

## News at a glance

**China became world's largest exporter of steel in the first six months of the year:** Exports from Jan to June'06 were 18.9 million tonnes, a 22% rise from 2005 when it was the 5<sup>th</sup> largest exporter. In flat rolled finished steel, China's exports were up nearly 50% to 7.8mt. In finished long products, China's exports soared 50% year-on-year to 5.6mt.

**Tata Ryerson is betting big on stainless steel.** The company is expected to allocate almost one-third of its Rs 151 crore investment for the stainless steel sector.

### **Record Production in the first quarter of FY 07:**

**SAIL** output rises 10% in April-July ('06) over April-July ('05). A record saleable steel production of 4.08 million tonnes in the first four months of the current fiscal.

**Rourkela Steel Plant breaks production records during April-July'06.** RSP has achieved output levels of 0.686 million ton of hot metal, 0.642 million ton of crude steel, 0.623 million ton of saleable steel and dispatch of 0.619 million ton of finished products.

**Visakhapatnam Steel Plant** produced 1.355 million tonnes of hot metal, 1.202 million tonnes of liquid steel and 1.071 million tonnes of saleable steel during the period April'06-July'06. Present capacity of the plant is 3.2 million tonnes.

**Hindustan Zinc Ltd. raised zinc prices by 0.33% in the beginning of the month.** However, it cut zinc prices by 4.43% on **17<sup>th</sup> Aug'06** to Rs.1,76,900/t. The Company again increased prices by 0.5% to Rs. 1,77,700/t on **19<sup>th</sup> Aug'06** and to Rs. 1,81,600/t on **26<sup>th</sup> Aug'06**. This has been in line with international trend at LME where zinc prices have fluctuated in the range of +/- 2% in the month of August.

**Nickel Breaks Barrier to touch a high of 34,700 \$/t on 24<sup>th</sup> Aug'06 at LME,** highest in 19 years: A 27% jump over a month, 4% jump over a week and 4% jump over a day. Rising demand of nickel from China, Western Europe & US coupled with low stocks are the causes for high Nickel trend.

**Moly oxide prices push higher, ferromoly still lagging:** Molybdenum oxide prices moved above the **\$26.00/lb** level in Europe in mid-August as producers reported good demand from end-users, but ferromolybdenum prices continued to lag behind as the squeeze on conversion margins continued.

However, the ferromoly market still remains sluggish as buyers are still unwilling to pay \$60/kg for duty-paid material except in small-tonnage deals. Ferromoly is lagging behind oxide; it hasn't broken **\$60/kg** yet.

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

	June'06	% Change(Y-Y)	July'06	% Change(Y-Y)	Aug'06	% Change(Y-Y)
Global Index	165.76	20.30	166.61	32.00	162.01	26.10
North America Index	162.08	22.90	164.61	35.40	163.71	38.80
Europe Steel Index	171.09	17.30	174.32	29.50	174.32	34.30
Asia Steel Index	164.97	20.50	163.51	31.50	154.2	15.10
Longs Index	158.23	24.00	159.3	27.70	153.94	16.40
Flats Index	169.5	18.60	170.23	34.10	166.02	31.10
Metallics Index	213.67	59.30	214.78	47.40	193.1	17.00
Stainless Index	139.96	6.80	144.64	10.30	150.3	17.80

Having increased for six consecutive months, to a new record high, the **global CRUspi** has fallen this month by 2.8%. Weakening in demand due to monsoon has been a key factor.

Asian prices had a continuous dip in the month of August and this has been the main reason behind the drop in **Asian steel index** by 5.70% this month.

As seasonal weakness in much of the world has limited Asian suppliers export opportunities, prices from China to South East Asia have continued to slip, bringing **CRUspi for long products** down for the first time since January. The drop has been 3.40% this month.

Having increased for six consecutive months, to near record levels, the **CRUspi for flat products** has fallen this month, by 2.5%.

Steel price weakness across Asia resulted in subdued scrap demand. Scrap prices also retreated in Europe & USA. The **metallics index** had a drop of 10.10% this month.

Positive index was noticed in Stainless Steel sector only. The **stainless index** had a rise of 3.90% this month. This has been driven by high nickel prices which resulted in stainless steel price increase.

(DIPANKAR CHAKRABARTI)  
Senior GM – Steel Sales

## STEEL INDUSTRY MARKET SCENARIO

### FLAT & LONG PRODUCT

#### Domestic Scenario:

**Flat & Long products** both showed a steady price trend in this month. The average price on month to month basis had shown very little fluctuation.

**Indian HRC import market has been quiet for sometime:** The Indian HRC import market is stagnant because domestic demand is weak due to seasonal effect and also export demand has slowed down.

Offer prices of Chinese rerolling 2.2mm and up HRC have fallen by \$20-30/tonne in the month of August.

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

Primary Flat Products	July Week 4	Aug Week 1	Aug Week 2	Aug Week 3	Aug Week 4
Plate(5-10 mm)	28,500	28,700	28,700	28,700	28,700
HR Coil	28,000	28,200	28,200	28,200	28,200
HR Sheet	28,000	28,200	28,200	28,200	28,200
CR Coil	33,700	33,900	33,900	33,900	33,900
CR Sheet	33,700	33,900	33,900	33,900	33,900
GP Coil	35,700	35,900	35,900	35,900	35,900
GP Sheet	35,700	35,900	35,900	35,900	35,900

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

Primary Long Products	July Wk 4	Aug Wk 1	Aug Wk 2	Aug Wk 3	Aug Wk 4
Billets(100*100mm)	21,500	21,700	21,800	21,900	22,100
MS Rounds(22/25 mm)	24,000	24,000	24,400	24,400	25,000
MS Squares(22/25 mm)	24,000	23,800	24,200	24,300	24,900
MS Angles(25*6mm)	24,100	24,200	24,400	24,700	25,000
MS Angles(100*6mm)	25,200	25,300	25,400	25,700	26,000
MS Channels(75*40mm)	24,300	24,400	24,700	25,000	25,500
MS Channel(125*65mm)	25,300	25,600	25,400	25,300	25,600
TMT Bars( 10 mm)	24,200	24,000	24,300	24,200	24,500
TMT Bars(20/25 mm)	24,400	24,200	24,400	24,300	24,700

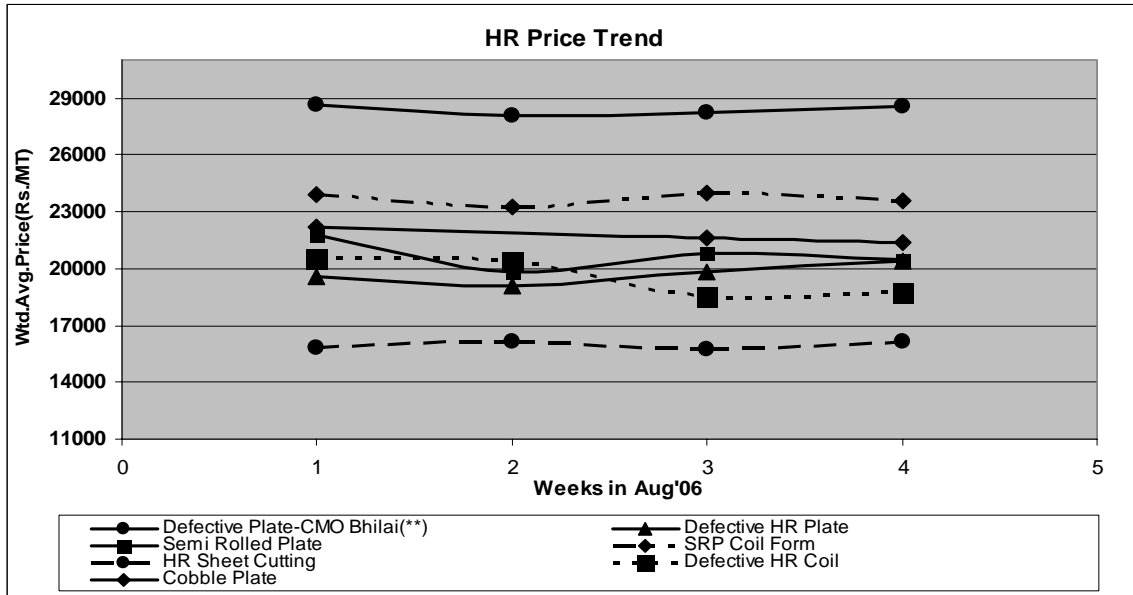
*Note: Flat & Long Price (Rs. /MT, incl.excise duty)*

#### **Price Movement**

	<b>Review</b>	<b>Outlook</b>
Items	Aug'06 over July'06	Sept'06 over Aug'06
HR Coils	↔	↔
CR Coils	↔	↔
GP/GC Coils	↔	↔
Long Products	↔	↑

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

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



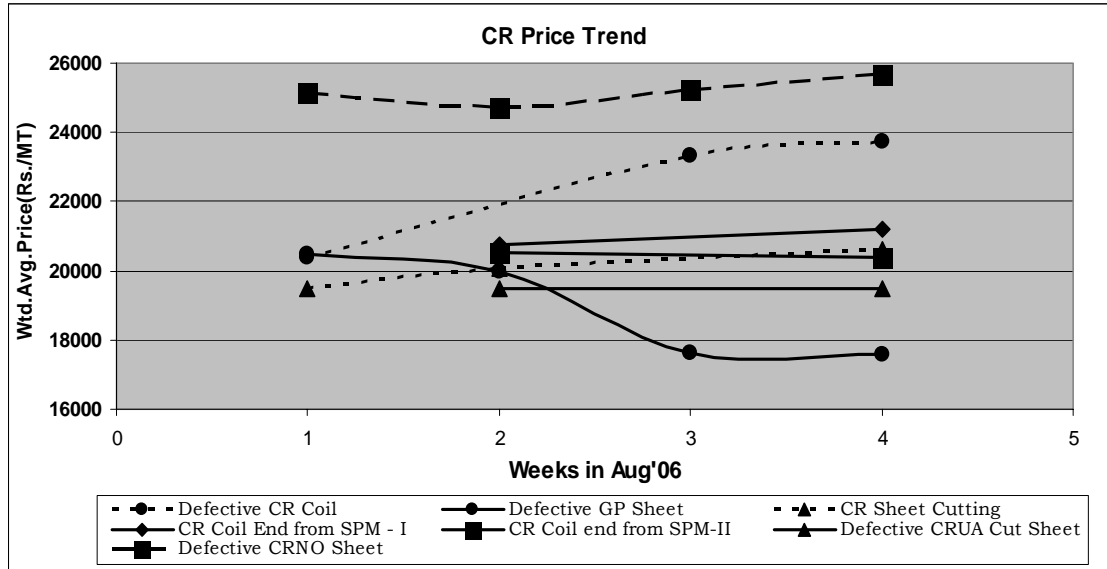
**Note:** Price is basic, \*\* implies price incl.excise duty

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	28629	19563	21787	23917	15848	20511	22209
2	28057	19092	19818	23217	16171	20422	
3	28227	19856	20794	24000	15760	18523	21604
4	28574	20427	20449	23541	16129	18746	21365

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

Products	July Price(Avg.)	Aug Price (Avg.)	% change(Aug'06 over July'06)	% change(Aug'06 over Aug'05)
Def Plate-CMO Bhilai	28038	28372	1.19	11.08
Def HR Plate	19716	19735	0.10	7.34
Semi Rolled Plate	21306	20712	-2.79	2.73
SRP Coil Form	23079	23669	2.56	7.83
HR Sheet Cutting	14616	15977	9.31	8.34
Cobble Plate	22337	21726	-2.74	9.84



**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 CRUA Cut Sheet	Def CRNO Sheet
1	20400	20473	19473				25142
2		20000	20053	20735	20535	19500	24725
3	23350	17643					25220
4	23740	17578	20600	21198	20385	19500	25699

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

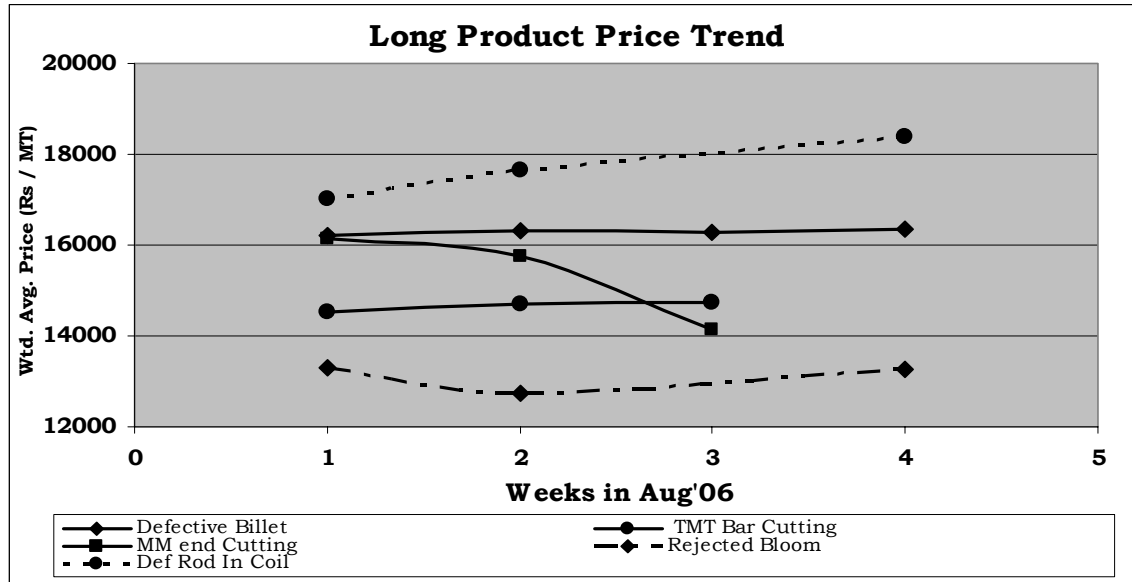
Products	July Price(Avg.)	Aug Price (Avg.)	% change(Aug' 06 over July'06)	% change(Aug' 06 over Aug'05)
Def. CR Coil	21003	22497	7.11	5.88
Def. CRNO Sheet	25415	25197	-0.86	-20.98
CR Sheet Cutting	19026	20042	5.34	8.39
CR Coil End from SPM-I	20156	20967	4.02	11.14
CR Coil End from SPM-II	19932	20460	2.65	3.58
Def CRUA Cut Sheet	19125	19500	1.96	4.14

**Outlook:** Both International and Domestic market remained quiet in the beginning of the month and then onwards volatility was seen in international prices especially in HR items, though domestic market showed steady price.

The HR and CR items auctioned have shown a steady price trend in the month of August'06 and an improved trend as compared to the earlier month. A similar stable trend is expected in the coming month and prices are expected to hover around the current levels.

**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 2006 for 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	16215	14531	16131	13300	17026
2	16300	14693	15753	12750	17664
3	16293	14727	14145		
4	16354			13275	18385

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

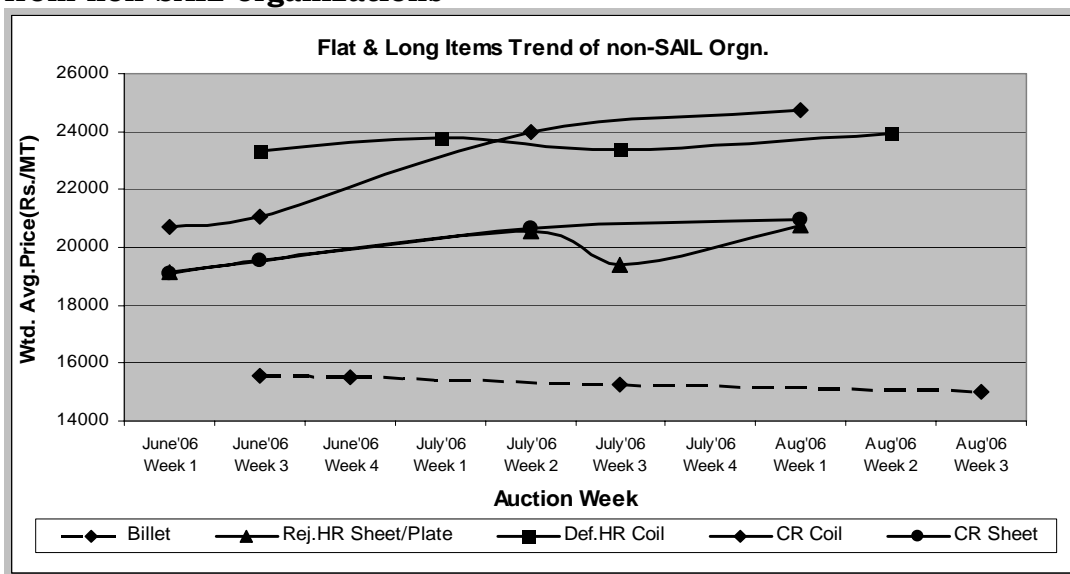
Products	July Price(Avg.)	Aug Price(Avg.)	% change(Aug'06 over July'06)	% change(Aug'06 over Aug'05)
Def Billet	16181	16291	0.68	4.92
TMT Bar Cutting	14942	14650	-1.95	-1.90
Rejected Bloom	13132	13108	-0.18	-13.76
Def Rod In coil	17787	17692	-0.53	-2.40

**Outlook:** A downward trend has been noticed in the auction platform in the beginning of August'06 as compared to prices achieved in the end of last month. Billet auctioned has closely followed in line with Ingot trend. However, stability was achieved since the second week of the month. Ingot at Raipur had a percentage change of 2.41% in August Week 2 over August Week 1. Billet auctioned from BSP had a percentage change of 0.93% in August Week 2 over August Week 1.

In the third week of the month, auction platform prices fluctuated in the range of +/-1% and overall a stable trend prevailed which was in line with a stable scenario prevailing in long products domestic market.

The end of the month saw an improved price trend in the long products sector. Ingot has shown a steady improvement in price across all the places and there has been a percentage change in the range of 1-3 %. The auction platform has also shown a steady improvement in prices. Most of the items auctioned have shown an improvement in the range of 0.5-1.5% and has closely followed in line with Ingot trend.

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



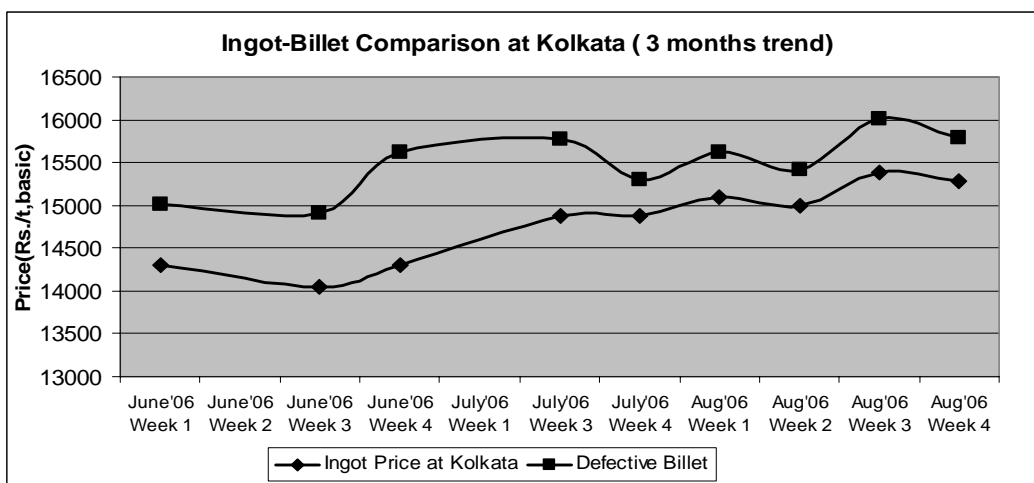
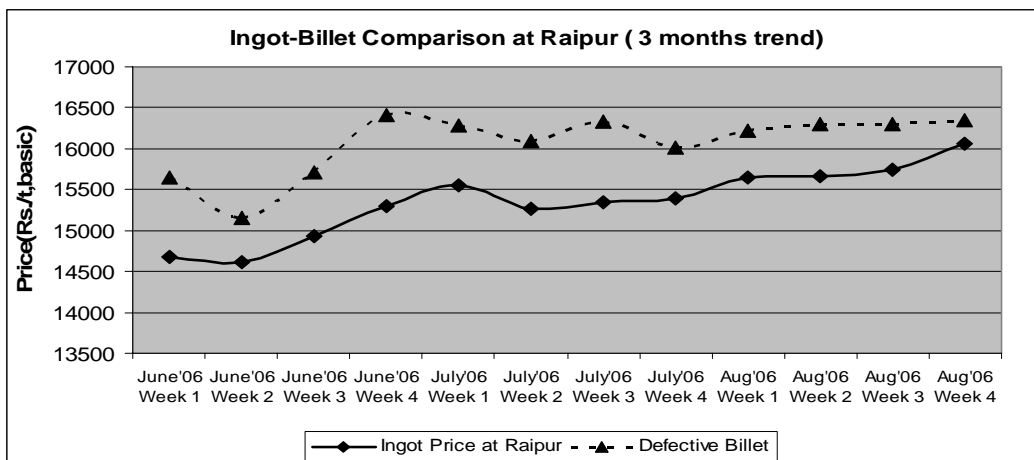
**Price is basic**

**Ingot Price (8 weeks trend)**

	Kolkata	Mandi	Ghaziabad	Raipur	Mumbai
July Week 1	17213	20678	20321	18081	19483
July Week 2	17199	20779	19842	17872	19161
July Week 3	17259	21125	20068	17806	19008
July Week 4	17559	21256	19908	17903	19251
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

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

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



**International Scenario**

The average global price of HR has been down by 11% in the last one month.

**Asia:** Bearish market sentiment had prevailed in the entire month of August'06. Prices of flat products in Asia have moved down 14% over the last 30 days, while that of long products has weakened 3%.Buyers are just waiting to see if prices will further fall. Prices of both flat & long products have softened in China market. HR prices had a dip in East Asia. Slab import market in East Asia has also remained quiet due to weak demand in hot-rolled market.

**China:** *Billet* prices in domestic China market remained firm in the first two weeks of the month. Offer prices of Chinese billet in South-East Asia moved upwards in the third week of the month due to improved sentiment. Prices fetched around \$393-397/t cfr for most parts in South-East Asia, increasing

from \$392-395/t cfr in the beginning of the month. Prices ended on a higher note in the end of the month due to improved demand in rolling mills.

Export prices of **HRC** fell on an average 5% in the end of the month as buyers are having a wait & watch scenario in the domestic China market. Deals were struck at \$460-480 per tonne fob in the end of the month, down from \$480-500 per tonne as compared to the third week of the month. Overall, steel prices in China have seen a mixed trend since the beginning of August as domestic steel demand has remained weak.

China's steel exports fell in the month of July'06 due to weakening demand in overseas markets. It exported only 3.58 million tonnes of finished steel in July, a drop of 19% as compared to the earlier month.

**CIS: Billet** prices improved in CIS countries thus pushing up the long product prices in the end of the month. Export prices of billet fetched around \$395-400/t fob Black Sea, \$5/t up from the beginning of the month. **Wire rod** prices rose by around 30\$/t to reach \$450-470/t fob Black Sea and **Merchant Bar** prices increased to \$480-500 per tonne fob Black Sea, up from \$450-470 per tonne fob in the beginning of the month. However, **Coil** export prices weakened led by oversupply and moderate demand.

**Europe:** The market has remained quiet in the entire month of August and business is expected to start up again in September. Rebar and Wire Rod prices remained stable.

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

- **Mixed trend in Steel prices in China**
- **Import market in US on a downtrend**

Item Description	% Change over a week(Aug Week 4 over Aug Week 3)	% Change over a month(Aug'06 over July'06)	% Change in the last 6 months
Chinese Domestic HR Coil (2mm and up) Eastern China Yuan/t	-0.75	2.60	28.25
Chinese Domestic HR Coil (2mm and up) Southern China Yuan/t	0.00	2.50	17.14
Chinese Domestic CR Coil (0.5-2mm) Eastern China Yuan/t	-1.47	-2.5	4.00
Chinese Domestic CR Coil (0.5-2mm) Southern China Yuan/t	-2.13	-5.15	-0.43

Chinese Domestic Rebar Eastern China Yuan/t	1.03	3.87	4.61
Chinese Domestic Rebar Southern China Yuan/t	1.23	3.14	2.18
Chinese Domestic Wire rod (mesh quality) Eastern China Yuan/t	0.32	6.33	9.62
Chinese Domestic Wire rod (mesh quality) Southern China Yuan/t	0.64	2.27	6.04
China Export Billet fob main China port \$/t	0.00	-4.11	6.06
China Export Hot Rolled Coil fob main China port \$/t	-4.17	-9.80	15.00
US Import HR Coil \$/t	0	-1.64	15.39
US Import CR Coil \$/t	0	-2.70	20.00
US Import Slab \$/t	0	0	12.5
US Import Galvanized Coil \$/t	0	0	6.67
US Import Rebar \$/t	0	-3.64	23.26
US Import Wire Rod \$/t	0	0	13.04

Note: 8.11 Yuan=1 US \$

### OUTLOOK:

Global crude steel production to reach 1.2 billion tonnes at the end of this year. The main factors driving this growth is strong real demand, inventory rebuilding has occurred in several industrialized nations and rising raw material costs has prompted customers to order in advance of rising steel prices. Asia remains the fastest growing region for steel production. With construction activity getting strong, steel sector is expected to remain healthy for the remaining part of the year.

**Europe:** Market is expected to remain strong and further price rise is expected for the period of October till December, 2006.

**America:** Prices are expected to remain strong with supply conditions remaining tight and demand remaining firm in the coming month.

**China:** A bit of weakness has prevailed both in the domestic and export market in the last one month. However revival in the steel sector is expected very soon when rains will be over and construction sector will gain pace. Also, buyers are waiting for the market to stabilize following which prices might zoom once again.

**India:** Flat products prices are under pressure. **Hot rolled coil prices** which ended at Rs.28,700/t (incl.excise) in the end of the month are expected to drop

in the beginning of next month so as to align with the imported prices and reduce the gap to at least \$50. However, the drop is not to exceed Rs.1000/t.

Last price rise was in the beginning of July'06 which was done as the imported HRC prices were still higher than the domestic levels.

Even if there is a drop in HRC prices, it is going to be temporary as the onset of festive season will keep demand strong.

**Galvanized product prices** are expected to remain stable because of higher zinc prices.

**Long product prices** are expected to remain on a higher note.

Overall, the domestic market is still steady with demand expected to remain strong in the coming months. The arrival of festive season will see demand coming from white goods; automobiles & real estate sector.

It is highly probable that strong domestic demand would either push up the prices or keep them stable.

**Data Sources:**

- 1) Steel Trade Today
- 2) [www.ncdex.com](http://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:**

**Slow August market for Indian fines shipped to China:** Low volumes of Indian iron ore fines (63%Fe) landed in China in the last month. The closure of several key Indian ports due to intense rain had slowed the rate of exports. The freight market is somewhat volatile, with a bullish outlook for smaller vessels. However, the scenario is expected to change when the key ports (from which about 40% of Indian ore depart) reopen by mid-September.

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

	Apr'06	May'06	Jun'06	July'06	Aug'06
Indian 63% Fe \$/t CFR China	67-73	65-72	68-74	70-75	71-72

##### **Sponge Iron:**

Sharp rise in Sponge iron prices in the month of August as production has stopped in certain sponge iron factories for the time being. With demand remaining strong and market showing signs of stability prices are expected to remain high in the coming month.

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

	Price (Rs./t)		Price (Rs./t)	% change(Aug'06-July'06)
1-Jul-06	9574	1-Aug-06	9854	2.93
7-Jul-06	9624	7-Aug-06	10400	8.06
14-Jul-06	9500	14-Aug-06	10449	9.99
21-Jul-06	9534	21-Aug-06	11029	15.68
29-Jul-06	9672	29-Aug-06	11001	13.74

##### **Pig Iron:**

Pig Iron prices remained firm in the month of August with demand remaining strong.

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

Item	July Week 4	Aug Week 1	Aug Week 2	Aug Week 3	Aug Week 4
Steel Grade	18,000	18,000	18,000	18,000	18,000
Foundry Grade	20,000	20,000	20,500	20,500	20,500

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

July Week 2	July Week 3	July Week 4	Aug Week 1	Aug Week 2	Aug Week 3	Aug Week 4
14576	14150	14,120	14,358	14,698	14,767	15,119

**Scrap:**

**Import prices of steel melting scrap in India weakened in the mid of August by around 30\$:** HMS 1&2 from Gulf countries has fallen to \$240-245 per tonne cfr India in mid-August from around \$260-275 five weeks ago as demand in other parts of the world for this type of material is generally weak. HMS 1&2 from the European Union and USA is trading slightly higher than Gulf-origin material at \$270-275 per tonne cfr India, but is down from \$290-300 previously. Imports of shredded scrap are priced at around \$285-290 per tonne cfr, down from \$305-320 previously.

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

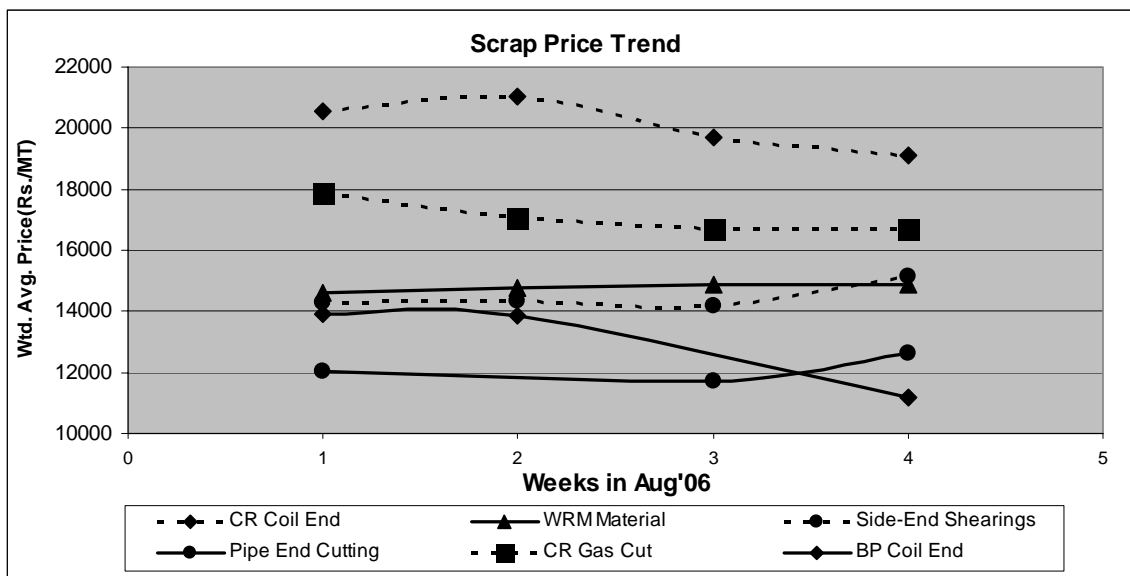
Place	June-06	July-06	Aug-06	% change (Aug'06 over July'06)	Price Movement
Delhi	15,100	15,400	15,900	3.25	↑
Kolkata	14,000	14,400	14,650	1.74	↑
Mumbai	14,600	14,800	15,600	5.41	↑

**Price Movement**

	Review	Outlook
Steel Product	Aug 2006 over July 2006	Sept 2006 over Aug 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 August 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	CR Gas Cut
1	20559	14619	14282	13897	12041	17857
2	21025	14750	14314	13862		17053
3	19670	14895	14182		11736	16712
4	19084	14850	15144	11191	12602	16680

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

Products	July'06 Price(Avg.)	Aug'06 Price (Avg.)	% change(Aug'06 over July'06)	% change(Aug'06 over Aug'05)
CR Coil End	19671	20085	2.11	9.69
WRM Material	14629	14779	1.03	0.28
Side-End Shearing	15020	14480	-3.60	-3.20
BP Coil End	13320	12983	-2.53	NA
CR Gas Cut	17039	17076	0.22	-4.43

**Outlook:** The prices of most of the items have shown an improved trend as compared to earlier month and a stable trend was maintained throughout the month. With Sponge Iron & Melting Scrap prices showing a firm trend in the domestic market, the auction platform too showed an improved trend towards the end of the month. However, a few types of material had a drop in price and this was mainly due to quality of the material which deteriorated due to monsoon.

## **International Scenario:**

**Asia: Asian pig iron import prices are weakening as a result of softening scrap market.** In the third week of August, Indian origin pig iron was offered at around 325\$/t cfr South-East Asia, about 15\$/t lower than the beginning of the month. Chinese pig iron is down by 12-18 \$/t and ex-works prices are prevailing in the range of 265-269\$/t. The prevailing offer price of 80:20 HMS 1&2 is \$252-254/t cfr Southeast Asia and shredded is at \$270/t cfr.

**Pig Iron prices have also shown a declining trend at other places:** In CIS countries, export prices fell by around 35\$ to end at around 280\$/t. In Latin America, export prices fell by around 50\$/t to end at 290\$/t fob in the end of the month.

**China:** Import prices for **iron ore** increased by \$1/t in the end of the month to about \$72 per tonne cif due to higher freight costs. The slight increase has been after a period of quietness in the market.

**Chinese scrap markets have remained quiet since the beginning of August following July's downtrend.** In Eastern China, purchase prices for domestic heavy scrap have been prevailing in the range of 251-256 US\$/t. In Northern China, purchase prices for domestic heavy scrap have been ranging from RMB 1,990-2,050/t, incl.17% VAT, down from prices of RMB 2,050-2,150/t in mid-July.

**Iron-Ore stocks at China's ports fall slightly:** Port stocks in mid-August totalled around 38m tonnes, dropping by 1 million tonne in a month. The decline is due to fewer arrivals and more being moved out. However, stocks at China's two largest iron ore ports continued to increase, as a lot of new material has arrived recently. Most of the other ports saw stocks decrease, as new arrivals in August were slower.

**U.K: Scrap prices have dropped across U.K. in August.** Export prices have also declined. The market has been showing signs of softening since late July mainly due to lack of export activity in Turkey and also because of seasonal factors.

**U.S:** Export prices of scrap declined due to softening trend in domestic US market. The market has been relatively quiet throughout the month.

**Europe: European Scrap prices are down and are further expected to go down.** Export business is quiet and low demand from various parts of Europe has further caused prices to go down. With most of the European mills adequately stocked, there is an anticipation that September prices will either go down or remain at level with August prices.

**European Shredded Scrap:**

	May-06	June-06	July-06	Aug-06	Sept-06(*)
<b>Domestic Ex-Works(Euro/t)</b>	200-220	210-230	210-230	195-205	190-200
<b>Rotterdam Export FOB(\$/t)</b>	230-235	260-270	270-280	250-260	250-260

(\*)-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
Apr-06	236	
May-06	236	↔
June-06	238	↑
July-06	245	↑
Aug-06	195	↓

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

Month	Average Price(\$ per long ton)	Price movement
Apr-06	229	
May-06	234	↑
June-06	257	↑
July-06	260	↑
Aug-06	238	↓

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

Month	Average Price(\$ per long ton)	Price movement
Apr-06	233	
May-06	238	↑
June-06	261	↑
July-06	264	↑
Aug-06	242	↓

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

Month	Average Price(\$ per tonne)	Price movement
Apr-06	233	
May-06	241	↑
June-06	264	↑
July-06	262	↓
Aug-06	244	↓

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

Month	Average Price(\$ per tonne)	Price movement
Apr-06	223	
May-06	231	↑
June-06	254	↑
July-06	252	↓
Aug-06	234	↓

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

<b>Month</b>	<b>Average Price(\$ per tonne)</b>	<b>Price movement</b>
Apr-06	237	
May-06	242	↑
June-06	270	↑
July-06	267	↓
Aug-06	248	↓

**OUTLOOK:**

Scrap prices remained softened in the international market due to seasonal effect and construction sector getting a setback. However, with steel sector stabilizing very soon and construction sector gaining pace, the ferrous scrap market is expected to revive in the coming months.

In India, scrap prices are expected to remain positive with demand of finished steel booming up for ensuing new projects.

**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:

**Strong Stainless Steel demand leads to rise in Nickel Prices in the domestic market:** Nickel prices in the domestic market scaled up 12 per cent in the last one month to Rs 1,370 per kg from Rs 1,220 on July 7. This surge is in tandem with the rise in prices on the London Metal Exchange (LME), which saw an increase of 9 per cent during the period under consideration to \$27,800 a tonne, a rise of \$2,295 against \$25,505 a tonne on July 7.

#### Price Movement

	Review	Outlook
Steel Product	August 2006 over July 2006	September 2006 over August 2006
Stainless Steel	↑	↑

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

<b>Commercial Quality SS</b>							
Auction Week	CQSS Lengthy Sheets Gr 304	CQSS Type I - Baby Coil	CQSS Type II - Sheets	CQSS Type III - CR Coils	CQSS Type IV - CR Heavily Scaled	CQSS Type V HR Sheets	SS Melting Scrap
Jan Week 3	64507	78843	72268	38969	29327	69998	31966
Feb Week 1	68485		74241	46595	29532	57005	
Feb Week 3		79046	72149	47070	31989		29811
Mar Week 2	97400						
Apr Week 1		70703	61074	50728		76711	27057
May Week 1	102850	68856	66065	56463	42902	61952	
June Week 1		54046		48963		47644	34827
June Week 4		51351	61778	37140	30000	54002	42929
July Week 3	121100	62980	64115	44930	30000	52326	32000
Aug Week 3	159400	68549	97143	62366	43200	59307	32745

<b>Prime SS</b>			
Auction Week	SS Low Nickel	Type-300	Type-400
June Week 1	72299	130848	53973
June Week 4	71489	121939	51760
July Week 4	74269	139330	53172
Aug Week 2	82618	152551	53848

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

**Outlook:**

Stainless Steel Prices have shown a strong improvement in the auction platform and this has been closely in line with domestic and international market, where stainless steel prices have remained strong with demand booming up. The rise in input prices especially of nickel had its impact on stainless steel sector especially for grades 200 and 300.

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

**International Scenario:**

**HIGHLIGHTS:**

**Increasing raw material costs driving up stainless steel prices:** Alloy surcharges are also on a rise and nickel contributes to be the most important contributor to the surcharges.

**Asia:** Surging nickel costs have led to rise in prices of hot-rolled and cold-rolled stainless sheet & coil by 50-100\$/t. East Asian-origin grade 304 hot rolled stainless sheet and grade 304 2mm CR coil 2B CR are trading at \$2,900-3,000 per tonne and \$3,100-3,200 per tonne cif China respectively.

Demand in China remains strong in spite of high stainless steel prices. Prices are further expected to increase due to high nickel prices. Demand is expected to remain at the current levels in the month of September and presently stocks are quite stable.

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

	Apr'06	May'06	June'06	July'06	Aug'06
HR 304	NA	23600-24800	23200-24200	23200-25300	25000-30000

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

	Apr'06	May'06	June'06	July'06	Aug'06
CR 304 2B	22500-27000	27000-28000	25300-27500	26000-29000	29000-30000

Note: 8.11 RMB=1 \$US

**Europe:**

CR 304 2B 2mm,Euro/t Ex-Works	Apr'06	May'06	June'06	July'06	Aug'06
N.Europe	1240-1290	1300-1400	1370-1470	1400-1500	1450-1550
S.Europe	1180-1220	1240-1310	1310-1400	1370-1470	1420-1520

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

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

Month	Average Price(\$ per tonne)	Price movement
Apr-06	2333	
May-06	2550	↑
June-06	2825	↑
July-06	2850	↑
Aug-06	2950	↑

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

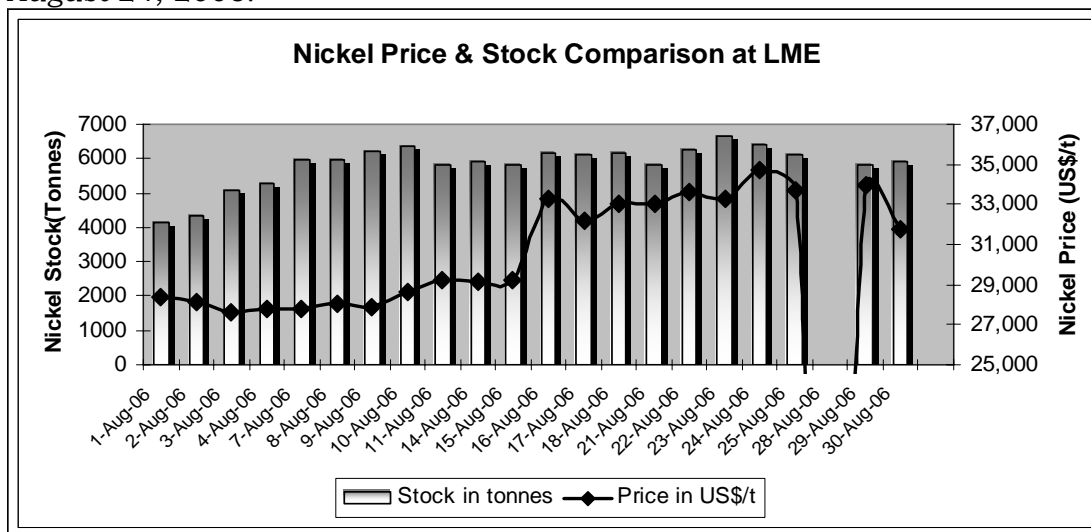
Month	Average Price(\$ per tonne)	Price movement
Apr-06	2533	
May-06	2775	↑
June-06	3000	↑
July-06	3000	↔
Aug-06	3150	↑

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

Month	Average Price(Euros/tonne)	Price movement
Apr-06	1110	
May-06	1350	↑
June-06	1370	↑
July-06	1475	↑
Aug-06	1765	↑

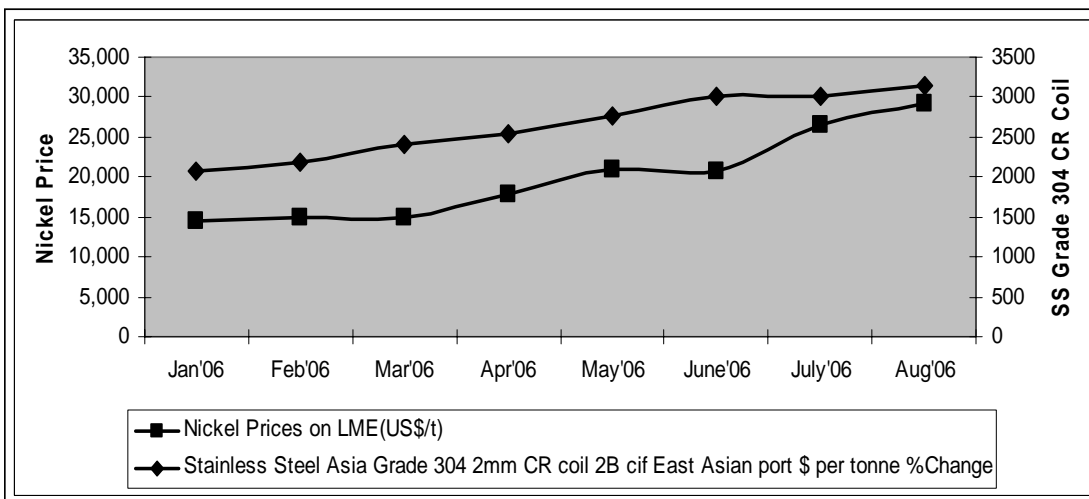
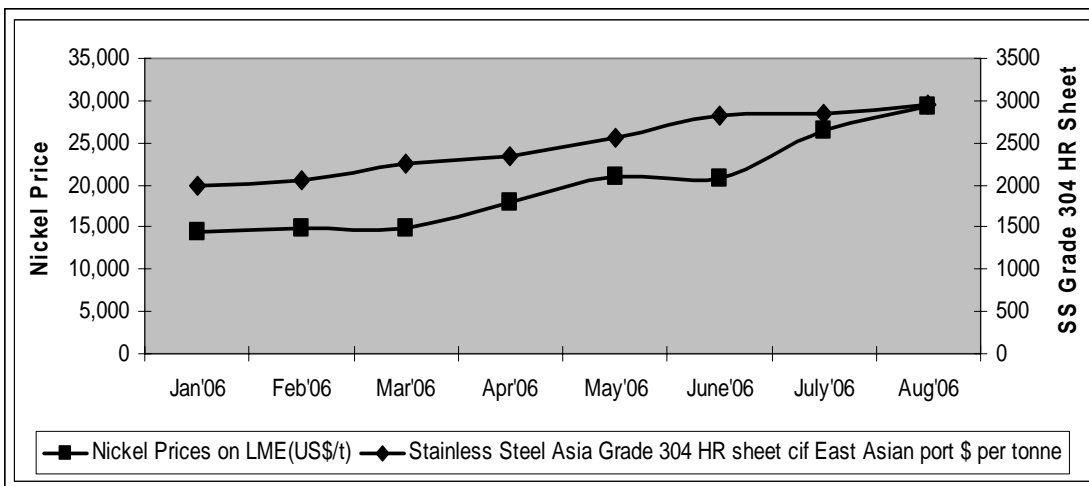
**Note:** 1US\$=Rs.46.56, 1Euro=Rs.59.45

**Nickel Trend:** Rising demand of nickel from China, Western Europe & US coupled with low stocks are the causes for high Nickel trend. LME stocks have dropped from 36,042t on January 3, the first trading day of 2006, to 5892t on August 30, 2006. The metal touched its 19 year highest mark at 34,700\$/t on August 24, 2006.

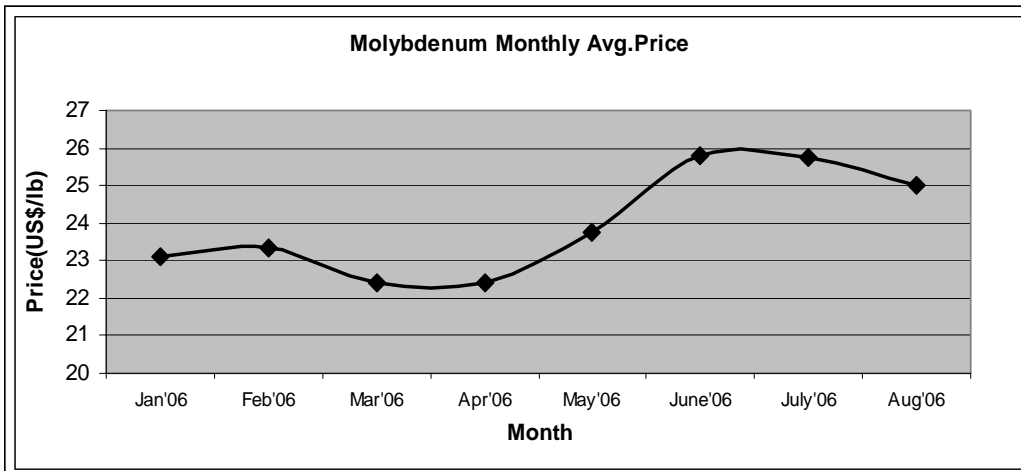


Month	Highest Price Achieved By Nickel	% Change
Jan'06	15,175	
Feb'06	15,275	0.66
Mar'06	15,160	-0.75
Apr'06	20,150	32.92
May'06	23,025	14.27
June'06	22,290	-3.19
July'06	29,845	33.89
Aug'06	34,700	16.27

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



**Molybdenum Canned molybdic oxide United States Free market \$ per lb Mo in warehouse**



Molybdenum maintained a stable trend throughout the month and hovered around 25\$/lb.

**OUTLOOK:**

**A brighter future for stainless steel is predicted as global demand soars:**

One of the reasons for strong demand is the wide variety of stainless steel applications. Growth in Europe is strong with 4.6% year-on-year. Whatever happens to the global supply of stainless steel, it seems that demand will continue to increase for the foreseeable future. Furthermore, it is likely that there will continue to be new grades capable of higher performance, and process enhancements will enable production costs to be reduced. In turn, this will lead to more consumption.

MEPS forecasts stainless steel prices to rise in September due to sharp rise in Nickel prices. However, prices are expected to decline in 2007 as re-stocking phase of stainless steel sector ends. An expected decline in LME nickel values in 2007 is forecasted and sentiment is expected to change if Nickel prices slip.

**Data Sources:**

- 1) www.lme.co.uk
- 2) Steel Trade Today
- 3) Metal Bulletin
- 4) MEPS
- 5) Steel Business Briefing

(DIPANKAR CHAKRABARTI)  
Senior GM – Steel Sales