

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

STARRED QUESTION NO:19
ANSWERED ON:02.07.2009
REVIVAL OF CLOSED SICK FERTILIZER PLANTS
Deo Shri Kalikesh Narayan Singh;Mahtab Shri Bhartruhari

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

- (a) The details of the closed/sick fertilizer plants in the country along with the reasons for their closure/sickness;
- (b) Whether the Government proposes to revive these plants;
- (c) if so, the steps taken by the Government in this regard ;
- (d) Whether the Talcher Fertilizer Plant is included in the revival programme:
- (e) If so, the details thereof; and
- (f) The details of modernization programmes proposed for the Public sector fertilizer units?

Answer

THE MINISTER OF CHEMICALS & FERTILIZERS (SHRI M. K. ALAGIRI)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO.19 TO BE ANSWERED ON 02.07.2009.

Out of the nine public sector fertilizer companies under the administrative control of the Department of Fertilizers, three are sick and are registered with the Board for Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, 1985. These are Fertilizer Corporation of India Limited (FCIL), Hindustan Fertilizer Corporation Limited (HFCL) and Madras Fertilizers Limited (MFL). Out of these three, the units of FCIL and HFCL are presently lying closed since 2002. MFL has been registered with BIFR as a sick company since 2007. The details of closed/sick units are as under:-

UNITS REMAINING CLOSED

1. Name of the PSU : Fertilizer Corporation of India Limited (FCIL)

Name of Unit	State in which situated	Date of shut-down of the unit	Date of Government's decision for closure	Reason for closure
--------------	-------------------------	-------------------------------	---	--------------------

Sindri	Jharkhand	March, 2002	5.9.2002	The parent company namely FCIL was continuously making losses due to variety of reasons such as vintage of plants, technological obsolescence, mismatch of equipment/capacity and lack of investment on upgradation/modernization
--------	-----------	-------------	----------	---

Gorakhpur	Uttar Pradesh	1990	18.7.2002	
-----------	---------------	------	-----------	--

Talcher	Orissa	1.4.1999	18.7.2002	
---------	--------	----------	-----------	--

Ramagundam	Andhra Pradesh	1.4.1999	18.7.2002	
------------	----------------	----------	-----------	--

Korba Fertilizer Project	Chhattisgarh	Never	Commi-ssioned	Not Applicable
--------------------------	--------------	-------	---------------	----------------

2. Name of the PSU: Hindustan Fertilizer Corporation Limited (HFCL)

Name of Unit State in which Date of Date of Reason for closure
situated shut-down Government's
of the unit decision for
closure

Durgapur	West Bengal	1997	5.9.2002	The parent company viz. HFCL had been continuously incurring losses due to a variety of reasons including obsolete technology, design and equipment deficiencies, power shortages, problems in industrial relations, surplus manpower and resource constraints
Barauni	Bihar	1999	5.9.2002	Haldia Fertilizer Project
	West Bengal	Never	18.7.2002	Commissioned

II. SICK FERTILIZER PSU

Name of the PSU : Madras Fertilizers Limited (MFL)

MFL has only one unit at Manali, situated in the state of Tamil Nadu. The unit has been continuously making losses but production is being maintained, although below the installed capacity.

III. PROPOSAL OF THE GOVERNMENT TO REVIVE THE PLANTS

A) Revival of closed units:

Pursuant to the decision taken by the Government on 12.4.2007, the

feasibility of reviving the various closed units of FCIL and HFCL was examined by the Government, subject to the confirmed availability of gas. The revival of closed units, based on gas have been found to be economically feasible, under the New Investment Policy, as per the Techno-Economic Feasibility Reports (TEFR) for revival of the closed units, as prepared by the Projects & Development India Limited (PDIL), a premier consultancy organisation in the fertilizer sector. PDIL had opined that revival was economically feasible provided the outstanding GOI loans and interest liabilities of the units are waived and the other dues are settled with the respective creditors. Accordingly, the Government, on 30th October 2008, considered the proposal of the Department of Fertilizers for revival of Barauni Unit of Hindustan Fertilizer Corporation through a Special Purpose Vehicle (SPV), promoted by fertilizer PSUs/ Cooperatives. The SPV would submit a fully tied-up revival scheme for the closed fertilizer unit at Barauni.

2. The Government also accorded approval for constitution of an Empowered Committee of Secretaries under the Chairmanship of Secretary (Fert.) and Secretaries of Deptt. of Expenditure, Deptt. of Disinvestment, Planning Commission, Department of Public Enterprises and Ministry of Petroleum & Natural Gas as members, to look into all the financial models for revival of each of the closed units. The Committee would also look into various linkages including gas for facilitating revival of the closed units. The Committee will submit its recommendations including the model for revival of each of the closed units, to the Government.

3. The Government also accorded in-principle approval for considering write-off of Government of India loans and interest liabilities of the FCIL and HFCL. The final decision on waiver will be taken when fully tied-up proposals are received by the Government.

B) Revival of sick unit of Madras Fertilizers Limited

A proposal for financial restructuring of Madras Fertilizers Limited is under the active consideration of the Government. The company had appointed M/s. Deloitte Consultants for suggesting measures and a road map for financial revival of the company. The report of the Consultants is under examination by the company. Since the proposal also involves restructuring of the share capital of the company, the matter is under consultation with the minority shareholders, viz. M/s. Naftiran Inter-trade Company Limited (NICO) whose response in the matter is also under examination.

Further, Government has recently approved an amendment in the New Pricing Scheme Stage-III for urea units which is expected to completely wipe off the losses of MFL on urea operations and make urea production a profitable venture for the Company. Similarly, the production of complex fertilizers by MFL under the Concession Scheme effective with effect from 1st April, 2008 is profitable. It is, thus, expected that the unit will be able to generate cash profit in the current year 2009-10.

II). STEPS TAKEN BY THE GOVERNMENT FOR REVIVAL

Pursuant to the decision dated 30.10.2008, an Empowered Committee of Secretaries (ECOS) has been constituted. As decided by ECOS, technical and financial consultants have been appointed by HFCL and FCIL for suggesting various feasible options for revival of these units through brown field fertilizer projects and financing thereof. The report of the consultants is awaited.

STATUS OF REVIVAL OF TALCHER FERTILIZER PLANT OF FCIL

c) Talcher unit is also one of the eight closed units for which various actions have been initiated by the Department of Fertilizers and the Companies for revival as mentioned above.

V. DETAILS OF MODERNISATION PROGRAMME FOR FERTILIZER PSUs.

The modernization programme of the PSUs as informed by them are as follows :-

A. Rashtriya Chemicals and Fertilizers Limited (RCF):

RCF has undertaken revamp of Thal ammonia Plants at a cost of Rs.488.75 crores. The scheme envisages increasing Ammonia capacity to 2 x 1750 MTPD and corresponding increase in Urea capacity from existing 17.07 LMT to 20 LMT per annum.

B. The Fertilizers and Chemicals Travancore Limited (FACT):

Complex Fertilizers: Currently FACT has an installed capacity to produce 6.33 lakh MTPA complex 20:20:0:13 (at Udyogmandal Division and Cochin Division together). FACT plans to increase the Annual Complex fertilizer production to 10 lakh MTPA by revamping the existing plant at Cochin Division at a total cost of Rs. 200 crore.

C. National Fertilizers Limited (NFL):

The Fuel Oil (FO) Low Sulphur Heavy Stock (LSHA) based urea unit of the company at Nangal, Bhatinda and Panipat are to be converted into Natural Gas based unit, through an estimated investment of Rs. 4,000 Crore.