
TATAs expand partnership with New Millennium

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BS reported that TATA Steel plans to become a partner in Canada based New Millennium Capital Corp's USD 4 billion KeMag property, having iron ore reserves in excess of two billion tonnes.

A TATA Steel spokesperson said that it would engage in the KeMag property in due course as the pre-feasibility study has just been completed. However, for TATA Steel Global Mineral Holdings, an indirect wholly owned subsidiary of TATA Steel, which picked up a 19.9% stake in New Millennium, a bankable feasibility study on the direct shipping ore project is a priority. The TATA Steel New Millennium deal forged last year has 3 components.

First, TATA Steel would become New Millennium's largest shareholder with a 19.9% stake.

Second, on completion of a feasibility study by New Millennium for its DSO project, the Indian steel major would have 180 days to acquire an 80% interest in the project. It would furthermore invest up to a total of USD 300 million in the project to start production. TATA Steel has committed to purchase 100% of DSO's ore production at the prevailing world prices during the life of the mine.

Third, the Indian major has an exclusive right to negotiate a proposed transaction in respect of the LabMag project until June this year. The LabMag project has indicated reserves of 3.6 billion tonne.

The KeMag project was not part of the deal with New Millennium. A TATA spokesperson said that "Our immediate priority is to ensure that the DSO feasibility study is completed as soon as possible and the production starts at the earliest."

According to the pre-feasibility study, the KeMag project will have an initial capital cost of USD 3.8 billion and a working capital need of USD 26.4 million. The net present value of the project, before corporate and mining taxes, is USD 7.3 billion.

The next stage for the KeMag project is to initiate a feasibility study, which if successful would lead to project financing in 2011 and a production start by 2014.

However, New Millennium is TATA Steel's third overseas iron ore venture. It has a JV with Sodemi, a government owned mineral development company in Africa and a Greenfield steel project in Vietnam, linked to iron ore deposits. Also, TATA Steel is in the running for a USD 1.6 billion iron ore project in Liberia.

TATA Steel, with a 28 million tonne capacity has set a target of 40% raw material security over the next 3 to 5 years. The group meets all its iron ore requirements for its domestic operations from its own mines. Currently, the group, which includes Corus and other foreign acquisitions, has a raw material security of 22 per cent only.

(Sourced from Business Standard)

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