

Iron Ore Fines- Report

Domestic Scenario

NEWS FLASH:

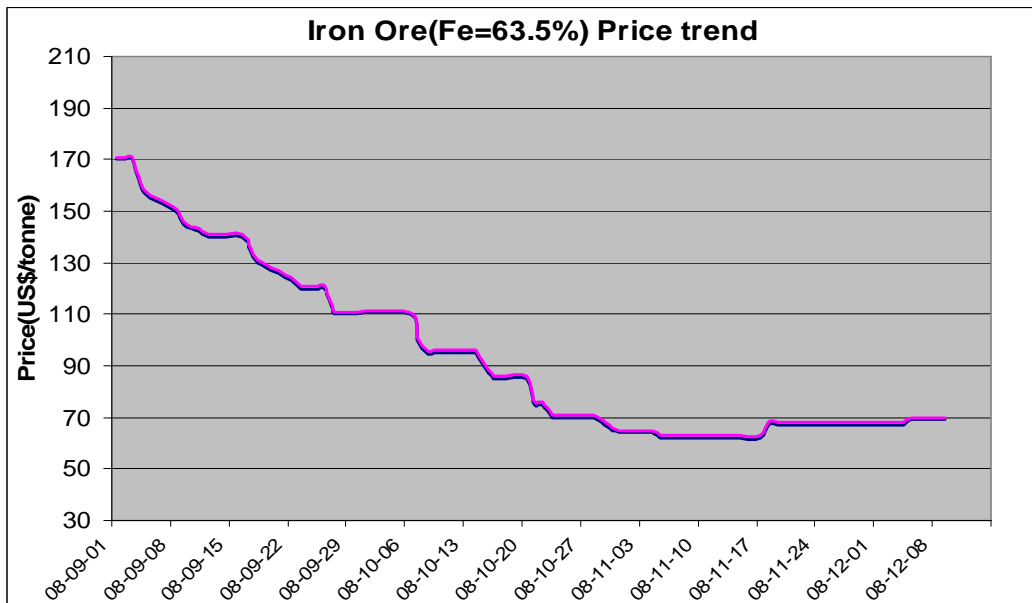
Government cuts export duty on iron ore: As part of its economic stimulus package, the government has cut export duty to 0% on iron ore fines and 5% on lumps. At present, 8% ad-valorem export duty exists on iron ore fines, while that on lumps stands at 15%. (Source:Live Mint)

National Mineral Development Corporation (NMDC), the country's largest producer and exporter of iron ore, has reduced Iron ore prices by 25 per cent, with effect from December 1. While the price of ore fines would decline by Rs 470 a tonne, the prices of calibrated lump ore (CLO) and direct reduced calibrated lump ore (DRCLO) would decrease by Rs 860 and Rs 1,150 a tonne, respectively.(Source: Business Standard)

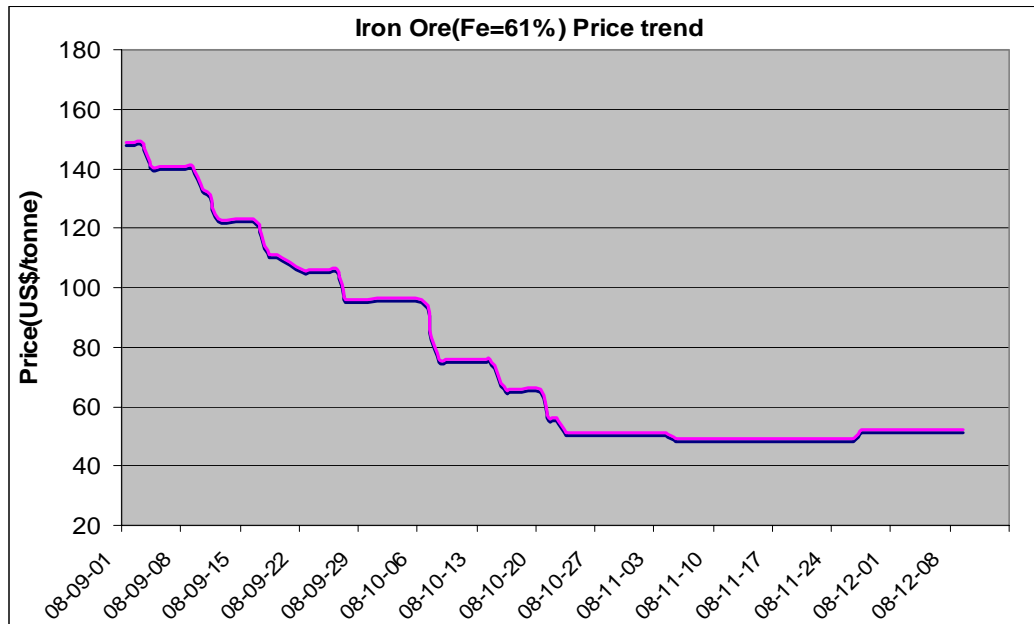
After a downturn till the third week of November, price stabilized in the end of the month and has continued to rule stable till date across various grades. Demand remained sluggish in the beginning of December with little increase in purchase coming from overseas buyers. The export market has remained stable, however there are still few buyers who like to import from India.

The graph below shows the trend of Iron Ore fines on CNF China basis in USD/tonne.

Iron Ore Fine Indian 63.5%min CNF China



Iron Ore Fine Indian 61%min CNF China



Source: Asian Metal

As seen from the above graphs, after a seeing a major drop in the range of 40 to 48 percent over a month, prices have stabilized in the last few days. IOF Fe=63.5% is currently prevailing at 69-70 USD/tonne CNF china, IOF Fe=61% is prevailing at 51-52 USD/tonne CNF China.

Auction Scenario (Price is basic)

IOF Fe=62% fetched a price of Rs.700/tonne by Rail on 20th Nov from a private client of Eastern region, while it achieved Rs.750/tonne one month back.

SAIL VISL fetched a price of Rs.500/tonne for the auction held on 15th Oct for Fe=63%.

Outlook

According to market sources, importers are holding a watching attitude, especially those from China, so the demand for iron ore is weak. In terms of the future market, the source predicted that the iron ore fines price is hard to increase.

The iron ore fines market has been sluggish since June and there is no sign showing that the market will become active, however some are expecting the situation will improve as the Indian government has abolished the export duty on iron ore fines, which may stimulate the market to rebound but that is again a possibility and the impact is still in a wait a watch attitude.