6

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2009-10)

FIFTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2010-2011)

SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/ Chaitra 1932, (Saka)

CC&F No. 6

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(FIFTEENTH LOK SABHA)

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DEMANDS FOR GRANTS (2010-2011)

Presented to Lok Sabha on ***26.04.2010***

Laid in Rajya Sabha on ***26.04.2010***

LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2009-10)

Shri Ananth Kumar - Chairman	
MEMBERS	
LOK SABHA	
2	Smt. Sushmita Bauri
3	Shri Prabhatsinh P. Chauhan
4	Shri K.D. Deshmukh
5	Shri Ganeshrao Nagorao Dudhgaonkar
6	Shri Madhu Koda
7	Shri N. Peethambara Kurup
8	Shri Baidyanath Prasad Mahato
9	Shri Ponnam Prabhakar
10	Shri Ashok Kumar Rawat
11.	Shri Suresh Kumar Shetkar
12	Shri Ajit Singh
13	Shri N. Cheluvaraya Swamy
14	Shri Narendra Singh Tomar
&15	Shri T.K.S. Elangovan
&16	Shri Tapas Paul
**17	Shri Udayanraje Bhonsle
18 to 21	Vacant
RAJYA SABHA	
22	Shri J.D. Seelam
23	Shri Raghunandan Sharma
24	Dr. C.P. Thakur
25	Shri Brijlal Khabri
26	Shri A.A. Jinnah
27	Shri Raj Mohinder Singh Majitha
28	Shri Biswajit Daimary
**29	Prof. Anil Kumar Sahani
#30	Vacant
31	Vacant

* Consequent upon nomination to the Committee on Information Technology Shri Tufani Saroj, MP (LS) ceased to be Member of the Committee w.e.f. 13.10.2009.

\# Vacancy arisen due to demise of Shri Mahendra Sahni, MP (RS) w.e.f. 6 November 2009.

& Nominated w.e.f. 11.01.2010.

** Nominated w.e.f. 26.02.2010.

SECRETARIAT

1. Shri N. K. Sapra - Additional Secretary
2. Shri A. Sarin - Joint Secretary
3. Shri C.S.Joon - Director
4. Smt. Madhu Bhutani - Committee Officer

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2009-10) having been authorised by the Committee to present the Report on their behalf present this Sixth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2010-11.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2010-11 which were laid in Lok Sabha and Rajya Sabha on 11 March 2010.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 31 March 2010.

4. The Committee considered and adopted the Report at their sitting held on 16 April 2010

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 2010-11 and for giving evidence before the Committee.

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

New Delhi;

20 April, 2010 — ***ANANTH KUMAR***
***30 Chaitra*, 1932 (Saka)** — **Chairman,**
Standing Committee on
Chemicals and Fertilizers.

REPORT

CHAPTER – I

INTRODUCTION

The main objective of the Department of Fertilizers is to ensure adequate and timely availability of fertilizers for maximizing agricultural production in the country. For this purpose, it promotes and assists industries in the fertilizers sector. The Department also plans and arranges 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 this 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 of Fertilizers disburses payments to manufacturers/importers of decontrolled fertilizers under the concession scheme which is being administrated by the Department to make these fertilizers available to the farmers at the indicative Maximum Retail Price.

1.4 There is one attached office under this Department, viz., the office of the Executive Director, Fertilizer Industry Coordination Committee (FICC), which provides the Secretariat support to the FICC constituted to administer the Retention Price 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 multi-state cooperative society. The details are as under: -

Sl. No.	Name of Company/ Public Sector undertaking	Headquarters	Incorporated in
1	2	3	4
(i)	Fertilizers and Chemicals Travancore Ltd. (FACT)	Udyogmandal	September 1943
(ii)	Fertilizer Corporation of India Ltd. (FCI)	New Delhi	January 1961
(iii)	National Fertilizers Ltd.(NFL)	Noida	August 1974
(iv)	Rashtriya Chemicals & Fertilizers Ltd. (RCF)	Mumbai	March 1978
(v)	Madras Fertilizers Limited (MFL)	Chennai	December 1966
(vi)	Projects & Development India Ltd. (PDIL)	Noida	March 1978
(vii)	Hindustan Fertilizer Corporation Limited (HFC)	New Delhi	March 1978
(viii)	Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	Guwahati	April 2002
(ix)	FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	Jodhpur	February 2003
	Co-operative Sector		
(x)	Krishak Bharti Cooperative Limited (KRIBHCO)	Noida	April 1980
(xi)	#Indian Potash Limited (IPL)	Chennai	February 1971

The Department also has administrative responsibility for Indian Potash Limited, a company with shareholdings of private, cooperative and public sector fertilizer companies.

CHAPTER – II

II. OVERVIEW OF FERTILIZER INDUSTRY

Recounting the growth of the fertilizer industry in India, the Department of Fertilizer in its Annual Report has stated 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 Limited (FACT) at Cochin in Kerala and the Fertilizers Corporation of India (FCI) at Sindri in Bihar (now Jharkhand) were the first large sized fertilizer plants set up in the forties and fifties of the last century with a view to establish an industrial base to achieve self-sufficiency in foodgrains. Subsequently, green revolution in the late sixties gave an impetus to the growth of fertilizer industry in India and the seventies and eighties witnessed a significant addition to the fertilizer production capacity.

2.2 The sectorwise and Nutrientwise installed capacity of Nitrogenous and Phosphatic fertilizers as on 31 March 2009 has reached a level of 120.61 lakh MT and 56.59 lakh MT respectively making India the third largest producer in the world. The non functional capacity is estimated at 3.32 lakh MT. The rapid build-up of fertilizer production capacity in the country has been achieved as a result of a favourable policy environment facilitating large investments in the public, co-operative and private sectors. Presently, there are 56 large size fertilizer plants in the country manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers. Out of these, 30 units (as on date 29 units are functioning) produce urea, 21 units produce DAP and complex fertilizers, 5 units produce low analysis straight nitrogenous fertilizers and the remaining 9 manufacture ammonium sulphate as by-product. Besides, there are 72 medium and small-scale units in operation producing SSP.

2.3 The sector-wise, nutrient-wise installed capacity of fertilizer, manufacturing units as on 31 March 2009 is furnished 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

2.4 In the Light of the challenges posed by the drought conditions in several parts of the country and the vital role played by chemical fertilizers for the success of agricultural production, the Department of Fertilizers has in a written reply stated as under :-

> " Assessment of demand for each crop season is made by the Department of Agriculture & Cooperation (DAC) for urea, DAP and MOP, the supply plan is drawn by the Department of Fertilizers(DOF) only for urea since it is under partial distribution control. The annual target of fertilizers consumption is also given by the DAC. The total requirement is worked out by adding 5% of annual requirement towards pipeline stock to the assessed quantities. The State-wise assessed requirement, availability of Urea, DAP, MOP and Complex Fertilizer during the year 2009-10(April'09 to Feb'10) in the country are furnished at **Annexure-I**.
>
> It can be seen from the figures that the sale of Urea has decreased marginally compared to the corresponding period of last year while the sales of other fertilizers are almost at the same level as that of last year. The fertilizer consumption remained more or less at the same level as that of last year despite severe drought in the country. The farmers used more fertilizers to maximize production in the drought situation."

2.5 When enquired as to how the Department evaluates the growth of the fertilizer 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 production of urea has slightly declined. The gap between the demand and indigenous production is met through import. The demand and consumption of fertilizers in 2008 was at record levels. The consumption of fertilizers during the Ninth Plan period and initial years of Tenth Plan period was stagnant. 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. The stagnant consumption of fertilizers during Ninth Plan period provided no incentive for increase in production capacities within the country and, therefore, the sudden increase in demand and consumption have led to heavy strain on indigenous production facilities and have also increased our dependence upon imports.
>
> The recent gas finds in the country and projected improvement in availability of gas has provided an opportunity to achieve self sufficiency in urea sector. The New Investment Policy in urea sector notified on 4th September 2008 is expected to bring in fresh investments in this sector leading to addition of new capacities. However, the same is dependent on long term committed availability of gas. Thereafter, it will take a minimum of five years to completely bridge the existing gap in demand production of urea in the country. As regards the phosphatic and potassic fertilizers, the Government has continuously followed a policy for encouraging investments abroad by Indian entities in fertilizer sector in resource rich countries."

2.6 When asked about the factors which have impeded self-sufficiency in the fertilizer sector, the Department of Fertilizers submitted in a written reply as follows:-

> "Adequate availability of input required for production of fertilizers and limited resources are the major bottlenecks in achieving self-sufficiency in the fertilizer sector. Before production and availability of RIL gas from KG-D6 Basin, the limited availability of Natural Gas/LNG to urea manufacturing units was one of the major bottlenecks leading to low production at costly feedstock.
>
> The DAP production is dependent on availability of imported raw material/intermediates, viz. rock phosphates, phosphoric acid, sulphur, etc. Because of limited availability and high fluctuating prices of these raw materials/intermediates in the international market, the production of DAP and complex fertilizers remains stagnant. There is some tightness in availability of complex fertilizers(NPK) because of low level of indigenous production and also as these can not be imported.
>
> To achieve self sufficiency in the fertilizer sector, the Government has announced a policy for new Investment in urea sector on 4 September 2008. The New Investment Policy aims at revamp, expansion, revival of existing urea units and setting up of Greenfield projects. The policy is expected to substantially bridge the gap in next five years between the consumption and domestic consumption subject to confirmed and adequate availability of gas at reasonable price.
>
> In the case of Phosphates, the paucity of domestic raw material has been a constraint in the attainment of self-sufficiency in the country. Indigenous Rock Phosphate supplies meet only 5-10% of the total requirement of P_2O_5. A policy has therefore, been adopted which involves mix of three options, viz. domestic production based on indigenous/imported Rock Phosphate and imported sulphur, domestic production based on indigenous/imported intermediates, viz. ammonia and phosphoric acid; and third, import of finished fertilizers. During 2008-09 roughly 90% of the requirement of phosphatic fertilizers was met through the first two options.
>
> In the absence of commercially exploitable potash sources in the country, the entire demand of potassic fertilizers for direct application as well as for production of complex fertilizers is met through imports.
>
> Given the volatility in international market for fertilizers in general and urea market in particular, marginal provision through imports could be used to the country's strategic advantage. This is also desirable as the international market, especially in case of urea, is very sensitive to demand supply scenario. Under the new pricing regime for urea units applicable from 1.4.2003, for securing additional indigenous supply of urea, economically efficient units are being permitted to produce beyond their reassessed capacity to substitute/minimize imports."

CHAPTER – III

III. SCHEMES DURING THE ELEVENTH FIVE YEAR PLAN

For the Eleventh Five Year Plan (2007-12), the Planning Commission has approved an outlay of Rs.20,627.87 crore. For the year 2010-11, an amount of Rs.2,914.99 crore is allocated for different schemes of PSUs, scheme for capital subsidy for conversion, investments for joint ventures abroad, revival of closed units and other miscellaneous schemes.

3.2 A statement showing the XI plan outlay and Annual plans (2007-08 to 2009-10) – i.e. BE, RE and actual expenditure is as under:-

Statement showing XI Plan Outlays and Annual Plans (2007-08 to 2009-10) - BE, RE and Actual Expenditure

S.No.	**Name of the scheme**	XI Plan Outlay	Annual Plan 2007-08			Annual Plan 2008-09			Annual Plan 2009-10		Annual Plan 2010-11
		(2007-12)	BE	RE	Actual	BE	RE	Actual	BE	RE	BE
	Central Sector Scheme (CS)										
1.	RCF	6880.37	302.41	253.24	118.57	812.43	469.06	241.83	988.05	250.68	622.82
2.	FAGMIL	42.25	0.14	3.20	0.69	22.40	22.40	0.61	29.01	4.35	11.29
3.	PDIL IEBR	12.50	2.50	6.74	4.77	4.85	4.65	3.74	5.35	8.38	5.38
4.	NFL	6050.75	477.91	25.00	22.04	154.25	48.05	27.56	550.15	139.25	900.50
5.	KRIBHCO	6150.00	210.00	106.00	79.73	685.00	105.00	273.77	497.00	421.50	1160.00
6.	Revival of Sick CPSEs	607.00									
6(i)	BVFCL		4.50	7.47	7.47	20.00	20.00	20.00	65.00	65.00	45.00
6(ii)	FACT GBS		15.00	15.00	14.08	13.00	13.00	4.17	34.00	34.00	89.99
6(iii)	MFL		9.00	9.00	9.00	13.00	13.00	13.00	96.99	96.99	74.50
6(iv)	FCI		1.00	0.01	0.00	0.00					
6(v)	HFC		1.00	0.01	0.00	0.00					
6(vi)	PPCL		1.00	0.01	0.00	0.00					
7.	Misc Schemes*		8.50	8.50	6.99	4.00	4.00	3.08	4.00	4.00	5.50
8.	Capital Subsidy for conversion	885.00	5.00	5.00	0.00	150.00	0.00				
9.	Investments for JVs abroad						0.01		0.01	0.01	0.01
10.	Revival of Closed Units										
	TOTAL	**20627.87**	**1037.96**	**439.18**	**263.34**	**1878.93**	**699.17**	**587.76**	**2269.56**	**1024.16**	**2914.99**

3.3 When asked about the scheme-wise actual expenditure incurred during the year 2009-10 till date, the Department of Fertilizers stated as under:-

A statement showing scheme-wise expenditure during 2009-10 (up to February, 2010) is given below:

(Rs. In crore)

Sl. No.	**Name of the scheme**	Annual Plan 2009-10		
		BE	RE	Actual
	Central Sector Scheme (CS)			
1	RCF	988.05	250.68	102.91
2	FAGMIL	29.01	4.35	0.36
3	PDIL IEBR	5.35	8.38	6.08
4	NFL	550.15	139.25	37.98
5	KRIBHCO	497.00	421.50	292.71
6	**Revival of Sick CPSEs**			

Sl. No.	Name of the scheme	Annual Plan 2009-10		
6(i)	BVFCL	65.00	65.00	47.00
6(ii)	FACT GBS	34.00	34.00	14.02
6(iii)	MFL	96.99	96.99	12.56
6(iv)	FCI			
6(v)	HFC			
6(vi)	PPCL			
7	Misc. Schemes	4.00	4.00	3.20
8	Capital Subsidy for conversion			
9	Investments for JVs abroad	0.01	0.01	
10	Revival of Closed Units			
	TOTAL:	**2269.56**	**1024.16**	**516.82**

From the above table, it is evident that an amount of Rs.2,269.56 crore has been earmarked by the Department of Fertilizers in BE 2009-10 for undertaking various schemes and revival of sick/ closed fertilizer units which was reduced to Rs.1,024.16 crore at (RE stage 2009-10). Out of Rs.1,024.16 crore, the actual expenditure was only Rs.516.82 crore till February 2010.

3.4 When the Committee asked about the reasons for drastic reduction at RE stage the Department of Fertilizers in a written note stated that the decrease in Annual Plan 2009-10 (RE) as compared to Annual Plan 2009-10 (BE) is due to revision in the IEBR outlays which were to be generated by 5 companies. While RCF, NFL, KRIBHCO and FAGMIL reduced their plan outlay during 2009-10 at RE stage, PDIL increased its outlay from Rs.5.35 crore (BE) to Rs.8.38 crore (RE) in the Annual Plan 2009-10.

3.5 Explaining the company wise reasons for shortfall in expenditure during the year 2009-10 taking into account expenditure upto February 2010, the Department of Fertilizers in their post evidence reply submitted as under:-

"**NFL**

1. Execution of Changeover of feedstock from Fuel Oil (FO) to Gas at Company's three FO based plants could be started only (on 29th January 2010) after the receipt of CCEA approval. Major capex on these projects will be made from the year 2010-2011.
2. Energy Saving Project was put on hold in 2006-07 due to sudden spurt in the prices of equipment globally, adversely impacting the project viability in terms of extant Investment Policy. Subsequent to the notification of New Investment Policy in Urea Sector on 4th September 2008, this was restarted in 2009-2010 and also capacity enhancement of VP-II plant was taken up in this year. After completion of Basic Engineering, Detailed Engineering is in the advanced stage of completion. Purchase Orders for critical equipments have been placed and procurement for other equipment is in progress. The Scheme shall be completed during 11th Five Year Plan.

3. After the off-take of both conversion of feedstock (at Panipat, Bathinda and Nangal Unit) and capacity enhancement and other projects at Vijaipur, the plan expenditure shall increase from 2010-11 onwards.

RCF

Though the utilization of Plan Outlay in 2009-10 is low, there are commitments to the extent of Rs.48 crore, which are likely to be spent by 31^{st} march, 2010. The balance amount is likely to be spent in 2010-11.

KRIBHCO

1. No expenditure on setting up of a modern mega size urea-ammonia plant at Hazira could be made pending approval of GOI.
2. Action initiated for basic engineering and design for revamping to enhance its existing capacity and reduction in energy. The vendors have not raised bills for advance payment.
3. Energy feasibility study for commercial operation of its jetty has been carried out. The environment clearance was obtained in January 2010. Hence, work could not be started as scheduled.

FAGMIL

1. Potash exploration project in Rajasthan was dropped as the lease application was rejected by the State Government.

2. Construction of road at MGM was deferred for next year due to late receipt of the estimates from CPWD.

BVFCL

Rs.8.00 crore is allocated in plan outlay for 2009-10 for 'Conducting detailed study for development of detailed technical viable plan for 100% capacity utilization for Namrup–II and Namrup–III Plants by reputed process licensor'. NIT had been floated for selecting the Process Licensor. Offer of M/s Cassale has been found technically suitable and price bid was opened. The price quoted by the Party was 1.5 times higher than the estimated cost. The final decision on placement of the order will be taken shortly.

FACT

An additional amount of Rs.10.57 crore has been committed. Expeditious action is being taken to complete the pending projects and utilize the funds allocated.

MFL

There were certain unavoidable hardships in getting certain schemes completed due to the reasons such as inadequate receipt of responses from suppliers/contractors for press tenders, delay in compliance of procedural requirement, non-fulfillment of contractual obligations by the contractors, etc., which have been studied for trouble free completion of the schemes envisaged."

3.6 To a specific query on full and proper utilization of the remaining amount, i.e. Rs.507.34 crore till 31 March 2010, the Department in their post evidence reply have stated that out of Rs.507.34 crore, the remaining unspent amount up to February, 2010 under Annual Plan (2009-10), Rs.384.12 crore is under IEBR and balance Rs.123.62 crore is under GBS.

> "Expenditure under plan head is incurred by PSUs / Cooperative as per laid down procedures. Only monitoring of progress of expenditure is done by the Department of Fertilizers. Profit making PSUs/Cooperative meet their plan expenditure through their IEBR. Loss making PSUs are provided plan fund in the form of loan through budgetary support (GBS) to meet their capital expenditure for replacement and maintenance of critical equipments to sustain their operations. While reviewing the plan expenditure of the companies, it was impressed upon them to make realistic assessment of their plan requirements both at BE and RE stages and to ensure proper and full utilization of plan funds.
>
> Out of total GBS of Rs.200.00 crore (RE – 2009-10), Rs.195.99 crore is allocated for loss making PSUs viz., FACT, MFL and BVFCL and Rs.4.00 crore has been allocated for miscellaneous schemes comprising MIS/IT and Research & Development schemes. An amount of Rs. 185.85 crore has been released to loss making PSUs till date. PSUs/Cooperative make concerted efforts to utilize the fund during the financial year. Unspent amount is carried forward to next financial year in the form of committed liabilities. Under miscellaneous schemes, saving would be mainly on account of some proposals not found suitable for funding by the Project Approval Committee."

3.7 When the Committee asked whether the amount allocated by the Planning Commission for various schemes of PSUs in Annual Plan 2010-11 is sufficient to meet the need, the Department of Fertilizers in a written reply submitted as under:-

> "Profit making PSUs have been allocated funds in the Annual Plan (2010-11) as per requirements projected by them under IEBR. In case of loss making PSUs, lesser allocation of funds under GBS have been made compared to their projected requirements. However, it would be sufficient to meet the capital requirement for their replacement and maintenance of critical equipment to sustain their operations. It may be mentioned that plan funds to loss making PSUs are released in the form of loan carrying high interest rate. As regards Miscellaneous Schemes comprising Research & Development (R&D) and MIT Schemes, allocation of funds are sufficient to meet the need."

3.8 On being asked about the measures taken by the Department for optimum utilization of budgetary amount allocated for the fourth year of Eleventh Five Year Plan the Department of Fertilizers in their written reply stated that strict and regular monitoring of utilization of budgetary funds will continue in force through the mechanism of:

(i) Monthly progress reports from the companies.
(ii) Quarterly review Meeting at the level of Secretary (Fertilizers).
(iii) Review meetings at the level of other senior officers from time to time.
(iv) Government nominees on the Boards of the companies.

3.9 Further, the Department stated that as and when any shortfall is noticed in plan expenditure, companies are advised to undertake appropriate corrective measures. During the year 2008-09 Rs.150 crore earmarked for conversion of Fuel Oil/Low Sulpher Heavy Stock plants into gas based plants could not be utilized since investment policy for conversion of these plants was not finalized by Government. Now Government has notified the policy on 6 March 2009 for conversion and restart the existing urea units to increase indigenous production and efficiency in production of fertilizers.

3.10 On being enquired about the measures taken by the Department for conversion of FO/LSHS plants into gas based plants and restart the existing urea units to increase the efficiency of urea production in the country, the Department of Fertilizers in their written reply stated as under:-

> "The Government has notified on 6 March 2009, a policy for conversion of naphtha and FO/LSHS based plants to gas based plants. This policy will support conversion of FO/ LSHS plants through a conversion subsidy in the form of a special fixed cost. The policy also allow resumption of production from the shut down units based on all existing fuel/feedstock with the provision that the non-gas based units will have to convert to gas before March 2010. The Government on a special dispensation has allowed resumption of urea production by the Trombay unit of Rashtriya Chemicals Limited(RCF) under the New Pricing Scheme Stage-III and allowed a minimum fixed cost equivalent to the weighted average fixed cost of the gas based urea units under NPS-III with preset energy as available to the unit under NPS-I & II.
>
> Based on the above policy, the Public Investment Board(PIB) has cleared the proposals for conversion of three FO/LSHS units of National Fertilizers Limited and unit of GNVFC. Thereafter, the Government has approved the proposal and issued orders on 8th February 2010 for feedstock changeover projects of M/s National Fertilizers Limited at its units Nangal, Panipat and Bhatinda, which is Central Public Sector Undertakings at a total cost of Rs. 1478.63 crore, Rs. 1292.94 crore and Rs. 1294.19 crore respectively. The conversion of above units to gas based will lead to savings to the tune of Rs. 40 crore per unit per month, in the form of reduction in the release of fertilizer subsidy, after conversion of these units is completed. The conversion will also help units to modernize their existing ammonia plants and achieve better energy efficiency."

3.11 Regarding the assessment of Department of Fertilizers on New Investment Policy for urea sector to attract fresh investment in fertilizer sector, the Department have informed that the new investment policy for urea sector has been notified by the Government on 4th September 2008 to increase the indigenous production of urea. The policy is based on the import Parity Price (IPP) benchmarked with floor and ceiling prices of USD 250/MT and USD 425/MT respectively. The additional urea from the revamp of existing units will be recognized at 85% of IPP, the urea from the expansion of existing units will be recognized at 90% of IPP and the urea from the revived PSU units of Hindustan Fertilizer Corporation Limited(HFCL) and

Fertilizer Corporation of India Limited (FCIL) will be recognized at 95% of IPP with prescribed floor & ceiling price given above.

The fertilizer Industry has responded positively towards the New Investment Policy by initiating investment decision for revamp of existing capacities. The fertilizer units like IFFCO-Aonla – I & II, IFFCO-Phulpur – I & II, Chambal Fertilizers and Chemicals Limited (CFCL) – Gadepan – I&II, Nagarjuna Fertilizers and Chemicals Limited (NFCL) – Kakinada – I & II and the unit of Tata Chemicals Limited - Babrala have informed regarding availability of additional production of urea after revamp. Further, RCF, Thal; KRIBHCO- Hazira and NFL, Vijaipur have undertaken revamp of their units. The six companies viz. IFFCO, KRIBHCO, Rashtriya Chemicals and Fertilizers Limited, INDO-GULF Fertilizers Limited, TATA Chemicals Limited and Chambal Fertilizers and Chemicals Limited have proposed to undertake expansion of their units. However, these units have expressed concern regarding pricing and firm availability of gas before taking final investment decision to undertake expansion of their existing units. M/s Matix Group Company, Mumbai has also intimated to Department of Fertilizers for setting up of a Greenfield Gas Based Ammonia-Urea project in BURDWAN District, West Bengal of one million metric tonne per annum (1 Mn MTPA), based on Coal Bed Methane(CBM) Gas which will be supplied to them by Essar Oil Limited's Raniganj CBM block.

CHAPTER – IV

IV) Analysis of Demands for Grants of the Department of Fertilizers for the year 2010-11.

4.1 The Ministry of Chemicals and Fertilizers (Department of Fertilizers) laid on the Table of the Lok Sabha, the detailed Demands for Grants (2010-11) of Department of Fertilizers on 11 March 2010. The Demands show a budgetary provision of Rs.50,215.00 crore, with a provision of Rs.50,005.45 crore in revenue and Rs.209.54 crore in Capital Section. The detailed Demands for Grants of the Department of Fertilizers are given as per **Annexure-II**.

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.209.49 crore has been made under Gross Budgetary Support (GBS) for three loss making PSUs, namely, Madras Fertilizers Limited (MFL), Fertilizers & Chemicals Travancore Limited (FACT) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL). An amount of Rs.2,699.99 crore has been made under IEBR by five profit making companies of Department of Fertilizers, namely, FCI, Aravali Gypsum & Minerals India Limited (FAGMIL), National Fertilizers Limited (NFL), Projects & Development India Limited (PDIL), Rashtriya Chemicals & Fertilizers Limited (RCF) and Krishak Bharti Cooperative Limited (KRIBHCO), to plan their own capital expenditure for revamp, expansion, debottlenecking and any other capital related expenses and mobilize resources to meet their own expenditure.

4.4 A Statement showing the Budget Estimates (BE), Revised Estimates (RE) (in gross) and Actual Expenditure for each of the year 2007-08, 2008-09 and 2009-10 and the Budget Estimates for the year 2010-11 for plan and Non-plan expenditure is as follows:-

	2007 – 2008			2008 – 09			2009 – 10			2010 - 11
	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure as on 31.01.09	Budget Estimates
Plan	45.00	45.00	39.96	200.00	50.01	49.33	200.00	200.00	122.99	215.00
Non-plan	24555.25	41218.55	43554.20	34181.55	100491.16	99508.57	53600.50	56600.50	52766.86	52860.00
Total	**24600.25**	**41263.55**	**43594.16**	**34381.55**	**100541.17**	**99557.90**	**53800.50**	**56800.50**	**52889.85**	**53075.00**

4.5 When the Committee asked about the reasons for variations in Budget Estimates, Revised Estimates and Actual Expenditure for the last three years, the Department of Fertilizers in a written note submitted as under:-

"2007-08

The Budget provision made under the plan for the year 2007-08 was Rs.45.00 crores which has been kept at the same level at the RE stage. The actual utilization during the year 2007-08 was Rs.39.96 crores. The Non-plan provision during the year 2007-08 was Rs.24555.25 crores. This has been revised to Rs.41218.55 crores (Gross) and the actual utilization during the year 2007-2008 was Rs.43554.20 crores (Gross) including Rs.7500.00 crores allocated in the form of Special Securities (Bonds). The main reason for variation in RE 2007-08 was increase in demand and prices of fertilizers and carry over liability from previous year.

2008-09

Similarly during the year 2008-09 as against the total allocation of Rs.150.00 crores under the Plan scheme of conversion of FO/LSHS plants into NG/LNG, the proposal was revised by the Government and thus the plan allocation was not required. Subsequently an amount of Rs.149.99 crores was surrendered in the month of December, 08. Thus, the Revised Estimates were kept at Rs.50.00 crore. The actual utilisation during the year 2008-09 was Rs.49.33 crores. The Non-plan provision during the year 2008-09 was Rs.34181.55 crores. This has been revised to Rs.100491.16 crores (Gross) and the actual utilization during the year 2008-2009 was Rs.99508.57 crores. The main reasons for increase in Revised Estimates/Actual Expenditure over Budget Estimates was on account of steep increase in the international prices of fertilizers and inputs coupled with exchange rate variation resulting in significant increase in the fertilizer subsidy budget.

2009-2010

The budget provision made under plan during the year 2009-10 was Rs.200.00 crores which has been kept at the same level at the RE stage. The actual expenditure booked as on 31.01.2010 is Rs.122.99 crore. The total requirement of non plan budget for 2009-10 which was estimated at Rs.77445.76 crores (gross) in the beginning of the year is now estimated at Rs. 74,234.21 crores which includes an amount of Rs. 74,214.09 crores (gross) under the fertilizer subsidy budget. As against this, non plan budget (BE) was Rs. 53,600.50 crores (gross) which was augmented to Rs. 56,600.50 crores (gross) at RE stage. Non plan expenditure as on 31st January 2010 has been of the order of Rs. 52766.86 crores Since there is still a gap of Rs.17633.71 crores between the requirement projected and revised allocation of budget at Rs. 56,600.50 crores, DoF have requested for further amount of Rs.8,000 crores under the Second Supplementary and the rest is being proposed to be rolled over during the next year due to constraints on account of availability of budgetary resources. There is, thus, no significant variation in the budget projected by DoF in the beginning of the year and at RE stage."

4.6 When enquired about the steps taken by the Department for maximum utilization of remaining 39% of amount till 31 March 2010, the Department in their written reply stated as under:-

"As on date, total funds released under annual plan (2009-10) is Rs.189.22 crore. Process has already been initiated to release Rs.0.49 crore to FACT and Rs.9.66 crore to BVFCL. After the release of these funds, there would be expected saving of Rs.0.63 crore (approx.) which is quite negligible."

4.7 The Budgetary Support and Internal Extra Budgetary Resources (IEBR) made for investment in public sector enterprises under the Revised Estimates 2009-10 and Budget Estimates 2010-11 is furnished in the table below:-

Plan Outlay	**Revised Estimates 2009-10**			**Budget Estimates 2010-11**		
Fertilizer Industries	Budgetary Support	IEBR	Total	Budgetary Support	IEBR	Total
	135.01	824.16	959.17	170.01	2699.99	2870.00
North Eastern Area	64.99	-	64.99*	44.99	-	44.99*

*This allocation is also utilized as a loan support to M/s BVFCL.

From the above statement, it may be seen that the budgetary support and IEBR made for investment in public enterprises under Revised Estimates was Rs.135.01 crore and 824.16 crore respectively for the year 2009-10 (RE). For the year 2010-11 (BE), the budgetary support is Rs. 170.01 crore and IEBR is Rs.2,699.99 crores showing three times increase as compared to last year.

4.8 When the Committee asked about the corrective measures taken by the Department for proper and full utilization of budgetary support and IEBR by PSUs under their administrative control, the Department in their written reply stated that there is a proper mechanism in place to ensure proper utilization of funds by PSUs/ Cooperative. Progress in respect of plan expenditure by PSUs/Cooperative is monitored regularly through monthly progress reports received and during the Quarterly Review Meetings (QRMs) of the companies held under the chairmanship of Secretary (Fertilizers). Review meetings are also undertaken by Additional Secretary & Financial Adviser and also by Economic Adviser. During these review meetings, it is impressed upon the management of the companies to ensure proper, effective and timely utilization of plan funds. Government nominees on the Boards of the companies also keep watch on the utilization of funds of the companies.

4.9 The budgetary provisions made for Department of Fertilizers for the year 2009-10 and 2010-11 are given below:-

									(Rs.in crores)
Major Head	Budget 2009-10			Revised 2009-10			Budget 2010-11		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue	4.00	49999.96	50003.96	4.00	52999.96	53003.96	5.50	49999.96	50005.46
Capital	196.00	0.04	196.04	196.00	0.04	196.04	209.50	0.04	209.54
Total	**200.00**	**50000.00**	**50200.00**	**200.00**	**53000.00**	**53200.00**	**215.00**	**50000.00**	**50215.00**

4.10 In reply to a query by the Committee regarding proposals of Department of Fertilizers to spend Rs.215.00 crore under Capital Section of plan expenditure 2010-11, the Department stated it may be clarified here that out of Rs.215.00 crore under capital section, an amount of Rs. 209.49 crore is towards plan support to loss making PSUs in the form of loan. Funds will be released to PSUs only after critical evaluation of the schemes from technical and financial angle which are absolutely essential for keeping the operations of the companies sustainable in seamless manner.

For Miscellaneous Schemes (MIS/IT and R&D), an outlay of Rs.5.50 crore has been made during 2010-11 which will be spent after following due procedures.

CHAPTER – V

V Subsidy / Concession On Fertilizers

Major Head 2852 – Subsidy on indigenous fertilizers

The provision made for subsidy on indigenous fertilizers for 2010-11 (BE) is Rs.15980.73 crore as compared to 2009-10 (RE) i.e. Rs.14080.25.

The following statement shows continuous increase in fertilizer subsidy over the last 8 years.

FERTILIZERS SUBSIDY					
					(Rs. In Crore)
Years	Subsidy Released				Total subsidy disbursed
	Urea	Indigenous (P&K)	Imported (P&K)	Total (P&K)	
2001-02	8304	3760	744	4504	12808
2002-03	7788	2488	737	3225	11013
2003-04	8509	2606	720	3326	11835
2004-05	10986	3977	1165	5142	16128
2005-06	11749	4500	2050	6550	18299
2006-07	15354	6648	3950	10598	25952
2007-08	23204	10334	6800	17134	40338
2008-09	33901	32957	32598	65555	99456
2009-10 (Estimated)	25258	15447	16351	31798	57056

From the above table it is evident that the total subsidy disbursed during the year 2008-09 was Rs.99,456 crore as compared to Rs.40,338 crore for the year 2007-08.

5.2 On being enquired about the reasons for abnormal increase in total subsidy during the year 2008-09, the Department in a written note stated that the requirement of fertilizer subsidy has risen sharply during 2008-09 due to sharp increase in international prices of fertilizers inputs and finished fertilizers. The above increase led to substantial increase in the normative delivered cost of subsidized fertilizers at the farm gate level, whereas the Maximum Retail Prices (MRPs) for the subsidized fertilizers remained constant. Rather, the MRPs of complex fertilizers were reduced by an average 19% with effect from 18 July 2008.

5.3 The Secretary, Department of Fertilizers informed in this connection that there are many problems for giving direct subsidy to the farmers as the details regarding land holdings and land ownerships are not available.

5.4 In this connection, the Committee pointed out that identifying the real beneficiaries is not a big problem. Recently, the Government has waived off loans of farmers and the Department of Agriculture/State Governments are having the list of landholdings. Almost all the cooperative societies in the country have got a list of farmers and the landholdings. Therefore, the Government can easily collect the data regarding small and marginal farmers as well as big landholders. Even now the amount of fertilizers being given to farmers is collected on the basis of land holdings. Elaborating it further he admitted during evidence that the Finance Minister in his Budget Speech has also supported to give subsidy directly to the farmers.

5.5 When enquired about the assessment of Department of Fertilizers on the impact of subsidy on the farmers and indigenous production of fertilizers in the country, the Department stated as under:-

> "Government of India has been administering Concession Scheme for decontrolled P & K fertilizers since 1992, which will continue upto 31.3.2010. Then onwards, Government has decided to introduce Nutrient Based Subsidy Policy in respect of Phosphatic & Potassic fertilizers. The basic objective of the Concession Scheme has been to supply the Phosphatic & Potassic fertilizers (i.e. DAP, MOP, NPK Complexes, MAP, TSP, Ammonium Sulphate (AS) and Single Super Phosphate (SSP)) to the farmers at the subsidized rates. The MRP as such of these fertilizers upto 31.3.2010 (except SSP) has been indicated below the delivered cost of these fertilizers. The difference between the delivered cost and the MRP is provided to the manufacturers/importers in the form of subsidy as per prescribed procedure. The delivered cost of the above said fertilizers is based on the recommendations of the Tariff Commission and expert group. As regards SSP, the revised policy was introduced on 13.8.2009 w.e.f. 1.10.2009, with open MRP and fixed amount of concession. The farmer is insulated from the volatility of prices of fertilizers in the international market as he is getting all the fertilizers at a fixed price."

5.6 The increase in consumption of subsidized fertilizers over last 8 years is shown below:-

II

Years	Estimated Yearly Sales (In Lakh MTs)						
	Urea	P&K Fertilizers					Grand Total
		DAP	MOP	Complex Fertilizers	SSP	Total P&K	
2001-02	199.17	61.81	19.92	49.63	26.04	157.40	356.57
2002-03	186.44	54.33	18.60	48.10	24.99	146.02	332.46
2003-04	195.79	55.20	16.47	47.57	25.44	144.68	340.47
2004-05	205.47	60.79	23.14	55.08	25.49	164.50	369.97
2005-06	220.00	65.00	27.00	67.00	24.00	183.00	403.00
2006-07	244.85	69.24	23.93	74.64	28.06	195.87	440.72
2007-08	261.67	75.55	27.92	58.50	19.97	181.94	443.61
2008-09	266.47	99.04	43.46	71.22	30.00	243.72	510.19

Since the MRPs of subsidised fertilizers remained constant over the last 7 years, the entire impact of increase in the delivered cost of fertilizers has been borne by fertilizer subsidy.

i) Direct payment of subsidy to the farmers

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

5.8 When the Committee desired to know the latest status in this regard, the Department of Fertilizers in their note stated as under:-

> "In the Budget 2007-08, the Government announced that an alternative method of delivering the subsidy directly to the farmer needs to be explored and that the fertilizer industry agreed to work with the Department of Fertilizers to conduct a study and find a solution. Accordingly, the Fertilizer Association of India (FAI) has commissioned a study by the Tata Consultancy Services (TCS) on alternative mechanisms for delivery of subsidy to the farmer.

. "A Group of Ministers was formed on 28 May 2007 under the Chairmanship of Minister of Agriculture to look into sustainable use of fertilizers and pertinent subsidy and pricing issues, had looked into the various issues relating to fertilizer sector including the option of direct fertilizer subsidy to farmers. The same was not recommended by the GOM in its final recommendations."

5.9 Elaborating it further, the Department in their note submitted as under:-

> "The Finance Minister in his Budget Speech 20010-11 also announced that In context of the nation's food security, the declining response of agriculture productivity to increase fertilizer usage in the country is a matter of concern. To ensure balanced application of fertilizers, the Government intends to move towards nutrient based subsidy regime instead of the current product pricing scheme. It will lead to availability of innovative fertilizer products in the market at reasonable prices. This unshackling of the fertilizer manufacturing sector is expected to attract fresh investments in this sector. In due course, It is also intended to move to a system of direct transfer of subsidy to the farmers".

5.10 In response to a pertinent query regarding the plan drawn by the Department of Fertilizers to move to a system of direct transfer of subsidy to the farmers, the Department in a written reply informed that the "Government of India has introduced Nutrient Based Subsidy policy in respect of Phosphatic & Potassic fertilizers w.e.f. 1.4.2010 which will replace the outgoing Concession Scheme for P&K fertilizers. In the first phase of the implementation of the Nutrient Based Subsidy, the payment of subsidy shall be released to the fertilizer industry and not directly to the farmers.

5.11 During the evidence, the Secretary, Department of Fertilizers deposed before the Committee that "there were certain difficulties for implementation of direct payment of subsidy to farmer that may be encountered. Firstly we are trying to identify how many fertilizer companies have got the wholesalers and how exactly the distribution takes place. Therefore, we are going to identify some pilot studies and track the movement of fertilizers upto the retailer level. In the third stage, we can definitely consider the direct transfer of subsidy in whichever manner.

ii) Nutrient Based Subsidy Regime

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

5.13 On being asked about the salient features of Nutrient Based Subsidy (NBS) policy and views of Department of Fertilizers with regard to achieving the underlying objectives of the policy, the Department in their written note submitted as under:-

> "Government has introduced the first phase of the Nutrient Based Subsidy (NBS) Policy for Phosphatic & Potassic fertilizers w.e.f. 1.4.2010. The salient features of the Nutrient Based Subsidy (NBS) policy are as under:
>
> i) The NBS will be applicable for Di Ammonium Phosphate (DAP, 18-46-Muriate of Potash (MOP), Mono Ammonium Phosphate (MAP, 11-52-0), Triple Super Phosphate (TSP, 0-46-0), 12 grades of complex fertilizers and Ammonium Sulphate (AS - (Caprolactum grade by GSFC and FACT), which are already covered under the outgoing Concession Scheme for Phosphatic and Potassic (P&K) fertilizers and Single Super Phosphate (SSP). Primary nutrients, namely Nitrogen 'N', Phosphate 'P' and Potash 'K' and nutrient Sulphur 'S' contained in the fertilizers mentioned above will be eligible for NBS.
>
> (i) Any variant of the fertilizers mentioned above with secondary and micronutrients (except Sulphur 'S'), as provided for under FCO, will also be eligible for subsidy. The secondary and micro-nutrients (except 'S') in such fertilizers will attract a separate per tonne subsidy to encourage their application along with primary nutrients.
>
> (ii) The NBS to be paid on each nutrient namely, 'N', 'P', 'K' and 'S' will be decided annually by the Government. The nutrient based subsidy, so decided by the Government, will be converted into subsidy per tonne for each subsidized fertilizer.
>
> (iii) An Inter-Ministerial Committee (IMC) will be constituted with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives of Department of Agriculture & Cooperation (DAC), Department of Expenditure (DOE), Planning Commission and Department of Agricultural Research and Education (DARE). This Committee will recommend per nutrient subsidy for 'N', 'P', 'K' and 'S' before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC will recommend a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. The Committee will also recommend inclusion of new fertilizers under the subsidy regime based on application of

manufacturers/ importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government.

(iv) The distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units will continue to be monitored through the online web based "Fertilizer Monitoring System (FMS)" as being done under the outgoing Concession Scheme for P&K fertilizers.

(v) 20% of the price decontrolled fertilizers produced/imported in India will now be in the movement control under the Essential Commodities Act 1955 (ECA). Department of Fertilizers will regulate the movement of these fertilizers to bridge the supplies in underserved areas.

(vi) Freight subsidy on the decontrolled fertilizers will be restricted to the rail freight.

(vii) The import of all the subsidized fertilizers, including 12 grades of complex fertilizers is placed under Open General License (OGL). However, subsidy will not be applicable on imported Ammonium Sulphate (AS) during the first phase. Import of Urea will remain canalized during the first phase.

(viii) MRP of urea w.e.f. 1 April, 2010 will be Rs.5310 per MT (10% increase over Rs.4830 per MT).

(ix) Though the market price of subsidized fertilizers, except Urea, will be determined based on demand-supply balance, the fertilizer companies will be required to print Retail Price (RP) along with applicable subsidy on the fertilizer bags clearly. Any sale above the printed net RP will be punishable under the EC Act.

(x) Manufacturers of customized fertilizers and mixture fertilizers will be 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. There would be no separate subsidy on sale of customized fertilizers and mixture fertilizers.

(xi) A separate additional subsidy will be provided to the indigenous manufacturers producing complex fertilizers using Naphtha based captive Ammonia to compensate for the higher cost of production of 'N'. However, this will be for a maximum period of two years during which the units will have to convert to gas or use imported Ammonia. The quantum of additional subsidy will be finalized by Department of Fertilizers in consultation with Department of Expenditure (DOE) based on study and recommendations by the Tariff Commission.

5.14 While finalizing the above said Nutrient Based Subsidy Policy, Fertilizer Association of India, various Ministries of Government of India and the State Governments were consulted. It has been introduced after recommendations of the Group of Ministers. However, the Government has decided that under the Nutrient Based Subsidy for 2010-11, subsidy for the nutrients 'N', 'P', 'K' & 'S' will be fixed in such a manner that the farm gate prices of non-urea fertilizers are as far as possible, near the current prices so that the farmers are not adversely affected. The Department of Fertilizers expects that the Nutrient Based Subsidy will be able to achieve the underlying objectives.

Chapter VI

VII Feed Stock Policy / Allocation Of Gas To Fertilizers Industry

There are currently 28 urea units (operational) in the country, with an installed capacity of approximately 20 million tonnes. Out of above, 20 units are now based on gas with 4 units based on Naphtha and 4 on FO / LSHS as feedstock. The total requirement of natural gas for existing 20 units is 40.92 mmscmd, which is being largely met from the supplies under APM Gas, PMT Gas, JV gas, RIL gas and RLNG Gas.

6.2 The following table indicates the gas status for urea units:-

GAS STATUS FOR UREA UNITS

Requirment and Supply of Natural Gas in the month of January 2010 to Gas Based Fertiliser Plant (All Figures at NCV of 8200 Kcal/SM^3)													
Requirement of daily gas - (2009-10)	Contract With Gas Companies					TOTAL Contracted	Total Supply (Average for Jan., 2010)						TOTAL Supply excl. Spot
	APM	JV	RLNG	RIL	Others		APM	JV	RLNG	RIL	Others	Spot	
MMSCMD	MMSCMD						MMSCMD						
42.988	24.792	3.539	9.275	14.774	0.432	52.808	15.182	2.828	7.709	13.791	0.170	0.195	39.661

6.3 Further, the six fertilizer companies have evinced interest towards expansion of their existing units and have written to Department of Fertilizers several times to secure gas allocation for their proposed expansion projects.

6.4 On being enquired by the Committee regarding initiatives taken by the Department of Fertilizers to impress upon the Ministry of Petroleum and Natural Gas for firm commitment towards allocation of gas for expansion of these projects, the Department in their written reply stated as under:-

> "The six companies, viz. IFFCO, KRIBHCO, Rashtriya Chemicals and Fertilizers Limited, INDO-GULF Fertilizers Limited, TATA Chemicals Limited and Chambal Fertilizers and Chemicals Limited have proposed to undertake expansion of their units. However, these units have expressed concern regarding pricing and firm availability of gas before taking final investment decision to undertake expansion of their existing units. The concern of above units has been addressed to Ministry of Petroleum & Natural Gas. An Empowered Group of Ministers (EGOM) was constituted in 2007 to examine and decide issues of gas pricing and commercial utilization of gas under new Exploration Licensing Policy. The issue of gas pricing and availability was discussed in the meeting of Empowered Group of Ministers (EGOM) held on 12th September, 2007, wherein it was decided that the existing and future demand of natural gas for fertilizer sector in the country will be met in its entirety from the existing and the future discoveries of natural gas. The EGOM in its meeting held on 28th May, 2008 has decided to accord highest priority to existing fertilizer plants including expansion, debottlenecking and closed units for allocation of gas. The Empowered Group of Ministers (EGoM) in its meeting held on 8-1-2009 decided that the 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. The EGOM in its meeting held on 27-10-2009 decided that the demand of natural gas for conversion of Naphtha-based & fuel oil-based fertilizers plants for expansion & revamp of fertilizer plants and revival of closed fertilizers plants would be supplied natural gas as and when they are ready to utilize the gas. Trunk natural gas pipelines, which are needed to connect Naphtha-based, fuel oil-based and closed fertilizers plants to sources of gas, would be constructed expeditiously and Ministry of Petroleum and Natural Gas would involve Department of Fertilizers in reviewing the progress of the same."

6.5 The pipeline connectivity schedule for the Naphtha based units, Fuel Oil (FO), Low Sulphur Heavy Stock (LSHS) based plants and closed units indicated by the Ministry of Petroleum and Natural Gas is as below:-

PIPELINE CONNECTIVITY

Naphtha based plants

S. No.	Proposed pipeline	Agency for connecting Plants	Fertilizer unit proposed to be connected	Expected year of connectivity.
1.	Dhabole, Bangalore.	GAIL	ZIL, Goa	2009-10
2.	Kochi-Mangalore-Bangalore	GAIL	MFCL, Mangalore	2010-11
3.	Kochi-Mangalore-Bangalore (From Kochi LNG Terminals)	GAIL	FACT, Cochin	2009-10
4.	Kakinada-Tuticorin via Chennai	RIL	SPIC, Tuticorin MFL, Chennai	2009-10

Fuel Oil/LSHS based plants

5.	Dadri-Bawana-Nangal		NFL- Nangal, Panipat, Bhatinda	2009-10

Closed units

6.	Spur on Kakinda to Uran via Hyderabad	RIL	FCI, Ramagundam	2009-10
7.	Spur from the following pipeline : Jagdishpur-Haldia	GAIL	FCI, Sindri FCI, Gorakhpur HFC, Barauni HFC, Durgapur HFC, Haldia	2009-10
8.	Spur from Kakinada-Hadlia pipeline	RIL	FCI, Talcher	

6.6 Regarding the issue of nominating a nodal authority in the Ministry of Petroleum and Natural Gas for allocation of gas to the fertilizer industry, the Committee was informed that no specific decision has been taken by the Government on nominating GAIL (India) Limited as the nodal authority for supply of gas to fertilizer industry.

6.7 The Committee was further informed that as per the intimation given by the Ministry of Petroleum and Natural Gas to Department of Fertilizers regarding the schedule of pipeline connectivity, the expected year of connectivity in regard to three

Naphtha based plants, one fuel oil/ LSHS based plants and six closed fertilizer units of FCI HFC will be 2009-10.

6.8 Elaborating on the effort made by the Department for timely completion of gas pipeline connectivity for these fertilizer units, the Department in their post evidence reply have stated that the EGOM in its meeting held on 27-10-2009 while considering the demand of natural gas for conversion of Naphtha-based & Fuel Oil based fertilizer plants for expansion & revamp of fertilizer plants and revival of closed fertilizer plants has decided that they would be supplied natural gas as and when they are ready to utilize the gas. Further, it was decided that trunk natural gas pipelines, which are needed to connect Naphtha based, fuel-oil based and closed fertilizers plants to sources of gas would be constructed expeditiously and MoP&NG would involve Department of Fertilizers in reviewing the progress of the same. The Department of Fertilizers is continuously following up the matter with the Ministry of Petroleum & Natural Gas.

6.9 Regarding the meetings attended by Department of Fertilizers with the Ministry of Petroleum and Natural Gas for reviewing the progress of gas pipeline connectivity, the Department in their post evidence reply have submitted as under:-

> "Department of Fertilizers attended the meeting taken by the Secretary, Ministry of Petroleum & Natural Gas on 17 December 2009 to review pipeline connectivity to fertilizer plants and other issues. During discussions in the meeting, Secretary (Petroleum) informed that the Ministry of Petroleum and Natural Gas is closely monitoring the execution of pipelines, authorizations for which were issued by the Ministry in 2007. The Companies responsible for laying these pipelines have been advised to ensure that these pipelines are completed expeditiously and, in case of default, suitable action would be initiated. The progress of Zuari Fertilizers is as per schedule and the plant is expected to be ready in 2010-11 in synchronization with the Goa segment of the upcoming Dabhol-Bangalore pipeline being laid by GAIL. In case of MCFL Mangalore, it would be connected to Chennai-Bangalore-Mangalore pipeline of Reliance Gas Transportation Infrastructure Limited (RGTIL) for receipt of KG D6 gas, as also GAIL's Kochi-Kanjirkkod-Bangalore-Mangalore pipeline. As regards, revival of closed fertilizers plants, the proposal for laying the pipeline has already been approved by GAIL Board and the pipeline is likely to be completed by 2012-13. It was decided that the progress will be reviwed periodically."

Chapter VII

VIII. Assessed Requirement and Availability of Fertilizers

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

(Figurers in lakh metric tonnes)

Season	**Assessed requirement**	**Availability**	**Sales**
Kharif 2008	137.11	137.64$	127.92
Rabi 2008-09	144.22	141.60$	138.55
Kharif 2009	136.36	130.78$	122.77
Rabi 2009-10	87.28*	79.70*	75.93*

** Figures up to 31.12.2009*
$ Excluding silo stock and stock at ship hold

7.2 The availability of urea under the NPS, during Kharif 2009 was adequate to support the sales at state level in all the States/UTs. The sales of 122.77 lakh MTs of urea during Kharif 2009 were lower by about 4.19 % over 127.92 lakh MTs of sales in Kharif 2008. During the period 15.04 lakh MTs of urea was imported.

7.3 When the Committee desired to know the steps taken by the Government to ensure adequate and timely availability of quality fertilizers in remote, inaccessible and low consuming area and to control the artificial scarcity of fertilizers in various States, the Department in their written note stated as follows:-

> "Adequate quantity of fertilizers have been supplied to the States to match with the assessed requirement/sales. As such there has been no scarcity of fertilizer at State level. There is some tightness in availability of NPK because of low production and also that these can not be imported as these are not covered under Concession Scheme. The distribution of fertilizers within the State rests with State governments concerned.
>
> Under Fertilizer (Control) Order, State governments have been empowered to take action against the offenders/hoarders/dealers involved in black marketing, etc.
>
> However, Government has taken following steps to improve the availability of fertilizers in the country:-
>
> (i) The movement of fertilizers is monitored throughout the country by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System(FMS). The FMS is being used very effectively to monitor the availability of fertilizers namely urea, DAP, MoP and NPK fertilizers in all the districts in the country.
>
> (ii) The payment of subsidy/ concessions is made only on receipt of fertilizers, duly captured in the FMS;

(iii) Department of Fertilizers has notified uniform freight subsidy scheme to transport fertilizers upto block level;

(iv) Timely steps have been taken by the Department of Fertilizers for import of Urea, DAP & MOP to take care of spurt in demand by the States.

(v) Department of Fertilizer contacts the officers of major fertilizer consuming States everyday on phone to find out any problem being faced by the States with regard to availability of fertilizers. Based on the feedback of the States through this daily monitoring mechanism, corrective steps are taken by Department of Fertilizer to ensure that there is no shortage of any fertilizer in any State."

7.4 The Committee enquired from the Department whether there is any coordination among the Department of Fertilizers, Department of Agriculture & Cooperation and the State Governments for successful implementation of Fertilizer Monitoring System, the Department of Fertilizers stated in its post evidence reply that the Department in coordination with the Department of Agriculture & Cooperation, interacts with the State Governments through Zonal Conference before the start of each crop season and also through video conferencing from time to time, especially at the time of peak demand of fertilizers in the States and discusses the availability, sales and closing stock of subsidized fertilizers captured in the FMS with regard to the monthly supply plan vis-a-vis requirement. Remedial actions are taken by the Department of Fertilizers to redress the problems faced by the State Governments.

7.5 Department of Fertilizers monitors availability of fertilizers at State level and the State governments are responsible for equitable distribution of subsidized fertilizers within the States. Fertilizers companies are advised to draw supply plan of subsidized fertilizers in consultation with the States' Agriculture Department and comply with the given supply plan on month to month basis.

Chapter VIII

VIII Closed Public Sector Undertakings

Out of the nine Public Sector Fertilizer companies under the administrative control of Department of Fertilizers, Fertilizers Corporation of India Ltd., (FCIL), Hindustan Fertilizer Corporation Ltd. (HFCL), Madras Fertilizers Ltd. (MFL) and Brahmputra Valley Fertilizers Corporation Ltd. (BVFCL) are sick units. Of these, the units of FCIL and HFCL are presently lying closed since 2002, while MFL and BVFCL are operational but sick companies.

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

> "The Government had taken a decision on 12 April 2007 to examine the feasibility of reviving the closed units of FCIL and HFCL subject to the confirmed availability of gas. The revival of the closed fertilizer units through brown field projects subject to confirmed availability of gas having been found feasible, the Government on 30th October 2008, considered the proposal of the Department of Fertilizers for revival of Barauni Unit of Hindustan Fertilizer Corporation through a Special Purpose Vehicle (SPV) viz. Urvarak Videsh Limited (UVL) which is promoted by National Fertilizers Limited (NFL), Rashtriya Chemicals & Fertilizers Limited (RCF) and Krishak Bharti Cooperative Limited (KRIBHCO). The SPV would submit a fully tied-up revival scheme for the closed fertilizer unit at Barauni.
>
> The Government also accorded approval for constitution of an Empowered Committee of Secretaries (ECOS) to look into all the financial models for revival of each of the closed units. The Committee would also look into various linkages including gas for facilitating revival of the closed units. The Committee will submit its recommendations including the model for revival of each of the closed units, to the Government. 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, Deptt. 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 Committee in its first meeting on 05.12.2008 had approved the Terms of Reference (TOR) for consultants and that FCIL and HFCL should finalize appointment of consultants as per the TOR already approved.
>
> The second meeting of the ECOS was held on 24.08.2009 in which various financial models for revival were considered. M/s Deloitte India Pvt. Ltd. have been selected as Project Advisers for implementation of the selected options for revival of the closed units of Sindri, Ramagundam, Talcher and Gorakhpur in respect of FCIL and Durgapur Unit of HFCL. M/s PDIL has been appointed by HFCL as Consultant for evaluation of existing assets of the closed units and certification through Registered Valuer. ECOS has advised to obtain the approval of CCEA for the recommended Revenue Sharing Model for revival before implementation of the same. In the mean-time proposals have also been received by consortium of GAIL/Coal India

Limited (CIL)/Rashtriya Chemicals and Fertilizers Limited (RCF) for considering transferring of assets of Talcher Unit free from any liabilities on nomination basis. Similar proposal has also been received from SAIL for Sindri. The proposal of these CPSUs have to be supported by the Board resolutions. The entire matter is under consideration in the Department of fertilizers."

8.3 Regarding BVFCL, Government has taken the following steps:-

(i) The proposals for financial restructuring of BVFCL included Second Revised Project Cost and time of the Namrup revamp Project besides de-rating of Namrup-II and other dispensations for making the company financially viable. The proposals were taken up for consideration by the Government in February, 2009. The Government decided that appropriate support may continue to be provided to the Project till such time a comprehensive proposal is brought up before the Committee after requisite appraisals & consultations.

(ii) There is acute shortage of qualified and experienced persons in BVFCL. To address the problem a MOU has been entered with NFL for Management Contract for 3 years on 7th August 2009 with objective of turnaround of the Company and convert BVFCL into a profit centre. NFL will provide technical support for efficient operation of the plants, for maintenance, planning and execution of jobs, on-site training of BVFCL personnel by NFL specialists and assistance for carrying out health study of the plant.

Madras Fertilizers Limited

8.4 In regard to Madras Fertilizers Limited (MFL), in February 2008, the company entrusted a study to M/s. Deloitte to suggest financial restructuring/dispensation package to ensure long term viability of MFL, who submitted its report in July 2008. In the report, M/s Deloitte has suggested envisaging amendments in NPS III policy resulting in increased subsidy for MFL and financial restructuring of MFL by converting outstanding GOI loan into equity and waiver of interest. The Government has approved the amendment to NPS-III Policy for restricting reduction in fixed costs to 10% on 25.06.2009. Based on the amended NPS III policy, additional compensation due to MFL is about Rs 3,073/MT of Urea. With the said implementation of change in NPS policy, the original projected loss is expected to come down substantially. The urea operations of MFL have become viable after the said amendment to NPS-III. The company is about to start production of Complex Fertilizer (20-20-0-13), which is a viable proposition under the current Concession Scheme for Complex Fertilizers.

However, financial restructuring is required to wipe out the accumulated losses and to keep the operations of MFL commercially viable till availability of gas around 2011-12, with minor modifications to Plants. The issue of financial restructuring is under discussion with the foreign promoters NIOC who are holding 25.77% equity stake. To support the revival from technical point of view, M/s Projects and Development India Ltd. (PDIL) had been entrusted with the job of providing the methodology for reviving MFL.

Chapter IX

IX. Performance of Public Sector Undertakings/ Cooperatives

The Department of Fertilizers have under its administrative control, nine public sector undertakings (PSUs), one multi-state cooperative society (KRIBHCO) and one joint sector company (Indian Potash Limited).

9.1 The following table shows the PSUs/ Cooperatives-wise details of fertilizers manufactured and their installed capacity:-

PSUS & COOPERATIVE :

FERTILIZERS MANUFACTURED & THEIR INSTALLED CAPACITIES

<table>
<tr><th>PSUs/ Cooperatives</th><th>Fertilizer Product</th><th>Units</th><th>Installed Capacity (LMT)</th></tr>
<tr><td rowspan="4">NFL</td><td rowspan="4">Urea</td><td>Nangal</td><td>478.5</td></tr>
<tr><td>Bathinda</td><td>511.5</td></tr>
<tr><td>Panipat</td><td>511.5</td></tr>
<tr><td>Vijaipur</td><td>1729.2</td></tr>
<tr><td rowspan="3">RCF</td><td>Urea</td><td>Thal</td><td>1706.8</td></tr>
<tr><td>Urea</td><td>Trombay</td><td></td></tr>
<tr><td>Complex</td><td>Trombay</td><td>661.0</td></tr>
<tr><td>KRIBHCO</td><td>Urea</td><td>Hazira</td><td>1729.2</td></tr>
<tr><td>BVFCL</td><td>Urea</td><td>Namrup</td><td>555.0</td></tr>
<tr><td rowspan="2">MFL</td><td>Urea</td><td>Chennai</td><td>486.8</td></tr>
<tr><td>Complex</td><td>Chennai</td><td>840.0</td></tr>
<tr><td>FAGMIL</td><td>Agriculture grade Gypsum</td><td>Mines in Rajasthan</td><td></td></tr>
<tr><td rowspan="3">FACT</td><td rowspan="2">Complex</td><td>Udyogmandal</td><td>148.5</td></tr>
<tr><td>Cochin</td><td>485.0</td></tr>
<tr><td>Urea</td><td>Cochin</td><td>Closed</td></tr>
<tr><td>FCIL</td><td>Urea</td><td colspan="2">All five Units Closed
Gorakhpur, Ramagundam, Talcher, Sindri, Korba</td></tr>
<tr><td>HFCL</td><td>Urea</td><td colspan="2">All three units Closed
Durgapur, Barauni, Haldia</td></tr>
<tr><td>PDIL</td><td colspan="3">Engineering Consultancy PSU under DOF</td></tr>
</table>

9.2 The financial performance of the last five years of the above organizations is as follows:-

Financial Performance of Public Sector Undertakings/Cooperatives

Net Profit (+) / Net Loss (-)

S.No	PSU/Coop	2005-06	2006-07	2007-08	2008-09	2009-10*
1	NFL	116.40	176.10	109.00	97.46	118.24
2	RCF	147.96	148.74	158.15	211.58	165.45
3	MFL	-131.74	-114.78	-134.85	-145.38	-51.54
4	FACT	-235.66	-124.72	8.97	42.95	-63.39
5	BVFCL	-99.77	-62.37	-105.83	-215.04	-104.40
6	FAGMIL	9.85	11.51	7.54	9.04	4.93
7	PDIL	10.64	11.20	12.26	14.82	9.26
8	KRIBHCO	140.95	193.24	209.20	250.13	203.61**

9.3 Brahmaputra Valley Fertilizers Coroporation Limited (BVFCL), Madras Fertilizers Limited (MFL) and Fertilizers and Chemicals Travancore Limited (FACT), the three PSUs under the administrative control of Department suffered losses during the last three years due to various reasons, viz., higher energy consumption than the norms, non-recognition of the total capital costs incurred during revamp, shortage of qualified and experienced persons, high investment in revamp of ammonia and urea plants, reduction in subsidy income, limited availability of natural gas, some technology related problems and delay in finalization of financial restructuring proposals.

9.4 The Department of Fertilizers in the written note stated that Government has notified on 4 September, 2008, a policy for new investment in urea sector to increase the indigenous production of urea. Efforts are being made by the Department to make the companies viable and adequate availability of gas should be available to the companies so as to run their plants at 100% capacity utilization. In regard to financial restructuring proposals, Department has decided that appropriate support may continue to be provided to the projects till such time a comprehensive proposal is brought up before the Committee after requisite appraisals and consultations.

(A) MADRAS FERTILIZERS LIMITED

9.5 Madras Fertilizers Limited (MFL), is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (NPK) at Manali, near Chennai. The Company was incorporated in 1966 as a joint venture between the Govt. of India (GOI) and Amoco India Incorporated (AMOCO) of USA with equity contributions of 51% and 49% respectively. 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 holds Rs.41.52 crore (25.77%) and others hold Rs.23.73 crore (14.73%) of equity.

9.6 MFL has been 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.

9.7 A provision of Rs.96.99 crore was made in BE and RE (2009-10), out of which only Rs.12.56 crore has been the actual expenditure till February 2010. The amount has been decreased to Rs.74.50 crore in BE (2010-11).

9.8 A proposal for financial restructuring of Madras Fertilizers Limited is under active consideration of the Government. The company had appointed M/s. Deloitte consultants for financial revival of the company.

9.9 On being enquired by the Committee regarding the latest status of the financial restructuring of MFL, the Department in their post evidence reply stated as follows:-

> "M/s Project and India Development Ltd. (PDIL) had been entrusted the job of providing the methodology for reviving MFL. The study report has been prepared by PDIL and submitted to MFL for consideration recently. The Board of Directors of MFL has approved the same and it has been just received in the Department of Fertilizers. Regarding the financial restructuring, M/s PDIL has recommended conversion of GOI loan into equity and waiver of outstanding interest liability towards GOI. In this regard, the foreign promoters M/s NICO, who are holding 25.77% of equity of MFL had earlier expressed that GOI should write off its loan instead of converting the same to equity. However, they have recently indicated that GOI may initiate action for purchase of their shares at an acceptable price. The report from M/s PDIL and the offer from NICO are under examination."

9.10 Further Department of Fertilizers have informed that the offer from the foreign promoters M/s NICO regarding purchase of their equity will have financial implications of around Rs.45 crore and therefore, may require inter-Ministerial consultations. Besides, MFL is also discussing one time settlement with the term lenders IFCI and IDBI.

9.11 As part of the viability proposal for MFL, M/s Project and India Development Ltd. (PDIL) has suggested measures for financial restructuring, cash infusion and Plan support, which have major financial implications. The viability/revival proposals will be placed before the Board of Reconstruction of Public Sector Enterprises (BRPSE) for recommendations. After the recommendations from BRPSE are received, there will be inter- Ministerial consultations before approval of the Competent Authority is taken for implementing the same. At the same time, as MFL is a sick company, the revival plan will also have to be placed before the BIFR. In these circumstances, according to the Department, it is not feasible to indicate a definite time frame for completion of the process above, at this stage.

(B) BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LTD(BVFCL)

9.12 In the case of BVFCL, the company had been incurring losses since its inception. The company has two running plants at Namrup-III and II. At Namrup-III, the losses are mainly on account of higher energy consumption than the norms, non-recognition of increase in salary and wages of employees under NPS.II and non-recognition of the total capital costs incurred during revamp. It is therefore, required that the capital costs for revamp be recognized for Namrup-III as a special dispensation for BVFCL.

10.13 The Financial performance for last three years is as follows**:**

Rs./Crs.

SL. No	Item	2007-08	2008-09	2009-10 (Provisional up to Dec09)
I	Share Capital	365.83	365.83	365.83
Ii	Turn Over	253.75	150.72	231.46
Iii	Cash Profit/Loss	5.53	-97.08	-11.13
Iv	Net Profit/Loss	-105.84	-215.04	-133.23

9.14 Namrup-II which was commissioned on 22.11.2005 is incurring losses due to low capacity utilization on account of limitation of gas. These losses will increase further if the Namrup-II unit is brought under NPS and clubbed with any group as its energy consumption is much higher as compared to other gas based units. It is therefore, required to be treated separately for the calculation of concession rate based on the erstwhile Retention Price Scheme (RPS) mechanism till completion of NPS-III. Turnaround of the company requires financial restructuring, removing of technical limitations and availability of fund to carry out the identified jobs.

9.15 With the proposed dispensations, it is expected that both the units of the company will have a positive rate of Internal Return in the event of adequate availability of gas to run both the plants at 100% capacity utilization. However, when the desired quantity of gas is not available, which is the case today and is also expected to continue in near future, the efficiency of Namrup-II unit will fall considerably as it will operate only at 40% capacity and it will incur losses. The losses of Namrup-II can be partially cross subsidized by the return on Namrup-III unit but the overall operation of the company will continue to be in losses. Therefore, there is a need for special dispensation to company by way of financial restructuring to make the overall operation of the profitable.

9.16 BVFCL has received an amount of Rs.55.34 crore as plan loans for schemes under ‘Renewal Replacement’ for procurement of capital items.

9.17 When the Committee desired to know the plans of the company for proper utilization of plan loans and successful completion of renewal and replacement schemes within the targeted period, the Department in their post evidence reply stated as follows:-

“Against plan outlay of Rs.65 crores for 2009-10, Rs.55.34 crore have been released to BVFCL till date against the schemes under the head ‘Renewals & Replacement’. Release of balance Rs.9.66 crores against R&R schemes is under process. Out of Rs.55.34 crores plan fund released, Rs.47.00 crores have been utilized. Rs.8 crores of fund allocated for conducting study by a reputed Process Licensor remains to be utilized. The final decision on placement of the order for study of plants will be taken shortly.

The schemes under R&R for 2009-10 are part of the Rs 272 crores investment proposal submitted by NFL engineers for sustained running of Namrup-II and Namrup-III plants. The schemes suggested by NFL are being implemented in phased manner from funds allocated under Renewal & Replacement by GoI.

There has been marked improvement in production performance in 2009-10. Namrup-II is expected to achieve highest annual production after Revamp of plants. There has been 22% increase in production from Namrup-II and 44% increase in production from Namrup-III in 2009-10 over 2008-09 on implementation of the schemes.”

(C) FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED (FACT)

918 The Fertilizers And Chemicals Travancore Limited (FACT) was incorporated in the year 1943. Initially promoted by the Seshasayee Brothers, FACT later became a Public Sector company in 1960. The Authorized Capital of FACT is Rs.1000 Cr. and Paid up Capital is Rs.647 Cr. At present, 97.38% of the shares are held by the Government of India. The State Governments hold 0.73% of the shares and the remaining shares are being held by Institutional Investors, Private Corporate Bodies and the Public.

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

9.20 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	**Fertiliser 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.

9.21 A provision of Rs.550.15 crore was made in BE (2009-10). It was reduced to Rs.139.25 crore in RE (2009-10). The actual expenditure incurred by the company was only Rs.37.98 crore till February 2010. The provision has been increased to a level of Rs.900.50 crore in BE (2010-11).

9.22 The Department in a written note has informed the Committee that FACT is considering various expansion/ diversifications projects. The projects will be implemented only after the economic viability and feasibility is ascertained.

(D) RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED (RCF)

9.23 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.

9.24 The Trombay IV Expansion Project with an annual capacity of 75,000 tonnes each of Nitrogen and Phosphate (P_2O_5) went into commercial production on 1 January 1979. Trombay V Expansion also started commercial production w.e.f. 1st July 1982 with an annual capacity of 1,51,800 tonnes of Nitrogen. The Thal Fertilizer Plant of annual installed capacity of 6,83,000 tonnes of Nitrogen started commercial production w.e.f. 1st June, 1985.

9.25 RCF has a total installed capacity of about 10.54 lakh tonnes of Nitrogen and 1.17 lakh tonnes of P_2O_5 and 0.45 lakh tonnes of K_2O.Besides fertilizers, the Company also produces a number of industrial chemicals such as Methanol, Concentrated Nitric Acid, Methylamines, Ammonium Bicarbonate, Sodium Nitrate/Nitrite, DMF, DMAC, etc.

9.26 In the 11th Five Year Plan an amount of Rs.6,880.37 crore as Internal and External Budgetary Resources (IEBR) was proposed for continuing projects/ schemes and new schemes/ projects for Rashtriya Chemicals and Fertlizers Limited (RCF). The BE (2009-10) is Rs.988.05 crore which was reduced to Rs.250.68 crore in RE (2009-10). The actual expenditure is only Rs.102.91. The BE (2010-11) is Rs.622.82 crore.

(E) NATIONAL FERTILIZER LTD. (NFL)

9.27 NFL is a Schedule 'A' and a Mini Ratna Category-1 Company, which was incorporated on 23 August 1974 for implementation of two fertilizer plants, based on gasification technology of Feed Stock / LSHS at Bathinda (Punjab) and Panipat (Haryana) having an installed capacity of 5.11 lakh tonnes of Urea each. Bathinda Plant was commissioned on 01.10.1979 and Panipat Plant was commissioned on 01.09.1979. In April' 1978, the Nangal Group of Plants of Fertilizer Corporation of India (FCI) were transferred to NFL consequent upon reorganization of NFL - FCI. The Govt. of India, in 1984, entrusted the Company to execute the country's first inland gas based fertilizer project of 7.26 lakh tonnes Urea capacity in Guna District of Madhya Pradesh. The Vijaipur Plant commenced commercial production with effect from 1.7.1988. Subsequently, Expansion of Vijaipur Plant was taken up in the year 1993 for doubling its annual production capacity to 14.52 LMT. The commercial production from Vijaipur Expansion Plant commenced with effect from 31.3.97. The Department of Fertilizers subsequently revised the annual installed capacity of Vijaipur Plants from 7.26 lakh tonnes of Urea to 8.64 lakh tonnes (each) with effect from 1st April 2000.

9.28 With this revamp in 2001, the annual installed capacity of Nangal Plant increased from 3.30 lakh tonnes to 4.78 lakh tonnes of Urea. Consequent upon the re-rating of installed capacities of Vijaipur Plants and revamping of Urea Plant at Nangal, the total annual installed capacity of Urea at NFL has reached to 32.31 lakh tonnes of Urea and 3.18 LMT of CAN. In nutrient terms it is equivalent to 14.86 LMT of `N'.

9.29 The Company, apart from producing Nitrogenous Fertilizers, also produces and markets Industrial Products, like Nitric Acid, Ammonium Nitrate, Sodium Nitrite, Sodium Nitrate, Sulphur, Methanol, Liquid Nitrogen, Liquid Oxygen, Carbon Dioxide, Argon Gas etc., besides Bio-Fertilizers.

9.29 It was observed that as against the plan allocation of Rs.550.15 crore in BE (2009-10), the RE (2009-10) was decreased to Rs.139.25 crore. Out of Rs.139.25 , the actual expenditure is only Rs.37.98 crore. The amount has been increased to Rs.900.50 crore in BE (2010-11).

9.31 The Department of Fertilizers in a written note stated that various schemes of NFL are under progress and shall be completed in 2011-12. An amount of Rs.240.00 crore has been kept under BE (200910) for conversion of feed stock from FO to NG/ RLNG at Panipat/ Bathinda/ Nangal units. The execution of these projects has started after receipt of CCEA approval on 29.1.2010.

OBSERVATIONS AND RECOMMENDATIONS

1. At present there are 56 large size fertilizer plants in the country manufacturing a wide range of nitrogenous, phosphatic and complex fertilizers. Besides, there are 72 medium and small-scale units operational in producing Single Super Phosphate (SSP). India is the third largest fertilizer producer in the world with the installed capacity as on 31 March 2009 reaching a level of 120.61 lakh MT of nitrogenous and 56.59 lakh MT of phosphatic nutrients. However, the growth of fertilizer industry is based on the production capacity, production and sale of fertilizers in the country. The gap between the demand and indigenous production is met through import. The Committee are of the view that due to stagnant consumption of fertilizers during Ninth Plan period, no incentive for increase in production capacities within the country was provided and sudden increase in demand and consumption thereafter led to heavy strain on indigenous production facilities and have also increased our dependence upon imports.

Lack of adequate availability of inputs including natural gas required for production of fertilizers and limited resources are the major bottlenecks in achieving self-sufficiency in the fertilizer sector. In the absence of commercially exploitable potash sources in the country, the entire demand of potassic fertilizers for direct application as well as for production of complex fertilizers is being met through imports. However, keeping in view the vital role played by chemical fertilizers as one of the key inputs for the success of agriculture in the country, the Committee feel that there is an urgent need for suitable steps to be taken by the Department to ensure a sustained growth of the fertilizer industry as a whole.

The Committee in this regard desire that Department should vigorously pursue the issues regarding adequate allocation of natural gas and gas pipeline connectivity with the Ministry of Petroleum & 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 also be completed at the earliest which 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. Consequently, the Committee feel that expeditious measures need to be taken by the Department to remove all bottlenecks and hurdles in capacity addition programmes so as to achieve self sufficiency in fertilizer sector.

2. The Committee note that for the Eleventh Five Year Plan(2007-12), Planning Commission has approved an outlay of Rs. 20,627.87 crore consisting of Rs. 1,492.00 crore as Domestic Budgetary support and Rs. 19,135.87 crore as Internal and Extra Budgetary Resources(IEBR). These allocations are to be utilized for taking up the approved schemes of underperforming fertilizer PSUs and research activities by renowned technical/research institutes. The Committee have been informed that three major projects, viz. revival of sick and closed fertilizer units, capital subsidy for conversion of feedstock changover projects and S&T schemes have been taken up by the Department during the Eleventh plan period. However, the Committee have observed that the allocation during each of the year from 2007-2008 to 2009-10 was drastically reduced at RE stage from that of BE stage i.e. (Rs.1,037.96 crore to Rs.439.18 crore in 2007-08, Rs.1,878.93 crore to Rs.699.17 crore in 2008-09 and Rs.2,269.56 crore to Rs.1,024.16 crore for 2009-10). The Committee have genuine apprehensions that the Annual Plan for 2010-11 is likely to meet the same fate. The Committee were informed that actual money could not be spent for reasons of technological and technical market related issues which, however, do not prima facie appear to be convincing. The Committee are of the view that the Department has not exercised due diligence while preparing the budget estimates. The Committee feel that a more realistic plan could have been drawn up had due diligence been exercised at the level of the Planning Commission or the Department

The Committee, therefore, feel that there is an urgent need for proper planning and drawing up realistic estimates and timely and prudent use of approved outlays. The Department of Fertilizers should also endeavour to impress upon the Planning Commission and the Ministry of Finance to allocate necessary funds for the various schemes / programmes that are asked for based on the proper estimates.

3. It has been brought to the notice of the Committee that the total subsidy disbursed on fertilizers has increased from Rs. 12,808 crore in 2001-02 to Rs. 57,056 crore in 2009-10. The total subsidy released on urea has increased from Rs. 8,304 crore in the year 2001-02 to Rs. 25,258 crore in the year 2009-10. Similarly, on P&K fertilizers, the fertilizer subsidy has increased from Rs.4,504 crore in the year 2001-02 to Rs. 31,798 crore in the year 2009-10. The Committee's examination has revealed that only 6.1% of the increase in subsidy bill is due to higher consumption of fertilizers while the rest, 93.9% rise was due to the increase in international prices during the year 2001-2009. Considering all these facts, the Committee desire that concerted efforts are needed to cut the galloping subsidy bill. Needless to say that in view of increased consumption of fertilizers and international prices of fertilizer inputs and finished fertilizers, there is an urgent need for technological innovation, state of the art machinery reducing the cost of production, energy efficiency measures, experienced and qualified technical man power and optimum capacity utilization so as to reduce our dependence on imports and increasing the indigenous production of fertilizers.

4. The Committee in their earlier Reports had recommended from time to time for achievement of long cherished goal of direct payment of subsidy to the poor and the marginal farmers. The Committee have been informed that fertilizer industry agreed to work with the Department of Fertilizers to conduct a study and find a solution. Thereafter, a Group of Ministers (GoM) was formed in May 2007 under the Chairmanship of Minister of Agriculture to look into the sustainable use of fertilizers and all aspects of fertilizer subsidy regime including the option of direct fertilizer subsidy to farmers. The Finance Minister in his Budget Speech 2010-11 has again stressed the need to move to a system of direct transfer of subsidy to the farmers.

The Secretary, Department of Fertilizers while deposing before the Committee stated that there were certain difficulties <u>viz.</u> getting the clear details regarding land holding and ownership data, proper distribution of fertilizers at retailer point, detailed study regarding pattern and ratio of direct subsidy, identifying the actual farmers for payment of direct subsidy to farmers. The Committee are constrained to point out that despite their repeated recommendations in earlier Reports, Government could not achieve the long cherished goal of payment of subsidy directly to farmers. The Committee desire that the Department should come out with a proposal so as to ensure payment of subsidy direct to the farmers. Details of such a proposal may be submitted to the Committee within three months of the presentation of the Report.

5. The Committee have been informed that the Government has introduced the first phase of Nutrient Based Subsidy (NBS) Policy for phosphatic and potassic fertilizers in April 2010. Under this policy, the subsidy on fertilizers will be determined on the basis of nutrient subsidy fixed by the Government and the nutrients contained in the fertilizers. The Nutrient Based Subsidy policy will help to increase the indigenous production of domestic raw material of phosphatic and potassic fertilizers in the country besides encouraging entrepreneurs to make fresh investment in the prospecting and mining of the raw materials required for this. The Committee expect the Department to closely monitor the implementation of this policy which is likely to increase the agricultural productivity as well as attaining self-sufficiency of phosphatic fertilizers in the country.

6. The Committee have been informed that out of 28 urea units in the country, 20 units are gas based; 4 units based on Naphtha and 4 on Fuel Oil (FO)/ Low Sulphur Heavy Stock (LSHS) as feedstock. The total requirement of natural gas for existing 20 units is 40.92 mmscmd, which is being met from the supplies under APM Gas, PMT Gas, JV gas, RIL gas and RLNG gas. The Committee note that six fertilizer companies have proposed to undertake expansion of their existing units but expressed concern regarding pricing and firm availability of gas before taking final investment decision. An Empowered Group of Ministers (EGOM) was constituted in 2007 to examine and decide issues of gas pricing and commercial utilization of gas under new Exploration Licensing Policy. The Committee were also informed by the Department of Fertilizers that as per assurance given by the Ministry of Petroleum and Natural Gas, most of the naphtha / fuel oil based plant and closed fertilizer plants will get the gas pipeline connectivity by 2009-10 / 2010-11. 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 hardly need to 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 regret to observe that no specific decision has been taken by the Department regarding the issue of nominating GAIL (India) Limited as the nodal authority for supply of gas to fertilizer industry. The Committee, therefore, desire that the decision in the matter should be taken up on priority basis and precise action taken in this regard be intimated to the Committee within three months.

7. The Committee note that the Department of Fertilizers monitors availability of fertilizers at the State level and the State governments are responsible for equitable distribution of subsidized fertilizers within the States. Fertilizer companies are advised to draw supply plan of subsidized fertilizers in consultation with the States' Agriculture Department and comply with the given supply plan on month to month basis. The movement of fertilizers is monitored throughout the country by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS). The FMS is being used very effectively to monitor the availability of fertilizers namely urea, DAP, MoP and NPK fertilizers in all the districts in the country. As in some States, the farmers are facing acute difficulty in getting urea, Potash, DAP etc., the Committee, desire that Central Government 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. Further, to tackle the problem of artificial shortage, if any, created in some region, special efforts may be made to provide adequate quantity of fertilizer so that the farmers are not left at the mercy of hoarders and black marketeers. The Committee would like to be apprised of the complaints received regarding artificial shortage of fertilizers during the last three years and their location together with suitable corrective action taken by the Department to check the same.

8. The Committee's examination has revealed that out of nine Public Sector Fertilizer Companies under the administrative control of Department of Fertilizers, Fertilizer Corporation of India(Ltd.)(FCIL), Hindustan Fertilizers Corporation Limited(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. The Committee have been given to understand that an Empowered Committee of Secretaries(ECOS) was constituted in November 2008 under the Chairmanship of Secretary(Fertilizers) and Secretaries of Department of Expenditure, Department of Disinvestment, Planning Commission, Department of Public Enterprises and Ministry of Petroleum & Natural Gas as Members to look into all the financial models for revival of each of the closed units. Similarly, initiatives have also been taken by the Government to wipe out the accumulated losses of MFL and BVFCL and to make these PSUs commercially viable till availability of gas around 2011-12. The Committee would like the Department of Fertilizers to take effective and expeditious steps to canalize and implement the whole revival process for the closed and loss-making PSUs. The details of such a revival package may be intimated to the Committee within three months of presentation of this Report.

9. The Committee note that there are nine Public Sector Undertakings (PSUs), one multi-State Cooperative Society(KRIBHCO) and one Joint Sector Company(Indian Potash Limited) under the administrative control of Department of Fertilizers. Out of this, Krishak Bharati Cooperative Limited(KRIBHCO), the multi-State cooperative society and three PSUs, <u>viz.</u> National Fertilizer Limited(NFL), Rashtriya Chemicals and Fertilizers Limited(RCF) and Projects and Development (India) Limited (PDIL) are profit making units. Three PSUs, <u>viz.</u> Fertilizers and Chemicals Travancore Limited(FACT), Madras Fertilizers Limited (MFL) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) are loss making units. Besides, two PSUs, <u>viz.</u> Fertilizer Corporation of India Ltd. (FCI) and Hindustan Fertilizers Corporation Limited (HFCL) are lying closed after incurring losses continuously over a period of time. Non-availability of natural gas, outdated machinery, lack of skilled and qualified manpower are the main bottlenecks in their capacity addition programmes/ schemes. The Committee's examination also revealed that the performance of certain PSUs in relation to implementation of schemes/programmes during the first three years of the 11th Plan Period has not been satisfactory. These PSUs are either closed or incurring losses continuously year after year. The Committee are of the view that these losses are not only affecting the physical and financial performance of the company but also depriving it for achieving their plan targets set for the remaining two years of the Eleventh Plan period. The Committee, therefore, desire the Department to appoint a panel to go into the perennial problem of sick PSUs in the fertilizer sector and present to this Committee a status paper indicating *inter-alia* the revival plan for these PSUs within the next six months.

New Delhi;

<u>20 April, 2010</u> — ***ANANTH KUMAR***

30 Chaitra, 1932 (Saka) — **Chairman,**

Standing Committee on
Chemicals and Fertilizers.

Annexure-II

(Vide para No.4.1 of the Report)

Demands for Grants of the Department of Fertilizers 2010-11

Demand No.7

DEPARTMENT OF FERTILIZERS

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

											(Rs.in crores)
	Major Head		Budge 2009-10			Revised 2009-10			Budget 2010-11		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	1		2	3	4	5	6	7	8	9	10
	Revenue		4.00	49999.96	50003.96	4.00	52999.96	53003.96	5.50	49999.96	50005.46
	Capital		196.00	0.04	196.04	196.00	0.04	196.04	209.50	0.04	209.54
	Total		**200.00**	**50000.00**	**50200.00**	**200.00**	**53000.00**	**53200.00**	**215.00**	**50000.00**	**50215.00**
1	**Secretariat-Economic Services**	**3451**	**-**	**17.22**	**17.22**	**-**	**17.22**	**17.22**	**-**	**17.24**	**17.24**
	Crop Husbandry										
2	**Subsidy on imported fertilizers**	**2401**	**-**	**5947.94**	**5947.94**	**-**	**3947.94**	**3947.94**	**-**	**5500.00**	**5500.00**
3	**Subsidy on decontrolled fertilizers**										
	3.01 Payment to manufactures / Agencies for concessional sale of decontrolled fertilizers	**2401**	**-**	**34252.06**	**34252.06**	**-**	**34952.06**	**34952.06**	**-**	**28500.00**	**28500.00**
4	**Fertilizer Industries**										
	4.01 Subsidy on indigenous fertilizers	**2852**	**-**	**9780.25**	**9780.25**	**-**	**14080.25**	**14080.25**	**-**	**15980.73**	**15980.73**
5	**Other research schemes for fertilizer development S&T programme**	**2852**	**2.00**	**-**	**2.00**	**2.00**	**-**	**2.00**	**2.00**	**-**	**2.00**
6	**Non-plan loans to public sector undertakings**										
	6.01 Hindustan Fertilizer Corporation Limited	**6855**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
	6.02 Fertilizer Corporation of India Limited	**6855**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
	6.03 Pyrites, Phosphates & Chemicals Limited	**6855**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
	6.04 Brahmaputra Valley Fertilizer Corporation Limited	**6855**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
	Total	**6855**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
7	**Lumpsum provision for projects/ schemes for the benefit of the North Easter Region and Sikkim**	**6552**	**6499**	**-**	**64.99**	**64.99**	**-**	**64.99**	**44.99**	**-**	**44.99**
8	**Investment in Public enterprises**	**6855**	**131.00**	**-**	**131.00**	**131.00**	**-**	**131.00**	**164.50**	**-**	**164.50**
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**
	10.2 Oother programmes	**2852**	**2.00**	**2.47**	**4.47**	**2.00**	**2.47**	**4.47**	**3.50**	**1.97**	**5.47**
	10.03 Post closure adjustment liabilities of PPL	**3475**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**	**-**	**0.01**	**0.01**
		Total	**2.00**	**2.49**	**4.49**	**2.00**	**2.49**	**4.49**	**3.50**	**1.99**	**5.49**
	Grand Total		**200.00**	**50000.00**	**50200.00**	**200.00**	**53000.00**	**53200.00**	**215.00**	**50000.00**	**50215.00**

		Budget 2009-10			Revised 2009-10			Budget 2010-11		
B. Investment in Public Enterprises	Head of Division	Budgetary Support	IEBR	Total	Budgetary Support	IEBR	Total	Budgetary Support	IEBR	Total
8.01 Fertilizers & Chemicals Travancore Limited	12855	34.00	-	34.00	34.00	-	34.00	89.99	-	89.99
8.02 National Fertilizers Limited	12855	-	550.15	550.15	-	139.25	139.25	-	900.50	900.50
8.03 Projects and Development (India) Limited	12855	-	5.35	5.35	-	8.38	8.38	-	5.38	5.38
8.04 Rashtriya Chemicals and Fertilizers Limited	12855	-	988.05	988.05	-	250.68	250.68	-	622.82	622.82
8.05 Madras Fertilizers Limited	12855	96.99	-	96.99	96.99	-	96.99	74.50	-	74.50
8.06 Brahmaputra Valley Fertilizer Corporation Limited	12855	65.00	-	65.00	65.00	-	65.00	45.00	-	45.00
8.07 Krishak Bharti Cooperative Limited	12855	-	497.00	497.00	-	421.50	421.50	-	1160.00	1160.00
8.08 Fertilizer Corporation of India (FAGMIL)	12855	-	29.01	29.01	-	4.35	4.35	-	11.29	11.29
Total		**195.99**	**2069.56**	**2265.55**	**195.99**	**824.16**	**1020.15**	**209.49**	**2699.99**	**2909.48**
C. Plan Outlay:-										
1. Fertilizer Industry	12855	135.01	2069.56	2204.57	135.01	824.16	959.17	170.01	2699.99	2870.00
2. North Eastern Areas	22552	64.99	-	64.99	64.99	-	64.99	44.99	-	44.99
Total		**200.00**	**2069.56**	**2269.56**	**200.00**	**824.16**	**1024.16**	**215.00**	**2699.99**	**2914.99**

ANNEXURE-III

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2009-10)

FIFTEENTH SITTING
(31.03.2010)

The Committee sat from 1630 hours to 1810 hours.

Present

Shri Ananth Kumar - Chairman

Members

Lok Sabha

2. Smt. Sushmita Bauri
3. Shri Prabhatsinh P. Chauhan
4. Shri Ganeshrao Nagorao Dudhgaonkar
5. Shri N. Peethambara Kurup
6. Shri Baidyanath Prasad Mahato
7. Shri Ponnam Prabhakar
8. Shri Narendra Singh Tomar
9. Shri T.K.S. Elangovan
10. Shri Tapas Paul

Rajya Sabha

11. Shri Raghunandan Sharma
12. Shri Brijlal Khabri
13. Shri A.A. Jinnah
14. Prof. Anil Kumar Sahani

SECRETARIAT

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

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

1.	Shri S. Krishnan	Secretary (Fertilizers)
2.	Shri P.K. Sinha	Additional Secretary & FA
3.	Shri Satish Chandra	Joint Secretary
4.	Shri Deepak Singhal	Joint Secretary
5.	Shri A. K. Parashar	Economic Advisor
6.	Shri B.N. Tiwari	Deputy Director General

II. REPRESENTATIVES OF OTHER MINISTRY/DEPARTMENT

1.	Dr. P.D. Sharma	Additional Director General (Soil), DARE
2.	Shri Pankaj Kumar	Joint Secretary (INM)

III. REPRESENTATIVES OF PSUs

1.	Shri B.D. Sinha	MD, Krishak Bharati Cooperative Limited (KRIBHCO)
2.	Shri U.S. Jha	CMD, Rashtriya Chemicals & Fertilizers Limited (RCF)
3.	Shri V.K. Sharma	CMD, National Fertilizers Limited (NFL)
4.	Shri A. Ashokan	CMD, Fertilizer and Chemicals Travancore Limited (FACT)
5.	Shri M.S. Mathews	CMD, Madras Fertilizers Limited (MFL)
6.	Shri R.G. Rajan	CMD, Projects and Development India Limited (PDIL)
7.	Shri Sunil Dayal	CMD, Aravali Gypsum and Mineral India Limited (FAGMIL)

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

3. Thereafter, he called the officials of the Ministry of Chemicals and Fertilizers (Department of Fertilizers), Public Sector Undertakings and representatives of Department of Agricultural Research & Education (DARE) and invited their attention to the provisions contained in Direction 55(1) of the Directions by the Speaker, Lok Sabha regarding confidentiality of the Committee's proceedings.

4. Then the officials of the Departments and the PSUs introduced themselves. Thereafter, the officials of the Department of Fertilizers briefed the Committee about the subject 'Demands for Grants of the Department for the year 2010-11' and also gave an audio-visual presentation.

5. During the evidence, the following issues were discussed:-

(i) Payment of direct subsidy to Farmers
(ii) Nutrient-based subsidy policy (NBS)
(iii) Movement and Distribution of Fertilizers
(iv) Quality and balanced use of Fertilizers
(v) Blackmarketing of Fertilizers
(vi) The new Investment policy for urea sector.
(vii) Full and proper utilization of Eleventh plan outlay.

6. During the discussion, the Chairman and members of the Committee raised some queries which were replied to by the Secretary (Fertilizers) and other senior officials of the Department and PSUs and they also give an assurance to send the requisite information in writing which was not readily available with them.

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

THE WITNESSES THEN WITHDREW.

The Committee then adjourned.

ANNEXURE-IV

EXTRACT OF MINUTES

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2009-10)

SEVENTEENTH SITTING

(16.04.2010)

The Committee sat from 1500 hours to 1600 hours.

Shri Ananth Kumar - in the Chair

Members

Lok Sabha

2.	Smt. Sushmita Bauri
3.	Shri Ganeshrao Nagorao Dudhgaonkar
4.	Shri Ponnam Prabhakar
5.	Shri Suresh Kumar Shetkar
	Rajya Sabha
6.	Shri J.D. Seelam
7.	Shri Raghunandan Sharma
8.	Shri C.P. Thakur
9.	Shri A.A. Jinnah
10.	Shri Anil Kumar Sahani

Secretariat

4. Shri N. K. Sapra - Additional Secretary
5. Shri Ashok Sarin - Joint Secretary
6. Shri C. S. Joon - Director

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

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

(i) Demands for Grants (2010-11) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)
(ii) XX XX XX XX
(iii) XX XX XX XX

4. The draft Report was adopted by the Committee with certain amendments.

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

The Committee then adjourned.

XX Matters not related to this Report.