5

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2015-16)

FIFTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

20 April, 2015/ 30 Chaitra, 1936 (Saka)

CC&F.No.5

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(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2015-16)

Presented to Lok Sabha on 20 April 2015

Laid in Rajya Sabha on 23 April 2015

LOK SABHA SECRETARIAT
NEW DELHI
20 April, 2015/30 Chaitra 1936, (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2.	Shri Idris Ali
3.	Smt. Anju Bala
4.	Shri B.N. Chandrappa
5.	Shri Sankar Prasad Datta
6.	Smt. Veena Devi
7.	Shri R. Dhruvanarayana
8.	Shri Satish Kumar Gautam
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10.	Shri Kamalbhan Singh Marabi
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12.	Smt. Kamala Devi Patle
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14.	Shri Chandu Lal Sahu
15.	Dr. Kulamani Samal
16.	Dr. Uma Saren
17.	Dr. Krishan Pratap Singh
18.	Shri Taslimuddin
19.	Smt. Rekha Verma
20.*	Shri Innocent
21.*	Shri Kotha Prabhakar Reddy

RAJYA SABHA

22.	Shri Biswajit Daimary
23.	Dr. M.S. Gill
24.	Shri Sanjay Dattatraya Kakade
25.	Shri Narayan Lal Panchariya
26.	Shri K. Parasaran
27.	Shri Garikapati Mohan Rao
28.	Dr. Sanjay Sinh
29.*	Shri Palvai Govardhan Reddy
30.%	Shri Mansukh L. Mandaviya
31.%	Dr. Chandrapal Singh Yadav

SECRETARIAT

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

Changed the nomination of Shri Murli Deora, Member of Rajya Sabha from the Committee on Chemicals and Fertilizers to the Committee on External Affairs w.e.f. 25-09-2014.
** Shri Palvai Govardhan Reddy, Member of Rajya Sabha nominated w.e.f. 08-10-2014*
Shri Mohanbhai Kalyanjibhai Kundariya Nominated as Minister of State w.e.f. 09.11.2014
The term of Shri Brijlal Khabri, MP (RS) has expire w.e.f. 25.11.2014
Changed the nomination of Adv. Joice George, Member of Lok Sabha from the Committee on Chemicals and Fertilizers to the Personnel, Public Grievances, Law and Justice w.e.f. 24-12-2014.
**Shri Innocent, and Shri Kotha Prabhakar Reddy, Member of Lok Sabha nominated w.e.f. 22-12-2014*
% Shri Mansukh L. Mandaviya, Member of Rajya Sabha nominated w.e.f. 31-12-2014
% Dr. Chandrapal Singh Yadav, Member of Rajya Sabha nominated w.e.f. 29.01.2015

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2014-15) having been authorised by the Committee to present the Report on their behalf, present this Fifth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2015-16.

2. The Committee examined the Demands for Grants (2015-16) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which were laid in Lok Sabha and Rajya Sabha on 17 March, 2015.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 19 March, 2015.

4. The Report was considered and adopted by the Committee at their sitting held on 16 April, 2015.

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

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

New Delhi;

16 April, 2015
26 Chaitra , 1936 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

CHAPTER-I

INTRODUCTORY

1.1 Agriculture which accounts for about one seventh of the GDP, provides sustenance to nearly two-third of our population. Besides, it provides crucial backward and forward linkages to the rest of the economy. Successive five-year plans have laid emphasis on self-sufficiency and self-reliance in foodgrain production and concerted efforts in this direction have resulted in substantial increase in agriculture production and productivity. This is clear from the fact that from a very modest level of 52 million MT in 1951-52, foodgrain production increased to about 264.7 million MT in 2013-14. In meeting the domestic requirement of foodgrains and also generating exportable surpluses, the significant role played by chemical fertilizers is well recognized.

1.2 Government of India has been consistently pursuing policies conducive to increased availability and consumption of chemical fertilizers in the country and thereby maximizing agricultural production in the country. To achieve this objective, the government promotes and assists industries in the fertilizer sector and also plans and arranges import and distribution of fertilizers in the entire country.

1.3 As of now, the country has achieved 80% self-sufficiency in production capacity of Urea. As a result, India could substantially manage its requirement of nitrogenous fertilizers through the indigenous industry. Similarly, 50% indigenous capacity has developed in respect of phosphatic fertilizers to meet domestic requirements. However, the raw materials and intermediates for the same are largely imported. For potash (K), since there are no viable sources/reserves in the country, its entire requirement is met through imports.

1.4 Out of the three main nutrients namely Nitrogen, Phosphate and Potash (N, P & K) required for various crops, indigenous raw-materials are available mainly for nitrogenous fertilizers. Hence the Government policy has aimed at achieving the maximum possible degree of self-sufficiency in the production of nitrogenous fertilizers based on utilization of indigenous feedstock. Prior to 1980, nitrogenous fertilizer plants were mainly based on naphtha as feedstock. A number of Fuel Oil/LSHS based Ammonia-Urea plants were also set up during 1978 to 1982. In 1980, two coal-based plants were set up for the first time in the country at Talcher (Odisha) and Ramagundam (Andhra Pradesh). These coal based plants have, however, been closed by Government w.e.f. 01.04.1999 due to technical and financial un-viability. However, with natural gas becoming available from offshore Bombay High and South Basin, a number of gas based ammonia-Urea plans have been set up since 1985. As the usage of gas increased and its available supply dwindled, a number of expansion projects came up in the last few years with dual feed facility using both naphtha and gas. Feasibility of making available Liquified Natural Gas (LNG) to meet the demand of existing fertilizer plants and/or for their expansion projects along with the possibility for utilizing newly discovered gas reserves, is also being explored by various fertilizer companies in India.

1.5 The main activities of the Department in relation to the industry are overall sectoral planning and development and regulation of the industry and the broad industrial policy of the Government as well as monitoring of production, pricing and distribution of the output, i.e., Fertilizers. The activities of this Department also include the administrative control of the Public Sector Undertakings in these areas.

1.6 The Department of Fertilizers is responsible for adequate and timely supply of fertilizers at affordable price in the country. Department of Agriculture assesses the requirement and the Department of Fertilizers plans and monitors indigenous production, imports and distribution of fertilizers along with management of financial assistance by way of subsidy / concession for indigenous and imported fertilizers.

1.7 The detailed Demands for Grants (2015-16) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 17 March, 2015. The Demand (No. 8) shows a budgetary support of Rs.73047.80 [(Rs.50 crore (Plan) + Rs.72997.80 crore (Non-Plan)]. The Committee have examined in-depth the Demands for Grants of the Department for the year 2015-16. The detailed analysis, along with Observations/ Recommendations of the Committee are presented at the end of the Report. The Committee expect the Department of Fertilizers to take the Committee's recommendations seriously and act on them expeditiously. The Committee also expect that the Department will take necessary steps for proper and timely utilization of funds so as to complete its various plans and projects in a time bound manner.

CHAPTER-II

OVERVIEW OF FERTILIZER INDUSTRY

2.1 The installed capacity has reached a level of 132.58 lakh MT of nitrogen and 70.60 lakh MT of phosphatic nutrient in the year 2014-15, making India the 3rd largest fertilizer producer in the world. The rapid build-up of fertilizer production capacity in the country has been achieved as a result of a favourable policy environment facilitating, large investments in the public, co-operative and private sectors.

2.2 At present, there are 30 large size urea plants in the country manufacturing urea, 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 sector-wise installed capacity of fertilizer manufacturing units is given in the table below:-

As on 31.03.2015

Sl. No.	Sector	Capacity (Lakh MT)		Percentage Share	
		N	P	N	P
1.	Public Sector	37.64	3.87	28.39	5.48
2.	Cooperative Sector	36.38	17.13	27.44	24.26
3.	Private Sector	58.56	49.60	44.17	70.26
	Total	132.58	70.60	100.00	100.00

2.3 On being asked by the Committee to evaluate the growth of fertilizers industry in the country in the next 5 years, the Department in its written reply stated as follows:-

"**P&K Fertilizers:** 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. Despite having very limited reserves of rock phosphate in the country, the total indigenous production of DAP, complex fertilizers and SSP have remained more or less stable during the last 4 years as under:

Year	DAP	Complex	SSP	Total
2010-11	35.37	87.27	31.46	154.10
2011-12	39.63	77.70	52.95	170.28
2012-13	36.47	61.80	45.78	144.05
2013-14	36.11	69.13	42.27	147.51

With the easing of potash prices in the international market, it is expected that the domestic prices will come down and availability will increase. This will result in increased production of complex fertilizers in the country. After discovery of shale gas in USA and drop in international prices of crude oil, the cost of imported natural gas (RLNG) has come down in the country. This will also increase indigenous production of complex fertilizers in the country.

Government has decided to decontrol movement of fertilizers from April 2015. This will result in competition amongst the fertilizer companies making the fertilizers more affordable to farmers increasing consumption and production. Thus, the fertilizer industry is expected to have a better growth in the near future if the present trend of international prices of raw materials, intermediaries and finished products remain the same and there is no devaluation of Indian rupees.

Urea : At present there are 30 urea units (27 gas based and three naphtha based) in the country; producing around 22.7 million MT (MMT) of urea annually (installed capacity 20MMT/annum). These plants are highly heterogeneous in term of vintage, feedstock and technology used for Ammonia Urea plant. In addition to domestic production of urea, around 2 MMT is imported from Oman under the Urea Off-take agreement (UOTA) which will continue upto 2020. The current demand (2014-15) is around 31.8 MMT and the shortfall will be met through imports. The demand of urea for 2016-17, as projected by Working Group on fertilizer industry for the twelfth plan (2012-2017), will be around 34 MMT and by 2024-25 it is expected to be 38 MMT. If we take into account long term off take supply agreement with OMIFCO, Ongoing Greenfield project, MATIX Chemicals & Fertilizers Limited (To be commissioned in 2015-16), restructuring of BVFCL and revival of four closed units, 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. The said shortfall will be met partly through import and partly through additional Brownfield/Greenfield projects under New Investment Policy (NIP)-2012.

The commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date, (date of financial closure) hence any new capacities approved this year can be expected to materialize by the financial year 2017-18. At the end of 2017-18, the firm projected availability of urea can be summarized as follows:

(in Million MT)

S. No.	Units	2014-15	2017-18
1.	Present indigenous capacity (30 units)	22.70	22.70
2.	OMIFCO	2.00	2.00
3.	Matix		1.27
4.	BVFCL-IV		0.47
5.	Revival of closed units (Four)		5.08
	Total	24.70	31.52

2.4 When the Committee asked as to how does it propose to decontrol movement of Fertilizers and how would decontrolling the movement of Fertilizer boost the growth of Fertilizer Industry, the Department in its written reply stated as follows:

"At present the P&K fertilizers are moved to each state based on the supply plan decided by Department of Fertilizers in consultation with State Agriculture Departments, DAC and the fertilizer Companies. The movement of fertilizers is also decided based on the distance involved in transportation so that minimum expenditure is incurred on transportation on primary freight, which is being reimbursed as per actual. Now, it has been decided to do away with issue of supply plan and under this the P&K fertilizer companies would be free to move fertilizers anywhere in the country.

The Department of Fertilizers has moved a proposal to merge the primary freight based on weighted average freight paid per MT on each grade of subsidized P&K Fertilizers for the last two years, with the subsidy. With the merger of primary freight, with subsidy the companies, which have already established market in respective states, will get same freight subsidy irrespective of the distance. This will encourage the companies to explore new market areas and this will lead to competition and higher production, economy in production etc. as per market dynamics.

Thus, with free market conditions with minimum Government control, it is expected that decontrol of movement of fertilizers would bring in growth of fertilizer industry."

2.5 When the Committee asked about the factors which have impeded self-sufficiency in the fertilizer Sector, the Department in its written reply stated as under:-

"**P&K Fertilizers-** Complete dependency 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 due to having no known source of fertilizer resources in the country, limited natural gas reserves in the country, ever increasing international prices of raw materials and devaluation of Indian rupee against USD are some of the impending factors for self-sufficiency in the P&K fertilizer sector.

Urea- The availability of gas is one of the major limiting factor 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. 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. Moreover, 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."

2.6 When the Committee asked about the reasons for negative growth in fertilizer sector during April-December 2014-15 and the corrective measures taken by the Department in this regard, the Department in its written reply 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 due to non-availability or non-creation of infrastructure for making available natural gas to these companies has affected growth of P&K fertilizer industry in the country. Irregular payment of subsidy or 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.

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. There are still many Government control such as, multiple controlling agencies at State and Central level, stringent penalties for failed samples of fertilizers, various conditions for release of subsidy also indirectly affecting growth of P&K fertilizer industry in the country.

For growth of indigenous P&K fertilizer industry in the country, the Dept. of Fertilizers had taken up with Ministry of Finance for customs duty reduction for imported raw materials. So far no decision has been taken. Allocation of funds for subsidy payment is not made as per the requirement leading to carried over liabilities. In order to meet the outstanding subsidy claims, the Department with the approval of Ministry of Finance has been putting in place special banking arrangement by availing loans from PSU banks since last two years. However, despite several requests, the Department could not get the required approval from Ministry of Finance leading to accumulation of subsidy claims. In the absence of natural resources in the country, limited funds availability and international prices scenario besides continued devaluation of Indian rupee, any step for growth of indigenous industry will not succeed.

Urea- There is no negative growth in fertilizer sector. DoF has notified New Investment Policy(NIP) – 2012 on 2nd January, 2013 and its amendment on 7th October, 2014 for fresh investment in urea sector. New Investment Policy (NIP) – 2008 is being amended to encourage additional production."

2.7 On being asked by the Committee about the policy reforms being brought out in Urea sector, the Department in its written reply stated as under:

"A draft CCEA note regarding New Urea Policy-2015 dealing with energy efficiency has been sent to concerned Ministries/Departments for inter-ministerial consultations on 19.02.2015"

2.8 When the Committee observed that it is imperative that there should be a good fertilizer policy so that the country is independent and the policy should be in the interest of farmers, industry and the country, the Secretary of the Department responded as under:

"…..Second point as has been stated that domestic companies are not getting proper incentive as is being given to importer. Imports is done through LC so they get payment but domestic companies do not get. We are preparing new urea policy, I would like to assure the Committee that there is definitely the policy tilt towards encouraging domestic production. That is what we have suggested. They will not face any discrimination vis-à-vis imports in terms of their production and their supply. That is why we are trying to ensure that the new policy would be simpler and it will encourage domestic production beyond what is being produced now…."

CHAPTER-III

PLAN ALLOCATION AND EXPENDITURE

Twelfth Five Year Plan

3.1 A statement showing the Plan Outlay & Expenditure during 12th Plan (2012-13 to 2015-16) is as under:-

12th Five Year Plan
Plan allocation and expenditure

(Rs. In Crores)

		2012-13			2013-14			2014-15			2015-16
Name of Scheme	Particulars	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual Expenditure (upto Dec., 2014)	BE
RCF	IEBR	673.75	345.13	206.20	978.29	338.32	259.93	311.45	271.48	62.79	364.44
FAGMIL	IEBR	23.51	11.11	0.23	44.05	9.13	10.30	38.64	0.89	0.89	6.00
PDIL	IEBR	6.05	5.57	3.10	18.17	8.81	3.00	21.55	8.89	0.35	19.69
NFL	IEBR	1696.98	2087.94	1905.90	803.20	962.37	516.02	150.00	237.35	131.19	307.28
KRIBHCO	IEBR	675.00	522.00		927.00						
Total IEBR		3075.29	2971.75	2115.43	2770.71	1318.63	789.25	521.64	518.61	195.22	
BVFCL	GBS	94.62	0.02	0.00	25.00	0.91	0.00	10.00	0.24	0.00	5.01
FACT	GBS	61.75	0.01	0.00	211.43	0.01	0.00	42.66	0.01	0.00	34.99
MFL	GBS	87.62	0.01	0.00	17.00	0.01	0.00	30.00	0.01	0.00	10.00
FCI		0.00	0.00	0.00	0.00						
HFC		0.00	0.00	0.00	0.00						
PPCL		0.00	0.00	0.00	0.00						
Misc. Scheme IT/R&D	GBS	12.00	9.95	9.40	15.56	8.06	2.32	12.34	2.05	2.04	0.00
Capital Subsidy for conversion		0.00	0.00	0.00	0.00						
Investments for JVs abroad	GBS	0.01	0.01	0.00	0.01	0.01		5.00	0.01	0.00	0.00
Revival of closed units	GBS	0.00	0.00	0.00	0.00				2.32		
Total GBS		256.00	10.00	9.40	269.00	9.00	2.32	100.00		2.04	50.00
Grand Total	IEBR+ GBS	3331.29	2981.75	2124.83	3039.71	1327.63	791.57	621.64	520.93	197.26	747.41

3.2 The Department has submitted a note regarding the Budget Proposals and the amount actually provided by the Planning Commission/ Ministry of Finance for different schemes in Annual Plan 2015-16 along with comments of the Planning Commission, as under:-

"In response to a letter received from the Ministry of Finance seeking plan proposals for 2015-16, this Department has submitted the following Annual Plan 2015-16 proposal to the Ministry of Finance:

S. No.	Name of the Scheme	IEBR / GBS	Proposal for Budget Estimates 2015-16
	Central Sector schemes(CS)		
	CPSUs		
1	RCF	IEBR	364.44
2	FAGMIL	IEBR	6.00
3	PDIL	IEBR	19.69
4	NFL	IEBR	120.50
	Total IEBR		510.63
5	BVFCL	GBS	19.00
6	FACT	GBS	142.00
7	MFL	GBS	25.00
	Misc. schemes		
8	Management of Information Technology (MIT)	GBS	2.25
9	Science &Technology (S&T)	GBS	2.00
10	Investments for JVs abroad	GBS	0.01
	Total GBS		190.26
	Total CS	IEBR +GBS	700.89

Under the Plan scheme, provision of budgetary support in the form of loan is made for three loss making fertilizer companies which are under the administrative control of this Department namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL). This is provided for Renovation, Replacement and maintenance of critical equipments to keep their units in operation.

Budget provision is also made for Misc. schemes viz. Management of Information Technology (MIT), Science & Technology (S&T) and Joint Venture (JV). Department of Fertilizers is funding need based programme of Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the Gross Budgetary Support (GBS) under MIT scheme. The S&T programme of Department of Fertilizers primarily lays emphasis at Research & Development of processes and equipments inter-alia, to lower specific energy consumption in fertilizer plants.

The erstwhile Planning Commission/Niti Aayog did not seek Annual Plan 2015-16 proposals from this Department and, therefore, Annual Plan 2015-16 proposals have not been made to them.

Actual allocation under the Plan Section for financial year 2015-16.

S. No.	Name of the Scheme	GBS	Allocation under Budget Estimates 2015-16
1	BVFCL	GBS	5.01
2	FACT	GBS	34.99
3	MFL	GBS	10.00
4	Misc. schemes		
5	Management of Information Technology (MIT)	GBS	Nil
6	Science &Technology (S&T)	GBS	Nil
7	Investments for JVs abroad	GBS	Nil
	Total GBS		50.00

3.3 BE under plan allocation 2013-14 was Rs.269.00 crore, which was reduced to Rs.100.00 crore in 2014-15 and in 2015-16 it has been further reduced to Rs.50.00 crore. When the Committee asked about the reasons for decline in Budgetary allocation under the plan Head, especially when lesser allocation under Gross Budgetary Support may affect revival/rehabilitation of the loss making PSU, the Department in its written reply stated as under:

"Government is considering revival of five closed units of FCIL i.e. Sindri, Talcher, Ramagundam, Gorakhpur and Korba and one closed unit of HFCL i.e. Barauni on non-recourse from the Government in terms of CCEA decision in 2007. Besides financial restructuring of three sick PSUs namely MFL, BVFCL and FACT is under examination. Revival/ financial restructuring of these units/PSUs is not being considered under plan fund."

3.4 On being asked about the steps being taken by the Department to ensure optimum utilization of budgetary allocation during the remaining periods of Twelfth Five Year Plan, the Department in its written reply stated as under:-

"The Schemes/programmes of CPSEs proposed to be implemented through plan outlays are finalized by CPSEs at the level of Board of Directors which include representatives of this Department. The Schemes/programmes proposed by CPSEs viz., BVFCL, FACT & MFL for budgetary assistance, are examined in depth by the Department of Fertilizers through physical verification at plant sites followed by their prioritization vis-à-vis the budgetary provisions. However, in respect of profit making CPSEs (RCF, FAGMIL, PDIL & NFL), the schemes/programmes are implemented through plan outlays from Internal and Extra Budgetary resources. The Department of Fertilizers monitors the performance and follow up action with regard to activities of the major projects/schemes by way of Quarterly Review Meetings held under the chairmanship of Secretary, Department of Fertilizers. The periodic review of Plan Expenditure of all the companies is also done at the level of Economic Adviser. All these measures of monitoring and review of performance of schemes will continue to facilitate the improvement in the implementation of the schemes and achieving of the targets.

3.5 When the Committee asked whether there was any shortfall in optimum utilization of plan funds during the first three years of the 12th Plan and also regarding the efforts made to achieve the physical and financial targets, the Department in its written reply stated as under:-

"Plan fund comprises of two components i.e. IEBR and GBS. Four CPSUs namely RCF, FAGMIL, PDIL & NFL generate their IEBR and do not depend on GoI for any financial support. Three companies namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) & Madras Fertilizers Limited (MFL) are loss making enterprises. These companies seek financial support from the Government. But due to financial restrictions imposed by Ministry of Finance vide its letter dated September 20, 2012, Plan loan could not be released to these companies from 2012-13 onward."

3.6 On being asked by the Committee about the system of monitoring and control over the performance of schemes/programmes, the Department of Fertilizers in its written reply stated as under:-

"The schemes/programmes of CPSEs proposed to be implemented through Plan outlays by companies are finalized at the level of Board of Directors which include representatives of the Department. Performance of the schemes is monitored by the Department during Review Meetings chaired by Secretary (Fertilizers) and also at the level of senior officers from time to time. Strict and regular monitoring of utilization of budgetary funds will continue through the mechanism of:

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

At present, no such monitoring and control over the performance of NBS scheme is put in place. However, with the objective of monitoring of production, distribution, sales and payment on phosphatic and potassic fertilizers i.e. DAP, MOP and NPK, Department of Fertilizers launched the 'Online Web based Fertilizer Monitoring System' (FMS) on 26.1.2006 w.e.f April 2006 under which fertilizer companies are required to submit all data relating to purchase of raw materials, production, dispatches, sales, MRP etc in FMS. Further, in order to ascertain the sale of fertilizers at retail level, the Department has launched mobile-Fertilizer Monitoring System (m-FMS) under which receipt of fertilizer in the district is to be confirmed by retailers. Further, in order to monitor the prices of P&K fertilizers, the fertilizers companies are required to submit certified audited cost data of their products for availing subsidy on the sales of P&K fertilizers under NBS scheme.

3.7 When the Committee asked about the reasons for reducing BE proposal of Rs.190.26 crore of the Department for the year 2015-16 to Rs.50 crore by the Ministry of Finance and whether this reduction would not affect the revival programme of BVFCL, FACT and MFL, the Department of Fertilizers in its written reply stated as under:-

"There are three sick PSUs namely MFL, BVFCL and FACT. 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. The financial restructuring of these PSUs is not being considered under plan fund. "

3.8 When the Committee asked to explain as to how would the Department revive/restructure these units with out plan funds, the Department in its written reply stated as under:

"The Government is considering proposals for financial restructuring of three sick PSUs namely MFL, BVFCL and FACT , which inter-alia involves write off of GOI loan and interest on GOI loan and grant of loan. These proposals are under examination. At present, for financial restructuring of these PSUs there is no allocation of funds. The financial restructuring proposal would be placed before the Cabinet/Cabinet Committee of Economic Affairs for consideration."

3.9 On being asked by the Committee about the reasons for non allocation of funds in BE 2015-16 under the miscellaneous schemes head i.e. Management of Information Technology (MIT), Science &Technology (S&T) and Investments for JVs abroad, the Department in its written reply stated as under:

"Management Information Technology: The Audit has observed that the expenditure made under Management Information Technology should be booked under other relevant budget heads. The Department will book the expenditure relating to the Management Information Technology in the new Budget Heads being opened in pursuance of the Audit Observations.

S&T: In view of Nil allocation made by the Ministry of Finance, Department has proposed to take up the issue with the Ministry of Finance.

Investment for JVs abroad: The role of the DOF in this regard is in the form of a facilitator to PSUs and private companies to acquire fertilizer assets/form joint venture abroad with long-term agreements with resource rich countries for assured supply of raw materials/intermediaries/finished fertilizers. The fertilizer companies have the autonomy to take financial decisions to invest in JVs, there is no requirement of funds at present under the head till any major scheme is drawn up. As of now there is no proposal to provide any financial support to fertilizer companies to acquire fertilizer assets or form JVs abroad."

3.10 When the Committee asked to state the extent to which the Department has been able to convert the outlays for different schemes and programmes into outcome during the years 2013-14 and 2014-15, the Department in its written reply stated as under:-

"Ministry of Chemicals & Fertilizers (Department of Fertilizers) is administering/ implementing Nutrient Based Subsidy (NBS) Policy/Scheme for decontrolled phosphatic & potassic (P&K) fertilizers w.e.f. 1.4.2010 under which a fixed amount of subsidy, decided on annual basis, is provided on each grade of P&K fertilizers depending upon its nutrient (Nitrogen, Phosphate, Potash & Sulphur) content. The prices of P&K fertilizers are allowed to be fixed by fertilizer companies at reasonable level. At present 22 grades of P&K fertilizers are covered under NBS Scheme. The per kg subsidy announced by the Government on the nutrients N, P, K & S during the year 2012-13 to 2014-15 are as under:

Nutrients/Year	In Rs/per Kg		
	2012-13	2013-14	2014-15
'N' (Nitrogen)	24.000	20.875	20.875
'P' (Phosphate)	21.804	18.679	18.679
'K' (Potash)	24.000	18.833	15.500
'S' (Sulphur)	1.677	1.677	1.677

The subsidy outgo on P&K fertilizers during the year 2012-13 & 2013-14 and budgetary allocation for the year 2014-15 is as under:

Year	Subsidy outgo in P&K fertilizer (in Rs. Crore)
2012-13	30576.12
2013-14	29426.86
2014-15 (BE)	24670.30
2014-15 (RE)	20667.30

As can be seen from above table that the total subsidy outgo in P&K sector has been contained and it is expected that subsidy outgo level would also be in controlled level in the remaining years of 12th FYP. However the subsidy outgo will vary as per actual consumptions of P&K fertilizers in coming years.

Under Plan Section there are two components, namely, Internal & Extra Budgetary Resources (IEBR) of the CPSEs and Gross Budgetary Support (GBS):

Internal & Extra Budgetary Resources (IEBR)

Four fertilizer CPSEs namely Rashtriya Chemicals & Fertilizers Limited (RCF), FAI Aravali Gypsum & Minerals India Limited (FAGMIL), Projects & Development India Limited (PDIL) and National Fertilizers Limited (NFL) generate their own financial resources in the form of IEBR and do not depend on Government of India for any financial assistance.

Gross Budgetary Support (GBS)

(i) CPSEs

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 Fertilizers companies from 2012-13 onward.

(ii) Misc. Schemes

Management of Information Technology (MIT):

Provision of Budgetary support has been made in this Department for the scheme "MIT". Department is funding its 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 investment and availability of fertilizers online on real time basis. During 2012-13, 2013-14 and 2014-15 under this scheme the budget provided and the expenditure incurred is as follows:

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2012-13	8.50	8.00	7.47
2013-14	13.56	6.56	2.13
2014-15	10.34	1.80	

Science & Technology (S&T):

Under S&T programme of the Department, funds are granted to technical / technological institutes/CPSEs to undertake projects related to fertilizer industry. The project proposals received are selected and approved for funding as per the guidelines of the Scheme. During 2012-13, 2013-14 and 2014-15, the amount allocated and actual expenditure incurred under the scheme is as under:

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2012-13	3.50	1.95	1.93
2013-14	2.00	1.50	0.19
2014-15	2.00	0.25	

CHAPTER-IV

ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 2015-16

4.1 The Demands for Grants (Demand No.8) for the year 2015-16 of the Department of Fertilizers are given in the **Annexure-I**.

4.2 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure for the last three years (year-wise) and Budget Estimates for the year 2015-16 for Plan and Non-Plan expenditure in gross terms is given below:

(Rs in crore)

	2012-13			2013-14			2014-15			2015-16
	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure	Budget Estimates	Revised Estimates	Actual Expenditure (Up to 8th March, 2015.)	Budget Estimates
Plan	256.00	10.00	9.40	269.00	9.00	2.32	100.00	2.32	2.04	50.00
Non Plan	65618.00	70618.00	70612.65	70614.20	71962.00	71300.68	77100.00	75092.73	72529.82	77097.80
Total	65874.00	70628.00	70622.05	70883.20	71971.00	71303.00	77200.00	75095.05	72531.86	77147.80

4.3 When the Committee asked about the reasons for variations in BE, RE and AE for the years 2012-13, 2013-14 and 2014-15, the Department in its written reply stated as under:

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

2012-13

Plan: The Budget provision for 2012-13 under Plan Section was Rs.256.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, Ministry of Finance reduced the allocation under Plan Section to Rs.10.00 Crore at the RE stage. The actual expenditure for the year was Rs. 9.40 crore. As such, there was no significant variation.

Non-Plan: The Department had projected requirement of Rs.90249.26 crore on Gross basis under Non-Plan Section for the year 2012-13. Against this requirement an amount of Rs .65618.00 crore(Gross) was allocated at Budget Estimate (BE) stage. Under First Batch of Supplementary Demands for Grants the Department was allocated an additional amount of Rs. 1 Lakh for subsidy on imported decontrolled fertilizers. Under second batch of supplementary demands for grants an amount of Rs. 1999.99 crore was allocated for imported decontrolled fertilizers, Rs. 2000.00 crore were allocated for import of Urea and Rs. 1000.00 crore were allocated for indigenous Urea. Thus, the Department was allocated Rs. 4999.99 crore under second batch of Supplementary Demands for Grants making additional allocation during the year Rs. 5000.00 crore. The RE Allocation/ final allocation for the year under Non Plan Section was Rs. 70618.00 crore (Gross). The Department incurred an expenditure of Rs. 70612.65 Crore.

As the Department had to carry over liabilities of Rs. 22200.62 crore from 2011-12 towards fertilizers subsidy, therefore, the actual requirement was much higher. As a result the Department has to roll over an amount of Rs. 26414.88 Crore to the next year as carry over liabilities.

2013-14

Plan: The Budget provision for 2013-14 under Plan Section was Rs.269.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, the allocation at RE Stage was reduced to Rs. 9.00 Crore. The actual expenditure against this was Rs. 2.32 crore. Other than loans to PSUs, a major portion of Plan funds is allocated to Management Information Technology (MIT). The expenditure for Fertilizer Monitoring System (FMS) & Mobile FMS (mFMS) is made from MIT Head. The 2nd phase of scheme of mFMS could not be finalized during the year 2013-14. Therefore, funds could not be utilized.

Non-Plan: Against the projected requirement of Rs.97050.96 crore(Gross), the Non-Plan budget (BE) allocated during the year 2013-14 was Rs.70614.20 crore (gross). An amount of Rs. 2000.00 crore was allocated under 2nd Supplementary Demands for Grants. The RE allocation/Final Allocation under the Non Plan Section for the year was Rs. 71962.00 Crore. The total expenditure during the year was Rs. 71300.68. The utilization of funds under Non plan Section was less mainly due to import of lesser than anticipated quantity of Urea, Economy instructions issued by Ministry of Finance and receipt of lesser than anticipated claims under various Budget heads.

The Department had also rolled over carry over liabilities Rs. 26414.88 Crore from the previous year. Since, the requirement of funds was much higher, the Department has to roll over the arrears of unpaid subsidy of Rs. 40340.78 crore to the next year.

2014-15

Plan: The Budget provision for 2014-15 under Plan Section was Rs.100.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans has not been disbursed. Accordingly, the allocation at RE Stage has been reduced to Rs. 2.32 Crore. As on 08th March, 2015 an amount of Rs. 2.04 crore has been spent.

Non-Plan: Against the projected requirement of Rs.1,56,420.48 crore (gross), the Department has been allocated an amount of Rs. 77100.00 crore (Gross). This included the carry over arrears of unpaid subsidy amounting to Rs. 40340.78 crore from previous financial year i.e., 2013-14.The Gross allocation under Non Plan Section has been reduced to Rs. 75,092.73 crore under Revised Estimates (RE) stage. Against this an amount of Rs. 72531.86 crore has been spent up to 08th March, 2015."

4.4 When the Committee raised concern regarding non-payment of subsidy to the Fertilizer Companies on time, the Secretary, Department of Fertilizer, during the oral evidence of the Department, replied as under:

> "I just want to say that, as the Department, we would like to pay subsidy or clear the subsidy bills of the company within the fastest possible time. We make the best possible endeavour to clear their bills. Our problem is, we do not get the budgetary outlay commensurate with the requirement. That is the main problem. This has not happened only last year; it has happened over the last four-five years. "
>
> He further added as under:
>
> "For capital investment, we can look at PPP or FDI or whatever. Main problem is that The budgetary provision is less than the subsidy we needed. We needed one lakh crore, we get about Rs.75000 crore."

4.6 When the Committee asked that this matter should have been raised before the Government, the Secretary of the Department of Fertiliser, responded as under:

> "That is why we say that whatever is the budgetary requirement, that should be given. If we do not give to the companies then they will have problems in their working capital, profitability will erode. During the last two three years, when there is no money in the budget then we use to make special banking arrangement. Companies were given money from the bank and the interest paid was about 8 per cent. This time, my self have made efforts from September month but could not got even special baking arrangement. I accept that urea manufacturers have not got subsidy from August. This is not good and we also do not think that it is good. I would request the Committee that they should recommend that if our price is fixed then whatever is the requirement of subsidy, the whole calculation is transparent, that can be seen, should be given and if we do not give then at least claim may be given by special banking arrangement so that the profitability of the companies are not eroded. I fully agree with this. ...."

Budgetary Provisions

4.7 RE for the year 2014-15 was Rs.70995.05 crore and BE for the year 2015-16 is Rs.73047.80 crore. When the Committee enquired about the reasons for increase of Rs.2052.75 crore in the total Budget Allocations, the Department in its written reply stated as under:-

> "The total net allocation for the Department at the Budget Estimate (BE) Stage for financial year 2014-15 was Rs. 73100.00 crore. The same was regulated by the Ministry of Finance at Revised Estimate (RE) Stage and made Rs. 70995.05 crore. Owing to the reduction, the Department is required to carry over the liability of subsidy arrears to the next financial year. In comparison with the BE allocation for Financial year 2014-15, there is no increase in the allocation for financial year 2015-16. This amount will be utilized in full."

Major Head 2401-Subsidy on Imported Fertilizers

4.8 On being asked by the Committee about the reasons for increasing BE 2015-16 by Rs.1801.26 crore to Rs.22468.58 crore under the Head in comparison to Rs.20667.82 crore in RE 2014-15, the Department in its written reply stated as under:

> "The Budget Estimate of Rs.24670.32 crores for the year 2014-2015 was revised at the R.E stage to Rs.20667.30 crores. There is no increase in Budget Estimate for the year 2015-2016 against the Budget Estimate for the year 2014-2015. It is further stated that an amount of about Rs.2000.00 crore was reduced by Ministry of Finance at the RE stage. The Department of Fertilizers will carry over the liabilities to next year to be met from the Budget Estimate for the year 2015-2016."

Major Head 6552– Lumpsum provision for Projects/schemes for the benefits of the North Eastern Region and Sikkim

4.9 When the Committee asked as to why BE 2015-16 under the Head was reduced to Rs.5.00 crore from Rs.9.99 crore in BE 2014-15 and whether it would not affect the projects/schemes for the benefits of North Eastern Region and Sikkim, the Department in its written reply stated as under:

> " BVFCL is the only Fertilizer PSU in North Easter Region. Department is considering financial restructuring of BVFCL. Financial restructuring is not being considered under plan fund."

Major Head 6855– Investment in Public Enterprises

4.10 When the Committee asked to explain the reasons for the reduction in allocation of funds under the Head from Rs.72.67 crore in BE 2014-15 to Rs.45 crore in BE 2015-16 and as to how does the Department propose to utilize the BE 2015-16 of Rs.45.00 crore especially when RE 2014-15 was Rs.0.03 crore, the Department in its written reply stated as under:

> "Under the Plan scheme, allocation of budgetary support in the form of loan is made for three loss making fertilizer companies under the administrative control of this Department. The companies namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL) were provided budgetary support for Renovation, Replacement and maintenance of critical equipments to sustain their operations. The allocation of Budgetary Support is made to these PSUs keeping in view the overall allocation made for the Department and also the requirements of these companies on year to year. However, 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 companies from 2012-13 onwards."

Major Head 4855– Investment of JVs abroad

4.11 On being asked by the Committee about the reasons for non-allocation of funds in BE 2015-16 under the Head 'Investment for JVs abroad' and in the absence of any allocation as to how would the Department be able to encourage fertilizer companies to form joint ventures/ investment in other resource rich countries, the Department in its written reply stated as under:

> "The role of the DOF in this regard is in the form of a facilitator to PSUs and private companies to acquire fertilizer assets/form joint venture abroad with long-term agreements with resource rich countries for assured supply of raw materials/intermediaries/finished fertilizers. The fertilizer companies have the autonomy to take financial decisions to invest in JVs, there is no requirement of funds at present under the head till any major scheme is drawn up. As of now there is no proposal to provide any financial support to fertilizer companies to acquire fertilizer assets or form JVs abroad."

Head of Dev 12855– Investment in Public Enterprises

4.12 Budget Support of Rs.82.66 crore and IEBR of Rs.521.64 crore in BE 2014-15 has been reduced to Rs.50 Crore and Rs.510.63 crore respectively in BE 2015-16. In this regard, when the Committee asked to explain the reasons for the said reduction in Budget Support and IEBR, the Department in its written reply stated as under:

> "Plan fund comprises of two components i.e. IEBR and GBS. Four CPSUs namely RCF, FAGMIL, PDIL & NLF generate their IEBR and do not depend on GoI for any financial support. Three companies namely BVFCL, FACT & MFL are loss making enterprises. These companies seek financial support from the Government. But due to financial restrictions imposed by Ministry of Finance vide its letter dated September 20, 2012, Plan loan to these companies could not be released from 2012-13 onward."

CHAPTER-V

DIRECT SUBSIDY TO FARMERS

5.1 In February,2011, Ministry of Finance constituted a Task Force to recommend implementable solution for director transfer of subsidies on kerosene ,LPG and fertilizers Task Force submitted its final report on 7th August,2013 which suggested 4 phased approach as below.

i. **Phase-I:-**Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgements reported in mFMS.
ii. **Phase –II**:-Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.
iii. **Phase-III:-**Subsidy payment to the retail customer on the basis of the fertilizer sales made to him/her.
iv. **Phase –IV**:-Subsidy payment to the farmer on the basis of details of sales made to him/her.

The Department has developed mobile Fertilizer Monitoring System (mFMS) to upgrade the existing FMS to capture the availability of fertilizers at various points in supply chain below the district. The mFMS captures the sales made by Companies and Wholesalers to the retailer and also the confirmation of receipt by the wholesalers and retailers. mFMS is being implemented in 2 phases as below:

- **Phase I:** Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgment reported in mFMS.
- **Phase II**: Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.

Phase I which is made operational from 1st November,2011,is being rolled out through all the registered fertilizers manufacturers (116),wholesalers (22000) and retailers (1.90 lakhs) across the country. Accordingly, a portion of the subsidy (5-15% depending on the grade of fertilizer) is given to manufacturers only when the retailer will acknowledge the receipt in the Mobile Fertilizer Management system (mFMS). Retailer acknowledgement has been ensured by the Department by linking a portion of manufacturer's subsidy to retailer's acknowledgement, and transferring the onus to the industry to train dealers in their supply chain and ensure retail acknowledgement. State Governments have also been brought on board for providing their support for greater reporting. This phase is approaching stabilization.

For Phase II (To capture the retailer sales of fertilizers to farmers) of the project, it was decided to conduct pilot project before its implementation across the country and accordingly, pilot project was launched 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. It has also been made clear that the cost of capturing the sales and buyers information in mFMS Phase-II has to be met from the incentive money of

Rs. 50/- PMT. However, this required an amendment in CCEA note as in Para 5(d). The proposal for amendment in CCEA not was sent to Ministry of Finance (MoF) for concurrence and got approved.

At present, conclusion / feedback reports have been sought from 6 Lead Fertilizer Suppliers (LFS) on progress of phase II implementation. Subsequently, department will take a decision to scale up the present pilot model across the country or evaluate alternative models.

The proposal for Direct Benefit Transfer (DBT) which will facilitate subsidy payment to the farmer on the basis of details of sales made to him/her is under consideration."

5.2 When the Committee enquired as to whether it has received feedback report from 6 Lead Fertilizers Suppliers (LFS) on the progress of phase-II implementation, the Department in its written reply stated as under:

"The Department has received feedback from 5 out of 6 Lead Fertilizer Suppliers on Phase- II implementation. These companies are IFFCO, SPIC, Chambal Fertilizers and Chemicals Limited, National Fertilizers Ltd and Nagarjuna Fertilizers and Chemicals Limited. Kribhco is yet to give feedback on Phase II despite several reminders. The LFS have stated following challenges have been faced, due to which they have recommended discontinuing Phase –II:

- Unavailability of Network and IT infrastructure at retailers in rural areas
- Higher capital and operating cost for setting up the IT infrastructure
- Insufficient knowledge of retailers to capture complex sales data
- Reluctance of retailers for capturing sales data
- High dependency on third party/ outsourcing partner for data capture
- Lack of direct involvement from state agriculture departments

The Department is currently evaluating the feedback received from LFS."

5.3 The Committee further enquired, the Department about the initiatives being taken by the Department of Fertilizers to address the problem faced in targeting, determining entitlements and preparing beneficiary database so as to operationalize the phase-III and phase-IV of mFMS and progress made so far, the Department in its written reply stated as under:-

"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. For the same, initial discussions are on-going with Department of Agriculture and a USSD based application to capture retailer's sales through mobile is being considered by DoF.

Further, Phase III and IV have been kept on hold, as per the decision taken in the meeting on Direct Transfer of Fertilizer Subsidy chaired by Principal Secretary to PM on 6.5.2013. It was discussed and decided that Direct Benefit Transfer (DBT) in fertilizers was 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."

5.4 When the Committee asked to explain the challenges being faced in implementing the Direct Benefit Transfer Scheme and the steps taken to overcome these challenges, the Department in its written reply stated as under:

"Direct Benefit Transfer (DBT) in fertilizer is a complex matter. The biggest challenge in implementing DBT in fertilizers lies with identification of beneficiary and determining entitlements of subsidy. In present scenario any person can buy fertilizer from the retailer shops. There is no database of the beneficiary presently available in the State who buys the fertilizers. There are other issues concerning land owner and the tiller relationship which raises the issue whether the direct subsidy has to be paid to the land owner or to the tiller. Further, there are many 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 fertilizer (as in LPG) 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, as a result of which subsidy on Urea varies from one manufacturer to another. However, in P&K fertilizers, subsidy is fixed and is given on nutrient content of the P&K fertilizer. Therefore, in the present scenario the product based subsidy is only possible for P&K fertilizer sector and not feasible in case of Urea (which covers at least 70% of subsidy expenditure).

Further, High Level Committee of D/o Food & Public Distribution constituted under the Chairmanship of Sh. Shanta Kumar, MP had recommended a lump sum amount of unconditional cash transfer to the farmers depending upon per hectare basis land owned by the farmer. However, even this unconditional cash transfer would require the following pre-requisites before it can be implemented for direct cash transfer in fertilizers:

i. Decontrol of Urea sector i.e. the MRP is to be market driven.
ii. Having a database of the beneficiaries.
iii. A lump sum cash transfer would depend upon the type of land, as to whether it is irrigated or unirrigated.
iv. Lump sum amount of subsidy per hectare may also vary according to the size of land holding held by the farmer. "

5.5 With regard to the concern raised by the committee regarding direct transfer of subsidy to the farmers, the Secretary, Department of Fertilizers replied as under:

"Subsidy to the farmers should be transferred direct to the farmers. In this regard, the Ministry has taken a decision. Since we give fixed subsidy on P & K fertilizers, fixed subsidy is also given on LPG. DBT is there in LPG, this can be done here also. Therefore, we have talked to DBT mission. In 30 districts we can show as to how subsidy can be given direct to the farmers. Not only in P & K but also this can be done in Urea also. I agree with you. Ultimately, we must, with in whatever timeframe the Government decides, endeavour to directly transfer the subsidy to the farmers instead of routing it through the company. In fact, the fertilizer companies are also on board with that suggestion."

In this context, the Secretary of the Department also added as under:

"…. There is no much problem regarding DBT. We have taken decision that DBT will be implemented. We have been working as a mission to implement it in 30 districts this year. We are going in that direction as you have suggested. Ultimately, the entire fertilizer subsidy should go to the farmers…….."

CHAPTER-VI

NUTRIENT BASED SUBSIDY POLICY FOR PHOSPHATIC & POTASSIC (P&K) FERTILIZERS

6.1 In the context of the Nation's food security, the declining response of agricultural productivity to increased fertilizer usage in the Country and to ensure the balanced application of fertilizers, the Government of India has implemented the Nutrient Based Subsidy (NBS) Policy for the decontrolled Phosphatic & Potassic (P&K) fertilizers with effect from 1.4.2010. Under NBS Policy, a fixed amount of subsidy, decided on annual basis, is provided on each grade of subsidized P&K fertilizers depending upon nutrients (Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S) contained in these P&K fertilizers. The Government is also providing additional subsidy on the fertilizers fortified with secondary and micronutrients namely Boron and Zinc. The subsidy rates of P&K fertilizers during the years 2013-14 and 2014-15 are given in the **Annexure-II.**

Under the NBS Policy, Maximum Retail Price (MRP) of P&K fertilizers are fixed by manufacturers/marketers/importers at reasonable level. As our country is fully dependent on imports for Potassic (K) fertilizers and to the extent of 90% in Phosphatic (P) fertilizers in terms of either finished fertilizers or raw materials, any rise or fall in international prices of P&K fertilizers and fertilizer inputs has direct bearing on the prices of fertilizers. Further variation in exchange rate also affects the delivered the prices of these fertilizers in the country.

Taking into account rise in prices after implementation of NBS Policy and having no mechanism to find out the reasonableness of prices fixed by fertilizer companies, it has been decided to find out the reasonableness of prices fixed by the P&K fertilizers companies from 2012-13 onwards. In this regard it has been made mandatory for the fertilizer companies to submit certified cost data along with their subsidy claims to examine and ensure that the MRPs fixed by the companies are reasonable. The Government has also stipulated that in cases, where after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS. In proven case of abuse of subsidy mechanism, the Department, on the recommendation of Inter-Ministerial Committee may exclude any grade/grades of fertilizers of a particular companies or the fertilizer companies itself from the NBS Scheme. In the meantime it has been decided that:

(i) The P&K companies should have to enter same MRPs printed on the bags as applicable for each State in the FMS. In other words, there should not be any difference in the MRP printed on the fertilizer bags and that reported in the FMS for a particular state.

(ii) The fertilizer companies henceforth will certify the correctness of MRPs of their products entered in the FMS while claiming 'On Account' claims for a particular month and also ensure that the MRPs are updated in the FMS up to date of submission of bill.

The Department has also appointed Cost Accountants/Firms in order to analyze the cost data submitted by the P&K fertilizer companies and to find out the reasonableness of prices. The Cost Accountants/Firms have started submitting their reports.

6.2 In order to have better results in implementation of NBS Policy, the Department had assigned a job to study the impact of NBS policy to a consultancy firm namely M/s Ernst & Young(EY). The key focus areas of the Study are as under:

(i) Impact of NBS Policy on prices and availability of fertilizers in India.
(ii) Impact of NBS Policy on balance fertilization of soil and its impact on agricultural productivity.
(iii) Mechanism to ascertain 'reasonability' of MRP.
(iv) Identification of additional mechanism under NBS policy to make it more effective in achieving its objectives.
(v) Monitoring and regulation of prices.
(vi) Price Discovery and Fixation of Prices.

The M/s EY has submitted their final report and the report has been accepted by the Department for further consideration of the recommendations made thereon.

6.3 On being asked by the Committee about the current status of the study being conducted by M/s Ernst & Young on impact of NBS Policy and its follow up action, the Department in its written reply stated as under:-

"M/s Ernst and Young has since been submitted their report on the impact of NBS Policy. The Dept has also accepted the report. The findings and recommendations in the report are given in the **Annexure-III** and the Department is examining the recommendations."

6.4 When the Committee asked about the steps being taken by the Department to control the price rise of P&K fertilizers in the recent times to mitigate the increasing burden on the farmers especially on poor and marginal farmers, the Department in its written reply stated as under:-

"The following measures have been taken to control the price rise of P&K fertilizers;

i. Prices of P&K fertilizers are monitored through web based Fertilizer Monitoring System (FMS).

ii. Fertilizer companies are required to submit month-wise MRP data of their fertilizer products under FMS.

iii. The fertilizer companies have been asked to submit cost data of their fertilizer products from 2012-13 onwards on six monthly basis.

iv. In order to devise proper monitoring system regarding prices of P&K fertilizers, the fertilizer companies have been directed to have the same MRPs printed on the bags as applicable for each State in the FMS.

v. Cost Accountants/Firms have been appointed to scrutinize the cost data submitted by the fertilizer companies to find out the reasonableness of MRPs fixed by the companies. The reports submitted by Cost Accountants/Firms on reasonableness of prices are under examination of the DOF.

vi. Government has decided to decontrol movement of fertilizers bringing in more competition amongst the producers/importers from 1.4.2015. This is expected to bring down prices. However, the prices of P&K fertilizers during last two years remained more or less stable and in a few cases there is slight increase/decrease in prices.

6.5 The subsidy out go on P&K fertilizers during the year 2012-13 and 2013-14 and budgetary allocation for the year 2014-15 is as under:

Year	Subsidy outgo in P&K fertilizer (in Rs. Crore)
2012-13	30576.12
2013-14	29426.86
2014-15 (BE)	24670.30
2014-15 (RE)	20667.30

6.6 When the Committee enquired about the reasons for decline in subsidy outgo of decontrolled P&K fertilizers during the last three years and the measures being undertaken to contain subsidy outgo during the remaining years of 12th Five year plan, the Department in its written reply stated as under:-

"The decline in the subsidy outgo from 2012-13 onwards is due to reduction in subsidy rates in line with reduction of international prices of P&K fertilizers. However, the devaluation of exchange rate has upset the advantages of international price reduction of DAP & MOP, resulting in more or less stable prices of P&K fertilizers with slight aberrations in few cases.

Fixation of NBS rates during initial years of NBS Policy based on bench mark prices had made the international suppliers to believe that the bench mark prices is the minimum price at which the Indian buyers would be willing to purchase. Hence, while fixing NBS rates for 2012-13 onwards the bench mark prices were not distinctly identified with fixation of NBS Rates. This coupled with breakaway of the international potash cartelization led to lower procurement prices for Indian buyers and ultimately led to fixation of lower subsidy rates. Hence, the reduction in subsidy burden on P&K fertilizers.

Govt is promoting competition amongst the fertilizer companies, which will help bring down prices. Subsidy burden on P&K fertilizers depends on consumption. Hence, the Department in the aim of reducing consumption of Nitrogenous and P&K fertilizers is promoting consumption and use of bio-fertilizers such as city compost in the country."

CHAPTER-VII

NEW INVESTMENT POLICY 2012

7.1 The Government had notified the New Investment Policy (NIP)-2012 on 2nd January, 2013 to facilitate fresh investment in urea sector in future to reduce India' s import dependency in urea production. The salient features of NIP - 2012 are as follows:-

* The policy supports gas based plants only.
* It has structure of a flexible floor and ceiling price calculated at delivered price of gas from US $6.5 to US $ 14/mmbtu.
* The floor price has been determined at a Return on Equity (RoE) of 12% and the ceiling price at a RoE of 20%.
* For Greenfield/Revival and Brownfield Projects, the floor and ceiling shall increase in tandem with increase in delivered gas price i.e. every USD 0.1/mmbtu increase in delivered gas price will increase the floor and ceiling by USD 2/MT upto delivered gas price of USD 14/mmbtu.
* Beyond delivered gas price of USD 1 4 /mmbtu, only floor will be increased.
* For Revamp Projects, floor and ceiling have been linked to delivered gas price of USD 7.5/mmbtu and floor and ceiling shall increase by USD 2 . 2 / MT for every increasing in delivered gas price of 0.1/mmbtu.
* It supports revival of closed units.
* It encourages investment by Indian industry in Joint Venture abroad in resource rich countries.
* The policy incentivizes units to produce urea in granulated or coated/fortified form to improve the efficiency in the use of Urea with additional amount of USD 10/ MT allowed in floor and ceiling prices.
* For units in North Eastern states, the special dispensation regarding gas price that is being extended by GOI/ State governments will be available to any new investment. Suitable adjustments will be made to applicable floor and ceiling price incase the delivered price (after allowing for special dispensation) falls below USD 6.5 per mmbtu, subject to approval of Ministry of Finance.
* The policy is applicable to all units whose production starts within five years from the date of notification and has dispensation of guaranteed buy back for eight years from date of start of production.

7.2 When the Committee asked about the precise amendments which have been made by the Department in New Investment Policy 2012 and the reasons for the amendments, the Department in its written reply stated as under:-

> "As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy (NIP) - 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. Accordingly, this department notified the amendment to New Investment Policy (NIP) – 2012 on 7th October, 2014 with the following amendments:
>
> (i) Para 8.1 of NIP-2012 is replaced as follows:
> 'Only those units whose production starts within five years from the date of this amendment notification will be covered under the policy. Subsidy will be given only upon domestic sale as at present for a period of 8 years from the

date of start of production. Thereafter, the units will be governed by the urea policy prevalent at that time.'

(ii) To ensure seriousness/credibility of the project proponents under NIP-2012 and for timely execution of the projects, all the project proponents will be required to furnish Bank Guarantee (BG) of Rs. 300 crores for each project. The BG will be linked to milestones in the project cycle. Out of Rs. 300 crores, Rs. 100 crores of BG will be released after finalization of LSTK/ EPCA contractors and release of advance to the contractor's account; Rs. 100 crores of BG will be released on completion of equipments ordering and supply to the site or midpoint of the project cycle, whichever is earlier; and the balance of Rs. 100 crores of BG on completion of the project. PSUs are, however, exempted from furnishing the BG."

7.3 On being enquired by the Committee about the precise efforts being made by the Department to expedite the investments in urea sector to make the country self reliance in urea sector and the status of the 12 proposals for setting up as revamp, expansion, revival and greenfield plants under NIP-2012 received by the Department, the Department in its written reply stated as under:-

"The New Investment Policy (NIP) – 2012 was notified by this department on 2nd January, 2013. As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy (NIP) - 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. Accordingly, this department notified the amendment to New Investment Policy (NIP) – 2012 on 7th October, 2014.

As of now, this department has received the following 12 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants from the project proponents based on the amendment to NIP - 2012:

S. No	Company	Projects	Ownership	State
1.	Zuari Agro Chemicals Limited	Revamp of Ammonia-Urea project at Zuarinagar.	Private	Goa
2.	IGFL-Jagdishpur	Brownfield Expansion urea project at Jagdishpur.	Private	Uttar Pradesh
3.	CFCL-Gadepan	Brownfield of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4.	GNVFC-Bharuch	Brownfield Ammonia-Urea project at Bharuch.	State JV	Gujarat
5.	GSFC-Vadodara	Greenfield Ammonia-Urea project at Dahej.	State PSU	Gujarat
6.	MATIX Fertilizers & Chemicals ltd.	Brownfiled Ammonia-Urea Fertilizers Complex at Panagarh.	Private	West Bengal
7.	RCF-Thal	Brownfield Ammonia-Urea Expansion project at Thal.	CPSU	Maharashtra
8.	FACT-Kochi	Brownfield Ammonia-urea project at Udyogamandal, Kochin.	PSU	Kerala
9.	Kanpur Fertilizers & Cements Limited	Brownfield Project at Panki, Kanpur.	Private	Uttar Pradesh
10	Bharat Coal Chemicals Ltd .	Coal Gasification based Ammonia and urea project, Paradip.	Private	Odisha
11.	Nagarjuna Fertilizers & Chemicals Ltd.	Brownfield Project at Kakinada, Andhra Pradesh.	Private	Andhra Pradesh
12.	Krishak Bharati Cooperative Limited	Brownfield Project at Hazira, Gujarat.	Cooperative	Gujarat

This Department is examining these proposals in the light of the provisions of the NIP-2012 and amendments thereof and it is expected that it will be finalized soon.

7.4 When the Committee asked about the time line fixed for formulation of unified policy for incentivizing production beyond reassessed capacity by amending provisions of New Investment Policy-2008 and amendments to existing provisions of Modified New Pricing Scheme-III for existing urea units and the efforts being made to expedite the inter-ministerial consultations, the Department in its written reply stated as under:-

"A proposal regarding formulation of unified policy for incentivising production beyond reassessed capacity by amending provisions of New Investment Policy (NIP) – 2008 and amendments to existing provisions of Modified New Pricing Scheme – III for existing urea units was circulated for inter-ministerial consultations on 16th December, 2014. After receiving the comments from the concerned departments/ministries, Department of Fertilizers has prepared a final Cabinet Committee on Economic Affairs (CCEA) Note, which has been sent to the CCEA for their consideration and approval."

CHAPTER-VIII

REVIVAL OF CLOSED/SICK PSUs

8.1 There are nine public sector undertakings under the administrative control of the Department as under:

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

Performance of Public Sector undertakings/Cooperatives

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

RCF

During the year 2012-13, RCF produced 23.35 LMT of urea and 6.10 LMT of Complex Fertilizers and the Company made a Profit Before Tax (PBT) of Rs. 380.12 Crore.

In the year 2013-14, RCF produced 23.46 LMT urea and 5.17 LMT Complex Fertilizers. During this year the Company made PBT of Rs. 367.32 Crore.

NFL

During 2013-2014, the aggregate production from NFL Plants put together was 36.36 LMT. Company also produced 558 MT of Bio-Fertilizers from its Bio-Fertilizer plant at Vijaipur during the year. Company registered a loss (before tax) of Rs.161.16 crore during the year 2013-2014. During the year Sales turnover of the company was Rs.8017 crores including sale of Industrial products and traded goods worth Rs.86 crores.

During financial year, 2014-2015 company produced 28.78 LMT urea upto the month of December 2014. Company earned Profit Before Tax (PBT) Rs.109.76 crore and Profit After Tax (PAT) Rs.79.77 crore upto the month of September 2014. Sales turnover of the company was Rs.4483 crores including sale of Industrial products and traded goods worth Rs.48 crores.

PDIL

PDIL is mainly involved in design engineering and consultancy service and producing catalyst for the fertilizer and refinery industries. During 2013-14, company registered Profit Before tax (PBT) of Rs. 1.94 crore out of the total turnover of Rs. 72.61 crore. During the period April to December, 2014, the company has incurred loss of Rs. 8.77 crore and estimated Profit Before Tax for the year 2014-15 is Rs. 4.98 crore..

MFL

During 2013-14, company produced 4.87 LMT of Urea and 1.00 LMT of Complex Fertilizers utilizing 100% and 5.34% capacity respectively. The Company ended up with a Profit Before Tax (PBT) of Rs. 105.80 crores. In 2014-15, Company is expected to produce 3.86 LMT Urea and 1.02 LMT of NPK and may end with a loss of Rs.97.57 crore.

FAGMIL

FAGMIL is engaged in the mining and marketing of mineral gypsum, Mineral Gypsum is used mainly as sulphur nutrient to the soil, as a soil amendment to sodic soil and also as an input raw-material to cement manufacturing. During 2013-14 company produced 8.03 LMT of Gypsum and ended with Profit Before tax (PBT) of Rs. 52.11 crore. The cumulative production and sales turnover of gypsum upto December 2014 is also 5.06 LMT and Rs. 5350.60 lakh respectively.

The provisional Profit Before Tax for the month is Rs. 313.60 lakh and cumulative Profit Before Tax for the year upto December 2014 is Rs. 2917.35 lakh as against Rs. 2979.55 lakh during the corresponding period of previous year.

BVFCL

During the year 2013-14, BVFCL produced 3.06 LMT of Urea. The company also produced 27.35 MT of Bio-fertilizers. The company registered a loss of Rs. 158.29 crore (PBT) during the year 2013-14 in overall sales turnover of Rs.457.96 crore which includes a sale of Rs. 16.23 crores worth traded goods. During the year 2014-15, the company is expected to produce 3.90 LMT of urea with loss of Rs. 100.57 crores (PBT) for the whole year.

FACT

During the period of April to December 2014, the Company incurred a loss of Rs. 263.54 Crore (Provisional). During the first quarter of the current financial year 2014-15 company recorded loss of Rs 88.05 crores on account of low production since annual turnaround was being carried out in production units. The production performance could be improved during the remaining months of the current year. In the second quarter, the Company registered a loss of Rs. 67.58 crore. During the last quarter the company has a loss of Rs. 107.91 Cr taking the cumulative loss to 263.54 Cr. Huge outflow on account of interest for working capital loans caused a major drain on the working capital. Owing to higher raw material prices and unremunerative realization production of caprolactam was stopped since 11.10.2012."

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

"BVFCL, MFL and FACT are sick PSUs. Financial performance of these PSUs during last two financial years upto December 2014 is mentioned below:

Financial Performance of BVFCL:

Parameter	2012-13	2013-14	Actual up to Dec, 2014
Turnover	568.29	457.97	400.93
Net Profit	-32.64	-158.29	(-)91.95
Net Worth	-445.28	-571.75	(-)695.51

Financial Performance of FACT:

Parameter	2012-13	2013-14	Actual up to Dec, 2014
Turnover	2442	2276	1539.49
Net profit	(-)354	(-) 265	(-)263.54
Net-worth	(-)192	(-)457	(-)720.50

Financial Performance of MFL:

Parameter	2012-13	2013-14	Actual up to Dec, 2014
Turnover	2346.29	2605.97	1277.32
Net Profit	24.44	100.04	(-)127.47
Net-worth	(-)306.23	(-)206.19	(-)333.65

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

"Closed PSUs

Eight fertilizers units of the PSUs under the administrative control of the Department of Fertilizers have been lying closed at present. Out of these closed units five are of Fertilizer Corporation of India Limited (FCIL) and three are of Hindustan Fertilizer Corporation Limited (HFCL). Government is considering the revival all the eight closed units. The steps being taken by the Department for the revival of the units of these PSUs particularly in the context of encouraging and augmenting indigenous production of fertilizers during Twelfth Five Year Plan are as follows:

(i) Talcher Unit

The pre-project activities for revival of Talcher unit (Odisha) by the nominated Public Sector Undertakings (PSUs), namely, RCF, CIL, GAIL and FCIL are in progress to set-up a coal-based fertilizer plant. The selection of Coal Gasification Technology by GAIL is at the final stage. The plant is likely to become functional after 36 months from the date of Award to the Technology Suppliers.

(ii) **Ramagundam Unit**

The pre-project activities for revival of Ramagundam unit (Telangana) by the nominated PSUs, namely, EIL, NFL and FCIL are in progress to set-up a gas-based fertilizer plant. Joint Venture (JV) agreement has been signed by these PSUs on 14.01.2015. Technology suppliers have been shortlisted and the selection of technology is at the final stages. The Joint Venture Company has been incorporated in the name of 'Ramagundam Fertilizers and Chemicals Limited' on 17.2.2015. The plant is likely to become functional after 36 months from the date of Award to the Technology Suppliers.

(iii) **Sindri unit**

Approved DRS envisaged revival of Sindri unit by SAIL. However, not much progress was made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant due to encroachments. In the meantime, 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's borrowings have increased to around Rs. 25,300 crore. In view of the above, SAIL has taken a view not to pursue the Sindri Revival project further. Government is exploring the feasibility of revival of Sindri unit, through the 'bidding route'.

(iv) **Gorakhpur unit**

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, Government is exploring the feasibility of revival of Gorakhpur unit, which is en-route of Jagdishpur-Haldia pipeline (JHPL) on 'nomination route' instead of 'bidding route' approved earlier.

(v) **Korba unit**

The revival of Korba unit would be taken up later on.

(vi) **Barauni unit**

Though proposal/ action plan on revival of units of HFCL to be taken up once revival of FCIL units is on track in terms of CCEA approval in May 2013, but, in the context of the recent announcement of the proposed JHPL, Government is exploring the feasibility of fast tracking the revival of Barauni unit of HFCL through 'bidding route'.

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. Details of proposed financial restructuring are as below:

(a) Financial restructuring of BVFCL

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 has been proposed:

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 Govt. of India for calculating the concession rate of urea under NPS–III.
e. BVFCL to implement on of 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.

A Cabinet Note has been forwarded to Cabinet Secretariat for placing before Cabinet for approval.

(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

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 Govt. 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 has been submitted to Cabinet Secretariat. Department of Expenditure has raised some issues on the matter. Department of Fertilizers is in discussions with Department of Expenditure to resolve these issues."

8.5 When the Committee enquired about the estimated increase in production of urea in the country as a result of revival of these sick/closed units restructuring of sick units, the Secretary of the Department during the course of evidence replied as under:

"The estimated increase in production of urea in the country as a result of revival of these closed units is 1.30 Million Tons per annum per unit."

8.6 When the Committee asked as to how the Department plans to revive the sick and loss making PSUs in view of the financial restrictions imposed by the Ministry of Finance, the Department in its written reply stated as under:

“There are three sick PSUs namely MFL, BVFCL and FACT. Government is considering proposals for financial restructuring of above these three PSUs which inter-alia involves write off of loan and interest on GOI loan. These PSUs are not being revived under plan fund.”

CHAPTER-IX

FEEDSTOCK POLICY/ ALLOCATION OF GAS TO FERTILIZER INDUSTRY

9.1 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. Further, 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.

9.2 When the Committee asked about the number of fertilizer plants which have converted their feedstock from Naptha/FO/LSHS to gas based plants, the Department in its written reply stated as under:-

> "Six naphtha based plants namely, Chambal Fertilizers & Chemicals Limited (CFCL) Gadepan – II, Zuari Agro Chemicals Limited (ZACL), Shriram Fertilizers & Chemicals Limited (SFC), 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."

9.3 On being asked by the Committee about the steps being taken by the Department to convert the remaining Naphtha/ FO/LSHS based plants into gas based plants and the time by which all such plants will be converted into gas based plants, the Department in its written reply stated as under:-

> "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 had issued Modified NPS-III for existing urea units on 2nd April, 2014 wherein the following provisions were made with regard to the continuation of the Naphtha Based urea units:-
>
> '*Continuing the production from high cost units*
> *The production of the high cost naphtha based urea units namely SPIC Tuticorin, MFL Manali and MCFL Mangalore will continue under modified NPS-III till the gas availability and connectivity is provided to these units or June, 2014 whichever is*

earlier, beyond which subsidy for naphtha based plants will not be paid. However, no new naphtha based plants will be permitted in Greenfield investments.'

2. In this regard, this Department had moved a Cabinet Note on continuation of production of urea from MFL, MCFL and SPIC beyond June, 2014 by using existing feedstock Naphtha. The CCEA in its meeting held on 27th August, 2014 decided to continue urea production from Naphtha based urea units viz. MFL, MCFL & SPIC upto 30th September, 2014. The CCEA later in its meeting dated 10th December, 2014 further approved the operation of these three plants only for a period of 100 days from the date of issue of the notification with the following conditions:

i. The concession rate for these plants will be determined notionally on the basis of weighted average delivered cost of spot RLNG to recently converted plants after deducting state taxes (VAT, Entry tax) on Naphtha/FO or the cost of production of urea from Naphtha/FO after deducting state taxes (VAT, Entry tax) on Naphtha/FO, whichever is lower.

ii. The above decision will be operationalized after concerned State Governments agree to waive the local taxes (VAT, Entry Tax) on Naphtha/FO used as feedstock for urea production.

3. The CCEA had further directed that a proposal for alternative arrangements be finalised for its consideration, before the expiry of the aforesaid period. Government of Karnataka vide its letter dated 06.01.2015 has informed that MCFL uses only imported Naphtha on which there is no State tax levied. Further, Government of Tamil Nadu vide its letter dated 31.12.2014 has stated that it is willing to forego the VAT on Naphtha used by MFL-Manali and SPIC- Tuticorin. In view of the information given by Government of Karnataka and Government of Tamil Nadu, the department vide its notifications dated 7th January 2015, has allowed the operation of aforementioned units to produce urea using existing feedstock Naphtha for a period of 100 days from the date of notification. All three units will be paid subsidy as at para 2(i) above.

At present, the DoF is preparing CCEA note, which will be submitted to Cabinet Committee on Economic Affairs for their consideration and approval.

Constraints:- Gas pipeline connectivity to these three plants is not ready which may take some more time to become ready."

9.4 When the Committee asked about the efforts made by the Department to procure gas at reasonable price, the Department in its written reply stated as under:-

"The availability of gas is one of the major limiting factor 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. Moreover, to ensure the supply of domestic gas to these units/plants, Department of Fertilizers takes up the matter with MoP&NG on regular basis as on when situation arises through D.O letters and meeting with stakeholders including urea units. 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. Empowered Group of Ministers (EGoM) on Gas Pricing and Commercial Utilization of gas in its meeting held on 23.08.2013 decided to maintain at 31.5 MMSCMD 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. Therefore, up to year 2015-16, the requirement above 31.5 MMSCMD has to be met through RLNG."

9.5 On being enquired by the Committee about the provision being made for non-stop supply of gas to these Naphtha based urea units after the completion of duration of 100 days from the date of notification i.e. 7 January, 2015, the Department in its written reply stated as under:-

"The 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. It was concluded that 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."

9.6 When the Committee asked about the status of Madras Fertilisers Limited, the representative of the Department during the course of evidence stated as under:

"Sir, as far as the Madras Fertilisers Limited is concerned, for the last about 40 years, we have only naphtha as feedstock. We are getting a good amount of subsidy also to use naphtha. In 2004, there was one direction by the Government of India to use only gas in place of naphtha in order to reduce the cost of production of urea. So, as on today, my company can use both gas as well as naphtha.

Now, the Government of India has given us a direction that we can use naphtha up to April, 2015. In case, we are not going to use gas replacing naphtha after April, 2015, then we have to close the company. So, it is our earnest desire that our company must continue for some more years. It is not the fault of the MFL not to get the gas. As on date, the company is ready to receive gas also. We have already gone with the IOCL for getting gas from Ennore Port. IOCL may take about three to four years to supply the gas. So, until we get the gas from IOCL or GAIL or from some other source, our company should be allowed to function. It is the only PSU in the South, which is into urea.

The representative of the Department further added as under:

"It is running. But by April, 2015, we have to close, as per the Government notification, unless it is extended by some other notification that we can use naphtha.

Sir, as on today, the price of naphtha is less than that of gas."

In this context, the Secretary of the Department stated as under:

"Sir, we have received their proposal, we will go back to the Cabinet. It is because the Cabinet had directed us that the arrangement that we have given, should continue for 100 days; and after that we should go back to the Cabinet. We will go back to the Cabinet with the proposal they had given; and we will make all efforts that they continue production."

The representative of the Ministry also added as under:

"Sir, our only concern is that it is not the fault of the company that we are avoiding gas. If the gas can be given today, we would run it on gas."

9.7 When the Committee enquired about the initiatives that have been taken by Department to impress upon the Ministry of Petroleum and Natural Gas for a firm commitment towards allocation of gas to the fertilizers PSUs, the Department in its written reply stated as under:-

"The Department of Fertilizers does not involve directly in supply of gas to the urea manufacturing units. It recommends the requirement of gas, as projected by urea manufacturing units, to MoP&NG and does the follow up on regular basis.

Empowered Group of Ministers (EGoM) on Gas Pricing and Commercial Utilization of gas in its meeting held on 23.08.2013 decided to maintain at 31.5 MMSCMD 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. Therefore, the level of supplies of domestic gas to the fertilizer sector has been capped at 31.5 mmscmd up to 2015-16.

Department of Fertilizers has been regularly following the issue of allocation of natural gas to the domestic urea manufacturing units including PSUs as per the above EGoM decision dated 23rd August, 2013 through various D.O. letters, review meetings with different stakeholders *viz*. MoP&NG, GAIL, IOCL, ONGC and fertilizer companies. Due to non availability of sufficient natural gas in the country, the fertilizer sector has been advised to plan utilization of imported Re-gasified Liquefied Natural Gas (R-LNG) also, as per their commercial judgement."

9.8 When the Committee enquired about the new technology being used in urea sector in the country, the Secretary of the Department during the course of evidence responded as under:

"…..Regarding technology, I would like to tell that not a single urea plant has been set up in the country since 1999. The next urea plant, after 15 years, is going to be commissioned in West Bengal. That is based on coal-bed-methane. That is again a new technology for the country. In china, 72 to 75% of urea production is based on coal gasification. We will for the first time will do coal gasification in Talcher. We are hopefull that this will be successful. We have lot of coal but natural gas is limited….."

The Secretary also added as under:

"We can produce more urea on coal based……"

CHAPTER-X

JOINT VENTURES ABROAD

10.1 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.

Joint Venture Projects

10.2 When the Committee asked the details of the Joint Venture initiatives undertaken by the Department in the recent years with the countries which are resource rich in P & K fertilizers and the extent to which the demand of the country in respect of the P & K fertilizers would be met by these Joint Ventures, the Department in its written reply stated as under:

> " So far, the Department of Fertilizers has undertaken Joint Ventures abroad with 5 Countries in the previous years. The details of such joint ventures in the fertilizer sector are given below:

S. No	JV Project-Country	JV participants with equity %	Product and the Project status
1.	Oman India Fertilizer Co.(OMIFCO), Oman	Oman Oil Co. (OOC-50%), IFFCO (25%) & KRIBHCO (25%)	16.52 lakh MT Urea & 2.48 lakh MT Ammonia. Production started in the year 2006.
2.	ICS Senegal, Senegal	ICS Senegal and IFFCO consortium	5.5 lakh MT phosphoric acid. Production already started.
3.	JPMC-IFFCO JV, Jordan	JPMC & IFFCO	4.8 lakh MT Phosphoric acid. Commercial production started in December 2014.
4.	IMACID, Morocco	OCP-Morocco, Chambal & TCL – 33% each	4.25 lakh MT phosphoric acid. Production started in year 1997-98.
5.	Tunisia-India Fertilizer Company (TIFERT), Tunisia	GCT (Tunisia), CFL (Now CIL) & GSFC (India)	3.60 lakh MT of Phosphoric acid. Commercial production started in April 2014.

> It can be seen from the above table that significant part of the demand for P&K fertilizers are being met with the assured supply of fertilizers through above-mentioned Joint Ventures/long term offtake agreements. In addition to the above, talks are in advanced stages with countries like Russia, Canada and Iran for establishing Joint Ventures with long term offtake agreements.

> **Cooperation with 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.

Cooperation with 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 venture 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.

Cooperation with 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. As the offer price of potash was much higher than the international prices and taking into account the changed scenario of potash availability and decreasing trend of potash prices in the world, Consortium members felt the need for re-negotiations with M/s Encanto as per revised terms and conditions. The proposal has been kept pending for the present.

In the meantime the GSFC has agreed to invest approximately US$ 45 million resulting in GSFC holding 19.98 % ownership stake in Karnalyte, a Canadian company for import of potash to India."

10.3 On being asked by the Committee about the encouragements/incentives are being given to fertilizer companies for joint ventures abroad, the Department in its written reply stated as under:-

"The Government facilitates establishment of Joint Ventures / Long Term Offtake Agreements with other countries to ensure assured availability of raw materials / finished fertilizers in India. The Govt. does not itself become party to the Joint Venture / offtake agreement rather facilitates the project through its missions abroad.

D/o Fertilizers has also proposed to constitute an Empowered Committee of Secretaries (ECOS) to consider and recommend proposals received from various fertilizer PSUs, which are beyond the powers delegated to the Board of PSUs under administrative control of this Department, to invest abroad for acquisition of fertilizer assets / natural resources / raw materials and setting-up of Joint Venture fertilizer project abroad with an aim to ensure long term supply of fertilizers, fertilizer inputs, fertilizer raw materials for consumption in India, including through acquisition of raw material assets abroad."

10.4 When the Committee asked as to whether the existing JVIs have yielded the desired results to meet the demand of the country for P&K fertilizers, the Department in its written reply stated as under:-

"The Joint venture/ Long Term Offtake Agreements established so far have been instrumental in bridging the gap between demand and supply of raw materials / finished fertilizers in India along with a substantial saving on foreign exchange. For instance, total import of Urea from OMIFCO (a JV between Oman Oil Co. and IFFCO/KRIBHCO) in the last 10 years is approx. 180.07 Lakh Metric Tonnes and the foreign exchange savings are to the tune of US $ 3025.86 Million i.e. approximately Rs. 18000 Crores."

CHAPTER-XI

IMPORTANT ISSUES

I. Demand and availability of fertilisers:

11.1 Statement indicating State-wise/UT wise and year-wise requirement, availability & sales from 2011-12 to 2014-15 (upto Feb'15) is at **Annexure-IV** and State-wise/UT wise production for Urea, DAP & NPK is placed at **Annexure-V to VII** respectively.

11.2 On being enquired by the Committee as to whether any shortage of fertilizer was reported in any part of the country during the last crop season and if so, then what steps were taken by the Department to meet the shortage timely, the Department in its written reply responded as under:

" In the Rabi 2014-15, Department of Fertilizers (DoF) has supplied more fertilizers than that of last Rabi season as is evident from the Table given below.

<Figures in LMT>

Rabi 2013-14 (Oct'13 to Feb'14)					Rabi 2014-15 (Oct'14 to Feb'15)		
	Product	Require-ment	Availability	Sales	Require-ment	Availability	Sales
All	Urea	152.23	137.39	133.36	149.90	146.46	144.19
India	DAP	42.11	37.48	29.42	44.81	34.99	30.53
	MOP	13.18	11.88	8.49	13.73	14.63	10.86
	NPK	47.69	41.04	34.67	44.67	45.09	37.40

As can be seen from the above table that this year supplies as well as sales have been more than that of last year. During current Rabi season due to changed weather conditions and cropping pattern, there was a shift in demand pattern and therefore in the months of December, 2014 and January, 2015, some states requested Urea far more than the projected requirement of these months and the supply was made accordingly."

11.3 During the recent study visit of the Committee to Srisailam, Andhra Pradesh and interaction with the farmers of village Dindi, Nalgonda, Telangana enroute to Srisailam, in January 2015, non-availability of fertilizers particularly during sowing season was reported to the Committee. In this regard, when the Committee asked the Department to furnish their comments, the Department in its written reply stated as under:-

"In this regard, the availability of fertilizers in the State of Andhra Pradesh and Telangana during Rabi 2013-14 (Oct'13 to March'14) and current Rabi 2014-15 (Oct'14 to Feb'15) is as given below:

<Figures in LMT>

Rabi 2013-14 (Oct'13 to Feb'14)					Rabi 2014-15 (Oct'14 to Feb'15)		
State	Product	Requirement	Availability	Sales	Requirement	Availability	Sales
Andhra Pradesh	Urea	14.50	14.53	14.28	7.75	8.80	8.74
	DAP	3.50	2.98	2.51	1.75	1.70	1.58

	MOP	1.70	1.94	1.30	1.25	1.52	1.23
	NPK	10.00	11.52	10.08	6.12	7.38	6.70
Rabi 2013-14					Rabi 2014-15 (upto Feb'15)		
State	Product	Requirement	Availability	Sales	Requirement	Availability	Sales
Telangana (State created in June 2014)	Urea	-	-	-	6.20	4.87	4.80
	DAP	-	-	-	1.50	0.76	0.69
	MOP	-	-	-	0.55	0.50	0.39
	NPK	-	-	-	3.80	3.25	2.82

As can be seen, the availability of all the fertilizers in both the States have been comfortable. Within State, it is responsibility of the State Government to distribute as per local demand. Here it is pertinent to point that the State of Andhra Pradesh and Telangana received deficient monsoon, therefore, the States lifted fertilizers as per the actual demand at ground level. During weekly Video Conferences, both the State have conveyed satisfactory availability of fertilizers. As per FCO State Governments are empowered to conduct search, make seizures and take appropriate/punitive administrative and legal action against any person violating provisions of Fertilizer (Control) Order (FCO), 1985 under the Essential Commodity Act 1955. In addition, Department of Fertilizers has, from time to time, written to States to activate the enforcement agencies under their jurisdiction to take action in this regard."

11.4 When the Committee asked about the details of the quantum and value of various fertilizers imported during each of the last three years and the current year, the Department in its written reply stated as under:

" The quantum of fertilizers imported and subsidy released thereon during the last three year and current year are as under:

Quantity Imported of Urea

Year	Quantity Imported
2011-2012	79.39 LMT
2012-2013	80.40 LMT
2013-2014	71.33 LMT
2014-2015 (Up to 17.03.2015)	78.92 LMT

Quantity Imported of Decontrolled P&K Fertilizers.

Quantity in LMT

Year	DAP	MOP	NPK (Complex)
2011-2012	75.38	28.74	39.51
2012-2013	57.61	18.57	4.03
2013-2014	33.17	22.13	3.94
2014-2015 (up to 17.03.2015)	39.60	29.87	3.16

Details of the expenditure incurred by FA wing on account of payment of Subsidy on Imported Fertilizers.

(Figures In crores of Rupees)

Fertilizer	2011-2012	2012-2013	2013-2014	2014-2015 (upto 17.03.2015)
Imported Urea	17475.00	20016.00	15353.30	15531.54
Imported Decontrolled P&K Fertilizers.	16164.94 (Bonds) 406.98	14576.10	13926.86	8609.07

11.5 When the Committee asked whether any institutional mechanism has been set up by the Department in consultation with the State Governments with a view to ensuring proper distribution of adequate quantity of Fertilizers to the farmers in the Country, the Department in its written reply stated as under:

" Following steps are taken for adequate and timely supply of fertilizers to the States:-

1. 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.

2. On the basis of month-wise & state-wise projection given by Department of Fertilizers allocates sufficient/adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability through following system:-

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

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

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

3. 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."

11.6 When the Committee asked as to how many states have prepared block level supply plan for all fertilizers, the Department in its written reply stated as under:

"Almost all the State Governments prepare block level projection as well as supply plan but monitor upto district level. Department of Fertilizers (DoF) ensures availability for all the fertilizers upto State level, within State distribution of fertilizers is the responsibility of State Governments."

I. BLACK MARKETING AND DIVERSION OF FERTILIZERS:

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

"The distribution of fertilizers to the farmers within the State at fair price is the responsibility of the concerned State Government. State Governments are adequately empowered to conduct search, make seizers and take punitive action against any person violating provisions of FCO, 1985 and Essential Commodity Act, 1955. In addition, Department of Fertilizers has, from time to time, written to the Chief Secretaries, Ministry of Home Affairs to activate the enforcement agencies under their jurisdiction to take action in this regard. Further, Department of Fertilizers, through weekly Video Conference with Department of Agriculture & Cooperation (DAC) and representatives of State Government has been sensitizing and advising the State Governments to check black-marketing, diversion, smuggling and breach of MRP etc. and there is no report from any State Governments/UTs during this year so far.

Regarding distribution of fertilizers throughout the country upto State level, it is stated that 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. On the basis of month-wise & State-wise projection given by DAC, Department of Fertilizers allocates sufficient/adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability through the system as elaborated at para 11.5 above.

11.8 In reply to the Chairperson's query regarding smuggling and black marketing of fertilizers, the Secretary fertilizers replied as under:

"……………In regard to smuggling and black marketing, the Hon'ble Chairman has made very, very valid observation. The hon'ble Minister had also mentioned this in Parliament. Our retail price is controlled and fixed at Rs.5360. It is true that in our neighbouring countries as Bangladesh, Nepal and Pakistan, the retail prices are much higher. For that we will have to enforce the border controls to stop its movement. We are requesting the State Governments as well as the BSF to ensure that border movement controls are enforced.

In order to prevent domestic diversion, we have introduced a new product – neem coated urea. We are hoping that more and more neem coating of urea will ensure non-diversion of urea for industrial use, like paints and chemicals. That is what we are trying to do. We had a cap of 30 per cent. Now we have removed that cap. Any company can produce up to 100 per cent. We are also suggesting a minimum 75 per cent of neem coating next year so that we can control diversion of domestically produced urea for non-agricultural purposes. I have personally written to all Chief Secretaries to keep a very strict vigil on this kind of diversion and wherever necessary, the Essential Commodities Act must be enforced. It is a joint responsibility of central and the state governments"

In response to a query of the Committee as to whether it is the responsibility of the State, the Secretary of the Department responded as under:

"Sir, it is a joint responsibility."

11.9 Vide Notification dated 7th January, 2015, Department of Fertilizers has approved the removal of cap/restriction to produce Neem Coated Urea. Therefore, the indigenous producers of urea are allowed to produce Neem Coated urea up to maximum of their total production of subsidized urea. It has also been decided to restrict the extra 5 % of MRP to be charged by the companies on Neem Coated Urea for future to the extent of 5% of the existing MRP of urea only i.e. Rs 5360 per MT.

11.10 On being enquired by the Committee about the steps being taken by the Department to encourage production and availability of fortified and coated fertilizers in the country and the extent to which it would be able to check black marketing or diversion of fertilisers, the Department in its written reply stated as under:-

> "Indigenous manufactures/producers of urea are allowed to produce Neem Coated Urea upto maximum of their total production of subsidized urea and to restrict the extra MRP to be charged by the companies selling Neem Coated Urea to the extent of 5% of the existing MRP of urea only i.e. Rs. 5360/- per MT.
> As per Fertilizers Control Order (FCO), manufacturers are allowed to produce Zincated Urea upto a maximum of 20% of the total production of urea and to sell at a price upto 10% above MRP of urea.
>
> The distribution of fertilizers to the farmers within the State at fair price is the responsibility of the concerned State Government. State Governments are adequately empowered to conduct search, make seizures and take punitive action against any person violating provisions (which prohibit black-marketing and diversion) of FCO, 1985 and Essential Commodity Act, 1955. In addition, Department of Fertilizers has, from time to time, written to the Chief Secretaries, Ministry of Home Affairs to activate the enforcement agencies under their jurisdiction to take action in this regard. Further, Department of Fertilizers, through weekly Video Conference with Department of Agriculture & Cooperation and representatives of State Government has been sensitizing and advising the State Governments to check black-marketing, diversion, smuggling and breach of MRP etc. and there is no report from any State Governments/UTs during this year so far.
>
> Regarding distribution of fertilizers including fortified and coated fertilizers throughout the country, it is stated that 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. On the basis of month-wise & State-wise projection given by DAC, Department of Fertilizers allocates sufficient/adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability through the system as elaborated at para 11.5 above.

11.11 On being enquired by the Committee as to how does neem coated urea would check black marketing/smuggling of urea, the Department in its written reply stated as under:-

> "Neem Coated urea is an excellent soil conditioner and bio pesticide which increases the Nitrogen Use Efficiency (NUE), thereby resulting in less use of urea for the same area and enhances crop yields. Moreover, Neem coated Urea cannot be used for industrial purposes, so illegal diversion of subsidized urea to non-agricultural use is not possible. DoF keeps sensitizing the Border Security Force (BSF), customs and organizations responsible for stopping smuggling of urea.

Regarding black marketing of urea, it may be mentioned that distribution of fertilizers to farmers within the state at fair price is the responsibility of the concerned state government. State governments are adequately empowered to conduct search, make seizures and take punitive action against any person violating provisions of FCO, 1985 and Essential Commodities Act, 1955. Further, Department of Fertilizers, through weekly video conference with Department of Agriculture & Cooperation and representatives of State Government keeps sensitizing and advising the State Governments for keeping strict vigil and for taking of prompt action to check black-marketing, diversion, smuggling and breach of MRP etc."

II. IMBALANCED USE OF FERTILIZERS:

11.13 During the aforesaid study visit of the Committee to Srisailam, Andhra Pradesh, it was also reported that indiscriminate use of fertilizers have resulted in degradation of soil. The Committee were briefed that the prices of P&K Fertilizers are decontrolled as per the Nutrient Based Subsidy regime but the MRP of Urea is still under statutory control and as a result of this, majority of farmers use only Urea which is affecting soil health.

11.14 In response to the observation of the Committee that people are using urea indiscriminately and the suggestion that the fertilizer companies and the Government of India should establish research centres and show the farmers as to how to utilize fertilizers for a crop and that every land needs to be tested first, the Secretary of the Department stated as under:

"Sir, I think that it is a very good suggestion, and some of our fertilizer companies are doing some demonstration and soil testing. But we will advice them to scale it up because after all the farmers are their clients. If they build a relationship and help the farmers to earn more, then it will benefit the companies also. Therefore, we will certainly welcome and convey your advice to the companies”

The Secretary also added as under:

“Sir, the balanced use of fertilizer is necessary not only in Odisha, but everywhere. The Soil Health Card Scheme that the Agriculture Department is doing will indicate which farmer needs to use what kind of fertilizer and in what proportion. Now, we will ensure and make available the fertilizer, which is necessary to be used for maximizing production, and we will fully provide whatever assistance the State Government wants."

11.15 When the Committee raised the concern regarding imbalanced use of fertilisers resulting in degradation of soil health and asked about the role of fertiliser companies in this regard, the Secretary of the Department during the oral evidence stated as under:

“...certain companies are working on fertilise literacy. Lot of work need to be done as already told that farmers are the main stakeholders of our industry. We can educate them. Agriculture Department is working in States, work is being done in ICAR of Agriculture Ministry. Soil Health Cards will also be there as suggested through CSR medium. That is also necessary. We will definitely do it.”

OBSERVATIONS/RECOMMENDATIONS

Growth and development of Fertilizer Industry

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 2014-25, 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.

<u>Plan Allocation and Expenditure</u>

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.

DEMANDS FOR GRANTS

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.

DIRECT SUBSIDY TO FARMERS

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 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 fertilisers. 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 fertilisers 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 fertilisers. For Urea, the subsidy is on cost plus basis but in P & K fertilisers, 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 concern 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 fertilisers 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 emphasised 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.

NUTRIENT BASED SUBSIDY POLICY

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 K.G 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.

NEW INVESTMENT POLICY 2012

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.

REVIVAL OF CLOSED/SICK PSUs

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. Fertilisers and Chemicals (FACT), Madras Fertilisers Limited (MFL) and Brahmputra Valley Fertiliser 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 Fertilisers 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.

FEEDSTOCK POLICY/ ALLOCATION OF GAS

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.

JOINT VENTURES ABROAD

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 fertilisers would be available to the farmers in the country. The Committee would like to be apprised of the progress made in this regard.

DEMAND AND AVAILABILITY OF FERTILISERS:

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 coordination 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.

BLACK MARKETING AND HOARDING OF FERTILIZERS

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 fertilisers 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 fertilisers 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 fertilisers and on subsidy on indigenous and imported fertilisers 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.

IMBALANCED USE OF FERTILIZERS:

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 with out 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 indicate 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 can not 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 balance use of

fertilizers for their crops. The Committee would like to be apprised of the action taken by the Department in this regard.

New Delhi;
16 April, 2015
26 Chaitra , 1936 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

APPENDIX-I

MINISTRY OF CHEMICALS AND FERTILISERS

DEMAND NO. 8

Department of Fertilisers

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

(In crores of Rupees)

	Major Head	Actual 2013-2014			Budget 2014-2015			Revised 2014-2015			Budget 2015-2016		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	Revenue	2.32	67359.29	67361.61	12.34	72999.96	73012.30	2.05	70992.69	70994.74	...	72997.76	72997.76
	Capital	...	...	...	*87.66*	*0.04*	*87.70*	*0.27*	*0.04*	*0.31*	*50.00*	*0.04*	*50.04*
	Total	**2.32**	**67359.29**	**67361.61**	**100.00**	**73000.00**	**73100.00**	**2.32**	**70992.73**	**70995.05**	**50.00**	**72997.80**	**73047.80**
1. Secretariat-Economic Services	3451	...	18.47	18.47	...	26.98	26.98	...	22.70	22.70	...	26.25	26.25
Crop Husbandry													
2. Subsidy on imported fertilizers	2401	...	11538.25	11538.25	...	12300.00	12300.00	...	12100.00	12100.00	...	12300.00	12300.00
3. Subsidy on decontrolled fertilizers													
3.01 Payment to manufacturers/Agencies for concessional sale of decontrolled fertilizers	2401	...	29300.52	29300.52	...	24670.30	24670.30	...	20667.30	20667.30	...	22468.56	22468.56
3.02 Compensation for Loss on Account of Sale of Fertiliser Bond	2401	...	...	...	...	0.02	0.02	...	0.02	0.02	...	0.02	0.02
Total- Subsidy on decontrolled fertilizers		...	*29300.52*	*29300.52*	...	*24670.32*	*24670.32*	...	*20667.32*	*20667.32*	...	*22468.58*	*22468.58*
Total-Crop Husbandry		**...**	**40838.77**	**40838.77**	**...**	**36970.32**	**36970.32**	**...**	**32767.32**	**32767.32**	**...**	**34768.58**	**34768.58**
4. Fertilizer Industries													
4.01 Subsidy on indigenous fertilizers	2852	...	26500.00	26500.00	...	36000.00	36000.00	...	38200.01	38200.01	...	38200.00	38200.00
4.02 Compensation for Loss on Account of Sale of Fertiliser Bonds	2852	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Fertilizer Industries		...	*26500.00*	*26500.00*	...	*36000.01*	*36000.01*	...	*38200.02*	*38200.02*	...	*38200.01*	*38200.01*
5. Other research schemes for fertiliser development													
5.01 S & T programme	2852	0.19	...	0.19	2.00	...	2.00	0.25	...	0.25	...	...	...
6. Non-Plan loans to public sector undertakings													
6.01 Hindustan Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.02 Fertiliser Corporation of India Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.03 Pyrites, Phosphates & Chemicals Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.04 Brahmaputra Valley Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Non-Plan loans to public sector undertakings		...	...	...	...	*0.04*	*0.04*	...	*0.04*	*0.04*	...	*0.04*	*0.04*

(In crores of Rupees)

	Major Head	Actual 2013-2014 Plan	Actual 2013-2014 Non-Plan	Actual 2013-2014 Total	Budget 2014-2015 Plan	Budget 2014-2015 Non-Plan	Budget 2014-2015 Total	Revised 2014-2015 Plan	Revised 2014-2015 Non-Plan	Revised 2014-2015 Total	Budget 2015-2016 Plan	Budget 2015-2016 Non-Plan	Budget 2015-2016 Total
7. Lumpsum provision for Projects/Schemes for the benefit of the North Eastern Region and Sikkim	6552	...	...	...	9.99	...	9.99	0.23	...	0.23	5.00	...	5.00
8. Investment in Public Enterprises	6855	...	...	...	72.67	...	72.67	0.03	...	0.03	45.00	...	45.00
9. Investment for JVs abroad	4855	...	...	...	5.00	...	5.00	0.01	...	0.01	...	...	...
10. Other Programmes													
10.01 For write off of loan, interest and penal interest on Govt. of India loan outstanding against HFCL, MFL, FACT, FCI & PDIL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
10.02 Other programmes	2852	2.13	2.10	4.23	10.34	2.63	12.97	1.80	2.63	4.43	...	2.90	2.90
10.03 Post closure adjustment liabilities of PPL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Other Programmes		*2.13*	*2.10*	*4.23*	*10.34*	*2.65*	*12.99*	*1.80*	*2.65*	*4.45*	...	*2.92*	*2.92*
11. Actual Recoveries	2852	...	-0.05	-0.05	...	...	...	...	...	...	...	...	...
Grand Total		***2.32***	***67359.29***	***67361.61***	***100.00***	***73000.00***	***73100.00***	***2.32***	***70992.73***	***70995.05***	***50.00***	***72997.80***	***73047.80***
	Head of Dev	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
B. Investment in Public Enterprises													
8.01 Fertilizers & Chemicals Travancore Ltd.	12855	...	...	...	42.66	...	42.66	0.01	...	0.01	34.99	...	34.99
8.02 National Fertilizers Ltd.	12855	...	516.02	516.02	...	150.00	150.00	...	69.15	69.15	...	120.50	120.50
8.03 Projects and Development (India) Ltd.	12855	...	8.81	8.81	...	21.55	21.55	...	8.89	8.89	...	19.69	19.69
8.04 Rashtriya Chemicals and Fertilizers Ltd.	12855	...	242.22	242.22	...	311.45	311.45	...	271.48	271.48	...	364.44	364.44
8.05 Madras Fertilizers Ltd.	12855	...	...	...	30.00	...	30.00	0.01	...	0.01	10.00	...	10.00
8.06 Brahmaputra Valley Fertilizer Corporation Ltd.	12855	...	...	...	10.00	...	10.00	0.23	...	0.23	5.01	...	5.01
8.07 Krishak Bharti Cooperative Ltd.	12855	...	...	...	...	...	...	...	...	...	...	...	...
8.08 Fertilizer Corporation of India (FAGMIL)	12855	...	10.57	10.57	...	38.64	38.64	...	0.89	0.89	...	6.00	6.00
Total		**...**	**777.62**	**777.62**	**82.66**	**521.64**	**604.30**	**0.25**	**350.41**	**350.66**	**50.00**	**510.63**	**560.63**
C. Plan Outlay													
1. Fertiliser Industries	12855	2.32	777.62	779.94	90.01	521.64	611.65	2.09	350.41	352.50	45.00	510.63	555.63
2. North Eastern Areas	22552	...	...	...	9.99	...	9.99	0.23	...	0.23	5.00	...	5.00
Total		**2.32**	**777.62**	**779.94**	**100.00**	**521.64**	**621.64**	**2.32**	**350.41**	**352.73**	**50.00**	**510.63**	**560.63**

APPENDIX -II

THE SUBSIDY RATES OF P&K FERTILIZERS DURING THE YEARS 2013-14 AND 2014-15

(a) Per Kg NBS rates for nutrients NPKS for the 2013-14 and 2014-15 :

NBS rates (Rs. per Kg)		
Nutrients	2013-14	2014-15
'N' (Nitrogen)	20.875	20.875
'P' (Phosphate)	18.679	18.679
'K' (Potash)	18.833	15.500
'S' (Sulphur)	1.677	1.677

(b) Per MT subsidy on different P&K fertilizers during 2013-14 and 2014-15:

(In Rs PMT)

Sl. No.	Fertilizer Grades (FG)	2013-14	2014-15
1.	DAP (18-46-0-0)	12350	12350
2.	MAP (11-52-0-0)	12009	12009
3.	TSP (0-46-0-0)	8592	8592
4.	MOP (0-0-60-0)	11300	9300
5.	SSP (0-16-0-11)	3173	3173
6.	16-20-0-13	7294	7294
7.	20-20-0-13	8129	8129
8.	20-20-0-0	7911	7911
9.	28-28-0-0	11075	11075
10.	10-26-26-0	11841	10974
11.	12-32-16-0	11496	10962
12.	14-28-14-0	10789	10323
13.	14-35-14-0	12097	11630
14.	15-15-15-0	8758	8258
15.	17-17-17-0	9926	9359
16.	19-19-19-0	11094	10460
17.	Ammonium Sulphate (20.6-0-0-23)	4686	4686
18.	16-16-16-0 (w.e.f. 1.7.2010)	9342	8809
19.	15-15-15-9 (w.e.f. 1.10.2010)	8909	8409
20.	24-24-0-0 (from 1.10.10 to 29.5.12 and w.e.f. 22.6.2012)	9493	9493
21.	DAP Lite(16-44-0-0) (w.e.f. 1.2.11)	11559	11559
22.	24-24-0-8 (wef 12.11.13 to 14.2.15) without subsidy on S	9493	9493

APPENDIX -III

KEY FINDINGS OF THE STUDY CARRIED OUT BY ERNST & YOUNG

1. **Overall subsidy burden from P&K fertilizers has declined** from Rs..39,081 Cr in financial year 10-11 to Rs..30,576 Cr (RE) in financial year 13-14. Considering the increase in international prices, in absence of the NBS, the subsidy outgo would have been higher by Rs.10,191 Crore in FY12 and by Rs.17,153 Crore in FY13.

2. **Availability of fertilizers:**

i. The availability of P&K fertilizers has improved post introduction of the NBS. While there are multiple factors/ observation across the different regions and products, the farmers confirm the positive impact of the NBS.

ii. **Domestic production:** No significant investment has taken place in P&K sector over last 3 years

iii. **Imports - Phosphorus:** Availability in India has increased primarily on account of increased imports (2.8 Mn MT in FY10 to 4.7 Mn MT in FY13 through imports).

iv. **Imports - Potash:** While imports increased significantly (over 20%) during FY11, in subsequent two years this has declined on account of reduced demand.

v. **New products:** 11 new products have been introduced since FY10. However, 6 of these were discontinued, resulting in net addition of 5 products.

vi. Based on **feedback from the sampled farmers**, availability of P&K fertilizers has improved post introduction of the NBS Percentage of sampled farmers who mentioned that P&K fertilizers were available to them always on time during last 2-3 years:

vii. However, last mile reach is still an issue impacting availability of fertilizers for farmers living in interior areas.

3. **Prices/Affordability:**

There has been significant increase in prices payable by farmers for P&K fertilizers. 438% increase in MOP prices and 183% increase in DAP prices
The percentage spend on fertilizers, due to the increase of prices of P&K fertilizers, increased from 7.6% to 10.5% for Wheat and from 7.7% to 8.6% for Paddy during FY10 to FY13.

4. **Consumption:**

- This increase led to an adverse impact on overall consumption of both Di Ammonium Phosphate (DAP, 18-46-0) and Muriate of Potash (MOP). The impact on MOP, however, was more pronounced.
- While the consumption of DAP and MOP has declined, it has increased significantly for Single Super Phosphate (SSP)
- Change in consumption between FY10 to FY13 - DAP: 13% decline, MOP - 46% decline, SSP - 56% increase.

5. **Balanced nutrient application:**

- Significantly low prices of Nitrogen (due to comparatively low prices of Urea which is currently not under NBS regime) has led to increase in gap between prices of N vis-a-vis P and K over last 3 years.

- As a result, there was a significant distortion of fertilization ratio post NBS. The NPK ratio changed from 4.3:2.0:1 in FY 10 to 7.9:3.1:1 in FY 13.
- Change in N:P ratio from 2.2:1 in FY10 to 2.5:1 in FY13.
- Change in N:K ratio from 4.3:1 in FY10 to 7.9:1 in FY13
- In four northern states (Haryana, Rajasthan, Punjab and Uttar Pradesh), N:K ratio has significantly worsened during this period (FY10 to FY13).
- During the field survey, a significant proportion of sampled farmers reported to have reduced usage of P&K fertilizers during FY11-FY13 (Karnataka: 27%, Bihar 85%, Maharashtra: 56%, Punjab: 40%, MP: 24%).

6. **Productivity improvement:**

   The productivity has either increased or has remained constant across various crops during FY10 to FY13

   Change in productivity (FY10 to FY13) is:

   Rice: 14%, Wheat: 10%, Jowar:-2%, Bajra:54%, Maize:24%, Gram:5%, Groundnut: 20% Cotton:21%, Jute:-1%

- However, considering the crop productivity is dependent on several other factors, it may not be appropriate to attribute the change in productivity to fertilization ratio alone

7. **Reasonable rate of return:**

- Based on feedback from the industry players.
- Uncertainty on prices (reference prices and subsidy) is resulting in uncertainty with regard to operating profit and **hence is a detrimental factor to investments in the fertilizer sector.**
- Foreign exchange rate fluctuations also impacted profitability of industry players significantly
- Even in the NBS regime, there is **limited returns for fertilizer players to invest in development and promotion of newer products** considering fixed subsidy at nutrient level and guidelines for maximum MRP
- Specifically, SSP players expressed concerns related with 'non reimbursement of freight for SSP' and 'maximum MRP for SSP'.

8. **Timely subsidy pay-out:**

   Concern on working capital front continues for P&K fertilizers due to delays in pay-out of subsidy

   Specifically, SSP players expressed concerns related with '85% payment of subsidy on sales instead of receipt in the district'

9. **Securing raw material availability:**

   While few players have taken initiative to invest in assets abroad, the protection against volatility in international market is limited for the Indian players

RECOMMENDATIONS:

1. Recommendations for enhancing effectiveness of the NBS Policy

i. With regard to reasonability of MRP:

It should be determined based on two criteria:

Criteria 1: Profitability and Return on Capital Employed (ROCE) for the industry players.

- Based on benchmarking of ROCE and EBITDA for the group of different agriculture sector companies (such as fertilizers, pesticides, seeds) and manufacturing sector companies (such as steel, cement) if we take median PBIDTM % and ROCE% of these sector players as benchmark, PBIDTM of 9-11% and ROCE of 8-12% seem to be a reasonable range.

- Considering this, MRP of P & K fertilizers should be such that it results in PBIDTM of 9- 11% and ROCE of 8-12% for industry players

This calculation may be carried out based on product-wise profitability data made available to the Department of Fertilizers by the fertilizer companies. As there are significant variations observed in month on month international prices of P&K fertilizers, to get an accurate view, the calculation of profitability and ROCE should be done over a long enough time horizon such as half yearly or annual.

Accordingly, following may be taken into consideration to arrive at indicative MRP for various products under the NBS Policy.

- Cost of sales for the company
- CIF prices based on international benchmark
- Customs duty
- Handing charges
- Selling and Distribution expenses (excluding freight) o Dealer's margin
- Company's profit margin
- Subsidy on nutrient content.

Based on FY13 data received from Department of Fertilizers for a sample set of companies, a mark-up of ~INR 8,500 for DAP and ~INR 7,500 for MOP over and above benchmark CIF prices for respective products, seem to be a reasonable MRP (without subsidy).

Criteria 2: Spend on fertilizers for key crops as % of farmer's income:

- Given that there are significant variations across the country in terms of productivity of key crops and recommended dosage for the fertilizers, a broad range can be decided by the Department of Fertilizer in consultation with the Department of Agriculture and Cooperation as an acceptable range for deciding reasonable MRP from farmer's perspective.

Arriving at a "reasonable MRP":

- An MRP may be arrived at taking into account both the criteria simultaneously.

- With the strategic investments in P&K assets abroad by Indian players (as discussed in the subsequent section), it's expected that it would minimize instances of disproportionate increase in international prices. Even though, in case of such increase in prices leading to a scenario that both the criteria could not be met simultaneously, the

Department of Fertilizers in consultation with the Department of Agriculture and Cooperation should decide on a proportion of cost to be passed on between farmers and the industry.

A part of the subsidy corpus should be set aside to address the issue of exchange rate fluctuations.

While implementing these recommendations timely pay-out of subsidy should be a key focus area for the Government Also, policies on freight and payment terms should be uniform for all fertilizers under the ambit of the NBS policy. With regard to **price discovery for fixation of rates of NBS on annual basis** of Considering a high degree of correlation (-80%) observed between international crop prices and fertilizer index, forward looking instruments such as grain futures can aid in price discovery of P&K fertilizers

The NBS rates should remain fixed minimum for a financial year to derive following benefits o Minimize deviations from planned subsidy outlay

Reduced uncertainty aiding in better demand and supply planning for industry players With regard to **monitoring and regulation of MRP**, in line with agreed benchmark for PBIDTM% and ROCE% for P&K sector players, a 'reference price' may be indicated as highest MRP for different P&K products. The reporting of cost structure of various companies for this purpose needs to be standardised and strengthened.

ii. **Recommendations for securing supply of P&K fertilizers for India**

With regard to **securing supplies of P&K fertilizers**, the Government should facilitate

- Strategic investments by Indian players in mines abroad by creating 'sovereign fund' for the same. The sovereign fund may be created by keeping aside a fixed amount year on year from the overall projected fertilizer subsidy outlay,

- Creation of consortium of Indian players to bargain volume discounts

- Considering availability of smaller minors following geographies may be considered for such acquisitions or strategic investments in mines abroad.

- Phosphate - Angola, Tunisia, Kazakhstan, Guinea-Bissau, USA, South Africa, Australia

- Potash - Canada, USA, Ethiopia, Eritrea

APPENDIX -IV

<Figures in 000 MT>

Cumulative Requirement, Availability and Sales of Fertilizers during the year 2011-12 to 2014-15 (UPTO February 2015)

States	Year	Urea			DAP			MOP			NPK		
		Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales
Andaman & Nicobar	2011-12	0.80	0.84	0.84	1.20	0.50	0.50	0.65	0.50	0.50	0.65	0.50	0.50
	2012-13	0.93	0.50	0.50	1.10	0.50	0.50	0.85	0.00	0.00	0.80	0.50	0.50
	2013-14	1.00	0.50	0.50	1.00	1.00	1.00	0.80	0.00	0.00	1.00	0.00	0.00
	2014-15	1.00	0.50	0.50	0.70	1.00	1.00	0.40	0.40	0.40	1.00	0.00	0.00
Andhra Pradesh	2011-12	3100.00	2987.12	2934.47	1230.00	1088.50	1039.45	660.00	443.47	382.50	2230.00	2571.45	2357.99
	2012-13	3250.00	2938.73	2851.49	1230.00	679.61	648.22	660.00	335.03	313.82	2250.00	1816.19	1758.79
	2013-14	3250.00	3511.53	3486.94	1100.00	630.22	614.71	500.00	344.97	326.35	2200.00	2076.31	1974.91
	2014-15	1702.00	1729.38	1684.76	526.60	302.90	278.11	269.25	264.40	230.73	1295.60	1275.32	1153.91
Arunachal Pradesh	2011-12	1.14	0.59	0.59	0.11	0.00	0.00	0.11	0.00	0.00	0.00	0.00	0.00
	2012-13	0.85	0.65	0.65	0.40	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.00
	2013-14	1.00	0.23	0.23	0.65	0.00	0.00	0.40	0.00	0.00	0.00	0.00	0.00
	2014-15	2.27	0.46	0.46	0.10	0.00	0.00	1.23	0.00	0.00	0.00	0.00	0.00
Assam	2011-12	300.00	268.47	268.47	60.00	36.72	28.76	140.00	94.29	90.70	27.50	7.18	5.20
	2012-13	315.00	262.27	261.84	65.00	37.83	32.67	150.00	61.29	57.55	23.30	6.30	6.00
	2013-14	345.00	268.14	267.24	60.00	30.52	29.49	125.00	84.22	80.23	27.50	5.63	5.24
	2014-15	292.90	280.31	277.08	41.75	37.30	31.29	116.55	62.94	54.07	9.35	12.26	10.69
Bihar	2011-12	2075.00	1816.93	1811.56	500.00	472.20	441.77	245.00	128.87	126.31	375.00	404.74	358.63
	2012-13	2150.00	2109.99	2100.87	500.00	564.60	541.29	230.00	115.07	114.01	365.00	303.00	300.37
	2013-14	2150.00	1876.68	1870.63	525.00	378.96	360.15	153.75	146.39	139.99	375.00	179.88	172.08
	2014-15	1810.00	1774.74	1762.09	450.00	362.46	335.66	150.00	163.86	142.87	270.00	276.51	239.15
Chandigarh	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	0.00	0.00
	2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chattisgarh	2011-12	625.00	630.49	630.41	290.01	270.67	258.54	115.00	84.68	82.76	154.50	221.44	196.78
	2012-13	690.00	725.72	706.25	311.84	250.43	233.17	127.00	68.42	66.46	175.00	116.63	103.92
	2013-14	700.00	643.10	634.47	310.00	252.44	243.46	105.75	66.86	56.20	190.00	79.91	74.67
	2014-15	660.00	550.94	546.66	270.00	218.97	192.12	84.50	64.06	46.74	177.00	72.96	58.09
Dadra & Nagar Haveli	2011-12	1.35	0.88	0.86	1.30	0.82	0.81	0.15	0.00	0.00	0.00	0.04	0.04
	2012-13	1.26	0.83	0.82	1.17	0.79	0.79	0.10	0.00	0.00	5.00	0.05	0.04
	2013-14	1.36	0.83	0.83	1.24	0.77	0.77	0.20	0.00	0.00	1.05	0.02	0.02
	2014-15	1.02	1.06	1.06	0.89	1.21	1.00	0.06	0.00	0.00	0.00	0.15	0.14
Daman & Diu	2011-12	0.38	0.29	0.29	0.18	0.04	0.04	0.05	0.00	0.00	0.06	0.00	0.00
	2012-13	0.34	0.19	0.19	0.13	0.01	0.01	0.06	0.00	0.00	0.08	0.00	0.00
	2013-14	0.34	0.19	0.19	0.13	0.01	0.01	0.03	0.00	0.00	0.02	0.00	0.00
	2014-15	0.27	0.23	0.23	0.06	0.04	0.04	0.02	0.00	0.00	0.09	0.00	0.00
Delhi	2011-12	7.20	0.59	0.59	5.00	0.15	0.15	2.00	0.00	0.00	2.60	0.00	0.00
	2012-13	7.20	2.40	2.40	5.00	0.15	0.15	2.00	0.00	0.00	2.58	0.00	0.00
	2013-14	7.20	7.79	7.79	4.00	0.00	0.00	2.00	0.00	0.00	0.60	0.00	0.00
	2014-15	7.80	8.58	8.58	4.50	0.00	0.00	2.00	0.00	0.00	2.60	0.00	0.00
GOA	2011-12	6.71	4.83	4.70	3.80	2.79	2.79	1.20	1.61	1.61	7.05	4.96	4.90
	2012-13	6.50	4.37	4.37	3.60	2.16	2.16	1.25	0.73	0.73	7.50	2.57	2.57
	2013-14	4.70	4.40	4.40	2.80	2.23	2.20	0.60	0.71	0.71	6.90	2.95	2.95
	2014-15	4.68	3.43	3.43	2.50	1.29	1.26	1.07	0.71	0.71	4.45	2.55	2.54
Gujarat	2011-12	2275.00	2126.12	2117.94	880.00	696.36	679.87	230.00	174.76	172.14	510.00	732.30	708.52
	2012-13	2375.00	1935.33	1924.25	880.00	420.55	395.18	200.00	83.05	79.41	555.00	469.22	458.41
	2013-14	2225.00	2082.06	2077.78	540.00	400.10	382.47	130.00	125.42	110.84	473.00	477.37	459.93
	2014-15	2110.00	2127.34	2098.17	517.00	414.55	365.42	135.00	130.00	123.86	487.00	560.96	485.89

<Figures in 000 MT>

Cumulative Requirement, Availability and Sales of Fertilizers during the year 2011-12 to 2014-15 (UPTO February 2015)

States	Year	Urea			DAP			MOP			NPK		
		Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales
Harayana	2011-12	1975.00	1945.70	1914.79	720.00	844.16	832.66	75.00	47.79	46.07	85.00	79.02	71.50
	2012-13	2000.00	2100.60	2034.25	720.00	723.40	687.02	75.00	21.45	21.45	97.50	26.49	26.47
	2013-14	1950.00	1855.05	1844.77	350.00	314.13	307.67	35.00	23.59	23.59	55.00	11.08	10.01
	2014-15	1840.00	1913.37	1901.73	445.00	399.32	395.50	24.00	54.35	47.33	44.00	35.64	27.47
Himachal Pradesh	2011-12	65.00	60.66	60.66	0.00	0.00	0.00	7.00	6.58	6.58	53.00	32.92	32.80
	2012-13	64.50	64.64	64.63	0.00	0.00	0.00	6.50	6.57	6.57	45.50	17.46	17.45
	2013-14	63.00	63.93	63.93	0.00	0.00	0.00	7.10	8.80	8.80	30.00	22.60	22.49
	2014-15	68.00	66.61	66.50	0.00	0.00	0.00	8.60	10.09	8.90	31.00	20.85	20.79
J&K	2011-12	145.50	119.61	119.38	85.00	67.21	64.90	35.00	8.85	8.82	0.00	0.00	0.00
	2012-13	145.50	150.42	144.36	85.00	54.88	49.82	35.00	17.56	16.24	0.02	0.00	0.00
	2013-14	145.50	135.41	125.88	74.75	60.48	54.14	20.44	18.53	17.73	0.00	1.80	1.54
	2014-15	118.75	96.80	96.19	62.50	53.63	48.94	20.48	15.86	11.95	0.00	2.03	1.47
Jharkhand	2011-12	260.00	219.23	215.92	125.00	70.98	67.61	34.00	6.19	6.19	108.00	51.66	46.80
	2012-13	270.00	198.43	198.38	125.00	54.23	54.13	35.00	2.52	2.52	128.50	26.01	26.00
	2013-14	260.00	167.54	162.54	90.00	29.36	28.77	21.00	3.28	3.28	75.00	16.41	15.83
	2014-15	222.00	169.80	169.58	75.00	27.08	26.56	16.00	0.63	0.63	55.00	26.26	20.73
Karnataka	2011-12	1460.00	1453.35	1444.79	875.00	938.50	906.65	565.00	381.75	363.80	1310.00	1732.74	1640.16
	2012-13	1500.00	1464.42	1446.32	890.00	419.21	404.00	565.00	276.02	267.30	1440.00	967.27	939.54
	2013-14	1550.00	1500.62	1479.12	700.00	485.86	456.45	490.00	263.38	253.71	1450.00	1170.18	1071.33
	2014-15	1345.00	1384.23	1374.78	560.00	488.01	450.18	305.00	369.16	327.52	1085.00	1160.08	1065.02
Kerala	2011-12	190.00	149.64	148.66	47.00	44.46	40.80	180.00	150.74	142.35	255.00	220.43	199.63
	2012-13	205.00	136.22	135.99	45.00	29.72	24.68	194.00	88.71	87.55	251.00	161.34	153.16
	2013-14	200.00	143.92	143.90	27.70	30.87	26.86	187.00	95.83	95.79	243.15	157.51	137.72
	2014-15	163.50	131.76	130.24	24.00	34.00	27.27	159.00	106.03	102.75	225.00	143.59	130.20
Lakshadweep	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Madhya Pradesh	2011-12	1750.00	1816.59	1786.47	1095.00	1099.79	1056.84	165.00	93.43	74.79	405.00	532.12	466.78
	2012-13	1850.00	1947.90	1891.27	1150.00	1174.14	1107.91	140.00	85.51	84.75	434.00	250.59	232.52
	2013-14	1925.00	2300.66	2284.43	1150.00	893.02	843.90	100.00	59.65	50.54	420.00	220.33	199.48
	2014-15	1986.00	1950.57	1943.90	998.00	795.07	727.13	89.70	97.74	70.92	344.21	236.08	196.57
Maharashtra	2011-12	2750.00	2566.84	2542.60	1725.00	1249.97	1222.42	640.00	424.98	398.74	1830.00	2085.16	1974.38
	2012-13	2800.00	2342.23	2294.12	1560.00	700.72	662.81	625.00	323.86	313.76	1900.00	1327.83	1280.39
	2013-14	2700.00	2654.38	2641.96	1400.00	584.73	582.62	492.30	357.50	325.90	1750.00	1591.72	1543.23
	2014-15	2535.90	2346.15	2331.89	815.10	532.74	509.46	380.30	465.92	385.83	1899.00	1543.36	1406.69
Manipur	2011-12	50.00	13.39	13.39	6.26	0.00	0.00	2.58	0.00	0.00	0.00	0.00	0.00
	2012-13	48.06	20.99	20.99	12.01	0.00	0.00	6.91	0.00	0.00	0.00	0.00	0.00
	2013-14	39.60	17.83	17.83	10.00	0.00	0.00	4.65	0.00	0.00	0.00	0.00	0.00
	2014-15	27.50	22.80	22.80	6.60	0.00	0.00	5.15	0.00	0.00	2.50	0.00	0.00
Megalaya	2011-12	8.50	6.39	6.39	4.50	1.40	1.10	0.96	0.00	0.00	0.00	0.00	0.00
	2012-13	8.45	5.96	5.96	5.70	0.30	0.30	1.05	0.31	0.31	0.04	0.00	0.00
	2013-14	11.10	5.50	5.50	8.00	0.40	0.40	2.30	0.00	0.00	0.00	0.00	0.00
	2014-15	3.35	3.45	3.45	1.05	0.25	0.25	0.55	0.00	0.00	0.00	0.20	0.20
Mizoram	2011-12	2.45	1.22	1.22	1.47	0.20	0.20	0.61	0.00	0.00	0.20	0.00	0.00
	2012-13	11.01	3.55	3.55	6.28	0.15	0.15	6.42	0.25	0.25	0.20	0.00	0.00
	2013-14	9.00	6.05	6.05	4.50	0.31	0.31	3.50	0.49	0.49	0.00	0.00	0.00
	2014-15	8.90	3.75	3.75	5.50	0.03	0.03	4.50	0.38	0.38	0.00	0.00	0.00
Nagaland	2011-12	1.59	0.93	0.93	1.20	0.00	0.00	0.41	0.00	0.00	0.09	0.00	0.00
	2012-13	2.11	0.70	0.70	1.39	0.00	0.00	0.55	0.00	0.00	0.39	0.00	0.00
	2013-14	1.85	0.74	0.74	1.25	0.03	0.02	0.50	0.00	0.00	0.30	0.01	0.01
	2014-15	1.66	0.59	0.59	1.18	0.01	0.01	0.55	0.00	0.00	0.58	0.00	0.00

2871.2

<Figures in 000 MT>

Cumulative Requirement, Availability and Sales of Fertilizers during the year 2011-12 to 2014-15 (UPTO February 2015)

States	Year	Urea			DAP			MOP			NPK		
		Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales	Requirement	Availability	Sales
Orissa	2011-12	640.00	527.77	510.02	260.00	190.14	173.44	205.00	91.17	83.78	314.00	346.39	312.13
	2012-13	650.00	540.78	525.57	275.00	149.61	144.11	200.00	74.68	74.61	397.49	238.52	231.09
	2013-14	680.00	533.02	520.64	245.00	150.15	139.81	160.00	93.51	88.57	380.00	184.63	174.91
	2014-15	570.40	465.07	464.02	150.11	140.19	133.07	116.58	89.60	79.68	308.06	212.67	201.89
Pondicherry	2011-12	33.50	24.82	24.82	10.76	2.64	2.64	13.00	5.07	5.07	35.36	14.06	13.07
	2012-13	30.50	18.74	18.74	9.20	1.64	1.64	9.20	2.06	2.06	30.06	12.83	12.67
	2013-14	26.50	22.15	22.14	4.65	1.45	1.45	4.30	2.35	2.33	19.05	8.98	8.95
	2014-15	19.50	12.62	12.50	1.70	1.46	1.39	2.80	2.31	2.17	9.75	5.66	5.48
Punjab	2011-12	2600.00	2850.01	2825.70	1015.00	1008.38	966.36	106.00	72.56	68.84	100.00	130.32	119.09
	2012-13	2640.00	2904.86	2842.92	880.00	910.43	871.44	106.00	35.18	35.18	147.50	43.86	42.19
	2013-14	2640.00	2620.56	2617.75	915.00	487.11	468.13	70.00	41.59	34.56	120.00	29.43	28.02
	2014-15	2430.00	2574.29	2573.04	890.00	703.39	691.98	50.00	73.19	61.33	43.50	44.97	43.96
Rajasthan	2011-12	1625.00	1758.44	1690.62	730.00	715.80	707.28	50.00	24.97	23.26	176.00	154.02	140.36
	2012-13	1725.00	1890.89	1846.05	760.00	633.01	595.39	48.15	15.50	15.50	166.10	83.98	83.54
	2013-14	1800.00	1850.27	1844.65	604.00	487.05	470.29	23.20	4.49	2.61	120.70	32.69	31.85
	2014-15	1788.00	1777.81	1775.51	485.00	537.46	528.44	15.80	14.73	10.79	87.10	65.79	62.36
Sikkim	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tamil Nadu	2011-12	1150.00	1047.60	1044.80	430.00	384.37	370.95	531.00	426.41	416.30	661.00	874.87	756.89
	2012-13	1150.00	936.07	928.23	455.00	243.19	232.61	555.00	217.71	216.85	682.00	589.46	570.81
	2013-14	1050.00	911.63	911.26	400.00	220.81	217.72	391.00	256.14	246.32	693.30	505.38	470.87
	2014-15	970.00	902.15	895.67	365.00	232.73	213.92	380.00	293.39	277.84	617.50	508.44	468.38
Telangana	2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	2014-15	1343.00	1101.92	1095.76	298.40	157.64	150.82	110.75	112.34	100.84	696.40	702.81	659.05
Tripura	2011-12	52.00	26.11	26.11	5.20	0.00	0.00	13.25	5.30	5.30	0.00	0.00	0.00
	2012-13	51.07	19.33	17.17	5.90	1.64	1.64	16.83	6.46	6.46	0.00	0.32	0.32
	2013-14	53.00	21.74	19.58	6.00	0.99	0.98	11.00	5.21	5.21	0.00	0.63	0.63
	2014-15	33.25	21.80	21.80	5.50	0.44	0.44	13.50	2.58	2.58	2.50	0.57	0.56
Uttar Pradesh	2011-12	5800.00	5912.45	5804.97	1965.00	1866.70	1815.39	400.00	181.61	179.68	1125.00	1285.28	1128.34
	2012-13	6000.00	6331.28	6255.84	1815.00	2167.27	2085.62	350.00	147.00	131.01	1147.50	672.85	661.80
	2013-14	6200.00	5938.30	5876.25	1865.00	1569.00	1403.62	180.00	113.35	109.54	1100.00	422.72	393.18
	2014-15	6100.00	5841.55	5734.26	1900.00	1484.73	1372.38	165.00	220.13	191.79	880.00	618.02	517.65
Uttaranchal	2011-12	240.00	251.30	249.83	33.00	39.42	37.67	9.60	4.32	4.32	71.00	52.63	50.10
	2012-13	245.00	250.63	244.77	35.00	27.51	27.19	10.00	3.82	3.82	57.00	33.37	32.10
	2013-14	250.00	280.41	275.57	35.00	22.03	21.81	4.50	1.42	1.42	54.00	39.77	34.36
	2014-15	243.00	263.14	262.82	34.00	25.57	22.53	4.50	1.96	1.81	49.00	41.87	33.58
West Bengal	2011-12	1325.00	1276.21	1274.33	510.00	502.71	476.68	400.00	304.20	301.54	900.00	896.00	813.68
	2012-13	1350.00	1401.77	1387.44	525.00	433.71	425.22	425.00	218.02	215.77	828.21	803.67	792.27
	2013-14	1450.00	1250.11	1238.72	550.00	256.40	243.84	287.00	214.68	207.54	950.00	725.52	681.80
	2014-15	1240.00	1152.03	1150.33	350.00	262.66	250.00	226.00	260.86	213.33	800.00	884.56	819.87
All India	**2011-12**	**30516.12**	**29865.40**	**29477.13**	**12615.99**	**11595.59**	**11196.28**	**4827.57**	**3164.08**	**2991.96**	**10736.00**	**12430.24**	**11398.27**
	2012-13	**31543.28**	**30711.39**	**30160.89**	**12358.72**	**9681.39**	**9229.82**	**4782.08**	**2206.80**	**2133.96**	**11152.27**	**7970.29**	**7732.91**
	2013-14	**31690.15**	**30675.23**	**30454.20**	**10985.67**	**7290.44**	**6903.04**	**3513.32**	**2332.37**	**2192.25**	**10735.57**	**7963.46**	**7515.98**
	2014-15	**29649.65**	**28679.23**	**28414.15**	**9287.74**	**7216.14**	**6756.19**	**2858.84**	**2877.63**	**2497.75**	**9427.19**	**8454.19**	**7632.34**

APPENDIX -V

STATE-WISE PRODUCTION OF *UREA* FROM 2011-12 TO 2013-14 AND 2014-15 (APRIL TO FEBRUARY 2015)

(`000'MT)

Name of State/Zone	-------------Production -----------			
	2011-12	**2012-13**	**2013-14**	**2014-15 (April 14- Feb. 15)**
SOUTH ZONE				
Andhra Pradesh	1561.6	1565.3	1426.9	815.4
Kerala	0.0	0.0	0.0	0.0
Karnataka	379.4	379.5	378.9	209.7
Tamil Nadu	1108.4	919.2	773.0	711.8
Total (South Zone):	3049.4	2864.0	2578.8	1736.9
WEST ZONE				
Goa	365.4	385.6	376.3	319.4
Madhya Pradesh	1913.8	1931.6	2168.8	1985.4
Maharashtra	2108.5	2335.7	2346.0	2383.3
Gujarat	3020.8	3788.8	3828.8	3566.9
Rajasthan	2531.9	2476.6	2344.4	2135.5
Total (West Zone):	9940.4	10918.3	11064.3	10390.5
EAST ZONE				
Jharkhand	0.0	0.0	0.0	0.0
Bihar	0.0	0.0	0.0	0.0
Orissa	0.0	0.0	0.0	0.0
West Bengal	0.0	0.0	0.0	0.0
Assam	278.8	390.7	305.9	324.1
Total (East Zone):	278.8	390.7	305.9	324.1
NORTH ZONE				
Haryana	500.3	413.8	511.1	506.7
Punjab	986.3	865.7	954.9	989.8
Uttar Pradesh	7229.2	7122.2	7300.4	6972.7
Total (North Zone):	8715.8	8401.7	8766.4	8469.2
GRAND TOTAL	21984.4	22574.7	22715.4	20920.7

APPENDIX -VI

State-wise production of DAP from 2011-12 to 2013-14 & Kharif 2014-15 (Apr.-Feb. 2015)				
				('000' MT)
NAME OF ZONE/STATE	**2011-12**	**2012-13**	**2013-14**	**Kharif 2014 (Apr.-Feb. 15)**
SOUTH-ZONE				
ANDHRA PRADESH	366.6	224.9	589.8	243.3
KERALA	0.0	0.0	0.0	0.0
KARNATAKA	128.2	119.4	117.7	124.7
TAMIL NADU	180.5	154.7	145.7	198.9
TOTAL(SZ) :	675.3	499.0	853.2	566.9
WEST-ZONE				
GOA	180.2	56.3	49.8	147.2
GUJARAT	1240.4	1416.3	1136.2	827.4
TOTAL(WZ) :	1420.6	1472.6	1186.0	974.6
EAST-ZONE				
ORISSA	1597.4	1470.5	1330.6	1458.5
WEST BENGAL	269.3	204.9	241.2	82.6
TOTAL(EZ):	1866.7	1675.4	1571.8	1541.1
GRAND TOTAL:	3962.6	3647.0	3611.0	3082.6

APPENDIX -VII

STATE/ZONE-WISE PRODUCTION OF COMPLEX FERTILIZERS FOR THE YEAR 2011-12 to 2013-14 AND KHARIF 2014 (APRIL 2014 TO FEBRUARY 2015)

				('000'MT)
KARNATAKA	44.0	46.1	37.4	29.2
TAMIL NADU	500.1	441.4	383.8	470.3
TOTAL(SZ) :	2880.3	2374.1	2568.9	2841.3
WEST-ZONE				
GOA	370.6	195.0	436.3	444.6
MAHARASHTRA	825.0	777.6	757.9	642.5
GUJARAT	2110.5	1619.2	1630.2	1784.1
TOTAL(WZ) :	3306.1	2591.8	2824.4	2871.2
EAST-ZONE				
ORISSA	1271.9	956.0	1269.6	1081.2
WEST BENGAL	311.9	258.3	250.1	539.2
TOTAL(EZ):	1583.8	1214.3	1519.7	1620.4
GRAND TOTAL:	7770.2	6180.2	6913.0	7332.9

APPENDIX -VIII

MINUTES

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

The Committee sat on Thursday, the 19th March, 2015 from 1500 hrs. to 1630 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Smt. Anju Bala
3. Shri Sankar Prasad Datta
4. Smt. Veena Devi
5. Shri Satish Kumar Gautam
6. Shri K. Ashok Kumar
7. Shri Kamalbhan Singh Marabi
8. Smt. Kamala Devi Patle
9. Shri S. Rajendran
10. Dr. Kulamani Samal
11. Shri Tasleem Uddin
12. Shri Kotha Prabhakar Reddy

RAJYA SABHA

13. Shri Narayan Lal Panchariya
14. Dr. Sanjay Sinh
15. Shri Palvai Govardhan Reddy
16. Shri K. Parasaran
17. Shri Mansukh L. Mandaviya
18. Shri Chandrapal Singh Yadav

SECRETARIAT

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

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

1.	Sh. Jugal Kishore Mohapatra	Secretary (Fertilizer)
2.	Sh. Rajiv Yadav	SS & FA (in charge)
3.	Sh. Sham Lal Goyal	Joint Secretary, (SLG)

4.	Sh. Heera Lal Samriya	Joint Secretary, (HLS) & CMD, NFL
5.	Sh. Sushil Kumar Lohani	Joint Secretary, (SKL)
6.	Sh. K.M. Gupta	Economic Advisor

II. ***<u>REPRESENTATIVES FROM OTHER MINISTRIES / DEPARTMENTS</u>***

1.	Smt. I. Rani Kumudani	Joint Secretary (INM), DAC
2.	Sh. Neelkanth S. Avhad	Director (GP), PNG
3.	Dr. P.P. Biswas	Pr. Scientist, NRM, I.C.A.R.

III. ***<u>PSUs</u>***

1.	Dr. S.K. Das	CMD, FCI Aravali Gypsum & Minerals India Ltd. (FAGMIL)
2.	Sh. R.G. Rajan	CMD, Rashtriya Chemicals and Fertilizers Limited (RCF)
3.	Sh. I. Vijayakumar	CMD, Madras Fertilizers Limited (MFL)
4.	Captain P.K. Kaul	Director, (Marketing), National Fertilizers Limited (NFL)
5.	Sh. Jaiveer Srivastava	CMD, Fertilizer and Chemicals of Travencore Ltd. (FACT)
6.	Sh. S. Venketeshwar	CMD, Projects and Development India Ltd. (PDIL)

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, the Secretary, Department of Fertilizers briefed the Committee about 'Demands for Grants' of the Department for the year 2015-16 and highlighted the Department's plans and priorities for the current financial year.

4. During the discussion, the Chairperson and Members of the Committee raised queries on several issues such as black marketing and smuggling of fertilizers; Neem coating of urea; direct subsidy to farmers, imbalanced utilization of fertilizers; delay in disbursement of fertilizers subsidy to the fertilizers company; revival of sick/closed units; soil health card etc. which were replied to by the Secretary, Department of Fertilizers and other officials.

5. The Chairperson thereafter thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee.

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

The Committee then adjourned.

APPENDIX -IX

MINUTES

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

The Committee sat on Thursday, the 16 April, 2015 from 1500 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

Shri Anandrao Adsul - Chairperson

Members

Lok Sabha

2. Smt. Anju Bala
3. Shri Satish Kumar Gautam
4. Shri Chhedi Paswan
5. Dr. Kulamani Samal
6. Dr. Krishan Pratap Singh
7. Smt. Rekha Arim Verma
8. Shri Innocent
9. Shri Kotha Prabhakar Reddy

Rajya Sabha

10. Shri Narayan Lal Panchariya
11. Dr. Sanjay Sinh
12. Shri Palvai Govardhan Reddy
13. Shri Mansukh L. Mandaviya
14. Dr. Chandrapal Singh Yadav

Secretariat

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri U.B.S. Negi	-	Director
3.	Shri A.K. Srivastava	-	Additional 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. Demands for Grants (2015-16) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);

b. xxxx xxxx xxxx xxxx

c. xxxx xxxx xxxx xxxx

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

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

6. xxxx xxxx xxxx xxxx

The Committee then adjourned.

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xxxx Matters not related to this Report.