

## Indo-Italian JV wins contract to build deepwater bulk jetty at Sohar

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MUSCAT -- The joint venture of Italy-based international engineering contractor Saipem and leading Indian infrastructure firm AFCONS, has been awarded a contract to design and construct a deepwater bulk jetty at the Port of Sohar. The total investment in the project, which also includes a dredging component to be undertaken by Van Oord of The Netherlands, amounts to RO 95 million.

Agreements for both the construction and dredging components of the project, as well as the credit facilities, were inked here yesterday at a ceremony held at the Grand Hyatt Muscat, and attended by high-ranking government officials, senior executives of the Port of Sohar, heads of banks funding the project, and contractors' representatives.

Maqbool bin Ali Sultan, Minister of Commerce and Industry and Chairman of the Port of Sohar, signed the agreements together with Jan Meijer, CEO of Sohar Industrial Port Company (SIPC). The investment will help create a major deepwater jetty at the Port of Sohar to support the bulk shipping needs of Brazilian mining conglomerate Vale, which is currently building a huge iron ore pelletising and distribution centre at the industrial port. With the addition of this 1,380 metre long and 25 metre deep jetty, the Port of Sohar will join a select handful of ports in the world with the capability to receive Very Large Ore Carriers of 400,000 DWT.

Speaking at the signing ceremony, Maqbool bin Ali said the project was a testament to the Port of Sohar's robust investment appeal notwithstanding the global economic downturn. "Despite the still slow recovery of world markets from the financial crisis, this project demonstrates the confidence of the various investors and financiers in the viability of the project and its financial stability over the long term. It also demonstrates confidence in the stability of Oman's financial system," he said.

The jetty project, he said, will be executed by a special purpose project company set up as a subsidiary to Sohar International Development Company (SIDC), which is a 50:50 joint venture of the shareholders of SIPC, namely the Government of Oman and the Port of Rotterdam. SIDC was set up last year as a sister company of SIPC to invest in port-related infrastructure projects, development of Freezone Sohar, and other commercial viable and bankable projects, he added.

Significantly, the deepwater jetty project will be financed through an 80:20 debt-equity ratio and on a project finance basis without government guarantees or subsidies. Providing the finance for the project is a consortium of six local banks -- BankMuscat, National Bank of Oman, BankDhofar, Bank Sohar, Ahli Bank and Oman Arab Bank, as well the State Bank of India (SBI).

Signing the credit facilities agreement on behalf of BankMuscat, Abdulrazak Ali Issa, Chief Executive Officer, remarked that the transaction was the first of its kind in more than a year to achieve financial closure on a project finance basis. The successful closure of this transaction, which was substantially oversubscribed, attested to the robustness of the project and would serve as a benchmark for future financing deals of this nature, he noted.

Van Oord, which has many major dredging projects to its credit including previous work done at the Port of Sohar, will increase the depth of the existing approach channel from 18.5 metres to a depth of 23 metres. A new harbour basin will also be created with a berthing pocket of 25 metres in front of the jetty. For their part, Saipem and AFCONS have set up a 50:50 joint venture to execute the construction of the jetty. Saipem will focus on the design and management of the project. The facility is set to come on stream in the first quarter of 2011 at around the same time that Vale's 1.4 billion iron ore pelletising and distribution plant will be operational.

*By Conrad Prabhu*

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