03	33.17	32.44	29.17	28.47
July'08 over July'07	39.76	41.78	40.42	35.37	35.2
Aug'08 over Aug'07	36.65	38.41	37.93	33.61	33.33
Sep'08 over Sep'07	31.62	33.94	33.64	29.59	29.51
Oct'08 over Oct'07	29.17	31.44	31.12	27.45	27.38

Long

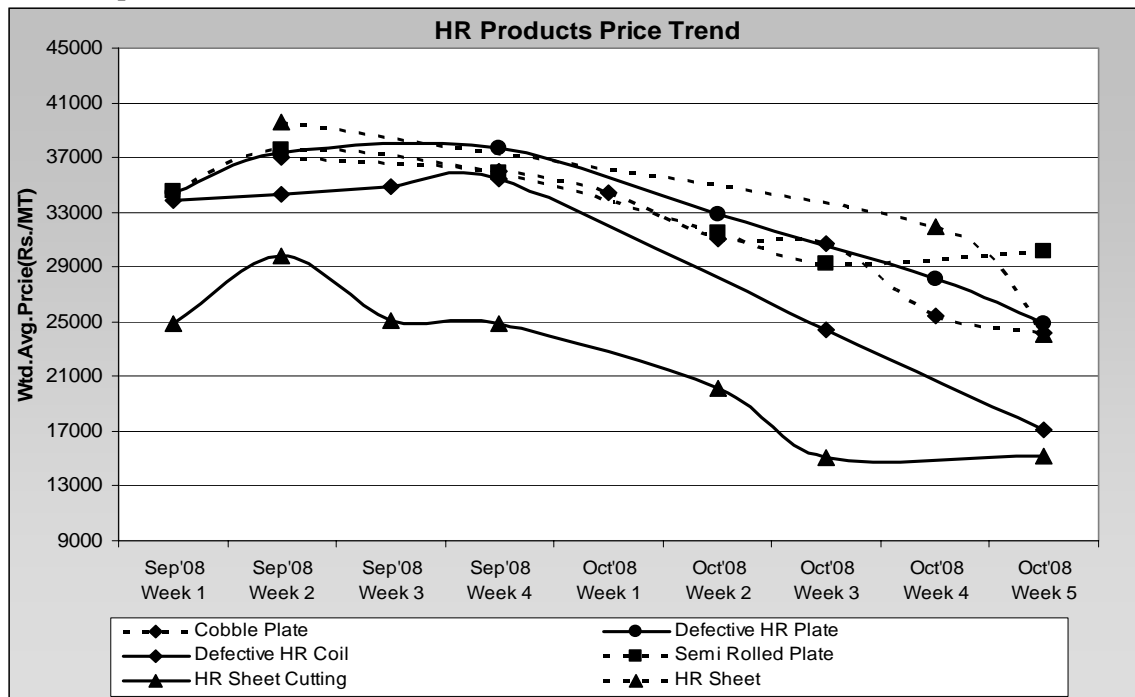
	MS Billets (100x100 mm)	MS Rounds (22/25 mm)	MS Angles (25x6mm)	MS Channels (75x40mm)	MS Channels (125x65 mm)
Jan'08 over Jan'07	21.68	24.55	23.92	23.45	22.37
Feb'08 over Feb'07	31.13	33.02	37.98	35.59	34.70
Mar'08 over Mar'07	20.28	54.46	60.15	58.29	55.10
Apr'08 over Apr'07	54.32	42.28	45.17	43.03	45.87
May'08 over May'07	33.17	36.81	35.52	36.50	34.55
Jun'08 over Jun'07	58.22	54.34	53.58	54.04	52.65
July'08 over July'07	63.44	63.03	62.40	62.01	61.17
Aug'08 over Aug'07	63.80	48.54	48.56	48.39	51.90
Sep'08 over Sep'07	62.63	38.36	37.93	38.75	36.36
Oct'08 over Oct'07	56.09	25.06	23.35	22.75	24.89

Price Movement

	Review	Outlook
Items	Oct'08 over Sep'08	Nov'08 over Oct'08
HR Coils	↓	↓
CR Coils	↓	↓
GP/GC Coils	↓	↓
Long Products	↓	↓

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

Following graphs show the price trend observed in the auction services of www.metaljunction.in for the month of Sep 2008 & Oct 2008 for different HR and CR products.



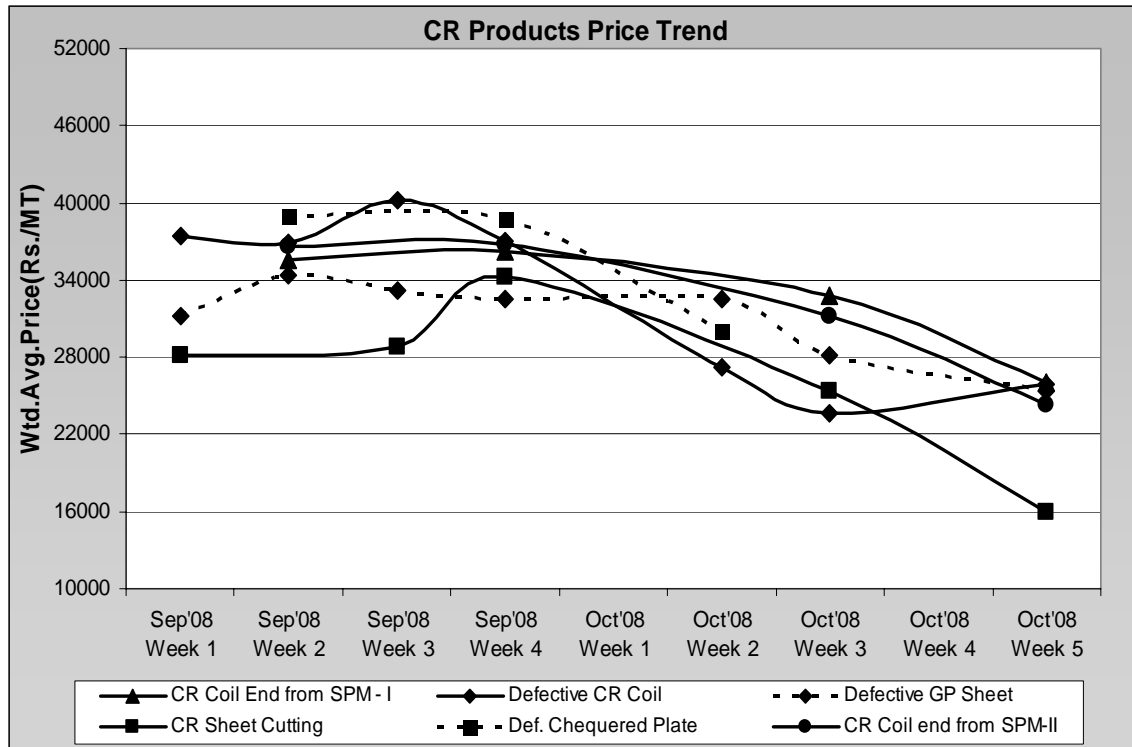
Price is basic

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	Def HR Coil	HR Sheet Cutting
Sep'08 Wk 1	-	34400	34591	36114	31969	33900	24850
Sep'08 Wk 2	37035	37400	37590	37926	31569	34280	29853
Sep'08 Wk 3	-	-	-	37032	-	34900	25100
Sep'08 Wk 4	35950	37719	35942	36379	32201	35450	24850
Oct'08 Wk 1	34470	-	-	-	-	-	-
Oct'08 Wk 2	31065	32850	31554	-	21426	-	20150
Oct'08 Wk 3	30721	-	-	-	-	-	-
Oct'08 Wk 4	25476	28119	29252	24035	-	24414	15100

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

Products	Sep'08 Price (Avg.)	Oct'08 Price (Avg.)	% change (Oct'08 over Sep'08)	% change (Oct'08 over Oct'07)
Cobble Plate	36492	29178	-20.04	14.18
Def HR Plate	36506	28621	-21.60	59.99
Semi Rolled Plate	36041	30324	-15.86	23.35
SRP Coil Form	36863	28047	-23.91	1.23
Def HR Sheet	39550	28028	-29.13	11.86



Price is basic

Attached below is the data table:

Week	CR Coil End From SPM-I	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
Sep'08 Wk 1	-	28086	37373	47025	31249
Sep'08 Wk 2	35596	-	36938	47050	34400
Sep'08 Wk 3	-	28879	40176	-	33219
Sep'08 Wk 4	36250	34300	37073	46802	32556
Oct'08 Wk 1	-	-	-	-	-
Oct'08 Wk 2	-	-	27284	41966	32511
Oct'08 Wk 3	32784	25409	23593	-	28111
Oct'08 Wk 4	-	-	-	-	-
Oct'08 Wk 5	26080	15987	25857	45050	25420

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

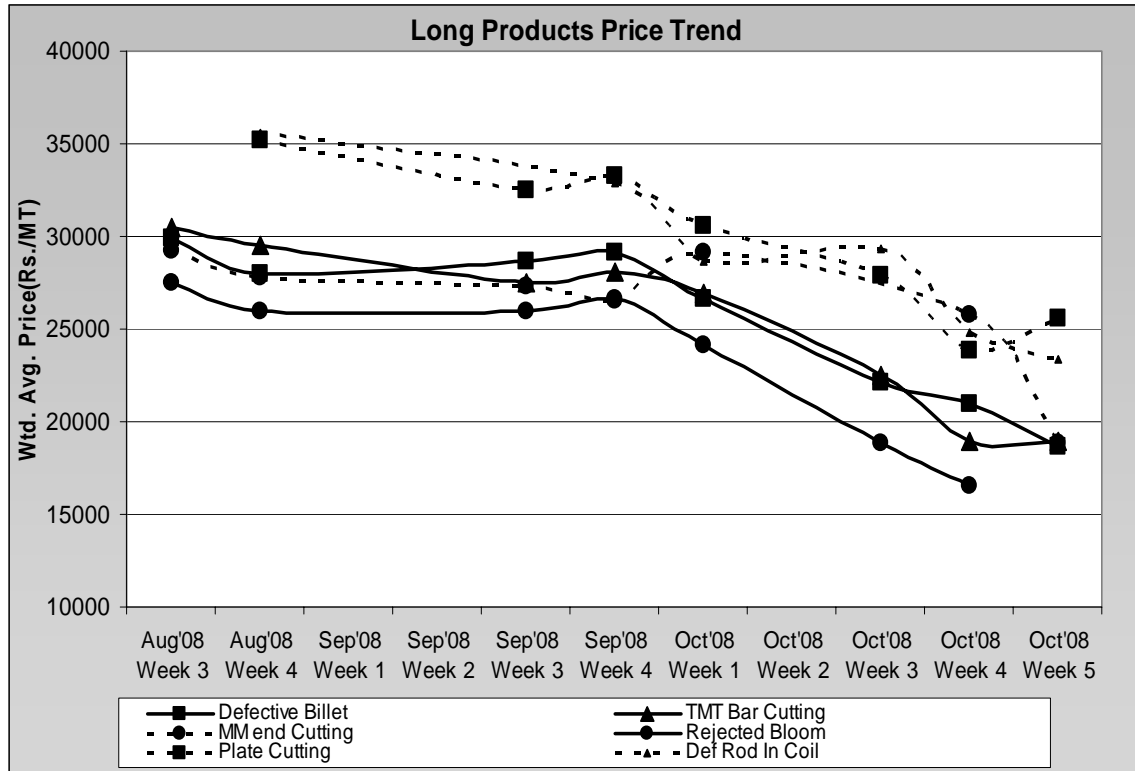
Products	Sep'08 Price(Avg)	Oct'08 Price(Avg)	% change(Oct'08 over Sep'08)	% change(Oct'08 over Oct'07)
CR Coil End from SPM-I	35923	29432	-18.07	17.28
CR Coil End from SPM-II	36706	27728	-24.46	9.57
CR Sheet Cutting	30422	20698	-31.96	11.48
Def CR Coil	37890	25578	-32.49	-4.58
Def CRNO Sheet	46959	43508	-7.35	34.28
Def Chequered Plate	38900	30000	-22.88	15.61
Def GP Sheet	32856	28681	-12.71	3.90

Outlook: The steel market across the country has been affected by the global price crash and is experiencing a downward price trend at present. Buying sentiments in the market have received a set back with the prices falling thick and fast within a very short span of time. The international slump in the steel prices has led to a grim scenario in India's domestic steel industry. Mills are cutting production and there are few takers for exports. The domestic steel market is witnessing a declining trend of late as the demand in the market has dried up.

The auction platform has remained aligned with the domestic trend and has reflected a downward trend across various flat steel items with some items even going No Bid. The month on month percentage drop has surged sharply; varying in the range of 10-30 percent. In the prevailing scenario, a dull situation is expected both in the domestic market and in the auction platform in the coming days.

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 Sep 2008 & Oct 2008 for different long products.



Price is basic

Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting
Sep'08 Wk 1	-	-	-	-	-
Sep'08 Wk 2	-	-	-	-	-
Sep'08 Wk 3	28670	27489	27291	26000	32503
Sep'08 Wk 4	29171	28066	26566	26680	33315
Oct'08 Wk 1	26659	26932	29173	24091	30552
Oct'08 Wk 2	-	-	-	-	-
Oct'08 Wk 3	22129	22482	-	18827	27859
Oct'08 Wk 4	21007	18964	25736	16504	23843
Oct'08 Wk 5	18693	18953	18812	-	25605

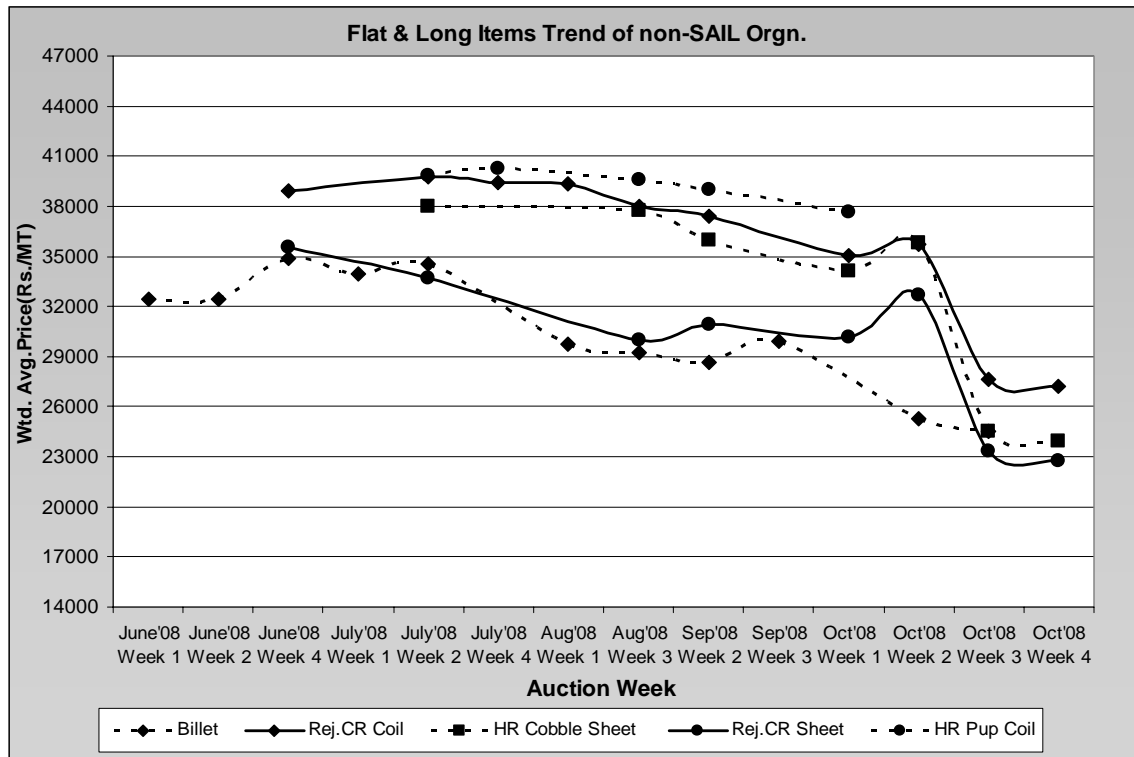
Summary of price and % change (m-m & y-y basis):

Products	Sep'08 Price(Avg.)	Oct'08 Price(Avg.)	% change(Oct'08 over Sep'08)	% change(Oct'08 over Oct'07)
Def Billet	28920	22122	-23.51	6.00
Def Rod In Coil	32918	26529	-19.41	11.00
MM End Cutting	26929	24574	-8.75	26.00
Plate Cutting	32909	26965	-18.06	17.00
Rejected Bloom	26340	19807	-24.80	1.00
TMT Bar Cutting	27778	21833	-21.40	14.00

Outlook: The domestic steel market has been affected by the global price crash and is experiencing a downward price trend at present. The international slump

in the steel prices has led to a grim scenario in India's domestic steel industry. Mills are cutting production and there are few takers for exports. Affected by the slow steel market, the billet market runs sluggish in India, and the price in the fourth week has decreased to about Rs 19,700 per tonne Ex works, down by Rs 2,500 per tonne compared to that of last week. Over a week, the semi-finished steel items in Mandi Govindgarh depicted a declining trend, exhibiting a drop of more than 17%. The ingot prices across the country witnessed a falling trend, exhibiting a drop in the range of 14% - 17%. Melting Scrap price in Mandi Govindgarh has seen a drop of more than 18.5% over a week. Sponge Iron price in Mandi Govindgarh has dropped by more than 14.5% over a week. The auction platform has also reflected a significant downward trend with the prices of various long product items falling in the range 10 to 15 per cent. In the prevailing scenario, a downward trend is expected in the coming days.

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



Price is basic

Auction Price Analysis since March 2007:

BILLET						
	Lowest Price		Highest Price		Last Price achieved	
BSP	May'07 Wk 4	18925	June'08 Wk 4	34116	Oct'08 Wk 3	21007
DSP	Oct'08 Wk 4	15000	June'08 Wk 5	34110	Oct'08 Wk 4	15000
ISP	Mar'07 Wk 1	17675	July'08 Wk 3	33810	Oct'08 Wk 3	21849

BLOOM						
	Lowest Price		Highest Price		Last Price achieved	
BSP	Oct'08 Wk 3	16504	June'08 Wk 5	31429	Oct'08 Wk 3	16504
DSP	Oct'08 Wk 4	14150	July'08 Wk 3	32950	Oct'08 Wk 4	14150
ISP	Mar'07 Week 2	16154	July'08 Wk 2	30903	Sep'08 Wk 5	25961
TMT						
	Lowest Price		Highest Price		Last Price achieved	
BSP	June'07 Wk 4	17584	June'08 Wk 4	32550	Oct'08 Wk 3	18964
DSP	Oct'08 Wk 4	16000	Mar'08 Week 2	33700	Oct'08 Wk 4	16000

N.B. The above analysis shows that the prices achieved by SAIL DSP for billet, bloom and TMT in the auction held on Oct 27, 2008 are the lowest prices achieved since March, 2007 and on the other hand, over the same time period the ingot price at Kolkata has almost touched its lowest figure since March 2007. On March 01, 2007 ingot at Kolkata was Rs. 17,110/ MT (basic) whereas ingot price at Kolkata on 27th Oct, 2008 was Rs. 17,230/ MT (basic) indicating a meager difference of Rs.120/ MT to its lowest price achieved on Mar 01, 2007. Thus the fall in the ingot prices since March, 2007 conforms to the fall in the auction prices in the last week from SAIL DSP.

Ingot Price Trend

Week	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Sep'08 Wk 1	25023	30369	29241	27636	29631
Sep'08 Wk 2	26350	30965	30170	28102	29831
Sep'08 Wk 3	26440	30728	30145	28125	29868
Sep'08 Wk 4	27100	31231	30871	28544	30250
Oct'08 Wk 1	26443	30502	30014	28325	29911
Oct'08 Wk 2	24720	28512	27961	26305	28356
Oct'08 Wk 3	22072	26495	25674	23755	24909
Oct'08 Wk 4	19292	22485	22292	19969	20918
Oct'08 Wk 5	17792	21413	21200	--	19320

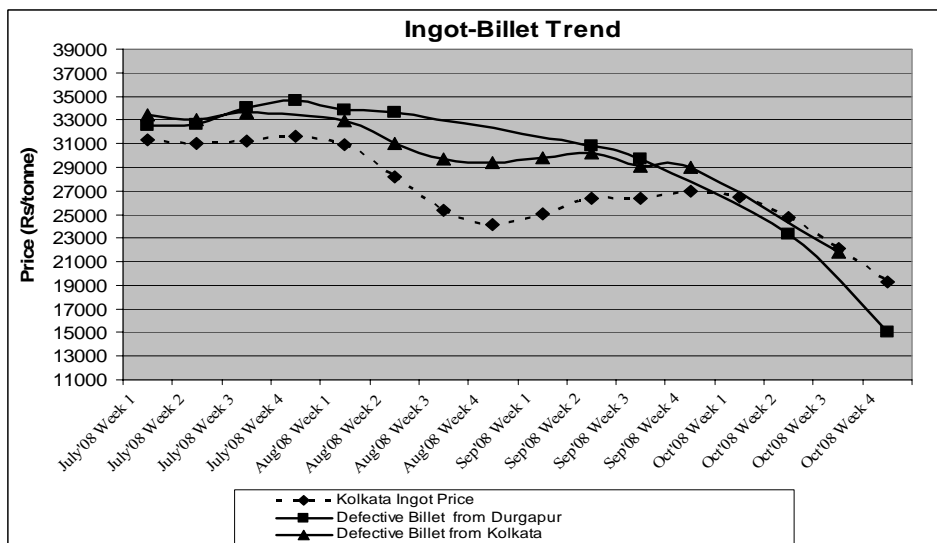
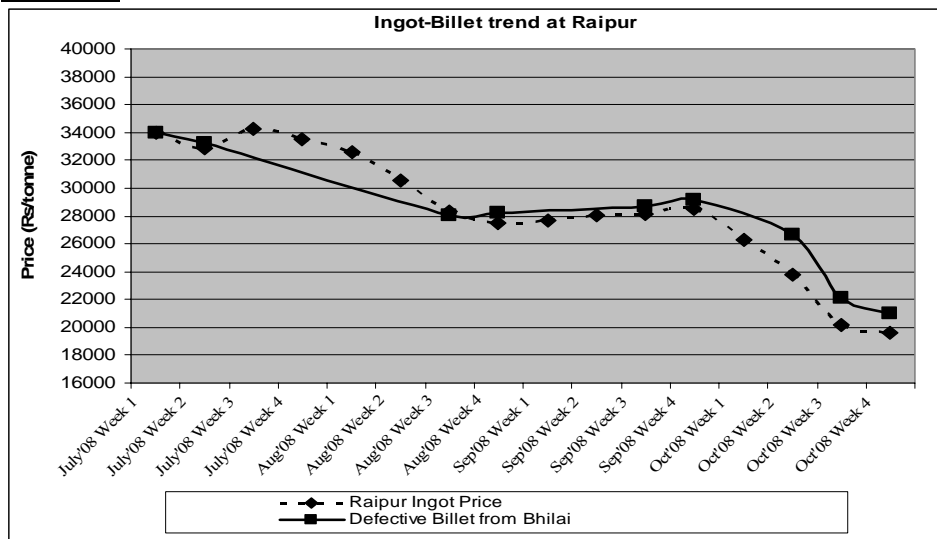
Price: (Rs. /t, basic)

Sharp rise in Ingot price fall noticed over a month

	M-M	% change(m-m)	Y-Y	%change(y-y)
Mandi	Oct'08 over Sep'08	-14.81	Oct'08 over Oct'07	17.84
Kolkata	Oct'08 over Sep'08	-16.82	Oct'08 over Oct'07	15.33
Raipur	Oct'08 over Sep'08	-15.63	Oct'08 over Oct'07	16.98
Ghaziabad	Oct'08 over Sep'08	-15.79	Oct'08 over Oct'07	16.91

Mumbai	Oct'08 over Sep'08	-16.24	Oct'08 over Oct'07	12.72
	M-M	% change(m-m)	Y-Y	%change(y-y)
Mandi	Sep'08 over Aug'08	-3.39	Sep'08 over Sep'07	40.53
Kolkata	Sep'08 over Aug'08	-3.62	Sep'08 over Sep'07	41.04
Raipur	Sep'08 over Aug'08	-5.43	Sep'08 over Sep'07	42.17
Ghaziabad	Sep'08 over Aug'08	-1.36	Sep'08 over Sep'07	42.06
Mumbai	Sep'08 over Aug'08	-3.40	Sep'08 over Sep'07	34.58

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



International Scenario

US economy recession causes global meltdown with Steel sector being badly hit.

Asia: HRC Export offer prices fell to \$700/tonne fob in the second week, down from \$780-800/tonne fob two weeks ago. Prices further plunged by \$100/tonne in the third week.

Offer prices of billet were down to \$400-420/t cfr South East Asia in the third week for November and December shipments.

China: HRC export prices drop by \$100/tonne in the second week to around \$640-650/t fob. Domestic HRC prices too weakened. Due to weak demand and plummeting HRC prices, Chinese domestic CRC prices too continued to weaken. Rebar prices too continued to drop increasing further the pessimistic atmosphere in the steel markets.

Europe: Medium section and merchant bar prices in southern Europe continue to slump this month, with drops of €60-€90/tonne in the third week. Offers for rebar were at €410-480/t and for mesh quality rod around €420-450/t in the fourth week.

Prices are continuing to fall due to declining scrap prices and non-existent demand. There is no buying in the market and no sales. Customers are having problems with obtaining credit and they have no confidence.

CIS: Billet prices reached new lows of \$370-400/t fob Black Sea in the second week. Prices continued to fall throughout the month with fears of prices even touching \$200/tonne in the distant future, according to sources.

US: Numerous negative factors are plaguing the US sheet market at the moment, with no sign of easing through the end of the year. Service centers indicate demand is lacking and there is too much inventory overhanging in the marketplace. Buyers sitting on high-priced inventory are also faced with the possibility of taking a loss, as new offers are substantially lower.

In the third week, domestic mill fob hotrolled coil prices have fallen to about \$760 per short ton for most customers, down about 30%, or \$320/s.t, from a May-June peak of about \$1,080/s.t.

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

Item Description	% Change over a week(Oct'08 Week 4 over Oct'08 Week 3)	% Change over a month(Oct'08 over Sep'08)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-4.54	-29.21	-41.12
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	-0.89	-27.82	-38.51

Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	-8.79	-26.54	-36.15
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	-7.77	-25.89	-35.65
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	7.46	-21.22	-32.71
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	-0.54	-25.91	-29.51
CIS Export Billet Black Sea/Baltic Sea \$/t	-14.30	-50.00	-66.67
CIS Export Rebar Black Sea/Baltic Sea \$/t	-16.00	-35.40	-57.58
United States Import HR coil \$ per short ton	0.00	-16.13	-30.67
United States Import CR coil \$ per short ton	0.00	12.87	-23.48
United States Import Wire Rod(low carbon) \$ per short ton	0.00	-6.25	-10.71

Note: 1 RMB=0.14US\$

Outlook:

Global: Slow demand and low prices to continue: With a weak economic environment, tight credit conditions and slowing industrial production, the outlook for steel demand and prices going forward is poor.

For November, demand could be expected to drop a little further, with no further drastic price drops expected for the rest of the year. “Nobody is certain what is going to happen. Normally this time of year, there is a resurgence in demand as customers try to replenish stocks before the holidays, however, it is uncertain whether this will happen this year,” says an Italian market source. With the rest of the year already written off by many, the first quarter of 2009 is now on the agenda, with mixed views on if and when the market will recover. “Now everything depends on the economic crisis and lending from banks. First people started saying the market will recover in Q1 but now it may be later, perhaps the end of Q1 or Q2,” says a Spanish distributor.

India: Normally, every year demand picks after the festive season, but this time the situation has reached its anti-climax point when all the regions across the world are facing a tough time with the economy meltdown reaching its peak. A bad time has gripped various sectors and with sensx showing the worst of its performance, it’s the steel and metals sector which has made a major contribution to this. The Share price of Tata Steel and SAIL has tumbled by 52 percent and 37 percent respectively over a month.

A tough time is expected over the days with no signs of improvement taking place so quickly. Prices will continue to remain downward with no real demand actually coming up. According to sources, most construction plans have been postponed because of money strain, so the demand from end users cannot become stronger in a short time.

Data Sources:

- 1) www.ncdex.com
- 2) Steel Town Weekly, Mandi Govindgarh
- 3) Steel Business Briefing
- 4) Metal Bulletin



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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Indian domestic met coke prices decline: India's domestic spot market prices for metallurgical coke have dropped by about Rs 4,000-5,000/tonne (\$122-152/t) from end-August levels.

The fall in met coke prices is due to the end of the monsoon season in India, the decline in steel production and prices, as well as a drop in spot market prices of imported coking coal.

Indian iron ore spot prices drop by USD 30/tonne over a fortnight: Dim market continued to prevail beginning October. The export market condition has further deteriorated with continuous slowdown in Chinese steel market. Import Iron ore market has remained quiet in China as demand from consumers runs so weak, and it is hard to conclude any deals at present along with a sharp price decrease. Also, the Chinese steel market has further received a setback due to US economy recession; the raw materials sector has been badly hit. Buyers are very reluctant to make any new purchase and are holding their liquidities with less stock of material.

The table below gives the price trend of Indian Iron Ore Fines (63.5%) exported to Chinese market

Date	Price Base	Low price(US\$/t)	High Price(US\$/t)	Trend
22.09.08	FOB	100	105	
06.10.08	FOB	75	85	↓
13.10.08	FOB	75	80	↓
20.10.08	FOB	65	70	↓
27.10.08	FOB	60	65	↓

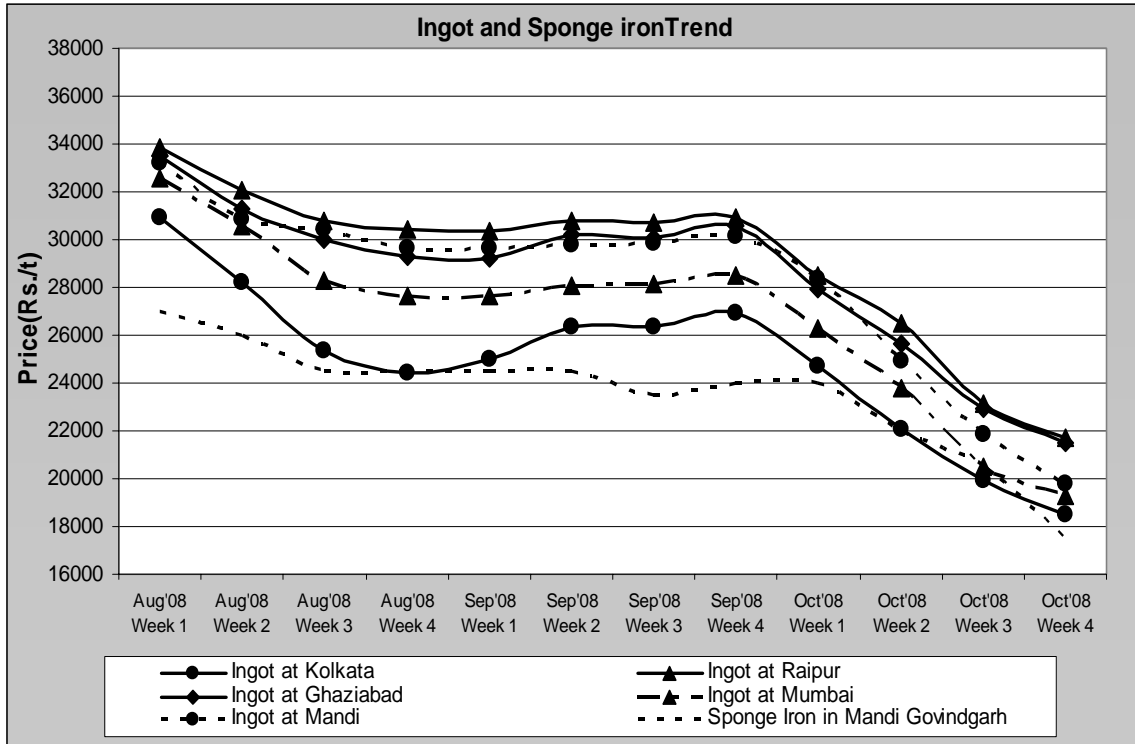
Global meltdown hits the pig iron and scrap sector everywhere with prices taking a record nosedive. Slackening demand, non-availability of credit has further worsened the situation. Mills are idling production and laying off workers due to a lack of orders as service centers refrain from making purchases. Some sources expressed concern that scrap prices are dropping so quickly in light of weakened business confidence in the current gloomy markets.

Drop in Pig Iron prices in the range of Rs.5000-6000/tonne on an average over a month.

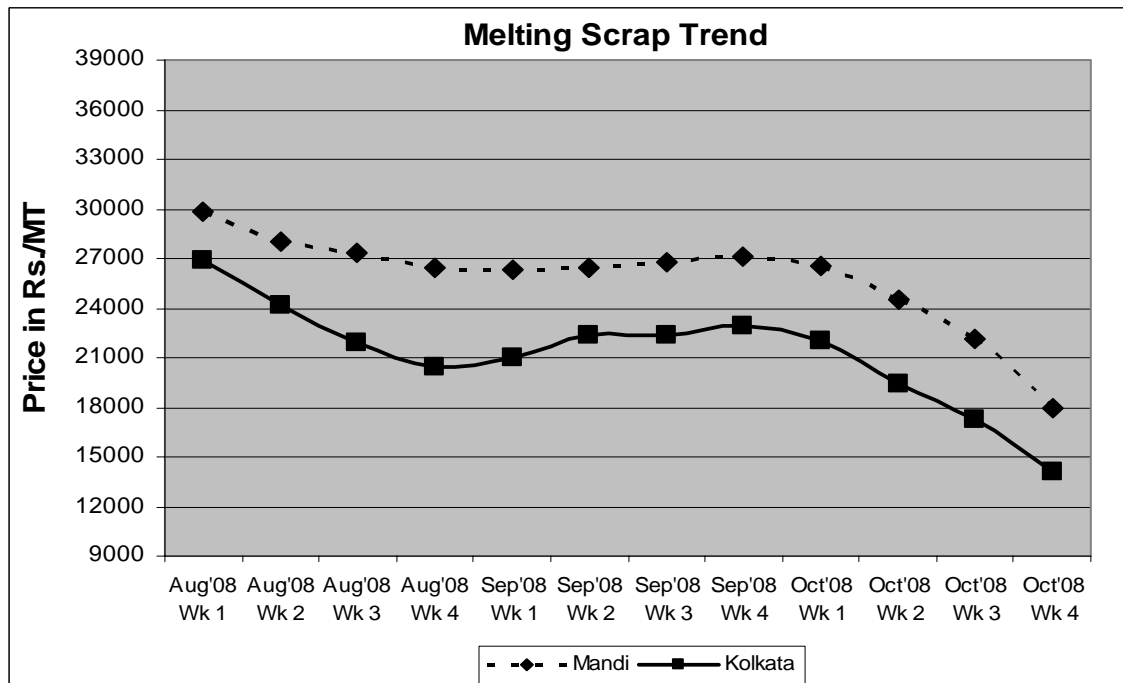
Pig Iron (Steel Grade) from **BSP** is currently prevailing at Rs.20,000/tonne (basic), a drop of Rs.5,500/tonne from the earlier price.

Pig Iron (Steel Grade) from **NICCO** is currently prevailing at Rs.18,000/tonne (basic) in Raipur market.

The graphs below give price trend of Ingot, Sponge Iron and Melting Scrap across various places:



Ingot price is basic; Price (Rs. /t), Sponge Iron price in Rs./tonne is including excise



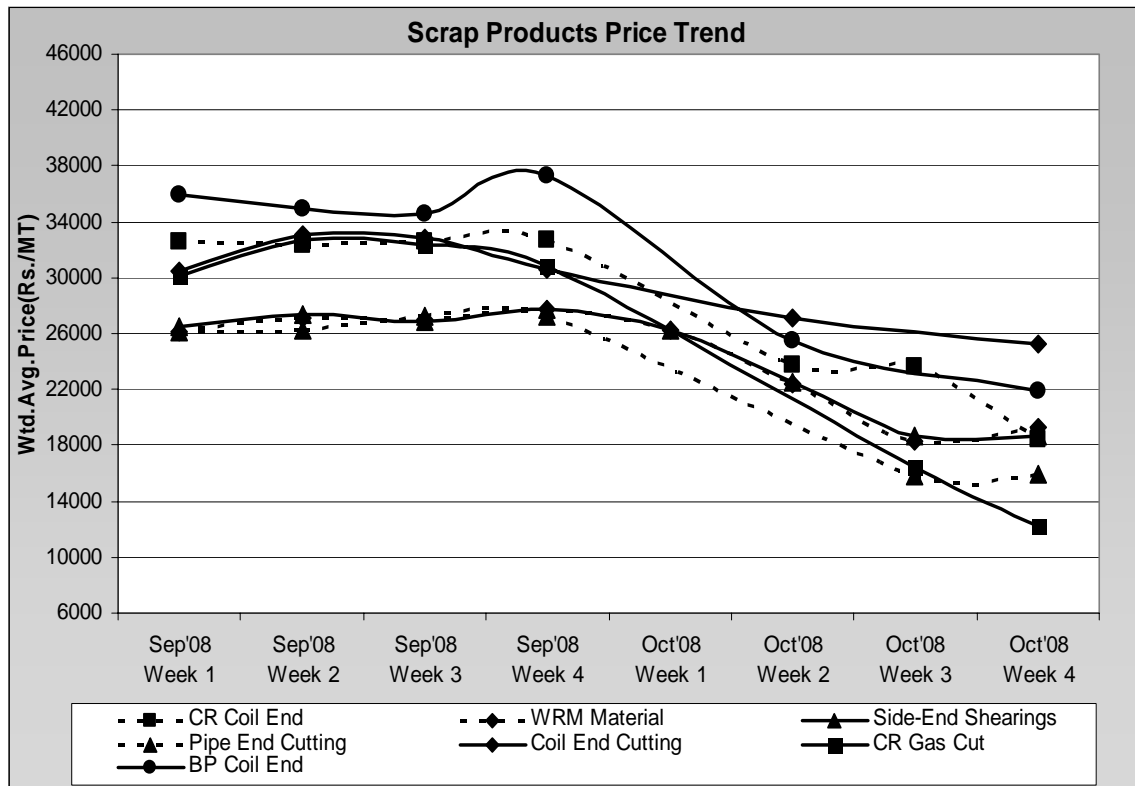
Price in Rs./tonne is basic

Price Movement

	Review	Outlook
Scrap	Oct 2008 over Sep 2008	Nov 2008 over Oct 2008
Pig Iron	↓	↓
Sponge Iron	↓	↓
Melting Scrap	↓	↓

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

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Sep 2008 and Oct 2008 for different scrap products.



Price is basic

Attached below is the data table:

Week	CR Coil End	WRM Material	Side-End Shearing	Pipe End Cutting	Coil End Cutting	CR Gas Cut	BP Coil End
Sep'08 Wk 1	32586	26088	26542	26148	30450	30150	35950
Sep'08 Wk 2	32383	27167	27373	26288	33100	32650	34900
Sep'08 Wk 3	32539	26981	26832	27239	32843	32350	34600
Sep'08 Wk 4	32705	27767	27762	27278	30650	30850	37350
Oct'08 Wk 1	--	26269	26192	--	--	--	--
Oct'08 Wk 2	23739	22440	22538	--	27100	--	25487
Oct'08 Wk 3	23590	18332	18636	15776	21654	16442	15000
Oct'08 Wk 4	18394	19264	18728	15956	--	12175	21920

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

Products	Sep'08 Price(Avg.)	Oct'08 Price(Avg.)	% change(Oct '08 over Sep'08)	% change(Oct '08 over Oct'07)
Coil End Cutting	31761	26165	-17.62	49.00
CR Coil End	32553	21908	-32.71	-9.00
Pipe Cutting	26738	15866	-40.66	46.00
Side-End Shearing	27127	21523	-20.66	46.00
WRM Material	27001	21576	-20.09	47.00
BP Coil End	35700	23703	-33.61	51.00

Outlook: The steel market across the country has remained downward since the beginning of October owing to the current global crisis. Melting Scrap Price has seen a drop of Rs.4000/tonne over a fortnight in the second week. Prices deteriorated further towards the end of the month with demand remaining dull and buying activity taking place at almost a snail's pace. MS Melting Scrap fetched an auction price of Rs.15,000/tonne (basic) in the fourth week of the month. As seen from the above graph, all the items have seen a sharp drop in prices every week till the end of the month. With market not expected to revive very soon, a similar downward trend is expected in the coming month.

International Scenario:

Global meltdown hits the pig iron and scrap sector everywhere with prices taking a record nosedive. Slackening demand, non-availability of credit has further worsened the situation. Mills are idling production and laying off workers due to a lack of orders as service centers refrain from making purchases. Some sources expressed concern that scrap prices are dropping so quickly in light of weakened business confidence in the current gloomy markets.

Global scrap prices continue downward trend: In USA, Europe and Russia, the main scrap providers are facing the difficult situation for the plunging scrap prices as the demand remains weak and the mills are gradually cutting or stopping output. Therefore, it is believed that the scrap price will keep on dropping, and may even fall to USD 150 per tonne CFR if demand is further lowered. Moreover, some steel mills are asking scrap suppliers for discounts or cancellations because of the plunging price.

US scrap prices take a nosedive to \$225/1.ton in the second week of the month from \$320 a long ton a few days ago. The demand remained nearly nil towards the latter half of the month with mills working off inventory. The market remained so bad that one of the large US mills bought no scrap this month. Scrap buyers have been unable to sell their material and are becoming cash short. Scrap procurers are stopping their buys, as they are already over-inventoried. They are also making deals to buy scrap for as little as \$60 a long ton on the condition that they do not have to pay for the material until next year.

European Scrap market goes to sleep, prices down again: Most steel mills are buying less than normal, many are buying a lot less, some are buying only certain grades, and some are buying nothing at all. After such a bullish first half year, a mantle of pessimism now seems to be slowly enveloping merchants, with talk by some of no improvement in the market before year-end and no real export activity for another six months.

In Eastern Europe prices look likely to be less hard hit with falls of €25-30/t, in Eastern Germany prices have declined by €50-60/t in the second week.

Sentiment for ferrous scrap worsens in Asia: Offers of scrap to East Asia continue to fall in a market facing bearish sentiment. In the third week, bulk shipments of shredded were offered at around \$250/t cfr China and 80:20 HMS 1/2 at around \$235/t cfr for US and South African material; prices for containerized shipments were at around \$200/t cfr East Asia.

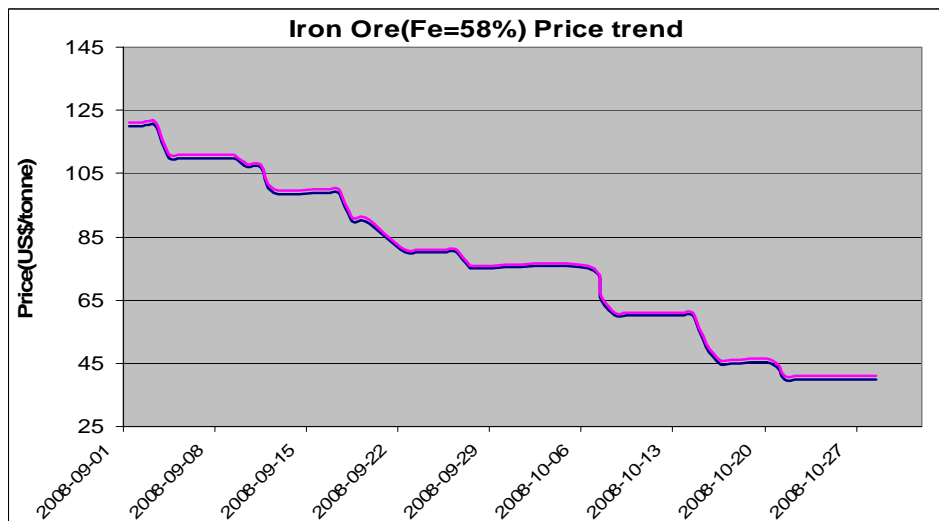
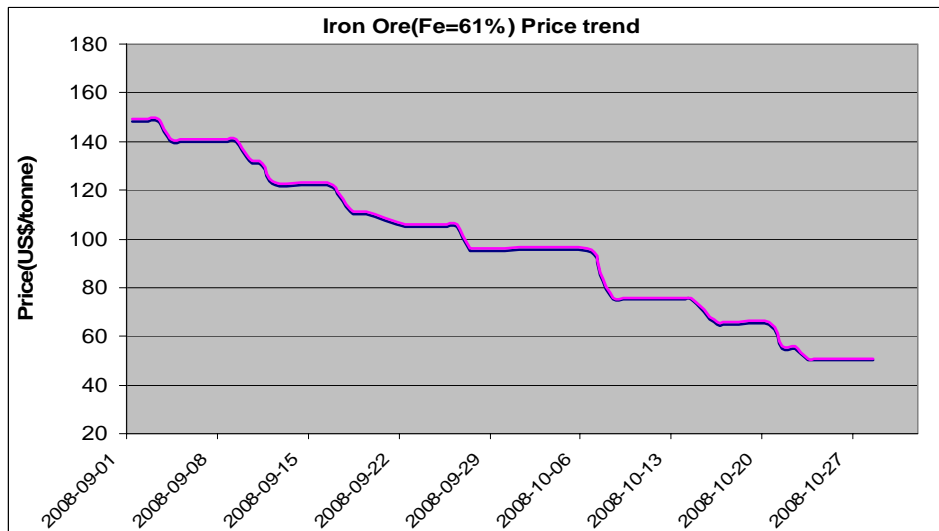
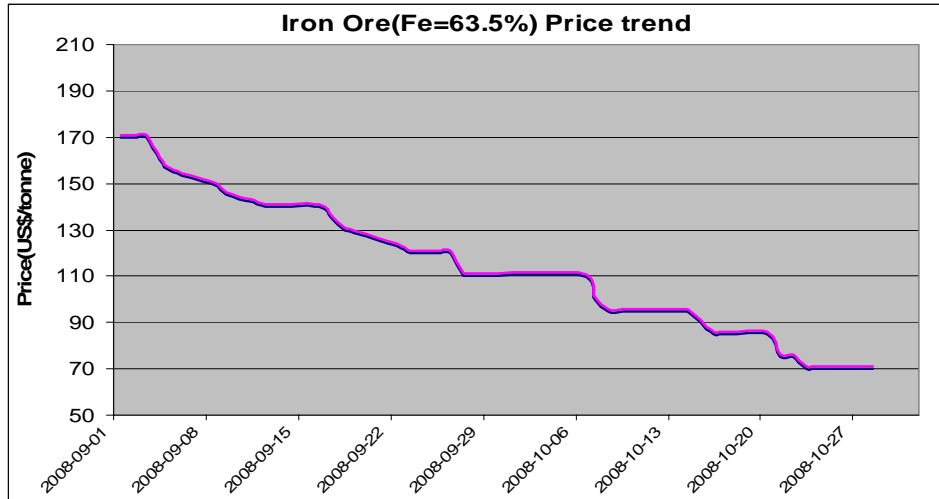
China scrap prices retreat to two year low: The price for heavy scrap (over 6mm thick) in eastern China prevailed at around RMB 2,000-2,100/t (\$293-307/t), including 17% VAT in the third week of the month, dropping nearly RMB1,200/t (\$175/t) from late September.

“The market has been crazy with prices dropping nearly every day. Confidence has nearly collapsed,” a trader says. The demand for scrap has been squeezed because of mills’ production cuts and some of them may never start production again. The price of pig iron, used as an alternative to scrap, has also dropped over the past three weeks. The third week saw pig iron price in northern China’s Hebei province at about RMB 2,500-2,600/t, down by nearly RMB 1,000/t from the end of September.

Chinese coke export prices decline: China’s coke export prices have dropped further from earlier this month in line with the rapidly deteriorating steel market. The export price of first grade metallurgical coke is about \$500-520/t on an fob basis, down from early October’s \$650-700/t. The lack of demand is still the main reason for the large decrease in coke prices. Coke exporters complain that steel production cuts have spread over the global market and nearly all overseas customers are holding their orders now.

The international market for Iron Ore Fines has been badly hit by the global recession. Both domestic and import prices of Iron Ore Fines have shown a downward trend in China throughout the month of October. Prices have dropped in the range of 35-50% across various grades over a month.

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



Price is CNF China in US\$/t

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
July-08	504.00	
Aug-08	457.00	↓
Sep-08	317.00	↓
Oct-08	215.00	↓

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
July-08	637.00	
Aug-08	530.00	↓
Sep-08	364.00	↓
Oct-08	215.00	↓

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

Month	Average Price(\$ per long ton)	Price movement
July-08	634.00	
Aug-08	533.00	↓
Sep-08	369.00	↓
Oct-08	220.00	↓

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

Month	Average Price(\$ per tonne)	Price movement
July-08	632.00	
Aug-08	500.00	↓
Sep-08	348.00	↓
Oct-08	245.00	↓

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

Month	Average Price(\$ per tonne)	Price movement
July-08	582.00	
Aug-08	448.00	↓
Sep-08	298.00	↓
Oct-08	188.00	↓

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
July-08	637.00	
Aug-08	504.00	↓
Sep-08	353.00	↓
Oct-08	243.00	↓

Outlook:

Global market to remain on a downward note in the coming month.

India: Normally, every year demand picks after the festive season, but this time the situation has reached its anti-climax point when all the regions across the world are facing a tough time with the economy meltdown reaching its peak. A bad time has gripped various sectors and with sensex showing the worst of its performance, it's the steel and metals sector which has made a major contribution to this. A tough time is expected over the days with no signs of improvement taking place so quickly. Prices will continue to remain downward with no real demand actually coming up.

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

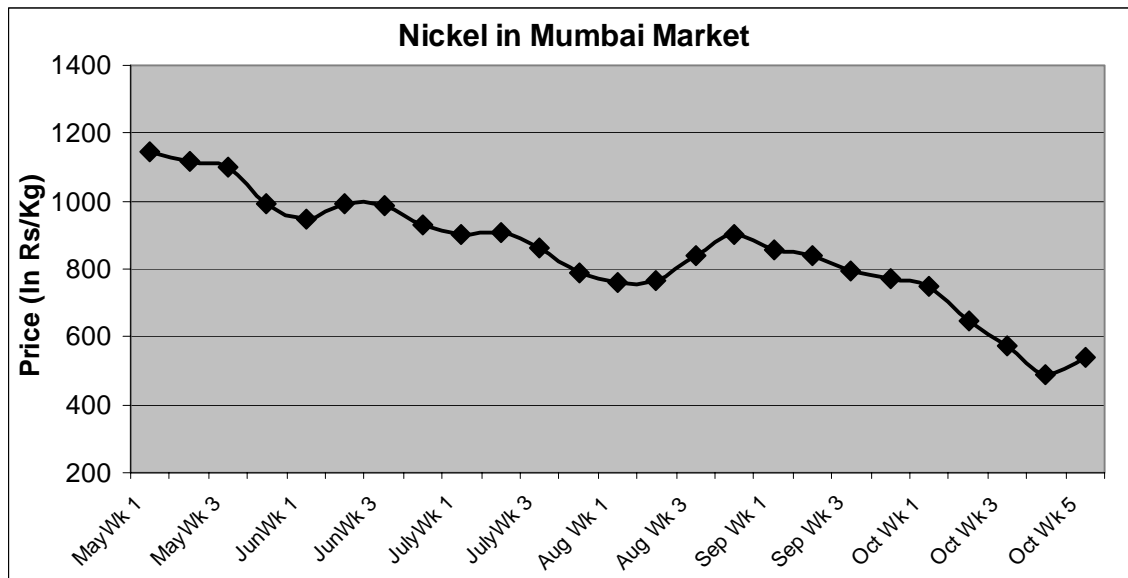
Domestic Scenario:

The domestic stainless steel market has exhibited a declining price trend across various stainless steel grades with the weakening nickel prices both in the domestic and international market. Nickel in the Mumbai market prevailed at Rs. 621.80/ Kg (basic) on Oct 31, 2008 and the Nickel prices in Mumbai market exhibited a drop of 6.84 per cent over a week. On the other hand, Nickel in the London Metal Exchange also depicted a downward price trend as the nickel prices in LME dipped by around 4.62 percent as compared to the previous week.

Market feedback of Prime SS from Delhi

SS 201 (1mm - 3mm):- Rs. 65,000/tonne (basic)
 SS 301 (1mm - 3mm):- Rs. 1,00,000/tonne (basic)
 SS 304 (1mm - 3mm):- Rs. 1,08,000/tonne (basic)

Nickel Price movement in domestic market:

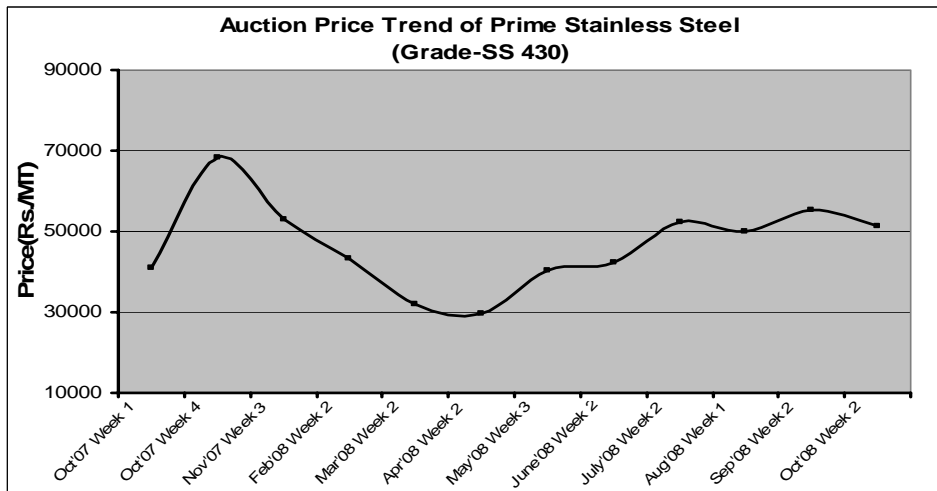
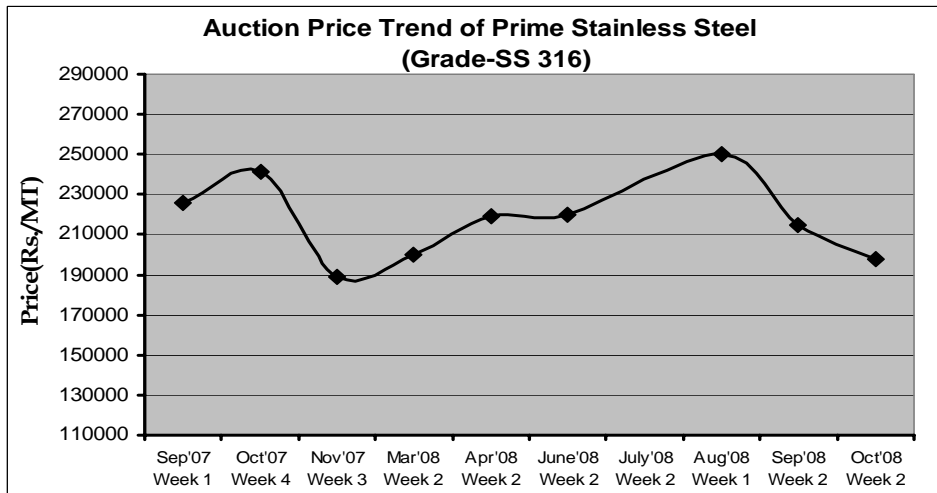
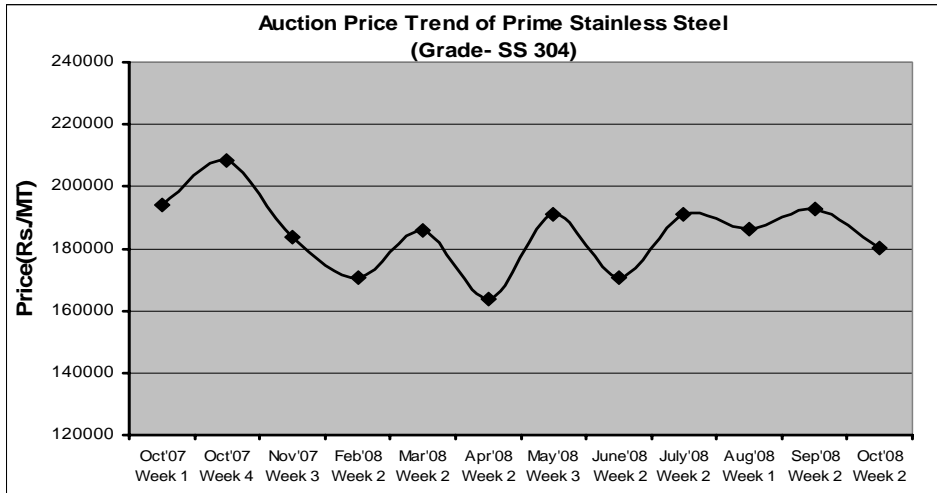


Price (Rs./kg) is basic

Price Movement

	Review	Outlook
Steel Product	Oct 2008 over Sep 2008	Nov 2008 over Oct2008
Stainless Steel	↓	↓

The graph below gives the auction trend of Stainless Steel:



Price (Rs./tonne) is basic

Outlook: Downturn was noticed in the market with demand remaining poor and Nickel prices seeing a record slash with global recession. Our auction

platform fetched a price of Rs.50,000/ MT (basic) for stainless steel scrap in the auction held on Oct 16, 2008.

The international market appears to remain gloomy in the coming month. Not much buying activity is expected to be seen in the domestic market and with Nickel prices receiving a setback the market is expected to remain on a downward note in the coming days.

International Scenario:

Asia: Asian stainless steel prices have dipped US\$ 300-500/tonne in the first week as producers and traders factor-in the nickel price plunge resulting from the worsening financial crisis. Prices of 304 2mm 2B CR sheet for one-to-two-month delivery were trading at US\$ 2,900-3,200/tonne cfr China on Oct 06, down from US\$ 3,400-3,500/tonne in late September and were at US\$ 2,800-3,000/tonne cfr China on Oct 13, down from US\$ 2,900-3,200/tonne a week earlier and were at \$2,500-2,700/t cfr China in the 20 October week, down from \$2,800-3,000/t tonne cfr China a week earlier.

Nickel based stainless steel scrap prices down: It is reported that Japanese stainless steel mills will start to purchase nickel based stainless steel scrap. The price has plunged and the current purchasing price is down to JPY 120,000 to JPY 130,000 per tonne which is similar to the price of 4 years ago and will lower further. The output volume of nickel based stainless steel scrap is about 70,000 tonnes to 80,000 tonnes per month in Japan; they generally sell above 90% to both Korea and China.

China: Chinese 202, 430 stainless CRC prices in free fall: Prices have fallen by RMB 4,400/t (\$644/t) and RMB 1,000/t (\$146/t) respectively this month as suppliers sell on fears of worsening economic fallout.

US: Stainless steel consumption drops in US market, import penetration rises.

Europe: Stainless steel prices are falling sharply on low demand. Type 304 CRC, 2mm thick stainless sheet delivered prices from European mills were at about US\$ 3,400/tonne cfr in the second week, which is US\$ 500/tonne lower than last month.

The stainless steel market is in a big mess. Mills and stockists are desperate for sales, but conditions have weakened in many end-use sectors and there is much less buying. Also, with a €300-plus drop in alloy surcharges in November, customers are holding back.

The tables below give an overview of stainless steel prices worldwide

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

Type	Aug'08	Sep'08	Oct'08	Nov'08*
HR 304	24500-25000	23500-24000	18300-18800	16500-17000
CR 304 2B	26200-26700	25500-26000	19000-19500	17500-18000
CR 202 2B	22600-23000	22400-22600	18000-18200	17000-17200
CR 430 2B	11900-12200	11600-11800	10800-11000	10000-10200

Europe:

CR 304 2B 2mm,Euro/t Ex-Works	Aug'08	Sep'08	Oct'08	Nov'08*
N.Europe	1050-1100	1050-1100	1000-1070	950-1050
S.Europe	1000-1050	1000-1050	980-1050	950-1000

Europe:

CR 430 BA 2mm,Euro/t Ex-Works	Aug'08	Sep'08	Oct'08	Nov'08*
N.Europe	1030-1080	1050-1130	1000-1100	950-1050
S.Europe	1000-1050	1050-1100	1020-1050	950-1000

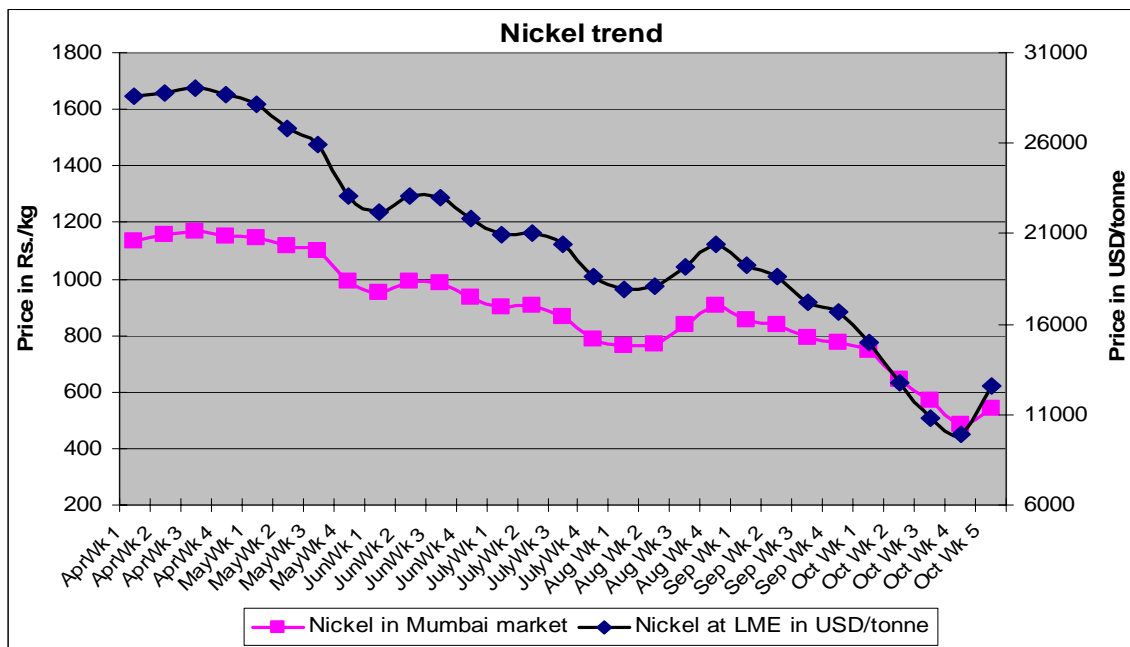
(*): SBB forecast

Note: 1US\$= Rs.48.52, 1Euro= Rs.61.89, 1 RMB=0.14US\$

Nickel Trend: Nickel prices have seen a sharp fall throughout the month of October on account of global economic recession with prices touching a low of 8805USD/tonne. The month ended on a slightly positive note with a sharp drop 31 percent seen over a month.

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
May-08	25,723	-10.52	-50.67
June-08	22,579	-12.22	-45.84
July-08	20,152	-10.75	-39.68
Aug-08	18,906	-6.18	-31.73
Sep-08	17,879	-5.43	-39.42
Oct-08	12,357	-30.89	-60.18

The graph below gives a comparative price trend of Nickel in the global and domestic market.



Outlook:

Downturn was noticed in the market with demand remaining poor and the Nickel prices seeing a nosedive both in the international & domestic markets following the global financial crisis. The international market appears to remain gloomy in the coming days.

Prices are expected to continue weakening in the near-term on weak demand and as more downstream companies go out of business because of the economic downturn. Production stoppage is expected to carry out for at least next three to four months to clear excess inventory in the market.

No near-term boost for China stainless exports: Hopes among China's stainless steel industry for a boost to exports have faded as the country's Ministry of Finance left stainless steel off a list of products whose value-added tax rebates will soon be increased.

Europe: The double negative of a weakening market and falling prices looks likely to continue. There is no sign of an early economic upturn, and the alloy surcharge could fall further in December if nickel languishes at current levels of around \$10,000/tonne. On top of this, credit to support inventory and trading is harder to get, and everyone in the supply chain has an eye on year-end stocks.

The earliest there can be any upturn is quarter one 2009 – and prices may not rise even if volume does.

Data Sources:

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



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