FINANCIAL REVIEW

SE Companies and Markets

HD **Things fall into place for Adani**

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WC 1,250 words
PD 19 November 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 34
LA English

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The Hindi word for duck is batakh, and it seems they have finally started lining up for Jeyakumar Janakaraj, the energetic bloke running Adani Enterprises' $7.2 **billion** adventure in Queensland **coal**.

Adani is one of those classic family-controlled Indian conglomerates. It accounts are opaque, it is controlled and run by a **billionaire** and it appears to have its corporate fingers in every critical pie of the Indian economy.

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Adani, for its sins, also has plans to build Australia's biggest coalmine in Queensland's Galilee Basin. It would then haul that stored **energy** 500 kilometres on a new rail network to the Abbot Point export terminal that it already owns. To make that work it is proposing, infamously, a port expansion to cater for the 60 **million** tonnes that will be shipped to expanding regional **coal** markets, including India.

Even in the best of times, few in mainstream **coal** have given a whole lot of credence to Adani's Carmichael dreaming. So, given these are not the best of **coal** times, Janakarj's week of positives has come as a bit of a surprise. Quite suddenly Adani seems to have leap-frogged its Galilee competition, the recently tension-heavy GVK-Hancock joint venture and the even more uncertain project promoted by Clive Palmer. JJ (as he is conveniently known to his Australian audiences) continues to insist Adani doubters have it all wrong.

First among equals of things we have wrong is the capital cost. It is consistently reported that Adani's plan will cost more than $16 **billion**. Not so, says JJ. Adani's man says that figure is a life of project cost that includes sustaining capital. He puts the initial cost at $7.2 **billion**. The mine will cost $4 **billion** and the rail and port $3.2 **billion**.

Janakaraj says $1 **billion** has already been sunk into the mine so the funding gap there is now $3 **billion**. And he puts the funding gap of the rail and port projects at $1.2 **billion**, given progress confirmed on Monday.All on track for success

As it turns out, the rail component of this puzzle is owned directly by the Adani family. And on Monday that project earned itself a $1 **billion** line of credit from the Bank of India and the offer of an **equity** injection from the Queensland government.

The idea that the state might directly support the project at all, let alone the privately owned component of it, has proved just that little bit controversial.

Importantly though, any state investment would stay in the project and the offer of **equity** participation is open to the other Galilee proponents. Importantly too, to earn state funding the proponents would have to surrender a call on the state royalty holiday promised by government's past. Posco too has taken **equity** in the rail project and it is one of several Korean investors looking to take a place in Adani's sell-down of Abbot Point. The final pieces of the Adani funding package is being assembled by **lead** managers Standard Chartered and Commonwealth Bank. An information memorandum is nearing readiness and it will divide the project into two distinct funding pieces (the mine on one hand, the rail and port on the other) .

The Janakaraj proposition is that his funding task now "not an impossible task" despite the current coal market circumstance and the weight of community opposition collected by the anti-coal lobby.

Just for the record on that front, Adani has set about mitigating fears that the Abbot Point expansion poses a risk to the Great Barrier Reef.

Yes, very limited dredging is necessary to expand the shipping channel. But no, the dredged material will not be dumped at sea as once planned and approved. The waste will now be stored on the site of an abandoned BHP terminal expansion.

The dumping story is done with. But the anti-coal message lingers longer. To appreciate Adani's position on that you only have to listen to Indian Prime Minister Narendra Modi. Modi brought a whole lot of Bollywood to our G20 festival. And he might well be the agent of change India has been looking for.

One of Modi's seemingly modest promises is to give 24/7 access to electricity for all of India's village communities by 2022. But like much else in India, words do not adequately capture the complexity at hand.

India's power industry will have to double capacity by 2025 to meet past growth expectations and a Modi promise that will add 300 million customers to the network.

The numbers reveal the unreality of anti-coal's contempt for the idea that coal can be a poverty buster. Access to electricity, most of it generated from coal, is a right taken for granted by our first world carbonistas. But it is one they would deny the emerging world. In a recent report, our official government forecaster, the Bureau of Resource and Energy Economics, described how coal would fuel Modi's ambition.

"Coal-fired generation is a major component of India's plans for new electricity generating capacity being developed under the 12th five-year plan (2012-17)," it reported.

"India has more than 130 gigawatts of new coal-fired capacity under construction or approved. There are a further 25GW of nuclear and 23GW of hydro under development. Accordingly, the majority of India's increased electricity consumption is likely to be met using coal."

The other fact identified by BREE and reinforced by Adani's investment intentions, is that a lot of this coal will be imported because India's domestic industry, hamstrung by state regulators, has not been able to engineer the supply side response once planned.

Now, many out there might be wish it were otherwise, but these are the facts. Coal is as much a part of India's platform for modernisation as it is China's and Modi has invited Australia to help fuel his nation's transition.

Two of BHP Billiton's four pillars of growth were acquired with the legendary $US2.3 billion acquisition of Utah International in 1984.

That deal of legend was forged in a retreat in commodities markets severe enough to unpick General Electric's interest in mining. With prescient homespun wisdom, then BHP chairman, Sir James McNeill, batted away criticism of the timing of the purchase observing BHP was "buying straw hats in winter".

Thirty years on, both as regarded as 100-year cornerstones in BHP's super-efficient future. The point is, commodities markets, from iron ore to oil, are on the sort of sustained retreat that would seem to make opportunism competitive in BHP's race for capital.

Overnight on Monday Halliburton confirmed a $US36 billion ($41 billion) merger with fellow services provider Baker Hughes and there is speculation on both sides of the Atlantic that GE will move to bulk up its oil equipment business.

BHP, of course, is not interested in any part of the downstream oil business. But the same forces have pushed values to a point where M&A is the talk of the town in the exploration and production end of the business too.

So a question very likely on a few lips at BHP's capital market days next Monday will be whether the global one is missing a trick or two right now by resisting growth through acquisition?

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