

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

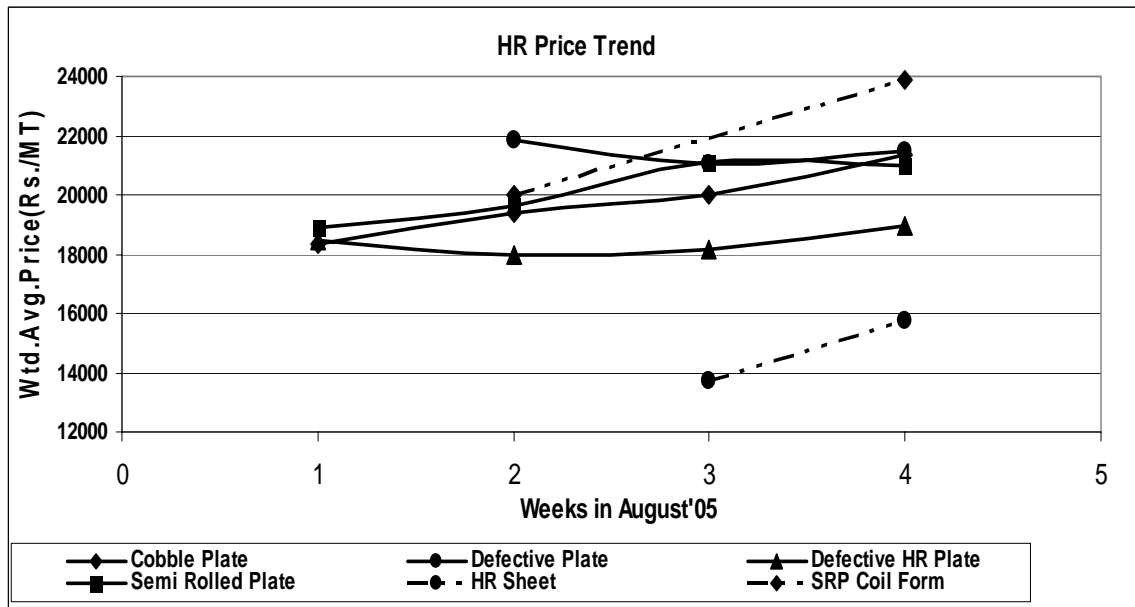
Domestic Scenario:

Steel prices up by Rs 1,000 per tonne: Domestic steel companies have announced a mid-month price rise of up to Rs 1,000 per tonne in downstream steel products like cold-rolled and galvanized coils used by the roofing, consumer durables and automobile industries. Prices of hot-rolled coils are expected to rise by Rs 1,500 to Rs 2,000 per tonne from September. **(The Times of India)**

Uttam Galva Steels to increase prices on September 1st: With increase in demand the Company will increase prices ranging between Rs. 2000 to Rs. 3000 per ton across galvanized steel, cold rolled steel and also steel by-products. It is focused on **flat products** specializing in value added grades and niche segments which have a high demand in the overseas market and growing requirements domestically. Uttam Galva Steels intends to produce one million tons of cold rolled steel and 750,000 tons of galvanized steel by the end of 2006. **(www.steelguru.com)**

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 August for different HR and CR products.



Attached below is the data table:

Week	Cobble Plate	Defective Plate	Defective HR Plate	Semi Rolled Plate	HR Sheet	SRP Coil Form
1	18353		18454	18923		
2	19412	21838	17981	19648		20000
3	20028	21020	18124	21100	13731	
4	21324	21506	18980	20972	15762	23900

Cobble Plate: The product showed an increase in price in the month of August.

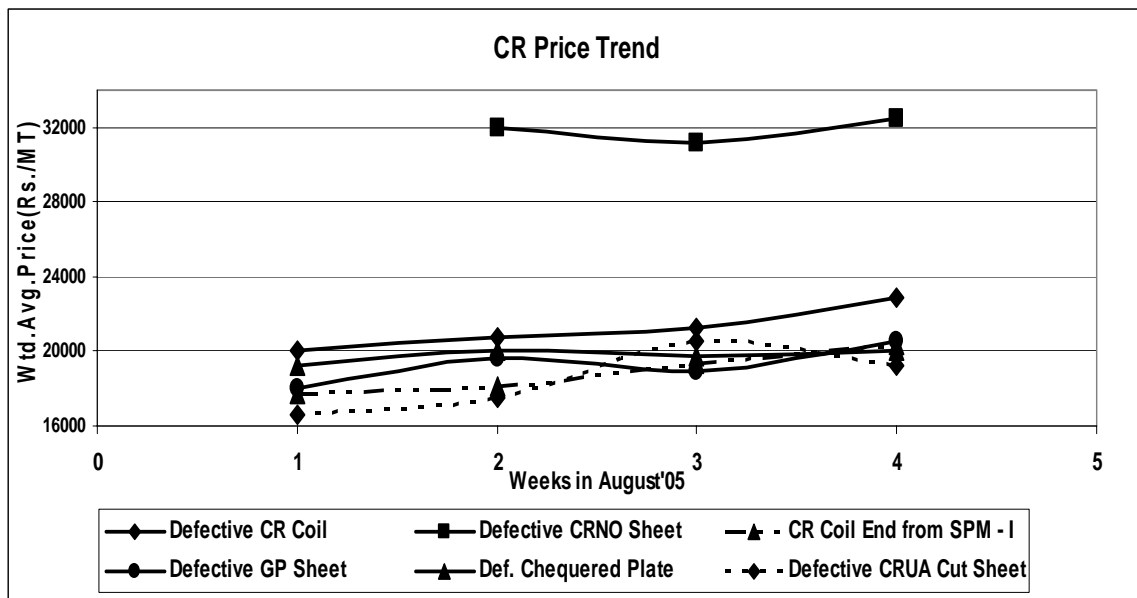
Defective Plate: The product stabled around the Rs.21,000/MT mark.

Defective HR Plate: The product ended on a rising note at the end of the month.

Semi Rolled Plate: This product touched it's peak in the third week of the month and then had a slight fall.

HR Sheet: The product ended with a positive note.

SRP Coil Form: This product too showed a positive sentiment in the market in the end of the month.



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	CR Coil end from SPM-II	Defective CRUA Cut Sheet
1	20038		17734	18000	19233	17800	16646
2	20800	32000	18089	19592	20046		17500
3	21300	31178	19301	18948	19699	18600	20563
4	22850	32479	20339	20516	20034	19775	19250

Defective CR Coil: The product showed a rising price trend.

Defective CRNO Sheet: The product had a slight dip in the third week of the month and again rose to a high of Rs.32479/MT.

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

Defective GP Sheet: The product too showed a positive sentiment in the market.

Defective Chequered Plate: The product hovered in the range of Rs.19,000/MT Rs.20,000/MT.

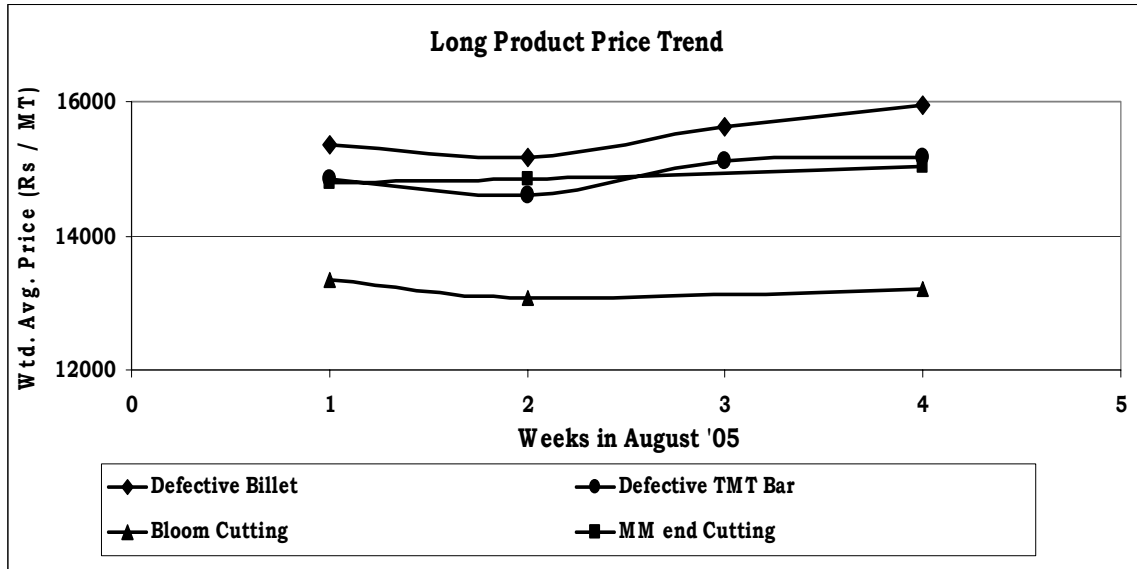
CR Coil End from SPM-II: This product too showed a rise in price in the end of August.

Defective CRUA Cut Sheet: The product showed a maximum rise in price in the third week and then slid down to Rs.19,250/MT in the fourth week of the month.

Outlook: Price of flat items have shown a positive trend in the auction and is expected to maintain the strength with all the steel majors announcing hike in flat product prices from the month of September.

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 August for different long products.



Attached below is the data table:

Week	Defective Billet	Defective TMT Bar	Bloom Cutting	MM end Cutting
1	15359	14836	13355	14794
2	15172	14616	13079	14857
3	15637	15117		
4	15945	15165	13218	15021

Defective Billet: The product showed a rising price trend in the month of August.

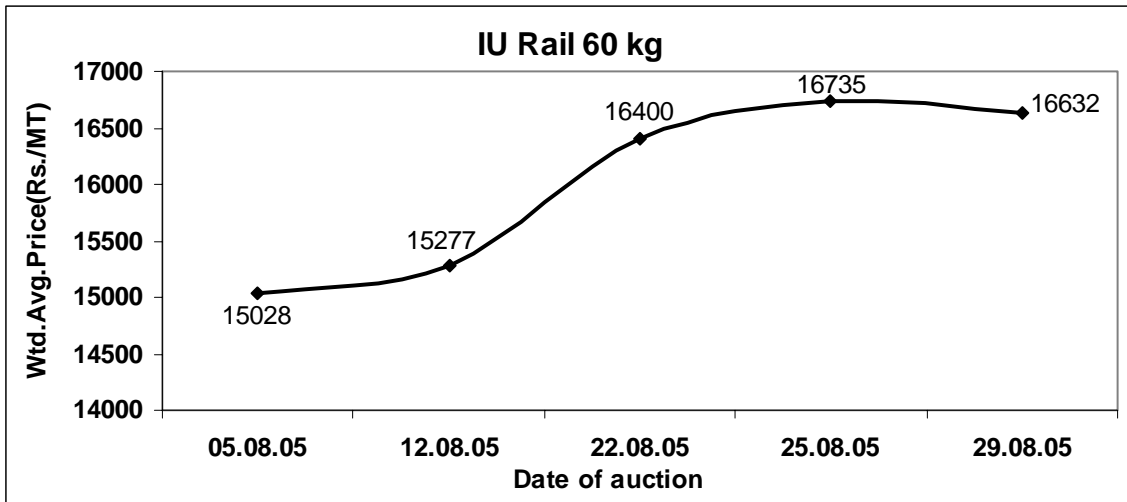
Defective TMT Bar: This product too showed an increase in price.

Bloom Cutting: The product more or less steadied around Rs.13,000/MT mark.

MM End Cutting: The product ended with a positive note in the last week of the month.

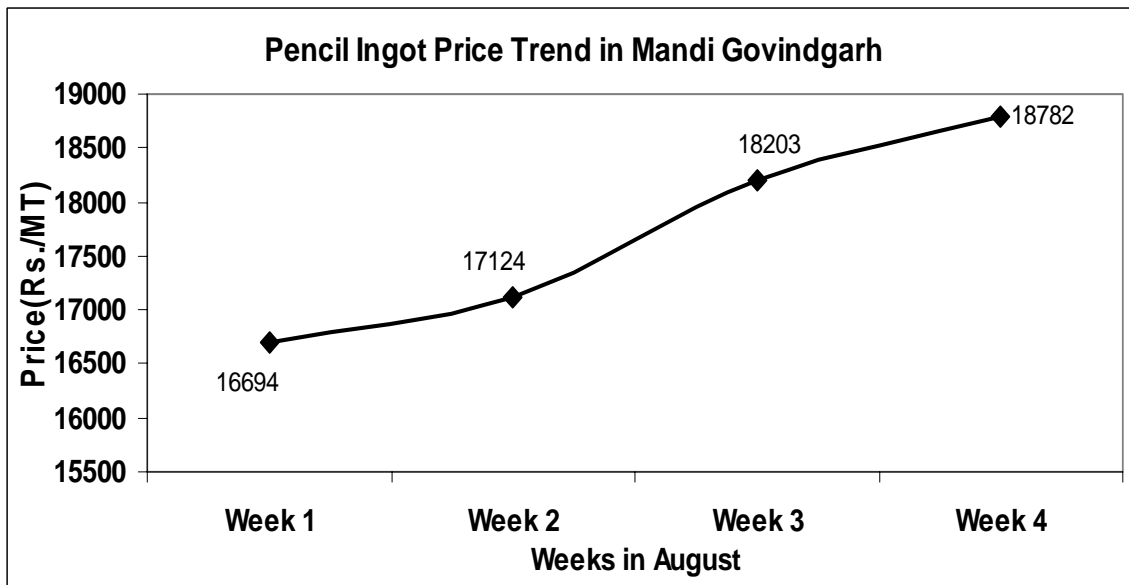
Outlook: Price of long product items has also shown a positive trend in the auction and is expected to rise up further with all the steel majors announcing hike in long product prices from the month of September.

IU Rail (60 kg) price trend in metal junction platform:



As compared to the earlier month the product has shown a healthy growth in the month of August.

Pencil Ingot Price Trend for the month of August (in Mandi Gobindgarh market) (Source: NCDEX)



Price is basic.

International Scenario

China Scenario: Both flat and long products prices rose steadily after a long slump in the market. **Factors supporting the price hike** are as follows: many domestic mills have raised their factory prices, inventory built-up has depleted, and raw material prices have strengthened enough in the market. Overall situation has improved in the month of August. **(China Metal Weekly)**

Steel price hikes could be temporary: While prices have already moved up marginally in Europe and the US, the outlook is very different in China. That's been underlined by the decision of Chinese steel giant Baosteel to cut prices ranging from 9 per cent to 15 per cent for the September month. Steel production in China in the first seven months of 2005 was 193.8 million tonne, a 28.1 per cent growth on a year-on-year basis. In contrast, demand growth was at only 15.7 per cent in the same period, well below the scorching growth of 20 per cent in the previous two years. The concern is that China's steel capacity is set to reach 490 million tonne at the end of CY05 compared with the earlier forecast of 420 million tonne.

As a result, the threat of Chinese steel makers looking for overseas markets such as India to sell their steel appears to becoming a reality possibly in Q4 FY06. The development should also be accompanied by resulting pricing pressures in Indian markets.

If spot prices start to weaken once again at the end of CY05, it could force steel companies to follow suit. A hike in domestic steel prices, therefore, is likely to be temporary. **(Business Standard)**

Overall Scenario:

The sharp rise in steel prices on the global market since the beginning of August raised hopes for another good run for the industry in the days to come. However there are reasons to remain cautious on the developments of what has been observed do not indicate a long term revival of the market. Given the fact that the current rise in prices has been due to reduction of steel supply raises questions over the longer term sustainability of the prices. The scrap prices have already risen sharply in the past few weeks. If raw materials prices remain high, there may be some resistance to steel price fall. But, if the steel prices drop and the input prices do not, the profitability in the industry may take a knock.

Data Sources:

- 1) The Times of India
- 2) www.steelguru.com
- 3) China Metals Weekly
- 4) Business Standard
- 5) www.ncdex.com
- 6) IAS software
- 7) The Financial Express

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STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Market price for iron ore to boom up in September: Recently, iron ore price has showed an upward trend in domestic market. According to an official from Jinan Steel, iron ore price is likely to boom up during Sep-Oct in domestic market if steel product prices continue rebounding up in domestic market.

Factors governing for **rise in iron ore** price are as follows: China's demand for raw material lingering on a high track, India's steel market to remain steady and domestic steel makers to purchase large quantities of iron ore during Sep-Oct for winter production season, which paves a good way for iron ore price to go up. **(Business Line)**

Stainless Scrap exports slip as India cuts back buys: U.S. exports of stainless steel fell to 39,282 tonnes in June, down 8.8.% from previous month. Among the major stainless importing countries, India cut it purchases from the United States to 2,476 tonnes down almost 2,000tonnes from May. **(Metal Bulletin)**

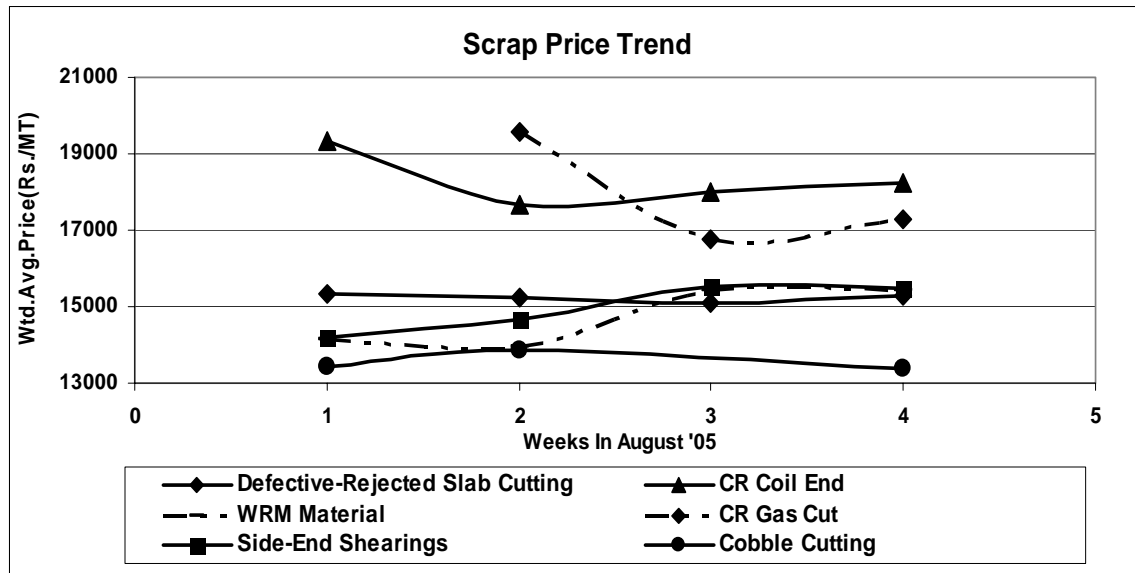
The tables below indicate the latest domestic price trend of melting scrap and pig iron in the market.

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

Place	May	June	July	August
Delhi	17000	15800	15000	15600
Chennai	17500	15000	15000	14000
Mumbai	15300	14500	14000	12000
Kolkata	16600	14000	15500	14075

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 August 2005 for different scrap products.



Attached below is the data table:

Week	Defective-Rejected Slab Cutting	CR Coil End	WRM Material	CR Gas Cut	Side-End Shearings	Cobble Cutting
1	15314	19316	14121		14167	13444
2	15230	17671	13938	19550	14653	13867
3	15100	18017	15450	16750	15533	
4	15267	18241	15441	17304	15480	13398

Defective-Rejected Slab Cutting: The product showed an upward trend in the end of the month.

CR Coil End: The product showed a rising price trend in the month of August after a long slump in the market.

WRM Material: The product showed a significant rise in price in the third week of August.

CR Gas Cut: While the product showed a dip in price in the third week, however it gained a positive momentum in the fourth week of the month.

Side-End Shearings: The product showed a rising price trend and steadied around Rs.15,480/MT in the end of the month.

Cobble Cutting: The product more or less hovered around the Rs.13,400/MT mark.

Melting Scrap Price trend on Metal Junction auction platform:

Date	Plant	Basic Price(Rs./MT)
18.08.05	ISWP	11,425
17.08.05	SAIL RMD	11,700
08.08.05	TISCO-Secondary	11,650
04.08.05	TISCO-Secondary	11,600
15.07.05	TISCO-TPL	10,025

Scrap price has risen since the month of August as compared to the earlier months when there was a major slump in market.

Outlook: With steel market stabilizing in the market, the scrap market scenario is expected to remain healthy in the coming festive season. Also, bidders are giving a strong response in the market and demand is gaining it's momentum after a lull period for a long time.

International Scenario:**Steel Scrap: Cast-Iron Scrap United Kingdom Metal Bulletin Ferrous Scrap Index :(US\$/ton)**

Price Date	Price
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	Low Price
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
16-Jun-05	120.83
9-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
18-Apr-05	210.67

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

Price Date	Low Price
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

Scrap prices soaring in the global market, steel prices to follow: Surge in US steel scrap prices: US steel scrap prices have surged higher in early August. Chicago scrap price rose from \$170 a gross ton \$230 a ton in the beginning of August. HMS1 went from \$140 a ton to \$195 a ton. There was a bit concern that the current soaring of the scrap price could be more of a reflection of reduced scrap supplies during the summer and not an increase in demand. **(Platts, www.mesteel.com)**

Danger of explosives and radioactive substances in steel Scrap in parts of Europe: Ukrainian police has recovered 13 world war 2 live shells from a 80 year old grandmother from east Ukrainian village who had discovered the buried munitions cache while cutting grass for her cow and planned to sell them scrap metal collectors. Incidents of radioactive scrap being turned in to a Ukrainian mill in exchange for cash doubled in 2005 as compared to 2004 and are up by almost a factor of five since 2000. **Ukraine** is one of the world's **top scrap metal exporters**, averaging two million tonnes sent abroad annually. The country's booming steel industry, one of China's top suppliers, also has a voracious scrap appetite of its own. **(www.steelguru.com)**

Ferrous Scrap Price Increases by 1,000-2,000 yen in Tokyo: Electric furnace steel manufacturers increased ferrous scrap purchase prices by 1,000-2,000 yen to 20,500-21,000 yen per tonne for H2 grade in Tokyo after Tokyo Steel Manufacturing increased the price by 3,000 yen to 22,500 yen at Utsunomiya plant. The local price increased by 13.6% or 2,500 yen from the beginning of August. **(MEPS, International)**

News from China: Domestic pig iron prices remained on a rising note in the month of August. The price for **steelmaking pig iron** moved up by RMB50/t to around RMB2,300/t but the prices for **casting pig iron** still remained at about RMB2,450/t. Scrap prices remained on a rising note in the month of August. The prices of **heavy scrap** rose by around RMB150/t to RMB2,320/t. **(China Metal Weekly)**

Iron ore spot prices up: Indian iron ore spot prices in China have risen about 4 per cent since mid-August. The prices rose to between \$74 and \$77 a tonne, including freight, from as low as \$55 in early June, the analysts said in an August 26 report. **(Business Line)**

Overall Scenario:

Higher scrap prices signal re stocking phase has begun: Market analysts believe scrap sellers are enjoying a broad based and strong rally in scrap prices globally, noting scrap prices are up in Asia, India, the US, Europe and Brazil. Experts conclude that the market has entered a re-stocking phase, as scrap users re-enter the market, after a protracted period of standing aside, awaiting further scrap price falls. The analysts keep their FY06 scrap price forecast of US\$230/t unchanged for the time being, while acknowledging there is a “reasonable possibility” that they will need to raise it in the coming months.

Data Sources:

- 1) Business Line
- 2) Metal Bulletin
- 3) www.steelguru.com
- 4) China Metals Weekly
- 5) MEPS (International)
- 6) Platts
- 7) www.mesteel.com
- 8) IAS software

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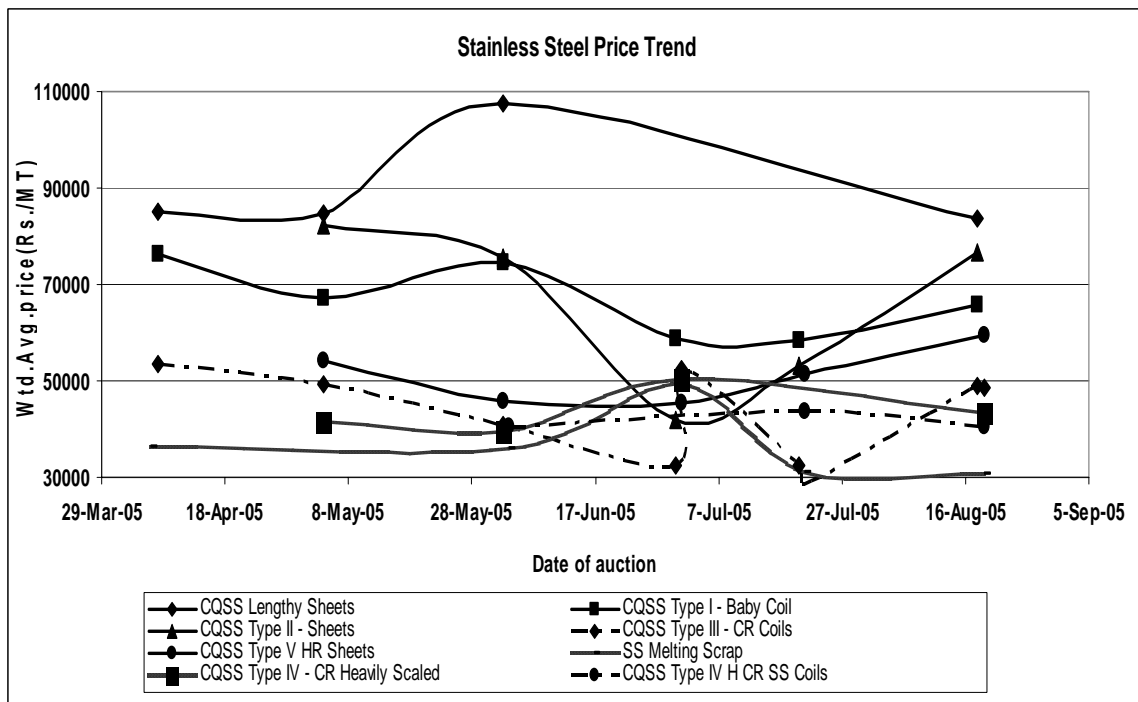
STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario:

Falling prices hit Salem Steel exports: Steel experts had forecast that stainless steel prices in the global market would continue to remain dull. A combination of several factors including high inventories and summer holidays in northern hemisphere would keep the prices down. Weakening of global stainless steel prices has affected the exports of Salem Steel Plant, the specialty steel producer of Steel Authority of India Ltd (SAIL). The fall in stainless steel prices is a reflection in the overall weakening of the global steel prices. While steel prices have improved recently, a similar impact is yet to be seen with regard to stainless steel prices. **(Business Line)**

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



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
15-Mar-05								41281
7-Apr-05	85000	76347		53580				
6-Apr-05								36402
4-May-05	84770	67268	82228	49275	41429		54038	
2-Jun-05	107527	74499	75517	41003	39575		45679	
3-Jun-05						40657		35929
30-Jun-05		58785	41945	32332				
1-Jul-05				52349	50514		45559	49264
20-Jul-05		58317	52984	32285				
21-Jul-05				28551		43672	51483	31170
18-Aug-05	83697	65665	76798	49044				
19-Aug-05				48500	43343	40691	59598	30863

CQSS Lengthy Sheets: The product showed a falling trend in the month of August as compared to the price range in June.

CQSS Type I Baby Coil: The product showed a rise in price in the month of August after a downturn in July.

CQSS Type II-Sheets: The product showed a rise in price in the month of August after a downturn in July.

CQSS Type III-CR Coils: The product showed a high rise in price in the month of August after a downturn in July.

CQSS Type IV - CR Heavily Scaled: The product showed a fall in price in the month of August.

CQSS Type IV H CR SS Coils: The product showed a slight fall in price in August as compared to the price in July.

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

SS Melting Scrap: The product showed a further fall in the month of August.

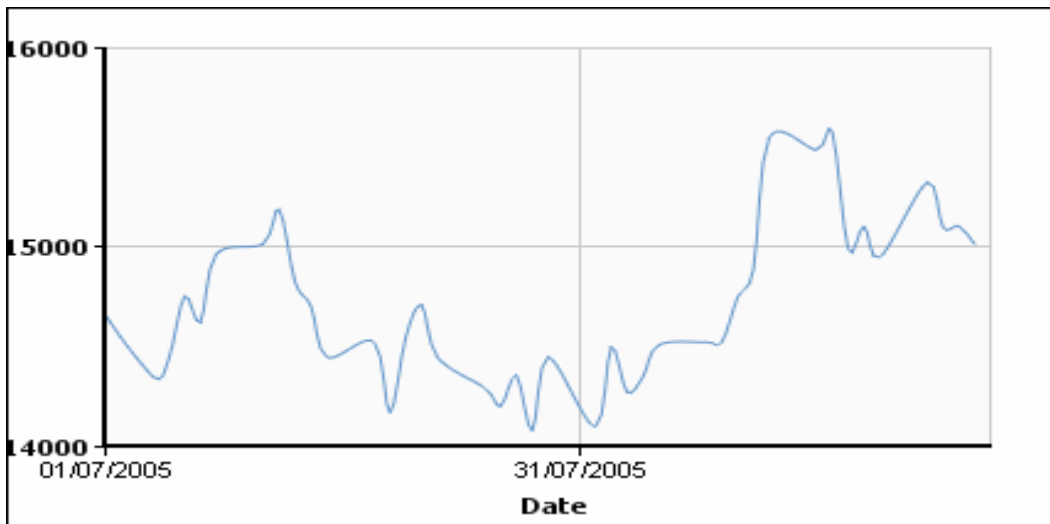
Outlook: With a continuous downward trend in price, prices of most of the items are now stabilizing and are on a positive note. With steel prices showing expected rise in the coming month, stainless steel prices are expected to be on an upward trend.

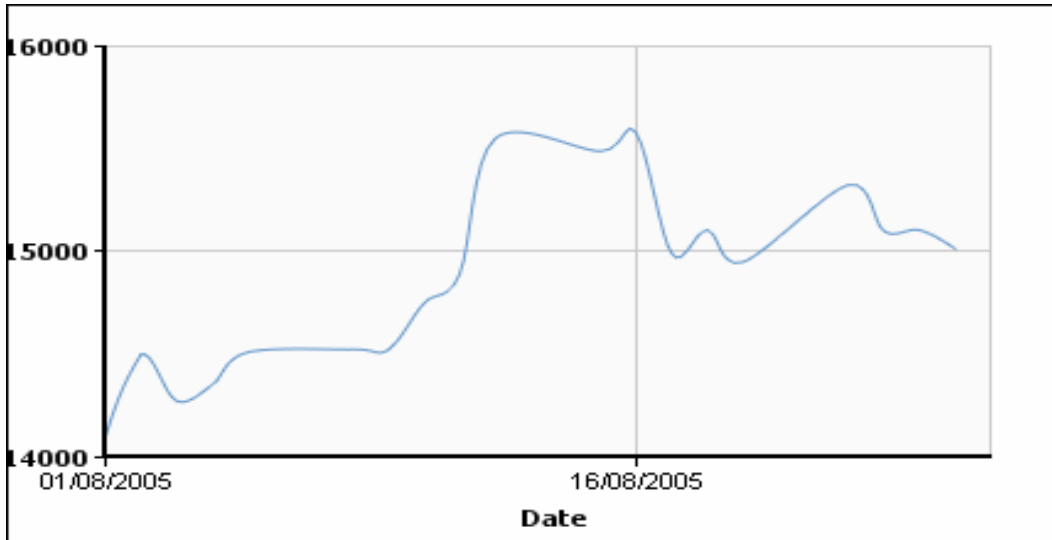
International Scenario:

Stainless Steel prices weak in China: Domestic stainless steel prices continued to fall slightly. In Wuxi, the price of CR 304/2B declined by RMB200/t. The prices for ZPSS's 1.0mm and 2.0mm CR 304/2B coils were down to about RMB20, 600/t and RMB20, 000/t respectively. HR 304/No.1 plate fell by RMB100/t. The prices for imported 4-6mm HR 304/No.1 plate slipped down to about RMB18, 700/t. In Foshan, CR 304/2B prices fell by RMB100-200/t. The prices for ZPSS's 1.0mm and 2.0mm CR 304/2B coils declined to around RMB21,100/t and RMB20,300/t separately. HR 304 prices remained stable. **(China Metals Weekly)**

AK Steel Raises Hard Steel Prices: The company will raise base prices of its precipitation hardening stainless steel products by 10% in the mid of September. The Middletown, Ohio-based company cited rising costs of manufacturing, energy and transportation. AK Steel said raw material surcharges will continue for stainless steel products. **(www.thestreet.com)**

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





As seen from the above graphs, after a slump in price in the month of July, there has been a slight rise in the mid of August and again a fall touching around 15,000 US\$/tonne.

Overall Scenario:

Global stainless steel prices set to fall further: Summer holidays in the northern hemisphere, high stocks and the weakening of raw material prices are combining to send stainless steel markets into the doldrums. Many producers have announced output cuts in an effort to bring the market back into balance. **In Europe**, ThyssenKrupp Stainless, Ugine & ALZ and Outokumpu have reduced production. Similarly, **in Asia** stainless mills in Taiwan, Korea and Japan are reducing their operating rates, citing the need to bring down stock levels. Even **Chinese** cold rolled stainless producers are reining back their production. **(MEPS)**

Data Sources:

- 1) China Metals Weekly
- 2) MEPS
- 3) Business Line
- 4) www.lme.co.uk
- 5) www.thestreet.com

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