

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

UNSTARRED QUESTION NO:637
ANSWERED ON:24.02.2011
REVIVAL OF FERTILIZER PSUS
Pal Shri Jagdambika;Singh Shri Pashupati Nath

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

- (a) the details of fertilizer Public Sector Undertakings have been referred to Board for Reconstruction of Public Sector Enterprises;
- (b) the recommendations made by the said Board on the revival of these PSUs;
- (c) the aggregate cost of revival as prescribed by the Board in terms of cash out-go, waiver and conversion of loans into equity;
- (d) the steps taken by the Government on the Board's recommendation;
- (e) the amount already been allocated for the revival of respective PSUs;
- (f) whether the Government proposes to revive the fertilizer plants at Gorakhpur and Sindri; and
- (g) if so, the details thereof alongwith the target set to start production of fertilizers in this plant?

Answer

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

(a) : Five Public Sector Undertakings namely Hindustan Fertilizer Corporation Ltd. (HFCL), Fertilizer Corporation India Ltd. (FCIL), Fertilizers and Chemicals Travancore Ltd (FACT), Madras Fertilizers Ltd. (MFL) and Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL) have been referred to BRPSE by Department of Fertilizers.

(b) to (e) : The details of BRPSE recommendations along with steps taken by the Government is as under:-

HFCL and FCIL:-

BRPSE considered the revival proposal of HFCL/FCIL in its meeting held on 09.02.2007 and recommended inter-alia to the Government to accord in principle approval for reversal of its earlier decision to close the unit of HFCL/FCIL so as to explore various options for their revival. The Board recommended that Department of Fertilizers (DOF) may prepare a comprehensive and fully tied up proposal for revival of HFCL/FCIL and after vetting by an independent consultant it may be brought before BRPSE.

Accordingly, The Government decided to explore the feasibility of revival of the closed public sector units of HFCL/FCIL subject to assured availability of natural gas. An Empowered Committee of Secretaries (ECOS) has been constituted 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. ECOS has considered various possible investment options for revival of each of the closed units and have finalized its recommendations. Based on the recommendations of the ECOS, a Draft Cabinet note has been finalized and circulated for inter-ministerial comments.

Fertilizers and Chemicals Travancore Ltd (FACT):

FACT was referred to BRPSE during the year 2005. BRPSE in its meeting held on 9.12.2005 recommended a relief package consisting of conversion of 50% of the outstanding loan of Rs. 584.60 Cr. into Equity Capital and the balance amount as preference capital /write off. The BRPSE has also recommended waiver of all outstanding interest as on 31.03.2005 amounting to Rs. 85.77 Cr. and penal interest thereon. Based on the recommendations of BRPSE during the year 2006, the cabinet committee on Economic Affairs approved the following financial relief package for the company;

i) Waiver of all outstanding interest as on 31.03.2005 amounting to Rs. 85.77 Cr. and penal interest thereon.

ii) Conversion of 50% of the GOI Loan of Rs. 584.60 Cr. as on 31.03.2005 into Equity Capital.

iii) Write off of the non-plan loan of Rs.60 Cr. given for Voluntary Retirement Scheme.

iv) Write off of the balance outstanding GOI loan of Rs. 232.30 Cr. as on 31.03.2005.

After the implementation of above financial relief package, the company recorded profit and the net worth the company became

positive.

Madras Fertilizers Ltd. (MFL):

MFL was referred to BRPSE during the year 2005. BRPSE in its meeting held on 17.03.2005 made the following recommendations for MFL;

(i) Enhancement of Outlier benefit under New Pricing Scheme for Urea from existing 50% to 70% from the year 2003-04 and 2004-05.
(ii) Modification of the existing pricing formula for complex grades 17:17:17 and 19:19:19 by recognizing use of urea for sourcing 'N' which would benefit MFL, as originally recommended by Tariff Commission.
(iii) Government guarantee for loans of Rs. 150 Crores to be raised by MFL from the market to solve the liquidity crisis and swap high cost loans.

(iv) Waiver of interest for the year 2003-04 amounting to Rs. 16.82 Crores and for the year 2004-05 of Rs. 18.49 Crores on GOI loans along with penal interest.

(v) No further plan/non-plan funds may be considered for release by GOI to MFL from 2005-06 onwards.

(vi) MFL would, by implementing VRS and non-filling of vacancies arising out of normal attrition, try to reduce the strength to 1000 in the coming years.

(vii) MFL would not further seek plan/non-plan budgetary support from GOI from 2005-06 onwards for meeting normal capital expenditure on renewal, replacement, modernization, etc. and would raise such funds on its own.

(viii) MFL would achieve a turnover of at least Rs. 2000 Cr. per annum from 2005-06 with a net profit of Rs. 50 Cr. per annum.

The above recommendations of the board were not implemented due to objections/reservations of the Department of Expenditure (DOE) and Planning Commission on the CCEA Note moved during August, 2007. Again a fresh note for BRPSE has been prepared and sent to different Ministries/Department for obtaining comments.

Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL):

While considering a proposal for financial restructuring of BVFCL, the DOE advised the DOF to place the proposal of financial restructuring of BVFCL before BRPSE. Accordingly, the proposal was placed before the BRPSE in its meeting held on 17.10.2008. The BRPSE recommended the following;

i) For conversion of GOI Loan of Rs. 317.77 Cr. taken for revamp of the project into Equity from the date of completion of the project i.e. 22.11.2005.

ii) For conversion of the GOI Loan of Rs.78.18 Cr. and outstanding interest of Rs.170.12 Cr. into equity.

iii) For further examination of issues relating to pricing in consultation with Department of Expenditure and to explore the possibility of handing over the management of BVFCL to any other fertilizer PSE who can provide their expertise for improving the performance of the company.

Accordingly, a note for consideration of CCEA was sent which was discussed in CCEA meeting held on 26.02.2009. As per the directions of CCEA in its meeting held on 26th February 2010, the DOF has initiated action to finalize a comprehensive proposal for long term sustainability of BVFCL. The following measures have been taken to improve the functioning of the company:

Financial Restructuring: Government decided in their meeting held on 26th February 2009 that appropriate support may continue to be provided to the Project till such time a comprehensive proposal is brought up before the Committee after requisite appraisals & consultations.

MOU with NFL: To address the problem of shortage of qualified and experienced persons, an MOU has been entered with NFL for Management Contract for 3 years on 7th August 2009 to provide technical support for efficient operation of the plants, and on-site training of BVFCL personnel by NFL specialists.

Study of plants by Process Licensor: Rs.8.00 Crores has been allotted to BVFCL in the FY 2009-10 for the study of plants and to come out with measures for sustained operations. BVFCL has appointed the process licensor in this regard.

(f) & (g): The Government has decided to explore the feasibility of revival of the closed public sector units of HFCL and FCIL including the Gorakhpur and Sindri Unit of FCIL. An Empowered Committee of Secretaries (ECOS) has been constituted 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. ECOS has considered various possible investment options for revival of each of the closed units and have finalized its recommendations. Based on the recommendations of the ECOS, a Draft Cabinet note has been finalized and circulated for inter-ministerial comments. No time frame for starting of production of fertilizers in these units can be indicated at this stage