

Fertiliser plant germinates out of past venture

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Agribusiness

A WEST Australian fertiliser company has secured state government approval to build a \$3.5 billion urea fertiliser plant at a new 200ha industrial park two hours south of Perth.

Perdaman Chemicals and Fertilisers will launch its ambitious urea project in the town of Collie today with the aim of producing 2 million tonnes of

urea a year there by 2013.

Inaugural Perdaman chairman Vikas Rambal, the estranged former business partner of Burrup Fertiliser founder Pankaj Oswal, said the plant would generate about \$850 million in revenue a year, create 1500 jobs during construction and employ up to 250 once it was in operation.

“The project has land, the project has a binding heads of agreement with Griffin Coal for

25 years for supply of about 2.7 million tonnes of coal per annum,” Mr Rambal said.

Mr Rambal’s introduction to petrochemical fertilisers in Australia came via the much vaunted but never realised float of Mr Oswal’s ammonia company, Burrup Holdings.

The association between the pair soured, and ended in January 2007 after Mr Rambal withdrew a bid to have receivers appointed to Burrup after an

undisclosed payout.

Mr Rambal said he had “learned a lot” from the Burrup project, and he would put that experience to use in work on the Collie plant.

“I was the one of the main shareholders in Burrup Fertiliser and helped build the ammonia plant,” he said.

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“I learned lots from the last project. I learned a lot about community feedback, the culture of Australia and its banking system. I will put that learning to use in this project.”

Unlike his former business partner, Mr Rambal said, he had no intention of taking Perdaman public. “We don’t have any plans to raise money from the market at this stage,” he said.

Mr Rambal said 80 per cent of the urea produced by the Collie plant would be pre-sold to overseas multinational companies, particularly in India, where growth in demand for urea was increasing by 2 per cent a year.

Urea is a white crystalline solid

containing 46 per cent nitrogen and widely used in agriculture.

“We have been working very hard for one and a half years,” he said. As well as the coal supply agreement, “we have offtake agreements”.

Perdaman, which has changed its name from North West Chemical Fertilisers, would secure finance for the venture through a combination of equity and debt, Mr Rambal said.

“Debt financing we will not need til 2010, so we have time to put the plans together. Until that time we will use our internal equity,” he said.

Perdaman chose the Collie site for the plant and will use Bunbury port for exports, despite lobbying from the governments

of Indonesia and India to base the project there, Mr Rambal said. “There’s no tax on CO₂ and other costs are very low in those places but I live here. This is my country,” he said.

Neither Indonesia nor India has carbon trading schemes in the pipeline — unlike Australia, where carbon trading is slated to begin in 2010. However, Mr Rambal said, Perdaman would qualify as an emissions-intensive, trade-exposed industry under the scheme and be eligible to receive 90 per cent of free permits — the highest level of assistance.

“We believe our project is exactly the type of initiative the federal Government is keen to encourage, as coal gasification represents a low-emission use of

coal that is sequester-ready for when carbon capture and storage becomes available on a commercial scale,” he said.

“If the community is serious about creating a low-emission future for our coal resources, this is a prime example of the type of new investment in the coal industry that this country can attract.”

While other companies have been trying to shelter from the ill winds of the global financial crisis, Mr Rambal said, Perdaman was reaping benefits.

“The downturn has made things cheaper for us,” he said.

“Contractors are freer, labour is readily available.”



Pay dirt: Vikas Rambal says he has learned from the troubles of the Burrup project

Picture: Andy Tyndall