

Deepak Fert to enter contract mining

Company will go for third party deals

Deepak Fertilisers and Petrochemicals Corporation Ltd, which makes fertilisers and specially chemicals, plans to foray into contract mining operations as part of strategic growth initiative.

The company is looking at third-party mining contracts in India, which will involve drilling and blasting rock on ground, mining chemicals and related products. The new venture would be front-end integration for Deepak Fertilisers, which has expertise in manufacturing mining explosives such as ammonium nitrate.

The company is looking to enter into third-party open-cast mining of coal, limestone and other minerals, which has massive growth potential.

Coal is a primary requirement for cement, steel, ferro alloys power sector companies.

A company spokesperson, however, said, "At this point in time would not like to discuss out future plans."

With the government planning a massive power generation capacity over the next five years and the cement and steel sectors almost trebling their capacities, the demand for coal is going to be excessive.

This has thrown open a host of opportunities for companies that are into coal mining.

According to industry estimates, total investment needed in mining will be worth Rs 14,500 crore in the next five years

Deepak Fertilisers is looking to secure mining contracts from coal companies that outsource the digging and blasting works.

Sources familiar with the situation said diversifying into mining proffers significant revenue potential for the company

While supplying explosives, the company could also provide the mining facilities to its clients, sources said.

The company manufactures 1.3 lakh tonne of ammonium nitrate per annum and is expanding capacity further

It has tied up with Yara International, a Norway-based global leader in ammonia, speciality and bulk fertilisers and ammonium nitrate, to produce and market ammonium nitrate in India.

The joint venture is also setting up a 300,000 metric tonne per annum ammonium nitrate plant at Paradip in Orrisa.

“The proposed joint venture with Yara is at the due diligence stage and this is proceeding as per schedule” the Deepak Fertilisers spokesperson said.

For the mining venture, the company is currently in the process of getting the team together, which would then evaluate options and finalise an investment plan for the project.

Deepak Fertilizers recently announced its financial results for fiscal 2008, posting a growth of 24% in its total revenues at Rs. 1081.31 crore. The company with a market capitalization of Rs 912 crore closed at a stock price of Rs. 103.35 at the end of trading hours on Tuesday.