

SteelMint[®]

IRONORE **X**

Monthly Iron Ore Insight

Indian iron ore production may fall by ~20% and demand by ~12% in FY21, SteelMint estimates

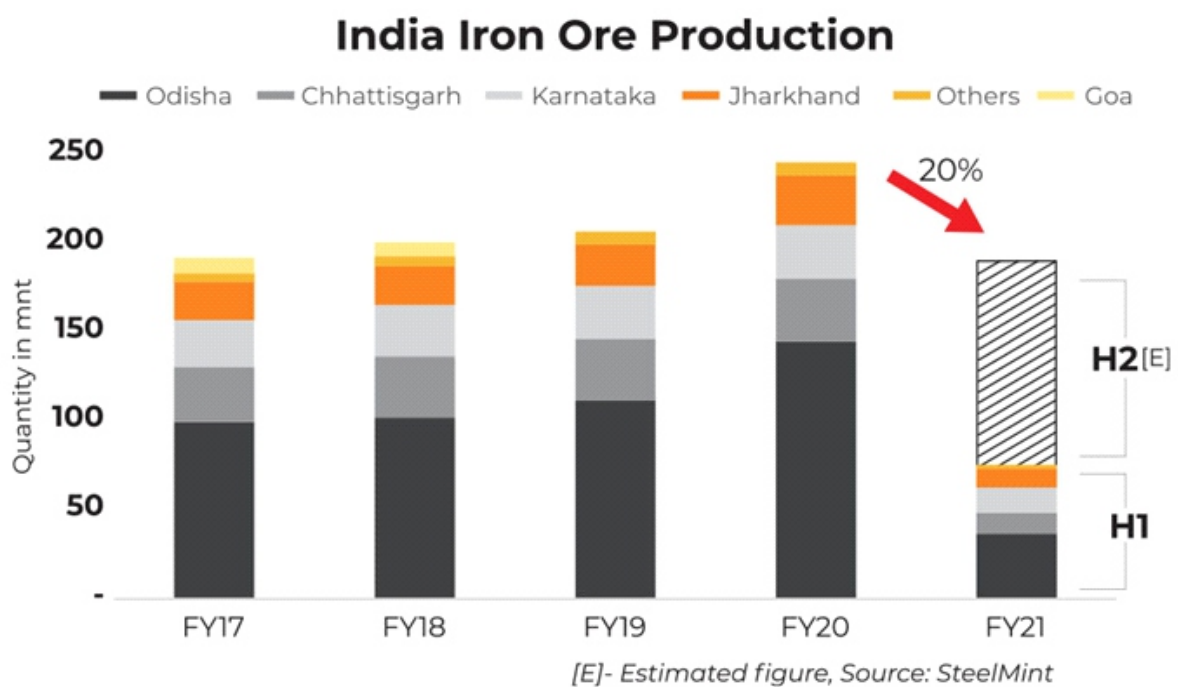
We expect Indian iron production to fall by ~20% in FY21 owing to lower steel demand this year coupled with the fact that several new lessees in Odisha are unlikely to start operations. We estimate Indian iron ore demand to be around 170-175 mnt in FY21 against 195-200 mnt in FY20.

In view of the fact that as on Sept'20 only 7 of the 16 mines auctioned in Odisha have been able to commence production – 2 bidders are unlikely to sign leases and 3 auctioned mines are subject to legal disputes – there is no immediate prospect for a sudden ramp up in ore production in Odisha.

So, the non-operationalization of mining activities post-auctions for a period of six-odd months this year will contribute to curtailed annual national production, we estimate.

In addition, the possibility of significant new production coming online in the other major iron ore producing states of the country looks distant. PSU miner NMDC's Donimalai operations in Karnataka – with an EC limit of 7 mn t/year – has got the go-ahead to restart operations after 2018, while the royalty and revenue-sharing issues with the state government are in the process of being worked out by the Union Ministry of Mines.

However, even if NMDC restarts operations in Donimalai at the earliest – in Dec'20 – no significantly high volume can be expected in the last quarter of FY21: according to SteelMint estimates, 3 mn t at the most.



And, despite the incremental 5 mn t of production from the non-auctioned mines in Odisha in the first six months of FY21, we do not expect these mines to add major additional supplies to the market this fiscal.

Iron ore demand to drop by 12%

On the other hand, the COVID-19 pandemic has impacted steel consumption and demand in the country, as various industry bodies and ratings agencies have reported. Although the capacity utilization of steel mills has spiked sharply with the country slowly regaining economic momentum, the anticipated downfall in demand is impossible to cover up.

SteelMint expects demand for iron ore - a function of overall steel demand - to shrink by 12% in FY21 to 170-175 mn t compared to consumption of around 195 mn t in FY20.

Indian iron ore demand may fall by ~12% in FY21



Source: SteelMint, E-Estimated figure

Key Prices

Iron Ore Prices	Currency	Prices as on 09th Nov	Oct Avg	Sep Avg	% Change
Odisha Index, 5-18 mm, Fe 63%	INR	7100	6150	6000	↑ 3%
Odisha Index, 10-30 mm, Fe 63%	INR	6500	5600	5550	↑ 1%
Odisha Index Fines, Fe 63%	INR	4300	3700	3350	↑ 10%
Karnataka, Lumps Fe 63%	INR	3650	3650	3450	↑ 6%
Karnataka, Fines Fe 60%	INR	2250	2250	2250	↑ 0%
NMDC C.G, DRCLO, 10-40mm, Fe 67%	INR	4,180	4,010	3,770	↑ 6%
NMDC C.G, 6-40mm, Fe 65.5%	INR	3600	3450	3200	↑ 8%
NMDC C.G, Fines Fe 64%	INR	3310	3160	2960	↑ 7%
India Low-grade fines Fe 58/57 (FOB, East coast)	\$	76	77	76	↑ 1%
Pellet Index (DAP, Raipur)	INR	9750	8700	8800	↓ -1%
India Pellet FOB (East coast)	\$	126	124.5	119	↑ 5%
Spot iron ore Index fines Fe 62% (CNF China)	\$	117	120	125	↓ -4%

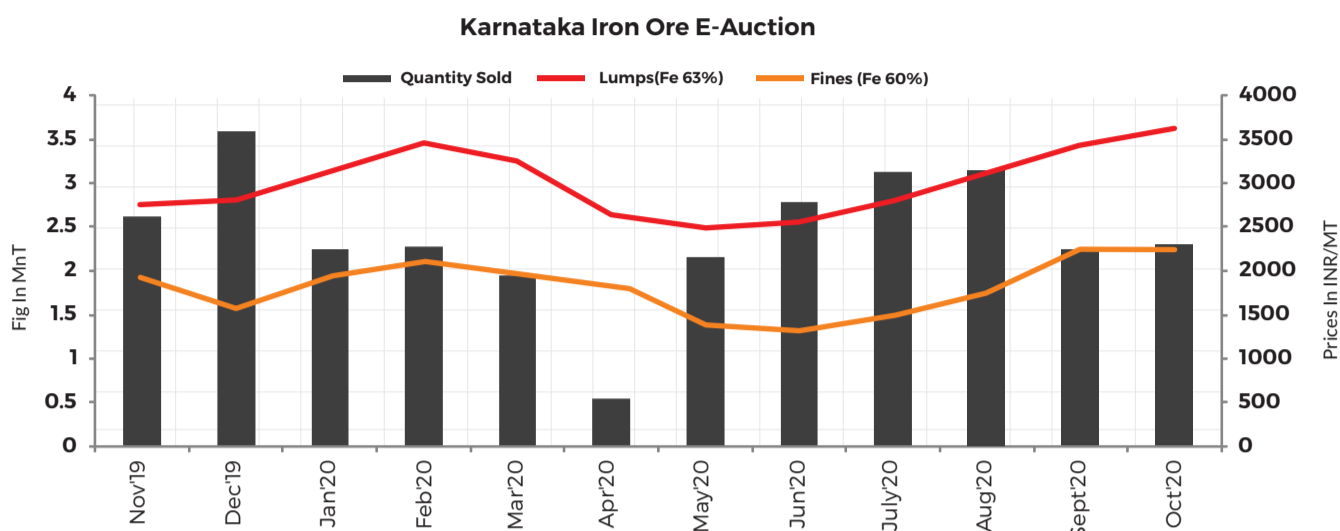
Steel & Metallics Prices	Currency	Prices as on 09th Nov	Oct Avg	Sep Avg	% Change
Pig iron (Steel grade, ex-Durgapur)	INR	30,500	28,400	28,250	↑ 1%
HMS Scrap (Ex-Mumbai)	INR	25,200	24,200	23,850	↑ 1%
Sponge iron (C-DRI) exw Raipur	INR	23,600	21,100	20,400	↑ 3%
Billet index, exw Raipur	INR	32,400	30,550	29,600	↑ 3%
HRC (exy Mumbai)	INR	46,000	43,000	41,200	↑ 4%

Indian iron ore prices continue to increase on tight availability

Odisha based key merchant miners like Essel Mining, Rungta Mines and Sarda Mines have announced consecutive price hikes since end Oct'20.

India's state-owned iron ore miner - National Mineral Development Corporation (NMDC) has increased prices by 4-5% for Nov'20. The prices for Baila lump and fines have been increased by INR 150/t and that of DR CLO by INR 170/t. With the recent hike announced, NMDC prices have hit 2-year high levels.

Karnataka iron ore e-auction sales volume up in Oct'20, bids rise sharply for high grade lots



Karnataka's monthly iron ore e-auction sales volumes have picked up in the month of Oct'20. The total allotted quantity in Oct'20 was recorded at 2.3 mn t, up marginally when compared to 2.22 mn t in Sep'20.

The iron ore e-auctions were suspended in Karnataka owing to some technical issues. However later auctions resumed from 14th Oct'20, resulting in hike in bids in the auctions conducted largely by private miners. Bids surged by around INR 2,000/t over the set base price for material put to auction by private miners.

SAIL books over 1.5 mnt iron ore fines in merchant market till Oct

India's state-owned steelmaker, Steel Authority of India Limited (SAIL) has sold over 1.5 mnt t of iron ore fines in the merchant market through auctions so far in CY'20 (till Oct) as per data maintained with SteelMint. Auctions have been conducted from its Odisha and Chhattisgarh mines. However, due to some awaited clearances from the Jharkhand state govt, auctions are yet to be conducted from Jharkhand.

SAIL iron ore fines e-auctions						
Auction Dates	Mines	Grade	State	Offered Qty	Booked Qty	Bid Price
07 Aug'20	Bolani Iron Ore Fines	Fe 62.5%	Odisha	100,000 t	100,000 t	INR 1,790-1,800/t
20 Aug'20	Barsua - Iron Ore Fines	Fe 61.3%	Odisha	40,000t	No Bid	-
28 Aug'20	Bolani Iron Ore Fines	Fe 62.5%	Odisha	200,000 t	200,000 t	INR 2,200-2,210/t
31 Aug'20	Barsua - Iron Ore fines	Fe 61.3%	Odisha	64,000 t	56,000 t	INR 1,850-1,860/t
03 Sep'20	BSP Dalli Mines	Fe 60%	Dalli-CG	28,000 t	28,000 t	INR 3,900/t (incl. royalty)
09 Sep'20	BSP Dalli Mines	Fe 60%	Dalli-CG	28,000 t	-	Canceled
14 Sep'20	Bolani Iron Ore Fines	Fe 62.5%	Odisha	2,00,000	2,00,000	INR 2,940-2,950/t
16 Sep'20	BSP Dalli Mines	Fe 61%	Dalli-CG	56,000 t	56,000 t	INR 3,580-3,740/t (incl. royalty)
17 Sep'20	Barsua - Iron Ore fines	Fe 61.3%	Odisha	104,000 t	104,000 t	INR 2,690-2,700/t
24 Sep'20	BSP Dalli Mines	Fe 61%	Dalli-CG	28,000 t	28,000 t	INR 3,720/t (incl. royalty)
30 Sep'20	Barsua - Iron Ore fines	Fe 61.3%	Odisha	104,000 t	104,000 t	INR 2,500/t
30 Sep'20	BSP Dalli Mines	Fe 61%	Dalli-CG	28,000 t	28,000 t	INR 3,580/t (incl. royalty)
6 Oct'20	Bolani Iron Ore Fines	Fe 62.5%	Odisha	296,000 t	296,000 t	INR 2,520-2,550/t
10 Oct'20	BSP Dalli Mines	Fe 60.5%	Dalli-CG	28,000 t	28,000 t	INR 3,520/t (incl. royalty)
16 Oct'20	BSP Dalli Mines	Fe 60.89%	Dalli-CG	28,000 t	28,000 t	INR 3,120/t (incl. royalty)
27 Oct'20	BSP Dalli Mines	Fe 60.89%	Dalli-CG	56,000 t	28,000 t	INR 3,370/t (incl. royalty)
29 Oct'20	Barsua - Iron Ore fines	Fe 60.8%	Odisha	72000	72000	INR 2,270-2,280/t
30 Oct'20	Barsua - Iron Ore fines	Fe 59%	Odisha	60,000	60,000	INR 1,470-1,480/t
30 Oct'20	Barsua - Iron Ore fines	Fe 54.5%	Odisha	40,000	40,000	INR 650/t
31st Oct'20	Bolani Iron Ore Fines	Fe 62.5%	Odisha	1,04,000	1,04,000	INR 3,180-3,200/t
31st Oct'20	BSP Dalli Mines	Fe 60.2%	Dalli-CG	28,000 t	28,000 t	INR 3,560/t (incl. royalty)
31st Oct'20	BSP Dalli Mines	Fe 60.65%	Dalli-CG	28,000 t	28,000 t	INR 3,100/t (incl. royalty)
31st Oct'20	BSP Dalli Mines	Fe 58.49%	Dalli-CG	28,000 t	28,000 t	INR 3,100/t (incl. royalty)
06th Nov'20	BSP Dalli Mines		Dalli-CG	28,000 t	28,000 t	INR 3,310/t (incl. royalty)

All are loaded into the rakes, Source- SteelMint Research

Bids surge in OMC iron ore e-auction

Odisha's state-owned miner- Odisha Mining Corporation (OMC) had scheduled an auction for 545,000 t iron ore fines on 03 Nov'20. The auction received overwhelming response with the entire quantity being booked with hike in bids upto INR 1,900/t (\$26).

Mines	Size (mm)	Fe (%)	Quantity (t)	Base Price as on 3rd Nov'20 (INR/t)	Bid Price as on 3rd Nov'20 (INR/t)	Change (Bid price- Base price)	% Change
Gandhamardan	-10	60-62	3,15,000	1,650	2,900	1,250	↑ 76%
Daitari	-10	64-62	70,000	2,500	4,000	1,500	↑ 60%
	-10	60-62%	80,000	2,100	3,850	1,750	↑ 83%
Kurmitar (Koira)	-10	62-60	80,000	1,700	3,600	1,900	↑ 112%
Total			5,45,000				

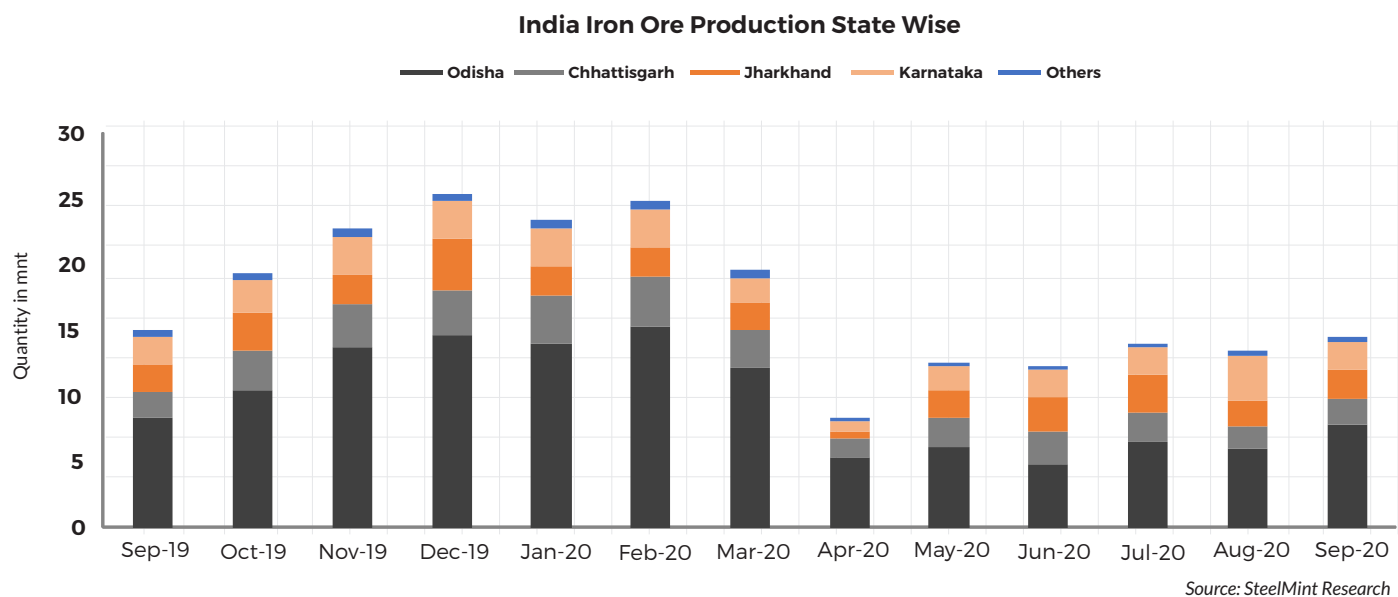
Base prices in INR/t on ex-mines basis; including royalty Source:SteelMint Research

Market Indicators

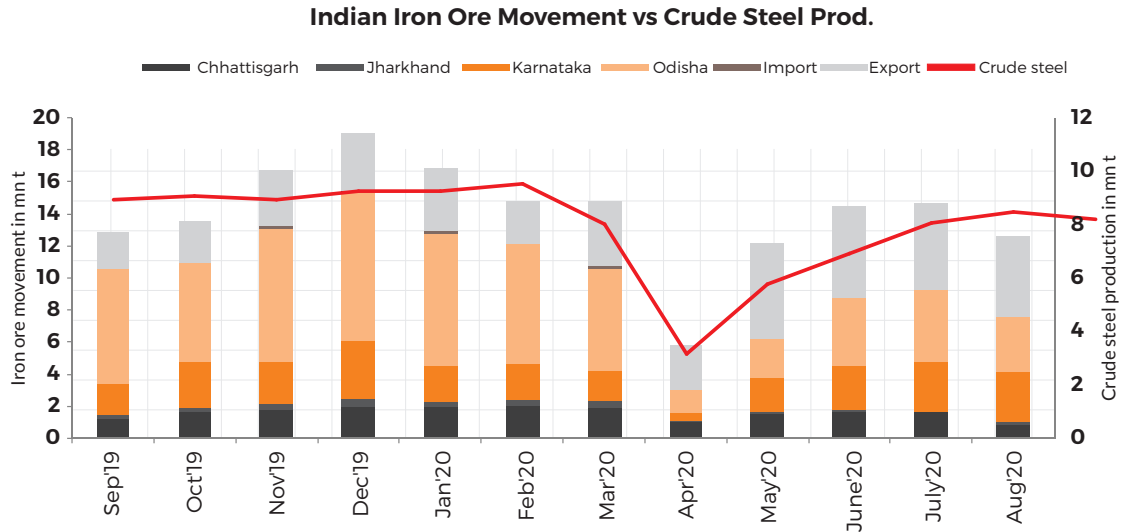
Particulars	Oct'20	Sep'20	% Change	Jul'20
Crude steel production	9.0	8.22	↑ 10%	8.08
India Iron ore production	-	14.48	-	14.05
India Iron ore dispatches (Excl. exports)	-	-	-	9.29
India Pellet exports	0.66	0.78	↓ -15%	1.66
India iron ore exports-	3.48	4	↓ -13%	3.8
China pellet imports	-	5.37	-	7.17
Pellet production	-	4.96	-	5.85

India's monthly crude steel output was recorded 9 mn t in Oct, up by 5.7 % against 8.5 mn t in Sep'20. As per the data released by Joint Plant Committee, the domestic consumption in Oct 20 was clocked at 8.65 mt, indicating an increase of 7.67% m-o-m.

Indian steel mills have announced a steep hike in list prices of HRC and CRC prices for Nov deliveries. Prices have increased by INR 1,000-1,250/t. Improved domestic sales, robust auto demand, and higher input cost compelled steel mills to increase prices for Nov deliveries. Mills have announced two price hikes in longs so far in Nov'20.



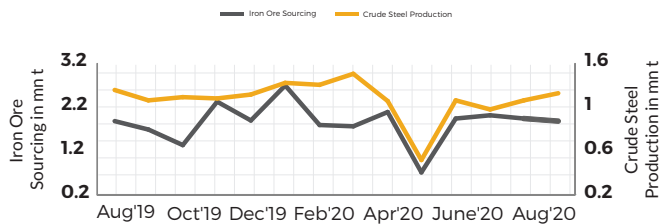
Iron ore movement increases as Crude steel production



Source: SteelMint Research

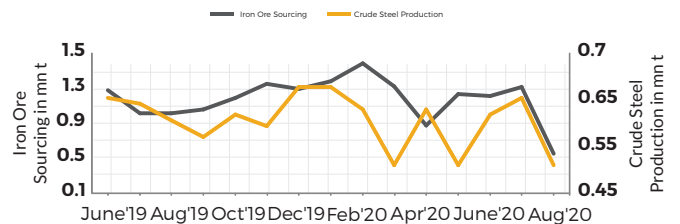
Iron ore sourcing pattern of India major mills

JSW Iron ore Sourcing Vs Crude Steel Production



Source: SteelMint Research, Customs, Odisha govt

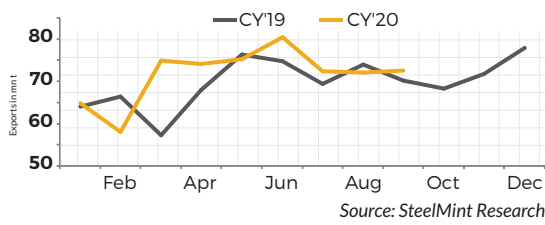
AM/NS : Iron Ore Sourcing v/s Crude Steel Production



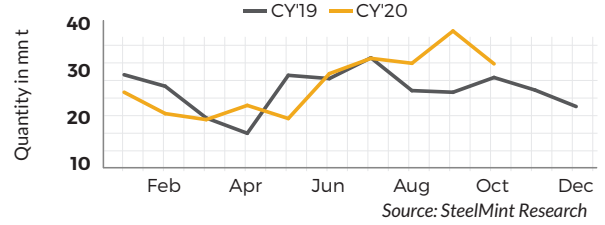
Source: SteelMint Research, Customs, Odisha govt

World's major countries export data

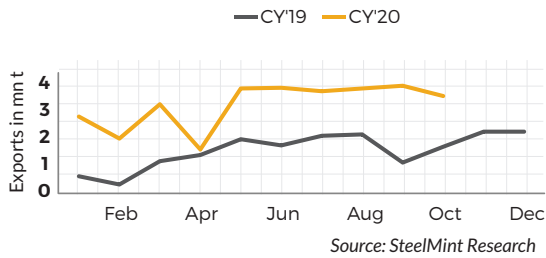
Australia Iron Ore Export Shipments



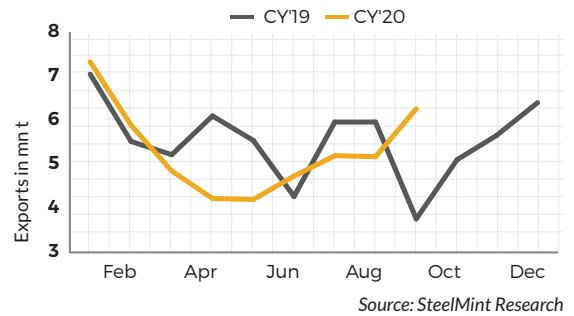
Brazil Iron Ore Export



Indian Iron Ore Exports

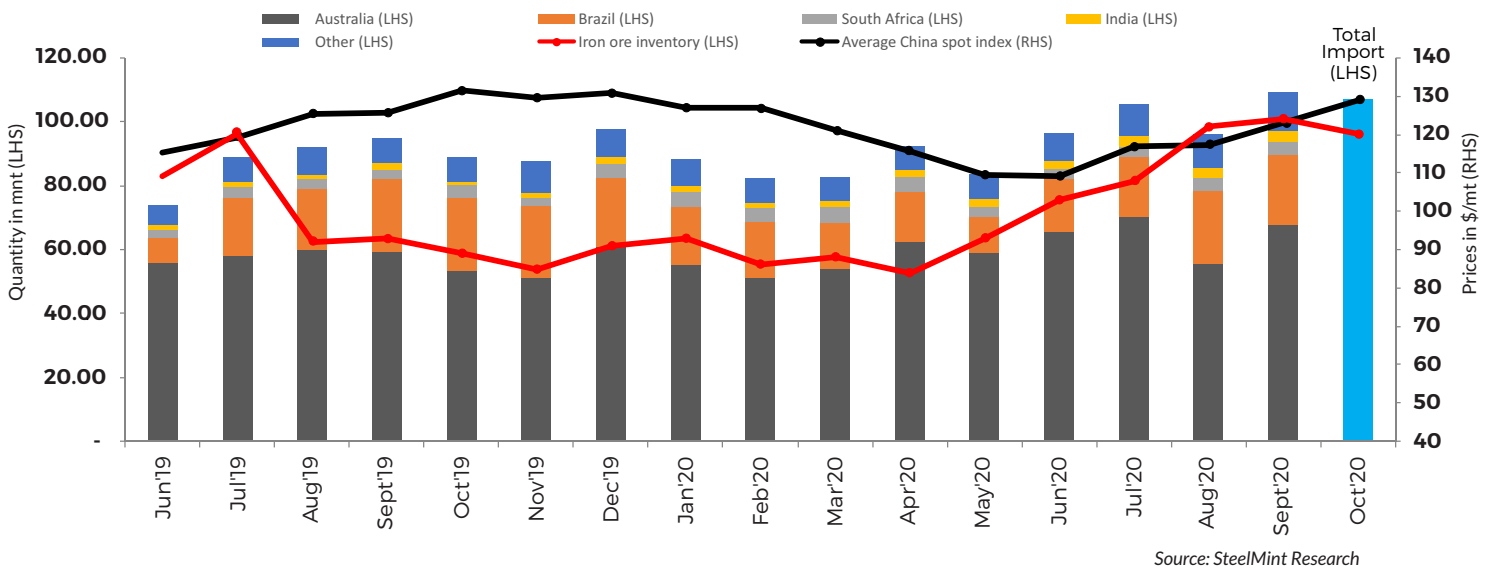


South Africa Iron Ore Export Shipments

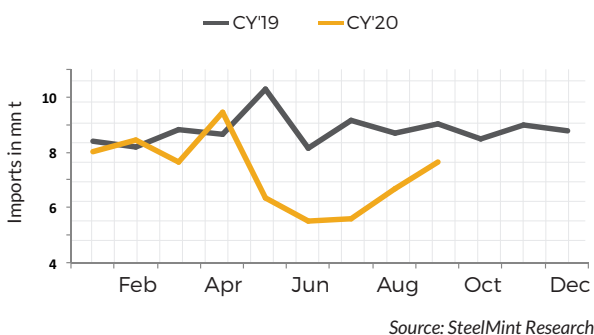


World's major countries import data

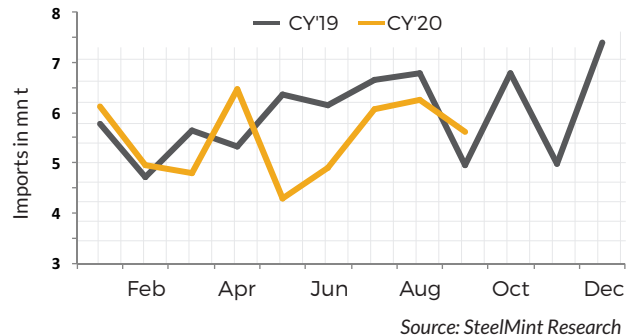
China iron ore prices vs Imports vs inventories



Japan Iron Ore Imports



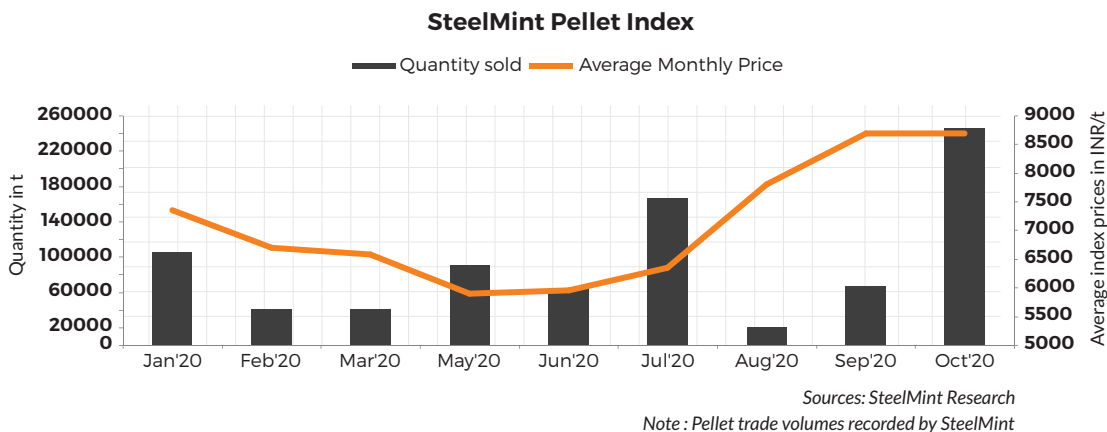
South Korea Iron Ore Imports



Pellet

SteelMint Pellet index records highest trade volumes in Oct

- SteelMint's bi-weekly pellet index for the Raipur market, PELLEX, recorded highest ever trade volumes of over 200,000 t in Oct'20. This happens to be the highest on record since launch of the index in Sept'19.
- As per SteelMint data, sales by major players in the Raipur market include Godawari Power & Ispat (GPIL) with volumes crossing over 0.1 mn t, while Bajrang Power & Ispat and Sarda recorded 80,000 t and 45,000 t of sales respectively during the month, among the major sellers.
- Shortage of high-grade iron ore lumps is a major driver of pellet sales. Sharp slide in production from Odisha, due to disruption in operationalization of new mines since the minerals auctions earlier this year, contributes to shortage. Also, Chhattisgarh iron ore production impacted due to adverse weather conditions and concerns relating to spread of the virus.



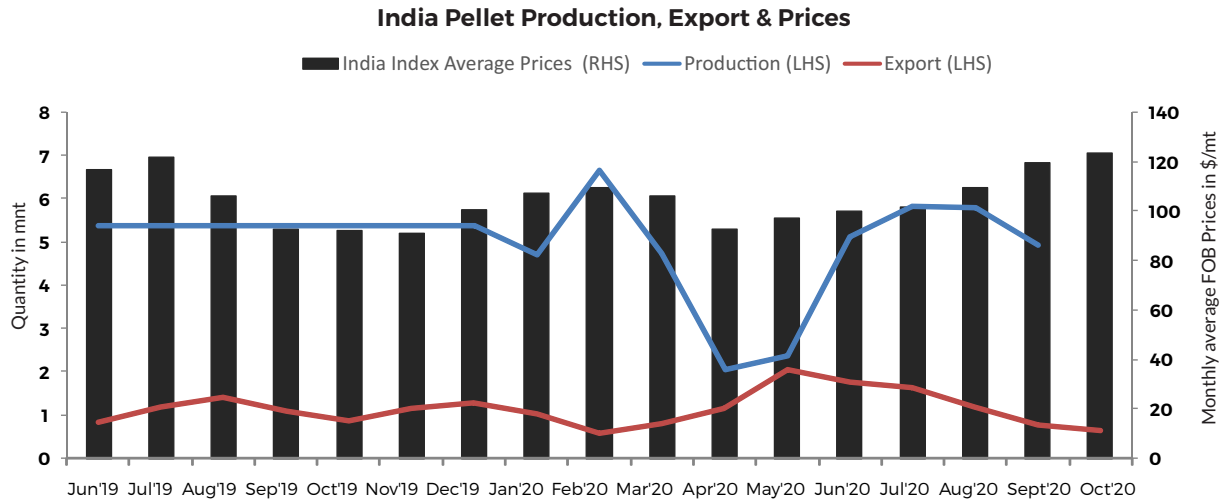
PELLEX is a bi-weekly price assessment of SteelMint published every Tuesday and Friday with delivery terms of DAP, Raipur basis.

Indian Pellet Prices

	Trade terms	Prices as on 09 Nov	Oct'20	Sept'20	% Change
PELLEX	DAP, Raipur	9,750	8,700	8,800	↓ -1%
Barbil	FOR	9,000	7,800	8,050	↓ -3%
Bellary	Exw	9,600-9,800	8,250	7,900	↑ 4%
Durgapur	Exw	9,500	7,700	8,200	↓ -6%
Jamshedpur	Exw	9,300	7,750	8,000	↓ -3%
Jharsuguda	Exw	9,300-9,500	8,050	8,400	↓ -4%
Kandla	DAP	10,350	10,000	9,700	↑ 3%
India Pellet exports	FOB	\$126	\$124.60	\$120.00	↑ 4%

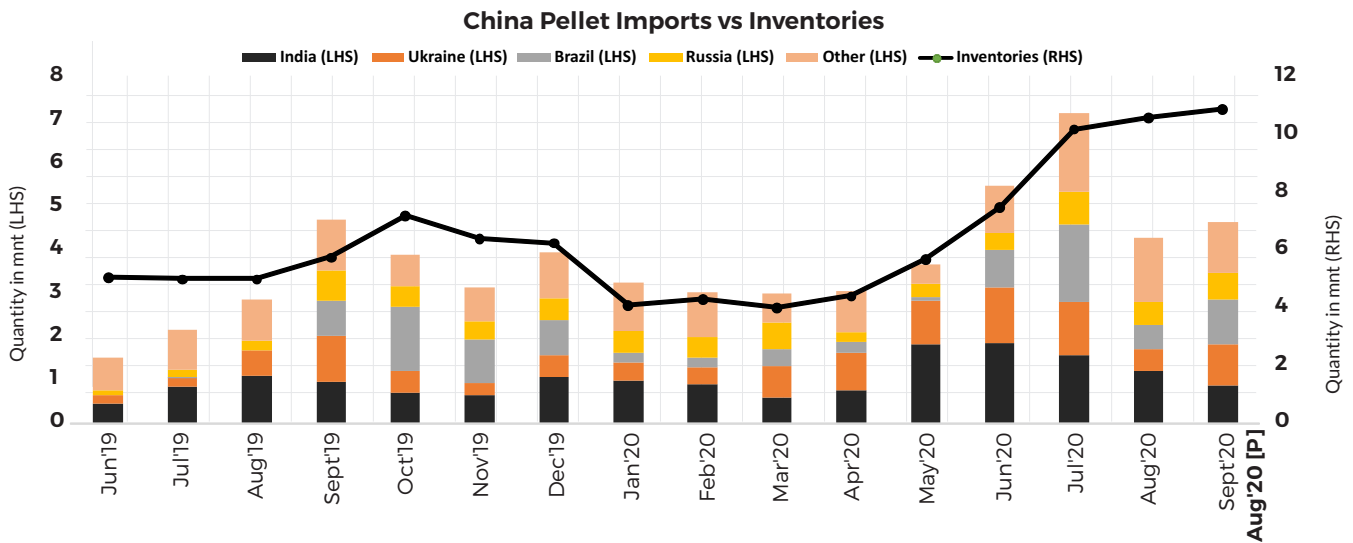
Note:- India domestic prices in INR/t

Indian pellet export shipments drop to over two-years low in Oct on higher domestic realizations



Source: SteelMint & Industry sources

Indian pellet export shipments in the month of Oct'20 were recorded at 0.66 mn t, as per data maintained with SteelMint. The exports have dropped to over two years low as the level was last witnessed in Aug'18 at 0.45 mn t. On a monthly basis, exports decreased by 15% as against 0.78 mn t in Sep'20. China continued to remain the largest importer of Indian pellets in Oct'20 at 0.33 mn t, down 50% m-o-m.



Source: SteelMint

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