

## Iron Ore Fines Report

### Market Scenario

**Indian Export market revives to some extent:** The end of Chinese National holidays signaled a quiet market with offers for 63.5% Fe content material remaining steady at \$90-93 per tonne cfr main Chinese port in the second week.

Prices however improved to some extent in the third and fourth week of the month as demand gradually improved with Chinese steelmakers returning to work and restocking the raw materials. 63.5% Fe content prevailed at around \$93-95 per tonne cfr in the third week of the month.

Also, the weakening US dollar, the tight supply and low stock at the ports further kept the Indian export prices firm. At present, the exchange rate between US dollar and Indian Rupee is just 1:46, while the rate was around 1:52 early this year. *“The dollar keeps weakening, so I have to lift the quotation based on USD in order to ensure the profit,” said a trader, predicting that the price may run at a high level in following days.*

The month ended on an active note with export business seeing a good turnaround. The price of iron ore fines 63.5% was USD76-77/t FOB Indian east coast in the fifth week, an increase of USD3-4/t since the earlier week.

**Indian domestic iron ore prices holding:** Indian domestic iron ore prices and demand remain subdued on decreased pig iron and DRI sales.

In Karnataka state, 60% Fe iron ore lumps are selling at Rs 2,200-2,500/t (\$47-54/t) ex-mine. The same grade and size of ore in Orissa is currently selling at September levels of Rs 2,800/t ex-mine without taxes. Larger-sized lump ore (62% Fe) is selling at around Rs 2,350/t ex-mine, slightly down from Rs 2,400-2,600/t ex-mine in September.

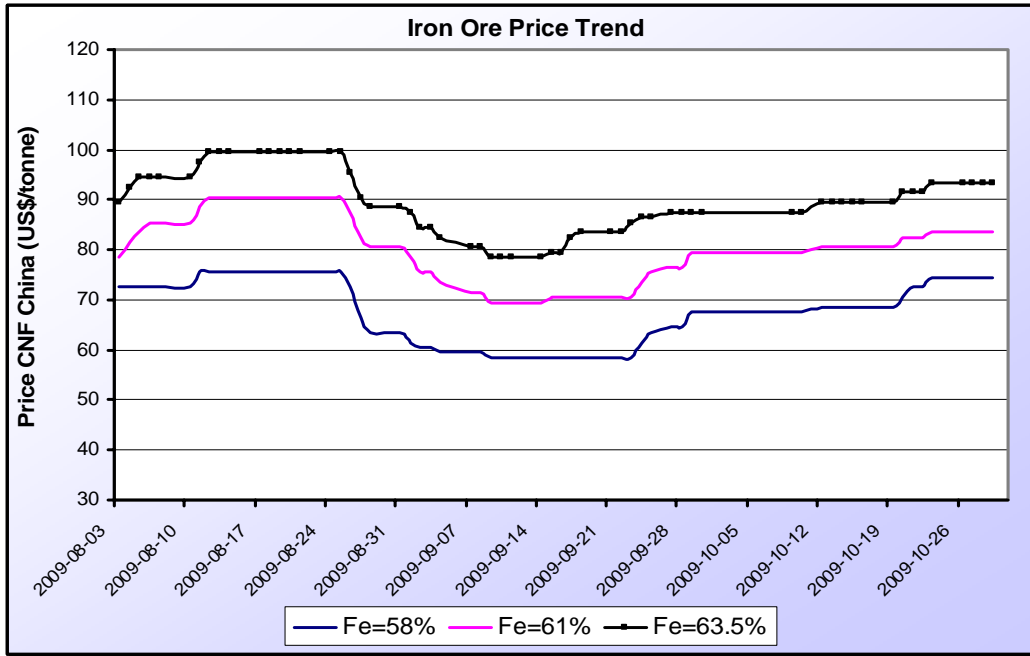
Meanwhile, miners and traders complain of new governmental regulations hampering business. In Karnataka, the state government recently issued a notice levying an additional road-maintenance tax of Rs 100/tonne (\$2/t) on iron ore transported by road.

In Orissa, new legislation is plaguing traders and miners there too following the government’s recent discovery of some mines operating illegally in forest areas. In response, it now insists that all miners obtain written permission from the state mines department before their material can be sold.

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

Price Date	Low Price	High Price
04-Sep-09	80	84
11-Sep-09	82	84
18-Sep-09	85	86
25-Sep-09	88	90
02-Oct-09	90	92
09-Oct-09	90	92
16-Oct-09	90	91
23-Oct-09	93	94
28-Oct-09	94	95

The graph below shows the price trend of Indian Iron Ore fines for various grades



Source: Asian Metal

As seen from the above table and graph, since the last auction held on Oct 9, prices have seen a rise of around USD 4-5/tonne in the Indian export market. Fe 63% has seen a rise of around 6.5% since Oct10, Fe 61% has seen a rise of around 5% while Fe 58% has seen a rise of around 10%.

According to market feedback, there is inhomogeneity in the material and the iron content is not strictly 63% as is mentioned in the catalogue; the grade is of much lower quality-in the standards of Fe60%. So the auction price is expected to vary accordingly with the Fe content in the material.

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.850 to Rs.1000/tonne, basic. Suggested SBP would be Rs.750/tonne.

### Auction Scenario

IOF Fe=62% fetched a price of Rs.1100/tonne by Rail on Oct 28, 2009 from OMDC.

SAIL ISP fetched a price of Rs.890/tonne in the auction held on Oct 26,2009 while the earlier price fetched was Rs.580/tonne in the auction held on Oct 20,2009 for Fe=59% & below.

**Price is basic**

### Outlook

Chinese buyers predict that the price may move up again in following days considering that the increase rate of the capacity of crude steel is higher than that of iron ore output and that the demand of iron ore will turn stronger.

At present, the Indian steel market runs better than that in the middle of this year and the steel mills expand the purchase volume of iron mines. Therefore, the supply to exporters becomes tighter. Considering the current situation, experts predict that the export price may move up in the coming days.