

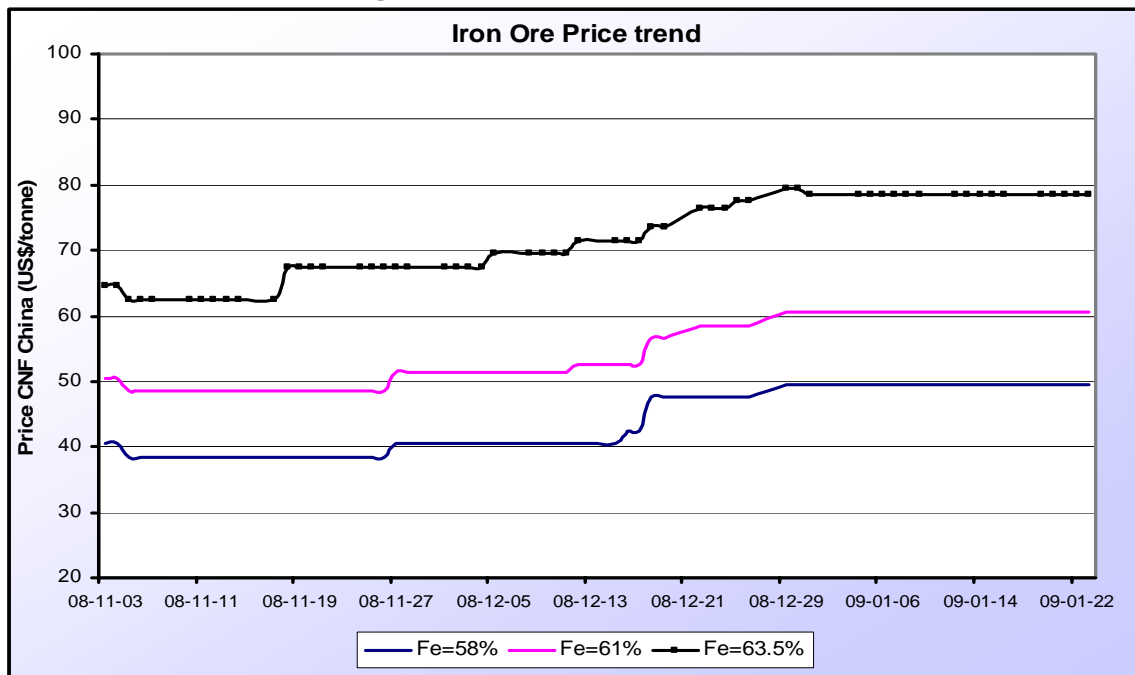
Iron Ore Fines- Report

Domestic Scenario

After improving in the later half of December, 2008; Iron Ore prices have ruled more or less stable since the beginning of 2009 across various grades. The export iron ore price also runs stable in India as the current dim steel market condition makes the buyers reluctant to accept higher prices.

In terms of the future market, it is expected that the iron ore fines price would remain stable in the coming days as well and no significant improvement in the prices is anticipated in the recent future as the importers are not likely to pay high prices for the time being.

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



Source: Asian Metal

As seen from the above graph, the prices have remained stable since the inception of 2009 across various grades. With some buyers returning to the market the steel mills' demand has increased slightly, a stable movement is seen at present and observers predict that market will keep firm in the coming days. Over a month, price of Fe=63.5% grade has seen a rise of around 2.61 percent, Fe=61% grade has seen a rise of around 3.41 percent and Fe=58% has seen a rise of around 4.21percent.

As most of the Chinese producers have stopped production for the time being due to the ongoing Chinese Spring Festival holidays, hence currently the market of iron ore runs quite slow in China. The market price of iron ore fines 60%min is only slightly lower than

RMB500/tonne (USD 70/tonne) Ex works VAT included by cash payment, unchanged compared with that late last month despite the lifted tax rate.

Moreover, with the ongoing Chinese Spring Festival, currently China's railway and road systems are under huge pressure to transport the huge population all over the country. The Auction Scenario is in disruptions to iron ore deliveries from the ports by trains or trucks.

IOF Fe=62% fetched a price of Rs.860/tonne by Rail on 17th Dec, 2008 from a private client of Eastern region, while it achieved Rs.700/tonne one month back.

SAIL VISL fetched a price of Rs.1071/tonne in the auction held on 30th Dec, 2008 for Fe=63%, while the earlier price fetched was Rs.500/tonne in the mid of October.

SAIL ISP fetched a price of Rs. 455/tonne in the auction held on 20th Jan, 2009 for Fe=59% & below.

Outlook

Price is basic

According to market sources, Indian Export Iron ore market is expected to improve as some buyers return to the market, importers begin to purchase the material in small quantities seeing that the steel market is stable. However, the steel market is still hard to have any improvements affected by the global financial crisis, so buyers are currently bit reluctant to accept higher prices.

A trader from Karnataka reported that he quotes USD 70/tonne FOB New Mangalore Port for iron ore fines Fe = 63.5%, the same as that of last month, but the sales situation is calm as only a few buyers come back to the market.