

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

STARRED QUESTION NO:31  
ANSWERED ON:08.07.2014  
REVIVAL OF CLOSED SICK FERTILIZERS PLANTS  
Adityanath Shri Yogi

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

- (a) the total number of operational plants/units of Hindustan Fertilizer Corporation Limited at present;
- (b) the details of closed down/sick fertilizers plants/units in the country along with the reasons therefor;
- (c) whether the Government proposes to revive such plants/units; and
- (d) if so, the steps taken by the Government so far for their revival Plant/Unit-wise

**Answer**

MINISTER OF CHEMICALS & FERTILIZERS (SHRI ANANTH KUMAR)

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

STATEMENT REFERRED IN REPLY TO PARTS (A) TO (D) OF THE LOK SABHA STARRED QUESTION NO. 31 TO BE ANSWERED ON 08.07.2014

(a): At present there is no operational unit of Hindustan Fertilizer Corporation limited (HFCL) as all the three units namely Barauni, Durgapur and Haldia have been lying closed since 2002.

(b): the details of closed down/sick fertilizers plants/units of the public sector undertakings, along with the reasons are as under:

Name of the Sick PSU Unit /State Reasons for closure/sickness  
Fertilizer Corporation ) Sindri/ In view of the continuing losses  
of India Limited (FCIL Jharkhand of FCIL and HFCL stemming  
Gorakhpur/ from technical and financial non  
Uttar Pradesh viability of operations, Government  
Talcher/Odisha decided to close down all the  
Ramagundam/ FCIL and HFCL in 2002.  
Andhra Pradesh  
Korba/  
Chhattisgarh  
Hindustan Fertilizer Barauni/Bihar  
Corporation Limited Haldia/  
(HFCL) West Bengal  
Durgapur/  
West Bengal  
Madras Fertilizer Manali, Chennai/ Changes in Pricing Policy of urea  
Limited (MFL) Tamilnadu by Government had negative impact  
on the financial performance of the  
Company. The New Pricing Scheme  
(NPS) for Urea was introduced from  
1.4.2003 under which the earlier system  
of calculating the retention price of  
individual units on cost-plus basis was  
replaced by a group-based normative  
cost. Introduction of NPS from 01.04.2003  
had a deleterious effect on the Company  
as there was an under recovery of  
Rs 1, 995/MT.  
Further, the Price Concession Scheme  
for complex fertilizers as applicable from  
1.4.2002 did not adequately compensate  
the Company for cost of 'N' in its flagship  
product NPK 17-17-17. Also old age of  
the plant had its say on the efficiency  
ratios of the products, thereby production  
costs and sub optimal performance.

Fertilizers and Chemicals Kochi/Kerala The financial performance of FACT turned  
Travancore Limited (FACT) negative due to anomalies in the erstwhile  
price concession scheme for Complex  
fertilizer during 2002-03 to 2007-08,  
decontrol of Ammonium Sulphate in 1994  
and introduction of Group Pricing Scheme  
for urea in 2003 led to stoppage of urea  
production on account of unviable economics  
and restriction on the company's option to  
import ammonia.

Bharamputra Valley Namrup/Assam BVFCL is incurring financial losses since Fertilizers Corporation inception due to low capacity utilization &  
Limited (BVFCL) high energy consumption. The plants are  
underperforming due to obsolete technology,  
equipment failures and shortage of  
natural gas.

(c) & (d) : Yes, Madam. Government has taken following steps for revival of closed/sick units; Hindustan Fertilizer Corporation Limited (HFCL) and Fertilizer Corporation of India Limited (FCIL):- In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited

(FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) units subject to non-recourse to Government funding and to consider write off of GOI Loan & interest to the extent required, subject to submission of fully tied up proposals 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. It was decided that Sindri, Talcher & Ramagundam units of FCIL are to be revived on nomination basis, whereas Gorakhpur & Korba units of FCIL & Durgapur, Haldia, & Barauni of HFCL are to be revived through bidding route.

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

Subsequently CCEA, in 2013, inter-alia, 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). Proposal/action plan for revival of HFCL units is to be taken up once revival of FCIL units is on track.

For Talcher unit, it is proposed to establish two joint venture (JV) companies viz. first company for upstream coal gasification section with GAIL and second company comprising RCF, CIL and FCIL for downstream section of Ammonia-urea, Nitric Acid, Ammonium Nitrate plants, off sites and utilities. The Memorandum of Understanding (MOU) among consortium PSUs i.e. CIL, RCF, GAIL and FCIL, has been signed on 5.9.2013. GAIL has issued expression of interest (EOI) for selection of coal gasification technology. The due date for submission of EOI is 31.07.2014.

For Ramagundam Project, JV agreement and concession agreement between EIL and NFL are under discussion and has been scheduled for conclusion/approval by their respective boards by 30th July, 2014. EIL itself would take up the Engineering and Project Construction for the project.

For Sindri unit, SAIL-Sindri Projects Ltd. (SSPL), a wholly owned subsidiary of SAIL, has been incorporated in November 2011 for the purpose of revival of Sindri Unit of FCIL. However, not much progress has been made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant. Out of total land of 6652 acres with FCIL at Sindri, only 498 acres (the area of existing fertilizer plant) is encroachment free contiguous land, as against the requirement of 3247 acres of encroachment free contiguous land for setting up the proposed facilities by SAIL.

Madras Fertilizer Limited: Government is taking up a financial restructuring proposal with Board for Reconstruction of Public Sector Enterprises (BRPSE) for seeking the following reliefs:

Waiver of liabilities

- i. Outstanding loan worth Rs. 554.24 Crore (as on 31st March 2014)
- ii. Outstanding interest worth Rs. 345.30 Crore along with penal interest thereon (as on 31st March 2014)

Liberal and flexible Govt. Policy

- i. Continuation of special dispensation in pricing mechanism under NPS stage III upto conversion to Natural Gas
- ii. Continuation of additional subsidy for sourcing "N" through Naphtha based Captive Ammonia under NBS upto conversion to Natural Gas.

Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)

Government took up a proposal with Board for Reconstruction of Public Sector Enterprises (BRPSE) for financial restructuring of BVFCL. The BRPSE has recommended the following financial restructuring plan:

- (i) Waiver of total cumulative interests accrued on GOI loans amounting to Rs.566.20 crores till 31.3.2013.
- (ii) Waiver of loan of Rs.21.96 crores taken for revamp of Namrup-I, since this plant has been permanently stopped.
- (iii) Conversion of GOI loans provided to the company as interest free loan.
- (iv) The company on getting profit will service the GOI loans from 2013-14.
- (v) For Namrup-III, the capital expenditure of Rs.79.62 crores incurred beyond 31.3.2003 for revamp of the project to be recognized by GOI for calculating the concession rate of urea under NPS-III.

The Board has also recommended that above financial restructuring plan should be part of the proposal to set up of new brown field plant so as to evolve a fully tied up comprehensive revival plan.

Based on the recommendations of BRPSE, a CCEA proposal seeking above financial relief and setting up a new Ammonia Urea complex at Namrup is under consideration in the Department.

Fertilizers and Chemicals Travancore Limited (FACT)

Government took up a proposal with Board for Reconstruction of Public Sector Enterprises (BRPSE) for financial restructuring of FACT. The BRPSE has recommended the following financial reliefs:

A) Infusion of funds

- (i) Approval for sanction of an Interest free loan of Rs 300 crore repayable in 10 years after a moratorium of 2 years to pay extra bank borrowings.
- (ii) Approval for sanction of grant of Rs 250 crore to pay suppliers and LIC on account of Gratuity.

B) Waiver of GOI Loans & Interest

- (i) Approval for write off of outstanding loans of Rs 282.73 crore as on 31.03.2013.
- (ii) Approval for write off of outstanding interest of Rs 159.17 crore as on 31.03.2013.

Accordingly, a proposal seeking approval of CCEA for sanction of above financial reliefs to FACT is under examination.