

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

Essar Steel will increase production to 5.5 million tonnes from the present 3 million tonnes by the end of this year. With its expansion plans it would become the **largest producer of flat steel products** in the country. The company expects its market share to go up from **13 to 15 per cent in the domestic flat products segment** and its share in specialty segments in hot rolled products to go up from 34 to 48 percent. Such type of capacity addition will benefit the domestic steel sector and there will be a healthy demand supply scenario. (www.manoramaonline.com)

Sudden dip in steel market in North India: Steel prices have gone down abruptly by Rs.400-500 per tonne in North India in the mid of September after two weeks of power supply disruption. The price of **plate (5-10 mm)** has **declined to Rs.28,000 (landed) in Mandi Gobindgarh. Both HR coil & HR Sheets** prices are down **to Rs.27,500 per tonne**. Prices are falling once again because buyers are not placing fresh orders and are waiting for the festive season. With power cut, steel production has been hit and prices are expected to stabilize in the month of October. (**The Economic Times**)

Price trend of prime steel prevailing in Mandi Govindgarh market:

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

	23.09.05	20.09.05	16.09.05	02.09.05	30.08.05	26.08.05	12.08.05
Plate(5-10 mm)	28000	28000	28000	28300	28000	28300	28300
HR Coil	27500	27500	27500	27800	27500	27800	27800
HR Sheets	27500	27500	27500	27800	27500	27800	27800
CR Coil	33000	33000	33000	33100	33000	33100	33100
CR Sheets	32000	32000	32000	32100	32000	32100	32100
GP Coil	35000	35000	35000	35100	35000	35100	35100
GP Sheets	35000	35000	35000	35100	35000	35100	35100

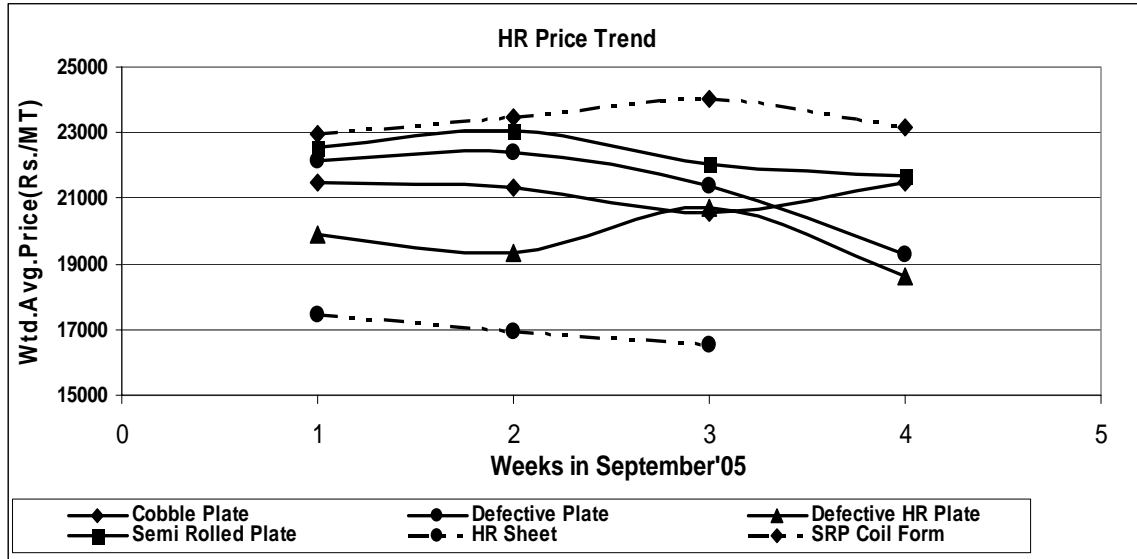
Long Products: Price (Rs. /MT) incl.excise duty

	23.09.05	20.09.05	16.09.05	02.09.05	30.08.05	26.08.05	12.08.05
Billets(100*100 mm)	22200	22300	22100	22200	22400	22700	20500
Blooms(150*150 mm)	24600	21500	24600	24800	22000	24600	24400
MS Rounds(22/25 mm)	23900	24400	23900	24700	25100	24800	22600
MS Squares(22/25 mm)	23800	24300	24200	24500	24600	25000	22200
MS Angles(25*6mm)	24100	24200	24100	24900	25100	24800	22700
MS Channels(75*40 mm)	24600	24900	24800	25400	25800	25400	22900
Joists(150*75mm)	25500	25500	25500	26000	26000	25800	24500

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 September 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	HR Sheet
1	21475	22131	19881	22550	22950	17450
2	21317	22392	19322	23079	23450	16936
3	20564	21402	20700	22050	24050	16550
4	21500	19307	18609	21700	23150	

Cobble Plate: The product showed a falling price trend throughout the month.

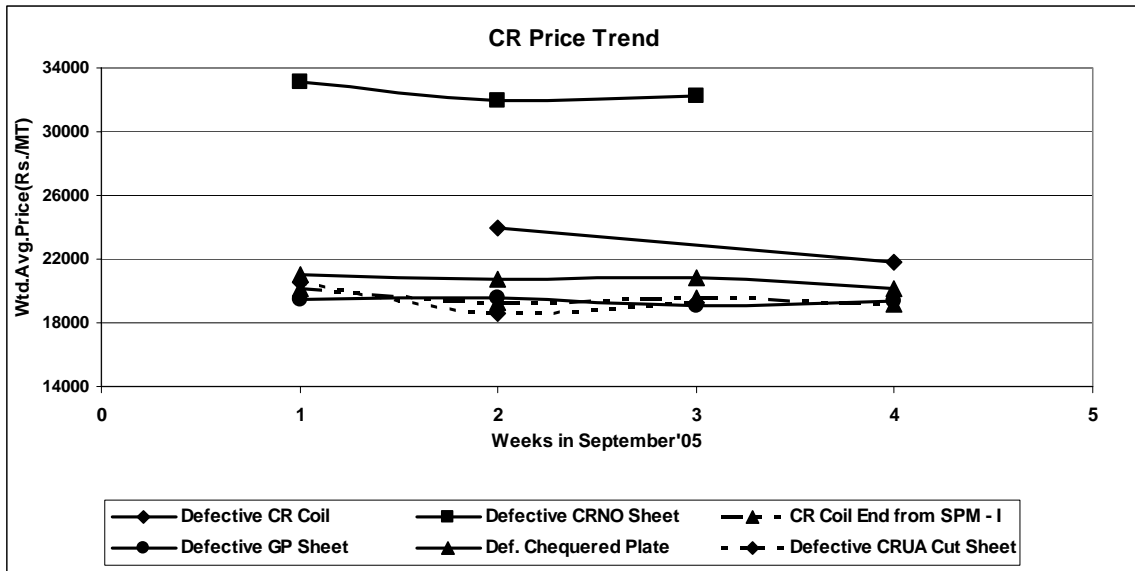
Defective Plate: The product showed a slight rise in price in the second week and then again a fall in the end of the month.

Defective HR Plate: The product ended with a decrement of around Rs.2100/Mt 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 price trend in the fourth week.

HR Sheet: The product had a steady fall in price towards the end of the month.



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	Def. Chequered Plate	Defective CRUA Cut Sheet
1		33150	20100	19496	21000	20510
2	23950	31950	19250	19580	20750	18550
3		32200	19596	19102	20850	19223
4	21800		19166	19394	20100	

Defective CR Coil: The product showed a declining trend in the fourth week.

Defective CRNO Sheet: The product had a dip in the second week and again had a rise in the third week.

CR Coil End from SPM-I: The product showed a slight rise in price in the third week of the month.

Defective GP Sheet: The price of this product hovered around Rs.19,000/MT to Rs.19,500/MT.

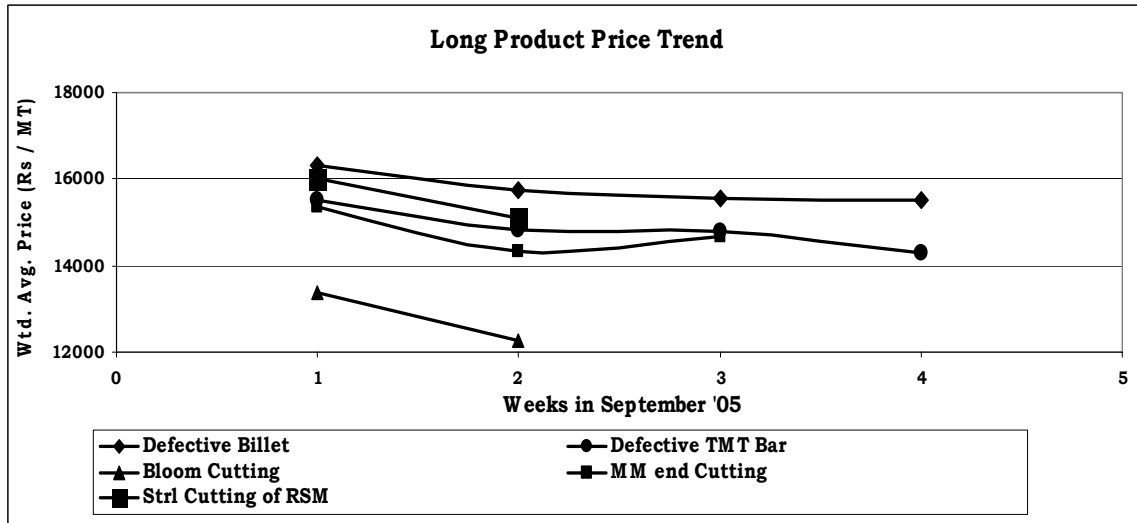
Defective Chequered Plate: The product showed a fall in price in the end of the month.

Defective CRUA Cut Sheet: The product had a steady decline in price in the second week and then again a slight rise in the third week.

Outlook: With continuous dip in ingot price, prices of flat product items are to remain softened in the market.

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 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	16332	15510	13386	16000	15369
2	15735	14813	12263	15085	14330
3	15551	14800			14681
4	15519	14300			

Defective Billet: The product showed a steady fall in price throughout the month.

Defective TMT Bar: This product too showed a steady fall in price throughout the month.

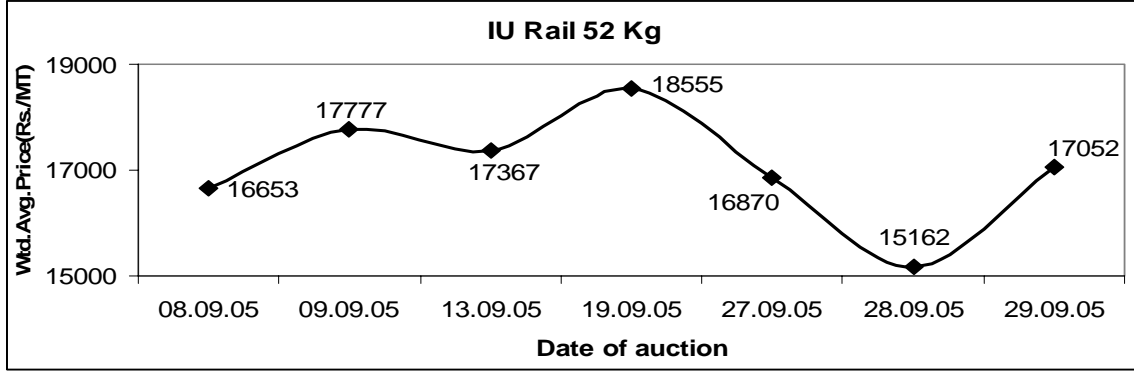
Bloom Cutting: The product showed a declining price trend.

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

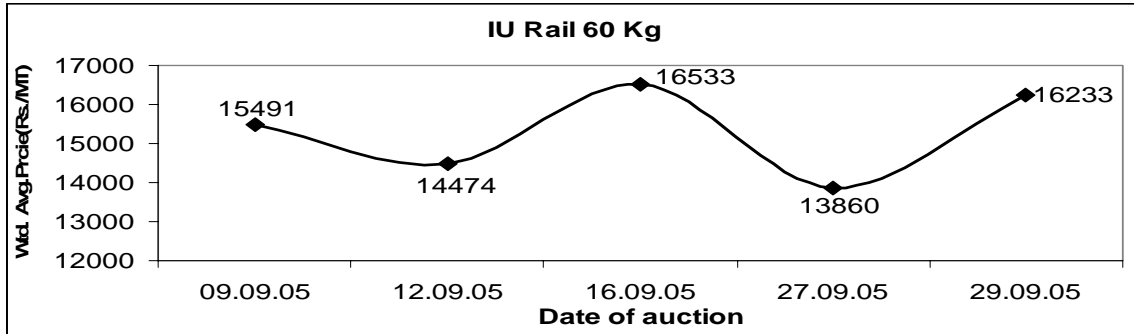
MM End Cutting: The product ended with negative note in the market.

Outlook: With continuous dip in ingot price, prices of long product items will remain soft 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

IU Rail 60 kg:

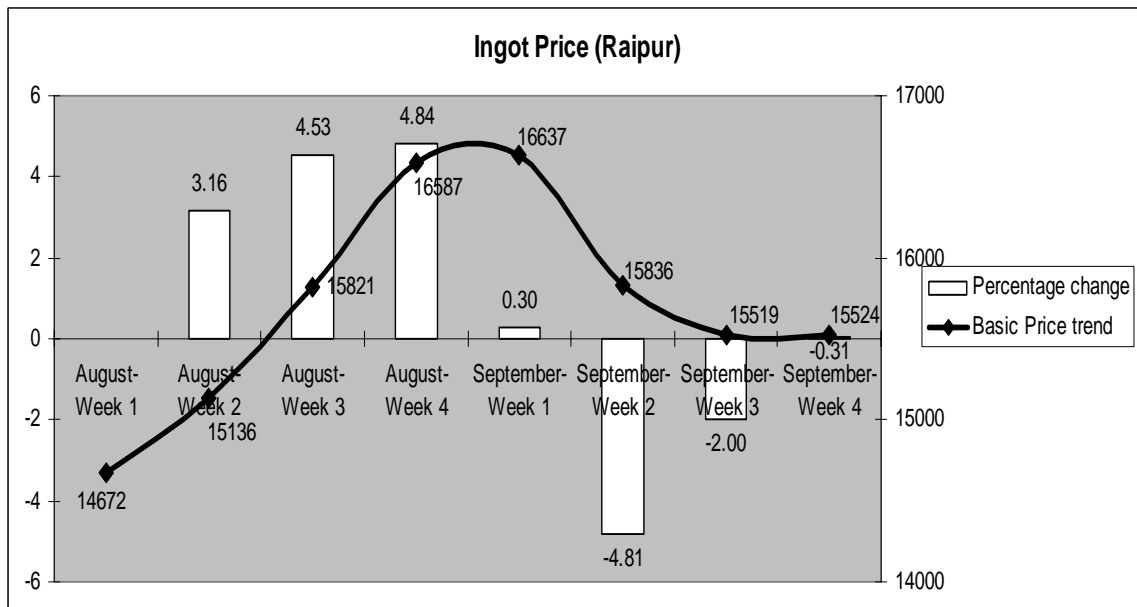
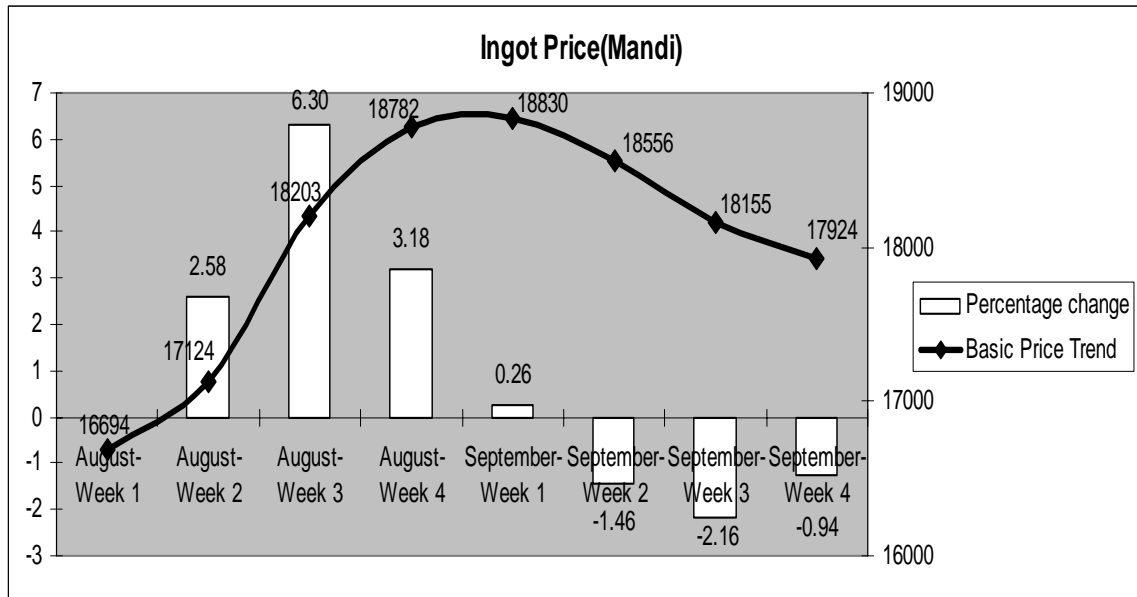
09.09.05	15491	CMO Kanpur
12.09.05	14474	CMO Bhilai
16.09.05	16533	CMO Mandi
27.09.05	13860	CMO Bhilai
29.09.05	16233	CMO Mandi

Price is basic

Both the IU Rail grades showed a major fall in price in the fourth week of September but again ended on a higher note for the auction held on 29th September. The main reason behind the jump in price was the rise in demand

for both the 52 kg item and 60kg item. The 52 kg item from CMO Ghaziabad had only two lots and bidders were eager to take the material, so there was a jump in price. Similarly, the 60 kg item from CMO Mandi had a good demand and the major increase in price for two lots resulted in an overall increase.

Pencil Ingot Price Trend Comparison for August-September (in Mandi Gobindgarh & Raipur market) (Source: NCDEX)



Price is basic.

Ingot price has shown a continuous fall in the month of September for both the places.

International Scenario

Arcelor to raise steel prices in Q4: The Company will raise prices of **flat products** by several dozen euros a tonne, for delivery in the fourth quarter. It is expected that there will be a rise in apparent demand in the fourth quarter of this year and the first of next year.

China-Steel Production & Consumption Forecast (m tonnes)

	2004	2005	2006	2007
Crude Steel Production	269	348	383	413
Crude Steel Consumption(Real)	292	325	357	392
Under/Over supply(-/+)	-23	23	26	21
Flat Steel Production	72	115	150	175
Flat Steel Consumption (Real)	92	+110	+132	+158
Under/Over supply(-/+)	-21	-5	+18	+17

Source: **Deutsche Bank**

An overall higher forecast is expected in the coming year with new capacity addition.

The table gives an overview of billet & slab prices worldwide :(**Steel Business Briefing**)

		Jul'05	Aug'05	Sept'05	Oct'05 *	%Change
East Asia Import	Billet-CFR \$/t	340-370	350-370	360-380	360-380	0.0%
	Slab-CFR \$/t	300-330	330-350	310-330	310-330	0.0%
China Domestic	Billet-FOB Shanghai (incl.17% VAT)RMB /t	2700-2790	2800-3000	2950-2980	2900-2950	-1.3%
	Slab-FOB Shanghai (incl.17% VAT)RMB /t	2500-3000	2500-2800	2450-2750		-1.9%

*SBB forecast

The table gives an overview of flat steel prices worldwide :(**Steel Business Briefing**)

		Jul'05	Aug'05	Sept'05	Oct'05 *	%Change
N.Europe	HRC- EXW €/t	400- 420	400- 410	350-380	360- 390	+2.7%
	CRC EXW €/t	520- 540	450- 480	450-490	460- 500	+2.1%
	HDG EXW €/t	500- 520	490- 500	490-500	500- 510	+2.0%
S.Europe	HRC- EXW €/t	320- 420	340- 380	350-380	360- 390	+2.7%
	CRC EXW €/t	420- 530	440- 480	450-480	460- 490	+2.1%
	HDG EXW €/t	400- 500	440- 480	470-480	480- 490	+2.0%
Europe Domestic	Plate EXW €/t	530- 660	460- 600	480-560	480- 550	-1.0%
N.America Domestic	HRC- FOB US Midwest mill \$/s.ton	430- 450	430- 450	460-480	510- 560	+13.8%
	CRC- FOB US Midwest mill \$/s.ton	530- 550	520- 540	560-580	600- 640	+8.8%
China Domestic	HRC- FOB Shanghai (incl.17% VAT)RMB /t	3400- 4000	3700- 3900	3600- 3800	3500- 3700	-2.7%
	CRC- FOB Shanghai (incl.17% VAT)RMB /t	5300- 6000	5500- 5800	5450- 5900		+0.4%
	HDG- FOB Shanghai (incl.17% VAT)RMB /t	5400- 6000	5450- 6050	5400- 5900		-1.7%

*SBB forecast

The table gives an overview of long steel prices worldwide :(**Steel Business Briefing**)

		Jul'05	Aug'05	Sept'05	Oct'05 *	%Change
Europe Domestic	Medium sections delivered €/t	400-470	430-450	450-520		+4.3%
	Merchant bar delivered €/t	370-430	400-460	425-485		+5.8%
	Rebar delivered €/t	320-440	370-455	440-500	460-520	+4.3%
	Wire Rod mesh delivered €/t	320-380	340-385	400-460	420-470	+3.5%
N.America Domestic	Rebar-FOB US Midwest mill \$/s.ton	460-480	430-450	470-490	490-510	+4.2%
	Wire Rod Mesh FOB US Midwest mill \$/s.ton	480-520	470-500	480-500	510-530	+6.1%
	Merchant Bar FOB US Midwest mill \$/s.ton	480-510	460-480	490-520	510-540	+4.0%
China Domestic	I-Beams-FOB Shanghai(in cl.17% VAT)RMB/t	3600-3620	3580-3600	3580-3600		0.0%
	Rebar-FOB Shanghai(in cl.17% VAT)RMB/t	3030-3240	3140-3300	3160-3330		+0.8%
	Wire rod-FOB Shanghai(in cl.17% VAT)RMB/t	3160-3370	3270-3360	3100-3300	3150-3200	-0.8%
	Merchant Bar-FOB Shanghai(in cl.17% VAT)RMB/t	3050-3500	3250-3400	3250-3400		0.0%

*SBB forecast

Overall Scenario:

Domestic prices will weaken further in the month of October after a falling trend in September: Steel prices will see a downward trend in the next month though the slide is expected to be much slower than witnessed recently. **Galvanized prices** are expected to decline further, due to weak demand from major consuming segments like the European Union and United States. Even prices of **HR coils** will be weak as a hangover of high inventory levels due to continued imports from the Commonwealth of Independent States which forced the domestic players to cut prices. From the end of October, there could be a firming up of prices with the current trends being reversed – that is, a decline in imports and reduction in inventories.

International prices are firming up and are showing a good forecast in the month of October.

Data Sources:

- 1) The Economic Times
- 2) Steel Business Briefing
- 3) www.ncdex.com
- 4) IAS software
- 5) Steel Trade Intelligence
- 6) www.manoramaonline.com

(DIPANKAR CHAKRABARTI)
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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Pig Iron scenario:

The table below indicates foundry grade pig iron price (**Rs. /tonnes**) in Mandi Govindgarh:

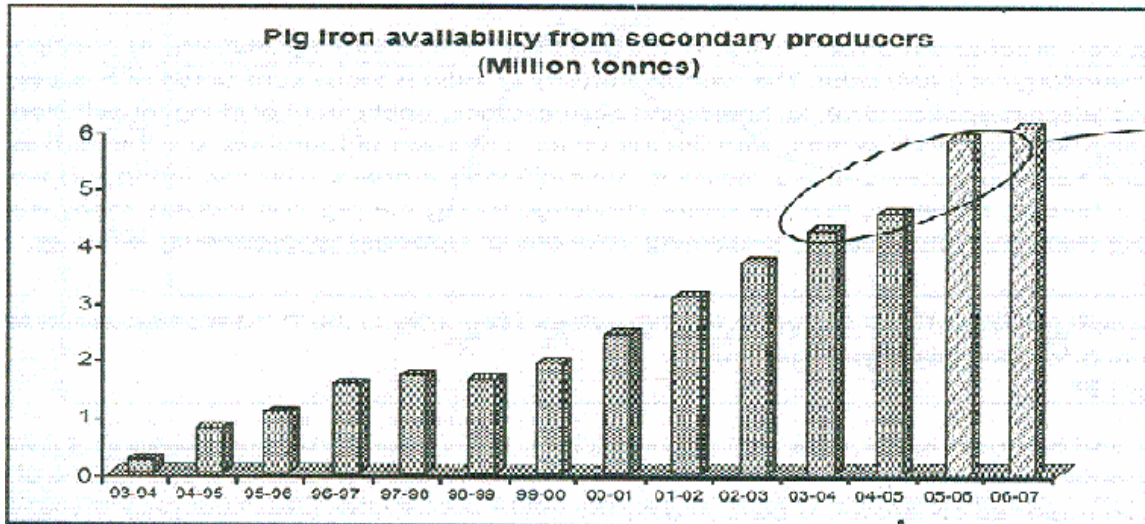
06-Aug-05	17,000
13-Aug-05	17,500
20-Aug-05	18,500
27-Aug-05	18,500
03-Sep-05	19,000
10-Sep-05	19,000

Note: Price is all inclusive

Source: IAS

Availability scenario for foundry grade pig iron during the next two years has been estimated as:

	Million tonnes		
	2004-05	2005-06	2006-07
Existing Producers	1.90	2.00	2.15
New Producers	0.15	1.00	1.55
Total	2.05	3.00	3.70

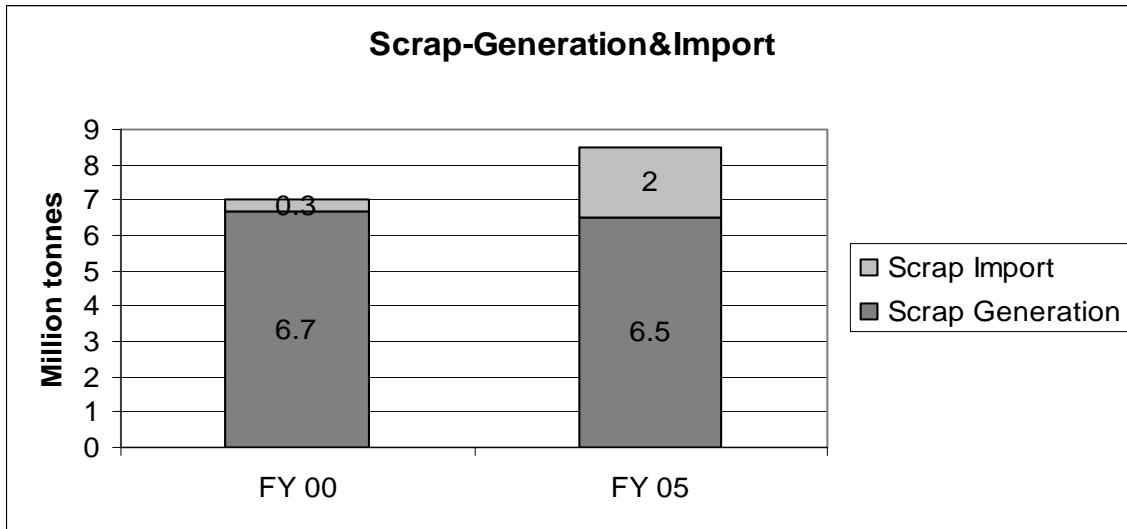


As seen from the above graph, pig iron availability from secondary producers has increased over the years and is expected to be of the order of 5.8 million tonnes by 2006-07. Pig iron consumption is expected to grow in the coming years.

Source: Indian Foundry Directory

Overall production of pig iron is estimated at **6.58 mt for FY 2007** and **9.67 mt for FY 2012**.

Scrap Scenario:



Source: IISI

As compared to the financial year 2000, 2005 has shown tight scrap generation. Import figures have increased considerably. As such, this has further added to the demand for iron ore in the domestic market.

Scrap Price Trend:

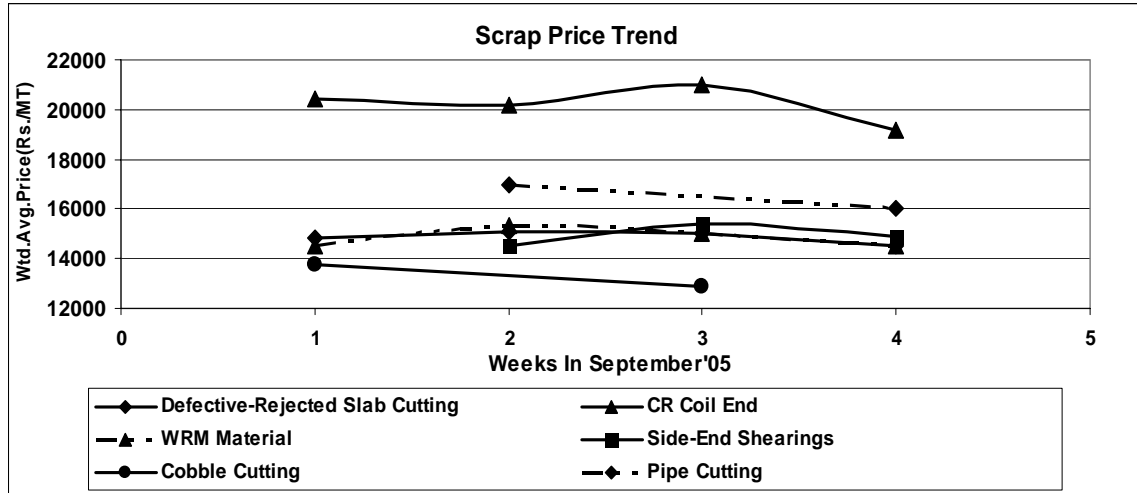
Melting Scrap Price (Landed) (Rs. /tonne)

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

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 September 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	Pipe Cutting
1	14837	20433	14534		13770	
2	15100	20200	15361	14498		17000
3	15000	20968	15017	15392	12894	
4	14500	19192	14530	14906		16000

Defective-Rejected Slab Cutting: The product showed a rise in the second week and then again a fall till the fourth week.

CR Coil End: The product showed a falling trend in the end of the month.

WRM Material: The product showed a significant rise in price in the second week and then again a dip in the end of the month.

Side-End Shearings: The product showed a falling price trend in the fourth week of the month.

Cobble Cutting: The product dipped down to Rs.12,890/Mt in the third week from a high of Rs.13,770/MT in the first week.

Pipe Cutting: The product ended with a decrement of Rs.1000/Mt in the end of the month.

The tables below indicate the price trend of Mix Scrap and MS Scrap as obtained on Metal junction platform:

PLANT	ITEM DESC. AND QTY	FA DATE	UNIT	PRICE
TISCO /Secondary	MIX SCP CONSISTING EQUIPMENT PARTS QTY 30MT	02.09.2005	RsPMT	10550
TATA/ASSET	DISMANTLED STRL-MIX SCP INCL MELTNGQTY 100MT	29.08.2005	RsPMT	12600
TATA/ASSET	REJ MIX SCP PER CATLG QTY 150MT	07.06.2005	RsPMT	15425

PLANT	ITEM DESC. AND QTY	FA DATE	UNIT	PRICE
ISWP-Ferrous	MS SCP ETC AS PER CATLG QTY 20MT	13.09.2005	RsPMT	12650
TATA/ASSET	REJ MS SCP QTY 15MT	08.08.2005	RsPMT	11025
TISCO-Secondary	MIX MS SCP QTY 10MT	04.08.2005	RsPMT	11825
SAIL-USSCR AP-SALEM	MS SCP(MISC.)QTY 7.7MT	08.07.2005	RsPMT	12400

Outlook: A similar downward trend as depicted in the graph is expected in the coming month with no major fall in price. Prices are expected to stabilize at the end of festive season when the market sentiment is expected to be more bullish in nature.

International Scenario:

China's Scrap Imports are expected below 10 Mt this year: Some experts forecast that China's output of crude steel will amount to about 310-330Mt in 2005, and domestic demand for scrap will reach to about 62-65Mt this year, accounting for around 1/5 of the world total demand. In 2004, China's scrap imports were about 10.2256Mt, an increase of 10% from the previous year. It is expected that 2005 would need 14Mt of imported scrap, up 37% year-on-year. However, China's scrap imports amounted to about 3.38Mt in the first four months of this year, down by 20.2% year-on-year. China's total imports of scrap are expected below 10Mt this year due to tight supply, difficult transportation and its price rising. **(China Metals Weekly)**

Downtrend in European stainless steel scrap prices: Stainless scrap prices have fallen since April as mills cut production against a drop in demand, and the trend is expected to continue this year despite earlier assurances from consumers. **Spot scrap prices** are around 1,000 euros a tonne c.i.f Rotterdam for solid grade, down some 50 euros. Traders in the UK, where prices are mostly settled from month to month, expect the market to drop to less than 700 pounds a tonne for October deliveries from currently 690-720. **(Business Line)**

Decline in Japan's local scrap prices: Japan's domestic market prices for locally available ferrous scrap averaged **Y21,558/ton** delivered steelworks for **No2 HMS** in the first week of September 2005, down Y11 from a week ago. As a result, the average price fell back for the first time in six weeks since the fourth week of July 2005. **(Tex Report)**

Global Pig Iron Scenario:

	Million tonnes		
	2003	2004	2010
Crude Steel output	962	1040	1189
(China)	(221)	(261)	(393)
Total Metallics requirement	1222	1320	1510
(China)	(281)	(330)	(496)
Total Pig Iron output	666	722	824
(China)	(216)	(256)	(385)

Source: WSD

Metallics requirement is for both steel and foundry industries. Global foundry consumption of metallics and pig iron are estimated under 10% of the respective totals.

The tables below indicate the price trend of HMS-I, HMS-II and Cast Iron scrap.

Steel Scrap: Cast-Iron Scrap United Kingdom Metal Bulletin Ferrous Scrap Index:

Price Date	Price
14-Sep-05	296.23
24-Aug-05	278.9
17-Aug-05	278.9
10-Aug-05	269.8
3-Aug-05	269.8
13-Jul-05	250.4
6-Jul-05	250.4
29-Jun-05	250.4
22-Jun-05	250.4
15-Jun-05	250.4
8-Jun-05	277.9
1-Jun-05	277.9
25-May-05	277.9
18-May-05	277.9
11-May-05	308.5
4-May-05	308.5
27-Apr-05	308.5
20-Apr-05	308.5

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

Price Date	Price
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
23-Jun-05	120.83
2-Jun-05	120.83
26-May-05	168.83
19-May-05	172.17
12-May-05	175
5-May-05	193
28-Apr-05	210.67

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

Price Date	Price
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
23-Jun-05	121.17
16-Jun-05	121.17
9-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
28-Apr-05	160.5
18-Apr-05	160.5

Source: Metal Bulletin

Overall Scenario:

Internationally, ferrous scrap prices are expected to fall in early October. Prices for standard **shredded scrap in U.S.** are expected to be priced in a range of \$220–230/l.t. as against the prices of \$275/l.t. in mid-September. Also, **No.1 HMS scrap** is expected to be sold in a lower range of \$180–190/l.t. by early October.

Despite the downward trend seen for October, some scrap processors remain optimistic that prices will rise through the end of the year. **(Steel Business Briefing)**

If seen from the domestic perspective, a similar downward trend is expected throughout the month of October. However, it is expected that there won't be any major fall in prices and this is only a market correction as buyers will not be too much willing to buy at higher prices.

Data Sources:

- 1) Indian Foundry Directory
- 2) Metal Bulletin
- 3) IISI
- 4) China Metals Weekly
- 5) Business Line
- 6) Tex Report
- 7) WSD
- 8) IAS software
- 9) Steel Business Briefing

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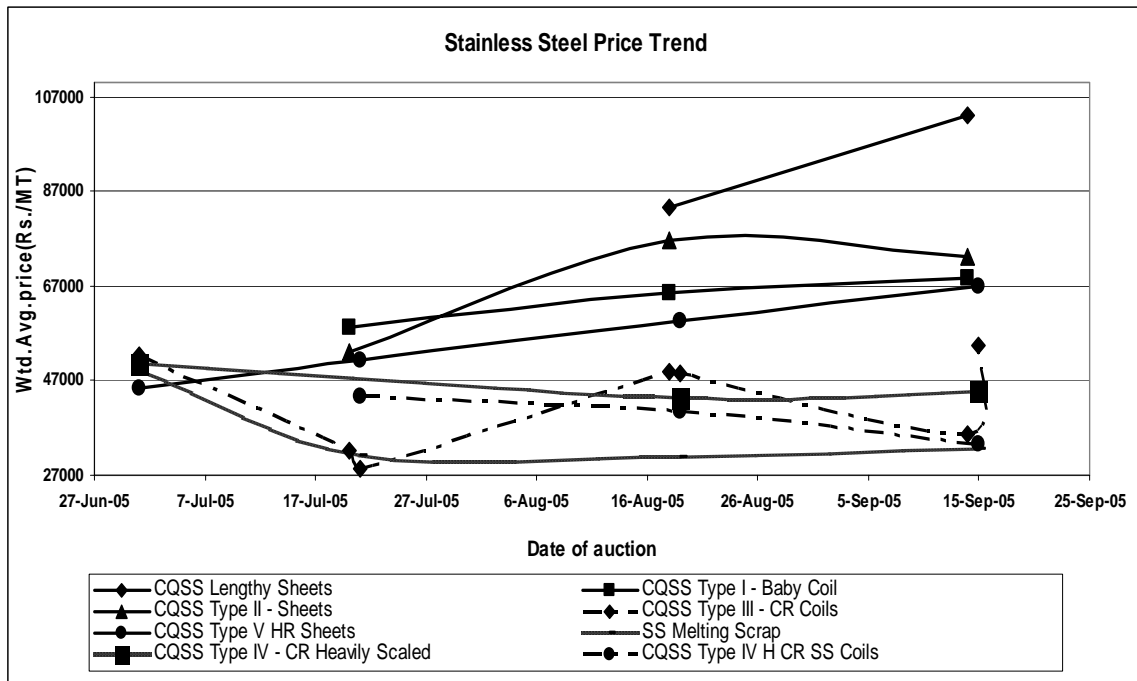
STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

Jindal Stainless orders big new cold strip mill: Jindal Stainless, India's largest producer of stainless flat rolled products, is to install a new high-capacity rolling mill to produce cold rolled strip. Austrian plant builder Andritz, which will supply the mill, says it will be capable of producing as much as 100,000tonnes/year. The new 20-high mill is due to begin production in 2006. It will be able to produce strip of 600-1,300mm wide and 0.3-6.0mm thick. **(Steel Business Briefing)**

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
01.07.05				52349	50514		45559	49264
20.07.05		58317	52984	32285				
21.07.05				28551		43672	51483	31170
18.08.05	83697	65665	76798	49044				
19.08.05				48500	43343	40691	59598	30863
14.09.05	102900	68737	73323	35663				
15.09.05				54428	44723	33766	66972	32680

CQSS Lengthy Sheets: The product showed a rising trend in the month of September as compared to the month of August.

CQSS Type I Baby Coil: The product showed a rising phenomenon in the month of September too.

CQSS Type II-Sheets: The product showed a fall in price in the month of September.

CQSS Type III-CR Coils: The product showed a high rise in price in the month of September as compared to the month of August.

CQSS Type IV - CR Heavily Scaled: The product stabled around Rs.44,700/MT mark.

CQSS Type IV H CR SS Coils: The product showed a dip in price in the month of September.

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

SS Melting Scrap: The product showed a slight rise in price with an increment of around Rs.2000/MT in the month of September.

Outlook: The auction price trend of most of the items have shown a positive sentiment in **second week of September**. However, with international and domestic scenario showing a slid in the market in the **end of September** and with majority of players cutting down prices with fall in demand, it is expected that the auction platform will maintain a soft trend in the month of October.

International Scenario:

Stainless-steel growth slows in the second quarter of 2005: World stainless steel production reached 12,9-million tons for the first half of 2005, a rise of 5,5% compared to the first half of 2004. **Asia** was the only region where stainless-steel production grew in the first half of 2005. Production in the region **grew by 13,4%** to 6,5-million tons. Analyzing the second quarter only, growth has more than halved to 3,6%. Total production in the second quarter this year was 6,4-million tons, with all regions showing a drop. In the **Asian region, second-quarter growth** was **12,9%**. According to ISSF, a further decline in stainless steel production is expected from the rest of the year due to drastic fall in demand worldwide. (www.miningweekly.co.za)

Chinese Govt. restricts Grade 200 Stainless Imports: A major effect for the exporting countries like Japan, India and Taiwan: The government has restricted the import of stainless 200 grade from **September; 2005**. The main reasons behind this are as follows: **First**, local demand for grade 200 with 1-5% nickel because the grade 200 is available at half the price level of the grade 300 with 8% or more nickel. **Second**, there are cases of the grade 200 on sale under the pretense of the grade 300, a cause of confusion in stainless steel prices. **Third**, it is difficult to recycle the grade 200 with low nickel content. With **stainless steel mills rising in number in China** and local demand increasing, the exporting countries are facing a tough scenario presently.

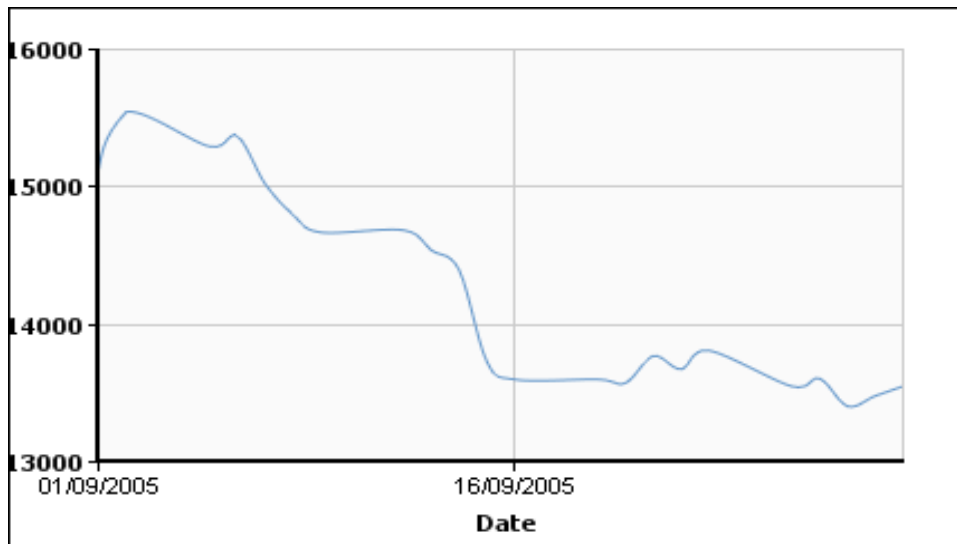
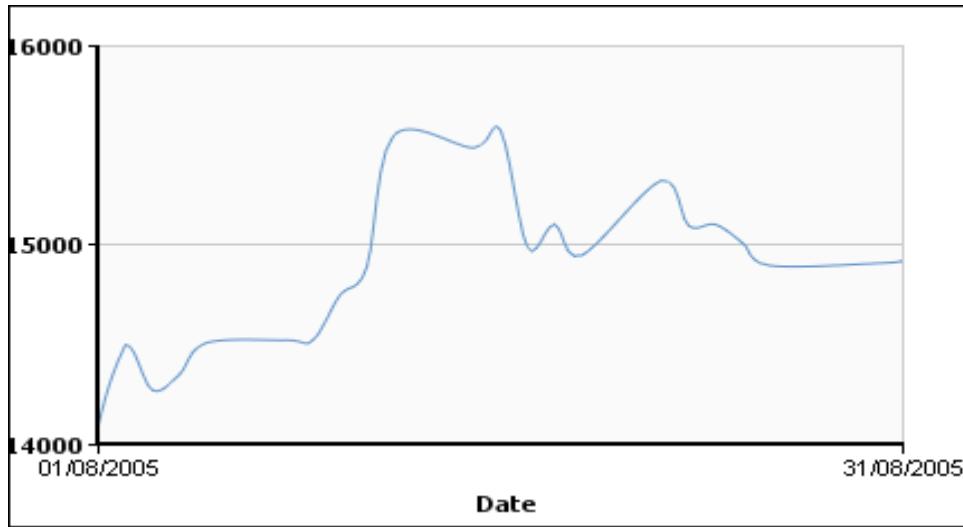
Nippon cuts stainless steel prices: Nippon Steel & Sumikin Stainless Corp., **Japan's largest stainless steel producer**, cut the price of its nickel-based '304' steel because of weaker demand and lower prices for materials such as nickel, chrome and scrap. The price of **September** contracts was cut by 10,000 yen (\$91) to **300,000 yen a tonne. (Business Line)**

China to become world's largest stainless steel producer in 2006 with annual production capacity to reach **nine million tons**. Domestic and foreign producers are expanding capacity in China which should convert the country into a net exporter of stainless steel by 2010, boosted by the booming construction sector and continued rapid economic growth in the country. **(Steel Trade Today)**

The table gives an overview of stainless steel prices worldwide :(**Steel Business Briefing**)

		Jul'05	Aug'05	Sept'05	Oct'05 *	%Change
N.Europe	CR 304 2B 2mm- Ex- Works€/t	1120- 1150	1030- 1080	1020- 1070		-0.9%
S.Europe	CR 304 2B 2mm- Ex- Works€/t	1010- 1080	1000- 1030	990-1020		-1.0%
East Asia Import	304 2B 2mm CR- CFR\$/t	2350- 2450	2200- 2300	2100- 2200		-4.4%
China Domestic	HR 304- FOB Foshan(i ncl.17% VAT)RMB /t	18700- 19400	18500- 18700	18500- 18500		-0.5%
	CR 304 2B-FOB Foshan(i ncl.17% VAT)RMB /t	20800- 21800	20200- 20800	19400- 20000	19400- 19600	-1.0%
	CR 202 2B-FOB Foshan(i ncl.17% VAT)RMB /t	17800- 19000	17000- 17800	17300- 17400	17000- 17200	-1.4%
N.Europe Import	Charge Chrome Fe Cr- CIF Rotterda m \$/cent/lb	72-73	72-73	72-73		0.0%

*SBB forecast

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, the stainless steel companies are cutting back on 300-series stainless steel output in favour of 400-series. Nickel makes up 8-10 per cent of 300-series stainless steel, while 400-series uses chromium as its main alloy. These have been the factors in driving down the price of nickel in the month of September.

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)**

Molybdenum price continues to increase: The market price for molybdenum is about \$32.50/lb in the month of September and is on a rising note because of rising demand from steel and super-alloys market. Some analysts see \$40/lb moly in the near future. (www.purchasing.com)

Overall Scenario:

Stainless steel prices in India will remain weak due to lack of demand in the export market. “Many of the Chinese mills have cut prices, thereby pushing prices in China to an equivalent of \$2,000-per-tonne of HR sheet. This, coupled with an overall weak demand, has forced domestic players to reduce their export prices,” said industry players. (**Mumbai Mirror**)

Data Sources:

- 1) Steel Business Briefing
- 2) www.lme.co.uk
- 3) www.purchasing.com
- 4) Mumbai Mirror
- 5) Steel Trade Today
- 6) Business Line
- 7) www.miningweekly.co.za

(DIPANKAR CHAKRABARTI)
GM – Steel Sales