

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

UNSTARRED QUESTION NO:166

ANSWERED ON:21.07.2015

Revival of Fertilizer Plants/Units

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

- (a) whether the sick fertilizer manufacturing units/plants incurring huge losses were/are being closed down in the country;
- (b) if so, the details thereof and the reasons therefor along with its impact on the fertilizer production as a result thereof, unit/plant and State/UT-wise;
- (c) whether the Government has taken steps to improve the operation of the loss making fertilizer units and to revive the closed/sick units or privatise these units and if so, the details thereof, unit/plant and State/UT-wise;
- (d) the present status of these units/ plant and the time by which these units are likely to be made functional; and
- (e) the extent to which the revival of closed/sick units are likely to be able to meet the demand of fertilizers in the country?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS  
(SHRI HANSRAJ GANGARAM AHIR)

(a) to (d): In view of the continuous losses of Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) stemming from technical and financial non viability of operations, Government decided to close down all five units of FCIL viz Talcher (Odisha), Ramagundam (Andhra Pradesh, now Telangana), Gorakhpur (Uttar Pradesh), Sindri (Bihar, now Jharkhand) and Korba (Madhya Pradesh, now Chhattisgarh) and three unit of HFCL viz. Barauni (Bihar), Durgapur & Haldia (West Bengal) in 2002. After closure of units, there was no significant addition to the indigenous urea production capacity. However, the demand increased steadily, this had led to a situation where the country had to depend upon import of urea. In addition to these there are three fertilizer public Sector Undertakings (PSUs) which are sick at present these are Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) (Namrup, Assam), Fertilizers and Chemicals Travancore Limited (FACT)( Kochi, Kerala) and Madras Fertilizer Limited (MFL)(Chennai, Tamil Nadu). Details about the present status and steps being taken by the Government to improve the operation of these PSUs are as under:

Revival of closed units of FCIL and HFCL :

In 2008, Cabinet approved to revive all units of FCIL and HFCL subject to non-recourse to Government funding and to consider write off of GOI Loan & interest to the extent required, subject to submission of a fully tied up proposal for final decision on waiver. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis and Gorakhpur & Korba units of FCIL and Durgapur, Haldia, Barauni units of HFCL to be revived through bidding route.

In August, 2011, the Cabinet Committee on Economic Affairs (CCEA) approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by a consortium of M/s. Rashtriya Chemicals & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by. Engineers India Limited (EIL) and National Fertilizers Limited (NFL) and revival of Sindri unit by Steel Authority of India Limited (SAIL).

In its meeting held on 9.5.2013, CCEA approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board for Industrial and Financial Reconstruction (BIFR). Unit-wise status of revival of the closed units of FCIL and HFCL is as follows

FCIL:

Talcher Unit (Odisha)

The pre-project activities for revival of Talcher unit by the nominated PSUs namely, RCF, CIL, GAIL and FCIL are in progress to set-up a coal-based fertilizer plant. Selection of coal gasification technology is in process. The project is likely to be completed by end of 2018.

Ramagundam Unit (Telangana)

The pre-project activities for revival of Ramagundam unit (Telangana) by the nominated PSUs, namely, EIL, NFL and FCIL are in progress to set-up a gas-based fertilizer plant. Joint Venture (JV) agreement has been signed by these PSUs on 14.01.2015. The project is likely to be completed by September 2018.

Sindri unit (Jharkhand)

Approved DRS envisaged revival of Sindri unit by SAIL. However, not much progress was made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant due to encroachments. In the meantime, the scenario for SAIL has

undergone change, a massive modernization and expansion plan of SAIL is currently under implementation, with capital expenditure (CAPEX) commitment of Rs.72,000 crore. SAIL's borrowings have increased to around Rs. 25,300 crore. SAIL has drawn a 'vision plan 2025' to expand to 50 MTPA Hot Metal capacity by 2025. This requires a commitment around Rs. 2.02 lakh crore. In view of the above, SAIL has taken a view not to pursue the Sindri Revival project further. Government explored the feasibility of revival of Sindri unit, through the 'bidding route'. Cabinet in its meeting held on 21.05.2015 approved revival of Sindri unit through 'bidding route'. Finalization and signing of Agreement between successful Bidder and FCIL is likely to be completed by end of May 2016.

#### Gorakhpur unit (Uttar Pradesh)

Gorakhpur unit of FCIL is to be revived through 'bidding route' as per CCEA approval in 2011. GAIL is planning to lay a gas pipeline from Jagdishpur (Uttar Pradesh) to Haldia (West Bengal). To make this gas pipeline financially viable, the Government decided to fast track revival of Gorakhpur, which is en-route of Jagdishpur-Haldia pipeline (JHPL) by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011. The Cabinet in its meeting held on 31.3.2015 approved revival of Gorakhpur unit through 'bidding route' on revised terms. Finalization and signing of Agreement between successful Bidder and HFCL is likely to be completed by end of June 2016.

#### Korba unit (Chhattisgarh)

The revival of Korba unit would be taken up later on.

#### HFCL:

##### Barauni unit (Bihar)

Though proposal/ action plan on revival of units of HFCL to be taken up once revival of FCIL units is on track in terms of CCEA approval in May 2013, but, in the context of the recent announcement of the proposed JHPL, Government is exploring the feasibility of fast tracking the revival of Barauni unit of HFCL through 'bidding route', which is en-route of HBJ pipeline

The Government decided that revival of Barauni Unit of HFCL through the 'bidding route' by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011. The Cabinet in its meeting held on 31.3.2015 approved revival of Barauni unit through 'bidding route' on revised terms. Finalization and signing of Agreement between successful Bidder and HFCL is likely to be completed by end of September 2016.

#### Durgapur and Haldia units:

Durgapur and Haldia units are approved for revival through 'bidding route', have certain issues connected to land disputes with Asansol Durgapur Development authority (ADDA) and Kolkata port Trust (KOPT) respectively. As soon as the land issues are settled, the revival of Durgapur and Haldia units may be considered suitably by the Government based on the prevailing urea requirement/availability scenario in the country.

#### Revival/financial restructuring of Sick Fertilizer PSUs:

##### BVFCL:

BVFCL is located at Namrup, Assam. BVFCL is incurring financial losses since inception due to low capacity utilization & high energy consumption. The plants were underperforming due to obsolete technology, equipment failures and shortage of natural gas. To address the issue of sickness of BVFCL the Cabinet in its meeting held on 21.05.2015, approved financial restructuring of the BVFCL that will help the company in making its net-worth positive and also setting up of a new Brownfield Ammonia-Urea Complex within the existing premises of BVFCL Namrup. The Cabinet has approved waiver of total cumulative interest on GOI loan till date (the cumulative interest, as on 31.03.2013, was Rs. 566.20 Crores) and conversion of GOI loans (Rs. 594.71 Crores) to interest free loan. Also waiver of loan for Rs. 21.96 Crores taken for revamp of Namrup -I and recognition of capital expenditure of Rs. 79.62 Crores incurred for revamp of Namrup-III for calculating the concession rate of urea under NPS-III.

##### FACT:

FACT located at Udyogmunda, Kerala. FACT has started incurring losses since 1998-99 and is a sick unit. In order to ensure the revival of FACT and to help it sustain and grow over the years, short term, medium term and long term plans have been identified. Accordingly, a proposal for seeking approval of the Cabinet for financial revival package of FACT has been prepared. The financial revival package is yet to be placed before the Cabinet.

##### MFL:

MFL started incurring losses in the year 2003-04 and declared Sick in 2009. Though the company has incurred profit in the last two financial years, the net-worth of the company is still negative i.e. Rs. (-) 206.19 Crores as on 31.03.2014. To make the net-worth of the company positive a proposal for the financial restructuring of MFL has been prepared. As the posts of Chairman, Secretary and two other non official members of BRPSE are vacant the proposal is still to be placed before the BRPSE for the recommendations of BRPSE.

(e): The proposed installed capacity for each of the Talcher, Ramagundam, Gorakhpur, Sindri and the Barauni units is 13 Lakh Metric Ton (LMT) and for the Plant to be installed in the premises of BVFCL it is 8.646 LMT. The cumulative production of urea in the country will increase by 73.646 LMT.

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