

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:1777

ANSWERED ON:03.08.2000

DISINVESTMENT OF FERTILIZER UNDERTAKINGS

ASHOK KUMAR SINGH CHANDEL;BRAHMANAND MANDAL;MD ANWARUL HAQUE;RASA SINGH RAWAT;SHRIPAD YESSO
NAIK;TRILOCHAN KANUNGO;UMMAREDDY VENKATESWARLU

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the names and locations of profit making/ loss making/ declared sick Fertilizer Undertakings during each of the last three years till date, undertaking/ plant- wise;

(b) the details of the profit earned/ loss suffered by above undertakings during the above period alongwith the reasons for losses suffered thereby, plant-wise, separately;

(c) the steps taken by the Government to revive above plant, plant-wise;

(d) whether Board for Industrial and Financial Reconstruction (BIFR) provided any revival package for the above plants;

(e) if so, the details thereof, Plant-wise;

(f) whether the Government have any proposal to privatise fertilizer undertakings as part of Disinvestment Policy; and

(g) if so, the details thereof including the percentage of shares the Government propose to sell and names of the buyers, undertaking/ plant-wise?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS (SHRI RAMESH BAIS)

(a) to (e) There are nine Fertilizer Public Sector Undertakings under the administrative control of this Department, namely:

- Fertilizer Corporation Limited(FCI)
- Hindustan Fertilizer Corporation Limited(HFC)
- Paradeep Phosphates Ltd.(PPL)
- Madras Fertilizers Ltd.(MFL)
- Pyrites Phosphates & Chemicals Limited(PPCL)
- Fertilizers And Chemicals Travancore Limited(FACT)
- Projects & Development India Limited(PDIL)
- National Fertilizers Limited(NFL)
- Rashtriya Chemicals Limited(RCF)

Of the above, FCI, HFC, PDIL & PPCL have been declared sick by the Board for Industrial and Financial Reconstruction(BIFR).The rehabilitation/restructuring proposals of FCI,HFC and PPCL based on their unitwise techno-economic viability are to be submitted to the competent authority in the Government and thereafter for sanction of BIFR,keeping in view the Government's declared policy towards Public Sector, which is to restructure and revive potentially viable PSUs, close down PSUs which cannot be revived, while fully protecting the interest of workers.

As regards PDIL, during the course of the review of the rehabilitation scheme by BIFR approved in July 1997,BIFR has directed that a revised rehabilitation scheme for PDIL be submitted to the competent authority in the Government and thereafter for sanction of BIFR.

The location of the plants, profit earned/loss suffered and the reasons of sickness of the fertiliser PSUs are given below:

(Rs./ Crore)

Profit / (loss)

Name of the PSU 1997-98 1998-99 1999-2000 Main reasons for Losses

FCI Ramagundam	(735.69)	(838.29)	(813.84)	Technological, design and equipment deficiencies, frequent equipment breakdowns,
(A.P.), Talchar (Orissa), Gorakhpur (U.P) & Sindri (Bihar)				increase in the cost of liquid petroleum products, power shortages, industrial relations problems, and surplus manpower and resource constraints.
HFC Durgapur & Haldia	(647.83)	(514.49)	(580.71)	Technological, design and equipment deficiencies, frequent equipment breakdowns,

Fertilizer Project(W.B.), Barauni(Bihar) & Namrup (Assam)				increase in the cost of liquid petroleum products, power shortages, industrial relations problems, and surplus manpower and resource constraints.
PPL Paradeep(Orissa)	(105.53)	(57.95)	(89.14)	Depreciation of rupee leading to interest burden, inadequate working capital due to continuous cash losses, delay in disbursement of concession, low capacity utilisation of acid plants leading to higher imports of phosphoric acid, and inventory carrying cost on heavy build up of stocks.
MFL Manali(Chennai)	(55.35)	(25.74)	(24.98)	Lower production due to extended shutdown of plants for revamp hook-up & longer period of stabilisation, under recovery in respect of complex fertilizer due to increase in prices of inputs and depreciation of the Rupee, reduction in adhoc concession on DAP and Complex fertilizers, delay in disbursement of ad- hoc concession.
PPCL Dehradun (UP), Amjhore(Bihar) And Salidapura (Rajasthan)	(53.40)	(87.49)	(70.18)	Decontrol of SSP and delays in withdrawal of the imports substitution incentives, intrinsic cost disadvantage of pyrites based sulphuric acid production, increase in operating costs of pyrites mining at Amjhore, rising costs of deep underground mining at Mussoorie and increased transportation costs.
FACT Udyogamandal (Kerala)	53.94	(48.26)	(39.80)	Interest burden on loans used for capital investment in the Ammonia Replacement Project, unremunerative prices of complex / mix fertilizers, increase in cost of petroleum products.
PDIL Catalyst Unit, R&D Division, Sindri (Bihar), Engineering & Consultancy Division, Noida (Delhi), Baroda (Gujarat).	6.09	(15.85)	(17.71)	Low level of orders for catalysts and lack of job orders as the new projects envisaged at the time of formulation of the revival package got delayed.
NFL Nangal & Bhatinda (Pb), Panipat (Haryana) & Vijaypur (MP)	189.01	41.5	34.89	It is a profit making company.
RCF	189.37	105.64	35.08	It is a profit making company.

Trombay (Bombay,
Maharashtra),
Thal (Maharashtra)

(f) & (g) : Based on the recommendations of the Disinvestment Commission, Government have decided to disinvest 51% of its equity in NFL out of its current holding of 97.65% and 32.74% of its equity in MFL out of its current 58.74 % holding, through sale to a strategic buyer alongwith transfer of management control. In case of both these companies, the process of selection of Global Advisor/ Merchant Banker has been completed. Out of the other four fertilizer public sector companies, namely, FACT, PPCL, PPL and RCF, which have been identified for disinvestment, the decision in the case of FACT and RCF has been deferred, whereas in the case of PPCL and PPL, the process is at an initial stage.