33

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2012-13)

FIFTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2013-2014)

THIRTY-THIRD REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

April, 2013/ Vaisakha 1935, (Saka)

CC&F.No.33

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**STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS
(2012-13)**

(FIFTEENTH LOK SABHA)

**MINISTRY OF CHEMICALS AND FERTILIZERS
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DEMANDS FOR GRANTS

(2013-2014)

Presented to Lok Sabha on 30 April 2013

Laid in Rajya Sabha on 30 April 2013

LOK SABHA SECRETARIAT
NEW DELHI
April, 2013/ Vaisakha 1935, (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2012-13)

Shri Gopinath Munde - Chairman

MEMBERS

LOK SABHA

2.	Shri S. Alagiri
3.	Shri Gajanan D. Babar
4.	Shri P.P. Chauhan
5.	Shri K.D. Deshmukh
6.	Shri Sher Singh Ghubaya
7.	Shri Sk. Nurul Islam
8.	Shri Sakti Mohan Malik
9.	Shri Paswan Kamlesh
10.	Shri Amarnath Pradhan
11.	Shri Ashok Kumar Rawat
12.	Shri Tufani Saroj
13.	Shri Suresh Kumar Shetkar
14.	Shri Raju Shetti
15.	Shri G.M. Siddeshwara
16.	Shri D. Venugopal
17.^	Shri Sai Prathap Annayyagari
18.*	Vacant
19. #	Vacant
20.	Vacant
21	Vacant
	RAJYA SABHA
22.	Shri Biswajit Daimary
23.	Shrimati Naznin Faruque
24.	Shri A.A. Jinnah
25.	Shri Brijlal Khabri
26.	Shri Dilipbhai Pandya
27.	Shri Raghunandan Sharma
28. %	Vacant
29. ^	Vacant
30. ^#	Vacant
31.	Vacant

SECRETARIAT

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri U.B.S. Negi	-	Director
3.	Shri A.K. Srivastava	-	Additional Director
4.	Smt. Emma C. Barwa	-	Under Secretary
5.	Shri Nishant Mehra	-	Committee Officer

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* Shri P. Balaram Naik appointed as a minister of state
#Shri Vitthalbhai Hansrajbhai (LS) has resigned w.e.f. 03 .01.2013
^ Shri Sai Prathap Annayyagarin (LS) nominated w.e.f. 09.01.2013.
% Dr. Vijay Mallya (RS) has resigned w.e.f. 26.02.2013
^ Shri K.C. Tyagi (RS) nominated w.e.f. 07.03.2013.
^ Shri Pyarimohan Mohapatra (RS) has resigned w.e.f. 22.03.2013
# Shri K.C. Tyagi (RS) has resigned w.e.f. 01.04.2013

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2012-13) having been authorised by the Committee to submit the Report on their behalf, present this Thirty-Third Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2013-14.

2. The Committee examined the Demands for Grants (2013-14) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which were laid in Lok Sabha and Rajya Sabha on 14 March 2013.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 18 March 2013.

4. The Report was considered and adopted by the Committee at their sitting held on 26 April 2013.

5. The Committee wish to express their thanks to the officers of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for their cooperation in furnishing the written replies and other material/ information and for placing their views before the Committee.

6. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;
26 April, 2013
6 Vaisakha, 1935 (Saka)

Chairman,
Standing Committee on
Chemicals and Fertilizers.

CHAPTER-I

INTRODUCTORY

1.1 Agriculture which accounts for one fifth of GDP, provides sustenance to two thirds of our population. Successive five year plan have laid stress on self sufficiency and self reliance in food grain production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity. This is clear from the fact that from a very modest level of 52 million MT in 1951-52, food grain production rose to about 259.32 million MT in 2011-12. In India's success in agriculture sector, not only in terms of meeting total requirement of food grains but also generating exportable surpluses, the significant role played by chemical fertilizers is well recognized and established.

1.2 Keeping in view the vital role played by chemical fertilizers in the success of India's green revolution and consequent self-reliance in food-grain production, the Government of India has been consistently pursuing policies conducive to increased availability and consumption of fertilizers in the country. As a result, the annual consumption of chemical fertilizers in nutrient terms (N, P & K), has increased from 0.7 lakh MT in 1951-52 to 277.39 lakh MT 2011-12, while per hectare consumption of chemical fertilizers, which was less than 1 Kg in 1951-52 has risen to a level of 141.30 Kg (estimated) in 2011-12.

1.3 As of now, the country has achieved 75% self-sufficiency in production capacity of urea with the result that India could substantially manage its requirement of nitrogenous fertilizers through the indigenous industry and imports. Similarly, 50% indigenous capacity has developed in respect of phosphatic fertilizers to meet domestic requirements. However, the raw materials and intermediates for the same are largely imported. As for potash (K) since there are no viable sources/reserves in the country, its entire requirement is met through imports.

1.4 The main objective of the Department of Fertilizers is to ensure adequate and timely availability of fertilizers for maximizing agricultural production in the country and for this purpose it promotes and assists industries in the fertilizer sector and also to plan and arrange import and distribution of fertilizers in the entire country. The Department also disburses subsidies to manufacturers/importers of decontrolled fertilisers under the Nutrient Based Subsidy scheme which is being administered by the Department to make these fertilisers available to the farmers at the indicative Maximum Retail Price.

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

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

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

1.8 The detailed Demands for Grants (2013-14) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 14 March 2013. The Demand (Number 7) shows a budgetary support of Rs 66269 crore [(Rs 269 crore (Plan) + Rs 66000 crore (Non-Plan)]. The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2013-14. The detailed analysis, along with Observations / Recommendations of the Committee are presented at the end of the Report. The Committee expect the Department of Fertilizers to take the Committee's recommendations seriously and act on them expeditiously. The Committee also expect that the Department will take necessary steps for proper and timely utilization of funds so as to complete the various plans and projects in a time bound manner.

CHAPTER-II

OVERVIEW OF FERTILIZERS INDUSTRY

2.1 The installed capacity as on 31.03.2012 has reached a level of 120.42 lakh MT of nitrogen and 56.19 lakh MT of phosphatic nutrient, making India the 3rd largest fertilizer producer in the world. The rapid build-up of fertilizer production capacity in the country has been achieved as a result of a favourable policy environment facilitating, large investments in the public, co-operative and private sectors.

2.2 Presently, there are 30 large size fertilizer plants in the country manufacturing urea (as on February 29 are functioning), 21 units produce DAP and complex fertilizer fertilizers, 5 units produce low analysis straight nitrogenous fertilizers and the 2 manufacture Ammonium Sulphate as by product. Besides, there are about 85 medium and small-scale units in operation producing SSP. The sector-wise installed capacity of fertilizer manufacturing units is given in the table below:-

As on 31.03.2012

Sl. No.	Sector	Capacity (Lakh MT)		Percentage Share	
		N	P	N	P
1.	Public Sector	34.98	4.02	29.04	7.15
2.	Cooperative Sector	31.66	17.03	26.29	30.31
3.	Private Sector	53.78	35.14	44.67	62.54
	Total	120.42	56.19	100.00	100.00

2.3 On being asked by the Committee to evaluate the growth of fertilizers industry in the country over the years, the Department in its written reply stated as follows:-

"The major nutrient to plants and farm sector are provided through straight fertilizers such as Urea, DAP, MOP and Complex fertilizers. In addition to Urea, which is subsidized by the Government, 25 grades of complex fertilizers including DAP and MOP are under nutrient based subsidy (NBS) regime. The present annual operational production capacity of indigenous Urea is 197 LMT while total installed capacity of DAP, complexes and SSP are 72.00 LMT, 21.22 LMT and 77.13 LMT per annum respectively. While substantial demand of Urea is met through indigenous production, 90% demand of phosphorous nutrient is met through imports either in the form of finished fertilizers or in the form of raw material due to absence of viable phosphatic mines in India. Complete requirement of Potash is met through imports.

The growth of fertilizer industry is primarily based on the production capacity, production and sale of fertilizers in the country. The indigenous production of urea during the year 2012-13 (upto Feb) is 224.69 LMT as compared to 219.84 LMT during the year 2011-12. The increase in production of urea was due to revamp of some units. The gap between the demand and indigenous production is met through import. Good monsoons combined with increased irrigation facilities, increased area under cultivation, better awareness about usage of fertilizers amongst farmers and better purchasing power in the rural areas have contributed to a sharp increase in consumption of fertilizers from 2004-05 onwards.

The Government has announced New Investment Policy-2012 on 2.1.2013 to attract investment and enhance domestic production of Urea. Under this policy, the Government has received 15 investment proposals from various fertilizer companies including PSUs/Cooperatives which are under consideration. It is expected that with the notification of New Investment Policy-2012, our indigenous production of urea will increase.

So far as capacity of Phosphate and Potassic sector is concerned, decision in the matter is to be taken by the manufacturing units themselves. The Government has continuously followed a policy for encouraging investments abroad by Indian entities in fertilizer sector in resource rich countries. The total production of P&K fertilizers including complex fertilizers in the year 2011-12 was 160.5 LMT as against 158.97 LMT in preceding year 2010-11."

2.4 On being enquired by the Committee about the factors which have impeded self-sufficiency in the fertilizer Sector, the Department in its written reply stated as under:-

"The indigenous production of fertilizers has not increased to meet the growing requirement largely due to raw materials / inputs limitation and partially due to lack of new investments in urea sector. There has been no significant investment in urea sector in the last decade. The reasons for no investment made in urea sector under New Investment Policy 2008 are as under:-

- Lack of commitment on availability of domestic natural gas by the Government at a pre-determined price formula.
- Greenfield units were supposed to go through a bidding route for determination of price of urea and price was kept outside IPP regime unlike Brownfield/Expansion.
- Absence of provisions to protect the industry from any additional liability arising due to increase in the delivered price of gas by correspondingly providing adequate protection at the floor prices.

India is completely deficient in potassic resources and has to entirely depend upon import for meeting the requirement of potash (MOP) for the Indian agriculture. The country is also deficient in phosphatic resources with more than 90% requirement of the country being met through direct import of finished phosphatic fertilizers or phosphatic raw materials/intermediates for indigenous production of phosphatic fertilizers. The lack of long term availability of natural gas in the country for urea plants, high cost of imported RLNG gas prices and volatility in prices have impeded new investments in urea sector. The Government has recently notified the New Investment Policy, 2012 on 2nd January, 2013 to facilitate fresh investment in urea sector to achieve self sufficiency in urea sector"

2.5 In its outcomes/targets in Outcome Budget 2013-14, the Department of Fertilizers under the Continuing Projects ‘Extraction of Potash from Indian Gluconite Sands’ by Sriram Institute for Industrial Research , Delhi, stated as under:-

> "In view of the alarming rise in population in India, there is a need to increase the production of agriculture crop which will require a huge quantity of fertilizer. Thus, Indian fertilizer industries need huge quantity of potash to produce fertilizer. To meet their requirement of potash, industries in India depend on import of potash. To reduce this dependence on import, there is an urgent need for the development of suitable commercial process for the extraction of potash. From the abundant resource like Gluconite sand available in huge quantities in various regions of India, estimated as 21,815 million tones. The study proposed here is to characterize the Gluconite sand available in vast reserves in our country and optimize the process of extraction of potash from Gluconite sand. The process is based on employing high temperature and pressure technique for extraction of potassium from Gluconite sand. This study will reveal the potassium content of the Gluconite sand available in various part of India on the one hand and on the other it will lead to an efficient process with optimized process parameters that will give maximum yield of potash."

2.6 During the course of evidence, the representative of Department of Fertilizers also dwelt upon the issue regarding the exploration and extraction of potash and stated as under:-

> "Extensive deposits of glauconite have been detected right from Gujarat to Orissa belt. They are containing about two to four per cent potash. So, the examination is under process by the Indian School of Mines and the Mines Ministry to see if potash can be taken out from this because extensive beneficiation will have to be taken. Only two to four per cent is contained. So, there will be a lot of loss; there will have to be a disposal of the wastage. So, all that is under study just now. Only after that, India will be able to decide whether glauconite is the correct thing to drive potash."

New Investment Policy 2012

2.7 The urea manufacturing units have expressed concern regarding pricing and firm availability of gas before making final investment decision in terms of New Investment Policy, 2008. Keeping in view the concern of industry, the Department of Fertilisers decided to amend the New Investment Policy, 2008.

2.8 The Government has recently announced a New Investment Policy 2012 in order to facilitate the fresh investment in Urea sector on 2.1.2013. The New Investment Policy 2012 provides a structure of a floor price and a ceiling price for the amount payable to Urea units, which will be calculated based on the delivered gas price (inclusive of charges & taxes) to respective urea units.

2.9 The salient features of New Investment Policy, 2012 are as under:

- Supports only gas based plants and plants based on coal gasification.
- Has structure of a flexible floor and ceiling price calculated at delivered price of gas from US $6.5 to US $ 14/mmbtu (Exchange rate: Rs. 50 per US $)
- The floor price has been determined at a Return on Equity (RoE) of 12% and the ceiling price at a RoE of 20%.
- For Greenfield/Revival and Brownfield Projects floor and ceiling shall increase in tandem with increase in gas price i.e. for every USD 0.1/mmbtu increase in gas price will increase the floor and ceiling by USD 2/MT upto gas price of USD 14/mmbtu.
- Beyond gas price of USD 14/mmbtu, only floor will be increased.
- For Revamp Projects, floor and ceiling has been linked to gas price of USD 7.5/mmbtu and floor and ceiling shall increase by USD 2.2/MT for every increase in gas price of 0.1/mmbtu.
- Different criteria for Revamp, Expansion, Revival and Greenfield projects and pricing thereof; linked with Import Parity Price (IPP) of Urea i.e. 95% of IPP for Greenfield/Revival Projects, 90% of IPP for Brownfield Projects and 85% of IPP for Revamp Projects.
- Supports Revival of closed units.
- Encourage investment by Indian industry in Joint Venture abroad in resource rich countries
- Incentivize units to produce urea in granulated form or coated/fortified Urea to improve the efficiency in the use of Urea with additional amount of USD 10/MT allowed in floor and ceiling prices.
- For units in North Eastern states the special dispensation regarding gas price that is being extended by GOI/State government will be available to any new investment.
- Applicable to all units whose production starts within five years from the date of notification and dispensation of guaranteed buy back will be applicable for eight years from date of start of production.

Proposals From Various Companies

2.10 The Department of Fertilizers has so far received the proposals from the following companies for expansion, Brownfield/Greenfield projects:

S. No.	Company	Projects	Ownership	State/Country
1	IFFCO-KALOL	Brownfield Ammonia-Urea Expansion Plant at Kalol	Cooperative	Gujarat
2	IGFL-Jagdishpur	Brownfield Expansion urea project at Jagdishpur.	Private	Uttar Pradesh
3	CFCL-Gadepan	Expansion of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4	KRIBHCO-Hazira	Brownfield Hazira fertilizer unit – Phase-II.	Coopertive	Gujarat
5	TCL-Babrala	Expansion of Urea project at Babrala.	Private	Uttar Pradesh
6	GNVFC-Bharuch	Brownfield Ammonia-Urea project at Dahej.	State JV	Gujarat
7	GSFC-Vadodara	Greenfield Ammonia-Urea project at Dahej.	State PSU	Gujarat
8	NFCL -Kakinada	Expansion of Ammonia-Urea project at Kakinada.	Private	Andhra Pradesh
9	NFCNL -Nigeria	NFCNL Ammonia-Urea project at Nigeria – JV.	Private	Nigeria
10	SHRIRAM Shriram Group Companies.	Greenfield Coal Gasification Ammoinia-Urea project at Paradip, Odissa.	Private	Odissa
11	RCF-Thal	Brownfield Ammonia-Urea Expansion project at Thal-III of RCF	CPSU	Maharashtra
12	KF&CL- Kanpur	Brownfield Ammonia-Urea Project at Panki-Kanpur.	Private	Uttar Pradesh
13	KSFL-Shahjahanpur	Brownfield Urea Ammonia project at Shahjahanpur-II.	Private	Uttar Pradesh
14	FACT-Kochi	Brownfield Ammonia-urea project at Kochi.	PSU	Kerala
15	MATIX Fertilizers & Chemicals ltd.	Greenfield Ammonia-Urea Fertilizers Complex at Panagarh, West Bengal.	Private	West Bengal

2.11 As per the New Investment Policy 2012, all the urea units which planned to set up urea unit in the country are required to mandatorily provide information at beginning and completion of each stage of the project of the said policy. Accordingly, the Department of Fertilizers has requested aforementioned companies to submit the broad stages for setting up urea project on the basis of the information provided by the companies, the proposal of each company is under examination of Department of Fertilizers in terms of New Investment Policy 2012 and decision will be communicated to company.

CHAPTER-III

SCHEMES DURING FIVE YEAR PLAN

Eleventh Five Year Plan

3.1 A statement showing the Plan Outlay & Expenditure during 11th Plan (2007-08 to 2011-12) is as under:-

Rs. In Crore

S. No.	PSU	11th Plan Allocation			Annual Plan 2007-08	Annual Plan 2008-09	Annual Plan 2009-10	Annual Plan 2010-11	Annual Plan 2011-12
		GBS	IEBR	Total	Actual	Actual	Actual	Actual	Actual
					IEBR	IEBR	IEBR	IEBR	IEBR
1	**RCF**	0	6880.37	6880.37	118.57	241.83	141.02	109.65	332.67
2	**FAGMIL**	0	42.25	42.25	0.69	0.61	0.37	0.24	0.27
3	**PDIL**	0	12.5	12.5	4.77	3.74	7.52	6.35	3.00
4	**NFL**	0	6050.75	6050.75	22.04	27.56	43.05	459.68	1553.82
5	**KRIBHCO**	0	6150	6150	79.73	273.77	319.61	725.29	592.06
6	**Revival of sick CPSEs**	607		607		50			
					GBS	GBS	GBS	GBS	GBS
6 (i)	**BVFCL**	150		150	7.47	20	65	45.00	67.80
6(ii)	**FACT**	210		210	15	13	34	89.99	60.74
6(iii)	**MFL**	200		200	9	13	96.99	74.50	88.95
6(iv)	**Misc Scheme**	26		26	6.99	1.52	3.68	3.68	4.81
7	**Capital subsidy for conversion**	885		885	0	150.00			
8	**Investments for JVs abroad**	0	0	0	0	0	0	0	0
9	**Revival of Closed Units**	0		0	0	0		0	0
9 (I)	**FCI**	10		10	0	0		0	
9 (ii)	**HFC**	10		10	0	0		0	
9 (iii)	**PPCL**	1		1	0	0		0	
	TOTAL	**1492**	**19135.87**	**21213.9**	**264.26**	**745.03**	**711.24**	**1514.38**	**2704.12**

Twelfth Five Year Plan

A statement showing the details of Plan outlays for the 12th Five Year Plan is as under:

(Rs. in crore)

PSU	Particulars	12th Plan (2012-17) (Proposed Expenditure)	2012-13 (RE)	2013-14	2014-15	2015-16	2016-17	Total
RCF	IEBR	6013.70	673.75	2389.00	1873.00	877.95	200.00	6013.70
FAGMIL	IEBR	120.23	23.51	48.42	31.25	5.75	11.30	120.23
PDIL	IEBR	36.50	6.05	13.82	9.55	3.94	3.14	36.50
NFL	IEBR	3121.27	1696.98	717.49	355.60	280.60	70.60	3121.27
KRIBHCO	IEBR	6145.00	675.00	1195.00	1915.00	2055.00	305.00	6145.00
Total	**IEBR**	**15436.70**	**3075.29**	**4363.73**	**4184.40**	**3223.24**	**590.04**	**15436.70**
BVFCL	GBS	341.50	25.60	25.00	25.00	25.00	240.90	341.50
FACT	GBS	907.00	117.70	315.00	275.00	140.00	59.30	907.00
MFL	GBS	150.00	87.62	17.00	36.38	7.00	2.00	150.00

PSU	Particulars	12th Plan (2012-17) (Proposed Expenditure)	2012-13 (RE)	2013-14	2014-15	2015-16	2016-17	Total
Misc. Schemes (MIS/IT and R&D)	GBS	85.50	25.07	15.56	17.33	13.92	13.62	85.50
Investments For JVs abroad	GBS		0.01					
Total	**GBS**	**1484.00**	**256.00**	**372.56**	**353.71**	**185.92**	**315.82**	**1484.00**
Grand Total (IEBR+GBS)		**16920.70**	**3331.29**	**4736.29**	**4538.11**	**3409.16**	**905.86**	**16920.70**

3.2 When the Committee asked whether Department of Fertilizers has integrated the targets not achieved in the 11th Five Year Plan into the 12th Five Year Plan, the Department of Fertilizers in its written reply stated as under:-

> **"**Department of Fertilizers finalized the 12th Five Year Plan in consultation with PSUs/co-operatives. The companies have considered the schemes they have completed during the 11th Five Year Plan along with investment plan for 12th Five Year Plan including the carryover schemes which could not be taken up due to various commercial/functional reasons. New investment policy announced by the Government recently will give a further fillip to the investment for increasing production capacity. Department of Fertilizers in due course and along with annual plans for the successive years will examine the possibility of increasing investment by the PSUs/co-operatives in consultation with these companies."

3.3 On being inquired by the Committee as to whether any planning has been done by Department of Fertilizers to avoid any shortfall in utilization of plan funds for the period, the Department of Fertilizers in its written reply stated as under:-

> **"**Companies have been availing Plan Funds from GoI (as loan) mainly towards Performance Improvement and Renewals & Replacement schemes. The schemes are identified based on a system of weak area analysis and evaluation of the cost benefit and then prioritized for implementation. Schedules are drawn up for each scheme so as to ensure that progress commensurate with the funds allocated in each financial year."

3.4 Regarding the efforts made by the Ministry in achieving the physical and financial targets in the Twelfth Five Year Plan and the suggestions of the Ministry for improvement in the implementation of the schemes and the mid-term appraisal of schemes / programmes and corrective measures under taken by the Ministry , the Department of Fertilizers in its written reply stated as under:-

> **"**The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSEs at the level of Board of Directors which consists of representatives of this Department. The Schemes/programmes proposed by PSEs viz., BVFCL, FACT & MFL in respect of which budgetary assistance are extended by Government, are examined in depth by the Department of Fertilizers through physical verification at plant sites

followed by their prioritization vis-à-vis the budgetary provisions. However, in respect of profit making PSEs (RCF, FAGMIL, PDIL, NFL & KRIBHCO), the schemes/programmes are implemented through plan outlays from Internal Generation of resources. After these schemes/programmes are deliberated and finalized in the Department, evaluation is undertaken by Planning Commission during Annual Plan discussions. Besides, the Planning Commission and Ministry of Finance in consultation with this Department also review the physical "outputs" as well as "outcomes" of these schemes/programmes. The Department also monitors follow up action with regard to activities of the major projects/schemes by way of Quarterly Review Meetings held under the chairmanship of Secretary, Department of Fertilizers on a regular basis. The periodic review of Plan Expenditure of all the companies is also done at the level of Economic Adviser. Annual appraisal of the schemes is/was also done by the Planning Commission while finalizing Annual Plans each year. Annual Plan projections as well as expenditure have been reviewed, company-wise and scheme-wise. During review, necessary corrective measures were suggested. All these forums of appraisal ensure improvement in the implementation of the schemes by PSEs/Cooperative Society and facilitate target achievement"

3.5 Regarding the Budget Proposals and the amount actually provided by the Planning Commission for different schemes in Annual Plan 2013-14 along with comments of the Planning Commission, the Department of Fertilizers in its written reply stated as under:-

"Under the Plan Scheme, budgetary support in the form of loan is provided mainly to three loss making fertilizer companies which are under the administrative control of this Department. Financial aid is provided to the companies such as Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL). Financial aid is provided for Renovation, Replacement and maintenance of critical equipments to sustain their operations. Allocation of Plan fund under Gross Budgetary Support (GBS) is made to loss making PSUs keeping in view the overall allocation made by the Planning Commission and also considering the absorption capacity of the companies on year to year. On the basis of this financial aid, the loss making companies continue to operate without interruption and hence improve their financial performance.

A small amount has also been earmarked in Department of Fertilizers for Misc. schemes such as Management of Information Technology (MIT) and Science & Technology (S&T). Department of Fertilizers is funding its need based programme namely Fertilizer Monitoring system (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the Grants made available as Gross Budgetary Support (GBS) under MIS / IT scheme. The S&T programme of Department of Fertilizers primarily lays emphasis at Research & Development of processes and equipments to lower specific energy consumption in fertilizer plants.

No comments were offered by the Planning Commission while indicating GBS to the Department of Fertilizers. Planning Commission allocated GBS to different departments based on funds made available by the Ministry of Finance in the Annual Budget depending upon availability of funds as well as Ministries' demands. Department of Fertilizers proposed GBS to the tune of Rs.372.56 crore while Planning Commission provided Rs.269.00 crore for the Annual Plan on the year 2013-14. Details of amount actually provided by the Planning Commission for different schemes in Annual Plan 2013-14 is as under:

(Rs. in crore)

BVFCL	FACT	MFL	Misc. schemes	Investments for JVs abroad	Total
25.00	211.43	17.00	15.56	0.01	269.00

3.6 When the Committee asked to state the extent to which the Department of Fertilizers has been able to convert the outlays for different schemes and programmes into outcome during the years 2011-12 and 2012-13, the Department of Fertilizers in its written reply stated as under:-

"The expenditure statements of the PSUs under administrative control of D/o Fertilizers for the F.Y. 2011-12 and 2012-13 are as follows:

(Rs. In crores)

S. No.	Name of PSU	2011-12	2012-13
1.	RCF	332.67	149.94 (upto January, 2013)
2.	FAGMIL	0.27	0.22 (upto December, 2012)
3.	PDIL	3.00	1.23 (upto January, 2013)
4.	NFL	1553.82	1630.84 (upto January, 2013)
5.	KRIBHCO	592.06	224.61 (upto December 2012)
6.	BVFCL	67.80	-
7.	FACT	60.74	-
8	MFL	88.95	-

The outcome of the schemes implemented by PSUs during F.Y. 2011-12 and 2012-13 are stated below:

i. **RCF**: During 2011-12 the projects implemented by the Company include Thal Ammonia revamping (including Urea portion); Gypcrete panel Plant; ANP modification MAP 100% water soluble urea projects at Durgapur and Talchar; JV with others and with FACT; renewal replacement schemes; additional Ammonia Urea at Thal; information Technology and revamp of fire hydrant system. During 2012-13 Thal Ammonia revamping was completed. Other schemes are additional Ammonia Urea at Thal; JV; construction of warehouses at ports Vizag/Tuticorin; renewals and replacements and other small schemes and study for new projects and Information Technology.

ii. **FAGMIL**: During 2011-12 and 2012-13, the projects implemented by the Company include replacement/new assets; construction of office building and gluconite/SSP.

iii. **PDIL:** During 2011-12 the projects implemented by the Company include CAD/CDE programme including PC; computer networking/server; renewal and replacement; renovation of exterior facade and reception area of PDIL Bhawan; setting up of laboratory for SSP Unit; and ERP-design and DMS. The schemes during 2012-13 include construction of building and other engineering infrastructure; renewal and replacement; CAD/CDE programme and DMS.

iv. **NFL:** During 2011-12 and 2012-13, the projects implemented by the Company include changeover of feedstock from FO to RNLG at Panipat/Bhatinda/Nangal Units and revamp of Vijaipur-I; capacity enhancement in Vijaipur-II; installation of CDR at Vijaipur; renewals and replacements including science and Technology; upgradation of instruments and electrical systems, information technology.

v. **KRIBHCO** : During 2011-12 and 2012-13, the outcome of the projects implemented by the Company include Hazira Ammonia Urea revamp; equity investment in KRIBHCO Infrastructure Ltd.; renewals and replacements; Hazira Jetty revamping; equity participation in GSEG; captive power plant; BFW-exchanger in Ammonia-103-C; SAP implementation;

vi. **BVFCL**: During 2011-12 and 2012-13, the projects implemented by the Company include renewal and replacement and preparatory work for setting up of new brown field Ammonia Urea Plant.

vii. **FACT:** During 2011-12, the projects implemented by the Company mainly include renovation and modernisation at Cochin Division and Udyogmandal Complex; feedstock conversion of ammonia to LNG; project for use of LNG fuel in ammonia plant; urea plant at Udyogmandal; automation of bagging system at Cochin Division; replacement of burners in the boilers in Udyogmandal Complex for LNG conversion; automation of mixing operations for customised fertilizers at Cochin Division and new 1000 TPT NP Plant including revamping of raw material handling at W.I.

viii. **MFL:** During 2011-12, the projects implemented by the Company include burner system modification for reformers, boilers and detailed engineering package study to facilitate conversion of feedstock of Naphta to LNG. Energy and reliability improvement schemes; reformer tube complete replacement with catalyst; study of 110Ata ID Fan Duct & modification; 110 Ata BFW Pump Drive Turbine replacement; “York” Compressor Separate cooling Water System; PRDS Valve in Ammonia Plant(5 Nos.); upgradation of Electrical Installation in Ammonia & Utility Plants; installation of new CT Cells M&N; Instrument Air Compressor Renewal ; CPCL-MFL Pipe Rack replacement along with Pipe Lines; NPK Plant Equipment Upgradation; NPK ‘C’ Potash Storage unloading equipment upgradation"

3.7 On being asked by the Committee as to whether any monitoring mechanism has been set up by Department of Fertilizers to monitor the implementation of the approved schemes by the PSUs and to achieve the projected plan target during 2013-14, the Department of Fertilizers in its written reply stated as under:-

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

3.8 When the Committee asked about the monitoring and control over the performance of the schemes/ programmes, the Department replied in writing as under:-

"The schemes/programmes proposed to be implemented through Plan outlays are finalized at the level of Board of Directors which consists of representatives of the Department. Performance of the schemes is monitored by the Department during Quarterly Review Meetings chaired by Secretary (Fertilizers). 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."

CHAPTER-IV

ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 2013-14

4.1 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure for the last three years (year-wise) and Budget Estimates for the year 2013-14 for Plan and Non-Plan expenditure is given below:

(Rs.in crore)

	2010-11			2011-12			2012-13			2013-14
	Budget Estimates	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure as on 31-01-2013**	**Budget Estimates**
Plan	215.00	215.00	214.28	225.00	225.00	222.30	256.00	10.00	8.46	269.00
Non Plan	52860.00	57860.00	61879.59	53612.00	71592.00	74588.52	65618.00	70618.00	63974.24	70614.20
Total	53075.00	58075.00	62093.87	53837.00	71817.00	74806.82	65874.00	70628.00	64070.32	70883.20

4.2 On being asked by the Committee as to how the Department of Fertilizers is utilizing the remaining Rs.6557.68 crore (both plan and non-plan) within three months of the financial year 2012-13, the Department of Fertilizers in its written reply stated as under:-

"The balance funds include the amount of Rs.5000.00 crore provided under RE. These funds will be utilized to clear the pending bills of fertilizer subsidy in hand. The funds will be utilized in full and it is likely that pending fertilizer subsidy bills will have to be rolled over to the next financial year. Additional funds provided under the Revised Estimates will be utilized to clear the pending bills of fertilizer subsidy and plan and non-plan expenditure (Secretariat Expenditure) as per details below:-3

		(Rs. In crores)
Imported Urea	:	2478.34
Indigenous Urea	:	1017.47
Imported P&K	:	2106.80
Indigenous P&K	:	945.43
Balance Plan Funds	:	1.54
Budget for Secretariat and other Misc. Expenditure	:	8.10
Total	:	**6557.68"**

4.3 The Committee enquired about the reasons for variations in BE, RE and AE for the years 2010-11, 2011-12 and 2012-13. The Department of Fertilizers in its written reply stated as under :-

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

2010-11

Plan: The Budget provision during 2010-11 was Rs.215.00 crore which has been kept at the same level at the RE stage. The actual utilization during the year 2010-11 was Rs.214.28 crore.

Non-Plan: Non-Plan budget (BE) during 2010-11 was Rs.52860.00 crores(Gross) which was enhanced to Rs.57860.00 crore (Gross) , after an allocation of Rs.5000.00 crores under 2nd Supplementary Demands for Grants at RE stage against revised projections of Rs.82,966.88 crore. Further it was increased to Rs.65860.00 crore(gross) after an allocation of Rs.8000 crore under 3rd and final batch of Supplementary Demands for Grants for the year 2010-11. The actual utilization during the year 2010-11 was Rs.65859.08 crore(gross).

2011-12

Plan: The budget provision during 2011-12 was Rs.225.00 crores which was kept at the same level at the RE stage. The actual utilization during the year 2011-12 was Rs.222.30 crore.

Non-Plan: Non-Plan budget (BE) allocated during 2011-12 was RS.53612.00 crore (gross) against the projected requirement of RS.76627.47 crore(Gross), this was enhanced to Rs.74592.00 crore (gross) after allocation of Rs.13778.93 crore (including Rs.778.93 crore for compensation on account of loss due to sale of fertilizer bonds) & Rs. 7201.07 crore respectively under 2nd & 3rd Supplementary Demands for Grants. The Department was also required to fulfill carry over liabilities of RS.7216.67 crore from 2010-11. The actual utilization during the year 2011-12 was Rs.74588.52 crore. The actual requirement was much higher and an amount of RS.22200.62 crore was rolled over to the next year as carried over liabilities.

2012-13

Plan: The Budget provision for 2012-13 was Rs.256.00 crore which has been reduced to Rs.10.00 Crore at the RE stage. The actual expenditure upto 31-1-2013 was Rs.8.46 Crore and the allocation will be utilised in full.

Non-Plan: Against the projected requirement of Rs.902249.19 crore(Gross), the Non-Plan budget (BE) allocated during the year 2012-13 was Rs.65618.00 crore (gross) which has been increased to Rs. 70618.00 Crore at the RE stage. The additional demands projected by the Department was Rs. 36615.26 crore which included carry over liabilities of Rs.22200.62 crore from 2011-12 towards fertilizers subsidy. The actual utilization of funds under the Non-Plan Budget is Rs.63974.24 crore as on 31st January 2013. Provisions under this head will be utilized fully. Since, the Budget allocations are less than the requirement, the shortfall is likely to be carried over to the next financial year."

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

"Under NBS Policy, which is being implemented w.e.f 1.4.2010, a fixed rate of subsidy decided on annual basis is provided on each grade of subsidized P&K fertilizers depending on their nutrient content. The NBS rates for P&K fertilizers are fixed taking into consideration all relevant factors including the likely impact of these rates on total subsidy payout. NBS rates fixed for the year 2012-13 were on an average lower than 2011-12 by 23%. The subsidy on P&K fertilizers during the year 2010-11 and 2011-12 was Rs 41500 crore and Rs 36107.94 crore respectively.

All high cost Naphtha/FO/LSHS based urea units have been directed to convert to gas based units to reduce the indigenous cost of urea. The three units of National Fertilizers Limited viz Panipat, Bhatinda and Nangal and Bharuch unit of GNVFC which are FO/LSHS based are converted to gas. Allocation of gas to these units is under consideration of Ministry of Petroleum & Natural Gas.

Out of four Naphtha based units, the Zuari Agro Limited is receiving gas from February 2013 and therefore has started production partly on gas. The full production of urea on gas will start from April 2013. The other three naphtha based units viz MFL, MCFL and SPIC are yet to convert to gas. After conversion of these plants from Naptha to Gas there would be substantial reduction in subsidy."

Budgetary Provisions

4.5 In the notes on Demands for Grants, 2013-14, BE for the year 2012-13 was Rs.61256.00 crore and BE for the year 2013-14 was Rs.66269.00 crore.

(Appendix-I)

4.6 When the Committee in this regard enquired about the reasons for increase of Rs.5013.00 crore in the total Budget Allocations, the Department of Fertilizers in its written reply stated as under:-

"Increase in the Budget Estimates 2013-14 by Rs.5013.00 Crore over and above Budget Estimates 2012-13 is on account of additional requirement of funds under the fertilizer subsidy for all four fertilizer heads viz. Imported Urea, Indigenous Urea, Imported P&K and Indigenous P&K. These provisions will also be used to liquidate liabilities carried over from current financial year i.e., 2012-13 to next year 2013-14."

4.7 On being asked by the Committee as to why RE for the year 2012-13 (Rs.10.00 crore) was abysmally low in comparison to the BE for the year 2012-13 (Rs.256.00 crore), the Department of Fertilizers in its written reply stated as under:-

"While reviewing the allocation for RE 2012-13 Plan of the DoF, Ministry of Finance reduced the allocation to Rs.10 crores due to non repayment of Loan and interest thereof from three PSUs(FACT, BVFCL and MFL), otherwise DoF was in the process of releasing the funds to the companies. In view of reduced allocation release of funds to the companies were then put on hold."

4.8 On being further enquired as to how much loan was taken by the three PSUs (FACT, BVFCL and MFL)and the reasons for non-payment of loan and interest, the Department of Fertilizers in its written reply stated as under:-

"The loan amounts taken by three PSUs (FACT, MFL & BVFCL) and interest thereon as on 31.03.2012 are given below. Plan fund was not released to these companies during 2012-13.

(In Rs.crore)

Sl. No.	Name of PSU	Plan loan	Interest amount
1.	FACT	282.73	112.71
2.	BVFCL#	502.87	459.00
3.	MFL*	533.47	217.22

In addition non-plan as on 31/3/2012 is Rs.91.84 crores and interest thereon is Rs.125.71 crore.
* In addition non-plan as on 31/3/2012 is Rs.20.77 crores and interest thereon is Rs.17.63 crore.

The main reason for non-payment of loan and Interest thereon has been poor financial conditions of the companies."

4.9 On being further asked about the purpose for giving loan to these three PSUs and steps taken so far to recover the said amount from these PSUs, the Department of Fertilizers in its written reply stated as under:-

"Loans are given by the Department to three loss making PSUs, viz., BVFCL, MFL and FACT under the Annual plan each year by way of Gross Budgetary Support (GBS) for renovation, replacement and repairs & maintenance of critical equipments and not for working capital since these companies are not able to generate internal resources for critical replacement/renovation.

These loans have helped the company in meeting their efficiency, production/productivity and to sustain the smooth running of these plants. GBS has helped to improve the reliability of production, reduce breakdown and hence has resulted in monetary gains/capacity enhancement for the companies.

The companies are reminded from time to time while releasing further loans to repay the outstanding loans and interest thereon."

4.10 On being asked as to whether the three PSUs (FACT, BVFCL and MFL) would be able to repay the loans and the interest in the current financial year, the Department of Fertilizers in its written reply stated as under:-

"Plan loans will be released to these companies as per the instructions of the Government on the matter. In case, they are not able to meet extant instructions, plan loan will not be released. Due to precarious conditions, it is likely that they may default but before releasing money, companies will be asked to adhere to the loan conditions."

4.11 On being asked about the reason for keeping BE 2013-14 at Rs.269.00 crore the Department of Fertilizers in its written reply stated as under:-

"Companies raised demands for GBS as per their functional requirement and priority for renewal and replacement. They proposed a large number of schemes to be implemented in the Annual Plan 2013-14. Keeping in view the financial requirements of the companies, Rs.269.00 crores has been made by Planning Commission for the Annual Plan 2013-14 (BE)."

Head-Wise Analysis Of Demand For Grants

Major Head 6855 – Investment in Public Enterprises

4.12 The Committee observed that for the year 2013-14, an allocation of Rs.228.44 crore in Plan Budget has been made which is more as compared to preceding two years. Therefore, when the Committee asked as to how the Department of Fertilizers envisages to spend the increased amount of Budgetary allocation, the Department of Fertilizers in its written reply stated as under:-

"Keeping in view the financial requirements of the companies, allocation is made in consultation with Planning Commission. Companies raise demands for GBS as per their functional requirement and priority for renewal and replacement. The three PSUs (FACT, BVFCL and MFL) have proposed a large number of schemes for renewal/replacement in their plant/machinery with a view to sustain production. These schemes are essential for sustaining the production in these companies. The schemes will be examined thoroughly and grants will be released according to priorities and requirements of these companies."

4.13 On being enquired by the Committee about the reason for allocating more funds to three PSUs, the Fertilizers and Chemicals Travancore Limited (FACT), Brahamputra Valley fertilizers Corporation Limited (BVFCL) and Madras Fertilizers Limited (MFL) when they are unable to repay the loans already given to them, the Department of Fertilizers in its written reply stated as under:-

"On the basis of schemes/programmes submitted by these three loss making PSUs, the Plan funds are allocated by the Planning Commission annually to these companies. Since these Companies are not able to meet their renovation/replacement requirement through internal generation of funds, Plan loans are provided to these Companies for the purposes mentioned above. Profit making companies meet their requirement of renewal/replacement/expansion through their own resources i.e. Internal Extra-Budgetary Resources (IEBR). Hence Department of Fertilizers does not provide any assistance to them."

Major Head 2401 – Subsidy on Imported Fertilizers

4.14 When the Committee enquired about the reasons for steady increase of subsidy on imported fertilizers from Rs.13716.12 crore in 2011-12 (AE) to Rs.15544.64 crore in the year 2013-14 (BE), the Department of Fertilizers in its written reply stated as under:-

"The increase of subsidy on imported fertilizers for the year 2013-14 is due to increase in the estimated requirement of imported urea during 2013-14 vis-à-vis 2011-12 and the higher Rupee/US dollar exchange rate as compared to 2011-12. The requirement of imported urea is estimated at 90 lakh MT for the year 2013-14 as against the actual imports of 78.34 lakh MT in 2011-12 and 78.64 lakh MT in 2012-13 (upto February 2013). Though the average price for BE 2013-14 is taken at lower rate i.e.US$400 per MT C&F in comparison to actual weighted average price of US$481.74 per MT C&F, the price of OMIFCO imports has been increased from US$150 per MT in 2011-12 to US$ 170 per MT in BE 2013-14. The exchange rate has also been increased from Rs.47.92 (average RBI rate) in 2011-12 to Rs.53 per US$ taken for BE 2013-14."

Major Head 6552 – Project/ Schemes for North-Eastern Region and Sikkim

4.15 On being asked by the Committee as to why RE for the year 2012-13 (Rs. 0.01 crore) was abysmally low in comparison to the BE for the year 2012-13 (Rs.94.61 crore), the Department of Fertilizers in its written reply stated as under:-

"Initially, BVFCL projected a demand of Rs.94.61 crores with the expectation that they will be able to finalise their plan for setting up of a brownfield Namrup IV Urea plant. Since the proposal to set up a brown field plant could not be finalized, they reduced demand for GBS to just Rs. 2.00 crore during 2012-13 for meeting the pre project activities. Even the pre project activities could not be undertaken due to non-finalisation of brownfield projects."

4.16 When the Committee further asked about the reason for non-finalization of brown field Namrup IV Urea Plant by BVFCL, the Department of Fertilizers in its written reply stated as under:-

"A Techno-Economic Feasibility Report (TEFR) for installation of a new Brownfield Ammonia Urea plant at Namrup, was sent to Planning Commission in May 2011 for 'in-principle' approval and allocation of fund in the 12th Five Year Plan starting from 2012. In response, Planning Commission advised DOF to explore the possibility of firming up the proposal seeking contribution from profit making CPSUs / Private Sector for the required equity funds to become Joint Venture partners for the proposed project without any budgetary support from Government of India. In August 2012, Planning Commission accorded 'in-principle' approval for establishment of a new Brownfield Ammonia-Urea complex (4th unit) of BVFCL at Namrup in Assam and also has given clearance for open Bidding and Expression of Interest for equity participation from private sector companies. M/s Price Waterhouse Coopers Pvt. Ltd. has been appointed as Consultant for open analysis, feasibility analysis of the options and suggesting most suitable option. The draft report has been submitted by the Consultant Company. The BVFCL is in the process of preparing CCEA note."

4.17 As per the written submission of the Department, allocation of Plan fund in respect of Brahamputra Valley Fertilizer Corporation Limited (BVFCL), a loss making urea producing company, is treated as contribution towards the North Eastern Region. Allocation of Plan fund is made to PSU keeping in view the overall allocation made by the Planning Commission and also considering the absorption capacity of the company on year to year basis. The funds allocated are used for renewal and replacement in the plants. During the last three years, BVFCL has been provided following Plan GBS :

(Rs. in crore)

	2010-11	2011-12	2012-13
Plan GBS	45.00	67.80	0.02
Percentage	2.97	1.81	
Actual utilization	45.00	67.80	Nil

4.18 In this regard, the Committee enquired about the reasons for the increase of BE for the year 2013-14 (Rs.24.99 crore) in comparison to RE for the year 2012-13 (Rs.0.01 crore), the Department of Fertilizers in its written reply stated as under:-

"During 2013-14, allocation was earmarked to the extent of Rs.24.99 crore at BE stage keeping in view the requirement of the company as it is expected that proposal to set up brownfield plant will be finalized and pre project activities will start."

4.19 When the Committee asked about the reason for the lesser allocation of funds under plan for the year 2012-13, the Department of Fertilizers in its written reply stated as under:-

"In the Annual Plan 2012-13(BE) Planning Commission in consultation with Finance Ministry made an allocation of Rs.256 crores. But in the Annual Plan RE 2012-13, Ministry of Finance reduced the allocation for the Department of Fertilizers to just Rs. 10 crore due to non-recovery of loans and interest thereof from three PSUs (FACT, BVFCL and MFL), BVFCL also reduced its demand to just Rs.2 crores due to the fact that their brownfield Urea plant proposal is not finalized and they would not be able to spend the allocated amount."

4.20 On being further inquired as to why the amount allocated in 2012-13 has not been utilized, the Department of Fertilizers in its written reply stated as under:-

"As mentioned above, BVFCL's proposal to setup Namrup IV could not be finalized as BVFCL was not in a position to spend the allocated amount."

Major Head 3451 – Secretariat-Economic Services

4.21 The Committee further enquired about the reasons for steady increase in allocation of funds under major head 3451 from Rs.23.49 crore in 2012-13 (BE) to Rs.25.96 crore in 2013-14 (BE), the Department of Fertilizers in its written reply stated as under:-

"There is an increase of Rs.2.47 Crores in the BE for 2012-13 and 2013-14 which is an increase of 10.51%.

This is justifiable as 10.51% increase in the Major Head-3451 pertains to non plan establishment costs, housekeeping and other administrative services of the Secretariat proper and is attributable to increment of pay, enhancement of DA rates, grant of MACP, leave encashment during availing LTC, payment towards availing of LTC, filling up of vacant posts etc."

Head of Dev – Investments in Public Enterprises

4.22 On being enquired about the reasons for increased allocation in Plan funding from Rs.243.99 crore in BE 2012-13 to Rs.253.43 crore BE in 2013-14 and decrease in non-plan funding from Rs.3075.29 crore to Rs.2770.71 crore and overall investment in Public Enterprises decrease from Rs.3319.28 crore to Rs.3024.14 crore in BE 2013-2014, the Department of Fertilizers in its written reply stated as under:-

"The three companies (FACT, BVFCL and MFL) are given plan loans from GBS for their renewal and replacement depending upon the requirements of these companies. In Annual Plan 2013-14, increase in GBS is due to more requirements by FACT on account of on-going schemes as well as new schemes proposed by the company.

The profit making companies (NFL, RCF, PDIL, FAGMIL and KRIBHCO) finalised their plan expenditure to be funded from IEBR depending upon requirements, market conditions and Govt. policies. The companies put together at BE stage projected an overall investment to Rs.2770.71 crores which is less than last year Annual Plan of amount of Rs. 3075.29 crore (BE) in 2012-13. The decrease in investment is mainly attributable to less plan outlay in respect of NFL from 1696.98 crore in Annual Plan 2012-13 to Rs. 803.20 crore in Annual Plan 2013-14 because of the fact that most of the schemes/projects undertaken by NFL have been completed and only balance amount payable for the jobs undertaken will be paid during Annual Plan 2013-14."

4.23 The Internal and Extra Budgetary Resources (IEBR) for the year 2012-13 in respect of National Fertilizers Limited is Rs. 1696.98 crore and for 2013-14 it is Rs.803.20 crore. So, when the Committee further enquired about the reasons for decrease in IEBR, the Department of Fertilizers in its written reply stated as under:-

"Five major projects of NFL were completed during 2012-13 and no major projects are pending for implementation during 2013-14. The payment during 2013-14 is left over payment of 2012-13. That is why IEBR is low in 2013-14 as compared to 2012-13."

4.24 In this regard, the Committee asked as to how the Department of Fertilizers plans to resource rest of the amount for GBS support to schemes for loss making PSUs and also as to how the Department plans to utilize Rs.269.00 crore GBS for loss making PSUs and on schemes of S&T & MIT, the Department of Fertilizers in its written reply stated as under:-

"The schemes/programmes proposed to be implemented through plan outlays are finalized by loss making PSUs (BVFCL, FACT and, MFL) at the level of Board of Directors which consists of representatives of this Department. The schemes/programmes proposed by loss making PSUs in respect of which budgetary assistance are extended by Government through plan loans, are examined in depth by Department of Fertilizers through physical verification at plant site followed by their prioritization vis-à-vis the budgetary provisions. After these schemes/programmes are deliberated and finalized in the Department, evaluation is undertaken by Planning Commission during Annual Plan discussion. Besides, the Planning Commission and Ministry of Finance, this department also reviews the physical “outputs” as well as “outcomes” of the schemes/programmes. Requirement of budgetary support to the loss making PSUs as well as for MIT& S&T would be reviewed during the year and in case there is additional demand fully justified will be raised with the Planning Commission and Ministry of Finance."

CHAPTER-V

DIRECT SUBSIDY TO FARMERS

5.1 When the Committee enquired about the latest position regarding implementation of direct subsidy to the farmers, the Department of Fertilizers in its written reply stated as under :-

> **"**In order to facilitate the vision of transferring the subsidy directly to the intended beneficiaries, the Deptt. of Fertilizers is following a phased approach for direct disbursement of Fertilizer subsidy to the intended beneficiaries in the following manner:
>
> I. **Phase I**: Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgements reported in mFMS.
> II. **Phase II**: Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.
> III. **Phase III**: Subsidy payment to the retail customer on the basis of fertilizer sales made to him/her.
> IV. **Phase IV**: Subsidy payment to the farmer on the basis of details of sales made to him/her
>
> The first phase of the project focuses on the information visibility of fertilizer availability at the last point of sale. The existing FMS that tracks availability at the district level is being extended through the Mobile Fertilizer Monitoring System (m-FMS www.mfms.nic.in) to the last point of the retailer to track the movement and availability. With this, all stake holders across the fertilizer supply chain send their report, daily dispatch, receipt and stock update. This will increase transparency across the supply chain. **The implementation of Phase-I has already been made operational**. In the subsequent phase of the project the mechanism to transfer the subsidy directly to the intended beneficiaries will be formulated and implemented once the implementation of Phase I is stabilized. This would obviously rein in corruption and profligacy in subsidies."

5.2 When The Committee further enquired as to whether the task force had asked to initiate the Phase-I of the transfer of direct subsidy to the farmers, the Department of fertilizers in its written reply stated as under:-

> **"**The implementation of Phase-I has already been made operational. In the subsequent phase of the project the mechanism to transfer the subsidy directly to the intended beneficiaries will be formulated and implemented once the implementation of Phase I is stabilized. The work is in progress."

5.3 On being asked by the Committee by when all three phases namely Phase-I, II and III of direct payment of Subsidy to the farmers are expected to be completed and implemented in all the states, the Department of Fertilizers in its written reply stated as under :-

> **"**Phase I of the project is being stabilized across the country. After due modifications to the procedure of fertilizer subsidy disbursement to the companies, the Phase I was made operational with effect from 1st

November 2012. Accordingly, a portion of the subsidy (5-15% depending on the grade of fertilizer) will be given to manufacturers only when the retailer will acknowledge the receipt in the Mobile Fertilizer Management system (mFMS). Retailer acknowledgement has been ensured by the Department by linking a portion of manufacturer's subsidy to retailer's acknowledgement, and transferring the onus to the industry to train dealers in their supply chain and ensure retail acknowledgement. State Governments have also been brought on board for providing their support for greater reporting.

It has been decided to conduct a Pilot of Phase II (To capture the retailer sales of fertilizers to farmers and creation of beneficiary/farmer, based on Aadhaar number and core bank account of beneficiaries) before its implementation across the country. 12 districts across 11 States have been selected for the Phase II pilot based on Aadhaar penetration, fertilizer consumption, geographical variance, dealer network as well as implementation status Phase I.

In the subsequent phases of the project, the mechanism to transfer subsidy directly to the intended beneficiaries (Farmer) will be formulated and implemented once the implementation of Phase I & II are stabilized."

5.4 On being inquired by the Committee about those twelve districts where Pilot Scheme for direct subsidy to farmers has been launched and its results and the evaluation of the Scheme by the Government, the Department of Fertilizers in its written reply stated as under:-

"12 Districts across 11 States have been selected for the Phase II pilot based on Aadhaar penetration, fertilizer consumption, geographical variance, dealer network as well as implementation status Phase I. The next phase is of information visibility on sale to farmers. In this, information of beneficiary data base will be captured as also quantum of sales of fertilizers to beneficiaries. This phase will facilitate creation of beneficiary database. Aadhaar numbers and core bank account numbers will be the twin pillars on which the data base will be created.

I. Nawanshahar, Punjab
II. East Godavari, Andhra Pradesh
III. Tumkur, Karnataka
IV. Mysore, Karnataka
V. Sonipat, Haryana
VI. Bilaspur, Himachal Pradesh
VII. Wardha, Maharashtra
VIII. Dhalai, Tripura
IX. Hoshangabad, Madhya Pradesh
X. Ajmer, Rajasthan
XI. Madurai, Tamil Nadu
XII. Kendrapara, Odisha

Phase II will involve transfer of part subsidy to the manufacturer based on the capture of retail sales data on purchase of fertilizers by the beneficiaries."

CHAPTER-VI

NUTRIENT BASED SUBSIDY (NBS)

6.1 Under the NBS policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidised P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidised P&K fertilizers covered under NBS Policy. At present 22 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate produced by M/s FACT and M/s GSFC, SSP and 16 grades of NPKS complex fertilizers are covered under the NBS Policy. Under the Policy, MRP of P&K fertilizers has been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates. In effect, the domestic prices are determined by demand supply mechanism.

6.2 Urea is the only fertilizer under statutory price control and its Maximum Retail Price (MRP) is fixed by the Government. Urea is subject to price distribution and movement control under the Fertilizer Control Order(FCO) issued under Essential Commodities Act (ECA). The urea is sold to the farmers at subsidised rates i.e. fixed MRP all over the country. The MRP of urea in all the States, since 2003 was Rs. 4830/- per tonne. The MRP of urea in all the States has increased to Rs. 5310/- per tonne w.e.f. 1st April 2010. The MRP fixed is exclusive of CST, Sales Tax and Central Excise Duty. With effect from 01st November 2012, the urea (46%N) will be sold at Maximum price of Rs. 5360 per tonne exclusive of the central excise duty, central sales tax, countervailing duty, the state tax and other local taxes wherever levied, whether at the retail sales point or at an intermediate stages. Thus, farmers have not been affected by any recent price rise.

6.3 Pricing of Controlled Fertilizers (urea)

The policy for stage III of New Pricing Scheme (NPS-III) for existing urea manufacturing units was approved by CCEA in February 2007 and made effective from 1.10.2006 till 31.03.2010. The provisions of Policy for Stage-III of NPS have been extended beyond the validity period of NPS- III i.e. 31.3.2010 till further orders. The cost of production of urea by units includes by fixed cost (FC) which includes capital related cost, depreciation, interest, employee cost, administrative overhead etc. and variable cost includes cost of energy (natural gas, naphtha, FO/LSHS etc), water, power, bags etc.

Applicable till 100% of Re-assessed Capacity

The difference between the delivered cost of fertilizers at farm gate and Maximum Retail Price (MRP) payable by the farmer is given by the Government of India as subsidy which is passed on to farmers by way of sale of subsidized fertilizers through the fertilizer manufacturers /importers.

Applicable from 100% to 110% of Re-assessed Capacity

For production between 100% to 110%, unit gets variable and 35% of net gain (net gain= Import Parity Price of Urea minus variable cost) or own concession rate whichever is lower. This working is done on quarterly basis.

Applicable from above 110% of Re-assessed Capacity

For production above 110% of the reassessed capacity, the units get their concession rate subject to overall cap of IPP of urea. This working is done on quarterly basis.

Applicable for Production beyond Cut off level

Cut off level of production was fixed by Urea Investment Policy of 2008 and units get IPP linked Concession Rate which is equal to 85% of IPP with floor and ceiling of $ 250 and $ 425. This working is done on monthly basis.

6.4 **Pricing of P & K fertilizer vis-à-vis subsidy on fertilizers**

The prices of P&K fertilizers were decontrolled under the NBS Policy, which is being implemented with effect from 1.4.2010. Under the NBS policy, a fixed amount of subsidy decided on annual basis is provided on each grade of subsidized fertilizers depending on its nutrient content. The fertilizer companies fix the MRP of the P&K fertilizers under this Policy.

6.5 India is fully dependent on imports in Potassic fertilizers and to the extent of 90% in case of Phosphatic fertilizers in terms of either finished fertilizers or raw materials. Subsidy being fixed, any rise or fall in international prices of P&K fertilizers and its inputs have effect on the MRP of these fertilizers in the country. Further, variation in exchange rate also affects the delivered prices of these fertilizers.

6.6 In the year 2010-11, the prices of P&K fertilizers increased marginally. In spite of increase in subsidy during the year 2011-12, the MRP of P&K fertilizers increased due to sharp increase in the prices of P&K fertilizers and its raw materials in international market. The depreciation of Indian Rupee further added to the increase in MRP of these fertilizers.

6.7 The subsidy rates for the year 2012-13 was fixed keeping in view that prices will not increase if the market conditions remains favorable. However, due to unprecedented depreciation of Indian Rupee during the year 2012-13, the prices of fertilizers increased.

6.8 To summarize, the prices of fertilizers post decontrol of prices increased mainly on account of fluctuation in international prices of fertilizers and depreciation of India Rupee.

6.9 When the Committee asked about the salient features of Nutrient Based Subsidy (NBS), the Department in its written reply stated as under :-

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

- The Department of Fertilizers is implementing the Nutrient Based Subsidy (NBS) Policy for P&K fertilizers w.e.f 1.4.2010. Under the NBS Policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidised P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidised P&K fertilizers covered under NBS Policy.

- At present 22 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate produced by M/s FACT and M/s GSFC, SSP and 16 grades of NPKS complex fertilizers are covered under the NBS Policy.

- Under the Policy, MRP of P&K fertilizers has been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates. In effect, the domestic prices are determined by demand supply mechanism.

- Under the policy, any variant of the subsidised P&K fertilizers with secondary and micronutrients (except Sulphur 'S'), as provided for under FCO, is also eligible for subsidy. There is separate additional subsidy for micronutrients namely Boron and Zinc. The secondary and micro-nutrients (except 'S') in such fertilizers attracts a separate per tonne subsidy to encourage their application along with primary nutrients.

- An Inter-Ministerial Committee (IMC) has been 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 recommends per kg subsidy for each of the nutrients viz 'N', 'P', 'K' and 'S'. The IMC recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. The Committee also recommends 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.

- The distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units is monitored through the online web based “Fertilizer Monitoring System (FMS)” as was being done under the Concession Scheme for P&K fertilizers.

- 20% of the decontrolled fertilizers produced/imported in India has been placed in the movement control under the Essential Commodities Act 1955 (ECA). Department of Fertilizers regulates the movement of these fertilizers to bridge the supplies in underserved areas.

- In addition to NBS, freight for the movement and distribution of the decontrolled fertilizers by rail and road is being provided to enable wider availability of fertilizers even in the remotest places in the country.

- Import of all the subsidized P&K fertilizers, including complex fertilizers has been placed under Open General License (OGL). NBS is available for imported complex fertilizers also except Ammonium Sulphate. However, in case of Ammonium Sulphate (AS) the NBS is applicable only to domestic production by M/s FACT and M/s GSFC.

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

- Manufacturers of customized fertilizers and mixture fertilizers have been permitted 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. However, no separate subsidy is provided on sale of customized fertilizers and mixture fertilizers.

- A separate additional subsidy is also provided to the indigenous manufacturers producing complex fertilizers using Naphtha based captive Ammonia to compensate for the higher cost of production of ‘N’ for a maximum period of two years during which the units are required to convert to gas or use imported Ammonia as feedstock. The quantum of additional subsidy is finalized by Department of Fertilizers in consultation with DOE, based on study and recommendations by the Tariff Commission.

- The NBS is passed on to the farmers through the fertilizer industry. The payment of NBS to the manufacturers/importers of P&K fertilizers is released as per the procedure notified by the Department.

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

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

**Including Rs. 300/- per MT for secondary freight from rake point to retail points.*

** Excluding the secondary freight of Rs. 300/- PMT, which is being paid separately on per ton per Km basis."

6.10 When the Committee asked whether NBS policy will be able to achieve the underlying objectives, and whether any formal study on the impact of NBS Policy viz-a-viz price rise has been conducted by the Department, the Department of Fertilizers in its written reply stated as under:-

> **"**The Department is in process of getting a study of NBS Policy carried out through a reputed consultancy firm. The study will cover all aspect of NBS policy including the evaluation of NBS Policy viz-a-viz its objectives, impact of NBS Policy viz-a-viz price rise and its effect on balanced fertilization of soil."

6.11 On being enquired by the Committee about the steps being taken by Department of Fertilizers to control the increase in prices of fertilizer including P&K fertilizers in the recent times to mitigate the increasing burden on farmers specially poor and marginal farmers, the Department of Fertilizers in its written reply stated as under:-

> “Under the NBS Policy a fixed subsidy, decided on annual basis, is provided on all subsidized P&K, fertilizers depending on its nutrient content. The MRP is fixed by the fertilizer companies.
>
> Since the country is nearly completely dependent on imports for P&K fertilizers in the form of finished fertilizers or its raw material and subsidy being fixed, the international prices of fertilizers affects the domestic prices of fertilizers. The prices of P&K fertilizers and its raw material are highly volatile in the international market.
>
> The domestic prices of P&K fertilizers have increased mainly due to fluctuations in international prices and also due to depreciation of Indian rupee vis-a vis US$, factors not under the control of the Government.
>
> In view of the fertilizers prices coming down in international market in the last quarter of the year 2012-13, the Department is proposing NBS rates for the year 2013-14 with the expectation that MRP of DAP and MOP both will come down alongwith the commensurate reduction in the prices of other complex fertilizers subject to, international prices and exchange rate remaining stable.
>
> Under the NBS Policy, fertilizer companies have been allowed to fix MRP at reasonable level. There is at present no mechanism under the policy to monitor enforce reasonableness of the MRP. The Department is proposing to bring a policy note for monitoring of MRP fixed by fertilizer companies soon which will address these issues. "

6.12 On being asked by the Committee about the steps taken to promote a balanced use of fertilizers, the Department of Fertilizers in its written reply stated as under:-

> **"**The basic principle of the NBS Policy is to bring in competition amongst the fertilizer companies. In order to maximise the profit, the fertilizer companies will tend to focus on farmers through farm extension services and educate farmers about the modern fertilizer application techniques, soil health and

promote soil test based application of soil and crop specific fertilizers which is necessary for balanced application of fertilizers.

The Government has also allowed the use of subsidized fertilizers for manufacturing mixture and customised fertilizers. The mixture and customized fertilizers are produced keeping in view the specific requirement of nutrients of soil and crop.

The Government also provides subsidy on sulphur content in the fertilizers.

To meet the requirement of micro nutrients, a fixed subsidy is also provided on fortification of fertilizers by Boron and Zinc. The Government has also allowed higher MRP for Neem Coated Urea.

The Government is also encouraging the SSP industries for increasing its production as it contains more variety of micronutrients than other fertilizers."

6.13 When the Committee asked as to how the Department envisages tp educate the farmers with regard to promotion of balanced used of fertilizers, the Department of Fertilizers in its written reply stated as under:-

"The balanced use of fertilizers is being promoted by Department of Agriculture & Cooperation, ICAR, State Governments and the agriculture universities through their various schemes/projects. However, fertilizer companies including PSUs do undertake such fertilizes education projects to encourage balance use of fertilization as part of their extension and marketing activities. The main activities undertaken by various fertilizer companies under the Fertilizers Education Projects are agricultural seminars, dealers meetings and trainings, soil sample analysis, demonstration, soil test recommendations, exhibitions, orientation programmes, R&D trials, field trials of fortified fertilizers, bio fertilizers, distribution of crop literature, organizing Krishi Melas, media publicity etc. The Fertilizer companies launch their fertilizer projects for educating the farmers about the quality/contents of the soil for crops. Resultantly, the farmers are encouraged by the companies to use the balanced fertilizers based on the quality of the soil nutrient wise and apply fertilizers accordingly."

CHAPTER-VII

FEEDSTOCK POLICY /ALLOCATION OF GAS TO FERTILIZERS INDUSTRY

7.1 Natural gas has been the preferred feedstock for the manufacture of urea over other feedstocks viz. naphtha and FO/LSHS, firstly, because it is clean and efficient source of energy and secondly, it is considerably cheaper and more cost effective in terms of manufacturing cost of urea which also has a direct impact on the quantum of subsidy on urea.

7.2 At present natural gas based plants account for 80% of urea capacity, naphtha is used for 9% urea capacity and the balance 11% capacity is based on fuel oil and LSHS as feed stock. The two coal based plants at Ramagundam and Talcher were closed down due to technological obsolescence and non-viability.

7.3 Accordingly, the pricing policy, announced in January 2004, provides that new urea projects, expansion of existing urea units and capacity increase through de-bottlenecking/revamp/modernization will be also allowed/recognized if the production comes from using natural gas/LNG as feedstock. For the same reasons, a policy for conversion of the existing naphtha/FO/LSHS based urea units to natural gas/LNG as feedstock has also been formulated in January 2004, which encourages early conversion to natural gas/LNG pursuant to formulation of policy for conversion of non gas urea units to gas, three naphtha based plants namely, Chambal Fertilizers & Chemicals Limited (CFCL), Gadepan- II and IFFCO Phulpur – I & II have already converted to NG/ LNG. Shriram Fertilizers & Chemicals Limited (SFC) Kota has also started using gas w.e.f. 22th September 2007. Four Urea units, three of NFL and one of GNVFC representing about 11% of domestic urea capacity are expected to be converted into gas based units by March 2013.

7.4 On being further asked as to how many Naphtha/FO/SLHS based urea units have been converted to gas based units so far and the corresponding reduction in the subsidy on fertilizers, the Department of Fertilizers in its written reply has stated that:-

> "Out of the existing 8 (eight) Naphtha/FO/LSHS urea units 5 (five) units have recently been converted into gas feed units and are now under trial run production with gas. Impact on subsidy has not yet been determined since the units have not yet been commissioned.

Sl No.	Name of the Unit	Feedstock	Reassessed Capacity	NPS_III_Energy Norms
			MT	Gcal/pmt
	Feed-Stock: Naphtha/FO/LSHS			

Sl No.	Name of the Unit	Feedstock	Reassessed Capacity	NPS_III_Energy Norms
			MT	Gcal/pmt
	Feed-Stock: Naphtha/FO/LSHS			
1	ZACL-Goa	Naphtha to Gas	399300	7.308
2	GNFC-Bharuch	FO/LSHS to Gas	636900	7.989
3	NFL-Nangal	FO/LSHS to Gas	478500	9.517
4	NFL-Bhatinda	FO/LSHS to Gas	511500	10.221
5	NFL-Panipat	FO/LSHS to Gas	511500	9.654
	Sub total		**2537700**	**8.955**
1	MCFL-Mangalore	Naphtha	379500	7.356
2	MFL-Madras	Naphtha	486750	8.337
3	SPIC-Tuticorin	Naphtha	620400	7.382
	Sub total		**1486650**	**7.688**

7.5 The Committee further enquired to state as to how many gas based fertilizer units are currently functioning in the country, the Department of Fertilizers in its written reply stated that at present 21(twenty one) gas based urea units are in commercial production as under:-

List of gas based urea producing units			
Sl No.	Name of the Unit	Reassessed Capacity	**NPS_III_Energy Norms**
		MT	**Gcal/PMT**
	Feed-Stock: Gas		
1	BVFC- Namrup - III	315000	12.688
2	IFFCO-Aonla	864600	5.690
3	INDOGULF-Jagdishpur	864600	5.534
4	KRIBHCO-Hazira	1729200	5.952
5	NFL-Vijaipur-I	864600	5.952
6	RCF -Trombay-V	330000	9.569
7	NFCL-Kakinada-I	597300	5.712
8	CFCL-Kota-I	864600	5.621
9	TATA	864600	5.417
10	KSFL	864600	5.712
11	NFCL-Kakinada-II	597300	5.712
12	IFFCO-Aonla-II	864600	5.522
13	NFL-Vijaipur-II	864600	5.712
14	IFFCO-Phulpur	551100	7.584
15	SFC-Kota	379500	7.847
16	IFFCO-Phulpur EXP.	864600	5.883
17	CFCL-Kota-II	864600	5.678
18	GSFC-Baroda	370590	6.935
19	IFFCO-Kalol	544500	6.607
20	RCF-Thal	1706897	6.938
21	BVFC- Namrup II	240000	12.610
	Total	16007387	6.341

7.6 The Committee further enquired as to how much reduction in subsidy is expected if the three Naphtha based units viz.MFL, MCFL and SPIL are converted into gas based units, the Department of Fertilizers in its written reply has stated that:-

"As per calculation**,** estimated amount of savings in subsidy is Rs. 508 crore per annum. (Assumption Rate of gas Rs. 4583.33/GCal.)"

7.7 Urea (N) is the only fertilizer, the requirement of which is largely (around 80%) met through indigenous resources. The production of urea using natural gas as feedstock is energy efficient and cheaper. The fertilizer sector has been treated as a priority sector along with power in the context of allocation of domestic gas. One of the most important factors to be considered while deciding the priority of allocation of Gas is that fertilizer sector is the only sector which uses both the heat value and chemical components of Gas. Further, the Hydrogen content in gas is maximum, to the extent of about 25% as compared to about 15% in Naphtha / FO/LSHS, whereas very less in coal. All other sectors use only heat value of the Gas. Other sectors may use alternate fuels e.g. Coal, Fuel Oil/LSHS etc. whereas fertilizer sector has constraint to use alternate fuels.

7.8 Department of Fertilizers has projected the following requirements of natural gas for allocation by the Ministry of Petroleum & Natural Gas:-

			Requirement of daily Gas (2012-13)	**Additional Gas requirement of natural gas (2013-14)**	**Additional Gas requirement of natural gas (2016-17)**
			mmscmd	**mmscmd**	**mmscmd**
	A	**Naphtha based**			
1		ZACL-Goa	0.00	1.28	
2.		MCFL-Mangalore	0.00	1.00	
3		SPIC-Tuticorin	0.00	1.66	
4.		MFL-Manali	0.00	1.54	
	I	**Sub-Total of Naphtha based plants**	**0.00**	**5.48**	
	B	**Fuel-oil Based**			
5.		NFL-Panipat	0.00	0.90	
6.		NFL-Nangal	0.00	1.0	
7.		NFL-Bathinda	0.00	0.90	
8.		GNVFC-Bharuch	0.00	0.95	
	II	**Sub-Total of Fuel-Oil Based**	**0.00**	**3.75**	
	C	**Gas Based**			
9.		BVFC-Namrup-III	1.04		
10.		IFFCO-Aonla-I	4.480		
11.		IFFCO – Aonla - II			

			Requirement of daily Gas (2012-13)	Additional Gas requirement of natural gas (2013-14)	Additional Gas requirement of natural gas (2016-17)
			mmscmd	**mmscmd**	**mmscmd**
12.		Kribhco-Hazira	4.950		
13.		NFL-V Pur	4.250		
14.		NFL-V Pur Exp.			
15.		KSFL - Shahjahanpur	2.253		
16.		CFCL-Kota	2.120		
17.		TATA	2.169		
18.		NFCL-Kakinada	3.2		
19.		NFCL-Kakinada exp			
20.		Indogulf - Jagdishpur	2.230		
21.		RCF Trombay-V	2.050		
22.		IFFCO-P,PUR Exp.	3.700		
23.		IFFCO-P, Pur Exp.			
24.		SFC-Kota	0.620		
25.		CFCL-II	2.040		
26.		GSFC Baroda	2.486		
27.		IFFCO – Kalol	1.300		
28.		RCF-Thal	4.750		
29.		BVFC-Namrup II	0.98		
	III	**Sub-Total of Gas Based**	**44.618**		
	IV	Green Field Projects (Matrix Fert. 7 Chem. Burdwan)		2.4 (0.5 CBM and 1.9 NG)	
	V	Expected expansion/Brownfield units (8 Units)			8*2.4=19.2
	VI	Revival units (Ramagundan and Sindri)			2*2.4=4.8
Sub Total			**47.108**	**11.63**	**24**

Gas pipeline connectivity - Connectivity to all FO/LSHS and Naphtha based urea units converting to gas, revival of closed urea units of FCIL and HFCL and proposed Greenfield units need to be provided on priority basis.

Details of Natural Gas Pipeline Projects Under Construction					
S. No.	**Name of the Pipeline**	**Name of Entity**	**Length (Kms)**	**Completion Status**	**Remarks**
1	Dadri-Bawana-Nangal*	GAIL (India) Limited	886	Partly-Commissioned	Authorized by Central Government prior to the appointed day. Main trunk pipeline from Dadri to Nangal up to Bhatinda is commissioned. Spur-lines are under-construction.
2	Chhainsa-Gurgaon-Jhajjar-Hisar*	GAIL (India) Limited	455	Partly-Commissioned	Authorized by Central Government prior to the appointed day. Main trunk pipelines from Chhainsa to Jhajjar and Sultanpur-Neemrana are commissioned. However, the project is currently on hold from Sultanpur-Hissar section as per information submitted by GAIL .

Details of Natural Gas Pipeline Projects Under Construction					
S. No.	**Name of the Pipeline**	**Name of Entity**	**Length (Kms)**	**Completion Status**	**Remarks**
3	GSPL's High Pressure Gujarat Gas Grid*	Gujarat State Petronet Limited	2239	Partly-Commissioned	Authorized by PNGRB after the appointed day under Regulation 18. Approx. 1820 KM pipeline already commissioned. Balance pipeline sections are under-execution.
4	Kochi-Koottanad-Bangalore-Mangalore*	GAIL (India) Limited	1104	2012-13	Authorized by Central Government prior to the appointed day and the projects are under-execution stage.
5	Jagdishpur-Haldia	GAIL (India) Limited	1860	2013-14**	
6	Dabhol-Bangalore*	GAIL (India) Limited	1414	2012-13	
7	Mallavaram-Bhopal-Bhilwara-Vijaipur	GSPL INDIA TRANSCO LIMITED	2042	2014-15	Authorized by PNGRB
8	Mehsana-Bhatinda	GSPL INDIA GASNET LIMITED	2052	2014-15	
9	Bhatinda-Jammu-Srinagar	GSPL INDIA GASNET LIMITED	725	2014-15	
10	Surat-Paradip	GAIL (India) Limited	2112	2015-16	
		TOTAL:	**14889**		

** Projects partially commissioned*

*** As per the Central Government authorization, project has to be completed within 36 months from the date of the first 3(1) notification under PMP Act, 1962. No 3(1) notification has been done so far for this project*

7.9 When the Committee enquired about the initiatives that have been taken by Department of Fertilizers to impress upon the Ministry of Petroleum and Natural Gas for a firm commitment towards allocation of gas for expansion of projects proposed by the fertilizers PSUs and the latest status in this regard, the Department of Fertilizers in its written reply stated as follows:-

> "The fertilizer sector will be allocated natural gas as and when available as per the prevailing Gas Utilization Policy, wherein the fertilizer sector has been given the highest priority for allocation. The Department of Fertilizers is regularly following the issue of allocation of gas to the expansion units which are expected to start production by 2016-17 through D.O. letter, review meeting with different stakeholders viz. MoP& NG, GAIL and fertilizer companies. The concerns of fertilizer Industries on to protect the industry from any additional liability arising due to increase in the delivered price of gas, has been addressed in the New Investment Policy-2012.
>
> Considering declining availability of natural gas in the country, the fertilizer sector has been advised to plan utilization of imported Re-gasified Liquefied Natural Gas (R-LNG) also. The GAIL as a large aggregator, has offered

Take or Pay mitigation to Fertilizer Units if the quantities are utilized in the system by other Fertilizer customers and GAIL is not impacted on the upstream side. For the 50% volume contracted under long term contract (50% HH & 50% JCC), review after 10 years on either side can be offered in case there is any significant change in the market conditions. Exit option for the balance 50% volume on spot/ short term contract can be made with a notice period of 6 months in case of domestic gas allocation to the Fertilizer Units."

7.10 The Committee further asked to state how the concerns of Fertilizer Industries with regard to protecting the industry from any addition liability arising due to increase in the delivered price of gas has been addressed in the New investment Policy – 2012, Department of Fertilizers in its written reply has stated as follows:-

"The floor & ceiling for Greenfield/brownfield /revamp project has been calculated at delivered price of gas at USD 6.5 per mmbtu. For each 0.1 USD per mmbtu revision in gas price, the ceiling and floor price will correspondingly change by USD 2 per MT."

7.11 On being enquired by the Committee about the specific measures which have been taken by the Department of Fertilizers for completion of gas pipeline connectivity and allocation of gas for the new fertilizer projects as per fixed schedule, the Department of Fertilizers in its written reply stated as under:-

"The Department of Fertilizers has pursued the matter with Ministry of Petroleum & Natural Gas for pipeline connectivity and allocation of domestic natural gas to units converting to gas. The additional requirement of natural gas is given below:

Name of units`	Year-wise/Plant-wise Additional requirement of Natural Gas (mmscmd)		
	Jan-March 2013	Nov 2013	June 2016
Conversion of FO/LSHS units			
NFL-Nangal	1.0		
NFL Bhatinda	0.90		
NFL-Panipat	0.90		
GNFC-Bharauch	0.95		
Conversion of Naptha units			
ZIL-Goa	1.28		
MCFL-Mangalore		1.00	
MFL-Manali		1.54	
SPIC- Tuticorin		1.66	
FACT-Udyogmandal		0.94	
KFCPL- Kanpur		1.7	
Green field/ Brownfield Projects			
Matix Fert. & Chemical Burdwan	2.4(0.5 CBM and 1.9 NG)		
8 Expansion units			8*2.4=19.2
Total	7.43	6.84	19.2

Ministry of Petroleum & Natural Gas has intimated that 0.6 mmscmd gas is available from Ramnad for allocation to fertilizers sector; so, when ever new gas is found, it is being allocated to fertilizer sector on first priority.

As regards pipeline connectivity, the three units viz. Nangal, Bhatinda and Panipat of National Fertilizers Limited are connected with gas pipelines. The gas pipeline to Kanpur Fertilizers & Cement Limited(DIL) will be completed by end June 2013 and the unit will be ready to receive Gas from 1st July 2013. M/s Kanpur Fertilizers & Cement Limited(DIL) has signed the Gas Supply Agreement with GAIL (India) Ltd.

So far as Naphtha based units in southern India are concerned, the Zuari Agro & Chemicals Limited is connected by gas pipeline. The Madras Fertilizers Limited has not yet taken concrete steps for gas pipeline connectivity. Mangalore Chemicals & Fertilizers limited (MCFL) has signed the Gas Sale Agreement (GSA) with IOC and Gas Transmission Agreement (GTA) with GAIL on 16th February, 2011. The SPIC has yet to sign the GSPA agreement."

CHAPTER-VIII

ASSESSED REQUIREMENT AND AVAILABILITY OF FERTILIZERS

8.1 In its Annual Report 2012-13, the Department has stated that the position demand assessed, availability and sales of major fetilisers i.e. urea, DAP, NPK and MOP in the last three crop seasons, as under:-

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

Crop season	Demand Assessment	Cumulative Availability	Cumulative Sales	% age of availability to assessed demand
1	2	3	4	5
Kharif 2011				
Urea	142.16	146.23	139.21	102.86
DAP	71.38	60.80	48.71	85.17
NPK	52.06	59.34	53.95	113.98
MOP	22.54	10.73	7.00	47.60
Rabi 2011-12				
Urea	162.99	158.98	155.10	97.53
DAP	54.78	67.15	63.13	122.58
NPK	55.30	59.97	59.60	126.52
MOP	25.72	24.62	22.90	95.72
Kharif 2012				
Urea	150.82	142.06	135.77	94.19
DAP	69.40	64.09	40.78	93.34
NPK	55.53	46.09	38.84	83.00
MOP	21.97	21.81	10.84	99.27

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

"The existing Fertilizer Monitoring System (FMS-www.urvarak.co.in) that tracks availability up to the district level is being extended, through the mobile Fertilizer Monitoring System (m-FMS-www.mfms.nic.in) to the last point of sale i.e. retailer to track the movement and availability of fertilizers. With this, all stakeholders across fertilizer supply chain shall report daily dispatch, receipts and stock updates. All stakeholders are thus required to register in the MFMS and perform the required reporting, to increase transparency across the supply chain. This transparency in the movement of fertilizers and the information of its availability at the last point of sale to the farmers will go a long way in checking any illegal sale and black marketing of fertilizers. The project also aims to transfer the fertilizer subsidy directly to the farmers in the subsequent phases of the project.

Regular weekly Video conference is conducted jointly by Department of Agriculture & Cooperation (DAC), Department of Fertilizers (DoF), and

Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicted by the State governments."

8.3 When the Committee enquired with regard to uploading the information relating to demand and supply of fertilizers through web-based Fertilizers Monitoring System (FMS), the Department of Fertilizers in its written reply stated as under :-

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

8.4 When the Committee further enquired about the precise steps that are being taken by the Government to ensure adequate and timely availability and to control the artificial scarcity of fertilizers particularly in remote, inaccessible and low consuming areas, the Department of Fertilizers in its written reply stated as under:-

"The following steps are being taken by the Government to ensure adequate and timely availability and to control the artificial scarcity of fertilizers particularly in remote, inaccessible and low consuming areas:

(a) The month-wise demand is assessed and projected by the Department of Agriculture & Cooperation (DAC) in consultation with the State Governments before commencement of each cropping season. Accordingly, month-wise, state-wise supply plan is made. State Governments are responsible for monitoring the availability intra-state.

(b) On the basis of month-wise & state-wise projection given by Department of Agriculture and Cooperation, Department of Fertilizers allocates sufficient/adequate fertilizers to the States by issuing monthly supply plan and continuously monitors the availability through following system:

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

(ii) The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed etc.

(iii) Regular weekly Video conference is conducted jointly by Department of Agriculture & Cooperation (DAC), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicted by the State Governments.

(iv) The gap in the demand and domestic production of fertilizer is met through imports.

(c) Department of Fertilizer is providing reimbursement of rail freight for all the fertilizers as a primary freight subsidy and along with this secondary freight i.e. distribution from rail head to block level subsidy is also provided to urea only.

(d) Department of Fertilizers (DOF) has notified for P &K fertilizers (except SSP) Special Freight Scheme w. e. f. 01.04.2012 for giving special freight for difficult, hilly and accessible States like Jammu & Kashmir, Himachal Pradesh, Uttarakhand, all North Eastern States and Andaman & Nicobar Islands in order to have equitable distribution of fertilizers. As a result of which, it is expected that the fertilizer availability in these States would improve."

8.5 When asked to state as to whether any proposal has been received by Department of Fertilizers for setting up of fertilizer units in remote areas / difficult terrains like North East or units which are based on coal gasification, the Department of Fertilizers in its written reply stated as under:-

"The Department of Fertilizers has received the request from the Government of Tripura for setting up of 1.3 MMPTA capacity gas based Ammonia- urea Plant in Tripura.

The SRIRAM Group, a Chennai based company has shown its interest to set up a coal gasification based ammonia-urea project at Paradip (Odisha).

BVFCL has shown his interest to set up a gas based Ammonia Urea Plant/project - BVFCL-IV at Namrup district, Assam."

8.6 On being asked by the Committee about the steps being taken by the Department of Fertilizers to check black marketing and hoarding of fertilizers all over the country, the Department of Fertilizers in its written reply stated as under:-

"State Governments under the extant provisions of Fertilizer Control Order (FCO), 1985 have been adequately empowered to take preventive/punitive actions against the offenders indulged in black-marketing activities. Department of Fertilizers has also advised/sensitized the State Governments for gearing up enforcement agencies under their jurisdiction to take appropriate action against the offenders, if any."

Production Import And Consumption Of Fertilizers

8.7 On being asked about the reasons for only marginal increase in the production of urea in the year 2011-12 from 2010-11 and the steps being taken by the Department of Fertilizers to increase the domestic production of urea and other complex fertilizers, the Department of Fertilizers in its written reply stated as under:-

"The indigenous production of urea during the year 2011-12 was 220 LMT as compared to 219 LMT during the year 2010-11. The increase in production of urea was due to revamp of some units only under NIP-2008.

Statement of Revamp production

Name of the Unit	**Re-assessed Capacity (MT)**	**Revamp Production (beyond cutoff Qty)**			
		2008-09	2009-10	2010-11	2011-12
	MT	MT	MT	MT	MT
Feed-Stock: Gas (Pre 1992)					
IFFCO-Aonla	864600	68532	81881	70115	147435
INDOGULF-Jagdishpur	864600	79691	107705	110111	172819
KRIBHCO-Hazira	1729200		19555	80306	
NFL-V Pur	864600			12701	1074
NFCL-Kakinada	597300		40683	114103	76058
CFCL-Kota	864600	63361	75101	87753	162143
TATA	864600		273385	159819	208227
KSFL	864600		63525	118190	109199
NFCL-Kakinada exp.	597300	102276	36940	136459	82165
IFFCO-Aonla exp.	864600	36746	84214	126548	70759
NFL-V Pur Exp.	864600	96842	48382	60340	110529
IFFCO-P,PUR	551100		140496	163011	119471
IFFCO-P,PUR EXP.	864600	107025	54965	81049	187707
CFCL-II	864600	2489	110181	166732	138298
IFFCO-Kalol	544500	133731	41885	36776	36710
Total	**12665400**	**690693**	**1178898**	**1524013**	**1622593**

To increase indigenous production of urea and capacity addition, the Government has recently notified the New Investment Policy 2012 on 2nd January 2013 to facilitate fresh investment in urea sector.

The country is fully dependent on imports for Potash and to the extent of 90 % in case of Phosphates, either in the form of finished fertilizers or fertilizer raw materials. The Government is encouraging fertilizer companies including PSUs to acquire fertilizer assets abroad in fertilizers resource rich countries or to enter into Joint venture in fertilizers /fertilizer intermediates production with long term off take arrangements at preferential prices.

NBS policy was implemented w.e.f 1.4.2010. Under the policy, fertilizer companies have the freedom to take decisions in the best commercial interest of the company including increasing their production capacities. The production figure of P&K and complex fertilizers in recent years are as under:

(in LMT)

Year	DAP	Complex	SSP	Total
	Prod.	Prod.	Prod.	Prod
2009-10	42.5	80.39	30.3	153.19
2010-11	35.4	87.27	36.3	158.97
2011-12	39.6	77.7	43.2	160.5
2012-13*	36.1	66.12	#	

* upto Feb. 2013
# figure not completed"

8.8 As per the Economic Survey- 2012-13 the production, import and consumption of fertilizers are as under:-

(Thousand tonnes of nutrients)

		2009-10	2010-11	2011-12
A	Nitrogenous fertilizers Production	11900	12156	12259
	Imports	3447	4492	5240
	Consumption	15580	16558	17261
B	Phosphatic fertilizers Production	4321	4222	4104
	Imports	2756	3802	4427
	Consumption	7274	8050	7648
C	Potassic fertilizers imports	2945	4069	3335
	Consumption	3632	3514	2658
D	All fertilizers (NPK)	16221	16378	16363
	Imports	9148	12363	13002
	Consumption	26486	28122	27567

8.9 When the Committee asked about) the reasons for steady increase in the production of NF from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

"The production of NF has increased since 2009 due to revamp of some units under the New Investment Policy 2008. The import of NF has increased to bridge the gap between the demand and indigenous production of urea. The consumption of NF is based on the requirements and sale of urea in the country.

The details of increase production due to revamp, unit wise post New Investment Policy 2008 is given as under:-

Statement of Revamp production

Name of the Unit	**Re-assessed Capacity (MT)**	**Revamp Production (beyond cut off Qty)**			
		2008-09	2009-10	2010-11	2011-12
	MT	MT	MT	MT	MT
Feed-Stock: Gas (Pre 1992)					
IFFCO-Aonla	864600	68532	81881	70115	147435
INDOGULF-Jagdishpur	864600	79691	107705	110111	172819
KRIBHCO-Hazira	1729200		19555	80306	
NFL-V Pur	864600			12701	1074
NFCL-Kakinada	597300		40683	114103	76058
CFCL-Kota	864600	63361	75101	87753	162143
TATA	864600		273385	159819	208227
KSFL	864600		63525	118190	109199
NFCL-Kakinada exp.	597300	102276	36940	136459	82165
IFFCO-Aonla exp.	864600	36746	84214	126548	70759
NFL-V Pur Exp.	864600	96842	48382	60340	110529
IFFCO-P,PUR	551100		140496	163011	119471
IFFCO-P,PUR EXP.	864600	107025	54965	81049	187707
CFCL-II	864600	2489	110181	166732	138298
IFFCO-Kalol	544500	133731	41885	36776	36710
Total	**12665400**	**690693**	**1178898**	**1524013**	**1622593**

8.10 On being further asked by the Committee the Reasons for steady increase in the imports of NF from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

> **"**Urea is under statutory price control and its import for direct agriculture use is made on Government account to bridge the gap between assessed demand and indigenous availability. The production of urea in the country was not enough to meet the increased demand of urea in the country. Accordingly, the imports of urea have gone up to meet the increased demand and ensure timely availability of urea to the farmers. The year wise import of urea is as under:-

In LMT

Year	Urea imports from OMIFCO under long term agreement	Urea imports through State Trading Enterprises	Total
2009-10	20.62	31.48	52.10
2010-11	20.64	45.46	66.10
2011-12	20.69	57.65	78.34
2012-13*****	16.53	62.11	78.64

***** Up to February 2013"

8.11 When the Committee asked the reasons for steady increase in the consumption of Nitrogenous Fertilizers (NF) from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

> **"**The Consumption of fertilizers depends on monsoons, increased irrigation facilities, increased area under cultivation, better awareness about usage of fertilizers amongst farmers and better purchasing power in the rural areas which may result in increase in consumption of Nitrogenous Fertilizers (NF) from 2009-10 onwards. The price of urea is very low compared to P & K fertilizers due to which farmers are using more urea."

8.12 On being asked by the Committee about the reasons for decline in the production of PF, increase in the imports of PF and decline in the consumption of PF, from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

"(a) The figures indicated in Economic Survey 2012-13 shows slight decline in production of Phosphatic fertilizers. As per figures of Fertilizer Association of India, the production of Phosphatic fertilizers in terms of 'P' content has been maintained during these years. The production of PF as per FAI in the year 2009-10, 2010-11, 2011-12 has been 43.7 LMT each year.

(b) The import of P&K fertilizers is under OGL, therefore, the companies are free to import fertilizers depending upon the demand and market conditions in the country. The fertilizer companies sometimes also import fertilizers in higher quantity anticipating higher consumption of fertilizers and also to take advantage of lower international prices.

(c) The consumption of PF have increased gradually over past many years. There has been a decrease in the consumption of P&K fertilizers during 2011-12 as compared to the previous year 2010-11 which had registered a substantial increase in consumption."

8.13 When the Committee asked about the reasons for steady increase in the imports of Potassic Fertilizers (PoF) and decline in the consumption of PoF from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

"As there is no reserve of Potash in the country, the total requirement is met through imports. The import of Potash is under OGL, therefore, the companies are free to import fertilizers depending upon the demand and market conditions in the country. The fertilizer companies sometimes also import fertilizers in higher quantity anticipating higher consumption of fertilizers. The import during 2010-11 has been substantially higher than the year 2009-10 and 2011-12.

The consumption of Potash has nearly been the same in the year 2009-10 and 2010-11. However, the consumption went down due to unavailability of Potash during Kharif Season of 2011-12 as Potash could not be imported due to lack of adequate contracts with International suppliers due to high international prices to meet the requirement of the country."

8.14 When the Committee further enquired about the efforts made by the Department of Fertilizers to import Potassic Fertilizers (POF) from international market to meet the requirement of the country, the Department of Fertilizers in its written reply stated as under:-

"Total requirement is met through imports. The season-wise requirement is projected by Department of Agriculture & Cooperation (DAC) before beginning of each crop season through biennial conferences, in which representative of fertilizer companies are also present. Since, the import of Potash is under OGL, therefore, the companies are free to import fertilizers depending upon the demand and market conditions in the country."

8.15 On being asked the reasons for steady increase in the imports of NPK fertilizers from 2009-10 onwards, the Department of Fertilizers in its written reply stated as under:-

"The production of fertilizers has been more or less same in all these three years. The import takes place to bridge the gap between requirement and production. Sometimes, fertilizer companies also import fertilizers in higher quantity anticipating higher consumption of fertilizers and also to take advantage of lower international prices prevailing at that point of time."

CHAPTER-IX

REVIVAL OF CLOSED/SICK PUBLIC SECTOR UNDERTAKING

9.1 There are nine public sector undertakings and one multi-state cooperative society under the administrative control of the Department as under:

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

9.2 On being asked about the assessment of the Department about the present financial performance of loss making/sick closed PSUs under its administrative control, the Department in its written reply stated as under:

> "Out of nine fertilizer PSUs under the administrative control of the Department of Fertilizers, Hindustan Fertilizer Corporation Limited (HFCL) and Fertilizer Corporation of India Limited (FCIL) are closed units and Madras Fertilizers Limited (MFL) is a sick unit. Further, BVFCL is also loss making and having negative net worth. The financial performance in respect of these PSUs viz-a-viz Memorandum of Understanding (MoU) is as under:

Financial Performance In (Terms Of Profit/Loss):

S. No.	Name of PSUs	Net Profit/Loss (Rs. Crore)						
		2009-10		2010-11		2011-12		2012-13
		MoU Target	Actual	MoU Target	Actual	MoU Target	Actual	MoU Target
1	MFL	-179.14	6.88	-152.95	111.99	67.19	169.86	105.08
2	BVFCL	-94.20	-27.86	-151.55	-85.09	-95.02	-128.81	-111.18
3	FCIL*		-585.09		-508.51		-552.16	-
4	HFCL*		-382.47		-382.28		-380.89	-

*FCIL /HFCL are closed fertilizer PSUs, therefore no MoU has been signed."

9.3 When the Committee enquired whether Department of Fertilizers have any plans to revive closed Hindustan Fertilizer Corporation Ltd. (HFCL) & Fertilizers Corporation of India Ltd.(FCIL) fertilizers PSUs, the Department of Fertilizers in its written reply stated as under:-

"Based on the recommendation of Empowered Committee of Secretaries (ECOS), Cabinet committee on Economic Affairs (CCEA) in its meeting held on 4.8.2011 approved the proposal for revival of closed units of FCIL and HFCL with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited and thereafter, the matter including changes, if any, required in bid parameters, be placed before the Committee for a final decision. Accordingly, the Draft Rehabilitation Schemes (DRS) of HFCL and FCIL have been submitted to BIFR for their approval. The BIFR has appointed State Bank of India as Operating Agency for examining the DRS of HFCL & FCIL.

In a recent hearing, the Bench advised the Department of Fertilizers to explore the possibility of company's net worth becoming positive and directed to work out the way to repay the dues of creditors of the FCIL and HFCL to enable the company to come out of purview of BIFR. A meeting of ECOS was held on 23.1.2013 to discuss the various issues concerning revival of HFCL/FCIL along with recent direction of BIFR. The ECOS recommended that matter be placed before CCEA. A Cabinet note has been circulated to all stake holder ministries for inter-ministerial consultation."

9.4 When the Committee asked about the precise steps which are being taken by the Department to complete all the formalities for the revival of closed/sick PSUs particularly in the context of encouraging indigenous production and augmenting fertilizers during Twelfth Five Year Plan, the Department of Fertilizers in its written reply stated as under:-

"The steps taken for the revival of closed/sick PSUs are as under;

i) Hindustan Fertilizer Corporation Limited (HFCL) and Fertilizer Corporation of India Limited (FCIL):-

Based on the recommendation of Empowered Committee of Secretaries ECOS, Cabinet Committee on Economic Affairs in its meeting held on 4.8.2011 approved the proposal for revival of closed units of FCIL and HFCL with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited and thereafter, the matter including changes, if any, required in bid parameters, be placed before the Committee for a final decision. Accordingly, the Draft Rehabilitation Schemes (DRS) of HFCL and FCIL have been submitted to BIFR for their approval. BIFR has appointed State Bank of India as Operating Agency for examining the DRS of HFCL and FCIL. After the approval of BIFR, the proposal shall be placed before competent authority for obtaining approval.

In a recent hearing, the Bench advised the Dept. of Fertilizers to explore the possibility of company's net worth becoming positive and directed to work out the way to repay the dues of creditors of the FCIL and HFCL to enable the company to come out of purview of BIFR. A meeting of ECOS was held on 23.1.2013 to discuss the various issues concerning revival of HFCL/FCIL along with recent direction of BIFR. The ECOS recommended that matter be placed before CCEA. A Cabinet note has been circulated to all stake holder ministries for inter-ministerial consultation.

ii) Madras Fertilizer Limited:

Board for Industrial and Financial Restructuring (BIFR) in its hearing on 2nd April 2009 declared Madras Fertilizer Limited (MFL) a sick company and appointed State Bank of India as Operating Agency with the direction to prepare a revival scheme for the company. In the last hearing held on 27.08.2012, the Bench directed Government of India and other equity partner to take a decision with regard to the revised option filed by the Company, and thereafter, the Operating Agency will examine the proposal and submit a DRS to the BIFR. Accordingly, based on the inputs received from the company, a revised rehabilitation proposal has been circulated for inter-ministerial consultation. The comments of the concerned ministries/departments have been received and the same is under examination in the Department. Thereafter, the operating agency will formulate a DRS and submit the same to BIFR for its approval.

iii) Brahmaputra Valley Fertilizer Corporation Limited (BVFCL):

A draft note for Board for Restructuring of Public Sector Enterprises (BRPSE) regarding financial restructuring and rehabilitation in respect of BVFCL, has been circulated for Inter-Ministerial consultations. After Inter-Ministerial consultation, note will be sent to BRPSE for their consideration."

Closed PSUs

9.5 There are five closed units of Fertilizer Corporation of India Ltd. (FCIL) at Sindri, Talcher, Ramagundam, Gorakhpur & Korba and three closed units of Hindustan Fertilizer Corporation Ltd. (HFCL) at Durgapur, Haldia, Barauni.

The Cabinet had approved, ‘in principle’, to examine the feasibility of reviving FCIL and HFCL subject confirmed availability of gas in April 2007. In October 2008, the Cabinet approved to revive FCIL and HFCL units subject to non recourse to Government funding and to consider write off of GOI Loan & interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. Also approved constitution of an ECOS under the Chairmanship of Secretary (Fertilizers) and Secretaries of Department of Expenditure, Disinvestment, Planning Commission, Public Enterprises and Petroleum & Natural Gas as members, with terms of reference of ECOS that to examine various financial models for revival and various linkages, including gas for facilitating revival process and leveraging better value for the existing assets of both the companies. To decide upon the options to be pursued for seeking investment towards revival of each of the units.

The ECOS was constituted in November 2008. The ECOS, inter-alia, recommended the revival by PSUs would be through nomination route and by private sector through bidding route. Sindri, Talcher, and Ragundam units of FCIL to be revived on ‘Nomination basis’ by the nominated PSUs. Gorkhpur & Korba units of FCIL and Durgapur, Haldia, Baruni of HFCL to be revived through bidding route.

CCEA Decision:- Cabinet committee on Economic Affairs (CCEA) approved the recommendations of ECOS with the stipulation that Board for Industrial and Financial Restructuring (BIFR) proceedings be expedited and thereafter, the matter including changes, if any, required in bid parameters, be placed before the Committee for a final decision.

Important Directives of BIFR:

(i) Hearing held on 13-07-2012 for FCIL:

- First Stage Clearance to FCIL to go ahead with revival of Sindri, Talcher and Ramgundam Units on 'nomination basis' by the nominated PSUs
- To negotiate with each consortium of PSUs (Concessionaires) for allotment of equity above 11% to FCIL.
- Publication of Expression of Interest (EoI) to obtain to shortlist interested investors in the revival of Gorakhpur and Korba Units through bidding route.

(ii) Hearing held on 20-07-2012 for HFCL

- To carry out valuation of entire assets of three Units of HFCL separately from the Govt. approved valuer.
- To carry out 'Expression of Interest' for revival of Barauni & Durgapur Units of HFCL through bidding route.

(iii) Hearing Held on 30.10.2012

- Bench advised OA to get the assets valuation of Korba, Gorakhpur, Sindri, Talcher & Ramagundam units authenticated/done by OA's enlisted valuers.

(iv) Hearing Held on 05.11.2012

- Bench sought the personal appearance of CMDs or concerned Directors of the reviving PSUs on 22.11.2012 to assure their intention & commitment for revival of the respective units.

(v) Hearing held on 22.11.12

- Bench directed the PSUs to submit their Boards' specific approval for revival of the respective units.
- Bench advised the DoF to explore the possibility of company's net worth becoming positive and to inform the Bench the same.

(vi) Hearing held on 19.12.12

- To expedite the cabinet note for the revival of waiver of dues of unsecured creditors and for grant of intercorporate loan for exploring the possibility of turning the net worth of the company into positive.

(vii) Hearing held on 20.2.2012

- The proceedings of the above hearing are awaited.

Status Note on Revival and latest status of Rehabilitation Schemes of Sick PSUs under the department

(i) Madras Fertilizers Limited (MFL)

1 Background:

Madras Fertilizers Limited (MFL), is engaged in the manufacture of Ammonia, Urea and Complex Fertilizers (NPK) at Manali, near Chennai. Due to continuous loss the company was referred to BIFR in 2007. BIFR declared MFL as a Sick Company in 2009 and appointed State Bank of India, as Operating Agency.

2. Financial Restructuring:-

In order to revive MFL, GOI carried out financial restructuring of the company on two occasions. In July 2002, GOI waived off interest of Rs. 65 Cr. due up to 31.3.2002.

A second restructuring was sanctioned by the GOI in Sept. 2003 which included waiver of interest of Rs. 70.65 Cr. on outstanding GOI loan of Rs. 219.79 Cr. as on 31.3.2003, reduction of interest rate on this loan amount from 15% to 7% p.a., moratorium on repayment of principal up to 31.3.2004 and waiver of the penal interest in respect of the past defaults on repayments of principal and interest of the GOI loan up to 31.3.2003.

While the company was in the process of improving its functions, the GOI introduced New Pricing Scheme for Urea and Price Concession Scheme for complex fertilizer. The above two schemes had an adverse impact on the profitability of the company. The company was, therefore, referred to BRPSE during February 2005 for examination of problems and recommendation of future measures for the company. Based on the recommendation of BRPSE, a CCEA note dated 13th Sept. 2007 was submitted. It was received back with the observation that since the Department of Expenditure and Planning Commission have expressed strong reservations on the proposal, further consultations are required with these Departments.

It was thereafter decided to conduct a study for revival by a leading consultant. MFL entrusted a study to M/s Deloitte in February 2008 to suggest financial restructuring/dispensation package to ensure long term viability of MFL. The report of M/s Deloitte envisaging amendments in NPS III policy to increase subsidy for MFL and financial restructuring of MFL by converting outstanding GOI loan into equity and waiver of interest.

To support the revival from technical point of view, M/s Projects and Development India Ltd. (PDIL) was entrusted with the job of providing the methodology for reviving MFL. M/s PDIL recommended conversion of GOI loan into equity and waiver of outstanding interest liability towards GOI.

The Operating Agency (SBI) had submitted the final report on the financial revival package of MFL in October 2010. The MFL Board cleared the same. Accordingly, MFL submitted their proposal to DoF for further approval of BRPSE. The following approvals have been proposed in BRPSE note for sustainable operations of MFL:

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

The BRPSE proposal was circulated for inter-ministerial consultation. Department of Expenditure and Planning Commission did not agree with the proposal for waiver of loan. Subsequently a meeting with Department of Expenditure and Planning Commission along with NICO (Strategic partner) was held in August, 2012 and it was decided that financial restructuring of MFL be done by waiving off up to 50% of GOI loan, interest and penal interest. Based on the decision, MFL submitted a revised Draft Rehabilitation Proposal before the BIFR. The BIFR in its hearing held on 5.12.2012 directed the following:

(i) GOI to expedite approval of the revival proposal submitted by the Company vide its application dated 24.8.2012.
(ii) The Board directed the Company to submit the DRS to OA (SBI) immediately upon receiving necessary approval.
(iii) OA (SBI) to examine the DRS and submit its report.

The DoF accordingly, based on the revised Rehabilitation proposal submitted by MFL before BIFR, updated and revised the proposal for BRPSE. The revised BRPSE proposal seeks the following:

- Write off 40% of GOI loan worth Rs. 221.70 Cr as on 31.03.2012 and the balance loan of Rs 332.54 Cr to be repaid in 10 annual instalments from 2013.
- Waiver of GOI loan interest amounting to Rs. 234.85 Cr as on 31.03.2012 along with penal interest.
- Continuation of special dispensation in pricing mechanism under New Pricing Scheme Stage-III (NPS-III) beyond 31.03.2010 and upto the conversion to Natural Gas.
- Continuation of additional subsidy for sourcing “N” thru Naphtha based Captive Ammonia under NBS upto the conversion to Natural Gas.
- Exemption from applicability of Sec 41 (1) & 115 (j) of Income Tax Act in respect of waiver granted by Banks/Institutions/Others under revival scheme.
- Enhancement of retirement age from 58 years to 60 years.

The above revised BRPSE proposal was circulated for Inter-Ministerial consultation. The Inter Ministerial comments have been received and are under examination in consultation with MFL.

(ii) Brahmaputra Valley Fertilizers Ltd (BVFCL)

1 M/s Brahmaputra Valley Fertilizers Ltd. is one of the Public Sector Undertakings under the administrative control of this Department. BVFCL was formed in 2002 after hiving off Namrup Units from Hindustan Fertilizers Corporations Limited. The old plants were revamped at a cost of Rs. 635.53 crores. A draft CCEA note for approval of the completion cost & time schedule was circulated by this Department for inter-ministerial consultation, which contained a proposal for financial restructuring of BVFCL. Department of Expenditure advised that the financial restructuring proposal should be routed through BRPSE.

2. Accordingly the proposal was submitted to BRPSE and a cabinet note was put up to CCEA for approval of the Second Revised Project Cost of Namrup Revamp Project at Rs.635.53 Crores which contained proposal for viable operation of the Plants including financial restructuring vetted by BRPSE and some special dispensations for sustained operations of the plants.

3. CCEA in 2009 directed that adequate support continue to be provided to the project till such time a comprehensive proposal is brought up before the Committee after requisite appraisals & consultations.

4. Accordingly, BVFCL engaged M/s HTAS (Ammonia Plants) & PDIL (Urea and Utilities) to study the existing plants of BVFCL. Simultaneously a Techno Economic Feasibility Report for installation of New Brown field modern Ammonia-Urea Complex (Proposed as Namrup-IV) has also been prepared through PDIL.

5. Based on in-depth study by the process licensors, BVFCL has submitted a comprehensive viability proposal for submission to BRPSE. The proposal seeks approval on the followings:

I For commercial viability of Namrup –II and Namrup-III plants following approvals have been sought;

a. Waiver of total cumulative interests of accrued on GOI loans amounting to Rs.514.15 crore till 30.09.2012.

b. Waiver of loan of Rs.21.96 crore taken for revamp of Namrup-I.

c. For Namrup-III, the capital expenditure of Rs.79.62 crore incurred beyond 31.03.2003 for revamp of the project to be recognized by Govt. of India for calculating the concession rate of urea under NPS-III.

d. Since the company is facing technological/financial constraints, it is proposed to convert GOI loans provided to the company as interest free loan. The company on getting profit, as projected in BRPSE note, will service the GOI loans.

e. Relaxation in profitability clause for pay revision and enhancement of retirement age from 58 to 60 years to overcome the immediate crisis of manpower.

(II) A new Brown field Ammonia – Urea complex may be installed which can produce around 8.646 LMT urea at low energy requirements.

6. The BRPSE Note has been circulated for inter-ministerial consultation.

(iii) The Fertilizers and Chemicals Travancore Ltd. (FACT)

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

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

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

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

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

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

4. The company had prepared the revival proposal through M/s. Deloitte again and submitted its revised proposal to the Department of Fertilizers in November 2012

The salient features of the revival proposal are as under:

a) Non –Fund Based Waivers:

1. Write off of GOI loan balance as on 31.3.2012	Rs. 282.73 Crore
2. Write off of interest payable as on 31.3.2012	Rs.72.73 Crore
Total	Rs. 355.46 Crore

b) Fund Based – Fresh Fund Infusion

Infusion of funds as interest free loan repayable in 10 yearly equal instalments with two year moratorium	Rs. 300 Crore

c) Government support for projects identified by the company as part of its expansion/diversification schemes.

d) Compensation for additional cost of LNG vis-à-vis equivalent natural gas price to provide a level playing field.

e) Extension of Naphtha compensation with effect from 01.04.2012 till switch over to LNG

5. At present the proposal is under examination in the Department.

CHAPTER-X

PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS/COOPERATIVES

10.1 The Department of fertilizers has, under its administrative control, nine Public Sector Undertakings (PSUs) and One Multi-state Cooperative Society (KRIBHCO). The PSUs are M/s. National Fertilizers Limited (NFL), Rashtriya Chemicals & Fertilizers Limited (RCF), Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), FCI Aravali Gypsum and Minerals India Limited (FAGMIL), Projects & Development India Limited (PDIL), Madras Fertilizers Limited (MFL), Fertilizers and Chemicals Travancore Limited (FACT), Hindustan Fertilizers Corporation Limited (HFCL) and Fertilizers Corporation India Limited (FCIL).

10.2 Out of these PSUs, PDIL is a consultancy organization in the fertilizers sector and also manufactures catalysts and FAGMIL is engaged in the mining and marketing of mineral gypsum. Mineral Gypsum is used mainly as a sulphur nutrient to the soil, as a soil amendment to sodic soil and also as an input raw-material to cement manufacturing.

10.3 In the cooperative sector, Krishak Bharati Cooperative Limited (KRIBHCO) is a Multi –State Cooperative Society.

10.4 According to the Outcome Budget (2013-2014), the performance of Fertilizers PSUs/Cooperative during 2012-13 (upto December, 2012) is as follows:-

> "Out of above-mentioned 9 fertilizers PSUs, FCIL and HFCL are closed since 2002. Since, no production is taking place in these companies; the preparation of outcome budget is not applicable to them. However, these companies are in the process of revival. The progress regarding other PSUs are as follows:-
>
> **NFL**- During 2011-12, NFL has produced 34.01 LMT of urea utilizing its 105.3% capacity. Company has shown the profit (after tax) of Rs. 127 crore in the 2011-12. In 2012-13 (up to December 2012) NFL has produced 23.88 LMT of Urea.
>
> **RCF**- During 2011-12, RCF has produced 27.59 LMT of fertilizers (21.09 LMT of Urea, 4.58 LMT of Suphala 15:15:15 and 1.92 LMT of Suphala 20:20:0) and achieved overall installed capacity utilization of 101.60%. Company has shown the profit after tax amounting to Rs.249.23 crore in 2011-12. In 2012-13 (up to December 2012) RCF has produced 16.98 LMT of Urea and 0.43 LMT of complex fertilizers. The estimated profit of the company for the period from April to December, 2012 is Rs. 229.14 crore.
>
> **BVFCL**- The Company is operating its Namrup-II Unit with 50% load due to limitation in availability of Natural gas and obsolete technology. Similarly its Namrup–III plant has restricted the load due to low conversion in synthesis converter in Ammonia III. During the year 2011-12, Company has produced 2.79 LMT of Urea. Company has earned operating profit of Rs. 38.60 crore,

however after adjusting depreciation/interest company has shown net loss of Rs. 128.81 crore. In 2012-13 (upto Dec 2012) the company has produced 2.87 LMT of Urea. The estimated loss for the period April to Dec 2012 is Rs. 33.93 crore

MFL- During 2011-12, Company has produced 4.86 LMT of urea, utilizing its 100% capacity. The company ended up with a profit of Rs. 111.99 Cr in 2011-12. In 2012-13 (up to Dec. 2012) the company has produced 3.44 LMT of Urea and ended with a provision loss of Rs. 10.72 crore.

FACT- During 2011-12, Company has produced 1.63 LMT of Ammonium Sulphate, 6.22LMT of Factamphos (NP 20:20) and 0.38 LMT Caprolactam. Company has earned a profit of Rs. 19.79 Crore in 2011-12. In 2012-13 (Up to December 2012), Company has produced 1.08 LMT of Ammonium Sulphate, 4.58 LMT of Factamphos (NP 20:20) and 0.15 LMT Caprolactam. During this period, the company incurred an estimated net loss of Rs.210.22 Cr.

FAGMIL- During 2011-12, the company has produced 9.04 LMT of Gypsum and registered a profit (after tax) of Rs. 27.07 Crore. In 2012-13 (Up to December 2012), Company has produced 5.10 LMT of Gypsum at 104% capacity utilization with reference to target and earned a profit (estimated) of Rs. 12.14 crore.

PDIL- PDIL is mainly involved in design engineering and consultancy service and also producing catalyst for the fertilizer and refinery industries. During 2011-12, Company has registered profit (after Tax) of Rs.26.08 Crore. In 2012-13 (till Dec. 2012), the company has estimated provisional profit after tax of Rs. 11.18 crore.

KRIBHCO- During the year 2011-12, KRIBHCO produced 8.88 LMT of Ammonia and 14.33 LMT of urea. The reduction in actual production has been during November to March 2012 against the target after starting revamp activities and hence annual production achieved was less than the target during the financial year. However, excluding the revamp period the plants achieved more than 100% capacity utilization. Company has earned profit after tax amounting to Rs.176.76 crore in 2011-12. In 2012-13 (upto December 2012) Company has produced 16.17 LMT of urea achieving 98.18% of target. The pre-tax net profit upto the month of September 2012 is Rs. 101.72 crore."

10.5 In its Annual Report 2012-13, the Department has stated that the profitability of these organizations is as follows:-

Net Profit (+)/Net Loss(-)(in Rs crores)

Name of the Undertaking	2008-09	2009-10	2010-11	2011-12	2012-13 (provisional upto Dec. 2012)
Fertilizer Corporation of India Limited(FCI)	**5800.82	(-)585-86	(-)508.09	(-)552.76	closed companies
Hindustan Fertilizer Corporation Ltd (HFCL)	**4841.16	(-)382.47	(-)382.28	(-)380.89	closed companies
Rashtriya Chemicals and Fertilizers Limited (RCF)	211.58	234.87	245.12	249.23	229.14
National Fertilizers Limited (NFL)	97.00	171.51	139.00	127.00	(-) 68.14*
Project and Development India Limited (PDIL)	14.82	14.48	21.02	26.08	11.18
The Fertilizers and Chemicals Travancore	42.95	(-)103.83	(-)49.33	19.80	(-)210.22

Limited (FACT)					
Madras Fertilizers Limited (MFL)	(-)145.38	6.88	169.86	111.99	(-)10.72
Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	(-)215.04	(-)27.86	(-)85.09	(-)128.81	(-)33.93
FCI-Aravali Gypsum an Minerals India Limited (FAGMIL)	9.04	8.67	24.05	27.07	12.14
Krishak Bharati Cooperative Limited (KRIBHCO)	250.13	228.17	200.55	176.76	101.72*

* provisional up to Sept. 2012.
**Book profit is due to write back of interest on Government of India loan.

CHAPTER-XI

JOINT VENTURES INITIATIVES OF PSUs

11.1 Due to constraints in the availability of Gas in the country, which is the preferred feed stock for production of nitrogenous fertilizers, a near total dependence on imports for Phosphatic fertilizer and its raw materials and full import dependence for MOP, the Government has been encouraging Indian companies to establish Joint Ventures abroad in Countries which are rich in fertilizer resources for production facilities with buy back arrangements and to enter into long term agreements for supply of fertilizers and fertilizer inputs to India. Further, the Department is also working with the goal of having access to / acquisition of the fertilizer raw materials abroad.

Status of existing and the proposed Joint Ventures/investments made abroad

Existing JV projects:

S. No	JV Project-Country	Entities	Product	Input tie up/ Model	Off take arrangement
JV in Urea Sector					
1	Oman India Fertilizer Co. (OMIFCO), Oman	Oman Oil Co. (OOC-50%), IFFCO (25%) & KRIBHCO (25%)	16.52 lakh MT Urea & 2.48 lakh MT Ammonia	Gas tie from OCC	- Urea Off-take Agreement (UOTA) by GOI for off take of entire quantity on fixed price - Ammonia Off-take Agreement (AOTA) by IFFCO for off take of entire ammonia.
JV in P&K Sector					
1	ICS Senegal, Senegal	ICS Senegal and IFFCO consortium	5.5 lakh MT phosphoric acid	Rock phosphate mining at Louga is integral to the joint venture	Off take agreement by IFFCO for off take of entire qty of phosphoric acid.
2	INDO-JORDAN Chemicals Company (IJC), Jordan	JPMC (Jordan & SPIC (India)	2.24 Lakh MT Phosphoric Acid	-	Off-take agreement on phosphoric acid by SPIC.
3	JPMC – IFFCO JV, Jordan	JPMC & IFFCO	4.8 lakh MT phosphoric acid	Rock supplied by JPMC at international price	Off take agreement by IFFCO for off take of entire qty of phos acid
4	IMACID, Morocco	OCP (50%) - Morocco, Chambal (25%) & TCL (25%)- India	4.25 lakh MT phosphoric acid	Rock supplied by OCP at international price	Off take agreement by Chambal-TCL with OCP for off take of entire qty of phos acid
5	Tunisia-India Fertilizer Company (TIFERT), Tunisia	GCT (Tunisia), CFL & GSFC (India)	3.60 lakh MT of phosphoric acid	Rock supplied by GCT at international price	Off take agreement by CFL-GSFC with GCT for off take of entire qty of phos acid.

Proposed projects:

Countries rich in rock phosphate resource like Morocco, Tunisia, South Africa, Jordan, Syria, Saudi Arabia, Senegal, Israel, USA and China do not normally let go their control on the mines and do not allow any joint venture investment in mining. Furthermore, they try to maximize their profits by integrating rock phosphate production with its downstream processing for production of phosphoric acid as well as phosphatic fertilizers and their trade in the international market.

Govt. of India is trying with the Govt. of **Syria** for augmenting rock phosphate production in Syria and setting up of phosphoric acid/phosphate production project; which may take some time. IFFCO has also taken stake in the rock mines in Anne Basin in Australia, however, production and supply of rock phosphate from Australia may take few years. IFFCO has also entered into a joint venture with M/s Grow Max Agri Crop, Canada for potash exploitation in Peru. It is reported that the potash mine area in Peru may also contain rock phosphate deposits.

Huge availability of phosphate resource & ample potash resource and availability of gas in **Jordan**, it would be in our interest to explore the possibility of setting up fertilizer/ fertilizer input manufacturing facilities there along with long term off-take arrangement. In view of the fact that existing Indian fertilizer entities viz. IFFCO & SPIC already have firm footing in Jordan, their presence can be leveraged to further extend the collaboration with Government of Jordan & Jordanian companies like JPMC, APC and others to secure long term fertilizer and inputs availability for our country.

It is estimated that there is a reserve of about 2500 million metric tonnes of Rock Phosphate in **South Africa**. Fosker is one of the major companies operating in South Africa Region and is one of the world's largest producers of phosphate and phosphoric acid. In May 2007, the Corporate President of Sun Group and CEO of Foskor met the Indian delegation with the proposal to set up an integrated fertilizer plant in Mozambique near Maputo port using gas reserves from Mozambique and rock phosphate from the mines of South Africa. A Technical Team from RCF visited Mozambique in January 2008 to explore feasibility of setting up of an integrated ammonia-urea and phosphate complex. An MOU for setting up of an integrated fertilizer project in Mozambique between RCF and Foskor/IDC/SASOL was signed. However, no progress could be made thereafter. Reviving the above project proposal in Mozambique would be in the interest of the country.

Algeria is another country, which has both gas and phosphate reserves in abundance. It is estimated that the mass of Algeria's phosphate rock reserves (all categories) at the DjebelOnk Mine, which is located in southeastern Tebessa Province, to be 2.2 Gt. It is also estimated that there is about 4.5 trillion cubic meter of proven natural gas reserves in Algeria. It is essential to pursue the possibility of joint venture project either for composite ammonia-urea and phosphate or an Ammonia Urea project in Algeria.

Belaruskali is owned by the government of Belarus, which has been hit by a severe current account deficit. Government of India is proposing to acquire a stake in Belarus-based Belaruskali, one of the largest producers and suppliers of potash in the world. India is in urgent need to secure the availability of potash but may face competition from Russia and China in acquiring equity stake in Belaruskali. Belarusian president has indicated privatization of Belaruskali and has reported to have stated the value of the mines as USD 30 billion. It is learnt that Mr. Vladimir Putin, Prime Minister of Russia has been in discussions with the Belarus government for acquiring 35% of equity in the Belaruskali. The matter was discussed during the meeting taken by Hon'ble Prime Minister on 10th August, 2001, wherein it was decided to approach Belarusian government towards getting some equity in the Belaruskali on the same terms and conditions as being offered to Russia in order to secure a firm supply of Potash in proportion to our equity at a price equal to the cost of production. During 7th to 11th January 2013 a delegation headed by Secretary (Fert.) visited Belarus to discuss about long term off-take agreement of potash with Belarus Potash Company and various other Joint Venture possibilities in fertilizers.

The Department of Fertilizer is pursuing through RCF a Public Sector Undertaking under DOF, possibility of setting up urea projects of capacity 1.155 million tonnes each at **Ghana** and Indonesia respectively as JV companies with local partners along with long term off-take arrangement of Urea. In this connection meetings have been held with Government officials of Ghana as well as Indonesia. A delegation from Ghana visited India to discuss the matter further and visited RCF's Thal Urea plant. DOF, through diplomatic channels, is pursuing the case for RCF for the said projects. Considerable progress has been made on Ghana front with pre-feasibility report and site selection report already prepared, and final site for the project has been identified. The constraint, currently, being faced is final pricing of gas for the project, which shall decide the economic viability of the project.

The project in **Indonesia** is proposed to be based on coal gasification. An MoU has been signed between the two countries. RCF has to undertake pre-feasibility study once it is agreed by the JV partner of Indonesia."

11.2 On being asked to specify as to what kind of encouragement/ incentive are being given to the fertilizer companies to form joint ventures/investment in other resource rich countries, the Department of Fertilizers in its written reply stated as under:-

"The country is fully dependent on imports for Potash and to the extent of 90 % in case of Phosphates either in the form of finished fertilizers or its raw materials. The Government is encouraging fertilizer companies including PSUs to acquire fertilizer assets abroad in fertilizers resource rich countries or to enter into Joint venture in fertilizers /fertilizer intermediates production with long term off take arrangements at preferential prices.

The Government encourages the formation of JVs by way of taking up the issue with other countries at Government level and gathering of information through diplomatic channels. The Department also helps in formation of consortiums of fertilizer companies for carrying out negotiations for entering into joint ventures.

If any company makes a long term contract for off take of any fertilizer/raw materials/ intermediates at a preferential price, the benefit of preferential price will go automatically to the fertilizer company."

11.3 When the Committee asked whether any new Joint Venture Project has come up in the last year, the Department of Fertilizers in its written reply stated as under:-

"Following new Joint Venture Project has come up in the last year:

(i) Kisan International Trading (KIT), a Dubai based company which is 100% subsidiary of IFFCO has entered into joint venture namely IFFCO-Canada Enterprise Limited with La Coop Fedree, investment Quebec and Pacific Gateway Energy for setting up of plant for production of 2200 MTPD of Ammonia and 3850 MTPD of Urea in Canada. KIT has majority share holding in the project. The company is likely to start its production in 2017.

(ii) Coromandel International Limited (CIL) and Gujarat State Fertilizer Company (GSFC) has formed a joint venture namely Tunisia India Fertilizer Company Limited (TIFERT) with Group Chemique Tunisia and Compagnie-des Phosphates de Gafsa for manufacture of Phosphoric acid. The project is near completion and likely to commence production very soon. CIL and GSFC both have 15% equity each. The production capacity of Phosphoric acid is 3.6 LMTPA. Both the company will get 50% each of phosphoric acid produced."

OBSERVATIONS AND RECOMMENDATIONS

The Committee note that presently India is 3rd largest fertiliser producer in the world and the substantive demand of urea is met through indigenous production which is 224.69 LMT during the year 2012-13 (up to February). However, the 90% demand of phosphoric fertiliser is met through imports either in the form of finished fertilisers or raw material due to absence of viable phosphatic mines in the country but for potash, the country is fully dependent on imports. Over the years, there has been a sharp increase in consumption of fertilisers due to various factors like good monsoon combined with increase irrigation facilities, increased area under cultivation, better awareness of usage of fertilisers amongst farmers and better purchasing power in rural areas. However, the Committee are distressed to note that the indigenous production of fertilisers has not increased with the growing requirement of fertiliser in the country primarily due to non-availability or limited availability of raw material/inputs as well as lack of new investment in urea sector, which is again owing to constraints in the availability of domestic natural gas.

The Committee also note that the Government has recently notified New Investment Policy (NIP) -2012 on 02.01.2013 to facilitate fresh investment in urea sector to achieve self sufficiency in the sector. The Committee hope that as a result of investment in the sector under the NIP- 2012, indigenous production of urea will increase. In fact under this policy, the Government has received 15 investment proposals from various fertilizer companies which are under consideration of the Department. The Committee expect and recommend that all these investment proposals may be examined actively and finalised by the Department expeditiously. The Committee would like to be apprised of the progress made in this regard.

The Committee also note that there is an urgent need for the development of suitable commercial process for extraction of potash domestically in order to reduce the dependence of fertiliser units on import of potash. The extensive deposits of Gluconite sand containing potash have been detected in various parts of the country and a study is being conducted by the Indian School of Mines regarding efficient process for optimum extraction of potash content from the Gluconite sand. In this regard, the Committee would like the Department to monitor the study and impress upon

the Indian School of Mines to complete the study and give its findings with in a fixed time frame. The Committee desire that the progress made in this regard may also be apprised to them.

2. The Committee note with concern that the funds allocated for the 12th Five Year Plan i.e. Rs.16920.70 crore is less than the funds which were allocated during the 11th Five Year Plan i.e. Rs.21213.90 crore. The Committee are further concerned to note that for the year 2013-14, an amount of Rs.269.00 crore as GBS has been allocated as against Department of Fertilizers' proposal of Rs.372.56 crore The Committee are, therefore, apprehensive that the lesser amount of funds allocated by the Ministry of Finance may upset the schemes/programmes of the Department finalised by them in consultation with PSUs/Co-operatives and may derail the growth of the fertilizer industry in the country during the 12th Five Year Plan. The Committee also feel that as a result of reduction in the GBS allocation for the 12th Five Year Plan, the process of revival/rehabilitation of the three major loss making fertilizer units viz., BVFCL, FACT and MFL is also likely to be affected adversely. The Committee are of the view that the allocation made by the Ministry of Finance should be in commensurate to the projections made by the Department so that the targeted growth of fertiliser sector and the revival/rehabilitation plan of loss making fertiliser units do not get hampered for want of resources during the 12th plan period.

The Committee are also distressed to note that certain schemes of the 11th Plan period which could not be taken up due to various commercial/functional reasons, have been carried over to 12th Plan period. This goes to show that either those scheme were formulated with out careful and effective planning or there was a lack of concerted and co-ordinated efforts on the part of the Department to address those constraint which were impeding the implementation of the schemes. The Committee are of the view that once the annual plan has been made after careful consideration, the same needs to be implemented effectively. The Committee, therefore, expect and recommend that the Department of Fertilizers should effectively monitor the schemes planned for the duration of 12th plan period including those carried over from the previous plan period and review the progress of the projects on regular basis for timely completion and full utilisation of funds allocated for the purpose which would in turn lead to eventual growth of the fertilizer industry.

3. The Committee are constrained to note that the actual non-plan expenditure during the year 2010-11 was Rs.65859.08 crore (gross), for the year 2011-12, Rs.74588.52 crore and for the year 2012-13, Rs.63974.24 crore as on 31st January, 2013. The Committee were informed that since budget allocations for the year 2012-13 were less than requirement, the shortfall is likely to be carried over to the next financial year. The huge non-plan expenditure is primarily due to mounting fertilizer subsidy being granted under NBS policy. The subsidy on P&K fertilizer during the year 2010-11 and 2011-12 was Rs. 41500 crore and Rs.36107.94 crore respectively. The Committee were informed that all high cost Naptha /FO/LSHS based urea units have been directed for conversion to gas based units to reduce the indigenous cost of urea which in turn reduce the subsidy being granted under the NBS policy. The Committee expect that the Department would expedite the process of conversion of existing Naptha /FO/LSHS based urea units to gas so that the non-plan expenditure could be checked.

The Committee are also distressed to note that as the proposal to set up brown field plant could not be finalized by BVFCL, the demand for GBS was reduced from BE Rs. 94.61 crore to just Rs.2.00 crore during 2012-13 for meeting the pre-project activities. But even the pre-project activities could not be undertaken due to non-finalization of brown field projects. The Committee feel that being the only fertilizer company/ industry of North-East, it becomes crucial for BVFCL to set up its brown field project on time which would in turn help in development and growth of North-Eastern region. The Committee expect the Department, being the administrative controller, to take effective steps to expedite the finalisation of proposed brown field plant of BVFCL with in a fixed time frame. The Committee would like to be apprised of the action taken in this regard.

The Committee note that there has been a steady increase of subsidy on imported fertilizers from Rs.13716.12 crore in 2011-12 (AE) to Rs.15,544.64 crore in the year 2013-14 (BE). According to the Department of Fertilizers, the increase of subsidy on imported fertilizers for the year 2013-14 is due to increase in the estimated requirement of imported urea during 2013-14 vis-à-vis 2011-12 and the higher Rupee/ US dollar exchange rate as compared to 2011-12. The Committee are of the view that the increasing subsidy on imported fertilisers could be reduced if the domestic production of fertiliser is adequately increased to meet the growing demand of our farmers. The development of commercial process to extract potash from internal

resources like Gluconite sand would also greatly help in not only meeting the demand of potash of our farmers but in turn would also help to reduce the mounting subsidy on imported fertiliser. The Committee, therefore, recommend that the Department should make an action plan to augment the domestic production of fertiliser.

4. The Committee note that the Department is following a phased approach for direct disbursement of fertiliser subsidy to the intended beneficiaries. The implementation of Phase-I has already been made operational and subsequent phases of project i.e.; Phase-II, Phase-III and Phase-IV will be implemented once the implementation of Phase-I is stabilized. The project mechanism to transfer the subsidy directly to intended beneficiaries will also be formulated and implemented once Phase-I is stabilized. In this regard, the Committee were informed that 12 districts across 11 states have been selected for the Phase-II pilot project based on Aadhaar penetration, fertilizer consumption, geographical variance, dealers network as well as implementation status on Phase-I. The Committee expect the Government to keep strict vigilance and monitoring on the implementation of this particular phase as it would pave the way for wide implementation of direct subsidy to the farmers in the country. The Committee are, therefore, hopeful that the Phase-II pilot project will be successful and recommend that feedback from these 12 districts in respect of Phase-II of the scheme be analysed critically and on that basis , the scheme be implemented in the entire country. The Committee also reiterate its earlier recommendation that all the phases of direct subsidy transfer should be implement in a time bound manner so that there is no undue delay in the transfer of the benefits of direct subsidy to the farmers, which would in turn check the corruption, close the loopholes and profligacy in subsidies. The Committee would like to be apprised of the progress made in this regard.

5. The Committee note that Nutrient Based Subsidy (NBS) on decontrolled phosphatic (P) & potassic (K) fertilizers was put in to effect from 1st April, 2010. Under the NBS policy, a fixed amount of subsidy decided on annual basis is provided to each grade of subsidised P&K fertilisers depending on its nutrient content. Since the country is largely dependent on imports for P&K fertiliser in the form of finished fertiliser or its raw material and subsidy being fixed, any rise or fall in international prices of P&K fertilisers and its inputs have effect on MRP of these fertilisers in the country.

Further, variation in exchange rate also affects the delivered prices of these fertilisers. The Committee further note that under the NBS policy, fertiliser companies have been allowed to fix MRP at reasonable level.

The Committee were informed that as at present, there is no mechanism under the policy to monitor and enforce reasonableness of MRP. However, in order to monitor the MRP of fertilizers fixed by the companies, the Department proposed to bring in a policy note that will address the issue of MRP. The Committee therefore, recommend that Department of Fertilizers should expedite the formulation of mechanism in a time bound manner to monitor and enforce the fertilizer companies to fix MRP of fertilisers produced by them at reasonable level.

The Committee also note that a study of NBS policy is also being undertaken through a consultancy firm. The study will cover all aspects of NBS policy including its evaluation viz-a-viz price rise and its effect on balance fertilization of soil. The Committee expect that the Department of Fertilizer would take steps to expedite the study of NBS regime so that it would be improved implementation of NBS policy. The Committee would like to be apprised of the progress made in this regard.

6. The Committee note that natural gas has been the preferred feed stock for manufacture of urea and at present natural gas based plants account for 80% of urea capacity, naptha is used for 9% urea and balance 11% capacity is based on fuel oil and LSHS as feed stock. Natural gas is not only clean and effective source of energy but the same is also considerably cheaper and more cost effective in term of manufacturing cost of urea. As per the policy announced in January, 2004, new urea projects, expansion of existing urea units and capacity through de-bottlenecking/revamp/modernisation will be allowed/recognised if the urea is manufactured by using natural gas/CNG as feedstock. A policy for conversion of existing Naptha/FO/LHS based units to natural gas / LNG as feed stock has also been formulated in January, 2004 which encourages early conversion of non- gas urea units to natural gas/CNG units. The Committee also note that pursuant to the said policy, out of 8 Naptha/FO/LHS urea units, 5 have been converted to gas based units.

The three units of NFL i.e. Panipat, Bhatinda and Nangal and Bharauch unit of GNVFC, which are FO/LSHS based, have been converted in to gas but the allocation of gas to these units is under consideration of the Ministry of Petroleum & Natural Gas. Out of the four Naptha based units, the Zuari Agro Limited has started production partly on gas since February, 2013 and the full

production on gas will start from April, 2013. The other three Naptha based units i.e. MFL, SPIC and MCFL are yet to be converted to gas. Thus, the Committee are anguished to note the slow progress in the conversion of Naphtha/FO/LHS units to gas based units as a result of which non-gas based units continue to produce high cost urea and consequently, there is no reduction in subsidy being granted by the Government. In view of the mounting burden of subsidy, the Committee reiterate its earlier recommendation of reducing the increase in subsidy and state that Department of Fertilizers should take adequate steps to expedite process of conversion of the Naphtha/FO/LHS based units in to gas based units with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard.

The Committee further note that pricing and firm availability of natural gas for existing and new units of fertilizer companies are the pre-requisites for indigenous production of urea. The concern of the fertiliser units on to protect them from any additional liability arising due to increase in the delivered price of gas has been addressed in the NIP-2012. The Committee would, therefore, desire the Department to play a proactive role in association with all stakeholders viz. Ministry of Petroleum and Natural Gas. GAIL and fertiliser units to meet the requirement of fertiliser sector on priority basis. The Ministry of Petroleum and Natural Gas has informed that whenever, new gas is found in the country, the same will be allocated to fertiliser units on priority basis. The Committee were also informed that three units of NFL viz. Nangal, Bhatinda and Panipat have been connected with gas pipeline. The MFL has not taken any step for gas pipeline connectivity. The Committee stress that the Department should vigorously pursue the issues regarding adequate allocation of natural gas and gas pipeline connectivity with Ministry of Petroleum and Natural Gas. If felt necessary, the fertiliser units may be advised to use imported RLNG in case of non availability of domestic natural gas. Further, the Committee reiterates its earlier views that with the assured allocation and pricing of natural gas to the fertilizer sector, the expansion and revamping process of existing and new fertilizer projects could be completed at the earliest which in turn would avoid cost and time overruns. The Committee would like to recommend that expeditious and effective measures may be taken by the Department for capacity addition programmes so as to achieve self-sufficiency in fertilizer sector. The Committee would like to be apprised of the progress made in this regard.

7. The Committee are of the view that Department of Fertilizers has the primary responsibility to assess the requirement of fertilizers and also to ensure that there is adequate and timely availability of fertilizers to the farmers. The Committee in this regard note that there is monitoring mechanism of Fertilizers Monitoring System which tracks availability of fertilizers upto district level and has now been extended through mobile Fertilizers Monitoring System (m-FMS) to the last point of sale i.e.; retailer. The Department of Fertilizers has also informed that all the stakeholders are required to register in m-FMS and perform the required reporting to increase transparency across the supply chain. The Committee, however, feel that there are still reports of black-marketing and illegal sale of fertilizers across the country. The Committee, therefore, reiterates its earlier recommendation as mentioned in the demands for grants report 2012-13 that Department of Fertilizers should strengthen the existing Fertilizer Monitoring System and make it more effective in bringing transparency in the sale of fertilizes and to eradicate hoarding and black-marketing of fertilizers.

The Committee also note that as there is no reserves of potash in the country, the total requirement of the same is met through imports and the companies are free to import fertilizers depending upon the demand and market condition in the country. However, the Committee regret to note that for the Kharif season of 2011-12, potash could not be imported due to lack of adequate contracts with international suppliers and high international prices to meet the requirements of the farmers of the country. The Committee, therefore, recommend that a mechanism may be put in place to monitor and to ensure timely procurement of potash as per the demand of the farmers. The Committee would like to be apprised of the action taken by the Department in this regard.

8. The Committee note that out of 9 public sector fertilizer companies under administrative control of Department of Fertilizers, four are sick as per the provisions of the Sick Industrial Companies (Special Provisions)Act, 1985. These are FCIL, HFCL, MFL and BVFCL. Out of these four, the units of FCIL and HFCL are presently lying closed since 2002. MFL and BVFCL are operational but are sick companies under the administrative control of Department of Fertilizers. The Committee also note that financial performance of these units have been dismal except MFL which has showed positive growth in the year 2011-12. With regards to steps being taken for revival of HPCL and FCIL, the Department of Fertilizers informed that ECOS meeting

was held in January, 2013 to discuss the various issues concerning revival of HPCL/ FCIL alongwith direction of BIFR which stated that Department of Fertilizers should explore the possibility of company's net worth becoming positive and directed to work out way to repay the dues of creditors of the FCIL and HFCL to enable the company to move out of preview of BIFR. Now, ECOS recommended that matter be placed before Cabinet Committee on Economic Affairs (CCEA).

For the revival of MFL, the Department has informed that comments of the concerned Ministries/ Departments have been received by Department of Fertilizers and the same is under examination in the Department. Thereafter, the Operating Agency (SBI) will formulate a DRS and submit the same to BIFR. Further, with regard to revival of Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL) the latest status as informed by Department of Fertilizers is that a draft note from Board for Restructuring of Public Sector Enterprise (BRPSE) regarding financial restructuring and rehabilitation has been circulated for Inter-Ministerial consultation. After Inter-Ministerial consultation, the note will be sent to BRPSE for their consideration.

The Committee regret to note that the process of revival of sick and closed fertilizer units have been very slow and nothing concrete have been achieved so far. The Committee also feel that the delay in the revival of closed and sick units leads to time and cost overruns. The Committee, therefore, recommend that the process of revival of closed PSUs may be done strictly in a time bound manner. The Committee also reiterate its earlier recommendation of expediting the process of revival of closed fertilizer units and expects that Department of Fertilizers would ensure the complete revival of closed and sick fertilizer units during the 12th Five Year Plan. The Committee would like to be apprised of the progress made in this regard.

9. The Committee note that there are nine Public Sector Undertakings (PSUs) and one multi-state cooperative society under the administrative control of the Department of Fertilizers. Out of this, Krishak Bharati Cooperative Limited (KRIBHCO), the multi-State cooperative society and three PSUs, viz. National Fertilizers Limited (NFL), Rashtriya Chemicals and Fertilizers Limited (RCF) and Projects and Development (India) Limited (PDIL) are profit making units. Three PSUs, viz. Fertilizers and Chemicals Travancore Limited (FACT), Madras Fertilizers Limited (MFL) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) are loss making units. Besides, two PSUs, viz. Fertilizer Corporation of India Ltd. (FCI) and

Hindustan Fertilizers Corporation Ltd. (HFCL) are lying closed after incurring losses continuously over a period of time.

The Committee observe that the profit making fertilizer PSUs have shown only marginal increase in the profits from the year 2010-11 to 2011-12 and in fact, for PSUs like NFL, the profits margin has come down to negative for year 2012-13 (provisional upto December 2012) at Rs. (-) 68.14 crore and for KRIBHCO, it has reduced to Rs.176.76 crore in the year 2011-12 from Rs.200.55 crore in 2010-11.The Committee, therefore, reiterates its earlier recommendation that Department and the PSUs in tandem should make extra efforts to take effective measures to improve and streamline the functioning of these organisations in order to increase their profit margins.

10. The Committee note that the Department have been encouraging joint ventures with the resource rich countries with the buy-back facilities. This is being done to fulfil the need of the fertilizes industries which have near total dependence on the imported raw material, for P&K fertilizers. The Committee also note that the Department is also working with the goal of having access to / acquisition of fertilizer raw material aborad. The Committee, are however, disappointed to note that besides KRIBHCO, RCF is the only PSU which intends to set up urea projects at Ghana and Indonesia as JV companies with local partners along with long term off-take arrangement of urea. The Department, through diplomatic channels, is pursuing the case for RCF for the said projects. However, in order to ensure adequate supply of P&K fertilizers, the Committee recommend that the Department, being the nodal agency, should make vigorous efforts so that the JV projects are set up expeditiously. The Committee also expect that other PSUs should also be encouraged to enter into joint ventures abroad with the resource rich countries. The Department should also speed up the process of acquiring fertilizer raw materials abroad. The Committee hope that as a result of these efforts the requirement of the farmers for phosphatic fertilisers will be met.

New Delhi;

Gopinath Munde,
Chairman,
Standing Committee on
Chemicals and Fertilizers.

26 April, 2013
6 Vaisakha, 1935 (Saka)

APPENDIX

MINISTRY OF CHEMICALS AND FERTILISERS

DEMAND NO. 7

Department of Fertilisers

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

(In crores of Rupees)

	Major Head	Actual 2011-2012			Budget 2012-2013			Revised 2012-2013			Budget 2013-2014		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	Revenue	4.81	70746.89	70751.70	12.00	60999.96	61011.96	9.95	65999.96	66009.91	15.56	65999.96	66015.52
	Capital	*217.49*	...	*217.49*	*244.00*	*0.04*	*244.04*	*0.05*	*0.04*	*0.09*	*253.44*	*0.04*	*253.48*
	Total	**222.30**	**70746.89**	**70969.19**	**256.00**	**61000.00**	**61256.00**	**10.00**	**66000.00**	**66010.00**	**269.00**	**66000.00**	**66269.00**
1. Secretariat-Economic Services	3451	...	16.96	16.96	...	23.49	23.49	...	23.49	23.49	...	25.96	25.96
Crop Husbandry													
2. Subsidy on imported fertilizers	2401	...	13716.12	13716.12	...	13398.00	13398.00	...	15398.00	15398.00	...	15544.64	15544.64
3. Subsidy on decontrolled fertilizers													
3.01 Payment to manufacturers/Agencies for concessional sale of decontrolled fertilizers	2401	...	36088.58	36088.58	...	28576.10	28576.10	...	30576.10	30576.10	...	29426.86	29426.86
3.02 Compensation for Loss on Account of Sale of Fertiliser Bond	2401	...	701.47	701.47	...	0.02	0.02	...	0.02	0.02	...	0.02	0.02
Total- Subsidy on decontrolled fertilizers		...	*36790.05*	*36790.05*	...	*28576.12*	*28576.12*	...	*30576.12*	*30576.12*	...	*29426.88*	*29426.88*
Total-Crop Husbandry		...	**50506.17**	**50506.17**	...	**41974.12**	**41974.12**	...	**45974.12**	**45974.12**	...	**44971.52**	**44971.52**
4. Fertilizer Industries													
4.01 Subsidy on indigenous fertilizers	2852	...	20208.00	20208.00	...	19000.00	19000.00	...	20000.00	20000.00	...	21000.00	21000.00
4.02 Compensation for Loss on Account of Sale of Fertiliser Bonds	2852	...	77.44	77.44	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Fertilizer Industries		...	*20285.44*	*20285.44*	...	*19000.01*	*19000.01*	...	*20000.01*	*20000.01*	...	*21000.01*	*21000.01*
5. Other research schemes for fertiliser development													
5.01 S & T programme	2852	1.35	...	1.35	3.50	...	3.50	1.95	...	1.95	2.00	...	2.00
6. Non-Plan loans to public sector undertakings													
6.01 Hindustan Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.02 Fertiliser Corporation of India Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.03 Pyrites, Phosphates & Chemicals Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.04 Brahmaputra Valley Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Non-Plan loans to public sector undertakings		...	...	...	...	*0.04*	*0.04*	...	*0.04*	*0.04*	...	*0.04*	*0.04*

(In crores of Rupees)

	Major Head	Actual 2011-2012			Budget 2012-2013			Revised 2012-2013			Budget 2013-2014		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
7. Lumpsum provision for Projects/Schemes for the benefit of the North Eastern Region and Sikkim	6552	...	...	...	94.61	...	94.61	0.01	...	0.01	24.99	...	24.99
8. Investment in Public Enterprises	6855	217.49	...	217.49	149.38	...	149.38	0.03	...	0.03	228.44	...	228.44
9. Investment for JVs abroad	4855	...	...	...	0.01	...	0.01	0.01	...	0.01	0.01	...	0.01
10. Other Programmes													
10.01 For write off of loan, interest and penal interest on Govt. of India loan outstanding against HFCL, MFL, FACT, FCI & PDIL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
10.02 Other programmes	2852	3.46	1.71	5.17	8.50	2.32	10.82	8.00	2.32	10.32	13.56	2.45	16.01
10.03 Post closure adjustment liabilities of PPL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Other Programmes		*3.46*	*1.71*	*5.17*	*8.50*	*2.34*	*10.84*	*8.00*	*2.34*	*10.34*	*13.56*	*2.47*	*16.03*
11. Actual Recoveries	2852	...	-63.39	-63.39	...	...	...	...	...	...	...	...	...
Grand Total		***222.30***	***70746.89***	***70969.19***	***256.00***	***61000.00***	***61256.00***	***10.00***	***66000.00***	***66010.00***	***269.00***	***66000.00***	***66269.00***

	Head of Dev	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
B. Investment in Public Enterprises													
8.01 Fertilizers & Chemicals Travancore Ltd.	12855	60.74	...	60.74	61.75	...	61.75	0.01	...	0.01	211.43	...	211.43
8.02 National Fertilizers Ltd.	12855	...	1553.82	1553.82	...	1696.98	1696.98	...	2087.94	2087.94	...	803.20	803.20
8.03 Projects and Development (India) Ltd.	12855	...	3.00	3.00	...	6.05	6.05	...	5.57	5.57	...	18.17	18.17
8.04 Rashtriya Chemicals and Fertilizers Ltd.	12855	...	332.67	332.67	...	673.75	673.75	...	345.13	345.13	...	978.29	978.29
8.05 Madras Fertilizers Ltd.	12855	88.95	...	88.95	87.62	...	87.62	0.01	...	0.01	17.00	...	17.00
8.06 Brahmaputra Valley Fertilizer Corporation Ltd.	12855	67.80	...	67.80	94.62	...	94.62	0.02	...	0.02	25.00	...	25.00
8.07 Krishak Bharti Cooperative Ltd.	12855	...	592.06	592.06	...	675.00	675.00	...	522.00	522.00	...	927.00	927.00
8.08 Fertilizer Corporation of India (FAGMIL)	12855	...	0.27	0.27	...	23.51	23.51	...	11.11	11.11	...	44.05	44.05
Total		**217.49**	**2481.82**	**2699.31**	**243.99**	**3075.29**	**3319.28**	**0.04**	**2971.75**	**2971.79**	**253.43**	**2770.71**	**3024.14**
C. Plan Outlay													
1. Fertiliser Industries	12855	222.30	2481.82	2704.12	161.39	3075.29	3236.68	9.99	2971.75	2981.74	244.01	2770.71	3014.72
2. North Eastern Areas	22552	...	...	...	94.61	...	94.61	0.01	...	0.01	24.99	...	24.99
Total		**222.30**	**2481.82**	**2704.12**	**256.00**	**3075.29**	**3331.29**	**10.00**	**2971.75**	**2981.75**	**269.00**	**2770.71**	**3039.71**

1. **Secretariat-Economic Services:** Provision is for expenditure on Secretariat of the Department.

2. **Subsidy on imported fertilizers:** As indigenous production is not adequate to meet the demand for fertilizers, imports are arranged to make up for the shortfall. The cost involved is broadly the price of imported fertilizers plus the cost of handling and distribution of the fertilizers. The selling price of imported fertilizers to farmers is controlled under the Fertilizer Control Order and the consumer prices are thus statutorily regulated. This selling price is the same as the selling price for indigenous production. The difference between the amount realised by way of sale of fertilizers to farmers and the import costs to Government represents the subsidy on fertilizer imports.

3. **Subsidy on decontrolled fertilizers:** Provision is for payment to the manufactures/importers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme of sale of decontrolled Phosphatic and Potassic fertilizers at concession to the farmers. The concession would lead to balanced use of fertilizers (NPK) nutrients for better soil health and productivity.

4. **Fertilizer Industries:** This provision relates to subsidy under Fertilizer New Pricing Scheme (NPS) including Frieght Subsidy for production of urea. The subsidy scheme is intended to make fertilizers available to the farmers at reasonable prices and to give producers of fertilizers a reasonable return on their investment.The difference between the concession price so fixed less distribution margin and the statutorily controlled consumers' price is allowed as subsidy. The quantum of subsidy depends on the concession price, the consumer's price and the level of production.

5. **Other research schemes for fertilizer development:** The provision is for S&T work and for development of essential know-how for production of fertilizers.

6. **Non-Plan loans to public sector undertakings:** Token provision have been made for Non-Plan loans to PSUs.

7. **Lumpsum provision for projects/schemes for the benefit of the North Eastern Region and Sikkim:** The provision is for the projects/schemes for the benefits of North Eastern Areas and Sikkim.

8. **Investment in Public Enterprises:** The loan wise break up of the budgetary support to these enterprises and the IEBR are given in Expenditure Budget Vol. II.

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

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

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

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

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

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

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

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

9. **Investment for JVs abroad:** The provision is for investment for Joint Ventures (JVs) abroad.

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

MINUTES

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2012-13)

The Committee sat on Monday, the 18 March, 2013 from 1530 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

Present

Shri Gopinath Munde - Chairman

Members

Lok Sabha

2.	Shri Gajanan D. Babar
3.	Shri Sakti Mohan Malik
4.	Shri Raju Shetti
5.	Shri Tufani Saroj
6.	Shri Sai Prathap Annayyagari
Rajya Sabha	
7.	Shrimati Naznin Faruque
8.	Shri A.A. Jinnah
9.	Shri Dilipbhai Pandya

Secretariat

1. Smt. Rashmi Jain - Joint Secretary
2. Shri U.B.S. Negi - Director
3. Shri A.K. Srivastava - Additional Director

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

1.	Sh. Sudhir Mital	Secretary
2.	Dr. S.C. Khuntia	AS & Financial Advisor
3.	Sh. Satish Chandra	Joint Secretary (SC)
4.	Sh. Sham Lal Goyal	Joint Secretary (SLG)
5.	Sh. Suresh Chandra Gupta	Joint Secretary (SG)
6.	Sh. A.K. Parashar	Economic Advisor
7.	Smt.T.C.A. Kalyaani	Joint CGA
8.	Capt. Rana Vikram Singh	JD (FM)
9.	Sh. Vijay Ranjan Singh	Director (F)
10.	Sh. Sanjay Kumar Sinha	Director (PPF)
11.	Sh. Neeraj Singhal	Director (PSU)

II. REPRESENTATIVES FROM OTHER MINISTRIES / DEPARTMENTS

1.	Shri Avinash K. Srivastava	Addl. Secretary, DAC
2.	Shri Partha S. Das	Dir. (GP), M/o Petroleum & Natural Gas

III. PSUs/CO-OPERATIVES

1.	Dr. S.K. Das	CMD, FCI-Aravali Gypsum & Minerals India Ltd. (FAGMIL)
2.	Shri S.D. Singh	CMD, Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)
3.	Dr. M. Ravi Kanth	CMD, Projects and Development India Ltd. (PDIL)
4.	Sh. R.G. Rajan	CMD, Rashtriya Chemicals and Fertilizers Limited (RCF) and National Fertilizers Limited (NFL)
5.	Capt. P.K. Kaul	Director (Marketing), National Fertilizers Limited (NFL)
6.	Sh. Ashok Ghasghase	Director (Marketing), Rashtriya Chemicals and Fertilizers Limited (RCF)
7.	Shri R. Kamra	Director (Finance) Krishak Bharati Cooperative Limited (KRIBHCO)
8.	Sh. P. Muthusamy	Director (Finance), Fertilizer and Chemicals of Travencore Ltd. (FACT)
9.	Sh. Sagar Mathew	Director, Madras Fertilizers Limited (MFL)

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

3. Then the officials of the Department and others introduced themselves. Thereafter, the Secretary, Department of Fertilizers briefed the Committee about Demands for Grants of the Department for the year 2013-14 and showed a presentation on the subject.

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

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

The Committee then adjourned.

MINUTES

MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2012-13)

The Committee sat on Friday, the 26 April, 2013 from 1500 hrs. to 1600 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

Shri Dilipbhai Pandya - Acting Chairman

Members

Lok Sabha

2.	Shri Gajanan D. Babar
3.	Shri Prabhatsingh P. Chauhan
4.	Shri Sher Singh Ghubaya
5.	Shri Kamlesh Paswan
6.	Shri Sai Prathap Annayyagari
	Rajya Sabha
7.	Shri Biswajit Daimary
8.	Shri A.A. Jinnah

Secretariat

1. Smt. Rashmi Jain - Joint Secretary
2. Shri U.B.S. Negi - Director
3. Shri A.K. Srivastava - Additional Director

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

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

a) Demands for Grants (2013-14) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);
b) Demands for Grants (2013-14) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals); and
c) Demands for Grants (2013-14) of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals)

4. The draft Reports relating to the Department of Fertilizers and Department of Chemicals and Petrochemicals were adopted by the Committee without any

amendments. The draft Report relating to the Department of Pharmaceuticals was also adopted with some amendments.

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

The Committee then adjourned.