

Burrup Looks to Sell 20% Stake Through IPO

Posted on: Tuesday, 20 May 2008, 09:01 CDT

Burrup Holdings, the Australian operator of one of the world's biggest ammonia plants, said Monday that it had started an initial public offering for 20 percent of the company.

Following the IPO, which Burrup said would raise as much as 502 million Australian dollars, or \$478 million, and give the company a market capitalization of up to 2.5 billion dollars, the chairman and managing director, Pankaj Oswal, would hold a 53 percent stake, with the Norwegian ammonia trader Yara International holding 27 percent.

The offer, open to certain employees and retail and institutional investors, has an indicative price range of 1.75 dollars to 2.25 dollars, although analysts were skeptical that Burrup would be able to get the IPO done on favorable terms in view of tighter global credit conditions.

"It is still a very difficult market to get any share issue away," said Angus Gluskie, portfolio manager at White Funds Management. "In this kind of cautious market, investors will naturally demand better prices for them to take up shares."

The offer includes a reduction in Oswal's stake and an issue of new shares.

Burrup's liquid ammonia plant in Western Australia, which has a capacity of 760,000 tons a year, began production in 2006 and accounts for about 6 percent of the world's total output of ammonia that can be traded.

Ammonia is a key ingredient in the production of urea, a nitrogen-based fertilizer that is widely used in the agricultural industry.

Yara, the world's biggest ammonia trader, has a 20-year agreement with Burrup to market, distribute and sell its ammonia in domestic and international markets.

Earlier this month, Yara and Burrup entered an agreement to look into the feasibility of a new plant to make technical grade ammonium nitrate, which is used to produce explosives, with a capacity of 760,000 tons a year.

The Australian, a daily newspaper, reported Monday that the planned float had been scaled down after Burrup decided not to sell excess gas from a long-term contract, which would have increased the total offering to up to 608 million dollars.

The newspaper said initial plans for the offering were delayed in February because of market turbulence.

Burrup said it was well positioned to capitalize on favorable global conditions for the sale of ammonia, with prices trading above \$500 a ton. It added that it expected the strong price performance to continue.

The retail offer opens on May 27 and the institutional offer will start on June 16. UBS is sole lead manager for the offering.

Originally published by Reuters.

(c) 2008 International Herald Tribune. All rights Reserved.