18	STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21) SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

REVIVAL OF CLOSED AND SICK FERTILIZERS UNITS

EIGHTEENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

MARCH, 2021 /PHALGUNA, 1942 (SAKA)

CC&F No. 18

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STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2020-21)

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MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

REVIVAL OF CLOSED AND SICK FERTILIZERS UNITS

सत्यमेव जयते

Presented to Lok Sabha on 17.03.2021

Laid in Rajya Sabha on 17.03.2021

LOK SABHA SECRETARIAT

NEW DELHI

MARCH, 2021 /PHALGUNA, 1942 (SAKA)

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INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2020-21) having been authorised by the Committee to submit the Report on their behalf, present this Eighteenth Report (Seventeenth Lok Sabha) on Review of Revival of Closed and Sick Fertilizers Units pertaining to the Department of Fertilizers

2. The subject Revival of Closed and Sick Fertilizers Units was taken up by the Standing Committee on Chemicals and Fertilizers (2019-20) for examination and report. The Committee took the oral evidence of the representatives of the Department of Fertilizers on the subject at their sitting held on 11.8.2020.

3. The Standing Committee on Chemicals and Fertilizers (2020-21) considered and adopted this Report at their sitting held on 19.2.2021.

4. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for their cooperation in furnishing the written replies and other information and for placing their views before the Committee.

5. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

6. For facility of reference and convenience, the observations/ recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;
12 March, 2021
21 Phalguna, 1942 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21)

Smt. Kanimozhi Karunanidhi - Chairperson

MEMBERS

LOK SABHA

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3	Shri Deepak Baij
4	Shri Ramakant Bhargava
5	Shri Prataprao Govindrao Patil Chikhalikar
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7	Shri Ramesh Chandappa Jigajinagi
8	Shri Pakauri Lal
9	Shri Kripanath Mallah
10	Shri Satyadev Pachauri
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13	Shri Atul Kumar Singh alias Atul Rai
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RAJYA SABHA

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25	Shri M.V. Shreyams Kumar
26	Shri Jaiprakash Nishad
27	Shri Anthiyur P. Selvarasu
28	Shri Arun Singh$
29	Shri A.D. Singh
30	Shri Vijay Pal Singh Tomar
31	Shri K. Vanlalvena

SECRETARIAT

1.	Shri Manoj K. Arora	-	Officer on Special Duty
2.	Shri N.K. Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Panna Lal	-	Under Secretary
4.	Shri P.R.Siva Prasad	-	Assistant Committee Officer

$Re-nominated to the Committee w.e.f. 23.12.2020.
#Nominated to the Committee w.e.f 28.12.2020 vice Shri Nandigam Suresh.

REPORT

CHAPTER - I

INTRODUCTION

1.1 India is basically an agrarian economy where majority of people still depend on agriculture and allied activities as their primary source of income. Agriculture and its related sectors contribute significantly to our GDP. Fertilizer is one of the main agricultural inputs which provide plants with nutrients needed for their development. It strengthens the soil and enhances its fertility, thereby increasing food grain production. Use of Chemical Fertilizers has played an important role in bringing green revolution and making the country self-sufficient and self-reliant in food grain production. The significant role played by the chemical fertilizers in our country can be gauged from the fact that, over the years, we have not only been able to meet the domestic food grain requirements but also able to generate exportable surpluses. The objective of Government's policy is to maximize indigenous production of nitrogenous fertilizers based on utilization of indigenous feedstock so as to attain self-sufficiency in the sector. Moreover, efforts are being made by the country to further enhance indigenous production capacity of phosphatic fertilizers through import of raw materials, etc. so as to minimize dependence on imports. It is imperative that fertilizers are made available to farmers on time and at affordable prices, for sustained agricultural growth in the country. The rapid build-up of fertilizer production in the country, which provides critical input necessary for the agriculture sector of the country, has been made possible as a result of favorable policy environment by the Government of India, facilitating investments in the sector.

1.2 Both the public sector and private sector manufacturing units are engaged in the production of fertilizers in the country. Some of them are profit making, some of them are sick and loss making and some of them have been closed. In this report, the Committee would like to examine various aspects pertaining to the revival of closed and sick fertilizer companies particularly in the public sector. At present, there are nine Public Sector Undertakings (PSUs) which comes under the administrative control of Department of Fertilizers as per the details given below:-

Sl. No	Name of the fertilizer Company	Main Products	Installed Capacity (LMTPA)	Functional status (Operational / Sick / Closed)
1	Madras Fertilizers Limited (MFL)	Ammonia	3.47	Operational/Sick
		Urea	4.87	
		Complex Fertilizers	8.40	
2.	National Fertilizers Limited (NFL)	Urea	32.31	Operational/Profit making
3.	Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Namrup	Neem coated Urea	5.10	Operational/loss making
4.	Rashtriya Chemicals & Fertilizers Limited (RCFL)-Thal	Neem Coated Urea	3.30	Operational/profit making
		NPK (15:15:15)	4.20	
		NPK (20:20:0)	2.70	
	RCFL-Trombay	Neem Coated Urea	20.00	
5.	The Fertilizers and Chemicals Travancore Limited (FACT)	NP 20:20:0:13 (Factamfos)	6.34	Operational/Sick
		Ammonium Sulphate	2.25	
		Caprolactam	0.50	
6.	FCIL Aravali Gypsum & Minerals India Limited (FAGMIL)	Gypsum	11.10	Operational/profit making
7.	Projects & Development India Limited (PDIL)	PDIL engaged in Design, Engineering Consultancy and related project execution services from concept to commissioning of various Projects and also provides services in the areas of Fertilizers, Oil & Gas and Refinery, Chemicals, Infrastructure, Offsites& Utilities, etc.		Operational/profit making
8.	Hindustan Fertilizers Corporation Limited (HFCL)	Due to un-viability of economic operations of the fertilizer Units, GoI in 2002 decided to close the operations of all the fertilizer Units of HFCL and FCIL.		
9.	The Fertilizers Corporation of India Limited (FCIL)			

1.3 Although, India is a major producer and also consumer of fertilizers, it faces a supply-demand imbalance in respect of its requirement. The import of urea for direct agriculture use is made on Government account to bridge the gap between assessed demand and indigenous production. India's dependency on import at present is to the extent of 25% of the requirement of Urea, 90% in case of Phosphates (either as raw material or finished fertilizers) and 100% in case of Potash. So, there is a strong need to ensure that the existing fertilizer manufacturing units function profitably and to revive the closed units so as to bridge the gap between the demand and availability of fertilizers in the country. The Committee, therefore, have selected the subject “Revival of closed and sick fertilizer units” for examination and report on various aspects relating to the subject. The following chapters are dealing with the subject in detail.

CHAPTER-II

REVIVAL OF CLOSED FERTILIZER UNITS

2.1 In 2002, Government of India (GoI) decided to close operations of five units of Fertilizer Corporation of India Limited (FCIL) located at Sindri (Jharkhand), Talcher (Odisha), Ramagundam (Telangana), Gorakhpur (Uttar Pradesh) & Korba (Chhattisgarh) and 3 Units of Hindustan Fertilizer Corporation Limited (HFCL) located at Barauni (Bihar), Durgapur & Haldia (West Bengal) as these units had been consistently incurring losses due to a variety of reasons. Reasons for sickness/ closure of the fertilizer plants of the erstwhile FCIL and HFCL included:-

- i Obsolete Technology
- ii High energy consumption due to use of high cost feedstocks, like fuel oil, coal & Naphtha.
- iii Poor quality of power/frequent interruption of power supply from state Grid as no captive power plant existed.
- iv Non-availability of funds for timely repairs & renewals which resulted in economic unavailability in sustained operations of these plants.

2.2 In its background note, the Department of Fertilizers has provided a brief history of two CPSEs whose operations have been closed viz. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) as under:-

(a) **<u>History of Fertilizer Corporation of India Limited (FCIL)</u>**

- i. The Fertilizer Corporation of India Limited (FCIL) was set up in 1961 with the objective of mainly setting up of numerous urea manufacturing units in the country.
- ii. In April, 1978, FCIL and National Fertilizers Limited (NFL) were reorganized into five companies, FCIL, Hindustan Fertilizer Corporation of India Limited (HFCL), Rashtriya Chemicals & Fertilizers Limited (RCF), National Fertilizers Limited (NFL) and Projects Development India Limited(PDIL).
- iii. FCIL comprises of fertilizer units at Sindri (Jharkhand), Gorakhpur (Uttar Pradesh), Ramagundam (Telangana), Talcher (Odisha), & Korba

(Chhatisgarh) and Jodhpur Mining Organisation (JMO). JMO was subsequently registered as a separate company by the name of FCI Aravali Gypsum and Minerals Ltd. i.e. FAGMIL.

iv. The details of these plants are as under:-

Sl. No.	Unit	Capacity (in TPD)	Feed Stock	Year of commissioning	Stopped on
1.	Sindri	1000	LSHS/FO	1.10.1961	16.3.2002
2.	Gorakhpur	950	Naptha	1.1.169	106.1990
3.	Ramagundam	1500	Coal	1.11.1980	31.3.1999
4.	Talcher	1500	Coal	1.11.1980	31.3.1999
5.	Korba	1500	Coal	Construction not taken up	--

(b) <u>History of Hindustan Fertilizer Corporation Limited (HFCL).</u>

2.3 HFCL emerged as a separate company following re-organisation of the erstwhile FCIL and NFL group of companies in early 1978. The newly formed Corporation under its ambit of control got the operating units at Durgapur (West Bengal), Barauni (Bihar) and Namrup I & II (Assam) now BVFCL. Besides, a fertilizer cum chemical project at Haldia (West Bengal) was also annexed to HFCL. Namrup unit has been demerged from HFCL and formed into a new Company, namely, BVFCL w.e.f. 1.4.2020. HFCL, at present has three plants, namely, Barauni (Bihar) and Durgapur and Haldia in West Bengal. The details of these plants are as follows:-

S. No	Unit	Capacity (in LMTPA)	Feed Stock	Year of Commissioning	Production suspended on
1.	Barauni	3.30 (de-rated to 1.84)	Naphtha	1.11.1976	Jan, 1999
2.	Durgapur	3.30 (de-rated to 1.73)	Naphtha	1.10.1974	24.6.1997
3.	Haldia	1.65	FO/LSHS	Not commissioned. Suspended commissioning in Oct. 1986 on GOI orders	---

Revival of Closed Plants of FCIL & HFCL

2.4 To meet the shortage of fertilizers, the Government is working upon revival of the closed fertilizer PSUs so as to enhance our production capacity which will reduce our need for import of fertilizers and will also be instrumental in opening new avenues for generation of income and employment in the country. The Department of Fertilizers has furnished a list of important Cabinet decisions regarding Revival of closed fertilizers Units of FCIL and HFCL, which are as under:

Sl. No	Year	Particulars
1	2002	GoI decided to close operations of all the units of FCIL and HFCL and release all its employees under Voluntary Separation Scheme (VSS).
2	2007	CCEA in 2007 gave 'in principle' approval to examine the feasibility of revival of the closed units of FCIL and HFCL.
3	2008	Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) units subject to non-recourse to Government funding and to consider write off of GOI Loan & interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL are to be revived on nomination basis. Gorakhpur &Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route. .
4	2011	Cabinet approved to revive FCIL and HFCL units as under: (i) Sindri, Talcher and Ramagundam units to be revived on nomination basis. (ii)Gorakhpur and Barauni units to be revived through Bidding route. Subsequently, Cabinet Committee on Economic Affairs (CCEA) approved the Draft Rehabilitation Scheme (DRS) for revival of all the units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by the

		consortium of M/s. Rashtriya Chemical & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and M/s Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s. Engineers India Limited (EIL) and M/s. National Fertilizers (NFL) Limited and revival of Sindri unit by M/s Steel Authority of India Limited (SAIL). ▪
5	2013	CCEA approved waiver of GoI loan and interest to facilitate FCIL to arrive at positive net worth. FCIL was de-registered from BIFR, paving the way for revival of FCIL units.
	2015	a) The bids were sought from open market for Gorakhpur & Sindri units. Only one bid for each unit was received. In view of poor response from bidders for Request for Qualifications (RFQ) for Gorakhpur & Sindri units of Fertilizer Corporation of India and keeping in mind the current market scenario, it has been considered that Sindri, Gorakhpur units of FCIL and Barauni Unit of HFCL will be revived through profit making & financially strong PSUs like Coal India Limited, NTPC and ONGC etc. Accordingly, a Combined Cabinet Note for revival of Gorakhpur, Sindri& Barauni Units through PSU route was forwarded to Cabinet for its approval. b) The Union Cabinet approved revival of the Gorakhpur, Sindri and Barauni unit ‘on nomination basis in its meeting dated 31.03.2015, 21.05.2015 and 31.03.2015 respectively.
6	2016	CCEA approved waiver of GoI loan and interest to facilitate HFCL to arrive at positive net worth. HFCL was de-registered from BIFR, paving the way for revival of HFCL units.
7	2016	The Cabinet in 2016 approved to revive Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle (SPV) of PSUs through nomination route.

2.5 In its brief on the subject, the Department of Fertilizers has inter-alia stated that the Union Cabinet in its meeting held on 13.07.2016 approved the proposal to revive three sick Urea plants located at Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle (SPV) of Public Sector Units namely, NTPC, CIL, IOCL and

FCIL/HFCL, through “nomination route” with the objective of making the country self-reliant in Urea. In pursuance to the decision of the Government, an SPV by name the Hindustan Urvarak & Rasayan Limited (HURL) was incorporated for revival of closed Urea plants at Gorakhpur, Sindri of FCIL and Barauni plant of HFCL. Out of eight closed units of FCIL/HFCL, Government of India has decided to revive five major sick/ shutdown fertilizer units namely Sindri (Jharkhand), Talcher (Odisha), Ramagundam (Telangana), Gorakhpur (Uttar Pradesh) of FCIL and Barauni (Bihar) unit of HFCL, out of which task for revival of three Units is being undertaken by HURL. The Department further informed that five closed units of FCIL/HFCL are being revived by setting up new Urea units of 12.7 LMTPA capacity each at Ramagundam (Telangana), Talcher (Odisha), Gorakhpur (Uttar Pradesh), Sindri (Jharkhand) and Barauni (Bihar) through formation of Joint Ventures of leading PSUs consortia. Department of Fertilizers along with NITI Aayog and Prime Minister Office have been closely monitoring these revival projects. The brief details in respect of these 5 projects are as under:-

Sl. No.		Ramagundam	Talcher	Sindri	Gorakhpur	Barauni
1.	State	Telangana	Odisha	Jharkhand	Uttar Pradesh	Bihar
2.	Name of JV/SPV Company reviving	M/s. Ramagundam Fertilizers & Chemicals Ltd.	M/s. Talcher Fertilizer Ltd.	M/s Hindustan Urvarak & Rasayan Limited (HURL).	M/s HURL	M/s HURL
3.	Capacity (in LMT/Annum)	12.7	12.7	12.7	12.7	12.7
4.	Cost of project (Rs. In crores)	6120.55	13277 (+10%) as per revised DFR)	6977.01	7085.77	7043.26
5.	Anticipated year of Commissioning	2020	2023	2021	2021	2021

6.	Equity contribution	I – NFL 26% II – EIL 26% III – FCIL 11% IV –State govt. 11% V – GAIL 14.3% vi-htas Consortium 11.7&	I – RCF 29.67% II – CIL 29.67% III – GAIL 29.67% IV – FCIL 10.99%	I – NTPC 29.67% II – IOCL 29.67% III – CIL 29.67%
6.	Financial Progress (%)	70.19	0.89	Gorakhpur – 30.34 Bararuni – 18.58 Sindri – 16.42
7.	Overall Progress as on 30.04.2020	99.53%	57.72%	Gorakhpur – 77% Bararuni – 68.90% Sindri – 70.20%

2.6 Regarding the project wise activity status on 'Revival of closed fertilizers PSUs, the Department of Fertilizers has conveyed as under:

A. <u>Ramagundam Fertilizers & Chemicals Ltd (RFCL)</u>

2.7 Revival of Ramagundam Unit of FCIL is being done by M/s. Ramagundam Fertilizers & Chemicals Limited (RFCL), a Joint Venture of Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL for setting up of a Gas-based Urea Plant with a capacity of 12.7 lakh MTPA of Urea. RFCL was incorporated on 17 Feb,2015 for setting up gas based urea manufacturing unit at Ramagundam,Telangana. EIL provides Engineering Procurement Construction Management (EPCM) services to RFCL for execution of the project.

2.8 RFCL signed Gas Transportation Agreement (GTA) with GITL on 08.07.2016 and the Gas Supply agreement signed with GAIL on 17.11. 2017. The RFCL plant received Power & water on 10.04 2019 & 15.06.2019 respectively. The Natural Gas was received at GITL's metering station in Ramagundam on 14.10.2019 and the natural gas supplied by GITL in RFCL battery limit on 01.11.2019. Now, the pre-commissioning activities have already commenced and production was expected to be started in early 2020. However, the Committee were informed during oral evidence of the representatives of the Department of Fertilizers that the schedule of commissioning of the plant has been impacted due to COVID 19 pandemic. The following is the salient points of completion outlook of the plant as per power point presentation made by the representatives of the Department during oral evidence:-

- Overall Physical progress as on 15.07.2020 - 99.64%
- GTG – Full speed no load test completed. Load run test planned from 04.08.20.
- HRSG – Commissioning in progress. Steam out targeted by 10.08.20.
- **Ammonia Plant** :-
    - ❖ Ammonia Compressor – Solo run by 15.08.20.
    - ❖ CO2 Compressor – Solo run scheduled by 20.08.20.
    - ❖ Syn. Gas Compressor - Solo run by 10.09.20.
    - ❖ Synthesis Sec. – Mechanical completion by 15.08.20 & Pre-commissioning by 30.09.20.
    - ❖ Ammonia Plant – instrument loop checking, interlock & protocol checking is in progress. Completion targeted by 15.08.20.
    - ❖ Overall mechanical completion- 15.08.2020
- **Urea Plant :**
    - ❖ Completion targeted by the end of 30.09.2020.
    - ❖ Prilling Tower – 90.9% progress achieved. Anticipated Mech. Completion 30.09.20.
    - ❖ Lift erection completed and Testing /Commissioning targeted by 1st week of Aug, 2020.
    - ❖ Overall mechanical completion by 30.09.2020.
    - ❖ Urea production expected by End Oct, 2020
    - ❖ Commercial production by Second week of Nov, 2020

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<u>B. Talcher Fertilizers Limited (TFL).</u>

2.9 TFL is a Joint Venture company of Gas Authority of India Ltd (GAIL), Coal India Ltd (CIL), Rashtriya Chemicals & Fertilizers Ltd (RCF) & FCIL for setting up a coal based urea plant with a capacity of 12.7 LMTPA of urea at Talcher, Odhisa. Projects & Development India Ltd (PDIL), Noida has been appointed as Project Management Consultant (PMC) for pre-project activities of TFL project. Environment Clearance of the project was received in February, 2018. CCEA approval for RCF equity contribution received in September 2018. MoU was signed with IOCL for supply of pet coke in August 2017. Mine allotment agreement for captive coal mine has been signed in Dec. 2018. M/o Coal has accorded its approval for submission of PBG and other relevant payments by 31st August 2020. Investment approval of the project was accorded by TFL Board on 29th August 2019 after receipt of approvals by the Promoters. Letter of Intent (LoI) was issued for Coal Gasification and Ammonia/ Urea Lump Sum Turn Key(LSTK) Tender on 11" and 19th September 2019, respectively. M/s Wuhuan has been engaged as LSTK contractor for Coal Gasification and Ammonia/Urea packages of the project valuing approx. Rs 7900 Cr. Approval has been granted by High Level Clearance Authority (HLCA) of Odisha Govt. for TFL project on 31 August 2019. The project is likely to be commissioned by September, 2023.

2.10 In regard to financial progress of the project, the following information was provided to the Committee during oral evidence on the subject:-

Revised DFR cost is Rs. 13277 crore +/- 10%
Commitment of approx. Rs. 8100 Crore has already made
Tendering is in progress for approx. Rs 1350 Crore
Currently pre-project activities are in progress

2.11 The following status of mining was shown to the Committee during power point presentation to the Committee on the subject:-

- Borehole drilling at Northern part of North Arkhapal mine under progress in 3 boreholes. Four more boreholes to be drilled.
- Mine block plan preparation work through superimposition of block boundary over cadastral plans is complete
- GR report expected by August 2020
- Mining DFR/ Mining Plan expected by February 2021

2.12 During power point presentation the Committee were informed about the following impact on project schedule due to COVID 19:-

Delay of 03 months - during 1st phase of lockdown.

Delay of 06 to 09 months - due to extended lockdown.

However, comprehensive assessment w.r.t delay in the project schedule shall be made after lockdown eases.

Work at site has resumed from 1st week of May, 2020 with minimum manpower and stipulated guidelines.

2.13 As the Department Of Fertilizers had conveyed that revival of Talcher Unit of FCIL is being undertaken for setting up of a Coal based Urea Plant, when asked to convey the reasons for setting up of a coal based plant instead of a gas based plant which is already being encouraged and is *inter-alia* more energy efficient thereby being cost effective, the Department in a written reply stated as under:

> "Talcher fertilizer plant is based on Clean Coal Technology for its operations and would be first of its kind in the country. The project is environment friendly and doesn't emit any harmful emissions as compared to direct coal firing processes. Further, it shall reduce dependence on natural gas for fertilizer production and will also open up new avenues for using country's vast coal reserves in petrochemicals & other related sector."

2.14 During the evidence, when the Committee specifically asked the reasons for high cost of construction of Talcher Fertilizers plant (TFL) which is utilizing the coal gasification technology and has appointed a Chinese consultant for the execution of the project, the Secretary, DoF replied as under:

> "The capital cost looks higher. In case of Barauni, Sindri and others, the cost is around Rs.7,000 crore as on today and here it is around Rs.13,277 crore. But operational cost will be low. We have worked out the details. We are giving them eight years support. For eight years whatever per metric tonne subsidy we are giving to Barauni and Sindri, the same subsidy will be given for this place also. Actually, the end product will not be costlier. Because of coal gasification, the operational cost and the cost of production will be almost the same."

2.15 In this regard, the Committee observed that though China has a number of projects with a capacity of 4,00,000 MT in comparison to our country's 1200 MT capacity projects, it seems that the Government is spending too much money for the TFL project and desired to know the approximate per metric tonne cost of urea generated through coal and through gas and its cost in dollar terms taking the current exchange rate. In reply, the secretary of the Department stated during oral evidence, "In the new plants, it is coming approximately at Rs. 30,000 per metric Tonne. It will come to 395 dollars."

C. Hindustan Urvarak & Rasayan Ltd. (HURL) units: -

2.16 Revival of Gorakhpur & Sindri units of FCIL and Barauni Unit of HFCL is being done by M/s. Hindustan Urvarak & Rasayan Limited (HURL) which is a Joint Venture Company of National Thermal Power Corporation Limited (NTPC), Coal India Ltd (CIL), Indian Oil Corporation Limited (IOCL) as lead promoters with FCIL & HFCL as other partners for setting up of Gas-based Urea Plants with a capacity of 12.7 lakh MTPA of Urea at each of the locations. HURL has appointed PDIL as its Project Management Consultant (PMC) to supervise its design & Engineering site construction by Lump Sum Turn Key (LSTK) contractors. PDIL has also been appointed for implementation of some of the off-site facilities in which PDIL is responsible from concept to commission including its design, engineering, procurement, expediting, site construction and erection leading to testing & commissioning. LSTK contracts for Ammonia Urea package in case of Gorakhpur unit was awarded on 27.02.2018 whereas in case of Sindri and Barauni units was awarded on 18.05.2018. All major Long Lead Items have been ordered for all three Projects. LSTK works are in general progressing as per schedule. However, there are minor delays in Non-LSTK Packages for which recovery plans are being implemented. The estimated commissioning of 3 projects of HURL (Gorakhpur, Sindri and Barauni) are as under:

i.	Gorakhpur	=	February 2021
ii	Sindri	=	May 2021
iii.	Barauni	=	May 2021

2.17 During Oral evidence of the representatives of the Department of Fertilizers, During oral evidence of the representatives of the Department of Fertilizers on the subject, the following presentation was made to the Committee about the progress of HURL projects :-

“ (i) The pre-project activities have been completed;

(ii) Environmental clearance obtained for Gorakhpur, Sindri and Barauni Projects;

(iii) Gas supply & transportation agreement - signed with GAIL (India) Ltd for all three Projects;

(iv) LSTK contracts for Ammonia Urea plants - awarded at all three plants;

(v) Interest Free Loan (IFL) equivalent to Interest during construction component of Rs. 1257.82 crores approved by CCEA".

2.18 Regarding impact of lockdowns due to COVID 19 on the progress made in HURL projects, the following information provided during power point presentation to the Committee on the subject by the representatives of the Department:-

(a) Huge impact on Progress: Post lockdown reduction in workforce by 52%.
(b) The anticipated delay in installation and erection works - 2 to 3 months.
(c) Delay in receipt of Steel structure/fabricated equipment from all over India due to closure of workshops – 3 to 4 months.
(d) Shipment of LSTK equipment for Barauni and Sindri cannot reach Haldia / Kolkata Port before July 20 and hence transportation through inland water ways on barges from Haldia port to Kolaghat and Simaria Ghats to Sindri and Barauni cannot happen due to restrictions on inland waterways during monsoon. This will delay the consignments by 3-4 months and execution by 5-6 months.
(e) LSTK & other agencies have invoked Force Majeure clause on account of COVID.

2.19 The following presentation was made to the Committee about the overall prog(Power Point Presentation ress made in HURL projects as in July, 2020 during oral evidence on the subject:-

Overall Progress Status of HURL Projects - Jul-20

Sl. No	Activity Description	Progress	PRE-PROJECT	NON-LSTK	LSTK	OVER ALL PROGRESS
1.	Gorakhpur	Plan / Post Covid F'Cast (%)	100.0 / 83.5	85.9 / 54.0	98.1 / 89.9	94.9 / 80.0
		Actual (%)	81.6	54.5	90.4	80.5
2.	Sindri	Plan / Post Covid F'Cast (%)	100.0 / 96.4	86.3 / 54.5	93.0 / 82.6	91.4 / 75.4
		Actual (%)	96.2	53.9	81.1	74.2
3.	Barauni	Plan / Post Covid F'Cast (%)	100.0 / 97.4	86.1 / 48.9	93.1 / 82.4	91.4 / 73.8
		Actual (%)	97.1	49.3	81.0	72.9

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2.20 On being asked to convey the probable schedule/ date of commissioning of all the fertilizer plants being revived, the Department replied as under:

Name of the revival units	Ramagundam	Talcher	Gorakpur	Sindri	Barauni
Schedule Commissioning	15th November 2020	September, 2023	February, 2021	May, 2021	May, 2021
Probable delay in commissioning due to Covid-19 pandemic (in months)	Nil	6-9	5	7	7

2.21 During oral evidence, when it was asked whether the Gorakpur fertilizer plant would be commissioned after the above mentioned delay during 2021, the Secretary, Department of Fertilizers replied as under:-

> "The second point the Hon. Member raised was about HURL, Gorakhpur plant. It has been delayed to five to six months. The point is whether this plant would be commissioned or not even after this delay. We are hopeful about it. We are taking all steps and precautions. As was presented by the Additional Secretary, at one point the number of workers were reduced to 40 per cent, but now the workers strength is 80 per cent. We are giving some extra incentive to the laborers. Effort is being made. It is expected that it will be commissioned as per the detailed schedule".

2.21 When the Committee desired to know the loss incurred by the Department in the execution of the projects due to delay in the projects because of Covid, the secretary, Department of Fertilizers stated during evidence as below:

> "As of now, we have not estimated. We have only estimated the delay in the project execution. To that extent, the interest that they will be paying to the financial institutions will be monetized. That will be capitalized. So, one can take that as a likely cost. But we do not know whether the cost of any equipment or anything will go up because of these four-five months delay. LSTK means lump sum turnkey. The contracts have been awarded and the prices have been negotiated completely. So that may not change. But there are some people who have invoked the Force Majeure clause. We have not exactly studied the impact. So, once we are in a position, we can say that."

Chapter –III

REVIVAL OF SICK AND LOSS MAKING FERTILIZER UNITS

1. The Fertilizers and Chemicals Travancore Limited (FACT)

3.1 The Fertilizers and Chemicals Travancore Limited (FACT)incorporated in the year 1943 is one of the first large scale fertilizer companies in India. Located at Udyogmandal, Kerala, FACT started production in 1947. Initially in the private sector promoted by Seshasayee Brothers, FACT became a PSU in the year 1960 and towards the end of 1962, the Government of India became the major shareholder of FACT. During oral evidence of the representatives of the Department of Fertilizers on the subject, the following information was provided to the Committee about FACT:-

Year of Commissioning	**1943**
Paid up Capital-	Rs. 647.07cr.
Shareholding Pattern	GoI: 90% ;SNIF:8.56%;Others:1.44%
Authorised Share Capital	Rs.1000 cr.
Main Products and major By Products	**Finished goods** Ammonium Phosphate (FACTAMPHOS), Ammonium Sulphate and Caprolactam **Intermediaries** Ammonia, Sulphurc acid and Phosphoric acid **By Products** Gypsum, Carbon dioxide, Nitric acid, Soda Ash and Steam
Installed Capacity- Original/Current (in LMTPA)	Fert.:NP-6.34, Amm. Sulphate-2.25; Caprolactum-0.50
Capacity Utilisation in last 5 years in % from 2014-2019	Fert.:NP-97/81/106/104/100, Ammonium Sulphate-53/35/68/80/63; Caprolactum: 0
Major Assets(31.03.2019) Rs. in cr.	Tangible A ssets-311.87; Stock in hand-652.01; Investment in shares - 69.06 Receivables including subsidy- 503.23
Major Liabilities(31.03.2019) Rs. in cr.	GoI loan with interest-2248.5; Short term borrowing incl. cash credit-Rs.477.9; Provisions-191.1; Dues to employees3.7; Statutory dues8.2; Other liabilities 45.5.

3.2 During power point presentation, the representatives of the Department of Fertilizers showed the following slide about the financial performance of FACT during the period from 2009-10 to 2018-19:-

(Rupees in lakh)

Year	Turnover	Profit/(Loss) before taxation	Net profit/(loss)	Net Worth
2009-10	216984	(10371)	(10384)	19102
2010-11	256320	(4933)	(4933)	14169
2011-12	302106	1980	1980	16149
2012-13	244187	(35396)	(35396)	(19247)
2013-14	227622	(26496)	(26496)	(45743)
2014-15	203236	(39991)	(39991)	(85734)
2015-16	178008	(45219)	(45219)	(130953)
2016-17	194580	(26268)	(26268)	(155501)
2017-18	199572	(12906)	(13051)	(169504)
2018-19	201001	16314	16314	(152369)

3.3 The Department has also furnished the following information about the performance of FACT:-

Sl. No.	Year	Production (LMT)	Revenue (Rs. in Crores)	Expenses (Rs. in Crores)	Profit/(Loss) (Rs. in Crores)
1.	2014-15	7.34	1997.34	2397.25	(399.91)
2.	2015-16	5.95	1764.97	2217.16	(452.19)
3.	2016-17	8.07	1901.32	2164	(262.68)
4.	2017-18	8.42	1970.3	2099.36	(129.06)
5.	2018-19	7.76	2411.73	2248.58	163.15

Reasons for Sickness

3.4 Above tables shows that FACT had incurred loss most of the years during the last decade. In their power point presentation to the Committee during oral evidence, the representatives of the Department of Fertilizers stated the following reasons for the sickness of the company:-

- Dependence on high cost Naphtha till 2013
- Setting up of Ammonia plant (Rs. 678 Cr. in 1998 – without any increase in the quantity of End products) consequent to a Public Interest Litigation

& High Court verdict restricting import of ammonia through storage at Cochin Port

- Decontrol of Ammonium Sulphate (1994 to 2008)
- Non recognition of Sulphur as nutrient under fixed MRP regime (till 2008)
- Stoppage of Urea Plant in 2003 as the operations turned unviable with implementation of Group Pricing Scheme
- Stoppage of Caprolactam as the operations turned economically unviabile (2012)

3.5 The Department has further stated that the non-cash assistances upto 2006 and the interim grant of Rs 200 crore in 2008 did not turn around the company. Due to aforementioned reasons, the company continued to suffer losses, resulting in additional borrowings which further compounded its losses. The net worth of the company became negative in 2012-13.

Financial Restructuring of FACT

3.6 In regard to the financial restructuring of FACT, the following information was provided by DoF :-

1. Based on recommendation of the Board for Reconstruction of Public Sector Enterprises (BRPSE), Cabinet Committee on Economic Affairs(CCEA) Note moved in 2014 on revival plan of FACT by infusion of funds and waiver of Government of India(GoI) loans & interest subject to continuation of existing support for providing the company a level playing field with other fertilizer companies.

2. After deliberations with other departments, it was concluded that infusion of funds from GoI if not possible, to plan from its own internal resources.

3. Plan loan of Rs.1000 crore sanctioned on 21.03.2016 to avert immediate financial crisis.

4. A CCEA note on Financial Restructuring of FACT was circulated on 23.2.2018 for Inter Ministerial Consultation(IMC) having the following proposals:

   - Approval for the sale/leveraging of total 651.479 acres of land held by the Company and out of which 481.790 acres of land for transfer to Government of Kerala (331.790 acre @ Rs.2.4758 Cr. per acre and 150 acre @ Rs.1.0 Cr. per acre) and the remaining 169.689 acres of land (@Rs.2.4758 Cr. per acre) for transfer to BPCL.

- Grant of a one-time compensation amounting to Rs.140 crore for the use of high cost LNG to test the plant (during October 2013 to January 2014).
- Write-off of outstanding Government of India loan of Rs.1282.73 crore as on 31.3.2017.
- Write-off of the total interest payable on Government of India loans (Rs. 1282.73 crore) up to 31.3.2017 amounting Rs.487.76 crore.
- Waiver/ refund of consequent tax liabilities on account of implementation of the above financial restructuring proposal.

Meeting held in PMO on 10.8.2018

3.7 Subsequently a meeting was held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of FACT. In the meeting, the following decisions were taken:-

- The proposal for sale of land of FACT to be delinked from the Cabinet note for financial restructuring of FACT.
- NITI Aayog subject experts to conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Unit of Department of Fertilizers.
- Department of Fertilizers to list all assets of FACT and MFL and to ascertain which assets can be monetized.
- To explore the option of revival of the Fertilizers Units (FACT and MFL), a meeting of RCF, PDIL, IIFCO, KRIBHCO, NFL etc. may be scheduled.

Action taken on the PMO directives:

3.8 The following steps were taken by the Department of Fertilizers on the PMO directives:-

- Department of Fertilizers has de-linked the proposal of sale of land from FACT to Government of Kerala from financial restructuring proposal.

- The Cabinet Note seeking approval for "Sale of 481.79 acres of land held by FACT to the Government of Kerala and utilization of the sale proceeds by FACT" was submitted to Cabinet Secretariat and PMO on 7.1.2019.
- NITI Aayog sought comments of Department of Fertilizers on the draft study report which have been provided to NITI Aayog vide DoF OM dated 18.11.2019.
- A meeting was held on 16.11.2018 with NFL, RCF and IFFCO to explore the possibility of merger of FACT and MFL. None of the participant Company has shown their interest in absorption/merger of FACT/MFL with them.

Progress made in monetization of land:

3.9 The Department of Fertilizers (DoF) informed the Committee about the further progress made in regard to monetization of land pertains to FACT as under:-

(1) Approval for sale of 169.689 acres of land @ Rs 2.4758 crore per acre of FACT to BPCL was accorded vide DoF letter dated 23.03.2018. Based on the approval, sale of 169.7 acres of land to BPCL at cost of Rs.420 crore was effected in March 2018

(2) (i) Union Cabinet had approved the proposal for Sale of 481.79 acres of land held by FACT to the Govt. of Kerala on 24.07.2019 as under.

- 150 acres of land at the rate of Rs. 1 Crore per acre (in lieu Government of Kerala agreed to give free hold right over 143.22 acres of land to FACT).
- Remaining 331.79 acres at the rate of Rs. 2.4758 Crore per acre as assessed by District Collector of Ernakulum.
- Utilization of sale proceeds by FACT.

(ii) Vide letter dated 01.08.2019, DoF has conveyed the decision of the Union Cabinet to FACT and Govt. of Kerala with the request to take appropriate action for the proposed land transfer under intimation to the Department. In this regard, FACT vide letter dated 12" December, 2019, had informed that they have received amount of Rs.967.69 crore towards the sale deed of 481.79 acres of land from the Government of Kerala.

(3) The Union Cabinet also approved utilization of the sale proceeds by FACT to address working capital deficiency, improvement of balance sheet and enabling the company to enhance physical and financial performance by implementing capacity expansion projects for sustainable growth of the Company. Accordingly, FACT Board has approved CAPEX plan of Rs. 700 Cr. for following schemes:-

(a) 1650 TPD NPK plant with pipe reactor (capacity expansion)

(b) Other schemes including schemes for enhancing physical performance of the Company.

<u>Further progress made in the matter</u>

3.10 In regard to further progress made in the matter, DoF informed the Committee in a written reply that the Department had received recommendations made by NITI Aayog, Vide ID Note dated 22nd January, 2020, on the study report on “feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs”. Vide ID note dated 13th May, 2020 DoF had sent the comments to PMO. Subsequently, a meeting through Video Conference (VC) was held under the Chairmanship of Principal Advisor to Prime Minister at 3.30 PM on June 12, 2020 on the above subject. Following are the action points emerged from the VC:

(i) The companies MFL and FACT should inter alia try to rationalise their manpower, enhance operating efficiencies, monetise their vacant lands to achieve the desired restructuring. All steps should be taken to ensure that as far as possible there should not be any financial outgo of Government of India.
(ii) Considering that they are located adjacent to them, the Deptt. of Fertilizers to coordinate with Ministry of Petroleum and Natural Gas for utilising the synergies with oil PSUs like Indian Oil, CPCL and BPCL.
(iii) No further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalised.
(iv) Secretary, Deptt. of Fertilizers should revisit the proposal accordingly and submit a revised proposal in light of the above observations.

3.11 In regard to the above, the Department has stated that necessary actions are being initiated by it. When asked about the action taken by the Department to comply with the action points emerged from the VC held under the Chairmanship of Principal Advisor to PM on June 12, 2020 for long term sustainable revival of the two sick fertilizer units viz. MFL and FACT, the Department informed in writing as under:-

"In pursuance of actionable points emerged from the high level meeting held on 12th June, 2020, the same has been shared with the concerned CPSEs viz., FACT and MFL for necessary action. It was specifically suggested that FACT and MFL should re-look into the issue of manpower rationalisation before the proposals for financial restructuring would be considered".

3.12 Then the Department was asked to elaborate the efforts made for technological up-gradation and monitoring the functional performance of the PSU's so as to revive their production/ operational efficiency, the Department in a written reply stated that the following actions have been taken by FACT to improve production/ operational efficiency:-

a. Tied up for RLNG, which is the major Raw Material for Ammonia in fertilizer Production, for the year 2020-21 through Petronet LNG terminal at Kochi, at competitive rates. This will meet the Ammonia requirement for uninterrupted fertilizer production at optimum level throughout the year. The landed price of RLNG has softened to US$ 7.1 /MMBTU for the year. Company is targeting a production and sale of one Million MT fertilisers for the year.

b. Company has entered into an MOU with BPCL Kochi refinery for 1.2 Lakh MT of Sulphur, as an import substitution, which will cover about 60% of the Annual Sulphur requirement, with a price advantage.

c. FACT has initiated pan India operation extending the market to states like Maharashtra, West Bengal, Odisha, Gujarat etc. FACT has already started operations in Maharashtra and West Bengal. Fertilizer is being marketed in West Bengal through Hindustan Insecticides Limited.

d. Steps have been initiated to improve the credit rating and reduce the Bank charges.

Madras Fertilizers Limited(MFL)

3.13 Madras Fertilizers Limited was incorporated in December, 1966 as a Joint Venture between Government of India and AMOCO India Corporation of USA. Later AMOCO disinvested its share and National Iranian Oil Company (NIOC) became Joint Venture partner with the Government of India. During oral evidence of the representatives of the Department of Fertilizers on the subject, the following information was provided to the Committee about MFL:-

Year of Commissioning	**1966**
Paid up Capital-	Rs. 161.10 cr.
Shareholding Pattern	GoI: 59.50% ;NIOC :25.77%;FI/Public:14.73%

Authorised Share Capital	Rs.365 cr.
Main products and major by-products	UREA & Complex Fertilizers
Installed Capacity-Original/Current (in LMTPA)	Ammonia-2.47/3.47 Urea-2.92/4.86 Complex fertilisers-5.40/8.40
Capacity Utilization in last 5 years from 2015 to 2020 (in%)	Ammonia- 68/79/73/66/61 Urea- 84/96/86/81/71 Complex Fertilisers- 4/5/7/3/7
Major Assets(31.03.2019) Rs. in cr.	Non current Assets incl. plant & equip.-393.40; Current assets incl. trade receivables & financial assets-1174.89: Subsidy from GoI-706.52
Major Liabilities(31.03.2019) Rs.in cr.	Loans & Advances-1568.29; GoI Loan 554.24 with interest due 602.66 (Total - 1156.90), Statutory dues 23.60 and Others-86.41

3.14 Above details show that the capacity utilization was very less in production of complex fertilizers and also production capacity was decreasing during the last three years in respect of Ammonia and Urea as well. In this regard, when asked about the less capacity utilization by MFL , DoF stated in a written reply as under:-

> "The sub-optimal capacity utilization of NPK is due to working capital crisis.Regarding urea 100% capacity utilization could not be achieved due to various factors viz. flood (2015), vardah cyclone (2016) working capital crisis (2017) Plant issues (2018) Feed Stock conversion project (2019)".

3.15 In regard to the above, the Department was asked about the steps taken by it to help out MFL to tide over the said crisis from 2015 onwards so as to achieve 100% capacity utilization in urea production. DoF stated In its written reply, "the priority payment is given to MFL in order to release their subsidy in time and to support to tide over the working capital crisis. MFL has been allowed to sell surplus land to generate resources for capital expenditure for modernisation and replacement. MFL has completed the switchover from naptha to RLNG during last financial year i.e. 2019-20".

Physical and financial performance of MFL

3.16 The following is the overall performance of MFL during the last five years:-

S. No	Year	Production (LMT)			(In Rs. Cr)		
		Ammonia	Urea	NPK 17-17-17	Revenue	Expenses	Profit/(Loss)
1	2014-15	1.97	3.29	0.74	1719.42	1854.11	(134.69)
2	2015-16	2.36	4.07	0.35	1224.76	1322.30	(189.54)
3	2016-17	2.75	4.68	0.49	1432.43	1427.69	3.31
4	2017-18	2.52	4.19	0.62	1664.39	1709.03	(61.96)
5	2018-19	2.52	3.94	0.25	1659.77	1740.62	(83.24)

3.17 During power point presentation, the representatives of the Department of Fertilizers showed the following slide about the financial performance of MFL during the period from 1999-2000 to 2018-19:-

Rs.

Year	Turnover	Profit/(Loss) before taxation	Net profit/(loss)	Net Worth
1999-2000	123003	10165	2498	12108
2000-2001	140481	14210	(2976)	9145
2001-2002 (13m)	109793	9149	(6610)	2536
2002-2003 (11m)	113906	15616	412	2948
2003-04	113975	4595	(6374)	(3426)
2004-05	128622	5379	(5839)	(9265)
2005-06	108422	(1879)	(13174)	(22439)
2006-07	121066	958	(11478)	(33917)
2007-08	114006	(1279)	(13485)	(47402)
2008-09	112359	(856)	(14538)	(61940)
2009-10	130284	13807	688	(61252)
2010-11	162283	26612	16986	(44266)
2011-12	220777	21233	11199	(33067)
2012-13	234629	13978	2444	(30623)
2013-14	259347	22524	10004	(20619)
2014-15	170187	(3311)	(13469)	(34261)
2015-16	120164	(8907)	(18954)	(53215)
2016-17	139483	9820	331	(43007)
2017-18	161714	3544	(6196)	(49203)
2018-19	159300	3978	(8324)	(57527)

Reasons for Sickness

3.18 Above table shows that MFL is incurring loss continuously since 2003-04. In this regard, the DoF has given the following reasons for sickness:-

- Frequent shut down & start ups
- Higher Energy consumption
- Flood
- Vardah cyclone
- Working capital crisis
- Feed Stock conversion project

3.19 The Department of Fertilizers(DoF) was asked whether it has ever taken assistance from external experts for review of financial performance of MFL. In its written reply, the DoF had stated that in terms of DPE guidelines dated 29.10.2015 on streamlining the mechanism for revival and restructuring of sick Central Public Sector Enterprises, DoF had approved engagement of an external expert agency in Feb, 2016. Subsequently, MFL had engaged M/s PDIL as a consultant for drawing of business, operational and financial restructuring plans for revival. M/s PDIL had submitted their report on 20.12.2016. Highlights of M/s PDIL's recommendations were as follows:

(i) To make operation sustained following were proposed:

   a) Replacement of old & problematic equipment to improve plant reliability.
   b) Schemes for feedstock change over.
   c) Energy improvement schemes to achieve energy target of 6.50 Gcal/MT of Urea per new pricing policy.
   d) Refurbishment & modification of NPK "A" & "B" Train making it to operable condition.

(ii) Waiver of interest on GoI Loans.

(iii) Conversion of GOI loan to equity.

3.20 On being further asked about the progress made in implementation of the recommendations of M/s PDIL for replacement of old equipment/ feedstock change-over/ energy improvement schemes so as to attain 6.50 Gcal/MT of urea and for its refurbishment /modification, the Department replied in a written reply as under:

"For enhancement of operational efficiency of MFL, following actions have been taken based on the PDIL recommendations:-

a) technological up gradation in terms of instrumentation technology by which Ammonia is produced with 100% capacity utilization
b) Feedstock conversion from Naphtha to RLNG was completed successfully during July 2019 and the production commenced.
c) Revival of NPK ‘A’ train completed and production commenced from Jan 2020. By way of revival, the NPK production capacity increased additionally by 1.5 LMTPA.
d) MFL Board has approved to engage the services of Consultant M/s Haldor Topsoe India Pvt. Ltd. (HTAS) to “Carry out a Study and implement various proposals to achieve Energy Reduction in MFL Plants”. HTAS have given their offer and MFL has completed Technical and Commercial vetting and issued Award of Work on 15.07.2020. HTAS will submit its final proposal within 4-5 months from the date of Award of Work.
e) Additional Cooling Tower M&N Cell erection completed to facilitate better overhead condensation during peak summer season. It is required to achieve maximum capacity utilization of the units.

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Financial Restructuring of MFL

3.21 On being asked about the financial restructuring of MFL including the steps taken on the recommendations of PDIL for Waiver of interest on GoI Loans to MFL and Conversion of GOI loan to equity, DoF stated as under in its background note and written reply:

“PDIL after due examination of MFL, gave recommendations for 6 options. On the basis of PDIL Report, MFL Board submitted recommendations on revival plan to DoF vide letter dated 01.06.17 and suggested the following options:

(a) Waiver of GoI loan interest of Rs. 509.04 Cr (as on 31.03.2017).
(b) Waiver of GoI loan principal of Rs 554.24 Cr. (as on 31.03.2017).
(c) Raising of loan of Rs. 171 Cr. from Financial Institutions/Banks for CAPEX schemes.
(d) Increase the Public shareholding from the existing level of 14.33 to 25% and corresponding reduction in GoI/ NICO share to accomplish the same.

A Draft Cabinet Committee on Economic Affairs Note containing proposal for financial restructuring of MFL was forwarded for Inter Ministerial Committee on 15.11.2017, on which this Department received the comments from all the concerned ministries/departments. Meanwhile, a high level meeting was held on 16.01.2018 on financial restructuring of MFL wherein it was inter-alia decided that DoF may move a proposal with Department of Expenditure for waiver of interest including penal interest and conversion of outstanding loan of Rs. 554 crore to zero interest loan to be repaid over 15 years. Department of Expenditure(DOE) replied that the proposal of waiver of interest/penal interest and conversion of outstanding loan to zero interest loans shall need to be examined with reference to the progress made on the administrative steps, viz., management of the land, including the plan of action for land monetization, early completion of the gas pipeline to MFL for sustainability in cost of production and decision on supply of Naphtha to MFL and the expected timelines for completing them. Meanwhile, a meeting was held in Prime Minister"s Office on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of land to Chennai Petroleum Corporation Limited (CPCL). Further, a meeting was held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of MFL wherein it was inter-alia decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Unit of DoF. This Department had received recommendations made by NITI Aayog, Vide ID Note dated 22nd January, 2020, on the study report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs"

3.22 With reference to above reply, when the Department was asked to furnish the current status of the action taken on the proposal of NITI Aayog as per its Study Report regarding merger of FACT and MFL with other fertilizer units of DoF and to explore option for its financial restructuring/revival, the Department replied in writing as under:

"A meeting was held on 16.11.2018 with NFL, RCF and IFFCO to explore the possibility of merger of FACT and MFL. None of the participant Companies have shown their interest in absorption/ merger of FACT/ MFL with them. Department of Fertilizers has sent the comments on the study report of NITI Aayog to PMO ,Vide ID note dated 13th May, 2020, wherein it was inter-alia stated that regarding possibility/ viability of (a) merger of FACT and MFL, (b) merger of FACT and MFL with other fertilizer CPSEs and (c) strategic disinvestment of MFL and FACT, DoF is of the view that the above recommendations may be considered only after the financial restructuring of these Companies is completed and they become financially sound to some reasonable extent. By merging two loss making PSUs may not usher in greater financial viability as these companies are operating stand alone manufacturing units and catering to specific geographies in the country with strong individual regional brands".

3.23 Subsequently, a meeting through Video Conference(VC) was held under the Chairmanship of Principal Advisor to Prime Minister at 3.30 PM on June 12, 2020 on the above subject. In this regard DoF informed the Committee that the following action points emerged from the VC :

(i) The companies MFL and FACT should inter alia try to rationalize their manpower, enhance operating efficiencies, monetise their vacant lands to achieve the desired restructuring. All steps should be taken to ensure that as far as possible there should not be any financial outgo of Government of India.

(ii) Considering that they are located adjacent to them, the Deptt. of Fertilizers to coordinate with Ministry of Petroleum and Natural Gas for utilising the synergies with oil PSUs like Indian Oil, CPCL and BPCL.

(iii) No further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalised.

(iv) Secretary, Deptt. of Fertilizers should revisit the proposal accordingly and submit a revised proposal in light of the above observations.

3.24 On being asked about the steps taken by DoF for the implementation of above mentioned decisions, DoF stated in a written reply that in pursuance of actionable points emerged from the high level meeting held on 12th June, 2020, the same has been shared with the concerned CPSEs viz., FACT and MFL for necessary action. It was specifically suggested that MFL should re-look into the issue of manpower rationalisation before the proposals for financial restructuring would be considered. Moreover, with the approval of Competent Authority, DoF has given the administrative approval to MFL for transfer of 4.98 acres land at the mutually agreed rate of Rs. 976/sq. ft from MFL to CPCL vide letter dated 25th April, 2020. For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it has not materialized so far. Further, MFL has drawn following yearly action plan for increasing the operational efficiencies for the next 3 years based on the energy saving norms:-

S.No	Year	Action plan
1	2020-21	Reduction of specific energy norms from 7.853Gcal/MT to 7.4 Gcal/MT. Expected savings of Rs 72 Cr.
2	2021-22	Reduction of specific energy norms from 7.4Gcal / MT to 7.2 Gcal/MT. Expected savings of Rs 34 Cr. Trading of 50,000 MT Complex fertilizers 20-20-0-13. Expected additional income due to trading is Rs.3Cr.
3	2022-23	Reduction of specific energy norms from 7.2Gcal/MT to 6.0 Gcal/MT .The expected benefit is around Rs 204 Cr. VIJAY 17-17-17 expected volume is around 1,00,000 MT. The expected benefit is around Rs 11 Cr.

3.25 During oral evidence, when the Committee enquired whether the purpose of MFL's financial re-structuring would be served as the land MFL is proposing to sell is a very small piece of land and it is not going to cover the entire expenditure on financial restructuring, the secretary, DoF stated as under:

> "They have around 70 acres of surplus land only. The nearby petroleum company has accepted 4.98 acres of land. For the remaining land, we are trying to find buyers. We had a meeting with both the departments and the Hon.

Minister was also there. We have also persuaded the oil companies. Since oil companies have also been incurring losses for last couple of years, they say they don't have the appetite to purchase the land now, but they don't reject the proposal out-rightly. If this year, they come out of the losses, they may consider to buy this land. Once this land is sold, MFL will be in a position to modernize further and it can stand on its own. Because of conversion from Naphtha to RLNG, they are now making profits. If this extra money comes, they will stand on their own.

Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)

3.26 Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) was incorporated on 5th April, 2002 after de-merger of the Namrup unit of Assam from Hindustan Fertilizer Corporation Ltd. It has two operating Ammonia-Urea units namely Namrup-II and Namrup-III. During oral evidence of the representatives of the Department of Fertilizers on the subject, the following information was provided to the Committee about BVFCL :-

Year of Commissioning	**Namrup II 1976, Namrup III 1987**
Original Paid up Capital	Rs. 307.03 Cr
Current Paid up Capital-	Rs. 365.83 Cr
Shareholding Pattern	GoI-100%
Main products and major by-products	Neem coated Urea
Installed Capacity-Original/Current (in LMTPA)	Namrup II – 2.40 Namrup III- 2.70
Capacity Utilization in last 5 years from 2015 to 2020 (in%)	Namrup II-27/25/24/24/19 Namrup III-94/92/78/84/40
Major Assets(31.03.2019) Rs. in cr.	Assets incl.plant & machinery-277.33; Amount Receivable-268.34; Cash in hand at bank-110.74 Stock in Hand - 49.58
Major Liabilities(31.03.2019) Rs.in cr.	Loans from GoI - 572.75; Other long term liabilities-14.72* ; Long term provisions-(**Gratuity & Leave Encashment) 48.76;** Trade payable-37.42; other current liabilities- 61.13

*Security Deposit from Suppliers Rs. 142.76 lakh, Contractors Rs.661.70 lakh, Employees (LPG) Rs.7.30 lakh, Customers Rs.125.51 lakh and payable to HFCL Rs. 534.89 lakh total Rs. 14.72 crore.

3.27 Above details show that capacity utilization is very low and has also decreased over the last five years. In this regard, when the Department was asked to elaborate the efforts made for technological up-gradation and for monitoring the functional performance of BVFCL so as to revive its production/ operational efficiency, the Department in a written reply stated as under:

> "As far as the existing BVFCL plants are concerned, with the available Natural Gas of 1.60 MMSCMD from the supplier, Namrup-III plants are being run at optimum load and one stream of the Namrup-II plant is being run with the remaining Natural gas available. Meanwhile, BVFCL has been taking up cost saving measures on regular basis in recent years with available merger resources towards improved stabilization of plant performance so as to achieve sustained operation".

Physical and financial performance of BVFCL

3.28 The following is the overall performance of BVCFL during the last five years:-

Sl. No	Financial year	Production (LMT)	Revenue (Rs. In crores)	Expenses (Rs. In crores)	Profit/Loss (Rs. In crores)
1	2014 - 15	3.59	611.88	739.05	(127.17)
2	2015 - 16	3.23	646.73	618.24	28.50
3	2016 - 17	3.11	462.74	455.24	7.50
4	2017 - 18	2.70	423.15	422.36	0.79
5	2018 - 19	2.86	476.83	539.99	(63.15)

3.29 As per the above table, BVFCL incurred a loss of Rs.63.15 crore during 2018-19 and in this regard, when the Department was asked to explain the reasons for loss and the steps being taken to overcome the situation, the Department of Fertilizers in a written reply stated the following major reasons for the loss making of BVFCL :

- Inordinate delay due to multifarious reasons in implementation of the revamp project in the Namrup-II plants resulted in high cost overrun.
- The vintage of the plant technology, equipments/machines also contributed to the poor performance.
- due to frequent equipment failures caused by obsolete and unproven technology, the plants could not perform as per expectations.

3.30 Namrup II plants are, though three decades older and they were kept closed for some time but vain attempt was made to make these plants operative by way of revamp. Substantial investments have been infused in it but performance is below par.

The latest plants among group are Namrup III plants which have better performance results compared to Namrup I & II. The technology adopted even for Namrup III plants are also of old generation. Hence performance with respect to energy is very poor compared to latest plants in India.

3.31 When it was asked whether any assistance was taken by DoF from external experts for assessing the functional and financial performance of BVFCL, the Department stated as follows in its written reply:

> "Yes, Department has taken assistance from external experts for review of functional and financial performance of BVFCL. On seeing the meager performance of Namrup II & III plans, BVFCL assigned the revamp study to HTAS for ammonia plants and PDIL for urea plants and utility facilities. M/s. PDIL & Holder Topsoe A/S (HTAS) were engaged in 2011 for thorough study and suggest measures for renovation of the existing plants so that the plants are able to produce equivalent to the standards of the present generation fertilizer plants. The study reports have been submitted by both consultants. M/s PDIL has submitted the viability Report in October, 2012. In the study reports, various measures have been suggested to achieve the sustained production and minimum level of energy. Nevertheless PDIL had given its opinion for not to go for second revamp considering economic non-viability of spending huge amount for minor improvement only. Also the return on investment to be made for these proposals for revamp, works out to be negative. In the report, following options were suggested:-
>
> **a) <u>Option I</u>**
>
> As-is-where-is Basis (Operation without any major renewal/ replacement).

b) <u>Option II (Replacement/Modification in Namrup II & III)</u>

Based on the study report prepared by the process licensors for 100% capacity utilization and sustained operation with improvement in overall energy, a total estimated expenditure of Rs.1726.92 Crores has been envisaged for both the units. It was assumed that both the Units Namrup-II and Namrup-III shall perform at 100% sustained load after proposed renewal/ replacement in the study conducted by the process licensors.

c) <u>Option III (Namrup IV- A new brown field ammonia/urea project)</u>

A new brown field Ammonia/Urea plant-Namrup IV- capable of producing 8.646 lakh MT urea per annum has been envisaged for long term viability of the company. The new ammonia-urea plants capacity has been fixed based on the available Natural Gas from Oil India Limited of 1.72 MMSCMD. Till the project is commissioned (around four years from the zero date) both the Namrup units – Namrup II & III proposed to be operated.

It is apodictic fact that fertilizer production facilities at Namrup cannot be stopped and it is essential to keep it alive. The future strategies have to be deliberated in such a way that investment plan shall be explicit and sustainable for longer period".

3.32 When asked to furnish the present status regarding construction of Namrup-IV project and its probable date of commissioning and its production capacity, the Department stated as under:-

"Govt. of India vide its Cabinet approval dated 21stMay 2015 decided for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL having capacity of 8.646 Lakh MT per annum with the available gas of 1.72 MMSCMD through a JV under Public Private Partnership (PPP) mode with equity participation of 48% (26%, 11% and 11% to Oil India Limited, Government of Assam and BVFCL respectively) on nomination basis and the remaining 52% equity through competitive bidding by inviting bids from public/ private entities. However, due to poor response from private parties, this department is in the process of exploring possibilities for equity participation of remaining 52% equity also on nomination basis to CPSEs and installation of a standard size gas based Ammonia-Urea Plant with a capacity of 12.7 LMTPA in place of 8.646 LMTA by forming a Joint Venture company. Subsequently, it was decided to allocate 35% equity to NFL and remaining 17% equity to RCF. In the meanwhile, Oil India Ltd requested to exempt OIL from equity participation in this project due to Capex commitment in other projects and if it is not possible, lower equity may be allocated to OIL.

On 10.06.2020, a meeting was held under the Chairmanship of Secretary (Fertilizers) wherein it was emphasized the need for setting up New Urea Plant (Namrup IV) to replace the old Namrup II and III units. Therefore, Secretary (fertilizers) directed to explore possibilities of new equity partner PSUs like North Eastern Electric Power Corporation, Oil & Natural Gas Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited etc. which have considerable business interest in the North Eastern Region. The matter is being taken up with above PSUs and their parent Ministries."

3.33 The Department on being asked to apprise the Committee about the feasibility of inviting foreign bidders from leading fertilizer manufacturers so that wider competitive bidding may take place which may bring forth latest technology in the field so as to achieve maximum energy efficiency at lower cost, the Department stated as under:

"To ensure that the project is based on latest technology in the field with maximum energy efficiency at lower cost, foreign bidders will be invited for the purpose of selection of Process Licensor for the project."

3.34 When the Committee enquired about the steps taken by the Department to maintain continuity in urea production by the existing plants till the new fertilizer plant is constructed, the DoF in a written reply stated as follows:-

> "To maintain continuity in urea production from Namrup-II and Namrup-III units of BVFCL, a CCEA note regarding grant in aid of Rs. 100 crore to BVFCL to sustain its operation has been prepared and circulated for Inter-Ministerial-Consultation (IMC) on 27th March, 2020. However, the reply is awaited from Department of Expenditure. Vide OM dated 18th December, 2019, this Department has decided to release the payment of pending claims of urea subsidy of Rs. 55 Crore to M/s BVFCL on priority basis as a special case (one time measure)".

CHAPTER-IV

ROLE OF DEPARTMENT OF FERTILIZERS IN MANAGING THE AFFAIRS OF PSUS

4.1 On being asked about the role of Department of Fertilizers in managing the affairs of fertilizers PSUs under it and about the functional and financial autonomy given to the PSUs in the process of taking decisions and managing their affairs so as to enable them function freely in a healthy atmosphere, the Department has informed in writing as under:

> "Department of Fertilizers (DoF) deals all establishment matters of Board level functionaries related to PSUs including appointments of Board level officers, Government nominee Directors and Non-official Directors in fertilizers PSUs. Also, DoF ensures the implementation of all the directives & broad policy guidelines issued by Department of Public Enterprises (DPE)/ Government of India from time to time. The Department monitors the performance of the PSUs as per MOU norms. Full autonomy is given to PSUs for taking functional and financial decisions and managing their affairs."

4.2 When asked about the periodicity at which the Department reviews the functional and financial performance of all the PSUs and the methodology used for this purpose, the Department replied in writing as under:

> "All the CPSEs comes under DoF sign memorandum of Understanding (MoU) with DPE/ Government of India annually. The Department also reviews the functional and financial performance of all the CPSEs on quarterly basis through Quarterly Review Meetings (QRM). Besides the above, performance Report is also submitted by CPSEs in the form of Monthly Report. Their annual report is also submitted by CPSEs to Department of Fertilizers.

4.3 The Committee enquired, whether the Department has ever ordered a special / forensic audit of the fertilizer PSUs. In this regard, DoF submitted in a written reply that regular audits are conducted as per Company's Act. But no special or forensic audit was ordered so far by Department of Fertilizers.

4.4 When it was further asked to clarify as to why no special or forensic audit has been ordered so far in respect of the fertilizer PSUs even though MFL and FACT have already been declared as sick PSUs and there has been decline in production, revenue and profits in some other PSUs, the DoF in a written reply stated as under:-

> "Department of Fertilizers ensures that DPE guidelines on audit of PSUs which are within its administrative control are complied. Accordingly, audits of PSUs are conducted by CAG. However, direction for forensic/special audit for PSUs have not been received from DPE. Therefore, no such audit has been done.

4.5 During oral evidence, the Committee asked about the steps being taken by the Department of Fertilizers to address the situation of more liabilities accumulated by some of the fertilizer PSUs than their assets, the Secretary of the Department stated as under:-

> *"*On the question of mismatch of liability and assets, I would like to submit that yes, the liabilities of the companies like FACT, MFL, BVCL are larger than their assets. It is that they have a huge outstanding loan, which pertains to the GoI. We, from the Department of Fertilizers, are trying to handhold them; facilitate them to sell whatever extra surplus land they possess. Let them earn some money and invest on modernization and then if they can start on their own and return the money, then alright, otherwise we will consider financial restructuring."

4.6. In this regard, when the Committee pointed out that m*any of the PSUs have accumulated a very large amount of loans and asked whether any steps are being taken by the Department for providing interest waiver on GoI loans so that they this burden is not carried over every year, the secretary stated as under:*

> "..the Department of Fertilizers have always made a point and has agreed with the suggestion of the NITI Aayog and suggestion by PDIL that their loans and interest should be waived off. We are trying our best to support them but the Government has to take an overall view.**"**

4.7. On the issue, on being further asked, whether any progress has been made in that direction, the Secretary of the Department replied as under during oral evidence:

> "if we see both FACT and MFL, the progress is now towards utilising the land resources and they are utilising it and we are observing how it is going on. So, the door for financial restructuring and waiving off loan is not closed. It is work in progress*"*

4.8 The Committee further asked whether proper audit has been got conducted to find out the reasons for instabilities in energy capacity and production so that the PSU's facing problems may be advised through special orders to remove the same and enhance their production, the Department replied as under:

> "Their performance is reviewed by us every quarter. We have a quarterly meeting with the representatives of the Public Sector Undertakings. This is held at my level. We review and we discuss with the representatives of the PSUs about their problems and why the plant has shut down and whether it can be restarted and what kind of assistance they need. Like MFL and BVFCL asked for priority payment of subsidy. We have a `first in, first out' policy. Whoever has submitted the Bill, the oldest Bill is paid first. But in case of these two PSUs we make exception and we release their subsidies out of turn. We do these kinds of things. We take stock of their operational difficulties. We have our Government nominees, like our Additional Secretaries, Joint Secretaries and Directors are there in their Board of Governance meeting and they also impress upon them. Department of Public Enterprises have Memorandum of Understanding with each PSU. We also monitor them as to how they are performing against their targets. So, it is a constant kind of supervision over their functioning.

4.9 On being further pointed out by the Committee that in the long-term, we have to look at competitive prices, otherwise none of the units are going to survive, the Secretary of the Department replied, as under:

> It is agreed that in the long-term they should also be efficient and they should reduce the cost of production. So, efforts are being made. There are energy norms. There are technical Committees in the NITI Aayog. There are other technical experts who are providing energy norms that your energy or unit of ammonia or urea production should be this much. We can also take pride that some of our urea plants are competing with the world urea plants. Their energy norms are the same as the best plants in the world. But our energy comes from imported resources. That is why, energy cost is higher. But their efficiency or unit of manufacturing urea or ammonia is comparable with the best in the world.

OBSERVATIONS/RECOMMENDATONS

Revival of closed fertilizer units

1. **The Committee are concerned to note that out of nine Public Sector fertilizer manufacturing companies under the Department of Fertilizers, two have been closed and three are sick/loss making. Fertilizer Corporation of India(FCIL) and Hindustan Fertilizer Corporation Ltd (HFCL) were closed in 2002. The main reasons for closure of these companies were the obsolete technology, high energy consumption due to high cost feed stocks, poor quality of power/frequent interruptions of power supply and dearth of funds for repair and renewals. In order to have a strong fertilizer manufacturing base in the country, Cabinet Committee on Economic Affairs gave in-principle approval in 2007 to examine the feasibility of revival of closed units of FCIL and HFCL. After many initiatives during the subsequent years, the Union Cabinet finally approved the proposal for revival of five closed fertilizer units of FCIL and HFCL viz., Ramagundam Fertilizers and Chemicals Ltd. of FCIL, (ii) Talcher Unit of FCIL, (iii) Gorakhpur Unit of FCIL. (iv) Sindri Unit of FCIL and (v) Barauni unit of HFCL on 13.07.2016. Subsequently these units are being revived by setting up new urea plants of 12.7 Lakh Metric Tonnes Per Annum (LMTPA) capacity each at Ramagundam (Telengana), Talcher (odisha), Gorakhpur(Uttar Pradesh), Sindri (Jharkhand) and Barauni (Bihar) through nomination route through formation of Joint Ventures of leading Public Sector Undertaking Consortia. As per the information provided by the Department of Fertilizers, the total investment for revival of all the five fertilizer plants is about Rs.40503.50 Crore and the revival activities of these fertilizer plants are closely monitored by Department of Fertilizers alongwith NITI Ayog and Prime Minister's Office. Since it is very much necessary to augment the production of fertilizers in the country so as to meet the demand domestically without resorting to imports, the Committee recommend that this welcome move of the Government to revive the closed fertilizer units should be pursued vigorously to complete and commission them in a time bound manner and more importantly should be followed by successful**

running of these plants viz. fully utilizing production capacity, economic use of energy, constantly upgrading technology for making them globally competitive, etc. The Committee also recommend that the Department of Fertilizers should consider providing technology upgradation and maintenance fund to these new fertilizer plants till they become economically self sustaining so as to enable them overcome the problems which were faced by the erstwhile fertilizer plants. Moreover, captive power plants should also be set up in these fertilizer plants so that they operate without any power supply interruptions.

Ramagundam Fertilizers and Chemicals Ltd of FCIL

2. The Committee note that Ramagundam Fertilizers and Chemicals Ltd (RFCL), which is one of the five closed units being revived, is a joint venture project of National Fertilizers Ltd., Engineers India Limited, Fertilizer Corporation of India and the Government of Telangana. RFCL was incorporated on 17.2.2015 for setting up gas based urea manufacturing unit at at Ramagundam, Telangana. Erstwhile Ramagundam unit of FCIL is being revived by setting up a new gas based Ammonia Urea plant of 12.7 LMTPA capacity through nomination route by forming Joint venture company in February, 2015. This project was expected to be commissioned during first quarter of 2020 but the schedule of commissioning of the plant has been impacted due to COVID 19 Pandemic. Department of Fertilizers informed that the cumulative work progress in respect of the project as on 15-07-2020 was 99.64% and the commercial production is likely to start by the second week of November, 2020. The Committee appreciate that considerable progress has been made in commissioning the plant and the Committee hope that the Department will leave no stone unturned to ensure the timely completion of the project and starting of commercial production during November, 2020. The progress made in this regard may be intimated to the Committee.

Revival of Talcher Unit of FCIL

3. **The Committee note that the erstwhile Talcher unit of FCIL is being revived through setting up of a new coal based urea plant with a capacity of 12.7 LMTPA of urea by a Joint Venture company named M/s. Talcher Fertilizers Ltd, (TFL) which was formed on 27-10-2015 with the equity holdings among RCF, GAIL, CIL and FCIL. The Committee note that the total cost of the project is Rs.13,227 Crore with 10% cost escalation as per the revised Detailed Feasibility Report(DFR) which is much higher when compared to the other four fertilizer units which are also being revived currently. The cost of other four projects range between Rs.7000 crore to Rs.7100crore. The main reason for higher cost of this project is it is coal based while the others are gas based urea plants. In this regard, the Committee note the submission of the Department that this plant would use clean coal technology which will reduce dependence on natural gas for fertilizer production and likely to open up new avenues for using vast coal reserves in the country. Further, the Committee note that the operational cost of this plant will be lower and the end product will not be costlier. Presently, the pre-project activities are in progress and it is targeted to be commissioned by September, 2023. However, the commissioning of the plant may be delayed by six to nine months due to Covid 19 lock down. Since it is a high cost project and its cost of construction has already been escalated by 10% as per the revised Detailed Feasibility Report(DFR), the Committee recommend that a comprehensive assessment may be made immediately about the impact of lockdown on the progress of the project work particularly on the aspect of cost escalation and based on the assessment concrete steps should be taken to ensure that necessary impetus is given for completing and commissioning the fertilizer plant during 2023 within the originally fixed cost of the project. Action taken by the Department of Fertilizers in this regard may be apprised to the Committee.**

4. **The Committee note that Lump Sum Turn Key (LSTK) contracts have been awarded to M/S Wuhuan of China for Coal Gasification and Ammonia /Urea packages of the Talcher project valuing approximately Rs.7900 Crore. In this regard, the Committee would like to know the mode of selection of the Chinese firm, terms of the contracts awarded to it, progress of the works undertaken by this firm and the present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic.**

Revival of Gorakhpur and Sindri Units of FCIL and Barauni Units of HFCL

5. **The Committee note that the revival of erstwhile Gorakhpur & Sindri units of FCIL and erstwhile Barauni Unit of HFCL is being done by M/s. Hindustan Urvarak & Rasayan Limited (HURL) which is a Joint Venture Company of National Thermal Power Corporation Limited (NTPC), Coal India Ltd (CIL), Indian Oil Corporation Limited (IOCL) as lead promoters with FCIL & HFCL as other partners for setting up of new Gas-based Urea Plants with a capacity of 12.7 lakh MTPA of Urea at each of these locations. Considerable progress has been made in commissioning these plants viz. completion of pre-project activities, environment clearances obtained, LSTK contracts awarded, gas supply agreements signed, etc. As per original programme, Gorakhpur plant was likely to be commissioned by February, 2021 and Sindri and Barauni units were to be commissioned by May, 2021. However, lock downs due to COVID 19 pandemic has created huge impact on progress of construction work in all the three plants. As of July, 2020 only 80.5% of work has been completed against the original plan of 94.9% in respect of Gorakhpur Plant, 74.2% against the plan of 91.4% in respect of Sindri Plant and 72.9% against 91.4% in respect of Baruni Plant. As a result, completion and commissioning of these projects are likely to be delayed by five to seven months. The Committee note that the Department has only assessed the quantum of delay likely to occur due to COVID 19 lockdowns but the subsequent quantum of cost overrun has not yet been estimated by the Department. The Department informed the Committee that there are delays in receipt of Steel structure/fabricated**

equipment from all over India due to closure of workshops for 3 to 4 months, delays in shipment of LSTK equipment for Barauni and Sindri plants and invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies. So there is likely hood of cost escalation of all the three projects. The Committee, therefore, recommend that the Department of Fertilizers should study the impact of COVID 19 lockdowns on the progress of work in respect of all the revival projects particularly on the cost overrun due to lockdowns and should take immediate necessary action for the timely completion and commissioning of the projects including infusion of funds for cost overrun occurred due to lockdowns. The issue of invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies should also be studied and appropriate action should be taken against those LSTK contractors for violations if any. Action taken in this regard may be intimated to the Committee.

<u>Revival of Korba Unit of FCIL and Durgapur and Haldia Unit of HFCL</u>

6. The Committee note that there are total eight units – five units of FCIL and three units of HFCL which need to revived. Out of the five units of FCIL viz. (i) Sindri, (ii) Gorakhpur, (iii) Ramagundam, (iv) Talcher and (v) Korba, only first four units have been taken up for revival while construction of Korba unit has not taken up so far. Similarly, out of three Units of HFCL viz. (i) Barauni, (ii) Durgapur and (iii) Haldia, only Barauni Unit has been taken up for revival. Haldia Unit has not been commissioned as its commissioning was stopped in October, 1986 on the orders of Government of India and Durgapur Unit's revival has not been considered by the Government.

From the foregoing, the Committee would like to know the reason of non-construction of Korba Unit of FCIL and non-commissioning of Haldia Unit of HFCL. The Committee would also like to know the reason for not considering the revival of Haldia Unit of HFCL. The Committee are of the view that in order to attain self sufficiency in fertilizer sector the revival of the remaining three units should also be considered by removing all the obstacles.

Financial restructuring of FACT

7. **The Committee are concerned to note that the progress made in regard to financial restructuring of FACT is not satisfactory. FACT became a sick CPSU when its net worth became negative in 2012-13. Subsequently, the Department of Fertilizers moved a Cabinet Committee on Economic Affairs (CCEA) Note in 2014 on revival plan of FACT by infusion of funds and waiver of Government of India(GoI) loans & interest. Since the matter remained inconclusive, another CCEA note on Financial Restructuring of FACT was circulated on 23.2.2018 for Inter Ministerial Consultation(IMC) having the proposals for approval for sale/leverage of surplus land possessed by the company, write-off of GoI loan and its interest, etc. Subsequently a meeting was held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of FACT wherein it was decided to delink the sale of land of FACT from the Cabinet note for financial restructuring of FACT and to conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Units of Department of Fertilizers by NITI Aayog subject experts. Then the Union Cabinet approved the sale of surplus lands to BPCL and the Government of Kerala and utilization of the sale proceeds by FACT to address its working capital deficiency and to enhance physical and financial performance by implementing capacity expansion projects for sustainable growth of the Company. During 2018, FACT received Rs.420 crore through sale of land to BPCL and during 2019 received Rs.967.69 crore from the Government of Kerala for transfer of land. Based on the sale proceeds, FACT Board had approved CAPEX plans for Rs.700 crore. On 22nd January, 2020. The Department of Fertilizers received the NITI Aayog Report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs". After examination of the recommendations made in the Report, DoF sent its comments to PMO on 13 May, 2020. Even though this Committee is examining the subject, DoF had chosen not to provide NITI Ayog Report to the Committee. As none of the Fertilizer Units had shown**

their interest in absorption/merger of FACT/MFL with them, this proposal seems to have been dropped by the Government. In a subsequent meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that FACT should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. The Committee find that the matter relating to waiver of GoI loan and the accumulated interest has been put into cold storage. Total GoI loan and the accrued interest was Rs.1770.49 crore as on 31.03.2017 and the same has been increased to Rs.2248.50 crore as on 31.03.2019. Moreover, negative net worth of the company had grown from (-)Rs.192.47 crore in 2012-13 to (-)Rs.1523.69 Crore in 2018-19. However, the company earned a profit of Rs.163.15 crore during 2018-19. In view of the above, the Committee feel that it is necessary to waive the Government of India loan and the accrued interest so as to enable the company to continue its profit making trend in view of the CAPEX programmes being undertaken by it. The Committee, therefore, recommend the following:-

(i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of sale proceeds received by it from the sale of surplus land, rationalization of staff structure, etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.

(ii) The waiver of Government of India loan and the accrued interest should be considered favorably so as to enable the company function in a healthy manner.

(iii) As an outcome of the discussion with PMO, no further expansion involving capital expenditure is to be carried out by FACT till the revised financial restructuring proposal is finalized and in this regard, it is not clear whether the CAPEX programmes already approved by the cabinet have been put on hold or not. In case, FACT has already embarked upon its CAPEX programmes, the same should not be stopped as it would it affect its expansion and modernization programmes.

(iv) As on 31.03.2019, an amount of Rs. 503.23 crore was due to be paid to FACT on account of fertilizer subsidy. Such delays in payment of subsidy by DoF would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to FACT should be immediately paid.

(v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

The action taken on the above recommendations should furnished to the Committee within three months.

<u>Financial restructuring of MFL</u>

8. The Committee are constrained to note that very little progress has only been made in financial restructuring of Madras Fertilizers Limited(MFL) which is public sector fertilizer manufacturing company rendering its service to the nation since 1966. The company's net worth gone into negative during 2003-04 and it remains negative till now. The main reasons for its sickness are frequent shut downs, higher energy consumption, working capital crisis, Feedstock conversion project, floods and Vardha Cyclone. DoF informed the Committee that in terms of Department of Public Enterprises guidelines dated 29.10.2015 on revival and restructuring of sick Central Public Sector Enterprises, M/s PDIL was engaged as a consultant for drawing of financial restructuring plans of MFL. M/s PDIL had submitted their report on 20.12.2016 wherein it was

inter alia suggested replacement of old & problematic equipment, energy efficiency schemes, feedstock change over, conversion of GOI loan to equity and waiver of interest on GoI Loans. On the basis of PDIL Report, MFL Board submitted recommendations on revival plan to DoF on 01.06.17 with the suggestions for waiver of GoI loan and the accrued interest and raising loan from Financial Institutions/banks for its CAPEX Schemes. Subsequently, a Draft CCEA Note containing proposal for financial restructuring of MFL was forwarded by DoF for Inter Ministerial Consultation on 15.11.2017. As per another decision, DoF moved a proposal with Department of Expenditure (DoE) for waiver of interest and conversion of outstanding loan to zero interest loan to be repaid over 15 years. But DoE turned down the proposal with the suggestion that it needs to be examined in the context of progress made on the administrative steps, viz. plan of action for land monetization, early completion of the gas pipeline for sustainability in cost of production, etc. Meanwhile, a meeting was held in Prime Minister's Office on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. In another meeting held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of MFL, it was *inter-alia* decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of MFL with other Fertilizer Units under DoF. After examination of the recommendations made in the NITI Ayog Report, DoF sent its comments to PMO on 13 May, 2020 wherein it was stated that possibility/ viability of merger of MFL with other fertilizer CPSEs and its strategic disinvestment may be considered only after its financial restructuring is completed and it become financially sound to some reasonable extent. In a subsequent meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that MFL should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. In this regard, the Committee note that

unlike FACT, the surplus land holding of MFL is very less and it is facing difficulties in selling the same. Out of 70 Acres of land, MFL sold 4.98 acres to CPCL. For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it has not materialized so far. On the other hand, the GoI loan alongwith its accrued interest has increased from Rs.1063.28 crore as on 31.3.2017 to Rs.1156.90 crore as on 31.03.2019 with the interest component growing more than the principal component. However, there is some silver lining in the functioning of MFL as it has converted its feedstock from Naptha to Gas(RLNG) and as a result it has started earning profit. Moreover, MFL has initiated energy saving measures which may result in savings. Further it has envisaged increasing production volume of fertilizers for increased earnings. In view of the above, the Committee hope that MFL can be transformed into a profit making company if the administrative reforms and the financial restructuring are undertaken in a time bound manner and would like to make the following recommendations:-

(i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of feedstock conversion from Naptha to Gas, energy saving schemes, rationalization of staff structure, difficulties being faced in land monitisation etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.

(ii) Proposal of the MFL Board to waive the Government of India loan and the accrued interest thereon should be considered favorably so as to enable the company function in a healthy manner.

(iii) Out of 70 Acres of land, MFL was able to monetize only 4.98 acres and the rest of 65.02 acres remain unsold. In

this regard, DoF should find out ways to sell the remaining surplus land by taking up the matter with Public Sector Oil companies who have properties adjoining to MFL. Government of Tamil Nadu may also be impressed upon to take over the land. In case of continuing difficulties in selling the land, the options to monetize the land may also be explored.

(iv) As on 31.03.2019, an amount of Rs. 706.52 crore was due to be paid to MFL on account of fertilizer subsidy. Such delays in payment of subsidy by DoF would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to MFL should be immediately paid.

(v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

The action taken on the above recommendations should furnished to the Committee within three months

<u>Revival of BVFCL</u>

9. The Committee note that BVFCL has become loss making due to multifarious reasons including obsolete and unproven technology, inordinate delay in implementation of the revamp project in the Namrup II plants and subsequent cost overruns, etc. Namrup II plants are, three decades old and they were kept closed for some time but a vain attempt was made to make these plants operative by way of revamp. Substantial investments have been infused in it but the performance is below par. Further the Committee note that the Namrup III plants, which are the latest of BVFCL, have better performance results compared to Namrup I & II. The technology adopted even for Namrup III plants is also of old generation. Hence performance with respect to energy is very poor compared to latest plants in the country. Seeing the meager performance of Namrup II & III

plants, BVFCL assigned the revamp study to HTAS for ammonia plants and PDIL for urea plants and utility facilities. The study reports have been submitted by both consultants. In the reports, various measures have been suggested to achieve the sustained production with minimum level of energy usage. *Nevertheless PDIL had given* its opinion for not to go for second revamp considering economic non-viability of spending huge amount for minor improvement only and return on investment to be made for these proposals for revamp, works out to be negative. Based on this suggestion, the Union Cabinet approved on 21st May 2015 the proposal for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL having capacity of 8.646 Lakh MT per annum through a JV under Public Private Partnership (PPP) mode with equity participation of 48% and 52%. However, due to poor response from private parties, DoF is in the process of exploring possibilities for equity participation of remaining 52% equity also on nomination basis to CPSEs and installation of a standard size gas based Ammonia-Urea Plant with a capacity of 12.7 LMTPA in place of 8.646 LMTA by forming a Joint Venture company. On 10.06.2020, a meeting was held under the Chairmanship of Secretary (Fertilizers) wherein it was decided to explore possibilities of new equity partner PSUs like North Eastern Electric Power Corporation, Oil & Natural Gas Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited etc. which have considerable business interest in the North Eastern Region. Since it is very much necessary to run BVFCL in a healthy manner to meet the fertilizer needs of North Eastern region, the recommend the following:-

(i) Concrete and time bound steps should be taken to romp in PSUs like North Eastern Electric Power Corporation, Oil & Natural Gas Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited etc. which have considerable business interest in the North Eastern Region for equity participation in the proposed Namrup –IV plant;

(ii) After finalization of Joint Venture Equity Participation by various PSUs, an expert management team may be formed for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL with a definite time schedule.

(iii) Necessary financial assistance may be considered for continuous running of Namrup II and III plants till the commissioning of Namrup-IV plant. Subsidy dues to BVFCL should be released without any delays.

(iv) Since the Committee were informed that considerable amount of money has been spent in vain for the revival of Namrup-II Plants, DoF may consider a probe into the angle of any misuse of financial powers in this regard by the concerned.

The Committee would like to be informed of the action taken by the Government on the above recommendations.

New Delhi;
12 March , 2021
21 Phalguna, 1942 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2019-20)

The Committee sat on Tuesday, the 11th August, 2020 from 1100 hrs. to 1430 hrs. in Committee Room No. 1 Block A, Extension to Parliament House Annexe Building, New Delhi.

PRESENT

Ms Kanimozhi Karunanidhi - Chairperson

MEMBERS

LOK SABHA

2. Shri Ramakant Bhargava
3. Shri Satyadev Pachauri
4. Shri Arun Kumar Sagar
5. Shri Uday Pratap Singh
6. Dr. Manoj Rajoria

RAJYA SABHA

7 Dr. Anil Jain

8 Shri Vijay Pal Singh Tomar

9 Shri Arun Singh

10 Shri A. D. Singh

SECRETARIAT

1.	Shri Manoj K. Arora	-	OSD (LSS)
2.	Shri A. K. Srivastava	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director

2. First the Hon'ble Chairperson expressed her deep sorrow on the sad demise of Rajya Sabha Member Shri Amar Singh who was also a sitting Member of the Committee. The Committee observed two minutes silence as a mark of respect to the departed soul.

3. The Hon'ble Chairperson then welcomed three Rajya Sabha Members viz. Shri P.Selvarasu, Shri A.D.Singh and Shri Vanlalvena who have been nominated as Members of the Committee.

4. The Committee thereafter took up for consideration and adoption the following draft Action Taken Reports:

(i) Draft Action Taken Report on 'Demands for Grants 2019- 20 (Department of Chemicals and Petrochemicals);

(ii) Draft Action taken report on 'Demands for Grants 2019-20' (Department of Fertilizers); and

(iii) Draft Action Taken report on 'Demands for Grants 2019-20' (Department of Pharmaceuticals.

5. After deliberations, the above mentioned Draft Action Taken Reports were unanimously adopted by the Committee without any changes/amendments.

Session II

6. In the Session II the Committee took oral evidence of the representatives of the M/o. Chemicals and Fertilizers, Department of Fertilizers on the subject 'Revival of Closed and Sick Fertilizers Units'.

LIST OF WITNESSES (DEPARTMENT OF FERTLISERS)

1.	Shri Chhabilendra Roul	Secretary
2.	Shri Dharam Pal	Additional secretary
3.	Ms. Alka Tiwari	AS & FA
4.	Shri Partha Sarthi Sen Sharma	JS (PS)
5.	Ms. Aparna S. Sharma	JS (A)

7. At the outset, the Hon’ble Chairperson welcomed the representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) and other officials to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee’s proceedings.

8. After the witnesses introduced themselves, the representatives of Department of Fertilizers made a power point presentation to the Committee on the subject covering *inter-alia* the following Points:-

i. CPSEs under Administrative Control of Department of Fertilizers.
ii. Sick and Operational CPSEs.
iii. Reasons for Sickness of FACTand MFL.
iv. Financial Restructuring of FACT & MFL.
v. Reasons for losses, Namrup-IV Plant of BVFCL
Formation of SPV/JV Companies for revival of HFCL, FCIL and RFCL
vi. Impact of COVID 19 on Projects.

vii. TFL Major Progress till date and Mining Status/Impact on project schedule due to COVID 19.

9. The power point presentation was followed by discussion on various issues/points relating to the subject. During the discussion, the Hon'ble Chairperson and Members of the Committee raised various questions on the subject which were replied by the representatives of the Ministry. Some of the vital points that came up for discussion are:-

(i) Measures to further encourage the domestic production of fertilizers on lines of of Atmanirbhar Bharat call.
(ii) Need for making available gas at same cost to all fertilizer plants.
(iii) Engagement of registered valuers so as to get proper sale value of land, etc of MFL, FACT, and other PSU's
(iv) Reducing GST levied on import of raw materials for production of NPK fertilizers to the level of 5%.
(v) Need for different subsidy slabs for domestic and imported fertilizers
(vi) Proper Mechanism to regulate Urea marketing and proper distribution so as to prevent black marketing and artificial shortages of urea at local levels by appointing nodal officers for the purpose.
(vii) Financial restructuring of FACT and MFL and need to waive off loan/interest .
(viii) Need for proper Audit of fertilizer units.
(ix) Efforts to reduce the impact of lock downs due to Covid19 on ongoing projects by giving incentives and through revised schedule for completion of projects.

10. Thereafter, the Chairperson thanked the witnesses of the Department of Fertilizers for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to furnish those information which were not readily available with them to the Committee within a week.

Session-III

XXXX XXXX XXXX

The Committee then adjourned.

XXXX matters not related to this report.

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21)

The Committee sat on Friday the 19th February, 2021 from 1015 hrs. to 1030 hrs. in Committee Room No. 3, Extension to Parliament House Annexe Building, New Delhi

PRESENT

Ms Kanimozhi Karunanidhi- Chairperson

MEMBERS

LOK SABHA

2. Shri Deepak Baij
3. Shri Ramesh Chandappa Jigajinagi
4. Shri Satyadev Pachauri
5. Shri Arun Kumar Sagar
6. Shri Pradeep Kumar Singh
7. Er. Bishweswar Tudu
8. Dr. Sanjeev Kumar Singari

MEMBERS
RAJYA SABHA

9. Shri G. C. Chandrashekhar
10. Shri Jaiprakash Nishad
11. Shri Arun Singh
12. Shri A. D. Singh
13. Shri Vijay Pal Singh Tomar
14. Shri Vanlalvena

SECRETARIAT

1.	Shri Manoj K. Arora	-	OSD (LSS)
2.	Shri N.K. Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director

2. The Committee took up for consideration and adoption of following draft Reports:

(i) Demand and Availability of Petrochemicals Including Imports and Exports (Department of Chemicals and Petrochemicals);
(ii) Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) (Department of Pharmaceuticals));
(iii) Revival of Closed and Sick Fertilizers Units (Department of Fertilizers)

3. After deliberations, the Committee adopted the draft Three Report(s) unanimously without any change/amendments. The Committee also authorized the Chairperson for finalize and present the Action Taken Reports to the Parliament.

Session II

XXX XXXX XXXX

The Committee then adjourned.

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XXXX matters not related to this report.