

JSW Steel in talks to buy iron ore terminal in Tamil Nadu

JSW is in talks to buy an iron ore terminal in Tamil Nadu from Sical Logistics, a move aimed at backward integration of its operations and saving on cost of importing the key raw material, according to official sources. Sical Logistics runs an iron ore terminal with a capacity to handle 6 million tonnes (mt) of iron ore annually at government-owned Ennore Port.

The terminal's existing infrastructure can be further leveraged to handle 12 mt per annum to meet growth volumes, according to its website. Sajjan Jindal-led JSW Steel is greatly dependent on import of iron ore as it does not own any captive mines in India and the availability of iron ore in the country remains constrained after restrictions clamped by the courts in the wake of illegal mining. JSW Steel imports almost half of its iron ore requirement of about 20 mt per annum.

"Sical Logistics' terminal at Ennore makes sense for JSW Steel," said one of the persons, requesting not to be named. VG Siddhartha Hegde, the promoter of

Cafe Coffee Day, which owns majority of shares in Sical Logistics, is in charge of the discussions with JSW Steel, the person added. A spokesperson of Sical Logistics declined to comment on the development,



saying, "We are not initiating any media activity at present."

JSW Steel executives said the company is likely to negotiate hard on the deal. Sical Logistics spent Rs 360 crore to build the terminal's first phase of 6 mt capacity and will need another Rs 120 crore to take the capacity to 12 mt. JSW

Steel, on the other hand, built a 10 mt iron ore jetty in Goa for Rs 180 crore and a 20 mt terminal in Ratnagiri, which has room for further expansion for Rs 700 crore.

"Sical Logistics has incurred high costs in building the terminal. It does not make sense for JSW to pay that much," the person cited earlier said. Sical has been grappling with high debt. At the end of September 2014, its debt was Rs 819 crore. The interest expense was 93% of its profit before interest and tax (PBIT). Any possible deal could bring down Sical's debt considerably.

In anticipation of this development, Sical's stock has risen 50% in the past three months. A senior official at Ennore Port who had not heard about negotiations said that since the port terminal was a public-private partnership, a deal will need consent of port as well as the government for change of ownership. In 2014, JSW Steel acquired Welspun Maxsteel for Rs 1,000 crore and a 50% stake in Vallabh Tinplate for Rs 46 crore.