

No. BRPSE/2(81)/2010
Government of India
Board for Reconstruction of Public Sector Enterprises

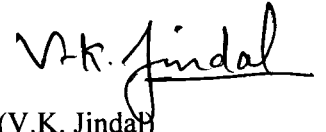
Public Enterprises Bhawan
Block No. 14, CGO Complex,
Lodi Road, New Delhi-3

Date: 28.6.2010

OFFICE MEMORANDUM

Subject: Minutes of the 81st Meeting of BRPSE held on 22.6.2010

The undersigned is directed to forward herewith a copy of the minutes of the 81st meeting of BRPSE held on 22.6.2010, as approved by Chairman, BRPSE, for confirmation in the 82nd meeting of BRPSE to be held on 28.7.2010.



(V.K. Jindal)
Director

Tel: 24366549/24362770

Encl.: As stated

1. Shri T.S. Vijayaraghavan, Member, BRPSE, 81, Valmiki Street, Tiruvanmiyur, Chennai -600041
2. Shri Arvind Pande, Member, BRPSE, E-148, 1st Floor, East of Kailash, New Delhi - 110065
3. Prof. Sushil Khanna, Member, BRPSE & Professor, IIM, Kolkata, Joka, D.H. Road, Kolkata -700104
4. Ms. Sushma Nath, Member, BRPSE & Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi-110001
5. Shri Sumit Bose, Member, BRPSE & Secretary, Department of Disinvestment, Block No.14, CGO Complex, Lodhi Road, New Delhi-110003
6. Shri. Bhaskar Chatterjee, Member, BRPSE & Secretary, Department of Public Enterprises, Block No.14, CGO Complex, Lodhi Road, New Delhi-110003
7. Shri C. Phunsog, Permanent Invitee, BRPSE & Chairman, Public Enterprises Selection Board &, Block No. 14, CGO Complex, New Delhi-110003
8. Shri Arup Roy Choudhury, Permanent Invitee, BRPSE & Chairman, SCOPE, New Delhi -110003
9. Shri R.S. Sharma, Permanent Invitee, BRPSE & Chairman, ONGC, New Delhi - 110001
10. Shri D.S. Kalha, Senior Adviser (Industry), Planning Commission, Yojana Bhavan, New Delhi-110001 with the request to attend the meeting.

Copy to PPS to Chairman (BRPSE) and PS to Secretary (BRPSE)

Minutes of the 81st meeting of the Board for Reconstruction of Public Sector Enterprises (BRPSE) held at 12.00 Noon on 22.6.2010 (Tuesday) in Room No. 515, Block No.14, CGO Complex, New Delhi

Present: from the BRPSE:

1	Dr. Nitish Sengupta	Chairman
2	Dr. T.S. Vijayaraghavan	Member
3	Prof. Sushil Khanna	Member
4	Shri Arup Roy Choudhury	Chairman, SCOPE & Permanent Invitee
5	Shri R.S. Sharma	Permanent Invitee & Chairman, ONGC
6	Smt. Kalpana Mittal Baruah	Joint Secretary, D/o Disinvestment representing Ex-officio Member & Secretary, Deptt. of Disinvestment
7	Shri S. Krishnan	Special Invitee & Secretary, D/o Fertilisers
8	Smt. Preeti Sudan	Joint Secretary, M/o Defence representing Secretary, M/o Defence
9	Shri Vineet Garg	Director, D/o Shipping representing Special Invitee & Secretary, D/o Shipping
10	Shri Piyush Srivastava	Director, D/o Expenditure representing Ex-officio Member & Secretary, Deptt. Of Expenditure
11	Shri V.S. Yadav	Under Secretary, D/o Heavy Industries representing Special Invitee, & Secretary, D/o Heavy Industries
12	Mrs. Stuti Kacker	Secretary, BRPSE

Also present:

1	Dr. V. Rajagopalan	Additional Secretary & Financial Adviser M/o Chemicals & Fertilizers
2	Shri Manish Kumar Gupta	Director(PSU), D/o Fertilisers
3	Shri Manish Gupta	Deputy Secretary, D/o Fertilisers
4	Shri V.K. Jindal	Director, Deptt. of Public Enterprises
5	Shri P Samba Siva Rao	Deputy Director, Deptt. of Public Enterprises
6	Lt. Cdr. R. Lahiri	CMD, Hoogly Dock & Port Engineers Ltd. (HDPEL)
7	Shri J.N Agarwal	OSD, HFCL
8	Shri A.K. Gosh	Consultant(FCIL)
9	Shri K.L. Rao	OSD, FCIL

Chairman, BRPSE welcomed the members and initiated discussion on the agenda items.

2 Agenda Item No.1: Confirmation of the Minutes of the 80th meeting of BRPSE held on 31.5.2010

2.1 The Board considered the minutes of the 80th meeting of BRPSE held on 31.5.2010 circulated vides BRPSE OM No. O.M. No. BRPSE /2 (80)/2010 dated 4.6.2010 and confirmed the minutes.

3. Agenda Item No.2: Consideration of the present status on the recommendations of BRPSE on Hoogly Dock & Port Engineers Ltd. (HDPEL)

3.1 The Board considered the present status on the recommendations of BRPSE on Hoogly Dock & Port Engineers Ltd. (HDPEL). Shri Vineet Garg, Director, D/o Shipping briefed the Board. CMD, HDPEL supplemented the briefing. Joint Secretary, M/o Defence was also present. The details of deliberations are given below:

3.2 Director, D/o Shipping apprised that the recommendations made by BRPSE in its 49th meeting held on 22.6.2007 were considered by the competent authority in its meeting held on 5.6.2008, wherein it was decided that in the first instance, a Committee of Secretaries (COS) may look into the issue of revival of HDPEL through a Joint Venture with the private sector. As advised by COS, IL&FS IDC was appointed to carry the feasibility report of revival of HDPEL through a Joint Venture with the private sector. He further informed the Board that COS, inter alia, approved the option of reviving HDPEL through JV route with private party having a majority stake of 51% in the JV out of the three options suggested by the consultant. He also stated that the company is incurring operating loss of about Rs.10-12 crores. He further stated that they were in the process of obtaining the approval of CCEA which inter alia includes the financial restructuring of the company.

3.3 CMD, HDPEL informed the Board that there were no substantial orders during the period 2003-2006 before he joined. After persuasion, they were able to get orders from Indian Navy, etc. Now, they have to construct the ships for IWAI and Indian Navy. He further stated that they have procured the orders with the assumption that the revival plan recommended by BRPSE way back in 2007 will be approved by the Government and necessary funds could be made available to carry the work. However, due to delay in approval for the revival plan there was acute working capital problem and hence they were not in a position to execute the orders in time. Support for infrastructure is also required during execution. He further stated that they were also not able to submit performance guarantee due to lack of working capital as banks are asking 100% funds to issue performance guarantee. He expressed that HDPEL needs working capital between Rs.30 crores to Rs.40 crores for various purposes including for submitting performance guarantee so as to enable it to execute the orders in hand. He further quoting the orders placed on it by Defence stated that they should prefer indemnity bond rather than demanding performance guarantee from HDPEL as they were not able to obtain it from banks due to lack of bankability. He further stated on the recommendation of COS to revive HDPEL through JV partner that the PPP route is not conducive for eastern cost of India as it is surrounded by hostile states. He therefore expressed that attaching HDPEL with Garden Reach Shipbuilders & Engineers Ltd. or Cochin Shipyard Ltd. would be the viable solution for its long term revival or as independent company under the administrative control of the M/o Defence as done in case of Burn Standard Company Ltd. which has been transferred to M/o Railways.

3.4 Joint Secretary, M/o Defence informed the Board that they have placed orders for 4 barges at a cost of Rs.96 crores on HDPEL on competitive tender basis which were expected to be delivered by March, 2010. HDPEL was able to complete over 40% of work only in spite of providing all technical expertise. As such they were not able to place further orders since timely delivery is crucial. She further stated that M/o Defence has already released a sum of Rs.8 crores and additional sum of Rs.14 crores can be given if performance guarantee is furnished. She further clarified that in case of orders given on multi-vendor basis, all manufacturers, including those under M/o Defence, have to submit performance guarantee.

3.5 Recommendations of the Board:

3.5.1 The Board noted the present status on the recommendations of BRPSE on Hoogly Dock & Port Engineers Ltd. (HDPEL) as apprised by M/o Shipping and CMD, HDPEL and M/o Defence.

3.5.2 The Board observed that although the case was last considered as far as back in June, 2007 and the Ministry has been requested to intimate periodically the progress made in the matter for apprising the Board, while communicating the minutes, on the action taken and on the various other related issues no such report has been received till now.

3.5.3 The Board noted that Secretary, Ministry of Shipping was not present and in his absence it was not possible to have any fruitful discussion. The Board, therefore, postponed consideration of this item until its next meeting to be held on 28th July, 2010 when Secretary, Ministry of Shipping should definitely be present to give an updated position about this undertaking.

3.5.4 The Board also noted that the accounts of the company for the year 2008-09 were not submitted to DPE for its PE Survey by the company in time as such the Board was not able to know about its correct financial position and performance. The Board therefore advised the Ministry/HDPEL to come with clear presentation stating, inter alia, the status of revival, steps taken in revival, present financial position and performance, measures initiated to improve performance, future projected performance, order position and their status, etc

3.5.5 The Board also took note of the letter written by Minister of Defence to the Chairman saying that they have considered the possibility of putting this unit under the control of neighboring Garden Reach Ship Builders but it was not found practicable because of the Company's present weak financial position. A suggestion was made that if the Board's proposal for putting this Company under the control of Garden Reach Ship Builders was not possible, it might be fruitful to bring HDPEL under the wings of Cochin Ship Yard which is an economically strong Company and is under the administrative control of Ministry of Shipping. Secretary (Shipping) may also consider this proposal and come to the Board's next meeting with his considered views.

4. Agenda Item No.3: Consideration of the present status of revival of (i) Hindustan Fertilizers Corporation Ltd.(HFCL) and (ii)Fertilizers Corporation of India Ltd.(FCIL)

4.1 The Board considered the present status of revival of (i) Hindustan Fertilizers Corporation Ltd. (HFCL) and (ii) Fertilizers Corporation of India Ltd. (FCIL). Shri S. Krishnan, Secretary, D/o Fertilisers made a detailed presentation before the Board. The details of the deliberations are given below:

4.2 Secretary, D/o Fertilisers apprised the Board the decision of the Government in April, 2007 to examine "in principle" the revival of closed units of HFCL & FCIL and further in October, 2008 the constitution of ECOS in this regard, and the progress made, etc. He informed in detailed the decisions taken by ECOS and stated that ECOS in its meeting held on 24.8.2009 considered the recommendations of the Consultants and recommended (i) adoption of Revenue Sharing Model, (ii) advised to work out bid parameters including eligibility & evaluation criteria and seek the approval of CCEA, and (iii) upfront fee for each of the revival project be fixed on a uniform basis. He further informed the Board that M/s Deloitte, appointed as Project Adviser to work out the eligibility & evaluation criteria and bid parameters based on Revenue Sharing Model, have submitted their Report on 15.6.2010 with their recommendations and DOF is planning to place the matter before ECOS to seek their recommendations.

4.3 Secretary, D/o Fertilisers further informed the Board that DoF is examining the proposals submitted by a PSU consortium of GAIL-RCF-CIL (Coal India Ltd) for revival of Talcher Unit as Coal-based fertiliser plant and from KRIBHCO for the revival of Ramagundam as gas-based fertiliser plant to give them on nomination basis at a reserve value with the approval of the competent authority as the investment policy facilitates brown field project in that mechanism. He further informed the Board that SAIL also submitted proposal for setting up of Steel Plant and a Urea Plant at Sindri. However, there was no clarity with respect to the proposal being an investment of totally public sector in nature. He also informed that since "Urvarak Videsh Limited", a Joint Venture company promoted by NFL, RCF & KRIBHCO for revival of Barauni Unit of HFCL, has expressed their inability to take the revival of Barauni Unit, DoF proposed to consider reviving it through Revenue Sharing Model. He further stated that Haldia Division of HFCL and Korba Division, located in a coal-belt area, of FCIL were also proposed now to be revived through Revenue Sharing Model since Natural Gas pipeline is passing through Haldia, while Korba Division, not having gas connectivity, is located in a coal-belt area.

4.4 Secretary, D/o Fertilisers also apprised the Board that there were four major issues viz.(i) Environmental Clearances,(ii)Land related issues,(iii) Gas supply and linkages, and (iv) Urea Investment Policy which are required to be addressed in revival of these units and stated that HFCL & FCIL have applied for initial environmental clearance from M/o Environment and Forests (MoEF) for five projects and Environment Impact Assessment (EIA) and Environment Management Plan (EMP) Reports for Gorakhpur, Ramagundam, Talcher, Sindri, and Durgapur units were cleared by MoEF. He further expanded on land related issues and stated that State Governments of West Bengal, Orissa and Andhra Pradesh have agreed to provide necessary clearances, including change in land use, providing water & power supply and any other support required, for the Durgapur, Talcher and Ramagundam Units respectively. While permissions are still awaited for Durgapur plant, incase of Sindri plant the land was acquired through sale deed by FCIL. While explaining on the gas supply and linkages, he stated that EGOM in its meeting held on 28.5.2008 decided that revival of closed fertiliser plants would be given the highest priority. However, in the EGOM held on 27.10.2009 it was decided that natural gas for revival of closed fertilizes plants would be supplied as and when these plants are ready to utilise the gas. It was also decided to construct trunk gas pipelines from closed units to sources of gas. He also informed the Board that in the meeting held on 17.12.2009 Secretary (P&NG) assured that future requirement of gas for fertiliser plant can be assured either from domestic source or from import. However, firm price or firm source for supply of gas is not indicated as of now.

4.5 Secretary, D/o Fertilisers further explained to the Board on the Urea Investment Policy for 2008 and stated that the existing policy is based on fixed floor price of USD 250 and ceiling of USD 425/MT with additional transportation cost and Urea price to be recognized at 95% of IPP(C&F) based on gas price of USD 4.88/mmbtu, subject to revival taking place in public sector. However, in view of fixing the gas price of APM gas by GOI at USD 4.2/mmbtu and no revival projects were taken up based on the existing investment policy, a need has come to modify the existing investment policy and DoF is working on suitable changes to the existing policy increasing the floor price from USD 250 to USD 265/MT and recognizing urea from the revived units at 98% of IPP(C&F) with the option of revival from public sector or private sector under PPP route. This may elicit good response for revival of these units. He expressed optimism in revival of these closed units and stated that it may take about 3 weeks time for taking these proposals to the Empowered Group of Secretaries and thereafter Cabinet Committee for Economic Affairs might take a month to clear them.

4.6 Recommendations of the Board:

4.5.1 The Board discussed the presentation made by Secretary/D/o Fertilisers regarding the present position of closed public sector fertilizer units and their prospects of HFCL & FCIL revival. In conclusion, Secretary (Fertilisers) mentioned that he was hopeful of taking these proposals to the Empowered Group of Secretaries in about 3 weeks time and thereafter Cabinet Committee for Economic Affairs might take a month to clear them. The Board decided to consider this item again after 2 months.

5. Agenda Item No.4: Consideration of the present status of revival of Scooters India Ltd. (SIL)

5.1 Under Secretary, D/o HI apprised the Board on the status of revival of SIL and stated that the Report submitted by the Consultant i.e. Price Waterhouse Cooper (PWC) on the revival of it was discussed by the Board of Directors (BoD) of SIL. BoD recommended the induction of suitable JV partner who can bring technology and finance as the feasible long term revival strategy in view of constraints of SIL. BoD also viewed that revival of SIL on its own may be resorted to only as a standby strategy in case joint venture exercise did not come through. The draft note to submit to BRPSE is in the process of approval of the competent authority.

5.2 Recommendations of the Board

5.2.1 The Board noted that in its last meeting held on 27.10.2009 it had advised DHI/SIL to submit a comprehensive plan to it by December, 2009 for its consideration. The Board observed that even after lapse of 8 months the issue of revival of SIL is still unresolved.

5.2.2 The Board was constrained to note that only an Under Secretary was present from the Ministry. Neither Secretary of DHI nor CMD of SIL was present. No intimation regarding absence of Secretary, DHI/CMD, SIL, seeking postponement of consideration of this item was received. The Board felt that, in these circumstances, no fruitful discussion was possible and decided to postpone the consideration of this item till its next meeting to be held on 28th July, 2010 and to write to Secretary, Heavy Industries to be present on that occasion along with the Chairman of Scooters India Ltd.

5.2.3 The Board further advised D/o Heavy Industries/SIL to come with clear presentation stating, inter alia, the status of revival, steps taken in revival, present financial position and performance, measures initiated to improve performance, future projected performance, etc.

6. Agenda Item No.5: Consideration of the revival proposal of British India Corporation Ltd.

Consideration of the revival proposal of British India Corporation Ltd. was deferred to the next meeting to be held on 28.6.2010 in view of the request of M/o Textiles vide their DO letter dated 17.7.2009 due to their pre-occupation.

7. Agenda Item No.6 Other Items

7.1 **Scheduling of 82nd meeting of BRPSE:** It was decided to hold the 82nd meeting of BRPSE on 28.7.2010 at 11.30 AM.

8. The meeting ended with a vote of thanks to the Chair.
