GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS & FERTILIZERS
DEPARTMENT OF FERTILIZERS

LOK SABHA

UNSTARRED QUESTION **NO. 1105** TO BE ANSWERED **ON: 24.07.2018**

Sick PSUs

1105 SHRI MALYADRI SRIRAM:

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

(a) whether the Government is aware that inability of the management, cumulative adverse impact of the uneconomic capacity, high manpower cost, high finance cost, severe international competition, low technology, financial conditions are responsible for the sickness of PSUs under the Ministry and if so, the details thereof;

(b) whether the Government has formed any committee, if so, the details thereof along with its recommendations to save the sick PSUs;

(c) if not, the reason therefor alongwith the steps taken/being taken by the Government in regard?

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING & MINISTER OF STATE IN THE MINISTRY OF CHEMICAL AND FERILIZER.

(RAO INDERJIT SINGH)

(a): There are total 18 PSUs functioning under the control of the Ministry of Chemicals and Fertilizers. Out of which, 8 PSUs are sick and loss making. Major reasons for sickness of these sick PSUs are as under:

(i) **Madras Fertilizers Ltd (MFL)**: MFL was beset with problem of higher depreciation and interest costs on the investments made during revamping of its plants during the year 1993-98. Apart from this, Policy anomalies & dependency of high cost Naphtha had negative impact on the financial performance of the company.

(ii) **The Fertilizers & Chemicals Travancore Ltd (FACT)**: FACT had been consistently earning profits from 1983-84 to 1997-98. The financial performance of FACT turned negative from the year 1998-99, due to reasons such as dependency on high cost Naphtha, policy anomalies, reduction in capacities & stoppage of Urea plant and Caprolactam plant. Setting up of Ammonia plant based on a Public Interest Litigation restricting usage of storage facilities at Cochin Port for import of Ammonia was also a major reason for the sickness of the company. Losses due to the above reasons led to high interest / financial charges and working capital constraints, leading to underutilization of existing capacities and further losses eroding the Networth.

(iii) **Hindustan Organic Chemicals Ltd (HOCL):** Reasons for poor financial condition of HOCL over the years since 1997-98, when the company made losses for the first time, are cumulative adverse impact of the uneconomic capacity of its plants (designed during pre–1991 licensing period as part of Government policy to manufacture chemicals for domestic demand only and as import substitute to save foreign exchange), high manpower cost, high finance cost, severe international competition along with gradual reduction in tariff barriers since1991 making it difficult to compete in the global scenario, low technology, high investment in some projects which became unviable after economic liberalization and high power cost coupled with high cost of feedstock.

(iv) **Hindustan Fluorocarbons Ltd (HFL):** The company's plant was set up in 1987 at a relatively high cost mainly on account of increase in cost of imported equipment due to exchange rate fluctuations and time over run leading to higher pre-operative expenses. The company's performance has been adversely affected by uneconomical plant size and energy intensive technology, high manpower cost, low sales realization, high raw material cost, high interest and depreciation burden.

(v) **to (viii) Rajasthan Drugs & Pharmaceuticals Limited (RDPL), Hindustan Antibiotics Limited** (**HAL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) and Indian Drugs & Pharmaceuticals Limited** (**IDPL):**Reasons for sickness of 4 (four) Pharmaceuticals PSUs are inability of the management, cumulative adverse impact of the uneconomic capacity, high manpower cost, high finance cost, severe international competition, low technology, financial conditions.

(b) & (c): The steps taken/being taken by the Government for revival/ closure of these PSUs are as under:

(i) **Madras Fertilizers Ltd (MFL)**:

In terms of DPE guidelines on streamlining the mechanism for revival and restructuring of sick Central Public Sector Enterprises, MFL engaged Projects & Development India Ltd (PDIL) as an expert agency. MFL had derived & submitted a revival proposal based on PDIL's report. The draft proposal was circulated for Inter-Ministerial consultation. Based on the comments received from stake holder the draft proposal is under re-examination. Consent of Government of Tamil Nadu to grant NOC for monetization of the surplus land of MFL has also been sought.

(ii) **The Fertilizers & Chemicals Travancore Ltd (FACT)**:

FACT approached with a proposal which includes waiver of outstanding loan & interest thereon, one-time compensation for the use of high cost LNG & approval for sale of land. Proposal for financial restructuring of FACT was circulated for Inter-Ministerial consultation. Meanwhile, a presentation was held in Prime Minister Office to discuss the various scenarios with regard to financial restructuring of FACT. However, based on the comments from stake holder Ministries & discussion held in PMO, the draft proposal is under re-examination.

(iii) Hindustan Organic Chemicals Ltd (HOCL):

HOCL has two units located at Rasayani, Maharashtra and Kochi, Kerala. The Government of India on 17.05.2017 has approved a restructuring plan for the company which involves closing down operations of all the plants at Rasayani unit except Di-Nitrogen Tetroxide (N2O4) plant which is to be transferred to ISRO on 'as is where is' basis, with about 20 acres of land and employees associated with the plant. While Kochi unit will continue operations, 'in principle' approval has also been accorded for HOCL to be put up for strategic disinvestment through DIPAM after the process of disposing land and other unencumbered assets at Rasayani is completed. Financial implication of the restructuring plan is Rs.1008.67 crore (cash) which is to be met partly from sale of 442 acres HOCL land at Rasayani to Bharat Petroleum Corporation Ltd. (Rs.618.80 crore) and the balance through bridge loan from the Govt. The funds are to be used to liquidate the various liabilities of the company, including separation of employees of Rasayani unit through VRS/VSS, payment of outstanding salary and statutory dues of employees and repayment of Govt. guaranteed bonds of Rs.250 crores.

(iv) Hindustan Fluorocarbons Ltd (HFL):

In respect of HFL, the Government of India on 27.10.2016 has given ‘in principle’ approval for strategic disinvestment of the company with the parent company HOCL to exit the firm completely. The strategic disinvestment is to be processed in accordance with the guidelines / instructions issued by the Department of Investment and Public Asset Management (DIPAM) from time to time.

(v) to (viii) Rajasthan Drugs & Pharmaceuticals Limited (RDPL), Hindustan Antibiotics Limited (HAL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) and Indian Drugs & Pharmaceuticals Limited (IDPL):

In pursuance of directions of the Cabinet, a Committee of three Ministers (Minister of Chemicals & Fertilizers, Minister of Road, Transport & Shipping and Minister of Finance) considered the future course of action in respect of Pharma PSUs and noted that all Pharmaceuticals PSUs, except Karnataka Antibiotics & Pharmaceuticals Ltd (KAPL) were sick or incipient sick and their earlier revival/ rehabilitation packages had failed to achieve desired results. The Committee recommended to close Indian drugs & Pharmaceuticals Ltd (IDPL) & Rajasthan Drugs & Pharmaceuticals Ltd (RDPL) and strategic sale of Bengal Chemicals & Pharmaceuticals Ltd (BCPL) and Hindustan antibiotics Ltd (HAL) after meeting their liabilities from sale of their surplus land to the Government agencies. The Government has accepted the recommendations of the Committee.

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