

**24**

**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2021-22)**

**SEVENTEENTH LOK SABHA**

**MINISTRY OF CHEMICALS AND FERTILIZERS**

**(DEPARTMENT OF FERTILIZERS)**

**[Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eighteenth Report (Seventeenth Lok Sabha) 'Revival of Closed and Sick Fertilizers units' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)]**

**TWENTY FOURTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**DECEMBER, 2021 / AGRAHAYANA, 1943 (SAKA)**

**TWENTY FOURTH REPORT**

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(2020-21)**

(SEVENTEENTH LOK SABHA)

**MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF FERTILIZERS)**

**[Action Taken by the Government on the Observations / Recommendations of the Committee contained in their Eighteenth Report (Seventeenth Lok Sabha) on “Revival of Closed and Sick Fertilizers units” of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)]**

*Presented to Lok Sabha on 02.12.2021  
Laid in Rajya Sabha on 02.12.2021*



LOK SABHA SECRETARIAT  
NEW DELHI

DECEMBER 2021 / AGRAHAYANA, 1943 (SAKA)

<b>CONTENTS</b>		<b>PAGE</b>
COMPOSITION OF THE COMMITTEE (2020-21)		(iv)
COMPOSITION OF THE COMMITTEE (2021-22)		(v)
INTRODUCTION		(vi)
Chapter I	Report	1
Chapter II	Observations / Recommendations which have been accepted by the Government	18
Chapter III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies	24
Chapter IV	Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee	29
Chapter V	Observations / Recommendations in respect of which final replies of the Government are still awaited	36
<b>APPENDICES</b>		
I.	Minutes of Sitting of the Standing Committee on Chemicals & Fertilizers (2021-22) held on 16 <sup>th</sup> November 2021	41
II.	Analysis of Action Taken by the Government on the Recommendations contained in the Eighteenth Report (17 <sup>th</sup> Lok Sabha) of the Standing Committee on Chemicals & Fertilizers on the subject "Revival of Closed and Sick Fertilizers Units" pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).	43

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2020-21)**

**Smt. Kanimozhi Karunanidhi - Chairperson**

**MEMBERS  
LOK SABHA**

2	Shri Maulana Badruddin Ajmal
3	Shri Deepak Baij
4	Shri Ramakant Bhargava
5	Shri Prataprao Govindrao Patil Chikhalikar
6	Shri Rajeshbhai Naranbhai Chudasama,
7	Shri Ramesh Chandappa Jigajinagi
8	Shri Pakauri Lal
9	Shri Kripanath Mallah
10	Shri Satyadev Pachauri
11	Smt Aparupa Poddar
12	Dr. M.K.Vishnu Prasad
13	Shri Atul Kumar Singh alias Atul Rai
14	Shri Arun Kumar Sagar
15	Shri M. Selvaraj
16	Shri Pradeep Kumar Singh
17	Shri Uday Pratap Singh
18	Shri Indra Hang Subba
19	Shri Prabhubhai Nagarbhai Vasava
20	Dr. Sanjeev Kumar Singari#
21	Vacant*

**RAJYA SABHA**

22	Shri G.C.Chandrashekhar
23	Dr. Anil Jain
24	Shri Ahmad Ashfaque Karim
25	Shri M.V. Shreyams Kumar
26	Shri Jaiprakash Nishad
27	Shri Anthiyur P. Selvarasu
28	Shri Arun Singh\$
29	Shri A.D. Singh
30.	Shri Vijay Pal Singh Tomar
31.	Shri K. Vanlalvena

**SECRETARIAT**

1.	Shri Manoj K. Arora	-	Officer on Special Duty
2.	Shri Nabin Kumar Jha	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri Panna Lal	-	Under Secretary
5.	Shri P.R. Siva Prasad	-	Assistant Committee Officer

*\$Re-nominated to the Committee w.e.f. 23.12.2020.*

*#Nominated to the Committee w.e.f 28.12.2020 vice Shri Nandigam Suresh.*

*\*Vacant vice Shri Er. Bishweswar Tudu nominated MoS on 07.07.2021.*

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2021-22)**

**Smt. Kanimozhi Karunanidhi - Chairperson**

**MEMBERS  
LOK SABHA**

2. Shri Dibyendu Adhikari
3. Maulana Badruddin Ajmal
4. Shri Deepak Bajj
5. Shri Ramakant Bhargava
6. Shri Prataprao Patil Chikhlikar
7. Shri Rajeshbhai Naranbhai Chudasama
8. Shri Sanjay Shamrao Dhotre
9. Shri Ramesh Chandappa Jigajinagi
10. Shri Kripanath Mallah
11. Shri Vasava Prabhubhai Nagarbhai
12. Shri Satyadev Pachauri
13. Smt Aparupa Poddar (Afrin Ali)
14. Dr. M.K.Vishnu Prasad
15. Shri Arun Kumar Sagar
16. Shri M. Selvaraj
17. Dr. Sanjeev Kumar Singari
18. Shri Atul Kumar Singh
19. Shri Pradeep Kumar Singh
20. Shri Uday Pratap Singh
21. Shri Indra Hang Subba

**RAJYA SABHA**

22. Shri Ayodhya Rami Reddy Alla
23. Shri G.C.Chandrashekhar
24. Dr. Anil Jain
25. Shri M.V. Shreyams Kumar
26. Shri Jaiprakash Nishad
27. Shri Anthiyur P. Selvarasu
28. Shri Arun Singh
29. Shri Vijay Pal Singh Tomar
30. Shri K. Vanlalvena
31. Vacant

**SECRETARIAT**

1. Shri Nabin Kumar Jha - Director
2. Shri C.Kalyanasundaram - Additional Director
3. Shri Kulvinder Singh - Deputy Secretary
4. Shri Panna Lal - Under Secretary
5. Shri P. R. Siva Prasad - Assistant Committee Officer

## INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2021-22) having been authorised by the Committee to submit the Report on their behalf, present this Twenty Fourth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2020-21) on the subject 'Revival of Closed and Sick Fertilizers Units' pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Eighteenth Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 17.03.2021 and laid in Rajya Sabha on 17.03.2021. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 14.07.2021. The Standing Committee on Chemicals and Fertilizers (2021-22) considered and adopted this Report on Action Taken Replies at their sitting held on 16<sup>th</sup> November 2021.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Eighteenth Report (Seventeenth Lok Sabha) of the Committee is given in **Appendix-II**.

4. For facility of reference and convenience, the further comments of the Committee have been printed in bold letters in **Chapter-I** of the Report.

New Delhi;  
16 November, 2021  
25 Kartika, 1943 (Saka)

**KANIMOZHI KARUNANIDHI**  
Chairperson,  
Standing Committee on  
Chemicals and Fertilizers

## REPORT

### CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers (2020-21) deals with the action taken by the Government on the Observations/Recommendations contained in the Eighteenth Report (17<sup>th</sup> Lok Sabha) of the Committee on Chemicals and Fertilizers on “Revival of Closed and Sick Fertilizer Units” of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which was presented to Lok Sabha and laid in Rajya Sabha on 17.3.2021. In all, the Committee made 9 Observations/Recommendations in the Report.

1.2 The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish Action Taken Replies to the Observations/ Recommendations contained in the Eighteenth Report on the subject “Revival of Closed and Sick Fertilizers Units” within three months from the date of presentation of the Report i.e. by 17.06.2021. However, the Action Taken Replies of the Government in respect of all the 9 Observations/ Recommendations contained in the Report were furnished by the Ministry of Chemicals and Fertilizers (Department of Fertilizers) *vide* their O.M. **No.11021/4/2021-PARL. Dated 14.07.2021.** These Replies have been examined and categorized as follows:-

- (i) Observations/Recommendations that have been accepted by the Government  
Rec. Nos. 1, 3, 4 and 5 (Total = 04)  
These are included in Chapter-II of the Report
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government’s reply-  
Sl. No. 2, 6 and 9 (Total = 03)  
These are included in Chapter-III of the Report
- (iii) Observations/Recommendations in respect of which the replies given by the Government are not acceptable to the Committee  
(Total = 02)  
Sl.No. 7 and 8  
These are included in Chapter-IV of the Report
- (iv) Observations/Recommendations in respect of which final replies of the Government are still awaited-  
(Total = 02)  
Sl.No. 3 and 5  
These are included in Chapter V of the Report

**1.3 The Committee desire that the Action Taken Notes on further comments/ recommendations contained in Chapter-I and Chapter-V should be furnished expeditiously and not later than three months from the presentation of the Report.**

1.4 The Committee will now deal with action taken by the Government on the Observations/Recommendations which still require reiteration or merit comments.

### **Recommendation Nos. 3 & 4**

#### **(Recommendation No. 3)**

#### **Revival of Talcher Unit of FCIL**

1.5 Stressing the need for commissioning of Talcher Fertilizers Unit of FCIL within the originally fixed scheduled time frame and project cost, the Committee recommended as under:-

“The Committee note that the erstwhile Talcher unit of FCIL is being revived through setting up of a new coal based urea plant with a capacity of 12.7 LMTPA of urea by a Joint Venture company named M/s. Talcher Fertilizers Ltd, (TFL) which was formed on 27-10-2015 with the equity holdings among RCF, GAIL, CIL and FCIL. The Committee note that the total cost of the project is Rs.13,227 Crore with 10% cost escalation as per the revised Detailed Feasibility Report(DFR) which is much higher when compared to the other four fertilizer units which are also being revived currently. The cost of other four projects range between Rs.7000 crore to Rs.7100crore. The main reason for higher cost of this project is it is coal based while the others are gas based urea plants. In this regard, the Committee note the submission of the Department that this plant would use clean coal technology which will reduce dependence on natural gas for fertilizer production and likely to open up new avenues for using vast coal reserves in the country. Further, the Committee note that the operational cost of this plant will be lower and the end product will not be costlier. Presently, the pre-project activities are in progress and it is targeted to be commissioned by September, 2023. However, the commissioning of the plant may be delayed by six to nine months due to Covid 19 lock down. Since it is a high cost project and its cost of construction has already been escalated by 10% as per the revised Detailed Feasibility Report(DFR), the Committee recommend that a comprehensive assessment may be made immediately about the impact of lockdown on the progress of the project work particularly on the aspect of cost escalation and based on the assessment concrete steps should be taken to ensure that necessary impetus is given for completing and commissioning the fertilizer plant during 2023 within the originally fixed cost of the project. Action taken by the Department of Fertilizers in this regard may be apprised to the Committee.”



#### **(Recommendation No. 4)**

1.6 “The Committee note that Lump Sum Turn Key (LSTK) contracts have been awarded to M/S Wuhuan of China for Coal Gasification and Ammonia /Urea packages of the Talcher project valuing approximately Rs.7900 Crore. In this regard, the Committee would like to know the mode of selection of the Chinese firm, terms of the contracts awarded to it, progress of the works undertaken by this firm and the present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic.”

#### **REPLY OF THE GOVERNMENT (RECOMMENDATION Nos. 3 & 4)**

1.7 In their Action Taken Reply to the aforementioned recommendation of the Committee, the Department of Fertilizers has stated as under:-

*“As recommended by the Committee, DoF vide letter dated 08.06.2021 has requested TFL to carry out a comprehensive assessment immediately about the impact of lockdown due to Covid-19 pandemic on the progress of the project work particularly on the aspect of cost escalation and suggest concrete steps to be taken to ensure completion of the project within scheduled time. On receipt of the report, the committee would be apprised accordingly. With respect to Lump Sum Turn Key (LSTK) contract awarded to M/s Wuhan Engg. Company Ltd, information on mode of selection, terms of the contract, progress of work and impact of Covid-19 pandemic is given in **Annexure given below.**”*

#### **Annexure pertains to Recommendation No. 4 Revival of Talcher unit of FCIL**

1.8 Award of Lump Sum Turn Key (LSTK) contracts for Coal Gasification Plant and Ammonia /Urea Plants to M/s Wuhuan Engineering Company, China.

#### **1. Mode of selection of Firm**

- (a) Tender was floated on” Open International Competitive Bidding basis” and Press Notification was published in leading National Dailies
- (b) Prequalification of Bids was done against the Prequalification Criterion of NIT (Tender)
- (c) Technical and Commercial Evaluation of Bids was done for the Pre-qualified Bids
- (d) Price Bids were opened and evaluated for the Prequalified and Techno – commercially qualified bids. Opened Bids were evaluated and price negotiation meetings were done by the duly nominated committee with the Lowest (L1) Bidder, M/s Wuhuan Engineering Company, China
- (e) After the Price Negotiation, placement of Order has been done

#### **2. Terms of the Contracts awarded to it:**

LSTK Contracts have been awarded to M/s Wuhuan based on terms and conditions of NIT (Tender) on single responsibility basis. The major terms of the contracts are as follows:

SI	Particulars	Coal Gasification Package	Ammonia/Urea Package
1	Issuance of Lol	11.09.2019	19.09.2019
2	Zero Date of project	19.09.2019	
3	Approx. Contract Price incl. taxes	USD 292.65 million + INR 3,412.41 cr.	USD 148.10 million + INR 1410.31 cr
4	Contract Effective Date	11.11.2019	19.04.2020
5	Time schedule	<ul style="list-style-type: none"> <li>• Mechanical Completion – 41 months from SI. 4</li> <li>• Preliminary Acceptance – 46 months from SI. 4</li> </ul>	<ul style="list-style-type: none"> <li>• Mechanical Completion – 36 months from SI. 4</li> <li>• Preliminary Acceptance – 41 months from SI. 4</li> </ul>
6	Technology Licensors	<ul style="list-style-type: none"> <li>• Gasification: Air Products (Formerly Shell)</li> <li>• Purification: Linde AG</li> </ul>	<ul style="list-style-type: none"> <li>• Ammonia plant – KBR LLC</li> <li>• Urea plant – Stamicarbon B.V</li> </ul>
7	Contract Security	10% of the contract value	10% of the contract value
8	Defect Liability Period	12 months from date of acceptance by TFL	12 months from date of acceptance by TFL
9	Seat of Arbitration	New Delhi	New Delhi

### **3. Progress of the works undertaken by the firm**

Due to continued impact of COVID – 19 pandemic in India and China since Dec., 2019 and other contextual issues, the progress of the works undertaken by M/s Wuhuan is lagging behind and is as follows :

SI	Package	Scheduled	Actual
1	Coal Gasification	40.72%	9.17%
2	Ammonia/Urea	34.66%	9.07%

### **4. The present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic**

With easing of lockdown restrictions, the physical activities at site are undergoing after following COVID-19 protocol. Currently piling activity is under progress at site along with laying of construction water infrastructure inside Coal Gasification & Ammonia Urea plant area. Currently 12 nos. of Wuhuan's officials are stationed in India and VISA of additional 06 nos. of manpower has also been approved on 15<sup>th</sup> June 2021.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

## **Further Comments of the Committee**

1.9 The Committee note that the Department of Fertilizers has requested M/s. Talcher Fertilizers Ltd, (TFL) to carry out a comprehensive assessment immediately about the impact of lockdown due to Covid-19 pandemic on the progress of the project work particularly on the aspect of cost escalation for taking concrete steps for completion of the project within scheduled time. The Committee further note that Lump Sum Turn Key (LSTK) contracts for Coal Gasification Plant and Ammonia /Urea Plants have been awarded to M/s Wuhuan Engineering Company, China. Due to continued impact of COVID – 19 pandemic in India and China since Dec., 2019 and other contextual issues, the progress of the works undertaken by M/s Wuhuan is lagging behind. Against the scheduled completion of 40.72% of Coal Gasification Plant, only 9.17% of the work has been completed. As regards, Ammonia/Urea Plant, 9.07% of work has only been completed against the scheduled completion of 34.66%. With the easing of lockdown, now the construction activities have again been started by M/s Wuhuan. In this regard, the Committee hope that the Department of Fertilizers would ensure completion of comprehensive assessment by TFL in a time bound manner and based on the assessment concrete steps would be taken for the completion of the project within in original time frame and cost. Progress made in this regard may be intimated to the Committee.

### **Recommendation No. 5**

#### **Revival of Gorakhpur and Sindri Units of FCIL and Barauni Units of HFCL**

1.10 Stressing the need for early commissioning of the Gorakhpur & Sindri units of FCIL and Barauni Unit of HFCL by M/s. Hindustan Urvarak & Rasayan Limited (HURL) and for infusion of funds to meet the cost overrun occurred due to Covid-19 lockdowns, the Committee recommended as under:-

“The Committee note that the revival of erstwhile Gorakhpur & Sindri units of FCIL and erstwhile Barauni Unit of HFCL is being done by M/s. Hindustan Urvarak & Rasayan Limited (HURL) which is a Joint Venture Company of National Thermal Power Corporation Limited (NTPC), Coal India Ltd (CIL), Indian Oil Corporation Limited (IOCL) as lead promoters with FCIL & HFCL as other partners for setting up of new Gas-based Urea Plants with a capacity of 12.7 lakh MTPA of Urea at each of these locations. Considerable progress has been made in commissioning these plants viz. completion of pre-project activities, environment clearances obtained, LSTK contracts awarded, gas supply agreements signed, etc. As per original programme, Gorakhpur plant was likely to be commissioned by February, 2021 and Sindri and Barauni units were to be commissioned by May, 2021. However, lock downs due to COVID 19 pandemic has created huge impact on progress of construction work in all the three plants. As of July, 2020 only 80.5% of work has been completed against the original plan of 94.9% in respect of Gorakhpur Plant, 74.2% against the plan of 91.4% in respect of Sindri Plant and 72.9% against 91.4% in respect of Baruni Plant. As a result, completion and commissioning of these projects are likely to be delayed by five to seven months. The Committee note that the Department has only assessed the quantum of delay likely to occur due to COVID 19 lockdowns but the subsequent quantum of cost overrun has not yet been estimated by the Department. The Department informed the Committee that there are delays in receipt of Steel structure/fabricated equipment from all over India due to closure of workshops for 3 to 4 months, delays in shipment of LSTK equipment for Barauni and Sindri plants and invoking of ‘*Force Majeure*’ clause on account of COVID by LSTK & other agencies. So there is likely hood of cost escalation of all the three projects. The Committee, therefore, recommend that the Department of Fertilizers should study the impact of COVID 19 lockdowns on the progress of work in respect of all the revival projects particularly on the cost overrun due to lockdowns and should take immediate necessary action for the timely completion and commissioning of the projects including infusion of funds for cost overrun occurred due to lockdowns. The issue of invoking of ‘*Force Majeure*’ clause on account of COVID by LSTK & other agencies should also be studied and appropriate action should be taken against those LSTK contractors for violations if any. Action taken in this regard may be intimated to the Committee.”

## REPLY OF THE GOVERNMENT

1.11 In their Action Taken Reply to the aforementioned recommendation of the Committee, the Department of Fertilizers has stated as under:-

*“The overall progress achieved by end of May 2021 by Gorakhpur unit is 91.2%, by Sindri unit is 89.4% and by Barauni unit is 88.7%. With respect to impact of COVID-19 lockdown on the progress of work of HURL projects, it may be informed that DoF vide letter dated 08.06.2021, has requested HURL to carry out the study on the impact of lockdowns due to COVID-19 pandemic on the progress of work with respect to revival projects particularly on the cost overrun due to lockdowns and suggest necessary steps to mitigate the impact. On receipt of the report, the Committee would be apprised accordingly.”*

### Further Comments of the Committee

1.12 The Committee note that the overall progress achieved by the end of May, 2021 in construction of Gorakhpur, Sindri and Barauni units was 91.2%, 89.4% and 88.7% respectively. Further as recommended by the Committee, the Department has requested HURL to carry out the study on the impact of lockdowns due to COVID-19 pandemic on the progress of work with respect to revival projects particularly on the cost overrun due to lockdowns. Since the earliest revival of these plants is vital for making the country self-sufficient in the fertilizer production, the Committee hope that assessment would be completed in a time bound manner and based on the outcome of the assessment, cost overrun aspect including infusion of necessary funds, if any, would be addressed and the work on all the three plants would be completed in a time bound manner with the aim of completing the work within the original cost. The progress made in this regard should be intimated to the Committee. Further, the reply furnished by the Department is silent on whether any of the LSTK contractors invoked the clause of “Force Majeure”. In this regard, specific reply may be furnished by the Department including the information on action taken on those LSTK contractors who invoked the clause.

**Recommendation No. 7**  
**Financial restructuring of FACT**

1.13 Emphasizing the need for an in-depth study for financial restructuring of FACT in view of its present economic condition and CAPEX programmes, so as to transform it into a profit making company, the Committee had recommended as under:-

“The Committee are concerned to note that the progress made in regard to financial restructuring of FACT is not satisfactory. FACT became a sick CPSU when its net worth became negative in 2012-13. Subsequently, the Department of Fertilizers moved a Cabinet Committee on Economic Affairs (CCEA) Note in 2014 on revival plan of FACT by infusion of funds and waiver of Government of India(Gol) loans & interest. Since the matter remained inconclusive, another CCEA note on Financial Restructuring of FACT was circulated on 23.2.2018 for Inter Ministerial Consultation (IMC) having the proposals for approval for sale/leverage of surplus land possessed by the company, write-off of Gol loan and its interest, etc. Subsequently a meeting was held in Prime Minister’s Office on 10.08.2018 to discuss the issues connected with the revival of FACT wherein it was decided to delink the sale of land of FACT from the Cabinet note for financial restructuring of FACT and to conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Units of Department of Fertilizers by NITI Aayog subject experts. Then the Union Cabinet approved the sale of surplus lands to BPCL and the Government of Kerala and utilization of the sale proceeds by FACT to address its working capital deficiency and to enhance physical and financial performance by implementing capacity expansion projects for sustainable growth of the Company. During 2018, FACT received Rs.420 crore through sale of land to BPCL and during 2019 received Rs.967.69 crore from the Government of Kerala for transfer of land. Based on the sale proceeds, FACT Board had approved CAPEX plans for Rs.700 crore. On 22<sup>nd</sup> January, 2020. The Department of Fertilizers received the NITI Aayog Report on “feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs”. After examination of the recommendations made in the Report, DoF sent its comments to PMO on 13 May, 2020. Even though this Committee is examining the subject, DoF had chosen not to provide NITI Aayog Report to the Committee. As none of the Fertilizer Units had shown their interest in absorption/merger of FACT/MFL with them, this proposal seems to have been dropped by the Government. In a subsequent

meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that FACT should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. The Committee find that the matter relating to waiver of Gol loan and the accumulated interest has been put into cold storage. Total Gol loan and the accrued interest was Rs.1770.49 crore as on 31.03.2017 and the same has been increased to Rs.2248.50 crore as on 31.03.2019. Moreover, negative net worth of the company had grown from (-)Rs.192.47 crore in 2012-13 to (-) Rs.1523.69 Crore in 2018-19. However, the company earned a profit of Rs.163.15 crore during 2018-19. In view of the above, the Committee feel that it is necessary to waive the Government of India loan and the accrued interest so as to enable the company to continue its profit making trend in view of the CAPEX programmes being undertaken by it. The Committee, therefore, recommend the following:-

- (i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of sale proceeds received by it from the sale of surplus land, rationalization of staff structure, etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.
- (ii) The waiver of Government of India loan and the accrued interest should be considered favorably so as to enable the company function in a healthy manner.
- (iii) As an outcome of the discussion with PMO, no further expansion involving capital expenditure is to be carried out by FACT till the revised financial restructuring proposal is finalized and in this regard, it is not clear whether the CAPEX programmes already approved by the cabinet have been put on hold or not. In case, FACT has already embarked upon its CAPEX programmes, the same should not be stopped as it would affect its expansion and modernization programmes.
- (iv) As on 31.03.2019, an amount of Rs. 503.23 crore was due to be paid to FACT on account of fertilizer subsidy. Such delays in payment of subsidy by DoF

would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to FACT should be immediately paid.

- (v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

The action taken on the above recommendations should be furnished to the Committee within three months.”

## REPLY OF THE GOVERNMENT

1.14 In their Action Taken Reply to the aforementioned recommendation of the Committee, the Department of Fertilizers has stated as under:-

*“A high-level meeting held on June 12, 2020. It was inter-alia decided that FACT should monetize their vacant lands, enhance operating efficiencies and rationalize their manpower to achieve the desired restructuring to ensure that as far as possible there should not be any financial outgo of Government of India. Steps are being taken by DoF/FACT in accordance with the directions.*

- *FACT was also asked to ensure the PMO’s directive on manpower study is fulfilled, so that further financial restructuring of FACT can be carried on.*
- *As informed by FACT, FACT has engaged third party viz., Administrative Staff College of India (ASCI), Hyderabad for study on the rationalization of manpower. As proposed to the Government of India, FACT would be resorting to expansion projects at Cochin Division to augment capacity, which require additional manpower. Further, FACT has expanded marketing operations to Northern region states of Gujarat, Maharashtra, West Bengal and Odisha and is in the process of appointment of Dealers. The additional manpower requirements in the above 2 areas is also being assessed with the study on rationalization of manpower. The report of the study is still awaited.*
- *Competent Authority has approved restarting the operation of the Caprolactam plant, by recruitment of proposed 234 manpower, out of which 50% i.e. 117 nos. would be on regular basis through direct recruitment mode and the remaining 50% through contractual/outsourcing mode, vide letter dated 5th May, 2021. The approval is subject to the following conditions: -*



- I. *FACT shall ensure the operational efficiency, sustenance and safety requirements of running the Caprolactum plant by judicious deployment of the thus recruited manpower;*
  - II. *There shall be no financial outgo from the Government of India for operationalizing the Caprolactum plant including the expenses relating to the manpower.*
- *With respect to CAPEX projects of Rs. 700 Crore, work on the sites at Ammonia Barge with Bullets ,Phosphoric Acid Storage Tank at WI, Sulphuric Acid Storage Tank at FACT-CD and Reconstruction of Ammonia berth at Willingdon island are in progress. In some other projects like NP Plant Project and Ammonia Storage Tank, tenders have been re-floated by FACT. The same has been informed by FACT.*
  - *As on 31.03.2019, Department of Fertilizers was paid the subsidy amounting of Rs. 500.77 Crore to FACT.*
  - *With the approval of Cabinet, DIPAM has notified the New Public Sector Enterprise (“PSE”) Policy for Atmanirbhar Bharat vide OM dated 04<sup>th</sup> February, 2021. It has been decided that Fertilizer Sector comes under the Non-Strategic Sectors. It has been further decided that PSEs in non-strategic sectors shall be considered for privatization, where feasible, otherwise such enterprises shall be considered for closure. The decision on financial restructuring will be taken after considering the Government Policy.”*

#### **FURTHER COMMENTS OF THE COMMITTEE**

**1.15 The Committee are concerned to note that the decision on financial restructuring of FACT has been put into back burner by the Department of Fertilizer as the same will be taken up by the Department after considering the above stated “New Public Sector Enterprise Policy for Atmanirbhar Bharat”. As a result of this move, all the efforts made for the financial restructuring of FACT since 2014 have gone in vain. It is a matter of grave concern that the Department of Investment and Public Asset Management (DIPAM) has declared Fertilizers as a non-strategic sector and the fertilizer PSEs will be considered for either privatization or closure. In this regard, the Committee regret to note that the Department of Fertilizers has not been able to convince DIPAM about the need for making fertilizers a strategic sector as the production of required quantum of food grains is essential for meeting the**

needs of huge population of the country. It is very much necessary to hold consultations with various stake holders including fertilizer industry, farmers and others before taking such major decisions. Since fertilizer is a core sector concerning food security of the country and the coexistence of both public and private sectors in the field of fertilizer production is essential to boost the agricultural production, the Committee strongly recommend that the decision to declare fertilizer as a non-strategic sector should be reconsidered and this sector should be declared as a strategic sector. This recommendation of the Committee should be sent to Secretary, DIPAM for specific reply within three months of presentation of the report.

**1.16 As the reply given by the Department to the recommendation of the Committee on financial restructuring of FACT is not satisfactory and evasive, the Committee reiterate the earlier recommendation that the Secretary of the Department should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of sale proceeds received by it from the sale of surplus land, rationalization of staff structure, waiver of existing Government of India loan, etc and take necessary steps for financial restructuring of the company and its continuous running as a profit making public sector enterprise. Specific reply should be given on this recommendation of the Committee.**

#### **Recommendation No. 8**

#### **Financial restructuring of MFL**

1.17 While emphasizing the need for in-depth study for financial restructuring of MFL in view of its present economic condition, etc. so as to facilitate it to transform into a profit making company in a time bound manner, the Committee had recommended as under:-

“The Committee are constrained to note that very little progress has only been made in financial restructuring of Madras Fertilizers Limited(MFL) which is public sector fertilizer manufacturing company rendering its service to the nation since 1966. The company’s net worth gone into negative during 2003-04 and it remains negative till now. The main reasons for its sickness are frequent shut downs, higher energy consumption, working capital crisis, Feedstock conversion project,

floods and Vardha Cyclone. DoF informed the Committee that in terms of Department of Public Enterprises guidelines dated 29.10.2015 on revival and restructuring of sick Central Public Sector Enterprises, M/s PDIL was engaged as a consultant for drawing of financial restructuring plans of MFL. M/s PDIL had submitted their report on 20.12.2016 wherein it was *inter alia* suggested replacement of old & problematic equipment, energy efficiency schemes, feedstock change over, conversion of GOI loan to equity and waiver of interest on GoI Loans. On the basis of PDIL Report, MFL Board submitted recommendations on revival plan to DoF on 01.06.17 with the suggestions for waiver of GoI loan and the accrued interest and raising loan from Financial Institutions/banks for its CAPEX Schemes. Subsequently, a Draft CCEA Note containing proposal for financial restructuring of MFL was forwarded by DoF for Inter Ministerial Consultation on 15.11.2017. As per another decision, DoF moved a proposal with Department of Expenditure (DoE) for waiver of interest and conversion of outstanding loan to zero interest loan to be repaid over 15 years. But DoE turned down the proposal with the suggestion that it needs to be examined in the context of progress made on the administrative steps, viz. plan of action for land monetization, early completion of the gas pipeline for sustainability in cost of production, etc. Meanwhile, a meeting was held in Prime Minister's Office on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. In another meeting held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of MFL, it was *inter-alia* decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of MFL with other Fertilizer Units under DoF. After examination of the recommendations made in the NITI Ayog Report, DoF sent its comments to PMO on 13 May, 2020 wherein it was stated that possibility/ viability of merger of MFL with other fertilizer CPSEs and its strategic disinvestment may be considered only after its financial restructuring is completed and it become financially sound to some reasonable extent. In a subsequent meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that MFL should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. In this regard, the Committee note that unlike FACT, the surplus land holding of MFL

is very less and it is facing difficulties in selling the same. Out of 70 Acres of land, MFL sold 4.98 acres to CPCL. For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it has not materialized so far. On the other hand, the GoI loan alongwith its accrued interest has increased from Rs.1063.28 crore as on 31.3.2017 to Rs.1156.90 crore as on 31.03.2019 with the interest component growing more than the principal component. However, there is some silver lining in the functioning of MFL as it has converted its feedstock from Naptha to Gas(RLNG) and as a result it has started earning profit. Moreover, MFL has initiated energy saving measures which may result in savings. Further it has envisaged increasing production volume of fertilizers for increased earnings. In view of the above, the Committee hope that MFL can be transformed into a profit making company if the administrative reforms and the financial restructuring are undertaken in a time bound manner and would like to make the following recommendations:-

- (i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of feedstock conversion from Naptha to Gas, energy saving schemes, rationalization of staff structure, difficulties being faced in land monetization etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.
- (ii) Proposal of the MFL Board to waive the Government of India loan and the accrued interest thereon should be considered favorably so as to enable the company function in a healthy manner.
- (iii) Out of 70 Acres of land, MFL was able to monetize only 4.98 acres and the rest of 65.02 acres remain unsold. In this regard, DoF should find out ways to sell the remaining surplus land by taking up the matter with Public Sector Oil companies who have properties adjoining to MFL. Government of Tamil Nadu may also be impressed upon to take over the land. In case of continuing difficulties in selling the land, the options to monetize the land may also be explored.
- (iv) As on 31.03.2019, an amount of Rs. 706.52 crore was due to be paid to MFL on account of fertilizer subsidy. Such delays in payment of subsidy by DoF

would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to MFL should be immediately paid.

- (v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

The action taken on the above recommendations should be furnished to the Committee within three months.”

### **REPLY OF THE GOVERNMENT**

1.18 In their Action Taken Reply to the aforementioned recommendation of the Committee, the Department of Fertilizers has stated as under:-

“A high-level meeting held on June 12, 2020. It was inter-alia decided that MFL should monetize their vacant lands, enhance operating efficiencies and rationalize their manpower to achieve the desired restructuring to ensure that as far as possible there should not be any financial outgo of Government of India. Steps are being taken by DoF/MFL in accordance with the directions.

- MFL was also asked to ensure the PMO’s directive on manpower study are fulfilled, so that further financial restructuring of MFL can be carried on.
- With respect to rationalization of Manpower, MFL has furnished the draft Notice Inviting Tender to hire an external expert agency to conduct a study on rationalization of Manpower of MFL wherein some suggestions were given by Department of Fertilizers vide letter dated 18<sup>th</sup> February, 2021. The suggestions have been incorporated in the Notice Inviting Tender (NIT) by MFL. Now, the tender has been floated by MFL.
- So far as selling of remaining 65.02 acres of land, MFL has informed that as a part of repeated effort, MFL recently has written a letter to the Principal Secretary to Government of Tamil Nadu, Industry Department on 30.03.2021 for sale of land but not yet materialized.
- As on 31.03.2019, Department of Fertilizers has paid all the subsidy except the Addl. Fixed Cost Benefit i.e. Rs. 14.14 Cr. This Department is in process of releasing the same.
- With the approval of Cabinet, DIPAM has notified the New Public Sector Enterprise (“PSE”) Policy for Atmanirbhar Bharat vide OM dated 04<sup>th</sup> February, 2021. It has been decided that Fertilizer Sector comes under the Non-Strategic Sectors. It has been further decided that PSEs in non-strategic sectors shall be considered for privatization,

where feasible, otherwise such enterprises shall be considered for closure. The decision on financial restructuring will be taken after considering the Government Policy.”

#### **FURTHER COMMENTS OF THE COMMITTEE**

**1.19** The Committee are constrained to note that very little progress has been made in the financial restructuring of Madras Fertilizers Ltd. (MFL). Also the above reply given by the Department to the recommendation of the Committee that the decision on financial restructuring will be taken after considering the Government Policy of privatization or closure of PSEs pertaining to non-strategic sectors is not acceptable to the Committee. Since fertilizer sector is back bone of agriculture, as recommended in Para-1.15 above, the Department should take up with DIPAM prominently for the declaration of fertilizers as a strategic sector. This recommendation should also be sent to secretary, DIPAM for specific action taken reply.

**1.20** After the feedstock conversion from Naptha to Gas, implementation of energy saving schemes, rationalization of staff structure, monetization of surplus land, etc., there is a strong possibility that MFL can turn into a profit making entity. The Committee, therefore, reiterate that the Secretary, DoF should prepare the financial restructuring proposal as recommended above and take necessary action for the approval of the same. Progress made in this regard should be intimated to the Committee.

**1.21** The Committee are also concerned to note that the Department of Fertilizers has not taken any action in regard to monetization of surplus land of MFL and left everything to MFL to act in the matter. In this regard, the Committee would like to reiterate the earlier recommendation that Department of Fertilizers should take up the matter at Secretary level with Public Sector Oil companies who have properties adjoining to MFL and also with the Government

of Tamil Nadu and impress upon them to take over the land. In case of continuing difficulties in selling the land, the options to monetize the land may also be explored. The Committee may be informed about the progress made in the matter.

## CHAPTER – II

### OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation No. 1

#### Revival of Closed Fertilizer Units

2.1 The Committee are concerned to note that out of nine Public Sector fertilizer manufacturing companies under the Department of Fertilizers, two have been closed and three are sick/loss making. Fertilizer Corporation of India(FCIL) and Hindustan Fertilizer Corporation Ltd (HFCL) were closed in 2002. The main reasons for closure of these companies were the obsolete technology, high energy consumption due to high cost feed stocks, poor quality of power/frequent interruptions of power supply and dearth of funds for repair and renewals. In order to have a strong fertilizer manufacturing base in the country, Cabinet Committee on Economic Affairs gave in-principle approval in 2007 to examine the feasibility of revival of closed units of FCIL and HFCL. After many initiatives during the subsequent years, the Union Cabinet finally approved the proposal for revival of five closed fertilizer units of FCIL and HFCL viz., Ramagundam Fertilizers and Chemicals Ltd. of FCIL, (ii) Talcher Unit of FCIL, (iii) Gorakhpur Unit of FCIL. (iv) Sindri Unit of FCIL and (v) Barauni unit of HFCL on 13.07.2016. Subsequently these units are being revived by setting up new urea plants of 12.7 Lakh Metric Tonnes Per Annum (LMTPA) capacity each at Ramagundam(Telengana), Talcher(odisha), Gorakhpur(Uttar Pradesh), Sindri(Jharkhand) and Barauni (Bihar) through nomination route through formation of Joint Ventures of leading Public Sector Undertaking Consortia. As per the information provided by the Department of Fertilizers, the total investment for revival of all the five fertilizer plants is about Rs.40503.50 Crore and the revival activities of these fertilizer plants are closely monitored by Department of Fertilizers alongwith NITI Ayog and Prime Minister's Office. Since it is very much necessary to augment the production of fertilizers in the country so as to meet the demand domestically without resorting to imports, the Committee recommend that this welcome move of the Government to revive the closed fertilizer units should be pursued vigorously to complete and commission them in a time bound manner and more importantly should be followed by successful running of these plants viz. fully utilizing production capacity, economic use of energy, constantly upgrading technology for making them globally competitive, etc. The Committee also recommend that the Department of Fertilizers should consider providing technology



upgradation and maintenance fund to these new fertilizer plants till they become economically self sustaining so as to enable them overcome the problems which were faced by the erstwhile fertilizer plants. Moreover, captive power plants should also be set up in these fertilizer plants so that they operate without any power supply interruptions.

### **REPLY OF THE GOVERNMENT**

2.2 It is re-iterated that Government of India is facilitating revival of closed units of FCIL / HFCL by setting up State-of-the-art Ammonia Urea plants of 12.7 Lakh Metric Tonne per annum capacity through formation of Joint Venture Companies of nominated PSUs. Department of Fertilizers is pursuing vigorously to ensure that these revival plants are completed and commissioned in time bound manner. With regard to self-sustainability of these plants, it may be informed that Ramagundam, Gorakhpur, Sindri and Barauni units are being revived under New Investment Policy (NIP)-2012 read with its amendment dated 7<sup>th</sup> Oct 2014 whereas CCEA in its meeting held on 20.04.2021 has approved exclusive subsidy policy for Urea produced through coal gasification route by TFL to take care of viability/sustainability of these units. Further, to ensure viability of HURL plants, CCEA in its meeting held on 01.08.2018 has approved grant of Interest Free Loan (IFL) equivalent to Interest During Construction amounting to Rs. 1257.82 crore to Gorakhpur, Sindri and Barauni units of HURL. It may also be informed that captive power plants are also being set up with all these plants except Talcher.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No.  
11021/4/2021-PARL dated 14.7.2021)

### **Recommendation Nos. 3 & 4 (Recommendation No. 3)**

#### **Revival of Talcher Unit of FCIL**

2.3 The Committee note that the erstwhile Talcher unit of FCIL is being revived through setting up of a new coal based urea plant with a capacity of 12.7 LMTPA of urea by a Joint Venture company named M/s. Talcher Fertilizers Ltd, (TFL) which was formed on 27-10-2015 with the equity holdings among RCF, GAIL, CIL and FCIL. The Committee note that the total cost of the project is Rs.13,227 Crore with 10% cost escalation as per the revised Detailed Feasibility Report(DFR) which is much higher when compared to the other four fertilizer units which are also being revived currently. The

cost of other four projects range between Rs.7000 crore to Rs.7100crore. The main reason for higher cost of this project is it is coal based while the others are gas based urea plants. In this regard, the Committee note the submission of the Department that this plant would use clean coal technology which will reduce dependence on natural gas for fertilizer production and likely to open up new avenues for using vast coal reserves in the country. Further, the Committee note that the operational cost of this plant will be lower and the end product will not be costlier. Presently, the pre-project activities are in progress and it is targeted to be commissioned by September, 2023. However, the commissioning of the plant may be delayed by six to nine months due to Covid 19 lock down. Since it is a high cost project and its cost of construction has already been escalated by 10% as per the revised Detailed Feasibility Report(DFR), the Committee recommend that a comprehensive assessment may be made immediately about the impact of lockdown on the progress of the project work particularly on the aspect of cost escalation and based on the assessment concrete steps should be taken to ensure that necessary impetus is given for completing and commissioning the fertilizer plant during 2023 within the originally fixed cost of the project. Action taken by the Department of Fertilizers in this regard may be apprised to the Committee.

#### **(Recommendation No. 4)**

2.4 The Committee note that Lump Sum Turn Key (LSTK) contracts have been awarded to M/S Wuhuan of China for Coal Gasification and Ammonia /Urea packages of the Talcher project valuing approximately Rs.7900 Crore. In this regard, the Committee would like to know the mode of selection of the Chinese firm, terms of the contracts awarded to it, progress of the works undertaken by this firm and the present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic

#### **REPLY OF THE GOVERNMENT (RECOMMENDATION Nos. 3 & 4 )**

2.5 As recommended by the Committee, DoF vide letter dated 08.06.2021 has requested TFL to carry out a comprehensive assessment immediately about the impact of lockdown due to Covid-19 pandemic on the progress of the project work particularly on the aspect of cost escalation and suggest concrete steps to be taken to ensure completion of the project with in scheduled time. On receipt of the report, the committee would be apprised accordingly. With respect to Lump Sum Turn Key (LSTK) contract awarded to M/s Wuhan Engg. Company Ltd, information on mode of selection, terms of the contract, progress of work and impact of Covid-19 pandemic is given in **Annexure A.**

**Annexure pertains to Recommendation No. 4 (Report No. 18)  
Revival of Talcher unit of FCIL**

Award of Lump Sum Turn Key (LSTK) contracts for Coal Gasification Plant and Ammonia /Urea Plants to M/s Wuhuan Engineering Company, China.

**2. Mode of selection of Firm**

- (f) Tender was floated on" Open International Competitive Bidding basis" and Press Notification was published in leading National Dailies
- (g) Prequalification of Bids was done against the Prequalification Criterion of NIT (Tender)
- (h) Technical and Commercial Evaluation of Bids was done for the Pre-qualified Bids
- (i) Price Bids were opened and evaluated for the Prequalified and Techno – commercially qualified bids. Opened Bids were evaluated and price negotiation meetings were done by the duly nominated committee with the Lowest (L1) Bidder, M/s Wuhuan Engineering Company, China
- (j) After the Price Negotiation, placement of Order has been done

**2. Terms of the Contracts awarded to it:**

LSTK Contracts have been awarded to M/s Wuhuan based on terms and conditions of NIT (Tender) on single responsibility basis. The major terms of the contracts are as follows:

<b>SI</b>	<b>Particulars</b>	<b>Coal Gasification Package</b>	<b>Ammonia/Urea Package</b>
1	Issuance of Lol	11.09.2019	19.09.2019
2	Zero Date of project	19.09.2019	
3	Approx. Contract Price incl. taxes	USD 292.65 million + INR 3,412.41 cr.	USD 148.10 million + INR 1410.31 cr
4	Contract Effective Date	11.11.2019	19.04.2020
5	Time schedule	<ul style="list-style-type: none"> <li>• Mechanical Completion – 41 months from Sl. 4</li> <li>• Preliminary Acceptance – 46 months from Sl. 4</li> </ul>	<ul style="list-style-type: none"> <li>• Mechanical Completion – 36 months from Sl. 4</li> <li>• Preliminary Acceptance – 41 months from Sl. 4</li> </ul>
6	Technology Licensors	<ul style="list-style-type: none"> <li>• Gasification: Air Products (Formerly Shell)</li> <li>• Purification: Linde AG</li> </ul>	<ul style="list-style-type: none"> <li>• Ammonia plant – KBR LLC</li> <li>• Urea plant – Stamicarbon B.V</li> </ul>
7	Contract Security	10% of the contract value	10% of the contract value
8	Defect Liability Period	12 months from date of acceptance by TFL	12 months from date of acceptance by TFL

9	Seat of Arbitration	New Delhi	New Delhi
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#### **4. Progress of the works undertaken by the firm**

Due to continued impact of COVID – 19 pandemic in India and China since Dec., 2019 and other contextual issues, the progress of the works undertaken by M/s Wuhuan is lagging behind and is as follows :

Sl	Package	Scheduled	Actual
1	Coal Gasification	40.72%	9.17%
2	Ammonia/Urea	34.66%	9.07%

#### **4. The present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic**

With easing of lockdown restrictions, the physical activities at site are undergoing after following COVID-19 protocol. Currently piling activity is under progress at site along with laying of construction water infrastructure inside Coal Gasification & Ammonia Urea plant area. Currently 12 nos. of Wuhuan's officials are stationed in India and VISA of additional 06 nos. of manpower has also been approved on 15<sup>th</sup> June 2021.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

#### **Further Comments of the Committee**

2.6 (For Recommendation 3, please see Para No. 1.8 of Chapter- I of the Report)

#### **Recommendation No. 5**

#### **Revival of Gorakhpur and Sindri Units of FCIL and Barauni Units of HFCL**

2.7 The Committee note that the revival of erstwhile Gorakhpur & Sindri units of FCIL and erstwhile Barauni Unit of HFCL is being done by M/s. Hindustan Urvarak & Rasayan Limited (HURL) which is a Joint Venture Company of National Thermal Power Corporation Limited (NTPC), Coal India Ltd (CIL), Indian Oil Corporation Limited (IOCL) as lead promoters with FCIL & HFCL as other partners for setting up of new Gas-based Urea Plants with a capacity of 12.7 lakh MTPA of Urea at each of these locations. Considerable progress has been made in commissioning these plants viz. completion of pre-project activities, environment clearances obtained, LSTK contracts awarded, gas supply agreements signed, etc. As per original programme, Gorakhpur plant was likely to be commissioned by February, 2021 and Sindri and Barauni units were to be commissioned by May, 2021. However, lock downs due to COVID 19 pandemic has created huge impact on progress of construction work in all the three plants. As of July, 2020 only 80.5% of work has been completed against the original plan of 94.9% in respect of Gorakhpur Plant, 74.2% against the plan of 91.4% in respect of

Sindri Plant and 72.9% against 91.4% in respect of Baruni Plant. As a result, completion and commissioning of these projects are likely to be delayed by five to seven months. The Committee note that the Department has only assessed the quantum of delay likely to occur due to COVID 19 lockdowns but the subsequent quantum of cost overrun has not yet been estimated by the Department. The Department informed the Committee that there are delays in receipt of Steel structure/fabricated equipment from all over India due to closure of workshops for 3 to 4 months, delays in shipment of LSTK equipment for Barauni and Sindri plants and invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies. So there is likely hood of cost escalation of all the three projects. The Committee, therefore, recommend that the Department of Fertilizers should study the impact of COVID 19 lockdowns on the progress of work in respect of all the revival projects particularly on the cost overrun due to lockdowns and should take immediate necessary action for the timely completion and commissioning of the projects including infusion of funds for cost overrun occurred due to lockdowns. The issue of invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies should also be studied and appropriate action should be taken against those LSTK contractors for violations if any. Action taken in this regard may be intimated to the Committee.

### **REPLY OF THE GOVERNMENT**

2.8 The overall progress achieved by end of May 2021 by Gorakhpur unit is 91.2%, by Sindri unit is 89.4% and by Barauni unit is 88.7%. With respect to impact of COVID-19 lockdown on the progress of work of HURL projects, it may be informed that DoF vide letter dated 08.06.2021, has requested HURL to carry out the study on the impact of lockdowns due to COVID-19 pandemic on the progress of work with respect to revival projects particularly on the cost overrun due to lockdowns and suggest necessary steps to mitigate the impact. On receipt of the report, the Committee would be apprised accordingly.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

### **Further Comments of the Committee**

2.9 (Please see Para No. 1.11 of Chapter- I of the Report)

## CHAPTER – III

### OBSERVATION / RECOMMENDATION WHICH THE COMMITTEE DO NOT LIKE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

#### Recommendation No. 2

#### Ramagundam Fertilizers and Chemicals Ltd of FCIL

3.1 The Committee note that Ramagundam Fertilizers and Chemicals Ltd (RFCL), which is one of the five closed units being revived, is a joint venture project of National Fertilizers Ltd., Engineers India Limited, Fertilizer Corporation of India and the Government of Telangana. RFCL was incorporated on 17.2.2015 for setting up gas based urea manufacturing unit at Ramagundam, Telangana. Erstwhile Ramagundam unit of FCIL is being revived by setting up a new gas based Ammonia Urea plant of 12.7 LMTPA capacity through nomination route by forming Joint venture company in February, 2015. This project was expected to be commissioned during first quarter of 2020 but the schedule of commissioning of the plant has been impacted due to COVID 19 Pandemic. Department of Fertilizers informed that the cumulative work progress in respect of the project as on 15-07-2020 was 99.64% and the commercial production is likely to start by the second week of November, 2020. The Committee appreciate that considerable progress has been made in commissioning the plant and the Committee hope that the Department will leave no stone unturned to ensure the timely completion of the project and starting of commercial production during November, 2020. The progress made in this regard may be intimated to the Committee.

#### REPLY OF THE GOVERNMENT

3.2 With regard to progress of RFCL Plant, it may be informed that mechanical completion of Ammonia Unit was achieved on 07.01.2021, mechanical completion of Urea Unit was achieved on 31.01.2021 and commercial production of Urea by RFCL plant has started on 22<sup>nd</sup> March 2021.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

## **Recommendation No. 6**

### **Revival of Korba Unit of FCIL and Durgapur and Haldia Unit of HFCL**

3.3 The Committee note that there are total eight units – five units of FCIL and three units of HFCL which need to be revived. Out of the five units of FCIL viz. (i) Sindri, (ii) Gorakhpur, (iii) Ramagundam, (iv) Talcher and (v) Korba, only first four units have been taken up for revival while construction of Korba unit has not been taken up so far. Similarly, out of three units of HFCL viz. (i) Barauni, (ii) Durgapur and (iii) Haldia, only Barauni unit has been taken up for revival. Haldia unit has not been commissioned as its commissioning was stopped in October, 1986 on the orders of Government of India and Durgapur unit's revival has not been considered by the Government.

From the foregoing, the Committee would like to know the reason of non-construction of Korba unit of FCIL and non-commissioning of Haldia unit of HFCL. The Committee would also like to know the reason for not considering the revival of Haldia unit of HFCL. The Committee are of the view that in order to attain self-sufficiency in fertilizer sector the revival of the remaining three units should also be considered by removing all the obstacles.

### **REPLY OF THE GOVERNMENT**

3.4 With regard to revival of Korba unit of FCIL and Haldia and Durgapur units of HFCL, it may be informed that presently four units of FCIL i.e. Ramagundam, Talcher, Gorakhpur & Sindri and one unit of HFCL i.e. Barauni are being revived by setting up new Ammonia Urea plants of 12.7 Lakh Metric Tonne per annum (LMTPA) capacity through formation of Joint Venture Companies of nominated PSUs. Cabinet in its meeting held on 21.05.2015 inter-alia has approved setting up of new Brownfield ammonia-urea unit in the premises of BVFCL, Namrup. Further, two urea plants of 12.7 LMTPA Capacity each at Gadepan, Kota (Rajasthan) by M/s Chambal Fertilizers & Chemicals Ltd and at Panagargh (West Bengal) by M/s Matix Fertilizers & Chemicals Ltd have come up in private sector. Therefore, decision with respect to revival of Korba unit of FCIL and Haldia and Durgapur units of HFCL would be taken based on the assessment of demand supply gap after operationalization of all these plants.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

## **Recommendation No.9**

### **Revival of BVFCL**

3.5 The Committee note that BVFCL has become loss making due to multifarious reasons including obsolete and unproven technology, inordinate delay in implementation of the revamp project in the Namrup II plants and subsequent cost overruns, etc. Namrup II plants are, three decades old and they were kept closed for some time but a vain attempt was made to make these plants operative by way of revamp. Substantial investments have been infused in it but the performance is below par. Further the Committee note that the Namrup III plants, which are the latest of BVFCL, have better performance results compared to Namrup I & II. The technology adopted even for Namrup III plants is also of old generation. Hence performance with respect to energy is very poor compared to latest plants in the country. Seeing the meager performance of Namrup II & III plants, BVFCL assigned the revamp study to HTAS for ammonia plants and PDIL for urea plants and utility facilities. The study reports have been submitted by both consultants. In the reports, various measures have been suggested to achieve the sustained production with minimum level of energy usage. *Nevertheless PDIL had given* its opinion for not to go for second revamp considering economic non-viability of spending huge amount for minor improvement only and return on investment to be made for these proposals for revamp, works out to be negative. Based on this suggestion, the Union Cabinet approved on 21<sup>st</sup>May 2015 the proposal for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL having capacity of 8.646 Lakh MT per annum through a JV under Public Private Partnership (PPP) mode with equity participation of 48% and 52%. However, due to poor response from private parties, DoF is in the process of exploring possibilities for equity participation of remaining 52% equity also on nomination basis to CPSEs and installation of a standard size gas based Ammonia-Urea Plant with a capacity of 12.7 LMTPA in place of 8.646 LMTA by forming a Joint Venture company. On 10.06.2020, a meeting was held under the Chairmanship of Secretary (Fertilizers) wherein it was decided to explore possibilities of new equity partner PSUs like North Eastern Electric Power Corporation, Oil & Natural Gas Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited etc. which have considerable business interest in the North Eastern Region. Since it is very much necessary to run BVFCL in a healthy manner to meet the fertilizer needs of North Eastern region, the recommend the following:-



- (i) Concrete and time bound steps should be taken to rop in PSUs like North Eastern Electric Power Corporation, Oil & Natural Gas Corporation Limited, Gas Authority of India Limited, Indian Oil Corporation Limited etc. which have considerable business interest in the North Eastern Region for equity participation in the proposed Namrup – IV plant;
- (ii) After finalization of Joint Venture Equity Participation by various PSUs, an expert management team may be formed for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL with a definite time schedule.
- (iii) Necessary financial assistance may be considered for continuous running of Namrup II and III plants till the commissioning of Namrup-IV plant. Subsidy dues to BVFCL should be released without any delays.
- (iv) Since the Committee were informed that considerable amount of money has been spent in vain for the revival of Namrup-II Plants, DoF may consider a probe into the angle of any misuse of financial powers in this regard by the concerned.

### **REPLY OF THE GOVERNMENT**

3.6 Reply: The point-wise reply are as follows:-

- (i) & (ii): With regard to progress of setting up new ammonia urea plant Nmarup-IV at BVFCL, it may be informed that in a meeting held on 21.01.2021 under the chairmanship of Hon'ble Minister for Chemicals and Fertilizers, it has been decided to allocate equity contribution on nomination basis to Government of Assam (26%), M/s Oil India Ltd (18%), M/s BVFCL (11%), M/s Rashtriya Chemicals & Fertilizers Ltd (17%) and National Fertilizers Ltd (28%). Accordingly, vide letter dated 22.02.2021, NFL / BVFCL have been requested to submit Techno Economic Feasibility Report (TEFR) of the project and detailed demand for Viability Gap Funding to make the Namrup-IV project viable to this Department at the earliest so that matter may be taken up with Cabinet for approval of the same
  
- (iii): In order to ensure the safe, sustainable and economic operation of the plants for a period of another about 4 -5 years, Department of Fertilizers has moved a CCEA Note for approval of grant-in-aid to the extent of Rs.100 Crore (Rupees One Hundred Crore only) to Brahmaputra Valley Fertilizer Corporation Limited, Namrup (Assam).

CCEA accorded the approval to the proposal to grant-in-aid to Rs. 100 Crore to BVFCL, Namrup to sustain operation of its urea manufacturing units during the meeting held on 10<sup>th</sup> February, 2021.

This Department is in process of disbursing the amount of Rs. 100 Crore (Rs. One Hundred Crore only) to BVFCL at the earliest.

- (iv): An enquiry was conducted by the Standing Committee on time and cost overrun of the Namrup revamp project of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) and submitted their report on 17.08.2005. The Committee concluded that responsibility be fixed on the following officers who were prima-facie responsible for the time and cost overrun in the Namrup Revamp Project. They were:
- (i) Shri J. Nehru, Former CMD, HFCL for the period from 07.07.1997 to 30.01.2001.
  - (ii) Shri NK Borah, Former CMD, HFC with charge of OSD/CMD, BVFCL for the from 26.05.1995 to 02.06.1997 and from 03.06.1997 to 31.01.2001 as a project head.
  - (iii) Dr.Bodeiah, CMD, BVFCL for the period from 26.05.2003 to till the date of the writing of the report.
  - (iv) Shri ON Kapur, Former CMD, PDIL for the period from 18.10.1994 to 17.08.2000.
  - (v) Shri K. K. Roy, CMD, PDIL, joined as CMD PDIL on 26.04.2002.
- (B). The matter was examined in the Department of Fertilizers and it was found that since all the officers (except Shri K.K. Roy, then CMD, PDIL) had by that time already retired on attaining of the age of superannuation, it was not possible for the Department to initiate any action for the lapses on their part for the time and cost overrun of the Namrup Revamp Project. Hence, it was decided to communicate Government's 'Displeasure' to all the officers. However, Shri J.Nehru had challenged the 'Memorandum of Displeasure' dated 28.04.2006 before the Hon'ble High court, Delhi. As per directions of the Hon'ble High court, the 'Memorandum of Displeasure' was withdrawn by the Department of Fertilizers. Thereafter, he filed defamation case vide CS(OS) No. 59152/2016 titled as J. Nehru Vs D. Bannerji & others against 09 respondents for award of damages of Rs.1 crore in favour of him for harm and injury caused to his reputation by issuing 'Memorandum of Displeasure' on 28.04.2006. Five respondents are members of the committee constituted in D/o Expenditure which fixed the responsibility against liable officer. 05 respondents are officers of D/o Fertilizers who had issued the 'Memorandum of Displeasure' on the basis of report submitted by D/o Expenditure. The defamation case is sub-judice in the Patiala House Court.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

## CHAPTER-IV

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE REPLIES GIVEN BY THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation No. 7

#### Financial restructuring of FACT

4.1 The Committee are concerned to note that the progress made in regard to financial restructuring of FACT is not satisfactory. FACT became a sick CPSU when its net worth became negative in 2012-13. Subsequently, the Department of Fertilizers moved a Cabinet Committee on Economic Affairs (CCEA) Note in 2014 on revival plan of FACT by infusion of funds and waiver of Government of India(GoI) loans & interest. Since the matter remained inconclusive, another CCEA note on Financial Restructuring of FACT was circulated on 23.2.2018 for Inter Ministerial Consultation(IMC) having the proposals for approval for sale/leverage of surplus land possessed by the company, write-off of GoI loan and its interest, etc. Subsequently a meeting was held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of FACT wherein it was decided to delink the sale of land of FACT from the Cabinet note for financial restructuring of FACT and to conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Units of Department of Fertilizers by NITI Aayog subject experts. Then the Union Cabinet approved the sale of surplus lands to BPCL and the Government of Kerala and utilization of the sale proceeds by FACT to address its working capital deficiency and to enhance physical and financial performance by implementing capacity expansion projects for sustainable growth of the Company. During 2018, FACT received Rs.420 crore through sale of land to BPCL and during 2019 received Rs.967.69 crore from the Government of Kerala for transfer of land. Based on the sale proceeds, FACT Board had approved CAPEX plans for Rs.700 crore. On 22<sup>nd</sup> January, 2020. The Department of Fertilizers received the NITI Aayog Report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs". After examination of the recommendations made in the Report, DoF sent its comments to PMO on 13 May, 2020. Even though this Committee is examining the subject, DoF had chosen not to provide NITI Ayog Report to the Committee. As none of the Fertilizer Units had shown their interest in absorption/merger of FACT/MFL with them, this proposal seems to have been

dropped by the Government. In a subsequent meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that FACT should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. The Committee find that the matter relating to waiver of Gol loan and the accumulated interest has been put into cold storage. Total Gol loan and the accrued interest was Rs.1770.49 crore as on 31.03.2017 and the same has been increased to Rs.2248.50 crore as on 31.03.2019. Moreover, negative net worth of the company had grown from (-)Rs.192.47 crore in 2012-13 to (-)Rs.1523.69 Crore in 2018-19. However, the company earned a profit of Rs.163.15 crore during 2018-19. In view of the above, the Committee feel that it is necessary to waive the Government of India loan and the accrued interest so as to enable the company to continue its profit making trend in view of the CAPEX programmes being undertaken by it. The Committee, therefore, recommend the following:-

- (i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of sale proceeds received by it from the sale of surplus land, rationalization of staff structure, etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.
- (ii) The waiver of Government of India loan and the accrued interest should be considered favorably so as to enable the company function in a healthy manner.
- (iii) As an outcome of the discussion with PMO, no further expansion involving capital expenditure is to be carried out by FACT till the revised financial restructuring proposal is finalized and in this regard, it is not clear whether the CAPEX programmes already approved by the cabinet have been put on hold or not. In case, FACT has already embarked upon its CAPEX programmes, the same should not be stopped as it would affect its expansion and modernization programmes.
- (iv) As on 31.03.2019, an amount of Rs. 503.23 crore was due to be paid to FACT on account of fertilizer subsidy. Such delays in payment of subsidy by DoF

would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to FACT should be immediately paid.

- (v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

## REPLY OF THE GOVERNMENT

4.2 A high-level meeting held on June 12, 2020. It was inter-alia decided that FACT should monetize their vacant lands, enhance operating efficiencies and rationalize their manpower to achieve the desired restructuring to ensure that as far as possible there should not be any financial outgo of Government of India. Steps are being taken by DoF/FACT in accordance with the directions.

- FACT was also asked to ensure the PMO's directive on manpower study are fulfilled, so that further financial restructuring of FACT can be carried on.
- As informed by FACT, FACT has engaged third party viz., Administrative Staff College of India (ASCI), Hyderabad for study on the rationalization of manpower. As proposed to the Government of India, FACT would be resorting to expansion projects at Cochin Division to augment capacity, which require additional manpower. Further, FACT has expanded marketing operations to Northern region states of Gujarat, Maharashtra, West Bengal and Odisha and is in the process of appointment of Dealers. The additional manpower requirements in the above 2 areas is also being assessed with the study on rationalization of manpower. The report of the study is still awaited.
- Competent Authority has approved restarting the operation of the Caprolactam plant, by recruitment of proposed 234 manpower, out of which 50% i.e. 117 nos. would be on regular basis through direct recruitment mode and the remaining 50% through contractual/outsourcing mode, vide letter dated 5th May, 2021. The approval is subject to the following conditions: -
  - I. FACT shall ensure the operational efficiency, sustenance and safety requirements of running the Caprolactum plant by judicious deployment of the thus recruited manpower;
  - II. There shall be no financial outgo from the Government of India for operationalizing the Caprolactum plant including the expenses relating to the manpower.
- With respect to CAPEX projects of Rs. 700 Crore, work on the sites at Ammonia Barge with Bullets, Phosphoric Acid Storage Tank at WI, Sulphuric Acid Storage Tank at FACT-CD and Reconstruction of Ammonia berth at Willingdon island are in progress. In some other projects like NP Plant Project and Ammonia Storage Tank, tenders have been re-floated by FACT. The same has been informed by FACT.
- As on 31.03.2019, Department of Fertilizers was paid the subsidy amounting of Rs. 500.77 Crore to FACT.

- With the approval of Cabinet, DIPAM has notified the New Public Sector Enterprise (“PSE”) Policy for Atmanirbhar Bharat vide OM dated 04<sup>th</sup> February, 2021. It has been decided that Fertilizer Sector comes under the Non-Strategic Sectors. It has been further decided that PSEs in non-strategic sectors shall be considered for privatization, where feasible, otherwise such enterprises shall be considered for closure. The decision on financial restructuring will be taken after considering the Government Policy.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

## **FURTHER COMMENTS OF THE COMMITTEE**

4.3 (Please see Para No. 1.14 of Chapter- I of the Report)

### **Recommendation No. 8**

#### **Financial restructuring of MFL**

4.4 The Committee are constrained to note that very little progress has only been made in financial restructuring of Madras Fertilizers Limited(MFL) which is public sector fertilizer manufacturing company rendering its service to the nation since 1966. The company’s net worth gone into negative during 2003-04 and it remains negative till now. The main reasons for its sickness are frequent shut downs, higher energy consumption, working capital crisis, Feedstock conversion project, floods and Vardha Cyclone. DoF informed the Committee that in terms of Department of Public Enterprises guidelines dated 29.10.2015 on revival and restructuring of sick Central Public Sector Enterprises, M/s PDIL was engaged as a consultant for drawing of financial restructuring plans of MFL. M/s PDIL had submitted their report on 20.12.2016 wherein it was *inter alia* suggested replacement of old & problematic equipment, energy efficiency schemes, feedstock change over, conversion of GOI loan to equity and waiver of interest on GOI Loans. On the basis of PDIL Report, MFL Board submitted recommendations on revival plan to DoF on 01.06.17 with the suggestions for waiver of GOI loan and the accrued interest and raising loan from Financial Institutions/banks for its CAPEX Schemes. Subsequently, a Draft CCEA Note containing proposal for financial restructuring of MFL was forwarded by DoF for Inter Ministerial Consultation on 15.11.2017. As per another decision, DoF moved a proposal with Department of Expenditure (DoE) for waiver of interest and conversion of outstanding loan to zero interest loan to be repaid over 15

years. But DoE turned down the proposal with the suggestion that it needs to be examined in the context of progress made on the administrative steps, viz. plan of action for land monetization, early completion of the gas pipeline for sustainability in cost of production, etc. Meanwhile, a meeting was held in Prime Minister's Office on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. In another meeting held in Prime Minister's Office on 10.08.2018 to discuss the issues connected with the revival of MFL, it was *inter-alia* decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of MFL with other Fertilizer Units under DoF. After examination of the recommendations made in the NITI Ayog Report, DoF sent its comments to PMO on 13 May, 2020 wherein it was stated that possibility/ viability of merger of MFL with other fertilizer CPSEs and its strategic disinvestment may be considered only after its financial restructuring is completed and it become financially sound to some reasonable extent. In a subsequent meeting held by the Prime Minister's office on 12 June, 2020 it was *inter alia* decided that MFL should try to rationalize its manpower, enhance operating efficiencies to achieve the desired restructuring and no further expansion involving capital expenditure and no new recruitment should be taken up till the time the proposal is finalized. In this regard, the Secretary DoF has been advised to revisit the proposal accordingly and submit revised financial restructuring proposals in the light of the observations made by the Prime Minister's office. In this regard, the Committee note that unlike FACT, the surplus land holding of MFL is very less and it is facing difficulties in selling the same. Out of 70 Acres of land, MFL sold 4.98 acres to CPCL. For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it has not materialized so far. On the other hand, the GoI loan alongwith its accrued interest has increased from Rs.1063.28 crore as on 31.3.2017 to Rs.1156.90 crore as on 31.03.2019 with the interest component growing more than the principal component. However, there is some silver lining in the functioning of MFL as it has converted its feedstock from Naptha to Gas(RLNG) and as a result it has started earning profit. Moreover, MFL has initiated energy saving measures which may result in savings. Further it has envisaged increasing production volume of fertilizers for increased earnings. In view of the above, the Committee hope that MFL can be transformed into a profit making company if the administrative reforms and the financial restructuring are undertaken in a time bound manner and would like to make the following recommendations:-

- (i) The Secretary, DoF should make an indepth study of the present position of the company and prepare a fresh financial restructuring proposal of the company taking into account the present economic condition of the company on the basis of feedstock conversion from Naptha to Gas, energy saving schemes, rationalization of staff structure, difficulties being faced in land monitisation etc. The main objective of the proposal should be profitable running of the company in a healthy atmosphere.
- (ii) Proposal of the MFL Board to waive the Government of India loan and the accrued interest thereon should be considered favorably so as to enable the company function in a healthy manner.
- (iii) Out of 70 Acres of land, MFL was able to monetize only 4.98 acres and the rest of 65.02 acres remain unsold. In this regard, DoF should find out ways to sell the remaining surplus land by taking up the matter with Public Sector Oil companies who have properties adjoining to MFL. Government of Tamil Nadu may also be impressed upon to take over the land. In case of continuing difficulties in selling the land, the options to monetize the land may also be explored.
- (iv) As on 31.03.2019, an amount of Rs. 706.52 crore was due to be paid to MFL on account of fertilizer subsidy. Such delays in payment of subsidy by DoF would aggravate further the poor economic condition of the company. All the dues of fertilizer subsidy to MFL should be immediately paid.
- (v) The Secretary, DoF should prepare the fresh financial restructuring proposal in a time bound manner and submit the same for the consideration of the competent authority at the earliest.

The action taken on the above recommendations should furnished to the Committee with three months.

### **REPLY OF THE GOVERNMENT**

4.5 A high-level meeting held on June12, 2020. It was inter-alia decided that MFL should monetize their vacant lands, enhance operating efficiencies and rationalize their manpower to achieve the desired restructuring to ensure that as far as possible there should not be any financial outgo of Government of India. Steps are being taken by DoF/MFL in accordance with the directions.

- MFL was also asked to ensure the PMO's directive on manpower study are fulfilled, so that further financial restructuring of MFL can be carried on.
- With respect to rationalization of Manpower, MFL has furnished the draft Notice Inviting Tender to hire an external expert agency to conduct a study on rationalization of



Manpower of MFL wherein some suggestions were given by Department of Fertilizers vide letter dated 18<sup>th</sup> February, 2021. The suggestions have been incorporated in the Notice Inviting Tender (NIT) by MFL. Now, the tender has been floated by MFL.

- So far as selling of remaining 65.02 acres of land, MFL has informed that as a part of repeated effort, MFL recently has written a letter to the Principal Secretary to Government of Tamil Nadu, Industry Department on 30.03.2021 for sale of land but not yet materialized.
- As on 31.03.2019, Department of Fertilizers has paid all the subsidy except the Addl. Fixed Cost Benefit i.e. Rs. 14.14 Cr. This Department is in process of releasing the same.
- With the approval of Cabinet, DIPAM has notified the New Public Sector Enterprise (“PSE”) Policy for Atmanirbhar Bharat vide OM dated 04<sup>th</sup> February, 2021. It has been decided that Fertilizer Sector comes under the Non-Strategic Sectors. It has been further decided that PSEs in non-strategic sectors shall be considered for privatization, where feasible, otherwise such enterprises shall be considered for closure. The decision on financial restructuring will be taken after considering the Government Policy.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

#### **FURTHER COMMENTS OF THE COMMITTEE**

4.6 (Please see Para No. 1.17 of Chapter- I of the Report)

## CHAPTER V

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

#### Recommendation No. 3

##### Revival of Talcher Unit of FCIL

5.1 The Committee note that the erstwhile Talcher unit of FCIL is being revived through setting up of a new coal based urea plant with a capacity of 12.7 LMTPA of urea by a Joint Venture company named M/s. Talcher Fertilizers Ltd, (TFL) which was formed on 27-10-2015 with the equity holdings among RCF, GAIL, CIL and FCIL. The Committee note that the total cost of the project is Rs.13,227 Crore with 10% cost escalation as per the revised Detailed Feasibility Report(DFR) which is much higher when compared to the other four fertilizer units which are also being revived currently. The cost of other four projects range between Rs.7000 crore to Rs.7100crore. The main reason for higher cost of this project is it is coal based while the others are gas based urea plants. In this regard, the Committee note the submission of the Department that this plant would use clean coal technology which will reduce dependence on natural gas for fertilizer production and likely to open up new avenues for using vast coal reserves in the country. Further, the Committee note that the operational cost of this plant will be lower and the end product will not be costlier. Presently, the pre-project activities are in progress and it is targeted to be commissioned by September, 2023. However, the commissioning of the plant may be delayed by six to nine months due to Covid 19 lock down. Since it is a high cost project and its cost of construction has already been escalated by 10% as per the revised Detailed Feasibility Report(DFR), the Committee recommend that a comprehensive assessment may be made immediately about the impact of lockdown on the progress of the project work particularly on the aspect of cost escalation and based on the assessment concrete steps should be taken to ensure that necessary impetus is given for completing and commissioning the fertilizer plant during 2023 within the originally fixed cost of the project. Action taken by the Department of Fertilizers in this regard may be apprised to the Committee.

5.2 The Committee note that Lump Sum Turn Key (LSTK) contracts have been awarded to M/S Wuhuan of China for Coal Gasification and Ammonia /Urea packages of the Talcher project valuing approximately Rs.7900 Crore. In this regard, the Committee would like to know the mode of selection of the Chinese firm, terms of the contracts awarded to it,

progress of the works undertaken by this firm and the present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic

## **REPLY OF THE GOVERNMENT**

5.3 As recommended by the Committee, DoF vide letter dated 08.06.2021 has requested TFL to carry out a comprehensive assessment immediately about the impact of lockdown due to Covid-19 pandemic on the progress of the project work particularly on the aspect of cost escalation and suggest concrete steps to be taken to ensure completion of the project with in scheduled time. On receipt of the report, the committee would be apprised accordingly. With respect to Lump Sum Turn Key (LSTK) contract awarded to M/s Wuhan Engg. Company Ltd, information on mode of selection, terms of the contract, progress of work and impact of Covid-19 pandemic is given in **Annexure A.**

**Annexure A**

### **Revival of Talcher unit of FCIL**

Award of Lump Sum Turn Key (LSTK) contracts for Coal Gasification Plant and Ammonia /Urea Plants to M/s Wuhuan Engineering Company, China.

#### **3. Mode of selection of Firm**

- (k) Tender was floated on" Open International Competitive Bidding basis" and Press Notification was published in leading National Dailies
- (l) Prequalification of Bids was done against the Prequalification Criterion of NIT (Tender)
- (m) Technical and Commercial Evaluation of Bids was done for the Pre-qualified Bids
- (n) Price Bids were opened and evaluated for the Prequalified and Techno – commercially qualified bids. Opened Bids were evaluated and price negotiation meetings were done by the duly nominated committee with the Lowest (L1) Bidder, M/s Wuhuan Engineering Company, China
- (o) After the Price Negotiation, placement of Order has been done

#### **2. Terms of the Contracts awarded to it**

LSTK Contracts have been awarded to M/s Wuhuan based on terms and conditions of NIT (Tender) on single responsibility basis. The major terms of the contracts are as follows:

SI	Particulars	Coal Gasification Package	Ammonia/Urea Package
1	Issuance of Lol	11.09.2019	19.09.2019
2	Zero Date of project	19.09.2019	
3	Approx. Contract Price incl. taxes	USD 292.65 million + INR 3,412.41 cr.	USD 148.10 million + INR 1410.31 cr
4	Contract Effective Date	11.11.2019	19.04.2020
5	Time schedule	<ul style="list-style-type: none"> <li>• Mechanical Completion – 41 months from Sl. 4</li> <li>• Preliminary Acceptance – 46 months from Sl. 4</li> </ul>	<ul style="list-style-type: none"> <li>• Mechanical Completion – 36 months from Sl. 4</li> <li>• Preliminary Acceptance – 41 months from Sl. 4</li> </ul>
6	Technology Licensors	<ul style="list-style-type: none"> <li>• Gasification: Air Products (Formerly Shell)</li> <li>• Purification: Linde AG</li> </ul>	<ul style="list-style-type: none"> <li>• Ammonia plant – KBR LLC</li> <li>• Urea plant – Stamicarbon B.V</li> </ul>
7	Contract Security	10% of the contract value	10% of the contract value
8	Defect Liability Period	12 months from date of acceptance by TFL	12 months from date of acceptance by TFL
9	Seat of Arbitration	New Delhi	New Delhi

#### **5. Progress of the works undertaken by the firm**

Due to continued impact of COVID – 19 pandemic in India and China since Dec., 2019 and other contextual issues, the progress of the works undertaken by M/s Wuhuan is lagging behind and is as follows :

SI	Package	Scheduled	Actual
1	Coal Gasification	40.72%	9.17%
2	Ammonia/Urea	34.66%	9.07%

#### **4. The present status of these contracts particularly in the wake of recent developments after COVID 19 pandemic**

With easing of lockdown restrictions, the physical activities at site are undergoing after following COVID-19 protocol. Currently piling activity is under progress at site along with laying of construction water infrastructure inside Coal Gasification & Ammonia Urea plant area. Currently 12 nos. of Wuhuan's officials are stationed in India and VISA of additional 06 nos. of manpower has also been approved on 15<sup>th</sup> June 2021.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 11021/4/2021-PARL dated 14.7.2021)

#### **5.4 (Please see Para No. 1.8 of Chapter- I of the Report)**

## Recommendation No. 5

### Revival of Gorakhpur and Sindri Units of FCIL and Barauni Units of HFCL

5.5 The Committee note that the revival of erstwhile Gorakhpur & Sindri units of FCIL and erstwhile Barauni Unit of HFCL is being done by M/s. Hindustan Urvarak & Rasayan Limited (HURL) which is a Joint Venture Company of National Thermal Power Corporation Limited (NTPC), Coal India Ltd (CIL), Indian Oil Corporation Limited (IOCL) as lead promoters with FCIL & HFCL as other partners for setting up of new Gas-based Urea Plants with a capacity of 12.7 lakh MTPA of Urea at each of these locations. Considerable progress has been made in commissioning these plants viz. completion of pre-project activities, environment clearances obtained, LSTK contracts awarded, gas supply agreements signed, etc. As per original programme, Gorakhpur plant was likely to be commissioned by February, 2021 and Sindri and Barauni units were to be commissioned by May, 2021. However, lock downs due to COVID 19 pandemic has created huge impact on progress of construction work in all the three plants. As of July, 2020 only 80.5% of work has been completed against the original plan of 94.9% in respect of Gorakhpur Plant, 74.2% against the plan of 91.4% in respect of Sindri Plant and 72.9% against 91.4% in respect of Baruni Plant. As a result, completion and commissioning of these projects are likely to be delayed by five to seven months. The Committee note that the Department has only assessed the quantum of delay likely to occur due to COVID 19 lockdowns but the subsequent quantum of cost overrun has not yet been estimated by the Department. The Department informed the Committee that there are delays in receipt of Steel structure/fabricated equipment from all over India due to closure of workshops for 3 to 4 months, delays in shipment of LSTK equipment for Barauni and Sindri plants and invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies. So there is likely hood of cost escalation of all the three projects. The Committee, therefore, recommend that the Department of Fertilizers should study the impact of COVID 19 lockdowns on the progress of work in respect of all the revival projects particularly on the cost overrun due to lockdowns and should take immediate necessary action for the timely completion and commissioning of the projects including infusion of funds for cost overrun occurred due to lockdowns. The issue of invoking of '*Force Majeure*' clause on account of COVID by LSTK & other agencies should also be studied and appropriate action should be taken against those LSTK contractors for violations if any. Action taken in this regard may be intimated to the Committee.

## REPLY OF THE GOVERNMENT

5.6 The overall progress achieved by end of May 2021 by Gorakhpur unit is 91.2%, by Sindri unit is 89.4% and by Barauni unit is 88.7%. With respect to impact of COVID-19 lockdown on the progress of work of HURL projects, it may be informed that DoF vide letter dated 08.06.2021, has requested HURL to carry out the study on the impact of lockdowns due to COVID-19 pandemic on the progress of work with respect to revival projects particularly on the cost overrun due to lockdowns and suggest necessary steps to mitigate the impact. On receipt of the report, the Committee would be apprised accordingly.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers)  
O.M. No. 11021/4/2021-PARL dated 14.7.2021)

5.7 (Please see Para No. 1.11 of Chapter- I of the Report)

New Delhi;  
16 November, 2021  
25 Kartika, 1943 (Saka)

**KANIMOZHI KARUNANIDHI**  
Chairperson,  
Standing Committee on  
Chemicals and Fertilizers

Minutes of the FIRST Sitting of the  
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2021-22)

The Committee sat on Tuesday, the 16<sup>th</sup> November, 2021 from 1500 hrs. to 1700.hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

K. KANIMOZHI - Chairperson  
Members

Lok Sabha

2. Shri Dibyendu Adhikari
3. Shri Prataprao Patil Chikhlikar
4. Shri Kripanath Mallah
5. Shri Parbhubhai Nagarbhai Vasava
6. Shri Satyadev Pachauri
7. Shri Arun Kumar Sagar
8. Shri Pradeep Kumar Singh
9. Shri Uday Pratap Singh

**RAJYA SABHA**

- 10 Shri Ayodhya Rami Reddy Alla
- 11 Shri G.C.Chandrashekhar
- 12 Dr. Anil Jain
- 13 Shri Anthiyur P. Selvarasu
- 14 Shri Arun Singh

*SECRETARIAT*

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- |    |                         |   |                     |
|----|-------------------------|---|---------------------|
| 1. | Shri N. K. Jha          | - | Director            |
| 2. | Shri C. Kalyanasundaram | - | Additional Director |
| 3. | Shri Kulvinder Singh    | - | Deputy Secretary    |
| 4. | Shri Panna Lal          | - | Under Secretary     |

2. At the outset, the Chairperson welcomed the Members to the newly constituted Committee and apprised them that the sitting has been convened to consider Memorandum No.1 regarding selection of subjects for examination during the year (2021-22) and also to discuss the future course of action of the Committee during the tenure.

3. The Committee then considered Memorandum No. 1 and after discussion selected the following subjects pertaining to the Ministry of Chemicals and Fertilizers for detailed examination during 2021-22:-

**I. MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF FERTILIZERS)**

1. Nano-fertilizers for sustainable crop production and maintaining soil health.
2. Tax structure on fertilizers sector in terms of GST and import duties – analysis of the tax structure of raw material and final products and its impact on self-sufficiency and use of fertilizers.
3. Prices, Availability and distribution of fertilizers.

**II. MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

4. Vision 2024 - To establish India as a leading manufacturer of chemicals and petrochemicals.
5. Insecticides – promotion and development including safe usage - licensing regime for insecticides.
6. Disposal of toxic waste from Bhopal Gas Leak site.
7. Environmental Impact of Petrochemical products.

**III. MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF PHARMACEUTICALS)**

8. Promotion of Medical Device Industry.
9. Availability of Medicines and Medical devices for COVID Management.
10. Self sufficiency of key starting Material and intermediates.

4. The Committee then considered and adopted the following draft Action Taken Reports unanimously without any amendment/change:-

- i. ATR on the recommendations/observations of the Committee contained in the Eighteenth Report on “Revival of Closed and Sick Fertilizers units” (Department of Fertilizers).
- ii. XXX XXX XXX
- iii. XXX XXX XXX
- iv. XXX XXX XXX
- v. XXX XXX XXX
- vi. XXX XXX XXX
- vii. XXX XXX XXX

5 The Committee also authorised the Chairperson to finalize and present the Action Taken Reports to the Parliament in the ensuing session.

***The Committee then adjourned.***



**(Vide Para 3 of the Introduction)**

**ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTEENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2020-21) ON “REVIVAL OF CLOSED AND SICK FERTILIZERS UNITS” OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).**

	Total No. of Recommendations	09
I	Observations/Recommendations which have been accepted by the Government: (Vide Recommendation Nos. 1,3,4,5)	04
	Percentage of Total	44.4%
II	Observations/Recommendations that the Committee do not like to pursue in view of the Government's replies: (Vide Recommendation No. 2,6,9)	03
	Percentage of Total	33.3%
III	Observations/Recommendations in respect of which the replies given by the Government are not acceptable to the Committee: (Vide Recommendation No. 7, 8)	02
	Percentage of Total	22.2%
IV	Observations/Recommendations in respect of which the final replies of the Government are still awaited: (Vide Recommendation Nos. 3, 5)	--*
	Percentage of Total	--*

\* Even though recommendation Nos. 3 and 5 are accepted by the Government, reply given are interim in nature and therefore also merit further comments by the Committee.