

21

STANDING COMMITTEE
ON PETROLEUM &
CHEMICALS

(1995-96)

TENTH LOK SABHA

INDIAN FARMERS' FERTILISERS COOPERATIVE LTD.
AND KRISHAK BHARATI COOPERATIVE LTD.

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF FERTILISERS)

TWENTY-FIRST REPORT

AUTHENTICATED



सत्यमेव जयते

[Signature]
Chairman,
Standing Committee on
Petroleum and Chemicals

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LOK SABHA SECRETARIAT
NEW DELHI

November, 1995/Kartika, 1917 (Saka)

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COOPERATIVE LTD. AND
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MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF FERTILISERS)

(Action taken by Government on the recommendations
contained in the 13th Report of the Standing Committee
on Petroleum & Chemicals)

Presented to Lok Sabha on 19 DEC 1995
Laid in Rajya Sabha on



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

November, 1995/Kartika, 1917 (Saka)

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COMPOSITION OF MEMBERS OF STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (1995-96)

CHAIRMAN

Shri Sriballav Panigrahi

MEMBERS

Lok Sabha

2. Shri Barelal Jatav
3. Dr. Ravi Mallu
4. Shri Surinder Singh Kairon
5. Shri Sant Ram Singla
6. Shri A. G. S. Rambabu
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30. Dr. Jayanta Rongpi

Rajya Sabha

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32. Shri E. Balanandan
33. Shri Mohd. Masud Khan
34. Shri Pasumpon Tha. Kiruttinan
- *35. Shri G.Y. Krishnan
36. Shri Bhagaban Majhi
- *37. Shri Suresh Pachouri

*Ceased to be Member of the Committee consequent upon their appointment as Ministers in the Council of Ministers w.e.f. 19th September, 1995.

(iv)

38. Shri Jagdish Prasad Mathur
39. Shri V. Narayanasamy
40. Shri Yerra Narayanaswamy
41. Shri Ramji Lal
42. Shri Chimanbai Haribhai
43. Shri Balbir Singh
44. Shri S.S. Surjewala
45. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri S.N. Mishra — *Additional Secretary*
2. Shri G.C. Malhotra — *Joint Secretary*
3. Shri G.R. Juneja — *Deputy Secretary*
4. Shri Brahm Dutt — *Under Secretary*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this 21st Report on Action Taken by Government on the recommendations contained in the 13th Report of the Standing Committee on Petroleum and Chemicals (1994-95) (Tenth Lok Sabha) on Indian Farmers' Fertilisers Cooperative Ltd. (IFFCO) and Krishak Bharati Cooperative Ltd. (KRIBHCO).

2. The Thirteenth Report of the Committee was presented to Lok Sabha on 30th March 1995. Replies of Government to all the recommendations contained in the Report were received on 29th September, 1995.

3. The replies of the Government were considered by the Committee on 30th October, 1995. The Committee considered and adopted the Report at their sitting held on 30th October, 1995.

4. An analysis of action taken by Government on the recommendations contained in the Thirteenth Report (1994-95) of the Committee is given in Appendix VIII.

NEW DELHI;
November 15, 1995

Kartika 24, 1917 (Saka)


SRIBALLAV PANIGRAHI,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Thirteenth Report (Tenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals on 'Indian Farmers' Fertiliser Cooperative Ltd. (IFFCO) and Krishak Bharati Cooperative Ltd. (KRIBHCO) (Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers)' which was presented to Lok Sabha on 30th March, 1995.

2. Action Taken notes have been received from the Government in respect of all the 20 recommendations contained in the Report. These have been categorised as follows:—

- i) Recommendations/observations which have been accepted by the Government; Sl. Nos. 1, 3, 4, 6 to 8 and 11 to 19.
- ii) Recommendation/observation which the Committee do not desire to pursue in view of the Government reply; Sl. No. 2
- iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee.

NIL

- iv) Recommendations/observations in respect of which final replies of the Government are still awaited. Sl. Nos. 5, 9, 10 and 20.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

A. TRANSFER OF GOVT. EQUITY IN IFFCO AND KRIBHCO TO COOPERATIVES

(Recommendation Sl. No. 3)

5. The Committee had observed that both the cooperative units (IFFCO and KRIBHCO) were being run like PSUs as majority of the share capital of these units was held by the Government. In IFFCO out of total paid up capital of Rs. 359.60 crores, the equity of the order of Rs. 289.61 crores and Rs. 8.05 crores was held by Government of India and NCDC respectively leaving only Rs. 61.94 crores for the cooperatives. Similarly in KRIBHCO, out of the total paid up capital of Rs. 453.66 crores, the

equity of Rs. 328 crores and Rs. 97 crores was held by Government and IFFCO respectively leaving a share of only Rs. 28.36 crores for the cooperatives. Thus the share of cooperatives accounts for 17.22% in IFFCO and 6% in KRIBHCO only. The Secretary DOF was candid in his admission before the Committee that IFFCO and KRIBHCO were cooperatives for name's sake and these were run like other PUSs. The Committee had accordingly recommended that to make IFFCO and KRIBHCO real cooperatives units, the Government should initiate action for transferring more share capital to cooperatives in a phased manner.

6. The Ministry in their reply have brought out that in IFFCO over a period from 1967-68 to 1994-95 growth in membership of cooperative societies has been from 57 to 30597 and their corresponding paid up share capital has gone up from Rs. 5.49 lakhs to Rs. 70.68 crores. In the case of KRIBHCO the membership of cooperative societies has increased from 220 in 1980-81 to 3595 in 1994-95. Their corresponding paid up share capital increased from Rs. 14.85 crores to Rs. 127 crores (including IFFCO's holding of Rs. 97 crores) during the same period.

Explaining it further, Deptt. of Fertilisers have *inter-alia* stated:—

“The need for increasing the share of small farmers cooperative societies is recognised both by IFFCO and KRIBHCO but the resource constraints of these societies come in the way.

During the implementation of its Aonla Project, IFFCO had proposed to raise Rs. 43 crores from the cooperatives but did not receive an encouraging response. The Society received about Rs. 30 crores of equity from cooperatives, out of which about Rs. 10 crores was contributed by the National Cooperative Development Corporation (NCDC). The cooperatives in the country do not have the financial strength to take over Government of India's equity. In order to encourage them to contribute to the capital of the Societies, the shares of the Societies are offered at par to the cooperatives even though the intrinsic worth of the shares can justify realisation of a substantial premium. KRIBHCO has also reduced the face value of its share from Rs. 25,000 to Rs. 10,000 to encourage small cooperatives to increase their investing capacity. Moreover, KRIBHCO also offers monetary advantage by giving quantity rebate on urea sales to its members societies which in turn is converted into additional shares thereby increasing their share holding in KRIBHCO which fetches them correspondingly higher dividends.”

7. The Committee are happy to note that both IFFCO and KRIBHCO have been taking steps for encouraging the small cooperatives to contribute to the share capital of IFFCO and KRIBHCO. Still the present level of participation of cooperatives in the equity capital of IFFCO is Rs. 70.80 crores (out of total paid up capital of Rs. 360.41 crores) and Rs. 30.72 crores in case of KRIBHCO (out of total paid up capital of Rs. 455.97 crores). The Committee therefore feel that there is an ample scope for

increasing the equity participation by cooperative societies both in IFFCO and KRIBHCO and accordingly recommend that both IFFCO and KRIBHCO should explore further possibilities for enhancing the share capital of cooperatives so that an ideal ratio of 50:50 between the Government and cooperatives is achieved.

**B. SIGNING OF MEMORANDUM OF UNDERSTANDING (MOU)
BY IFFCO AND KRIBHCO**

(Recommendation Sl.No. 5)

8. The Committee had found that even though IFFCO and KRIBHCO had been treated by Deptt. of Fertiliser (DOF) to be at par with the other Public Sector Undertakings, these were not allowed to sign Memorandum of Understanding (MOU), with the Government as was being done in the case of other undertakings. Reportedly MOU signing PSUs enjoyed greater autonomy in their operations. It also came out that after the matter was taken up by the Committee, since November 1994 DOF had extended the additional powers/facilities to IFFCO and KRIBHCO bringing them at par with the MOU signing companies. The Committee had expressed the hope that this step would ensure greater autonomy in the operation of these Cooperative units and with the additional powers, IFFCO and KRIBHCO would make use of the new system to overcome certain operational difficulties coming in their smooth functioning.

9. The Government in their reply have stated:—

“IFFCO/KRIBHCO being Multi-State Cooperative Societies, were not included under the purview of MOU scheme administered by the Department of Public Enterprises for the PSUs. However, in order to provide greater financial autonomy to the Societies this Department has allowed them to exercise delegated powers with regard to incurring of capital expenditure on the pattern of MOU signing companies. While IFFCO/KRIBHCO have been exercising such delegated powers, they do not have any corresponding obligation in regard to the quantitative and qualitative aspects of the performance as in the case of MOU signing companies. Considering that MOU is essentially a control instrument designed to improve levels of efficiency, MOU signing companies have to accept certain engagements and are granted the delegated powers required for fulfilling these engagements.

In the light of the request received from the aforementioned Societies for being assigned all the powers as delegated to MOU signing PSUs, it is felt that this facility could be extended provided IFFCO/KRIBHCO also agree to subject themselves to the discipline of accountability on the pattern of MOU signing companies. In other words, the Societies would be required to enter into a MOU with the Government on a format similar to that applicable to Public Sector Undertakings.

The views of IFFCO/KRIBHCO are awaited and a decision in the matter will be taken after the receipt of their comments.”

10. The Committee find Deptt. of Fertilisers point of view quite in order as while getting MOU signing ~~PSUs~~ benefit, IFFCO and KRIBHCO (like other PSUs) should also fulfill certain obligations stipulated by the Government. The Committee therefore expect that IFFCO and KRIBHCO would expedite their comments on this issue which would enable the DOF to arrive at a decision at the earliest.

C. SETTING UP OF JOINT VENTURES AND BUYING OF OLD PLANTS ABROAD.

(Recommendation Sl Nos. 9 and 10)

11. In view of shortage of gas in the country (which is the feedstock of fertilisers) and shortage of raw materials like phosphate, IFFCO and KRIBHCO had planned joint ventures with countries where gas and raw materials were in abundance. The main aim of setting up of these joint ventures was to have an assured source of supply of fertilisers in future. While IFFCO's joint venture projects would be in Iran and Qatar, KRIBHCO would share one with IFFCO in Iran and the other with RCF in Oman and Memorandum of Understanding (MOU) for these joint ventures had been signed by the Government of India with these countries. The Committee found these ventures to be in the right perspective/direction and urged the Government, IFFCO and KRIBHCO to take all possible measures to set up joint venture projects well in time so that the desired results could be achieved. Further the Committee asked the Government/KRIBHCO to take due care of the viability, life and production capacity of old fertiliser plants, which the KRIBHCO was contemplating to buy in Russia and USA.

12. The Government in their reply have detailed the present status of all the joint ventures projects being contemplated by IFFCO and KRIBHCO as also KRIBHCO's proposal to buy some old plants.

13. In view of the shortage of fertiliser in the country, the Committee reiterate their recommendation that the Govt. IFFCO/KRIBHCO should expedite formation of proposed joint ventures for finding assured source of supply of fertilizers and also for buying of old fertiliser plants, so that desired results could be achieved in time. Needless to emphasise that due caution should be observed for providing transparency in such deals.

D. RAISING FUNDS FOR PROMOTIONAL AND EDUCATIONAL ACTIVITIES

(Recommendation Sl. No. 15)

14. The Committee had noted that even though the main aim of setting up of cooperative units of IFFCO and KRIBHCO was to provide help to the farming community, the quantum of activities as also the funds spent on the promotional and educational activities undertaken for the benefit of farmers by IFFCO and KRIBHCO during the last 2-3 years had been

hardly adequate. In the context of IFFCO's annual turnover of over Rs. 1500 crores, the expenditure incurred on these activities amounted to Rs. 3 crore in 1992-93 Rs. 3.46 crores in 1993-94 and the proposed outlay of Rs. 4.6 crores for 1994-95 was proportionately too meagre. Similarly as against the annual turnover of Rs. 612.68 crores of KRIBHCO the expenditure on promotional and educational activities was Rs. 1.07 crore in 1992-93, Rs. 95.95 lakhs in 1993-94 and the proposed outlay of Rs. 2.28 crores for 1994-95. Consequently there had been decline in some of the promotional activities such as plot Demonstrations, Field Days, Crop Seminars and Soil Testing campaigns. The Committee were dismayed to learn from the Secretary, Deptt. of Fertilizers that the DOF had never examined the issue regarding availability of funds for promotional and educational activities by IFFCO and KRIBHCO vis-a-vis their turnover and profits. The Committee had therefore, recommended that Government should advise IFFCO and KRIBHCO to raise their budgets for promotional and educational activities.

15. The Ministry in their reply have stated that promotional and educational programmes undertaken by IFFCO are based on location specific requirements and are therefore flexible. It has also been brought out by the Ministry that IFFCO is giving greater thrust on seed multiplication activity which aims at imparting training to the farmers as well as supplying another input of quality seed. In order to make transfer of technology more effective and to strengthen the cooperative system KRIBHCO is regularly organising a variety of programmes. Accordingly IFFCO has raised its expenditure on farmers promotional and educational activities from Rs. 4.45 crores in 1992-93 to Rs. 7.62 crores in 1994-95. KRIBHCO has also increased its expenditure on farmer's activities from Rs. 1.52 crores to Rs. 4.45 crores during the same period.

16. The Committee do appreciate increase in budget for promotional and educational activities by IFFCO and KRIBHCO during the last 3 years. They (Committee), however, observe that this increase is still too meagre as compared to their annual turnover of over Rs. 1500 crores and Rs. 587 crores respectively. The Committee therefore reiterate that Government should direct IFFCO and KRIBHCO to raise their budgets considerably for these activities so that there is all round increase in activities for the benefit of farming community.

E. FARMERS SERVICE CENTRES

(Recommendation Sl. No. 16)

17. The Committee had noted that as part of their promotional activities to provide integrated service in the farming community, IFFCO and KRIBHCO had set up 240 Farmer's Service Centre/Kendras. From the statewise details of the location of these centres the Committee were surprised to note that majority of these centres were in the fertile plains of Punjab, U.P. and Haryana. Out of a total of 175 centres of IFFCO as

many as 144 centres were located in Punjab, U.P. and Haryana. Almost all the centres of KRIBHCO (65 out of 66) were also located in these three States. The Committee further noted that presently, there was no coordination among various agencies viz. cooperative units, PSUs, DOF/Ministry of Agriculture and State agencies in regard to setting up of Farmers Centres. The Committee had opined that there was need for elimination of lopsided approach so that benefit of the Farmers Centres should reach all parts of the country and not to be crowded in Selected States/areas where farmers were quite progressive and might not require preliminary services etc. The Committee therefore, strongly recommended that the Government should conduct a study to know the requirement *vis-a-vis* existing Farmers Centres set up by different agencies. Such a study would help in identifying the deficit areas where Farmers Centre could be set up. The Committee also recommended that there should be some machinery to coordinate the promotional activities of different organisations including cooperative and PSUs. If necessary, Fertilizer Association of India which represents all fertilizer units should be persuaded to associate itself in this regard.

18. In their reply the Ministry have stated that apart from Farmers Service Centres (FSC) set up by IFFCO (175) and KRIBHCO (66), the societies have also undertaken promotional activities to provide integrated service to the farming community by strengthening the weaker cooperative and developing them on the lines of FSCs. In a scheme undertaken by IFFCO in collaboration with National Cooperative Development Corporation (NCDC), Primary Agricultural Cooperative Societies (PACS) were provided financial and infrastructural support in terms of a margin money loan of Rs. 30,000 advanced by NCDC coupled with a subsidy of Rs. 12,000 per society given by IFFCO for implements, furniture and fixtures etc. This scheme was operated with the consent of the State Registrars of Cooperative Societies and 1450 societies have so far been covered under the scheme. The Ministry have also stated that they are initiating a study to take stock of the existing farming centres set up by different PSUs/Cooperative Societies under its administrative control so as to identify the deficit areas requiring further support for promotional activities. FAI would also be consulted in the matter.

19. The Committee are glad to note that in pursuance of their recommendation, the Ministry have initiated a study to take stock of the existing farmers centres set up by different PSUs/Cooperatives under their administrative control to identify deficit areas requiring further support for promotional activities. The Committee would like the Government to expedite this study. They would also like to know the findings of the study and the Govt. decision thereon.

F. AUDITING BY COMPTROLLER & AUDITOR GENERAL OF INDIA

(Recommendation Sl. No. 20)

20. The Committee had noted that accounts of IFFCO and KRIBHCO were audited by the Statutory auditors appointed by Central Registrar of Cooperative Societies and not by the auditors appointed by C&AG. However, it came out during the course of examination that the Government entrusted that accounts of IFFCO to C&AG for the purpose of special audit for the period from 1985 to 1990. C&AG's draft report was sent to DOF in June 1994. The comments of the DOF on C&AG's draft report were sent to C&AG in November, 1994 and further comments in January, 1995. A final report of C&AG on the subject was still awaited. Since the Report had already been delayed considerably, the Committee had urged the DOF to get the C&AG Report expedited and furnish the findings of C&AG and the follow up action taken by DOF/IFFCO to the Committee. The Committee had also recommended that C&AG may be approached to conduct a similar audit of the accounts of KRIBHCO.

21. The Ministry in their reply have informed that the comments of Deptt. of Fertilizers on C&AG's draft report on the accounts of IFFCO have already been sent to C&AG and final report of C&AG is awaited. In accordance with the recommendation of the standing Committee, the consent of KRIBHCO has been sought for entrusting the audit of their accounts to C&AG, initially for a period of five years. However, the concurrence of Central Registrar of Cooperative Societies and Ministry of Finance will also be required. The approval of the Board of Directors of KRIBHCO is awaited.

22. The Committee once again urge upon the Govt. to get the C&AG Report on IFFCO accounts for the period 1985-90 expedited. As regards entrusting KRIBHCO's accounts to C&AG for a special audit, the Committee feel that there should not be any problem in getting early clearance from KRIBHCO's Board as there are Government nominees on the Board. After Board's clearance, effective steps should be taken to obtain necessary concurrence of Central Registrar Cooperative Societies and Ministry of Finance expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation Sl. No. 1

Indian Farmer's Fertiliser Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO) were registered as Cooperative Societies under Multi-unit Cooperative Societies Act, 1942 in November, 1967 and April, 1980 respectively, consequent upon enactment of Multi-State Cooperative Societies Act, 1984, these cooperative units were deemed to be registered as Multi-State Cooperative Societies. The main aim to form these Cooperative Societies was to promote the interests of farmers mainly through production and distribution of fertilisers. While the IFFCO has set up four fertiliser plants viz. one each at Kalol (Guj.), Kandla (Guj.), Phulpur (U.P.) and Aonla (U.P.) with total installed capacity of 11.73 lakh tonnes of fertilisers, KRIBHCO has its sole plant at Hazira in Gujarat with a production capacity of 14.52 lakh tonnes of fertilisers.

Reply of the Government

The installed capacity of IFFCO and production capacity of KRIBHCO are confirmed.

(Ministry of Chemicals & Fertilizers Department of Fertilizers O.M.No. 187/10/94-FS. II-FCA.I Vol. II Dated 29th Sept., 1995).

Recommendation Sl. No. 3

The Committee note that as against the authorised share capital of Rs. 1000 crores of IFFCO and Rs. 500 crores of KRIBHCO, the paid up capital of IFFCO and KRIBHCO at the end of March 1994 was Rs. 359.60 crores and Rs. 453.66 crores respectively. The Committee are constrained to observe that both the cooperative units are being run like PSUs as majority of the share capital is held by the Government. In IFFCO out of the total paid up capital of Rs. 359.60 crores, the equity of the order of Rs. 289.61 crores and Rs. 8.05 crores are held by Government of India and NCDC respectively leaving only Rs. 61.94 crores for the cooperatives. Similarly in KRIBHCO, out of the total paid up capital of Rs. 453.66 crores, the equity of Rs. 328 crores and Rs. 97 crores is held by Government of India and IFFCO respectively leaving a share of only Rs. 28.36 crores for the Cooperatives. Thus the share of cooperatives account for 16% in IFFCO and 6% in KRIBHCO only. The Secretary DOF was candid in his admission before the Committee that IFFCO and

KRIBHCO were cooperatives for name's sake and these were run like other PSUs. The Committee are not convinced with the Government's plea that there are only five Government Directors in each of the IFFCO's and KRIBHCO's Board of Directors which are having 26 and 16 Directors respectively and as the majority of Directors were from Cooperatives and the major decisions were being taken by the Board of Directors of these cooperatives without being unduly influenced by Government Directors. Admittedly the Department of Fertilisers has not examined the issue relating to transfer of more share capital to cooperatives. The Committee wonder how in the absence of proper examination of the issue the Government has come to a conclusion that cooperatives may not come forward to take up more equity in IFFCO and KRIBHCO. The Committee accordingly recommend that to make IFFCO and KRIBHCO real cooperative units, the Government should initiate action for transferring more share capital to cooperatives in a phased manner.

Reply of the Government

In the past, during the implementation of Kalol-Kandla Projects of IFFCO about 36% equity was contributed by various cooperatives and 64% equity by Government of India. The equity contribution of cooperatives was 50% and 11% for Phulpur and Aonla Projects respectively. The balance percentage equity was contributed by Government of India. IFFCO does not require any financial support from Government of India for its Expansion Projects of Aonla, Phulpur, Kalol and Kandla units as well as the Nellore Project. These projects are proposed to be funded by the internal resources of the Society.

In the course of time, the number of Societies and their share in the capital of IFFCO have increased as would be seen from enclosed Appendix I. Currently, the paid up capital of IFFCO is Rs. 360.41 crores, of which the Government of India contribution is Rs. 289.61 crores. NCDC has contributed Rs. 7.05 crores and the cooperatives Rs. 63.75 crores.

The paid up share capital of KRIBHCO is Rs. 455.97 crores. The Government of India has contributed Rs. 3.28 crores, IFFCO - Rs. 97 crores, NCDC - Rs. 0.25 crores and the Cooperatives Rs. 30.72 crores. It may be seen that out of the total equity of KRIBHCO, the share of all cooperatives including IFFCO works out to 28.01% as on 31.3.95. The membership of small cooperatives in KRIBHCO has increased during the period from 31.3.91 to 31.3.95 from 2835 to 3595 as would be seen from enclosed Appendices II, III and IV while their share in the capital has risen from 4.84% to 6.74%. The need for increasing the share of small

farmers cooperative societies is recognised both by IFFCO and KRIBHCO but the resource constraints of these societies come in the way.

During the implementation of its Aonla Project, IFFCO had proposed to raise Rs. 43 crores from the cooperatives but did not receive an encouraging response. The Society received about Rs. 30 crores of equity from cooperatives, out of which about Rs. 10 crores was contributed by the National Cooperative Development Corporation (NCDC). The Cooperatives in the country do not have the financial strength to take over Government of India's equity. In order to encourage them to contribute to the capital of the Societies the shares of the Societies are offered at par to the cooperatives even though the intrinsic worth of the shares can justify realisation of a substantial premium. KRIBHCO has also reduced the face value of its share from Rs. 25,000 to Rs. 10,000 to encourage small cooperatives to increase their investing capacity. Moreover, KRIBHCO also offers monetary advantage by giving quantity rebate on urea sales to its members societies which in turn is converted into additional shares thereby increasing their share holding in KRIBHCO which fetches them correspondingly higher dividends.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 187/10/94-FS. II-FCA. I Vol. II, Dated: 29th Sept., 1995)

Comments of the Committee

Please see para 7 of the Chapter I of the Report.

Recommendation Sl. No. 4

Another issue relating to the organisational structure of IFFCO and KRIBHCO, which came up during the course of examination of these units was about the continuance of the cooperative status or the change to company status. Reportedly the company status has several advantages over the cooperative status particularly in the matters of arranging finance at comparatively low rate of interest and bringing out public issues, if required. At the instance of DOF, both IFFCO and KRIBHCO have reportedly submitted their reports bringing out the relative advantages and disadvantages of cooperative vis-a-vis corporate form of organisation. The Ministry of Agriculture was also examining these issues in regard to cooperative units as a whole. However, according to DOF the general principles applicable to cooperatives may not suit industrial units like IFFCO and KRIBHCO. The Committee strongly feel that since the main aim of setting up these units is to help the farming community through cooperatives, the cooperative status of these units should not be diluted particularly when the production and financial performance of these units has been consistently very good.

Reply of the Government

The recommendations of the Committee in regard to maintenance of the cooperative status of IFFCO and KRIBHCO have been noted.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 187/10/94-FS. II-FCA. I Vol. II, Dated: 29th Sept., 1995)

Recommendation Sl. No. 6

The Committee regret to note that KRIBHCO has not been able to finalise its corporate Plan during the last 15 years of its existence. This sorry state of affairs has been attributed to the frequent changes in the chief executives of the cooperative and also to the DOF directions to the society to concentrate in the field of fertiliser production only. The Committee have now been informed that a Detailed Perspective Plan is under finalisation which may take about one more year. The Committee recommend that all out efforts should be made to finalise the Perspective Plan within the stipulated period of one year. The Committee also recommend that since KRIBHCO has suffered in the past on account of frequent changes in the Chief Executives, due care should be taken to avoid this in future so that this does not become a recurring feature.

Reply of the Government

KRIBHCO has assured to make all out efforts to finalise the perspective Plan within the stipulated period of one year.

The tenure of the Managing Directors in KRIBHCO from the year 1980 onwards is given below:

Sl. No.	Name	Period
1.	Shri Paul Pothan	November, 1980 to November 1981
2.	Dr. K.S. Gill	November, 1982 to November 1983
3.	Shri H.C. Grover	November, 1983 to October 1985
4.	Dr. K.K.S. Chauhan	November, 1986, to November 1991
5.	Shri A.K. Mukhopadhyay	April, 1993 till date

During the last 15 years, KRIBHCO has had five full time Managing Directors. There were short spells when no regular Managing Director was in office and acting arrangements were made for the post. After the appointment of Dr. K.K.S. Chauhan, who held the post of MD, KRIBHCO for a period of five years, the selection of a new Managing Director took considerable time. With the appointment of

Shri A.K. Mukhopadhyay in April, 1993, the position has stabilised and the Department does not anticipate frequent changes in the post of Managing Director, KRIBHCO. As per the present policy, candidates who do not have a minimum tenure of two years, are not considered for appointment to the post of Managing Director.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M.
No. 187/10/94-FS. II-FCA. I Vol. II, Dated: 29th Sept., 1995)

Recommendation Sl. No. 7

Examination of project planning and implementation systems by the Committee in regard to projects undertaken by IFFCO and KRIBHCO during the last 5 years has revealed that the project planning and execution machinery in these societies needs to be strengthened. The Committee find that during the aforesaid period IFFCO's rehabilitation project for energy conservation, operational reliability, safety aspects etc. for existing units at Phulpur, Kalol and Kandla had been approved. The Committee are dismayed to learn that some of the schemes under the rehabilitation project got delayed considerably ranging from 8 months to as long as 31 months. The Committee regret to note that in the case of one scheme, due to time lag between submission of scheme and the approval of the same by the government there was change in technology leading to modifications of the scheme. In case of KRIBHCO, the Committee also find that it has not taken up any major project for implementation after its main complex at Hazira in 1985. Apart from about 14 months delay in completion of the project, there was cost escalation to the order of Rs. 190 crores. Shifting of zero date, due to delay in selection of consultants for the process plant by the Government has been stated to be the reason for delay in the completion of the Hazira project. Further more, the Committee are unhappy to note that KRIBHCO constructed its Head Office building recently after a delay of more than 3 years which has resulted in increase in cost from Rs. 7 cores to Rs. 10.5 crores. The Board of KRIBHCO have brought out some disquieting features with regard to the appointment of the architect of the building and other related matters. The above facts reveal a dismal picture of the two cooperatives. The Committee therefore recommend that both IFFCO and KRIBHCO should review their project planning as well as implementation machinery with a view to strengthen the same so that cost and time overruns do not occur in future. The Committee also urge the Department of Fertilizers to ensure that concerted efforts should be taken to clear the projects at the earliest so that there may not be any necessity of revising the schemes for incorporating latest technology.

Reply of the Government

The reasons for delay in the implementation of some of the schemes under IFFCO's rehabilitation programme have earlier been communicated to the Committee. Since the proposal for rehabilitation schemes of Kalol, Kandla and Phulpur plants which was formulated in September 1986 was approved by PIB in December, 1988, some schemes had to be revised in the light of subsequent experience and technological development. Further, implementation of energy conservation schemes was preceded by a detailed energy survey of the various sections of the Phulpur plant under actual operational conditions over a period of two years. The results of this study had to be processed for devising the optimum solution for implementation. Equipment replacement was further delayed awaiting plant shutdown for the Kalol plant, finalisation of the alloy and design of the Heat Exchanger was the major cause of delay. The other schemes implemented by IFFCO were completed on schedule. It may be added here that IFFCO levied and recovered the penalty specified in the contract for delay in supplying the Hydrolyser equipment for the Phulpur plant and the Reformer Convection Zone Scheme for the Kalol plant.

As mentioned in the written reply submitted earlier, cost and time over runs in the commissioning of KRIBHCO's Hazira plants were attributable to the delays in the selection of consultant, supply arrangements for gas and delivery of some equipments and machinery.

KRIBHCO has taken note of the Committee's concern for time and cost over runs in its projects, including the Building Project and has since taken the following measures to strengthen its project planning and implementation machinery:

- (a) Chief Manager (Planning & Documentation) has been transferred from site to Head Office.
- (b) Project team at KRIBHCO's Head Office is being strengthened by induction of Graduate Engineer Trainees.
- (c) Services of a Senior Adviser (Tech.) are being provided to the working level staff for better project formulation and implementation.
- (d) Progress of projects is being regularly reviewed at the highest level.

The present status of projects being pursued actively by KRIBHCO is as follows:

- (a) Committee of the PIB has given first stage clearance for preparing the DFR for the Oman-India Fertilizer Project at Sur, Oman. DFR for this project is under preparation. Government will take the investment decision after the DFR is submitted.
- (b) Committee of the PIB has also approved the proposal for initiating

the Due Diligence Process for acquiring equity share in phosphatic manufacturing facility in USA/Russia. The report of the Consultant under the Due Diligence Process is under consideration of the KRIBHCO's Board of Directors.

- (c) DFR for the Nitrophosphate project has been considered by the Pre-PIB Committee and is being put up to PIB for its recommendation.
- (d) KRIBHCO's proposal to set up a third ammonia-urea stream is being put up to the Committee of the PIB for first stage clearance.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS-II/FCA.I Vol. II dated 29th September, 1995)

Recommendation SL. No. 8

The Committee note that presently both IFFCO and KRIBHCO have planned several expansion/diversification project. These are under various stages of planning/implementation. The main projects of IFFCO include Aonla, Phulpur and Kalol Expansion Projects, Ammonia-Urea Complex in Krishna Godavari Basin and. Agro-chemical project to produce pesticides. These expansion projects are expected to result in increasing the product capacity of IFFCO plants by 100% by the 2000 A.D. The estimated cost of these projects would be about Rs. 2000 crores. Similarly KRIBHCO has planned to take up projects like Nitrophosphate plant, MDF Board, Mushroom, Maize Processing Compld and Aquaculture projects costing about Rs. 700 crores. The Committee would like IFFCO and KRIBHCO to take necessary steps to implment/complete the various projects under planning implementation so that these are completed within the stipulated cost and time schedule. The Committee would also like the Department of Fertilizers to constantly monitor the progress of the projects with a view to give necessary instructions as also to provide help to these units wherever necessary. Needless to emphasise that timely execution not only avoids the cost over-runs, but also adds to the production capacity resulting in reduction of imports.

Reply of the Government

In the past, IFFCO has set up its plants at Kalol, Kandla, Phulpur and Aonla without any time or cost over run. World Bank has complimented IFFCO for successful implementation of its Aonla plant. The various project activities are monitored at various levels through reports generated by Planning & Scheduling Group. The reports generated include Flash Report, Monthly Progress Report, Quarterly Progress Report, Exception Report to Board of Directors etc. The reports are reviewed in both internal and external meetings. Monthly meetings are regularly held with the consultants. Critical activities are highlighted for top management action through exception report. The Department of Fertilizers reviews the

progress of major fertilizer projects in monthly project review meetings and Quarterly Review Meetings. Physical and financial status of the project is also periodically subject to review by the Project Sub-Committee of the Board of IFFCO.

The details and status of IFFCO's project under implementation are:

Location	Estimated capital cost (in Rs. crores)	Production envisaged (in lakh NTPA)	Zero date	Expected date of commissioning	Remarks
1	2	3	4	5	6
Aonla (U.P.) (Expn.)	960.00	Urea 7.26	30.09.93	01.01.97	Project is being implemented as per schedule
Kalol (Gujarat) (Expn.)	119.08	Urea 1.50	01.03.95	01.09.97	Project implementation has just started
Phulpur (U.P.) (Expn.)	993.60	Urea 7.26	20.04.95	20.01.98	-do-

IFFCO's Kandla expansion project is being posed to the Committee of the PIB for first stage clearance.

IFFCO is reviewing its decision to take up pesticides project because:

- (a) the capacities (of the products proposed to be manufactured) exceed the projected demand in 2000 A.D.
- (b) as per the latest estimates, the capital cost of the project would not be less than Rs. 50 crores against Rs. 15.94 crores envisaged earlier;
- (c) even if the project cost is reduced to Rs. 35 crores; the IRR remains negative; and
- (d) the losses incurred by M/s. HIL, a Government of India Undertaking.

IFFCO's proposal to set up a grass-roots Ammonia-Urea plant at Nellore, Andhra Pradesh is being considered at the Government level for submission to the Committee of the PIB for First Stage Clearance.

The status of KRIBHCO's project mentioned in this recommendation are:

- (i) A note for obtaining PIB's recommendation on the Nitrophosphate Project based on the DFR prepared by KRIBHCO is under submission.

- (ii) Indian Market Research Bureau has carried out an intensive market survey for the MDF project. The draft report submitted by them is under review of society.
- (iii) KRIBHCO is reviewing the report submitted by Operations Research Group (ORG), an expert market research agency on the exact market scenario for corn wet milling industry in India and estimate the demand-supply cap for various corn sweeteners before taking a decision to set up the Maize Processing Complex.
- (iv) A final decision by KRIBHCO on the Aquaculture Project is expected shortly.
- (v) KRIBHCO is reconsidering its earlier proposal to set up a Mushroom Project due to difficulties in obtaining foreign technology and equipment. Further, the Society has now made good progress on its Mega Projects viz. Nitrophosphate Project at Hazira, Ammonia-Urea Project in Oman and therefore, the decision to take up smaller projects like the Mushroom Project is being reviewed.

At the Government level, Department of Fertilizers and Ministry of Programme implementation monitor the project progress right from its inception viz from zero date to its completion through various reports and meetings and monthly/quarterly basis.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS-II/FCA-I (Vol. II) dated the 29th September, 1995).

Recommendation Sl. No. 11

The Committee note with satisfaction that the capacity utilisation of fertiliser plants of IFFCO and KRIBHCO has been very good. During the last 3 years the capacity utilisation has been over 100% with the exception of the Urea plant at Kalol where the capacity utilisation was 91% and 96% in 1992-93 and 1993-94 respectively. However, both IFFCO and KRIBHCO have submitted before the Committee that there has been some shortfall in their production during the last 2-3 years on account of shortage of gas. This factor is reported to have caused shortfall in production to the extent of 5% to 10% in IFFCO's plants at Kalol and Aonla and KRIBHCO's sole plant at Hazira. The administrative Ministry viz. DDF have informed this Committee that the matter regarding shortage of gas has been taken up by them before Gas Linkages Committee responsible for gas allocation to various users. The representatives of DOF have informed this Committee that since gas was becoming a scarce resource, they have been pleading their case consistently before the Gas Linkages Committee. However, it has not been possible for them to get an over-riding priority of gas allocation for fertiliser plants. In this connection, the representatives of Gas Authority of India Ltd. (GAIL) had informed the Committee that as against the registered demand as on 31.3.92 of 263 MMSCMD per day actual supply upto the end of March, 1994 was 35.49

MMSCMD only out of which fertilisers alone accounted for 21.49 MMSCMD representing 44.5% of the total gas allocations. The Secretary, Petroleum informed the Committee that allocations to fertiliser plants were being met fully and that there has been a marginal shortfall only. He contended that wherever the fertilisers plants were required to use liquid fuel for captive power generation, the feedstock of natural gas was 100% and in some cases it was more than that. Hence fertiliser production in actual terms has not been adversely effected. In this regard, the Committee would like to reiterate its earlier recommendations made in the 3rd and 8th Reports regarding pursuing the question of availability of adequate gas to fertiliser plants at the highest level in the Government.

Reply of the Government

The availability of gas has, in the last few years, been a limiting factor on fertiliser production by IFFCO and KRIBHCO. The Committee of Secretaries, in its meeting held on 30.3.95, had recommended that in order to fully utilise the existing capacities of the Hazira/HBJ gas pipeline based fertiliser units, the request of supply of additional quantity of gas may be considered by the Gas Linkage Committee (GLC). Accordingly, the matter was taken up in the GLC meeting. GLC, in its meeting held on 11th May, 1995, indicated that the allocation for the plants on the HBJ pipeline would be increased to 1.5 MMSCMD of gas, as against 1.37 MMSCMD in the year 1994-95. 3.0 MMSCMD of gas has been allocated to Hazira plant of KRIBHCO, as against 2.6 MMSCMD in the year 1994-95.

All the fertiliser companies have been directed to provide for dual fuel firing facilities for steam/power generation so that the production of fertilizer can be maximised using liquid petroleum products. All the gas based fertilizer plants have already installed or are in the process of installing dual fuel firing facilities to optimise the use of gas as feedstock. (Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS.-II/FCA-I Vol. II dated the 29th September, 1995).

Recommendation Sl. No. 12

The Committee have also been informed that upgradation of HBJ gas pipelines would improve considerably the availability of gas in some of the fertiliser plants situated at HBJ pipeline including IFFCO's plant at Aonla. The Committee recommend that Ministry of Petroleum and Natural Gas and GAIL should make all out efforts to complete the upgradation project within the stipulated cost and time schedules in order to meet the domestic demand of fertilisers.

Reply of the Government

GAIL has taken necessary action to complete the upgradation project so that the availability of gas can be augmented as scheduled. (Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS.-II/FCA-I Vol. II dated the 29th September, 1995).

Recommendation Sl. No. 13

During examination it came out that in view of shortage of gas some of the fertiliser units have started using alternate fuels for some of their activities so that their level of production is not affected by shortage of gas. For instance, the Committee find that KRIBHCO has set up one boiler based on NGL for power generation and that they are in the process of setting up similar boiler so that the available gas is utilised solely as feed stock. The Committee find that these steps are in the right direction and would like all the fertiliser plants to adopt such measures as even in the coming years shortage of gas may continue.

Reply of the Government

The availability of gas has, in the last few years, been a limiting factor on fertiliser production by IFFCO and KRIBHCO. The Committee of Secretaries, in its meeting held on 30.3.1995, had recommended that in order to fully utilise the existing capacities of the Hazira/HBJ gas pipeline based fertiliser units, the request of supply of additional quantity of gas may be considered by the Gas Linkage Committee (GLC). Accordingly, the matter was taken up in the GLC meeting. GLC, in its meeting held on 11th May, 1995, indicated that the allocation for the plants on the HBJ pipeline would be increased to 1.5 MMSCMD of gas, as against 1.37 MMSCMD in the year 1994-95. 3.0 MMSCMD of gas has been allocated to Hazira Plant of KRIBHCO, as against 2.6 MMSCMD in the year 1994-95.

All the fertiliser companies have been directed to provide for dual fuel firing facilities for steam/power generation so that the production of fertiliser can be maximised, using liquid petroleum products. All the gas-based fertilizer plants have already installed or are in the process of installing dual fuel firing facilities to optimise the use of gas as feed stock.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M.No. 187/10/94-FS.II-FCA. I Vol. II dated: 29th Sept., 1995.

Recommendation Sl. No. 14

The Committee regret to note that cost of production of IFFCO and KRIBHCO's products has increased considerably during the years 1991-92 to 1993-94. In IFFCO the cost was more than the FICC norms in most of its plants. Similarly, KRIBHCO's actual cost of production was more than the standard cost of production and budgetted norms during the years 1991-92 to 1993-94. In this context M.D. IFFCO deposed before the Committee that they have no control over the prices of major items of inputs/raw materials such as gas, naphtha, coal, fuel oil, power and imported items like Phosphoric Acid, Ammonia and Potash constituting 50% to 65% of the total cost of production of Urea and more than 80% of

the total cost of phosphatic and potassic fertilisers. KRIBHCO has attributed reduction in supply of gas by Gas Authority of India (GAIL), as the main cause of increase in the cost of production. The Committee were also informed that FICC norms of costing were due for revision and after the revision cost of production of IFFCO/KRIBHCO would be within the FICC norms. The Committee would like IFFCO and KRIBHCO to take all economy measures for keeping their cost of production at the minimum level.

Reply of the Government

The cost of production of IFFCO's three Ammonia-Urea plants during 1993-94 *vis-a-vis* retention price declared by FICC is given below:—
(Rs./Tonne)

Unit	Product	Actuals		
		1993-94	1992-93	1991-92
Kalol	Urea	3303	3114	2428
		(3605)	(3519)	(3200)
Phulpur	Urea	4743	4028	3943
		(5384)	(5235)	(4543)
Aonla	Urea	3825	4028	3732
		(4723)	(4599)	(4562)

Note: Figures in brackets indicate the retention prices declared by FICC. No official communication is available from FICC regarding fixation of item-wise cost of production.

The actual cost of production during 1993-94 for Kalol, Phulpur and Aonla units compares favourably with the retention price fixed by FICC. However, the Society has incurred financial loss on account of foreign exchange fluctuation during the period April, 1991 to April, 1994 which was not considered by FICC.

The increase in cost of production in KRIBHCO is basically on account of the use of NGL as alternative fuel in power plant boilers. The increased cost for the same is not being reimbursed by FICC so far. The Society is taking all possible economic measures for keeping their cost of production at the minimum level.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M.No. 187/10/94-FS.II-FCA. I Vol. II Dated: 29th Sept., 1995.]

Recommendation Sl. No. 15

The Committee regret to note that even though the main aim of setting up of cooperative units of IFFCO and KRIBHCO is to provide help to the farming community the quantum of activities as also the funds spent on the promotional and educational activities undertaken for the benefit of

farmers by IFFCO and KRIBHCO during the last 2-3 years is hardly adequate. In the context of IFFCO's annual turnover of over Rs. 1500 crores, the expenditure incurred on these activities amounted to Rs. 3 crores in 1992-93, Rs. 3.46 crores in 1993-94 and the proposed outlay of Rs. 4.6 crores for 1994-95 is proportionately too meagre. Similarly as against the annual turnover of Rs. 587 crores of KRIBHCO, the expenditure on promotional and educational activities was Rs. 1.07 crore in 1992-93, Rs. 95.65 lakhs in 1993-94 and the proposed outlay of Rs. 2.28 crores for 1994-95 again repeats the same sorry state of affairs. Consequently, there has been decline in some of the promotional activities such as Plot Demonstrations, Field Days, Crop Seminars and Soil Testing Campaigns. The Committee were dismayed to learn from the Secretary, Fertilisers that the DOF has never examined the issue regarding availability of funds for promotional and educational activities by IFFCO and KRIBHCO *vis-a-vis* their turn over and profits. Since the Government is holding about 80% share capital of these cooperatives and all major decisions about the working of these two organisations require Government approval, DOF cannot therefore plead ignorance in the matter. The Committee, therefore, recommend that Government should direct IFFCO and KRIBHCO to raise their budgets for promotional and educational activities accordingly.

Reply of the Government

The promotional and educational programmes undertaken by IFFCO are based on the location specific requirements of the farmers and are, therefore, flexible. Appendix VI gives the details of various activities undertaken between 1992-93 and 1994-95. It may be noted that greater thrust is also being placed on seed multiplications activity which aims at imparting training to the farmers as well as supplying another important input of quality seed. Appendix VI gives the expenditure incurred by IFFCO on various activities of service to farmers. About Rs. 7.63 crore was incurred in 1994-95 which includes expenditure on promotional and publicity programmes, preparation of crop films, technical literature etc. For the year 1995-96 an amount of Rs. 8.00 crores is budgeted for the same.

In order to make transfer of technology more effective and to strengthen the cooperative system, KRIBHCO is regularly organising variety of programmes. These programmes are regularly evaluated and improved. As recommended by the Committee, KRIBHCO has raised its budget over the years on promotional and educational programmes as follows:—

(Rs. lakhs)

Sl. No.	Particulars	Budget			
		1992-93	1993-94	1994-95	1995-96
1	2	3	4	5	6
1.	Promotional Programmes	60.0	70.0	70.0	85.0

1	2	3	4	5	6
2.	Rural Developments	50.0	50.0	50.0	50.0
3.	KRIBHCO Indo-British Rainfed Farming Project (W)	42.0	55.0	108.0	310.0
Total		152.0	175.0	228.0	445.0

(Ministry of Chemicals & Fertilizers Department of Fertilizers O.M. No. 187/10/94-FS. II-FCA. I-Vol. II Dated: 29th Sept., 1995)

Comments of the Committee

Please see para 16 of Chapter of the report.

Recommendation Sl. No. 16

The Committee note that as a part of their promotional activities to provide integrated service to the farming Community, IFFCO and KRIBHCO have set up Farmer's Service Centre/Kendras. So far the number of such centres is 174 in case of IFFCO and 66 in case of KRIBHCO. From the State-wise details of the location of these centres the Committee are surprised to note that majority of these centres are in the fertile plains of Punjab, U.P. and Haryana. Out of a total of 174 centres of IFFCO as many as 144 centres are located in Punjab, UP and Haryana. Almost all the centres of KRIBHCO (65 out of 66) are also located in these three States. The Committee are not convinced by the explanation of the DOF that the location depends upon the sale of fertilisers which in turn is decided by the EC allocation. The Committee further regret to note that presently, there is no coordination among various agencies viz. cooperative units, PSUs, DOF/Ministry of Agriculture and State agencies in regard to setting up of Farmers Centres. In Committee's view there is need for elimination of lopsided approach so that benefit of the Farmers Centres reach all parts of the country and are not crowded in selected States/areas where farmers are quite progressive and may not need preliminary services etc. The Committee strongly recommend that the Government should conduct a study to know the requirement *vis-a-vis* existing Farmers Centres set up by different agencies. Such a study would help in identifying the deficit areas where Centre could be set up. The Committee also recommend that there should be some machinery to coordinate the promotional activities of different organisations including cooperative and PSUs. If necessary, Fertiliser Association of India which represents all fertiliser units should be persuaded to associate itself in this regard.

Reply of the Government

Apart from Farmers Service Centres (FSC) set up by IFFCO (175) and KRIBHCO (66), the societies have also undertaken promotional activities to provide integrated service to the farming community by strengthening the weaker cooperatives and developing them on the lines of FSCs. In a

scheme undertaken by IFFCO in collaboration with National Cooperative Development Corporation (NCDC), Primary Agricultural Cooperative Society (PACS) were provided financial and infrastructural support in terms of a margin money loan of Rs. 30,000 advanced by NCDC coupled with a subsidy of Rs. 12,000 per society given by IFFCO for implements, furniture and fixtures etc. This scheme was operated with the consent of the State Registrars of Cooperative Societies. The number of societies covered under the scheme is given below:—

S. No.	State	Societies (NO.)
1.	Andhra Pradesh	12
2.	Himachal Pradesh	5
3.	Karnataka	57
4.	Haryana	43
5.	Kerala	15
6.	Madhya Pradesh	248
7.	Maharashtra	67
8.	Orissa	56
9.	Punjab	115
10.	Rajasthan	313
11.	Uttar Pradesh	84
12.	West Bengal	425
13.	Assam	10
Total		1450

2. IFFCO / KRIBHCO coordinate with each other while assessing the need for opening new centres / kendras. Presently, no new FSCs are stated to be set up. However, poorly served States would be given due preference in future sanctions.

3. DOF is initiating a study to take stock of the existing farming centres set up by different PSUs / cooperative societies under its administrative control so as to identify the deficit areas requiring further support for promotional activities. FAI would also be consulted in the matter.

[Ministry of Chemicals & Fertilizers Department of Fertilizers
O.M. No. 187/10/94-FS. II-FCA. I Vol. II Dated: 29th Sept., 1995]

Comments of the Committee

Please see para 19 of Chapter 1 of the Report.

Recommendation Sl. No. 17

The Committee regret to note that IFFCO and KRIBHCO's spendings on R&D hardly reflect the size and standing of these organisations. Expenditure in R&D by IFFCO has come down from Rs. 54.95 lakhs in 1991-92 to Rs. 26.33 lakhs in 1993-94 representing 0.04% and 0.02% of its

total turn over. In KRIBHCO the Committee find that a meagre provision of Rs. 15 lakhs has been made for 1994-95 for R&D activities and no such separate Budget Head has been maintained in the previous years. In this context the Committee have been informed that there is not much scope of theoretical type of R&D work in fertiliser units as the technology for fertiliser production is stabilised. However, IFFCO and KRIBHCO have been trying towards technological breakthrough, improvement of processes, improvements in plant operations etc. resulting in high amount of energy saving. An Experts Group appointed by Fertiliser Association of India has also identified certain areas for carrying out research by fertiliser units. These areas *inter-alia* include effluent treatment technology, ecological upgradation etc. The Committee recommend that besides these areas IFFCO and KRIBHCO should also carry out research in other areas like production of bio-fertilisers, feasibility of producing of mix (NPK) fertilisers. For this purpose quantum of funds should be appropriately enhanced.

Reply of the Government

R&D activities in various plant of IFFCO mainly include modification in the existing process to improve productivity. In the recent past, IFFCO has achieved an important breakthrough in high pressure separation in Phulpur Urea Plant. For this modification, IFFCO Phulpur has bagged the "Best Technical Innovation Award for the year 1993-94" from FAI. Various strains of bio-fertilisers have been taken up for evaluation of farmers plots as part of field trials. IFFCO's Kandla unit has developed a liquid fertiliser Ammonium Polyphosphate of Grade 16:32 and its Kalol unit is making efforts to develop micro-nutrient branded urea. The R&D budget has been increased from Rs. 37 lakhs in 1994-95 to Rs. 45 lakhs for the year 1995-96.

KRIBHCO is setting up a bio-fertiliser unit at Hazira Fertilizer Complex. The trial production has commenced from 15th August, 1995. The annual production capacity would be 100 MT of Rhizobium. The culture is being made available to States from September, 1995. This will help in boosting the production of leguminous crops. KRIBHCO has already launched a seeding programme in Kharif, 1995 which included laying out of demonstration, distribution of literatures and making available bio-fertilisers from NAFED.

[Ministry of Chemicals & Fertilizers Department of Fertilizers
O.M. No. 187/10/94-FS. II-FCA. I Vol. II Dated: 29th Sept., 1995]

Recommendation Sl. No. 18

Project Development of India Ltd. (PDIL), a PSU is a premier organisation for carrying out R&D work in the fertiliser industry. This organisation is reportedly having necessary expertise and infrastructure. Presently PDIL is a sick unit under reference to BIFR. The Committee in their 3rd Report had recommended that fertilizer units should be asked to

contribute towards R&D for the benefit of the fertilizer industry. In their action taken replies, DOF informed the Committee (June, 1994) that the Government has taken note of the recommendations on need for contribution from Fertiliser Industry towards research and development. However, it came out during course of examination of IFFCO and KRIBHCO that they have not received any direction from the DOF in this regard so far. The Committee therefore recommend that DOF should issue necessary guidelines in this regard to all concerned and the Committee be informed accordingly.

Reply of the Government

In line with the above recommendation of the Standing Committee, the Deptt. of Fertilizers has issued the enclosed general guidelines (Appendix-V) to the Public Sector and Cooperative Undertakings under its administrative control emphasising the need for higher allocations for Research and Development (R&D). The individual efforts of fertilizer companies in the field of R&D have a limited reach. In view of the limitations of their in-house R&D activity, it has been impressed upon fertilizer companies to utilise the expertise and infrastructure available with Projects & Development India Ltd. (PDIL). It is expected that funding from these undertakings would enable the R&D Division of PDIL to sustain and strengthen its R&D activities for the overall benefit of the fertilizer industry. The Fertilizer Association of India has also been requested to explore the possibility of involving the Private Sector in the R&D field through PDIL. Since PDIL has been declared a sick Company by the BIFR in December, 1992 BIFR has appointed Industrial Credit & Investment Corporation of India Ltd. (ICICI) as the Operating Agency, directing it to examine Division-wise viability of PDIL. Any final decision on revival of PDIL including its R&D Division would, therefore, depend upon the outcome of the proceedings pending before the BIFR.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS.II-FCA.I Vol. II Dated : 29th Sept., 1995)

Recommendation Sl.No. 19

The Department of Fertilisers have informed the Committee that they have been reviewing the working of these two Cooperative units on weekly, monthly, quarterly and annual basis covering different aspects of production, sales and profitability in these units, and have been issues necessary directions. The progress of major projects is being reviewed by DOF on a monthly basis with the senior Executives of the IFFCO and KRIBHCO. The Committee, however, regret to note that DOF is not regularly conducting quarterly performance review meeting in respect of IFFCO and KRIBHCO. As against the stipulated 16 QRM's which should have been held during the year 1991-92 to 1994-95, the actual number of

such meetings was 10 and 9 in IFFCO and KRIBHCO respectively. The Committee are of the firm view that for achieving desired results more interactions between representatives of IFFCO and KRIBHCO and those of Department of Fertilisers are needed particularly when the Government is owning majority shares of these cooperatives. The Committee, therefore, recommend that Department of Fertilisers should hold quarterly review meetings on regular basis so as to ensure proper review of the working of IFFCO and KRIBHCO and also issue necessary instruction wherever necessary.

Reply of the Government

As indicated earlier, the Department of Fertilizers (DOF) monitors the performance of IFFCO and KRIBHCO through various weekly, monthly, quarterly and annual reports regarding production, sales, profitability, etc. with reference to the targets fixed. In addition, Quarterly Review Meetings are also held in which a critical review is conducted of the production performance, sales, consumption efficiencies, profitability, accounting ratios and manpower with reference to targets, allocations, norms, sanctions etc. as may be the case. The reasons for variance are analysed in detail and directions for improvement are given where necessary. The problems relating to availability of raw materials, transportation, etc. are also discussed during the QRM's and wherever required, DOF takes up the matter with the Departments/Ministries concerned to remedy the situation.

The QRM's are being held more or less regularly. At times, QRM's for two quarters have had to be held together. The QRM's of IFFCO and KRIBHCO held during 1994-95 and 1995-96 (till 30.9.95) are as follows:—

	1994-95	1995-96 (till 30.9.95)
IFFCO	3	2
KRIBHCO	3	2

The progress of major projects is reviewed by DOF, generally at monthly intervals. The objectives of these reviews is to identify problem areas and initiate necessary corrective action. In addition, Ministry of Programme Implementation also monitors the progress of major projects every month. During the years 1994-95, 10 projects review meetings were held. Seven such reviews have been held so far during 1995-96.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M.
No. 187/10/94-FS.II-FCA.I Vol. II Dated : 29th Sept., 1995)

CHAPTER III

RECOMMENDATION WHICH THE COMMITTEE DO NOT DELIVE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation Sl. No. 2

The Committee note that the Objectives as laid down in bye laws of IFFCO and KRIBHCO range from production of fertilisers to pesticides, agricultural machinery implements, setting up of agricultural farms, setting up factories for production of sugar, petro-chemicals, electronic items etc. The other main objectives of these cooperatives are to store/market/transport fertilisers and to provide training to farmers. The Committee regret to note that the main activities of these two organisations have been mainly limited to the production and marketing of fertilisers only. In this connection the representatives of the IFFCO stated that the activities of IFFCO were commensurate with its objectives and basically their bye laws were more general to provide flexibility in case of expansion in their activities. As a result of their activities undertaken in the field of promotion of fertilisers, IFFCO had enrolled 33,000 Cooperatives Societies as its members. IFFCO has also become country's largest producer of chemical fertilisers contributing around 13% of total of Nitrogen and around 19% of total of P205 produced in the country. Besides it was having about 600 trained people to impart training to farmers in promotional activities. In regard to the assessment of KRIBHCO's achievements M.D. KRIBHCO was candid in his admission before the Committee that they were neither totally satisfied nor totally dejected about it. KRIBHCO had not been allowed to go beyond fertilisers production and they were asked by the Ministry to stick to fertilisers line only. However, they have changed their bye-laws to take up some more activities to benefit farmers' community and participate in other developmental programmes.

The Committee also note that recently both IFFCO and KRIBHCO are in process of diversifying their activities in some new areas like production of pesticides, forestry and wasteland development projects. The Committee recommend that IFFCO and KRIBHCO should take up all the objectives as enshrined in their bye-laws in a time bound programme so that the main aim of setting up these cooperative societies is fully achieved.

Reply of the Government

Having regard to the fact that there is still a large gap between demand and supply of fertilizer in the country, both IFFCO and KRIBHCO are at present concentrating on expansion of manufacturing and marketing of fertilizers.

The expansion projects undertaken by IFFCO and KRIBHCO are as follows:

IFFCO: Expansion of production facilities of Aonla, Phulpur and Kalol units involving an investment of Rs. 1,973 crores are under implementation, of which Rs. 871 crores would be financed out of IFFCO's own internal generation. In addition, IFFCO proposes to set up a grass roots ammonia urea complex at a cost of Rs. 1,468 crores at Nellore in Andhra Pradesh and also doubling the capacity of its Kandla unit at a cost of Rs. 212 crores. Since IFFCO's own resources are fully committed for the next 5-6 years, it is not at present able to enter in a big way into other areas as envisaged in the bye-laws. The objectives enshrined in the bye-laws are enabling provisions in case IFFCO's Board decides to diversify its activities in future. It is, therefore, not feasible to take up at the present juncture all the objectives enshrined in the bye-laws according to a time bound programme.

KRIBHCO: KRIBHCO has been making available a large quantity of pesticides to its members through its Sewa Kendras. These products are procured from reputed manufacturers as the Society is not engaged in manufacture of pesticides. KRIBHCO is also organising afforestation programmes on local wastelands. Recently, the Society has undertaken large scale afforestation on wastelands in Western India under the Indo-British Rainfed Farming Project.

The objectives of KRIBHCO laid down in their bye-laws are enabling provisions for KRIBHCO's Board to diversify the activities of the Society in future. Apart from manufacture of chemical fertilizers and allied products/by products, KRIBHCO can also set up plant for production of chemicals, petrochemicals, paper and industrial products, either directly or in collaboration or as joint venture with any other agencies.

[Ministry of Chemicals & Fertilizers Department of Fertilizers O.M. No. 187/10/94-FS. II. FCA. I Vol. II Dated: 29th Sept. 1995]

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE
COMMITTEE.**

-NIL-

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 5

The Committee find that even though IFFCO and KRIBHCO have been treated by DOF to be at par with the other Public Sector Undertakings, these have not been allowed to sign Memorandum of understandings, with the government as is being done in the case of other undertakings. Reportedly, MOU signing PSUs enjoy greater autonomy in their operations. The Committee are happy to note that after the matter was taken up by the Committee, since November 1994 DOF has extended the additional powers/facilities to IFFCO and KRIBHCO bringing them at par with the MOU signing companies. This step will ensure greater autonomy and freedom in the operation of these cooperative units. The Committee hope that with the additional powers, IFFCO and KRIBHCO will make use of the new system to overcome certain operational difficulties coming in their smooth functioning.

Reply of Government

IFFCO/KRIBHCO being Multi-State Cooperative Societies, were not included under the purview of MOU Scheme administered by the Department of Public Enterprises for the PSUs. However, in order to provide greater financial autonomy to the Societies this Department has allowed them to exercise delegated powers with regard to incurring of capital expenditure on the pattern of MOU signing companies. While IFFCO/KRIBHCO have been exercising such delegated powers, they do not have any corresponding obligation in regard to the quantitative and qualitative aspects of the performance as in the case of MOU signing companies. Considering that MOU is essentially a control instrument designed to improve levels of efficiency, MOU signing companies have to accept certain engagements and are granted the delegated powers required for fulfilling these engagements.

In the light of the request received from the aforementioned Societies for being assigned all the powers as delegated to MOU signing PSUs, it is felt that this facility could be extended provided IFFCO/KRIBHCO also agree to subject themselves to the discipline of accountability on the pattern of MOU signing companies. In other words, the Societies would be required to enter into a MOU with the Government on a format similar to that applicable to Public Sector Undertakings.

The views of IFFCO/KRIBHCO are awaited and a decision in the matter will be taken after the receipt of their comments.

(Ministry of Chemicals & Fertilizers Department of Fertilizers
O.M. No. 187/10/94-FS. II. FCA. I Vol. II Dated: 29th Sept. 1995).

Comments of the Committee

Please see Para 10 of Chapter 1 of the report.

Recommendation No. 9

The Committee note that in view of shortage of gas in the country (which is the feedstock of fertilizers) and shortage of raw materials like phosphate, IFFCO and KRIBHCO have planned joint ventures with countries where gas and raw materials are in abundance. The main aim of setting up these joint ventures is to have an assured source of supply of fertilizers in future. While IFFCO's joint venture project will be in Iran and Qatar, KRIBHCO will share one with IFFCO in Iran and the other with RCF in Oman. Memorandum of Understanding (MOU) for these joint ventures have been signed by the Government of India with these countries. The Committee find these ventures to be in the right perspective/direction and would like the Government, IFFCO and KRIBHCO to take all possible measures to set up joint venture projects well in time so that the desired results are achieved.

Reply of the Government

The status of the overseas joint ventures is as under:

- (i) A Memorandum of Understanding (MOU) was signed between Government of India/Indian partners (represented by IFFCO and KRIBHCO) and Government of Iran/Qeshm Free Area Authority (QFAA) on 6th March, 1994 to set up a nitrogenous fertilizer plant in Qeshm Free Area (QFAA). Joint Management Committee (JMC) has been formed with representatives from QFAA and Indian partners (INDCONS). A draft pre-feasibility report (PER) has been prepared in-house which is awaiting the freezing of input costs on long term basis by the Iranian Authorities. A decision by the Iranian authorities is expected shortly.
- (ii) IFFCO has also been exploring the possibilities of setting up joint venture in Qatar, Abu Dhabi and Tanzania. Preliminary site visits have been made and proposals have been sent to the counterpart agencies/companies for joint venture nitrogenous fertilizers projects in these countries.

(iii) Regarding the Oman-India Joint Venture Fertilizer Project by KRIBHCO and RCF, the detailed Memorandum of Understanding signed on 30th July, 1994 between Government of the Sultanate of Oman/Oman Oil Company and Government of India/RCF/KRIBHCO envisaged that a Detailed Feasibility Report (DFR) will be prepared by the Project Sponsors *i.e.* KRIBHCO, RCF and Oman Oil. The interim DFR has been received and the final DFR is expected to be ready by end March, 1996. Simultaneous actions have already been taken in respect to the following activities for early start of the project:

(a) Work on various site studies and compilation of necessary data has been completed.

(b) Enquiries for design, engineering, procurement and construction of the fertiliser project on a lumpsum turnkey basis was issued in April, 1995 and bids are expected to be received by end of September, 1995.

(c) A Financial Adviser has been appointed and finance for the project is expected to be tied up by April, 1996, in case the investment decision is taken on the basis of the DFR.

(d) Discussions and negotiations for finalisation of Project Agreements necessary for formation of the JVC agreements including the Joint Venture Agreement and agreements for supply of gas, off-take of urea etc. are at an advanced stage of negotiation.

(e) Government of India's approval for setting up the Joint Venture Company in Oman is proposed to be obtained on the basis of the interim DFR and Project Agreements before the investment decision.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 187/10/94-FS. II/FCA. I (Vol. II) Dated the 29th September, 1995.)

Comments of the Committee

Please see para 13 of chapter 1 of the Report.

Recommendation Sl. No. 10

It is also came out during examination of KRIBHCO that for the purpose of assured source of supply of phosphatic fertilisers, to Indian farmers KRIBHCO is planning to buy/participate in equity in respect of one running phosphate fertiliser plant either in USA or in Russia. The Committee have been informed by Department of Fertilizers, that first stage of clearance (for initiating the diligence process for acquiring equity in phosphatic manufacturing facilities in USA/Russia has already been accorded. After the due diligence studies are completed and detailed feasibility report has established the viability of the proposals, decision for investment on the proposals would be taken after the second stage

clearance has given by the PIB. The Committee hope that Department of Fertilizers/KRIBHCO would take due care of the viability, life and production capacity of old plant while taking over the same.

Reply of Government

KRIBHCO is taking utmost care to study the viability, residual life and production capacity of target plants in USA/Russia. Due Diligence Process involving review of target companies, documentation, financial statements, engineering and technology reports, environmental surveys, raw material resource, marketing analysis, production and operating performance, management structure, labour agreements, product evaluation and pricing etc. is under progress. In addition to Management Consultant, following expert sub-consultancy contracts have been awarded for Due Diligence Investigation of target plants in USA/Russia.

- (a) Engineering, Technology and Environmental Study.
- (b) Economical, Financial and Accounting Services.
- (c) Legal Services.

The recommendations of Consultants are to be considered by a sub-committee of KRIBHCO's Board of Directors.

(Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 187/10/94-FS. II/FCA. I (Vol. II) Dated the 29th September, 1995.)

Comments of the Committee

Please see para 13 of chapter 1 of the Report.

Recommendation Sl. No. 20

The Committee note that accounts of IFFCO and KRIBHCO are audited by the statutory auditors appointed by Central Registrar of Cooperative Societies and not by the auditors appointed by C&AG. However, it came out during the course of examination that the Government entrusted the accounts of IFFCO to C&AG for the purpose of special audit for the period from 1985 to 1990. C&AG's Draft Report was sent to DOF in June 1994. The comments of the DOF on C&AG's draft report were sent to C&AG in November, 1994 and further comments in January, 1995. A final report of C&AG on the subject is still awaited. Since the Report has already been delayed considerably the Committee would like DOF to get the C&AG Report expedited. The Committee would also like to know about the findings of C&AG and the follow-up action taken by DOF/IFFCO. The Committee also desire that C&AG may be approached to conduct a similar audit of the accounts of KRIBHCO.

Reply of Government

The comments of Deptt. of Fertilizers on C&AG's draft report on the accounts of IFFCO have already been sent to C&AG. The final report of C&AG is still awaited.

In accordance with the above recommendation of the Standing Committee, the consent of KRIBHCO has been sought for entrusting the audit of their accounts to C&AG, initially for a period of five years. The concurrence of the Central Registrar of Cooperative Societies and Ministry of Finance will also be required. The approval of the Board of Directors of KRIBHCO is still awaited.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 187/10/94-FS. II/FCA. I (Vol. II) Dated the 29th September, 1995.]

Comments of the Committee

Please see para 22 of the chapter 1 of the Report.



NEW DELHI;
November 15, 1995
 Kartika 24, 1917(Saka)

SRIBALLĀV PANIGRAHI
 Chairman,
 Standing Committee on
 Petroleum & Chemicals./

APPENDIX-I

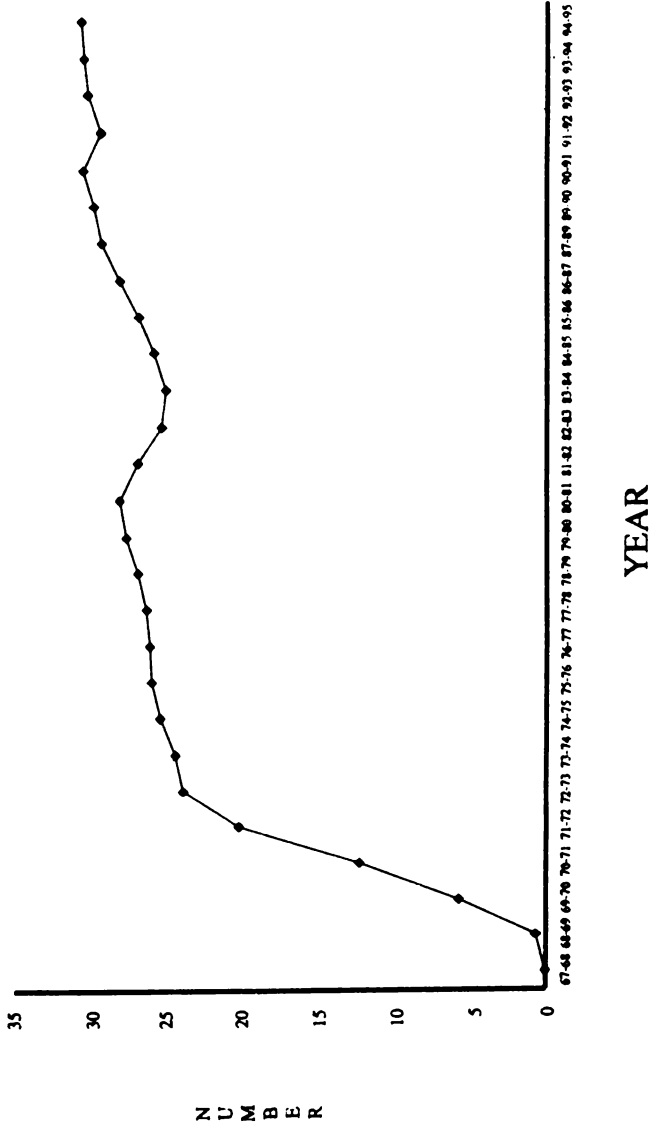
(Please see reply of the Govt. to recommendation No. 3)

GROWTH OF COOPERATIVE SOCIETIES SHARE CAPITAL IN IFFCO

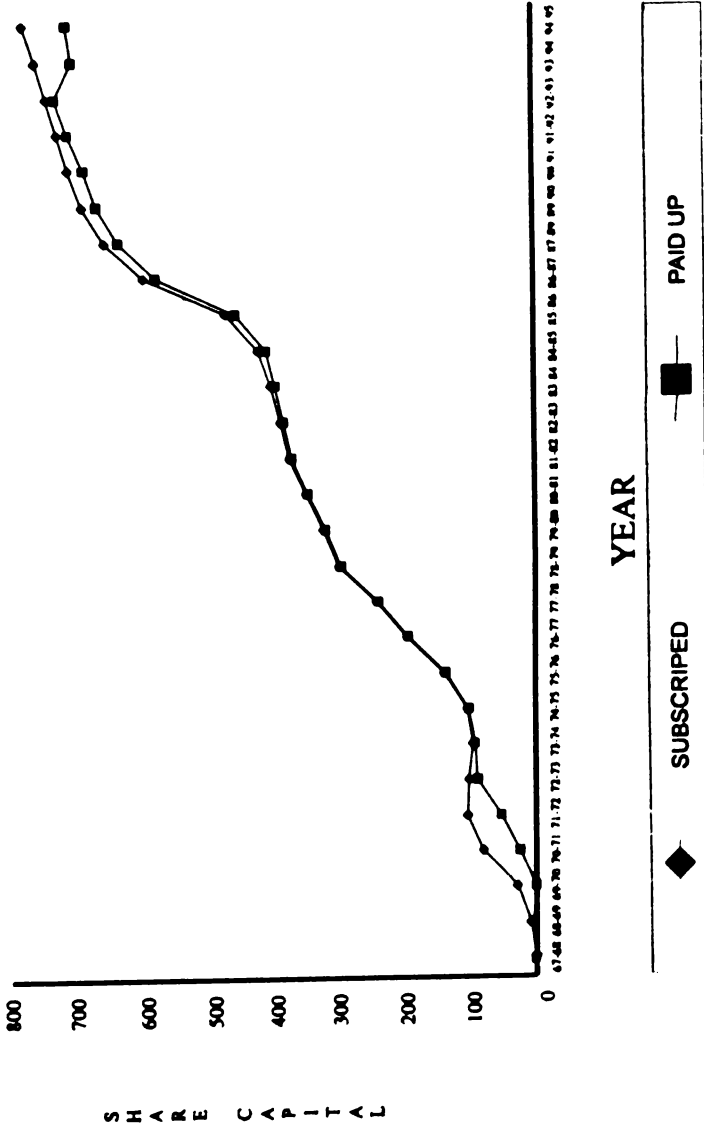
YEAR	NO. OF SOCIETIES	SUBSCRIBED AMOUNT (Rs.)	PAID UP AMOUNT (Rs.)
67-68	57	208,700	549,800
68-69	684	8,268,000	3,967,700
69-70	5761	28,803,000	11,229,350
70-71	12367	80,647,000	25,033,320
71-72	20329	104,639,000	52,815,693
72-73	24001	102,801,000	89,193,259
73-74	24511	96,196,000	92,601,820
74-75	25527	104,311,000	101,873,281
75-76	26066	139,484,000	137,080,806
76-77	26209	196,471,000	193,818,606
77-78	26416	242,627,000	239,805,972
78-79	26971	300,009,000	297,059,505
79-80	27747	323,228,000	319,980,322
80-81	28163	349,658,000	346,251,177
81-82	26959*	373,753,000	370,344,488
82-83	25407*	387,416,000	382,427,057
83-84	25140*	401,739,000	394,947,981
84-85	25925	420,533,000	408,335,855
85-86	26906	469,908,000	454,990,986
86-87	28133	593,581,000	575,447,261
87-89	29308	651,985,000	631,232,826
89-90	29820	684,518,000	663,792,311
90-91	30511	706,025,000	682,650,051
91-92	29356*	722,018,000	705,949,436
92-93	30200	737,409,000	724,550,961
93-94	30443	753,840,000	698,684,636
94-95	30597	772,307,000	706,794,586

*Due to amalgamation/Merger of Societies in various States.

GROWTH IN NUMBER OF SOCIETIES



GROWTH IN SHARE CAPITAL OF COOPERATIVES



APPENDIX-II

(Please see reply of the Govt. to the recommendation No. 3)

**KRIBHCO
MEMBERSHIP AND SHARE CAPITAL OF COOPERATIVE
SOCIETIES INCLUDING IFFCO**

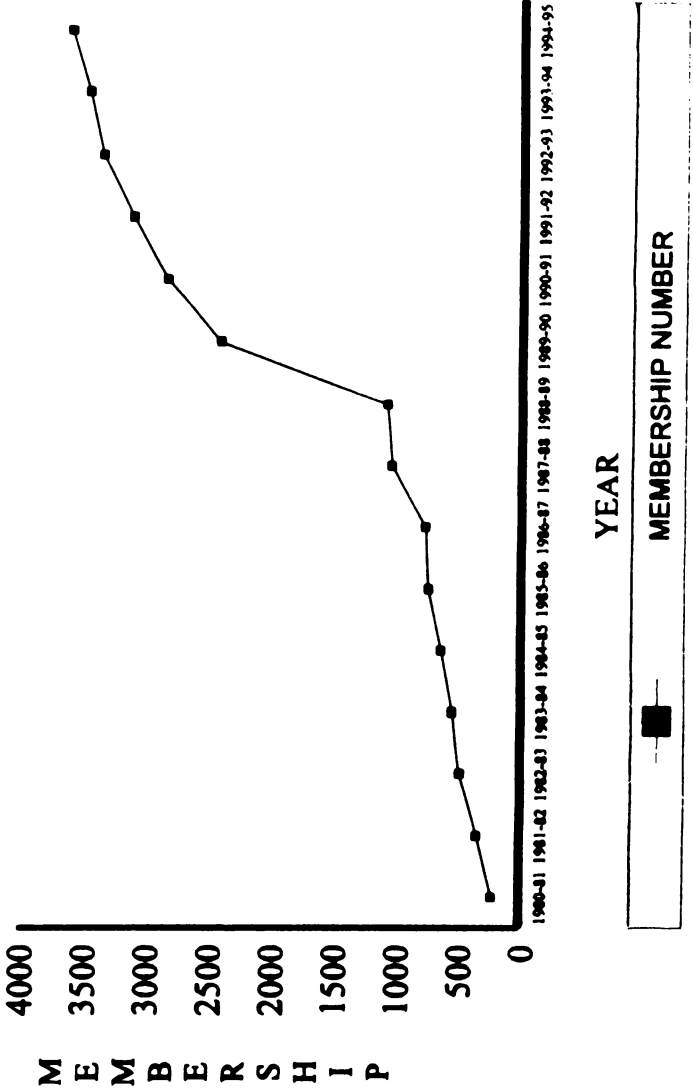
YEAR	MEMBERSHIP NUMBER	SUBSCRIBED AMOUNT (Rs. CRORE)	PAID UP AMOUNT (Rs. CRORE)
1980-81	220	15.79	14.85
1981-82	344	21.83	20.33
1982-83	487	43.14	41.89
1983-84	551	75.66	75.03
1984-85	638	94.38	93.89
1985-86	742	116.58	116.58
1986-87	769	117.14	116.85
1987-88	1039	117.52	117.15
1988-89	1081	118.54	117.64
1989-90	2407	119.59	118.31
1990-91	2833	120.15	118.65
1991-92	3108	120.72	119.3
1992-93	3347	124.86	123.32
1993-94	3456	126.95	125.36
1994-95	3595	129.29	127.72

NOTE

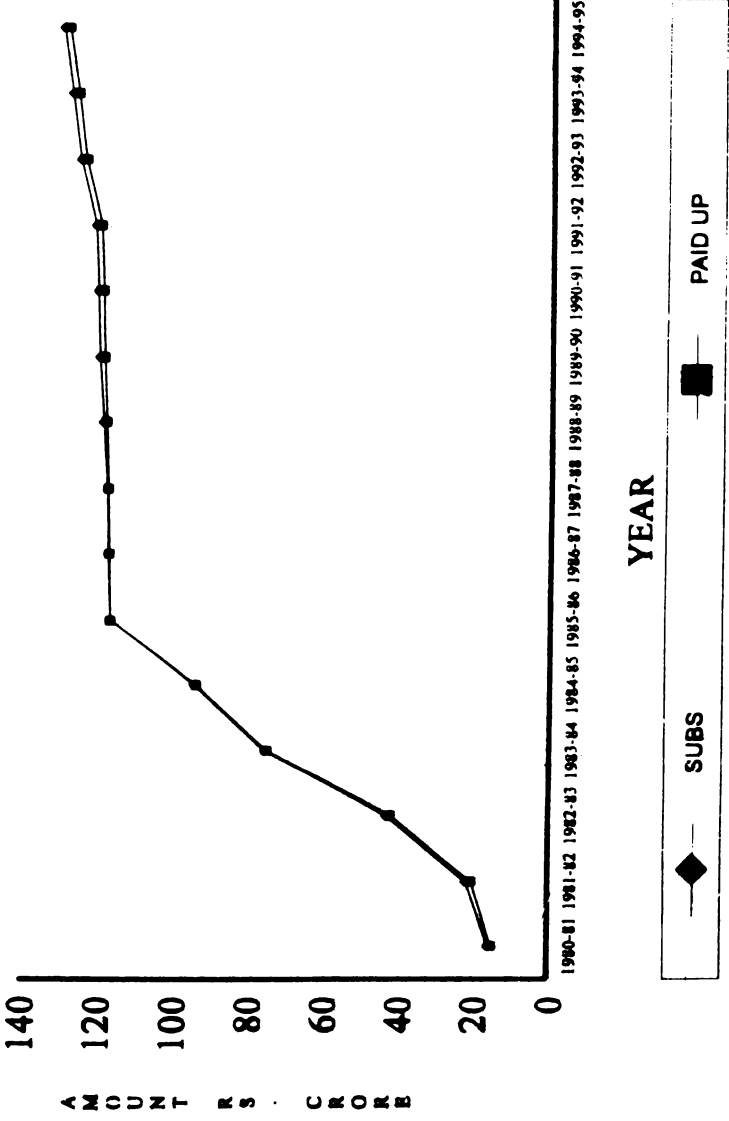
- 10 — COOPERATIVE YEAR (JULY-JUNE) FROM 1980-81 TO 1987-88.
- 1988-89 (JULY-MARCH): SWITCHOVER FROM COOP TO FIN. YR.
- FINANCIAL YR. (APRIL-MARCH) FROM 1989-90 ONWARD
- 20 — EXCLUDING MEMBERSHIP OF GOI & NCDC.

APPENDIX III

MEMBERSHIP GROWTH CHART
(KRIBHCO)



SHARE & PAID-UP CAPITAL GROWTH (KRIBHCO)



APPENDIX V

(Please see reply of the Govt. to Recommendation No. 18)

No. 19056/10/95-FCA-III
Government of India
Ministry of Chemicals & Fertilizers
(Department of Fertilizers)

New Delhi, the 4th July, 1995.

To
CMD FCI/CMD HFC/CMD MFL/CMD FACT
CMD RCF/CMD PPCL,
MD NEL/MD PPL
MD JFFCO/MD KRIBHCO

Dear Sir,

Of late, the activities relating to Research & Development in the fertilizer sector have been a matter of discussion in various Parliamentary Committees. In fact, on a couple of occasions in the recent past, the Standing Committee on Petroleum & Chemicals had specifically emphasised the need for allocation of more funds by the fertilizer undertakings for Research and Development.

2. The Standing Committee had observed that presently no fundamental research in fertilizer sector was being conducted in the country. The research organisations were engaged in consultancy type of jobs. Even the profit earning fertilizer units were hardly spending any amount on R&D. In some undertakings there was no budget head for such expenditure. The Standing Committee had also noted that in view of the limited scope for fundamental R&D work in fertilizer sector the indigenous units were concentrating more on plant trouble-shooting, improvement in plant operations etc. from the angle of achieving better energy consumption norms and utilisation of by-products. Some other areas included in this field related to effluent treatment technology, ecological upgradation etc.

3. The Standing Committee on Petroleum & Chemicals recommended that the fertilizer units should also carry out research in other areas like production of bio-fertilizers, improving use efficiency of fertilizers by way of development of new formulations, feasibility of producing mixture fertilizers viz. NPK etc. For this purpose, the quantum of funds earmarked on R&D needed to be enhanced appropriately.

4. Notwithstanding the individual efforts of fertilizer companies in undertaking R&D activities, it needs to be appreciated that there would

always be limitations in conducting in house R&D activities on account of lack of infrastructure with individual companies for such a specialised activity. PDIL, being one of the pioneer organisations engaged in R&D work in the fertilizer industry, has the necessary expertise and infrastructure in this regard. Even though the R&D activities of PDIL are being sustained by the Government through grants-in-aid, it is felt that more funds for R&D need to be allocated by the fertilizer companies to PDIL for strengthening R&D work for the overall benefit of the fertilizer industry.

5. In the endeavour of increasing your organisation's involvement in Research & Development activities, you may, therefore, consider availing of the services of PDIL. Either some of the R&D projects in hand with PDIL, could be adopted by you for sponsoring the funding or you could engage PDIL, for undertaking project specific research activities in relation to your specific requirements.

6. You are requested to review this position at your end and communicate to this department the steps taken by you in this regard.

Yours faithfully,
Sd/-

(Rakesh Kapur) -
Director

Copy to : The Chairman & Managing Director,
Projects & Development India Limited, PDIL Bhawan,
14/A, Sector-I,
Noida (Ghaziabad) - 201 301.
for taking necessary follow up actions at his end.

(2) Executive Director, Fertilizer Association of India,
10, Shaheed Jit Singh Marg, New Delhi 110061, He may like
to discuss this proposal with the fertilizer industries in
private/joint sector, for their similar involvement in this
field.

(3) JS (M)/JS (F)/ED FICC/Adviser (F)/Dir (SC)/Dir
(SKR)/JS (FSD)/Dir (SKD) with a request to monitor this
activity at the Board level in the undertakings.

(4) PPS to Secretary (F)

Sd/-
(Rakesh Kapur)
Director

APPENDIX VI

(Please see reply of the Govt. to Recommendation No. 15 at page 35)

**Farmers Education Programmes conducted by IFFCO during
1992-93—1994-95**

(Number)

PROGRAMME	1992-93	1993-94	1994-95
Two Plot Demonstration	944	709	806
Block Sowing	373	244	245
Large Scale Block Demonstration (ha.)	1942	1299	1377
Farmers Meetings	3346	2154	2035
Field Days	882	723	609
Crop Seminars	158	173	155
Critical Input Package Demon.	12893	11289	13671
Seed Multiplication (ha.)	630	2993	4330
Village Adoption	583	515	505

Expenditure on service to Farmers

(Rs. Lakhs)

ITEM	1992-93	1993-94	1994-95
Demonstration Expenditure	69.96	78.47	82.41
Benefit to farmers	92.76	94.59	147.61
Training Expenses	18.68	21.51	51.45
Other Prom. & Publicity Prog./seed multip./films. etc.	79.57	113.43	182.91
Grants to CORDET	37.92	33.30	40.20
Expenses on Farm Forestry	13.15	20.12	29.75
Integrated Rural Development Programme Around Plants	20.18	27.33	19.43
Cooperative Education Fund to NCUI	113.26	119.54	209.09
TOTAL	445.48	508.29	762.85

In addition, new programmes are being taken up which include projects on

- (a) Drip irrigation**
- (b) Bio-pesticides**
- (c) Bio-fertilisers**
- (d) Introduction of plasti-culture to farmers**
- (e) Agricultural implement**

The promotional and extension programmes form an integral part of marketing activity and the expenditure incurred on these does not take into account manpower costs, travelling costs etc.

Appendix VII

MINUTES
STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(1995-96)

FIFTEENTH SITTING
(30.10.1995)

The Committee sat from 1500 to 1540 hrs.

PRESENT

Shri Sriballav Panigrahi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Barelal Jatav
3. Dr. Ravi Mallu
4. Shri Surinder Singh Kairon
5. Shri Sant Ram Singla
6. Shri C.P. Mudalagriyappa
7. Shri V.S. Vijayaraghavan
8. Shri M. Krishnaswamy
9. Shri Gopi Nath Gajapathi
10. Shri K. Ramamurthee Tindivanam
11. Shri Janardan Prasad Misra
12. Shri Kashiran Rana
13. Shri Ratilal Kalidas Varma
14. Shri Somabhai Patel
15. Shri Hari Kishore Singh
16. Shri Devendra Prasad Yadav
17. Shri Ramnihore Rai
18. Dr. Jayanta Rongpi

Rajya Sabha

19. Shri Mohd. Masud Khan
20. Shri Jagdish Prasad Mathur
21. Shri V. Narayanasamy
22. Shri Yerra Narayanaswamy
23. Shri Ramji Lal
24. Shri S.S. Surjewala
25. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri G.C. Malhotra, — *Joint Secretary*
2. Shri G.R. Juncja, — *Deputy Secretary*
3. Shri Brahm Dutt, — *Under Secretary*

The Committee considered the Draft Reports on action taken by Government on the recommendations contained in (i) 13th Report of the Committee on 'Indian Farmers Fertilisers Cooperative Ltd. (IFFCO) and Krishak Bharati Cooperative Ltd. (KRIBHCO)' and (ii) 11th Report of the Committee on 'Molasses Pricing and Distribution'. After some discussion the Committee adopted the draft Reports.

2. The Committee also authorised the Chairman to finalise the reports after factual verification by the concerned Ministries and present the same to Parliament.

The Committee then adjourned.

APPENDIX VIII

(Vide Para 4 of the Introduction)

Analysis of the action taken by Government on the recommendations contained in the 13th report of the Standing Committee on Petroleum & Chemicals (Tenth Lok Sabha) on "IFFCO & KRIBHCO"

I.	Total number of recommendations	20
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendation at Sl. No. 1, 3, 4, 6 to 8 and 11 to 19)	15
	Percentage to total	75
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply. (<i>Vide</i> recommendation at Sl. No. 2)	1
	Percentage to total	5
IV.	Recommendations in respect of which reply of Government has not been accepted by the Committee	NIL
	Percentage to total	—
V.	Recommendation in respect of which final reply of Government are still awaited (<i>Vide</i> recommendations at Sl. No. 5, 9, 10 and 20)	4
	Percentage to total	20