3	STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2024-25) EIGHTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS

(2024-25)

THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2024/ Agrahayana, 1946 (Saka)

CC&F. No. 183

THIRD REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2024-25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2024-25)

Presented to Lok Sabha on ……

Laid in Rajya Sabha on …….

LOK SABHA SECRETARIAT

NEW DELHI

DECEMBER, 2024/ AGRAHAYANA, 1946 (SAKA)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON

CHEMICALS AND FERTILIZERS
(2024-25)

Shri Azad Kirti Jha - Chairperson

MEMBERS

2. Shri Brijmohan Agrawal
3. Shri Ajay Bhatt
4. Shri Robert Bruce C.
5. Shri Bharatsinhji Shankarji Dabhi
6. Smt. Kriti Devi Debbarman
7. Dr. Kalyan Vaijinathrao Kale
8. Shri Malvinder Singh Kang
9. Shri Babu Singh Kushwaha
10. Shri Utkarsh Verma Madhur
11. Shri Praveen Patel
12. Dr. Sambit Patra
13. Shri Balram Naik Porika
14. Shri Sachithanantham R.
15. Shri Eatala Rajender
16. Shri Rajesh Ranjan
17. Shri Daggumalla Prasada Rao
18. Shri Tharaniventhan M.S.
19. Shri Nalin Soren
20. Dr. Ricky Andrew J. Syngkon
21. Shri Shivmangal Singh Tomar

RAJYA SABHA

22. Shri Subhash Barala
23. Shri Subhash Chandra Bose Pilli
24. Dr. Anbumani Ramadoss
25. Shri Sanjay Raut
26. Shri Meda Raghunadha Reddy
27. Dr. Kalpana Saini
28. Shri Arun Singh
29. Shri Akhilesh Prasad Singh
30. Shri Tejveer Singh
31. Vacant*

*Vacant *Vice* Nomination of Shri Niranjan Bishi, MP (Rajya Sabha) has changed *vide* Rajya Sabha Bulletin-Prt II, Para No. 64908 dated 21.11.2024.

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals & Fertilizers (2024-25) having been authorized by the Committee do present on their behalf this Third Report (Eighteenth Lok Sabha) on 'Demands for Grants (2024-25)' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers.

2. The Committee considered the Demands for Grants (2024-25) pertaining to the Department of Fertilizers for the Financial Year 2024-25 which were laid on the Table of the House on 2nd August, 2024. Thereafter, the Committee took evidence of the representatives of the Department of Fertilizers on 12th November, 2024. The Committee considered and adopted the Report at their sitting held on 12th December, 2024.

3. The Committee wish to express their thanks to the Officers of the Department of Fertilizers, Ministry of Chemicals and Fertilizers for tendering evidence and placing before the Committee all the requisite information sought for in connection with the examination of the subject.

4. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

5. For ease of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
…. December, 2024
….. Agrahayana, 1946 (Saka)

Azad Kirti Jha
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

ACRONYMS/ABBREVIATIONS OF THE TERMS USED IN THE REPORT

AE	Actual Expenditure
BE	Budget Estimates
BVFCL	Brahmaputra Valley Fertilizers Corporation Limited
CAN	Calcium Ammonium Nitrate
Capex	Capital Expenditures
CCEA	Cabinet Committee on Economic Affairs
DA&FW	Department of Agriculture & Farmers Welfare
DAP	Di-ammonium Phosphate
DBT	Direct Benefit Transfer
DCT	Direct Cash Transfer
DDWS	Department of Drinking Water Supply
DFG	Demands for Grants
DoE	Department of Expenditure
DoF	Department of Fertilizers
EFC	Expenditure Finance Committee
EPMC	Empowered Pool Management Committee
ESS	Energy Saving Schemes
FACT	Fertilizer and Chemicals & Travancore Limited
FAGMIL	FCI Aravali Gypsum and Minerals India Limited
FCIL	Fertilizer Corporation of India Limited
FCO, 1985	Fertilizer (Control) Order,1985
FICC	Fertilizer Industry Coordination Committee ()
FOM	Fermented organic manure
FY	Financial Year
GAIL	Gas Authority of India Limited
Gcal	Gigacalorie
GNVFC-Bharuch	Gujarat Narmada Valley Fertilizers & Chemicals Limited
HFCL	Hindustan Fertilizer Corporation Limited
ICAR	Indian Council of Agricultural Research
ICFFTR	Indian Council for Fertilizer and Fertilizer Nutrient Research
ICFFTR	Indian Council for Fertilizer and Fertilizer Nutrient Research
iFMS	Integrated Financial Management System
KFCL-Kanpur	Kanpur Fertilizers & Chemicals Limited
LMT	Lakh Metric tonnes
MFL	Madras Fertilizer Limited
MH	Major Head
MMBTU	Metric Million British Thermal Unit
MNRE	Ministry of New and Renewable Energy
MoF	Ministry of Finance
MOP	Muriate of Potash
MoP&NG	Ministry of Petroleum and Natural Gas
MT	Metric tonne
NBS scheme	Nutrient Based Subsidy scheme
NFCL	Nagarjuna Fertilizers and Chemicals Limited

NFL	National Fertilizers Limited
NPK Fertilizers	Nitrogen, Phosphorus and Potassium Fertilizers
NPKS	Nitrogen, Phosphorus, Potassium and Sulphur
NPS-III	New Pricing Scheme-III
NUP	New Urea Policy
OMIFCO	Oman India Fertilizer Company
P&K fertilizers	Nitrogen and Phosphorus Fertilizers
PDIL	Project & Development India Limited
PDM	Potash derived from Molasses
PM-PRANAM	PM Programme for Restoration Awareness and Nourishment and Amelioration of Mother Earth
PROM	Phosphate Rich Organic Manure
PSU	Public Sector Undertaking
R&D	Research and Development
RAC	Re-Assessed Capacity
RCF	Rashtriya Chemicals & Fertilizers Limited
RCF	Rashtriya Chemicals and Fertilizers Limited
RE	Revised Estimates
RLNG	Regasified Liquefied Natural Gas
SATAT	Sustainable Alternative Towards Affordable Transportation
SCU	Sulphur coated Urea
SFC-Kota	Sharon Fellowship Church-**Kota**
SSP	Single Super Phosphate
SSP + Urea	Single Super Phosphate and Urea
TEN	Target Energy Norms
USS	Urea Subsidy Scheme
UT	Union Territories
$	Dollar

CHAPTER – I
INTRODUCTORY

Department of Fertilizers: An overview

1.1 Department of Fertilizers comes under the ambit of Ministry of Chemicals & Fertilizers. Secretary is the administrative head of the Department of Fertilizers who is assisted by 1 Additional Secretary, 1 Joint Secretary and Financial Adviser and 3 Joint Secretaries including Economic Adviser.

1.2 The main objective of Department of Fertilizers is to ensure adequate and timely availability of fertilizers at affordable prices for maximizing agricultural production in the Country. The main functions of the Department of Fertilizers include planning, promotion and development of the fertilizers industry, planning and monitoring of production, import and distribution of fertilizers and management of financial assistance by way of subsidy / concession for indigenous and imported fertilizers.

1.3 The Department has one attached office under it, viz., Fertilizer Industry Coordination Committee (FICC) headed by Executive Director which is responsible to evolve and review periodically, the group concession rates including freight rates for units manufacturing nitrogenous fertilizers, maintain accounts, make payments and to recover amounts from fertilizer companies, undertake costing and other technical functions and collect and analyse production data, costs and other information. Besides, Department of Fertilizers also has the following nine (09) Fertilizer Public Sector Undertaking (PSUs) under its administrative control:

(i) FCI Aravali Gypsum & Minerals India Limited (FAGMIL)

(ii) Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)

(iii) The Fertilizer Corporation of India Limited (FCIL)

(iv) Project & Development India Limited (PDIL)

(v) Hindustan Fertilizer Corporation Limited (HFCL)

(vi) Rashtriya Chemicals and Fertilizers Limited (RCF)

(vii) National Fertilizers Limited (NFL)3

(viii) The Fertilizers and Chemicals Travancore Limited (FACT)

(ix) Madras Fertilizers Limited (MFL)

Vision and Mission of the Department

1.4 The Department of Fertilizers works with a Vision of achieving fertilizer security for the country for sustainable agricultural growth supported by a robust domestic fertilizer industry of the Department of Fertilizers. The ultimate goal is to achieve data driven policy making by using data-based insights for redesigning the implementation mechanisms of Government interventions.

1.5 The Mission Statement lays emphasis on adequate and timely availability of quality fertilizers at affordable prices in each cropping season to the 140 million farmers across the Country through planned production and imports and distribution of fertilizers in the Country and planning for self-sufficiency in urea production.

Fertilizer composition

1.6 Fertilizers are materials used to provide plant with nutrients which are deficient in soils. It is a chemical product which is either mined or manufactured. Most of the fertilizers are extracted and purified from natural deposits in the earth. Materials such as sulpomag, muriate of potash and triple super phosphate are all produced from naturally occurring minerals. Some materials, such as urea and ammonium nitrate are synthetic, but provide plants with the same nutrients that are found naturally in the soil. Fertilizers are inorganic materials with high analytical value and definite composition which can supply nutrients and trace elements, usually applied to the soil to encourage the growth of crops. Examples:

i) Nitrogenous fertilizers (urea, ammonium sulfate);

ii) Phosphate fertilizers (single/triple super phosphate);

iii) Potassic fertilizers (muriate of potash); and

iv) Macronutrients (Ca, Mg, O, C) and

v) Micronutrients (Zn, Mn, Cu, Fe, Mo, S, etc.).

1.7 In order to ensure sufficient availability of fertilizers in India, Government of

India has been facilitating Indian fertilizer companies to sign long-term agreements (LTAs), MoUs and establish joint ventures with fertilizer companies in resource rich Countries so that sufficient supply of finished fertilizers as well as its raw materials/intermediates to India can be ensured.

1.8 With regard to efforts made in the fertilizer sector for exploration of raw material required in NPKS/Complex fertilizers in the Country, the Department in their written replies submitted that they have been taking up the matter with M/o Mines for preferential allotment of mineral mines in favour of fertilizer PSUs for exploration. However, M/o Mines has recently taken position that critical mineral mines may be auctioned in order to maximize revenue for the state. Hence, mineral fertilizer companies have been advised to participate in auction process to acquire any new mine.

1.9 As regards, efforts made towards entering into contract agreements with resource rich countries offering affordable rates, it has been submitted that Department of Fertilizers has been actively engaging with countries from where the raw material can be obtained on affordable rates. In this regard, Department of Fertilizers has convened meetings and video conferences with representatives from various countries viz. Togo, Nauru, Russia, Belarus etc. to explore potential agreements for the procurement of raw materials at competitive prices. In this connection, an Indian and a Togoiese fertilizer company is holding discussions for finalizing a Memorandum of Understanding (MoU) for the supply of Rock Phosphate to India. Furthermore, Rashtriya Chemicals and Fertilizers Limited (RCF, an Indian fertilizer PSU) has accompanied a delegation from the Ministry of External Affairs (MEA) to Mauritania from March 20 to 22, 2024 to look into the possibility of supply of required grade of Rock phosphate from Mauritania to India.

1.10 When the Committee specifically enquired over signing of mining lease agreement with raw material rich countries, the Department of Fertilizers have stated in their written replies that the Government of India has not signed any mining lease agreement with the raw material rich countries for extraction for refining / manufacturing of fertilizers.

1.11 On a query related to visualising growth of the Indian fertilizer industry in the next 5 years, the Department in a written reply have stated that :

> "A number of steps in recent years to promote growth of fertilizer industry in the country like (i) Granting permissions to fertilizer companies for increasing their manufacturing capacity and for induction of new P&K companies & their fertilizer products under NBS; (ii) To promote Potash derived from Molasses (PDM) which is 100% indigenously manufactured fertilizer has been notified under Nutrient based subsidy (NBS) regime w.e.f 13.10.2021; (iii) Freight Subsidy on SSP, which is an indigenously manufactured fertilizer, has been made applicable since Kharif 2022 to help in promotion of SSP usage for providing Phosphatic or "P" nutrient to the soil.
>
> As a result of these steps, production of DAP has increased from 38.99 LMT in 2018-19 to 42.93 LMT in 2023-24, while during the same period, the production of NPKs has increased from 89.98 LMT to 95.48 LMT by 22 P&K fertilizer manufacturing units. Similarly, production of SSP increased from 40.72 LMT in 2018-19 to 44.44 LMT in 2023-24 by 104 SSP manufacturing units.
>
> In view of the above, despite country's dependence on imports for raw materials and intermediates it may be considered that fertilizer industry would be growing at a steady rate in coming years".

1.12 To a query related to the efforts made to explore efficient technology for domestic mining of phosphate and constraints thereto, the Committee have been informed in the post evidence written replies that:

> " As these points pertains to Ministry of Mines, as such, as per the information provided by them, it is stated that India is import dependent in raw materials of both phosphatic and potassic fertilizers. Both minerals have been included in the list of Critical and Strategic Minerals notified by Ministry of Mines vide Notification dated June, 2023.
>
> In case of Rock Phosphate, as informed by Indian Bureau of Mines, M/o Mines, there are 07 mining leases of Rock Phosphate out of which only 06 are working. In all 06 mines, mining is done through opencast method i.e. conventional mining for comparatively shallow deposits.
>
> The potash blocks discovered in India are deep seated. There are 2 methods for mining of deep seated deposits of potash – conventional underground mining and solution mining."

1.13 While replying to the challenges faced in mining, the following has been stated:

> "(i) The most common method for extracting potash from deep halite deposits is Solution mining, where water or brine is injected to dissolve the potash which is then pumped to surface.

(ii) India has relatively low reserves of economically extractable potash and phosphate rock compared to global standards. Most of the country's rock phosphate is low grade which requires beneficiation before use.

(iii) Halite and potash minerals are highly water soluble which poses significant challenge during mining. Water inflow during mining operations can dissolve the minerals, leading to the loss of valuable resources.

(iv) Potash mines are prone to roof collapse and ground subsidence due to brittle nature of halite. Maintaining stability of ground is extremely capital expensive.

(v) Potash extraction involved navigating through salt domes which can shift and deform. This complicates mining operations.

(vi) India does not possess cutting edge drilling and solution mining technology. Importing this involves high capital expenditure and increase cost of potash production.

(vi) Establishing potash mines in halite formation requires significant upfront investment and skilled labor.

(vii) Solution mining and extraction of potash generates large quantities of salt laden waste brine which poses disposal challenges. Improper disposal can lead to soil salinization and groundwater contamination."

CHAPTER – II

EXAMINATION OF DEMANDS FOR GRANTS No. 6

2.1 The Committee have been informed that the difference between proposed and approved budget break-up of the Department of Fertilizers for BE 2024-25 is as below:

Major Heads	Name of Scheme	Proposed BE 2024-25	Approved BE 2024-25	Difference
3451	Sect. Economic Services			
	Salaries	19.01	17.50	-1.51
	Non Salary	30.46	27.38	-3.08
	Total '3451'	49.47	44.88	-4.59
2401	Nutrient Based Subsidy Policy			
	Payment for Indigenous P&K Fertilizers	45466.00	26500.00	-18966.00
	Payment for Imported P&K Fertilizers	39836.00	18500.00	-21336.00
	Total '2401'	85302.00	45000.00	-40302.00
2852	Urea Subsidy (MH 2852-Industries)			
	Payment for Indigenous Urea	105340.36	100340.00	-5000.36
	Payment for Import of Urea	31956.00	22634.00	-9322.00
	MDA subsidy	364.28	80.00	-284.28
	R&D for MDA	120.00	20.00	-100.00
	DBT in Fertilizer subsidy	18.28	5.80	-12.48
	Grant-in-aid to R&D Budget Head	0.00	0.00	0.00
	Subsidy support to Indian shipping companies	4.33	2.50	-1.83
	ICFFTR	0.01	0.01	0.00
	Total '2852'	137803.26	123082.31	-14720.95
	Gross total (Subsidy)	223082.64	168074.00	-55008.64
	Total Recovery	3980.00	3980.00	0.00
	Net Total (Subsidy)	219102.64	164094.00	-55008.64

3475	Write off of loans and interest thereon on GOI loan outstanding against HFCL, FCI, MFL, PDIL and FACT.	0.01	0.01	0.00
	CAPITAL Expenditure			0.00
5475	Capital Outlay on Gen Economic Services	3.36	3.56	0.20
6855	Loan on Fertilizers Industries	0.05	0.05	0.00
	Total (Gross)	**223158.15**	**168130.81**	**-55027.34**
	Total (Net)	**219178.15**	**164150.81**	**-55027.34**

2.2 As for the reasons behind curtailment of the budget, it has been submitted that the Budget Proposals are sent to M/o Finance in the month of September-October of every year. The proposals are just an estimate of the expenditure to be incurred on Fertilizer subsidy, which are estimated on factors like previous year's consumption, rate of gas and other commodities etc. The actual requirement of funds is assessed based on the actual consumption and rates of commodities and accordingly, additional funds are sought from M/o Finance during the FY, as and when required. Further, the funds provided by M/o Finance at BE stage are increased by them at RE stage and by the means of supplementary as per the requirement of the D/o Fertilizers.

2.3 An analysis of Demands for Grants 2024-25 i.e. percentage increase/ decrease in various Heads over the last 3 years is as under :-

Rs. In crores

	Scheme	**BE 2021-22**	**BE 2022-23**	**BE 2023-24**	**Average BE from 2021-22 to 2023-24**	**BE 2024-25**	**% increase in BE 2024-25**
1	**Indigenous P&K**	12460.00	25200.00	25500.00	21053.33	26500.00	25.87
2	**Imported P&K**	8260.00	16800.00	18500.00	14520.00	18500.00	27.41

3	**Indigenous Urea**	43236.28	46596.78	104063.18	64632.08	100340.00	55.25
4	**Imported Urea**	19550.00	20590.00	31000.00	23713.33	22634.00	-4.5
5	**MDA**			0.00	NA	100.00	NA
6	**City Compost**	42	0	0	NA	0	NA

2.4 **HEAD-WISE ALLOCATION BREAK-UP**

I. **Secretariat Economic Service (Major Head 3451) -** A sum of Rs. 44.88 Crore has been allocated under the Head for Salaries and Non Salary Expenditure under various heads for Secretariat Economic Services under Revenue and under **Capital Outlay on General Economic Services (Major Head 5475)** Rs. 3.56 Crore have been allocated for the Department of Fertilizers including the Pay and Accounts Office and Fertilizers Industry Coordination Committee (FICC)

II. **Subsidy for Fertilizers**

A. Scheme for Nutrient Based Subsidy (Major Head 2401)

2.5 As for the Subsidy on NBS fertilizers, a total of Rs. 45000 Crore has been allocated under the Scheme for Nutrient Based Subsidy of which Rs. 26500 crore has been allocated for Payment for Indigenous P & K fertilizers and Rs. 18500 Crore for Payment for Imported P & K fertilizers.

B. Urea Subsidy(Major Head: 2852)

(Rs. in Crore)

Urea Subsidy(Major Head: 2852)	**BE 2024-25**
A. Payment for Indigenous Urea	**100340.00**
B. Payment for Imported Urea	**22634.00**
C. Market Development Assistance (MDA)	**80.00**
D. R&D for MDA	**20.00**
E. DBT*	**5.80**
F. ICFFTR	**0.01**
G. Subsidy support to Indian shipping companies	**2.50**
Gross Allocation	**123082.31**
(-) Recovery	**3980.00**
Net Allocation	**119102.31**

2.6 **In nutshell, the following are the major portion under MH 2852:-**

i. Rs. 1,22,974 Crore have been allocated for Urea Subsidy which includes payment for Indigenous Urea and Imported Urea.

ii. Rs. 80 Crore for Market Development Assistance and Rs. 20 Crore for its R&D have been allocated under the scheme of MDA for GOBARdhan initiative for promotion of organic fertilizers.

iii. Rs. 6.00 Crore for DBT (5.80 Crore under MH 2852 and 0.20 Crore under MH 5475 – capital expenditure) for implementing DBT/DCT in Fertilizer subsidy across India.

C. Other Expenditure

2.7 Token amount of Rs. 6 Lakh (Rs. 5 Lakh under MH 6855 – capital section and Rs. 1 Lakh under MH 3475 – Revenue Section) has been kept for write-off of loan and assistance to PSUs and providing loans to Fertilizer Industries.

The Committee have been provided with the Budget Estimates, Revised Estimates and Actual Expenditure figures for the last three years (year-wise) showing budgetary allocations, expenditure as per table given below :

Rs. In crores

Year	BE	RE	AE
2021-22	84041.39	149663.28	157866.89
2022-23	109242.23	228530.62	254841.43
2023-24	179128.48	192479.29	195466.65
2024-25	168130.81	--	--

Recoveries & Carry-Over Liabilities

2.8 When enquired over the reasons for huge recoveries of Rs. 3980 Crore and measures to avoid them, the Department of Fertilizers have stated in reply to the list of points that recoveries have been estimated as per the anticipation of Import of Urea, which was 80 LMT for the year and on which PIP cost @ Rs.4974/PMT needs to be recovered. These recoveries cannot be avoided since Import of Urea is controlled and all expenses have been incurred from the Subsidy head of account, as such the recovery of cost of the Imported Urea needs to be shown against recoveries only.

2.9 When enquired over the factors behind unrealistic anticipated requirement of urea to the tune of 80 LMT, the Department of Fertilizers in their replies to the supplementary list of points have contended that before the commencement of each cropping season, Department of Agriculture and Farmers Welfare (DA&FW), in consultation with all the State Governments, assesses the requirement of fertilizers and conveys the month-wise requirement of fertilizers to Department of Fertilizers (DoF). It is clarified that the requirement of Urea, DAP, MOP and NPKS in the country for the ongoing Rabi 2024-25 season is 186.89 LMT. The actual import of Urea depends upon the gap of Demand and indigenous production, which is worked out to meet the requirements.

2.10 As for carry-over liabilities, the Department have submitted in reply to the list of points for evidence that carry-over liabilities in respect of Indigenous P&K and Imported P&K as on 01.04.2024 were Rs.3726 Crore. Carry-over liabilities in respect of Imported urea as on 01.04.2024 were Rs. 881 Crore. The carry over liabilities will be met from the budget of 2024-25 and additional requirement of funds will be sought at RE stage.

CHAPTER – III

FERTILIZER SUBSIDY POLICIES OF THE GOVERNMENT

A. Nutrient Based Subsidy (NBS) Policy

3.1 The Committee have been informed that the NBS Policy is operational *w.e.f.* 01.04.2010 for Phosphatic (P) and Potassic (K) fertilizers. Under the policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidised P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidised P&K fertilizers covered under NBS Policy.

3.2. At present 28 grades of P&K fertilizers are covered under the NBS Policy.

3.3 Under the Policy, MRP of P&K fertilizers have been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates which is checked by Government. In effect, the domestic prices are determined by demand-supply mechanism.

3.4 Under the policy, any variant of the subsidised P&K fertilizers with secondary and micronutrients (except Sulphur 'S'), as provided for under FCO, is also eligible for subsidy. There is separate additional subsidy for micronutrients namely Boron and Zinc. The secondary and micro-nutrients (except 'S') in such fertilizers attracts a separate per tonne subsidy to encourage their application along with primary nutrients.

3.5 An Inter-Ministerial Committee (IMC) has been constituted with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives of Department of Agriculture & Farmers' Welfare (DA&FW), Department of Expenditure (DOE), NITI Aayog and Department of Agricultural Research and Education (DARE). This Committee recommends per nutrient subsidy for 'N', 'P', 'K' and 'S' before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. The Committee also recommends

inclusion of new fertilizers under the subsidy regime based on application of manufacturers/ importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government.

3.6 **While clarifying over NPK being placed under Open General License (OGL) category, the Secretary, Department of Fertilizers during evidence held on 12.11.2024 submitted as under:-**

"NBS was 2010 Cabinet decision. Nutrient Based Subsidy is the standard format in almost all the P&K consuming countries, and we have been advised by NITI Aayog and authorities that when you are going to get NBS for Urea, what is the difference? What is OGL? Open General Licence authorises a company to procure the material anywhere available on a commercially sustainable basis. Commercially does not mean profit maximisation. Commercially means that at What rate I should buy that my product will be sold easily without competition. If I am very costly, then it will not be sold. There will be competing NPK and SSP. So, commercially means it should be sustainable to keep the company afloat. The Governments all over the globe actually follow this process and after long deliberation in 2010 NBS was introduced.

Now, they cannot play with the system. How? Suppose a ship is bought and say the cost of the ship is Rs. 1,000. They have bought it and it is their property. Urea is our property because if urea is imported, it is paid from the Government account. But in NBS, it is better that Government from the beginning has no ownership of that material which is being brought under OGL. Anybody can bring it. Now they bring it, they take to the States and according to the State's demand they sell it, and when they actually sell it through our system of PoS, they qualify for the subsidy. Just getting the material to India does not give them any guarantee to get subsidy support.

What is the subsidy that we give? It is the pure Phosphate content in DAP -- Diammonium Phosphate where Phosphate is 46 per cent and Nitrogen is 18 per cent. So, we do not give any subsidy by weight. If one tonne is coming, 460 kgs. of Phosphate is there. So, that is the payable amount and not anything else. For Nitrogen, we get the solution from Urea….

…. First I will tell you about DAP. In Open General License, actually, there is no limit. They can purchase according to their financial capacity and the assessment of sale. That is very clear…."

3.7 **Clarifying further over the issue, the Secretary, DoF submitted as under:-**

"Sir, when the NBS is operating in full, there is no discrepancy about their import cost. I said that only the phosphate content will be priced and subsidy will be given, the difference between cost of importing and the sale price. But during COVID, what happened? The price I have shown in my graph, it actually went to 915 dollars per ton. So, the market price is linked to the import price

because MRP is free. In NBS, MRP is free and subsidy is fixed. It is the cost of fertilizer, the cost of phosphate, whatever is the cost. Now, MRP got fixed. MRP got fixed at Rs. 1350 because it was rising to Rs. 2000 and the farmers would have suffered. The same Rs. 1350 is today also. So, the factor that was preventing them to be very aggressive in the market was removed. That special package has been given of Rs. 3,500 rupees per ton. That is not the issue. The import got reduced, as I said. The biggest exporter was not interested in the market. So, the net viability sharply went down. The risk factor, actually, the vessel owners, though the supplier was ready to sell, but the vessel owners, they were not, actually, they had the opportunity cost that whether they will go into this dangerous zone or they will get some other consignment and should they go to the Western Hemisphere. That was the consideration.

I have gone through it on a day-to-day basis. Because of a certain enabling thing that Government of India did, there were two Cabinet decisions back-to-back, in August and September. Sir, the second one is most important because the Government of India said that the cost of import will be linked to the market which means whatever the market price is, the company which is importing should get it. This is unprecedented. What we do is that we take a six-months average and USD 559 benchmark price is actually fixed for Rabi. Now, the companies are not bound by that for this crisis period. You said from 1st April to 31st December because it will be reassessed. Russia is not a large DAP fertilizer. Morocco is producing TSP, Triple Super Phosphate. They are not producing lots of DAP because they do not have gas. They have to purchase gas from the Middle East. So, all these economics have been looked into. Otherwise, for Kharif, we have already started doing all kinds of policy audits and also the enablement, how to get 50 lakh tonnes of DAP to India by 1st of March.**"**

3.8 Responding to the provisions towards recovery of profit beyond 12% by the fertilizer company the Secretary, DoF during evidence held on 12.11.2024 submitted as under:-

"Sir, October 10 of this year was the deadline for giving all the accounts by the companies for the year 2023-24. I am so happy that you asked this question. It is a full compliance. Not a single company has escaped this particular provision. We are finalising the last part of the audit, and it will be ending in November. Excess will be mopped up. That is our commitment…."

Regulation of Prices of P&K fertilizers

3.9 P&K Fertilizers are rich sources of phosphorous and potassium for the soil. These mainly include Di-Ammonium Phosphate (DAP), Muritate of Potash (MOP), and Nitrogen, Phosphorous and Potassium (NPKS). While prices of urea are fixed by the Government, prices of P&K fertilizers are de-regulated. Sellers of P&K fertilizers can decide upon a reasonable MRP of their fertilizers. To ensure that such prices are reasonable, companies must submit cost related data to the Government in a

prescribed format. The 5th Report (17th L.S.) of the Standing Committee on Chemicals and Fertilizers presented to the House on 17th March 2020 recommended recovering a share of profit of companies found to charging unreasonable MRPs for P&K fertilizers. The Department stated that it is formulating guidelines for such action. Subsequently, on January 2024, the Government notification dated 18th January, 2024 (F.No.23011/9/2023-P&K) issued guidelines to implement these recommendations. It stated that any profit earned above 12% of the total cost of sales for integrated manufacturers, 10% for manufacturers and 8% for importers would be unreasonable. Company profits on P&K fertilizers will be assessed by the cost auditor. Cost audit will be approved by the Board of directors. Any unreasonable profits charged by firms would have to be refunded. Failure to refund would attract interest of 12% per annum on the refundable amount. Failure to submit cost data in time would lead to discontinuation of subsidies till further payment is made.

3.10 On a specific enquiry over compliance of these guidelines, the Committee have been informed in the post evidence written replies that as per the provisions of Notification dated 18.01.2024, the companies will submit Cost Auditor's Report alongwith audited cost data approved by the Board of Directors (BoD) in the online module upto 10th October for the previous financial year(i.e. for FY 2023-24 upto 10.10.2024) and examination of the reasonability of MRPs as submitted by the companies shall be completed by DoF/FICC by 28th February for each completed previous financial year (i.e. for FY 2023-24 by 28.02.2025). 59 companies have submitted audited cost data by the due date. As for the competent authority, it has been stated that the Department of Fertilizers is competent to ensure compliance to the guidelines and the provisions of the Notification which seek Companies to submit Cost Auditor's Report alongwith audited cost data approved by the Board of Directors (BoD) in the online module upto 10th October for the previous financial year (i.e. for FY 2023-24 upto 10.10.2024). The examination of the reasonability of MRPs as submitted by the companies shall be completed by DoF/FICC by 28th February for each completed previous financial year (i.e. for FY 2023-24 by 28.02.2025). 59 companies have submitted audited cost data by the due date. However the Department has been silent over the action taken on defaulter companies.

B. Urea Subsidy Scheme

3.11 Urea Subsidy, which was treated as non-plan expenditure since its inception, is part of Central Sector Scheme of this Department. The Scheme is wholly financed by the Government of India through Budgetary Support. Urea Subsidy Scheme has two components, i.e., Indigenous Urea and Imported Urea. Indigenous Urea in turn comprises of indigenous urea subsidy administered to the urea units. Imported Urea subsidy is directed towards imports made to bridge the gap between assessed demand and indigenous production of urea in the country. Both components also include freight subsidy for movement of urea across the country.

3.12 The objectives of Urea Subsidy Scheme are as follows:

i) To ensure timely availability of adequate quantity of urea at statutory controlled price to the farmers across the country.
ii) To optimize indigenous urea production.
iii) To rationalize the subsidy outgo of the Government.
iv) To enable urea units in sustaining their operations and energy efficiency.
v) To fill up the gap between assessed demand and estimated production through imports.

3.13 With the approval of CCEA, 'Continuation of ongoing urea subsidy scheme beyond 12th Five Year Plan' was notified vide Notification dated 17th April, 2018 (Effective from 1st April, 2017) and it was made co-terminus with the 14th Finance Commission Cycle which came to an end on 31.03.2020. Later, the Department of Expenditure vide OM No. 42(02)/PF-II/2014 dated 10th January 2020 approved an interim extension to it till 31st March 2021 or till the date of recommendation of 15th Finance Commission come into effect whichever is earlier. A proposal for continuation of Urea Subsidy Scheme over the 15th Finance Commission Cycle, until 31st March 2025, was submitted for appraisal by the Expenditure Finance Committee (EFC). The EFC reviewed this proposal, and as per the Department of Expenditure's OM dated 8th April 2022, EFC approved Urea Subsidy scheme for one year until March 2022. Any continuation beyond this period requires a fresh appraisal by the EFC. Thereafter, a proposal for continuation of Urea Subsidy Scheme was placed for the appraisal of Expenditure Finance Committee (EFC) to continue the scheme till 31st March 2026.

Following EFC's recommendation and with the approval of the CCEA, the existing Urea Subsidy Scheme has been continued up to 31st March, 2025 at a total estimated outlay of Rs.3,68,676.70 crore (the actual expenditure may vary based on the prices of natural gas and other inputs used for the production of Urea) along with introduction of three new components for 3 years (FY 2023-24 to FY 2025-26) viz., (i) PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother-Earth (PM-PRANAM), (ii) Market Development Assistance(MDA) to promote Organic Fertilizers and (iii) Launching of Sulphur Coated Urea with the name of 'Urea Gold'.

3.14 Urea Fertilizer have played an important role in making the country self-reliant in food grain production. It provides a very vital input for the growth of Indian agriculture and in the attainment of the goal of self-sufficiency in food grains. The objective of Government's policy is to maximize indigenous production of Urea based on utilization of indigenous feedstock to reach self-sufficiency levels. For sustained agricultural growth, it is imperative that Urea is made available to farmers at affordable prices. With this objective, urea is sold at statutorily notified uniform MRP. At present the Urea is being provided to the farmers at a statutorily notified Maximum Retail Price (MRP) of Rs.242 per 45 kg bag of urea (exclusive of charges towards neem coating and taxes as applicable). The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India.

3.15 The subsidy is paid to the urea manufacturing units through concession rates (Normative Cost of production under extant Urea Policies) comprising of two major components namely Fixed Cost and Variable Cost. The concession rates vary from unit to unit depending upon their vintage, energy norms, water norms, electricity, bag rates etc. The mode and methodology of computation and disbursement has been laid down in various policies (approved by CCEA) issued from time to time.

3.16 EFC proposal for Continuation of the Urea Subsidy Scheme beyond 31st March, 2025 (i.e. from 1st April, 2025 to 31st March, 2026) is in inter-ministerial consultation (IMC) stage.

Market Development Assistance (MDA)

3.17 The Committee have been informed based on the recommendations of the EFC, a new scheme i.e. Market Development Assistance (MDA) has been launched pursuant to the Budget Announcement 2023 by the CCEA on 28th June, 2023, @ ₹1,500/MT to promote organic fertilizers, produced at plants under umbrella Galvanizing Organic Bio-Agro Resources Dhan (GOBARdhan) initiative covering different Biogas/CBG support schemes/programmes of stakeholder Ministries/Departments.

3.18 Government has been providing assistance of ₹1,500/MT under the Market Development Assistance (MDA) scheme to promote marketing of organic fertilizers viz., Fermented Organic Manure (FOM), Liquid FOM, Phosphate Rich Organic Manure (PROM) produced at CBG/BG plants under GOBARdhan initiative. The scheme has a total outlay of ₹1,451.84 crore (FY 2023-24 to 2025-26), which includes a corpus of ₹360 crore for research gap funding etc. These initiatives of the Government are expected to address the imbalanced use of chemical fertilizers thereby reducing chemical fertilizer use. 76 CBG Plants have been registered in iFMS portal for MDA. 34 MOUs have been signed between FMCs and CBG plants. Sale during 2023-24 & 2024-25(till 28.10.2024) is 205000.89 MTs.

3.19 Year-wise Budgetary provision and expenditure under MDA & Research & Development to promote FOM/LFOM/PROM is as under:

(Rupees in Crore)

Year	Budgetary Provisions		BudgetaryProvisions	
	MDA	MDA released	R&D	Expenditure on R&D
2023-24	5.00	NIL	1.00	0.25
2024-25	80.00	11.62 (upto 28.10.2024	20.00	0.58 (upto 28.10.2024

3.20 Replying to a query with regard to the guidelines and the progress made under MDA, the Department of Fertilizers in their reply to the list of points have stated that the 'Policy on Promotion of Organic Fertilizers' and the 'Guidelines for disbursement of Market Development Assistance' have been issued on 20th September, 2023.

3.21 Standard Operating Procedures (SOPs) for stock verification and quality checking for sales of bulk/packaged of FOM/LFOM under MDA scheme was issued on 21.06.2024. Revised SOPs have been issued on 04.09.2024, wherein provisions for release of 50% amount of the total claim for sale of FOM/LFOM/PROM on production of NABL Quality Certificates, PoS sale details and Self Declaration of quantity and the balance 50% of the total claim upon issuance of B1 & B2 Certificates by State Agriculture Department, within 45 days have been made. Amendment to Revised SOP has been made vide O.M. dated 11.10.2024 giving effect to revised guidelines for MDA subsidy payment with retrospective effect from 01.07.2024.

3.22 Guidelines on Market Development Assistance – Research & Development have been issued vide O.M. dated 13. 06.2024. and marketing of FOM/LFOM/PROM has been initiated by 76 CBG plants under MDA programme. The total sales of FOM/LFOM/PROM by CBG operator & FMC during 2023-24 and 2024-25 were 56,058.62 MTs and 1,48,942.27 MTs (up to 28.10.2024) respectively. 34 MoUs have been signed by Fertilizer Marketing Companies (FMCs) with CBG operators for marketing of FOM/LFOM. During 2024-25 upto 28.10.2024, Rs. 11.62 crores of subsidy have been released to CBG operators and FMCs under MDA scheme.

The year-wise total sale and expenditure on MDA & R&D is as under:

Year	Total sale (in MT)	Expenditure on MDA (Rs. in Crore)	Release of funds to CNA under R&D (in Lakh)
2023-24	56058.62	Nil	25.00
2024-25 (up to 28.10.2024)	148942.27	11.62	58.33

3.23 On a query related to under utilization of the funds allocated under MDA and R&D, the Department of Fertilizers in their written replies to the list of points for evidence have stated that :

"Against the budgetary provision of Rs. 120.00 crore, Rs. 1.00 crore was allocated for the year 2023-24. As per Ministry of Finance's guidelines regarding revised procedure for flow of funds under Central Sector Scheme, not more than 25% of the amount earmarked in a financial year shall be released in a quarter of one financial year. Hence, only Rs. 25 Lakh was released to Central Nodal Agency (CNA), i.e. PDIL in the last quarter of financial year 2023-24. Further, as no R&D proposal was approved during 2023-24, amount could not be released by CNA to implementing agencies."

3.24 As for timely settlement of claims to avoid surrender of funds, it has been stated that the Department of Fertilizers has taken several steps to sensitize the CBG operators to follow the procedures while raising their claims under the MDA Scheme. Various training sessions/meetings were held jointly by Policy Division along with DBT Division and NIC team for the CBG operator. In these sessions, detailed explanations were made to the CBG Operators and FMCs regarding the procedure to seek claims for MDA subsidy. Further, a WhatsApp group has been created to discuss and resolve the issues expeditiously on day-to-day basis. Moreover, all concerned Divisions, including Policy, DBT, FICC Divisions & NIC are actively involved in release of subsidy claims raised by CBG operators at the earliest to avoid surrender of allocated funds.

Nano Urea

3.25 The Government of India have notified the specifications of Nano Urea under Fertilizer Control Order, 1985. Nano Fertilizers hold great promise for application in plant nourishment because of the size-dependent qualities, high surface-volume ratio and unique optical properties. These fertilizer releases plant nutrients in a controlled manner contributing to higher nutrient use efficiency; and easy to carry in the field.

3.26 Six (06) Nano Urea units with production capacity of 27.62 crore bottles have been set up. 5 more units will be commissioned by 2025-26.

3.27 The Department of Fertilizers in response to a separate question have mentioned in the replies to the list of points that the price of Nano Urea (liquid) sold by nano urea manufacturers range from Rs 225 to Rs 265 per 500 ml bottle. The price is 16 % less when compared to the price of a 45 Kg bag of Neem Coated Urea. Till date, 8.55 Crore Bottles (500ml equivalent) of Nano Urea has been sold.

3.28 With regard to specific query on the status of commissioning of Nano fertilizer plants by the Fertilizer PSUs, it has been stated that M/s Rashtriya Chemicals & Fertilizers Limited (RCF) has informed this Department that they are planning to initiate

the commercial production of their Nano Urea in December, 2025 at their Trombay Plant. Moreover, M/s National Fertilizer Limited (NFL) has also informed that they are going to commence the commercial production of Nano Urea at their Nangal, Punjab plant. However, the anticipated date of commissioning of the same has not been ascertained by NFL.

3.29 Regarding Nano Urea introduction, the Secretary, DoF during evidence proceeding held on 12.11.2024 submitted as under:-

> "…… the most important point how nano technology works actually from the beginning. It is the tiniest dimension and it is nano because it is 10 to the power minus 9….. नैनो पार्टिकल साइज के बराबर हो जाता है। यह एम्बेडेड होता है। जैसे हम एक केक के ऊपर चेरी लगाते हैं, वैसे ही नाइट्रोजन की नैनो एक ऑर्गेनिक बेस के ऊपर एम्बेड होता है। वह ऑर्गेनिक बेस क्या है? वह पेटेंट है। हमें पता नहीं है। And it is discovered by an Indian and patented. So this particular particle goes into leaf. एक 500 ml बोतल एक बैग के बराबर होता है। यह सबसे बड़ी बात है। अगर हम इसको स्मॉल स्केल पर ज्यादा एक्सपैंड करेंगे तो हमें इसकी क्वालिटी के ऊपर सबसे ज्यादा ध्यान रखना पड़ेगा, क्योंकि यह टेक्निकली ऐसा सुपीरियर है कि only five companies till today have attempted it because कोई भी कंपनी नैनो फर्टिलाइजर बनाकर बाजार में ऐसे नहीं बेच सकती है। They will have to come to the Indian Council of Agriculture Research. They will test it in the field for two seasons or three seasons according to their requirement and after that it goes to the Fertilizer Control Order 1985, and then it is placed in the public domain. So we are actually encouraging the entrepreneurs to come and establish their projects. They should submit to competent authority, and on such projects, DoF will also assist to try to get them some incentive under Start-up route."

3.30 Over the pricing issue of Nano urea and the query towards subsidy on the Nano fertilizer, the Secretary, DoF submitted as under:-

> "….The price today in India is less than the price of a bag of urea subsidized. The bags come at Rs. 266. The IFFCO is selling Nano Urea at Rs. 225 for a 500 ML bottle. So, it is still remunerative. Then why subsidy is needed?.....The industry of nanotechnology in agriculture has just begun. So, until I am confirmed by a three-year study that nano is safe, nano is productive, nano is in the interest of the environment… "

3.31 When the Committee enquired over the reasons for not providing dedicated funding for nano urea, as recommended by the Standing Committee in their 39th Report, 17th Lok Sabha, the Department of Fertilizers in reply to the supplementary list of points submitted that research and field trials of new fertilizers are done by Agricultural Research (ICAR). Subsequently, based on the research & field trials, Department of Agriculture & Farmers' Welfare (DA&FW) approves the product under Fertilizer Control Order (FCO)-1985. The DoF has, however, assigned a study titled 'Effect of Nano Urea and DAP and popularization of its use in crop production' to ICAR which will evaluate the impact of Nano Urea and DAP on crop growth, soil health, and

nutrient uptake across various agro-climatic zones in India. Moreover, DoF has assigned another study to National Productivity Council (NPC) for undertaking the study of Nano Urea to evaluate efficacy, utility and impact of Nano Urea in comparison to conventional Urea.

3.32 So far as steps initiated to expand sales of nano-urea, the Department of Fertilizers in reply to the supplementary list of points have apprised as under :

> "Department of Fertilizers from time to time, has advised the State Governments and companies to popularize and encourage the use of Nano Urea through field demonstrations and campaigns. Further, Nano Urea has also been inducted in the monthly supply plans issued by DoF. Also, Nano Urea manufacturers are taking all steps to promote use of Nano Urea in all agro-climatic zones across the country. Moreover, Nano Urea is being made available at Pradhan Mantri Kisan Samriddhi Kendras (PMKSKs) in all states/UTs by the fertilizer companies.
>
> During the Viksit Bharat Sankalp Yatra (VBSY), DoF endeavored to promote the use of drones amongst the farmers by demonstrations of spray of Nano and water-soluble fertilizers across diverse crops and plants. The initiative had more than 1.79 Lakh drone demonstrations in various States/UTs. Moreover, under the Namo Drone Didi (NDD) scheme, 15000 drones are to be provided to women members of SHGs between 2023-24 to 2025-26. In this context, 1094 drones have been distributed to women members of SHGs by the Fertilizer Companies.
>
> With the aim to promote the usage of Nano fertilizers, a Maha Abhiyaan was launched on 1st July, 2024 for Kharif 2024 and Rabi 2024-25 in identified districts where consultations/field level demonstrations and awareness programs were held with a joint effort of ICAR, KVKs, progressive farmers and companies. During the Maha Abhiyan, 1.12 crore bottles of Nano Urea have been sold by fertilizer companies till 15.11.2024."

3.33 On being asked over the status of the assurance made by the Department to distribute 10 drones per village in a reasonable time frame, the Committee have been apprised in replies to the supplementary list of points, as under:

> "Distribution of 10 drones per village in more than 6 lakh villages is being dealt in Ministry of Civil Aviation. This scheme is not related to DoF. However, under the Namo Drone Didi (NDD) scheme, 15,000 drones are to be provided to women members of SHGs between 2023-24 to 2025-26. The drone distribution to the village level women members of Self Help Groups is at initial stage. On 11th March, 2024, 1094 drones were distributed to women members of SHGs by the Fertilizer Companies. Further, Government of India has

decided to distribute 3090 drones in the FY 2024-25 and remaining drones by the end of FY 2025-26 to the women members of SHGs."

3.34 The Secretary, Department of Fertilizers during evidence held on 12.11.2024, also apprised the Committee about the availability and cost viability parameters of Drones, as under:-

"……drone is very costly and the cost is preventing the users, the farmers to adopt it. To some extent, it was right before Viksit Bharat Sankalp Abhiyaan (VBSA). Actually, under VBSA, the companies participated in the campaign to actually send one drone for demonstration to panchayats. They covered almost 1,80,000 panchayats during that period. It became extremely popular and farmers were coming to see it, feel it and use it. There are different types of drones. A 35 kg drone is a perfect kisan drone. Its price has come down quite substantially. Again, RCF got the order and NFL also. They were actually in the forefront and they contributed. These 1094 drones that all of them procured, there is no financial burden on the Government. It is purely their own initiative……. what I said is the demo of drone. What you are mentioning is that it is a target to give the drones. That has come now. Last year, on 15th August, Hon. Prime Minister announced from Lal Qila that there will be a Namo Drone Didi scheme. In that scheme, 15,000 drones will be provided free of cost to 15,000 Drone Didis all over India. That is being implemented by the Agriculture Department but we are also with them. The specification, the SOP, because it is for the first time in India that such type of procurement of drone will happen, all the norms and all the guidelines have been worked out. Very soon, in the first week of December our companies, the public sector companies have been given the responsibility to procure the drone for the Namo Drone Didi scheme. Now, it will be expanding. So, scheme intends to give pilot training in a 15-day course for each. Perfect Electronic System, this website is connecting each user now. Anybody flying drone at any point of time actually can be monitored. That digital capability is being established."

3.35 Regarding maintenance of Drones, the Secretary, DoF further elaborated that:-

"……. it is coming with a combined package that the company which is supplying drones will have to establish the maintenance hubs at various points so that it remains accessible to them. Actually, this is a civil aviation-approved training for a drone. Small-sized drone is upto 35 kilograms and medium-sized drone is 35 kilograms and above. It takes seven days because terrain analysis and GPS system learning take seven days. But Companies have provided 15 days for the same. Seven days' training itself costs Rs. 50,000. So, more money is being spent to train the Drone Didis. For whatever small repairs are required, it is a part of the training. We have got the feedback. We are getting feedbacks with regard to all these drones that are flying in the country provided by the companies. One such feedback is this. When the drone is landing, the landing gear is getting destabilised after ten or fifteen uses. Similarly, Companies got another feedback that the battery is not showing the full capacity This is the insipient stage. यह इंडस्ट्री स्क्रैच से शुरू हुआ है और ये सारे प्रोविजन हम उसमें रख रहे हैं। यह फाइन ट्यून होता जाएगा, जैसे-जैसे इम्प्लीमेंट होगा।…. When we started this through

companies, the parallel market also got created. They do not need anything. The entrepreneurs were not linked to the programme because our programme is exclusively women-oriented. So, other people, who have money, can invest in drone. They can take a loan and fly the drone. That industry has also started….."

3.36 Specifically apprising the Committee over the economic analysis of flying Drone for fertilizers spray, the Secretary, DoF during evidence proceeding held on 12.11.2024 submitted as under:-

"…..how these Drone Didis get the drone. The role of fertilizer companies is to procure drone and give it to the States. Let us suppose that a State 'x' is getting 250 drones. Those 250 drones will be given to the SHG-based ladies, the Drone Didis. So, they are selected by the States in association with NRLM, and once they are selected, they are given the training. Training is given to them. Now, how will they survive? This is a part of the Lakhpati Didi Model also. The objective of the scheme is that the women should earn money. She will go to the fields. She will get the orders of Rs. 300 or Rs. 400 according to the area. Actually, there will be an arrangement. There is a village level organisation. **आपको पता है कि सेल्फ हेल्प ग्रुप रूरल डेवलपमेंट रन करता है। कई एसएचजी मिलकर एक ऑर्गेनाइजेशन बनाते हैं और विलेज ऑर्गेनाइजेशन मिलकर कम्यूनिटी लेवल फेडरेशन बनता है, जिनके पास फाइनैंशियल रिसोर्स होता है और वह तय करेगा, क्योंकि वह ड्रोन दीदी को 20 परसेंट लोन भी देगा। सरकार 80% दे रही है और 20 परसेंट सीएलएफ दे रहा है। उस 20 परसेंट लोन को वापस करने की जिम्मेदारी एसएचजी की है। एग्रीकल्चर और आरडी ने भी इसको टोटली एसएचजी के ऊपर छोड़ा है कि वह कितना उसमें से रखेगी, 80 परसेंट या 95 परसेंट और 20 परसेंट के लोन कम्पोनेंट को वह लॉन्ग टर्म में चुका देगी।**…."

3.37 Regarding the cost of Drone, the Secretary, DoF during evidence proceeding held on 12.11.2024 submitted as under:-

"It is around Rs. 5 lakh to Rs. 6 lakh. Actually, RCF, MFL and all these companies went to the market. **वह आठ-दस लाख रुपये का आता था। क्योंकि ये सभी असैम्बल्ड हैं। बहुत सारे कम्पोनेंट असैम्बल्ड हैं। उस समय इंडिया में नौ कम्पनियां थीं। मार्किट बहुत ही छोटा था तो उसमें 8 से 10 लाख रुपये है। उसमें ड्रोन दीदी को जो दिया जाएगा उसमें गवर्नमेंट की सीलिंग अपटू 8 लाख रुपये है। जब ये कम्पीटिशन में गए और ड्रोन खरीदा तो इनका कॉस्ट 6 लाख रुपये प्रति ड्रोन आया है। जैसे ही ये 14 हजार प्रोक्योरमेंट मोड में जाएगा तो कम्पनी ज्यादा ऑर्गेनाइज्ड हो जाएंगे और आप जानते हैं कि जितना ज्यादा सामान बनता है, उसकी कॉस्ट कम रहती है। यह एक उस दिशा में पर्टिकुलर इंडस्ट्री के लिए इंडिया में सेट होने में मदद मिलेगी।**"

3.38 As to the reasons for not implementing the Product Linked Incentive (PLI) Scheme for production of nano urea, the Department of fertilizers in the post evidence written replies have submitted that, as of now, there is no PLI scheme administered by Department of Fertilizers. The Government of India is not directly involved in setting up of Nano Urea Plants, However, DoF is encouraging its PSUs to set up Nano Urea plants. As on date, 7 Nano urea plants have been setup with production capacity of 27.22 Crore Bottles per Year. Further, it is proposed to enhance the production capacity to 54.22 crores Nano Urea Bottles per annum by 2025 through 12 Nano urea plants.

Urea Gold:

3.39 The Department of Fertilizers introduced Sulphur Coated Urea (SCU) i.e. "Urea Gold" after Cabinet's approval. SCU has better Nitrogen use efficiency as compared to Neem Coated Urea. SCU would ensure reduced water pollution & salt index, avoid soil compaction and improve crop quality & yields. RCF has initiated the production of SCU. Production of SCU by RCF as on 31.07.2024 was 4675 MT.

Nano DAP:

3.40 Government of India notified the specifications of Nano DAP under Fertilizer Control Order, 1985. With the use of Nano DAP as seed treatment and foliar application, there is a possibility of saving of granular DAP conventionally applied. Four (04) Nano DAP units with production capacity of 10.74 crore bottles have been set up. Two (02) more units will be commissioned by 2025. 181.61 lakh bottles of Nano DAP have been produced.

3.41 Elaborating further on the subject, the DOF in replies to the list of points for evidence have stated that the Department of Agriculture & Farmers Welfare (DA&FW), through a notification dated March 2, 2023, authorized M/s IFFCO, CIL, and Zuari Farm Hub Ltd to manufacture Nano DAP.

3.42 The Maximum Retail Price (MRP) for IFFCO Nano DAP is set at Rs. 600 per 500 ml bottle, while CIL Nano DAP is priced at Rs. 600 per 1-litre bottle. Till date, 1.39 Crore Bottles (500ml equivalent) of Nano DAP has been sold.

3.43 However, it is pertinent to mention that the Department of Fertilizers is not directly involved in production and sales of Nano Fertilizers. However, it encourages

the Fertilizer Companies to increase the production of Nano Fertilizers by setting up more manufacturing plants.

3.44 On a specific question regarding study conducted over the efficacy and harmful effects, if any, the Secretary, DoF during evidence held on 12.11.2024 submitted as under:-

> "….there are several reports. This is because all over India, number of Agriculture Universities have tried it. Many of them have tried it for seasons. I am very interested in nano so I keep on reading. That is why I am telling you. We have arranged 1270 demonstrations throughout India just for nano DAP because DAP is not manufactured heavily in India. So, our interest is that if nano DAP works, and the farmers adopt it in a big way, it will be a tremendous achievement in terms of our mineral deficiency. We do not have any mines of phosphate. Reports are being generated by giving the additional projects to ICAR recently by the Department of Fertilizers. They will give it in 2026. I would like to inform you that according to IFFCO report, 34 countries have got nano manufactured in India to test and adopt in their own countries."

3.45 The Secretary, Department of Fertilizers during evidence held on 12.11.2024 apprised the Committee that Nano DAP is being produced by IFFCO.

PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother-Earth (PMPRANAM):

3.46 PM PRANAM Scheme has been conceived with an objective to promote the use of alternate fertilizers (organic/bio/nano), natural/organic farming and resource conservation technologies in agriculture. This will reduce the dependency on chemical fertilizers. States/UTs reducing the consumption of chemical fertilizers would receive a grant. Subsequently, action plan from 22 States have been received.

3.47 On a query relating to the details of the programme and the status thereon in the list of points for evidence, the Committee have been informed as under:

> "*The Cabinet Committee on Economic Affairs (CCEA), on June 28, 2023, approved the 'PM Programme for Restoration, Awareness Generation, Nourishment, and Amelioration of Mother-Earth (PM-PRANAM).' This initiative aims to support the mass movement initiated by States and Union Territories (UTs) to preserve the health of Mother Earth through the promotion of sustainable and balanced fertilizer use, adoption of alternative fertilizers, promotion of organic farming, and implementation of resource conservation technologies.*

Under the PM-PRANAM scheme, 50% of the fertilizer subsidy saved by a State or UT in a particular financial year, through the reduction in the consumption of chemical fertilizers (Urea, DAP, NPK, MOP) compared to the average consumption over the previous three years, will be granted back to that State or UT.

The guidelines for PM-PRANAM have been distributed to the states, and regular review meetings are being conducted with them.

Under the PM PRANAM Scheme for 2023-24, a total fertilizer reduction of 15.14 LMT has been achieved, resulting in a total subsidy reduction of Rs. 3,156.92 crore. The total incentives for States amount to Rs. 1,578.46 crore, while PM PRANAM adjusted incentives for disaster affected reduction stand at Rs. 1,306.61 crore. After accounting for 95% of the disaster-adjusted incentives, the net payable incentives to states come to Rs. 1,241.28 crore."

DIRECT BENEFIT TRANSFER

3.48 Department of Fertilizers has been implementing DBT in Fertilizers on PAN India basis since 1st March 2018. The DBT in Fertilizer Subsidy Scheme is a 'in kind' DBT Scheme. The existing DBT system entails100% payment of subsidy to the fertilizer manufacturing companies on the basis of actual sales through POS machines by the retailer to the beneficiary. The buyer's identity is verified through Aadhaar based biometric authentication. For sale of fertilizer, a buyer can purchase fertilizer on the basis of Aadhaar authentication and as such beneficiary is not defined. Under DBT in Fertilizer Project, 100% identification of buyer/beneficiaries is done through Aadhaar authentication only and fertilizers are sold on 'no denial basis'.

3.49 With regard to the checks available to restrict use of urea for non-agricultural purposes, the Department of Fertilizers have stated that Fertilizers have been declared as an essential commodity under the Essential Commodities Act, 1955 and notified under Fertilizer Control Order, 1985. State Governments are empowered to take action to stop diversion of fertilizers for non-agricultural purpose as per provisions of EC Act. Furthermore, Fertilizer is declared as an essential commodity and is notified under Fertilizer Control Order, 1985 and Fertilizer (Movement Control) Order, 1973. State Governments are adequately empowered under FCO to stop diversion of fertilizers for non-agriculture purposes and to take punitive action against any person/fertilizer company involved in black marketing/smuggling/diversion of fertilizers

violating the provisions of Essential Commodities Act, 1955 and Fertilizer Control Order 1985 (FCO).

3.50 Any complaint regarding agricultural grade urea being diverted for industrial use received at Department of Fertilizer level is sent to the concerned State Government, to take appropriate action under Essential Commodities Act, 1955 and Fertilizer Control Order, 1985. In addition, the Fertilizer Flying Squad of Department of Fertilizers also carries out joint inspections along with the States and appropriate action is initiated by States from time to time against urea diversion cases. Moreover, a robust IT enabled system - Integrated Fertilizer Management System (iFMS) is developed by Department of Fertilizers to capture end to end details of Fertilizers in the supply chain. This system helps all stakeholders such as GOI, States, District level officers and fertilizer companies in continuous monitoring of production, requirement, availability, movement and sale of fertilizers at field level.

3.51 As regards, list of top buyers, the Department in replies of the list of points have submitted that the list of top 20 buyers is available on the login of each District Collector (DC) in iFMS, where the District Agriculture Department verifies the top 20 buyers of the district and also checks the sales. Fertilizers are being sold as per various provisions of Fertilizer Control Order (FCO), 1985. The State Governments/ District Agriculture Department take necessary action in this regard from time to time.

3.52 When enquired as to how sale of fertilizers through adhaar authentication can keep check pilferage and black-marketing, the Department in reply to the list of points have submitted that under DBT in Fertilizer Project, 100% subsidy is paid to the Fertilizer manufacturing / importing companies based on the actual sales made by the retailers to the beneficiaries. The beneficiaries are identified through Aadhaar authentication and a quota of 50 bags per beneficiary per month is fixed.

3.53 Various meetings were held with DA&FW at higher level to explore the possibility of using the PM-KISAN database. DA&FW suggested that a pilot Direct Cash Transfer project can be implemented in selected districts based on the data of Farmers' registry being maintained by DA&FW. DoF vide D.O. letter dated 08.07.2024 has asked DA&FW to develop a module for entitlement using land, cropping pattern, soil health data of the farmer.

CHAPTER – IV

DEVELOPMENT AND GROWTH OF FERTILIZER INDUSTRY

4.1 Government has undertaken various efforts during the last decade due to which the total all fertilizer production has increased from 385.39 LMT in 2014-15 to 503.35 LMT in 2023-24. The contribution of public sector to the total fertilizer production during 2023-24 stood at **17.43%,** Cooperative sector at **24.81%** and Private Sector at **57.77%** respectively. The sector-wise production of Urea, DAP and Complex fertilizers during 2022-23 and 2023-24 are given below:

Sector wise production of Urea, DAP and Complex Fertilizers during 2022-23 and 2023-24

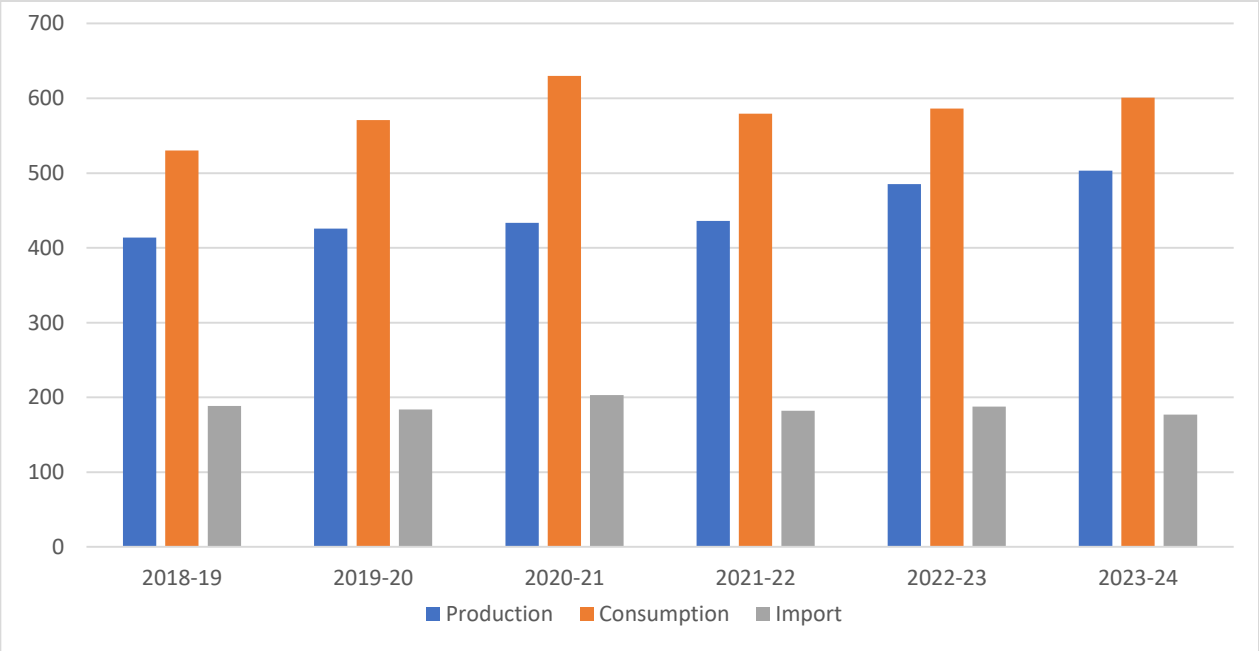
(Fig. in LMT)

S. No	Sector	2022-23			2023-24				
		Urea	DAP	Complex fertilizers	Urea	DAP	Complex fertilizers	Grand Total	% Contribution to Total
1.	**Public Sector**	68.73	-	14.79	64.83	-	14.05	78.88	17.43
2.	**Cooperative Sector**	71.01	29.99	16.76	72.21	26.08	14.00	112.29	24.82
3.	**Private Sector**	145.20	13.48	61.40	177.06	16.84	67.43	261.33	57.75
Total		**284.94**	**43.47**	**92.95**	**314.09**	**42.93**	**95.48**	**452.5**	

4.2 During 2023-24, the total annual consumption of fertilizers in the country was around **601 Lakh Metric Tonnes** and indigenous production of **503 Lakh Metric Tonnes** and **177 Lakh Metric Tonnes imports.** Around 87% of Urea consumption, 90% of NPK consumption, 40% of DAP consumption are met through indigenous production. However, in respect of Muriate of Potash (MOP) our country still has to rely on 100 % imports. 90% of raw materials for fertilizers production such as gas, Phosphoric acid, ammonia, rock phosphate etc. are also imported. The trends in production, consumption and imports of total fertilizers in India during 2018-19 to 2023-24 are given below.

4.3 Trends in production, consumption and imports of total fertilizers in India during 2018-19 to 2023-24

(Figures in LMT)



4.4 The Year wise consumption, production and import of major Fertilizers during 2018-19 to 2023-24 are as under:

Trend in Consumption of Fertilizers

(Figures in 'LMT')

Year	Type of Fertilizers				
	Urea	DAP	MOP	NPKs	Total
2018-19	320.04	87.35	26.98	95.66	530.03
2019-20	336.96	101.01	27.80	105.01	570.78
2020-21	350.51	119.18	34.32	125.82	629.83
2021-22	341.73	92.64	23.93	121.37	579.67
2022-23	357.26	105.31	16.32	107.31	586.20
2023-24	357.81	109.73	16.45	116.80	600.79

4.5 The NUP-2015 and NIP-2012 together have substantially increased the indigenous urea production from the level of around 239 LMT during 2018-19 to a record Urea Production at 314.09 LMT during 2023-24 which are indicated below:

	Trend in Production of Fertilizers ***(Figures in 'LMT')***					
YearY	***Type of Fertilizer***					
	Urea	***DAP***	***NPKS***	***SSP***	***MOP***	***Total***
2018-19	*238.99*	*38.99*	*95.15*	*40.72*	*-*	*413.85*
2019-20	*244.58*	*45.50*	*93.34*	*42.53*	*-*	*425.95*
2020-21	*246.05*	*37.74*	*100.54*	*49.35*	*-*	*433.68*
2021-22	*250.72*	*42.22*	*89.67*	*53.34*	*-*	*435.95*
2022-23	*284.94*	*43.47*	*100.4*	*56.44*	*-*	*485.25*
2023-24	*314.09*	*42.97*	*101.85*	*44.44*	*-*	*503.35*

4.6 Import of Urea during 2023-24 was 70 Lakh Metric Tonnes as compared to 76 Lakh Metric Tonnes during 2022-23, i.e. a reduction of 7 % approximately. The details of trends in the import of major fertilizer during 2018-19 to 2023-24 that are briefly as indicated below:

(MT)					
Year	***Type of Fertilizer***				
	Urea	***DAP***	***MOP***	***NPKS***	***Total***
2018-19	*74.81*	*66.02*	*42.14*	*5.46*	*188.43*
2019-20	*91.23*	*48.70*	*36.70*	*7.46*	*184.09*
2020-21	*98.28*	*48.82*	*42.27*	*13.90*	*203.27*
2021-22	*91.36*	*54.62*	*24.60*	*11.70*	*182.28*
2022-23	*75.80*	*65.83*	*18.66*	*27.52*	*187.81*
2023-24	*70.42*	*55.67*	*28.69*	*22.17*	*176.95*

4.7 When the Committee enquired about the remedial measures taken to ensure availability of fertilizers to bridge gap between demand and production, the

Department of Fertilizers in their written replies to the list of points submitted that for urea, the Government had announced New Investment Policy (NIP) – 2012 on 2nd January, 2013 and its amendment on 7thOctober, 2014 to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. Total six (06) new urea units have been set up under NIP-2012 which includes four (04) urea units set up through Joint Venture Companies (JVC) of nominated PSUs and two (02) urea units set up by the private companies. The units set up through JVC are Ramagundam urea unit of Ramagundam Fertilizers and Chemicals Ltd (RFCL) in Telangana and three (03) urea units namely Gorakhpur, Sindri and Barauni of Hindustan Urvarak & Rasayan Limited (HURL) in Uttar Pradesh, Jharkhand and Bihar, respectively. The units set up by private companies are Panagarh urea unit of Matix Fertilizers and Chemicals Ltd. (Matix) in West Bengal; and Gadepan-III urea unit of Chambal Fertilizers and Chemicals Ltd. (CFCL) in Rajasthan. Each of these units has installed capacity of 12.7 Lakh Metric Tonne per annum (LMTPA). These units are highly energy efficient as they are based on latest technology. Therefore, these units have together added urea production capacity of 76.2 LMTPA thereby total indigenous urea production capacity (Reassessed Capacity, RAC) has increased from 207.54 LMTPA during 2014-15 to 283.74 LMTPA at present. Further, an exclusive policy for the revival of Talcher unit of FCIL through JVC of nominated PSUs namely Talcher Fertilizers Limited (TFL) for setting up a new Greenfield urea plant of 12.7 LMTPA at coal gasification route has also been approved. The Government also notified the New Urea Policy (NUP) – 2015 on 25th May, 2015 for the existing 25 gas-based urea units with one of the objectives of maximizing indigenous urea production. The NUP-2015 has led to additional production of urea by 20-25 LMTPA as compared to the production during 2014-15.

4.8 The above steps together have facilitated increase of Urea production from level of 225 LMT per annum during 2014-15 to a record Urea Production at 314.07 LMT during 2023-24.

4.9 The Department have further submitted in their written replies to the list of points that with regard to the NPK, India being a resource scarce country is always dependent upon imports for fertilizer raw materials, intermediaries and finished fertilizers. It may also be noted that P&K fertilizers are covered under Open General

License (OGL) and companies are free to import /produce fertilizer raw materials, intermediaries and finished fertilizers as per their business dynamics. However, in order to boost domestic productions, following measures have been undertaken:

(i) Based on examination of requests received, permission is granted to the fertilizer companies for increasing their manufacturing capacity and for induction of new P&K companies & their fertilizer products under NBS, with a view to boost manufacturing and making the country self-reliant in fertilizer production.

(ii) To promote Potash derived from Molasses (PDM) which is 100% indigenously manufactured fertilizer has been notified under Nutrient based subsidy (NBS) regime w.e.f 13.10.2021.

(iii) Freight Subsidy on SSP, which is an indigenously manufactured fertilizer, has been made applicable since Kharif 2022 to help in promotion of SSP usage for providing Phosphatic or “P” nutrient to the soil.

4.10 As a result of these steps, production of DAP has increased from 38.99 LMT in 2018-19 to 42.93 LMT in 2023-24, while during the same period, the production of NPKs has increased from 89.98 LMT to 95.48 LMT by 22 P&K fertilizer manufacturing units. Similarly, production of SSP increased from 40.72 LMT in 2018-19 to 44.44 LMT in 2023-24 by 104 SSP manufacturing units.

Di-Ammonium Phosphate (DAP) Demand – Supply Gap

4.11 The Committee specifically raised the issue of the DAP crisis highlighted in the electronic media during November, 2024 compelling farmers to shell our Rs. 250 to Rs. 350/- beyond the MRP of Rs. 1350/50 Kg bag during evidence. The Department in their post evidence written replies have stated that availability of DAP in the country remained comfortable during the month of October 2024. Against the monthly requirement of 18.69 LMT of DAP assessed by Department of Agriculture & Farmers Welfare, the availability of DAP was 22.88 LMT. Further, the sales of DAP during October 2024 was only 11.48 LMT.

4.12 Elaborating further, the Department have submitted that the projected requirements of respective previous seasons i.e. Kharif 2023 & Rabi 2023-24 were taken for projection of requirement of P&K fertilizers during Kharif 2024 & Rabi 2024-25. The projected requirement of P&K fertilizer for Kharif 2023 was 166.68 LMT and for Rabi 2023-24 projected requirement was 162.44 LMT, the same were taken for projection of requirement of P&K fertilizers during Kharif 2024 & Rabi 2024-25. The budgetary requirement of Kharif 2024 was Rs. 24,420 cr. and budgetary requirement for Rabi 2024-25 is Rs. 24,475.53 cr.

4.13 When the Committee wanted to know about the measures taken to alleviate the problem, the Department have replied that after formation of the Government pro-active intensive steps have been taken from July 2024 onwards to ensure smooth availability of P&K fertilizers to the farmers.

4.14 As for the shortfall in imports of fertilizers, the Secretary, Department of Fertilizers during evidence held on 12.11.2024 attributed geopolitical reasons and cost parameters in reduction of imports.

Efforts to reduce MoP import dependence

4.15 When the Committee wanted to know about the efforts are being made to reduce the import dependence on Muriate of Potash(MoP), the Department of Fertilizers in their post evidence reply have stated that in order to reduce the 100% dependency on MoP imports, Potash derived from Molasses (PDM) which is 100% indigenously manufactured fertilizer has been notified under Nutrient based subsidy (NBS) regime w.e.f 13.10.2021.

4.16 Clarifying over the issue, the Secretary, Department of Fertilizers during the evidence proceedings held on 12.11.2024 sated as under:-

> *"Sir, NPK is largely in the private sector and DAP to some extent is produced in limited quantity in the Country. India is still import dependent for various reasons and for various fertilizers: Urea, DAP, NPK, MOP. We are still importing all fertilizers from a small quantum to a very large quantum. In case of MOP (muriate of Potash), which is very important for the soil, we do not*

have any mine in India, and not even a handful of Potash is produced in India. Therefore, we are totally dependent upon Belarus, Russia, Israel, Germany. These countries supply to us, but there is a recent development which I will touch upon. The PDM, Potash Developed from Molasses, from gur (jaggery), after the ethanol is taken out, then it is burnt. Basically, the molasses in the process of sugarcane processing, for the sugar, the by-product becomes an ash, so that is 14.5 per cent Potash, sugar and fertilizer and that is organic. The two Departments are working together, and more than 3 lakh tonnes per year has been produced in last the two years."

Fertilizer Pricing

4.17 Under Urea Subsidy Scheme, Urea is presently provided to the farmers at a statutorily notified Maximum Retail Price (MRP). The MRP of 45 kg bag of urea is Rs. 242 per bag (exclusive of charges towards neem coating and taxes as applicable). The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India. Accordingly, all farmers of the Country are being supplied urea at the subsidized rates and thereby, are beneficiaries of this scheme.

4.18 The Department of Fertilizers in reply to list of points for evidence have informed that the MRP of SCU has been fixed at Rs.266.50/- per 40 Kg bag (incl. GST) while that of Neem Coated Urea is Rs.266.50/- per 45 Kg bag (incl. 5 % Neem Coating charges to be charged by the fertilizer manufacturing entities from farmers and 5 % GST).

4.19 When specifically enquired about the complex fertilizers pricing and packaging, the Department stated that except a few fortified fertilizers, all the complex fertilizers i.e. N, P, K and S fertilizers are available in 50 kg bags (some in 40 Kg bags) in the market and not in 45 kg bags. Further, prices of P&K fertilizers are decontrolled and companies are free to fix MRPs at reasonable level as per market dynamics.

4.20 Over variation in taxes levied on the raw materials and fertilizers manufactured, the Department of Fertilizers has submitted that there are variations in the taxes and duties on the raw materials and intermediates which are used for manufacturing fertilizers. The rate of taxes, GST and basic customs duty (BCD) on various fertilizer raw materials and intermediates are given in the following table:

Table1: Rate of GST and Customs Duty on Fertilizer Raw materials/ Intermediates and Finished Fertilizers			
Sr. No.	Fertilizer Raw materials/Intermediates	GST Rate (%)	Basic Customs Duty (%)
1.	Ammonia	18	5
2.	Phosphoric Acid (Fertilizer Grade)	5	5*
3.	Rock Phosphate	5	2.5
4.	Sulphur	5	2.5
5.	Sulphuric Acid	18	5
6.	Urea	5	5*
7.	DAP, NP/NPKs	5	5**
8.	SSP	5	5**
9.	Muriate of Potash (MOP)	5	5**
6.	MOP as raw materials for production of complex fertilizers	5	5
7.	Stevedoring expenses	5	-
8.	Bag	18	-
9.	Freight	5 / 12	-
10.	Various services used by fertilizer sector like handling, warehousing, etc.	18	-

* = Under Belgrade Agreements, 1988, import of phosphoric acid from developing countries like, Morocco, Egypt, Tunisia, Vietnam, etc. comes under the extent of tariff concession of 20% on the standard rate i.e. BCD of 5%. However, import of phosphoric acid from non- Belgrade Agreement developing country like Jordan, BCD is 5%. BCD on import of phosphoric acid from low developing countries like Senegal is Nil. The BCD on import of phosphoric acid from USA is 10%.

** = In the union budget 2021-22, BCD on Urea, DAP and MOP for Agriculture use reduced to zero but an Agriculture Infrastructure and Development Cess (AIDC) @ 5% has been levied on these fertilizers.

Note: Social Welfare Surcharge of 10% of BCD is levied on raw materials/ intermediates.

CHAPTER – V

PERFORMANCE OF PSUs AND THEIR IMORTANCE

5.1 A major decline in the financial performance of the under-mentioned PSUs has been observed of which National Fertilizers Limited has been granted “Navratna” status on 18.04.2024 and Rashtriya Chemicals and Fertilizers Ltd being the first PSU in the fertilizer sector to be elevated to “Navratna” category.

(Rupees in Crore)

1. National Fertilizers Limited (NFL):		
Item	**FY 2022-23**	**FY 2023-24**
Revenue from Operations	29616.52	23560.31
Profit Before Tax	609.77	88.52
Profit After Tax	456.10	64.74
2. RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED (RCF):		
Parameter	**2022-23**	**2023-24**
Total Income	21,594.84	17, 146.74
Profit Before Tax	1273.98	303.63
Profit After Tax	967.15	227.74
3. THE FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED (FACT)		
Parameter	**2022-23**	**2023-24**
Turnover	6198.15	5054.93
Profit Before Tax	612.83	43.5
Profit After Tax	612.83	146.17
4. MADRAS FERTILIZERS LIMITED (MFL)		
Parameter	**2022-23**	**2023-24**
Turnover	3447.09	2228.42
Profit Before Tax	248.66	11.86
Profit After Tax	185.33	5.56
5. BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LIMITED (BVFCL)		
Parameter	**2022-23**	**2023-24**
Turnover	1146.49	748.96
Profit Before Tax	24.37	8.71
Profit After Tax	24.37	8.71

6. FCI ARAVALI GYPSUM AND MINERALS INDIA LIMITED (FAGMIL)		
Parameter	**2022-23**	**2023-24**
Turnover	56.04	30.01
Profit Before Tax	13.46	9.33
Profit After Tax	9.74	6.98

5.2 With regard to the reasons for drop in financial performance of PSUs, the Department of Fertilizers has submitted as under:

1. **National Fertilizers Limited (NFL)**

a) The average gas consumption has decreased by 29% approx. Gas price is a pass on component for fixation of subsidy therefore turnover for FY 2023-24 has mainly reduced to that extent.
b) Substantial reduction in sales prices of imported fertilizers reduced turnover during FY 2023-24, despite higher volume of sales quantity of imported fertilizers.

2. **Rashtriya Chemicals and Fertilizers Limited (RCF)**

a) Lower Production and Realizations: ₹ (1,511.40 Cr) - Stiff competition from cheaper imports affecting industrial product sales.
b) Increase in Trading Volume: ₹690.70 Cr - Higher trading activity compared to the previous year.
c) Lower One-Time Income: ₹ (53.15 Cr) - Reduced sale of TDRs and reversal of provisions compared to FY 2022-23.

3. **The Fertilizers and Chemicals Travancore Limited (FACT)**

a) Recovery towards differential subsidy of FY 2022-23: Rs.63.07 Crore
b) Provision towards recovery as per MRP Reasonableness guidelines: Rs.88.36 Crore of FY 2022-23.
c) Provision for Recovery on account of Additional Compensation for usage of Naphtha: Rs.94.16 Crore (2010-2013).

4. Madras Fertilizers Limited (MFL)

a) During the year 2023-24, production of Urea was 432,500 MT as against production of 519,800 MT during the year 2022-23 with a reduction of around 16.80%.

b) Production was affected due to inadequate supply of Sewage water & Raw water by M/s CMWSSB during May 2023; Shut down of plants for Annual Turn Around activities & Statutory Inspection of Boilers; Low load operation of Urea plant due to shut down of Urea Reactor B because of liner leak and 110 ATA boiler due to header leak between July 01, 2023 & August 10, 2023; and Shut down of Ammonia and Urea plants between 4th December, 2023 and 20th December, 2024 consequent to the Michaung Cyclone & severe flooding in Chennai.

c) The loss of production on account of the above has adversely affected the energy consumption, turnover and profit for the company. Due to easing of petroleum prices the major raw material price of gas has also reduced leading to lower subsidy outgo for the Government and reduction in turnover for the company.

d) In addition to loss of production there was stock loss of Rs 56.31 Cr on account of Michaung Cyclone & severe flooding in Chennai which also affected the profit for the year.

5. Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)

a) During the FY 23-24 the production of Manufactured Urea of the company was 1.80 LMT as compared to 2.23 LMT in FY 22-23. The capacity utilization was 65.76% as compared to 83.72 % in FY 22-23. Further there was dip in concession price fixed for urea leading to decrease in turnover of manufactured products.

b) The turnover from trading activity declined due to decrease in the manufactured urea dispatches and competition from new entrants in the Eastern geographical market. Due to highly competitive market scenario, the sale of all agri-inputs has become extremely difficult.

6. FCI Aravali Gypsum and Minerals India Limited (FAGMIL)

The positive rise in profit before tax and profit after tax is due to realization of DBK claim of Rs.283.77 Lakh and increase in interest income from Rs.10.00 Crore to Rs.12.00 Crore.

5.3 Department of Fertilizers in their reply to the query on review mechanism available, have stated that they periodically monitor the physical/financial performance of the PSUs under their control through Quarterly Review Meetings, Production Planning Meetings, Distribution and Movement Meetings and by appointing Directors on the Board of the respective PSUs for regular monitoring of the functioning. Monthly and Quarterly reports are submitted by PSUs. Further, annual production targets with Monthly Breakup for Urea and NPK fertilizers are finalized by Department of Fertilizers in consultation with the PSUs considering the different factors. Actual production achieved against these targeted production is monitored on monthly basis and reasons for shortfall in production, if any, are being informed.

5.4 When enquired about the basic areas required to be addressed to arrest shortfall in turnovers and profits of the fertilizer PSUs besides the present periodical monitoring apparatus available, the Department of Fertilizers mentioned that the following areas require immediate attention:

a) Upgrading older plants with energy-efficient and cost-effective technologies to improve performance and reduce operational costs.
b) Enhancing logistics infrastructure, including storage and transportation, to minimize losses and improve timely distribution.
c) Operational improvements including regular plant performance reviews, technical collaborations to address recurring issues, and upgrading old plants through expert recommendations.

5.5 **Progress of Talcher Fertilizers Ltd (TFL)**

LSTK contracts for Coal gasification and Ammonia Urea Package were awarded to M/s Wuhuan Engineering Company Ltd (WECL), China by TFL in September 2019. The commissioning of TFL Plant had been mainly delayed due to Covid-19 Pandemic

and subsequent disruptions. The project has further been impacted due to the pending issues of engineering, procurement, erection of equipment and deployment of manpower by M/s WECL. Regular and close monitoring of the project is being done by the Department at the appropriate level. CMDs of all JV Partners have been directed to have regular review meetings and maintain proper coordination among all stake holders. The overall progress of the TFL Project as on July, 2024 is 62.33%.

5.6 When the Committee wanted to know as to when the project would be fully operational, the Department of Fertilizers in written replies to the list of points for evidence have stated that all packages, except for the WECL packages (CG & AU), are scheduled for operation by June 2025. TFL and PDIL are actively collaborating with WECL to expedite progress and aim for completion within a reasonable timeline while addressing all the constraints.

5.7 As regards, penalty imposed for delays, it has been submitted that since June 2024, TFL has started deducting MAD (Mutually Agreed Damages) of the involved contractors including WECL for their delay in execution of their respective contracts.

5.8 In a separate inquiry over the utility of coal gasification technology in fertilizer plants, the Department in replies to the supplementary list of points have apprised that All Urea plants in India are using natural gas both as a feedstock and fuel. About 80-90% of gas requirement of urea sector is met through imports. The availability of natural gas, its fluctuating price and the Country's urea requirement has necessitated the creation of additional domestic urea capacities to minimize import dependency. Thus, it is dire requirement to utilise the huge reserve of coal in the Country for manufacturing of urea & other chemicals using the suitable coal gasification technology.

5.9 Under these circumstances, it has become imperative for the Country to explore alternative feedstock that can be sourced in a sustainable way, at a proper price, to ensure economic viability of the plants to remain competitive. In the quest for a solution to this compelling need and also the strategic advantage of the location of erstwhile Talcher Fertilizers Plant in close proximity with the coal mines, the Talcher Fertilizers plant of TFL is being revived through Coal Gasification route with an aim to maximize usage of coal in Clean Coal Technology and reduce dependence on natural gas. The proposed TFL project has been envisaged for utilizing the abundantly

available domestic coal for Urea production as it has emerged as the best possible option since the country is endowed with rich reserves of coal. On completion of the project, the production of urea in the Country will increase by 12.7 LMTPA and will assist in maximizing the indigenous production of Urea and provide security in feedstock supply as coal would be sourced domestically and providing alternate route of urea production to diversify the feedstock risk in the sector. This will also reduce the dependency on urea imports and import of natural gas leading to savings in foreign exchange and maximizing indigenous urea production.

Revival of closed Fertilizer Units

5.10 Department of Fertilizers in their reply to the query on revival of the closed Fertilizer Unit, have stated that Government of India mandated revival of (i) Ramagundam (Telangana), (ii) Gorakhpur (Uttar Pradesh), (iii) Sindri (Jharkhand), and (iv) Talcher (Odisha) units of Fertilizer Corporation of India (FCIL) and (i) Barauni (Bihar) unit of Hindustan Fertilizer Corporation Ltd (HFCL) through Joint Venture Company (JVC) of nominated PSUs for setting up new Ammonia-Urea plants of 12.7 LMTPA capacities each. In its reply, the Department mentioned that as far as investment in revival of these plants is concerned, the Department of Fertilizers has not made any investment in the revival from the Government exchequer. However, the participating PSUs, in which the Govt. of India have stake, have made investment in revival of these plants. The revised cost of Ramagundam, Gorakhpur, Sindri, Barauni and Talcher are Rs.6338.16 cr, Rs. 9443.20 cr, 8939.25 cr, Rs. 9512.15 cr and Rs. 17080.69 cr respectively. The Ramagundam, Gorakhpur, Barauni and Sindri units have started urea production on 22.03.2021, 07.12.2021, 18.10.2022 & 05.11.2022 respectively.

5.11 On further query regarding the Cabinet Note, dated 11.07.2011, and the Union Cabinet approval dated 04.08.2011 for the revival of Barauni, Durgapur and Haldia units of HFCL through bidding route, the Department of Fertilizers in their reply have stated that at present, there is no proposal under consideration of the Government for revival of Durgapur and Haldia units of HFCL. The Annual report of the Ministry of Fertilizer mentions that Haldia unit of HFCL is under handing over/surrender to Syama Prasad Mookerjee Port, Kolkata.

PART-II

OBSERVATIONS AND RECOMMENDATIONS

Fertilizer Planning and vision

1. The Committee observe that the Department of Fertilizers has the important mandate of achieving fertilizer security for sustainable agricultural growth of the nation. Statedly, the Mission of the Department is to ensure adequate and timely availability of quality fertilizers at affordable prices in each cropping season to the 140 million farmers across the country through planned production, imports and timely distribution of fertilizers and attaining self sufficiency in urea production. The Committee find that admittedly a number of steps have been taken by the Department to promote growth of fertilizer industry *viz*. granting permissions to Fertilizer Companies for enhancing their manufacturing capacity; induction of new P & K Companies under Nutrient Based Subsidy (NBS) Promotion of Potash under NBS regime with effect from 13.10.2021; Freight Subsidy on Single Super Phosphate (SSP) since kharif 2022; etc. The Committee also find that in order to ensure sufficiency of raw materials/intermediates and finished fertilizers the Government facilitates Indian fertilizer companies to sign agreements, MoUs and establish joint ventures with fertilizer companies in resource rich countries. Accordingly the Department of Fertilizers have initiated interactions with representatives from various countries viz. Togo, Nauru, Russia, Belarus etc. to explore potential agreements for the procurement of raw materials at competitive prices. For instance, India and Togoiese fertilizer Companies are finalizing a Memorandum of Understanding (MoU) for supply of Rock Phosphate to India; Rashtriya Chemicals and Fertilizers Limited (RCF) is exploring the possibility of supply of required grade of Rock phosphate from Mauritania to India.

The Committee observe that despite the laudable initiatives put in by the Government, the BE (2024-25) of the Department have allocated Rs.18,500.00 Crore towards 'Payment for Imported P & K Fertilizers and Rs.22,634.00 Crore towards 'Payment for Import of Urea' totaling to a huge amount of Rs.41,134 Crore. The Committee are, therefore, constrained to observe that much more

concerted efforts from the Government is called for urgently to achieve their stated Mission of Self Sufficiency in the Fertilizer Sector. To this end, the Committee impress upon the Department to review their Mission Plans holistically towards a stringent time bound achievement of their overall goal by putting in new Policies; tweaking their existing Policies; and corrective mechanisms to overcome extant constraints and challenges faced in this very important Sector which directly or indirectly impacts the whole population of the Country.

2. The Committee are dismayed to find that the position of preferential allotment of mineral mines in favour of fertilizer PSUs for exploration of raw materials changed with the recent notification of the Ministry of Mines incorporating phosphatic and potassic minerals in the list of "Critical and Strategic Minerals" opening them for auction to maximize revenue for the State necessitating fertilizer companies to participate in the auction process for acquisition of any new mines. Intriguingly while Fertilizer Sector was placed in the 'Non-Strategic Sector' necessitating disinvestment of the Fertilizer PSUs, other notified phosphatic and potassic minerals was placed in the list of "Critical and Strategic Minerals". The Committee find this apparently contradictory. Keeping in view the historical role of Fertilizer PSUs in the production of fertilizers for the Country, the Committee desire that they may be given preference in the allotment of mineral mines. The Department of Fertilizers should accordingly impress upon the Ministry of Mines for a preferential consideration of Fertilizer PSUs in auction of mines. The Committee further find that no significant progress has been made in signing mining lease agreements with the raw material rich countries for extraction for refining / manufacturing of fertilizers. The Committee expect the Government to actively consider the feasibility of acquisition of mining lease with raw material rich Countries. The Committee further stress on the utmost need of the hour for consideration of placing Fertilizer Sector back in the 'Strategic Sector' giving due importance to the strategic role that the Sector plays in ensuring food security to the Nation.

Examination of Demands for Grants

3. The Committee note that the Department of Fertilizers (DoF) had projected an outlay of Rs. 2,23,158.15 crore for the year 2024-25 which has been drastically reduced by 24.4% to Rs. 1,68,130.81 crore by the Ministry of Finance(MoF). The reduction has been made in both Nutrient Based Subsidy (NBS) Scheme and Urea Subsidy Scheme of the Department. Further, the Committee find that the BE allocation for Major Head 2401 Nutrient Based Subsidy Policy which includes payments for both indigenous and imported urea has been reduced by Rs. 40,302 Crore than the projected requirement. For Major Head 2852 Urea Subsidy (MH 2852-Industries) which include payment for both indigenous and imported urea, MDA subsidy, R&D for MDA, DBT in Fertilizer Subsidy, Subsidy support to Indian Shipping Companies etc has been reduced by 14,72.92 Crore. The Committee has been apprised that the budget proposals sent to M/o Finance in September- October of every year is an estimate of the expenditure to be incurred on Fertilizer subsidy which depends on factors like previous year's consumption, rate of gas and other commodities etc. Admittedly, actual requirement of funds is assessed based on actual consumption and rates of commodities and accordingly, additional funds are sought from M/o Finance during the FY, as and when required at RE stage or as supplementary grants. The Committee, however, find that 14% reduction in the budgetary allocation for 2024-25 in comparison to the actual expenditure during 2023-24 stands in contradiction to this submission of the Department. Keeping in view the importance of accurate budget estimates for expenditure of the Department and also the fact that curtailment of allocation will definitely impact the smooth execution of different subsidy schemes, the Committee stress that the Department take adequate steps for more accurate budget estimates and also timely seeking of funds at RE stage so that the subsidy schemes meant for farmers do not suffer. The Committee urge the Department to project its demands of fund requirement for payment of subsidies in respect of Urea and P&K fertilizers (both indigenous and imported fertilizers) at BE/RE stage in a more convincing manner to get adequate allocations to ensure timely payment of subsidy.

Recoveries and Carry over Liabilities

4. The Committee are surprised to find recoveries to the tune of Rs. 3980 Crore during the year 2023-24 that have occurred due to expenditure incurred @ Rs. 4974/PMT on anticipated urea import. Admittedly, recoveries cannot be avoided since import of Urea is controlled and all expenses have been incurred from the Subsidy head of account. The Committee also find placement of an unrealistic anticipated requirement of urea to the tune of 80 LMT to which the Department clarified that it was based on the month-wise assessment of inputs from Departments of Agriculture and Farmers Welfare (DA&FW) of the State Governments. It has further been clarified that the actual import of Urea depends upon the gap of Demand and indigenous production. The Committee observe apparent gaps in acquiring inputs, assessments and demand for imports *vis-à-vis* indigenous production figures and do not find the explanation rendered by the Department to be convincing. The Committee, therefore, recommend that the extant strategy for raising anticipated requirement for urea import based on inputs from the DA&WF and indigenous production capacity need a review for requisite restructuring to avoid excess imports and avoidable unnecessary burden on the exchequer. The Committee are, however, happy to note that there is no carry-over liability in respect of Indigenous Urea. The carry-over liabilities in respect of Indigenous P&K and Imported P&K; and imported urea stood at Rs.3726 Crore and Rs. 881 Crore as on 01.04.2024 which **may be due to balance claims that could not be settled due to various reasons. The Committee desire that responsibility may be fixed for recurrent carry over liabilities and concrete measures may be introduced to ensure timely settlement of claims besides clearing all the pending carry-over liabilities within the current fiscal.**

Continuation of Urea Subsidy Scheme

5. The Committee note that a proposal for continuation of Urea Subsidy Scheme over the 15th Finance Commission Cycle, until 31st March 2025, was submitted for appraisal by the Expenditure Finance Committee (EFC) which approved the Scheme for one year until March 2022. The Committee find that subsequently, the proposal to continue the Scheme till 31st March 2026 was however approved by CCEA only upto 31st March, 2025 causing a lot of anxiety

among the farmers as well as urea suppliers. Keeping in view the essentiality of urea in meeting the food-grain production of the Country, the Committee observe that the Subsidy Scheme for urea nned to be continued further. The Committee were apprised that the proposal for extension of urea subsidy from 1st April, 2025 to 31st March, 2026, was in Inter-Ministerial Consultation (IMC) Stage. The Committee desire that the process of issue of extension Orders of the Urea Subsidy Scheme may be expedited so that extension of the present Urea subsidy beyond 31st March, 2025 may be issued before the date.

Commissioning of New Plants and Production Linked Incentive (PLI) Scheme to boost Nano Urea Production

6. The Committee note that the production capacity of 27.62 crore bottles of nano urea by (07) Nano Urea Units may further be enhanced to 54.22 crore once 12 (twelve) more plants slated for commissioning by 2025-26 are completed. Further, Fertilizer PSU M/s Rashtriya Chemicals & Fertilizers Limited (RCF) and M/S National Fertilizer Limited (NFL) are due for commercial production of Nano Urea by December 2025 at Trombay Plant and Nangal, Punjab Plant subsequently. The Committee appreciate the steps to boost Nano Urea production and hope that the Department will gear up their mechanism in the right perspective to achieve the time-lines set for completion of the projects and initiation of commercial production. The Committee are, however, disheartened to find that the Department does not currently administer any PLI Scheme despite the earlier recommendation of the Committee made in their 39th Report, 17th Lok Sabha for implementation of a PLI Scheme for production of Nano Urea and other Nano-Fertilizer for boosting production and availability of Nano Fertilizers. The Committee, therefore, reiterate their earlier recommendation in this regard.

Dedicated funds for R&D in Nano-Technology for Nano-Fertilizer Efficacy augmentation

7. The Committee are of the firm opinion that nano-technology remains a promising field for developing innovative nano fertilizers to address the challenge of low or declining nutrient use efficiency (NUE) while minimizing the environmental footprint. The Committee had, therefore, in their 39th Report of

17th Lok Sabha recommended for allocation of dedicated funds for nanotechnology research in fertilizer sector. The Committee find that while Rs.20 crore has been allocated in BE 2024-25 for R&D for MDA, there appears to be no dedicated R&D Fund allocation specifically for Nano Technology in Fertilizer Sector. While the Committee acknowledged the ongoing research efforts in this critical Sector by way of steps initiated on assessing the efficacy of the Nano Urea through research and field trials done by the Indian Council of Agricultural Research (ICAR). The Department of Agriculture & Farmers' Welfare (DA&FW) approves the product under Fertilizer Control Order (FCO)-1985 on the basis of the findings. The Committee are happy to note that the Department has assigned a study titled 'Effect of Nano Urea and DAP and popularization of its use in crop production' to ICAR which will evaluate the impact of Nano Urea and DAP on crop growth, soil health, and nutrient uptake across various agro-climatic zones in India. Furthermore, another study has been assigned to the National Productivity Council (NPC) for undertaking the study of Nano Urea to evaluate efficacy. The Committee hope the new studies will provide insights on the effects of the nano fertilizers on crop growth, its nutrient absorption in various agro-climatic zones in India, its utility and impact in comparison to conventional Urea so as to enable policy makers to come out with new strategies to popularize use of Nano Urea over convention urea amongst the farmers. The Committee desire that the findings of both the Studies may be furnished to the Committee as and when the Reports and Findings on these Studies are complete. Notwithstanding these studies, the Committee reiterate their earlier recommendation for dedicated funds for R&D in Nano-Technology in Fertilizer Sector. The Committee may be apprised of action taken in this regard.

<u>Availability of Drones for Application of Nano-Fertilizers</u>

8. The Committee find that though the Scheme for distribution of 10 drones per village in more than 6 lakh villages of the Country pertains to the Ministry of Civil Aviation, the Namo Drone Didi (NDD) Scheme where target for provision of 15,000 drones to women members of Self Help Groups (SHGs) during 2023-24 to 2025-26, is being implemented by the DoF. Admittedly, the drone distribution

is presently at the initial stage and as on 11th March, 2024 only 1094 drones have been distributed to women members of SHGs by the Fertilizer Companies. Further, Government of India has decided to distribute 3090 drones in the FY 2024-25 and remaining drones by the end of FY 2025-26 to the women members of SHGs. Keeping in view that availability of drones for spraying of nano fertilizers is essential for promotion of its use over conventional urea, the Committee stress upon the Department of Fertilizers to oversee the programme of drone distribution in totality and ensure that necessary coordination is made with the concerned agencies including the Ministry of Civil Aviation . The Committee further desire that efforts should be made for time bound achievements of targets fixed under the NDD Scheme. The Committee also desire Fertilizer PSUs be encouraged to provide funds for more Drone distribution from their Corporate Social Responsibility (CSR) Fund. The Committee, further recommend that the Department of Fertilizers should explore new and more affordable ways for spraying of nano fertilizers in agricultural fields so that small and marginal farmers can also accrue the benefits of nano-technology.

DIRECT BENEFIT TRANSFER (DBT)

9. The Committee find that the Department has been implementing DBT in fertilizers on PAN India basis since 2018 which entails 100 percent payment of subsidy to fertilizer manufacturing companies on the basis of actual sales through POS machines by the retailer to the beneficiary. The Committee, however, find it strange that buyer identification is established only through Adhaar authentication on 'no denial basis' and therefore the actual beneficiary is not defined. Furthermore, each beneficiary is authorized a quota of 50 bags per month obviating scope for leakage of fertilizers especially urea hands for hoarding, black-marketing and for other industrial purposes such as resin/ adhesives, plastic/foams, textile/leather industry, paper/pulp industry etc. The Committee find that apparently this lacuna not only stands in the way of bringing down the burden of urea subsidy on the exchequer, but also poses as a major factor behind demand and supply gaps of Urea or other NPK fertilizers sold through PoS. The Committee, therefore, appreciates the steps taken to explore possibility of using the PM-KISAN database which culminated from a

suggestion from DA&FW to implement a pilot Direct Cash Transfer project in selected Districts based on their Data on Farmers' Registration as maintained by them. The DoF has asked DA&FW to develop a module for entitlement using land, cropping pattern, soil health data of the farmer during July, 2024. The Committee are also of the considered view that the drawbacks of the Direct Benefit Transfer (DBT) system *viz* network issues faced during Aadhar based authentication in hilly and remote areas leading to delays in disbursement of DBT should be addressed. To the end, the Committee desire that necessary changes designed to ensure percolation of the benefit direct to farmers without undue delays and harassment in the process.

Di-Ammonium Phosphate (DAP) Demand – Supply Gap

10. The Committee are concerned to note the issue of the DAP crisis highlighted in the electronic media during November, 2024 reportedly compelling farmers to shell out Rs. 250 to Rs. 350/- beyond the MRP of Rs. 1350/50 Kg bag. The Department, however, contended that availability of DAP in the Country remained comfortable during the month of October 2024. Against the monthly requirement of 18.69 LMT of DAP assessed by Department of Agriculture & Farmers Welfare, the availability of DAP was 22.88 LMT. Further, the sales of DAP during October 2024 was only 11.48 LMT. The Committee observe that low sales of DAP itself, point towards veracity of the news report indicating that despite availability of stock, farmers faced problems in procurement. The Committee, therefore, strongly emphasise that the Department should review their supply and distribution mechanisms to ensure that the fertilizers reach at the allocated destinations in all the Districts of the States/UTs well I advance and not less than 15 days before the start of the Rabi and Kharif seasons. The Committee desire that supplies be spruced in the cropping seasons through buffer stock in States itself to obviate scope for such incidents in future.

11. The Committee was apprised that the reduction in imports of fertilizers was to be attributed to geopolitical reasons and cost parameters. The Committee feel that fertilizer shortage caused by external supply shocks warrants a deeper review of the existing subsidies and pricing policy. For

instance the Committee find price cap of ₹27,000, coupled with an additional subsidy of ₹21,911, has rendered imports unviable as the actual landing cost of importing DAP reportedly exceeds the combined amount of the maximum retail price (MRP) and the subsidy. The Committee, therefore, observe that the existing pricing and subsidy policies are apparently prone to external shocks and market inefficiencies often leading to acute shortages of DAP and other essential fertilizers. The Committee, therefore, recommend a thorough relook into the existing pricing and subsidy policies of fertilizers so that the subsidy benefits to farmers do not hinder the smooth supply of fertilizers. Notably, reforms in the pricing and subsidy policies should strive to increase domestic availability via less restrictive imports, reduction in diversion, increased production efficiency, and reduced overuse of urea. To this extent, the Committee desire that the recommendation given in the Economic Survey 2015-16 on increasing domestic availability via less restrictive imports ("decanalisation") and providing benefits directly to farmers using JAM ((Jan Dhan Aadhaar Mobile) or similar mechanisms where the subsidy benefits are directly provided to the farmers may also be considered so as to ensure that any mechanism providing direct benefits to farmers is inclusive and accessible to all farmers.

<u>Tax variation on Raw materials/ Intermediates and Finished Fertilizers</u>

12. The Committee are surprised to note that there appears to be a big variation in the GST levied on two raw materials used in production of fertilizer products. While all the other raw materials required in production attract 5% GST, Ammonia and Sulphuric Acid attract 18 % GST. The Committee find that Ammonia and Natural Gas are the major inputs required in production of Urea. Sulphuric Acid is the key ingredient in production of Ammonium Sulphate; Single Superphosphate and Triple Supper phosphate are essential for crop growth and are widely used in agriculture. Keeping in view the wide usage of these two essential raw materials in the fertilizer industry, the Committee desire that the Department to take appropriate action to bring down their GST rates to 5% which will in turn bring down input cost and give relief to the fertilizer industries, farmers and agricultural sector as a whole.

Reduce Dependency on Imported Inputs

13. The Committee find that on the issue of import dependence on the raw-materials used in the Fertilizer sector, the Department admitted to the fact that the Urea plants require hugely imported natural gas both as a feedstock and fuel. The Committee note that India has vast coal reserves including over one billion tonns of coal which could be utilized through coal gasification—a process that transforms coal into syngas. The Committee desire that feasibility of using this versatile gas to replace imported natural gas can be explored for a sustainable solution for fertilizer production industry. The Committee find that the Talcher project remains one of the pioneering example of using coal gasification to produce urea which has the potential to address the challenges of gas imports. The Committee are of the firm opinion that this technology can be a model for scaling up other urea, DAP, and NPK projects, helping make the sector more self-reliant (Atmanirbhar). The Committee is of the view that Talcher should be leveraged as a pilot for further technology upgrades, ensuring long-term cost efficiency and energy security. The Committee recommend that the Talcher Project execution may be expedited with strict time-lines and regular progress review.

Focus on Revival and Modernization of Fertilizer Plants:

14. The Committee are pained to note that there is no proposal under consideration of the Government for revival of Durgapur and Haldia units of HFCL which are under handing over/surrender to Syama Prasad Mookerjee Port, Kolkata. The Committee find that essential resources like Damodar Valley Corporation, Eastern Coalfields Limited, and Bharat Coking Coal Limited are in close proximity to these units besides the logistical advantage of Shyama Prasad Mukherjee Port Trust and low-cost land availability from the State Government. The Committee are of the view that the revival of the Durgapur and Haldia plants through coal gasification offers a strategic solution to reduce India's dependency on imported natural gas, significantly easing the burden on the exchequer. The Committee, therefore, strongly recommends that the Department must reassess the potential for reviving the Durgapur and Haldia units with updated feasibility studies, given their strategic importance. The

Committee feel that leveraging the technology being considered for the Talcher project revival, Durgapur and Haldia plants can utilize the abundant local coal reserves to produce syngas, serving as a sustainable feedstock for manufacturing urea, DAP, and NPK fertilizers. The Committee, therefore, observe that reviving these plants not only aligns with the vision of Atmanirbhar Bharat but also ensures cost efficiency, energy security, and regional economic development.

New Delhi;
….. December, 2024
….. Agrahayana, 1946 (Saka)

Azad Kirti Jha
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2024-25)

Minutes of the Second Sitting of the Committee

The Committee sat on Tuesday, the 12th November, 2024 from 1100 hrs. to 1330 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Azad Kirti Jha – Chairperson

MEMBERS

LOK SABHA

2. Shri Robert Bruce C.
3. Shri Bharatsinhji Shankarji Dabhi
4. Smt. Kriti Devi Debbarman
5. Shri Babu Singh Kushwaha
6. Shri Utkarsh Verma Madhur
7. Shri Balram Naik Porika
8. Shri Sachithanantham R.
9. Shri Eatala Rajender
10. Shri Daggumalla Prasada Rao
11. Shri Tharaniventhan M.S.
12. Dr. Ricky Andrew J. Syngkon

RAJYA SABHA

13. Shri Subhash Barala
14. Shri Subhash Chandra Bose Pilli
15. Shri Meda Raghunadha Reddy
16. Dr. Kalpana Saini
17. Shri Arun Singh
18. Shri Akhilesh Prasad Singh
19. Shri Tejveer Singh

SECRETARIAT

1.	Smt. Suman Arora	-	Additional Secretary
2.	Ms. Miranda Ingudam	-	Director
3.	Shri Kulvinder Singh	-	Deputy Secretary
4.	Shri Nagendra Suman	-	Deputy Secretary
5.	Shri Abhishek Kumar	-	Deputy Director
6.	Ms. Neelam Bhave	-	Committee Officer

WITNESSES

I. Representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)

1. Shri Rajat Kumar Mishra, Secretary (Fert.)
2. Ms. Aneeta C Meshram, Addl. Secretary
3. Shri Manoj Sethi, Joint Secy. & FA
4. Dr. Tina Soni, Joint Secretary
5. Ms. Aparna Sharma, Joint Secretary
6. Shri Bharat Bhushan, Sr. Eco. Advisor
7. Shri Ajay Shankar Singh, CCA

II Representative of Public Sector Undertakings (PSUs)

1. Shri S. C. Mudgerikar, CMD, RCF
2. Shri S. Sakthimani, Dir. (Fin), FACT
3. Shri U. Saravanan, CMD, NFL/PDIL
4. Shri Manoj Kumar Jain, CMD, MFL
5. Brig. Amar S. Rathore, CMD, FAGMIL
6. Shri Pradip K. Banik, CMD, BVFCL

2. At the outset, the Chairperson welcomed the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers to the Sitting of the Committee convened to take oral evidence of the Department on 'Demands for Grants 2024-25'. Their attention was drawn to Direction 55(I) of the 'Directions by the Speaker' regarding confidentiality of the proceedings of the Committee. Thereafter, the Chairperson sought inputs on the broad parameters behind 14% reduction in the budgetary allocation in execution of the various schemes/programmes under different heads during the current fiscal besides seeking clarifications on certain critical areas of the fertilizer sector i.e., placing the fertilizer sector in the "Non-Strategic" category opening to disinvestment; demand & supply gap in Di-ammonium Phosphate(DAP) with resultant hardships on farmers, exploring feasibility of domestic production of Muriate of Pottash (MOP) to cut down 100% dependence on imports; steps on regulating fertilizer prices and prevention of subsidy diversion; efforts made to increase Nano Urea production *vis-à-vis* consumption and exploring cheaper ways for spraying nano fertilizers including use of drones, etc.

3. The Secretary, Department of Fertilizers then briefed the Committee on the background of the Fertilizer Subsidy Scheme and the initiatives taken by the Department to rationalize the subsidy, Demands for Grants for the year 2024-25 and the targets ahead, the factors behind placing budget estimates requirement and subsequent allocation by the Ministry of Finance.

4. The Committee, thereafter, sought clarifications on certain issues related to the fertilizer sector. The representatives of the Department responded to the queries and also highlighted the geo-political reasons affecting the shipment of fertilizers which was behind the demand and supply gap in DAP and other fertilizers; urea pricing policy; factors impacting fertilizer prices including dollar exchange rate, nano-urea efficacy, its coverage as compared to the other fertilizers.

5. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information and asked them to furnish written replies to the points raised by the Members that remained unanswered, within 2-3 days time.

6. A copy of the verbatim record of the proceedings of the sitting has been kept.

(The witnesses then withdrew).

The Committee then adjourned.

****

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2024-25) MINUTES OF THE SIXTH SITTING

The Committee sat on Thursday, the 12th December, 2024 from 1500 hrs. to 1600 hrs. in the Committee **Room 'D', PHA, New Delhi.**

PRESENT

SHRI AZAD KIRTI JHA - CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Brijmohan Agrawal
3. Shri Robert Bruce C
4. Smt. Kriti Devi Debbarman
5. Dr. Kalyan Vaijinathrao Kale
6. Shri Babu Singh Kushwaha
7. Shri Utkarsh Verma Madhur
8. Dr. Sambit Patra
9. Shri Balram Naik Porika
10. Shri Sachithanantham R.
11. Shri Eatala Rajender
12. Shri Daggumalla Prasada Rao
13. Shri Tharaniventhan M.S.
14. Dr. Ricky Andrew J. Syngkon
15. Shri Shivmangal Singh Tomar

RAJYA SABHA

16. Shri Subhash Barala
17. Shri Subhash Chandra Bose Pilli
18. Shri Meda Raghunadha Reddy
19. Dr. Kalpana Saini
20. Shri Akhilesh Prasad Singh
21. Shri Tejveer Singh

SECRETARIAT

1. Smt. Suman Arora - Additional Secretary
2. Ms. Miranda Ingudam - Director
3. Shri Kulvinder Singh - Deputy Secretary
4. Shri Nagendra Suman - Deputy Secretary
5. Shri Abhishek Kumar - Deputy Director
6. Ms. Neelam Bhave - Committee Officer

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration, the following Draft Reports:

(i) XXXX XXXX XXXX XXXX,
(ii) XXXX XXXX XXXX XXXX,
(iii) Third Report on 'Demands for Grants (2024-25)' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers;
(iv) XXXX XXXX XXXX XXXX and
(v) XXXX XXXX XXXX XXXX

3. Giving an overview of the important Observations/Recommendations contained in the draft Reports, the Chairperson solicited the views/suggestions of the Members.

4. After some deliberations, the draft Reports were adopted by the Committee without any amendment.

5. The Committee then authorized the Chairperson to finalize the Reports and present/lay the Reports in both the Houses of Parliament in light of factual verifications received from the concerned Ministry/Departments.

***The Committee then adjourned*.**