

HPCL, GAIL to divest up to 50% stake in petrochem plant in AP

New Delhi: State-owned refiner Hindustan Petroleum Corp Ltd (HPCL) and gas utility GAIL India Ltd will divest up to 50% stake in the Rs30,000 crore petrochemical plant which is being set up in Andhra Pradesh.

HPCL and GAIL are looking at setting up a 1 million tonnes ethylene derivatives plant, which will produce a wide range of petrochemical raw materials for the manufacture of detergents, paints and coatings, cosmetics, textiles and adhesives.

“Currently, it is a 50:50 project but we are open to inducing a strategic partner,” HPCL chairman and managing director Mukesh K Surana said.

The project at Kakinada in Andhra Pradesh, will cost Rs 30,000 crore. “We are willing to give up to 50% stake in the project to the strategic partner,” he



said. Some global petrochemical companies have shown interest in the project but talks are at preliminary stage currently, he said without disclosing details.

The planned project is a truncated version of the earlier proposed refinery-cum-petrochemicals complex in Andhra Pradesh. HPCL has for the time being shelved plans to build a new refinery and is only pursuing petrochemical project.

HPCL and GAIL decided to do the petrochem plan together after their plans to team up with France's Total, Lakshmi

N Mittal Group and Oil India Ltd (OIL) for a 15 million tonnes a year refinery-cum-petrochemical plant at Visakhapatnam in Andhra Pradesh fell through. “That project fell as partners pulled out one after the other due to weak global demand,” another official said. “Now, HPCL and GAIL are looking at setting up a petrochemical plant at the petroleum, chemical and petrochemicals investment region (PCPIR) sites identified by the state government at Kakinada.”

Surana said currently detailed feasibility report (DFR) is being prepared and details will work out following that.

HPCL owns a 7.5 million tonnes refinery at Mumbai and a 8.3 million tonnes unit at Vizag. While the Vizag plant is being expanded to 15 million tonnes, HPCL is expanding the Mumbai refinery to 9.5 million

tonnes at a cost of Rs 4,000 crore by 2019, he said.

Vizag refinery will also be expanded to 15 million tonnes by 2020 at a cost of Rs 20,928 crore. It has also setting up a 9 million tonnes refinery at Barmer in Rajasthan at the cost of Rs 37,320 crore. But the project hinges on the state government giving fiscal incentives, he said.

HPCL had in 2007-08 planned an only-for-exports refinery to target demand in South East Asia and the Middle East. The five-way alliance of HPCL, explorer OIL, gas utility GAIL India, Mittal Investment Sarl and Total had in October 2007 signed a memorandum of understanding to look at the feasibility of setting up the Vizag project. In 2009, the Rs 50,000 crore project was put on hold as petrochemical demand then was seen as too weak to justify the investment. AGENCIES