

Life's a gas for the billionaire of Burrup

Jemima Whyte

It's a very West Australian story. Another billionaire, another entrepreneur who has ridden the commodities boom to earn eye-catching riches. But where this one differs from most of the others is he is not a local and he stole a march on them, succeeding where the likes of Wesfarmers failed.

Pankaj Oswal is now a 70 per cent shareholder in Burrup Holdings, a company finalising plans for a \$3 billion float. It's the realisation of a seven-year dream to build the world's largest ammonia plant at Karratha in the Pilbara region.

Others have looked at it and shied

away. Many said the project was doomed to fail.

But the 33-year-old eldest son of Indian entrepreneur Abhey Oswal has been obsessed and determined.

"I had grenades on myself," he said. "I told my wife, I'm sitting on the eighth floor. If I can't do this plant I'll break the window and jump. I meant it," he says.

"I was not going back to India to tell my dad that I'm a failure, that's one thing for sure.

"It's not about being tough, it's about your own respect. Once you make that decision, that's it."

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The billionaire of Burrup

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His view was that a key ingredient to make the project work was gas, securing cheap supplies. Thus the choice of WA. And then he needed the times to suit the project. The unprecedented mining boom has delivered it through fuelling demand for ammonia – a key ingredient in fertilisers and explosives. Prices shot sky high and he's made a bonanza.

He cheerfully boasts about the sceptics.

"People used to say this young man walking up the road wants to set up the world's largest ammonia plant where the likes of Wesfarmers, Agrium and Hydro have failed," Oswal says.

"They were sceptical, very. What is this going to do? And I would tell them, we'll keep doing what we have to, and we will see."

The fact that Oswal has pulled off a project that many were reluctant to try may not be such a surprise to those that know the story of his entrepreneurial and occasionally controversial family. His success has fascinated Perth, where he arrived in 2000.

Oswal and his wife Radhika are now catching tabloid attention in their adopted town, thanks in part to their very public \$22.7 million purchase of a series of blocks in Peppermint Grove as well as the occasional lavish party or invitations to meet their spiritual guru Bhaishri.

Oswal's now likely to attract more attention still, as the IPO is expected to return to the markets in the next month or so.

Earlier this year Burrup and advisers UBS shelved plans to float the company, blaming tough sharemarket conditions. It will be important that the new offer – probably pitched at a lower price, partially reflecting a decision not to sell excess gas – gets away if

the valuation is to be set as a reference point for Oswal's own wealth.

Before finishing a chemical engineering degree, he says he had realised his future was outside of India and would hinge on finding gas supplies. He'd grown up in a family where a second fortune had been built on an agrochemicals empire, and realised that a key component in successful ammonia production was gas.

"Once you get the taste of ammonia and urea on gas, you are always looking for gas. It's very difficult to build, but it's basically the easiest plant to sit back, relax and let it run on its own," he says.

Oswal's scouts came back with two suggestions – Qatar or Australia. In 2000, he flew to Perth with his wife and daughter to see for himself and start negotiating contracts with either the North-West Shelf or Apache.

"We stayed at the Hyatt, and I remember looking out at eight o'clock in the evening and saying: 'There's no one'," Oswal recalls.

"Coming from life in Delhi, which is so fast, and 24 hours a day it's working, it was a good change for us to come to Perth, in a way. I liked it, because if I get my gas, wherever, I will go there."

He got the gas – a memorandum of understanding was signed with Apache in December 2000 for a 25-year contract – and in April 2001, on his eldest daughter's third birthday, the Oswals moved to Perth.

"We picked up our bags and my father said go – go set it up. Actually, it was a challenge, from a man to a man. He said I've done all this, let's see what you can do."

While Oswal may have felt his father's challenge most keenly, there were plenty of others that doubted whether he would succeed.

Oswal remembers most people he approached – including Wesfarmers – were sceptical that a plant could be built. They argued that the site was remote, difficult to build on and that people had been trying to do so for 25 years.

Oswal's response was simple and determined.

"I went up to Burrup, and I saw Woodside there and I said, if these guys can do it, why can't I do it? They've already done the hardest work of getting the infrastructure in place."

In reality, it was far more complicated than that.

Ahead of even beginning to build the plant, Oswal and his then partner, Vikas Rambal, had to secure a series of detailed regulatory approvals, project financing, technology for the plant and, perhaps most importantly, contracts for the gas and selling the ammonia product.

In fact, in the early stages of the plan, Oswal says, he and Rambal wouldn't take an office.

Instead, they based themselves on a public bench in St Georges Terrace, opposite a Singapore Airlines branch. The logic was that if the deal fell through, Oswal could walk straight over to the Singapore Airlines office and buy a ticket home.

But over time, he got it all.

Oswal signed a memorandum of understanding (MOU) with Apache in December 2000, and just a few months later was in talks with Norway's fertiliser producer and trader Hydro Agri about an offtake agreement.

Later the fertiliser group – then called Yara, after a merger – would buy a 30 per cent stake in the project for \$100 million, which Oswal says was based on the construction costs.

But that was before the plant began producing. And before that could even happen, Oswal needed to find the right technology.

At the time, ammonia on spot markets was selling at \$US100 a tonne, compared with today's prices, which are closer to \$US500 a tonne.

In a telling story, Oswal says he wasn't content with the biggest plant that was available at the time – one that processed 2000 tonnes a day. "Given the construction costs of Australian-based labour, we could not justify [the plant]. You could justify because of the gas price, it was very competitive, but we wanted a bigger chunk of profit," he says. The deal Oswal negotiated with Apache is thought to have been below \$1 a gigajoule compared with current prices around \$7 a gigajoule.

"So we went back to Houston, and said, this is not working, you can see the IRRs [internal rates of return], we are not crossing my hurdle rate.

"Three days we sat across the table in a big room and told them to go back to the engineering and build a bigger plant. They had never done it. They had never gone beyond 2000 tonnes. And they were scared.

"Then they came back and said we will give you 2200 tonnes per day, so I said if you can give me 22, give me plus 10 per cent margin on that. And we're going to pay for the margin.

So we got a 2400 tonne-per-day plant."

In his wildest dreams, Oswal says he didn't expect ammonia prices to reach this level and says that's a major reason for considering a partial sale of his 70 per cent stake in Burrup.

"In October 2007 when we contacted UBS, I saw ammonia was \$US250 and I just said yeah, let's do the IPO. I never thought we would get the numbers we are seeing today," he says.

"It's a way of realising value, like my father did 20 years ago, and privately you can only do so much, but if you have external funding, you can do more."

When UBS and Oswal first took the idea of a float to investors in February, it appears the deal was received better among offshore investors than locally. Among domestic investors' concerns were corporate governance (Oswal is to be both chairman and chief executive), a perceived lack of depth on the board, and price expectations.

But both Oswal and UBS are confident those concerns can be overcome, while the most comparable stock on the Australian stock exchange – Incitec Pivot – has continued to rise, trading near record highs.

Oswal has set as his next challenge plans to build a world-scale ammonium nitrate plant in the heart of the state's booming north-west mining industry. He expects it would add about 20 per cent to Australia's production capacity and provide competition to Wesfarmers CSBP and Dyno Nobel, which now supply much of the WA market.

But it wasn't all easy.

In the early stages, Oswal says, he ran into some scepticism from financiers and regulators as news and rumours of some of his father's more troublesome business ventures seeped into Perth. Again, Oswal had a straightforward solution. He flew the bankers to his family's plant Shajhanpur in Uttar Pradesh and showed them what was there.

"I said don't go by rumours on the internet. I said, see it first, touch it. What have you got to lose? You'll see the Taj Mahal, right?"

After that, the financing quickly followed.

Perhaps more serious were claims aired by Vikas Rambal – Burrup's one-time executive director and equity holder – in late 2006, when he launched a legal action in the WA Supreme Court. The claims centred on a series of allegations against Oswal and his family companies.

According to local newspaper reports, Rambal – who did not reply to an email sent by the *AFR* – claimed in his Supreme Court action that improper payments had been made to third parties associated with Oswal, management had engaged in deception and there was a risk of Burrup Fertilisers becoming insolvent.

He also claimed that mismanagement by the project's Indian owners, Oswal Group, had contributed to a number of safety breaches at the plant. That case was settled in the first half of 2007, with confidentiality agreements signed by both parties. As part of the settlement, Rambal sold his equity in the business. Oswal declined to comment on the claim.

Despite — or perhaps because of — the hurdles, the Oswals have been very public about his success.

In a boom town where expensive toys are increasingly common, they have attracted attention for their plans to build a “mini Taj Mahal”, a large private jet and a string of cars.

The private Oswals took it up another level in 2006 when they threw a lavish party to mark Burrup’s first year of production. According to glowing newspaper reports, the Burswood Grand Ballroom was decked out in a sparkling under-the-sea theme and studded with successful Perth figures.

Singer Marcia Hines and her 10-piece band performed alongside jazz trumpeter James Morrison, who accompanied nine-year-old Vasundhara Oswal as she dedicated a piano recital to her father. Newsreader Sandra Sully was MC for the night.

This year, the Oswals are publicly exploring a more spiritual side. They have flown out Hindu spiritual leader Bhaishri, who will be holding

free sessions in early June in Perth’s Esplanade.

Oswal says that Bhaishri — whose teachings are inspired by the Bhagavad Gita and is described on his website as a “lifetime crusader for humanness in humans” — is an important part of his life and helps him navigate difficult business decisions.

“He is an adviser, mother, father and brother to me. On the business, I don’t consult him on an ongoing basis, but when confused, then I ask him on big decisions.”

Despite the lavish parties and invitations to free spiritual sessions, it’s fair to say that Oswal hasn’t won over Perth’s more hard-bitten sceptics. But in the middle of an unprecedented mining boom, money talks in Perth. And if he can get the IPO away second time around, the sceptics may be quietened.

That’s just as well because Oswal says he’s here to stay. “Perth has changed a lot. Now I just call Perth my home, so for me, as the people in the boom and bust, I’ll be one of them.”

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IT’S ALL IN THE FAMILY

Pankaj Oswal’s family history reads like a Bollywood mega-hit. There’s the business stretching back generations, founded on woollen mills. Then the controversial father who broke away from the family business and turned to the public markets to build his own empire, attracting criticism from Indian investors along the way. A younger brother who is an actual Bollywood film star. And of course, Oswal’s own recent success in the remote Western Australia.

Oswal credits his family, rather than any part of his Indian heritage, as one of the most important factors shaping his approach to business.

“I think the advantage I had is the name, I cannot deny the brand name I had. The Oswal name is a known name, in India if you talk about the Oswals, they all know,” he says.

There’s probably a bit more to it than a name.

Oswal grew up steeped in the family’s various business ventures, and his family moved around India to follow his father’s business interests from Ludhiana, in India’s north-west, to Bombay, and then Delhi.

The Oswal family interests were set up two generations ago, when his grandfather — based in the north-west Indian town of Ludhiana — commercialised the family’s wool-milling business, creating Oswal Woollen Mills. His grandfather had four sons, now each in charge of managing various parts of the family interests.

More recently, the Oswal family has attracted attention because of Oswal’s father, Abhey Oswal, who split with family tradition and decided to list a number of companies on the Indian stock exchange.

“Eventually, my father took the big jump,” he says. “He said, that’s it. Enough is enough, I can’t keep sitting in little Ludhiana, a small little town, I want to look at the world now. My father thought leave Ludhiana and come to Bombay, I thought leave India and go out somewhere!”

According to Oswal, his father’s ventures were built on drive and connections. And they’ve ranged variously from oil factories to petrochemical plants.

Oswal clearly recalls his father’s disappointment when his father lost the licence for a fertiliser plant. As Oswal tells it, the licence — which had been promised by Oswal friend and then prime minister Ranjiv Gandhi — was revoked after Gandhi’s death and the project was left floundering.

“That was a big blow for my father,” he says.

“If you ask me, that was the biggest time I have ever seen friction in the house because you know, it was at the brink of losing everything, basically because you are committed to so much money and you don’t know what to do with it anymore.”

But eventually, things turned around and after leaving university, Oswal — already wanting to chase gas — was sent to set up another plant, this time a di-ammonia phosphate processor in the port town of Paradeep.

“It was the most difficult task of my life to get the plant up and running,” he says.

In Paradeep, Oswal was responsible for

commissioning the plant – one which he now says was fraught with engineering faults – and setbacks included a devastating cyclone in 1999 that killed hundreds of people and forced Oswal to literally pick up dead bodies from the plant and burn them.

“Literally, I remember picking up dead bodies and you know, burning them, because all the poor people took refuge in the plant, but the cyclone was too large for anyone to cater for.

“We were there. We were sitting in the house, waiting for the cyclone to leave. We had

a house, the water was to my window, and we were just trying to get the water out. There was a warning, but it wasn't the warning that it was going to be a killer cyclone.”

Now, Oswal says he hopes his daughters – one is three, the other 10 – will consider going into the business he is building.

“This is a family business . . . if my daughters want to run it, they can run it. If not, they know what to do with it,” he says.

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Pankaj Oswal . . . his success has fascinated Perth, his adopted home.

Photo: MEGAN LEWIS