

Incitec Pivot signs \$12bn urea deal

ANDREW BURRELL
AGRIBUSINESS

THE nation's biggest fertiliser maker, Incitec Pivot, has signed a potential \$12 billion contract to buy the entire output of Perdaman Chemicals' planned \$3.5bn urea plant in Western Australia.

Perdaman's Indian backers were celebrating the 20-year supply deal yesterday, claiming it would pave the way for approval of the ambitious project in Collie, in WA's southwest, within months.

Incitec Pivot told the Australian Securities Exchange it would buy 2 million tonnes of urea annually from the Perdaman plant and onsell the key fertiliser ingredient into the local market as well as key Asian countries, where demand is rising as global food production increases.

At current urea prices of between \$275 and \$300 a tonne, the deal is worth up to \$12bn.

Perdaman chairman Vikas Rambal, the estranged former business partner of controversial Burrup Fertilisers founder Pankaj Oswal, said the contract would provide comfort to potential financiers, which included local and international institutions.

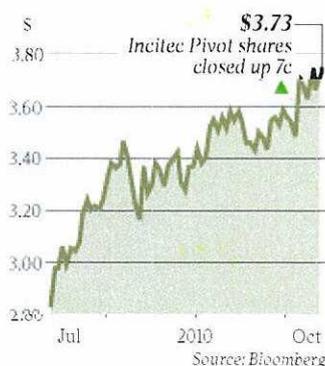
Mr Rambal said he expected funding would be wrapped up within months and construction at Collie could start by March next year, assuming all government approvals were in place.

"This will be very helpful for our project finance," he said.

"This contract is the heart of the project — it is integral to it."

Perdaman is planning to build Australia's first coal gasification plant. The plant, expected to be operating from 2014, will turn Collie coal into urea.

The project will generate up to 1500 construction jobs, and 200



operational jobs once it begins production.

Incitec Pivot's general manager of supply chain and trading, James Whiteside, said the company would sell the urea in several markets, including Oceania, India, Pakistan, Asia and the Americas. He said those target markets represented 16 million tonnes of a total global urea trade of 35 million tonnes.

Mr Rambal said he was also confident of finalising an agreement this month with the administrators of Ric Stowe's failed Griffin group, with the aim of securing 2.6 million tonnes of coal a year.

The coal is central to Perdaman's prospects and Griffin's collapse in January this year delayed the Indian group's plans and made financiers nervous.

Mr Rambal and Mr Oswal were once close business allies but fell out four years ago, resulting in legal action that led to a private settlement. At the time, Mr Rambal tried to get receivers appointed to Burrup Fertilisers, but he later withdrew the bid.

Mr Rambal sold his 15 per cent stake in Mr Oswal's Burrup Fertilisers and used the proceeds believed to be about \$300 million to back the Collie urea plant.

Shares in Incitec Pivot rose 1.9 per cent to \$3.73 yesterday.