

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

UNSTARRED QUESTION NO:2317
ANSWERED ON:11.03.2010
SHORTAGE OF WORKING CAPITAL IN FACT.
Antony Shri Anto;Thomas Shri P. T.

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

- (a) whether the Fertilizers and Chemicals Travancore Ltd. (FACT) is facing acute shortage of working capital;
- (b) if so, whether the Government has taken any steps to help FACT in this regard;
- (c) if so, the details thereof;
- (d) whether the FACT has requested to interest free loan of Rs. 450 crores;
- (e) if so, the action taken by the Government thereon;
- (f) whether the FACT has submitted proposals for taking up joint venture projects with M/s Indian Oil Corporation;
- (g) if so, the details thereof;
- (h) whether there is any proposal for setting up of new urea plant of Udyog mandal and the capacity expansion of complex fertilizers in Cochin division; and
- (i) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) to (e): FACT had accumulated losses of Rs. 506.28 Cr. as on 31.03.2005. During 2005-06, the Government approved a financial restructuring package to support the FACT involving the following measures:-

1. Waiver of all outstanding interests as on 31.03.2005 amounting to Rs.85.77 crore and penal interest there on.
2. Conversion 50% of the outstanding GOI loan of Rs.584.60 crore as on 31.03.2005, (i.e Rs.292.30 crore) in to equity capital.
3. Write off of the non-plan loan of Rs.60 crore given for Voluntary Retirement scheme.
4. Write off of the balance outstanding GOI loan of Rs.232.30 crore as on 31.03.2005 (Rs.584.60 - 292.30 - 60 crore).

These measures assisted FACT to come out of the purview of Bureau of Financial Reconstruction. However, during the year 2006-07 the financial performance of FACT was seriously affected by an unprecedented increase in raw material prices. Therefore, the Government gave a one time grant of Rs. 200 Cr. to FACT in March 2008 to enable it to sustain its operations.

FACT had been seeking amendments to the concession policy for complex fertilizers to address the issue of under recoveries, besides requesting for an interest free loan of Rs. 450 Cr. towards working capital requirements. In this regard, the Government has made necessary policy amendments regarding concession on complex fertilizers, inclusion of ammonium Sulphate under subsidy regime, recognition of Sulphur as a nutrient under the subsidy regime and recognition of price of Nitrogen as per the cost incurred by the FACT. These measures are having a positive impact on the profitability and viability of FACT.

(f) & (g) A business model has been proposed by FACT for the formation of a Joint Venture between FACT & IOCL with Indian Oil Corporation Limited (IOCL) holding majority share, for running the business of FEDO, an engineering and design consultation unit of FACT. FACT has been asked to consider the Joint Venture, without alienation of the FEDO assets, with approval of its Board of Directors.

(h) & (i) The Vision Plan prepared by FACT envisages setting up of a urea plant at Udyogamandal and capacity expansion of complex fertilizers. The Company is examining techno-economic viability and feasibility of the proposed projects.