

\$14bn boost for WA plant

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Plans by Vikas Rambal to build a \$3.5 billion urea fertiliser plant in Western Australia have been given a shot in the arm after Incitec Pivot agreed to buy the project's entire production, in a deal worth \$14 billion at today's prices.

Incitec Pivot signed a 20-year off-take agreement for about 2 million tonnes of urea a year. This gives Mr Rambal's Perdaman Chemicals and Fertilisers a stronger footing as it negotiates \$2.5 billion in finance to underpin construction, planned to begin in the first half of next year.

The plant, to be developed 200 kilometres south of Perth at Collie, is expected to begin producing urea, one of the world's most commonly used nitrogen fertilisers, in 2014. Based on current urea prices of about \$US350 a tonne, the deal is worth \$US14 billion.

Incitec operates a urea plant at Gibson Island near Brisbane, but it only supplies about a half of current domestic demand. The company imports urea to address the shortfall.

Incitec said it would sell the urea to customers in Australia, India, Pakistan, Asia and the Americas.

Mr Rambal, the former business partner of Burrup Fertilisers' Pankaj Oswal, has invested more than \$300 million in the project, funded through selling his 15 per cent stake in Burrup to Mr Oswal as well as property and business investments in India.

Perdaman appointed Societe Generale as its financial adviser over a year ago and had expected to secure a debt package by mid-2010.

The coalmine, located not far from Perdaman's proposed plant site, is contracted to supply 2 million tonnes of coal a year to Perdaman, which planned to generate gas for its fertiliser production using coal gasification, a process whereby gas is produced by igniting coal. It would be Australia's first coal gasification plant. It is expected new owners for Griffin would honour the contract.

Mr Rambal said the off-take agreement would bring the project closer to reality. It has secured federal environmental approval but needs state approval.

One of the world's biggest conglomerates, South Korea's Samsung C&T Corp, is to invest \$40 million in the project, giving it a 2 per cent stake in the project, if Perdaman secures bank finance.