

Burrup float bursts back with a bang

Cathy Bolt

Western Australia's Burrup Holdings is about to relaunch the \$3 billion float it suspended in March after unveiling plans yesterday to build a new world-scale ammonium nitrate plant in the heart of the state's booming north-west mining industry.

Pankaj Oswal, the Perth-based Indian billionaire behind Burrup Holdings, said yesterday he expected the initial public offer might be back on track in 10 to 15 days, although investment banking sources put it at about a month.

Burrup put off the ambitiously priced float after failing to secure enough investor interest amid the global credit squeeze and extreme volatility of the equity markets in February.

Mr Oswal said part of the delay was due to the finalisation of plans for the plant, which will be completed in a joint venture with the other major shareholder in Burrup Holdings, Norwegian fertiliser and chemical group Yara International. It is estimated the plant will cost between \$500 million and \$600 million.

"This was one of the projects we have been discussing for the last year and a half with Yara and other proponents," Mr Oswal said. "Yara

gave us a good deal and we are going with them."

The proposed 350,000 tonne a year plant will be built next to subsidiary Burrup Fertilisers ammonia plant on the Burrup Peninsula near Karratha, a major hub for WA's fast-growing iron ore industry.

Subject to final engineering studies, regulatory and finance approvals, it is scheduled to begin producing ammonium nitrate, a key explosive used in the mining industry, in 2010-11.

Mr Oswal said Burrup Holdings would face minimal market or construction risk because Yara had underwritten the price of all sales and would carry the burden of any cost overruns.

Yara would also arrange the debt that would cover about 70 per cent of the funding, with the two shareholders supplying the rest from internal cash flow rather than new equity.

While demand and prices for ammonium nitrate is rising, industry sources said the plant would shake up the local mining explosives market.

It would add about 20 per cent to Australia's existing production capacity and provide competition to Wesfarmers CSBP and Dyno

Nobel, which now supply much of the WA market.

It would also provide a potential new source of supply for Indonesia's expanding coal industry.

CSBP is about to complete an expansion of its ammonium nitrate plant at Kwinana near Perth, which will double its capacity to 460,000 tonnes, while Orica, which is believed to have investigated linking with Burrup, is building a new plant in Indonesia.

Burrup Fertilisers' \$700 million ammonia plant was completed two years ago and Mr Oswal estimated the new ammonium nitrate facility would absorb about 120,000 tonnes of the 800,000 tonnes of ammonia it produced a year.

The profitability of the plant has been underpinned by 25-year gas contracts concluded in 2000 at well below current market rates.

Mr Oswal said its unaudited accounts for the year to March 31 showed it had made a profit of about \$200 million.

That was more than it was forecasting in February and would favourably reduce the price-earnings multiple being asked of new investors.



Explosive scheme . . . Burrup's West Australian ammonium nitrate plans have been dusted off.

Photo: LOUIE DOUVIS