

**EIGHTH REPORT**  
**STANDING COMMITTEE ON**  
**PETROLEUM & CHEMICALS**  
**(1994-95)**

**(TENTH LOK SABHA)**

**PRODUCTION, IMPORT, R&D, PROMOTION**  
**AND MARKETING OF FERTILIZERS**

**[MINISTRY OF CHEMICALS & FERTILIZERS (DEPTT. OF**  
**FERTILIZERS)]**

*(Action taken by Government on the recommendations contained in the 3rd  
Report of the Standing Committee on Petroleum & Chemicals)*

Presented to Lok Sabha on..... 1 DEC 1994  
Laid in Rajya Sabha on..... 4 DEC



**LOK SABHA SECRETARIAT**  
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CORRIGENDA

EIGHTH REPORT OF STANDING COMMITTEE ON PETROLEUM  
AND CHEMICALS.

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COMPOSITION OF THE STANDING COMMITTEE ON  
PETROLEUM AND CHEMICALS (1994-95)

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Shri Sriballav Panigrahi

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33. Shri Mohd. Masud Khan
34. Shri Pasumpon Tha. Kiruttinan
35. Shri G.Y. Krishnan
- \*\*36. Shri Bhagaban Majhi

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\* Ceased to be Member of the Committee consequent upon retirement from Rajya Sabha w.e.f. 1st July, 1994. Renominated to the Committee w.e.f. 12th July, 1994.

\*\* Nominated to the Committee w.e.f. 21st April, 1994.

- \*\*\*37. Shri Tulasidas Majji
- 38. Shri Jagdish Prasad Mathur
- 39. Shri V. Narayanasamy
- 40. Shri Yerra Narayanaswamy
- §41. Shri Ramji Lal
- 42. Shri Chimanbhai Haribhai Shukla
- 43. Shri Balbir Singh
- 44. Shri S.S. Surjewala
- 45. Shri Dineshbhai Trivedi

SECRETARIAT

- 1. Shri S.C. Gupta — *Joint Secretary*
- 2. Shri G.R. Juneja — *Deputy Secretary*
- 3. Shri Brahm Dutt — *Asstt. Director*

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\*\*\* Nominated to the Committee w.e.f. 18th April, 1994. Expired on 21st September, 1994.  
§ Nominated to the Committee w.e.f. 11th April, 1994.

## INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1994-95) having been authorised by the Committee to submit the Report on their behalf present this Eighth Report on Ministry of Chemicals & Fertilisers, Deptt. of Fertilizers regarding Action Taken by Government on the recommendations contained in the Third Report of the Standing Committee on Petroleum and Chemicals (1993-94) (Tenth Lok Sabha) relating to 'Production, Import, R&D, Promotion and Marketing of Fertilisers'.

2. The Third Report of the Committee was presented to Lok Sabha on 17 December, 1993. Replies of Government to all the recommendations contained in the Report were received on 20 June, 1994.

3. The Committee at their sitting held on 22 August, 1994 considered the replies of the Government and decided that before finalising the Action Taken Report on the subject, the representatives of Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers and Ministry of Agriculture, Deptt. of Agriculture and Cooperation should be called for evidence to give necessary clarifications/latest position on some of the points. The Committee accordingly took evidence of the representatives of Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers and Ministry of Agriculture, Deptt. of Agriculture and Cooperation on 13 September, 1994. The Committee considered and adopted the Report at their sitting held on 30 September, 1994.

4. An analysis of action taken by Government on the recommendations contained in the Third Report (1993-94) of the Committee is given in Appendix IV.

NEW DELHI;  
25 October, 1994  

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3 Kartika, 1916 (*Saka*)

SRIBALLAV PANIGRAHI,  
*Chairman,*  
*Standing Committee on*  
*Petroleum & Chemicals.*

## CHAPTER I

### REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Third Report (Tenth Lok Sabha) of the Standing Committee on Petroleum & Chemicals (1993-94) on 'Production, Import, R&D, Promotion and Marketing of Fertilizers' which was presented to Lok Sabha on 17th December, 1993.

2. Action Taken notes have been received from the Government in respect of all the 27 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by the Government:*  
Sl. Nos. 1 to 5, 7, 8, 10, 15 to 18 & 20 to 26.
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies:*  
Sl. Nos. 6, 11 & 19.
- (iii) *Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:*  
Sl. Nos. 12, 13, 14 & 27.
- (iv) *Recommendation/observation in respect of which final reply of the Government is still awaited:*  
Sl. No. 9.

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

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

#### *A. Production Constraints (Recommendation Sl. No. 2)*

5. The Committee were informed that even though the share of fertilizer industry in total gas availability was 36% at present, this was not meeting the full requirement of the fertilizer industry. Similarly, there were problems in getting the required power supply and desired quality of coal (for coal based plants). Deptt. of Fertilizer had informed the Committee that these matters had been taken up with the concerned Departments. In view of the importance of the self-sufficiency of the country in foodgrains, the Committee had recommended that the matter regarding adequate availability of gas, power and required quality of coal should be pursued at



the highest level in the Government Depts. including Planning Commission.

6. In their reply the Government have stated that a Committee, known as Gas Linkage Committee (GLC), was set up in July, 1991 to periodically review the progress of implementation of upstream and downstream projects for utilisation of natural gas with a view to ensuring timely synchronisation of these facilities and consider and recommend for allocation of gas to consumers, keeping in view total availability of gas in a system and considering that allocation of gas to users is economically efficient. During 1993-94 for the first time gas supply mainly to fertilizer sector and some miscellaneous sectors was curtailed by about 15% of the quantity allocated to each fertilizer unit. For the year 1994-95, the gas supply to all consumers including the fertilizer sector has been further reduced in the range of 10—15% over the gas supply of 1993-94. The gas supply plan for 1993-94 and 1994-95 was discussed in the meeting of the GLC and the views of the Department of Fertilizers were accommodated to the maximum extent possible in regard to the programme of gas supply finally decided for the fertilizer sector.

The DOF has further stated:—

“The erratic power supply position in the States of Andhra Pradesh and Orissa, particularly in summer months, has adversely affected the performance of Ramagundam and Talcher units of FCI. The Department of Fertilizers has been interacting with the respective State Electricity Boards as well as the State Governments to sort out the problems regarding supply of adequate and quality power to these units. The matter has also been taken up with the Department of Power for exploring the possibility of direct supply of power from National Thermal Power Corporation of Ramagundam Unit.

The Coal based plants at Ramagundam and Talcher are designed to handle coal with a maximum of 19 to 20% ash content for the process and 28% ash content for steam generation. However, the coal supplied is of much higher ash content and poor quantity, particularly at Talcher. The continuity in supply of coal is into a problem except in instances when coal suppliers temporarily discontinue the supplies due to non-payment of dues”.

7. The Committee find that although the Department of Fertilizers has been taking up the matter regarding availability of gas, power, coal etc., with concerned Departments, the result has not been encouraging. In fact the availability of gas to fertilizer units has been further curtailed in 1994-95. The Committee reiterate the need for pursuing the matter at the highest level in the Government including the Planning Commission to improve the situation. Since gas is the most preferred feedstock for fertilizer plants, the Committee would also like to emphasise that as a measure to achieve self sufficiency in fertilizers in the country adequate availability of gas to fertilizer units is a must.

*B. Indigenous Production of Fertilizers  
(Recommendation Sl. No. 4)*

8. The Committee's examination of the demand and indigenous availability of fertilizer had revealed that there would be a net gap of 12 lakh tonnes of N fertilizers by the end of 8th Five Year Plan. The gap between demand and supply was further expected to be increased by the end of IX Plan period (*i.e.* by 2001-2002 A.D.) to the extent of 33 lakh tonnes of Nitrogen (equivalent to 72 lakh tonnes of Urea). Besides, the gap in meeting the requirement of P and K fertilizers was estimated at to be about 20—25 lakh tonnes each, taking the total shortage to a staggering level of about 80 lakh tonnes. DOF was candid in their admission before the Committee that such a huge quantity of fertilizer may not be surplus in international market. In this context the Committee recommended that appropriate action should be taken by the Government to set up new plants/expansion of existing plants with a view to meet the growing demand of various types of fertilizers to achieve the foodgrain production targets of 240 million tonnes by 2000 A.D.

9. In their reply the Government had stated (June, 1994) that the present indications are that no more gas would be available for the fertilizers sector during the 8th Plan. This will leave a gap of 12 lakh tonnes of Nitrogen (26 lakh tonnes of Urea) which may have to be imported. The total gap of Nitrogen at the end of the 9th Plan would be in the range of 36 lakh tonnes, which in terms of Urea would amount to 78 lakh tonnes. It is highly unlikely that such a huge quantity of Urea would be available in the international market. Hence, additional Urea capacities will have to be planned. This would be possible only with new finds of gas reserves within the country or when gas becomes available from other countries through pipelines. Meanwhile, Indian companies are being encouraged to set up joint venture projects in countries having cheaper and abundant reserves of gas.

10. During the course of evidence of the representative of DOF, the Committee pointed out that from the Government reply it was observed that no concrete action was taken by Government to bridge the gap between demand and indigenous availability of fertilizers and the expected gap by the end of 2000 A.D. would increase from 72 lakh tonnes of urea to 78 lakh tonnes. Asked about the specific steps taken by the Government to step up the fertilizer production, the Fertilizer Secretary stated:—

“Firstly, to the extent of about 38.63 lakh tonnes of urea, we have got new projects and also expansion of existing ones. With Oman, we have gone into very detailed Memorandum of Understanding. In fact, next month also we are going to meet them, after which we hopefully expect that by around the third quarter or the fourth quarter of 1995, the construction work would begin and in about three years' time, say, in the last quarter of 1998, the production should commence in

Oman. This Project will give us 15 lakh tonnes of Urea. In this, there is 50 per cent equity participation from Indian Companies, that is RCF and KRIBHCO. There is also a Memorandum of Understanding with Iran, for 7 lakh tonnes of Urea Project. The work on the preparation of feasibility report is going on there.

Then there is a joint venture project of SPIC. The Government of Tamil Nadu has a share in SPIC. This company is setting up a urea plant in the Emirates which will give around five lakh tonnes of urea. In Rashtriya Chemicals and Fertilizers of Bombay, we are considering a retrofit. Initial work has been done on that and we have to take the final investment approval. This will give 3.9 lakh tonnes of urea. In the FFCO plant of Kalol we are thinking of minor changes which will give about 1.5 lakh tonnes. Indo Gulf Fertilizers at Jagdishpur, which is a privately owned company, is considering an expansion. It is based partly on gas and partly on naphtha. This will give about 1.28 lakh tonnes. There was a company next door to Nagarjuna Chemicals and Fertilizers of Kakinada, Andhra Pradesh which originally had some gas allocation for manufacture of nitric acid and other products. Since that company was not keen to carry on that venture and that was brought over by the Nagarjuna Fertilizers along with the gas allocation. They expect to use this gas to produce 4.59 lakh tonnes of urea. All this will come to a total of 38.63 lakh tonnes, we expect that all the projects will commence production well before 2000 A.D. Out of the extrapolated gap of about 72 lakh tonnes of urea, about 48 lakh tonnes is taken care of in this manner."

Explaining it further, the witness stated:—

"As regards the remaining gap, we are further exploring. We are trying to team up with a company in Qatar. In fact, some attempts were made by the Indo Gulf to go to Brunei which has an abundant gas supply. We had sent a technical team to Syria also and they are willing to oblige us. This is in the process of examination and exploration and I think we will be able to generate projects.

A little over 30 per cent of the gas supplies in India have been committed to the fertilizer sector. As there are no new gas finds, we are not able to get more gas. But we have already registered our claim for certain quantity of gas. If the Oman Indo Gas Pipeline comes through, we have already projected about 11 million cubic metres of gas per day to the Ministry of Petroleum. This will give another 50 lakh tonnes of Urea. We have already undertaken a study to select projects on the route of this gas line. In fact, various companies which will take up this work are also identified. We are still awaiting the outcome of these negotiations, if they succeed, we should naturally be able to get gas.-----

We are seriously thinking of buying some plants which are available at a fairly cheap rate both in Russia and the United States along with the mines and factories. If we can manufacture DAP there and bring

it into our country, we will be in quite a comfortable position. This will make a lot more sense than importing ammonia and other raw material separately and then manufacture complex fertilizers here.”

11. On being pointed out by the Committee that several plants of FCI and HFC were not working properly, the Fertilizers Secretary replied that if these plants were replaced a staggering amount of Rs. 3300 crores would be required. However, efforts were on to replace the critical equipments. So that production level could be maintained in these plants. Besides the Govt. was considering to give some financial assistance to these units.

12. In reply to a further question the witness informed the Committee that there were plans for setting up joint venture projects for potash and phosphate fertilizers abroad in the countries where raw materials/gas was available abundantly.

13. The Committee have been informed by the Fertilizer Secretary that several projects/joint ventures have been planned to increase the production capacity by 38.6 lakh tonnes urea by the end of 2000 A.D. Action was reportedly being taken for having assured availability of potash and phosphate fertilizer through setting up joint venture projects abroad where raw materials and gas was available abundantly. While appreciating the Government plans upto 2000 A.D. for enhancing fertilizer production, the Committee would like the Government to ensure proper and timely implementation of these projects so that desired production capacity is built up as per the schedule.

### *C. Revamping of FCI and HFC plants*

*(Recommendation Sl. No. 9)*

14. The Committee had noted that the dismal production performance of Fertilizer Corporation of India (FCI) and Hindustan Fertilizer Corporation (HFC) was on account of technology deficiencies, mismatch of equipments, frequent breakdowns of plant and machinery, shortage of power and shortage of funds to maintain the plants and even to purchase raw materials. At the end of March, 1993, accumulated losses of FCI and HFC stood at Rs. 1836 crores and Rs. 1861 crores, respectively against their paid up capital and reserves of Rs. 828 crores and Rs. 686 crores, respectively. Both companies had been declared as sick companies and referred to BIFR. The Government had sought extension of time for furnishing the plans in respect of these companies and referred to BIFR. The Government had sought extension of time for furnishing the plans in respect of these companies before BIFR by 31st December, 1993. Looking at the infrastructure of about 10 plants of FCI and HFC, the available manpower and taking into consideration the shortage of indigenous production capacity, the Committee had recommended that all out efforts should be made to revive these plants.

15. In their reply the Government have stated that in pursuance of the directions of BIFR to the Government given in its hearings on 30.12.1993 and 31.12.1993 for HFC and FCI respectively, consultations were held in the Department of Fertilizers with Workers' Union, Officers' Associations, Bankers and the concerned State Governments during the first week of February, 1994 to explore the possibility of an agreed revival package. However, through separate orders issued on 16.3.1994 in respect of FCI and HFC, the BIFR has appointed Industrial Credit and Investment Corporation of India Ltd. (ICICI) as the Operating Agency for both these companies. As per these orders, Government is required to submit a revival package in respect of these companies to the Operating Agency. The Operating Agency would, in turn, submit revival package to the BIFR. The unit-wise revival of these companies would depend on the final decision of the BIFR, which is a quasi judicial body.

16. As regards the latest position about formulating the revival packages for FCI and HFC plants, Deptt. of Fertilizer informed the Committee on 9th August, 1994 as follows:—

“In the hearings held before the BIFR in respect of FCI/HFC on 14th/15th July, 1994 respectively, a request was made by the Department of Fertilizers for allowing further time to the Government for submission of revival packages. The extension of time was not granted by BIFR and it directed the Operating Agency (ICICI) to evaluate all the alternatives for rehabilitation of the units of FCI from the angle of technical, financial and commercial viability and to submit its proposals to BIFR within 3 months. ICICI has also been directed by the BIFR to explore entrepreneurs in other sectors for possible change over of the managements, if found necessary.”

17. The Committee regret to note that the Government have not been able to submit revival packages to BIFR in respect of FCI and HFC units which were referred to BIFR way back in April, 1992. Since BIFR has now directed the Operating Agency viz. ICICI to evaluate all the alternatives for rehabilitation of FCI and HFC units including the possible change over of the managements, the Committee desire that this exercise should be completed within the given period of 3 months. At their end the Government should provide all possible help so that interests of the fertilizer industry as also of the workers of about 10 plants of FCI and HFC are fully safeguarded. The Committee would also like to be apprised of the BIFR decision on FCI/HFC units.

*D. Responsibility for Failure of Haldia Project  
(Recommendation Sl. Nos. 12, 13 and 14)*

18. The Committee had noted that Haldia Project of HFC which was likely to start production in 1979, was still on paper. An amount of over Rs. 760 crores had been spent on this project upto August, 1993. It also came out that over 1500 employees were getting salary since 1979 (and some of them even since 1976) without being given any meaningful work

with annual salary bill of about Rs. 18 crores. The Haldia project being part of HFC also stand referred to BIFR. The Committee had expressed the hope that with the type of big infrastructure available there, some viable plans would be finalised and implemented to utilise the huge amount already spent. While regretting the failure of Haldia Project the Committee had strongly recommended that a high level independent Committee should be appointed to look into the failure of the Haldia Project with a view to fix responsibility and take necessary action against those found guilty.

19. In their reply the Government had stated (June 1994) that the Government had tried its best to make the plant operative. However, any viable plans for utilising the infrastructure of Haldia Project could not be finalised in view of economic unviability and resource constraints. The Government has also stated that any decision on the future of Haldia Project would depend on the outcome of the proceedings pending before BIFR.

20. As for the fixation of responsibility for failure of Haldia Project, it was stated that Haldia Project which was approved in 1971 was being implemented by FCI in which a large number of persons drawn from FCI, and subsequently from PDIL and HFC after the re-organisation of FCI, were involved in the Planning, designing, procurement, construction and commissioning of the project stretching over a decade. Key personnel connected with the implementation of this project are no longer in service, having retired nearly a decade back. While it may be difficult to fix the responsibility on any individual or group of individuals at this stage, based on the records available, the Department of Fertilisers is making an examination to ascertain the circumstances in which important decisions in project implementation such as procurement of equipment etc. were taken. After such an examination, it will be possible to reach a *prima-facie* conclusion as to whether responsibility could be fixed on any individual or a group of individuals.

21. During the course of evidence of the representatives of DOF (September 1994) the Committee pointed out that the Government had not accepted the Committee's specific recommendation for appointing an independent Committee to go into the failure of Haldia Project. Earlier the Committee on Public Undertakings in their Report on HFC presented to Parliament in March 1992 had also recommended for a detailed enquiry into the failure of Haldia Project. Asked about the reasons for not accepting the specific recommendations of the Parliamentary Committees, the Fertiliser Secretary stated:—

“This Project being a very old one, first we are trying to get all the records of those days because irrespective of the fact whether somebody is alive or retired, but, more important is to see how important decisions came to be taken. We know definitely that in those days we were at a very learning stage; we did not have much

experience in evaluating the technologies. In this particular case, assistance was coming from very many different sources and each source of assistance was trying to give us some plant and machinery. So, there was a mismatch. These are the causes which are known. But, more importantly, we should see as to how people came to select these various pieces of plant and machinery which were not compatible with each other and to see as to how such important decisions came to be taken, who are the people involved in taking those decisions and at what levels these decisions were taken. To establish this, we are now looking into whatever old records that are available."

22. He further stated that they would complete the on going findings at the earliest and would submit the same for Committee's decision. When asked about the time frame in which the Deptt. would complete this work, the witness replied:—

"We are expecting to complete the work in Haldia, say, in another two month's time."

23. The Committee also wanted to know whether the problems relating to Haldia were ever taken up beyond the Ministry's level. A representative of Deptt. of Fertilisers replied that the matter regarding this project had been taken up at the highest decision making authorities at several occasions.

24. The Committee further wanted to know as to whether some parties were interested in taking over the Haldia Project, the Fertiliser Secretary replied:—

"We are exploring whether we can do anything else to sort out the problem. Some entrepreneurs have come to us and they have evinced some interest, we have made available to them all the documentation and technical reports that we have and we have also given them free access to the factory premises. They have been talking to the Chairman and Managing Director also to know all the details about the project so that in case they would like to take over the project and run it in whatever manner they will feel like, they can do so. So, all these things are being looked into."

25. The Committee regret to note that the Committee's specific recommendation for appointing a high level independent committee to enquire into the failure of Haldia Project and to fix responsibility for the same, has not been accepted by Government. The Committee have now been informed that all records relating to Haldia project are being collected and looked into to find out whether responsibility could be fixed on individuals. This exercise is likely to be completed within two months time. The Committee are not convinced by the new argument given by the Department as they feel that this could have been done much earlier. Since the matter has already been considerably delayed, the Committee reiterate

their recommendation for setting up an independent enquiry for the purpose and would like to be informed of the action taken by Government in this regard within three months of the presentation of their Report. As for the revival of Haldia Project the Committee would await the outcome of BIFR study.

*E. Schemes for small and Marginal Farmers  
(Recommendation Sl. Nos. 15 and 21)*

26. The Committee had noted that presently the fertilizer consumption in India was about 70 Kg. per hectare as compared to other developing countries like Bangladesh and China where the fertilizer consumption was about 102 kg. per hectare and 277 kg. per hectare, respectively. The consumption in other advanced countries like Japan, Korea and Netherlands was over 400 Kg. per hectare. Financial constraints of farmers and lack of irrigation facilities were reportedly the main reasons for low consumption of fertilizers in the country. Consequently, the foodgrains productivity had been very low. Reportedly the Government had initiated some schemes like testing of soil and seeds and developing infrastructural facilities to benefit the small and marginal farmers. In view of the fact that over 75% of the farmers fall under this category, the Committee recommended that the Government should ensure successful implementation of such schemes. The Committee also recommended that at the time of framing any scheme for the benefit of small and marginal farmers the Government should lay clearly all aspects of such schemes including their mode of implementation and their likely beneficiaries so that these are implemented smoothly and purposefully.

27. In their reply the Government have stated (June 1994) that the Ministry of Agriculture has reported that a centrally sponsored scheme on Balanced and Integrated Use of Fertilisers is being implemented with a total outlay of Rs. 26 crores during VIIIth Plan. Strengthening of testing facilities for fertilisers, seeds, soil and bio-fertilizers are the components of the scheme under which assistance would be provided to State Governments. To develop agriculture infrastructure for small and marginal farmers, the Government sanctioned Rs. 500 crores during 1991—93. Out of the sanctioned amount, Rs. 362.06 crores have been released and the balance would be released shortly to complete the programmes undertaken under this scheme.

28. During the course of evidence the Committee pointed out that due to high prices of fertilisers small and marginal farmers were not in position to buy fertilisers in required quantity. Asked about the steps taken for the benefit of small and marginal farmers, a representative of Ministry of Agriculture replied:—

“In August 1992 both the Departments took up this *ad hoc* subsidy system to mitigate the sufferings of the farmers and to bring down the prices to some level so that the farmers would be able to



purchase fertilisers. Consequently we have organised a national seminar on bio-fertiliser and organic farming to bring about a balanced use of fertilisers. Ultimately, Rs. 26 crores was earmarked for the scheme on Balanced and Integrated use of fertilisers wherein components like scientific composting and giving aid to the municipal councils and corporations for setting up composting units on scientific lines have been taken into account. Apart from scientific composting, training to farmers at the village level had been organised. We have been trying our best to improve the position. The price of Urea has been increased to the extent of 20 per cent. We have been making all out efforts to bring about equilibrium in the use of NPK and arrive at the ideal ratio of 4:2:1. The statistics show, though in Rabi 1992-93 ratio was badly affected due to decontrol, the situation has improved later on. So, with our efforts and with our extension work at the State level, block level and village level, in due course of time we will be able to arrive at the ideal ratio of 4:2:1."

29. On being asked about the time frame in which the balanced ratio of 4:2:1 for use of NPK fertilisers could be achieved the witness stated:—

"It is very difficult to project the time period."

30. The Committee further enquired about the reasons for slow progress in regard to implementation of scheme for small and marginal farmers. The witness stated:—

"Coming to the infrastructural facilities, it took some time for the States to formulate the plans, for the kind of infrastructure they wanted to develop for small and marginal farmers etc. Some States have come out with good schemes. For example, I can cite an energising well scheme. According to this scheme, farmers who are having wells will be provided with motor pumpsets so that they can draw water and irrigate their land. Such innovative schemes have come up. During 1992-93 nearly Rs. 362 crore have been spent. During 1993-94 about Rs. 100 crore were released to the States and again this year we have taken up with the Planning Commission to continue the scheme for the next three years, each year the allocation being Rs. 500 crore. The discussions are going on with the Planning Commission and we are hopeful that we will be able to get the sanction."

31. When asked further about the monitoring system at the Ministry level to review the work done by the States, the witness replied that they were regularly reviewing the schemes. He added that there were guidelines under which State Govts. were required to operate the schemes.

32. The Committee regret to note that the Government has made provision of a meagre amount of Rs. 26 crores for the entire 8th Plan for a scheme like balanced and integrated use of fertilisers through which

assistance would be provided to State Governments. Besides out of the sanctioned outlay for Rs. 500 crores for developing infrastructure for small and marginal farmers during 1991-93 an amount of Rs. 362.06 crores only has been released so far. The Committee therefore urge upon the Government to expedite the release of funds earmarked for the scheme. Needless to point out that the Government should ensure proper implementation of the scheme with a view to achieve the desired results.

*F. Involvement of Local Representatives in Marketing set-up  
(Recommendation No. 27)*

33. The Committee had recommended that Government should involve the representatives of the Farmers/Panchayat Samitis/Co-operatives in the matters like availability/supply and quality control of fertilisers. The Government reply is silent about the involvement of Farmers/Panchayat Samitis/Co-operatives etc. in these areas.

34. During the course of evidence the Committee enquired in whether there was any system of active participation by the local representatives with a view to ensure better availability of fertilisers and to discourage adulteration as also the black marketing of fertilisers. The Fertiliser Secretary replied:—

“About 30 per cent of the fertiliser is sold through the State marketing agencies. The remaining is sold through the retail network. Every retail network has to get a licence for it. A good portion of it is sold through the cooperative movement.”

Explaining it further a representative of DOF stated that it was a State subject and anyone who wants to sell fertilisers including cooperatives has to obtain a license from State Government. State Govts. were empowered to implement the Fertiliser (Control) order which *inter-alia* included distribution and quality control of fertilisers. The witness also stated that in States like Haryana District Collector and M.L.A.'s were being involved in District Agricultural Production Committees.

35. On being further pointed out that there was need for uniform approach in this regard, a representative of Ministry of Agriculture replied:

“We will write to all State Governments about it.”

36. The Committee regret to note that at present Farmers/Panchayat Samitis/Cooperatives etc. are not being involved in the matters of supply and quality control of fertilisers. The representatives of Deptt. of Fertilisers have apprised the Committee that being a State subject, it was for the State Governments to take action in the matter. The Committee desire that Department of Fertilisers and Ministry of Agriculture should frame suitable scheme and issue guidelines in this regard to all the State Governments.

## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Sl. No. 1)

There are mainly three fertilizer nutrients viz. Nitrogen (N), Phosphate (P) and Potash (K). The Committee find that the consumption of these nutrients during the year 1992-93 was 84 lakh tonnes, 32 lakh tonnes and 10 lakh tonnes for N, P and K, respectively. However, the production was about 74 lakh tonnes for N and 23 lakh tonnes for P only. The balance requirements of N and P fertilizer along with entire requirement of K (Potash) was met through the imports. The Committee regret to note that the overall targets of production which were below the installed capacity were not achieved. The main reasons for not achieving the overall production targets are reportedly due to poor production performance of HFC/FCI units, shortages of gas/power. Besides, the production of phosphatic fertilizer also suffered on account of decontrol of these fertilizers resulting less off-take/consumption.

#### Reply of the Government

This is a statement of fact based on the material submitted by the Department of Fertilizers. No specific action has been recommended by the Committee. However, it may be stated that production performance of the fertilizer units is regularly monitored by the Department of Fertilizers and, to be extent possible, corrective steps are taken in matters like supply of inputs and utilities, etc., besides regular appraisal of on-going revamp schemes.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I(Pt) Dated 20 June, 1994]

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

The Committee have been informed that gas is the most economical/preferred feed stock for fertilizer industry. Even though the share of fertilizer industry in total gas availability is 36% at present, this is not meeting the full requirement of the fertilizer industry. Similarly, there are problems in getting the required power supply and desired quality of coal (for coal based plants). DOF has informed the Committee that these matters have been taken up with the concerned Departments. In view of the importance of the fertilizer production which has direct bearing on the self-sufficiency of the country in foodgrains, the Committee recommend that the matter regarding adequate availability of gas, power and required

quality of coal may be pursued at the highest level in the Government including Planning Commission.

### **Reply of the Government**

A Committee, known as Gas Linkage Committee (GLC), was set up in July, 1991 to periodically review the progress of implementation of upstream and downstream projects for utilisation of natural gas with a view to ensuring timely synchronisation of these facilities and consider and recommend request for allocation of gas to consumers, keeping in view total availability of gas in a system and considering that allocation of gas to users is economically efficient. Secretary, Petroleum & Natural Gas is the Chairman of this Committee and Secretary (Fertilizers) is one of the Members.

During 1993-94, for the first time gas supply mainly to fertilizer sector and some miscellaneous sectors was curtailed by about 15% of the quantity allocated to each fertilizer unit, considering the overall limitation in the availability of gas at Uran and at Hazira/HBJ line. In December, 1993, there was further interruption in the supply of gas at Hazira and HBJ System for about 10 days due to some urgent repair work undertaken by ONGC in the offshore platform.

For the year 1994-95, the gas supply to all consumers including the fertilizer sector has been further reduced in the range of 10-15% over the gas supply of 1993-94. The proposed gas supply in the current year barely meets the requirement of feedstock. For the purpose of fuel used in steam and power generation in the fertilizer plants, all the fertilizer units based on gas as raw material have been asked to set up facilities for using alternate liquid fuels based on the advice from the Ministry of Petroleum & NG. Such alternate liquid fuel facilities have already been installed at Vijaipur (NFL), Aonla (IFFCO) and Jagdishpur (Indo-Gulf). KRIBHCO, Hazira has so far partially achieved this task and is expected to complete the conversion by the end of the current year. The unit of Chambal Fertilizers at Gadepan (Rajasthan) is also implementing alternate fuel facilities which are likely to be operational by October, 1994. Tata Chemicals have also set up alternate fuel facilities at their Babrala (Uttar Pradesh) project. With the alternate fuel facilities set up in the gas based fertilizer plants, it is expected that the fertilizer production in these units will not be significantly affected due to curtailment of gas supply, provided there is no bottleneck in the supply of the liquid fuels necessary to support steam and power generation facilities of these units.

The gas supply plan for 1993-94 and 1994-95 as mentioned above, was discussed in the meeting of the GLC and the views of the Department of

Fertilizers were accommodated to the maximum extent possible in regard to the programme of gas supply finally decided for the fertilizer sector.

The erratic power supply position in the States of Andhra Pradesh and Orissa, particularly in summer months, has adversely affected the performance of Ramagundam and Talcher units of FCI. The Department of Fertilizers has been interacting with the respective State Electricity Boards as well as the State Governments to sort out the problems regarding supply of adequate and quality power to these units. The matter has also been taken up with the Department of Power for exploring the possibility of direct supply of power from National Thermal Power Corporation to Ramagundam unit.

The coal based plants at Ramagundam and Talcher are designed to handle coal with a maximum of 19 to 20% ash content for the process and 28% ash content for steam generation. However, the coal supplied is of much higher ash content and poor quality, particularly at Talcher. The continuity in supply of coal is not a problem except in instances when coal suppliers temporarily discontinue the supplies due to non-payment of dues. The Government has providing non-Plan Budgetary support to FCI for its working capital needs to tide over liquidity problems for purchase of inputs.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers Q.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### Comments of the Committee

Please see para 7 of Chapter I of the Report.

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

After reviewing the unit-wise production performance of various PSU's cooperative units viz. IFFCO and KRIBHCO and private sector units during the year 1992-93, the Committee find that the production performance of IFFCO and KRIBHCO, NFL in public sector as also of private sector has been over 100%. The production performance of RCF and FACT was 68% and 92% respectively. The production performance of HFC and FCI was in the range of 29% and 33% only. While the Committee have discussed FCI and HFC plant separately, the Committee desire that other PSU's like FACT/RCF should take a lesson from exemplary performance of the cooperative sector and should improve their production performance. The administrative Ministry should also periodically review the performance of various units under its administrative control and provide necessary help in solving their problems as and when brought to their notice.

#### Reply of the Government

Details of installed capacity, actual production made and capacity utilisation, nutrient-wise, during the last two years in Rashtriya

Chemicals & Fertilizers Ltd. (RCF) and Fertilizers and Chemicals Travancore Ltd. (FACT) is given below:

(’000 MT)

	Installed Capacity	Production (1992-93)	Capacity Utili. (%age)	Production (1993-94)	Capacity Utili. (%age)
<i>RCF:</i>					
Nitrogen	1000.1	923.1	92.3	908.7	91.0
Phosphate	120.0	112.8	94.0	101.1	84.0
<i>FACT:</i>					
Nitrogen	268.2	237.8	88.7	261.8	97.0
Phosphate	143.4	143.6	100.0	112.8	79.0

It would be seen from the above that there has been a decline in the production of phosphatic fertilizers in both the companies. It may be mentioned that with effect from 25.8.1992, all varieties of phosphatic and potassic fertilizers were decontrolled. This resulted in increase in price of these fertilizers leading to poor off-take. Increase in price coupled with availability of cheaper imports adversely affected the production of domestic phosphatic units including RCF and FACT. These units had to, perforce, cut down their production programme to reduce the heavy inventory of finished products. There was a slight fall in the production of Nitrogen in RCF during 1993-94. This was mainly due to reduced availability of Nitrogen from the production of phosphatic fertilizers and lower production of Urea due to restriction on supply of gas.

Coming to the steps taken to improve the capacity utilisation, it may be stated that renovation and modernisation of existing plants is an on-going process taken up by all the plants keeping in view the requirements of such programmes and availability of funds for the purpose. As part of the renovation and modernisation programme, major modification of the Synthesis Gas Compressor in one of the Ammonia plants in Thal unit of RCF has been carried out. RCF also has plans to carry out similar modifications in the other Synthesis Gas Compressors which will lead to further improvement in the capacity utilisation. RCF is also planning to retrofit and revamp its Ammonia and urea plants at Thal in two phases, as a result of which the capacity utilisation of the Thal Ammonia/Urea plants would improve further.

Similarly, FACT has taken up a Retrofit project for the Ammonia plant at Cochin Division. FACT has also decided to take up during 1995-96 a revamp programme for improvements to the Primary

Reformer in the Ammonia plant of Cochin Division. These projects, when completed, will enhance the capacity utilisation of the Ammonia/Urea plants.

Lastly, the Department reviews the performance of all the PSUs/Co-operatives including RCF and FACT on a quarterly basis when problems are discussed, directions given, and assistance provided wherever required/feasible.

[Ministry of Chemicals & Fertilizers Deptt. of Fertilizers O.M.No. 8/6/93-FDA-I(Pt) Dated 20 June, 1994]

#### **Recommendation Sl. No. 4**

After examining the details of demand and supply of fertilizers, by the Committee has viewed that on the one hand the demand of fertilizers is increasing at a good pace. Whereas the commensurate capacity is not being built up. An action plan is therefore required to reduce the gap between the demand and supply of fertilizers. According to the Working Group on fertilizer of the Planning Commission for the 8th Plan, the anticipated demand for Nitrogen (N), Phosphate (P) and Potash (K) fertilizers would be 115 lakh tonnes, 50 lakh tonnes and 18 lakh tonnes, respectively by the end of the 8th Plan (1996-97). As against this, the likely production capacity by the year 1996-97 would be 88 lakh tonnes for N and 30 lakh tonnes for P fertilizers. Thus, there will be a gap of 27 lakh tonnes and 20 lakh tonnes for N and P fertilizers, respectively. As per Government estimates, 8 lakh tonnes of N through production of P fertilizers and 7 lakh tonnes of K fertilizers through expansion programmes of various units which are likely to be completed by 1996-97 would partially reduce the gap. This will leave a net gap of 12 lakh tonnes of N fertilizers by the end of 8th Five Year Plan. The gap between demand and supply will further increase by the end of IXth Plan period (i.e. by 2001-2002 A.D.) i.e. 33 lakh tonnes of Nitrogen (equivalent to 72 lakh tonnes of Urea). In addition, there will be a gap in meeting the requirement of P and K fertilizers to the extent of about 20-25 lakh tonnes, each, taking the total shortage to a staggering level of about 80 lakh tonnes. DOF was candid in their admission before the Committee that such a huge quantity of fertilizer may not be surplus in international market. The Committee accordingly recommend that appropriate action should be taken by the Government to set up new plants/expansion of existing plants with a view to meet the growing demand of various types of fertilizer to achieve the foodgrain production targets of 240 million tonnes by 2000 A.D.

#### **Reply of the Government**

As per the 8th Five Year Plan document of the Planning Commission, the likely demand of Nitrogen and Phosphate in the terminal year of the 8th Plan (1996-97) would be 115.0 lakh tonnes and 50.0 lakh tonnes, respectively. As against this demand, the likely production from the existing plants, as also the projects under implementation, would be 88

by the end of Ninth Five Year Plan i.e. 2001—2002. Admittedly fertilizers of this magnitude may not be available in the international market. Similarly, the international companies which are making available DAP and other fertilizers at cheaper price today, may exploit the situation later. Accordingly, the Committee once again emphasise the need for creating additional capacities for production of fertilizers in the country.

#### **Reply of the Government**

The position has been explained in the reply of Government in respect of the Recommendation No. 4.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

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

The Committee are happy to note that to reduce the foreign exchange outgo, two joint ventures have been set up in Senegal and Jordan for producing the phosphatic fertilizers. The fertilizers from these joint ventures are brought on the basis of a buy back arrangement. Some more joint ventures are being explored in other countries like Qatar and Iran which are having requisite raw materials as also the gas. The Committee feel that the steps taken by the Government are in the right direction. The Committee would also like the Government to explore more such joint ventures so that requisite fertilizer is made available in the country.

#### **Reply of the Government**

With the constraints in the availability of natural gas in the country, which is the most preferred feedstock for production of nitrogenous fertilizers, Indian companies are being encouraged to set up joint venture projects in countries endowed with rich reserves of gas. A Memorandum of Understanding has been signed for putting up a gas based urea plant in Oman by M/s. KRIBHCO and RCF. A detailed MOU is likely to be signed with the Sultanate of Oman shortly for preparing the detailed feasibility report for the proposed project. On 6.3.1994, a Memorandum of Understanding was signed between Qeshm Free Area Authority (Iran) and Indian Farmers Fertilizer Cooperative Limited (IFFCO) and Krishak Bharati Cooperative Limited (KRIBHCO) for preparing a pre-feasibility report for the proposed ammonia/urea project to be set up in the Qeshm Island, Iran. Possibilities are also being explored to set up ammonia/urea plants in Saudi Arabia and Brunei.

In the case of phosphatic fertilizers, M/s. SPIC (Madras) are setting up a joint venture project for producing phosphoric acid in Jordan with an annual capacity of 2 lakh tonnes of P2O5. The crection work is progressing satisfactorily and the plant is expected to be operational in 1996. A joint venture project for the manufacture of phosphoric acid in Senegal has been in production since 1984. This venture produces about 3.34 lakh tonnes of phosphoric acid and 2.25 lakh tonnes phosphatic fertilizers per annum.



About 95% of the phosphoric acid produced by this joint venture, known as ICS, Senegal, is supplied to India under a buy-back arrangement.

It may, however, be stated that joint ventures in other countries do not help in reducing foreign exchange outgo; these ventures are primarily aimed at ensuring assured supply of fertilizers at agreed prices which otherwise will have to be procured by going through the tedious process of floating global tenders with attendant uncertainties of availability and price levels.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers, O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

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

The Committee regret to note that FCI plant at Gorakhpur which is reportedly has outlived its life was closed down in June, 1990 after an accident. No efforts seems to have been made so far to restart it. Similarly due to some constraints production in all the plants of HFC except Namrup-III was stopped w.e.f. 1st September, 1993. Pending decision by BIFR about the future of HFC/FCI, the Committee would urge upon the Government to continue the production in all units of these companies.

#### Reply of the Government

Government has been providing budgetary support to HFC and FCI in the form of plan and non-plan loans to enable these companies to continue operation of their plants. The budgetary support provided to these companies during the last 3 years as well as provision made for the year 1994-95 is as under:

(Rs.)

Year	HFC	FCI
1991-92	39.00 crores	25.00 crores
1992-93	58.50 crores	55.75 crores
1993-94	73.74 crores	67.50 crores
1994-95 (Provision)	81.25 crores	60.50 crores

After the accident at the Gorakhpur plant in June, 1990, the local Inspector of Factories refused permission for restart of the plant unless an independent health study of the plant was conducted by a third party. The State Pollution Control Board also insisted on implementation of pollution control measures before restart of the plant. PDIL's preliminary report indicated that the plant could be restarted at an estimated cost of Rs. 130 crores, including expenditure on pollution control measures. The cost of total revamping was roughly estimated at Rs. 290 crores. PDIL's report, however, stated that since cost estimates were based on plant health data of December, 1987 and some spot checking done in August, 1990, it would be necessary to carry out a detailed health

lakh tonnes of Nitrogen (from installed capacity of 95.50 lakh tonnes). Thus, there will be a gap of 27 lakh tonnes of Nitrogen at the end of the 8th Plan between the demand and likely production. However, if the demand projection for phosphate (50 lakh tonnes) materialises at the end of the 8th Plan, additional availability of Nitrogen through Phosphatic fertilizers will be of the order of 8 lakh tonnes. Thus, the net gap between demand and production of Nitrogen at the end of the 8th Plan would be 19 lakh tonnes, which would be equivalent to 41.3 lakh tonnes of Urea.

As part of the strategy to bridge the gap between the demand and supply of Nitrogen at the end of the 8th Plan, a number of projects have been identified. As natural gas is the most preferred feedstock for producing Urea, new capacities were proposed based on gas. Keeping in view the availability of gas, approval has been accorded to the projects for doubling the production capacity of Vijaipur plant of National Fertilizers Ltd. (NFL) and Aonla plant of Indian Farmers Fertilizer Cooperative Ltd. (IFFCO), Gas availability has also been indicated for a medium sized plant to be set up in the Krishna-Godavari basin. These projects when commissioned would result in additional production of 7 lakh tonnes of Nitrogen (15.2 lakh tonnes of Urea). The present indications are that no more gas would be available for the fertilizer sector during the 8th Plan. This would leave a gap of 12 lakh tonnes of Nitrogen (26 lakh tonnes of Urea) which may have to be imported.

According to the Working Group on Fertilizers for the 8th Plan, the demand of Nitrogen in the country by the end of 9th Plan (2002-2003 AD) would be in the range of 139-142 lakh tonnes, an increase of 24-27 lakh tonnes compared to the projected demand determined for the terminal year of the 8th Plan. Taking into account the gap of 12 lakh tonnes of Nitrogen at the end of the 8th Plan and a further gap of 24 lakh tonnes at the end of the 9th Plan, the total gap of Nitrogen at the end of the 9th Plan would be in the range of 36 lakh tonnes, which in terms of Urea would amount to 78 lakh tonnes. It is highly unlikely that such a huge quantity of Urea would be available in the international market. Hence, additional Urea capacities will have to be planned. This would be possible only with new finds of gas reserves within the country or when gas becomes available from other countries through pipelines. Meanwhile, Indian companies are being encouraged to set up joint venture projects in countries having cheaper and abundant reserves of gas.

The demand of phosphatic fertilizers at the end of the 8th Plan would be 50 lakh tonnes compared to likely production of 30 lakh tonnes. No additional capacity build-up in phosphatic production is envisaged at present due to uncertainties prevailing as a result of de-control of phosphatic fertilizers resulting in increase in prices and also stiff competition from imported DAP. Moreover, 95% of the raw material for phosphatic fertilizers are required to be imported. In these circumstances, Indian companies are being encouraged to set up joint ventures in countries

having rich reserves of phosphatic ores. In the meantime, the gap between the indigenous production and demand is to be met through imports.

#### **Comments of the Committee**

Please see para 13 of Chapter I of the Report.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M.No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

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

The representatives of DOF stated before the Committee that private investment as also foreign investment was not forthcoming in the fertilizer industry due to low investment returns, scarcity of raw materials/inputs like natural gas. The Committee would like the Government to take appropriate steps like augmenting gas supply to fertilizer industry, provision of reasonable return of investments etc. to attract private as also foreign investment in the fertilizer industry so that desired production capacity is built-up.

#### **Reply of the Government**

It may be submitted that DOF, in their written reply to the Committee, stated that the main reasons for lack of foreign investment in the fertilizer sector were depressed international market of fertilizers resulting in availability of imported products at cheaper rates compared to the domestic cost of production in the new plants which are capital intensive; constraints in the availability of natural gas in the country and dependence of indigenous phosphatic industry on imported raw materials; as also the uncertainty in the continuation of the Retention Price Scheme for nitrogenous fertilizers. Further, during the oral evidence before the Committee also Secretary (Fertilizers) stated that the possibility of foreigners coming and setting up new plants in India was very dim as they would be interested only in gas based projects.

Under the Retention Price Scheme, there is a provision of 12% post-tax return on networth which is grossed up to pre-tax return on the basis of prevalent corporate tax, which is considered reasonable.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers, O.M.No. 8/6/93-FDA—I (Pt) Dated 20 June, 1994]

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

Currently, the indigenous production of N and P fertilizers meets the demand to the extent of 85% and 70%, respectively. The gap between demand and indigenous availability is met through imports. The entire potassic fertilizers has to be imported as the country does not have any known and exploitable reserves of potash. The cost of imports which was Rs. 645 crores in 1988-89 increased to Rs. 2143 crores during the year 1992-93. Due to increase in gap between demand and availability, the imports will further increase and may reach a level of about 80 lakh tonnes

study before a final picture on scope of revamping could be assessed. The report further went on to say that investment of this magnitude would make the plant unviable and instead recommended setting up of a new plant. Government asked FCI to send recommendations of their Board of Directors on the alternatives of revamping or going in for a new plant. FCI's Board entrusted a detailed health survey to SPIC Maintenance Organisation (SMO). Based on this survey, PDIL estimated an expenditure of Rs. 50 crores for safe restart of the plant. FCI Board, however, felt that in addition a budgetary grant of Rs. 33.50 crores would be required for clearing the outstanding liabilities apart from Rs. 10 crores as working capital before the restart of the plant could be taken up. The Board was also of the view that in a plant which has already had an accident earlier, it would be totally unsafe not to take heed of the findings of a scientific health study before formulating proposals for restart or revamp.

The health study report of SMO together with the estimates given by FEDO and PDIL, alongwith the recommendations of FCI's Board thereon, were received by the Department of Fertilizers in March, 1992. The Board of FCI preferred the alternative of setting up a new Naphtha based plant with 900 tonnes per day (TPD) Ammonia and 1500 TPD Urea capacity at the existing Gorakhpur site at an estimated cost of Rs. 837 crores (February, 1992).

The option of a new plant was preferred as it would have given a higher output of 4.95,000 tonnes per annum of urea as compared to an estimated output of 1.65 lakh tonnes of urea in the option of restart of plant. The cost of production of the new plant was anticipated at the rate of Rs. 6137 per tonne of urea as compared to Rs. 9308 per tonne of urea for the restart. The new plant was also expected to give this production level for 20 years whereas the production was not expected to be sustained for more than 5 years in the restart of the existing plant. Taking into account the profitability of these alternatives, the FCI Board strongly recommended the option of setting up a new plant.

However, before a final decision could be taken by the Government, FCI was referred by its Board of Directors to the Board for Industrial & Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, 1985. The BIFR in its hearing held on 6.11.1992 declared FCI as a sick company. On 16.3.1994, BIFR passed an order appointing Industrial Credit and Investment Corporation of India Ltd. (ICICI) as the Operating Agency. The Government is now required to submit its revival plan for FCI, including the Gorakhpur plant, to the Operating Agency which in turn is required to submit the revival plan for FCI to BIFR.

The production at Durgapur and Barauni units of HFC had been suspended temporarily since September, 1993 for want of working capital.

The Government released an additional budgetary support of Rs. 15 crores in January, 1994 to HFC for resuming the production in these units. The start up activities were resumed in February, 1994. The production could not be commenced due to failure of certain equipments. After undertaking the repair jobs, the Barauni unit had resumed production on 24.5.1994. Durgapur unit is, however, expected to resume production by the end of June, 1994. Namrup-II plant was shut down in June, 1993 for annual turn around. During commissioning of Namrup-II, after the turn around, in December, 1993 a fire broke out in the cable trench of its ammonia plant causing damage to the electric and control cables. The restoration work has been undertaken and the plant is expected to resume production shortly.

In their present conditions, the HFC plants are not capable of any improved performance because of inherent technological, design and equipment deficiencies, ageing of the plants and infrastructural constraints. HFC was also declared a sick company by the BIFR on 12.11.1992. BIFR has appointed ICICI as the Operating Agency to whom the revival package is to be submitted as in the case of FCI. Pending final outcome of proceedings before BIFR on revival of these units, the Government is providing non-plan and plan budgetary support to the extent possible, to continue production activity at these units.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### **Recommendation (Sl. No. 15)**

Fertilizer is one of the major components which has over the years helped the agriculture sector to raise foodgrain production from a level of 74.23 million tonnes in 1966-67 to about 180 million tonnes in 1992-93. The food production level of 240 million tonnes is to be achieved by 2000 A.D. Since there is limited scope for increasing the land area under cultivation, further increases in foodgrain production can be achieved by better farming techniques including use of balanced fertilizers. The Committee, however, find that presently the fertilizer consumption in India is about 70 kg. per hectare as compared to other developing countries like Bangladesh and China where the fertilizer consumption is about 102 Kg. per hectare and 277 kg. per hectare, respectively. The consumption in other advanced countries like Japan, Korea and Netherlands is over 400 Kg. per hectare. Financial constraints of farmers and lack of irrigation Facilities are the main reasons for low consumption of fertilizers in the country. Consequently, the foodgrain productivity has been very low. The Government is reported to have initiated some schemes like testing of soil and seeds and developing infrastructural facilities to benefit the small and marginal farmers. Since over 75% of the farmers fall under this category, Govt. should ensure successful implementation of such schemes.

### Reply of the Government

The Ministry of Agriculture has reported that a centrally sponsored Scheme on Balanced and Integrated Use of Fertilizers is being implemented with a total outlay of Rs. 26 crores during VIII Plan. Strengthening of testing Facilities for fertilizers, seeds, soil and bio-fertilizers are the components of the scheme under which assistance would be provided to State Governments. To develop agriculture infrastructure for small and marginal farmers, the Government sanctioned Rs. 500 crores during 1991-93. Out of the sanctioned amount, Rs. 362.06 crores have been released and the balance would be released shortly to complete the programmes undertaken under this scheme.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93- FDA- I (Pt) Dated 20 June, 1994]

### Comments of the Committee

Please see para 32 of Chapter I of the Report.

### Recommendation (Sl. No. 16)

The Committee find that one of the main reasons for less productivity is use of imbalanced fertilizer. The Committee were informed by the representatives of farmers that latest information about effective use of fertilizers was not available to about 2/3rd of the farmers. The farmers also do not know the crop-wise balanced use of fertilizers as also about the soil fertility. Apart from various extension centres and soil testing laboratories under the aegis of Ministry of Agriculture, similar services are also being offered by some of the PSU's and Cooperative Units and State Governments. The Committee desire that in view of the stupendous task and vastness of the country all agencies of Central Government, State Government/PSU's and Cooperative Units should work towards educating the farmers in a close coordinated and systematic way. The work should be allocated to different agencies in a way that all areas are covered and there is no duplication of efforts.

### Reply of the Government

The subject of ensuring balanced use of fertilizers pertains to the Ministry of Agriculture. That Ministry has reported the extension services in major States including North East ones have been strengthened and the process of transfer of farm technology to the farmers has been streamlined. Improved production recommendations including messages on balanced and judicious use of fertilizers are passed on to the farmers through systematic visits of extension functionaries to the farmers. Demonstrations and infield guidance is also provided. Farmers are also given education/training on improved agricultural technologies including use of fertilizers at Agril. Universities (27), Krishi Vigyan Kendras (183) and Farmers Training Centres (188). Besides, farmers are encouraged to go for soil tests to arrive at proper fertilizer applications.

The fertilizer manufacturing companies are also involved in various programmes aimed at educating the farmers. They carry out these programmes in close coordination with the extension machinery of the State Governments.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93- FDA- I (Pt) Dated 20 June, 1994]

**Recommendation (Sl. No. 17)**

It also came out during the course of examination that in the matter of publicity through various means of media including through Doordarshan, much is required to be done. The Agriculture Ministry is reportedly taken up the matter with concerned authorities. The Committee would like the Ministry to expedite and take concrete steps in educating the farming community in a scientific way.

**Reply of the Government**

The Ministry of Agriculture has reported that education and awareness of the farming community regarding balanced and judicious use of fertilizers is undertaken by organising Kisan Melas, field days, exhibitions, etc. Also, print (posters, pamphlets ect.) and mass media (Radio, T.V.) supplement extension efforts. Conducted tours of farmers are also organised to agriculturally developed areas to appreciate adoption of latest technologies including fertilizer application.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93- FDA- I (Pt) Dated 20 June, 1994]

**Recommendation (Sl. No. 18)**

The Committee note that all the three nutrients viz. nitrogen, phosphate and potash are essential for harvesting a good crop and at the same time maintaining the fertility of the soil. The ideal ratio of N, P and K fertilizers is 4:2:1. The Committee were, however, stunned to hear from the representatives of Ministry of Agriculture that the present ratio of use of these fertilizers is 15:4:1. Admittedly such imbalanced use of fertilizer will lead to erosion in soil fertility and ultimately will lead to drop in foodgrain production after a period of 2-3 years.

**Reply of the Government**

The Ministry of Agriculture has stated that NPK ratio for the rabi season 1992-93 was 15.4:4.6:1.0 as against the corresponding ratio of 6.4:2.6:1.0 for the rabi season 1991-92. The NPK ratio for the year 1991-92 was 5.9:2.4:1.0 which is estimated to be widened to 9.5:3.2:1.0 for the year 1992-93. Apparently there is imbalance in the use of NPK fertilizers and efforts are being made to promote the use of P&K fertilizers so that there is balance in the use of NPK fertilizers. The scheme on concessional sale of decontrolled P&K fertilizers was continued during 1993-94. It's continuation during 1994-95 has also been announced by the Government on 9.6.1994.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93- FDA- I (Pt) Dated 20 June, 1994]

services to fertilizer industry and carry out R&D activities. Fertilizer Association of India deposed before the Committee that presently no fundamental research is being done in the country in the fertilizer industry. The research organisations are doing only consultancy type of jobs. The Fertilizer units including the profit earning ones are hardly spending any amount on research and development. The premier research organisation viz. PDIL is incurring losses to the tune of over Rs. 15 crores annually and has been referred to BIFR. The Government grants-in-aid of meagre amount of Rs. 4 crores or so for carrying out research work is hardly adequate. While recommending the revival of PDIL, the Committee would like to emphasise the need for allocation of more funds for research activities. For this purpose, fertilizer units should also be asked to contribute for benefit of the fertilizer industry as a whole.

#### **Reply of the Government**

FACT Engineering and Design Organisation (FEDO) is primarily a consultancy division of FACT and generally caters to design and engineering work in fertilizer and allied fields. PDIL has a separate Engineering Division which takes up consultancy jobs while its R&D Division works as a Research Organisation. The R&D Division of PDIL also takes up sponsored research programmes. However, in the present situation of budgetary constraints, there is little possibility of increasing the grant-in-aid for R&D activities, which is presently at the level of Rs. 4 crores per annum. The Government has taken note of Committee's recommendation on need for contribution from Fertilizer Industry towards research and development. Fertilizer companies are being encouraged to pay greater attention to R&D effort. In fact, in respect of MOU signing public sector undertakings, their R&D effort is evaluated through the MOU mechanism and due weightage is given to this aspect while evaluating the overall performance of the MOU signing companies.

Regarding revival of PDIL, it may be stated that as in the case of HFC and FCI, the BIFR has appointed ICICI as the Operating Agency who has been directed to put up revival package after examining the proposals to be submitted by the Government.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### **Recommendation (Sl. No. 24)**

The gas is the most preferred feed stock for fertilizer plants as gas based plants are running efficiently at a lesser cost. The Talcher and Ramagundam plants of FCI are coal based plants. These plants were commissioned around 1980 and optimum capacity utilisation in these plants is yet to be achieved. According to the representatives of FCI and DOF, the main reason for failure of these plants has been mismatch of technology equipments and frequent breakdown of plant and machinery. Some of the engineers working in these plants also submitted before the



Committee that the plants have failed due to mismatch of equipment rather than failure of technology.

The Committee also note that there are fertilizer plants still running on coal based technology in some other countries. With the help of Japanese, China is reported to be in the process of setting up a fertilizer plant on coal based technology. Since there is shortage of gas in the country and reserves of coal are in abundance, the Committee recommend that Talcher and Ramagundam plants should continue to function on coal based technology with desired modification/revamping plants. Efforts are also needed to upgrade the coal based technology.

#### **Reply of the Government**

It is true that availability of coal in India is in abundance, as compared to other feedstocks. However, at present there appears to be no proven and cost effective technology in the world which uses the low quality (high ash content) coal that is available in India for production of fertilizer. The coal gasification technology of Texaco used by countries like Japan and China is reportedly for high pressure gasification of coal of much better quality with ash content around 10% as against the low grade coal with high ash content available in our country and used in coal based plants in Ramagundam and Talcher units. The decision regarding major investment on modification/revamping of Talcher and Ramagundam plants would depend upon the final decision on the revival plans for FCI by BIFR, which is a quasi-judicial authority. Government has taken note of the recommendation of the Committee regarding efforts needed to upgrade the coal based technology.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers OM. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### **Recommendation (Sl. No. 25)**

DOF has primary responsibility of moving controlled fertilizers to various States and UTs under the Fertilizer (Movement Control) Order, 1973, from various plants/ports in the country so as to ensure adequate availability of fertilizers in time. The movement of fertilizers is arranged to meet the requirement of States and Union Territories on the basis of supply plan drawn by the Ministry of Agriculture. To meet the needs of farmers there are about 2,30,000 retail distribution outlets of which 69% are in private sector and 31% are in Cooperative/State Sector. The Committee feel that with the present fast transport system, adequate availability of fertilizers in all parts of the country should not be major problem for the Government. The Committee would, however, like the Government to ensure that in no circumstances traders be allowed to hoard the fertilizer stocks and create an artificial scarcity to demand higher prices.

### **Recommendation (Sl. No. 20)**

The Committee were also informed that in view of negative affect on use of P&K fertilizers, the Government reduced the prices *i.e.*, from 40% increase to 30% increase and a scheme was announced for the benefit of small and marginal farmers. Admittedly the scheme was a failure as there was utter confusion as who were the small and marginal farmers. Many of the State Governments were unwilling to implement the scheme. As agreed to, by the representatives of Ministry of Agriculture during evidence, the Committee feel that there is a strong case for a review in the pricing policy and giving subsidy to P&K fertilizers to maintain the production level as also to protect the soil productivity. This will ensure balanced use of NPK fertilizers which is essential for the food production and soil fertility.

### **Reply of the Government**

The Ministry of Agriculture have stated that the scheme for giving concession on decontrolled P&K fertilizers was taken up during 1992-93. The scheme was continued during 1993-94 and Single Superphosphate, which is one of the straight phosphatic fertilizers, was also covered under the scheme. It has also been decided to continue the scheme of concessions on P&K fertilizers during the year 1994-95.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

### **Recommendation (Sl. No. 20)**

The Committee would also like the Government to ensure that at the time of framing any scheme for the benefit of small and marginal farmers, all aspects of such schemes including their mode of implementation and their likely beneficiaries should be laid clearly so that these are implemented smoothly and purposefully. This would help the Government in avoiding the failure of schemes like one which was announced for small and marginal farmers last year and could not be implemented properly.

### **Reply of the Government**

The Ministry of Agriculture have stated that in the wake of price rise of decontrolled phosphatic and potassic fertilizers, a Rs. 500 crores infrastructure development scheme for assistance to small and marginal farmers was sanctioned during 1992-93. Under this scheme, States were given adequate flexibility to formulate need based schemes to create agricultural infrastructure for the benefit of small and marginal farmers. Under this scheme, Rs. 362.06 crores has been made available to States and the balance would be released shortly to complete the works commenced during 1992-93.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

**Recommendation (Sl. No. 22)**

After examining various experts, PSU's, farmers and representatives of Ministries of Agriculture & Fertilizers, the Committee have come to the conclusion that much efforts have not been made to promoting the non-chemical fertilizers like bio-fertilizers and organic fertilizers. The Committee, therefore, recommend that concerned Departments of the Government should chalk out time bound programme to develop and promote such fertilizers. These steps will go a long way in reducing the dependance on costly chemical fertilizers while keeping the soil fertility intact.

**Reply of the Government**

The Ministry of Agriculture have stated that a Centrally Sponsored Scheme on 'Balanced and Integrated Use of Fertilizers' with a total outlay of Rs. 26 crores is being implemented during 8th Five Year Plan. Under this scheme, to promote use of organic Fertilizers, assistance of Rs. 20 lakh would be provided for setting up of 10 medium sized mechanised composting units identified by State Agriculture Departments. A massive training programme of successful and scientific practices for production/development of organic manures and to formulate systems is also being taken up. A minimum of six such training courses are to be conducted in each District in the country through Agricultural Universities, Krishi Vigyan Kendra, NGO's and other Institutions who have developed the expertise. National and State level awards have been instituted for promotion of organic farming and sustainable agriculture based on productivity awards. It is expected that during the 8th Five Year Plan, 24 awards at National Level and 416 at the State level will be given contributing to encouragement of better utilisation of wastage and manure.

To increase the production, promotion and use of bio-fertilizers, the Department of Agriculture & Cooperation, during 8th Five Year Plan has proposed setting up of additional bio-fertilizer production units by the State Government/Companies/Institutional Agencies to produce adequate quantities of bio-fertilizers in potential areas. Under the bio-fertilizer project, demonstrations and training to farmers/extension workers are the two main components so that the use of bio-fertilizers could be popularised.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

**Recommendation (Sl. No. 23)**

The Committee find that there are presently two engineering consultancy organisations viz. Projects and Development India Ltd. (PDIL) and FACT Engineering and Design Organisation (FEDO) which render consultancy

### Reply of the Government

The Department of Fertilizers in the Ministry of Chemicals and Fertilizers, Govt. of India, is arranging distribution of controlled fertilizers from various plants/ports to States based on the supply plan drawn by the Ministry of Agriculture. The supply plan is drawn in consultation with the State Governments, lead fertilizer suppliers of the States and also the Department of Fertilizers. The State Agriculture Department of each State has the major responsibility to ensure equitable distribution of material in the State in the required quantity based on the demand of the hinterland. The material is sold in the State through State institutional agencies/co-operatives and the network of private dealers registered with the respective State Governments from time to time. The State Governments have also been vested with the power under the Fertilizer (Control) Order, 1985 and Essential Commodities Act, 1955 to ensure equitable distribution of fertilizers to the farmers keeping in view the maximum statutory price fixed by the Government of India and other rules as stipulated in the said Order under Chapter-III 'Control on distribution of fertilizers by manufacturers'. The State Governments are thus fully equipped under the law to enforce distribution, quality, price etc. and deal with traders wanting to create an artificial scarcity and indulging in black marketing.

In order to improve the availability of fertilizers particularly in the remote areas, the Government of India has issued guidelines to the State Governments to exempt small dealers (stocking fertilizers upto 10 tonnes at a time) from the requirement of the certificate of registration. A number of States have already accepted this suggestion.

The demand and supply of controlled fertilizers are monitored closely by the Department of Fertilizers on periodic basis with a view to ensuring adequate and timely supply in different States of the country in coordination with fertilizer manufacturers, pool handling agencies, Railways and the State Governments. Remedial measures are also taken to make good the shortfall, if any, in the supplies of fertilizers to the States. Timely arrangements are made to augment supplies to deficit areas from alternative indigenous sources as well as imports.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### Recommendation (Sl. No. 26)

The Committee regret to note that in spite of 51 fertilizer quality control laboratories having an overall annual capacity of analysing 92000 samples per year, there are cases of adulteration in fertilizers. In this connection, representatives of Ministry of Agriculture informed the Committee that powers regarding inspection have been delegated to State Government and Inspectors carry out the job on the basis of inspections. During the period 1989 to 1993 as many as 1102 cases were detected and prosecutions launched against the defaulters. In view of importance of the subject, the Committee are of the view that Ministry of Agriculture cannot absolve its

responsibility merely by delegating the work to State Governments. They accordingly recommend that inspection machinery should be strengthened adequately. Needless to emphasise, the Government should monitor the role of inspection machinery with a view to taking remedial measures as and when necessary.

#### **Reply of the Government**

The Ministry of Agriculture have reported that during 1992-93, the number of Fertilizer Quality Control Laboratories have increased from 51 to 52 and also the corresponding analytical capacity from 92000 to 94560 samples per year. During 1993-94, 2 more laboratories have been proposed in Tamil Nadu. With the sustained efforts of State Governments and Government of India, the number of non-standard samples has shown a declining trend from 7.8% during 1987-88 to 5.8% in 1990-91 and 5.3% during 1992-93. Various actions taken by Central Government for strengthening enforcement machineries are as under:

1. The Central Government monitors the progress of quality control system in the various States through their Half Yearly Progress Reports. It is reviewed by Central Govt. in Biannual Zonal Conferences and State Governments advised periodically for energising machinery and concentrating on problem fertilizers as mission approach.

2. The Central Govt. has appointed a certain number of Fertilizer Inspectors, who have been vested powers under FCO, 1985 with the main objective of inspection of all imported fertilizers at ports and also random inspection and sampling from manufacturing units and their distribution network in the field. These samples are analysed at Central Fertilizer Institute and report sent to State Governments for follow-up action on non-standard samples. This creates a salutary impact in the field.

3. During 8th Plan, the Government has created 5 posts of Senior Fertilizer Inspectors and 1 post of Law Officer for further strengthening the enforcement system of Central Government.

4. For vigorous punishment of delinquent dealers and providing uniformity of penal action in States, guidelines were issued by Central Government in October, 1991 for taking suitable administrative action in case of major nutrient deficiency upto 0.5 units in case of straight fertilizers and 5% in case of complexes and mixtures but compulsory prosecution of dealers in case of nutrient deficiency beyond this critical limit in all cases where samples have been drawn by Central Government. A similar pattern has been advised to be adopted by State Governments in other cases as well.

5. The Central Fertilizer Quality Control & Training Institute (CFQC & TI) and its 3 Regional Laboratories provide training facilities to the State Enforcement Officers and Fertilizer Analysts periodically for effective enforcement in the field. In addition, short term orientation courses are

also organised by the Institute in States in collaboration with respective State Governments.

6. FCO has been made more stringent by prescribing mandatory minimum laboratory facility under Clause 21 for all manufacturing units to ensure manufacture of only quality products, printing of batch number on specified group of fertilizers which are more prone to adulteration like SSP, micronutrient fertilizers, fertilizer mixtures and special mixtures and printing of maximum retail price etc. on bags of all decontrolled fertilizers, regulation of import of decanalised fertilizers and maintenance of stocks in a specific Stock Register and regulation of source of certificate etc.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93—FDA—I (Pt.) Dated 20 June, 1994]

### CHAPTER III

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

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

The Committee were also informed by Fertilizer Association of India that another factor on account of which investors have been shying away from investing in the Indian fertilizer industry is ad-hoc decision of the Government taken every now and then in the absence of a long term fertilizer policy. In this connection, they cited instances of decisions taken regarding revision of prices, control and decontrol of fertilizers during the last 2-3 years. The Committee find substance in these suggestions and desires that the Government should prepare a well thought of long term fertilizer policy, keeping the overall demand and availability in view.

##### Reply of the Government

The subject of fertilizer prices pertains to the Ministry of Agriculture. That Ministry has stated that the prices of chemical fertilizers remained static for almost a decade since 1981. There had been no increase in fertilizer prices during this period despite increase in the prices of raw materials used and rise in cost of production. A Joint Parliamentary Committee on Fertilizer Pricing was constituted in December, 1991 which submitted its report to the Parliament in August, 1992. On the acceptance of the recommendations of this Parliamentary Committee, all phosphatic and potassic fertilizers including complexes were decontrolled w.e.f. 25th August, 1992. Simultaneously, the price of urea was reduced by 10%. The special concession given on sale of phosphatic and potassic fertilizers was intended to help the farmers and the industry to get adjusted to higher prices in the short run. Apart from this, the Government has been consistently following a well considered fertilizer policy keeping in view overall demand and availability.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93—FDA-I (Pt.) Dated 20 June, 1994]

##### Recommendation (Sl. No. 11)

The CMD's of FCI and HFC submitted before the Committee that even though some of their plants were producing cheapest fertilizer, they were not getting even the cost of production. The situation has arisen due to FICC norms of achieving 80% capacity utilisation of the installed capacity. These companies have repeatedly requested the Govt. to derate their capacity to enable them to get fair price of their production. In this connection, CMD of HFC also pleaded before the Committee that capacity

shown in the records may not be true and actual capacity of a plant may be less or more than the capacity shown as installed capacity. By not recognising the actual capacity of the HFC/FCI plants, the Committee have reasons to believe that these companies have suffered badly and consequently it has added to their mounting losses. Taking in view of the precarious financial health of FCI and HFC, the Committee recommend that the Govt. should take a realistic view in this regard and present capacity of these units should be recognised. The Committee also desire that at the time of setting up of new plants, Government should ensure that actual production capacity of such plant is taken into consideration.

#### **Reply of the Government**

The normative capacity of the two coal based fertilizer plants of Fertilizer Corporation of India Ltd. at Ramagundam and Talcher was reduced to 60% in April, 1982 for the purposes of calculation of retention price under the Retention Price Scheme based on study by a High Powered Technical Committee set up by the Government in 1981. Coal based technology was used for the first time in the country and was yet to be proved here. Besides, the Technical Committee identified equipment imbalances and utility deficiencies in these plants which were responsible for not achieving the rated production capacity. In accordance with FICC's policy, the normative capacity was brought down to 55% in November, 1990 based on capacity utilisation norms considering the plant vintage. In the report of the Joint Parliamentary Committee on Fertilizer Pricing it was recommended that on the pattern of price concessions extended to other feed stock, coal should also be supplied at a concession to coal based fertilizer units. Since the Ministry of Coal did not agree to the proposal of supply of coal at a concessional price, the Group of Ministers recommended suitable compensation to the coal based fertilizer plants while reviewing and deciding the pricing norms. In this context, therefore, the normative capacity was further reduced to 45% in September, 1992 by FICC for the purposes of Retention Price.

While the coal based plants at Ramagundam and Talcher were set up with technology which was untried and unproved, the operating units of HFC had the advantage of a well tried and established technology of manufacturing ammonia from naphtha/gas.

Over the years, HFC plants have been suffering from low capacity utilisation. During the last three years, the average capacity utilisation has not been more than 34%. Even though a Technical Committee had recommended de-rating of the capacity of the operating units of HFC to 52-56% of their name plate capacity, it is felt that due to perennial



problems like equipment break-down, power shortage, raw material shortages etc., the units will continue to incur losses even after derated capacity. Moreover, mere de-rating is no solution as the plants also require heavy capital investment for replacement of the troublesome equipments. Since the plants have become very old, sustained production cannot be expected for more than 5 to 6 years, even on-derated capacity. The de-rating would have only the effect of increased out-flow of subsidy from the Government under the Retention Price Scheme thus improving marginally the cash inflow of the company, without in any manner reducing the operational losses.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

#### **Recommendation (Sl. No. 19)**

The Committee were informed by the representatives of Ministry of Agriculture that the present imbalance in the use of fertilizers was on account of dicontrol of P&K fertilizers in August, 1992 which was done on the basis of recommendations of a Joint Parliamentary Committee on Fertilizer Pricing. In the month of August, 1992 the prices of nitrogen fertilizers were reduced by 10% whereas there was sharp increase in phosphatic fertilizers and in case of potash the price rise was as high as 300%. Representatives of Ministry of Agriculture were can did in their admission before the Committee that after putting efforts for more than 30 years they were able to bring the consumption ratio NPK fertilizers to 5:2:1, as against the ideal ratio of 4:2:1 The impact of decision about decontrol of P&K fertilizers proved grave and as a result of this consumption of these fertilizers decreased sharply.

#### **Reply of the Government**

The Ministry of Agriculture, who are responsible for fixing the prices of controlled fertilizers, have stated that efforts have been made to reduce the fertilizer prices and improve NPK ratio. It may be mentioned that the prices of fertilizers have been brought down to some extent and have started stabilising. The Minimum Support Prices of all crops were increased during 1993-94. For instance, in paddy there was increas of 14.8 to 20.7% and in case of wheat 6.1%. Increase in crop prices increases the buying capacity of the farmers and if this trend continues, the farmers over the years should be in a position to absorb the increase in P&K prices.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA-I (Pt) Dated 20 June, 1994]

## CHAPTER IV

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

#### Recommendation (Sl. Nos. 12, 13 and 14)

The Committee were astonished to find that Haldia Project of HFC which was likely to start production as early as 1979, is on paper even today. An amount of over Rs. 760 crores has been spent on this project upto August, 1993. The Committee are further dismayed to learn that over 1500 employees are getting salary since 1979 (and some of them even since 1976) without being given any meaningful work whose annual salary bill is about Rs. 18 crores. The Committee are yet to hear any such parallel instance in the international corporate world. CMD, HFC in his evidence was frank enough to say that the plant and machinery was just a scrap and the present plant could not be made operational.

The Haldia project being part of HFC is also stand referred to BIFR. Representative of DOF informed the Committee that the proposals of Government on HFC would also include the future proposals of Haldia project. The Committee hope that with the type of big infrastructure available there, some viable plans would be finalised and implemented to utilise the huge amount already spent.

The Committee were informed that the main reasons for failure of Haldia was mis-match of various equipments and machinery as these were procured from various sources due to fund constraints. Some foreign experts also examined the plant and suggested some modification plans at the cost of Rs. 500 crores which according to Government was on higher side to make the plant unviable one while regretting the whole episode. The Committee strongly recommend that a higher level independent Committee should be appointed to look into the failure of the Haldia project with a view to fix responsibility and take necessary action against those found guilty.

#### Reply of the Government

Haldia Project of HFC, which was approved in 1971, was completed in November, 1979, but it could not be made operational due to repeated equipment breakdowns during its commissioning. The commissioning of Haldia Project had to be finally suspended in October, 1986. By that time, and expenditure of Rs. 478 crores had already been incurred on the Project.

The Government has been incurring standing charges on this Project at the rate of Rs. 1.25 crores per month since October, 1986. This was

subsequently increased to Rs. 1.52 crores per month w.e.f. 1.4.1989. A total expenditure of about Rs. 782.48 crores had been incurred on the Project upto 31.3.1994.

As regard the project's failure to achieve commercial production, there is no doubt that despite heavy investment on the project, it had not been commissioned. However, it may be mentioned that the Government had tried its best to make the plant operative and for this purpose an end-to-end survey of the project was got conducted by reputed consultants. These consultants had recommended in 1988 that it was possible to revamp the project at an estimated cost of Rs. 500 crores. However, with this level of investment the project was found to be totally unviable. In view of the economic unviability and also due to resource constraints, no decision could be taken on this proposal. The alternative proposal to revamp only nitrophosphate group of plants also could not take shape due to high cost, economic unviability and also continuing heavy subsidy burden on the Government.

Due to acute shortage of free foreign exchange, a number of credits were availed of for procurement of equipment from various countries in Europe. This led to procurement of various components of the same equipment from diverse sources, resulting in their mismatch. This was one of the main causes of repeated breakdown of the equipment leading to failure of the Haldia project. Delay in project execution made it difficult to penalise the suppliers due to lapse of warranty period. The limited expertise available indigenously in the design, engineering and procurement of fertilizer plants at that point of time resulted in overlooking of the importance of ensuring the performance worthiness of the equipment from a single source as all the plants had been implemented on turnkey basis before Haldia Project was taken up. The country was in the learning phase in the late sixties and early seventies for design, engineering and erection of fertilizer plants. The failure of Haldia Project has given us very useful lessons on the implementation of such projects and in avoiding the pitfalls in execution, thus helping in the successful implementation of the subsequent projects.

Haldia Project which was approved in 1971 was being implemented by FCI in which a large number of persons drawn from FCI, and subsequently from PDIL and HFC after the re-organisation of FCI, were involved in the planning, designing, procurement, construction and commissioning of the project stretching over a decade. Key personnel connected with the implementation of this project are no longer in service, having retired nearly a decade back. While it may be difficult to fix the responsibility on any individual or group of individuals at this stage, based on the record available, the Department of Fertilizers is making an examination to ascertain the circumstances in which various

important decisions in project implementation such as procurement of equipment etc, were taken. After such an examination, it will be possible to reach a *prima facie* usion as to whether responsibility could be fixed on any individual or a group of individuals.

In April, 1992, the Board of Directors of HFC referred the company, including Haldia fertilizer project, to the BIFR. The BIFR in their first hearing on 12.11.1992, declared HFC as a sick company. Further, on 16.3.1994, the BIFR has appointed ICICI as an Operating Agency to prepare a unit-wise rehabilitation package in respect of the units of HFC. The Government is, presently, finalising the revival package for submission to ICICI which in turn will submit the same to the BIFR. Any further decision on the future of Haldia project would depend on the outcome of the proceedings pending before the BIFR, which is a quasi judicial authority.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93—FDA-I (Pt) Dated 20 June, 1994]

#### Comments of the Committee

Please see page 25 of Chapter I of the Report.

#### Recommendation (Sl. No. 27)

The Committee also find that farmers are not involved in availability/supply and related issues like quality control in the fertilizers. The Committee accordingly desire that adequate steps should be taken by the Government to involve representatives of the farmers/Panchayat Samities/Cooperatives in these activities.

#### Reply of the Government

The Ministry of Agriculture has reported that till recently, fertilizer quality control laboratories were prohibited from accepting samples directly from the farmers. However, the Central Government had advised the State Government during 1991-92 to reserve 20% of analytical capacity for analysing samples sent by the farmers on nominal charges for self-assessment of the quality of fertilizers purchased by them. Most of the States have already extended this facility to the farmers.

Occasionally, training programmes for farmers are organised at Regional Laboratories to acquaint them about their rights and remedies for problems relating to quality of fertilizers.

The CFQC & TI has developed Quick Testing Methods for on the spot detection of adulteration in major fertilizers. The farmers and also dealers are educated through periodical demonstration on TV and Radio talks from various centres in regional languages. The CFQC & TI also

periodically organises training programmes for Fertilizer Dealers in collaboration with the State Governments and Fertilizer Industry in which a good number of progressive farmers also participate.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/  
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**Comments of the Committee**

Please see para 36 of Chapter I of the Report.

**CHAPTER V**  
**RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF**  
**GOVERNMENT IS STILL AWAITED**

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

The Committee are distressed to note that production performance of two PSU's viz. HFC and FCI has been very low. From the plant-wise production, it is noticed that the capacity utilisation in HFC and FCI plants ranged between 3% to 66% during the years 1991-92 and 1992-93.

The dismal production performance is reportedly on account of technology deficiencies, mismatch of equipments, frequent breakdowns of plant and machinery, shortage of power and shortage of funds to maintain the plants and even to purchase raw materials. At the end of March, 1993, accumulated losses of FCI and HFC stood to Rs. 1836 crores and Rs. 1861 crores, respectively against their paid up capital and reserves of Rs. 828 crores and Rs. 686 crores, respectively. Both companies have been declared as sick companies and have been referred to BIFR. The Government has sought extension of time for furnishing the plans in respect of these companies before BIFR by 31st December, 1993. The examination of various aspects of FCI/HFC plants by the Committee revealed that the estimated expenditure on revival of plants or setting up of new plants on the same sites would be much cheaper than the new grassroot plants. The installed capacity of FCI plants is over 8 lakh tonnes and that of HFC plants is 6.54 lakhs tonnes and their capacity utilisation is about 1/3rd of the total capacity. The total trained manpower strength in these companies is over 18000. Looking at the infrastructure of about 10 plants of FCI and HFC, the available manpower and taking into consideration the shortage of indigenous production capacity, the Committee recommend that all out efforts should be made to revive these plants.

**Reply of the Government**

FCI's paid up capital was Rs. 623.39 crores as on 31.3.1993 and not Rs. 828 crores as mentioned in the above recommendation. In pursuance of the directions of BIFR to the Government, given in its hearings on 30.12.1993 and 31.12.1993 for HFC and FCI, respectively, consultations were held in the Department of Fertilizers with Workers' Union, Officers' Associations, Bankers and the concerned State Governments during the first week of February, 1994 to explore the possibility of an agreed revival package. However through separate orders issued on 16.3.1994 in respect of FCI and HFC, the BIFR has appointed Industrial Credit and Investment Corporation of India Ltd. (ICICI) as the Operating Agency for

both these companies. As per these orders, Government is required to submit a revival package in respect of these companies to the Operating Agency. The Operating Agency would, in turn, submit revival package to the BIFR. The unit-wise revival of these companies would depend on the final decision of the BIFR, which is a quasi-judicial body. The Government has been providing, to the extent possible, budgetary support to HFC and FCI for meeting their working capital needs and towards renewals and replacements. For 1994-95, budgetary support of Rs. 81.25 crores and Rs. 60.50 crores has been provided for HFC & FCI, respectively.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA—I(Pt) Dated 20 June, 1994]

#### **Further reply of the Government**

In the hearings held before the BIFR in respect of FCI/HFC on 14th/15th July, 1994 respectively, a request was made by the Department of Fertilisers for allowing further time to the Government for submission of revival packages. The extension of time was not granted by BIFR and it directed the Operating Agency (ICICI) to evaluate all the alternatives for rehabilitation of the units of FCI from the angle of technical financial and commercial viability and to submit its proposals to BIFR within 3 months ICICI has also been directed by the BIFR to explore entrepreneurs in other sectors for possible change over of the managements, if found necessary.

[Ministry of Chemicals & Fertilizers, Deptt. of Fertilizers O.M. No. 8/6/93-FDA—I(Pt) Dated 9 August, 1994]

#### **Comments of the Committee**

Please See para 17 of Chapter I of the Report.

NEW DELHI;  
25 October, 1994.

3 Kartika, 1916 (Saka)

SRIBALLAV PANIGRAHI,  
*Chairman,*  
*Standing Committee on*  
*Petroleum & Chemicals*

## APPENDIX I

### MINUTES

### STANDING COMMITTEE ON PETROLEUM & CHEMICALS (1994-95)

#### Sixth Sitting

22.8.1994

The Committee sat from 1500 hrs. to 1600 hrs.

#### PRESENT

#### CHAIRMAN

Shri Sriballav Panigrahi

#### MEMBERS

#### *Lok Sabha*

2. Dr. Ravi Mallu
3. Shri Janardan Prasad Misra
4. Shri Hari Kishore Singh
5. Shri Ramnihore Rai
6. Shri Uddhab Barman
7. Dr. Asim Bala
8. Shri Muhiram Saikia
9. Shri Gopi Nath Gajapathi
10. Shri Surya Narayan Singh

#### *Rajya Sabha*

11. Shri V. Narayanasamy
12. Shri Yerra Narayanaswamy
13. Shri Mohd. Masud Khan
14. Shri Pasumpon Tha. Kiruttinan
15. Shri Ramji Lal

#### SECRETARIAT

1. Shri S.C. Gupta — *Joint Secretary*
2. Shri G.R. Juneja — *Deputy Secretary*
3. Shri Brahm Dutt — *Assistant Director*

The Committee considered the Draft Action Taken Report on action taken by Government on the recommendations contained in Third Report on 'Production, Import, R&D, Promotion and Marketing of Fertilisers'.

After some discussion it was decided that before finalisation of the Action Taken Report on the subject, the representatives of Deptt. of Fertilisers may be called for evidence to clarify the action taken by Government on some of the recommendations of the Committee.

*The Committee then adjourned.*



**APPENDIX II**  
**MINUTES**  
**STANDING COMMITTEE ON PETROLEUM & CHEMICALS**  
**(1994-95)**

**Seventh Sitting**

**13.9.1994**

The Committee sat from 1500 hrs. to 18.15 hrs.

**PRESENT**

Shri Sriballav Panigrahi — *Chairman*

**MEMBERS**

*Lok Sabha*

2. Shri Sant Ram Singla
3. Shri C.P. Mudalagiriappa
4. Shri Arvind Tulshiram Kamble
5. Smt. Suryakanta Patil
6. Shri M. Krishnaswamy
7. Shri Gopi Nath Gajapathi
8. Shri Janardan Prasad Misra
9. Shri Kashiram Rana
10. Shri Rameshwar Patidar
11. Shri Ratilal Kalidas Verma
12. Shri Uddhab Barman
13. Shri Surya Narayan Singh
14. Shri Pius Tirkey
15. Shri Muniram Saikia

*Rajya Sabha*

16. Shri E. Balanandan
17. Shri Mohd. Masud Khan
18. Shri Pasumpon Tha. Kiruttinan
19. Shri G.Y. Krishnan
20. Shri Bhagaban Majji
21. Shri V. Narayanasamy
22. Shri Yerra Narayanaswamy
23. Shri Ramji Lal
24. Shri Balbir Singh
25. Shri S.S. Surjewala
26. Shri Dineshbhai Trivedi

**SECRETARIAT**

1. Shri S.C. Gupta — *Joint Secretary*

2. Shri G.R. Juneja — *Deputy Secretary*
3. Shri Brahm Dutt — *Assistant Director.*

REPRESENTATIVES OF DEPARTMENT OF FERTILISERS

1. Shri N.R. Krishnan, Secretary (Fertilisers)
2. Shri Naseem Ahmad, Joint Secretary (Ferts.)
3. Shri K.K. Jaiswal, Joint Secretary & Financial Adviser
4. Dr. G.B. Purohit, Adviser (Fertilizers)
5. Shri Rakesh Kapoor, Director (A)
6. Dr. A.V. Singh, CMD, Hindustan Fertilizer Corporation Ltd.
7. Dr. K.S. Mukharya, CMD, Fertilizer Corporation of India.

REPRESENTATIVES OF MINISTRY OF AGRICULTURE (DEPTT. OF AGRI. & COOPERATION)

Shri N. Rama Rao, Joint Secretary.

The Committee took evidence of the representatives of Ministry of Chemicals & Fertilisers (Deptt. of Fertilisers) and Ministry of Agriculture in connection with action taken by Govt. on the recommendations contained in Report on 'Production, Import, R&D, Promotion and Marketing of Fertilisers'. The salient points emerging out of the evidence are detailed in succeeding paragraphs.

*Indigenous Production of Fertilisers*

The Committee pointed out that from the Government reply it was observed that no concrete action was taken by Government to bridge the gap between demand and indigenous availability of fertilisers and the expected gap by the end of 2000 A.D would increase from 72 lakh tonnes of urea to 78 lakh tonnes. Asked about the specific steps taken by the Government to step up the fertiliser production, the Fertiliser Secretary started:—

"Firstly, to the extent of about 38.63 lakh tonnes of urea, we have got new projects and also expansion of existing ones. With Oman, we have gone into very detailed Memorandum of Understanding. In fact, next month also we are going to meet them after which we hopefully expect that by around the third quarter or the fourth quarter of 1995, the construction work would begin and in about three years' time say, in the last quarter of 1998, the production should commence in Oman. This project will give us 15 lakh tonnes of Urea. In this, there is 50 per cent equity participation from Indian companies that is RCF and KRIBHCO. There is also a Memorandum of Understanding with Iran, for 7 lakh tonnes of Urea Project. The work on the preparation of feasibility report is going on there.

Then there is a joint venture project of SPIC. The Government of Tamil Nadu has a share in SPIC. This company is setting up a urea plant in the Emirates which will give around five lakh tonnes of urea. In Rashtriya Chemicals and Fertilizers of Bombay, we are considering a retrofit. Initial work has been done on that and we have to take the

final investment approval. This will give 3.9 lakh tonnes of urea. In the IFFCO plant of Kalol we are thinking of minor changes which will give about 1.15 lakh tonnes. Indo Gulf Fertilisers at Jagdishpur, which is a privately owned company, is considering on expansion. It is based partly on gas and partly on naphtha. This will give about 1.28 lakh tonnes. There was a company next door to Nagarjuna Chemicals and Fertilisers of Kakinada, Andhra Pradesh which originally had some gas allocation for manufacture of nitric acid and other products. Since, that company was not keen to carry on that venture and that was brought over by the Nagarjuna Fertilisers along with the gas allocation. They expect to use this gas to produce 4.95 lakh tonnes of urea. All this will come to a total of 38.63 lakh tonnes, we expect that all the projects will commence production well before 2000 A.D. Out of the extrapolated gap of about 72 lakh tonnes of urea, about 48 lakh tonnes is taken care of in this manner."

Explaining it further, the witness stated:—

"As regards the remaining gap, we are further exploring, we are trying to team up with a company in Qatar. In fact, some attempts were made by the Indo Gulf to go to Brunei which has an abundant gas supply. We had sent a technical team to Syria also and they are willing to oblige us. This is in the process of examination and exploration and I think we will be able to generate projects.

A little over 30 per cent of the gas supplies in India have been committed to the fertilizer sector. As there are no new gas finds, we are not able to get more gas. But we have already registered our claim for certain quantity of gas. If the Oman Indo Gas Pipeline comes through, we have already projected about 11 million cubic metres of gas per day to the Ministry of Petroleum. This will give another 50 lakh tonnes of urea. We have already undertaken a study to select projects on the route of this gas line. In fact, various companies which will take up this work are also identified. We are still awaiting the outcome of these negotiations, If they succeed, we should naturally be able to get gas.

We are seriously thinking of buying some plants which are available at a fairly cheap rate both in Russia and the United States along with the mines and factories. If we can manufacture DAP there and bring it into our country, we will be in quite a comfortable position. This will make a lot more sense than importing ammonia and other raw material separately and then manufacture complex fertilisers here."

On being pointed out by the Committee that several plants of FCI and HFC were not working properly, the Fertiliser Secretary replied that if these plants were replaced a staggering amount of Rs.3300 crores would be required. However, efforts were on to replace the critical equipments. So that production level could be maintained in these plants. Besides the Govt. was considering to give some financial assistance to these units.

In reply to a further question the witness informed the Committee that there were plans for setting up joint venture projects for potash and phosphate fertilisers abroad in the countries where raw materials/gas was available abundantly.

#### *Failure of Haldia Project*

The Committee pointed out that the Govt. had not accepted the Committee's specific recommendation for appointing an independent committee to go into the failure of Haldia Project. Earlier the Committee on Public Undertakings in their Report on HFC presented to Parliament in March 1992 had also recommended for a detailed enquiry into the failure of Haldia Project. Asked about the reasons for not accepting the specific recommendations of the Parliamentary Committees, the Fertiliser Secretary stated:—

“This Project being a very old one, first we are trying to get all the records of those days because irrespective of the fact whether somebody is alive or retired, but, more important is to see how important decisions came to be taken. We know definitely that in those days we were at a very learning stage; We did not have much experience in evaluating the technologies. In this particular case, assistance was coming from very many different sources and each source of assistance was trying to give us some plant and machinery. So, there was a mismatch. These are the causes which are known. But, more importantly, we should see as to how people came to select these various pieces of plant and machinery which were not compatible with each other and to see as to how such important decisions came to be taken, who are the people involved in taking those decisions and at what levels these decisions were taken. To establish this, we are now looking into whatever old records that are available.”

He further stated that they would complete the on going findings at the earliest and would submit the same for Committee's decision. When asked about the time frame in which the Deptt. would complete this work, the witness replied:—

“We are expecting to complete the work in Haldia, say, in another two month's time.”

The Committee also wanted to know whether the problems relating to Haldia were ever taken up beyond the Ministry's level. A representative of Deptt. of Fertilisers replied that the matter regarding this project had been taken up at the highest decision making authorities at several occasions.

The Committee further wanted to know as to whether some parties were interested in taking over the Haldia Project, the Fertiliser Secretary replied:—

“We are exploring whether we can do anything else to sort out the problem some entrepreneurs have come to us and they have evinced

some interest. We have made available to them all the documentation and technical reports that we have and we have also given them free access to the factory premises. They have been talking to the Chairman and Managing Director also to know all the details about the project so that in case they would like to take over the project and run it in whatever manner they will feel like, they can do so. So, all these things are looked into."

*Schemes for Small and Marginal Farmers*

The Committee pointed out that due to high prices of Fertilisers, small and marginal farmers were not in position to buy fertilisers in required quantity. Asked about the steps taken for the benefit of small and marginal farmers, a representative of Ministry of Agriculture replied:—

"In August 1992 both the Departments took up this ad hoc subsidy system to mitigate the sufferings of the farmers and to bring down the prices to some level so that the farmers would be able to purchase fertilisers. Consequently we have organised a national seminar on bio-fertiliser and organic farming to bring about a balanced use of fertilisers. Ultimately, Rs.26 crores was earmarked for the scheme on Balanced and Integrated Use of fertilisers wherein components like scientific composting and giving aid to the municipal councils and corporations for setting up composting units on scientific lines have been taken into account. Apart from scientific composting, training to farmers at the village level had been organised. We have been trying our best to improve the position. The price of urea has been increased to the extent of 20 per cent. We have been making all out efforts to bring about equilibrium in the use of NPK and arrive at the ideal ratio of 4:2:1. The statistics show, though in Rabi 1992-93 ratio was badly affected due to decontrol, the situation has improved later on. So, with our efforts and with our extension work at the State level, block level and village level, in due course of time we will be able to arrive at the ideal ratio of 4:2:1."

On being asked about the time frame in which the balanced ratio of 4:2:1 for use of NPK fertilisers could be achieved the witness stated:—

"It is very difficult to project the time period."

The Committee further enquired about the reasons for slow progress in regard to implementation of scheme for small and marginal farmers. The witness stated:—

"Coming to the infrastructural facilities, it took some time for the states to formulate the plans, for the kind of infrastructure they wanted to develop for small and marginal farmers etc. Some States have come out with good schemes. For example, I can cite an energizing of wells scheme. According to this scheme, farmers who are having wells will be provided with motor pumpsets so that they can draw water and irrigate their land. Such innovative schemes have come up. During 1992-93 nearly Rs. 362 crore have been spent. During 1993-94 about Rs. 100

crore were released to the States and again this year we have taken up with the Planning Commission to continue the scheme for the next three years, each year the allocation being Rs. 500 crore. The discussions are going on with the Planning Commission and we are hopeful that we will be able to get the sanction.”

When asked further about the monitoring system at the Ministry level to review the work done by the States, the witness replied that they were regularly reviewing the schemes. He added that there were guidelines under which State Govts. were required to operate the schemes.

*Involvement of Local Representatives in marketing set-up*

The Committee had earlier recommended that Government should involve the representatives of the Farmers/Panchayat Samities/Co-operatives in the matters like availability/supply and quality control of fertilisers. Since the Government reply was silent about the involvement of Farmers/Panchayat Samities/Cooperatives etc. in these areas. The Committee enquired in whether there was any system of active participation by the local representatives with a view to ensure better availability of fertilisers and to discourage adulteration as also the black marketing of fertilisers. The Fertiliser Secretary replied:—

“About 30 per cent of the fertiliser is sold through the State marketing agencies. The remaining is sold through the retail network. Every retail network has to get a license for it. A good portion of it is sold through the cooperative movement.”

Explaining it further a representative of DOF stated that it was a State subject and anyone who wants to sell fertilisers including cooperatives has to obtain a license from State Govt. State Govt. were empowered to implement the fertiliser control order which *inter-alia* included distribution and quality control of fertilisers. The witness also stated that in States like Haryana District Collector and M.L.As were being involved in Agricultural Production Committees.

On being further pointed out that there was need for uniform approach in this regard, a representative of Ministry of Agriculture replied:

“We will write to all State Governments about it.”

*The Committee then adjourned.*

**APPENDIX III**  
**MINUTES**  
**STANDING COMMITTEE ON PETROLEUM & CHEMICALS**  
**(1994-95)**

**Eleventh Sitting**  
**30.9.1994**

The Committee sat from 1030 hrs. to 1130 hrs.

**PRESENT**

**Shri Sriballav Panigrahi—Chairman**

**MEMBERS**

*Lok Sabha*

2. Dr. Ravi Mallu
3. Shri Sant Ram Singla
4. Shri V.S. Vijayaraghavan
5. Shri Arvind Tulshiram Kamble
6. Shri M. Krishnaswamy
7. Shri K. Ramamurthee Tindivanam
8. Shri Janardan Prasad Misra
9. Shri Rameshwar Patidar
10. Shri Sombhai Patel
11. Shri Ramnihore Rai
12. Dr. Asim Bala
13. Shri Surya Narayan Singh
14. Shri Pius Tirkey
15. Shri Gopi Nath Gajapathi
16. Shri Hari Kishore Singh

*Rajya Sabha*

17. Shri E. Balanandan
18. Shri Mohd. Masud Khan
19. Shri Pasumpon Tha. Kiruttinan
20. Shri G.Y. Krishnan
21. Shri Jagdish Prasad Mathur
22. Shri V. Narayanasamy

- 23. Shri Balbir Singh
- 24. Shri Dineshbhai Trivedi

SECRETARIAT

- 1. Shri G.R. Juneja—*Deputy Secretary*
- 2. Shri Brahm Dutt—*Assistant Director.*

The Committee considered the draft report on action taken by the Government on the recommendations contained in the 3rd Report of the committee on 'Production, Import, R&D, Promotion and Marketing of Fertilizers.' After some discussion the Committee adopted the report subject to modification/amendment shown in annexure.

2. The Committee also authorised the Chairman to finalise the report after factual verification by the Deptt. of Fertilizers and present the same to Parliament.

*The Committee then adjourned.*

*Annexure*

AMENDMENT/MODIFICATION MADE IN ACTION TAKEN  
REPORT

At the end of Para 7 (at page 6) following may be added:—

“Since gas is the most preferred feedstock for fertilizer plants, the Committee would also like to emphasise that as a measure to achieve self sufficiency in fertilizers in the country, adequate availability of gas to fertilizer units is a must.”



## APPENDIX IV

(Vide Para 4 of the Introduction)

*Analysis of the Action Taken by Government on the recommendations contained in the 3rd Report of the Standing Committee on Petroleum & Chemicals (Tenth Lok Sabha) on Production, Import, R&D, Promotion and Marketing of Fertilizers.*

I. Total number of recommendations	27
II. Recommendations that have been accepted by the Government (Vide recommendation at Sl. Nos. 1 to 5,7,8,10,15 to 18 & 20 to 26)	19
Percentage to total	70.37
III. Recommendation which the Committee do not desire to pursue in view of Government's reply (Vide recommendation at Sl. Nos. 6, 11 & 19)	3
Percentage to total	11.1%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendation at Sl. Nos. 12,13,14 & 27)	
Percentage to total	14.81%
V. Recommendation in respect of which final replies of Government is still awaited (Vide recommendation at Sl. No. 9)	1
Percentage to total	3.70%