

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

UNSTARRED QUESTION NO:196
ANSWERED ON:19.11.2009
SHORTAGE OF WORKING CAPITAL IN FACT
Dhanaplan Shri K. P.

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

- (a) whether the Government has appointed any expert firm for studying the shortage of working capital in Fertilizers and Chemicals Travancore Limited (FACT), Kochi;
- (b) if so, the details thereof;
- (c) whether the Government has any plan to provide an interest free loan of Rs.450 crores to FACT for increasing the working capital;
- (d) if so, the details thereof;
- (e) whether the Government has any plan to provide financial assistance to FACT for ammonium sulfate till LNG is made available at Kochi; and
- (f) If so, the details thereof?

Answer

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

(a) to (d): The Government has not appointed any expert firm for studying the shortage of working capital in Fertilizers and Chemicals Travancore Limited (FACT). However, pursuant to the decision in October 2007, FACT had entrusted a study for improving the operational efficiency including cost cutting measures, to M/s Deloitte. Besides, FACT in the meantime would take all possible cost reduction measures to reduce cost and explore opportunities for productive use of company's assets and ways to generate additional revenue. Based on a detailed study, M/s. Deloitte submitted a report outlining the measures to set FACT on path of revival and profitability. One of the recommendations of M/s. Deloitte is Government's assistance towards providing interest free loan of Rs.450 crore to FACT.

In this regard, during 2008-09, the Government has already made necessary policy amendments regarding concession on complex fertilizers, inclusion of ammonium Sulphate under subsidy regime, recognition of Sulphur as a nutrient under subsidy regime and recognition of price of Nitrogen as per the cost incurred by the FACT, which will have a positive impact on the profitability and viability of FACT. Providing a further interest free loan of Rs.450 Cr. by Government would tantamount to an additional support of approximately Rs.50 Cr. per annum to FACT, whereas when the normative cost of production of fertilizers is computed under the subsidy regime, the interest on working capital investment by the Company is also taken into account.

(e) to (f) : With respect to Ammonium Sulphate, it may be mentioned that Government included Ammonium Sulphate produced by FACT under the Concession Scheme with effect from 01.7.2008 at MRP of Rs.10,350/MT. FACT continued to sell Ammonium Sulphate under the Concession Scheme till 30th April, 2009. Since the price of inputs has declined, the cost of production of Ammonium Sulphate has also decreased by April, 2009. However, since the MRP fixed by the Government remained at Rs.10,350/MT, which is higher than the cost of production, the concession to be filed by FACT became negative. As such, FACT has decided to opt out of the concession scheme w.e.f. 01.5.2009. Accordingly, no concession is availed by FACT, as they are selling Ammonium Sulphate at market rate.