
RCF NMDC JV pulls out of Tunisian project

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It is reported that an Indian consortium led by fertilizer major Rashtriya Chemicals and Fertilizers Ltd has dropped its proposal to participate in a USD 4 billion bid for a rock phosphate project in Tunisia.

The main reason cited was the detailed due diligence recently showed that the investment was a risky proposition given the terms and conditions set by the Tunisian authorities.

The consortium which had Hyderabad based mining major National Mineral Development Corporation and Kribhco as other partners had been pursuing the Tunisian rock phosphate project for quite some time now as Tunisia is the world's fifth largest and Africa's second largest phosphate producer after Morocco.

In fact, although the bid value was later pared down to about USD 2.5 billion, the consortium did not find certain terms and conditions completely risk-proof. It was supposed to submit the bid by September 30th 2009.

Mr Rana Som CMD of NMDC told Business Line that "A few days ago our consortium leader decided not to go ahead with the project as the investment was risky given some of the terms and conditions set by the Tunisian authorities."

According to sources, some of the conditions laid down by the Tunisian authorities such as the one that the Indian consortium had to lead the process of raising the loans for the project and that the Tunisian partners will not shoulder the economic risk of any losses did not go well with the consortium.

After due diligence, the consortium opted to pull out of the project before submitting the bid, as there was the threat of its losing the bond and bank guarantee if it were to retreat at a later stage. The consortium needed to submit its bids accompanied by a bond of about USD 5 million.

The sources said that this apart India was not the only country invited by the Tunisian Government to bid for the project, with the precise extent of foreign ownership not very clear. The entire Tunisian production of rock phosphate is controlled and operated by a single entity, which operates nine open cast and underground mines in the Gafsa region that accounts for about 90% of its production.

Rock phosphate is one of the key raw materials used for fertilizer production. Tunisia produces more than eight million tonnes a year, with the phosphate deposits being mostly sediments.

(Sourced from Business Line)

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