25

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2011-2012)

FIFTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2012-2013)

TWENTY-FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 2012/*Vaisakha*, 1934 (*Saka*)

TWENTY-FIFTH REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2011-2012)

(FIFTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2012-2013)

Presented to Lok Sabha on 02.05.2012
Laid in Rajya Sabha on 02.05.2012

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

May, 2012/*Vaisakha*, 1934 (*Saka*)

<u>CC&F No. 25</u>

Price : Rs. 121.00

© 2012 By Lok Sabha Secretariat

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Fourteenth Edition) and Printed by Jainco Art India, New Delhi-110 005.

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2011-2012)

Shri Gopinath Munde — *Chairman*

MEMBERS

Lok Sabha

2. Shri Prabhatsinh Pratapsinh Chauhan
3. Shri K.D. Deshmukh
4. Smt. Paramjit Kaur Gulshan
5. Shri Yashbant N.S. Laguri
6. Shri Baidya Nath Prasad Mahato
7. Shri Sakti Mohan Malik
8. Shri O.S. Manian
9. Shri Kamlesh Paswan
10. Shri N. Peethambara Kurup
11. Shri Ponnam Prabhakar
12. Shri Ashok Kumar Rawat
13. Shri Sivakumar *alias* Ritheesh
14. Shri Tufani Saroj
15. Shri Suresh Kumar Shetkar
16. Shri Raju Shetti
17. Shri Adagooru Viswanath
18. Shri Om Prakash Yadav
19. Vacant
20. Vacant
21. Vacant

Rajya Sabha

22. Shri Biswajit Daimary
23. Shrimati Naznin Faruque
24. Shri A.A. Jinnah
25. Shri Brijlal Khabri

26. Shri Parshottam Khodabhai Rupala

27. Shri Raghunandan Sharma

28. Dr. C.P. Thakur

[&]29. Shri Dilipbhai Pandya

^30. Vacant

#31. Vacant

SECRETARIAT

1. Shri C.S. Joon — *Joint Secretary*
2. Smt. Emma C. Barwa — *Under Secretary*

[&]Nominated *w.e.f.* 17.09.2011.

#Vacancy arisen due to demise of Shri Silvius Condpan, MP (RS) *w.e.f.* 10 October 2011.

^Vacancy arisen because of retirement of Porf. Anil Kumar Sahani, Member of Rajya Sabha on 02.04.2012.

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2011-12) having been authorised by the Committee to present the Report on their behalf, present this Twenty Fifth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2012-13.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2012-13 which were laid in Lok Sabha and Rajya Sabha on 29 March 2012.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 20 April 2012.

4. The Committee considered and adopted the Report at their sitting held on 27 April 2012.

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 2012-13 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 Part-II of the Report.

NEW DELHI;
30 *April*, 2012
10 *Vaisakha*, 1934 *(Saka)*

GOPINATH MUNDE,
Chairman,
Standing Committee on
Chemicals and Fertilizers.

REPORT

CHAPTER I

INTRODUCTORY

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 manufacturer/ importers of decontrolled fertilizers under the Nutrient Based Subsidy (NBS) scheme being administrated by the Department of Fertilizers. Under the NBS policy, a fixed subsidy on decontrolled P&K fertilizers is announced annually for each nutrient namely nitrogen (N), phosphorus (P), potash (K) and sulphur (S) on per kg basis, which is converted into subsidy per tonne depending upon the nutrient content in each grade of the fertilizers. The MRP (Maximum Retail Price) of P&K fertilizers is open and is allowed to be fixed by manufacturers/ importers at reasonable level, based on demand-supply dynamics.

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)	Namrup	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

The Department of Fertilizers giving details of the growth of fertilizers industry in its Annual Report 2011-2012 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 seized-fertilizer plants set up in the forties and fifties with a view to establish as industrial bases to achieve self-sufficiency in foodgrains. Subsequently, green revolution in the late sixties gave an imeptus 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 intalled capacity as on 31.03.2010 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 favourable policy environment facilitating, large investments in the public, co-operative and private sectors. Presently, there are 30 large size fertilizer plants in the country manufacturing urea (as on date 29 are functioning) 21 units produce DAP and complex fertilizer fertilizers, 5 units produce low analysis straight nitrogenous fertilizers and the 9 manufacturer ammonium suplhate as by product. Besides, there are about 84 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:—

"The growth of fertilizer industry is primarily based on the production capacity, production and sale of fertilizers in the country. The indigenous production of urea during the year 2010-11 was 219 LMT as compared to 211 LMT during the year 2009-10 and 199 LMT during year 2008-09. The increase in production of urea was due to revamp of some units. The gap between the demand and indigenous production is met through import. Good monsoons combined with increased irrigation facilities, increased area under cultivation, better awareness about usage of fertilizers amongst farmers and better purchasing power in the rural areas have contributed to a sharp increase in consumption of fertilizers from 2004-05 onwards.

In order to increase the indigenous production of Urea, an Investment Policy in urea sector was notified on 4th September 2008. The policy has resulted in increase of indigenous Urea production by approximately two million tonnes through revamp of existing plants. No new investments under Expansion, Revival & Greenfield plants materialized. The Fertilizer companies have expressed concern regarding pricing and firm availability of gas before taking final investment decision to undertake expansion, Brownfield and new Greenfield projects. Keeping in view the concerns of fertilizer industry, a proposal for New Investment Policy–2012 in urea sector is under consideration of Department of Fertilizers.

So far as capacity of Phosphate and Potassic sector is concerned, decision in the matter is to be taken by the manufacturing units themselves. The Government has continuously followed a policy for encouraging investments abroad by Indian entities in fertilizer sector in resource rich countries."

2.4 The Committee enquired further about the factors which have impeded selfsufficiency in the fertilizer Sector. The Department in their written reply have stated as under:—

"The indigenous production of fertilizers has not increased to meet the growing requirement largely due to raw materials/inputs limitation and partially due to lack of new investments in urea sector. There has been no significant investment in urea sector in the last decade. India is completely deficient in potassic resources and has to entirely depend upon import for meeting the requirement of potash (MOP) for the Indian agriculture. The country is also deficient in phosphatic resources with more than 90% requirement of the country being met through direct import of finished phosphatic fertilizers or phosphatic raw materials/ intermediates for indigenous production of phosphatic fertilizers. The lack of long term availability of natural gas in the country for urea plants, high cost of imported RLNG gas prices and volatility in prices have impeded new investments in urea sector."

CHAPTER III

SCHEMES DURING ELEVENTH FIVE YEAR PLAN

For the Eleventh Five Year Plan (2007-12), Planning Commission has approved an outlay of Rs. 20627.87 crore consisting of Rs. 1492.00 crore as Domestic Budgetary Support and Rs. 19135.87 crore as Internal & Extra Budgetary Resources (IEBR).

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:—

ELEVENTH FIVE YEAR PLAN

PLAN OUTLAY AND EXPENDITURE DURING 11TH PLAN (2007-08 TO 2011-12)

(Rs. in Crores)

Sl.No.	PSU	11th Plan Allocation			Annual Plan 2007-08 Actual IEBR	Annual Plan 2008-09 Actual IEBR	Annual Plan 2009-10 Actual IEBR	Annual Plan 2010-11 Actual IEBR	Annual Plan 2011-12 (RE)		
		GBS	IEBR	Total					GBS	IEBR	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	RCF	0	6880.37	6880.37	118.57	241.83	141.02	109.65		380.87	380.87
2	FAGMIL	0	42.25	42.25	0.69	0.61	0.37	0.24		0.15	0.15
3	PDIL	0	12.5	12.5	4.77	3.74	7.52	6.35		8.32	8.32
4	NFL	0	6050.75	6050.75	22.04	27.56	43.05	459.68		2268.13	2268.13
5	KRIBHCO	0	6150	6150	79.73	273.77	319.61	725.29		854.46	854.46
6	Revival of sick CPSEs	607		607		50					
					GBS	GBS	GBS	GBS			
6(i)	BVFCL	150		150	7.47	20	65	45.00	67.80		67.80

1	2	3	4	5	6	7	8	9	10	11	12
6(ii)	FACT	210		210	15	13	34	89.99	60.74		60.74
6(iii)	MFL	200		200	9	13	96.99	74.50	88.95		88.95
6(iv)	Misc Scheme	26		26	6.99	1.52	3.68	3.68	7.50		7.50
7	Capital subsidy for conversion	885		885	0	150.00					
8	Investment for JVs abroad	0		0	0	0		0.00	0.01		0.01
9	Revival of Closed Units	0		0	0	0		0			
9(i)	FCI	10		10	0	0		0			
9(ii)	HFC	10		10	0	0		0			
9(iii)	PPCL	1		1	0	0		0			
	TOTAL	1492	19135.87	20627.87	264.26	745.03	711.24	1514.38	225.00	3511.93	3736.93

3.3 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 2012-13, 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.*, BVFCL, FACT & MFL) 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, 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 Joint Secretary. 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."

3.4 The Committee further enquired the reasons for less 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:—

"The sanction of plan funds to all functional PSUs is as per details below:

(Rs. in crore)

Sl. No.	CPSEs	Status	2009-10 (Actual)	2010-11 (RE)	2011-12 (BE)
1	2	3	4	5	6
1.	BVFCL	Sick company but not referred to BIFR	65.00	45.00	87.80

1	2	3	4	5	6
2.	FACT	Loss making, having positive networth	34.00	89.99	60.74
3.	MFL	Sick company under BIFR	96.99	74.50	88.95
4.	FCIL	closed company	—	—	—
5.	HFCL	closed company	—	—	—
6.	PPCL	Company was wound up as per Hon'ble Patna High Court order dt. 12.07.2007 and under liquidation.	—	—	—

In the proposal for revival of the closed units of HFCL and FCIL, it has been envisaged to put up of 1.15 MTPA Urea Plant at each of the existing locations. The Government has decided to revive the 3 units of FCIL at Talcher, Ramagundam and Sindri on nomination basis through consortium of CPSEs. As regards the remaining 5 units of HFCL/FCIL it has been decided to revive them on bidding process. Under the above process there will be no financial implication on the part of the Government as the funds for revival will be arranged by the nominated PSUs and successful bidders as per the terms and conditions that will be finalized after DRS is approved by BIFR and Government.

With regard to PPCL, it may be informed that PPCL was earlier a PSU under Dept. of Fertilizers. The BIFR, after completing an enquiry under section 16 of the Sick Industrial Companies Act on the financial status of PPCL, submitted its opinion in the Hon'ble High court of Patna on 21.12.2002 for winding up the PSU as it was not likely to make its net worth exceed its accumulated losses within a reasonable time despite meeting all its financial obligation. The Hon'ble High court, Patna vide its decision dated 12.07.2007 agreed with BIFR recommendations. An official liquidator was appointed and was directed to take the charge of the assets of the company in liquidation."

3.5 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 no provision to allocate funds as the existing units will be revived by the consortium of PSUs and bidders as per terms and conditions, which will be finalised after approval of draft rehabilitation scheme by BIFR and Government.

The sick/loss making PSUs shall be given plan loans under renewal and replacement schemes as done in past based on the viability of the proposals received from the sick/loss making PSUs as per the requirement and availability of plan funds."

3.6 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, the Department of Fertilizers in its written reply has stated that:—

"The Policy for Stage-III of New Pricing Scheme for Urea manufacturing units dated 8th March, 2007 for conversion of FO/ LSHS based units to Gas, provided for capital subsidy for which DoF was to notify a separate scheme in consultation with Department of Expenditure (DoE), Ministry of Finance. After consultation with DoE, Policy for conversion of FO/LSHS Urea units to Natural Gas was notified on 6th March, 2009 which provided for recognition of cost of conversion through a special fixed cost component and retaining of existing pre-set energy norms for five years after conversion.

In view of notification of above stated Policy dated 6th March, 2009 which recognized reimbursement of cost of conversion, post-conversion in a span of 5 years by way of special fixed cost and retaining of energy saving, the allocation of funds under capital subsidy was not required for the period 2007-08 to 2011-12."

3.7 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:—

"In the proposal for revival of the closed units of HFCL and FCIL, it has been envisaged to put up of 1.15 MTPA Urea Plant at each of the existing locations. The Government has decided to revive the 3 units of FCIL at Talcher, Ramagundam and Sindri on nomination basis through consortium of CPSEs. As regards the remaining 5 units of HFCL/FCIL it has been decided to revive them on bidding process. Under the above process there will be no financial implication on the part of the Government as the funds for revival will be arranged by the nominated PSUs and successful bidders as per the terms and conditions that will be finalized after DRS is approved by BIFR and Government.

The Draft Rehabilitation Scheme (DRS) for revival of HFCL and FCIL are currently under consideration of BIFR.

Out of the nine public sector fertilizer companies under the administrative control of Department of Fertilizers, Fertilizers Corporation of India Ltd. (FCIL), Hindustan Fertilizers Corporation Ltd. (HFCL), Madras Fertilizers Ltd. (MFL) and Brahmaputra Valley Fertilizers Corporation Ltd. (BVFCL) 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 sick companies."

3.8 The Committee enquired whether the amount allocated by the Planning Commission for various PSUs and other schemes in Annual Plan 2012-13 is sufficient to meet the need, the Department of Fertilizers in its written reply stated that:—

"Planning Commission has allocated an amount of Rs. 256 crores for requirement of DoF in the Annual Plan 2012-13. Bulk of these is allocated to three such 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."

3.9 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 and 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-a-vis* the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, 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 Joint Secretary. 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."

3.10 The Committee further enquired about the monitoring mechanism being set up by Department of Fertilizers to monitor the implementation of the approval schemes by PSUs and to achieve the projected plan target during 2012-13, 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 and 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-a-vis* the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, 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 Joint Secretary. Hence monitoring of Annual Plan at planning, execution and implementation stage is done by Board, DoF as well as Planning Commission. Thus structured monitoring, mechanism will ensure planning and implementation of capital expenditure under Annual Plan 2012-13."

3.11 The Committee further enquired how does Department of Fertilizers plan to integrate the targets not achieved in the 11th Five Year Plan into the 12th Five Year Plan, the Department of Fertilizers in its written reply has stated that:-—

"Original plan outlay for 11th Plan was Rs. 6050.75 crore included Rs. 3200 crore towards take over and revival of closed urea plant at Barauni. Subsequently, the project of revival of closed urea plant at Barauni was taken from NFL and entrusted to Urvarak Videsh Ltd. (UVL). With the exclusion of above project and considering revision in the project cost for two major projects of the company of changeover of feed stock from LSHS/FO to Gas at Nangal, Panipat & Bathinda unit and energy saving and urea capacity Augmentation Project at Vijaipur, the original plan outlay of Rs. 6050.75 crore was revised to Rs. 3993.75 crore. Against the revised plan outlay of Rs. 3993.75 crore, actual expenditure during 11th Plan was Rs. 2106.14 crore. The shortfall in expenditure during 11th Plan was due to the fact that execution of changeover of feed stock from FO to NG/RLNG at three FO based units could be taken up for execution only after receipt of CCEA approval on 29th January, 2010 and project for energy saving and capacity enhancement of Urea at Vijaipur could be taken up for execution only after notification of New Investment in Urea Sector Policy by GoI on 04.09.2008.

The above projects taken up for execution during 11th Plan period are expected to be commissioned during 2012-13, thereby achieving the targets during 12th Plan period.

RCF

Outlay under 11th Plan was Rs. 6880.37 crore of which RCF has spent approximately Rs. 922. 45 Crore. However this may be noted that outlay under 11th Plan included two major projects *viz.* Thal-III expansion and revival of fertilizer unit at Talcher. Together outlay for these two projects was Rs. 5,296 crore and these projects will continue under 12th Five Year Plan also. Additionally some of the schemes considered under 11th Plan such as setting up of Wind Farm, Manufacturing of Ethanol from Jatropha have been dropped.

PDIL

The following scheme of plan outlay which could not be utilized during the year 2011-12 of 11th Plan outlays are to be carried forward for utilization in the year 2012-13 of 12th Five Year Plan. The carry forward amount is in addition to the 12th Five Year Plan of Rs. 36.50 crore. The required fund is to be met through IEBR.

Sl.No.		2011-12 (RE) (Rs. in crore)
A.	Continuing Scheme	
1.	Computer Networking (Study related to readings & deployment of IPV6)	0.05
	Sub-Total	0.05
B.	New Scheme	
1.	Renovation of Exterior Façade and Reception area of PDIL Bhawan, Noida	0.80
2.	Setting up of Laboratory for SSP at PDIL Bhawan at Noida	0.10
3.	ERP Design & DMS	2.90
	Sub-Total	3.80
	Total	3.85
	GBS	—
	IEBR	3.85

3.12 The Committee also enquired about the proposed plan outlays for 12th Five Year Plan and whether the proposed 12th Five Year Plan has been approved by the Planning Commission, the Department of Fertilizers in its written reply stated that:—

"The proposed plan outlays for the 12th Five Year Plan has been furnished to the Planning Commission which is under consideration. The Statement showing the scheme-wise proposed plan outlays for the 12th Five Year Plan is as under:—

(Rs. in crore)

Name of the scheme	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	Total
1	2	3	4	5	6	7	8
RCF	IEBR	673.75	2739.00	2198.00	925.00	300.00	6835.75
FAGMIL	IEBR	23.51	48.42	31.25	5.75	11.30	120.23

1	2	3	4	5	6	7	8
PDIL	IEBR	6.05	13.82	9.56	3.94	3.13	36.50
NFL	IEBR	1696.98	717.49	355.60	280.60	70.60	3121.27
BVFCL	GBS	153.31	766.58	1271.36	1119.84	0.00	3311.09
FACT	GBS	100.00	Not finalized the individual schemes				6537.00
MFL	GBS	141.91	Not finalized the individual schemes				383.91
Misc. Schemes (MIS/IT and R&D)	GBS	12.00	5.00	5.00	5.00	5.00	32.00
	Total	2807.51					20377.75

CHAPTER IV

ANALYSIS OF DEMANDS FOR GRANTS OF THE DEPARTMENT OF FERTILIZERS FOR THE YEAR 2012-13

The detailed Demands for Grants for the year 2012-13 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. 243.99 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 Fertilizers Corporation Limited (BVFCL). An amount of Rs. 3075.29 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 2012-13 for Plan and Non-Plan expenditure is given below:—

(Rs. in crore)

	2009–10			2010–11			2011-12			2012-13
	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure as on 31.01.12	Budget Estimates
Plan	200.00	200.00	199.67	215.00	215.00	214.28	225.00	225.00	175.18	256.00
Non-plan	53600.50	56600.50	64050.22	52860.00	57860.00	61879.59	53612.00	71592.00	65475.27	65618.00
Total	53800.50	56800.50	64249.89	53075.00	58075.00	62093.87	53837.00	71817.00	65650.45	65874.00

4.5 The Committee enquired about the reasons for variations in BE, RE and AE for the years 2009-10, 2010-11 and 2011-12. 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:

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 D/o Fertilizers during the year was Rs. 77445.76 crores. 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 crores made by M/o 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. There is no significant variation in the budget projected by DoF in the beginning of the year and at RE stage.

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 utilization during the year 2010-2011 was Rs. 214.28 crore.

Non-plan

Non-plan budget (BE) during the year is Rs. 52860.00 crore (Gross) which was 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. Further it was increased to Rs. 65860.00 crore (Gross) after an allocation of Rs. 8000 crore made by M/o Finance under 3rd and Final Batch of Supplementary Demands for Grants for the year 2010-11. The actual utilization during the year 2010-2011 was Rs. 65859.08 crore (Gross).

2011-12

Plan

The budget provision during the year was Rs. 225.00 crore which has been kept at the same level at the RE stage. The actual expenditure booked as on 31.01.2012 was Rs. 175.18 crore and will be utilized in full.

Non-plan

Non-plan budget (BE) allocated during the year is Rs. 53612.00 crore (Gross) and Rs. 50020.00 crore (Net) which has been augmented to Rs. 67390.93 crore (Gross) and Rs. 63798.93 crore (Net), after an allocation of Rs. 13778.93 crore (including Rs. 778.93 crore allocated towards compensation on account of loss due to sale of fertilizer bonds) made by M/o Finance under 2nd Supplementary, at RE stage against revised projections of Rs. 95865.32 crore (Gross) which also includes carry over liabilities of Rs. 7216.67 crore from 2010-11. Also, DoF have requested for further amount of Rs. 21458.06 crore (excluding Rs. 4201.07 crore allocated under RE 2011-12 by M/o Finance which will be available only through 3rd Supplementary) under the 3rd Supplementary. Due to constraints on account of availability of budgetary resources, this Department has proposed only Rs. 10000 crore under 3rd Supplementary and the rest is being proposed to be rolled over during the next year. However, M/o Finance has proposed to give Rs. 3000.00 crore against the Department's proposal. Non-plan expenditure as on 31.01.2012 was Rs. 65475.27 crore (Gross) and will be utilized in full."

4.6 The Committee observed that non-plan expenditure of the Government, the BE for Fertilizer subsidy was at Rs. 49997.87 crore for the year 2011-12 and the revised budget for year 2011-12 was Rs. 67198.94 crore and actual expenditure was at Rs. 60974.10 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 budget depend on the requirement of various fertilizers under the subsidy/concession regime as assessed by the Department of Agriculture abd Cooperation as also prices of raw-materials/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. Although the Department of Fertilizer's projects requirement of subsidy on the basis of estimated consumption and prices of fertilizers/inputs in the international market, funds allocated are less due to constraints of availability of budgetary resources. However, additional funds are made available during the course of the year through the Supplementary Demands for Grants on the basis of the requirements."

4.7 The Committee enquired about the steps being taken by the Department to keep the non-plan expenditure under control for the year 2012-13, the Department of Fertilizers in its written reply has stated that:—

"The non-plan expenditure on subsidy of fertilizers for the last 4 years is as under:—

(Rs. in crores)

Year	P&K fertilizers	Indigenous urea	Imported urea	Total of urea	Grand Total
2008-09	32597.69	20968.74	12971.18	33939.92	99494.71
2009-10	39452.06	17580.25	6999.98	24580.23	64032.29
2010-11	41500.00	15080.73	9255.95	24336.68	65836.68
2011-12	36107.94	20208.00	17475.00	37683.00	74569.87*
2012-13 (BE)	28576.12	19000.01	18016.00	37016.01	65592.13

*Including Rs. 778.93 crore for loss on bonds.

It is seen from the above table that subsidy on account of P&K fertilizers has been contained whereas in case of urea, the subsidy has marginally increased.

Government has introduced Nutrient Based Subsidy (NBS) policy for decontrolled P&K fertilizers *w.e.f.* 1st April 2010. Under the policy, the subsidy on P&K fertilizers is announced by the Government on annual basis. The subsidy is announced for each nutrient *i.e.* nitrogen (N), phosphorus (P), potash (K) and sulphur (S) on per kg. basis which is converted into subsidy per ton depending upon the nutrient content in each grade of the fertilizers. The MRP (Maximum Retail Price) of P&K fertilizers is fixed by manufactures/importers.

With the decontrol of MRP, while the domestic prices will be a function of demand supply situation, international prices and exchange rate fluctuations, subsidy per tonne of fertilizer will remain fixed. This will result in the subsidy burden on P&K fertilizers remaining under control.

In case of imported urea the Government have no control over its import price and therefore, the Government has no control over non-plan expenditure on this account."

4.8 The Committee further enquired about the steady increase of subsidy on imported fertilizers from Rs. 6453.91 crore in 2010-11 to Rs. 13398.00 crore in the year 2012-13. The Department of Fertilizers in its written reply stated that:—

"The increase of subsidy on imported fertilizers for the year 2012-13 is due to increase in the estimated requirement of imported urea during 2012-13 *vis-a-vis* 2010-11 and the higher prevailing price of urea in the international market as compared to 2010-11. The urea requirement is estimated at 90 lakh MT for the year 2012-13 as against the actual imports of 66.10 lakh MT in 2010-11 and 78.34 lakh MT in 2011-12. The average price for 2012-13 for preparation of BE is taken as US$ 400 per MT C&F (Other than OMIFCO urea) as against the actual weighted average price of urea US$3 27.38 per MT C&F (other than OMIFCO) in 2010-11 and US$ 481.74 per MT C&F (other than OMIFCO) in 2011-12."

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 2012-13. The Department in its written reply stated that:—

"Allocation of plan fund in respect of M/s. Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), a loss making Fertilizer Company located at Namrup village in the State of Assam under the administrative control of this Department, is treated as contribution towards the North Eastern Region and Sikkim for the year 2012-13. M/s. BVFCL has been allocated Rs. 94.62 crores for the year 2012-13. The amount will be spent as initial expenses for setting up a new brown field ammonia urea plant at Namrup having capacity to produce 8.64 lakh MT of urea per annum. The fund allocating during the year 2012-13 will be spent towards appointment of consultants to prepare detailed technical plan, assist in financial and legal matters, funding arrangement etc. and for getting statutory/Central/State clearances including environment clearance for the above project."

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 2012-13, 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.*, BVFCL, FACT & MFL) 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-a-vis* the budgetary provisions. However, in respect of profit making PSEs (NFL, RCF, 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 Joint Secretary. 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."

4.11 The Committee further enquired about the reasons for increased allocation of Plan funding from Rs. 217.49 crore in RE 2011-12 to Rs. 243.99 crore BE in 2012-13 and decrease in non-plan funding from Rs. 3511.93 crore to Rs. 3075.29 crore and overall investment in Public Enterprises has decreased from Rs. 3729.42 crore to Rs. 3319.28 crore in BE 2012-2013, the Department of fertilizers in its written reply stated that:—

> "The increased allocation of plan fund is based on the estimated requirement of schemes/programmes proposed by loss making

PSUs which are to be implemented through budgetary allocation of the Government. The amount will be spent on renovation of plant equipment and machineries. This will lead to sustained running of the plants, increase in production and reduction in energy consumption.

The decrease in IEBR funding in 2012-13 in respect of NFL is as follows:—

The plan outlay for 2012-13 (BE) has been kept at Rs. 1696.98 crore as against the Plan outlay of Rs. 2268.13 crore kept in 2011-12 (RE). Out of Rs. 1696.98 crore, plan outlay for 2012-13 an amount of Rs. 1624.80 crore pertains to two major Projects of changeover of feed stock from LSHS/FO to Gas at Nangal, Panipat & Bathinda unit and energy saving and urea capacity Augmentation Project at Vijaipur which were undertaken in the 11th Plan and shall be commissioned during 12th Plan in the year 2012-13.

Changeover of feed stock projects at Nangal, Panipat & Bathinda units have achieved physical progress of around 86-89% and are expected to be commissioned by 3rd/4th Quarter of 2012-13. The Energy Saving and Urea capacity Augmentation Projects at Vijaipur are expected to be commissioned during 1st quarter of 2012-13. Plan outlay of Rs. 1624.80 crore kept for these projects pertains to balance payments to be released during 2012-13."

4.12 The Committee observed that an increase of Rs. 1798.00 crore was made from BE 2011-12 of Rs. 50245.00 crore to Rs. 68225.00 crore in RE (2011-12). The Committee inquired about the reasons for the increase in the total budget allocations in non-plan funding of the Budget, the Department of fertilizers in its written reply stated that:—

"Reasons for increase in the budgetary allocation was on account of additional requirement of funds under the fertilizer subsidy heads as well as requirement for compensation to the fertilizer companies for losses on sale of fertilizer bonds issued to them in the previous years."

CHATPER 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 2011-12, stated as under:—

> "**Subsidy Management of Urea:-** Subsidy on urea is managed under the policy for Stage-III of New Pricing Scheme for Urea manufacturing units, notified on 8 th March 2007. For effective management of subsidy under NPSIII policy, Department of Fertilizers has notified the revised consumption norms and fixed the re-assessed capacity of each urea unit. Subsidy is determined based on the increase/decrease in the input *i.e.* gas and naptha etc.
>
> Urea Subsidy (escalation/de-escalation claims) is worked out by the DoF/FICC on quarterly basis for all 29 manufacturing units. Subsidy to individual units is reimbursed on conformity to planned movement up to district level for both controlled and decontrolled urea. The time limit of existing payment system is 45 days and is adhered to. No certification is required from the State Government for release of subsidy to urea units. Subsidy will be paid only when the urea reached the district.
>
> **Subsidy Management of P&K Fertilizers:-** Department of Fertilizers is implementing the Nutrient Based Subsidy (NBS) Policy for decontrolled Phosphatic & Potassic (P&K) fertilizers *w.e.f.* 1.4.2010 under which the Government announces per Kg. subsidy on nutrients namely nitrogen 'N', Phosphate 'P', Potash 'K' and Sulphur 'S' on annual basis taking into consideration the affordability of the farmers and prices of fertilizers/raw materials in the international market. Per Kg. subsidy on nutrients (N' P' K and S) is converted into per tonne subsidy on fertilizers grades depending upon its nutrient content. At present, 25 grades of P&K fertilizers namely DAP, MOP, MAP, TSP, SSP, Ammonium Sulphate (produced by GSFC and FACT) and 19 grades of NPKS complex fertilizers are covered under the NBS policy. Under the policy, MRPs of P&K fertilizers is open and manufactures/importers are allowed to fix MRPs at reasonable level based on demand and supply dynamics.

The country is fully dependent on imports in Potash Sector and to the extent of 90% in Phosphatic sector. Any increase or decrease in the prices of P&K fertilizers in the international market has direct bearing on the prices of P&K fertilizers in the country.

Since, subsidy on P&K fertilizers is fixed, there is no impact of prices of fertilizers and its raw materials in the international market on subsidy outgo in respect of P&K fertilizers. The quantum of subsidy on P&K fertilizers depends only on the total sale/ consumption of P&K fertilizers.

In addition to NBS on P&K fertilizers, the Government also provide reimbursement on account of freight on P&K fertilizers to ensure availability of fertilizers in all part of the country.

Department of Fertilizers has introduced web based Fertilizer Monitoring System (FMS) under which import of raw materials/ intermediates/finished fertilizers/production, movement, distribution, sale of fertilizers and payment of subsidy are monitored. The claims of subsidy are generated by manufactures/ importers/marketers of P&K fertilizers under the FMS.

Department of Fertilizers release subsidy on P&K fertilizers in two phases *i.e.* (i) On Account payment and (ii) balance payment. Payment of 85% (90 % with Bank Guarantee) of the subsidy to the Companies in case of P&K fertilizers (except SSP) is disbursed as 'On Account' payment on the basis of receipt of fertilizers in the district, certified by the Statutory Auditor of the company. In respect of SSP, the 'On Account' Payment is based on the sale of fertilizer in the districts certified by Statutory Auditor of the company. The balance payment (10-15%) of subsidy on P&K fertilizers is made after the sale of fertilizers in the district on the certification from Company's Statutory Auditor. In case of SSP, the balance is made after the receipt of Proforma 'B' from the State Government."

The details of subsidy outgo during the last six years is as under:—

(Rs. in crores)

Years	Indigenous P&K	Imported P&K	Indigenous Urea	Imported Urea (Gross)	Total (Gross)
1	2	3	4	5	6
2006-07	6648.17	3649.95	12650.37	5071.06	28019.55
2007-08	10333.80	6600.00	16450.37	9934.99	43319.16

1	2	3	4	5	6
2008-09	32957.10	32597.69	20968.74	12971.18	99494.71
2009-10	16000.00	23452.06	17580.25	6999.98	64032.29
2010-11	20650.00	20850.00	15080.73	9255.95	65836.68
2011-12(BE)	14343.00	15363.87	13308.00	10575.00	53589.87
2011-12(RE)	19832.00	14954.87	19308.00	17575.00	71569.87

Including Rs. 13778.93 Crore allocated under 2nd Supplementary Demands for Grants for 2011-12 which Rs. 778.93 Crore have been allocated towards compensation on account of loss due to sale of Fertilizers Bonds. Additional allocation of Rs. 4201.07 Crore have been allocated in RE 2011-12 which will be available for expenditure only in 3rd Supplementary.

5.2 The Committee further informed in a detailed note about the increasing trend of fertilizer subsidy as under:—

"The increase in rate of subsidy on fertilizers combined with the increase in consumption in 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 farms insulated from this increase in cost and a have increased the subsidy allocations to meet the consumption needs of the farmers at subsidized level of prices. The subsidy on fertilizers has increased sharply over the last few years.

The steady increase in fertilizer subsidy over the years has largely been the result of increasing production/consumption and increase in the cost 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 off significantly during the eighties. The gas based fertilizers units commissioned during this period also involves higher capital investment per ton 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 to July 1991. The Government effected an increase of 30% in the issue prices of fertilizers in August 1991 after a gap of 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% *w.e.f.* 21.02.1997. The prices of Urea were again revised in February 2002 by 5% and by Rs. 240 PMT of Urea *w.e.f.* 28.02.2003. The price increase made effective from 28.02.2003 was, however, later withdrawn *w.e.f.* 12.03.2003. The MRP of Urea *i.e.* @ Rs. 4830/- per ton exclusive of local levies continued upto 31.03.2010. *w.e.f.* 01.04.2010, MRP of Urea increased by 10% *i.e.* from Rs. 4830 PMT to Rs. 5310 PMT."

Details of Expenditure on subsidy/concession from 2001-02 to 2011-12

(Rs. in crores)

Period	Amount of concession disbursed on decontrolled fertilizers		Amout of Subsidy disbursed on Urea		Total for all Fertilizers
	Indigenous P&K	Imported P&K	Indigenous Urea	Imported Urea	
2001-2002	3759.99	743.53	8257.00	147.50	12908.02
2002-2003	2488.00	737.00	7790.00	1.16	11016.16
2003-2004	2606.00	720.00	8521.00	0.82	11847.82
2004-2005	3977.00	1165.00	10243.15	742.36	16127.51
2005-2006	4500.00	2097.00	10460.17	2164.71	19221.88
2006-2007	6648.17	3649.95	12650.37	5071.06	28019.55
2007-2008	10333.80	6600.00	16450.37	9934.99	43319.16
2008-2009	32957.10	32597.50	20968.74	12971.38	99494.72
2009-2010	16000.00	23452.06	17580.25	6999.98	64032.29
2010-2011	20650.00	20850.00	15080.73	9255.95	65836.68
2011-2012(BE)	14343.00	15363.87	13308.00	10575.00	53589.87

(A) DIRECT SUBSIDY TO FARMERS

5.3 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.

5.4 In this connection, the Committee enquired about the latest status regarding 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 Government has constituted a Task Force on transfer of direct subsidy in case of Fertilizer, LPG and Kerosene under the chairmanship of Shri Nandan Nilekani, UIDAI on 14 February 2011. The Task Force is to recommend and implement a solution for direct transfer of subsidy to the intended beneficiaries. The Task Force has given the Interim Report on 5th July, 2011 and is still in the process of having discussions and also conducting pilot studies. NIC is providing the technical support and software requirement specifications for coverage of countrywide retailers/farmers data which is time consuming and mandatory to implement the final report for direct transfer of subsidy to the retailers/farmers.

The Task Force has recommended three phase approach for implementation of the transfer of direct subsidies. In Phase-1, the information regarding availability about the movement of goods across the fertilizers supply chain till the last point at the retailer from whom the farmers buy the fertilizers. This information on availability of the fertilisers at the retail point will be made available on transparent public portal. In phase-II, it is envisaged that subsidy will be released to retailer when he received the fertilizer *i.e.* the last point sale. After completion of phase-II, the subsidy will be released directed to retailer bank account on receipt on fertilizer from wholesaler. In phase-III, subsidy will be transferred to intended beneficiaries once the AADHAAR numbers are given and AADHAAR enabled payment bridges are in place."

5.5 The Committee further enquired about the latest position in the implementation of direct payment of subsidy and the initiation of Phase-I, in this regard the Department of fertilizers in its written reply stated that:—

"Department of Fertilizers, with the technical support of National Informatics Centre (NIC) developed a mobile and web application of mobile Fertilizer Management System (mFMS) which will provide information about stock position, sale, and receipt of fertilizer at national, State and district level. Fertilizer companies, retailers and wholesalers are expected to update the data on the mFMS transparency portal (http://mfms.nic.in) or use the mobile application.

The pilot project for Phase-I implementation was launched in November 2011 in six districts across India. Subsequently, since December 2011, with the rollout of mFMS project has been capturing and reporting data on the mFMS transparency portal for public consumption. The countrywide rollout and stabilization is currently in progress. The Department of Fertilizers is closely monitoring the progress of mFMS Phase-I implementation.

> Considering the challenges, issues reported by dealers and companies, the application developed by NIC is also undergoing continuous enhancements. The number of transactions is slowly picking up and steps have been taken to expedite the receipt of data from retailers, as part of the Phase-I requirements.
>
> Currently, Department is dedicated to stabilize Phase I by tackling on the ground implementation issues such as gaps in mobile coverage over certain geographical regions, regional supply chain issues, user trainings and application up gradation."

5.6 Further when asked by the Committee by when all the three phases namely Phase-I, II and III of direct payment of Subsidy is expected to be completed and implemented, the Department of Fertilizers in its written reply has stated that:—

> "It is estimated that the national rollout for Phase-I will take at least 6 months to stabilize. Discussions are in process for the way forwards post Phase-I stabilisation since the Department will have to assess the feasibility of each phase in detail given the complex nature of Fertilizer movement, subsidy, computation, stakeholder's involvement, investment cycle in technology enablement, Process re-engineering of subsidy payment procedures, change management and impact on Government budget as well as large number of beneficiaries."

5.7 The Secretary, Department of Fertilizers during evidence added as under:—

> "….based on internal discussion and based on experience we have concluded that subject to approval by task force there will be no need for retail subsidy in stage II. Today we are giving subsidy to manufacturers and then we will try to go stage III where farmers will get the subsidy. To go to stage III it will take more than one year. All should have AADHAR numbers."

(B) NUTRIENT BASED SUBSIDY

5.8 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 Fertilizers with effect from 1st April 2010.

The Committee were informed about the salient features of Nutrient Based Subsidy (NBS) as under:—

"The salient features of Nutrient Based Subsidy policy are as under:

- The subsidy on P&K fertilizers is announced on annual basis for each nutrient *i.e.* nitrogen (N), phosphorus (P), potash (K) and sulphur (S) on per kg basis which is converted into subsidy per tonne depending upon the nutrient content in each grade of the fertilizers.
- The MRP (Maximum Retail Price) of P&K fertilizers has been allowed to be fixed by manufacturers/importers at reasonable level based on demand-supply dynamics.
- At present, Twenty Five (25) grades of P&K fertilizers [namely, DAP, MAP, TSP, MOP, SSP, Ammonium Sulphate (produced by FACT and GSFC) and 19 grades of NPKS complex fertilizers] are covered under the NBS Policy.
- 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.
- 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).
- The freight reimbursement on account of primary movement of fertilizers by rail is provided as per the actual based on railway receipt. No reimbursement on account of secondary movement from rake point to various retail points is provided *w.e.f.* 1.4.2012. Freight on account of direct road movement is provided as per actual subject to maximum of equivalent rail freight. Maximum allowable distance under direct road movement is 500 Kms.

- 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 EC 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) Per Kg NBS rates for nutrients NPKS for the 2010-11, 2011-12 and 2012-13:

NBS rates (Rs. per Kg.)

Nutrients	1st Apr-31st Dec. 2010	1st Jan.-31st Mar. 2011	2011-12	2012-13
'N' (Nitrogen)	23.227	23.227	27.153	24.000
'P' (Phosphate)	26.276	25.624	32.338	21.804
'K' (Potash)	24.487	23.987	26.756	24.000
'S' (Sulphur)	1.784	1.784	1.677	1.677

Per MT additional subsidy for fortified fertilizers with Zinc and Boron is Rs. 500 and Rs. 300 per MT respectively."

5.9 On being asked about the latest status of implementation of Nutrient Based Subsidy (NBS) policy, the Department of Fertilizers in its written reply has stated as follows:—

"The Government has constituted a Task Force on transfer of direct subsidy in case of Fertilizer, LPG and Kerosene under the Chairmanship of Shri Nandan Nilekani, UIDAI on 14 February 2011. The Task Force is to recommend and implement a solution for direct transfer of subsidy to the intended beneficiaries. The Task Force has given the Interim Report on 5th July, 2011 and is still in the process of having discussions and also conducting pilot studies. NIC is providing the technical support and software requirement specifications for coverage of countrywide retailers/ farmers data which is time consuming and mandatory to implement the final report for direct transfer of subsidy to the retailers/farmers.

The Task Force has recommended three phase approach for implementation of the transfer of direct subsidies. In Phase-I, the information regarding availability about the movement of goods across the fertilizers supply chain till the last point at the retailer from whom the farmers buy the fertilizers. This information on availability of the fertilizers at the retail point will be made available on transparent public portal. In Phase-II, it is envisaged that subsidy will be released to retailer when he received the fertilizer *i.e.* the last point sale. After completion of Phase-II, the subsidy will be released directly to retailer bank account on receipt of fertilizer from wholesaler. In Phase-III, subsidy will be transferred to intended beneficiaries once the AADHAR numbers are given and AADHAAR enabled payment bridges are in place.

With the objective of ensuring Nation's food security, improving agricultural productivity and ensuring the balanced application of fertilizers, the Government of India introduced the Nutrient Based Subsidy (NBS) Policy *w.e.f.* 1.4.2010 for decontrolled P & K fertilizers. Under the policy, the subsidy on P&K fertilizers is announced on annual basis for each nutrient *i.e.* nitrogen (N), phosphorus (P), potash (K) and sulphur (S) on per kg basis which is converted into subsidy per tonne depending upon the nutrient content in each grade of the fertilizers. The MRP (Maximum Retail Price) of P&K fertilizers has been allowed to be fixed by manufacturers/importers at reasonable level based on demand-supply dynamics.

At present, Twenty Five (25) grades of P&K fertilizers [namely, DAP, MAP, TSP, MOP, SSP, Ammonium Sulphate (produced by FACT and GSFC) and 19 grades of NPKS complex fertilizers] are covered under the NBS Policy. 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.

Under the NBS Policy, the Government has constituted an Inter-Ministerial Committee (IMC) comprising of Joint Secretary level representatives of Department of Agriculture & Cooperation (DAC), Department of Expenditure (DoE), Planning Commission and Department of Agricultural Research and Education (DARE) with Secretary (Fertilizers) as its Chairman. This Committee recommends NBS rates for various nutrients *i.e.* nitrogen-'N', phosphorus-'P', potash-'K' and sulphur-'S' contained in the P&K fertilizers covered under the Policy, before the start of the financial year, for decision by the Government (Department of Fertilizers) to announce the subsidy rates on the P&K fertilizers.

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).

Under NBS Policy, freight for primary movement of fertilizers by rail is reimbursed as per the actual based on railway receipts. Freight for road movement of fertilizers was assumed to be included in NBS. Accordingly, during 1.4.2010 to 31.12.2010 an amount of Rs. 300 was added on the NBS of DAP and MOP and commensurately on other grades of P&K fertilizers depending upon its P&K content. However, on recommendation of IMC and in consultation with Dept. of Expenditure reimbursement on account of direct road movement from plants/ports to various retail points was also provided as per the actual subject to maximum of equivalent rail freight, during 1.4.2010 to 31.12.2010. Maximum allowable distance under direct road movement is 500 Kms.

With effect from 1.1.2011 the freight on account of primary movement of fertilizers by rail was provided provisionally as per the actual based on railway receipt. Freight on account of secondary movement from rake point to various retail points was provided based on Uniform Freight Policy as applicable to Urea. Freight on account of direct road movement was provided as per actual subject to maximum of equivalent rail freight. A lump sum freight subsidy of Rs. 200 PMT was provided to SSP *w.e.f.* 1.1.2011, which was discontinued w.e.f. 1.9.2011.

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 EC 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 which the units will have to convert to gas or use imported Ammonia.

The NBS rates for 'N', 'P', 'K' & 'S' (Nitrogen, Phosphate, Potash and Sulphur) on per Kg basis during different periods are as under:

NBS rates (Rs. per Kg)

Nutrients	1st Apr.-31st Dec. 2010*	1st Jan.-31st Mar. 2011**	2011-12
'N' (Nitrogen)	23.227	23.227	27.153
'P' (Phosphate)	26.276	25.624	32.338
'K' (Potash)	24.487	23.987	26.756
'S' (Sulphur)	1.784	1.784	1.677

*Including Rs. 300/- per MT for secondary freight from rake point to retail points.
**Excluding the secondary freight of Rs. 300/- PMT, which is being paid separately on per ton per Km basis.

Per MT Nutrient Based Subsidy during 2010-11 and 2011-12:

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

NBS rates (Rs. per MT)

Sl. No.	Fertilizer Grades (FG) (NPKS nutrient)	2010-11		2011-12
		1st Apr. to 31st Dec. 2010	1st Jan. to 31st Mar. 2011	
1	2	3	4	5
	FG already under CS carried under NBS w.e.f. 1.4.2010			
1.	DAP (18-46-0-0)	16268	15968	19763
2.	MAP (11-52-0-0)	16219	15897	19803
3.	TSP (0-46-0-0)	12087	11787	14875
4.	MOP (0-0-60-0)	14692	14392	16054
5.	SSP (0-16-0-11)	4400	4296+200	5359

1	2	3	4	5
6.	16-20-0-13	9203	9073	11030
7.	20-20-0-13	10133	10002	12116
8.	20-20-0-0	9901	9770	11898
9.	23-23-0-0	11386	11236	13686
10.	28-28-0-0	13861	11678	16657
11.	10-26-26-0	15521	15222	18080
12.	12-32-16-0	15114	14825	17887
13.	14-28-14-0	14037	13785	16602
14.	14-35-14-0	15877	15578	18866
15.	15-15-15-0	11099	10926	12937
16.	17-17-17-0	12578	12383	14662
17.	19-19-19-0	14058	13839	16387
18.	Amm. Sul. (20.6-0-0-23)	5195	5195	5979
	New fertilizers included under NBS after 1.4.2010			
19.	16-16-16-0 (*w.e.f.* 1.7.2010)	11838	11654	13800
20.	15-15-15-9 (*w.e.f.* 1.10.2010)	11259	11086	13088
21.	24-24-0-0 (*w.e.f.* 1.10.2010)	11881	11724	14278
22.	DAP Lite (16-44-0-0) (*w.e.f.* 1.2.2011)	—	14991	18573
23.	DAP Lite-II (14-46-0-0) (for one year *w.e.f.* 30.8.2011)	—	—	18677
24.	MAP Lite (11-44-0-0) (for one year *w.e.f.* 30.8.2011)	—	—	17276
25.	13-33-0-6 (for one year *w.e.f.* 30.8.2011)	—	—	14302

Additional Compensation under NBS Policy: Department of Fertilizers is providing the following amount of separate additional subsidy on provisional basis to the indigenous manufacturers producing complex fertilizers using Naphtha/Fuel Oil based captive Ammonia to compensate for their higher cost of production of 'N' subject to final recommendation of the Tariff Commission. This compensation is allowed for a maximum period of two years (*w.e.f.* 1.4.2010 to 31.3.2012) during which the units will have to convert to gas or use imported Ammonia.

Name of the company	Grades of Fertilizers	Amount (Rs. PMT) of additional compensation (Provisional)
FACT (Cochin)	20-20-0-13	3121
	AS (20.6-0-0-13)	3658
MFL, Manali	20-20-0-13	5434
	17-17-17-0	4640
GNVFC, Bharuch	20-20-0-0	2534

The matter regarding extension of additional compensation to the above mentioned companies (M/s FACT/GNVFC/MFL) beyond March 2012 is under consideration/examination in the Department.

Maximum Retail Price (MRP): Under the NBS regime, MRP of P&K fertilizers has been left open and manufacturers/marketers/ importers are allowed to fix the MRP at reasonable level. In the first year of NBS implementation there has not been substantial increase in the prices of P&K fertilizers. However, in the year 2011-12, due to sharp increase in the international prices of the finished/intermediate/raw materials of P&K fertilizers, the MRPs of P&K fertilizer has registered substantial increase in prices. The depreciation of Indian rupee against US$ has further added to increase in prices.

Inclusion of new fertilizers under the NBS Policy: With the objective of providing a variety of subsidized fertilizers and to increase availability of P&K fertilizers to the farmers, the Government has included the following 7 new grades of NPKS complex fertilizers under the NBS regime:

Sl. No.	Fertilizer grades (N-P-K-S nutrient)	Included in NBS with effect from
1	2	3
1.	16-16-16-0	1.7.2010
2.	24-24-0-0	1.10.2010

1	2	3
3.	15-15-15-9	1.10.2010
4.	DAP Lite (16-44-0-0)	1.2.2011
5.	DAP Lite-II (14-46-0-0)	30.8.2011 (valid for one year)
6.	MAP Lite (11-44-0-0)	-do-
7.	13-33-0-6	-do-

5.10 The Committee enquired about the steps being taken by Department of Fertilizers to control the increase in prices of P&K fertilizers in the recent times to mitigate the increasing burden on farmers specially poor and marginal farmers, the Department of Fertilizers in its written reply stated that:—

"Government has implemented Nutrient Based Subsidy (NBS) Policy for P&K fertilizers *w.e.f.* 1.4.2010. Under the NBS policy, a fixed subsidy on decontrolled P&K fertilizers is announced annually for each nutrient namely nitrogen (N), phosphorus (P), potash (K) and sulphur (S) on per kg basis, which is converted into subsidy per tonne depending upon the nutrient content in each grade of the fertilizers. The MRP (Maximum Retail Price) of P&K fertilizers is open and is allowed to be fixed by manufacturers/importers at reasonable level, based on demand-supply dynamics.

Due to complete dependence on imports for Potassic Fertilizers and dependence to the extent of 90% in Phosphatic fertilizers, any rise/fall in the international prices of these fertilizers and their raw materials has direct bearing on the domestic retail prices. The prices of these fertilizers have registered a sharp increase in the international market and resultantly, fertilizer companies also increased their MRP in order to realize the increased cost of inputs. The depreciation of Indian Rupee against US$ in the year 2011-12 has further added to this increase. Still, the farmers are paying only around 50% of the delivered cost of the P&K fertilizers and the rest of the cost is being borne by the Government of India in the form of subsidy. Further, Urea is made available to the farmers at fixed MRP of Rs. 5310 per Metric Tonne, which is much below its actual cost.

The Government has taken following steps to check the rise in the prices of fertilizers:

(i) The Nutrient Based Subsidy for the year 2011-12 has been increased as compared to that of the year 2010-11 keeping in view the international price trends of DAP, Urea, MOP and Sulphur.

(ii) The Government also provides freight subsidy on fertilizers covered under the subsidy scheme."

5.11 The Committee further enquired whether NBS policy will be able to achieve the underlying objectives, the Department of Fertilizers in its written reply stated that:—

"Government has introduced Nutrient Based Subsidy (NBS) Policy for decontrolled P&K fertilizers *w.e.f.* 1st April 2010 in continuation of the erstwhile concession scheme. Under the policy, a fixed rate of subsidy on P&K fertilizers is announced by the Government on annual basis. Under the policy the MRP (Maximum Retail Price) of P&K fertilizers is now fixed by manufactures/importers.

The policy was implemented to overcome following deficiencies in the erstwhile Concession Scheme:

(a) Availability of subsidy increased the use of fertilizers. The increase in usage of fertilizers has led to increase in food grains production; however, it was observed that the marginal response of agricultural productivity to additional fertilizer usage in the country has fallen sharply leading to near stagnation in agricultural productivity.

(b) The unbalanced NPK application, rising multi-nutrient deficiency and lack of application of organic manures leading to reduction in carbon content in the soil.

(c) The innovation in fertilizer sector suffered as very few products are introduced by the fertilizer companies since they get out-priced by subsidized fertilizers.

(d) The industry has no incentive to focus on farmers leading to poor farm extension services.

(e) The fertilizer industry suffers from low profitability as compared to other sectors and works in a highly regulated environment with cost of production and selling prices being determined by the Government.

(f) Due to highly regulated environment in the fertilizer sector there was virtually no investment in P&K sector for the last 10-12 years.

(g) Due to assured sales, the customers' satisfaction, brand promotion and innovation was not a priority for the industry.

(h) Under the erstwhile concession scheme, the MRP being fixed and subsidy being difference of International prices and MRP, the farmers were insulated from fluctuation in international prices and therefore the international suppliers were under no obligation to reduce the prices thereby increasing the subsidy burden on the government.

Since under the NBS policy the subsidy is fixed on annual basis on P&K fertilizers and, the Government is not concerned with the prices, timing and source of P&K fertilizers and its raw material procured by the fertilizer companies, the fertilizer companies are virtually free from Government regulation and control. The fertilizer companies are now free to take its long term/short term commercial decisions. Companies can go for long term contracting of P&K fertilizers and its raw material thereby getting best commercial terms and price preference so as to reduce the cost of import and thereby the MRPs of fertilizers. The competition amongst the fertilizer companies will determine the prices of fertilizers at farm-gate level. This will also force the fertilizer companies to focus on farmers through development of new innovative fertilizer products customized to their requirements, farm extension services, brand building, product differentiation, etc. Freedom to fertilizer companies from government control and regulation is further expected to promote investment in fertilizer sector.

Under the policy, additional subsidy is also provided on fortification of fertilizers with micro-nutrients, namely, boron and zinc which helps in balanced fertilization. The customized/mixture fertilizers which are produced specific to the soil conditions are allowed to be produced by sourcing subsidized fertilizers. This further helps in balanced application of nutrients in the soil.

Since the implementation of NBS policy, seven new grades of fertilizers have been included in the subsidy scheme which has increased the basket of fertilizers available to the farmers.

As the NBS policy has completed only two years of its working, no formal study has yet been conducted about the effectiveness of the policy. However, in view of aforesaid reasons, DoF feels that NBS policy, once stabilized will be able to meet its desired objective."

5.12 The Committee further enquired if the Department of Fertilizers is satisfied with the progress of NBS, the Department of Fertilizers in its written reply stated that:—

"The NBS policy has completed only two years of its working, and it is yet to stabilize. In the second year of its implementation *i.e.* 2011-12, due to volatility in the international prices and weakening of Rupee, the MRP of P&K fertilizers increased in spite of increase by the Government in the per tonne subsidy applicable on them. The purpose of balanced use of fertilizers faces challenge due to huge difference in the prices of urea (which is controlled) and P&K fertilizers (which is decontrolled). It is expected that in the current year, prices of P&K fertilizers will remain stable and supply position will also be satisfactory."

CHAPTER VI

FEEDSTOCK POLICY/ALLOCATION OF GAS TO FERTILIZERS INDUSTRY

Natural gas has been the preferred feedstock for the manufacture of urea over other feedstocks *viz.* naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of urea which also has a direct impact on the quantum of subsidy on 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, producing approximately 22 million tonnes of Urea per annum. 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 largely met from the supplies under APM gas, PMT gas, JV gas, RIL gas and RLNG gas. The production of urea using natural gas as feedstock is energy efficient and cheaper. The total requirement of Urea is approximately 305 lakh tonnes. In next five years, it is estimated that the requirement of Urea shall reach about 337 lakh tonnes.

6.4 The projected year-wise/plant-wise additional requirement of gas during the years 2011-12 to 2014-15 for fertilizer sector which has been communicated to Ministry of Petroleum and Natural Gas is as below:-

Year-wise, Plant-wise additional requirement of NG

(In mmscmd)

Sl.No.	Name of the Unit	Addl. Requirement of gas					
		2011-12			2012-13	2013-14	2014-15
		Requirement	Allocation	Deficit			
1	2	3	4	5	6	7	8
A.	**Naphtha based**						
1.	ZIL-Goa	1.28	0.00	1.28	1.28	1.28	1.28
2.	MCFL-Mangalore	0.00	0.00	0.00	1.00	1.00	1.00

1		2	3	4	5	6	7	8
3.		SPIC-Tuticorin	0.00	0.00	0.00	1.66	1.66	1.66
4.		MFL-Manali	0.00	0.00	0.00	1.54	1.54	1.54
5.		FACT-Udyogmandal	0.00	0.00	0.00	0.94	0.94	0.94
6.		DIL-Kanpur	0.00	0.00	0.00	0.00	2.10	2.10
	I	Sub-total of Naphtha based plants	1.28	0.00	1.28	6.42	8.52	8.52
	B	**Fuel-Oil Based**						
7.		NFL-Panipat	0.00	0.00	0.00	0.90	0.90	0.90
8.		NFL-Nangal	0.00	0.00	0.00	1.00	1.00	1.00
9.		NFL-Bathinda	0.00	0.00	0.00	0.90	0.90	0.90
10.		GNVFC-Bharuch	0.00	0.00	0.00	0.95	0.95	0.95
	II	Sub-total of Fuel Oil Based	0.00	0.00	0.00	3.75	3.75	3.75
	C	**Expansion Units**						
11.		IFFCO-Kalol	0.00	0.00	0.00	0.000	0.000	2.900
12.		Kribhco-Hazira	0.00	0.00	0.000	0.000	0.000	2.200
13.		RCF-Thal	0.00	0.00	0.000	0.000	0.000	2.200
14.		CFCL-Gadepan	0.00	0.00	0.000	0.000	0.000	2.400
15.		TCL-Babrala	0.00	0.00	0.000	0.000	0.000	2.200
16.		IGFL-Jagdishpur	0.00	0.00	0.000	0.000	0.000	2.200
17.		KSFL-Shahjahanpur	0.00	0.00	0.000	0.000	0.000	2.220
18.		NFCL-Kakinada (AP)	0.00	0.00	0.000	0.000	0.000	2.400
		Sub-total of Expansion Units	0.000	0.000	0.000	0.000	0.000	19.147
		Total of I+II+III	1.280	0.000	1.280	10.170	12.270	31.417
	D	**Closed Units**						
19.		HFCL-Durgapur	0.00	0.00	0.00	0.00	0.00	2.20
20.		HFCL-Barauni	0.00	0.00	0.00	0.00	0.00	2.20
21.		HFCL-Haldia	0.00	0.00	0.00	0.00	0.00	2.20
22.		FCI-Ramagundam	0.00	0.00	0.00	0.00	0.00	2.20

1		2	3	4	5	6	7	8
23.		FCI-Talcher (Coal Based)	0.00	0.00	0.00	0.00	0.00	0.00
24.		FCI-Sindri	0.00	0.00	0.00	0.00	0.00	2.20
25.		FCI-Korba (Coal Based)	0.00	0.00	0.00	0.00	0.00	0.00
26.		FCI-Gorakhpur	0.00	0.00	0.00	0.00	0.00	2.20
		Sub-Total of closed units	0.00	0.00	0.00	0.00	0.00	13.20
	E	**Revamp Projects**						
27.		KRIBHCO-Hazira	0.80	0.80	0.00	0.80	0.80	0.80
28.		NFL-Vijaipur	0.73	0.73	0.00	0.00	0.00	0.00
29.		NFCL-Kakinada*	0.10	0.00	0.10	0.70	0.70	0.70
30.		RCF-Thal	0.45	0.45	0.00	0.00	0.00	0.00
		Sub-total of Revamp Projects	2.08	1.98	0.10	1.50	1.50	1.50
	F	**Green Fields Projects**						
31.		MATIX Fert. & Chem. Burdwan#	0.00	0.00	0.00	1.55	4.75	4.75
32.		ZIL-Greenfield project-Belgaun	0.00	0.00	0.00	0.00	0.00	2.46
33.		DIL-Kanpur	0.00	0.00	0.00	0.00	0.00	2.50
34.		GSFC-Dahej	0.00	0.00	0.00	0.00	0.00	3.50
35.		Oswal Chemicals & Fertilizers Ltd.	0.00	0.00	0.00	0.00	0.00	2.40
36.		IFFCO-Nellore Fertilizers Projects	0.00	0.00	0.00	0.00	0.00	3.00
		Sub-total of Greenfield Projects	0.00	0.00	0.00	1.55	4.75	18.61
		Grand Total	3.36	1.98	1.38	13.22	18.52	64.73

*On account of supply of lean gas for FY 2011-12 (0.1 mmscmd).

#In addition to NG, Matix would require 2.8 mmscmd of CBM allocation from 2012-13 onwards. Out of total NG requirement, 1 mmscmd is fallback requirement for the CBM based urea plant.

6.5 The Committee were further informed about the requirement of additional gas by urea sector as under:—

"Expansion Units

Following units are proposing to set up expansion urea units of 11.5 to 12.7 lakh tonne capacities:

— Rashtriya Chemicals & Fertilizers at Thal, Maharshtra

— Indo-Gulf Fertilizers at Jagdishpur, Uttar Pradesh

— Chambal Fertilizers at Gadepan, Rajasthan

— Nagarjuna Fertilizers at Kakinada, Andhra Pradesh

— Tata Chemicals at Babrala, Uttar Pradesh

— KRIBHCO at Hazira Gujarat

— KSFL, Shahjahanpur , Uttar Pradesh

— IFFCO at Kalol, Gujarat

These units are still awaiting financial closure mainly due to lack of allocation of domestic gas and its price by Ministry of Petroleum & Natural gas. Each unit requires approx. 2.2-2.4 mmscmd of gas. In case the gas is made available to these urea units, it would result in additional production of about 10 million tonnes of urea.

Greenfield Units

Six companies have shown interest in setting up of Greenfield urea units *viz.* MATIX Fert. & Chem., Burdwan, ZIL-Greenfield project-Belgaun, Jaypee (erstwhile DIL)-Kanpur, GSFC-Dahej, Oswal Chem. & Fertilizers Ltd and IFFCO-Nellore Fertilizer Project. It is conservatively estimated that 2 to 3 companies shall be able to set greenfield urea units as expansion units and revival of closed units do not require land allocation, which is another important pre-requisite for setting up of units, and therefore they can achieve financial closure immediately on firm allocation of gas at reasonable price.

Revival of Closed Urea Units of Fertilizer Corporation of India Ltd. (FCIL) and Hindustan Fertilizers Corporation Ltd. (HFCL)

There are eight closed urea units of FCIL and HFCL *viz.* HFCL-Durgapur, Barauni and Haldia, FCIL—Talcher, Sindri, Ramagundam, Gorakhpur and Korba. Cabinet has given go ahead for revival of these units. The CCEA recommended placing the Draft Rehabilitation Scheme before BIFR and in case of any revision in the matter; the same need to be placed before CCEA. BIFR has cleared DRS for FCIL units and it is expected that three units of FCIL *viz.* Ramagundam, Talcher and Sindri could be revived in near future. Out of these three units, Ramagundam and Sindri would require gas for revival.

Units converting to gas Four FO based urea units *viz*. NFL-Nangal, Bathinda & Panipat and GNFC, Bharuch are currently getting converted to gas for which pipeline connectivity and 3.75 mmscmd gas need to be provided in time. Pipeline connectivity and 7.58 mmscmd gas is also required for naphtha based units *viz.* MFL, Chennai, MCFL, Mangalore, ZIL, Goa, SPIC Tuticorin, and Jaypee (DIL), Kanpur [Conversion and revamp of existing unit] to enable them to convert to gas in near future.

In view of the consideration that all the above proposals for setting up urea units or conversion units materialise, following additional gas requirement is estimated for the year 2012-13 and 2013-14:

Year-wise, Plant-wise additional requirement of NG during 2012-13 and 2013-14

(In mmscmd)

Sl.No.		Name of the Unit	Addl. Requirement of gas 2012-13	2013-14
	A	**Naphtha based**		
1.		ZIL-Goa	1.28	1.28
2.		MCFL-Mangalore	1.00	1.00
3.		SPIC-Tuticorin**	1.66	1.66
4.		MFL-Manali**	1.54	1.54
5.		DIL-Kanpur	0.00	2.10
	I	Sub-Total of Naphtha based plants	5.48	7.58
	B	**Fuel-Oil Based**		
6.		NFL-Panipat	0.90	0.90
7.		NFL-Nangal	1.00	1.00
8.		NFL-Bathinda	0.90	0.90
9.		GNVFC-Bharuch	0.95	0.95
	II	Sub-Total of Fuel-Oil Based	3.75	3.75
	C	**GREEN FIELDS PROJECTS**		
10.		MATIX Fert. & Chem., Burdwan	1.55	1.55
		Sub-total of Greenfield Projects	1.55	1.55
		Grand Total	10.78	12.88

**Based on the Pipeline Connectivity.

It is, however, conservatively estimated that in next five years, 19.2 mmscmd of gas shall be required for 8 Expansion units, 14.4 mmscmd of gas shall be required for 6 Greenfield units, 4.8 mmscmd of gas shall be required for 2 revival units of FCIL, 11.33 mmscmd of gas for Conversion units tantamounting to 48.73 mmscmd. It may be noted that the demand production gap is expected to be about 117 lakh tonnes in next five years and at least 10 urea units of capacity 11.5 to 12.7 lakh tonne would be required to bridge the gap. This would entail requirement of at least 24 mmscmd of gas for the urea units in next three years, in addition to 11.33 mmscmd required for units converting to gas in immediate future.

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."

6.6 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 eight units of fertilizers PSUs, Department of Fertilizers in its written reply has stated as follows:—

"Department of Fertilizers has written to Ministry of Petroleum and Natural Gas, from time to time for firm allocation of natural required for conversion/expansion/de-bottlenecking/revival and New Greenfield projects. The Empowered Group of Ministers(EGoM) has decided that the existing gas based Urea plants have been given first priority in allocation of gas. The demand emanating beyond 2008-09 from de-bottlenecking of the expansion of fertilizer plants, conversion of naptha-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. Further, the EGoM has also decided that GAIL and Fertilizer Companies should finalize the term-sheets early, so that the projects for conversion/expansion/ de-bottlenecking/revival are taken up for implementation."

6.7 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 issue of pipeline connectivity to all FO/LSHS and Naphtha based urea units converting to gas, revival of closed urea units of FCIL and HFCL and proposed Greenfield units on priority basis has been referred to Ministry of Petroleum & Natural Gas by the Department of Fertilizers from time to time. Recently, Department of Fertilizers requested MoP&NG to review the status of pipeline connectivity to fertilizer sector in the EGoM meeting."

6.8 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:-

"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 Minister (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 & DOF regarding appointment of GAIL as aggregator to procure gas from indigenous as well as international sources. The issue is under consideration 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."

6.9 As per the Outcome Budget (2012-2013) it has been stated that a Committee has been constituted under the Chairmanship of Secretary, Ministry of 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 headed by Petroleum Secretary, comprising of Secretaries of Planning Commission, D/o Fertilizers and D/o Expenditure was constituted to take necessary action for facilitating the connectivity and supply of gas to fertilizer units and also to develop appropriate mechanism for fixing the price of gas in a transparent manner. One meeting was held under the Chairmanship of Secretary (Petroleum) and thereafter, Government constituted Empowered Group of Ministers (EGOM) to examine and decide issues of gas pricing and commercial utilization of gas under NELP."

CHAPTER VII

ASSESSED REQUIREMENT AND AVAILABILITY OF FERTILIZERS

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

"All India assessed requirement, availability and sales of urea and other complex fertilizers in the last three crop seasons are as under:

UREA (Figure in Lakh MT)

Crop Season	Year	Requirement	Availability	Sales
1	2	3	4	5
Kharif	2009-10	136.36	125.83	122.77
	2010-11	136.64	133.39	131.39
	2011-12	142.16	140.96	139.65
Rabi	2009-10	145.53	142.72	141.24
	2010-11	154.14	158.58	156.19
	2011-12	162.32	157.44	153.53
DAP				
Kharif	2009-10	49.20	62.79	61.34
	2010-11	68.74	71.35	68.71
	2011-12	71.37	58.73	48.78
Rabi	2009-10	57.76	42.74	42.57
	2010-11	52.17	47.88	47.63
	2011-12	54.60	67.23	63.11
MOP				
Kharif	2009-10	21.61	19.05	18.51
	2010-11	22.98	21.35	19.60
	2011-12	22.54	7.08	7.01
Rabi	2009-10	22.24	29.08	28.22
	2010-11	24.82	20.20	19.28
	2011-12	25.50	24.63	22.83

1	2	3	4	5
COMPLEX				
Kharif	2009-10	47.52	36.38	34.81
	2010-11	48.69	57.61	56.06
	2011-12	52.05	63.32	53.98
Rabi	2009-10	40.21	48.56	47.21
	2010-11	43.31	53.54	52.14
	2011-12	55.05	69.97	59.59

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 gap between requirement and indigenous availability of fertilizers is met through imports;

(ii) 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);

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

(v) 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;

(vi) 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;

(vii) The State Governments, as the enforcement agencies, are adequately empowered under Fertilizer Control Order, 1985 to take appropriate action against any offender who indulges in any kind of malpractices including black-marketing. State Government can also initiate action under para 3 of the Fertilizer (Movement Control) Order, 1973—against smuggling/illegal export of fertilizers;

(viii) 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;

(ix) 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. 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

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

CHAPTER VIII

REVIVAL OF CLOSED/SICK PUBLIC SECTOR UNDERTAKINGS

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:—

"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) and 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 sick companies under the administrative control of DOF. Besides these FACT is a loss making PSU. The details of revival/restructuring of these units are discussed below.

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 TechnoEconomic 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) was constituted on 7.11.2008 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.

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 a note for consideration of CCEA was forwarded to Cabinet Secretariat for placing it before the Cabinet Committee on Economic Affairs. The CCEA has approved the proposal in its meeting held on 4th August 2011 with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited and thereafter, the matter including changes, if any, required in bid parameters, be placed before the Committee for a final decision.

The BIFR has taken up the proposal on priority basis and considered the revival proposal in the hearing held on 18.8.2011, 15.11.2011 & 10.1.2012. The BIFR considered the Draft Rehabilitations Schemes of FCIL and HFCL and appointed State Bank of India as Operating Agency to examine the DRSs. Next BIFR hearing on HFCL and FCIL are scheduled on 1.3.2012 and 29.3.2012 respectively.

Financial Restructuring 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 alongwith 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 alongwith 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 and MFL, the Department of Fertilizer has proposed and 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 alongwith 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.

After implementing 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. As per the direction of BRPSE, the note was circulated for inter-ministerial consultation/comments. The comments from the concerned Ministries/Departments have been received and considered in the DoF.

Deptt. of Expenditure and Planning Commission have been requested to submit the fresh comments considering the views of DoF. Meanwhile BIFR in its hearing held on 25th August 2011 has directed the Operating Agency (State Bank of India) to workout financial restructuring of MFL considering the conversion of GoI loan into equity.

FINANCIAL RESTRUCTURING OF BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTD (BVFCL)

Company had appointed M/s. Haldor Topsoe as Process Licensor for comprehensive study of Ammonia plants and M/s. PDIL for Urea plant and offsites/utilities, situated at Namrup-II and Namrup III plant. After a thorough study at the existing Namrup-II and Namrup-III plants, Process licensor have submitted their reports to the company. Based on the technical study report of Process Licensor, BVFCL has submitted a comprehensive proposal for revival of the company. The proposal is under examination in Department of Fertilizers.

Financial Restructuring of the Fertilizers and Chemicals Travancore Limited (FACT):

FACT had been consistently earning profits from 1983-84 to 1997-98. The financial performance of FACT turned negative from the year 1998-99, due to reasons beyond the control of the Company (like inadequate compensation for its fertilizer products under price concession scheme, stoppage of urea operations etc.), despite excellent physical performance in terms of productivity. The Company became potentially sick during 2004-05 and was referred to BRPSE. During 2005-06 based on BRPSE recommendations, the Government approved a financial restructuring package for FACT involving:

1. Conversion of 50% of the outstanding GoI loan amounting to Rs. 292.30 crore as on 31 March 2005 into equity capital.

2. Write off the non-plan loan of Rs. 60.00 crore given for Voluntary Retirement Scheme and the balance outstanding GoI loan of Rs. 232.30 crore as on 31 March 2005.

3. Write off of all interest aggregating to Rs. 85.77 crore as on 31 March, 2005 and penal interest thereof.

The relief was made effective as on 31st March 2005. Even though this has helped the Company to come out of the purview of BIFR, the unanticipated increase in the raw material prices much above the levels taken for BRPSE projections and the anomalies in the existing Price concession Scheme for Complex fertilizers, affected the performance of the company preventing the company from making a turn-around and it continued to make operating losses during 2006-07 & 2007-08.

The Government gave a grant in aid of Rs. 200 crore in March, 2008 to improve the working capital situation of the company. Company has again submitted a proposal for financial restructuring and also a cash grant for working capital requirement. Company has been suggested to get a detailed financial restructuring proposal made by consultant for submission to BRPSE."

8.3 The Committee enquired about the assessment of Department of Fertilizer about the present financial performance of loss making/ sick closed PSUs under its administrative control, the Department of Fertilizers in its written reply stated that:—

"Out of 09 fertilizer PSUs, HFCL and FCIL are closed PSUs and there is no production/physical performance. The revival of 08 closed units of HFCL/FCIL are under process.

MFL and BVFCL are operational but sick PSUs. Besides these FACT is a loss making PSU. The financial performance of these PSUs are as under:

BVFCL:—The accumulated loss of the company as on March 31, 2011 is Rs. 669.66 crore against paid up Capital of Rs. 365.83 crore giving a negative net worth of Rs. 283.83 crore Financial performance for the last 04 years is as under:

Sl.No.	Descriptions	Unit	2008-09	2009-10	2010-11	2011-12 Upto Dec., 11
1.	Turnover	Rs./crs.	157.72	261.78	400.93	268.67
2.	Net Profit/Loss	Rs./crs.	-215.03	-27.86	-85.09	-71.28

BVFCL is generating cash profit on regular basis. Due to high interest burden of Govt. of India loan, it is incurring net losses. However, a proposal from the company for its revival having various options is under examination in the Department.

MFL:- The accumulated loss of the company as on March 31, 2011 is Rs. 617.19 crore giving a negative net worth of Rs. 442.66 crore Financial performance for the last 04 years is as under:

	2008-09	2009-10	2010-11	2011-12 (Apr.–Dec. 11)
Turnover	1123.59	1302.84	1622.83	1747.66
Profit/(Loss) for the year	(145.21)	6.88	169.86	111.43

After the amendment in NPS–III restricting the reduction in fixed cost by 10% *w.e.f.* 1.4.2009 the company could able to get subsidy and due to improved production, MFL is continuously showing profit from 2009-10. The company has already submitted a proposal for its revival. The BIFR in its last hearing advised the Operating Agency, SBI to examine conversion of GoI loan into equity for restructuring of the company so as to make its net worth positive. The government will consider the matter after the final directions of BIFR.

FACT:—The accumulated loss of the company as on March 31, 2011 is Rs. 505.38 crore and having a positive net worth of Rs. 141.69 crore Financial performance for the last 04 years is as under:

	2008-09	2009-10	2010-11	2011-12 (Apr.–Dec. 11)
Turnover	2147.48	2141.61	2511.83	—
Profit/(Loss) for the year	43.11	(-103.84)	(-49.33)	(-14.42)

For improving the financial status, the company has been suggested to get a detailed financial restructuring proposal made by a consultant for submission to BRPSE. Meanwhile, DoF has issued a letter of comfort to MMTC for supply of raw material to FACT on credit basis upto Rs. 200 crore, which is Rs. 75 crore more than the last year, keeping in view the working capital problem of the company. The company is also provided plan funds for its proposals based on their viability and availability of funds."

8.4 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:—

"The following steps have been taken by the Department for Revival of closed/sick and loss making PSUs.

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. The Committee is also required to look into various linkages including gas for facilitating revival of these units.

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.

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 a note for consideration of CCEA was forwarded to Cabinet Secretariat for placing it before the Cabinet Committee on Economic Affairs. The CCEA has approved the proposal in its meeting held on 4th August 2011 with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited and thereafter, the matter including changes, if any, required in bid parameters, be placed before the Committee for a final decision.

The BIFR has taken up the proposal on priority basis and considered the revival proposal in the hearing held on 18.8.2011, 15.11.2011 and 10.1.2012. The BIFR considered the Draft Rehabilitations Schemes of FCIL and HFCL and appointed State Bank of India as Operating Agency to examine the DRSs. As per the direction given by BIFR in case FCIL, the Operating Agency has revised the DRS of FCIL and submitted to Board for examination. In case of HFCL, BIFR in its hearing held on 1.3.2012 directed the operating agency to revise the DRS of HFCL.

Financial Restructuring 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 SBICAPS 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 and MFL, the Dept. of Fertilizer has proposed a forwarded a Financial restructuring proposal to BRPSE seeking approval on the following:

- Waiver of GoI loan of Rs. 390.79 crore 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 crore 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. After implementing of above measures, it was expected that the company will be commercially viable and will come out of BIFR purview. As per the direction of BRPSE, the note was circulated for inter-ministerial consultation/ comments. The comments from the concerned Ministries/ Departments have been received and considered in the DoF. Dept. of Expenditure and Planning Commission have been requested to submit the fresh comments considering the views of DoF. Meanwhile BIFR in its hearing held on 25th August 2011 directed the Operating Agency (State Bank of India) to workout financial restructuring of MFL considering the conversion of GoI loan into equity. The proposal submitted by OA in this regard is under consideration of this Department.

FINANCIAL RESTRUCTURING OF BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTD. (BVFCL)

"Company had appointed M/s. Haldor Topsoe as Process Licensor for comprehensive study of Ammonia plants and M/s. PDIL for Urea plant and offsites/utilities, situated at Namrup-II and Namrup III plant. After a thorough study at the existing Namrup-II and Namrup-III plants, Process licensor have submitted their reports to the company. Based on the technical study report of Process Licensor, BVFCL has submitted a comprehensive proposal for revival of the company. The proposal is under examination in Department of Fertilizers."

Financial Restructuring of the Fertilizers and Chemicals Travancore Limited (FACT):

FACT had been consistently earning profits from 1983-84 to 1997-98. The financial performance of FACT turned negative from the year 1998-99, due to reasons beyond the control of the Company (like inadequate compensation for its fertilizer products under price concession scheme, stoppage of urea operations etc.), despite excellent physical performance in terms of productivity. The Company became potentially sick during 2004-05 and was referred to BRPSE. During 2005-06 based on BRPSE recommendations, the Government approved a financial restructuring package for FACT involving:

1. Conversion of 50% of the outstanding GoI loan amounting to Rs. 292.30 crore as on 31 March 2005 into equity capital.
2. Write off the non-plan loan of Rs. 60.00 crore given for Voluntary Retirement Scheme and the balance outstanding GoI loan of Rs. 232.30 crore as on 31 March 2005.
3. Write off of all interest aggregating to Rs. 85.77 crore as on 31st March, 2005 and penal interest thereof.

The relief was made effective as on 31st March 2005. Even though this has helped the Company to come out of the purview of BIFR, the unanticipated increase in the raw material prices much above the levels taken for BRPSE projections and the anomalies in the existing Price concession Scheme for Complex fertilizers, affected the performance of the company preventing the company from making a turn-around and it continued to make operating losses during 2006-07 & 2007-08.

The Government gave a grant-in-aid of Rs. 200 crore in March, 2008 to improve the working capital situation of the company. Company has again submitted a proposal for financial restructuring and also a cash grant for working capital requirement. Company has been suggested to get a detailed financial restructuring proposal made by a consultant for submission to BRPSE as required under rules."

CHAPTER IX

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS/ COOPERATIVES

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

9.2 According to the Outcome Budget (2012-2013) performance of Fertilizers PSUs/Cooperative during 2010-11 and 2011-12 (upto December, 2011) is as follows:–

"There are 9 Fertilizers PSUs under the administrative control of the Department of Fertilizers, as on date. The PSUs are M/s. National Fertilizers Limited (NFL), Rashtriya Chemicals & Fertilizers Limited (RCF), Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), FCI Aravali Gypsum and Minerals India Limited (FAGMIL), Projects & Development India Limited (PDIL), Madras Fertilizers Limited (MFL), Fertilizers and Chemicals Travancore Limited (FACT), Hindustan Fertilizers Corporation Limited (HFCL) and Fertilizers Corporation India Limited (FCIL). Out of these PSUs PDIL is a Consultancy Organization in the Fertilizers Sector and also manufactures Catalysts. In the cooperative sector, Krishak Bharati Cooperative Limited (KRIBHCO) is a Multi–State Cooperative Society.

Out of above-mentioned 9 fertilizers PSUs, FCIL and HFCL are closed since 2002. Since, no production is taking place in these companies; the preparation of outcome budget is not applicable to them. However, these companies are in the process of revival. The progress regarding other PSUs is as follows:—

NFL—During 2010-11, NFL has produced 33.80 LMT of urea utilizing its 104.6% capacity. Company has shown the profit (after tax) amounting to Rs. 139 crore in this year. In 2011-12 (up to December, 2011) NFL has produced 25.49 LMT of Urea.

RCF—During 2010-11, RCF has produced 10.76 LMT of Nitrogen, .099 LMT of Phosphates and 0.67 LMT of K2O utilizing its 102.1%, 84.13%, 149% of it's capacity respectively. Company has shown profit after tax amounting to Rs. 245.12 crore in this year. In

2011-12 (up to December, 2011) RCF has produced 5.93 LMT of Nitrogen, 0.54 LMT of Phosphates and 0.34 LMT of K2O. The estimated profit of the company for the period April to Dec. 2011 is Rs. 201.12 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. During the year 2010-11, Company has produced 2.85 LMT of Urea, utilizing its 55.91% capacity. Company has shown estimated net loss of Rs. 85.09 crore. In 2011-12 (upto December, 2011) company has produced 2.01 LMT of Urea. The estimated loss for the period April to Dec 2011 is Rs. 71.28 crore.

MFL—During 2010-11, Company has produced 4.79 LMT of urea, utilizing its 98.4% capacity utilization. The company ended up with the profit of Rs. 169.86 crore in this year. In 2011-12 (upto December, 2011) Company has produced 4.00 LMT of Urea and shown a profit of Rs. 111.43 crore (approximately).

FACT—During 2010-11 Company has produced 2.00 LMT of Ammonium Sulphate, 6.44 LMT of Factamphos (NP 20:20:0:13) and 0.44 LMT Caprolactam. Company has shown the loss of Rs. 49.33 crore in this year. In 2011-12 (Up to December, 2011), Company has produced 1.38 LMT of Ammonium Sulphate, 4.60 LMT of Factamphos (NP 20:20: 0:13) and 0.31 LMT Caprolactam. During the period of April to December, 2011 the company incurred an estimated loss of Rs. 14.42 crore. However company has earned cash profit of Rs. 18.55 crore.

FAGMIL—During 2010-11, Company has produced 8.84 LMT of Gypsum, utilizing its 97% capacity. Company has shown the profit (after tax) of Rs. 24.05 crore (including the MAT entitlement of Rs. 11.82 crore) in the year. In 2011-12 (Up to December, 2011), Company has produced 3.85 LMT of Gypsum against the targeted annual production of 9.05 LMT. Due to non-clearance of mining leases from the State Government, company is facing a problem in achieving target.

PDIL—PDIL is mainly involved in design engineering and consultancy service and also producing catalyst for the fertilizer and refinery industries. During 2010-11, Company has produced 436 MT of total catalyst. Company has shown profit (after Tax) of Rs. 21.02 crore in this year. In 2011-12, Company has projected to produce 106 MT of catalyst. Company has earned a profit (before tax) of Rs. 23.90 crore during April to December 2011.

KRIBHCO—During the year 2010-11, KRIBHCO produced 18.41 LMT of Urea achieving capacity utilization of 106.46% and 11.58 LMT Ammonia achieving capacity of utilisation 115.42% based on reassessed capacity. Company has earned profit after tax amounting to Rs. 200.55 crore in this year. In 2011-12 (upto December, 2011) Company has produced 11.49 LMT of urea against the target of 11.67 LMT for the same period. The pretax net profit upto the month of November, 2011 is Rs. 129.90 crore.

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

Net Profit (+)/ Net Loss (-)

(Rs. in crore)

Name of Undertaking	2007-08	2008-09	2009-10	2010-11	2011-12 (upto Dec., 2011)
Fertilizer Corporation of India limited (FCI)	(-)1504.83	(-)752.60	(-)585.86	(-)508.09	(-)443.74
Hindustan Fertilizer Corporation Ltd. (HFCL)	(-)1101.98	**4841.16	(-)382.47	(-)382.28	***(-)300.19
Rashtriya Chemicals and Fertilizers Limited (RCF)	158.15	211.58	234.87	245.12	135.73
National Fertilizers Limited (NFL)	109.00	97.00	171.51	139.00	69.88
Project and Development India Limited (PDIL)	12.26*	14.82	14.48	21.02	15.70
The Fertilizers and Chemicals Travancore Limited (FACT)	8.97	42.95	(-)103.83	(-)49.33	(-)14.42
Madras Fertilizers Limited (MFL)	(-)134.85	(-)145.38	6.88	169.86	111.43
Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	(-)105.83	(-)215.04	(-)27.86	(-)85.09	(-)78.28
FCI-Aravali Gypsum and Minerals India Limited (FAGMIL)	7.54	9.04	8.67	24.05	8.21

*Pre-Tax Profit.
**Book Profit is due to write back of interest on Government of India loan.
***Unaudited.

(A) Madras Fertilizers Ltd. (MFL)

I. Introduction

Madras Fertilizers Limited (MFL) is engaged in the manufacturing of Ammonia, Urea and Complex Fertilizers (NPK) at Manali, near Chennai. The Company was incorporated in 1966 as a joint venture between the Government 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 crore. The total paid up capital of the Company is Rs. 161.10 crore. At present, GoI holds Rs. 95.85 crore (59.50%), NICO (affiliate to NIOC) holds Rs. 41.52 crore (25.77%) and others hold Rs. 23.73 crore (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 (%)			Energy Consumption (Gcal/MT)	
	Ammonia	Urea	NPK	Ammonia	Urea	NPK	Ammonia Energy	Urea Energy
2008-09	232300	405951	0	67.0	83.4	0.0	10.865	7.929
2009-10	258150	436100	0	74.5	89.6	0.0	10.789	7.834
2010-11	280408	478834	0	80.9	98.4	0.0	10.334	7.492
2011-12 (Apr. to Dec. 2011)	233005	400455	23655	89.7	109.7	3.8	10.307	7.486

III. Financial Performance: (Rs. crore)

	2008-09	2009-10	2010-11	2011-12 (Apr.–Dec. 2011)
Turnover	1123.59	1302.84	1622.83	1747.66
Profit/(Loss) for the year	(145.21)	6.88	169.86	111.43
Cash Profit/(Loss) for the year	(101.18)	49.62	211.07	146.60
Accumulated loss	(793.93)	(787.05)	(617.19)	(505.76)
Net Worth	(619.40)	(612.52)	(442.66)	(331.23)

IV. Financial Restructuring:

After the net worth of MFL became negative, it was referred to BIFR 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. The Operating Agency (SBI) approached SBICAPS 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.

After examination, the SBI CAPS recommended implementation of Option–3 alongwith 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 to make the operations viable.

Operating Agency (SBI) submitted the final report after vetting the recommendations of SBI CAPS on the financial restructuring package of MFL. After approval of the Board and the Dept. for the Financial restructuring proposal of the company was forwarded to BRPSE for considering the following:

- Waiver of GoI loan of Rs. 390.79 crore 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 crore as on 31.03.2010 alongwith 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.

It is expected that, 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. However the BRPSE, advised for circulation of the BRPSE note for inter-ministerial consultation/comments. The comments from the concerned Ministries/Departments have been received and considered in the DoF. (Deptt. of Expenditure and Planning Commission have been requested to submit the fresh comments on the proposal).

In the meantime the BIFR in its hearing held on 25th August 2011 has directed the Operating Agency (State Bank of India) to workout financial restructuring of MFL considering the conversion of GoI loan into equity. The operating Agency has submitted its report to BIFR. The MFL is being requested to examine viability of the DRS.

Status on Natural Gas Conversion:

At present the company is operating on Naphtha feedstock. In order to convert it into gas based plant the company has awarded the Engineering Design Package for the Gas Conversion Project to M/s Haldor Topsoe A/S (HTAS), Denmark, MFL Ammonia Plant Process Licensor, based on the feasibility report for feedstock conversion from Naphtha to Natural Gas. After feedstock conversion, MFL Ammonia Plant can run either on 100% Naphtha as feedstock or 100% Natural Gas as feedstock or combination of both Naphtha and Natural Gas as feedstock at various proportions.

M/s Projects & Development India Ltd. (PDIL) has been engaged for providing Engineering Consultancy Services for Gas Conversion Project and they are on the job.

The Draft CNG PFDs (1st revision) were received from M/s HTAS and MFL's comments/suggestions were sent to HTAS/PDIL for their review. The revised PFDs were received from M/s HTAS which are under examination by MFL. As per initial estimates by PDIL, pre-commissioning activities can start from January 2013 tentatively. MFL is looking out for the potential gas supplier and had a dialogue with M/s Reliance Industries Ltd., IOC and GAIL.

(B) Fertilizers And Chemicals Travancore Ltd. (FACT)

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 crore and Paid up Capital is Rs. 647.07 crore Share holding pattern of the company is as under:

Sl.No.	Particulars	% Equity Capital
1.	Government of India	98.561%
2.	Government of Kerala	0.336%
3.	Government of Tamil Nadu	0.040%
4.	Government of Andhra Pradesh	0.029%
5.	Government of Karnataka	0.001%
6.	Others: Banks, Financial Institutions, Insurance Companies, Indian Public, etc.	1.033%

The Company has two sister organisations *viz.* FACT Engineering and Design Organization (FEDO), an engineering consultancy division, established in 1965 and FACT Engineering Works (FEW) an engineering fabrication unit started in 1966.

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 below:

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

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

		2011-12 (upto Dec. 2011)	2010-11	2009-10	2008-09
1.	Production/In Tonnes				
	Factamfos 20:20	459976	644454	753744	605047
	Ammonium Sulphate	137875	200311	179546	128845
	Caprolactam	31416	44345	42006	13548
2.	Sales/In lakh Tonnes				
	Fertilisers	6.50	9.33	10.45	8.33
	Caprolactam	0.30	0.44	0.38	0.12
3.	Financial/Rs. lakh				
	Turnover	—	251183	214161	214748
	Profit/Loss (-) before tax	(-)1442	(-)4933	(-)10370.34	4311.44
	Provision for taxation–earlier years	—	—	35.38	—
	Provision for Fringe benefit tax	—	—	(-)22.21	16.00
	Profit/Loss (-) after tax	—	(-)4933	(-)10383.51	4295.44
	Profit/Loss (-) b/f from previous year	—	(-)45605.36	(-)35221.85	(-)39517.29
	Net deficit carried to Balance Sheet	—	(-)50538.03	(-)45605.36	(-)35221.85

Joint Ventures, Diversification Schemes, Expansion etc.

Joint Venture

FACT has entered into a Joint Venture agreement with Rashtriya Chemicals & Fertilisers 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 Fiber reinforced Gypsum Building Panels, wall plaster and wall putty utilizing Australian Technology. The project is being commissioned and trial production started.

Expansion and diversification plans

The main projects identified for the expansion and diversification are summarized below:

Switch over of feedstock and fuel to LNG

Taking advantage of the expected availability of cheaper feedstock LNG from the upcoming LNG terminal of petronet LNG at Puthuvypeen during the last quarter of 2012, FACT has taken steps to carry out modification of its existing Ammonia plant and also the boilers for the use of LNG. The DPR prepared by FEDO based on inputs from the process licensor Haldor Topsoe has been approved by FACT Board. Engineering for the work has been done by Halder Topsoe and orders have been placed for all major equipments. Order for piping items, instrumentation and contract for erection have been finalised. The project is expected to be completed in October 2012.

The work of fuel change over for the boilers is planned to be taken up in a phased manner to avoid production interruption since conversion of one boiler is expected to take about 8 weeks. Global tender for the conversion of Boilers elicited responses from three parties. After consultation with parties technical evaluation has been finalized. Price bids are to be opened for commercial evaluation and order will be finalized in March, 2012. Fuel change over work of first Boiler is scheduled by September, 2012.

Long Term Strategies/Projects

Capacity expansion of NP plant and related intermediaries at Cochin Division—FACT presently has capacity to produce 1600 TPD of NP 20:20 fertiliser at Cochin Division. It is proposed to set up an additional stream of 1000 TPD alongwith necessary capacity additions for the intermediates. Detailed project report for Capacity expansion project of NP plant by adding 1000 TPD Stream at Cochin Division has been prepared. The DPR has been submitted to DOF for clearance of the project and Government support for the equity contribution. In parallel, the process of obtaining environmental clearances for the project is in progress. Terms of reference from MOEF have been received and Data collection work for Environmental Impact Assessment is in progress. Report will be ready by April 2012.

It is proposed to revamp the Phosphoric acid plant at CD to increase the capacity from 360 TPD to 500 TPD to meet requirement for NP production. Order is being placed on the process licensor for the study on capacity expansion. A new 2000 TPD sulphuric acid plant at Cochin Division is considered necessary to meet the requirements of the Phosphoric acid plant and NP production. FEDO is preparing the Detailed Project Report for the project.

To cater to the higher volumes of raw materials to be handled up an expansion of the production facility, expansion/revamp of the raw material handling facility at Willingdon Island has also been planned and the implementation is planned during 2012-14.

Urea plant at Udyogamandal—FACT has excess Ammonia and Carbon dioxide capacity available at Udyogamandal. Setting up a Urea plant to make use of above will be most practical and economical. Bids were invited for selection of process licensors for Urea plant. Technical evaluation was completed. Price bids were opened and commercial evaluation has been completed. Technology selection recommendation on Stamicarbon is under approval process. The DPR is being be prepared by FEDO.

Urea Ammonia Complex at Ambalamedu—FACT had been producing naphtha based UREA at Cochin Division till 2003, in order to restart the Urea production with the availability of LNG, FACT proposes to set up a 2800 TPD Ammonia- 3500 TPD Urea complex at Ambalamedu. This will also eliminate the need for inter-divisional transportation of Ammonia.

Expression of interest was invited for JV participation from Public sector companies for above projects but no positive response was received. Other avenues are being explored.

Container Freight Station at Udyogamandal—FACT has intentions to generate revenue from its land resources by foraying into the field of infrastructure development especially by setting up Container Freight Stations (CFS) by the side of the new highway to the Vallarpadam Terminal, which passes through FACT's premises at Udyogamandal.

A business model for setting up CFS on 25 acres of land as a venture of Central Warehousing Corporation was formulated based on upfront payment and a revenue sharing model. The company is hopeful of signing an agreement with CWC in a couple of months.

(C) Rashtriya Chemical & Fertilizers Ltd. (RCF)

Rashtriya Chemicals and Fertilizers Limited (RCF) was incorporated on 6th March, 1978 and it came into being as a result of the re-organization 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.

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.

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.

The capital structure of the company is as follows:

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

Physical Performance

Statement showing the details of production of various major products is given below:—

(In LMT)

Product/Plant	Installed Capacity	2008-09	2009-10	2010-11	2011-12 (Apr.-Dec., 2011)
Urea (Trombay)	3.30	0.00	3.07	3.41	2.26
Urea (Thal)	17.07	19.04	17.82	17.83	12.42
Suphala (Trombay)	3.00	4.71	4.90	4.47	3.10
ANP (Trombay)	3.61	0.00	0.17	1.57	1.49

Financial Performance

Particulars	Unit	2008-09	2009-10	2010-11	2011-12 (upto Dec. 12)
Turnover/Operating Income	Rs. Cr.	8538.43	5826.25	5677.25	4085.66
Profit before Interest, Depreciation and Tax	Rs. Cr.	487.21	439.68	476.74	287.74
Less : Depreciation	Rs. Cr.	86.58	75.60	112.62	89.74
Less : Interest	Rs. Cr.	74.93	19.87	9.65	-3.12
Profit before Tax	Rs. Cr.	325.70	344.21	354.69	201.12
Tax Provision	Rs. Cr.	114.12	109.34	109.57	65.12
Net Profit/Loss (-)	Rs. Cr.	211.58	234.87	245.12	135.73
Dividends %	%	12.00%	11.00%	11.00%	0.00%
Share Capital (Paid up)	Rs. Cr.	551.69	551.69	551.69	551.69
Reserves and Surplus	Rs. Cr.	1121.35	1285.45	1460.04	1595.76
Net Worth	Rs. Cr.	1673.04	1837.14	2167.24	2327.63

Ongoing new projects/Joint Venture and those at Planning stage, in the company with brief details:

Projects		Present Status
1		2
(a)	Coal based Fertilizer plant at Talcher	A high level delegation from DOF, RCF, GAIL and CIL visited Coal gasification plants in China. PQ tender floated for selection of contractor for the downstream plants such as Ammonia, Urea, Nitric Acid and Ammonium Nitrate Plants. The Gasification plant is proposed to be implemented on 'BOO' basis, DFR for the project to be prepared after technology selection exercise. Estimated Project Cost—Rs. 6000 crore & RCF Equity Contribution would be Rs. 1000 crore.
(b)	RCF Rapidwall	Rapid wall plant at Trombay Unit has been commissioned in 2010-11. The Company is in the process of tapping the market for such products.

	1	2
(c)	Thal Ammonia Debottle - necking project- Energy reduction and additional production of Urea- 2.50 LMT	Project has been partly commissioned in November 2011 resulting in additional production of Urea of around 350 MTPD. Balance portion of capital expension is expected to be commissioned in 2012-13 which would also contribute to additional production.
(d)	CMD Nitric Acid	Project successfully completed. Company has been issued CER'S (Certified Emission Reduction) by UNFCCC (United Nations Framework Convention on Climate Change) and also in the process of getting fresh CER's. Process for disposal of CER's is in progress.
(e)	FACT Rapidwall	A Joint Venture with FACT Ltd. for setting up of Rapid wall plant at Kochi. Mechanical completion achieved. Commissioning is being planned.
(f)	Thal-III Expansion Project	LSTK NIT (Lumsum Turnkey Contractors Notice Inviting Tender) has been issued and is in the process of evaluation of Technical and Price bids. Estimated Project Cost—Rs. 4200 crore Commissioning by 2015-16.
(g)	Development of Port Infrastructure	Construction of warehouse in Tuticorin is in progress and is likely to be completed in 2012-13. For Vizag, Architect has been lined up in February 2012. Upon approval of designs by the port authorities, contractor for construction activity shall be lined up. Estimated Cost Rs. 20.00 crore.
(h)	Proposed JV Ghana Project	MOU between Government of India and Government of Ghana has been signed for cooperation in setting up Ammonia-Urea plant in Ghana. Site for the proposed project has been finalised. As pre-project activities, carrying out site studies such as Topographical study and geo-technical study have been taken up. Pricing of gas for the proposed project by Government of

1		2
		Ghana is awaited. Estimated Project Cost—Rs. 6000 crore. RCF's Equity Contribution in JV- Rs. 150 crore.
(i)	SSP Plant at Thal	It is proposed to set up a 5 Lakh MTPA plat at Thal along with a captive sulphuric acid plant. Offers have been invited for setting up of Sulphuric acid plant on LSTK basis. DPR is being prepared.
(j)	JV with BVFCL for new Ammonia/Urea Plant at Namrup	In the Planning stage. Company upon technical and financial evaluation of the project would consider being an equity partner in the said venture. Estimated Project Cost—Rs. 3500 crore. RCF Equity Contribution—Rs. 300 crore.

(D) BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTD. (BVFCL)

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 comprise 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. At present only Namrup-II and Namrup-III are in operation as per performance given below:

Physical Performance

Particulars	Plant	2008-09	2009-10	2010-11	2011-12 Upto Dec., 2011
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	79151	86129	75444
	Namrup-III	252010	230426	199014	125171
	Total	329977	309577	285143	200615

Financial Performance

The accumulated loss of the company as on March 31, 2011 is Rs. 669.66 cr. against paid up Capital of Rs. 365.83 cr. giving a negative net worth of Rs. 283.83 cr.

(i) Financial performance of last 4 (four) years:

Sl. No.	Descriptions	Unit	2008-09	2009-10	2010-11	2011-12 (upto Dec., 11)
1.	Share Capital	Rs./crs.	365.83	365.83	365.83	365.83
2.	Reserve/Surplus	Rs./crs.	Nil	Nil	Nil	Nil
3.	Turnover	Rs./crs.	157.72	261.78	400.93	268.67
4.	Net Profit/Loss	Rs./crs.	-215.03	-27.86	-85.09	-71.28
5.	Dividend	Rs./crs.	Nil	Nil	Nil	Nil

(ii) Joint Venture

BVFCL has proposed to set up a Brown Field Ammonia-Urea complex to produce 8.6 Lakh MT of Urea per annum consuming 1.72 MMSCMD of Natural Gas. As Modern fertilizer plants are highly energy efficient, the urea production will be more than double of the existing production level of 3.9 Lakh MT of Urea annually consuming same 1.72 MMSCMD of natural gas. The project cost has been estimated at Rs. 3311.09 crores as per the Techno-economic Feasibility Report (TEFR). The project time schedule is 42 months. Debt to Equity Ratio is 2 to 1. The proposal has been submitted to Planning Commission. Planning Commission has suggested to set up the project under Joint Venture. M/s. Oil India Ltd., M/s. RCF has shown interest in equity participation in the JV.

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

Projects & Development India Limited (PDIL) an erstwhile Division of the Fertilizer Corporation of India (FCI) was registered as a separate company in March 1978. The company has its registered office at Noida, Uttar Pradesh. The authorized share capital of the company was Rs. 60 crores and paid up capital was Rs. 17.30 crores as on 31.03.2011.

The company is mainly engaged in Design, Engineering, Procurement, Inspection, Store Management and Supervision during construction and commissioning of fertilizer and chemical plants. It has played a pivotal role in establishing fertilizer plants in India from concept to commissioning, besides providing services for revamping including Energy saving and capacity augmentation, trouble shooting and NDT services for health maintenance of plants. It has also diversified its activities into the field of Oil and Gas, Pipeline, Refinery and Infrastructure Development such as Housing project and City Gas Distribution.

PDIL has established its credentials for Third Party Inspection (TPI) and Non-Destructive Testing (NDT) Services; Statutory inspection, testing and certification of Spheres, Mounded Storages & Bullets for LPG & Ammonia Storage Tanks continued to be a specialized activity of PDIL.

PDIL's Catalyst Division manufactures and supplies a wide range of commercially proven catalyst used in Ammonia Plants and other industries. Catalysts manufactured by PDIL are Primary Gas Reforming, Secondary Reforming, Iron Chromia High Temperature CO Shift Copper Promoted High Temperature Shift, Conventional Low Temperature Shift, High Copper Low Temperature Shift, Methanation & Super Methanation, De-Sulphurization, Vanadium Pentoxide.

Financial/Physical Performance

Particulars	Unit	2008-09	2009-10	2010-11	2011-12 (upto Dec. 2011)
1	2	3	4	5	6
Net Sales/Operating Income	Rs. crore	60.61	74.62	102.63	72.40
Other Income	Rs. crore	8.46	12.39	8.79	6.68
Total Income	Rs. crore	73.00	83.41	111.20	79.08
Earnings before Depreciation, Interest and Tax (PBDIT)	Rs. crore	21.18	23.58	33.96	25.52
Interest	Rs. crore	—	—	—	—
Depreciation	Rs. crore	1.57	2.37	2.18	1.62
Profit before Tax	Rs. crore	18.75	21.21	31.78	23.90
Profit after Tax	Rs. crore	14.82	14.48	21.02	15.77
Gross Fixed Assets (including CWIP)	Rs. crore	54.75	59.77	63.86	68.61
Net Fixed Assets (including CWIP)	Rs. crore	17.56	21.27	24.01	27.14

1	2	3	4	5	6
Current Assets, Loans and Advances	Rs. crore	106.28	111.91	125.42	150.37
Current Liabilities and Provisions	Rs. crore	38.56	40.18	41.30	56.94
Working Capital	Rs. crore	67.72	71.73	84.12	93.43
NETWORTH	Rs. crore	85.28	93.00	109.21	121.65
Production (Catalyst) (MT)	(MT)	182	59	436	74
Sale (Catalyst) (MT)	(MT)	182	87	394	110

(F) FCI ARAVALI GYPSUM & MINERALS INDIA LIMITED (FAGMIL)

This Company, prior to its inception w.e.f. 01.04.2003, was functioning as 'Jodhpur Mining Organization (JMO)', being one of the Units of Fertilizer Corporation of India Limited (FCIL) since 1961. The Fertilizer Corporation of India Limited was referred to the BIFR in the year 1992 as its Net-Worth became negative. However, GOI decided in September 2002 to hive off J.M.O. as a separate entity, as it was making profits since 1996-97.

The Company was incorporated on 14.02.2003 as a fully-owned Government of India Company with an authorized capital of Rs. 10 crore. The Hon'ble Board for Industrial and Financial Reconstruction (BIFR) *vide* its order dated 17.05.2004 approved the de-merger of JMO of the Fertilizer Corporation of India Limited (FCIL) into this company, FCI Aravali Gypsum & Minerals India Limited (FAGMIL), w.e.f. 01.04.2003, the appointed date of de-merger. This separate company came into existence in the year 2003-04, having the total paid up capital of Rs. 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 the Jaisalmer, Bikanar, Barmer, Sri Ganganagar Distt. in Rajasthan.

Physical Performance

Product : GYPSUM

Particulars	Unit	2008-09	2009-10	2010-11	Upto Dec. 11
Production Capacity	MT/Lakh	9.05	9.05	9.05	9.05
Production	MT/Lakh	9.15	7.23	8.83	5.01
Sales	MT/Lakh	9.16	7.43	8.24	3.85

FINANCIAL PERFORMANCE:

Particulars	Unit	2008-09	2009-10	2010-11	Dec. 11
Turnover/Operating Income	Rs. Crore	42.47	45.61	61.48	33.02
Profit Before Depreciation, Interest and Tax	Rs. Crore	14.10	16.01	20.02	8.98
Less : Depreciation	Rs. Crore	0.14	0.13	0.13	0.14
Less : Interest	Rs. Crore	0.00	0.00	0.00	0.00
Profit Before Tax	Rs. Crore	13.96	15.88	19.89	8.84
Tax Provision	Rs. Crore	4.92	7.21	7.67	(-)0.69
Mat Credit Entitlement/ Availment	Rs. Crore	0	0	11.82	2.11
Net Profit/Loss(-)	Rs. Crore	9.04	8.67	24.05	11.64
Share Capital	Rs. Crore	7.33	7.33	7.33	7.33
Reserves & Surplus	Rs. Crore	53.44	59.97	81.17	92.81
Net Worth	Rs. Crore	60.77	67.30	88.50	100.14

Joint Ventures, Diversification and expansion projects

Diversification:

(a) **SSP Plant:** The Company is planning to install a plant for production of SSP in the State of Rajasthan during the 12th plan period. Action has already been initiated for getting approval of Government of India (GoI) for installing SSP Plant of capacity 2.4 Lacs MT/Year in Rajasthan (Chittorgarh).

(b) **Rock Phosphate (Birmania, Raj.):** Application for the prospecting license for Rock phosphate at village Birmania near Jaisalmer and an application for ML in Banswara district has been submitted.

(c) **Limestone:** The Company had applied for SMS grade Limestone Mine near Ramgarh in Jaisalmer district. The application was turned down by State Government of Rajasthan under the plea that the Limestone mining is reserved for the State Government undertaking on which the company has gone for appeal and the tribunal at New Delhi, directed to State Government, Rajasthan for consideration of SMS Grade Limestone Mining.

(d) **Selopate Quartz, Feldspar:** New mining lease for Selopate Quartz, Feldspar (6 nos.) have been applied for.

Expansions:

Expansion plans of the company, in the core sector *i.e.* mining of mineral Gypsum, are furnished hereunder:

1. Applied new mining leases in Rajasthan for 22 mines.
2. Applied for capacity enhancement to MoEF, New Delhi for 01 mine.

Proposals for enhancement of quantities of existing Mine

Sl.No.	Name of Area	District	Area	Existing Capacity	Expandable Capacity
1.	Dhandhra	Sriganganagar	132.370 Ha	35,000 TPA	1,25,000 TPA

(G) THE FERTILIZER CORPORATION OF INDIA LIMITED (FCIL)

Incorporated on 1st January, 1961, FCI was reorganized along with National Fertilizers Limited (NFL) with effect from 1.4.1978 into five companies namely, FCI, NFL, Hindustan Fertilizer Corporation Limited (HFCL), Rashtriya Chemicals & Fertilizers Limited (RCF) and Projects & Development India Limited (PDIL). Following reorganization, FCI comprised four units located at Sindri (Jharkhand), Gorakhpur (Uttar Pradesh), Ramagundam (Andhra Pradesh) and Talcher (Orissa), with a total annual capacity of 5.87 LMT of nitrogen beside an abandoned project at Korba (Chhattisgarh). As on 31.3.2005, FCI had an authorized share capital of Rs. 800 crore and paid up share capital of Rs. 750.92 crore.

The Corporation was declared sick in November, 1992 by the Board for Industrial and Financial Reconstruction (BIFR), and on 2.11.2001 the BIFR ordered winding up of the FCI in terms of Section 20(1) of the Sick Industrial Companies (Special Provisions) Act, 1985. The Appellate Authority for Industrial and Financial Reconstruction (AAIFR) on 9.4.2002 upheld BIFR's order dated 2.11.2001.

In view of the continuing losses of the Company, stemming from technical and financial non-viability of operations, the Government decided to close down FCI in September, 2002. Consequently, a Voluntary Separation Scheme (VSS) was offered to all its 5712 employees. All the employees, who opted for VSS have since been released, except 27 employees, who are engaged in discharging statutory obligations including safety and security of properties/assets of the various units of the Company.

A. Physical Performance of FCIL

FCIL has four fertilizer units for production of Urea at Sindri (Jharkhand), Gorakhpur (Uttar Pradesh), Ramagundam (Andhra Pradesh), Talcher (Orissa) and one Project at Korba (Chhattisgarh) with the following Feedstocks:

Sl.No.	Unit	Product	Feedstock	Capacity of Urea (MT/day)	Date of Stoppage of production
1.	Sindri	Urea	Fuel Oil	1000	March 2002
2.	Gorakhpur	Urea	Naphtha	950	June 1990
3.	Ramagundam	Urea	Coal	1500	March 1999
4.	Talcher	Urea	Coal	1500	March 1999

At the outset, it is stated that there is no production in any of the units due to decision of GoI in July/September 2002 to close the fertilizer units due to unviable economic operations of the plants with FO, Naphtha & Coal as feedstock and release all its employees on VSS. In April 2004, BIFR recommended for winding up of the Company and forwarded the matter to the Hon'ble Delhi High Court (Company Jurisdiction). However, in April 2007 the GoI decided for considering revival of the Company. As regards to the recommendations of BIFR for winding up of the Company, which were pending before the Hon'ble Delhi High Court, the Hon'ble Court considered the request of the Company & GoI for remitting back the matter to BIFR in its hearing held on 30th August, 2010, as GoI is in the advanced stage of considering a suitable proposal of revival for both FCIL & HFCL and as also the matter of HFCL is before the Hon'ble BIFR. Accordingly, the Hon'ble Court remitted the matter back to BIFR for consideration of a suitable revival proposal, along with HFCL. Meanwhile, CCEA approved Draft Rehabilitation Scheme for the revival of the Company and the same is placed before BIFR for consideration and approval. Presently, the matter is before BIFR, awaiting approval.

B. Financial Performance of FCIL for the last three years

(Rs. in crore)

Particulars	Unit	2008-09	2009-10	2010-11	2011-12 (utpo Dec. 2011)
1	2	3	4	5	6
Turnover/Operating Income	Rs. Crore	10.60	10.89	13.37	10.02

1	2	3	4	5	6
Profit Before Depreciation, Interest and Tax	Rs. crore	(-)2.94	(-)31.10	45.23	27.94
Less : Depreciation	Rs. crore	195.10	1.61	0.29	0.22
Less : Interest	Rs. crore	554.56	553.14	554.10	415.58
Profit Before Tax	Rs. crore	(-)752.58	(-)585.86	(-)509.16	(-)443.74
Net Profit/Loss(-)	Rs. crore	(-)752.58	(-)585.86	(-)509.16	(-)443.74
Add Net prior period adjustments	Rs. crore	6553.40	0.77	0.65	0.48
Profit after prior period adjustments	Rs. crore	5800.82	(-)585.09	(-)508.51	(-)443.26
Share Capital	Rs. crore	750.92	750.92	750.92	750.92
Reserves & Surplus	Rs. crore	1.17	1.08	1.08	1.08
Net Worth	Rs. crore	(-)9126.27	(-)9711.45	(-)10219.96	(-)10663.22

C. Note on Joint Venture, Diversification, Expansion, etc.

The approved Draft Rehabilitation Scheme (DRS) provides for revival of Sindri, Talcher and Ramagundam Units by PSU Joint Venture with a provision of 11% equity to FCIL against the land & infrastructure being provided by FCIL.

(H) HINDUSTAN FERTILIZERS CORPORATION LTD. (HFCL)

The Hindustan Fertilizer Corporation Limited (HFCL) 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.

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 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 379000 NP 500000 NPK	-do-	Commissioning suspended from October, 1986.

Financial performance:—

(Rs. in crore)

Sl.No.	Particulars	Actual for the F.Y. 2008-09	Actual for the F.Y. 2009-10	2010-11
1.	Turnover	0.00	0.00	0
2.	Other Income	8.56	7.17	7.60
3.	Profit/Loss(-) before depreciation, interest and tax	(-)130.89	0.35	1.80
4.	Profit/Loss(-) after prior period adjustments but before Tax	4841.17	(-)382.47	(-)382.28
5.	Depreciation	2.51	0.19	0.19
6.	Interest	382.60	382.60	382.60
7.	Tax Provision	0.01	0.00	0.00
8.	Net profit/Loss before prior period(-)	(-)516.00	(-)382.44	(-)381.71
9.	Prior Period Adjustments	5357.17	(-)0.03	0.57
10.	Net Profit/Loss	(-)4841.16	(-)382.47	(-)382.28
11.	Dividend	Nil	Nil	Nil
12.	Share Capital	686.54	686.54	686.54
13.	Reserves and surplus	0.01	0.01	0.01
14.	Net Worth	(-)7024.16	(-)7406.63	(-)7789.23

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.

Based on recommendations of ECoS, a proposal was placed before Cabinet Committee on Economic Affairs (CCEA). CCEA approved the proposal in its meeting held on 4.08.2011 and the same was submitted to BIFR. Presently the matter is before BIFR.

CHAPTER X

JOINT VENTURES INITIATIVES OF PSUs

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 (2012-2013), Joint Venture initiatives taken by the Department of Fertilizers are as follows:—

> "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 on imports for Phosphatic fertilizer and its raw materials and full import dependence for MOP, the Government has been encouraging Indian companies to establish Joint Ventures abroad in Countries which are rich in fertilizer resources for production facilities with buy back arrangements and to enter into long term agreements for supply of fertilizers and fertilizer inputs to India. Further, the Department is also working with the goal of having access to/acquisition of the fertilizer raw materials abroad. Brief about the steps taken by the Department of Fertilizers for possible Joint Ventures in fertilizer sector abroad is given below:
>
> **Syria**
>
> A consortium of Indian entities including MECON, RITES and PDIL (All Central Government PSUs), having expertise in the fields of mining, beneficiation, processing, setting-up and running the phosphatic plants and logistic aspects are undertaking capacity enhancement consultancy study with GECOPHAM in Syria. Government of India (Ministry of External Affairs) is funding the study. The consortium has completed the Pre-Feasibility Studies and has submitted its report to the Syrian Authorities. For the reason of ongoing socio-political situation in Syria, matter is stand still at present, however, the DOF is keeping a close watch in the matter.

Russia

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. In the follow-up a senior level officers visited Russia in November, 2011 to discuss with the various Russian entities about possibilities of Joint Ventures for production of Potash in Russia. Some proposals have been received, which are being examined in the Department.

Cooperation in Indonesia

A team led by the Secretary (F) 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. During the visit of the President of Indonesia as Chief Guest on occasion of the Republic Day in January 2011 following two documents have been signed:

(i) MoU for setting up an Ammonia Urea Plant in Indonesia and agreement for off-take of surplus urea produced in the plant.

(ii) Agreement for supply of 3 lakh MT of Urea and 2.5 LMT of NPK Complex fertilizer in designated grades.

M/s Rashtriya Chemicals & Fertilizers Ltd. (RCFL) is pursuing with the Indonesian Authorities about the proposal for JV Ammonia—Urea Plant in Indonesia. The Indonesian Authorities have assured for the full cooperation to RCFL in this regard.

Australia

Indian Farmers Fertilizer Cooperative Ltd. (IFFCO) has entered into a 'Principles of Off-take Agreement' with Legend International Holdings of Australia to undertake joint mining of rock phosphate in Lady Annie mines (Georgina Basins in Queens land) along with an assured three million MT annual off-take. IFFCO would provide both technical and financial facilitation to Legend International Holdings in the development of its phosphate mining and shipment of its product to India.

Cooperation in Ghana

An MoU was signed in July 2010 at the Government level between the Countries for setting up of a gas based fertilizer project in Ghana based on the supply of gas by Ghana. Site selection Report and the Pre-feasibility reports were prepared by RCF and PDIL, which were provided to Ghanaian Authorities. Ghanaian Authorities have been requested for an early decision on pricing of Gas. The Ghanaian Cabinet has formally given its approval for formation of the Ghana-India Joint Venture Fertilizer Company (with 1 million tonne production capacity). RCF has prepared the draft Joint Venture Agreement and a copy of the same has been communicated to the Ghanaian Authorities for their consideration.

Belarus: During the visit of a delegation led by Secretary (East), Ministry of External Affairs a Protocol was signed between the Government of India and the Government of Belarus on 27.08.2011. As per Protocol follow up action are in progress regarding long term agreement for supply of potash from Belarus to India at concessional price and the possible equity acquisition in OJSC Belaruskali by Indian entities. Firm quantities of Potash for off-take to India over the next 7 years beginning from the year 2012, have been communicated to Belarusian company and the negotiations on prices are going on. As regards, exploring possible equity acquisition in Belaruskali, IFFCO is pursuing the matter with the concerned authorities in Belarus.

Co-operation with Mali: Keeping in view the availability of Phosphate resources in the country, DOF proposed to enter into an MoU with Mali. Accordingly, a copy of the draft MoU was sent to MEA on 2nd January, 2012, with a request to consider the same in consultation with the L&T Division of MEA and also for pursuing the same with the Government of Mali. The response from Mali is awaited.

Canada

A number of proposals have been received in the Department from various organizations/firms of the First Nations in Canada for production of potash and its supply to India. The proposals are under examination. Respective entities/firms of Canada have been invited for presentation in the Department and discussions with Indian fertilizer entities. The matter is at very primitive and exploration stage.

Nigeria

M/s Nagarjuna Fertilizers & Chemicals Ltd. (NFCL) is pursuing with the Government of Nigeria for setting up of Ammonia—Urea Joint Venture Fertilizer Project in Nigeria. The Nigerian Government has assured about supply of adequate quantity of gas for the project. The prices of the gas for the project have also been finalized."

The following table shows the current status of Indian Fertilizer Joint Venture in abroad:—

Status of Existing Joint Ventures

JV ProjectCountry	Entities	Product	Input tie up/Model	Off take arrangement	Price preference
1	2	3	4	5	6
Oman India Fertilizer Co. (OMIFCO), Oman	Oman Oil Co. (OOC-50%), IFFCO (25%) & KRIBHCO (25%)	16.52 lakh MT Urea & 2.48 lakh MT Ammonia. Production started in the year 2006	Gas tie from OCC	Urea Offtake Agreement (UOTA) by GoI for off take of entire quantity on fixed price and Ammonia Offtake Agreement (AOTA) by IFFCO for off take of entire ammonia	Pre-determined preferential price for long term off take.
ICS Senegal, Senegal	ICS Senegal and IFFCO consortium	5.5 lakh MT phosphoric acid. Production already started	Rock phosphate mining at Louga is integral to the joint venture	Off take agreement by IFFCO for off take of entire qty. of phos acid	Though there is benefit of integrated rock mine, there is no price preference for phos acid price being off taken.
Indo-Jordan Chemicals Company (IJC), Jordan	PMC (Jordan) & SPIC (India)	2.24 lakh MT phosphoric acid. Already producing	Rock supplied by JPMC at international price	Off take agreement by SPIC for off take of entire qty. of phos acid. Now, SPIC has sold its stake	No price preference either for rock supplied or phos acid being off taken.
JPMC – IFFCO JV, Jordan	JPMC & IFFCO	4.8 lakh MT phosphoric acid to be commissioned by 2013	Rock supplied by JPMC at international price	Off take agreement by IFFCO for off take of entire qty. of phos acid	No price preference either for rock supplied or phos acid being off taken.

1	2	3	4	5	6
IMACID, Morocco	OCP (50%) — Morocco, Chambal (25%) & TCL (25%)—India	4.25 lakh MT phosphoric acid	Rock supplied by OCP at international price	Off take agreement by Chambal-TCL with OCP for off take of entire qty. of phos acid	No price preference either for rock supplied or phos acid being off taken.
Tunisia-India Fertilizer Company (TIFERT), Tunisia	GCT (Tunisia), CFL (Now CIL) & GSFC (India)	3.60 lakh MT of phosphoric acid. Expected to start commercial production by the end of year 2011-12.	Rock supplied by GCT at international price	Off take agreement by CFL-GSFC with GCT for off take of entire qty of phos acid	No price preference either for rock supplied or phos acid being off taken.

The status of the proposed Joint Venture Fertilizer Projects are as under:-

Status of the proposed Joint Venture Fertilizer Projects

Name of the Country	Entities/Authorities Signing MOU	Product	Date of MOU	Progress held so far and the current status
1	2	3	4	5
Ghana	Department of Fertilizers and the M/Energy and the M/Food & Agriculture of Ghana.	Ammonia-Urea Fertilizer Project in Ghana based on the Gas supplied by Ghana.	6th July, 2010.	An MoU was signed in July 2010 at the Government level between the Countries for setting up of a gas based fertilizer project in Ghana based on the supply of gas by Ghana. Site selection Report and the Pre-feasibility reports were prepared by RCF and PDIL, which were provided to Ghanaian Authorities. Ghanaian Authorities have been requested for an early decision on pricing of Gas. The Ghanaian Cabinet has formally given its approval for formation of the Ghana-India Joint Venture Fertilizer Company (with 1 million tonne production capacity). RCF has prepared the draft Joint Venture Agreement and a copy of the same has been communicated to the Ghanaian Authorities for their consideration.

1	2	3	4	5
Indonesia	Department of Fertilizers from India and the M/ Energy of Indonesia.	Coal Gasification Based Ammonia-Urea Plant based on the supply of Coal by Indonesia.	25th Jan., 2011	During the visit of the President of Indonesia as Chief Guest on occasion of the Republic Day is January 2011 following two documents have been signed: (i) MoU for setting up an Ammonia Urea Plant in Indonesia and agreement for off-take of surplus urea produced in the plant. (ii) Agreement for supply of 3 lakh MT of Urea and 2.5 LMT of NPK Complex fertilizer in designated grades. M/s Rashtriya Chemicals & Fertilizers Ltd. (RCFL) is pursuing with the Indonesian Authorities about the proposal for JV Ammonia — Urea Plant in Indonesia. The Indonesian Authorities have assured for the full cooperation to RCFL in this regard.
Syria	Department of Fertilizers and the General Company for Phosphate and Minerals (GECOPHAM) of Syria.	For carrying out feasibility studies by the Indian consortium (of MECON, PDIL and RITES) for enhancement of the capacities for mining rock phosphate and for setting up of phosphate fertilizer complex based on rocks from the Al-Khabra Mines of Syria.	May, 2009.	A consortium of Indian entities including MECON, RITES and PDIL (All Central Government PSUs), having expertise in the fields of mining, beneficiation, processing, setting-up and running the phosphatic plants and logistic aspects are undertaking capacity enhancement consultancy study with GECOPHAM in Syria. Government of India (Ministry of External Affairs) is funding the study. The consortium has completed the Pre-Feasibility Studies and has submitted its report to the Syrian Authorities. For the reason of ongoing socio-political situation in Syria, matter is stand still at present, however, the DOF is keeping a close watch in the matter.

10.3 The Committee required about the delay in finalizing the process of joint ventures with the foreign countries. The Secretary, Department of Fertilizers during evidence replied as under:—

> "............... regarding joint ventures. I would like to say one thing that it is not that the delay is from our side, even if we try to expedite the matter then also it depends on other party."

10.4 The Committee further enquired whether existing Joint Ventures have proven to be successful, the Department of Fertilizers in its written reply has stated that:—

> "Government of India being the facilitator of OMIFCO project in Oman has a long-term Urea Offtake Agreement (UOTA) at a pre-determined price for off take of 16.52 lakh MT of Urea annually. This has resulted in assured long term supply of Urea to India at a much lower price over the prevailing international price of urea.
>
> In other joint ventures, however, though there is security of supply of quantity of phosphoric acid, there is no price preference available for the importers. This is because the mines for rock phosphate are generally under the control of the State owned PSUs/companies in the respective countries and they are supplying rock phosphate to the JVs at prevailing international price."

PART II

OBSERVATIONS AND RECOMMENDATIONS

There are 30 large size fertilizer plants in the country manufacturing urea (as on date 29 are functioning) out of which 21 units produce DAP and complex fertilizers, 5 units produce low analysis straight nitrogenous fertilizers and the 9 manufacture ammonium sulphate as by-product. The Committee note 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 further note that the installed capacity has been 120.61 lakh MT of nitrogenous and 56.59 lakh MT of phosphatic nutrients. The Committee observe that 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. Indigenous production of fertilizers has not grown due to lack of new investments in urea sector and there has been no significant investment in urea sector in the last decade. 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 the Department of Fertilizers should urgently take suitable measures to further boost the growth of fertilizer industry so that there is self-sufficiency and sustained growth of fertilizer industry.

The Committee note that in order to increase the indigenous production of urea, an investment policy in urea sector was notified on 4th September, 2008. The policy has resulted in increase of indigenous Urea production by approximately two million tonnes through revamp of existing plants. However, no new investments under Expansion, Revival & Greenfield plants have materialized. The fertilizer companies have also expressed concern regarding pricing and firm availability of gas before taking final investment decision to undertake expansion, Brownfield and new Greenfield projects. To address the concerns of the fertilizer industry, a proposal for New Investment Policy–2012 in urea sector is under consideration of Department of Fertilizers.

The Committee desire that the finalization for new Investment Policy–2012 be expedited to attract more investments in the indigenous production of urea by the fertilizer industry.

Further, lack of adequate availability of inputs including natural gas required for production of fertilizers and limited resources are 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 Department of Fertilizers has continuously been following a policy for encouraging investments abroad by Indian entities in fertilizer sector in resource rich countries. The Committee hope that the Department of Fertilizers would continue with their 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 stress 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 plan outlays and expenditure that an outlay of Rs. 20,627.87 crore for the Eleventh Five Year Plan (2007-2012) was allocated for Department of Fertilizers out of which the actual expenditure of the Department of Fertilizers for the years 2007-08, 2008-09, 2009-10 and 2010-11 (RE) was at Rs. 264.26 crore, Rs. 745.03 crore, Rs. 711.24 crore and Rs. 1514.38 crore respectively and the RE for 2011-12 was Rs. 3736.93 crore totalling Rs. 6971.84 crore which is only 34% of the total plan allocation. The Committee are dismayed to note that the Department of Fertilizers has not been

able to utilize the full amount allocated to them. The Committee are, therefore, 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 a need for proper planning and projection of realistic estimates and timely and prudent use of approved outlays. The Department of Fertilizers should also 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 are unhappy to note that for the preparation and projection of 12th Five Year Plan the Department of Fertilizers have not finalized the plan outlays for MFL and FACT for the last four years of the 12th Five Year Plan. The Committee, therefore, recommend that finalization of the 12th Five Year Plan should be carried out in all aspects. The Committee further also recommend that with the beginning of the 12th Five Year Plan the Department of Fertilizers should make all out efforts to make optimum utilization of the funds which have been allocated for various programmes and projects in each year of the 12th Five Year Plan and achieve the targeted goals.

3. *Demands for Grants Allocation*

The Committee observe from the figures provided by the Department that the non-plan expenditure has increased considerably from the years 2009-10 to 2011-12. The allocation under the figures for the financial years 2009-10, 2010-11 and 2011-12 are Rs. 56,600.50, Rs. 57,860.00 and Rs. 71,592.00 crore (RE) respectively. The Department was unable 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 ever increasing 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 by them. The Committee, further, desire that Department of Fertilizers should also keep strict watch and control over factors impacting budgetary allocations and expenditure thereon.

4. *Subsidy/Concession on Fertilizers*

The Committee note that the total subsidy disbursed on fertilizers has increased from Rs. 12,908.02 crore in 2001-02 to Rs. 65,836.68 crore in 2010-11 and Rs. 53,589.87 crore in 2011-12 (BE). The total

subsidy released on urea has increased from Rs. 17,721.43 crore in the year 2006-07 to Rs. 36,883.00 crore in the year 2011-12 (RE). The subsidy on P&K fertilizers has increased from Rs. 10,298.12 crore in the year 2006-07 to Rs. 34,786.87 crore in the year 2011-12 (RE). 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 2011-12. Considering all these facts, the Committee desire that concerted efforts are needed to cut the subsidy bill. However, as there has to be reduction in the subsidy bill, the reduction in subsidy should not fall as a burden on the farmers. The Committee, therefore, desire that the reduction in the subsidy of fertilizers should not be compensated by charging higher prices (MRP) of fertilizers from the farmers instead the Department of Fertilizers should chalk out such a plan that there is reduction of subsidy bill and at the same time it does not burden the farmers with the increased prices of fertilizers. Further, the Committee feel 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 perturbed to note 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 also understand that the Task Force has recommended three phases approach for implementation of the transfer of direct subsidies. Currently, the Department of Fertilizers is dedicated to stabilize Phase-I by tackling on ground implementation issues such as gaps in mobile coverage over certain geographical regions, regional supply chain issues, user trainings and application upgradation. Thereafter, Phase-II and III will be implemented. The Committee, therefore, strongly recommend

that all three phases of the direct subsidy to farmers should be implemented in strict time-bound manner, so that the farmers are able to benefit from the direct subsidy at the earliest. 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. Under NBS, 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, however, expressed their concern over the increase in prices of P&K fertilizers and also over the fact that the Maximum Retail Price (MRP) of P&K fertilizer is open and is allowed to be fixed by manufacturers/importers based on demand—supply dynamics. This has made farmers vulnerable to the market forces determining the prices of fertilizers. The Committee, therefore, desire that while implementing the NBS policy the Department of Fertilizers should keep in mind the interest of the farmers and also farmers should be protected from the market forces. Further, the Committee are dismayed to note that though the NBS policy has completed two years of its working, it is yet to stabilize and also no formal study has yet been conducted about the effectiveness of the policy. The Committee, therefore, desire that the Department of Fertilizers should make sincere efforts for proper implementation of NBS and to see that the policy is stabilized to have fruitful results. The Committee recommend that the Department of Fertilizers should closely monitor the implementation of the policy for its success. The Committee also recommend that the Department should take steps for the effective 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 out of 20 units all based on gas with 4 units based on gas with 4 units based on naptha and 4 on FO/LHS as feeds stock. The total requirement of natural gas for

existing 20 units is largely met from supplies under APM gas, PMT gas, JV gas, RIL gas and RLNG gas. The Committee have been informed that eight unit proposing to set up expansion area units of 11.5 to 12.7 lakh tone capacities require approx. 2.2-2.4 mmscmd of gas by each unit. The total amount of gas required during next five years will be 48.73 mmscmd. The Committee would like to be apprised about the status report about the progress in allocation of gas to the fertilizer units. 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

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 online web based Fertilizers 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 are not satisfied with the real working of the system in tracking the demands and availability of fertilizers in different 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. Further, the Committee have been informed that for FCIL and HFCL, based on the recommendations of ECOS a note has been prepared and forwarded to Cabinet Committee for their consideration. The CCEA has approved the proposal in its meeting with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited. For MFL, BIFR has directed Operating Agency (State Bank of India) to workout financial restructuring of MFL considering the conversion of GOI loan into equity. The operating agency *i.e.* SBI has submitted its report to BIFR. Now, MFL is being requested to examine viability of the Draft Rehabilitation Scheme (DRS). For BVFCL, it has been suggested/directed to get a detailed financial restructuring proposal made by consultant for submission to Board for Reconstruction of Public Sector Enterprises (BRPSE). 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 the availability of gas. 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 Committee also desire that the revival of closed and sick public sector undertakings should done in a time bound manner and a schedule should be chalked out for the revival of closed and sick fertilizer 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 2011-12 and in the BE of 2012-13. To encourage more joint ventures abroad, the Committee feel that more amount should be allocated in the budgetary provisions under the head. The Committee also feel that process of forming joint ventures with the foreign countries such as Syria, Mali, Belarus, etc., should be finalized and expedited as soon as possible so that the benefits of joint ventures are accrued by the country's farmers. 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;
30 *April,* 2012
10 *Vaisakha,* 1934 *(Saka)*

GOPINATH MUNDE,
Chairman,
Standing Committee on
Chemicals and Fertilizers.

ANNEXURE I

MINISTRY OF CHEMICALS AND FERTILIZERS

DEMAND No. 7

Department of Fertilizers

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

(In crores of Rupees)

	Major Head	Actual 2010-2011			Budget 2011-2012			Revised 2011-2012			Budget 2012-2013		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Revenue	4.79	61879.59	61884.38	7.50	50019.96	50027.46	7.50	67999.96	68007.46	12.00	60999.96	61011.96
	Capital	209.49	...	209.49	217.50	0.04	217.54	217.50	0.04	217.54	244.00	0.04	244.04
	Total	**214.28**	**61879.59**	**62093.87**	**225.00**	**50020.00**	**50245.00**	**225.00**	**68000.00**	**68225.00**	**256.00**	**61000.00**	**61256.00**
1. Secretariat-Economic Services	3451	...	16.53	16.53	...	20.00	20.00	...	20.00	20.00	...	23.49	23.49
Crop Husbandry													
2. Subsidy on imported fertilizers	2401	...	6453.91	6453.91	...	6983.00	6983.00	...	13883.00	13883.00	...	13398.00	13398.00
3. Subsidy on decontrolled fertilizers													
3.01 Payment to manufacturers/Agencies for concessional sale of decontrolled fertilizers	2401	...	40766.57	40766.57	...	29706.87	29706.87	...	34207.94	34207.94	...	28576.10	28576.10

		1	2	3	4	5	6	7	8	9	10	11	12	13
	3.02 Compensation for Loss on Account of Sale of Fertilizer Bond	2401	...	...	...	...	...	...	...	578.93	578.93	...	0.02	0.02
	Total—Subsidy on decontrolled fertilizers		...	40766.57	40766.57	...	29706.87	29706.87	...	34786.87	34786.87	...	28576.12	28576.12
	Total—Crop Husbandry		**...**	**47220.48**	**47220.48**	**...**	**36689.87**	**36689.87**	**...**	**48669.87**	**48669.87**	**...**	**41974.12**	**41974.12**
4.	Fertilizer Industries													
	4.01 Subsidy on indigenous fertilizers	2852	...	15080.73	15080.73	...	13308.00	13308.00	...	19108.00	19108.00	...	19000.00	19000.00
	4.02 Compensation for Loss on Account of Sale of Fertilizer Bonds	2852	...	...	...	...	...	...	...	200.00	200.00	...	0.01	0.01
	Total—Fertilizer Industries		...	15080.73	15080.73	...	13308.00	13308.00	...	19308.00	19308.00	...	19000.01	19000.01
5.	Other research schemes for fertilizer development													
	5.01 S & T programme	2852	1.44	...	1.44	2.00	...	2.00	2.00	...	2.00	3.50	...	3.50
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

		1	2	3	4	5	6	7	8	9	10	11	12	13
	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	...	...	...	67.79	...	67.79	67.79	...	67.79	94.61	...	94.61
8.	Investment in Public Enterprises	6855	209.49	...	209.49	149.70	...	149.70	149.70	...	149.70	149.38	...	149.38
9.	Investment for JVs abroad	4855	...	...	...	0.01	...	0.01	0.01	...	0.01	0.01	...	0.01
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	3.35	1.83	5.18	5.50	2.07	7.57	5.50	2.07	7.57	8.50	2.32	10.82

		1	2	3	4	5	6	7	8	9	10	11	12	13
	10.03 Post closure adjustment liabilities of PPL	3475	...	4.04	4.04	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
	Total- Other Programmes		3.35	5.87	9.22	5.50	2.09	7.59	5.50	2.09	7.59	8.50	2.34	10.84
11.	Actual Recoveries	2852	...	-444.02	-444.02	...	...	...	...	...	...	...	...	...
	Grand Total		214.28	61879.59	62093.87	225.00	50020.00	50245.00	225.00	68000.00	68225.00	256.00	61000.00	61256.00

		Head of Dev.	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
B.	**Investment in Public Enterprises**													
	8.01 Fertilizers & Chemicals Travancore Ltd.	12855	89.99	...	89.99	60.74	...	60.74	60.74	...	60.74	61.75	...	61.75
	8.02 National Fertilizers Ltd.	12855	...	459.68	459.68	...	2363.08	2363.08	...	2268.13	2268.13	...	1696.98	1696.98
	8.03 Projects and Development (India) Ltd.	12855	...	6.35	6.35	...	9.73	9.73	...	8.32	8.32	...	6.05	6.05
	8.04 Rashtriya Chemicals and Fertilizers Ltd.	12855	...	109.65	109.65	...	293.30	293.30	...	380.87	380.87	...	673.75	673.75
	8.05 Madras Fertilizers Ltd.	12855	74.50	...	74.50	88.95	...	88.95	88.95	...	88.95	87.62	...	87.62
	8.06 Brahmaputra Valley Fertilizer Corporation Ltd.	12855	45.00	...	45.00	67.80	...	67.80	67.80	...	67.80	94.62	...	94.62

		1	2	3	4	5	6	7	8	9	10	11	12	13
8.07	Krishak Bharti Cooperative Ltd.	12855	...	725.29	725.29	...	654.96	654.96	...	854.46	854.46	...	675.00	675.00
8.08	Fertilizer Corporation of India (FAGMIL)	12855	...	0.24	0.24	...	4.15	4.15	...	0.15	0.15	...	23.51	23.51
Total			209.49	1301.21	1510.70	217.49	3325.22	3542.71	217.49	3511.93	3729.42	243.99	3075.29	3319.28
C.	**Plan Outlay**													
1.	Fertiliser Industries	12855	214.28	1301.21	1515.49	157.21	3325.22	3482.43	157.21	3511.93	3669.14	161.39	3075.29	3236.68
2.	North Eastern Areas	22552	...	...	...	67.79	...	67.79	67.79	...	67.79	94.61	...	94.61
Total			214.28	1301.21	1515.49	225.00	3325.22	3550.22	225.00	3511.93	3736.93	256.00	3075.29	3331.29

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 loan wise break up of the budgetary support to these enterprises and the IEBR are given in Expenditure Budget Vol. II.

8.01. **Fertilizers and Chemicals Travancore Ltd. (FACT):** FACT is a PSU having a total paid up capital of Rs. 647.07 crore, 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 Rs. 490.58 crore, 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 Vijaypur I&II Plants.

8.03. **Projects & Development (India) Limited (PDIL):** PDIL is a PSU having the paid up capital of Rs. 17.30 crore 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 Rs. 551.69 crore 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):** MFL is a PSU having a total paid up capital of Rs. 161.10 crore, 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 Rs. 365.83 crore, 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 Rs. 7.33 crore, 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 and 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 (2011-12)

The Committee sat on Friday, the 20th April, 2012 from 1500 hrs. to 1650 hrs. in Committee Room–'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Gopinath Munde — *Chairman*

MEMBERS

Lok Sabha

2. Shri Prabhatsinh Pratapsinh Chauhan
3. Shri O.S. Manian
4. Shri N. Peethambara Kurup
5. Shri Ponnam Prabhakar
6. Shri Ashok Kumar Rawat
7. Shri Raju Shetti
8. Shri Om Prakash Yadav

Rajya Sabha

9. Shri A.A. Jinnah
10. Shri Parshottam Khodabhai Rupala
11. Shri Raghunandan Sharma
12. Shri Dilipbhai Pandya

SECRETARIAT

1. Shri C.S. Joon — *Joint Secretary*
2. Shri A.K. Srivastava — *Additional Director*
3. Smt. Emma C. Barwa — *Under Secretary*

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

1.	Sh. Ajay Bhattacharya	Secretary (Fertilizers)
2.	Sh. V. Rajagopalan	Special Secretary & Financial Advisor
3.	Sh. Sham Lal Goyal	Joint Secretary (F&M)
4.	Sh. Suresh Chandra Gupta	Joint Secretary (F&P)
5.	Sh. A.K. Parashar	Economic Advisor
6.	Sh. M.P. Johnson	Deputy Director General

II. REPRESENTATIVES FROM MINISTRIES/DEPARTMENTS

1.	Dr. Krishan Chandra	Additional Commissioner, INM, Department of Agriculture and Cooperation (DAC)
2.	Dr. J.C. Dagar	Additional Director General, Indian Council for Agricultural and Research (ICAR)
3.	Sh. Neeraj Mittal	Joint Secretary, Petroleum and Natural Gas (P&NG)

III. REPRESENTATIVES OF PSUs

1.	Dr. S.K. Das	CMD, FCI Aravali Gypsum & Minerals India Ltd. (FAGMIL)
2.	Sh. Gautam Sen	Director (Fin.), Rashtriya Chemicals and Fertilizers Limited (RCFL)
3.	Sh. P. Muthusamy	Director (Fin.), Fertilizers and Chemicals Travancore Limited (FACT)
4.	Ms. Neeru Abrol	Director (Fin.), National Fertilizers Limited (NFL)
5.	Shri N.K. Saha	MD, Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)
6.	Dr. M. Ravikanth	CMD, Projects and Development India Ltd. (PDIL)
7.	Sh. Sagar Mathews	Director (Tech.) Madras Fertilizers Limited (MFL)

8.	Sh. Prabhat Singh	Director (Marketing) Gas Authority of India Limited (GAIL)
9.	Dr. P.P. Biswas	Principal Scientist, Indian Council for Agricultural and Research (ICAR)

2. At the outset, Hon'ble Chairman welcomed the members of the Committee. Thereafter, the officials of the Ministry of Chemicals & Fertilizers (Department of Fertilizers), the Public Sector Undertakings and the Autonomous Institutions were called and their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. Then the officials of the Department and others introduced themselves. Thereafter, the Secretary, Department of Fertilizers briefed the Committee about the subject Demands for Grants of the Department for the year 2012-13.

4. During the discussion, the Chairman and members of the Committee raised some queries which were replied to by the Secretary, Department of Fertilizers and other officials. They also assured to send the requisite information in writing which was not readily available with them.

5. *** *** *** ***

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

The Committee then adjourned.

ANNEXURE III

MINUTES

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2011-12)

The Committee sat on Friday, the 27th April, 2012 from 1530 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri A.A. Jinnah — *Acting Chairman*

MEMBERS

Lok Sabha

2. Shri K.D. Deshmukh
3. Smt. Paramjit Kaur Gulshan
4. Shri Baidya Nath Prasad Mahato
5. Shri Sakti Mohan Malik
6. Shri O.S. Manian
7. Shri N. Peethambara Kurup
8. Shri Ashok Kumar Rawat
9. Shri Sivakumar *alias* Ritheesh
10. Shri Raju Shetti
11. Shri Om Prakash Yadav

Rajya Sabha

12. Shrimati Naznin Faruque
13. Shri Dilipbhai Pandya

SECRETARIAT

1. Shri C.S. Joon — *Joint Secretary*
2. Shri A.K. Srivastava — *Additional Director*
3. Smt. Emma C. Barwa — *Under Secretary*

2. As the Chairman could not attend the sitting due to pre-occupation, the members chose Shri A.A. Jinnah, member of the Committee, to act as the Chairman. The Acting Chairman welcomed the members to the sitting of the Committee.

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

(a) Demands for Grants (2012-13) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);

(b) *** *** *** ***

(c) *** *** *** ***

4. The draft Reports were adopted by the Committee without any amendment.

5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Reports by the Department of Fertilizers, Department of Chemicals and Petrochemicals and Department of Pharmaceuticals of the Ministry of Chemicals and Fertilizers and present the same to both the Houses of Parliament.

The Committee then adjourned.