

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

UNSTARRED QUESTION NO:3123
ANSWERED ON:11.02.2014
ASSISTANCE TO FACT AND HOCL
Antony Shri Anto;Dhanaplan Shri K. P.

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

- (a) whether the Fertilizers and Chemicals Travancore Limited (FACT) and the Hindustan Organic Chemicals Limited (HOCL) in Kerala are facing acute financial crisis;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether the Government proposes to provide financial assistance/package to FACT and HOCL in Kerala to improve their operation;
- (d) if so, the details thereof; and
- (e) whether the FACT has stopped manufacturing of ammonia and if so, the details thereof and the reasons therefor?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF CHEMICALS & FERTILIZERS AND MINISTER OF STATE (I/C) IN THE MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION (SHRI SIRKANT KUMAR JENA)

(a) & (b) : Yes, Madam. The Fertilizers and Chemicals Travancore Limited (FACT) is facing financial crisis. FACT has incurred a net loss of Rs. 353.9 crore for the financial year 2012-13. During the period from 1st April 2013 to 31st December 2013, the net loss incurred by the company is estimated at Rs.168 crore. The loss is attributable to various factors such as high cost of RLNG (Regasified Liquefied Natural Gas) without compensation, non- operation of Caprolactam plant and increased financing cost, etc. The Hindustan Organic Chemicals Limited (HOCL) during the first half of the financial year 2013-14 (April to September 2013) has incurred losses of about Rs. 81.66 crore. After the withdrawal of Anti-Dumping Duty on Phenol and Acetone from 2011, the company has been making losses as it had to sell its products below production cost in competition with the cheap imports being dumped in to India. Further the prices of raw materials like benzene have increased substantially, while increase in prices of the furnished products has been only marginal. These factors have also contributed to the worsening of financial performance of the company.

(c) & (d): Considering the accumulated losses and erosion of net-worth of FACT, a comprehensive financial relief package was recommended by BRPSE. Based on the recommendations of BRPSE, a draft CCEA note has been circulated for inter-ministerial consultation before seeking the approval of CCEA. For HOCL, there is no proposal, so far.

(e) : Yes Madam. FACT has stopped manufacturing of ammonia on account of high cost of feed stock (Liquefied Natural Gas). The operations with Liquefied Natural Gas (LNG) without suitable compensation is leading to heavy cash loss. Due to severe financial crisis, the company defaulted in payment to gas suppliers. Subsequently FACT has stopped manufacturing Ammonia, using high cost RLNG. For meeting the production of end products, FACT is procuring imported Ammonia.