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**STANDING COMMITTEE ON  
PETROLEUM & CHEMICALS  
(1998-99)**

**TWELFTH LOK SABHA**

**MINISTRY OF CHEMICALS & FERTILISERS  
(DEPARTMENT OF FERTILISERS)**

**SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*July, 1998/Asadha, 1920 (Saka)*

**SIXTH REPORT**  
**STANDING COMMITTEE ON PETROLEUM &  
CHEMICALS (1998-99)**

**(TWELFTH LOK SABHA)**

**DEMANDS FOR GRANTS—1998-99**

**MINISTRY OF CHEMICALS & FERTILISERS  
(DEPTT. OF FERTILISERS)**

*Presented to Lok Sabha on 10.7.98  
Laid in Rajya Sabha on 10.7.98*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*July, 1998/Asadha, 1920 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE .....	(iii)
INTRODUCTION .....	(v)
REPORT	
A. Introductory .....	1
B. Review of 8th Five Year Plan and Projection for 9th Plan .....	2
C. Analysis of Demands for Grants .....	6
(i) Fertiliser subsidy under Retention under Retention Price .....	7
(ii) Subsidy on imported Fertilisers .....	14
(iii) Investment in and Loans to PSUs .....	18
(iv) Grant for Rainfed Farming Project .....	25
D. Cost and Time over runs in Projects undertaken by PSUs/Cooperatives .....	26

### APPENDICES

I. Item-wise details of Demands for Grants 1998-99 .....	30
II. Minutes of Fourth sitting of the Committee held on 23rd June, 1998 .....	33
III. Minutes of the Fifth sitting of the Committee held on 2nd July, 1998. ....	37

COMPOSITION OF THE STANDING COMMITTEE  
ON PETROLEUM & CHEMICALS  
(1998-99)

Dr. Balram Jakhar — *Chairman*

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SECRETARIAT

1. Shri J.P. Ratnesh — *Additional Secretary*
2. Shri Brahm Dutt — *Under Secretary*
3. Shri A.K. Shah — *Committee Officer*

## INTRODUCTION

1. I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf present this Sixth Report on Demands for Grants of the Ministry of Chemicals and Fertilisers, Department of Fertilisers for the year 1998-99.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals and Fertilisers, Department of Fertilisers for the year 1998-99 which were laid on the Table of the House on 10th June, 1998.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Department of Fertilisers at their sitting held on 23rd June, 1998.

4. The Committee considered and adopted the Report at their sitting held on 2nd July, 1998.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilisers, Department of Fertilisers for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 1998-99 and for giving evidence before the Committee.

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

NEW DELHI;  
July 7, 1998  
*Asadha* 16, 1920 (*Saka*)

DR. BALRAM JAKHAR,  
*Chairman,*  
*Standing Committee on*  
*Petroleum & Chemicals.*

## REPORT

### A. Introductory

The Department of Fertilisers (DoF) in the Ministry of Chemicals and Fertilisers is entrusted with the responsibility of sectoral planning, promotion and development of fertilisers industry, planning and monitoring of production, import and distribution of fertilisers, management of subsidy for indigenous and imported fertilisers and administrative responsibility for 9 public sector undertakings and 2 cooperative sector units and one undertaking in Joint Sector engaged in production of fertilisers. Besides public sector and cooperative sector units, there are several units in private sector also.

2. The following PSUs/Cooperatives are under the administrative control of DoF:—

#### *PSUs*

- (i) Fertiliser Corporation of India (FCI)
- (ii) Hindustan Fertilisers Corporation of India (HFC)
- (iii) Madras Fertilisers Ltd. (MFL)
- (iv) National Fertilisers Ltd. (NFL)
- (v) Fertilisers & Chemicals Travancore Ltd. (FACT)
- (vi) Project Development of India Ltd. (PDIL)
- (vii) Paradeep Phosphates Ltd. (PPL)
- (viii) Pyrites, Phosphates & Chemicals Ltd. (PPCL)
- (ix) Rashtriya Chemicals & Fertilisers Ltd. (RCF)

#### *Cooperatives*

- (i) Indian Farmer's Fertilisers Cooperative Ltd. (IFFCO)
- (ii) Krishak Bharati Cooperative Ltd. (KRIBHCO)

#### *Joint Sector*

Indian Potash Ltd. (IPL)



## B. Review of 8th Five Year Plan & Projections for 9th Plan

3. The following statement shows approved outlay and actual expenditure for 8th Plan (1992-97) and projected outlay for 9th Plan (1997-2002) as also the approved plan outlay of the first two years of the 9th Plan alongwith Budgetary support:—

Five Year Plan	Approved Outlay	Actual Exp.	Budgetary support
(Rs. in Crores)			
8th Plan (1992-97)	5484.00	4963.01	979.47
9th Plan (1997-2002)	11447.37	—	800.00
1st Year of 9th Plan (1997-98)	1728.38	1359.44	239.78
2nd Year of 9th Plan (1998-99)	2249.20	—	209.20

4. During the evidence of representatives of DOF, the Committee pointed out that the 8th Plan funds could not be utilised fully and the unutilised money was to the extent of Rs. 520.99 crores. It was also pointed out that inspite of repeated recommendations of the Committee made earlier to spend plan outlays uniformly on yearly basis, there has been an unutilised fund to the tune of Rs. 368.94 crores in first year itself of 9th Plan as was the case during 8th Plan. Asked about the reasons for non-utilisation of plan funds during 1997-98, the Secretary, Fertilisers stated:

“I accept the point that whatever expenditure is planned, that should be spent in that year. That is the ideal position. It is not as if the PSUs have become losers. I would like to put it this way. The KRIBHCO have said that in the Iran Project, they would be able to contribute so much amount. In the Iran Project, the negotiations for project financing have not progressed and so, the amount could not be utilised.”

5. The Committee further pointed out that as against the DOF projections of Rs. 14,779.39 crore for 9th Plan, the Planning Commission had approved a plan outlay of Rs. 11,447.37 crore. Asked whether the Deptt. of Fertilisers made any assessment of likely impact on the growth of fertiliser sector on account of less approved plan outlay for the 9th Five Year Plan, the DOF in a written note informed:

“The growth of fertiliser sector is largely dependent on new projects, which are taken up by the PSUs out of their internal and borrowed resources. PSUs of the Department are in a position to raise requisite resources for the new projects proposed in the Ninth Plan. It should be possible to secure Planning Commission’s approval for suitable enhancement of the Ninth Plan outlay for those PSUs which are not dependent on budgetary support, on the basis of review of the progress of generation of resources and the progress of implementation of new projects/schemes.”

6. The Committee also enquired about the steps being taken to utilise fully the approved plan outlay for the current year and whether necessary planning had been done for the purpose. The DOF in a written note informed:

“The approved outlay for Annual Plan 1998-99 is Rs. 2249.20 crores. It consists of an outlay of Rs. 14.58 crores for the schemes of the Department of Fertilisers and Rs. 2234.62 crores for the schemes/projects of PSUs. The budgetary support for the Annual Plan of the PSUs is Rs. 194.62 crores. (comprising Rs. 155.50 crores of domestic budget support and Rs. 39.12 crores of external aid). The remaining outlay of Rs. 2040 crores will be funded through the internal and borrowed resources of the PSUs.

The Chief Executives of the PSUs have been advised to expeditiously sanction new projects, which fall within their delegated powers. The Deptt. of Fertilisers has been following up and monitoring the approval for new projects at the Govt. level.”

7. The Committee also wanted to know as to what extent the non-utilisation of funds in 8th Plan as also during 1st year of Ninth Plan had adversely affected the creation of additional capacity of fertilisers in PSUs/Cooperative units. The DOF in a written note informed:

“The targets of installed capacity set for the terminal year of the 8th Plan (1996-97) and the projections made by the Working

Group on Fertilisers for the first year of the 9th Five Year Plan (1997-98) along with the actual realisations in these years are tabulated below:

### Installed Capacity of Fertiliser Nutrients

(In Lakh Tonnes)

	1996-97		1997-98	
	Target	Actual	Target	Actual
Nitrogen (N)	109.40	97.77	108.18	104.98
Phosphate (P)	31.00	29.05	31.30	29.51

The Report of the Working Group on Fertilisers for the 9th Plan had envisaged the completion of the following projects during 1997-98:

(In Lakh Tonnes)

S. No.	Name of the Project	Incremental Installed Capacity	
		N	P
1.	IFFCO, Phulpur (Expansion)	3.34	—
2.	IFFCO, Kalol (Expansion)	0.69	—
3.	Nagarjuna Fertilisers, Kakinada (Expansion)	2.28	—
4.	RCF, Thal (Retrofit Phase II)	1.26	—
5.	NFL, Nangal (De-bottlenecking)	0.98	—
6.	Hindustan Lever Ltd. (Expansion)	0.36	0.92
7.	DAP Project of Indo-Gulf	0.36	0.92
8.	Pipe Reactor Project of Fact	0.24	0.24
	Total	9.51	2.24

Of these, the first three projects have been implemented and have started production. RCF, Thal Retrofit is expected to be commissioned in 1998-99. Necessary approvals for NFL, Nangal (de-bottlenecking) are expected during the course of 1998-99. The Pipe Reactor Project of FACT is yet to be approved by the Board of Directors.

As fertiliser projects generally have a long gestation period, the investments made in a particular year do not have a direct correlation with the capacity addition in that year.

8. In this context, the Committee also wanted to know whether the Deptt. was satisfied with preparedness of PSUs/Cooperatives to take up and implement the projects planned for 9th Five Year Plan, The DOF in a written note informed:

“An indicative outlay of Rs. 11447 cr. has been provided in the Draft Ninth Five Year Plan for the Department. The bulk of this outlay (Rs. 8448 Cr.) has been provided for the major projects of PSUs/Cooperatives, Apart from satisfying itself as to the availability of resources and securing necessary approvals for these projects, Deptt. has taken steps to strengthen the project implementation and monitoring set up in the undertakings. The measures taken include, nomination of Nodal Officers responsible for the timely implementation of the projects and institution of a mechanism for information sharing amongst PSUs/Cooperatives to ensure that the deficiencies noticed in project implementation do not recur.

The undertakings are also implementing other schemes for capital investment which are in the nature of renewals, replacements, modernization, de-bottlenecking and for strengthening of infrastructure. These schemes are regularly monitored by Govt. nominee directors in the meetings of the Boards of Directors of the PSUs/Cooperatives.”

9. The Committee are constrained to note that even after repeated recommendations made by the Committee in their 18th Report (Tenth Lok Sabha) and 11th Report (11th Lok Sabha) for uniform utilisation of Plan outlay during 9th Plan period (1997-2002) there is an unutilised funds to the tune of Rs. 368.94 crores during 1997-98, (the first year of the 9th Plan) out of the approved outlay of Rs. 1728.38 crores. In Committee's view such huge outlay unutilised funds might have affected the growth in fertiliser industry. The Secretary,

Fertilisers candidly admitted in his deposition before the Committee that ideally whatever expenditure is planned that should be spent in that year. The Committee once again emphasize the need for synchronising the project planning and implementation so that plan funds are spent uniformly over the plan period. This will ensure planned growth of the fertiliser industry.

(Recommendation Sr. No. 1)

10. It came out during examination that as against the DOF projections of Rs. 14,779 crore, for 9th Plan, Planning Commission is reported to have approved an outlay of Rs. 11,447 crore. Since PSUs/Coop. would be in a position to raise resources for the proposed projects, the Deptt. has expressed optimism in securing planning Commission's approval for suitable enhancement of Ninth Plan Outlay. Since the 9th Plan is already in progress, the Ministry should take up the issue with Planning Commission urgently so that all PSUs etc. are clear as to what projects/schemes they are expected to complete during 9th Plan.

(Recommendation Sr. No. 2)

### C. Analysis of Demands for Grants of DOF for 1998-99

11. Detailed Demands for Grants of the Deptt. of Fertilisers (Demand No. 6) laid on the Table of Lok Sabha on 10th June, 1998 makes provision of Rs. 7600 crores. The item-wise details are given in Annexure-I. The main items are as under:—

	(Rs. in crores)
(i) Subsidy on indigenous fertilisers	6000.00
(ii) Subsidy on imported fertilisers	983.00
(iii) Funds for HFC	218.00
(iv) Funds for FCI	305.00

(Head-wise Demands are dealt within subsequent paragraphs of the Report)

*Major Head 2852*

**(i) Fertiliser subsidy-Payment under Fertiliser Retention Price Scheme/  
Freight Subsidy**

12. Fertilisers subsidy both for indigenous and imported nitrogenous (Urea) fertilisers is provided in Demands for Grants of Deptt. of Fertilisers. Difference between cost of production of Urea as assessed by FICC (known as retention price) and statutorily fixed sale price is paid as subsidy to the manufacturers. For decontrolled Phosphate (P) and Potash (K) fertilisers special (ad hoc) concessions are separately provided in Demands for Grants of the Ministry of Agriculture & Cooperation.

13. The quantum of subsidy on Urea during 1996-97 and 1997-98 has been Rs. 4743 crores and Rs. 6600 crores. The proposed amount for the same has been fixed at Rs. 6000 crores for the current year *viz.* 1998-99. The fertiliser-wise break-up is as under:—

(Rs. in crores)

Year	N	P*	SSP*	Total	Pay- ment of under Freight Subsidy	Others Clmn. (5, 6 & 7)	Total
1996-97 (Actuals)	4075	25	1	4101	610	32	4743
1997-98 (B.E)	4447	55	2	4504	700	36	5240
1997-98 (Rev.)	5840	72	2	5914	668	18	6600
1998-99 (B.E.)	5424	—	—	5424	517	59	6000

\*These are for the period prior to August, 1992. Thereafter *ad hoc* concessions are provided by Ministry of Agriculture on these fertilisers.

14. During the course of examination the Committee pointed out that the above quantum of subsidy was based on the estimates of

price hike of Rs. 50 per bag as announced in the Budget. However, the proposed hike was withdrawn. Asked about the additional estimates of subsidy required with the withdrawal of hike of urea prices, the DOF in a written reply stated:

“The withdrawal of the hike in urea price will necessitate an additional provision of Rs. 1650 crore in the current year. We would seek to augment the Budget provision through supplementary demands.”

15. Enquired further whether DOF had any role in suggesting hike in price of fertilisers, the DOF in a written note informed:—

“The sale prices of controlled fertilisers are fixed by the Ministry of Agriculture. The Deptt. of Fertilisers was not consulted with regard to the price changes effected in respect of controlled fertilisers during the last fortnight.”

16. The Committee also pointed out the reported higher claims of subsidy by the fertiliser units by showing higher capacity utilisation. Asked about the reasons for it, the Secretary, Fertilisers stated during evidence:

“Regarding the issue of gold-plating, it is not as if they are not producing actually. What happens is that the capacity declared is lower than their capacity to produce actually. To get more of retention price, somebody says that his capacity is 100 and then tries to produce 90 per cent of that. His capital related charges would be taken into account on that basis. And then he produces more to get the benefit for the extra production. So, actual production does take place.”

17. A representative of DOF further clarified:

“Excess capacity utilisation has been the problem. This concern was expressed in the Joint Parliamentary Committee. The JPC earlier had recommended in 1992 that capital related charges should not be paid for more than 110 per cent capacity utilisation. This has also been addressed in the Hanumantha Rao Committee Report. We are processing the recommendations of this Committee. A few units have been functioning, which have more than 130 per cent capacity utilisation or something like that. So, they are getting extra profits.”

18. The Committee also pointed out that the prices of P&K fertilisers were much higher than the urea prices and on account of which farmers tend to use more urea. Asked about the steps taken to ensure balanced use of fertilisers, the Secretary, Fertilisers stated:

“The observations made by you are very important. While there are lot of variations known about per hectare consumption of fertilisers in different parts of the country, I think many-sided efforts are required in which the Agriculture Ministry and the State Governments have to play an important role. The fertiliser industry, including our companies are playing their role of educating farmers.”

19. The witness further informed:

“As a marketing effort also, they have been helping in soil testing schemes and they are recommending the doses. So, as a producer of fertilisers, our companies are involved in it. Basically, this needs to be done in an integrated manner.”

20. The following table shows the N:P:K ratios during the last 7-8 years:

Year	Consumption Ratio
1989-90	4 : 1.53 : 0.59
1990-91	4 : 1.60 : 0.67
1991-92	4 : 1.63 : 0.68
1992-93	4 : 1.35 : 0.42
1993-94	4 : 1.21 : 0.42
1994-95	4 : 1.24 : 0.48
1995-96	4 : 1.18 : 0.47
1996-97	4 : 1.15 : 0.43
1997-98 (Prov.)	4 : 1.15 : 0.43



21. On being pointed out by the Committee that as per Finance Minister's Budget speech the N : P : K ratio which was 5.9 : 2.4 : 1 in 1991-92 has risen to 10 : 2.9 : 1 in 1997-98, the witness explained:

"Sir, it is true that the information we have given in our reply is with reference to 4 : 2 : 1. So, we have said that what is happening with reference to four itself and how things are changing. That is a matter of presentation. It would be different all the time, but here we followed a certain presentation pattern and the difference is because of that."

22. Explaining the reasons for high use of (N) Urea, the Ministry stated in a note:—

"As would be seen, the N : P : K ratios were improving gradually till 1991-92. After decontrol of phosphatic and potassic fertilisers, there was a sharp change in N : P : K ratios which got distorted to 4 : 1 : 35 : 0.42 in 1992-93. Since the consumption of phosphatic and potassic fertilisers [which was going @ 10.74% and 8.38% in the pre-decontrol period] did not show resurgence and after initial decline has remained stagnant since 1994-95, the ratios moved to 4 : 1.15 : 0.49 in 1996-97. Besides, the non-price factors which also affect the use of fertiliser, both absolute and relative price of various fertilisers have bearing on their consumptions. Balanced fertilisation requires appropriate price parity among different fertilisers. With this in view, the Government hiked the concessions on de-control fertilisers substantially during 1997-98 to bring them within the affordable reach of the farmers and to spur their consumption."

23. In the context of pricing of N.P.K fertilisers, the Secretary, Fertilisers stated:—

"It (pricing) also plays an important part and is a very important factor. Therefore, the High-Powered Committee has also made certain recommendations about relativity of pricing of NPK. That is perhaps another relevant factor like. What is the right price? Of course, different countries subsidise their farmers in different ways. The rich countries subsidise their farmers in terms of exports, like USA and Scandinavian countries. Of course, in our country, perhaps, the Agriculture Ministry would be the best

judge for it. But I would submit that the point of relative prices of NPK is very important."

24. He further added:—

"One factor that is always there is: Can we reduce the cost of production? But this as limitations. The new plants which are gas-based, are run efficiently. The basic thing is: what is the farm-gate price? The Hanumtha Rao Committee has recommended that it is the Govt. which has to decide about the affordable price for the farmers. You may recall discussion held earlier this morning. One has to think in terms of relative pricing of NPK also. Now, how should it be done? It is a question which is important from the Govt. point of view also as there is a question of how much subsidy the Govt. can afford from the Budget? How much will be the budgetary support? A balance perhaps would always need to be struck.

When the decontrol of fertilisers was done, in the case of phosphate and potash the prices went up and the consumption definitely went down. Last year after a long gap, the consumption of DAP has been more than 50 lakh tonnes. It is 50 per cent increase over the proceeding year. It is because of the success of the concessions scheme last year. MOP consumption is also about 22 lakh tonnes. One can see that the farmers last year at the price of Rs. 8,300 tonnes—which was the MRP last year—could consume 50 lakh tones. Then perhaps, it was the right thing."

25. The Committee also pointed out the over the years it has been observed that for balanced use of fertilisers, DoF and its Fertilisers Companies were not making desired efforts. In this context the Committee also drew the attention of the representatives of DoF over the fact that over the years activities of Fertiliser Promotion and Agricultural Research Division are also not satisfactory and its agronomists were without job. The witness stated:—

"Sir, I would like to submit, with humility, that the Deptt. of Fertilisers is not the nodal department for balanced application of fertilisers. We are conscious that our companies should do whatever they can do about it. Our Companies are producing urea and so, they naturally would like to sell urea wherever

they can. Of course, there are some companies in the phosphatic fertiliser sector; PPL is there and they sell DAP. They try to promote their products and sell. The Potash (MOP) fertiliser is totally imported. IPL and some other companies import this fertiliser."

26. At this the Committee also wanted to know that whether a well coordinated approach could be adopted by DoF with Ministry of Agriculture, for example by way of transferring of lab to land technologies etc. with a view to maintain fertility of soil, the witness stated:—

"Sir, you are absolutely right. Our companies, as part of their commercial activities, are taking up these programmes. For example, IFFCO spends about Rs. 12 crore on these programmes and KRIBHCO also does that. Madras Fertilisers Ltd. is doing that. Many companies are doing that. I think you will appreciate that as commercial undertakings, they can only allocate certain funds for these programmes."

27. The Committee pointed out that on the one hand there was great need for educating the farmers about balanced use of fertilisers and other related matters and on the other the activities of Fertiliser Promotion and Agricultural Research Division of HFC had been closed down. This division was reportedly working in the areas of Bihar, Orissa, West Bengal, Assam and North Eastern Region. The Secretary, Fertilisers stated that it was part of HFC, which was a sick unit.

28. When asked further that it the responsibility of the Govt. to carry out the farmers education related activities, the witness stated:—

"Sir, if you could kindly permit me to say I think whatever our Companies are doing, they should keep some portion of profits for this purpose as the Government will not have the funds."

29. DoF had also informed that in order to review the existing system of subsidisation of urea, the High Powered Fertiliser Pricing Policy Review Committee submitted its report to Govt. on 3rd April, 1998. Based on recommendations of the panel, action had been initiated for inter-ministerial consultation and dialogue with industry was in progress for bringing out a new pricing policy. The Committee wanted to know by when the inter-ministerial consultations would be over for enabling the Govt. to take final decision on the recommendations of the Expert Committee, the DoF in a written note stated:—

"The process of inter-ministerial consultations in regard to the recommendations of the High Powered Fertilisers Pricing Policy Review Committee is expected to be completed during August 1998."

30. The Committee note that an amount of Rs. 6000 crores has been provided for payment under Fertiliser Retention Price (Urea) Scheme and for freight subsidy. The actual subsidy under the 'head' during 1996-97 was Rs. 4743 crore which rose to Rs. 6600 crore in 1997-98. With the withdrawal of proposed hike in urea prices the budget provision of Rs. 6000 is low and DoF would seek Rs. 1650 crore more through supplementary demands. Since this amount is meant for helping farming community, the Committee approve the same. The Committee are however, astonished to find that admittedly some of fertiliser units claim more subsidy by manipulating their capacity. Even though this fact was brought to the notice of the Government by JPC on Fertiliser Pricing as back as 1992, the Committee fail to understand as to why Government has not yet been able to take any corrective steps. The Expert Committee (Hanumantha Rao Committee) is also reported to have brought out this fact, which stated to be under examination of the Government. The Committee would urge upon the Government to examine this aspect early so that Government money meant for poor farmers does not become a regular source of undue benefit for some fertiliser units.

(Recommendation Sl. No. 3)

31. Even though this Committee had recommended as back as 1993 (3rd Report 10th LS) to review the pricing pattern of NPK fertilisers for correcting the imbalanced use of NPK fertilisers, the Government did not take any concrete measures in the matter. With the receipt of recommendations of the Hanumantha Rao Committee, the issue has once again come to the force. As against the ideal ratio of 4 : 2 : 1 for use of NPK, the actual usage was 10 : 2.9 : 1 in 1997-98. The Committee find this situation an alarming one and accordingly strongly recommend that the issue must be examined urgently in consultation & coordination with Ministry of Agriculture for taking a concrete decision in the matter.

(Recommendation Sl. No. 4)

32. Admittedly there is need to have farmer service Centres by manufacturing fertiliser units. The Committee regret to note even though there are not too many units in eastern region, the activities of Fertiliser Promotion and Agricultural Division of HFC are lying closed due to lack of funds. Since the technical manpower for the Division is still on the roll of HFC the Committee recommend that

Government should provide necessary funds to restart its activities. The Committee would await Government specific decision in the matter.

(Recommendation Sl. No. 5)

33. The Committee also note that fertiliser industry is keenly awaiting the Government decision on High Powered Fertiliser Pricing Policy Review Committee which submitted its report to Government in April, 1998. According to DOE, inter-Ministerial consultations would be completed by Aug. 1998 and thereafter Government would take decision on implementation of the Report. Since future investment decisions in the fertiliser sector would flow from the Government decisions, the Committee desire that consideration of the recommendations of the Expert Committee Report should be expedited and action be taken. The Committee would like to be apprised of the decisions taken by Government in this regard.

(Recommendation Sl. No. 6)

*Major Head 2852*

**(ii) Subsidy on Imported Fertilisers**

34. The following table shows the amount for earmarked subsidy for import of fertilisers (urea) and recoveries made on this account for the years 1996-97, 1997-98 and proposed for 1998-99:—

Year	Amount for Import	Recoveries	Net Subsidy on im- ported Fertilisers
		(Rs. in crores)	
1996-97 (Actuals)	2184	1021	1163
1997-98 (B.E.)	2862	912	1950
1997-98 (R.E.)	1691	865	826
1998-99 (B.E)	1740	757	983

35. The production, consumption and imports of urea during last 5 years have been as under:—

(in lakh tonnes)

Year	Capacity	Production	Consumption	Imports
1993-94	157.68	131.48	158.1	27.83
1994-95	161.75	142.83	171.12	28.7
1995-96	169.03	158.2	179.09	37.85
1996-97	178.57	156.2	190.25	23.03
1997-98	192.92	185.96	200.08	23.89

36. As regards the reduction in subsidy on imported urea during 1997-98, DOF informed that import requirements went down on account of which a saving of about Rs. 1100 crores was made on net subsidy.

37. As regards the estimates of import for current year, DOF stated:—

“The imports of urea during 1997-98 were 23.89 lakh metric tonnes. The imports of urea are made to bridge the gap between demand and indigenous availability. The size of imports is dependent upon a variety of factors like evolution of demand, trends of indigenous production and consumption, progress and distribution of monsoon-rains etc. The estimates of import for urea for the year are made first in the month of January. These are reviewed and adjusted as the season progresses. For the year 1998-99, imports of 2.50 lakh metric tonnes of urea have been contracted so far.”

38. In this context the Committee also enquired whether in view of falling rupee value, exchange fluctuation/variation component had been taken care of while preparing the import budget, the DOF in a written note stated:—

“At the time of preparation of the Budget Estimates for imported urea, exchange rate of 1 US\$ = Rs. 38.00 was taken for the

estimated quantum of imports. A subsidy provision of Rs. 983 crores has accordingly been made in the Budget.

The devaluation of the rupee, which has taken place now, was not envisaged and was not provided for. However, the current budget provision should be adequate as the increase in requirement on account of depreciation of rupee would by and large be offset by the reduced requirement of imports and low international price of urea *vis-a-vis* those estimated."

39. During evidence, the Committee also referred to the much talked about policy of cheaper imports of fertilisers as compared to indigenous production in view of steep fall in international price of fertilisers. Enquired whether DOF was considering to review the policy of preferring imports to augment indigenous capacity from the angle of food security and present conditions of sanctions etc. The Secretary, Fertilisers informed:—

"The question that was put about the present environment and the need to have re-look at it from what we consider appropriate for food security or fertiliser security. This is a very good observation. This is a thing which the Department alone will not be able to do it has to be an inter-Ministerial effort. The Hanumantha Rao Committee has recommended that this issue has to be examined on a year-to-year basis because even if we say what the demand is going to be five years hence, the project shall has to be sanctioned now and then only it will come up by that time. Therefore, the Fertiliser Policy Promotion Board to be headed by an Expert, should decide about it. I think, that such a mechanism is very necessary for this. And then, perhaps, emerging situation can always be kept in view by that body to decide the right targets for capacity additions within the country."

40. The Committee also wanted to know the progress in legal proceeding relating to NFL, Karsan import (of urea) deal where NFL's Rs. 133 crores is yet to be recovered, CMD, NFL stated:—

"There are two proceedings which are on. One is criminal proceedings, which the CBI is handling. As far as we are concerned, as per the contract we have gone for Arbitration. The Arbitration has been completed and the Award is expected some time in August-September."

41. The Committee also wanted to know the names of the accused against whom charge-sheet had been filed by CBI on 26.12.97. A representative of DOF stated:—

“In the case in which the CBI has filed the charge-sheet, the man accused are the then Managing Director, Shri Ramkrishna, the former Executive Director (Marketing) Shri Kanwar. The third person is Shri Sambasivarao of Sai Kishor Impex Private Limited, Hyderabad. Shri B. Sanjeeva Rao is also from Hyderabad. Besides these four people, we have two from Karsan Limited of Turkey. They are in Tihar Jail these days. They had been extradicted from their to our country. They were caught in Switzerland. They are Mr. C. Karanci and Mr. Tuncay Alankush. Third person is from London whose extradition proceedings are in progress. He is A.E. Pinto. These are the main accused in the case in which first charge-sheet has been filed.”

42. Explaining it further, DOF in a note stated:—

“The irregularities in the contract signed by M/s. National Fertilisers Ltd. (NFL) for import of 2 lakh MTs of bagged urea from M/s. Karsan Limited (Karsan) were investigated by the CBI. A chargesheet has been filed on 26.12.97 against 9 persons, including the former Chief Executives of NFL. The court of Special Judge, Delhi has taken cognizance of the offences mentioned in the chargesheet and the trial is in progress.

2. In course of the investigation, certain amounts of money traced back to Karsan, its executives and the intermediaries in the deal have been frozen/attached. These include an amount US\$ 7.86 million lying in a Swiss Bank and an amount of US\$ 380,000 is deposited with the State Bank of India. An immovable property in Hyderabad reported to have been purchased by one of the accused out of kickbacks from the deal has also been attached. Various legal formalities have to be gone through before these sums and property are released in favour of NFL.

3. Apart from the criminal proceedings, arbitration proceedings under the contract with karsan were initiated by NFL. The proceedings before the Arbitration Tribunal at Amsterdam have been completed in May, 1998 and the award is expected in August/September, 1998. NFL is hopeful that the award of the tribunal will be in its favour.”



43. The Committee find that for the year 1998-99 apart from subsidy provision of Rs. 6000 crores under Fertiliser Retention Price/ Freight Subsidy Schemes, a provision of Rs. 963 crores has been provided for subsidy on imported urea. According to DOF the current budget is considered adequate to meet the requisite demands of imports. The Committee expect from the Deptt. that it would utilise this money properly ensuring availability of fertilisers at the reasonable prices.

(Recommendation Sl. No. 7)

44. The Committee note that the quantum of imports of fertilisers ranged between 23 lakhs tonnes to 37 lakh tonnes in the last 4-5 years. Due to increased demand of fertiliser the imports are also likely to increase manifold. The representatives of DOF agreed to the suggestion of the Committee to look into the policy aspects of becoming self-reliant fertilisers wherein giving a go-by to existing practice of resorting to greater import of urea. In Committee's view this is essential from the point of view of national food security and becoming self-reliant. The Committee would like to be apprised of the outcome after examining the issue in its all ramifications.

(Recommendation Sl. No. 8)

45. The Committee note that in regard to NFL, Karsan import deal both criminal and arbitration proceedings are still going on. The proceedings before the Arbitration Tribunal at Amsterdam have been completed in May, 1988 and award is expected in August/ September, 1998. NFL is also expecting that award will go in their favour. The Committee would like to know the result of both criminal and arbitration proceedings in due course. The Committee trust that necessary action would be taken bringing the guilty to book.

(Recommendation Sl. No. 9)

*Major Head 4855/6855*

**(iii) Investment in and Loans to PSUs**

46. As against the investment of Rs. 87.50 crore in 1997-98 the proposed investment amount for various PSUs under DOF is Rs. 66.75 crore for the current year *viz.* 1998-99. Apart from investments, the

Govt. has been providing plan and non-plan loans to PSUs under its administrative control like HFC, FCI, MFL etc. Quantum of such investments and loans has been as under during the last years:—

(Rs. in crore)			
Year	Plan	Non-plan	Total
1996-97 (Actuals)	188.90	440.34	523.24
(1997-98) (B.E.)	138.00	420.34	558.34
1997-98 (revised)	105.88	406.49	512.37
1998-99 (B.E.)	127.87	400.00	527.87

47. PSU-wise proposed allocation for the current (1998-99) year is as under:—

(Rs. in crore)				
PSU	Investment	Plan Loan	Non-Plan Loan	Total
FCI	24.00	24.00	257	305
HFC	37.00	38.00	143	216
PDIL	—	—	—	—
PPCL	0.75	0.75	—	1.50
PPL	5.00	5.00	—	10.00
MFL	—	21.00	—	21.00
FACT	—	39.12	—	39.12

48. HFC and FCI units were declared sick and referred to BIFR in 1992. In this context the Standing Committee on Petroleum & Chemicals in their several reports relating to DOF during 10th Lok Sabha and 11th Lok Sabha had been repeatedly recommended expeditious approval and implementation of revival packages for sick units of HFC/FCI. However, the same has not been finalised so far. However, in pursuance for Committee's recommendations revival package for Namrup units of HFC had been approved and being implemented and arrangement for various inputs and term loans from financial institutions were being tied up. During the course of evidence the Committee wanted to know the time frame for finalisation of rehabilitation package of remaining units of HFC and FCI. The Secretary, Fertiliser replied:—

“We are sad that we have not been able to do much for these sick companies. Not that CMD. FOI, Shri Rai or these people are not on the job. Yes, the Committee has been recommending for the last two years or so. I have also been here for more than one and a half years. Before me, my predecessor have also been here. But I can assure you that we have been on the job. I had an occasion last time before this Committee to talk about these proposals. The proposals was for adopting a unit by unit approach. The cases were submitted to the Cabinet. Now, they have to be considered for action. The case of Namrup only was approved. The other cases were deferred. Now, I can assure the hon. Members that we will be submitting the proposals or the cases of the remaining units of HFC and FCI to the Cabinet after seeking the Minister's approval.

In fact we are on the job and may be we will be able to submit this within one or two months' time.”

49. When the Committee drew the attention of witness about earlier assurances made by the DOF before the Committee about approval of revival packages, the witness stated:—

“Sir, last time, we said that it is a question of resources availability and what it will be now. I can only submit here that decisions are not only within the Department. It is a question of total resources as we have said in the beginning itself.

As I submitted earlier that, if we do not take action in time when what happens is that on the non-plan side, we spend so

much on Sindri, Barauni, etc. just to keep them running. But at the same time, if timely action would have been taken, things could have been different from what they are today. We have done unit by unit analysis and we will submit the proposals to the Government. Depending upon the resources and the decisions that the Government gives, we will proceed further. I can only submit that here, we will not delay it any longer. We have not done it. Last time also, we submitted a proposal."

50. The Committee also wanted to know whether any further delay in completing the process of reviewing the proposals would lead to further cost escalation (Project costs already increased from Rs. 2200 crore to Rs. 3500 crore due to delay in decisions) the DOF in a written note informed:—

"It is true that rehabilitation costs of sick units are likely to increase with the efflux of time. It is, however, submitted that the scope of the revamp of the six functional units of HFC and FCI, which was approved in principle by the Government in April, 1995 was not the same as envisaged in the revamp proposals formulated by the Expert Group in February, 1997. The Expert Group estimates were based on a comprehensive study of the functional units assigned to an independent consultant to address the concerns expressed by the Operating Agency in regard to the technical viability of the revamp proposals approved in April, 1995."

51. Asked about the time frame for implementation of rehabilitation package for Namrup units of HFC, DOF in a note stated:—

"The time frame for implementation of rehabilitation package for Namrup units of HFC is 30 months from the assumed zero date 1.7.98.

During the last 3 years, the average annual production of urea from the Namrup-III unit, which also utilises the ammonia produced by the Namrup I unit, has been around 1.90 lakh MT. The Namrup II unit has not been able to resume production on account of feedstock limitations since October, 1994. After implementation of the revival package, the Namrup units are likely to produce 5.30 lakh MT of urea per annum (3.08 MT by Namrup III and 2.22 lakh MT by Namrup II)."

52. The Committee note with dismay that despite repeated assurances to the Committee revival packages for sick units of HFC/ FCI (except Namrup units) have not so far been finalised. During the course of evidence the Secretary, Fertilisers once again promised before the Committee that within one to two months time the proposals will be submitted before the Cabinet for approval. The Committee sincerely hope that the Govt. would finally come out with the approved proposals within the specified time for early, revival of HFC/FCI units. The Committee expect from the Government that all matters regarding evaluation and approval of revival packages of HFC/FCI units would be sorted out within a 3 months time. They would accordingly await a compliance report from the Government in this regard. The Committee hope that the assurances given by the Secretary, Fertilisers will not remain on paper like the assurances given by the Ministry, on earlier occasion. The Committee would also like that operations at Durgapur unit of HFC, which were stopped last year may be restarted at the earliest.

(Recommendation Sl. No. 10)

53. The Committee have been informed that rehabilitation programme of Namrup units will start from 1st July, 1998 and it will be completed within 30 months from this date. The Committee desire that Govt. should make necessary funds available so that long awaited revival package is not in any way is hampered due to lack of funds.

(Recommendation Sl. No. 11)

54. In the context of KRIBHCO's proposal for setting up a new project at Gorakhpur (at the site of FCI Plant), the Committee enquired about the latest position in this regard and whether KRIBHCO was in a position to fund this project, DOF in a note informed:—

“KRIBHCO's proposal to set up a new ammonia-urea plant at the site of FCI's Gorakhpur unit was granted first stage clearance on 21.10.97. The Detailed Feasibility Report (DFR) of the project, which envisages the production of 7.26 lakh tonnes per annum of urea at revised estimated cost of Rs. 1370.85 crore, was considered in the Pre-PIB meeting held on 17.3.98.

KRIBHCO propose to finance the project with a debt equity ratio of 2 : 1. The equity requirement of Rs. 456.95 crore will be met by KRIBHCO's internal generation and contributions from cooperative societies, while the debt component of Rs. 913.90 crore will be arranged through financial institutions and banks.”

55. The Committee further referred to the reply in Rajya Sabha on 25th July, 1997 wherein the then Minister informed:—

“At present there is no project of KRIBHCO under implementation in the country. However, KRIBHCO’s proposals to set up Ammonia-Urea plant at the existing site of FCI at Gorakhpur at an estimated cost of Rs. 1270 Crore and a third Ammonia-Urea stream at Hazira Gujarat have been submitted for investment approved under prescribed clearance procedure.”

56. The Committee also pointed out that Durgapur unit of HFC was closed due to funds requirements of only Rs. 40 crores and enquired as to why cash rich sister organisations like KRIBHCO, which was not having any ongoing project could not help Durgapur unit, the Secretary, Fertilisers stated:—

“Sir, there is no lack of transparency in this matter. The hon. Member has party answered the question himself. The Board of the Company keep on reviewing its decisions. In the case of IFFCO, Nellore they had provided certain amounts; they had provided for ICS joint venture, but it could not be cleared. In the case of KRIBHCO, they had provided money for many projects; not just the ones which the hon. Member has said. At the stage when the outlay is proposed by the company, the Board of Directors keep on taking more and more decisions. They take decisions about how to invest and on what projects. Our job in the Department will be to pursue the cases for their approvals. Certain proposals also drop out here. But I would like to assure you, Sir and the Committee that whatever the proposals are—whether it is for providing help during negotiations with Iran or KRIBHCO’s case of Hazira Expansion or about the PIB proposal, etc.—We are taking all the steps. Only on two issues about—the question of retention price schemes and the question of level of food security within the country—there is an inter-ministerial discussion that is taking place. Otherwise, I would like to say that we are doing our best to pursue the projects.”

57. When asked whether Govt. nominee on the Board of KRIBHCO could not plead for seeking help for sick units like Durgapur unit, the witness stated:—

“Yes, our representative is there. In KRIBHCO, perhaps there will be 20 Directors and our nominee may be one or two.”

58. The Committee further pointed out when KRIBHCO could go for taking over sick units in private sector (like Mangalore Chemicals & Fertilisers) then why they should not come forward to help a sick PSU. The Secretary, Fertilisers explained:—

“Even if one makes an offer, it has to be accepted by BIFR. ...

At that point of time, the KRIBHCO Board decided like that. When the operating agency had invited the bids for the take over of this sick unit, then the KRIBHCO also made the bid. KRIBHCO came to the Government and Government said that they can do that as far as the approvals under the RPS are concerned, these would be considered later on at that point of time when the bid has been accepted. Now, why they showed the interest? It was because they thought that if they are able to get that company on good terms, it would be in the corporate interest and they thought about the diversification aspect of it. That was their interest indicated by KRIBHCO. They thought in terms of power project. They said, “Yes, we have an obligation towards the farmer, we can think in term of setting up the power project.” Sir, it is a cooperative body in which so many cooperative directors are also there. As the hon. Member said, it is rate of casualty of the projects on which they have to think more. The project have not fructified. So it may be that the planning side of the project needs to be improved like the IFFCO which have been pursuing whatever they have been thinking. But at the same time, I would like to assure that KRIBHCO is a good company. KRIBHCO’s management is good and they are actively pursuing the proposals within the country like in Hazira and Gorakhpur.”

59. The Committee have been informed that KRIBHCO is in process of setting up a new ammonia-urea plant at Gorakhpur. The first stage of clearance for this project has been obtained in October, 1997. A pre-PIB meeting has also considered the project in March, 1998. The Committee feel that progress in project clearance has rather been slow. They accordingly, recommend that this should be expedited.

(Recommendation Sl. No. 12)

60. The Committee note that even though KRIBHCO is a cash rich fertiliser Co-operative unit under DOF it has not taken up any

project during the least 2-3 years. The Committee are astonished to find that although KRIBHCO was willing to take over a sick private sector fertiliser unit, it has not shown any eagerness to help reviving or operating sick units of HFC/FCI. A mere assistance/gesture of Rs. 40 crore from KRIBHCO could have kept Durgapur unit of HFC running which is located in a region where fertiliser availability is much less than the requirements. The Committee are also not fully satisfied with the contention of the Secretary, Fertilisers the KRIBHCO's Board was alone could decide such matters. Technically it could be a correct position, but considering Govt. equity and control over the functioning of KRIBCHO, the Committee are of the opinion that a little will of the Government could have done wonders. They accordingly would like the Govt. to ask cash rich PSUs/Cooperatives under them to help the sick units to the extent feasible and possible.

(Recommendation Sl. No. 13)

*Major Head 2852*

**(iv) Grant to KRIBHCO for Rainfed Farming Project**

61. In the Demands for Grants of DOF for 1998-99, the following provisions have been made under ODA assisted Rained Farming Project Programme, which are be undertaken through KRIBHCO:—

Year	(Rs. in crores)
1996-97 (actuals)	3.50
1997-98	6.58
1998-99	10.08

62. These grants were first utilised through HFC from 1989 to 1995 and from April, 1995 onwards, these are utilised through KRIBHCO.

63. The Committee regret to note that even though HFC has been facing financial constraints and uncertainty, DOF has not supported it for carrying out activities through foreign assisted programmes making HFC' workforce idle. The Committee, therefore strongly recommend that as and when foreign aided project are finalised (one such project of Rs. 55 crore was under negotiation in



1996 with ODA Funding) HFC, which has got a separate Fertiliser Promotion and Agricultural Research Division, should be associated with such projects so as to utilise its trained cadre.

(Recommendation Sl. No. 14)

#### D. Cost and Time over-runs in projects undertaken by PSUs/Cooperatives

64. It came out during examination that there have been cost escalations in some of the fertiliser projects completed in the recent past. these are as under:—

Project	Implementing Organisation	Org./Cost	Actual cost	Cost Escalation (Rs. in crores)
I. Kalol expansion Project (Started production on 31.8.97)	IFFCO	119	149	30
II. Phulpur expansion (Started production on 22.12.97)	IFFCO	993	1190	197
III. Vijaipur expansion (Started production on 31.3.97)	NFL	987	1067	80
IV. MFL Revamp Project (Started production on 1.1.98)	MFL	487	549	62
V. Ammonia replacement	FACT	618	642	24*

\*There was time over-run of 12 months also.

65. The Committee enquired from the Ministry whether they had analysed the reasons for cost and time over-runs in each of the above cases and that these were justifiable. The Ministry in a note stated:

The position in respect of the above projects is given below:

(a) *Vijaipur Expansion Project of NFL*

The project registered a time overrun of six months, including a technical time overrun of three months on account of non-inclusion

in the project schedule of the time required for finalisation of consultancy/licensing agreements. Delayed disbursement of project finance in the aftermath of NFL's deal for import of urea from M/s. Karsan Ltd. of Turkey also contributed to the time overrun.

The Project recorded a cost overrun of Rs. 83.33 crore. Of this, Rs. 35.83 crore was accounted for by factors like exchange rate variation and changes in taxes and duties, while Rs. 47.50 crore was accounted for by changes in the scope of work. The proposal for revision of time schedule and cost estimates has been recommended for the approval of the appropriate authority.

*(b) Kalol Expansion Project of IFFCO*

The project was completed on schedule with a cost overrun of Rs. 30.63 crore. Of this, factors like exchange rate variation and changed in taxes and duties accounted for Rs. 12.9 crore, price increase and change in the scope of work resulted in a cost escalation of Rs. 17.73 crore. The proposal for revision of cost estimates has been recommended for the approval of the appropriate authority.

*(c) Phulpur Expansion Project of IFFCO*

The project was completed in December 1997 ahead of schedule. IFFCO has reported that the project has incurred a cost overrun of Rs. 196.43 crore. Foreign exchange rate variation and changes in taxes and duties are reported to have resulted in a cost escalation of Rs. 99.13 crore, while price escalations and changes in scope have contributed to a cost overrun of Rs. 97.30 crore. The data furnished by IFFCO is being analysed.

*(d) MFL Revamp Project*

The project was completed in March 1998 with a time overrun of 20 months and cost overrun of Rs. 108.53 crore.

MFL has reported that increase in financing charge has contributed to a cost overrun of Rs. 76.71 crore, while foreign exchange rate variation and changes in statutory duties and taxes have resulted in overrun of Rs. 5.89 crore. In addition, changes in scope of work and price escalations have accounted for a cost escalation of

Rs. 25.93 crore. The time overrun is reported to be on account of delay of almost one year in tying up funds from financial institutions. Subsequently, vendor delays and problems encountered during the hook-up of the revamp project led to further slippages in the project schedule. The data furnished by MFL for time and cost overruns is being analysed.

66. In regard to Ammonia replacement project of FACT, the Ministry informed that time and cost overruns is being analysed by FACT.

67. Asked about the mechanism in the Ministry to review the progress of on-going projects for giving necessary guidance to the implementing agencies, the Deptt. stated:

"The progress of the major projects being implemented by PSU/ Cooperatives is monitored through:

- (a) Monthly reports detailing the physical and financial progress of the projects.
- (b) Project review meetings, which are held from time to time.
- (c) Quarterly Review meetings for review of the overall performance of PSUs/Cooperatives.

These reviews serve to focus attention on the critical aspects of project implementation and the remedial action required to be taken by the project authorities. Where necessary, the Deptt. of Fertilisers intervenes to help remove the impediments in the progress of the projects."

68. Asked further that the cost escalations have bearing on fertiliser subsidy particularly when the fertiliser producing units were getting cost plus prices under Retention price Scheme, the Deptt. stated:

"Cost escalations do have a bearing on fertiliser subsidy. Only those cost escalations which occur due to factors outside the control of the project management, such as foreign exchange variations and delays in supply of fuel and feedstock, are recognised for purposes of calculating the retention price. Cost escalations due to management inefficiencies or directly attributable to the project authorities are not taken into account. Thus, all cost escalations are not automatically recognised."

69. The Committee find that inspite of reported regular monitoring, there have been time and cost over-runs in some of the projects undertaken by IFFCO, NFL, MFL & FACT during the last 2-3 years. The Committee would like the Government that much needed scarce resources are not frittered away in form of cost escalations. They accordingly recommend a close regular/periodical monitoring by the Ministry on all on-going major projects. The Ministry should also set targets for itself for granting approval of the projects as at times considerable delay at the level of Government in giving approvals also adds to the time and cost over-runs. Besides, the Committee expect the Government to envisage a scheme of reward and punishment for the project implementation authorities.

(Recommendation Sr. No. 15)

NEW DELHI;  
July 7, 1998  
Asadha 16, 1920 (Saka)

DR. BALRAM JAKHAR,  
Chairman,  
Standing Committee on  
Petroleum & Chemicals.

## APPENDIX I

### ITEM-WISE DETAILS OF DEMANDS OF DEPTT. OF FERTILISERS

(Rs. crores)

Major Heads	Sl. No.	Items of Expenditure	Actuals 1996-97	BE 1997-98	RE 1997-98	BE 1998-99
1	2	3	4	5	6	7
<b>I. Non-Plan Provisions</b>						
<i>A. Revenue Section</i>						
3451	1.	Sectt. Proper	3.43	3.70	5.60	6.06
2852	2.	Office of FICC	0.61	0.55	1.29	0.95
2852	3.	Subsidy on indigenous fertilisers	4743.00	5240.00	6600.00	6000.00
2852	4.	Subsidy on imported fertilizers	2184.44	2862.00	1691.00	1740.00
		Gross Recovery	-1021.37	-912.00	-865.00	-757.00
		Net	1163.08	1950.00	826.00	983.00
3475	5.	Other Gen. Eco. Services		—	46.31	—
2852	6.	Grant to M.I.S Studies		0.37	0.37	0.17
2852	7.	Productivity Award in the field of Fertilizer Production		0.01	0.01	0.01
2852	8.	Payment under DEB		2.00	0.41	1.00
3475	9.	Reimbursement of exchange loss to RCF in respect of loan from Kuwait		—	—	—
<b>TOTAL (REVENUE SECTION) :</b>			5910.26	7196.63	4779.99	6991.19

1	2	3	4	5	6	7
<b>B. Capital Section</b>						
6855	Non-Plan loans to PSU's:					
	HFC		143.34	143.34	143.34	143.00
	FCI		277.00	277.00	263.15	257.00
	MPL		20.00			
	Conversion of loan out- standing against PDIL into non-cumulative preference shares			—	0.01	—
<b>TOTAL (CAPITAL SECTION)</b>			<b>440.34</b>	<b>420.34</b>	<b>406.50</b>	<b>400.00</b>
<b>TOTAL: NON-PLAN</b>			<b>6350.60</b>	<b>7616.97</b>	<b>7886.49</b>	<b>7391.19</b>

## II. Plan Provisions

### A. Revenue Section

2852	1.	Grant to KRIBHCO for RFP	3.50	9.78	6.58	10.08
2852	2.	Grant to PDIL for R&D	4.00	4.00	4.00	4.00
2852	3.	S&T Programme of Department	0.50	0.50	0.50	0.50
2852	4.	Grants under Voluntary Retirement Schemes (VRS):				
		FCI	1.50	—	0.75	—
		HFC	2.50	—	0.75	—
		PDIL	—	—	—	—
		PPCL	0.25	—	13.93	—
<b>Total (Grants under VRS) :</b>			<b>4.25</b>	<b>0.00</b>	<b>15.43</b>	<b>0.00</b>
<b>Deduct amount met from NRF</b>			<b>-4.25</b>	<b>0.00</b>	<b>-15.43</b>	<b>0.00</b>
<b>Net:</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total (Revenue Section):</b>			<b>8.00</b>	<b>14.28</b>	<b>11.08</b>	<b>14.58</b>

1	2	3	4	5	6	7
<b>B. Capital Section</b>						
4855	Investments in and loans to PSU's:					
& 6855	1.	FCI	39.00	55.00	55.00	48.00
	2.	FACT	124.00	72.00	37.88	39.12
	3.	HFC	9.00	41.00	41.00	75.00
	4.	PDIL	1.10	2.00	2.00	—
	5.	PPL	36.31	49.50	51.50	10.00
	6.	MFL	37.30	—	—	21.00
	7.	PPCL	4.00	6.00	6.00	1.60
	Total PSU's:		250.71	225.50	193.38	194.62
4401	8.	National project for strengthening of Fertilizer Handling and Transportation	—	—	—	—
Total (Capital Section):			250.71	225.50	193.38	155.50
Total Plan:			258.71	239.78	204.46	209.20
Total—Deptt. of Ferts.			6609.31	7856.75	8090.95	7600.39

## APPENDIX II

### MINUTES

#### STANDING COMMITTEE ON PETROLEUM & CHEMICALS 1998-99

#### Fourth Sitting 23.6.1998

The Committee sat from 1100 hrs. to 1300 hrs.

#### PRESENT

Dr. Balram Jakhar — *Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Shri Ratilal Kalidas Varma
3. Dr. Vallabhbhai Katheria
4. Shri V. Dhananjaya Kumar
5. Shri Devibux Singh
6. Dr. Ramesh Chand Tomar
7. Dr. Ravi Mallu
8. Shri Paban Singh Ghatowar
9. Shri Krishan Datt Sultanpuri
10. Shri Gurudas Kamat
11. Shri Nepal Chandra Das
12. Shri Narendra Budania
13. Dr. Asim Bala
14. Shri Raja Parmasivam
15. Shri Pitambar Paswan
16. Shri Prabhunath Singh



17. Dr. C. Suguna Kumari
18. Shri Arjun Charan Sethi
19. Shri Prem Singh Chandumajra
20. Shri C. Kuppusami

*Rajya Sabha*

21. Shri Radhakishan Malaviya
22. Shri Anantha Sethi
23. Prof. Naunihal Singh
24. Smt. Malti Sharma
25. Shri Dipankar Mukherjee
26. Dr. Y. Lakshmi Prasad
27. Shri Dara Singh Chauhan
28. Shri Joyanta Roy
29. Shri Parag Chaliha

SECRETARIAT

- |                      |   |                             |
|----------------------|---|-----------------------------|
| 1. Shri J.P. Ratnesh | — | <i>Additional Secretary</i> |
| 2. Shri Brahm Dutt   | — | <i>Under Secretary</i>      |
| 3. Smt. Abha Singh   | — | <i>Asstt. Director</i>      |

*Representatives of the Department of Fertilisers*

1. Shri Anil Kumar, Secretary (Fertilisers)
2. Shri K.K. Jaswal, Jt. Secretary (Fertilisers)
3. Shri S. Kabilan, Jt. Secy. & Financial Adviser
4. Shri D.K. Sikri, Jt. Secretary (A&M)
5. Shri A.K. Gautam, J.D. (FICC)
6. Shri S.K. Dash, Director
7. Shri Girish Sharma, Director
8. Shri Rajiv Kapur, Director
9. Shri S.K. Ray, Director

10. Smt. S. Bhawani, Director (M&E)
11. Shri Satish Chandra, Director (Movement)
12. Shri Sanjeev Kumar, C.A.
13. Shri Sanjay Dass, JC (FSD)
14. Shri Nand Kishore, A.F.A.
15. Shri V.N. Rai, CMD, FCI
16. Shri J.L. Nehru, CMD, HFC
17. Shri Dinesh Singh, CMD, NFL
18. Shri P.K. Awasthi, CMD, PPCL
19. Shri H. Mishra, CMD, PPL
20. Shri U.S. Awasthi, MD, IFFCO
21. Shri P.P. Singh, MD, KRIBHCO
22. Shri O.N. Kapur, CMD, PDIL
23. Shri D.K. Verma, CMD, RCF & Acting CMD, FACT
24. Shri N.Y. Mahajan, CMD, MFL
25. Shri Ramdas, Director (Finance), FACT

2. The Committee took oral evidence of the representatives of the Deptt. of Fertilisers in connection with examination of Demands for Grants for the year 1998-99.

3. The main issues that came out of discussions include non-utilisation of plan funds, efforts for making a inter-ministerial coordinated approach between Deptt. of Fertilisers and Deptt. of Agriculture and Cooperation for making availability of fertilisers at affordable price to farmers, Import of fertilisers, balanced use of fertilisers and early finalisation of revival packages for HFC/FCI units.

4. The Committee also decided to take up the matter regarding early finalisation of revival package for HFC/FCI with Minister of Chemicals and Fertilisers and authorised the Chairman to proceed in this behalf.

5. During the course of discussions some Members raised the issue of alleged irregularities in selecting consultants/contractors for setting up Oman India Fertiliser Project, a joint venture project where KRIBHCO and RCF are partners. It came out that former Leader of

Opposition, Chairman, PAC and Chairman, Standing Committee on Petroleum and Chemicals had taken up the matter with the Prime Minister and Minister, Chemicals & Fertilisers during 11th Lok Sabha. After some discussion, the Committee authorised the Chairman to take up the issue with the Prime Minister.

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

7. The Committee thereafter considered and approved the following Draft Reports:—

- (i) Draft Report on Action Taken by Govt. on the recommendations contained in 9th Report of the Committee on Demands for Grants 1997-98 of Ministry of Petroleum and Natural Gas;
- (ii) Draft Report on Action Taken by Govt. on the recommendations contained in 10th Report of the Committee on Demands for Grants 1997-98 of Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-Chemicals;
- (iii) Draft Report on Action Taken by Govt. on the recommendations contained in 11th Report of the Committee on Demands for Grants 1997-98 of Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers.

8. The Committee also authorised the Chairman to finalise the Reports after factual verification by the concerned Ministries and present them to Parliament.

*The Committee then adjourned.*

## APPENDIX III

### MINUTES

#### STANDING COMMITTEE ON PETROLEUM & CHEMICALS 1998-99

##### Fifth Sitting

02.07.1998

The Committee sat from 1200 hrs. to 1230 hrs.

##### PRESENT

Dr. Balram Jakhar — *Chairman*

##### MEMBERS

##### *Lok Sabha*

2. Dr. Vallabhbhai Katheria
3. Shri Ashok Argal
4. Shri V. Dhananjaya Kumar
5. Shri Ganga Charan
6. Shri Devibux Singh
7. Dr. Ramesh Chand Tomar
8. Shri Tejveer Singh
9. Dr. Mallu Ravi
10. Shri Paban Singh Ghatowar
11. Shri Krishan Dutt Sultanpuri
12. Shri Gurudas Kamat
13. Shri Nepal Chandra Das
14. Shri Narendra Budania
15. Dr. Asim Bala
16. Shri Balram Singh Yadav

17. Shri Pitambar Paswan
18. Shri Prabhunath Singh
19. Dr. C. Suguna Kumari
20. Shri Arjun Charan Sethi
21. Shri Mohan Vishnu Rawale
22. Shri C. Kuppusami
23. Smt. Kailasho Devi

*Rajya Sabha*

24. Prof. Naunihal Singh
25. Shri Ram Nath Kovind
26. Shri Dipankar Mukherjee
27. Shri Dara Singh Chauhan
28. Shri Joyanta Roy
29. Shri Parag Chaliha

SECRETARIAT

- |                               |                               |
|-------------------------------|-------------------------------|
| 1. Shri J.P. Ratnesh          | — <i>Additional Secretary</i> |
| 2. Shri Brahm Dutt            | — <i>Under Secretary</i>      |
| 3. Smt. Abha Singh Yaduvanshi | — <i>Asstt. Director</i>      |

**	**	**	**
**	**	**	**

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

- |      |    |    |    |    |
|------|----|----|----|----|
| (i)  | ** | ** | ** | ** |
| (ii) | ** | ** | ** | ** |

(iii) 6th Report on 'Demands for Grants of the Ministry of Chemicals and Fertilisers, Deptt. of Fertilisers for the year 1998-99'.

3. The Committee also authorised the Chairman to finalise the Reports after factual verification by the concerned Ministries/ Departments and present the same to the Parliament in the current session.

4. The Committee placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee. In particular, the Chairman as also the Members commended the Secretariat for the quality of drafting of Reports within a very short span of time.

5.	**	**	**	**
6.	**	**	**	**
7.	**	**	**	**
8.	**	**	**	**
9.	**	**	**	**

*The Committee then adjourned*