

SIXTEENTH REPORT
STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(2001)

(THIRTEENTH LOK SABHA)

KRISHAK BHARATI COOPERATIVE LIMITED
(KRIBHCO)

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF FERTILISERS)

[Action taken by the Government on the recommendations contained in the Ninth Report of the Standing Committee on Petroleum & Chemicals (1999-2000) on Krishak Bharati Cooperative Limited (KRIBHCO)]

Presented to Lok Sabha on 29.08.2001
Laid in Rajya Sabha on ..29.08.2001



LOK SABHA SECRETARIAT
NEW DELHI
August, 2001/Sravana, 1923 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM AND CHEMICALS (2001)

Shri Mulayam Singh Yadav—*Chairman*

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri Ramchander Baidia
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Dr. (Smt.) C. Suguna Kumari
7. Shri Padam Sen Choudhary
8. Shri T.T.V. Dhinakaran
9. Shri Dilipkumar Mansukhlal Gandhi
10. Shrimati Sheela Gautam
11. Shri Pawan Singh Ghatowar
12. Shri Bijoy Krishna Handique
13. Shri Shriprakash Jaiswal
14. Shrimati Nivedita Mane
15. Shri Punnulal Mohale
16. Shri P. Mohan
17. Shri Ashok Pradhan
18. Shri Mohan Rawale
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24. Dr. Ramesh Chandra Tomar
25. Shri Tarlochan Singh Tur
26. Shri Shankersinh Vaghela
27. Shri Ratilal Kalidas Varma
28. Shri B. Venkateshwarlu
29. Shri Rajesh Verma
30. Dr. Girija Vyas

(iv)

Rajya Sabha

31. Shri Anil Kumar
32. Shri Gaya Singh
33. Shri Ram Nath Kovind
34. Vacant*
35. Shri Moolchand Meena
36. Shri Dipankar Mukherjee
37. Shri Suresh Pachouri
38. Shri Ahmed Patel
39. Shri Mukesh R. Patel
40. Shri Ravishankar Prasad
41. Shri K. Kalavenkata Rao
42. Shrimati Basanti Sarma
43. Shri Rajiv Ranjan Singh 'Lalan'
44. Shri P. Soundararajan
45. Prof. Ram Gopal Yadav

SECRETARIAT

- | | |
|---------------------|--------------------------|
| Shri B.R. Kanathia | <i>Joint Secretary</i> |
| 2. Shri Brahm Dutt | <i>Deputy Secretary</i> |
| 3. Shri J.N. Oberoi | <i>Under Secretary</i> |
| 4. Shri A.K. Shah | <i>Committee Officer</i> |

*Vacancy caused consequent upon retirement of Dr. (Smt.) Joyashree Goswami Mahanta, M.P. (R.S.) from the membership of Rajya Sabha w.e.f. 14.06.2001.

COMPOSITION OF THE SUB-COMMITTEE ON FERTILISERS,
A SUB-COMMITTEE OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (2001)

Shri Mulayam Singh Yadav *Chairman*

2. Shri Dipankar Mukherjee — *Convenor*
3. Shri Ramchander Baidia
4. Shri Ananda Mohan Biswas
5. Shri Ajay Singh Chautala
6. Shri Padam Sen Choudhary
7. Shri Dilipkumar Mansukhlal Gandhi
8. Shri Rajiv Ranjan Singh 'Lalan'
9. Shri Punnulal Mohale
10. Shri Suresh Pachouri
11. Shri Ravi Shankar Prasad
12. Shri K. Kalavenkata Rao
13. Shri P. Soundararajan
14. Shri D.C. Srikantappa
15. Dr. Bikram Sarkar
16. Shri Rajesh Verma

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum & Chemicals (2001) having been authorised by the Committee to submit the Report on their behalf present this Sixteenth Report on Action Taken by Government on the recommendations contained in Ninth Report of the Standing Committee on Petroleum and Chemicals (1999-2000) (13th Lok Sabha) on Krishak Bharati Cooperative Limited (KRIBHCO) of the Ministry of Chemicals & Fertilisers, Department of Fertilisers.

2. The Ninth Report of the Committee was presented to Lok Sabha on 27th November, 2000. Replies of Government to all the recommendations contained in the Ninth Report were received on 27th March, 2001. The replies were considered by the Sub-Committee on Fertilisers at their sitting held on 9th July, 2001 and decided to seek further clarifications on replies, furnished by the Ministry of Chemicals & Fertilisers, Department of Fertilisers. DoF submitted updated action taken replies on 19th July, 2001. The Sub-Committee on Fertilisers took evidence of representatives of Ministry of Chemicals & Fertilisers, Department of Fertilisers at their sitting held on 2nd August, 2001. The Sub-Committee on Fertilisers considered the Action Taken Replies received from the Government and considered and adopted the Report at their sitting held on 13th August, 2001.

3. The Standing Committee on Petroleum and Chemicals (2001) considered and adopted this Report at their sitting held on 20th August, 2001. The Committee place on record their appreciation of the work done by the Sub-Committee on Fertilisers.

4. An analysis of the Action Taken by the Government of the recommendations contained in the Ninth Report (Thirteenth Lok Sabha) of the Committee is given at Appendix-V.

5. The Committee place on record their sense of deep appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat.

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

NEW DELHI;
August 20, 2001
Sravana 29, 1923 (Saka)

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Ninth Report (Thirteenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1999-2000) on 'Krishak Bharati Cooperative Ltd. (KRIBHCO)' which was presented to Lok Sabha on 27th November, 2000.

2. Action taken notes have been received from the Government in respect of all the 34 recommendations contained in the Report. These have been categorised as follows:—

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

Sl. Nos. 2, 4, 8, 18, 22, 24, 26, 27, 28 and 33.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies:

Sl. Nos. 7, 10, 19, 23, 25, 29, and 34.

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

Sl. Nos. 1, 3, 13, 14, 15, 20, 21 and 30.

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

Sl. Nos. 5, 6, 9, 11, 12, 16, 17, 31 and 32.

3. The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.

4. The Ninth Report (13th Lok Sabha) deals with examination of Krishak Bharati Cooperative Limited (KRIBHCO) a Cooperative Society incorporated in April 1980 and engaged primarily in production of fertiliser. The Society has only one plant located at Hazira which became operational in November 1985 and the commercial production started from 1.3.1986. As part of diversification in other areas, KRIBHCO has also installed a Bio-fertiliser plant at Hazira and identified some projects in other sectors like Power, LNG Terminal/ Port chemicals etc. etc. Some of the important recommendations incorporated in the Report of the Committee were:

- (1) Review the existing objectives of the Society and retain only those which are in consonance with the changing times and within the corporate reach for the next twenty years or so,
- (2) KRIBHCO should double its membership within two years,
- (3) Government should amend the relevant act to grant more functional autonomy to KRIBHCO,
- (4) Positions of Directors in the Society should remain filled,
- (5) All outstanding issues of Oman Indian Fertilisers Project be resolved,
- (6) All pending and approved projects be cleared,
- (7) Efforts should be made to utilise KRIBHCO's surplus funds,
- (8) KRIBHCO should set up a fertiliser plant in North-East, and
- (9) KRIBHCO should formulate long term marketing strategies.

5. The Committee will now deal with action taken by the Government on some of their recommendations and make suggestions thereupon.

A. Review of Existing Objectives of KRIBHCO

(Recommendation No. 1, Para No. 1.12)

6. The Committee while examining the achievement of objectives of KRIBHCO had observed that these as laid down in the bye-laws of the Society were wide-ranging in nature varying from production of soaps and detergents to electronic products, satellite receivers, textiles,

breweries, oil exploration, etc. etc. In the Committee's view, some of these objectives were non-synergic in character. Although KRIBHCO had tried to achieve some of these, yet efforts had been non-serious and half hearted. The Committee had felt that no useful purpose could be served in retaining all these objectives in the bye-laws and had recommended that KRIBHCO should review all these and retain only those which are in consonance with changing times and within its corporate vision for next twenty years or so. The Committee had hoped that KRIBHCO would undertake a serious study in this regard and screen all the existing objectives and retain only those, the achievement of which shall enhance its professionalism and credibility.

7. In their reply the Government have stated as under:

"Keeping in view the limited scope of expansion in the fertiliser and agricultural sectors coupled with the changed economic scenario in the country due to liberalisation, the object clause of Bye-laws of KRIBHCO was amended to make provision for diversification of activities in agricultural as well as non agricultural related fields. The amendment of bye-laws of KRIBHCO is a time consuming process, because it entails approval of the Board of Directors, concurrence of IFFCO and nomination Government of India, and approval of the General Body. Thereafter approval of the Central Registrar of Cooperative Societies is also required. The object clause was, therefore, expanded during March, 1995 alongwith other amendments. Moreover, in the case of Companies also, wide ranging coverage of objects is prevalent.

It is further stated that KRIBHCO is making earnest and whole hearted efforts to diversify its activities and has been successful in equity participation in joint ventures in the power sector in the State of Gujarat, and with IFFCO, Tokyo, Marine Insurance Company in the insurance sector."

8. The Committee were not satisfied with the reply of the Government and during the course of evidence of representatives of Department of Fertilisers and KRIBHCO, wanted to know whether their specific recommendation was placed before the Board of the Society. Secretary, Department of Fertilisers agreed with the objective of the recommendations and stated that IFFCO and KRIBHCO are leading Cooperatives. Their aim and objective is basically agriculture, fertilisers, seeds and even ware-housing. He was candid in his admission when he said:

"Totally independent of what the Committee felt, we too felt the same thing..."

9. He further admitted:

"I do not think that the Board of Directors has really considered this issue so far.....We will not be issuing any directive, as you are aware, we do not want to issue any directive. We will be extending the suggestion of the Committee with our support.....I think if not during the next Board meeting but within the course of the subsequent Board meeting, this matter will be considered. I can assure you about this."

10. the Committee are glad that the Department of Fertiliser and KRIBHCO both have appreciated the views of the Committee that the Society's objectives should be synergic with the lead objective of the Society viz. agriculture, cooperatives, fertilisers or seeds, as rightly pointed out by Secretary, DOF. The Committee feel that the retention of the objectives which are not in consonance with the character of the establishment does not add to its strength and credibility. The Committee advise the Society to excel in agriculture related activities and plan its vision in this field. The Committee feel assured that KRIBHCO will review its objectives shortly.

B. Special Drive for Enrolment of Membership

(Recommendation No. 3, Para No. 2.11)

11. The Committee had noted that on 31.3.1995, the total membership of the Society was 3594 and after 5 years i.e. on 31.3.2000, the membership, had gone up to 5038. Out of this, 4 States, viz Gujarat, Madhya Pradesh, Punjab and Rajasthan have 3641 memberships. The Committee found that there was ample scope to increase membership in other States, especially in the East and North-East. The Committee had also noted that only 16 States have their representation in KRIBHCO which did not project all India character of the Society. The Committee had therefore, recommended that KRIBHCO should undertake special drive of enrollment of Members during the next two years and set a target to double the present strength.

12. In their reply the Ministry have stated:

"At present KRIBHCO plant in Hazira is producing urea which is the only fertilizer under price and distribution controls of Government of India. The movement and sale of urea is done by the KRIBHCO as per season-wise (Rabi-Kharif) allocations made

to the Society under the Essential Commodities Act (ECA). While making allocations, it is seen that average lead should be minimum to reduce the freight subsidy outgo and rail infrastructure is optimised by avoiding crisis-cross movement. This is the reason that KRIBHCO or any other urea manufacturers are not given allocations for all the States in the country. Major share of the production is allocated for marketing within the economic zone and the balance goes to secondary marketing zone. KRIBHCO's marketing network is based on allocations of urea given to them for different States. Since they are not given allocation for North-East States, KRIBHCO is not having any member from these States."

However, in other States like Uttar Pradesh, Tamil Nadu and Karnataka, where an allocation under ECA is made, the membership has increased significantly as depicted below:-

States	Membership as on	
	31.3.1998	31.12.2000
Uttar Pradesh	321	434
Karnataka	84	182
Tamil Nadu	06	52

13. The Committee did not agree with the preposition and during evidence highlighted the following data indicating ECA allocations and membership of KRIBHCO.

State	ECA allocations for supply of Urea (Kharif 2001) (In thousand tonnes)	Membership as on 31.3.2000
Gujarat	14.21	1709
Rajasthan	6.20	546
Haryana	17.69	96
Punjab	33.67	509

14. On the basis of this data, the Committee argued that there was no link between ECA allocation and Membership. Taking this argument further, the Committee pointed out that though Punjab has the biggest

allocation and Rajasthan the smallest but their Membership is almost equal and much less than Gujarat whose allocations is 14.21 thousand tones. Secretary, DOF replied to these arguments as under:-

“Basically, KRIBHCO material has been in the past going to about 14 to 16 States. Over the past one or two years, one or two additional States have come into their ambit. For example, recently Kerala and West Bengal have come in. This is due to the fact that their urea is of very high quality. Therefore, there is demand.”

15. Referring to membership drive in the North-East; he added for a variety of reason including high transport cost not much supply is being made there. Namrup unit of HFC is able to meet the requirement by and large.”

16. Speaking about the efforts being made to increase the membership, he said:-

“You will notice that since the share value has been brought down from Rs. 1 Lakh to Rs. 10,000, almost 119 new members have entered the field. They will examine whether 3-4 societies can jointly become members. KRIBHCO will examine this possibility whether it would be covered by the new Multi-State Cooperative Societies Bill, which has already been introduced. It would be better if three or four societies join together so that they can pay the membership fee to KRIBHCO. Some system can be worked out. They have promised that they are going to examine this issue. I cannot say as to what would be their response. But this is the only way. You will appreciate it. I went into the depth of this matter as to why they are not able to get more membership. The share of face value of Rs. one lakh has been reduced to face value of Rs. 10,000. KRIBHCO has informed to DOF that they have already communicated about such as reduction in shares to all State Governments and all the Cooperatives.”

17. He also added that in spite of reducing the face value of a share from Rupee one lakh to Rs. ten thousand, if no one comes forward to be a member of the Society, what more can be done. The only solution is to strengthen the financial strength of farmers. This can be done by extending them credit facilities or enrolling them by making consortium of three or four cooperative societies.

18. The Committee do not agree with the preposition of the Government that the Membership of the Society is exclusively linked up but with the KRIBHCO's marketing network which is based on allocation of urea given to them for different States. The following Table deals with the ECA allocations given to KRIBHCO for Kharif crop for 2001 (for supply of Urea) for some states and their Members in the Society.

State	ECA allocations for supply Of urea (Kharif 2001) (in thousand tonnes)	Membership as on 31.3.2000
Gujarat	14.21	1709
Rajasthan	6.20	546
Haryana	17.69	96
Punjab	33.67	509

An analysis of the Table reveals that though Punjab has the biggest allocation and Rajasthan the smallest but their Membership is almost equal and much less than Gujarat whose allocation is 14.21 thousand tonnes. As such, allocation does not commensurate with the quantum of membership. During the course of evidence, the Secretary, Department of Fertilisers apprised the Committee of the steps taken to increase the membership of the Society. The Committee were informed that with a view to enroll more and more members in KRIBHCO's fold, the face value of shares of KRIBHCO of Rs. 1 Lakh has been reduced to Rs. 10,000 and all the State Governments and Cooperative Societies have been informed accordingly. Even after, that, only 119 members have been enrolled. The Committee felt that was a good measure but incidentally has not been noticed by common man. Therefore, it needs to be publicised. In order to increase membership in States where it is less as compared to its ECA allocations, the Committee recommend that KRIBHCO should publicise this widely through media, bringing out clearly the aspect of reduction in face value of shares of KRIBHCO so that farmers can become their members. The Committee also feel that can also be done by distributing literature to MPs so that they in turn may apprise the rural folk about KRIBHCO's decision which at present is not being done. The Committee are in agreement with the views of Secretary, DOF that financial strength of farmers need to be strengthened and for that they should be extended credit facilities. The Committee hope that the Department will give concrete shape to this proposal. The Committee, however, hope that KRIBHCO will make out efforts and double its membership within two years as recommended by the Committee.

C. Indo-Oman Fertiliser Project

(Recommendations No. 11, Para No. 5.16 and 5.17)

19. Indo-Oman Fertiliser Project was accorded the first stage clearance in August, 1994 and was pending for execution since then. The Committee had commented upon the delay in their various reports and had hoped that zero date of the project would be declared soon expected to be March, 2001. The Committee had desired that all outstanding issues related to the project be resolved to the satisfaction of Indian promoters. The Committee also referred to the clause of "unlimited liability" regarding purchase of urea from Oman and had cautioned the Government about its adverse repercussions.

20. The Ministry while replying to these concerns stated:-

"All major outstanding issues relating to the Oman-India Fertiliser Project have since been resolved in consultation with all concerned authorities. The Urea, Ammonia and Gas Supply Agreement are being finalised for signing by the concerned parties after which discussion will start with banks and financial close will be achieved. The Project is expected to complete in 35 months after the financial close."

21. Regarding unlimited liability, the Ministry clarified:-

"In the negotiated Urea Offtake Agreement, there is no clause of unlimited liability. Regarding the Gas Supply Agreement, the terms of this contract are more favourably for the project than domestic contracts."

22. During the course of evidence of DOF on the question of financial closure for the above project, the Committee pointed out that previous MD of KRIBHCO had informed that financial closure was expected in March, 2001, later DOF extended this proposed date to May, 2001, the Committee wanted to know the reasons for not reaching target date, the Secretary, Department of Fertilisers clarified:-

"I am a little amazed as how could possibly my predecessors who were very illustrious, or the MDs, have given a commitment or an assurance about the financial closure when certain things had yet to be cleared by the Government at the Cabinet level."

23. Explaining it further Secretary, Fertilisers further informed:—

“I am aware that when I took over the first mandate given to me by my then Minister, as I had mentioned, was that before we go to the Cabinet, we should try to bring the price down even though the Cabinet had approved it. We brought it down by about \$ 18 million. Basically, there were three or four questions in the earlier note, for example, about the urea offtake agreement and the gas supply agreement. There were certain problems regarding what would be the terms and conditions under which you would sign the agreement. We went to the cabinet. If I am not mistaken, it was 24th January. We got everything cleared from the Cabinet saying that subject to this, please give us the clearance. They gave us the clearance.”

24. Secretary, Fertilisers further informed:—

“All issues have been taken care of. It is only at that stage that we decided to approach the banking consortium that had been agreed to years ago. We sent them the proposal. Here is the OMIFCO approval. Here is the approval of the Government of Oman. Here is the tentative approval of the Government of India, that is whatever you had agreed to. Please come back and now give us the finance. Only yesterday evening, they have sent us the final draft. To be honest, I have not even looked at the papers as yet because it came only last evening. A very preliminary study indicates that the banking consortium is trying to extract more mileage. Then it becomes a matter of negotiation. Perhaps they have put some conditions that may not be acceptable to us or may not be acceptable to the Omanis. We need to sit down and decide first amongst ourselves and then talk to the Omanis and then go back to the bankers and say that these conditions are not acceptable to us. God willing, they will accept it.”

25. About possible time frame for financial closure, the Secretary, Fertilisers, informed:—

“Now, you have asked me when would a financial closure be. The moment the banks say that here is the money, I can give you a commitment. But I cannot give you a commitment because final negotiations are still on. Let us assume the worst. Let us assume that the banking consortium does not agree. Then, what are the options? The option is this. Either we forget the project or we try again for another banking consortium. Now, how can I give you a commitment?”

26. The Committee are glad to know that all major outstanding issues relating to Oman-India Fertiliser Project have been resolved in consultation with the concerned authorities. The Committee take note of the fact that in the negotiated urea offtake agreement, there is no clause of unlimited liability. Regarding the Gas Supply Agreement, the terms of this contract are more favourable for the project than domestic contracts.

Regarding the financial closure, the Committee have till now been informed that was likely by March, 2001 which was later extended to May, 2001. This assurance was given not only by Ministry but by the parties involved in the project *viz.* IFFCO & KRIBHCO both. However, Secretary, Department of Fertilisers has now altogether given a new dimension to this feature and refused to commit any time frame for financial closure. Though his arguments are noteworthy and tenable yet the question remains whether the system works or individual. Till now the system was giving a different picture but now with the change in the incumbency a different picture has been brought out. This needs clarity.

D. Expeditious Clearance of Hazira Phase-II Project

(Recommendation Nos. 13 and 14, Para Nos. 5.31 and 5.32)

27. The first stage clearance of the above project was accorded in October, 1997 but the final clearance had been withheld by the Government. Secretary DoF had assured the Committee twice that the final clearance would be accorded within two months which in reality did not fructify. The Committee noted with constraint that the Government had been taking the Committee too lightly and casually. Secretary, DoF had been assuring the Committee time and again of the clearance of the project within a specified time but ultimately nothing has come out. The Committee further observed that ironically, the Cabinet cleared the Oman Project at foreign land on 20.6.2000 but the most cost effective Hazira Project was still awaiting clearance. The Committee were pained at the scant regard which the Government are showing to the Parliamentary Committee as evidenced by non-fulfilment of repeated assurance. The Committee recommended to the Government to issue directions to the Secretaries of the Government that before tendering any assurance before the Parliamentary Committee, they should seek prior approval from the concerned Minister so that all assurances could be fulfilled within the stipulated time frame.

28. The Committee further observed that the Government should have realised that indefinite delay in according final approval adversely affects the organisations initiative and negates the very concept of Corporate Planning. With regard to the clearance of this project, the Committee again recommended for its immediate clearance which was essential in making the country self-reliant in fertilizers.

29. The Ministry replied as under:

“The assurance given to the Committee by Secretary (Fert.) in April, 2000, that a final decision on pending public/cooperative sector urea project which had been approved ‘in principle’ would be taken within 2-3 months, was based on progress of processing of these proposals by the DoF for obtaining final investment approval and its submission to the competent authority at that point of time. A proposal for taking a final decision on the project was accordingly submitted and considered by the Cabinet Committee on Economic Affairs (CCEA) in June 2000 when the CCEA decided to defer the proposal. DoF had therefore, done its best to elicit a decision on the issue by placing the matter before appropriate authority. Subsequently, DoF has held discussions with the promoters of these projects who were of the opinion that these projects may have to be considered afresh keeping in view the long term fertiliser pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections of fertilizers, feedstock policy for fertilizer production and viability of the proposed projects in the changed circumstances. Through steady build up of indigenous urea production capacity over the years, the country has achieved near self-sufficiency in production of urea at present. As a result, from 1998-99 onwards, import of urea into the country has been substantially reduced. A final decision on KRIBHCO’s proposed Hazira Phase-II project will, therefore, have to be taken after considering the updated demand-supply gap projections, viability of the proposed investment in the free market under the long term fertilizer policy being finalised, availability of preferred feedstock etc.”

30. During the course of evidence of DoF, the Committee asked whether the non-resolution of demand-supply position of urea is coming in the way for investment decision on Hazira Phase II project of KRIBHCO, the Secretary, Fertilisers clarified:—

“In 1999, in principle approval to four projects of Hazira, Gorakhpur, Thal and Nellore was accorded by Government. Thereafter, we went to Public Investment Board (PIB). They said go to committee to Secretaries. When we came back finally, thereafter, we were told to look for demand-supply position. The position as on today is that my domestic capacity on revised assessment is 201-202 lakh tonnes of urea.

31. The witness further added:—

“There is possibility of increasing our capacity.”

32. On the issue of viability of the project the Secretary, Fertilisers informed:—

“God willing, if it is we might make consider an exception in the case of Hazira. However, we are not the final deciding authority.”

33. When asked specifically whether the issue of viability was not being introduced for the first time; Secretary, DoF said:—

“At that stage when these projects were conceived, we found a booming market for urea. What we find now is that for Kharif, 2001, there has been a rise of urea consumption of approximately six to eight per cent over the 1999 Kharif because that was a good Kharif. But consumption of MOP and DAP has gone up tremendously.....People have started using DAP even though the Nitrogen content works out less. But it is more suitable keeping all these factors in view. They have to determine whether it is viable for them or not or what are the trends going to be or is this consumption going to be more than enough.....”

34. On demand-supply projections for Urea, the Committee pointed out that DoF in a note submitted to this Committee, in March, 2000 had stated:—

“As far as urea demand projections for the end of 9th plan is concerned, DoF had viewed is that there would be a demand-supply gap of 49 lakh MT in 2002-03. This was noted by the CCEA while according in *principle* approval for setting up four domestic urea projects with 15 lakh MT import dependence.”

35. When specifically asked, in the above context, as to how the supply position has now undergone change; Secretary, DoF responded:—

“Sir, at that time our capacity was not reassessed. Now our capacity has been reassessed. Much difference has arisen.”

36. The Committee are not at all convinced with the reply of the Government that a final decision on KRIBHCO's proposed Hazira Phase-II project would have to be taken after considering the updated demand-supply gap objects of fertilisers, feedstock policy for fertiliser production, viability of the proposed investment in the free market under the long term fertiliser policy which is under finalisation. Till now, Hazira Expansion Project was reported as most cost effective but it is only for the first time that the issue of viability has been introduced. The Committee are not convinced with the pleas of the Government on viability aspect. It needs thorough examination. When Secretary, DoF was assuring the Committee that the final clearance would be accorded within two months, all these factors were present and the Department must have taken into consideration before tendering assurance before the Parliamentary Committee.

37. During the course of evidence, Secretary, DoF stressed that the reassessed capacity of urea production is of the order of 201 lakh tonne, which matches the demand or rather is more than that. That was reason that there was no import of urea. The Committee are not satisfied with the data made available by the Department which in fact differs from its own stated position in March, 2000 when it said that there would be a demand-supply gap of Urea of 49 lakh MT in 2002-03. The Committee would not like to go into the web of statistics but recall that in 1994 a similar situation had arisen when on the basis of demand-supply projections of Urea, it was decided that no addition in urea production is needed. In subsequent years, great scarcity of urea was felt and then the Government panicked and resorted to import. It takes about 3 years to erect a plant. The Committee would like the Government to make realistic assessment of demand-supply position for the next five years and act in time to meet the demand indigenously. The Committee reiterate their earlier recommendation that final clearance to Hazira-II Project be accorded immediately.

E. New Project at Gorakhpur

(Recommendation No. 15, Para No. 5.38)

38. The above project of KRIBHCO was accorded 'In principle' approval in October 1997 and is awaiting final clearance since then. The Committee in their examination had found that the new project at Gorakhpur like one at Hazira had been considerably delayed. The Committee were further informed by DoF that before formal clearance, the existing FCI unit has to be closed first by an order of Government and BIFR. Thereafter a decision has to be taken about KRIBHCO's stepping in. DoF had also informed that both the decisions have to be taken at the highest level in the Government. The Committee had recommended to the Government to take the required decisions early.

39. Responding to this recommendation, the Government stated:

“‘In principle’ approval subject to investment approval by PIB was accorded to KRIBHCO’s proposed Gorakhpur Project, in April 1999. Investment appraisal by PIB was undertaken in July, 1999, based on which a proposal for taking final decision on this and the other Cooperative sector projects which were given ‘in principle’ approval earlier, was submitted and considered by the CCEA in June, 2000, when the CCEA decided to defer the proposal. Subsequently, DoF has held discussions with the promoters of these projects who were of the opinion that these projects may have to be considered afresh keeping in view the long term fertiliser pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections of fertilisers, feedstock policy for fertiliser production and viability of the proposed projects in the changed circumstances.”

40. During the course of evidence of the representatives of DoF, Secretary, Fertilisers was specifically asked whether the Govt. was rethinking over the clearance of Gorakhpur Project from the point of economic viability and angle of demand-supply gap of Urea. He reiterated his Department’s position which he had earlier stated in the context of Hazira Expansion Project. The Committee, however, did not agree with him and observed that during the last 3 to 4 years, successive Prime Ministers have been assuring the people that Gorakhpur Plant will be made operational. They also referred to Minister of Chemical and Fertiliser’s commitment in Lok Sabha on 24.07.2001 that Gorakhpur Plant would be accorded the full consideration as and when Government decide to finally clear the pending 4 mega fertiliser projects.

41. The Committee reminded Secretary, DoF that on the one hand KRIBHCO has surplus amount of Rs. 1600 crore or so for investment, on the other hand Government is not allowing them to utilize this amount in sanctioned projects resulting thereby that the Society has to pay income tax on the interest generated on the surplus deposits.

Secretary, DoF agreed with this statement and responded:-

“I agree with you that it is very bad situation.

42. The Committee find that the reply of the Government is vague and a deliberate attempt has been made to divert the attention from the other issues involved. The Government in their reply have not referred to present status about the closure of FCI Unit at Gorakhpur and its case before BIFR. The Committee expect the Government to be comprehensive. So far the constraints cited in clearance of this project are concerned, the Committee observe that these were already there when '*in principle*' approval was granted. Nothing has been mentioned about final or interim outcome of the discussions held after June, 2000 with the promoters. During the course of evidence of the representative of DoF the Secretary, Fertilisers informed the Committee that due to re-assessment of installed capacity of Urea the issue of demand-supply gap of Urea by 2003, has again surfaced and that was one of the reason for non-clearance of Gorakhpour Project of KRIBHCO. The Secretary, Fertilisers candidly admitted before the Committee that that was a very bad situation where surplus funds of Rs. 1600 Crores are available with KRIBHCO and these were not being invested and Society was paying income tax on it. The Committee would like to remind the Government that during last three years, three successive Prime Ministers have assured that Gorakhpur plant would be made operational. Besides this, Minister of Chemicals & Fertilisers (Shri Sukhdev Singh Dhindsa) also committed in Lok Sabha on 24th July, 2001 that Gorakhpur plant would be accorded first priority while clearing the pending 4 mega projects. The Committee hope that soon Govt. will expedite resolutions of all issues like demand-supply of Urea involved for clearance of the Projects making the way for investment decision on the issue. The Committee wish the Government to take early decision in the matter. About tendering assurance before the Committee, the Committee find the reply of the Govt. silent as it does not spell out seeking prior approval from concerned Minister before giving any such assurance. The Committee reiterate that Govt. should issue clear-cut directions to Secretaries of Govt. in this regard.

F Setting up of a DAP Plant

(Recommendation No. 20, Para No. 5.72)

43. The Committee had noted that KRIBHCO made several attempts to diversify into DAP but could not succeed. However, the Society have not taken any initiative in this regard, *viz.* manufacturing DAP since its plan to acquire phosphate manufacturing facilities (DAP) failed to materialize. The Committee would emphasise that DAP is an important fertiliser and much in demand, therefore, KRIBHCO should formulate plan to manufacture DAP and not merely concentrate on urea.

44. The Government in their reply have stated that KRIBHCO explored the possibility of setting up DAP manufacturing facility after conducting the required feasibility studies. According to preliminary report the DAP plant has not been found viable.

45. This issue came up for discussions during the course of evidence when Secretary, DoF stated:

“I feel, there is a potential in setting up a DAP plant. Reason being, the present capacity production is about 60 lakh tonnes. However, demand for DAP will increase.”

46. The Committee have been recommending that KRIBHCO should set up a DAP Plant. Last year also, the Government imported 3.96 lakh tonnes of DAP. Secretary DoF has also admitted that there is potential of setting up a DAP plant since its demand is increasing. The Committee reiterate their earlier recommendation that KRIBHCO should formulate a plan to set up a DAP plant.

G. Fixing Responsibility for Dropped Projects

(Recommendation No. 21, Para No. 5.76)

47. During the course of examination of KRIBHCO, the Committee learnt that the Society conceived about 19 projects and in the process of executing these, it spent about Rs. 462 lakh. The Committee analysed the role of the Government and felt that it had statutory powers to give directions to the cooperative societies in the public interest and the role of the Government nominees was that of a watch dog. The Committee recommended that Government should clearly define the role of the Government nominees in such situations and lay down guidelines. In this case the Committee recommended that the Government should order an enquiry, to fix accountability as to why none of the 19 projects could be executed.

48. In their reply the Govt. have informed that reasons for dropping the 19 projects by KRIBHCO due to various factors, some of which were beyond the control of the management of KRIBHCO as has already been intimated to the Committee. As it would not be possible to identify the decision either for taking up or subsequently dropping the proposals with any single individual or officer of KRIBHCO, initiating an exercise to fix accountability of individuals for non-execution of 19 dropped projects might not serve any fruitful purpose. It also would not have been appropriate for the Government to consider issuing any directives to KRIBHCO either for taking up or for dropping any project proposal, before project parameters were finalised, and their viability/unviability established.

49. In this context elsewhere in their reply the Government have stated that the circumstances in which KRIBHCO initiated several expansion and diversification programmes have already been explained to the Committee. In short-listing a large number of project proposals and expansion programmes to be pursued, a certain degree of indiscriminate on the part of KRIBHCO appears to be present from hind sight. It has, however, to be seen that for any corporate body, reasonable expenditure on such pre-project activities on identified expansion/diversification proposals is unavoidable. Attractive investment opportunities can be identified only after such exercises are undertaken by corporates, which also entails expenditure of his nature.

50. The Committee are not convinced with explanations advanced by the DoF for dropping of 19 projects involving a loss of Rs. 462 lakh stating that in short listing large number of projects proposals, the expenditure incurred in pre-project activities is unavoidable on pre-project activities claiming it as reasonable and unavoidable expenditure.

51. The Committee find the reply of Govt. evasive on fixing accountability as to why none of 19 projects could be executed. The reply of the Government that it would not be possible to identify the decision either for taking up or subsequently dropping the proposal with any single individual or officer of KRIBHCO is not convincing. In Committee's view it was none seriousness on the part of officials that led to this situation. The Committee are convinced that the Government could have invoked statutory powers to give directions to the Society in public interest. But this could have been possible only if the Government nominee's on the Board had analysed the situation appropriately. However, the Committee reiterate that Govt. should order an enquiry to fix accountability as to why none of the 19 projects could not be executed at all.

H. Need for More Promotional Activities

(Recommendation No. 30, Para No. 7.4 and 7.5)

52. The Committee had found that KRIBHCO had been undertaking number of promotional and educational programmes such as soil sample, crop seminars, farmers meetings, etc. for transfer of technology and balanced use of fertilisers in States where KRIBHCO has its marketing network through its Krishak Bharati Sewa Kendras. The

Committee during the course of examination, however, had found that the promotional activities undertaken during the last three years were far below their targets. Simultaneously, the funds allocated for these activities had not been fully utilised by KRIBHCO. For instance, on soil sample collection as against the targets of 54500 during 1997-98 the achievement was only 21466. For 1998-99 as against the target of 30000 the achievement was only 20021. For 1999-2000 as against the target of 40000 the achievement was only 25162. Similarly on Crop Seminar as against the targets of 85 and 106 during the years 1997-98 and 1999-2000, the achievement was far low as 72 and 92.

About utilisation of funds also the Committee had found that the situation was no better. As against the targets of KRIBHCO of Rs. 150 each Rs. 213 lakh and Rs. 200 lakh during 1997-98, 1998-99 and 1999-2000, the achievement was only Rs. 113 lakh, Rs. 168 lakh and Rs. 157 lakh, respectively. The DoF had admitted before the Committee that targets fixed for various promotional activities had not been met over the years. In view of the foregoing, the Committee felt that KRIBHCO's performance on achievement of targets and utilisation of amounts earmarked for promotional and educational activities did not speak well about KRIBHCO's work done for the promotion of fertilisers during the last three years. The Committee hoped that KRIBHCO would make all out efforts in years to come for improving its performance even about the targets fixed for different activities.

53. The Ministry replied as under:-

"To educate the farmers on the use of fertilisers, promotional programmes are being organized since 1984 to match the marketing requirements of about 15 lakh MTPA of KRIBHCO fertilisers.

There has been consistent increase in the number of promotional programmes over these years. Even within each year, achievement in case of main programmes remained around 80% of target number which is quite satisfactory from commercial angle as our targets are usually kept higher by 10-15% of the expected results in order to maintain the morale of field staff to achieve more.

There is also an apprehension that unreasonably high targets would lead to excessive work load on already overburdened field staff and consequently may lead to deterioration in quality of the programmes. So KRIBHCO would prefer to maintain reasonable targets which can assure high quality of programmes in future too.

KRIBHCO is providing sufficient funds depending upon the material to be sold in each State. There has been a consistent increase in budget allocation starting from Rs. 70 Lakh in 1994-95 to Rs. 200 lakh in 1999-2000. Correspondingly, utilisation also increased from Rs. 48 lakh to Rs. 157 lakh. Both allocation and utilisation increased around 3 times over a period of 6 years which clearly indicates a balanced approach on the part of KRIBHCO.

KRIBHCO, like in the past, would continue to make efforts for higher and judicious use of funds on promotion of fertilisers while ensuring high quality standards."

54. The Committee are unhappy to note that Committee's recommendation about making all out efforts in years to come for improving its performance in promotional activities has not been received in DoF/KRIBHCO in right perspective. The Committee have been informed that there has been consistent increase in number of promotional programmes over the years and achievement rate of targets is 80% every year. These targets are kept higher for maintaining high moral of manpower. However, as pointed out by the Committee achievement rate of target in some cases say for instance soil collection sample has been less than 80% as claimed by DoF/KRIBHCO. For instance on soil collection sample during 1997-98 and 1998-99 as against the targets of 54,500 and 30000 the achievement was only 21,466 and 20,021 respectively and achievement rate is around 50% and 60% only. Similarly on utilisation of funds the Committee find that although there has been consistent increase in budget allocation and their corresponding utilisation yet less utilisation of allocation for promotional activities in KRIBHCO during 1997-98 to 1999-2000 was there in KRIBHCO. The Committee therefore reiterate their earlier recommendation to Government to make all out efforts in years to come for improving its performance.

I. Setting up of Bio-Fertiliser Plants

(Recommendation Sl. Nos. 31 & 32, Para Nos. 7.13 and 7.14)

55. The Committee has found that in order to provide eco-friendly and cost effective fertilisers, KRIBHCO had an installed capacity of 250 MT per annum for production of Bio-fertilisers. The Committee had been informed that KRIBHCO had started implementation of two more Bio-fertiliser plants of 300 MPTA each at Lanja in Maharashtra

and Varanasi in U.P. Besides, KRIBHCO had planned four more plants of which one each was to be set up at Punjab and Madhya Pradesh. The Committee had been informed that locations of remaining two plants were yet to be decided. As regards commissioning of two Bio-fertilisers under implementation at Lanja (Maharashtra) and Varanasi (U.P.), the Committee had been informed that by the end of this financial year these would be commissioned. The Committee were glad to know that KRIBHCO has been doing a good work in this area. The Committee hoped that KRIBHCO would soon commence implementation of the two Bio-fertiliser plants, one each at Punjab and Madhya Pradesh. The Committee also hoped that KRIBHCO would be able to locate sites for remaining two bio-fertiliser plants.

56. While replying to the observations of the Committee, the Ministry stated:—

“As regards policy implementation part for promotion of bio-fertilisers, the Committee found that the Department of Agriculture & Cooperation and DoF play a vital role in this regard. While the Department of Agriculture & Cooperation implements a central sector scheme entitled ‘National Project on Development & use of Bio-fertilisers’, DoF on the other hand encouraged Indian fertilizer manufacturers for manufacturing of bio-fertilizers. Besides, fertilizer PSUs/cooperatives have been assisted by DoF from DoF’s own budget for manufacturing of bio-fertilisers. These PSUs/cooperatives were MFL, NFL, RCF, HFC, FACT and cooperatives namely IFFCO and KRIBHCO. The Committee had been informed that assessment of demand of bio-fertilizers had been the responsibility of the Department of Agriculture & Cooperation. The Committee had been informed that based on initiatives taken by fertilizer units/cooperatives, the Department of Agriculture & Cooperation discussed with DoF, proposals for setting up of bio-fertilizer plants at inter-Departmental Committee wherein representative of DoF was a Member. Since the KRIBHCO had already planned four bio-fertilizer projects, the Committee, therefore, recommended DoF to take up the issue with the Department of Agriculture & Cooperation in Inter Department Committee for early action in this regard.

The Government of Uttar Pradesh has allotted the land for construction of bio-fertiliser plant by KRIBHCO at Varanasi. Further action is being initiated by KRIBHCO. As regards bio-fertilizer plant in the State of Maharashtra, KRIBHCO is yet to obtain allotment of land from Government of Maharashtra. Regarding implementation of the other bio-fertilizer plants action will be taken after implementation of bio-fertilizer plant at above two locations.

As soon as project location and parameters are finalised and KRIBHCO submits the proposals to the Department of Agriculture & Cooperation (DAC) for consideration of the Inter-Departmental Committee, DOF would take up the matter with DAC for their early clearance."

57. The Committee are dismayed to find from the reply of the Govt. that not much progress has since been made for setting up of bio-fertiliser plants of KRIBHCO. The Committee note that out of six bio-fertiliser plants under planning at present, land has been allotted for plant in Varanasi in U.P. The Committee hope early allotment of land for Lanja plant in Maharashtra. The Committee wish accelerated implementation of remaining four plants. The Committee have been informed that out of four bio-fertiliser plants, two plants one each at Madhya Pradesh and Punjab are to be set up. Locations for other two plants are to be ascertained. In this context the Committee have been informed, clearance from Department of Agriculture & Cooperation is necessary for setting up of the above project. However, it is necessary that first location of these plants are finalised by KRIBHCO. The Committee therefore reiterate their earlier recommendations that KRIBHCO should endeavour to locate sites for remaining bio-fertilisers plant at the earliest.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 2, Para No. 2.9)

The Committee note that as against authorised share capital of Rs. 500 crore of KRIBHCO, the paid-up capital was Rs. 484.25 crore as on 31st March, 2000. The Committee also note that majority of shares in KRIBHCO are being held by the Government. Out of Rs. 484.25 crore paid-up capital as much as Rs. 328 crore are held by Government. The Standing Committee on Petroleum & Chemicals (1994-95), 10th Lok Sabha had also examined the matter and in their 13th Report on IFFCO and KRIBHCO, presented to the Parliament on March, 1995, had recommended that the Government should transfer more share capital to cooperatives in a phased manner for making IFFCO and KRIBHCO real cooperatives in character. However, during the course of examination the Committee found that the desired transfer of equity in KRIBHCO has not taken place. During the last six years the Committee found that share of Government has come down from 71.94% to 67.73% whereas share of cooperatives has marginally increased from 6.74% to 12.23%. The Committee have been informed that since the cooperatives are not financially strong, these are not able to enroll themselves as Members. The Committee have also been informed that still there are a scope for small cooperatives to participate in equity of KRIBHCO since there was a gap of Rs. 15.75 crore between authorised share capital and paid-up share capital of KRIBHCO.

Recommendation (Sl. No. 2, Para No. 2.10)

The Committee have been informed that in order to encourage small societies to become members of KRIBHCO, Government have allowed KRIBHCO to reduce the face value of its share from Rs. 20,000 to Rs. 10,000 per share and also to convert 500 shares of face value of Rs. 1 lakh per share into 5000 shares of face value of Rs. 10,000 per share. The Committee have also been informed that direct transfer of share from Government to Cooperatives is not allowed under Multi-State Cooperatives Act, 1984. The Committee would like to emphasis

that the thrust of their recommendation is to impart real Cooperatives character to KRIBHCO and it can be done if Government's equity is regularly decreased with corresponding increased in the equity held by Cooperatives Societies. Government should devise the ways and means to achieve this objective, whether through amendment to MSCS Act, 1984 or amending the bye-laws. However, as an immediate measure, KRIBHCO should initiate action such as special drive to increase its membership substantially so that the remaining equity of Rs. 15.75 crore is contributed by Cooperative Societies within a targeted period say of two years. Government should extend all necessary help expeditiously in this regard. The DOF should act as a Nodal agency and liaise with various agencies and get suitable guidelines issued to banks/district cooperative credit banks to give loans to farmers for acquiring membership of the Society.

Reply of the Government

In order to provide greater functional autonomy to Co-operatives and to professionalise the management of these institutions based on the recommendations of Brahm Pradesh Committee and Mirdha Committee, the Multi-State Cooperatives Societies Bill, 2000 replacing the Multi-State Cooperative Act, 1984 has been introduced in the Lok Sabha on 24.11.2000. The thrust of the new Legislation is to ensure autonomous and democratic functioning of cooperatives, *inter-alia*, proposing to reduce the Government equity. However, provisions already exist for redemption of shares held by the Government in accordance with the bye-laws of a multi-state cooperative society concerned or as may be agreed upon between the Society and the Government, on the face value of the shares.

Further, this Department has requested Department of Agriculture & Cooperation for issuing necessary instructions/advise to apex banking institutions in rural sector and State Registrars of Cooperative Societies for participation of eligible marketing cooperative societies in the equity of KRIBHCO as well as extending loan facilities to the farmers for acquiring membership of the Society.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No.
17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 4, Para No. 2.12)

The Committee welcome the decision of KRIBHCO to convert 500 shares of Rs. 1 lakh face value into 5000 number of shares of Rs. 10,000 denomination and hope that the decision will be executed sincerely. The Committee urge the Government to assist KRIBHCO in all aspects to implement and execute the decision.

Reply of the Government

For reclassification of 500 Nos. shares of Rs. 1 Lakh Denomination into 5000 Nos. shares of Rs. 10,000/- denomination; Govt. of India has accorded its approval to the Amendment of the Bye-Laws of KRIBHCO and subsequently the Central Registrar of Cooperative Societies has registered the Bye-Law Amendment on 6th November 2000.

Further, this decision has been communicated to all State Marketing Managers and Zonal Managers of KRIBHCO, for implementation, for forwarding new membership applications of Rs. 10,000/- denomination of shares. KRIBHCO has started receiving such membership applications now.

After conversion of 500 shares of Rs. 1,00,000 face value into 5000 Nos. shares of Rs. 10,000 face value, Society has issued 90 shares. Applications for 35 shares have been further received and being considered for issuance.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No.
17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 8, Para No. 4.6)

Secondly, the Committee do not agree with the position taken by DOF that absence of two Directors is in no way hampering the functioning of the Society. Perhaps this is too simplistic an analysis of the position. The fact that 19 Directors are in position as against 25 indicates that the Board is not fully functional irrespective of the fact that 3 nominees of financial institutions are not required to be on Board as KRIBHCO has no loan liability. In the Committee's view the Bye-laws of the Society should have been amended to reduce the total strength of the Board and/or these positions could have been given to other institutions/agencies reputed in management or agriculture or cooperative fields. The incumbency of expert co-opted Director only once since inception of KRIBHCO suggests the very negation of the purpose for which this provision was made. Surprisingly, DOF did not take a note of this position as, apparently, it has not acted in a professional manner and note allowed the vacancies to remain unfilled. The Committee recommend that a review of Bye-laws on this count be undertaken to make them pragmatic and guiding. The Committee direct that no position on the Board should be allowed to remain vacant for more than 3 months and to achieve this objective, if the Bye-laws need amendment, this should be done.

Reply of the Government

The Board of Directors of KRIBHCO is constituted in accordance with the provisions contained in its bye-law No. 37. Sub-clause (b) of bye-law No. 37 provides for the maximum permissible strength of the Board. At any point of time, there could be an occasion when the actual strength may be less than the maximum permissible limit. This might happen due to vacancies occurring in the intervening period owing to withdrawal of nominations by nominating agency (e.g. an Appex Marketing Federation), acquisition of disqualification under the Multi-State Cooperative Societies Act, cessation of membership due to resignation etc., vacancy on the posts of one or more Functional Directors, non-eligibility of Financing Agencies to nominate Directors etc. The nominees of Financing Agencies may be required to be on the Board, whenever any new project(s) involving financial assistance from the financing agencies. Therefore, considering that some projects are on the anvil for KRIBHCO, it may not be prudent to reduce the Board's strength on this account. Besides, it may also not be desirable to reduce the strength on account of vacancies on the posts of Functional Directors or elected Directors. Since such vacancies are short-term in nature the alternative of giving these positions to institutions/agencies reputed in management or Cooperative fields will impede the decision making process of the Board.

The Management of the Society have reported that the proposal for co-optioⁿ of a Director from amongst experts in the field of Economics, Management or Cooperation was placed in the meeting of the Board of Directors and an expert Director in the field of Co-operation has been appointed.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 18, Para No. 5.54)

With the changing economic scenario, KRIBHCO has also to gear itself up to meet with the new situations. Instead of resting with mega projects pending with the Government, KRIBHCO should diversify its activities, in new areas related to agricultural products. The Bye-laws of KRIBHCO are wide enough to accommodate such activities e.g. cold storage and food processing. Some of the State Governments like Maharashtra, are keen to extend official help to promote such activities. KRIBHCO of its own can also engage reputed management consultancy to prepare such projects.

Reply of the Government

Society is currently pursuing mega projects viz. Oman India Fertiliser Project, 615 MW Power Project at Pipavav (Gujarat), Hazira Fertiliser Expansion etc. With the likely clearance of these projects, entire surplus funds of Society will be utilized. KRIBHCO has been successful in equity participation in joint ventures in power sector project of Gujarat State Energy Generation Limited (GSEG) and with IFFCO Tokio Marine Insurance Company in insurance sector. Nevertheless, in case one or more of these mega project proposal do not materialize, society is open to diversify its activities to new areas such as cold storage and food processing. In this light, society is having discussions with APEDA, Reinhold & Mahla, Germany (on Cold Chain Schemes), Gujarat Agro Industries Corporation, NCDC and National Horticulture Boards.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 22, Para No. 5.77)

The Committee observe that a good amount has been spent on foreign tours in Acquisition of DAP facilities USA/Russia and audit has also raised an objection on this account. Secretary, DOF has assured that that was a matter of anxiety and there had to be some accountability. The Committee urge the Government to fix the responsibility accordingly and inform the Committee.

Reply of the Government

The Vigilance Division of the Deptt. of Fertilizers is conducting investigation into KRIBHCO's decision relating to the proposal for acquisition of phosphatic fertilizer manufacturing facilities in USA/Russia. The investigation is in progress.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 24, Para No.

The Committee also recommend that KRIBHCO should engage the services of reputed Management Consultants for planning and analyzing the projects and should not depend entirely on in-house facilities.

Reply of the Government

To strengthen the Society in the changed competitive scenario, engaging the services of reputed management consultants to improve Corporate Management, suggest avenues for optimum investment of funds, and restructuring of the organization is under consideration of KRIBHCO. The consultants will recommend and suggest viable projects to be set up by KRIBHCO.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No.
17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 26, Para No. 6.8)

The Committee note with concern that State Marketing Federations are not fully cooperating with KRIBHCO. This is perhaps the result of market forces where market is determined by purely traders' interest. KRIBHCO has to prepare itself to face this eventuality in the time to come. The Committee are satisfied that KRIBHCO has engaged a marketing consultancy to advise it on marketing policy. The Committee recommend that KRIBHCO should engage marketing consultancy on regular basis whose assignment should be to prepare short term, and mid term and long-term marketing strategies foreseeing all marketing conditions and advise KRIBHCO objectively. KRIBHCO's objective should be to remain fully prepared to market its products in private sector also, if need be.

Reply of the Government

State Marketing Federations are at liberty to procure their requirements from any source. They are not bound to procure their full requirement from the co-operatives. As regards the appointment of Consultant, KRIBHCO appointed a Consultant to formulate strategy to market its products. The consultant submitted his report on the basis of which a marketing strategy was prepared and approved by the Board. The strategy emphasizes:

1. Emerging as market leader in closer markets.
2. Reduction in freight cost.
3. Enlarging distribution network.
4. Expanding product range.
5. Support to Cooperative Sector.
6. Human resource development.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No.
17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 27, Para No. 6.9)

There is urgent need to strengthen State Marketing Federations also. They should be bound to purchase their requirements firstly from Cooperatives only. As already recommended elsewhere in the Report, the Committee recommend that Cooperative system should be strengthened by increasing their cash credit limits for disbursing more credit to their members for which 'B' component should be kept at a minimum of 50%. There is need to develop a viable rural cooperative credit system. The Committee urge DOF to take the lead in this regard and liaise with other Government Departments and agencies to get the objective fulfilled.

Reply of the Government

State Marketing Federations are formed by the Marketing Cooperatives, and as per the Bye-Laws of State Marketing Federations, they are to transact their business through their constituent cooperatives. Minister (Chemicals & Fertilizers) wrote to Chief Ministers of all the major States urging them to encourage the cooperatives including marketing federations of the respective States to purchase fertilizers from IFFCO and KRIBHCO on priority basis. State Governments have generally taken a positive note of the Minister's request.

Further, this Department has requested Department of Agriculture & Cooperation for taking up the matter with apex banking institutions for rural sector and financial institutions for strengthening cooperative system by increasing their cash credit limits for disbursing more credit to their members.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 28, Para No. 6.10)

The Committee recommend that KRIBHCO should develop alternative channels for marketing through institutional wholesalers though initially a fair percentage of its product may be earmarked for doing so. This may help KRIBHCO to pressure the State Marketing Federations to stick to their original philosophy of buying from Cooperative Societies.

Reply of the Government

Where the cooperative system is weak and it cannot absorb the entire ECA, KRIBHCO is selling its product through Institutional agencies like State Agro Industries Corporation, State Oil Federation, State Mandi Board, Cane Union Federation, etc.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 33, Para No. 8.5)

The Committee are constrained to note that production performance of KRIBHCO during the last three years has been declining steadily. For instance as against the production of 8.15 lakh tonnes during 1997-98 the production of KRIBHCO during subsequent year 1998-99 fell to 6.98 lakh tonnes. Three reasons, occurrence of fire accident and unprecedented floods in May and September'98 and restriction in supply of gas have been attributed as reasons for less production by KRIBHCO. The Committee have been informed that difficulties have since been overcome. As regards production during 1999-2000 the Committee have been informed by DOF that shortfall in production has been due to equipment problems and problems faced in supply of gas. They have informed that since plant is aging, KRIBHCO has been asked to study the health of the plant. Necessary steps for gas supply are being taken-up with Ministry of Petroleum & Natural Gas. The Committee hope that KRIBHCO will complete the study at the earliest so that necessary corrective steps are taken-up for stepping up production. The Committee also hope that DOF would take necessary steps for augmenting gas supply to KRIBHCO in the meeting of Gas Linkages Committee and apprise the Committee of the outcome/ decision taken.

Reply of the Government

The production of 8.15 lakh MT of Nutrient during 1997-98 was the highest ever production achieved by the Society under special circumstances whereby rich and consistent gas supply was available through out the year. Besides, there was no annual turnaround of plants. This level of production should not be considered as reference for the purpose of performance evaluation.

The production during the financial year 2000-2001 is 16.31 lakh MT of Urea equivalent to 7.50 lakh MT of Nutrient N. Thus, the production during 2000-2001 is higher by 7.5% over 1998-99 and 4.8% over 1999-2000 indicating clear improvement in the performance.

The equipment problems in the year 2000-2001 resulted in downtime of 24.1 days as against 37.20 days in the year 1999-2000. The equipments namely Secondly Waste Exchanger (102-C) in Ammonia Plant, Carbamate Condenser (E-5) in Urea Plants which were giving frequent problems during 1999-2000 have been eliminated. The health study by an in-house team was carried out and completed in the month of January, 2000. The recommendations as contained in the health study report are under various stages of implementation. Hence, the corrective steps has already been taken up for stepping up production.

KRIBHCO has entered into a contract with M/s. Gas Authority of India Ltd. (GAIL) for supply of 3.0 MMSCMD of gas per day. Gas Linkage Committee (GLC) had, in its meeting held on 1.2.2000, allocated 2.93 MMSCMD of gas per day. A further reduction of 10% had been imposed on allocated quantity of gas almost throughout the years 2000-2001 and 2001-2002 (till date). Minister of Chemicals & Fertilizers *vide* D.O. No. 11017/8/2000-FPP-1/2121 dated August 30, 2000 and D.O. No. 11013/10/95-FPP-1/2208 dated September 15, 2000 to Minister of Petroleum & Natural GAS highlighted the decline in supply of gas to KRIBHCO has requested for meeting at their level to resolve the problem of Gas restriction imposed by GAIL/ONGC. A letter was addressed to Ministry of Petroleum & Natural Gas on 25.10.2000 requesting him to allocate additional gas to KRIBHCO for running the captive power plant and to make-up for the extraction of hydro carbons. The issue was again take up in the GLC meeting held on 22.12.2000. In the meeting, it was stated by Ministry of Petroleum & Natural Gas that given the present availability along the HBJ system, it would not be possible to increase the gas supplies at this stage. It was further mentioned that the matter was being reviewed during the monthly meetings on exploration issues and there was some possibility of gas availability increase from the fields operated by M/s Cairn Energy. It was further explained that M/s Cairn Energy has the marketing rights for the gas to produce and that the interested consumers can directly contract with them for gas supplies. It was also agreed that GAIL would arrange for such an interface between M/s Cairn Energy and representatives of, among others, the fertilizer sector.

A meeting was held under the Chairmanship of Joint Secretary, Fertilizers on 09.02.2001 which was attended by representatives from KRIBHCO and M/s Cairn Energy. It was explained by the representatives from M/s Cairn Energy that the likely supply of gas in that region was not yet very clear. It was also stated by them that additional supply of gas may come only by the middle of next year. The marketing rights of gas have been given to M/s British Gas and the customers have to take-up the matter directly with M/s British Gas.

The matter will be reviewed again at the next GLC meeting scheduled towards the end of July, 2001.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000—FCA-II dated 26.3.2001]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT REPLIES

Recommendation (Sl. No. 7, Para No. 4.4)

The Committee note that as per Bye-laws of Society, the Government nominates five Directors on the Board which as per the present strength of the Board constitutes a little more than 25%. The Committee view KRIBHCO as any other PSU of the Government of India and this position has been repeatedly mentioned in the Thirteenth Report presented in April, 1995. Department of Public Enterprises which lays down policy guidelines with regard to Corporate functioning of all PSUs *vide* its O.M. No. 18(6)-91-GM dated 16 March, 1992 has observed as under:—

“The question of representation of Government Directors on the Board of PSEs was examined by the Arjun Sengupta committee and following its recommendations, the Bureau of Public Enterprises has issued guidelines in 1986 that the Administrative Ministry concerned should not have more than one nominee Director on the Board of a PSE.....”

Government Directors:

The number of the Government Directors on the Boards of Directors of an enterprise should not exceed one-sixth of the actual strength of the Board.....”

Recommendation (Sl. No. 7, Para No. 4.5)

The Committee would like DOF to analyse its position on the Board of KRIBHCO in the light of the above guidelines and review its position.

Reply of the Government

The Government of India holds around 68% of the share capital of Krishak Bharati Cooperative Limited (KRIBHCO). The provisions of the Multi State Cooperative Societies (MSCS) Act, 1984, and the rules made thereunder, provide for nomination of three or more

representatives of Central Government where it has subscribed to the share capital of the Cooperative Society. Taking into account the majority share-holding of the Central Government and the provisions of MSCS Act/Rules, the bye-laws of KRIBHCO provide for nomination of upto five persons by the Government of India. This level of nomination, comprising representatives of different Ministries/ Departments has, over the years, facilitated smoother and broader outlook in decision making generally and in implementing major projects of the Society, particularly.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 10, Para No. 4.11)

The Committee note with seriousness the statement of DOF that there are instances where owing to Government's directions, the Board of directors have been made to reconsider their decisions. The Committee take this statement in positive way with objectivity in approach but would urge the Government that there should be specific guidelines indicating the role of Government nominees should seemingly be to assist the Board to discharge its functions in a democratic manner.

Reply of the Government

The Economic Administration Reforms Commission (EARC) in their report submitted to the Government in 1984 had made recommendations regarding the role of Government Directors on the Boards of Public Enterprises. These recommendations have been accepted and guidelines for its adherence issued. These guidelines emphasize the need for allowing the Government Director on the Board to function freely and use his own judgement without any formalised briefing by the Ministry before a Board meeting with discretion whether to seek a briefing or make a report. It further instructs that the Government Director should identify himself with the objects and goals of the enterprise, engage in joint thinking on equal terms and not assume a superior status. He should not reserve his position on matters before the Board. In all subsequent examinations of the Board approved proposals, his role should be mainly elucidator.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 19, Para No.

Natural gas availability in North-East is in abundance. Although KRIBHCO did try in the past to explore the possibility of setting up a fertilizer plant there, perhaps due to technical problems the proposal could not materialise. The Committee recommend that KRIBHCO should in all sincerity take a fresh look at its earlier proposal and explore the possibility of setting up a fertilizer plant there. It will also help KRIBHCO to expand its membership network in the North-East as well.

Reply of the Government

In the Gas Linkage Committee Meeting on 26.5.2000, it was informed that in Tripura, as against the allocation of 1.7 MMSCMD, the drawal is only around 1.00 MMSCMD. Therefore, there is scope to make fresh allocations for consumers in Tripura. Thereafter, KRIBHCO was asked to take a look at the opportunities available for setting up a fertilizer plant in Tripura. However, a letter was received by KRIBHCO from GAIL on 03.04.2001 wherein they were informed that the present allocation of natural gas to different consumers in Tripura is around 4.5 MMSCMD against the projected availability of around 4.00 MMSCMD for the year 2003-04. Thus, it appears that there may be some uncertainty keeping in view the commitments made of the availability of gas for a standard size ammonia urea plant at Tripura. In the meanwhile, KRIBHCO, along with IFFCO, has undertaken a preliminary feasibility study for setting up a fertilizer plant in Tripura. The study has indicated that setting up of fertilizer plant in Tripura may not be viable due to transportation of materials. The study report has recently been forwarded to the Government of Tripura also.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 23, Para No.

The Committee also recommend to the Government to explore the avenue of holding inquiry into the role of concerned Directors of KRIBHCO on some selected projects namely, Acquisition of DAP facilities in USA/Russia, Nitrophosphate Project, Rehabilitation of MC&F and 200 MW Power Project at Jhunjhunu (Rajasthan).

Reply of the Government

On the dropped proposal for acquisition of DAP facilities in USA/ Russia, a separate investigation is underway through Vigilance Division in the Deptt. of Fertilizers (DOF). On the other three dropped projects/ proposals, viz. Nitrophosphate Project, 200 MW Project at Jhunjhunu and rehabilitation of Manglore Chemicals & Fertilizers Ltd., role of concerned Directors of KRIBHCO has specifically been examined by the DOF in pursuance of the recommendation of the Standing Committee. After detailed examination of the circumstances leading to formulation, processing and subsequent dropping of proposals, it has been concluded that no ill-motive, malafide or misconduct on the part of any member of the Board of Directors of KRIBHCO could be attributed to the decision process. Accordingly, DOF does not find any need to hold further enquiry into these matters.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 25, Para No. 6.7)

The Committee share the anxiety of the Deptt. of Fertilizers that KRIBHCO has to evolve market strategy to meet the situation arising out of liberalized economy and decontrolled era. KRIBHCO appears to be wedded to its philosophy which begins with the Cooperative Society and ends with it. The Committee agree with the views of DOF that there is a need to market more and more of Urea. Today, KRIBHCO does not have its presence in the eastern and southern regions. The Committee hope that KRIBHCO will make concerted efforts and expand its marketing network in such regions where its presence is either nil or negligible.

Reply of the Government

KRIBHCO is ready with the marketing strategy arising out of the liberalized economy and decontrolled situation. Further, the Society's philosophy is to market its product through Cooperative/Institutional agencies. As regards the Society's presence in Southern and Eastern States, it may be mentioned that as per the ECA allocation from Government of India, KRIBHCO is marketing its product in the State of Andhra Pradesh, Karnataka and Tamil Nadu in South Zone and U.P. and Bihar in East Zone. Since Rabi 2000-2001 KRIBHCO has also been given ECA allocation for West Bengal and has also started operating in that State with required infrastructure.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 29, Para No. 6.11)

The Committee also recommend that KRIBHCO should develop its own infrastructure like that of constructing warehouses so that fertiliser can be stored there at the right time in right quantity and made available to the Cooperatives. These warehouses can be rented out to other State agencies, when not required for its own use, and thus they can generate income to meet its maintenance cost and later recover capital cost also.

Reply of the Government

At present KRIBHCO is utilising the services of Central Warehousing agencies, State Warehousing Agencies and Godowns owned by Cooperatives in different States. Sufficient godown space is available to meet its requirements. As regards the construction of own warehouses, the survey commissioned by KRIBHCO indicated that enough space for storage of fertilizer was available with the cooperative institutions, agro-industries cooperative besides Central and State Warehousing Corporations in KRIBHCO's marketing territory. Hence, the proposal is not being pursued further.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 34, Para No. 8.8)

The Committee find the financial performance of KRIBHCO has gone down during the last three years. For instance the profits of KRIBHCO of Rs. 299.61 crore during 1997-98 declined to Rs. 261.13 crore during 1998-99. The actual profits of KRIBHCO for 1999-2000 have been a mere Rs. 55.85 crore which are the lowest during the three years. DOF has informed the Committee that due to fire accident and unprecedented floods in May and September '98 leading to production cuts profits of KRIBHCO suffered. DOF has also informed the Committee that financial performance is otherwise quite satisfactory. After seeing the working results of KRIBHCO for the year 1999-2000 the Committee do not agree with DOF that financial performance was quite satisfactory. The Committee, therefore, recommend that KRIBHCO/DOF should take corrective steps so that the downward trend in profitability is arrested at the earliest.

Reply of the Government

It may kindly be noted that during the year 1999-2000, FICC has recovered Rs. 120.51 crore against sale of Ammonia pertaining to previous years. Moreover, Rs. 61.97 crore has been distributed as wage revision arrears and production linked bonus to employees during the year pertaining to previous years also.

During the last financial year 1999-2000 Society has achieved a capacity utilisation of 106.24% and 107.26% for Ammonia & Urea respectively and had earned a pre-tax profit of Rs. 79.85 crore (Post Tax Rs. 55.85 crore). However, in the financial year 2000-2001, the capacity utilisation is 108.1% and 112.3% for Ammonia and Urea respectively. The pre-tax profit (prov.) for the year 2000-2001 is Rs. 213.99 crore (Post tax — Rs. 141.99 crore). The provisional profit for 2000-2001 is low due to recovery of Rs. 31.20 crore by FICC on account of design surplus of ammonia. Thus, it may be seen that the Society has improved its performance over the earlier year. The position of pre-tax and post-tax profit during the year 1998-99, 1999-2000 and 2000-2001 is given below:

(Rs. in Crore)

Particulars	1998-99	1999-2000	2000-2001 (Prov.)
Pre-tax Profit	390.40	79.85	213.99
Tax Provision	129.27	24.00	72.00
Post-Tax Profit	261.13	55.85	141.99

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

CHAPTER IV

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

Recommendation (Sl. No. 1, Para No. 1.12)

The Committee observe that objectives laid down in the bye-laws of the Society are wide-ranging nature varying from production of soaps and detergents to electronic products, satellite receivers, oil exploration, etc. etc. In the Committee's view, some of these objectives are non-synergic in character. Although KRIBHCO did try to achieve some of these, yet efforts were non-serious and half hearted. The Committee feel that no useful purpose can be served in retaining all these objectives in the bye-laws and recommend that KRIBHCO should review all these and retain only those which are in consonance with changing times and within its corporate vision for next twenty years or so. The Committee hope that KRIBHCO should undertake a serious study in this regard and screen all the existing objectives and retain only those, the achievement of which shall enhance its professionalism and credibility.

Reply of the Government

Keeping in view the limited scope of expansion in the fertiliser and agricultural sectors coupled with the changed economic scenario in the country due to liberalisation, the object clause of Bye-laws of KRIBHCO was amended to make provision for diversification of activities in agricultural as well as non-agricultural related fields. The amendment of bye-laws of KRIBHCO is a time consuming process, because it entails approval of the Board of Directors, permission of IFFCO and Government of India, and convening of General Body Meeting. Thereafter approval of the Central Registrar of Cooperative Societies is also required. The object clause was therefore expanded during March, 1995 alongwith other amendments. Moreover in the case of Companies also, wide ranging coverage of objects is prevalent.

It is further stated that KRIBHCO is making earnest and whole hearted efforts to diversify its activities and has been successful in equity participation in joint ventures in the power sector in respect of M/s Gujarat State Energy Generation Ltd. (GSEG) in the State of Gujarat, and with M/s IFFCO Tokio Marine Insurance Company in the insurance sector.

[M/o Chemicals & Fertilizers, Department of Fertilizers O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* para 10 of Chapter I of Report.

Recommendation (Sl. No. 3, Para No. 2.11)

The Committee note that on 31.3.1995, the total membership of the Society was 3594 and after 5 years i.e. on 31.3.2000, the membership, has gone up to 5038. Out of this, 4 States, viz. Gujarat, Madhya Pradesh, Punjab and Rajasthan have 3641 memberships. There is ample scope to increase membership in other States, especially in the East and North-East. As of now only 16 States have their representation in KRIBHCO which does not project all India character of the Society. The Committee, therefore, recommend that KRIBHCO should undertake special drive of enrolment of Members during the next two years and set a target to double the present strength.

Reply of the Government

Membership in other States (North-Eastern and Eastern States)

At present, KRIBHCO plant in Hazira is producing urea which is the only fertilizer under price and distribution controls of Government of India. The movement and sale of urea is done by the KRIBHCO as per season-wise (Rabi-Kharif) allocations made to the Society under the Essential Commodities Act (ECA). While making allocations, it is seen that average lead should be minimum to reduce the freight subsidy outgo and rail infrastructure is optimised by avoiding criss-cross movement. This is the reason that KRIBHCO or any other urea manufacturers are not given allocations for all the States in the country. Major share of the production is allocated for marketing within the economic zone and the balance goes to secondary marketing zone. KRIBHCO's marketing network is based on allocation of urea given to them for different States. Since they are not given allocation for North-East States, KRIBHCO is not having any member from these States.

However, in other States like Uttar Pradesh, Uttaranchal, Tamil Nadu and Karnataka, where an allocation under ECA is made, the membership has increased significantly as depicted below:—

State	Membership as on	
	31/03/1998	31/03/2001
Uttar Pradesh and Uttaranchal	321	436
Karnataka	84	189
Tamil Nadu	06	52

Comments of the Committee

Please see Para 18 of Chapter 1 of Report.

Recommendation (Sl. No. 13, Para No. 5.31)

From the sequence of events brought out above, the Committee are constrained to observe that the Government had been taking the Committee to lightly and casually. Secretary, DOF had been assuring the Committee time and again of the clearance of the project within a specified time but ultimately nothing has come out. Ironically, the Cabinet cleared the Oman Project at foreign land on 20.6.2000 but the cost effective Hazira Project is still awaiting clearance. The Committee are pained at the scant regard which the Government are showing to the Parliamentary Committee recommend to the Government to issue directions to the Secretaries of the Government that before tendering any assurance before the Parliamentary Committee, they should seek prior approval from the concerned Minister so that all assurances can be fulfilled within the stipulated time frame.

Reply of the Government

The assurance given to the Committee by Secretary (Fert.) in April 2000, that a final decision on pending public/cooperative sector urea projects which have been approved 'in principle', would be taken within 2-3 months, was based on progress of processing of these proposals by the DOF for obtaining final investment approval and its

submission to the competent authority at that point of time. A proposal for taking a final decision on the projects was accordingly, submitted and considered by the Cabinet Committee on Economic Affairs (CCEA) in June 2000 when the CCEA decided to defer the proposal. DOF had therefore, done its best to elicit a decision on the issue by placing the matter before the appropriate authority. Subsequently, DOF has held discussions with the promoters of these projects who were of the opinion that these projects may have to be considered afresh keeping in view the long term fertilizer pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections of fertilizers, feedstock policy for fertilizer production and viability of the proposed projects in the changed circumstances.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* Para Nos. 36 and 37 of Chapter I of the Report.

Recommendation (Sl. No. 14, Para No. 5.32)

The Government should realise that indefinite delay in according final approval adversely affects the organisation's initiative and negates the very concept of Corporate Planning. With regard to the clearance of this project, the Committee once again recommend for its immediate which is essential in making the country self-reliant in fertilizers.

Reply of the Government

Through steady build up of indigenous urea production capacity over the years, the country has achieved near self-sufficiency in production of urea at present. As a result, from 1998-99 onwards, import of urea into the country has been substantially reduced. A final decision on KRIBHCO's proposed Hazira Phase-II project will, therefore, have to be taken after considering the updated demand-supply gap projections, viability of the proposed investment in the free market under the long term fertilizer policy being finalised, availability of preferred feedstock etc.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* Para Nos. 36 and 37 of Chapter 1 of the Report.

Recommendation (Sl. No. 15, Para No. 5.38)

The Committee find that the New Project at Gorakhpur like the one at Hazira has been considerably delayed after getting first stage clearance in October'97 and thereafter 'in principle' approval on 10.4.1999. The Committee have been informed by KRIBHCO that since the feedstock policy for fertilizer plants is still to come the project might be deferred further. The Committee on the other hand have been informed by DOF that before formal clearance is accorded to the project, FCI unit has to be closed first by an order of Government and BIFR. Thereafter a decision has to be taken about KRIBHCO's stepping in. DOF has also informed that both the decisions have to be taken at the highest level in the Government. The Committee urge the Government to take the required decisions early so that a project conceived 3 years back is not allowed to drag for years, leading to much higher cost than original estimate.

Reply of the Government

'In principle' approval subject to investment approval by PIB was accorded to KRIBHCO's proposed Gorakhpur Project, in April 1999. Investment appraisal by PIB was undertaken in July, 1999, based on which a proposal for taking final decision on this and the other Cooperative sector projects which were given 'in principle' approval earlier, was submitted and considered by the CCEA in June 2000, when the CCEA decided to defer the proposal. Subsequently, DOF has held discussions with the promoters of these projects who were of the opinion that these projects may have to be considered afresh keeping in view the long term fertilizer pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections of fertilizers, feedstock policy for fertilizer production and viability of the proposed projects in the changed circumstances.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para No. 42 of Chapter I Report.

Recommendation (Sl. No. 20, Para No. 5.71)

The Committee express their concern that KRIBHCO could not succeed in finally executing any of the 19 projects though in this process it spent about Rs. 462 lakh. The Committee are not convinced with the reply of the society that it made several attempts in order to explore investment opportunities in the field of fertilizers by diversification in other areas. The Committee feel that the society did not act seriously and everything was done on *ad hoc* basis. The society lacked expertise, talent and basic ability in planning and execution of the projects. DOF's version that many of the reasons which led to dropping of these projects could not have been known till certain studies had been concluded is very simplistic view. The society spent Rs. 3.00 crore and took two years in analysing the Acquisition of Phosphatic manufacturing facilities by buying old plants from USA and Russia and later dropped it mainly for the reasons that condition of plants was not worthy of purchase. The Committee expect from the planners to visualise and analyse such things right in the beginning.

Reply of the Government

The circumstances in which KRIBHCO initiated several expansion and diversification programmes have already been explained to the Committee. In short-listing a large number of project proposals and expansion programs to be pursued, a certain degree of indiscrimination on the part of KRIBHCO appears to be present from hind sight. It has however, to be seen that for any corporate body, reasonable expenditure on such pre-project activities on identified expansion/diversification proposals is unavoidable. Attractive investment opportunities can be identified only after such exercise are undertaken by corporates, which also entails expenditure of this nature.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para Nos. 50 and 51 of Chapter I of the Report.

Recommendation (Sl. No. 20, Para No. 5.72)

The Committee have noted that KRIBHCO made several attempts to diversify into DAP but could not succeed. However, the Society have not taken any initiative in this regard, viz. manufacturing DAP since its plan to acquire Phosphate manufacturing facilities (DAP) failed to materialize. The Committee would emphasize that DAP is an important fertiliser and much in demand, therefore, KRIBHCO should formulate plan to manufacture DAP and not merely concentrate on Urea.

Reply of the Government

The above recommendation of the Committee had been communicated to KRIBHCO. The Society explored the feasibility of setting up DAP manufacturing facility after conducting the required feasibility studies. According to preliminary report, the DAP plant has not been found viable.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* Para 46 of Chapter I of Report.

Recommendation (Sl. No. 21, Para No. 5.73)

Similarly, in case of 200 MW Power Project at Jhunjhunu, the Committee feel that KRIBHCO owes explanation as how it proceeded with the project when the basic need of surface water was not available. KRIBHCO has advanced another reason for dropping the project, which reads as under:

“Cost of generation of power with LNG as fuel is much cheaper than that of Naphtha. In view of this, it was decided to explore alternative site which could ultimately be converted to LNG base.”

Recommendation (Sl. No. 21, Para No. 5.74)

The Committee feel that such explanation is unteanable and an organisation does not have to spend 8 lakhs and waste three years to take such decision.

Reply of the Government

As already informed, allocation of Naphtha by the Government of Rajasthan for the project was the most crucial factor to determine the viability and future of the project and no progress was made on this front during the period from October 1995 till July 1998, which prompted KRIBHCO to abandon its proposed power project at Jhunjhunu in Rajasthan. Non-availability of surface water was an additional reason for not going ahead with the proposal.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 21, Para No. 5.75)

The Committee's examination has revealed that the role of Government nominees on the Board of Directors has been found lacking. The Committee do not agree with the view of DoF that any decision taken by the Board of Directors has to be viewed as its collective and the role of Government nominees on the KRIBHCO Board in taking a decision need not be separately examined by the DoF.

Reply of the Government

The role of Government Directors as recommended by EARC and forming part of the guidelines in Government of India unambiguously states that the Government Director should identify himself with the objects and goals of enterprise, engage in joint thinking on equal terms and his role as elucidator. Reviewing the role of Government nominees by virtue of their being part of a collective decision of the Board do not form part of these guidelines.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 21, Para No. 5.76)

The Committee feel that the Government has statutory powers to give directions to the Cooperative in the public interest and the role of the Government nominees is that of a watch dog. The Committee recommend that Government should clearly define the role of the Government nominees in such situations and lay down guidelines. In this case the Committee recommend that the Government should order an enquiry to fix accountability as to why none of the 19 projects could be executed so far.

Reply of the Government

Reasons for dropping the 19 projects by KRIBHCO due to various factors, some of which were beyond the control of the management of KRIBHCO have already been intimated to the Committee. As it would not be possible to identify the decision either for taking up or subsequently dropping the proposals with any single individual or officer of KRIBHCO, initiating an exercise to fix accountability for non-execution of 19 dropped projects might not serve any fruitful purpose. It also would not have been appropriate for the Government to consider issuing any directives to KRIBHCO, either for taking up or for dropping any project proposal, before project parameters were finalised, and their viability/unviability established.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para No. 50 and 51 of Chapter of the Report.

Recommendation (Sl. No. 30, Para No. 7.4)

The Committee find that KRIBHCO has been undertaking number of promotional and educational programmes such as soil sample, crop seminars, farmers' meetings, etc. for transfer of technology and balanced use of fertilisers in States where KRIBHCO has its marketing network through its Krishak Bharati Sewa Kendras. The Committee during the course of examination, however, have found that the promotional activities undertaken during the last three years are far below their targets. Simultaneously, the funds allocated for these activities have not been fully utilized by KRIBHCO. For instance, on soil sample collection as against the targets of 54500 during 1997-98 the achievement was only 30000 the achievement was only 20021. For 1999-2000 as against the target 21466. For 1998-99 as against the target of 40000 the achievement was only 25162. Similarly on Crop. Seminar as against the targets of 85 and 106 during the years 1997-98 and 1999-2000, the achievement was far low as 72 and 92.

Recommendation (Sl. No. 30, Para No. 7.5)

About utilisation of funds the Committee find the situation is not better. As against the targets of KRIBHCO of Rs. 150 lakh, 213 lakh and Rs. 200 lakh during 1997-98, 1998-99 and 1999-2000 the achievement was only Rs. 113 lakh, Rs. 168 lakh and Rs. 157 lakh respectively. The DoF has admitted before the Committee that targets fixed for various promotional activities have not been met though there has been significant increases in the utilisation of budgets over the years. In view of the foregoing the Committee feel that KRIBHCO's performance on achievement of targets and utilisation of amounts earmarked for promotional and educational activities does not speak well about KRIBHCO's work done for the promotion of fertilisers during the last three years. The Committee hope KRIBHCO would make all out efforts in years to come for improving its performance even about the targets fixed for different activities.

Reply of the Government

To educate the farmers on the use of fertilisers, promotional programmes are being organized since 1984 to match the marketing requirements of about 15 lakh MTPA of KRIBHCO fertilisers.

There has been consistent increase in the number of promotional programmes over these years. Even within each year, achievement in case of main programmes remained around 80% of target number which is quite satisfactory from commercial angle as the targets are usually kept higher by 10-15% of the expected results in order to maintain the morale of field staff to achieve more.

There is apprehension that unreasonably high targets would lead to excessive work load on already overburden field staff and consequently may lead to deterioration in quality of the programmes. So KRIBHCO would prefer to maintain reasonable targets which can assure high quality of programmes in future too.

KRIBHCO is providing sufficient depending upon the material to be sold in each State. There has been a consistent increase in budget allocation starting from Rs. 70 lakh in 1994-95 to Rs. 200 lakh in 1999-2000 correspondingly utilisation also increased from Rs. 48 lakh to Rs. 157 lakh. Both allocation and utilisation increased around 3 times over a period of 6 years which clearly indicates a balanced approach on the part of KRIBHCO.

KRIBHCO, like in the past, would continue to make efforts for higher and judicious use of funds on promotion of fertilisers while ensuring high quality standards.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para No. 54 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLY OF GOVERNMENT IS STILL AWAITED

Recommendation (Sl. No. 5, Para No. 3.4)

The Committee find that the issue of converting the Cooperative to company has been in focus since March, 1995 when this Committee examined the matter in their 13th Report and had recommended that cooperative status of IFFCO/KRIBHCO should not be diluted since their production performance has been consistently very good.

Recommendation (Sl. No. 5, Para No. 3.5)

During the course of examination the Committee found that the issue of converting the cooperatives to companies has again gathered momentum. In this context, it came out that the issue involves amendments in two Act governing cooperatives as also companies, *i.e.* Multi-State Cooperative Societies Act, 1984 and Companies Act, 1956 respectively. The Committee have been informed that the task of amending Multi-State Cooperative Societies Act, 1984 in the light of Brahm Prakash Committee recommendations has been entrusted to the Department of Agriculture & Cooperation whereas the task of amending the Companies Act, 1956 has been entrusted to the Department of Company Affairs under the Ministry of Law.

Reply of the Government

The Multi-State Cooperative Societies Act, 1984 is being replaced by the new legislation, 'the Multi-State Cooperatives Societies Bill, 2000' which has been introduced in the Parliament on 24.11.2000 on the basis of the report of Ch. Brahm Prakash Committee.

In order to convert existing cooperative business into companies under a regulatory framework similar to that of private limited companies, a committee headed by Dr. Y.K. Alagh, an eminent economist, was constituted in the Department of Company Affairs to draft a legislative framework to enable formation of cooperative business as companies and to convert existing cooperative business into companies. Subsequent to submission of report by the Committee, the Department of Company Affairs after certain amendments in the Companies Act, 1956 has submitted the note to the competent authority in the Government for consideration.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 5, Para No. 3.6)

The object of amendment in the Multi-State Cooperative Societies Act, 1984 was to reduce Government control over cooperative societies whereas amendment to Companies Act, 1956 according to DoF was necessitated for enabling the cooperative to reorient itself and adapt to the changing competitive scenario. The Committee are broadly in agreement with the objectives set forth by both the Committees, viz. Dr. Y.K. Alagh Committee and Brahm Prakash Committee. The Committee recommend that the Cooperatives should retain its intrinsic character of one vote per member irrespective of the number of shares and should be allowed to sell its shares only to Members and there should be a cap on the dividend. The Committee recommend that MSCS, Act should be so amended which would enable the Cooperatives to gain the advantages of Corporation even while retaining Cooperatives values and strengthening them to face the on-slaught of multi-national Corporation.

Reply of the Government

In the proposed Multi-State Cooperative Societies Bill 2000, intrinsic character of one vote per member has been retained and every member including a member who is an employee of such society shall have one vote in the affairs of the society. The underlined objective of undertaking legislation for replacing the Multi-State Cooperative Act, 1984 is to enable co-operative societies to compete in the new deregulated economic environment and to raise resources more effectively by promoting functional autonomy and professionalism. The new proposal aims at providing financial autonomy and democratic functioning to the cooperative societies by removing the restrictive provisions.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 6, Para No. 3.7)

The Committee feel that some of the Cooperative Societies in the country are mere extensions of Government Departments and are bureaucratically managed. The Committee, therefore, urge the Government to reduce Government controls to the minimum. The Cooperatives should be given more functional and financial autonomy. To achieve this MSCS Act should be so amended which would remove restrictive regulatory provisions in various Central and State Cooperative laws.

Reply of the Government

Multi-State Cooperative Societies Bill, 2000 for replacing the Multi-State Cooperative Societies Act, 1984 introduced in the Lok Sabha on 24.11.2000, aims at providing greater functional autonomy to co-operatives to reduce excessive bureaucratic control and to professionalise the management of these institutions based on the recommendations of Brahm Prakash Committee and Mirdha Committee. The State Governments have also been asked to amend their cooperative laws on the lines of the model Act suggested by the Brahm Prakash Committee. The model Act suggests to reduce Government control over Cooperative Societies and simplification of the procedures for registration of Cooperative Societies. Some States such as Andhra Pradesh, Karnataka, Madhya Pradesh, Bihar and Jammu & Kashmir have enacted Cooperative laws in the lines of the Model Bill.

The Government is also finalising National Cooperative policy. The thrust of the Cooperative policy is on autonomous and democratic function of the Cooperatives. The draft policy submitted by the group of State Ministers was considered in the conference of State Ministers of Cooperation held on 18.5.2000 at New Delhi. After those deliberations, the policy is being submitted by the Department of Agriculture & Cooperation for consideration of the Cabinet. After approval of the Cabinet, the policy would be laid before both Houses of the Parliament.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 9, Para No. 4.10)

The Committee are happy to note that there are no apparent instances where KRIBHCO's autonomy has been eroded. Centrally, the Society should not be allowed to become an extension of the Government. KRIBHCO has stated that it enjoys autonomy within the provisions of MSCS, Act, 1984 but in the Committee's view, there are various restrictive provisions within the act which hinder the Society's autonomy. The Committee recommend that such provisions should be suitably revised in a manner to ensure more functional and financial autonomy.

Reply of the Government

The newly proposed Multi-State Cooperative Act, 2000 aims at removing all the restrictive provisions in the existing Multi-State Cooperative Act. The new legislation would ensure more functional and financial autonomy to the cooperative societies.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 11, Para No. 5.16)

The Committee in their various Reports have commented upon the delay with regard to this project and emphasised upon the need to have transparency at all levels while finalising and executing this project. The Committee are still concerned about the delay in declaring the zero date of the project and expect resolution of all outstanding issues within this year. The Committee should be apprised of the status of the project during this period.

Reply of the Government

All major outstanding issues relating to the Oman-India Fertilizer Project have since been resolved in consultation with all concerned authorities. The Urea, Ammonia and Gas Supply Agreements are being finalised for signing by the concerned parties after which discussion will start with banks and financial close will be achieved. The project is expected to complete in 35 months after the financial close.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* Para No. 26 of Chapter I of the Report.

Recommendation (Sl. No. 11, Para No. 5.17)

The Committee in their Seventh Report (13th Lok Sabha) had cautioned the Government against agreeing to the clause of "unlimited liability" regarding purchase of urea. The Committee reiterate their earlier recommendation and hope that in negotiated settlement, this clause would be suitably amended to the satisfaction of sponsors. The Committee would like to draw the attention of the Government of India towards a similar situation on liability of gas supply from Oil India Limited to Reliance Industries during finalisation of the gas supply agreement for Assam Gas Cracker Project. The Committee urge upon the Government to follow uniform policy in this regard for inland and overseas projects.

Reply of the Government

In the negotiated Urea Offtake Agreement, there is no clause of unlimited liability. Regarding the gas supply agreement, the terms of this contract are more favourable for the project than domestic contracts.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* para 46 of Chapter I of the Report.

Recommendation (Sl. No. 12, Para No. 5.21)

The Committee find that the project which was initiated in July, 1993 has not made any headway even after six years of its planning. The Committee have been informed by Secretary (Fertilizers) that IFFCO/KRIBHCO would be finally asked to give their reply within a time frame. Reportedly the project is not viable in the changed market scenario. In the Committee's view such projects should be taken off from the list of projects under consideration. The Committee hope that based on replies of IFFCO/KRIBHCO, DoF would soon take a final decision on this project.

Reply of the Government

In view of the changed market scenario, the viability of the Indo-Iran Project and its restructuring needs to be discussed amongst project promoters. Any final decision on this project would depend upon the outcome of the above discussions. IFFCO has suggested setting-up of only Ammonia Plant for which meeting of Joint Management Committee is being organised by IFFCO to finalise further course of action.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 16, Para No. 5.45)

The Committee find that the Power Project of KRIBHCO at Pipavav in Gujarat has been given first stage clearance of DoF on 10th November, 1998. The Committee have been informed by KRIBHCO that Power Purchase Agreement has been finalised with GEB within a record time of 6 months and Detailed Feasibility Report (DFR) is under finalisation. The Committee hope that KRIBHCO will keep up momentum and finalise the same promptly.

Reply of the Government

The present status of the 625 MW Power Project at Pipavav is under:—

Joint Venture Company

An MoU has been entered into between KRIBHCO & GPCL on May, 07, 1999 for setting up 615 MW Power Project at Pipavav.

Shareholders' Agreement between KRIBHCO and GPCL has been approved by the Board of Directors of the Society and Govt. of Gujarat/GPCL. The Deptt. of Fertilizers has been requested to accord approval of Shareholders' Agreement.

Central Registrar of Coop. Societies has accorded "in principle" approval for the Investment in Joint Venture Company.

Articles of Association and Memorandum of Association are under finalisation.

Selection of EPC Contractor

Society has received only single bid against international Competitive Bidding (ICB) for selection of EPC Contractor inspite of giving two extensions.

The Joint Management Committee (JMC) is being strengthened by nominating high level officials to enable it to take critical decisions expeditiously. JMC will decide about the further course of action.

Power Purchase Agreement

Major terms and conditions of Power Purchase Agreement have been finalised with Gujarat Electricity Board.

Fuel

GoI has allocated 2.25 MMSCMD Gas from Tapti Basein Gas reserves for the Project subject to additional development of the field by the Management Committee to Tapti fields. Discussions are in progress with GAIL for supply of Gas.

Environmental Clearance from MoEF

Ministry of Environment & Forests has desired updation of Environmental Impact Assessment (EIA), Risk Analysis (RA) and Oceanography study for the project. Society has received updated RA report and draft reports of EIA and Oceanography study. These reports are under review.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 17, Para No.

The Standing Committee in their Thirteenth Report (Tenth Lok Sabha) presented to Parliament on 30th March, 1995 had specifically noted that KRIBHCO had not been able to finalise its Corporate Plan during the last 15 years of its existence. It is heartening to note that the Society formulated a Corporate Plan and conceived certain mega projects for implementation. It is another matter that these projects are still pending with the Government of India for final clearance DoF's observations that the Society lacks vision and foresight in Corporate Planning appear more sweeping than realistic. Prior to 1995 Department of Fertilizers itself had observed in a written note submitted to the Committee:—

“It is a fact that in 1989 KRIBHCO had engaged the services of Consultant for preparing a corporate Plan for 1989-95. The Consultant submitted a Report in 1989 itself which *inter-alia* suggested diversification in fields other than fertilisers. It is also a fact that at that point of time the view of DoF was that KRIBHCO should concentrate in the fertiliser sector...It may, however, be added that absence of a Corporate Plan has in no way affected the performance of KRIBHCO. The Society has been consistently performing well in the fields of production and marketing of fertilisers, financial management and promotional activities...”

Recommendation (Sl. No. 17, Para No.

So till March, 1995, DoF itself had directed KRIBHCO to concentrate on the fertilizer sector and also certified the latter's good performance in all fields, *viz.* production, marketing, finance and promotional activities. After this period KRIBHCO has initiated several mega projects, including a power project (Gujarat), which signifies diversion

from the core sector and all these projects are pending for final clearance. Despite several recommendations of this Committee and assurances by DoF, some projects like Hazira Expansion and Gorakhpur have not been cleared. Thus, DoF cannot escape from sharing the blame that KRIBHCO is found wanting in effectively utilising cash surplus. Rather, responsibility for non-utilising cash surplus lies on DoF. The Committee feel that it is highly improper to hold back the clearance of projects for an indefinite period. That not only creates time and cost over-runs but most importantly kills the zeal and initiative of the Planner. The Committee urge the Government to analyse this situation seriously. The Committee are of the opinion that the Government lacks promptitude and sincerity in disposing of investment appraisal cases. This approach is constituted as obstructionist and impedes the growth of public sector and private sector thrives on infirmities of official dom. The Committee hope that Government will appreciate their anxiety on the need to take quick decisions, either way, in investment appraisal cases.

Reply of the Government

As given in replies to recommendation Nos. 13 and 15, a proposal for taking a final decision on KRIBHCO's proposed urea projects at Hazira and Gorakhpur was formulated and considered by the Government in June 2000 and it was deferred. Subsequently, DoF has held discussions with the promoters of these projects who were of the opinion that these projects may have to be considered afresh keeping in view the long term fertilizer pricing policy, impact of opening up of this sector under WTO commitments, updated demand-supply gap projections of fertilizer, feedstock policy for fertilizer production and viability of the proposed projects in the changed circumstances.

KRIBHCO's proposal for formation of a new company/corporation to be jointly owned by KRIBHCO and Gujarat Power Corporation Limited for implementing the proposed Pipavav Power Project has been submitted to the Government for approval. Action has already been initiated by the Government on this request, and the proposal is currently under inter-ministerial consultations. Government through the provided procedure of investment approvals, ensures that surpluses are utilised fruitfully and productively after the long term viability of the proposed investments is established. The non-utilisation of surplus should therefore be viewed in this light.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Recommendation (Sl. No. 32, Para No. 7.14)

As regards policy implementation part for promotion of bio-fertilizers, the Committee find that the Department of Agriculture & Cooperation and DoF play a vital role in this regard. While the Department of Agriculture & Cooperation implements a Central sector scheme entitled 'National Project on Development & Use of Bio-fertilizer', DoF on the other hand encourages Indian fertilizer manufacturers for manufacturing of bio-fertilizers. Besides, fertilizer PSUs/Cooperatives have been assisted by DoF from DoF's own budget for manufacturing of bio-fertilizers. These PSUs/Cooperatives are MFL, NFL, RCF, HFC, FACT and Cooperatives namely IFFCO and KRIBHCO. The Committee have been informed that assessment of demand of bio-fertilizers has been the responsibility of the Department of Agriculture & Cooperation. The Committee have been informed that based on initiatives taken by fertilizer units/cooperatives the Department of Agriculture & Cooperation discusses with DOF, proposals for setting up of bio-fertilizer plants at Inter-Departmental Committee wherein representative of DOF is a Member. Since the KRIBHCO had already planned four bio-fertilizer projects, the Committee, therefore, recommend DOF to take up the issue with the Department of Agriculture & Cooperation in Inter Departmental Committee for early action in this regard.

Reply of the Government

As soon as project location and parameters are finalised and KRIBHCO submits the proposals to the Department of Agriculture & Co-operation (DAC) for consideration of the Inter Departmental Committee, DOF would take up the matter with DAC for their early clearance.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para No. 57 of Chapter I of the Report.

NEW DELHI;
August 20, 2001

Sravana 29, 1923 (Saka)

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

Recommendation (Sl. No. 31, Para No. 7.13)

The Committee find that in order to provide eco-friendly and cost effective fertilisers, KRIBHCO has at present an installed capacity of 250 MT per annum for production of Bio-fertilisers. The Committee have been informed that KRIBHCO has started implementation of two more Bio-fertiliser plants of 300 MTPA each at Lanja in Maharashtra and Varanasi in U.P. Besides, KRIBHCO has planned four more plants, one each is to be set-up at Punjab and Madhya Pradesh. The Committee have been informed that locations of remaining two plants are yet to be decided. As regards commissioning of two Bio-fertilisers under implementation at Lanja (Maharashtra) and Varanasi (U.P.), the Committee have been informed that by the end of this financial year these will be commissioned. The Committee are glad to know that KRIBHCO has been doing a good work in this area. The Committee hope that KRIBHCO would soon commence implementation of two Bio-fertiliser plants, one each at Punjab and Madhya Pradesh. The Committee also hope that KRIBHCO would be able to locate sites for remaining two Bio-fertiliser plants.

Reply of the Government

The Government of Uttar Pradesh has allotted the land for construction of bio-fertilizer plant by KRIBHCO at Varanasi and the agreement for transfer of land between KRIBHCO and UP Government is to be done. As regards bio-fertilizer plant at Lanja in the State of Maharashtra, due to some technical problem at Govt. level, land transfer is yet to be done. Regarding implementation of other bio-fertilizer plants, KRIBHCO has decided to take further action after implementation of bio-fertilizer plants at above two locations.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please *see* Para No. 57 of Chapter I of the Report.

Recommendation (Sl. No. 32, Para No. 7.14)

As regards policy implementation part for promotion of bio-fertilizers, the Committee find that the Department of Agriculture & Cooperation and DoF play a vital role in this regard. While the Department of Agriculture & Cooperation implements a Central sector scheme entitled 'National Project on Development & Use of Bio-fertilizer', DoF on the other hand encourages Indian fertilizer manufacturers for manufacturing of bio-fertilizers. Besides, fertilizer PSUs/Cooperatives have been assisted by DoF from DoF's own budget for manufacturing of bio-fertilizers. These PSUs/Cooperatives are MFL, NFL, RCF, HFC, FACT and Cooperatives namely IFFCO and KRIBHCO. The Committee have been informed that assessment of demand of bio-fertilizers has been the responsibility of the Department of Agriculture & Cooperation. The Committee have been informed that based on initiatives taken by fertilizer units/cooperatives the Department of Agriculture & Cooperation discusses with DOF, proposals for setting up of bio-fertilizer plants at Inter-Departmental Committee wherein representative of DOF is a Member. Since the KRIBHCO had already planned four bio-fertilizer projects, the Committee, therefore, recommend DOF to take up the issue with the Department of Agriculture & Cooperation in Inter Departmental Committee for early action in this regard.

Reply of the Government

As soon as project location and parameters are finalised and KRIBHCO submits the proposals to the Department of Agriculture & Co-operation (DAC) for consideration of the Inter Departmental Committee, DOF would take up the matter with DAC for their early clearance.

[M/o Chemicals & Fertilizers, Department of Fertilizers,
O.M. No. 17011/11/2000-FCA-II dated 26.3.2001]

Comments of the Committee

Please see Para No. 57 of Chapter I of the Report.

NEW DELHI;
August 20, 2001
Sravana 29, 1923 (Saka)

MULAYAM SINGH YADAV,
Chairman,
Standing Committee on
Petroleum & Chemicals.

APPENDIX I

MINUTES

SUB-COMMITTEE ON FERTILISERS

A SUB-COMMITTEE OF STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (2001)

Second Sitting
09.07.2001

The Sub-Committee sat from 1430 to 1500 hrs.

PRESENT

Shri Dipankar Mukherjee *Convenor*

MEMBERS

Lok Sabha

2. Shri Padam Sen Choudhary
3. Shri Punnulal Mohale
4. Shri D.C. Srikantappa
5. Shri Rajesh Verma
6. Dr. Bikram Sarkar

Rajya Sabha

7. Shri Rajiv Ranjan Singh 'Lalan'
8. Shri P. Soundararajan

SECRETARIAT

1. Shri Ram Autar Ram *Joint Secretary*
2. Shri J.N. Oberoi *Under Secretary*

2. At the outset, Hon'ble Convenor welcomed the Members of the Sub-Committee on Fertilisers to the sitting of the Sub-Committee and stated that the sitting has been convened to consider and adopt the Draft Action Taken Report on action taken by Government on the recommendations contained in the Ninth Report (13th Lok Sabha) of the Committee on Krishak Bharati Cooperaive Limited (KRIBHCO). During the course of the discussions, some Members of the Sub-Committee were of the opinion that replies furnished by the Government to various recommendations of the Committee are far from satisfactory and as such, there was need to call the representatives of Ministry of Chemicals and Fertilisers, Department of Fertilisers and KRIBHCO and to seek further clarifications on many replies. The Sub-Committee agreed to this suggestion and authorised the Convener to apprise the Committee accordingly.

The Sub-Committee then adjourned.

APPENDIX II

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Third Sitting (02.08.2001)

The Committee sat from 1500 to 1600 hrs.

PRESENT

Shri Dipankar Mukherjee — *Convenor*

MEMBERS

Lok Sabha

2. Shri Ajay Singh Chautala
3. Shri Dilipkumar Mansukhlal Gandhi
4. Shri D.C. Srikantappa

Rajya Sabha

5. Shri Suresh Pachouri
6. Shri Ravi Shankar Prasad
7. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1. Shri Brahm Dutt *Deputy Secretary*
2. Shri J.N. Oberoi *Under Secretary*

Representatives of Ministry of Chemicals & Fertilisers, Department of Fertilisers

1. Shri Ashok Pahwa *Secretary*
2. Shri Suresh Chandra *Joint Secretary & Financial
Advisor*
3. Shri Sudhir Krishna *Joint Secretary (Fertilisers)*
4. Shri Balwinder Kumar *Joint Secretary (A&M)*
5. Ms. S.K. Sekhon *Executive Director (FICC)*

Representatives of Department of Agriculture & Cooperation

- | | |
|---------------------|-----------------|
| 1. Shri K.S. Bhoria | Joint Secretary |
| 2. Shri J.P. Meena | Chief Director |

Representatives of Department of Company Affairs

- | | |
|----------------------|-----------------|
| 1. Shri A. Ramaswamy | Joint Secretary |
|----------------------|-----------------|

Representative of Krishak Bharati Cooperative limited (KRIBHCO)

- | | |
|------------------------|--------------------------|
| 1. Shri V.N. Rai | Managing Director |
| 2. Shri T.R. Chaudhary | Operations Director |
| 3. Dr. P.K. Awasthi | Marketing Director |
| 4. Shri B.D. Sinha | Executive Director (F&A) |

The Committee took oral evidence of the representatives of Ministry of Chemicals & Fertilisers, Department of Fertilisers in connection with seeking certain clarifications on Action Taken by the Government on the recommendations contained in the Ninth Report of the Standing Committee on Petroleum & Chemicals on Krishak Bharati Cooperative Limited (KRIBHCO).

2. The main issues which came up for discussions *inter-alia* included review of objectives of KRIBHCO need for special efforts for enrolment of members and various issues involved in clearance of its projects in Oman, Gorakhpur and Hazira Expansion Phase-II.

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

The Committee then adjourned.

APPENDIX III

MINUTES

SUB-COMMITTEE ON FERTILISERS

**A SUB-COMMITTEE OF STANDING COMMITTEE ON
PETROLEUM & CHEMICALS (2001)**

**Fourth Sitting
(13.08.2001)**

The Sub-Committee sat from 1600 to 1645 hrs.

PRESENT

Shri Dipankar Mukherjee — *Convenor*

MEMBERS

Lok Sabha

2. Shri Ajay Singh Chautala
3. Shri D.C. Srikantappa

Rajya Sabha

4. Shri Ravi Shankar Prasad
5. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1. Shri Brahm Dutt *Deputy Secretary*
2. Shri J.N. Oberoi *Under Secretary*

At the outset, Hon'ble Convenor, Sub-Committee on Fertilisers welcomed the Members of the Sub-Committee to the Sitting.

2. The Sub-Committee considered and adopted the following Draft Action Taken Reports:—

(i) Action taken by the Government on the recommendations of the Committee contained in their Ninth Report (13th Lok Sabha) on '*Krishak Bharati Cooperative Limited (KRIBHCO)*'.

(ii)

(iii)

3. The Sub-Committee authorised the Convenor to finalise the above three Draft Action Taken Reports and submit the same to Hon'ble Chairman for consideration by Standing Committee on Petroleum & Chemicals (2001).

4.

The Sub-Committee then adjourned.

APPENDIX IV

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2001)

Seventh Sitting
(20.08.2001)

The Committee sat from 1000 hrs. to 1040 hrs.

PRESENT

Shri Mulayam Singh Yadav — *Chairman*

MEMBERS

Lok Sabha

2. Dr. (Smt.) C. Suguna Kumari
3. Shri Padam Sen Choudhary
4. Shri Dilipkumar Mansukhlal Gandhi
5. Shri Pawan Singh Ghatowar
6. Smt. Nivedita Mane
7. Dr. Bikram Sarkar
8. Smt. Kanti Singh
9. Shri Prabhunath Singh
10. Shri Shankersinh Vaghela
11. Shri B. Venkateshwarlu
12. Shri Rajesh Verma

Rajya Sabha

13. Shri Gaya Singh
14. Shri Moolchand Meena
15. Shri Dipankar Mukherjee
16. Smt. Basanti Sarma
17. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

1. Shri Brahm Dutt — *Deputy Secretary*
2. Shri J.N. Oberoi — *Under Secretary*

At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting. He invited the Members to give their suggestions if any on the draft reports being considered for adoption. He also stated that such Members who wish to give their suggestions later may do so latest by 23rd August, 2001.

2. Thereafter, the Committee considered and adopted the following Draft Reports:—

(i)

(ii) Action taken by the Government on the recommendations contained in the Ninth Report (13th Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1999-2000) on 'Krishak Bharati Cooperative Limited (KRIBHCO)'.

(iii) **

(iv)

(v)

3. After some consideration, the Committee adopted the Reports without any amendment.

4. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministry/ Department and present them to the Parliament.

5. The Committee also placed on record their appreciation of the work done by the Sub-Committees on Chemicals & Petrochemicals and Fertilisers.

6.

7. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

The Committee then adjourned.

**Matters not related to this Report.

APPENDIX V

[Vide Para 4 of the Introduction]

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1999-2000) ON 'KRISHAK BHARATI COOPERATIVE LIMITED' (KRIBHCO).

Total number of recommendations	34
II. Recommendations that have been accepted by the Govt. (Vide Recommendation at Sl. Nos. 2, 4, 8, 18, 22, 24, 26, 27, 28 and 33)	10
Percentage to total	29.42%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide Recommendation at Sl. Nos. 7, 10, 19, 23, 25, 29 and 34)	7
Percentage to total	20.58%
IV. Recommendations in respect of which replies of Govt. have not been accepted by the Committee (Vide Recommendation at Sl. Nos. 1, 3, 13, 14, 15, 20, 21 and 30)	8
Percentage to total	23.52%
V. Recommendations in respect of which final replies of Govt. are still awaited (Vide Recommendation at Sl. Nos. 5, 6, 9, 11, 12 16, 17, 31 and 32)	9
Percentage to total	26.47%