

Year 2009- At a Glance

2009 was one of the best performing years in the history of the market, post 1993 and 1999. The Indian market was one of the top four performing markets in the world.

Sectoral Performance: Best sectors were Metal, Auto and Technology in the year 2009. However, worst performing sectors were Telecoms, FMCG & Realty.

Metal index surged 233% in 2009. Jindal Steel & Power was the biggest wealth creator in Nifty 50 stocks gaining nearly 370%, followed by Sterlite up 230%. SAIL and Hindalco gained 210% each, and Tata Steel was up 185%.

Auto Index was the second best performing sector, and gained 200% in 2009. Tata Motors surged 400%, M&M was up 290%, Maruti up 200% and Hero Honda up 110% in 2009.

However, telecom was the worst performer sector on back of tariff wars. Reliance Communications fell 23% and Bharti Airtel was down 9% in 2009.

After hitting a high in July-August 2008, **steel prices** declined by more than 50-60% in the aftermath of the global recession. Since then, prices seem to be on a strong uptrend again and prices in the international market are firming up. Demand, especially from the automotive sector, has been picking up. For instance, prices of hot rolled coil (HR) which, in the fourth quarter of 2008-09, were ruling at about 29,500 per tonne, are currently at around Rs 34,000-36,000 per tonne. Iron ore contract prices in 2008-09 were sealed at \$75 a tonne, while coking coal prices were sealed at around \$300 per tonne. While in the current year, long-term coking coal prices have fallen to \$128 per tonne, in the spot market, prices are ruling slightly higher. India's automobile output is growing at the rate of 20-25% a year, driving the demand for flat steel. Steel demand is growing at 9-10%, according to industry players, while cement is growing at 8-10%.

Prices of key raw materials, iron ore and coking coal, have risen 60 -70 per cent from their 2009 lows triggering price hikes. Steel imports into India increased 9 per cent in April-November 2009 to nearly 5 million tonnes, according to government data.

The year 2009 seemed to have ended well for the **Indian metals industry**, which saw quite a number of deals being executed, despite the continued slowdown in the US and Europe.

ArcelorMittal finally succeeded in getting its first manufacturing presence in India this year, after signing a share purchase agreement with the RK Miglani family for acquiring 5.6% shares in Mumbai-based Uttam Galva Steel Ltd.

Deals in 2009

- Arcelor Mittal buys 5.61% stake from Uttam Galva's existing promoters and another 29.39% through an open offer.
- Japan's JFE Steel Corporation entered India in a technical collaboration for automotive steel with JSW Steel Ltd.
- Bhushan Steel entered into a technical and marketing agreement with Japan's Sumitomo Metals.

Shipping survived rough economic weather, poised for growth: Having survived the financial turbulence of 2008, India's port and shipping sector appears poised to sail into good times in the New Year. The year saw a move to transfer the strategic state-owned Hindustan Shipyard to the defence ministry for construction of nuclear submarines, besides setting up of two new shipyards. Besides these, in a major move to expedite public-private partnership projects amid shrinking maritime trade globally, the shipping ministry authorized port authorities to award contracts to winning bidders without its prior approval. As a result, 2009 saw completion of 47 projects under

the National Maritime Development Programme (NMDP), while work is in progress on 71 amounting to Rs 16,487.95 crore and projects worth Rs 15,000 crore are in various stages to be awarded. The traffic handled at 12 major ports on April 1, 2009, stood at about 575 mt, compared to about 530 mt a year ago. The 12 state-owned major ports are Kolkata, Paradip, Vishakhapatnam, Ennore, Chennai, Tuticorin, Cochin, New Mangalore, Mormugao, Mumbai, JNPT and Kandla.

The year saw another major announcement by the shipping ministry to develop cruise terminal and infrastructure to attract luxury liners in order to make the country a global tourism destination.

Scrap from Alang boom for steel industry: In 2009, Indian steel industry witnessed a flood of trucks from Alang, the small town in India's Gujarat state which has the world's biggest ship breaking yard, pumping in thousands of tonnes of scrap metal into the market. The shipyards at Alang recycle approximately half of all ships salvaged around the world. Large supertankers, car ferries, container ships, and a dwindling number of ocean liners are beached during high tide, and as the tide recedes, hundreds of manual laborers dismantle each ship, salvaging what they can and reducing the rest into scrap. As many as 130 ships are being broken simultaneously now in Alang. With this, Alang ship breaking yard has crossed the milestone of dismantling 5,000 ships before the end of 2009. Meanwhile, Alang this year had the distinction of getting the world's largest crude oil carrier in its yard. 'Mont', the largest ship ever to be scrapped in the country, has reached the Alang yard in December.

2010 should award basic materials companies with stronger demand for their products, and cost-cutting measures should continue to drive profitability. Producer discipline will be critical to maintaining pricing and profitability in certain industries, however, given relatively low capacity utilization. Weather will also have important implications for how 2010 shapes up for coal and agriculture companies. In the U.S. coal industry, demand will be key to eliminating excess coal inventory in 2010. Producers will likely keep U.S. production on a short leash next year. The fertilizer industry is eagerly anticipating a turnaround in shipments next spring. 2009 was defined by a confluence of factors that drove fertilizer markets to a virtual standstill: relatively weaker crop prices in the first part of the year, tighter credit conditions, rapidly falling sulphur and natural gas prices (key inputs for phosphate and nitrogen fertilizers), dealer destocking, the psychological aftermath of record-breaking nutrient prices, many growers' ample stores of potassium in their soils, and a compressed fall fertilizer application window in North America.

Next year promises to be an interesting one for the always-entertaining iron ore benchmark price negotiations. Price talks between China, the world's largest steel producing nation, and the Big 3 seaborne iron ore players--Vale (VALE), BHP Billiton (BHP), and Rio Tinto (TRP)--will be closely watched.

End-users of steel are expected to step up purchases in the first quarter of 2010 in anticipation of higher steel prices. Part of the increase will be due to the cost-push effect of higher raw material prices.

Prices of steel products in India are expected to remain firm through 2010 after dipping nearly a fifth year-on-year on global demand recovery, according to industry sources. They, however, do not expect prices to hit 2008 peak levels as imports are gaining momentum. Industry sources are projecting an upward trend in 2010 on robust demand and rising raw material prices.

News at a Glance

Flat Steel prices slashed beginning of December: The Steel Authority of India Ltd (Sail) has increased rebates on some of its flat products by Rs 500/tonne (\$11/t) effective from 1st December to compete against cheaper imports. By raising rebates, Sail has reduced its end price for hot rolled coils, sheets and plates to buyers by Rs 500/t.

Steel prices hiked end of December: Tata Steel raised prices by Rs 2,000 a tonne whereas SAIL withdrew the discounts it offered to customers.

Steel stalwarts further raise prices beginning of New Year: SAIL has increased the prices of flat and long products by Rs 1,500/tonne, while Tata Steel hiked the rates of flat products by up to Rs 1,500/tonne. Bhushan Steel raised prices of its long and flat products by up to Rs 2,000 a tonne. Essar Steel had hiked prices of flat products by up to 4 per cent while JSW has increased the prices of its long and flat products by up to 5 per cent.

Export duty on iron ore up by 5 per cent: The government has imposed an additional 5 per cent export duty on iron ore fines and lumps, a move aimed at curbing iron ore exports, which the industry said would adversely affect the mining sector. The government has raised export duty on iron ore lumps to 10 per cent from 5 per cent and on iron ore fines to 5 per cent from nil, said a Finance Ministry notification.

Core sector growth rises to 5.3% in November: Growth in India's core sectors rose to 5.3% in November from 3.5% in October. Cement and steel provided the kicker. The steel sector saw a major expansion growing at 11.7%, petroleum refineries at 4.9%. Crude was a negative, slipping 1.6%. For coal, the pace of growth was slightly lower than the same period last year. It was 3.3% this November versus 9.7% last year same month. Electricity growth also dropped 1.8% versus 2.6%. India's foreign direct investment inflows hit US\$19.38 billion during April-November. In November, the FDI inflows increased 60% year-on-year to US\$1.74 billion from US\$1.08 billion recorded a year ago.

Steel sales jump 50% in Dec on firm demand: Steel Authority of India (SAIL) saw up to a 50% sales jump in December from a year ago, JSW posted a 50% jump in sales from the year before. Sales of Mumbai-based Ispat Industries, which produces 3.4 million tonne of steel annually, were helped by strong demand from the auto sector. SAIL reported a 32% growth in sales at 1.3 million tonne in December from a year ago.

November exports grow 18%, turn positive after 13 months: India's exports sector has bounced back with outward trade growing by 18% in November 2009. The value of exports in November 2009 jumped to \$13.19 billion compared to \$11.16 billion in November 2008. As per official data, oil imports also turned positive after 13 months and increased by 7.3% to \$6.38 billion in November. Imports during April-November 2009 stood at \$50.18 billion, 34.4% lower than \$76.52 billion in the year-ago period.

Metals-LME Copper hits 15-month peak: Copper rose nearly 3 percent to its highest level in more than 15 months, lifted by the threat of industrial action in one of the world's top copper mines in Chile. Other metals took their cue from copper and rallied to multi-month highs. Zinc rose to its highest since March 2008 while tin hit a 14-month high. Nickel climbed to a two-month peak despite nickel inventories reaching an all-time high. Tin was \$545 higher at \$16,745 a tonne, after

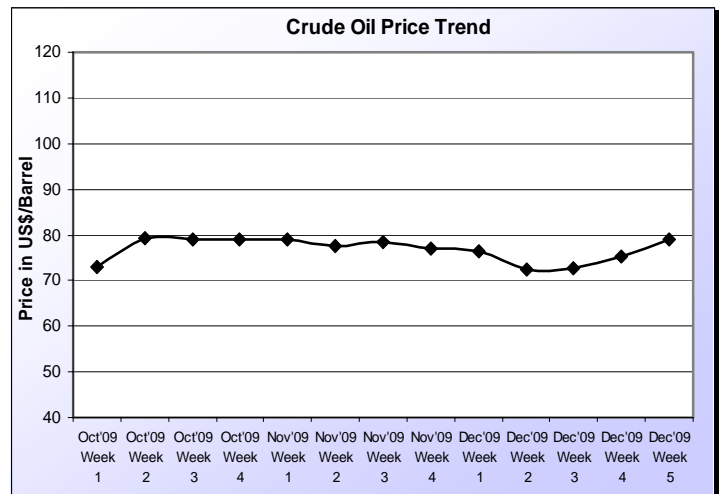
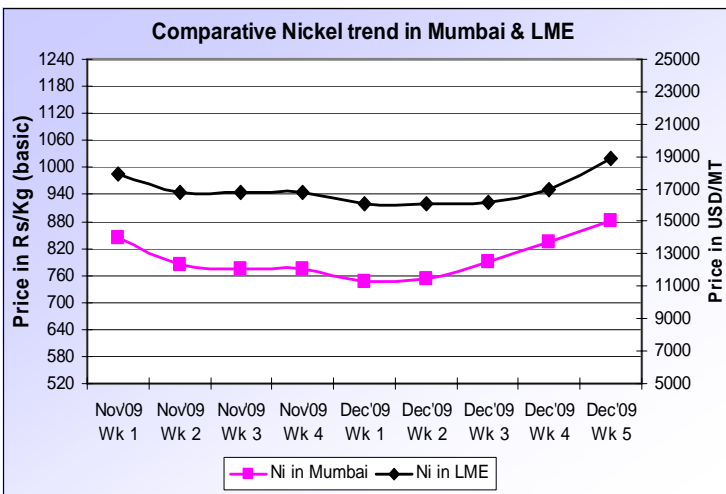
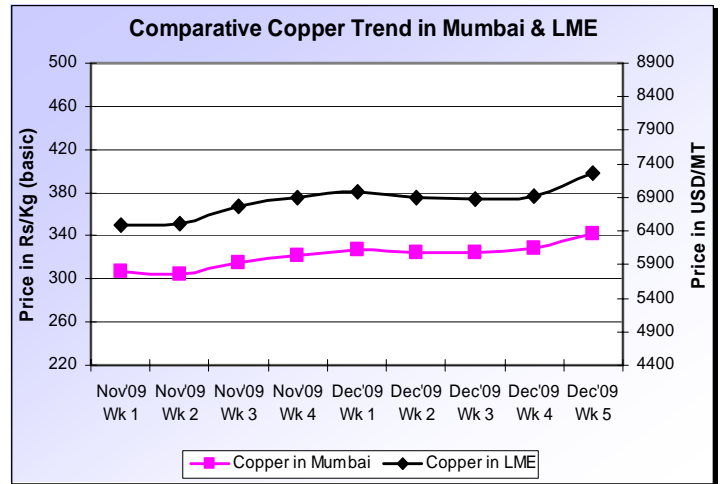
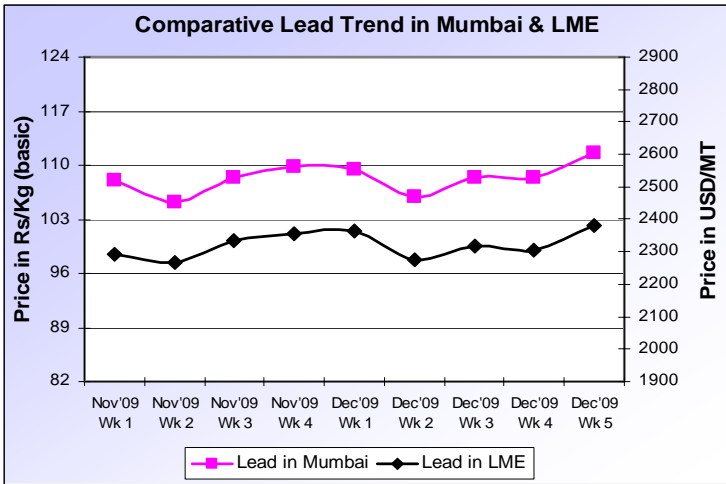
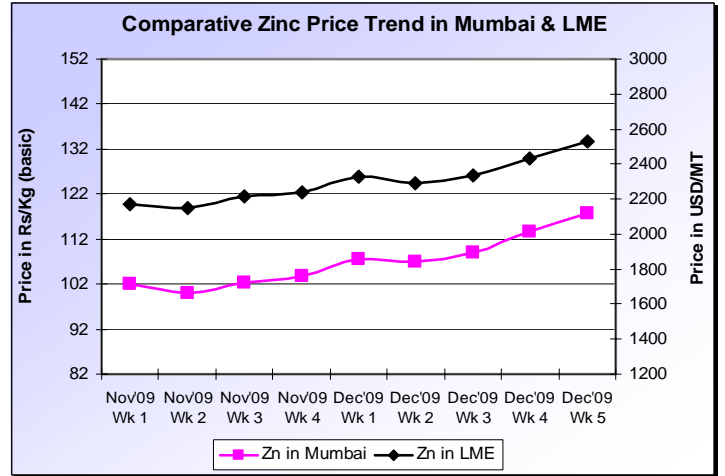
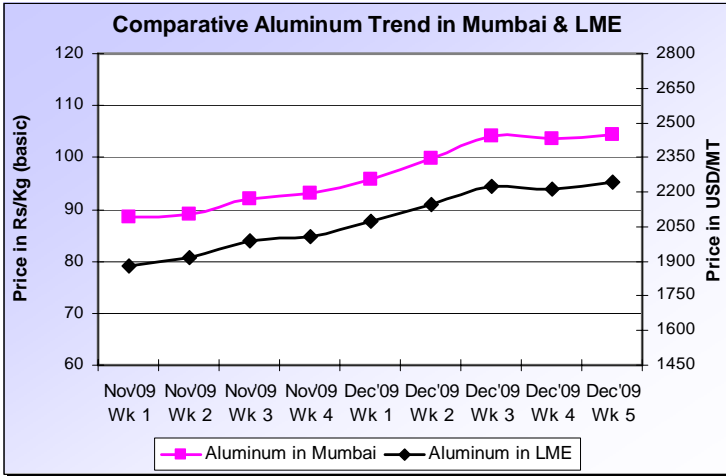
rallying to its highest since early October at \$16,800 a tonne, while lead rose to a three-week high of \$2,455 a tonne, before closing at \$2,449 a tonne

Analysts and traders said the dollar's fall against a basket of major currencies, which makes metals cheaper for local currency holders and year-end buying helped boost prices.

M-O-M Overview of Base metals: The pack of base metals depicted a mixed trend in the month of December as the demand conditions across the globe kept on fluctuating throughout the month. With the inception of the month, nickel across the globe witnessed a slump in its demand and the metal prices sagged during the opening week registering a w-o-w price fall of more than 3.5 per cent both at home and abroad. While metals like copper and lead exhibited more or less a stable trend both at home and at LME depicting a positive price movement of around 1 per cent in week 01 as compared to the week before. However, zinc and aluminium prices shot up by nearly 4 per cent in the opening week of the month as against week 01 with the ameliorating demand for the metals. The second week seemed to be a poor run for copper, lead, nickel along with zinc as the prices kept low and slow. A steady trend resumed in the third week and almost all the metals staged a come back in the concluding week, which was evident from their soaring prices. Nickel prices shot up by over 5.5 per cent in the last week as compared to the week before both at home and abroad. The other metals like zinc, copper and lead witnessed an improved scenario in the last week across the globe with the prices rising by over 3 per cent.

Zinc: The market for zinc remained vibrant in the opening week of the month of December on good demand in the physical markets and firming trend overseas. Prices exhibited a rise of around 3 per cent both at LME and at the domestic market in Dec week 01 as against the week before. However with the commencement of the second week, prices started to slump and witnessed a drop of around 1 per cent as compared to week 01. Zinc market across the world recovered slightly in the third week of the month after exhibiting a slump in the second week. The final week portrayed a rising trend for the white metal with the prices shooting up by almost 4 per cent over a week both at home and abroad on high global demand.

Crude Oil: Crude oil started on a slightly sluggish note with the commencement of the month of December with prices moving down slightly following the release of the bearish data in the American Petroleum Institute's weekly stock report, which showed a crude-stock build of 2.9m barrel on December 01. Towards the end of week 01, prices fell to a seven-week low as the dollar surged on an unexpected drop in the U.S. unemployment rate, curbing the appeal of commodities to investors. Crude oil witnessed a w-o-w drop of 1.37 per cent over a week and NYMEX crude oil prevailed at around USD 76/barrel in Dec week 01. Prices remained low in the second week as well registering a week on week drop of 5.5 per cent. Crude oil markets across the world remained low and slow even in the third week of the month mainly because of the geopolitical tensions in the Middle East following the news that Iranian troops were partially withdrew from a disputed oil area being claimed by both Tehran and Baghdad. The market witnessed a slight improvement in the final week of the month of December supported by the upbeat economic sentiment in the US and the recent larger than expected fall in US crude stocks. Crude oil registered a gain of nearly 7 per cent in a week.



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

Index	Sep'09	% Change (M-M)	Oct'09	% Change (M-M)	Nov'09	% Change (M-M)	Dec'09	% Change (M-M)	% Change (Y-Y)
Global	159.77	2.10	154.83	-2.80	148.87	-3.80	149.91	0.70	-3.40
North America	148.67	4.80	152.08	2.30	141.94	-6.70	140.29	-1.20	-11.20
Europe	143.63	4.60	143.63	0.00	135.76	-5.50	132.29	-2.60	-17.50
Asia Steel	174.31	-0.30	162.63	-6.70	160.19	-1.50	165.31	3.20	9.70
Longs	175.75	4.90	170.47	-3.00	164.90	-3.30	167.14	1.40	-4.20
Flats	151.83	0.50	147.06	-2.70	140.91	-4.20	141.35	0.30	-2.90
Metallics	225.81	5.80	206.34	-8.60	190.13	-7.90	210.02	10.50	11.80
Stainless	137.57	6.40	140.64	2.20	135.31	-3.80	135.09	-0.20	2.90

The CRUspi index for finished steel products has risen slightly as higher prices in Asia and for European long products have outweighed falls in North America and for European sheet.

After two months of falls, long products prices have bottomed out, with prices rising in Europe and for some products in Asia, although North American prices have remained stable.

The CRUspi index for steel sheet products has risen by 0.5% this month with Asian prices rising, US prices beginning to turn but European prices still falling.

The market is likely to strengthen a little in the New Year in the USA and Europe due to seasonal factors and cost rises, although there seems less likelihood of further firming in Asia.

Though supply/demand fundamentals remain weak in Asia, Chinese spot prices have actually been rising over the past two weeks as consumers sense the worst is over.

North American base prices remain unchanged but though demand is weakening, if mainly for seasonal reasons, higher levels can now be expected in the New Year.

Surge in Scrap, HBI and iron ore prices portray a strong metallic index gain over a month.



(UJJAL BHATTACHARYA)
Vice President

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario

The domestic steel market headed for a Northward direction in price especially in the Longs segment towards the end of the year.

Flat product market remained sluggish beginning of the month with market participants remaining apprehensive regarding their purchasing decision, waiting for a further fall in price. Further, with prime steel makers reducing flat steel prices by Rs.500/tonne beginning of December; the market sentiment remained a bit confused. The price for Sail-origin 2mm commercial grade HRC prevailed at around Rs 29,800/t (\$646/t) in the first week from the company's stockyards in the western city of Mumbai. This price excludes excise duty, but includes average freight to the stockyard and handling costs. Cheaper imports, dropping Chinese export prices due to overproduction and traders destocking further affected the Indian market conditions with Import prices becoming the benchmark for domestic prices. Cheaper imports kept the domestic prices low even in the second week, impacting the margins of steel manufacturers.

The market however saw some improvement in the third week spurred by higher landed prices of Chinese-origin hot rolled coils in the Indian market, together with rising domestic flats demand. The offers of commodity-grade hot rolled coil to India, mainly from China, have risen to USD 530-535/MT cfr and the bookings have risen to USD 525-530/MT for January shipments from Chinese mills, up from USD 510-515/MT in the first week of December. Galvanized steel export prices have increased by close to \$100 per tonne in the third week of the month from early November's \$700-710 per tonne fob. Plate offers to India have increased \$550-560 per tonne cfr, boosted by higher hot rolled coil prices. Domestic plate prices were about Rs 29,000 (\$616) per tonne ex-mill at the close of Week 03.

The fourth and fifth week further saw some recovery in the flats market driven by improved demand along with increasing cost of the raw materials of late including high iron ore cost. On the other hand, the international steel prices have been rising steadily over the past couple of weeks and the market participants are expecting much higher demand in the next quarter. In Mumbai market, the HR Coil prices have shot up by Rs. 500/MT over a week to prevail at Rs. 27,500/MT (basic) in the fourth week while HGI Coil also witnessed a rise of Rs. 500/MT to prevail at Rs. 37,500/MT (basic).

Long product market remained stable beginning of the month as downstream demand saw some recovery. The domestic wire rod prices remained unchanged at around Rs. 28,000/MT – Rs. 30,000/MT (basic) in the first week of the month. A similar trend was also noticed in the raw materials section including Steel Ingot prices that exhibited a price improvement in the range of Rs.200 to Rs.400 per tonne over a week. Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.300 to Rs.500/tonne was noticed.

The beginning of week 02 saw further gains with TMT Bar prices surging by almost 4% over a week due to the increased prices of raw materials coupled with dealers' optimistic attitude of the forthcoming market. TMT bar prevailed in the range of INR27, 500-28,500/t (USD589-610/t), basic. *A firm trend was also noticed in the raw materials section including Steel Ingot prices that exhibited a price improvement in the range of Rs.800/MT to Rs.1000/MT per tonne over a week.* Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.600 to Rs.800/tonne was noticed.

Week 03 saw further recovery in the market with both the semi-finished and finished times making strong gains. Indian local billet prices have risen by Rs 2,000/MT over the past two weeks on increased demand and a market shortage. On the other hand, Indian billet export offers have increased by around USD 50/MT from three weeks ago to USD 490-500/MT fob, due to higher domestic prices. The price of TMT bar in India rocketed by about 7% in the third week as compared to second week because of the strong demand coupled with traders' optimistic attitudes towards the forthcoming market. TMT bar prevailed in the range of Rs. 29,500-30,500/MT (basic). Moreover, the price of wire rod in India also improved by nearly 5% to prevail in the range of Rs. 30,000-32,000/MT (basic).

The fourth and fifth week saw some volatile movement in the market with no defined reasons behind the price surge. Shortage of raw materials and tight supply of melting scrap across the country further boosted the price surge. *Indian domestic billet prices* have risen by Rs 5,000 (\$106) per tonne in less than a week, due to rising costs, a seasonal spike in demand, transportation hiccups and good sentiment, said manufacturers. Market prices have risen to Rs 26,500-27,000 per tonne ex plant supported by demand from Rebar makers in the final week of the month. TMT went up further by 8-10% in a week to prevail in the range of Rs. 32,000-33,000/MT (basic). *The price of wire rod* surged by around 7% in a week to prevail in the range of INR32,000-34,000/t, basic (USD688-731/t).

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

Attached below is the data table for HR items:

Week	Cobble Plate	Def.HR Plate-RSP	Def. HR Plate-BSL	Semi Rolled Plate	SRP Coil Form	Def Plate	Def HR Sheet	Def Chequered Plate
Nov'09 Wk 1	23922	24366	25962	23075	22897	20229	26428	24000
Nov'09 Wk 2	23781	25100	25887	24202	24870	19707	26941	25300
Nov'09 Wk 3	23934	24103	25405	23205	24210	19986	26050	--
Nov'09 Wk 4	24534	23827	25184	23125	23868	20410	26150	23037
Dec'09 Wk 1	23295	23766	25366	23343	23018	20194	25838	--
Dec'09 Wk 2	24315	24276	25354	22966	24300	20788	26142	--
Dec'09 Wk 3	25289	23574	26686	22741	24579	21189	26943	24704
Dec'09 Wk 4	25702	25188	27808	23076	25504	23203	--	25800
Dec'09 Wk 5	25071	26350	28320	23334	25267	23769	28651	--

Percent change (m-m & y-y basis):

Products	Nov'09 Price (Avg.)	Dec'09 Price (Avg.)	% change (Dec'09 over Nov'09)	% change (Dec'09 over Dec'08)
Cobble Plate	24043	24735	2.88	-1.72
Def Plate	20083	21829	8.69	7.67
Def HR Plate	24349	24631	1.16	13.49
SRP Coil Form	23961	24533	2.39	6.80
Def HR Sheet	26392	26893	1.90	9.88
Def HR Coil	23983	24111	0.53	13.85

Attached below is the data table for CR items:

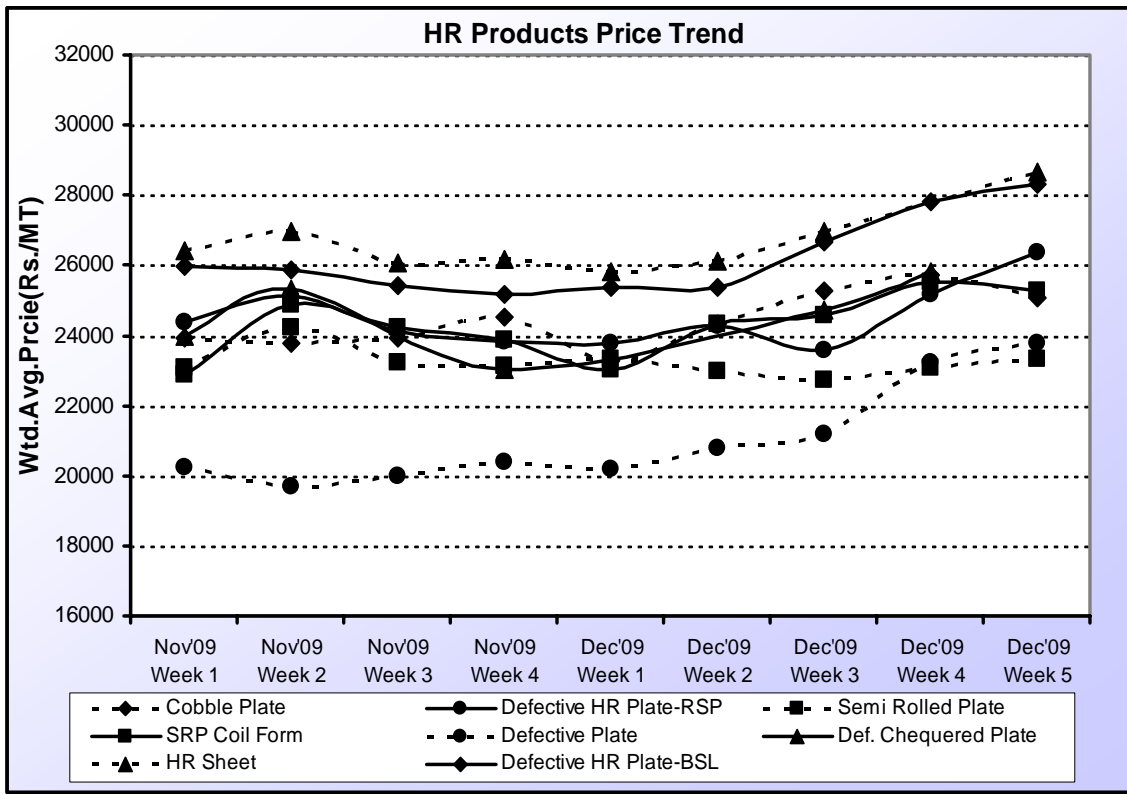
Week	CR Coil End From SPM-I	CR Coil End From SPM-II	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet	UACE from HDGL
Nov'09 Wk 1	26450	26430	22555	26510	28200	27550	26140
Nov'09 Wk 2	26396	25000	17482	26948	30283	25429	25521

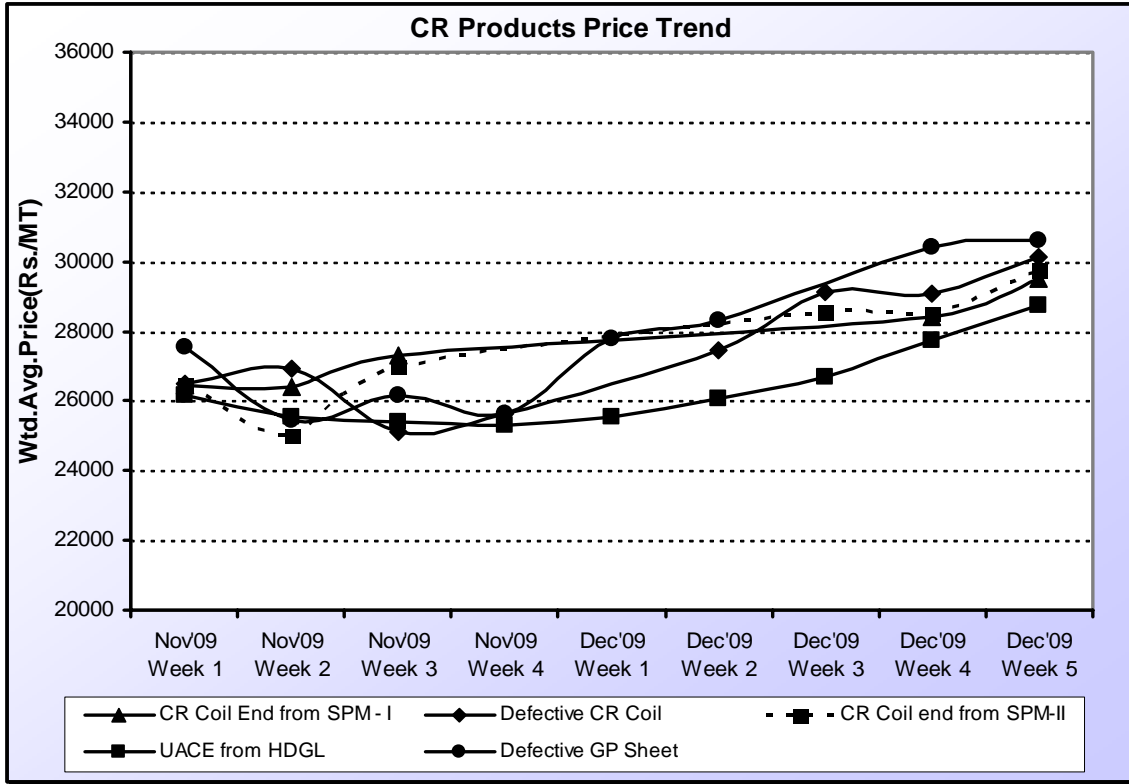
Nov'09 Wk 3	27315	26950	--	25091	31025	26160	25405
Nov'09 Wk 4	--	--	22003	25645	31000	25624	25317
Dec'09 Wk 1	--	--	22849	--	32055	27791	25550
Dec'09 Wk 2	--	--	--	27429	29500	28302	26044
Dec'09 Wk 3	--	28573	24206	29125	33008	--	26677
Dec'09 Wk 4	28421	28491	24900	29090	35400	30410	27723
Dec'09 Wk 5	29509	29738	26350	30103	35600	30582	28726

Percent change (m-m & y-y basis):

Products	Nov'09 Price(Avg.)	Dec'09 Price(Avg.)	% change(Dec'09 over Nov'09)	% change(Dec'09 over Dec'08)
CR Coil End from SPM-I	26720	28965	8.40	22.94
CR Coil End from SPM-II	26127	28934	10.75	24.58
Def GP Sheet	26191	29271	11.76	31.92
CR Sheet Cutting	20680	24576	18.84	6.51
Def CR Coil	26049	28937	11.09	11.64

Following graphs show the price trend observed in the auction services of www.metaljunction.in for the month of Nov 2009 & Dec 2009 for different HR and CR products.





Price in Rs./t is basic

Outlook: The flat steel market conditions remained subdued in the first two weeks of the month with demand conditions remaining low and sluggish. Cheap imports have forced India's steelmakers to cut prices effective Dec, 01 which in turn has allowed the buyers to go for a wait and watch attitude before making any fresh purchases. However, the market saw some improvement in the latter half of the month spurred by higher landed prices of Chinese-origin hot rolled coils in the Indian market, together with rising domestic flats demand. The offers of commodity-grade hot rolled coil to India, mainly from China, have risen to USD 530-535/MT cfr and the bookings have risen to USD 525-530/MT for January shipments from Chinese mills, up from USD 510-515/MT in the first week of December.

The auction platform has exhibited by and large a rising trend across various products in the latter half. Defective HR Coil saw a rise of around 4 per cent, defective CR Coil witnessed a rise in the range of 5 to 6 per cent the Galvanized items saw an increase of over 2.6 per cent in the third week as compared to the second week of the month.

The month ended on a positive note with price rise noticed in the range of Rs.1000 to Rs.3000 per tonne across various HR and CR items auctioned in the last 15days. The domestic market also witnessed a price rise in the range of Rs.500 per tonne in the last seven days. Witnessing a further price hike by steel majors beginning of New Year, a positive momentum is anticipated in the Flats Segment in the prevailing month.

Price Trend as observed in the auction held at Metal Junction for Long Products:

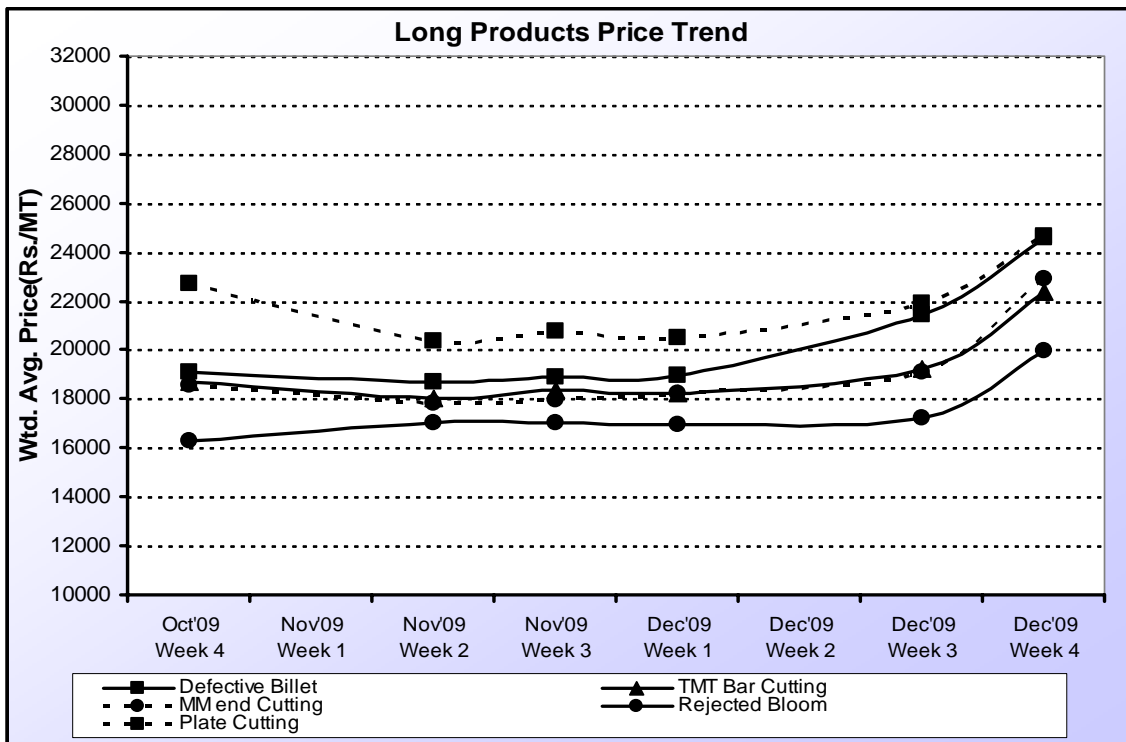
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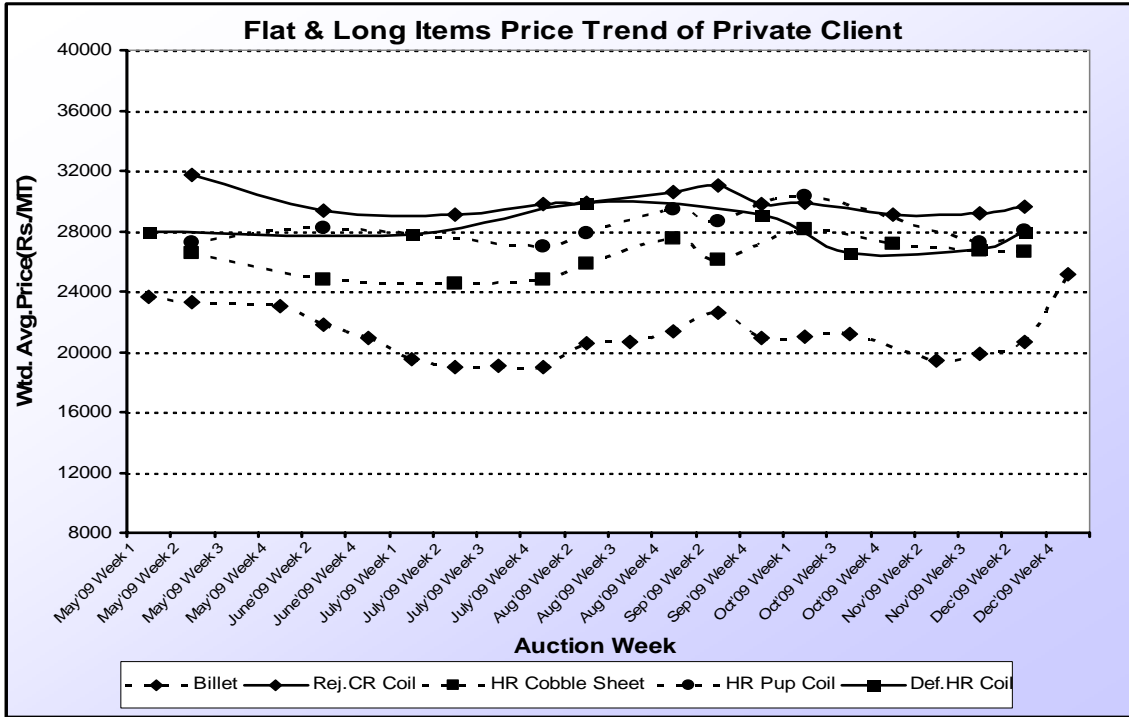
Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting
Nov'09 Wk 1	--	--	--	--	--
Nov'09 Wk 2	18673	18000	17805	17043	20337
Nov'09 Wk 3	18923	18326	17954	17051	20751
Nov'09 Wk 4	--	--	--	--	--
Dec'09 Wk 1	18984	18200	18199	16973	20516
Dec'09 Wk 2	--	--	--	--	--
Dec'09 Wk 3	21417	19211	19103	17243	21887
Dec'09 Wk 4	24579	22348	22933	19969	24612

Percent change (m-m & y-y basis):

Products	Nov'09 Price(Avg.)	Dec'09 Price(Avg.)	% change(Dec'09 over Nov'09)	% change(Dec'09 over Dec'08)
Def Billet	18798	21660	15.23	-2.00
MM End Cutting	17880	20078	12.30	-3.00
Rejected Bloom	17047	18062	5.95	-7.00
TMT Bar Cutting	18163	19920	9.67	-11.00
Plate Cutting	20544	22338	8.74	-4.00

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Nov 2009 & Dec 2009 for different long products.

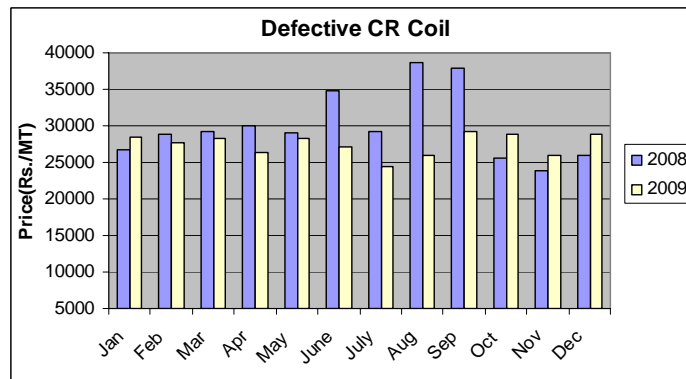
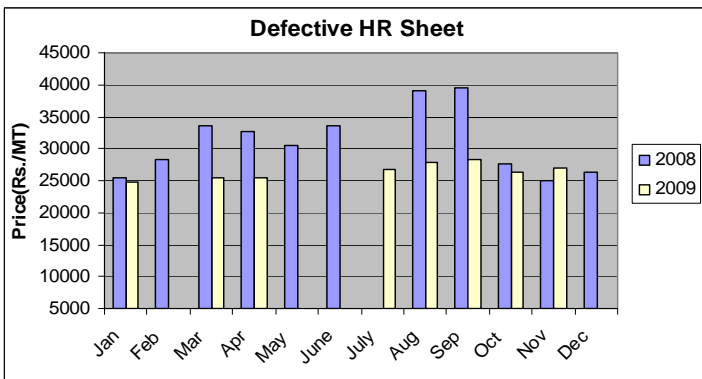
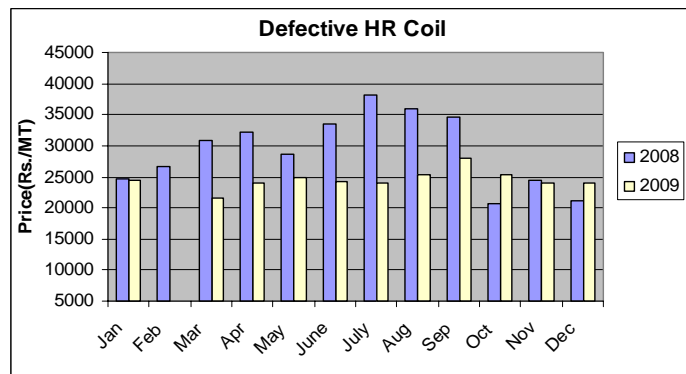
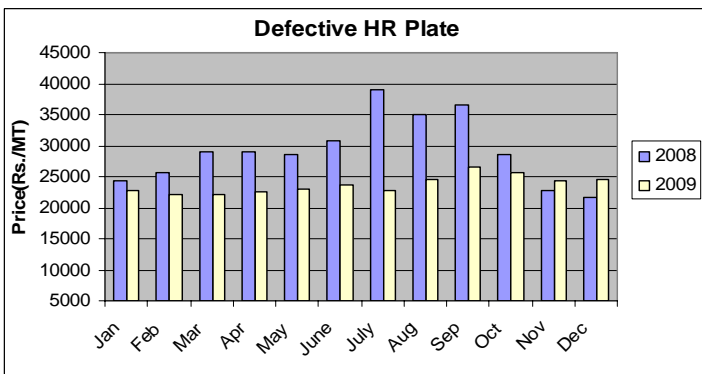
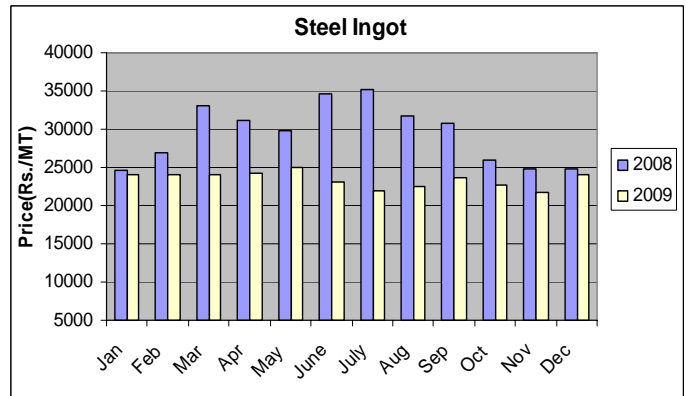
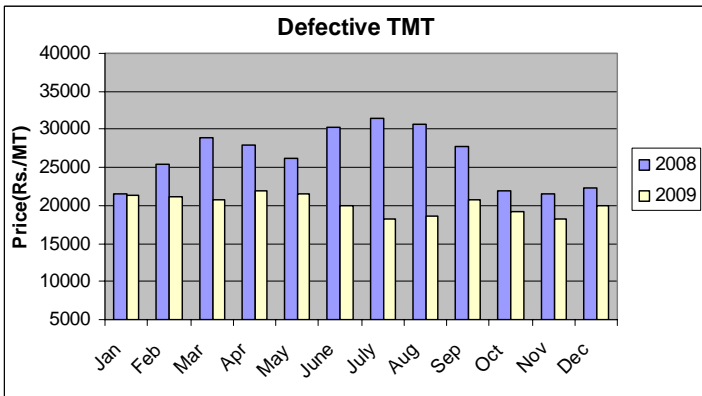
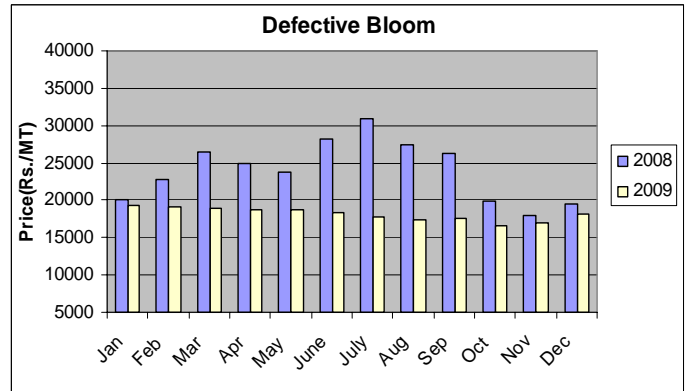
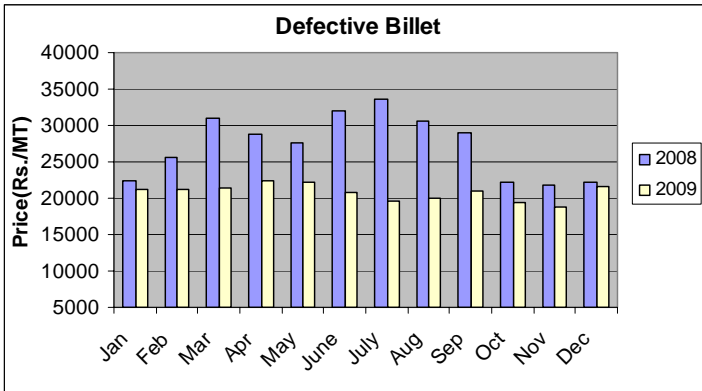




Price in Rs./t is basic

Outlook: The domestic long steel market remained stable in Dec 01 week as demand conditions improved to some extent. Long steel market witnessed some buying activities as downstream demand saw some recovery and finished steel items exhibited a stable price trend over a week. The domestic wire rod prices remained unchanged to prevail at around Rs. 28,000/MT – Rs. 30,000/MT (basic). The beginning of week 02 saw further gains with TMT Bar prices surging by almost 4% over a week due to the increased prices of raw materials coupled with dealers’ optimistic attitude of the forthcoming market. A similar trend was also noticed in the auction platform where surge in raw material prices and increase in demand led to a rise in price of Billet, Bloom, TMT by Rs.2500/tonne on an average in the fourth week as compared to the third week of the month. Tight availability of scrap in the country led to an increase in prices of all the metallic items which borne its impact on the finished steel section. *Steel ingot prices surged in the range of Rs.1000 to Rs. 1500 per tonne Dec 22, Sponge iron prices increase in the range of Rs.1000-1400/tonne over a fortnight while Melting Scrap price made a whopping rise of around 17% in the last 15 days. With steel makers further hiking prices beginning of the New Year and demand seeing a turnaround, a positive growth can be expected in the Long Steel segment in the coming days.*

Year on Year performance across some major products:



All prices quoted above are in Rs./t, basic

International Scenario

Asia: CIS Billet prices remained steady at \$465-475/t cfr Southeast Asia in the first week of the month. Offers of Turkish billet prevailed at \$480-490/t cfr with import buying remaining not very active. The hot rolled coil import market also remained quiet with little buying activity. Offer prices from China prevailed at \$520-530/t cfr SE Asia for commercial quality 3-4mm and up HRC in the second week. The latter half of the month remained active with higher raw material costs pushing HRC import prices up. 2mm commercial HRC ruled at \$550-560/t fob, a \$30/t increase since early December. Chinese-origin 4mm commercial-quality HRC is being offered at the minimum of \$530/t cfr Vietnam, up \$10-20/t from three weeks ago. However, demand continues to be low and buying is being confined to users that have been caught short and need material urgently.

China: The Chinese market remained upbeat beginning of the month both across Flat and Long items. HDG prices increased by \$29/tonne in the first week from the middle of last month.

This upward trend looks set to continue given the strong cold rolled coil market and the government's efforts to encourage car sales such as tax cuts on purchasing prices. Chinese domestic cold rolled coil prices have increased by an average of RMB 300-400/t (\$44-59/t) since early November. Billet prices edged upwards by RMB 20/tonne (\$3/t) to prevail at RMB 3,180/t (\$466/t) in the first week of the month. The mid of the month saw some drop in price across HRC and Plate items due to a weak screen trading market. Rebar market went strong in the second week with prices prevailing at about RMB 3,650/t (\$535/t), with 17% VAT. Export offers were \$535-545 per tonne fob for rebar, ending two consecutive weeks of increases, and \$530-540 per tonne fob for wire rod, concluding a four-week price rise.

Chinese domestic CRC market went strongly in the third week with 1.0mm CRC at around RMB 5,100-5,200/t (\$747-762/t). 1.0mm HDG was offered at around RMB5,000-5,150/tonne (\$735-757/t) in the third week, up by RMB 100/t (\$15/t) from earlier this month.

The domestic billet prices also firmed up further to prevail at RMB 3,220/t (\$471.5/t), including VAT. The concluding week saw a good sign in the Plate market as prices did rise on higher HRC prices. In Guangzhou, Q235 14-20mm plate from Liuzhou Iron & Steel was being offered at RMB 4,000-4,050/t (\$588-596/t), up RMB 250/t (\$37/t) from the middle of this month. In Shanghai, traders offered similar grade materials at around RMB 3,900/t, up by RMB 200/t (\$29/t) from mid-December.

CIS: The CIS market remained stable with most traders awaiting the new prices in the month of January. Transactions from Russian and Ukrainian producers for December rolling have taken place at about \$500-515 per tonne fob. The Slab market remained stable at \$390/tonne fob Black Sea. CIS Billet export market strengthened towards the latter half of the month with transactions taking place at \$415/tonne fob Black Sea level. Demand mainly came from the Middle East and North Africa. With scrap prices in Russia continuing strong and companies forecasting better demand in the first half of 2010, billet prices have some chance of strengthening. However, others point out that demand for long products is still very weak and that March normally witnesses a revival of demand. Hopes are soaring that this year will see the scrap-billet-longs price chain finding equilibrium at last, but sources note that more will become clear after the European holidays.

Europe: The European market remained quiet with prices slipping because of low demand. Business remained in the first half of the month with service centres and end-users selling stock without replacing it to keep inventories low for the end of the financial year. Uncertainty over future market development also crimped buying activity with many companies reluctant to buy past January or February. Hot rolled coil prices across northern Europe pegged at €375-400/t (\$548-

585/t) ex-works in the second week, while cold reduced to around €430-460/t ex-works. The base price for hot-dip galvanized was about €460-480/t ex-works. The producers' scrap extras for medium sections and beams in December were lower than the previous month due to depressed raw material costs during the relevant reference period.

The market ended on a quiet note in the end of the month with rod prices prevailing at around €350-360/t delivered in December. The end of the year brought in no apparent changes in market behaviour. Prices have fallen moderately since last month, after some mills pushed for increases, which were not readily accepted. However, hope lies in the first quarter, more so February, when the market restarts after the European winter break.

The table gives an overview of price movement in Domestic flat & long steel sector:

Month	Billet 100 mm	Bloom 150x 150 mm	Wire Rod 6 mm	TMT Bar 10 mm	Angle 50X5 0X6 mm	Joist 125X70 mm	Channel 75X40 mm	HR Coil 2.00 mm	CR Coil 0.63 mm	GP Sheet 0.63 mm	GC Sheet 0.40 mm
Kolkata											
Dec'08	30502	30766	37808	36314	35759	37102	39677	39222	40464	43006	45314
Mar'09	30914	30666	36864	34113	34309	36138	40009	34314	36356	40234	43256
Jun'09	28136	27663	33849	34009	34214	36066	35165	33993	36130	40793	42435
Sep'09	25686	25525	32518	32262	33676	35948	34724	34590	38067	42456	44268
Dec'09	27890	26505	31670	31880	33170	35700	34200	34640	38540	42360	44585
Delhi											
Dec'08	NA	NA	39195	37642	35985	38554	40425	39203	39557	41768	45982
Mar'09	NA	NA	37732	34963	34103	36063	39834	34471	36488	39328	43224
Jun'09	NA	NA	35591	35371	34488	36098	35607	34349	36728	39928	43192
Sep'09	NA	NA	32709	32818	33998	36063	34861	35613	39694	41858	45460
Dec'09	27800	26570	31710	32080	33105	35500	33555	35260	38690	41170	45500
Mumbai											
Dec'08	30630	29167	39479	37884	37224	39183	41177	39453	40526	46034	48872
Mar'09	30998	29250	37519	34950	34617	36883	40423	34526	37578	42912	45382
Jun'09	28204	26518	35216	34862	34092	36332	35587	33903	35944	42151	44015
Sep'09	25904	24178	33690	33735	34179	36025	34998	34591	37844	42948	45848
Dec'09	27130	24600	32895	33740	35630	34525	34420	37070	43060	45260	45260
Chennai											
Dec'08	30951	28209	39705	36478	35757	38308	39438	38798	40932	45847	50426
Mar'09	31044	29352	37837	34824	34509	36517	39605	33796	37864	42592	45172
Jun'09	28016	26474	34148	33866	33963	35971	34983	33621	36548	40940	44738
Sep'09	25468	24068	33345	31944	33599	35698	33943	34061	39534	42732	46370
Dec'09	27090	24700	32100	31670	33145	35245	33315	34010	38870	42670	46170

All prices quoted above are in Rs./t, all inclusive.

The table gives an overview of price movement in International flat & long steel sector:

FLAT

	Oct-09	Nov-09	Dec-09	Jan-10*
N. Europe domestic				
HRC - Ex-Works €/t	399-440	374-419	371-440	na
CRC - Ex-Works €/t	440-498	442-485	432-489	na
HDG - Ex-Works €/t	540-620	530-600	530-600	530-600
Plate - Ex-Works €/t	420-520	410-500	420-500	420-500
S. Europe domestic				
HRC - Ex-Works €/t	380-400	380-400	380-400	380-400
CRC - Ex-Works €/t	450-480	450-470	450-470	450-470
HDG - Ex-Works €/t	470-500	470-500	470-500	470-500
Plate - Ex-Works €/t	450-470	420-450	420-450	na
N. America domestic				
HRC - FOB US Midwest mill \$/s.ton	558-572	512-528	518-540	550-570
CRC - FOB US Midwest mill \$/s.ton	680-700	650-670	590-600	625-640
HDG - FOB US Midwest mill \$/s.ton	700-720	680-700	640-650	660-675
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	3372-3398	3596-3636	3728-3750	na
CRC - Shanghai (incl. 17% vat) RMB/t	4538-4625	4750-4852	5058-5195	na
HDG - Shanghai (incl. 17% vat) RMB/t	4530-4600	4750-4800	4900-5000	5100-5150
China export				
HRC - FOB Shanghai \$/t	470-480	480-485	500-520	510-540
CRC - FOB Shanghai \$/t	590-600	610-620	620-630	na
HDG - FOB Shanghai \$/t	620-630	640-650	650-670	na
East Asia Import				
HRC - CFR \$/t	482-518	500-526	520-540	na
CRC - CFR \$/t	560-630	620-650	640-670	650-680
HDG - CFR \$/t	630-660	660-690	680-700	680-710

LONG

	Oct-09	Nov-09	Dec-09	Jan-10*
Europe domestic				
Medium sections - delivered €/t	400-490	400-490	400-460	420-480
Rebar - delivered €/t	320-360	310-370	340-390	360-400
Wire Rod (mesh quality) - delivered €/t	325-360	330-370	350-380	360-390
N. America domestic				
Rebar - FOB US Midwest mill \$/s.ton	520-540	498-518	450-470	510-530

Wire Rod (mesh quality) - FOB US Midwest mill \$/s.ton	550-590	555-595	550-590	550-590
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	3345-3368	3518-3540	3538-3555	na
Wire Rod (mesh quality)- Shanghai (incl. 17% vat) RMB/t	3300-3330	3550-3560	3700-3730	na
China export				
Wire Rod (drawing quality) - FOB Shanghai \$/t	480-485	480-510	485-500	na
East Asia Import				
Rebar CFR \$/t	496-509	488-498	505-515	na
Wire Rod(mesh quality)-CFR \$/t	500-540	500-530	500-530	510-540
Black Sea Export				
Rebar FOB \$/t	440-460	425-460	430-450	430-450
Wire Rod(mesh quality)-CFR \$/t	450-470	440-475	440-470	450-470

Note: 1 RMB=0.15US\$, *-SBB Forecast

Outlook

The Global Industrial Outlook for 2010: China will be the catalyst in calendar 2010 with anticipated GDP growth between 9-10% and greater steel demand than in 2009; this most likely will exert upward pressure on both iron ore and scrap prices. The demand of steel, ex-China, is likely to rise from 650 million tonne (mt) currently to 800 mt per annum by April 2011, says a report by brokerage house Credit Suisse. The rest of Asia should follow China with anticipation of strong demand for scrap and billet export opportunities to the region. Australia should continue what is developing as a strong recovery.

With Asian steelmakers like POSCO already operating at about 92% of capacity, the outlook for further strengthening is bullish indeed for related miners like Vale) and Teck Resources.

CIS steel demand forecast to grow in 2010: The outlook remains “challenging”, but real domestic demand for steel in the CIS region is expected to grow by 3-6% next year, according to a recent report by Fitch Ratings. Apparent demand is forecast to increase by 7-9%. The construction sector is expected to remain weak next year, while the infrastructure, oil, and gas industries will be “the major drivers of domestic steel demand growth”, says Sergei Grishunin, an analyst at Fitch. Automotive production is expected to remain flat, though general manufacturing, aerospace and defence “may grow by 2-4%” due to a slight increase in demand and government stimulus. Domestic steel prices are expected to be 10-20% higher than export prices, while apparent demand for CIS-origin steel in export markets is forecast to grow by 8-10%.

Indian steel sector to shine: Rising demand, controlled supply and strong buying by steel end-users in anticipation of a price rise are likely to drive up steel prices, according to analysts tracking the sector. The sector analysts opine that Indian companies are in a sweet spot to enjoy the recovery in global steel prices, due to captive iron ore and strong domestic demand.

Demand recovery to push India steel prices up in 2010: Indian steel prices are set to stay firm in 2010, after sliding nearly a fifth year-on-year, sparked by a global demand recovery. Key raw materials iron ore and coking coal have also risen 65-70 percent from their 2009 lows, prompting price hikes globally while local players have said they will also hike rates by 5-7 percent in January as demand grows.

Data Sources:

- 1) NCDEX
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) JPC
- 5) The Economic Times
- 6) Steel Trade Intelligence
- 7) Reuters



(UJJAL BHATTACHARYA)
Vice President

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

After a month long weak movement noticed in the longs and scrap steel segment of the steel market, a slight stability was noticed in the beginning of December with demand recovering to some extent in the downstream sector. Both the raw materials and finished steel items made a slight improvement in the price movement as sales order came in and stock movement taking place.

The raw materials section also ended Week 01 on a stable note depicting an improvement in the range of Rs.300/MT to Rs.500/MT per tonne. The beginning of the second week saw further gains with TMT Bar prices surging by almost 4% over a week due to the increased prices of raw materials coupled with dealers' optimistic attitude of the forthcoming market.

A firm trend was also noticed in the raw materials section including Steel Ingot prices that exhibited a price improvement in the range of Rs.800/MT to Rs.1000/MT per tonne over a week. Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.600 to Rs.800/tonne was noticed. The latter half of the month made some strong gains in the market due to tight supply, rising coke and iron ore price and dearth in material availability. Also, improvement in demand conditions further allowed the prices to head in a Northward direction thus signaling a positive sentiment in the New Year.

Steel ingot prices surged in the range of Rs.1000 to Rs. 1500 per tonne since Dec 22, Sponge iron prices increased in the range of Rs.1000-1400/tonne over a fortnight while Melting Scrap price made a whopping rise of around 17% in the last 15 days.

Indian domestic metallic prices rise in December. Indian domestic pig iron and sponge iron prices have risen this month country-wide due to increased demand. Market sentiment is positive about the trend continuing in January. Sponge iron prices have increased by at least Rs 1,000 (\$21) per tonne over a week in the second week due to a spurt in demand from long-product makers and a coal shortage. There is scarcity of sponge iron supply presently; however the shortage is expected to ease in the coming weeks when shut-down plants return to production. Prices increased further towards the end of the month; almost a rise of Rs.1600/tonne over a fortnight with gas-based DRI selling in western parts of India at Rs 18,000/tonne (\$384/t) ex-works without taxes, up from Rs 15,500/t in November. Coal-based DRI (around 74% Fe) sold at Rs 16,200/t ex works without taxes in the third week in the Bellary-Hospet region of Karnataka, southern India.

Meanwhile, foundry grade pig iron prices are up to levels of Rs 22,000/t (\$469/t) ex-works currently, a rise of Rs 4,000/t since last month. RINL Steel Grade Pig iron offers last took place at Rs.19,000/t, basic.

Iron Ore: The month of December started on a weaker note with Indian Export market remaining thin. Transaction volumes remained thin in the first seven days with offer prices also lowering down. Fe63.5% grade saw a drop of USD 3/tonne in a couple of days. Ocean freight rates moved down gradually following the decrease of BDI, so the price of CNF price also went down. Prices were quoted at USD83/t FOB Indian east coast for iron ore fines 63.5% rejection below 62.5% in the first week, USD3/t lower than the last day of November.

The export market remained quiet in Dec Week 02 as well. Iron ore production in Karnataka's Bellary-Hospet region has slowed over recent weeks due of a central government probe into nearly

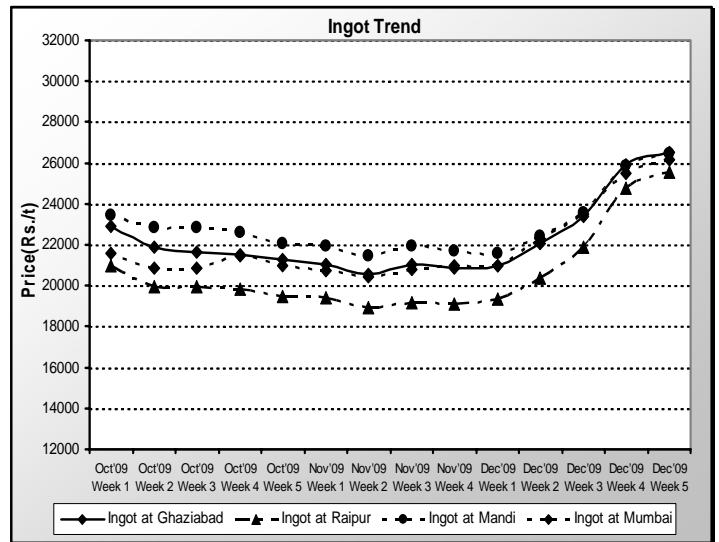
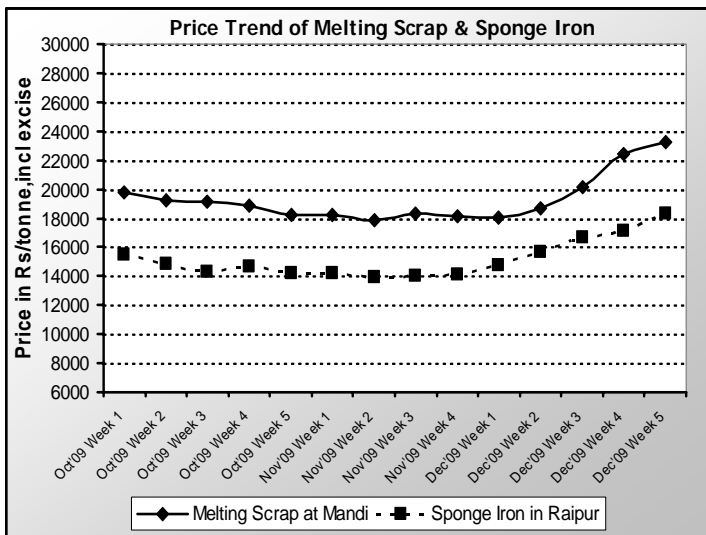
40 allegedly illegal iron ore mines in the area. The scarcity of ore supply and lack of buyer interest is also evident in the eastern state of Orissa.

Export prices have improved since then with Fe 63.5% offers taking place at \$110-117/tonne, cfr China. Indian fines with a 59% Fe content were being offered at \$95-97 per tonne in the third week of the month. Chinese demand, which had been building up with better steel prices and expectations of higher benchmark ore prices next year, were pushed even higher by rising coking coal and coke prices. Spot offers further touched \$120/tonne, cfr China for 63.5% Fe Fines. 58% Fe iron ore fines from India was being quoted at \$100-101 per tonne at the close of week 3. Week 4 closed at offers of \$123/tonne cfr China for Fe 63.5% Fe fines. Though few transactions are currently taking place, prices are expected to continue to rise in January. This is due to the shortage of available Indian ore, India's recent imposition of a 5% export duty on iron ore fines and lumps and increased buying by Chinese mills before the Lunar New Year holidays. There is still a shortage of iron ore from Orissa and Karnataka that will keep prices hovering at higher levels in January.

India coke market improved since the mid of the month. The Coke import offers from Russia and Poland surged to \$330-340 per tonne cfr, a rise of almost \$20 per tonne over a month.

Price Trend of Ingot, Sponge Iron, Melting Scrap

	Ingot at Mandi	Ingot at Ghaziabad	Ingot at Raipur	Ingot at Mumbai	Sponge Iron at Raipur	Melting Scrap at Mandi
Nov'09 Week 1	21950	21048	19418	20711	14200	18210
Nov'09 Week 2	21484	20571	18936	20454	13936	17907
Nov'09 Week 3	21961	21057	19141	20778	14008	18330
Nov'09 Week 4	21715	20835	19084	20955	14087	18103
Dec'09 Week 1	21550	21000	19332	21000	14756	18007
Dec'09 Week 2	22443	22058	20394	22286	15640	18700
Dec'09 Week 3	23551	23382	21897	23509	16673	20139
Dec'09 Week 4	25851	25941	24774	25478	17109	22434
Dec'09 Week 5	26479	26491	25567	26163	18300	23288



Price of Melting Scrap & Sponge Iron in Rs./t is incl. excise duty; Price of Ingot in Rs./t is basic

Price Trend as observed in the auction held at Metal Junction for Scrap Products:

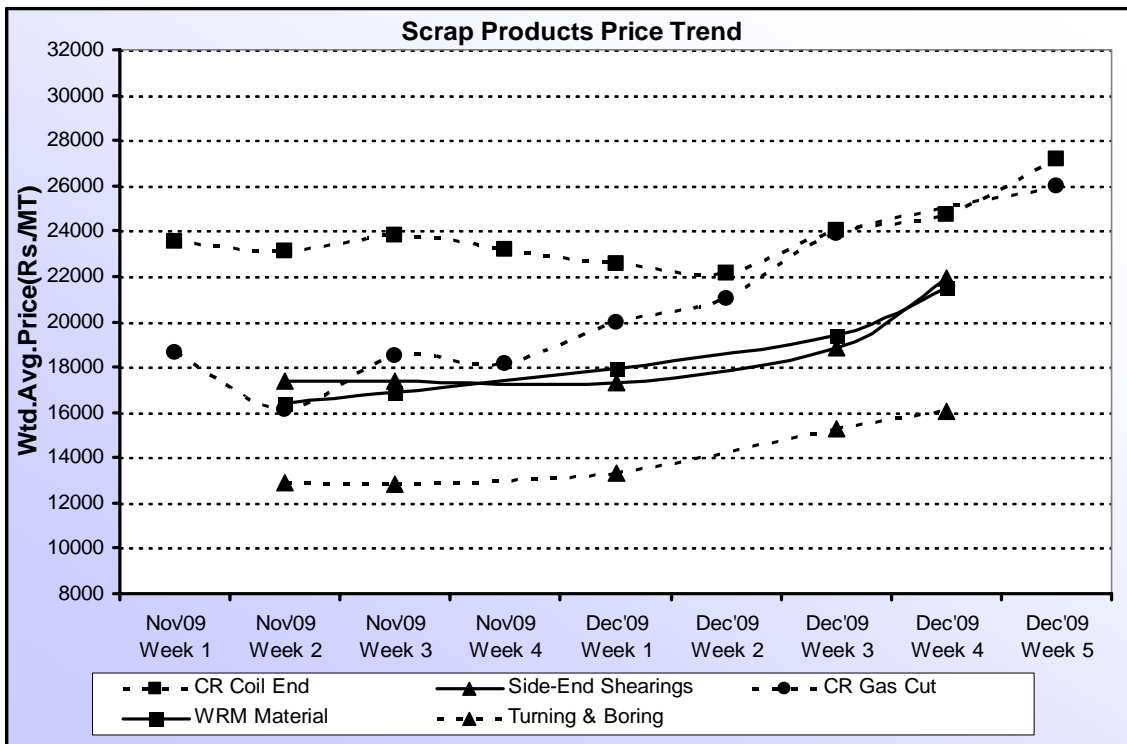
Attached below is the data table:

Week	CR Coil End	WRM Material	Side-End Shearings	Pipe End Cutting	Coil End Cutting	CR Gas Cut	Turning & Boring
Nov'09 Wk 1	23559	--	--	19521	20326	18658	--
Nov'09 Wk 2	23086	16400	17384	16537	21580	16098	12900
Nov'09 Wk 3	23779	16900	17384	15382	17957	18516	12800
Nov'09 Wk 4	23208	--	--	18534	16780	18175	--
Dec'09 Wk 1	22568	17950	17324	18650	19725	19936	13308
Dec'09 Wk 2	22113	--	--	20476	21692	20992	--
Dec'09 Wk 3	24023	19400	18855	17750	20358	23895	15275
Dec'09 Wk 4	24750	21500	21905	22920	23357	--	16050
Dec'09 Wk 5	27147	--	--	22550	--	25950	--

Percent change (m-m & y-y basis):

Products	Nov'09 Price(Avg.)	Dec'09 Price(Avg.)	% change(Nov'09 over Oct'09)	% change(Nov'09 over Nov'08)
CR Coil End	23408	24120	3.04	15.00
WRM Material	16650	19617	17.82	-15.00
Side-End Shearing	17384	19361	11.38	-10.00
Pipe End Cutting	17493	20469	17.01	26.00
Coil End Cutting	19161	21283	11.08	12.00

Following graph shows the price trend observed in the auction services of Metal Junction for the month of Nov 2009 and Dec 2009 for different scrap products.



Price in Rs./t is basic

Outlook: After witnessing a stable trend in the first half of the month, the domestic long and scrap steel market witnessed a colossal growth in prices in the latter half mainly because of the shortage of raw materials and tight supply of melting scrap throughout the country. The price hikes are in line with the rise in international steel prices, which is due to higher costs of coking coal and iron ore. Furthermore, the government has imposed an additional 5 per cent export duty on iron ore fines and lumps, a move aimed at curbing iron ore exports, which the industry said would adversely affect the mining sector. The government has raised export duty on iron ore lumps to 10 per cent from 5 per cent and on iron ore fines to 5 per cent from nil.

Steel ingot prices surged in the range of Rs.1000 to Rs. 1500 per tonne since Dec 22, Sponge iron prices increased in the range of Rs.1000-1400/tonne over a fortnight while Melting Scrap price made a whopping rise of around 17% in the last 15 days. A similar trend was also noticed in the auction platform where prices have shoot up in the range of Rs.2000 to Rs.5000/MT, basic over a month across various products. In view of the rising demand and rising steel prices both in the domestic and international market, a positive outcome is expected in the coming month in the metallic segment.

International Scenario

The international Scrap steel market exhibited an increase in price since the beginning of December.

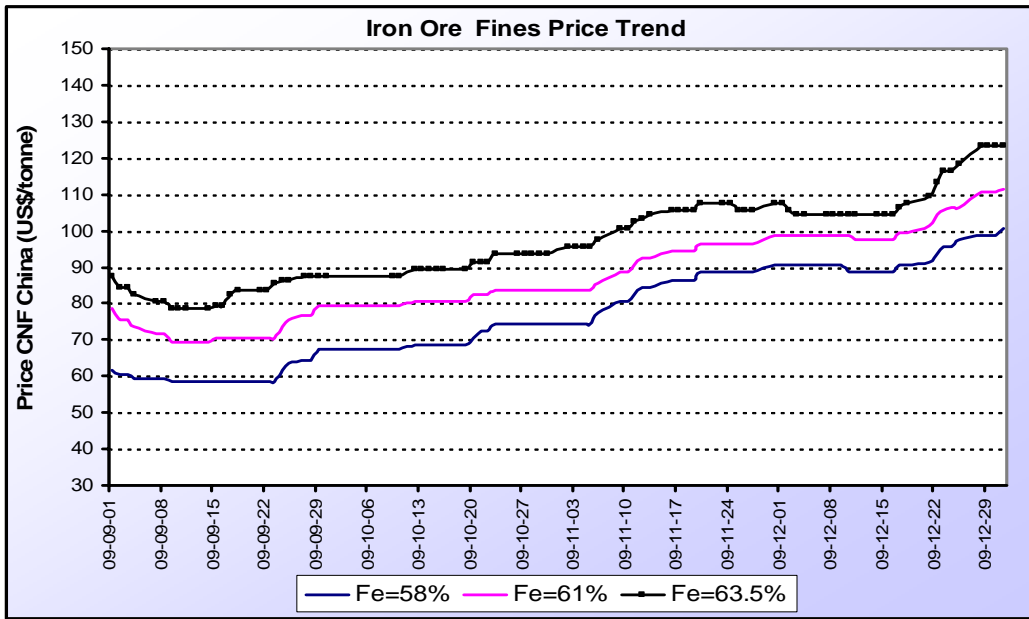
Scrap prices in the UK have increased this month after domestic mills came back into the market to rebuild inventories. Prices moved up around £10-15/tonne depending on grade, taking obsolete material to £150-170/t (€165-187/t) delivered. Deep-sea export prices remain relatively unchanged from last month, with shredded pegged at \$270/t cfr Turkey and HMS1&2 around \$260-265/t depending on grade. EU ferrous scrap prices surged on the back of the current US price rally and tight supply. Cargoes of HMS 1&2 (80:20 mix) traded in the range of \$283-290 per tonne fob Rotterdam in the second week, up from \$255-260 fob ten days ago. Shredded material sold at \$288-295 per tonne fob, up from \$260-265 per tonne fob Rotterdam previously. HMS 1&2 (70:30 mix) sold in the range \$275-280 fob Rotterdam up from \$245-250 per tonne on the same terms ten days ago. Scrap import prices into Southeast Asia have reached a new peak on tight supply and increased demand as mills stock up for next year's production.

Transaction prices have jumped to \$330-380 per tonne cfr per tonne, depending on scrap quality and sources of supply, up from the average of \$290 per tonne cfr last month.

Korean domestic scrap prices increases: Korean domestic scrap prices being quoted by local mini mills have strengthened slightly by USD 8.5-17/MT during the week of 21-25 December compared with the previous week to prevail at USD 324/tonne. The uptrend is because of special incentives being paid to encourage domestic scrap suppliers to step up deliveries.

Scrap price movement in Europe: Some Southern European steel mills are already beginning to look for material for January. Prices are holding and scrap from France and Germany is as high as the Italian. Traders are selling seaborne imported shredded scrap to Italian mills for USD 300/tonne. Mediterranean countries are waiting to see what Turkey does, as Turkish scrap and rebar transactions are an important indicator especially for Italy. At the moment some Turkish buyers are purchasing HMS 1&2 for USD 315/MT according to sources.

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



Price is CNF China in US\$/t

The tables below gives the International Scrap & Pig Iron price trend across various regions:

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

Month	Average Price(\$ per long ton)	Price movement
Sep-09	255.00	
Oct-09	244.00	↓
Nov-09	217.00	↓
Dec-09	246.00	↑

Steel Scrap No HMS I &II (80:20 mix) United States Export fob East Coast \$ per tonne

Month	Average Price(\$ per long ton)	Price movement
Sep-09	285.00	
Oct-09	246.00	↓
Nov-09	245.00	↓
Dec-09	274.00	↑

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

Month	Average Price(\$ per long ton)	Price movement
Sep-09	210.00	
Oct-09	204.00	↓
Nov-09	178.00	↓
Dec-09	198.00	↑

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

Month	Average Price(\$ per long ton)	Price movement
Sep-09	291.00	
Oct-09	251.00	↓
Nov-09	250.00	↓
Dec-09	279.00	↑

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

Month	Average Price(\$ per tonne)	Price movement
Sep-09	278.00	
Oct-09	245.00	↓
Nov-09	251.00	↑
Dec-09	275.00	↑

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Sep-09	283.00	
Oct-09	251.00	↓
Nov-09	256.00	↑
Dec-09	283.00	↑

Steel CIS Export Pig Iron \$ per tonne Black Sea/Baltic Sea

Month	Average Price(\$ per tonne)	Price movement
Sep-09	316.00	
Oct-09	293.00	↓
Nov-09	280.00	↓
Dec-09	307.00	↑

Outlook

The outlook for scrap in January is positive. Some Southern European steel mills are already beginning to look for material for January.

New Year hopes for higher ferrous scrap prices, market predicts: Ferrous scrap merchants hoping for better prices in January will likely be disappointed as winter holidays and poor finished product sales keeps a cap on demand. Pig iron prices are rising and the material could be substituted with good-quality scrap. This may push prices up. Prices are likely to rise in January because Turkish buyers will have to return to the market for their January-February production

Chinese coke prices set to climb in Jan: Shanxi coke producers are building up stocks in hope of selling at higher ex-works prices in January.

"Shanxi Coking Industry Association is yet to announce its January ex-works prices, as coke producers are still in talks. A rise of 100-150 yuan (\$15-22) to 1,850-1,900 yuan (\$271-278) per tonne for grade II metallurgical coke can be expected," a Shanxi-based coke producer said.

A Beijing-based industry analyst said the uptrend of coke prices is expected to extend into January on higher coking coal prices, stockpiling by steel mills before the Chinese New year, and the idling of around 30% of coke capacity.

Data Sources:

- 1) Steel Business Briefing
- 2) Metal Bulletin
- 3) Asian Metal
- 4) NCDEX, MCX



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STEEL INDUSTRY MARKET SCENARIO

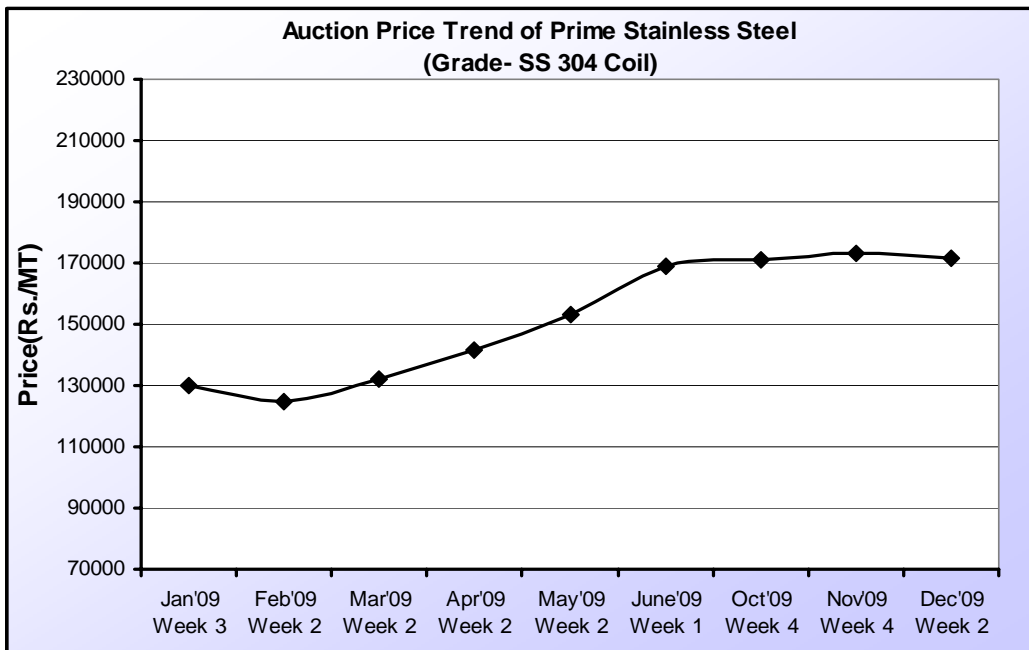
STAINLESS STEEL

Domestic Scenario

The domestic Stainless steel market remained subdued due to low demand and fluctuating raw material prices.

Jindal Stainless cuts export offers by \$50/tonne: India’s biggest stainless producer Jindal Stainless has lowered export offers by around \$50 per tonne from last month on lower raw material costs. Jindal is now offering \$1,650 per tonne fob for 200-series cold rolled stainless, compared with \$1,700 per tonne last month. It is offering \$2,800-2,900 per tonne fob for 300-series cold rolled stainless, compared with \$2,950 per tonne last month, “Raw materials like nickel are lower, and export market sales are also lower,” said an official.

Raw materials depicted a sluggish trend beginning of the month; however prices made a recovery towards the end. Nickel prices made a week on week gain of almost 8% at LME in the final week while it witnessed a gain of 13% over a fortnight.



Outlook: Stainless Steel market is expected to see recovery in the short term and with demand coming up from various sectors, prices are expected to remain stable in the coming month.

International Scenario

The international market sees a similar situation where markets are facing downward pressure. Prices of East Asian origin 304 stainless cold rolled sheets for delivery in one-to-two months held at \$2,500-2,600/t cfr China in the 7 December week. Prices continued to remain stable in the following weeks as well.

Chinese stainless steel market remained stable after two weeks of increase in the month of November. The price range for 3mm thick 304 HRC in China's Foshan market in south China narrowed by RMB 100/t to RMB 17,800-18,200/t (\$2,607-2,665/t) in the week Dec01. Prices of 2mm thick 304/2B CRC in Foshan are unchanged at RMB 19,800-20,100/t (\$2,899-2,943/t).

Prices of 1-2mm thick 201/2B CRC inched RMB 100/t lower to RMB 11,700-11,900/t (\$1,713-1,743/t) in Foshan while those of 2mm thick 430/2B CRC stayed at RMB 11,100-11,500/t (\$1,625-1,684/t) in the week.

Transactions remain sparse for 2mm thick 202/2B CRC, but market watchers put prices at around RMB 16,600-16,800/t (\$2,431-2,460/t), RMB 100-200/t lower than from a week ago. All prices include 17% VAT.

However, prices did slip by \$15-59/tonne since then for grade 304 and 430 series. Prices of 3mm thick 304 HRC in China's southern Foshan market slipped RMB 200-400/t to RMB 17,600-17,800/t (\$2,578-2,607/t), while those for 2mm thick 304/2B CRC dipped RMB 200-300/t to RMB 19,600-19,800/t (\$2,870-2,900/t) over the week. Prices of 1-2mm thick 201/2B CRC were unchanged at RMB 11,700-11,900/t (\$1,714-1,743/t) in Foshan but those of 2mm thick 430/2B CRC fell RMB 100/t to 11,000-11,500/t (\$1,611-1,684/t) in the second week.

The month ended on a positive note with prices rising by RMB 100-500/tonne (\$15-73/t) over a week on strengthening nickel prices and production cuts by Chinese stainless mills. Demand has picked up substantially as buyers are typically more wary about holding too much stock at the end of the year.

Stainless steel scrap prices in Europe and the UK have continued to fall as buyers cut their orders and nickel prices sagged. 18/8 solids traded in the UK at £900-950 (\$1,497-1,580) per tonne down from £930-980 in the first week. 18/8 solids sold in the EU at \$1,590-1,670 per tonne down from \$1,600-1,690 one week ago. Prices however edged higher in the third week of the month on an increase in Nickel price. 18/8 solids traded at £910-960 (\$1475-1556) per tonne in the UK at the end of last week, compared with £900-950 per tonne previously.

18/8 turnings in the EU rose to \$1,220-1,280 per tonne cif Europe from \$1,192-1,252 per tonne on the same terms previously. Three-month nickel rose to \$17,950 per tonne on December 23 compared with a monthly low of \$16,000 on December 4.

The tables below give an overview of stainless steel prices worldwide

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

Type	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10*
HR 304	20900-21200	17800-18000	17500-17900	17100-17600	17600-17800
CR 304 2B	22000-24000	19400-19800	19300-19900	18800-19200	19600-19800
CR 202 2B	18500-18700	17200-17400	17000-17200	16500-16700	16600-16800
CR 430 2B	12100-12300	11700-11900	11400-11800	11000-11300	11000-11500

Europe

CR 304 2B 2mm,Euro/t Ex- Works	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10*
N.Europe	1180- 1260	1180-1350	1140-1280	1100-1170	1080-1150
S.Europe	1150-1220	1130-1270	1100-1250	1070-1130	1050-1100

Europe

CR 430 BA 2mm,Euro/t Ex- Works	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10*
N.Europe	1070-1210	1050-1210	980-1100	950-1050	950-1050
S.Europe	1050-1200	1030-1180	950-1070	920-1020	920-1020

East Asia import

Type	Sep'09	Oct'09	Nov'09	Dec'09	Jan'10*
CR 304 2B 2mm CFR\$/t	2750-2838	2650-2800	2550-2650	2500-2600	2500-2600

(*): SBB forecast **Note:** 1US\$= Rs.46.63, 1Euro= Rs.67.21, 1 RMB=0.15US\$

Raw materials scenario:

Nickel

Nickel started the month of December on a dull note with the demand conditions remaining dim. In the first week of December, nickel saw a dip of around 3.5 per cent both at home and abroad as compared to the week before. Nickel market remained mostly sluggish in the second week of the month as the demand didn't show much movement. The third week too failed to provide any significant impetus to the metal and the prices remained by and large stable across the world. However the market started signaling some movement since Dec 21, with demand conditions fairing slightly. Nickel prices both at home and abroad shot up by nearly 8 per cent in the concluding week of the month as compared to the week before mainly due to fresh technical buying and demand from stainless steel industries.

Nickel price trend at London Metal Exchange:

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Aug-09	19,628	22.95	3.82
Sep-09	17,462	-11.03	-2.33
Oct-09	18,514	6.02	52.10
Nov-09	17,011	-8.12	59.07
Dec-09	16,984	-0.16	75.33

Ferro -Alloys

Almost all the Ferro-alloys depicted a healthy trend in the month of December with the demand conditions ameliorating both in the domestic as well as in the international markets. After remaining subdued in the month of November, the **Ferro chrome market** across the country exhibited some vibrancy with the commencement of December. In the second week of the month, the Ferro chrome (HC 60% min) prices witnessed an increase of Rs. 1000/MT to prevail at Rs. 47,500/MT (basic) on account tight power supply. The prices increased further at the close of the second week of the month by another Rs. 2000/MT and prevailed at Rs. 49,500/MT (basic). The growth in the prices remained unabated in the concluding week witnessing a rise of nearly Rs. 4,000/MT to prevail at around Rs. 53,500/MT (basic). The market for **Ferro molybdenum** remained more or less stable in the first week of the month of December with the demand condition remaining sluggish. However, the ferro-moly (60% min) prices depicted a dip in their prices at the close of the second week by Rs. 10/Kg to prevail at Rs. 815/Kg (basic). However, the prices again picked up from the third week and the growth was sustained in the final week of the month witnessing a rise of nearly Rs. 60/Kg to prevail at around Rs. 875/Kg (basic). The domestic market for **Ferro manganese market** depicted a steady upward trend with the commencement of the month of December. Ferro manganese (HC 65-70%) remained stable at Rs. 48,000/MT (basic) in the first week of the month while at the close of the second week; the Ferro manganese prices witnessed a rise of Rs. 1000/MT to prevail at Rs. 49,000/MT (basic). Prices shot up further in the third week by another Rs. 2,000/MT to prevail at Rs. 51,000/MT (basic). The Ferro-manganese prices have remained stable since then with demand remaining more or less steady.

Outlook

Views on price direction differ, with some industry observers predicting a stable outlook and others further downside to prices. Some say that prices have already bottomed out and are expected to remain stable in the coming New Year. But some sources point out that there is still some uncertainty to prices as demand remains quiet, particularly with the end of 2009. Customers are in no hurry to buy as inventory levels are still high, says a Taipei source.

With Nickel prices stopping to fall that lasted in the past one month, stainless steel prices are expected to stabilize.

Though supply/demand fundamentals remain weak in Asia, Chinese spot prices have actually been rising over the past two weeks as consumers sense the worst is over. North American base prices remain unchanged but though demand is weakening, if mainly for seasonal reasons, higher levels can now be expected in the New Year.

Hope lies in Chinese demand. A recovery of demand was seen in stainless steel production in China, Korea and Taiwan in the second quarter of 2009 and to lesser extent in Europe and the United States in the third quarter. Primary nickel demand was strong in China and surrounding countries, with both real and apparent consumption increasing. In 2010 it is possible that growth in stainless steel and nickel use will continue in China and in other parts of the world but at slower rate.

Data Sources:

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



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