26	**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2015-16)** **SIXTEENTH LOK SABHA**

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty First Report of the Standing Committee on Chemicals and Fertilizers (Sixteenth Lok Sabha) on "Demands for Grants (2016-17) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)]

TWENTY SIXTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

AUGUST, 2016 / SHRAVANA, 1938 (SAKA)

CC&F.No.26

TWENTY-SIXTH REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2015-16)

(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT FERTILIZERS)

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty First Report of the Standing Committee on Chemicals and Fertilizers (Sixteenth Lok Sabha) on "Demands for Grants (2016-17) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)]

Presented to Lok Sabha on 11 August 2016

Laid in Rajya Sabha on 11 August 2016

LOK SABHA SECRETARIAT
NEW DELHI
AUGUST, 2016 / SHRAVANA, 1938 (SAKA)

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2015-16)

Shri Anandrao Adsul - Chairperson

Members

Lok Sabha

2. Shri Idris Ali
3. Smt. Anju Bala
4. Shri B.N. Chandrappa
5. Shri Sankar Prasad Datta
6. Smt. Veena Devi
7. Shri R.Dhruvanarayana
8. Shri Innocent
9. Shri K. Ashok Kumar
10. Shri Kamalbhan Singh Marabi
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14. Shri Kotha Prabhakar Reddy
15. Shri Chandu Lal Sahu
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20. Smt. Rekha Arun Verma
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Rajya Sabha

22. Shri Biswajit Daimary
23. Shri Ram Vichar Netam
24. Shri Sanjay Dattatraya Kakade
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26. Shri K Parasaran
27. Shri Garikapati Mohan Rao
28. Dr. Sanjay Sinh
29. Shri Palvai Govardhan Reddy
30. Shri Surendra Singh Nagar
31. Shri Abdul Wahab

SECRETARIAT

Smt. Rashmi Jain	-	Joint Secretary
Shri A.K.Srivastava	-	Director
Shri RamPrakash	-	Additional Director
Shri Nishant Mehra	-	Under Secretary

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2015-2016) having been authorised by the Committee to present the Report on their behalf, present this Twenty Sixth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Twenty First Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2015-2016) on Demands for Grants (2016-2017) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Twenty First Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 28.04.2016. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 14.07.2016. The Standing Committee on Chemicals and Fertilizers (2015-2016) considered and adopted this Report at their sitting held on 09.08.2016.

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

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

5. For facility of reference and convenience, the observations/ recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
09 August, 2016
18 Shravana 1938 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations/Recommendations contained in the Twenty First Report (Sixteenth Lok Sabha) of the Committee, on the Demands for Grants (2016-17) of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) which was presented to Lok Sabha on 28.04.2016. In all, the Committee made 12 Observations / Recommendations in the Report.

1.2 The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish replies to the Observations / Recommendations contained in the Twenty First Report within three months from the date of presentation of the Report, i.e., by 28.07.2016. The Action Taken Replies of the Government in respect of all the 12 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) vide their O.M. No.F.No.5(1)/2016-Fin.II dated 14.07.2016. These have been categorized as follows:-

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

Rec. Nos.3, 4, 6, 8, 9, 10, 11 & 12 (Total =08)
Chapter II

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

Sl.No. Nil (Total =Nil)
Chapter III

(iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee:

Sl.Nos. 5 (Total =01)
Chapter IV

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

Sl.Nos. 1, 2 & 7 (Total =03)
Chapter V

1.3 The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I, including those in Chapter IV in respect of which replies of the Government have not been accepted by the Committee and Chapter V for which final replies are still awaited, of this Report, should be furnished expeditiously.

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

A. GROWTH AND DEVELOPMENT OF FERTILIZER INDUSTRY

RECOMMENDATION NO.1

1.5 Stressing the need to increase the indigenous production of fertilizers, the Committee had recommended as under:-

> "The Committee note that the installed capacity of fertilizer manufacturing units in the country has reached to the level of 207.53 lakh MT of urea, 83.32 lakh MT of DAP and 60.72 Lakh MT of Complex Fertilizer during the year 2015-16. The actual production of all the fertilizers during the year 2014-15 was 370.03 Lakh MT. The Committee are happy to note that the estimated production of all the fertilizers during the year 2015-16 is 402.93 Lakh MT showing an increase of more that 8.89% in comparison of previous year. At present, there are 30 urea units in the country manufacturing urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. Besides, there are about 105 medium and small scale units in operation producing Single Super Phosphate (SSP). The country is however, fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Non availability of raw material is the main factor which has impeded the self sufficiency in P&K fertilizers in the country. Other issues which contributed to near zero growth in fertilizer sector is low profitability, delay in payment of subsidy, inadequate gas availability in the country and no favorable tax incentives for indigenous manufacturers.
>
> The Committee also noted that, the Department keeps sending from time to time their proposal for exemption on customs duty for indigenous fertilizers manufacturers and also on capital equipments. Considering the strategic importance of chemical fertilizers in the country's food security, the Committee are concerned about absence of any incentives in the form of lower taxes or duty to indigenous fertilizer manufacturers in the country. The Committee expect the Department to take up this matter vigorously with the Ministry of Finance and impress upon them to consider its proposals regarding exemption of taxes/duty for indigenous fertilizers manufacturers favorably.
>
> Further the Committee are of the view that the impediments for self sufficiency are matter of serious concern. Therefore, keeping in view the vital role played by the chemical fertilizers in the successful agriculture production in the country, the Committee recommend that the Department of Fertilizers should urgently take

suitable measures to further boost the growth of fertilizer industry leading to their self-sufficiency. The Committee would like to be apprised of the measures taken in this regard."

REPLY OF THE GOVERNMENT

1.6 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"A proposal for reduction of customs duty on the raw materials of P&K fertilizers was given to Hon'ble Minister of Finance at the level of Hon'ble Minister (C&F) but comments/views/approval of the Ministry of Finance has not been received so far."

COMMENTS OF THE COMMITTEE

1.7 In their original report, the Committee while noting that that there are no favorable tax incentives for indigenous fertilizer manufacturers, recommended that the Department should take up this matter vigorously with the Ministry of Finance and impress upon them to consider its proposals regarding exemption of taxes/duty for indigenous fertilizers manufacturers favorably. The Committee had also recommended that the Department of Fertilizers should urgently take suitable measures to further boost the growth of fertilizer industry leading to their self-sufficiency. In this regard, the Department in its Action Taken Replies informed that a proposal for reduction of customs duty on the raw materials of P&K fertilizers was given to Hon'ble Minister of Finance at the level of Hon'ble Minister (C&F) but comments/views/approval of the Ministry of Finance has not been received so far.

The Committee are distressed to note that Action Taken reply of the Department is silent on measures taken to boost the growth of the fertilizer industry. The Department was expected to outline the measures it has put in place for speedy growth of fertilizers industry. Considering the strategic importance of chemical fertilizers in the country's food security, the Committee recommend that the Department may play a proactive role and make a road map to boost the growth of fertilizer industry.

As regards one incentive proposal sent to Ministry of Finance by the Department of Fertilizers, they may take up the matter vigorously with the Ministry of Finance for expeditious implementation of the proposal. The Committee would like to be apprised of tangible efforts in terms of concrete deliverables made in this regard.

B. PLAN ALLOCATION AND EXPENDITURE

RECOMMENDATION NO.2

1.8 Emphasizing the need for allocation of adequate plan funds to the Department, the Committee had recommended as under:-

> "The Committee note that under Plan Outlay, funds are released as Gross Budgetary Support (GBS) provided by Government of India to loss making CPSEs to keep them operational and also for Miscellaneous Schemes which include Management of Information Technology (MIT) where funds are released for Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) and Science & Technology (S&T) which primarily lays emphasis at Research and Development of processes and equipment. The Committee are concerned to note that during the Twelfth Five Year plan period (2012-17) there has been a radical decline in the above mentioned plan budgetary allocations. Budgetary allocations (BE) for the year 2012-13, 2013-14, 2014-15 and 2015-16 were Rs. 256 Crore, Rs 269 Crore, Rs.100 Crore and 50 crore. Even these allocations have been drastically reduced at the RE stage to Rs. 10 Crore (2012-13), Rs 9 Crore (2013-14), Rs. 2.32 Crore (2014-15) respectively, except for the year 2015-16, where it was increased to Rs. 1002.80 Crore, in order to avert immediate crisis in FACT, a loan of Rs. 1000 Crores was provided for the same. However, for the year 2016-17, as against the proposal of Rs 87.50 Crore for plan budget estimates (Gross Budgetary Support) the Ministry of Finance has allocated only Rs.10 Crore (Rs. 6.00 Crore has been allocated to FACT, Rs. 3.00 Crore has been allocated to MFL and Rs.1.00 Crore has been kept for BVFCL for NER & Sikkim.
>
> The Committee noted that due to financial restrictions imposed by Ministry of Finance in respect of default in refund of Government of India Loans and payment of interest thereon by loss making CPSEs viz. MFL, BVFCL and FACT plan loan could not be released to these companies from 2012-2013 onwards. The Committee are of the opinion that non-allocation of plan funds to the loss making CPSEs has adversely affected their functioning and operation. This also highlights that the Department has not taken up its proposal to make these loss making CPSEs functional effectively earnestly with the Ministry of Finance. Further, the Department should also plan the probable expenditure instead of waiting for cropping up of the acute crisis as it was in the case of FACT for which Rs.1000 crore was provided during 2nd supplementary Demands for Grants in the year 2015-16. The Committee, therefore, recommend that the Department of Fertilizers should strengthen its budgetary planning and formulate effective plans for loss making CPSEs to make them function by optimum utilization of available fund which was abysmally low in the past."

REPLY OF THE GOVERNMENT

1.9 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

> "The matter regarding allocation of funds for the loss making PSUs is being taken up with Ministry of Finance."

COMMENTS OF THE COMMITTEE

1.10 The Committee noted that Gross Budgetary Support is provided by Government of India to loss making CPSEs to keep them operational and also for Miscellaneous Schemes which include Management of Information Technology where funds are released for Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) and Science & Technology (S&T) which primarily lays emphasis at Research and Development of processes and equipment. During the Twelfth Five Year plan period (2012-17) there has been a radical decline in the plan budgetary allocations of the Department. Further, non-allocation of plan funds to the loss making CPSEs has adversely affected their functioning and operation. The Committee, therefore, recommended that the Department of Fertilizers should strengthen its budgetary planning and formulate effective plans for loss making CPSEs to make them functional by optimum utilization of available fund which was abysmally low in the past. In this regard, the Department in its Action Taken Replies informed that the matter regarding allocation of funds for the loss making PSUs is being taken up with Ministry of Finance.

The Committee are of the view that in the absence of adequate funds available with them, the revival of the sick/ closed fertilizer PSUs and the plan schemes/programmes undertaken by the Department would be adversely affected. The Committee, therefore, strongly recommend that the Department should formulate action plan for revival of sick CPSEs and take up the matter with the Ministry of Finance proactively and impress upon them to allocate funds for the loss making PSUs and other plan activities without any further delay. The Committee would like to be apprised of the initiatives undertaken by them in this regard.

C. NON-PLAN BUDGETARY ALLOCATION AND EXPENDITURE

RECOMMENDATION NO.4

1.11 Stressing the need to augment the non-plan budgetary allocation, the Committee had recommended as under:-

> "The Committee note that the projected requirement of the Department under Non-plan section for the year 2013-14 was Rs. 97051.00 crore against which RE allocation for the year 2013-14 was Rs. 71,962.00 crore and the actual expenditure was Rs. 71300.72 crore, although the actual requirement was much higher as the Department had to carry over liabilities of Rs.26414.88 crore relating to the year 2012-13. As a result, the Department has to roll over an amount of Rs. 40340.78 crore to the next year as carry over liabilities. Against the projected requirement of Rs.1,56,420.48 crore for the year 2014-15, the Department was allocated an amount of Rs.75,092.73

crore at RE stage and the actual expenditure during the year was Rs. 75,089.67 crore. The Department has to roll over the arrears of unpaid subsidy of Rs. 31,830.77 crore for the next year. Against the projected requirement of Rs.1,08,691.48 crore for the year 2015-16, the Department was allocated an amount of Rs.77,097.80 crore at RE stage. Thus, while examining the year-wise allocation and amount released under the scheme, the Committee are distressed to find that the Department did not get the budgetary allocation over the past few years commensurate with the projected requirement under non-plan head. As a result, a huge amount of carryover liability of subsidy burden is piling up every year. As a reason of which, the subsidy continues to remain unpaid to the fertilizer companies. Even for non-plan budgetary allocation for the year 2015-16 at BE stage is only Rs.72997.80 crore which is more or less at par with BE 2014-15. During the course of evidence, the Secretary of the Department had also accepted the fact that delay in payment of subsidies to the fertilizer companies is affecting the fertilizer industry. Under enormous financial constraints, the fertilizer companies could not be expected to grow and make the country self-reliant in the field of fertilizer sector which is very vital for the development of the agriculture sector and overall economy of the country. The Committee are of the view that unpaid arrears of subsidy should not roll over year after year as the same affects the functioning and growth of the fertilizer industries in the country. The Committee have time and again emphasized in the past that that concerted efforts be made by the Department of Fertilizer to get its non-plan budgetary allocation increased commensurate with its requirement before the Ministry of Finance. The Committee, therefore, repeat their recommendation that the Ministry of Finance may augment the non-plan budgetary allocation of the Department so as to clear all the unpaid subsidy of the past. The Committee would like the Department to address this issue seriously and intimate the initiatives taken by them in this regard."

REPLY OF THE GOVERNMENT

1.12 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"During the current financial year (2016-17), an amount of Rs. 74,100.00 Crore(Gross) has been allocated for Fertilizer subsidy at BE Stage. As on 01.04.2016, the carry over liabilities worked out to Rs. 43,356.23Crore. Due to reduced gas price at present and reduced NBS rates, the present requirement of funds for the current financial year (2016-17) is expected to be approximately Rs. 65,763.63 Crore (Gross). Taking into account the present requirement and carry over liability of Rs. 43,356.23Crore, the total requirement for 2016-17 may be to the extent of Rs. 1,09,119.86 Crore.

Department would raise the demand for additional funds in the Supplementary Demand for Grants for the current financial year."

COMMENTS OF THE COMMITTEE

1.13 The Committee while examining year-wise allocation and amount released under the scheme, noted that the Department did not get the budgetary allocation over the past few years commensurate with the projected requirement under non-plan head. As a result, a huge amount of carryover liability of subsidy burden is piling up every year. As a reason of which, the subsidy continues to remain unpaid to the

fertilizer companies. Even for non-plan budgetary allocation for the year 2015-16 at BE stage is only Rs.72997.80 crore which is more or less at par with BE 2014-15. The Committee, therefore, emphasized that concerted efforts be made by the Department of Fertilizer to get its non-plan budgetary allocation increased commensurate with its requirement before the Ministry of Finance. The Committee further desired that the Ministry of Finance may augment the non-plan budgetary allocation of the Department so as to clear all the unpaid subsidy of the past.

In this regard, the Department in its Action Taken Replies informed that the total requirement for 2016-17, is likely be to the extent of Rs. 1,09,119.86 Crore, after taking into account the present requirement and carry over liability of Rs. 43,356.23 Crore. The Department would raise the demand for additional funds in the Supplementary Demand for Grants for the current financial year.

The Committee are satisfied to note that the government has accepted the Committee's recommendation and is making efforts to get its non-plan budgetary allocation increased commensurate with its requirement before the Ministry of Finance. The Committee trust and expect that the Department will strongly take up its demand for additional fund in the Supplementary Demand for Grants for the current financial year before the Ministry of Finance so as to neutralize the backlog. The Committee would like to be apprised of the action taken in this regard.

D. DIRECT SUBSIDY TO FARMERS

RECOMMENDATION NO.5

1.14 Stressing the need for expeditious implementation of Direct Benefits Transfer Scheme, the Committee had recommended as under:-

> "The Committee are perturbed to note the delay in implementation of Direct Benefits Transfer Scheme (DBT) which was conceptualized in February, 2011 on the recommendation of Task Force constituted by Ministry of Finance to recommend implementable solution for direct transfer of subsidies on kerosene, LPG and fertilizers. Task Force submitted its final report on 7th August, 2013 which suggested 4 phased approach for direct disbursement of fertiliser subsidy to the intended beneficiaries. The implementation of Phase-I has already been made operational from 1st November 2011. It is being rolled out through all the registered fertilizers manufacturers (116), wholesalers (16577) and retailers (157274) across the country. Accordingly, a portion of the subsidy (5-15% depending on the grade of fertilizer) is given to manufacturers only when the retailer will acknowledge the receipt in the Mobile Fertilizer Management system (mFMS). Retailer acknowledgement has been ensured by the Department by linking a portion of manufacturer’s subsidy to retailer’s acknowledgement. Phase II of mFMS envisages capturing sale made by the retailer to the buyer or end-user. This involves capturing sales details as well as buyers’ details. The Department is examining the feasibility of doing Proof of Concept

for Phase-II. As regards implementation of subsequent Phases, Phase III & IV the Department intimated that there are many operational and implementation challenges such as identification of beneficiaries and determination of entitlement etc. Department of Fertilizer is exploring various options for handling these operational issues. While not satisfied with the performance of the Department in implementation of DBT Scheme, the Committee recommend that all-out effort be made for the implementation of DBT Scheme at the earliest. The Committee are of the strong view that transfer of the benefits of direct subsidy to the farmers would check the corruption, close the loopholes and profligacy in subsidies.

Further, the Committee are of the view that the Soil Health Card is not only essential for the farmers to have the appropriate knowhow on the dosage of fertilizers but would also be beneficial for Direct Transfer of Subsidy to the farmers. During the course of evidence, the Secretary Department of Fertilizers had also agreed with the observation of the Committee that unless all farmers are provided with Soil Health Cards, it is impossible to transfer subsidy directly to them. The Committee would, therefore, like the Department of Fertilizers in coordination with the Ministry of Agriculture to make earnest efforts towards expeditious implementation of Soil Health Card Scheme and ensure that every farmer is provided with a Soil Health Card having his bank details for direct transfer of subsidy to the farmer. The Committee would like to be apprised of tangible efforts in terms of concrete deliverables made in this regard."

REPLY OF THE GOVERNMENT

1.15 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"Phase -1 of mFMS i.e. Information initially till the retailer point has been got stabilized. "As per Hon'ble Finance Minister's Budget Speech (2016-17), the Department is planning to conduct a pilot in few districts across the country during October,2016 –September,2017 to capture sale details and buyer's details. (Bank Account details, Aadhar No., land records etc.) Apart from the retailer sales, other major outcome of Phase-II of mFMS would be the availability of a robust database of buyers /Farmers which might be leveraged for DBT subsequently.

The Department would also explore the expediency of various identification instruments such as Kisan Credit Cards, Aadhar Cards, Voter ID Card, Bank Account etc. for authentication of buyers. However, the Pilot would initially run on"no denial mode". The outcome of pilot would also provide key success indicators for pan-country implementation of Phase –II and ultimately for DBT in Fertilizers."

COMMENTS OF THE COMMITTEE

1.16 The Committee noted that the Direct Benefits Transfer Scheme (DBT) was conceptualized in February, 2011 on the recommendation of Task Force constituted by Ministry of Finance to recommend implementable solution for direct transfer of subsidies on kerosene, LPG and fertilizers. The implementation of Phase-I of DBT Scheme has already been made operational from 1st November 2011. Phase II of mFMS envisages capturing sale made by the retailer to the buyer or end-user. The

Department is examining the feasibility of doing Proof of Concept for Phase-II. As regards implementation of subsequent Phases, Phase III & IV the Department intimated that there are many operational and implementation challenges such as identification of beneficiaries and determination of entitlement, etc. While not satisfied with the performance of the Department in implementation of DBT Scheme, the Committee recommended that all-out effort be made for the implementation of DBT Scheme at the earliest. The Committee further, recommended the Department of Fertilizers to coordinate with the Ministry of Agriculture to make earnest efforts towards expeditious implementation of Soil Health Card Scheme and ensure that every farmer is provided with a Soil Health Card having his bank details for direct transfer of subsidy to the farmer.

In this regard, the Department in its Action Taken Replies informed that Phase-I of mFMS i.e. Information initially till the retailer point has been got stabilized. As per Hon'ble Finance Minister's Budget Speech (2016-17), the Department is planning to conduct a pilot in few districts across the country during October, 2016 –September, 2017 to capture sale details and buyer's details. The Department would also explore the expediency of various identification instruments such as Kisan Credit Cards, Aadhar Cards, Voter ID Card, Bank Account etc., for authentication of buyers. However, the Pilot would initially run on "no denial mode". The outcome of pilot would also provide key success indicators for pan-country implementation of Phase–II and ultimately for DBT in Fertilizers.

The Committee observe that implementation of Phase-I of DBT Scheme has already been made operational and the Department is examining the feasibility of doing Proof of Concept for Phase-II of mFMS which envisages capturing of sale made by the retailer to the buyer or end-user. In view of the above, the Committee expect that Department would implement the Phase-II expeditiously. Further, in the Action Taken Replies, the Department has stated that it would explore the expediency of various identification instruments such as Kisan Credit Cards, Aadhar Cards, Voter ID Card, Bank Account etc., for authentication of buyers. However, the reply is silent on the issue of Soil Health Card. The Committee, therefore, reiterate its recommendation and would also like the Department to explore early implementation of Soil Health Card Scheme and make it a pre requisite for DBT scheme along with Kisan Credit Cards, Aadhar Cards, Voter ID Card, Bank Account, etc. The Department may apprise the Committee of the action taken in this regard.

E. NEW INVESTMENT POLICY 2012

RECOMMENDATION NO.6

1.17 Stressing the need to increase the production of indigenous fertilizers, the Committee had recommended as under :-

"The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 and its amendment on 7th October 2014 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. The Department at present has received 06 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. The Department in April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited, Kanpur Fertilizers & Cement Limited and Matix have written letter to the Department in respect of their proposals. However, no communication has been received from Indo-Gulf Fertilizers Limited and Nagarjuna Fertilizers & Chemicals Limited. The Committee are deeply constrained to note the slow progress made by the Department in implementing the New Investment Policy which was notified on 2nd January, 2013. The Committee further note that the commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date (date of financial closure). In view of this, it is imperative that these investment proposals are implemented at the earliest. Considering the importance of the fresh investment in the fertilizer sector, the Committee recommend that the Department of Fertilizers should make more sustained and proactive efforts in a time bound manner and take up matter with the project proponents to furnish the Bank Guarantee & take all necessary further steps as per the provisions of NIP-2012 and its amendment. The Committee would further like the Department to review periodically the progress made by the project proponents and take corrective measures to ensure their timely execution. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

1.18 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"At present, there are following 6 proposals for setting up of Greenfield and Brownfield (Expansion) projects received under NIP-2012 and its amendment with the Department of Fertilizers: -

S. No.	Company	Projects	Ownership	State
1.	Kanpur Fertilizers & Cement Limited	Greenfield Project at Jabalpur	Private	Madhya Pradesh
2.	Indo-Gulf Fertilizers Limited –Jagdishpur	Brownfield Expansion urea project at Jagdishpur.	Private	Uttar Pradesh
3.	Chambal Fertilizers & Chemicals Limited-Gadepan	Brownfield of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4.	Matix Fertilizers & Chemicals Limited-II, Panagarh	Brownfiled Ammonia-Urpea Fertilizers Complex at Panagarh.	Private	West Bengal

5.	Rashtriya Chemicals & Fertilizers Limited-Thal	Brownfield Ammonia-Urea Expansion project at Thal.	CPSU	Maharashtra
6.	Nagarjuna Fertilizers & Chemicals Ltd.	Brownfield Project at Kakinada, Andhra Pradesh.	Private	Andhra Pradesh

This Department vide its letter dated 21st April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited (CFCL), Kanpur Fertilizers & Cement Limited (KFCL) and Matix have written letter to this Department in respect of their proposals, the details of which are as follows: -

S. No.	Company	Present Status
1.	CFCL-Brownfield of Ammonia-Urea units at Gadepan-Kota	As per the terms of the NIP Policy, CFCL had furnished the Bank Guarantee of Rs. 300 crores to the Government of India. Subsequent to their finalization of LSTK/EPCA contractors and release of advance to contractors, i.e., achievement of first milestone, this department has approved the release of Bank Guarantee of Rs 100 crores to Chambal fertilizers & Chemicals Limited.
2.	KFCL-Greenfield project at Jabalpur	The request of KFCL, Jai Prakash Associates Limited for allocation of sufficient quantity of gas for the proposed urea plant at Jabalpur and to expedite the Surat- Paradip gas pipeline with a provision to connect Jabalpur to this pipeline was taken up with MoP&NG. In this regard, GAIL informed that they are presently carrying out detailed route survey of Dhamra- Angul-Durg Section of Surat-Paradip-Dhamra Pipeline along with a spurline to Balaghat/Jabalpur. GAIL has requested to provide the indicative schedule/ plan for setting up a fertilizer plant at Balaghat/Jabalpur. In response to the above letter of GAIL, KFCL has communicated that the acquisition of the desired land is under process by the state government, pending which, it would be difficult for them to communicate the indicative schedule. Subsequent to the land allotment, they will be starting the process for environment clearance. KFCL has indicated that the project for setting up a Greenfield fertilizer unit will take 36 months from receipt of Environment clearance.
3.	Matix	Matix Fertilizers & Chemicals Limited has proposed to set up a Greenfield 3 Million Metric Tonne Per Annum gas based Ammonia-Urea complex (Train-I & II) at Pannagarh, West Bengal with the investment of over Rs. 6000 crores. The

		Matix plant will use Coal Bed Methane (CBM) gas as feedstock for manufacturing urea. Matix has confirmed its readiness to commence production of urea subject to the availability of minimum 1.7 mmscmd of CBM. There is no domestic gas allocation for this project by the Government of India and also the unit is not connected to National Gas Grid Network. In order to facilitate the commissioning of plant, DoF takes up the matter of allocation of CBM Gas with MoP&NG. So far as Train-II is concerned, vide letter dated 24th April, 2016, Matix has informed that 'they shall take all necessary action as required and also take steps to achieve Financial Closure. They agree to submit Bank Guarantee on achieving financial closure but before making any LSTK/EPC financially effective.

No communication has been received from Indo-Gulf Fertilizers Limited (IGFL) and Nagarjuna Fertilizers & Chemicals Limited (NFCL).

Department of Fertilizers has again taken up matter with the project proponents to furnish the Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment.

The commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date. Therefore, the reduction of the import and increase in production of urea would only be analyzed when the plants start the production."

COMMENTS OF THE COMMITTEE

1.19 The Committee noted that under the New Investment Policy 2012 (NIP-2012) notified by the Government on 2nd January, 2013 and its amendment on 07.10.2014, the Department at present has received 06 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. The Department in April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. Considering the importance of the fresh investments in the urea sector, the Committee recommended that the Department of Fertilizers should make more sustained and proactive efforts in a time bound manner and take up the matter with the project proponents to furnish the Bank Guarantee & take all necessary further steps as per the provisions of NIP-2012 and its amendment. Further, the Department should review periodically the progress made by the project proponents and take corrective measures to ensure timely execution of their projects.

In this regard, the Department in its Action Taken Replies informed that the Department vide its letter dated 21st April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions

of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited (CFCL), Kanpur Fertilizers & Cement Limited (KFCL) and Matix have written letter to the Department in respect of their proposals. CFCL has furnished the Bank Guarantee of Rs. 300 crores to the Government of India, as per the terms of the NIP Policy. KFCL has indicated that the project for setting up a Greenfield fertilizer unit will take 36 months from receipt of Environment clearance. Matix has informed that they shall take all necessary actions as required and also take steps to achieve Financial Closure and agreed to submit Bank Guarantee on achieving financial closure.

In view of the above, the Committee reiterates its recommendation that the Department of Fertilizers should gear up and make more sustained and proactive efforts in a time bound manner and take up matter with the project proponents to furnish the Bank Guarantee & take all necessary further steps as per the provisions of NIP-2012 and its amendment. The Committee would further like the Department to review periodically the progress made by the project proponents and take action accordingly to ensure timely execution of projects.

F. REVIVAL OF SICK FERTILIZER UNITS

RECOMMENDATION NO.7

1.20 Emphasizing the need for expeditious revival of sick fertilizer units, the Committee had recommended as under:-

> "The Committee have many time in the past emphasized the need for expeditious revival of closed/sick units of fertilizer companies particularly in the context of augmenting indigenous production of fertilizers and to make the country self reliant in fertilizer sector. The Committee are happy to observe that earnest efforts have been made by the Department in expediting the approval of Financial Restructuring proposal of Brahmputra Valley Fertiliser Corporation Limited (BVFCL) by the Cabinet, as a result of which the company is able to revive itself and is no more a loss making company. However, out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, 2 companies viz. Fertilizers and Chemicals (FACT) and Madras Fertilizers Limited (MFL) are sick and 2 companies viz. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. The Committee also noted that Government is considering proposals for financial restructuring of two sick companies namely MFL and FACT which inter-alia involves write off of Government of India loan and the interest thereon. The Committee have also been given to understand that while the proposal for financial reconstructing is under process, the Ministry of Finance has approved a plan loan of Rs. 1000 crores to FACT under RE 2015-16. Department of Fertilizers and FACT have entered a legally binding Agreement with FACT mortgaging its free-hold land of worth Rs. 1836.72 crore to Government of India against the total outstanding liabilities of Government of India. The interest on the total outstanding

loan till its repayment shall be at @ 13.5% from 31.03.2017. The Committee are of the strong view that interest charged @ 13.5% on the total outstanding loan from FACT, which is a sick company is unreasonable and harsh. During the course of evidence, the Secretary Department of Fertilizers had also accepted that the interest rate is very high. The Committee, therefore, strongly recommend that the Department should take up the issue vigorously with the Ministry of Finance to review the rate of interest charged from the FACT on the loan provided to them. Further, the Committee also expect that the Department would make earnest efforts to expedite the implementation of pending financial restructuring of MFL and FACT."

REPLY OF THE GOVERNMENT

1.21 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"Against the DoF request to fix the rate of interest at G-Sec rate (i.e.8%), Department of Economic Affairs (DEA) calculated the rate of interest @13.5%. As conveyed by Secretary (DEA) DO letter no. 7/58/2014-NS. I dated 12.01.2016, the interest rate for loan to FACT has been calculated on the basis of DEA's OM No.5(3)-B(PD)/2014 dated 29.12.2014. Vide this OM DEA has notified the revised rates of interest applicable from 01.04.2014. As per revised rates of interest rate of interest for the Working Capital loans and loans to meet Cash losses for the Industrial and Commercial Undertakings in the Public Sector and Cooperatives is 13.50 %. Accordingly, rate of interest for the plan loan of Rs.1000 crore given to the FACT has been fixed @13.5% till its repayment from 31.03.2017. DEA has also informed that the rate of interest is subject to revision usually on an annual basis. The issue regarding review of interest rates is being taken up with Ministry of Finance as per the recommendations of the Committee.

Dept. of Fertilizers is actively considering for the financial restructuring of FACT and MFL. It has already prepared a proposal for the financial restructuring of FACT. The proposal contains waiver of GoI loans and interest as on 31.03.2015, granting one-time compensation for use of LNG and issuance of sovereign guarantee so as to come out of BIFR. The proposal also includes 'In principle' approval for sale / leveraging of land for raising resources to repay the loans raised against sovereign guarantee and to raise funds for implementation of short/medium & long term proposed projects.

A proposal for the financial restructuring of MFL had been pending for the recommendation of the BRPSE for a long time. In the meantime, Government wound up the BRPSE and DPE issued guidelines for stream lining the mechanism for the revival and restructuring of sick/incipient sick and weak CPSE. Accordingly, DoF has asked MFL for engaging an external expert agency for exploring the possibility for the revival of MFL in terms of these guidelines.

COMMENTS OF THE COMMITTEE

1.22 The Committee noted that out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, 2 companies viz. Fertilizers and Chemicals (FACT) and Madras Fertilizers Limited (MFL) are sick. The Committee also noted that Government is considering proposals for financial restructuring of two

sick companies namely MFL and FACT which inter-alia involves write off of Government of India loan and the interest thereon. The Committee have also been given to understand that while the proposal for financial reconstructing is under process, the Ministry of Finance has approved a plan loan of Rs. 1000 crores to FACT under RE 2015-16. The interest on the total outstanding loan till its repayment shall be @ 13.5% from 31.03.2017. The Committee were of the strong view that interest charged @ 13.5% on the total outstanding loan from FACT, which is a sick company is unreasonable and harsh, therefore, strongly recommended that the Department should take up the issue vigorously with the Ministry of Finance to review the rate of interest charged from the FACT on the loan provided to them. Further, the Committee also expect that the Department would make earnest efforts to expedite the implementation of pending financial restructuring of MFL and FACT.

In this regard, the Department in its Action Taken Replies informed that as per revised rates of interest rate of interest for the Working Capital loans and loans to meet Cash losses for the Industrial and Commercial Undertakings in the Public Sector and Cooperatives is 13.50 %. Accordingly, rate of interest for the plan loan of Rs.1000 crore given to the FACT has been fixed @13.5% till its repayment from 31.03.2017. DEA has also informed that the rate of interest is subject to revision usually on an annual basis. The issue regarding review of interest rates is being taken up in due course with Ministry of Finance as per the recommendations of the Committee. Further, Department of Fertilizers is actively considering for the financial restructuring of FACT and MFL. A proposal for the financial restructuring of FACT has already been prepared. Based on DPC guidelines for streamlining the mechanism for the revival and restructuring of sick/incipient sick and weak CPSEs, the Department has asked MFL for engaging an external expert agency for exploring the possibility for the revival of MFL.

The Committee are satisfied that the government has accepted the Committee's recommendation to review of interest charged @ 13.5% on the total outstanding loan from FACT and the same would be taken up with Ministry of Finance in due course. The Committee would like the Department to strongly take up the matter with the Ministry of Finance and impress upon them to charge the rate of interest which is reasonable and implementable. While a proposal for the financial restructuring of FACT has already been prepared, the Committee would recommend the Department to make earnest efforts to expedite the implementation of pending financial restructuring of MFL. The Committee would also expect MFL/Department of

Fertilizers to expedite the appointment of external expert agency for preparing the proposal for revival of MFL in terms of DPE guidelines.

G. REVIVAL OF CLOSED FERTILIZER UNITS

RECOMMENDATION NO. 8

1.23 Emphasizing the need for expeditious revival of closed fertilizer units, the Committee had recommended as under::-

> "Apart from these 2 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress . As regards Sindri, Gorakhpur and Barauni units of FCIL a cabinet note seeking approval on the revised terms and conditions for bidding process has been circulated for inter ministry consultation. As regards revival of HFCL units, the Empowered Committee has recommended the proposal of Department of Fertilizer for taking fresh proposal to Cabinet for bringing out HFCL from the purview of BIFR and revive the units by itself through bidding route. the Committee are of the view that expeditious revival of sick and closed fertilizer units is essential for making India self-sufficient in the fertilizer sector and to reduce its imports dependency. However, the Committee regret to note the slow pace of progress made by the Government in the revival of these sick units so far. The Committee also feel that the delay in the revival of closed and sick units leads to time and cost overruns. Keeping in view the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/ sick units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

1.24 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

> "Revival of the closed units of FCIL:
> Unit wise further progress made on the revival of the closed units of the FCIL is as under:
>
> <u>Talcher unit</u>:
>
> • In the meeting convened by CEO, NITI Aayog on 15.03.2016 following decisions were taken:
>
> a. All the concerns raised by the Technical Consultants, TRU with regard to shortcomings in TEFR prepared by PDIL should be addressed satisfactorily.
>
> b. The issues raised by TRU relating to strategy for disposal of valuable by-products like Naphtha, Tar, Phenol, etc. and their impact on financial viability needs to be examined.
>
> c. The problems associated with disposal of huge quantity of poor quality Ash needs to be addressed.
>
> d. Since JV has already applied for allocation of coal block, Ministry of coal should expedite the same.

- PDIL submitted their report on the concerns raised by the Technical consultant, TRU and same has been circulated to all the JV partners for their comments on 06.04.2016.
- CEO, NITI Aayog convened another meeting on 13.04.2016. It has been decided that Jindal Steel Plant Ltd (JSPL) may be requested for a presentation highlighting their experience on ALGS Technology.
- CEO, NITI Aayog again convened a meeting on 21.04.2016. In the meeting it was decided that-

a. A test run will be carried out in JSPL plant for 5 days with coal samples of high ash Talcher coal with the following options:
   - 100% Talcher coal washed down to 35% Ash content.
   - 70% Talcher coal blended with 30% Raniganj (better quality) coal.

b. It has already been decided, earlier, that North of Arakhpal coal mine would be allocated to the project and since coal seam from these mines are similar to Bhubaneswari coal mine which is an operating mine, coal samples shall be supplies to JSPL, Angul plant from Bhubaneswari coal mine.
c. CIL shall make all arrangement for supplying the required quantity of coal from Bhubaneswari and Raniganj coal mine.
d. The test run would be under the observation of the engineers from the consortium partners.
e. Entire activity will be co-ordinated by Coal India Limited and completed within a period of one month.
f. The final decision for selection of technology will be taken based on the outcome of the test run.

Ramagundam Unit:

RFCL Board in its meeting held on 16th March, 2016 approved debt tie up of Rs 3940.71 cr from consortium of six banks led by SBI.

Gorakhpur unit & Sindri Unit:

- In the meeting held by CEO, NITI Aayog on 15.03.2016 it was decided that-

a. Sindri, Gorakhpur and Barauni Units will be revived through financially strong PSUs like Coal India Limited, NTPC and ONGC respectively.
b. Department of Fertilizer will prepare a detailed information brochure of each unit highlighting all the assets including its land and other infrastructure, the required investment and other support to be provided by the Government.

- CEO, NITI Aayog convened another meeting on 6.04.2016. After detailed deliberation it was decided that:

a. Ministries/CPSUs were once again asked to confirm their participation in revival process.
b. They were also given the option for investment through SPV/JV consisting of more than one PSU of their ministry.

- A Cabinet Note for revival of Gorakhpur and Sindri Units through PSU route is under consideration.

Revival of the closed units of HFCL:

In addition to earlier reply of the Department it is submitted that the cabinet note to bring the HFCL out from the purview of BIFR and revive Barauni unit itself through bidding route was finalized after receiving the comments of all the stake holding Ministries/organization during the Inter-Ministerial Consultation on the draft cabinet note. The final cabinet note has been sent to Cabinet Secretariat on 13.05.2016 for placing before the Cabinet at an early date."

COMMENTS OF THE COMMITTEE

1.25 The Committee noted that expeditious revival of closed fertilizer units is essential for making India self-sufficient in the production of fertilizers and to reduce its import dependency. The Committee, therefore, recommended that the process of revival of closed/sick units of fertilizers be expedited within a fixed timeframe.

In its Action Taken Replies, the Department has stated the progress made with regard to revival of closed units of fertilizer companies i.e. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL). With regards Talcher unit of FCIL, a test run will be carried out in Jindal Steel Plant Ltd (JSPL) plant for 5 days with coal samples of high ash Talcher coal. The final decision for selection of technology will be taken based on the outcome of the test run. With regard to Ramagundam unit of FCIL, RFCL Board in its meeting held on 16th March, 2016 approved debt tie up of Rs 3940.71 crore from consortium of six banks led by SBI. With regard to Gorakhpur and Sindri units of FCIL, A Cabinet Note for revival of Gorakhpur and Sindri Units through PSU route is under consideration. With regards revial of closed units of HFCL, the Department has submitted that the cabinet note to bring the HFCL out from the purview of BIFR and revive Barauni unit itself through bidding route was finalized after receiving the comments of all the stake holding Ministries/organization during the Inter-Ministerial Consultation on the draft cabinet note. The final cabinet note has been sent to Cabinet Secretariat on 13.05.2016 for placing before the Cabinet at an early date.

After reviewing the action taken replies furnished by the Department, the Committee are pleased to note the earnest efforts made in the revival of closed fertilizer units of FCIL and HFCL. The Committee desire that such sustained efforts may continue to be made so as to expedite the process of revival of closed units. The Committee would like to be apprised of the progress made in this regard.

RECOMMENDATION NO.9 & 11

1.26 Emphasizing the need to ensure supply of gas to the fertilizer manufacturing units, the Committee had recommended as under:-

> "The Committee note with deep concern that the inadequate availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, the availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units. The current requirement of gas for the fertilizer sector is 46.5 MMCMD while only 31.5 MMCMD is being allocated to them. As against that, what is supplied is only 24 to 26 MMCMD of domestic gas. The Committee are of the strong view that pricing and firm availability of natural gas for existing and new units of fertilizer companies are the pre-requisites to increase the indigenous production and would, therefore, desire the Department to play a proactive role in association with the Ministry of Petroleum and Natural Gas towards allocation of gas for the existing and new fertilizer plants in the country."

RECOMMENDATION NO. 11

> "The Committee is further informed that Ministry of Petroleum & Natural Gas has notified Pooling of Gas for Fertilizers (Urea) Sector, which, inter alia, includes that the domestic gas will be pooled with Re-gasified Liquefied Natural Gas (RLNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing urea. The provisions of gas pooling will ensure that RLNG will the supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under New Urea Policy (NUP)-2015. It also envisaged the constitution of Empowered Pool Management Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through competitive and transparent manner. The Committee are of the view that this is an important policy decision implemented in the fertilizer sector which would boost the production of urea and also provide good building block for further fertilizer sector reforms. Considering the importance of the decision, the Committee expect that the Department should make earnest efforts to implement the decision successfully and also constantly monitor it in order to achieve the desired results."

REPLY OF THE GOVERNMENT (REC. NO. 9 & 11)

1.27 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

> "Ministry of Petroleum & Natural Gas has notified Pooling of Gas for Fertilizers (Urea) Sector vide its Notification dated 20th May, 2015 (read with 29th May, 2015) which, inter alia, includes that "the domestic gas will be pooled with Re-gasified Liquefied Natural Gas (RLNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. After gas pooling, all urea units gets gas at uniform rate irrespective of the gas allocation to the unit. It will ensure better utilization of available domestic gas to urea sector. The provisions of gas pooling will ensure that Natural Gas will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under New Urea Policy (NUP) – 2015, which was notified on 25th May,

2015 by the Department of Fertilizers. It also envisages the constitution of Empowered Pool Management Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through a competitive and transparent manner. Department of Fertilizers regularly takes up the matter of allocation and regular supply of natural gas to the urea units, in the EPMC meetings. A D.O letter dated 22nd June, 2016, from Secretary (Fertilizers) has also been written to Secretary (MoP&NG) to ensure the supply of domestic gas atleast to the extent of 31.5 mmsmcd to the urea sector as per EGoM decision dated 23.08.2013."

COMMENTS OF THE COMMITTEE

1.28 The Committee noted that pricing and firm availability of natural gas for existing and new units of fertilizer companies are the pre-requisites to increase the indigenous production and, therefore, recommended that the Department to play a proactive role in association with the Ministry of Petroleum and Natural Gas towards allocation of gas for the existing and new fertilizer plants in the country. The Committee further, recommended that the Department should make earnest efforts to implement the notification regarding Pooling of Gas for Fertilizers (Urea) Sector successfully and also constantly monitor it in order to achieve the desired results.

In this regard, the Department in its Action Taken Replies informed that the Department of Fertilizers regularly takes up the matter of allocation and regular supply of natural gas to the urea units, in the EPMC meetings. A D.O letter dated 22nd June, 2016, from Secretary (Fertilizers) has also been written to Secretary (MoP&NG) to ensure the supply of domestic gas atleast to the extent of 31.5 mmsmcd to the urea sector as per EGoM decision dated 23.08.2013.

In view of the above, the Committee would like to reiterate its earlier recommendation that the Department should play a proactive role and pursue with the Ministry of Petroleum and Natural Gas and explore all possible options to supply the required gas to these urea manufacturing units at the earliest. The Committee would like to know the action taken in this regard.

H. FEEDSTOCK POLICY/ALLOCATION OF GAS TO NAPHTHA BASED FERTILIZER UNITS.

RECOMMENDATION NO.10

1.29 Stressing the need to assured supply of gas to Naphtha based fertilizer units , the Committee had recommended as under:-

"The Committee are given to understand that three urea units, viz., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. While appreciating the step taken by Department of allowing these urea units to continue urea production on Naphtha as a feedstock till these plants get assured supply of gas either by pipeline or by any another means, the Committee expect that immediate necessary steps be taken to explore all the available options in order to ensure assured supply of gas to these plants at the earliest. The Committee also note that fertilizer units which are away from sea shore may take much time for their conversion from Naptha/FO/LSHS based to gas based as laying of the pipeline is a mammoth task but the units which are near the sea shore like MFL which require only 18 KM pipeline are deprived to get gas supply owing to non-existence of terminal at Chennai port. The Committee, are given to understand that terminal is being constructed by IOCL and it would be constructed by 2018. The Committee, therefore, trust and expect that the terminal would be constructed expeditiously by IOCL without any time over run. The Committee, therefore, recommend that Department of Fertilizers should take up the matter with the Ministry of Petroleum and Natural Gas on priority to expedite the project."

REPLY OF THE GOVERNMENT

1.30 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"Department of Fertilizers regularly reviews the progress of infrastructure for supply of gas and readiness to receive gas for Naphtha based urea units with Ministry of Petroleum & Natural Gas. As per the feedback received from the MoP&NG, the latest status of Gas Pipeline Connectivity to Naphtha based Urea units is as follows:

1. Southern Petrochemicals Industries Corporation (SPIC)-Tuticorin:

SPIC is about 120 Km away from ONGC's Ramanad gas field. ONGC has informed the availability of non-APM gas for allocation from Kanjirangudi (KJR) field, Ramnad under Cauvery Assets in Tamilnadu. Based on the requests made by M/s SPIC to allocate 0.9 MMSCMD of natural gas from Ramnad field for its urea manufacturing unit located at Tuticorin in Tamilnadu and as per recommendations of DoF, Ministry of Petroleum and Natural Gas has earmarked 0.9 MMSCMD of Non-APM gas from ONGC's Kanjirangudi (KJR) field, Ramnad for SPIC, Tuticorin.

SPIC, Tuticorin is proposed to be connected with ONGC's Ramanad gas field by laying a 120 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore – Nagapattinam - Tuticorin - Madurai - Bengaluru Natural Gas Pipeline (ENTMBPL). This pipeline has been awarded in Dec. 2015. IOCL has been advised to expedite the pipeline connectivity.

2. Madras Fertilizers Ltd (MFL)- Manali:

Option 1: MFL, Manali is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by Ennore – Nagapattinam – Tuticorin – Madurai – Bengalauru Natural Gas Pipeline (ENTMBPL). Ennore LNG terminal is likely to be commissioned in 2017-18. This plant is only 17 kms away from the proposed LNG terminal. In order to connect this plant, PNGRB has granted authorization to IOCL on 15th December, 2015 to construct ENTMBPL. Thus, MFL, Manali may be connected in synchronization with the commissioning of Ennore LNG terminal.

Option 2: As an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad-Bangalore-Mangalore (KKBMPL) pipeline. Further, gas can also be supplied from Dabhol LNG terminal of RGPPL through Dabhol-Bangalore pipeline with extension to MFL, Manali. For execution of the pipeline, GTA and GSA are required to be signed by GAIL with MFL, Manali. GAIL had offered MFL to supply RLNG at Henry Hub (HH) linked prices for a Long term period of 20 years and for the initial period of 2017-18. MFL is yet to execute the necessary agreements.

3. Mangalore Chemicals and Fertilizers Ltd. (Mangalore):

GAIL has planned to connect this plant with Kochi LNG terminal by laying Kochi-Koottannad-Bangalore-Mangalore Pipeline (KKBMPL). GAIL has commissioned Phase-I of KKBMPL project with a total length of 42 kms. However, due to stiff resistance from farmers in the state of Kerala and Tamil Nadu, the Kootannad-Mangalore pipeline section and Koottannad-Bangalore pipeline section are getting delayed in execution. In view of this delay, GAIL has proposed to connect the plant through an alternative route by taking a tap-off on Dabhol-Bangalore pipeline (DBPL) at Chitradurga / Housepet / Devengiri to Mangalore for which necessary arrangements shall be required to be executed by the entities."

COMMENTS OF THE COMMITTEE

1.31 The Committee noted that three urea units, viz., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. While appreciating the step taken by Department by allowing these urea units to continue urea production on Naphtha as a feedstock till these plants get assured supply of gas either by pipeline or by any another means, the Committee recommended that immediate necessary steps be taken to explore all the available options in order to ensure assured supply of gas to these plants at the earliest.

In this regard, the Department in its Action Taken Replies informed that Department of Fertilizers regularly reviews the progress of infrastructure for supply of gas and readiness to receive gas for Naphtha based urea units with Ministry of Petroleum & Natural Gas. As per the feedback received from the Ministry of Petroleum & Natural Gas, SPIC, Tuticorin and MFL, Manali, are proposed to be connected with ONGC's Ramanad gas field by laying a 120 Km pipeline by M/s Indian Oil Corporation Limited as a part of its authorized pipeline Ennore – Nagapattinam - Tuticorin - Madurai - Bengaluru Natural Gas Pipeline (ENTMBPL). As an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad-Bangalore-Mangalore (KKBMPL) pipeline. Further,

gas can also be supplied from Dabhol LNG terminal of RGPPL through Dabhol-Bangalore pipeline with extension to MFL, Manali. Further, with regards Mangalore Chemicals and Fertilizers Ltd. (Mangalore), GAIL has planned to connect this plant with Kochi LNG terminal by laying Kochi-Koottannad-Bangalore-Mangalore Pipeline (KKBMPL). GAIL has commissioned Phase-I of KKBMPL project with a total length of 42 kms. However, due to stiff resistance from farmers in the state of Kerala and Tamil Nadu and consequent delay in execution of the Kootannad-Mangalore pipeline section and Koottannad-Bangalore pipeline section, GAIL has proposed to connect the plant through an alternative route by taking a tap-of on Dabhol-Bangalore pipeline (DBPL) at Chitradurga/ Housepet/ Devengiri to Mangalore for which necessary arrangements shall be required to be executed by the entities.

After analyzing the action taken replies furnished by the Department, the Committee are pleased to note the progress of infrastructure for supply of gas by the Department in pursuance of the recommendation of the Committee. However, at this stage, utmost priority needs to be given to remove bottlenecks for execution of infrastructure which are coming in the way of supply of gas to the urea based plants. The Committee, therefore, desire that more sustained and proactive efforts may be made to remove the above cited hindrances as per the reply. The Committee would like to be apprised of the initiatives undertaken by them in this regard.

I. DEMAND AND AVAILABILITY OF FERTILIZERS

RECOMMENDATION NO.12

1.32 Stressing the need for sustainable increase in the production of fertilizer and minimizing imports, the Committee had recommended as under:-

> "The Committee note that the month-wise demand is assessed and projected by the Department of Agriculture & Co-operation (DAC) in consultation with the State Governments before commencement of each cropping season. On the basis of month-wise & state-wise projection, the Department of Fertilizers allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and the movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system also called as Fertilizer Monitoring System (FMS). The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed etc. Regular Weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation (DAC), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments. The gap between demand (requirement) and production is met through import. While examining the quantity and value of urea imported during the last three years (2012-15), the Committee finds

that there has been gradual rise in import of urea viz. import of urea was 80.44 LTM in 2012-13, 70.88 LTM in 2013-14 and 83.09 LTM in 2014-15. Further, the import of urea for the year 2015-16 (up to February 2016) is again on the high side viz. 83.09 LTM. The Committee note with serious concern the consequential financial burden on the exchequer due to increase in imports of urea to meet the demand-supply gap. The Committee would, therefore, like the Department to take immediate necessary steps to minimize the import of urea by taking proactive measures towards a sustainable increase in domestic production commensurate with increasing domestic demand. The Committee would like to be apprised of the action taken in this regard."

REPLY OF THE GOVERNMENT

1.33 In reply to the aforesaid recommendation of the Committee, the Department of Fertilizers has stated as under :-

"Concern of the committee regarding increase in import of Urea over the years has been noted. In this context, it is stated that DoF is mandated to provide all subsidized chemical fertilizers to the States/UTs as per requirement projected by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) in consultation with States. Requirement is projected on the basis of various parameters. To meet the gap between domestic demand and indigenous production Urea is imported. Requirement of Urea over the years has increased marginally which has resulted in import of Urea as the domestic production has not increased that could match with the demand. In the year 2015-16, domestic production was highest ever, but the original demand (requirement) was also highest ever from States.

In order to reduce the import dependence gradually, Department has initiated various steps to enhance the domestic production. To facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector, the Government had notified New Investment Policy – 2012 on 2nd January, 2013 and its amendment on 7th October 2014. At present, there are 6 proposals for setting up of Greenfield and Brownfield (Expansion) projects received under NIP-2012 and its amendment with the Department of Fertilizers.

The commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date (date of financial closure). Therefore, the reduction of the import and increase in production of urea would only be analyzed when the plants start the production.

Further, the New Urea Policy-2015 (NUP- 2015) has also been notified on 25th May 2015 effective from 1stJune 2015 to 31st March 2019 with the objectives to maximize indigenous urea production; promote energy efficiency in the urea units; and to rationalize the subsidy burden on the Government of India. The policy has led to additional production of 19 LMT from the existing plants and the total production of urea during the year 2015-16 was 244.75 LMT, i.e. the highest ever urea production in the country.

New Urea Policy is one of such steps. Similarly, steps have been taken for revival/opening New Urea Plants in the coming years. It will take some reasonable time to get the desired result of New Urea Policy and revival/opening of new Plants."

COMMENTS OF THE COMMITTEE

1.34 The Committee noted that there has been gradual rise in import of urea viz. import of urea was 80.44 LTM in 2012-13, 70.88 LTM in 2013-14 and 83.09 LTM in 2014-15. Further, the import of urea for the year 2015-16 (up to February 2016) is

again on the high side viz. 83.09 LTM. The Committee noted with serious concern the consequential financial burden on the exchequer due to increase in imports of urea to meet the demand-supply gap. The Committee therefore, recommended the Department to take immediate necessary steps to minimize the import of urea by taking proactive measures towards a sustainable increase in domestic production commensurate with increasing domestic demand.

In this regard, the Department in its Action Taken Replies informed that the concern of the Committee regarding increase in import of Urea over the years has been noted. In this context, it is stated that the Department of Fertilizers is mandated to provide all subsidized chemical fertilizers to the States/UTs as per requirement projected by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) in consultation with States. In the year 2015-16, domestic production was highest ever, but the original demand (requirement) was also highest ever from States. Further, in order to reduce the import dependence gradually, Department has initiated various steps to enhance the domestic production. The Government had notified New Investment Policy – 2012 on 2nd January, 2013 and its amendment on 7th October 2014. Further, the New Urea Policy-2015 (NUP- 2015) has also been notified on 25th May 2015 effective from 1st June 2015 to 31st March 2019 with the objectives to maximize indigenous urea production; promote energy efficiency in the urea units; and to rationalize the subsidy burden on the Government of India. The policy has led to additional production of 19 LMT from the existing plants and the total production of urea during the year 2015-16 was 244.75 LMT, i.e. the highest ever urea production in the country.

The Committee welcome the proactive steps being taking by the Department in order to reduce import dependency gradually and to augment indigenous urea production. The Committee are of the view that expeditious implementation of various steps taken by the Department would be helpful in making the country self-reliant in the field of fertilizer sector which is very vital for the development of the agriculture sector and overall economy of the country. The Committee while reiterating its earlier recommendation desire that sustained efforts be continued to be made by the Department for implementing the policy and programmes to augment domestic production of urea within the stipulated time. The Committee would like to be apprised of the action taken in this regard.

CHAPTER-II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION NO.3

"The Committee note that no plan allocation has been made for the Miscellaneous Schemes viz, MIT and S&T during 2016-17. The fund allocation (RE) in respect of R&D for the year 2015-16 was also nil, since the Department was unable to receive adequate number of quality proposals conforming to guidelines. The Committee were also informed that R&D Scheme has been discontinued from the Plan Budget and has been merged with Secretariat Economic Services under Non-Plan Budget. The Committee are of the view that S&T programme is of paramount importance which primarily lays emphasis at indigenous Research and Development for ensuring optimum levels and international standards in terms of achieving higher capacity utilization, upgradation/modernization of process technologies & equipment to reduce the specific energy consumption and pollutants including Coal and Coal Bed Methane. The Committee are apprehensive that discontinuing the R&D Scheme from the Plan Budget and merging with Secretariat Economic Service under Non-Plan Budget is likely to dilute its relevance and focus. The Committee, therefore, recommend the Department to play a proactive role in order to get quality proposals conforming to the guidelines and thereafter take up the matter vigorously with the Ministry of Finance to create a separate R&D head under Plan Budget and also impress upon them with stellar performance so as to obtain adequate plan funds for the purpose."

REPLY OF THE GOVERNMENT

"The matter regarding allocation of funds for R&D is being taken up with Ministry of Finance."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

RECOMMENDATION NO.4

"The Committee note that the projected requirement of the Department under Non-plan section for the year 2013-14 was Rs. 97051.00 crore against which RE allocation for the year 2013-14 was Rs. 71,962.00 crore and the actual expenditure was Rs. 71300.72 crore, although the actual requirement was much higher as the Department had to carry over liabilities of Rs.26414.88 crore relating to the year 2012-13. As a result, the Department has to roll over an amount of Rs. 40340.78 crore to the next year as carry over liabilities. Against the projected requirement of Rs.1,56,420.48 crore for the year 2014-15, the Department was allocated an amount of Rs.75,092.73 crore at RE stage and the actual expenditure during the year was Rs. 75,089.67 crore. The Department has to roll over the arrears of unpaid subsidy of Rs. 31,830.77 crore for the next year. Against the projected requirement of Rs.1,08,691.48 crore for the year 2015-16, the Department was allocated an amount of Rs.77,097.80 crore at RE stage. Thus, while examining the year-wise allocation and amount released under the scheme, the Committee are distressed to find that the Department did not get the budgetary allocation over the past few years commensurate with the projected requirement under non-plan head. As a result, a huge amount of carryover liability of subsidy burden is piling up every year. As a reason of which, the subsidy continues to remain unpaid to the fertilizer companies. Even for non-plan budgetary allocation for the year 2015-16 at BE stage is only Rs.72997.80 crore which is more or less at par with BE 2014-15. During the course of evidence, the Secretary of the Department had also accepted the fact that delay in payment of subsidies to the fertilizer companies is affecting the fertilizer industry. Under enormous financial constraints, the fertilizer companies could not be expected to grow and make the country self-reliant in the field of fertilizer sector which is very vital for the development of the agriculture sector and overall economy of the country. The Committee are of the view that unpaid arrears of subsidy should not roll over year after year as the same affects the functioning and growth of the fertilizer industries in the country. The Committee have time and again emphasized in the past that that concerted efforts be made by the Department of Fertilizer to get its non-plan budgetary allocation increased commensurate with its requirement before the Ministry of Finance. The Committee, therefore, repeat their recommendation that the Ministry of Finance may augment the non-plan budgetary allocation of the Department so as to clear all the unpaid subsidy of the past. The Committee would like the Department to address this issue seriously and intimate the initiatives taken by them in this regard."

REPLY OF THE GOVERNMENT

"During the current financial year (2016-17), an amount of Rs. 74,100.00 Crore(Gross) has been allocated for Fertilizer subsidy at BE Stage. As on 01.04.2016, the carry over liabilities worked out to Rs. 43,356.23Crore. Due to reduced gas price at present and reduced NBS rates, the present requirement of funds for the current financial year (2016-17) is expected to be approximately Rs. 65,763.63 Crore (Gross). Taking into account the present requirement and carry over liability of Rs. 43,356.23Crore, the total requirement for 2016-17 may be to the extent of Rs. 1,09,119.86 Crore.

Department would raise the demand for additional funds in the Supplementary Demand for Grants for the current financial year."

**[Ministry of Chemicals & Fertilizers (Department of Fertilizers),
OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]**

COMMENTS OF THE COMMITTEE

(Please see pare No.1.13 of Chapter-I of the Report)

RECOMMENDATION NO.6

"The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 and its amendment on 7th October 2014 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. The Department at present has received 06 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. The Department in April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited, Kanpur Fertilizers & Cement Limited and Matix have written letter to the Department in respect of their proposals. However, no communication has been received from Indo-Gulf Fertilizers Limited and Nagarjuna Fertilizers & Chemicals Limited. The Committee are deeply constrained to note the slow progress made by the Department in implementing the New Investment Policy which was notified on 2nd January, 2013. The Committee further note that the commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date (date of financial closure). In view of this, it is imperative that these investment proposals are implemented at the earliest. Considering the importance of the fresh investment in the fertilizer sector, the Committee recommend that the Department of Fertilizers should make more sustained and proactive efforts in a time bound manner and take up matter with the project proponents to furnish the Bank Guarantee & take all necessary further steps as per the provisions of NIP-2012 and its amendment. The Committee would further like the Department to review periodically the progress made by the project proponents and take corrective measures to ensure their timely execution. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

"At present, there are following 6 proposals for setting up of Greenfield and Brownfield (Expansion) projects received under NIP-2012 and its amendment with the Department of Fertilizers: -

S. No.	Company	Projects	Ownership	State
1.	Kanpur Fertilizers & Cement Limited	Greenfield Project at Jabalpur	Private	Madhya Pradesh
2.	Indo-Gulf Fertilizers Limited –Jagdishpur	Brownfield Expansion urea project at Jagdishpur.	Private	Uttar Pradesh
3.	Chambal Fertilizers & Chemicals Limited-Gadepan	Brownfield of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4.	Matix Fertilizers & Chemicals Limited-II, Panagarh	Brownfiled Ammonia-Urpea Fertilizers Complex at Panagarh.	Private	West Bengal
5.	Rashtriya Chemicals & Fertilizers Limited-Thal	Brownfield Ammonia-Urea Expansion project at Thal.	CPSU	Maharashtra
6.	Nagarjuna Fertilizers & Chemicals Ltd.	Brownfield Project at Kakinada, Andhra Pradesh.	Private	Andhra Pradesh

This Department vide its letter dated 21st April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited (CFCL), Kanpur Fertilizers & Cement Limited (KFCL) and Matix have written letter to this Department in respect of their proposals, the details of which are as follows: -

S. No.	Company	Present Status
1.	CFCL-Brownfield of Ammonia-Urea units at	As per the terms of the NIP Policy, CFCL had furnished the Bank Guarantee of Rs. 300 crores to the Government of India. Subsequent to their finalization of LSTK/EPCA contractors and

	Gadepan-Kota	release of advance to contractors, i.e., achievement of first milestone, this department has approved the release of Bank Guarantee of Rs 100 crores to Chambal fertilizers & Chemicals Limited.
2.	KFCL-Greenfield project at Jabalpur	The request of KFCL, Jai Prakash Associates Limited for allocation of sufficient quantity of gas for the proposed urea plant at Jabalpur and to expedite the Surat- Paradip gas pipeline with a provision to connect Jabalpur to this pipeline was taken up with MoP&NG. In this regard, GAIL informed that they are presently carrying out detailed route survey of Dhamra- Angul-Durg Section of Surat-Paradip-Dhamra Pipeline along with a spurline to Balaghat/Jabalpur. GAIL has requested to provide the indicative schedule/ plan for setting up a fertilizer plant at Balaghat/Jabalpur. In response to the above letter of GAIL, KFCL has communicated that the acquisition of the desired land is under process by the state government, pending which, it would be difficult for them to communicate the indicative schedule. Subsequent to the land allotment, they will be starting the process for environment clearance. KFCL has indicated that the project for setting up a Greenfield fertilizer unit will take 36 months from receipt of Environment clearance.
3.	Matix	Matix Fertilizers & Chemicals Limited has proposed to set up a Greenfield 3 Million Metric Tonne Per Annum gas based Ammonia-Urea complex (Train-I & II) at Pannagarh, West Bengal with the investment of over Rs. 6000 crores. The Matix plant will use Coal Bed Methane (CBM) gas as feedstock for manufacturing urea. Matix has confirmed its readiness to commence production of urea subject to the availability of minimum 1.7 mmscmd of CBM. There is no domestic gas allocation for this project by the Government of India and also the unit is not connected to National Gas Grid Network. In order to facilitate the commissioning of plant, DoF takes up the matter of allocation of CBM Gas with MoP&NG. So far as Train-II is concerned, vide letter dated 24th April, 2016, Matix has informed that 'they shall take all necessary action as required and also take steps to achieve Financial Closure. They agree to submit Bank Guarantee on achieving financial closure but before making any LSTK/EPC financially effective.

No communication has been received from Indo-Gulf Fertilizers Limited (IGFL) and Nagarjuna Fertilizers & Chemicals Limited (NFCL).

Department of Fertilizers has again taken up matter with the project proponents to furnish the Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment.

The commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date. Therefore, the reduction of the import and increase in production of urea would only be analyzed when the plants start the production."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.19 of Chapter-I of the Report)

RECOMMENDATION NO. 8

"Apart from these 2 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress . As regards Sindri, Gorakhpur and Barauni units of FCIL a cabinet note seeking approval on the revised terms and conditions for bidding process has been circulated for inter ministry consultation. As regards revival of HFCL units, the Empowered Committee has recommended the proposal of Department of Fertilizer for taking fresh proposal to Cabinet for bringing out HFCL from the purview of BIFR and revive the units by itself through bidding route. the Committee are of the view that expeditious revival of sick and closed fertilizer units is essential for making India self-sufficient in the fertilizer sector and to reduce its imports dependency. However, the Committee regret to note the slow pace of progress made by the Government in the revival of these sick units so far. The Committee also feel that the delay in the revival of closed and sick units leads to time and cost overruns. Keeping in view the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/ sick units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

"Revival of the closed units of FCIL:
Unit wise further progress made on the revival of the closed units of the FCIL is as under:

<u>Talcher unit</u>:

- In the meeting convened by CEO, NITI Aayog on 15.03.2016 following decisions were taken:

a. All the concerns raised by the Technical Consultants, TRU with regard to shortcomings in TEFR prepared by PDIL should be addressed satisfactorily.
b. The issues raised by TRU relating to strategy for disposal of valuable by-products like Naphtha, Tar, Phenol, etc. and their impact on financial viability needs to be examined.
c. The problems associated with disposal of huge quantity of poor quality Ash needs to be addressed.
d. Since JV has already applied for allocation of coal block, Ministry of coal should expedite the same.

- PDIL submitted their report on the concerns raised by the Technical consultant, TRU and same has been circulated to all the JV partners for their comments on 06.04.2016.
- CEO, NITI Aayog convened another meeting on 13.04.2016. It has been decided that Jindal Steel Plant Ltd (JSPL) may be requested for a presentation highlighting their experience on ALGS Technology.
- CEO, NITI Aayog again convened a meeting on 21.04.2016. In the meeting it was decided that-

g. A test run will be carried out in JSPL plant for 5 days with coal samples of high ash Talcher coal with the following options:

- 100% Talcher coal washed down to 35% Ash content.
- 70% Talcher coal blended with 30% Raniganj (better quality) coal.

h. It has already been decided, earlier, that North of Arakhpal coal mine would be allocated to the project and since coal seam from these mines are similar to Bhubaneswari coal mine which is an operating mine, coal samples shall be supplies to JSPL, Angul plant from Bhubaneswari coal mine.
i. CIL shall make all arrangement for supplying the required quantity of coal from Bhubaneswari and Raniganj coal mine.
j. The test run would be under the observation of the engineers from the consortium partners.
k. Entire activity will be co-ordinated by Coal India Limited and completed within a period of one month.
l. The final decision for selection of technology will be taken based on the outcome of the test run.

Ramagundam Unit:

RFCL Board in its meeting held on 16th March, 2016 approved debt tie up of Rs 3940.71 cr from consortium of six banks led by SBI.

Gorakhpur unit & Sindri Unit:

- In the meeting held by CEO, NITI Aayog on 15.03.2016 it was decided that-

c. Sindri, Gorakhpur and Barauni Units will be revived through financially strong PSUs like Coal India Limited, NTPC and ONGC respectively.
d. Department of Fertilizer will prepare a detailed information brochure of each unit highlighting all the assets including its land and other infrastructure, the required investment and other support to be provided by the Government.

- CEO, NITI Aayog convened another meeting on 6.04.2016. After detailed deliberation it was decided that:

c. Ministries/CPSUs were once again asked to confirm their participation in revival process.
d. They were also given the option for investment through SPV/JV consisting of more than one PSU of their ministry.

- A Cabinet Note for revival of Gorakhpur and Sindri Units through PSU route is under consideration.

Revival of the closed units of HFCL:

In addition to earlier reply of the Department it is submitted that the cabinet note to bring the HFCL out from the purview of BIFR and revive Barauni unit itself through bidding route was finalized after receiving the comments of all the stake holding Ministries/organization during the Inter-Ministerial Consultation on the draft cabinet note. The final cabinet note has been sent to Cabinet Secretariat on 13.05.2016 for placing before the Cabinet at an early date."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.25 of Chapter-I of the Report)

RECOMMENDATION NO.9

"The Committee note with deep concern that the inadequate availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, the availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units. The current requirement of gas for the fertilizer sector is 46.5 MMCMD while only 31.5 MMCMD is being allocated to them. As against that, what is supplied is only 24 to 26 MMCMD of domestic gas. The Committee are of the strong view that pricing and firm availability of natural gas for existing and new units of fertilizer companies are the pre-requisites to increase their indigenous production and would, therefore, desire the Department to play a proactive role in association with the Ministry of Petroleum and Natural Gas towards allocation of gas for the existing and new fertilizer plants in the country. The Committee would like to be apprised of the progress made in this regard."

RECOMMENDATION NO. 11

"The Committee is further informed that Ministry of Petroleum & Natural Gas has notified Pooling of Gas for Fertilizers (Urea) Sector, which, inter alia, includes that the domestic gas will be pooled with Re-gasified Liquefied Natural Gas (RLNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing urea. The provisions of gas pooling will ensure that RLNG will the supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under New Urea Policy (NUP)-2015. It also envisaged the constitution of Empowered Pool Management Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through competitive and transparent manner. The Committee are of the view that this is an important policy decision implemented in the fertilizer sector which would boost the production of urea and also provide good building block for further fertilizer sector reforms. Considering the importance of the decision, the Committee expect that the Department should make earnest efforts to implement the decision successfully and also constantly monitor it in order to achieve the desired results."

REPLY OF THE GOVERNMENT (REC. NO. 9 & 11)

"Ministry of Petroleum & Natural Gas has notified Pooling of Gas for Fertilizers (Urea) Sector vide its Notification dated 20th May, 2015 (read with 29th May, 2015) which, inter alia, includes that "the domestic gas will be pooled with Re-gasified Liquefied Natural Gas (RLNG) to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. After gas pooling, all urea units gets gas at uniform rate irrespective of the gas allocation to the unit. It will ensure better utilization of available domestic gas to urea sector. The provisions of gas pooling will ensure that Natural Gas will be supplied to urea units at competitive price and urea units are incentivized to maximize their production beyond reassessed capacity because of simplified subsidy calculation parameters under New Urea Policy (NUP) – 2015, which was notified on 25th May, 2015 by the Department of Fertilizers. It also envisages the constitution of Empowered Pool Management Committee (EPMC) to monitor implementation of gas pooling and procurement of RLNG through a competitive and transparent manner. Department of Fertilizers regularly takes up the matter of allocation and regular supply of natural gas to the urea units, in the EPMC meetings. A D.O letter dated 22nd

June, 2016, from Secretary (Fertilizers) has also been written to Secretary (MoP&NG) to ensure the supply of domestic gas atleast to the extent of 31.5 mmsmcd to the urea sector as per EGoM decision dated 23.08.2013."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.28 of Chapter-I of the Report)

RECOMMENDATION NO.10

"The Committee are given to understand that three urea units, viz., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. While appreciating the step taken by Department of allowing these urea units to continue urea production on Naphtha as a feedstock till these plants get assured supply of gas either by pipeline or by any another means, the Committee expect that immediate necessary steps be taken to explore all the available options in order to ensure assured supply of gas to these plants at the earliest. The Committee also note that fertilizer units which are away from sea shore may take much time for their conversion from Naptha/FO/LSHS based to gas based as laying of the pipeline is a mammoth task but the units which are near the sea shore like MFL which require only 18 KM pipeline are deprived to get gas supply owing to non-existence of terminal at Chennai port. The Committee, are given to understand that terminal is being constructed by IOCL and it would be constructed by 2018. The Committee, therefore, trust and expect that the terminal would be constructed expeditiously by IOCL without any time over run. The Committee, therefore, recommend that Department of Fertilizers should take up the matter with the Ministry of Petroleum and Natural Gas on priority to expedite the project."

REPLY OF THE GOVERNMENT

"Department of Fertilizers regularly reviews the progress of infrastructure for supply of gas and readiness to receive gas for Naphtha based urea units with Ministry of Petroleum & Natural Gas. As per the feedback received from the MoP&NG, the latest status of Gas Pipeline Connectivity to Naphtha based Urea units is as follows:

4. Southern Petrochemicals Industries Corporation (SPIC)-Tuticorin:

SPIC is about 120 Km away from ONGC's Ramanad gas field. ONGC has informed the availability of non-APM gas for allocation from Kanjirangudi (KJR) field, Ramnad under Cauvery Assets in Tamilnadu. Based on the requests made by M/s SPIC to allocate 0.9 MMSCMD of natural gas from Ramnad field for its urea manufacturing unit located at Tuticorin in Tamilnadu and as per recommendations of DoF, Ministry of Petroleum and Natural Gas has earmarked 0.9 MMSCMD of Non-APM gas from ONGC's Kanjirangudi (KJR) field, Ramnad for SPIC, Tuticorin.

SPIC, Tuticorin is proposed to be connected with ONGC's Ramanad gas field by laying a 120 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore – Nagapattinam - Tuticorin - Madurai - Bengaluru Natural Gas Pipeline (ENTMBPL). This pipeline has been awarded in Dec. 2015. IOCL has been advised to expedite the pipeline connectivity.

5. Madras Fertilizers Ltd (MFL)- Manali:

Option 1: MFL, Manali is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by Ennore – Nagapattinam – Tuticorin – Madurai – Bengalauru Natural Gas Pipeline (ENTMBPL). Ennore LNG terminal is likely to be commissioned in 2017-18. This plant is only 17 kms away from the proposed LNG terminal. In order to connect this plant, PNGRB has granted authorization to IOCL on 15th December, 2015 to construct ENTMBPL. Thus, MFL, Manali may be connected in synchronization with the commissioning of Ennore LNG terminal.

Option 2: As an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad-Bangalore-Mangalore (KKBMPL) pipeline. Further, gas can also be supplied from Dabhol LNG terminal of RGPPL through Dabhol-Bangalore pipeline with extension to MFL, Manali. For execution of the pipeline, GTA and GSA are required to be signed by GAIL with MFL, Manali. GAIL had offered MFL to supply RLNG at Henry Hub (HH) linked prices for a Long term period of 20 years and for the initial period of 2017-18. MFL is yet to execute the necessary agreements.

6. Mangalore Chemicals and Fertilizers Ltd. (Mangalore):

GAIL has planned to connect this plant with Kochi LNG terminal by laying Kochi-Koottannad-Bangalore-Mangalore Pipeline (KKBMPL). GAIL has commissioned Phase-I of KKBMPL project with a total length of 42 kms. However, due to stiff resistance from farmers in the state of Kerala and Tamil Nadu, the Kootannad-Mangalore pipeline section and Koottannad-Bangalore pipeline section are getting delayed in execution. In view of this delay, GAIL has proposed to connect the plant through an alternative route by taking a tap-off on Dabhol-Bangalore pipeline (DBPL) at Chitradurga / Housepet / Devengiri to Mangalore for which necessary arrangements shall be required to be executed by the entities."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.31 of Chapter-I of the Report)

RECOMMENDATION NO.12

"The Committee note that the month-wise demand is assessed and projected by the Department of Agriculture & Co-operation (DAC) in consultation with the State Governments before commencement of each cropping season. On the basis of month-wise & state-wise projection, the Department of Fertilizers allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and the movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system also called as Fertilizer Monitoring System (FMS). The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed etc. Regular Weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation (DAC), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments. The gap between demand (requirement) and production is met through import. While examining the quantity and value of urea imported during the last three years (2012-15), the Committee finds that there has been gradual rise in import of urea viz. import of urea was 80.44 LTM in 2012-13, 70.88 LTM in 2013-14 and 83.09 LTM in 2014-15. Further, the import of urea for the year 2015-16 (up to February 2016) is again on the high side viz. 83.09 LTM. The Committee note with serious concern the consequential financial burden on the exchequer due to increase in imports of urea to meet the demand-supply gap. The Committee would, therefore, like the Department to take immediate necessary steps to minimize the import of urea by taking proactive measures towards a sustainable increase in domestic production commensurate with increasing domestic demand. The Committee would like to be apprised of the action taken in this regard."

REPLY OF THE GOVERNMENT

"Concern of the committee regarding increase in import of Urea over the years has been noted. In this context, it is stated that DoF is mandated to provide all subsidized chemical fertilizers to the States/UTs as per requirement projected by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) in consultation with States. Requirement is projected on the basis of various parameters. To meet the gap between domestic demand and indigenous production Urea is imported. Requirement of Urea over the years has increased marginally which has resulted in import of Urea as the domestic production has not increased that could match with the demand. In the year 2015-16, domestic production was highest ever, but the original demand (requirement) was also highest ever from States.
In order to reduce the import dependence gradually, Department has initiated various steps to enhance the domestic production. To facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector, the Government had notified New Investment Policy – 2012 on 2nd January, 2013 and its amendment on 7th October 2014. At present, there are 6 proposals for setting up of Greenfield and Brownfield (Expansion) projects received under NIP-2012 and its amendment with the Department of Fertilizers.

The commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date (date of financial closure). Therefore, the reduction of the import and increase in production of urea would only be analyzed when the plants start the production.

Further, the New Urea Policy-2015 (NUP- 2015) has also been notified on 25th May 2015 effective from 1stJune 2015 to 31st March 2019 with the objectives to maximize indigenous urea production; promote energy efficiency in the urea units; and to rationalize the subsidy burden on the Government of India. The policy has led to additional production of 19 LMT from the existing plants and the total production of urea during the year 2015-16 was 244.75 LMT, i.e. the highest ever urea production in the country.

New Urea Policy is one of such steps. Similarly, steps have been taken for revival/opening New Urea Plants in the coming years. It will take some reasonable time to get the desired result of New Urea Policy and revival/opening of new Plants."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.34 of Chapter-I of the Report)

CHAPTER-III

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

-- NIL--

CHAPTER-IV

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

RECOMMENDATION NO.5

"The Committee are perturbed to note the delay in implementation of Direct Benefits Transfer Scheme (DBT) which was conceptualized in February, 2011 on the recommendation of Task Force constituted by Ministry of Finance to recommend implementable solution for direct transfer of subsidies on kerosene, LPG and fertilizers. Task Force submitted its final report on 7th August, 2013 which suggested 4 phased approach for direct disbursement of fertiliser subsidy to the intended beneficiaries. The implementation of Phase-I has already been made operational from 1st November 2011. It is being rolled out through all the registered fertilizers manufacturers (116), wholesalers (16577) and retailers (157274) across the country. Accordingly, a portion of the subsidy (5-15% depending on the grade of fertilizer) is given to manufacturers only when the retailer will acknowledge the receipt in the Mobile Fertilizer Management system (mFMS). Retailer acknowledgement has been ensured by the Department by linking a portion of manufacturer's subsidy to retailer's acknowledgement. Phase II of mFMS envisages capturing sale made by the retailer to the buyer or end-user. This involves capturing sales details as well as buyers' details. The Department is examining the feasibility of doing Proof of Concept for Phase-II. As regards implementation of subsequent Phases, Phase III & IV the Department intimated that there are many operational and implementation challenges such as identification of beneficiaries and determination of entitlement etc. Department of Fertilizer is exploring various options for handling these operational issues. While not satisfied with the performance of the Department in implementation of DBT Scheme, the Committee recommend that all-out effort be made for the implementation of DBT Scheme at the earliest. The Committee are of the strong view that transfer of the benefits of direct subsidy to the farmers would check the corruption, close the loopholes and profligacy in subsidies.

Further, the Committee are of the view that the Soil Health Card is not only essential for the farmers to have the appropriate knowhow on the dosage of fertilizers but would also be beneficial for Direct Transfer of Subsidy to the farmers. During the course of evidence, the Secretary Department of Fertilizers had also agreed with the observation of the Committee that unless all farmers are provided with Soil Health Cards, it is impossible to transfer subsidy directly to them. The Committee would, therefore, like the Department of Fertilizers in coordination with the Ministry of Agriculture to make earnest efforts towards expeditious implementation of Soil Health Card Scheme and ensure that every farmer is provided with a Soil Health Card having his bank details for direct transfer of subsidy to the farmer. The Committee would like to be apprised of tangible efforts in terms of concrete deliverables made in this regard."

REPLY OF THE GOVERNMENT

"Phase -1 of mFMS i.e. Information initially till the retailer point has been got stabilized. "As per Hon'ble Finance Minister's Budget Speech (2016-17), the Department is planning to conduct a pilot in few districts across the country during October,2016 –September,2017 to capture sale details and buyer's details. (Bank

Account details, Aadhar No., land records etc.) Apart from the retailer sales, other major outcome of Phase-II of mFMS would be the availability of a robust database of buyers /Farmers which might be leveraged for DBT subsequently.

The Department would also explore the expediency of various identification instruments such as Kisan Credit Cards, Aadhar Cards, Voter ID Card, Bank Account etc. for authentication of buyers. However, the Pilot would initially run on "no denial mode". The outcome of pilot would also provide key success indicators for pan-country implementation of Phase –II and ultimately for DBT in Fertilizers."

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.16 of Chapter-I of the Report)

CHAPTER-V

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

RECOMMENDATION NO.1

"The Committee note that the installed capacity of fertilizer manufacturing units in the country has reached to the level of 207.53 lakh MT of urea, 83.32 lakh MT of DAP and 60.72 Lakh MT of Complex Fertilizer during the year 2015-16. The actual production of all the fertilizers during the year 2014-15 was 370.03 Lakh MT. The Committee are happy to note that the estimated production of all the fertilizers during the year 2015-16 is 402.93 Lakh MT showing an increase of more that 8.89% in comparison of previous year. At present, there are 30 urea units in the country manufacturing urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. Besides, there are about 105 medium and small scale units in operation producing Single Super Phosphate (SSP). The country is however, fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Non availability of raw material is the main factor which has impeded the self sufficiency in P&K fertilizers in the country. Other issues which contributed to near zero growth in fertilizer sector is low profitability, delay in payment of subsidy, inadequate gas availability in the country and no favorable tax incentives for indigenous manufacturers.

The Committee also noted that, the Department keeps sending from time to time their proposal for exemption on customs duty for indigenous fertilizers manufacturers and also on capital equipments. Considering the strategic importance of chemical fertilizers in the country's food security, the Committee are concerned about absence of any incentives in the form of lower taxes or duty to indigenous fertilizer manufacturers in the country. The Committee expect the Department to take up this matter vigorously with the Ministry of Finance and impress upon them to consider its proposals regarding exemption of taxes/duty for indigenous fertilizers manufacturers favorably.

Further the Committee are of the view that the impediments for self sufficiency are matter of serious concern. Therefore, keeping in view the vital role played by the chemical fertilizers in the successful agriculture production in the country, the Committee recommend that the Department of Fertilizers should urgently take suitable measures to further boost the growth of fertilizer industry leading to their self-sufficiency. The Committee would like to be apprised of the measures taken in this regard."

REPLY OF THE GOVERNMENT

"A proposal for reduction of customs duty on the raw materials of P&K fertilizers was given to Hon'ble Minister of Finance at the level of Hon'ble Minister (C&F) but comments/views/approval of the Ministry of Finance has not been received so far."

**[Ministry of Chemicals & Fertilizers (Department of Fertilizers),
OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]**

COMMENTS OF THE COMMITTEE

(Please see pare No.1.7 of Chapter-I of the Report)

RECOMMENDATION NO.2

"The Committee note that under Plan Outlay, funds are released as Gross Budgetary Support (GBS) provided by Government of India to loss making CPSEs to keep them operational and also for Miscellaneous Schemes which include Management of Information Technology (MIT) where funds are released for Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) and Science & Technology (S&T) which primarily lays emphasis at Research and Development of processes and equipment. The Committee are concerned to note that during the Twelfth Five Year plan period (2012-17) there has been a radical decline in the above mentioned plan budgetary allocations. Budgetary allocations (BE) for the year 2012-13, 2013-14, 2014-15 and 2015-16 were Rs. 256 Crore, Rs 269 Crore, Rs.100 Crore and 50 crore. Even these allocations have been drastically reduced at the RE stage to Rs. 10 Crore (2012-13), Rs 9 Crore (2013-14), Rs. 2.32 Crore (2014-15) respectively, except for the year 2015-16, where it was increased to Rs. 1002.80 Crore, in order to avert immediate crisis in FACT, a loan of Rs. 1000 Crores was provided for the same. However, for the year 2016-17, as against the proposal of Rs 87.50 Crore for plan budget estimates (Gross Budgetary Support) the Ministry of Finance has allocated only Rs.10 Crore (Rs. 6.00 Crore has been allocated to FACT, Rs. 3.00 Crore has been allocated to MFL and Rs.1.00 Crore has been kept for BVFCL for NER & Sikkim.

The Committee noted that due to financial restrictions imposed by Ministry of Finance in respect of default in refund of Government of India Loans and payment of interest thereon by loss making CPSEs viz. MFL, BVFCL and FACT plan loan could not be released to these companies from 2012-2013 onwards. The Committee are of the opinion that non-allocation of plan funds to the loss making CPSEs has adversely affected their functioning and operation. This also highlights that the Department has not taken up its proposal to make these loss making CPSEs functional effectively earnestly with the Ministry of Finance. Further, the Department should also plan the probable expenditure instead of waiting for cropping up of the acute crisis as it was in the case of FACT for which Rs.1000 crore was provided during 2nd supplementary Demands for Grants in the year 2015-16. The Committee, therefore, recommend that the Department of Fertilizers should strengthen its budgetary planning and formulate effective plans for loss making CPSEs to make them function by optimum utilization of available fund which was abysmally low in the past."

REPLY OF THE GOVERNMENT

"The matter regarding allocation of funds for the loss making PSUs is being taken up with Ministry of Finance."

**[Ministry of Chemicals & Fertilizers (Department of Fertilizers),
OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]**

COMMENTS OF THE COMMITTEE

(Please see pare No.1.10 of Chapter-I of the Report)

RECOMMENDATION NO.7

"The Committee have many time in the past emphasized the need for expeditious revival of closed/sick units of fertilizer companies particularly in the context of augmenting indigenous production of fertilizers and to make the country self reliant in fertilizer sector. The Committee are happy to observe that earnest efforts have been made by the Department in expediting the approval of Financial Restructuring proposal of Brahmputra Valley Fertiliser Corporation Limited (BVFCL) by the Cabinet, as a result of which the company is able to revive itself and is no more a loss making company. However, out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, 2 companies viz. Fertilizers and Chemicals (FACT) and Madras Fertilizers Limited (MFL) are sick and 2 companies viz. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. The Committee also noted that Government is considering proposals for financial restructuring of two sick companies namely MFL and FACT which inter-alia involves write off of Government of India loan and the interest thereon. The Committee have also been given to understand that while the proposal for financial reconstructing is under process, the Ministry of Finance has approved a plan loan of Rs. 1000 crores to FACT under RE 2015-16. Department of Fertilizers and FACT have entered a legally binding Agreement with FACT mortgaging its free-hold land of worth Rs. 1836.72 crore to Government of India against the total outstanding liabilities of Government of India. The interest on the total outstanding loan till its repayment shall be at @ 13.5% from 31.03.2017. The Committee are of the strong view that interest charged @ 13.5% on the total outstanding loan from FACT, which is a sick company is unreasonable and harsh. During the course of evidence, the Secretary Department of Fertilizers had also accepted that the interest rate is very high. The Committee, therefore, strongly recommend that the Department should take up the issue vigorously with the Ministry of Finance to review the rate of interest charged from the FACT on the loan provided to them. Further, the Committee also expect that the Department would make earnest efforts to expedite the implementation of pending financial restructuring of MFL and FACT."

REPLY OF THE GOVERNMENT

"Against the DoF request to fix the rate of interest at G-Sec rate (i.e.8%), Department of Economic Affairs (DEA) calculated the rate of interest @13.5%. As conveyed by Secretary (DEA) DO letter no. 7/58/2014-NS. I dated 12.01.2016, the interest rate for loan to FACT has been calculated on the basis of DEA's OM No.5(3)-B(PD)/2014 dated 29.12.2014. Vide this OM DEA has notified the revised rates of interest applicable from 01.04.2014. As per revised rates of interest rate of interest for the Working Capital loans and loans to meet Cash losses for the Industrial and Commercial Undertakings in the Public Sector and Cooperatives is 13.50 %. Accordingly, rate of interest for the plan loan of Rs.1000 crore given to the FACT has been fixed @13.5% till its repayment from 31.03.2017. DEA has also informed that the rate of interest is subject to revision usually on an annual basis. The issue regarding review of interest rates is being taken up in due course with Ministry of Finance as per the recommendations of the Committee.

Dept. of Fertilizers is actively considering for the financial restructuring of FACT and MFL. It has already prepared a proposal for the financial restructuring of FACT. The proposal contains waiver of GoI loans and interest as on 31.03.2015, granting one-time compensation for use of LNG and issuance of sovereign guarantee so as to come out of BIFR. The proposal also includes 'In principle' approval for sale / leveraging of land for raising resources to repay the loans raised against sovereign guarantee and to raise funds for implementation of short/medium & long term proposed projects.

A proposal for the financial restructuring of MFL had been pending for the recommendation of the BRPSE for a long time. In the meantime, Government wound up the BRPSE and DPE issued guidelines for stream lining the mechanism for the revival and restructuring of sick/incipient sick and weak CPSE. Accordingly, DoF has asked MFL for engaging an external expert agency for exploring the possibility for the revival of MFL in terms of these guidelines.

[Ministry of Chemicals & Fertilizers (Department of Fertilizers), OM No.F.No.5(1)/2016-Fin.II , dated 14.07.2016]

COMMENTS OF THE COMMITTEE

(Please see pare No.1.22 of Chapter-I of the Report)

New Delhi;
09 August, 2016
18 Shravana 1938 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on
Chemicals and Fertilizers

APPENDIX – I

MINUTES OF THE EIGHTEENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2015-16)

The Committee sat on Tuesday, the 09 August, 2016 from 1500 hrs. to 1545 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

Present

Shri Anandrao Adsul - Chairperson

Members

Lok Sabha

2. Smt. Anju Bala
3. Shri Sankar Prasad Datta
4. Shri R. Dhruvanarayana
5. Shri K. Ashok Kumar
6. Smt. Kamla Devi Patle
7. Shri S. Rajendran
8. Shri Chandu Lal Sahu
9. Dr. Kulamani Samal
10. Smt. Rekha Arun Verma
11. Shri Kotha Prabhakar Reddy
12. Shri George Baker

Rajya Sabha

13. Shri Narayan Lal Panchariya
14. Shri K. Parasaran
15. Shri Palvai Govardhan Reddy
16. Shri Ram Vichar Netam
17 Shri Abdul Wahab

SECRETARIAT

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri A. K. Srivastava	-	Director

2. At the outset, the Hon'ble Chairperson welcomed the members of the Committee.

3. The Committee thereafter took up for consideration the following draft Reports:

a) XXXX XXXX XXXX XXXX

b) Draft Action Taken Report on "Demands for Grants (2016-17)" of the Ministry of Chemicals and Fertilizers (Department of Fertilizers);

4. The draft Reports were adopted by the Committee without any amendment.

5. The Committee authorised the Chairperson to make consequential changes, if any, arising out of the factual verification of the Reports by the Department of Chemicals and Petrochemicals and Department of Fertilizers of the Ministry of Chemicals and Fertilizers and present the same to both the Houses of Parliament on 11.08.2016.

The Committee then adjourned.

XXXX Matters not related to this Report.

APPENDIX – II

(*Vide* Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY FIRST REPORT (16^{TH} LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2015-16) ON 'DEMANDS FOR GRANTS (2016-2017)' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).

I	Total No. of Recommendations	12
II	Observations / Recommendations which have been accepted by the Government: (*Vide* Recommendation Nos. 3, 4, 6, 8, 9, 10, 11,& 12)	08
	Percentage of Total	66.6 %
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply: (*Vide* Recommendation No. Nil)	0
	Percentage of Total	0%
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (*Vide* Recommendation No.5)	1
	Percentage of Total	8.4 %
V	Observations / Recommendations in respect of which replies of the Government are still awaited:- (*Vide* Recommendation Nos. 1, 2 and 7)	3
	Percentage of Total	25%