

Iron Ore Fines Report

Domestic Scenario

The beginning of new FY saw a sluggish market in Iron ore Fines. The export market of iron ore fines in India remains sluggish at present. The trading of iron ore fines keeps inactive at present in India as major buyers; Chinese importers refuse to place orders. At the same time, the price runs at a low level of USD52-53/t FOB Indian main ports for iron ore fines 63.5%, the same as that of last week. A Goa-based iron ore exporter reported that no deals have been concluded these weeks. In addition, the trading is likely to keep inactive in the following week. Now the sales official quotes USD35/t FOB India for iron ore fines 58%, the same as that of last week.

It is reported that the inventory of iron ore fines increased to 68 million tons from 67 million tons late last month in China, the major export target of Indian iron ore fines. In addition, Chinese steel mills still do not purchase the material actively due to the sluggish steel market. Therefore, the source predicted that the demand is unlikely to turn strong in the following week.

The market of iron ore fines runs sluggish for the time being in Southwest China due to the unfavorable market situation of steel products. Consumers of iron ore including steel mills and iron plants are running with sharply reduced demand now, so the price also runs low.

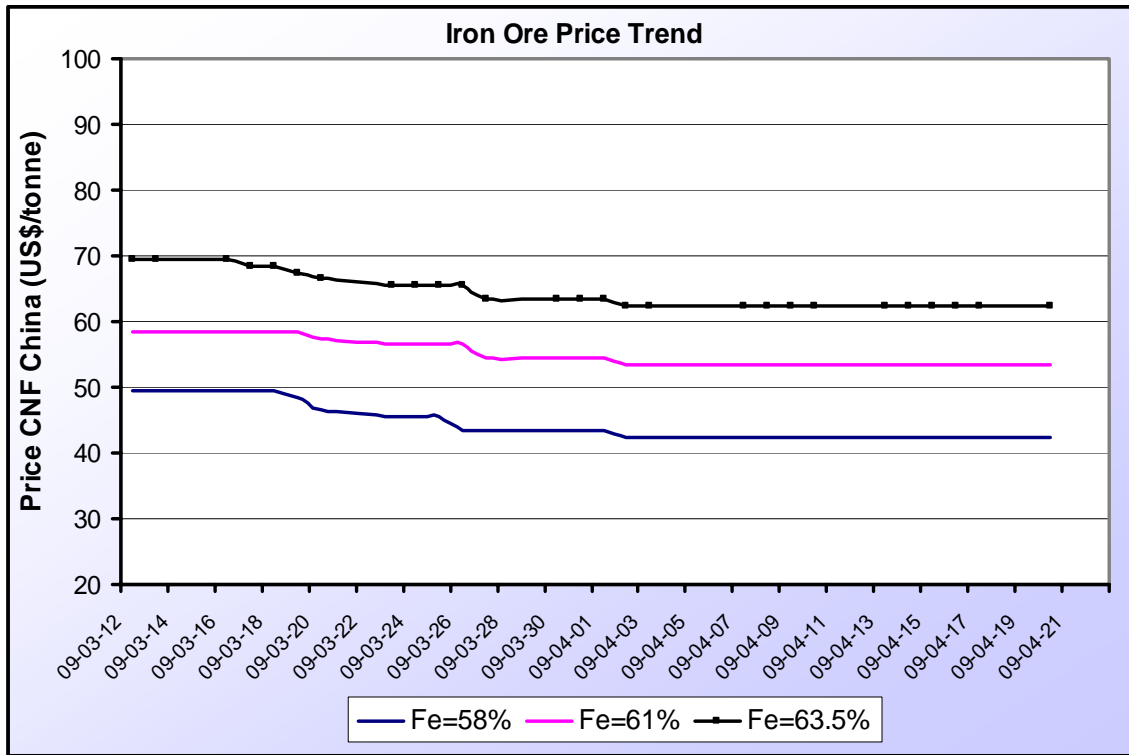
Steel China Iron Ore Fines cfr main China port \$ per tonne for Fe=63%

| Price Date | Low Price | High Price |
|-------------------|------------------|-------------------|
| 02-Jan-09 | 78 | 80 |
| 09-Jan-09 | 77 | 78 |
| 16-Jan-09 | 81 | 81 |
| 23-Jan-09 | 79 | 82 |
| 30-Jan-09 | 79 | 82 |
| 06-Feb-09 | 84 | 85 |
| 13-Feb-09 | 84 | 86 |
| 20-Feb-09 | 81 | 83 |
| 27-Feb-09 | 74 | 76 |
| 06-Mar-09 | 67 | 68 |
| 13-Mar-09 | 67 | 68 |
| 20-Mar-09 | 64 | 68 |
| 27-Mar-09 | 63.5 | 64 |
| 3-Apr-09 | 63 | 64 |
| 17-Apr-09 | 61 | 64 |

Source: Metal Bulletin

As seen from the above table, prices have seen a drop of around 9 percent over a month and around 3.2 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 Mar12,2009 Fe= 63.5% min CNF China witnessed a drop of around 11 per cent while Fe=61% grade saw a drop of around 9 percent and Fe=58% grade saw a drop of around 14 percent . **With the above factors stated, Iron ore Fines of Fe=63% grade to be auctioned can fetch a price in the range of Rs.850 to Rs.1150/tonne, basic.**

Auction Scenario

IOF Fe=62% fetched a price of Rs.600/tonne by Road on 9th Apr, 2009 from a private client of Eastern region.

SAIL VISL fetched a price of Rs.1200/tonne in the auction held on 12th Mar, 2009 for Fe=63%, while the earlier price fetched was Rs.1460/tonne on 30th Jan, 2009.

SAIL ISP fetched a price of Rs.350/tonne in the auction held on 2nd April,2009 while the earlier price fetched was Rs.400/tonne in the auction held on 20th Feb, 2009 for Fe=59% & below.

Price is basic

Outlook

Pessimism in the iron ore market still continues as market conditions continue to remain sluggish. It is anticipated that the slide would continue as steel prices have nosedived in China during last 4 to 7 days and Chinese mills are reluctant to make any purchase putting immense pressure on Indian miners and sellers. The demand indeed keeps weak, says a trader, adding that he did not receive any orders this week. However, he refuses to move the price down again in following days because the purchase cost remains stable.