

IRON ORE PELLET INDUSTRY

**Utilisation of merchant pellet capacities
likely to increase in the coming quarters**

MARCH 2023



Scrapping of export duty provided a respite to merchant pellet exporters and is likely to facilitate improvement in the capacity utilisation levels, going forward.

While exports are slated to increase, the gross contribution levels are likely to be lower than the pre-duty levels due to a rise in iron ore prices and relatively subdued global demand for pellets (vis-à-vis last fiscal).



- In May 2022, the Indian Government imposed a steep 45% duty (nil earlier) on the export of iron ore pellets. This rendered pellet exports unviable and impacted the exports and capacity utilisation levels of merchant pellet players during June-November 2022.
- With the rollback of export duty in November 2022, exports resumed. Nevertheless, on a monthly basis, they remained lower YoY due to relatively weak global demand (YoY) and are likely to contract by 35-40% in FY2023.
- Domestic pellet prices, after declining by ~30% during May-November 2022, started trending upwards post export duty removal. However, they remained lower by 15-20% on a YoY basis.
- Domestic prices of iron ore fines, after correcting by ~40% during May-November 2022, following the imposition of export duties, started recovering. Improved steel demand as well as an increase in pellet production (by both integrated steel plants and merchant players) are likely to support demand for iron ore and its prices.
- Post the rollback of export duty, while gross contribution levels of merchant pellet players improved, led by a recovery in pellet prices, they remained lower than the pre-duty levels.
- Post the reopening of the Chinese market and resumption of pellet exports from India, Indian merchant pellet players have had an opportunity to increase their share of exports in the global market. This is especially attractive in view of the fact that no major ramp up in production is expected by Brazil, the largest pellet exporter globally.



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