Date of Report: October 01, 2006

News at a glance

Indian Steel makers cut HR Coil prices in the range of Rs.750-1000/t w.e.f September. Major steel players announced an increase in galvanized prices in the range of Rs.500-1000/t w.e.f September due to rising zinc prices.

Uttam Galva Steel once again increases prices of galvanized steel products by Rs 1,000 per tonne with effect from September 22, 2006.The Company had last increased prices in the range of Rs 500-1,000 per tonne on 1st Sep'06.The price revision has been due to buoyancy in international prices and demand picking up in domestic market with festive season arriving.

High-grade ore exports to end in 5 years as according to Mr. Paswan: Mr. Ram Vilas Paswan has proposed to do away with export of high-grade iron ore (with Fe content of 65% and more) in the next five years so that this precious natural resource is domestically vale-added.

SAIL's Alloy Steels Plant at Durgapur has produced 44,715 tonnes of saleable steel during April to July 2006 up by 16% YoY over 38,694 tonnes in April to July 2005. ASP's crude steel production went up to 49,133 tonnes up 3% YoY.

Hindustan Zinc Ltd. hiked prices by Rs.11,600/t w.e.f 7th Sep'06 to Rs.1,93,200/t. However, the company cut prices on Sep 14th by Rs.14,400/t and then again a reduction of Rs.400/t to Rs.1,78,400/t w.e.f Sep 23rd '06.This has been in line with LME trend where prices have varied in the range of +/- 7% in the last month.

China's crude steel output hits new high in August'06: China's crude steel production accelerated to a new record high in August after a brief dip in July, according to the country's National Bureau of Statistics.
Crude steel production hit **36.7 million tonnes in August**, an increase of 0.6 million tonne from earlier month. Production of **finished products** reached **38.9 million tonnes** in August; **iron ore** production jumped 42.3 percent from a year ago to **53.7 million tonnes** in August. **Pig iron** output increased 20.8 percent from a year ago to **34.8 million tonnes** in August.

Strong demand from stainless steel sector kept Nickel prices on a higher note towards the end of the month: The metal ended on a higher note at 31,495$/t, 7% rise on a w-w basis. The highest price achieved was 32,245 $/t on 1st Sep'06 2455 $/t lower that the highest price achieved on 24th Aug'06 which was 34,700 $/t.

Molybdenum prices forecast to stay above $25/lb: Molybdenum prices are forecast to remain above $25/pound through the end of 2006 due to production problems and continued strong demand from the stainless, alloy and tool steel sectors. This compares with an average first half price this year of $23.70/lb but is significantly below the average price of more than $36/lb recorded in the same period last year.

Tinplate prices set to stabilize globally: After two years of volatility, tinplate prices are expected to stabilize. Growing production by producers, high US inventories and a flattening of cold rolled coil prices mean tinplate prices are unlikely to fluctuate more than 2 percent year-on-year in 2007. Prices are likely to average $912 per tonne this year down 4.7 percent from 2005.

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

	July'06	% Change(Y-Y)	Aug'06	% Change(Y-Y)	Sep'06	% Change(Y-Y)
Global Index	166.61	32.00	162.01	26.10	157.41	15.20
North America Index	164.61	35.40	163.71	38.80	161.02	18.70
Europe Steel Index	174.32	29.50	174.32	34.30	175.14	30.50
Asia Steel Index	163.51	31.50	154.2	15.10	145.48	4.90
Longs Index	159.3	27.70	153.94	16.40	154.19	11.50
Flats Index	170.23	34.10	166.02	31.10	159.01	17.10
Metallics Index	214.78	47.40	193.1	17.00	197.97	0.90
Stainless Index	144.64	10.30	150.3	17.80	161.64	31.70

Very low downward revision in the **global CRUspi** continues this month. A drop of 2.8% month-on-month has been largely driven by continued weakness in Asian markets & price falls in North America.

CRUspi for long products has undergone a modest recovery. Stable conditions in the USA, generally rising prices in Europe, and a market that appears to be close to bottoming in Asia, have helped the CRUspi for long products climb this month.

Downward trend in **CRUspi flats** gathers momentum. Having fallen last month for the first time since January, the CRUspi for sheet products has lost a further 4.2% in recent weeks, declining to 159.0.

Rise in scrap prices in Asia, US kept the **metallic index** on a higher note.
Increasing stainless steel prices worldwide has led to a further rise in **Stainless Steel index.**

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario:

Steel prices spiral downwards: Steel companies cut prices by Rs 750-1,000 per tonne across all product categories with effect from 1st Sep'06. This was done to bring about parity with imports. For instance, in the end of August, the landed cost of HRC imports was $530-$540 per tonne at the western ports, around 2-6 per cent less than domestic prices.

Tata Steel lowered prices of hot-rolled coils by Rs 750-1,000 /tonne; SAIL has also slashed the product prices by Rs 700-1,500/tonne. JSW Steel has decreased hot-rolled coil prices by Rs 1,000/tonne. Essar Steel has cut hot-rolled coil prices by Rs 850/tonne. Ispat also hacked hot-rolled coil spot prices by Rs 750-1,000/tonne.

In the wake of decreasing price trend Vizag Steel announced price hike w.e.f September: The price of **wire rods** have been **hiked by Rs 200 per tonne** on all sizes ranging from 5.5 mm to 14 mm, while the price of **electrode quality wire rods**, has been **hiked by Rs 800 per tonne.** Also **re-bars prices** have been **increased by Rs 200 per tonne** on all sizes while **pig iron prices** have been **raised by Rs 800 per tonne**. The company has also announced a discount of Rs 500 on each tonne to steel traders who lift more than 10,000 tonnes at a time.

Galvanized steel prices hiked by Rs 500-1000/t w.e.f September: JSW Steel and Ispat Industries have hiked galvanized steel prices by Rs 500-750 per tonne on the back of rising zinc prices. JSW Steel has announced increase in price of Rs 500 to Rs 750 pmt for Hot Dipped Galvanized Products with effect from September 01, 2006. Uttam Galva has increased prices in the range of Rs 500-1,000 per tonne & again increased prices by Rs.1000/t w.e.f 22nd Sep'06.

metaljunction
A WORLD WITHOUT BARRIERS

Date of Report: October 01, 2006

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
Aug Week 1	28,700	28,200	28,200	33,900	33,900	35,900	35,900
Aug Week 2	28,700	28,200	28,200	33,900	33,900	35,900	35,900
Aug Week 3	28,700	28,200	28,200	33,900	33,900	35,900	35,900
Aug Week 4	28,700	28,200	28,200	33,900	33,900	35,900	35,900
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

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*6 mm)	MS Channels(75*40mm)	MS Channel(125*65mm)
Aug Week 1	21,700	24,000	23,800	24,200	24,400	25,600
Aug Week 2	21,800	24,400	24,200	24,400	24,700	25,400
Aug Week 3	21,900	24,400	24,300	24,700	25,000	25,300
Aug Week 4	22,100	25,000	24,900	25,000	25,500	25,600
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

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

Price Movement

	Review	**Outlook**
Items	Sept’06 over Aug’06	Oct’06 over Sep’06
HR Coils	↑	↔
CR Coils	↑	↔
GP/GC Coils	↑	↔
Long Products	↑	↔

Date of Report: October 01, 2006

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 2006 for different HR and CR products.

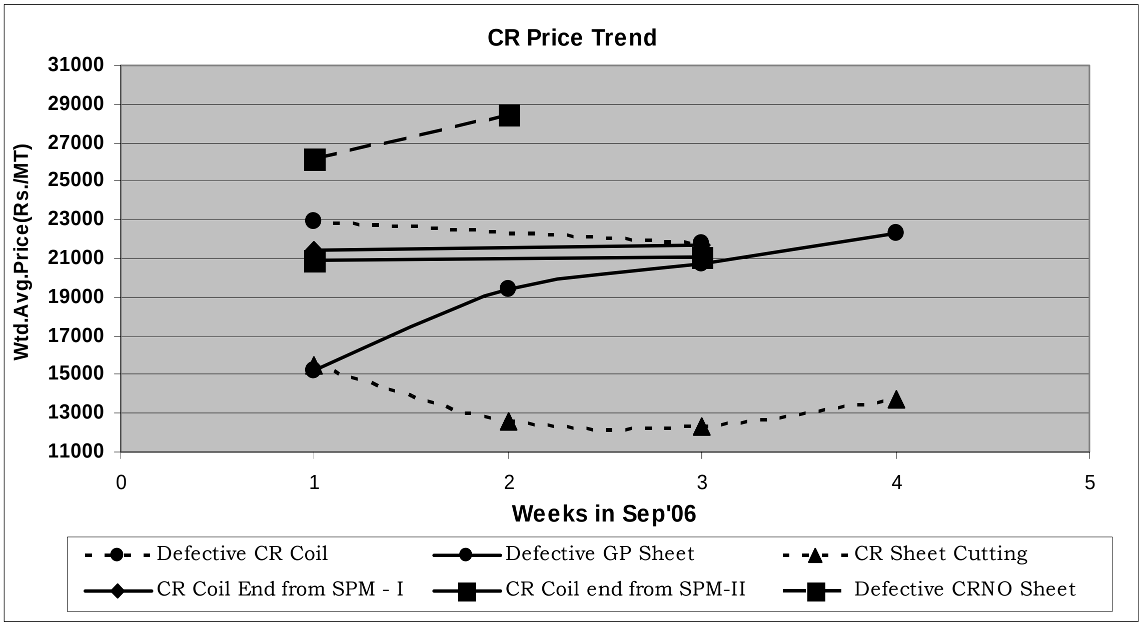
Note: Price is basic, ** implies price incl.excise duty

Attached below is the data table:

Week	Def.Plate-CMO Bhilai	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	HR Sheet Cutting	Def.HR Coil	Cobble Plate
1	28597	19339	19706	22579	14984	20040	
2	28619	19007	20430	23660	15309	21050	21506
3		20189	22079		15691		
4	29282	20615	22254		15448		21409

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

Products	Aug'06 Price (Avg.)	Sep'06 Price (Avg.)	% change(Sep'06 over Aug'06)	% change(Sep'06 over Sep'05)
Def Plate-CMO Bhilai	28372	28833	1.62	16.65
Def HR Plate	19735	19788	0.27	0.82
Semi Rolled Plate	20712	21117	1.96	-5.50
SRP Coil Form	23669	23120	-2.32	-1.20
HR Sheet Cutting	15977	15358	-3.87	-9.55
Cobble Plate	21726	21458	-1.23	1.15



Price is basic

Attached below is the data table:

Week	Def CR Coil	Def GP Sheet	CR Sheet Cutting	C R Coil End From SPM-I	C R Coil End From SPM-II	Def CRNO Sheet
1	22923	15239	15462	21462	20947	26161
2		19436	12602			28450
3	21807	20749	12350	21661	21077	
4		22337	13750			

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

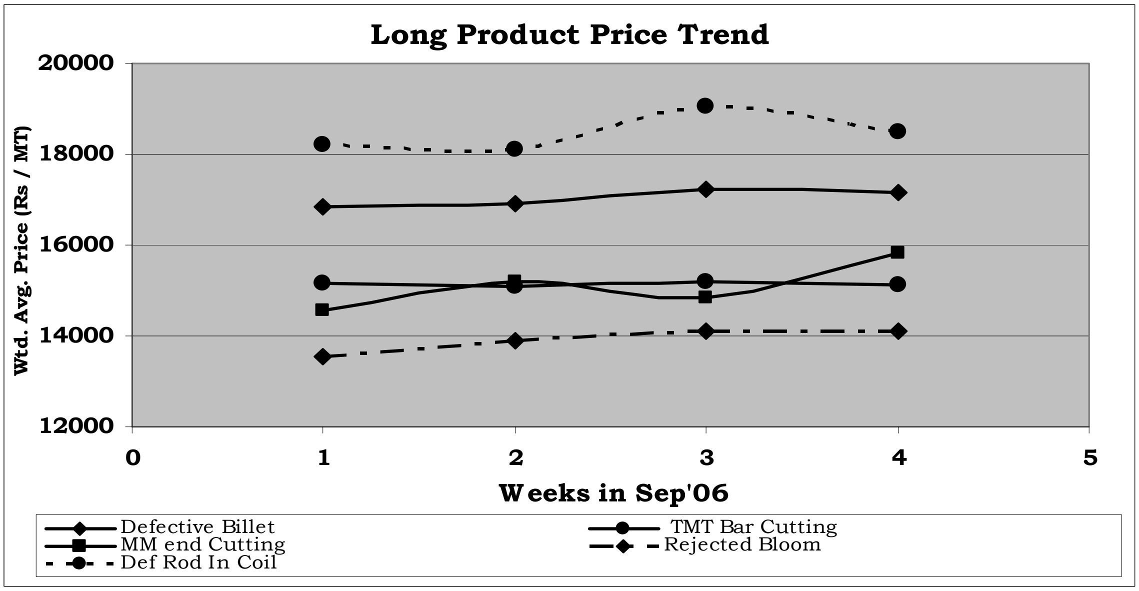
Products	**Aug'06 Price (Avg.)**	**Sep'06 Price(Avg.)**	**% change(Sep'06 over Aug'06)**	**% change(Sep'06 over Sep'05)**
Def CR Coil	22497	22365	-0.59	-2.22
Def GP Sheet	18924	19440	2.73	0.24
CR Coil End from SPM-I	20967	21561	2.83	10.41
CR Coil End from SPM-II	20460	21012	2.70	8.03
Def CRNO Sheet	25197	27305	8.37	-15.81

Outlook: With the downward revision of price of Flat Products by domestic manufacturers the market had seen a softer sentiment in the initial week of September. The sentiment became firm in the later half of the month. It is expected that the price trend will be similar or a little bit strong than the current month.

The HR and CR items auctioned have shown improvement in price in the end of the month with market sentiment in improving mode. Similar trend is expected 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 different long products.



Price is basic

Attached below is the data table:

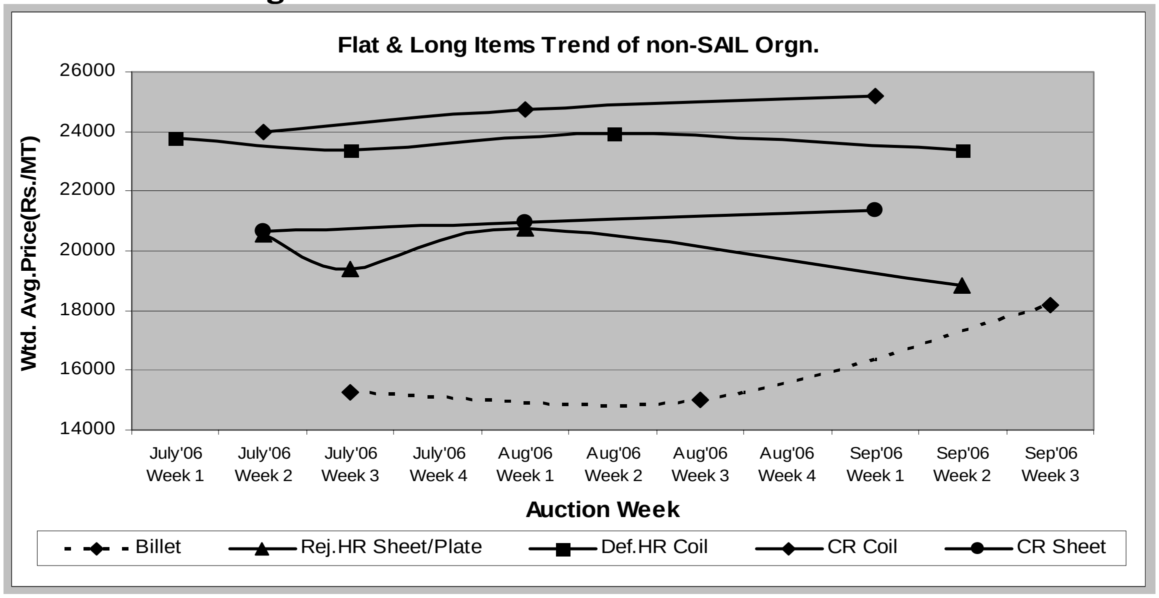
Week	Defective Billet	TMT Bar Cutting	MM End Cutting	Rejected Bloom	Def Rod In Coil
1	16855	15163	14553	13542	18223
2	16923	15099	15198	13896	18117
3	17233	15200	14826	14098	19043
4	17161	15118	15811	14117	18492

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

Products	Aug'06 Price(Avg.)	Sep'06 Price(Avg.)	% change(Sep'06 over Aug'06)	% change(Sep'06 over Sep'05)
Def Billet	16291	17043	4.62	7.98
TMT Bar Cutting	14650	15145	3.38	1.41
MM End Cutting	15343	15097	-1.60	1.38
Rejected Bloom	13108	13913	6.14	11.30
Def Rod In coil	17692	18469	4.39	6.08

Outlook: The auction platform has shown an improved price trend and most of the items have shown an improvement in the range of 3-6% as compared to the last month. This has been in line with the Ingot prices which have varied in the range of 2-4% as compared to earlier month. With construction sector booming and demand for steel remaining strong from various sectors, demand for long products is expected to improve the price trend in the coming month.

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



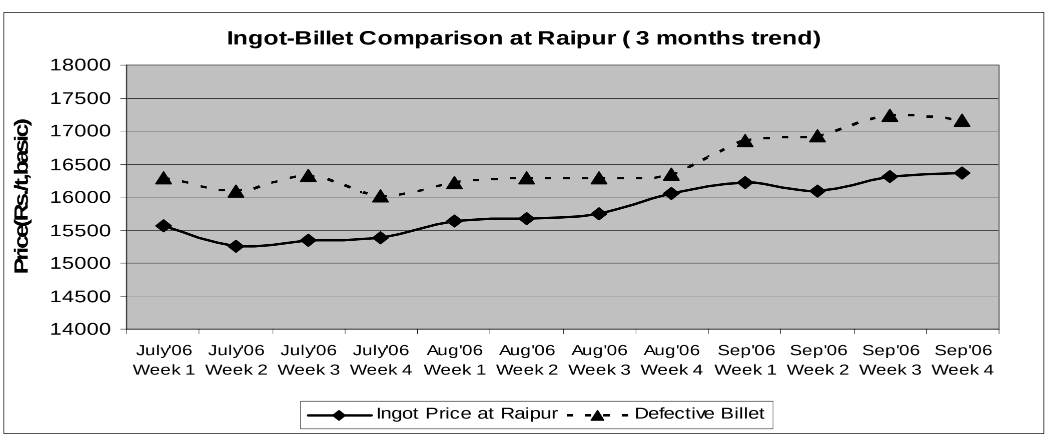
Price is basic

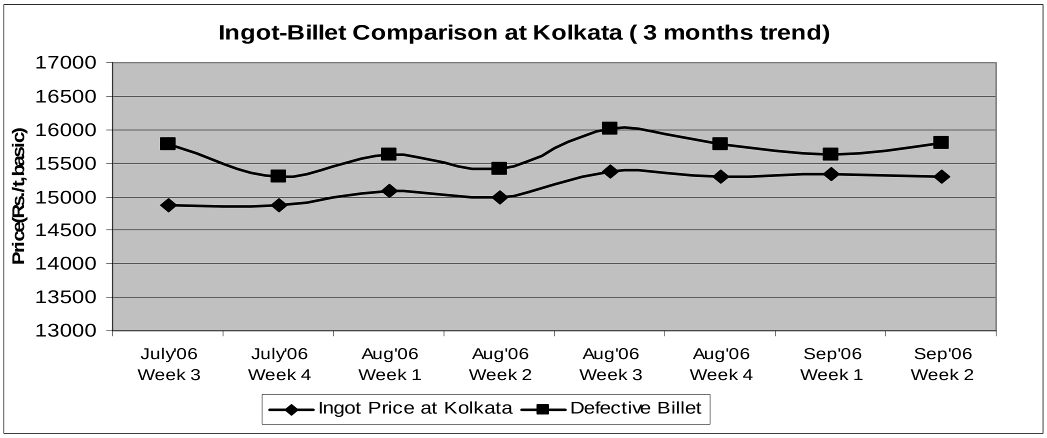
Ingot Price (8 weeks trend)

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
Aug Week 1	17326	20851	20023	18149	19620
Aug Week 2	17578	21236	20287	18166	19927
Aug Week 3	17632	21555	20570	18392	19878
Aug Week 4	17849	21748	20755	18548	20099
Sep Week 1	17736	21303	20595	18724	20764
Sep Week 2	17746	21494	20770	18717	20880
Sep Week 3	17752	21665	20907	19077	21477
Sep Week 4	17719	21971	21169	19051	21344

Price: (Rs. /t, incl excise duty)

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





International Scenario

Asia: East Asian slab import prices stable: East Asian spot prices for imported slabs remained stable and at the same time the market did not have many offers.

Export deals of CR Sheets remained dull in Asia due to limited amount of material being available. Transaction prices remained at a fixed level of US$630-650/ton FOB.

China: After a bearish sentiment prevailing last month, prices of HRC, CRC started improving since the beginning of September. With market inventories for these products showing a downtrend prices improved in the range of $12.5−18.8/t since the end of August. HRC prices reached RMB 4,030/t; CRC prices touched RMB 4,700/t.
However, **billet prices** slipped towards the end of the month to RMB 2790-2820/t down from previous prices of 2880/t which is mainly due to the narrow strip market that is not faring well.

HR Export prices slip in China towards the end of the month: In quiet market conditions, export prices of HR Coil have moved down to $445-460 per tonne fob from $470-500 per tonne fob at the end of August. **Billet** export prices remain unchanged at $375-385 per tonne fob. The tax rebate cut of 3% by the government had no impact on the export market till date.

Europe: HRC and CRC prices declined in European market, while the long product prices remained stable throughout the month.

CIS: Slab export prices remained stable with supply and demand remaining balanced. Prices are expected to strengthen further. Domestic prices of HR & CR coils moved up by 20$/t on an average.

US: Wire rod prices declined in North America towards the end of the month due to slack demand. Domestic prices prevailed at $520-540/s.t down from around $560/s.t a month ago. Coil prices declined in the last week of the month. HRC price fob was $8/t lower than last week and CRC price was down by $7/t to $780/t.

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

- ***An improved price trend in the fourth week in China***
- ***A stable price trend in the fourth week in U.S. import market***

Item Description	% Change over a week(Sep Week 4 over Sep Week 3)	% Change over a month(Sep'06 over Aug'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	1.24	2.51	1.49
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	0.00	0.49	8.42
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	0.00	1.51	-7.84
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	0.44	1.10	-8.91
Chinese Domestic Rebar Eastern China Yuan/t	0.67	1.68	0.33
Chinese Domestic Rebar Southern China Yuan/t	0.60	1.82	8.06
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.32	-0.31	9.31
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	0.00	-0.94	-4.55
US Import HR Coil $/t	0.00	-1.78	5.77
US Import CR Coil $/t	0.00	-1.49	10.00
US Import Slab $/t	0	0	12.5
US Import Galvanized Coil $/t	0	0	6.67
US Import Rebar $/t	0.00	3.77	27.91
US Import Wire Rod $/t	0	0	13.04

Note: 8.11 Yuan=1 US $

OUTLOOK:

Internationally prices are expected to remain steady in the short-term.

India: After four price increases in the past six months, there was steel price cut in the beginning of this month.

Steel companies are going ahead with their expansion plans to cater to demand for steel which is expected to remain strong.

Many Indian companies are going for capacity expansion. Tata Steel is planning to raise $600m through a GDR issue to take forward its expansion plans. SAIL has recently embarked on an Rs 350-crore capex on upgrading its facilities. It is also investing Rs 1,300 crore to develop iron ore mines in Orissa. Other steel players, too, are investing into new projects. With steel demand increasing, capacity expansion coming up prices are expected to remain firm.

Data Sources:

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

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Iron ore:

Steel ministry seeks reduction in iron-ore exports by 10-15% per annum so as to meet the growing demand from domestic steel industry. Last fiscal, the country produced 165 MT of iron ore and exported 64% of it.

Landed Price of Indian Iron-Ore to China had increased towards the end of September, 2006: The FOB price for 63.5% Indian iron ore has remained stable in the first two weeks of the month. It has been hovering around 53-54 $/t while the CIF prices have been in the range of 71-72 $/t. However, prices improved since the third week of the month and CIF prices touched at 72-73 $/t and this has been mainly due to higher freight rates, because the fob price for Indian iron ore grade 63.5% remained at around $53–$54/t. The freight rate from India to China has been around $17–$18/t.

Indian Iron-Ore Prices Landed at China

	Jun'06	July'06	Aug'06	Sep'06
Indian 63% Fe $/t CFR China	68-74	70-75	71-72	72-74

Pig Iron:

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

Item	Aug Week 4	Sep Week 1	Sep Week 2	Sep Week 3	Sep Week 4
Steel Grade	18,000	18,100	18,500	18,200	18,200
Foundry Grade	20,500	20,600	20,400	20,300	20,400

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

With market demand remaining strong, pig iron prices showed an improved trend since the mid of August.

Sponge Iron: Sponge Iron prices remained firm with demand remaining strong and crisis of material existing in the market.

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

	Price (Rs./t)		Price (Rs./t)	% change(d-d)
1-Aug-06	9854	1-Sep-06	11148	13.13
7-Aug-06	10400	7-Sep-06	11033	6.09
14-Aug-06	10449	14-Sep-06	10963	4.92
21-Aug-06	11029	21-Sep-06	11127	0.89
28-Aug-06	10898	28-Sep-06	11275	3.46

Scrap: With Sponge Iron prices showing an improved trend since August and steel demand rising compared to last month, scrap prices too remained on a higher note.

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

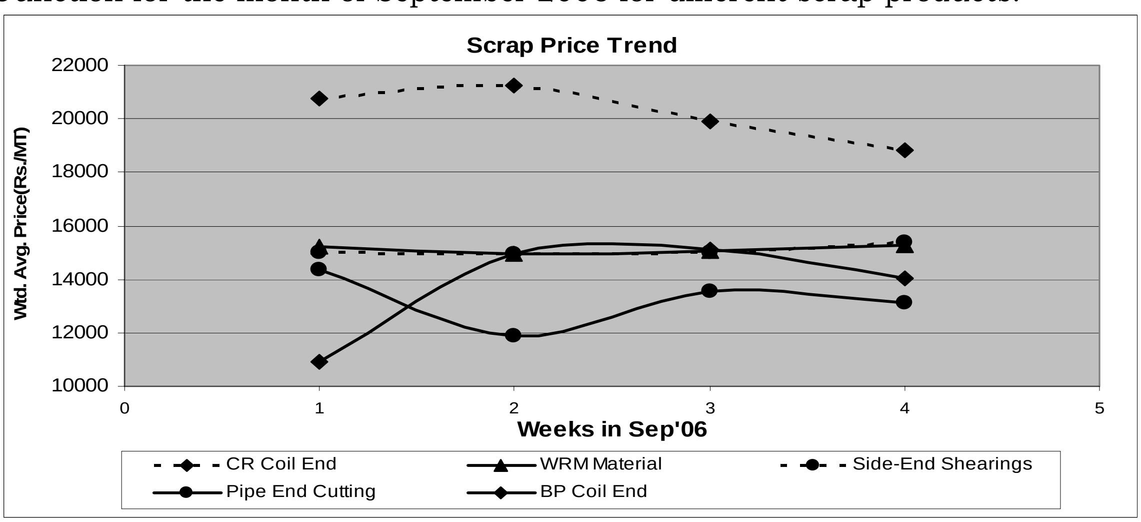
Place	**July-06**	**Aug-06**	**Sep-06**	**% change (Sep'06 over Aug'06)**	**Price Movement**
Delhi	15,400	15,900	16,200	1.89	↑
Kolkata	14,400	14,650	14,800	1.02	↑
Mumbai	14,800	15,600	15,800	1.28	↑

Price Movement

	Review	**Outlook**
Scrap	Sept 2006 over Aug 2006	Oct 2006 over Sep 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 September 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 Cutting
1	20777	15200	15006	10932	14349
2	21256	14937	14930	14972	11875
3	19920	15050	15018	15103	13560
4	18846	15300	15382	14023	13098

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

Products	Aug'06 Price (Avg.)	Sep'06 Price(Avg.)	% change(Sep'06 over Aug'06)	% change(Sep'06 over Sep'05)
CR Coil End	20085	20200	0.57	0.01
WRM Material	14779	15122	2.32	1.76
Side-End Shearing	14480	15084	4.17	1.02
BP Coil End	12983	13758	5.97	NA
Pipe Cutting	12126	13221	9.03	-19.87

Outlook: The auction platform has shown a stable trend on an average in the month of September and prices have improved as compared to the earlier month. With domestic market remaining strong, the items auctioned have remained on a higher note in the second and third week of the month, though there has been a minor drop in prices for some items in the last week of the month. Ingot had also a slight drop in price in the fourth week of the month; however the drop has been minimal. With festive season around the corner and construction steel in good demand, the input prices i.e. prices of scrap, sponge iron etc. are expected to increase with material availability remaining tight.

International Scenario:

Scrap import prices remained firm in East Asia: Prices increased by more than 10$/t compared to earlier month.

***China*: Domestic Iron-Ore prices remains competitive with imports.**

Chinese scrap markets remained stable: In Eastern China, purchase prices for domestic heavy scrap have been prevailing at around RMB 2,010/t, incl.17% VAT, a price similar to last month. In Northern China, purchase prices for domestic heavy scrap have been ranging from RMB 1,970–2,050/t, incl.17% VAT, similar to last month. With less scrap arriving into China, domestic supply may tighten and push prices higher.

***Russian* Ferrous Scrap prices** remained at a 33-month high and prices have been ruling in the range of $235-245$/t. As a result of rising steel output and an increase in the share of EAF-produced steel, Russian scrap demand has been growing.

***Europe:* European pig iron prices rise $10/t on higher scrap prices:** European prices for merchant pig iron have risen about $10 per tonne and this has been due to increase in ferrous scrap prices. Prices for basic steelmaking grades of Russian pig iron have been around $300-310 per tonne fob Baltic/Black Sea in the third week of September, up from $290-300 per tonne in the first week of September.

European Shredded Scrap:

	June-06	July-06	Aug-06	Sept-06	Oct-06(*)
Domestic Ex-Works(Euro/t)	210-230	210-230	195-205	180-190	180-190
Rotterdam Export FOB($/t)	260-270	270-280	245-255	235-245	235-245

(*)-SBB Forecast

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

Month	Average Price($ per long ton)	Price movement
June-06	238	
July-06	245	↑
Aug-06	195	↓
Sep-06	198	↑

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

Month	Average Price($ per long ton)	Price movement
June-06	257	
July-06	260	↑
Aug-06	238	↓
Sep-06	245	↑

Steel Scrap Shredded United States fob East Coast $ per tonne

Month	Average Price($ per long ton)	Price movement
June-06	261	
July-06	264	↑
Aug-06	242	↓
Sep-06	249	↑

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

Month	Average Price($ per tonne)	Price movement
June-06	264	
July-06	262	↓
Aug-06	244	↓
Sep-06	250	↑

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

Month	Average Price($ per tonne)	Price movement
June-06	254	
July-06	252	↓
Aug-06	234	↓
Sep-06	240	↑

Steel Scrap Shredded fob Rotterdam $ per tonne

Month	Average Price($ per tonne)	Price movement
June-06	270	
July-06	267	↓
Aug-06	248	↓
Sep-06	255	↑

OUTLOOK:

Despite a 6–7% annual growth in iron ore supply, consumption is growing at a faster rate – particularly in China – and the market is likely to remain tight through 2007. This has led to forecasts of a price increase of at least 5% next year.

Scrap prices remained stable in the international market after a lull in the earlier month. Demand for ferrous scrap remained strong with steel output rising globally.

In India, scrap prices remained positive in the month of September as compared to the last month with demand of finished steel booming up for ensuing new projects. With the arrival of festive season, prices are expected to remain positive.

Data Sources:

1) Metal Bulletin
2) Steel Trade Today
3) Steel Trade Intelligence
4) Steel Business Briefing

(DIPANKAR CHAKRABARTI)
Senior GM – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

With nickel price volatility domestic stainless steel makers find it tough to rest easy: They are going for price revisions and a switch to low-nickel grades. The Indian stainless steel industry is facing a major problem as the local players depend on imported nickel apart from stainless steel scrap for their raw material requirements.

India imports about 30,000 tonnes of nickel, bulk of which is used to make stainless steel. The domestic stainless steel industry, which produced about 1.8 million tonnes last fiscal, is likely to grow this financial year at about 8%, up to a third more than its growth in other years, according to N C Mathur, president, Indian Stainless Steel Development Association (ISSDA).

Nearly 84% of the 1.8 million tonne stainless steel produced in India, is of the 200 series—accounting for over half the global production of the series. During the current nickel price volatility, the shift in production to lower nickel grades has been primarily to bring down rising input costs.

Price Movement

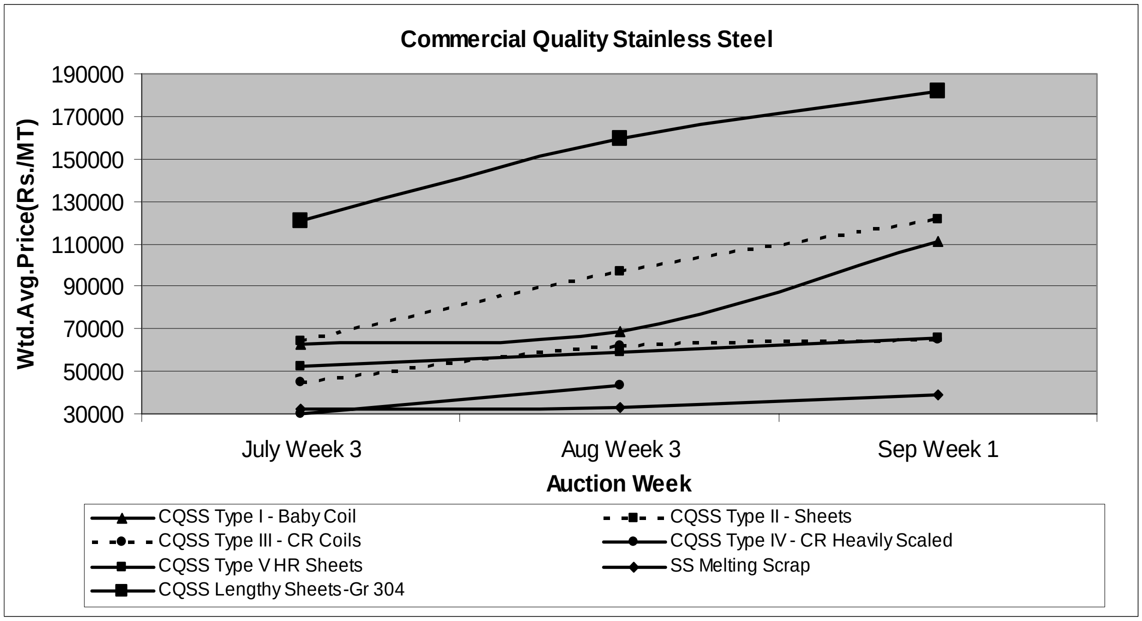
	Review	**Outlook**
Steel Product	September 2006 over August 2006	October 2006 over September 2006
Stainless Steel	↑	↑

Auction Trend of Commercial Quality & Prime Stainless Steel

Commercial Quality SS							
Auction Week	CQSS Lengthy Sheets Gr 304	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III -CR Coils	CQSS Type IV - CR Heavily Scaled	CQSS Type V HR Sheets	SS Melting Scrap
July Week 3	121100	62980	64115	44930	30000	52326	32000
Aug Week 3	159400	68549	97143	62366	43200	59307	32745
Sep Week 1	182100	110803	121367	65320		65900	39271

Prime SS			
Auction Week	SS Low Nickel	Type-300	Type-400
July Week 4	74269	139330	53172
Aug Week 2	82618	152551	53848
Sep Week 1	86895	166100	52011
Sep Week 2	105455	163475	60707

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



Outlook: Stainless Steel Prices have shown a strong improvement in the auction platform. Grade 304 Lengthy Sheets had a 14% improvement on a month to month basis, CQSS Type II had an improvement of 25% and CQSS Type V had an improvement of 11%.The auction platform behavior pattern has been in line with domestic and international market where prices have remained firm. In Asia, grade 304 HR Sheet had an improvement of 17% and grade 304 CR Coil had an improvement of 19% on a month to month basis.

With demand remaining strong, prices are expected to remain on a higher note in the coming auction.

International Scenario:

HIGHLIGHTS:

Asia: Stainless steel prices remain quiet in the first two weeks of the month, however prices did improve towards the end of the month: Asian stainless prices are holding unchanged and buyers' resistance to higher prices is causing a dearth of business for 300-series material. Customers are keeping their inventories low and are switching to the use of lower-cost 200-series stainless steel. Prices for East Asian-origin stainless are holding at $3,400-3,500 per tonne cif China for grade 304 hot rolled stainless sheet and at

$3,700-3,900 per tonne cif China for grade 304 2mm 2B finish cold rolled coil after surging 15 percent in the beginning of the month.

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	28600-30800

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	31500-34500

*-SBB Forecast

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

*-SBB Forecast

Stainless Steel Asia Grade 304 HR sheet cif East Asian port

Month	Average Price($ per tonne)	Price movement
July-06	2850	
Aug-06	2950	↑
Sep-06	3425	↑

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

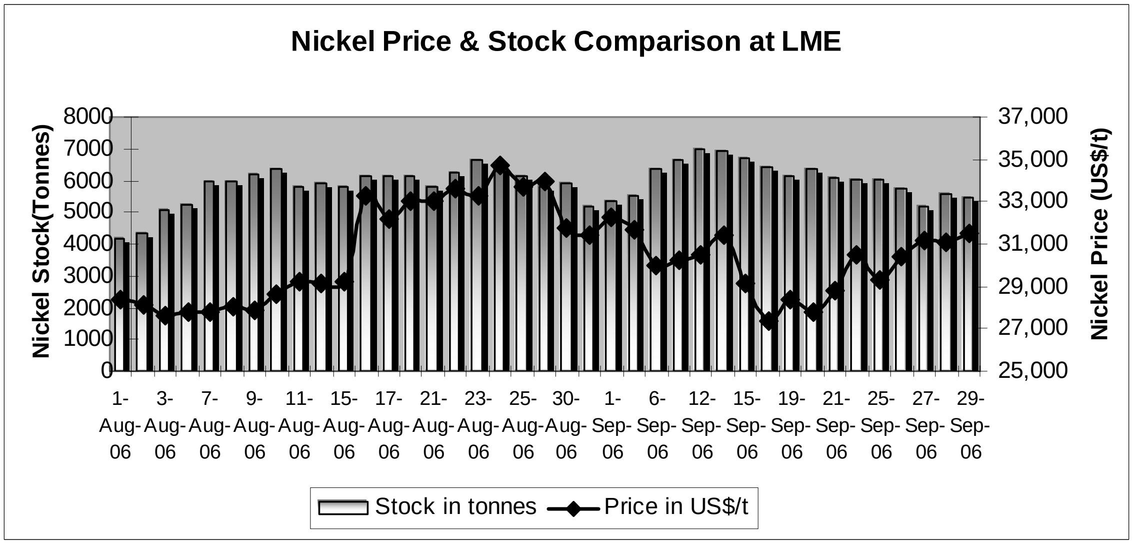
Month	Average Price($ per tonne)	Price movement
July-06	3000	
Aug-06	3150	↑
Sep-06	3725	↑

Stainless Steel EU Domestic 2mm 304 CR stainless strips

Month	Average Price(Euros/tonne)	Price movement
July-06	1475	
Aug-06	1765	↑
Sep-06	1853	↑

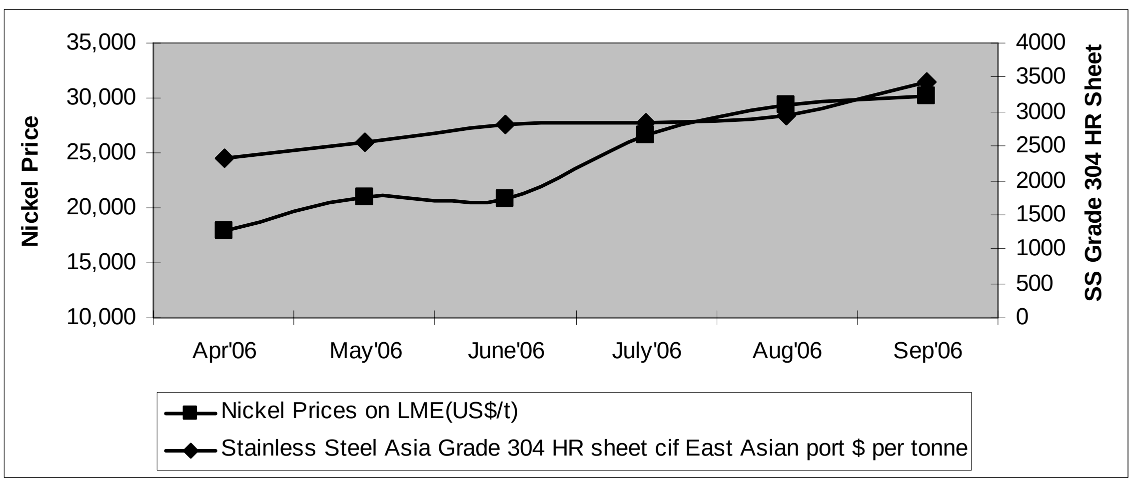
Note: 1US$=Rs.45.93, 1Euro=Rs.58.15, 8.11 RMB=1US$

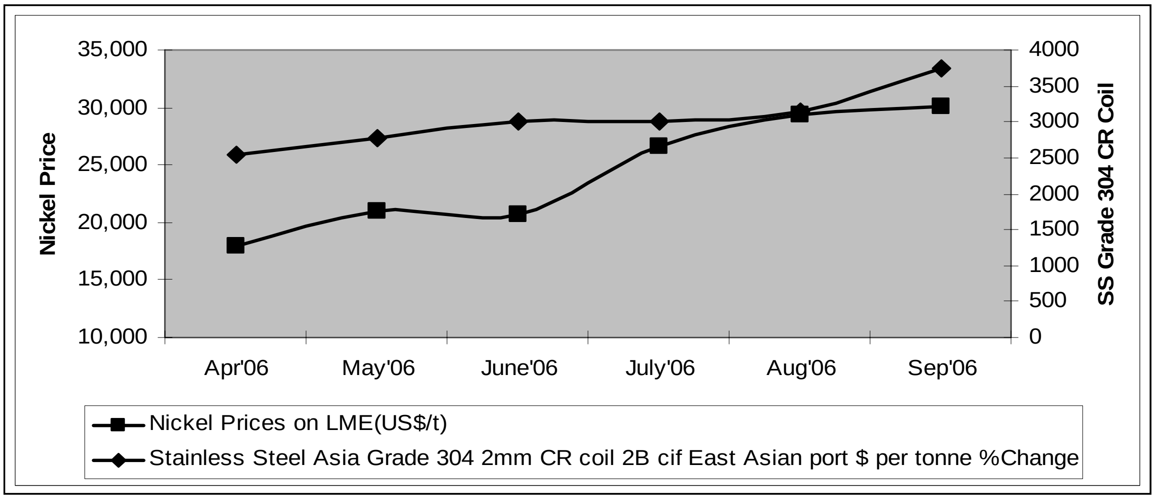
Nickel Trend:



Month	*Highest Price Achieved By Nickel*	% Change
July'06	29,845	33.89
Aug'06	34,700	16.27
Sep'06	32,245	-7.07

The graphs below indicate SS-Ni trend. Stainless Steel has closely followed in line with Nickel.





OUTLOOK:

Internationally, stainless steel prices are expected to rise in the coming month with demand remaining strong.

Indian stainless steel exports seen up 15-20 percent: Indian stainless steel makers are expected to increase exports by 15-20 per cent in the fiscal year ending in March 2007, from about 500,000 tonnes last year boosted by competitive prices they are able to command. The products are well geared for global markets.

According to sources, production is expected to climb 10-12 per cent annually until 2015/16, from 1.8 million tonnes last year. India exports about 30 per cent of its annual stainless output to countries such as China, Indonesia, Malaysia, Turkey, Italy and to Eastern Europe. World stainless steel prices range between $1,500 to $3,000 a tonne, while Indian products quote $1,500 to $2,000.

Data Sources:

1) www.lme.co.uk
2) Steel Trade Today
3) Metal Bulletin
4) MEPS
5) Steel Business Briefing
6) The Financial Express

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