

Methodology

Domestic Iron Ore Assessments

Index

Methodology: India weekly domestic Iron Ore' fines and lump assessment 01

Odisha - Assessment Details 04

Overview
Frequency of assessments List of assessments
Price calculation method

Karnataka - Assessment Details 07

Overview
Frequency of assessments List of assessments
Price calculation method

Chhattisgarh - Assessment Details 08

Overview
Frequency of assessments List of assessments
Price calculation method

Methodology : India weekly domestic Iron Ore fines and lump assessment

Introduction

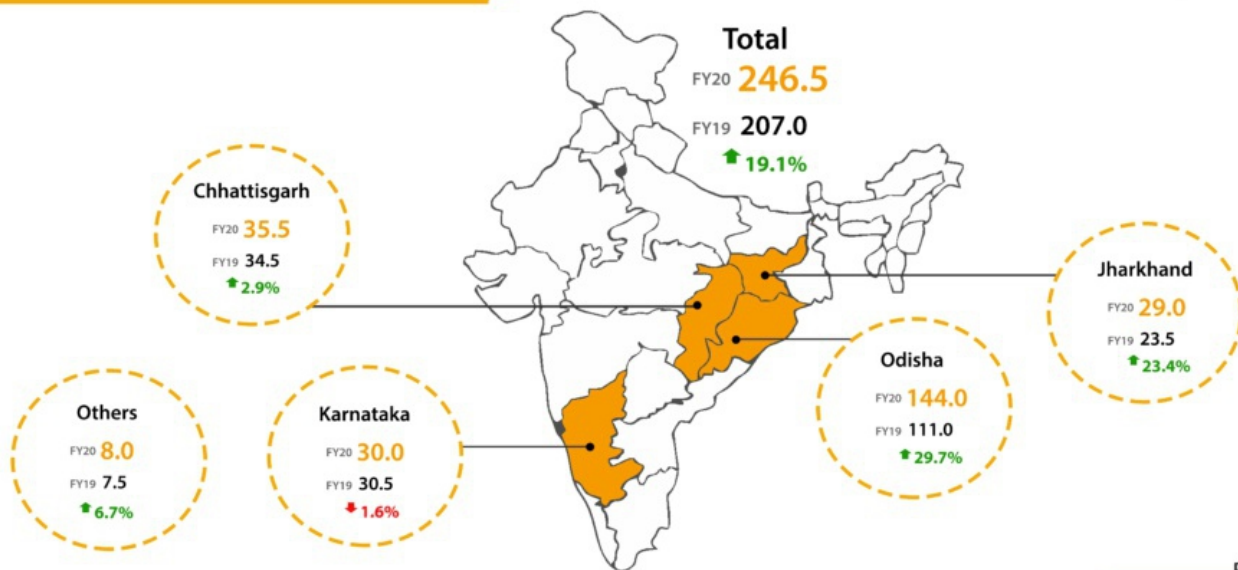
SteelMint's credible prices have been serving as a benchmark for manufacturers, buyers and traders in the steel industry to settle contracts or to understand the market cost of physical supply of commodities like iron ore. We have created comprehensive and robust methodologies to ensure accurate assessment of iron ore prices in the country which are governed by SteelMint's

standards of compliance with the public and our stakeholders. These methodologies conform to the market dynamics of specific regions and hence in case of iron ore, different geographies entail different approaches and customised methodology of price assessment. These would be covered in detail under each region below.

India is world's fourth largest iron ore producer after Australia, Brazil and China. In FY'20, India's iron ore production stood at around 245 mn t.

India Iron Ore Production in FY19 & FY20

SteelMint®



Source: SteelMint

Provisional data
Quantity in MnT

Data collection – Our analysts contact the widest range of market participants, including all major iron ore producers and trading firms engaged in domestic trading. There is a continuous review of the credibility and timeliness of information provided by various market participants with unreliable information providers weeded out of

the data collection process. Analysts reach out to contacts through a variety of means such as telephone calls, email and messenger platforms such as WhatsApp. Market participants are also encouraged to provide relevant trading information to Steelmint electronically or via a phone call.

Hierarchy of data – The highest importance in the price calculation process is assigned to confirmed deals where either a buyer or seller has

provided details of the transaction. Deals of only reputed and trustworthy producers and trading firms are included in the price collection and calculation process.

Confirmed bids and offers are also considered valuable for the pricing process. In periods when market activity is sluggish, analysts will poll

Transaction data threshold – Steelmint does not impose a minimum transaction threshold for arriving at an assessment as an arbitrary

Frequency of assessments – The frequency varies with each assessment and is indicated against each. This has been derived after due deliberations with various stake holders and

market participants for indicative or tradable price levels for that day.

imposition of minimum market data may not truly reflect fundamentals due to the impact of seasonality on supply and demand conditions.

market participants. It is not sacrosanct and is subject to change based on market inputs as well as feedback from market participants.

Odisha - Assessment Details

Overview

- India's eastern state of Odisha is the largest iron ore producer in the country with around 150 mn t output in the 2019-20 fiscal year. Several large steel producers such as SAIL, JSW Steel, Tata Steel, AM/NS India and JSPL own mines in the state while merchant miners such as Rungta, Serajuddin, Essel and KJS Ahluwalia supply ores to domestic and export markets. Given the primacy of Odisha in India's iron ore sector, price trend in the state sets the tone for prices in rest of India's ore markets. The Odisha iron ore price is the

best suited to be a proxy for a pan-Indian iron ore price.

- Share of fines in Odisha's production is ~60% and rest 40% is lumps. Steelmint assesses Odisha's fines and lump cargoes traded in the domestic open market. It does not consider transactions where steel producers sell ore from the mines to their steel-making subsidiaries, though open market sale of ores by such steel makers are included in price calculation. Auction of high-grade fines and lump by state-owned miners such as OMC and SAIL are also included in the pool of prices considered for assessment.

Assessments

Price calculation method

Sub Commodity	Delivery Terms	Size & Grade	Min Qty	Payment Terms	Delivery Period	Publication Date & Time	Remarks
Odisha Iron Ore Index	Ex-Mines	5 -18 mm, Fe 63%, DR Grade	5,000 t	Advance Payment	4-5 Weeks	Saturday at 16:00 IST	All the prices include royalty, DMF and NMET charges.
Odisha Iron Ore Index	Ex-Mines	10-30mm, Fe 63%, BF Grade	5,000 t	Advance Payment	4-5 Weeks	Saturday at 16:00 IST	Excluding GST, cess etc.
Odisha Iron Ore Index	Ex-Mines	0-10 mm, Fe 63%	10,000 t	Advance Payment	4-5 Weeks	Saturday at 16:00 IST	Prices however do not include freight and loading charges.
Odisha Iron Ore Index	Ex-Mines	0-10mm, Fe 62%	10,000 t	Advance Payment	Within 2 month	Saturday at 16:00 IST	Some auctions, such as for SAIL iron ore, do not include royalty, DMF and NMET payouts.
Odisha Iron Ore Index	Ex-Mines	0-5mm, Fe 57%	10,000 t	Advance Payment	Within 2 months	Thursday at 18:00 IST	

Stage	Details
Data Collection	<ul style="list-style-type: none"> Based on the publishing date and time, data is collected prior to that from all market participants. The data is primarily collected through telephone calls, emails and messenger platforms such as WhatsApp etc. As per our Data Partner (DP) policy a broad mix of DPs from buyers, brokers, traders and manufacturers etc are approached so that the data collated gives us the correct picture of the market place. Another important sources of price data are the results of auctions and tenders being hosted by PSUs or private entities. Every effort is made to ensure that deals of only reputed and trustworthy producers and trading firms are included in the price development mechanism.
Data Arrangement	<ul style="list-style-type: none"> The collected data is subsequently arranged as per established hierarchies. Highest importance in the price calculation process is assigned to confirmed deals where either a buyer or seller has provided details of the transaction. Confirmed offers and bids as well are also considered valuable for the pricing process. In periods when market activity is sluggish, analysts will poll market participants for indicative or tradable price levels for that day. Deals / offers or prices obtained closer to the publishing date and time would be given preference over older deal(s) / offer(s), which may be discarded. Similarly deals with significantly large volumes or deals of major market participant vis a vis a smaller player would be given preference and the hierarchy would be established.

Stage	Details
Normalisation	<ul style="list-style-type: none"> The normalisation would be carried out for four different categories of data i.e. confirmed transactions / deals, indicative prices, bids and offers. SteelMint then normalises the four groups of data based on the sample type, chemical specifications, delivery and payment terms, freight etc. SteelMint shall take into consideration the bid prices of SAIL and Orissa Mining Corp (OMC) auctions after normalizing them in line with the specifications of index, provided the auctions have taken place in that week. However, in case of OMC, bid prices of Daitari and Koira region are taken into consideration. Other main chemicals contained within submissions (such as Silica, Alumina, Sulphur, Phosphorus and moisture) that are beyond the permissible SteelMint Index standard ranges will be excluded from the normalization procedure. If the normalised price of one submission in a group is significantly abnormal compared with the remaining post-normalisation group submissions, SteelMint will reconfirm the details of the sample. If the submission's data is incomplete, opaque, there is disagreement between the two parties to the transaction or the normalisation result significantly bias from market level, the submission sample will be removed.
Data Outlier Elimination	<ul style="list-style-type: none"> SteelMint adopts 'standard deviation' approach to eliminate the outliers of data sets seen in price collection. The normalised values are collated and the mean value is determined. The values lying outside the Mean + Variance (upper limit) and Mean - Variance (lower limit) are discarded for the purpose of price discovery.
Price finalisation	<ul style="list-style-type: none"> SteelMint uses volume weighted approach to arrive at final price index where the volume based deals are available in the data collated and that too in adequate number. Alternatively when volumes in a deal are not available a simple average calculation is done. In majority of the assessments the data is divided into two groups, group 1 being confirmed transaction and group 2 being offers, bids and indicative prices. The final price becomes average of each of the group averages. In case additional factors are considered for price discovery there could be group 3 or group 4 created and different weightage assigned to all the groups to derive the final price. During times of market stress, disruption or low market liquidity, SteelMint retains the right to use Expert Judgement where insufficient submissions have been received, including referring to other market information such as supply and demand fundamentals, and other factors that affect the iron ore price.
Example	<ul style="list-style-type: none"> For instance, we have data points - 101, 102, 110, 115 and 130. On computing standard deviation data point of 130 will be considered as outlier and hence will be removed from final index calculation. SteelMint shall compute index following similar methodology and concerned analyst shall have the final judgement of including/excluding a data set for computing final index.

Karnataka - Assessment Details

Overview

- India's southern state of Karnataka, home to several steel producers and iron ore mines, conducts periodic, state-run e-auctions for sale of iron ore to buyers in the state. These e-auctions cover a wide range of Fe grades for

finer and lump. Steelmint assesses the average monthly price of 60pc basis fines and 63pc basis lump, based on actual transactions concluded in auctions in a particular month. The price information on concluded deals is provided by the Karnataka state government on its official website.

Sub Commodity	Delivery Terms	Size & Grade	Qty	Payment Terms	Delivery Period	Publication Date & Time	Remarks
Fines/Lumps	E-auction, Karnataka	10-20mm, Fe 63%	1,000 to 4000 MT	Advance Payment	3 Weeks	10th of every month at 17:30 IST	Basic prices, royalty and DMF extra
Fines/Lumps	E-auction, Karnataka	0 -5 mm, Fe 60%	1,000 to 4000 MT	Advance Payment	3 Weeks	10th of every month at 17:30 IST	Basic prices, royalty and DMF extra

Stage	Details
Data Collection	<ul style="list-style-type: none"> The data considered for these assessments is the auction data being released by the Government of Karnataka, Department of Minerals and Geology (DMG) All the auctions held during the month are updated on the DMG website and consolidated and pooled by SteelMint
Data Outlier Elimination	<ul style="list-style-type: none"> The deals with Fe grades lower than 58 % and higher than 62 % are not considered for price calculation for the assessment of Fe 60 % fines The deals with Fe grades lower than 60 % and higher than 65 % are not considered for price calculation for the assessment of Fe 63 % lumps
Price finalisation	<ul style="list-style-type: none"> The weighted price (WP) of each transaction is calculated on the basis of the formula - price x Allotted Quantity (AQ). Allotted quantity (AQ) refers to the quantity actually sold by the seller at the given price and not the quantity that was bid for. The WPs of all transactions included in the final price calculation are added up. The Weighted Average Price (WAP) for the auction is calculated by the formula - Total WP / Total AQ. The average Fe grade is also calculated on a weighted average basis with the formula - Fe % of transacted lot x AQ to arrive at the Weighted Grade (WG). The WG of all the deals are added up and divided by the total AQ to produce the Weighted Average Grade (WAG) of the auction. The 60 % Fe basis fines price is calculated with the formula - WAP / WAG x 60 A similar calculation is followed for 63 % Fe lump transactions.

Chhattisgarh - Assessment Details

Overview

- India's largest Iron ore producer NMDC has one of its major mines located in Chhattisgarh. They declare the prices for the iron ore every month or sometimes twice

depending on market situation. NMDC's Chhattisgarh iron ore production is approximately 25 mn t per annum. Key customers include JSW, Vizag steel, KIOCL from outside the state and a large number of state based units.

Sub Commodity	Delivery Terms	Size & Grade	Min Qty	Payment Terms	Delivery Period	Publication Date & Time	Remarks
Fines/Lumps	NMDC, F.O.R. Siding	10-40 mm, Fe 67%, DR CLO	3800 MT	Advance Payment	2-4 weeks	As per company revision	-
Fines/Lumps	NMDC, F.O.R. Siding	0 -10 mm, Fe 64%	3800 MT	Advance Payment	2-4 weeks	As per company revision	-

Assessments

Price calculation method

- In case of these assessments from Chhattisgarh an elaborate price discovery process has not been deemed to be necessary. The prices as quoted in the NMDC price circular in turn get reflected as our assessments as well.

- The parameters regarding grade, quantity, delivery and payment terms as per price circular of NMDC also conform to the SteelMint assessments as shown above, hence there is no need for normalisation process.

Miscellaneous Aspects - All Assessments

Rationale publication - A rationale for the assessment which will include a summary of the type and number of data points considered for price calculation and reasons for exclusion of deals, if any, are published on the day of publication of prices to provide transparency to the assessment process.

Record keeping - Records of price sheets used in assessment, calculation, rationale and notes taken

by reporters during the data collection and discussion process with contacts are stored securely in physical or electronic forms for a reasonable period of time.

Correction of assessments - Steelmint will publish corrections of assessments if an error has resulted due to faulty entry of data or an unintentional omission of data point in the price calculation process. However, prices will not be corrected or updated in any manner if new deals or bids/offers become available after the weekly

timestamp.

Methodology review - The basic purpose of any pricing process is to accurately reflect market fundamentals and as such the methodology is open to review as market conditions and modes of trading and pricing contracts change. Noticeable changes in chemical specifications and price components of openly-traded fines and lump cargoes will also trigger a review in Steelmint's methodology. Once editors and the

management decide to review the methodology, sufficient time will be provided to external stakeholders to comment on the proposed methodology changes via email or other appropriate communication tools. Any final change to the methodology will only be made after completing an external consultation process. Similarly, any decision to add or cease an assessment will also be taken after due consultation with the external stakeholders.

Becoming a Data Submitter with SteelMint

SteelMint continually seeks to increase the number of market sources willing to take part in the price discovery process. The main condition is that contributors should be active participants in the market and have an in depth knowledge about market dynamics regarding that specific commodity.

SteelMint Data Partner Policy provides guidelines defining the high level of data quality and integrity that we expect from contributing organisation providing pricing data. Market participants that wish to provide pricing data and be part of the price discovery process should first read the Data Partner Policy. All data sources are subject to review before their data submitted is fully taken into account in the pricing process. If you want to become a data submitter / contributor to SteelMint pricing, or have questions or comments about the methodology and price specifications, please contact SteelMint's Audit and Compliance Officer at info@steelmint.com

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