FOURTEENTH REPORT

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

THIRTEENTH LOK SABHA)

MINISTRY OF CHEMICALS & FERTILISERS (DEPARTMENT OF FERTILISERS)

DEMANDS FOR GRANTS (2001-2002)

Presented to Lok Sabha o
Laid in Rajya Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

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Shri Brahm Dutt	*Deputy Secretary*
Shri J.N. Oberoi	*Under Secretary*
4. Shri A.K. Shah	*Committee Officer*

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2001) having been authorised by the Committee to submit the Report on their behalf present this Fourteenth Report on Demands for Grants of the Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2001-2002.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2001-2002 which were laid on the Table of the House on 20th March, 2001.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Department of Fertilisers at their sitting held on 30th March, 2001.

4. The Committee considered and adopted the Report at their sitting held on 11th April, 2001.

5. The Committee wish to express their thanks to the officers of the Ministry of Chemicals & Fertilisers, Department of Fertilizers for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 2001-02 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;
11 *April*, 2001
21 *Chaitra*, 1923 *(Saka)*

MULAYAM SINGH YADAV
Chairman
Standing Committee on Petroleum & Chemicals

REPORT

A. INTRODUCTORY

Department of Fertilisers (DoF) is a part of Ministry of Chemic and Fertilisers. This Department is entrusted with the responsibili of:-

1 Planning for fertiliser production including import of fertil through a designated canalising agency.

2. Arrangement for movement and distribution of fertilisers terms of allocations made by the Department of Agricult and Cooperation.

3. Administration of concession scheme and management subsidy for controlled as well as decontrolled fertilis including determination of retention price of urea, quant of concession of decontrolled fertilisers and costing of s fertilisers.

4. Administration of the Fertilisers (Movement Control) Or 1973.

5. Administrative responsibility for public enterprises under control of the Department.

6. Public Sector projects concerned with subjects inc under this Department.

7. Administrative responsibility for fertiliser production units the cooperative sector, namely Indian Farmers Cooperati Limited (IFFCO), Krishak Bharati Cooperative Limit (KRIBHCO).

2. The following PSUs and cooperatives are under the administrative control of Deptt. of Fertilisers (DoF):-

Public Sector Undertakings

(i) Fertilisers Corporation of India Ltd. (FCI)

(ii) Hindustan Fertiliser Corporation Ltd. (HFC)

(iii) Madras Fertiliser Ltd. (MFL)

(iv) National Fertiliser Ltd. (NFL)

(v) Fertilisers and Chemicals Travancore (FACT)

(vi) Projects & Development India Ltd. (PDIL)

(vii) Paradeep Phosphates Ltd. (PPL)

(viii) Pyrities, Phosphates & Chemicals Ltd. (PPCL)

(ix) Rashtriya Chemicals & Fertilisers Ltd. (RCF)

Cooperative Sector Undertakings

(i) Indian Farmers Fertiliser Cooperatives Ltd. (IFFCO)

(ii) Krishak Bharati Cooperative (KRIBHCO)

ANALYSIS OF DEMAND FOR GRANTS

3. Demand No. 6 deals with Demand for Grants of the Department of Fertilisers. The gross requirement for the year 2001-2002 is estimated at Rs. 15,100.70 crore and the net requirement after adjusting the recoveries on sales of imported urea is Rs. 14,583.70 crore.

4. Budget provision consisting to two parts *viz.* Revenue Section and Capital Section is as under:—

(Rs. in crores)

	Plan	Non-Plan	Total
Revenue Section	25.50	14,693.70	14719.20
Capital Section	181.50	200.00	381.50
Total	207.00	14,893.70	15,100.70

Non-Plan Provision

5. These include (i) Fertiliser subsidy for (a) indigenous fertilisers (Rs. 7956 crore) and (b) net subsidy on imported fertilisers (Rs. 500 crore) totalling Rs. 8456 crore, (ii) Payment under concessional scheme (Rs. 5714.40 crore) for decontrolled fertilisers and (iii) loans to PSUs (Rs. 200 crore) and (iv) Secretariat and FICC expenditure (Rs. 6.66 crore) and (v) Grant to MIS and Productivity Award (Rs. 0.04 crore).

Plan Provisions

6. The total Plan Budget support for the year 2001-2002 is Rs. 207.00 crore, comprising of Rs. 25.50 crore in Revenue Section and Rs. 181.50 crore in Capital Section. Out of Rs. 191.50 crore, Rs. 97.50 crore are for investment in PSUs and Rs. 84.00 crore for loans to PSUs for carrying out capital expenditure.

7. Detailed statement showing percentage change in Budget Provisions during the last two years and actual expenditure for 1999-2000, BE and RE for 2000-2001 and BE for 2001-2002 are given at Appendix-III.

B. APPRAISAL OF 9th FIVE YEAR PLAN

8. The approved outlay for the 9th Plan 1997-2002 for PSUs and Cooperatives under the administrative control of Department of Fertilisers was Rs. 11013 crore. It was for continuing schemes as well as for new schemes. Out of the total outlay, Rs. 9791 crore was allocated for new schemes of IFFCO, KRIBHCO, RCF and NFL. Out of this outlay, the budgetary support from Government was Rs. 800 crore, Rs 127 crore from external aid (EA) and the balance had to be funded out of internal resources and extra budgetary resources and extra budgetary resources (I & EBR) of concerned PSUs. The actual expenditure during 1997-98, 1998-99, 1999-2000 and 2000-2001 (BE), 2000-2001 (RE) and 2001-2002 (BE) is as follows :—

(Rs. in crores)

Year	Plan Outlay	Expenditure	
1997-98	1728.38	1324.38	
1998-99	2200.00	801.30	
1999-2000	1828.00	604.25	
2000-2001 (BE)	1872.00	444.25	(up to Dec. 2000)
2000-2001 (RE)	807.67		
2001-2002 (BE)	1149.03		

9. The PSU-wise break up of the outlay during 9th Plan is given in Appendix IV. The PSUs-wise break up of actual expenditure during the years 1997-98 to 1999-2000 and 2000-2001 (RE) alongwith BE for the year 2001-2002 is given in Appendix V.

10. The approved outlay for Ninth Plan for the Deptt. is Rs. 11013 crore consisting of budgetary support of Rs. 800 crore and by internal and extra budgetary resources (IEBR) of Rs. 10086 crore and Rs. 129 crore from external aid (EA). Around 88.90% of the 9th plan outlay has been allocated to four PSUs of KRIBHCO, (Rs. 3253.00 crore), IFFCO (Rs. 2720 crore), RCF (Rs. 2700 crore) and NFL (Rs. 1118 crore) totalling to Rs. 9791 crores.

11. During the course of examination it was found that up to December, 2000 only Rs. 3174.43 crore could be utilised. Assuming that entire plan outlay of 5th year amounting to Rs. 1149.03 crore would be utilised, the entire expenditure comes to Rs. 4323.46 crore which is even less than half of the original outlay. In this context the Committee wanted to enquire about the objective of planned development if the targets could not be achieved, the DoF in a written reply informed :—

> "Planning is an ongoing process and the targets fixed in the Five Year Plans need to be revised periodically through annual plans, considering the latest trends of growth and development in the sector. Such revisions and adjustments of targets periodically are also part of planned economic development. Compared to targets set in the Ninth Plan, there have been shortfall necessitating downward revision of the targets on account of critical factors relating to actual demand-supply gap position, the level of self-sufficiency in production of fertilizers already achieved as a result of capacity creation in the past, review of existing fertilizer pricing and subsidy policy considering limited resources available at the disposal of the Government etc."

12. In reply to a question, whether Planning Commission or the Ministry of Programme Implementation had ever evaluated the implementation of 9th Five Year Plan, the Department replied :—

> "Planning Commission undertook the Mid-term appraisal of the Ninth Five Year Plan (1997-2002) during 1999 with reference to Demand-Supply projections, capacity utilisation and industry

scenario as a whole. While no specific directions were conveyed to the Department of Fertilisers in this regard, the Planning Commission in its Mid-term appraisal has observed that it is imperative to take an early decision on the report of the High Powered Committee, given the importance of fertiliser pricing and subsidisation in an overall policy environment impinging on the growth and development of the fertiliser as well as agricultural economy."

13. On being asked, what specific efforts were made t Department to achieve the implementation of programme incorp ate in the Ninth Five Year Plan, the DoF in a written note stated as und

"Up to end of December, 2000 against the approved outlay fo the Ninth Five Year Plan (1997-2002) for Department of Ferti sers (DoF) of Rs. 11013 crore, the total expenditure was Rs. 31 [illegible].43 crore. The low utilisation of plan outlay so far was m inly because of non-implementation of the following 6 major expansion joint venture urea projects of PSUs/Cooperative Soc ties which accounted for a total outlay of Rs. 6192 crore :-

(i) Expansion of Hazira plant of KRIBHCO in Gu (Rs. 1103 crore).

(ii) A new urea plant to be set up by KRIBHCO at he existing site of FCI's Gorakhpur Plant in Uttar Pra sh (Rs. 1302 crore).

Expansion of Thal Plant of RCF in Mahar ra (Rs. 1200 crore).

A grassroots urea plant to be set up by IFFCO at Nell Andhra Pradesh (Rs. 1220 crore).

v) Expansion of Panipat plant of NEL in Ha na (Rs. 685.50 crore).

(vi) Joint Venture OMIFCO Project of KRIBHCO/IF Oman (Rs. 681 crore).

In April 1999, Government accorded 'in principle' approval to 4 indigenous projects leaving out the proposed Panipat Expansion Project, based on the then available demand-supply projection analysis and the desirable level of self-sufficiency in urea production. Efforts were made by the DOF to obtain a final investment decision on the remaining projects. In June 2000, these proposals were considered by the Government and it was decided to defer consideration of 4 indigenous urea projects. The joint venture project in Oman was then approved by the Government of India. The outlay for the joint venture OMIFCO project in 2001-02 can therefore be expected to be utilised. Subsequently DOF also held discussions with the promoters of the 4 indigenous urea projects. The promoters indicated during the meeting that these projects will have to be considered afresh keeping in view the long term fertilizer pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections for fertilisers, feedstock policy for fertilizer production and viability of the proposed projects in the changed circumstances."

14. The Committee specifically referred to non-resolution of Demand-supply issues which the Department has repeatedly been citing as a cause for non-utilisation of planned outlay and observed that last year, during evidence for examination of Demands for Grants, the Secretary had informed the Committee that the issue had been resolved finally. The Committee wanted to know why this issue was again being brought in. The Fertiliser Secretary gave clarifications to the Committee as under :—

"Sir, I shall be very honest with you. When we are planning and working out what the requirement of urea, for example, would be during the year, there are certain departments like the Agriculture Department which are really involved with this calculation. There are certain basic assumptions you make. Fertiliser is only one of the essential ingredients for promoting and increasing the food production. The main thing depends on weather gods. Whether we like it or not, but suddenly, we find that there is an increased jump in the demand of urea. Urea, you will appreciate, purchased by a farmer just when he sees the clouds or two or three days prior to using it .... If it rains, he puts it, otherwis he does not buy it even. Working out assessment in this matter as certain very basic assumptions which become very difficu predict."

15. When Committee pointed out, whether planning is nece for planned development, the witness agreed and said :—

"My humble submission would be that yes, planning proce essential. As a student of economics, we are always use to certain basic assumptions. But in this particular case it bec exceedingly difficult to make an accurate prediction."

16. The Committee pointed out that by 2002-03 against demand of 234 lakh tonnes of urea the supply position would 200 lakh tonnes thus leaving a gap of 34 lakh tonnes, and enquire as to how the Govt. propose to bridge the gap the Secretary (Fertil er) informed to the Committee as under :—

"I think by around June we will have the picture. Secondly, our own domestic installed capacity being about 202 lakh tonnes we have the capacity producing at least another 20 lakh tonnes. When we talk on the figure of 234 lakh tonnes, upto 220 lakh or 225 lakh tonnes we can manage. There is no problem."

17. The Committee further wanted to know the plans prepar by DOF for next five years for meeting the demand of fertilisers. The Secretary (Fertilisers) stated as follows:—

"For the Tenth Plan we have already set up a working group have already constituted sub-groups under a Joint Secretary ch to project the demand supply position. In these discussions art from us the Agriculture Department and the Planning Commi on are going to sit down. The direction is that we should compl it within two to three months. There is going to be inter-action with the State Governments also. I am sharing this view with the

Committee that some State Governments – during the quarterly meetings that take place on projection of demand, project it far in excess of what their actual requirements would be on the basis of their past track record. This is one point."

18. It also came out during the course of examination that out of Rs. 1149.03 crore plan outlay of 5th Year, Rs. 942.03 crore have been allocated to NFL, RCF, IFCCO and KRIBHCO. The Committee wanted to know with the investment uncertainty in NFL and RCF and non-clearance of IFFCO and KRIBHCO's projects, utilisation of planned outlay appeared to be not possible.

19. Explaining the position the DoF in a written note explained :—

"Of the total plan outlay of Rs. 1149.03 crore for 2001-02, the allocation for projects/schemes of NFL, RCF, IFFCO and KRIBHCO amounts to Rs. 812.03 crore only and the total allocation of Rs. 942.03 crore included Rs. 130 crore meant for HFC's Namrup Revamp Projects shown against NFL. NFL's outlay for 2001-02 is only Rs. 29.73 crore. Of this, the total outlay for major projects expansion/new projects amounts to Rs. 672 crore. The allocation meant for HFC's Namrup Revamp Project would be utilised, as this projects already under implementation. As the joint venture OMIFCO project is also expected to commence implementation in 2001-02 and funds earmarked for this project can be expected to be utilised. Utilisation of balance outlay would depend on reconsideration of the proposed projects, which were deferred by the Government in June 2000."

20. The Committee note that the Planning Commission undertook Mid-term appraisal of 9th Five Year Plan during 19[illegible] but did not convey any specific directions to DOF. In Committee's view, Planning Commission should analyse the reasons for no[illegible] utilisation of plan outlay and issue necessary directions with an ai[illegible] to achieve the set targets. The Committee recommend that Planni[illegible] Commission while appraising the plan implementation should iss[illegible] formal directions to the concerned Ministry for taking remedi[illegible] measures if the targets are not being achieved. The Committ[illegible] would like the Planning Commission to formulate guidelines in th[illegible] regard.

(Recommendation No.

21. The Committee note that even though the Governm[illegible] accorded 'in principle' approval for the 4 mega fertiliser proje[illegible] way back in April 1999, yet the final clearance has been held up the Government. The Committee do not find any rationale in fi[illegible] according 'In Principle' approval and then withholding final cleara[illegible] indefinitely. This has created uncertainty in investing funds in [illegible] investing fertiliser industry. The Committee would like [illegible] Government to spell out its final decision at the earliest.

(Recommendation No.

22. The Committee note with dismay that as against [illegible] approved Ninth Five Year Plan (1997–2002) outlay of Rs. 11013 cr[illegible] allocated to Deptt. of Fertiliser, the actual expendit[illegible] incurred during the first four years (1997–98 to 2000–2001 u[illegible] Dec.) was as low as Rs. 3174.43 crore. The Committee feel t[illegible] even after adding the entire allocation for the terminal year of 9th Plan *viz.* 2001-2002, the cumulative estimated expenditure co[illegible] out to Rs. 4323.46 crore which is below half of the approved out[illegible] During the course of examination the DOF has stated that meagre utilisation of plan outlay over the years had been due periodic revision of annual plans considering the latest trends growth and development in the fertiliser sector. The DOF has [illegible] informed that the low utilisation of plan outlay has been ma[illegible] because of non-implementation of 6 major new expansion/j[illegible] venture urea projects such as KRIBHCO's Hazira Expan[illegible]

(Rs. 1103 crore) new KRIBHCO plant at Gorakhpur (Rs. 1302 crore), RCF's Thal Expansion Project (Rs. 1200 crore), IFFCO's grassroot plant at Nellore (Rs. 1220 crore), NFL's Panipat Expansion Project (Rs. 685.50 crore) and KRIBHCO/IFFCO's Oman Project (Rs. 681 crore) totalling to Rs. 6192 crore. The DOF has stated that this non-implementation of the above six projects was due to variety of reasons such as level of self-sufficiency already achieved as a result of capacity creation in the past, review of existing fertiliser pricing and subsidy policy.

23. About demand position of urea by 2003-2004 the Secretary, Fertilisers informed that as against the demand of 234 lakh tonnes of urea by 2004 the indigenous availability of fertilisers would be 225 lakh tonnes from existing plants. About demand projections for urea for coming five years the Secretary (Fertilisers) informed that as per directions of the Planning Commission for the Tenth Plan (2002–2007) a working group has already been set up to project demand supply position wherein Deptt. of Agriculture and Planning Commission may also deliberate and complete the process within two to three months *i.e.* by April or May, 2001 based on updated cost of different projects along with their critically. The Committee trust that Deptt. of Fertilisers would adhere to the directions of Planning Commission and estimated requirement of Urea for the year 2003-2004 and as also for next five years would be worked out expeditiously. This step of DoF will not only remove uncertainty looming large over the fertiliser projects but would save cost overrun of these projects.

(Recommendation No.

24. Of the total plan outlay of Rs. 1149.03 crore for 2001-02 the allocation for projects/Schemes of NFL, RCF, IFFCO and KRIBHCO amounts to Rs. 812.03 crore only and the total allocation of Rs. 942.03 crore included Rs. 130 crore meant for HFC's Namrup Revamp Project shown against NFL. NFL's outlay for the year 2001–02 is only Rs. 29.73 crore. Besides DoF has hoped that joint venture OMIFCO project is also expected to commence implementation in 2001-2002 and therefore funds earmarked can be expected to be utilised. The Committee would like to be assured that entire outlay of Rs. 1149.03 crore for 2001-02 is utilised and direct Department of Fertilisers to monitor the progress of implementation of various schemes for which the amount has been earmarked.

(Recommendation No. 4

C. HEAD-WISE ANALYSIS OF DEMANDS

Major Head '3451'

(i) Secretariat/Economic Services (Budget Estimate Rs. 5.77 crores)

25. This 'Head' is mainly for salaries of the Ministry officials an other office expenses like OTA, travelling and office expenses etc. et The following table indicates details of head for the year 1999-200 2000-2001 and estimates for 2001-2002:

(Rs. in lakh

	Actuals 1999-2000	Budget Estimate 2000-2001	Revised Estimate 2000-2001	Budge Estimat 2001-200
Salaries	376.33	424.70	424.70	418.0
Wages	2.35	3.00	3.00	3.0
OTA	6.31	7.00	7.00	7.0
Domestic Travel Expense	9.36	8.00	18.00	8.0
Foreign Travel Expense	1.60	6.50	5.85	18.0
Office Expenses	100.25	112.00	100.80	110.0
Professional Services	2.53	0.20	0.50	0.2
Publications	1.43	1.60	1.45	1.3
Other Administrative Expenses	2.77	3.00	2.70	3.0
Rents, Rates and Taxes	8.03	8.00	8.00	8.0
Advertising and Pubilicty	0.40	3.00	3.00	0.5
Total	511.36	577.00	575.00	577.0

26. During the course of examination the Committee pointed o that the Finance Minister in his budget speech has stressed the need t cut Government expenditure on non-plan activities especially o Secretariat Services. In this connection the Committee wanted to kno as to what extent, the Department has been able to reflect the abov perception in current year's budget. The DoF in a written note stated:–

> "The Department shares the concern of the Finance Ministry t curb the non-plan expenditure especially relating to. Secretari Services. Pursuant to the Government's policy, Department h succeeded in limiting its expenditure on Secretariat Services we within the Budget Estimates (BE) for the year 2000-01 despit increase in demand under certain Heads due to unavoidabl reasons. The Government has not filled up any vacant post in th Department during the current year, which has resulted in th saving of about Rs. 30 lakh. Further for the year 2001-0 Department has not proposed any increase in the BE."

27. The Committee are happy to find that in pursuance of the need to cut Government expenditure on non-plan activities, the DoF has succeeded in limiting its expenditure on Secretariat Services well within the Budget Estimates for 2001-2002. The Committee would advise the Department to exercise austerity in non-plan expenditure wherever it is possible.

(Recommendation No. 5)

Major Head '2401'

(ii) Payment under Concessional Scheme

28. This Head is used for payment for concessional sale of indigenous and on imported decontrolled fertilisers. As against revised estimates of Rs. 4319 crore of last year, this year provision of Rs. 5714 crore has been made which shows 32% increase. The work relating to the payment to manufactures/Agencies of concessional sale of decontrolled fertilisers was transferred to Deptt. of Fertilisers *w.e.f.* 1.10.2000. Earlier the scheme was being operated by the Deptt. of Agriculture and Cooperation (DAC). The BE 2001-2002 of Rs. 5714.00 crore for operation of the scheme also include Rs. 300 crore required by DAC for payments of claims due up to 30.09.2000 under the scheme.

29. Taking note of the fact that DoF has taken up this scheme from October, 2000, the Committee wanted to know Deptt.'s experience in this regard so far. The DoF in a written note informed:—

> "Following the decision of the Government to transfer the responsibility for the administration of the Concession Scheme for decontrolled phosphatic and potassic fertilizers from the Department of Agriculture & Cooperation (DAC) to the Department of Fertilizers (DoF), it was decided, after mutual consultations between the two Departments, that payment for claims on sales of decontrolled fertilizers would be made by the DoF *w.e.f.* 1.10.2000. Payments of concession on sales up to 30.09.2000 would continue to be the responsibility of the DAC.
>
> Presently, the Scheme is being implemented on same terms and conditions as in the DAC as the Department wanted to ensure a smooth transfer of the Scheme and also to gain some experience in the administration of the Scheme.

The Department has also decided to adopt a pro-active role to streamline the functioning/operation of the Concession Scheme and also to resolve certain long pending demands/grievances of the fertilizer sector pertaining to decontrolled fertilizers. As part of this, one day national level consultations were held with the State Governments and the fertilizer companies including SSP industry and importers on 9.2.2001. As a follow up, three Committees were constituted by the Department, one of which is Inter-Ministerial Group (IMG) and includes representatives of the DAC, Department of Expenditure and Tariff Commission as special invitees. The Departmental Committees have completed their deliberations and their recommendations are being processed for the approval of the Government. In so far as payments of concessions are concerned, the Department has thus far made 80% 'on account' payment and the progress has been satisfactory. Funds amounting to Rs. 1085 crore were made available by the DAC to the DoF for the operation of the Scheme. Majority of the claims received for sales of decontrolled fertilizers up to the end of February 2001 are being settled within the allocated budget for the current year."

30. The Committee pointed out that reportedly that there were complaints that the scheme was being implemented arbitrarily and investors money remains blocked unnecessarily for want of certification of sales by State Governments. Asked about the reaction of the Department, DoF in a note stated :—

"The fertilizer companies have from time to time, both individually and through the Fertilizer Association of India (FAI) been making representations that due to delays in certification of sales by the States, the balance 20% of the concession payment due to them has been held up. According to the representation received from the FAI during the one day national level consultations held on 9.2.2001 by the Deptt. of Fertilisers (DoF) with representatives of State Governments and the fertilizer companies, including SSP industry and importers, nearly Rs. 795 crores, was shown as pending from 1997-98 onwards for certification of sales by various State Governments including Rs. 449.11 crore (representing sales up to December, 2000) of the current year.

The Department of Fertilizer appreciates the substantial pendency of concession payment due to delayed certification of bills and hence leading to working capital problems for the Industry. Following the one day national consultations, a Committee was constituted in the Department to review the existing procedures/ performance which are required for payment under the Concession Scheme and suggest modifications/rationalization therein with a view to reduce the time lag between sales and release of concession payment to the fertilizer companies. The Committee has submitted its recommendations and these are being processed by the Department."

31. **The Committee find that as against the revised estimates of Rs. 4319 crore of last year a provision of Rs. 5714 crore has been made this year for payment of concessions on decontrolled indigenous and imported fertilisers. The Committee have been informed by DOF that the work relating to payment to manufacturing agencies for concessional sale of decontrolled fertilisers has been transferred to DOF w.e.f. 1.10.2000. Earlier the scheme was being operated by Deptt. of Agriculture & Cooperation (DAC). The DOF has also informed that this arrangement was based on mutual consultations between DOF and DOAC since DOAC wanted smooth transfer of scheme. In order to resolve pending demands/grievances of fertiliser sector pertaining to decontrolled fertiliser, DOF has held consultations with State Governments and fertiliser companies on 9th February, 2001, and three Departmental Committees represented by DOAC and Department of Expenditure and Tariff Commission have already submitted their recommendations for the approval of Government. The Committee hope that Govt. would soon take a positive stand on these recommendations in the interest of fertiliser industry as also of farmers. The Committee expect to be apprised of the action taken on these recommendations.**

(Recommendation No. 6)

32. **As regards complaints about investors money being unnecessarily blocked for want of certification of sales by State Govts., the Committee are pained to note that as high as Rs. 795 crore has been shown as pending from 1997-98 onwards on this account. The DOF on its part has stated that is appreciate the**

magnitude of the problem and a Committee has since submitted a report to review the existing procedure which is to be followed for payment under concession scheme and modification with a view to reduce the time lag between sales and release of concessions. The Committee's recommendations are reportedly being processed. The Committee hope that the Government will take an early and positive action on the recommendations of the Committee constituted for the purpose. The Committee also recommend that the Department will play proactive role in releasing the blocked amount pending since 1997 so as to instil confidence in the manufacturers.

(Recommendation No. 7)

Major Head '2852'

(iii) Fertilisers Subsidy under Retention Price Scheme

33. This 'Head' is used for making payments under fertiliser Retention Price Scheme and Freight Subsidy Scheme. In the current year's budget provision of Rs. 7956 crore has been made under this 'Head' as against Rs. 9480 crore of last year. The Finance Minister in his budget speech has mentioned that unit-wise Retention Price Scheme is being replaced with Group Concession Scheme. Department apprised the Committee about the broad features of the scheme :—

> "Expenditure Reforms Commission (ERC) constituted by the Ministry of Finance vide resolution dated 28th February 2000 carried out a review of the scheme of subsidy on fertilizers and submitted its report on "Rationalising Fertilizer Subsidy" in September, 2000. ERC has recommended replacement of the existing Retention Price-cum-Subsidy Scheme (RPS) by a Concession Scheme for Urea units, which is based on feedstock and vintage of the plants in respect of gas based units. The Concession Scheme envisages replacement of unit-specific and cost plus subsidy under the RPS by a fixed rate of concession for urea units which have been grouped into five categories namely : (i) Pre-1992 gas based units; (ii) Post-1992 gas based units; (iii) Naphtha based units; (iv) FO/LSHS based units; (v) Mixed energy units. The rationale for these grouping is the feedstock and the vintage of gas based plants.

2. The Commission has also recommended a 7% increase in the price of urea in real terms every year from 1.4.2001 onwards. This way the open market price will reach Rs. 6903 per MT by 1.4.2006, a level at which the urea industry can be freed from all controls and be required to compete with imports.

3. For protecting the small and marginal farmers, in the wake of increased price of urea, the Commission has suggested two possible ways. First, introduction of a dual price scheme through tradable coupons under which all cultivator households are given 120 Kg of fertilizers (80 Kg. of urea, 30 Kg. of phosphatic and 10 Kg. of potassic, which will provide 60 Kg. of nutrients) at subsidised prices. Second, alternately if the coupon scheme is considered difficult to implement, adequate expansion of Employment Guarantee Scheme and rural works programmes to increase their purchasing power.

4. The Commission has also recommended to set apart about Rs. 200 crore for compensating the units for the additional freight charges involved in effecting supplies in the North-East, Jammu & Kashmir and other difficult areas.

5. The recommendations of ERC have been examined by the Department of Fertilizers in consultation with the concerned Ministries/Departments of the Government of India, State Governments and the Fertilizer Industry with a view to formulate the new pricing policy for urea units, for replacing the existing RPS. Finance Minister has in his Budget Speech for 2001-2002 already announced the replacement of unit specific RPS by a Group Concession Scheme *w.e.f.* 1.4.2001 based on recommendations of ERC.

6. The proposed new pricing policy is being formulated based on recommendations of ERC with certain modifications, taking into account the views of the concerned Ministries/Departments, State Governments and fertilizer industry. The new policy will aim at bringing in uniformity and transparency in disbursement of subsidy payments of urea units and induce them to take cost reduction measures on their own to be competitive.

7. As far as the impact of new policy on farmers is concerned, it has already been announced by Finance Minister in his Budget speech for 2001-2002 that the current maximum retail price arrangement will be continued.

8. Decision of the Government on the new pricing policy is under active consideration of the competent authority."

34. During the course of the evidence of the representatives of DoF the Committee wanted to know rationale in discussing Long Term Fertiliser Policy when Finance Minister has already announced acceptance of recommendations of Expenditure Reforms Commission which included price increase in urea. The Fertiliser Secretary clarified the position as under :—

"What has happened is that the ERC has made several recommendations. Only one recommendation is regarding the grouping together on the basis of feed stock. What the Hon. Finance Minister, in his Budget speech, has indicated is, "Yes, we accept this." We had been in interaction with the Ministry of Finance. There is no objection on this particular point because it does not mean any increase or decrease of concession outgo. It only means the price to be paid to the producer, and that is internal. Regarding the balance points, in some, they have agreed; in some, we have agreed, but all this has to go before the competent authority to take decision shortly."

35. On being further asked by the Committee whether any decision has been taken to increase 7% increase in price of Urea per year as recommended by the Expenditure Reform Commission, the Secretary (Fertilisers) informed :

"We are not in favour of this seven per cent increase. We will project our point of view before the competent authority at the appropriate stage."

36. Referring to the recommendation of ERC regarding linkage of price of urea with import parity price with Naphtha, the Fertiliser Secretary informed the Committee that the matter was under examination and a Cost Audit Team was working on its details.

37. The Committee further pointed out that the Fertilisers industry the apprehension that the grossroot plants would be clubbed with ansion projects and investments computated would be reckoned er than actual. Secondly, the new scheme ignores high cost fuel ed plants.

38. Explaining Government policy on this, the Department stated written note :—

"Fertilizer Association of India (FAI), an apex body of fertilizer industry, and some urea manufacturing units have given their representations against the recommendations of ERC. FAI has made following main observations against ERC recommendations:

(i) The fertilizer industry being a heterogeneous industry, a uniform group-wise price is likely to differentially affect the bottom line of various units. In addition, the "Rounding off to the lower of Rs. 100" introduced by ERC will lead to loss to the industry to the tune of Rs. 105 crore per annum.

(ii) The retention price, forming the basis of ERC recommendation in Stage-I has been computed as on 1.4.2000. Since 1.4.2000, there have been significant changes in feed stock and other costs. Further, escalation in costs other than feed stock has not been covered by ERC's recommendations.

(iii) ERC has suggested savings based on artificially suppressed lower Naphtha and Fuel oil prices. The manufactures are expected to achieve the virtually the impossible task of importing feed stock at the target price or force the domestic oil companies agree to such price on their supplies.

(iv) ERC has recommended removal of distribution controls. However it is conscious of the fact that certain areas may not receive fertilizer supply. To overcome this problem, it has suggested a creation of a fund Rs. 200 crore per annum through a contribution of Rs. 100 per tonne by the industry. There is no justification in asking the industry to make such a contribution.

(v) In respect of escalation and de-escalation in the price of feed stock, an inconsistent criteria has been suggested. Thus, when the price of feed stock goes down, concession amount should be correspondingly adjusted on a quarterly basis. However, when the feed stock price goes up, ERC has suggested that the level of concession should not be increased, but the consumer price should be increased.

(vi) ERC has recommended change over of naphtha and fuel oil based plants to LNG, in stage 3 and based on this, recommended a substantial reduction in concession to the extent of Rs. 1900 per tonne for naphtha based plants. This is irrespective of the fact whether, in this time frame, LNG will become available or not and if so at what price. Further having reduced the concession by unprecedented amounts in stage 1 and 2, it is not clear where from the investment needed for the change over wili come.

(vii) ERC has recommended that the scheme of concession support on decontrolled phosphatic and potassic fertlizers should be rationalized and streamlined in order to make it more effective. At the same time, it has also recommended that the system of payment of subsidy/concession of urea also should be changed from existing despatch basis to payment on sales subject to certification by the State Governments. Already, the implementation of the system of payment on sales in case of P and K fertilizer has led to serious distortions and inordinate delays in payments resulting largely from delays in submissions of certificate by state governments. It would, therefore, be illogical to adopt this in case of urea also, all the more so, when the existing arrangements for payments on despatch (on submission of claims certified by statutory auditors) is working well for nearly two and a half decades.

The Government is examining these representations and shall take into account their views also while fomulating new pricing policy."

39. The Committee find that as against the revised estimate of Rs. [illegible]480 crore for 2000-2001, a provision of Rs. 7956 crore has been made for the year 2001-02 for fertiliser subsidy. Out of Rs. 7956 crore an amount of Rs. 7146 crore has been provided for payment retention price scheme and another amount of Rs. 805 crore has been provided for freight subsidy. The Committee note the Government's proposal to replace the existing Retention Price Scheme (RPS) for Urea with Group Concession Scheme (GCS) as per recommendation of Expenditure Reform Commission (ERC) based on feedstock and vintage of the plants. The proposed scheme envisages a fixed rate of concession for urea units which have been grouped into five categories namely (i) Pre-1992 gas based units; (ii) Post-1992 gas based units; (iii) Naphtha based units ; (iv) FO/LHS based units; (v) Mixed energy units.

40. The Department of Fertilisers informed the Committee that recommendations of Expenditure Reform Commission are being examined by DoF in consultations with concerned Ministries/ Departments of Government of India, State Governments and Fertiliser Industry with a view to formulate the new pricing policy for urea units. The Committee were informed that the proposed new policy will aim at bringing in uniformity and transparency in disbursement of subsidy payments to urea units and induce them to take cost reduction measures on their own to be competitive. During the course of evidence the Secretary (Fertiliser) also informed the Committee that decision of the Government on the new pricing policy was under active consideration of the competent authority *i.e.* Cabinet The Committee note with satisfaction the views of DoF that is was not in favour of 7% increase in urea price. As regard linkage of urea with international prices, the Secretary (Fertilisers) informed the Committee that the matter has been discussed in the Department. A cost audit on the issue has been recommended and a report is expected shortly.

41. In the opinion of the Committee, by putting the Fertiliser Companies in five groups, ERC has disregarded various important factors like the technology adopted, vintage of the plant, new investments recently made and total cost of production at normative level. Grouping may result in substantial profits for some companies but overall these are bound to incur heavy losses to other units

without their any default. The Committee, therefore, recommend that before accepting these recommendations all related matters, pros and cons be examined in depth.

(Recommendation No. 8)

42. The Committee also feel that if the Government's intention is to reduce subsidy, it should give substantial fiscal concessions in the prices of feed stock. The Government can free the fertiliser industry from bureaucratic hurdles and enable them to import their feed stock at competitive prices.

(Recommendation No. 9)

43. The Committee feel that in this era of globalisation and economic liberalisation, the fertiliser industry at its own should come forward and search for alternative feed stocks like coal. The Government should take more initiative in encouraging coal based fertiliser by encouraging import of suitable technology for this purpose.

(Recommendation No. 10)

44. The Committee appreciate the stand taken by the Department in not endorsing the recommendation of ERC regarding 7% yearly increase in urea prices. The Committee recommend that the prices should be at an affordable level. In developed countries, subsidies are given on a much larger scale. Low price of fertiliser is linked with bigger question of protecting the interest of the small and marginal farmers. The Government should take necessary steps to ensure that fertiliser prices remain within easy reach to the small and marginal farmers. Further Committee feel that ERC recommendation should have been treated as only an input to the overall long term Fertilizer policy. Instead of implementing such recommendations in piecemeal fashion keeping in view only subsidy angle, the finalisation of long term policy including policy on feedstock, pricing, regional imbalance etc. should be prioritised. Consultations with State Governments, Farmers' Organisations, Fertiliser industry, etc. are essential for formulating a long term policy.

Major Head '4855'

Investment in PSUs

45. This 'Head' is used for making 'Planned' investments in Public Sector Undertakings (PSUs). In the current year's budget, provision of Rs. 97.50 crore has been made under this 'Head' as against Rs. 36.50 crore of the last year. The details of this amount are given below :—

(Rs. in crores)

	PSUs	Investments in 2000-01 (RE)	Investments in 2001-02 (BE)
	FCI	10.00	10.00
	HFC	20.00	80.00
	PDIL	0.50	0.50
4.	PPL	6.00	7.00
	Total	36.50	97.50

46. During the course of examination the Committee wanted to knew the specific proposals/projects on account of which planned investment in PSUs has increased from Rs. 36.50 crore to Rs. 97.50 crore and also whether all the investment proposals have been finalised, the DOF in a written note informed :—

"During 2001-02 the plan funds for investment have been mainly allocated for FCI and PPL for renewals and replacements of equipment, PDIL for CAD/computer networking and the Namrup Revamp Project of HFC. The increase in the investment from Rs. 36.50 crore in 2000-01 to Rs. 97.50 crore in 2001-02 is mainly due to enhanced allocation of funds to HFC for its Namrup revamp approved at an estimated cost of Rs. 350 crore in October, 1997 which is under implementation *w.e.f.* 2.11.1998. The equity portion of the project is to be funded entirely by the Government of India. Hence, the plan fund allocation of HFC for investment has been enhanced to Rs. 80 crore during 2001-02 from Rs. 20 crore in 2000-01. An amount of Rs. 131.69 crore has been released so far for the revamp project. Investment proposals are considered at the time of Annual Plan discussions in the Planning Commission based on which fund allocations are approved.

47. Asked about the present status of HFC, Namrup, the Secretary, DOF apprised the Committee as under:—

"We are quite happy about Namrup. Rs. 350 crore were sanctioned and we have just submitted the revised scheme. I think that will be done. Rs. 70 crore to Rs. 80 crore have already been spent. We have told the Managing Director now to go full speed ahead in terms of implementing this project."

48. DOF further informed as under:

"A revamp of Namrup unit was approved by the Government in October 1997, at an estimated cost of Rs.350 crore and has been under implementation w.e.f. 2.11.1998. At the end of February, 2001, this project had incurred a total cumulative expenditure of Rs. 68.18 crore and cumulative commitment of Rs. 234.41 crore. With near completion of design engineering, procurement and pre-order activities, the project has achieved an overall cumulative progress of 64.70% against the original schedule of commissioning on 1.5.2001. On completion of health study of the plants and detailed engineering for the project, HFC has submitted a proposal for revision of capital cost of the project to Rs. 509.40 crore and extension of project schedule by 9 months from 1.5.2001 to 1.2.2002 for approval of the Government. This proposal is under consideration of the Government."

49. The Committee note that as against the revised estimate of Rs. 36.50 crores for the last year i.e. 2000-2001, Rs. 97.50 crore has been provided for planned investment in PSUs under DOF for 2001-2002. It also came out during the course of examination of Ministry that out of Rs. 97.50 crore a major chunk i.e. Rs. 80.00 crore has been earmarked for ongoing revamp of HFC Namrup and remaining Rs. 10 crores is proposed for renewal and replacement of equipment of FCI. About investment proposals finalised for HFC revamp the DOF has informed the Committee that so far Rs. 131.69 crore have been released for revamping of HFC Namrup. The Committee have also been informed that the project has achieved an overall cumulative progress of 64.70% against the original targeted commissioning on 1.5.2001. On completion of health study of the plant, HFC has submitted a proposal for revision of capital cost of

t project to Rs. 509.40 crore and extension of project upto 1 2002 for approval of the Govt. and the same is being considered b the Govt. Secretary (Fertilisers) during the course of evidence in ormed the Committee that MD, HFC has been asked to implement H C revamp project in full speed. The Committee are unhappy to n that there has been both cost and time overrun in the revamp of H Namrup. Whereas another PSU *viz.* Nangal expansion project h been commissioned well before schedule. The Committee do not a eciate the delay that has occurred in commissioning the HFC N rup Project. The Committee trust that the Department will e nd all help and all out efforts would be made to complete r mping of HFC Namrup units in time.

(Recommendation No. 12)

M jor Head '6855'

(v Plan Loans to PSUs

50. This 'Head' is used for making loans to PSUs under planned an non-planned expenditure. Under the planned 'Head' a provision of R 84 crore has been made in the current year's Budget as against R 113.50 crore of last year. The details are given below:—

(Rs. in crores)

PSU	Loans in 2000-01	Loans in 2001-02
FCI	10.00	10.00
HFC	35.00	0.00
PDIL	0.50	0.50
PPCL	0.01	0.01
PPL	6.49	7.49
MFL	21.00	21.00
FACT	40.00	45.00
Total	113.50	84.00

51. As may be seen from the above, major beneficiary PSUs like F CT (Rs. 45.00 crore) MFL (Rs.21.00 crore), FCI (Rs. 10 crore) and PPL (Rs. 7.49 crore) The Deptt. of Fertilisers has informed that this sum has been provided for these PSUs which are facing severe resource crunch.

Madras Fertilisers Ltd. (MFL), H.Q. at Chennai

52. During the course of examination the Committee were informed that MFL had successfully major revamp-cum-modernisation of its old plants in March, 1998. However, Urea plants were not able to operate at the rated capacity on sustained basis due to problems in revamped Prill Tower.

53. The Committee wanted to know the reasons why rectification work on urea Prill Power could not made part of the main job revamp-cum-modernisation project which was completed in March, 1998 and what is the present status of rectification work and how much expenditure is likely to be incurred. The DoF in a written note informed:—

"A revamp of the existing urea tower was also part of the major revamp project undertaken by Madras Fertilizer Limited (MFL) of its plants and production facilities at Chennai in 1993. The revamp project was completed in March 1998 but the revamped urea prill tower posed limitations to operation of the revamped urea plant at the designed capacity because of high prill temperature and persisting problems with the prill tower fans. In order to overcome these problems, MFL in consultation with the original process licensee for urea plant revamp decided to effect further modification/ rectification to the urea prill tower at an estimated cost of Rs. 7 crore. This rectification of the urea prill tower was taken up in 1999 and is under implementation at present. It is expected to be completed by June 2001 and the modified prill tower is expected to be taken on line in August 2001."

54. The DoF further apprised the Committee as under:—

"MFL submitted a proposal for Financial Assistance-cum-capital Restructuring in 1998 following its poor performance after completion of the revamp project. On preliminary examination of the proposal submitted by MFL, one of the measures proposed to improve the performance of the company, *viz.* increased allocation of urea under essential commodity allocation for sale was implemented from 1999-2000. After an analysis of the impact of this measure was assessed, a comprehensive proposal was formulated in DoF and sent to the office of Joint Controller general of Accounts (CGA) for comments in September 1999. On receipt of comments of Jt. CGA in August 2000, a modified proposal for extending limited financial assistance to the company has been finalised after detailed examination of the proposal and obtaining the views of MFL on the comments of Joint CGA and sent to the Ministry of Finance in February 2001 for concurrence."

tes, Phosphates and Chemicals Limited (PPCL) H.Q. at NOIDA,

55. The Department apprised the Committee of the present status PCL as under:—

"The company has consistently been incurring losses since 1992-93 due to the intrinsic disadvantage in the pyrites based production of SSP, high cost due to low off-take of SSP & M-Phos and a substantial interest burden on Government of India loans.

On erosion of its entire net worth, the company was referred to the Board for Industrial & Financial Reconstruction, which has since been declared 'sick' on 20.4.2000.

Based on the unit-wise techno-economic viability, recommendations of the Disinvestment Commission and Committee of Secretaries on Disinvestment, this Department has finalised a rehabilitation scheme, which is under submission to the competent authority in the Government."

56. The Government had under consideration a proposal that BHCO should take over this Company after reconstructing of the tal. In this connection, DoF informed the Committee as under:—

"Government of India had initially asked KRIBHCO to examine the possibility of investing 50% of equity for modernisation of Amjhore unit of PPCL. Subsequently, in January, 2000, KRIBHCO was asked to study the proposal for take over of Amjhore unit. Consequently, KRIBHCO appointed ICICI to carry out due diligence exercise of PPCL, Amjhore. On the basis of recommendations of ICICI and the fact that PPCL has huge accumulated losses, KRIBHCO has decided against the proposal for taking over the Amjhore unit or for participation in its equity or in any other manner.

Further action in the matter will depend upon the decision of the competent authority in the Government on restructuring proposal of PPCL and subsequent decision of BIFR."

57. **The Committee in their earlier reports have been impressing upon the Government the need to make PPCL economically viable. The Committee regret to note that the Company has been declared sick. However, the Department has finalised a revival scheme which is under submission to the competent authority in the Government. The Committee wish to reiterate their earlier recommendation that the capital of Company should be restructured and thereafter KRIBHCO should be persuaded to take it over and run it economically.**

(Recommendation No. 13)

Fertiliser Corporation of India (FCI) H.Q. at New Delhi

58. It came out during the course of examination that a provision of Rs. 48 crore has been made for renewals and replacements of Sindri Unit in the event of decision for implementation of revival proposal is taken by the Government. The Committee wanted to know when were the proposals submitted to the Government and whether the Government has taken decision on this. The DoF in a written note stated :—

"The rehabilitation proposal of FCI including its Sindri Unit has been finalized, which is under submission to the competent authority in the Government."

59. On being further asked by the Committee about whether the work on the project has started if so how much work has been completed, the DoF in a written note stated :—

"An amount of Rs. 48 crore was released to FCI during 1998-99 out of which Rs. 24.70 crore was for carrying out renewals and replacements for shoring up the weak area and Rs. 12 crore for power-house revamp of the Sindri unit. The balance funds were utilised for renewal and replacements at the Ramagundam and Talcher units."

ep Phosphate Ltd. (PPL) H.Q. at Bhubaneswar

50. PPL is one of the PSUs which is facing severe resource h, Plan loan provision of Rs. 7.49 crore has been proposed for eep Phosphate Ltd. for 2001-2002. Asked about the details of ing projects in the company and whether all these are being ited as per schedule without time and cost over-runs, the DoF in a n note informed :—

"Though Paradeep Phosphate Limited (PPL) has no major projects/schemes under implementation at present, a revamp of 'A' stream of its Sulphuric Acid Plant at Paradeep at a cost of Rs. 14.38 crore is under implementation. Pollution control measures for setting up an effluent treatment plant at a cost of Rs. 4.69 crore are also under implementation. Although implementation of these schemes has fallen behind the proposed schedule, no cost overrun has been reported so far."

61. The Committee find that as against the revised estimate of 113.50 crore for 2000-2001, a provision of Rs. 84 crore has made by DoF for plan loan to PSUs which are facing severe rce crunch. Out of Rs. 84 crore the major beneficiary PSUs FACT (Rs. 45 crore), MFL (Rs. 21.00 crore), FCI (Rs. 10.00 e) and PPL (Rs. 7.49 crore). Madras Fertilisers Ltd. has led to effect a rectification work on Urea Prill Tower at an iated cost of Rs. 7 crore and the same is being implemented. Committee are not convinced with the explanation that mped urea prill power posed certain limitations. In the opinion he Committee such works should have been part of the major mp work of the plant as a whole which was completed in 1998. Committee would like to be assured that these types of works a part of the one integrated major project.

(Recommendation No. 14)

62. The Committee also note that a Financial Assistance-cum-Capital Restructuring proposal to improve the performance of the MFL is pending with the Government since 1998. The Government has not been able to decide either way although sufficient period has lapsed. The very purpose of these schemes is defeated if timely

action is not taken. The Committee, therefore, recommend to the Government to take final decision in the matter within 3 months from the date of presentation of this Report to the Parliament.

(Recommendation No. 15)

63. The Committee find that a sum of Rs. 48 crore had been released to FCI for renewals of its Sindri project during 1998-99 and required funds have been utilised for necessary renewal/revamp in Sindri as also in other units of Ramagundam and Talcher. The Committee note that the rehabilitation proposal of FCI including Sindri has been finalised and is under submission to the competent authority. The Committee feel that plan investment in PSUs like one in FCI can only be fruitfully utilised if the final decision on revival packages is taken up urgently to commence production in closed units of FCI like Ramagundam and Talcher. The Committee, therefore, recommend that serious efforts be made for final clearance of revival package by competent authority within a time frame of three months from the date of presentation of this Report to the Parliament.

(Recommendation No.. 16)

64. The Committee learn that though no major projects are under implementation in Paradeep Phosphate Ltd. except implementation of a revamp of 'A' stream of its Sulphuric Acid plant at the cost of Rs. 14.38 crore and Pollution Control Project envisaging setting up an effluent treatment plant at a cost of Rs. 4.69 crore which are under implementation. Admittedly both the scheme are far behind the schedule. The Committee feel that delayed execution of project is fraught with possibility of cost and time over run. The Committee, therefore, recommend that steps for implementation of scheme be initiated at the right earnest but not later than 3 months from the presentation of this Report to the Parliament.

(Recommendation No. 17)

Major Head '6855'

(vi) Non-Plan Loans to PSUs

65. Under non-plan Head provision of Rs. 200 crore has been made in current year's Budget for providing loans to the following PSUs as against Rs. 300 crore of last year. Details are given below :—

(Rs. in crore)

PSU	2000-01	2001-02
FCI	143.00	96.00
HFC	118.70	79.00
PPCL	29.00	19.00
PDIL	09.30	06.00
TOTAL	300.00	200.00

PSU-wise position is as under :—

Hindustan Fertiliser Corporation Ltd. (HFC) H.Q. at New Delhi

66. HFC was incorporated on 14th March, 1978. The Company has incurred a loss of Rs. 564.23 crore during 1999-2000 and is expected to incur a loss of Rs. 649.61 crore in 2000-01. At present, there is only one project under implementation at Namrup at an approved cost of Rs. 350 crore. It has been decided by the Government to close down Haldia division. A provision of Rs. 79.00 crore has been made as non-plan expenditure during the current year.

67. About Haldia division of HFC the Committee wanted to know how much expenditure has been incurred on this plant since October, 1986 and what are reasons for undue delay in clinching the issue finally. The DoF in a written note submitted :—

"An expenditure of Rs. 179.54 crore on salary/wages/standing charges in respect of the Haldia Fertilizer Project of HFC has been incurred from October, 1986 to 28.2.2001. During the hearing of the BIFR held on 14.8.1997, the Bench was informed that the

Government have decided to hive-off the Haldia Fertilizer Project as it was not found viable and sought its permission to initiate the process in this regard. The Bench directed that it would not grant a general permission for sale of assets as requested for, however, any sale of plant and machinery could be permitted if at all, only as a part of an overall rehabilitation scheme. The rehabilitation proposals of HFC including Haldia Fertilizer Project based on unit-wise techno-economic viability has been finalized, which is under submission to the competent authority in the government."

68. During evidence, the Secretary, (Fertilisers) supplemented this information further :—

"When we go to the competent authority, our job is to present a realistic picture. We are presenting the full picture and all the options."

69. On being pointed out by the Committee that on one hand the Govt. has not agreed for sale of the plants, and on the other hand overall rehabilitation scheme has not been approved by the Govt., the Secretary. (Fertiliser) stated :—

"We are presenting the total picture to the competent authority."

Fertiliser Corporation of India H.Q. at New Delhi

70. A provision of Rs. 96.00 crore has been made as non-plan expenditure in the current year's budget for FCI. The Committee were informed about the present status of the Company as under :—

"FCI has been declared 'sick' by BIFR on 6.11.1992. BIFR has held nine meetings so far and the last meeting was held on 28.2.2001."

71. In reply to a specific query, the DoF informed that rehabilitation proposal of FCI is under submission to competent authority in the Govt.

Project Development of India Ltd. (PDIL H.Q. at Noida, U.P.

72. The Committee wanted to know the present status of PDIL; DOF submitted in a written note :—

"PDIL was declared 'sick' by BIFR on 17.12.1992. A rehabilitation scheme was approved by the Government on 29.4.1997 and sanctioned by BIFR on 1.7.1997. Reliefs/concessions envisaged in the rehabilitation scheme have since been accorded. However, the projects forming the basis of the Scheme, which would have led to positive net worth by the end of 1997-98 could not be achieved. In November, 1999, while reviewing implementation of the Scheme BIFR observed that the Scheme had failed. On 1.5.2000, BIFR directed the company/promoters to submit a revised rehabilitation scheme. No meeting of BIFR was held since 1.5.2000.

Based on unit-wise techno-economic viability, this Department has finalised a revised rehabilitation proposal, which is under submission to the competent authority in the Government."

73. Asked further what is finally the thinking of Govt. about making company economically viable, the DOF in a written note stated :—

"Based on unit-wise techno-economic viability, this Department has finalised a revised rehabilitation proposal, which is under submission to the competent authority in the Government."

74. The Committee find that as against last year's amount of Rs. 300 crore as non-plan loans to PSUs, Rs. 200 crore have been provided for 2001-2002 for meeting the salaries requirements of FCI, HFC, PPCL and PDIL pending their revival. During the course of examination the Committee find that production in various sick units of PSUs have been discontinued for variety of reasons.

75. The Committee find that a number of Fertiliser units are sick and Government each year is providing loan to sustain these units. These companies have been referred to BIFR but the process of their rehabilitation is very tardy. On an average only one meeting is being held in BIFR annually.

76. Now the Committee have been informed by DoF that revival proposals for HFC, FCI, PDIL and PPCL have been finalised and are under submission to competent authority in Government. During the course of evidence also the Secretary (Fertiliser) like earlier occasions has once again assured the Committee that DoF is presenting a total picture on the issue of revival to competent authority *i.e.* the Cabinet. The Committee, therefore, once again recommend that a final decision on the issue is need of the hour. This, in Committee's view will not only save crores of rupees as non-plan loans on salaries of public exchequer but will also end uncertainty in public sector. The Committee would like to be apprised of the specific action taken by Govt. in regard to revival of sick fertiliser PSUs.

(Recommendation No. 18)

NEW DELHI;
April, 2001
21 *Chaitra*, 1923 *(Saka)*

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on Petroleum & Chemicals.

APPENDIX I

MINUTES
NDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

THIRD SITTING
30.03.2001

1e Committee sat from 1500 hrs. to 1645 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

Shri Padam Sen Choudhary
Shri Pawan Singh Ghatowar
Shri Mohan Rawale
Dr. Bikram Sarkar
Shri D.C. Srikantappa
Shri Tarlochan Singh Tur
Shri Ratilal Kalidas Varma
Shri B. Venkateshwarlu

Rajya Sabha

Shri Gaya Singh
Shri Ram Nath Kovind
Shri Dipankar Mukherjee
Shri Suresh Pachouri
Shri Ahmed Patel
Smt. Basanti Sarma
Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

Shri Ram Autar Ram — *Joint Secretary*
2. Shri J.N. Oberoi — *Under Secretary*

Representatives of Ministry of Chemicals and Fertilisers
Department of Fertilisers

1. Shri Ashok Pahwa — Secretary
2. Shri Suresh Chandra — Joint Secretary & Financial Adviser
3. Shri Sudhir Krishna — Joint Secretary (F)
4. Shri Balwinder Kumar — Joint Secretary (A&M)
5. Ms. Swatantra Kaur Sekhon— Executive Director, (FICC)

Chief Executives of the Public Sector Undertakings

6. Shri U.K. Sen — CMD, FCI
7. Shri N.K. Borah — CMD, HFC
8. Shri N.Y. Mahajan — CMD, MFL
9. Shri P.S. Grewal — CMD, NFL
10. Shri H. Mishra — CMD,PPL
11. Dr. P.K. Awasthi — CMD, PPCL
12. Shri A.C. Saini — CMD, PDIL
13. Shri D.K. Varma — CMD, RCF
14. Shri V.N. Rai — CMD, FACT
15. Shri U.S. Awasthi — MD, IFFCO
16. Shri V.N. Rai — MD, KRIBHCO

At the outset, Hon'ble Chairman welcomed the Members, officers of Department of Fertilisers and representatives of Public Sector Undertakings and other organisations.

2. The Committee took oral evidence of the representatives of Ministry of Chemicals & Fertilisers, Department of Fertilisers in connection with examination of Demands for Grants for 2001-02.

3. During the course of evidence, the main issues which came for discussion included appraisal of 9th Five Year Plan, failure of the Department to utilise plan outlay, demand supply position of fertilisers in the next Five Year Plan, present production capacity of fertiliser industry, Fertiliser Retention Price Scheme, status of Expenditure Reforms Commission recommendations related to this Scheme, need to consult State Governments before taking final decision on these recommendations, planned investments and loans in Public Sector Undertakings under the administrative control of Department of Fertilisers, bifurcation of Namrup unit of HFC into a new Company, final clearance of pending projects, present status of disinvestment in some of the PSUs.

4. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

APPENDIX II

MINUTES
STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

FIFTH SITTING
11.4.2001

The Committee sat from 1130 hrs. to 1230 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Shri Ajay Singh Chautala
3. Shri Padam Sen Choudhary
4. Shri Dilipkumar Mansukhlal Gandhi
5. Smt. Sheela Gautam
6. Shri Pawan Singh Ghatowar
7. Shri Bijoy Krishna Handique
8. Smt. Nivedita Mane
9. Shri Ashok Pradhan
10. Shri Shyama Charan Shukla
11. Smt. Kanti Singh
12. Shri Ratilal Kalidas Varma
13. Shri B. Venkateshwarlu
14. Dr. Girija Vyas

Rajya Sabha

15. Shri Gaya Singh
16. Shri Suresh Pachouri

hri Rajiv Ranjan Singh 'Lalan'

hri P. Soundararajan

rof. Ram Gopal Yadav

SECRETARIAT

Shri Ram Autar Ram	*Joint Secretary*
Shri Brahm Dutt	*Deputy Secretary*
Shri J.N. Oberoi	*Under Secretary*

The Committee considered, approved and adopted their fol Draft Reports with a verbal change :

** ** **

**

) Fourteenth Report on Demands for Grants of Ministry of Chemicals & Fertilisers, Department of Fertilisers for the year 2001-02.

The Committee placed on records their appreciation for the valu. assistance rendered to them by the staff and officers of the Lok ha Secretariat attached to the Committee. In particular, the Chai n as also the Members commended the Secretariat for the qual. of drafting of Reports within a very short span of time parti rly in holidays.

The Committee also authorised the Chairman to finalise the R after factual verification by the concerned Ministries/Departments and sent the same to the Parliament in the current Session.

** ** ** **

The Committee then adjourned.

** M rs not included in the Report

(Rs. in Crore)

ns of penditure	1999-2000 (Actuals)	2000-01 (BE)	2000-01 (RE)	%Change in 2000-01 (RE) over 1999-2000	2001-2002 (BE)	% Change in 2001-02 (BE) over 2000-01 (RE)
1	2	3	4	5	6	7
PLAN						
Investment in PSUs						
FCI	5.00	10.00	10.00	+ 100	10.00	--
HFC	30.00	40.00	20.00	- 50.00	80.00	+ 300
PDIL	0.00	0.50	0.50	--	0.50	--
PPCL	0.00	0.00	0.00	--	0.00	--
PPL	5.00	6.00	6.00	+ 20.00	7.00	+ 16.66
Total (1)	40.00	56.50	36.50	-8.75	97.50	
Loans to PSU's						
FCI	5.00	10.00	10.00	+ 100.00	10.00	
HFC	30.19	40.00	35.50	+ 17.58	0.00	
PDIL	0.00	0.50	0.50		0.50	
PPCL	0.01	0.01	0.01	--	0.01	
PPL	5.00	6.49	6.49	+ 29.80	7.49	
MFL	20.00	25.00	21.00	+ 5.00	21.00	
FACT	35.00	40.00	40.00	+ 14.28	45.00	+ 12.
Total (2)	95.19	122.00	113.50	+ 19.23	84.00	
Grant to KRIBHCO in ODA, UK assisted Rainfed Farming Project	8.38					+ 31.1
Grant to PDIL for R&D	4.00	4.00	4.00		2.00	
S&T Programme of the Department	0.00	0.30	0.30		0.30	
Grant for MIT	0.45	1.20	1.20	+ 166.00	1.00	
Grant under Voluntary Retirement Schemes (VRS) :	0.00	0.00	0.00		10.00	
Total Plan (1 to 7)	148.06	197.00	164.80	+ 11.31	207.00	
B / Net						
Grant Total (A + B)	9192.99	8911.84	14271.54	+ 55.24	14583.70	+ 2.1

APPENDIX V

(*Vide* Para 9 of the Report)

'SUs-wise break up of actual expenditure during the years 1997-98 t(!999-2000 and 2000-2001 (RE) alongwith BE for the year 2001-200:

(Rs. in Cror(

!. 'ɔ.	Name of The Undertaking/ item	9th Plan 1997-2002	1997-98 Actual	1998-99 Actual	1999-2000 Actual	2000-01 BE	2000-2001 RE	2001 200: BI
i.	FCI	132.00	55.00	48.00	10.00	20.00	20.00	20.0(
:.	FACT	294.00	178.61	55.92	35.00	40.00	40.00	45.0
:.	HFC	390.00	41.00	35.00	60.19	80.00	55.50	80.0
ı.	NFL	1118.00	75.24	53.35	61.02	125.00	144.42	159.7
:.	RCF	2700.00	163.67	177.28	157.52	600.00	170.00	170.3
..	PDIL	12.00	2.00	0.08	0.89	1.00	1.00	1.C
/.	PPL	80.00	49.50	10.00	10.00	12.49	12.49	14.4
'.	PPCL	10.00	6.00	1.69	--	0.01	0.01	0.(
'.	MFL	209.00	81.69	62.48	21.50	25.00	21.00	21.(
:.	KRIBHCO	2720.00	33.56	29.56	41.44	700.00	190.45	400.(
:.	IFFCO	3253.00	629.34	313.86	193.82	250.00	138.00	212.(
:.	Misc. Schemes under the Department	95.00	9.77	14.08	12.87	18.80	14.80	25.:
	TOTAL	11013.00	1324.38	801.30	604.25	1872.00	807.67	1149.(

APPENDIX IV

(*Vide* Para 9 of the Report)

PSUs-wise break up of the outlay during 9th Plan

(Rs. in Crore)

Sl.No.	P.S.U.	D.B.S.	E.A.	I.E.B.R	Total Outlay
1.	FCI	132.00	--	--	132.00
2.	FACT	60.00	57.00	177.00	294.00
3.	HFC	390.00	--	--	390.00
4.	MFL	101.00	--	108.00	209.00
5.	NFL	--	--	1118.00	1118.00
6.	PDIL	2.00	--	10.00	12.00
7.	PPCL	10.00	--	--	10.00
8.	PPL	80.00	--	--	80.00
9.	RCF	--	--	2700.00	2700.00
10.	IFFCO	--	--	2720.00	2720.00
11.	KRIBHCO	--	--	3253.00	3253.00
12.	Deptl. Schemes	25.00	70.00	--	95.00
Total		800.00	127.00	10086.00	11013.00

D.B.S. Domestic Budget Support

E.A. External Aid

I.E.B.R. Internal and Extra Budgetary Resources