

SIXTH REPORT

**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS
(2004-05)**

(FOURTEENTH LOK SABHA)

**MINISTRY OF CHEMICALS & FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

DEMANDS FOR GRANTS

(2005-2006)

Presented to Lok Sabha on 21.04.2005

Laid in Rajya Sabha on 21.04.2005

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2005/Chaitra, 1927 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2004-05)

Shri Anant Gangaram Geete

-

Chairman

*Members
Lok Sabha*

2. Shri Afzal Ansari
- **3 Shri Jai Prakash
4. Shri Prahlad Joshi
5. Shri Sukhdev Singh Libra
6. Shri Tek Lal Mahto
7. Shri Punnulal Mohale
8. Shri A.K. Moorthy
9. Shri P. Rajendran
10. Shri A. Venkatarami Reddy
11. Kunwar Akshyay Pratap Singh
12. Shri T. Madhusudhan Reddy
13. Shri Narsingrao H. Suryawanshi
14. Shri V.K. Thummar
15. Shri Mansukhbhai D. Vasava
16. Shri Bhanupratap Singh Verma
17. Shri A.K.S. Vijayan
18. Shri Bhal Chandra Yadav
19. Vacant
20. Vacant
21. Vacant

Rajya Sabha

22. Shri B.S. Gnanadesikan
23. Dr. Chhatrapal Singh Lodha
24. Shri Ajay Maroo
25. Shri Raju Parmar
- *26. Shri Sanjay Rajaram Raut
27. Shri Gireesh Kumar Sanghi
28. Shri R. Shunmugasundaram
29. Shri Raj Mohinder Singh
30. Shri T.R. Zeliang
31. Vacant

Secretariat

1. Shri P.D.T. Achary - Secretary
2. Shri S.K. Sharma - Additional Secretary
3. Shri P. Sreedharan - Joint Secretary
4. Shri C.S. Joon - Director
5. Shri S.C. Kaliraman - Under Secretary
6. Shri M.K. Madhusudhan - Assistant Director
7. Shri Prem Ranjan - Senior Executive Assistant

* Consequent upon his nomination to the Standing Committee on Commerce ceased to be a Member of this Committee w.e.f. 24.03.2005.

** Consequent upon his nomination to the Standing Committee on Food, Consumer Affairs and Public Distribution ceased to be a Member of this Committee w.e.f. 19.04.2005.

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals & Fertilizers (2004-05) having been authorised by the Committee to submit the Report on their behalf present this Sixth Report on Demands for Grants of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) for the year 2005-06.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals & Fertilizers (Department of Fertilizers) for the year 2005-06 which were laid on the Table of the House on 21.03.2005.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) at their sitting held on 23rd March, 2005.

4. The Committee considered and adopted the Report at their sitting held on 19th April, 2005.

5. The Committee express their thanks to the officers of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) for furnishing the material and other information, which they desired in connection with the examination of Demands for Grants of the Department for the year 2005-06 and for giving evidence before the Committee.

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

New Delhi:
April 20, 2005
Chaitra 30, 1927 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals & Fertilizers.

REPORT

PART-I

I. INTRODUCTORY

The main activities of Department of Fertilizers include planning, promotion and development of the fertilizer industry, planning and monitoring of production including import, allocation, movement and distribution of fertilizers and management of financial assistance by way of subsidy/ concession for indigenous and imported fertilizers including determination of retention price of urea, quantum of concession of decontrolled fertilizers, costing of such fertilizers and pricing of phosphatic and potassic fertilizers.

Besides above, other functions of the Department of Fertilizers include administration of the Fertilizers (Movement Control) Order, 1960 and administrative responsibility for fertilizer production units in the Cooperative sector, namely, Krishak Bharati Cooperative Limited (KRIBHCO) and also the Indian Potash Limited (IPL).

2. The details of Public Sector Undertakings and the Cooperative under the administrative control of Department of Fertilizers along with their Headquarters and date of incorporation are given below:-

	Name of the Company	Headquarters	Incorporated in
<u>PUBLIC SECTOR :</u>			
1.	Fertilizers & Chemicals Travancore Ltd.	Udyogamandal	September, 1943
2.	Fertilizers Corporation of India Ltd. (Re-organised)	New Delhi	January, 1961
3.	National Fertilizers Limited	Noida	August, 1974
4.	Rashtriya Chemicals & Fertilizers Ltd.	Mumbai	March, 1978
5.	Pyrites, Phosphates & Chemicals Ltd.	Noida	March, 1960
6.	Madras Fertilizers Ltd.	Chennai	December, 1966
7.	Projects & Development India Ltd.	Noida	March, 1978
8.	Hindustan Fertilizer Corporation Ltd.	New Delhi	March, 1978
9.	Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL)	Guwahati	April, 2002
10.	FCI Aravali Gypsum and Minerals India Ltd.	Jodhpur	February, 2003
<u>COOPERATIVE SECTOR :</u>			
1.	Krishak Bharati Cooperative Limited	Noida	April, 1980
<u>JOINT SECTOR :</u>			
2.	Indian Potash Limited	Chennai	February, 1971

II. DETAILED ANALYSIS OF THE DEMANDS FOR GRANTS OF THE DEPARTMENT OF FERTILIZERS (2005-06)

(A) Budgetary Estimates for 2005-06

3. The detailed Demands for Grants of Department of Fertilizers (Demand No. 8) was laid on the Table of Lok Sabha on 21.03.2005 which make provisions for Rs. 17167.07 crore. The details are as under:-

(Rs. in crores)

	Plan	Non plan	Total
Revenue section	18.04	17030.07	17048.11
Capital section	93.78	25.18	118.96
Total	111.82	17055.25	17167.07

(The above entire amount is voted except Rs. 1.00 lakh which is a charged expenditure)

4. The net budgetary provisions for 2005-06 after adjusting recoveries on account of reduction of expenditure (Rs. 768.25 crore) is as under:-

(Rs. in crores)

	Plan	Non Plan	Total
Revenue section	18.04	16261.82	16279.86
Capital section	93.78	25.18	118.96
Total	111.82	16287.00	16398.82

5. Out of the gross Rs. 17167.07 crore, an amount of Rs. 17160.64 crore is the provision for Fertilizer industry. It includes provisions for payment of subsidy on indigenous fertilizers under the New Pricing Scheme and Freight Subsidy Scheme; expenditure on the Secretariat of the Fertilizer Industry Coordination Committee; subsidy on imported fertilizers, payments to manufacturers/ importers of decontrolled fertilizers under the Concession Scheme; grants under Indo-UK fertilizer development programme and other programmes/ activities . These provision also covers investment in and loans to public/ cooperative sector undertakings under the administrative control of the Department of Fertilizers for production of fertilizers. A provision of Rs. 6.43 crore is meant for the expenditure of the Secretariat of the Department of Fertilizers in the Ministry of Chemicals and Fertilizers

6. The Budget Estimates, Revised Estimates for the year 2004-05 and Budget allocations for the year (2005-06) for the Department of Fertilizers, net of recoveries, are as under:-

(Rs. in crores)

Sl. No	Major Head	Budget 2004-05			Revised 2004-05			Budget 2005-06			
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
	Revenue	26.35	12669.85	12696.20	22.71	15669.85	15692.56	18.04	16261.82	16279.86	
	Capital	103.82	28.15	131.97	74.55	28.15	102.70	93.78	25.18	118.96	
	Total	130.17	12698.00	12828.17	97.26	15698.00	15795.26	111.82	16287.00	16398.82	
1	Secretariat-Economic Services	3451	...	6.17	6.17	...	6.17	6.17	...	6.43	6.43
Crop Husbandry											
2	Subsidy on imported fertilizers	2401	...	473.00	473.00	...	473.00	473.00	..	943.53	943.53
3	Payment to manufacturers/ Agencies for concessional sale of decontrolled fertilizers	2401	...	4046.00	4046.00	...	5046.00	5046.00	...	5200.00	5200.00
Fertilizer Industries											
4	Subsidy on indigenous fertilizers	2852	...	8143.15	8143.15	...	10143.15	10143.15	...	10110.37	10110.37
5	Indo-UK fertilizers development Programme- Grant to KRIBHCO for Dryland Farming Project	2852	23.64	...	23.64	20.00	...	20.00	14.95	...	14.95
6	Other research scheme for fertilizers Development S&T programme	2852	1.50	...	1.50	1.50	...	1.50	2.00	...	2.00
7	Non-plan loans to public sector undertakings										
7.01	Hindustan Fertilizer Corporation Ltd.	6855	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
7.02	Fertilizer Corpn. Of India Ltd.	6855	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
7.03	Pyrites, Phosphates & Chemicals Limited	6855	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
7.04	Brahmaputra Valley Fertilizer Corpn. Ltd.	6855	...	28.12	28.12	...	28.12	28.12	...	25.15	25.15
	Total		...	28.15	28.15	...	28.15	28.15	...	25.18	25.18
8	Lumpsum provision for Projects/Schemes for the benefit of the North Eastern Region and Sikkim	4552	14.00	...	14.00	14.00	...	14.00	14.00	...	14.00
9	Investment in Public Enterprises	4855	26.50	...	26.50	36.42	...	36.42	23.49	...	23.49
		6855	63.32	...	63.32	24.13	...	24.13	56.29	...	26.29
	Total		89.82	...	89.82	60.55	...	60.55	79.78	...	79.78
10	Other Programmes										
10.01	For write off of loan, interest and penal interest on Govt. of India loan outstanding against HFCL, MFL, FACT, FCI & PDIL	3475	...	...	...	...	0.01	0.01	..	0.01	0.01
	Write off matched by receipts	1475	...	...	...	...	...	...	...	...	..
	Net		...	...	...	...	0.01	0.01	...	0.01	0.01
10.02	Other programmes	2852	1.21	1.52	2.73	1.21	1.52	2.73	1.09	1.47	2.56
10.03	Post closure adjustment liabilities of PPL	3475	...	0.01	0.01	...	...	...	...	0.01	0.01
	Total		1.21	1.53	2.74	1.21	1.53	2.74	1.09	1.49	2.58
	Grand Total		130.17	12698.00	12828.17	97.26	15698.00	15795.26	111.82	16287.00	16398.82

(B) Actual Expenditure during 2004-05

7. The actual expenditure for Plan schemes during 2004-05 (upto February, 2005), as furnished by the Ministry are given below:-

(Rs. in Crores)

ITEM	Budget Estimates	Actual Expenditure upto Feb.05	% ageExp. w.r.t. Budget Estimates
<u>REVENUE</u>	23.64	16.85	71.28
Grant to KRIBHCO for Rainfed Farming Project			
Management Information Technology	1.21	0.43	35.54
Science & Technology Programme	1.50	0.00	0.00
TOTAL	26.35	17.28	65.58
<u>Capital Loan to PSUs</u>			
BVFCL	40.50	0.00	0.00
PDIL	--	--	--
MFL	12.68	11.93	94.09
FACT	10.14	10.14	100
TOTAL	63.32	22.07	34.85
Lumpsum Provision for North Eastern Region and Sikkim	14.00	0.00	0.00
<u>Investment in PSUs</u>			
BVFCL	26.50	0.00	0.00
TOTAL	26.50	0.00	0.00
GRAND TOTAL	130.17	39.35	30.23

8. The Ministry have stated that out of Rs.130.17 crores (Plan), an amount of Rs.81.00 crores, including Rs.14.00 crores earmarked for North-Eastern Region, has been kept for Namrup Revamp Project of M/s BVFCL. The fund could not be utilized as the revised cost of the Project has not been approved so far by CCEA.

9. The details of actual expenditure for Non-Plan schemes during 2004-05 (upto February, 2005), as furnished by the Ministry are given below:-

(Rs. in Crores)

ITEM	Budget Estimates	Actual Expenditure upto Feb.05	% ageExp. w.r.t. Budget Estimates
<u>REVENUE</u>			
Decontrolled Indigenous	3277.00	3276.10	99.97
Decontrolled Imported	769.00	768.93	99.99
Nitrogenous Fertilizers	7031.15	7016.55	99.79
Import of fertilizers (Charged included)	939.00	739.48	78.75
Freight Subsidy	1022.00	914.51	89.48
Interest & Custom	90.00	85.99	95.54
FICC	1.48	0.95	64.19
Management Information Technology	0.01	0.00	0.00
Productivity Awards	0.03	0.00	0.00
Post closure committed liabilities of PPL	0.01	0.00	0.00
Sectt. Eco. Services	6.17	5.65	91.57
Total (Revenue)	13135.85	12808.16	97.51
<u>Loan to PSUs</u>			
HFC	0.01	0.00	0.00
PDIL	--	--	--
FCI	0.01	0.00	0.00
PPCL	0.01	0.00	0.00
BVFCL	28.12	10.00	35.56
FACT	--	--	--
MFL	--	--	--
Total (Capital)	28.15	10.00	35.52
Grand Total	13164.00	12818.16	97.37
DR&R	- 466.00	-219.11	47.02

(C) Analysis of Demand relating to Concessional sale of decontrolled fertilizers

10. Consequent upon the decontrol of Phosphatic and Potassic fertilizers w.e.f. 25.08.1992, the NPK ratio got distorted and a Scheme of Concession on sale of these fertilizers was introduced . The concession was to give impetus to the stagnating demand for these fertilizers and to ameliorate the nutrient imbalance in the soil which is essential for sustaining the desired growth in agricultural productivity.

11. The decontrolled Phosphatic and Potassic fertilizers which are covered under the concession scheme are Di-ammonium Phosphate (DAP), Muriate of Potash (MOP), Single Super Phosphate (SSP) and 11 grades of Complexes. Majority of raw materials / intermediates for manufacturing these fertilizers excluding SSP are imported. The main raw materials/intermediates required for manufacturing these fertilizers are phosphoric acid, ammonia, rock phosphate and sulphur. Apart from this, limited quantity of naphtha, fuel oil and indigenous gas is also used by some manufacturers. Responsibility of fixing the maximum retail price of DAP, Complex fertilizers covered under the scheme and MOP is of DOF, whereas the price fixation of SSP is done by State Governments. Besides this, under Concession Scheme, DOF is entrusted with the responsibility of maintaining a buffer stock of DAP & MOP to meet emergent requirements of decontrolled fertilizers.

12. Under the Concession Scheme, base rates of concession are announced annually for making `on-account' payment. Final rates are announced on

quarterly basis. The base rates announced for the year 2004-2005 w.e.f. 1.7.2004 are as under:-

DAP (Indigenous) Group-I (Plants based on captive phosphoric acid) Group-II (Plants based on imported phosphoric acid)	Rs. 3843 per MT Rs. 3843 MT
DAP (imported)	Rs. 3843 per MT
MOP	Rs. 5000 per MT
SSP	Rs. 650 per MT
Complexes Group –I (Plants based on imported ammonia and ammonia made from indigenous gas) Group-II (Plants using ammonia based on fuel oil and naphtha)	Rs. 1321 to Rs. 4401 per MT Rs. 2397 to Rs. 4976 per MT

13. The details of actual expenditure towards payment of concession for decontrolled fertilizers during 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 are as follows:-

(Rs. in crores)

	2001-02 Actuals	2002-03 Actuals	2003-04 Actuals	2004-05 B.E.	2004-05 RE	2005-06 BE
Payment for concessional sale of indigenous decontrolled fertilizer	3759.52	2487.94	2606.0	3277.00	3977.00	4000.00
Payment for concessional sale of imported decontrolled fertilizer	744.00	736.58	720.00	769.00	1069.00	1200.00
Total	4503.52	3224.52	3326.00	4046.00	5046.00	5200.00

14. During the first full year of implementation of the concession scheme, i.e. in 1993-94, the outgo was of Rs. 517.34 crore. In that year the total consumption of DAP, MOP and Complex fertilizers was to the tune of 76.92 lakh MTs. Thereafter the subsidy outgo showed an upward trend for which the department on previous occasion offered explanations like increased quantity of consumption and increase in prices of all inputs, utilities, services etc. In 2002-03 it is observed

that the actuals on concessional payment to decontrolled fertilizers is Rs. 3224.52 crore which doesn't vary much from the actuals in 2003-04 which is Rs. 3326.00 crore. The Budget provisions for the year 2004-05 was Rs. 4046.00 crore which was increased to Rs. 5046.00 crore in Revised Estimates. As against this, the Budget provisions for the year 2005-06 is Rs. 5200.00 crore.

III. FERTILIZERS-OVERALL PERFORMANCE

(A) Capacity Build-up

15. The details of indigenous annual capacity for fertilizer production at the end of the Eighth and Ninth Five Year Plans and the annual capacity at the end of the year 2004-05 are indicated below:-

(in lakh tonnes)

Fertilizer Nutrient	Capacity at the end of the terminal year (1996-97) of 8 th Plan	Capacity at the terminal year (2001-02) of 9 th Plan	Capacity at the end of 3 rd year of 10 th Plan (2004-05)
Nitrogen	97.77	120.58	119.98
Phosphate	29.06	52.31	54.20

16. The sector-wise, nutrient-wise installed capacity of fertilizer manufacturing units as on 31.10.2004 is as under:-

Sl. No.	Sector	Capacity (lakh MT)		Percentage Share	
		N	P	N	P
1	Public Sector	34.68	4.34	28.9	8.0
2	Cooperative Sector	28.11	8.25	23.4	15.2
3	Private Sector	57.19	41.61	47.7	76.8
Total:		119.98	54.20	100.00	10.00

(B) Production

17. The target and actual production of fertilizers and percentage achievement against the target from 1994-95 onwards is given below:-

(in lakh tonnes)

Year	Nitrogen			Phosphate		
	Target	Actual	%age achievement	Target	Actual	%age achievement
1994-95	81.16	79.45	98.00	23.31	24.93	107.00
1995-96	86.33	87.77	101.70	26.67	25.58	95.90
1996-97	90.33	85.99	93.50	26.80	25.56	88.00
1997-98	96.10	100.86	105.00	28.60	29.76	104.10
1998-99	106.82	104.80	98.10	30.27	31.41	103.80
1999-00	110.67	108.90	100.80	33.45	33.99	100.70
2000-01	112.14	112.09	99.96	39.93	40.41	101.20
2001-02	116.59	107.68	92.36	49.30	38.60	78.38
2002-03	116.15	105.62	90.57	48.19	39.04	81.01
2003-04	111.81	106.34	95.11	46.41	36.31	78.24
2004-05 (Estimated)	114.06	109.19	95.73	49.26	41.44	84.13

18. The production performance of both nitrogenous and phosphatic fertilizers during Kharif 2004 was less than the target mainly due to constraints in supply and quality of natural gas, equipment breakdown, delay in commissioning of Namrup-II and RCF-Trombay-V and DIL-Kanpur remained under unscheduled shutdown. In case of phosphate, production in DAP plants was low due to shortage of phosphoric acid and imported ammonia. Similarly, production of complexes was also low due to shortage of raw materials i.e. phosphoric acid and ammonia.

(C) Capacity utilisation

19. The capacity utilizations of nitrogen and phosphate during the years 1991-92 to 2004-05 are as follows:-

Year	Capacity utilizations percentage			
	Nitrogen		Phosphate	
	Target	Actual	Target	Actual
1991-92	89.1	88.5	96.3	93.0
1992-93	90.3	88.0	97.4	82.1
1993-94	91.4	83.9	78.0	64.3
1994-95	94.0	91.2	82.6	88.3
1995-96	94.0	96.9	94.5	90.6
1996-97	93.4	93.5	89.9	88.0
1997-98	96.8	101.5	97.9	101.0
1998-99	101.5	99.6	97.7	99.1
1999-00	102.2	100.5	93.5	95.0
2000-01	95.9	94.9	86.2	87.2
2001-02	96.7	89.6	96.6	75.7
2002-03	95.9	87.3	89.9	72.8
2003-04	93.2	91.1	85.7	70.1
2004-05 (Estimated)	95.1	91.0	91.0	76.5

(D) Availability of Urea

20. The assessed requirement, availability and sales of urea in the last three crop seasons have been as under:-

(Figures in lakh metric tonnes)

Season	Assessed requirement	Availability	Sales
Kharif 2003	106.50	107.26	93.12
Rabi 2003-04	105.29	108.39	102.59
Kharif 2004	105.74	106.60	97.81
Rabi 2004-05	108.35	46.83 *	34.84 *

* Availability and sales upto 30.11.2004

21. The Department of Fertilizers have informed that the availability of urea under the NPS, during Kharif 2004 was satisfactory in all the States/UTs and there were no reports of shortage from any State/UT.

22. However, when drawn attention of the Ministry about the reported non-availability of fertilizers in certain parts of the country, particularly in Punjab, Haryana and Western UP, the Secretary, Ministry of Chemicals & Fertilizers (Department of Fertilizers) deposed before the Committee during evidence as under:-

* ".....the Department is fully aware of this and it would be our endeavour to make it (fertilizers) available. The Kharif season has just began in April and as the rainy season comes, the activities of the Kharif crop will be in full swing. The Department will make all out efforts to see that all types of fertilizers are available wherever they are required and will also ensure that crisis do not occur as had happened during the Rabi season."

23. The Department of Fertilizers have further stated that the sales of 97.81 MTs urea during Kharif 2004 were higher by about 5.04% over 93.12 lakh MTs of sales in Kharif 2003. During the period 1.72 lakh MTs of urea was imported.

* Verbatim in Hindi

(E) Availability of decontrolled P&K fertilizers

24. Phosphatic and Potassic fertilizers were decontrolled in August, 1992 and there is no control thereafter on their movement, distribution and import. No allocation of these fertilizers is made as in the case of urea. However, season-wise assessment of requirement of major decontrolled fertilizers namely DAP and MOP is being made by the Department of Agriculture & Cooperation (DAC) so that adequate availability of these fertilizers as per demand is ensured at the state level with the help of fertilizer industry. Corrective steps are also planned and taken for buffer stocking of these fertilizers.

25. DAP and MOP are the two major decontrolled fertilizers, which are decanalized for imports. During the year 2003-04, 7.34 lakh MT of DAP was imported as against 3.70 lakh MT during 2002-03. Imports during 2003-04 were higher mainly due to decrease in indigenous production to the tune of 47.36 lakh MTs and higher sales during the year. In the case of MOP, since there are no commercially viable sources of potash in the country, its entire requirement is met through imports and 25.84 lakh MTs of MOP was imported during 2003-04 as against 25.33 lakh MTs during 2002-03.

DAP

26. The sales of 55.20 lakh MTs of DAP in 2003-04, registered an increase of 1.6% as compared to the sales of 54.33 lakh MT in 2002-03. The sales of 23.65 lakh MT DAP during Kharif'2004 was higher by about 6.97% as compared with the sales of about 22.07 lakh MT in Kharif'2003.

27. The availability and sales of DAP in the last three crop seasons has been as under:-

(Figures in lakh metric tonnes)

Season	Assessed requirement	Availability	Sales
Kharif' 2003	32.38	31.05	22.07
Rabi '2003-04	39.50	39.99	33.13
Kharif' 2004	31.21	33.31	23.65
Rabi '2004-05	39.39	22.58*	20.08*

* *Availability and sales upto 30.11.2004*

MOP

28. The availability and sales of MOP in the last three crop seasons have been as under:-

(Figures in lakh metric tonnes)

Season	Assessed requirement	Availability	Sales
Kharif 2003	14.23 *	12.55	9.82
Rabi'2003-04	12.40	10.71	9.26
Kharif 2004	10.98	12.53	10.99
Rabi '2004-05 (30.11.2004)	12.37	6.04 **	4.54 **

* Including 3 lakh MTs MOP for each season for complex manufacture.

** Availability and sales upto 30.11.2004

(F) Import of fertilizers

29. Urea, DAP and MOP are the three major fertilizers which are imported in the country to bridge the gap between the demand and indigenous availability. Import of urea, which is under price and partial movement and distribution control, is made on Government account and it is the only canalised fertilizer imported through State Trading Enterprises (STEs). All other fertilizers are decontrolled, decanalised and imported on private trade account.

30. In case of nitrogenous fertilizers, further additions to the installed capacity as a result of reassessment of capacity and NPS for urea units have resulted in near self-sufficiency in respect of urea. This year 5.39 lakh MTs of urea has been imported till now. However, in case of phosphatic fertilizers, availability of fertilizer grade rock phosphate in the country is limited which is thus imported in large quantity for production of DAP, various grades of complexes and SSP. Besides, other intermediates used in the production of these fertilizers, viz. phosphoric acid, sulphur, etc. are also required to be imported. For want of commercially viable reserves of potash in India, the entire requirement of potash is met through direct

imports of Muriate of Potash (MOP). These fertilizers, being under open general licence (OGL) are imported by both private and public sector companies.

31. The imports of these fertilizers in the country (in nutrient terms) during the last three years have been as under:-

(Qty. in lakh tonnes)

Year	N	P	K	Total (N+P+K)
2002-03	0.66	1.70	14.38	16.74
2003-04	1.32	3.38	15.48	20.18
2004-05 (30.11.2004)	3.26	2.00	12.39	17.65

(IV) CONSUMPTION OF FERTILIZERS

(A) *Regional Imbalances*

32. According to Economic Survey 2004-05, the nutrient-wise consumption of major fertilizers, during the period 2000-01 to 2003-04 is as follows:-

(In lakh tonnes)

Fertilizer	2000-01	2001-02	2002-03	2003-04
Nitrogenous (N)	109.2	113.1	104.7	110.8
Phosphatic (P)	42.2	43.8	40.2	41.2
Potassic (K)	15.7	16.7	16.0	16.0

33. The consumption of chemical fertilizers in terms of nutrients during 2003-04 was 16.8 million tonnes. This constitutes consumption of 110.8 lakh tonnes of N, 41.2 lakh tonnes of P and 16.0 lakh tonnes of K. The all India average consumption of fertilizer at 89.8 kgs per hectare in 2003-04 was higher than the year 2002-03 average of 86 kgs per hectare. Due to poor monsoon, consumption was lower in 2000-01 and 2002-03. With good monsoon in 2003, fertilizer consumption bounced back in 2003-04, but still fell short of the 1999-2000 level of 18.1 million tonnes. The Department of Fertilizers, in a written reply have stated that besides deficient rainfall and floods, the other reasons for low consumption of fertilizers during 2003-04 were high cost of Potassic and Phosphatic fertilizer, diversification of agriculture and increase in cultivation of oilseeds and pulses crops which require less nutrient.

34. On being asked about the efforts made by the Government to bring consumption of chemical fertilizers on par with the 1999-2000 level of consumption, the Ministry, in their written reply, stated as under:-

“In order to increase the use of chemical fertilizers in terms of nutrients, the total number of sale points for selling the fertilizers to the farmers have been increased from 2.80 lakhs (1999) to 2.82 lakhs (2003-04). Efforts have been made to make fertilizers available in inaccessible areas. The small fertilizer bags are being promoted for making the fertilizers available to the farmers.”

35. When asked whether there has been any price rise due to supply of fertilizers in small bags, the Ministry stated that the price increase in case of urea was in the range of Rs. 1.50 for 2 kg package, Rs. 2.25 for 5 kg package, Rs. 3.50 for 10 kg package and Rs. 5.00 for 25 kg package.

36. Per hectare consumption of N.P.K. fertilizers during 2002-03 and 2003-04 is as under:-

Sl. No.	State/UT	2003-04	2002-03
1	Andhra Pradesh	136.8	123.5
2	Karnataka	74.9	89.5
3	Kerala	63.6	67.7
4	Tamil Nadu	112.5	117.2
5	Gujarat	95.1	73.8
6	Madhya Pradesh	55.0	39.4
7	Chhatisgarh	46.5	47
8	Maharashtra	65.7	75.3
9	Rajasthan	40.5	28.6
10	Haryana	167.1	150.4
11	Himachal Pradesh	49.4	41.9
12	Jammu & Kashmir	71.4	58.1
13	Punjab	184.1	172
14	Uttar Pradesh (includes Uttaranchal)	126.7	124.6
15	Bihar (includes Jharkhand)	80.5	86.5
16	Orissa	41.4	36.9
17	West Bengal	122.4	128
18	Arunachal Pradesh	2.8	2.8
19	Assam	46.6	43
20	Tripura	29.4	21.6
21	Manipur	130.5	128.7
22	Meghalaya	17.0	16.1
23	Nagaland	2.2	1.7
24	Mizoram	0.00	19.9
25	Sikkim	3.5	9.9
	All India	89.8	86

37. From above table, it is clear that a great deal of variability exists in fertilizer consumption during 2003-04 among the States. Amongst States in the plains, per hectare consumption was quite high in Punjab, Haryana and Andhra Pradesh whereas it was quite low in Rajasthan, Orissa and Madhya Pradesh, apart from the States in the North-Eastern region. On being asked about the reasons for low

per hectare consumption of fertilizers in Rajasthan, Orissa, Madhya Pradesh and the North-Eastern region along with the efforts made by the Government to enhance the per hectare consumption of fertilizers in these regions, the Ministry, in a written reply, stated that in Madhya Pradesh, Rajasthan and Orissa rain fall from South-West monsoon was deficient during the last 3 years i.e. 2000-01 to 2002-03. The fertilizer companies are playing active role in educating the farmers for use of chemical fertilizers and the need to adopt soil testing and application of balance nutrient. Public sector companies/cooperative societies are undertaking various activities including holding of agriculture seminars, farmers award schemes, field demonstration, field day, dealers cooperative meet/training, soil sample analysis to promote balance use of fertilizer.

38. For North Eastern States the Ministry have further stated that these areas are traditionally low consumption areas of chemicals fertilizers. Most of the areas are now covered under mono cropping. Further, due to low consumption of chemical fertilizers, Department of Agriculture & Cooperation have identified the region as thrust area for implementing National Project on Organic farming and encouraging eco friendly organic inputs like compost, bio-compost, crop-residue, green manures, etc.

39. Further, when the Committee asked whether any study/assessment has been undertaken to determine the quantum of fertilizers to be used in a particular geographical location with a view to extracting optimum yield, the Ministry, in a written reply, stated that no study has been undertaken to determine quantum of fertilizers to be used in particular geographical location with a view to extracting optimum yield. However, at the beginning of each agriculture season, Department of Agriculture & Cooperation assess the demand of fertilizers for the season taking into consideration the various agro-climatic factors like rainfall scenario, reservoir level and cropping pattern in consultation with the State Governments.

(B) Single Super Phosphate (SSP)

40. Single Super Phosphate (SSP) is recognised as a poor man's fertilizer which contains important elements like sulphur and calcium along with phosphate nutrient. Various studies have shown that the sulphur deficiency of Indian soil is growing at an alarming pace and that in the absence of sulphur in the soil, productivity suffers. Though SSP has been recognized as a sulphur carrying fertiliser under the Fertiliser Control Order with 11% Sulphur, 16% P₂O₅ and other micro nutrients like calcium etc., its consumption is on the decline. The maximum retail price of SSP is fixed by the respective State Governments and varies from State to State, and at present, a uniform adhoc concession of Rs. 650/ MT is being paid on SSP. But unlike DAP and other complex fertilisers wherein, the concession is adjusted on a quarterly basis to reflect the impact of various raw materials and other costs, the concession is neither linked to domestic DAP, nor there is any linkage with cost of production. Even the State Governments fail to reflect the impact of increase in production and distribution cost while fixing the selling price.

41. It was learnt that the Department of Fertilizers, after approval of Cabinet Committee on Economic Affairs (CCEA), had entrusted a cost price study of SSP to the Cost Accounts Branch (CAB) of Ministry of Finance in September 2001 and CAB had submitted its report to the Department in May 2004. In their Action Taken Replies to the recommendations contained in the Second Report of the Committee on Demands for Grants (2004-05) of the Ministry of Chemicals & Fertilizers (Department of Fertilizers), the Department of Fertilizers had informed the Committee that the Department has examined the recommendation of CAB and methodology for working out a package for SSP was under finalisation. The report based on the Department's view would be put up before CCEA for ensuring that the industry is viable and quality SSP is made available to the farmers.

(C) NPK consumption ratio and balanced application of fertilizers

42. The NPK consumption ratio in the country and in different States was as under during 2003-04:-

State/Union Territory	NPK Ratio		
	N	P	K
ANDHRA PRADESH	4.7:	2.0:	1
KARNATAKA	2.6:	1.3:	1
KERALA	1.3:	0.6:	1
TAMILNADU	2.2:	0.9:	1
PONDICHERRY	2.9:	1.3:	1
ANDAMAN & NICOBAR	5.3:	5.2:	1
SOUTH ZONE TOTAL	3.1:	1.4:	1
GUJARAT	9.4:	3.5:	1
MADHYA PRADESH	11.9:	7.1:	1
CHHATTISGARH	7.8:	3.0:	1
MAHARASHTRA	5.0:	2.4:	1
RAJASTHAN	53.0:	19.3:	1
GOA	1.6:	0.9:	1
DAMAN & DIU			
DADAR & NAGAR HAVELI	13.0:	7.4:	1
WEST ZONE TOTAL	8.7:	3.9:	1
HARYANA	48.2:	14.9:	1
PUNJAB	30.8:	8.8:	1
UTTAR PRADESH	15.5:	5.0:	1
UTTARANCHAL	8.2:	2.5:	1
HIMACHAL PRADESH	4.3:	1.2:	1
JAMMU & KASHMIR	15.6:	5.7:	1
DELHI	108.0:	49.0:	1
CHANDIGARH			
NORTH ZONE TOTAL	19.6:	6.1:	1
BIHAR	24.3:	1.8:	1
JHARKHAND	13.8:	8.7:	1
ORISSA	4.2:	1.3:	1
WEST BENGAL	2.5:	1.3:	1
EAST ZONE TOTAL	4.8:	1.5:	1
ASSAM	1.9:	1.1:	1
TRIPURA	3.1:	1.1:	1
MANIPUR	16.2:	2.3:	1
MEGHALAYA	17.1:	11.4:	1
NAGALAND	3.3:	2.5:	1
ARUNACHAL PRADESH	3.9:	1.8:	1
SIKKIM			
MIZORAM			
NORTH-EAST ZONE TOTAL	2.4:	1.2:	1
ALL INDIA	6.9:	2.6:	1

43. On being asked about the reasons for deviation in NPK consumption ratio among different States, the Ministry stated that the deviation is mainly because of higher consumption of nitrogenous fertilizers in some of the States like Haryana, Punjab, Rajasthan, etc. In addition, due to intensive agriculture in these States and soils being rich in potash content and building up of phosphorous content of soil by way of continuous use of DAP and other phosphatic fertilizers, these States are consuming more of nitrogenous fertilizers, specially urea.

44. When the Committee enquired about the steps being taken by the Government to achieve ideal NPK consumption ratio in the country, the Ministry, in their reply stated that besides concession scheme on P & K fertilizers implemented by the Department of Fertilizers, the Department of Agriculture & Cooperation have taken the following steps to achieve the ideal consumption ratio in the country :-

- a) Implementation of the scheme balanced and integrated use of Fertilizer.
- b) Promotion of bio-fertilizer.
- c) Implementation of the scheme National project on organic farming.

(D) Potassic fertilizers

45. For sustained agricultural growth and to promote balanced nutrient application, it is imperative that fertilizers are made available to farmers at affordable prices. Out of three main nutrients namely nitrogen, phosphate and potash, required for various crops, indigenous raw materials are available mainly for nitrogenous fertilizers. The Government's policy has hence aimed at achieving the maximum possible degree of self-sufficiency in the production of nitrogenous fertilizers based on utilisation of indigenous feedstock.

46. In case of phosphates, the paucity of domestic raw material constraints the attainment of its self-sufficiency in the country. Indigenous rock phosphate supplies meet only 5-10% of the total requirement of P₂O₅. A policy has, therefore, been adopted which involves mix of three options; first, domestic production based on indigenous/imported rock phosphate and imported sulphur; second, domestic production based on imported intermediates, viz. ammonia and phosphoric acid; and third, import of finished fertilizers. During 2003-04 roughly 88% of the requirement of phosphatic fertilizers was met through the first two options. In the absence of commercially exploitable potash sources in the country, the entire demand of potassic fertilizers for direct application as well as for production of complex fertilizers is met through imports.

47. The details of import of N,P and K respectively, during the last three years, has been as under:-

(in thousand MT)

Year	N	P	K
2001-02	269.14	429.28	1700.40
2002-03	66.60	170.20	1519.20
2003-04	132.12	337.64	1547.40

48. On being asked as to whether there was any proposal to float any Joint Venture for production of Potassic Fertilizers with the countries from which Potassic Fertilizers are being imported, the Ministry, in their written reply, stated in the negative.

(V) STATUS OF OMIFCO PROJECT

49. Oman India Fertilizer Company's (OMIFCO) project in Oman is promoted by IFFCO and KRIBHCO from the Indian side and Oman Oil Company from the Omani side. The Indian sponsors together hold 50% of the equity of OMIFCO and have contributed US \$ 80 million each (approximately Rs. 370 crore each) and the remaining equity of US \$ 160 million is held by Oman Oil Company. The Indian sponsors have a major role in setting up, operation and maintenance of this plant in Oman.

50. This joint venture in the fertilizer sector is being set up at a total cost of US \$ 969 million (approximately Rs. 4,450 crore) at Sur in Oman. The plant, due to be commissioned in July, 2005 will produce 16.52 lakh tonnes of urea and 2.48 lakh tonnes of ammonia per annum. The Government of India has entered into a long term buy back arrangement for 15 years for the urea produced by OMIFCO at fixed long term prices urea upto 16.52 LMT per annum and IFFCO has entered into a long term buy back arrangement for 10 years at a fixed price of US \$ 100 per tonne for the surplus ammonia produced by the plant. The buy back arrangement for urea by Government of India and ammonia by IFFCO is expected to reduce India's dependence on import of fertilizers and meet the domestic demand for fertilizers. This buy back arrangement will also help in stabilizing the international prices of urea and ammonia for the Indian consumers/importers.

51. As on 3rd February, 2005 the EPC contractor has achieved overall cumulative progress of 98.88% against the scheduled 99.65% resulting in overall slippage of 0.77%. Pre-commissioning activities are undergoing at urea and ammonia plants. Most of the utilities and offsite facilities like turbine generators Nitrogen production unit, Desalination units, fresh cooling water system, Auxiliary Boiler-A & B, Fire water unit and Ammonia storage tank-A are already in operation. However, the overall progress of 97.26% achieved on construction, commissioning and supervision activities has been slipping by 2.47% against that originally scheduled of 99.73%. This slippage in progress is attributed mainly to

delay in completion of erection, radiography and hydrotest of above ground piping and subsequent instrumentation activities of process units. Upto 14.1.2005, actual expenditure of US \$ 835.727 MM has been incurred against the budgeted figure of US \$ 863.159 MM. Despite the slippage in the construction schedule the OMIFCO management is optimistic of achieving commercial production by 15.7.2005.

52. On being asked whether urea taken from OMIFCO is cheaper than urea imported from other countries, the Department of Fertilizers stated as under:-

“The price of urea in the international market depends upon the demand supply position and varies from time to time and country to country. The FOB price paid by the Government for import of urea on Government account during the year 2004-05 was ranging between US \$149 per MT to US \$ 257 per MT. However, the long-term price (LTP) of urea to be imported from OMIFCO is fixed as per the Urea Off-Take Agreement (UOTA). The details are as under: -

<u>Year of contract</u>	<u>LTP of urea US\$/MT</u>
1	150.00
2	140.00
3	133.00
4	133.00
5	131.00
6	130.00
7	130.00
8	130.00
9	104.00
10	90.00
11	80.00
12	84.80
13	90.00
14	89.00
15	90.80

(VI) **FERTILIZER SUBSIDY**

(A) **Extent of subsidy**

53. With a view to attaining sustained agricultural growth and to promoting balanced nutrient application, it is imperative that fertilizers are made available to farmers at affordable prices. With this objective, urea, being the only controlled fertilizer, is sold at statutorily notified maximum retail price (MRP), and the decontrolled phosphatic and potassic fertilizers are sold at indicative MRPs. MRP of single super phosphate is indicated by the respective State Governments. As the MRPs of fertilizers so notified/ indicated are generally less than the cost of production of fertilizers, the difference between the cost of production and the MRP is paid as subsidy/ concession to the manufacturers/ importers of fertilizers.

54. Urea is at present the only fertilizer which is under statutory price, movement and distribution control under the Essential Commodities Act, 1955. The potassic and phosphatic fertilizers were decontrolled w.e.f 25.8.1992, the low analysis nitrogenous fertilizers viz. calcium ammonium nitrate, ammonium chloride and ammonium sulphate were decontrolled w.e.f 10.6.1994.

55 Details of amount of subsidy/concession expenditure on urea and decontrolled fertilizers during the last 5 years is given in the table below:

(Rs. in crores)

Period	Amt. Of concession disbursed on decontrolled fertilizers	Amount of subsidy disbursed on urea			Total for all fertilizers
		Indigenous urea	Imported urea	Total for urea	
1999-2000	4500.00	8670.00	74.07	8744.07	13244.07
2000-2001	4319.00	9480.00	0.98	9480.98	13799.98
2001-2002	4503.52	8257.00	47.34	8304.34	12807.86
2002-03	3224.52	7790.00	0.00	7790.00	11014.52
2003-04	3326.00	8521	0.00	8521.00	11847.00
2004-05	4046.00	8143.15	473.00	8616.15	12662.15

56. It is seen from the information provided by the Department of Fertilizers that allocation in Budget Estimates (BE)/Revised Estimates (RE) 2004-05 under the sub-head subsidy on imported fertilizers was Rs. 473 crore. In BE 2005-06, the allocation has been increased to Rs. 943.53 crore. When the Committee enquired about the reasons for drastic increase in the allocation under subsidy on imported fertilizers in BE 2005-06, the Ministry, in a written reply, stated as under:-

“Urea is the only fertilizer, which is under statutory price and partial movement control. Import of urea for direct use as manure is being made on Government Account only. Government make provision under the head import of fertilizers for arranging import of urea on Government account. The BE for 2004-05 was prepared for estimated imports of 10 lakh MT urea. Government of India, through the Department of Fertilizer, has entered into a Urea Off-Take Agreement (UOTA) with the Oman India Fertilizer Company S.A.O.C. (OMIFCO) a joint venture company set up in Oman to lift the 100% of granular urea produced by the company for a period of 15 years. The annual production of the company shall be about 16.50 lakh MT per annum and the entire quantity is to be shipped to India for handling at different major ports in East and West Coast from April 2005 onwards. Accordingly, the BE for 2005-06 was prepared for import of 16.50 lakh MT of urea on Government account. This has resulted in increase in the BE 2005-06 over BE 2004-05.”

57. In regard to above, the Department of Fertilizers in a written note further supplemented as under:-

“The normative delivered price of decontrolled P& K fertilizers under the concession scheme is worked out based on the prevailing prices of fertilizers & fertilizer inputs in the international/ domestic market. The difference between the normative delivered cost & the indicative MRP's is paid as a concession to the P&K fertilizer manufacturers/ importers. After the preparation of BE 2004-05 the prices of fertilizers & fertilizer inputs have been increased tremendously in the international market while the indicative MRP's remained unchanged. This has resulted in increase in the concession rates for decontrolled P&K fertilizers during the year 2004-05.”

58. The allocation in Budget Estimates (BE) 2004-05 under the sub-head subsidy on indigenous fertilizers was Rs. 8143.15 crore. In Revised Estimates (RE) 2004-05, the allocation has been increased to Rs. 10143.15 crore. On being

asked to state the reasons for increase in RE (2004-05) over BE (2004-05), the Ministry, in a written reply, stated that the increase in RE 2004-05 was mainly due to the carry forward liability of 2003-04 of Rs. 1808.54 Cr., increase in demand and production of indigenous urea and increase in the prices of naphtha, F.O., LSHS. The total RE projected for the year 2004-05 was Rs. 12479.60 Cr. against the BE of Rs. 8143.15 Cr. However, Rs. 10143.15 Cr. has been allocated in the RE 2004-05 leaving a balance of Rs. 2336.45 Cr for the next year 2005-06.

(B) Working of the New Pricing Scheme

59. Until 31.3.2003, the subsidy to urea manufacturers was being regulated in terms of the provisions of the Retention Price Scheme (RPS). Under RPS, the difference between retention price (cost of production as assessed by the Government plus 12% post tax return on networth) and the MRP was paid as subsidy to the urea units. Retention price used to be determined unit wise, which differed from unit to unit depending upon the technology, feedstock used, the level of capacity utilization, energy consumption, distance from the source of feedstock/ raw materials, etc.

60. New Pricing Scheme (NPS) for urea units has come into existence w.e.f 1.4.2003 replacing the erstwhile RPS. It aims at inducing the urea units to achieve internationally competitive levels of efficiency, besides bringing in greater transparency and simplification in subsidy administration.

61. NPS is being implemented in stages. Stage-I was of one year duration, from 1.4.2003 to 31.3.2004. Stage-II is of two years duration, from 1.4.2004 to 31.3.2006. Under NPS, the existing urea units have been divided into six groups based on vintage and feedstock for determining the group based concession. These groups are : Pre-1992 gas based units, post-1992 gas based units, pre-1992 naphtha based units, post-1992 naphtha based units, fuel oil/low sulphur heavy stock (FO/LSHS) based units and mixed energy based units. The mixed energy based group shall include such gas based units that use alternative

feedstock/fuel to the extent of more than 25% as admissible on 1.4.2002. Classification of units among different groups so determined will remain unchanged during stages-I & II.

62. As per the New Pricing Scheme for urea units, which came into existence w.e.f 1.4.2003 replacing the erstwhile Retention Price Scheme, it was envisaged that decontrol of urea distribution/movement will be carried out in a phased manner. During Stage-I, i.e. from 1.4.2003 to 31.3.2004, the allocation of urea under the Essential Commodities Act 1955 (ECA) was restricted up to 75% and 50% of installed capacity (as reassessed) of each unit in Kharif 2003 and Rabi 2003-04, respectively. It was further envisaged that during Stage-II commencing from 1.4.2004, urea distribution will be totally decontrolled after evaluation of Stage-I and with the concurrence of the Ministry of Agriculture.

63. The total decontrol of urea distribution was deferred for a period of six months w.e.f. 1.4.2004 i.e., up to Kharif 2004. It has now been decided to defer the distribution control of urea for a further period of six months w.e.f. 1.10.2004 i.e., up to Rabi 2004-05.

64. For reviewing the effectiveness of Stage-I and II of NPS and for formulating policy for urea units beyond Stage-II i.e. from 1.4.2006 onwards, the Department of Fertilizers has constituted a Working Group under the chairmanship of Dr. Y.K. Alagh. The Working Group would also examine issues pertaining to formulation of feedstock policy especially with regard to nature, pricing and availability, demand and supply of urea upto the end of 11th Five Year Plan, fixing milestones for conversion of existing naphtha and FO/LSHS based units to NG/LNG, mode of determination and methodology of payment of concession to urea units, de-control of movement and distribution of urea, balanced fertilization through urea pricing etc.

65. When asked to state whether per hectare fertilizer subsidy being provided by the Government to the Indian farmers is commensurate with subsidies being

provided in advance countries to their farmers, the Ministry, in a written reply, stated as under:-

“On the basis of the total amount of subsidy/concession paid on urea and decontrolled phosphatic and potassic fertilizers during 2003-04 and the area of cultivable land in the country, the amount of subsidy paid per hectare works out to Rs. 954. There is no data available to indicate the level of subsidy support being given to farmers in the advanced countries.”

66. As regards, per capita farm subsidy provided in India and its comparison with other advanced countries, the Ministry in a note stated as under:-

“There is no data available to indicate the level of farm subsidy support being given to farmers in the advanced countries. However, it is pertinent to mention that developed countries, being resource rich with smaller populations, provide subsidy on market support. Developed countries also provide subsidy to farmers not to grow a particular crop if they feel its produce will result in surplus of that commodity. In India, the subsidy on fertilizers is provided with the objective of making fertilizers available at affordable and reasonable rates to farmers.”

67. On being enquired by the Committee as to whether subsidy presently being provided to different States was sufficient in proportion to arable land available for cultivation, the Ministry, in a written reply, stated as under:-

“Subsidy on fertilizers is not provided with reference to arable land available for cultivation in different States. Subsidy/concession on fertilizers, both controlled urea and decontrolled phosphatic and potassic fertilizers, is provided with the objective of making available fertilizers to farmers at affordable rates. Urea, being the only controlled fertilizer, is sold at statutorily notified maximum retail price (MRP), and the decontrolled phosphatic and potassic fertilizers, such as DAP, MOP and NPK complexes are sold at indicative MRPs. MRP of single super phosphate is indicated by the respective State Governments. MRP/Indicative MRPs of fertilizers are uniform throughout the country.”

(VII) PREFERENTIAL ALLOCATION OF DOMESTIC NATURAL GAS TO FERTILIZER INDUSTRY AND MAKING AVAILABLE IMPORTED LNG TO FERTILIZER UNITS

68. Natural gas has been the preferred feedstock for the manufacture of urea over other feedstocks viz. naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is cost effective and internationally competitive in terms of manufacturing cost of urea. However, pricing of feedstock also becomes a very important factor in the production of urea due to the fact that the cost of feedstock constitutes about 60 to 75% of the total cost of production of urea. In respect of gas based units, cost of feedstock accounts for 60% of cost of production, whereas for naphtha based and FO/LSHS based units, it accounts for about 75% of the cost of production.

69. Although natural gas is the preferred feedstock for production of urea, but due to the dwindling supplies of natural gas, even the gas based units have been forced to partially use naphtha even for feedstock. As per the information available in the Department, current availability of gas is only 84 MMSCMD. As per the projections of ONGC, its production is expected to go down from the current level of around 65-64 MMSCMD to about 34-35 MMSCMD, by the year 2010-11, whereas the production of JVs/Private players will increase from the present level of around 17.5 MMSCMD to about 59.43 MMSCMD during the same period.

70. As per the Hydrocarbon Vision – 2025 document, the demand for natural gas has been projected as under:-

MMSCMD	
Year	Demand
2006-07	231
2011-12	313
2024-25	391

71. As per the projections of the Working Group on Petroleum & Natural Gas for the 10th Five Year Plan, the demand projected is as follows:-

MMSCMD

Year	Demand
2003-04	155
2004-05	176
2005-06	179
2006-07	179

72. As regards the demand and supply of natural gas to fertilizer units, the Department of Fertilizers in an audio-visual presentation during evidence informed that the shortage of Natural Gas to existing gas based units is as under:-

Total requirement of existing gas based units	Actual supply during 2003-04	Shortfall	Percentage of shortfall
33.32 MMSCMD	22.13 MMSCMD	11.19 MMSCMD	33.6

73. In the wake of recently formulated policies for setting up of new and expansion of urea units and switch over of non-gas based units to NG/LNG, the fertilizer industry has estimated that the total requirement of NG/LNG will increase to 55 MMSCMD.

74. It was further informed by the Department of Fertilizers that the Petronet LNG Limited (PLL) and GAIL have offered to supply LNG to urea companies at the delivered price of US \$ 4.87/MMBTU within Gujarat on NCV basis inclusive of all taxes and duties and US \$ 4.88/MMBTU outside Gujarat. The Department of Fertilizers and the fertilizer industry feels that the price being quoted is very high as the fertilizer industry cannot afford this high price. It can remain viable with imported urea if LNG is made available at a price not more than US \$ 3.0-3.5/MMBTU.

75. As the differences between PLL/GAIL and the fertilizer industry over pricing and other clauses of the Gas Sale Agreements for supply of LNG to urea companies could not be resolved, the Cabinet Secretariat, with the approval of Prime Minister constituted an Inter-Ministerial Group (IMG) under the chairmanship of Finance Minister to examine issues regarding preferential allocation of domestic natural gas to fertilizer industry and making available imported LNG to fertilizer units, its pricing and the related taxation issues. First meeting of IMG has been held on 21.7.2004. Based on decisions taken in the first meeting of IMG, the issue of reasonableness of pricing of various components of RLNG being marketed by PLL (post FOB price) has been referred to the Tariff Commission.

76. In this connection, the Committee enquired whether the Tariff Commission has submitted its report and if so, the follow-up action taken by the Ministry on its recommendations. The Ministry, in their written reply, stated that the Tariff Commission has submitted interim report on "Pricing of Cost Components of LNG Import & Regasification and Transportation Tariff of NG/R-LNG". Final report is yet to be submitted by the Tariff Commission. Recommendations of the Tariff Commission will be considered by the Inter-Ministerial Group headed by the Finance Minister in its next meeting.

77. On being enquired as to when the final report of the Tariff Commission is going to be submitted, the Department of Fertilizers, in a written reply stated that the Tariff Commission has informed that they would submit the final report after full time Chairman joins the Commission.

78. When it was further asked about the progress made at the level of Ministry of Petroleum & Natural Gas in preferential allocation of existing natural gas under Administrative Price Mechanism (APM) to the fertilizer sector, the Ministry of Chemicals & Fertilizers, in their written reply, stated as under:-

“The Ministry of Petroleum & Natural Gas’s proposals on ‘Revision of natural gas allocation and prices’ have been referred to the Group of Ministers constituted under the chairmanship of Defence Minister for examination in the first instance, whose last meeting was held on 4.3.2005.”

(VIII) DE-BOTTLENECKING/REVAMP/MODERNIZATION OF FERTILIZER UNITS

79. Having realised the efficiency and environment friendliness of natural gas the Government have announced a policy for de-bottlenecking/revamp/modernisation of fertilizer units. The salient features of this policy notified by the Government on 29.01.2004 are as follows:-

- (a) The de-bottlenecking/revamp/modernization of the plant should result in not less than 10% increase in the existing urea production capacity.
- (b) This revised notified capacity, however, will not be used to revise the existing relevant group concession rate as determined under the New Pricing Scheme (NPS) for urea units.
- (c) The Company will be required to obtain prior permission of the Department of Fertilizers (DOF) before embarking upon any de-bottlenecking/revamp/modernization of its urea plant(s).
- (d) The de-bottlenecking/revamp/modernization should lead to increase in production entirely based on Natural Gas (NG)/Liquefied Natural Gas (LNG) only as fuel and feedstock and no increase in production capacity based on any other costlier feedstock/fuel will be allowed. No feedstock/fuel substitution will be allowed for the enhanced production capacity.
- (e) For the companies obtaining permission for enhancement in capacity by way of de-bottlenecking/revamp/modernization, the entire production available from the existing production capacity along with the enhanced capacity on account of de-bottlenecking/revamp/modernization will be considered based on natural gas/LNG in the event of NG/LNG becoming available for the entire urea production.
- (f) The gas based plants presently also utilizing costlier substitute feedstock/fuel due to inadequate availability of gas may be permitted to undertake de-bottlenecking/revamp/modernization subject to the condition that the aggregate quantity of costlier feedstock/fuel shall not increase beyond the level recognized by FICC as on 1.4.2003. This permission will be for a specified period to be determined by DoF at the time of granting approval.
- (g) The units undertaking de-bottlenecking/revamp/modernization will be allowed to retain any energy efficiency gain therefrom and it will not be mopped up for any revision in the pre-set energy norms already notified under NPS. The specific energy consumption will not be compensated in excess of the pre-set energy norms for Stage-II of NPS.

- (h) The additional urea capacity, created by de-bottlenecking/revamp/modernization shall be used for sale for agricultural purposes within the country. The units may also export or sell to complex manufacturers or for any other industrial use with the prior permission of DoF. However, concession will be admissible only for direct sale of urea for agricultural purposes.
- (i) The Government reserves the right to mop up this additional production under the Essential Commodities Act, 1955 (ECA) allocation, where exigencies on the demand and supply situation so warrant.
- (j) As de-bottlenecking/revamp/modernization concerns the existing urea plants which are already getting concession based on group concession rates under NPS w.e.f 1.4.2003, the plants obtaining permission for de-bottlenecking/revamp/modernization will be given their existing concession rates with a provision for escalation/de-escalation on account of changes in the prices of feedstock/fuel. No compensation will be given for any other components such as capital related charges (CRC), conversion cost etc. including additional investment made for such de-bottlenecking/revamp/modernisation.”

80. When the Committee asked about the number of units that have undergone debottlenecking/revamp/modernization and the number of cases which are still pending with the Government, the Ministry, in their written reply, stated that no revamp, modernization and debottlenecking of urea unit have taken place during the last three years. However, revamp of units of Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL) which commenced on 2.11.1998 is under implementation.

81. The details of proposals for de-bottlenecking of Urea plants submitted to Department of Fertilizers are as under:-

Sl. No	Name of the PSU/Cooprative	Proposed location	Estimated Capital Cost (Rs. crore)	Production envisaged	
				Product	Capacity (lakh)
1.	IGFL, Jagdishpur (De-bottlenecking)	Jagdishpur, UP	157.43	Urea	2.442
2.	TCL, Babrala (Debottlenecking)	Babrala, UP	140	Urea	2.90
3.	IFFCO (De-bottlenecking projects)	Aonla-I Aonla-II Phulpur-I Phulpur-II	110.15 107.45 147.66 <u>115.43</u> 480.69	Urea	1.353 1.254 1.254 <u>1.254</u> 5.115

82. The Ministry have stated that the above proposals are under consideration of the Government.

83. Having concerned with no revamp, modernization and de-bottlenecking of urea units during the last three years, the Committee asked about the reasons for this, the Ministry, in a written reply stated as under:-

“Even before introduction of NPS w.e.f. 1.4.2003 urea units were always carrying on revamp and modernization measures to make their plants more efficient and productive and to update their technology. Such investments by urea units were also being recognized under the erstwhile Retention Pricing Scheme (RPS) for the purpose of determining the retention price payable to the urea units. However, vide policy dated 29th January, 2004, such measures taken by urea units under NPS are being dealt with in terms of a policy for revamp, modernization and de-bottlenecking which will encourage urea units to become more efficient and competitive in a decontrolled scenario.”

(IX) REVIVAL OF CLOSED PSU UNITS

84. Out of the ten fertilizer public sector undertakings under the administrative control of Department of Fertilizers, three PSUs, namely, HFC, FCI and PDIL were declared sick by the Board for Industrial and Financial Reconstruction (BIFR) in 1992 and another one, PPCL, in 2000. MFL & FACT are incurring losses and RCF & NFL are reporting profits. BVFCL has come into being with effect from 1.4.2002 after hiving off the Namrup units from HFC and that of FAGMIL w.e.f. 1.4.2003 after hiving off the Jodhpur Mining Organisation from FCI. Revised comprehensive rehabilitation proposals in respect of the remaining units of HFC and FCI, based on the recommendations of the Group of Ministers appointed for the purpose, were considered by the Cabinet on 18.7.2002 and 5.9.2002 and it has been decided to close down entire HFC; FCI except its Jodhpur Mining Organisation (JMO); and PPCL on 5.6.2003. In respect of PDIL, the Cabinet has approved closure of R&D Division and Sindri unit of E&C Division and revival of the units of E&C Division located at Noida and Baroda and the Catalyst Division at Sindri.

85. It has been informed by the Department of Fertilizers that keeping in line with the National Common Minimum Programme, outlined by the Government, the revival of the sick and loss making and closed fertilizer PSUs has been entrusted to Projects and Development of India Limited (PDIL). The reports submitted by PDIL with respect to fertilizer PSUs are under examination of Department of Fertilizers.

86. When the Committee desired to know about the latest position on the report of PDIL regarding revival of closed Fertilizer Sector Undertakings, the Ministry stated that the report received from Projects and Development India Ltd. (PDIL) regarding revival of closed fertilizer PSUs was under examination in consultation with the respective companies. The proposals for revival of the units based on their techno-economic viability will be sent to the Board for Restructuring of Public Sector Enterprises (BRPSE), newly constituted for the purpose for consideration.

87. In this regard, it was further added that as regards fertilizer PSUs in respect of which report from Projects and Development India Limited (PDIL) has been received, it has been stated that the updated revival reports in respect of Barauni and Durgapur units of Hindustan Fertilizer Corporation of India Limited; and Amjhore unit of Pyrites, Phosphates & Chemicals Limited (PPCL) have been received from Projects and Development India Limited (PDIL) and are under examination in consultation with the respective PSUs.

(X) UTILISATION OF PLAN OUTLAYS BY PSUs

88. The utilization of plan outlay by PSUs during 2004-05 has been given below:-

(Rs. Crore)

S.No.	Name of the Scheme/ project Outlay	2004-05		Shortfall
		Approved Outlay	Utilised Upto 31.1.2005	
1.	FACT (BS)	10.14	10.14	-
2.	MFL (BS)	12.68	11.93	0.75
3.	NFL (IEBR)	69.00	19.91	49.09
4.	PDIL (IEBR)	1.50	1.19	0.31
5.	BVFCL/HFC (BS)	81.00	-	81.00
6.	RCF (IEBR)	120.82	105.82	15.00
7.	KRIBHCO (IEBR)	171.00	4.65	166.35

BS - Budgetary Support
IEBR - Internal and Extra Budgetary Resources.

89. Having noted that many of the PSUs were not able to utilise the funds under plan outlay during 2004-05 the Committee desired to know the reasons thereof with special reference to schemes/projects undertaken by MFL and NFL.

(A) Madras Fertilizers Limited (MFL)

90. Out of an outlay of Rs. 12.68 crores for the year 2004-05, only an amount of Rs. 11.93 crores have been utilised. In a written reply, the Department of Fertilizers informed the Committee that during the year 2003-04 MFL had taken up the project for Replacement/refurbishment of burner Management scheme at a cost of Rs. 1 crore and for which it was released Rs. 75 lakhs during 2003-04 and balance was to be released as spill over in 2004-05. This scheme has since been dropped by MFL on the observation by BHEL due to obsolete design. Instead

other scheme entitled "Repairs to the 10000 MT capacity phosphoric Acid Storage Tank 'A' at Chennai Port Trust was taken up for which it had again requested Rs. 1 crore during the year 2004-05. Pending receipt of breakup of expenditure as well as utilization certificate for an amount of Rs. 75 lakhs sanctioned during the last financial year equivalent amount have been withheld during this financial year.

91. Asked whether techno-economic feasibility study was carried out by MFL with the help of BHEL or other expert agency before finalising the project/scheme for replacement/refurbishment of burner management, the Ministry, in a written reply, stated that BHEL was appointed by MFL for Residual Life Analysis (RLA) study on the boiler supplied by them. BHEL made site visit and inspected the boiler when the boiler was running and gave a report. In that they had suggested to go for burner management system. Accordingly the scheme was proposed. Later BHEL made an in-depth study after stoppage of the boiler. After studying the existing burners during that time they came out with a report stating that it is not possible to upgrade the burners as they are outdated. Hence the scheme was dropped.

92. When the Committee asked whether due care has been taken by MFL for the scheme entitled "Repairs to the 10000 MT capacity Phosphoric Acid Storage Tank 'A' at Chennai Port Trust" so that it is not left mid-way, the Department of Fertilizers, in a written reply, stated as under:-

"MFL has already placed LOI on M/s Lebracs rubber lining Pvt Ltd as a turn key job for rerubber lining job for 10,000 MT tank at port at an estimated cost of Rs. 1 crore. MFL has informed that this job will be done in 8 months time and that due care has been taken to ensure that schemes are not left mid-way."

(B) National Fertilizers Limited (NFL)

93. The Department of Fertilizers have stated that for the year 2004-05 an outlay of Rs. 69 crores was proposed which was subsequently revised to Rs. 25 crores in RE stage and the funding was through Internal budgetary resources of the company. Out of this an expenditure of Rs. 19.91 crores has been incurred, resulting in a shortfall of Rs. 49.09 crores.

94. The reasons for shortfall was on account of following reasons:-

- (i) Dropping of the scheme for changeover of turbine of CO₂ compressor at Vijaipur-I since the study entrusted to Process Licensor found that energy reduction in Ammonia in Vijaipur-I was likely to alter the overall steam balance.
- (ii) An amount of Rs. 19 crore was approved for installation of Pre Concentrator in Urea Plant of Vijaipur-I & II. The scheme for Vijaipur-I is under implementation at the cost of Rs. 9 crore. Further, out of the estimated budget of Rs. 9 crore, an amount of Rs. 31.3 lakh has been released to the Consultant against the Basic Engineering. The balance payment which is mainly on account of equipment procurement and installation is likely to be released in the year 2005-06.
- (iii) In light of Govt. policy on de-bottlenecking of Urea Units announced by the Govt. in Jan. 2004, a study for enhancement of capacity of Vijaipur II has been entrusted to Process Licensor M/s HTAS. This is likely to alter the steam balance of entire complex, due to which the scheme is not found commercially viable, thus dropped for Vijaipur II.
- (iv) An amount of Rs. 10 crore has been approved for providing DCS for Steam Generation Plant (SGP) at Panipat, Bathinda and Nangal Units. The scheme is under implementation and is at procurement stage. It is likely to be completed by December, 2005. At present, Rs. 2.17 lakh has been released against Consultancy fees. The remaining amount shall be spent during the year 2005-06.
- (v) An amount of Rs. 6.9 crore was approved for providing DCS for Vijaipur I. The scheme is under implementation but the expenditure is likely to be incurred during the year 2005-06.

95. In a subsequent reply, the Department of Fertilizers clarified that the feasibility study for enhancement of capacity at Vijaipur II was still under process with the licenser M/s. HTAS and final report is expected by end May, 2005. Based on the final report of the processor licenser, NFL will seek approval for enhancement of the capacity.

96. It has been informed that the budgetary allocation under Plan Outlay for NFL has been increased to Rs. 55 crore in BE 2005-06. When asked about the reasons for higher allocation and the steps taken for full utilization of the fund, the Department of Fertilizers, in a written reply stated as under:-

“The IEBR provision of Rs. 69 crores in respect of NFL made in BE (2004-2005) was reduced to the level of Rs. 25 crores in RE (2004-2005) due to the reason that mainly energy savings schemes and upgradation of instrumentation schemes were included in BE(2004-2005). The action on implementation of these schemes was initiated in time but due to high lead time quoted by the suppliers, they will be installed only in the next financial year i.e., 2005-2006. Accordingly, budget provision for the current financial year was reduced to Rs. 25 crores and increased to Rs. 55 crores in BE(2005-2006).”

(XI) PROJECT/SCHEMES IN NORTH-EASTERN REGION AND SIKKIM

97. Brahmaputra Valley Fertilizer Corporation Ltd. (BVFC), a new company formed on 1.4.2002 on bifurcation of Hindustan Fertilizer Corporation Ltd. (HFC) is revamping its Namrup units in Assam in the North Eastern Region of the country to enhance its total urea production by the units from 1.50 lakh Tonnes Per Annum (TPA) to 5.55 lakh TPA. The company is strategically located in the north-eastern region in the state of Assam which will produce urea fertilizer drawing natural gas through extensive piping network from Oil fields operated both by Indian Oil Limited and ONGC. The company is the biggest fertilizer unit in the entire region of north-east, Bihar and West Bengal. This fertilizer complex have the potential to play key role around economic development of the region by creating peripheral amenities and for providing employment opportunity to local people.

98. The zero date of the project was 2.11.98 and it was to be completed in 39 months. Although the installed capacity of the three units was 7.5 lakh MT of urea per annum, it was only working at a capacity of 1.5 lakh MT per annum. The revamp intended to take this capacity to 5.55 lakh MT per annum by increasing the number of stream days. The entire project expenditure was to be funded with a debt equity ratio of 1:1 with the equity portion being funded by government and debt portion being funded by FIs/Banks, failing which the entire project cost to be funded by the Government through budgetary support. Since no FIs/banks agreed to provide loans to fund the project the entire project was funded by budgetary support from government. Although, the project was scheduled to be commissioned by 1.2.2002, only Namrup-I & III units could be revamped and restarted for production w.e.f. 25.3.2002 and implementation of Namrup-II revamp was delayed and expected to be completed by 16.5.2004. . The project was delayed and the first Revised Cost Estimates (RCE) was approved by the Government with the revised cost of Rs. 509.40 crores (on constant price basis) and a completion cost of Rs.525.47 crores.

99. The actual expenditure incurred on project till January, 2005 was Rs. 520.57 against an amount of Rs. 521.02 crore released upto 31st March, 2004. The overall cumulative physical progress of the project was 98.70%.

100. On being enquired about the reasons for Banks/FIs not agreeing to fund the project and whether expert opinion from any Bank or FI was taken, the Ministry, in their written reply, stated that when the revamp project was sanctioned in the year 1997, the Namrup units were a part of Hindustan Fertilizer Corporation Ltd.(HFC) which was under the purview of BIFR as a sick company. The operating agency (ICICI) appointed by BIFR while submitting the business plan proposed project funding through 1:1 debt and equity participation. While Government participated in the equity, the loan was to be arranged by HFC from FIs/Banks. The major conditions put forward by FIs/Banks for providing loan were demerger of Namrup units from HFC and the Government guarantee for the loan.

101. The project started with the equity given by Govt. and the Namrup units were demerged w.e.f. April, 2002. However, even after continuous discussions with FIs/Banks, none of the agencies came forward to provide the loan for the project. Finally, the Govt. of India sanctioned the loan for the project, out of its own funds.

102. As regards cost escalation due to delay in completion of project, the Ministry informed that the Government had approved the revival package for Namrup revamp in October, 1997 at an estimated total cost of Rs. 350 crores. The project was to be commissioned by 1.5.2001. Due to change in scope of work leading to increase in the gestation period and other factors like price escalation and exchange fluctuation the project cost had increased from Rs. 350 crores to Rs. 509.40 crores. Hence, on 10th September, 2001, Government had approved the first revised cost estimates of Rs. 509.40 crores and completion cost of Rs.

525.47 crores with the date of commissioning as 1.2.2002. Since, the project could not be commissioned by 1.2.2002 the PIB had approved second revised cost escalation at a completion cost of Rs. 610.24 crores with a completion date of 31.12.2004. Hence, there was a cost escalation of the project from Rs. 509.40 crores to Rs. 610.24 crores. However, due to delay in completion of work in Effluent Treatment Package, Commissioning of Process Air Compressor, instrumentation jobs in Urea-II plant and delay in commissioning of front end of Ammonia-II due to detection of leakage in Boiler Feed Water Heater, the date of commissioning of the revamp project overshoot beyond 31.12.2004. The project is likely to be completed by 30.4.2005.

(XII) MISCELLANEOUS

Import of urea by NFL from KARSAN Limited, Turkey

103. During the course of examination of the Demands for Grants for the year 2005-06, the Department of Fertilizers apprised the Committee of the facts and status of the case relating to import of urea by NFL as summarised in the succeeding paragraphs.

104. On 09.11.1995 NFL entered into an agreement with Karsan Ltd. of Turkey for supply of 200,000 Tones of Urea at a price US\$ 190 PMT CIF (total contract value US\$ 38 million) within the supply period up to May,1996 against advance payment. However, Karsan Ltd. did not supply urea within the stipulated period. The supply period was further extended up to 04.10.1996. Karsan Ltd. dispatched an urea vessel containing around 9000 tones of urea in Sept., 1996 which was rejected by NFL for not meeting the contractual quality specifications. The said contract was finally terminated on 06.10.1996 on non-performance and breach of trust by Karsan. As per the terms & conditions of the contract, NFL made 100% payment of US \$ 38 million to Karsan's account in advance,. However, Karsan failed to meet its contractual obligations. As such, the advance amount already released to Karsan Ltd. towards purchase proceeds remained with Karsan without supplying any quantity of urea to NFL against the said agreement.

105. In the arbitration between NFL and Karsan Ltd., the International Chamber of Commerce (ICC) had been delivered an Award on 3rd December, 1998 in favour of NFL for US \$ 40.69 millions along with interest @ 5% on the principal amount of \$ 37.62 million. The counter claims of Karsan were rejected. The petition filed by Karsan Ltd. with the District Court, Amsterdam for setting aside the award, was dismissed on 12.12.2001. Karsan filed an appeal against the judgement of the District Court before Dutch High Court which has been rejected

on 22.1.2004. Since Karsan Ltd. has not pursued the case further in the Dutch Supreme Court, the company do not foresee any enforceable counter-claim of liability consequent to any such claim. The recovery proceedings pursuant to ICC Award are underway against the identified assets in the name of Karsan and its executives in various countries. The total amount recoverable from Karsan including litigation cost and interest works out to \$ 56.45 million plus EURO 13411.019 equivalent to Rs. 246.47 crore as on 31.3.2004.

106. On being enquired about the recovery position of the outstanding amount pending against Karsan Limited, Turkey, the Ministry, in their written reply stated as under:-

“NFL has, so far, recovered an amount of Rs.1.02 crore (US\$ 225,940) only from the account of M/s. Karsan in Geneva (Switzerland), the only known assets identified in the name of M/s. Karsan. For recovery of balance amount the recovery proceedings are still in progress in various countries. “

107. When the Committee wanted to know about liabilities of Karsan and its executives in various countries, the Ministry replied as under:-

“Liabilities of M/s KARSAN and its executives in various countries are not known However, as per the information available the total identified assets in the name of various individuals including executives of Karsan & their relatives & associates in the different countries is about US \$ 25 million. This amount in Indian Rupees will amount to Rs.108 core approximately.”

108. Expressing concern about the recovery of a paltry sum by the Government from Karsan Limited, when the Committee asked whether the balance outstanding amount could be recovered at all by the Government, the representative of the Department of Fertilizers, during evidence stated as under:-

* "The money provided at that time was Rs. 133 crore. Thereafter, the CBI registered the case recognising it into two parts. The criminal part is being investigated by the CBI and the commercial part is being looked into by us in the company which was earlier referred for arbitration in the ICC. That award went in our favour and we were awarded interest as well. Thereafter, wherever the CBI unearthed black money, the accounts were attached and the total attachments amounts to Rs. 108 crore. The legal issue involved is that when the money was transferred in their favour, the very next day all the amounts were transferred in their names and there were only Rs. one crore in the account of Karsan. As the arbitration award went against the Karsan, we got that amount. The remaining cases are being prosecuted on the basis of unjust enrichment and fraud. We are taking up the matter in Turkey, Geneva, USA, Monaco and Hyderabad. The cases are at different stages. At some places the case is at the stage of final argument. They use tremendous tactics. Delays are caused by creating obstacles in every thing. The attachment is to the tune of Rs. 108 crore and the money deposited in the banks is accruing interest."

109. On being further enquired by the Committee as to whether any similar case had been noticed in the past, where hundred per cent payment was made in advance for import of fertilizers, the Ministry, in a post-evidence reply, stated as under:-

"Normally canalizing agent/ State Trading Enterprises are paying price of imported urea through establishment of LC at sight. Government is not aware of any other case where 100% payment has been made in advance by canalising agencies."

* *Verbatim in Hindi*

PART-II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

The Committee find that the budgetary provisions of the Department of Fertilizers for the year 2005-06 are Rs. 17167.07 crore and the net estimates after adjusting the recoveries are Rs. 16398.82 crore. Out of the above, the Non-Plan component is Rs. 16287.00 crore and the Plan component is Rs. 111.82 crore. In the Revised Estimates of 2004-05, the total Non-Plan expenditure was pegged at Rs. 15698.00 crore. This shows an enhancement of Rs. 589.00 crore in 2005-06 in Non-Plan Budget. In the current year, the total subsidy outlay for indigenous, imported fertilizers and concessional sale of decontrolled fertilizers together is estimated at Rs. 16253.90 crore which is about 99% of the total net Non-Plan budget provisions of the Department of Fertilizers. The Committee also find that the Non-Plan loans to PSUs have been kept at Rs. 25.18 crore in the BE of 2005-06, whereas it was Rs. 28.15 crore in the RE of 2004-05. Provision under Plan schemes to PSUs has been increased to Rs. 93.78 crore in BE 2005-06 from Rs. 74.55 crore in the RE for 2004-05. The Committee's scrutiny has revealed that while the expenditure incurred during the year 2004-05 under the Non-Plan heads more or less conformed to budgetary allocation [with the exception of Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL)], the funds allotted under the Plan-heads largely remained unutilised. The Committee note that during 2004-05 the expenditure on various Plan schemes under the Department of Fertilizers upto February, 2005 was only Rs. 39.35 crore which constitutes 30.23 per cent of the total Plan Budget Estimates of Rs. 130.17 crore. From the information made available to the Committee, it appears that the reasons for non-utilisation of funds were mainly owing to the procedural delays. The Committee desire that the non-utilisation of budgetary allocations should be thoroughly looked into and corrective action taken not only from the point of assessing the budgetary requirements accurately, but also for ensuring that the targets laid down in the Plan are met effectively. The Committee also expect the Department of Fertilizers

to contain the expenditure for this year within the sanctioned Budget and follow the instructions of Ministry of Finance to observe austerity. With this, the Committee endorse Demands for Grants of the Department of Fertilizers for the year 2005-06.

(Recommendation No. 1)

2. The Committee are concerned to note that the indigenous annual capacity of nitrogenous fertilizer units had marginally declined to 119.98 lakh metric tonnes (LMT) at the end of 3rd year of 10th Five Year Plan (2004-05) from 120.58 LMT at the end of 9th Five Year Plan (2001-02). What is disturbing the Committee is the fact that there have been slippages in the production targets continuously for the last five years in respect of Nitrogenous fertilizers and four years in respect of Phosphatic fertilizers. As against the targets set, the percentage of actual production of Nitrogenous fertilizers declined from 99.96 in 2000-01 to 95.73 in 2004-05 (estimated). In case of Phosphatic fertilizers, the percentage of actual production which was 101.20% in 2000-01 fell steadily and reached 84.13 in 2004-05 (estimated). Against the installed capacity of 119.98 lakh MT of nitrogen, the actual production during 2003-04 was only to the level of 106.34 lakh MT necessitating the Government to import 1.32 lakh MT of nitrogen. Similarly, as against the installed capacity of 54.20 lakh MT, the actual production of phosphatic nutrients during 2003-04 was to the tune of 36.30 lakh MT, necessitating import of 3.38 lakh MT of phosphate fertilizers. The shortfall in production of Nitrogenous and Phosphatic fertilizers during Kharif'2004 has been attributed to constraints in supply and quality of natural gas, equipment breakdown, delay in commissioning of Namrup-II and unscheduled shut down of RCF-Trombay-V and DIL-Kanpur. In case of Complex fertilizers, low production was further attributed to shortage of phosphoric acid and imported/indigenous ammonia. From these facts, it is abundantly clear that there is an urgent need to improve the production performance of both nitrogenous and phosphatic fertilizers.

In view of the above, the Committee recommend that immediate necessary steps should be taken by the Department of Fertilizers to ensure adequate and

timely availability of raw materials and also to remove other bottlenecks so that the actual production of fertilizers meet the targets set and also that all the fertilizer companies – Public, Private and Cooperative, operate at an optimum level of the installed capacity and that the dependence on imported fertilizers is kept to the bare minimum possible.

(Recommendation No. 2)

3. The Department of Fertilizers have informed that the availability of urea under the New Pricing Scheme (NPS), during Kharif 2004 was satisfactory in all the States/UTs and there were no reports of shortage from any State/UT. However, on having drawn attention of the Department to the reported non-availability of fertilizers in certain parts of the country, particularly in Punjab, Haryana and Western UP, the Secretary, Ministry of Chemicals & Fertilizers (Department of Fertilizers) in his deposition before the Committee stated that the Department was fully aware of the problem and would endeavour to make available all types of fertilizers during the ensuing/current Kharif season beginning in April, wherever they are required and will also ensure that there is no repetition of the crisis that occurred during the Rabi season. The Committee recommend that the Department of Fertilizers should take all necessary steps in co-ordination with respective State Governments for proper and timely movement and availability of fertilizers to farmers in adequate quantity during the ensuing /current Rabi season so that the farmers are not put to inconvenience and distress. The Committee also recommend that the DOF should constitute monitoring Committees in co-operation with Fertilizers Industry Co-ordination Committee (FICC) in each State to periodically monitor the movement and availability of fertilizers to the farmers.

(Recommendation No. 3)

4. The Committee observe that during 1999-2000, due to favourable conditions, the fertilizer consumption in the country increased to a level of 181 lakh tonnes. Thereafter, the fertilizer consumption in the succeeding years declined and stood at 167.0, 173.6, 160.9 and 168.0 lakh metric tonnes in 2000-01, 2001-02, 2002-03 and 2003-04 respectively. Besides poor monsoon and floods, other reasons attributed by the Department of Fertilizers for low consumption of fertilizers are high cost of Potassic and Phosphatic fertilizers, diversification of

agriculture, increase in cultivation of oilseeds and pulses crops. The Committee are of the opinion that apart from the reasons cited by the Department of Fertilizers for low consumption of fertilizers, low purchasing power of small and marginal farmer has contributed to variation in consumption of fertilizers in different States. While the consumption level was as low as 40.5 kg/hectare in Rajasthan and 41.4 kg/hectare in Orissa during the year 2003-04, the consumption level was high at 184.1 kg/hectare for Punjab, 167.1 kg/hectare for Haryana, 136.8 kg/hectare for Andhra Pradesh, 126.7 kg/hectare for Uttar Pradesh for the year 2003-04. Though the benefits of Green Revolution have been harvested by Punjab, Haryana and Uttar Pradesh, these benefits are required to be extended to other States too. The Committee, therefore, recommend that Government should take urgent corrective steps to remove regional imbalances in fertilizer consumption and to increase consumption in regions/States, where there is low consumption by making fertilizers (particularly Phosphatic and Potassic) available at reasonable rates. If required, the Department of Fertilizers might undertake a study in this regard during the ensuing Kharif and Rabi seasons.

(Recommendation No. 4)

5. The Committee are disturbed to note that consumption of Single Super Phosphate (SSP) which is considered as common man's fertilizer has been gradually declining over the years in the country. The Committee in their Second Report on Demands for Grants (2004-05) of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) while taking note of the neglect by the Governments in relation to the cost of production of SSP, both in terms of fixing MRPs and calculating the ad-hoc concessions, had strongly felt that in the larger interest of the Indian agriculture sector, the importance of SSP needs to be recognised. They, therefore, had desired that certain recommendations of the Cost Accounts Branch (CAB) of the Ministry of Finance for extending some concessions be implemented at the earliest so that the industry is saved and quality SSP is made available to the farmers at reasonable prices throughout the country. In their Action Taken Replies to the recommendations contained in the Second Report of the Committee on Demands for Grants (2004-05), the Department of Fertilizers had informed the Committee that they have examined the recommendations of CAB and methodology for working out a package for SSP is under finalisation. The Committee recommend that the Department of Fertilizers should finalise SSP package expeditiously and grant suitable concessions with a view to making the SSP industry economically viable so that the fertilizer is available to the farmers at an affordable price. In the opinion of the Committee, this will undoubtedly result in enhancing the consumption of SSP.

(Recommendation No. 5)

6. The Committee find that the ideal NPK ratio of 4:2:1 is not being followed in the use of fertilizers in different parts of the country. There is a disproportionate use of NPK amongst different States ranging from high NPK ratio of 108:49:1 in Delhi and low NPK ratio of 1.3:0.6:1 in Kerala during 2003-04. This indicates that farmers at large are quite unaware of the benefits of balanced use of fertilizers. The Committee desire that with a view to removing distortions in use of NPK, the Department of Fertilizers should launch a nation-wide fertilizer education programme in cooperation with the Ministry of Agriculture & Cooperation for

creating awareness amongst the farmers about the benefits of balanced use of fertilizers.

(Recommendation No. 6)

7. The Committee note that the country is totally dependent on imports in case of Potassic fertilizer and a quantity of 15.48 lakh MT of it was imported in the year 2003-04 and 12.39 lakh MT till 30.11.2004 in the year 2004-05. In their Action Taken Replies to the recommendations contained in the Second Report of the Standing Committee on Chemicals & Fertilizers (14th Lok Sabha) on Demands for Grants (2004-05) of the Ministry of Chemicals & Fertilizers (Department of Fertilizers), the Ministry had informed the Committee that Phosphatic and Potassic industry is already decontrolled and the decision of joint ventures is being taken based on the commercial viability assessed by the company. In this respect, three joint ventures have already been established at Senegal, Morocco and Jordan by IFFCO, Chambal Fertilizers and SPIC respectively. As regards Potassic fertilizers, the Department of Fertilizers, in a written reply stated that there was no proposal to float a joint venture for production of Potassic fertilizers with the countries from which it is being imported. The Committee feel that there is a dire need to provide Potash at reasonable rates in time to Indian farmers. They, therefore, recommend that the Government should actively explore the possibilities for setting up joint ventures with potential countries where the raw material is available for production of Potassic fertilizers so that the total dependence on its import could be avoided.

(Recommendation No. 7)

8. A Joint Venture Project (OMIFCO) between Oman Oil Company and Indian Sponsors KRIBHCO and IFFCO is under construction at Sur in Oman for production of urea/ammonia. As per information furnished by the Department of Fertilizers, as on 03.02.2005, the overall progress made by the project was 97.26% in relation to construction, commissioning and supervision activities against the original target of 99.73%. Despite the slippage in the construction schedule, the OMIFCO Management is stated to be optimistic of commencing commercial production by 15.7.2005. The Committee note that as per Urea Off-Take Agreement (UOTA) entered into by Government of India with OMIFCO, the entire quantity of 16.52 LMT of urea produced by OMIFCO will be lifted by Government and accordingly higher allocation has been made in BE 2005-06 for subsidy on the imported fertilizers. Since the Budget Estimates for import of fertilizers are prepared on the assumption that the OMIFCO project will be commissioned as per the schedule, any delay in commissioning of the project would have an adverse impact not only on the budgetary front but also on the overall planning on the availability of fertilizers for domestic consumption during the year. The Committee, therefore, recommend that the Department of Fertilizers should take all possible steps to ensure that the OMIFCO project will go on stream as per the schedule and that there are no cost and time overruns in the commissioning of the project.

(Recommendation No. 8)

9. As per the extant arrangement, the difference between the maximum retail price/indicative price and the actual cost of production of Fertilizers is reimbursed to the fertilizers companies as subsidy. In the current financial year 2005-06, the total outlay for fertilizer subsidy has been estimated at Rs.16253.90 crore which is about 99% of the total net non-plan budget provision of the Department of Fertilizers. The Committee note that the main purpose of fertilizer subsidy is to provide fertilizers to farmers at an affordable price. However, the Committee note that farmers are still unable to reap the benefits of subsidy in a large measure due to various reasons including non-availability of fertilizers on account of hoarding/black marketing. Such problems can be overcome through adopting

better techniques for management of subsidies. One such measure is to resort to direct payment of subsidy to the farmers. Unfortunately, the recommendation made by the Committee in their Second Report on Demands for Grants (2004-2005) for giving direct subsidies to the farmers did not find favour with the Department of Fertilizers. The Committee, therefore, would once again urge the Government to give a serious thought to this suggestion so that the underlying objective behind payment of subsidies become more meaningful. Steps should also be taken in consultation with the State Governments to contain hoarding/black marketing with a view to ensuring availability of fertilizers to the farmers.

(Recommendation No. 9)

10. Under the New Pricing Scheme (NPS) for urea units, introduced with effect from 01.04.2003, the Retention Prices cum Subsidy Scheme (RPS) which was in vogue since November, 1977 came to an end and a group based pricing scheme took its place. NPS is being implemented in two Stages – Stage I for one year duration from 01.04.2003 to 31.03.2004 and Stage-II from 01.04.2004 to 31.03.2006. The Committee note that the Department of Fertilizers has constituted a Working Group under the chairmanship of Dr. Y.K. Alagh to review the effectiveness of Stage-I and II of New Pricing Scheme (NPS) and for formulating policy for urea units beyond Stage-II i.e. from 1.4.2006 onwards. The Working Group would also examine issues pertaining to formulation of feedstock policy especially with regard to the nature, pricing and availability, demand and supply of urea upto the end of 11th Five Year Plan, fixing milestones for conversion of existing naphtha and FO/LSHS based units to NG/LNG, mode of determination and methodology of payment of concession to urea units, de-control of movement and distribution of urea, balanced fertilization through urea pricing etc. The Committee hope that the Working Group would give its report at the earliest and they be informed of the latest developments in this regard.

(Recommendation No. 10)

11. The Committee note that Natural Gas/LNG is the preferred feedstock for the manufacture of urea over other feedstocks viz. naphtha and FO/LSHS as it is a clean and efficient source of energy and cost effective. It is also internationally competitive in terms of the manufacturing cost of urea, as feedstock accounts for

60 per cent of cost of production in respect of gas based units whereas for others it is 75 per cent. Against the total requirement of 33.32 MMSCMD, the average actual supply of domestic natural gas during 2003-04 was only 22.13 MMSCMD, thus creating a shortfall of 11.19 MMSCMD i.e. 33.6 per cent of total requirement. Due to this, even the gas based units are forced to partially use naphtha as feedstock. In the wake of the recently formulated policy for setting up new and expansion of urea units and switchover of non-gas based units to NG/LNG, the fertilizer industry has estimated that the total requirement of NG/LNG will increase to 55 MMSCMD. The Committee note that an Inter-Ministerial Group (IMG) had been constituted to examine the issues relating to ensuring preferential allocation of domestic natural gas to the fertilizer Industry and making available imported LNG to fertilizer units, its pricing and related taxation issues. The first meeting of IMG was held on 21.7.2004, in which it was decided to refer the matter to the Tariff Commission. The Tariff Commission has since submitted an interim report and the final report would be submitted by it after joining of the full time Chairman. In this context, the Committee have also been informed that the Ministry of Petroleum & Natural Gas's proposals on 'Revision of natural gas allocation and prices' have been referred to the Group of Ministers for examination in the first instance. The Committee feel that the issue relating to preferential allocation of domestic natural gas and making available imported LNG to fertilizer units at reasonable prices requires an expeditious examination and an early decision in the overall interests of the fertilizer industry.

(Recommendation No. 11)

12. On 29.01.2004 the Department of Fertilizers announced a new policy for de-bottlenecking/revamp/modernisation of existing urea units. Among others, the salient features of the new policy are as follows:-

- (a) The de-bottlenecking/revamp/modernization of the plant should result in not less than 10% increase in the existing urea production capacity.
- (b) The Company will be required to obtain prior permission of the Department of Fertilizers (DOF) before embarking upon any de-bottlenecking/revamp/ modernization of its urea plant(s).
- (c) The de-bottlenecking/revamp/modernization should lead to increase in production entirely based on Natural Gas (NG)/Liquefied Natural Gas (LNG) only as fuel and feedstock and no increase in production capacity based on any other costlier feedstock/fuel will be allowed.
- (d) The additional urea capacity, created by de-bottlenecking/revamp/modernization shall be used for sale for agricultural purposes within the country. The units may also export or sell to complex manufacturers or for any other industrial use with the prior permission of DoF. However, concession will be admissible only for direct sale of urea for agricultural purposes.
- (e) The Government reserves the right to mop up this additional production under the Essential Commodities Act, 1955 (ECA) allocation, where exigencies on the demand and supply situation so warrant.

The Committee have been informed that no fertilizer unit has undergone de-bottlenecking/revamp/modernisation during the last three years. However, revamp of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) which commenced on 02.11.1998, much before the new policy came into effect is still under implementation. The Committee are constrained to note that even after lapse of more than a year since the notification of the new policy by the Department of Fertilizers, there appears to be a lukewarm response by the fertilizer industry to revamp their existing units. Only three proposals for de-bottlenecking in respect of IGFL, Jagdishpur, TCL, Babrala and IFFCO, Aonla and Phulpur have been received by the Department of Fertilizers which are under their consideration. The Committee recommend that the Department of Fertilizers should process the proposals for debottlenecking pending before them

expeditiously so that it would lead to enhancement in the installed capacity of these units. The Committee also recommend that if necessary, the guidelines laid under the new policy may be reviewed with a view to making them industry-friendly so that more fertilizer units would come forward for debottlenecking/revamp, which in turn may go a long way in augmentation of the capacity of the indigenous industry and thereby improve self-sufficiency of the country in fertilizer production.

(Recommendation No. 12)

13. Out of the 10 PSUs coming under the purview of the Department of Fertilizers, viz. FACT, FCI, NFL, RCF, PPCL, MFL, PDIL, HFC, BVFCL and FAGMIL, the Committee find that during the last four years i.e., from 2001-02 to 2004-05 (upto December, 2004) only four PSUs, namely, RCF, NFL, PDIL and FAGMIL were profit-making and the rest of them are either chronically sick or loss-making. The Committee note that in accordance with the agenda of the Government as outlined in the National Common Minimum Programme, the revival of the sick, loss making and closed fertilizer PSUs has been entrusted by the Department of Fertilizers to the Projects and Development of India Limited (PDIL). PDIL has since submitted their reports with respect to fertilizer PSUs to the Department of Fertilizers and the same are currently under examination of the Department of Fertilizers in consultation with the respective PSUs. The Department of Fertilizers has informed that the proposals for revival of these units based on their techno-economic viability will be sent to the Board for Restructuring of Public Sector Enterprises (BRPSE) for their consideration. The Committee recommend that the Department should expedite the process of examination of reports submitted by PDIL in consultation with respective fertilizer PSUs and submit their proposals for revival of PSUs to BRPSE at the earliest.

(Recommendation No. 13)

14. The Committee note that while on the one hand, the financial health of several fertilizer PSUs remained critical, on the other hand, some of the Public Sector Undertakings, particularly MFL and NFL were not able to utilise their funds properly during the year 2004-2005. In the case of MFL, non-utilisation of funds has been attributed to dropping of the project for replacement /refurbishment of burner management scheme due to its obsolete design on the basis of observation by BHEL and swapping of this scheme with another scheme viz. "Repairs to the 10000 MT capacity phosphoric Acid Storage Tank 'A' at Chennai Port Trust" As regards NFL, the IEBR provision of Rs. 69 crores made in BE (2004-2005) went unutilised as several schemes for modernization/ renovation of its units for which the funds were meant, could not be completed. In the opinion of the Committee, this is indicative of lack of proper management and requires suitable corrective/remedial action.

(Recommendation No. 14)

15. The Committee note that Namrup-II unit of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) which was originally scheduled to be commissioned by 1.2.2002 was delayed and underwent Revised Cost Estimates (RCE) twice. The first RCE was approved by the Government with the revised cost of Rs. 509.40 crore (on constant price basis) and a completion cost of Rs. 525.47 crore. Due to further delay in implementation of the project the Project Investment Board (PIB) had approved the second revised cost estimate for the project at a revised cost of Rs. 610.24 crore and the date of completion of the project as 31.12.2004. However, owing to delay in completion of work in Effluent Treatment Package, commissioning of Process Air Compressor and instrumentation jobs in Urea-II plant etc., the date of commissioning of the revamp project overshoot beyond 31.12.2004. The Ministry have informed that Namrup-II revamp project is now expected to be completed by 30.4.2005. The Committee express their serious concern over the inordinate delay in the commissioning of the project due to which its cost has escalated. The Committee expect that there would not be further time and cost overruns and the unit will go on stream as per the scheduled date of

completion i.e. 30.04.2005. The Committee also note that since none of the Banks/FIs came forward to provide loans to the Namrup-II unit and as a result the entire funding of the project has been provided by the Government of India, it is imperative for the Government to undertake a thorough re-appraisal of the project from all angles, so that, the unit would not subsequently be confronted with operational difficulties.

(Recommendation No. 15)

16. The Committee observe that an amount of \$ 56.45 million plus EURO 13411.019 equivalent to Rs. 246.47 crore was recoverable from Karsan Limited, Turkey, on account of termination of contract by National Fertilizers Limited (NFL) due to non-performance and breach of trust by Karsan Limited in supply of 200,000 tonnes of urea. The Committee, however, note with concern that out of the same, only a sum of Rs. 1.02 crore (US \$ 225,940) could be recovered so far from the account of Karsan Ltd. in Geneva, the only known assets identified in their name. The Department of Fertilizers have stated that the cases for recovery of the balance amount are in progress and are at different stages in various countries, and in some places the cases have reached final stage. According to the Department, the total identified assets in the name of various individuals including executives of Karsan, their relatives and associates in different countries is about US \$ 25 million which is equivalent to Rs. 108 crore approximately in Indian currency. The Committee recommend that the Department of Fertilizers should pursue the matter vigorously with all concerned so that the legitimate dues are recovered expeditiously.

(Recommendation No. 16)

New Delhi:
April 20, 2005
Chaitra 30, 1927 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals & Fertilizers.

Appendix-I

MINUTES

**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2004-05)**

**TENTH SITTING
(23.3.2005)**

The Committee sat from 1630 hrs. to 1800 hrs.

PRESENT

Shri Anant Gangaram Geete - Chairman

MEMBERS

Lok Sabha

2. Shri Prahlad Joshi
3. Shri Sukhdev Singh Libra
4. Shri Tek Lal Mahto
5. Shri Punnulal Mohale
6. Shri A. Venkatarami Reddy
7. Shri V.K. Thummar

Rajya Sabha

8. Dr. Chhatrapal Singh Lodha
9. Shri Ajay Maroo
10. Shri R. Shunmugasundaram
11. Shri Raj Mohinder Singh
12. Shri T.R. Zeliang

Secretariat

1. Shri P. Sreedharan - Joint Secretary
2. Shri C.S. Joon - Director
3. Shri S.C. Kaliraman - Under Secretary

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

1. Shri S.N.P.N. Sinha, Secretary (F)
2. Shri Ashok Chawla, Additional Secretary & Financial Adviser
3. Shri B.K. Sinha, Joint Secretary (F)
4. Shri Satish Chander, Joint Secretary
5. Ms. Swatantra Kaur Sekhon, Executive Director (FICC)
6. Shri Tejinder Singh Laschar, Economic Adviser (F)
7. Shri M.G. Banga, JC(FSD)
8. Shri S. Chandra, Joint Adviser (F)
9. Shri Manoj Kumar, Director
10. Shri Rajneesh Goel, Director
11. Shri A.P. Singh, Director
12. Shri P. Randhir Reddy, Director (MOVT.)

Representatives of PSUs

1. Shri N.K. Bodeiah, CMD, Brahmaputra Valley Fertilizer Corpn. Ltd. (BVFCL)
2. Shri K.K. Roy, CMD, Projects & Development India Ltd. (PDIL)
3. Shri S. Balan, CMD, Rashtriya Chemicals & Fertilizers Ltd. (RCF) and Fertilizers & Chemicals Travancore Ltd. (FACT)
4. Shri V.N. Rai, MD, Krishak Bharati Cooperative Ltd. (KRIBHCO)
5. Shri Sukumar N. Oommen, CMD, Madras Fertilizers Ltd. (MFL)
6. Shri P.S. Grewal, CMD, National Fertilizers Ltd. (NFL)
7. Ms. Swatantra K. Sekhon, MD, FCI, Aravali Gypsum & Minerals India Ltd.

At the outset, Hon'ble Chairman welcomed the Members, officials of the Department of Fertilizers and representatives of Public Sector Undertakings to the meeting of the Committee.

2. The Department of Fertilizers made a brief audio-visual presentation before the Committee regarding an overall picture of the fertilizer sector.
3. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Chemicals and Fertilizers, Department of Fertilizers in connection with Demands for Grants of the Department of Fertilizers for 2005-06.
4. During the course of evidence, issues relating to the overall performance of fertilizer sector and analysis of budgetary provisions (2005-06), need for raising the consumption level of fertilizers, availability and demand of fertilizers, allocation and management of subsidies and need for direct payment to farmers, utilization of plan outlays, revival of sick PSUs, debottlenecking/ revival/ modernization of urea units, preferential allocation of Natural Gas/ R-LNG to fertilizer industry, import of urea from M/s Karsan Limited, Turkey and commissioning of projects in North-Eastern region came up for discussion.
5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

Appendix-II

MINUTES

**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2004-05)**

TWELFTH SITTING

(19.04.2005)

The Committee sat from 1600 hrs. to 1715 hrs.

Present

Shri Anant Gangaram Geete - Chairman

***Members
Lok Sabha***

2. Shri Sukhdev Singh Libra
3. Shri P. Rajendran
4. Shri T. Madhusudhan Reddy
5. Shri Narsingrao H. Suryawanshi
6. Shri Bhanupratap Singh Verma

Rajya Sabha

7. Dr. Chhatrapal Singh Lodha
8. Shri Ajay Maroo
9. Shri Raju Parmar
10. Shri Gireesh Kumar Sanghi
11. Shri R. Shunmugasundaram

Secretariat

1. Shri S.K. Sharma - Additional Secretary
2. Shri P. Sreedharan - Joint Secretary
3. Shri C.S. Joon - Director
4. Shri S.C. Kaliraman - Under Secretary
5. Shri M.K. Madhusudhan - Assistant Director

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. Thereafter, the Committee considered the draft Report on Demands for Grants (2005-06) of the Ministry of Chemicals & Fertilizers (Department of Fertilizers). After some discussion, the draft Report was adopted with some amendments.

4. ** ** ** ** ** ** ** ** ** **
 ** ** ** ** ** ** ** ** ** **

5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Report by the Department of Fertilizers, Ministry of Chemicals & Fertilizers and present the same to both the Houses of Parliament in the current Session.

The Committee then adjourned.

**** Matters not related to this Report**