

IRON ORE PELLET INDUSTRY

Pellet production to reach an all-time high in FY2024; profitability of merchant pellet players to remain supported by lucrative exports in H2 FY2024

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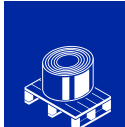




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Pellet production is likely to reach an all time high in FY2024 supported by strong domestic demand and YoY pick up in exports.

Improved demand for pellets from China in the recent months and consequent increase in export prices are expected to support the profitability of Indian merchant pellet exporters going forward.



- Pellet production, after increasing by 16% YoY in 8M FY2024, is likely to reach an all time high in FY2024 supported by strong domestic demand for steel and YoY pick up in pellet exports.
- Pellet exports were impacted in FY2023 by the imposition of export duty. While these recovered partly in 8M FY2024 (owing to low base), they are expected to be 30-40% lower in FY2024 compared to the high levels seen in FY2021 due to muted demand from China in H1 FY2024.
- Prices of iron ore fines, after correcting by ~15-20% during H1 FY2024, have recovered sharply. Robust steel demand is likely to support demand for iron ore and its prices.
- Domestic pellet prices, after correcting by ~10% during April-July 2023, have recovered in line with rising iron ore prices aided by strong demand from the steel industry. This has led to improved contribution levels during this period.
- With pick up in pellet export prices in the last two months, the gross contribution levels for merchant pellet exporters have improved by ~Rs. 900/MT and is likely to support the profitability in the coming months.
- The recent pick-up in demand from China has given Indian merchant pellet players an opportunity to increase their share of exports in the global market. This is especially attractive because Brazil, the largest pellet exporter globally, has not yet ramped up its production (following curtailed operations) and the supplies from Ukraine also remain constrained.



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