

## Iron Ore Fines Report

### Domestic Scenario

The Iron Ore Fines sector remained flat in the beginning of May due to low Chinese interest. Indian traders said most of China's higher purchases were sourced from Australia where some Chinese firms have invested, leaving Indian traders supplying smaller volumes of lower grades from the western coastal state of Goa. The exporter said an increase in buying before the monsoon next month had raised demand slightly, but that had also congested the Goa port and shipments were delayed.

The export price of iron ore fines showed an upward trend in India in the second week of May. Prices moved up further in the third and fourth week and there was a rise of around 6 percent noticed over a month. This was mainly buoyed by slow but continuous demand as Chinese traders kept feeding local steel mills despite warnings of a steel glut. Indian Iron ore Fine Fe=63.5% grade prevailed at 68 USD/tonne cfr China in the fourth week.

The beginning of June saw a positive trend in the Export market. Due to the increasing freight cost, devaluation of US dollars and tight supply the export price of Indian iron ore fines moves up at present on CIF basis. For example, China importers reported that the price of iron ore fines 63.5% rejection below 62.5% is USD72-73/t CIF Chinese main ports, up by USD4/t from that of last week. At the same time, exporters in India showed intention to lift the price on FOB basis in following days because of the weakening US dollars. A source from a Tamilnadu-based iron ore exporter reported that he offers quotation at INR2,700/t FOB Indian east ports for iron ore fines 63.5% rejection below 62.5%, the same as that of last week.

A Goa-based iron ore fines exporter confirmed the price increase. Now the source quotes USD38-39/t FOB Indian west coast for iron ore fines 58%, up by USD2/t from June 02. Besides the above factor, the source added that the tight supply also supports the price to increase. During the monsoon, iron mines in Goa mostly stop production due to the heavy rain. "The rain will last two or three months," says a trader, adding that ships are hard to leave ports during the period. While, Goa is the major place to provide iron ore fines with low grade, such as 58% and 59%. They can only ship materials when the weather is clear for one or two days. Under the tight supply, the price is likely to keep firm in following weeks.

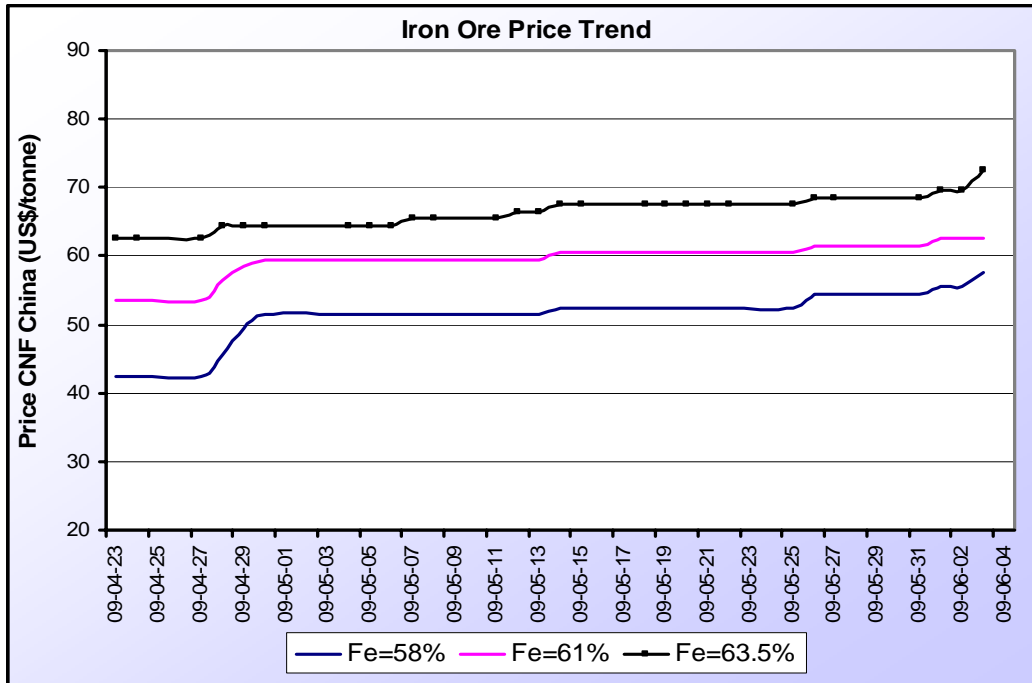
#### **Steel China Iron Ore Fines cfr main China port \$ per tonne for Fe=63%**

| Price Date | Low Price | High Price |
|------------|-----------|------------|
| 24-Apr-09  | 62        | 64         |
| 01-May-09  | 64        | 65         |
| 08-May-09  | 65        | 66         |
| 15-May-09  | 66        | 68         |
| 22-May-09  | 67        | 68         |
| 29-May-09  | 68        | 70         |

Source: Metal Bulletin

As seen from the above table, prices have seen a rise of around 10 percent over a month and around 3 percent over a fortnight.

The graph below shows the price trends of Indian Iron Ore fines on CNF China basis in USD/tonne for various grades



Source: Asian Metal

As seen from the above graph, since the last VISL auction held on Apr22,2009 Fe= 63.5% min CNF China witnessed a rise of around 16 per cent while Fe=61% grade saw a rise of around 17 percent. **With the above factors stated, Iron ore Fines of Fe=63% grade to be auctioned from SAIL VISL can fetch a price in the range of Rs.950 to Rs.1250/tonne, basic.**

Please Note that the price has been projected for Fe=63% grade only. However, if the SAIL VISL IOF material doesn't conform to Fe=63% and goes below that, then prices will vary accordingly.

## Auction Scenario

IOF Fe=62% fetched a price of Rs.510/tonne by Road on 8<sup>th</sup> May, 2009 from a private client of Eastern region while Fe=62% by Rail fetched a price of Rs.600/tonne on 8<sup>th</sup> May,2009.

SAIL ISP fetched a price of Rs.425/tonne in the auction held on 21<sup>st</sup> May,2009 while the earlier price fetched was Rs.370/tonne in the auction held on 28<sup>th</sup> Apr, 2009 for Fe=59% & below.

**Price is basic**

## Outlook

The Iron Ore Fines market has improved since the end of May and this has been mainly supported by the demand from Chinese steel mills, the increase in freight rates and tight supply in the market. Considering that the steel market in China remains active, it is predicted that the demand of iron ore fines will turn stronger and the price will remain firm in the coming days before the onset of monsoon when the export activity from India will be crippled as it becomes difficult for the ships to leave the ports.