18

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2010-11)

FIFTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2011-2012)

EIGHTEENTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

August, 2011/ Sharvana 1933, (Saka)

CC&F No. 18

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(2011-2012)

Presented to Lok Sabha on ***04 .08.2011***

Laid in Rajya Sabha on ***04.08.2011***

LOK SABHA SECRETARIAT
NEW DELHI

August, 2011/ Sharvana 1933, (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2010-11)

Shri Gopinath Munde - Chairman

MEMBERS

LOK SABHA

2.	Smt. Susmita Bauri
3.	Shri Udayanraje Bhonsle
4.	Shri Prabhatsinh P. Chauhan
5.	Smt. Santosh Chowdhary
6.	Shri K.D. Deshmukh
7.	Adv. Ganeshrao Nagorao Dudhgaonkar
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11.	Shri Baidya Nath Prasad Mahato
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19.	Shri Narendra Singh Tomar
20.	#Dr. Manda Jagannath
21	Vacant
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22.	Shri Silvius Condpan
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25.	Shri Brijlal Khabri
26.	Prof. Anil Kumar Sahani
27.	Shri Raghunandan Sharma
28.	Dr. C.P. Thakur
29.	&Shri Parshottam Khodabhai Rupala
30.	&Shri Abani Roy
31	&Shri Biswajit Daimary

SECRETARIAT

1.	Shri N. K. Sapra	-	Secretary
2.	Shri Ashok Sarin	-	Joint Secretary
3.	Shri C.S.Joon	-	Director
4.	Smt. Emma C. Barwa	-	Under Secretary

& Nominated w.e.f. 21.09.2010

Nominated w.e.f. 04.10.2010

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2010-11) having been authorised by the Committee to present the Report on their behalf, present this Eighteenth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2011-12.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2011-12 which were laid in Lok Sabha and Rajya Sabha on 11 March 2011.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 22 March 2011.

4. The Committee considered and adopted the Report at their sitting held on 18 July 2011.

5. The Committee express their thanks to the Officers of the Ministry of Chemicals and 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 2011-12 and for giving evidence before the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
28 July, 2011
6 Shravana, 1933 (Saka)

Gopinath Munde
Chairman,
Standing Committee on
Chemicals and Fertilizers

REPORT
CHAPTER-I

INTRODUCTORY

1.1 The main objective of the Department of Fertilizers is to ensure adequate and timely availability of fertilizers for maximizing agricultural production in the country and for this purpose it promotes and assists industries in the fertilizer sector and also to plan and arrange import and distribution of fertilizers in the entire country.

1.2 The main activities of this Department in relation to the fertilizer industry are overall sectoral planning and development and regulation of the industry under the Industries (Development and Regulations) Act, 1951 and the broad industrial policy of the Government as well as monitoring of production, pricing and distribution of the output. The activities of this Department also include the administrative control of the public sector undertakings and cooperative societies in these areas.

1.3 The Department also disburses payments to manufacturers/importers of decontrolled fertilizers under the concession scheme which is being administrated by the Department to make these fertilizers available to the farmers at the indicative Maximum Retail Price.

1.4 There is one attached office under this Department, viz., the office of the Executive Director, Fertilizer Industry Coordination Committee (FICC). This Office provides the Secretariat support to the Fertilizer Industry Coordination Committee (FICC) constituted to administer the New Pricing Scheme for Nitrogenous Fertilizers and various incentive schemes to augment indigenous production of fertilizers.

1.5 The Department has under its administrative control nine public sector undertakings and one cooperative. The details are as under:-

PUBLIC SECTOR :-			
SL. NO.	NAME OF THE COMPANY	HEADQUARTERS	INCORPORATED IN
1	Fertilizers and Chemicals Travancore Limited (FACT)	Udyogamandal	September, 1943
2	Fertilizer Corporation of India Limited (FCI)	New Delhi	January, 1961
3	National Fertilizers Limited (NFL)	Noida	August, 1974
4	Rashtriya Chemicals and Fertilizers Limited (RCF)	Mumbai	March, 1978
5	Madras Fertilizers Limited (MFL)	Chennai	December, 1966
6	Projects and Development India Limited (PDIL)	Noida	March, 1978
7	Hindustan Fertilizer Corporation Limited (HFC)	New Delhi	March, 1978
8	Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	Guwahati	April, 2002
9	FCI Aravali Gypsum Minerals India Limited (FAGMIL)	Jodhpur	February, 2003
10	Krishak Bharati Cooperative Limited (KRIBHCO)	Noida	April, 1980

CHAPTER-II

OVERVIEW OF FERTILIZERS INDUSTRY

2.1 The Department of Fertilizers giving details of the growth of fertilizers industry in its Annual Report 2010-2011 Shared that the industry made a very humble beginning in 1906, when the first manufacturing unit of Single Super Phosphate (SSP) was set up in Ranipet near Chennai with an annual capacity of 6000 MT. The Fertilizer & Chemicals Travancore of India Ltd. (FACT) at Kochi in Kerala and the Fertilizer Cooperation of India (FCI) in Sindri in Bihar (Now Jharkhand) were the first large sized-fertilizer plants set up in the forties and fifties with a view to establish as industrial bases to achieve self-sufficiency in food-grains. Subsequently, green revolution in the late sixties gave an impetus to the growth of fertilizer industry in India and the seventies and eighties then witnessed a significant addition to the fertilizer production capacity.

2.2 Further, the installed capacity as on 10.3.2009 has reached a level of 120.61 lakh MT of nitrogen and 56.59 lakh MT of phosphatic nutrient, making India the 3rd largest fertilizer producer in the world. The rapid build-up of fertilizer production capacity in the country has been achieved as a result of a favourable policy environment facilities, large investments in the public, co-operative and private sectors. Presently, there are 47 fertilizer plants producing Nitrogenous, Phosphatic and Complex fertilizers and 9 manufacture Ammonia Sulphate as by product. Thus there are 56 large size fertilizer plants in the country manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers. There are also about 85 medium and small-scale units in operation producing SSP. The sector-wise installed capacity is given in the table below:-

Sl. No.	Sector	Capacity (Lakh MT)		Percentage Share	
		N	P	N	P
1.	Public Sector	34.98	4.33	29.0	7.65
2.	Cooperative Sector	31.69	17.13	26.27	30.27
3.	Private Sector	53.94	35.13	44.73	62.08
	Total	120.61	56.59	100.00	100.00

2.3 When enquired about the evaluation of the growth of fertilizers industry in the country over the years, the Department in a written reply stated as follows:-

> "Production of fertilizers in the country is more or less stagnant for last one decade, whereas the imports are increasing to meet the growing demand of fertilizers in the country, as can be seen from the table below:

Yearly Production & Import of Fertilizers									
Years	Urea			DAP		NPK	MOP		SSP
	Production	Import	Sale	Production	Import	Production	Import	Sale	Production
LMT									
2004-05	202.63	6.41	205.47	51.84	6.44	45.11	34.09	23.14	25
2005-06	200.98	20.56	220.00	46.28	28.28	53.64	45.29	27.00	24
2006-07	203.08	47.19	244.85	48.51	28.76	67.64	34.48	23.93	28
2007-08	198.58	69.28	261.67	42.12	29.73	74.64	44.21	27.92	20
2008-09	198.99	56.66	266.47	29.88	66.31	58.50	43.46	40.89	30
2009-10	211.05	52.08	264.48	42.45	59.87	70.61	39.27	46.74	30
% increase (2009-10 over 2004-05)	4.16%	712.48%	28.72%	-18.11%	829.66%	56.53%	15.20%	101.99%	17.69%

According to the Department of Fertilizers there has been no investment in the Urea as well as phosphatic sector for last ten years. This is mainly because the country is by and large import-dependent for meeting requirements of critical phosphatic inputs such as rock phosphate and phosphoric acid. Almost 90-95% of the phosphatic requirements are met through imports, either in the form of finished fertilizers or fertilizer inputs. The country has no known source of potash as of now and 100% requirement of potash is met through import. Indigenous production of rock phosphate is very limited and is available only through the mines in Rajasthan and Madhya Pradesh. The quality of indigenous rock phosphate is poor in terms of P2O5 content and is mostly suitable for production of only Single Super Phosphate (SSP) fertilizer. Additionally, there is supply of sulphur and sulphuric acid from oil refineries and smelter industries respectively, but that too is limited and the country is a net importer. The lack of long term availability of natural gas in the country for urea plants, high cost of imported RLNG gas and volatility in prices have impeded new investments in urea sector.

The Committee were informed that there is need for urgent measures by the industry and Government to make the country self sufficient in urea for which the inputs are available in the country and to push JVs / investments abroad in P&K sector, where the country is resource deficient. The Department has been exploring possibility of augmenting /acquiring fertilizer resources from both indigenous and foreign sources. Accordingly, the Department is encouraging Indian public sector as well as the private sector fertilizer companies and mining companies to explore possibility of indigenous production of rock and potash and enter into long term joint venture cooperation in fertilizer resource rich countries for acquiring fertilizers and fertilizer inputs. The State Governments of Rajasthan and Madhya Pradesh as well as the Ministry of Mines, Government of India have been requested by the Department of Fertilizers to take steps to augment production of indigenous rock phosphate and carry out exploration /surveys for locating fresh deposits of rock as well as deposits of potash.

About the efforts made by the Department to explore the sources of Potash and Rock Phosphate, the Committee were informed that surveys and explorations are being carried out in Rajasthan to explore possibility of potash, which if found, will provide indigenous source of potash. However, this will take a long time. India has also very small deposit of rock phosphate in States such as Rajasthan and Madhya Pradesh and a few other States. The quality of indigenous rock phosphate is mostly suitable for production of Single Super Phosphate (SSP). Rock phosphate is a critical input for production of phosphoric acid, which, in turn, is used for production of

Phosphatic fertilizers such as DAP and Complex fertilizers. Rock phosphate is also the main input for production of SSP. Against the overall total requirement of about 112 lakh MT of rock phosphate for production of phosphoric acid and SSP in the country (as per the current installed capacity), indigenous supply of rock is a mere 14 lakh MT through the mines of Rajasthan and Madhya Pradesh. It is estimated that at the current rate of exploitation of indigenous rock phosphate by the two States, the known exploitable reserves will last at the most up to 12-13 years.

Notwithstanding the steps to be taken for augmenting indigenous supply of rock, given the overall requirement of the country, it may be noted that attaining self-sufficiency in the P&K sector may not be possible, at least in near future. However, the Department has been encouraging the Indian public sector as well as the private sector fertilizer companies and mining companies in the country to enter into long term joint venture cooperation for mining and downstream processing in countries rich in fertilizer resources for off take of fertilizers and fertilizer inputs to the country. IFFCO, Indian Cooperative has joint venture with ICS Senegal in Senegal for production and off take of 5.5 lakh MT of phosphoric acid. Indian companies, Tata Chemicals and Chambal-Zuari have a joint venture with Office Cherifian des Phosphates (OCP) of Morocco for production and off take of 4.25 lakh MT of Phosphoric acid. Similar joint venture arrangements have been finalized by the Indian companies, Coromandel and GSFC with Tunisian company, Groupe Chemique Tunisian (GCT) in Tunisia for production and off take of nearly 3.6 lakh MT of phosphoric acid and IFFCO with JPMC of Jordan for production and off take of about 4.6 lakh MT of phosphoric acid. The off take arrangements have helped in securing supply of fertilizers and also fertilizer inputs for indigenous production. IFFCO has also entered into joint venture cooperation for production of rock phosphate in Anne Basin mines in Australia and for potash in Peru. Since India imports nearly 50-55% of globally traded phosphoric acid, off take of phosphoric acid through joint venture arrangements has provided security of supply to certain extent though it has no pricing advantage, as the import is pegged at prevailing international price. Government of India has signed a Memorandum of Understanding with the Government of Syria for cooperation in phosphate sector in Syria. However, no concrete decision has yet been finalized for setting up of a project and a feasibility study is underway.

As regards the capacity utilization of SSP, the Department of Fertilizers informed the Committee that traditionally, Government has been providing lump sum ad hoc subsidy for SSP up to April 2008, which did not prove adequate for encouraging new capacity addition and fullest capacity utilization of the existing capacity of SSP in the country. Generally, the total capacity utilization has been below 37% against the total capacity of more than 76 lakh MT annually. From May 2008, Government adopted revised subsidy scheme for SSP wherein input based subsidy based on price of rock phosphate and sulphur was provided. Further, with inclusion of SSP under the NBS w.e.f 1st May 2010, it is felt that SSP industry will tend to utilize their capacity to the fullest; there are moves toward consolidation and new capacity additions, as SSP has been given parity with other phosphatic fertilizers for subsidy.

In the urea sector, OMIFCO has provided security of about 16.52 lakh MT of urea annually at a pre-determined preferential price. Government is also exploring possibility of putting up urea plant of 1.1. million MT per annum in Ghana."

CHAPTER-III

SCHEMES DURING ELEVENTH FIVE YEAR PLAN

3.1 For the Eleventh Five year plan (2007-12), the Planning Commission has approved an outlay of Rs.20,627.87 crore and for the year 2011-12 an amount of Rs.3,550.22 crore is allocated for different schemes of PSUs for capita subsidy for commercial, investments in joint venture aboard, revival of closed units and other miscellaneous schemes.

3.2 A statement showing the XI plan outlay and Annual Plans (2009-10 to 2011-12) – i.e. BE, RE and actual expenditure is as under:-

Statement showing XI Plan Outlays and Annual Plans (2007-08 to 2011-12) BE, RE and Actual expenditure :-

ELEVENTH FIVE YEAR PLAN

Plan Outlay and Expenditure during first Four years of Eleventh Plan (2007-08, 2008-09 and 2009-10 & 2010-11) for the Department of Fertilizers, Ministry of Chemicals and Fertilizers																				ANNEXURE I		
Sl.No.	Scheme	11TH Plan Allocation			Annual Plan 2007-08 (Actual)			Annual Plan 2008-09 (Actual)			Annual Plan 2009-10 (Actuals)			Annual Plan 2010-11 (BE)			Annual Plan 2010-11 (RE)			Rs. Crore Annual Plan 2011-12 (BE)		
		GBS	IEBR	Total	GBS IEBR		Total	GBS IEBR		Total	GBS	IEBR	Total	GBS	IEBR	Total	GBS	IEBR	Total	GBS	IEBR	Total
1	**RCF**	0.00	6880.37	6880.37	0.00	118.57	118.57	0.00	241.83	241.83		141.02	141.02		622.82	622.82		237.37	237.37		293.30	293.30
2	**FAGMIL**	0.00	42.25	42.25	0.00	0.69	0.69	0.00	0.61	0.61		0.37	0.37		11.29	11.29		5.89	5.89		4.15	4.15
3	**PDIL**	0.00	12.50	12.50	0.00	4.77	4.77	0.00	3.74	3.74		7.52	7.52		5.38	5.38		9.45	9.45		9.73	9.73
4	**NFL**	0.00	6050.75	6050.75	0.00	22.04	22.04	0.00	27.56	27.56		43.05	43.05		900.50	900.50		655.71	655.71		2263.08	2263.08
5	**KRIBHCO**	0.00	6150.00	6150.00	0.00	79.73	79.73	0.00	273.77	273.77		319.61	319.61		1160.00	1160.00		1138.63	1138.63		654.96	654.96
6	**Revial of Sick CPSEs**	607.00		607.00				50.00		50.00												
6(i)	**BVFCL**	150.00		150.00	7.47		7.47	20.00		20.00	65.00		65.00	45.00		45.00	45.00		45.00	67.80		67.80
6(ii)	**FACT**	210.00		210.00	15.00		15.00	13.00		13.00	34.00		34.00	89.99		89.99	89.99		89.99	60.74		60.74
6(iii)	**MFL**	200.00		200.00	9.00		9.00	13.00		13.00	96.99		96.99	74.50		74.50	74.50		74.50	88.95		88.95
7	**Misc Schemes ***	26.00		26.00	6.99		6.99	1.52		1.52	3.68		3.68	5.50		5.50	5.50		5.50	7.50		7.50
8	**Capital Subsidy for conversion**	885.00		885.00	0.00		0.00	150.00		150.00												
9	**Investments for JVs abroad**	0.00		0.00	0.00		0.00			0.00				0.01		0.01	0.01		0.01	0.01		0.01
10	**Revival of Closed Units**	0.00		0.00			0.00			0.00												
	TOTAL:	1492.00	19135.87	21213.9	38.46	225.80	264.26	197.52	547.51	745.03	199.67	511.57	711.24	215.00	2699.99	2914.99	215.00	2047.05	2262.05	225.00	3325.22	3550.22

3.3 It is seen from the statement showing the Eleventh Plan Outlays and Annual Plans (2007-08 to 2011-12) BE, RE and actual expenditure that Plan Outlay and Expenditure during first four years of Eleventh Five Year Plan (2007-08,2008-09, 2009-10 and 2010-11) for the Department of Fertilizers that for the year 2007-08, 2008-09 and 2009-10 the total actual expenditure was at Rs.264.26 crore, Rs.745.03 crore and Rs.711.24 crore respectively and the RE for the 2010-11 was Rs.2262.05 crore while the BE for 2011-12 is Rs.3550.22 crore totaling at Rs.7532.80 crore which is less than 50% of the allocation being made to Department for Eleventh Five Year Plan at Rs.20627.87 crore.

3.4 When asked how the Department of Fertilizers will ensure the proper and full utilization of budgetary support and IEBR by PSUs under their administrative control allocated for the year 2011-12, the Department of Fertilizers in their written reply have stated that :-

> "The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSEs at the level of Board of Directors which consists of representatives of this Department. The Schemes/programmes proposed by PSEs (viz., FACT, MFL & BVFCL) in respect of which budgetary assistance are extended by Government are examined in depth by the Technical Division of the Department of Fertilizers through physical verification at plant sites followed by their prioritization vis-à-vis the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, KRIBHCO, PDIL and FAGMIL), the schemes/programmes are implemented through plan outlays from Internal Generation of Resources and a general technical appraisal in terms of viability is undertaken by Technical Division of the Department of Fertilizers. After these schemes/programmes are deliberated and finalized in the Department, evaluation is undertaken by Planning Commission during Annual Plan discussions. Besides, the Planning Commission and Ministry of Finance in consultation with this Department also review the physical "outputs" as well as "outcomes" of these schemes/programmes. The Department also monitors follow up action with regard to activities of the major projects/schemes by way of quarterly review meetings held under the chairmanship of Secretary, Department of Fertilizers on a regular basis. The periodic review of Plan Expenditure of all the companies is also done at the level of Economic Adviser. Through careful planning at the time of preparation of Annual Plan and continuous/regular monitoring subsequently will ensure proper and full utilization of allocated GBS and indicated IEBR by the companies."

3.5 The Committee further enquired the reasons for non allocation of funds for revival of sick CPSEs for year 2009-10, 2010-11, and the year 2011-12 the Department of Fertilizers in its written reply stated that :-

> "Out of nine Public Sector Undertakings (PSUs) under the administrative control of Department of Fertilizers, there are 3 sick/loss making fertilizer PSUs namely, Madras Fertilizer Limited (MFL), Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL) and Fertilizer And Chemicals Travancore Ltd (FACT) and two closed PSUs namely Hindustan Fertilizer Corporation Ltd. (HFCL) and Fertilizer Corporation of India Ltd. (FCIL). MFL has been declared sick by Board of Industrial and Financial Restructuring (BIFR). Its financial restructuring proposal is under inter-ministerial consultation before it is sent to Department of Public Enterprises (DPE) for obtaining recommendations of BRPSE.
>
> In respect of sick/loss making enterprises the Government has given plan loans for renewal and replacement for procurement of Capital items as per details below:

(Amount in crore)

Year	Plan loans allocated to sick/loss PSUs		
	MFL	BVFCL	FACT
2008-09	12.97	19.98	13.00
2009-10	96.99	65.00	34.00
2010-11	74.50	45.00	89.99
Total	184.46	129.98	136.99
2011-12 Provision	88.95	67.80	60.74

During the year 2008-09 FACT was given Rs.200.00 crore grants-in-aid for sustaining of its operations.

As regards closed fertilizer units of FCIL & HFCL the Cabinet in its meeting held on 30th October 2008 accepted the proposal to revive the closed units, subject to non recourse to Government funding. The Cabinet, however, agreed to consider write-off of GoI Loan & Interest to the extent required, subject to submission of fully tied up proposals for revival of these closed units. An Empowered Committee of Secretaries (ECOS) was constituted to examine various financial models for revival of the closed units."

3.6 The Committee also enquired how does the Department of Fertilizers plan to allocate funds for revival of sick CPSEs, the Department of Fertilizers in its written reply stated that :

"For closed urea units of FCIL/HFCL there is non provision to allocate funds as per the Cabinet decision dated 30th October 2008. A draft CCEA note has been circulated for inter ministerial consultations wherein it is being proposed that Revival of Sindri, Ramagundam and Talcher units of FCIL shall be through JV/SPV route of PSUs consortium, while rest of the units, (Gorakhpur and Korba units of FCIL and Durgapur, Barauni & Haldia Units of HFCL) are proposed to be revived through bidding route.

The proposal for financial restructuring of MFL is under inter-ministerial consultation before it is sent to Dept. of Public Enterprises (DPE) for obtaining recommendations of BRPSE. After obtaining recommendations of BRPSE the matter will be put up before the Cabinet. Any allocation of funds shall be accordingly to the approval of the Cabinet. However, the sick/loss making PSUs shall be given plan loans under renewal and replacement schemes as done in past as per the requirement and availability of plan funds."

3.7 When enquired about the reasons regarding non allocation of funds under capital subsidy for conversion in the year 2007-08, 2009-10, 2010-11 and 2011-12 and the reasons for allocation of funds under this scheme of Rs.150.00 crore only in the year 2008-09 against outlay plan allocation of Rs.885.00 crore, the Department of Fertilizers in its written reply has stated that :-

"NPS-III policy notification stated that "Capital subsidy will be considered for FO/LSHS based units for which DOF will notify a separate scheme in consultation with Department of Expenditure (DOE) Ministry of Finance". However, while formulating the policy for conversion, the matter was discussed with DOE. It was decided that the proposals for capital assistance towards conversion would be considered for approval through the Public Investment Board (PIB) route and the funds will be made available from the Plan allocation of DoF for the 11th Plan period. Since, the funds available were insufficient towards meeting the requirement of conversion projects and the projects were likely to get delayed in absence of requisite funds, the matter was discussed with Planning Commission and it was decided to explore the alternative means of financing the conversion projects.

Accordingly, as per the policy for conversion of FO/LSHS units to gas based units approved by CCEA as decided by PIB, the pre-set energy is allowed for 5 years and savings in energy is available to the unit for partially meeting the project cost. Moreover, special fixed cost is available to the units based on the percentage of project cost, interest on borrowed capital, return on own funds and income tax.

In view of the policy changes as indicated above, Rs. 150.00 Crore provided during 2008-09 towards Capital Subsidy for conversion were also not utilised."

3.8 The Committee further enquired about the other alternative means of financing for the conversion projects being explored by the Planning Commission and Department of Fertilizers, the Department of Fertilizers in their post-evidence reply has stated that :-

"The Government has notified a policy on 6th March'2009 for conversion of FO/LSHS urea units to natural gas. In terms of policy . Government has recognized the cost of conversion of FO/LSHS units through a fixed cost for five years after conversion and would be paid from the date of commercial production. NFL- Nangal, NFL-Bathinda, NFL-Panipat and GNVFC-Bharuch would be covered under this policy."

3.9 The Committee also enquired about the reasons for non allocation of funds for revival of closed units since the beginning of Eleventh Five Year Plan, the Department of Fertilizers in its written reply has stated that :-

"There are five closed units of Fertilizer Corporation of India Ltd. (FCIL) at Sindri, Talcher, Ramagundam, Gorakhpur & Korba and three closed units of Hindustan Fertilizer Corporation Ltd. (HFCL) at Durgapur, Haldia, Barauni. Government of India (GOI) decided to close these Units in the year 2002. In view of emerging large demand-production gap of urea in the country, gainful utilization of existing infrastructure of closed urea units of FCIL and HFCL and employment generation in backward areas as stated above, Cabinet approved, "in principle", the proposal for revival of both the Companies in April 2007. The Cabinet in its meeting on 30th October 2008 accepted the proposal to revive closed units of FCIL & HFCL, **subject to non recourse to Government funding**. Thus, the revival process is being explored through the financial models where there is no budgetary support required from Government of India."

3.10 The Committee enquired whether the amount allocated by the Planning Commission for various PSUs and other schemes in annual plan 2011-12 is sufficient to meet the need, the Department of Fertilizers in its written reply stated that :-

> "Planning Commission has allocated an amount of Rs.225 crore for the Annual Plan requirements of DoF. Bulk of these are allocated to three PSUs namely BVFCL. FACT and NFL. The allocation made by Planning Commission will be utilized for capital expenditure requirements of these PSUs. In case they require more Planning Commission will be requested to enhance its allocation at RE stage."

3.11 The Committee further enquired about the corrective measures being taken by the Department for optimum utilization of budgetary amount allocated for the fifth year of Eleventh Five Year Plan, the Department of Fertilizers in its written reply has stated that :-

> "The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSEs at the level of Board of Directors which consists of representatives of this Department. The Schemes/programmes proposed by PSEs (viz., FACT, MFL & BVFCL) in respect of which budgetary assistance are extended by Government are examined in depth by the Technical Division of the Department of Fertilizers through physical verification at plant sites followed by their prioritization vis-à-vis the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, KRIBHCO, PDIL and FAGMIL), the schemes/programmes are implemented through plan outlays from Internal Generation of Resources and a general technical appraisal in terms of viability is undertaken by Technical Division of the Department of Fertilizers. After these schemes/programmes are deliberated and finalized in the Department, evaluation is undertaken by Planning Commission during Annual Plan discussions. Besides, the Planning Commission and Ministry of Finance, in consultation with this Department also review the physical "outputs" as well as "outcomes" of these schemes/programmes. The Department also monitors follow up action with regard to activities of the major projects/schemes by way of quarterly review meetings held under the chairmanship of Secretary, Department of Fertilizers on a regular basis. The periodic review of Plan Expenditure of all the companies is also done at the level of Economic Adviser.
>
> Annual appraisal of the schemes was also done by the Planning Commission while finalizing Annual Plans each year. Continuous interaction, performance review and improved planning for future requirements will improve optimum utilization of Plan funds."

3.12 The Committee also enquired about the Government plan to utilize the remaining amount of Rs.4998.50 crore within last year of Eleventh Five Year Plan, the Department of Fertilizers in its written reply stated that :-

> "Gross Budgetary Support (GBS) is projected to Planning Commission for schemes of three loss making PSUs, namely BVFCL, FACT and MFL and S&T and MIT schemes of Department of Fertilizers. IEBR component of the Annual Plan is indicated and generated by profit making PSUs/Cooperative namely, RCF, FAGMIL, PDIL, NFL and KRIBHCO from their own internal resources and no budgetary support is provided to these companies for their Capex. At the time of finalisation of the Eleventh Plan a total GBS of

Rs.1492 crore was approved. Out of this, Rs.885 crore were earmarked for conversion of FO/LSHS based four urea plants to gas. However, later on this scheme was modified and Government allowed non-plan Scheme for conversion of FO/LSHS based plants. Thus this allocation became redundant. DoF has asked Planning Commission to reallocate this amount for creating a corpus for JVs abroad. Amount allocated for sick PSUs was Rs.607 crore. The amount to be spent on such units will exceed Rs.607 crore indicated in the Eleventh Five Year Plan."

CHAPTER-IV

ANALYSIS OF DEMANDS FOR GRANTS OF THE DEPARTMENT OF FERTILIZERS FOR THE YEAR 2011-12

4.1 The detailed Demands for Grants for the year 2011-12 of the Department of Fertilizers are given in the Annexure.

4.2 Eleventh Plan projections of Department of Fertilizers consist of two category of expenditure; Gross Budgetary Support (GBS), which is provided by Government out of allocation made to Department of Fertilizers by the Planning Commission under various Annual Plans; and (ii) Internal & Extra Budgetary Resources (IEBR). Fertilizer PSUs/cooperative plan their own capital expenditure and mobilize resources to meet their own expenditure through IEBR.

4.3 A provision of Rs.217.49 crore has been made under Gross Budgetary Support (GBS) for three loss making PSUs, namely, Madras Fertilizers Limited (MFL), Fertilizers & Chemicals Travancore Limited (FACT) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL). An amount of Rs.3325.22 crore has been made under IEBR by five profit making companies of Department of Fertilizers, namely, FCI Aravali Gypsum & Minerals India Ltd. (FAGMIL), National Fertilizers Ltd. (NFL), Projects & Development India Ltd. (PDIL), Rashtriya Chemicals & Fertilizers Ltd. (RCF), and Krishak Bharti Cooperative Ltd. (KRIBHCO), generate their own resources through IEBR for their capital expenditure planned for revamp, expansion, debottlenecking and any other capital related expenses.

4.4 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure for the last three years (year-wise) and Budget Estimates for the year 2011-12 for Plan and Non-Plan expenditure is given below:

(Rs. In Crore)

	2008 – 09			**2009 – 10**			**2010 - 11**			**2011-12**
	Budget Estimates	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure as on 31.01.11**	**Budget Estimates**
Plan	200.00	50.01	49.33	200.00	200.00	199.67	215.00	215.00	211.28	225.00
Non-plan	34181.55	100491.16	99508.57	53600.50	56600.50	64050.22	52860.00	57860.00	54148.67	53612.00
Total	**34381.55**	**100541.17**	**99557.90**	**53800.50**	**56800.50**	**64249.89**	**53075.00**	**58075.00**	**54359.95**	**53837.00**

4.5 The Committee enquired about the reasons for variations in BE, RE and AE for the years 2008-09, 2009-10 and 2010-11. The Department of Fertilizers in its written reply stated that :-

"Reasons for variations in Budget Estimates, Revised Estimates and Actual Expenditure for the last three years are as follows:-

"2008-2009

Plan

As against the total allocation of Rs.150.00 crore under the Plan scheme of conversion of FO/LSHS plants into NG/LNG, the proposal was revised by the Government and thus the plan allocation was not required. Subsequently, an amount of Rs.149.99 crore was surrendered in the month of December, 2008. Thus, the Revised Estimates were kept at Rs.50.00 crore. The actual utilisation during the year 2008-09 was Rs.49.33 crore.

Non-plan

The Non-plan provision during the year was Rs.34181.55 crore. This was revised to Rs.100491.16 crore (Gross) and the actual utilization during the year 2008-2009 was Rs.99508.57 crore. In the year 2008-09, increase in Revised Estimates/Actual Expenditure over Budget Estimates was on account of steep increase in the international prices of fertilizers and inputs coupled with exchange rate variation resulting in significant increase in the fertilizer subsidy budget.

2009-2010

Plan

The budget provision during the year was Rs.200.00 crore which was kept at the same level at the RE stage. The actual expenditure booked during the year was 199.67 crore.

Non-plan

The Non-plan provision projected by Department of Fertilizers during the year was Rs.77445.76 crore. This was revised to Rs.74,234.21 crore (Gross) at RE stage which included an amount of Rs.74,214.09 crore (gross) under the fertilizer subsidy budget. As against this, non-plan budget (BE) was Rs.53,600.50 crore (gross) which was augmented to Rs.56,600.50(gross) at RE stage. Further it was increased to Rs.64800.50 crore after an allocation of Rs.8000.00 crore made by Ministry of Finance under 2nd and Final Batch of Supplementary Demands for Grants for the year 2009-10. The actual utilization during the year 2009-2010 was Rs.64050.22 crore.

2010-2011

Plan

The budget provision during the year was Rs.215.00 crore which has been kept at the same level at the RE stage. The actual expenditure booked as on 31.01.2011 was Rs.211.28 crore.

Non-plan

Non-plan budget (BE) during the year is Rs.52860.00 crore (gross) which has been augmented to Rs.57860.00 (gross), after an allocation of Rs.5000.00 crore made by M/o Finance under 2nd Supplementary, at RE stage against revised projections of Rs.82,966.88 crore. Also, Department of Fertilizers have requested for further amount of Rs.10000.00 crore under the 3rd Supplementary and the rest is being proposed to be rolled over during the next year due to constraints on account of availability of budgetary resources. Non-plan expenditure as on 31.01.2011 has been Rs.54148.67 crore."

4.6 The Committee observed that non-plan expenditure of the Government, the BE for Fertilizer subsidy was at Rs.49980.73 crore for the year 2010-11 and the revised budget for year 2010-11 was Rs.54976.98 crore and actual expenditure was at Rs.61264.29 crore. The Committee enquired about steps taken by Department of Fertilizers to make the budget for fertilizer subsidy of more realistic level and not to have major difference between the BE, RE and actual. The Department of Fertilizers in its written reply stated that :-

> "Budgetary allocations for fertilizer subsidy depend on the requirement of various fertilizers under the subsidy/concession regime as assessed by Department of Agriculture & Cooperation as also prices of raw-material/ inputs for these fertilizers in the domestic and international market. The Department of Fertilizers keeps a continuous vigil on the requirements of fertilizer subsidy by regular monitoring so as to optimize sourcing of fertilizers with a view to keep the subsidy level to the minimum. Expenditure on subsidy budget is also monitored by the Department on a continuing basis. For the year 2010-11, as against estimated requirement at BE stage of Rs.56173.16 crore (gross) (excluding carry over liabilities of Rs.8234.00 crore), the actual allocation was Rs.52840.73 crore (gross) due to constraints of available budgetary resources. However, efforts are made on continuing basis to bridge the gap between requirement of subsidy and budgetary allocations by means of additional allocation through supplementaries"

4.7 The Committee enquired about the steps being taken by the Department to keep the non-plan expenditure under control for the year 2011-12, the Department of Fertilizers in its written reply has stated that:-

> "Traditionally, non-plan expenditure of the Department is on account of subsidy for indigenous and imported Urea and indigenous and imported Phosphatic and Potassic (P&K) fertilizers and also on account of freight for movement and distribution of fertilizers from ports and plants to retail points. With implementation of NBS w.e.f 1st April 2010 for P&K fertilizers, subsidy is being provided on the basis of per kg nutrient. Unlike the earlier policies for concession, NBS provides for subsidy not only for primary nutrients, such as Nitrogen 'N', Phosphate 'P' and Potash 'K' but also secondary nutrient Sulphur 'S' and micro-nutrients such as Zinc 'Zn' and Boron 'B'. Quantum of non-plan expenditure in the form of fertilizer subsidy is a function of three main factors, namely, prevailing international prices, total requirement during the year and Maximum Retail Prices (MRP). Government has announced NBS for 2011-12 w.e.f 1st April 2011. The NBS has been fixed in such a manner that despite volatility in the prices of fertilizers and fertilizer inputs in the international market, the farmers would be protected from the same and the fertilizer manufactures and importers would provide fertilizers at reasonable prices. Generally, consumption of various fertilizers in the country is increasing every year. As such, Non-Plan expenditure on Fertilizer Subsidy and exact subsidy outgo for 2011-12 would depend on actual sales at the end of 2011-12."

4.8 The Committee further enquired about the steady increase of subsidy on imported fertilizers from Rs.4603.32 crore in 2009-10 to Rs.6983.00 crore in the year 2011-12. The Department of Fertilizers in its written reply stated that:-

> "The increase in subsidy budget on imported fertilizers for the year 2011-12 is due to increase in the estimated requirement of imported urea during 2011-12 vis-a-vis 2009-10 and the higher prevailing price of urea in the international market as compared to 2009-10."

4.9 The Committee also enquired about the plans of Department of Fertilizers to utilize the increased amount of fund allocation for North-Eastern Region and Sikkim during the year 2011-12. The Department in its written reply stated that :-

> "Allocation of plan funds in respect of BVFCL is treated as contribution towards the North Eastern Region and Sikkim for the year 2011-12. BVFCL has been allocated Rs.67.80 crore for the year 2011-12. The amount will be spent on renovation of plant equipments and machineries. This will lead to sustained running of the plants, increase in production and reduction in energy consumption."

4.10 The Committee enquired as to how the Department of Fertilizers will ensure the proper and full utilization of budgetary support and IEBR by PSUs under their administrative control being allocated for the year 2011-12, the Department of fertilizers in its written reply stated that :-

> "The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSEs at the level of Board of Directors which consists of representatives of this Department. The Schemes/programmes proposed by PSEs (viz., FACT, MFL & BVFCL) in respect of which budgetary assistance are extended by Government are examined in depth by the Technical Division of the Department of Fertilizers through physical verification at plant sites followed by their prioritization vis-à-vis the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, KRIBHCO, PDIL and FAGMIL), the schemes/programmes are implemented through plan outlays from Internal Generation of Resources and a general technical appraisal in terms of viability is undertaken by Technical Division of the Department of Fertilizers. After these schemes/programmes are deliberated and finalized in the Department, evaluation is undertaken by Planning Commission during Annual Plan discussions. Besides, the Planning Commission and Ministry of Finance in consultation with this Department also review the physical "outputs" as well as "outcomes" of these schemes/programmes. The Department also monitors follow up action with regard to activities of the major projects/schemes by way of quarterly review meetings held under the Chairmanship of Secretary, Department of Fertilizers on a regular basis. The periodic review of Plan Expenditure of all the companies is also done at the level of Economic Adviser. Through careful planning at the time of preparation of Annual Plan and continuous/regular monitoring subsequently will ensure proper and full utilization of allocated GBS and indicated IEBR by the companies."

CHAPTER-V

SUBSIDY/ CONCESSION ON FERTILIZERS

MAJOR HEAD 2852 – SUBSIDY ON INDIGENOUS FERTILIZERS

5.1 The Department of Fertilizers in detailed note on increasing trend of fertilizers subsidy from 2001-02 to 2010-11, stated as under:-

"The subsidy on fertilizers is passed on to the farmers in the form of subsidized MRPs. The selling prices as notified by Government for the subsidized fertilizers are much lower than the normative delivered cost of these fertilizers at farm gate level. The difference between the normative delivered cost at farm gate level and the notified selling prices is paid as subsidy to manufacturers/importers on sale of fertilizers to the farmers at the subsidized prices.

The increase in rate of subsidy on fertilizers combined with increase in consumption of fertilizers has led to a substantial increase in requirement of subsidy. In spite of increase in cost of fertilizers, the Government has completely kept the farmers insulated from this increase in cost and have increased the subsidy allocations to meet the consumption needs of the farmer at subsidized level of prices. The subsidy on fertilizers has been increased sharply over the last few years. The details of fertilizer subsidy over the last few years are as given below:-

DETAILS OF EXPENDITURE ON SUBSIDY/CONCESSION

(Rs in crore)

Period	Amount of concession disbursed on Decontrolled Fertilizers (Indigenous) imported)			Amount of Subsidy disbursed on Urea			Total for all fertilizers
	Indigenous P&K	Imported P&K	Total (P&K)	Indigenous Urea	Imported Urea	Total (urea)	
2006-07	6648.17	3649.95	10298.12	12650.37	5071.06	17721.43	28019.55
2007-08	10333.80	6600.00	16933.80	16450.37	9934.99	26385.36	43319.16
2008-09	32957.10	32597.69	65554.79	17968.74	12971.18	33939.92	99494.71
2009-10	16000.00	23452.06	39452.06	17580.25	6999.98	24580.23	64032.29
2010-11(BE)	13000.00	15500.00	28500.00	15980.73	8360.00	24340.73	52840.73

The Department of Fertilizers informed the Committee that the steady increase in fertilizer subsidies over the years has largely been the result of increasing production / consumption and increases in the costs of inputs of indigenous fertilizers and prices of imported fertilizers from time to time. The cost of various inputs / utilities, such as coal, gas, naphtha, rock phosphate, sulphur, ammonia, phosphoric acid, electricity, etc., as also the cost of transportation, went up significantly during the eighties. The gas-based fertilizer units commissioned during this period also involved higher capital investment per tonne of installed capacity, necessitating constant upward revision in the retention prices. The selling prices of fertilizers to the farmers, however, remained almost at the same level between July, 1981 and July 1991. The Government effected an increase of 30% in the issue prices of fertilizers in August, 1991 after a gap of a decade. The selling price of urea, which was reduced by 10% in August 1992, was revised upwards by 20% in June 1994 followed by another increase by 10% with effect from 21.2.1997. The prices of urea were again revised in February 2002 by 5% and by Rs. 240 PMT of urea w.e.f. 28.2.2003. The price increase made effective from 28.2.2003 was, however, later withdrawn w.e.f 12.3.2003. The MRP of urea i.e. @ Rs. 4830 per tonne exclusive of local levies continued upto 31-03-2010. With effect from 1-04-2010, MRP on urea increased by 10% i.e. from Rs. 4830 per MT to Rs. 5310 per MT."

DIRECT SUBSIDY TO FARMERS

5.2 The Committee in their earlier Report had repeatedly recommended to achieve the long cherished goal of direct payment of subsidy to the poor and marginal farmers.

5.3 In this connection, the Committee enquired about the views of Department of Fertilizers on system of direct subsidy of transfer to the farmers and the latest steps taken by Department of Fertilizers for implementation of direct subsidy to the farmers. In this regard, the Department of Fertilizers in written reply stated that :-

"The Department of Fertilizers is exploring various options on the subject of transfer of direct subsidy to farmers. As an interim measure, the Department has appointed the National Informatics Centre to undertake project to track the movement and sale of fertilizers thereon at the retailer level (farm gate). Once this is done, options for the transfer of subsidy to the farmers can be evaluated.

Also, the Government has constituted a Task Force under the Chairmanship of Shri Nandan Nilekeni, Chairman, Unique Identification Authority of India (UIDAI) to recommend & implement a solution for direct transfer of subsidies on kerosene, LPG & Fertilizers to the intended beneficiaries. The Task Force is to submit its Interim Report of an implementable solution within four months of its constitution. The recommendation of the Interim Report is to be implemented on a pilot basis under the supervision of the Task Force within 6 months from the date of submission of the Interim Report.

The Final Report would be submitted thereafter."

5.4 During the evidence, the Secretary, Department of Fertilizers with regard to direct subsidy to farmers stated as under:-

"…. Sir, yesterday we had a meeting of the Nandan Nilkani. The Committee which is looking into this issue of direct subsidy to the farmers. The Department of Fertilizers has been working on it. You rightly said that when it reaches up to the direct level, between the district level and the retailer or the farmer there are some problems. Up to the district level, we do not have problem because we have the fertilizer monitoring system and immediately it get into a central server. So there is no problem. But there is a gap between the district level and the farmers. As you also correctly said, we should not try to change what is there and put in place something which is worse. There are difficulties to the farmers right now because we do not have the data; the land records are not right; credit for the marginal and small farmers is a problem. Today, financial inclusion is not there. The farmers do not have access to banks. I was told – yesterday NABARD people were there – that the total number of farmers is 12 crore in the country, out of which only 4.3 crore are covered by Kisan Cards. So even this system is not complete; so database is not complete. Now we have been able to collect data as to the number of retailers that are there in the country. Again, I must also mention here that the registration is supposed to be done by the State Government. But, because our companies deal with the retailers, we wrote any number of letters to the State Governments; we did not receive replies. But we have been able to collect this data from our companies. It is because, we give subsidies to them we have some control. So we have created this database. The Finance Minister has announced and the attempt will be to reach the farmer. That is a complex task because of these problems but, as a first step, once we reach the retailer, then our control extends up to the retailer because we will be giving subsidy to the retailer. Once we can get the correct data, I am not saying there will be no leakages, but leakages will be reduced. Then the access of the farmer will be more. It is an improved system. I cannot say what exactly will happen because the Nandan Nilekani Committee is looking into it. We have had two meetings. We have been given the target date of June 30th. So let us hope we will be able to do that."

5.5 Further when asked by the Committee by when the Report of Task Force under Chairmanship of Shri Nandan Nilekani is expected to be completed and implemented, the Department of Fertilizers in its Post Evidence reply has stated that :-

"The Government has constituted, on 14th Feb 2011, a Task Force under the Chairmanship of Shri. Nandan Nilekeni, Chairman, Unique Identification Authority of India (UIDAI) to recommend and implement a solution for direct transfer of subsidies on Kerosene, LPG and Fertilizer to the intended beneficiaries.

According to the Terms of Reference (TOR) of the constitution of the Task Force, the Task force is to submit its Interim Report of an implementable solution within four months of its constitution. The recommendations of the Interim Report would be implemented on a pilot basis by the concerned Ministries under the supervision of the Task Force in the following six months from the date of submission of the Interim Report.

The Final Report of the Task Force would be submitted thereafter which would include the results of the implementation of the solution on the field."

NUTRIENT BASED SUBSIDY

5.6 A nutrient based subsidy regime implies that the subsidy will be fixed for each nutrient which is decided to the subsidized. The subsidy on subsidized fertilizers will be determined on the basis of nutrient subsidy fixed by the Government and the nutrient contained in the fertilizers. The Government has constituted a Group of Ministers (GoM) under the Chairmanship of Finance Minister to review the fertilizer policy. The Nutrient Based Subsidy was discussed in the meeting of Group of Ministers held on 20th January 2010. The Cabinet in its meeting held on 18th February 2010 decided to implement the Nutrient Based Subsidy (NBS) Policy on decontrolled Phosphatic & Potassic Fertilizer with effect from 1st April 2010.

5.7 On being asked about the salient features of Nutrient Based Subsidy (NBS) policy, the Department of Fertilizers in its written reply has stated as follows:-

> "Government has introduced the Nutrient Based Subsidy (NBS) Policy w.e.f. 1.4.2010, in continuation of the erstwhile Concession Scheme, for decontrolled Phosphatic and Potassic (P & K) fertilizers. An Inter-Ministerial Committee (IMC) has been constituted under the Chairmanship of Secretary (Fertilizers) to recommend nutrient based subsidy for Nitrogen, Phosphate, Potash and Sulphur (N, P, K and S) on annual basis and consider and recommend introduction of the new fertilizers in to the NBS. Twenty (22) grades of P&K fertilizers (namely, DAP, MAP, TSP, DAP Lite, MOP, SSP, Ammonium Sulphate (produced by FACT and GSFC) and 15 grades of complex fertilizers) under the NBS.
>
> NBS are fixed taking into account the prevailing international prices and in such a manner that MRPs do not increase adversely for the farmer. In 2010-11, MRPs of various P&K fertilizers increased only by Rs.40-70 per bag. For 2011-12 also, following the same principle, NBS has been announced. Since the actual cost of the fertilizers is higher than the MRPs of the fertilizers, Government is reimbursing the difference to the manufacturers/importers of fertilizers in the form of subsidy. At present 25-40% of the cost of fertilizers is paid by the farmers and rest of the amount is borne by the government in the form of subsidy.
>
> Any variant of the fertilizers under the NBS fortified / coated with Zinc (Zn-secondary nutrient) and Boron (B- micronutrient), as provided under the FCO, is eligible for a separate additional lump sum subsidy per tonne. This, along with NBS for Sulphur, is aimed at encouraging application of secondary and micro- nutrients along with primary nutrients for balanced fertilization of soil.
>
> Distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units is monitored through the online web based "Fertilizer Monitoring System (FMS)". 20% of the price decontrolled fertilizers produced/imported in India is in the movement control under the Essential Commodities Act 1955 (ECA).
>
> In addition to NBS, freight for the movement and distribution of the decontrolled fertilizers by rail and road up to retail point is being provided to enable wider availability of fertilizers in the country.
>
> Import of all the subsidized P&K fertilizers, including complex fertilizers has been placed under Open General List (OGL), except Ammonium Sulphate. NBS is applicable only to indigenous Ammonium Sulphate produced by FACT and GSFC.
> Though the market price of subsidized fertilizers, except Urea is determined based on demand-supply balance, the fertilizer companies are required to

print Maximum Retail Prices (MRPs) along with applicable NBS on the fertilizer bags clearly. Any sale above the printed MRPs is punishable under the Essential Commodities Act.

Manufacturers of customized fertilizers and mixture fertilizers are eligible to source subsidized fertilizers from the manufacturers/ importers after their receipt in the districts as inputs for manufacturing customized fertilizers and mixture fertilizers for agricultural purpose.

A separate additional subsidy is provided to the indigenous manufacturers producing complex fertilizers using Naphtha/Fuel Oil based captive Ammonia to compensate for their higher cost of production of 'N'. However, this compensation is for a maximum period of two years, i.e. up to March 2012 during whch the units will have to convert to gas or use imported Ammonia.
NBS is being released through the industry during the first phase. Feasibility of payment of direct cash subsidy to the farmer at retail level in the second phase is under examination."

NBS announced by Department of Fertilizers for 2010-11 and 2011-12 are as follows. The rates have been revised w.e.f. 1.4.2011 for the year 2011-12:-

				NBS (Rs.per Kg)
	1st Apr - 31st Dec 2010	**1st Jan- 31st Mar 2011***	**2011-12**	**Revised Rates as on 1.4.2011**
'N'	23.227	23.227	27.481	27.153
'P'	26.276	25.624	29.407	32.338
'K'	24.487	23.987	24.628	26.756
'S'	1.784	1.784	1.692	1.677

					NBS (Rs.per MT)
Sl. No.	**Fertilizers**	**2010-11**		**2011-12**	**Revised Rates as on 1.4.2011**
		1st Apr - 31st Dec 2010	**1st Jan- 31st Mar 2011***		
1.	DAP (18-46-0)	16268	15968	18474	19763
2.	DAP Lite(16-44-0) **(w.e.f. 1st Feb. 2011)**	----	14991	17336	18573
3.	MAP (11-52-0)	16219	15897	18315	19803
4.	TSP (0-46-0)	12087	11787	13527	14875
5.	MOP (0-0-60)	14692	14392	14777	16054
6.	SSP (0-16-0-11)	4400	4296	4891	5359
7.	15-15-15-9 **(w.e.f. 1st Oct. 2010)**	11259	11086	12380	11030
8.	16-20-0-13	9203	9073	10498	12116
9.	20-20-0-13	10133	10002	11598	11898
10.	20-20-0-0	9901	9770	11378	13683
11.	23-23-0-0	11386	11236	13084	14278
12.	24-24-0-0 **(w.e.f. 1st Oct. 2010)**	11881	11724	13653	16657
13.	28-28-0-0	13861	11678	15929	18080
14.	10-26-26-0	15521	15222	16797	17887
15.	12-32-16-0	15114	14825	16648	16602
16.	14-28-14-0	14037	13785	15529	18866
17.	14-35-14-0	15877	15578	17588	12937
18.	15-15-15-0	11099	10926	12227	13088
19.	16-16-16-0 **(w.e.f. 1st July 2010)**	11838	11654	13042	13800
20.	17-17-17-0	12578	12383	13858	14662
21.	19-19-19-0	14058	13839	15488	16387
22.	Ammonium Sulphate (20.6-0-0-23)	5195	5195	6050	5979

*(*change during the year due to adjustment for secondary freight which is being paid separately)*

Per MT additional subsidy for fortified fertilizers with Zinc and Boron is Rs.500 and Rs.300 per MT respectively for 2010-11 and 2011-12.

5.8 The Committee noted that it has been more than one year since the Group of Ministers (GoM) had been formed to assess the NBS and the last meeting was held on 18.2.2010. In this regard, the Committee enquired about the progress made in this regard, the Department of Fertilizers in their written reply have stated that :-

"A Group of Ministers (GoM) was constituted by the Government to review Fertilizer Policy with the following Terms of Reference:

To examine the nutrient based subsidy policy and measures for rationalization of fertilizer subsidy disbursement and make appropriate recommendations, keeping in view the following objectives:

(i) Strengthen balanced use of fertilizers and proper and efficient nutrient management in the interest of sustainable agriculture;
(ii) Avoid indiscriminate use of fertilizers leading to high subsidy burden;
(iii) Ensure significant incentives for investors to invest in the fertilizer industry for promoting its growth and management; and
(iv) Ensure High agricultural productivity and production for food security.

The Department of Fertilizers informed the Committee that meeting of the GOM was held on 20th January 2010 in which the GOM considered the proposals of the Department of Fertilizers (DOF) for implementing Nutrient Based Subsidy (NBS) policy and approved the same for implementation of NBS for P&K fertilizers w.e.f 1st April 2010. Accordingly, based on the recommendations of the GOM, the Department placed proposals for consideration and approval of the Government. In their meeting held on 18th February 2010, the Cabinet considered the proposals of the Department and approved the same. As approved, the Department of Fertilizers announced NBS policy and rates of subsidy for P&K fertilizers w.e.f 1st April 2010 for 2010-11. NBS policy has been continued for 2011-12 as well and rates of subsidy under NBS for P&K fertilizers have been announced on 5th March 2011 for 2011-12."

CHAPTER-VI

FEEDSTOCK POLICY/ ALLOCATION OF GAS TO FERTILIZERS INDUSTRY

6.1 Natural Gas is the critical fuel/feedstock for production of nitrogenous fertilizers. It is most efficient feedstock for production or urea. It is also comparatively cheaper and the most environment friendly fuel/feedstock for production of ammonia-urea.

6.2 At present, natural gas based plants account for more than 66% of urea capacity, naphtha is used for less than 30% urea production and the balance capacity is based on fuel oil and LSHS as feedstock. The two coal based plants at Ramagundam and Talcher were closed down due to technological obsolescence and non-viability.

6.3 There are currently 28 urea units (operational) in the country, with a installed capacity of approximately 20 million tonnes. Out of above, 20 units are now based on gas with 4 units based on naphtha and 4 on FO/LSHS as feedstock. The total requirement of natural gas for existing 20 units is 40.92 mmscmd, which is being largely met from the supplies under APM gas, PMT gas, JV gas, RIL gas and RLNG gas. An Empowered Group of Ministers (EGOM) was constituted in 2007 to examine and decide issues of gas pricing and commercial utilization of gas under new Exploration Licensing Policy

6.4 The projected yearwise/plantwise additional requirement of gas during the years 2011-12 to 2014-15 for fertilizer sector which has been communicated to Ministry of Petroleum & Natural Gas (as on January 2011) for allocation by EGoM, is as below:

Yearwise/Plantwise Additional Requirement of Natural Gas						
		Name of the unit	Additional Requirement (mmscmd)			
SL.N	A	**Naphtha based**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
1		ZIL-Goa	0.00	1.28	1.28	1.28
2.		MCFL-Mangalore	0.00	1.00	1.00	1.00
3		SPIC-Tuticorin	0.00	1.66	1.66	1.66
4.		MFL-Manali	1.54	1.54	1.54	1.54
5		FACT-Udyogmandal	0.00	0.94	0.94	0.94
6.		DIL-Kanpur	0.00	1.70	1.70	1.70
	I	**Sub-Total of Naphtha based plants**	**1.54**	**8.12**	**8.12**	**8.12**
	B	**Fuel-Oil Based**				
7		NFL-Panipat	0.00	0.90	0.90	0.90
8		NFL-Nangal	0.00	1.00	1.00	1.00
9.		NFL-Bathinda	0.00	0.90	0.90	0.90
10		GNVFC-Bharuch	0.00	0.95	0.95	0.95
	II	**Sub-Total of Fuel-Oil Based**	0.00	3.75	3.75	3.75
	C	**Expansion Units**				
11		IFFCO-Kalol	0.00	0.00	2.90	2.90
12		Kribhco-Hazira	0.00	0.00	2.20	2.20

13		RCF-Thal	0.00	0.00	2.20	2.20
14		CFCL-Gadepan	0.00	0.00	2.40	2.40
15		TCL-Babrala	0.00	0.00	2.20	2.20
16		IGFL-Jadgishpur	0.00	0.00	2.20	2.20
17		KSFL-Shahjahanpur	0.00	0.00	2.22	2.22
18		**NFCL-Kakinda(AP)**	0.00	0.00	**2.4**	**2.4**
	III	Sub-total of Expansion Units	**0.00**	**0.00**	**18.72**	**18.72**
		Total of I+II+III	**1.54**	**11.87**	**30.59**	**30.59**
	D	**Closed Units**				
18		HFCL-Durgapur	0.00	0.00	2.20	2.20
19		HFCL-Barauni	0.00	0.00	2.20	2.20
20		HFCL-Haldia	0.00	0.00	2.20	2.20
21		FCI-Ramagundam	0.00	0.00	2.20	2.20
22		FCI-Talcher	0.00	0.00	2.20	2.20
23		FCI-Sindri	0.00	0.00	2.20	2.20
24		FCI-Korba	0.00	0.00	2.20	2.20
25		FCI-Gorakhpur	0.00	0.00	2.20	2.20
	IV	**Sub-Total of closed units**	0.00	0.00	17.60	17.60
	E	**REVAMP PROJECTS**				
26		KRIBHCO-Hazira	0.80	0.80	0.80	0.80
27		NFL-Vijaipur	0.60	0.60	0.60	0.60
28		NFCL-Kakinada	0.04	0.60	0.70	0.70
29		RCF-Thal	0.45	0.45	0.45	0.45
	V	Sub total of Revamp Projects	1.89	2.45	2.55	2.55
	F	**GREEN FIELDS PROJECTS**				
30		MATIX Fert. & Chem, Burdwan	0.55	3.20+1 (as fall back allocate-ion)	4.75	4.75
31		ZIL-Greenfield project-Belgaun	0.00	0.00	2.46	2.46
32		DIL-Kanpur	0.00	3.85 (for feedstock) 1.0(for steam generat-ion)	4.60	4.60
33		GSFC-Dahej	0.00	0.00	3.50	3.50
34		GNVFC	1.00 (CPSU)	1.00	1.00	1.00
35		Oswal Chem & Fertilizers Ltd	0.00	2.4	2.4	2.4
	VI	**Subtotal of Greenfield Proj**ects	**1.55**	**12.45**	**18.71**	**18.71**
		G. TOTAL	4.98	26.77	69.45	69.45

The following table indicates gas availability for urea unit in the year 2010:-

Source	**Average daily availability (mmscmds)**
ONGC	52.83
OIL	5.19
PMT	14.59
Other JVs	4.07
R-LNG	32.35
KG-D6	60.00
Total	169.03

6.5 The latest supply of gas to fertilizer sector (as on February 2011) is as below:-

Requirment and Current Supply of Natural Gas to Fertiliser Industry

(All Figures at NCV of 8200 Kcal/SM3)

Sl. No.		Name of the unit	Present Rated Capcity	Production (2009-10)	Gas Require-ment (2009-10)	* Average Gas Availability (2009-10)	Projected Produc-tion - (2010-11)	Require-ment of daily gas - (2010-11)	Contract With Gas Companies					TOTAL Contracted	Total Supply (Average for Feb 2011)						TOTAL Supply excl. Spot	TOTAL Supply incl. Spot	Expec. Shortfall (2009-10)
									APM	JV	RLNG	RIL	Others		APM	JV	RLNG	RIL	Others	Spot			
			LMT	LMT	Gcal/MT	MMSCMD	LMT	MMSCMD	MMSCMD						MMSCMD								
(1)		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	A	On HBJ Pipeline																					
1		NFL- Vijaipur I & II	17.292	18.282	5.633	3.675	18.600	3.730	2.240	0.627	0.625	0.600	0.000	4.092	1.989	0.437	0.629	0.555	0.000	0.109	3.610	3.719	0.000
2		CFCL-Gadepan - I	8.646	10.196	5.640	2.023	10.332	2.100	1.720	0.307	0.769	0.000	0.046	2.843	0.671	0.244	0.718	0.000	0.462	0.024	2.095	2.119	0.010
		CFCL-Gadepan - II	8.646	10.112	5.430	1.932	10.671	2.024	0.000	0.000	1.255	1.150	0.000	2.405	0.000	0.000	1.293	1.063	-0.462	0.028	1.894	1.922	0.003
3		IFFCO-Aonla - I	9.999	10.003	5.617	4.09	9.700	4.38	3.73	0.69 **	0.77	1.75	0.00	6.94	1.354	0.535	0.641	1.611	0.0061	0.00	4.147	4.147	NIL
		IFFCO-Aonla - II	9.999	10.003			10.300																
4		IFFCO-Phulpur I	6.980	7.226	5.437	3.312	7.350	3.700	-	-	3.125	0.250	-	3.375	0.000	0.000	2.987	0.23	0.000	0.000	3.216	3.216	0.484
		IFFCO-Phulpur II	9.999	10.001			10.200																
5		KSFL-Shahjahanpur ++	8.646	9.733	5.709	1.997	9.600	2.205	1.720	0.307	0.180	0.978	0.097	3.282	0.721	0.212	0.160	0.858	0.080	0.049	2.031	2.080	0.000
6		TCL-Babrala	8.646	12.307	5.171	2.048	11.550	2.241	1.783	0.307	0.471	0.872	0.056	3.489	0.676	0.209	0.417	0.815	0.000	0.100	2.117	2.217	0.024
7		IGFL-Jagdishpur + +	8.646	10.977	2.230	1.916	11.105	2.230	0.780	0.307	0.722	0.250	0.033	2.092	0.717	0.237	0.722	0.220	0.030	0.173	1.976	2.149	0.310
8		SFC-Kota	3.795	3.945	7.847	0.142	3.795	0.620	0.000	0.000	0.000	0.620	0.000	0.620	0.000	0.000	0.000	0.574	0.000	0.054	0.574	0.628	0.000
	B	Non-HBJ Pipeline																					
9		BVFC-Namrup- II	2.40	0.79	22.79	1.78	0.97	0.98	1.78	0	0	0	0	1.78	0.77	0.00		0.00	0.00	0.00	0.77	0.77	0.24
		BVFC-Namrup-III	2.70	2.30	17.71		2.25	1.04		0	0	0	0		0.94	0.00		0.00	0.00	0.00	0.94	0.94	
10		Kribhco-Hazira	17.29	17.80	5.93	3.80	17.53	4.15	3.00	0.50	0.33	1.37	0.20	5.40	2.00	0.25	0.36	1.27	0.03	0.01	3.91	3.92	0.00
11		NFCL-Kakinada - I	5.973	7.57773	5.58776	2.944	8.13750	3.116		2.349	0	1.749	0	4.098	1.214	0.284	0.000	1.432	0.000	0.000	2.929	2.929	
		NFCL-Kakinada - II	5.973	7.24330	5.58802		7.98350																
12		RCF-Trombay - V	3.30	3.069	7.677	1.643	3.300	1.950	2.196	0.088	0.000	0.950	0.000	3.234	0.914	0.000	0.000	0.779	0.000	0.000	1.693	1.693	0.000
13		RCF- Thal	17.070	17.907	6.297	2.111	17.07	4.310	2.096	0.248	0.000	2.100	0.000	4.442	2.07	0.12	0.00	1.96	0.00	0.00	4.16	4.16	0.00
14		IFFCO-Kalol	5.445	6.002	5.575	1.238	5.950	1.300	0.000	0.000	0.000	0.000	0.000	1.273	0.000	0.000	0.000	1.177	0.000	0.088	1.177	1.265	0.123
		GSFC-Vadodara	3.7059	3.2630	1.986	1.527	3.5164	1.986	0.972	0.090	0.548	0.720	0.000	3.512	0.728	0.063	0.226	0.666	0.000	0.000	2.628	2.628	NIL
			2.2800	2.7158			2.5250																
			1.65/2.0	2.9360			2.8000																
16		GNFC-Bharuch ++	6.36	6.01681	8.09069	0.783	6.36	1.072	0.422	0.000	0.419	0.342	0.000	1.183	0.279	0.000	0.364	0.302	0.000	0.000	0.945	0.945	NIL
17		Deepak Fertilizers																					
		Total of Gas based Plants													15.047	2.594	8.519	12.336	0.147	0.543	38.643	39.186	

Note : ++ Gas Supply Data pertains to March2011.

6.6 In this regard, the Committee had enquired about the initiatives that have been taken by Department of Fertilizers to impress upon the Ministry of Petroleum and Natural Gas for a firm commitment towards allocation of gas for expansion of projects proposed by six companies Department of Fertilizers in its written reply has stated as follows:-

"Availability of gas at a pre-determined price for the long term is a must for any investment in the urea sector as the gas price constitutes around 60% to 70% of the total cost of production of urea. The Department had many meetings with MOPNG and wrote to MOPNG many times for allocation of gas for expansion, brownfield and Greenfield project. In this regard, Minister of Chemicals and Fertilizers had written to Hon'ble Prime Minister in October 2009 expressing concern regarding non-commitment of gas to the fertilizer sector at a fixed price on a long term basis because of which investments were on hold. The entire issue of availability of gas and its price was placed before EGOM during its various meetings. As per EGOM :

"Existing gas based Urea plants have been given first priority in allocation of 40 mm^s cmd of gas expected from KG basin. Further the demand emanating beyond 2008-09 from de-bottlenecking of the expansion of fertilizer plants, conversion of naphtha-based and fuel oil-based fertilizer plants, and revival of closed fertilizer plants would be given the highest priority at that stage and will be met from production in subsequent years.

As regards demand of natural gas for conversion of Naphtha-based & fuel oil-based fertilizer plants for expansion & revamp of fertilizer plants and revival of closed fertilizer plants, it was decided that they would be supplied natural gas as and when they are ready to utilize the gas.

However, since the expansion, revival or Greenfield plants are not yet ready to receive the gas, gas has been allocated to other sectors. Post EGOM also meetings were held MoPNG regarding gas issues and pipeline connectivity to fertilizer sector. Following points emerged in the meetings:

As per the guidelines for sale of natural gas approved by the EGOM, consumers belonging to any of the priority sectors should be in a position to actually consume gas, as and when it becomes available. The marketing priority does not entail any reservation of gas.

For future requirement of gas for fertilizer plants, the quantity can be Largely assured, either from domestic sources or from import. However, firm price or firm source of supply cannot be indicated as of now. The same would depend upon the then prevailing price of gas.

The price of KG-D-6 gas is valid for only 5 years, after which it would have to be revised based on the principles indicated in the production sharing contract.

Timeframe of KG-D-6 gas is for 8 to 10 years and it begins to reduce thereafter. It would be appropriate that apart from depending upon gas from indigenous sources, these plants should plan their investments based on imported LNG. Sufficient re-gasification capacities are being added in the country.

The Department has been persuading Ministry of Petroleum and Natural Gas from time to time through correspondence and during the meetings for long term gas allocation at agreed prices for attracting investments in urea sector. The requirement of gas for such new investments has also been furnished to Ministry of Petroleum and Natural Gas from time to time. Even the representatives of fertilizer industry have been writing to Ministry of Petroleum and Natural Gas and Department of Fertilizers on the issue. However, Ministry of Petroleum and Natural Gas has not given any commitment on the same. Even for existing units, currently, there has been a shortfall in supply of natural gas."

6.7 The pipeline connectivity schedule for the Naptha based units fuel oil (FO), Low Sulphur Heavy Stock (LSHS) based plants and closed units indicated by Ministry is as follows:-

Pipeline Connectivity plan (As provided MoPNG)

Sl. NO.	Proposed pipeline	Agency for connecting plants	Fertilizer unit proposed to be connected	Expected year of connectivity
Naphtha based plants				
1	Dhabol-Gogak-Bangalore	GAIL	ZIL, Goa	2012
2	Chennai-Bangalore-Mangalore	RGTIL	MCFL, Mangalore	Dec-12
3	Kochi-Kanjirrikod-Bangalore-Mangalore	GAIL	FACT, Cochi	2012
4	Chennai-Tuticorin	RGTIL	SPIC, Tuticorin	Dec-12
5	Kakinada-Chennai	RGTIL	MFL, Chennai	Dec-12
Fuel Oil/LSHS based plants				
6	Dadri-Bawana-Nangal	GAIL	NFL- Nangal, Panipat, Bhatinda	2009-10
Closed units				
7	Spur on Kakinda to Uran via Hyderabad	RGTIL	RCI, Ramagundam	
8	Spur for the following pipeline: Jagdishpur-Haldia	GAIL	FCI, Sindri FCI, Gorakhpur HFC, Barauni HFC, Durgapur HFC, Haldia	
9	Spur for Kakinada-Haldia Pipeline	RGTIL	FCI, Talcher	

6.8 Further, the Committee enquired about the latest status in this regard. The Department of Fertilizers in its written reply has stated that :-

"Ministry of Petroleum and Natural Gas is non-committal on supplying gas on long term basis at an agreed price to the proposed new investments in the fertilizer sector. Thus, gas availability, pipeline connectivity and gas pricing remain a matter of concern holding back the investments. Department of Fertilizers has therefore proposed amendments to the Investment Policy of 2008 proposing a floating floor and ceiling price of urea corresponding to change in gas prices to the units and ensuring a minimum return on investments so as to facilitate financial closure. The proposal of Department of Fertilizers is being considered by a committee under Member Planning Commission.

6.9 The Committee also enquired about the specific measures which have been taken by the Department of Fertilizers for completion of gas pipeline connectivity and allocation of gas for the new fertilizer projects as per fixed schedule. The Department of Fertilizers in its written reply stated that :-

> "The Department has been regularly writing to Ministry of Petroleum and Natural Gas on the issue of pipeline connectivity and gas allocation for new urea units including completion of the pipelines coinciding/before the completion of conversion of urea units to gas, to provide connectivity to naphtha based units and for the proposed new projects at location where gas connectivity is not available. Minister of Chemicals and Fertilizers has also written to Minister of Petroleum and Natural Gas in July 2010 to look into twin issues of gas availability and connectivity to the urea units. Additional requirement of gas was given to Ministry of Petroleum and Natural Gas by Department of Fertilizers recently in Sep' 2010.

6.10 When the Committee asked about the nomination of a nodal authority in the Ministry of Petroleum and Natural Gas for allocation of gas to the fertilizer industry as soon as possible, the Department of Fertilizers in its written reply stated that :-

> "The Department took up the matter with Ministry of Petroleum and Natural Gas to consider nominating a nodal authority under Ministry of Petroleum and Natural Gas for allocation of gas to the fertilizer industry so as to facilitate agreement of urea units with single agency and address various concerns of the industry like multiple gas contracts, take or pay liabilities, variable gas pricing, gas shortfalls etc. However, no decision on formation of single nodal agency has been taken by the Government to supply gas to fertilizer industry.

6.11 Further, in their post evidence reply, the Department of Fertilizers regarding formation of single nodal agency to supply gas to fertilizer industry informed the Committee as under:-

> "Ministry of Petroleum & Natural Gas has intimated to Department of Fertilizers that in order to facilitate financial closure of projects for conversion of fuel oil and naphtha based plants to natural gas, expansion/de-bottlenecking of existing gas-based plants and revival of closed fertilizer plants, an Empowered Group of Ministers (EGoM) has been constituted to decide issues relating to commercial utilization of gas under NELP. EGoM in its meeting held on January 08, 2009 decided that GAIL and fertilizer companies should finalize the term-sheets expeditiously, so that the above mentioned projects are taken up for implementation. Term-sheets for gas supply to fuel oil based plants at Panipat, Bhatinda & Nangal have been signed between NFL & GAIL. Subsequently, there has also been discussion between GAIL & Department of Fertilizers regarding appointment of GAIL as aggregator to procure gas from indigenous as well as international sources. The issue is under consideration of the Department of Fertilizers and Ministry of Petroleum & Natural Gas.

As GAIL is under the administrative control of Ministry of Petroleum & Natural Gas, final decision is to be taken by the Ministry of Petroleum & Natural Gas."

6.12 As per the Outcome Budget (2011-2012) it has been stated that a Committee has been constituted under the Chairmanship of Secretary, Ministry of Petroleum and Natural Gas Petroleum and Natural Gas to deliberate upon various issues relating to connectivity and assured supply of gas to fertilizer sector. The Committee will also develop an appropriate mechanism for fixing the price of gas in a transparent manner. In this regard, the Committee had enquired about the current status of development of the appropriate mechanism, the Department of Fertilizers in its written reply stated that :-

"A Committee relating to connectivity and supply of gas for fertilizer sector was constituted under the Chairpersonship of Secretary, Ministry of Petroleum and Natural Gas, including Secretary (Department of Fertilizeras) vide DoF OM No.12014/1112006-FPP dated December 6, 2006. DoF is responsible for servicing the said Committee. In this context, Ministry of Petroleum & Natural Gas on the pricing of gas has mentioned that at present, there are broadly two pricing regimes for gas in the country - gas priced under Administered Pricing Mechanism (APM) and non-APM or free market gas. The price of APM gas is set by the Government. As regards non-APM/free market gas, this could also be broadly divided into two categories, namely, (i) imported Liquefied Natural Gas (LNG), and (ii) domestically produced gas from New Exploration Licensing Policy (NELP) and pre-NELP fields. While the price of LNG imported under term contracts is governed by the Sale & Purchase Agreement (SPA) between the LNG seller and the buyer, the spot cargoes are purchased on mutually agreeable commercial terms. As regards NELP & pre-NELP gas, its pricing is governed in terms of the Production Sharing Contract (PSG) signed between the Government & the Contractor.

CHAPTER-VII

ASSESSED REQUIREMENT AND AVAILABILITY OF FERTILIZERS

7.1 Presently, urea is the only fertilizer which is under price control. The assessed requirement, availability and sales of urea in the last three crop seasons is as under:-

Season	Assessed requirement	Availability	Sales
Kharif 2009	136.36	130.83	122.78
Rabi 2009-10	145.53	142.83	141.69
Kharif 2010	136.65	132.16#	126.02
Rabi 2010-11*	90.94	84.58	81.23

 # Includes 5.88 LMT of Urea pre-position as on 01.04.2010
** Figures up to 31.12.2010*

7.2 The Committee in this regard inquired whether any monitoring mechanism have been chalked out by the Government with a view to ensuring proper distribution of fertilizers in the country, the Department of Fertilizers in their written reply have stated that the steps taken for smooth distribution of fertilizers are as under:-

"i) The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS);

(ii) Each state in consultation with the fertilizer suppliers is required to prepare monthly supply plan district wise within overall availability at state level for ensuring availability of fertilizers in all parts of the state;

iii) The state governments have been advised (i) to instruct the State Institutional agencies to coordinate with manufacturers and importers of fertilizers for streamlining the supplies (ii) to review the railway rake points in their states and take up the issues with the Railways for improvements, if any, required to ensure availability of fertilizers in every nook and corner of the State;

iv) The Government has introduced Nutrient Based Subsidy (NBS) Policy in respect of Phosphatic & Potassic fertilizers w.e.f. 1.4.2010. Under the NBS, State Governments have to play more proactive role to co-ordinate with the manufacturers/importers to tie up supplies of fertilizers as per the requirement of states;

v) Department of Fertilizers and Department of Agriculture & Cooperation are jointly reviewing fertilizer availability with State Agriculture department through Video Conferences every week. The corrective actions, if required, are taken immediately to avoid any hardships to farmers;

(vi) The Department of Fertilizers contacts on phone the officials of major fertilizer consuming states on daily basis to find out any shortages of fertilizers in any part of the state and the corrective actions are taken immediately;

vii) Under NBS, Fertilizer companies are required to print Maximum Retail Price (MRP) along with applicable subsidy on the fertilizer bags clearly. Any sale above the printed net retail price will be punishable under the EC Act.;

(viii) Under the NBS, 20% of the decontrolled fertilizers produced/imported in India will now be in the movement control under the Essential Commodities Act 1955(ECA). Department of Fertilizers will regulate the movement of these fertilizers to bridge the supplies in under-served areas. The State governments should accordingly put in place administrative and monitoring mechanism to take advantage of the same. The supply plan would continue to be monitored as at present.

ix) The gap between requirement and indigenous availability of Urea is met through imports;

x) In so far as decontrolled Phosphatic and Potassic fertilizers are concerned, subsidy is released on sale of fertilizers;

xi) Department of Fertilizers is having constant interaction with Ministry of Petroleum & Natural Gas, GAIL and other prospective suppliers of NG/LNG so that gas requirement of the fertilizers industry is met;

xii) Government is always encouraging production of urea in the country to achieve self-sufficiency. The Government has announced a new policy on 4th September, 2008 to attract new investments. The policy is based on import Parity Price (IPP) benchmark with suitable floor & ceiling prices aiming to revamp, expansion, revival of existing urea units and setting up of Greenfield projects. The country is almost fully dependent on imports to meet the requirements of phosphatic and potassic fertilizers while for phosphatic fertilizers including raw materials, import dependency is 90%. Government has taken initiatives to encourage indigenous production in P&K sector by allowing import parity price to the indigenous manufacturers of DAP. Government has also reduced the custom duty on phosphoric acid from 5% to 2% to enable indigenous manufacturers of P&K fertilizers to acquire this important input at reasonable price. Government is also encouraging private sector and public sector companies to explore the possibilities for joint ventures abroad to ensure uninterrupted supply of fertilizers inputs to P&K sector; and

xiii) All possible steps are taken by the Department of Fertilizers to match the availability of fertilizers with the assessed requirement."

7.3 The Committee enquired about the number of states who have prepared block level supply plan for all fertilizers, the Department of Fertilizers in its written reply stated that :-

"All the states throughout the country have prepared block level supply plan for fertilizers (Urea, DAP, MOP and Complex). However, DOF monitor availability of fertilizers at state level. The Block-wise/district-wise monitoring of fertilizers availability is the responsibility of State Government."

7.4 The Committee enquired with regard to uploading the information relating to demand and supply of fertilizers through web-based Fertilizers Monitoring System (FMS). The Department of Fertilizers in its written reply stated that :-

> "All the state Governments in consultation with Lead Fertilizer Supplier (LFS) are uploading the information relating to supply of fertilizers through web-based Fertilizers Monitoring System (FMS)."

7.5 The Committee were concerned about the artificial scarcity of fertilizers particularly in remote, inaccessible and low consuming areas and enquired about the precise steps taken by the Government in this regard, the Department of Fertilizers in its written reply stated:-

> "that the steps taken to ensure adequate and timely availability and to control the artificial scarcity of fertilizers particularly in remote, inaccessible and low consuming areas are as follows:
>
> i) The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS);
>
> ii) The state governments have been advised (i) to instruct the State Institutional agencies to coordinate with manufacturers and importers of fertilizers for streamlining the supplies (ii) to review the railway rake points in their states and take up the issues with the Railways for improvements, if any, required to ensure availability of fertilizers in every nook and corner of the State;
>
> iii) The Government has introduced Nutrient Based Subsidy (NBS) Policy in respect of Phosphatic & Potassic fertilizers w.e.f. 1.4.2010. Under the NBS, State Governments have to play more proactive role to co-ordinate with the manufacturers/importers to tie up supplies of fertilizers as per the requirement of states;
>
> iv) Department of Fertilizers and Department of Agriculture & Cooperation are jointly reviewing fertilizer availability with State Agriculture department through Video Conferences every week. The corrective actions, if required, are taken immediately to avoid any hardships to farmers;
>
> v) Urea is the only fertilizer, movement and distribution of which at present is under partial control of the Government of India (GOI). Availability of urea at state level is ensured by the GOI.
>
> vi) Under the NBS, 20% of the decontrolled fertilizers produced/imported in India will now be in the movement control under the Essential Commodities Act 1955(ECA). Department of Fertilizers will regulate the movement of these fertilizers to bridge the supplies in under-served areas. The State governments should accordingly put in place administrative and monitoring mechanism to take advantage of the same. The supply plan would continue to be monitored as at present.
>
> vii) The State Governments are adequately empowered under the provisions of the Fertilizer (Control) Order, 1985 to check such activities. Any violation of the provisions of the FCO, 1985 attracts penal/administrative action under the Essential Commodities Act

1955/FCO, 1985. State Governments have been advised to prevent such malpractices and ensure that the farmers are provided with proper quality of statutory / indicative price."

7.6 The Committee during the evidence enquired about the action being taken by the Department of Fertilizers with regard to scarcity of fertilizers and punishment being meted out to the culprits, the Secretary, Department of Fertilizers during the evidence replied as under :-

"…. two things I would like to say. The first thing, as far as punishment is concerned, our responsibility as the Central Government as per the Act is to reach the fertilizers to the district level. After that, it is the State Government's responsibility to see from the district level whether it is going to the block level, and whether the retailer is charging more money. We, in the Central Government, are not empowered to do that. It is the State Government's responsibility.

He further added:-
….. If there is black market, if is for them to take action. In fact, I must tell you that I have written to the States. I have got my Minister to write to them. There is a particular Form-B through which we release subsidy of 15 per cent only when that Form-B is sent. No State Government has submitted that. We have repeatedly written about it. So, if is not the Central Government is not ensuring equitable distribution. Equitable distribution is done in the Conference twice a year. I know for instance, in Andhra Pradesh there was a problem. A variety of delegations have met me also. There was some problem in the State Government."

CHAPTER-VIII

REVIVAL OF CLOSED/SICK PUBLIC SECTOR UNDERTAKING

8.1 Out of the nine public sector fertilizer companies under the administrative control of the Department of Fertilizers, four are sick as per the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. These are Fertilizer Corporation of India Limited (FCIL), Hindustan Fertilizer Corporation Limited (HFCL), Madras Fertilizers Limited (MFL) and BVFCL. Out of these four, the units of FCIL and HFCL are presently lying closed since 2002. MFL and BVFCL are operational but are sick companies under the administrative control of DOF.

8.2 Regarding the steps taken by the Department to improve the performance of sick closed fertilizer/ loss making PSUs, the Department of Fertilizers in written reply stated as follows:-

> **"Revival of closed units of HFCL/FCIL**
> Pursuant to the decision taken by the Government on 12.4.2007, the feasibility of reviving the various closed units of FCIL and HFCL was examined by the Government, subject to the confirmed availability of gas. The revival of closed units, based on gas have been found to be economically feasible, under the New Investment Policy, as per the Techno-Economic Feasibility Reports (TEFR) for revival of the closed units, as prepared by the Projects & Development India Limited (PDIL), a premier consultancy organisation in the fertilizer sector. PDIL had opined that revival was economically feasible provided the outstanding GOI loans and interest liabilities of the units are waived and the other dues are settled with the respective creditors.
>
> **Cabinet decision dated 30.10.2008**
> After due examination of technical and economic feasibility, the Government decided on 30th October,2008, to constitute an Empowered Committee of Secretaries under the Chairmanship of Secretary (Fertilizers) and Secretaries of Department of Expenditure, Department of Disinvestment, Planning Commission, Department of Public Enterprises and Ministry of Petroleum & Natural Gas as Members to look into all possible financial models for revival of each of the closed units including the Talcher unit of FCIL. The Committee is also required to look into various linkages including gas for facilitating revival of these units. The Committee will submit its recommendations including the model for revival of each of the closed units to the Government.
>
> Government also accorded in principle approval for considering the write off of Government of India loans and interest liabilities of FCIL and HFCL subject to submission of fully tied up proposals.
>
> Pursuant to the decision dated 30.10.2008, an Empowered Committee of Secretaries (ECOS) has been constituted on 7.11.2008 under the

Chairmanship of Secretary (Fertilizers) and Secretaries of Department of Expenditure, Department of Disinvestment, Planning Commission, Dept. of Public Enterprises and Ministry of Petroleum & Natural Gas as Members to look into all the financial models for revival of each of the closed units.

The ECOS held a series of meetings and submitted its recommendations for revival of the closed units of FCIL and HFCL. Based on the recommendations of ECOS & DOF, a draft CCEA note was prepared and circulated for inter-ministerial consultations. It has been proposed to seek following approvals from the CCEA:

i. Approval for Draft Rehabilitation Scheme (DRS) prepared by the consultant.
ii. For authorising Secretary (Fertilizers) to take up the settlement of liabilities of HFCL/FCI.
iii. To further authorize/empower ECOS to:

For nomination route -
a. Consider and approve any proposal received from PSUs/Cooperative Consortium, for revival of any of the units, with fully tied up proposal
b. Approve Concessionaire Agreement, etc for units to be handed over to PSUs/Cooperatives.
c. In case any PSU/Cooperative fails to firm up their proposal within six months from the date of approval of CCEA, ECOS may adopt Option 'B' for such units.

For bidding route -
a. Modify the bid parameters, if felt necessary.
a. Review and advise time to time the bid processing, selection and recommendation of entrepreneurs with fully tied up proposals to CCEA/ BIFR for approval as the case may be.
b. Recommend Concession Agreement for the approval of CCEA.

iv. To approve handing over of Talcher Unit of FCIL to RCF after approval from BIFR and payment of advance amount to FCIL by RCF.

Revival of Madras Fertilizers Limited
Due to continued losses MFL was referred to BIFR and registered as Case No. 501/2007 in March 2007. In the hearing held on 2/4/2009, BIFR declared MFL as a Sick Company and appointed State Bank of India, Commercial Branch as Operating Agency with directions to prepare a Draft Revival Scheme for the company. Further Operating Agency (SBI) approached SBICAP to examine the following options for the financial restructuring of the MFL;

Option 1: Conversion of outstanding GOI loan principal into Preference Shares and write off of outstanding GOI loan interest including penal interest.
Option 2: Conversion of outstanding GOI loan principal into Equity Shares along with sale of surplus assets and write off of outstanding GOI loan interest including penal interest.
Option 3: Write off of outstanding GOI loan principal and interest including penal interest.

SBI CAPS after examination of the above options, has recommended implementation of Option–3 along with exemption from applicability of Sec

41(1) & 115(j) of Income Tax Act in respect of waiver granted by Banks/Institutions/Others under revival scheme.

Operating Agency (SBI) submitted the final report after vetting the recommendations of SBI CAPS on the financial restructuring package of MFL to the Company. The report was discussed in the Board meeting of MFL held on 19.10.2010 and Board has supported the same. Based on the recommendation of the Operating Agency (State Bank of India and MFL), the Department of Fertilizers has proposed a forwarded a Financial restructuring proposal to BRPSE seeking approval on the following:

- Waiver of GoI loan of Rs. 390.79 Cr as on 31.03.2010.
- Continuation of special dispensation in pricing mechanism under New Pricing Scheme Stage-III (NPS-III) beyond 31.03.2010 and upto the conversion to Natural Gas.
- Waiver of GoI loan interest amounting to Rs. 151.49 Cr as on 31.03.2010 along with penal interest.
- Exemption from applicability of Sec 41 (1) & 115 (j) of Income Tax Act in respect of waiver granted by Banks/Institutions/Others under revival scheme.
- Enhancement of retirement age from 58 years to 60 years.

With the implementation of above measures, the operation of the company is expected to be commercially viable and the company will start earning profit after meeting all the expenditures and will come out of BIFR's purview. Presently, the BRPSE note is under inter-ministrial consultation for comments. After obtaining the comments from different Ministries the note will be sent to Dept. of Public Enterprises for obtaining approval from BRPSE."

8.3 The Committee further enquired about the steps being taken by the Department regarding completion of all the formalities for the revival of closed / sick PSUs particularly in the context of encouraging indigenous production and augmenting fertilizers capacity before completion of Eleventh Five Year Plan, Department of Fertilizers in its written reply stated that :-

"There are five closed units of Fertilizer Corporation of India Ltd. (FCIL) at Sindri, Talcher, Ramagundam, Gorakhpur & Korba and three closed units of Hindustan Fertilizer Corporation Ltd. (HFCL) at Durgapur, Haldia, Barauni. All the Units of these closed Companies have excellent infrastructure and they are strategically located near coal pit heads, ports or in the vicinity of the proposed National gas grid.

In view of large demand-production gap of urea in the country, gainful utilization of existing infrastructure of closed urea units of FCIL and HFCL and employment generation in backward areas, matter was taken to the Cabinet, which approved, 'in principle', the proposal for revival of both the Companies in April 2007. In October 2008, the Cabinet approved the revival of six closed urea Units located at Sindri, Talcher, Ramagndam, Gorakhpur, Durgapur and Barauni. The Cabinet also gave 'in-principle' approval for considering write-off of GOI loans and interest liabilities of FCIL and HFCL, subject to submission of financially viable and fully tied-up proposals for revival of the closed units for final approval of waiver. It also approved constitution of an ECOS under the Chairmanship of Secretary (Fertilizers) and Secretaries of Departments of Expenditure, Disinvestment, Planning Commission, Public Enterprises and Petroleum & Natural Gas as members, to look into financial models along with various linkages including gas for facilitating revival of the closed units and to submit its recommendations to the Government.

ECOS in its first meeting on 5th December 2008 approved the 'Terms of Reference (TOR)' for appointment of Consultants for revival of the five closed units of FCIL & HFCL and advised the Companies to appoint Professional Consultants to execute the activities as per the approved TOR. The options included mandatory investment in a urea unit of at least 1.15 million tonnes at each site on stand alone basis along with other industrial activities, if any. Asset evaluation has been carried out and the consultants have recommended for Revenue Sharing Model for revival of closed units. ECOS in its second meeting held on 24th August 2009 decided to recommend Revenue Sharing Model for revival of five closed Units.

To facilitate the revival process, Department of Fertilizers is stated to have taken the following steps in parallel:

a) "Obtained consent from the concerned State Governments with regard to 'right to use' of land and assurance for supply of water & electricity and consider waiver of dues of State Government. Copies of the Comfort Letters received from the State Governments of Andhra Pradesh, Orissa and West Bengal have been received for Ramagundam, Talcher & Durgapur Units, respectively.
b) Clearance of Terms of Reference has been obtained from Ministry of Environment & Forests (MoEF) for preparation of Environment Impact Assessment (EIA) and Environment Management Plan (EMP) reports at the five locations for the manufacture of Urea from Natural Gas.
c) Though, EGoM has already approved priority for supply of Natural Gas for the revival of closed Units of HFCL and FCIL, during discussions with MOPNG, it emerged that the new investment cannot be based just on RIL gas for the entire period, but it should be based on a basket of gases. To address this concern, Department of Fertilizers is proposing certain modifications in the Investment Policy of 2008 to facilitate revival of closed units.
d) Considering the uncertainty about the pricing and tenure of natural gas supply, Department of Fertilizers has explored the possibility of using coal gas through coal gasification route as an alternative feedstock, especially at Talcher, Sindri and Korba sites.
e) M/s. Deloitte has been appointed as Project Advisor for assisting in the revival process of Draft Rehabilitation Scheme (DRS) for undertaking the revival of closed units based on the report submitted by consultants and recommendations of ECOS."

The key feature of ECOS decisions is stated to be revival through judicious mix of public and private sector. The units which have definite proposals from public sectors for revival are to be allowed revival of the units on nomination basis. At present, SAIL & NFL consortium have registered interest for revival of Sindri unit, EIL & NFL for Ramagundam unit and RCF, GAIL & CIL for Talcher unit. The rest of the closed urea units are proposed to be revived through bidding route. Presently, after the fourth meeting of ECOS, a CCEA note has been prepared for inter-Ministerial Consultations and after receipt of the observations of various Ministries; it shall be placed before CCEA for approval.

Simultaneously, process for taking the companies out of BIFR is also going on. The case CP 183/2004 of FCIL before the Delhi High Court, Company Jurisdiction, considering the recommendations of BIFR for winding up of the Company, came up for hearing on 30.08.2010 and the Hon'ble Court has remitted the matter back to BIFR for consideration of revival, along with HFCL. The case came up for hearing before the BIFR on 12.11.2010 and on deliberations of the progress made, the Bench advised as under:-

(i) appointed State Bank of India as the Operating Agency;

(ii) advised the Company/ Department of Fertilizers to obtain the approval of the Cabinet for the proposed Revival Scheme and suggested that the waiver of liabilities of FCIL towards CPSUs and Government agencies through One Time Settlement (OTS) also be taken up.

(iii) next hearing shall be held for consideration of Revival Scheme approved by the Government.

The Department of Fertilizers has informed the Committee that for augmenting the indigenous production of urea, as per the directions of CCEA in the meeting held on 26th February 2009, appropriate support may continue to be provided to the company till such time a comprehensive proposal is brought forward before the Committee after requisite appraisals & consultations. Department of Fertilizers has allocated Rs.8.00 Crore to BVFCL in the FY 2009-10 for the study of plants and to come out with measures for sustained operations. BVFCL has appointed the process licensor in this regard. After the report of the Process licensor is received, further action will be taken.

Also Department has received a proposal from BVFCL for setting up a new brown field ammonia urea plant at Namrup having capacity to produce 8.64 Lakh MT of urea per annum consuming 1.72 MMSCMD of Natural Gas for which a Techno Economic Feasibility Report (TEFR) for the Project has been prepared by PDIL. It is under examination in the department.

CHAPTER-IX

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS/COOPERATIVES

9.1 The Department of fertilizers has under its administrative control, Nine Public Sector Undertakings (PSUs) One Multi-state Cooperative Society (KRIBHCO).

9.2 According to the Outcome Budget (2011-2012) performance of Fertilizers PSUs/Cooperative during 2010-11 (upto December, 2010) is as follows:-

"NFL- During 2010-11(up to December 2010) NFL has produced 25.28 LMT of Urea which is 103 % of its installed capacity.

RCF- During 2010-11 (up to December 2010) RCF has produced 8.03 LMT of Nitrogen, 0.72 LMT of Phosphates and 0.51 LMT of K2O, utilizing its 100.6%, 193.5%, 155% capacity utilizations. The actual profit of the company after tax (Estimated) for the period April to December 2010 is Rs. 129.93 Crore.

BVFCL- The Company is operating its Namrup-II Unit with 50% load due to limitation in availability of Natural gas and obsolete technology. Similarly, its Namrup–III plant has restricted the load due to low conversion in synthesis converter in Ammonia III. In view of this, the estimated production has been revised to 2.95 LMT. Against this target, BVFCL has produced 1.93 LMT of Urea, utilizing its 75.2% capacity during 2010-11 (up to December 2010). Company has shown estimated net loss (before the extraordinary expenditure) of Rs. 96.44 crore up December 2010.

MFL- During 2010-11 (Up to December 2010), Company has produced 1.97 LMT of Ammonia and 3.34 LMT of Urea, utilizing 75% and 92% of its capacity. The company ended up with the profit of Rs. 66.6 Cr (including 47.51 Cr benefit under OTS with IFCI) up to December 2010.

FACT- During 2010-11 (Up to December 2010), Company has produced 1.45 LMT of Ammonium Sulphate, 4.80 LMT of NP 20:20 and 0.32 LMT Caprolactam against the budget quantity 1.31 LMT, 5.24LMT, 0.29 LMT respectively. Shortfall in NP Production during the period is mainly because of the shortage in availability of the Phosphoric Acid. During the period of April to December, 2010 the company incurred an estimated loss of Rs.1.00 Cr.

FAGMIL- During 2010-11 (Up to December 2010), Company has produced 4.93 LMT of Gypsum, utilizing its 89% capacity. The company has earned a profit (before tax) Rs. 8.58 Cr (up to December 2010) as against budgeted profit of Rs. 8.55Cr and Rs. 9.46 Cr during the corresponding period of previous year.

PDIL- PDIL is mainly involved in design engineering and consultancy service and also producing catalyst for the fertilizer and refinery industries. During 2010-11(up to December 2010), Company has produced 207 MT of catalyst achieving 153.33% of target. Company has earned a profit of Rs.19.54 Cr (up to December 2010).

KRIBHCO- KRIBHCO has produced 9.37 LMT of Urea during the financial year 2010-11 (up to December 2010) against the target of 8.79 Lakh MT of Urea for the same period. The Pre-Tax Net Profit up to the month of December 2010 is Rs. 163.30 Cr (provisional)."

9.3 The financial performance of the above-mentioned organizations is stated to be as follows:-

Fertilizers PSUs / Cooperative : Financial Performance (+Profit/Loss)

(Rs. in Crore)

Sl. No.	PSU/ Co-Operative	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11*
1	**NFL**	116.40	176.10	109.00	97.46	171.51	111.78
2	**RCF**	147.96	148.74	158.15	211.58	234.87	149.02
3	**MFL**	-131.74	-114.78	-134.85	-145.38	6.88	66.66
4	**FACT**	-235.66	-124.72	8.97	42.95	-103.87	-14.09
5	**BVFCL**	-99.77	-62.37	-105.83	-215.04	-133.23	-96.44
6	**FAGMIL**	9.85	11.51	7.54	9.04	8.67	3.89
7	**PDIL**	10.64	11.20	12.26	14.82	14.48	12.90
8	**KRIBHCO**	140.95	193.24	209.20	250.13	228.17	124.63

**Provisional up to December 2010*

A) BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTD. (BVFCL)

9.4 BVFCL is a public sector undertaking under the administrative control of the Department of Fertilizers (DOF) formed after segregation of Namrup units in Assam from Hindustan Fertilizer Corporation Limited (HFCL) w.e.f. 1.4.2002. The Namrup Complex of BVFCL comprises of three separate units designated as Namrup-I, Namrup-II and Namrup-III. The raw material for all the three units is natural gas, both as feed stock and as fuel. Namrup-I has only Ammonia plant whereas Namrup-II & Namrup-III have Ammonia & Urea plants.

Physical performance

Particulars	Plant	2007-08	2008-09	2009-10	2010-11 Up to Dec'2010
Production Capacity (Urea)	Namrup-II	1,20,000 MT per year (Based on one stream of Urea Plant in operation due to Gas shortage)			
	Namrup-III	2,70,000 MT per year			
	Total	**3,90,000 MT per year**			
Actual Production MT (Urea)	Namrup-II	77967	61858	79151	52698
	Namrup-III	252010	128670	230426	140464
	Total	**329977**	**190528**	**309577**	**193162**

Financial Performance

9.5 The accumulated loss as on March 31, 2010 is Rs.564.57 Cr. against paid up Capital of Rs.365.83 Cr. giving a negative net worth of Rs.198.74 Cr.

Sl. No.	Descriptions	Unit	2007-08	2008- 09	2009-10	2010-11 Up to Dec,10
1	Share Capital	Rs./Crs.	365.83	365.83	365.83	365.83
2	Reserve/Surplus	Rs./Crs.	Nil	Nil	Nil	Nil
3	Turn Over	Rs./Crs.	253.75	150.72	231.46	237.62
4	Cash Profit/Loss	Rs./Crs.	5.53	-97.08	-11.13	-13.40

5	Net Profit/Loss	Rs./Crs.	-105.84	-215.04	-133.23	-96.44
6	Dividend Declared	Rs./Crs.	Nil	Nil	Nil	Nil

Joint Ventures, Diversification schemes, Expansion etc:

9.6 The Company is incurring losses since inception due to lower capacity utilization and higher energy consumption. Further the concession price of Urea for Namrup-III is calculated based on Group pricing Mechanism under NPS stage. The prices so fixed are lower than actual consumption figures leading to cash losses. The concession rate of Namrup-II is being paid on adhoc basis. This coupled with lower capacity utilization and higher energy consumption due to break down of equipments and limitation in Gas supply has resulted in cash losses.

9.7 As per the directions of CCEA in its meeting held on 26th February 2010, the DOF has initiated action to finalize a comprehensive proposal for long term sustainability of BVFCL. The following measures have been taken to improve the functioning of the company:

Financial Restructuring: Government decided in their meeting held on 26th February 2009 that appropriate support may continue to be provided to the Project till such time a comprehensive proposal is brought up before the Committee after requisite appraisals & consultations.

MOU with NFL: To address the problem of shortage of qualified and experienced persons an MOU has been entered with NFL for Management Contract for 3 years on 7th August 2009 to provide technical support for efficient operation of the plants, and on-site training of BVFCL personnel by NFL specialists.

Study of plants by Process Licensor: Rs.8.00 Crores has been allotted to BVFCL in the FY 2009-10 for the study of plants and to come out with measures for sustained operations. NIT was floated to reputed process licensors for carrying out an in depth study of the plants and suggest measures for sustained operation of the Plants. Single Bid was received from M/s Cassale Switzerland amounting to Rs. 11.5 Cr after negotiation which was much above the estimated cost. Therefore the Board took a decision to float fresh NIT. The fresh NIT was refloated on 4/8/2010. As no response was received on the last date of receipt, the last date was extended up to 30.09.2010. Two parties have responded to the NIT. The technical bids were opened on 12th Oct. 2010. Now, BVFCL has appointed the process licensor, for which Rs.8.00 Cr was allotted to BVFCL in the FY 2009-10. The report of the process licenser is awaited.

B) MADRAS FERTILIZERS LIMITED (MFL)

9.8 Madras Fertilizers Limited (MFL), is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (NPK) at Manali, near Chennai. The Company was incorporated in 1966 as a joint venture between the Govt. of India (GOI) and Amoco India Incorporated (AMOCO) of USA with equity contributions of 51% and 49%. During the period 1972 to 1985, the shareholding of AMOCO was partly acquired by the National Iranian Oil Company (NIOC). The Authorised Capital of MFL is Rs.365 Cr. The total paid up capital of the Company is Rs.161.10 cr. At present, GOI holds Rs.95.85 cr. (59.50%), NICO (affiliate to NIOC) holds Rs.41.52 cr. (25.77%) and others hold Rs.23.73 cr. (14.73%) of equity.

II. Physical Performance

Installed Capacity	MT/Day	MT/Year
Ammonia	1050	346500
Urea	1475	486750
NPK	2550	840000

YEAR	Actual Production (MT)			Capacity Utilization (%)		
	Ammonia	Urea	NPK	Ammonia	Urea	NPK
2007-08	265108	440499	35165	76.5	90.5	4.2
2008-09	232300	405951	0	67.0	83.4	0.0
2009-10	258150	436100	0	74.5	89.6	0.0
2010-11 (Apr to Dec 10)	196037	334071	0	75.4	91.5	0.0

III. Financial Performance

(Rs. Cr)

	2007-08	2008–09	2009–10	2010-11 (Apr – Dec 10) *
Turnover	1140.06	1123.59	1302.84	1042.56
Profit/(Loss) for the year	(134.85)	(145.38)	6.88	66.66
Cash Profit/(Loss) for the year	(87.98)	(101.18)	49.62	52.59
Accumulated loss	(648.55)	(793.93)	(787.05)	(720.39)
Net Worth	(474.02)	(619.40)	(612.52)	(545.86)
Working Capital	(57.93)	(94.91)	5.17	2.72

- Profit for the year 2010-11 includes an amount of Rs. 47.51 Cr towards OTS benefit with IFCI.

Financial Restructuring:-

9.9 MFL has been referred to BIFR and registered as Case No. 501/2007 in March 2007. In the hearing held on 2/4/2009, BIFR declared MFL as a Sick Company and appointed State Bank of India, Commercial Branch as Operating Agency with directions to prepare a Draft Revival Scheme for the company. Further Operating Agency (SBI) approached SBICAP to examine the following options for the financial restructuring of the MFL;

Option 1: Conversion of outstanding GOI loan principal into Preference Shares and write off of outstanding GOI loan interest including penal interest.

Option 2: Conversion of outstanding GOI loan principal into Equity Shares along with sale of surplus assets and write off of outstanding GOI loan interest including penal interest.

Option 3: Write off of outstanding GOI loan principal and interest including penal interest.

9.10 On examination, in order to make the company viable, SBI CAPS has recommended implementation of Option–3 along with exemption from applicability of Sec 41(1) & 115(j) of Income Tax Act in respect of waiver granted by Banks/Institutions/Others under revival scheme.

9.11 Operating Agency (SBI) had submitted the final report after vetting the recommendations of SBI CAPS on the financial restructuring package of MFL. The report has been discussed in the Board meeting of MFL held on 19.10.2010 and Board has cleared the same. DOF has forwarded a proposal to BRPSE seeking the approval on the following, for the Financial restructuring of MFL after considering the views of the Board of MFL, NICO and Operating Agency:-

- Waiver of GoI loan of Rs. 390.79 Cr as on 31.03.2010.

  Continuation of special dispensation in pricing mechanism under New Pricing Scheme Stage-III (NPS-III) beyond 31.03.2010 and upto the conversion to Natural Gas.

- Waiver of GoI loan interest amounting to Rs. 151.49 Cr as on 31.03.2010 along with penal interest.

  Exemption from applicability of Sec 41 (1) & 115 (j) of Income Tax Act in respect of waiver granted by Banks/Institutions/Others under revival scheme.

- Enhancement of retirement age from 58 years to 60 years.

9.12 After implementation of above measures, the operation of the company will be commercially viable and the company will start earning profit after meeting all the expenditures and will come out of BIFR purview. Presently, the BRPSE note is under inter-ministrial consultation for comments. After obtaining the comments from different Ministries the note will be sent to Dept. of Public Enterprises for obtaining approval from BRPSE.

C) FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED (FACT)

9.13 The Fertilizers and Chemicals Travancore Limited (FACT) was incorporated in the year 1943. Initially promoted by the Seshasayee Brothers, FACT later became a Public Sector company in 1960. The Authorized Capital of FACT is Rs.1000 Cr. and Paid up Capital is Rs.647.07 Cr. At present, 98.56% of the shares are held by the Government of India. The State Governments hold 0.41% of the shares and the remaining shares 1.03% are being held by Institutional Investors, Private Corporate Bodies and the Public.

9.14 FACT Engineering and Design Organization (FEDO), an engineering consultancy division, was established in 1965. An engineering fabrication unit, FACT Engineering Works (FEW) was started in 1966.

9.15 A second fertilizer production unit, the Cochin Division of FACT, was established in the 1970's. Phase-I of the unit was commissioned in 1973 and Phase-II in 1977. With the objective of diversification, the Petrochemical Division of FACT was started at Udyogamandal and the unit was commissioned in 1990. The latest facility established by FACT was the New Ammonia Complex at Udyogamandal, which was commissioned in 1998. The various divisions of FACT at present and the products and services offered by these divisions are as under:-

Sl.No.	Division	End Products / Services
1	Udyogamandal Division	*Fertilizer Production* *Installed Capacity*
		Ammonium Sulphate : 225,000 MTPA
		Factamfos (NP 20:20) : 148,500 MTPA

2	Cochin Division	
		Urea : 330,000 MTPA *
		Factamfos (NP 20:20) : 485,000 MTPA
3	Petrochemical Division	*Petrochemical Production*
		Caprolactam : 50,000 MTPA
4	Marketing Division	Marketing of (Fertilisers and Caprolactam)
5	FEDO	Engineering Consultancy
6	FEW	Engineering Fabrication

** Production of Urea at Cochin Division has been suspended as the operation has become unviable under the present Group Pricing Scenario, which became effective from 1st April 2003.*

Physical/Financial Performance

Performance of the Company

9.16 The physical and financial performance of the company for the last three years is given below:

		2009-10	2008-09	2007-08
1	Production / In Tonnes Factamfos 20:20	753744	605047	425530
	Ammonium Sulphate	179546	128845	30478
	Caprolactam	42006	13548	6759
2	Sales / In lakh Tonnes Fertilisers	10.45	8.33	6.03
	Caprolactam	0.38	0.12	0.14
3	Financial / Rs. lakh Turnover	214161	214748	88487
	Profit / Loss (-) before tax	(-)10370.34	4311.44	917.61
	Provision for taxation – earlier years	35.38	-	-
	Provision for Fringe benefit tax	(-)22.21	16.00	20.80
	Profit/Loss (-) after tax	(-)10383.51	4295.44	896.81
	Profit/Loss (-) b/f from previous year	(-)35221.85	(-)39517.29	(-)39535.03
	Net deficit carried to Balance Sheet	(-)45605.36	(-)35221.85	(-)39517.29

9.17 The production and financial performance of the company for the financial year 2010-11 (upto December 2010) is given below:

1	Production / In Tonnes	
	Factamfos 20:20	481457
	Ammonium Sulphate	145554
	Caprolactam	32070
2	Sales / In lakh Tonnes	
	Fertilisers	7.18
	Caprolactam	0.32
3	Financial / Rs.lakh Profit / Loss (-) before tax	-1409

Joint Ventures , Diversification Schemes, Expansion etc.

Joint Venture

9.18 FACT has entered into a Joint Venture agreement with Rashtriya Chemicals & Fertilizers Limited for formation of a separate company for producing value added products using phospho gypsum. A separate Company in the name and style of 'FACT-RCF Building Products Limited' with shareholding of 50:50 between FACT &

RCF was incorporated in the year 2008 to make value added products such as Glass Fibre reinforced Gypsum Building Panels utilizing Australian Technology, wall plaster and wall putty. The project is expected to be commissioned shortly.

Expansion and diversification plans

9.19 FACT has formulated a vision plan for the next five years for its expansion/ diversification. The main projects identified for the expansion and diversification are summarized below:-

Mechanisation of bagging operation at FACT (CD)

9.12 The automation of the labour intensive bagging and loading operations at Cochin division is in progress. The automation of bagging will improve the productivity levels while at the same time help in reducing manpower. The total cost of the scheme is Rs.20 crore and it is expected to be completed by March 2011.

Switch over of feedstock and fuel to LNG

9.21 Taking advantage of the expected availability of cheaper feedstock LNG from the upcoming LNG Terminal of Petronet LNG at Puthuvypeen, FACT has taken steps to carry out modification of its existing Amonia plant and also the boilers for the use of LNG. M/s.Haldor Topsoe will undertake the engineering works for the feedstock conversion of the Ammonia plant. BHEL has undertaken a study for the works for the boilers. FACT intends to design these plants for dual feedstock and fuel in order to take advantage of the relative economies of different raw materials.

9.22 FACT is also taking steps to sign a Gas Transmission and Gas Supply agreement with GAIL/BPCL/IOC for the transport and supply of the required quantities of gas from the LNG Terminal.

Production of Zincated Ammonium Phosphate

9.23 FACT has carried out studies on diversifying its product range by carrying out trials on the production of Zincated Ammonium Phosphate at Udyogamandal successfully. The Company started production of Zincated Ammonium Phosphate in June 2010. This product is likely to yield a higher return to FACT and will also serve as FACT's endeavour to promote the balanced use of fertilizer nutrients in the country.

Long Term Strategies / Projects :

Augmenting NP production capacity

9.24 FACT is going ahead with its plans to expand the production capacity of complex fertilizers at FACT (Cochin Division) from 2000 TPD to 3000 TPD. Site selection has been completed and the DPR has been cleared by the Board of Directors.

9.25 To cater to the higher volumes of raw materials to be handled up on expansion of the production facility, expansion/revamp of the Raw material handling facility at Willingdon Island has also been planned. The total cost of these ventures is expected to be approximately Rs.212 crore. Implementation is planned by 2012.

Container Freight Stations

9.26 FACT has intentions to generate additional revenue from its land resources by foraying into the field of infrastructure development. FACT has signed an MOU with Container Corporation of India (CONCOR) and Central Warehousing Corporation (CWC) for setting up Container Freight Stations by the side of the new highway to the Vallarpadam Terminal which passes through FACT's premises. The final business plans for these ventures has been drawn up. Construction of these Freight Stations is awaiting clearance of the Board of Concor and CWC. Construction period of these projects is one year.

D) RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

9.27 Rashtriya Chemicals and Fertilizers Limited (RCF) was incorporated on 6th March, 1978 and it came into being as a result of the reorganization of the erstwhile Fertilizer Corporation of India Limited. At the time of its formation, the company had one operating unit, viz. Trombay (old plants) and two major projects under implementation viz. Trombay IV expansion and Trombay V expansion, besides the West, South Marketing Zones and the Bombay Purchase and Liaison office. RCF was the first fertilizer company in India to commission a green field, mega fertilizer complex at Thal-Vaishet in the state of Maharashtra.

9.28 The Trombay IV Expansion Project with an annual capacity of 75,000 tonnes each of Nitrogen and Phosphate (P2O5) went into commercial production on 1st January 1979. Trombay V Expansion also started commercial production w.e.f. 1st July 1982 with an annual capacity of 1,51,800 tonnes of Nitrogen. The Thal Fertilizer Plant of annual installed capacity of 6,83,000 tonnes of Nitrogen started commercial production w.e.f. 1st June, 1985.

9.29 RCF has a total installed capacity of about 10.54 lakh tonnes of Nitrogen and 1.17 lakh tonnes of P2O5 and 0.45 lakh tonnes of K2O.Besides fertilizers, the Company also produces a number of industrial chemicals such as Methanol, Concentrated Nitric Acid, Methylamines, Ammonium Bicarbonate, Sodium Nitrate/Nitrite, DMF, DMAC, etc.

9.30 The capital structure of the company is as follows:

Authorised Capital	Rs. 800.00 crore
Paid up Capital	Rs. 551.69 crore.

Physical Performance

9.31 Statement showing the details of production (in tonnes) of various major products is given below.

Plant	Installed Capacity	Nine Months April 10 to Dec. 10	2009-10	2008-09	2007-08
FERTILIZERS:					
Urea (Thal)	1706800	**1331825**	**1782171**	**1903521**	**1832334**
Urea (Trombay)	330000	259570	306905	0	0
Urea total	**2036800**	**1591395**	**2089076**	**1903521**	**1832334**
Suphala	300000	**341461**	**490000**	**471000**	**468200**
ANP	361000	104369	17070	0	0
Complex Fertilizers	**661000**	**445830**	**507070**	**471000**	**468200**
INDUSTRIAL PRODUCTS:					
Methanol	49500	**50440**	**44103**	**54093**	**62673**
Conc. Nitric Acid	20000	17357	18051	22098	22048

Sod .Nitrite/Nitrate	4000	3705	5360	4462	5422
Amm. Bi Carbonate	4000	18206	24722	24201	21250
Methyl Amines	4000	4128	5887	6740	6020
Methyl Amines(Thal)	11400	**8625**	**11056**	**10308**	**9610**
DMF	2500	**2296**	**3161**	**3062**	**1200**
DMAC	5000	1154	1642	1775	1964
Formic Acid	10000	**2987**	**5341**	**3671**	**3504**
Total Indu. Products:	**110400**	**108898**	**119323**	**130409**	**133690**

INTERMEDIATES:					
Ammonia I	115500	72825	87856	6430	16520
Ammonia V	297000	240585	330235	280010	265250
Ammonia Thal	990000	**846430**	**1128320**	**1096850**	**1054905**
Nitric Acid	352500	266840	362815	343045	314745
Sulphuric Acid	99000	55528	59753	73294	76514
Phosphoric Acid	30000	18760	17040	21058	23499

Financial performance

PARTICULARS	**UNIT**	**2007-08**	**2008-09**	**2009-10**	**2010-11 (upto Dec.10)**
Turnover /Operating Income	Rs. CRORE	5325.06	8538.43	5826.25	3968.95
Profit before Interest, Depreciation and Tax	Rs. CRORE	388.35	487.21	439.68	302.09
Less : Depreciation	Rs. CRORE	86.96	86.58	75.60	80.54
Less : Interest	Rs. CRORE	59.32	74.93	19.87	5.40
Profit before Tax	Rs. CRORE	242.07	325.70	344.21	216.12
Tax Provision	Rs. CRORE	83.92	114.12	109.34	67.10
Net Profit / Loss (-)	Rs. CRORE	158.15	211.58	234.87	149.02
Dividends %	%	10.00%	12.00%	11.00%	--
Share Capital (Paid up)	Rs. CRORE	551.69	551.69	551.69	551.69
Reserves and Surplus	Rs. CRORE	987.22	1121.35	1285.45	1434.47
Net Worth	Rs. CRORE	1537.38	1673.04	1837.14	1986.16

Joint Ventures, diversification schemes, Expansion

JOINT VENTURES

I. DAP PROJECT - RAJASTHAN

9.32 The Company was exploring the possibility of setting up a DAP manufacturing facility at Rajasthan in Joint Venture with RSMML. A JV Company “Rajasthan Rashtriya Chemicals and Fertilizers Ltd” (RRCFL) was formed. The project is presently on hold due to unfavorable international DAP prices. Efforts are on to explore the possibility of setting up a SSP plant at the earmarked site.

II. RAPIDWALL PROEJCT AT FACT - KOCHI

9.33 Company has formed a joint venture company “FACT-RCF BUILDING PRODUCTS LTD. (FRBL) with FACT for setting up a Rapidwall plant at FACT Kochi. The plant shall utilize Phosphogypsum, a by-product of phosphoric acid plant, to manufacture building products like load bearing wall panels, wall plaster and wall putty. The project is ready for pre commissioning.

III. COAL GASIFICATION - TALCHER

9.34 RCF is exploring the possibility of setting up a Coal gasification based Ammonia-Urea and Chemical Complex plant at Talcher in consortium with GAIL and Coal India Limited (CIL). Preliminary study has been carried out. Tender documents are being prepared for various plants of the project.

IV. REVIVAL OF BARAUNI UNIT - BARAUNI

9.35 A SPV with RCF, NFL and KRIBHCO has been incorporated in the name of Urvarak Videsh Limited (UVL) for revival of the closed fertilizer unit of HFCL, Barauni.

9.36 UVL proposes to set up a new ammonia urea fertilizer complex comprising single stream of 2000 MTPD gas based ammonia plant and single stream of 3500 MTPD urea plant and all related offsites and utilities at Barauni. A fully tied up financial proposal was prepared by Price Water House Coopers which has brought out that under the present policy dispensation the project is not economically viable.

V. MARKETING TIE-UP FOR RAPIDWALL PROJECT - TROMBAY

9.37 RCF has formed a Joint Venture company "RCF-HM Construction solutions Ltd", a joint venture with consortium of Hiranandani constructions and Mahimtura Consultants for marketing of Rapidwall panels, Plaster and Putty manufactured in the RCF's Trombay Unit Rapidwall Plant.

VI. JOINT VENTURES ABROAD

Ammonia-Urea Project in Ghana

9.38 Proposal for setting up Ammonia-Urea facility in Ghana is being explored which will utilize the natural gas available from Ghana's offshore Jubilee fields. A technical team visited the prospective sites in Ghana based on which site selection report has been prepared. A draft pre-feasibility report has also been prepared which is under review by Ghana side.

DIVERSIFICATION

RAPIDWALL PROJECT **:**

9.39 The Company has set up a Rapidwall plant to produce Load Bearing Panels, Wall Plaster and Wall Putty based on the technology supplied by RBS, Australia. This plant would be utilizing phosphogypsum a by-product generated in Phosphoric Acid Plant. The Rapidwall panels are prefabricated walls that can be utilized directly while constructing buildings and thus can reduce time and cost of construction. The plant will produce 1.4 million Sq meters of Rapidwall panels, 40,000 MT of wall plaster and 6,000 MT of wall putty on full load. The certification of the wall panels by BMTPC is in progress.

OTHER PROJECTS

REVAMP OF METHANOL PLANT – TROMBAY

9.40 Company's Methanol plant at Trombay was revamped with an objective to increasing the production up to 220 MTPD from the existing 172 MTPD and reducing energy consumption by around 1 MKcal/MT. RCF had engaged HTAS as process licenser and Basic Engineering consultant and PDIL as Detailed Engineering consultant. The project has been commissioned in December 2010.

REVAMP OF ANP PLANT – TROMBAY

9.41 Company has revamped its ANP plant from prilling route to Granulation Route. The plant is capable of producing 900 MTPD of granulated ANP. The plant has since been commissioned.

ARGON RECOVERY FROM AMMONIA PURGE GAS – THAL

9.42 Company has implemented Argon recovery project at Thal. The project has been conceived for recovery of Argon from purge gas recovery effluent stream by adapting cryogenic separation of tail gas generated in Hydrogen Recovery Unit (HRU) of Ammonia Plants. The project has been implemented by BHPV on LSTK basis.

AMMONIA REVAMP – THAL

9.43 Thal Ammonia plants are being revamped to augment the capacity of existing Thal Ammonia Plants from 2 x 1500 MTPD to 2 x 1750 MTPD and to reduce specific energy consumption from 9.0 MKcal/MT to 8.15 MKcal/MT. The Basic Engineering by Haldor Topsoe has been completed. The Detailed engineering is being done by PDIL. The first phase of the project is likely to be commissioned by June 2011.

THAL – III EXPANSION

9.44 Company is proposing to set up an Additional Ammonia Urea Stream with 2200 MTPD ammonia Plant and 3500 MTPD Urea plant at its Thal unit. First stage clearance for the project has been received.Company has prequalified the LSTK contractors for main plants for which bidding is in progress.

E) <u>HINDUSTAN FERTILIZERS CORPORATION LTD (HFCL)</u>

9.45 **Introduction:** The Hindustan Fertilizer Corporation Limited (HFC) was incorporated on 14th March, 1978 as a result of the reorganization of the erstwhile Fertilizer Corporation of India Limited (FCIL), and NFL Group of Companies. The HFCL comprised Barauni unit (Bihar), Durgapur unit and Haldia Project (West Bengal) and Namrup Unit (Assam). The Namrup Unit was hived off with effect from 1.4.2002 to form a separate entity with the name of Brahmaputra Valley Fertilizer Corporation Ltd.(BVFCL). As on 31st March 2010, HFC had an authorized capital of Rs. 1200 crore and a paid up capital of Rs. 686.54 crore.

9.46 The Company was declared sick by B.I.F.R. in November 1992. Subsequently, the Government decided to close the Company on account of techno-economic non-viability.

Physical and Financial performance:-

Unit / Division	Annual Installed Capacity (MT)	Actual Production	Status
Barauni	330000 Urea	Nil	Production suspended since January, 1999.
Durgapur	-do-	-do-	Production suspended since June, 1997
Haldia	165000 Urea	-do-	Commissioning suspended from October, 1986

	379000 NP 500000 NPK		

Sl. No.	Particulars	Actual for the F. Y. 2007-08	Actual for the F. Y. 2008-09	Actual for the F. Y. 2009-10	Prov. for the F.Y. 2010-11
1	2	3	4	5	6
1	Turnover	0.00	0.00	0.00	0
2	Other Income	1453.36	855.60	717.06	537.79
3	Increase / Decrease in Stock	0	0	0	0
4	Total Expenditure (including Provisions)	2087.15	13944.43	682.62	511.97
5	Depreciation	261.33	251.51	19.10	14.33
6	Gross Profit	-895.12	-13340.34	15.34	11.49
7	Interest	109282.71	38259.69	38259.69	28694.77
8	Tax Provision	20.84	0.91	0	0
9	Net profit/Loss before prior period(-)	-110198.67	-51600.94	-38244.35	28683.28
10	Prior Period Adjustments	0.22	535717.19	-3.11	0
11	**Net Profit / Loss (-)**	**-110198.45**	**484116.25**	**-38247.46**	**28683.28**

9.47 There is no production in any of the units due to decision of GoI in July/September 2002 to close the fertilizer units and release all its employees on VSS. Presently, the Company's case is under process before the BIFR. However, the GoI decided in April 2007 for considering the revival of the Company and in October 2008 approved constitution of Empowered Committee of Secretaries (ECOS), consisting of Secretary (Fertilizers) as Chairman and Secretaries of Department of Expenditure, Department of Disinvestment, Planning Commission, Department of Public Enterprises and Ministry of Petroleum & Natural Gas as Members of the Committee to look into various options of revival and recommend accordingly. The Committee in its first meeting on 05.12.2008 had approved the Terms of Reference (TOR) for consultants and that FCIL and HFCL should finalize appointment of consultants as per the TOR already approved.

9.48 The second meeting of the ECOS was held on 24.08.2009 in which various financial models for revival were considered and it was decided to recommend the Revenue Sharing Model, for approval of the CCEA. In the mean-time proposal has been received by consortium of GAIL/Coal India Limited (CIL)/Rashtriya Chemicals and Fertilizers Limited (RCF) expressing intent to put-up fertilizer plant on coal based technology at FCIL Talcher. Similar proposal has also been received for Revival of Sindri and for Revival of Ramagundam units. The interests evinced by some PSUs in the revival and detailed report with recommendations submitted by Project Advisor, M/s Delloitte has been considered by ECOS in its third meeting on 4/8/2010. Based on the recommendations of the ECOS, a Draft Cabinet note has been finalized and circulated for inter-ministerial comments.

CHAPTER-X

JOINT VENTURES INITIATIVES OF PSUs

10.1 Due to constraints in the availability of gas in the country, which is the preferred feed stock for production of nitrogenous fertilizers, a near total dependence of the country on imported raw materials for production of Phosphatic fertilizers and full import dependence for MOP, the Government has been encouraging Indian companies to establish Joint venture production facilities with buy back arrangement in other countries, which are rich in fertilizer resources.

10.2 As per the Outcome Budget (2011-2012), Joint Venture initiatives taken by the Department of Fertilizers are as follows :-

> "India is heavily import dependent for meeting its requirements for fertilizers and its inputs, the Department of Fertilizers is encouraging and providing all Cooperation to both the Public as well as Private sector entities to set up long term Joint Ventures abroad and long-term off-take agreements for securing the availability of cheaper raw materials/inputs for Fertilizer Industry in the country with the objective of security of quantity and price advantage. The Department of Fertilizers with the cooperation of other Ministries / Departments of the Government and the High Commissions / Embassies of India abroad, creates platform by gathering relevant information about availability of fertilizers resources available in different Countries in the World so as to enable the public as well as the private sector companies to work on possibilities of fertilizer Joint Ventures abroad. Brief about the steps taken by the Department of Fertilizers for possible joint ventures in fertilizer sector in different Countries is given below:
>
> **Syria**
> Ministry of External Affairs, on instance of this Department, has agreed to fund an amount of Rs. 6.00 crore for the feasibility studies for Phosphate Project in **Syria**. The feasibility studies is being carried out by the Indian consortium comprising of M/s MECON, M/s RITES and M/s PDIL. The consortium is likely to submit final report to the Syrian Authority (GECOPHAM).
>
> **Russia and Ghana**
> On 12.03.2010 an MOU has been signed between the Government of India and the Government of **Russia**, during the visit of Prime Minister of Russia to India, envisaging *inter-alia* encouraging collaboration in the areas of trade, production, possible establishment of joint ventures, investment and R&D activities, exchange of information and holding of consultations on the issues of production and consumption of mineral fertilizers, exchange experience, encourage contacts between the specialists, organization of Joint Conferences, symposia and business events on the issues of co-operations in the sector of mineral fertilizers. Further, on 6th July, 2010 an MOU has been signed at the Government level between India and **Ghana** for co-operation in fertilizer sector and for studies regarding feasibility of setting-up of an Ammonia Urea Plant in Ghana.

Indonesia

A team led by the Secretary(Department of Fertilizers) visited Indonesia during 30.10.2010 to 02.11.2010 to hold preliminary discussions with the Indonesian Authority to ascertain the technical feasibility of putting up of an Ammonia Urea plant based on Coal Gasification Technology. An MOU at the Government level with Indonesia for development of Urea manufacturing in Indonesia and an Off-take Agreement for supply of Urea from Indonesia to India were sent to Indonesia for their vetting. Both the documents, as modified by Indonesia, have been received and are under examination for further action.

Canada

Apart from above, during the recent past IFFCO, a Multi–State Cooperative Society in the field of fertilizers has entered into collaboration with the fertilizer entities in Canada (for exploitation of Potash minerals) and in Australia (for Rock Phosphate).

It has been observed that cash rich Countries do no permit others to have access to their natural resources. Hence, possibilities for setting up Joint Venture projects is in the Countries which have rich reserves of raw material but are poor/lacks cash for infrastructure development. Hence, there is always a need to create infrastructure facilities also while setting up Joint Venture projects in such countries, which requires huge investment. Thus, lack of funds is main hurdle in setting-up Joint Ventures abroad in Fertilizer Sector.

The following table shows the Indian Fertilizer Joint Venture in Abroad :-

Indian Fertilizer Joint Ventures Abroad			
JV-Project Country	**Entities**	**Product**	**Offtake arrangement**
OMIFCO, Oman	Oman Oil Co. (OOC-50%) and KRIBHO (25%)	16.52 Lakh MT Urea & 2.48 Lakh MT Ammonia	Urea – GOI Amonia – IFFCO
ICS Senegal, Senegal	ICS Senegal and IFFCO Consortium	5.5 Lakh MT Phosphoric Acid	Phos. Acid – IFFCO
Indo-Jordan chemical Company (IJC), Jordan	JPMC (Jordan) and SPIC (India)	2.24 Lakh MT Phosphoric Acid	SPIC has now sold its stakes
JPMC – IFFCO JV, Jordan	JPMC & IFFCO	4.8 Lakh MT Phos Acid to be commissioned by 2013	PHOS Acid – IFFCO
IMAID, Morocco	OCP (50%) – Morocco, Chambal (25%) and TCL (25%) – India	4.25 Lakh MT Phos Acid	Phos. Acid – CFCL & TCL
Tunisia – India Fertilizer Company (TIFERT), Tunisia	GCT (Tunisia), CFL & GSFC (India)	3.60 Lakh MT of Phosphoric acid to be commissioned by 2011-12	Phos. Acid – CFCL and GSFC

The New Joint Fertilizer Ventures being Pursued are as under:-

Indian Fertilizer Joint Ventures Abroad – Being Pursued			
#	**Amonia Urea**	**Phosphate**	**Potash**
1.	OMIFCO Expansion in Oman (IFFCO/Kribhco)	Syria-feasibility study for upgradation in phosphates sector	IFFCO in Peru
2.	JV in Mozambique (RCF)		
3.	JV in Australia based on coal	IFFCO's rock mining in Australia	

	gasification (KRIBHCO)		
4.	JV in Qatar (IFFCO)		
5.	JV in Ghana (RCF)		

10.3 In this regard, the Secretary, Department of Fertilizers during evidence stated as follows:-

> "...... The second most important thing, as far as I see it and as far as fertilizer is concerned, funding for assets abroad. There must be provision for it. China is doing it in a very big way in every sector, whether it is agriculture, mining or fertilizer. China is doing it in a big way and if we do not acquire assets, whether it is in Africa or somewhere else, we will be left far behind and we will be at the mercy of international cartels and so on."

PART-II

OBSERVATIONS AND RECOMMENDATIONS

At present, there are 56 large fertilizer plants manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers in the country. Out of these, 47 units produce nitrogenous, phosphatic and complex fertilizers and 9 units manufacture ammonium sulphate as bye-product. The Committee observe that production of fertilizers in the country has been more or less stagnant for the last one decade, whereas the imports are increasing to meet the growing demand of fertilizers in the country. The Committee note that the installed capacity has been 120.61 lakh MT of nitrogenous and 56.59 lakh MT of phosphatic nutrients. The growth of fertilizer industry has not kept pace with the growing requirement of the fertilizers as the country is by and large import dependent for meeting requirements of critical phosphatic inputs such as rock phosphate and phosphoric acid. Paucity of raw materials, lack of long term availability of natural gas, high cost of imported RLNG gas and volatility in prices have impeded growth of the fertilizer industry. These impediments are matter of serious concern. However, keeping in view the vital role played by the chemical fertilizers in the successful agriculture production in the country, the Committee recommend that there is urgent need to take suitable steps to overcome the impediments/ maladies in the growth of fertilizer industry so that there is self-sufficiency and sustained growth of fertilizer industry.

Lack of adequate availability of inputs including natural gas required for production of fertilizers and limited resources are the major hindrances in achieving self-sufficiency in fertilizer sector. In the absence of ready availability of potash sources in the country, the entire demand of potassic fertilizers for direct application as well as for production of complex fertilizers is being met through imports. The Committee have been informed that the surveys and explorations are being carried out to find potash and provide indigenous source of potash. The Committee hope that the Department of Fertilizers would continue their best efforts in exploration of indigenous raw materials for the fertilizer industry. Considering the vital role played by chemical fertilizers as one of the key inputs for the success of agriculture output in the country, the Committee feel that there is an urgent need for more suitable steps to be taken by the Department to ensure a sustained growth of industry as a whole.

The Committee also desire that the Department should vigorously pursue the issues regarding adequate allocation of natural gas and gas pipeline connectivity with Ministry of Petroleum and Natural Gas. The Committee are of the view that with the assured allocation of natural gas to the fertilizer sector, the expansion and revamping process of existing and new fertilizer projects could be completed at the earliest which in turn would avoid cost and time overruns. At the same time, a balanced use of fertilizers (NPK) is also essential for increasing agricultural productivity in the country. The Committee would also like to recommend that expeditious measures need to be taken by the Department for capacity addition programmes so as to achieve self-sufficiency in fertilizer sector.

2. Eleventh Five Year Plan

The Committee note from the Plan Outlay and Expenditure during the first four years of Eleventh Five Year Plan (2007-08, 2008-09, 2009-10 and 2010-11) for the Department of Fertilizers that for the years 2007-08, 2008-09, 2009-10 the total actual expenditure was at Rs.264.26 crore, Rs.745.03 crore and Rs.711.24 crore, respectively and the RE for 2010-11 was Rs.2,262.05 crore while the BE for 2011-12 is Rs.3,550.22 crore totalling Rs.7,532.80 crore which is less than 50% of the allocation, i.e. Rs.20,627.87 crore made for the entire Five Year Plan. The Committee are inclined to conclude that either requisite funds were not made available to the Department every year of the plan period or the Department failed to utilise fully the available funds.

The Committee, therefore, feel that there is an urgent need for proper planning and drawing up realistic estimates and timely and prudent use of approved outlays. The Department of Fertilizers should endeavour to impress upon the Planning Commission and Ministry of Finance to allocate adequate funds for the various schemes/programmes that are asked for based on the proper estimates. The Committee also feel that there should be optimum utilization of the funds which have been allocated for the various programmes and projects envisaged to be achieved in Eleventh Five Year Plan.

3. DEMANDS FOR GRANTS ALLOCATION

The Committee are of the view that the non-plan expenditure of the Department need to be kept under control. While the allocation under the non-plan head (RE) reached a peak of Rs. 1,00,491.16 crore during 2008-09, the figures for the financial years 2009-10 to 2010-11 are Rs.56,600.50 and Rs.57,860.00 crore respectively. The Department has failed to provide any satisfactory response to a specific query as to how to keep the Non-Plan expenditure under control. While the Committee agree that farmers need to be protected from price volatility in the international market and other negative factors, the need to rein in the ballooning expenditure under the Non-Plan allocation cannot be over-emphasized. The Committee, therefore, recommend that the Department should take steps on a priority basis to address this issue and intimate the measures taken in this regard to them.

4. SUBSIDY/ CONCESSION ON FERTILIZERS

The Committee note that the total subsidy disbursed on fertilizers has increased from Rs.28,019.55 crore in 2006-07 to Rs.64,032.29 crore in 2009-10 and Rs.52,840.73 crore in 2010-11 (BE). The total subsidy released on urea has increased from Rs.17,721.43 crore in the year 2006-07 to Rs.24,340.73 crore in the year 2010-11 (BE). The subsidy on P&K fertilizers has increased from Rs.10,298.12 crore in the year 2006-07 to Rs.28,500.00 crore in the year 2010-11 (BE). The Committee's examination has revealed that the increase in subsidy bill is due to higher consumption of fertilizers and also the rise was due to the increase in international prices of imported fertilizers and increase in the cost of inputs of indigenous fertilizers during the year 2006-07 to 2010-11. Considering all these facts, the Committee desire that concerted efforts are needed to cut the galloping subsidy bill. Needless to say, that In view of increased consumption of fertilizers and international prices of fertilizer, inputs and finished fertilizers, there is an urgent need for technological innovation, state of the art machinery, reducing the cost of production, energy efficiency measures, experienced and qualified technical manpower and optimum capacity utilization so as to reduce our dependence on imports and increase the indigenous production of fertilizers.

5. Direct Subsidy to Farmers

The Committee are constrained to point out that despite their repeated recommendations in earlier Reports, Government have not achieved the long cherished goal of payment of subsidy directly to farmers. The Committee note that the Government had constituted in February 2011, a Task Force under Chairmanship of Shri Nandan Nilekani, Chairman, Unique Identification Authority of India (UIDAI) to recommend and implement a solution for direct transfer of subsidies on fertilizers among other things to the intended beneficiaries. The Committee understand that the Task Force has since submitted its Report to the Government. The Committee hope that further follow up action in this regard would be taken at the earliest so as to find ways and means for providing subsidy direct to farmers. The precise action taken in this regard may be communicated to the Committee.

6. NUTRIENT BASED SUBSIDY

The Committee have been informed that the Government has introduced the first phase of Nutrient Based Subsidy (NBS) policy and potassic fertilizers in April 2010. The subsidy on fertilizers will be determined on the basis of nutrient subsidy fixed by the Government and the nutrient contained in the fertilizers. The NBS regime is expected to bring about a balanced use of fertilizers and also give a boost to indigenous production of fertilizers. The Committee recommend that the Department of Fertilizers should closely monitor the implementation of the policy for its success and fruitful results. The Committee also recommend that the Department should take steps for the implementation of this policy which is likely to increase quality and fertility of the soil and agricultural productivity as well as attaining self-sufficiency of fertilizers in the country.

7. FEEDSTOCK POLICY/ ALLOCATION OF GAS TO FERTILIZERS INDUSTRY

The Committee observe that the total requirement of natural gas for existing 20 units is 40.92 mmscmd which is being met from the supplies under APM Gas, JV gas, PMT gas, RIL gas and RLNG gas. An Empowered Group of Ministers (EGOM) was constituted in 2007 to examine and decide issues of gas pricing and commercial utilization of gas under new Exploration Licensing Policy. The Committee were also informed by the Department of Fertilizers that as per assurance given by the Ministry of Petroleum and Natural Gas, most of the naphtha / fuel oil based plant and closed fertilizer plants will get the gas pipeline connectivity by 2009-10 / 2011-12. The Committee would like to be apprised about the status report in this regard. At the same time the Committee expect the Department of Fertilizers to vigorously pursue the matter with the Ministry of Petroleum and Natural Gas so that effective and expeditious steps are taken by them to achieve these targets.

The Committee need hardly emphasise that pricing and firm availability of natural gas for existing and new units of fertilizer companies are the pre-requisites to increase their indigenous production and would, therefore, desire the Department to play a proactive role in association with the Ministry of Petroleum and Natural Gas towards allocation of gas for the existing and new fertilizer plants in the country.

The Committee are constrained to point out that the Ministry of Petroleum and Natural Gas (MOPNG) has been non-committal on supplying gas on long term basis at an agreed price to the proposed new investments in the fertilizer sector as has been repeatedly requested by Department of Fertilizers . Also, no decision on nomination of a single nodal agency has been taken by the Government to supply gas to fertilizer industries and to address various issues such as gas contracts, take or pay liabilities, variable gas pricing, gas shortfalls etc. The Committee also regret to observe that no specific decision has been taken regarding the issue of nominating GAIL (India) Limited as the nodal authority for supply of gas to fertilizer industry. The Committee are of the view that the Department of Fertilizers should continue to pursue the matter vigorously with the Ministry of Petroleum and

Natural Gas (MOPNG) on the both aspects i.e., supply of natural gas to fertilizer industry as per fixed schedule and nomination of a nodal agency for supply of gas to the fertilizer industry. The Committee would like to be informed of the precise action taken in this regard within three months of the presentation of the Report.

8. ASESSED REQUIREMENT AND AVAILABLITY OF FERTILIZERS

The Committee note that equitable distribution of fertilizers in all parts of the country is an important criteria for facilitating increased productivity in agriculture sector. At present, the Department of Fertilizers is required to ensure availability of urea, as per the requirement assessed by the Department of Agriculture and Cooperation. The Committee note that the movement of fertilizers is monitored throughout the country by an on-line web based monitoring system (FMS), still the farmers are facing great difficulty in getting the fertilizers on time and also they are facing the problem of artificial scarcity/ shortage in some parts of the country. The Committee, therefore, strongly recommend that the Department of Fertilizers should devise a foolproof mechanism for proper and equitable distribution of fertilizers in all parts of the country especially in remote, hilly and inaccessible areas. Also, the Department of Fertilizers should make serious efforts to collaborate with the State Governments to tackle the problem of artificial shortage and punish hoarders and black marketeers.

9. PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

There are nine Public Sector Undertakings (PSUs), one multi-state cooperative society and one joint sector company under the administrative control of the Department of Fertilizers. Out of this, Krishak Bharati Cooperative Limited (KRIBHCO), the multi-State cooperative society and three PSUs, viz. National Fertilizers Limited (NFL), Rashtriya Chemicals and Fertilizers Limited (RCF) and Projects and Development (India) Limited (PDIL) are profit making units. Three PSUs, viz. Fertilizers and Chemicals Travancore Limited (FACT), Madras Fertilizers Limited (MFL) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) are loss making units. Besides, two PSUs, viz. Fertilizer Corporation of India Ltd. (FCI) and Hindustan Fertilizers Corporation Ltd. (HFCL) are lying closed after incurring losses continuously over a period of time. Non-availability of surplus funds, outdated machinery causing increased cost of production, poor energy efficiency, non-recruitment of experienced and qualified technical manpower are the other factors on account of which some PSUs have been facing losses year after year. Non-availability of natural gas has also been the main impediment. The Committee, however, have been informed that some initiatives have been taken by the Government to examine the technical and economic feasibility for revival of the sick PSUs. The Committee also note that there has been negligible growth of the fertilizer sector during the last decade. The Committee, therefore, recommend that Department and all PSUs should make efforts for taking suitable measures to overcome the constraints and for improving capacity utilization, energy conservation methods and also to bring down manpower and administrative expenditure.

10. CLOSED PUBLIC SECTOR UNDERTAKINGS (PSUs)

Out of the nine Public Sector Undertakings (PSUs), Hindustan Fertilizers Corporation Limited (HFCL), Madras Fertilizers Limited (MFL), BVFCL and FCIL are sick units. Out of these four, the units of FCIL and HFCL are presently lying closed since 2002. MFL and BVFCL are operational but are sick companies under the administrative control of the Department of Fertilizers. The Committee have been given to understand that an Empowered Committee of Secretaries(ECOS) was constituted in October 2008 under the Chairmanship of Secretary(Fertilizers) and Secretaries of Department of Expenditure, Department of Disinvestment, Planning Commission, Department of Public Enterprises and Ministry of Petroleum & Natural Gas as Members to look into all the financial models for revival of each of the closed units. Similarly, initiatives have also stated to have been taken by the Government to wipe out the accumulated losses of MFL and BVFCL and to make these PSUs commercially viable till availability of gas around 2011-12. The Committee would like the Department of Fertilizers to take effective and expeditious steps to canalize and implement the whole revival process for the closed and loss-making PSUs. The details of such a revival package may be intimated to the Committee within three months of presentation of the Report.

11. INDIAN FERTILIZER JOINT VENTURE ABROAD

Due to constraints in the availability of requisite raw materials including gas in the country, the Government is stated to have been encouraging Indian companies to establish joint venture production facilities with buy-back arrangement in other countries, which are rich in fertilizer resources. In this regard, the Committee note with satisfaction that the Government has been encouraging Indian companies to establish joint venture projects in other countries which have rich resources of natural gas and rock phosphate as it would help in augmenting the supply of fertilizers. The Committee, however, observe that only a token amount of Rs.1 lakh has been allocated to joint ventures abroad in BE 2010-11 and in the BE of 2011-12. To encourage more joint ventures abroad, the Committee feel that more amount should be allocated in the budgetary provisions under the head. The Committee recommend that the Government should encourage these initiatives and explore the possibilities of new joint ventures which would help in making available assured sources of supply of raw materials to the fertilizer industries. The Committee also desire that some incentives should be given to the Indian companies to explore and establish joint ventures abroad.

New Delhi;
28 July, 2011
6 Shravana, 1933 (Saka)

Gopinath Munde
Chairman,
Standing Committee on
Chemicals and Fertilizers

ANNEXURE-I

http://indiabudget.nic.in/ub2011-12/eb/sbe7.pdf

MINISTRY OF CHEMICALS AND FERTILISERS

DEMAND NO. 7

Department of Fertilisers

A. The Budget allocations, net of recoveries, are given below:

(In crores of Rupees)

	Major Head	Actual 2009-2010			Budget 2010-2011			Revised 2010-2011			Budget 2011-2012		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	Revenue	3.68	60416.12	60419.80	5.50	49999.96	50005.46	5.50	54999.96	55005.46	7.50	50019.96	50027.46
	Capital	*195.99*	...	*195.99*	*209.50*	*0.04*	*209.54*	*209.50*	*0.04*	*209.54*	*217.50*	*0.04*	*217.54*
	Total	**199.67**	**60416.12**	**60615.79**	**215.00**	**50000.00**	**50215.00**	**215.00**	**55000.00**	**55215.00**	**225.00**	**50020.00**	**50245.00**
1. Secretariat-Economic Services	3451	...	16.07	16.07	...	17.24	17.24	...	17.24	17.24	...	20.00	20.00
Crop Husbandry													
2. Subsidy on imported fertilizers	2401	...	4603.32	4603.32	...	5500.00	5500.00	...	6395.95	6395.95	...	6983.00	6983.00
3. Subsidy on decontrolled fertilizers													
3.01 Payment to manufacturers/Agencies for concessional sale of decontrolled fertilizers	2401	...	39080.72	39080.72	...	28500.00	28500.00	...	33500.00	33500.00	...	29706.87	29706.87
Total-Crop Husbandry		...	**43684.04**	**43684.04**	...	**34000.00**	**34000.00**	...	**39895.95**	**39895.95**	...	**36689.87**	**36689.87**
4. Fertilizer Industries													
4.01 Subsidy on indigenous fertilizers	2852	...	17580.25	17580.25	...	15980.73	15980.73	...	15080.73	15080.73	...	13308.00	13308.00
5. Other research schemes for fertiliser development													
5.01 S & T programme	2852	1.38	...	1.38	2.00	...	2.00	2.00	...	2.00	2.00	...	2.00
6. Non-Plan loans to public sector undertakings													
6.01 Hindustan Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.02 Fertiliser Corporation of India Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.03 Pyrites, Phosphates & Chemicals Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.04 Brahmaputra Valley Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Non-Plan loans to public sector undertakings		...	...	...	...	*0.04*	*0.04*	...	*0.04*	*0.04*	...	*0.04*	*0.04*
7. Lumpsum provision for Projects/Schemes for the benefit of the North Eastern Region and Sikkim	6552	...	...	...	44.99	...	44.99	44.99	...	44.99	67.79	...	67.79
8. Investment in Public Enterprises	6855	195.99	...	195.99	164.50	...	164.50	164.50	...	164.50	149.70	...	149.70
9. Investment for JVs abroad	4855	...	...	...	0.01	...	0.01	0.01	...	0.01	0.01	...	0.01

(In crores of Rupees)

	Major Head	Actual 2009-2010 Plan	Actual 2009-2010 Non-Plan	Actual 2009-2010 Total	Budget 2010-2011 Plan	Budget 2010-2011 Non-Plan	Budget 2010-2011 Total	Revised 2010-2011 Plan	Revised 2010-2011 Non-Plan	Revised 2010-2011 Total	Budget 2011-2012 Plan	Budget 2011-2012 Non-Plan	Budget 2011-2012 Total
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	...	0.01	0.01
10.02 Other programmes	2852	2.30	1.86	4.16	3.50	1.97	5.47	3.50	1.97	5.47	5.50	2.07	7.57
10.03 Post closure adjustment liabilities of PPL	3475	...	...	...	...	0.01	0.01	...	4.06	4.06	...	0.01	0.01
Total- Other Programmes		*2.30*	*1.86*	*4.16*	*3.50*	*1.99*	*5.49*	*3.50*	*6.04*	*9.54*	*5.50*	*2.09*	*7.59*
11. Actual Recoveries	2852	...	-866.10	-866.10	...	...	...	...	...	...	...	...	...
Grand Total		***199.67***	***60416.12***	***60615.79***	***215.00***	***50000.00***	***50215.00***	***215.00***	***55000.00***	***55215.00***	***225.00***	***50020.00***	***50245.00***

	Head of Dev	Actual 2009-2010 Budget Support	Actual 2009-2010 IEBR	Actual 2009-2010 Total	Budget 2010-2011 Budget Support	Budget 2010-2011 IEBR	Budget 2010-2011 Total	Revised 2010-2011 Budget Support	Revised 2010-2011 IEBR	Revised 2010-2011 Total	Budget 2011-2012 Budget Support	Budget 2011-2012 IEBR	Budget 2011-2012 Total
B. Investment in Public Enterprises													
8.01 Fertilizers & Chemicals Travancore Ltd.	12855	34.00	...	34.00	89.99	...	89.99	89.99	...	89.99	60.74	...	60.74
8.02 National Fertilizers Ltd.	12855	...	43.05	43.05	...	900.50	900.50	...	655.71	655.71	...	2363.08	2363.08
8.03 Projects and Development (India) Ltd.	12855	...	7.52	7.52	...	5.38	5.38	...	9.45	9.45	...	9.73	9.73
8.04 Rashtriya Chemicals and Fertilizers Ltd.	12855	...	141.02	141.02	...	622.82	622.82	...	237.37	237.37	...	293.30	293.30
8.05 Madras Fertilizers Ltd.	12855	96.99	...	96.99	74.50	...	74.50	74.50	...	74.50	88.95	...	88.95
8.06 Brahmaputra Valley Fertilizer Corporation Ltd.	12855	65.00	...	65.00	45.00	...	45.00	45.00	...	45.00	67.80	...	67.80
8.07 Krishak Bharti Cooperative Ltd.	12855	...	319.61	319.61	...	1160.00	1160.00	...	1138.63	1138.63	...	654.96	654.96
8.08 Fertilizer Corporation of India (FAGMIL)	12855	...	0.37	0.37	...	11.29	11.29	...	5.89	5.89	...	4.15	4.15
Total		**195.99**	**511.57**	**707.56**	**209.49**	**2699.99**	**2909.48**	**209.49**	**2047.05**	**2256.54**	**217.49**	**3325.22**	**3542.71**
C. Plan Outlay													
1. Fertiliser Industries	12855	199.67	511.57	711.24	170.01	2699.99	2870.00	170.01	2047.05	2217.06	157.21	3325.22	3482.43
2. North Eastern Areas	22552	...	...	...	44.99	...	44.99	44.99	...	44.99	67.79	...	67.79
Total		**199.67**	**511.57**	**711.24**	**215.00**	**2699.99**	**2914.99**	**215.00**	**2047.05**	**2262.05**	**225.00**	**3325.22**	**3550.22**

1. **Secretariat-Economic Services:**..Provision is for expenditure on Secretariat of the Department.
2. **Subsidy on imported fertilizers:**..As indigenous production is not adequate to meet the demand for fertilizers, imports are arranged to make up for the shortfall. The cost involved is broadly the price of imported fertilizers plus the cost of handling and distribution of the fertilizers. The selling price of imported fertilizers to farmers is controlled under the Fertilizer Control Order and the consumer prices are thus statutorily regulated. This selling price is the same as the selling price for indigenous production. The difference between the amount realised by way of sale of fertilizers to farmers and the import costs to Government represents the subsidy on fertilizer imports.
3. **Subsidy on decontrolled fertilizers:**..Provision is for payment to the manufactures/importers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme of sale of decontrolled Phosphatic and Potassic fertilizers at concession to the farmers. The concession would lead to balanced use of fertilizers (NPK) nutrients for better soil health and productivity.
4. **Fertilizer Industries:**..This provision relates to subsidy under Fertilizer New Pricing Scheme (NPS) including Frieght Subsidy for production of urea. The subsidy scheme is intended to make fertilizers available to the farmers at reasonable prices and to give producers of fertilizers a reasonable return on their investment.The difference between the concession price so fixed less distribution margin and the statutorily controlled consumers' price is allowed as subsidy. The quantum of subsidy depends on the concession price, the consumer's price and the level of production.
5. **Other research schemes for fertilizer development:**..The provision is for S&T work and for development of essential know-how for production of fertilizers.
6. **Non-Plan loans to public sector undertakings:**..PPCL is no more under the administrative control of the Department of Fertilizers, as the company was wound up by the Order dated 12.07.2007 of Hon'ble High Court, Patna. An official liquidator was appointed and was directed to take the charge of the assets of the company in liquidation. As regards HFCL/FCIL, both the companies continue to be under the purview of BIFR as sick companies under the SICA.
7. **Lumpsum provision for projects/schemes for the benefit of the North Eastern Region and Sikkim:**..The provision is for the projects/schemes for the benefits of North Eastern Areas and Sikkim.
8. **Investment in Public Enterprises:**..The equity and loan wise break up of the budgetary support to these enterprises and the IEBR are given in Expenditure Budget Vol. I.

8.01. **Fertilizers and Chemicals Travancore Ltd. (FACT):**..FACT is a PSU having a total paid up capital of..`.647.07 Cr, in which 98.5% is held by the Government of India. The company has two divisions, one at Udagamandal and other at Cochin. At Udagamandal division, company produces Factamfos (NP 20:20), Ammonium Sulphate and Caprolactam, having the installed capacity of 1.485, 2.25 & 0.5 LMT, respectively. The Cochin Division of the company produces only Factamfos (NP 20:20) having installed capacity of 4.85 LMT. The urea unit at Cochin division is not in operation...

8.02. **National Fertilizers Limited (NFL):**..NFL is a PSU having paid up capital of..`.490.58 cr., in which 97.64% is held by the Government of India. The company has five units namely Nangal, Bhatinda, Panipat, Vijaypur-I and Vijaypur-II engaged in production of Urea, having the total installed capacity of 32.307 LMT per annum. The company has also undertaken projects of changeover of Feed-stock for Fuel Oil (FO) to Gas at its three FO based units at Panipat, Bhatinda and Nangal Units. Besides, they are implementing energy saving and capacity enhancement of urea units at its Vijaipur I&II Plants...

8.03. **Projects & Development (India) Limited (PDIL):**..PDIL is a PSU having the paid up capital of..`17.30 Cr. and Government of India is holding 100% equity in the company. PDIL has a design engineering and consultancy service unit which is assisting the fertilizer companies in the field of design engineering, technical procurement, supervision, construction and commissioning, etc. The company is also engaged in the manufacture of catalysts for the fertilizer and refinery industries...

8.04. **Rashtriya Chemicals & Fertilizers Ltd. (RCFL):**..RCF is a PSU having the paid up capital of..`551.69 cr. in which Government of India has 92.50% of equity.The company is engaged in the production of nitrogenous and phosphatic fertilizers and some industrial products like methanol and ammonium nitrate, etc. The company has operating units at Thal and Trombay, having a total installed capacity of 20.37 LMT of Urea and 6.61 LMT of complex fertilizers...

8.05. **Madras Fertilizers Limited (MFL):**..Madras Fertilizers Limited (MFL) is a PSU having a total paid up capital of..`161.10 Cr., in which Government of India holds 59.50% equity. Besides this NICO, an Iranian company has 25.77% equity and remaining 14.73% equity is the public holding. The company is engaged in the manufacturing of Urea and Complex Fertilizers (NPK), having the installed capacity of 4.87 LMT and 8.40 LMT per year respectively...

8.06. **Brahmaputra Valley Fertilizers Corporation Ltd. (BVFCL):**..BVFCL is a PSU having total paid up capital of..`365.83 cr., in which Government of India is having 100% of total equity. The company has two operating units, namely, Namrup-II and Namrup-III, which is producing urea. The annual installed capacity of Namrup-II is 2.40 LMT but due to gas shortage only one stream having 1.20 LMT capacity is operational. Namrup-III is having the annual installed capacity of 2.70 LMT...

8.07. **Krishak Bharti Cooperative Ltd. (KRIBHCO):**..A large sized ammonia/urea complex has been set up in the cooperative sector at Hazira in Gujrat by the Krishak Bharti Cooperative Ltd. Based on natural gas, the project has an installed capacity of 6.68 lakh tonnes of nitrogen.

8.08. **Fertilizer Corporation of India (FAGMIL):**..FAGMIL is a PSU having the total paid up capital of..`.7.33 cr., which is held by the Government of India. The Company is engaged in the mining and marketing of mineral gypsum. Mineral Gypsum is used mainly as a sulphur nutrient to the soil, as a soil amendment to sodic soil and also as an input raw-material to cement manufacturing. The 15 Gypsum mines of FAGMIL are located in Jaisalmer, Bikaner, Barmer, Sri Ganganagar Distt. in Rajasthan...

9. **Investment for JVs abroad:**..The provision is for investment for Joint Ventures (JVs) abroad.
10. **Other Programmes:..**This includes non-plan provision for the office of Fertilizer Industry Coordination Committee, an attached office of the Department of Fertilizers, grants in the field of Management Information Technology, and write off of Govt. of India's loans, interest and penal interest due from Hindustan Fertilizer Corporation Ltd., Fertilizer Corporation of India Ltd., Projects and Development (India) Ltd., Madras Fertilizers Ltd. and Fertilizers and Chemicals Travancore Ltd.

ANNEXURE-II

MINUTES

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2010-11)

The Committee sat on Tuesday, the 22 March, 2011 from 1515 hrs. to 1700 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

Present

Shri Gopinath Munde - Chairman

Members

Lok Sabha

2. Smt. Sushmita Bauri
3. Shri. Udayanraje Pratapsingh Bhonsle
4. Smt. Santosh Chowdhary
5. Shri K. D. Deshmukh
6. Adv. Ganeshrao Nagorao Dudhgaonkar
7. Shri N. Peethambara Kurup
8. Shri Tapas Paul
9. Shri Ponnam Prabhakar
10. Shri Ashok Kumar Rawat
11. Shri Suresh Kumar Shetkar
12. Dr. Manda Jagannath

Rajya Sabha

13. Shri Silvius Condapan

14 Shri Abani Roy

Secretariat

1.	Shri N. K. Sapra	-	Additional Secretary
2.	Shri Ashok Sarin	-	Joint Secretary
3.	Shri C. S. Joon	-	Director

I. MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

1.	Dr. Sutanu Behuria.	Secretary
2.	Dr. V. Rajagopalan	Additional Secretary & Financial Advisor
3.	Shri Satish Chandra	Joint Secretary
4.	Shri Sham Lal Goyal	Joint Secretary
5.	Shri A.K. Parashar,	Economic Advisor

II. OTHER MINISTRIES/DEPARTMENTS

1.	Shri A.S. Lamba	Special Secretary, Department of Agriculture and Coperation
2.	Shri Apurva Chandra	Joint Secretary, Ministry of Petroleum and Natural Gas
3.	Dr. A.K. Singh	Deputy Director General (NRM) Indian Council of Agriculture Research (ICAR)

III. REPRESENTATIVES OF PSUs/CO-OPERATIVE SOCIETY

1.	Shri S.K. Das	CMD, FCI Aravali Gypsum & Minerals Limited (FAGMIL)
2.	Shri. R. Singh	CMD, Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)
3.	Shri K.C. Katta	CMD, Projects and Development India Limited (PDIL)
4.	Shri Gautam Sen	Director (Finance), Rashtriya Chemicals and Fertilizers Limited (RCF)
5.	Capt. P.K. Kaul	Director (Marketing) National Fertilizers Limited (NFL)
6.	Shri R. Kamra	Director (Finance), Krishak Bharati Cooperative Limited (KRIBHCO)
7.	Shri V.G. Sankaranarayanan	Director (Technical), Fertilizers and Chemicals Travancore Limited (FACT)
8.	Shri M. Sagar Mathews	Director Technical, Madras Fertilizers Limited (MFL)

2. At the outset, Hon'ble Chairman welcomed the members of the Committee and officials of Department of Fertilizers and Public Sector Undertakings and stated that the sitting of Committee has been convened to take oral evidence of representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) on 'Demands for Grants of the Department for the year 2011-12'. The Chairman also invited their attention to the provisions contained in Direction 55(1) of the Directions by the Speaker, Lok Sabha regarding confidentiality of the Committee's proceedings.

3. To begin with, power point presentation was made by the Secretary of Department of Fertilizers. Thereafter, Chairman and members of the Committee raised some queries which were replied to by the Secretary and other senior

officials of the Department of Fertilizers. They also assured to send the requisite information in writing which was not readily available with them. The following issues were discussed during the course of meeting:-

(i) Investment in Fertilizer Sector
(ii) Fertilizer subsidy
(iii) Direct subsidy to Farmers
(iv) Nutrient-based subsidy
(v) Increased Consumption of Fertilizers
(vi) Stagnated production of Fertilizers
(vii) Increased International prices
(viii) Capacity Utilization
(ix) New Pricing Scheme for urea
(x) Movement and Distribution of Fertilizers
(xi) Online monitoring system.
(xii) Availability of gas
(xiii) Revival of Sick/ Loss making PSUs
(xiv) Balanced use of Fertilizers
(xv) Setting up of Joint Venture Projects
(xvi) Black marketing and artificial scarcity of fertilizers

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

The Committee then adjourned.

ANNEXURE-III

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2010-11)

THIRTEENTH SITTING (18.07.2011)

The Committee sat on Monday from 1500 hours to 1600 hours.

Present

Shri Gopinath Munde - *Chairman*

Members

Lok Sabha

2. Smt. Susmita Bauri
3. Shri Prabhatsinh P. Chauhan
4. Smt. Santosh Chowdhary
5. Shri K.D. Deshmukh
6. Adv. Ganeshrao Nagorao Dudhgaonkar
7. Shri Baidya Nath Prasad Mahato
8. Shri Jagdambika Pal
9. Shri Tapas Paul
10. Shri Ashok Kumar Rawat
11. Shri N. Chaluvaraya Swamy

Rajya Sabha

12. Shri Silvius Condpan
13. Shri Brijlal Khabri
14. Prof. Anil Kumar Sahani
15. Shri Raghunandan Sharma
16. Shri Parshottam Khodabhai Rupala
17. Shri Abani Roy

Secretariat

1.	Shri N.K. Sapra	-	Secretary
2.	Shri Ashok Sarin	-	Joint Secretary
3.	Shri C. S. Joon	-	Director
4.	Shri A.K. Srivastava	-	Additional Director

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

3. The Committee thereafter took up for consideration the following draft Reports :

(i), (ii), (iii) and (iv) *** *** *** *** *** *** ***

(v) Draft Report on Demands for Grants (2011-12) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

(vi) and (vii) *** *** *** *** *** *** *** ***

4. The Committee adopted the draft reports with minor amendments and authorized the Chairman to present the same to both the Houses of Parliament.

The Committee then adjourned.

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