

SteelMint®

# IRON ORE<sup>X</sup>

Monthly Iron Ore Insight

## Odisha issues notice inviting tender for e-auction of 10 iron ore mine blocks

Odisha has invited bids for e-auction of mineral blocks, out of which ten are iron ore mine blocks. It is doing this at a time when iron ore prices have touched record highs and a year since the first tranche of mines were granted under the new law mandating auctions. Bids for these glinting, high grade iron ore mines, already in operation and requiring no fresh clearances averaged to more than 100%. In other words, their new owners will pay the state almost as much as they stand to earn from selling the ore.

It is unlikely that the next set of auctions see the aggressive bidding witnessed last time, some as high as over 150%. For one, many of them are virgin areas and many of them have smaller reserves. The 140.28 mnt Jhumka Parthiriposi and the 314.37 mnt Gandhalpada are the largest iron ore blocks, along with the 278.04 mnt Kasia iron and dolomite mine, earlier operated by Essel Mining.

The list also includes failed auctions — Teherai, the iron ore and manganese block that Tarama Apartments had quoted the highest for and Nadidih where Fomento had outbid everyone.

## List Of 16 Blocks Ready To Auction During The Year' 2021-22

S No	State	Name of the Block	District	Mineral	Exploration level	Area (in Ha)	Reserves (in Million Tonnes)	Remarks
1	Odisha	Pureibahal	Sundargarh	Iron Ore	G2	64.337	42.12	Virgin Block ready for auction
2	Odisha	Chandiposhi	Sundargarh	Iron Ore	G2	131.580	42.36	Virgin Block ready for auction
3	Odisha	Jhumka Parthiriposi	Sundargarh	Iron Ore	G2	158.509	140.28	Virgin Block ready for auction
4	Odisha	Dholtapahad	Sundargarh	Iron Ore	G2	60.508	23.922	Virgin Block ready for auction
5	Odisha	Netrabandha Pahar (West)	Sundargarh	Iron Ore	G2	74.370	17.265	Virgin Block ready for auction
6	Odisha	Gandhalpada Iron ore Block	Sundargarh	Iron ore	G2	241.100	314.37	Virgin Block ready for auction
7	Odisha	Karlapat Bauxite Block	Kalahandi	Bauxite	G2	1822.61	248.20	Virgin Block ready for auction
8	Odisha	Kasia Iron & Dolomite	Keonjhar	Iron & Dolomite	G2	194.196	Iron - 278.04, Dol - 0.693	Expired Lease ready for auction
9	Odisha	Teherai Iron Ore and Manganese Block	Sundargarh	Iron & Mn	G2	135.076	Iron-11.37, Mn-0.058	Expired Lease ready for auction
10	Odisha	Nadidih Iron Ore Block (BICO)	Sundargarh	Iron Ore	G2	74.500	22.228	Expired Lease ready for auction
11	Odisha	Nadidih Iron Ore and Manganese Block (Feegrade)	Sundargarh	Iron & Mn	G2	117.206	Iron-18.728, Mn-0.059	Expired Lease ready for auction
12	Odisha	Pipalmunda	Bolangir	Limestone	G2	47.487	3.176	Virgin Block ready for auction
13	Odisha	Garamurarh	Nuapada	Limestone	G2	30.254	2.980	Virgin Block ready for auction
14	Odisha	Uskalvagu	Malkangiri	Limestone	G3	547.126	141.41	Virgin Block ready for auction
15	Odisha	Behera-Bhanjipali	Bargarh	Limestone	G2	119.115	2.947	Virgin Block ready for auction
16	Odisha	Naringpanga	Rayagada	Graphite	G2	5.492	0.142	Virgin Block ready for auction

1st phase for Auction

2nd phase for Auction

Base price for iron ore blocks of up to 10mt(million tonnes) in resource has been set at 15 %, at 25 % for deposits between 10 and 100 mn t, 35% for 100- 500 mt and 50 % for blocks with more than 500 mnt of iron ore.

The state will carry out training and mock-auction for all bidders on an e-auction platform between 31 August to 7 September. The auctions themselves will take place between 18 September and 29 September. The preferred bidder has 15 days to deposit 20% of the upfront payment and will be granted a vesting order within 15 days of doing so.

## Key Prices

Prices	Currency	Prices as on 10th July'21	Jun'21 Avg	May'21 Avg	% Change
Odisha Index, 5-18 mm, Fe 63%	INR	14,350	14350	11925	↑ 20%
Odisha Index, 10-30 mm, Fe 63%	INR	14,000	14000	11650	↑ 20%
Odisha Index Fines, Fe 63%	INR	9,700	9950	9175	↑ 8%
Karnataka, Lumps Fe 63%	INR	6950	6950	6770	↑ 3%
Karnataka, Fines Fe 60%	INR	4370	4370	4270	↑ 2%
NMDC C.G, DRCL0, 10-40mm, Fe 67%	INR	8650	8880	8880	0%
NMDC C.G, 6-40mm, Fe 65.5%	INR	7450	7650	7650	0%
NMDC C.G, Fines Fe 64%	INR	6360	6560	6560	0%
India Low-grade fines Fe 58/57 (FOB, East coast)	\$	87	91	92	↓ 1%
Pellet Index (DAP, Raipur)	INR	15,550	16,100	16,150	0%
India Pellet FOB (East coast)	\$	246	228	221	↑ 3%
Spot iron ore Index fines Fe 62% (CNF China)	\$	217	214	207	↑ 4%

Prices	Currency	Prices as on 10th July'21	Jun'21 Avg	May'21 Avg	% Change
Pig iron (Steel grade, Ex-Durgapur)	INR	36,400	38,812	38,715	↑ 0%
HMS Scrap (Ex-Mumbai)	INR	33,100	34,358	35,654	↓ 4%
Sponge iron (C-DRI, 80 FeM) Exw Raipur	INR	30,200	31,830	29,790	↑ 7%
Billet index, Exw Raipur	INR	41,150	42,319	42,198	0%
HRC (Exy Mumbai)	INR	65,000	67,500	66,300	↑ 2%

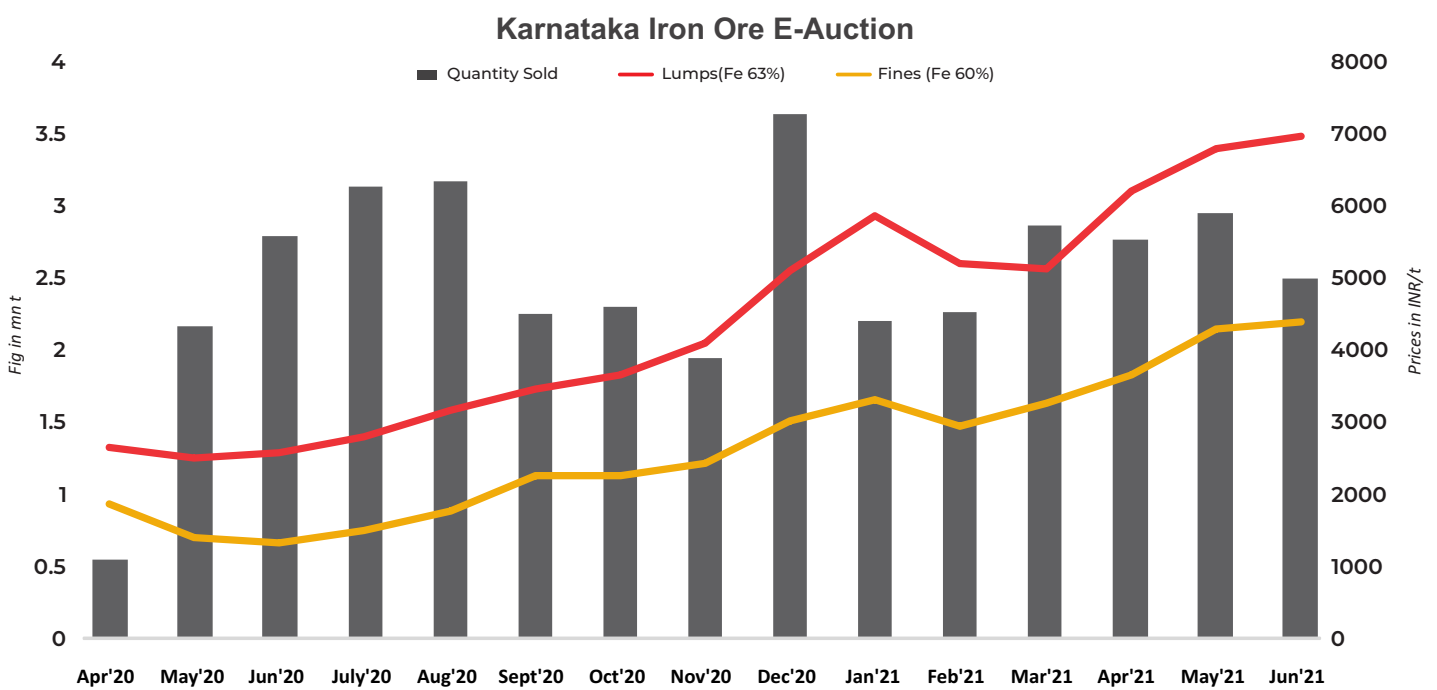
## NMDC cuts iron ore prices by INR 200-230/t for Jul'21 deliveries

India's largest government-owned merchant iron ore miner, NMDC, has cut iron ore prices for Jul'21 deliveries by INR 200-230/t (\$3), SteelMint learnt from credible sources. Drop in pellet and sponge iron prices along with a sharp decline in bids at OMC's recent auction have resulted in the price correction.

Government-owned miner NMDC's long-term iron ore export contracts with Japanese steel mills (JSMs) and South Korea's POSCO will not be renewed, SteelMint has learnt from reliable market sources. The reason is that the Government of India has withdrawn the sops it had provided NMDC in offering these contracts. This comprised a reduced 10% export duty as against the normal 30% paid by private iron ore exporters.

## Karnataka iron ore e-auction sales down 15% m-o-m in Jun

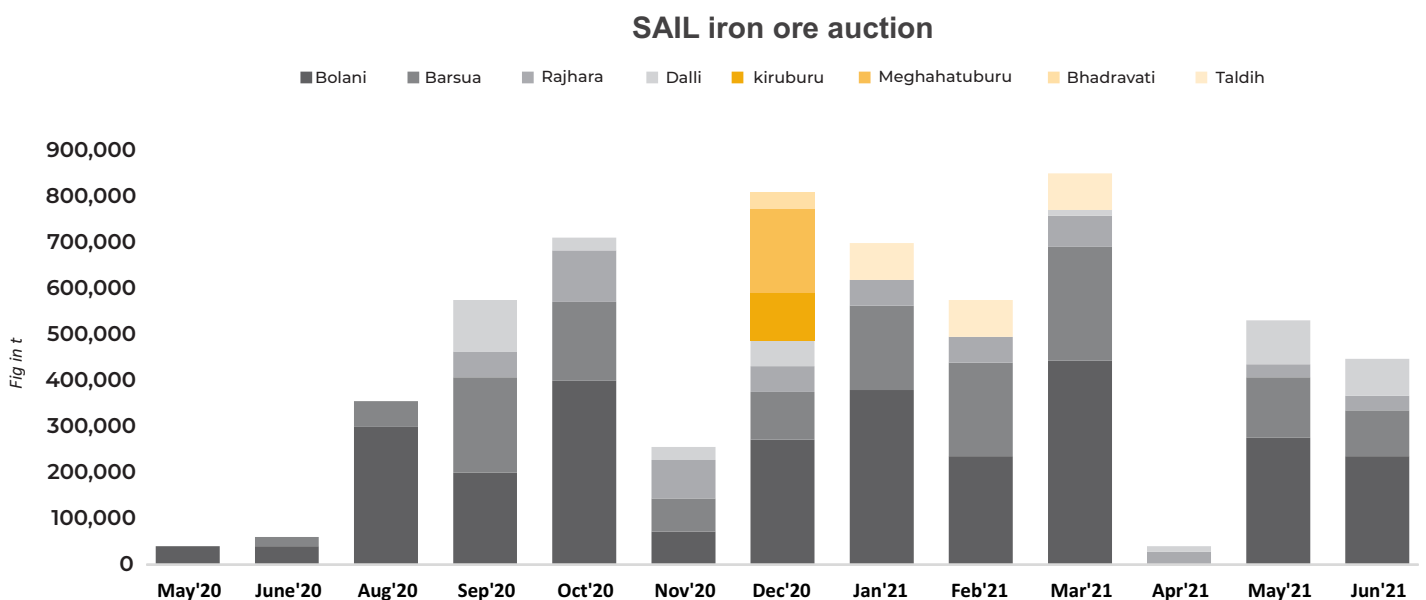
Karnataka registered a 15% m-o-m drop in its monthly e-auction sales volumes in Jun'21. The total allotted iron ore quantity in Jun'21 was recorded at 2.49 million tonnes (mn t) compared to 2.94 mn t in May'21. JSW Steel, one of India's major private steel mills and the largest buyer of Karnataka's auctioned iron ore, decreased its purchases by 39% in Jun'21. Eastern India-based Orissa Metaliks remained the 4th largest bidder and procured 104,000 t of iron ore fines (63.15-65%) at INR 5,516-6,930/t.



## Iron ore prices continue uptrend at SAIL auctions in June

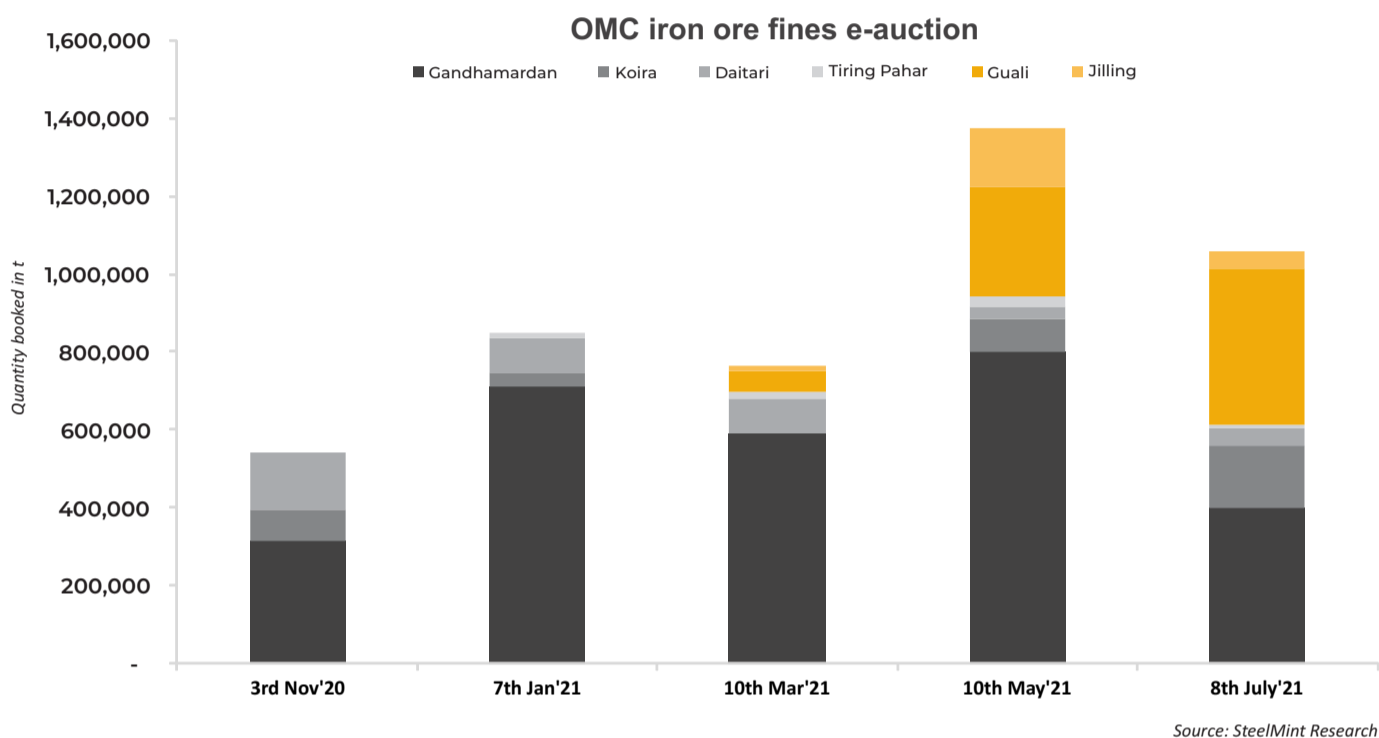
State-owned Steel Authority of India Ltd (SAIL) has achieved total iron ore sales of 552,000 tonnes (t) through auctions conducted in Jun'21. Iron ore sales volumes increased slightly compared with 530,000 t in May, SteelMint data shows. However, realisations improved for the state-run steelmaker what with tight availability of iron ore in the market driving prices higher.

Mines under SAIL's Raw Materials Division (RMD) in Odisha - Bolani and Barsua - witnessed combined sales at 440,000 t in Jun, while sales from iron ore mines under the Bhilai Steel Plant (BSP) in Chhattisgarh were recorded at 112,000 t - roughly stable month-on-month (m-o-m). With SAIL now likely to resume iron ore auctions from its mines in Jharkhand, it could be expected that sales volumes will gradually increase in the coming months.



## Bids in OMC iron ore fines e-auction drop by upto INR 1,900/t (\$25) against May

State-owned miner Odisha Mining Corporation (OMC) had scheduled an iron ore fines e-auction on 8 Jul'21. The material was offered from its Gandhamardan, Daitari, Koira, Jilling, Tiring Pahar and Guali mines. The entire quantity of 1.06 million tonnes (mn t) put to auction got booked. The bids dropped by INR 1,100-1,950/tonne (t) compared to the May'21 auction bids. Surprisingly, the bids fell sharply against the prevailing market prices of the private merchant miners in Odisha. SteelMint's weekly iron ore fines Fe 63% index on 3 Jul'21 stood at around INR 10,200/t, up by INR 800/t m-o-m.



## OMC Iron ore auction

Mines	Size (mm)	Fe (%)	Bid price as on 10th May'21 (INR/t)	Base price as on 8th July'21 (INR/t)	Bid price as on 8th July'21 (INR/t)	Quantity as on 8th July'21 (t)
Gandhamardan	-10	60-62	6,087-6,680	4,687	4687-4787	400,000
Daitari	-10	60-62	7,780-7830	6,180	6,180	27,000
	-10	62-64	-	8,300	8,300	20,000
Tiring Pahar	-10	60-62	6,980-7,030	5,880	5,880	10,000
Guali	-5	60-62	7,305-7,355	5,305	5355-5405	400,000
Jilling	-5	60-62	7,155-7,205	5,305	5,305	45,000
Koira	-10	60-62	6,955-7,005	5,305	5305-5355	60,000
	Sub grade fines	58%	6,805-6,855	4,605	4805-4855	100,000
<b>Total</b>						<b>1,062,000</b>

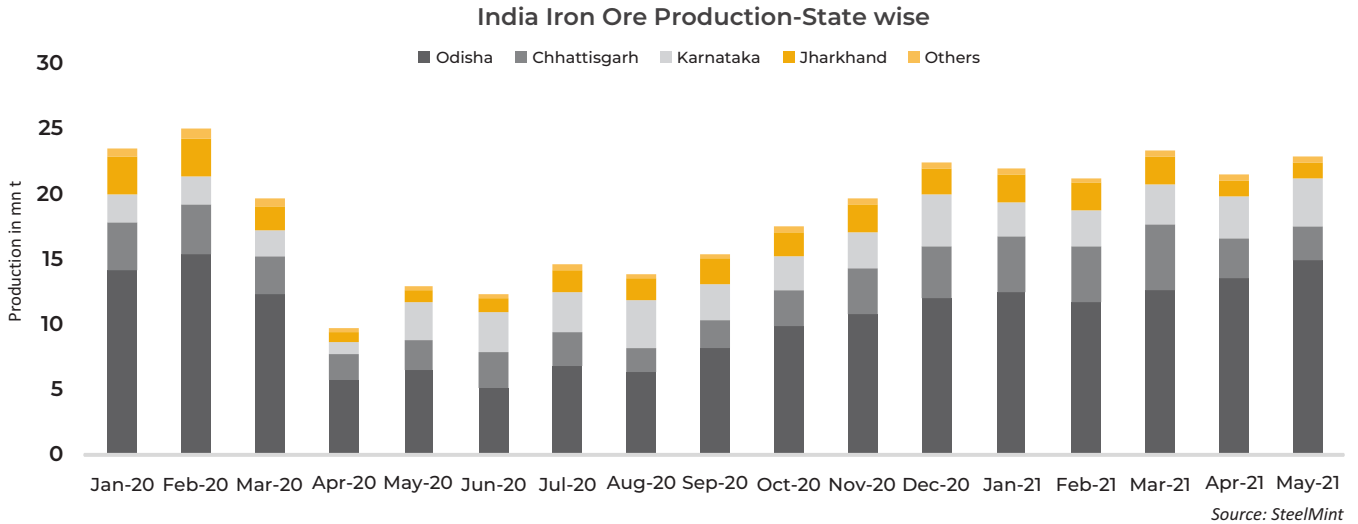
Base prices in INR/t on ex-mines basis; I including royalty I Qty in t

Source: SteelMint Research

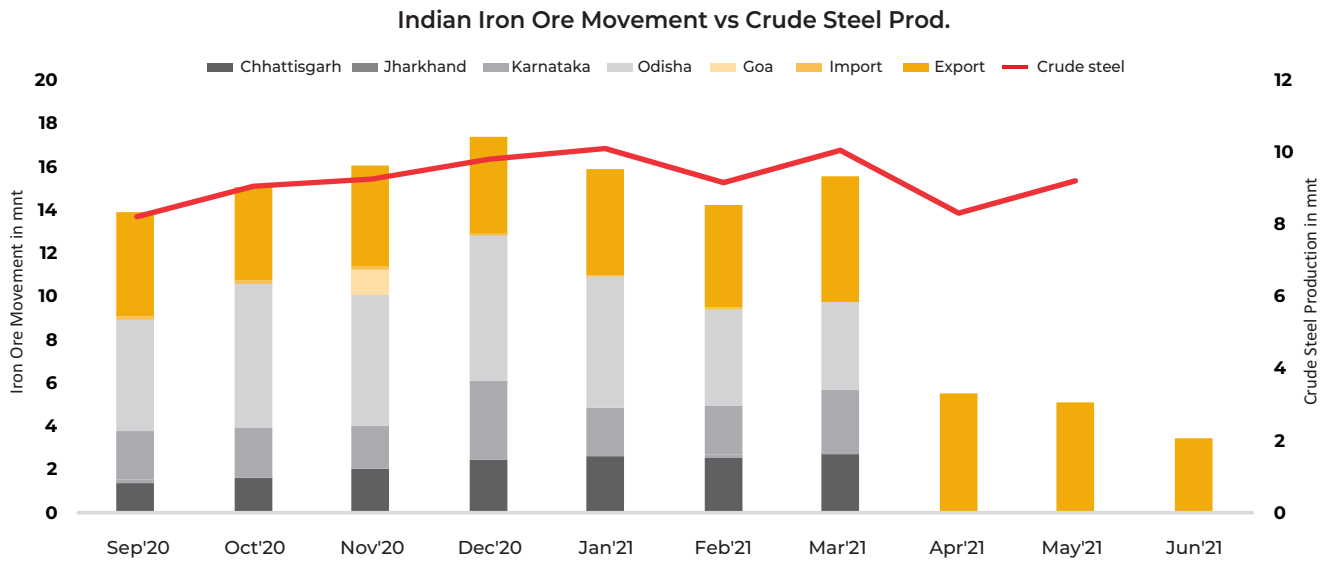
## India's crude steel output spikes by 61% in Q1

The aggregated volume of crude steel output has been recorded at 27.724 mn t in Q1 of the current fiscal. Last year's volumes stood around 17.263 mn t. The average capacity utilisation rate of steel manufacturers has improved to 90-95% in the current fiscal despite the second wave of Covid-19. In FY '21, stringent lockdown and exodus of migrant labour during the Apr-Jun period had led to a steep 25% decline in capacity utilisation of mills.

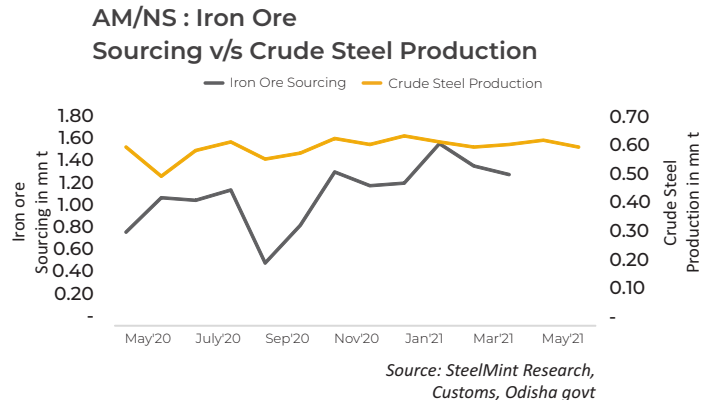
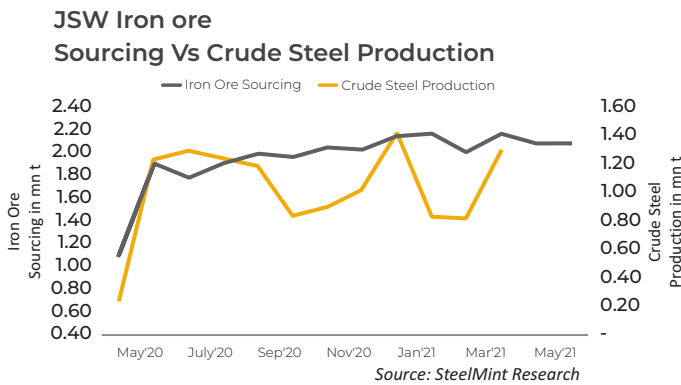
During Jun '21, crude steel output was 9.24 mn t, marginally up by 1% from 9.20 mn t in May '21.



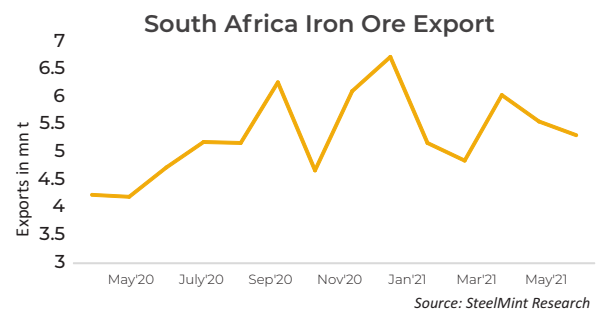
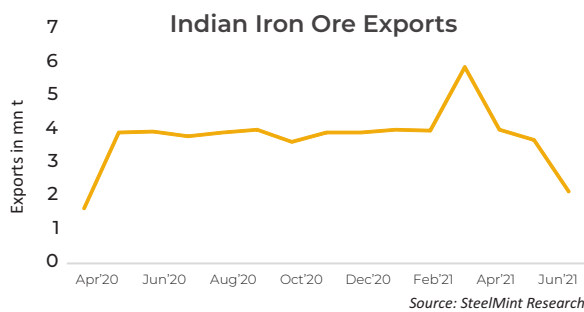
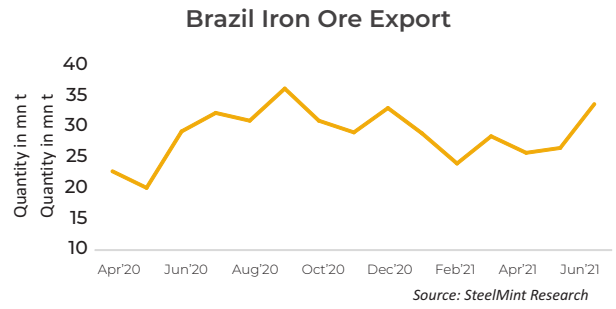
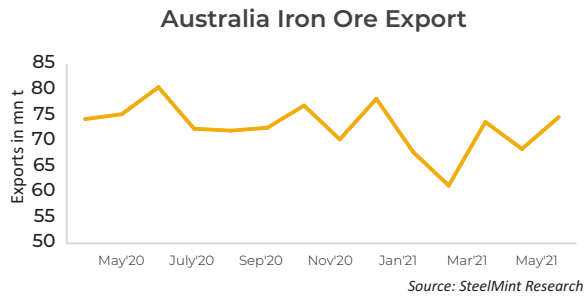
## Iron ore movement increases as Crude steel production improves



## Iron ore sourcing pattern of India major mills

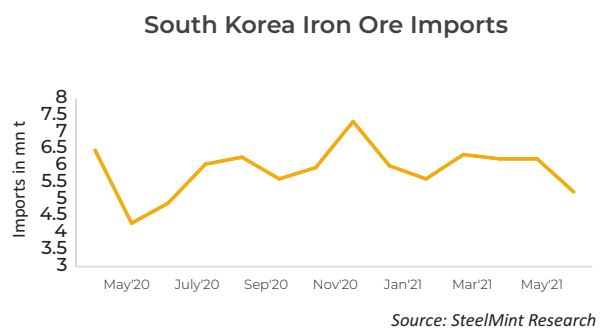
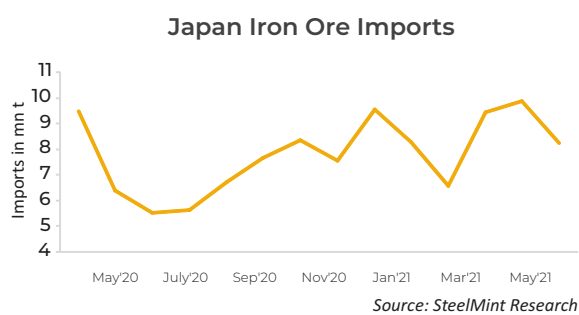
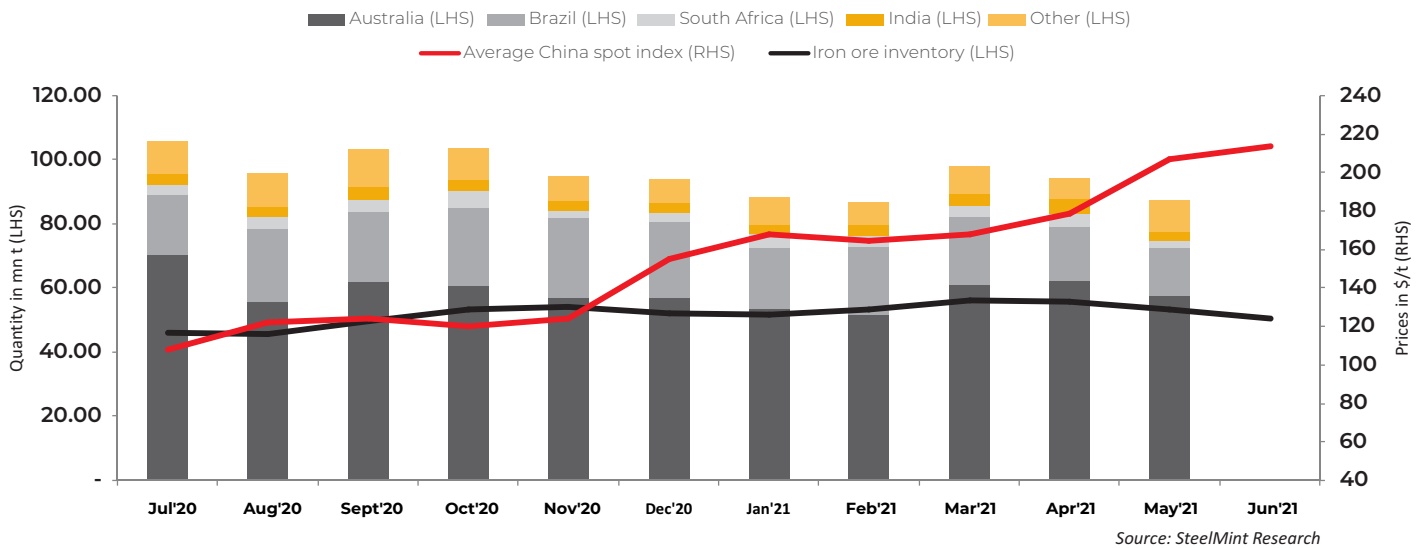


## World's major countries export data



## World's major countries import data

### China iron ore prices vs Imports vs inventories



## PELLEX: Trade volumes drop 64% m-o-m in June on low demand from sponge producers

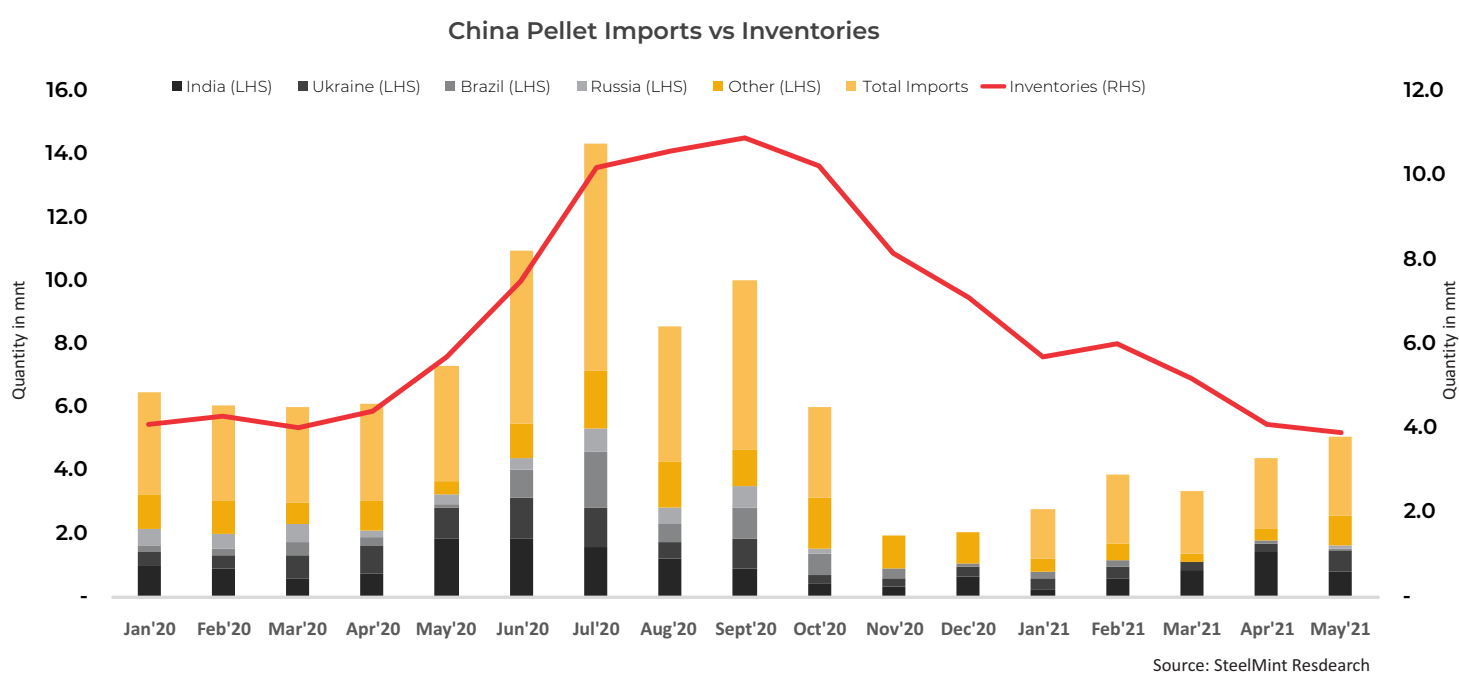
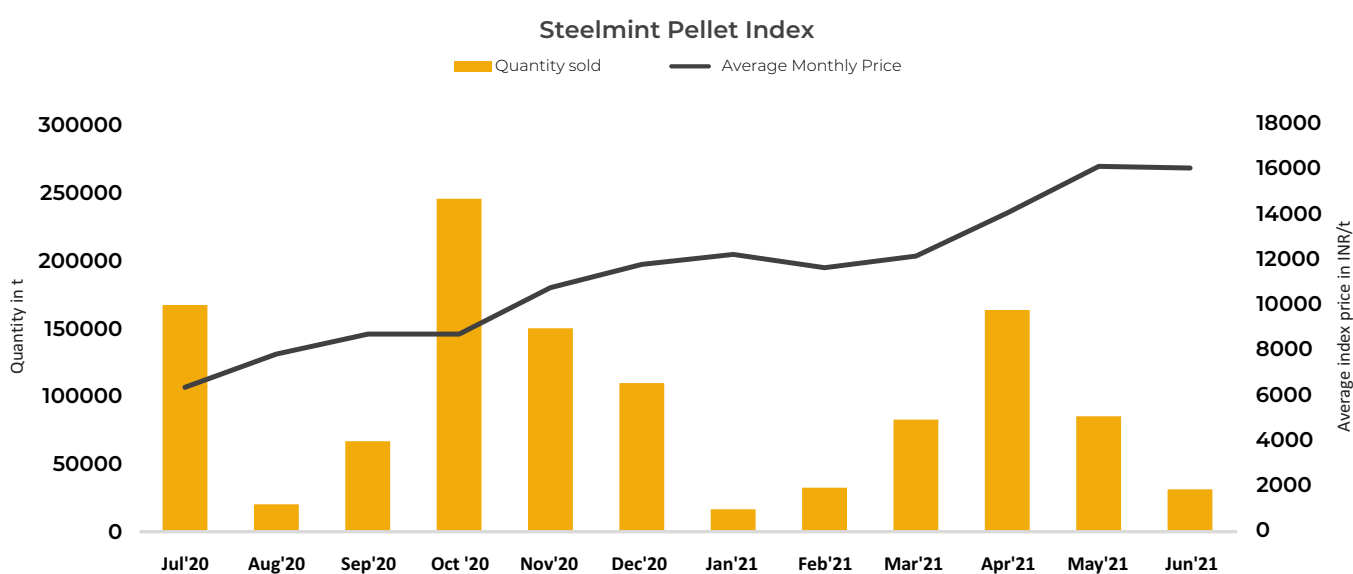
The total volume of trade recorded by SteelMint's domestic iron ore pellet index, PELLEX, stood at 30,000 t in Jun'21 - a decline of over 64% compared with 85,000 t in May, SteelMint data shows. Trading remained subdued on weak steel market sentiments, continuing a steady decline from 163,000 t in April.

Fast-declining sponge iron prices on shrinking steel margins led to a wide divergence in bids and offers. High pellet (Fe 63%) prices, delivered at place (DAP)-Raipur, were due to persistently firm domestic iron ore prices. While Raipur pellet producers shied away from reducing offers, south India- and Odisha-based producers continued to explore the Raipur market with competitive offers.

### Indian Pellet Prices

	Trade terms	Prices as on 10th July	Jun Avg	May Avg	% Change
<b>PELLEX</b>	DAP Raipur	15,550	16100	16,150	↓4%
<b>Barbil</b>	FOR	14,500	15,463	14,390	↓8%
<b>Bellary</b>	EXW	12,000	13,244	13,185	0%
<b>Durgapur</b>	EXW	14,500	15,275	14,590	↑5%
<b>Jamshedpur</b>	EXW	14,000	15,425	14,631	↑5%
<b>Jharsugda</b>	EXW	14,700	15,631	15,265	↑2%
<b>Kandla</b>	DAP	17,000	16,763	16,100	↑4%
<b>India Pellet exports</b>	FOB	246	228	221	↑3%

Note:- India domestic prices in INR/t



Source: SteelMint Resdearch

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