14	STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21) SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

[Action Taken by the Government on the Observations / Recommendations contained in the Seventh Report of the Standing Committee on Chemicals and Fertilizers (Seventeenth Lok Sabha) on "Demands for Grants" of the Ministry of Chemical and Fertilizers (Department of Fertilizers)]

FOURTEENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

FEBRUARY, 2021/MAGHA, 1942 (SAKA)

REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2020-21)

(SEVENTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

[Action Taken by the Government on the Observations / Recommendations contained in the Seventh Report of the Standing Committee on Chemicals and Fertilizers (Seventeenth Lok Sabha) on "Demands for Grants" of the Ministry of Chemical and Fertilizers (Department of Fertilizers)]

सत्यमेव जयते

Presented to Lok Sabha on 11.02.2021
Laid in Rajya Sabha on 11.02.2021

LOK SABHA SECRETARIAT
NEW DELHI

FEBRUARY 2021/MAGHA, 1942 (SAKA)

CONTENTS		PAGE
COMPOSITION OF THE COMMITTEE (2020-21)		(iv)
INTRODUCTION		(v)
Chapter I	Report	
Chapter II	Observations / Recommendations which have been accepted by the Government	
Chapter III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies	
Chapter IV	Observations / Recommendations in respect of which replies of the Government have not been accepted by the committee	
Chapter V	Observations / Recommendations in respect of which final replies of the Government are still awaited	
	APPENDICES	
I.	Minutes of Sitting of the Standing Committee on Chemicals & Fertilizers (2020-21) held on 12.10.2020.	
II.	Analysis of Action Taken by the Government on the Recommendations contained in the Seventh Report (17th Lok Sabha) of the Standing Committee on Chemicals & Fertilizers on Demands for Grants 2020-21 pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers)	

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21)

Smt. Kanimozhi Karunanidhi - Chairperson

MEMBERS

LOK SABHA

2	Shri Maulana Badruddin Ajmal
3	Shri Ramakant Bhargava
4	Shri Prataprao Govindrao Patil Chikhalikar
5	Shri Rajeshbhai Naranbhai Chudasama,
6	Shri Ramesh Chandappa Jigajinagi
7	Shri Kripanath Mallah
8	Shri Satyadev Pachauri
9	Smt Aparupa Poddar
10	Shri Arun Kumar Sagar
11	Shri M. Selvaraj
12	Shri Pradeep Kumar Singh
13	Shri Uday Pratap Singh
14	Shri Nandigam Suresh
15	Er. Bishweswar Tudu
16	Shri Prabhubhai Nagarbhai Vasava
17	Dr. M.K Vishnu Prasad.
18	Shri Deepak Baij
19	Dr. Manoj Rajoria
20	Shri Shriniwas Dadasaheb Patil
21	Vacant$

RAJYA SABHA

22	Shri G.C.Chandrashekhar
23	Dr. Anil Jain
24	Shri Ahmad Ashfaque Karim
25	Shri Vijay Pal Singh Tomar
26	Shri Arun Singh
27	Shri P. Selvarasu^
28	Shri A.D. Singh^
29	Shri K. Vanlalvena^
30	Vacant*
31	Vacant

SECRETARIAT

1.	Shri Manoj K. Arora	-	Officer on Special Duty
2.	Shri A.K. Srivastava	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4 .	Shri P.R. Siva Prasad	-	Assistant Committee Officer

^Nominated to the Committee w.e.f 22.07.2020.
**Shri Amar Singh expired on 01.08.2020.*
$ Shri H. Vasanthakuma expired on 28.08.2020

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2020-21) having been authorised by the Committee to submit the Report on their behalf, present this Thirteenth Report (Seventeenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Seventh Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2020-21) on Demand for Grants (2020-21) pertaining to the Department of Fertilizers .

2. The Seventh Report (Seventeenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 20.3.2020 and laid in Rajya Sabha on 20.3.2020. The Action Taken replies of Government to all observations / recommendations contained in the Report were received on 7.7.2020. The Standing Committee on Chemicals and Fertilizers (2020-21) considered and adopted this Report at their sitting held on 12.10.2020.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Tenth Report (Seventeenth Lok Sabha) of the Committee is given in **Appendix-II.**

4. For facility of reference and convenience, the further Comments of the Committee have been printed in bold letters in **Chapter-I** of the Report**.**

New Delhi;
8 February, 2021
19 Magha, 1942 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

CHAPTER I

REPORT

This Report of the Standing Committee on Chemicals and Fertilizers (2020-21) deals with the action taken by the Government on the Observations / Recommendations contained in the Seventh Report (17^{th} Lok Sabha) of the Committee on Chemicals & Fertilizers on Demands for Grants (2020-21) of Department of Fertilizers which was presented to Lok Sabha on 20.3.2020. In all, the Committee made 11 Observations / Recommendations in the Report.

1.2 The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish replies to the Observations/ Recommendations contained in the Seventh Report within three months from the date of presentation of the Report, i.e. by 19.06.2020. The Action Taken Replies of the Government in respect of all the 11 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) *vide* their O.M. **No.14(4)/2019-Fin-I dated 7.7.2020.** These Replies have been examined and categorized as follows:-

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

Rec. Nos. 1, 2, 4, 6, 7, 8, 9 & 10 (Total = 8)
Included in Chapter-II of the Report

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

Sl. No. 3 & 5 (Total =2)
Included in Chapter-III of the Report

(iii) Observations/Recommendations in respect of which the replies given by the Government are not acceptable to the Committee

(NIL)

Included in Chapter-IV of the Report

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

Sl.No.11 (Total =1)

Included in Chapter V of the Report

1.3 The Committee desire that the Action Taken Notes on Observations / Recommendations contained in Chapter-I of this Report and the Final Replies in respect of Observations / Recommendations contained in Chapter-V for which final replies are still awaited should be furnished expeditiously.

1.4 The Committee will now deal with action taken by the Government on some of their Observations / Recommendations which still require reiteration or merit comments as enumerated in Chapter-I.

Recommendation No. 1

Budgetary Allocation for Department of Fertilizers

1.5 In regard to the Budgetary allocation for the Department of Fertilizers, the Committee made the following recommendation**:-**

> "The Committee note that the Department of Fertilizers implements fertilizer subsidy schemes to make available fertilizers to farmers at affordable prices so as to sustain agricultural productivity which in turn plays critical role in ensuring food security, in promoting rural livelihood and employment. In view of the above, the major chunk of budgetary allocation for the Department is utilized for disbursal of fertilizer subsidy on production and distribution of urea, twenty one grades of P&K fertilizers and for promotion of city compost. However, the Committee are concerned to note that the budgetary allocation for the Department of Fertilizers has been reduced from Rs. 83515 crore at RE stage of 2019-20 to Rs. 73,975 crore at BE stage of 2020-21 in spite of the fact that Department is projecting a requirement of Rs. 10,0349.50 crore for the financial year 2020-21. As a result of this reduced budgetary allocation to the Department, carry forward liabilities of the Department in regard to payment of fertilizer subsidy to fertilizer manufacturing companies is rising year after the year. It is a matter of concern that at the end of 2017-18, carry over liability was Rs. 26,182.80 crore and the same had risen to Rs. 32488.54 core by the end of 2018-19. As on 4 February 2020, carry over liability for 2019-20 was Rs 43,483 crore. Department's efforts to obtain Rs 48051 crore in the first batch of supplementary Demand for Grants, 2019-20 and Rs. 51707.23 crore in second batch of supplementary Demand for Grants, 2019-20 were not successful as there was no response from the Ministry of Finance. Budgetary allocation of Rs. 73,975 corore for 2020-21 is hardly enough to meet the subsidy expenditure and to clear carry over liability of the previous year. Reduced budgetary allocation results in delayed payment of fertilizer subsidy to fertilizer manufacturing companies which may affect their day to day functioning and their economic condition which in turn may affect the agricultural production and the interest of farmers in the country. To avert the situation, the Department has to resort to Special Banking Arrangement through which loans are provided by banks to the fertilizer companies to manage the situation arisen due to delayed payment of fertilizer subsidy by the Government and the interest for this loan is borne by the Department of Fertilizers. Hence, the reduced budgetary allocation leads to several complications including the unnecessary interest burden on the Government. The Committee, therefore, strongly recommend that the Department of Fertilizers should be given a one-time fund to clear off all pending liabilities with respect to payment of fertilizer subsidies. This will enable the fertilizer companies to recover their financial well-being as well as reduce the overall cost of production of fertilizers which will subsequently result in lowering of the subsidy amounts. The Committee also recommend that henceforth there should be no cut on the fertilizer subsidy budget sought by the Department of Fertilizers so that fertilizer companies are able to operate in a healthy environment. The Department should also convey this recommendation of the Committee to Ministry of Finance for necessary action at their level".

REPLY OF THE GOVERNMENT

1.6 The Department of Fertilizers in its Action Taken Reply furnished the following information:-

> "The Department had projected a requirement of Rs. 100349.50 Crore for the financial year 2020-21. However, Ministry of Finance has allocated only Rs.73975 Crore keeping in view the overall fiscal space and priorities of the government. As on 1.04.2019, the carry over liabilities in fertilizer subsidy were to the tune of Rs.32488.54 Crore. In the absence of adequate budget allocation for 2020-21, the Department would seek additional allocation in the supplementary demands and if required it would seek the Special Banking Arrangement also besides any other measures.
>
> Ministry of Finance has issued OM No. 12(13)-B(W&M)/2020 dated 8th April 2020 placed restriction on expenditure by 20% of the BE allocation for 2020-21 for the Q1 (April 2020 to June 2020). Due to looming fertilizer crisis, Hon'ble Minister requested Minister for Finance vide DO letter dated 13.4.2020 to allow this to be governed as per extant QEP/MEP guidelines. Secretary, Department of Fertilizers (DoF) also pursued the matter vide D.O of even number dated 13.4.2020 and 24.4.2020.In response, Ministry of Finance vide O.M. 7/22/2017-BA dated 16.04.2020 approved the MEP for April, 2020 as Rs 22018.30 crores and vide OM dated 11.5.2020 approved MEP of Rs, 2598.90 crore each for May and June, 2020 and thus restricted expenditure to Rs.5197.70 crore for these two months together. This amount approved by Ministry of Expenditure is grossly insufficient to meet the requirement when compared to original MEP for May and June 2020 of Rs.16961.66 Crores, i.e. 69.36 % reduction in the extant MEP.
>
> Hon'ble Minister (C&F) vide D.O. letter dated 15.05.2020 again impressed upon the Ministry of Finance about the financial hardships being faced by the fertilizers companies and conveyed the recommendation of the committee to Ministry of Finance.
>
> Ministry of Finance O.M. dated 23.06.2020 placed restrictions on the expenditure for QEP-2 and allotted only Rs. 14975 crores which is only 25% of the pending liabilities and to overcome the crisis of carry over liabilities and the DBT payments, Secretary, Department of Fertilizers vide D.O. No. 1(6)/2020-Fin.I dated 6th July, 2020 taken up the matter with Department of Economic Affairs and Department of Expenditure for incurring expenditure as per MEP/QEP already approved taking into account the BE for 2020-21 and also requested to consider the 1st Batch of Cash Supplementary in demands for grants and also brought to their notice the observations of the Standing Committee in their 7th Report dated 20.03.2020 that there should be no cut on the fertilizers subsidy budget sought by the Department of Fertilizers so that the fertilizers companies can work in a healthy environment".

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 14(4)/2019-Fin-I dated 7.7.2020)

Further Comments of the Committee

1.7 The Committee are concerned to note that the Ministry of Finance had made a budgetary allocation of only Rs.73975 Crore eventhough the Department of

Fertilizers had projected a requirement of Rs.100349.50 Crore at BE stage for the financial year 2020-21. Moreover, the Ministry of Finance had placed a restriction on expenditure by 20% even on the reduced BE stage allocation for the first quarter (April 2020 to June 2020) vide its communication dated 8th April, 2020. Subsequently, Ministry of Finance approved the Monthly Expenditure Plan(MEP) for April, 2020 as Rs. 22018.30 crore and MEP of Rs.2598.90 crore each for May and June, 2020 thereby restricted the expenditure to Rs.5197.70 crore for these two months together. As per the Action Taken Reply furnished by the Department, this restricted amount approved by the Ministry of Fianance is grossly insufficient to meet the requirement when compared to original MEP for May and June 2020 of Rs.16961.66 Crore, i.e. 69.36% reduction in the extant MEP. The Committee note that the Department of Fertilizers brought to the attention of the Ministry of Finance the inadequacy of QEP-1 and requested at Secretary and Minister levels to allow the Department to incur expenditure as per the extant MEP/QEP guidelines on the basis of Budget Estimates of 2020-21. But the Ministry of Finance, instead of considering the request of the Department, has further placed restrictions on the expenditure for QEP-2 and allotted Rs. 14975 crores which is only 25% of the pending liabilities of fertilizer subsidy. In this regard, the Committee recommend that the Department of Fertilizers should conduct a comprehensive study within a month on the adverse impact of lower budgetary allocation on fertilizers producers and its consequence on production of fertilizers in the country. The Ministry of Finance should be apprised of the findings of the said study so as to enable that Ministry to make adequate amount of budgetary allocation to the Department of Fertilizers.

1.8 In Committee's view, such downgraded treatment of the Department of Fertilizer is likely to have a cascading effect on food grains production in the country in the coming years as drastically reduced budgetary allocation would adversely affect the disbursal of fertilizer subsidy which in turn would affect the production of fertilizers and consequently the food grain production is likely to be severely affected in the country. The Committee, therefore, strongly recommend to the Ministry of Finance that the Department of Fertilizers should be declared as a "Priority Department" and no budgetary cut should be resorted to on the fund requirements of this Department and it should be allowed to incur expenditure as per the extant MEP/QEP guidelines on the basis of Budget Estimates of 2020-21 without any budgetary cuts. In this regard, the Committee would like to reiterate the earlier recommendation that henceforth there should be no cut on the fertilizer

subsidy budget sought by the Department of Fertilizers so that fertilizer companies are able to operate in a healthy environment.

1.9 Moreover, it is a matter of concern that the carryover liabilities of fertilizer subsidy are continuing year after year thereby affecting the smooth implementation of fertilizer subsidy schemes. The Committee reiterate the earlier recommendation that the Department of Fertilizers should be given a one-time fund to clear off all pending liabilities with respect to payment of fertilizer subsidies. This will enable the fertilizer companies to recover their financial well-being as well as reduce the overall cost of production of fertilizers which will subsequently result in lowering of the subsidy amounts.

1.10 Above three paras of this Report should be sent to the Ministry of Finance for its compliance.

Recommendation No. 4

Reduction in import of Fertilizers

1.11 The Committee made the following recommendation regarding import of fertilizers:-

> **"**The Committee are constrained to note fluctuations in figures of Production and import of fertilizers. The country is mostly self sufficient in production of urea but import of urea is still made to bridge the gap between demand and availability. However, county is 100% dependant on import of potash and 90% dependant on import of phosphates. Production of urea was highest at 244.75 Lakh Metric Tons (LMT) during 2015-16 and it came down to 240 MLT during 2018-19 and it is expected to be 240.26 LMT during 2019-20. Import of urea has shown a rising trend during the same period. It was 54.81 LMT during 2016-17 but had risen to 74.81 LMT during 2018-19 and is 90.76 LMT as on February, 2020 during 2019-20. The Committee find an increase in production of P&K fertilizes from 125.02 LMT in 2015-16 to 174.85 LMT during 2018-19. Import of P&K fertilizers has also risen during the period from 98.80 LMT in 2015-16 to 113.62 LMT in 2018-19. Since it is necessary to keep imports minimum and increase self sufficiency in production of fertilizers, the Committee recommend that the Department should take all steps to augment production of urea in the country in a time bound manner to arrest the increasing trend of import of urea. As far as P&K fertilizes are concerned, the country is largely dependent on imports mainly due to the dearth of raw material in the country. In this regard, the Committee recommend that the Department should find ways and means to increase domestic production of P&K fertilizers in the country through import of necessary raw material or by setting up of production facilities in those countries where Potash and Phosphates are available in plenty".

REPLY OF THE GOVERNMENT

1.12 The following is the Action Taken Reply furnished by the Department of Fertilizers:-

“For P&K Fertilizers:

The Country is dependent on imports on different fertilizers either in the form of finished fertilizers or their raw material due to non-availability/scarce availability of resources as per details below :-

(i) Phosphatic fertilizers upto 90%
(ii) Potassic Fertilizers upto 100%

In view of almost complete dependency of the country on raw materials, it is not possible to do much to increase domestic production of non-urea fertilizers. Further, all non urea fertilizers are covered under Open General License regime and its import is being done by companies on commercially viable terms.

However, in order to encourage indigenous production of P&K fertilizers the Department has taken up with the Ministry of Finance for reduction of customs duty on raw materials vide D.O Dated 31.3.2015 and 28.10.2016, which may help improve the production of these P&K Fertilizers indigenously more viable vis-à-vis import of these fertilizers .

For Urea:

Indigenous production of the urea during last 3 years has remained between 240 LMT to 245 LMT per annum while the requirement of urea during the said period has remained 310 LMT to 335 LMT. Therefore, it may be said that currently the country is importing 70-90 LMT urea per annum. It is further stated that the Government had announced New Investment Policy (NIP) -2012 on 2nd January, 2013 and its amendment on 7th October 2014 to facilitate fresh investment in urea sector and to make India self-sufficient in the Urea sector. Under NIP- 2012 read with its amendment, Chambal fertilizers & Chemicals Limited (CFCL) has set up a Brownfield project at Gadepan, Rajasthan. The Commercial production of CFCL-III started on 1st January, 2019. As the installed capacity of the CFCL-III is 12.7 LMT per year, the domestic production of the urea in the country has increased by that much quantity. Further, Matix Fertilizers & Chemicals Limited (Matix) has also set up a Coal Bed Methane (CBM) based Ammonia- Urea complex at Panagarh, West Bengal. The commercial production of Matix stared on 1st October, 2017. However, due to non availability of the CBM and absence of gas pipelines connectivity it had to shut down its operation only after a few days operation. The gas pipeline connectivity works are under progress and likely to become completed soon. Thereafter, the Matix is likely to resume its operations soon. In addition to Matix, 4 closed units of the FCILnamely Gorakhpur, Sindri, Talcher and Ramagundam and one closed HCFL namely Barauni are being revived by setting up of new Ammonia- Urea Complex. Each of these NIP-2012 units will have the installed capacity of 12.7 LMT per year. Therefore, once these remaining six units of the NIP-2012 get operationalized, the annual capacity of indigenous production of the Urea in the Country will increase by 76.2 LMT per annum leading to reduction in the import up to that extent. Simultaneously, Government is also taking various majors to decrease the consumption of Urea. Therefore, in the near future the country is likely to become self-sufficient to meet the requirement of Urea in the country”.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 14(4)/2019-Fin-I dated 7.7.2020)

Further Comments of the Committee

1.13 The Committee note that the Department of Fertilizers has taken up the matter of reduction of Customs duty on raw materials with the Ministry of Finance in order to encourage indigenous production of P&K fertilizers. In this regard, the Committee urge the Department to pursue the matter vigorously with the Ministry of Finance for early announcement on reduction of customs duty on raw materials. The Action Taken Reply furnished by the Department is silent on the another recommendation of the Committee that production facilities may be set up in those countries where Potash and Phosphates are available in plenty. In this regard, the Committee hope that the feasibility of this suggestion of the Committee would be examined by the Department and if it is found cost efficient, the same may be considered by the Department for implementation. Moreover, the Committee recommend that the Department of Fertilizers shall periodically study the prevailing market conditions for production and marketing of P&K fertilizers in the country and take necessary measures to protect the domestic P&K fertilizer industry.

1.14 The Committee further note that the import of urea by the country has increased from 70 to 90 LMTs during the last three years. In this regard, the Committee note that the Government has announced the amended version of New Investment Policy(NIP), 2012 on 07th October, 2014 to facilitate fresh investment in urea sector so as to make the country self-sufficient in the Urea sector. Under the said policy, two urea manufacturing units have been set up in private sector viz. , Chambal fertilizers & Chemicals Limited (CFCL) at Gadepan, Rajasthan and Matix Fertilizers & Chemicals Limited (Matix) at Panagarh, West Bengal. The former has already started production with the output of 12.7 LMT per year and the later is likely to start its operations soon after completion of gas connectivity. Moreover, in the public sector, 4 closed units of Fertilizer Corporation of India Limited (FCIL) namely Gorakhpur, Sindri, Talcher and Ramagundam and one closed unit of Hindustan Fertilizer Corporation Limited (HFCL) namely Barauni are being revived under NIP-2012 with the expected installed capacity of 12.7 LMT per year by each of them. The Department in its action taken reply has stated that once these remaining six units get operationalized, the annual capacity of indigenous production of the Urea in the Country will increase by 76.2 LMT per annum leading to reduction in the import of urea up to that extent. In this regard, the committee hope that the Department of Fertilizers will take all necessary steps

to ensure that all these urea units are commissioned in a time bound manner despite of halting of revival work for some time due to COVID 19 lock down. Progress made in this regard may be intimated to the Committee.

Recommendation No. 8

Financial Restructuring of Madras Fertilizers Limited (MFL)

1.15 In regard to Financial Restructuring of Madras Fertilizers Limited, the Committee made the following recommendation:-

> "The Committee note that the Department of Fertilizers had initiated action for revival for Madras Fertilizers Limited (MFL)in terms of Department of Public Enterprises guidelines for revival and restructuring of sick Central Public Sector Enterprises. Based on the revival proposals recommended by MFL Board on 01.06.2017, a proposal for the Cabinet Committee on Economic Affairs (CCEA) was circulated for Inter-Ministerial Committee (IMC) on 15.11.2017. The proposals included waiver of Government of India loan of Rs.554.24 crore and interest of Rs.509.00 crore as on 31-03-2017 and raising of loan of RS.171.00 crore from financial institutions / banks for CAPEX schemes. This Department was examining Financial restructuring proposal for MFL including waiver of Government of India loan & interest thereon. Meanwhile a meeting was held in PMO on 23.01.2018. In pursuant to that meeting, Government of Tamil Nadu was asked either to take over full ownership of the plant or to grant NOC for transfer of land to another PSU. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL). However, Ministry of Petroleum and Natural Gas gave approval for purchase of only 4.98 acres of land by CPCL and the Department of Expenditure was requested to concur into the proposal of transfer of 4.98 acres of land from MFL to CPCL at mutually agreed rate of Rs. 976/- per sq ft. As regards MFL revival proposals, NITI Aayog conducted a study on the same and the final study report of NITI Aayog, which was received through PMO on 22nd January, 2020, is under examination in the Department of Fertilizers. The Department of Fertilizers has further intimated that once the land monetization of MFL is completed, a complete view would be taken on financial restructuring of MFL.At this backdrop, the Committee would like to point out that as on date, the total outstanding liabilities of MFL is Rs.2143.56 crore including Government of India loan and interest of Rs.1172.45 crore. Moreover, as already submitted by MFL, it needs to undertake capital expenditure schemes to upgrade its functional efficiency and to bring down operative cost. MFL is at present is a loss making company and is functioning in a critical state of survival. A turn-around in the business prospects of the company can be made possible if the financial restructuring proposals are implemented in a time-bound manner. Any delay in undertaking financial restructuring of the company would put the company to a great disadvantage and it will lead to further weakening of financial condition of the company. As such, the same old stance of the Department of Fertilizers that it would take a view on financial restructuring of MFL after land monetization is not acceptable to the Committee and the same is needed to be reviewed.
>
> The Committee note that they are not getting the buyers for the land and they have get buyer only for 4.98 acres of land which will give them a limited amount of money. The Committee have been apprised that the Department of Fertilizers is trying to find out buyers for the surplus land and if they succeed and run the companies profitably then Department of Fertilizers would consider to waive off interest and loan given to them. The Committee hope that with the sale of a small portion of land i.e.

4.98 acres, MFL would get some financial assistance to establish captive power plant for which Rs. 200 core is required. As regards the sale of remaining portion of land, the Committee are of the view that the feasibility of selling the land to private organizations/individuals may also be explored so that MFL get its value of land which would help them in financial restructuring. In the meantime, the Committee strongly recommend to waive-off the principal amount of loan and interest thereon. The Committee here also strongly recommend that the Department of Fertilizers should complete the examination of final report of NITI Aayog on priority basis and take immediate necessary steps for financial restructuring of MFL without any further delay. The Committee hope that the Department of Fertilizers will take timely action in the matter and apprise the Committee about the action by it in the matter".

REPLY OF THE GOVERNMENT

1.16. The Department of Fertilizers furnished the following Action Taken Reply:-

" Vide OM dated 19th March, 2020, Department of Expenditure has conveyed it's **'no objection'** for sale/transfer of land from M/s MFL to M/s CPCL, With the concurrence of IFD and approval of Competent Authority, Department of Fertilizers has given the administrative approval to MFL for transfer of 4.98 acres land at the mutually agreed rate of Rs. 976/sq. ft from MFL to CPCL vide letter dated 25th April, 2020.For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it was not materialized.

Vide ID Note dated 22nd January, 2020, this Department has received recommendations made by NITI Aayog in the study report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs". Vide Ld note dated 13th May, 2020, Department of Fertilizers has agreed with the recommendations given by NITI Aayog on financial restructuring and monetization of land of MFL. Department of Fertilizers has agreed with the most of the recommendations of NITI Aayog".

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 14(4)/2019-Fin-I dated 7.7.2020)

Further Comments of the Committee

1.17 The Committee are concerned to note that very little progress has been made in financial restructuring of Madras Fertilizers Ltd (MFL) and that the Action Taken Reply furnished by the Department of Fertilizers has not addressed the concerns expressed by the Committee in this regard. Out of about 70 acres of surplus land, MFL was able to sell only 4.98 acres of land and the initiatives made by it to sell the balance 65 acres of land were not materialized. The reply furnished by the Department in this regard is silent about the manner in which this issue is going to be solved by the Department. Secondly, no reply has been given on Committee's recommendation on waiver of Government of India's loan and its interest. In regard to NITI Ayog's Study Report on "feasibility of merger of FACT &

MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs", it has only been stated that Department of Fertilizers has agreed with the recommendations given by NITI Aayog on financial restructuring and monetization of land of MFL. Details of recommendations made by NITI Ayog were not shared with the Committee and moreover, no light has been thrown on how these recommendations of NITI Ayog are going to be implemented and what is the time frame for the same. The Committee feel that such lackadaisical approach of the Department would only aggravate further the weakened financial condition of the company. MFL is a loss making company and is functioning in a critical state of survival. A turn-around in the business prospects of the company can be made possible only if the financial restructuring proposals are implemented in a time-bound manner. The Committee, therefore, strongly recommend that the Department should consider waiver of Government of India loan and the interest thereon so as to free the company from the clutches of debt. Moreover, strenuous efforts should be made to monetize the surplus land of the company at the earliest in coordination with the State Government to bring in an economic turnaround of the company. The progress made in regard to the above observations/recommendations of the Committee should be intimated to the Committee. Moreover, the complete information of NITI Ayog recommendations and the action taken on them by the Department should also be furnished to the Committee.

Recommendation No. 9

<u>Revival of Fertilizers and Chemicals Travancore Ltd (FACT)</u>

1.18 The Committee made the following recommendation in regard to the revival of Fertilizers and Chemicals Travancore Ltd (FACT:-

> "The Committee note that FACT became a sick CPSU during the financial year 2012-13 with net worth of -(Rs.192.5) Crore. The Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting held on 20.12.2013 recommended for revival of FACT including measures for infusion of funds and waiver of Government of India loan and interest. The revival proposals were submitted to the Government by Department of Fertilizers in April 2014. Subsequently, as directed by Cabinet Secretariat, the Department of Fertilizers submitted revised proposals after fresh Inter Ministerial Committee (IMC) in June, 2015, which also included sale of land for raising resources to repay the loans raised against sovereign guarantee and raise funds for certain projects. Meanwhile, a loan of Rs.1000 crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016.As regards revival proposals, a meeting was held in PMO on 10.08.2018, wherein the PMO *inter-alia* directed that the proposal for sale of land of FACT be delinked from the Cabinet note for financial restructuring of FACT.

Approval was accorded for sale of 169.689 acres of land of FACT to BPCL @ Rs.2.47 Crore per acre (total approx. Rs.420 Crore) and approval for sale of 481.79 acres of land held by FACT to Govt. of Kerala and utilization of sale proceeds by FACT was accorded on 24-07-2019. FACT received an amount of Rs. 967.69 crore from Govt. of Kerala and vide letter dated 01.08.2019, FACT was asked to adhere to the Capital Expenditure (CAPEX) to the tune of Rs. 608 Crore over a period of three years as approved by the Cabinet. The said CAPEX would be used for setting up of 1650 TPD plant with pipe reactor and other schemes. The Committee also learn that NITI Aayog studied the matter of revival of FACT and the final study report of NITI Aayog was received by Department of Fertilizers through PMO on 22nd January, 2020 and the same is under examination in the Department of Fertilizers. At this juncture, the Committee would like to point out that FACT became a loss making unit in 2012-13 and the proposals for its revival which were initiated in 2014 have not yet been approved and implemented. All the while, the company has been continuing with its financial down-slide and the net worth of the company at the end of financial year 2018-19 showed a negative growth of – (1523.70) crore. The total outstanding liabilities of FACT have now risen to Rs.3785.01 crore including Government of India loan and interest of Rs.2248.52 crore. The Committee express the view that the Department of Fertilizers should be more proactive in monitoring the functions and financial performances of PSUs under it. In Committee's view, the revival initiatives already taken by the way of land-sale and allowing capital expenditure with the land-sale proceeds to the tune of Rs. 608 Crore over a period of three years, would not be of much help unless other proposals like waiving off loan and interest are also considered and implemented within a fixed time frame. The Committee, therefore, strongly recommend that the Department of Fertilizers should take immediate steps in the light of NITI Aayog's Report for the financial restructuringof FACT without any further delay".

REPLY OF THE GOVERNMENT

1.19 In its Action Taken Reply, the Department of Fertilizers furnished the following information:-

" Based on the BRPSE proposal, D/o Fertilizers submitted a note for Cabinet Committee on Economic Affairs (CCEA) regarding infusion of funds and waiver of GoI loans and interest on 17.4.2014. After deliberation with Department of Expenditure, a revised Cabinet note was circulated for IMC on 18.6.2015. Meanwhile, this Department has received directions from PMO on the financial restructuring FACT on 30.6.2015. On the basis of the directions received from PMO,a draft proposal on financial restructuring of FACT including land monetization was circulated on 23.02.2018 for Inter Minister consultation.Further, a meeting was held in PMO on 10.08.2018 wherein it was inter-alia decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Unit of D/o Fertilizers.

Vide ID Note dated 22nd January, 2020, this Department has received recommendations made by NITI Aayogon the study report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs".However, vide ID note dated 13th May, 2020,Department of Fertilizers agrees with the financial restructuring recommendations given by the NITI Aayog except GoI interest free loan of Rs. 1000 Crores should be paid in 10 instalments of Rs. 100 Crores each from 2020-21 as the financial year 2019-20 has already ended.Department of Fertilizers has agreed with the most of the recommendations of NITI Aayog".

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 14(4)/2019-Fin-I dated 7.7.2020)

Further Comments of the Committee

1.20. The Committee are dismayed to note the evasive kind of reply given by the Department of Fertilizers to the above recommendation of the Committee. First of all, the details of the recommendations made by NITI Ayog should have been shared with the Committee as the matter is under examination of the Committee. Instead, it has merely been stated that the Department has agreed with the most of the recommendations made by NITI Ayog. The Committee understand from the reply given by the Department that Government of India loan of Rs.1000 crore should be repaid in 10 instalments of Rs.100 crore each from 2020-21 onwards as per the recommendation of NITI Ayog. It is not clear whether the accumulated interest has been waived or not. In this regard, the Committee direct the Department to furnish the entire details of recommendations made by NITI Ayog and the action taken by the Department on each of the recommendations including the comments of the Department whether financial turnaround of the company has been achieved as result of implementation of NITI Ayog recommendations. The Committee also desired to be informed about the progress made in the CAPEX programs undertaken out of the land sale proceeds received by FACT and the financial performance of the company in the year 2019-20 and the first two quarterly periods during 2020-21.

CHAPTER – II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation No. 1

Budgetary Allocation for Department of Fertilizers

The Committee note that the Department of Fertilizers implements fertilizer subsidy schemes to make available fertilizers to farmers at affordable prices so as to sustain agricultural productivity which in turn plays critical role in ensuring food security, in promoting rural livelihood and employment. In view of the above, the major chunk of budgetary allocation for the Department is utilized for disbursal of fertilizer subsidy on production and distribution of urea, twenty one grades of P&K fertilizers and for promotion of city compost. However, the Committee are concerned to note that the budgetary allocation for the Department of Fertilizers has been reduced from Rs. 83515 crore at RE stage of 2019-20 to Rs. 73,975 crore at BE stage of 2020-21 in spite of the fact that Department is projecting a requirement of Rs. 10,0349.50 crore for the financial year 2020-21. As a result of this reduced budgetary allocation to the Department, carry forward liabilities of the Department in regard to payment of fertilizer subsidy to fertilizer manufacturing companies is rising year after the year. It is a matter of concern that at the end of 2017-18, carry over liability was Rs. 26,182.80 crore and the same had risen to Rs. 32488.54 core by the end of 2018-19. As on 4 February 2020, carry over liability for 2019-20 was Rs 43,483 crore. Department's efforts to obtain Rs 48051 crore in the first batch of supplementary Demand for Grants, 2019-20 and Rs. 51707.23 crore in second batch of supplementary Demand for Grants, 2019-20 were not successful as there was no response from the Ministry of Finance. Budgetary allocation of Rs. 73,975 corore for 2020-21 is hardly enough to meet the subsidy expenditure and to clear carry over liability of the previous year. Reduced budgetary allocation results in delayed payment of fertilizer subsidy to fertilizer manufacturing companies which may affect their day to day functioning and their economic condition which in turn may affect the agricultural production and the interest of farmers in the country. To avert the situation, the Department has to resort to Special Banking Arrangement through which loans are provided by banks to the fertilizer companies to manage the situation arisen due to delayed payment of fertilizer subsidy by the Government and the interest for this loan is borne by the Department of Fertilizers. Hence, the reduced budgetary allocation leads to several complications including the unnecessary interest burden on the Government. The Committee, therefore, strongly recommend that the Department of Fertilizers should be given a one-time fund to clear off all pending liabilities with respect to payment of fertilizer subsidies. This will enable the fertilizer companies to recover their financial well-being as well as reduce the overall cost of production of fertilizers which will subsequently result in lowering of the subsidy amounts. The Committee also recommend that henceforth there should be no cut on the fertilizer subsidy budget sought by the Department of Fertilizers so that fertilizer companies are able to operate in a healthy environment. The Department should also convey this recommendation of the Committee to Ministry of Finance for necessary action at their level.

REPLY OF THE GOVERNMENT

The Department had projected a requirement of Rs. 100349.50 Crore for the financial year 2020-21. However, Ministry of Finance has allocated only Rs.73975 Crore keeping in view the overall fiscal space and priorities of the government. As on 1.04.2019, the carry over liabilities in fertilizer subsidy were to the tune of Rs.32488.54 Crore. In the absence of adequate budget allocation for 2020-21, the Department would seek additional allocation in the supplementary demands and if required it would seek the Special Banking Arrangement also besides any other measures.

Ministry of Finance has issued OM No. 12(13)-B(W&M)/2020 dated 8th April 2020 placed restriction on expenditure by 20% of the BE allocation for 2020-21 for the Q1 (April 2020 to June 2020). Due to looming fertilizer crisis, Hon'ble Minister requested Minister for Finance vide DO letter dated 13.4.2020 to allow this to be governed as per extant QEP/MEP guidelines. Secretary, Department of Fertilizers (DoF) also pursued the matter vide D.O of even number dated 13.4.2020 and 24.4.2020.In response, Ministry of Finance vide O.M. 7/22/2017-BA dated 16.04.2020 approved the MEP for April, 2020 as Rs 22018.30 crores and vide OM dated 11.5.2020 approved MEP of Rs, 2598.90 crore each for May and June, 2020 and thus restricted expenditure to Rs.5197.70 crore for these two months together. This amount approved by Ministry of Expenditure is grossly insufficient to meet the requirement when compared to original MEP for May and June 2020 of Rs.16961.66 Crores, i.e. 69.36 % reduction in the extant MEP.

Hon'ble Minister (C&F) vide D.O. letter dated 15.05.2020 again impressed upon the Ministry of Finance about the financial hardships being faced by the fertilizers companies and conveyed the recommendation of the committee to Ministry of Finance.

Ministry of Finance O.M. dated 23.06.2020 placed restrictions on the expenditure for QEP-2 and allotted only Rs. 14975 crores which is only 25% of the pending liabilities and to overcome the crisis of carry over liabilities and the DBT payments, Secretary, Department of Fertilizers vide D.O. No. 1(6)/2020-Fin.I dated 6th July, 2020 taken up the matter with Department of Economic Affairs and Department of Expenditure for incurring expenditure as per MEP/QEP already approved taking into account the BE for 2020-21 and also requested to consider the 1st Batch of Cash Supplementary in demands for grants and also brought to their notice the observations of the Standing Committee in their 7th Report dated 20.03.2020 that there should be no cut on the fertilizers subsidy budget sought by the Department of Fertilizers so that the fertilizers companies can work in a healthy environment.

COMMENTS OF THE COMMITTEE

Please see Para No. 1.7 of Chapter- I of the Report

Recommendation No. 2

<u>Requirement for additional fund allocation for subsidy Schemes</u>

The Committee note that an amount of Rs. 50,435 crore has been allocated at BE stage for 2020-21 against the proposed requirement of Rs. 76,895 crore under Major Head 2852 for urea subsidy. However, Rs. 23,504 crore has been allocated under Major Head 2401 for nutrient based subsidy

(NBS) and City Compost against requirement of Rs. 23400 crore proposed by the Department. The Committee could not understand the logic of reducing budgetary allocation by a huge margin of Rs. 26460 crore for urea subsidy and at the same time increasing allocation for NBS. Timely payment of fertilizer subsidy whether it is urea subsidy or NBS is important for smooth implementation of fertilizer subsidy schemes and for that purpose adequate amount of budgetary allocation is very much necessary. The Committee would like to know the reasons for drastic reduction of budgetary allocation for urea subsidy and for making more allocation for NBS than the requirement projected by the Department. Department should make proper and accurate projection of requirement of funds for fertilizer subsidy and convince the Ministry of Finance to make the requisite amount of budgetary allocation so as to implement subsidy schemes without carryover liabilities. Hence, the Committee recommend that the Department should place before the Ministry of Finance the exact requirement of funds for disbursing urea subsidy during 2020-21 and to dismantle the accumulated carryover liabilities for allocation of necessary funds for urea subsidy scheme at RE stage of 2020-21. Annual expenditure on Nutrient Based subsidy and city compost and the accumulated carry forward liability thereon may be lesser than the expenditure on urea subsidy. The Committee, therefore, recommend that all efforts should be made by the Department to completely eliminate carry over liabilities in respect of NBS and city compost from 2020-21 onwards in case it is found very difficult to totally eliminate carryover liabilities in respect of urea.

REPLY OF THE GOVERNMENT

The budgetary allocations are made by the Ministry of Finance keeping in view the overall fiscal space and the priorities of the Government. The Department has to earmark the funds against the requirement of funds for subsidy schemes in accordance with the availability of budget. In 2020-21, the overall requirement for subsidy was Rs 100307 crore, which consisted of a demand of Rs 76907 crore for Urea Subsidy and Rs 23400 crore for NBS. Against that requirement, the budget allocation of Rs 73939 crore has been made by the Ministry of Finance. Accordingly the allocation has been apportioned to Urea Subsidy (Rs 50435 crore) and NBS (Rs 23504 crore) proportionately. The marginal enhanced allocation of NBS would be used to pay the carry over liabilities.

The Department of Fertilizers vide D.O. letters dated 13.04.2020 & 24.04.2020 requested DoEA for modification of the cash management for QEP-1. As a result, DoF was conveyed by DoEA vide O.M. dated 16.04.2020 & 11.05.2020 for incurring monthly expenditure of Rs.22018.30 crores in April, 2020 &Rs. 5197.30 crores in May & June, 2020 taken together, respectively for QEP-1 and thus an amount of Rs.27216 crores was conveyed for expenditure for QEP-1. In response to the Cash Management for expenditure control for 2nd Qtr, Secretary, DoF vide D.O. letter No. 1(6)/2019-Fin.I dated 06.07.2020 brought before the M/o Finance the details of pending claims including the carry over liabilities to be settled in Qtr-2 and requested for continuing the extant MEP/QEP already approved taking into account the BE for 2020-21 also requested to consider the cash supplementary in the 1stbatch of supplementary demands for grants.

Recommendation No. 4

Reduction in import of Fertilizers

The Committee are constrained to note fluctuations in figures of Production and import of fertilizers. The country is mostly self sufficient in production of urea but import of urea is still made to bridge the gap between demand and availability. However, county is 100% dependant on import of potash and 90% dependant on import of phosphates. Production of urea was highest at 244.75 Lakh Metric Tons (LMT) during 2015-16 and it came down to 240 MLT during 2018-19 and it is expected to be 240.26 LMT during 2019-20. Import of urea has shown a rising trend during the same period. It was 54.81 LMT during 2016-17 but had risen to 74.81 LMT during 2018-19 and is 90.76 LMT as on February, 2020 during 2019-20. The Committee find an increase in production of P&K fertilizes from 125.02 LMT in 2015-16 to 174.85 LMT during 2018-19. Import of P&K fertilizers has also risen during the period from 98.80 LMT in 2015-16 to 113.62 LMT in 2018-19. Since it is necessary to keep imports minimum and increase self sufficiency in production of fertilizers, the Committee recommend that the Department should take all steps to augment production of urea in the country in a time bound manner to arrest the increasing trend of import of urea. As far as P&K fertilizes are concerned, the country is largely dependent on imports mainly due to the dearth of raw material in the country. In this regard, the Committee recommend that the Department should find ways and means to increase domestic production of P&K fertilizers in the country through import of necessary raw material or by setting up of production facilities in those countries where Potash and Phosphates are available in plenty.

REPLY OF THE GOVERNMENT

For P&K Fertilizers

The Country is dependent on imports on different fertilizers either in the form of finished fertilizers or their raw material due to non-availability/scarce availability of resources as per details below :-

(i) Phosphatic fertilizers upto 90%
(ii) Potassic Fertilizers upto 100%

In view of almost complete dependency of the country on raw materials, it is not possible to do much to increase domestic production of non-urea fertilizers. Further, all non urea fertilizers are covered under Open General License regime and its import is being done by companies on commercially viable terms.

However, in order to encourage indigenous production of P&K fertilizers the Department has taken up with the Ministry of Finance for reduction of customs duty on raw materials vide D.O Dated 31.3.2015 and 28.10.2016, which may help improve the production of these P&K Fertilizers indigenously more viable vis-à-vis import of these fertilizers .

For Urea:

Indigenous production of the urea during last 3 years has remained between 240 LMT to 245 LMT per annum while the requirement of urea during the said period has remained 310 LMT to 335 LMT. Therefore, it may be said that currently the country is importing 70-90 LMT urea per annum. It is further stated that the Government had announced New Investment Policy (NIP) -2012 on 2nd January, 2013 and its amendment on 7th October 2014 to facilitate fresh investment in urea sector and to make India self-sufficient in the Urea sector. Under NIP- 2012 read with its amendment, Chambal fertilizers & Chemicals Limited (CFCL) has set up a Brownfield project at Gadepan, Rajasthan. The Commercial production of CFCL-III started on 1st January, 2019. As the installed capacity of the CFCL-III is 12.7 LMT per year, the domestic production of the urea in the country has increased by that much quantity. Further, Matix Fertilizers & Chemicals Limited (Matix) has also set up a Coal Bed Methane (CBM) based Ammonia- Urea complex at Panagarh, West Bengal. The commercial production of Matix stared on 1st October, 2017. However, due to non availability of the CBM and absence of gas pipelines connectivity it had to shut down its operation only after a few days operation. The gas pipeline connectivity works are under progress and likely to become completed soon. Thereafter, the Matix is likely to resume its operations soon. In addition to Matix, 4 closed units of the FCILnamely Gorakhpur, Sindri, Talcher and Ramagundam and one closed HCFL namely Barauni are being revived by setting up of new Ammonia- Urea Complex. Each of these NIP-2012 units will have the installed capacity of 12.7 LMT per year. Therefore, once these remaining six units of the NIP-2012 get operationalized, the annual capacity of indigenous production of the Urea in the Country will increase by 76.2 LMT per annum leading to reduction in the import up to that extent. Simultaneously, Government is also taking various majors to decrease the consumption of Urea. Therefore, in the near future the country is likely to become self-sufficient to meet the requirement of Urea in the country".

COMMENTS OF THE COMMITTEE

Please see Para No. 1.10 of Chapter- I of the Report

Recommendation No. 6

<u>Verification of Beneficiary under Direct Fertilizers Subsidy</u>

The Committee note that the Government has introduced Direct Benefit Transfer (DBT) system in fertilizer subsidy payment with effect from October, 2016. Pan India Roll out of the system was completed by March, 2018. Implementation of DBT in Fertilizer subsidy system requires deployment of PoS devices at every retailer shop. 2.26 lakh PoS devices have been deployed across all the states. A total of 1182.04 Lakh Metric Tons fertilizers have been sold through PoS devices under DBT scheme till December, 2019. The farmer or buyer's identity is authenticated through biometric, Aaadhar based unique Identification Number or Voter ID card or Kissan Credit Card. In this regard, the Committee find that there is hardly any checks and balances now to verify whether genuine farmers are getting subsidized fertilizers. A person who may not be a farmer but his Aaadhar card may be used for collecting fertilizer.So there is scope for misuse by retailers by collecting Aaadhar cards and asking those persons to put thumb impressions for an amount given to them and showing false sale and later on selling the fertilizers in black market. . The Committee, therefore, recommend that a fool

proof monitoring system should be developed at ground level by deploying inspectors at district level to prevent all possible misuses by retailers and to ensure only farmers get subsidized fertilizers according to their requirements. The Committee observe that the Department has made a lot of efforts to bring together all stakeholders and tried to develop a solution for reaching the ideal situation of payment of fertilizer subsidy directly to the farmers. However, the Committee expresses its concern that a concrete solution is still elusive. While recognizing the challenges that need to be overcome to reach the ideal situation, the Committee recommend that the Department should lay down a concrete plan of action along with broad timelines so that we can reach to the point of this elusive ideal situation within a period of 5 years. While designing the solution, the plan should take into account issues like contract-farming, tenancy-farming, separation of land owner and actual farmers, farming by cooperatives/federation etc.

REPLY OF THE GOVERNMENT

The Department is in the process of implementing Direct Cash Transfer under which the subsidy will be credited directly into bank accounts of the farmers/beneficiaries. In this regard, a Committee of Secretaries (CoS) headed by Cabinet Secretary has been setup to develop the broad contours of the DCT framework under which DCT to farmers can be implemented. The last meeting was held on 16.01.2020. The CoS inter alia has recommended to constitute a Nodal Committee to be co-chaired by Secretaries of Department of Fertilizers and Department of Agriculture, Cooperation & Farmers Welfare to formulate and implement Direct Cash Transfer in Fertilizers. Accordingly, a Nodal Committee has been constituted vide DoF's OM no. 15011/21/2019 dated 1st June, 2020 to formulate policy relating to implementation of Direct Cash Transfer of Fertilizer Subsidy to farmers.

Further, vide notification dated 04.05.2020, Department of Fertilizers has constituted Working Group for Chintan Shivir for Direct Benefit Transfer to farmer (Direct Fertilizer Subsidy to farmers account instead of an industry) under the chairmanship of Hon'ble Minister for Chemicals and Fertilizers.

Recommendation No. 7

Scheme for Promotion of City Compost

The Committee note that the scheme for promotion of city compost notified on 10.02.2016, is being implemented from the year 2016-17. Under the scheme, Market Development Assistance (MDA) in the form of fixed amount of Rs.1500/- per metric ton of City Compost is provided for scaling up its production and consumption. The Committee also note that a Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture has been set up towards effecting better coordination in the implementation of the scheme and the States have been asked to constitute State Level Steering Committee for the purpose. The State Level Steering Committee has been constituted in 11 States. As regards implementation of the scheme, the Committee note that in the year 2016-17 RE for the scheme was Rs.15.00 crore and expenditure was Rs.55 lakh (3.6%). In the subsequent two years i.e. 2017-18 & 2018-19, RE was 14.80 crore and Rs.10 crore respectively and the expenditure was Rs.7.28 crore

(49%) and Rs.10 crore (100%). In the year 2019-20, against the RE of Rs.33.85 crore, expenditure as on 14-02-2020 was Rs.32.00 crore (94.85%). However, the BE for the next financial year 2020-21 has been reduced to Rs.29 crore. While expressing its satisfaction over optimum utilization of allocation, the Committee further desire that implementation of the scheme which promotes conversion of wastes into compost manure needs to be given impetus to scale up pace of implementation of the scheme and if necessary an evaluation of the scheme may be conducted for this purpose. The States / UTs which have not yet constituted steering Committee for coordinating implementation of the scheme at State/UT level, may be requested to do so within a stipulated time-frame. The Committee also recommend that the Department of Fertilizers should take necessary action for upward revision of budgetary allocation for the scheme for 2020-21 by seeking supplementary grants for the scheme during 2020-21. Measures should also be taken by the Department to promote and popularize city compost across the country. The Committee may be informed of the action taken in the matter.

REPLY OF THE GOVERNMENT

(i) The Department of Fertilizers has taken various steps to promote and use of city compost on large scale. To increase the volume of sale, compost manufacturing companies have been allowed for bulk sale of city compost. Vide O.Ms. dated 7thSeptember, 2017, fertilizer marketing companies have been allowed for bulk sale and compost manufacturers for bagged sale of city compost. With the concerted efforts of DoF, the sale of city compost has increased over the years. The sale of city compost during last 4 years is given below:

Year	Total sale (in MT)
2016-	96584.00
2017-	199061.91
2018-	306630.47
2019-	326772.72

The Department of Fertilizers is in the process of conducting third party evaluation of the scheme by empaneled agencies of NITI Aayog.

(ii) The Department of Fertilizers had issued an O.M. dated 11.5.2016 for Constitution of State Level Steering Committee. Subsequently, States/UTs were reminded from time to time for Constitution of the Committee. Only 11 States/UTs viz. Uttar Pradesh, Maharashtra, Mizoram, Nagaland, Odisha, Punjab, Tamil Nadu, Tripura, Chhattisgarh, Jammu & Kashmir and Andaman & Nicobar Islands have constituted the Steering Committee so far. A reminder dated 5th June, 2020 has been sent to remaining States/UTs with the request to Constitute the Committee at the earliest.

(iii). The Department had proposed Rs. 30.00 crore for city compost for the financial year 2020-21. However, Rs. 29.00 crore has been allocated for city compost for the year 2020-21. The enhancement of allocation for city compost would be sought in the year 2020-21, depending upon the sale of city compost.

(iv) DAC& FW have been asked to carry out IEC campaign to educate farmers on the benefits of city compost. The Agricultural Extension Machineries including KVKs and Agricultural Universities have been asked through DAC&FW to take up field demonstration activities to popularize city compost amongst farmers. For promoting use of city compost, fertilizer companies marketing city compost have been advised to adopt villages. Fertilizer Companies have adopted 498 villages.

(Ministry of Chemicals & Fertilizers (Department of Fertilizers) O.M. No. 14(4)/2019-Fin-I dated 7.7.2020)

Recommendation No. 8

(Financial Restructuring of (MFL)

The Committee note that the Department of Fertilizers had initiated action for revival for Madras Fertilizers Limited (MFL)in terms of Department of Public Enterprises guidelines for revival and restructuring of sick Central Public Sector Enterprises. Based on the revival proposals recommended by MFL Board on 01.06.2017, a proposal for the Cabinet Committee on Economic Affairs (CCEA) was circulated for Inter-Ministerial Committee (IMC) on 15.11.2017. The proposals included waiver of Government of India loan of Rs.554.24 crore and interest of Rs.509.00 crore as on 31-03-2017 and raising of loan of RS.171.00 crore from financial institutions / banks for CAPEX schemes. This Department was examining Financial restructuring proposal for MFL including waiver of Government of India loan & interest thereon. Meanwhile a meeting was held in PMO on 23.01.2018. In pursuant to that meeting, Government of Tamil Nadu was asked either to take over full ownership of the plant or to grant NOC for transfer of land to another PSU. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL). However, Ministry of Petroleum and Natural Gas gave approval for purchase of only 4.98 acres of land by CPCL and the Department of Expenditure was requested to concur into the proposal of transfer of 4.98 acres of land from MFL to CPCL at mutually agreed rate of Rs. 976/- per sq ft. As regards MFL revival proposals, NITI Aayog conducted a study on the same and the final study report of NITI Aayog, which was received through PMO on 22nd January, 2020, is under examination in the Department of Fertilizers. The Department of Fertilizers has further intimated that once the land monetization of MFL is completed, a complete view would be taken on financial restructuring of MFL.At this backdrop, the Committee would like to point out that as on date, the total outstanding liabilities of MFL is Rs.2143.56 crore including Government of India loan and interest of Rs.1172.45 crore. Moreover, as already submitted by MFL, it needs to undertake capital expenditure schemes to upgrade its functional efficiency and to bring down operative cost. MFL is at present is a loss making company and is functioning in a critical state of survival. A turn-around in the business prospects of the company can be made possible if the financial restructuring proposals are implemented in a time-bound manner. Any delay in undertaking financial restructuring of the company would put the company to a great disadvantage and it will lead to further weakening of financial condition of the company. As such, the same old stance of the Department of Fertilizers that it would take a view on financial restructuring of MFL after land monetization is not acceptable to the Committee and the same is needed to be reviewed.

The Committee note that they are not getting the buyers for the land and they have get buyer only for 4.98 acres of land which will give them a limited amount of money. The Committee have been apprised that the Department of Fertilizers is trying to find out buyers for the surplus land and if they succeed

and run the companies profitably then Department of Fertilizers would consider to waive off interest and loan given to them. The Committee hope that with the sale of a small portion of land i.e. 4.98 acres, MFL would get some financial assistance to establish captive power plant for which Rs. 200 core is required. As regards the sale of remaining portion of land, the Committee are of the view that the feasibility of selling the land to private organizations/individuals may also be explored so that MFL get its value of land which would help them in financial restructuring. In the meantime, the Committee strongly recommend to waive-off the principal amount of loan and interest thereon. The Committee here also strongly recommend that the Department of Fertilizers should complete the examination of final report of NITI Aayog on priority basis and take immediate necessary steps for financial restructuring of MFL without any further delay. The Committee hope that the Department of Fertilizers will take timely action in the matter and apprise the Committee about the action by it in the matter.

REPLY OF THE GOVERNMENT

Vide OM dated 19th March, 2020, Department of Expenditure has conveyed it's **'no objection'** for sale/transfer of land from M/s MFL to M/s CPCL, With the concurrence of IFD and approval of Competent Authority, Department of Fertilizers has given the administrative approval to MFL for transfer of 4.98 acres land at the mutually agreed rate of Rs. 976/sq. ft from MFL to CPCL vide letter dated 25th April, 2020.For selling the balance 65 acres of surplus land, MFL has taken up the matter with IOCL, other various CPSEs and the State Government of Tamil Nadu. But it was not materialized.

Vide ID Note dated 22nd January, 2020, this Department has received recommendations made by NITI Aayog in the study report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs". Vide Ld note dated 13th May, 2020, Department of Fertilizers has agreed with the recommendations given by NITI Aayog on financial restructuring and monetization of land of MFL. Department of Fertilizers has agreed with the most of the recommendations of NITI Aayog.

COMMENTS OF THE COMMITTEE

Please see Para No.1.13 of Chapter- I of the Report

Recommendation No. 9

Revival of Fertilizers and Chemicals Travancore Ltd (FACT)

The Committee note that FACT became a sick CPSU during the financial year 2012-13 with net worth of -(Rs.192.5) Crore. The Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting held on 20.12.2013 recommended for revival of FACT including measures for infusion of funds and waiver of Government of India loan and interest. The revival proposals were submitted to the Government by Department of Fertilizers in April 2014. Subsequently, as directed by Cabinet Secretariat, the Department of Fertilizers submitted revised proposals after fresh Inter Ministerial Committee (IMC) in June, 2015, which also included sale of land for raising resources to repay the loans raised against sovereign guarantee and raise funds for certain projects. Meanwhile, a loan of Rs.1000 crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016.As regards revival proposals, a meeting was held in PMO on 10.08.2018, wherein the PMO *inter-alia* directed that the proposal for sale of land of FACT be delinked from the Cabinet note for financial restructuring of FACT. Approval was accorded for sale of 169.689 acres of land of FACT to BPCL @ Rs.2.47 Crore per acre (total approx. Rs.420 Crore) and approval for sale of 481.79 acres of land held by FACT to Govt. of Kerala and utilization of sale proceeds by FACT was accorded on 24-07-2019. FACT received an amount of Rs. 967.69 crore from Govt. of Kerala and vide letter dated 01.08.2019, FACT was asked to adhere to the Capital Expenditure (CAPEX) to the tune of Rs. 608 Crore over a period of three years as approved by the Cabinet. The said CAPEX would be used for setting up of 1650 TPD plant with pipe reactor and other schemes. The Committee also learn that NITI Aayog studied the matter of revival of FACT and the final study report of NITI Aayog was received by Department of Fertilizers through PMO on 22ndJanuary, 2020 and the same is under examination in the Department of Fertilizers. At this juncture, the Committee would like to point out that FACT became a loss making unit in 2012-13 and the proposals for its revival which were initiated in 2014 have not yet been approved and implemented. All the while, the company has been continuing with its financial down-slide and the net worth of the company at the end of financial year 2018-19 showed a negative growth of –(1523.70) crore. The total outstanding liabilities of FACT have now risen to Rs.3785.01 crore including Government of India loan and interest of Rs.2248.52 crore. The Committee express the view that the Department of Fertilizers should be more proactive in monitoring the functions and financial performances of PSUs under it. In Committee's view, the revival initiatives already taken by the way of land-sale and allowing capital expenditure with the land-sale proceeds to the tune of Rs. 608 Crore over a period of three years, would not be of much help unless other proposals like waiving off loan and interest are also considered and implemented within a fixed time frame. The Committee, therefore, strongly recommend that the Department of Fertilizers should take immediate steps in the light of NITI Aayog's Report for the financial restructuring of FACT without any further delay.

REPLY OF THE GOVERNMENT

Based on the BRPSE proposal, D/o Fertilizers submitted a note for Cabinet Committee on Economic Affairs (CCEA) regarding infusion of funds and waiver of GoI loans and interest on 17.4.2014. After deliberation with Department of Expenditure, a revised Cabinet note was circulated for IMC on 18.6.2015. Meanwhile, this Department has received directions from PMO on the financial restructuring FACT on 30.6.2015. On the basis of the directions received from PMO,a draft proposal on financial restructuring of FACT including land monetization was circulated on 23.02.2018 for Inter Minister consultation.Further, a meeting was held in PMO on 10.08.2018 wherein it was inter-alia decided that NITI Aayog would conduct a drawing board study on the feasibility of merger of FACT and MFL with other Fertilizer Unit of D/o Fertilizers.

Vide ID Note dated 22nd January, 2020, this Department has received recommendations made by NITI Aayogon the study report on "feasibility of merger of FACT & MFL with other fertilizer units of Department of Fertilizers and options for financial restructuring/revival of above PSUs". However, vide ID note dated 13th May, 2020,Department of Fertilizers agrees with the financial restructuring recommendations given by the NITI Aayog except GoI interest free loan of Rs. 1000 Crores should be paid in 10 installments of Rs. 100 Crores each from 2020-21 as the financial year 2019-20 has already ended. Department of Fertilizers has agreed with the most of the recommendations of NITI Aayog.

COMMENTS OF THE COMMITTEE

Please see Para No. 1.16 of Chapter-I of the Report

Recommendation No. 10

<u>Revival of closed Public Sector Fertilizer Companies</u>

The Committee note that Talcher, Ramagundam, Sindri and Gorakhpur Units of Fertilizers Corporation of India Ltd (FCIL) and Barauni unit of Hindustan Fertilizer Corporation Ltd. (HFCL), which are closed public sector Undertakings engaged in manufacture of fertilizers, are presently being revived by the Government either through Nomination Basis by a consortium of PSUs or by means of Special Purpose Vehicle (SPV) of PSUs. In case of Talcher Unit of FCIL, a joint venture company named Talcher Fertilizers Limited (TFL) has been formed by RCF, GAIL, CIL and FCIL. This unit was targeted to be started on 17.09.2019 but only pre-project activities are underway presently. Only 51% of the project work has been completed and it is expected to be commissioned by September, 2023. Ramagundam Fertilizers and Chemicals Ltd., (RFCL) is being revived by EIL, NFL and FCIL. It is likely to start production in March, 2020. Sindri, Gorakhpur and Barauni units are being commissioned by an SPV namely Hindustan Urvarak and Rasayan (HURL) formed by NTPC, CIL, IOCL and FCIL /HFCL. 63.20%, 73% and 62.50% of work of these projects has so far been completed, respectively. Sindri and Barauni Projects are likely to start production in May 2021 and the Gorakhpur Project is likely to be commissioned in February. 2021. The Government of India has sanctioned an interest free loan (IFL) to the tune of Rs. 1257.82 crore to HURL units. This IFL will be disbursed to HURL units after signing of loan agreement between Department of Fertilizers and HURL. But an allocation of only Rs. 5 lakh has

been made in BE of 2020-21 under the major Head of 6855 as loans for fertilizer Industries. Since timely starting of these Fertilizers units is very much important to attain self sufficiency in production of fertilizers in the country, the committee recommend that the execution of each of these projects should be continuously monitored by Department of Fertilizers and it should be ensured that all the five units start production as per the schedule mentioned above without any delays. All issues which cause delays in execution of these projects should also be resolved in coordination with the concerned JV/SPV. Project wise progress made in completion of these projects should be conveyed to the committee. Department should also take steps for budgetary allocation of Rs.1257.82 crore to HURL either at RE stage of 2020-21 or in supplementary demands during 2020-21.

The Committee have also been apprised that these units shall be functional before the monsoon 2021. Though the Committee have apprehensions that closed fertilizer units be functional by the dates given by the Department of Fertilizers, but they rely on the commitment of the Department and hope that Department of Fertilizers would leave no stone unturned to adhere to set time limits to make the closed units functional.

REPLY OF THE GOVERNMENT

UPDATED STATUS OF REVIVAL OF RFCL, TFL AND HURL PROJECTS

(A). Revival of Ramagundam unit:

i. About the project:

Cabinet in its meeting held on 04.08.2011 approved revival of Ramagundam unit of FCIL through nomination basis by forming a Joint Venture of nominated PSUs by setting up gas based fertilizer plants of 1.27 MMTPA capacity. Accordingly, a JV company was incorporated as Ramagundam Fertilizers & Chemicals Ltd. (RFCL). Equity of NFL & EIL is 26% each and FCIL's 11%. In addition, State Govt. of Telangana has equity of 11%, GAIL -14.3% and HTAS Consortium- 11.7% equity in RFCL. The progress of the RFCL project as on 30.04.2020 is 99.53%. The updated status of the project is as under: -

- Power and water received on 10.04.2019 and 15.06.2019 respectively.
- Gas received at GITL metering station Ramagundam on 14.10.2019.
- Currently, pre-commissioning activities are in progress.
- All ongoing work came to stand still as nationwide lock down was declared on 23rd March 2020.
- Permission for starting construction work was granted on 27th April,2020. Accordingly, workforce was mobilized within one week and work resumed with reduced manpower wef 3rd May,2020.

- At present, the project is in pre-commissioning/commissioning stage. All necessary measures are being taken to complete balance activities on priority post Covid-19 pandemic.
- About 6 Weeks of work have been lost due to COVID-19 (from 24-03-2020 to 03-05-2020).

<u>Anticipated Impact of Lockdown on SCOD (Scheduled commercial operation date)</u>

- EIL indicated 31/08/2020 as date under section wise Mechanical Completion plan for:

    a. Gas Turbine (part of CPP awarded to BHEL)
    b. Prilling Tower by Simplex
    c. Ammonia & Urea Units by Bridge & Roof (B&R)

- Thereafter commissioning activities will take 6-7 weeks' time followed by urea production.

    - Anticipated Additional Delay due to Lockdown 3.5 months (from SCOD of 30/06/2020)
    - Therefore, urea production is expected around end Sept 2020 and SCOD as 15/10/2020

(B). <u>Revival of Talcher unit:</u>

i. <u>About the project:</u>

Cabinet in its meeting held on 04.08.2011 approved revival of Talcher unit of FCIL through nomination basis by forming a Joint Venture of nominated PSUs by setting up gas based fertilizer plants of 1.27 MMTPA capacity. Accordingly, a JV company was incorporated as Talcher Fertilizers Ltd. (TFL). Equity of GAIL, RCF & CIL in TFL is 31.85% each & FCIL's 4.45 %. TFL plant is based on Coal Gasification Technology.

Sl No.	Project	Over all Pre-progress upto 30.04.2020	Likely date of Commercial Production
1	Talcher Fertilizers Ltd	57.72 %	September, 2023

The updated status of the TFL project is as under: -

- Environment Clearance of the project received in February, 2018.
- CCEA approval for RCF equity contribution received in September 2018.
- MoU signed with IOCL for supply of pet coke in August 2017.
- Mine allotment agreement for captive coal mine signed in Dec. 2018.
- Inauguration of "Commencement of works' ceremony done by Hon'ble Prime Minister of India on 22nd September., 2018.
- Investment approval of the project accorded by TFL Board on 29thAugust 2019 after receipt of approvals by the Promoters.
- Letter of Intent (LoI) issued to M/s Wuhuan Engineering Company Limited for Coal Gasification and Ammonia/Urea LSTK Tender on 11th and 19th September 2019 respectively. Zero date of the project is 17th September 2019.
- A proposal regarding formulation of urea policy exclusively for TFL is under active consideration of DoF.
- Tendering activities for various offsite/utilities package is underway
- Approval of ECoS accorded for reduction for FCIL equity in TFL to 4.45% from 11.0%
- MoU signed between TFL & CISF for deployment of CISF at TFL site Talcher, Angul on 10th Feb., 2020
- Kick off meeting of Ammonia/Urea LSTK contract was held on 19th May 2020
- Currently pre-project activities are in progress.
- All ongoing work came to stand still as nationwide lock down was declared on 23rd March 2020.
- As regards appointmentof Project Management Consultant (PMC) for Talcher project, bids have been invited from PDIL and EIL. Only single bid of PDIL received.The same is under evaluation.

ii. <u>Assessment of delay in project schedule due to COVID 19</u>

- On a preliminary assessment made by TFL during 1st phase of lockdown, a delay of 03 months was expected. Due to extended lockdown, a delay of 06 to 09 months can be reasonably expected.

- Due to restrictions in place, there has been no progress in pre – project activitiesduring April 2020 and after receiving permission from local authorities on 24th April 2020, work at site has commenced from 1st week of May, 2020 with minimum manpower and stipulated guidelines.

(C) Revival of Gorakhpur, Sindri and Barauni units:

About the Project:

Cabinet in its meeting held on 13.07.2016 approved revival of Gorakhpur & Sindri units of FCIL and Barauni unit of HFCL through nomination basis by forming a Joint Venture of nominated PSUs by setting up gas based fertilizer plants of 1.27 MMTPA capacity each. Accordingly, a JV company was incorporated as Hindustan Urvarak & Rasayan Limited (HURL). Equity of NTPC, IOCL and CIL is 29.67% each whereas in case of FCIL, it is 10.99 %.

Gorakhpur (UP), Sindri (Jharkhand) & Barauni (Bihar) units

1) The pre-project activities have been completed in respect of all the three projects.
2) Environmental clearance obtained for Gorakhpur, Sindri and Barauni Projects.
3) Gas supply & transportation agreement has been signed with GAIL (India) Ltd for Gorakhpur, Sindri & Barauni Projects.
4) Lump sum turnkey (LSTK) contracts for Ammonia Urea Fertilizer plants at Gorakhpur, Sindri and Barauni have been awarded.
5) State Government of Uttar Pradesh, State Government of Bihar & State Government of Jharkhand have waived of stamp duty with respect to Gorakhpur, Barauni & Sindri projects respectively.
6) GoI has approved interest free loan equivalent to Interest during construction component of Rs 422.28 crore, 415.77 crore and 419.77crore for Gorakhpur, Sindri and Barauni projects respectively to HURL's at a total value of Rs. 1257.82 crores. The repayment shall be spread over a period of 11 years. A Loan Agreement is to be executed between DoF and HURL before disbursement of the IFL.
7) Project wise Work Progress Details and likely commissioning dates are as under:

S. No.	Project	Zero Date	Overall Progress (upto 30.04.2020)	Likely Date of Commercial Production
1	Gorakhpur	Feb 2018	77.0%	Feb 2021
2	Barauni	May 2018	68.9%	May 2021
3	Sindri	May 2018	70.2%	May 2021

- All major Long Lead items have been ordered for all three Projects.
- HURL was able to get permission from concerned authorities to take up construction works at Gorakhpur & Sindri Projects on 20th April 2020 & Barauni on the 27th April 2020. Accordingly, HURL has resumed construction works with drastic reduction ~ (more than 60%) in manpower.

Assessment of delay in project schedule due to COVID 19

- With the constraints in mobilization, possible progress in construction & procurement and full mobilization peaking up in monsoon period:
  - ✓ HURL Gorakhpur project will be delayed by 5-6 months.

- ✓ HURL Sindri and Barauni projects will be delayed by 7-8 months. In case the mobilization in Sindri is sustained and there is no major migration HURL may save around one month

CHAPTER – III

OBSERVATION / RECOMMENDATION WHICH THE COMMITTEE DO NOT LIKE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation No.3

Monitoring mechanism for checking MRP of Decontrolled Fertilizers.

The Committee note that Nutrient Based subsidy scheme is being implemented by the Department of Fertilizers for Phosphatic and Potassic (P&K) fertilizers. Under NBS Policy, the Government announces a fixed rate of subsidy (in Rs. per kg basis) on each nutrient of subsidized P&K fertilizers namely Nitrogen (N), Phosphate (P) Potash (K) and Sulphur (S) on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing maximum Retail Prices of P&K fertilizers. Under the Policy, Maximum Retail Prices of P&K fertilizers has been left open and fertilizer manufacturers /marketers are allowed to fix MRP at reasonable rates. The companies are required to print maximum Retail Price alongwith applicable subsidy on the fertilizer bags clearly. Any sale above the printed MRP is punishable under the Essential Commodities Act. The Committee also note that action would be taken against the companies which earned profit over and above 12% and the guidelines in this regard have been issued by the Department recently.

The Committee note that in case of decontrolled fertilizers that is P&K fertilizers, post facto analysis is done. The Committee are also given to understand that before 2010, the prices of NPK fertilizers were fixed determining each thing including the dealer margin. But in 2010, Union Cabinet took a decision to decentralize the non urea sector so it is left to the fertilizer companies to decide the price. The Committee while appreciating the decontrolling of NPK fertilizers, for the survival of fertilizer units desire that interest of farmers should also be considered while fixing the dynamic marketing price by the companies. The Committee feel that it is not a prudent policy where on one hand, the fixation of MRP of the fertilizers is left to the companies and the market forces and on the other hand, regulatory action is initiated against those companies which appear to be over-charging the farmers. The Committee therefore recommend that the Department should re-visit this aspect of the fertilizer policy keeping in view the primacy of the farmers' interests. The Department, could, as a suggestion, examine the possibility of prescribing the upper limit of prices of different fertilizers and then allow the companies to fix the individual MRPs with this prescribed limit. The Department could also examine the possibility of prescribing a price – band for different fertilizers.

REPLY OF THE GOVERNMENT

Under the NBS policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government. Since, P&K fertilizers are decontrolled under the Nutrient Based Subsidy (NBS) Policy and the MRP is fixed by the fertilizer companies as per cost of production/import as per market dynamics, it is not viable for DoF to control the MRP by prescribing the upper limit of prices of different fertilizers and allowing the companies to fix the individual MRPs with in this prescribed limit.

The evaluation of reasonableness of MRP is being done for P&K fertilizers. The international prices are being monitored by DoF from time to time. Since, the reasonability evaluation of MRPs is ensured, any reduced international cost automatically gets factored in the reduced MRP of the P&K fertilizers which benefits the farmers. Thus, the Government is already safeguarding the interest of farmers as well as P&K fertilizer industry by allowing 12% profit margin.

Recommendation No. 5

Balanced use of Fertilizers

The Committee are constrained to note the over use of urea when compared to other chemical fertilizers and the city compost. Consumption (sale) of urea was 296.07 lakh Metric Tons, 303.31 LMT and 320.04 LMT during 2016-17, 2117-18 and 2018-19 respectively. Consumption of P&K fertilizers was 203.02 LMT, 212.54 LMT and 209.99 LMT respectively during the same period. Hence, the consumption of urea was almost 50% more than the consumption of P&K fertilizers. At the same time the use of city compost was merely 0.97 LMT, 2 LMT and 3.07 LMT respectively during the period. Overuse of urea or a Particular chemical fertilizer may result in loss of soil fertility over a period of time and the situation is not conducive for increasing agricultural productivity to meet the food requirements of the huge population of the country. Overuse of chemical fertilizers may also pose health hazards to the people.

The Committee note that there is non awareness of usage and deficiency of nutrients other than N. P. K required by soil; declining response ratio of the soil to the fertilizers application ; agronomical importance of low analysis fertilizers like Single Super Phosphate; Development of new type of fertilizers like liquid fertilizers, special compounds, bio-fertilizers, slow-release fertilizers etc. The Committee are happy to note that in order to disseminate knowledge to farmers on optimum usage of fertilizer nutrients based on various parameters to sustain the agricultural productivity and to make them aware of new developments in the field of fertilizer usage and Management, Department of Agricultural Research and Education (DARE) , Department of Agriculture Cooperation & Farmers Welfare and Department of Fertilizers decided to jointly organize a fertilizer awareness programme for farmers with the help of State Governments through KrishiVigyanKendras (KVKS) located in each of the districts and Public Sector Units in which lakhs of farmers were trained to adopt balanced fertilizer usage methods. The Committee also note that soil Health cards have been distributed to farmers to prescribe fertilizer requirements for each of the crop and these requirements are printed on soil Health Cards based on soil test values. The Committee have been informed that the Government is propagating the message of maximum utilization of bio-fertilizers and its consumption has also increased in the last 5 years and 51 Integrated Nutrient Management packages for different crops and cropping system are also being promoted through KVKS and Agricultural Technology Management Agencies (ATMAs). While appreciating the combined efforts of Ministry of Agriculture, Department of Fertilizers and State Governments for propagation of balanced use of fertilizers maximum utilization of bio-fertilizers, as well as micro nutrients, the Committee feel that enough has not been done in this regard. The Committee are of the view that the functioning of ATMA at district level is not up to the mark and steps should be taken to strengthen ATMA through

better mechanism. In this regard, it is also imperative that local MPs/MLAs should also be involved in the awareness programme to increase the use of bio fertilizers.

REPLY OF THE GOVERNMENT

The Department of Fertilizers provide subsidy on Urea and P&K fertilizers under the New Pricing Scheme (NPS) and Nutrient Based Subsidy (NBS) Scheme respectively. This is farmers prerogative to use these fertilizers as per their requirement and Department has no role to play in this regard. However, the recent measures for use of 100% neem coating Urea, promotion of city compost, soil health cards to farmers and dissemination of awareness on proper/ balanced use of fertilizers among farmers through biennial Fertilizer Application Awareness Programme started from the month of October 2019 will address the imbalance use of fertilizers to some extent. The recommendations of the Standing Committee on functioning of Agricultural Technology Management Agencies (ATMAs) and involvement of local MLAs and MPs in awareness programme to increase the use of bio fertilizers was conveyed to the Ministry of Agriculture, Department of Agriculture, Cooperation & Farmers Welfare for necessary action.

CHAPTER-IV

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

(NIL)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE FINAL RELEIS OF THE GOVERNMENT ARE STILL AWAITED

Recommendation No. 11

Research and Development in Fertilizers Sector

The Committee are concerned to note that no budgetary allocation has been made for Research and Development in BE, 2020-21 of the Department of Fertilizers. In the Department of Fertilizers, there has been no Government approved R&D scheme in the last two years and for the next financial year 2020-21. However, the Department has formed an Indian council for fertilizers and fertilizers Technology Research (ICFFTR) by associating CPSEs under it. This council has been mandated to undertake/promote R&D in the areas of fertilizers and fertilizers manufacturing technology. Since it is very much necessary to continuously upgrade the manufacturing technology, the Committee recommend that appropriate budgetary allocation may be made from next financial year onwards to financially assist ICFFTR to undertake research and Development in this sector as to avoid dependence on foreign countries on fertilizers and fertilizers manufacturing technologies.

REPLY OF THE GOVERNMENT

Department of Fertilizers has moved a proposal regarding opening/reviving 'Research & Development' Head in Department of Fertilizers to support innovative research proposals in the fertilizer sector to Ministry of Finance, Department of Economic Affairs (Demand Section). Appropriate budgetary allocation for funding research proposals could be made only after the proposal is accepted by the Ministry of Finance.

New Delhi;

8 February , 2021
19 Magha, 1942 (Saka)

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

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<u>**Appendix – II**</u>

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2019-20) ON DEMAND FOR GRANTS (2020-21) OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).

I	Total No. of Recommendations	11
I	Action Taken Replies of the Government on which further comments of the Committee may be made: (Vide Recommendations No. 1, 4, 8 & 9)	4
	Percentage of Total	36.36
II	Observations / Recommendations which have been accepted by the Government: (*Vide* Recommendation Nos. 1, 2, 4, 6, 7, 8, 9 & 10)	8
	Percentage of Total	72.72
III	Observations / Recommendations that the Committee do not like to pursue in view of the Government's replies: (*Vide* Recommendation No. 3 & 5)	2
	Percentage of Total	18.18
IV	Observations / Recommendations in respect of which the replies given by the Government are not acceptable to the Committee: (Vide Recommendation No. NIL)	NIL
	Percentage of Total	0.0%
V	Observations / Recommendations in respect of which the final replies of the Government are still awaited: (*Vide* Recommendation Nos. 11)	1
	Percentage of Total	9.09

MINUTES OF THE FIRST SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2020-21)

The Committee sat on Monday, the 12th October, 2020 from 1100 hrs. to 1145hrs. in Committee Room 'B', Parliament House Annexe, New Delhi

Ms. Kanimozhi Karunanidhi - Chairperson

MEMBERS
LOK SABHA

2. Shri Deepak Baij
3. Shri Ramesh Chandappa Jigajinagi
4. Shri Kripanath Mallah
5. Shri Satyadev Pachauri
6. Shri Arun Kumar Sagar
7. Shri Uday Pratap Singh
8. Shri Indra Hang Subba

RAJYA SABHA

9. Shri M.V. Shreyams Kumar
10. Shri Jaiprakash Nishad
11. Shri Anthiyur P. Selvarasu
12. Shri Arun Singh
13. Shri A.D. Singh
14. Shri Vijay Pal Singh Tomar
15. shri K. Vanlalvena

SECRETARIAT

1. Shri Manoj K. Arora - Officer on Special Duty (LSS)
2. Shri Anil Kumar Srivastava - Director
3. Shri Panna Lal - Under Secretary

Session I

XXXX XXXX XXXX

Session-II

XXXX XXXX XXXX

2. The Committee thereafter took up for consideration and adoption of following draft Action Taken Reports:

(i) Action Taken Report on Demands for Grants 2019-20 (Department of Chemicals and Petrochemicals);
(ii) Action Taken Report on Demands for Grants 2019-20 (Department of Fertilizers);

(iii) Action Taken Report on Demands for Grants 2019-20 (Department of Pharmaceuticals);
(iv) Action Taken Report on Study of System of Fertilizer Subsidy (Department of Fertilizers).
(v) Action Taken Report on Demands for Grants 2020-21 (Department of Chemicals and Petrochemicals);
(vi) Action Taken Report on Demands for Grants 2020-21 (Department of Fertilizers);
(vii) Action Taken Report on Demands for Grants 2020-21 (Department of Pharmaceuticals).

3. After deliberations, the Committee adopted the draft Action Taken Report(s) unanimously without any change/amendments. The Committee also authorized the Chairperson for finalize and present the Action Taken Reports to the Parliament.

4. The Committee also decided to hold its next sitting tentatively in the second week of November, 2020.

The Committee then adjourned.

XXXX matters not related to this report.