

**Review on the working of and Annual  
Report of Pyrites Phosphates and  
Chemicals Ltd. for 1986-87**

THE MINISTER OF STATE IN THE DEPARTMENT OF FERTILIZERS IN THE MINISTRY OF AGRICULTURE (SHRI P. PRABHU) : I beg to lay on the Table a copy each of the following papers (Hindi and English versions) under sub-section (1) of section 619A of the Companies Act, 1956:—

(1) Review by the Government on the working of the Pyrites, Phosphates and Chemicals Limited for the year 1986-87.

(2) Annual Report of the Pyrites, Phosphates and Chemicals Limited for the year 1986-87 along with Audited Accounts and the comments of the Comptroller and Auditor General thereon.

[Placed in Library. See No. LT-5246/87]

12.18 hrs.

**MESSAGE FROM RAJYA SABHA**

[English]

SECRETARY GENERAL : Sir, I have to report the following Message received from the Secretary-General of Rajya Sabha:—

“In accordance with the provisions of rule 127 of the Rules of Procedure and Conduct of Business in the Rajya Sabha, I am directed to inform the Lok Sabha that the Rajya Sabha, at its sitting held on the 8th December, 1987, agreed without any amendment to the National Housing Bank Bill, 1987, which was passed by the Lok Sabha at its sitting held on the 23rd November, 1987.”

12.18½ hrs

**COMMITTEE ON PRIVATE MEMBERS,  
BILLS AND RESOLUTIONS**

[English]

**Forty Fifth Report**

SHRI M. THAMBI DURAI (Dharmapuri) : Sir, I beg to present the Forty-fifth Report (Hindi and English versions) of the Committee on Private Members' Bills and Resolutions.

12.19 hrs.

**COMMITTEE ON SUBORDINATE  
LEGISLATION**

[Translation]

**Seventeenth Report**

SHRI SHYAM LAL YADAV (Varanasi) : Sir, I beg to present the Seventeenth Report (Hindi and English versions) of the Committee on Subordinate Legislation.

12.19½ hrs.

**JOINT COMMITTEE ON OFFICES  
OF PROFIT**

[English]

**Sixth Report**

KUMARI KAMLA KUMARI (Palamau) : I beg to present the Sixth Report (Hindi and English versions) of the Joint Committee on Offices of Profit.

12.20 hrs.

**CALLING ATTENTION TO MATTER  
OF URGENT PUBLIC IMPORTANCE**

[English]

**Reported delay in setting up gas based  
fertilizer plants**

SHRI V. KISHORE CHANDRA S. DEO (Parvathipuram) : Sir, I call the

attention of the Minister of Agriculture to the following matter of urgent public importance and request that he may make a statement thereon :

“Reported delay in setting up gas based fertilizer plants along the Hazira-Bijaipur-Jagdishpur Pipeline resulting in heavy losses to the Gas Authority of India and the steps taken by the Government to expedite the projects ”

THE MINISTER OF STATE IN THE DEPARTMENT OF FERTILIZERS IN THE MINISTRY OF AGRICULTURE (SHRI R. PRABHU) : Six nitrogenous fertiliser plants of 1350 tpd ammonia and 2200/2250 tpd Urea capacity based on natural gas are being set up along the HBJ pipeline. The progress of implementation in respect of three of them, namely Vijaipur, Aonla and Jagdishpur is according to schedule. They are expected to draw gas for feedstock on the following dates :

Vijaipur : Already drawing gas.  
Production expected by  
end of December, 1987.

Aonla : March, 1988

Jagdishpur : May, 1988

The remaining three fertilizer plants are expected to be delayed. The letters of intent for Sawai Madhopur, Babrala and Shabjahanpur are valid upto 15.4.1988, 27.12.1987 and 20.2.1988 respectively. For Sawai Madhopur project the promoters have taken the necessary preliminary steps. The Government has recently approved the process licence and technical service agreement with the foreign collaborators subject to certain modifications. The zero date for the project is, therefore, expected to commence as soon as agreements are sent to Govt. for taking on record and the promoters obtain environmental clearance.

For Babrala the promoters have taken certain preliminary steps like survey of site and contribution of their share of the capital. They have also agreed to implement the project as per original Letter of

Intent instead of a modified product pattern which they had proposed but was not agreed to by Govt.

For Shabjahanpur the promoters have obtained provisional clearance of the State Pollution Control Board for the site selected by them and have requested the State Govt. to initiate formalities for land acquisition.

A daily revenue loss of Rs. 37 lakhs each has been calculated by the Department of Petroleum and Natural Gas on the basis of full drawal of gas per day by the three fertiliser plants delayed and the gas price fixed by the Govt. This, however, represents only a reduction in turnover and hence a national loss. The gas that is not consumed remains in the reservoir in the earth's bowl and can be tapped at any time in the future. Actual loss therefore may be significantly less and will be only attributable to servicing of the capital underutilised.

The progress of implementation of the projects is reviewed periodically and the promoters have been advised to speed it up.

12.22 hrs.

[MR. DEPUTY-SPEAKER *in the Chair.*]

SHRI V. KISHORE CHANDRA S. DEO : Mr. Deputy-Speaker, Sir, the Government has decided to set up 6 gas-based fertilizer plants mainly to bridge the gap between demand and supply in respect of fertilizers as, at present, the indigenous production is not enough for local consumption. We have been importing over 3 million tonnes of fertilizers resulting in an out-flow of nearly Rs. 2,000 crores of foreign exchange every year. It was, with this view that the HBJ Pipeline was proposed to be laid at a cost of Rs. 1700 crores. Mr. Deputy Speaker, this is probably one of the rare instances where a pipeline is scheduled to be laid on time. Unfortunately, as far as the six fertilizer plants are concerned, as we have gathered from the statement made by the Minister as well as from a question that has gene

answered on the floor of the House on the 7th of this month, only 3 of these projects are expected to begin production as per schedule.

Mr. Deputy-Speaker, the three plants at Sawai Madhopur, in Rajasthan, Babrala in U. P. Shahjanpur also in U.P. have practically not been taken up, as yet. This is causing a loss of nearly Rs 2 crores a day. The hon. Minister in his statement has said that the gas is reserved in the earth bowl and hence the losses are notional. It is wrong to say that the losses are just notional because a few days ago, there was a report that as much as 35% of the gas is being flared. That apart, what about the loss that Government has to bear due to investment that has been made in the HBJ pipeline? As the Minister is aware, this line was laid for the purpose of feeding these 6 fertilizer plants. If the three fertilizer plants are not going to make use of this gas, what about the dead capital that Government is going to invest until the production comes up in these three plants? There is serious doubt whether these plants start production or not.

The plant at Sawai Madhopur has been given to the Birlas, the plant at Babrala has been given to the Tatas and the plant at Shahjahanpur has been given to APJ Swraj Paul.

These three projects have been given to these three private sector companies, only on the condition that they will have technical collaboration on a turn-key basis with Snamprogetti.

The hon. Minister has stated in answer to a question in this very House that for Sawai Madhopur, the technical collaboration has not yet been finished. On the same day, there was another question No. 4573 in answer to which what the hon. Minister said was that it was not yet finalised.

On the same day, to another question No. 4522 the hon. Minister has stated that the proposed agreement for process, licence and services as far as Sawai Madhopur is concerned, have recently been approved by the Government. So, which of these

two answers is true? Even if foreign collaboration is finalised, I would like to know to whom it has been given.

In this context, I must also mention that Jagdishpur project is expected to function on time. This was called Indo-Gulf project. Money was supposed to have come from a Bahrain company by way of foreign investment to the extent of 40% but ultimately this project was given to Aditya Birla. What about the foreign component that was supposed to have been invested in this Jagdishpur plant and what were the special circumstances and considerations under which it was given to Aditya Birla?

Besides that, the cost of these projects has been hiked up. They have been hiked up and money is being siphoned off by private companies to invest that money elsewhere. We all know that Birlas and Tatas have already got two refineries one at Mangalore and the other at Karnal. They do not have enough funds and money even to complete work in these two refineries which they have got. Now it is only due to their inability to put in this investment, that these projects have stayed behind.

I would like to know from the hon. Minister the extent of the foreign exchange components that have gone up in these projects from the time they were proposed till now.

I would like to know whether any investment at all has been made by these private companies. I do not think any substantial investment or any investment has been made at all and despite that, I do not know what were the special terms which prompted the Government to give these projects to private companies.

Jagdishpur project also, I am told, was not taken up by this Indo-Gulf Bahrain Company though it is still called Indo-Gulf Project, only because they refused Snamprogetti as a collaborator on a turn-key basis.

All these private sectors have been prohibited by the Government and they

[Shri V. Kishore Chandra S. Deo]

are made to ask for a collaboration, particularly the Snamprogetti. This project is held up. Of course, it is also a subsidiary of Snamprogetti because Snam has got 51% share in it. They have been told and they are asking the Government specifically for collaboration on a turn-key basis with this company.

Turn-key basis means what? If tomorrow, even if you give work to any other subsidiary company, without the protection of the collaborators on a turn-key basis, they cannot purchase or buy anything. Everything will have to be done only on the basis of the advice given by the collaborators.

It is unfortunate that we find this invisible Italian hand working on every project whether it is fertilisers or weapons. This invisible Italian hand is working.

PROF. N. G. RANGA (Guntur) :  
who is this invisible Italian hand?

SHRI V. KISHORE CHANDRA S. DEO : Prof. Ranga, I am sorry, is not aware that Snamprogetti is an Italian company. The representative in Delhi Shri Kakroti and his connections are well-known to all. If you want, I can brief you outside this House. I do not want to take the time of the House because it is known to every Member.

Mr. Deputy-Speaker, Sir, I would like to know from the hon. Minister as to how many times they have given this Intent, the original Letter of Intent and when was it originally given to these Companies. How many times have you extended them? The hon. Minister has given certain dates in his statement. But I would like to know as to when the original Letter of Intent was given; how many times these have been extended, I would also like to know whether they will extend them again. Also I would like to know from the hon. Minister as to what effective steps the Government has taken—I mean what steps the Government has taken to see what effective steps these companies would take to go on with the project? He has mentioned that the promoters have taken some preliminary steps. Preliminary steps are

not really what is important. What are the effective steps that they have taken? Have they taken any effective steps at all or not? Therefore, I would like to know from the hon. Minister specifically about these Letters of Intent; and how many times they were given extensions; what the Government proposes to do to see that they do take effective steps to implement these projects.

Sir, the Gas Authority of India Limited, I am told, had made an offer that they would pay penalty to these projects, if they are not able to supply gas in time to them. And likewise, they would also have expected from these Private or Public Sector units to pay the penalty if they did not make use of gas. Have these Private Sector units signed this sort of an agreement? If not so, then why did they refuse to do so? Why is the Government not insisting that they sign this agreement with the Gas Authority of India Limited to see that the investment that has been made does not lie dead? The Gas Authority of India Limited is now not able to use this gas for any other purposes also. I am told that there have been some offers made by the DESU, Kanpur Fertilizer Plant of IEL, from other industries in Ghaziabad and Faridabad to make use of this gas, in case they are provided with the same. At least until these projects are completed, is the Government taking any steps to make use of this gas? If so, I would like to know, in detail, the alternative plans that the Government has got before it to see that this gas and this massive investment is not kept idle like this. This specific reply, I would expect from the hon. Minister.

Sir, apart from that, I am told that the IFFCO and KRIBCO which is also a subsidiary of IFFCO have made offers to take over these projects. These are from Public Cooperative Sectors. IFFCO has already got a project. They have good record. I would like to know from the Government whether they would consider handing over these projects to IFFCO or KRIBCO or to the other subsidiaries in case these Private Sector Undertakings are not able to complete and take up these projects because I have my own doubts as

to whether these things will come up at all. The inordinate delay in taking initial effective steps have caused a lot of speculation as to whether this present position will indefinitely continue or whether this ambiguous situation will continue without any action on returns to us.

Sir, in order to save the Rs. 2000 and odd crores of that you are spending on foreign exchange every year, it was proposed to have these projects, as I have already mentioned. According to the Seventh Plan projections, in terms of value, the foreign exchange outflow will be Rs. 10000 crores at the end of the Seventh Plan, if it is not continued. We need subsistence. We have our resources. The purpose for which these plants were set up and for which the HBJ Pipe-line was taken up will become completely futile if these plants are to continue like this without taking-off at all. Unfortunately, these tie-ups and foreign collaboration on turn-key basis have caused a lot of problem. As I have said, an invisible hand has been playing its role. In fact, there was a report in the *Business Standard* of 27th April this year which said that Snamprogetti was being told to reduce the cost of turnkey implementation or to quit if they failed to do so. I want to know whether the Government has taken any steps in this direction because the turnkey costs are certainly high as I have already mentioned. Apart from that, the costs of these projects have also been hiked up to accommodate all these factors like the dealings with these foreign collaborators. Also the extra money that is being gotten for these particular projects is being siphoned today to other industries like the refineries which are also in trouble. Therefore, this is a very serious

affair. The loss to the national exchequer that will be caused by these projects not being taken up is going to cause irreparable damage to the nation. That apart, the prices of fertilisers will also go up and the incidence will ultimately fall on the farmer. As you know, the need for fertilisers has been increasing every year with developments in agriculture and with various other steps that are being taken. With better irrigation facilities, the farmer, today, is in a position to use more fertilisers to increase crop production. This concerns not only the farmer but also the common man. If all these things are not taken care of, ultimately the incidence will fall on him. He is the man who will have to bear the brunt of all these kinds of vagaries that are being committed now. Therefore, I would like to know from the hon. Minister specifically as to what steps Government will take to see that these projects are implemented, what they propose to do as far as utilisation of gas is concerned until that time and about the loss of money by way of interest on what has been invested in the pipeline meant for use by these fertiliser plants. I would also like to know about the technical foreign collaboration with respect to the other three private sector plants in Sawai Madhopur, Babrala and Shabjahanpur which, according to the reply given on the 7th, has not yet been finalised. These foreign companies have been causing a lot of alarm to those of us who are interested in the economy of our country. By a slow process, these foreign collaborators and multi-nationals have been eating into the vitals of our economy. Unfortunately they have crept into every aspect of economy today. I do not know why the Ministry and this Government are insisting that this particular company should be given this collaboration, especially on a turnkey basis.

Though it is not connected directly with this Calling Attention, today there is

[Shri V, Kishore Chandra S. Dco]

a report in the *Indian Express* that even for Gujarat Fertilisers, the Government is insisting and browbeating the GFL to see that Snamprogetti is given the collaboration on a turnkey basis. What is all this going on ?

I want the hon. Minister to give specific answers to the questions. I have raised and also enlighten us as to the policy that the Government is going to adopt *vis-a-vis* these issues.

[Translation]

SHRI RAM NAGINA MISHRA (Salempur) : Mr. Deputy Speaker, Sir, I do not want to repeat the things most of which have been brought to the knowledge of the hon. Minister by my colleague. I would, however, like to know a few things. First of all it was decided to set up those plants in the country's interest, but what is the purpose of wasting gas worth Rs. 1 crore ?

What was the condition which must have been laid down at the time of awarding the contract to the company that the work will be completed within such and such period ?

The statement made by the hon. Minister indicates that there are chances for three places, but unfortunately when Uttar Pradesh's turn came to no chances came sight whether any plants will be set up there or not ?

As regards Babrala the hon. Minister has stated that the promoters took some preliminary measures such as surveying the site and contributing their share.

What is meant by "some preliminary measures" ? These words do not carry any weight, hence it is doubtful whether the work has been undertaken or not.

Secondly he stated that they had proposed a modified product pattern for the project, but it was not approved by the Government. I would like to know as to what is that pattern ?

As regards Shahjahanpur he has stated that the promoters have since obtained the final approval of the State Pollution Control Board in respect of the site selected by them in Shahjahanpur. I would like to know if approval has not so far been taken in respect of the remaining plants ? The only work that has been completed during these four years is that approval of the State Pollution Control Board has been taken but no mention has been made about the further action.

I am apprehensive of the setting up these plants in Uttar Pradesh ? In this connection I seek a clarification from the hon. Minister. I have got a cutting of a newspaper in which it has been mentioned that the then Finance Minister while visiting the place in 1986 had stated in an interview with several press correspondents and I quote,

"The Union Finance Ministry will oppose the move of setting up new fertiliser plants in the country, because the cost of production in these plants will be much and as a result thereof the Government will have to spend more money in the form of subsidy.

The Union Minister of Finance, Shri Vishwanath Pratap Singh has stated here to-day that constant rise in subsidy bill is posing a serious threat to the economy. It is, therefore, essential to check it in time. The politics of subsidy must come to an end.

He further said that the domestic fertiliser is costlier than the imported fertiliser and the cost of production in respect of the plants to be set up in future will be much more. In an informal talk with this correspondent he disclosed that he would oppose setting up of new fertiliser units."

Sir, it is not the statement of any ordinary person. He had been the Chief Minister of Uttar Pradesh and thereafter

has been the Union Finance Minister. When he had made such a statement. I apprehend that the Government does not want to set up fertiliser plants there. Do the Government think that the imported fertiliser will be cheaper and the fertiliser to be manufactured here indigenously will cost more. I want a clarification on this.

If it has been so simple a thing, I would have taken it to be a statement of an ordinary person, but I am apprehensive about it and therefore want to know whether it is not the policy of the Government not to set up those plants by adopting delaying tactics.

I would like to submit that when contracts are awarded to big companies, is there no such stipulation that they will be penalised if the work is not completed within the stipulated period? Contracts have been awarded to big houses like the Birlas, Dalmias, but no work has so far been initiated in respect of these plants. In this connection I would like to know whether the hon. Minister assure us in clear terms that the two plants, which have fortunately been approved for Shahjahanpur and Babrala in Uttar Pradesh will definitely be set up in time? Whether the Government will take up the work if the persons who have been awarded the contract are not able to raise them? If not, will the contract be awarded to a third party? Will the persons who have been awarded the contract but have not started the work during the last 4 years and due to which property worth crores of rupees has been damaged, will be black-listed and penalised by the Government?

[English]

SHRI JITENDRA PRASADA (Shahjahanpur): I am very glad that the Minister of Fertilizers and the Minister of Petroleum both are present. I hope both would intervene or reply to this Calling Attention Motion.

It is very unfortunate that often one hand of the Government does not know what the other hand is doing. Even one finger of the same hand does not know

what the other finger is doing... (*Interruptions*)... This is one of the reasons why the programmes and schemes of the Government are not being implemented properly.

The topic that we are discussing today is an example of the lack of coordination. The entire project was conceived during Mrs. Gandhi's tenure & a brilliant scheme was chalked out to utilise the gas in the West Coast to manufacture fertilizers. As my friend has said, we are spending Rs. 1600 crores to Rs. 2000 crores of our scarce foreign exchange to import fertilizers. So, it was a brilliant scheme and the demand for fertilizer is going to increase every year, although due to drought this year may be an exception.

What has happened to this HBJ pipeline and the gas based fertilizer project based on this pipeline project? While the Petroleum Ministry was going ahead with the Pipeline Project, it did not bother to find out what has happened to the Fertilizer Project on this pipeline.

Suddenly they woke up and in a reply to a question in the Rajya Sabha they said that gas worth about Rs. 2 crs.—I don't know how it has been calculated as Rs. 2 crores—is being wasted every day due to non-completion of some of the downstream projects. They further stated that efforts are being made to locate additional consumers so as to utilise the gas to be transported through the pipelines. What is the meaning of this? Is it a change in the policy of the Government? Because earlier the priority was given to the fertilizer industry. Has the priority changed now or has the Government found that they will be able to get more gas than the earlier estimates? If so, what are the priorities now? I would also like to know as to which are those additional consumers, what is their location and how many of them commenced their work.

I would like to ask whether it is not a fact that this entire project was conceived to produce fertilizers. A firm commitment was given by the previous Government and then by this Government also that these fertilizer plants will be set up on schedule. What has happened to this assurance?

[Shri Jitendra Prasada]

I will cite only one example regarding a fertilizer plant which was to come up in my constituency, Shahjahanpur. A letter of intent was issued to the DCM Fertilizers some years ago. After a year, this letter of intent was cancelled because the firm was reluctant to set up this fertilizer plant. Then it was given to the APJ Caparo Group. I would like to ask the Minister to ascertain the performance of this APJ in other spheres also. The group has cornered several letters of intent like the one in Shahjahanpur and in no case has it set up any plant. The Group has got one letter of intent for a Soda Ash plant in Andhra Pradesh and for one Staple Fibre plant in Madhya Pradesh—Jhabua, I think. These letters of intents have been lying with the Group for the last several years.

The foundation stone for the Madhya Pradesh plant was laid by Smt. Indira Gandhi. The Group has not set up the plant until now, though the Government has accepted every one of its terms. It is to such a party that the Government has issued a letter of Intent for fertilizer plant. It is the biggest NRI project today. Without going into the past credentials, the past performances, why did the Government do it? No, after it has been found that the party is going to do the same in Shahjahanpur also, why as the letter of intent been extended so many times.

I would like to ask some questions regarding this project. How many times has the APFL letter of intent been re-extended and on what terms? Is it not a fact that in reply to a question on 3rd of August, 1987, the Minister for Fertilizers Shri Prabhu, had assured that the letter of intent which was expiring on 20th August 1987 will not be extended unless speedy progress in implementation is made? Then what was that 'speedy progress' because of which the letter of intent was extended till February 1988? Four months have passed since then, what has been the progress? whether sites for all the six plants were selected by a Central technical team? If so, whether all but APFL accepted the selected sites and it was only

the APFL which found fault with the site, though it had no technical expertise to do that? Whether a site of its choice has now been allotted to APFL and yet it has not so far deposited the money, that is, Rs. 4 crores for the land with the U.P. Government? Just imagine a firm which is going to set up a plant worth Rs. 700 crores is not able to deposit Rs. 4 crores. Whether the APFL project is an NRI project and, if so, whether the promoters were to send in about Rs. 80 crores of their contribution from overseas? If yes, what is the total amount sent in by the NRI partner as its contribution to the equity of the company? Whether, while on the one hand the company has kept seeking and securing re-extensions for its letter of intent, it has not taken even the most preliminary steps towards setting up the plant, steps like securing clearance of the Central Pollution Control Boards, appointment of basic staff, deposit of funds towards land and appointment of process consultants.

I would also like to know whether in view of the fact that the promoters have been deliberately delaying even necessary preliminary action in setting up the plants, will the Government immediately cancel their letter of intent? Will they offer it to a party which will agree to give necessary undertakings that it will set up the plant within an agreed schedule? Whether it is a fact that sources in the industry predict that most of the private sector fertiliser projects will use delays as an excuse to wait for the fertilizer market and stock exchanges to stabilise.

Lastly I will request the Minister to give a definite and a very categorical answer to my questions because on the assurances given here will depend in some way the credibility of the Government to fulfil its commitments to the people of the area. Their reply will show that the Government is keen on fulfilling commitments made earlier to the people.

THE MINISTER OF STATE IN THE DEPARTMENT OF FERTILIZERS IN THE MINISTRY OF AGRICULTURE (SHRI R. PRABHU): Sir, I thank the hon. Members for bringing up this subject



so that certain clarifications could be given by the Government in this regard. Mr. V. Kishore Chandra S. Deo has said that this HBJ pipeline was conceived to bring gas from South basin and off-shore gas to Uttar Pradesh and other places to set-up fertilizer plants. This was the main objective of setting up this HBJ pipeline. It was conceived that six fertilizer plants would be set up along the HBJ pipeline. Later on this was modified and three power projects also were added along the HBJ pipeline—two on a regular basis and one on fall back basis. By fall back I mean if gas would be available then they will use it. I would like to tell the hon. Members that Government has not lost track of this and the Government is committed to put up these six gas-based plants. Three are coming on schedule. One at Vijaipur is likely to go into production by the end of this month. Aonla will start production in March next year and Jagdishpur will start production in the middle of next year.

Members have said three plants have been delayed, namely, Sawai Madhopur, Babrala and Shahjahanpur. Questions have been asked by all the members including Mr. Jitendra Prasada and Mr. Ram Nagina Mishra about the criterion that the Government follows. Also when they say effective steps should have been taken what do they look for ?

I would like to tell the Members what exactly the Government looks for when we talk about effective steps. The holders of letters of intent have to complete all preliminary steps like site selection, obtaining environmental clearance, MRTTP clearance, approval of Controller of Capital Issues and also Government approval for technical collaboration within the initial validity period of letter of intent. After these things are completed, then the Government gives them a licence.

Now in these particular projects, I would like to just run through showing what steps these people have taken to fulfil these criteria. The other question that has been asked is how many times these letters of intent have been extended.

In the case of Shahjahanpur, three extensions of six months each have been given. For Babrala, three extensions of

six months each have been given. As far as Sawai Madhopur is concerned, 5 extensions of six months each have been given.

Regarding the effective steps taken by the promoters, I would like to just go through a chart quickly and that will give the Members answers to their questions. As far as environmental angle clearance is concerned, in the case of Sawai Madhopur, requisite data have been furnished to the Ministry of Environment & Forests. The Ministry have constituted a four-member committee comprising representatives from the Ministry of Environment & Forests, Department of Fertilizers, Rajasthan Government to examine whether the site can be cleared or to look for an alternative site. As far as Babrala is concerned, the State Government has given the clearance. For Shahjahanpur also, the State Government Pollution Board has given clearance subject to the Central clearance.

As far as acquisition of land is concerned, for Sawai Madhopur some land has been acquired. Legal formalities for acquisition of balance land have also been completed. As far as Babrala is concerned, the company has deposited Rs. 1.93 crores with UPSIDC for land acquisition. Awards for most of the land in private possession have been made by the U.P. Government who also resumed about 700 acres of Gram Samaj land. Problem is being faced in acquisition of 22 acres of Railway land required for water pump house. As far as Shahjahanpur is concerned, State Government has been requested to initiate the formalities for land acquisition.

I agree with the Hon'ble Members that there was some problem in the land. They wanted a particular land. The State Government did not give them pollution clearance and, later on, asked them to take some other land. But the promoters were not happy with the other land. They wanted the same land. I am happy to say that the State Government has finally cleared the original land as asked for by the promoters. Regarding arranging construction water and power supply, about Sawai Madhopur, work on

[Shri R. Prabhu]

construction work is in progress. In the case of Babrala, it is yet to be taken up. However, survey and soil investigation work are almost complete. About Shahjahanpur, no progress has been reported. As far as MRTP clearance is concerned, Sawai Madhopur has obtained the clearance. Babrala and Shahjahanpur have not yet reported.

Approval of Controller of Capital Issues for financing pattern has been obtained for Sawai Madhopur and Babrala; Shahjahanpur has not yet reported.

Regarding applications for financial assistance from the financial institutions, Sawai Madhopur and Shahjahanpur have filed their applications, while Babrala have said that they do not need any money from the financial institutions.

Collaboration agreement for process and technical services, has been approved for Sawai Madhopur by the Government with certain modifications. Final document is to be sent to the Government for taking on record. I am sorry there was a discrepancy in the answers to certain questions, I will look into it. Babrala and Shahjahanpur have not yet submitted the collaboration agreements to Government. As far as effective steps are concerned, these are those that the three companies have taken.

13.00 hrs.

Certain other questions have been raised by the Members. One question was that the Gas Authority of India is making heavy losses because these plants have been delayed. Figures have been stated in various other forums saying loss of Rs. 2 crores per day and some have said Rs. 35 lakhs per plant per day or something like that. Here I would say that, as I have said in my answer, these are all national losses because they have calculated the turnover they would have got and not the actual loss of under-utilisation of capital. This will be much less and the actual loss to the Government would be less. Since gas is a national asset, it should

not be wasted. There are two kinds of gases. The first is the associated gas when oil is exploited and the second is the free gas which is in the bowl of earth and will remain there until we take it out. The capital investment of HBJ pipeline is about Rs. 1700 crores catering to six fertiliser and three power plants. Two-thirds of this project cost would be identified to the fertiliser plants. Three projects are on time and three are delayed. So, one-third will be under-utilisation of capital. One-third of Rs. 1700 crores will be about Rs. 500 crores. If you take the interest at 10 per cent, that will be the loss, the actual loss on the pipeline, because of under-utilisation. Here, Shri Kishore Chandra Deo has said that Snamprogetti was given turnkey jobs on this project. It is not a fact. No turnkey job has been given except in the Jagdishpur project and in other cases, it is not turnkey jobs. Turnkey jobs have not been given to anybody. As far as Sawai Madhopur contracts are concerned, the ammonia plant contract for foreign collaboration has been given to Haldor Topsoe and urea plant contract has been given to Snamprogetti. I do not understand why the Member is so agitated if the contract is given to Snamprogetti.

SHRI V. KISHORE CHANDRA S. DEO : I am agitated because it is due to this reason that they are not taking action against the private sector who have not commenced any work on these three projects.

SHRI R. PRABHU : As far as that is concerned, that is not right. These projects are high capital intensive projects each costing Rs. 700 crores. It is not easy to find promoters to invest their promoters' capital of Rs. 70 to Rs. 80 crores when money is not that easy to find by all and sundry promoters. These promoters do have a good track record and they have money for investment.

*(Interruptions)*

SHRI V. KISHORE CHANDRA S. DEO : HBJ pipeline also is now being completed on time only because.

*(Interruptions)*

**SHRI JITENDRA PRASADA :** Is it that the promoters have a good record ? They have not set up a single plant.

**SHRI R. PRABHU :** As far as these Six gas-based plants are concerned. we thought that it would be better for us to have a consistent technology which has been proved in the country and people who have put up plants in the country have gone through teething problems. It will be very easy for us to call for international quotations when every plant is put and then get new collaborators and tomorrow the plants do not work and the same Members will shout at the Government. We have a very good experience with these contractors, we do not want other Haldias. I would like the hon. Members, if they have time, to go to Thal and then they will understand what Panditji meant when he said was correct, i.e., big public sector projects are the temples of modern India. If they see the performance, I do not think that the Members would raise any objection in this regard. The fees paid to the foreign contractors is 3 to 4 per cent of the project cost. I do not understand why all this agitation should be there.

**SHRI V. KISHORE CHANDRA S. DEO :** What about the collaborators' share in these projects ?

**SHRI R. PRABHU :** They do not have any share or equity participation in the project. They are only foreign contractors and PDIL which is the Indian company is a co-contractor or which has been associated with these foreign contractors. Other projects have been delayed. For example, there had been lot of agitation in the Rajya Sabha about the Haldia. Haldia has not come into production even though it was mechanically complete about ten years ago. I do not want to repeat these things. Investments are high, every month delay in the project coming to completion is nearly Rs. 10 crores loss. As far as Tatas are concerned, they have deposited their full money of the share capital. I would, therefore, think that they are really interested in setting up a plant at Babrala.

**SHRI V. KISHORE CHANDRA S.**

**DEO :** What about the penalty clause that was offered ?

**SHRI R. PRABHU :** There is no penalty clause which was accepted by us. When the plant at Thal and Hazira were completed, the gas which was given to them was delayed by about 7-8 months. We cannot, therefore, invoke penalty clauses.

**SHRI V. KISHORE CHANDRA S. DEO :** But the Gas Authority of India had themselves offered to pay penalty if there was a delay in supplying of gas and likewise these people would also pay the penalty if they did not utilize the gas.

**SHRI R. PRABHU :** These sorts of penalties are really not enforced in the Government of India. There are certain delays for which we cannot give reasons. These penalties cannot, therefore, be invoked.

Then, there was the question of some proposals to use gas for some other purposes. Some proposals have been received by the Government to use gas on a fall back basis by certain consumers. One is DESU, the other proposal was to put up a power plant at Dadri, and there were certain other consumers in the Kanpur region. I would like to stress here that the Government of India fully understands the chemical value of the gas and the first priority for gas would be fertilizer units and we would not divert gas for any other use or burn it without using the chemical component of the gas.

As I said, these proposals are under the consideration of the Government of India and no final decision has been taken as yet.

Shri Deo also said something about what appeared in the Indian Express. Even though he was kind enough to say that this was not relevant to this particular debate, I would like to clarify it. This news item was also brought to my notice this morning and I was surprised to see that untruths are being printed in these newspapers. They say that the

[Shri R. Prabhu]

Government of India has interfered and asked GSFC not to open their tenders. I can assure the House and the hon. Members present that the Government of India has not interfered in any way to request GSFC or pressurise them not to open any tender for the new ammonia plant. I would like to say that this sort of stories which are printed in the news papers should not be believed by Members; they should first ascertain the facts. I assure them that no pressure directly or indirectly was used by the Government.

SHRI V. KISHORE CHANDRA S. DEO : Will you consider the proposal of giving it either to KRIBHCO or IFFCO, whoever is interested in that ?

SHRI R. PRABHU : KRIBHCO or IFFCO are Co-op sector and profit making companies. They have not yet made any proposal to take over these plants and once we take a decision not to extend the Letters of Intent for the promoters, who are already there, then, probably we could consider other proposals including KRIBHCO and IFFCO if they make proposals at that time.

Shri Misra said something about the ex-Finance Minister making some statement that fertilizers production cost in this country is high and the capital cost of the fertilizer plant is very high. I have not seen the statement in the newspapers. Probably, it escaped my notice. But assuming that is what he has said I would like to mention that the cost of fertilizers in this country is higher than the prevailing international price basically because our feedstock prices are higher than the international prices. The level at which we price the gas and naphtha is much higher than what the international prices of gas and naphtha are. In fact, just to give an indication, the price outside ranges from 50 cents per million BTU to 2.5 dollars per million BTU, while our gas price is about 4.6 dollars per million BTU in international terms. He also said that import should be cheaper; So, why not import. I do not think we have enough foreign exchange to keep on importing things. Today the international

prices are low because there are not enough buyers. In fact the fertilizer industry in America is under recession because India is not buying fertilizer. But once we start buying, the international prices will shoot up and we will not be in a position to keep on buying the fertilizers.

We have enough resources in this country in terms of gas to develop our own fertilizer industry and become probably in the future self sufficient in fertilizers.

Now, about having high capital cost for the fertilizer industry in this country, I would like to say that we have a high cost economy and we have developed it ourselves because we have to find resources for our self sustained growth, for our planned economic development. There are duties and taxes which we have imposed on ourselves to generate money for our development. So, the cost of production is higher for indigenous components of the plants. And I am happy to say that we have a very good Capital Goods Industry in this country and 70 per cent of the capital goods required for fertilizers plants are indigenously manufactured and we only import 30 per cent of the machinery.

Also, Sir, we cannot choose locations because we have to go to the backward regions. We have to have balanced industrial development in this country. At the locations where we go, there are no roads, no telephones and nothing of this sort and no basic facilities. So, infrastructure has to be developed. The transportation has to be developed. In fact to take our over dimensional machinery also, there are problems. Bridges have to be widened. All this goes into the cost of the fertilizer plant.

We have high interest rate in this country as compared to other countries. This is to develop the saving habit to get resources for our planned economic development. That is the reason why the cost of our plants is higher than that of in other developing countries. In fact, I would like to go to the extent of saying that any plant which is built in India, be it cement, sugar, aluminium or steel

have higher capital cost in this country than that of other countries. When other developing countries ask for projects to be put up in their countries, they do not have any capital goods industry, they do not have taxes. They ask for the projects on the turn-key basis. In fact some foreigners who came to see me the other day were joking that they can build plants cheaper in other country any because they import stationery and even the pencils. The whole thing is on a turn-key basis.

As far as the delay in this project is concerned, I would like to answer Shri Jitendra Prasad's question specifically. The Government is happy with the progress made in Sawai Madhopur and Babrala. But in Shahjahanpur the progress has been a bit slow and the Government is very much concerned about this. His statement is right that :

"When the promoters were given extension on 18.3.87, they were specifically told that no further extension to the validity of the letter of intent would be granted unless speedy progress in the implementation was made by them."

Their letter of intent is expiring on 20th February, 1988 and I assure the Member that take steps in terms of paying for the land, acquiring the land and submitting their contracts to the Government, we will not renew the validity of their letter of intent.

MR. DEPUTY SPEAKER : Now, we adjourn for lunch to re-assemble at 2.15 P.M.

[The Lok Sabha adjourned for Lunch till Fifteen Minutes past Fourteen of the clock.]

[The Lok Sabha re-assembled after Lunch at Seventeen Minutes past Fourteen of the clock.]

[SHRI SOMNATH RATH in the Chair]

## MATTERS UNDER RULE 377

[Translation]

- (i) Need to introduce a direct fast train between Kanpur and Delhi.

SHRI JAGDISH AWASTHI (Bilhaur) : Mr. Chairman Sir, Kanpur is an important city not only of Uttar Pradesh but also of our country. It has its own status from the point of view of industry and population. The residents of Kanpur are very dissatisfied that no fast train originates from Kanpur Central station. Instead they originate elsewhere and merely pass through Kanpur. As a result of it, there is always an uncertainty for residents of Kanpur in matters of travel and reservations. Thousands of people commute daily from here on business and Government work. The residents of Kanpur are very happy to know that in the near future a superfast train is being introduced between Delhi and Kanpur. This will fulfill a long standing demand of Kanpur residents. But the people of the city are dejected and dissatisfied with the news that this particular train will not be confined to the Kanpur-Delhi route. It will also be diverted to Gwalior and Jhansi. Hence, I strongly request the rail authorities to run this proposed fast train between Kanpur and Delhi only. This will provide people with the facility of a fast train to the country's capital. It will thus satisfy the peoples' long-standing demand.

- (ii) Need for early clearance to Gajner lift irrigation project submitted by Rajasthan Government.

SHRI MANPHOOL SINGH CHAUDHARY (Bikaner) : There are some villages near the Indira Gandhi Canal in Bikaner district where drinking water is not available. The water in the wells is saline and no water is being supplied to these villages from the Indira Gandhi Canal. In order to provide water for both drinking and irrigation purposes, Gajner and Kolayat lift irrigation schemes were formulated. The foundation for these lift irrigation schemes was laid in 1983 and a survey was also conducted. But the approval for these