

INDIAN FARMERS FERTILISER COOPERATIVE LIMITED (IFFCO)



Company Background

IFFCO was established in 1967 as a multi-unit cooperative society, a farmers'-owned initiative in the cooperative sector. It was responsible for distributing over a quarter of the fertilisers consumed in India. Earlier, the cooperative sector had no manufacturing facility of its own, and had to depend on other public and private sectors for the supply of fertilisers. To overcome this hurdle, 57 such cooperative societies merged to bridge the demand-supply gap by the production and distribution of fertilisers, thus leading to the formation of IFFCO. The number of such societies has now grown to 37,700. IFFCO is today wholly owned by Cooperatives.

IFFCO commenced its operations by setting up an ammonia-urea complex at Kalol and a NPK/DAP plant at Kandla, both in Gujarat, in 1975. Two more units were subsequently set up in Uttar Pradesh, in 1981 and 1988. With the expansion of these facilities and the acquisition of a fertiliser unit in Orissa, IFFCO increased its annual capacity to 8 million tonnes of fertilisers. It also entered into joint ventures (JVs) with several firms such as Godavari Fertilisers and Chemicals Ltd. (GFCL), Industries Chimiques du Senegal (ICS) in Senegal, Indian Potash Ltd. (IPL) in India, the Oman India Fertiliser Company in Oman and the Indo Egyptian Fertiliser Company in Egypt.

To achieve diversification in its portfolio, IFFCO has entered the insurance and commodities exchange sectors, under which it provides service of various

kinds to farmers. Another project, IFFCO Chhattisgarh Power Ltd. (ICPL), is underway, which will enable IFFCO to foray into the power sector.

IFFCO's manufacturing locations at Kalol, Phulpur, Aonla and Kandla are ISO-14001 certified for their environment management system.

The manufacturing plant at Aonla received the Golden Peacock Environment Management Award in 2005, while the unit at Phulpur won the National Award for Excellence in Energy Management-2005. IFFCO also received the Best Overall Production Performance Award for 2004-05 for its complex fertiliser plant in Kandla.

For the financial year ending 31 March 2006 (FY06), IFFCO generated revenues of US\$ 2.25 billion, thus registering a growth of nearly 34 per cent over the previous year's revenues of US\$ 1.71 billion.

IFFCO in the Arab World

IFFCO registers its presence in the Arab World through three companies: Kisan International Trading FZE (KIT), its fully owned subsidiary in the UAE; the Indo Egyptian Fertiliser Company in Egypt; and the Oman India Fertiliser Company (OMIFCO), a JV in Oman.

IFFCO in Oman

IFFCO, along with its JV partners, has installed a plant, the Oman India Fertiliser Company, with a capacity of 16.52 lakh MT of urea and 2.5 lakh MT of ammonia. IFFCO had contributed 25 per cent of

the total equity, amounting to US\$ 80 million. This plant commenced commercial production from July 2005. During the year ending 31 December 2005, OMIFCO produced nearly 10.4 lakh MT of urea, and generated total revenues of US\$ 119 million.

IFFCO in Egypt

In November 2005, IFFCO entered into a JV with El Nasr Mining Company (ENMC) to form the Indo Egyptian Fertiliser Company (IEFC), targeted at setting up a phosphoric plant in Egypt. This plant will have an annual installed capacity of nearly 0.4 million tonne of P_2O_5 . IFFCO and its affiliate hold 76 per cent equity in IEFC while the remaining is held by ENMC. In this project valued at US\$ 325 million, ENMC will supply rock phosphate, the basic raw material for the production of phosphoric acid, while IFFCO will buy back the entire phosphoric acid produced. With an estimated construction time of 36 months, the plant is expected to commence commercial production in 2009.

IFFCO in the UAE

With the increased international trading in raw materials such as phosphoric acid, ammonia, rock phosphate, sulphur, etc., IFFCO, in 2005, set up a fully owned subsidiary, Kisan International Trading FZE (KIT), with an initial equity capital of US\$ 0.27 million to conduct activities of trading, shipping and logistics and to act as an international investment arm of IFFCO.

Factors for Success

Strategic Joint Ventures

After capturing the domestic market and making a transition from being a distributor to a manufacturer-cum-distributor, IFFCO has grown strategically in the international arena through JVs. With the aim of meeting extensive domestic needs and cutting down production costs, IFFCO has entered into JVs with firms in the Arab world, which are rich in the raw materials needed for the

production of fertilisers such as rock phosphates and gas feedstock.

IFFCO and its partners have installed a plant in Oman for the production of urea and ammonia. The Oman Ministry of Oil and Gas acts as a supplier of gas feedstock to this plant. IFFCO has also forayed into Egypt, attracted by its phosphate rock reserves. India ranks third in the world in the consumption of phosphatic fertilisers, and owing to its inadequate domestic reserves of phosphate rocks, it has been importing more than half of the total global trade in phosphoric acid. With IFFCO's venture in Egypt, it will have a ready-made supply.

Setting up Subsidiary in Dubai

Dubai is perceived as a fast-emerging international commercial centre for logistic operations in the Middle East and Asian regions. With IFFCO's increasing overseas operations, which are mostly confined to the Arab world, it set up its fully owned subsidiary in Dubai to meet its investments, trading and logistic needs, which include the shipping of raw materials. Creating this subsidiary has proved to be a strategic step for IFFCO because of its increased magnitude of imports from this region.

Future Plans

Investment of a Billion Dollars

IFFCO has set itself a target of achieving an annual turnover of US\$ 3.4 billion by 2010. It has planned to invest US\$ 1 billion, which will be used for acquiring plants, setting up JVs in foreign countries, expanding its domestic facilities and implementing energy reduction measures in existing units. KIT, IFFCO's subsidiary in the UAE, will act as its investment vehicle. Through this subsidiary, IFFCO expects to meet its aggressive investment targets and expand its operations in the Arab world.