

STUDY TOUR REPORT NO. 20

C.P.U.NO 843

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

RASHTRIYA CHEMICALS & FERTILIZERS LIMITED

Laid in the Lok Sabha on ..२०.११.२००१

Laid in the Rajya Sabha on..२०.११.२००१

LOK SABHA SECRETARIAT

NEW DELHI

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2001-2002)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P.Singh Baghel
5. Shri Sudip Bandyopadhyay
6. Shri Ram Tahal Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vilas Multemwar
- *13. Shri Rajiv Pratap Rudy
14. Shri Tarit Baran Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri JIbon Roy
19. Shri B.P.Singhal
20. Smt. Ambika Soni
21. Shri C.P.Thirunavukkarasu
22. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri John Joseph, Additional Secretary
2. Shri S. Bal Shekar, Director
3. Shri Raj Kumar, Under Secretary
4. Shri Prabal Chakraborty, Committee Officer

* Ceased to be Member of the Committee consequent upon his appointment as Minister of State w.e.f. 01.9.2001.

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Rashtriya Chemicals & Fertilizers Ltd.

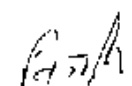
2. The Committee held discussions with the officials at Bangalore on 11.6.2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 24th September, 2001.

4. The Committee wish to express their thanks to Rashtriya Chemicals & Fertilizers Ltd for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi
13 November, 2001
22 Kartika, 1923(S)


PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS
CENTRAL SECRETARIAT
PUNJAB HOUSE, PARLIAMENT COMPOUND

'STUDY TOUR NOTES' OF THE COMMITTEE ON PUBLIC UNDERTAKINGS'

DISCUSSION WITH THE OFFICIALS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED ON 11TH JUNE, 2001 AT BANGALORE

At the outset, the Chairman, Committee on Public Undertakings made opening remarks and requested the Chairman-cum-Managing Director, Rashtriya Chemicals Fertilizers Limited (RCF) to introduce himself and his colleagues to the Committee. The Chairman, Committee on Public Undertakings also requested to give a brief account of the working of the Company.

2. After the introduction of the officers of RCF, the CMD informed the Committee that RCF was incorporated on 6th March, 1978 after the reorganisation of the erstwhile Fertilizer Corporation of India Limited as a result of reorganising Public Sector Fertilizer Industries into Five Companies viz. Fertilizers Corporation of India Limited (FCI), Hindustan Fertilizers Corporation Limited (HFCL), Rashtriya Chemicals & Fertilizers Limited (RCF), Projects & Development India Limited (PDIL) and National Fertilizers Limited (NFL). RCF's operations commenced from March 1978 with take over of all Mumbai based operations of the Fertilizers Corporation of India Limited, which included manufacturing facilities at Trombay, Western and Southern Marketing Divisions were also taken over by RCF. Presently RCF has Chemicals and Fertilizers plants in two locations viz. Trombay and Thal in the State of Maharashtra producing Nitrogenous,

Phosphatic and Potash fertilizer and a wide range of Industrial chemicals. RCF has acquired ISO 9002 certification for its Methylamine product. RCF has been a MOU signing Company since 1988 and has been consistently rated as “Excellent”.

Rashtriya Chemicals and Fertilizers Limited has been contributing to the process of nation building by manufacturing and marketing Fertilizers and Chemicals to fulfil the objectives of growth, profits and sharing social responsibilities across the cross section the Country.

3. The Company has authorised capital of Rs.800 crore and paid up capital of Rs. 551.69 crore. A dedicated workforce of approx. 5600 employees is constantly striving higher standards of performance through application of Modern Technology and Innovative Management Practices. The concern of Environment, Social Development and Employees Welfare has been linked positively to the business process. The rapidly changing Business Environment has been posing challenges to upgrade the skills, to improve the competence and realise the potential of the employees in the Industries. On the firm foundation of the well trained and competent manpower the Company has grown mutifold since 1965, in terms of Technological developments, Product range, Financial results, Services and Quality of life of the employees besides fulfilment of Social objectives.

4. The main objectives of the RCF are as under:

- a) To produce and market fertilizers and chemicals efficiently and economically in an environmentally sound manner.

- b) To maintain optimum levels of efficiency and productivity in the use of resources and to secure optimal return on investment
- c) To take up and implement the schemes for saving energy
- d) To promote self-reliance in Company's operations including process know-how, Design, Engineering, Erection, Commissioning, Operation and Maintenance of plants and marketing of products with special emphasis on Research and Development
- e) To aim at International standards of excellence in production and quality of products and services.
- f) To continuously upgrade the quality of human resources and promote organisational and management development
- g) To enhance Safety standards.
- h) To care for and protect the Environment and minimise the harmful effects of the emissions, atmospheric discharges and effluents by confirming and also improving on the standards laid down by Pollution Control Authorities.
- i) To ensure corporate growth by expansion as well as diversification.
- j) To ensure self-reliance for investment funds.
- k) To care for the community around especially SC/ST and other Backward Classes.

5. About the mission of the RCF, the Committee were informed that the Company has adopted the following goals:

- a) To produce fertilizers and chemicals efficiently, economically and in environment friendly manner.
- b) To serve the farmers and other customers with quality products along with support services
- c) To join hands in the growth of National economy.

6. The Committee have been informed that the affairs of the company is managed by Board of Directors headed by a full time CMD. Besides, there are three Functional Directors viz. Director (Finance), Director (Technical) and Director (Marketing) and three Government Directors. There is no non-official Director on the Board.

It has also been informed by the Company that the administrative ministry has been approached for the appointment of non-official Directors and it is understood that the process is going on for appointment of said Directors.

7. i) **Trombay Plants** The Committee have been informed that some of the Trombay plants are now more than 33 years old. Urea-I plant set up in 1965 was closed down in 1994-95 due to safety and environmental considerations. To sustain production and reduce energy consumption in these plants, RCF over the years taken up several revamp and modernisation measures. The investment needed to sustain the

production at Trombay is estimated at Rs.400-500 crore in the next 2-3 years.

ii) **Thal Plants** A few of the Thal plants are now 12-15 years old. They were the first large scale plants (2x1350 MTPD Ammonia capacity and 3x1500 MTPD urea capacity) in the country set up to utilise the associated gas available from Bombay High oil and gas fields. These plants were installed and commissioned in record time as per the then prevailing standards and within the budgeted cost in spite of withdrawal of World Bank funding for the project.

Being the first major plant in the country RCF encouraged indigenisation of equipment, catalyst and services and sourced critical equipment indigenously from BHEL, L&T etc.

The Committee have been further informed that many technological innovations were tried for the first time and experience gained at Thal was subsequently used for upgrading technology in other plants which came up later in the country.

8. It has been informed to the Committee that there are about TWENTY-FIVE chemicals produced at Trombay and Thal both together. Many of them produced FIRST TIME in India. DMF is still first and only

one plant in India at THAL. Various products available from RCF are as below:

1.	Ammonia	14.	Monomethyl Amines (40%)
2.	Methanol	15.	Monomethyl Amines(50%)
3.	Di-Nitric Acid	16.	Dimethyl Amines(40%)
4.	Conc. Nitric Acid	17.	Dimethyl Amines(60%)
5.	Conc. Sulphuric Acid	18.	Trimethyl Amines (30%)
6.	Di-Sulphuric Acid	19.	Ammonium Nitrate
7.	Ammonium Bi-Carbonate	20.	N-15
8.	Sodium Nitrate	21.	Argon
9.	Sodium Nitrite	22.	Urea Tech Grade
10.	Carbon Dioxide	23.	Dimethylformamide
11.	Monomethyl Amines	24.	Dimethylacetamide
12.	Dimethyl Amines	25.	Formic Acid
13.	Trimethyl Amines		

The Committee have been informed that there are nine fertilizer PSUs in the country apart from two major Co-operatives. When the Committee asked whether all PSUs can be merged together so that they can become stronger and face international competition, the RCF has informed the Committee that each PSU has its own strengths and weaknesses. While some have been making profits the others are in the red. A few companies have been referred to BIFR also. The major reason for the losses is due to the vintage of the plants and no major modernisation projects being taken up. Therefore, if synergy is to be achieved, the plants of all units should be in healthy condition and should be capable of manufacturing the products efficiently. Thus merely merging all the Companies may not make the merged company strong, unless all units acquired are efficient in their operations.

9. When the Committee enquired about the steps taken by RCF to compete with Private Sector and MNCs, it has been informed to the Committee that RCF is one of the cheapest producers of fertilizers in the Country and is located near a coast. The cost of production of urea at RCF is well comparable with imported urea. Hence RCF is in a better position to face Private Sector and/or MNC's even in completely decontrolled scenario. RCF has taken various cost control and productivity improvement measures to reduce cost of production. It also has dedicated manpower to take challenges arising out of globalisation.

The Committee have also informed that RCF has not submitted any representation to the Government against complete decontrol. RCF feels that there will be level playing field if there is such complete decontrol. Although there has been spectacular growth in many fields/industries, India remains an Agrarian economy and more than 70% of the population is dependent on the Agriculture Industry. India, therefore, has rightly achieved self-sufficiency in agriculture and the related fertilizers field and the dependence on Imports has been virtually non existent. Indian fertilizers Industry has to look into the ways and means of achieving the price levels obtaining in the international markets rather than considering imports on large scale. As India and China are the two countries which can influence the International prices due to their buying or otherwise in the International markets, the prices in the international market are bound to

rise if India, has to procure large quantities of fertilizers. Therefore, unless the private sector companies are able to muster complete strength to sustain the demand, Public Sector fertilizer companies are required to ensure self-reliance without availability at reasonable price.

10. The Production Targets set and actual achieved during the years from 1998-99 to 2000-2001 are as follows:-

(in lakh MT)

Plant	1998-99		1999-2000		2000-2001	
	Target	Actual	Target	Actual	Target	Actual
Fertilizers (overall)	24.81	23.09	25.18	25.14	23.91	21.72
Trombay Unit	9.30	8.66	9.38	10.25	9.33	8.43
Thal unit	15.51	14.43	15.80	14.89	14.58	13.29

As per information furnished to the Committee, the capacity utilisation in each Unit for the last three years from 1998-99 to 2000-01 is given below:-

Plant	2000-01	1999-2000	1998-99
Fertilizers(overall)	88%	102%	93%
Trombay unit.	85%	103%	87%
Thal unit	90%	100%	97%

The Committee have been informed that all the plants are in good shape and are capable of producing more than the targeted production provided gas is made available in the required quantity. But in the first two

months of the current year gas availability was much less than the above considered level. Although efforts have been made to improve gas availability through regular contacts with GAIL/ONGC officials and through Department of Fertilizers, situation is not improving and in fact gas availability is further reducing.

11. On the question of production figures comparison with that at international levels, the Committee have been informed that RCF is facing acute problem with feedstock gas supply. This type of problem is peculiar to RCF and no international company is understood to have this peculiar problem where capability is over shadowed by feedstock limitation. Otherwise, REC plants, have capacity to compete with international plants of this same vintage in terms of production level quality & efficiency.

12. The Committee have also been informed that RCF units require about 2 million tonnes of liquefied natural gas annually to run the plants. It would not be viable to set up projects with all infrastructure for a low capacity LNG terminal. Therefore, any JV with any supplier who can specifically supply to RCF would mean a very high cost feedstock and would defeat the very purpose for which it is planned.

13. The Committee were also informed that RCF Trombay Plant is being recognised as gas based unit. As mentioned above, there has been a severe gas shortage for Trombay unit & plants are operating below

capacity for non-availability of sufficient gas. GAIL/ONGC indicated that the gas availability further come down in the year to come. Meanwhile RCF has been making efforts to look for prospective gas suppliers including GAIL, Tata-Total & Metgas.

14. When Committee wanted to know the specific operational problems faced by RCF, it was stated that RCF Thal unit has to get 3.15 MMSCMD of natural gas with calorific value of 9000-9500 Kcal /sm³ at 40-45 Kg/cms pressure while Trombay unit has to get 1.8 MMSCMD of gas with calorific value of 9000-9500 Kcal/sm³ at 9 Kg/cm² as per the contract with GAIL. However, for some years now the quantity of gas supplied and its calorific value has reduced considerably causing heavy production loss at Thal and Trombay. The matter has been taken up by RCF with GAIL/ONGC and also with Ministry of Petroleum & Natural Gas through the Department of Fertilizers on several occasions, but there is no improvement in gas supply.

15. It was also informed to the Committee that Retention Price Scheme (RPS) is designed to pay subsidy for any urea plant based on the normative cost calculated for that particular plant taking the parameters under which it is operating. But, energy consumption norms for Thal were adopted from KRIBHCO by FICC against the standard of fixing unit specific norms due to which the Unit has been losing heavily, RCF has been requesting the Department of Fertilizers to revise the norms based on the actual performance of Thal Unit. Then FICC, on the advice from the

Department directed RCF to get detailed study done by TATA energy Research Institute (TERI), Bangalore so that Thal Unit shall have its own energy norms TERI submitted its report after conducting an extensive study of the plants at Thal on 13.10.2000. The matter is closely followed up with FICC/Department of Fertilizers. But the decision in this matter is still pending with FICC.

16. The net profit /loss of the company during the last six years from 1994-95 to 1999-2000 are as follows:-

(Rs. in Crores)	
Year	Net Profit After Tax
1994-95	167.19
1995-96	74.33
1996-97	76.88
1997-98	189.37
1998-99	105.64
1999-2000	35.08

Giving the reasons for decline in profitability during 1999-2000 as compared to 1998-99, the Committee have been informed that it was mainly due to (i) Recovery by FICC of Rs. 25.17 crore on account of commercial sale of Ammonia; (ii) Wage revision provision of Rs.47.96 crore for implementation of wage revision for Executives and unionised staff

w.e.f. 1.1.1997; (iii) Provision for bad debts of Rs. 7.42 crore towards Inter-Company Loan; (iv) Increase in the raw material and input cost such as Rock Phosphate, Di-Ammonium Phosphate (DAP), Sulphur due to imposition of customs duty @ 5.5% on raw materials used in complex fertilizers which is approximately Rs. 10 crore; and (v) Reduction in subsidy on complex fertilizers.

The Committee have also been informed that the profitability of the future years will not be affected due to the reasons mentioned above. However, the profitability depends on the Government policies in respect of pricing and distribution. The Company's profitability is affected due to inadequate gas supply both in terms of quantity and quality. The matter is taken up with all appropriate levels for improving gas supply position. As a long term major efforts are being made to overcome gas limitation by installing naphtha pre-reformer at Thal.

17. When Committee enquired about the factual position of Recovery of Inter-Company Loans by RCF, it was stated that due to severe resource crunch, the Ministry of Chemicals & Fertilizers could not meet the funds requirement of companies like Hindustan Fertilizers Corporation Limited (HFCL), Fertilizer Corporation of India (FCI), Indian Drugs & Pharmaceuticals Limited (IDPL) and Smith Stanistreet Pharmaceuticals Limited (SSPL) during the period 1988-1990. Since RCF had surplus cash resources at that time, the Ministry directed RCF to make funds available to

these Companies with a clear understanding that in case they fail to repay the loan with interest, Government of India will reimburse the same to RCF by deducting the moneys due to these companies. These Companies are declared sick and are referred to Board of Industrial & Financial Restructuring (BIFR). They jointly owe a sum of Rs. 230.85 cr (Rs. 88.87- Principal & Rs.141.98 - Interest) as on 30.04.2001. These amounts are long overdue and not forth-coming from the Companies. RCF has invested huge amounts at Thal for plant modifications so as to overcome gas shortage problems to certain extent and to modernize vintage plants at Trombay so as to keep them operating. Due to these commitments coupled with present low load operation of the plants due to continued feed stock gas shortage, RCF is now facing financial problems.

18. The total staff strength in RCF as on 1.1.2001 is as follows:

Category	Original Sanctioned Strength	Staff in Position
Officers	1722	1799
Technical	3434	2927
Clerical	990	583
Others	53	56
Total	6199	5365

It has been informed to the Committee that the staff in position is lesser than the original sanctioned strength. Efforts are being made to locate any surplus manpower in the area of operations identified as

shrinking business and /or the trades which have become obsolete due to technological development and/or use of on line systems.

Apart from above, RCF is conducting various HRD programmes for the staff from time to time on organisational development, personality development, team building, skill upgradations etc. to inculcate basic values, work-ethos and culture

19. To assess the actual manpower requirement, NITIE was entrusted the job of reviewing the organisation structure of the Company and inter-alia determine the manpower requirement specially in officer's cadre. The report submitted by NITIE was taken as basis to arrive at the realistic level of Officers.

To a query about introduction of Voluntary Retirement Scheme (VRS), the Committee have been intimated that the Government has introduced a revised VR scheme vide OM dated 5th May, 2000 for Public Sector Enterprises to rationalise surplus manpower. As per the said scheme a PSU which can sustain a scheme of VRS on their own surplus resource can devise and implement VRS with compensation not exceeding 60 days salary for each completed year of service. As such the scheme is as per the Government's guidelines and will be implemented after obtaining approval of the Government. The scheme is framed to rationalise surplus

and non-productive manpower having regard to the financial interest of both, the employees as well as the company.

20. When the Committee desired to know about the Industrial Relations & Labour Problems in RCF, the Committee have been informed that the company has been maintaining smooth and cordial industrial relation. All Industrial & Labour related issues are discussed at various formal forum created for the purpose. In the monthly meeting with Union Representatives all issues are discussed and deliberated to arrive at the solutions. Issues at the corporate level are also discussed and sorted out in the quarterly meetings with the Union. RCF recently implemented Wage Revision Settlement Operation from 1.1.97 to 31.12.2006. A very balance and matured view was taken in the process of arriving at the Wage Settlement to ensure that the best package has been offered to the employees & yet not affecting the overall profitability. During the last three years there was no instance of loss of working days as such due to strike, lockout, mass absenteeism, etc.

The Committee have also been informed that there is problem of contract labour both at Thal & Trombay Plants. RCF has been operating its bagging plants by contracting labour through Mathadi Board. This large labour force is a big burden to RCF since working has become inefficient & they do not appear to be conducive to improving their work culture and

work efficiency. RCF is trying to automate bagging operations at Trombay and Thal so that dependence on manual labour is minimised.

21. The Committee have been intimated that during 1999-2000 the Company achieved a total sale of 29.10 lakh tonnes which was about 1.81 lakh tonnes more than 1998-99. 17.45 lakh tonnes of Urea, 3.42 lakh tonnes of Suphala and 2.87 lakh tonnes of ANP manufactured by the Company were sold during the year in addition to the sale of 5.37 lakh tonnes of imported products. 112 tonnes of Biofertilizers "BIOLA" of strains Azotabactor, Rhizobium and Phosphate Solubilizing Bacteria (PSB) were marketed in Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. The Company also marketed 31 KL of MICROLA and 50 MT of NIMOLA, the neem based coating agent.

About export promotion activities, the Committee have been informed that the Company's products are in good demand in the domestic market. Therefore, only surplus quantities of products such as Ammonium Bicarbonate, Argon, Dimethyl Acetamide etc. have been exported. The Company envisages to participate in international exhibitions etc. to further the exports.

22. It has been stated in the Annual Report (1999-2000) that RCF is taking steps to obtain ISO 14, 000 certification for its Environmental Management System. When asked what action has been taken to create

pollution free neighbouring, the Committee have been informed that Thal and Trombay units have fully integrated effluent treatment plants to treat all the liquid effluent generated by the plants. The treated effluents are discharged only after conforming to standards laid down by statutory authorities like MPCB & MINAS. Efforts are continuously made to reduce liquid effluents generation from each plant by recycling them to the maximum possible extent. Remaining effluent is pumped to effluent treatment plant to treat ammonical nitrogen, nitrate nitrogen, suspended solids, pH, B.O.D, C.O.D etc. so that their contents are reduced well below the norms set by statutory authorities. It has also been informed to the Committee that plants are equipped with required scrubbing systems, catalytic reactors, hot flare stacks to eliminate the air pollutants like SO₂, NO₂, NH₃ etc. To reduce dust emission below the permissible levels, bag filters and venturi scrubbers are provided in the plants. Thal Plants have been designed for zero level of emission. A marine outfall of 4 Km. length has been provided to dispose and disperse treated liquid effluent deep into the sea. This was done for the first time in the country. To have very effective air monitoring system, monitoring of ambient air in the plants and at the battery limit of the factory is carried out using on line air monitoring stations. Similarly, air samples in the surrounding areas are collected and analysed regularly.

23. About the Fertilizer Promoter Campaign, the Committee have been informed that the main objective of the Fertilizer Promotion Campaign is to

create awareness among farmers about the efficient and appropriate methods of using fertilizers to maximise their yields. Fertilizer promotion attempts to bring developments in Agricultural Technology to the actual users.

24. When the Committee sought the opinion about payment of subsidy to the farmers directly instead of the Companies, RCF stated that subsidy in fertilizers is meant to go to the farmers. But due to the size of the farming community and also the size of the country, it would be difficult to ensure direct payment of subsidy to the farmers.

25. It has been informed by the company that RCF has in-house capacity to carry out studies on various projects including expansions, modernisation and diversification projects. Hence no consultant has been engaged in this area.

26. When asked in what areas you have diversified your manufacturing activities and what are the future potential for diversification, the committee were informed that, RCF is a well diversified company with main focus on the production and marketing of nitrogenous, phosphate and potassic fertilizers and industrial chemicals like methanol, methylamines, sodium nitrate/nitrite, argon, ammonium nitrate, concentrated nitric acid, phosphogypsum, Dimethyl formamide, Dimethyl acetamide, formic acid and food grade ammonium Bicarbonate. Company also manufactures

Bio-fertilizers and Micro Nutrient formulations. Besides Company is also engaged in trading Muriate of Potash, DAP etc.

RCF is exploring the possibility of :

- i. Setting up of DAP plant in Rajasthan as a Joint Venture.
- ii. Setting of DAP plant at Thal
- iii. Setting up of agro-chemical production facilities
- iv. Setting up wind mill in Maharashtra
- v. Setting up Organic Fertilizer production facilities.

27. About mobilisation of funds for revamping / modernisation of plants at Trombay, the Committee have been informed that Company proposes to fund the revamp and modernisation schemes partly from internal accruals /own generation and partly from external borrowings. External borrowings are tied up through banks/financial institutions on competitive quotes and terms of lending for each specific scheme/project.

28. When enquired about the disinvestment of the Government stake in the corporation, the Committee have been informed that the disinvestment being the matter directly connected with Govt., the RCF shall follow the decision of the Government.

29. On the question of long term fertilizer policy, the Committee have been informed that RCF has given following observations based on ERC recommendations to FAI:-

- (i) There should not be a split in gas based plants as pre post 1992.
- (ii) Retaining of unit specific benefit of additional transportation cost to be retained for cost based Fertilizer factories of RCF and KRIBHCO.
- (ii) Suitable compensation for land fall point transportation charges of gas to be made before fixing the concession level in the groups.
- (iii) Concession worked out as per recommendation of ERC is not realistic and needs to be rationalised considering practical approach.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

NEED TO SUPPLY ADEQUATE GAS TO TROMBAY AND THAL PLANTS.

The Committee note that one of the reasons for the decline in profits of RCF is the inadequate supply of gas by ONGC/GAIL. In 1983-84, an Agreement was signed between RCF and ONGC for supply of gas of 6.8 MMSCMD for Trombay and Thal Plants and after the expiry of this agreement another Agreement was signed with GAIL in the year 1996 with effective date as May 16, 1992. As per this agreement GAIL would provide 4.95 MMSCMD of gas with a specific calorific value (Trombay-1.8 MMSCMD and Thal – 3.15 MMSCMD) till 31.12.2002. The Committee have been informed that the reduction in quantity of supply of 1.85 MMSCMD of gas was mainly due to the fact that ONGC/GAIL has enlisted more clients like ISPAT, IPCL etc. However, the Committee find that the actual gas supply is far below the committed quantum and at times remains lower around 1.1 to 1.3 MMSCMD for Trombay and 1.5 to 1.7 MMSCMD for Thal on a day-to-day basis. The Committee have also been informed that due to severe gas shortage, Ammonia Plants at Thal are operating at around 70% capacity and one of three Urea

Plants is kept shutdown. Similarly, at Trombay, one Ammonia Plant is kept shutdown, while the Urea Plant is run intermittently depending upon the availability of ammonia. The shortfall in gas supply has resulted in the loss of urea production to the tune of 1500 MTPD at Thal and 700 MTPD at Trombay which will amount to around 7 lakh MT during 2001-2002. The Committee also note that shutdown of the plants has resulted in idling of 1000 employees including contract labour. It has also been brought to the notice of the Committee that the matter of gas supply constraint has been taken up time and again by the Company with GAIL/ONGC to get adequate and regular supply of gas close to the allocation level. The issue has also been taken up by the Secretary (Fertilizer) with the officials of Ministry of Petroleum and Natural Gas and senior executives of GAIL wherein requests were made to explore possible prioritisation of gas to fertiliser sector including RCF where gas is used as feedstock. The Committee, therefore, recommend that top priority should be accorded to supply of gas to the fertiliser units among all the production units, as production of fertilisers has a vital bearing on the production of foodgrains to cater to the demands of the ever –growing population of the country. The Committee, therefore, desire that GAIL should maintain the gas supply atleast at the level of the committed quantum i.e.

3.15 MMSCM for Thal and 1.8 MMSCMD for Trombay. The present contract for supply of gas with GAIL is valid upto 31st December, 2002. The Committee desire that while extending the contract for the future, it should be ensured the quality and quantity of gas supply should be of the highest order and penal clauses are added for un-reasoned short supply. Since the fertilisers companies produced items which have a controlled price mechanism, it is all the more necessary that gas should be supplied to them at the subsidised rate. The Committee, therefore, recommended that this may also be kept in view for future arrangement for supply of gas.

RECOMMENDATION NO. 2

RECOGNITION OF RCF TROMBAY UNIT UNDER MIXED FEED CATEGORY

The Committee note that all the plants of RCF are in good shape and are capable of producing more than the targeted production provided gas is made available in the required quantity. The Company has been making efforts to look for prospective gas suppliers including GAIL, Tata – Total and Metgas. It has been brought to the notice of the Committee that a Memorandum of Understanding (MoU) has already been signed with Metgas for supplying LNG to Thal while a Memorandum of Agreement (MoU) has been signed with Tata – Total for LNG supply to Trombay. Similarly discussions with GAIL are continuing for supply of LNG through their proposed Joint Venture with LNG suppliers. Since these schemes are very much at the initial stages, it will take a few more years for any of the above proposals to materialise. The Committee also note that RCF Trombay Unit is being recognised as a gas based unit. In view of the fact that neither the gas committed for supply is presently available to the extent of full requirement from GAIL/ONGC nor such availability is in sight in the very near future, the Committee recommend that Trombay unit should be declared

as Mixed Feed Category Plant immediately to overcome the disadvantages the unit is currently suffering.

RECOMMENDATION NO.3

COMPENSATION AGAINST UNIT SPECIFIC ENERGY NORMS FOR THAL UNIT UNDER RETENTION PRICE SCHEME(RPS).

The Committee note that Retention Price Scheme (RPS) is designed to pay subsidy for any urea plant based on the normative cost calculated for that particular plant taking the parameter under which it is operating. But, the energy consumption norms for Thal were adopted from KRIBHCO by FICC against the standard of fixing unit specific norms, due to which the unit has been losing heavily. The Committee have been informed that RCF has been requesting the Department of Fertilizers to revise the norms based on the actual performance of Thal Unit. Therefore, the FICC, on the advice from Department, directed RCF to get a detailed study done by Tata Energy Research Institute (TERI), Bangalore, so that the Thal Unit shall have its own energy norms. After conducting an extensive study of the plants at Thal, TERI had submitted its report on 13.10.2000. The matter is being closely followed up by the Company with FICC/Deptt. of Fertilizers, but the decision in this matter is still pending with FICC. The Committee, therefore, recommend that the decision in the matter should be expedited without any further loss of time and a time limit for taking a final decision at the highest level on this matter should be fixed immediately.

RECOMMENDATION NO. 4

RECOVERY OF INTER-CORPORATE LOANS

The Committee note that on the directions of the Ministry of Chemicals and Fertilizers, the RCF had provided loan amounting to Rs. 88.87 crore to four public sector undertakings namely Hindustan Fertilizers Corporation Limited (HFCL), Fertilizer Corporation of India (FCI), Indian Drugs and Pharmaceuticals Limited (IDPL) and Smith Stainstreet Pharmaceuticals Limited(SSPL) during the period 1988-90 with a clear understanding that in case they fail to repay the loan with interest, the Central Government will reimburse the loan amount to RCF by deducting the money due to these public sector undertakings. The interest accumulated on the principal amount is Rs. 141.98 crore as on 30th April, 2001. These public sector undertakings have been declared sick and stand referred to BIFR, and as such there is hardly any possibility of getting the money back from them. Since RCF is facing serious financial problems, the Committee, recommend that the Ministry of Chemicals and Fertilizers should take steps to reimburse the principal amount alongwith interest thereon to RCF, as originally envisaged, in view of the financial problems being faced by RCF now. .

RECOMMENDATION NO. 5

APPOINTMENT OF NON-OFFICIAL DIRECTORS

The Committee note that there is no Non-Official Director on the Board of Directors of RCF. As per the DPE guidelines of March, 1992 regarding composition of Board of Directors of public sector enterprises, the number of Non-Official Directors on a Board should be atleast one-third of its actual strength. As the Non-Official Directors are drawn from technocrats management experts and, consultants and professional managers having sufficient experience in the industry and in trade etc., the Committee are of the opinion that the absence of non-official Directors on the Board deprives the undertaking of expert guidance of seasoned professionals. They, therefore, recommend that the Government should appoint the Non-official Directors on the Board of RCF as per the DPE guidelines without any further loss of time.

**TOUR PROGRAMME ACTUALLY PERFORMED BY THE
COMMITTEE ON PUBLIC UNDERTAKINGS TO
PUNE, BANGALORE, MYSORE AND OOTACAMUND
FROM 4TH JUNE, 2001 TO 11TH JUNE, 2001**

(MEMBERS ASSEMBLED AT PUNE)

DATE & DAY	TIME	VISIT & DISCUSSION
4.6.2001 (Monday)	1000 hrs	Discussion with the Officers of New India Assurance Co. Ltd.
	1200 hrs	Discussion with the Officers of Hindustan Antibiotics Ltd.
	1400 hrs	Discussion with the Officers of Export Credit Finance Corpn. (EFC) Ltd.

(NIGHT HALT AT PUNE)

5.6.2001 (Tuesday)	1315 hrs	Departure for Bangalore by IC-917
	1615 hrs	Arrival Bangalore

(NIGHT HALT AT BANGALORE)

6.6.2001 (Wednesday)	1000 hrs	Discussion with the Officers of Hindustan Teleprinters Ltd. (HTL Ltd)
	1430 hrs	Departure for Mysore by Road (Approx. 140 km)
	1800 hrs	Arrival Mysore

(NIGHT HALT AT MYSORE)

7.6.2001 (Thursday)	0930 hrs	Discussion with the Officers of Indian Tourism Devp. Corpn. (ITDC)
	1200 hrs	Discussion with the Officers of Bharat Earth Movers Ltd.

(NIGHT HALT AT MYSORE)

8.6.2001 (Friday)	0900 hrs	Departure for Ootacamund by Road (Approx 120 km)
	1500 hrs	Arrival Ootacamund
	1745 hrs	Discussion with the Officers of NTC (TN&P) Ltd.

(NIGHT HALT AT OOTACAMUND)

9.6.2001 (Saturday)	0930 hrs	Discussion with the Officers of Hindustan Photofilms Mfg. Corpn. Ltd.
	1200 hrs	Discussion with the Officers of Food Corporation of India Ltd.
(NIGHT HALT AT OOTACAMUND)		
10.6.2001 (Sunday)	0900 hrs	Departure for Bangalore by Road
	1800 hrs	Arrival Bangalore
(NIGHT HALT AT BANGALORE)		
11.6.2001 (Monday)	0930 hrs	Discussion with the Officers of Rashtriya Chemicals & Fertilizers Ltd.

DISPERSAL

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED PUNE, BANGALORE, MYSORE AND OOTACAMUND
FROM 4TH TO 11TH JUNE, 2001**

S. NO.	NAME	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	5.6.2001 Bangalore	11.6.2001 Bangalore
2.	Prof. S. P. Singh Baghel	4.6.2001 Pune	9.6.2001 Ootacamund
3.	Shri Sudip Bandyopadhyay	3.6.2001 Pune	12.6.2001 Bangalore
4.	Shri Ram Tahal Chaudhary	3.6.2001 Pune	11.6.2001 Bangalore
5.	Shri C K Jaffer Sharief	6.6.2001 Bangalore	6.6.2001 Bangalore
6.	Shri Rajiv Pratap Rudy	5.6.2001 Bangalore	6.6.2001 Bangalore
7.	Shri Tarit Baran Topdar	5.6.2001 Bangalore	11.6.2001 Bangalore
8.	Shri Suresh Kalmadi	3.6.2001 Pune	4.6.2001 Pune
9.	Shri K. Kalavenkata Rao	7.6.2001 Mysore	11.6.2001 Bangalore
10.	Shri Jibon Roy	3.6.2001 Pune	7/8.6.2001 Mysore / Bangalore
11.	Smt Ambika Soni	3.6.2001 Pune 6.6.2001 Bangalore	4.6.2001 Pune 6.6.2001 Ootacamund
12.	Shri Ranjan Prasad Yadav	3.6.2001 Pune	6.6.2001 Bangalore

SECRETARIAT

- | | | |
|----|----------------------|--------------------|
| 1. | Shri S Bal Shekar, | Director |
| 2. | Shri L. N. Gaur, | Under Secretary |
| 3. | Shri Raj Kumar, | Under Secretary |
| 4. | Shri Tirthankar Das, | Sr Executive Asstt |

LIST OF OFFICIALS OF RASHTRIYA CHEMICALS & FERTILIZERS LIMITED WHO WERE PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC UNDERTAKINGS AT BANGALORE ON 11.6.2001

1. Shri D K Varma, Chairman-cum-Managing Director
2. Shri S Balan, Director (Finance)
3. Shri H C P Shina, Director(Technical)
4. Shri U S Jha, Director(M)
5. Shri T R Raguraman , G M (M)
5. Shri S Thangaraj, Dy. GM(S)
6. Shri N R Babu, Addl. CE
7. Shri R M Deshapande, FM(M)
8. Shri K C Prakash, Company Secretary