

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

STARRED QUESTION NO:305
ANSWERED ON:17.08.2004
PERFORMANCE OF FERTILIZER PLANTS
Satpathy Shri Tathagata;Singh Shri Dushyant

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

- (a) whether the Government has reviewed the performance of Public Sector Fertilizer Plants in the country during the last three years and the current year;
- (b) if so, the details thereof;
- (c) the loss suffered and profit earned by these plants during the said period, plant-wise;
- (d) the reasons for their losses; and
- (e) the steps to be taken by the Government to convert these loss making units into profit making units?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No.305 to be answered on 17.8.2004

(a) & (b): Yes, Sir. The performance of the fertilizer public sector undertakings (PSUs) under the administrative control of Department of Fertilizers is reviewed regularly on monthly, quarterly and yearly basis as well as through the meetings of their respective Board of Directors.

(c) & (d) : A statement indicating the loss suffered and the profit earned and the reasons thereof by the fertilizer PSUs is given in Annexure.

(e) : The sick fertilizer PSUs viz. Hindustan Fertilizer Corporation Ltd. (HFC) comprising of Barauni, Durgapur, Haldia units and FP&ARD Division; Fertilizer Corporation of India Ltd. (FCI) comprising of Sindri, Gorakhpur, Ramagundam and Talcher units excepting Jodhpur Mining Organisation (JMO) which has been demerged into a new company under the name of 'FCI Aravalli Gypsum and Minerals India Ltd.' (FAGMIL); and Pyrites Phosphates & Chemicals Ltd. (PPCL) have been closed as these were not found techno-economically viable. Another sick PSU i.e. Projects & Development India Ltd. (PDIL) has been revived after closing its unviable units/divisions and the company has posted an estimated profit of Rs.8.05 crore during the year 2003-04.

Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL) is incurring losses mainly on account of delay in implementation of its revamp project. The production and financial performance of BVFCL would improve after completion of the revamp project for which GOI has been providing budgetary support.

With a view to improve the financial performance of Madras Fertilizers Limited (MFL), the Government has provided budgetary support to the company for undertaking renewals/ replacements of trouble making equipments in the plants. Besides, GOI in July 2002 had written off interest of Rs.65 crore on Government loans as on 31.3.2002. Again in July 2003, the Government waived interest and penal interest of Rs.89.23 crore on GOI loans as on 31.3.2003 and reduced rate of interest on the loans to 7% per annum with effect from 1.4.2003. The Government has also initiated the process for finalizing a third and long term financial restructuring package for revival of MFL.

With a view to improve the financial performance of Fertilizers & Chemicals Travancore Limited (FACT), the Government in March 2002 had waived outstanding interest of Rs.226.88 crore along with penal interest of Rs.13.59 crore as on 31.3.2002 on the Government loans availed by the company. Again in October 2003, the Government waived outstanding interest of Rs.87.80 crore alongwith penal interest of Rs.0.58 crore on the Government loans as on 31.3.2003, reduced the rate of interest on the loans to 7% with effect from 1.4.2003 along with moratorium on principal and interest repayments upto 31.3.2004 and also extended a non-plan loan of Rs.60 crore in 2003-04 for implementing voluntary retirement scheme through which about 940 surplus employees have been reduced from the rolls of the company to improve its financial condition. The Government has also initiated the process for finalising a third and long term financial restructuring package for revival of FACT. The Union Government has also been pursuing with the Government of Kerala certain concessions for reduction of State levies/taxes sought by FACT, which would improve its financial condition.

STATEMENT INDICATING THE PROFIT EARNED/LOSS INCURRED BY FERTILIZER PSUs DURING 2001-02 TO 2003-04 AND THE REASONS FOR LOSS

Name of the PSU Profit/Loss(-) (Rs. crore) Reasons for Loss

2001-02 2002-03 2003-04
(Prov.)

HFC -799.66 -1059.56 -1058.90 Technological, design and equipment deficiencies, frequent equipment breakdowns, increase in the cost of liquid petroleum products, power shortages, industrial relations problems, and surplus manpower and resource constraints.

FCI -1104.11-1166.31-1113.70 Technological, design and equipment deficiencies, frequent equipment breakdowns, increase in the cost of liquid petroleum products, power shortages, industrial relations problems, and surplus manpower and resource constraints.

PPCL -114.20 -143.15 -130.00 Withdrawal of the imports substitution incentives, intrinsic cost disadvantage of pyrites based sulphuric acid production, increase in operating costs of pyrites mining at Amjhore, increased costs of deep underground mining at Dehradun as well as increased transportation costs to far-flung marketing zones.

PDIL -36.66 -37.59 8.05 Unviable operations of Catalyst Division and Engineering & Consultancy Division at Sindri along with non-commercial nature of R&D Division at Sindri.

NFL 40.61 286.27 59.84 -

RCF 24.21 -48.07 167.79 -

FACT 0.57 -199.93 -167.25 High cost of ammonia production, high interest and loan repayment liabilities, reduced profits from Caprolactum and Ammonium sulphate due to inadequate price realization, inadequate compensation for Factom fos under price concession scheme, surplus manpower, inflationary trends of naphtha prices and high incidence of Sale Tax and Entry Tax

MFL -66.10 4.12-60.02 Lower production due to extended shutdown of plants for revamp hook-up & longer period of stabilisation, frequent equipment problems, unprecedented drought in Southern States leading to low sales, shortage of water, 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.

BVFCL# - -32.06 -2.47 Revamp under implementation.

FAGMIL## - - 4.12

Formed w.e.f. 1.4.2002 after demerged from HFC
Formed w.e.f. 1.4.2003 after demerger from FCI