

Methodology

# **India domestic pellet**

(bi-weekly assessment)

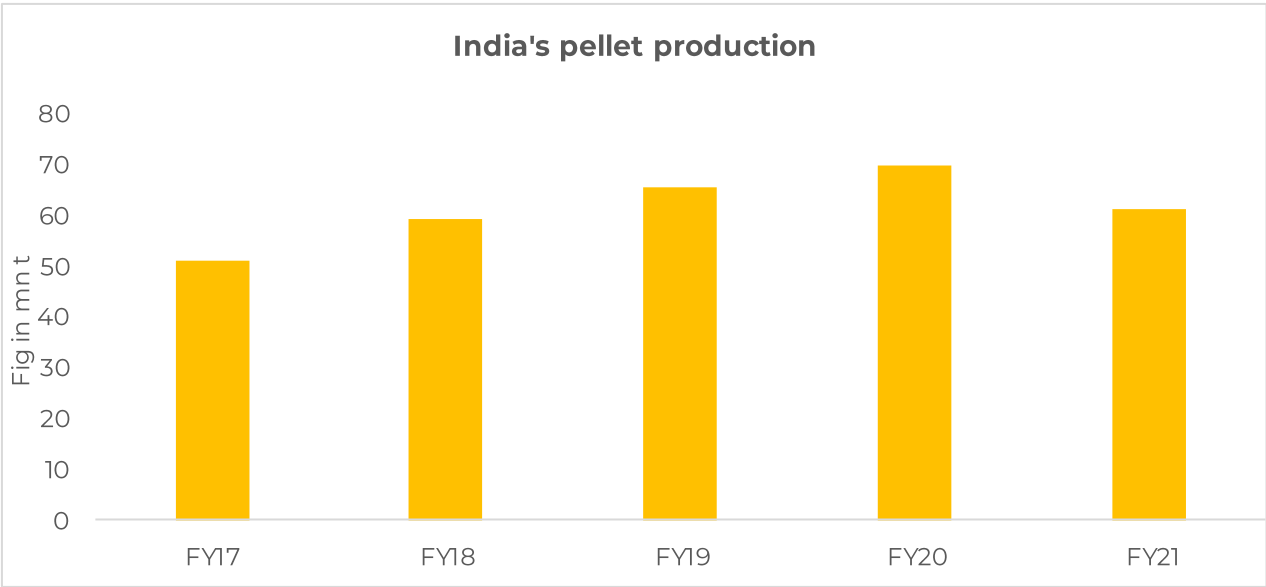
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## Methodology : India bi-weekly domestic pellet assessment

### Introduction

India’s installed pellet capacity was recorded at around 94 mn t pa. Leading players in the industry include JSW Steel, AM/NS India, JSPL, Tata Steel etc. India achieved a pellet production of around 60 mn t in 2020 out of which nearly 13 mn t was exported and remaining 47 mn t was consumed domestically.



Chhattisgarh is India’s third largest pellet producing state after Odisha and Karnataka and has a share of nearly 10% in India’s total pellet production. Top pellet producers in Chhattisgarh include Godawari Power & Ispat, Jayaswal Neco, Bajrang Power and Sarda Energy & Minerals.

## **Data collection**

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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**

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

## **Transaction data threshold**

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Steelmint does not impose a minimum transaction threshold for arriving at an assessment as an arbitrary imposition of minimum market data may not truly reflect fundamentals due to the impact of seasonality on supply and demand conditions.

## 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. It is not sacrosanct and is subject to change based on

Region	Delivery-Terms	Size & Grade	Minimum Quantity	Payment Terms	Delivery Period	Publication Day & Time
<b>Barbil</b>	FoR	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Jharsuguda</b>	Exw	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Raipur</b>	Exw	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Jamshedpur</b>	Exw	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Bellary</b>	Exw	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Durgapur</b>	Exw	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST
<b>Kandla</b>	DAP	6-20mm, Fe 63%	2,500-5,000t	Advance	2-4 weeks	Tuesday, Friday at 18:30 IST

## Price calculation method

Stage	Details
<b>Data Collection</b>	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 detailed interaction with market participants like traders, pellet makers and Raipur based sponge makers is done to discover the trades, bids indicative prices and offers.
	Offers from various regions are invariably obtained, however could be considered or otherwise in overall price determination subject to the discarding criteria.
	Every effort is made to ensure that deals of only reputed and trustworthy producers and trading firms are included in the price development mechanism.
	The collected data is subsequently arranged as per established hierarchies.
<b>Data Arrangement</b>	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.
<b>Normalisation</b>	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.  All the values obtained shall be normalised on the basis of quantity, grade, delivery and payment terms all of which have to conform to the respective parameters defined in the SteelMint assessment. It is to be noted that all the competitive landed cost of pellets to Raipur (eg originating from Odisha, Durgapur, Bellary etc) shall be taken into consideration while computation of PELLEX.
	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.

Stage	Details
<b>Data Outlier Elimination</b>	SteelMint adopts 'standard deviation' approach to eliminate the outliers of data sets seen in price collection.
	The values lying outside the Mean + Variance (upper limit) and Mean - Variance (lower limit) are discarded for the purpose of price discovery. 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.
<b>Price Finalisation</b>	In line with market feedback received, SteelMint has slightly changed the parameters for index calculation in its previous methodology developed in Jan 2020. Unlike previous methodology, no weightage has been given to export realization and substitute factor (NMDC and Odisha iron ore lumps)
	SteelMint uses 'volume weighted approach' to arrive at final index by giving highest weightage to confirmed transactions in addition to offers, bids and indicative prices.
	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.
<b>Example</b>	Expert judgement would be exercised by our analyst in each specific scenario.

## Miscellaneous Aspects - All Assessments

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### Rationale publication

A rationale for the assessment carried out would 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

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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](mailto:info@steelmint.com)

# Data Is Our DNA

## **Disclaimer**

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