

**EIGHTEENTH REPORT**  
**STANDING COMMITTEE ON**  
**PETROLEUM & CHEMICALS**  
**(1995-96)**

(TENTH LOK SABHA)

**Ministry of Chemicals & Fertilizers**  
**(Department of Fertilizers)**

**DEMANDS FOR GRANTS — 1995-96**

*Presented to Lok Sabha on* ..... 2 MAY 1995  
*Laid in Rajya Sabha on* .....



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1995/Vaisakha, 1917 (Saka)*

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Seventh Edition) and Printed by the Jainco Art India, 1/21, Sarvapriya Vihar, New Delhi—110016.

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COMPOSITION OF THE STANDING COMMITTEE ON  
PETROLEUM & CHEMICALS  
1995-96

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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 to submit the Report on their behalf, present this Eighteenth Report on Demands for Grants of the Ministry of Chemicals & Fertilisers (Department of Fertilizers) for the year 1995-96.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers (Department of Fertilisers) for the year 1995-96 which were laid on the Table of the House on 30th March, 1995.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Department of Fertilisers at their sittings held on 17th April, 1995.

4. The Committee (1995-96) considered and adopted the Report at their sitting held on 21st April, 1995.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals & Fertilisers, Department of Fertilisers for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1995-96 and for giving evidence before the Committee.

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

7. For the sake of convenience, the recommendations have been printed in bold letters.

NEW DELHI ;  
April 21, 1995  
Vaisakha 1/1917. (Saka)

STRIBALLAV PANIGRAHI,  
*Chairman,*  
*Standing Committee on Petroleum & Chemicals.*

# CHAPTER I

## REPORT

### A. 8TH FIVE YEAR PLAN AND ANNUAL PLANS

The Department of Fertilisers (DOF) in the Ministry of Chemicals and Fertilisers is entrusted with the responsibility of sectoral planning, promotion and development of fertiliser industry, planning and monitoring of production, import and distribution of fertilisers, management of subsidy for indigenous and imported fertilisers and administrative responsibility for public sector undertakings and cooperative sector units engaged in production of fertilisers. Besides Public Sector and cooperative sector units, there are several units in private sector also.

2. As against the approved plan outlay (for fertiliser units in public and cooperative sectors) of Rs. 5484 crores for the Eighth Five Year Plan (1992--97), the actual expenditure during the first 3 years of the plan has been as under :-

(Rs. in crores)

Year	Approved Outlay	Actual Exp.	Budgetary Support
1992-93	1234.00	225.88	88.19
1993-94	935.00	306.81	168.00 (R.E.)
1994-95	1041.50	772.82 (R.E.)	186.25
1995-96	1974.00		205.00

3. During the course of evidence the Committee pointed out that approved outlays in the first 3 Annual Plans had not been utilised in any of the year and 8th Plan outlay will not be fully utilised. While admitting this fact, the Secretary stated as follows:-

"There is no doubt that the outlay expenditure in the first three years of the plan period has been below the outlay. That is a self-evidence fact. You would have seen that in 1993 it was only Rs. 253.47 crores as against Rs. 512.26 crore. In 1993-94, as against Rs. 1041.5, the Revised Estimates expenditure is likely to be Rs. 772.82 crores."

4. When asked about the non-implementation of projects on account of which plan funds could not be utilised, DOF stated in a note that under utilisation of funds was attributed mainly due to delay in taking up of some projects like Vijaipur Expansion Project of NFL, Aonla Expansion Project of IFFCO, MFL expansion, retrofit of ammonia plant of RCF and some schemes of KRIBHCO.

5. When asked about the position about likely plan expenditure upto the terminal year of the 8th plan, Fertiliser Secretary stated during evidence:

"I have made an assessment about the expenditure which will be incurred in the last year of the plan on the projects which, we are confident will be underway during the Eighth Plan aperiod, which have either been sanctioned or are about to be sanctioned. The expenditure on these projects is going to be Rs. 2448 crore. The actuals for the first three years of the plan is about Rs. 1300 crore; the revised estimate for 1994-95 is Rs. 772.82 crore; the outlay for 1995-96 is Rs. 1974 crore; the anticipated outlay for 1996-97 on major projects is going to be Rs. 2448 crore; and the total is Rs. 5755 crore which is more than Rs. 5484 crore. In addition to that, we expect to spend another Rs. 600 crore on HFC & FCI. Thus, the total is going to be more than Rs. 6400 crore."

6. On being further observed by the Committee that the DOF failed to utilise the funds on annual basis and efforts were being made lately to spend in the final year, the Secretary, Fertilisers stated:

"We agree that there have been slippages in terms of expenditure."

7. As against the approved plan outlay for 8th Plan period 1992--97 the targets vis-a-vis actual production of fertilisers have been as under:—

Year	<i>(Lakh tonnes)</i>			
	<i>Nitrogen</i>		<i>Phosphate</i>	
	<i>Target</i>	<i>Production</i>	<i>Target</i>	<i>Production</i>
1992-93 (1st year of 8th Plan)	77.00	74.30	27.50	23.06
1993-94	78.00	72.31	22.00	18.16
1994-95	81.15	79.50	23.31	24.80
		(estimated)		(estimated)
1996-97	98.00	--	30.00	--



8. The Committee pointed out that targets of production in terms of N&P fertilisers had not been achieved during 1992-93 to 1994-95 except those of P fertilisers during 1994-95. Asked whether the Deptt. was hopeful to achieve targeted level of 98 lakh tonnes (in the case of N fertilisers) and 30 lakh tonnes (in the case of P fertilisers) by the year 1996-97 *i.e.* terminal year of the 8th Plan, the Secretary, Fertilisers while admitting that there had been shortfall in achieving the production targets during 8th Plan period informed the Committee as follows:—

"The Eighth Plan envisaged that the target of nitrogen and the phosphate was 98 and 30 lakh tonnes respectively and the anticipated production will be 90.17 and 30 lakh tonnes respectively. Obviously, there is going to be a shortfall."

9. When asked further about the projects which could not be completed and which led to shortfall in production, Fertiliser Secretary stated:—

"I can give you the information of where there is a shortfall, in which projects we have not been able to reach these targets. There is a difference of about 7.76 lakh tonnes between the target and what we are now anticipating will be achieved. For instance, to quote only a few, there was delay in Aonla expansion project and the Vijaipur expansion project. As a result of it we will lose 1.68 lakh tonnes production by the end of that period which we should have got last year. It will now spill over to the 9th Plan. Like-wise at that time we had taken into consideration that Indo-Gulf would expand their existing project. In the mean time between the time these projects were drawn up and actual execution the situation with regard to gas availability changed. Secondly, also there was a change in the policy system itself, about industrial policy. Shelving all the projects by the Indo-Gulf resulted in a shortfall of 3.34 lakh tonnes of nitrogen."

10. Asked about the reasons for not achieving production targets in 1994-95, DOF in a naote stated that targets of production could not be achieved due to shortage of gas, equipment, problems in some units and financial constraints in some other units.

11. **The Committee regret to note that approved plan outlays of DOF during the first three years of 8th Plan could not be utilised fully. For instance during 1992-93 as against the Annual Plan of Rs. 1234 crores, the actual expenditure was Rs. 225 crores. Similarly during 1993-94 as against the approved plan of Rs. 935 crores the actual expenditure was Rs. 306 crores. The plan for 1994-95 was reduced from Rs. 1041 crores to**

**Rs. 772 crores. A Plan Outlay of Rs. 1974 crores has been kept for 1995-96. The Secretary, Fertilisers admitted before the Committee that there had been slippages in terms of expenditure of approved plan outlays due to non-implementation of some of the projects. The Committee have now been informed that during the last 2 years of the plan project costing about Rs. 2448 crores are proposed to be taken up for implementation and the actual expenditure is likely to exceed the 8th Plan Outlay. In Committee's view, spending the Plan Outlay at the fag end of the Five Year Plan defeats the very philosophy of planned growth of industry. The Committee atleast expect now that all out efforts should be made to complete these projects well in time. The Committee also desire that for the Ninth Plan (1997-2002) the DOF should start planning right now so that approved Plan Outlays are utilised uniformly on year to year basis.**

**12. The Committee are distressed to note that even though the approved plan is likely to be fully spent by the terminal year of the 8th Plan, the production targets set for the same period will not be achieved. As per Ministry's present projections, the production of nitrogeous fertiliser would be about 90 lakh tonnes (as against the estimates of 98 lakh tonnes). Keeping in view of the large amount of foreign exchange outgo on account of imports of fertilisers, the Committee recommend that the Government should make sincere efforts to achieve the production targets.**

#### **B. ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 1995-96**

**13. Demands for Grants of the Department of Fertilisers for the year 1995-96 (Demand No. 6) laid on the Table of Lok Sabha on 30 March, 1995 have provided for the following gross provisions:-**

(Rs. in crores)

	Plan	Non-Plan	Total
Revenue Section	11.90	6370.41	6382.31
Capital Section	193.10	52.00	245.10
	205.00	6422.41	6627.41

**(The above entire amount is voted)**

14. The net budgetary provision for 1995-96 after adjusting recoveries on account of import of fertilizers (Rs. 957 crores) is as under:-

(Rs. in crores)

	Plan	Non-Plan	Total
Revenue Section	11.90	5413.41	5425.31
Capital Section	193.10	52.00	245.10
	205.00	5465.41	5670.41

15. The details of the actual of gross revenue and capital expenditure for 1993-94, Budget and Revised Estimates for 1994-95 and Budget Estimates for 1995-96 of Deptt. of Fertilizers are as under:-

No.	Major Head	Items of Expenditure	Actuals 1993-94	B.E. 1994-95	R.E. 1994-95	B.E. 1995-96
1	2	3	4	5	6	7
	<b>NON-PLAN PROVISIONS :</b>		<b>A. REVENUE SECTION</b>			
3451	1.	Secretariat Proper	2.14	2.27	2.50	2.60
2852	2.	Office of FICC	0.35	0.41	0.41	0.43
2852	3.	Subsidy on Indigenous Fertilisers	3800.00	3500.00	4000.00	3750.00
2852	4.	Subsidy on Imported Fertilisers :				
		Gross	1650.00	1700.00	2032.00	2607.00
		Recovery	1051.00	1200.00	866.00	957.00
		NET	599.00	500.00	1166.00	1650.00
2852	5.	Grant for MIS studies	0.016	0.91	0.87	0.38
2852	6.	Productivity Award in the field of fertilizer production	0.0065	0.01	0.01	0.01
2852	7.	Payment under DEB	NIL	10.00	5.00	10.00
3475	8.	Reimbursement of exchange loss to RCF in respect of loan from Kuwait.	NIL	150.88	150.88	
	<b>TOTAL REVENUE</b>		<b>4401.51</b>	<b>4164.48</b>	<b>5336.97</b>	<b>5423.42</b>

1	2	3	4	5	6	7
<b>B. CAPITAL SECTION</b>						
6855	Non-Plan Loan to PSUs:					
	1. HFC	46.00	64.25	110.00	32.00	
	2. FCI	1.50	37.50	101.50	18.50	
	3. PDIL	37.50	1.50	1.50	1.50	
<b>Total Capital Section :</b>		<b>85.00</b>	<b>103.25</b>	<b>213.00</b>	<b>52.00</b>	
<b>Total - Non-Plan :</b>		<b>4486.51</b>	<b>4257.73</b>	<b>5549.07</b>	<b>5475.42</b>	

**PLAN :****A. REVENUE SECTION**

1.	Grant under Indo-EEC Programme	0.3060	2.00	2.00	2.00	
2.	Grant to HFC for IBFEP	5.13	-	-	-	
3.	Grant to HFC for Rainfed Farming Project	1.40	1.70	1.95	2.00	
4.	Grant to KRIBHCO for Rainfed Farming Project	0.9679	3.30	3.30	3.00	
5.	Grant to PPCL for German Assisted Podder Dev. Programme.	-	0.40	0.40	0.40	
6.	Grant to PDIL for R&D	4.00	4.00	4.00	4.00	
7.	S&T Programme of Deptt.	-	0.50	0.50	0.50	
8.	Grants under Voluntary Retirement Schemes :					
	(i) FCI	-	34.00	3.00	-	
	(ii) HFC	-	34.00	3.00	-	
	(iii) PDIL	-	11.00	-	-	
	(iv) PPCL	0.50	1.00	1.00	-	
<b>Total — Grants under Voluntary Retirement Schemes :</b>		<b>0.50</b>	<b>80.00</b>	<b>7.00</b>	<b>-</b>	

1	2	3	4	5	6	7
<b>B. CAPITAL SECTION</b>						
<b>Investments in and Loans to PSUs :</b>						
	1. FCI		30.00	23.00	23.00	25.00
	2. FACT		4.00	68.50	68.50	70.00
	3. HFC		27.74	17.00	17.00	18.00
	4. PDIL		4.00	1.50	1.50	1.00
	5. PPL		31.16	34.00	36.00	50.00
	6. MFL		4.49	24.00	24.00	24.00
	7. PPCL		4.00	4.00	4.00	5.00
	<b>TOTAL PSUs</b>		<b>105.39</b>	<b>172.00</b>	<b>174.00</b>	<b>193.00</b>
4401	National Project for strengthening of fertiliser Handling and Transportation		.07	0.10	0.10	0.10
	<b>TOTAL CAPITAL SECTION</b>		<b>110.46</b>	<b>172.10</b>	<b>174.10</b>	<b>193.10</b>
	<b>TOTAL PLAN</b>		<b>122.66</b>	<b>186.10</b>	<b>186.10</b>	<b>205.00</b>
	<b>TOTAL — Department of Fertilisers</b>		<b>4603.77</b>	<b>4451.73</b>	<b>5724.92</b>	<b>5670.42</b>

16. It may be seen from the Budget Estimates for 1995-96 that out of the total revenue expenditure of Rs. 6382.32 crores subsidy on indigenous fertilisers constitutes nearly *i.e.* Rs. 3750 crores and subsidy on imports of Fertilisers constitutes 58.6%, 40.8% *i.e.* Rs. 2607 crores. Other expenditure constitutes anearly 0.17% *i.e.* Rs. 10.82 crores. R&D constitutes nearly 0.19% *i.e.* 11.90 crores and finally Secretariat constitutes Rs. 2.60 crores which constitutes 0.04%.

17. Out of the total capital expenditure of Rs. 245.10 crores investment in Public Sector enterprises constitutes nearly about 22.2% *i.e.* 54.50 crores and loans to public sector for enterprises constitutes 77.7% *i.e.* Rs. 190.50 crores.

18. It may be seen from the above that the main items of expenditure in the Revenue Section are subsidy on indigenous and imported fertilizers which

constitutes nearly 99.3% of the total revenue expenditure. Remaining 0.7% funds are shared on other expenditure covering R&D and Secretariat.

The important heads of the Demands for Grants are discussed in the succeeding paragraphs :-

## MAJOR HEAD "3451"

### Sub-Head A(1) — *Secretariat - Economic Services*

19. As against the actual expenditure of Rs. 2.14 crores during 1993-94 and a revised estimates of Rs. 2.50 crores for 1994-95 provision for Rs. 2.60 crores has been made under this Head for the year 1995-96 which is Rs. 33 lakhs more from the level of Rs. 2.27 crores in 1994-95.

20. In pursuance of the Committee's recommendation about taking economy measures the DOF had reportedly taken several economy measures. Asked about its impact, DOF replied in a note :-

"The Budget Estimates for Secretariat -Economic Services for the year 1995-96 are higher by Rs. 33 lakhs than B.E. 1994-95. There has been increase in the number of staff in the Department consequent to the winding up of the Office of the DGTD, necessitating a higher provision in the salary sub-head. Provisions have also been made for increase in the D.A. rates. The Budget Estimates for 1995-96 also include a provision for expenditure on the office of Minister (C&F), which was not included in B.E. 1994-95. Further, there has been all round increase in the telegraph rates, telephone call charges, price of stationeries and support services.

In order to effect economy under the sub-head 'Office Expenses', O.T.A. and Travel Expenses etc., the projected expenditure on travelling allowance, overtime, operation of vehicles and acquisition on new articles has been kept to the minimum. The ceilings of O.T.A. and consumption of petrol have also been revised downwards."

21. The Committee note that under the Head Secretariat and Economic Services the level of expenditure in the Budget Estimate has increased by Rs. 33 lakh during the year 1995-96 over 1994-95. This increase has mainly been on account of increase in the number of staff consequent upon winding up of the office of DGTD, necessitating a higher provision in

salary sub-head. The Committee would like the Ministry to keep a constant vigil over its expenditure so that funds are not sought for in the form of supplementary grants in the later part of the year.

22. While examining last years Demands the Committee had recommended for taking adequate economy measures not only in the administrative Ministry but also in Public Sector Undertaking/bodies under the administrative control of the Ministry. The Ministry have informed that necessary guidelines were issued by them and follow -up action taken to monitor the expenses and operational costs of the undertakiangs. The Committee desire that the Ministry should make assessment of the impact of the economy measures on yearly basis. The Committee would also like to be apprised of the impact of economy measures on the operational costs of PSU's.

#### MAJOR HEAD 2401

##### *Sub-Head B1 — Imports of Fertilisers*

23. The following table shows the amount earmarked for import of fertilisers and recoveries made on this account for year 1993-94, 1994-95 and proposed for 1995-96 :-

(Rs. in crores)			
Year	Amount for Import of Fertilisers	Recoveries	Subsidy net on imported fertilisers
1993-94	1650 (Actuals)	1051	599
1994-95 (B.E.)	1700	1200	500
1994-95 (R.E.)	2032	866	1166
1995-96 (B.E.)	2607	957	1650

24. During the course of examination of the Ministry the Committee pointed out that there have been wide fluctuations between Budget and Revised Estimates for 1994-95 and in Budget Estimates 1995-96. On being asked by the Committee whether the revision of targets by over Rs. 300 crores or so could be

avoided if the estimates were based on past year's experience, DOF in a written note informed as follows :-

"Gross expenditure and subsidy outgo on imported fertilizers depend on a variety of factors including meteorological conditions, changes in cropping pattern, levels of indigenous production and opening stocks of controlled fertilizers and the fluctuations in the international urea market and freight rates. While the experience of previous years certainly helps in imparting a greater accuracy to the exercise of estimation preceding the formulation of the Budget, the large number of variables and exogenous factors at times lead to significant deviations from Budget estimates. The variation of over Rs. 300 crores between the BE and RE 1994-95 in respect of imported fertilisers has to be viewed in this context."

25. The Committee wanted to know about the reasons for rising trend in net subsidy on imported Urea which had increased from of Rs. 1166 crore in 1994 - 95 to Rs. 1650 crores in 1995 - 96 the Fertiliser Secretary stated :-

"I will not be able to tell you that because that is a commercially sensitive information. Two things have happened. Prices have gone up in the international market. We have assumed a certain quantity which we will have to import."

26. The Committee note that provisions for import of fertilisers has been raised from Rs. 2032 crores in 1994-95 to Rs. 2607 crores in 1995-96. In the context of sharp rise under the 'Head' the Committee have been informed that the Budget provisions are made taking into consideration the gap between likely consumption and indigenous availability of fertilisers. The Committee desire that Government should operate the import content with a view to avoid any shortage of fertilisers in the country and at the same time growth of indigenous fertiliser industry is not hampered in any way.

#### MAJOR HEAD 2852

##### *Sub-Head 1(1) Fertiliser Subsidy — Payment under Fertiliser Retention Price Scheme/Freight Subsidy*

27. The quantum of subsidy during the year 1993-94 and 1994-95 has been Rs. 3798 crores and Rs. 4000 crores respectively. The proposed amount



for the same has been fixed at Rs. 3750 crores for the year 1995-96. The fertiliser wise break-up is as under :-

(Rs. in crores)							
Year	N	P	SSP	Total	Payment under Freight Subsidy	others	Total
1993-94 (Actuals)	3149	88	101	3338	434	26	3798
1994-95 (B.E.)	2800	240	15	3055	400	45	3500
Revised 1995-96 (B.E.)	3166	184	38	3388	535	77	4000
	3005	50	5	3060	620	70	3750

28. The Committee wanted to know the reasons for fluctuations in Budget Estimates, Revised Estimates for 1994-95 and Budget Estimates for 1995-96. DOF in a written note stated as follows :-

"For 1995-96, Budget Estimate of Rs. 3750 crores has been kept for payment of subsidy on indigenous fertilizers. The actual expenditure on this account during 1994-95 is estimated at Rs. 4075. This included disbursement of approximately Rs. 960 crores as part payment on account of implementation of policy parameters for the VI Pricing Period. Thus, there is an increase of about Rs. 635 crores in the B.E. for 1995-96 for payment of subsidy on indigenous fertilizers. The additional amount would be required partly for disbursement of arrears on account of implementation of VIth Pricing Parameters which could not be released last year and partly for higher estimates of indigenous production to the extent of about 6 lakh tonnes of area. Besides, as a result of revision in the retention price, higher amount of subsidy would be required to be paid."

29. Asked whether the provision of Rs. 3750 crores would be sufficient for 1995-96, Fertiliser Secretary stated during evidence :-

"The Government's commitment is not to the quantum of subsidy. It is the difference between the sale price and the retention price. So the figures in the budget or an assessment of what that amount is going to be and that assessment is done at a particular point of time every year when the budget exercise is undertaken, taking into consideration all the factors. We assess what is going to be the likely escalation levels, how

much more we are going to pay to the industries and what is the possible level of inflation, what is going to be the difference. This (1994-95) year's revised estimates included about Rs. 960 crore of last year which was past arrears of the fixed pricing formula which was given retrospective effect in 1991 when it was due. The next year's assessment as of today on the basis of how much area is going to be consumed, including the trends we have projected for growth. The Price we expect is the retention price, plus there is a certain element of arrear payment in regard to fixed pricing of Rs. 125 crores or so. So, we make the past estimate of requirements of funds at a given point of time on the basis of factors of which we have some knowledge."

30. In the context of the present imbalance in use of fertilisers the Committee wanted to know the factual position with regard to continuance of subsidy for P&K fertilisers for 1995-96. In a written note informed the Committee as follows :-

"Based on the recommendations of the JPC on Fertiliser pricing, all phosphatic and potassic fertilisers were decontrolled w.e.f. 25.8.1992. However, to cushion the impact of increase in the prices of these fertilisers in the open market, Department of Agriculture and Cooperation is implementing a scheme of special concession on these decontrolled fertilisers. That Department has been made necessary provision in their budget for continuance of this scheme during 1995-96."

31. The Committee find that as against the expenditure of Rs. 4050 crores as subsidy on indigenous nitrogenous fertilisers during 1994-95, a provision of Rs. 3750 crores has been made for 1995-96. Explaining the reasons for shortfall in provision for the current year Fertiliser Secretary informed the Committee that last year's expenditure included payment of Rs. 960 crores as arrears payable under the VIth Pricing. In view of growth rate in consumption of fertilisers, the Committee would like the Ministry to ensure that production/consumption of fertilisers is not hampered on account of reduction in last years level of subsidy on nitrogenous fertiliser. They accordingly recommend that budget allocations under the 'head' should be enhanced right now, if necessary.

#### **Subsidy on Decontrolled Fertilizers**

32. As against the actuals for phosphatic fertilisers of Rs. 88 crores during the year 1993-94, B.E. were Rs. 240 crores during the year 1994-95 and the same were revised to Rs. 184 crores. A provision of only Rs. 50 crores for the purpose

has been made for the year 1995-96. The corresponding figures for SSP fertilisers are Rs. 101 crores, Rs. 15 crores, Rs. 38 crores and only Rs. 5 crores respectively.

33. The Committee wanted to know the reasons for lowering down the subsidy grant for phosphatic fertiliser, DOF informed the Committee in a note as follows :-

"Phosphatic fertilizers (including SSP) and Potassic fertilizers were decontrolled w.e.f. 25.8.1992 and hence taken out of the purview of Retention Price-cum-Subsidy scheme. During 1993-94, subsidy to the extent of Rs. 88 crores was paid to the units manufacturing phosphatic fertilisers in respect of claims for the period prior to 25.8.1992. During 1994-95, a provision of Rs. 240 crores was made for payment of subsidy (for the period upto 25.8.1992) on phosphatic fertilisers assuming the impact of policy parameters for the VIth Pricing Period effective from 1.4.1991. Since the revised notifications on account of impact of VIth Pricing period had not been issued while preparing the Revised Estimates, the provision was reduced to Rs. 180 crores. With the issue of revised notifications, as per the VIth Pricing Policy parameters, actual expenditure of the order of Rs. 298.75 crores was incurred. A provision of Rs. 50 crores has been made for 1995-96 in order to make balance payments to the phosphatic units on account of certain pending claims.

As stated above, all phosphatic fertilisers including SSP were decontrolled w.e.f. 25.8.1992, hence units manufacturing these fertilizers are no longer eligible for subsidy under the Retention Price-cum-Subsidy Scheme w.e.f. that date. A provision of Rs. 5 crore has been made for 1995-96 for payment of subsidy to SSP units only on account of certain pending cases which pertain to the period before decontrol."

34. The Committee regret to note that provisions of subsidy for P&K fertilisers have come down considerably during the last 3 years. For instance for phosphatic fertiliser the provision has come down from Rs. 240 crores in 1994-95 to Rs. 50 crores in 1995-96. Similarly for SSP fertiliser the provision has come down from Rs. 101 crores in 1993-94 to Rs. 5 crores in 1995-96. The Committee have been informed that provisions in the current year's Demand are for outstanding payments as after decontrol of these fertilisers w.e.f. 25.8.1992, subsidy element has been withdrawn. The Committee also find that to offset the imbalance use in fertiliser Ministry of Agriculture make provision in then Demands for providing adhoc subsidy on P&K fertilisers @Rs.1000 per metric tonne. The Committee recommend that the Government should take all necessary steps to bring the consumption pattern

of NPK fertilisers to the ideal ratio of 4:2:1. To achieve this objective, the Committee feel that there is need to increase the quantum of subsidy for P&K fertilizers.

## RESEARCH & DEVELOPMENT

35. The following table shows the R&D allocations under the DOF during the last 3 years :-

<i>Year</i>	<i>Rs. in crores</i>
1992-93	15.73
1993-94	11.80
1994-95 (B.E.)	11.90
1994-95 (R.E.)	12.15
1995-96	11.90

36. During the course of examination the Committee pointed out that in their earlier Reports they have been emphasising the need for enhancing R&D budget for fertilizer industry. Asked about the reasons for not enhancing R&D budget, DOF in a note stated :-

" The R&D expenditure of the Department of Fertilizers falls in the following three categories :

- (a) Agriculture education and extension and rural development programmes undertaken with financial assistance from foreign agencies;
- (b) Grant to PDIL for R&D;
- (c) Science & Technology Programme of the Department.

The outlay for agriculture extension and education and rural development programmes depends on the approval of projects by the donor agencies. A project seeking assistance from EEC is pending decision with them. ODA has sanctioned a rainfed farming project for Eastern India to be implemented by KRIBHCO. This is a 5-year project. ODA proposes to provide a grant of 8.09 million Sterling Pounds over a 5-years period beginning from 01.04.1995. KRIBHCO's contribution would be equivalent to 0.5 million Sterling Pounds. This would replace the existing Rainfed Farming Project being implemented by HFC. The expenditure on this project for 1995-96 is 1.21 million Pound Sterling. This would be taken care of at the R.E. stage during 1995-96.

There is very little scope for improvements through indigenous R&D efforts in various processes being offered by the process licensors in the core area of fertilizer technology. A token provision of Rs. 50 lakhs has been made in the budget estimates of 1995-96 only as a matter of abundant caution, so that the Government could provide assistance in case undertaking comes up with a viable proposal for financial assistance to carry out scientific studies in non-core areas.

It may also be mentioned that the fertilizer companies are continuously adopting technological improvements resulting in energy efficiencies which are being developed elsewhere".

37. Explaining it further Fertilizer Secretary stated during evidence :-

"This point has been discussed earlier in the context of the examination of IFFCO and KRIBHCO. I have seen all the opinions on this of the representatives of industry. I had a discussion with the representatives of FAI. There is obviously some difference in perception between the Committee and others, on what should be done in this area. The industry's point of view is that there is limited scope for basic research because the processes by which these products are produced is really very costly. That is not possible to be done by us because we are buying processes. We are doing some kind of an adaptive research in the areas of saving energy. It is a very critical item and saving some inputs and that kind of research is being undertaken by the industry."

**38. The Committee note that R&D expenditure for fertilizer industry has not been enhanced during the last 3 years. The Committee have been informed by the Ministry that for technology of fertilizer there is limited scope for basic research. The Committee feel that by keeping the budget for R&D at same level during last 3 years, the research activities might have reduced in real terms. The Committee reiterate their recommendation made in their earlier Reports that R&D activities should be carried out in all possible areas like energy saving, affluent treatment, ecological upgradation, production of bio-fertilizers, production of mix (NPK) fertilizer etc. Requisite funds should also be raised for this purpose.**

**The Committee regret to note that inspite of their recommendation made in 3rd Report, R&D budget for fertilizer industry has not been enhanced. They, therefore, recommend that in addition to enhancing R&D budget of PSUs /Cooperatives, private units should also be asked to contribute for R&D activities.**

**MAJOR HEAD "6855"***Sub-Head BBI — Investments in Public Sector and other undertakings*

39. The following table brings out the investment trends in various PSUs by the Government :—

(Rs. in crores)								
Year	FCI	PPCL	HFC	PDIL	MFL	FACT	PPL	Total
1993-94 (Actuals)	18.00	4.00	3.74	2.00	4.49	4.00	31.16	67.39
1994-95 (B.E.)	10.00	3.00	7.00	1.00	-	8.00	28.00	57.00
(Revised)	10.00	3.00	7.00	1.00	-	8.00	30.00	59.00
1995-96 (B.E.)	10.00	2.00	8.00	0.50	-	-	34.00	54.50

40. During course of examination the Committee wanted to know the reasons for declining trends in investment in sick PSUs viz. FCI, HFC and PDIL particularly when these PSUs have been referred to BIFR, DOF in a note stated :—

"FCI, HFC and PDL had been declared as sick companies in 1992. Pending finalisation of their revival package(s), the Government has been making available the requisite funds for completion of the continuing plan schemes and for enabling these companies to undertake the essential renewals/replacements of equipments for continued production. The implementation of major investment schemes has been kept in abeyance pending a decision on the long term future of these companies so that further capital expenditure is made commensurate with the type of revamp to be undertaken for these companies. The Government has, however, been providing adequate non plan budgetary support, to the extent possible, to enable these companies to keep their plants in operation."

Asked about the impact of those investments, DOF stated in a note :—

"The investment made for essential renewals and replacement of equipment in the sick PSUs has led these sick companies to continue production activity. In the event of continued shut-down for want of funds, the plant conditions would have deteriorated considerably.

Adequate upkeep of the plants would facilitate the revamp of these units if a decision on their revival is taken."

41. During the course of examination the Committee pointed out that they were informed in August 1994 that BIFR has not granted further extension to DOF for finalising revival packages for FCI and HFC had directed Operating Agency viz. ICICI to evaluate all the alternatives of rehabilitation of FCI and HFC including possible change over of managements within 3 months time. In this connection the Committee wanted to know whether the Government submitted the revival packages and what was the latest position in this regard, the DOF in a written note stated as follows :-

"After the receipt of the Report of the Operating Agency viz. ICICI Ltd. in January, 1995 the revival proposals were examined by a Committee of officers in March, 1995. The matter is now awaiting consideration by the competent authority in the Government for finalising the Government's stand on the long term future of these sick companies."

42. Elaborating the latest position in this regard during evidence, Secretary Fertilisers also stated that the issue of revival of sick units of FCI and HFC would be decided by a Group of Ministers at their meeting likely to be held in April, 1995.

## MAJOR HEAD 7855

### *Sub-Head CCI — Loans to Public Sector and other undertakings*

43. Apart from investment, the Government has been providing plan and non-plan loans to PSUs like HFC, PDIL, FCI, MFL etc. Quantum of such loans has been as under :-

(Rs. in crores)

Year	Plan	Non-Plan	Total
1993-94 (Actuals)	43.00	85.00	88.00
1994-95 (B.E.)	115.00	103.25	218.25
(Revised)	115.00	213.00	328.00
1995-96 (B.E.)	138.50	52.00	190.50

44. During the course of evidence the Committee wanted to know the reasons for lowering the provisions of loan for PSUs in 1995-96 particularly when revival packages of HFC and FCI were likely to be approved during the year. Fertiliser Secretary replied :-

"As a matter of fact, the hallmark of sickness in an industry is that if it is not able to meet its current fund requirements in terms of working capital, it is sick. To that extent, had some of the units been given injection of fund, they would not have become sick. But the Government's policy is that unless a availability plan is prepared, no funds are released. I can tell you that in the last November, the Government released some additional funds to FCI and HFC to the tune of Rs. 110 crore as a result of which, two units which were closed down, started production and the rest of the units remained in production. My Department's endeavour is that before a final view is taken by the Government on the rehabilitation of these units, they should continue to produce."

45. When pointed out further that funds for HFC/FCI were too low, the witness stated :-

"This is taken allocation and in case, the Government agrees to revitalise and rehabilitate all the projects, then the Government would have to make arrangements for additional funds, whether it makes through budgetary demands or encourage the financial institutions to help them. Then that package will also say how that money which is required to rehabilitate those units will be financed. So, at the moment, this is only token provision."

46. Asked whether the non-plan loans have helped in improving the production and financial performance of concerned PSUs, DOF in a note stated :-

"The non plan loans have helped the PSUs in improving their performance. A sum of Rs. 45.75 crores for HFC and Rs. 64 crores for FCI was released in November 1994 over and above the existing budget provision of Rs. 64.25 crores and Rs. 37.50 crores for HFC and FCI, respectively. As a result of this additional support, the companies resumed production in their units under shut down and were also able to sustain the production in the operating units. Since the additional funds were released by the end of November, 1994, HFC and FCI are likely to achieve the committed output of 2 lakh MT (HFC) and 2.66 lakh MT (FCI) for the 5 months period by middle of April, 1995."



47. The Committee note that provisions for loans to fertiliser units viz. HFC, FCI, PDIL and MFL etc. for the year 1995-96 have been reduced considerably. As against the quantum of assistance of Rs. 328 crores in 1994-95 the provision for 1995-96 has been kept at Rs. 190.50 crores only. The Committee find this provision quite inadequate particularly when some of these units viz. HFC, FCI and PDIL are declared sick and have been referred to BIFR.

48. The Committee also regret to note that even though FCI and HFC were referred to BIFR as back as 1992, the revival packages of these units are yet to be finalised. The matter is now reportedly before the Group of Ministers. As recommended by the Committee in their earlier Reports, they once again reiterate that revival packages of these PSUs should be finalised without any further loss of time. Needless to emphasise Government. should make necessary funds available for implementation of revival packages during the current financial year itself.

49. The Committee feel that the revival packages of FCI/HFC units should have been approved by now. This would have enabled the Ministry to provide necessary funds to these PSUs in the Demands itself.

NEW DELHI ;  
 April 21, 1995  
 Vaisakha 1/1917. (Saka)

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