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STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2014-15)

THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2014/ Agrahayana 1936, (Saka)

CC&F.No.3

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STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2014-15)

(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2014-15)

Presented to Lok Sabha on 18 December 2014

Laid in Rajya Sabha on 18 December 2014

LOK SABHA SECRETARIAT
NEW DELHI
December, 2014/ Agrahayana 1936, (Saka)

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SECRETARIAT

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri U.B.S. Negi	-	Director
3.	Shri A.K. Srivastava	-	Additional Director
4.	Smt. Emma C. Barwa	-	Deputy Secretary
4.	Shri Nishant Mehra	-	Under Secretary

Changed the nomination of Shri Murli Deora, Member of Rajya Sabha from the Committee on Chemicals and Fertilizers to the Committee on External Affairs w.e.f. 25-09-2014.
** Shri Palvai Govardhan Reddy, Member of Rajya Sabha nominated w.e.f. 08-10-2014*
Shri Mohanbhai Kalyanjibhai Kundariya nominated as Minister of State w.e.f. 09.11.2014
The term of Shri Brijlal Khabri, MP (RS) has expire w.e.f. 25.11.2014

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2014-15) having been authorised by the Committee to present the Report on their behalf, present this Third Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2014-15.

2. The Committee examined the Demands for Grants (2014-15) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which were laid in Lok Sabha and Rajya Sabha on 5 August, 2014.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 30 October, 2014.

4. The Report was considered and adopted by the Committee at their sitting held on 16 December, 2014.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for their cooperation in furnishing the written replies and other material/information and for placing their views before the Committee.

6. For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;

12 December, 2014
21 Agrahayana 1936, (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

CHAPTER-I

INTRODUCTORY

1.1 Success of India in agriculture sector, not only in terms of meeting total requirement of food grains but also generating exportable surpluses and the significant role played by chemical fertilizers in this regard is well recognized and established. Government of India has been consistently pursuing policies conducive to increased availability and consumption of Chemical fertilizers in the country and thereby maximizing agricultural production in the country. To achieve this objective, the government promotes and assists industries in the fertilizer sector and also plans and arranges import and distribution of fertilizers in the entire country. As of now, the country has achieved 75% self-sufficiency in production capacity of urea with the result that India could substantially manage its requirement of nitrogenous fertilizers through the indigenous industry and imports. Similarly, 50% indigenous capacity has developed in respect of phosphatic fertilizers to meet domestic requirements. However, the raw materials and intermediates for the same are largely imported. As for potash (K) since there are no viable sources/reserves in the country, its entire requirement is met through imports.

1.2 The Department of Fertilizers is responsible for adequate and timely supply of fertilizers at affordable price in the country. Department of Agriculture assesses the requirement and the Department of Fertilizers plans and monitors indigenous production, imports and distribution of fertilizers along with management of financial assistance by way of subsidy / concession for indigenous and imported fertilizers.

1.3 The main activities of the Department in relation to the industry are overall sectoral planning and development and regulation of the industry and the broad industrial policy of the Government as well as monitoring of production, pricing and distribution of the output, i.e., Fertilizers. The activities of this Department also include the administrative control of the Public Sector Undertakings in these areas.

1.4 The detailed Demands for Grants (2014-15) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 05 August, 2014. The Demand (Number 7) shows a budgetary support of Rs 73100.00 [(Rs 100 crore (Plan) + Rs 73000.00 crore (Non-Plan)]. The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2014-15. The detailed analysis, along with Observations / Recommendations of the Committee are presented at the end of the Report. The Committee expect the

Department of Fertilizers to take the Committee's recommendations seriously and act on them expeditiously. The Committee also expect that the Department will take necessary steps for proper and timely utilization of funds so as to complete the various plans and projects in a time bound manner.

CHAPTER-II

OVERVIEW OF FERTILIZERS INDUSTRY

2.1 The installed capacity has reached a level of 127.67 lakh MT of nitrogen and 62.08 lakh MT of phosphatic nutrient in the year 2013-14, making India the 3rd largest fertilizer producer in the world. The rapid build-up of fertilizer production capacity in the country has been achieved as a result of a favourable policy environment facilitating, large investments in the public, co-operative and private sectors.

2.2 At present, there are 30 large size urea plants in the country manufacturing urea, 21 units produce DAP and complex fertilizer fertilizers and 2 units manufacture Ammonium Sulphate as by-product. Besides, there are about 97 medium and small-scale units in operation producing Single Super Phosphate (SSP). The sector-wise installed capacity of fertilizer manufacturing units is given in the table below:-

As on 31.03.2012

Sl. No.	Sector	Capacity (Lakh MT)		Percentage Share	
		N	P	N	P
1.	Public Sector	36.29	3.99	28.42	6.43
2.	Cooperative Sector	34.21	17.03	26.80	27.43
3.	Private Sector	57.17	41.06	44.78	66.14
	Total	127.67	62.08	100.00	100.00

2.3 On being asked by the Committee to evaluate the growth of fertilizers industry in the country in the next 5 years, the Department in its written reply stated as follows:-

> "The growth of fertilizer industry is primarily based on the production capacity, production and sale of fertilizers in the country.
>
> The major nutrients namely Nitrogen (N), Phosphorous (P) and Potash (K) to plants and farm sector are provided through straight chemical fertilizers such as Urea, DAP, MOP, and NPK complex fertilizers. In addition to Urea, which is provided to the farmers at statutory price of Rs. 5360 PMT fixed by the Government, 22 grades of Phosphatic & Potassic (P&K) fertilizers are provided to the farmers at subsidized prices under the Nutrient Based Subsidy (NBS) policy. While substantial demand of 'N' nutrient (from Urea) is met through indigenous production, 90% demand of 'P' nutrient is met through import either in the form of finished fertilizer or in the form of raw materials/intermediates due to non-availability of viable phosphatic mines in the country. 100% requirement of Potash is met through import as there is no known source of potash in the country. The total production of P&K fertilizers including complex fertilizers in the year 2013-14 was 179.28 LMT as against 162.86 LMT in preceding year 2012-13. The Government has continuously followed a policy for encouraging investments abroad by Indian entities in fertilizer sector in resource rich countries.

As per the present capacity of fertilizer companies and demand, the projected yearly consumption of Urea and P&K fertilizers for the next five years would be as under:

(million Tonne)

	Urea	DAP/NP/NPKs	MOP (Direct + use for complex fert.)
2014-15 (Present Capacity)	31.8	21.7	3.5
2016-17 upto 2019-20	33.0	18.1	3.8
2020-21	34.7	19.5	4.3

At present, there are 30 urea units in the country producing around 22 to 22.5 million MT (MMT) of Urea annually (installed capacity 20 MMT/annum). In addition to domestic production of urea, around 2 MMT is imported form OMEN under the Urea off- take Agreement (UOTA) which will continue upto 2020. The projected demand for urea in the current financial year i.e. 2013- 14 is around 31 MMT and the shortfall of 8 to 9 MMT is being met through import.

The demand for urea, as projected by the Working Group on fertilizer industry for the twelfth plan will be around 34 MMT in 2016-17 and by 2024-25, it is expected to increase by 2 MMT. The present indigenous production of 22 MMT is expected to increase by 2 MMT on account of the projects of KFCL (0.7MMT capacity already operational) and Matix (1.27 MMT to be commissioned in 2015-16). With the cabinet recently approving the proposal of the Department of Fertilizers (DoF) on revival of three closed units of FCIL viz. Sindri, Talcher and Ramagundam through nomination route by the PSUs, it is expected that at least two closed units i.e. Talcher on coal gasification and Ramagundam on gas can be revived with annual capacity of 1.27 MMT each and become operational in the next 3 to 4 years. Similarly, the proposed BVFCL – IV brown-field project at Namrup with a capacity of 0.86 MMT per year is likely to be commissioned/become operational by the end of 12th Five Year Plan. After commissioning of BVFCL-IV, both BVFCL-II and III with a capacity of around 0.39 MMT of Urea will be scrapped. As such, the total indigenous supply by the end of 2017-18 is likely to be around 29 MMT per annum leaving a gap of nearly 5 MMT between demand and supply. The said shortfall can be met partly through import and partly through additional Brownfield/Greenfield projects under New Investment Policy (NIP)-2012.

The commissioning of new fertilizers plant takes around 3 to 3.5 years from the zero date, (date of financial closure). Hence any new capacity approved in 2014 can be expected to materialize in 2017-18 or thereafter. At the end of 2017-18, the projected availability of urea can be summarized as follows:

(In Million MT)

S. No	Units	2011-12	2013-14	2017-18
1	Present indigenous capacity (29 units)	22	22	22
2	OMIFFCO	2	2	2.0
3	Matix			1.27
4	KFCL		07	0.70
5	BVFCL-IV			0.47
6	Revival of closed units (Two)			2.54
	Total	24	24.7	28.98

<u>Policy for Conversion from Naphtha/FO/LSHS to Gas based urea units</u>

2.4 To encourage the conversion of existing Fuel Oil/Low Sulphur Heavy Stock (FO/LSHS) based urea units to gas, the Department of Fertilizers had notified a policy on 6th March, 2009 for conversion and restart of existing urea units to increase indigenous production and also efficiency in production of fertilizers. The policy provided a Special Fixed Cost towards reimbursement of the cost of conversion to the urea unit after its conversion to gas is completed. The conversion of these units has led to increase in efficiency of urea production in the country and also add to usage of natural gas, which is the most efficient and cleaner fuel/feedstock for production of urea in the country.

All four units based on FO/LSHS plants viz., three units of NFL and one unit of GNVFC have converted to gas during 2012-13. ZAL– Goa, a naphtha based urea unit has also converted to natural gas as feedstock during 2012-13. Kanpur Fertilizers and Cement Limited (KFCL), a shut down naphtha based unit re-started production in June, 2013. At present, only three Naphtha units viz., SPIC-Tuticorin, MFL-Manali and MCFL-Mangalore are in process for conversion from Naphtha to Gas feedstock.

The high cost naphtha based urea units namely SPIC Tuticorin, MFL Manali and MCFL Mangalore have been permitted to the production till the gas availability and connectivity is provided to these units or June, 2014 whichever is earlier, beyond which subsidy for naphtha based plants will not be paid. However, no new naphtha based plants will be permitted in Greenfield investment.

2.5 On being enquired by the Committee about the factors which have impeded self-sufficiency in the fertilizer Sector, the Department in its written reply stated as under:-

> "The indigenous production of fertilizers has not increased to meet the growing requirement largely due to raw materials / inputs limitation and partially due to lack of new investments in urea sector. There has been no significant investment in urea sector in the last decade. India is completely deficient in potassic resources and has to entirely depend upon import for meeting the requirement of potash (MOP) for the Indian agriculture. The country is also deficient in phosphatic resources with more than 90% requirement of the country being met through direct import of finished phosphatic fertilizers or phosphatic raw materials/intermediates for indigenous production of phosphatic fertilizers. The lack of long term availability of natural gas in the country for urea plants, high cost of imported RLNG gas prices and volatility in prices have impeded new investments in urea sector.
>
> Factors which have impeded self-sufficiency in the fertilizers sector:
>
> (i) non-availability of sufficient quantity of natural gas required for entire requirement of urea;

(ii) excessive stress given for production of urea by using natural gas; if Naphtha is used for production of urea as an alternative which is available as raw material in the country and if pricing of Naphtha is kept at Rs. 30000 per MT, then urea can be produced at Rs. 20000/ per MT;

(iii) differential pricing of energy sourced from natural gas and Naphtha/FO/LSHS (Government ensures considerable quantity of domestic natural gas at subsidized/controlled price for gas-based units but it does not do so for Naphtha FO/LSHS used by non-gas based units) ;

(iv) while pricing of natural gas is done based on its thermal energy (MMBTU), this is not done in the pricing of Naphtha/FO/LSHS which has resulted in higher cost of production of urea using Naphtha/FO/LSHS;

(vi) if the same pricing principle is followed for Naphtha/FO/LSHS, the non-gas based urea units would not have been so cost inefficient and sufficient additional capacity could have been installed to make the country self sufficient in urea sector;

(vii) higher real subsidy for imported urea made some major urea manufacturers/importers more inclined to import which worked as an impediment for self sufficiency in the urea sector.

The availability of gas is one of the major limiting factor 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 in the country. Due to shortage of gas domestic gas, many FO/LSHS/Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. Moreover, the Empowered Group of ministers (EGoM) on Gas pricing and Commercial Utilization of gas in their meeting held on 23.08.2013 decided to maintain at 31.5 MMSCMD the level of supplies of domestic gas to the Fertilizer sector and give the sector first priority in meeting the requirements of any shortfall below the level of 31.5 MMSCMD form any additional production of NELP gas."

2.6 On being asked by the Committee about the steps being taken by the Department to convert Naptha/ FO/LSHS based plans into gas based plants, the Department in its written reply stated as under:-

"1. The New Pricing Scheme (NPS) for existing urea plants was introduced with effect from 1.4.2003. The stage-I of NPS was introduced in April 2003 whereas, Stage-II of NPS was introduced in April 2004 which continued till September 2006. The Stage-III of NPS, that is NPS-III, was introduced w.e.f. 1st October, 2006 and was operational till March 2010.

2. The NPS-III aims at achieving greater efficiency in urea production and promotes usage of natural gas which is efficient and comparatively cheap feedstock for production of urea. The para D (5) of the policy has clearly defined time line for

conversion of non-gas based units to natural gas/ Liquefied Natural Gas, which is reproduced below:

Conversion of non-gas based units to NG/LNG.

> *All functional Naphtha and FO/LSHS based units should get converted within a period of 3 years (of these, Shriram Fertilizers & Chemicals Ltd (SFC) Kota is expected to convert by the end of the current financial year). On the expiry of the aforementioned period, the Government will not subsidize the high cost urea produced by the non-gas based urea units and rate of concession of such units will be restricted to the lower of the prevalent import parity price (IPP) or their own rate. Units not able to tie up gas will have to explore alternative feedstock like Coal Bed Methane(CBM) and coal gas.*

3. Further, the provisions of the NPS-III was extended till further orders on provisional basis beyond 01-04-2010 and meanwhile, out of a total of eight units which were using FO/LSHS/Naphtha as feedstock, five units namely, Gujarat Narmada Valley Fertilizers Company Limited (GNVFC), Zuari Agro Chemicals Limited (ZACL), National Fertilizers Limited (NFL)-Nangal, Panipal & Bhatinda have converted to gas except three Naphtha based units namely, MFL, MCFL and SPIC.

4. The Department of Fertilizers have issued Modified NPS-III for existing urea units on 2ndApril, 2014 wherein the following provisions were made with regard to the continuation of the Naphtha Based urea units:-

"Continuing the production from high cost units

The production of the high cost naphtha based urea units namely SPIC Tuticorin, MFL Manali and MCFL Mangalore will continue under modified NPS-III till the gas availability and connectivity is provided to these units or June, 2014 whichever is earlier, beyond which subsidy for naphtha based plants will not be paid. However, no new naphtha based plants will be permitted in Greenfield investments."

5. Further, vide its decision taken during the meeting held on 28th August, 2014, CCEA has approved continuation of these three units *viz.*MFL-Manali, MCFL-Mangalore and SPIC- Tuticorin to produce urea by using Naphtha as feedstock for another period of three months i.e. from 1st July 2014 to 30th September 2014.

6. Further, CCEA directed to explore the feasibility of making an alternative arrangement for transporting RLNG to these units from the nearest available facilities.

7. Further, CCEA directed the DoF to examine the option of import of gas as feedstock through gas tankers or all import of urea through suitable proposal by 30th September, 2014 for its consideration.

8. Based on the feedback of all the concerned and in view of analysis carried out by Department of Fertilizers, operation of these three plants on gas supply through gas tankers is not technically feasible in the short run at least in next 12-18 months period. Considering the recent shortfall in supplies through imports, a draft CCEA Note for allowing operation of these plants for period of 6 months beyond 30thSeptember 2014 till 31st March, 2015 in order to ensure timely and adequate

availability of urea during the ensuring Rabi Season, has been moved by this Department and circulated amongst the concerned Ministries/Department. Comments from the concerned Ministries/Departments are still awaited.

Government has given special schemes for conversion for 3 FO/LSHS based urea units of NFL (Nangal, Bhatinda and Panipat) and GNFC, Bharuch. All these 4 units have been converted into gas. As per the provisions of NPS-III, Zuari Agro Chemicals Limited and Kanpur Fertilizer and Cement Ltd. (erstwhile Duncan Industries Limited) have also converted into gas. The remaining 3 Napatha based urea units of MCFL, MFL and SPIC could not start production of urea with gas due to non-availability gas connectivity."

2.7 The Committee further enquired as to how many fertilizer plants have converted their feedstock from Naptha/FO/LSHS to gas, the Department in its written reply stated as under:-

"Three naphtha based plants namely, Chambal Fertilizers & Chemicals Limited (CFCL), Gadepan – II and IFFCO Phulpur-I&II have converted to Natural Gas. Further, five Furnace Oil (FO)/Low Sulphur Heavy Stock (LSHS) based urea plants namely, Gujarat Narmada Valley Fertilizers Company Limited (GNVFC), Zuari Agro Chemicals Limited (ZACL), National Fertilizers Limited (NFL)-Nangal, Panipal & Bhatinda have also converted to NG / LNG. The remaining three urea units, viz., MFL, MCFL and SPIC are producing urea using Naphtha in absence of gas allocation and pipeline connectivity.

Government has given special schemes for conversion for 3 FO/LSHS based urea units of NFL (Nangal, Bhatinda and Panipat) and GNFC, Bharuch. All these 4 units have been converted into gas. As per the provisions of NPS-III, Zuari Agro Chemicals Limited and Kanpur Fertilizer and Cement Ltd.(erstwhile Duncan Industries Limited) have also converted into gas. The remaining 3 Napatha based urea units of MCFL, MFL and SPIC could not start production of urea with gas due to non-availability gas connectivity."

2.8 When the Committee further enquired the current requirement of gas for the fertilizer producing units and the difference of cost between the domestic gas and imported RLNG, the Department in its written reply stated as under:-

"The total requirement of daily gas is about 46 mmscmd. Out of 46 mmscmd, 25.413 mmscmd (APM gas = 8.608 + JV = 1.516 + RIL = 12.036 + ONGC NON APM= 2.826 + Others = 0.427) is met through domestic gas and 20.587 mmscmd gas is met through RLNG in September, 2014. The difference between (i) the cost of domestic gas(@ USD 5.6/MMBTU) and Spot RLNG {@ USD 16.70/MMBTU (including re-gasification charges & without taxes)} is USD 11.10/MMBTU (ii) the cost of domestic gas (@ USD 5.6/MMBTU) and long term RLNG {@ USD 14.94/MMBTU (including re-gasification charges & without taxes)} is USD 9.34/MMBTU."

2.9 During the course of evidence, when the Committee pointed out that the total requirement of gas to fertilizer sector is 46-48 mmscmd but the domestic allocation is

31.5 mmscmd and enquired as to whether the same is due to lack of gas in our country or for other reasons, the representative of the Ministry responded as under:

> “sir, as we understand of course, it can be better explained by the representative from the Ministry of Petroleum, our understanding is that total domestic supply of gas is limited. Therefore, within that allocation, the best possible availability is ensured between different sectors. Two major consumers of domestic gas are fertilizer and power. So, between power and fertilizer, a balanced allocation is made and as and when additional production happens, then possibly more supplies can come. As we understand, the limitation is domestic availability.
>
> In this context, the Secretary of the Department of Fertilisers clarified as under:
>
> “Sir, domestic gas is allowed by the Ministry to the company. Over and above that, if the companies need more gas, they have to buy it from the gas suppliers like GAIL, PETRONET. The re-gassifed LNG is imported and that is supplied to the companies.”

2.10 When the Committee enquired about the initiatives being taken by Department to impress upon the Ministry of Petroleum and Natural Gas for a firm commitment towards allocation of gas for expansion projects proposed under the New Investment Policy 2008 to the fertilizers PSUs and the latest status in this regard, the Department in its written reply stated as under:-

> "The department of Fertilizers is regularly following the issue of allocation of gas to the expansion units which are expected to start production by 2016-17 through D.O. letter, review meeting with different stakeholders viz. MoP& NG, GAIL and fertilizer companies. The concerns of fertilizer Industries to protect the industry from any additional liability arising due to increase in the delivered price of gas, has been addressed in the New Investment Policy-2012.
>
> Considering declining availability of natural gas in the country, the fertilizer sector has been advised to plan utilization of imported Re-gasified Liquefied Natural Gas (R-LNG) also. The GAIL as a large aggregator, has offered Take or Pay mitigation to Fertilizer Units if the quantities are utilized in the system by other Fertilizer customers and GAIL is not impacted on the upstream side. For the 50% volume contracted under long term contract (50% HH & 50% JCC), review after 10 years on either side can be offered in case there is any significant change in the market conditions. Exit option for the balance 50% volume on spot/ short term contract can be made with a notice period of 6 months in case of domestic gas allocation to the Fertilizer Units.
>
> Further, Empowered Group of Ministers (EGoM) on Gas Pricing and Commercial Utilization of gas in their meeting held on 23.08.2013 decided as under:
>
> (i) to maintain at 31.5 MMSCMD the level of supplies of domestic gas to the Fertilizer sector and give the sector first priority in meeting the requirements of any shortfall below the level of 31.5 MMSCMD from any additional production of NELP gas;

(ii) the entire additional NELP gas production available during the years 2013-14, 2014-15 and 2015-16, after meeting the supply level of 31.5 MMSCMD to the Fertilizer sector, be supplied to the Power sector. The plant-wide allocation of additional production of NELP gas available during these years shall be done by the Ministry of Power; and

(iii) to allow supply of NELP gas to Power plants based on short term Power Purchase Agreements (PPAs) in all cases where medium/long-term PPAs are practicable in view of limited balance tenure of the Gas Supply and Purchase Agreements (GSPAs).

The level of supplies of domestic gas to the fertilizer sector has been capped at 31.5 mmscmd.

PROMOTION OF BALANCED USE OF FERTILIZERS

2.11 When the Committee enquired the steps being taken by the Department to promote balanced use of NPK and urea fertilizers so as to increase productivity of the soil and the details of the PSUs actively undertaking Fertilizer Education Programme in various parts of the country, the Department in its written reply stated as under:-

"There has been a growing concern about the imbalance in the use of fertilizers which has resulted in deterioration of the soil health leading to decline in the agricultural productivity. There is limited infrastructure for soil testing due to which the farmers do not have any recommendation on the requisite doses of plant nutrient i.e. fertilizers. In order to improve soil fertility, the Department of Agriculture & Cooperation has proposed to launch a Central Sector Scheme "Soil Health Card'. This scheme aims at providing the farmers information on soil analysis and recommendations on appropriate doses of nutrients to be used for various crops depending upon the physical, chemicals and biological health of the soil. The scheme also aims to carrying out the soil analysis in accordance with uniform sampling techniques and procedure to provide the information to the farmers on soil texture, density, porosity, acidity/salinity, organic content, nutrient etc, through the Soil Health Card. The scheme proposes to test 55 lakh soil samples in a sample grid of 10 hectares and generate 5.5 crore soil health card in the current year 2014-15.

In order to promote the balanced use of fertilizers, fertilizer companies including PSUs undertake Fertilizer Education Projects as part of their extension and marketing activities. The Fertilizer PSUs/Cooperatives are encouraged to launch fertilizer education projects for the benefit of farming community as per the MOUs signed with the Department of Fertilizers in this regard. The main activities undertaken by various fertilizer companies under the Fertilizers Education Projects are agricultural seminars, dealers meetings and trainings, soil sample analysis, demonstration, soil test recommendations, exhibitions, orientation programmes, R&D trials, field trials of fortified fertilizers, bio fertilizers, distribution of crop literature, organizing Krishi Melas etc, media publicity. The Fertilizer companies launch their fertilizer projects for educating the farmers about the quality/contents of the soil for crops. Resultantly, the farmers are encouraged by the companies to use the balanced fertilizers based on the quality of the soil nutrient wise and apply fertilizers accordingly.

The Fertilizer manufacturing companies launch their fertilizer projects for educating the farmers to use the balanced fertilizers based on the quality of the soil nutrient and product output (crops). The fertilizer companies are carrying out agricultural extension work with emphasis on education of farmers in the scientific application of fertilizers out of their own resources It also aims at strengthening soil testing facilities, upgrading the skill of working staff in soil testing laboratory and strengthening the fertilizer quality control facilities.

The following fertilizer companies are undertaking Fertilizer Education Project in various part of the country:

(i) Indian Potash Limited,
(ii) IFFCO
(iii) Krishak Bharti Cooperative Ltd. (KRIBHCO)
(iv) Rashtriya Chemicals & Fertilizers Limited
(v) BVFCL
(vi) National Fertilizers Limited,
(vii) FACT."

2.12 When the Committee further asked whether fertilizer companies are organizing / participating in 'Krishi Melas' and whether in these melas local 'Member of Parliament' are invited, the Department in its written reply stated as under:-

"Krishi Melas are generally organised by State Governments/Agricultural Universities. PSUs functioning under the aegis of the Department of Fertilizers also participate in these Melas. The invitations are issued by the concerned State Governments/Agricultural Universities only who organise these Melas. The Number of Melas in which PSUs participated during the last three years is as under:-

Year 2011-12

Sl.No.	Name of the company	Number of Melas participated
1.	National Fertilizers Ltd. (NFL)	44
2.	Rashtriya Chemicals & Ferts.(RCF)	32
3.	Madras Fertilizers Ltd.(MFL)	09

Year 2012-13

Sl.No.	Name of the company	Number of Melas participated
1.	National Fertilizers Ltd. (NFL)	55
2.	Rashtriya Chemicals & Ferts.(RCF)	48
3.	Madras Fertilizers Ltd.(MFL)	10

Year 2013-14

Sl.No.	Name of the company	Number of Melas participated
1.	National Fertilizers Ltd. (NFL)	30
2.	Rashtriya Chemicals & Ferts.(RCF)	74
3.	Madras Fertilizers Ltd.(MFL)	10

2.13 On being further enquired by the Committee whether feed-back of such 'Krishi Melas' are analysed and utilized for boosting Fertilizer Education Programme, the Department in its written reply stated as under:-

> "Feedback of the Melas is discussed in Quarterly Review Meetings and other review meetings organised by the Department of Fertilizers from time to time for formulation of various policies and review of the implementation of various policies."

2.14 When the Committee pointed out that land in Punjab has become infertile and the food crops produced by the fertilizers is bringing diseases along with it and so the Committee enquired about the plans of the Government in this regard. Responding to this, the Secretary of the Department stated as under:

> "……this is a very sensitive issue for us. Because, balance use of fertilizer is very essential, because the whatever is the need of the soil, if we use fertilizer accordingly, then the productivity will be maintained and if there is more imbalance then there will be lot of losses as we say ratio of NPK should be 4:2:1. We have seen that after 2009-2010 and 2010-2011, this ratio has slilghtly imbalanced in many states. Besides, there is one more problem, for secondary and micro nutrients soil, education of farmers is necessary and one step taken by the Government is, I will request our colleage from Ministry of Agriculture to say. Soil Health Card scheme has been launched and if Soil Health Card is given to every farmers, the quantum of fertilizer required for the soil would be known and farmers will be educated whatever is the necessity, the same will be arranged for application.

CHAPTER-III

SCHEMES DURING FIVE YEAR PLAN

Eleventh Five Year Plan

3.1 A statement showing the Plan Outlay & Expenditure during 11th Plan (2007-08 to 2011-12) is as under:-

11th Five Year Plan
Plan allocation and expenditure

(Rs. in crores)

		2007-08			2008-09			2009-10			2010-11			2011-12		
Name of Scheme	Particulars	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual
RCF	IEBR	302.41	253.24	118.57	812.43	469.06	241.83	988.05	250.68	141.02	622.82	237.37	109.65	293.30	380.87	332.67
FAGMIL	IEBR	0.14	3.20	0.69	22.40	22.40	0.61	29.01	4.35	0.37	11.29	5.89	0.24	4.15	0.15	0.27
PDIL	IEBR	2.50	6.74	4.77	4.85	4.65	3.74	5.35	8.38	7.52	5.38	9.45	6.35	9.73	8.32	3.00
NFL	IEBR	477.91	25.00	22.04	154.25	48.05	27.56	550.15	139.25	43.05	900.50	655.71	459.68	2363.08	2268.13	1553.82
KRIBHCO	IEBR	210.00	106.00	79.73	685.00	105.00	273.77	497.00	421.50	319.61	1160.00	1138.63	725.29	654.96	854.46	592.06
Total IEBR		992.96	394.18	225.80	1678.93	649.16	547.51	2069.56	824.16	511.57	2699.99	2047.05	1301.21	3325.22	3511.93	2481.82
BVFCL	GBS	4.50	7.47	7.47	20.00	20.00	20.00	65.00	65.00	65.00	45.00	45.00	45.00	67.80	67.80	67.80
FACT	GBS	15.00	15.00	15.00	13.00	13.00	13.00	34.00	34.00	34.00	89.99	89.99	89.99	60.74	60.74	60.74
MFL	GBS	9.00	9.00	9.00	13.00	13.00	13.00	96.99	96.99	96.99	74.50	74.50	74.50	88.95	88.95	88.95
FCI		1.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HFC		1.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PPCL		1.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Misc. Schemes IT/R&D	GBS	8.50	8.50	6.99	4.00	4.00	1.52	4.00	4.00	3.68	5.50	5.50	3.68	7.50	7.50	4.81
Capital Subsidy for conversion		5.00	5.00	0.00	150.00	0.01	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments for JVs abroad	GBS			0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.01	0.01	0.00
Revival of closed units	GBS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total GBS		45.00	45.00	38.46	200.00	50.01	197.52	200.00	200.00	199.67	215.00	215.00	213.17	225.00	225.00	222.30
Grand Total	IEBR+ GBS	1037.96	439.18	264.26	1878.93	699.17	745.03	2269.56	1024.16	711.24	2914.99	2262.05	1514.38	3550.22	3736.93	2704.12

12th Five Year Plan
Plan allocation and expenditure

(Rs. in crores)

		2012-13			2013-14			2014-15		
Name of Scheme	Particulars	BE	RE	Actual	BE	RE	Actual	BE	RE	Actual
RCF	IEBR	673.75	345.13	206.20	978.29	338.32	259.93	311.45		
FAGMIL	IEBR	23.51	11.11	0.23	44.05	9.13	10.30	38.64		
PDIL	IEBR	6.05	5.57	3.10	18.17	8.81	3.00	21.55		
NFL	IEBR	1696.98	2087.94	1905.90	803.20	962.37	516.02	150.00		
KRIBHCO	IEBR	675.00	522.00		927.00					
Total IEBR		3075.29	2971.75	2115.43	2770.71	1318.63	789.25	521.64		
BVFCL	GBS	94.62	0.02	0.00	25.00	0.91	0.00	10.00		
FACT	GBS	61.75	0.01	0.00	211.43	0.01	0.00	42.66		
MFL	GBS	87.62	0.01	0.00	17.00	0.01	0.00	30.00		
FCI		0.00	0.00	0.00	0.00					
HFC		0.00	0.00	0.00	0.00					
PPCL		0.00	0.00	0.00	0.00					
Misc. Schemes IT/R&D	GBS	12.00	9.95	9.40	15.56	8.06	2.32	12.34		
Capital Subsidy for conversion		0.00	0.00	0.00	0.00					
Investments for JVs abroad	GBS	0.01	0.01	0.00	0.01	0.01		5.00		
Revival of closed units	GBS	0.00	0.00	0.00	0.00					
Total GBS		256.00	10.00	9.40	269.00	9.00	2.32	100.00		
Grand Total	IEBR+GBS	3331.29	2981.75	2124.83	3039.71	1327.63	791.57	621.64		

3.2 When the Committee asked as to whether the amount allocated by the Planning Commission for various PSUs and other schemes in annual plan 2014-15 is adequate for this purpose, the Department in its written reply stated as under:-

> "Planning Commission allocated the amount for Annual Plan 2014-15 based on the proposals sent by Department of Fertilizers and the discussions held in a meeting with the Planning Commission on 13th June 2014 in which representatives of Department and the PSUs were present."

3.3 On being asked about the steps being taken by the Department to ensure optimum utilization of budgetary allocation during the remaining periods of Twelfth Five Year Plan, the Department in its written reply stated as under:-

> "The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSUs at the level of Board of Directors which also include representatives of this Department. The Schemes/programmes of loss making PSUs viz. BVFCL, FACT & MFL in respect of which budgetary support are extended by Government, are examined in depth by the Department of Fertilizers through physical verification at plant sites and prioritization vis-à-vis the budgetary provisions. In respect of profit making PSUs viz RCF, FAGMIL, PDIL and NFL, the schemes/projects are funded from Internal and Extra Budgetary Resources. After the schemes / projects are discussed and finalized in the Department, these are subjected to appraisal at the appropriate forum and discussed with Planning Commission during Annual Plan meetings. Further, Planning Commission, Ministry of Finance and this Department also review the physical “outputs” as well as “outcomes” of these schemes/projects. The Department also undertakes follow up action by monitoring the progress of the major projects/schemes by way of Quarterly Review Meetings held under the chairmanship of Secretary, Department of Fertilizers. Periodic review of Plan Expenditure of the PSUs is also undertaken at the level of Economic Adviser. Planning at the time of preparation of Annual Plan and continuous/regular monitoring subsequently will ensure proper utilization of allocated GBS and indicated IEBR by the companies."

3.4 When the Committee asked whether there was any shortfall in optimum utilization of plan funds during the year (2012-13 & 2013-14) of the 12th Plan, the Department in its written reply stated as under:-

> **2012-13**
> **"**Plan fund comprises of two components i.e. IEBR and GBS. PSUs namely, FAGMIL, PDIL & NFL avail IEBR and do not depend on GoI for financial support. Three companies i.e. BVFCL, FACT & MFL are loss making entities. These companies seek financial support from the Government. But due to financial restrictions imposed by Ministry of Finance vide its letter dated September 20, 2012, loan to these companies could not be released."
>
> The Budget provision for 2012-13 under Plan Section was Rs.256.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, Ministry of Finance reduced the allocation under Plan

Section to Rs.10.00 Crore at the RE stage. The actual expenditure for the year was Rs. 9.40 crore. As such, there was no significant variation.

2013-14

"The Budget provision for 2013-14 under Plan Section was Rs.269.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, the allocation at RE Stage was reduced to Rs. 9.00 Crore. The actual expenditure against this was Rs. 2.32 crore. Other than loans to PSUs, a major portion of Plan funds is allocated to Management Information Technology (MIT). The expenditure for Fertilizer Monitoring System (FMS) & Mobile FMS (mFMS) is made from MIT Head. The 2nd phase of scheme of mFMS could not be finalized during the year 2013-14. Therefore, funds could not be utilized."

3.5 On being asked whether M/S FAGMIL has completed its examination regarding extraction of potash from gluconite mining in various parts of the country, the Department in its written reply stated as under:-

"In view of exploring domestic potash sources, the company has undertaken research study on extraction of potash from Gluconite through Indian School of Mines, Dhanbad at the total cost of Rs.55,150/- including tax. Considering the low presence of Potash at the range of 5-6% in Gluconite sandstone, FAGMIL has not conducted any viability study on extraction of potash from Gluconite."

3.6 Regarding the efforts made by the Ministry in achieving the physical and financial targets, the Department of Fertilizers in its written reply stated as under:-

"<u>RASHTRIYA CHEMICALS & FERTILIZERS LIMITED (RCF) – Thal Unit</u>

i) Thal Ammonia Revamp (De-Bottlenecking)

This 1985 vintage plant will be made energy efficient by taking advantage of modern ammonia technology. Besides energy efficiency, the plant's life will be increased by 15 years. Urea capacity will also be enhanced to 20 lakh MT per year from the current level of 17 lakh MT where the additional urea capacity comes at a fraction of the cost of new grass root plant.

ii) Thal – III Expansion

A project involving setting up of an Ammonia/ Urea plant at its Thal Unit with a capacity to produce 12.70LMT of Urea. The cost of the project was estimated at Rs.4113/-crore. LSTK contractor had been identified, however owing to considerable lapse of time on account of delay in getting Govt. approval, the validity of bid has lapsed. Now Company has again invited Prequalification bids from possible new bidders for this project keeping the already prequalified bidders intact.

iii) Coal Based JV at Talcher:

EOI for selection of Coal Gasification technology is being re-issued by GAIL as no bidder qualified in earlier attempt. NIT for Ammonia-Urea plants and Nitric Acid-Ammonium Nitrate plant is issued to the six prequalified Bidders. Last date for bid submission for Ammonia – Urea plant and Nitric Acid- Ammonium Nitrate plant is 15th July 2014 and 12th Sept. 2014 respectively. EIA Form-1 submitted on 16th Aug. 2013 to MoEF. Presentation has been done on 1st Oct. , 2013. MoEF has specified TOR on 4th Dec. 2013. Data collection at site is in progress. However selection of Gasification technology is essential for submission of EIA report.

iv) Sewage Treatment Plant:

Board has in principally approved DFR and negotiation with L-1 Bidder. RCF-BPCL teams have initiated the MoU for supply of surplus treated water to BPCL. RCF-BPCL shall sign MoU after obtaining approval from respective Boards.

NATIONAL FERTILIZERS LIMITED (NFL)

Company has achieved the physical targets of commissioning of the Changeover of feedstock projects and Urea Capacity enhancement projects for Plan outlay during 2012-13 and 2013-14. Company has achieved financial targets during 2012-13 (112.31%). However, during 2013-14 the achievements with respect to financial expenditure works out to be Rs.64.24% as the financial payments for the projects shall be released during 2014-15 on closure of the LSTK contracts for the Changeover of feedstock production.

BRAHMAPUTRA VALLEY FERTILIZER CORPORATION LIMITED (BVFCL)

The company has completed all assignment / targeted activities with respect to pre-project implementation with respect to the proposed project of setting up new Brownfield Ammonia-Urea complex (4th unit).

Fertilizers & Chemicals Travancore Limited (FACT)

Detailed schedules and plans have been prepared for the utilization of the allocated amounts under Plan fund. Orders could not be placed for implementation of the schemes even though the Procurement actions had been initiated , since the funds were not released for the years 2012-13 and 2013-14.

MADRAS FERTILIZERS LIMITED (MFL)

With the implementation of in-house ideas, maintenance work and process trimmings, the company could achieve the “all-time low” energy consumption of 7.386 Gcal/MT Urea during 2013-14 against the MoU Target of 7.48 Gcal /MT and against the FICC Norm of 8.337 Gcal/MT. The previous best energy was 7.492 Gcal/MT Urea during 2010-11. Also, MFL Urea Plant achieved 100% capacity utilization in 2013-14. The company is continuously making efforts to achieve “Better Still Better” in both productivity and energy efficiency. "

3.7 Regarding the Budget Proposals and the amount actually provided by the Planning Commission for different schemes in Annual Plan 2014-15 along with comments of the Planning Commission, the Department of Fertilizers in its written reply stated as under:-

“Under the Plan scheme, budgetary support in the form of loan is provided to three loss making fertilizer companies which are under the administrative control of this Department namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL). Financial aid is provided for Renovation, Replacement and maintenance of critical equipments to keep their units in operation. Proposals from the entities are sought and after getting due approval from the competent authority, the fund is released keeping in view the overall allocation made by the Planning Commission and also considering the absorption capacity of the companies on year to year. On the basis of this financial aid, the loss making companies continue to operate without interruption and hence improve their financial performance.

A small amount has also been earmarked in Department of Fertilizers for Misc. schemes such as Management of Information Technology (MIT) and Science & Technology (S&T). Department of Fertilizers is funding its need based programme namely Fertilizer Monitoring system (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the Grants made available as Gross Budgetary Support (GBS) under MIT scheme. The S&T programme of Department of Fertilizers primarily lays emphasis at Research & Development of processes and equipments to lower specific energy consumption in fertilizer plants. Planning Commission provided GBS of Rs.100.00 crore for the Annual Plan 2014-15. Details of amount actually provided by the Planning Commission for different schemes in Annual Plan 2014-15 is as under:

Company	GBS (Rs. in crore)
BVFCL	10.00
FACT	42.66
MFL	30.00
MIT	10.34
S&T	2.00
JVs abroad	5.00
Total	100.00

3.8 When the Committee asked to state the extent to which the Department of Fertilizers has been able to convert the outlays for different schemes and programmes into outcome during the years 2012-13 and 2013-14, the Department of Fertilizers in its written reply stated as under:-

"Plan outlay comprises of Internal & Extra Budgetary Resources (IEBR) of the companies and Gross Budgetary Support (GBS) to be provided by Government of India.

Internal & Extra Budgetary Resources (IEBR)

Four fertilizer companies namely Rashtriya Chemicals & Fertilizers Limited (RCF), FAI Aravali Gypsum & Minerals India Limited (FAGMIL), Projects & Development India Limited (PDIL) and National Fertilizers Limited (NFL) generate their own financial resources in the form of IEBR and do not depend on Government of India for any financial assistance.

Gross Budgetary Support (GBS)

Budgetary support is provided by Department of Fertilizers to three loss making PSUs namely Brahmaputra Valley Fertilizer Corporation Limited (BVFCL, Fertilizers & Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), keeping in view the overall allocation made by the Planning Commission and also considering the absorption capacity of the companies. On the basis of this financial aid, the loss making companies continue their units in operation without interruption and supply as well as availability of fertilizers is made available season-wise to farmers. A small amount is earmarked for schemes such as Management of Information Technology (MIT), Science & Technology (S&T) and Joint Ventures (JV) abroad.

Due to financial restrictions imposed by Ministry of Finance to defaulter companies, GBS in the form of loan was not released to any of the loss making fertilizer companies during 2012-13 and 2013-14.

Management of Information Technology (MIT)

A small amount has been earmarked in this Department for the scheme entitled "MIT". Department is funding its need based programme namely Fertilizer Monitoring System (FMS) and mobile based Fertilizer Monitoring System (mFMS) through the grants made available as GBS under MIT scheme. FMS has been developed and grown to enable users to monitor investment and availability of fertilizers on line and real time basis. During 2012-13 and 2013-14 under this scheme the amount earmarked and incurred is as under:

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2012-13	8.50	8.00	7.47
2013-14	13.56	6.56	2.13

Science & Technology (S&T)

Under S&T programme of the Department, funds are granted to technical / technological institutes to undertake projects related to fertilizer industry. The project proposals received from research institutes / organizations / universities are selected and approved for funding as per the established practice / guidelines of the Department. During 2012-13 and 2013-14 under this scheme the amount allocated and actual expenditure incurred is as under:

(Rs. in crore)

Year	BE	RE	Actual Expenditure
2012-13	3.50	1.95	1.93
2013-14	2.00	1.50	0.19

3.9 On being asked by the Committee as to whether any monitoring mechanism has been set up by Department of Fertilizers to monitor the implementation of the approved schemes by the PSUs and to achieve the projected plan target during 2013-14, the Department of Fertilizers in its written reply stated as under:-

"The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSUs at the level of Board of Directors which also include representatives of this Department. The Schemes/programmes of loss making PSUs viz. BVFCL, FACT & MFL in respect of which budgetary support are extended by Government, are examined in depth by the Department of Fertilizers through physical verification at plant sites and prioritization vis-à-vis the budgetary provisions. In respect of profit making PSUs viz RCF, FAGMIL, PDIL and NFL, the schemes/projects are funded from Internal and Extra Budgetary Resources. After the schemes / projects are discussed and finalized in the Department, these are subjected to appraisal at the appropriate forum and discussed with Planning Commission during Annual Plan meetings. Further, Planning Commission, Ministry of Finance and this Department also review the physical “outputs” as well as “outcomes” of these schemes/projects. The Department also undertakes follow up action by monitoring the progress of the major projects/schemes by way of Quarterly Review Meetings held under the chairmanship of Secretary, Department of Fertilizers. Periodic review of Plan Expenditure of the PSUs is also undertaken at the level of Economic Adviser. Planning at the time of preparation of Annual Plan and continuous/regular monitoring subsequently will ensure proper utilization of allocated GBS and indicated IEBR by the companies."

CHAPTER-IV

ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 2014-15

The detailed Demands for Grants for the year 2014-15 of the Department of Fertilizers are given in the Appendix.

4.2 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure for the last three years (year-wise) and Budget Estimates for the year 2014-15 for Plan and Non-Plan expenditure in gross terms is given below:

(Rs in crore)

	2011-12			2012-13			2013-14			2014-15
	Budget Estimates	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**	**Revised Estimates**	**Actual Expenditure**	**Budget Estimates**
Plan	225.00	225.00	222.30	256.00	10.00	9.40	269.00	9.00	2.32	100.00
Non Plan	53612.00	71592.00	74588.52	65618.00	70618.00	70612.65	70614.20	71962.00	71300.68	77100.00
Total	53837.00	71817.00	74806.82	65874.00	70628.00	70622.05	70883.20	71971.00	71303.00	77200.00

4.3 Under the plan scheme, budgetary support in the form of loan is provided to three loss making fertilizers companies which are under the administrative control of the Department namely Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers and Chemicals Travancore Ltd. (FACT) and Madras Fertilizers Limited (MFL). Financial aid is provided for Renovation, Replacement and maintenance of critical equipments to keep their units in operation. Proposals from the entities are sought and after getting due approval from the competent authority, the fund is released keeping in view the overall allocation made by the Planning Commission and also considering the absorption capacity of the companies on year to year. On the basis of this financial aid the loss making companies continue to operate without interruption and hence improve their financial performance.

4.4 The Committee enquired about the reasons for variations in BE, RE and AE for the years 2011-12, 2012-13 and 2013-14, the Department of Fertilizers in its written reply stated as under :-

"Reasons for variations in Budget Estimates, Revised Estimates and Actual Expenditure for the last three years are as follows:-

2011-12

Plan: The budget provision during 2011-12 was Rs.225.00 crores which was kept at the same level at the RE stage. The actual utilization during the year 2011-12 was Rs.222.30 crore. As such there was no significant variation.

Non-Plan: Non-Plan budget (BE) allocated during 2011-12 was Rs.53612.00 crore (gross) against the projected requirement of Rs.76627.47 crore(Gross). The Budget allocation at RE Stage was Rs. 71592.00 Crore(Gross). An allocation of Rs. 13778.93 crore (including Rs.778.93 crore for compensation on account of loss due to sale of fertilizer bonds) was made under 2nd Batch of Supplementary Demands for Grants. Rs. 7201.07 crore were allocated under 3rd Batch of Supplementary Demands for Grants. The Final allocation during the year was Rs.74592.00 crore (Gross). The actual expenditure during the year 2011-12 was Rs.74588.52 crore.

During the year, the Department was also required to fulfill carry over liabilities of Rs. 7216.67 crore from 2010-11. The actual requirement was much higher and an amount of Rs. 22200.62 crore was rolled over to the next year as carried over liabilities.

2012-13

Plan: The Budget provision for 2012-13 under Plan Section was Rs.256.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, Ministry of Finance reduced the allocation under Plan Section to Rs.10.00 Crore at the RE stage. The actual expenditure for the year was Rs. 9.40 crore. As such, there was no significant variation.

Non-Plan: The Department had projected requirement of Rs.90249.26 crore on Gross basis under Non-Plan Section for the year 2012-13. Against this requirement an amount of Rs .65618.00 crore(Gross) was allocated at Budget Estimate (BE) stage. Under First Batch of Supplementary Demands for Grants the Department was allocated an additional amount of Rs. 1 Lakh for subsidy on imported decontrolled fertilizers. Under second batch of supplementary demands for grants an amount of Rs. 1999.99 crore was allocated for imported decontrolled fertilizers, Rs. 2000.00 crore were allocated for import of Urea and Rs. 1000.00 crore were allocated for indigenous Urea. Thus, the Department was allocated Rs. 4999.99 crore under second batch of Supplementary Demands for Grants making additional allocation during the year Rs. 5000.00 crore. The RE Allocation/ final allocation for the year under Non Plan Section was Rs. 70618.00 crore (Gross). The Department incurred an expenditure of Rs. 70612.65 Crore.

As the Department had to carry over liabilities of Rs. 22200.62 crore from 2011-12 towards fertilizers subsidy, therefore, the actual requirement was much higher. As a result the Department has to roll over an amount of Rs. 26414.88 Crore to the next year as carry over liabilities."

2013-14

Plan: The Budget provision for 2013-14 under Plan Section was Rs.269.00 crore. The main component of the plan allocation is Loans to Public Sector Undertakings (PSUs). Since, the PSUs defaulted in repayment of earlier loans and its interest, as per the guidelines issued by Ministry of Finance further Plan Loans could not be disbursed. Accordingly, the allocation at RE Stage was reduced to Rs. 9.00 Crore. The actual expenditure against this was Rs. 2.32 crore. Other than loans to PSUs, a major portion of Plan funds is allocated to Management Information Technology (MIT). The expenditure for Fertilizer Monitoring System (FMS) & Mobile FMS (mFMS) is made from MIT Head. The 2nd phase of scheme of mFMS could not be finalized during the year 2013-14. Therefore, funds could not be utilized.

Non-Plan: Against the projected requirement of Rs.97050.96 crore(Gross), the Non-Plan budget (BE) allocated during the year 2013-14 was Rs.70614.20 crore (gross). An amount of Rs. 2000.00 crore was allocated under 2nd Supplementary Demands for Grants. The RE allocation/Final Allocation under the Non Plan Section for the year was Rs. 71962.00 Crore. The total expenditure during the year was Rs. 71300.68. The utilization of funds under Non plan Section was less mainly due to import of lesser than anticipated quantity of Urea, Economy instructions issued by Ministry of Finance and receipt of lesser than anticipated claims under various Budget heads.

The Department had also rolled over carry over liabilities Rs. 26414.88 Crore from the previous year. Since, the requirement of funds was much higher, the Department has to roll over the arrears of unpaid subsidy of Rs. 40340.78 crore to the next year."

Budgetary Provisions

4.5 RE for the year 2013-14 is Rs.68009 crore and BE for the year 2014-15 is Rs. 73100 crore. When the Committee in this regard enquired about the reasons for increase of Rs.5091.00 crore in the total Budget Allocations, the Department of Fertilizers in its written reply stated as under:-

"The increase in budget allocation is due to arrears of unpaid subsidy amounting to the tune of about Rs. 40340 Crore carried over from previous years. So far as indigenous urea is concerned, against the projected BE of 47160 crore (excluding additional funds of 11290 crore demanded due to expected increase in gas prices w.e.f 01.04.2014) for the year 2014-15, an amount of Rs. 36000 crore has been allocated for the year 2014-15. Further, there was a carry-over liability of Rs.17628 crore for the year 2013-14 and the same has been paid during 2014-15. In other words, there is a shortfall of approx. Rs. 25000 crore during 2014-15."

HEAD-WISE ANALYSIS OF DEMANDS FOR GRANTS

Major Head 2401 – Subsidy on Imported Fertilizers

4.6 RE 2013-14 is Rs.12044.64 crore and BE 2014-15 is Rs.12300.00 crore while Actual Expenditure (AE) for 2012-13 was Rs.15132.46 crore. When the Committee asked to explain the reasons for lesser allocation in RE 2013-14 and BE 2014-15 in spite of the fact that Actual Expenditure for 2012-13 was Rs.15132.46 crore, the Department in its written reply stated as under:-

"The details of payment of subsidy on import of Urea are as under:

2401.00.106.02.00.33- Subsidy-Imported of Urea

(Figures In crores of Rupees)

Head of Accounts.	R.E for the year 2012-13	R.E for the year 2013-2014	B.E for the year 2014-2015
Subsidy on Imported Urea.			
Gross.	20016.00	16006.64	16400.00
Recovery	4618.00	3962.00	4100.00
Net	15398.00	12044.64	12300.00
Actual Expenditure			
Gross Expenditure	20016.00	15353.30	
Recovery	4883.54	3815.05	
Net Expenditure	15132.46	11538.25	

The Budget Estimates /Revised Estimates regarding Imported Urea were prepared on the basis of required quantity along with tentative rates in the international market. Moreover during the year 2013-2014 an amount of Rs.653.34 crores was surrendered due to Import of lesser then anticipated quantity and non–submission of relevant claims by canalizing agencies. Lesser allocation in 2013-2014 was due to lower than expected import of Urea. B.E for the year 2014-2015 has been pegged on the basis of R.E for 2013-2014."

Major Head 2401 – Subsidy on Decontrolled Fertilizers

4.7 When the Committee asked the reasons for gradual decline in the budgetary allocation for subsidy on decontrolled fertilizers as AE for the year 2012-13 was Rs.30480.35 crore, RE for the year 2013-14 was Rs.29426.88 crore and BE for the year 2014-15 is Rs.24670.32 crore, the Department in its written reply stated as under:-

"The details of payment of subsidy on decontrolled fertilizers are as under:

Major Head 2401-Subsidy on Decontrolled Fertilizers.

(Figures In crores of Rupees)

Head of Accounts.	Actual Expenditure 2012-2013	R.E.2013-2014	B.E.-2014-2015
Indigenous Decontrolled Fertilizers.	16000.00	15500.00	13500.00
Imported Decontrolled Fertilizers.	14576.10	13926.86	11170.30
Total.	30576.10	29426.88	24670.32
Less recoveries	95.75	-	-
Net	30480.35	-	-

Gradual decline in the budgetary allocation on decontrolled Fertilizers is due to reducing Per K.G Subsidy on each Nutrient covered under NBS and also partly due to lower consumption of P & K Fertilizers.

The main reason for gradual decline in budgetary allocation for subsidy on decontrolled fertilizers is due to the fact that the rate of subsidy of P&K fertilizers has been reduced by the Government over the years.

As the Committee may be aware that the Department is implementing the NBS policy for P&K fertilizers w.e.f. 1.4.2010 under which a fixed rate of subsidy, decided on annual basis, is provided on each grade of subsidized P&K fertilizers depending on their nutrient content. The NBS rates for P&K fertilizers are fixed by the Government taking into consideration all relevant factors including the likely impact of these rates on total subsidy payout. The NBS rates fixed for the year 2012-13 to 2014-15 are as under:

NBS rates (Rs. per Kg)			
Nutrient	2012-13	2013-14	2014-15
'N' (Nitrogen)	24.000	20.875	20.875
'P' (Phosphate)	21.804	18.679	18.679
'K' (Potash)	24.000	18.833	15.500
'S' (Sulphur)	1.677	1.677	1.677

As can be seen from the above table, the subsidy rates on P&K fertilizers have gradually come down."

4.8 When the Committee further asked as to whether decline in the allocation for subsidy on decontrolled fertilizers would not increase any financial burden on small and marginal farmers, the Department in its written reply stated as under:-

"Under the NBS Policy, a fixed subsidy, decided on annual basis, is provided on all subsidized P&K, fertilizers depending on its nutrient content. The MRP is fixed by the fertilizer companies.

Since the country is nearly completely dependent on imports for P&K fertilizers in the form of finished fertilizers or its raw material and subsidy being fixed, the international prices of fertilizers affects the domestic prices of fertilizers. The prices of P&K fertilizers and its raw material are highly volatile in the international market.

Initially, under NBS policy companies are allowed to fix the MRP on their own. The intention behind introduction of NBS was to increase competition among the fertilizer companies to facilitate availability of diversified products in the market at reasonable prices. However, the experience, after the introduction of NBS is not encouraging and the prices of P&K fertilizers have gone up substantially and doubts have been raised about reasonableness of the prices fixed by the companies. The prices have gone up substantially on account of increase in prices of raw materials / finished fertilisers in international market, depreciation of Indian rupee w.r.t US Dollar and also may be due to larger profit margins by the companies. This has lead to lot of hue and cry from the various quarters and has also led to imbalance in use of fertilizers. Accordingly, in order to check the prices fixed by P&K companies, the Government vide notification dated 8.7.2011 directed the fertilizer companies to fix the prices of P&K fertilizers at reasonable level under the NBS regime.

Though prices of P&K fertilizers were fixed at reasonable level, the aspect of reasonableness was not defined clearly prior to 1.4.2012. Accordingly, in order to ascertain / ensure reasonableness of prices of P&K fertilizers, the following clauses have been included in NBS Policy with effect from 1.4.2012:

i. It shall be mandatory for all the fertilizer companies to submit, along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement for the purpose of monitoring of MRPs of P&K fertilizers fixed by the fertilizer companies.
ii. In cases, where after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS. In proven case of abuse of subsidy mechanism, DOF, on the recommendation of IMC may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS scheme.
iii. The reasonableness of MRP will be determined with reference to the MRP printed on the bags.

Accordingly, the Fertilizer companies have been submitting the cost data of their product for the period 2012-13 onwards on six monthly and annual basis. For proper monitoring of prices of P&K fertilizers the P&K companies are required to enter same MRPs printed on the bags as applicable for each State in the FMS and they are also required to certify the correctness of MRPs of their products entered in the FMS while claiming 'On Account' claims for a particular month and also ensure that the MRPs are updated in the FMS upto the date of submission of bill.

In order to monitor the reasonableness of prices of P&K fertilizers fixed by fertilizer companies at Department level, Cost Accounting Firms/Cost Accounts are being assigned to examine the cost data submitted by the fertilizer companies in respect of their fertilizer product."

4.9 When the Committee further asked the Department to elaborate the role played by Cost Accounting Firms / Cost Accounts in determining the reasonableness of price fixed by the fertilizer companies and the steps being undertaken by the Department in case the prices of fertilizers fixed by the company are found unreasonable, the Department in its written reply stated as under:-

"After noticing rise in prices of P&K fertilizers it has been made mandatory under the NBS Policy for all the fertilizer companies to submit, along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement for the purpose of monitoring of MRPs of P&K fertilizers fixed by the fertilizer companies from 2012-13 onwards. It was further stipulated that in cases, where after scrutiny, unreasonableness of MRP is established or where there is no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS. In proven case of abuse of subsidy mechanism, DOF, on the recommendation of IMC may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS scheme. The reasonableness of MRP will be determined with reference to the MRP printed on the bags.

In line with the above provisions of the NBS Policy, Cost Accounting Firms/Cost Accountants have been appointed to scrutinize and analyse the cost data submitted by P&K fertilizers companies. The nature of the job of the Cost Accounts/Firms is as under:

i. Scrutiny of cost data of P&K fertilizer manufacturers/importers to ascertain whether the MRPs fixed by the fertilizer companies are reasonable with reference to the cost of production/import.
ii. In case of the cost data relating to an imported fertilizer, Cost Accountants/Cost Accounting Firm shall be required to compare the import prices of the concerned company with the ruling international prices of raw materials, intermediaries and finished products through international journals and other import statistics for comparison purpose. To supplement the cost data, the Cost Accountants/Firms shall be provided with month-wise MRP, Sales, production etc to enable them to co-relate the data of the companies.
iii. The Cost Accountants/Firms, while arriving at the delivered price of the products they will follow established industrial norms for various costs.

Based on the report of the Cost Accountants/Firms, the Department will take the punitive action stated on para-1 above in consultation with IMC, in the event of the prices of fertilizers fixed by the companies are found unreasonable".

Major Head 2852 – Subsidy on Indigenous Fertilizers

4.10 On being asked about the reasons for increase of Rs.9500.00 crore in BE as RE for the year 2013-14 was Rs.26500.00 crore and BE for the year 2014-15 is Rs.36000.00 crore, the Department in its written reply stated as under:-

"For indigenous urea, against the projected BE of 47160 crore (excluding additional funds of 11290 crore demanded due to expected increase in gas prices w.e.f 01.04.2014) for the year 2014-15, an amount of Rs. 36000 crore has been allocated for the year 2014-15. Further, there was a carry-over liability of Rs.17628 crore for the year 2013-14 and the same has been paid during 2014-15. In other words, there is a shortfall of approx. Rs. 25000 crore during 2014-15."

Major Head 2401 & 2852 Compensation for loss on account of sale of fertilizers bond

4.11 The Committee observed that Under the Major Head 2401 and 2852 a provision of Rs.0.02 crore and Rs.0.01 crore, respectively, were kept in Revised Estimates (RE) 2013-14 for Compensation for Loss on Account of Sale of Fertilizer Bond. Therefore, the Committee asked the reasons for keeping this provision in BE 2014-15 when the same has remained unutilized during the year 2013-14 and also to clarify as to why the same could not be utilized during 2013-14, the Department in its written reply stated as under:-

"As there is dispute regarding settlement of fertilizer Bond between Government of India and fertilizer companies pending before Hon'ble High Court of Delhi, the above amounts were kept in RE 2013-14 in order to adjust any outstanding expenditure in this regard. As the matter is subjudice before the Court, the above amount could not be utilized during 2013-14 and kept in BE 2014-15. The token provision is kept to keep the budget head alive so that, in the event of any requirement under this Budget Head the provision could be made."

Major Head 6855 – Investment in Public Enterprises

4.12 The Committee observed that Plan BE for the year 2013-14 related to Investment in Public Enterprise was Rs.228.44 crore. However, under the RE, it was reduced Rs.0.03 crore. The Committee, therefore, asked the Department to state reasons for drastic reduction in the plan expenditure from Rs.228.44 crore to Rs.0.03 crore and also to clarify as to what is the basis for keeping the Plan Budget Estimates at Rs.72.67 crore for the year 2014-15, when the same was reduced to Rs.0.03 crore under RE for the year 2013-14, the Department in its written reply stated as under:-

> "The Public Enterprise viz. Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), Fertilizers & Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL) are loss making fertilizer PSUs. These companies are not in a position to repay Government of India loan/ interest due to their week financial position. The Ministry of Finance vide its letter dated September 20, 2012 emphasized the FAs to ensure that further budgetary support to defaulter PSUs be considered only under revival / rehabilitation or other scheme approved by Cabinet. Therefore due to financial restrictions imposed by Ministry of Finance, Plan loan to these three defaulter companies i.e. BVFCL, FACT & MFL could not be released. While reviewing the demands for 2013-14 at RE stage, Ministry of Finance reduced the allocation.
>
> In order to work out the Plan allocation for 2014-15, a meeting was held in the Planning Commission on 13th January 2014 under the Chairmanship of Senior Advisor (Industry) in which representatives of this Department as well as from PSUs were present. Based on the discussions held in the meeting, Plan budget estimate for the year 2014-15 have been decided.
>
> Plan scheme proposals submitted by the PSUs would be examined by the Department, and thereafter, the release of loan amount would be considered by the Department keeping also in view the restrictions imposed by the Ministry of Finance.

Major Head 6552 – Project/ Schemes for North-Eastern Region and Sikkim

4.13 On being asked to state the reason for RE for the year 2013-14 abysmally low in comparison to the BE for the year 2013-14 and also to state the reasons as to how does the Department plans to utilize the amount allocated under BE for the year 2014-15 i.e. Rs.9.99 crore, the Department in its written reply stated as under:-

> "Plan provision for Rs.24.99 crore was made for 2013-14 for Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), a PSU located in the North Eastern Region. The company is not in a position to repay loan / interest due to its financial position. The Ministry of Finance vide its letter dated September 20, 2012 emphasized the FAs to ensure that further budgetary support to defaulter PSUs be considered only under revival / rehabilitation or other scheme approved by Cabinet. Therefore due to financial restrictions imposed by Ministry of Finance, loan to this company could not be released. While reviewing the demands at RE

stage, allocation was reduced to Rs. 0.90 crore. The Plan allocation of Rs.9.99 crore for NE region for 2014-15 is for investment in BVFCL."

Major Head 4855 – Investment for JVs abroad.

4.14 On being enquired as to how does Department of Fertilizers plan to invest Rs.5.00 crore allocated under BE 2014-15 for Investment for JVs abroad and also explain as to whether the allocated funds of Rs.5.00 crore would be sufficient for this purpose, the Department in its written reply stated as under:-

"The above said amount was earmarked in plan fund as a token amount only. The actual funds for investment for JVs abroad are met by interested fertilizer companies at their own sources."

Head of Dev 12855 – Investments in Public Enterprises

4.15 RE for the year 2013-14 was Rs.1319.56 crore. However, BE for the year 2014-15 is kept at Rs.604.30 crore only. The Committee therefore, enquired the reasons for this abysmally lower allocation in BE for Investment in Public Enterprise for the year 2014-15 and also whether this would be sufficient for this purpose during the year 2014-15, the Department in its written reply stated as under:-

"The main reason for reduction in BE 2014-15 as compared to RE 2013-14 is the reduction in budget provision for National Fertilizers Limited (NFL). In 2013-14, NFL was under the process of changeover of feedstock from FO to RLNG at Panipat, Bathinda & Nangal units and therefore, RE of NFL of Rs.962.37 crore was significantly higher in 2013-14 as compared to BE of Rs.150.00 crore in 2014-15.

In 2013-14 NFL was under the process of changeover of feedstock from FO to RLNG at Panipat, Bathinda & Nangal units and therefore the RE of NFL of Rs.962.37 crore was significantly higher in 2013-14 as compare to BE of Rs.150.00. During 2014-15, BE of Rs.150.00 crore for NFL was kept by Planning Commission.

To determine the Plan allocation for 2014-15 at BE stage, a meeting was held in the Planning Commission on 13th January 2014 under the Chairmanship of Dr. P.K. Anand, Senior Advisor (Industry) in which representatives of this Department as well as from PSUs were also present. Based on the discussions taken in the meeting, Plan budget estimate for the year 2014-15 have been decided."

4.16 On being asked about the current status of Krishak Bharat Cooperative Limited (KRIBHCO) and the reasons for non-allocation of funds to KRIBHCO under RE 2013-14 and BE 2014-15, the Department in its written reply stated as under:-

"After amendment of MSCS Act in 2002, KRIBHCO has amended its by-laws and repatriated equity of government on the face value and Government has accepted reduction in its equity in KRIBHCO in following manner:-

Date	Amount & Equity repatriated (Rs. in crore)	GoI equity (Rs. in crore)	%age of GoI equity	Repatriation of equity
Opening balance		328.00	67.00%	-
2003 to 2004	22.31	305.69	62.31%	Accepted
2005 to 2009	116.79	188.90	48.38%	Accepted
2010-11	91.40	(97.50) if accepted	(24.99%) if accepted	Not accepted
July 2013	97.50	(0.00) if accepted	(0.00%) if accepted	Not accepted

DOF has, however, not yet accepted the cheques amounting to Rs. 188.90 crore even though KRIBHCO has claimed that consequent to repatriation of entire equity of Government of India, the Government equity stand reduced to 'NIL' in KRIBHCO. Department of Fertilizers has sought advice from Department of Legal Affairs (DLA), whether pending amendment in MSCS Act 2002, Department may or may not accept repatriation of equity from KRIBHCO. Advice from DLA is awaited."

4.17 Internal and Extra Budgetary Resources (IEBR) of National Fertilizers Limited (NFL) in RE 2013-14 was Rs.962.37 crore but in BE 2014-15 it is Rs.150.00 crore only. The Committee, therefore, enquired the reasons for decreased IEBR for the year 2014-15. Please state the reasons for this significantly low allocation under IEBR, the Department in its written reply stated as under:-

"The main reason for reduction in BE 2014-15 as compared to RE 2013-14 is the reduction in budget provision for National Fertilizers Limited (NFL). In 2013-14, NFL was under the process of changeover of feedstock from FO to RLNG at Panipat, Bathinda & Nangal units and therefore, RE of NFL of Rs.962.37 crore was significantly higher in 2013-14 as compared to BE of Rs.150.00 crore in 2014-15. During 2014-15, BE of Rs.150.00 crore for NFL was kept by Planning Commission after necessary consultations with the company."

4.18 On being asked as to how the Department of Fertilizers plan to ensure the proper and full utilization of Budgetary Support and IEBR by PSUs under their administrative control during the year 2014-15, the Department in its written reply stated as under:-

"The Schemes/programmes proposed to be implemented through plan outlays are finalized by PSUs at the level of Board of Directors which also include representatives of this Department. The Schemes/programmes of loss making PSUs viz. BVFCL, FACT & MFL in respect of which budgetary support is extended by Government, are examined in depth by the Department of Fertilizers through physical verification at plant sites and prioritization vis-à-vis the budgetary provisions. In respect of profit making PSUs viz RCF, FAGMIL, PDIL and NFL, the schemes/projects are funded from Internal and Extra Budgetary Resources. After the schemes / projects are discussed and finalized in the Department, these are subjected to appraisal at the appropriate forum and discussed with Planning Commission during Annual Plan meetings. Further, Planning Commission, Ministry of Finance and this Department also review the physical "outputs" as well as "outcomes" of these schemes/projects. The Department also undertakes follow up action by monitoring the progress of the major projects/schemes by way of Quarterly Review Meetings held under the chairmanship of Secretary, Department of Fertilizers. Periodic review of Plan Expenditure of the PSUs is also undertaken at the level of Economic Adviser. Planning at the time of preparation of Annual Plan and continuous/regular monitoring subsequently will ensure proper utilization of allocated GBS and indicated IEBR by the companies."

Head of Dev 22552 – Plan Outlay - North Eastern Areas

4.19 BE for the year 2013-14 was Rs.24.99 crore as Plan Outlay for North Eastern Areas and the same was reduced to Rs.0.90 crore under RE for the same years. On being enquired by the Committee about the reasons for this decline and the plan of the Department to utilize its present allocation of Rs.9.99 crore under BE 2014-15, the Department in its written reply stated as under:-

"Plan provision for Rs.24.99 crore was made for 2013-14 for Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), a PSU located in the North Eastern Region. The company is not in a position to repay loan / interest due to its financial position. The Ministry of Finance vide its letter dated September 20, 2012 emphasized the FAs to ensure that further budgetary support to defaulter PSUs be considered only under revival / rehabilitation or other scheme approved by Cabinet. Therefore due to financial restrictions imposed by Ministry of Finance, loan to this company could not be released. While reviewing the demands at RE stage, allocation was reduced to Rs. 0.90 crore. The Plan allocation of Rs.9.99 crore for NE region for 2014-15 is for investment in BVFCL.

4.20 The details of plan outlays 2013-14 in respect of BVFCL, FACT and MFL are as under:

Plan Outlay 2013-2014									
									(Rs. in Crore)
Name of Scheme/ Company	BE			RE			Actual Expenditure		
	GBS	IEBR	Total	GBS	IEBR	Total	GBS	IEBR	Total
Brahmaputra Valley Fertilizers Corporation Ltd. (BVFCL)	25.00		25.00	0.91		0.91	0.00		0.00
Fertilizers and Chemicals Travancore Ltd. (FACT)	211.43		211.43	0.01		0.01	0.00		0.00
Madras Fertilizers Ltd. (MFL)	17.00		17.00	0.01		0.01	0.00		0.00

(Page 2, Pre-Budget material)

4.21 As per the plan outlay 2013-14, GBS of Rs.25.00 crore was allocated to BVFCL and the same was reduced Rs.0.91 crore (RE) and even this amount had remained unutilized. The Committee, therefore, asked to explain the reasons as to why the same had remained unutilized and what are the steps being taken by the Department to ensure that GBS to BVFCL in 2014-15 is fully utilized, the Department in its written reply stated as under:-

"At BE stage, allocation was made by the Planning Commission based on the proposals received from BVFCL. The company is defaulter in repayment of loan/interest. Due to financial restrictions imposed by Ministry of Finance, loan was not released to the company during 2013-14 and hence at RE stage, allocation was reduced. Plan scheme proposals submitted by BVFCL would be examined by the Department, and thereafter, the release of loan amount would be considered by the Department keeping also in view the restrictions imposed by the Ministry of Finance."

4.22 As per the Plan Outlay 2013-14, GBS of Rs.211.43 crore was allocated to FACT and the same was reduced Rs.0.01 crore (RE) and even this amount had remained unutilized. The Committee, therefore, asked to give reasons as to why the same had remained unutilized and the steps being taken by the Department to ensure full utilization of the GBS during the year 2014-15, the Department in its written reply stated as under:-

> "At BE stage, allocation was made by the Planning Commission based on the proposals received from FACT. The company is defaulter in repayment of loan/interest. Due to financial restrictions imposed by Ministry of Finance, loan was not released to the enterprise during 2013-14 and hence at RE stage, allocation was reduced. Plan scheme proposals submitted FACT would be examined by the Department, and thereafter, the release of loan amount would be considered by the Department keeping also in view the restrictions imposed by the Ministry of Finance."

4.23 As per the Plan Outlay 2013-14, GBS of Rs.17.00 crore was allocated to MFL and the same was reduced Rs.0.01 crore (RE) and even this amount had remained unutilized. The Committee enquired as to why the same had remained unutilized and the steps being taken by the Department to fully utilize the GBS during the year 2014-15, the Department in its written reply stated as under:-

> "At BE stage, allocation was made by the Planning Commission based on the proposals received from MFL. The company is defaulter in repayment of loan/interest. Due to financial restrictions imposed by Ministry of Finance, loan was not released to the enterprise during 2013-14 and hence at RE stage, allocation was reduced. Plan scheme proposals submitted by MFL would be examined by the Department, and thereafter, the release of loan amount would be considered by the Department keeping also in view the restrictions imposed by the Ministry of Finance."

CHAPTER-V

DIRECT SUBSIDY TO FARMERS

5.1 In the interim report, the taskforce constituted to recommend an implementation solution for Direct Transfer of Subsidies, recommended a phased approach for direct disbursement of fertilizer subsidy to the intended beneficiaries. Following 4 Phase of implementation were worked out:

"Phase I: Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgements reported in mFMS.

Phase II: Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.

Phase III: Subsidy payment to the retail customer on the basis of fertilizer sales made to him/her.

Phase IV: Subsidy payment to the farmer on the basis of details of sales made to him/her.

As per the decision taken in the meeting on Direct Transfer of Fertilizer Subsidy chaired by Principal Secretary to PM on 6.5.2013, it was discussed and decided that Direct Benefit Transfer (DBT) in fertilizers was complex matters as there are problems in targeting, determining entitlements and preparing beneficiary databases. Therefore, for the moment it would be better to keep DBT away from fertilizers. However, it was decided that DoF would take steps to build up a digital database of 'buyers'. In view of above, Phase-III & Phase-IV have been put on hold and DoF focusing on implementation of Phase-I & Phase-II."

5.2 The Committee further enquired about the initiatives being taken by the Department of Fertilizers to impress upon the National Committee on DBT to take up the issue on priority basis and the Department in its written reply stated as under:

"Department of Fertilizers (DoF) has been following a phased approach for implementation of the scheme of direct transfer of fertilizer subsidy. The phases envisaged during implementation are:

- Phase I: Information visibility till the retailer's level where part subsidy is disbursed to the manufacturers on the basis of the information of retail acknowledgements reported in mFMS
- Phase II: Part subsidy payment to the manufacturers on the basis of the information of retailer sales of fertilizers captured in mFMS.
- Phase III: Subsidy payment to the retail customer on the basis of fertilizer sales made to him/her, Currently on hold.
- Phase IV: Subsidy payment to the farmer on the basis of details of sales made to him/her, Currently on hold.

Phase I of mobile Fertilizer Monitoring System (mFMS) has been operational since 1st November, 2012, and is rolled out through all the registered fertilizers manufacturers (~120+), wholesalers (~16,000) and retailers (~1.5 lakhs) 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 acknowledges the receipt in the Mobile Fertilizer Management system (mFMS). An incentive of INR 50 MT is also given to the retailers in this phase for acknowledging the transactions. This phase has approached stabilization.

Phase II of mFMS which capture the retailer sales of fertilizers to 'buyer' is in pilot state and was rolled out in 6 districts (Nawanshahar-Punjab, East Godavari- Andhra Pradesh, Sonipat- Haryana, Bilaspur- Himachal Pradesh, Ajmer- Rajasthan, and Madurai- Tamil Nadu) on 1st August 2013.

The key objectives of this phase are:

- Building a buyer's database by recording buyer details and invoice level retail sale details by every registered / identified fertilizer retailer.
- Release of balance subsidy to manufacturers based on the capture of above mentioned information"

5.3 On being further enquired by the Committee as to whether in the opinion of Department, is it correct to keep phase III and IV of Direct Benefits Transfer scheme 'on hold' when they have successfully operationalized phase I & II of the scheme, the Department in its written reply stated as under:-

"In this regard, it is submitted that Phase-I of the Mobile Fertilizer Monitoring System (mFMS) is under stabilization wherein receipt of fertilizer up to the retailer is being captured. Phase II entails capturing sale by the retailer, which would require buyer information as well as product information. As communicated earlier, pilot of Phase-II has been conducted in six pilot districts but due to absence of unique identifier for the buyer (for capturing buyer's details) and other operational challenges at the grass root level, not much success has been achieved with the present pilot.

The Department's opinion: this Department concurs with the decision to keep the direct transfer of subsidy on hold in view of the following reasons:-

i. Difficulties in identification and creation of a data-base of beneficiary farmers.
ii. Difficulties in determining the entitlement of subsidy for the farmers in view of varying soil types and crop pattern.
iii. Subsidy payable per bag of Urea is not uniform. The approved concession rates for each plant is different. This would make a precise determination of the subsidy to be transferred to the beneficiaries quite complex."

5.4 When the Committee enquired about the latest position and reasons for not taking up the issue on priority basis by National Committee on DBT on the issue regarding Direct Payment of Subsidy to the Farmers and the composition of National Committee on DBT, the Department in its written reply stated as under:-

"Regarding direct payment of Fertilizer subsidy to the farmers, it may be stated that as per the decision taken in the meeting on Direct Transfer of Fertilizer Subsidy chaired by Principal Secretary to PM on 6.5.2013, it was discussed and decided that Direct Benefit Transfer (DBT) in fertilizers was complex matters as there are problems in targeting, determining entitlements and preparing beneficiary databases. Therefore, for the moment it would be better to keep DBT away from fertilizers. Accordingly, Direct subsidy to farmers (Phase III and IV) have been kept on hold. However, it was decided that DoF would take steps to build up a digital database of 'buyers'."

5.5 On being asked as to whether Phase II of DBT Scheme has been implemented and if so, by when the Department intends to create a data base of sales and buyers, the Department in its written reply stated as under:-

(i) In Phase-II, while the other fields (like buyer's name, father's name, phone no, product name etc) are being captured and the data quality is also up to the mark, the Unique Identification field (retailer has an option of entering any Unique no including but not limited to PAN, Election I Card, Bank Account No, UID etc) is still not captured in most of the cases. DoF is taking steps to encourage recording "Unique Identification" field as well.

(ii) Lead Fertilizer Supplier (LFS) for each state was given the responsibility to implement Phase II in the pilot district. LFS was responsible to build IT infrastructure at retailer's level for execution of Phase II.

(iii) However, the concern points from the execution of Pilot Phase II are as follows:

a) The purpose of Phase II was to build an authentic buyer's database which was an interim step in moving towards direct subsidy. However, the buyer's records being collected have no unique key such as UID / other identifiable government approved card for identification.
b) Dependency on third party agency is high and no IT infrastructure is created at ground level.
c) No effort is being made by the LFS to educate the retailer for capturing the buyer's details on his own.
d) In most of the cases, manual mode of data entry is being used wherein the photograph of the invoice of the retailer is captured and then manually entered into a database.
e) No real time data capture - Cycle time of 15-20 days

Due to the absence of a unique identifier for the buyer, the primary objective of Phase II (building a buyer's database) is not being achieved and further linking the subsidy with retailer sales is not possible without buyer details. Therefore, this is not a scalable model.

Further DoF also intends to build in a system where in each fertilizer bag dispatched from the manufacturing plant / import point can be tracked through a barcode based tags."

5.6 When the Committee further enquired as to how does the Department plan to implement tracking of dispatched fertilizers bags from manufacturing plant / import points through a barcode based tags, the Department in its written reply stated as under:-

"DoF envisages a tracking system where each bag of fertilizer supplied, which is eligible for government subsidy, can be traced across the supply chain. The subsidy to be paid by the government will be linked with the scanning of fertilizer bag at plant/port and wholesalers/retailer end.

Each fertilizer bag may be tagged with a barcode at the plant/port. The fertilizer bag then will be scanned at certain number of pre-defined locations during the movement from plant/port to the retailer's outlet. These locations may include manufacturers/port dispatch point, district ware house, whole seller's and retailer's receipt & sales point (s). The information pertaining to the bag's movement would need to be streamed to a centralized application. The application would facilitate the DoF in monitoring of imports, plant dispatches, fertilizer availability at all levels in supply chain, fertilizer movement, receipt, storage and sale of fertilizers to wholesale dealers, finally at point of sale at retailer.

DoF is examining the feasibility and practicality of tracking each bag of fertilizer by studying the prevailing practices in case of other commodities. If found practical and implementable, DoF will take steps to introduce similar mechanism in case of fertilizer also."

5.7 On being enquired about the stand of Department on Direct Transfer of Subsidy in fertilisers and steps being taken by the Department in this regard, the Secretary of the Department responded during the course of evidence as under:

"As far as Direct Benefit Transfer is concerned, there was a committee which has gone in to this question headed by Shri Nandan Nilekani who was heading the UID at that time. The DBT in case of fertiliser was thought through in four stages. In stage-I, all the retailers should be mapped in the country and the movement up; to the retailer would be captured and subsidy would be released on the basis of acknowledgement from retailers. In the second stage, the reimbursement will be made directly to the retailers. The third and fourth stage will actually go the retailer customers and farmers. As per the Government decision, the phase three and fourth have been kept on hold. The phase one has more or less stabilised; phase 2, we have taken up pilot projects which are already running. As far as phase three and phase four are concerned, they will be taken up as and when Government gives approval."

CHAPTER-VI

NEW INVESTMENT POLICY 2012

6.1 When the Committee asked about the current status of the proposed amendment in New Investment Policy (NIP), 2012, the Department in its written reply stated as under:-

"As per deliberation and discussion held in the meeting on 01.07.2013 under Chairmanship of PS to Hon'ble Prime Minister, it was decided to move an amendment in New Investment Policy (NIP) - 2012 through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards.

Accordingly, Department of Fertilizers had finalized the CCEA Note of amendment in NIP – 2012 and placed it before CCEA for approval. CCEA Note was considered and approved by CCEA on 28.02.2014. The said amendment was to be notified after approval of Minister of Chemicals & Fertilizers. Minister (C&F) has already approved the amendment on 30.09.2014. The notification is being issued."

6.2 On being further enquired by the Committee about the reasons and requirements which have necessitated proposed amendment in the New Investment Policy, the Department in its written reply stated as under:-

"The following reasons necessitated the amendment in the New Investment Policy, 2008:

- Lack of commitment on availability of domestic natural gas by the Government at a pre-determined price formula

- Greenfield units were supposed to go through a bidding route for determination of Urea price from these units

- Absence of provisions to protect the industry from any additional liability arising due to increase in the delivered price of gas by correspondingly providing adequate protection at the floor prices.

It was felt that to encourage investment in Greenfield urea projects; they should be given a dispensation similar to that of Brownfield/Expansion units and have to be brought under the ambit of the IPP regime."

6.3 The Committee further enquired about the current status of the investment proposals received under New Investment Policy (NIP), 2012, the Department in its written reply stated as under:-

"This Department has received the proposals/projects of the following 15 companies:

S.No.	Company	Projects	Ownership	State/Country
1	IFFCO-KALOL	Brownfield Ammonia-Urea Expansion Plant at Kalol	Cooperative	Gujarat
2	IGFL-Jagdishpur	Brownfield Expansion urea	Private	Uttar Pradesh

S.No.	Company	Projects	Ownership	State/Country
		project at Jagdishpur.		
3	CFCL-Gadepan	Expansion of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4	KRIBHCO-Hazira	Brownfield Hazira fertilizer unit – Phase-II.	Coopertive	Gujarat
5	TCL-Babrala	Expansion of Urea project at Babrala.	Private	Uttar Pradesh
6	GNVFC-Bharuch	Brownfield Ammonia-Urea project at Dahej.	State JV	Gujarat
7	GSFC-Vadodara	Greenfield Ammonia-Urea project at Dahej.	State PSU	Gujarat
8	NFCL -Kakinada	Expansion of Ammonia-Urea project at Kakinada.	Private	Andhra Pradesh
9	MATIX Fertilizers & Chemicals ltd.	Greenfield Ammonia-Urea Fertilizers Complex at Panagarh, West Bengal.	Private	West Bengal
10	BCCL (Shriram Group)	Greenfield Coal Gasification Ammoinia-Urea project at Paradip, Odissa.	Private	Odisha
11	RCF-Thal	Brownfield Ammonia-Urea Expansion project at Thal-III of RCF	CPSU	Maharashtra
12	KF&CL- Kanpur	Brownfield Ammonia-Urea Project at Panki-Kanpur.	Private	Uttar Pradesh
13	KSFL-Shahjahanpur	Brownfield Urea Ammonia project at Shahjahanpur-II.	Private	Uttar Pradesh
14	FACT-Kochi	Brownfield Ammonia-urea project at Kochi.	PSU	Kerala
15	NFCNL -Nigeria	NFCNL Ammonia-Urea project at Nigeria – JV.	Private	Nigeria

The final decision will be taken after the issuance of the notification of amendment to New Investment Policy (NIP) – 2012, which has already been approved by the competent authority. The notification is being issued."

6.4 On being asked by the Committee as to whether NIP 2012 has superceded NIP 2008 and also state the differences between NIP 2008 and NIP 2012, the Department in its written reply stated as under:-

"NIP – 2012 did not supercede NIP-2008. To reduce import dependency on urea and attract fresh investment, the New Investment Policy 2012 (NIP-2012), has been notified on 2nd January, 2013 by the Government of India.

The salient features of NIP – 2008 and NIP – 2012 are as follows:

NIP – 2008	NIP – 2012
The New Investment Policy aimed at revamp, expansion, revival of existing urea units and setting up of Greenfield/ Brownfield projects	The Policy aimed at revamp, expansion, of existing urea units and setting up of Greenfield/ Brownfield projects. It also supported revival of close units.
The policy is based on Import Parity Price (IPP) benchmarked with suitable floor and ceiling prices of USD 250/MT	The policy incentivizes units to produce urea in granulated or coated/fortified form to improve the

and USD 425/MT respectively.	efficiency in the use of Urea with additional amount of USD 10/MT allowed in floor and ceiling prices. It has structure of a flexible floor and ceiling price calculated at delivered price of gas from US $6.5 to US $ 14/mmbtu. The floor price has been determined at a Return on Equity (RoE) of 12% and the ceiling price at a RoE of 20%.
Revamp project: Any improvement in capacity of existing plants through investment upto Rs. 1000 crore, in the existing train of ammonia-urea production is treated as revamp of existing units. The additional urea from the revamp of existing units has been recognized at 85% of IPP with the floor and ceiling price as indicated above.	For Revamp Projects, floor and ceiling have been linked to delivered gas price of USD 7.5/mmbtu and floor and ceiling shall increase by USD 2.2/MT for every increase in delivered gas price of 0.1/mmbtu.
Revival/Brownfield/Greenfield projects: The urea from the revived units of Hindustan Fertilizer Corporation Limited(HFCL) and Fertilizer Corporation of India Limited (FCIL) is recognized at 95% of IPP with prescribed floor & ceiling price, if the revival of closed units takes placed in public sector. The pricing of Greenfield projects is decided based on a bidding process which will be for a discount over IPP, after firming up of the location (States) of the proposed new plants.	For Greenfield/Revival and Brownfield Projects, the floor and ceiling shall increase in tandem with increase in delivered gas price i.e. every USD 0.1/mmbtu increase in delivered gas price will increase the floor and ceiling by USD 2/MT upto delivered gas price of USD 14/mmbtu. Beyond delivered gas price of USD 14/mmbtu, only floor will be increased.
Expansion projects: Setting up of a new ammonia-urea plant (a separate new ammonia-urea train) in the premises of the existing fertilizer plants, utilizing some of the common utilities will qualify for being treated as expansion project. The investment should exceed a minimum limit of Rs.3000 crore. The urea from the expansion of existing units is recognized at 90% of IPP, with the floor and ceiling price as indicated above.	**Expansion projects**: Setting up of a new ammonia-urea plant (a separate new ammonia-urea train) in the premises of the existing fertilizer plants, utilizing some of the common utilities will qualify for being treated as an expansion project. The investment should exceed a minimum limit of Rs.3000 crore.
No special provision for North-Eastern States.	For units in North Eastern states, the special dispensation regarding gas price that is being extended by GOI/State governments will be available to any new investment. Suitable adjustments will be made to applicable floor and ceiling price in case the delivered price (after allowing

	for special dispensation) falls below USD 6.5 per mmbtu, subject to approval of Ministry of Finance.
The Joint Venture projects abroad in gas rich countries are also proposed to be encouraged through firm offtake contracts with pricing decided on the basis of prevailing market conditions and in mutual consultation with the joint venture company. However, the principle for deciding upon the maximum price will be the price achieved under Greenfield projects or 95% of IPP as proposed for revival projects (in absence of any Greenfield projects) with a cap of USD 405 CIF India per MT and a floor of USD 225 CIF India per MT (inclusive of handling and bagging costs).	It encourages investment by Indian industry in Joint Venture abroad in resource rich countries

CHAPTER-VII

REVIVAL OF CLOSED/SICK PUBLIC SECTOR UNDERTAKING

7.1 There are nine public sector undertakings under the administrative control of the Department as under:

PUBLIC SECTOR			
SL. NO.	NAME OF THE COMPANY	HEADQUARTERS	INCORPORATED IN
1	Rashtriya Chemicals and Fertilizers Limited (RCF)	Mumbai	March, 1978
2	National Fertilizers Limited (NFL)	Noida	August, 1974
3	Madras Fertilizers Limited (MFL)	Chennai	December, 1966
4	Fertilizers and Chemicals Travancore Limited (FACT)	Udyogamandal	September, 1943
5	Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	Namrup	April, 2002
6	FCI Aravali Gypsum Minerals India Limited (FAGMIL)	Jodhpur	February, 2003
7	Projects and Development India Limited (PDIL)	Noida	March, 1978
8	Fertilizer Corporation of India Limited (FCI)	New Delhi	January, 1961
9	Hindustan Fertilizer Corporation Limited (HFC)	New Delhi	March, 1978

Performance of Public Sector undertakings/Cooperatives

7.2 The performance of Fertilizers PSUs/Cooperative during 2013-14 is as follows:

"Out of above mentioned 9 fertilizers PSUs, all units of FCIL and HFCL are closed since 2002. Since, no production is taking place in these companies; the preparation of outcome budget is not applicable to them. However, these companies are in the process of revival. The progress regarding other PSUs is as follows:

RCF - During the year 2012-13, RCF produced 23.35 LMT of Urea and 6.50 LMT of Complex fertilizers. The company's operations resulted in a "Profit Before Tax" (PBT) of Rs. 249 crore after provision for Tax of Rs. 99.22 crore. During the year 2013-14, RCF produced 23.46 LMT urea and 5.17 LMT Complex fertilizers. The Profit Before Tax (PBT) for the period April 2013 to March 2014 is Rs. 367.32 crore.

NFL - During 2012-13, NFL produced 32.11 lakh tonnes of Urea. Company also produced 161 tonnes of Bio-Fertilizers from its Bio-Fertilizers plant at Vijaipur during the year. Company registered a loss (before tax) of Rs.231 crore during 2012-13 in overall sales turnover of Rs.6720 crore which includes a sale of Industrial Products and traded goods etc. worth Rs.126 crore. During 2013-14, NFL produced 36.36 LMT urea and ended with the loss (before tax) of Rs.161.16 crore.

PDIL - PDIL is mainly involved in design engineering and consultancy service and also producing catalyst for the fertilizer and refinery industries. During 2012-13, company registered Profit Before tax (PBT) of Rs.15.33 crore out of the total turnover of Rs.83.58 crore. The Profit Before Tax (provisional) for the year 2013-14 is Rs. 1.94 crore.

MFL - During 2012-13, company produced 4.35 LMT of Urea, utilizing 100% capacity. The company ended up with a Profit Before Tax (PBT) of Rs.24.44 crores. In 2013-14 company produced 4.87 LMT urea and ended with a Profit Before Tax (PBT) of Rs.105.85 crore.

FAGMIL - FAGMIL is engaged in the mining and marketing of mineral gypsum. Mineral Gypsum is used mainly as sulphur nutrient to the soil, as a soil amendment to sodic soil and also as an input raw-material to cement manufacturing. During the year 2012-13, the company produced 9.51 LMT of Gypsum and registered a Profit Before tax (PBT) of Rs. 38.51 crore. In 2013-14 company produced 8.03 LMT of Gypsum and ended with Profit Before Tax (PBT) of Rs. 52.11 crore.

BVFCL - The Company is operating its Namrup-II with 50% load due to limitation in availability of Natural gas and obsolete technology. Similarly its Namrup-III plant has restricted the load due to low conversion in synthesis converter in Ammonia III. During the year 2012-13, Company produced 3.9 LMT of Urea and ended with net loss of Rs. 32.64 crore. In 2013-14 company produced 3.06 LMT urea and ended with provisional net loss of Rs. 126.43 crore.

FACT - During the year 2012-13 the Company produced 5.37 LMT of complex fertilizers and registered a net Loss of Rs. (-) 353.96 crore. In 2013-14 company produced 6.60 LMT of complex fertilizers and the net loss for the year 2013-14 is Rs.(-) 264.96 Crore."

7.3 The profitability of these organizations is as follows:-

Net Profit (+)/Net Loss(-)
(in Rs crores)

Name of the Undertaking	2009-10	2010-11	2011-12	2012-13	2013-14
Fertilizer Corporation of India Limited(FCI)	Closed Company.				
Hindustan Fertilizer Corporation Ltd (HFCL)	Closed Company.				
Rashtriya Chemicals and Fertilizers Limited (RCF)	234.87	245.12	249.23	280.90	249.80
National Fertilizers Limited (NFL)	171.51	139.00	127.00	(-)171	(-)90
Project and Development India Limited (PDIL)	14.48	21.02	26.08	10.71	(-)2.58*
The Fertilizers and Chemicals Travancore Limited (FACT)	(-)103.83	(-)49.33	19.80	(-)354	(-)265
Madras Fertilizers Limited (MFL)	6.88	169.86	111.99	24.44	100.04
Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)	(-)27.86	(-)85.09	(-)128.81	(-)32.64	(-)126.48*
FCI-Aravali Gypsum an Minerals India Limited (FAGMIL)	8.67	24.05	27.07	28.48	30.46

* provisional

7.4 On being asked about the assessment of the Department about the present financial performance of loss making/sick closed PSUs under its administrative control, the Department in its written reply stated as under:

"BVFCL, MFL and FACT are sick PSUs. Financial performance of these PSUs during last two financial years is mentioned below:

Financial Performance of BVFCL:

(Rs. In crore)

Parameter	2012-13	2013-14
Turnover	568.29	457.97
Net Profit	-32.64	-158.29
Net Worth	-445.28	-571.75

Financial Performance of FACT:

(Rs. In crore)

Parameter	2012-13	2013-14
Turnover	2442	2276
Net profit	(-)354	(-) 265
Net-worth	(-)192	(-)457

Financial Performance of MFL:

(Rs. In crore)

Parameter	2012-13	2013-14
Turnover	2346.29	2593.47
Net Profit	24.44	100.04
Net-worth	(306.23)	(206.19)

All the units of Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation of limited (HFCL) are closed . There is no manufacturing activities in these units. Government has decided to revive 5 closed units of FCIL. The revival process of Talcher, Ramagundam and Sindri is on and revival of Gorkhpur & Korba unit will be taken up subsequently. However, Proposal/action plan on revival of HFCL units to be taken up once revival of FCIL units is on track."

7.5 During the study visit of the Committee on 9.11.2013 to Puri, the Committee were apprised that the MOU regarding revival of Talcher Unit of FCIL was signed on 5.9. 2013 amongst RCF, GAIL, CIL and FCIL for establishing coal based ammonia, urea, ammonium nitrate plant there. In this regard, when the Department was asked to state the current status of the above project, the Department in its written reply stated as under.

"The current status of Progress of revival of Talcher unit is as under:

The pre-project activities for revival of Talcher Unit (Odisha) of FCIL by the nominated PSUs, namely, Rashtriya Chemicals & Fertilizers Limited (RCF), Coal India Limited (CIL), Gas Authority of India Limited (GAIL) & FCIL are in progress to set-up a coal-based fertilizer plant. It has been proposed to establish two joint venture (JV) companies viz. First company for upstream coal gasification section with GAIL and second company comprising RCF, CIL and FCIL for downstream section of Ammonia-urea, Nitric Acid, Ammonia Nitrate plants, off sites and utilities.

The Memorandum of Understanding (MOU) among consortium PSUs i.e. CIL, RCF, GAIL and FCIL, has been signed on 5.9.2013. RCF, GAIL & FCIL have finalized the Draft Agreements of JV1 & JV2 and have taken their respective Board's approval for the First Director of JV1 & JV2. Clearance from CIL is awaited.

GAIL had floated an EOI on 23.06.2014 for Pre-qualification of licensors of coal gasification technology. Seven Licensors responded to the EoI. GAIL & PDIL are examining the offers for short listing of coal gasification technology suppliers.

Draft EIA report has been submitted to Regional Office, Odisha Pollution Control Board on 30th June 2014. However, selection of coal gasification technology is essential for finalization of the report.

The time line for revival of Talcher unit is as under:

i.	JV formation through Registrar of Companies	: By 31.12.2014
ii.	Financial closure & Zero date	: By 31.03.2015
iii.	Commissioning of Project	: By 30.09.2018

7.6 When the Committee asked about the precise steps which are being taken by the Department to complete all the formalities for the revival of closed/sick PSUs particularly in the context of encouraging indigenous production and augmenting fertilizers during Twelfth Five Year Plan, the Department of Fertilizers in its written reply stated as under:-

"The steps which are being taken by the Department of Fertilizers to complete all the formalities for the revival of closed/sick PSUs are as under:

<u>Revival of closed units of HFCL/FCIL</u>

1. In 2008, Cabinet approved to revive Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizers Corporation Limited (HFCL) units subject to non-recourse to Government funding and to consider write off of GOI Loan & interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be through nomination route by PSUs and through bidding route by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on nomination basis. Gorakhpur & Korba units of FCIL and Durgapur, Haldia, Barauni of HFCL to be revived through bidding route.

2. In August, 2011, the Cabinet Committee on Economic Affairs (CCEA) had approved the Draft Rehabilitation Scheme (DRS) for revival of all the Units of FCIL and HFCL. DRS envisaged revival of Talcher Unit by the consortium of M/s.Rashtriya Chemical & Fertilizers Limited (RCF), M/s Coal India Limited (CIL) and M/s Gas Authority of India Limited (GAIL), revival of Ramagundam Unit by M/s. Engineers India Limited (EIL) and M/s. National Fertilizers (NFL) Limited and revival of Sindri unit by M/s Steel Authority of India Limited (SAIL).

3. In its meeting held on 9.5.2013, CCEA, inter-alia, approved waiver of Government of India loan and interest to facilitate FCIL to arrive at positive net worth. This enabled FCIL to get de-registered from the purview of Board for Industrial and Financial reconstruction (BIFR). Proposal/action plan on revival of HFCL units to be taken up once revival of FCIL units is on track.

4. Progress of revival of the units of the FCIL is as under:

Talcher Unit:
Stated in para No.7.5 above

Ramagundam Unit:
The pre-project activities for revival of Ramagundam Unit (Telangana) of FCIL by the nominated PSUs, namely, Engineers India Limited (EIL) & National Fertilizers Limited (NFL) are in progress to set-up a gas-based fertilizer plant. The Joint Venture agreement and Concession agreement are under discussion and are being targeted for conclusion/approval by respective boards. EIL & NFL are having discussions with the Technology providers. Technology selection for Ammonia and Urea process unit would be completed by the end of October, 2014. The JV

company would operate the plant and EIL would take up the detailed Engineering Procurement of equipment and Construction (EPC) of the plant. The time line for revival of Ramagundam unit is as under:

i.	JV formation	:	By 31.12.2014
ii.	Award of contract to Technology Licensors	:	By 31.03.2015
iii.	Project completion	:	By 30.09.2018

Sindri unit:
For Sindri unit, SAIL-Sindri Projects Ltd. (SSPL), a wholly owned subsidiary of SAIL, has been incorporated in November 2011 for the purpose of revival of Sindri Unit of FCIL. However, not much progress has been made due to non-availability of around 3000 Acres of contiguous piece of land for the Steel Plant. Out of total land of 6652 acres with FCIL at Sindri, 5482 acres of land is considered for revival and contiguous piece of 3247 acres of encroachment free land for setting up the proposed facilities by SAIL is required.

Gorakhpur Unit:
Revival of Gorakhpur Unit (Uttar Pradesh) & Korba Project (Chhattisgarh) of FCIL through bidding process has not yet been taken up. However, in the context of the recent announcement of the Jagdishpur-Haldia Pipeline of GAIL, DoF is exploring the feasibility of fast tracking the revival, of Gorakhpur unit.

Revival of Hindustan Fertilizer Company Limited (HFCL)
Proposal/ action plan on revival of HFCL to be taken up once revival of FCIL units is on track. However, in the context of the recent announcement of the proposed Jagdishpur-Haldia Pipeline of GAIL, DoF is exploring the feasibility of fast tracking the revival, of Barauni unit of HFCL.

Financial restructuring of BVFCL
BVFCL is incurring financial losses since inception due to low capacity utilization & high energy consumption. The plants were underperforming due to obsolete technology, equipment failures and shortage of natural gas. For financial restructuring of BVFCL a proposal was sent to Board for Reconstruction of Public Sector Enterprises (BRPSE). The BRPSE in Feb, 2014 discussed the financial restructuring proposal of BVFCL. The Board, after having taken into account all the relevant factors on the proposal, recommended to the Government the following financial restructuring plan. Based on the recommendations of BRPSE, a draft CCEA note seeking following financial relief to BVFCL has been circulated for inter-ministerial consultations:

a. Waiver of total cumulative interest till date on GOI loans. (updated amount as on 31.03.2013 is Rs. 566.20 crore).
b. Waiver of loan of Rs. 21.96 crore taken for revamp of Namrup–I, as the Namrup–I plant has permanently been stopped.
c. Conversion of GoI loans provided to the company to interest free loan. The company on attaining profit will service the GoI loans from 2014-15 onwards.

d. For Namrup–III, the capital expenditure of Rs 79.62 crore incurred beyond 31.03.2003 for revamp of the project to be recognized by Govt. of India for calculating the concession rate of urea under NPS–III.
e. BVFCL to implement on of 2007 pay scales as per DPE guidelines.
f. BVFCL to scrap and dispose-off the remaining unusable assets of closed Namrup–I plant on 'as is where is' basis.

Financial Restructuring of MFL

MFL started incurring losses in the year 2003-04 and declared Sick in 2009. Recently, DoF submitted a financial restructuring proposal to Department of Public enterprises (DPE) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSE) seeking the following:

Waiver of liabilities

i. Outstanding loan worth Rs. 554.24 Crore (as on 31st March 2014)
ii. Outstanding interest worth Rs. 331.66 Crore along with penal interest thereon (as on 31st March 2014)

Liberal and flexible Govt. Policy

i. Continuation of special dispensation in pricing mechanism under NPS stage III upto conversion to Natural Gas
ii. Continuation of additional subsidy for sourcing "N" through Naphtha based Captive Ammonia Under NBS upto conversion to Natural Gas.

However, DPE has returned the proposal stating that posts of Chairman, BRPSE, Secretary, BRPSE and two other non official members of BRPSE are vacant.

Financial Restructuring of FACT

FACT has started incurring losses since 1998-99 and is a sick unit. Recently Board for Reconstruction of Public Sector Enterprises (BRPSE) has recommended the following financial relief:

A) Infusion of funds

(i) Approval for sanction of an Interest free loan of Rs 300 crore repayable in 10 years after a moratorium of 2 years to pay extra bank borrowings.
(ii) Approval for sanction of grant of Rs 250 crore to pay suppliers and LIC on account of Gratuity.

B) Waivers of GoI Loans & Interest

(i) Approval for write off of outstanding loans of Rs 282.73 crore as on 31.03.2013.
(ii) Approval for write off of outstanding interest of Rs 159.17 crore as on 31.03.2013.

Accordingly, a proposal seeking approval of CCEA for sanction of above financial reliefs to FACT has been submitted to Cabinet Secretariat.

Due to financial restriction imposed by the Ministry of Finance to defaulter companies Gross Budgetary Support (GBS) in the form of loan was not released to any of the loss making fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), during 2012-13 and 2013-14."

7.7 When the Committee enquired about restructuring of sick units, the Secretary of the Department during the course of evidence replied as under:

> "Restructuring means, we have to clean up. Some of these companies have gone to BIFR. So we have to take them out of BIFR for which we have to do the financial restructuring. Loans have to be converted into equity, or loans have to be waived, interest has to be converted. First we have to do the financial restructuring so that it comes out of BIFR. Then we do revamp or expansion so that the product line is ideal, they get the right technology, ;they are more efficient and they also get the right feedback. So, these are the steps we are considering. "

7.8 When the Committee asked as to whether any funds have been allotted fore revival or restructuring of loss making PSUs like FACT, MFL, HFCL and BVFCL and what action has been proposed in this regard, the Secretary of the Department replied during the course of evidence as under:

> "On the restructuring of the three companies that you mentioned, the FACT, BVFCL and MFL. We have already prepared the restructuring plans. Once the restructuring plans are approved by the Cabinet depending on the fund requirement, budgetary provisions will be made. At the moment, the restructuring proposals are under discussion. Cabinet Note has already been submitted for restructuring of FACT and also for BVFCL. For Madras Fertilizers, I think, the recommendation of the Board for Industrial and Financial Reconstruction is awaited and once that comes, we will take further steps."

7.9 On being enquired about the reasons for the loss making units, the Secretary of the Department responded during the course of evidence as under:

> "Take for example, the FACT, Kochi. They are in the business of mostly P&K fertilizers. They have converted the plant to use gas as the feed stock. But they are not getting domestic gas. They are getting very high cost RLNG which is extremely costly. At that rate, it is not economical to produce and sell and meet the margins with in the subsidy that is available. That is the main reason.
>
> As far as the Brahmapurtra Valley Fertiliser corporation is concerned, the earlier restructuring that has been done, has not worked out. There was a technology mismatch. Therefore, the current plan is to do their financial restructuring and also set up a new urea ammonia plant. That proposal is there. Once that comes through, we do expect that the plants will be viable.

7.10 On being enquired by the Committee as to whether Ramagundum factory has been closed down and why this is not being reopened, the representative of the Department during the course of evidence replied as under:

> "Sir, so far as revival is concerned, NFL, EIL and FCIL are working together and we hope that our work will start before April 15 so that we can convert it in three years. There is no issue of land…..because at that time its cost was very high, the

technology of that time did not suit, not only Ramagundum but Gorakhpur and other seven units. But we hope that amongst all the units, this unit will come first. "

7.11 When the Committee pointed out that there is sufficient demand then what is the reason that some companies are sick and weak, the Secretary of the Department during the course of evidence clarified as under:

"Sir, the demand is not the problem. Demand is not a constraint. It is the plant's operations and the managerial issues which are the problems. Sometimes the technology has also not been appropriate. I have mentioned about FACT, they switched over to gas but they are getting gas an extremely high cost. They are getting imported RLNG at an extremely high cost so they are not finding it economic. In case of BVFCL, there was a technology mismatch and it did not work out. So, it is a combination of managerial and technological issues which have contributed to this.

CHAPTER-VIII

JOINT VENTURES INITIATIVES OF PSUs

8.1 India's dependency on import at present is to the extent of 25% of our requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. The Government has been encouraging Indian Companies to establish Joint Ventures abroad in Countries which are rich in fertilizer resources for production facilities with buy back arrangements and to enter into long term agreement for supply of fertilizers and fertilizer inputs to India. Further, the Department is also working with the goal of having access to acquisition of the fertilizer raw materials abroad.

8.2 The Committee were further appraised that India is the second largest consumer and third largest producer of fertilizer in the world. India consumes 509.50 LMT and produces 374.66 LMT fertilizer products in 2013-14. In 2013-14 Consumption of urea and P&K fertilizers were 304.5 LMT and 205 LMT, respectively. In 2013-14 Production of urea and P&K fertilizers were 227 LMT and 147 LMT, respectively.

Joint Ventures Projects

8.3 So far, the Department of Fertilizers has undertaken Joint Ventures abroad with 6 Countries in the previous years. The details of such joint ventures in the fertilizer sector is as under :-

S. No	JV Project- Country	Entities	Product	Input tie up/ Model	Off take arrangement
JV in Urea Sector					
1	Oman India Fertilizer Co. (OMIFCO), Oman	Oman Oil Co. (OOC-50%), IFFCO (25%) & KRIBHCO (25%)	16.52 lakh MT Urea & 2.48 lakh MT Ammonia	Gas tie from OCC	- Urea Off-take Agreement (UOTA) by GOI for off take of entire quantity on fixed price - Ammonia Off-take Agreement (AOTA) by IFFCO for off take of entire ammonia.
JV in P&K Sector					
1	ICS Senegal, Senegal	ICS Senegal and IFFCO consortium	5.5 lakh MT phosphoric acid	Rock phosphate mining at Louga is integral to the joint venture	Off take agreement by IFFCO for off take of entire qty of phosphoric acid.
2	INDO-JORDAN Chemicals Company (IJC), Jordan	JPMC (Jordan & SPIC (India)	2.24 Lakh MT Phosphoric Acid	-	Off-take agreement on phosphoric acid by SPIC.
3	JPMC – IFFCO JV, Jordan	JPMC & IFFCO	4.8 lakh MT phosphoric acid	Rock supplied by JPMC at international price	Off take agreement by IFFCO for off take of entire qty of phos

					acid
4	IMACID, Morocco	OCP (50%) - Morocco, Chambal (25%) & TCL (25%)- India	4.25 lakh MT phosphoric acid	Rock supplied by OCP at international price	Off take agreement by Chambal-TCL with OCP for off take of entire qty of phos acid
5	Tunisia-India Fertilizer Company (TIFERT), Tunisia	GCT (Tunisia), CFL & GSFC (India)	3.60 lakh MT of phosphoric acid	Rock supplied by GCT at international price	Off take agreement by CFL-GSFC with GCT for off take of entire qty of phos acid.

8.4 On being asked by the Committee to provide details regarding joint venture initiatives undertaken by it in the recent years with the countries which are resource rich in P&K fertilizers, the Department in its written reply stated as under:-

"The joint venture initiatives undertaken by the Government in the recent years are as under:

Sl. No.	Countries	**Details of project and status**
1	Iran	• JV for Urea Ammonia, annual production 13 LMT Urea • Indian Partner-RCF & GNFC • Iranian partner: under finalization • Gas price offered at $2.9 per mmbtu. • SBI cap appointed as consultant.
2	Russia	• 30% Stake offered by M/s ACRON (a Russian company) to develop potassium-magnesium deposit in Perm, Russia. • NMDC is to lead the consortium from Indian side • Draft MoU sent to Russia.
3	Togo	• Joint venture for phosphatic fertilizers and phosphoric acid • Proposal under discussion.
4	Canada	• Long term purchase agreement with M/s ENCANTO for supply of potash on long term basis at discounted price.

8.5 When the Committee asked about the steps being taken by the Department to explore Joint Venture Initiatives (JVIs) in other countries apart from countries viz., Syria, Russia, Ghana, Indonesia and Canada, the Department in its written reply stated as under:-

"Department of Fertilizers is in consultation with Ministry of External Affairs, Ministry of Economic Affairs, Ministry of Mines, Ministry of Petroleum & Natural Gas and Ministry of Coal and Ministry of Railways for facilitating long-term engagements and joint ventures and creating controlling stakes in fertilizer mines and resources in different countries by associating the Department in respective bilateral Joint Working Groups (JWG). Government has also constituted an inter-Ministerial Committee comprising of these Departments/ Ministries to leverage opportunities available in other sectors towards fertilizer security through joint ventures or acquisition of assets in resource rich countries."

8.6 When the Committee asked whether the existing JVIs have proven to be successful and details in this regard, the Department in its written reply stated as under:-

"The following existing JVIs have been running successfully:

S. No.	JV Project-Country	JV participants with equity %	Product and the project status
1	Oman India Fertilizer Co. (OMIFCO), Oman	Oman Oil Co. (OOC-50%), IFFCO (25%) & KRIBHCO (25%)	16.52 lakh MT Urea & 2.48 lakh MT Ammonia, Production started in year 2006
2	ICS Senegal, Senegal	ICS Senegal and IFFCO consortium	5.5 lakh MT phosphoric acid Production already started

8.7 When the Committee asked about the quantum of fertilizers which would be met through Joint Ventures, Secretary of the Department responded during the course of evidence as under:

> "Sir, if the Iran plant comes through, it will contribute about 1.3 million tones. In addition to Iran, what we have not indicated here is that we are hopeful that as least two more indigenous plants are likely to come up under the new investment policy of 2012 which Thal-III of RCF. They are waiting for the amendment of 2012 policy amendment which has come through. Now CMD, RCF is very much keen to take it forward. One more project of a private sector company may come up. They are quite keen on setting up their plant. So, in addition to Iran, two more plants may come up hopefully which would contribute about four million tonne extra. …."

OBSERVATIONS AND RECOMMENDATIONS

The Committee note that presently India is 3rd largest fertiliser producer in the world with installed capacity of 127.67 lakh MT of nitrogen and 62.08 lakh MT of phosphatic nutrient during the year 2013-14. However, the indigenous production of fertilizers has not increased to meet the growing requirement largely due to raw materials / inputs limitation and partially due to lack of new investments in urea sector in the last decade. India is completely deficient in potassic resources and has to entirely depend upon import for meeting the requirement of potash (MOP) for the Indian agriculture. The country is also deficient in phosphatic resources with more than 90% requirement of the country being met through direct import of finished phosphatic fertilizers or phosphatic raw materials/intermediates for indigenous production of phosphatic fertilizers. At present, there are 30 urea units in our country. Out of these 30 urea units, 27 urea units use Natural Gas (using either domestic gas/LNG or both) as feedstock and fuel and the remaining three urea units use Naphtha as feedstock and fuel. Three Naphtha units viz., SPIC-Tuticorin, MFL-Manali and MCFL-Mangalore are in process for conversion from Naphtha to Gas feedstock.

The Committee were informed that the availability of gas is one of the major limiting factor 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 in the country. Due to shortage of domestic gas, many FO/LSHS/Naphtha based urea plants which have converted to gas recently, are meeting its requirement of gas by using costly RLNG. **The total requirement of daily gas is 46 mmscmd out of which 25.413 mmscmd is met through domestic gas and 20.587 mmscmd gas is met through Regassified Liquefied Natural Gas (RLNG) in September, 2014.** The Empowered Group of ministers (EGoM) on Gas pricing and Commercial Utilization of gas in their meeting held on 23.08.2013 decided to maintain the supplies of domestic gas to the Fertilizer sector at 31.5 **mmscmd** level and give the sector first priority in meeting the requirements of any shortfall below the level of 31.5 **mmscmd** from any additional production of NELP gas. **The Committee are distressed to note that PSUs like FACT, Kochi has become a loss making unit since it has converted its plant to use gas as the feed stock but domestic gas is not being supplied to the plant and it has to get very high cost RLNG for the**

plant. At that rate, it is not economical to produce and sell and meet the margins within the subsidy that is available.

According to the Department, excessive emphasis given on production of urea using natural gas has impeded the goal of India to become self-sufficient in the fertilizers sector because of lack of long term availability of natural gas in the country for urea plants, high cost of imported RLNG prices and volatility in prices. If Naphtha is used for production of urea as an alternative which is available as raw material in the country and if pricing is kept at Rs. 30000 per MT, then urea can be produced at Rs. 20000 per MT. However, considerable quantity of domestic natural gas is given at subsidised/controlled price for gas-based units but the same is not done for Naphtha FO/LSHS used by non-gas based units. Further, while pricing of natural gas is done based on its thermal energy (MMBTU), the same is not done in the pricing of Naphtha/FO/LSHS which has resulted in higher cost of production of urea using Naphtha/FO/LSHS. The Department has claimed that if the same pricing principle is followed for Naphtha/FO/LSHS, the non-gas based urea units would not have been so cost inefficient and sufficient additional capacity could have been installed to make country self sufficient in urea sector.

In view of the forgoing, the Committee recommend that the Department should play a proactive role and take up the matter vigorously with the Ministry of Petroleum and Natural Gas ensuring that adequate quantity of natural gas is supplied with out any hindrance to all the existing gas based urea units. The Committee also recommend that the Department should also ensure gas connectivity and supply of domestic gas to three Naphtha units viz., SPIC-Tuticorin, MFL-Manali and MCFL-Mangalore which are in process for conversion from Naphtha to Gas feedstock. The Committee further recommend that the Department should also impress upon the Ministry of Petroleum and Natural Gas to work out a pricing mechanism for Naphtha/FO/LSHS based units so that non- gas based units could become cost efficient. The Committee would like to be apprised of the progress made in this regard.

2. The Committee note with concern that the imbalance use of fertilizers has resulted in deterioration of the soil health leading to decline in the agricultural productivity. There is limited infrastructure for soil testing due to which the farmers do not have any information regarding requisite dose of plant nutrient i.e. fertilizers. The Committee also note that, in order to improve soil fertility, the

Department of Agriculture & Cooperation (DAC) proposed to launch a Central Sector Scheme 'Soil Health Card'. This scheme aims at providing the farmers the required information on soil analysis and recommendations on appropriate doses of nutrients to be used for various crops depending upon the physical, chemicals and biological health of the soil. In order to promote the balanced use of fertilizers, fertilizer companies including PSUs undertake Fertilizer Education Projects as part of their extension and marketing activities. The Committee hope that the new scheme of 'Soil Health Card' would help the farmers to check the deteriorating soil health and take corrective actions and thereby boosting the agricultural productivity in the country. The Committee are also of the view that it would be absolutely essential if Soil Health Card is made mandatory for purchase of fertilizers by the farmers so that they could get appropriate doses of nutrients which is balanced and essential for the health of soil. The Committee, therefore, recommend that the Department in consultation with DAC and other stakeholders should make an action plan on the subject and before making soil health card as essential, an extensive and vigorous awareness campaign amongst the farmers may be made by the Department, DAC and all fertiliser companies about Soil Health Cards as well as regarding the ill effects of over doses of fertilizers and the benefits of balanced use of fertilizers by the farmers. The Committee also recommend that the Department should also impress upon DAC to establish soil testing centres in every district of the country so that the farmers need not to go far away for the purpose.

3. **The Committee note with concern that for the year 2012-13, only Rs. 10 crore was allocated at RE stage against the plan allocation of Rs. 256 crore and the actual expenditure was Rs.9.40 crore only. Further, for the year 2013-14, the plan allocation of Rs.269 crore was also drastically reduced to Rs.9 crore at the RE stage. Even the allocation of Rs 9 crore at RE stage could not be utilized fully as the actual expenditure was only Rs. 2.32 crores. The Committee also note that the main component of plan allocation was loans to Public Sector Undertakings (PSUs). Since the PSUs defaulted in repayment of earlier loans and its interest, the Ministry of Finance could not disperse futher plan loans. The Committee are apprehensive that lesser funds allocated under GBS may upset the schemes/programmes of the Department finalised by them in consultation with PSUs/Co-operatives. The Committee also feel that as a result of reduction in the GBS allocation, the process of revival/rehabilitation of the three major loss making fertilizer units viz., BVFCL,**

FACT and MFL is also likely to be affected adversely. The Committee are of the view that Department should chalk out a realistic plan in consultation with all concerned PSUs and make projections to the Ministry of Finance to ensure allocation commensurate to the projections made by the Department so that the targeted growth of fertilizer sector and the revival/rehabilitation plan of loss making fertilizer units do not get hampered for want of resources during the 12th plan period.

The Committee expect the Department to convey the Committee's concern in the matter to the Ministry of Finance. However, keeping in view the financial restriction imposed by the Ministry of Finance, the Committee expect from the Department to take corrective measures for capacity building of the sick units so that they are in a position to pay back the loans along with interest thereon. The Committee also expect the Department to make all efforts for full utilisation of funds allocated to them.

4. The Committee observe from the notes on demands for grants (2014-15) that the non-plan allocation for the financial years 2012-13 and 2013-14 are Rs. 65,628.86 crore (AE) and Rs 68,000 crore (RE), respectively. The budget allocation against non plan expenditure for the year 2014-15 is Rs 73,000 crore (BE). Thus, while the non-plan expenditure of the Department has remained almost stagnant over the years from 2012-13 to 2013-14, the same has been increased by about Rs 5000 crore for the year 2014-2015 over the previous year allocation. The Committee also note that the non plan expenditure of the Department primarily relates to subsidy on fertilizers. While budget allocation for subsidy on imported fertilizers for the year 2014-2015 is Rs. 12300 crore, the same on decontrolled fertilizers is Rs. 24670.32 crore for payment to manufacturers/agencies for concessional sale of decontrolled fertilizers and subsidy on indigenous fertilizers is Rs. 36,000 crore. The subsidy on fertilizers is granted by the Government with a view to protect the farmers from adverse impact of price volatility in the international market and other negative factors. While the country is deficient in decontrolled fertilizers which is largely being imported, the country has achieved 75% self sufficiency in the production of urea. The Committee are of the view that it is essential that the production of indigenous fertilizers at low cost may be augmented in the country by increasing the efficiency and reducing the operational and administrative costs. The Committee feel that as a result of these measures the heavy outgo of expenditure on account of subsidy could be controlled/ reduced. In

view of the foregoing, the Committee, therefore, recommend that the Department should work out an effective mechanism to reduce or restrict the non plan expenditure of the Department. The Committee would like the Department to address this issue and intimate the measures taken by them in this regard.

5. The Committee note that NBS policy is being implemented by the Department for P&K fertilizers w.e.f. 1.4.2010 under which a fixed rate of subsidy, decided on annual basis, is provided on each grade of subsidized P&K fertilizers depending on their nutrient content. The NBS rates for P&K fertilizers are fixed by the Government taking into consideration all relevant factors including the likely impact of these rates on total subsidy payout. The Committee note that there has been a gradual decline in subsidy on decontrolled fertilizers i.e. Phosphatic (P) and potassic (K) fertilizers from Rs.30,576.10 crore in 2012-13 (AE) to Rs.24,670.32 crore in the year 2014-15 (BE). According to the Department, gradual decline in the budgetary allocation on decontrolled Fertilizers is due to reducing per K.G Subsidy on each Nutrient covered under NBS and also partly due to lower consumption of P&K Fertilizers. The Committee are, therefore, inclined to conclude that since the introduction of NBS policy, the consumption of decontrolled fertilizers is declining in the country primarily due to reducing per Kg. subsidy on each nutrient covered under NBS regime. As a result thereof, the consumption of controlled fertilizer i.e. urea has increased leading to imbalanced use of fertilizers and deterioration of soil health. The Committee feel that the NBS policy of the Government has not gone well as the same has resulted in sharp increase in prices of decontrolled fertilizers and consequent reduction in its consumption leading to imbalanced use of fertilizers affecting the soil health. Further, under the NBS regime, small and marginal farmers are worst affected as they are not able to afford the high cost of decontrolled fertilizers.

In this regard, the Committee were informed that in order to study the impact of NBS Policy Government had appointed M/s Ernst & Young (EY). M/s EY has submitted the draft study report, however, it has been asked to incorporate certain analysis to bring out more results. The final report was expected to be received in the 1st week of November 2014. The Committee, therefore, recommend that the Department should find ways so that rise in price of fertilizers due to reduction in subsidy on fertilizers is not passed on to the farmers. The Department should also closely scrutinise the price of P&K fertilizers fixed by the fertilizers companies so

that the same are not unreasonable. The report of M/s EY may be got expedited and should also be examined expeditiously so that NBS policy may be suitably modified in the interest of the farmers at large. The Committee would like to be apprised of the measures taken by the Department in this regard.

6. In their earlier Reports, the Committee had recommended for direct payment of subsidy to the poor and marginal farmers. The Committee have been informed that the Department is following a phased approach for direct disbursement of fertiliser subsidy to the intended beneficiaries. The implementation of Phase-I has already been made operational and is under stabilization and Phase-II of mFMS which capture the retailer sales of fertilizers to 'buyer' is in pilot stage and was rolled out in 6 districts (Nawanshahar-Punjab, East Godavari- Andhra Pradesh, Sonipat- Haryana, Bilaspur- Himachal Pradesh, Ajmer- Rajasthan, and Madurai-Tamil Nadu) on 1st August 2013. However, the Department is facing various problems. As regards to subsequent phases of project i.e. Phase-III and Phase-IV, the Committee were appraised that it was discussed and decided in the meeting on Direct Transfer of Fertilizer Subsidy that Direct Benefit Transfer (DBT) in fertilizers was complex matters as there are problems in targeting, determining entitlements and preparing beneficiary databases. Therefore, for the moment it would be better to keep DBT away from fertilizers but the Department would take steps to build up a digital database of 'buyers'. In view of above, Phase-III and Phase-IV have been put on hold and the Department focusing on implementation of Phase-I & Phase-II. The Committee are of the view that transfer of the benefits of direct subsidy to the farmers would check the corruption, close the loopholes and profligacy in subsidies. The Committee, therefore, recommend that the Department should work out a mechanism in consultation with all concerned and address the problems faced in targeting, determining entitlements and preparing beneficiary databases so that the benefit of subsidy is disbursed directly to the intended beneficiaries at the earliest. The Committee would like to be apprised of the initiatives undertaken by the Department in this regard.

7. The Committee note that in order to reduce import dependency on urea and attract fresh investment, the New Investment Policy 2012 (NIP-2012), has been notified on 2nd January, 2013 by the Government of India. In this regard, the Department has moved an amendment in New Investment Policy (NIP) - 2012

through CCEA for substituting the phrase "guaranteed buyback" with expression that subsidies will be given only upon domestic sale as at present with proper safeguards. The Committee have also been informed that the Department has received the proposals/projects of the 15 companies under the NIP – 2012 and the final decision in this regard will be taken after the issuance of the notification of amendment to NIP – 2012, which has already been approved by the competent authority. The Committee are of the view that notification of amendment to NIP – 2012 is imperative for examination of the proposals/projects of the 15 companies. The Committee, therefore, recommend that the notification of amendment to NIP – 2012 may be expedited so that the proposals/projects received from the 15 companies may be considered and decided at the earliest.

8. The Committee note that out of 9 public sector fertilizer companies under administrative control of Department of Fertilizers, 3 companies viz. FACT, MFL and BVFCL are sick units. The Committee also note that financial performance of these units have been dismal except MFL which has showed positive growth in the previous two years, 2012-13 and 2013-14. With regards to steps being taken for revival of HPCL and FCIL, the Department of Fertilizers informed that the revival of Talcher, Ramagundam and Sindri units of FCIL is under process and revival of Gorkhpur and Korba of FCIL unit will be taken up subsequently.

For the revival of MFL, the Department has informed that a financial restructuring proposal has been submitted to Department of Public enterprises (DPE) for placing the same before Board for Reconstruction of Public Sector Enterprises (BRPSE) which has been returned as the posts of Chairman, BRPSE, Secretary, BRPSE and two other non official members of BRPSE are vacant. Further, with regard to revival of Brahmaputra Valley Fertilizer Corporation Ltd. (BVFCL), the Committee were informed that the BRPSE has recommended the financial restructuring plan to the Government. Based on the recommendations of BRPSE, a draft CCEA note seeking financial relief for BVFCL has been circulated for inter-ministerial consultations. With regards to revival of FACT, a proposal seeking approval of CCEA for sanction of financial reliefs has been submitted to the Cabinet Secretariat. However, due to financial restriction imposed by the Ministry of Finance to defaulter companies, Gross Budgetary Support (GBS) in the form of loan was not released to any of the loss making companies i.e. Fertilizers and Chemicals

Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), during 2012-13 and 2013-14.

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 imports dependency. However, the Committee regret to note the slow 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 are expected to be played by these sick units after their revival, the Committee recommend that the process of revival of closed units of fertilizers be expedited with in a fixed time frame.

9. The Committee note that out of 9 fertilizer PSUs, 4 are profit making fertilizer PSUs. However, only 2 PSUs i.e. RCF and FAGMIL have shown marginal increase in the profits during 2011-12 to 2012-13 and other 2 PSUs i.e. PDIL and MFL, the profits margin has come down during the said period. For the year 2013-14 (provisional), except for the PSUs like RCF, MFL and FAGMIL, other PSUs are incurring losses. The Committee, therefore, would like to recommend that the Department in coordination with the PSUs should meticulously study the factors responsible for the growth and development of these PSUs and come out with a detailed plan for improving and streamlining the functioning of these organisations in order to increase their profit margins. The Committee would like to be apprised of the action taken by the Department in this regard.

10. The Committee are happy to note that the Department has taken initiatives to encourage joint ventures with the resource rich countries with the buy-back arrangements and to enter into long term agreement for supply of fertilizers and fertilizer inputs to India This is being done to fulfil the need of the fertilizes industries whose dependency on import at present is to the extent of 25% of our requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. The Committee also note that the Department is also working with the goal of having access to / acquisition of fertilizer raw material abroad. The Department has undertaken Joint Ventures (JVs) abroad with 6 Countries (1 Country in Urea Sector and 5 Countries in P&K Sector) in the previous years. Out of these, only 2 JVs viz., Oman India Fertilizer Co., Oman in

Urea sector and ICS Senegal, Senegal in P&K Sector are running successfully. The Committee are of the view that since India has near total dependency in P&K fertilizers, the Department, being the nodal authority, should make vigorous efforts to set up JVs abroad and acquire fertilizer raw materials abroad as also recommended by the Committee in its earlier reports. The Committee hope that as a result of these efforts adequate quantity of phosphatic fertilisers would be available to the farmers in the country. The Committee would like to be apprised of the progress made in this regard.

New Delhi;

12 December, 2014
21 Agrahayana 1936, (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

Appendix-I

MINISTRY OF CHEMICALS AND FERTILISERS

DEMAND NO. 7

Department of Fertilisers

A. The Budget allocations, net of recoveries, are given below:

(In crores of Rupees)

	Major Head	Actual 2012-2013			Budget 2013-2014			Revised 2013-2014			Budget 2014-2015		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	Revenue	9.40	65628.86	65638.26	15.56	65999.96	66015.52	8.06	67999.96	68008.02	12.34	72999.96	73012.30
	Capital	...	...	...	*253.44*	*0.04*	*253.48*	*0.94*	*0.04*	*0.98*	*87.66*	*0.04*	*87.70*
	Total	**9.40**	**65628.86**	**65638.26**	**269.00**	**66000.00**	**66269.00**	**9.00**	**68000.00**	**68009.00**	**100.00**	**73000.00**	**73100.00**
1. Secretariat-Economic Services	3451	...	18.54	18.54	...	25.96	25.96	...	25.96	25.96	...	26.98	26.98
Crop Husbandry													
2. Subsidy on imported fertilizers	2401	...	15132.46	15132.46	...	15544.64	15544.64	...	12044.64	12044.64	...	12300.00	12300.00
3. Subsidy on decontrolled fertilizers													
3.01 Payment to manufacturers/Agencies for concessional sale of decontrolled fertilizers	2401	...	30480.35	30480.35	...	29426.86	29426.86	...	29426.86	29426.86	...	24670.30	24670.30
3.02 Compensation for Loss on Account of Sale of Fertiliser Bond	2401	...	...	...	...	0.02	0.02	...	0.02	0.02	...	0.02	0.02
Total- Subsidy on decontrolled fertilizers		...	*30480.35*	*30480.35*	...	*29426.88*	*29426.88*	...	*29426.88*	*29426.88*	...	*24670.32*	*24670.32*
Total-Crop Husbandry		**...**	**45612.81**	**45612.81**	**...**	**44971.52**	**44971.52**	**...**	**41471.52**	**41471.52**	**...**	**36970.32**	**36970.32**
4. Fertilizer Industries													
4.01 Subsidy on indigenous fertilizers	2852	...	20000.00	20000.00	...	21000.00	21000.00	...	26500.00	26500.00	...	36000.00	36000.00
4.02 Compensation for Loss on Account of Sale of Fertiliser Bonds	2852	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Fertilizer Industries		...	*20000.00*	*20000.00*	...	*21000.01*	*21000.01*	...	*26500.01*	*26500.01*	...	*36000.01*	*36000.01*
5. Other research schemes for fertiliser development													
5.01 S & T programme	2852	1.93	...	1.93	2.00	...	2.00	1.50	...	1.50	2.00	...	2.00
6. Non-Plan loans to public sector undertakings													
6.01 Hindustan Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.02 Fertiliser Corporation of India Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.03 Pyrites, Phosphates & Chemicals Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
6.04 Brahmaputra Valley Fertilizer Corporation Ltd.	6855	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Non-Plan loans to public sector undertakings		...	...	...	...	*0.04*	*0.04*	...	*0.04*	*0.04*	...	*0.04*	*0.04*

(In crores of Rupees)

	Major Head	Actual 2012-2013 Plan	Actual 2012-2013 Non-Plan	Actual 2012-2013 Total	Budget 2013-2014 Plan	Budget 2013-2014 Non-Plan	Budget 2013-2014 Total	Revised 2013-2014 Plan	Revised 2013-2014 Non-Plan	Revised 2013-2014 Total	Budget 2014-2015 Plan	Budget 2014-2015 Non-Plan	Budget 2014-2015 Total
7. Lumpsum provision for Projects/Schemes for the benefit of the North Eastern Region and Sikkim	6552	...	...	...	24.99	...	24.99	0.90	...	0.90	9.99	...	9.99
8. Investment in Public Enterprises	6855	...	...	...	228.44	...	228.44	0.03	...	0.03	72.67	...	72.67
9. Investment for JVs abroad	4855	...	...	...	0.01	...	0.01	0.01	...	0.01	5.00	...	5.00
10. Other Programmes													
10.01 For write off of loan, interest and penal interest on Govt. of India loan outstanding against HFCL, MFL, FACT, FCI & PDIL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
10.02 Other programmes	2852	7.47	2.01	9.48	13.56	2.45	16.01	6.56	2.45	9.01	10.34	2.63	12.97
10.03 Post closure adjustment liabilities of PPL	3475	...	...	...	...	0.01	0.01	...	0.01	0.01	...	0.01	0.01
Total- Other Programmes		*7.47*	*2.01*	*9.48*	*13.56*	*2.47*	*16.03*	*6.56*	*2.47*	*9.03*	*10.34*	*2.65*	*12.99*
11. Actual Recoveries	2852	...	-4.50	-4.50	...	...	...	...	...	...	...	...	...
Grand Total		***9.40***	***65628.86***	***65638.26***	***269.00***	***66000.00***	***66269.00***	***9.00***	***68000.00***	***68009.00***	***100.00***	***73000.00***	***73100.00***
	Head of Dev	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
B. Investment in Public Enterprises													
8.01 Fertilizers & Chemicals Travancore Ltd.	12855	...	...	...	211.43	...	211.43	0.01	...	0.01	42.66	...	42.66
8.02 National Fertilizers Ltd.	12855	...	1905.90	1905.90	...	803.20	803.20	...	962.37	962.37	...	150.00	150.00
8.03 Projects and Development (India) Ltd.	12855	...	3.10	3.10	...	18.17	18.17	...	8.81	8.81	...	21.55	21.55
8.04 Rashtriya Chemicals and Fertilizers Ltd.	12855	...	206.20	206.20	...	978.29	978.29	...	338.32	338.32	...	311.45	311.45
8.05 Madras Fertilizers Ltd.	12855	...	...	...	17.00	...	17.00	0.01	...	0.01	30.00	...	30.00
8.06 Brahmaputra Valley Fertilizer Corporation Ltd.	12855	...	...	...	25.00	...	25.00	0.91	...	0.91	10.00	...	10.00
8.07 Krishak Bharti Cooperative Ltd.	12855	...	...	...	...	927.00	927.00	...	...	...	...	...	...
8.08 Fertilizer Corporation of India (FAGMIL)	12855	...	0.23	0.23	...	44.05	44.05	...	9.13	9.13	...	38.64	38.64
Total		**...**	**2115.43**	**2115.43**	**253.43**	**2770.71**	**3024.14**	**0.93**	**1318.63**	**1319.56**	**82.66**	**521.64**	**604.30**
C. Plan Outlay													
1. Fertiliser Industries	12855	9.40	2115.43	2124.83	244.01	2770.71	3014.72	8.10	1318.63	1326.73	90.01	521.64	611.65
2. North Eastern Areas	22552	...	...	...	24.99	...	24.99	0.90	...	0.90	9.99	...	9.99
Total		**9.40**	**2115.43**	**2124.83**	**269.00**	**2770.71**	**3039.71**	**9.00**	**1318.63**	**1327.63**	**100.00**	**521.64**	**621.64**

1. **Secretariat-Economic Services:** Provision is for expenditure on Secretariat of the Department.

2. **Subsidy on imported fertilizers:** As indigenous production is not adequate to meet the demand for fertilizers, imports are arranged to make up for the shortfall. The cost involved is broadly the price of imported fertilizers plus the cost of handling and distribution of the fertilizers. The selling price of imported fertilizers to farmers is controlled under the Fertilizer Control Order and the consumer prices are thus statutorily regulated. This selling price is the same as the selling price for indigenous production. The difference between the amount realised by way of sale of fertilizers to farmers and the import costs to Government represents the subsidy on fertilizer imports.

3. **Subsidy on decontrolled fertilizers:** Provision is for payment to the manufactures/importers of fertilizers/agencies under the Nutrient Based Subsidy (NBS) scheme of sale of decontrolled Phosphatic and Potassic fertilizers at concession to the farmers. The concession would lead to balanced use of fertilizers (NPK) nutrients for better soil health and productivity.

4. **Fertilizer Industries:** This provision relates to subsidy under Fertilizer New Pricing Scheme (NPS) including Frieght Subsidy for production of urea. The subsidy scheme is intended to make fertilizers available to the farmers at reasonable prices and to give producers of fertilizers a reasonable return on their investment.The difference between the concession price so fixed less distribution margin and the statutorily controlled consumers' price is allowed as subsidy. The quantum of subsidy depends on the concession price, the consumer's price and the level of production.

5. **Other research schemes for fertilizer development:** The provision is for S&T work and for development of essential know-how for production of fertilizers.

6. **Non-Plan loans to public sector undertakings:** Token provision have been made for Non-Plan loans to PSUs.

7. **Lumpsum provision for projects/schemes for the benefit of the North Eastern Region and Sikkim:** The provision is for the projects/schemes for the benefits of North Eastern Areas and Sikkim.

8. **Investment in Public Enterprises:** The loan wise break up of the budgetary support to these enterprises and the IEBR are given in Expenditure Budget Vol. II.

8.01. **Fertilizers and Chemicals Travancore Ltd. (FACT):** FACT is a PSU having a total paid up capital of ₹ 647.07 cr, in which 98.5% is held by the Government of India. The company has two divisions, one at Udayogmandal and other at Cochin. At Udayogmandal division, company produces Factamfos (NP 20:20), Ammonium Sulphate and Caprolactam, having the installed capacity of 1.485, 2.25 & 0.5 LMT, respectively. The Cochin Division of the company produces only Factamfos (NP 20:20) having installed capacity of 4.85 LMT. The urea unit at Cochin division is not in operation.

8.02. **National Fertilizers Limited (NFL):** NFL is a PSU having paid up capital of ₹ 490.58 cr.with 97.64% held by the Government of India. The company has five units namely Nangal, Bhatinda, Panipat, Vijaypur-I and Vijaypur-II engaged in production of Urea, having the total installed capacity of 32.307 LMT per annum. The company has also undertaken projects of changeover of Feed-stock for Fuel Oil (FO) to Gas at its three FO based units at Panipat, Bhatinda and Nangal Units. Besides, they are implementing energy saving and capacity enhancement of urea units at its Vijaipur I&II Plants.

8.03. **Projects & Development (India) Limited (PDIL):** PDIL is a PSU having paid up capital of ₹17.30 cr. and Government of India is holding 100% equity in the company. PDIL has a design engineering and consultancy service unit which is assisting the fertilizer companies in the field of design engineering, technical procurement, supervision, construction and commissioning, etc. The company is also engaged in the manufacture of catalysts for the fertilizer and refinery industries.

8.04. **Rashtriya Chemicals & Fertilizers Ltd. (RCFL):** RCF is a PSU having paid up capital of ₹551.69 cr. in which Government of India has 92.50% of equity.The company is engaged in the production of nitrogenous and phosphatic fertilizers and some industrial products like methanol and ammonium nitrate, etc. The company has operating units at Thal and Trombay, having a total installed capacity of 20.37 LMT of Urea and 6.61 LMT of complex fertilizers.

8.05. **Madras Fertilizers Limited (MFL):** MFL is a PSU having total paid up capital of ₹161.10 cr., in which Government of India holds 59.50% equity. Besides this NICO, an Iranian company has 25.77% equity and remaining 14.73% equity is the public holding. The company is engaged in the manufacturing of Urea and Complex Fertilizers (NPK), having the installed capacity of 4.87 LMT and 8.40 LMT per year respectively.

8.06. **Brahmaputra Valley Fertilizers Corporation Ltd. (BVFCL):** BVFCL is a PSU having total paid up capital of ₹365.83 cr., in which Government of India is having 100% equity. The company has two operating units, namely, Namrup-II and Namrup-III, which is producing urea. The annual installed capacity of Namrup-II is 2.40 LMT but due to gas shortage only one stream having 1.20 LMT capacity is operational. Namrup-III is having annual installed capacity of 2.70 LMT.

8.07. **Krishak Bharti Cooperative Ltd. (KRIBHCO):** A large sized ammonia/urea complex has been set up in the cooperative sector at Hazira in Gujrat by the Krishak Bharti Cooperative Ltd. Based on natural gas, the project has an installed capacity of 6.68 lakh tonnes of nitrogen.

8.08. **Fertilizer Corporation of India (FAGMIL):** FAGMIL is a PSU having total paid up capital of ₹ 7.33 cr. held by the Government of India. The Company is engaged in the mining and marketing of gypsum. Mineral Gypsum is used mainly as a sulphur nutrient to the soil, as a soil amendment to sodic soil and also as an input raw-material to cement manufacturing. The 15 Gypsum mines of FAGMIL are located in Jaisalmer, Bikaner, Barmer and Sri Ganganagar Distt. in Rajasthan.

9. **Investment for JVs abroad:** The provision is for investment for Joint Ventures (JVs) abroad.

10. **Other Programmes:** This includes non-plan provision for the office of Fertilizer Industry Coordination Committee, an attached office of the Department of Fertilizers, grants in the field of Management Information Technology, and write off of Govt. of India's loans, interest and penal interest due from Hindustan Fertilizer Corporation Ltd., Fertilizer Corporation of India Ltd., Projects and Development (India) Ltd., Madras Fertilizers Ltd. and Fertilizers and Chemicals Travancore Ltd.

http://indiabudget.nic.in/ub2014-15/eb/sbe7.pdf

Appendix-II

MINUTES

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

The Committee sat on Thursday, the 30 October, 2014 from 1130 hrs. to 1300 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

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. Shri Rangaswamy Dhruvanarayanan
7. Shri Satish Kumar Gautam
8. Adv. Joice George
9. Shri K. Ashok Kumar
10. Shri Kamalbhan Singh Marabi
11. Shri S. Rajendran
12. Dr. Kulamani Samal
13. Dr. Uma Saren
14. Dr. Krishan Pratap Singh
15. Shri Tasleem Uddin

RAJYA SABHA

16. Shri Biswajit Daimary
17. Shri Narayan Lal Panchariya
18. Shri Palvai Govardhan Reddy

SECRETARIAT

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri U.B.S. Negi	-	Director
3.	Shri A.K. Srivastava	-	Additional Director

I. MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

1.	Sh. Jugal Kishore Mohapatra	Secretary
2.	Dr. S.C. Khuntia	AS & Financial Advisor
3.	Sh. Sushil Kumar Lohani	Joint Secretary
4.	Sh. K.M. Gupta	Economic Advisor
5.	Sh. Vijay Ranjan Singh	Director
6.	Capt. Rana Vikram Singh	Director
7.	Sh. D.P. Srivastava	Director
8.	Sh. Anil Kumar V. Patil	Director

II. REPRESENTATIVES FROM OTHER MINISTRIES / DEPARTMENTS

1.	Smt. I. Rani Kumudini	Joint Secretary (INM, DAC
2.	Dr. Vandana Dwivedi	ADC (INM)
3.	Shri Nilkanth S. Avhad	Director (GP), PNG
4.	Dr. S.K. Choudhary	Addl. D.G. ICAR

III. PSUs/CO-OPERATIVES

1.	Dr. S.K. Das	CMD, FCI Aravali Gypsum & Minerals India Ltd. (FAGMIL)
2.	Shri R.G. Rajan	CMD, Rashtriya Chemicals and Fertilizers Limited (RCF)
3.	Ms. Neeru Abrol	CMD, National Fertilizers Limited (NFL)
4.	Shri S.D. Singh	CMD, Bhramaputra Valley Fertilizer Corporation Limited (BVFCL)
5.	Shri S. Venketeshwar	CMD, Projects and Development India Ltd. (PDIL)
6.	Shri C.M.T. Britto	Director (Tech), Madras Fertilizers Limited (MFL)
7.	Shri P. Muthusamy	Director (Finance), Fertilizer and Chemicals of Travencore Ltd. (FACT)

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and the representatives of the Ministry of Chemicals & Fertilizers (Department of Fertilizers) to the sitting. Their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, the Secretary, Department of Fertilizers briefed the Committee about 'Demands for Grants' of the Department for the year 2014-15 and highlighted the Department's plans and priorities for the current financial year through Power Point Presentation.

4. During the discussion, the Chairperson and Members of the Committee raised queries on several issues such as revival of closed and sick PSUs, available of gas to the urea production units, present status of Direct Benefits Transfer Scheme, black-marketing of fertilizers, creating farmers awareness on balanced utilization of fertilizers, etc. which were replied to by the Secretary, Department of Fertilizers and other officials.

5. The Chairperson, thereafter, thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee and directed them to furnish the requisite information in writing on the points raised during the discussion, on which the information was not readily available with them.

6. A copy of the verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

Appendix-III

MINUTES

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2014-15)

The Committee sat on Tuesday, the 16 December, 2014 from 1630 hrs. to 1710 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri B.N. Chandrappa
3. Shri Sankar Prasad Datta
4. Smt. Veena Devi
5. Shri Rangaswamy Dhruvanarayanan
6. Shri Satish Kumar Gautam
7. Shri K. Ashok Kumar
8. Smt. Kamala Devi Patle
9. Shri S. Rajendran
10. Shri Chandu Lal Sahu
11. Dr. Kulamani Samal
12. Smt. Rekha Arun Verma

RAJYA SABHA

13. Shri Narayan Lal Panchariya
14. Shri K. Parasaran
15. Dr. Sanjay Sinh
16. Shri Palvai Govardhan Reddy

SECRETARIAT

1.	Smt. Rashmi Jain	-	Joint Secretary
2.	Shri U.B.S. Negi	-	Director
3.	Shri A.K. Srivastava	-	Additional Director

3. The Committee thereafter took up for consideration the Demands for Grants (2014-15) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

4. The draft Report relating to the Department of Fertilizers was 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 Report by the Department of Fertilizers of the Ministry of Chemicals and Fertilizers and present the same to both the Houses of Parliament.

6. xxxx xxxx xxxx xxxx

The Committee then adjourned.

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xxxx xxxx Matters not related to this Report.