SECOND REPORT

STANDING COMMITTEE ON CHEMICALS & FERTILISERS (2004-05)

(FOURTEENTH LOK SABHA)

MINISTRY OF CHEMICALS & FERTILISERS (DEPARTMENT OF FERTILISERS)

DEMANDS FOR GRANTS (2004-2005)

Presented to Lok Sabha on **20.08.2004**

Laid in Rajya Sabha on **20.08.2004**

LOK SABHA SECRETARIAT
NEW DELHI

August, 2004/Sravana, 1926 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILISERS (2004-05)

Shri Anant Gangaram Geete - Chairman

Members

Lok Sabha

2. Shri Afjal Ansari
3. Shri Jai Prakash
4. Shri Prahlad Joshi
5. Shri Sukhdev Singh Libra
6. Shri Punnulal Mohale
7. Shri A.K. Moorthy
8. Shri P. Rajendran
9. Shri A. Venkatarami Reddy
10. Kunwar Akshyay Pratap Singh
11. Shri V.K. Thummar
12. Shri Bhanupratap Singh Verma
13. Shri Mansukhbhai D. Vasava
14. Shri Bhal Chandra Yadav
15. Vacant
16. Vacant
17. Vacant
18. Vacant
19. Vacant
20. Vacant
21. Vacant

Rajya Sabha

22. Shri Gireesh Kumar Sanghi

23. Shri Raju Parmar
24. Shri Ajay Maroo
25. Dr. Chhattrapal Singh Lodha
26. Shri Sanjay Rajaram Raut
27. Shri R. Shunmugasundaram
28. Shri Raj Mohinder Singh
29. Shri T.R. Zeliang
30. Shri M.A.M. Ramaswamy
31. Vacant

Secretariat

1.	Shri P.D.T. Achary	-	*Additional Secretary*
2.	Shri M. Rajagopalan Nair	-	*Joint Secretary*
3.	Shri P.K. Grover	-	*Director*
4.	Shri S.C. Kaliraman	-	*Under Secretary*
5.	Smt. Reena Jacob	-	*Committee Officer*

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals & Fertilisers (2004-05) having been authorised by the Committee to submit the Report on their behalf present this Second Report on Demands for Grants of the Ministry of Chemicals & Fertilisers (Department of Fertilisers) for the year 2004-05.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers (Department of Fertilisers) for the year 2004-05 which were laid on the Table of the House on 22nd July, 2004.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers (Department of Fertilisers) at their sitting held on 11th August, 2004.

4. The Committee considered and adopted the Report at their sitting held on 19th August, 2004.

5. The Committee wish to express their thanks to the officers of the Ministry of Chemicals & Fertilisers (Department of Fertilisers) for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2004-05 and for giving evidence before the Committee.

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

New Delhi:
August 19, 2004
Sravana 28, 1926 (Saka)

ANANT GANGARAM GEETE,
Chairman,
Standing Committee on
Chemicals & Fertilisers.

REPORT

I. INTRODUCTORY

The Department of Fertilisers (DOF) is a part of the Ministry of Chemicals and Fertilisers. This Department is entrusted with the following responsibilities:-

1. Planning for fertiliser production including import of fertilisers through a designated canalising agency.
2. Allocation and supply linkages for movement and distribution of urea in terms of assessment made by the Department of Agriculture and Cooperation.
3. Administration of concession schemes and management of subsidy for controlled as well as decontrolled fertilisers including determination of retention price of urea, quantum of concession of decontrolled fertilisers, costing of such fertilisers and pricing of phosphatic and potassic fertilisers.
4. Administration of the Fertilisers (Movement Control) Order, 1960.
5. Administrative responsibility of fertiliser production unit in the cooperative sector Krishak Bharati Cooperative Limited (KRIBHCO)
6. Administrative responsibility for the Indian Potash Limited (IPL).

2. The following PSUs and Cooperatives are under the administrative control of DOF:-

Public Sector Undertakings

1. Fertilizers & Chemicals Travancore Ltd. (FACT)
2. Fertilizers Corporation of India Ltd. (FCI)
3. National Fertilisers Limited (NFL)
4. Rashtriya Chemicals and Fertilisers Ltd. (RCF)
5. Pyrites, Phosphates and Chemicals Limited (PPCL)
6. Madras Fertilizers Limited (MFL)
7. Projects and Development India Limited (PDIL)
8. Hindustan Fertilizer Corporation Limited (HFC) *
9. Brahamaputra Valley Fertilizer Corporation Limited (BVFCL)**
10. FCI Aravali Gypsum and Minerals India Ltd. (FAGMIL)***

Cooperative Sector

Krishak Bharati Cooperative Limited (KRIBHCO)

Joint Sector Undertakings

Indian Potash Limited (IPL)

*   *All units of HFC have been closed down except Namrup units.*

** *The Namrup units of HFC have been segregated and incorporated in April, 2002, into a new company viz. Brahmaputra Valley Fertilizer Corporation Limited*

*** *The Jodhpur Mining Organisation was hived off from FCI and incorporated in February 2003, as a PSU viz. FCI Aravali Gypsum And Minerals India Ltd.*

II. OVERALL PERFORMANCE OF FERTILISER SECTOR

3. Over the last five decades, the production of nitrogenous (N) and Phosphatic (P) fertilisers taken together has increased from a mere 0.3 lakh MT in 1950-51 to 142.64 lakh MT in nutrients terms in 2003-04. At the same time the overall consumption of fertilisers in nutrient terms has increased from 0.7 lakh MT to about 160.94 lakh MT during the same period. Accordingly, per hectare consumption of fertilisers, which was less than 1 kg. in 1951-52, has gone up to the level of 88.30 kg. per hectare in 2003-04. This has been made possible by the rapid growth of the fertiliser industry through significant capacity additions in the seventies and eighties. As on 31.3.2004, the installed capacity has reached a level of 119.98 lakh MT of nitrogen and 54.20 lakh MT of phosphatic nutrient making India the 3rd largest fertiliser producer in the world.

4. Nutrient-wise installed capacity and actual production of fertiliser manufacturing units in the last three years is given below:-

(lakh MT)

Year	Annual installed capacity		Actual production	
	Nitrogen	Phosphate	Nitrogen	Phosphate
2001-02	120.58	52.31	107.68	38.60
2002-03	121.11	53.60	106.61	39.04
2003-04	119.98	54.20	106.34	36.31

5. On being asked by the Committee to state the reasons for the differences between the installed capacity and actual production, DOF in a written reply submitted as under:-

> "Production of nitrogenous fertilizers was less than the installed capacity because,
>
> (1) Low production in gas based plants due to gas limitation (RCF-Trombay-V was shutdown owing to gas limitation since June 2002).
>
> (2) Equipment related problems in BVFC.

(3) DIL-Kanpur is under unscheduled shutdown since 1.4.2004 due to financial crunch.

In case of phosphatic fertilizers, primarily, limitation of main raw materials i.e. phosphoric acid and ammonia affected production during the last three years. Further, Production was disrupted in Oswal Chemicals & Fertilizers Ltd. which is one of the major producers of DAP."

6. With regard to the efforts taken to improve capacity utilisation, DOF stated:-

"In January, 2004 Government announced the policy for treatment of de-bottlenecking/revamp/ modernisation of existing urea units. Under the policy, the de-bottlenecking/revamp/modernisation of the plant should result in not less than 10% increase in the existing urea production capacity and should lead to increase in production entirely based on natural gas (NG)/liquefied natural gas (LNG) only as fuel and feedstock.

As for improving the capacity utilisation levels of both urea plants as well as of those engaged in manufacture of de-controlled phosphatic and potassic fertilizers, under the policies formulated for subsidy/concession to manufacturers of urea and de-controlled phosphatic and potassic fertilizers, profits are maximised and the cost of production fully recovered if the units operate at 100% production capacity. Therefore, the fertilizer manufacturers are induced on their own to improve the capacity utilisation levels for improving their profit margins."

7. The Committee find that the total installed capacity of urea as on 1.4.2004 was 119.98 lakh MTs whereas the actual production was 106.34 lakh MTs leaving a gap of 13.64 lakh MTs. Production of urea has suffered mainly on account of inadequate supply of gas. Even the Trombay-V unit of Rashtriya Chemicals & Fertilizers Ltd. (RCF), a major producer of urea, had to be shut down owing to gas limitation since June 2002. Equipment related problems and financial difficulties in some units too have come in the way of realising cent percent production in urea units. In the case of phosphatic fertilisers, as against an annual installed capacity of 54.20 lakh MT in 2003-04, actual production was only 36.31 lakh MT. This is 33% short

of full capacity utilisation. The main problem in the production of phosphatic fertilisers was stated to be due to limitation of main raw materials i.e. phosphoric acid and ammonia. The Committee are pained to observe that the very same problems have been cited as reasons for the lower actual production since 1998-99. It is quite unfortunate that the lacunae are carried forward without solving them. The Committee strongly feel that it is the duty of the Government to ensure the availability of the feedstock for any industry for its survival. The Committee recommend that the DOF should ensure the supply of required quantity of feedstock for both nitrogenous and phosphatic fertilisers, thereby facilitating full utilisation of the installed capacity in the country.

(Recommendation No. 1)

III. REVIEW OF PLANS

(a) Utilisation of Plan Outlays by PSUs

8. In the 10th Five Year Plan, an outlay of Rs. 5900.00 crore has been made for the Fertiliser PSUs and for Departmental schemes. The following table shows the total outlay in the 10th Plan period for PSUs, the actual expenditure during the first two years of the plan period and the balance amount left for the last three years of the 10th Plan period:-

(Rs. in crore)

Name of PSU	10th Plan outlay	Expenditure during the first 2 years of the plan	Balance for the last 3 years of the plan
FCI	380.00	3.00	377.00
FACT	475.00	32.26	442.74
BVFCL	275.00	281.30	6.30
PPCL	1.00	-	1.00
MFL	99.00	29.00	70.00
PDIL	10.00	1.50	8.50
RCF	1900.00	82.26	1817.74
NFL	160.00	75.94	84.06
IFFCO *	810.00	210.29	599.71
KRIBHCO	1680.00	382.29	1297.21
Deptt. Schemes	110.00	40.74	69.26
Total	5900.00	1138.58	4761.42

** IFFCO refunded the GOI equity and opted out of the ambit of Plan Outlays of the Government*

9. Excluding the outlay for Deptt. schemes, the total Plan outlay for PSUs and KRIBHCO for the 10th Plan is Rs. 5790 crore. During the course of the examination the Committee wanted to know as to why the major components of

this outlay remained unutilised. DOF in a written reply stated the scheme-wise/project-wise reasons for non-utilisation as follows:-

	Name of scheme/project	**Outlay (Rs.Crore)**	**Reasons for non-utilisation**
FCI	Rehabilitation and renewal/ replacement of Sindri unit of FCI	377	Decision was taken by the Government to close down FCI including Sindri unit.
FACT	Improvements to existing plants	95.12	The financial position of the company during the first two years of the 10th Plan was very poor and most of the new schemes were not taken up.
	New sulphuric acid plant and other new schemes/ projects	217.46	
RCF	Urea expansion project	1331	These projects were not taken up by RCF. The urea expansion project has still not commenced implementation in 10th Plan.
	Facility for LNG supply and other new schemes	69.92	
IFFCO	Various schemes/ projects	599.71	After refund of GOI equity, IFFCO is out of the ambit of plan outlays of the Government and this amount formed part of the total plan outlay of Rs.5790 crore.
KRIBHCO	Hazira Urea Expansion Project	1440	The Hazira urea expansion project did not commence implementation in 10th Plan so far. This project is expected to be taken up by KRIBHCO during the remaining years of the 10th Plan and outlay utilised.

10. When the Committee desired to know as to why the projects like KRIBHCOs Hazira Expansion and RCF's Thal Urea Project have not commenced even after two years into the 10th Plan, DOF replied as under:-

> "The proposed Hazira Urea Expansion Project of KRIBHCO and Thal urea Expansion Project of RCF which had been provided substantial outlay in the 10th Plan, did not commence implementation during the first two years because the pricing policy for investment made in new and expansion projects of urea was being formulated by the Government and was notified only in January, 2004. After notification of the policy, KRIBHCO has already submitted the proposal to the Government and an investment decision on the proposal is likely to be taken by the Government during 2004-05. In the case of RCF, this proposal was also kept in abeyance due to the disinvestment process. However, RCF has now intimated that it has initiated the process of preparation of the Detailed Project Report in respect of the proposal for submitting to the Government for approval."

11. In regard to gearing up the machinery of the PSUs for utilising the allocated outlay during the 10^{th} Plan in time, DOF stated:-

> "Utilisation of entire allocated plan outlay for the 10^{th} Plan period depends on the PSUs / cooperative society taking up short listed major projects/schemes after conducting feasibility studies to establish viability of the investment proposals keeping in mind the demand-supply scenario and profitability of the enterprise to generate funds to meet expenditure on the schemes/projects. The Board of Directors of PSUs/cooperative societies review the plan outlays and proposals periodically to ensure that outlays are optimally utilised to make the companies self sustaining. Besides, all PSUs have their own internal monitoring mechanism in place."

(b) Oman India Fertiliser Project

12. In the annual plan for 2003-04, Indian Farmers Fertilisers Cooperative Ltd. (IFFCO) and Krishak Bharati Cooperative Ltd. (KRIBHCO) bagged a major share of Rs. 882 crore mainly on account of requirements of funds for the Oman India Fertiliser Project, a joint venture overseas project, which has been under implementation. This project is expected to produce 16.52 lakh MT of urea and 2.48 lakh MT of ammonia per annum. This Oman India Fertiliser Company (OMIFCO), will sell urea to Government of India at fixed long term prices (LTPs) for a period of 15 years and ammonia to IFFCO for 10 years at a fixed price. The implementation of this project has commenced on 15.8.2002 and is expected to be completed within 35 months i.e. by 15.7.2005. An outlay of Rs. 519.00 crore has been made for contributing towards funding this joint project during 10^{th} Plan.

13. During the course of the examination, the Committee wanted to know the present status of the project and the measures taken to rule out time and cost overruns. DOF in a written reply stated:-

> "On behalf of IFFCO and KRIBHCO, the Indian sponsors of the joint venture project in Oman, the Government of India is represented on the OMIFCO Board. As such, the Government receives monthly project

implementation progress reports from OMIFCO, which are analysed and examined in the Department and suggestions to avoid delays pointed out to OMIFCO. This rigorous review of project execution progress by the Government is aimed at avoiding time and cost overruns. Since the project is being implemented on Lump Sum Turn Key (LSTK) basis, cost overrun, if any, would be to the account of the LSTK contractor and time overrun would also invite stiff penalties on the contractor. As on 14th June, 2004, the overall cumulative physical progress of the project was 90.58%, as against the target of 93.96%, with cumulative expenditure of US $ 621.933 million up to this date, against the total project cost of US $ 962.581 million."

14. The Committee observe that out of Rs. 5900.00 crore which has been made as outlay for the fertiliser PSUs and for Departmental schemes in the 10th Plan, the actual expenditure in the first two years of the 10th Plan has been Rs. 1138.58 crore. This is only 19.3% of the total plan outlay for the 10th Plan whereas a whopping 80.7% of the outlay has been left to be utilised during the remaining three years of the plan. The Committee do not appreciate the pattern where the major share of the outlay is carried forward to the end of the plan period resulting in substantial component of the allocations remaining unutilised. During the 9th Plan period, overall utilisation of funds was just 42.4% . The casualty on such occasions is planned economic development. Planning should be done with vision and commitment based on the analysis of past achievements and failures, to achieve the objectives set forth. The Committee recommend synchronized planning and spending during each plan period. The Committee also recommend that Department of Fertilisers should impress upon PSUs to take up shortlisted major projects/ schemes and to generate the required funds for the same. Nodal officers responsible for timely implementation of projects should be asked to ensure that the deficiencies noticed once, should not recur.

(Recommendation No. 2)

15. The Committee are constrained to note that the Hazira and Thal Projects which are spill overs from the 9th Plan period are yet to take off even after two years into the 10th Plan period. The Committee find that the Hazira Urea Expansion Project of KRIBHCO and Thal Urea Expansion Project of RCF are provided with substantial outlay in the 10th Plan. Rs. 1440.00 crore has been provided for Hazira Project whereas Thal Project's outlay is Rs. 1331.00 crore. KRIBHCO and RCF could not commence implementation of these urea expansion projects in 2002-03 or 2003-04 because the pricing policy for investments in expansion projects of urea has been finalised and notified only in January, 2004. Accordingly KRIBHCO has submitted the proposal for Rs. 1750 crore for approval of Government. Disinvestment proposal was an added disadvantage in case of RCF in going ahead with its expansion project. The uncertainty and the wavering policies had kept development on hold and the delay in finalising the pricing policy for expansion projects of urea has been the major stumbling block. Proper planning is not possible in the absence of long term policies and it makes the going very tough for manufacturers. As Department of Fertilisers has finally notified the Pricing Policy for investments made in new and expansion projects, the Committee recommend that all out efforts should be made to ensure that the approved projects of KRIBHCO and RCF materialise during 10th Plan period itself. The Committee would also like the Government to take the investment decision on KRIBHCO's proposal at the earliest as they strongly feel that the capacity expansion in the cooperative sector should be on Government's priority.

(Recommendation No. 3)

16. The Committee are happy to observe that the Oman India Joint Venture Project (OMIFCO) is nearing completion leaving only 9.42% of the work to be done before July 2005. The Committee find that DOF is rigorously reviewing and monitoring the work to avoid time and cost overruns, by obtaining monthly progress reports from OMIFCO. The Committee hope that the project would be completed in the stipulated time and the urea starts flowing to make up for the deficit as per the long term buy back agreement.

(Recommendation No. 4)

IV. DETAILED ANALYSIS OF THE DEMANDS FOR GRANTS OF DEPARTMENT OF FERTILISERS FOR 2004-2005

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17. The detailed Demands for Grants of Department of Fetilisers (Demand No. 8) was laid on the Table of Lok Sabha on 22.07.2004 which make provisions for Rs.13294.17 crore. The details are as under:-

(Rs. in crores)

	Plan	**Non plan**	**Total**
Revenue section	26.35	13135.85	13162.2
Capital section	103.82	28.15	131.97
Total	130.17	13164.00	13294.17

(The above entire amount is voted except Rs. 1.00 lakh which is a charged expenditure)

18. The net budgetary provisions for 2004-05 after adjusting recoveries on account of sale of imported urea(Rs 466 crore) is as under:-

(Rs. in crores)

	Plan	**Non Plan**	**Total**
Revenue section	26.35	12669.85	12696.20
Capital section	103.82	28.15	131.97
Total	130.70	12698.00	12828.17

19. Out of the gross Rs. 13294.17 crore, a provision of Rs. 6.17 crore is meant for the expenditure of the Secretariat of the Department of Fertilisers in the Ministry of Chemicals and Fertilisers. An amount of Rs. 13288.00 crore is the provision for Fertiliser industry which covers investment in and loans to public/ cooperative sector undertakings under the administrative control of the Department of Fertilisers for production of fertilisers. It also includes provision for payment of subsidy on indigenous fertilisers under the New Pricing Scheme and Freight Subsidy Scheme; expenditure on the Secretariat of the Fertiliser Industry Coordination Committee; subsidy on imported fertilisers payments to manufacturers/ importers of decontrolled fertilisers under the Concession Scheme; grants under Indo-UK fertiliser development programme and other programmes/ activities.

20. The item-wise details are given in Appendix I. The main items are as under:-

Items	Rs. in crore
Subsidy on indigenous fertilisers	8143.15
Concession for decontrolled fertilisers	4046.00
Net subsidy on imported fertilisers	473.00
Non-Plan loans to PSUs, HFC, FCI, PPCL & BVFCL	28.15
Plan Loans and Investments in PSUs	130.17

HEAD-WISE ANALYSIS OF DEMANDS

(a) Concessional sale of decontrolled fertilisers (Major Head 2401)

21. Consequent upon the decontrol of phosphatic and potassic fertilisers w.e.f. 25.8.1992, the NPK ratio got distorted and a scheme of concession on sale of these fertilisers was introduced . The concession was to give impetus to the stagnating demand for these fertilisers and to ameliorate the nutrient imbalance in the soil which is essential for sustaining the desired growth in agricultural productivity.

22. The decontrolled phosphatic and Potassic fertilisers which are covered under the concession scheme are Di-ammonium Phosphate (DAP) , Muriate of Potash (MOP), Single Super Phosphate (SSP) and 11 grades of complexes. Majority of raw materials / intermediates for manufacturing these fertilisers excluding SSP are imported. The main raw materials / intermediates required for manufacturing these fertilisers are phosphoric acid, ammonia, rock phosphate and sulphur. Apart from this, limited quantity of naphtha, fuel oil and indigenous gas is also used by some manufacturers. Responsibility of fixing the maximum retail price of DAP, complex fertilisers covered under the scheme and MOP is of DOF, whereas the price fixation of SSP is done by State Governments. Besides this,

under Concession Scheme DOF is entrusted with the responsibility of maintaining a buffer stock of DAP & MOP to meet emergent requirements of decontrolled fertilisers.

23. Under the concession scheme, base rates of concession are announced annually for making `on-account' payment. Final rates are announced on quarterly basis. The base rates announced for the year 2003-2004 w.e.f. 1.1.2004 are under:-

DAP (Indigenous) Group-I (Plants based on captive phosphoric acid) Group-II (Plants based on imported phosphoric acid)	 Rs. 2120 per MT Rs. 2635 MT
DAP (imported)	Rs. 1793 per MT
MOP	Rs. 2650 per MT
SSP	Rs. 650 per MT
Complexes Group –I (Plants based on imported ammonia and ammonia made from indigenous gas) Group-II (Plants using ammonia based on fuel oil and naphtha	 Rs. 638 to Rs. 2757 per MT Rs. 1611 to Rs. 3609 per MT

(i) Di-ammonium Phosphate (DAP) and Muriate of Potash (MOP)

24. Based on the recommendations of the Tariff Commission (TC) and the Inter Ministerial Group (IMG) Government has implemented a revised methodology of working out concession rates for DAP (indigenous and imported) and MOP w.e.f. 1.4.2003. Under this revised scheme for DAP, separate concessions are given for (I) plants based on captive phosphoric acid and (II) plants based on imported phosphoric acid. This policy would be applicable for 3 years instead of seeking extension of concession scheme for decontrolled fertilisers on an year to year basis.

25. In the absence of commercially exploitable potash sources in the country, the entire demand of Potassic fertilisers for direct application (MOP) as well as for production of complex fertilisers is met through imports.

26. The amount towards payment of concession for decontrolled fertilisers during 2002-03, 2003-04 and 2004-05 is as follows:-

(Rs. in crores)

	2001-02 Actuals	**2002-03 Actuals**	**2003-04 B.E.**	**2003-04 R.E.**	**2003-04 Actuals**	**2004-05 B.E.**
Payment for concessional sale of indigenous decontrolled fertiliser	3759.52	2487.94	3366.00	2936.00	2606.0	3277.00
Payment for concessional sale of imported decontrolled fertiliser	744.00	736.58	1090.00	720.00	720.00	769.00
Total	**4503.52**	**3224.52**	**4456.00**	**3656.00**	**3326.00**	**4046.00**

27. During the first full year of implementation of the concession scheme, i.e. in 1993-94, the outgo was of Rs. 517.34 crore. In that year the total consumption of DAP, MOP and complex fertilisers was to the tune of 76.92 lakh MTs. Thereafter the subsidy outgo showed an upward trend for which the department on previous occasion has offered explanations like increased quantity of consumption and increase in prices of all inputs, utiliities, services etc. In 2002-03 it is observed that the actuals on concessional payment to decontrolled fertilisers is Rs. 3224.52 crore which doesn’t vary much from the actuals in 2003-04 which is Rs. 3326.00 crore. As against such an actual expenditure, the budget provisions for the year 2004-05 is Rs. 4046.00 crore. In the year 2003-04 also the budget provisions were kept at Rs. 4456.00 crore which was Rs. 1130 crore more than what was actually needed.

28. From 1996-97 to 1999-2000, the sale/ consumption of DAP was showing an upward trend. But from 2000-01 onwards, the consumption remained almost at the same level, with 54.30 lakh MT in 2002-03 and 54.20 lakh MT in 2003-04. In the case of MOP, from 2000-01 till 2003-04 the consumption figures remained on an average 25.60 lakh MT, except in 2001-02 when a slight increase to 28.30 lakh MT was seen in the sale of MOP. The case of complexes were no different. They registered an average consumption of 46.50 lakh MT from 2000-01 till 2003-04.

29. In regard to the stagnation in the consumption of the fertilisers in the country during the last 4 years, the Secretary, Department of Fertilisers, stated as follows during the oral evidence:-

> "This is actually causing some anxiety that the consumption and use of fertiliser as it should grow is not growing up. For quite some time for any of these chemical fertilisers, there is a stagnation of consumption which is causing us anxiety."

30. On being asked by the Committee as to what were the reasons for stagnation in the consumption, the Secretary, Department of Fertilisers, submitted during oral evidence as under: -

> "The reasons that come to our mind while we discuss this issue may be that additional agriculture land being brought in for cultivation is not increasing. The potential of the soil has already been exploited considerably. Then there are no major additions to the inputs, like irrigation. Whatever amount of irrigation is there in different States, not much is being added to them. Naturally, that added use for improved use of fertiliser, irrigation has to be there. These may be the cause. In consultation with the Agriculture Ministry we will take it up"

31. On being asked about the capacity of DAP in the country based on captive phosphoric acid and imported phosphoric acid, DOF in a written statement replied:-

> "The production of DAP through indigenous phosphoric acid and imported phosphoric acid keeps changing as DAP manufacturers are also manufacturing various grades of complex fertilizers. However, as assessed by the Tariff Commission in their report of Cost Price Study of DAP and MOP, the capacity based on indigenous phosphoric acid is 25.08 lakh MT and based on imported phosphoric acid is 41.90 lakh MT. Accordingly, the share of production from captive phosphoric acid and imported phosphoric acid is 38% and 62% respectively. "

32. In regard to the relative cost of production of DAP based on captive phosphoric acid and imported phosphoric acid it was stated that :-

> "The cost of production of indigenous phosphoric acid depends upon the prices of sulphur and rock phosphate in the international market as the country is entirely dependent upon imported raw materials. Tariff Commission has conducted a cost price study of DAP and MOP and submitted its report in February 2003. The normative delivered price of DAP produced through captive phosphoric acid recommended by Tariff Commission was lower than the delivered price recommended for DAP produced through imported phosphoric acid. However, after updating the cost as per the escalation/de-escalation formula given by the Tariff Commission, it is observed that the delivered cost of DAP was more in case of DAP produced through captive phosphoric acid during the year 2003-04."

33. In a post-evidence reply regarding the Concession rates worked out for DAP produced through indigenous phosphoric acid route in group-I and imported phosphoric acid route in group-II, the Department of Fertiliser submitted as below:-

(Rates rupees per MT)

Period	Concession rate for group I	Concession rate for group II
1.4.03 to 30.6.03	2975	2817
1.7.03 to 30.9.03	3477	2987
1.10.03 to 31.12.03	4700	3234
1.1.04 to 31.3.04	5431	3979

34. Supplementing the information on subsidy on DAP, the Department of Fertiliser in a written reply stated that there is no saving in the subsidy because of use of captive phosphoric acid during the year 2003-04 as the prices of rock phosphate and sulphur were ruling high in the international market. At the same time the price of phosphoric acid remained uniform as the price of phosphoric acid was negotiated by DAP manufacturers at $ 356 per MT for the year 2003-04. The concession rates worked out for the manufacturers using captive phosphoric acid were higher in comparison to manufacturers using imported phosphoric acid and were restricted at the level of concession rates applicable for DAP produced through imported phosphoric acid.

35. Department of Fertilisers has also informed that CCEA in its meeting on 15.1.2004 has approved the policy for working out concession of indigenous DAP based on the imported prices of fertilizer inputs, viz., phosphoric acid, ammonia, rock phosphate and sulphur and the prevailing exchange rates. CCEA has authorized the Department to continue the existing policy for the next three years, i.e., upto 31.3.2006.

(ii) Complex Fertilisers

36. The concession rates for complex fertilisers were derived from the concession rates of indigenous DAP and MOP till 31.3.2002. However, the Government has accepted the recommendations of Tariff Commission on the cost price study on complex fertilisers with effect from 1.4.2002. Based on the recommendations of the Tariff Commission, the complex manufacturers have been divided into two groups viz. (I) plants based on imported ammonia and those using ammonia made from indigenous gas and (II) plants using ammonia based on naphtha and fuel oil.

37. As regards the new policy for complex fertilisers, the Committee wanted to know whether the new policy encourages plants with high cost of production in group II when compared to low cost producers in group I. DOF in a written note submitted:-

> "Tariff Commission in its report on cost price study of complex fertilizers divided complex manufacturers in to two group based on the feedstock for sourcing their 'N'. Group-II consists of manufacturers of complexes using naphtha/fuel oil for nutrient 'N'. There are only three manufacturers namely FACT, MFL and GNFC in this group. The other complex manufacturing units are in Group-I. The Tariff Commission has worked out Rs.122/- as the unit cost of 'N' for Group-I units and Rs.198/- for Group-II, based on the normated cost of production of 'N'. The Department after examination of Tariff Commission recommendations put up the entire policy for working out concession to complex fertilizers before CCEA during 2002-03. After the approval of CCEA, the Department allowed Rs.119/- per unit cost of 'N' for Group-I and Rs.186/- for Group-II. The normated cost worked out by the Tariff Commission for the two groups provides for 12% post tax return, thus, none of two groups are placed at any advantageous or disadvantageous position. "

38. Wide variations exist among the maximum retail prices of different grades of complex fertilisers. On earlier occasions, the Committee have been informed that an Inter-Ministerial Group (IMG) has been constituted for rationalising the maximum retail prices of these complexes. The aim was to remove the inter-se distortions in the MRPs of the complex fertilisers based on Tariff Commission recommendations and to ensure a level playing field for the industry. In this regard, the Department of Fertilisers in their reply to an earlier recommendation of the Committee on Petroleum & Chemicals made in 41^{st} Report (13^{th} LS) had stated that the IMG had submitted its report to Government with its recommendations of rationalising MRPs of various grades of complexes and it is now seeking the approval of Cabinet Committee on Economic Affairs (CCEA) for implementing the recommendations of IMG alongwith other policy related issues in Concession Scheme for decontrolled fertilisers for 2003-04.

39. On being asked about the findings of the IMG and the CCEA approval in this regard, the DOF in a written note stated:-

> "The Inter-Ministerial Group (IMG) set up for rationalization of MRPs of complex fertilizers have examined the MRP of eleven grades of complex fertilizers and suggested decrease in the MRP in the case of four grades of complexes from Rs.40 to Rs.320 per MT and increase of Rs.80 to Rs.260 per MT in case of five grades. There was no change proposed in the MRP of two grades. The MRPs recommended by IMG are as under: -

Proposed MRPs of Various Complex Fertilizers

(Rs. per MT)

Complex Grades	**Existing MRP**	**Proposed MRP**	**Difference (Proposed MRP – Existing MRP)**
16:20:00	7100	6920	-180
20:20:00	7280	7420	140
23:23:00	8000	8080	80
28:28:00	9080	9180	100
10:26:26	8360	8300	-60
12:32:16	8480	8480	0
14:28:14	8300	8260	-40
14:35:14	8660	8920	260
15:15:15	6980	7220	240
17:17:17	8100	7780	-320
19:19:19	8300	8300	0"

40. In this context, the Department of Fertilisers further stated:-

> "The proposal for rationalization of MRPs of complex fertilizers was not put up for approval of CCEA, after considering the recommendations regarding impact of increase in MRP of certain complexes by the IMG."

(iii) Single Super Phosphate(SSP)

41. During the course of oral evidence of the officials of the Deptt., the problems faced by the SSP sector came up for discussion. The SSP sector has been suffering under a discriminatory policy environment. The maximum retail price of SSP is fixed by the respective State Governments and varies from State to State, and at present, a uniform adhoc concession of Rs. 650/ MT is being paid on SSP. But unlike DAP and other complex fertilisers wherein, the concession is adjusted on a quarterly basis to reflect the impact of various raw materials and other costs, the concession is neither linked to domestic DAP, nor there is any linkage with cost of production. Even the State Governments fail to reflect the impact of increase in production and distribution cost while fixing the selling price.

42. Various studies have shown that the sulphur deficiency of Indian soil is growing at an alarming pace and that in the absence of sulphur in the soil, productivity suffers. Though SSP has been recognized as a sulphur carrying fertiliser under the Fertiliser Control Order with 11% Sulphur, 16% P_2O_5 and other micro nutrients like calcium etc., its consumption is on the decline.

43. In a post evidence reply concerning the SSP sector it is informed that the Department of Fertilizers, after approval of CCEA, had entrusted a cost price study of SSP to the Cost Accounts Branch (CAB) of Ministry of Finance in September 2001 and CAB has submitted its report to the Department in May 2004. The CAB recommendations on S.S.P as furnished by DOF are as under:-

"(i) Representative price for the country as a whole has been recommended at Rs. 3600 per MT.

(ii) Price at $2/3^{rd}$ cut-off level of efficient production has also been worked out to Rs. 3577 per MT.

(iii) Price adjustment formula has also been given for adjustment of rock phosphate (indigenous and imported) and sulphur prices on quarterly basis. It is also recommended that adjustments in exchange rate should also be allowed if there is a variation of more than -/(-)5%.

(iv) MRP of granular SSP should be more by Rs. 215 per MT and for boronated SSP the MRP should be more by Rs. 500 per MT.

(v) Recommended for fixation of single price of SSP for the country as a whole.

(vi) The quality of SSP should be strictly enforced so that the farmers get quality product.

The report is under examination of DOF and will be implemented in consultation with Ministry of Finance. The use of SSP could be increased if the SSP is available to the farmers at the reasonable uniform price through out the country as suggested in the report."

(iv) Outstanding payment of concession

44. Under the Concession Scheme the concession is payable on sale of decontrolled P&K fertilisers. Mainly there are two stages of payment of concession – "On account payment", which is calculated with reference to the annual fertiliser-wise base rate of concession based on sales claimed by manufacturers and importers, duly certified by its statutory auditors; and second is "balance payment of concession or final settlement of claim". This is calculated at the final rate of concession announced on quarterly basis and is based on certification of sales by concerned State in which the sale took place. For SSP a uniform concession is given and the maximum retail price is fixed by the respective States. The issuance of sales certification causes delay in the payment of concession and the Committee on previous occasions have recommended that the Department should review the certification and payment process. The Committee have also been informed that an alternate scheme in place of sales certification by States is being examined in consultation with DOE and DAC.

45. In this regard the Committee desired to know the progress in finalising this new scheme replacing sales certification by the States, DOF in written note clarified as under :-

> "CCEA directed the Department in its meeting on 15.1.04 to devise a proposal of systematic revision in the existing methodology of payment of concession claims in consultation with Department of Expenditure (DOE) and Department of Agriculture & Cooperation (DAC). The Department has conceptualized a new scheme based on the data of imports, production and dispatches of fertilizer/fertilizer inputs. The new scheme is in the formative stage and the Department is consulting DAC, DOE and State Governments for the same. "

46. The Department of Fertiliser further stated:-

> "The actual payment due to each manufacturer on sale of complex fertilisers would vary based on actual sales certified by the concerned States and after adjustment of concession against quantities declared sub-standard, if any. The States of Bihar and U.P. are the two major States that are lagging behind in issuance of sales certification and balance payment of Rs.20.37 crore is awaiting sales certification from these States. The year-wise balance payment awaiting sales certification from these two States is also indicated in the table below:-

(Rs. in crore)

Company	Oct.2000-01	2001-02	2002-03	2003-04	Total
Coromandel Fertilizers Ltd.	0.03	0.00	0.01	26.08	26.12
Deepak Fertilizers	0.00	0.00	0.00	1.10	1.10
FACT	0.00	0.00	0.00	9.77	9.77
Godavari Fertilizers	0.17	0.76	0.00	2.67	3.60
GNVFC	0.00	0.00	0.00	1.43	1.43
GSFC	0.00	0.00	0.11	0.29	0.40
Hindalco	0.00	0.00	0.03	0.62	0.65
Tata Chemicals	0.03	0.21	0.49	4.72	5.45
IFFCO	2.15	0.92	0.06	11.98	15.11
Mangalore Chemicals & Fertilizers Ltd.	0.00	0.00	0.00	0.06	0.06
MFL	0.00	0.01	0.00	8.83	8.84
PPL	0.06	0.39	0.02	6.78	7.25
RCF	0.86	0.39	0.07	11.15	12.47
SPIC	0.00	0.00	0.00	0.16	0.16
ZIL	0.00	0.00	0.00	6.11	6.11
Total	3.30	2.68	0.79	91.75	98.52
Bihar	3.21	2.67	0.62	0.89	7.39
U.P.	0.00	0.00	0.00	12.98	12.98"

(b) Fertiliser Subsidy (Major Head `2852')

47. For sustained agricultural growth and to promote balanced nutrient application, it is imperative that fertilisers are made available to farmers at affordable price. With this objective, urea being the only controlled fertiliser, is sold at statutorily notified uniform sales price, and decontrolled phosphatic and potassic fertilisers are sold at indicative maximum retail prices (MRPs).

48. Until 31.3.2003, the subsidy to urea manufacturers was being regulated in terms of the provisions of the erstwhile Retention Price cum Subsidy Scheme (RPS). Under RPS, the difference between retention price (cost of production as assessed by the Government plus 12% post tax return on net worth) and the statutorily notified sale price was paid as subsidy to urea units. Retention price used to be determined unitwise, which differed from unit to unit depending upon the technology, feedstock used, the level of capacity utilisation, energy consumption, distance from the source of feedstock/ raw materials, etc. Though the RPS did achieve its objective of increasing investment in the fertiliser industry by creating new capacities, enhancing fertiliser production and increasing use of chemical fertiliser, the scheme had been criticised for being cost plus in nature and not providing strong incentives for encouraging efficiency. So on the basis of the recommendations of a High Powered Fertiliser Pricing Policy Review Committee under the Chairmanship of Prof. C.H. Hanumantha Rao and the recommendations of Expenditure Reduction Committee, a New Pricing Scheme (NPS) for urea units replacing the RPS was formulated and notified on 30.1.2003. The new scheme has taken effect from 1.4.2003.

49. The following table shows the fertiliser subsidy provided during 2003-04 and 2004-05 under the demands of Department of Fertilisers:-

(Rs. in crore)

	2003-04 B.E.	**2003-04 R.E.**	**2003-04 Actuals**	**2004-05 B.E.**
Nitrogenous fertilisers (N) (Under RPS)	6582.00	7136.55	7518.00	6966.15
Payment under fertiliser freight subsidy scheme	923.00	923.00	923.00	1047.00
Payment on account of interest and custom duty concessions to new and recently commissioned fertiliser units	50.00	80.00	80.00	130.00
Total	**7555.00**	**8139.55**	**8521.00**	**8143.15**

50. As against the revised Estimates of Rs. 8139.55 crore in 2003-04, the actual subsidy paid on indigenous urea has been Rs. 8521.00 crore. Giving reasons for this hike, DOF has stated that Actual requirement of funds projected by the Department of Fertilizers for RE 2003-04 was Rs. 9393.13 crores which included Rs. 1836.03 crores of carry over liability from 2002-03 on account of implementation of 7th and 8th pricing parameters and escalations in the prices of feedstock and fuel. However, due to funds constraints, Government initially allocated only Rs. 8139.55 crores under RE which was subsequently raised to Rs. 8521.00 crores by means of re-appropriation. The actual expenditure during 2003-04 was therefore restricted to Rs. 8521.00 crore.

51. Subsidies given to the fertiliser industry has become a subject of debate in the recent past. One perception is that subsidies cater to inefficient production and the benefits do not trickle down to the farmers. On the other hand, since

urea is made available to all farmers at statutorily notified Maximum Retail Price (MRP) and the cost of production is generally higher than the notified sale price, the benefit of subsidy is passed on to the farmers in the form of low sale price in comparison to cost of production of urea. Payment of subsidy to urea manufacturing units is only a mechanism for making available fertilisers to farmers at subsidised selling prices.

52. The average net subsidy borne by the Government on each tonne of urea sold for agricultural use during the last 10 years is as under:

(Rs. per tonne)

Year	**Weighted average retention price/rate of concession**	**Weighted average equated freight**	**Dealer's distribution margin**	**Total (2+3+4)**	**MRP**	**Average subsidy on every tonne of urea (5) - (6)**
1	2	3	4	5	6	7
1994-95	5297	343	130	5770	3320	2450
1995-96	5369	350	130	5849	3320	2529
1996-97	5584	364	130	6078	3320	2758
1997-98	6766	375	130	7271	3660	3611
1998-99	7485	396	130	8011	3660	4351
1999-00 (upto 29/2/2000)	8326	415	180	8921	4000	4921
1999-00 (From 1/3/2000)	8326	415	180	8921	4600	4321
2000-01	8050	446	180	8676	4830	3846
2001-02 (upto 27/2/2002)	8194	462	180	8836	4600	4236
2001-02 (From 28/2/2002)	8194	462	180	8836	4830	4006
2002-03 (upto 27/2/2003)	8344	474	180	8998	4830	4168
2002-03 (From 28/2/2003)	8344	474	180	8998	5070	3928
2002-03 (From 12/3/2003)	8344	474	180	8998	4830	4168
2003-04	8675	448	180	9303	4830	4473

53. In regard to the W.T.O. compatibility of fertiliser subsidy, DOF in a written note clarified:-

> **"**The subsidy/concession schemes on fertilizers in India are protected by the Agreement on Agriculture which allows continuance of non product support to agriculture provided, as stated in Article 6 of the agreement, the total Aggregate Measure Support (AMS) does not exceed the corresponding annual or final bound commitment levels specified in paragraph 4 of Members Schedule of the Agreement. According to this for developing country members, the subsidy should be under the de minimise level of 10%. In India, the domestic support for fertilizers is within the prescribed de minimis level. Moreover, paragraph 2 of Article 6 of Agreement on Agriculture which provides that subsidy on Agriculture inputs available to low income or resource poor producers in developing countries is exempted from inclusion in the AMS. Further, these subsidies are also not counter violable as clearly stated in Article 13 of the Agreement on Agriculture. The subsidy to the farmers is routed through the fertilizer industry as the country does not have the requisite infrastructure to support the administrative mechanism to provide subsidy to each farmer as more than 90% of the land holdings in the country are with marginal/small and semi-medium farmers. Therefore, the beneficiaries of the subsidy are primarily the "resource poor" farmers."

54. Government of India, during 2004-05 has made a provision of Rs. 43515.90 crore towards expenditure on subsidies of all counts. Out of this, fertiliser subsidy accounts for Rs. 12662.15 crore i.e. the share of subsidy on fertilisers is 29% of the subsidies on all counts.

(i) New Pricing Scheme (NPS)

55. New Pricing Scheme (NPS) for urea units was formulated with a view to replace the cost plus and unit specific Retention Price Scheme (RPS), which was in vogue since 1977. The aim of the NPS is to ensure greater uniformity, transparency and efficiency in disbursement of subsidy to urea units and inducing them to take cost reduction measures on their own to be competitive.

56. NPS is being implemented in stages. Implemented on 1.4.2003, NPS has completed its first stage. The second stage, which has started on 1.4.2004 will last for two years. The modalities of the subsequent stages will be decided after a review of the first two stages.

57. Under NPS the conversion cost and fixed cost have been frozen. Further, capital related charges have been reduced w.e.f. 1.4.2004 in respect of some urea units. Efficiency related pre-set energy norms have also been notified, which have become effective from 1.4.2004.

58. There are many incentives under NPS, such as, while there would not be any reimbursement of the investment by a unit for improvement in operations, the gains made by urea units as a result of operational efficiency will not be mopped up. Further more, under NPS there is no capping on production of urea. The urea units are permitted to use or sell the by-products such as ammonia, CO2 etc.

59. All these steps have induced urea units to effect cost reduction measures and to improve their energy efficiency. Further, subsidy disbursement has been simplified as NPS provides for adjustment in rates of concession on account of escalation/de-escalation in the variable cost only related to changes in the price of feedstock, fuel, purchased power and water.

60. On being asked about the financial impact of NPS on urea units in the first phase, DOF in a written reply submitted:-

> "Under NPS, rates of concession for urea units in each group have been determined on the basis of averaging of retention prices as on 31.3.2003. Units having exceptionally high or low retention price i.e. deviation of 20% and above with reference to group average have been treated as outliers in their respective groups. Those units which have lower retention price than the weighted group average are to get the concession as per their individual retention price. The remaining units (excluding outliers) are to get the concession based upon the weighted group average retention price. Outliers have been given special treatment by way of

structural adjustment which is 50% of the difference between their respective retention price and the group average.

There were some urea units whose retention price was substantially higher than the group weighted average resulting in reduction of subsidy payable to them. However, it is expected that these units would be induced to take measures to reduce cost of production and improve energy efficiency under NPS to become competitive. "

61. DOF also stated that there is no threat of closure of any urea units on account of NPS and none of the units has closed down due to un-viability. According to them, following urea units have either closed down or suspended their urea production even before the commencement of NPS due to various other reasons which are stated below :

Name of the Unit	**Reassessed Capacity of Urea (MT)**	**Status**
RCF, Trombay-V	330,000	Urea operations suspended due to non-availability of gas. Produced 38,859 MT during 2001-02, 20,832 MT during 2002-03 and 17,372 MT during 2003-04.
FACT-Cochin	330,000	Urea operations suspended since June, 2001 due to technical problems. During the last quarter of 2002-03, the unit was operated for a very short duration but unable to continue operations due to technical problems and remains closed since then.
DUNCANS-Kanpur	722,700	Urea operations suspended since April, 2002 due to internal decision of the management.
FCI-Sindri	330,000	Closed as per Government decision with effect from 1.4.2002.
NLC-Neyveli	153,450	Closed by the company with effect from 31.1.2002.
Total	**18,66,150**	

62. On being further enquired by the Committee about the level of achievement of the cost reduction measures and competitiveness of urea units under the new scheme of Pricing, DOF replied as under:-

> "Due to increased level of energy efficiency and production, there has been a general improvement in the profits of various urea units during 2003-04 as compared to the preceding year. For example, RCF made net profit of Rs.167.79 crore during 2003-04 as against net loss of Rs.48.07 crore during 2002-03; KRIBHCO made a net profit of Rs.152.70 crore during 2003-04 as compared to net profit of Rs.34.01 crore made during 2002-03; GSFC made a net profit of Rs.174.27 crore during 2003-04 as against a net loss of Rs.390.84 crore incurred during 2002-03; GNVFC made a net profit of Rs.116.91 crore during 2003-04 as against net profit of Rs.84.72 crore during 2002-03; NFL made a net profit of Rs.85.04 crore during 2003-04 as against net profit of Rs.286.27 crore made during 2002-03 which included the impact of Rs.475.78 crore on account of subsidy arrears of 7^{th} & 8^{th} pricing period; and IFFCO made a net profit of Rs.329.67 crore during 2003-04 against net profit of Rs.557.21 crore made during 2002-03 that included the impact of Rs.570.75 crore on account of subsidy arrears of 7^{th} & 8^{th} pricing period.
>
> Improvement in the profits of urea units during 2003-04 has been achieved on account of energy efficiency, cost cutting measures etc.
>
> During Stage-I, it has also been observed that a number of urea units have actually improved their energy efficiency. For example, the energy consumption per MT of urea has gone down during 2003-04 compared to the previous year from 6.11 Mkcal to 5.86 Mkcal in Kribhco, from 7.05 Mkcal to 6.57 Mkcal in RCF, Thal, from 5.96 Mkcal to 5.86 Mkcal in NFL, Vijaipur and from 5.54 Mkcal to 5.35 Mkcal in Indo Gulf."

(ii) Distribution Decontrol

63. Under the New Pricing Scheme, the allocation of urea under the Essential Commodities Act. 1955 (ECA) during the year 2003-04 was restricted upto 75% and 50% of reassessed installed capacity of each unit in Kharif 2003 and Rabi 2003-04 respectively. The remaining urea production was available to the manufacturers for sale to the farmers at Maximum Retail Price (MRP) anywhere in the country. The Department of Fertilisers (DOF) had the authority to make suitable adjustments in view of demand and supply positions in the ECA allocation.

64. With regard to partial decontrol of the distribution of urea, the Committee wanted to know whether the Department has assessed the movement trend of decontrolled quantities of urea for the Kharif 2003 and Rabi 2003-04, season to ensure availability of urea, especially in deficit states. In their response, DOF submitted that a review of despatches of deregulated urea by manufacturers during Kharif and Rabi seasons in 2003-04 reveals that about 58% in Kharif 2003 and 55% in Rabi 2003-04 were despatched to the States where the plants are located (i.e. Home State). About 6% of dispatches of deregulated urea in Kharif 2003 and 4% in Rabi 2003-04 were made to far flung States like Bihar, Jharkhand, Orissa, West Bengal, Assam, Chhattisgarh, Uttaranchal, Haryana and J&K. The remaining despatches were made to the neighbouring States.

65. The annual requirement of urea of Eastern States namely Bihar, Jharkhand, Orissa and West Bengal, all the North-Eastern States namely, Assam, Tripura, Manipur, Meghalaya, Nagaland, Arunachal Pradesh, Sikkim and Mizoram and Uttaranchal, Himachal Pradesh, J&K and Chhattisgarh accounts for about 18 to 19% of the total requirement of the country. In view of the trend of dispatches of deregulated urea by manufacturers in 2003-04, the allocation of urea under Essential Commodities Act. to the above mentioned States varied from 90 to 100% in order to meet the entire requirement of these States.

66. Despite wide spread demand of urea during the peak months of Kharif and Rabi season of 2003-04 due to favourable and wide spread monsoon, there were no shortages of urea anywhere in the country and timely availability of urea to all States was ensured.

67. The DAC after holding discussion with the State Governments had proposed that the present arrangement of 50% deregulated regime may stay for Kharif 2004 season also.

68. Keeping in view the despatches of deregulated urea by manufacturers during the year 2003-04 and the recommendation of the DAC, the distribution of urea which was to be completely decontrolled with effect from 1st April, 2004 was deferred and the existing system of ECA allocation upto 50% of installed capacity for each unit is being continued for Kharif 2004 season also. During the year 2003-04, no special movement order for urea was issued, as availability of urea all over the country was very satisfactory.

(iii) Sale/ Export of Surplus Urea

69. Excess of urea produced beyond ECA allocation is available to the manufacturers for sale to the farmers at MRP anywhere in the country or for sale to complex manufacturing units or for export. During the year 2002-03, 18,745.00 MT urea and during 2003-04, 63371.00 MT urea were exported to Nepal by IFFCO, Tata Chemicals Limited, National Fertilisers Ltd. and Indo Gulf Fertilisers. The sale of urea by manufacturers to complex manufacturers during the year 2002-03 is 1,12,910 MT. During the year 2003-04 the sale of urea to complex manufacturers has increased to 2,06,166 MT.

70. On being asked about the nuances of linking the realisation of the manufacturers of surplus urea to Import Parity Prices (IMPP) of urea, the DOF in a written note clarified:-

> "Production by the urea units up to the extent of 100% reassessed capacity and use for sale to farmers is governed by the group concession scheme only under the New Pricing Policy and is not linked to the Import Parity Price. However, in case of sale of urea for purposes other than farmers such as sale for the manufacture of complexes, sale for export purposes etc., and sale of production beyond 100% of reassessed capacity to the government for agricultural purposes in lieu of imports, the realization for such sale is governed by the principle of import parity and the net gains to the urea manufacturers in this case are shared with the Government as follows:

Sale of urea upto 100% of the reassessed capacity:

(i) The urea units are required to supply urea up to 100% of their reassessed capacity for sale to farmers. However, keeping in view the demand supply position in the country, the units can supply urea from the deregulated quantity, to complex manufacturing units or undertake to export, on the principle of Import Parity Price, with the prior approval of Department of Fertilisers.

(ii) The net gain (net sales realization minus the applicable group concession rate of the unit including the sales tax on inputs) will be shared equally by the Government and the unit.

Sale of urea beyond 100% of the reassessed capacity:

(i) The units will be allowed to sell urea in excess of 100% of reassessed capacity to manufacturers of complex fertilizers, export and also supply to the government against import requirement from time to time, on the principle of Import Parity Price, with the prior approval of the Department of fertilizers.

(ii) The net gain (net sales realization minus variable cost including sales tax on inputs) will be shared by the Government and the unit in the ratio of 65:35 respectively. "

(c) Loans and Investments in PSUs (Major Head `6855', '4855' and '4552')

71. Major Head '6855' is used for making loans to PSUs under plan and Non-Plan expenditure. An amount of Rs. 91.47 crores has been proposed for 2004-2005 out of which Rs. 63.32 crore is under Plan loans and Rs. 28.15 crore for Non-Plan loans. The Non-Plan loan contains Rs. 28.12 crores to BVFCL and token provision of Rs. 1.00 lakh each for HFC, FCI and PPCL.

72. The following are the details of actuals on Plan and Non-Plan loans for 2002-03, Revised Estimates for 2003-2004 and Budget Estimates for 2004-2005:-

(Rs. in crore)

	2002-03 Actuals	**2003-04 B.E.**	**2003-04 R.E.**	**2004-05 B.E.**
Plan Loans	178.32	150.25	150.25	63.32
Non-Plan Loans	1008.74	217.72	268.65	28.15
Total	**1187.06**	**367.97**	**418.9**	**91.47**

73. The PSU-wise details of loans and advances provided in the Budget 2004-05 are as below:-

(Rs in crore)

Undertaking	B.E 2004-05 (Plan)	BE 2004-05 (Non plan)	Total
F C I		0.01	0.01
F A C T	10.14	-	10.14
H F C	-	0.01	0.01
P D I L	-	-	-
M F L	12.68	-	12.68
P P C L	-	0.01	0.01
B V F C L	40.50	28.12	68.62
Total	**63.32**	**28.15**	**91.47**

74. Department of Fertilsers has stated that plan loans are given for carrying out capital expenditure whereas non-plan loans are intended to enable the companies to meet the shortfall in resources. FCI and HFC are sick companies having been referred to BIFR under SICA. PPCL has stopped its activities.

75. An amount of Rs. 26.50 crores has been allocated as plan investment in BVFCL under **Head '4855'**. There is an allocation of Rs. 14 crores as lumpsum provision for projects/ schemes for the benefit of north-eastern region and Sikkim (**Head '4552'**).

76. On being queried by the Committee about the reasons for wide variations on Plan and Non-Plan provisions in RE 2003-04 and BE 2004-05, DOF in a note submitted as follows:-

> "The allocation of plan loans for public sector undertaking in the RE 2003-04 was Rs.150.25 crore whereas the same has been reduced to Rs.63.32 crore in the BE 2004-05 on account of the reason that Government has closed down FCI, HFC, PPCL and some of the units/divisions of PDIL. Since FCI, HFC and PPCL have been closed down by GOI, no plan loan/non-plan loan provision has been provided for them in the BE 2004-05. Similarly, the non plan loan provision in BE 2004-05 has been reduced to Rs.28.15 crore from Rs.268.65 crore in RE 2003-04. It is

mentioned that in the RE 2003-04, provision was made for releasing non plan assistance to HFC, FCI, PPCL, PDIL and FACT for meeting the requirement of funds for implementation of VRS/VSS for their employees. This has caused wide variations of plan/non-plan provisions in RE 2003-04 and BE 2004-05."

77. Out of Rs. 63.32 crore provided as plan loans to PSUs Rs. 40.50 crore is earmarked for rehabilitation/ revamp of Namrup unit of HFC now known as BVFCL. Rs. 14 crore separately provided for North-Eastern region is also given to BVFCL. Regarding this DOF has informed that the approved completion cost of the Namrup Revamp Project is Rs. 525.47 crore with Project completion by Febraury, 2002. But the completion of the revamp of Namrup-II unit of BVFC has been delayed and is now expected by 1.10.2004. Up to end May 2004, overall physical progress of the Namrup Revamp Project has been 92.80% and cumulative expenditure of Rs.434.16 crore has been incurred. DOF further added as follows:-

"Following time overrun of 31 months in overall project completion, the estimated project completion cost has been revised by BVFC to Rs.599.84 crore and submitted to the Government for approval. The increase in project cost of Rs.74.37 crore is mainly attributable to the time overrun, changes in project scope (additional facilities) and losses during extended completion schedule of Namrup-II. "

(i) Fertilizers & Chemicals Travancore Limited (FACT) and Madras Fetilizers Limited (MFL)

78. As per DOF sources, at present only two PSUs namely FACT and MFL are facing financial difficulties. The details of their financial difficulties and steps taken

or proposed to be taken by the Government to overcome their financial crisis are given in a written note as under:-

"FACT: The company has been incurring losses mainly on account of the following reasons :

(i) High cost of Ammonia production (use of Naphtha as feedstock, transporting Ammonia by barge).
(ii) High interest and loan repayment liabilities.
(iii) Reduced profits from Caprolactam and Ammonium Sulphate. Ammonium Sulphate is a co-product, which is low in nutrients as compared with urea, hence, price realization is not adequate.
(iv) Inadequate compensation for Factamfos (20:20) under Price Concession Scheme.
(v) Surplus manpower and inflationary trend of naphtha prices.

(vi) High incidence of Sales Tax and Entry Tax levied by the State Government of Kerala.

With a view to enable the company to meet its requirement for undertaking essential renewals/replacements in the plants and to voluntary retirement scheme, GOI has been granting budgetary support to the company. The details of the budgetary support provided by GOI during the last five years are given below :

(Rs. crore)

Year	Plan loan	Non-plan loan
1999-00	35.00	--
2000-01	40.00	--
2001-02	25.00	--
2002-03	19.00	--
2003-04	17.26	60.00

Considering poor financial performance of FACT, the Government in March, 2002 had waived outstanding interest of Rs.226.88 crore along with penal interest of Rs.13.59 as on 31.3.2002 on the Government loans availed by the company. Again in October, 2003, the Government waived outstanding interest of Rs.87.80 crore along with penal interest of Rs.0.58 crore on the Government loans as on 31.3.2003, reduced the rate of interest on the loans to 7% w.e.f. 1.4.2003 along with moratorium on principal and interest repayments up to 31.3.2004 and also extended a non-plan loan of Rs.60 crore in 2003-04 for implementing voluntary retirement scheme through which about 940 employees have been reduced from the rolls of the company to for finalising a third and long term financial restructuring package for revival of FACT. The Union Government has also been pursuing with the Government of Kerala certain concessions such as waiver of entry tax, reduction of sales tax on FO/LSHS, reduction in power tariff and reduction in land lease rent sought by FACT, which would improve its financial condition.

MFL : The company has been incurring losses mainly on account of the following reasons :

- The company has become non-viable under the New Pricing Scheme put in place with effect from 1.4.2003 on account of high price of naphtha being used as the feedstock.
- Compensation for energy on the basis of specific consumption norm of Group and not on the basis of notified consumption norms of MFL.
- Inadequate compensation for depreciation on investment made in Revamp in New Group Pricing Scheme.
- Inadequate compensation for cost of 'N' in price structure of complex fertilizers.
- Shortage of working capital contributed to loss of production of complex fertilizers.
- Poor monsoon in southern states, low sales, high inventory etc.

With a view to enable the company to meet its requirement for undertaking essential renewals/replacements in the plants, GOI has been granting budgetary support to the company. The details of the budgetary support provided by GOI during the last five years are given below :

(Rs. crore)

Year	Plan loan	Non-plan loan
1999-00	20.00	--
2000-01	20.24	--
2001-02	21.00	--
2002-03	15.00	--
2003-04	14.00	7.44

In addition, the Government in July, 2002 had written off interest of Rs.65.00 crore on GOI loan as on 31.3.2002. Again in July, 2003, the Government waived interest and penal interest of Rs.89.23 crore on GOI loans as on 31.3.2003 and reduced rate of interest on the loans to 7% per annum with effect from 1.4.2003. Further, Government is finalising a third and long term financial restructuring package for revival of MFL."

79. During the course of the oral evidence, when the Committee desired to know what concrete steps are proposed to be taken by the Government to revive FACT and MFL in near future, the CMD, FACT stated as follows: -

> "The very fact is that the Hon. Minister of State visited both MFL and FACT immediately after the new Government was formed. He himself studied the units. The Chartered Accountant studied the units at length and he has requested the FA also to go into the position. She has also visited both the units. They have done an extensive study and have identified various areas of concern and weaknesses as to what we need to do. I can tell you that we are working on the right direction and these two units are being taken care of.
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> ………………………………………………………………………………………
> ………………………………………………………………………………………
>
> A High Powered Committee in the Ministry is working on the revival of FACT. It is proceeding in the right direction and I am confident that it will be revived."

(ii) Projects and Development India Ltd. (PDIL)

80. As far as another public sector unit, Projects and Development India Ltd. (PDIL) is concerned, Government had approved a revival package on 29.4.2003 which inter-alia envisaged writing off of GOI loans and other liabilities amounting to Rs. 271.69 crore. The revival package approved by the Government and sanctioned by the BIFR is under implementation. Consequently the company has now posted a profit of Rs. 8.05 crore in the year 2003-04.

81. PDIL has a design engineering and consultancy service unit, a research and development division and fabrication workshop of equipment and vessels in the field of design engineering, technical procurement, supervision, construction and commissioning etc. The company is also engaged in the manufacture of catalyst for the fertiliser industry.

82. The Government has been releasing grants- in-aid to the tune of Rs. 4.00 crore per annum to PDIL for undertaking R&D programmes by its Research and Development Division located at Sindri. But since the revival package for PDIL

inter-alia envisaged closure of R&D division of the company and offer VRS/VSS to its employees, the provision of Rs. 4.00 crore in B.E. 2003-04 has been slashed down to Rs. 66 lakhs in the revised estimate. Moreover, since the Government of India had already decided on 29.4.03 to close down the Research and Development Division of PDIL, no allocation was made for PDIL for undertaking R&D programmes in the B.E. 2004-05.

83. As per a written note submitted by DOF, the following R&D projects were undertaken by PDIL during 2003-04.

(i) Nitrogen use efficiency of Nitrogenous fertilizers.
(ii) Waste water stabilizer for bio-diversity.
(iii) Studies on evaluation of NO_X emission factor for combustion sources in the fertilizer industry.
(iv) Prediction of remaining creep life of reformer tube in different furnace sections by automatic ultrasonic scanning data from various plants.
(v) Metallographic studies on cast reformer tube alloy.
(vi) Development of a formulation for improvement in mechanical strength of urea prills.
(vii) Development of corrosion zoning Map with respect to physico-chemical characteristics of the soil for underground structures.
(viii) Development of catalyst for steam-naphtha reforming process.
(ix) Development of process for wash coating zeolite based denox catalyst on ceramic honey comb monolith block.
(x) Development of zinc oxide catalyst with respect to its attirition and absorption capacity.
(xi) An energy efficient vanadium pentoxide catalyst for sulphuric acid."

84. The company has spent the entire funds of Rs.66.00 lakh released by the Government in 2003-04 for undertaking these R&D Projects. Moreover, the outcome of these research projects are being shared with the industry through the Fertiliser Association of India.

85. The Committee find that the budgetary provisions of the Department of Fertilisers for the year 2004-05 is Rs.13294.17 crore and the net requirement after adjusting the recoveries on sale of imported urea is Rs. 12828.17 crore. Out of the above net requirement, the Non-Plan component is Rs. 12698.00 crore which is more than 98% of the total budget. In the Revised Estimates of 2003-04, total Non-Plan expenditure was pegged at Rs. 12073.00 crore. This shows an enhancement of Rs. 615.00 crore in 2004-05 in Non-Plan Budget. In the current year total subsidy outlay both for indigenous, imported fertilisers and concessional sale of decontrolled fertilisers together is estimated at Rs. 12662.15 crore which is more than 99% of the total net Non-Plan budget provisions of the Department of Fertilisers. The higher expected outgo on account of payment to manufacturers/agencies for concessional sale of decontrolled fertilisers has been cited as reason by the Department of Fertilisers for the enhanced gross requirement for the year 2004-05. The Committee also find that the Non-Plan loans to PSUs has been kept at Rs. 28.15 crore in the BE of 2004-05, whereas it was Rs. 268.65 crore in the RE of 2003-04. Provision under Plan schemes for investments and loans to PSUs too has come down to Rs. 130.17 crore in BE 2004-05 from Rs. 197.00 crore in the Revised Estimates for 2003-04. This is on account of the closure of some of the urea units and the restricted outlay due to the pending disinvestment proposal with regard to some other units. The Committee hope that the Ministry would contain the expenditure for the year within the sanctioned Budget of the Ministry and the Committee endorse Demands for Grants of the Department of Fertilisers for the year 2004-05.

(Recommendation No. 5)

86. From the figures of actual sale of Di-ammonium Phosphate (DAP), Muriate of Potash(MOP) and Complexes in the country, the Committee find that the consumption of decontrolled fertilisers have started showing stagnation. In their 41st Report (13th Lok Sabha) also, the Committee had expressed concern over decreasing consumption of these fertilisers. During evidence, the Committee were informed that non-increase in cultivable land, optimum exploitation of soil potential, erratic monsoon and non-addition of irrigation facilities etc. are the main reasons for stagnation in the use of fertilisers in the country. However, the Committee feel that this stagnation in consumption of fertilisers is also due to rise in the prices of fertilisers and decrease in the prices of agricultural products. The Committee, therefore, would like the Department to make an assessment of the real cause behind the problem. They desire that the Department of Fertilisers in collaboration with the Ministry of Agriculture should look into the aspects of easy affordability of fertilisers, awareness among farmers regarding the need for ideal consumption for optimum output and the implications of the policy environment in the phosphatic and potassic sector. Moreover, the Committee feel that it is high time to make realistic assessments regarding the expected consumption of these fertilisers to bring down the gap between the budget estimates and actual expenditure on payment for concessional sale of decontrolled fertilisers.

(Recommendation No. 6)

87. The Committee find that the Department has adopted two group policy for working out the concession on DAP from 1.4.2003. Plants in the group-I use indigenous phosphoric acid made out of imported raw materials namely rock phosphate and sulphur, whereas group-II units use imported phosphoric acid as such for the production of DAP. 62% of DAP productions in the country is based on imported phosphoric acid and 38% on indigenous phosphoric acid. The normative delivered price recommended by the Tariff Commission for group-I was lower than the

normative delivered price recommended for group-II. Even the base rate announced for 2003-04 w.e.f. 1.4.2004 shows a lower price of Rs. 2120/MT for group-I when compared to Rs. 2635/MT for group-II. But in 2003-04, the prices of rock phosphate and sulphur were ruling high in the international market, whereas the phosphoric acid prices remained uniform at $356/MT. Therefore, the Committee recommend that the Department should work out a judicious mix of indigenous and imported phosphoric acid based production of DAP for meeting the requirement of phosphatic fertilisers in the country. In view of the inadequate availability of basic raw materials viz. phosphoric acid, rock phosphate and sulphur for the production of phosphatic fertilisers, the Committee also recommend that the fertiliser companies should set up more joint ventures in countries where these raw materials are available in plenty. They desire that the Government should give necessary incentives for such ventures.

(Recommendation No. 7)

88. For the production of Complexes the Committee find that the plants in group – I use imported ammonia and ammonia made from indigenous gas. Manufacturers using ammonia made out of naphtha/ fuel oil, are clubbed together in group-II. While working out the concessions, plants in group-II get a substantially higher mileage to compensate their higher feedstock cost. Concessions received by group-I are much lower. Group -I plants are further put to disadvantage by disallowing the handling costs of Ammonia and the higher cost of `N' from imported urea. The Committee feel that instead of encouraging low cost production, such producers are penalised by treating them at par with high cost producers of complex fertilisers. This does not seem to go well with the concept of making the industry cost-competitive. Therefore, the Committee desire that the Department of Fertilisers should encourage low cost producers by giving them incentives, while compensating the higher band producers to the extent that the units do not turn financially unviable.

(Recommendation No. 8)

89. The Committee were informed last year that DOF was rationalising the MRPs of these complexes based on Tariff Commission Report. From 1.4.2003, the Concession rates of complexes are being worked out on the basis of normative cost of production. The Committee also find that the Inter-Ministerial Group (IMG) constituted on 19.12.2002, for rationalization of MRPs of complexes has submitted its report. IMG had examined various alternatives for adopting a scientific and rational methodology for working out the MRPs so that inter-se distortions are minimised. But the Committee find that in the proposed MRP the minimum for N:P:K complex fertilisers is Rs. 6920 /MT whereas the maximum is Rs. 9180/MT which shows a variation of Rs. 2260/MT between different grades of complexes. The Committee strongly feel that the decisions should aim at encouraging the use of phosphate and potash vis-à-vis nitrogen by the farmers, so that the ideal N:P:K ratio of 4:2:1 can be achieved. The Department should not delay the process of assessing the impact of the IMG recommendations regarding the rationalisation of MRPs of complexes. The Committee also desire that DOF should finalise other policy related issues in the decontrolled fertiliser sector.

(Recommendation No. 9)

90. The Committee observe that Single Super Phosphate (SSP) is recognised as a poor man's fertiliser which contains important elements like sulphur and calcium alongwith phosphate nutrient. The role of sulphur in enhancing the productivity of the soil is recognised as an essential nutrient for fertilising the soil especially for the oilseed crops. However, the SSP consumption has been suffering due to erratic policies. Unlike other decontrolled fertilisers, the MRP of SSP is fixed by State Governments. The Committee regret to note that the cost of production of SSP has been neglected over the years both in fixing MRPs and in calculating the ad hoc

concessions. They strongly feel that in the larger interest of the Indian agriculture sector, the importance of SSP needs to be recognised. Otherwise the already high closure rate of SSP units due to financial constraints would further affect the SSP sector adversely. Therefore, the Committee desire that the recommendations of the Cost Accounts Branch (CAB) of the Ministry of Finance be implemented at the earliest so that the industry is saved and quality SSP is made available to the farmers at reasonable prices throughout the country.

(Recommendation No. 10)

91. The Committee in its 41st and 44th Reports (13th Lok Sabha) had expressed concern over the callous approach of the State Governments in issuing sales certificates which ultimately delays the payment of concession to the units. The Committee find that the Department had tried to expedite the payment of dues to urea units and the outstanding has come down to Rs. 98.52 crore. The Committee over the years have taken note of the difficult experience the producers of DAP/ complexes have undergone under the system of certifications by States. This state of affairs should not be allowed to continue. Therefore, the Committee urge upon DOF to expedite working out the details of the new scheme which should replace certification by States. This new scheme should be based on the data of imports, productions and despatches of fertiliser/ fertiliser inputs. The Committee also desire that the consultations with Department of Agriculture and Cooperation(DAC), DOE and State Governments be completed with the urgency they deserve so that the new scheme in lieu of existing methodology can be implemented at the earliest.

(Recommendation No. 11)

92. The Committee find that the average net subsidy borne by the Government on each tonne of urea sold for agricultural use has increased from Rs. 2450.00 in 1994-95 to Rs. 4473.00 in 2003-04. Still the resource poor medium and marginal farmers find it difficult to purchase the needed fertilisers at affordable prices. The Ministry has argued that the subsidy to the farmers is routed through the fertiliser industry as the country does not have the requisite infrastructure to support the administrative mechanism to provide subsidy to each farmer as more than 90% of the land holdings in the country are with marginal/ small and semi-medium farmers. However, the Committee feel that the Government should explore the possibility of disbursing the subsidy on fertilisers directly to the farmers. The mode of distribution of subsidy may be worked out by roping in the banking system which already has an extensive rural network.

(Recommendation No. 12)

93. In urea units the erstwhile subsidy regime based on unit-wise Retention Pricing Scheme has given way to group based New Pricing Scheme from 1.4.2003. Under NPS, all policy parameters for determination of concession rates upto the end of Stage-II of NPS i.e. 31.3.2006, have already been made known to all the urea manufacturing units in advance. The rates of concession worked out under NPS are based on the averaging of the retention price of all urea units in each group as on 31.3.2003. Escalation, de-escalation in the variable cost, related to changes in the price of feedstock, fuel, purchased power and water is provided under NPS. Units having exceptionally high or low retention price i.e. deviation of 20% and above with reference to group average have been treated as outliers in their respective groups. Those units which have lower retention price than the weighted group average are to get the concession as per their individual retention price. The remaining units (excluding outliers) are to get the concession based upon the weighted group average retention price.

Outliers have been given special treatment by way of structural adjustment which is 50% of the difference between their respective retention price and the group average. It is also stated by DOF that due to increased energy efficiency and production there has been a general improvement in the profits of various urea units during 2003-04, as compared to the preceding years. But the Committee are not that optimistic about the health of our urea units under the New Pricing Scheme. Industry reports show that the finances of some of the units would be under severe strain due to reduced post tax returns on net worth, tightening of energy norms during stage-II on efficiency consideration and reduction in concession during Stage-II due to reduction in capital related charges. The Committee recommend that the DOF should find solutions to the existing problems in a way that would help the industry to face the new challenges and exploit the new opportunities.

(Recommendation No. 13)

94. The Government has taken 25% of urea production out of movement control for six months from 1.4.2003 and 50% of urea distribution was decontrolled from 1.10.2003. From the movement trend of deregulated urea, it is observed that about 56.5% of despatches are made to the home States of fertilisers plants and only 5% has been sent to far flung North Eastern States, Uttaranchal, Himachal Pradesh, Jammu & Kashmir and Chattisgarh. In fact these states account for about 18 to 19% of the total requirement of the country. To meet the requirement, ECA allocation to these states had to be kept between 90 to 100% during Kharif 2003 and Rabi 2003-04. Keeping in view the despatch trend, a decision was taken to continue with only 50% deregulation of distributions instead of going for full decontrol from 1st April 2004 onwards. The Committee feel that the North-East region and Central India are very much deprived of fertiliser production as the location of fertiliser plants is highly skewed in favour of Western and Northern regions. Moreover, the high cost of feeding the Central, Eastern and North-East areas

will prevent fertiliser units from sending stock to these areas, which has been highlighted in the movement trend of 2003-04. The Committee apprehend that in the event of total decontrol, shortage of fertilisers in certain pockets would aggravate leading to further distortions in consumption pattern. The Committee, therefore, recommend that the proposed total decontrol of urea should be reviewed. The Government should ensure equitable distribution of urea to the states which are geographically placed in difficult terrains. The Committee also recommend that even in the partially decontrolled set up, the requirements of the hilly, tribal and remote areas of the country should be met through ECA allocations.

(Recommendation No. 14)

95. The urea units are required to supply urea upto 100% of their reassessed capacity for sale to farmers. However, the Committee understand that the New Pricing Policy for urea allows sale of surplus urea production in excess of ECA allocations and upto 100% of reassessed capacity, to complex fertiliser units. The policy also allows such units to undertake export on principles of Import Parity Price, with the prior approval of DOF on the condition that 50% of the net gains will be surrendered to the Government. If the urea sold is in excess of 100% of reassessed capacity, the net gains will be shared by the Government and the unit in the ratio of 65:35 respectively. The Committee strongly feel that the sharing clause would act as a disincentive for the producer in a competitive environment. The general prevailing trend of low import parity price of urea too would dampen the spirit of the manufacturers. The Committee therefore, recommend that the clause regarding the sharing of gains from the sale of decontrolled quantities of urea may be reviewed by the Government and suitable amendments be made.

(Recommendation No. 15)

96. **The Committee note that as against the last year's allocation of Rs. 150.25 crore for plan loans, the amount earmarked has been reduced to Rs. 63.32 crore on account of the closure of Fertilizers Corporation of India Ltd. (FCI), Hindustan Fertilizer Corporation Ltd. (HFC), Pyrites, Phosphates and Chemicals Ltd. (PPCL) and some divisions of Projects and Development India Ltd. (PDIL). Out of the plan loans of Rs. 63.32 crore, a major share of Rs. 40.50 crore has been kept for the revamp of the Namrup-II of HFC which has become a separate PSU viz. Brahamputra Valley Fertilizer Corporation Ltd. (BVFCL). The Namrup revamp which was to be completed by July, 2003, is now expected to be completed by 1.10.2004. The Committee were assured last year that the entire revamp would be completed by February, 2004. The Committee express their dissatisfaction over the inordinate delay of 31 months causing a loss of Rs. 74.37 crore to the exchequer. While taking a serious note of the delay the Committee desire that the Government should ensure that there is no further slippage in the completion schedule of the Namrup revamp.**

(Recommendation No. 16)

97. **FACT and MFL are stated to be the two PSUs facing financial difficulties. High cost of Ammonia production using Naphtha, reduced profits from Caprolactum and Ammonium Sulphate, inadequate compensation for Factamfos are the main reasons for the strained financial situation of FACT. Urea Plant of FACT at Cochin has been shut down. The Government of India has waived outstanding interest on loans and reduced the interest rates of loans for the units to 7%. The Committee also note that high price of naphtha as feedstock, reduced compensation for energy consumption, inadequate compensation for cost of 'N' and investments made in revamp resulted in turning MFL financially sick. The Government has taken steps to cushion the negative effects by waiving off interest and by proposing a third and long term financial restructuring package for revival of MFL. However, the Committee feel that more has to be done by**

the Government by way of financial assistance and writing off outstanding loans. They recommend that the High Powered Committee which has been set up in the Ministry for revival of closed fertiliser units, should explore the possibility of reviving all the closed urea plants as early as possible. The Committee also desire that DOF should make vigorous efforts to finalise the third and long term financial restructuring package for MFL and the Committee may be apprised of the same.

(Recommendation No. 17)

98. Projects and Development India Ltd. (PDIL) is basically an organisation involved in research and development. PDIL has three divisions namely Engineering and Consultancy Division, Catalyst Division and Research and Development Division. Though the company incurred losses during the period between 1998-2003, the provisional profit estimated for the year 2003-04 is Rs. 8.05 crore. PDIL's consultancy division was involved in Namrup revamp, upgradation of plants etc. As a measure to expand its sphere of activities, PDIL has been making sustained efforts to diversify and secure jobs in other sectors especially in the gas and oil sector. Techno Commercial Audit of SSP and DAP units are also conducted by PDIL. R&D division has contributed to the development of catalysts and process know-how required for various industries . But the company was declared sick in 1992 by BIFR. The Committee also observe that a revival package for PDIL has been approved by the Government which inter-alia envisages closure of R&D division of the company and offer VRS/VSS to its employees. But the Committee strongly feel that there is an urgent need to encourage research and development in the fertiliser sector to find out the weaknesses and strengths of the sector. Taking note of the satisfactory performance of the R&D projects undertaken by PDIL, the Committee desire that the Government should ensure the revival of R&D Division of PDIL.

(Recommendation No. 18)

V. MISCELLANEOUS MATTERS

(a) Revival of closed units

99. With regard to closing down of HFC and FCI units in the North eastern region, the Committee wanted to know the views of the Department on the regional imbalance created in the area, DOF in a written note clarified as under:-

> "The Government decided to close down FCI and HFC on 5.9.2002. At the time of closure, none of the units of these PSUs were in operation. The Haldia Fertilizer Project of HFC, though mechanically completed in 1979, could never be commissioned. The operations of Durgapur unit of HFC have remained suspended since June, 1997. The operations of Barauni unit of HFC and Ramagundam and Talcher units of FCI have been suspended since 1999. The Gorakhpur unit of FCI was shut down in 1990. The Sindri unit of FCI was lying closed since March, 2002. The following table gives the unit-wise production data of these two companies for three years (1999-2000 to 2001-02) vis-à-vis total urea consumption in the country and will bring out the fact that the closure of these companies will have negligible impact on total urea availability in the country:-

(in Lakh MTs)

Item	Name of PSU/Unit	1999-2000	2000-01	2001-02
Production	HFC (Except Namrup Units)			
	Durgapur			
	Barauni	-	-	-
	FCI	-	-	-
	Sindri			
	Gorakhpur	3.06	2.37	0.76
	Ramagundam	-	-	-
	Talcher	-	-	-
		-	-	-
Consumption in Country		203.18	191.87	201.77
Share of the production of HFC & FCI units to total consumption in the country (%)	-	1.5	1.24	0.38

> So far as availability of major fertilizers i.e. urea in different states of the country is concerned, Government is committed to ensure adequate supply to all the States at uniform Statutory Sale Price and no State is allowed to suffer from shortage of fertilizers. "

100. In regard to above, the Department in a note further added as under:-

> "(i) The Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) for production of urea is located at Namrup in Assam in the North Eastern region.
>
> (ii) The company has produced 1.86 lakh MT of urea during 2002-03 and 2.41 lakh MT of urea during 2003-04.
>
> (iii) The demand for urea during Kharif season (2004-05) in the North Eastern region has been assessed at 1.45 lakh MT. The assessment of demand for the Rabi season will be made in due course.
>
> (iv) The revamp of the units of BVFCL is under implementation. After revamp the units will have the capacity to produce 5.55 lakh MT of urea annually. Keeping in view the demand in the region, no shortage of urea fertilizers is envisaged. Moreover, no State is dependent on the single source of supply of fertilizers in the country and Government is committed to ensure adequate supply to all the States at uniform Statutory Sale Price and no State is allowed to suffer from shortage of fertilizers."

101. During the course of evidence, the Committee wanted to know whether there is any proposal with the Ministry to restart some of the closed fertiliser units. DOF in a written reply stated as follows:-

> "The National Common Minimum Programme of the UPA Government envisages to modernize and restructure sick Public Sector Companies; revive sick industries; and to either sell or close chronically loss making companies after all workers have got their legitimate dues and compensation. In the light of this, the issue regarding the revival of the closed fertilizer Public Sector Undertakings is being re-examined based on the market demand and their techno-economic viability."

(b) Feedstock Policy

102. As the cost of feedstock constitutes 60% of cost of production for gas based units and about 75% for naphtha and FO/LSHS based units, cost of feedstock is an important factor in the total cost of production of urea by indigenous urea companies. Pre-set energy norms for Stage-II under NPS effective from 1.4.2004 have also been announced. The Government has, in its recently formulated policies on investment in new and expansion projects of urea, de-bottlenecking/revamp/modernisation of existing urea units and conversion of the existing non-gas based units to Natural Gas (Gas)/Liquified Natural Gas (LNG), made it clear that NG/LNG is going to be the preferred feedstock for production of urea, as natural gas is cheaper, environment friendly and fertilizer units make the most efficient use of natural gas, utilising both its chemical as well as heat energy.

103. Regarding the demand availability situation of this preferred feedstock, DOF in a written reply submitted:-

> **"**The total requirement of natural gas by the existing gas based urea units is 32.79 Million Metric Standard Cubic Metres per Day (MMSCMD). Against this, the average actual supply during April-December, 2003 was only 20.50 MMSCMD i.e. the shortfall was 12.29 MMSCMD with reference to the required quantity.
>
> > Taking into account the requirement of natural gas in respect of non-gas based plants converting to NG/LNG and the requirement of NG by the new and expansion urea projects likely to come up in future, the demand of natural gas for fertilizer industry has been estimated to be about 55 MMSCMD by 2011-12. The demand would be met from the additional domestic natural gas becoming available on commissioning of new gas fields and imported LNG. "

104. DOF has also supplemented in its reply that an inter-Ministerial Group (IMG) has been constituted under the chairmanship of Finance Minister to

examine issues relating to ensuring preferential allocation of domestic natural gas to the fertilizer industry and making available imported LNG to fertilizer units, its pricing and the related taxation issues.

105. The Committee further wanted to know whether any sales agreements have been made between fertiliser companies and LNG suppliers, DOF in a written reply stated as follows:-

> "Fertilizer industry has estimated that to remain competitive in the international market, LNG should be made available at a delivered price of US $ 3.0-3.5/MMBTU. At present, urea industry is getting domestic natural gas at delivered price of US $ 2.0-2.5/MMBTU. For supplies of LNG to be made to the urea units, GAIL/PLL has offered to make available LNG at delivered price of US $ 4.87/MMBTU within Gujarat and US $ 4.88/MMBTU outside Gujarat. As the fertilizer industry cannot remain viable in the de-controlled scenario if the LNG is made available to the urea units at the prices being quoted by PLL/GAIL, the Department of Fertilizers has been in interaction with the Ministry of Petroleum and Natural Gas for bringing down the delivered price of LNG to US $ 3.0-3.5/MMBTU. As the issue of pricing of LNG remains unresolved, the fertilizer companies are yet to enter into regular contracts with the LNG suppliers. The issue of pricing and availability of NG/LNG is at present under the consideration of Inter-Ministerial Group, constituted under the Chairmanship of Finance Minister."

106. During the course of examination the Committee wanted to know the policy for conversion as cleared by Cabinet Committee on Economic Affairs and the details regarding the investment aspects of conversion, DOF submitted as follows:-

> "The policy for conversion of the existing non-gas based units to NG/LNG as feedstock has been announced by the Department of Fertilizers on 29.1.2004. As per this policy, while the investment made by the units for such a conversion will not be recognised for pricing/concession purposes, the operational efficiency including energy efficiency arising from the conversion to NG/LNG will not be mopped up by the Government for a maximum period of 5 years in respect of naphtha based plants and 10 years in respect of FO/LSHS based units. The units will continue to get the pre-set energy norm determined for the unit in the group to which it belongs effective 1.4.2004 for the specific period so determined.

The classification of the unit in the relevant naphtha/FO/LSHS based group will not be disturbed for re-determining the concession rate of other naphtha/FO/LSHS based units (which have not been converted). Moreover, the unit will continue to get its group based concession as before. However, the concession rate of the unit so converted will be suitably adjusted to reflect the price of NG/LNG in the variable cost. Fertilizer Industry Coordination Committee (FICC) will undertake plant-to-plant study to determine the minimum use of naphtha/FO/LSHS, which may be required technologically and the feedstock/fuel compensation will take this into account. The unit will be entitled to get the escalation/de-escalation of the cost of the feedstock/fuel as utilised by the unit i.e. NG/LNG/naphtha/FO/LSHS.

The Department of Fertilizers will work out new energy norms for determination of the concession rates to be paid to the naphtha/FO/LSHS units converting to the NG/LNG feedstock on expiry of the special dispensation period. "

107. In this regard, DOF further stated:-

"The conversion of non-gas based units to NG/LNG will require investments depending upon a variety of factors such as size, vintage, technology of the plant, distance from gas pipelines etc.

In the case of naphtha based plants, the cost of conversion has been estimated to be approximately of the order of Rs. 20-25 crore, whereas in the case of FO/LSHS plants, such cost would be of the order of Rs. 250 crore or more depending on the scope of revamp and engineering process.

While the investment made by the units for such a conversion will not be recognised for pricing/concession purposes, the operational efficiency including energy efficiency arising from the conversion to NG/LNG will not be mopped up by the Government for a maximum period of 5 years in respect of naphtha based plants from the date of commissioning of the converted plant, to enable the unit to recover the investment made on conversion. "

108. The Committee find that the Hindustan Fertilizer Corporation Limited (HFC) and Fertilizers Corporation of India Limited (FCI) units in the North Eastern region have been closed down. The Department has submitted that the share of production of HFC and FCI units to the total consumption in the country is negligible (1.5% in 1999-2000, 1.24% in 2000-01 and 0.38% in 2001-02) and the closure of these units will have no impact on the total urea availability in the country. The Committee feel that this may be the case from a holistic perspective. But looking from the regional angle, the existence of only one urea unit which is in production viz. Brahmaputra Valley Fertiliser Corporation Ltd. in the North-Eastern region is a serious matter as far as regional balance is concerned. The North-Eastern and Central India are very much deprived of the fertiliser units. The movement trend during the first stage of partial decontrol has confirmed the apprehensions of the Committee that the maximum despatches will be made in the home states of the plants and only meagre distribution will be there to farflung hilly areas. The Committee, therefoe, strongly urge upon the DOF to make concerted efforts to revive the closed units in the North Eastern region and to explore the possibility of setting up ammonia-urea plants based on synthesis gas from coal gassification after going into the techno-economic feasibility of setting up such plants.

(Recommendation No. 19)

109. The cost pricing of feedstock is extremely important for the fertiliser sector as the cost of feedstock accounts for about 60% to 75% of the total cost of production. Natural gas/ Liquified Natural Gas is going to be the most preferred feedstock as it is cheaper and efficient. The recently formulated policies also give thrust to gas/ LNG as the feedstock for new and expansion projects of urea. But the availability of gas at present is only 20.50 million metric standard cubic meters per day (MMSCMD) leaving a shortfall of 12.29 MMSCMD. It is also estimated that the requirement would shoot up to 55 MMSCMD by 2011-12. An Inter-Ministerial Group (IMG) has

also been constituted to look into the aspect of ensuring preferential allocations of domestic gas to the fertiliser industry, making available imported LNG to fertiliser units, its pricing and related issues. The Committee note that the production of urea in many units and fresh investments suffer due to non-availability of gas. It is the duty of the Government to make available the preferred feed stock on a priority basis from existing reserves as well as from the new reserves that would be available in future. To facilitate adequate availability of feedstock, the matter of preferential allocations to fertiliser sector pending with the IMG, should be finalised immediately. The Government should also give support to gas exploration projects. The Committee again emphasise that the policy on pricing and availability of feedstock be finalised without any further delay.

(Recommendation No. 20)

110. Regarding the pricing of LNG, the Committee observe that though the potential demand is huge it has been restrained by the reluctance of the anchor customers in the fertiliser industry to accept the higher price band for imported LNG and the newly discovered indigenous gas. Fertiliser industry has estimated that LNG should be made available at a delivered price of US $ 3.0 –3.5 per MMBTU to remain competitive in the international market. The Committee urge upon the DOF to explore the possibility of delinking the pricing of gas to the international price of fuel oils in consultation with the concerned Ministries. The Committee also strongly feel that the gas pricing should be based on cost of production and strategic considerations. They also desire that the DOF should ensure that the price of imported LNG is competitive vis-à-vis domestic gas by sorting out the related taxation issues.

(Recommendation No. 21)

111. In regard to the conversion of existing naphtha and fuel oil / LSHS units into gas based units, the Committee find that the Government has formulated policies on investment in new and expansion projects of urea. The Committee note with concern that the quantum jump in subsidy over the years has been due to increase in the price of feedstock and especially the huge subsidies given on urea produced using naphtha and fuel oil/ LSHS. Therefore, the Committee feel that it is most important to keep the cost of feedstock at low levels to have a viable fertiliser industry. Costly fuel mode plants need to be converted into gas based plants at the earliest. The Committee would expect the industry to move at a faster pace to add capacity by revamp, modernisation or debottlenecking. The only solution to reduce the subsidy burden on the exchequer is to accelerate the conversion of naphtha and fuel oil/ LSHS plants into gas based plants. All these things are possible only if the Government ensure clarity on pricing and availability of natural gas/ LNG. The Committee, therefore, recommend that the Government should address these issues with a sense of urgency. The Committee also look forward to the DOF extending all possible help in making the industry strong enough to face the challenges.

(Recommendation No. 22)

New Delhi;
August 19, 2004
Sravana 28, 1926 (Saka)

ANANT GANGARAM GEETE
Chairman,
Standing Committee on
Chemicals & Fertilisers.

Appendix-I

DETAILS OF NON-PLAN AND PLAN EXPENDITURE DURING 2003-04 AND BUDGET PROVISION FOR 2004-05

			BE 2003-04	RE 2003-04	BE 2004-05
1.	**NON –PLAN PROVISIONS**				
A.	**REVENUE SECTION**				
	1.	Sectt. Proper	5.78	6.12	6.17
	2.	Office of FICC	1.91	1.63	1.48
	3.	Subsidy on indigenous fertilizers	7555.00	8139.55	8143.15
	4.	Subsidy on imported fertilizers Gross Recovery Net	 1410.75 (-)701.50 709.25	 2.00 (-) 1.00 1.00	 473.00
	5.	Payment to Manufacturers/ Agencies for concessional sale of decontrolled fertilizers	4456.00	3656.00	4046.00
	6.	Grant to M.I.S. Studies	0.01	0.01	0.01
	7.	Productivity Award in the field of Fertilizer Production	0.03	0.03	0.03
	8.	Write off of plan loans, interest and penal interest on GOI loan to FCI, MFL, PDIL and PPL. Write off matched with receipt Net		520.98 (-)520.98 0.00	- -
	9.	Post closure committed liabilities to PPL.	-	0.01	0.01
		Total (REVENUE SECTION)	**12727.98**	**11804.35**	**12669.85**
			B.E. 2003-04	**RE 2003-04**	**BE 2004-05**
B.		**CAPITAL SECTION**			
		Non-Plan loans to PSUs HFC FCI PPCL PDIL BVFCL FACT	 50.00 60.00 54.00 17.99 35.73 -	 4.85 4.49 27.07 136.51 35.73 60.00	 0.01 0.01 0.01 - 28.12 -
		Total (Capital Section) **Total: Non-Plan**	**217.72** **12945.70**	**268.65** **12073.00**	**28.15** **12698.00**
2.		**PLAN PROVISIONS**			
A.		**REVENUE SECTION**			
	1. 2. 3. 4.	Grant to KRIBHCO for RFP Grant to PDIL for R&D S&T Programme of Department Grant in the field of management Information Technology	18.00 4.00 3.00 1.50	18.00 4.00 3.00 1.50	23.64 - 1.50 1.21
		TOTAL (REVENUE SECTION)	**26.50**	**26.50**	**26.35**
B		**CAPITAL SECTION**			
		Investments in and loans to PSUs			

	1.	FCI	-	-	-
	2.	FACT	22.00	22.00	10.14
	3.	HFC	134.00	134.00	81.00
	4.	PDIL	-	-	-
	5.	MFL	14.00	14.00	12.68
		Total PSUs:	170.50	170.50	103.82
		TOTAL (CAPITAL SECTION)	**170.50**	**170.50**	**103.82**
		TOTAL PLAN	**197.00**	**197.00**	**130.17**
		TOTAL: DEPARTMENT OF FERTILISERS	**13142.70**	**12270.00**	**12828.17**

<u>Appendix-II</u>

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILISERS
(2004-05)

SECOND SITTING
(11.08.2004)

The Committee sat from 1400 hrs. to 1545 hrs.

PRESENT

Shri Anant Gangaram Geete - Chairman

Members
Lok Sabha

2. Shri Jai Prakash
3. Shri Prahlad Joshi
4. Shri Sukhdev Singh Libra
5. Shri P. Rajendran
6. Shri V.K. Thummar
7. Shri Bhanupratap Singh Verma

Rajya Sabha

8. Shri Ajay Maroo
9. Dr. Chhattarpal Singh Lodha
10. Shri Sanjay Rajaram Raut

Secretariat

1. Shri P.K. Grover - *Director*
2. Shri S.C. Kaliraman - *Under Secretary*

Representatives of Deptt. of Fertilisers

1. Shri S.N.P.N. Sinha - *Secretary*
2. Ms. C.R. Gayathri - AS & Financial Advisor
3. Shri B.K. Sinha - Joint Secretary (F)
4. Shri Tejinder Singh Laschar - Economic Adviser
5. Ms. Swatantra Kaur Sekhon - ED, FICC

Representatives of PSUs

1.	Dr. B. Bodeiah	-	CMD, Brahmaputra Valley Fertilisers Corp. Ltd. (BVFCL)
2.	Shri Sukumar N. Oommen	-	CMD, Madras Fertilisers Ltd. (MFL)
3.	Shri P.S. Grewal	-	CMD, National Fertilisers Ltd. (NFL)
4.	Shri K.K. Roy	-	CMD, Projects & Development India Ltd. (PDIL)
5.	Shri S. Balan	-	CMD, Rashtriya Chemicals & Fertilisers Ltd. (RCF)/ Fertilisers & Chemicals Travancore Ltd.(FACT)
6.	Shri V.N. Rai	-	MD, Krishak Bharati Cooperative Ltd. (KRIBHCO)

At the outset, Hon'ble Chairman welcomed the Members, officials of Department of Fertilisers and representatives of Public Sector Undertakings.

2. The Department of Fertilisers made a brief visual presentation before the Committee with a view to giving an overall picture of the fertiliser sector.

3. Thereafter, the Committee took oral evidence of the representatives of the Ministry of Chemicals and Fertilisers, Department of Fertilisers in connection with Demands for Grants of the Department of Fertilisers for 2004-05.

4. During the course of evidence, issues related to the demand-availability situation of urea in various parts of the country, stagnation in the consumption of fertilisers during the last 2-3 years, growing cost of agricultural production, need to enhance the capacity in the cooperative sector, declining trend of DAP & S.S.P. consumption and the prevalence of spurious fertilisers in some parts of the country came up for discussion.

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

The Committee then adjourned.

Appendix-III

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILISERS
(2004-05)

THIRD SITTING
(19.08.2004)

The Committee sat from 1000 hrs. to 1100 hrs.

Present

Shri Anant Gangaram Geete - Chairman

Members
Lok Sabha

2. Shri Afjal Ansari
3. Shri Prahlad Joshi
4. Shri Sukhdev Singh Libra
5. Shri Punnulal Mohale
6. Shri A.K. Moorthy
7. Shri P. Rajendran
8. Shri A. Venkatarami Reddy
9. Shri V.K. Thummar
10. Shri Bhanupratap Singh Verma
11. Shri Mansukhbhai D. Vasava

Rajya Sabha

12. Shri Gireesh Kumar Sanghi
13. Shri Ajay Maroo
14. Dr. Chhattrapal Singh Lodha
15. Shri R. Shunmugasundaram
16. Shri Raj Mohinder Singh

Secretariat

1. Shri P.D.T. Achary - *Additional Secretary*
2. Shri M. Rajagopalan Nair - *Joint Secretary*
3. Shri P.K. Grover - *Director*
4. Shri S.C. Kaliraman - *Under Secretary*

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. ** ** ** ** ** ** ** ** ** ** **
** ** ** ** ** ** ** ** ** ** **

4. The Committee then considered the draft Report on Demands for Grants (2004-05) of the Ministry of Chemicals & Fertilisers (Department of Fertilisers). The draft Report was adopted with a few modifications.

5. The Committee authorised the Chairman to make consequential changes arising out of the factual verification of the Reports by the Departments of Chemicals & Petrochemicals and Fertilisers of the Ministry and present the same to both the Houses of Parliament in the current Session.

The Committee then adjourned.

***** Matters not related to the Report***