

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

STARRED QUESTION NO:297

ANSWERED ON:17.03.2015

FERTILIZER INDUSTRY

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

(a) whether the fertilizer industry is facing hardship on account of obsolete technology, non availability of funds and other reasons and if so, the details thereof;

(b) whether fertilizer industry is unable to meet the domestic demand, if so, the details thereof and the reasons therefor; and

(c) whether the Government proposes infuse capital and modernize these plants under Public Private Partnership model and Make in India scheme and if so, the details thereof along with the other steps taken by the Government to make fertilizer industry viable?

Answer

MINISTER OF CHEMICALS AND FERTILIZERS (SHRI ANANTH KUMAR)

(a) to (c): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) to (c) OF STARRED QUESTION NO297 TO BE ANSWERED ON MARCH 17 MARCH 2015 REGARDING FERTILIZERS INDUSTRY:

(a) i. Presently, in India, there are 30 urea plants (27 gas based and 3 Naphtha based) producing about 22 Million Metric Tonnes Per Annum (MMPTA) of urea. The vintage of the plants are from 15 to 47 years. A detailed list of urea units with location, feedstock and year of establishment along with process licensor is annexed.

ii. The various feedstock adopted for these fertilizer plants are Natural Gas and Naphtha. The plants, which were originally designed and constructed based on natural gas, are operating effectively at more than 100% capacity but energy consumption of these plants is slightly higher than a modern gas based plant. The technologies for these gas based plants are more or less comparable with modern gas based plants. But the machines of a modern plants are more efficient than the old plants and give better performance with respect to energy than existing plants.

iii. Some of the fuel oil based and naphtha based plants, though they have been converted to natural gas based have substantially high energy consumptions due to equipment layout and vintage technologies. The existing plants are getting older and hence their energy efficiencies are getting reduced. Some of the plants which are based on natural gas like Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) [Namrup II and III] are consuming very high energy due to obsolescence of the technologies.

iv. The fertilizer companies have been making investments continuously in up- gradation of technology and equipment. Most of them are operating at very high efficiency level and maintaining high standard of reliability, safety and environment.

(b): The country is fully dependent on import in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or raw materials. Availability of raw material for P & K fertilizers manufacturing in the international market is market driven and any high cost of raw material in the international market will lead to lower import and affect production. At present, the indigenous fertilizer industry is meeting the domestic requirement of many complex fertilizers grades and SSP. However, in respect of urea and DAP, the country is dependent on imports to some extent to meet the entire demand in the country. The figures of requirement, domestic production & sales of Urea for last two years and current year upto February 15 are as given below:

Years	Requirement	Production	OMIFCO	Imports	Sales
	Imports	Government		on	account
	account			Government	Government

2012-13	315.43	225.80	18.13	62.11	301.60
2013-14	316.90	227.10	21.17	49.64	304.54
2014-15					
(Upto Feb`15)	296.49	209.10	12.98	65.45	284.14

It may be seen from the above Table that yearly domestic production is less than the requirement and the gap between domestic production and demand is met by imports from the international market and joint venture projects.

(c): At present there is no proposal to infuse capital and modernize any of the plants of Fertilizer PSUs under Public Private

Partnership (PPP) and "Make in India" scheme. However, the government is considering setting up a new Ammonia Urea Complex of minimum 8.646 Lakh Metric Tonnes Per Annum at Namrup in state of Assam within the existing premises of BVFCL on PPP basis by inviting bids from public/private sector for 52% equity in the project. The Department of Fertilizers has announced New Investment Policy (NIP)-2012 and amendment to NIP-2012 on 2nd January 2013 and 7th October 2014 respectively, for urea sector to encourage industries to set up new urea plants in the country. The DoF has taken steps for revival of closed units of FCIL and HFCL. The present status of revival of these units is as follows;

(i) Talcher Unit The pre-project activities for revival of Talcher unit (Odisha) by the nominated Public Sector Undertakings (PSUs), namely, RCF, CIL, GAIL and FCIL are in progress to set-up a coal-based fertilizer plant. The selection of Coal Gasification Technology by GAIL is at the final stage.

(ii) Ramagundam Unit 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

(ii) Sindri unit 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 is exploring the feasibility of revival of Sindri unit, through the 'bidding route'.

(iv) Gorakhpur unit M/s. GAIL is planning to lay a gas pipeline from Jagdishpur (Uttar Pradesh) to Haldia (West Bengal). To make this gas pipeline financially viable, Government is exploring the feasibility of revival of Gorakhpur unit, which is en-route of Jagdishpur-Haldia pipeline (JHPL) on 'nomination route' instead of 'bidding route' approved earlier.

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

(vi) Barauni unit 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'.

(b): The Government has notified the New Investment Policy (NIP)-2012 and amendment to NIP-2012 on 2nd January, 2013 and 7th October, 2014 respectively to facilitate fresh investment in urea sector to boost the indigenous production of urea and to reduce import dependency.