

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

STARRED QUESTION NO:162
ANSWERED ON:05.08.2010
AVAILABILITY OF FERTILIZERS
Ram Shri Purnmasi;Singh Shri Bhupendra

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

- (a) whether a number of fertilizer manufacturing units in the country have been closed down;
- (b) if so, the details and reasons for the closure;
- (c) the loss in production and consequent availability of fertilizers as a result of closure of such units;
- (d) the action taken to ensure that the availability of fertilizers is not hampered as a result of such closure;
- (e) whether an Empowered Committee of Secretaries (ECOS) has been constituted to examine revival of closed units of public sectors fertilizer units; and
- (f) if so, the details thereof and the present status thereof?

Answer

MINISTER IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI M.K. ALAGIRI)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 162 TO BE ANSWERED ON 5.8.2010.

(a) to (b): Yes, Madam. Five Units of the Fertilizer Corporation of India Limited (FCIL) and three Units of Hindustan Fertilizer Corporation Limited (HFCL) in the public sector are lying closed. Following are the Unit -wise details:

(i) FCIL

Name of unit down	Date of commissioning	Date of shutdown to close	Date of Govt. decision
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Sindri	1979	March, 2002	5.9.2002
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Gorakhpur	1969	1990	18.7.2002
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Talcher	1980	1.4.1999	18.7.2002
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Ramagundam	1980	1.4.1999	18.7.2002
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Korba	Never commissioned	Not applicable	30.7.2002
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(ii) HFCL

Name of unit down	Date of commissioning	Date of shutdown to close	Date of Govt. decision
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Barauni	1976	1999	5.9.2002
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Durgapur	1974	1997	5.9.2002
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The closed units of HFCL & FCIL had been consistently incurring losses due to a variety of reasons including obsolete technology, design and equipment deficiencies, power shortages, problems in industrial relations, surplus manpower and resource constraints. The non-availability of natural gas further limited the ability of the units to undergo modernisation and improve energy efficiencies which were low at 15 to 21 Gcal/MT of Urea. The above factors combined with sharp increase in price of naphtha and FO/ LSHS made the cost of production of urea from these units economically unviable, resulting in closure of the units.

In addition, two urea units in the private sector viz. Duncan Industries Ltd, (DIL) Kanpur and Southern Petrochemical Industries Corporation Limited (SPIC), Tuticorin are currently closed due to financial constraints as reported by the companies. Further, the urea unit of Fertilizers & Chemicals Travancore (FACT), Cochin is also not in operation as it is uneconomical to operate.

(c) & (d): The installed capacity of these closed units is altogether 22.80 LMT. Domestic annual demand of urea is about 280 LMT. Domestic annual production of urea in the country is about 211.12 LMT. As a part of long time arrangement with Oman India Fertilizer Company (OMIFCO), about 20.62 LMT are being imported annually. In addition, the urea is being imported to bridge the gap between indigenous demand and production of fertilizers in the country.

(e): Yes, Madam.

(f): The Government has decided to explore the feasibility of revival of these closed public sector fertilizer units subject to assured availability of natural gas, to meet the emerging demand production gap of urea in the country. The Government has constituted an Empowered Committee of Secretaries (ECOS) with the mandate to evaluate all investment options for revival of the closed units of FCIL/HFCL and to make suitable recommendations for consideration of the Government. The Government has also decided `in-principle` to consider waiver of all pending liabilities of HFCL / FCIL against Government of India Loan & interest subject to availability of a fully tied up revival proposal for the closed units. Further, the revival of Barauni unit of HFCL was proposed to be undertaken by a Special Purpose Vehicle (SPV) viz. M/s Urvarak Videsh Ltd, promoted by two fertilizer PSUs viz. M/s National Fertilizers Ltd. and M/s Rashtriya Chemicals & Fertilizers Ltd., and M/s KRIBHCO, a fertilizer cooperative. M/s UVL have expressed that revival of Barauni unit by UVL is not feasible under the present policy dispensation.

Recently proposals have been received in the Government via consortium of PSUs formed by Gas Authority of India Ltd. (GAIL), Coal India Ltd. (CIL) and Rashtriya chemical and Fertilizers Ltd. (RCF) wherein the companies have expressed their intent to put up a fertilizer plant on coal based technology at Talcher (unit of FCIL). Similar proposal has also been received from Steel Authority of India Limited (SAIL) for Revival of Sindri and by Krishak Bharti Cooperative Limited (KRIBHCO) for Revival of Ramagundam.

DOF has considered the interests evinced by some PSUs in the revival and detailed report with recommendations submitted by M/s Delloitte and called a meeting of ECOS to seek further necessary guidelines regarding the future Road Map/ Models before submitting for the approval of the Competent Authority.