

Perdaman pushes ahead with urea plant

Friends have become rivals in the fertiliser business, writes **Julie-anne Sprague**.

As fertiliser magnate Pankaj Oswal threw another lavish party in his adopted home town Perth last month, his former business partner and fierce rival Vikas Rambal was quietly finalising plans for a \$3.5 billion fertiliser plant.

The once close Indian businessmen went their separate ways three years ago, after a dispute escalated into legal action that resulted in Rambal selling out his stake in Oswal's ammonia plant in Western Australia's Pilbara. That deal was worth an estimated \$300 million.

In his first extensive interview since launching the project in March, Rambal tells *The Australian Financial Review* he is investing the payout, plus extensive wealth gained in the past two decades via property and business interests in India, to build a urea plant in WA's south-west.

Urea is one of the world's most commonly used nitrogen fertilisers, and demand is rising as global food production increases.

Last week, Rambal's company, Perdaman Chemicals and Fertilisers, signed licensing agreements covering the key technology to be used in the plant, the final major contract with suppliers ahead of commissioning the plant's construction.

It comes after Perdaman – named after Rambal's late father – signed a binding heads of agreement for the engineering and construction of the plant with Korea's largest engineering company, Samsung Engineering and Indonesia's Inti Karya Persada Teknik.

Rambal, 41, is throwing his personal fortune at the venture, built

from a series of lucrative property and business deals in his native India along with the substantial out-of-court settlement from Oswal after their falling out in 2006.

"I'm putting my money in, all of it," he says.

Rambal, the former managing director of Burrup Fertilisers, refuses to discuss his now soured relationship with Oswal and details of the 2007 settlement are bound in confidentiality clauses.

What is known is that Rambal, who came to Perth in 2000 and was a key player in establishing Burrup Fertilisers' operations until its opening in April 2006, unsuccessfully tried to have receivers appointed to the fertiliser company via legal action in the WA Supreme Court.

After leaving Burrup, Rambal alleged in his 2006 Supreme Court action that improper payments had been made to third parties associated with Oswal's companies.

The case never went to trial and Rambal's 15 per cent stake was bought by Oswal.

Rambal won't say how much he received but based on analysis by the *AFR* involving previous share acquisitions by Norwegian fertiliser giant Yara International between 2005 and 2008, it is likely he pocketed about \$300 million.

Rambal says the settlement funds and wealth accumulated through his family's property and business investments in India form the bulk – about 75 per cent – of the initial \$500 million to \$600 million in project equity. The remainder of the initial start-up funds have come from two investors, one of them, which Rambal declined to name, holding an in-principle agreement to buy urea from Perdaman.

Rambal now needs to overcome the next significant hurdle – getting



Vikas Rambal is putting everything behind his business.

Photo: TONY ASHBY

\$3 billion in debt financing. He is negotiating with local and international banks and is confident he will have secured finance by April next year, about four months before construction gets under way.

"The global slowdown has increased the viability of this project," Rambal says.

"If it had been 12 months ago, it would have been much harder to get the contractors."

The capital cost for Rambal's plant is five times the \$700 million

invested by Oswal, who developed one of the world's biggest ammonia plants in the state's north-west and has dazzled Perth's top brass with glittering parties and plans to build a \$46 million mansion in exclusive Peppermint Grove.

Ammonia is an ingredient in fertiliser and Rambal's operation incorporates an ammonia plant as part of the broader project, which will use a coal gasification process to produce gas needed to make the urea.

Using gasification overcame a hurdle for Rambal, who initially wanted to develop a fertiliser plant in the north-west but was unable to secure a viable gas contract, with prices soaring as a result of global demand.

In apparent reference to Oswal – who twice unsuccessfully tried to float Burrup Fertilisers – Rambal has ruled out taking the company public for at least two years after it begins production.

"I don't believe in floating ideas," Rambal says. "I believe in floating a project with a good balance sheet. If you have two or three years running a company, then you take it public."

The urea plant will be built near the south-west town of Collie, the hub of the state's power-generating coal industry, and will source 2.7 million tonnes of coal a year for 25 years from billionaire Ric Stowe's Griffin Coal.

Provided Perdaman can secure finance, and environmental approvals, the plant is expected to be in full production by the end of 2013 and produce 2 million tonnes of urea each year and generate \$850 million in export earnings for Western Australia.

It is also expected to create about 1500 jobs during construction.

In a sign of developing rivalry between the pair, Oswal is investigating options to do something similar. He has established a joint venture with Westralian Gas and Power, called Oswest Energy, which is exploring potential coal deposits around Boyup Brook, near Collie.

In a local news report last month posted on Burrup Fertiliser's website, Westralian Gas and Power chairman Peter Briggs said Oswal was considering building a urea plant.