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17 bidders for iron ore, coal berths at Paradip

Port officials expect to complete the bids and finalize the private operator for the facilities by 31 March

By P.Manoj

International miner Rio Tinto Ltd, North Asian commodities supplier Noble Group, Australian investment bank Macquarie Bank Ltd, state-owned trader MMTC Ltd, core sector financier Infrastructure Leasing & Financial Services Ltd, Sical Logistics and construction firms Larsen & Toubro Ltd and Gammon Infrastructure Ltd are among 17 bidders that have expressed interest in developing and operating coal and iron ore berths at the Union government-owned Paradip Port.

The deadline for submitting so-called expressions of interest for these projects, together costing about Rs900 crore, was Wednesday.



Heavyweight dock: The proposed berths were at the centre of a tiff between Posco and the shipping ministry

Among the other bidders, some of who are partnering one another, are processed iron ore exporter MSPL Ltd, Essar Shipping & Logistics Ltd, Hyderabad-based infrastructure developers Maytas Infra Ltd, Lanco Infratech Ltd and Navyug Engineering Co. Ltd, Jindal Steel and Power Ltd, India's leading exporter and supplier of sugar cane molasses IMC Ltd, Monnet Ispat Ltd, ABG Heavy Industries Ltd, Emirates Trading Agency, and Adani Group, according to a Paradip Port official, who did not want to be named.

Gammon Infrastructure, a unit of Mumbai construction group Gammon India Ltd, has bid for the project teaming up with MMTC (formerly Metals and Minerals Trading Corp.) and Hong Kong based Noble Group.

L&T has bid for the project as part of a consortium that includes TM International Logistics Ltd, the joint venture logistics firm floated by Tata Steel Ltd and Germany's Martrade Holdings GmbH, while Macquarie Bank has submitted its bid along with GVK Power & Infrastructure Ltd.

IL&FS has tied up with Sara International Ltd, the global trading arm of Sara Group.

After scrutiny for eligibility conditions such as funding and technical capability, the port will ask the shortlisted bidders to submit financial bids for the project. "We expect to complete the bidding process and finalize the private operator for these facilities by 31 March," said K. Raghuramaiah, chairman of Paradip Port.

Three bidders—Jindal Steel and Power, ABG Heavy Industries and the L&T-TMIL consortium—have applied only for developing and operating a Rs387 crore, 10-million-tonnes-a-year berth for handling imported coking coal used for firing

steel plants.

The remaining 14 entities have filed their bids for developing both the coal and iron ore berths which would be multi-user facilities.

The 10-million-tonne capacity berth for handling iron ore exported from India will cost about Rs505 crore.

When fully operational, the two berths will have deep draughts of 16 metres capable of handling ships of 125,000 tonnes initially and later 185,000 tonnes. The proposed coal and iron ore berths were at the centre of a tiff between Korean steel giant Pohang Iron and Steel Co Ltd (Posco), which is setting up a mega steel plant near Paradip in Jagatsinghpur district of Orissa investing some \$12 billion (Rs48,425 crore), and the Union shipping ministry.

As part of the project, Posco would have to import coking coal to fire its 12-million-tonne capacity new steel plant as well as export a portion of the iron ore extracted from its captive mines in Orissa.

The shipping ministry had tried in vain to convince Posco on using the existing Paradip port for setting up facilities to import coking coal and export iron ore. But, Posco decided to set up a captive port at Jatadhari, 7 km south of Paradip Port, to develop the coal and iron ore handling facilities.

The advantage of setting up a captive port at Jatadhari owned by the Orissa government is that Posco will be free to set tariffs without taking approval from a tariff regulator.

In comparison, the entity operating the berths at Paradip port will have to take clearance from the Tariff Authority for Major Ports, the tariff regulator for the 12 government-owned ports for fixing and revising tariffs.

Some bidders such as Noble Group, Rio Tinto or Sara International, which trade in coal and iron ore from India could benefit by channelling the commodity through the Paradip berth if they win the right to build and operate it.

"Unlike container terminals, coal and iron ore terminals typically require guaranteed cargo to become financially viable. Otherwisewhose cargo will it handle?" said T.V. Shanbhag, former head of Transchart, the chartering arm of the Union government.

"We are setting up exclusive berths to meet the rising demand for importing coking coal and exporting iron ore from the eastern region," Raghuramaiah said.

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