SIXTEENTH REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2015-2016)

(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2015-2016)

[Action Taken by the Government on the Observations/Recommendations contained in the Fifth Report of the Standing Committee on Chemicals and Fertilizers (Sixteenth Lok Sabha) on Demands for Grants (2015-2016) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)]

Presented to Lok Sabha on 27.11.2015

Laid in Rajya Sabha on 27.11.2015

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

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INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2015-16) having been authorised by the Committee to present the Report on their behalf, present this Sixteenth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Fifth Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2014-2015) on Demands for Grants (2015-2016) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Fifth Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 20.4.2015. The Action Taken Replies of the Government to all observations/ recommendations contained in the Report were received on 21.8.2015. The Standing Committee on Chemicals and Fertilizers (2015-2016) considered and adopted this ActionTaken Replies at their sitting held on 7.10.2015.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Fifth Report (Sixteenth Lok Sabha) of the Committee is given in Appendix-II.

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

New Delhi;
07 *October,* 2015
15 *Asvina*, 1937 *(Saka)*

ANANDRAO ADSUL,
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

CHAPTER I

REPORT

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations/ Recommendations contained in the Fifth Report (Sixteenth Lok Sabha) of the Committee on Demands for Grants (2015-16) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which was presented to Lok Sabha/Rajya Sabha on 20.04.2015/23.04.2015. In all, the Committee made 12 Observations/Recommendations in the Report.

1.2 The Ministry of Chemicals and Fertilizers (Department of Fertilizers) were requested to furnish replies to the Observations/ Recommendations contained in the Fifth Report within three months from the date of presentation of the Report, *i.e.*, by 23.07.2015. The Action Taken Replies of the Government in respect of all the 12 Observations/Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) *vide* their O.M. No. F. No. 5(1)/2015-Fin.II dated 21.08.2015. These have been categorized as follows:—

(i) Observations/Recommendations that have been accepted by the Government:

Sl.Nos. 1, 3, 6, 7, 8, 9, 10, 11 and 12

(Total=09)
Chapter II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:

Sl.No. Nil

(Total=Nil)
Chapter III

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee:

Sl.No. 2

(Total=01)
Chapter IV

(iv) Observations/Recommendations in respect of which final replies of the Government are still awaited:

Sl.Nos. 4 and 5

(Total=02)
Chapter V

1.3. The Committee desire that the Action Taken Notes on the Observations/Recommendations contained in Chapter-I, Chapter-IV in respect of which replies of the Government have not been accepted by the Committee and Chapter-V for which final replies are still awaited, of this Report, should be furnished expeditiously.

1.4 The Committee will now deal with action taken by the Government on some of their Observations/Recommendations which still require reiteration or merit comments.

A. Growth and development of Fertilizer Industry

Recommendation No. 1

1.5 Stressing the need to increase the indigenous production of fertilizers, the Committee had recommended as under:—

> "The Committee note that the installed capacity of fertilizer manufacturing units in the country is 132.58 lakh MT of nitrogen and 70.60 lakh MT of phosphatic nutrient as on 31.03.2015, making India the 3rd largest fertilizer producer in the world. At present, there are 30 urea units in the country manufacturing around 22.7 million MT (MMT) of urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. Besides, there are about 97 medium and small scale units in operation producing Single Super Phosphate (SSP). The country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. The current demand of urea (2014-15) is around 31.8 MMT and the shortfall is met through imports. The projected demand of urea for 2016-17 will be around 34 MMT and by 2024-25, the same is expected to be 38 MMT. The total indigenous production by the end of 2017-18 is likely to be around 31.5 MMT per annum leaving a gap of nearly 5 MMT between demand and supply. According to the Department, the said shortfall will be met partly through import and partly through additional Brownfield/Greenfield projects under New Investment Policy (NIP)-2012. The Committee also note that the Department proposes to bring in new Urea Policy which will encourage domestic production. In this regard, a draft CCEA note regarding New Urea Policy-2015 has been sent to concerned Ministries/Departments for inter-ministerial consultations on 19.02.2015. The Committee desire that concerted and coordinated efforts may be made by the Department in consultation with stakeholders to bring the new Urea Policy at the earliest. The Committee would like to be apprised of the progress made in the matter.

Further, due to shortage of domestic gas, many FO/LSHS/Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. Over a period of time the indigenous P&K fertilizer industry having vintage technology suffered due to frequent break downs, higher cost of production, large workforce and financial reserves. Moreover, no incentives are given to indigenous fertilizer manufacturers in the country in the form of lower taxes or duty. Customs duty rates for both raw materials and finished products are at equal level. Importers and manufacturers are placed at equal footing in tax matters. At times the cost of finished fertilizers is lower in the international market as compared to raw materials resulting in lower production in the country. Inordinate delay in payment of subsidy also adversely affect the functioning of fertilizer units. Considering the importance of chemical fertilizers as one of the key inputs for the success of agriculture in the country, the Committee expect the Department to take concrete measures to ensure sustained growth and development of fertilizer sector in the country. Vigorous and coordinated efforts also need to be made for continuous supply of adequate quantity of gas for gas based fertilizer units. Further, all fertilizer units with vintage technology need to be revamped and upgraded with latest technology to augment production of fertilizer and to cut down its cost of production. All closed/sick units of fertilizer companies also need to be revived in a time bound manner. It is also imperative that the Department may be provided with adequate funds for effective implementation of its projects and policies including settlement of huge arrears of subsidy claims of the fertilizer companies. In this context, Ministry of Finance should be impressed upon to allocate adequate funds to the Department as well as incentives may be given to the fertilizer sector in terms of lower taxes or customs duty. However, on its part, the Department should also prioritize its action plan for timely execution of its various projects/schemes and optimum utilization of its allotted fund. In view of the foregoing, the Committee would like to be apprised of the various initiatives/measures undertaken by the Department for attaining self-sufficiency in fertilizer sector.

The Committee also note that the movement of fertilizers is being decontrolled by the Government from April, 2015. According to the Department, this will result in competition amongst the fertilizer companies making the fertilizers more affordable to farmers increasing consumption and production. However, the Committee apprehend that decontrolling of movement of fertilizer may incline fertilizer companies to supply fertilizers only in those areas which are more profitable and accessible in comparison to those areas which are less profitable and inaccessible and leading to imbalanced distribution of fertilizers. This would eventually leave the poor farmers at the mercy of these companies and may add to their misery. The Committee, therefore, feel that the Department of Fertilizer, being the nodal authority, can not simply absolve themselves of their responsibility in the matter. The Committee, therefore, recommend that the Department of Fertilizer should built an institutional mechanism to monitor the movement of fertilizers under the decontrolled regime ensuring timely supply of adequate quantity of fertilizers at affordable prices to the farmers even in the remotest areas of the country. Precautionary measures also need to be taken to check the companies from engaging in evil practice of undue profiteering under the decontrolled regime."

Reply of the Government

1.6 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"The indigenous P&K fertilizer industry was under Government control under Concession Scheme for a long period prior to implementation of NBS Scheme. Under the Scheme the difference of normative delivered price and the statutory MRP was being paid as concession. Due to low profit and assured sale of their product, the fertilizer industry did not innovate and keep pace with the latest technological developments in fertilizer sector and continued with the existing technology and machinery. Over a period of time, many fertilizer companies having vintage technology suffered due to frequent break downs, higher cost of production, large workforce and financial reserves. Non-availability of domestic gas to many P&K fertilizer companies/non-creation of infrastructure for making available natural gas to these companies has affected growth of P&K fertilizer industry in the country. Delay in payment of subsidy due to inadequate funds has also affected the functioning of P&K fertilizer industries in the country affecting their growth.

However, in order to enable the fertilizer companies to do business as per the market dynamics, the Department has introduced Nutrient Based Subsidy Scheme *w.e.f.* 1.4.2010. Under the policy, the companies are allowed to fix their MRP at reasonable level as per market dynamics. This enabled the companies to find new markets and take their own commercial decisions to innovate in new products etc.

There are no incentives to indigenous fertilizer manufacturers in the country in the form of lower taxes or duty. Customs duty rates for both raw materials and finished products are at equal level. Importers and manufacturers are placed at equal footing in tax matters. At times the cost of finished fertilizers is lower in the international market as compared to raw materials resulting in lower production in the country.

For growth of indigenous P&K fertilizer industry in the country, the Department of Fertilizers had taken up with Ministry of Finance for reduction in custom on imported raw materials. The Department has again requested the Ministry of Finance, Department of Revenue to consider the proposal.

The movement and distribution of entire 100% of Urea both imported and indigenous is regulated by Department of Fertilizers (DoF) through Monthly Supply Plan. The Department also draws Supply Plan for entire imported and indigenous Phosphatic and Potassic Fertilizers and conveys the Supply Plan to the respective State Governments on month to month basis. DoF will regulate the movement of these Fertilizers to bridge the supplies in underserved areas. Further, the distribution and movement of fertilizers along with imports of finished fertilizers, fertilizer inputs and production by Indigenous units is being monitored through the online web based "Fertilizer Monitoring System (FMS)/ Mobile FMS-Phase-I". In order to monitor and ensure that the subsidized P&K fertilizers reach throughout the country and its availability is maintained as per the requirement, the Fertilizer Account Wing will prepare and furnish the month-wise quantity of P&K fertilizers moved by different companies to different locations (district-wise) based on the data submitted in the FMS by P&K fertilizer companies. The respective State Agriculture Departments will also closely monitor the availability of P&K fertilizers in consultation with the fertilizer companies and their respective field units and in consultation with DAC will ensure availability of these fertilizers in the concerned States. If shortages/non-availability of these fertilizers is still noticed in any part of their respective States, the same will be brought to the notice of DoF for further action.

The Government has notified the New Urea Policy-2015 (NUP-2015) for existing gas based urea manufacturing units on 25th May, 2015 with the twin objectives of maximizing indigenous urea production and promoting energy efficiency in urea production while rationalizing subsidy burden on the Government. It is expected to prepare the domestic urea sector to become globally competitive in terms of energy efficiency over a period of three years.

The CCEA approved gas pooling for urea sector on 30th March, 2015. After gas pooling, all urea units will get gas at uniform price. The provisions of gas pooling will ensure that RLNG will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under the New Urea Policy, 2015. The DoF has notified NIP—2012 on 2nd January, 2013 and its amendment on 7th October, 2014, to attract fresh investment in urea sector and reduce import dependency in urea. As a result of notification, DoF has taken note of these proposals and directed the project proponents to take necessary action as per the provisions of NIP—2012 and its amendment. To ensure the availability of fertilizers in the country, Government has taken following steps:—

(a) The month-wise demand is assessed and projected by the Department of Agriculture and co-operation (DAC) in consultation with the State Governments before commencement of each cropping season.

(b) On the basis of month-wise and state-wise projection given by Department of Agriculture and Co-operation, Department of Fertilizers allocates sufficient/adequate quantities of 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 online web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS); DoF tracks the movement of fertilizers upto the district level, this is extended through mobile Fertilizer Monitoring System (mFMS), which tracks the receipts of the fertilizer till the Retailers' level. This system is in public domain and anybody can access the system and know availability of fertilizers upto Retailers' level. The list of retailers is also available in mFMS-www.mfms.nic.in.

(ii) The State Governments are regularly advised to co-ordinate 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 and Co-operation (DAC), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments.

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

Comments of the Committee

1.7 The Committee noted that no incentives are given to indigenous fertilizer manufacturers in the country in the form of lower taxes or duty. Customs duty rates for both raw materials and finished products are at equal level. Importers and manufacturers are placed at equal footing in tax matters. At times the cost of finished fertilizers is lower in the international market as compared to raw materials resulting in lower production in the country. Further, in-ordinate delay in payment of subsidy due to inadequate funds has also adversely affected the functioning and growth of P&K fertilizer industries in the country. In this regard, the Department in its Action Taken Replies confirmed the above observations and informed that the Department of Fertilizers had taken up with Ministry of Finance for reduction in custom duty on imported raw materials and has sent a proposal in this regard. The Committee are of the view that for growth of indigenous P&K fertilizer industry in the country, it is essential that adequate incentive are provided to fertilizer industry. The Committee, therefore, expect the Department, to take up the matter vigorously with the Department of Revenue (Ministry of Finance) for consideration and finalization of the proposal.

The Committee also noted that the movement of fertilizers is being decontrolled by the Government from April, 2015. However, in this regard, the Committee expressed its apprehension that decontrolling of movement of fertilizer may incline fertilizer companies to supply fertilizers only in those areas which are more profitable and accessible in comparison to those areas which are less profitable and inaccessible and leading to imbalanced distribution of fertilizers. This would eventually leave the poor farmers at the mercy of these companies and may add to their misery.

In this regard, the Department in its Action Taken Replies informed that the movement and distribution of entire 100% of Urea both imported and indigenous is regulated by Department of Fertilizers (DoF) through Monthly Supply Plan. DoF will regulate the movement of these fertilizers to bridge the supplies in underserved areas. Further, the distribution and movement of fertilizers along with

imports of finished fertilizers, fertilizer inputs and production by Indigenous units is being monitored through the online web based "Fertilizer Monitoring System (FMS)/ Mobile FMS-Phase-I". The respective State Agriculture Departments will also closely monitor the availability of P&K fertilizers in consultation with the fertilizer companies and their respective field units. If shortages/non-availability of these fertilizers is still noticed in any part of their respective States, the same will be brought to the notice of DoF for further action. The Committee are of the view that adequate supply of fertilizer in every corner of the country is the responsibility of the Department and even after decontrolling the movement of fertilizer, the Department cannot be absolved with this responsibility. The Committee, therefore, recommend that just by monitoring the movement through the online web based "Fertilizer Monitoring System (FMS)/Mobile FMS-Phase-I" or monitoring by the State Agriculture Departments is not enough, the Department should, therefore, apart from strengthening the fertilizer monitoring system, also prepare guidelines for the fertilizer companies to ensure that they do not indulge in undue profiteering and also cater to the fertilizer needs and requirements of the remote and economically unviable areas as well. A mechanism for imposing penalty should also be prepared and strictly enforced. The Committee would like to be apprised of the action taken in this regard.

B. Plan Allocation and Expenditure

Recommendation No. 2

1.8 Emphasizing the need for allocation of adequate funds to the Department, the Committee had recommended as under:—

> "The Committee note with deep concern that BE 2013-14 under Plan allocation was Rs. 269 crore which was reduced drastically to Rs. 100 crore in BE 2014-15 and the same was further slashed down to Rs. 50 crore in BE 2015-16 as against the BE proposal of the Department for Rs. 190.26 crore for the year 2015-16. The Committee are also distressed to note that BE 2013-14 of Rs. 269 crore was reduced to Rs. 9 crore at RE stage in 2013-14, out of which only Rs. 2.32 crore could be spent. Again, out of Rs. 100 crore in BE 2014-15, actual expenditure was only Rs. 2.04 crore upto December 2014. The Committee wonder as to how the balance amount of Rs. 98 crore *i.e.* almost 98% of the funds allocated in BE 2014-15 could be spent in the remaining part of the fiscal. The drastic reduction in allocation of Plan funds clearly shows the

Department's poor budgetary planning and the unrealistic estimation of funds required by the Department for its various projects/ schemes. This also shows the Department's ineffective implementation or monitoring of the action plan or monitoring of utilization of budgetary funds. The Plan fund mainly comprises of financial support to loss making three companies namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL). Under the Plan scheme, budgetary support in the form of loan is provided to these three loss making fertilizer companies for Renovation, Replacement and maintenance of critical equipment to sustain their operations. However, due to financial restrictions imposed by Ministry of Finance in respect of default in refund of Government of India loans and payment of interest thereon by CPSEs, Plan loan could not be released to these companies from 2012-13 onward. Financial restructuring of aforesaid three PSUs is not being considered under Plan fund. In this regard, the Committee feel that in the absence of adequate funds under GBS, it would be difficult for the loss making PSUs to sustain their operations.

The Committee also note that no allocation has been made under the Plan Head for the 2015-16 for Miscellaneous schemes *i.e.* Management of Information Technology (MIT) and Science & Technology (S&T). Under MIT scheme, budgetary support is given to fund need based programme namely Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the grants made available as GBS. FMS has been developed and grown to enable users to monitor availability of fertilizers online on real time basis. The Committee feel that non allocation of GBS would adversely affect the effective functioning of FMS and mFMS which is very essential for the efficient implementation of the Direct Transfer of Subsidy scheme. The S&T programme of the Department primarily lays emphasis at Research and Development of processes and equipment *inter alia* to lower specific energy consumption in fertilizer plants. In the absence of adequate funds, the Committee feel that it would be difficult for technical institutes/ CPSEs to undertake projects related to fertilizer industry which may, in turn, hamper innovation and technological advancement in the fertilizer sector.

The Committee, therefore, recommend that the Department should take up the issue vigorously with the Ministry of Finance and impress upon them to allocate adequate funds as per the demand of the Department. The Committee may be informed of the steps being taken by the Department in this regard."

Reply of the Government

1.9 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"The reason for variation in BE and RE during 2013-14 and 2014-15 is the reduction of outlay by Ministry of Finance at RE stage. The main reasons for variation in RE and Actual expenditure were:

1. Provision of Budgetary support is made by Department of Fertilizers for three loss making CPSEs namely Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), keeping in view the overall allocation made by the Planning Commission and also considering the requirements of the companies. Due to financial restrictions imposed by Ministry of Finance *vide* its letter dated September 20, 2012, in respect of default in refund of Government of India loans and payment of interest thereon by CPSEs, Plan loan could not be released to these Fertilizer companies from 2012-13 onward.
2. Under Management of Information Technology (MIT) Head, the major portion of the budget was kept for mFMS scheme. Due to non-completion of the 2nd phase of the mFMS, the fund provided could not be utilized.
3. Under S&T Head, due to non-receipt of quality proposals, allocated fund could not be utilized in its totality.

Department of Fertilizers has sought an amount of Rs. 2.80 crore under Plan expenditure for MIT under First Supplementary Demand for 2015-16 *vide* O.M. No. 5(2)/2015-Fin.I dated 01.07.2015."

Comments of the Committee

1.10 The Committee in its recommendation stressed the need to vigorously pursue with the Ministry of Finance and also to impress upon them to allocate adequate funds as per the demand of the Department under the plan head for the year 2015-16 for Miscellaneous Schemes *i.e.* Management of Information Technology (MIT) and Science & Technology (S&T) and also for the loss making PSUs namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL) in order to sustain their operations.

In its Action Taken Report, the Department stated that due to financial restrictions imposed by Ministry of Finance, in respect of default in refund of Government of India loans and payment of interest thereon by CPSEs, Plan loan could not be released to these Fertilizer companies from 2012-13 onwards. Further, the fund provided could not be utilized under Management of Information Technology (MIT) Head, due to non-completion of the 2nd phase of the mFMS. The Department has sought an amount of Rs. 2.80 crore for MIT under first supplementary Demand for 2015-16. In respect of Science and Technology Head, allocated fund could not be utilized in its totality due to non-receipt of quality proposals as a reason of which funds could not be released for these two schemes.

In this regard, the Committee regret to note that the Department has not made any provision for the allocation of funds for three loss making PSUs and had simply repeated the same status as was stated during the examination of the Demands for Grants 2015-16. The Committee, therefore, reiterate its earlier recommendation and would also like the Department to take some concrete steps towards operationalising loss making PSUs and also ensuring adequate allocation of funds to them. The Committee further would also like the Department to make earnest efforts to get supplementary Demand sought for the purpose and make optimum utilisation of the funds and complete the 2nd phase of mFMS on priority basis. As regards S&T Head, the Department should make efforts to get some quality proposal for release of funds. The Committee would like the Department to apprise the Committee of the action taken in this regard.

C. Direct Subsidy to Farmers

Recommendation No. 4

1.11 Stressing the need for expeditious implementation of Direct Benefits Transfer Scheme, the Committee had recommended as under:—

> "The Committee note that the Department is following a phased approach for direct disbursement of fertilizer subsidy to the intended beneficiaries. The implementation of Phase-I has already been made operational from 1st November, 2011 and is approaching stabilization and Phase-II of mFMS which capture the retailer sales of fertilizers to farmers in pilot stage, was rolled out in 6 districts (Nawanshahar-Punjab, East Godavari-Andhra Pradesh, Sonipat-Haryana, Bilaspur-Himachal Pradesh, Ajmer-Rajasthan, and Madurai-Tamil Nadu) on

1st August 2013. The pilot project is being implemented with the help of the 6 Lead Fertilizer Suppliers (LFS) of the concerned States. However, since feedback from Lead Fertilizers Suppliers (LFS) on Phase-II implementation is not positive, the Department is considering implementing a part of phase-II as an interim step *i.e.* capturing retailer's sale only and not the buyer's data. As regards to subsequent phases of project *i.e.* Phase-III and Phase-IV, the Committee were informed that it was discussed and decided on 6.5.2013 that DBT in fertilizers is complex matter as there are problems in targeting, determining entitlements and preparing beneficiary databases, therefore, for the moment it would be better to keep DBT away from fertilizers. According to the Department, there is no database of the beneficiary presently available in the State who buys the Fertilizers. There are also issues like as to whether the direct subsidy has to be paid to the land owner or to the filler. There are variables such as type of soil, type of crop produced and rainfall etc., which determines the type and amount of a particular type of fertilizers used by the farmers. Thus, assessing the entitlement of fertiliser is a very difficult task. Further, there are different subsidy regimes operational for Urea and P&K Fertilizers. For Urea, the subsidy is on cost plus basis but in P&K Fertilizers, subsidy is fixed. Therefore, in the present scenario, the product based subsidy is only possible for P&K fertiliser sector and not feasible in case of Urea which covers at least 70% of subsidy expenditure. Notwithstanding the position stated above, the Department agreed with the concerns raised by the Committee on the issue and was forthright in his approach that ultimately the Government has to endeavour to directly transfer the subsidy to the farmers instead of routing it through the company. According to them, DBT to the farmers can be done in case of P&K fertilizers on which fixed subsidy is being given like in the case of LPG. It was also informed to the Committee that DBT is being implemented as a mission in 30 districts of the country. Needless to say, the Committee have time and again emphasized the need for payment of subsidy direct to the farmers. The Committee are of the strong view that transfer of the benefits of direct subsidy to the farmers would check the corruption, close the loopholes and profligacy in subsidies. The Committee, therefore, recommend that the Department should make earnest efforts to implement the DBT scheme in the 30 districts as a mission and on the basis of its evaluation, a mechanism should be worked out in consultation with all stakeholders to address the problems in targeting, determining entitlements and preparing beneficiary databases so that the benefit of subsidy is disbursed directly to the farmers without further delay. The Committee would like to be apprised of the initiatives undertaken by the Department and the progress made in this regard."

Reply of the Government

1.12 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"This Department is taking necessary steps to implement DBT in fertilizers and is working in close co-ordination with Office of Mission Director, DBT under Ministry of Finance. A preliminary consultation was held with two States of Odisha and Gujarat on 06.04.2015, as they have shown interest for a pilot project in DBT. State Governments of Odisha and Gujarat were requested to indicate pilot districts. Response from both of the States have been received and the same is being examined.

Further, Mission Director [DBT) has forwarded a proposal given by National Institute of Smart Governance (NISG) to assist the department in preparing a roadmap for DBT in fertilizers. In this regard, NISG has submitted a proposal for Consultancy and Project Management for DBT in fertilizers in two (2) pilot districts of Odisha and Gujarat which was discussed in a meeting chaired by JS (Fert.) on 27th April, 2015. The proposal of National Institute of Smart Governance is under consideration of Department which would provide Detailed Project Report (DPR) in first three (3) months.

A meeting was also chaired by Mission Director (DBT) on 1st May 2015 in presence of senior representatives of NISG with Joint Secretary (Fert.) and Director (FA) from Department of Fertilizers. The various steps to be taken for roadmap of DBT in fertilizers was discussed in detail.

Further action is being planned to start the pilot project after due approvals of the Competent Authority of the Department of Fertilizers."

Comments of the Committee

1.13 Noting the need for expeditious implementation of Direct Benefits Transfer Scheme, the Committee recommended that the Department should make earnest efforts to implement the DBT scheme in the 30 districts as a mission and on the basis of its evaluation, a mechanism should be worked out in consultation with all stakeholders to address the problems in targeting, determining entitlements and preparing beneficiary databases so that the benefit of subsidy is directly disbursed to the farmers without further delay.

In its Action Taken Reply, the Department has stated that State Governments of Odisha and Gujarat indicated the names of pilot districts and the same is being examined. Further, Mission Director (DBT) has forwarded a proposal given by National Institute of Smart Governance (NISG) to assist the department in preparing a roadmap for DBT in fertilizers. In this regard, NISG has submitted a proposal for Consultancy and Project Management for DBT in fertilizers in two (2) pilot districts of Odisha and Gujarat which was discussed in a meeting chaired by JS (Fert.) on 27th April, 2015. The proposal of National Institute of Smart Governance is under consideration of Department which would provide Detailed Project Report (DPR) in first three (3) months. Further action would be planned to start the pilot project after due approvals of the Competent Authority of the Department of Fertilizers.

In view of the above, the Committee would expect the Department to expedite the pilot project and thereafter draft a roadmap for effective and efficient implementation of the DBT scheme so that benefits of subsidy is disbursed to the farmers without any further delay. The Department may apprise the Committee of the action taken in this regard.

D. Nutrient Based Subsidy Policy

Recommendation No. 5

1.14 Stressing the need to control price rise in P&K fertilizers, the Committee had recommended as under:—

> "The Committee note that Nutrient Based Subsidy (NBS) policy is being implemented by the Department for P&K fertilizers w.e.f. 1.4.2010 under which 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 by the Government after taking into consideration all relevant factors including the likely impact of these rates on total subsidy payout. The Committee observed in its earlier reports that since the introduction of NBS policy, there has been an increasing trend in prices of P&K Fertilizer, gradual decline in subsidy on decontrolled fertilizers, due to reducing per kg subsidy on each Nutrient covered under NBS and also due to lower consumption of P&K Fertilizers. As a result thereof, the consumption of controlled fertilizer *i.e.* urea has increased leading to imbalanced use of fertilizers and deterioration of soil health. The small and marginal farmers are worst affected as they are not able to afford the high

cost of decontrolled fertilizers. In this regard, the Committee were informed that in order to study the impact of NBS Policy, the Government had appointed M/s Ernst & Young (EY), which has since submitted its report in the matter. The Department has also accepted the report and is now examining the report. The Committee, therefore, recommend that the findings in the report of M/s EY should be examined thoroughly and expeditiously and on the basis of its analysis and evaluation, the NBS policy should be suitably modified so as to control the rising prices of P&K fertilizers, which would in turn encourage farmers to utilize balanced fertilizers for their crops. The Committee would like to be apprised of the action taken by the Department in this regard."

Reply of the Government

1.15 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"The report submitted by M/s Ernst & Young on the performance of NBS Policy has been examined.

The findings of the report show that the objectives of the NBS Policy namely, availability of P & K fertilizers throughout the country, reduction in subsidy burden, promotion of competition etc. have been achieved after implementation of the policy.

However, in respect of balanced fertilization of soil, the report says that significant low prices of Nitrogen has led to increase in gap between prices of N *vis-a-vis* P & K over last 3 years and this led to significant distortion of fertilization ratio post NBS.

As distortion of fertilization ratio is mainly due to over consumption of urea due to its low MRP fixed statutorily as compared to high price on N in P & K fertilizers, the Department felt that distortion in fertilization ratio is to be addressed in the form of review of Urea policy. Accordingly, the Department of Fertilizers is considering the issue in consultation with Department of Agriculture and Cooperation.

Recommendations of M/s Ernst & Young:—

(i) Reasonableness of MRP: The report has recommendations relating to reasonability of MRP. It has suggested determination of reasonableness of MRP in two different criteria. In this regard it may be stated that the Department has already put in place a mechanism/procedure for finding out reasonableness of MRP of P & K fertilizers. In the procedure, it has been made mandatory for the fertilizer companies to furnish cost data of all subsidized P&K fertilizers produced/imported by them for release of subsidy from 2012-13 onwards and Cost Accountants have been appointed to scrutinize the cost data submitted by the fertilizer companies and based on the cost accountants' reports the reasonableness of MRPs of subsidised P&K fertilizers is being found out.

(ii) Securing supplies of P&K Fertilizers: The study report states that for securing supplies of P&K fertilizers the Government should encourage strategic investments by Indian players in mines abroad by creating 'sovereign fund' for the same and creation of consortium of Indian players to bargain volume discounts. In this regard it is stated that the Government is already facilitating to secure supplies of Phosphatic and Potassic fertilizers and their raw materials and encouraging companies to set up joint ventures and long term supply agreements abroad to ensure continuous availability of finished fertilizers/raw materials in the country.

The above findings show that the Department has already taken various steps to implement the recommendations of M/s Ernst & Young."

Comments of the Committee

1.16 The Committee recommended that the findings in the report of M/s Ernst & Young should be examined thoroughly and expeditiously and on the basis of its analysis and evaluation, the NBS policy should be suitably modified so as to control the rising prices of P&K fertilizers, which would in turn encourage farmers to utilize balanced fertilizers for their crops.

In its Action Taken Replies, the Department has stated that it has examined the Report and has already started taking various steps to implement the recommendations of M/s Ernst & Young. However, in respect of balanced fertilization of soil, the report says that significant low prices of Nitrogen has led to increase in gap between prices of N *vis-a-vis* P&K fertilizer over last 3 years and this led to significant distortion of fertilization ratio post NBS. In this regard, the Department in consultation with the Department of Agriculture and Cooperation is considering this issue and trying to address it in the form of review of the Urea Policy.

In view of the above, the Committee would expect the Department to expedite the process of implementation of the recommendations of M/s Ernst & Young so that adverse impact of price rise of decontrolled fertilizers especially on the small and marginalized farmers can be minimized. The Department may inform the Committee of the action taken in this regard.

E. New Investment Policy 2012

Recommendation No. 6

1.17 Stressing the need to increase the production of indigenous production of fertilizers, the Committee had recommended as under:—

> "The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. In this regard, the Department has also notified the amendment to NIP-2012 on 7th October 2014 substituting the phrase "guaranteed buyback" with the expression that subsidies will be given only upon domestic sale as at present with proper safeguards. Based on the amendment to NIP-2012, the Department has received 12 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. These proposals are being examined by the Department in the light of the provisions of the NIP-2012 and amendments thereof and according to them the same is likely to finalized soon. The Committee hope that proposals received under NIP-2012 would be finalised expeditiously with in a fixed time line so that projects are set up as early as possible which would, in turn, give great boost to production of urea in the country. The Committee would like to be apprised of the progress made in this regard."

Reply of the Government

1.18 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

> "On 21st April, 2015 the DoF issued letter to all project proponents stating that DoF has taken note of their proposals and further directed them to take necessary steps as per the provisions of NIP-2012 notified on 2nd January, 2013 and its amendment on 7th October, 2014."

Comments of the Committee

1.19 The Committee noted that based on the amendment to New Investment Policy 2012 (NIP-2012), the Department has received 12 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. These proposals are being examined by the Department in the light of the provisions of the NIP-2012 and amendments thereof and according to them the same is likely to be finalized soon. The Committee, therefore, recommended that proposals received under NIP-2012 be finalized expeditiously with in a fixed time line so that projects are set up as early as possible which would, in turn, give great boost to production of urea in the country.

However, in its Action Taken Replies, the Department has simply taken note of the proposals received under NIP-2012 and further directed them to take necessary steps as per the provisions of NIP-2012 and its amendment but the Department has not given any timeline for the action to be taken on the proposals.

In view of the above, the Committee would like to reiterate its earlier recommendation regarding expeditious finalization of these proposals, within a fixed time line so that projects are set up as early as possible.

F. Revival of Closed/Sick PSUs

Recommendation No. 7

1.20 Emphasizing the need for expeditious revival of closed/sick fertilizer units, the Committee had recommended as under:—

> "The Committee have time and again emphasized the need for expeditious revival of closed/sick units of fertilizer companies particularly in the context of augmenting indigenous production of fertilizers and to make the country self reliant in fertilizer sector. Out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, 3 companies *viz*. Fertilizers and Chemicals Travancore Limited (FACT), Madras Fertilizers Limited (MFL) and Brahmputra Valley Fertilizer Corporation Limited (BVFCL) are sick and 2 companies *viz*. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. Government is considering proposals for financial restructuring of three sick companies namely MFL, FACT and BVFCL, which *inter-alia* involves write off of Government of India loan and

the interest thereon. BVFCL is incurring losses since inception due to low capacity utilization and high energy consumption. BRPSE has recommended the financial restructuring plan to the Government. Based on the recommendations of BRPSE, a cabinet note has been forwarded to the Cabinet Secretariat for placing it before Cabinet for approval. MFL started incurring losses in the year 2003-04 and declared sick in 2009. Recently, a financial restructuring proposal has been submitted to Department of Public Enterprises (DPEs) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSE) which has been returned as the posts of Chairman, BRPSE, Secretary, BRPSE and two other non-official members of BRPSE are vacant. The constitution of the Board is awaited. FACT has started incurring losses since 1988-99 and is a sick unit. Recently, BRPSE has recommended financial relief for infusion of funds and waivers of GoI loans and interest. A proposal seeking approval of CCEA for sanction of financial reliefs to FACT has been submitted to Cabinet Secretariat. Department of Expenditure has raised some issues on the matter and the same is being discussed by the Department of Fertilizers to resolve the issues.

Apart from these 3 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress and these units are likely to become functional after 36 months from the date of Award to the technology suppliers. As regards Sindri, and Barauni units, the Government is considering exploring the feasibility of revival through the 'bidding route'. As regards Gorakhpur unit, the Government is considering exploring the feasibility of revival through 'nomination route' instead of the 'bidding route'. However, the revival of Korba unit would be taken up later on. As a result of revival of these closed units, the estimated increase in production of urea in the country will be of 1.30 Million Tonnes per annum per unit. In view of the foregoing, the Committee are of the view that expeditious revival of sick and closed fertilizer units is essential for making India self-sufficient in the fertilizer sector and to reduce its imports dependency. However, the Committee regret to note the slow pace of progress made by the Government in the revival of these sick units so far. The Committee also feel that the delay in the revival of closed and sick units leads to time and cost overruns. Keeping in view the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/sick units of fertilizers be expedited within a fixed timeframe. The Committee would like to be apprised of the progress made in this regard."

Reply of the Government

1.21 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"Revival of closed units of HFCL/FCIL

At present none of the units of Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are operational as all the units of these companies are lying closed. Detail on the closed fertilizer plants are as under:

Name of the PSU	Unit	State
Fertilizer Corporation of India Limited (FCIL)	Sindri	Jharkhand
	Gorakhpur	Uttar Pradesh
	Talcher	Odisha
	Ramagundam	Andhra Pradesh
	Korba	Chhattisgarh
Hindustan Fertilizer Corporation Limited (HFCL)	Barauni	Bihar
	Haldia	West Bengal
	Durgapur	West Bengal

Revival of closed units of HFCL/FCIL

In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (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. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis. Gorakhpur and Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route.

In August, 2011, the Cabinet Committee on Economic Affairs (CCEA) had approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by the consortium of M/s Rashtriya Chemicals & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and M/s Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s Engineers India Limited (EIL) and M/s National Fertilizers Limited (NFL) and revival of Sindri unit by M/s Steel Authority of India Limited (SAIL).

In its meeting held on 9.5.2013, CCEA, *inter alia,* approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board for Industrial and Financial Reconstruction (BIFR). Proposal/action plan on revival of HFCL units to be taken up once revival of FCIL units is on track.

Unit-wise status of revival is as follows

Fertilizer Corporation of India Limited (FCIL)

Talcher Unit of FCIL

- Talcher unit of FCIL to be revived on nomination basis by consortium of PSUs namely, Rashtriya Chemicals & Fertilizers Limited (RCF), Coal India Limited (CIL), Gas Authority of India Limited (GAIL) & FCIL by forming Joint Venture.
- The Memorandum of Understanding (MoU) among consortium PSUs *i.e.* CIL, RCF, GAIL and FCIL, has been signed on 05.09.2013.
- Joint Venture (JV) agreement amongst the consortium partners signed on 24.12.2014
- Selection and finalization of coal gasification technology is in process.
- Further necessary actions are being taken in this regard.

Ramagundam Unit

- Ramagundam unit of FCIL to be revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL.
- The pre-project activities for revival of Ramagundam Unit (Telangana) are in progress to set-up a gas-based fertilizer plant.

- The Joint Venture agreement signed on 14.1.2015.
- EIL & NFL are having discussions with the Technology providers.
- JV Company named "Ramagundam Fertilizers & Chemicals Limited" formed on 17.2.2015
- The JV Company would operate the plant and EIL would take up the detailed Engineering Procurement of equipment and Construction (EPC) of the plant.
- The project likely to be commissioned by 30.9.2018

Sindri unit

- Sindri unit of FCIL was to be revived on nomination basis by SAIL and FCIL
- SAIL-Sindri Projects Ltd. (SSPL), a wholly owned subsidiary of SAIL, had been incorporated in November, 2011 for the purpose of revival of Sindri Unit of FCIL.
- However, not much progress has been made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant due to encroachment.
- In the meantime SAIL has informed that the scenario for SAIL has undergone change, a massive modernization and expansion plan of SAIL is currently under implementation, with capital expenditure (CAPEX) commitment of Rs. 72,000 crore. SAIL has drawn a vision plan 2025 to expand to 50 MTPA Hot Metal capacity by 2025. This requires a commitment around Rs. 2.02 lakh crore. In view of the above, SAIL Board has taken a view not to pursue the Sindri Revival project further.
- Sindri unit is en-route of the proposed Jagdishpur-Haldia Pipeline (JHPL) of GAIL. DoF while exploring the feasibility of fast tracking the revival of Sindri unit and for utilizing the gas and to leverage the existing infrastructure of Sindri unit, considered the alternative route for revival, *i.e.* through the 'bidding route'.
- Cabinet in its meeting held on 21.05.2015 approved revival of Sindri unit through 'bidding route'.

Gorakhpur unit

- Gorakhpur unit of FCIL was to be revived through 'bidding route' as per CCEA approval in 2011.
- M/s GAIL is planning to lay a gas pipeline from Jagdishpur (Uttar Pradesh) to Haldia (West Bengal). To make this gas pipeline financially viable, there is a need of anchor units en-route the pipeline for utilizing the gas.

- Therefore, it was decided that revival of Gorakhpur unit of FCIL, which is en-route of Jagdishpur-Haldia Pipeline (JHPL) should be fast tracked by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011.
- Cabinet in its meeting held on 31.3.2015 approved revival of Gorakhpur unit through 'bidding route' on revised terms.

Korba unit

- The revival of Korba (Chhattisgarh) unit of FCIL would be taken up later on.
- Hindustan Fertilizer Corporation Limited (HFCL).
- Three closed units of HFCL to be revived through 'bidding route' as per CCEA approval in 2011.
- In terms of CCEA approval in May 2013 proposal/action plan on revival of HFCL to be taken up once revival of FCIL units is on track.
- However, in the context of the recent announcement of the proposed Jagdishpur-Haldia Pipeline of GAIL, DoF explored the feasibility of fast tracking the revival of Barauni unit of HFCL.

Barauni unit

- M/s. Gas Authority of India Limited (GAIL) is planning to lay a gas pipeline from Haldia (West Bengal) to Jagdishpur (Uttar Pradesh) (HBJ). This pipeline would be passing around 70 km away from Barauni Unit.
- To make the gas pipeline financially viable, there is a need of anchor units en-route the pipeline for utilizing the gas.
- Therefore, it has been decided that revival of Barauni Unit of HFCL, which is en-route of HBJ pipeline through the 'bidding route' by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011.
- The Cabinet in its meeting held on 31.3.2015 approved revival of Barauni unit through 'bidding route' on revised terms.

Haldia and Durgapur units

At present Department has no plan to revive Haldia and Durgapur units of HFCL keeping the following in view:

- HFCL has no land lease agreements for land of its units at Haldia and Durgapur.
- ADDA at Durgapur and Kolkata Port Trust (KoPT) at Haldia, have earlier raised objections against floating of Expression of Interest (EoI) in respect of Durgapur and Haldia respectively till the land disputes are settled.
- The lease of most of the land leased to HFCL at Haldia by Kolkata Port Trust (KoPT) expired in 2004.
- KoPT issued an eviction notice to HFCL in the year 2005 which was challenged by HFCL in Kolkata High Court, but the court declined to give stay order. BIFR directed KoPT to maintain status quo. KoPT has also raised a claim of more than Rs. 200 crore towards rental charge, penalties etc.
- HFCL Haldia unit also has lots of contingent liabilities.

Revival of Sick PSUs

There are three fertilizers Public Sector Undertakings which are sick. These PSUs are Madras Fertilizers Limited (MFL), The Fertilizers And Chemicals Travancore Limited (FACT) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL). Government is considering proposals for financial restructuring of above these three PSUs, which *inter alia,* involves, write off of GoI loan and interest on GoI loan. Brief of proposed financial restructuring are as below:

(a) Financial restructuring of BVFCL and Setting up of Namrup IV

i. BVFCL is incurring financial losses since inception due to low capacity utilization and high energy consumption. The plants were underperforming due to obsolete technology, equipment failures and shortage of natural gas. For financial restructuring of BVFCL a proposal was sent to Board for Reconstruction of Public Sector Enterprises (BRPSE). The BRPSE in Feb., 2014 discussed the financial restructuring proposal of BVFCL. The Board, after having taken into account all the relevant factors on the proposal, recommended to the Government the following financial restructuring plan. Based on the recommendations of BRPSE, following financial relief to BVFCL were proposed for consideration/approval of the Cabinet:

- Waiver of total cumulative interest till date on GoI loans (updated amount as on 31.03.2013 is Rs. 566.20 crore).

- Waiver of loan of Rs. 21.96 crore taken for revamp of Namrup-I, as the Namrup-I plant has permanently been stopped.
- Conversion of GoI loans provided to the company to interest free loan. The company on attaining profit will service the GoI loans from 2014-15 onwards.
- 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 Government of India for calculating the concession rate of urea under NPS-III.
- BVFCL to implement 2007 pay scales as per DPE guidelines.
- BVFCL to scrap and dispose-off the remaining unusable assets of closed Namrup-I plant on 'as is where is' basis.

ii. Setting up of Namrup IV

The process technology and engineering of the existing Namrup-II and Namrup-III Plants are of 1960's and 70's, which are considered old and obsolete against the latest new generation plants. Both the plants failed to sustain desired operational efficiency from the beginning and deteriorated rapidly and were required to be strengthened with systematic investment on renovation. Accordingly, Namrup Revamp Project of BVFCL was sanctioned by Government. Though revamp could bring in reasonable reliability of operation in Namrup-II and Namrup-III, it failed to uplift energy efficiency, mainly due to obsolete energy intensive technology. Relentless effort on maintenance and renewal and replacement action in the recent past has brought some positive result and company has been able to generate reasonable operating profit even though, specific energy consumption of end-product urea for both the Namrup-II and Namrup-III plants turns out to be very high, compared to modern, large capacity gas based plants.

A proposal was sent for consideration/approval of the Cabinet for Setting up a new ammonia urea complex of minimum 8.646 Lakh Metric Tonne Per Annum (LMTPA)at a estimated cost of Rs. 4400 crores at Namrup within the existing premises of BVFCL on Public Private Partner (PPP) basis which subsequently replace the existing two uneconomical operating ammonia-urea plants, Namrup II and III. The project will be developed by a Joint Venture (JV) consisting of BVFCL, Government of Assam (GoA), Oil India Limited (OIL) and private/public entity. BVFCL (11%), GoA (11%) and OIL (26%) will be awarded equity in the project on nomination basis while private/

public parties(52%) will be inducted through competitive bidding. BVFCL's share on equity shall be by way of transferring the useful and equivalent tangible assets to the proposed JV. The remaining Assets of BVFCL shall remain with BVFCL.

The Cabinet in its meeting held 21.5.2015 approved financial restructuring of BVFCL and setting up of Namrup-IV.

(b) Financial Restructuring of **MFL**

MFL started incurring losses in the year 2003-04 and declared Sick in 2009. Recently, DoF submitted a financial restructuring proposal to Department of Public Enterprises (DPE) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSE) seeking the following:

Waiver of liabilities

Outstanding loan worth Rs. 554.24 Crore (as on 31st March 2014)

i. Outstanding interest worth Rs. 331.66 Crore along with penal interest thereon (as on 31st March 2014)

Liberal and flexible Government Policy

i. Continuation of special dispensation in pricing mechanism under NPS stage III upto conversion to Natural Gas.
ii. Continuation of additional subsidy for sourcing "N" through Naphtha based Captive Ammonia Under NBS upto conversion to Natural Gas.

However, DPE has returned the proposal stating that posts of Chairman, BRPSE, Secretary, BRPSE and two other non official members of BRPSE are vacant. The constitution of the Board is awaited.

(c) Financial Restructuring of **FACT**

FACT has started incurring losses since 1998-99 and is a sick unit. Recently Board for Reconstruction of Public Sector Enterprises (BRPSE) has recommended the following financial relief:

Infusion of funds

i. Approval for sanction of an Interest free loan of Rs. 300 crore repayable in 10 years after a moratorium of 2 years to pay extra bank borrowings.
ii. Approval for sanction of grant of Rs. 250 crore to pay suppliers and LIC on account of Gratuity.

Waivers of GoI Loans and Interest

(i) Approval for write off of outstanding loans of Rs 282.73 crore as on 31.03.2013.

(ii) Approval for write off of outstanding interest of Rs. 159.17 crore as on 31.03.2013.

Accordingly, a proposal seeking approval of CCEA for sanction of above financial reliefs to FACT submitted to Cabinet Secretariat. Department of Expenditure has raised some issues on the matter. Department of Fertilizers held discussion with Department of Expenditure to resolve these issues. Accordingly, the proposal of financial restructuring of FACT has been modified as per discussion. Now, a revised draft Cabinet Note has been circulated for inter-ministerial consultation."

Comments of the Committee

1.22 The Committee noted that expeditious revival of sick and closed fertilizer units is essential for making India self-sufficient in the production of fertilizers and to reduce its import dependency. The Committee, therefore, recommended that the process of revival of closed/sick units of fertilizers be expedited within a fixed timeframe.

In its Action Taken Replies, the Department has stated the progress made with regard to revival of three sick fertilizer companies *i.e.* Fertilizers and Chemicals Travancore Limited (FACT), Madras Fertilizers Limited (MFL) and Brahmputra Valley Fertilizer Corporation Limited (BVFCL). With regards BVFCL, the Cabinet in its meeting held on 21.5.2015 has approved financial restructuring of BVFCL and setting up of Namrup-IV. With regard to MFL, Department of Public Enterprises (DPE) has returned the proposal stating that posts of Chairman, Board for Reconstruction of Public Sector Enterprises (BRPSE), Secretary, BRPSE and two other non official members of BRPSE are vacant. The constitution of the Board is awaited. With regards FACT, a revised draft Cabinet Note has been circulated for inter-ministerial consultation as per the discussion held between Department of Fertilizers and Department of Expenditure.

The Department further stated the progress made regarding revival of closed units of Fertilizer Corporation of India Limited (FCIL) and mentioned that in Talcher unit of FCIL, selection and finalization of coal gasification is in progress. With regard to

Ramagundam unit of FCIL, the project is likely to be commissioned by 30.09.2018. With regard to Gorakhpur and Sindri units of FCIL, Cabinet in its meeting held on 30.03.2015 approved its revival through 'bidding route' on revised terms.

After analyzing the action taken replies furnished by the Department, the Committee are pleased to note the progress made in the revival of closed and sick units. However, there is no change in status in case of MFL and Korba unit of FCIL. The Committee would, therefore, expect the Department to further expedite the process of revival of sick and closed PSUs and particularly with regards to MFL and Korba unit of FCIL. The Committee would like to be apprised of the progress made in this regard.

G. Feedstock Policy/Allocation of Gas

Recommendation No. 8

1.23 Emphasizing the need to ensure supply of gas to the fertilizer manufacturing units, the Committee had recommended as under:—

> "The Committee note with concern that the availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, the availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units in the country. Further, due to shortage of domestic gas, many FO/LSHS/Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. In this context, the Empowered Group of Ministers (EGoM) on Gas Pricing and Commercial Utilization of gas in their meeting held on 23.08.2013 decided to maintain at 31.5 MMSCMD the level of supplies of domestic gas to the Fertilizer sector and give the sector first priority in meeting the requirements of any shortfall below the level of 31.5 MMSCMD from any additional production of NELP gas. The Committee also note that six naphtha based plants namely, Chambal Fertilizers & Chemicals Limited (CFCL) Gadepan-II, Zuari Agro Chemicals Limited (ZACL), Shriram Fertilizers & Chemicals Limited (SFCL), Rashtriya Chemicals & Fertilizers Limited (RCF)—Trombay V, Indian Farmers Fertilizers & Cooperative Limited (IFFCO) Phulpur-I&II have converted to Natural Gas. Further, four Furnace Oil (FO)/Low Sulphur Heavy Stock (LSHS) based urea plants namely, Gujarat Narmada Valley Fertilizers Company Limited (GNVFC), National Fertilizers Limited (NFL)-Nangal, Panipat and Bhatinda have also converted to gas. The remaining three urea units, *viz.*, Madras

Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. The Department of Fertilizers *vide* its notification dated 7tn January, 2015 has allowed the operation of all the three units to produce urea using existing feedstock Naphtha for a period of 100 days from the date of notification. If no alternative arrangement is being made before the expiry of the aforesaid period then these urea units would be virtually closed unless it is extended by another notification to allow use of naphtha. The Committee were informed that various options of supplying of gas to these Naphtha based urea units were discussed with all stakeholders *i.e.* gas producing and transporting agencies *viz*. IOCL, Petronet LNG Limited, GAIL, ONGC and Naphtha based urea units. But the supply of gas either through Floating Storage & Regasification Unit (FSRU)/Gas tankers or gas pipeline is not feasible before 18-24 months from the start date of project after all clearances. Supply of gas through pipeline is the only long term option and also techno economically viable. During the course of evidence, the Secretary of the Department informed the Committee that in China 72 to 75 % of urea production is based on coal gasification technology. In India, the next urea plant which is being set up after 15 years, is going to be commissioned in West Bengal based on coal gasification technology. Since India has lot of coal reserves, more urea could be produced on coal based technology.

In view of the forgoing, the Committee expect the Department to play a proactive role and take up the matter vigorously with all stakeholders including the Ministry of Petroleum and Natural Gas and explore all possible options to supply gas to these urea units and till no viable option is found, all the aforesaid three units may be allowed to continue to produce urea which are using naphtha as feedstock under the present arrangement. The Committee would also like the Department to ensure that adequate quantity of natural gas is supplied without any hindrance to all the existing gas based urea units. The Committee also reiterate its earlier recommendation contained in its 3rd Report pertaining to DFGs 2014-15 that the Department should also impress upon the Ministry of Petroleum and Natural Gas to work out a pricing mechanism for Naphtha/FO/LSHS based units so that non-gas based units could become cost efficient. The Committee would like to be apprised of the progress made in this regard."

Reply of the Government

1.24 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"GAIL had floated an EOI on 23.06.2014 for Pre-qualification of licensors of Coal gasification technology having proven capability to process. After scrutiny of seven offers received in response to EOI, it was observed that Air Liquid and SES Technology meet the criteria partially. Finally, it has been recommended that Air Liquid technology may be tried for first of its coal gasification project in India.

The CCEA approved gas pooling for urea sector on 31st March, 2015. After gas pooling, all urea units will get gas at uniform rate irrespective of their gas allocation to the unit. It will ensure better utilization of available domestic gas to urea sector. It also envisage the constitution of a Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through a competitive and transparent manner.

The CCEA in its meeting on 27th August, 2014, approved the operations of these three Naphtha based urea plants in the Southern States, from 1st July, 2014 to 30th September, 2014 and subsequently in its meeting on 10th December, 2014 for 100 days from date of notification of its decision *i.e.* 7th January, 2015. Subsequently, the CCEA in its meeting held on 10th June, 2015 approved the proposal for continuation of production of these three unit with Naphtha as feedstock till these plants get assured supply of gas either by pipeline or by any other means. The necessary notification has been issued on 17th June, 2015."

Comments of the Committee

1.25 The Committee noted that the three urea units which have not yet converted to Natural Gas, *viz*., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. These units were however allowed to produce urea for 100 days *w.e.f.* 7 January, 2015 using Naphtha as a fuel. As it was not possible to dispense with the use of Naphtha as a feedstock in the absence of assured supply of gas after the above deadline, the Committee, therefore, recommended that till no viable option to provide gas is found, all the aforesaid

three units may be allowed to continue to produce urea which are using naphtha as feedstock under the present arrangement. The Committee are glad to note that the Department has accepted its recommendation and has approved the proposal for continuation of production of these three unit with Naptha as feedstock till these plants get assured supply of gas either by pipeline or by any other means. Meanwhile, the Committee would like to reiterate its earlier recommendation that the Department should play a proactive role and take up the matter vigorously with all stakeholders including the Ministry of Petroleum and Natural Gas and explore all possible options to supply gas to these urea manufacturing units at the earliest. The Committee would like to know the action taken in this regard.

H. Black Marketing and Hoarding of Fertilizers

Recommendation No. 11

1.26 Stressing the need to curb the instances of black marketing, hoarding, diversion, the Committee had recommended as under:—

> "The Committee are dismayed to note that though the Department of Fertilizers has a well established system of assessing the requirement and availability of fertilizers and monitoring mechanism to track the movement of Fertilizers to the last point of sale *i.e.* retailer but still there are rampant instances of black marketing, artificial scarcity of fertilizers being created by the hoarders and illegal sale of Fertilizers across the country particularly in neighbouring countries *i.e.* Bangladesh, Nepal, Pakistan. According to the Department, the distribution of fertilizers to the farmers is the responsibility of the concerned State Government and State Governments are adequately empowered to conduct search, make seizers and take punitive action against any person violating provisions of Fertilizers Control Order-1985. When the Central Government gets the information regarding black marketing and artificial scarcity, such information is passed on to the State Government and it is the State Government's responsibility to enforce action against such cases. However, the Committee are not convinced with the explanation given by the Department on the issue and strongly feel that the Department cannot shirk from its responsibility since huge funds are being incurred by the Central Government on imports of Fertilizers and on subsidy on indigenous and imported Fertilizers being paid to the fertiliser companies. It is, therefore, imperative for the Department to take stringent steps in co-ordination with State Governments to curb the instances of black

marketing, hoarding, diversion etc. The Committee also feel that fertilizer companies should also be vested with powers to check such mal-practices by cancelling of dealerships of individuals involved in black-marketing and hoarding of fertilizers so as to deter them to indulge in such activities. The Committee would further like the Department to regularly take up the matter with the Border Security Force (BSF), customs and organizations responsible for stopping smuggling of urea across the country. The Committee expect that Department of Fertilizers will take more proactive steps in this regard.

The Committee note that Department of Fertilizers has approved the removal of cap/restriction to produce Neem Coated Urea, which will now allow the indigenous producers of urea to produce Neem Coated urea up to maximum of their total production of subsidized urea. Neem Coated urea is not only an excellent soil conditioner and bio-pesticide but also discourages the use of urea for other industrial purposes. The Committee feel that as a result of production of neem coated urea, illegal diversion of subsidized urea to non-agricultural use will be discouraged. The Committee recommend that the Department may earnestly monitor the production of neem coated urea and also establish systems to educate the farmers about the benefits of the neem coated urea in the production of their crops. The Committee would like to be apprised of the action taken in this regard."

Reply of the Government

1.27 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under:—

"The CCEA in its meeting dated 13th May, 2015 has directed the urea unit to produce 100% (entire production) neem coated urea. The companies have been directed to educate through different media and interaction etc. to enhance the use of neem coated urea.

Fertilizers are under Essential Commodities Act (ECA), 1955. Under Fertilizer Control Order (FCO), 1985, issued in exercise of the powers conferred under the ECA, the State Governments are empowered to take all necessary steps for ensuring equitable and effective distribution of all subsidized fertilizers to prevent hoarding of fertilizers and thereby creating artificial scarcity.

Department of Fertilizers has written to the Chief Secretaries of the States to activate the enforcement agencies under their jurisdiction as they have the local machinery and wherewithal to keep strict vigil to check diversion of fertilizers for non-agriculture use. Similarly, Department of Fertilizers has also written to Ministry of Home Affairs and Department of Revenue, Ministry of Finance to activate the enforcement agencies under their jurisdiction to keep strict vigil to check diversion and smuggling of Urea. Department of Fertilizers has made it mandatory for all the indigenous producers of Urea to produce 100% of their total production of subsidized Urea as Neem Coated Urea as it will enhance the availability, economize the quantity of Urea requirement for crops and will also help in increasing crop yield. All producers of urea have also been instructed to supply Neem Coated Urea (NCU) to the States."

Comments of the Committee

1.28 The Committee note that there are rampant instances of black marketing, artificial scarcity of fertilizers being created by the hoarders and illegal sale of Fertilizers across the country particularly in neighbouring countries *i.e.* Bangladesh, Nepal and Pakistan.

In its action taken replies, the Department stated that it has written to the Chief Secretaries of the States to activate the enforcement agencies under their jurisdiction as they have the local machinery and wherewithal to keep strict vigil to check diversion of fertilizers for non-agriculture use. Similarly, Department of Fertilizers has also written to Ministry of Home Affairs and Department of Revenue, Ministry of Finance to activate the enforcement agencies under their jurisdiction to keep strict vigil to check diversion and smuggling of Urea. Department of Fertilizers has made it mandatory for all the indigenous producers of Urea to produce 100% of their total production of subsidized Urea as Neem Coated Urea and also all the producers of urea have been instructed to supply Neem Coated Urea (NCU) to the States.

After analyzing the action taken replies, the Committee are dismayed to note the apart from writing to Chief Secretaries of the States and other agencies, the Department has not taken any proactive measures to curb the instances of black marketing, hoarding, diversion, etc. The Committee, therefore, strongly reiterate its recommendation and would also like the Department to take stringent steps in co-ordination with State Governments to curb such instances. The Committee would like to be apprised of the progress made in this regard.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

The Committee note that the installed capacity of fertilizer manufacturing units in the country is 132.58 lakh MT of nitrogen and 70.60 lakh MT of phosphatic nutrient as on 31.03.2015, making India the 3rd largest fertilizer producer in the world. At present, there are 30 urea units in the country manufacturing around 22.7 Million MT (MMT) of urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. Besides, there are about 97 medium and small scale units in operation producing Single Super Phosphate (SSP). The country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. The current demand of urea (2014-15) is around 31.8 MMT and the shortfall is met through imports. The projected demand of urea for 2016-17 will be around 34 MMT and by 2024-25, the same is expected to be 38 MMT. The total indigenous production by the end of 2017-18 is likely to be around 31.5 MMT per annum leaving a gap of nearly 5 MMT between demand and supply. According to the Department, the said shortfall will be met partly through import and partly through additional Brownfield/Green field projects under New Investment Policy (NIP)-2012. The Committee also note that the Department proposes to bring in new Urea Policy which will encourage domestic production. In this regard, a draft CCEA note regarding New Urea Policy-2015 has been sent to concerned Ministries/Departments for inter- ministerial consultations on 19.02.2015. The Committee desire that concerted and coordinated efforts may be made by the Department in consultation with stakeholders to bring the new Urea Policy at the earliest. The Committee would like to be apprised of the progress made in the matter.

Further, due to shortage of domestic gas, many FO/LSHS/Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. Over a period of time the indigenous P&K fertilizer industry having vintage technology suffered due to frequent break downs, higher cost of production, large workforce and financial reserves. Moreover, no incentives are given to indigenous fertilizer manufacturers in the country in the form of lower taxes or duty. Customs duty rates for both raw materials and finished products are at equal level. Importers and manufacturers are placed at equal footing in tax matters. At times the cost of finished fertilizers is lower in the international market as compared to raw materials resulting in lower production in the country. Inordinate delay in payment of subsidy also adversely affect the functioning of fertilizer units. Considering the importance of chemical fertilizers as one of the key inputs for the success of agriculture in the country, the Committee expect the Department to take concrete measures to ensure sustained growth and development of fertilizer sector in the country. Vigorous and coordinated efforts also need to be made for continuous supply of adequate quantity of gas for gas based fertilizer units. Further, all fertilizer units with vintage technology need to be revamped and upgraded with latest technology to augment production of fertilizer and to cut down its cost of production. All closed/sick units of fertilizer companies also need to be revived in a time bound manner. It is also imperative that the Department may be provided with adequate funds for effective implementation of its projects and policies including settlement of huge arrears of subsidy claims of the fertilizer companies. In this context, Ministry of Finance should be impressed upon to allocate adequate funds to the Department as well as incentives may be given to the fertilizer sector in terms of lower taxes or customs duty. However, on its part, the Department should also prioritize its action plan for timely execution of its various projects/schemes and optimum utilization of its allotted fund. In view of the foregoing, the Committee would like to be apprised of the various initiatives/measures undertaken by the Department for attaining self- sufficiency in fertilizer sector.

The Committee also note that the movement of fertilizers is being decontrolled by the Government from April, 2015. According to the Department, this will result in competition amongst the fertilizer companies making the fertilizers more affordable to farmers increasing consumption and production. However, the Committee apprehend that decontrolling of movement of fertilizer may incline fertilizer companies to supply fertilizers only in those areas which are more profitable and accessible in comparison to those areas which are less profitable and inaccessible and leading to imbalanced distribution of fertilizers. This would eventually leave the poor farmers at the mercy of these companies and may add to their misery. The Committee, therefore, feel that the Department of Fertilizer, being the nodal authority, can not simply absolve themselves of their responsibility in the matter. The Committee, therefore, recommend that the Department of Fertilizer should built an institutional mechanism to monitor the movement of fertilizers under the decontrolled regime ensuring timely supply of adequate quantity of fertilizers at affordable prices to the farmers even in the remotest areas of the country. Precautionary measures also need to be taken to check the companies from engaging in evil practice of undue profiteering under the decontrolled regime.

Reply of the Government

The indigenous P&K fertilizer industry was under government control under Concession Scheme for a long period prior to implementation of NBS Scheme. Under the Scheme the difference of normative delivered price and the statutory MRP was being paid as concession. Due to low profit and assured sale of their product, the fertilizer industry did not innovate and keep pace with the latest technological developments in fertilizer sector and continued with the existing technology and machinery. Over a period of time, many fertilizer companies having vintage technology suffered due to frequent break downs, higher cost of production, large workforce and financial reserves. Non-availability of domestic gas to many P&K fertilizer companies/non-creation of infrastructure for making available natural gas to these companies has affected growth of P&K fertilizer industry in the country. Delay in payment of subsidy due to inadequate funds has also affected the functioning of P&K fertilizer industries in the country affecting their growth.

However, in order to enable the fertilizer companies to do business as per the market dynamics, the Deptt. has introduced Nutrient Based Subsidy Scheme *w.e.f.* 1.4.2010. Under the policy, the companies are allowed to fix their MRP at reasonable level as per market dynamics. This enabled the companies to find new markets and take their own commercial decisions to innovate in new products etc.

There are no incentives to indigenous fertilizer manufacturers in the country in the form of lower taxes or duty. Customs duty rates for both raw materials and finished products are at equal level. Importers and manufacturers are placed at equal footing in tax matters. At times the cost of finished fertilizers is lower in the international market as compared to raw materials resulting in lower production in the country.

For growth of indigenous P&K fertilizer industry in the country, the Deptt. of Fertilizers had taken up with Ministry of Finance for reduction in custom on imported raw materials.

The Department has again requested the Ministry of Finance, Department of Revenue to consider the proposal.

The movement and distribution of entire 100% of Urea both imported and indigenous is regulated by Department of Fertilizers (DoF) through Monthly Supply Plan. The Department also draws Supply Plan for entire imported and indigenous Phosphatic and Potassic Fertilizers and conveys the Supply Plan to the respective State Governments on month to month basis. DoF will regulate the movement of these Fertilizers to bridge the supplies in underserved areas. Further, the distribution and movement of fertilizers along with imports of finished fertilizers, fertilizer inputs and production by Indigenous units is being monitored through the online web based "Fertilizer Monitoring System (FMS)/ Mobile FMS-Phase-I". In order to monitor and ensure that the subsidized P&K fertilizers reach throughout the country and its availability is maintained as per the requirement, the Fertilizer Account Wing will prepare and furnish the month-wise quantity of P&K fertilizers moved by different companies to different locations (district-wise) based on the data submitted in the FMS by P&K fertilizer companies. The respective State Agriculture Departments will also closely monitor the availability of P&K fertilizers in consultation with the fertilizer companies and their respective field units and in consultation with DAC will ensure availability of these fertilizers in the concerned States. If shortages/non-availability of these fertilizers is still noticed in any part of their respective States, the same will be brought to the notice of DoF for further action.

The Government has notified the New Urea Policy-2015 (NUP-2015) for existing gas based urea manufacturing units on 25th May, 2015 with the twin objectives of maximizing indigenous urea production and promoting energy efficiency in urea production while rationalizing subsidy burden on the Government. It is expected to prepare the domestic urea sector to become globally competitive in terms of energy efficiency over a period of three years.

The CCEA approved gas pooling for urea sector on 30th March, 2015. After gas pooling, all urea units will get gas at uniform price. The provisions of gas pooling will ensure that RLNG will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under the New Urea Policy, 2015. The DoF has notified NIP-2012 on 2nd January, 2013 and its amendment on 7th October, 2014, to attract fresh investment in urea sector and reduce import dependency in urea. As a result of notification, DoF has taken note of these proposals and directed the project proponents to take necessary action as per the provisions of NIP-2012 and its amendment.

To ensure the availability of fertilizers in the country, Government has taken following steps:-

(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.

(b) On the basis of month-wise & State-wise projection given by Department of Agriculture and Cooperation, Department of Fertilizers allocates sufficient/adequate quantities of 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); DoF tracks the movement of fertilizers upto the district level, this is extended through Mobile Fertilizer Monitoring System (MFMS), which tracks the receipts of the fertilizer till the Retailers' level. This system is in public domain and anybody can access the system and know availability of fertilizers upto Retailers' level. The list of retailers is also available in MFMS-www.mfms.nic.in.

(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 indicated by the State Governments.

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

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin.II (Vol. II), dated 21.08.2015]

Comments of the Committee

(Please *see* Para No. 1.7 of Chapter-I of the Report)

Recommendation No. 3

The Committee note that the projected requirement of the Department under Non-plan section for the year 2012-13 was Rs. 90249.26 crore against which RE allocation for the year 2012-13 was Rs. 70,618.00 crore and the actual expenditure was Rs. 70618.65 crore, although the actual requirement was much higher as the Department had to carry over liabilities of Rs. 22200.62 crore relating to the year 2011-12. As a result the Department has to roll over an amount of Rs. 26414.88 crore to the next year as carry over liabilities. For the year 2013-14, against the projected requirement of Rs. 97050.96 crore, RE allocation was Rs. 71,962.00 crore (RE) and the actual expenditure during the year was Rs. 71300.68 crore. The Department has to roll over the arrears of unpaid subsidy of Rs. 40340.78 crore to the next year. Against the projected requirement of Rs.1,56,420.48 crore for the year 2014-15, the Department was allocated an amount of Rs. 74092.73 crore at RE stage. Thus, the Committee are distressed to note that the Department did not get the budgetary allocation over the past few years commensurate with the projected requirement under non-plan head. As a matter of fact, the Committee note that non-plan budgetary allocation to the Department has remained almost stagnant over the past 2-3 years. As a result, a huge amount of subsidy continues to remain unpaid to the fertilizer companies. These companies have to raise funds from the banks with 8% interest thereon. Even for non-plan budgetary allocation for the year 2015-16 at BE stage is only Rs. 72997.80 crore which is more or less at par with BE 2014-15. During the course of evidence, the Secretary of the Department had accepted the fact that the urea manufacturing companies have not been paid subsidy since August 2014. Under huge financial constraints, the fertilizer companies could not be expected to grow and make the country self-reliant in the field of fertilizer sector which is very vital for the development of the agriculture sector and over all economy of the country. The Committee are of the view that unpaid arrears of subsidy should not roll over year after year as the same affects the functioning and growth of the fertilizer industries in the country. The Committee, therefore, recommend that the non-plan budgetary allocation of the Department be augmented so as to clear all the unpaid subsidy of the past. The Department should vigorously pursue its case with the Ministry of Finance and urge them to increase its non-plan budgetary allocation commensurate with its requirement At the same time the Department needs to take some concrete measures to contain the ever increasing subsidy bill. The Committee are of the view in order to reduce the subsidy bill, it is imperative that indigenous production of fertilizer may be augmented and its production cost may be reduced by optimum utilization of technology and by reducing consumption of energy. The Committee would like the Department to address this issue seriously and intimate the initiatives taken by them in this regard.

Reply of the Government

The New Urea Policy-2015, aims to achieve twin objectives of maximizing indigenous urea production and promoting energy efficiency in urea production and at the same time rationalizing subsidy burden on the government. It is expected to prepare the domestic urea sector to become globally competitive in terms of energy efficiency over a period of three years.

On the basis of actual energy consumption and preset norms, the units have been divided into three groups and revised energy consumption norms have been fixed for next three financial years and target energy norms have been fixed for 2018-19. It will drive urea units to select better technology and different measure to reduce energy consumption. The higher energy efficiency due to aforesaid measure will reduce subsidy bill. It is expected that there would be reduction in the subsidy burden of the government in two ways — reduction in specific energy consumption norms and import substitution on account of higher domestic production.

Department of Fertilizers has sought an amount of Rs. 16,500 crore for Indigenous urea and Freight Subsidy, under Non-Plan expenditure in the 1st batch of Supplementary Demand for 2015-16 *vide* O.M. No. 5(2)/2015-Fin.I dated 01.07.2015.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

Recommendation No. 6

The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. In this regard, the Department has also notified the amendment to NIP-2012 on 7th October 2014 substituting the phrase "guaranteed buyback" with the expression that subsidies will be given only upon domestic sale as at present with proper safeguards. Based on the amendment to NIP-2012, the Department has received 12 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. These proposals are being examined by the Department in the light of the provisions of the NIP-2012 and amendments thereof and according to them the same is likely to finalized soon. The Committee hope that proposals received under NIP-2012 would be finalised expeditiously with in a fixed time line so that projects are set up as early as possible which would, in turn, give great boost to production of urea in the country. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

On 21st April, 2015 the DoF issued letter to all project proponents stating that DoF has taken note of their proposals and further directed them to take necessary steps as per the provisions of NIP-2012 notified on 2nd January, 2013 and its amendment on 7th October, 2014.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

Comments of the Committee

(Please *see* Para No. 1.19 of Chapter-I of the Report)

Recommendation No. 7

The Committee have time and again emphasized the need for expeditious revival of closed/sick units of fertilizer companies particularly in the context of augmenting indigenous production of fertilizers and to make the country self reliant in fertilizer sector. Out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, 3 companies *viz*. Fertilizers and Chemicals (FACT), Madras Fertilizers Limited (MFL) and Brahmputra Valley Fertilizer Corporation Limited (BVFCL) are sick and 2 companies *viz*. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. Government is considering proposals for financial restructuring of three sick companies namely MFL, FACT and BVFCL, which *inter-alia* involves write off of Government of India loan and the interest thereon. BVFCL is incurring losses since inception due to low capacity utilization and high energy consumption. BRPSE has recommended the financial restructuring plan to the Government. Based on the recommendations of BRPSE, a cabinet note has been forwarded to the Cabinet Secretariat for placing it before Cabinet for approval. MFL started incurring losses in the year 2003-04 and declared sick in 2009. Recently, a financial restructuring proposal has been submitted to Department of Public Enterprises (DPE) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSE) which has been returned as the posts of Chairman, BRPSE, Secretary, BRPSE and two other non official members of BRPSE are vacant. The constitution of the Board is awaited. FACT has started incurring losses since 1988-99 and is a sick unit. Recently, BRPSE has recommended financial relief for infusion of funds and waivers of GoI loans and interest. A proposal seeking approval of CCEA for sanction of financial reliefs to FACT has been submitted to Cabinet Secretariat. Department of Expenditure has raised some issues on the matter and the same is being discussed by the Department of Fertilizers to resolve the issues.

Apart from these 3 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress and these units are likely to become functional after 36 months for the date of Award to the technology suppliers. As regards Sindri, and Barauni units, the Government is considering exploring the feasibility of revival through the 'bidding route'. As regards Gorakhpur unit, the Government is considering exploring the feasibility of revival through 'nomination route' instead of the 'bidding route'. However, the revival of Korba unit would be taken up later on. As a result of revival of these closed units, the estimated increase in production of urea in the country will be of 1.30 Million Tons per annum per unit. In view of the foregoing, the Committee are of the view that expeditious revival of sick and closed fertilizer units is essential for making India self-sufficient in the fertilizer sector and to reduce its imports dependency. However, the Committee regret to note the slow pace of progress made by the Government in the revival of these sick units so far. The Committee also feel that the delay in the revival of closed and sick units leads to time and cost overruns. Keeping in view the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/sick units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

Revival of closed units of HFCL/FCIL

At present none of the units of Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation limited (HFCL) are operational as all the units of these companies are lying closed. Details on the closed fertilizer plants are as under:

Name of the PSU	Unit	State
Fertilizer Corporation of India Limited (FCIL)	Sindri	Jharkhand
	Gorakhpur	Uttar Pradesh
	Talcher	Odisha
	Ramagundam	Andhra Pradesh
	Korba	Chhattisgarh
Hindustan Fertilizer Corporation Limited (HFCL)	Barauni	Bihar
	Haldia	West Bengal
	Durgapur	West Bengal

Revival of closed units of HFCL/FCIL

In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (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. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis. Gorakhpur & Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route.

In August, 2011, the Cabinet Committee on Economic Affairs (CCEA) had approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by the consortium of M/s. Rashtriya Chemical & Fertilizers Limited (RCF), M/s. Coal India Limited (CIL) and M/s. Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s. Engineers India Limited (EIL) and M/s. National Fertilizers (NFL) Limited and revival of Sindri unit by M/s. Steel Authority of India Limited (SAIL).

In its meeting held on 9.5.2013, CCEA, *inter-alia,* approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board for Industrial and Financial Reconstruction (BIFR). Proposal/action plan on revival of HFCL units to be taken up once revival of FCIL units is on track.

Unit-wise status of revival is as follows

Fertilizer Corporation of India Limited (FCIL)

Talcher Unit of FCIL

- Talcher unit of FCIL to be revived on nomination basis by consortium of PSUs namely, Rashtriya Chemicals & Fertilizers Limited (RCF), Coal India Limited (CIL), Gas Authority of India Limited (GAIL) & FCIL by forming Joint Venture.
- The Memorandum of Understanding (MoU) among consortium PSUs *i.e.* CIL, RCF, GAIL and FCIL, has been signed on 05.09.2013.
- Joint Venture (JV) agreement amongst the consortium partners signed on 24.12.2014

- Selection & finalization of coal gasification technology is in process.
- Further necessary actions are being taken in this regard.

Ramagundam Unit

- Ramagundam unit of FCIL to be revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL.
- The pre-project activities for revival of Ramagundam Unit (Telangana) are in progress to set-up a gas-based fertilizer plant.
- The Joint Venture agreement signed on 14.1.2015.
- EIL & NFL are having discussions with the Technology providers.
- JV Company named "Ramagundam Fertilizers & Chemicals Limited" formed on 17.2.2015
- The JV Company would operate the plant and EIL would take up the detailed Engineering Procurement of equipment and Construction (EPC) of the plant.
- The project likely to be commissioned by 30.9.2018.

Sindri unit

- Sindri unit of FCIL was to be revived on nomination basis by SAIL and FCIL
- SAIL-Sindri Projects Ltd. (SSPL), a wholly owned subsidiary of SAIL, had been incorporated in November, 2011 for the purpose of revival of Sindri Unit of FCIL.
- However, not much progress has been made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant due to encroachment.
- In the meantime, SAIL has informed that the scenario for SAIL has undergone change, a massive modernization and expansion plan of SAIL is currently under implementation, with Capital Expenditure (CAPEX) commitment of Rs. 72,000 crore. SAIL has drawn a vision plan 2025 to expand to 50 MTPA Hot Metal capacity by 2025. This requires a commitment around Rs. 2.02 lakh crore. In view of the above, SAIL Board has taken a view not to pursue the Sindri Revival project further.

- Sindri unit is en-route of the proposed Jagdishpur-Haldia Pipeline (JHPL) of GAIL. DoF while exploring the feasibility of fast tracking the revival of Sindri unit and for utilizing the gas and to leverage the existing infrastructure of Sindri unit, considered the alternative route for revival, *i.e.* through the 'bidding route'.
- Cabinet in its meeting held on 21.05.2015 approved revival of Sindri unit through 'bidding route'.

Gorakhpur unit

- Gorakhpur unit of FCIL was to be revived through 'bidding route' as per CCEA approval in 2011.
- M/s. GAIL is planning to lay a gas pipeline from Jagdishpur (Uttar Pradesh) to Haldia (West Bengal). To make this gas pipeline financially viable, there is a need of anchor units en-route the pipeline for utilizing the gas.
- Therefore, it was decided that revival of Gorakhpur unit of FCIL, which is en-route of Jagdishpur-Haldia pipeline(JHPL) should be fast tracked by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011.
- Cabinet in its meeting held on 31.3.2015 approved revival of Gorakhpur unit through 'bidding route' on revised terms.

Korba unit

- The revival of Korba (Chhattisgarh) unit of FCIL would be taken up later on.
- Hindustan Fertilizer Company Limited (HFCL).
- Three closed units of HFCL to be revived through 'bidding route' as per CCEA approval in 2011.
- In terms of CCEA approval in May, 2013 proposal/action plan on revival of HFCL to be taken up once revival of FCIL units is on track.
- However, in the context of the recent announcement of the proposed Jagdishpur-Haldia Pipeline of GAIL, DoF explored the feasibility of fast tracking the revival, of Barauni unit of HFCL.

Barauni unit

- M/s. GAIL India Limited (GAIL) is planning to lay a gas pipeline from Haldia (West Bengal) to Jagdishpur (Uttar Pradesh) (HBJ). This pipeline would be passing around 70 km away from Barauni Unit.
- To make the gas pipeline financially viable, there is a need of anchor units en-route the pipeline for utilizing the gas.
- Therefore, it has been decided that revival of Barauni Unit of HFCL, which is en-route of HBJ pipeline through the 'bidding route' by providing land on lease basis to facilitate obtaining loan by the investor, instead of providing the land on 'right to use' basis as approved earlier by the CCEA in 2011.
- The Cabinet in its meeting held on 31.3.2015 approved revival of Barauni unit through 'bidding route' on revised terms.

Haldia & Durgapur units

At present, Department has no plan to revive Haldia & Durgapur units of HFCL keeping the following in view:

- HFCL has no land lease agreements for land of its units at Haldia and Durgapur.
- ADDA at Durgapur and Kolkata Port Trust (KoPT) at Haldia, have earlier raised objections against floating of Expression of Interest (EOI) in respect of Durgapur and Haldia respectively till the land disputes are settled.
- The lease of most of the land leased to HFCL at Haldia by Kolkata Port Trust (KoPT) expired in 2004.
- KoPT issued an eviction notice to HFCL in the year 2005 which was challenged by HFCL in Kolkata High Court, but the court declined to give stay order. BIFR directed KoPT to maintain status quo. KoPT has also raised a claim of more than Rs. 200 crores towards rental charge, penalties etc.
- HFCL Haldia unit also has lots of contingent liabilities.

Revival of Sick PSUs

There are three fertilizer Public Sector Undertakings which are sick. These PSUs are Madras Fertilizers Limited (MFL), The Fertilizers And Chemicals Travancore Limited (FACT) and Brahmaputra Valley Fertilizer Corporation Limited (BVFCL). Government is considering proposals for financial restructuring of above these three PSUs, which *inter-alia,* involves, write-off of GOI loan and interest on GOI loan. Brief of proposed financial restructuring are as below:

(a) Financial restructuring of BVFCL & Setting up of Namrup-IV

(i) BVFCL is incurring financial losses since inception due to low capacity utilization & high energy consumption. The plants were underperforming due to obsolete technology, equipment failures and shortage of natural gas. For financial restructuring of BVFCL, a proposal was sent to Board for Reconstruction of Public Sector Enterprises (BRPSE). The BRPSE in Feb., 2014 discussed the financial restructuring proposal of BVFCL. The Board, after having taken into account all the relevant factors on the proposal, recommended to the Government the following financial restructuring plan. Based on the recommendations of BRPSE, following financial relief to BVFCL were proposed for consideration/ approval of the Cabinet:

(a) Waiver of total cumulative interest till date on GOI loans (updated amount as on 31.03.2013 is Rs. 566.20 crore).

(b) Waiver of loan of Rs. 21.96 crore taken for revamp of Namrup-I, as the Namrup-I plant has permanently been stopped.

(c) Conversion of GOI loans provided to the company to interest free loan. The company on attaining profit will service the GOI loans from 2014-15 onwards.

(d) 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 Government of India for calculating the concession rate of urea under NPS-III.

(e) BVFCL to implement 2007 pay scales as per DPE guidelines.

(f) BVFCL to scrap and dispose-off the remaining unusable assets of closed Namrup-I plant on 'as is where is' basis.

(ii) Setting up of Namrup-IV

The process technology and engineering of the existing Namrup-II and Namrup-III Plants are of 1960's and 70's, which are considered old & obsolete against the latest new generation plants. Both the plants failed to sustain desired operational efficiency from the beginning and deteriorated rapidly and were required to be strengthened with systematic investment on renovation. Accordingly, Namrup Revamp Project of BVFCL was sanctioned by Government. Though revamp could bring in reasonable reliability of operation in Namrup-II and Namrup-III, it failed to uplift energy efficiency, mainly due to obsolete energy intensive technology. Relentless effort on maintenance and renewal & replacement action in the recent past has brought some positive result and company has been able to generate reasonable operating profit even though, specific energy consumption of end-product urea for both the Namrup-II and Namrup-III plants turns out to be very high, compared to modern, large capacity gas based plants.

A proposal was sent for consideration/approval of the Cabinet for Setting up a new ammonia urea complex of minimum 8.646 Lakh Metric Tonne Per Annum (LMTPA) at an estimated cost of Rs. 4400 crores at Namrup within the existing premises of BVFCL on Public Private Partnership (PPP) basis which subsequently replace the existing two uneconomical operating ammonia-urea plants, Namrup-II and III. The project will be developed by a Joint Venture (JV) consisting of BVFCL, Government of Assam (GoA), Oil India Limited (OIL) and private/public entity. BVFCL (11%), GoA (11%) and OIL (26%) will be awarded equity in the project on nomination basis while private/public parties (52%) will be inducted through competitive bidding. BVFCL's share on equity shall be by way of transferring the useful & equivalent tangible assets to the proposed JV. The remaining Assets of BVFCL shall remain with BVFCL.

The Cabinet in its meeting held on 21.5.2015 approved financial restructuring of BVFCL & setting up of Namrup-IV.

(b) Financial Restructuring of MFL

MFL started incurring losses in the year 2003-04 and declared Sick in 2009. Recently, DoF submitted a financial restructuring proposal to Department of Public Enterprises (DPE) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSEs) seeking the following:

Waiver of liabilities

(i) Outstanding loan worth Rs. 554.24 crore (as on 31st March, 2014).

(ii) Outstanding interest worth Rs. 331.66 crore along with penal interest thereon (as on 31st March, 2014).

Liberal and flexible Government Policy

(i) Continuation of special dispensation in pricing mechanism under NPS stage-III upto conversion to Natural Gas.

(ii) Continuation of additional subsidy for sourcing "N" through Naphtha based Captive Ammonia under NBS upto conversion to Natural Gas.

However, DPE has returned the proposal stating that posts of Chairman, BRPSE, Secretary, BRPSE and two other non-official members of BRPSE are vacant. The constitution of the Board is awaited.

(c) Financial Restructuring of FACT

FACT has started incurring losses since 1998-99 and is a sick unit. Recently Board for Reconstruction of Public Sector Enterprises (BRPSE) has recommended the following financial relief:

Infusion of funds

(i) Approval for sanction of an interest free loan of Rs. 300 crore repayable in 10 years after a moratorium of 2 years to pay extra bank borrowings.

(ii) Approval for sanction of grant of Rs. 250 crore to pay suppliers and LIC on account of Gratuity.

Waivers of GoI Loans & Interest

(i) Approval for write-off of outstanding loans of Rs. 282.73 crore as on 31.03.2013.

(ii) Approval for write-off of outstanding interest of Rs. 159.17 crore as on 31.03.2013.

Accordingly, a proposal seeking approval of CCEA for sanction of above financial reliefs to FACT submitted to Cabinet Secretariat. Department of Expenditure has raised some issues on the matter. Department of Fertilizers held discussion with Department of Expenditure to resolve these issues. Accordingly, the proposal of financial restructuring of FACT has been modified as per discussion. Now, a revised draft Cabinet Note has been circulated for inter-ministerial consultation.

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Comments of the Committee

(Please *see* Para No. 1.22 of Chapter-I of the Report)

Recommendation No. 8

The Committee note with concern that the availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, the availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units in the country. Further, due to shortage of domestic gas, many FO/LSHS/ Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. In this context, the Empowered Group of Ministers (EGoM) on Gas Pricing and Commercial Utilization of gas in their meeting held on 23.08.2013 decided to maintain at 31.5 MMSCMD the level of supplies of domestic gas to the Fertilizer sector and give the sector first priority in meeting the requirements of any shortfall below the level of 31.5 MMSCMD from any additional production of NELP gas. The Committee also note that Six naphtha based plants namely, Chambal Fertilizers & Chemicals Limited (CFCL) Gadepan-II, Zuari Agro Chemicals Limited (ZACL), Shriram Fertilizers & Chemicals Limited (SFCL), Rashtriya Chemicals & Fertilizers Limited (RCF)-Trombay-V, Indian Farmers Fertilizers & Cooperative Limited (IFFCO) Phulpur-I & II have converted to Natural Gas. Further, four Furnace Oil (FO)/Low Sulphur Heavy Stock (LSHS) based urea plants namely, Gujarat Narmada Valley Fertilizers Company Limited (GNVFC), National Fertilizers Limited (NFL)—Nangal, Panipat & Bhatinda have also converted to gas. The remaining three urea units, *viz.*, Madras Fertilizers Limited (MFL)—Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)—Mangalore and Southern Petrochemicals Industries Limited (SPIC)—Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. The Department of Fertilizers *vide* its notification dated 7th January, 2015 has allowed the operation of all the three units to produce urea using existing feedstock Naphtha for a period of 100 days from the date of notification. If no alternative arrangement is being made before the expiry of the aforesaid period then these urea units would be virtually closed unless it is extended by another notification to allow use of naphtha. The Committee were informed that various options of supplying of gas to these Naphtha based urea units were discussed with all stakeholders *i.e.* gas producing and transporting agencies *viz*. IOCL, Petronet LNG Limited, GAIL, ONGC and Naphtha based urea units. But the supply of gas either through Floating Storage & Regasification Unit (FSRU)/Gas tankers or gas pipeline is not feasible before 18-24 months from the start date of project after all clearances. Supply of gas through pipeline is the only long term option and also techno economically viable. During the course of evidence, the Secretary of the Department informed the Committee that in China 72 to 75% of urea production is based on coal gasification technology. In India, the next urea plant which is being set up after 15 years, is going to be commissioned in West Bengal based on coal gasification technology. Since India has lot of coal reserves, more urea could be produced on coal based technology.

In view of the forgoing, the Committee expect the Department to play a proactive role and take up the matter vigorously with all stakeholders including the Ministry of Petroleum and Natural Gas and explore all possible options to supply gas to these urea units and till no viable option is found, all the aforesaid three units may be allowed to continue to produce urea which are using naphtha as feedstock under the present arrangement. The Committee would also like the Department to ensure that adequate quantity of natural gas is supplied without any hindrance to all the existing gas based urea units. The Committee also reiterate its earlier recommendation contained in its 3rd Report pertaining to DFGs 2014-15 that the Department should also impress upon the Ministry of Petroleum and Natural Gas to work out a pricing mechanism for Naphtha/FO/LSHS based units so that non-gas based units could become cost efficient. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

GAIL had floated an EOI on 23.06.2014 for pre-qualification of licensors of Coal gasification technology having proven capability to process. After scrutiny of seven offers received in response to EOI, it was observed that Air Liquide and SES Technology meet the criteria partially. Finally, it has been recommended that Air Liquide technology may be tried for first of its coal gasification project in India.

The CCEA approved gas pooling for urea sector on 31st March, 2015. After gas pooling, all urea units will get gas at uniform rate irrespective of their gas allocation to the unit. It will ensure better utilization of available domestic gas to urea sector. It also envisage the constitution of a committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through a competitive and transparent manner.

The CCEA in its meeting on 27th August, 2014, approved the operations of these three Naphtha based urea plants in the Southern States, from 1st July, 2014 to 30th September, 2014 and subsequently in its meeting on 10th December, 2014 for 100 days from date of notification of its decision *i.e.* 7th January, 2015. Subsequently, the CCEA in its meeting held on 10th June, 2015 approved the proposal for continuation of production of these three units with Naptha as feedstock till these plants get assured supply of gas either by pipeline or by any other means. The necessary notification has been issued on 17th June, 2015.

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Comments of the Committee

(Please *see* Para No. 1.25 of Chapter-I of the Report)

Recommendation No. 9

The Committee note that due to constraints in the availability of gas which is the preferred feedstock for production of nitrogenous fertilizers, a near total dependence on imports for Phosphatic fertilizers 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 agreement 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. The Committee also note that the Department has undertaken Joint Ventures (JVs) abroad with 5 countries in P&K Sector in the previous years and significant part of the demand for P & K fertilizers are being met with the assured supply of fertilizers through these Joint Ventures/long term offtake agreements. In addition to the above, talks are in advanced stages with other countries for establishing Joint Ventures with long term offtake agreements. The Committee would, therefore, like the Department, being the nodal authority, to make concerted efforts in coordination with Indian diplomatic missions abroad to expedite the process of talks for establishing JVs with other countries. The Committee also expect the Department to explore the possibilities of new JVs abroad or to acquire fertilizer raw materials abroad which would help in assuring continuous supply of P & K fertilizers. The Committee hope that as a result of these efforts adequate quantity of P & K Fertilizers would be available to the farmers in the country. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

India's dependency on import at present is to the extent of 25% of our requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. 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 agreement 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.

During the year 2014-15, no joint venture with any country was signed by this Department but during the said year a number of major developments took place with the following countries:—

Russia: An offer of 30% stake in the fertilizer project being undertaken by M/s ACRON to develop the Talitsky Potassium Magnesium deposit in Perm, Russia has been received. From Indian side, NMDC has confirmed its firm interest in the project and has now sent a draft Memorandum of Understanding (MoU) of exclusivity for initiating comprehensive due diligence. In the Sub group meeting on fertilizers between India and Russia held on 08.10.2014, the outstanding issues were discussed and it was decided to send a delegation of the Indian consortium to Russia in early November, 2014 to finalize the MoU. A team of representatives from RCF, NMDC, NFL and M/o Steel visited Russia in first week of December, 2014 and a MoU between ACRON and Indian consortium has been signed on 11th December, 2014 during the visit of Russian President.

Iran: A Urea/Ammonia Joint Venture project with RCF, GNFC and GSFC, as Indian entities, has been proposed to be set up in Iran. Iranian Government has indicated gas price of $2.9/MMBTU for the project which is cheaper than the price prevailing in Indian market. For identification of Iranian partners for the Joint ventures and location of plant for the project, SBI Cap has been appointed by RCF and GNFC as consultant who is expected to give its report shortly. After receipt of the report from SBI Cap, further action to negotiate gas supply agreement and MoU with the Iranian partners would be taken. The annual Urea production from the Joint venture is expected to be 1.3 million MT which would be imported in India. Hon'ble Minister (C&F) has written to the Iranian Oil Minister highlighting the issue of gas price and its availability for this project. He has also requested for according national treatment to this project at par with domestic projects. D/o Fertilizers has instructed Indian entities for expeditious finalization of the project.

Canada: M/s Encanto Potash Corporation, Canada has submitted a proposal in August, 2012 for a long-term off-take supply of potash for 2.5 million MTPA for 15 years with 8% discount on the ruling market price. The price was subject to floor and ceiling prices and equity participation was not a condition for this off-take agreement. A group of Indian public as well as private sector companies led by RCF, which included FACT, MFL, NFL, GNVFC, GSFC, Deepak Fertilizers and Coromondal decided to form a consortium to jointly negotiate the deal for supply of 1.8 million MTPA as per terms and conditions and price formula mutually agreed between M/s Encanto and the proposed consortium for a period of 17 years beginning from 2017. M/s Price Waterhouse Cooper was appointed to carry out the scrutiny and due diligence of this project. The floor price was at US$ 370 CFR India and ceiling price of US$ 625 which is much higher than the prevailing international potash prices of US$275/MT. However, with the changed scenario of potash availability and decreasing trend of potash prices in the world, Consortium members felt a need for re-negotiation with M/s Encanto as per revised terms and conditions. As of now, the project has been kept in abeyance.

Ghana: For the proposed Ammonia/Urea JV in Ghana, an MoU was signed on 6th July, 2010 at the Government level between the two countries, followed by several visits of Indian delegation to Ghana to discuss issues relating to finalisation of draft JV agreement and price of Gas. It has now been informed that Gas being offered by Ghanaian authorities for the project is not available. Therefore, project would be pursued after some time.

Turkmenistan: Possibility of setting up of Urea-Ammonia Joint Venture plant in Turkmenistan is also being explored. A delegation consisting of officers from DoF along with representatives from major fertilizer companies visited Turkmenistan in April, 2015 to assess JV/long term offtake possibilities. The project is in initial stages of discussion at present.

Further, talks are also being held with countries like Iraq, Belarus, Saudi Arabia, Qatar etc. regarding Joint Venture possibilities and Long Term Offtake Agreement.

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Recommendation No. 10

The Committee note that the month-wise demand is assessed and projected by the Department of Agriculture & Co-operation (DAC) in consultation with the State Governments before commencement of each cropping season. On the basis of month-wise & State-wise projection, the Department of Fertilizers allocates sufficient/adequate quantities of fertilizers to States by issuing monthly supply plan and the movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system also called as Fertilizer Monitoring System (FMS). 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. 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 indicated by the State Governments. The gap between demand (requirement) and production is met through import. Further, fertilizers have been declared as essential commodities under the Essential Commodities Act (ECA), 1955. In order to ensure adequate availability of fertilizers at reasonable price to the farmers the Government of India under Section 3 of the Essential Commodities Act has promulgated the Fertilizer Control Order (FCO) 1985. FCO empowers the State Governments to take appropriate action to make available fertilizers in their States at reasonable prices. Department of Fertilizers (DoF) ensures availability for all the fertilizers upto State level, within State distribution of fertilizers is the responsibility of State Governments. Almost all the State Governments prepare block level projection as well as supply plan but monitor up to district level. Notwithstanding the position stated above, the fact remains that adequate quantity of fertilizers is not being supplied to the farmers as per their requirement during the sowing season. The Committee apprehend that the statistics relating to requirement/availability/sales are completely contrary to the ground realities. The Committee strongly feel that the Department can not overlook their responsibility altogether in the matter. With the kind of technology now available, the Committee feel that it would be feasible to monitor the movement of fertilizer till it reaches to the end user *i.e.* the farmer. In case of any scarcity of fertilizer, immediate corrective measures could be taken by the Department. The Committee, therefore, desire that the system to monitor the movement of fertilizers be made more effective in co-ordination with State Governments in order to check any scarcity of fertilizers even at the local level in any part of the country. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

The demand of fertilizers for a State is assessed in advance before the commencement of the season on the basis of consumption during previous seasons, area proposed to be sown, forecast for rainfall etc. The seasonal demand is further projected month-wise. The assessed demand for fertilizers is based on ideal conditions whereas due to changes in actual sown area, pattern of rainfall and other conditions prevailing during the season, the demand changes.

As the session progresses, the demand for actual consumption is revealed gradually and the suppliers of fertilizers have also to redraw their supply schedule to cope up with the emerging demand scenario. As a result, fertilizers are moved according to demand and sometimes supply exceeds the quantity indicated in plan.

In other words, it is stated that actual sales is a reflection of actual demand during the month, whereas the month-wise projection is merely an assessment. Department of Fertilizers ensures the availability of fertilizers as per demand projected by the various State Governments. If it is viewed from the season's perspective, the seasonal availability and sales always remain at satisfactory level.

The Department of Fertilizers ensures the availability of fertilizers at the State level and tracks the availability throughout the country upto district level by an on-line web based monitoring system (www.urvarak.co.in) also called as Fertilizer Monitoring System (FMS) and this is extended through mobile Fertilizer Monitoring System (mFMS), which tracks the receipts of the fertilizer till the Retailers' level. This system is in public domain and anybody can access the system and know availability of fertilizers upto Retailers' level. The list of retailers is also available in mFMS-www.mfms.nic.in.

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. as the distribution within the State is the responsibility of the respective State Government as they have the local machinery and wherewithal to ensure adequate availability of fertilizers upto farmers level.

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 indicated by the State Governments. It is also informed that in the event of occurrence of any undesirable situation in the fertilizer distribution process, DoF is taking all possible corrective steps with the cooperation of State Governments.

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Recommendation No. 11

The Committee are dismayed to note that though the Department of Fertilizers has a well established system of assessing the requirement and availability of fertilizers and monitoring mechanism to track the movement of Fertilizers to the last point of sale *i.e.* retailer but still there are rampant instances of black marketing, artificial scarcity of fertilizers being created by the hoarders and illegal sale of Fertilizers across the country particularly in neighbouring countries *i.e.* Bangladesh, Nepal, Pakistan. According to the Department, the distribution of fertilizers to the farmers is the responsibility of the concerned State Government and State Governments are adequately empowered to conduct search, make seizers and take punitive action against any person violating provisions of Fertilizers Control Order, 1985. When the Central Government gets the information regarding black marketing and artificial scarcity, such information is passed on to the State Government and it is the State Government's responsibility to enforce action against such cases. However, the Committee are not convinced with the explanation given by the Department on the issue and strongly feel that the Department can not shirk from its responsibility since huge funds are being incurred by the Central Government on imports of Fertilizers and on subsidy on indigenous and imported Fertilizers being paid to the fertiliser companies. It is, therefore, imperative for the Department to take stringent steps in co-ordination with State Governments to curb the instances of black marketing, hoarding, diversion etc. The Committee also feel that fertilizer companies should also be vested with powers to check such malpractices by cancelling of dealerships of individuals involved in black-marketing and hoarding of fertilizers so as to deter them to indulge in such activities. The Committee would further like the Department to regularly take up the matter with the Border Security Force (BSF), customs and organizations responsible for stopping smuggling of urea across the country. The Committee expect that Department of Fertilizers will take more proactive steps in this regard.

The Committee note that Department of Fertilizers has approved the removal of cap/restriction to produce Neem Coated Urea, which will now allow the indigenous producers of urea to produce Neem Coated urea up to maximum of their total production of subsidized urea. Neem Coated urea is not only an excellent soil conditioner and bio pesticide but also discourages the use of urea for other industrial purposes. The Committee feel that as a result of production of neem coated urea, illegal diversion of subsidized urea to non-agricultural use will be discouraged. The Committee recommend that the Department may earnestly monitor the production of neem coated urea and also establish systems to educate the farmers about the benefits of the neem coated urea in the production of their crops. The Committee would like to be apprised of the action taken in this regard.

Reply of the Government

The CCEA in its meeting dated 13th May, 2015 has directed the urea unit to produce 100% (entire production) neem coated urea. The companies have been directed to educate through different media and interaction etc. to enhance the use of neem coated urea.

Fertilizers are under Essential Commodities Act (ECA), 1955. Under Fertilizer Control Order (FCO), 1985, issued in exercise of the powers conferred under the ECA, the State Governments are empowered to take all necessary steps for ensuring equitable and effective distribution of all subsidized fertilizers to prevent hoarding of fertilizers and thereby creating artificial scarcity.

Department of Fertilizers has written to the Chief Secretaries of the States to activate the enforcement agencies under their jurisdiction as they have the local machinery and wherewithal to keep strict vigil to check diversion of fertilizers for non-agriculture use. Similarly, Department of Fertilizers has also written to Ministry of Home Affairs & Department of Revenue, Ministry of Finance to activate the enforcement agencies under their jurisdiction to keep strict vigil to check diversion & smuggling of Urea. Department of Fertilizers has made it mandatory for all the indigenous producers of Urea to produce 100% of their total production of subsidized Urea as Neem Coated Urea as it will enhance the availability, economize the quantity of Urea requirement for crops and will also help in increasing crop yield. All producers of urea have also been instructed to supply Neem Coated Urea (NCU) to the States.

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Comments of the Committee

(Please *see* Para No. 1.28 of Chapter-I of the Report)

Recommendation No. 12

The Committee note with deep concern that indiscriminate and imbalanced use of fertilizers by the farmers in the country is resulting in deterioration of the soil health and its productivity. During the aforesaid study visit of the Committee to Srisailam, Andhra Pradesh, the Committee were briefed that majority of farmers use only urea for their crops which is adversely affecting soil health of their land. The Committee feel that this is primarily due to lack of awareness amongst the farmers community about the balanced use of fertilizers to boost the productivity of the soil without affecting its health. As the urea price, which is the main source of nitrogen, is highly subsidised, farmers are using it in place of phosphorous and potassic fertilizers which are very costly to be afforded by the farmers, leading to unbalanced fertilisation in soil. During the evidence, the Secretary of the Department informed the Committee that Soil Health Card Scheme is being implemented by the Ministry of Agriculture which indicates what kind of fertilizer and in what proportion to be used for maximum production of their crops. Some of the fertilizer companies are conducting demonstration and soil testing for the benefit of farmers. However, the Committee cannot remain satisfied with this and feel that there is an imperative need to check the declining productivity and degradation of soil health and to take remedial steps to improve the soil health and its productivity by proper use of fertilizers. The fertilizer companies should also be impressed upon to use certain percentage of their funds under CSR to educate the farmers in coordination with Ministry of Agriculture and other stakeholders for proper and balanced use of fertilizers for their crops. The Committee would like to be apprised of the action taken by the Department in this regard.

Reply of the Government

The efforts made by Fertilizer PSUs in this regard are as under:—

1. MFL

In order to alleviate the indiscriminate and imbalanced use of fertilizers, Madras Fertilizers Limited as a responsible PSU, is organising various Agro Service Programmes to educate the farmers to promote soil health, balanced use of fertilizers and advanced farming techniques for improved yields.

During the year 2014-15, MFL organised various development/ promotional programmes and planned to organise programmes during 2015-16 as detailed below:—

Sl. No.	Name of the programme	Description	2014-15 Nos.	2014-15 Expenditure (Rs.)	2015-16 Nos.	2015-16 Budget (Rs.)
1	2	3	4	5	6	7
1.	Farmers contact Programmes	Each programmes conducted for a period of 5 days wherein MFL's field personnel contacted 50 farmers per day and educated them.	18	1,55,000	30	2,24,000
2.	Exhibitions	MFL participates in Krishi Melas organised in States with a vivid display of promotional materials.	6	10,090	11	33,000

1	2	3	4	5	6	7
3.	Soil Samples	Soil samples are collected and analysed for N,P,K and micro-nutrients.	6,099	38,065	6,000	1,21,000
4.	Bio Demonstrations	MFL conducts Bio-fertilizer demonstrations with a motive to promote the concept of organic farming.	71	19,274	72	43,200
5.	Individual Farmers contacts	Our marketing personnel contact farmers on site and educate them during routine tours.	33,602	–	33,000	–
6.	Farmers contact programmes through third party	Programme conducted for a period of ten days employing field assistants.	–	–	56	22,40,000
7.	Field Demonstrations	Demonstrations on a single crop with package of practices.	–	–	56	2,24,000
8.	Point of purchase materials	Flex promotional material, banners etc.	–	–	2,750	4,12,500

2. FACT

FACT being a PSU under the DoF/Government of India, is actively involved in the promotion of balanced fertilizer application. FACT has been organizing various activities for promotion of balanced fertilizer application with the full co-operation of the State Agriculture Departments and the Universities of Agriculture in the four Southern States. The activities conducted in the year 2014-15 are as under:—

SI.No.	Name of the activities conducted	No.
1.	Field Demonstration Plots	12
2.	Agricultural Seminars	25
3.	Soil Samples analysed (in own labs.)	10,005
4.	Training programmes for dealers	09
5.	Soil Samples analysed for micro-nutrients	110
6.	Soil Samples analysed through State Govt. Labs.	1460
7.	Exhibition	06
8.	Meetings with State Agriculture Deptt. Offices	16

All these activities are taken up to impress upon the farmers the need for balanced fertilizer application. Agriculture Department of the States, agriculture scientists from the research farms and the State Agriculture Universities are involved in these programmes.

Besides, FACT has been encouraging the sales of bio-fertilizers and Organic manure (Compost based and product based on animal and plant bio-mass). The sales of these products is as below:—

Sales during 2014-15

Sl.No.	Product	Qty. in MTs
1.	Bio-Fertilizers	66.000
2.	Organic Manure	6480.000

3. FCIL

As per the decision of GoI of July/September 2002, all fertilizer plants of FCIL were closed and most of the employees were released on VSS, except few. Considering the demand-supply gap of fertilizer in the country, GoI approved revival of closed units of FCIL. The revival of these closed units of FCIL is in progress by other companies. Hence, there is no production of fertilizer in FCIL units. In view of this, FCIL is unable to educate farmers to take remedial steps to improve the soil health and its productivity by proper use of fertilizers.

4. HFCL

As per the decision of GoI of July/September 2002, all fertilizer plants of HFCL were closed and most of the employees were released on VSS, except few. Considering the demand-supply gap of fertilizer in the country, GoI approved revival of closed units of HFCL. The revival of these closed units of HFCL is in progress. Hence, there is no production of fertilizer in HFCL units. In view of this, HFCL is unable to educate farmers to take remedial steps to improve the soil health and its productivity by proper use of fertilizers.

5. PDIL

PDIL is an Engineering Consultancy Organization mainly in the field of fertilizers, and it neither manufactures nor distributes fertilizers to farmers. Hence, no activity in this regard has been done by PDIL.

6. BVFCL

BVFCL is the lead fertilizer supplier for North-Eastern States. Playing proactive roles in imparting education/creating awareness to its customers/farmers for maintaining the soil health by balanced fertilization and increasing crop production. Following activities are undertaken by BVFCL:—

(1) Farmer's training programme.

(2) Dealer's training programme.

(3) Mass campaign programme.

(4) Village adoption programme.

(5) Providing support in soil sample testing and distributing literature on methods of soil sample collection.

(6) Distribution of technical literature (package of practices) and posters on balanced use of fertilizers.

(7) Participation in exhibition/Kisan melas.

7. FAGMIL

FAGMIL is in the business of mining of mineral gypsum only in the State of Rajasthan and presently have not undertaken Fertilizer Education Programme in any part of the country. However, we are testing soil nutrients free of cost through one Mobile Soil Testing Laboratory in the Sriganganagar district of Rajasthan in mutual agreement with the Department of Agriculture, Government of Rajasthan since 11.09.2010 for a period of three years and the agreement was renewed for a period of another three years on 14.06.2014. The expenditure incurred and no. of samples analyzed from 2010-11 to till date are as under:—

Year	No. of Samples	Expenditure Incurred
2010-11	2006	18629
2011-12	4642	70365
2012-13	3780	133452
2013-14	1400	93953
2014-15	559	65658
2015-16 (till date)	350	57788
Total	12737	439845

Through the Mobile Soil Testing Laboratory (MSTL), the company have analyzed 12,737 soil samples till date and issued Soil Health cards free of cost to the respective Land owners/farmers in the Sriganganagar district of Rajasthan at the total cost of Rs. 4.40 Lakhs. However, the expenditure incurred on operation of MSTL did not form a part of CSR activities as per approved policy of the company.

8. NFL

National Fertilizers Limited right since its inception has played a sheet anchor role in not only providing quality fertilizers to the farmers but educating them on balanced & judicious use of fertilizers along with the total know-how on improved and scientific methods of cultivation to help them in getting bumper harvest and profits. For this, NFL lays great importance on technology transfer and value added services to the farmers like soil testing service, demonstrations, adoption of villages, farmers trainings, crop seminars and other advisory services, as a part of its Agriculture Extension Activities.

At National level there is growing concern about low and declining fertilizer use efficiency which is affecting crop productivity. The depletion in soil fertility due to imbalanced and unscientific use of fertilizers is one of the major reasons of declining fertilizer use efficiency and low crop productivity. The company has taken initiative to address the issue by upgrading its soil testing facilities and educating the farmers about efficient use of fertlizers based on soil test to improve crop productivity.

The company understands there is a wide gap between the best practices in agriculture to the actual practices adopted by the farmers. Thus, proliferation of education at all levels is necessary to reduce the existing gap. Keeping this objective in view, NFL undertakes following programmes so that the agriculture community can be benefitted:—

1. Soil Testing Services — At NFL's Static Labs. & Mobile Soil Testing Labs., at Farmers' Door Step—
   (i) Both Macro & Micro Nutrients Analysis
   (ii) Distribution of Soil Health Card
   (iii) Preparation of Soil Fertility Map of the village/area
2. Field Demonstrations — Showing benefits of use of balanced & efficient use of fertilizers based on soil analysis report.
3. Farmers' Training—
   (i) At Agriculture Universities/Krishi Vigyan Kendras
   (ii) At Farmers' Fields by Agriculture Experts
   (iii) At NFL's Training Centres

4. Kisan Melas — Participating in various Kisan Melas organized by Central/State/Distt. Agricultural Deptt. & various agencies.
5. Publicity Programme — NFL adopts various methods to educate the farmers like:
   (i) Distribution of Crop Literature
   (ii) Showing Video films

During the last 3 years NFL has spent the following amount on educating the farmers' in their area of operation:

Year	Expenditure (Rs. in Lakhs)	No. of Beneficiary Farmers
2012-13	47.24	2,81,280
2013-14	45.45	3,68,075
2014-15	51.17	3,89,015

During 2015-16, NFL has made a provision of Rs. 1.00 crore (app.) for expenditure on Farmers' Education Programmes. The guidelines of various activities and budget expenditure have already been communicated to the field staff for implementation.

9. RCF

The normal recommendation for balanced use of fertilizers is in the ratio of 4:2:1 of NPK respectively. The NPK use ratio during the year 2011-2012 was 6.7:3.1:1 and in 2012-2013 the ratio was 8.2 : 3.2:1. In 2013-2014 the NPK use ratio had been 8.0:2.7:1, which is alarming when compared to an ideal ratio of 4:2:1. This is mainly because of price imparity between P and K fertilizers in comparison to N fertilizers (urea). This price imparity has resulted in decline usage of particularly P fertilizer (2013-14) by 15% whereas N usage has increased by 1.20%. RCF is having a long tradition of educating & guiding the farming community Pan-India basis. Since RCF's market share in Maharashtra being substantial, most of the extensive educational programmes are tailor made for the farming community of the State.

1. RCF has taken steps to educate the farmers through its Farmers Training Centres located at Nagpur & Thal, apart from conducting subject specific training programmes in association with local KVKs throughout the year.
2. The Company's dedicated training facilities are manned by professionally qualified faculty stationed there, as well as

visiting faculty which includes eminent research scientists from agricultural institutions. The curriculum at a typical training session covers broader aspects of farm management and specifics of farm technology, with special reference to regional needs. These are supplemented by training with regard to subsidiary occupations and the lucrative futuristic option of food processing. The regional agricultural universities take an active part in the farmers' training process and case studies with regard to area specific situations, cropping pattern, socio-economic problems etc. are discussed regularly. Field visits to research centres, agricultural institutes and subsidiary occupation centres are also organized. Farmers are advised to use the fertilizer as per the health of the field soil, which can be analyzed either in Government soil testing laboratories or RCF soil testing laboratories, situated in different parts of the country. The locations of RCF's soil testing laboratories with capacities are attached.

3. Soil health cards are distributed to the farmers which indicate their soil fertility status and fertilizer requirements for the crops to be grown by the farmers. Application of fertilizers in a balanced way, based on soil analysis ensures the supply of needed nutrients in right proportion and also cures poor soil fertility for optimum productivity. In view of this, farmers need to be persuaded to get the soils of their fields analysed once in 3 years.

4. RCF's has dedicated itself in participating & adapting "Centrally Sponsored Scheme on National Project on Management of Soil Health & Fertility" (2010-2012) & established state of the art Six Static & Six Mobile Soil Testing Laboratories at Pan-India locations (details given in the Annexure).

5. From the earlier analysis of Soil sample capacity (NPK) of 35000, at present RCF is having the capacity to analyse 125000 soil samples for NPK analysis and 27000 soil samples for Micro-nutrient analysis.

6. RCF is printing a farmer dedicated agricultural magazine titled "RCF's Sheti-Patrika". This Patrika is in circulation since last 44 years & has played a significant role in popularizing our products/services & advising the farmers on Agricultural technology, Cropping pattern, Pests, etc. This Patrika has grown from strength to strength over the years. In fact it is now competing with the popular Agriculture Magazines published in Maharashtra.

7. RCF takes utmost care to cover latest & current topics in Agriculture in Sheti Patrika. At present RCF is Printing & Distributing 55000 copies/month on complimentary basis to the farmers. Even with a conservative estimate RCF's Sheti-Patrika is having a readership of over 1.50 lakh.
8. During this year 2015/2016, RCF has initiated a 10 minute educative programme capsule in the farmer's preferred program "Aamchi Mati Aamchi Manase" (telecasted on Doordarshan) titled "Krushi Samrriur dhi chi Guru Killi". In this capsule, RCF is addressing to the queries of the farmers on the subjects of common interests. This capsule will be telecasted for 52 weeks.
9. RCF has also offered a toll free call facility to the farming community of Maharashtra, border districts of Telangana & Karnataka. This facility is available for the farming community from December 2012. This service is available to the farmers free of charge from morning 9 am to 6 pm, six days a week. This facility has been titled "RCF Kisan Care".
10. RCF's Kisan Care number is: 1800-22-3044.
11. On an average RCF receives 70 to 80 calls per day.
12. RCF received around 32219 calls during December 2012 to April 2015. Out of these calls around 35 % are repeat calls. These calls have been identified as loyal farmers.

In addition to the above RCF conducts or undertakes the following activities on regular basis to educate the farmers through the following:

- Farmer meetings
- Practical demonstrations
- Soil Testing days
- Krishi Melas
- Facebook (www.facebook.com/rcfkisanmanch).

These activities are being conducted apart from RCF's regular CSR activities. Department of Agriculture & Cooperation also has taken following steps to improve the soil health and its productivity:—

(i) Government is advocating soil test based balanced use of fertilizers in conjunction with organic sources of plant nutrients like Farm Yard Manure (FYM), Compost, Bio-fertilizers and green manuring.

(ii) Soil Health Management (SHM) programme under National Mission for Sustainable Agriculture (NMSA) assists State Governments for following activities to promote soil test based balanced and judicious use of fertilizers:—

(a) Setting up of static/mobile Soil Testing Laboratories (STLs).

(b) Strengthening static/mobile Soil Testing Laboratories (STLs).

(c) Training and demonstrations on balanced use of fertilizers.

(iii) Soil Health Card scheme is introduced to assist State Governments to issue Soil Health Card to all farmers in the country. Soil Health Card will provide information to farmers on nutrients status of their soil along with recommendation on appropriate dosage on nutrients to be applied for improving soil health and its fertility. Soil status will be assessed regularly in cycle of 3 years so that nutrient deficiencies are identified and amendments applied.

(iv) Fertilizer Companies organise Kishan Melas regularly to educate the farmers about the blanced use of fertilizers.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

CHAPTER III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

—NIL—

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

A. Plan Allocation and Expenditure

Recommendation No. 2

The Committee note with deep concern that BE 2013-14 under Plan allocation was Rs. 269 crore which was reduced drastically to Rs. 100 crore in BE 2014-15 and the same was further slashed down to Rs. 50 crore in BE 2015-16 as against the BE proposal of the Department for Rs. 190.26 crore for the year 2015-16. The Committee are also distressed to note that BE 2013-14 of Rs. 269 crore was reduced to Rs. 9 crore at RE stage in 2013-14, out of which only Rs. 2.32 crore could be spent. Again, out of Rs. 100 crore in BE 2014-15, actual expenditure was only Rs. 2.04 crore upto December 2014. The Committee wonder as to how the balance amount of Rs. 98 crore *i.e.* almost 98% of the funds allocated in BE 2014-15 could be spent in the remaining part of the fiscal. The drastic reduction in allocation of Plan funds clearly shows the Department's poor budgetary planning and the unrealistic estimation of funds required by the Department for its various projects/schemes. This also shows the Department's ineffective implementation or monitoring of the action plan or monitoring of utilization of budgetary funds. The Plan fund mainly comprises of financial support to loss making three companies namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL). Under the Plan scheme, budgetary support in the form of loan is provided to these three loss making fertilizer companies for Renovation, Replacement and maintenance of critical equipment to sustain their operations. However, due to financial restrictions imposed by Ministry of Finance in respect of default in refund of Government of India loans and payment of interest thereon by CPSEs, Plan loan could not be released to these companies from 2012-13 onward. Financial restructuring of aforesaid three PSUs is not being considered under Plan fund. In this regard, the Committee feel that in the absence of adequate funds under GBS, it would be difficult for the loss making PSUs to sustain their operations.

The Committee also note that no allocation has been made under the Plan Head for the 2015-16 for Miscellaneous schemes *i.e.* Management of Information Technology (MIT) and Science & Technology (S&T). Under MIT scheme, budgetary support is given to fund need based programme namely Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the grants made available as GBS. FMS has been developed and grown to enable users to monitor availability of fertilizers online on real time basis. The Committee feel that non-allocation of GBS would adversely affect the effective functioning of FMS and mFMS which is very essential for the efficient implementation of the Direct Transfer of Subsidy scheme. The S&T programme of the Department primarily lays emphasis at Research and Development of processes and equipment *inter-alia* to lower specific energy consumption in fertiliser plants. In the absence of adequate funds, the Committee feel that it would be difficult for technical institutes/CPSEs to undertake projects related to fertiliser industry which may, in turn, hamper innovation and technological advancement in the fertiliser sector.

The Committee, therefore, recommend that the Department should take up the issue vigorously with the Ministry of Finance and impress upon them to allocate adequate funds as per the demand of the Department. The Committee may be informed of the steps being taken by the Department in this regard.

Reply of the Government

The reason for variation in BE and RE during 2013-14 & 2014-15 is the reduction of outlay by Ministry of Finance at RE stage. The main reasons for variation in RE and Actual Expenditure were:

1. Provision of Budgetary support is made by Department of Fertilizers for three loss making CPSEs namely Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Fertilizers & Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), keeping in view the overall allocation made by the Planning Commission and also considering the requirements of the companies. Due to financial restrictions imposed by Ministry of Finance *vide* its letter dated September 20, 2012, in respect of default in refund of Government of India loans and payment of interest thereon by CPSEs, Plan loan could not be released to these Fertilizer companies from 2012-13 onward.
2. Under Management of Information Technology (MIT) Head, the major portion of the budget was kept for mFMS scheme. Due to non-completion of the 2nd phase of the mFMS, the fund provided could not be utilized.

3. Under S&T Head, due to non-receipt of quality proposals, allocated fund could not be utilized in its totality.

Department of Fertilizers has sought an amount of Rs. 2.80 crore under Plan expenditure for MIT under First Supplementary Demand for 2015-16 *vide* O.M.No. 5(2)/2015-Fin.I dated 01.07.2015.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

Comments of the Committee

(Please *see* Para No. 1.10 of Chapter-I of the Report)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

A. Direct Subsidy to Farmers

Recommendation No. 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 from 1st November, 2011 and is approaching stabilization and Phase-II of mFMS which capture the retailer sales of fertilizers to farmers in pilot stage, was rolled out in 6 districts (Nawanshahar-Punjab, East Godavari-Andhra Pradesh, Sonipat-Haryana, Bilaspur-Himachal Pradesh, Ajmer-Rajasthan, and Madurai-Tamil Nadu) on 1st August, 2013. The pilot project is being implemented with the help of the 6 Lead Fertilizer Suppliers (LFS) of the concerned States. However, since feedback from Lead Fertilizer Suppliers (LFS) on Phase-II implementation is not positive, the Department is considering implementing a part of Phase-II as an interim step *i.e.* capturing retailer's sale only and not the buyer's data. As regards to subsequent phases of project *i.e.* Phase-III and Phase-IV, the Committee were informed that it was discussed and decided on 6.5.2013 that DBT in fertilizers is complex matter as there are problems in targeting, determining entitlements and preparing beneficiary databases, therefore, for the moment it would be better to keep DBT away from fertilizers. According to the Department, there is no database of the beneficiary presently available in the State who buys the Fertilizers. There are also issues like as to whether the direct subsidy has to be paid to the land owner or to the filler. There are variables such as type of soil, type of crop produced and rainfall etc., which determines the type and amount of a particular type of Fertilizers used by the farmers. Thus, assessing the entitlement of fertiliser is a very difficult task. Further, there are different subsidy regimes operational for Urea and P & K Fertilizers. For Urea, the subsidy is on cost plus basis but in P & K Fertilizers, subsidy is fixed. Therefore, in the present scenario, the product based subsidy is only possible for P & K fertiliser sector and not feasible in case of Urea which covers at least 70% of subsidy expenditure. Notwithstanding the position stated above, the Department agreed with the concerns raised by the Committee on the issue and was forthright in his approach that ultimately the Government has to endeavour to directly transfer the subsidy to the farmers instead of routing it through the company. According to them, DBT to the farmers can be done in case of P &K fertilizers on which fixed subsidy is being given like in the case of LPG. It was also informed to the Committee that DBT is being implemented as a mission in 30 districts of the country. Needless to say, the Committee have time and again emphasized the need for payment of subsidy direct to the farmers. The Committee are of the strong view that transfer of the benefits of direct subsidy to the farmers would check the corruption, close the loopholes and profligacy in subsidies. The Committee, therefore, recommend that the Department should make earnest efforts to implement the DBT scheme in the 30 districts as a mission and on the basis of its evaluation, a mechanism should be worked out in consultation with all stakeholders to address the problems in targeting, determining entitlements and preparing beneficiary databases so that the benefit of subsidy is disbursed directly to the farmers without further delay. The Committee would like to be apprised of the initiatives undertaken by the Department and the progress made in this regard.

Reply of the Government

This Department is taking necessary steps to implement DBT in fertilizers and is working in close co-ordination with Office of Mission Director, DBT under Ministry of Finance. A preliminary consultation was held with two States of Odisha and Gujarat on 06.04.2015, as they have shown interest for a pilot project in DBT. State Governments of Odisha and Gujarat were requested to indicate pilot districts. Response from both of the States have been received and the same is being examined.

Further, Mission Director (DBT) has forwarded a proposal given by National Institute of Smart Governance (NISG) to assist the department in preparing a roadmap for DBT in fertilizers. In this regard, NISG has submitted a proposal for Consultancy and Project Management for DBT in fertilizers in two (2) pilot districts of Odisha and Gujarat which was discussed in a meeting chaired by JS (Fert.) on 27th April, 2015. The proposal of National Institute of Smart Governance is under consideration of Department which would provide Detailed Project Report (DPR) in first three (3) months.

A meeting was also chaired by Mission Director (DBT) on 1st May 2015 in presence of senior representatives of NISG with Joint Secretary (Fert.) and Director (FA) from Department of Fertilizers. The various steps to be taken for roadmap of DBT in fertilizers was discussed in detail.

Further action is being planned to start the pilot project after due approvals of the Competent Authority of the Department of Fertilizers.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

Comments of the Committee

(Please *see* Para No. 1.13 of Chapter-I of the Report)

B. Nutrient Based Subsidy Policy

Recommendation No. 5

The Committee note that Nutrient Based Subsidy (NBS) policy is being implemented by the Department for P&K fertilizers *w.e.f.* 1.4.2010 under which 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 by the Government after taking into consideration all relevant factors including the likely impact of these rates on total subsidy payout The Committee observed in its earlier reports that since the introduction of NBS policy, there has been an increasing trend in prices of P&K Fertilizer, gradual decline in subsidy on decontrolled fertilizers, due to reducing per KG Subsidy on each Nutrient covered under NBS and also due to lower consumption of P&K Fertilizers. As a result thereof, the consumption of controlled fertilizer *i.e.* urea has increased leading to imbalanced use of fertilizers and deterioration of soil health. The small and marginal farmers are worst affected as they are not able to afford the high cost of decontrolled fertilizers. In this regard, the Committee were informed that in order to study the impact of NBS Policy, the Government had appointed M/s Ernst & Young (EY), which has since submitted its report in the matter. The Department has also accepted the report and is now examining the report. The Committee, therefore, recommend that the findings in the report of M/s EY should be examined thoroughly and expeditiously and on the basis of its analysis and evaluation, the NBS policy should be suitably modified so as to control the rising prices of P&K fertilizers, which would in turn encourage farmers to utilize balanced fertilizers for their crops. The Committee would like to be apprised of the action taken by the Department in this regard.

Reply of the Government

The report submitted by M/s Ernst & Young on the performance of NBS Policy has been examined.

The findings of the report show that the objectives of the NBS Policy namely, availability of P & K fertilizers throughout the country, reduction in subsidy burden, promotion of competition etc. have been achieved after implementation of the policy.

However, in respect of balanced fertilization of soil, the report says that significant low prices of Nitrogen has led to increase in gap between prices of N *vis-a-vis* P&K over last 3 years and this led to significant distortion of fertilization ratio post NBS.

As distortion of fertilization ratio is mainly due to over consumption of urea due to its low MRP fixed statutorily as compared to high price on N in P&K fertilizers, the Department felt that distortion in fertilization ratio is to be addressed in the form of review of Urea policy. Accordingly, the Department of Fertilizers is considering the issue in consultation with Department of Agriculture and Cooperation.

Recommendations of M/s Ernst & Young:

iii. Reasonableness of MRP: The report has recommendations relating to reasonability of MRP. It has suggested determination of reasonableness of MRP in two different criteria. In this regard it may be stated that the Department has already put in place a mechanism/procedure for finding out reasonableness of MRP of P&K fertilizers. In the procedure, it has been made mandatory for the fertilizer companies to furnish cost data of all subsidized P & K fertilizers produced/imported by them for release of subsidy from 2012-13 onwards and Cost Accountants have been appointed to scrutinize the cost data submitted by the fertilizer companies and based on the cost accountants' reports the reasonableness of MRPs of subsidised P&K fertilizers is being found out.

iv. Securing supplies of P&K Fertilizers: The study report states that for securing supplies of P&K fertilizers the Government should encourage strategic investments by Indian players in mines abroad by creating 'sovereign fund' for the same and creation of consortium of Indian players to bargain volume discounts. In this regard it is stated that the Government is already facilitating to secure supplies of Phosphatic and Potassic fertilizers and their raw materials and encouraging companies to set up joint ventures and long term supply agreements abroad to ensure continuous availability of finished fertilizers/raw materials in the country.

The above findings show that the Department has already taken various steps to implement the recommendations of M/s Ernst & Young.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No. F.No. 5(1)/2015-Fin. II (Vol. II), dated 21.08.2015]

Comments of the Committee

(Please *see* Para No. 1.16 of Chapter-I of the Report)

New Delhi;
07 *October*, 2015
15 *Asvina*, 1937 *(Saka)*

ANANDRAO ADSUL,
Chairperson,
Standing Committee on
Chemicals and Fertilizers.

APPENDIX I

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2015-16)

The Committee sat on Wednesday, the 07 October, 2015 from 1500 hrs. to 1600 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul—*Chairperson*

MEMBERS

Lok Sabha

2. Shri Anju Bala
3. Shri B.N. Chandrappa
4. Shri Sankar Prasad Datta
5. Shri K. Ashok Kumar
6. Shri S. Rajendran
7. Dr. Kulamani Samal
8. Dr. Krishna Pratap Singh
9. Shri Tasleemuddin
10. Shri Kotha Prabhakar Reddy

Rajya Sabha

11. Shri Narayan Lai Panchariya
12. Shri K. Parasaran
13. Shri Garikapati Mohan Rao
14. Shri Palvai Govardhan Reddy
15. Shri Mansukh L. Mandaviya
16. Shri Abdul Wahab

SECRETARIAT

1. Smt. Rashmi Jain — *Joint Secretary*
2. Shri A.K. Srivastava — *Director*

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

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

(a) Action Taken Report on Demands for Grants (2015-16) of the Ministry **of** Chemicals and Fertilizers (Department of Fertilizers); and

(b) Action Taken Report on the subject "Jan Aushadhi Scheme" of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals).

4. Both the draft Action Taken Reports were adopted by the Committee without any amendment.

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

The Committee then adjourned.

APPENDIX II

(*Vide* Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE FIFTH REPORT (16TH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2014-15) ON 'DEMANDS FOR GRANTS (2015-2016)' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

I.	Total No. of Recommendations	12
II.	Observations/Recommendations which have been accepted by the Government:—	09
	(*Vide* Recommendation Nos. 1, 3, 6, 7, 8, 9, 10, 11 and 12)	
	Percentage of Total	75%
III.	Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply:—	0
	(*Vide* Recommendation No. Nil)	
	Percentage of Total	0%
IV.	Observations/Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:—	1
	(*Vide* Recommendation No. 2)	
	Percentage of Total	8%
V.	Observations/Recommendations in respect of which replies of the Government are still awaited:—	2
	(*Vide* Recommendation Nos. 4 and 5)	
	Percentage of Total	17%