

THIRD REPORT  
COMMITTEE ON PUBLIC UNDERTAKINGS  
(1999-2000)

(THIRTEENTH LOK SABHA)

PYRITES, PHOSPHATES AND CHEMICALS  
LIMITED—DEHRADUN UNIT

MINISTRY OF CHEMICALS  
AND FERTILIZERS  
(DEPARTMENT OF FERTILIZERS)

*[Action taken by Government on the recommendations contained in the 5th  
Report of Committee on Public Undertakings (12th Lok Sabha) on "Pyrites,  
Phosphates and Chemicals Limited—Dehradun Unit."]*



*Presented to Lok Sabha on 25.4.2000  
Laid in Rajya Sabha on 25.4.2000*

LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2000/Chaitra, 1922 (S)*

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS  
(1999-2000)

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Prasanna Acharya
3. Shri Sudip Bandyopadhyay
4. Shri Surinder Singh Barwala
5. Shri R.L. Bhatia
6. Shri Shiv Raj Singh Chauhan
7. Shri C.K. Jaffer Sharief
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9. Shri Vilas Muttemwar
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14. Shri Balram Singh Yadav
15. Shri Devendra Prasad Yadav

*Rajya Sabha*

- \*16. Shri H. Hanumanthappa
17. Shri Suresh Kalmadi
- \*18. Dr. Gopalrao Vithalrao Patil
19. Shri Gopalsinh G. Solanki
20. Shri Jibon Roy
21. Shri Ranjan Prasad Yadav
22. Shri K. Kalavenkata Rao

SECRETARIAT

1. Shri M. Rajagopalan Nair — *Joint Secretary*
2. Shri S. Bal Shekar — *Deputy Secretary*
3. Shri Raj Kumar — *Under Secretary*

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\*Ceased to be Members of the Committee consequent upon their retirement from Rajya Sabha w.e.f. 2nd April, 2000.

## INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Third Report on Action Taken by Government on the recommendations contained in the Fifth Report of the Committee on Public Undertakings (Twelfth Lok Sabha) on "Pyrites, Phosphates and Chemicals Limited—Dehradun Unit".

2. The Fifth Report of the Committee on Public Undertakings was presented to Hon'ble Speaker on 26th April, 1999 and thereafter laid on the Table of Lok Sabha on 26th October, 1999. Replies of the Government to the recommendations contained in the Report were received on 22nd October, 1999. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 10th April, 2000. The Minutes of the sitting are given in Appendix-I.

3. An analysis of the action taken by Government on the recommendations contained in the 5th Report (1998-99) of the Committee is given in Appendix-II.

NEW DELHI;  
*April 18, 2000*  

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*Chaitra 29, 1922 (S)*

VIJAY KUMAR MALHOTRA,  
*Chairman,*  
*Committee on Public Undertakings.*

## CHAPTER 1

### REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Fifth Report (Twelfth Lok Sabha) of the Committee on Public Undertakings (1998-99) on "Pyrites, Phosphates and Chemicals Limited—Dehradun Unit", which was presented to Hon'ble Speaker on 26th April, 1999 and later on laid on the Table of Lok Sabha on 26th October, 1999.

2. Action Taken notes have been received from Government in respect of all the 10 recommendations/observations contained in the Report. Recommendation/Observation at Serial No. 1 is only introductory in nature and does not require any action to be taken by the Government. Therefore, this has not been included in the Action Taken Report. Rest of the recommendations/observations have been categorised as follows:—

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

NIL

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

Sl. Nos. 3, 4, 5, 6, 7, 8, 9 and 10 (Total: 8)

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

Sl. No. 2 (Total : 1)

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

NIL

3. The Committee will now deal with the action taken by Government on the recommendation at Sl. No. 2 in the succeeding paragraphs.

**Need to decide promptly the question of restructuring of PPCL**

#### Recommendation (Sl. No. 2)

4. Stressing the need for taking a prompt decision on the question of restructuring of "Pyrites, Phosphates and Chemicals Ltd." the Committee, in their Fifth Report, recommended as follows:—

"Dehradun Unit has an installed capacity of 1,20,000 MT per annum. According to the Ministry subsequent to decontrol of phosphatic

fertilizers, there has been decline in the production and consumption of M.Phos owing to increase in the consumer price. On the contrary it is seen that despite reported increase in the consumer price of M. Phos, production by the Dehradun Unit went up from 1,18,100 MT in 1993-94 to 1,25,000 MT in 1996-97. The sales performance of the unit also marked an upward trend with the sales going up from 1,07,000 MT in 1993-94 to 1,13,000 MT in 1997-98. In fact, the actual production and sales performance of the Unit is at variance with the murky picture portrayed by the Ministry pointing towards low sales, higher inventory, production cutbacks and additional expenditure on reprocessing of damaged stocks by the Unit. The impression gathered by the Committee from this predicament is that farmers in the North East and Southern regions still prefer M.Phos as compared to other fertilizers for use in acidic soil. It is also conspicuous to note that even in such an insalubrious environment, Dehradun Unit has been able to maintain its production performance as compared to poor capacity utilisation obtaining in many of the public sector fertilizer units.

Mining operations in Dehradun Unit have been suspended from 1 September, 1998 on account of mounting losses as a result of withdrawal of import substitution incentive. The only activity that is undertaken by the Unit at present is maintenance of the mines. Both PPCL and the Ministry are of the view that it was more economical and advantageous to have suspended the mining operations in the unit in view of the fact that the cost of standing charges with preservation would be around Rs. 0.85 crore per month as against the estimated cash loss of Rs. 1.01 crore for continuation of production at the desired level. What is astonishing to the Committee is that Government seems to have taken the decision to suspend the operations of Dehradun Unit unilaterally without consulting the PPCL management and the employees or considering other possible options. It is noteworthy that even the Disinvestment Commission which went into the working of PPCL and found it to be unviable did not go to the extreme point of recommending suspension of the mining operations by the unit. The Committee feel concerned that whereas Rs. 0.85 crore is being drained out from the national exchequer only for the maintenance of the mines, the farmers are being deprived of the benefit of an indigenous phosphatic fertilizer, which the country can ill afford with its large dependence on fertilizer imports. The Committee cannot but deplore such myopic steps taken by Government. They recommend that in order to ensure rehabilitation of Dehradun Unit in a fixed time frame prompt decision on the question of its restructuring should be taken after weighing all the pros and cons under intimation to the Committee."

5. The Government in their Action Taken Reply on the above recommendation, have stated as follows:

"In view of the unviability of the operations of Dehradun Unit as also of Amjhore Unit which follows the costlier pyrite route for manufacture of SSP, it became necessary to consider the restructuring proposal for the company as a whole. However, no decision on restructuring of the company has been taken as yet."

6. The Committee note that the Government has not yet taken any decision regarding the question of re-structuring of the PPCL despite the fact that a sum of Rs. 0.85 crore per month is being spent only to maintain the idle mines and to make payment of wages to the idle labour force as well as on the maintenance of the machinery. This expenditure is being made from 1st September, 1998 and the total expenditure on this count upto 1st March, 2000 has grown up to Rs. 15.3 crores which has literally gone down the drain from the national exchequer, as all the standing charges are being met through budgetary support from the Government. With the passing of every month, due to inaction on the part of the Government in taking a decision on the matter, further more wasteful expenditure would continue to occur. The Committee strongly disapprove of the unreasonable delay that has taken place in the matter and would like to impress upon the Government that an immediate decision on the matter should be taken and the Government should, therefore, activate its decision making machinery from its interminable lethargic slumber. The Committee expect that a decision about the restructuring of PPCL should be taken within two months from the date of presentation of this Report. They also desire that while doing so, Government should take all necessary steps to protect the interests of the employees and the inhabitants of the hilly region, considering the industrial backwardness of the area and the lack of employment opportunities there.

**CHAPTER II**

**RECOMMENDATIONS THAT HAVE BEEN ACCEPTED  
BY GOVERNMENT**

**-NIL-**



### CHAPTER III

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

##### Recommendation (Sl. No. 3)

Two of the major inherent handicaps of Dehradun Unit are that it owns the only underground mines in the country producing rock phosphate and its markets are situated in far off places. On account of increases in the cost of deep underground mining and freight charges to the distant markets in North East and Southern regions, the cost of sales of M.Phos registered a phenomenal increase from Rs. 1894/MT in 1991-92 to Rs. 2917/MT in 1997-98 against the average sales realisation of Rs. 1782/MT rendering the production of M.Phos uneconomical, as compared to other indigenous producers who conduct open cast mining. The estimated cost of production in Rajasthan Units engaged in open cast mining amounts only to about Rs. 1890/MT. The difference is mainly on account of cost of mining, transportation, grinding, packing and loading into railway wagons which amount to Rs. 1753/MT in Dehradun Unit as against Rs. 830/MT in Rajasthan Unit. Admittedly, the cost of open cast mining is around 30% of the cost of underground mining, rendering Dehradun Unit unviable. Obviously the factors leading to high cost of production are not within the control of the Unit. While it is of paramount importance that public sector enterprises operate on commercial lines, the Committee are of the view that the unenviable predicament in which Dehradun Unit has found itself cannot also be overlooked. The Committee suggest that Government should find ways and means of making some exceptions in the case of such a unit situated in a remote hilly region. Keeping in view the need to encourage and support indigenous production of fertilizers and for protecting the interests of farmers, the Committee recommend that incentives should be provided to the Unit to cover the additional cost incurred by it for production of M.Phos.

##### Reply of the Government

Consequent on decontrol of phosphatic and potassic fertilizers w.e.f. 25.8.92, the price of these fertilizers rose sharply thus affecting their production and sales. During 1991-92, the year immediately preceding the year of decontrol, the Dehradun unit of PPCL registered production and sales of 1,26,000 and 1,16,000 tonnes, respectively. As against this during 1992-93, the unit registered production and sales of 98,000 and

1,03,000 tonnes, respectively. In the subsequent years due to introduction of import substitution incentive scheme the unit improved its performance, which was however lower than the level attained in 1991-92 (Figures of production and sales of M. Phos are given in paras 2.1 and 2.3 of the Report). The position would have been much worse had there been no import substitution incentive scheme. The import substitution incentive scheme, was sanctioned for a period of 5 years only. The scheme was extended for one more year with a reduced rate of incentive. Such a scheme could not be allowed to continue indefinitely. Consequent to withdrawal of the incentive scheme, the operations of the unit became unviable and the Board of Directors of the company decided in its 277th meeting on 9.8.98 to stop the mining operations at Dehradun w.e.f. 1.9.98. However, the company is meeting the various standing charges on account of salaries/wages, power bill and other administrative expenses through budgetary support from the Government.

Any incentive/concession, if sanctioned, cannot be specific to M. Phos only and will have to be extended to Raj Phos marketed by RSMML as well. Hence, M. Phos would continue to suffer from price handicap vis-a-vis. Raj Phos. Any concession/incentive exclusively for M. Phos may be viewed as discriminatory. Moreover, cost of production is on the upward trend in view of the need to undertake deeper underground operations.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM  
No. 19067/1/99-FCA-III dated 20/10/99]

#### Recommendation (Sl. No. 4)

As per Fertilizer Control Order (FCO), rock phosphate should contain 18%  $P_2O_5$  for it to be qualified for use as a direct fertilizer. The Ministry has been repeatedly putting forth the view that the available average phosphate content in M. Phos is quite low, viz. as low as 15% to 17%. PPCL has held that rock phosphate produced in Dehradun Unit is blended with high grade rock phosphate being procured by the Company on account of dilution in the course of mining operations. While such a requirement about percentage of  $P_2O_5$  is quite understandable, what is bewildering to the Committee is the repeated efforts made by the Ministry to depict M. Phos as a low quality rock phosphate. Countering this PPCL has stated that the average phosphate content in the present ore bearing seam is between 18% to 19% and the Employees Union of Dehradun Unit maintained that M. Phos met the FCO specification of 18%  $P_2O_5$  content. Even according to the expert view given by the Indian Council of Agricultural Research (ICAR), M. Phos has 18.7%  $P_2O_5$  content available in it as against only 17.7% in Purulia Phos and 17.5% in Uday Phos. This leads to the inevitable conclusion that  $P_2O_5$  content in M. Phos is even more than FCO specifications. The Committee, therefore, take serious exception to presenting of inaccurate facts before the Committee by the Government. The Committee cannot but deplore such a biased and

defeatistic approach on the part of the Government towards a public sector unit with a view to deriving their own point of view. The Committee, therefore, do not agree with the contention of Government that the average phosphate content in M.Phos is low. They, therefore, recommended that M.Phos should be given precedence over other direct phosphatic fertilizers.

#### Reply of the Government

The quality and suitability of Mussoorie Phos for direct application is not in doubt. The quality of rock phosphate for direct application has been specified under the Fertilizer Control Order (FCO) according to which rock phosphate for direct application should contain minimum 18%  $P_2O_5$ . In the case of Mussoorie Phos, sometimes, the  $P_2O_5$  content is found to be lower than the statutory minimum of 18%. Accordingly, to avoid rejection/wastage of certain quantity of such low-grade rock, PPCL used to blend Mussoorie Phos with high grade rock procured from Madhya Pradesh State Mining Corporation in order to ensure that Mussoorie Phos contains 18%  $P_2O_5$  which is the minimum acceptable standard under the FCO. The rock for Mussoorie Phos is mined in Durmala and Maldeota Mines, which are in Himalayan Syncline. The in-situ average  $P_2O_5$  content may be more than 18% but while mining, unavoidable dilution takes place on account of presence of disturbed geological features like faulting, folding etc. The underground level reserves of rock phosphate are getting depleted day by day. Due to deepening of the mines and strata not being uniform, the  $P_2O_5$  content varies from point to point. Sometimes, the grade is of around 12-14%  $P_2O_5$  content. Having regard to the above facts, in order to enable PPCL to market its product as per the FCO standards, the Government recognised the costs involved in the blending operations to upgrade Mussoorie rock and ensure that the same meets the FCO specifications. It was in the above context that the Department referred to the low grade of  $P_2O_5$  in Mussoorie Phos.

All varieties of rock phosphate meeting the FCO standards can be marketed by the concerned organisations. Mussoorie Phos has to compete with other rock phosphates available in the market. Unfortunately, however, due to its high cost of production, the product is totally priced out in the market. In a decontrolled sector, it is for the market forces to determine the acceptability of the product and it may not be justified for Government to give any preferential treatment to any particular product. [Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 19067/1/99-FCA-III, dated 20.10.99]

#### Recommendation (Sl. No. 5)

It, undoubtedly, goes in favour of M. Phos that it has been recommended by the agricultural scientists, ICAR and the Ministry of Agriculture as the most reactive and agronomically effective phosphatic fertilizer for direct application as early as in the 1970s. However, according to PPCL all the

rock are not equally good for direct application as fertilizer since a wide variety of geological settings in which rock phosphate occur results in varying textures, accessory, mineral assemblage and chemical composition. But the Fertilizer Control Order (FCO), which regulates the use of fertilizers in the country, specifies only mesh size and  $P_2O_5$  content for any rock phosphate to be qualified for use as direct fertilizer. What is astonishing is that the Ministry went to the extent of trying to establish that in the rock phosphate it is only  $P_2O_5$  content which is useful and other components do not matter as far as the crop is concerned. According to the Ministry all the mines producing rock phosphate would be in a position to take advantage of the acidic soils provided it contained 18% phosphate content. However, PPCL lamented that FCO specified only mesh size and  $P_2O_5$  content with no reference about other characteristics required for a rock phosphate to be used directly as  $P_2O_5$  source inspite of the fact that rock quality varies from deposit to deposit.

According to ICAR the essential physical and chemical factors and nature of crystal which make rock phosphate suitable for use as direct phosphatic fertilizer are porosity, softness, phosphate/carbonate ratio, F/ $P_2O_5$  ratio, calcium/P ratio, absolute citrate solubility and unit cell length of axis. The ingredients like carbonates, apatite, iron pyrites, organic carbon and extent of softness, porosity, etc influence the agronomic efficacy of rock phosphate as direct fertilizer. PPCL strongly advocated that FCO specifications should be made more comprehensive incorporating some more parameters suitable for direct application of rock phosphate like presence of carbonate apatite, iron pyrites, organic carbon and extent of softness, porosity, citriteness, etc. On the other hand, Government seemed to be almost reconciled to the existing provisions in the Fertilizer Control Order. Such a situation posed a grave danger of agronomically unsuitable rock phosphates being flooded in the market as a result of which farmers may lose faith in the effectiveness of rock phosphate and resort to use of other costly water soluble phosphatic fertilizers like DAP. The Committee feel that it would be in the interest of the farmers that Government should review the Fertilizer Control Order and make it more comprehensive with a view to ensuring that only agronomically effective rock phosphates are made available for the use by the farmers. They, therefore, recommend that the Fertilizer Control Order should be suitably amended without loss of time and the Committee apprised of the same.

#### Reply of the Government

The Ministry of Agriculture administers the Fertilizer Control Order (FCO). Accordingly that Ministry was requested to consider the recommendation of COPU regarding amendments to the FCO. The Ministry of Agriculture has informed that the recommendation of COPU regarding amendments in the specifications of rock phosphate was considered by the Central Fertilizer Committee (CFC), represented among

others by ICAR. The CFC noted the fact that indigenous rock phosphate is being mined in Rajasthan, Madhya Pradesh, West Bengal and Uttar Pradesh and is marketed and used in acidic soil areas of the country. None of the sources has created any problem for its use in agriculture and ensuring profitable crop production. Accordingly, CFC has recommended that there is no need for changing the existing specifications of rock phosphate in FCO, 1985 since it meets the requirement of ensuring good quality rock phosphate to crops. The recommendation of the CFC has been accepted by the Ministry of Agriculture. Accordingly, the recommendation for amendment in the FCO in regard to specification of rock phosphate is not being pursued further.

[Ministry of Chemicals & Fertilizer, Department of Fertilizer OM No. 19067/1/99-FCA-III, dated 20-10-99]

#### Recommendation (Sl. No. 6)

According to ICAR among all the rock phosphates, only M.Phos is exclusively sedimentary in origin and as such most effective and reactive for direct application as a fertilizer. As against this the deposits of phosphate rocks from Kasipatnam and Purulia are of igneous origin and those from Jhamarkotra and Maton in Rajasthan and Jhabua in Madhya Pradesh are of metamorphic-cum-sedimentary nature. Rock phosphate of igneous and metamorphic origin, unlike sedimentary ones, are stable and unreactive and as such comparatively less effective for direct application as fertilizer. M.Phos is also stated to be a natural organic manure which is environmental friendly and is made available gradually through dissolution under acidic soil environment. Naturally, therefore, M.Phos is well accepted by the farmers of acidic soils in Kerala, Karnataka, Tamil Nadu and the North East, and they have been using it for more than the last two decades. Depriving them of such an agronomically friendly fertilizers may force them to resort to the use of water soluble phosphatic fertiliser like DAP, SSP, etc. which quickly get fixed and are less efficient in acidic soil.

Another fact which cannot be ignored is that phosphatic fertilizers are either imported or derived from imported raw materials involving huge foreign exchange outgo. In these circumstances, the Committee do not consider that there is any scope for a debate so as to decide on the best option available to the country, viz. either to resort to imports of fertilizers or to exploit the indigenous resources readily available which are more efficient. The Committee are quite convinced that with the country committed to becoming self-sufficient in foodgrains production, there is no

better option left other than exploiting the rock phosphate available at Dehradun and making it available to farmers in the acidic soil areas. The Committee therefore recommend that production at the Dehradun Unit of PPCL should be revived immediately.

**Recommendation (Sl. No. 7)**

Despite the disadvantageous position in which Dehradun Unit has been placed following decontrol of phosphatic fertilizers and withdrawal of import substitution incentive scheme, it is seen that the Unit made profits except in 1994-95, 1995-96 and 1997-98 as against continuous losses incurred by PPCL as a whole since 1992-93. Amjhore Unit registered profit only in 1995-96 and Saladipura Unit did not make any profit at all. With a cumulative loss of Rs. 87.83 crore as on 31 March, 1998 against paid up capital of Rs. 94.65 crore the Company was liable to be referred to BIFR. The Company has been facing severe liquidity crisis with the banks not allowing cash credit and LC limit facilities. The main factors responsible for the deteriorating financial health of the Company were withdrawal of retention price scheme, discontinuation of import substitution incentive scheme, increased cost of underground mining and higher cost of power and freight. Measures suggested by PPCL for restoring the financial health of the Company include allowing import substitution incentive or concession to M.Phos setting off accumulated loss, writing off intangible assets and provision of budgetary support by Government. The Committee suggest that in view of the various merits of M.Phos elaborated in the preceding parts of this Report, Government should take immediate measures for improving the financial health of the Company as suggested by PPCL.

**Recommendation (Sl. No. 8)**

Withdrawal of retention price scheme on decontrol of phosphatic fertilizers *w.e.f.* 25 August, 1992 was a major setback to Dehradun Unit which was already debilitated with increased cost of underground mining and freight charges. Before decontrol, cost of  $P_2O_5$  from DAP was Rs.7.57 per kg. as against Rs. 4.97 per kg. from M.Phos, which worked out to about 65% of DAP. M.Phos was largely used by poor farmers with small holdings and low soil fertility/productivity. It was with a view to encouraging the use of rock phosphate that Government allowed import substitution incentive @ Rs. 600/- per MT *w.e.f.* 1 August, 1992 for five years. On the expiry of the term on 31st August, 1997, it was extended for one more year allowing an incentive of Rs. 230 per MT. The scheme has not been extended further. As a result of this the price of M.Phos soared to Rs. 10 per kg., beyond which it was not affordable by the farmers. PPCL appealed to the Government for extension of the import substitution incentive scheme. However, according to Government in this era of decontrol, there are other units in the country who could produce rock phosphate without incentive since their cost of production was lower.

As is evident, the main effect of non-extension of import substitution incentive scheme was that PPCL started incurring cash loss of Rs. 992/MT in respect of M.Phos. This was the main factor which led to suspension of mining operations in Dehradun Unit. "If the import substitution or concessions were allowed, we would have never allowed suspension", observed CMD, PPCL before the Committee. According to an estimate furnished by PPCL in the absence of M.Phos, if the farmers choose to use equivalent DAP, Government has to shell out about Rs. 19 crore in the form of concession on about 48,000 MP DAP. Instead, if concession is given to M.Phos, it is expected that there would be a saving to the national exchequer to the tune of about Rs. 7 crore per annum relating to concession on DAP. The Company was quite confident that if the incentive to cover the difference in the cost of production between Dehradun and Rajasthan Units, which amounted to Rs. 1,000/- MT is given, the unit could be made viable. In the final analysis it emerges that but for the difference in the cost of production on account of extraordinary factors like underground mining, higher freight and power charges, Dehradun Unit is one of the most efficient fertilizer units in the Public sector in the country. Import substitution incentive scheme was introduced to support the unit in the absence of fertilizer subsidy. Withdrawal of the incentive led to increase in the price of M.Phos, mounting losses by the Company and suspension of its operations. The Committee recommend that Government should reintroduce import substitution incentive to M.Phos as a special case. The Committee are of the view that in the long run providing such incentive would prove to be advantageous from all points of view.

#### **Recommendation (Sl. No. 9)**

It is observed that there has been a phenomenal increase in the gap in production and consumption of  $P_2O_5$  in the country, which rose from 3,98,200 MT in 1996-97 to 8,58,900 in 1997-98. The deficit in indigenous production is met from imports. The consumption of phosphatic fertilizer is expected to increase with the targets for increased food production in the country. Although the existing demand of rock phosphate for direct application is about 2 lakh MT per annum at present, according to the Government's own admission, the potential demand of rock phosphate is expected to go up to around 4 to 5 lakh MT per annum. Although the Ministry has been maintaining throughout that even in the event of closure of Dehradun Unit, there is sufficient indigenous production capacity for rock phosphate, the actual figures indicating capacity of the units producing rock phosphate speak otherwise. Whereas rock phosphate produced by the Units in Rajasthan, Madhya Pradesh, West Bengal and Uttar Pradesh meet FCO specifications for direct application, capacity of the Jhamarkotra and Udaipur Units in Rajasthan put together comes to only 2,10,000 MT per annum with Purulia Unit in West Bengal having a negligible capacity of 12,000 MT per annum. This clearly shows that there

does not exist sufficient indigenous capacity to meet the potential demand of rock phosphate in the event of closure of Dehradun Unit.

Besides, it is also to be noted that the annual implication for continuation of Dehradun Unit would be only Rs. 12 crore per annum with import substitution incentive @ Rs. 1000/MT whereas for closure of the unit total implication would be Rs. 45.90 crore including incentives for VRS. PPCL would require the incentive only for a period of five years during which period the unit is expected to diversify into other areas and become viable. Being the only Central Public Sector Undertaking in the hill region of Uttar Pradesh, any move to close it would deprive 641 direct employees, 500 contractual workers and other direct beneficiaries like transporters and shop keepers their means of livelihood and deprive the local people of the indirect benefits of existence of such a unit in the region.

Obviously, the existing indigenous production capacity is much less as compared to the projected demand of rock phosphate in future. In the event of closure of Dehradun Unit, the country will be left with no option other than to import rock phosphate to meet the demand of the fertilizer. PPCL submitted a Corporate Plan to the Government on 3rd March, 1998 with proposals for unit-wise turnaround and long term viability which include proposal for continuing Dehradun Unit with an enhanced incentive. In addition to this, going by the cost analysis for continuation and closure of Dehradun Unit, the figures work out in favour of continuation of the Unit. The Committee, therefore, strongly recommend that Dehradun Unit should be allowed to continue its operations with enhanced incentive @ Rs. 1000/MT as proposed by PPCL in the Corporate Plan, at least for a period of five years. This would also facilitate continued employment to the people in the remote hilly region and making available M-Phos to the farmers. The unit is also expected to become viable in a period of five years. The Committee recommend that a decision should be taken on this vital issue regarding the future of the Company within three months of presentation of this Report.

**Reply of the Government to the Recommendation Nos. 6, 7, 8 & 9**

Suitability of M-Phos for acidic soil is not in doubt. Sometimes the Mussoorie rock is found to be low in  $P_2O_5$  content. However, such low grade rock with appropriate blending with high grade rock is suitable for direct application in acidic soil. However, it may not be correct to assume that there is no other rock available comparable to M-Phos. Only such rocks as are meeting the FCO standards, are marketed which are in fact available in adequate quantity.

The assumption that withdrawal of M-Phos from the market due to non-availability of import substitution incentive would lead to its substitution by costlier DAP is not correct. The rock Phosphate used for direct application is particularly suited to acidic soil in Southern States and the North East. As stated already, rock phosphate



meeting FCO standards for direct application is available in adequate quantity at a much cheaper rate compared to that of M-Phos. Therefore, farmers requiring rock phosphate for direct application would face no problem due to non-availability of M-Phos.

The main problem with M-Phos is its high cost of production due to underground mining operations. As a result, the product is totally priced out by its main competitor i.e. RSMML which has open cast mines. Any concession that may be given to PPCL would only be a short term measure and the unviability of the operations on a long term basis has to be accepted as a stark reality. Moreover, any incentive/concession, if sanctioned, cannot be specific to M-Phos only and will have to be extended to Raj Phos marketed by RSMML. Hence, M-Phos would continue to suffer from price handicap *vis -a-vis* Raj Phos. Since, rock phosphate from other sources fully meeting the FCO standards is available in adequate quantity at an affordable price without any subsidy, there does not appear to be any justification to continue with unviable operations of Dehradun unit by extending special concession to compensate for its high cost of production.

It has been mentioned in the report of COPU that the total financial implications for closure of the unit would be of the order of Rs. 45.90 crore (this has since gone up to Rs. 61.45 crore). It may be appreciated that the above amount would be a one time requirement, a substantial part of which would be required for meeting the liability towards the standing charges like salary and wages, administrative overheads, etc., till closure of the unit and payment of VRS dues. During 1998-99, the unit incurred a net loss of Rs. 15.69 crore. The Company incurred a net loss of Rs. 87.49 crore during 1998-99. As on 31.3.99, the Company had an accumulated loss of Rs. 175.32 crore as against paid up capital of Rs. 95.40 crore. As a result, the net worth of the Company has become totally negative.

Accordingly, since in the absence of incentive the operations of the units of PPCL, including that of Dehradun, have become unviable, it has become necessary to consider the restructuring proposal for the Company as a whole. However, no decision on restructuring of the Company has been taken as yet.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 19067/1/99-FCA-III, dated 20.10.99]

#### Recommendation (Sl. No. 10)

Rock phosphate reserve available at Bhusti Jalikhal, Dehradun has been identified for exploitation. Considering the average grade of 20%  $P_2O_5$  content and thickness, the deposit is being considered quite promising by the Company. Capital cost required is estimated to be Rs. 10 crore with the time requirement of four years for developing it. However, in view of underground mining involved, the cost of production is expected to be more than that of open cast mines. Although PPCL had submitted

applications to the concerned local authorities for obtaining necessary permissions, the Government is not in favour of the proposal for developing the reserve at Bhusti Jalikhal since the operation is bound to be uneconomical in the absence of concessions to the Unit. The Committee recommend that the matter regarding development of Bhusti Jalikhal should be pursued with the Government of Uttar Pradesh and other concerned authorities so that development of Bhusti Jalikhal could be taken up urgently, -

**Reply of the Government.**

According to the management of PPCL, an investment of Rs. 10 crore would be required for development of Bhusti Jalikhal mines. Despite an investment of this magnitude, since there will be underground mining operations as in the case of existing mines at Dehradun unit, the mining operations would have price disadvantage *vis-a-vis* those organisations having open cast mines. Accordingly, investment of this order is not justified for an operation, which would not be cost effective *ab initio*.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 19067/1/99-FCA-III, dated 20.10.99]

## CHAPTER IV

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

#### Recommendation (Sl. No. 2)

Dehradun Unit has an installed capacity of 1,20,000 MT per annum. According to the Ministry subsequent to decontrol of phosphatic fertilisers, there has been decline in the production and consumption of M-Phos owing to increase in the consumer price. On the contrary it is seen that despite reported increase in the consumer price of M-Phos, production by the Dehradun Unit went up from 1,18,150 MT in 1993-94 to 1,25,006 MT in 1996-97. The sales performance of the unit also marked an upward trend with the sales going up from 1,07,000 MT in 1993-94 to 1,13,000 MT in 1997-98. In fact, the actual production and sales performance of the Unit is at variance with the murky picture portrayed by the Ministry pointing towards low sales, higher inventory, production cutbacks and additional expenditure on reprocessing of damaged stocks by the Unit. The impression gathered by the Committee from this predicament is that farmers in the North East and Southern regions still prefer M-Phos as compared to other fertilizers for use in acidic soil. It is also conspicuous to note that even in such an insalubrious environment, Dehradun Unit has been able to maintain its production performance as compared to poor capacity utilisation obtaining in many of the public sector fertilizer units.

Mining operations in Dehradun Unit have been suspended from 1 September, 1998 on account of mounting losses as a result of withdrawal of import substitution incentive. The only activity that is undertaken by the Unit at present is maintenance of the mines. Both PPCL and the Ministry are of the view that it was more economical and advantageous to have suspended the mining operations in the unit in view of the fact that the cost of standing charges with preservation would be around Rs. 0.85 crore per month as against the estimated cash loss of Rs. 1.01 crore for continuation of production at the desired level. What is astonishing to the Committee is that Government seems to have taken the decision to suspend the operations of Dehradun Unit unilaterally without consulting the PPCL management and the employees or considering other possible options. It is noteworthy that even the Disinvestment Commission which went into the working of PPCL and found it to be unviable did not go to the extreme point of recommending suspension of the mining operations by the Unit. The Committee feel concerned that whereas Rs. 0.85 crore is being drained out from the national exchequer only for the maintenance of

the mines, the farmers are being deprived of the benefit of an indigenous phosphatic fertilizer, which the country can ill afford with its large dependence on fertilizer imports. The Committee cannot but deplore such myopic steps taken by Government. They recommend that in order to ensure rehabilitation of Dehradun Unit in a fixed time-frame prompt decision on the question of its restructuring should be taken after weighing all the pros and cons under intimation to the Committee.

**Reply of the Government**

In view of the unviability of the operations of Dehradun Unit as also of Amjhore Unit which follows the costlier pyrite route for manufacture of SSP, it became necessary to consider the restructuring proposal for the company as a whole. However, no decision on restructuring of the company has been taken as yet.

[Ministry of Chemicals & Fertilizers, Department of Fertilizers OM No. 19067/1/99-FCA-III, dated 20.10.99]

**Comments of the Committee**

(Please see Paragraph 6 of Chapter I of the Report)

**CHAPTER V**

**RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES  
OF GOVERNMENT ARE STILL AWAITED**

**-NIL-**

**NEW DELHI;**  
**April 18, 2000**  

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**Chaitra 29, 1922 (S)**

**VIJAY KUMAR MALHOTRA,**  
**Chairman,**  
**Committee on Public Undertakings.**

## APPENDIX I

(Vide Para 2 of the Introduction)

### MINUTES OF THE 6TH SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 10TH APRIL, 2000

The Committee sat from 1600 hrs. to 1630 hrs.

Prof. Vijay Kumar Malhotra — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Maj. Gen. (Retd.) B.C. Khanduri
3. Shri Vilas Muttemwar
4. Shri Rajiv Pratap Rudy
5. Shri Balram Singh Yadav

##### *Rajya Sabha*

6. Shri Suresh Kalmadi
7. Shri Jibon Roy
8. Shri Ranjan Prasad Yadav

#### SECRETARIAT

1. Shri S. Bal Shekar — *Deputy Secretary*
2. Shri R.C. Kakkar — *Under Secretary*
3. Shri Raj Kumar — *Under Secretary*

2. The Committee considered the Draft Action Taken Report on the recommendations contained in the Fifth Report of the COPU (12th Lok Sabha) on 'Pyrites, Phosphates & Chemicals Ltd.—Dehradun Unit' and adopted the same with minor modifications.

3. The Committee authorised the Chairman to present the Report to Parliament after its finalisation.

4. \*\*\*\*\*

*The Committee then adjourned.*

## APPENDIX II

(Vide para 3 of the Introduction)

**Analysis of the Action Taken by Government on the recommendations/ observations contained in the Fifth Report of the Committee on Public Undertakings (Twelfth Lok Sabha) on "Pyrites, Phosphates & Chemicals Limited—Dehradun Unit"**

|  |      |
|--|------|
| I. Total number of recommendations   | 09   |
| II. Recommendations that have been accepted by the Government  | NIL  |
| III. Recommendations which the Committee do not desire to pursue in view of the Government's replies (vide recommendations at Sl. Nos. 3, 4, 5, 6, 7, 8, 9 and 10) | 8    |
| Percentage to total:   | 88.9 |
| IV. Recommendations in respect of which replies of the Government have not been accepted by the Committee: (vide recommendation at Sl. No. 2)                      | 1    |
| Percentage to total:   | 11.1 |
| V. Recommendations in respect of which final replies of the Government are still awaited   | NIL  |