

Uncertainty over mega petrochem project in AP

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Picture for representation

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TO PRODUCE...

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Engineers India Ltd, GAIL, and HPCL signed a memorandum of understanding with the AP government during the Partnership Summit in January 2017 for setting up the 1.5 MMTPA petrochemical complex on a 2,000-acre site in the Kakinada Special Economic Zone.

But the Rs 30,000-crore project did not take off with the Centre and the state squabbling over the VGF, said a top official.

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—PTI

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PTI ■ AMARAVATI

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The proposed complex, with a cracker unit, was supposed to produce ethylene and its derivatives. "SBI Caps did a preliminary financial appraisal and concluded that with a debt-equity ratio of 2:1, the project will yield internal rate of return of 9.8 per cent as against the hurdle rate (the minimum rate of return on a project) of 15 per cent.

"To bridge this gap, viability gap funding in the form of an interest-free loan of ₹1,438 crore per year has been suggested for a 15 year period beginning from the Project Zero date," the official said.

Following a meeting between Chief Minister Chandrababu Naidu and GAIL authorities, it was decided that SBI Caps would "revise" the financial model pegging down the power and water supply rates, he said.