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

TWELFTH LOK SABHA

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

**DEMANDS FOR GRANTS
(1999-2000)**

Twelfth Report



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1999/Chaitra, 1921 (Saka)

LC
328.3657R
N8.12.3

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STANDING COMMITTEE ON
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MINISTRY OF CHEMICALS & FERTILISERS
(DEPTT. OF FERTILISERS)

DEMANDS FOR GRANTS
(1999-2000)

Presented to Lok Sabha on 22.4.1999

Laid in Rajya Sabha on 23.4.1999



LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

Price : Rs. 21/-

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328.3657R
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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Ninth Edition) and Printed by Akashdeep Printers, Daryaganj, New Delhi.

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

Dr. Balram Jakhar — *Chairman*

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*Nominated w.e.f. 10.7.98 *vice* Shri Chandubhai Deshmukh expired on 28.6.1998.

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SECRETARIAT

- | | | |
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| 5. Shri A. K. Shah | — | Committee Officer |

*Nominated w.e.f. 5.8.98 wce Prof. Naunihal Singh retired from the Membership of Rajya Sabha w.e.f. 4.7.98.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Twelfth Report on Demands for Grants of the Ministry of Chemicals and Fertilisers, Department of Fertilisers for the year 1999-2000.

2. The Committee examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals and Fertilisers, Deptt. of Fertilisers, for the year 1999-2000 which ~~was~~^{were} laid on the Table of the House on 16th March, 1999.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilisers, Deptt. of Fertilisers at their sitting held on 23rd March, 1999.

4. The Committee considered and adopted the Report at their sitting held on 7th April, 1999.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1999-2000 and for giving evidence before the Committee.

NEW DELHI;
April 9, 1999.
Chaitra, 19, 1921 (Saka)

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

REPORT

A. Introductory

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

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

PSUs

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

Cooperatives

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

Joint Sector

- (i) Indian Potash Ltd. (IPL)

B. 9th Plan Outlay and Expenditures

3. For PSUs and cooperatives under DOF for 9th Plan (1997-2002), Planning Commission had approved an outlay of Rs. 11013.38 crores consisting of Rs. 800 crores as Budgetary Support, Rs. 243.38 crores as External Aid routed through the Budget and Rs. 9970.00 crores to be met out of Internal and Extra Budgetary Resources. The following statement shows approved outlays and actual expenditure during the first two years of the 9th Plan period :

9th Five Year Plan (1997-2002)	Approved Outlay	Actual Exp. (Rs. in crores)	Budgetary Support	Shortfall between outlay and actuals
(i) 1st Year (1997-98)	1728.38	1324.38	239.78	404.20
(ii) 2nd Year (1998-99)	2249.20	989.00 (Estimated)	209.20	1260.00
(iv) 3rd Year (1999-2000)	1828.00		165.00	—

4. During the course of examination of Deptt. of Fertilisers, the Committee pointed out that as against the approved Plan outlay of Rs. 1728 crores for the first year of 9th Plan (1997-2002), the actual expenditure during the year viz. 1997-98 was Rs. 1324 crores only leaving a sum of over Rs. 400 crores unspent. Detailing the reasons for non-utilisation of plan funds during 1997-98, the DOF earlier in their action taken replies to Sixth Report (12th Lok Sabha) (January, 1999), had submitted that funds of the order of Rs. 369 crores were not utilised because fertiliser projects at Oman/Iran/Nellore/Mangalore and KRIBHCO projects in Rajasthan did not materialise. Similarly, for the current year viz. 1998-99 the budget outlay of Rs. 2249 crores has been drastically reduced to Rs. 989 crores only. Explaining the reasons for decreasing the approved outlay and its low utilisation, the Secretary (Fertilisers) informed the Committee during evidence : —

"Sir, in the Annual Plan for the year 1998-99 for the PSUs, I do agree that there has been a shortfall in expenditure. The Revised Estimates indicate that during the current financial year, the expenditure to the extent of Rs. 989 crore could be expected as against the Annual Plan outlay of Rs. 2,249 crores.

The reasons for these are mostly on account of the new schemes. The issue relating to the new schemes also gets related to the question of demand and supply of fertilisers."

5. He further elaborated : —

"New projects could not be started. This relates to new fertiliser projects of Nellore, Oman, Hazira and Gorakhpur and also dropping up the proposal of KRIBHCO to acquire Mangalore Chemicals and Fertilisers Ltd. The perception of the Planning Commission is that the present scenario in the country does not warrant any incremental capacity in urea. We are not in agreement with that view and quite a few meetings have been held. But the issue has still not been resolved. We have been directed to remit the matter to higher levels which will be done in the near future. If you want to know the difference in perception."

6. In this connection the Committee wanted to know about the difference in perception. The Secretary (Fertilisers) informed : —

"So far as the difference in perception is concerned, it has been there according to me, for a year."

7. The Committee also wanted to know that as to how necessary planning would be done by DOF when two years of 9th Plan were already over and Deptt. of Fertilisers was still discussing and resolving the issue of difference in perception of demand and supply of fertilisers with the Ministry of Agriculture and the Planning Commission. The Secretary (Fertilisers) informed:—

"Project clearance is the responsibility of the Department of Fertilisers because we are in charge of fertilisers industry. But since the demand for fertilisers relates to agriculture, it is the responsibility of DAC. The Public Investment Board discusses this subject. It consists of the Planning Commission, Ministry of Finance, Department of Agriculture, Department of Programme and Implementation and the Department of Fertilisers is also represented there. If there is a lack of unanimity on this, it will have to be limited to a higher level. We will have to get the policy directives."

8. The Committee further wanted to know the nature of difference in perception of demand and supply scenario among different Deptts. which were coming in the way of sanctioning of new projects. The DOF in a written note informed : —

"The report of the Working Group on Fertilisers for the IX Plan (August, 1996) had projected the demand for fertiliser nutrients and material under two scenarios : —

(a) With Price Correction :

It was assumed that price of urea will be increased by 30% in 1996-97 and 10% per year from 1998-99 till 2001-02. In this scenario,

demand for total fertiliser nutrient was estimated as 19.90 million tonnes in 2001-02 and demand for urea as 245 lakh MT in the same year.

(b) Without Price Correction

Demand for total fertiliser nutrient in 2001-02 was estimated as 23.69 million MT and of urea as 326 lakh tonnes in 2001-02.

These demand estimates were subject of discussion between the Department of Fertilizers, Department of agriculture and Cooperation and Project Appraisal and Monitoring Division (PAMD) of Planning Commission when proposals for setting up additional urea capacities were posed for approval. Since then, several meetings have been held to resolve the issue.

IXth Plan document has accepted the projections made for 'with price correction scenario'. These are the projections which are being relied upon by Department of Fertilisers also. While PAMD has accepted a demand of 20 million tonnes for total fertilizer nutrients in 2001-02 (as per the IX plan document), there is still a difference regarding the demand for urea in the year 2001-02 as detailed in the following table : —

	Demand in 2001-02			Average Compounded Growth Rate over the 9th Plan (%)		Contribution of urea to 'N'			
	N	P	K	Total	Urea	N	P	K	
Estimated as	13.40	4.67	1.83	19.9	24.5	4.52	7.71	7.58	84%
per 9th Plan				(say 20)					
Estimates as	12.78	5.40	1.82	20.0	22.0	3.54	12.41	7.46	79%
per PAMD									

As indicated above, the difference in demand for urea projections is mainly on account of use of varying assumptions made in the IX Plan and by the PAMD regarding growth rate of N, P and K nutrients over the Plan period and percentage contribution of urea to the supply of 'N' nutrient.

9. Explaining it further, the Secretary (Fertilisers) also stated during evidence : —

"If you kindly have a look at the statement, you will find that the difference in perception, it has been narrowed down now—relates to the average compound growth for the Ninth Plan. We have assumed a growth rate of 4.52 per cent for N. But they have assumed a growth rate of

3.64 per cent. According to us, the growth rate during the Ninth Five Year Plan assumed by the Planning Commission is wrong because the past history shows only a growth rate of 5.72 per cent for N. I mean the growth rate from 1984-85 to 1997-98. But since during the intervening period the base has expanded, we do not mind accepting a growth rate of 4.52 per cent. On this basis, if our views are accepted, there would be a scope for two to three plants. It is this narrowed gap that has to be resolved.

Earlier, the controversy centered round whether the demand should be taken with the price correction scenario or without the price correction scenario. All these are over now. There is unanimity on the figure of 20 million tonnes. The Ninth Plan document itself took a long time to be finalised. It was finalised after two years of the Plan. This is where the matter rests now."

10. The Committee also wanted to know how the requirement of fertilisers to the tune of 200 lakh tonnes by the terminal year of Ninth Plan (1997-2002) was arrived at. The Secretary (Fertilisers) clarified : —

"Originally, there were two sets of figures. One is the 'with price correction scenario'. It was assumed that the urea price would be hiked at the rate of 30 per cent and subsequently at the rate of 10 per cent per annum. The other one was the 'without the price correction scenario'. But looking at the reality and the fact that the urea price increase does not take place year after year, we expected something in between and that is now the figure of 20 million tonnes was arrived at. I have taken a meeting at my level once. But then the Planning Commission again differed. In the Planning Commission, another meeting was held in order not to prolong the controversy. Otherwise, this will go on like that. We said it is all right and that the figure can be put at 20 million tonnes. But even then, in respect of the growth rate for the Ninth Five Year Plan for NPK, there is a minor difference which, I think, we should be able to resolve."

11. When asked as to what would be the fate of Plan funds to the tune of Rs. 1828 crores earmarked for 1999-2000 when differences still persist over demand and supply of fertilisers for Ninth Plan between DOF, Ministry of Agriculture and Planning Commission, the Secretary (Fertilisers) informed :—

"I must point out that out of Rs. 11013.38 crore, which is the approved outlay for the Ninth Plan, the internal and extra budgetary resources are of the order of Rs. 9970.00 crore. So, these are not Government's funds. These are the resources of the PSUs. So, it is not the question of other

Ministries in the Government of India having been deprived of these funds. Since these amounts are with the PSUs, there is a great deal of flexibility. The moment the demands and supply issue is sorted out, money can be spent.

About your specific question, let me also be equally clear that till the supply and demand issue is sorted out, we cannot issue formally sanction orders. But I expect that this will be sorted out soon."

12. It also came out during the course of examination that different fertiliser projects scheduled for implementation as early as 1997-98 have been either dropped or delayed for different reasons. These include two joint ventures in Oman and Iran, one project each at Nellore in Andhra Pradesh, acquisition of Mangalore Chemicals and Fertilisers Ltd. (MCFL) in Karnataka and Jhunjunu Power Project in Rajasthan.

13. The Committee further enquired about the present position of Oman India Fertilisers Project. The DOF in a written note stated : —

"Subsequent to the Government approval of investment by RCF and KRIBHCO in the joint venture Oman India Fertilizer Project, these companies have subscribed a sum of one million Omani Rial (approximately Rs. 10.00 crores) to the equity of the Oman India Fertilizer Company (OMIFCO). However, efforts of the Sponsor to arrange debt of approximately US \$ 830 million for the project have not been successful so far. In view of stipulation of higher equity by Arranging Banks, Indian Sponsors requested IFFCO to consider participation in the Project. In the meanwhile, Arranging Banks and Export Credit Agency indicated requirement of Government guarantees for the project and also imposed certain stringent conditions on Sponsors. These were not found to be acceptable, and Sponsors felt that changes in project parameters are required to improve the project viability. At present sponsors are working out alternative project parameters to make the project more viable and bankable."

14. Elaborating the reasons for delay in taking off the Project, the Secretary (Fertilisers) stated during evidence : —

"Sir, Oman, has been under consideration for very long time. The point is that when the project was conceived, the international prices of urea were quite high. Therefore, the rate of return which the project assumed was different and the underlying assumptions made by the Indian sponsors were qualitatively different in nature. But when the prices started declining, the lenders started imposing a number of stringent conditions.

They said that the percentage of debt-equity which was originally 75 : 25 should be altered to 67 : 33. It means that the equity contribution of the Indian sponsors had to go up.

Secondly, they said that the debt-service reserve under which the Indian sponsors give a guarantee for providing certain amounts to facilitate that servicing was increased by another, if I am not mistaken, 30 million dollars or so.

Thirdly, they started demanding guarantees from the Government of India. One of the conditions was the Government of India guarantees the performance of the Indian sponsors in terms of the obligations under the contractual agreement. The Government of India's policy is not to give guarantees or counter guarantees of this type.

So, Sir, a meeting was held in January, 1999 and we made it clear to the lenders that the Government will not give guarantees or counter guarantees. Then they asked us to give a letter of support. The letter of support was received recently; that means a Government guarantee. We consulted our colleagues in the Finance Ministry and it has not been agreed to. In other words, the project in its present form will not stand.

As things stand the Government of India had taken a view that this is a purely commercial judgement on the part of the Indian sponsors. But after all these developments, the question whether a different view could be taken looking at the gains to the Indian economy. The cost of production there is 4100 in rupee terms per MT as against it is Rs. 8000 or so here. It is even lower than average retention price."

15. He further informed : —

"Therefore, whether the parameters of the project could be changed looking at the advantage that accrues to the economy as a whole, on a macro economic basis, that we are considering. We have the Indian sponsors who are busy talking to their counterparts with the revised parameters."

16. When asked about the very viability of the project the Secretary (Fertilisers) clarified : —

"The underline assumption of the projects have changed and changed drastically. In the normal circumstances, implementation would have been taken by now because the lenders also changed their terms and conditions. The Indian sponsors had to reconsider the matter."

17. At this stage the Committee wanted to know the views of Indian sponsors viz. RCF and KRIBHCO over the future of the project, the Secretary

(Fertilisers) clarified . —

"RCF passed a resolution that as we have to respond to the terms and conditions of the lenders by a stipulated date, RCF felt that under the revised terms and conditions that the lenders are insisting, they will not be in a position to participate. KRIBHCO also said the same thing in a different language."

18. About views of KRIBHCO, he further stated : —

"Though KRIBHCO have said that it is commercially inexpedient, they have all the time said that it may be of advantage to the national economy as a whole and so, the Government may consider it from the policy angle. That is the spirit of the Resolution."

19. The Committee further enquired as to how could it be beneficial when it was not commercially viable. The Secretary (Fertilisers) informed :—

"I will explain. In the Ministry of Finance, after the response of the Indian sponsors to the terms and conditions became known, the Department of Fertilisers took the initiative and said that this is where the matter rests; Purely on a macro economic consideration, this project may be worthwhile "

20. When the Committee drew the attention of the Secretary (Fertilisers) over KRIBHCO's different viewpoint tendered before the Committee (December, 98) quoting that "Market consultant has said that urea prices are depressed but still the project is viable and attractive", the Secretary (Fertilisers) clarified —

"In December, 1998, the consultants were of the view that despite these handicaps, the project is still vibrant, robust; all these adjectives were there but the Indian sponsors were to have one final round of discussions with the lenders, which took place subsequent to December, 1998 and the meeting took place on the 14th January, 1999. There I have also accompanied the Indian sponsors in order to interact with the lenders directly and in that meeting it became clear that unless the Government gives the guarantees they would not relent on their stringent terms and conditions. Even now they are saying that they are ready to discuss."

21. He further informed : —

"At that time, they said so. I may also say that after December, 1998 the lenders ordered a fresh study of the market in February, and the February Report said that the market has become worse. That is where the whole thing has changed. RCF said that they would not be interested

as it is but, I think, they were not aware of the latest thinking within the Government. I have not been able to talk to the CMD, RCF so far. I will talk to him.

So far as the Government of India is concerned, I am quite emphatic when I say that the decision right now is to keep the project alive and discuss the revised parameters on the lines I have mentioned, in the depressed scenario with the Omani sponsors and if a mutually acceptable agreement can be hammered out, it can still become a reality."

22. The Committee also wanted to know the reasons for delay in implementation of Indo-Iran Joint Fertiliser Project. The Deptt. of Fertilisers, in a written note informed : —

"A Joint Venture Fertiliser Project is proposed to be set up in Iran with the participation of IFFCO and KRIBHCO from Indian side and Qeshm Free Area Authority (QFAA) from Iranian side in pursuance of an MOU signed in 1994. However, the progress on this project has been affected as sponsors are finding it difficult to arrange debt for the project. Accordingly sponsors decided to invite Engineering Procurement Construction (EPC) bids alongwith finances. Only one valid bid was received by due date which was extended from March, 1998 upto 30th September, 1998. As single bid was not acceptable to the Joint Management Committee, fresh bids have been invited in January, 1999 for submission by May, 1999."

22A. The Committee further pointed out that IFFCO had been in process of planning for long a fertiliser project at Nellore and the same was scheduled to be implemented in 1997-98. Asked about its non-implementation, the Secretary (Fertilisers) stated : —

"Regarding Nellore, there are two issues. One is, related to the problem of supply and demand. Whatever I said earlier would hold good in respect of Nellore also. There is another point. The supply demand gap may permit a certain number of projects only. It may not permit five, six or seven projects. Then the question of prioritization will arise. Prioritization will have to be done on the basis of relevant factors. That is where the matter ends."

23. Asked whether Nellore project was being given priority, the Secretary (Fertilizers) stated : —

The projects in the pipeline will have to be prioritized on the basis of a number of guidelines which the PIB has issued. We are in the process of prioritization in the context of Nellore."

24. The Committee also wanted to know as to why the project was not being cleared till now on the ground of prioritisation and demand-supply issue when it was planned for implementation way back in 1997-98. The Secretary (Fertilisers) clarified : —

"The question of prioritization has cropped up only in the last seven to eight months. Demand and prioritization again got linked up because the supply demand gap permits a certain number of projects as per the order of priority. We are in that process and recently I got in touch with the Government of Andhra Pradesh. I wanted some information from them because I have to ensure that all the cases are properly represented when we prioritize. The information that I asked for has been received very recently "

25. The Committee further enquired about time by which the process of prioritization would be completed. The Secretary (Fertilisers) stated : —

"I think we should be in a position to do that within about two months or so."

26. The Committee further wanted to know the reasons for dropping of Acquisition of Mangalore Chemicals and Fertilisers Ltd. project by KRIBHCO, the Secretary (Fertilisers) stated : —

"Let me put it correctly about MCF. The terms and conditions which KRIBHCO had desired were not agreed to by the Government of Karnataka. These included, *inter-alia*, waiver of sales tax, turnover tax, etc. and BIFR with whom the case of this plant is pending directed that the contribution should be only by way of equity and not in the manner of preference shares as envisaged by KRIBHCO. So, the project could not get through."

27. During the course of examination, the Committee wanted to know the actual expenditure incurred in the project out of a Plan outlay of Rs. 50 crores. The DoF in a written note stated : —

"As against an estimated expenditure of Rs. 50 crore for the Mangalore Chemicals and Fertilisers Project, Rs. 7 lakh was spent on the Mangalore Chemicals and Fertilisers project during 1997-98."

28. However, DOF separately has informed the Committee that expenditure on the project was Rs. 38.8 lakh.

29. Economic Planning is a very vital factor in country's total development and project planning is a strategic component of economic planning. It has to be more scientific and realistic so that the very objective of Planning is achieved. The Committee regret to note that due to casual

approach of various agencies of the Govt., the simple issue of difference in perception of demand/supply of fertiliser in the country has not been sorted out. The Working Group on fertilisers for the IX Plan had submitted its projection for the demand for fertiliser way back in August, 1996. These demand estimates were subject of discussion among the various deptts. and despite several meetings, Departments have not been able to resolve the issue although two years of the plan period are over. Due to this reason various projects in fertilisers sector could not be initiated which resulted in not only in the cost escalation of projects but also defeated the very purpose of planning. The Committee were informed that there has been a shortfall in expenditure of over Rs. 400 crores during the first year of 1997-98 from approved outlay of Rs. 1728 crores. The Committee note that for the reasons of non-performance, the outlay for the second year i.e. for 1998-99 was revised drastically from Rs. 2249 crores to Rs. 989 crores, totalling shortfall of over Rs. 1660 crores in two years. The Committee tend to appreciate Govt.'s difficulties in finalising the Indo-Oman/Indo-Iran projects but do not find any justification for prolonging the decision on projects like Nellore, Hazira Ammonia-Urea Expansion Project and KRIBHCO's Gorakhpur project. The only reason advanced is difference of perception in demand and supply. The Committee do not agree with this reasoning and take a serious view of the lackadaisical approach adopted by DOF and other concerned agencies. The Committee recommend that the Cabinet Secretary should appoint a High Powered Authority to evaluate the performance of officials involved in deciding the issue of Demand and Supply. In Committee's view, this is not an issue which warrant a period of two years to conclude a decision. The purpose of suggesting the constitution of independent authority is to measure the performance of officials involved in the present hold up and also to adopt corrective measures for future planning activities. The Committee also hope that present difference in perception of demand and supply are resolved within the next three months and expansion projects held up are cleared immediately thereafter.

(Recommendation. No. 1)

30. The Committee regret to note that in regard to setting up of Oman India Fertiliser Project-there has been considerable delay. The Committee have now been informed that negotiations for finalisation of the project are at critical juncture. The Committee were apprised that Banks and Export Credit Agency indicated requirement of Government guarantees for the projects and also imposed certain stringent conditions on Sponsors. These were not found to be acceptable, and sponsors felt that changes in project parameters are required to improve the project viability. At present sponsors

are working out alternative project parameters to make the project more viable and bankable. The Committee hope that Govt. will take judicious and transparent decision keeping the national interest in mind expeditiously.

(Recommendation Sl. No. 2)

31. The Committee find that apart from Oman joint venture project, the planning process of Iran Joint Venture (in which IFFCO and KRIBHCO will be partners from Indian side) has also been very tardy. Even though MOU between two sides was signed way back in 1994, it is not yet certain as to when the actual project will take off. The Committee have now been informed that like Oman project, this project is also facing difficulty in arranging finance. Due to single bid received for Engineering Procurement Construction (EPC), fresh bids have been invited in January, 1999 for submission by May, 1999. The Committee desire that evaluation of these bids should be transparent and judiciously done leaving no room for representations and counter representations as in the case of Oman Project. They also hope that the project will be taken up for implementation in a time bound manner.

(Recommendation Sl. No. 3)

32. Nellore Fertiliser Project, has also not been cleared due to unresolved issue of demand-supply estimates by the end of Ninth Plan (1997-2002). During the course of evidence the Secretary (Fertilisers) informed that after the issue is resolved the prioritisation of fertiliser projects' pending for approval would be taken up. According to the Ministry the whole process is likely to take two months time. The Committee hope that as assured the project will be prioritised for investment decision at the earliest.

(Recommendation Sl. No. 4)

33. It also transpired during the course of examination that acquisition of Mangalore Chemicals & Fertilisers Ltd. (MCFL) has been dropped since Govt. of Karnataka did not agree to terms and conditions of KRIBHCO for the waiver of sales tax, turnover tax etc. The project was conceived in July, 1996 and dropped in May, 1998 and during this period, the Committee were informed that Rs. 7 lakh had been spent on this exercise. However, the Ministry in reply to a question relating to examination of KRIBHCO has stated that a sum of Rs. 38.8 lakh has been spent on this project as a whole. The Committee view this expenditure as infructuous. The Committee strongly desire the judicious use of Public money and Ministry should issue strict guidelines accordingly for compliance.

(Recommendation Sl. No. 5)

34. The Committee feel that information system in KRIBHCO lacks accuracy. Apart from the financial inaccuracy pointed out in preceeding paragraph in another case, an incorrect information was furnished to Lok Sabha. It related to unstarred Question no. 3971 dated 14th July, 1998 regarding Tours of KRIBHCO officials. Its reply was subsequently corrected by the Minister of State for Chemicals and Fertilisers on 16th March, 1999. This mistake came to the notice of KRIBHCO only when this Standing Committee sought certain information on the subject. It does not reflect well on the working of the organization like KRIBHCO. The Committee desire that DOF should look into the matter and suggest corrective measures to make information system accurate.

(Recommendation Sl. No. 6)

C. Analysis of Demands for Grants of DoF for 1998-2000

35. Detailed Demands for Grants of the Deptt. of Fertilisers (Demand No. 6) laid on the Table of Lok Sabha on 16th March, 1999 make provision of Rs. 9221.17 crores. The item-wise details are given in Appendix I. The main items are as under : —

	(Rs. in crores)
(i) Subsidy on indigenous fertilisers	8000.00
(ii) Subsidy on imported fertilisers	750.00
(iii) Funds for HFC	191.25
(iv) Funds for FCI	202.75
(Head-wise Demands are dealt with in subsequent paragraphs.)	

Major Head 2852

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

36. Fertilisers subsidy both for indigenous and imported nitrogenous (Urea) fertilisers is provided in Demands for Grants of Deptt. of Fertilisers. For decontrolled Phosphate (P) and Potash (K) fertilisers special (ad hoc) concessions are separately provided in Demands for Grants of the Ministry of Agriculture & Cooperation). The following table shows the fertiliser subsidy provided during 1997-98, 1998-99 and 1999-2000 under the Demands of DoF :—

(Rs. in crores)							
Year	N	P*	SSP*	Total	Payment under Freight Subsidy	Others	Total
1	2	3	4	5	6	7	8
1997-98 (Actuals)	5840	71.51	2.03	5913.54	668.04	18.42	6600
1998-99 (B. E.)	5424	0.12	0.01	5424	516	59.00	6000
1998-99 (Rev.)	6600	44.96	0.01	6653	535	171.40	7360
1999-2000 (B. E.)	7082	2.00	0.02	7084	810	105.00	8000

*These are for the period prior to August, 1992. Thereafter subsidy is provided by Ministry of Agriculture on these fertilisers.

37 During the course of examination the Committee pointed out that even though the Government has increased farmgate price of urea from Rs. 3660 per tonne to Rs. 4000 per tonne, as against the estimated subsidy of Rs. 6000 crores for the year 1998-99, a budget provision of Rs. 8000 crores has been made for the current year viz. 1999-2000.

38 Asked about the reasons for higher allocation of subsidy inspite of increase in fertiliser prices, the DOF in a written note informed : —

"As regards the year 1998-99 the budget estimate for subsidy on indigenous fertilisers was Rs. 6,000 crore. The budgeted estimate assumed enhancement of sale price of urea by Rs. 1000 per tonne, which did not materialise. Therefore, revised estimates raised the provision to Rs. 7360 crore. As the increase of sale price of urea by Rs. 340 per tonne was effected towards the end of the current year (29th January, 1999), it did not have any significant impact on the budget provision. The saving on account of the increase in urea price would be about Rs. 700 crore in full year. The provision in the revised estimate is not adequate to clear pending claims of about Rs. 1000 crore, which will have to be carried over to next year and hence the large provision of Rs. 8,000 crore during 1999-2000."

38A. The Committee note that Government has increased the price of Urea per tonne from Rs. 3,660 to Rs. 4,000 w.e.f. 29th January, 1999.

The Committee feel that this price hike is unwarranted and against the interest of farming community. Hence, it should be withdrawn henceforth.

(Recommendation Sl. No. 7)

39. Another factor which has considerable bearing on subsidy bill has been gold plating of capacities by fertiliser units. In this context the Committee wanted to know whether Government has made any enquiry to ascertain the component of manipulative capacity utilisation indulged by Fertilising units to garner benefits of this scheme. The DOF in a written note stated : —

"The matter relating to some of the urea manufacturing units reporting very high level of capacity utilisation has been engaging the attention of the Government. An internal Committee of FICC, the High Powered Fertiliser Pricing Review Committee (HPC) as well as the Technical Committee appointed by the Government have looked into the possible understatement of capacities by some of the urea manufacturing units. The Technical Committee under the Chairmanship of former Adviser for the Department had examined the installed capacity of seven gas-based urea manufacturing units and had recommended the reassessed capacity of these units under : —

Fertiliser Units	Licenced Capacity		Recommended Capacity	
	Ammonia TPD	Urea TPD	Ammonia TPD	Urea TPD
CFCL, Gadepan	1350	2200	1500	2586
OCFL, Shahjahanpur	1350	2200	1500	2586
NFL, Vijaipur - I	1350	2200	1500	2586
IGFCCL, Jagdishpur	1350	2200	1500	2586
IFFCO, Aonla - I	1350	2200	1500	2586
TCL, Babrala	1350	2200	1500	2586
NFCL, Kakinanda	900	1500	1050	1810

Dialogue on the issue relating to understatement of capacities by the urea manufacturing units took place with the industry. The Fertilisers Association of India (FAI), the apex body representing the industry has referred to various under recoveries suffered by units as a result of which

the units with high level of capacity utilisation are barely able to earn 12% post tax return on networth, assured under the Retention Price Scheme (RPS). At the assured level of production of 80-90%, these units according to FAI, would not have earned the assured 12% post tax return on net worth."

40. During the course of evidence, the Committee pointed out that this issue of claiming of high subsidy was also dealt with by the Standing Committee while examining the last year's Demand for Grants. Asked about the views of Govt. on this issue, the Secretary (Fertilisers) informed : —

"There are number of issues with regard to gold plating. In fact, there is no doubt that in the case of some units, the nameplate capacity is one and what we see in day-to-day operations is something else. We looked into the whole thing and we came to the conclusion that the capacity of the units should be re-assessed. Reassessment would imply revision of retention price, change in subsidy. We also realise that there are a number of units, apart from the new units which have come up, and some of the old units are also having high capacity utilisation. For that, the problem should be studied in greater depth."

41. The Committee also wanted to know how the Government propose to solve this long pending issue. The DOF in a written note stated : —

"The matter relating to complaints of under statement of capacities by the urea manufacturing units and the concern expressed by the Industry about the various under recoveries being suffered by the Industry was considered by the FICC at its meetings held on 4.1.99, 21.1.99 and 8.3.99. It was felt that since the Technical Committee had studied only the selected gas-based Plants, it would be appropriate to consider all ammonia/urea plants irrespective of feedstock which had high capacity utilisation. Accordingly, an Expert Group is being constituted to carry out reassessment of capacity of all urea manufacturing units reporting high capacity utilisation. The Expert Group during its deliberations will give an opportunity to the urea manufacturing units to present their individual cases. The Expert Group is required to submit its report within three months."

42. In this connection during the course of evidence Secretary (Fertilisers) also stated : —

"I want to call the meeting of the FICC again. In the last two meetings, this has been discussed. This issue, Sir, is connected to (a) with reassessment of capacity and (b) the modified retention pricing scheme. The

high-powered committee headed by Shri Hanumantha Rao recommended feedstock-wise uniform prices for a group of units. We feel that even within the group based on feedstocks, there are so many differences. So, we are considering an alternative called the modified retention pricing scheme. The modified retention pricing scheme can be based either with reference to the existing capacities or with reference to the reassessed capacity etc. may take a long time. We may think of imposing a cap which would take care of the excess capacity problem of some of the units which we have referred to in our reply."

42A. The Secretary (Fertilisers) further informed : —

"We had a detailed dialogue with the industry on this issue. What they say is that we had guaranteed them a post-tax return of 12 per cent on net worth. It is a guarantee which the Government had given when they came out for production. They say that they would prove that they are not getting the 12 per cent post-tax return on net worth. They say that because of the delay in escalation claims the costs go up but they are recognised after two-three years. Then they say that certain facts are not recognised like sales tax, purchase tax, and turn over tax. Thirdly, there are delays in payments."

43. The Committee also wanted to know whether Government was contemplating to initiate criminal proceedings against all fertiliser units which have claimed higher amount of subsidy by way of manipulating name-plate capacities. The Secretary (Fertilisers) stated :—

"The designers of a plant always have some cushion to ensure that the plant that is erected ultimately fulfils the parameters for performance guarantees. We tried, therefore, to get hold of that document also. We are told that this is a matter which is confidential between the designer and the client. We were denied access to this document."

In a response to a query as to why the document should be treated as a confidential one, Secretary (Fertilisers) stated : —

"We would get this point examined from the legal angle. If it is a charge, we can consider that."

44. The Committee further enquired whether excess amount of subsidy already claimed would be recovered from those fertiliser units with retrospective effects, the Secretary (Fertilisers) stated : —

"We will have to obtain specific orders of the Government."

45. The Committee also desired detailed information on the Company wise installed capacity, assessed production for retention price and actual

production during 1997-98 together with the payment of subsidy on indigenous fertilisers, during the last 3 years. The Ministry, later, submitted the information in a written note (enclosed as an Appendix-II and III).

46. The Committee find that as against the budget estimates of Rs. 6000 crores for payment under Retention Price Scheme and freight subsidy for 1998-99 a sum of Rs. 8000 crores has been proposed for 1999-2000. The Committee also find that budget estimates of Rs. 6000 crores have been revised to Rs. 7360 crores during 1998-99. The Committee have been informed that this quantum enhancement of Rs. 1360 crores was necessitated due to withdrawal of hike in price of Urea by Rs. 1000 per tonne. The Deptt. of Fertilisers has informed that Government has increased farmgate price of Urea from Rs. 3660 to Rs. 4000 per tonne effecting an increase of Rs. 340 per tonne *w.e.f.* 29th January, 1999. Elaborating the reasons for a provision of Rs. 8000 crores for 1999-2000, the DOF has informed that since the present hike in prices of Urea will only get Rs. 700 crore in full year as the price were effective only from January, 1999 a provision of Rs. 1000 crores for payment of pending claims was to be made in next year's budget. The Committee hope that the budget provision of Rs. 8000 crores for 1999-2000 would be enough for the full year. The Committee, however, would like the Govt. to ensure that this huge amount is utilised in a manner where the full benefits of the Govt. Scheme reach the farming community of the country.

(Recommendation Sl. No. 8)

47. The Committee regret to note that inspite of their earlier recommendations on the menace of manipulation of capacities and undue benefits taken by some of the fertiliser units, Govt. have not concretised any final decision/action in the matter. The Committee were informed that the Fertiliser Association of India (FAI), the apex body representing the industry has referred to various under recoveries suffered by their units as a result of which the units with high level of capacity utilisation are barely able to earn 12% post tax return on net worth assured under the Retention Price Scheme. Further, the industry has a feeling that certain other factors such as delay in recognition of escalation claims, sales tax, purchase tax and turnover affect the assured return adversely. At the assessed level of production of 80% to 90%, these units, according to FAI, would not have earned the assured 12% post tax return on net worth. The Committee were also informed that a Technical Committee appointed by the Govt. have looked into the possible under statement of capacities by some of the urea manufacturing units. Since the Technical Committee had studied only the selected gas-based plants, Govt. thought it appropriate to consider

the factual position of all ammonia/urea plants irrespective of feedstock which had high capacity utilisation. Accordingly, Govt. is constituting another Expert Group to carry out reassessment of capacity of all urea manufacturing units reporting high capacity utilisation. The Expert group is required to submit its report within three months.

48. The Committee feel that issue of post tax return on net worth assured under the Retention Price Scheme (RPS) is an independent one and should not be allowed to be linked with the main issue. In the opinion of the Committee, the Govt. is at liberty to revise post tax return as per their wisdom. The Committee would await a categorical reply from the Govt. that manipulation of capacity utilisation is an offence and has to be treated as an offence without any scope for compromise or negotiation. The Committee caution the Govt. that in the name of new pricing policy, irregularities committed should not be regularised. The Committee would like an assurance from the Govt. that excess amount paid so far, which reportedly runs into crores of rupees would be recovered from the concerned fertiliser units.

(Recommendation Sl. No. 9)

49. As an interim measure, the Committee agree with the proposal of the Govt. to impose a cap on production above a certain cut-off point. Secondly the Govt. should examine from legal point of view the practice of manipulation as a Criminal offence punishable under the process of law.

(Recommendation Sl. No. 10)

Major Head 2852

(ii) Subsidy on imported Fertilisers

50. The following table shows the amount earmarked for subsidy for import of fertilisers (urea) and recoveries made on this account for the year 1997-98, 1998-99 and proposed for 1999-2000 : —

Year	Amount for Import	Recoveries	Net Subsidy on imported Fertilisers (Rs. in cr.)	Import of Urea (in lakh tonnes)
1997-98 (Actuals)	1658	936	722	13.62
1998-99 (B. E.)	1740	757	983	5.65 (Est.)
1998-99 (R. E.)	512	274	238	-
1999-2000 (B. E.)	1370	620	750	-

51. During the course of examination the Committee wanted to know the quantum of urea imported during 1998-99 and to be imported 1999-2000. The DOF in a written note informed : —

"During 1998-99, 5.56 lakh metric tonnes of urea have been imported up to February '99. No further imports are likely till end of March '99. The estimates for 1999-2000 would depend upon a variety of factors like trend of indigenous production, consumption of fertilisers in the country, behaviour of prices in the international market, global demand and supply position etc."

52. The Committee also wanted to know the reasons for low import of 5.56 lakh tonnes in 1997-98 as compared to 31.8 lakh tonnes in 1996-97. The Secretary (Fertilisers) informed during evidence : —

"In the current financial year the imports of urea have been very low; hardly five lakh tonnes, or 5.56 lakh tonnes, because lot of incremental capacity kept up on stream in 1997-98. That is why the quantum of imports has been drastically reduced."

53. In reply to a question as to what would be the impact of imports of fertiliser on sick fertiliser units, the Secretary (Fertilisers) stated : —

"Coming to the question raised about the imports and their impact on the public sector units that are going sick, the Government will have to take a well-considered decision on it. They have to keep in view the competent and deficit units. I think that there is a conscious view about the tariff duration level will also have to be taken so that a large chunk of the industry does not become non-viable. That is a matter on which further study would have to be made."

54. During the course of examination the Committee further pointed out that as per study by Planning Commission, the fertiliser consumption in the country is expected to be 45.48 million tonnes by the year 2011-12 i.e., about 3 times more than the present requirement. The present growth rate is 5.9% in nitrogenous fertiliser and 1.7% in phosphate. With this growth rate, requirements for the next decade cannot be met. On being asked whether Government have drawn any plan to increase indigenous production uniformly over the next 10 years so as to reduce dependence on import to minimum, the DOF in a written note informed : —

"Government has drawn plan for indigenous production for the 9th Plan (1997-2001). As per the projections in the Working Group Report, demand-supply gap in the terminal year is given below : —

Year	In lakh tonnes					
	Nitrogen			Phosphate		
	Demand	Production	Gap	Demand	Production	Gap
2000-02	134.00	140.27	-6.27	46.70	33.33	13.37

2. Government of India's policy objective in the fertiliser sector, as reflected in the various five year plans has been the achievement of maximum degree of self-sufficiency in nitrogen production, based on utilization of our own feedstock, leaving only marginal quantities to be met through imports. The role of imports in the overall supply planning was essentially "residual" to provide a reasonable cushion against fluctuations in the demand on the one hand, and to take advantage of the global demand-supply situation for sourcing material at competitive prices, depending on the trends in the availability and prices.
3. As regards phosphate, the domestic raw material constraints do not permit near total self-sufficiency in production. Recognising this, the Govt. has adopted a deliberate policy mix involving domestic production based essentially on imported rock phosphate and sulphur as well as imported intermediates, i.e. ammonia and phosphoric acid and import of DAP as the third option.
4. There are no known commercially exploitable reserves of potash in the country and perforce, the entire requirement is met through imports.
5. A long-term plan and strategy for a longer time frame can be drawn after problems relating to feedstock are sorted out and policy issues get crystalised"

55. The Committee also wanted to know whether the Government was thinking to enhance the capacity of the existing fertiliser units in order to match the demand of fertilisers instead of setting up new plants. The Secretary (Fertilisers) clarified : —

"Sir, while imports are cheaper as of now, but you cannot assume this to be so for ever. There have been periods in which the price of imported urea was considerably higher as compared to the domestic price. So, that is one risk. Secondly, in a large country like india, we must be quite realistic and take into account problems of logistics. Even if fertilisers may arrive at the ports, there may be difficulty in reaching them to the right spot at the right time. Thirdly, the angle of foreign exchange premium cannot be overlooked. If we import fertilisers, we have to part with our foreign exchange, whereas if we produce within the country, we do not have to shed foreign exchange. So, even when we talk of self-sufficiency in fertilisers, this specific proposal, we, at the official level, would li-

to pose before the Government that while imports are welcome to some extent, a certain percentage of the total consumption in the country can be decided that ought to be produced within the country. It could be a matter of value judgement. It could be 80% or 85% or whatever the Government decides."

56. The Committee find that for the year 1999-2000, a provision of Rs. 750 crores has been made for subsidy on imported urea. The Committee feel that Govt. should give top priority to increasing indigenous production irrespective of the fact whether the international prices of urea are cheaper than domestic prices. The international prices cannot remain stable for all times and the country cannot rely upon the assured availability of fertiliser abroad at critical times. The Committee appreciate the view of the Govt. that import of fertiliser is avoidable drain on foreign exchange besides causing logistics problems. The Committee hope that with the likely clearance of pending projects, indigenous production will increase and dependence on import will be reduced to minimum.

(Recommendation (Sl. No. 11)

57. The Committee find that there is a wide gap between the projected demand and supply in fertiliser sector over the next 10-12 years. According to a note prepared by the Planning Commission, the chemical fertiliser consumption requirement will be 45.48 million tonnes in 2011—12 as against the present availability of about 21 million tonnes. The Committee desire that a working group should go into this matter and suggest measures to increase indigenous production uniformly with a policy objective that dependence on import of urea is bare minimum.

(Recommendation (Sl. No. 12)

Major Head 4855/6855

(iii) Investment and Loans to PSUs

58. As against the investment of Rs. 46.75 crores in 1998-99 the proposed investment amount for various PSUs under DOF is Rs. 52.00 crores for the current year viz. 1999-2000. The major beneficiaries will be HFC Rs. 42 crores and FCI and PPL Rs. 5.00 crores each.

Apart from investments, the Government has been providing plan and non-plan loans to PSUs under its administrative control like HFC, MFL, FACT etc. Quantum of such loans has been as under : —

(Rs. in crores)

Year	Plan	Non-plan	Total
1997-98 (Actuals)	105.88	406.49	512.37
1998-99 (B. E.)	127.87	400.00	527.87
1998-99) (RE)	134.13	400.00	534.13
1999-2000 (BE)	107.50	300.00	407.50

PSU-wise proposed allocation for the current year is as under : —

(Rs. in crores)

PSU	Investment	Plan Loan	Non-Plan Loan	Total
FCI	5.00	5.00	192.75	202.75
HFC	42.00	42.00	107.25	191.25
PDIL	-	-	-	-
PPCL	-	0.50	-	0.50
PPL	5.00	5.00	-	10.00
MFL	-	20.00	-	20.00
FACT	-	35	-	35.00

59. FCI and HFC were declared sick units in 1992, and referred to BIFR. Although a period of seven years has passed, the Government has yet to finalise the revival plans of these units. Parliamentary Department relating Standing Committee Systems (DRSCs) came into being in 1993 and since then the Committee have been emphasising the need for early finalisation of revival packages of Hindustan Fertiliser Corporation Ltd. (HFC) and Fertilisers Corporation of India (FCI) in as many as Nine Reports presented to Parliament during 10th, 11th and 12th Lok Sabha.

60. During the course of examination the Committee were informed that in pursuance of Committee's recommendations revival package for Namrup units of HFC was being implemented and arrangement for various inputs and term loans from financial institutions were being tied up. About remaining units

of HFC/FCI the DOF has stated that proposals are being reviewed from the angle of unit-wise viability and the possibility of tying up of funding arrangements. A plan budgetary support of Rs. 70 crores had been provided in 1998-99 for timely implementing the scheme. In this connection the Committee wanted to know whether there is ambiguity in Govt.'s approach towards finalising the issue of rehabilitation/revival of sick fertiliser units, DOF in a written note informed : —

"The delay is on account of the shortage of funds in relation to the magnitude of their requirement and the techno-economic viability of their requirement and the techno-economic viability of the units especially on account of the feedstock and technology related issues which acted as serious constraints in the decision making process."

61. Based on the Committee's recommendations made earlier a rehabilitation programme for Namrup units of HFC was approved and for this a plan allocation of Rs. 70 crores was provided during 1998-99. In this connection during the course of evidence the Committee wanted to know the progress of implementation of revival plan. The Secretary (Fertilisers) informed:—

"During the current financial year, Rs. 70 crore were allotted. Thereafter, we have taken steps towards the implementation. I will spell them out. The question arose as to whether we should invite competitive bids or whether we should entrust the execution of the work on a single point responsibility basis. FEDO was to carry out the health study of the plant because Namrup plant was lying closed for a long time. Nobody will come forward without studying the health. But, then it was also realised that whosoever is entrusted with the work, will also be asked to give performance guarantees. He will also say that before I take up the work, I will carry out the health study of the plant. If we had invited competitive bids, each bidder would be taking his own time for studying the health of the plant. That is why, looking at the time factor, it was decided by the Board that PDIL should be given the job—it is a public sector undertaking on a lumpsum turnkey basis."

62. The Committee wanted to know the actual amount spent so far on Namrup revival, the Secretary Fertilisers stated:—

"During the current financial year, we expect Rs. 30 crore to be spent. We have allowed Rs. 84 crore for next year."

63. On being enquired further from CMD HFC in this regard, the Committee were informed:—

"We have already spent Rs. 15 crore. We are going to spend another Rs. 15 crore by March this year. A sum of Rs. 70 crore was allocated to

us. Had we not delayed for a month earlier, we would have spent the whole amount."

63A. When asked about the use of balance amount of Rs. 40 crores. The Secretary (Fertilisers) informed that this was diverted to MFL.

64. Regarding other sick units of HFC and FCI, the Secretary informed:—

"If you are referring to sick units, the hon. Members have pointed out that long time has taken place. Here I can say that one reason is the funds constraint which has definitely come in the way. Second is the technology related problems, and third is the feestock related problems. About the technology related problems, the Government of India made emphasis on indeginisation of manufacturing process, production of machines, equipments and probably, at this point of time, we feel that the pace was probably faster than necessary. In that process, mistakes were committed, and despite modifications in the machines and equipments made by the vendors, they could not perform upto expectations, and in many cases, the performance guarantees could not be given. This problem continues even now with the aging of funds which becomes worse."

65. At this the Committee further pointed out that unless the Govt. takes a decision to revive the sick units, there will be no revival and in the process there will be more losses, the Secretary (Fertilisers) clarified:—

"The decision has been taken in respect of Haldia and the decision is to hive it off. The decision has been taken in respect of Gorakhpur project and the decision is to hive it off. The decision has been taken in respect of Namrup, and the decision is to revive it. So, we cannot say that no decisions have been taken."

66. Regarding any decision about Talcher units of FCI Secretary, (Fertilisers) informed:—

"The matter was placed before the Government. These are the decision which we have been able to obtain from the Government. In the case of rest of the units, the decisions were deferred. We are going to approach the Government again for their decision in respect of remaining units."

67. The Committee also enquired whether Govt. wanted to finally revive or close the sick units of HFC/FCI. The Secretary, Fertilisers informed:—

"It is impossible for me to say which unit will close and which will continue. It is for the Government at the highest level to decide. But in response to your query on West Bengal State, let me clarify that

we have received some proposals for West Bengal. We have very recently held a meeting with the Chief Secretary, Government of West Bengal. We are awaiting some proposals from it about Durgapur, Haldia and others."

68. The Committee also enquired whether DOF would approach the Cabinet or PMO regarding early revival of sick units of HFC/FCI, the Secretary, (Fertilisers) clarified:—

"Yes. Both with regard to HFC and FCI, we are going to approach the Government with our final proposals. It has taken a long time. Inter-ministerial consultations have to take place. They are more or less complete. Time is now ripe. I do not think after five or six months, I will give the same reply."

69. In this regard Secretary, (Fertilisers) also added : —

"I cannot say how long the Government will take. It is beyond my control. But so far as the Department of Fertilisers is concerned, I think, in about two and a half months to three months we will be able to place it before the higher authorities."

70. Replying to another related Question on the indepth review of PSUs under the control of DOF, the Deptt. stated in a written note :

"The Deptt. of Fertilisers (DOF) regularly monitors performance of PSUs/Cooperative Societies through periodical reports... The variance, if any is analysed and the concerned PSU/cooperative advised to take corrective action."

"...It may be noted that the rating of the MOU signing companies viz., NFL, RCF, FACT, PPCL and PPL has been found satisfactory. The Cooperative societies, namely IFFCO & KRIBHCO have also done well. Unfortunately, the sick units have an inherent problem due to technology and feed-stock related constraints... "

71. The Committee wanted to know whether Govt. would like to waive Govt. loans or interest thereon to enable certain units to become economically viable, the Deptt. in a note submitted:—

"The Department of Fertilisers examines proposals for waiving of Government loans and interest thereon of fertiliser PSUs on a case to case basis as a part of capital restructuring for improving their financial viability..."

72. Later Secretary, (Fertilisers) reiterated this position when he deposed before the Committee.

73. For the current year's allocations of Rs. 458.75 crores for PSUs Rs. 159.50 crores and Rs. 300.00 crores have been proposed for Plan and Non-Plan respectively. The following table shows staggering losses suffered by HFC/FCI after these were declared sick and referred to BIFR in August, 1992 :—

Losses suffered

(Rs. in crores)		
Year	FCI	HFC
1992-93	226	349
1993-94	268	366
1994-95	378	395
1995-96	471	474
1996-97	538	532
1997-98	724	647
1998-99	837	725
	3442	3488

74. The Committee pointed out that there were staggering losses of Rs. 3442 crores for FCI and Rs. 3488 crores for HFC since these were declared sick by BIFR in 1992 and the total losses of Rs. 6930 crores were much more than the required funds (Rs. 3500 crores) for revival of these PSUs.

75. On being suggested that these huge losses could have been avoided had HFC/FCI been revived well in time, the DOF in a written note informed :—

"If it is assumed that HFC/FCI had been revived well in time the quantum of losses may have been reduced. However, this would not necessarily have been the least cost option for the Government in view of heavy investments required for their revival and also the comparative sustained operational efficiency *vis-a-vis* new units."

76. The Committee note with dismay that Govt. has almost decided to hive-off Haldia and Gorakhpur projects but the final decision to close them or not is to be taken at the highest level. The Committee have been recommending since 1993 that sick units of HFC & FCI in fertiliser sector be revived at the earliest but regrettably the Govt. have not come out with any positive and workable proposal. Although during this period, these

companies have incurred huge losses to the tune of Rs. 6930 crores, the Govt. have been citing paucity of funds as one of the reason for non-revival of the sick units. The Committee view this approach as lack of will. If these units have become sick, the fault is not of these units alone but the Administrative Ministry also has failed to monitor their performance well in time and take corrective action. The DOF has itself admitted that the sick units have an inherent problem due to technology and feed stock related constraints. Surely, the Government cannot abdicate its responsibility and should have tackled both these issues. It is, therefore, for the Govt. to resolve these issues now and make the units functional.

(Recommendation Sl. No. 13)

77. The Committee would like to emphasise once again the importance of Public Sector in the national economy and especially of the fertiliser industry which cannot be left to the whims of Private Sector or remain dependent on foreign markets. HFC/FCI units were referred to BIFR in 1992 with the hope that shortcomings would be identified and remedial measures initiated to revive them.

(Recommendation Sl. No. 14)

78. The Committee appreciate the announcement of special economic packages in steel or heavy Engineering Industry where financing institutions like IDBI will give financial assistance to sick units but urge the Govt. to extend the same treatment to fertiliser sector also. The Committee hope that Govt. will respond to the strong feelings of the Committee. In this regard, the Committee took note of the package for Bengal announced by the Union Information & Broadcasting Minister in Calcutta in the 2nd week of February, 1999 which included the revival of HFC under BIFR. The Committee desire that DOF should approach the PMO and other concerned agencies for obtaining special revival package.

(Recommendation Sl. No. 15)

79. The Committee regret to note that out of Rs. 70 crores made available for implementation of revival programme of HFC Namrup units during 1998-99, a meagre outlay of Rs. 15 crores has been spent and another Rs. 15 crores was likely to be spent during the last few days of the year. In this connection, the CMD, HFC also informed the Committee that had they not delayed the execution of revival package for a month, they could have utilised the full amount. The Committee are anguished over this delay which resulted in non-utilisation of Rs. 40 crores for a fertiliser unit in North East which badly needs special attention. The Committee once again recommend that Govt. should ensure timely implementation

of the revival programme so that the Namrup unit starts production as per schedule *i.e.*, by May, 2002.

(Recommendation Sl. No. 16)

80. It transpired during evidence of the representatives of DOF that HFC's unspent amount of Rs. 40 crores was diverted to another fertiliser company *viz.*, Madras Fertilisers Ltd. The Committee have time and again emphasised that this should be done in case of IFFCO and KRIBHCO which have surplus funds and can be of much help of sick units of FCI and HFC. The Committee would await Govt.'s specific decision in this regard.

(Recommendation Sl. No. 17)

81. The Committee have been informed that DOF regularly monitors performance of PSUs/ Cooperatives through periodical reports. The Committee urge that the Deptt. should initiate a system through which all PSUs/ Co-operatives are updated with the technological advancement made in fertiliser industry so that they do not suffer for want of latest technical know-how. This may go a long way in ensuring health of the plants.

(Recommendation Sl. No. 18)

82. The Committee are satisfied that Govt. take sympathetic view in waiving of Government loans and interest thereon for fertilisers PSUs. The Committee recommend that such of the PSUs as are economically viable but are unable to find resources for the replacement of machinery to reduce sulphur content in fertiliser production in compliance with Supreme Court order or/and are incurring heavy expenditure on interests may be given sympathetic treatment in waiving-off their loans/interests.

(Recommendation Sl. No. 19)

IV Import of Liquefied Natural Gas (LNG) for manufacture of Urea

83. Govt. of India's Policy objective in the fertiliser sector, as reflected in various Five Years Plans has been the achievement of maximum degree of self-sufficiency in production of nitrogenous fertiliser products. It is a critical component of the strategy for self-sufficiency in foodgrains to feed a rapidly growing population.

Natural Gas is the preferred feed stock for the production of Urea. The fertiliser sector has, in varying degrees been experiencing constraints in the availability of feedstock and fuel which come in the way of realising its full production potential. LNG is considered to be the ideal energy source for meeting India's present and future energy needs. To develop a long term perspective for the fertiliser sector, Department of Fertilisers had constituted a Core Group

to examine the possibility of import of LNG primarily for consortium of fertiliser producers along with other interested economic operators and for complementary sectors such as power, domestic fuel etc. The Core Group submitted its Report to the Government on 22nd March, 1999.

84. The Core Group has recommended an integrated chain consisting of liquification plant located overseas with storage and dedicated port facilities, cryogenic LNG tankers for transportation of LNG, receiving terminal with storage tanks and regasification facilities and a delivery system of pipelines and compressors to supply regasified LNG to fertiliser and other consumers. This approach is to ensure sharing of risks across the chain to ensure greater bankability, reduced cost and uninterrupted long-term availability of LNG.

85. The study has identified Kishorprasad near the fishing port of Dhamra on the eastern coast, north of Paradeep, in the state of Orissa as the most preferred location for the regasification terminal. Pipeline network will ensure delivery of gas to the various fertiliser plants and other industrial/domestic users. A terminal in the Eastern region would have several strategic advantages such as an independent gas network in the East, industrial development with possibilities of setting up new fertiliser plants in the fertiliser deficient eastern region, the supply of town gas to the thickly populated nearby cities and the linking of future supply of gas from Bangladesh/Myanmar.

86. The implementation of the project is proposed in two phases with the capacity in each phase being 3.5 million tpa. This would help in reducing initial cost, reduce risk and generate internal accruals for the second phase. The total cost of the project is estimated at Rs. 21832 crores with phase I and phase II costs being Rs. 13846 and Rs. 7986 crores, respectively.

87. The overall project schedule for both the phases is estimated at seven and a half years, including pre-project activities. Assuming a zero date of 1st May, 2000 after completion of pre-project activities, LNG production from the 1st phase will commence by 1st November, 2003.

88. The Core Group has identified 5 possible sources for LNG namely Qatar, Abu Dhabi, Malaysia, Indonesia and Australia. The other possible sources are Ifran and Yemen. The fixed LNG price at a discount rate of 15% for a period of 20 years works out to about US \$ 3 per million BTU. This would be lower than the price band of the historical naphtha prices.

89. The Core Group has recommended that Government of India should authorise the Group to carry out the required pre-project activities with an estimated budget of Rs. 25 crores to achieve its financial closure.

90. The Committee are glad that Department of Fertilisers has initiated a positive and progressive proposal for the import of LNG. The Committee hope that Govt. will process the recommendations of the Core Group and take concrete decision expeditiously. The Committee recommend that a task group led by the Secretary of Deptt. of Fertilisers may be constituted to process the recommendations and interact with various Ministries involved in the decision making including Planning Commission. The Committee urge the Deptt. of Fertilisers to examine and act conclusively on the recommendation of the Core Group and carry out the pre-budget activities with an estimated budget of Rs. 25 crores to achieve its financial closure. If the Govt. feel any difficulty to provide this amount during the current financial year (1999-2000), the DOF should organise and arrange this amount from internal and extra budgetary resources of organisations like IFFCO and KRIBHCO etc. The Committee would like to be apprised of the progress of the project at the regular interval of three months.

(Recommendation Sl. No. 20)

NEW-DELHI,
April 9, 1999

Chaitra 19, 1921 (Saka)

DR. BALRAM JAKHAR,
Chairman,

*Standing Committee on
Petroleum and Chemicals.*

APPENDIX-I

Item-wise details of demands of Deptt. of Fertilizers

Rs. in crores						
Major Head	S. No.	Items of Expenditure	Actuals 1997-98	BE 1998-99	RE 1998-99	BE 1999-2000
I. NON-PLAN PROVISIONS						
A. REVENUE SECTION						
3451	1	Sectt. Proper	5.23	6.06	5.21	5.30
2852	2	Office of FICC	1.20	0.95	0.93	0.83
2852	3	Subsidy on indigenous fertilizers	6600.00	6000.00	7360.00	8000.00
2401	4	Subsidy on imported fertilizers				
		Gross	1658.71	1740.00	512.75	1370.00
		Recovery	-936.74	-757.00	-274.75	-620.00
		Net	722.00	983.00	238.00	750.00
3475	5	Other Gen. Eco. Services	44.99	—	1120.60	—
2852	6	Grant to MIS Studies	0.37	0.17	0.24	0.01
2852	7	Productivity Award in the field of Fertilizer				
		Production	0.01	0.01	0.01	0.03
	8	Payment under DEB	—	1.00	0.77	—
TOTAL (REVENUE SECTION):			7373.82	6991.19	8725.76	8756.17
B. CAPITAL SECTION						
6855		Non-Plan loans to PSU's				
		HFC	143.34	143.00	143.00	107.25
		FCI	263.15	257.00	257.00	192.75
TOTAL (CAPITAL SECTION) :			406.49	400.00	400.00	300.00
TOTAL NON-PLAN :			*7735.26	7391.19	9125.76	9056.17

* Excluding Rs. 44.99 crores at Sl. No. 5 above which is for prior period adjustment.

Major Head	S. No.	Items of Expenditure	Actuals 1997-98	BE 1998-99	RE 1998-99	BE 1999-2000
	II.	PLAN PROVISIONS				
	A.	REVENUE SECTION				
2852	1.	Grant to KRIBHCO for RFP	4.65	10.08	10.08	0.01
2852	2.	Grant to PDIL for R&D	4.00	4.00	4.00	4.00
2852	3.	Other Programmes of Department	0.38	0.50	0.50	1.49
	4.	Grants under Voluntary Retirement Schemes (VRS) :				
		FCI	6.75	—	2.00	—
		HFC	0.75	—	4.00	—
		PDIL	13.93	—	2.00	—
		PPCL	—	—	—	—
		Total (Grants under VRS) :	15.43	0.00	8.00	—
		Deduct amount met from NRF:	15.43	0.00	8.00	—
		Net :	0.00	0.00	0.00	—
		TOTAL (REVENUE SECTION) :	9.03	14.58	14.58	5.50
	B.	CAPITAL SECTION				
		Investments in and loans to PSU's :				
4855	1.	FCI	55.00	48.00	48.00	10.00
6855	2.	FACT (OECF Loan)	37.88	39.12	25.38	35.00
	3.	HFC	41.00	75.00	35.00	84.00
	4.	PDIL	2.00	—	—	—
	5.	PPL	49.50	10.00	10.00	10.00
	6.	MFL	—	21.00	61.00	20.00
	7.	PPCL	6.00	1.50	1.50	0.50
		TOTAL PSU's :	191.38	194.62	180.88	159.50
	8.	National project for strengthening of Fertilizer Handling and Transportation	—	—	—	—
		TOTAL (CAPITAL SECTION) :	191.38	194.62	180.88	159.50
		TOTAL PLAN :	210.41	209.20	195.46	165.00
		TOTAL-DEPTT. OF FERTS. :	7935.67	7600.39	9321.22	9221.17

APPENDIX-II

**Statement showing Installed capacity, Assessed Level of Production
and Actual Production for the year 1997-98**

Sl. No.	Company-Unit	Installed Capacity as per design (Lakh MT)	Assessed Production for Retention Price (Lakh MT)	Actual Production 1997-98 (Lakh MT)
1	2	3	4	5
UREA				
Feedstock : Gas				
1.	GSFC-Baroda	3.71	3.07	3.19
2.	HFC-Namrup III	3.85	2.90	1.97
3.	HFC-Namrup I & II	3.30	1.62	0.00
4.	IFFCO-Aonla	7.26	6.92	8.31
5.	IFFCO-Aonla Exp.*	7.26	6.20	8.41
6.	IFFCO-Kalol**	5.44	4.77	4.21
7.	INDOGULF-Jagdishpur	7.26	6.89	9.34
8.	KRIBHCO-Hazira	14.52	12.76	17.72
9.	NFL-Vijaipur	7.26	6.91	8.51
10.	NFL-Vijaipur Exp.*	7.26	6.20	8.10
11.	NFCL-Kakinada	4.95	4.62	6.79
12.	RCF-Thal	14.85	13.05	13.73
13.	RCF-Trombay-V	3.30	2.86	3.17
14.	CFCL-Kota	7.43	6.97	9.70
15.	TATA Chemicals	7.43	6.91	10.21
16.	OCFL	7.26	6.97	9.30
		112.34	99.61	122.65
Feedstock : Naptha				
1.	FACT-Cochin	3.30	2.56	2.78
2.	HFC-Barauni	3.30	1.47	0.41
3.	HFC-Durgapur	3.30	1.38	0.03
4.	ICI-Kanpur (Duncans)	6.75	5.56	7.34
5.	IFFCO-Phulpur	5.11	4.06	5.65
6.	IFFCO-Phulpur II*	7.26	6.20	2.27
7.	MCFL-Mangalore	3.40	2.71	2.75

* Ad-hoc

** including urea usage in Phosphatic fertilizers.

1	2	3	4	5
8.	MFL-Madras**	2.92	247	0.64
9.	SFC-Kota	3.30	2.68	3.93
10.	SPIC-Tuticorin	5.28	4.29	6.18
11.	ZACL-Goa**	3.76	2.79	4.37
		47.68	36.17	36.34

Feedstock : F.O/LSHS

1.	FCI-Sindri	3.30	2.47	2.08
2.	GNFC-Bharuch	5.94	4.92	6.35
3.	NLC-Neyveli	1.53	1.21	1.03
4.	NFL-Nangal	3.30	2.60	4.06
5.	NFL-Bhatinda	5.12	4.02	5.67
6.	NFL-Panipat	5.12	4.04	5.62
		24.31	19.26	24.82

Feedstock : Coal

1.	FCI-Ramagundam	4.95	2.23	1.01
2.	FCI-Taleher	4.95	2.23	1.00
		9.90	4.46	2.01
	Total-Urea	194.23	149.87	185.82

APPENDIX-III
Payment of Subsidy on Indigenous Fertilizers for 1996-97

		(Rs. in Crores)						
S. No.	Name of the Unit	NF	FS	PF	SSP	CD/IC	IS	Total
1	2	3	4	5	6	7	8	9
	1. Chambal Fertilizers	310.82	29.36					340.18
	2. Deepak Fertilizers	0.49	0.89					
	3. Duncan Industries Ltd.	307.38	26.84					334.22
	4. EID Parry			0.92				0.92
	5. FCI Gorakhpur	0.25						0.25
	FCI Ramagundam	42.03	1.93					43.96
	FCI Sindri	57.41	6.60					64.01
	FCI Thalcher	58.11	3.77					61.88
	Total FCI	157.80	12.30	0.00	0.00	0.00	0.00	170.10
	6. Fertilizers And Chemicals Travancore	74.46	8.84	2.51				85.81
	7. Gujarat Narmada Valley Fertilizer Co.	130.01	25.50					155.51
	8. GSFC Baroda	65.14	12.38	3.31				80.83
	GSFC Sikka			0.69				0.69
	Total GSFC	65.14	12.38	4.00	0.00	0.00	0.00	81.52
	9. Ganges Fertilizers & Chemicals Ltd.			1.04				1.04
	10. HFC Barauni	43.21	0.86					44.07
	HFC Durgapur	26.24	1.12					27.36
	HFC Namrup I	0.23						0.23
	HFC Namrup II	0.42						0.42
	HFC Namrup III	10.02	9.63					19.65
	Total HFC	80.12	11.61	0.00	0.00	0.00	0.00	91.73

1	2	3	4	5	6	7	8	9
11.	Hindustan Lever Ltd.			0.39				0.39
12.	IFFCO Aonla	149.65	21.19				170.84	
	IFFCO Kalol	34.52	16.95				51.47	
	IFFCO Kandla		0.46	2.38			2.84	
	IFFCO Phulpur	139.94	18.91				158.85	
	Total IFFCO	324.11	57.51	2.38	0.00	0.00		384.00
13.	Indo Gulf Fertilizer Company	146.88	24.91					171.79
14.	Jayshree Chemicals Ltd.				0.01			0.01
15.	Krishak Bharati Cooperative Ltd.	154.15	89.18					243.33
16.	Madras Fertilizer Ltd.	28.90	1.86	3.91				34.67
17.	Mahadev Fertilizers				0.06			0.06
18.	Mangalore Chemical & Fertilizer Limited	89.94	12.24	0.12				102.30
19.	Nagarjuna Fertilizer & Chemical Limited	412.12	33.29					445.41
20.	NFL Bhatinda	138.49	6.33				144.82	
	NFL Nangal	112.41	9.90				122.31	
	NFL Panipat	168.72	8.83				177.55	
	NFL Vijaypur I	151.42	34.18				185.60	
	NFL Vijaypur II	0.48					0.48	
	Total NFL	571.52	59.24	0.00	0.00	0.00		630.76
21.	Neyveli Lignite Corporation	42.51	3.01					45.52
22.	Oswal Chemical & Fertilizer Ltd.	300.23	20.40					320.63
23.	Pyrites Phosphates Chemicals Ltd.			-0.01		19.19		19.18
24.	Rajasthan State Mines & Minerals Ltd.					12.53		12.53
25.	Rama Phos Ltd.				0.45			0.45
26.	Ramakrishni Rasayan				0.24			0.24

1	2	3	4	5	6	7	8	9
	27. Ramaganga Fert.				0.21			0.21
	28. Rampur Dist.				0.18			0.18
	29. RCF Thal	115.72	72.13				187.85	
	RCF Trombay	8.06	1.13	7.45			16.64	
	RCF Trombay V	41.78	15.17				56.64	
	Total RCF	165.56	88.43	7.45	0.00	0.00		261.44
	30. Southern Petro-Chemical Industries Corp.	168.53	35.98	1.51				206.02
	31. Sunderban Fertilisers				0.08			0.08
	32. Sriram Fertiliser Company	86.13	11.92					98.05
	33. Steel Authority of India Ltd.	0.82						0.82
	34. Tata Chemicals Ltd.	367.49	30.39				0.27	397.88
	35. West Bengal Mineral Development							0.27
	36. Zuari Corporation Industries Ltd.	89.67	13.94	0.76				104.32
	TOTAL	4074.78	610.02	24.99	1.22	0.00	31.99	4743.00

Payment of Subsidy on Indigenous Fertilizers for 1997-98

S. No.	Name of the Unit	NF	FS	PF	SSP	CD/IC	IS	Total
1	2	3	4	5	6	7	8	9
1.	Bokaro Steel	1.25	0.16					1.41
2.	Chambal Fertilizers	415.22	33.16					448.83
3.	Coromandel Fertilizers.			21.45				21.45
4.	Deepak Fertilizers			0.54				0.54
5.	Duncan Industries Ltd.	417.76	25.91					443.67
6.	DMCC Ambernath				0.25			0.25
7.	EID Parry			0.48				0.48
8.	FCI Gorakhpur						0.00	
	FCI Ramagundam	75.73	2.11				77.84	
	FCI Sindri	70.83	6.39				77.22	
	FCI Thalcher	72.36	3.62				75.98	
	Total FCI	218.92	12.12	0.00	0.00	0.00		231.04
9.	Fertilizers And Chemicals Travancore	164.30	8.31	1.12				173.73
10.	Gujarat Narmada Valley Fertilizer Co.	222.10	22.75					244.85
11.	GSFC Baroda	87.00	13.71	1.99				102.70
12.	Ganges Fertilizers Chemicals Ltd.			1.28				1.28
13.	HFC Barauni	21.25	0.77				22.02	
	HFC Durgapur	8.93	0.18				9.11	
	HFC Nampur II	3.73	10.69				14.42	
	Total HFC	33.91	11.64	0.00	0.00	0.00		45.55

1	2	3	4	5	6	7	8	9
14.	Hindustan Farms				0.61			0.61
15.	Hindustan Lever Ltd.			0.64				0.64
16.	IFFCO Aonla	133.15	23.30				156.45	
	IFFCO Aonla II	197.77	23.94				221.71	
	IFFCO Kalol	58.55	13.13				71.68	
	IFFCO Kandla			3.44			3.44	
	IFFCO Phulpur	239.11	20.58				259.69	
	Total IFFCO	628.58	80.95	3.44	0.00	0.00		712.97
17.	Indo Gulf Fertilizer Company	182.92	29.38					212.30
18.	Jayshree Chemicals Ltd.	92.54	84.35		0.55			0.55
19.	Krishak Bharati Cooperative Ltd.	43.41	1.18	5.03				176.89
20.	Madras Fertilizer Ltd.							49.62
21.	Mahadev Fertilizers							0.00
22.	Mangalore Chemical & Fertilizer Limited	142.24	12.26	0.07				154.57
23.	Nagarjuna Fertilizer Chemical Limited	391.89	26.14					418.03
24.	NFL Bhatinda	283.83	8.21				292.04	
	NFL Nangal	181.83	9.48				191.31	
	NFL Panipat	218.71	9.34				228.05	
	NFL Vijaypur I	103.77	30.37				134.14	
	NFL Vijaypur II	201.22	26.88				228.10	
	Total NFL	989.36	84.28	0.00	0.00	0.00		1073.64
25.	Neyveli Lignite Corporation	49.34	2.49					51.83
26.	Oswal Chemical & Fertilizers Ltd.	396.60	35.37					431.97
27.	Patel Narayandas Fertilizers Ltd.				0.16			0.16
28.	Paradeep Phos. Ltd.		0.20	1.96				2.16

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1	2	3	4	5	6	7	8	9
29.	PPCL Dehradun						4.26	4.26
	PPCL Amjore						4.18	4.18
	Total PPCL	0.00	0.00	0.00	0.00	0.00	8.44	8.44
30.	Rajasthan State Mines & Minerals Ltd.						9.98	9.98
31.	RCF Thal	125.03	72.95				197.98	
	RCF Trombay	30.76	2.03	25.42			58.21	
	RCF Trombay V	49.97	12.26				62.23	
	Total RCF	205.76	87.24	25.42	0.00	0.00	0.00	318.42
32.	Sunderban Fertiliser				0.46			0.40
33.	Southern Petro Chemical Industries Corp.	292.63	33.69	6.27				332.69
34.	Sunderbans Fertilisers	165.28	11.68					170.00
35.	Steel Authority of India Ltd.	2.55						2.55
36.	Tata Chemicals Ltd.	499.09	33.83					532.92
37.	Vishakh Steel-Plant		0.01					0.01
38.	Zuari Industries Ltd.	197.35	16.78	1.82				215.95
	Total	5840.00	668.04	71.51	2.03	0.00	18.42	6600.00

Payment of Subsidy on Indigeneous Fertilizers for 1998-99

(upto 24.3.1999)
(Rs. in crores)

S. No.	Name of the Unit	NF	FS	PF	SSP	CD/IC	IS	Total
1	2	3	4	5	6	7	8	9
1.	Chambal Fertilizers	365.43	27.38			31.56		424.37
2.	Coromandel Fertilizers			0.09		0.98		1.07
3.	Duncan Industries Ltd.	480.16	19.57					499.73
4.	EID Parry					0.65		0.65
5.	FCI Gorakhpur							0.00
	FCI Ramagundam	69.26	2.04					71.30
	FCI Sindri	66.28	6.41				72.69	
	FCI Thalcher	37.88	1.91					39.79
	Total FCI	173.42	10.36	0.00	0.00	0.00	0.00	183.78
6.	Fertilizers And Chemicals Travancore	118.42	3.14	1.31				122.87
7.	Gujarat Narmada Valley Fertilizer Co.	193.85	19.26					213.11
8.	GSFC Baroda	100.08	6.98					107.06
9.	HFC Baramuni	30.84	0.74					31.58
	HFC Durgapur	1.28						1.28
	HFC Namrup I	0.30						0.30
	HFC Namrup III	4.26	5.16					9.42
	Total HFC	36.68	5.90	0.00	0.00	0.00	0.00	42.58
10.	IFFCO Aonla	245.79	18.49					264.28
	IFFCO Aonla II	253.90	19.23					273.13
	IFFCO Kalol	104.69	10.63			0.97		116.29
	IFFCO Kandla							0.00

1	2	3	4	5	6	7	8	9
	IFFCO Phulpur	732.80	40.36				773.16	
	Total IFFCO	1337.18	88.71	0.00	0.00	0.97	0.00	1426.86
11.	Indo-Gulf Fertilizer Company	328.55	26.29					354.84
12.	Krishak Bharati Cooperative Ltd.	311.23	56.45					367.68
13.	Madras Fertilizer Ltd.	161.39	7.15	2.14				170.68
14.	Manglore Chemical & Fertilizer Limited	168.98	16.02					185.00
15.	Nagarjuna Fertilizer Chemical Ltd.	345.62	19.68					365.30
16.	NFL Bhatinda	174.93	5.03				179.96	
	NFL Nangal	125.18	5.69				130.87	
	NFL Panipat	135.14	10.74				145.88	
	NFL Vijaypur I	74.85	20.65				95.50	
	NFL Vijaypur II	226.25	24.24				250.49	
	Total NFL	736.35	66.35	0.00	0.00	0.00	0.00	802.70
17.	Neyveli Lignite Corporation	58.64	0.96					59.60
18.	Oswal Chemical & Fertilizers Ltd.	308.06	27.70			17.21		352.97
19.	Paradeep Phos. Ltd.			0.12			7.56	0.12
20.	PPCL Dehradun						0.86	
	PPCL, Amjore						8.42	
	Total PPCL	0.00	0.00	0.00	0.00	0.00	8.42	8.42
21.	RCF Thal	275.69	55.73				331.42	
	RCF Trombay	21.13	1.66	0.55			23.34	
	RCF Trombay V	43.38	6.76				50.14	
	Total RCF	340.20	64.15	0.55	0.00	0.00	0.00	404.90
22.	Southern Petro-Chemical Industries Corp.	325.76	26.43				199.35	352.19
23.	Sriram Fertiliser Company	190.42	8.93					0.00
24.	Steel Authority of India Ltd.							363.67
25.	Tata Chemicals Ltd.	322.15	18.76			22.76		0.00
26.	West Bengal Mineral Development Corp.							198.54
27.	Zuari Industries Ltd.	189.62	8.92					
	Total	6592.19	529.09	4.21	0.00	74.13	8.42	7208.04

APPENDIX-IV
MINUTES
STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1998-99)
TWENTY-THIRD SITTING
23.3.1999

The Committee sat from 1100 hrs. to 1330 hrs.

PRESENT

Shri Gurdas Kamat — *in the Chair**

MEMBERS

Lok Sabha

2. Shri Ashok Argal
3. Shri V. Dhananjaya Kumar
4. Shri Devi Bux Singh
5. Dr. Ramesh Chand Tomar
6. Dr. Mallu Ravi
7. Shri Krishan Datt Sultanpuri
8. Shri Nepal Chandra Das
9. Shri Narendra Budania
10. Dr. Asim Bala
11. Shri Balram Singh Yadav
12. Shri Pitambar Paswan
13. Dr. C. Suguna Kumari
14. Shri Arjun Charan Sethi

* See Para 2

15. Shri Prem Singh Chandumajra
16. Shri Mohan Vishnu Rawale
17. Shri C. Kuppusami
18. Smt. Kailasho Devi

Rajya Sabha

19. Shri Radhakishan Malaviya
20. Shri Anantha Sethi
21. Smt. Malti Sharma
22. Shri Ram Nah Kovind
23. Shri Dipankar Mukherjee
24. Shri Ram Gopal Yadav
25. Shri Joyanta Roy
26. Shri Parag Chaliha

SECRETARIAT

1. Shri Harnam Singh, Joint Secretary
2. Shri Brahm Dutt, Deputy Secretary
3. Shri J.N. Oberoi, Under Secretary

Representatives of Department of Fertilisers

1. Shri A.V. Gokak, Secretary
2. Shri Ravi Mathur, Joint Secretary
3. Shri S. Kabilan, Joint Secretary & Financial Adviser
4. Shri D.K. Sikri, Joint Secretary
5. Shri Pardeep Singh, ED (FICC)

Chief Executives of PSUs

1. Shri U.K. Sen, Act. CMD, FCI
2. Shri J.L. Nehru, CMD, HFC
3. Shri Dinesh Singh, CMD, NFL
4. Shri P.K. Awasthi, CMD, PPCL
5. Shri H. Mishra, CMD, PPL
6. Shri U.S. Awasthi, MD, IFFCO
7. Shri P.P. Singh, MD, KRIBHCO
8. Shri V.N. Rai, CMD, FACT
9. Shri N.Y. Mahajan, CMD, MFL
10. Shri D.K. Verma, CMD, RCF

2. Since the Chairman was not available for the sitting, the Committee chose Sh. Gurdas Kamat to act as Chairman for the Sitting in accordance with Rule 258 (13) of Rules of Procedure and conduct of business in the Lok Sabha.

3. The Committee took oral evidence of the representatives of Ministry of Chemicals and Fertilisers, Department of Fertilisers in connection with examination of Demands for Grants 1999-2000.

4. During the course of evidence the main issues that came up for discussion included 9th Plan (1997-2000) outlays, expenditure incurred by the Deptt. of Fertilisers during the first two years (1997-98 and 1998-99), present status of delayed fertilisers projects, enhancement of subsidy to the tune of Rs. 2000 crores on indigenous fertiliser during 1999-2000 over the previous year, need to check the practice of under-statement of installed capacities by some fertiliser units with a view to stop overpayment of subsidy, speedy implementation of revival programme of Namrup units of HFC and early finalisation of revival packages for remaining sick fertiliser units of HFC/FCI.

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

The Committee then adjourned

APPENDIX-V
MINUTES
STANDING COMMITTEE ON PETROLEUM AND CHEMICALS
(1998-99)
TWENTY-FIFTH SITTING
(07.04.1999)

The Committee sat from 1200 hrs. to 1330 hrs.

PRESENT

Dr. Balram Jakhar

—

Chairman

Lok Sabha

2. Shri Z.M. Kahandole
3. Dr. Vallabhbhai Katheria
4. Shri Ashok Argal
5. Dr. Ramesh Chand Tomar
6. Dr. Mallu Ravi
7. Shri Paban Singh Ghatowar
8. Shri Krishan Datt Sultanpuri
9. Shri Gurudas Kamat
10. Shri Narendra Budania
11. Dr. Asim Bala
12. Shri Balram Singh Yadav
13. Shri Pitambar Paswan
14. Shri Prabhunath Singh
15. Dr. C. Suguna Kumari
16. Shri Prem Singh Chandumajra
17. Shri Mohan Vishnu Rawale
18. Shri Devibux Singh

Rajya Sabha

19. Shri Ahmed Patel
20. Shri Radhakishan Malaviya
21. Smt. Malti Sharma
22. Shri Ram Nath Kovind
23. Shri Dipankar Mukherjee
24. Shri Mukesh R. Patel
25. Shri Joyanta Roy
26. Shri Parag Chaliha

SECRETARIAT

- | | | |
|---------------------|---|------------------|
| 1. Dr. A.K. Panday | - | Addl. Secretary |
| 2. Sh. Haranm Singh | - | Joint Secretary |
| 3. Sh. Brahm Dutt | - | Deputy Secretary |
| 4. Sh. J.N. Oberoi | - | Under Secretary |
| 5. Smt. Abha Singh | - | Asstt. Director |

2. The Committee took up for consideration the following Draft Reports :-

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

- (iii) 12th Report on 'Demands for Grants of the Ministry of Chemicals and Fertilisers, Department of Fertilisers for the year 1999-2000'.

2. The Committee suggested certain points for inclusion in Reports viz. Adulteration in Petroleum products, Safety measures in Hydrocarbon sector. Effective role of NPPA in controlling the prices of drugs/ formulations and need to withdraw increase in urea prices.

3. The Committee adopted the reports and authorised the Chairman to get the above points included in the Reports and after factual verification by the concerned Ministries/Departments present the same to the Parliament in the current Session.

The Committee then adjourned.