23

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1995-96)

TENTH LOK SABHA

MINISTRY OF CHEMICALS & FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

TWENTY THIRD REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

November, 1995/Agrahayana, 1917 (Saka)

TWENTY THIRD REPORT

STANDING COMMITTEE ON PETROLEUM AND CHEMICALS

(1995-96)

(TENTH LOK SABHA)

DEMANDS FOR GRANTS 1995-96

[MINISTRY OF CHEMICALS & FERTILIZERS]
(DEPARTMENT OF FERTILIZERS)

[Action Taken by Government on the Recommendations contained in the 18th Report of the Standing Committee on Petroleum & Chemicals]

Presented to Lok Sabha on 17 DEC 1995
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LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

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

Shri Sriballav Panigrahi — *Chairman*

MEMBERS

Lok Sabha

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40. Shri Yerra Narayanaswamy
41. Shri Ramji Lal
42. Shri Chimanbhai Haribhai Shukla
43. Shri Balbir Singh
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* Ceased to be Member of the Committee consequent upon their appointment as Ministers in the Council of Minister *w.e.f.* 19th September, 1995.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Twenty Third Report on Action Taken by Government on the recommendations contained in the Eighteenth Report of the Standing Committee on Petroleum and Chemicals (1995-96) (Tenth Lok Sabha) on 'Demands for Grants of the Ministry of Chemicals and Fertilizers, Deptt. of Fertilizers for the year 1995-96'.

2. The Eighteenth Report of the Committee was presented to Lok Sabha on 2nd May, 1995. Replies of Government to all the recommendations contained in the Report were received on 3rd November, 1995.

3. The replies of the Government were considered by the Committee on 16th November, 1995. The Committee considered and adopted the Report at their sitting held on 16th November, 1995.

4. An analysis of action taken by Government on the recommendations contained in the Eighteenth Report (1995-96) of the Committee is given in Appendix III.

NEW DELHI ;
28 November, 1995
7 Agrahayana, 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 Eighteenth Report (1995-96) (Tenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals on 'Demands for Grants of the Ministry of Chemicals and Fertilizers, Deptt. of Fertilizers for the year 1995-96' which was presented to Lok Sabha on 2nd May, 1995.

2. Action Taken notes have been received from the Government in respect of all the 11 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/observations which have been accepted by the Government;
Sl. Nos. 1 to 6, 8 and 9.

(ii) Recommendation/observation which the Committee do not desire to pursue in view of the Government reply;
Nil

(iii) Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee.
Sl. No. 7.

(iv) Recommendations/observations in respect of which final replies of the Government are still awaited.

Sl. Nos. 10 and 11.

3. The Committee desire that final replies in respect of 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. PROJECT PLANNING FOR NINTH FIVE YEAR PLAN

Recommendation Nos. 1 & 2 (Para Nos. 11 & 12)

5. In the context of non-utilisation of plan funds in the initial years of 8th Five Year Plan the Committee had recommended that for Ninth Plan (1997–2002) the DOF should start planning right now so

that approved plan outlays could be utilised uniformly on year to year basis.

6. In their reply the Ministry have stated that in order to bridge the gap between demand and supply of fertilisers several new as well as expansion projects totalling 25.20 M.T. capacity of ammonia/urea are under active consideration.

7. The Committee would like the Government to prepare a time bound programme for processing and finalising the fertiliser projects planned for 9th Five Year Plan. This step will help in creation of indigenous additional production capacity well in time as also in reducing the huge import bill on account of fertilisers which is presently of the order of about Rs. 2600 crores per annum.

B. ALLOCATION OF MORE FUNDS FOR GIVING AD-HOC SUBSIDY FOR P & K FERTILISERS

Recommendation Sl. No. 7 (Para No. 34)

8. The Committee had noted that provision of subsidy for Phosphate and Potash (P & K) fertilisers had come down considerably during the last 3 years. For instance for phosphatic fertilisers the provision had come down from Rs. 240 crores in 1994-95 to Rs. 50 crores in 1995-96. Similarly for Single Super Phosphate (SSP) fertiliser the provision had come down from Rs. 101 crores in 1993-94 to Rs. 5 crores in 1995-96. The Committee were informed that provisions in the current year's Demand were for outstanding payments as after decontrol of these fertilisers w.e.f. 25.8.92, subsidy element had been withdrawn. The Committee also found that to offset the imbalance use in fertiliser, the Ministry of Agriculture had been making provision in their Demands for providing *adhoc* subsidy on P & K fertilisers @ Rs. 1000 per metric tonne. In this context the Committee recommended 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 was of the opinion that there was need to increase the quantum of *adhoc* subsidy for P & K fertilisers.

9. In their reply the Ministry have stated that subsequent to the decontrol of price, movement and distribution on Phosphatic and Potassic fertilisers with effect from 25.8.1992 Government of India is implementing a scheme of concession on sale of these decontrolled fertilisers to the farmers from Rabi 1992-93. During the years 1992-93, 1993-94 and 1994-95, funds amounting to Rs. 339.73 crores, Rs. 531.27 crores and Rs. 514.27 crores respectively were released. The scheme is being continued during 1995-96 and a provision of Rs. 500 crores was

made in BE 1995-96 for this purpose. The Ministry have further stated:—

"The purpose of giving concession on decontrolled phosphatic and potassic fertilisers is to improve their consumption so as to improve the declining NPK ratio. The NPK ratio has improved in the last three years as follows:—

1992-93	9.5 : 3.2 : 1
1993-94	9.7 : 2.9 : 1
1994-95	8.2 : 2.5 : 1

It has not been possible to increase the quantum of subsidy due to financial constraints."

10. The Committee regret to note that *ad hoc* subsidy for P & K fertilisers has come down from Rs. 531.27 crores in 1993-94 to Rs. 514.27 crores in 1994-95. The proposed outlay for 1995-96 has been further reduced to Rs. 500 crores. Keeping the inflation aspect in view, the quantum of assistance must have reduced in real terms. Since the NPK ratio is still imbalanced one *i.e.* 8.2 : 2.5 : 1 (as compared to ideal ratio of 4 : 2 : 1) the Committee reiterate their earlier recommendation that the quantum of subsidy for P & K fertilisers should be enhanced appropriately.

C. FINALISATION OF REVIVAL PACKAGES FOR FCI AND HFC

Recommendation Sl. Nos. 10 and 11 (Para Nos. 48 and 49)

11. The Committee had regretted that even though FCI and HFC were referred to BIFR as back as 1992 the revival packages of these units were yet to be finalised and the matter was reported to the Group of Ministers. The Committee had recommended that revival packages of these PSUs should be finalised without delay and necessary funds for implementation of revival packages be made available during 1995-96.

12. The Government in their reply have stated:—

"...BIFR appointed Industrial Credit and Investment Corporation of India Limited (ICICI) as the Operating Agency on 16.03.1994 with direcitons to submit revival scheme within three months. The BIFR further directed ICICI on 14-15.07.94 to independently evaluate all available alternatives for revival of these companies form the angles of technical/economic viability including change in management. ICICI submitted its reports to this Department in the first week of January, 1995. The reports were further discussed by ICICI in joint meetings with employees unions/association, cocnerned State Governments and Banks on 10/11.01.1995 as well as before the BIFR in the hearings held on 19.01.95.

In the meantime, the Department of Fertilizers have finalised the revival proposals, with the approval of competent authority in the Government of India. These revival proposals involve a fresh investments of Rs. 2201.13 crores (Rs. 464.93 crores for HFC and Rs. 1736.20 crores for FCI).

Keeping in view the magnitude of fresh investment required for revival of these companies, the possibility of funding their revamp by financial institutions and/or financially strong cooperative undertakings/PSUs in the fertilizer sector is being explored. As soon as the financial arrangements are tied up, the revival packages of HFC and FCI would be submitted to BIFR for approval."

13. The Committee note that DOF have at last finalised the revival proposals in respect of HFC and FCI involving fresh investment of the order of Rs. 464.93 crores and Rs. 1736.20 crores respectively. The Committee have also been informed that keeping in view the magnitude of the above fresh investment, the possibility of funding their revamp by financial institutions and or financially strong cooperative undertakings/PSUs in fertiliser sector is being explored. After funds for implementation of above revival packages are tied up, these packages would be submitted to BIFR for approval. Since the matter has already been considerably delayed, the Committee desire that DOF should make sincere efforts to explore all possibilities for arranging the funds for above revival packages. Needless to emphasise that after ensuring BIFR's approval, effective steps would be taken to implement the revival packages expeditiously.

CHAPTER II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Para No. 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, Fertilizers 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 at least 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.

Recommendation Sl. No. 2 (Para No. 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 nitrogenous 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 fertilizers, the Committee recommend that the Government should make sincere efforts to achieve the production targets.

Reply of the Government

The observations of the Standing Committee have been noted for compliance. All out efforts are being made to expedite the completion of the fertilizer plants being set up during the 8th Plan. The revised schedule of financial outlays of the public sector enterprises/ cooperatives under the administrative control of this Department is given below:—

(Rs. in crores)

Sl. No.	Project	Project Cost	Outlay for 1995-96	Anticipated outlay for 1996-97
1.	Aonla Expansion Project of IFFCO	960.00	340.00	484.00
2.	Vijaipur Expansion Project of NFL	987.30	360.00	507.00
3.	Expansion Project of MFL	487.47	243.00	136.00
4.	Ammonia replacement Project of FACT	618.43	150.00	410.00
5.	Kalol Expansion Project of IFFCO	119.08	20.00	75.00
6.	Phulpur Expansion Project of IFFCO	993.60	15.00	514.00
7.	Kandla Expansion Project of IFFCO	191.00	46.00	66.00
8.	Thal ammonia Project of RCF at Thal (Retrofit)	115.93	35.00	76.00
9.	Oman-India			
	(i) KRIBHCO Fertilizer Project	177.18	72.00	16.50
	(ii) RCF Project	177.18	72.00	16.50
		354.36		
10.	Nitrophosphate Project of KRIBHCO at Hazira	601.38	57.00	171.00

In addition, the outlay for the rehabilitation schemes of HFC and FCI is expected to be Rs. 145.00 crores and Rs. 459.91 crores, respectively.

In order to bridge the gap between demand and supply of fertilizers the following ammonia-urea project are under active consideration. These are likely to be commissioned during the 9th Plan :—

(in lakh MTs of 'N')

Sl. No.	Details of the Project	Capacity
1.	NFL Panipal Expansion Project	3.34
2.	KRIBHCO Hazira Expansion Project	3.34
3.	IFFCO's Nellore Project	3.34
4.	CFCL Expansion Project at Gadepan	3.34

In order to augment the indigenous fertilizer production further, the following ammonia-urea projects have been proposed. These are at present at an exploratory stage :—

(in lakh MTs of 'N')

Sl. No.	Details of the Project	Capacity
1.	Reliance Assam Petrochemical Ltd., Assam	3.34
2.	Escorts Ltd., Punjab	3.34
3.	IFFCO/KRIBHCO, Qeshm Island, Iran	3.34
4.	SPIC, UAE/Oman/Qatar	1.82

[Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Comments of the Committee

Please *see* Para 7 of Chapter 1 of the Report.

Recommendation Sl. No. 3 (Para No. 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.

Reply of the Government

Under the Head "Sectt. & Economic Services" an amount of Rs. 260 lakhs has been provided for in the Budget for 1995-96. There is likely to be an expenditure of Rs. 296.49 lakhs during the current year under this head. The main increase is due to spurt in expenditure on telephone bills, purchase of modern office equipments, renovation/ maintenance of offices etc. No additional fund is required for the salaries. The Department is maintaining a constant vigil to curtail the secretariat expenses.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Recommendation Sl. No. 4 (Para No. 22)

While examining last year 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 undertakings. 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 PSUs.

Reply of the Government

The Public Sector companies were asked to follow the guidelines issued by the Government of India from time to time in their undertaking. The PSUs have intimated that the economy instructions are being followed by them in letter as well as in spirit and they have also intimated that they have been able to curtail the expenditure. The Department shall assess from time to time the impact of various instructions on economic measures issued by the Government of India to contain the expenditure in PSUs.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Recommendation Sl. No. 5 (Para No. 26)

The Committee note that provisions for import of fertilizers has been raised from Rs. 2023 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 fertilizers. The Committee desire that Government should operate the import content with a view to avoid any shortage of fertilizers in the country and at the same time growth of indigenous fertilizer industry is not hampered in any way.

Reply of the Government

The recommendations of the Committee regarding operation of the import content of the Budget, so as to avoid shortages of fertilizers in the country without affecting the growth of indigenous fertilizer industry, is being implemented. The season-wise demand of urea, which is the only fertilizer subjected to price and distribution control at present, is assessed by the Ministry of Agriculture in consultation with the State Governments and the Department of Fertilizers. Allocations under the Essential Commodities ACT (ECA), 1955, are made to meet the assessed demand of the States. The overall satisfaction of ECA allocation in the two crop seasons for 1994-95 was 101% in Kharif 1994 and 102% in Rabi 1994-94.

While making the ECA allocation of the States, allocation of the entire indigenous production is made first. The deficit is met through imports, after taking into account the opening stocks in the field and the estimated indigenous production. In case the anticipated demand does not materialise, the entire indigenous production is allocated on priority and the imported material is held in stock on Government account. By this system, it is assured that the indigenous fertilizer industry is not affected by imports which are arranged only to fill the gap between demand and supply.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Recommendation Sl. No. 6 (Para No. 31)

The Committee find that as against the expenditure of Rs. 4050 crores as subsidy on indigenous nitrogenous fertilizers 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 Fertilizer 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 fertilizers, the Committee would like the Ministry to ensure that production/consumption of fertilizers is not hampered on account of reduction in last years level of subsidy on nitrogenous fertilizer. They accordingly recommend that Budget allocations under the "Head" should be enhanced right now, if necessary.

Reply of the Government

Additional requirement of funds for payment of subsidy on indigenous fertilizers is being reviewed now. The additional requirement has arisen to accommodate the revision in the retention price which is made on the quarterly basis due to escalation in input cost, escalation in freight subsidy and other past liabilities.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Recommendation Sl. No. 8 (Para No. 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 the last three 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, effluent treatment, ecological upgradation, production of bio-fertilizers, projection of mix (NPK) fertilizer etc. Requisite funds should also be raised for this purpose.

The Committee regret to note that in spite 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 PSVs/Cooperatives, private units should also be asked to contribute for R&D activities.

Reply of the Government

In pursuance of the above recommendation of the Standing Committee, the Department of Fertilizers has issued general guidelines to the Public Sector and Cooperative undertakings under its administrative control on 4.7.95 (copy enclosed) Appendix-I. These guidelines emphasize the need for higher allocation of Research & Development (R&D) in all aspects of production and use of fertilizers, including effluent treatment ecological upgradation, production of bio-fertilizers and mix (NPK) fertilizers, development of new formulations to improve nutrient use efficiency of fertilizers in the soil, etc.

To support R & D activities in fertiliser production and allied areas, Government is providing Rs. 4 crores per annum as grants–in–aid to the Project and Development India Ltd. (PDIL). Depending upon the R & D programmes of PDIL, this grants–in–aid is periodically reviewed and adjusted to meet the requirements.

The Department of Fertilizers also sanctions grants–in-aid for setting up manufacturing facilities for bio–fertilizers. During the year 1994-95, Rs.13 lakhs each was given to M/s. Madras Fertilizers Ltd. (MFL) and Pyrites, Phosphates & Chemicals Ltd. (PPCL) for setting up these facilities.

The grants-in-aid for the facilities being set up by Rashtriya Chemicals & Fertilizers Ltd., National Fertilizers Ltd. and Fertilizers And Chemicals Travancore Ltd. could not be released in 1994-95 because of their inability to procure region specific and crop specific mother cultures from the State Agriculture Universities or other research institutions. The proposals of these Companies shall be considered during the current financial year.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Recommendation Sl. No. 9 (Para No. 47)

The Committee note that provisions for loans to fertilizer units *viz.* HFC, FIC, 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.

Reply of the Government

As against the original provision of Rs. 218.25 crores for plan/non-plan loans to fertilizers PSUs as proposed in Demands for Grants of Department of Fertilisers for 1994-95, the actual expenditure was Rs. 241.50 crores during the year. This included the additional support provided to the two sick fertilizer PSUs *viz.* HFC and FCI to enable them to sustain production in their operating units.

The loan provision of Rs. 190.50 crores for 1995–96 has since been enhanced to Rs. 570 crores keeping in view the budgetary support needed by the sick PSUs *viz.* HFC & FCI as well as seeing the OECF loan requirement of FACT (this is routed through the Budget) for its Ammonia Revamp Project. The non-plan support to HFC & FCI is to enable FCI & HFC to contribute urea production of 1 million tonne during the year. The above provision may have to be enhanced further once the revival packages for these sick PSUs are approved by the BIFR.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers, O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

CHAPTER III

RECOMMENDATIONS IN RESPECT OF WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

— NIL —

CHAPTER IV

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

Recommendation Sl. No. 7 (Para No. 34)

The Committee regret to note that provision of subsidy for P&K fertilizers have come down considerably during the last 3 years. For instance for phosphatic fertilizers the provision has come down from Rs. 240 crores in 1994-95 to Rs. 50 crores in 1995-96. Similarly for SSP fertilizer 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 fertilizers w.e.f. 25.8.92, subsidy element has been withdrawn. The Committee also find that to offset the imbalance use in fertilizer Ministry of Agriculture make provision in their Demands for providing *ad hoc* subsidy on P & K fertilizers Rs. 1000 per metric tonne. The Committee recommend that the Government should take all necessary steps to bring the consumption pattern of NPK fertilizers to the ideal ratio of 4:2:1. To achieve this objection, the Committee feel that there is need to increase the quantum of subsidy for P & K fertilizers.

Reply of the Government

Subsequent to the decontrol of price, movement and distribution on phosphatic and potassic fertilizers with effect from 25.8.92 Government of India is implementing a scheme of concession on sale of these decontrolled fertilizers to the farmers from Rabi 1992-93. During the years 1992-93, 1993-94 and 1994-95, funds amounting to Rs. 339.73 crores, Rs. 531.27 crores and Rs. 514.27 crores respectively were release. The scheme is being continued during 1995-96 and provision of Rs. 500 crores was made in BE 1995-96 for this purpose.

The purpose of giving cancellation on decontrolled phosphatic & potassic fertilizers is to improve their consumption so as to improve the declining NPK ratio. The NPK ratio has improved in the last three years as follows:—

1992-93	9.5 : 3.2 : 1
1993-94	9.7 : 2.9 : 1
1994-95	8.2 : 2.5 : 1

It has not been possible to increase the quantum of subsidy due to financial constraints.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Comments of the Committee

Please *see* para 10 of Chapter I of the Report.

CHAPTER V

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

Recommendation Sl. No. 10 (Para No. 48)

The Committee also regret to note 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 year itself.

Recommendation Sl. No. 11 (Para No. 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 Demand itself.

Reply of the Government

HFC and FCI were declared as sick companies by the BIFR on 12.11.1992 and 06.11.1992, respectively. Government was directed to submit unit wise rehabilitation proposals which required interministerial/departmental consultations. Accordingly, BIFR had to be requested for extending the time for submission of the revival packages. While the Government was engaged in finalising its proposals, BIFR directed on 30/31.12.1993 to finalise consensus revival packages in consultation with the representatives of workers' unions/associations/banks and financial institutions as well as State Governments by 31.03.1994. Accordingly, consultations had to be undertaken with all the agencies concerned in February, 1994.

In the meantime, BIFR appointed Industrial Credit and Investment Corporation of India Limited (ICICI) as the Operating Agency on 16.03.1994 with directions to submit revival scheme within three months. The BIFR further directed ICICI on 14/15.07.94 to independently evaluate all available alternatives for revival of these companies from the angles of technical/economic viability including change in management. ICICI submitted its reports to this Department in the first week of January 1995. The reports were further discussed by ICICI in joint meetings with employees unions/association, concerned State Governments and Banks on 10/11.01.1995 as well as before the BIFR in the hearings held on 19.01.95.

In the meantime, the Department of Fertilizers have finalised the revival proposals, with the approval of competent authority in the Government of India. These revival proposals involve a fresh investments of Rs. 2201.13 crores (Rs. 464.93 crores for HFC and Rs. 1736.20 crores for FCI).

Keeping in view the magnitude of fresh investment required for revival of these companies, the possibility of funding their revamp by financial institutions and/or financially strong cooperative undertakings/PSUs in the fertilizer sector is being explored. As soon as the financial arrangement are tied up, the revival packages of HFC and FCI would be submitted to BIFR for approval.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers O.M. No. 1 (4)/95 Fin. I dated 2nd Nov., 1995]

Comments of the Committee

Please *see* para 13 of Chapter 1 of the Report.

NEW DELHI ;
November 28, 1995
Agrahayana 7, 1917 (Saka)

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

APPENDIX I

(Please *see* reply of the Government to Recommendation Sl. No. 8, Para No. 38 at Page 10)

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 PPCIL

MD NFL/MD PPL
MD IFFCO/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-fertilizer, 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 remarked 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 : (1) 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-110067. 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)/EDFICC/Adviser(F)/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 II

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

Seventeenth Sitting
(16.11.1995)

The Committee sat from 1100 to 1130 hrs.

PRESENT

Shri Sriballav Panigrahi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Barelal Jatav
3. Shri Sant Ram Singla
4. Shri C.P. Mudalagiriyappa
5. Shri Arvind Tulshiram Kamble
6. Smt. Suryakanta Patil
7. Shri Gopi Nath Gajapathi
8. Shri Janardan Prasad Mishra
9. Shri Kashiram Rana
10. Shri Somabhai Patel
11. Shri Devendra Prasad Yadav
12. Dr. Asim Bala

Rajya Sabha

13. Shri Lakkhiram Agarwal
14. Shri Mohd. Masud Khan
15. Shri Pasumpon Tha. Kiruttinan
16. Shri Yerra Narayanaswamy
17. Shri Ramji Lal
18. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri. G. R. Juneja — *Deputy Secretary*
2. Shri Brahm Dutt — *Under Secretary*

The Committee considered the following Draft Reports on :

(i) Action taken by Government on the recommendations of the Committee contained in their 18th Report on 'Demands for Grants relating to Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers for the year 1995-96';

(ii) Action taken by Government on the recommendations of the Committee contained in their 19th Report on 'Demands for Grants relating to Ministry of Chemicals and Fertilizers, Deptt. of Petro-Chemicals for the year 1995-96. After some discussion the Committee adopted the draft reports with verbal changes.

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

The Committee then adjourned.

APPENDIX III

(*Vide* Para 4 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 18th Report of the Standing Committee on Petroleum and Chemicals (Tenth Lok Sabha) on Demands for Grants relating to M/o Chemicals & Fertilizers, Department of Fertilisers for the year 1995-96

I	Total number of recommendations	11
II	Recommendations that have been accepted by the Government (*Vide* Recommendation at SI. Nos 1 to 6, 8 and 9)	8
	Percentage to total	72.73%
III	Recommendation which the Committee do not desire to pursue in view of Government's reply	NIL
	Percentage to total	0%
IV	Recommendations in respect of which reply of Government has not been accepted by the Committee (*Vide* Recommendation at SI. No. 7)	1
	Percentage to total	9.09%
V	Recommendation in respect of which final reply of Government is still awaited (*Vide* Recommendation at SI. Nos. 10 and 11)	2
	Percentage to total	18.18