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**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS
(2016-17)**

SIXTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

*[Action Taken by the Government on the Observations/Recommendations
contained in the Thirty First Report of the Standing Committee on Chemicals and
Fertilizers (Sixteenth Lok Sabha) on "Demands for Grants (2017-18) of the
Ministry of Chemicals and Fertilizers (Department of Fertilizers)]*



REPORT

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2017/ Shravana, 1939 (Saka)

THIRTY SIXTH REPORT

**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2016-17)**

SIXTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)**

*[Action Taken by the Government on the Observations/Recommendations
contained in the Thirty First Report of the Standing Committee on Chemicals and Fertilizers
(Sixteenth Lok Sabha) on "Demands for Grants (2017-18) of the
Ministry of Chemicals and Fertilizers (Department of Fertilizers)]*

Presented to Lok Sabha on 10.08.2017

Laid in Rajya Sabha on 10.08.2017



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2017/ Shravana, 1939 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2016-17)**

Shri Anandrao Adsul - Chairperson

**MEMBERS
LOK SABHA**

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B.N Chandrappa
5. ShriSankar Prasad Datta
6. Smt. Veena Devi
7. Shri R. Dhruvanarayana
8. Shri Innocent
9. Shri K Ashok Kumar
10. Shri Chhedi Paswan
11. Smt. Kamla Devi Patle
12. Shri S. Rajendran
13. Shri Kotha Prabhakar Reddy
14. Dr. Kulamani Samal
15. Dr. Uma Saren
16. Dr. Krishna Pratap Singh
17. Shri Taslimuddin
18. Smt. Rekha Arun Verma
19. Shri Kirti Vardhan Singh
20. Shri Pankaj Chaudhary
21. Dr. (Smt.) Ratna De (Nag)

RAJYA SABHA

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri Sanjay Dattatraya Kakade
25. Shri Surendra Singh Nagar
26. Shri Narayan Lal Panchariya
27. Shri K Parasaran
28. Dr. Sanjay Sinh
29. Shri Abdul Wahab
30. Smt. Roopa Ganguly
- 31.* Vacant

SECRETARIAT

- | | | | |
|----|---------------------------|---|----------------------------|
| 1. | Shri Vinod Kumar Tripathi | - | Joint Secretary |
| 2. | Shri A.K. Srivastava | - | Director |
| 3. | Shri R.C. Sharma | - | Deputy Secretary |
| 4. | Shri S. Vijayaraghavan | - | Senior Committee Assistant |

* Demise of Shri Palvai Govardhan Reddy, MP (RS) on 09.06.2017.

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INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2016-2017) having been authorised by the Committee to present the Report on their behalf, present this Thirty Sixth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Thirty First Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2016-2017) on Demands for Grants (2017-2018) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Thirty First Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 20.03.2017. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 21.07.2016. The Standing Committee on Chemicals and Fertilizers (2016-2017) considered and adopted this Report at their sitting held on 09.08.2017.

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

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

New Delhi;
09 August, 2017
18 Shravana, 1939 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on
Chemicals and Fertilizers

REPORT CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers (2016-17) deals with the action taken by the Government on the Observations / Recommendations contained in the Thirty First Report (Sixteenth Lok Sabha) of the Committee on 'Demands for Grants (2017-18)' of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which was presented to Lok Sabha on 20.3.2017. In all, the Committee made 10 Observations / Recommendations in the Report.

2. The Ministry of Chemicals & Fertilizers (Department of Fertilizers) were requested to furnish replies to the Observations/ Recommendations contained in the Thirty First Report within three months from the date of presentation of the Report, i.e. by 20.6.2017. The Action Taken Replies of the Government in respect of all the 10 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Fertilizers) *vide* their O.M. No. 14 (1)/2016-Fin (Vol 1) dated 21.7.2017. These Replies have been examined and categorized as follows:-

(i) Observations/Recommendations that have been accepted by the Government-
Rec. Nos. 1, 2,3,7 and 9
(Total =5)

This may be included in Chapter II of the Draft Report

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply-
Sl. No. Nil
(Total =0)

This may be included in Chapter III of the Draft Report

(iii) Observations/Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration-
Rec. No. 5 and 10
(Total=2)

This may be included in Chapter IV of the Draft Report

(iv) Observations/Recommendations in respect of which final replies of the Government are still awaited-
Rec. Nos. 4, 6 and 8.
(Total =3)

This may be included in Chapter V of the Draft Report

3. The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I of this Report and the Final Replies in respect of Observations / Recommendations contained in Chapter V for which final replies are still awaited should be furnished expeditiously.

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

A. Need to Provide Incentive to Fertilizers Sector

RECOMMENDATION Sl.No.1

5. While stressing that the Chemicals Fertilizers are vital for ensuring the country's food security, the Committee had recommended as under:

'The Committee note that the installed capacity of DAP & complex fertilizers of fertilizer manufacturing units in the country during 2016-17 has reached to the level of 146 lakh MT as against 144.04 lakh MT in 2015-16. The actual production of all the fertilizers during the year 2015-16 was 413.03 Lakh MT. The Committee are glad to note that the estimated production of all the fertilizers during the year 2016-17 is 430.99 Lakh MT showing an increase of more than 4% in comparison to previous year. At present, there are 30 large size urea plants in the country, manufacturing urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. The country is however, fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Non availability of raw material is the main factor which has impeded the self-sufficiency in P&K fertilizers in the country. Other factors which impeded growth in fertilizer sector is low profitability, delay in payment of subsidy, inadequate gas availability in the country and no favorable tax incentives for indigenous manufacturers.

The Committee are of the view that chemical fertilizers are vital for ensuring the country's food security and felt concerned about the low profitability of the sector and also absence of any incentives like low taxes/duties to indigenous fertilizer manufacturers. The Committee, therefore, recommend the Department to evaluate the reasons for the low profitability of the sector and also to look into the tax structure and work out and send a proposal for exemption of taxes for indigenous fertilizer manufacturers to Ministry of Finance to boost their profitability. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

6. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"The objective of Government's policy is to maximize indigenous production of nitrogenous fertilizers based on utilization of indigenous feedstock to reach self-sufficiency levels. For sustained agricultural growth and to promote balanced nutrient application, it is imperative that fertilizers are made available to farmers at affordable prices. With this objective, urea being the only controlled fertilizer, is sold at statutorily notified uniform MRP of Rs 5360/- per MT (exclusive of the Central/State Taxes).

The difference between the delivered cost of urea at farm gate and MRP payable by the farmer is given as subsidy to the fertilizer manufacturer/importer by the Government of India. The subsidy is paid to the urea manufacturing units through concession rates comprising of Fixed Cost and Variable Cost. The urea manufacturing units are ensured viable returns in the form of Fixed Costs.

Further, the urea manufacturing units are incentivized for the production beyond re-assessed capacity.

The Department has put a cap of 12% profit in the P&K fertilizer sector. The Department declares the MRP of P&K Fertilizers as unreasonable if MRP is found to include more than 12% profit to P&K fertilizer manufacturers/ importers. In case, 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, Department of Fertilizers, on the recommendation of Inter-Ministerial Committee (IMC) may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS Scheme.

In respect of tax benefits to the indigenous manufacturers of P&K fertilizers, it is informed that a proposal for reduction in Customs Duty on raw materials used for

indigenous production of P&K fertilizers was forwarded to Ministry of Finance during each of the last three years for consideration in the budget proposals. However, the above proposal has not been considered yet.

The Department has been taking up the matter with Ministry of Finance to reduce the taxes on Fertilizers. As a result of these efforts, the Government has finally reduced the taxes from 12% to 5% on fertilizers under GST.

Accordingly, with the implementation of GST w.e.f 01.07.2017, average weighted MRP of has come down to 5909/tonne(or Rs.295.47 per 50 Kg bag) as compared to the previous (before GST) All India weighted average of Rs.5923/tonne (or Rs.296.18 per Kg bag)".

COMMENTS OF THE COMMITTEE

7. **While acknowledging the steady growth of the production of fertilizers in the country, the Committee had noted that import of fertilizer to the extent of 90% in phosphatic sector in the form of either finished products or its raw material is an area of concern which has impeded the self sufficiency in phosphorus and Potassium fertilizers in the country. As Chemical fertilizers are vital for securing food security and also ameliorating the lot of farmers in the country, the Committee recommended the Department to evaluate the reasons for low profitability of the sector and also look into the tax structure and send a proposal for exemption of taxes for indigenous fertilizer manufacturers to Ministry of Finance to boost their profitability.**

In this regard, the Department in its Action taken replies informed that the objective of Government's policy was to maximize indigenous production of nitrogenous fertilizers based on utilization of indigenous feed stock to reach self sufficiency levels. With the objective of sustained agricultural growth and to promote balanced nutrient application and also making available of fertilizers to farmers at affordable prices, urea being the only controlled fertilizers is sold at statutorily notified uniform MRP of Rs. 5360/- per MT (exclusive of the central/State taxes)

The difference between the delivered cost of urea at farm gate and MRP payable by the farmer was given as subsidy to the fertilizer manufacturer/importer by the Government of India. The subsidy is paid to the urea manufacturing units are incentivized for the production beyond reassessed capacity. The Department has put a cap of 12% profit to P&K fertilizer manufacturer/importers.

As regards tax benefit to the indigenous manufacturers of P&K fertilizers, a proposal for reduction in customs duty on raw materials used for indigenous production of P&K fertilizers was forwarded to Ministry of finance each of the last three years for consideration in the budget proposals which is yet to be considered.

The Department has been taking up the matter with the Ministry of Finance to reduce the taxes on fertilizers, as a result, the Government had reduced the taxes from 12% to 5% on fertilizers under GST w.e.f. 01.07.2017 due to which average weighted MRP has come down to Rs. 295.47 per 50 KG bag as compared to the previous (before GST) All India weighted average of Rs. 296.18 per 50 Kg. bag).

The Committee are satisfied to note that the Government has accepted the Committee's recommendation and making efforts for reduction in taxes and in customs duty on raw materials used for indigenous production of P&K fertilizers. It is however, pained to note that Ministry of Finance has still not considered the proposal for reduction in customs duty on raw materials used for indigenous production of P&K fertilizers, which are imported due to their unavailability in the country. The Committee expect that the Department will continue to strongly take up the issue for reduction in customs duty on raw

material used for indigenous production of P&K fertilizers with Ministry of Finance. Further, the Committee have noted that the Department is silent on its recommendation to evaluate the reasons for low profitability of the sector. The Committee, therefore, reiterate its recommendations and would like the Department to have a detailed study in this regard and apprise the Committee of the action taken in the matter.

B. Need for Budgetary allocation of subsidy

RECOMMENDATION SL. NO.2

8. While emphasizing the need for concerted efforts to be made by the Department to get its budgetary allocation of subsidy, the committee had recommended as under:-

"The Committee note that the projected requirement of the Department under Non-plan section for the year 2014-15 was Rs.156420.48 Crore (gross) against which RE allocation was Rs.75092.73 Crore and the actual expenditure was Rs.75089.67 Crore, although the actual requirement was much higher as the Department had to carry over liabilities of Rs.31830.77 Crore at the end of the year. Against the projected requirement of Rs.108691.44 Crore (gross) for the year 2015-16, the Department was allocated an amount of Rs.76562.47 Crore at RE stage and the actual expenditure during the year was Rs.76561.65 Crore. The Department has carry over liabilities of Rs.43356.23 Crore at the end of the year. Against the projected requirement of Rs.100945.66 Crore for the year 2016-17, the Department was allocated an amount of Rs.74130.85 Crore at RE stage. Even BE 2017-18 is kept at Rs.74264.71 Crore.

In view of the forgoing, the Committee strongly feel that the funds allocated to the Department by the Ministry of Finance is abysmally low in comparison to their projected requirement. As a result, a huge amount of carryover liability of subsidy burden is piling up every year. As a reason of which, the subsidy continues to remain unpaid to the fertilizer companies. During the course of evidence, the Secretary of the Department had also accepted the fact that the Department never gets exactly what is being demanded. The Committee are of the view that unpaid arrears of subsidy are affecting the fertilizers companies adversely. This delay in payment of subsidy is also one of the factors which has impeded growth in the fertilizers sector. The Committee, therefore, recommend that the Department of Fertilizers should make concerted efforts to get its budgetary allocation of subsidy increased by Ministry of Finance to commensurate with its requirement. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

9. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"The Department had projected a requirement of Rs.110388.81 Crore at RE 2016-17 that included the carry over liabilities of Rs.43356.23 Crore of previous years. However, Ministry of Finance granted no additional amount over the original BE allocation of Rs.74100.00 Crore for 2016-17. For BE 2017-18 a requirement of Rs.74245.00 Crore was projected as the estimated requirement in 2017-18 without any carry over liabilities of previous year as the same could only be known after the close of FY 2016-17. Carry over liabilities would be projected at RE 2017-18 stage to MOF for additional allocation. Against the projected requirement of Rs.74245.00 Crore at BE 2017-18, MOF has allocated an amount of Rs.74232.00 Crore only

In order to clear the pendency of bills of Indigenous Urea and Indigenous P&K Fertilizers, the Department had made a Special Banking Arrangement for an amount of Rs.9969 Crore in 2016-17, which has since been disbursed to Indigenous Urea and Indigenous P&K Fertilizers units and repaid to bank."

COMMENTS OF THE COMMITTEE

10. The Committee while examining yearwise allocation of funds noted that Department of Fertilizers did not get adequate budgetary allocation during the last four years commensurate to their projected requirement. As a result, a huge amount of carryover liability of subsidy was piling up every year. This unpaid arrears of subsidy was affecting the fertilizers companies adversely and also one of the factors which had impeded growth in the fertilizer sector. The Committee, therefore, recommended that the Department of fertilizers should make concerted efforts to get its budgetary allocation of subsidy increased by Ministry of finance commensurate with its requirement.

In this regard, the Department in its Action Taken Replies informed that the Department had projected a requirement of Rs. 110388.81 crore at RE 2016-17 that included the carry over liability of Rs 43356.23 crore of previous years. However, Ministry of finance granted no additional amount over the original BE allocation of Rs 74,100,00 crore for the year 2016-17. For BE 2017-18 a requirement of Rs. 74245.00 crore was projected as estimated requirement without any carry over liabilities of previous year as the same could only be known after the close of FY 2016-17. Carry over liabilities would-be projected at RE 2017-18 stage to Ministry of Finance for additional allocation. Further, in order to clear the pendency of bills of indigenous urea and indigenous P&K fertilizers, the Department had made a special Banking Arrangement for an amount of Rs. 9969 crore in 2016-17, which has since been disbursed to indigenous urea and indigenous P&K fertilizes units and repaid to Bank.

The Committee are pained to note that Ministry of finance is successively not allocating the budgetary allocation including carryover liability of subsidy burden to the Department of fertilizers which is adversely affecting the fertilizer sector. However, the Committee are satisfied to note that the Department of fertilizers is making efforts to get its budgetary allocation increased commensurate with its requirement before the Ministry of finance. In this regard the Committee desire that efforts be made at the Ministry's level to get the required amount from Ministry of Finance. While appreciating the efforts of the Department of Fertilizers for making special Banking Arrangement for an amount of Rs 9969 crore in 2016-17 for clearing the pendency of bills of indigenous urea and indigenous P&K fertilizers units which would boost the confidence of the companies, the Committee expect the Department to make concerted efforts to get its budgetary allocation of subsidy increased at RE stage in 2017-18 and apprise the committee in this regard.

C. Need for investment in R&D Fertilizers Sector

RECOMMENDATION SL. NO.3

11. While emphasizing the need for investment in R&D Fertilizers Sector, the committee had recommended as under:-

"The Committee note that the Science & Technology (S&T) Programme of Department of Fertilizers primarily lays emphasis at research & development of processes and equipments. The Department has been taking up project proposals from Engineering/Research Institutions/fertilizer industry on indigenous research & development in the field of fertilizer industry for ensuring optimum levels and international standards in terms of achieving higher capacity utilization, upgradation/modernization of process technologies & equipment to reduce the specific energy consumption and pollutants including Coal and Coal Bed Methane as feedstocks for manufacturing fertilizers. The Committee further, note that

Department of Fertilizers has taken a major initiative by setting up an exclusive institution for promotion of research, S&T etc., in the fertilizer sector. The Indian Council of Fertilizer & Nutrient Research (ICFNR) has been set up on 16.09.2016.

ICFNR has a Governing Council under the Chairmanship of Hon'ble Minister of Chemicals and Fertilizers and an Executive Council under the Chairmanship of Secretary (Fertilizers), The terms of reference of ICFNR *inter alia* include to undertake/promote research in the area of fertilizer manufacturing technology, use of raw material and innovation in fertilizer products through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders, etc. R&D is primarily driven by the industry. The ICFNR, agency which has been recently created within the Ministry is still in the process of being grounded.

Further, for the industry side, the Department of Public Enterprises keeps providing guidance to the public sector enterprises that they must allocate a certain proportion of their expenditure to research in their subject area. It is essentially an industry driven exercise where they identify the problem areas, the areas of research and create the necessary facilities or get it executed by the academic institutions etc.

In view of the above, the Committee are perturbed to note that a very small provision for S&T scheme was made during 2012-13 to 2014-15 and no funds were allocated during 2014-15 to 2016-17. Further, the actual expenditure capital during the year 2013-14, 2014-15, 2015-16 were Rs.0.19 Crore, Rs.0.24 Crore and nil respectively. The Committee are of the view that for the growth and development of the Chemicals and Fertilizers industries, there is a need to increase expenditure under the R&D. The Committee expect the Department to ensure that the new agency which has recently been created within the Ministry of Chemicals and Fertilizers is operationalized expeditiously so that latest fertilizers and nutrient research can be provided to the Chemicals and Fertilizers industries. The Committee therefore, recommend the Department to make full utilization of the allocated funds for the purpose and also ensure that the Fertilizer PSUs allocate their certain proportion of expenditure towards research in fertilizer sector as mandated by the Department of Public Enterprises. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

12. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Science & Technology Scheme, is no more operative w.e.f. 01.04.2016. Therefore, no fund allocation was provided for the years 2016-17 & 2017-18. Accordingly, no new proposal was invited. However, D/o Fertilizers has taken a major initiative by setting up an exclusive institution for promotion of research, S&T etc. in the fertilizer sector. In order to promote research in the field of fertilizers, Indian Council for Fertilizers and Nutrient Research (ICFNR), an institution exclusively devoted to promotion of research in fertilizer sector under the Department of fertilizers has been set up on 16.09.2016. ICFNR has a Governing Council under the chairmanship of Minister of Chemicals and Fertilizers and an Executive Committee under the chairmanship of Secretary (Fertilizers).

The first meeting of Governing Council of ICFNR under the chairmanship of Hon'ble Minister of Chemicals and Fertilizers and Parliamentary Affairs was held on 09.11.2016. Thereafter, under the chairmanship of Secretary (Fertilizers), first meeting of Executive Committee was held on 23.12.2016 & three sub-groups were constituted to look into specific proposals relating to "Promotion of bio-fertilizers", "Development of eco-friendly micro-nutrients and pesticide coated controlled release fertilizers" and "Nano natural fertilizers" and to submit their recommendations. Sub-

Groups have submitted recommendations on the above proposals. A meeting of Executive Committee will be held soon to take final decision on the aforesaid projects based upon recommendations of sub-groups.

As regards allocation by fertilizer PSUs towards research in fertilizer sector, the National Fertilizer Ltd (NFL) and Rashtriya Chemical and Fertilizer Ltd (RCF) have made an allocation of Rs.34.00 Lakh and Rs.64.83 Lakh respectively."

COMMENTS OF THE COMMITTEE

- 13. The Committee had noted that the science & Technology (S&T) programme of the Department of Fertilizers primarily laid emphasis at Research & Development of processes & equipments and it has been taking up project proposals from various research institutions and industries.**

The Committee further noted that Department of Fertilizers had taken a major initiative by creating an exclusive institution namely The Indian Council of Fertilizers & Nutrient Research (ICFNR) on 19.09.2016. The terms of reference of ICFNR inter-alia included to undertake and promote research in the area of fertilizer manufacturing technology, use of raw material and innovation in fertilizer products through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders.

Further, Department of Public Enterprises had mandated to the public sector enterprises that they must allocate a certain proportion of their expenditure to research in their area.

The Committee was pained to note that a very small provision for the S&T scheme was made during 2012-2013 - 2014-2015 and no funds were allocated during 2014-2015 to 2016-2017. Further, the actual expenditure capital during the year 2013-2014, 2014-2015 were Rs.0.19 crore, Rs.0.24 crore and nil respectively.

The Committee, therefore, desired that new institution for R&D namely The Indian Council of Fertilizer and Nutrient Research (ICFNR) be operationalised expeditiously so that latest fertilizer and Nutrient-research could be provided to chemicals and fertilizers industries.

The Committee, further expected the Department to make full utilization of the allocated funds for the purpose of research and development and also ensure that the Fertilizer PSUs allocated their certain proportion of expenditure towards research in fertilizers sector as mandatory by the Department of Public Enterprises.

In this regard, the Department in its Action Taken Replies informed that Science & Technology scheme, was no more operative w.e.f. 01.04.2016. Therefore, no fund allocation was provided for the years 2016-17 & 2017-18. Accordingly, no new proposal was invited. However, for promotion of research in the field of fertilizers, Indian Council for Fertilizer and Nutrient Research (ICFNR) was created on 16.09.2016. ICFNR has a Governing Council under the Chairmanship of Ministry of Chemicals and Fertilizers and an executive Committee under the Chairmanship of Secretary (Fertilizers).

As regards the allocation by fertilizer PSUs towards research in fertilizer sector, the National Fertilizer Ltd. (NFL) and Rashtriya Chemical and Fertilizers Ltd. (RCF) had made an allocation of Rs.34 lakh and Rs.64.83 lakh respectively. The Committee note that Research and Development has been a neglected area in fertilizer sector over the past many years which is reflected in the allocation of budget and actual expenditure made thereon over the years. Further, the Committee express its displeasure over the fact that Indian Council for Fertilizers and Nutrient Research (ICFNR) which was created on 19.09.2016 is still has to take a concrete shape for its establishment on the ground. The Committee, therefore, reiterate its earlier recommendation for expeditious operationalization of ICFNR with adequate allocation of funds and the

Department make optimum utilization of the allocated funds for the purpose. The Committee would like to be apprised of the action taken in this regard.

D. Need for providing DBT to farmers

RECOMMENDATION SL. NO.4

14. While emphasizing the need for providing DBT to farmers, the committee had recommended as under:-

"The Committee have time and again emphasized the need for expeditious implementation of Direct Benefits Transfer (DBT) system which was conceptualized in 2011 on the recommendation of Task Force constructed by the Ministry of Finance to recommend implementable solution for direct transfer subsidy on kerosene, LPG and fertilizers. The Task Force has suggested four phase approach for direct disbursement of fertilizer subsidy to the intended beneficiaries. In the 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 (Mobile Fertilizers Management System), 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.

In divergence from the above the Committee have been informed that 100% subsidy on various fertilizer grades shall be released to the fertilizer companies instead of the beneficiaries, on the basis of actual sales made by the retailer to the beneficiaries. Initially, the modified subsidy procedure under DBT System will be introduced on pilot basis in 16 select districts. Three more districts, Dhanbad in Jharkhand, Begusarai in Bihar and Gorakhpur in UP have been included in the pilot project. The Committee are also given to understand that the DBT in fertilizer subsidy is slightly different from the beneficiary directed subsidy administered in LPG, etc. as traditionally subsidy in the fertilizer sector has been given to industry and the difference of cost of production and margin of profit is passed on to the farmers in the form of subsidized rates.

The Committee are not satisfied with the performance of the Department in implementing DBT Scheme, and are of the view that the Department has not been able to implement the Scheme in a time bound manner which was conceptualized in 2011. The Committee are unhappy regarding modification made in the subsidy procedure under DBT System, wherein, 100% subsidy on various grades is to be released to the fertilizers companies instead of the beneficiary. The Committee expect that after implementation of DBT, divergence or smuggling of fertilizer will be reduced to a large extent and the Government will save subsidy eventually. The Committee believe that the soil Health Card which contains particulars like name of the farmer, land holding, irrigated area, bank details etc., may be beneficial in disbursing subsidy directly in the farmer's bank account. The Committee, therefore, recommend that the Department to reconsider its decision and disburse subsidy to farmer directly. The Committee also, reiterate its earlier recommendation that the Department of fertilizer in coordination with the Ministry of Agriculture may make earnest efforts towards expeditious implementation of Soil Health card scheme and ensure that every farmers is provided with a Soil Health card having bank details for direct transfer of subsidy to them. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

15. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Mobile Fertilizer Monitoring System (mFMS) Phase-I was introduced in November 2012 in which the receipt of fertilizers upto the retailers is being tracked through Mobile based Fertilizer Monitoring System (mFMS). The Department of Fertilizers is implementing Direct Benefit Transfer (DBT) Scheme on pilot basis in 19 districts. The pilot DBT captures the details of retailer sales through PoS devices and beneficiary/buyer details (as proposed in mFMS Phase-II).

Under the conventional DBT being implemented in other Government Welfare Schemes such as LPG, the subsidy amount is directly transferred to beneficiaries immediately after purchase of the subsidized product by the beneficiary. However, in case of fertilizer subsidy the subsidy will be released to the fertilizer company after the sale of fertilizers by the retailers to beneficiary and submission of claim to Dept. of Fertilizers. All sales of fertilizers will be made through Point of Sale (PoS) devices at retailer level. The subsidized fertilizers will be available to the beneficiaries at subsidized MRP.

Implementation of DBT in Fertilizers like other traditional DBT schemes is complex due to the following:

- i. Beneficiary is not defined.
- ii. Entitlement of the beneficiary is not defined.
- iii. Subsidy amount is more than twice of subsidized price.
- iv. Moving MRP to Market Price will cause huge burden on farmers as they would be required to pay the market price upfront.
- v. Multiple products (Urea, Phosphatic and Potassic etc.) have varied subsidy amounts.
- vi. Subsidy component varies from company to company even for the same product.

Further, to facilitate smooth rollout of DBT and passing on the intended benefits of DBT in fertilizers to the end beneficiaries, the Department of Fertilizers has taken up with D/o Agriculture, Cooperation & Farmers Welfare to expedite the issue/distribution of the Soil Health Cards to the targeted beneficiaries (copy enclosed at Annexure-I)."

COMMENTS OF THE COMMITTEE

16. **The Committee noted that on the basis of the suggestion of the Task force constituted in 2011 by Ministry of Finance, the Department of fertilizers was required to transfer subsidy on fertilizers directly to farmers in four phases. While dwelling upon the Direct Benefit Transfer (DBT) scheme, the Department of Fertilizers informed that 100 percent subsidy on various fertilizer grades shall be released to the fertilizer companies instead of the beneficiaries on the basis of actual sales made by the retailers to the beneficiaries. Initially, the modified subsidy procedure under DBT system would be introduced on pilot basis in 19 districts. The Committee found that the Department was not able to implement the scheme in a time bound manner as envisaged and modification made in the subsidy procedure under DBT system was not in right direction. The Committee suggested the Department to reconsider its decision and disburse subsidy to farmers directly. The Committee further suggested that in coordination with the Ministry of Agriculture and Farmers welfare earnest efforts should be made towards expeditious implementation of Soil Health Scheme and ensure that every farmers was provided with a Soil Health Card having bank details for direct transfer of subsidy to them.**

In this regard, the Department in its Action Taken replies informed that Mobile Fertilizer Monitoring System (mFMS) Phase-I was introduced in November 2012 in which the receipt of fertilizers upto the retailers was being tracked through Mobile based Fertilizer Monitoring System (mFMS). The Department of Fertilizers was implementing Direct Benefit Transfer (DBT) Scheme on pilot basis in 19 districts. The pilot DBT captured the details of retailer sales

through PoS devices and beneficiary/buyer details (as proposed in mFMS Phase-II).

Under the conventional DBT being implemented in other Government Welfare Schemes such as LPG, the subsidy amount was directly transferred to beneficiaries immediately after purchase of the subsidized product by the beneficiary. However, in case of fertilizer subsidy the subsidy would be released to the fertilizer company after the sale of fertilizers by the retailers to beneficiary and submission of claim to Dept. of Fertilizers. All sales of fertilizers would be made through Point of Sale (PoS) devices at retailer level. The subsidized fertilizers will be available to the beneficiaries at subsidized MRP. Implementation of DBT in Fertilizers like other traditional DBT schemes is complex

Further, to facilitate smooth rollout of DBT and passing on the intended benefits of DBT in fertilizers to the end beneficiaries, the Department of Fertilizers had taken up with D/o Agriculture, Cooperation & Farmers Welfare to expedite the issue/distribution of the Soil Health Cards to the targeted beneficiaries.

The Committee are distressed to note that Department is unable to implement the DBT Scheme citing various reasons including the experience gained in implementing DBT scheme in 19 pilot districts. Though Committee agree with the Department that the DBT scheme is complex compared to other traditional DBT schemes but it cannot be assumed as the basis for deviation in implementation of the scheme. Further, the Department is silent on the outcome of the study on 19 pilot districts which were chosen for implementation of the scheme. While appreciating the efforts made by the Department regarding the issue of soil health cards with the Department of Agriculture, Cooperation & Farmers welfare for smooth roll out of DBT and passing on the intended benefits of DBT in fertilizers to the end beneficiaries, the Committee strongly recommend that other issues like Definition of beneficiaries, Entitlement of beneficiaries, Fixation of subsidy, MRP vs Market price and waived subsidy amounts for different fertilizers shall also be resolved expeditiously in a time bound manner

Considering the importance of the scheme, the Committee reiterate to implement the scheme to benefit the end users. The Committee would like to be apprised of tangible efforts in terms of concrete deliverables.

E. New Investment Policy - 2012

RECOMMENDATION SL. NO.5

17. With regard to facilitate fresh investment in urea sector to reduce India's import dependency in urea production, the committee had recommended as under:-

"The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 and its amendment on 7th October

2014 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. The Department at present has received 06 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. The Department in April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited, Kanpur Fertilizers & Cement Limited and Matix have written letters to the Department in respect of their proposals. However, no communication has been received from Indo-Gulf Fertilizers Limited and Nagarjuna Fertilizers & Chemicals Limited. As far as Matrics Fertilizers & Chemicals Limited is concerned, they have been requesting for exemption from bank guarantee. To this effect PDIL has been deputed to see the level of execution of the project as MFCL are ready for

commissioning. Further, vide letter dated 29th February, 2016 and 11th January, 2017, the Department of Fertilizers has advised the other project proponents to provide the present status of their projects and furnish the Bank Guarantee as per the provisions of NIP-2012 and its amendment.

The Committee are dismayed to note that apart from issuing the reminders, no progress has been made since the last year in implementing the New Investment Policy which was notified on 2nd January, 2013. The Committee further note that the commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date. In view of this, it is imperative that these investment proposals are implemented at the earliest. Considering the importance of the fresh investment in the fertilizer sector, the Committee reiterates its earlier recommendation that the Department of Fertilizers should make more sustained and proactive efforts to review periodically the progress made by the project proponents in a time bound manner and take corrective measures to ensure their timely execution. The Department may also take up the matter to furnish the Bank Guarantee regularly with the project proponents & also to take all necessary further steps as per the provisions of NIP-2012. Further, the Department is also expected to take decision regarding MFCL expeditiously and press upon PDIL to come out with a report without any delay. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

18. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

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

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

As per para (ii) of the amendment to NIP-2012, all the project proponents are required to furnish Bank Guarantee (BG) of Rs. 300.00 Crore for each project linked to milestone in the project cycle, to ensure seriousness/credibility of the project proponents under NIP-2012 and for timely execution of the projects. Out of Rs. 300.00 Crore, Rs. 100.00 Crore of BG is to be released after finalization of Lump sum Turn Key (LSTK)/Engineering Procurement Construction (EPC) contractors and release of advance to the contractor's account; Rs. 100.00 Crore on completion of requirements ordering and supply to the site or midpoint of the project cycle, whichever is earlier, and the balance of Rs. 100.00 Crore of BG on completion of the project. PSUs are, however, exempted from furnishing the BG.

This Department vide its letter dated 21st April, 2015 and had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the

provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited (CFCL), Kanpur Fertilizers & Cement Limited (KFCL) and Matix have written letter to this Department in respect of their proposals, the details of which are as follows: -

S. No.	Company	Present Status
1.	CFCL- Brownfield of Ammonia- Urea units at Gadepan- Kota	As per the terms of the NIP Policy, CFCL has furnished the Bank Guarantee of Rs. 300 Crore to the Government of India. On achieving the first milestone of the project, Rs 100 Crore has been released to CFCL.
2.	KFCL- Greenfield project at Jabalpur	<p>The request of KFCL, Jai Prakash Associates Limited for allocation of sufficient quantity of gas for the proposed urea plant at Jabalpur and to expedite the Surat- Paradip gas pipeline with a provision to connect Jabalpur to this pipeline was taken up with MoP&NG.</p> <p>In this regard, GAIL informed that they are presently carrying out detailed route survey of Dhamra- Ang ul-Durg Section of Surat-Paradip-Dhamra Pipeline along with a spurline to Balaghat/Jabalpur. GAIL has requested to provide the indicative schedule/ plan for setting up a fertilizer plant at Balaghat/Jabalpur.</p> <p>In response to the above letter of GAIL, KFCL has communicated that the acquisition of the desired land is under process by the state government, pending which, it would be difficult for them to communicate the indicative schedule. Subsequent to the land allotment, they will be starting the process for environment clearance. KFCL has indicated that the project for setting up a Greenfield fertilizer unit will take 36 months from receipt of Environment clearance.</p> <p>The same has been informed to MoP&NG.</p>
3.	Matix	<p>Matix Fertilizers & Chemicals Limited has proposed to set up a Greenfield Project of 3 Million Metric Tonne Per Annum gas based Ammonia-Urea complex (Train-I & II) at Pannagarh, West Bengal with the investment of over Rs. 6000 Crore. The Matix plant will use Coal Bed Methane (CBM) gas as feedstock for manufacturing urea. Matix has confirmed its readiness to commence production of urea subject to the availability of minimum 1.7 mmscmd of CBM. There is no domestic gas allocation for this project by the Government of India and also the unit is not connected to National Gas Grid Network. In order to facilitate the commissioning of plant, DoF has taken up the matter of allocation of CBM Gas with MoP&NG.</p> <p>Matix has requested for the exemption of Bank Guarantee for Train-I. The request of Matix has been examined by the Committee of Secretaries constituted under amendment to NIP-2012. During its meeting held on 29th June, 2017 it has decided that Matix will have to submit Rs.300.00 Crore BG as per NIP-2012 read with its amendment. Rs.200.00 Crore will be released in view of</p>

		<p>attainment of first two milestones.</p> <p>So far as Train-II is concerned, vide letter dated 24th April, 2016, Matix has informed that they shall take all necessary action as required and also take steps to achieve Financial Closure. They agree to submit Bank Guarantee on achieving financial closure but before making any LSTK/EPC financially effective.</p>
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However, no communication has been received from Indo-Gulf Fertilizers Limited (IGFL) and Nagarjuna Fertilizers & Chemicals Limited (NFCL). Vide letter dated 29th February, 2016 and 11th January, 2017, Department of Fertilizers has advised the project proponents to provide the present status of the project and furnish the Bank Guarantee as per the provisions of NIP-2012 and its amendment."

COMMENTS OF THE COMMITTEE

19. **The Committee noted that the New Investment Policy 2012 was notified by the Government on 2nd January, 2013 and its amendment was made on 7th October, 2014 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. Department received 06 proposals for setting up of Greenfield and Brownfield (Expansion) projects under NIP-2012 and its amendment. The Department on 21 April 2015 had advised all the project proponents to furnish bank guarantee and take all necessary steps, Matrix Fertilizer & Chemicals Limited had requested the Department for exemption from bank guarantee. In this regard, PDIL was deputed to see the level of execution of the project as MFCL was ready for commissioning. Further, vide letter dated 29th February, 2016 and 11th January 2017, the Department of Fertilizers had advised the other project proponents to provide up to date status of their projects. The Committee, advised the Department of fertilizers to make more sustained and proactive efforts to review periodically the progress made by the project proponents in a time bound manner and take connective measures to ensure their timely execution. It was also recommended by the Committee that the Department of Fertilizers may also take up the matter to furnish the Bank Guarantee regularly with the project proponents and also take decision regarding MFCL expeditiously.**

In this regard, the Department in its Action Taken Replies informed that as per para (ii) of the amendment to NIP-2012, all the project proponents were required to furnish Bank Guarantee (BG) of Rs. 300.00 Crore for each project linked to milestone in the project cycle, to ensure seriousness/credibility of the project proponents under NIP-2012 and for timely execution of the projects. Out of Rs. 300.00 Crore, Rs. 100.00 Crore of BG was to be released after finalization of Lump sum Turn Key (LSTK)/Engineering Procurement Construction (EPC) contractors and release of advance to the contractor's account; Rs. 100.00 Crore on completion of requirements ordering and supply to the site or midpoint of the project cycle, whichever was earlier, and the balance of Rs. 100.00 Crore of BG on completion of the project. PSUs were, however, exempted from furnishing the BG.

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

The Committee observe that the Department of Fertilizers has taken various steps on the proposal of all the three companies. While noting the initiatives

taken by the Department and the companies, the Committee recommend that all-out efforts be made to help the project proponents to complete their projects at the earliest. The Committee also observe that no communication had been received from Indo-Gulf Fertilizers Limited (IGFL) and Nagarjuna Fertilizers & Chemicals Limited (NFCL). The Committee were informed that Vide letter dated 29th February, 2016 and 11th January, 2017, Department of Fertilizers had advised the project proponents to provide up to date status of the project and furnish the Bank Guarantee as per the provisions of NIP-2012 and its amendment. The Committee, therefore, recommend the Department to proactively engage with other project proponents in the matter and also make sustained efforts to encourage them to do all the formalities and solve their problem, if any, by relaxing norms for furtherance of their proposed projects under NIP 2012. The Committee have found that RCF is a CPSU, as such they are exempted from furnishing bank guarantee. The Committee are therefore failed to understand as to why RCF has not proceeded with their plan. The Committee would like to know the reasons for this from the Department. The Committee would also recommend that the Department should periodically monitor the progress made by the project proponents. The Committee would like to be apprised in this regard.

F. Need to expedite restructuring process of FACT and MFL

RECOMMENDATION SL.NO.6

20. While expressing the need for restructuring process of FACT and MFL, the Committee had recommended as under:-

"The Committee note that out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, one PSU namely Project Development India Ltd. (PDIL) is loss making and 2 PSUs viz. Fertilizers and Chemicals (FACT) and Madras Fertilizers Limited (MFL) are sick and 2 companies viz. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. The Committee also note that MFL and FACT had approached the Department of Fertilizers with a financial and business restructuring proposal, which is under consideration in the Department. Further, a sum of Rs.1000 Crore has been transferred to FACT, which would monetise its land in order to liquidate Government loan.

The Committee note with deep concern that the proposals for financial restructuring of the two sick companies MFL and FACT is pending with the Department since last year. The Committee are of the strong view that loan given to sick companies like FACT should have been a soft loan so that such companies are not forced to sell of their precious assets in order to repay loan. Further, the Committee are of the view that due to delay in finalization of the proposal for financial restructuring FACT and MFL are not able to carry out renovation and modernization/repair and construction activities. The Committee, therefore, recommend that the Department should make earnest efforts to expedite the implementation of financial restructuring proposal of FACT and MFL without any further delay. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

21. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Department of Fertilizers has taken up the matter regarding higher interest rate on Plan loan of Rs. 1000.00 Crore granted to FACT, with Department of Economic Affairs.

Department of Fertilizers is actively considering the proposals submitted by MFL and FACT for their Financial Re-structuring:

Further Progress made for the Financial Restructuring of MFL:

In terms of DPE guidelines regarding streamlining the mechanism for revival and restructuring of sick Central Public Sector Enterprises, DoF had approved to engage an external expert agency which has experience and expertise of the business environment, operational issues, technology option and financial viability of the sector in which such CPSE is working. Accordingly, MFL was asked to initiate process for engagement of an external expert agency on urgent basis. MFL engaged PDIL as expert agency on 02.06.2016. MFL vide letter dated 20.12.2016 has submitted the study report prepared by PDIL with the approval of its Board.

In its study report, PDIL has given six options for the revival of MFL. MFL has submitted its report on PDILs recommendation for its revival. Report of MFL is under examination of DoF. A meeting was held on 5.4.2017 under chairmanship of Secretary (Fertilizers). All the six options recommended by PDIL were deliberated in the meeting. MFL has been asked to present all option before Board of Directors and submit proposal to the Department of Fertilizers with clear recommendation. Accordingly, MFL has submitted their recommendation on revival plan to this Department vide letter dated 1.6.2017 which is under consideration.

Further Progress made for the Financial Restructuring of FACT:

To avert immediate financial crisis of FACT GoI has granted a plan loan of Rs. 1000 Crore to FACT during 2015-16. In that regard:

FACT has submitted a comprehensive proposal for its financial restructuring to DoF. Proposal inter-alia seeks approval for the waiver of GoI loan & interest thereon, one-time compensation for the use of high cost LNG, approval for sale of its land and waiver of income tax on profit on sale of land. In its proposal FACT has proposed to repatriate the Plan loan of Rs 1000 crore, which was sanctioned by GoI in 2015-16, by the money generated by the sale of land.

FACT was asked on 15.11.2016 to submit details for preparing of Cabinet Note in the matter. FACT furnished the details on which Dept. of Fertilizers sought certain clarification.

FACT was advised for the following:

- a To make the projections of financial performance from 2017-18 to 2021-22 in the proposal.
- b. To submit the proposal to National Company Law Tribunal (NCLT) for obtaining clearance for sale of land as proposed in the financial restructuring proposal immediately.

On 27.03.2017 FACT has furnished the projection of financial performance from 2017-18 to 2021-22. The same is under examination in the Department.

Government of Kerala vide letter dated 27.03.2017 intimated that Govt. of Kerala has no objection on the proposed transfer of the 170 acres of land from FACT Ltd. to BPCL. MoPNG vide letter dated 31.03.2017 requested DoF to expedite the matter and consent of FACT to transfer the 170 acres of land to BPCL. Comments of FACT were sought on this matter. FACT has furnished its comments and the same are under examination.

Govt. of Kerala vide Order dated 28.04.2017 has accorded approval for the negotiated purchase of 600 acres of the land by Kerala Industrial Infrastructure Development Corporation (KINFRA) from the land acquired for FACT. The matter is under examination in Dept. of Fertilizers."

22. The Committee had noted that the proposals for financial restructuring of the two sick companies MFL and FACT was pending with the Department since last year. Further, a sum of Rs. 1000 crore which were transferred to FACT on the condition that the company would monetise its land in order to liquidate Government loan. The Committee felt that sick companies like FACT should have been given a soft loan so that such companies were not forced to sell their precious assets in order to repay loan. Further delay in finalization of the proposal for financial restructuring of the companies were adversely affecting them. The Committee, therefore, asked the Department of Fertilizers to expedite the implementation of financial restructuring proposal of FACT and MFL.

In this regard, the Department in its Action taken replies informed that it had taken up the matter regarding higher interest rate on plan loan of Rs. 1000.00 crore granted to FACT with Department of Economic Affairs.

In regard to progress made for the financial restructuring of MFL, the Department of fertilizers had stated that in terms of DPE guidelines regarding streamlining the mechanism for revival and restructuring of sick central Public Sector Enterprises, Department of Fertilizers had approved to engage an external expert agency which has experience and expertise of the business environment, operational issues, technology option and financial viability of the sector in which such CPSE was working. Accordingly MFL engaged PDIL as expert agency on 2.6.2016 for its revival. Subsequently, MFL submitted their recommendation on revival plan to the Department on 1.6.2017 as asked by them which was under the consideration of Department.

As regards progress made for the financial restructuring of FACT, the Government of India granted a plan loan of Rs 1000 crore to FACT during 2015-16. FACT furnished the projection of financial performance from 2017-18 to 2021-22 on 27.3.2017 which were under the examination of Department of Fertilizers. Further, comments of FACT were sought to transfer the 170 acres of land to BPCL as requested by Ministry of Petroleum and Natural Gas 31.3.2017 and approval accorded by Government of Kerala for the negotiated purchase of 600 acres of the land by Kerala Industrial Infrastructure Development corporation from the land acquired for FACT, are under the examination of the Department of fertilizers.

While noting that matter regarding higher interest rate on plan loan of Rs. 1000.00 crore to FACT was taken up with the Department of Economic Affairs, the Committee expects the Department to make concerted efforts regarding higher rate on plan loan to FACT to its logical conclusion. Further, the Committee are dismayed to note that restructuring process of the FACT and MFL is still pending with the Department for consideration which is adversely affecting these PSUs. The Committee, therefore, reiterate that Department should make concerted efforts to expedite the implementation of financial restructuring proposals of FACT and MFL without any further loss of time. The Committee would like to be apprised in this regard.

G. Need for revival of closed/sick units of fertilizers

RECOMMENDATION SL. NO.7

23. While emphasizing the need for revival of closed/sick units of fertilizers, the Committee had recommended as under:-

"Apart from these 2 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress. The Talcher Unit of FCIL is being revived on 'Nomination basis' by a

Consortium of PSUs namely RCF, GAIL, CIL and FCIL by setting up a coal based fertilizer plant of 1.27 MMTPA capacity. JV Company named "Talcher Fertilizers Limited (TFL)" has been formed. Selection of Coal Gasification Technology is under progress. The Ramagundam unit of FCIL is being revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL by setting up a gas based fertilizer plant. JV Company named "Ramagundam Fertilizers & Chemicals Limited" has been formed.

As regards Sindri, Gorakhpur and Barauni units of FCIL the Union Cabinet in its meeting held on 13.07.2016 approved to revive these units by means of a Special Purpose Vehicle of Public Sector Units namely, National Thermal Power Corporation, Coal India Limited, Indian Oil Corporation Limited and Fertilizer Corporation India

Limited/Hindustan Fertilizer Corporation Limited, through "nomination route". In pursuance to the decision of the Government of India, a SPV by name Hindustan Urvarak & Rasayan Limited (HURL) has been formed by a consortium of PSUs namely NTPC, CIL, IOCL and FCIL/HFCL. Pre-project activities to revive Gorakhpur, Sindri & Barauni Units are under progress. Considering the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/ sick units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

24. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Eight fertilizer units of HFCL & FCIL are lying closed at present. Out of these 8, five closed units are of FCIL and three are of HFCL.

CCEA in its meeting held on 4.8.2011 had approved revival of Sindri, Talcher & Ramagundam Units of FCIL through nomination route and revival of Gorakhpur, Korba unit of FCIL and Barauni, Durgapur & Sindri units of HFCL through bidding route. CCEA in its meeting held on 9.5.2013, 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). This paved way to revive closed units of FCIL. CCEA also decided that Proposal/Action plan on revival of HFCL units be taken up once revival of FCIL units is on track. Unit wise progress made on revival of these 5 closed units of FCIL/HFCL is as under:

a. Progress made in respect of Gorakhpur, Sindri Units of FCIL & Barauni Unit of HFCL:

Cabinet in its meeting held on 25.05.2016 has approved Financial Restructuring of HFCL by way of waiver of the GoI loans and the outstanding interest thereon. This decision of the Cabinet helped in making net-worth of HFCL positive and resulted into discharge of HFCL from the purview of BIFR. Therefore, it has been decided to revive Barauni unit of HFCL also.

In terms of poor response during bidding process in respect of Gorakhpur and Sindri, it was considered that it is not feasible to revive these units on 'bidding route' as decide earlier by the Union Cabinet. Therefore, for the timely revival of these units, the Union Cabinet in its meeting held on 13.07.2016 approved to revive Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle of Public Sector Units namely, National Thermal Power Corporation, Coal India Limited, Indian Oil Corporation Limited and Fertilizer Corporation India Limited/Hindustan Fertilizer Corporation Limited, through "nomination route". In pursuance to the decision of the Government of India, a SPV by name Hindustan Urvarak & Rasayan Limited (HURL) has been formed by a consortium of PSUs namely NTPC, CIL, IOCL and FCIL/HFCL.

Pre-project activities to revive Gorakhpur, Sindri & Barauni Units are under progress and these projects are likely to be commissioned by August 2020, September 2020 and October 2020 respectively.

b. Progress made in respect of Talcher and Ramagundam units FCIL:

Talcher Unit:

Talcher Unit of FCIL is being revived on 'Nomination basis' by a Consortium of PSUs namely RCF, GAIL, CIL and FCIL by setting up a coal based fertilizer plant of 1.27 MMTPA capacity.

- JV Company named "Talcher Fertilizers Limited (TFL)" has been formed.
- Coal Gasification Technology shortlisted.
- Tendering for Coal gasification, Urea Ammonia and other offsite projects are under progress. Award of LSTK contract by January 2018.

Ramagundam Unit:

- Ramagundam unit of FCIL is being revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL by setting up a gas based fertilizer plant of 1.27 MMTPA capacity.
- JV Company named "Ramagundam Fertilizers & Chemicals Limited" has been formed.
- Project activities are in progress. The project likely to be commissioned by 30.9.2018".

COMMENTS OF THE COMMITTEE

25. **The Committee were earlier informed that pre-project activities for revival of Talcher and Ramagundam units of FCIL were in progress. Further, after approval of the proposal for revival of Sindri, Gorakhpur and Barauni units of FCIL by Union Cabinet by means of a Special Purpose Vehicle of Public Sector units through nomination route, pre project activities to revive, Gorakhpur Sindri and Barauni units had started. After considering the significant role which were expected to be played by these sick units after their revival, the Committee recommended that the process of revival of closed/sick units of fertilizes be expedited with a fixed time frame.**

In this regard, the Department in its Action Taken Report has stated that CCEA in its meeting held on 4. 8. 2011. had approved revival of Sindri, Talcher & Ramagundam Units of FCIL through nomination route and revival of Gorakhpur, Korba unit of FCIL and Barauni, Durgapur & Sindri units of HFCL through bidding route. CCEA in its meeting held on 9.5.2013, 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). This paved way to revive closed units of FCIL. CCEA also decided that Proposal/Action plan on revival of HFCL units be taken up once revival of FCIL units was on track.

As regards progress made in respect of Gorakhpur and Sindri units of FCIL, and Barauni unit of HFCL, the Department has stated that pre-project activities were under progress and these projects were likely to be completed by August 2020, September, 2020 and October, 2020 respectively. As regards progress made in respect of Talcher and Ramagundam units of PCIL, the Department has stated that project activities were in progress and the projects were likely to be commissioned by January 2018 and September 2018 respectively.

The Committee have noted that pre project activities to revive the sick units are under progress and their commissioning period have been fixed. While expressing satisfaction that initiatives at last have been taken by the Government for revival of closed and sick units, the Committee desire that sustained efforts may be continued so as to expedite the process of rival of these units with periodical review of the projects. The Committee would like to be apprised of the progress made in this regard.

H. Need to ensure adequate supply of domestic gas to urea sector

RECOMMENDATION NO.8

26. While emphasizing the need to provide adequate supply of domestic gas to urea sector, the Committee had recommended as under:-

"The Committee note that the inadequate availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, against the requirement of approximately 49 MMSCMD of gas, the urea sector is getting approximately 21 MMSCMD of domestic gas and the gap of 28 MMSCMD is being filled up by RLNG. It may be noted that out of 31.5 MMSCMD of domestic gas as allocated by CCEA, only 21 MMSCMD of domestic gas is being supplied to urea sector. The availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units. Considering pricing and firm availability of natural gas for existing and new units of fertilizer companies vital to increase their indigenous production, the Committee, therefore, recommend the Department to vigorously take up this issue with the Ministry of Petroleum and Natural Gas and ensure that the existing and new fertilizer plants are supplied domestic gas at least to the extent of 31.5 MMSCMD as allocated to the urea sector. The Committee would like to be apprised of the progress made in this regard.

REPLY OF THE GOVERNMENT

27. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Vide D.O letters dated 22nd June, 2016, and 26th September, 2016, Secretary (Fertilizers) has written to Secretary (MoP&NG) to ensure the supply of domestic gas at least to the extent of 31.5 mmsmcd to the urea sector as per EGoM decision dated 23.08.2013.

The matter regarding shortfall in supply of domestic gas has been again taken up with Ministry of Petroleum and Natural gas vide letter dated 5.7.2017."

COMMENTS OF THE COMMITTEE

28. **The Committee noted that out of 31.5 MMSCMD of domestic gas as allocated by CCEA, only 21 MMSCMD of domestic gas is being supplied to urea sector. Considering the need for availability of gas, the Committee recommended the Department to vigorously take up the issue of short supply of gas with the Ministry of Petroleum and Natural Gas and ensure that the existing and new fertilizer plants were supplied domestic gas at least to the extent of 31.5 MMSCMD as allocated to urea sector.**

In their Action Taken Replies the Department has informed that Secretary (fertilizers) has written to secretary (Ministry of Petroleum and Natural Gas) on 26 September, 2016 to ensure the supply of domestic gas at least to the extent of 31.5 MMSMCD to the urea sector as per EGoM decision dated 23.8.2013 and also reminded them on 5.7.2017.

The Committee are anguished to note that even after the decision of EGoM about four years back, the requisite supply of gas to urea sector has not been made which is affecting the production of urea in the county. The Committee also express their dismay over the fact that Department of Fertilizers also did not bother to remind Ministry of Petroleum and Natural Gas before 5.7.2017 i.e. for about four years, as such no initiative was taken from either side. The Committee feel that this lackadaisical attitude of Government is not conducive for the growth of urea sector. The Committee therefore strongly desire that Department to take up the issue at the Minister's level at the earliest.

I. Need to provide pipeline connectivity to 3 Fertilizers plants

RECOMMENDATION SL. NO.9

29. While insisting to overcome hindrances in pipeline connectivity to fertilizers plants, the Committee had recommended as under:-

"The Committee note that three urea units, viz., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. With regards gas pipeline connectivity to (SPIC)-Tuticorin, the Committee were informed that SPIC is about 142.5

Km away from ONGC's Ramanad gas field. It is proposed to be connected with ONGC's Ramnad gas field by laying a 142.5 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore- Thiruvallur- Bengaluru-Puducherry- Nagapattinam-Madurai-Tuticorin Natural Gas Pipeline (ETBPNMTPL). Target for completion of Ramnad-Tuticorin section is June 2018. However, the same would be dependent on receipt of Wild Life Clearance/ Environment Clearance as well as permissions from State Government for laying this pipeline as per the finalized pipeline alignment. With regards Madras Fertilizers Ltd (MFL)- Manali, it is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by ETBPNMTPL. Ennore LNG terminal is likely to be commissioned by June 2018. Further, as an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad- Bangalore-Mangalore pipeline. With regard to Mangalore Chemicals and Fertilizers Ltd., the Committee were informed that due to stiff resistance from farmers in the state of Kerala and Tamilnadu, the Koottannad - Mangalore pipeline section and Koottannad- Bangalore pipeline section are getting delayed in execution. Malappuram & Kozhikode Districts, Survey & Panchnama is completed for 55Km till date. Looking into the progress of Survey & Panchnama works, GAIL resumed construction works of Kochi- Koottannad- Mangaluru Pipeline Section which will connect MCFL, Mangaluru. This pipeline Section is targeted to be completed by December 18, subject to availability of hindrance free right of way in Malappuram & Kozhikode Districts by March 2017.

The Committee are dismayed to note that Department has not been able to ensure assured supply of gas to these plants so far. The Committee, therefore, recommend the Department to overcome the above cited hindrances to provide pipeline connectivity to these plants and to prepare a road map to complete all related tasks in a time bound manner. The Committee would like to be apprised of the progress made in this regard.

REPLY OF THE GOVERNMENT

30. In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"As per decision of CCEA, notified by the Department on 17th June, 2015, the three Naphtha based urea units viz, MFL-Manali, MCFL-Mangalore and SPIC-Tuticorin, have been allowed to continue urea production on Naphtha as a feedstock till these plants get assured supply of gas either by pipeline or by any another means.

SPIC and MCFL have conveyed that they have converted from Naphtha based to Gas based urea units and are awaiting gas pipeline connectivity. MFL has conveyed that 50 % gas conversion has been completed by them and complete conversion is expected by 2018.

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

Southern Petrochemicals Industries Corporation

SPIC is about 142.5 Km away from ONGC's Ramanad gas field. ONGC has informed the availability of non-APM gas for allocation from Kanjirangudi (KJR) field, Ramnad under Cauvery Assets in Tamil Nadu. Based on the requests made by M/s SPIC to allocate 0.9 MMSCMD of natural gas from Ramnad field for its urea manufacturing unit located at Tuticorin in Tamilnadu and as per recommendations of DoF, Ministry of Petroleum and Natural Gas has earmarked 0.9 MMSCMD of Non-APM gas from ONGC's Kanjirangudi (KJR) field, Ramnad for SPIC, Tuticorin.

SPIC, Tuticorin is proposed to be connected with ONGC's Ramnad gas field by laying a 142.5 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore-Thiruvallur- Bengaluru-Puducherry- Nagapattinam- Madurai- Tuticorin Natural Gas Pipeline (ETBPNMTPL). This pipeline has been awarded in Dec. 2015. IOCL has provided the updated status as under:

- i. Joint meeting between ONGC, SPIC and IOCL held in April 2016 & August 2016 and modalities for gas supply finalized.
- ii. Detailed Engineering Route Survey of Ramnad- Tuticorin, pipeline section has been completed and pipeline alignment finalized.
- iii. Right of users (RoU) acquisition under Petroleum & Minerals Pipelines, Act 1962 initiated and 3(i) notifications for entire pipeline section (142.5 Km) have been prepared and submitted to MoP&NG for publishing.
- iv. Appointment of Engineering Consultant for compressor station at Ramnad has been awarded.
- v. Application submitted for obtaining Environment clearance. Terms of Reference (ToR) have been received from MoEF & CC and the EIA & RA study is currently in progress.
- vi. Coastal Regulatory Zone (CRZ) mapping work is awarded to Anna University for obtaining CRZ clearance, which has been completed.
- vii. Application for obtaining crossing permissions across rivers/nala, NH/SH, Railway etc submitted and follow up is being maintained.
- viii. Wild Life clearance permission has been applied and follow up is being maintained.
- ix. Detailed Design & Engineering of pipeline is in progress.
- x. Target for completion of Ramnad- Tuticorin section is June 2018. However, the same would be dependent on receipt of Wild Life Clearance/ Environment Clearance as well as permissions from state government for laying this pipeline as per the finalized pipeline alignment.

Madras Fertilizers Ltd (MFL)- Manali:

Option1: MFL, Manali is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by Ennore-Thiruvallur- Bengaluru-Puducherry-Nagapattinam-Madurai-Tuticorin Natural Gas Pipeline (ETBPNMTPL) through 18"OD spur pipeline. Ennore LNG terminal is likely to be commissioned by June 2018. This plant is only 22 kms away from the proposed LNG terminal. In order to connect this plant, PNGRB has granted authorization to IOCL on 15th December, 2015 to construct ETBPNMTPL. This, MFL, Manali may be connected in synchronization with the commissioning of Ennore LNG terminal. IOCL has provided the updated status as under:

- i. Detailed Engineering Route Survey for spur pipeline from Ennore LNG terminal to MFL Manali has been completed and pipeline alignment has been finalized.
- ii. The spur pipeline to MFL, Manali would be laid in common corridor between Ennore port to Manali. Common corridor acquisition (outright purchase/lease basis) in Govt. Land is in progress for which support of State Administration has been sought.
- iii. 3(i) notification published in Gazette of India for RoU Acquisition in Private land.

- iv. Coastal Regulatory Zone (CRZ) mapping work completed for obtaining CRZ clearance.
 - v. Application for obtaining crossing permissions across rivers/nala, NH/SH, Railway etc. submitted to respective authorities and follow up in hand.
 - vi. Detailed Design & Engineering of pipeline progress.
 - vii. EIA & RA study work has been awarded and the same is in progress.
 - viii. Pipeline will be commissioned in synchronization with commissioning of Ennore LNG terminal i.e. by June 2018.
- Option2: As an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad- Bangalore-Mangalore (KKBMPL) pipeline. Further, gas can also be supplied from Dabhol LNG terminal of RGPPL through Dabhol- Bangalore pipeline with extension to MFL, Manali. For execution of the pipeline, GTA and GSA are required to be signed by GAIL with MFL, Manali. GAIL had offered MFL to supply RLNG at Henry Hub (HH) linked prices for a Long term period of 20 years and for the initial period of 2017-18. MFL is yet to execute the necessary agreements.

Mangalore Chemicals and Fertilizers Ltd. (Mangalore)

GAIL planned to connect this plant with Kochi LNG terminal laying Kochi-Koottannad- Bengaluru-Mangalore Pipeline (KKBMPL). GAIL has taken up KKBMP in phases. KKBMP (Phase-I) involving the first 17 Km Pipeline section of Kochi-Koottannad – Mangaluru section in Kochi city was commissioned in Aug'13 in synchronization with commissioning of Kochi LNG Terminal. Balance Pipeline section of Kochi – Koottannad- Mangaluru Pipeline is being taken up as part of KKBMP (Phase-II). Construction works of KKBMP (Phase-II) were started initially in Feb' 12. However, due to stiff resistance from farmers in the state of Kerala and Tamilnadu, the Koottannad – Mangalore pipeline section and Koottannad- Bangalore pipeline section are getting delayed in execution.

With the active involvement of Government of Kerala since Jun'15, the survey and panchnama activities for RoU acquisition resumed in Kerala. As on date, Survey and Panchnama Works are completed in all other districts enroute Kochi- Koottannad-Mangaluru section except Malappuram & Kozhikode Districts. Out of 130 Km RoU in Malappuram & Kozhikode Districts, Survey & Panchnama is completed for 55Km till date. Looking into the progress of Survey & Panchnama works, GAIL resumed construction works of Kochi- Koottannad- Mangaluru Pipeline Section which will connect MCFL, Mangaluru. This pipeline Section is targeted to be completed by Dec'18, subject to availability of hindrance free RoU in Malappuram & Kozhikode Districts by March 2017."

COMMENTS OF THE COMMITTEE

31. **The Committee noted that the Department of Fertilizers had not been able to ensure assured supply of gas to Madras Fertilizers Limited (MFL) Manali, Mangalore Chemicals and Southern Petrochemicals Industries Limited (SPIC) - Tuticorin. The Committee also noted that there were certain hindrances being faced by the Department to provide Pipeline connectivity to these plants. The Committee, therefore recommended that the Department should overcome hindrances and try to provide pipeline connectivity to all the these plants by preparing a road map to complete all related tasks in a time bound manner. In their Action Taken Reply, the Department has started that as per decision of CCEA, the Naphtha based urea units have been allowed to continue urea production on Naphtha as a feed stock till these plants got assured supply of gas either by pipeline or by any other means SPIC and MCFL have conveyed that they have converted from Naphtha based to gas based urea units and are awaiting gas pipeline connectivity MFL has conveyed that 50% gas conversion has been completed by them and complete conversion is expected by 2018.**

As regard Mangalore chemicals and Fertilizers Ltd (Mangalore), GAIL planned to connect its plant with Kochi LNG and this pipeline section is targeted to be completed by December 2018.

The Committee, appreciate the action initiated by the Government and reiterate its recommendation that the Department should make vigorous and coordinated efforts in coordination with all concerned to expedite the assured supply of gas to all the three plants in a time bound manner and if felt necessary the Department may also pursue the matter at the highest level to get the work done. The Committee hope that there should not be any time and cost overrun in converting these three plants in to gas based and also caution that in any case of time and cost overrun, Department of Fertilizers shall be held responsible. The committee would like to be informed of the action taken in this regard.

J. Effect of demonetization on Demands and Availability of fertilizers

RECOMMENDATION SL NO.10

32. While recommending the Department to recheck the data regarding availability of fertilizers to farmers during the period of demonetization, the committee had recommended as under

"The Committee note that in the backdrop of demonetization, various arrangements have been made for smooth delivery of fertilizers to farmers by Department of Fertilizers (DoF). The Department took various steps like adequate availability of Urea, DAP, MOP, NPK and other fertilizers was ensured to every nook & corner of the country in close coordination done with Companies, State Governments, Ministry of Railways, Ministry of Shipping etc; *manufacturing Companies* and *Importers* of various fertilizers were directed to provide fertilizers to dealers/ wholesalers/ retailers on credit and the credit limit was extended by additional 30 days by the Companies; similarly, Companies were asked to instruct their dealers/ wholesalers/ retailers to use all modes of transaction including sales on credit, debit card, credit card, cheques etc., for sale of fertilizers to the farmers; States were issued an advisory that they should ensure that fertilizers are readily made available to the farmers as per demand without fail and also necessary instructions be issued by State Governments to the cooperatives, private retailers/wholesalers to provide fertilizers on credit and accept all modes of payment viz. debit card, credit card, cheques etc. As per the Data provided by the Department, the availability of all the fertilizers during November 2016 and December 2016 was more than that in November 2015 and December 2015. During November- December 2016 total requirement of fertilizers was 107.76 LMT, the availability was 142.59 LMT and sales were 99.63 LMT.

However, the Committee are apprehensive about the data furnished by the Department. The Committee would therefore like the Department to recheck the data regarding availability of fertilizers to farmers during November-December 2016. The data furnished relates to November and December, 2016 however, during this period withdrawal of even Rs.1000 to Rs.2000 was very difficult. The Committee are of the view that after demonetization farmers neither had money nor credit / debit card and any other facility. They did not even have the facility of withdrawing money from their bank accounts. Some villages even do not have banking facility and even if banks were available Government has imposed withdrawal limit on such banks. The Committee, therefore, recommend that post demonetization the Department should effectively monitor the situation at district and at the village level and take adequate measures to ensure that the farmers do not suffer due to dearth of cash in hand and fertilizers are made available to each and every farmer. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

33. As ascertained from the first point sales data the sale during demonetization period (Nov.'16 - Dec.'16) was more as compared to last years and no shortage of fertilizers has been reported from any of the States/UTs. Further, a statement showing requirement & availability of fertilizers upto the month of March 2017 is enclosed (Annexure-II)

COMMENTS OF THE COMMITTEE

34. **The Committee noted that in the backdrop of demonetization, various arrangements were made for smooth, delivery of fertilizers to farmers. As per data provided by the Department, the availability of all the fertilizers during November/December 2016 was more than that in same period during 2015. The Committee, recommended the Department to recheck the data regarding availability of fertilizers to farmers during November-December 2016. The Department in its action taken reply furnished that from the first point sales data the sale during demonetization period was more as compared to last years and no shortage of fertilizers has been reported from any of the states/UTs. The Committee express their displeasure over the fact that the statement furnished by the Department of Fertilizers does not indicate the figures of November-December, 2016 i.e. demonetization period. In the absence of specific data it cannot be deduced, that sale during the period was more as compared to period before demonetization. The Committee therefore recommend that specific data of the month of November-December 2016 vis-a vis of previous months be furnished. The Committee are apprehensive that during the demonetization period i.e. during November-December 2016 the sale of fertilizers dropped drastically. The committee would therefore like to be apprised in this regard at the earliest.**

CHAPTER – II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION Sl.No.1

While stressing that the Chemicals Fertilizers are vital for ensuring the country's food security, the Committee had recommended as under:

'The Committee note that the installed capacity of DAP & complex fertilizers of fertilizer manufacturing units in the country during 2016-17 has reached to the level of 146 lakh MT as against 144.04 lakh MT in 2015-16. The actual production of all the fertilizers during the year 2015-16 was 413.03 Lakh MT. The Committee are glad to note that the estimated production of all the fertilizers during the year 2016-17 is 430.99 Lakh MT showing an increase of more than 4% in comparison of previous year. At present, there are 30 large size urea plants in the country, manufacturing urea annually, 21 units produce DAP and complex fertilizers and 2 units manufacture Ammonium Sulphate as by-product. The country is however, fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Non availability of raw material is the main factor which has impeded the self-sufficiency in P&K fertilizers in the country. Other factors which impeded growth in fertilizer sector is low profitability, delay in payment of subsidy, inadequate gas availability in the country and no favorable tax incentives for indigenous manufacturers.

The Committee are of the view that chemical fertilizers are vital for ensuring the country's food security and felt concerned about the low profitability of the sector and also absence of any incentives like low taxes/duties to indigenous fertilizer manufacturers. The Committee, therefore, recommend the Department to evaluate the reasons for the low profitability of the sector and also to look into the tax structure and work out and send a proposal for exemption of taxes for indigenous fertilizer manufacturers to Ministry of Finance to boost their profitability. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"The objective of Government's policy is to maximize indigenous production of nitrogenous fertilizers based on utilization of indigenous feedstock to reach self-sufficiency levels. For sustained agricultural growth and to promote balanced nutrient application, it is imperative that fertilizers are made available to farmers at affordable prices. With this objective, urea being the only controlled fertilizer, is sold at statutorily notified uniform MRP of Rs 5360/- per MT (exclusive of the Central/State Taxes).

The difference between the delivered cost of urea at farm gate and MRP payable by the farmer is given as subsidy to the fertilizer manufacturer/importer by the Government of India. The subsidy is paid to the urea manufacturing units through concession rates comprising of Fixed Cost and Variable Cost. The urea manufacturing units are ensured viable returns in the form of Fixed Costs.

Further, the urea manufacturing units are incentivized for the production beyond re-assessed capacity.

The Department has put a cap of 12% profit in the P&K fertilizer sector. The Department declares the MRP of P&K Fertilizers as unreasonable if MRP is found to include more than 12% profit to P&K fertilizer manufacturers/ importers. In case, 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, Department of Fertilizers, on the recommendation of Inter-Ministerial Committee (IMC) may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS Scheme.

In respect of tax benefits to the indigenous manufacturers of P&K fertilizers, it is informed that a proposal for reduction in Customs Duty on raw materials used for indigenous production of P&K fertilizers was forwarded to Ministry of Finance during each of the last three years for consideration in the budget proposals. However, the above proposal has not been considered yet.

The Department has been taking up the matter with Ministry of Finance to reduce the taxes on Fertilizers. As a result of these efforts, the Government has finally reduced the taxes from 12% to 5% on fertilizers under GST.

Accordingly, with the implementation of GST w.e.f 01.07.2017, average weighted MRP of has come down to 5909/tonne(or Rs.295.47 per 50 Kg bag) as compared to the previous (before GST) All India weighted average of Rs.5923/tonne (or Rs.296.18 per Kg bag)".

Comments of the Committee

(Please see Para No.7 of Chapter-I of the Report)

RECOMMENDATION SL. NO.2

While emphasizing the need for concerted efforts to be made by the Department to get its budgetary allocation of subsidy, the committee had recommended as under:-

"The Committee note that the projected requirement of the Department under Non-plan section for the year 2014-15 was Rs.156420.48 Crore (gross) against which RE allocation was Rs.75092.73 Crore and the actual expenditure was Rs.75089.67 Crore, although the actual requirement was much higher as the Department had to carry over liabilities of Rs.31830.77 Crore at the end of the year. Against the projected requirement of Rs.108691.44 Crore (gross) for the year 2015-16, the Department was allocated an amount of Rs.76562.47 Crore at RE stage and the actual expenditure during the year was Rs.76561.65 Crore. The Department has carry over liabilities of Rs.43356.23 Crore at the end of the year. Against the projected requirement of Rs.100945.66 Crore for the year 2016-17, the Department was allocated an amount of Rs.74130.85 Crore at RE stage. Even BE 2017-18 is kept at Rs.74264.71 Crore.

In view of the forgoing, the Committee strongly feel that the funds allocated to the Department by the Ministry of Finance is abysmally low in comparison to their projected requirement. As a result, a huge amount of carryover liability of subsidy burden is piling up every year. As a reason of which, the subsidy continues to remain unpaid to the fertilizer companies. During the course of evidence, the Secretary of the Department had also accepted the fact that the Department never gets exactly what is being demanded. The Committee are of the view that unpaid arrears of subsidy are affecting the fertilizers companies adversely. This delay in payment of subsidy is also one of the factors which has impeded growth in the fertilizers sector. The Committee, therefore, recommend that the Department of Fertilizers should make concerted efforts to get its budgetary allocation of subsidy increased by Ministry of Finance to commensurate with its requirement. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"The Department had projected a requirement of Rs.110388.81 Crore at RE 2016-17 that included the carry over liabilities of Rs.43356.23 Crore of previous years. However, Ministry of Finance granted no additional amount over the original BE allocation of Rs.74100.00 Crore for 2016-17. For BE 2017-18 a requirement of Rs.74245.00 Crore was projected as the estimated requirement in 2017-18 without any carry over liabilities of previous year as the same could only be known after the close of FY 2016-17. Carry over liabilities would be projected at RE 2017-18 stage to MOF for additional allocation. Against the projected requirement of Rs.74245.00 Crore at BE 2017-18, MOF has allocated an amount of Rs.74232.00 Crore only

In order to clear the pendency of bills of Indigenous Urea and Indigenous P&K Fertilizers, the Department had made a Special Banking Arrangement for an amount of Rs.9969 Crore in 2016-17, which has since been disbursed to Indigenous Urea and Indigenous P&K Fertilizers units and repaid to bank."

Comments of the Committee

(Please see Para No. 10 of Chapter-I of the Report)

C. Need for investment in R&D Fertilizers Sector

RECOMMENDATION SL. NO.3

While emphasizing the need for investment in R&D Fertilizers Sector, the committee had recommended as under:-

"The Committee note that the Science & Technology (S&T) Programme of Department of Fertilizers primarily lays emphasis at research & development of processes and equipments. The Department has been taking up project proposals from Engineering/Research Institutions/fertilizer industry on indigenous research & development in the field of fertilizer industry for ensuring optimum levels and international standards in terms of achieving higher capacity utilization, upgradation/modernization of process technologies & equipment to reduce the specific energy consumption and pollutants including Coal and Coal Bed Methane as feedstocks for manufacturing fertilizers. The Committee further, note that Department of Fertilizers has taken a major initiative by setting up an exclusive institution for promotion of research, S&T etc., in the fertilizer sector. The Indian Council of Fertilizer & Nutrient Research (ICFNR) has been set up on 16.09.2016.

ICFNR has a Governing Council under the Chairmanship of Hon'ble Minister of Chemicals and Fertilizers and an Executive Council under the Chairmanship of Secretary (Fertilizers), The terms of reference of ICFNR *inter alia* include to undertake/promote research in the area of fertilizer manufacturing technology, use of raw material and innovation in fertilizer products through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders, etc. R&D is primarily driven by the industry. The ICFNR, agency which has been recently created within the Ministry is still in the process of being grounded.

Further, for the industry side, the Department of Public Enterprises keeps providing guidance to the public sector enterprises that they must allocate a certain proportion of their expenditure to research in their subject area. It is essentially an industry driven exercise where they identify the problem areas, the areas of research and create the necessary facilities or get it executed by the academic institutions etc.

In view of the above, the Committee are perturbed to note that a very small provision for S&T scheme was made during 2012-13 to 2014-15 and no funds were allocated during 2014-15 to 2016-17. Further, the actual expenditure capital during the year 2013-14, 2014-15, 2015-16 were Rs.0.19 Crore, Rs.0.24 Crore and nil respectively.

The Committee are of the view that for the growth and development of the Chemicals and Fertilizers industries, there is a need to increase expenditure under the R&D. The Committee, expect the Department to ensure that the new agency which has recently been created within the Ministry of Chemicals and Fertilizers is operationalized expeditiously so that latest fertilizers and nutrient research can be provided to the Chemicals and Fertilizers industries. The Committee therefore, recommend the Department to make full utilization of the allocated funds for the purpose and also ensure that the Fertilizer PSUs allocate their certain proportion of expenditure towards research in fertilizer sector as mandated by the Department of Public Enterprises. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Science & Technology Scheme, is no more operative w.e.f. 01.04.2016. Therefore, no fund allocation was provided for the years 2016-17 & 2017-18. Accordingly, no new proposal was invited. However, D/o Fertilizers has taken a major initiative by setting up an exclusive institution for promotion of research, S&T etc. in the fertilizer sector. In order to promote research in the field of fertilizers, Indian Council for Fertilizers and Nutrient Research (ICFNR), an institution exclusively devoted to promotion of research in fertilizer sector under the Department of fertilizers has been set up on 16.09.2016. ICFNR has a Governing Council under the chairmanship of Minister of Chemicals and Fertilizers and an Executive Committee under the chairmanship of Secretary (Fertilizers).

The first meeting of Governing Council of ICFNR under the chairmanship of Hon'ble Minister of Chemicals and Fertilizers and Parliamentary Affairs was held on 09.11.2016. Thereafter, under the chairmanship of Secretary (Fertilizers), first meeting of Executive Committee was held on 23.12.2016 & three sub-groups were constituted to look into specific proposals relating to "Promotion of bio-fertilizers", "Development of eco-friendly micro-nutrients and pesticide coated controlled release fertilizers" and "Nano natural fertilizers" and to submit their recommendations. Sub-Groups have submitted recommendations on the above proposals. A meeting of Executive Committee will be held soon to take final decision on the aforesaid projects based upon recommendations of sub-groups.

As regards allocation by fertilizer PSUs towards research in fertilizer sector, the National Fertilizer Ltd (NFL) and Rashtriya Chemical and Fertilizer Ltd (RCF) have made an allocation of Rs.34.00 Lakh and Rs.64.83 Lakh respectively."

Comments of the Committee

(Please see Para No. 13 of Chapter-I of the Report)

RECOMMENDATION SL. NO.7

While emphasizing the need for revival of closed/sick units of fertilizers, the Committee had recommended as under:-

"Apart from these 2 sick PSUs, there are 8 fertilizer units lying closed at present. Out of these closed units, 5 are of FCIL and 3 are of HFCL. The Committee were informed that the pre-project activities for revival of Talcher and Ramagundam units of FCIL are in progress. The Talcher Unit of FCIL is being revived on 'Nomination basis' by a Consortium of PSUs namely RCF, GAIL, CIL and FCIL by setting up a coal based fertilizer plant of 1.27 MMTPA capacity. JV Company named "Talcher Fertilizers Limited (TFL)" has been formed. Selection of Coal Gasification Technology is under

progress. The Ramagundam unit of FCIL is being revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL by setting up a gas based fertilizer plant. JV Company named "Ramagundam Fertilizers & Chemicals Limited" has been formed.

As regards Sindri, Gorakhpur and Barauni units of FCIL the Union Cabinet in its meeting held on 13.07.2016 approved to revive these units by means of a Special Purpose Vehicle of Public Sector Units namely, National Thermal Power Corporation, Coal India Limited, Indian Oil Corporation Limited and Fertilizer Corporation India

Limited/Hindustan Fertilizer Corporation Limited, through "nomination route". In pursuance to the decision of the Government of India, a SPV by name Hindustan Urvarak & Rasayan Limited (HURL) has been formed by a consortium of PSUs namely NTPC, CIL, IOCL and FCIL/HFCL. Pre-project activities to revive Gorakhpur, Sindri & Barauni Units are under progress. Considering the significant role which is expected to be played by these sick units after their revival, the Committee reiterate its recommendation that the process of revival of closed/ sick units of fertilizers be expedited with in a fixed time frame. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Eight fertilizer units of HFCL & FCIL are lying closed at present. Out of these 8, five closed units are of FCIL and three are of HFCL.

CCEA in its meeting held on 4.8.2011 had approved revival of Sindri, Talcher & Ramagundam Units of FCIL through nomination route and revival of Gorakhpur, Korba unit of FCIL and Barauni, Durgapur & Sindri units of HFCL through bidding route. CCEA in its meeting held on 9.5.2013, 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). This paved way to revive closed units of FCIL. CCEA also decided that Proposal/Action plan on revival of HFCL units be taken up once revival of FCIL units is on track. Unit wise progress made on revival of these 5 closed units of FCIL/HFCL is as under:

a. Progress made in respect of Gorakhpur, Sindri Units of FCIL & Barauni Unit of HFCL:

Cabinet in its meeting held on 25.05.2016 has approved Financial Restructuring of HFCL by way of waiver of the GoI loans and the outstanding interest thereon. This decision of the Cabinet helped in making net-worth of HFCL positive and resulted into discharge of HFCL from the purview of BIFR. Therefore, it has been decided to revive Barauni unit of HFCL also.

In terms of poor response during bidding process in respect of Gorakhpur and Sindri, it was considered that it is not feasible to revive these units on 'bidding route' as decide earlier by the Union Cabinet. Therefore, for the timely revival of these units, the Union Cabinet in its meeting held on 13.07.2016 approved to revive Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle of Public Sector Units namely, National Thermal Power Corporation, Coal India Limited, Indian Oil Corporation Limited and Fertilizer Corporation India Limited/Hindustan Fertilizer Corporation Limited, through "nomination route". In pursuance to the decision of the Government of India, a SPV by name Hindustan Urvarak & Rasayan Limited (HURL) has been formed by a consortium of PSUs namely NTPC, CIL, IOCL and FCIL/HFCL. Pre-project activities to revive Gorakhpur, Sindri & Barauni Units are under progress and these projects are likely to be commissioned by August 2020, September 2020 and October 2020 respectively.

b. Progress made in respect of Talcher and Ramagundam units FCIL:

Talcher Unit:

Talcher Unit of FCIL is being revived on 'Nomination basis' by a Consortium of PSUs namely RCF, GAIL, CIL and FCIL by setting up a coal based fertilizer plant of 1.27 MMTPA capacity.

- JV Company named "Talcher Fertilizers Limited (TFL)" has been formed.
- Coal Gasification Technology shortlisted.
- Tendering for Coal gasification, Urea Ammonia and other offsite projects are under progress. Award of LSTK contract by January 2018.

Ramagundam Unit:

- Ramagundam unit of FCIL is being revived on nomination basis by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL by setting up a gas based fertilizer plant of 1.27 MMTPA capacity.
- JV Company named "Ramagundam Fertilizers & Chemicals Limited" has been formed.
- Project activities are in progress. The project likely to be commissioned by 30.9.2018".

Comments of the Committee

(Please see Para No. 25 of Chapter-I of the Report)

RECOMMENDATION SL. NO.9

While insisting to overcome hindrances in pipeline connectivity to fertilizers plants, the Committee had recommended as under:-

"The Committee note that three urea units, viz., Madras Fertilizers Limited (MFL)-Manali, Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore and Southern Petrochemicals Industries Limited (SPIC)-Tuticorin are producing urea using Naphtha in absence of gas allocation and pipeline connectivity. With regards gas pipeline connectivity to (SPIC)-Tuticorin, the Committee were informed that SPIC is about 142.5

Km away from ONGC's Ramanad gas field. It is proposed to be connected with ONGC's Ramnad gas field by laying a 142.5 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore- Thiruvallur- Bengaluru-Puducherry- Nagapattinam-Madurai-Tuticorin Natural Gas Pipeline (ETBPNMTPL). Target for completion of Ramnad-Tuticorin section is June 2018. However, the same would be dependent on receipt of Wild Life Clearance/ Environment Clearance as well as permissions from State Government for laying this pipeline as per the finalized pipeline alignment. With regards Madras Fertilizers Ltd (MFL)- Manali, it is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by ETBPNMTPL. Ennore LNG terminal is likely to be commissioned by June 2018. Further, as an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad- Bangalore-Mangalore pipeline. With regard to Mangalore Chemicals and Fertilizers Ltd., the Committee were informed that due to stiff resistance from farmers in the state of Kerala and Tamilnadu, the Koottannad – Mangalore pipeline section and Koottannad- Bangalore pipeline section are getting delayed in execution. Malappuram & Kozhikode Districts, Survey & Panchnama is completed for 55Km till date. Looking into the progress of Survey & Panchnama works, GAIL resumed construction works of Kochi- Koottannad- Mangaluru Pipeline Section which will connect MCFL, Mangaluru. This pipeline Section is targeted to be completed by December 18, subject to availability of hindrance free right of way in Malappuram & Kozhikode Districts by March 2017.

The Committee are dismayed to note that Department has not been able to ensure assured supply of gas to these plants so far. The Committee, therefore, recommend the Department to overcome the above cited hindrances to provide pipeline

connectivity to these plants and to prepare a road map to complete all related tasks in a time bound manner. The Committee would like to be apprised of the progress made in this regard.

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"As per decision of CCEA, notified by the Department on 17th June, 2015, the three Naphtha based urea units viz, MFL-Manali, MCFL-Mangalore and SPIC-Tuticorin, have been allowed to continue urea production on Naphtha as a feedstock till these plants get assured supply of gas either by pipeline or by any another means.

SPIC and MCFL have conveyed that they have converted from Naphtha based to Gas based urea units and are awaiting gas pipeline connectivity. MFL has conveyed that 50 % gas conversion has been completed by them and complete conversion is expected by 2018.

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

Southern Petrochemicals Industries Corporation

SPIC is about 142.5 Km away from ONGC's Ramanad gas field. ONGC has informed the availability of non-APM gas for allocation from Kanjirangudi (KJR) field, Ramnad under Cauvery Assets in Tamil Nadu. Based on the requests made by M/s SPIC to allocate 0.9 MMSCMD of natural gas from Ramnad field for its urea manufacturing unit located at Tuticorin in Tamilnadu and as per recommendations of DoF, Ministry of Petroleum and Natural Gas has earmarked 0.9 MMSCMD of Non-APM gas from ONGC's Kanjirangudi (KJR) field, Ramnad for SPIC, Tuticorin.

SPIC, Tuticorin is proposed to be connected with ONGC's Ramnad gas field by laying a 142.5 Km pipeline by M/s IOCL as a part of its authorized pipeline Ennore-Thiruvallur- Bengaluru-Puducherry- Nagapattinam- Madurai- Tuticorin Natural Gas Pipeline (ETBPNMTPL). This pipeline has been awarded in Dec. 2015. IOCL has provided the updated status as under:

- i. Joint meeting between ONGC, SPIC and IOCL held in April 2016 & August 2016 and modalities for gas supply finalized.
- ii. Detailed Engineering Route Survey of Ramnad- Tuticorin, pipeline section has been completed and pipeline alignment finalized.
- iii. Right of users (RoU) acquisition under Petroleum & Minerals Pipelines, Act 1962 initiated and 3(i) notifications for entire pipeline section (142.5 Km) have been prepared and submitted to MoP&NG for publishing.
- iv. Appointment of Engineering Consultant for compressor station at Ramnad has been awarded.
- v. Application submitted for obtaining Environment clearance. Terms of Reference (ToR) have been received from MoEF & CC and the EIA & RA study is currently in progress.
- vi. Coastal Regulatory Zone (CRZ) mapping work is awarded to Anna University for obtaining CRZ clearance, which has been completed.
- vii. Application for obtaining crossing permissions across rivers/nala, NH/SH, Railway etc submitted and follow up is being maintained.
- viii. Wild Life clearance permission has been applied and follow up is being maintained.
- ix. Detailed Design & Engineering of pipeline is in progress.
- x. Target for completion of Ramnad- Tuticorin section is June 2018. However, the same would be dependent on receipt of Wild Life Clearance/ Environment

Clearance as well as permissions from state government for laying this pipeline as per the finalized pipeline alignment.

Madras Fertilizers Ltd (MFL)- Manali:

Option1: MFL, Manali is proposed to be connected with IOCL's proposed LNG Terminal at Ennore by Ennore-Thiruvallur- Bengaluru-Puducherry-Nagapattinam-Madurai-Tuticorin Natural Gas Pipeline (ETBPNMTPL) through 18"OD spur pipeline. Ennore LNG terminal is likely to be commissioned by June 2018. This plant is only 22 kms away from the proposed LNG terminal. In order to connect this plant, PNGRB has granted authorization to IOCL on 15th December, 2015 to construct ETBPNMTPL. This, MFL, Manali may be connected in synchronization with the commissioning of Ennore LNG terminal. IOCL has provided the updated status as under:

- i. Detailed Engineering Route Survey for spur pipeline from Ennore LNG terminal to MFL Manali has been completed and pipeline alignment has been finalized.
- ii. The spur pipeline to MFL, Manali would be laid in common corridor between Ennore port to Manali. Common corridor acquisition (outright purchase/lease basis) in Govt. Land is in progress for which support of State Administration has been sought.
- iii. 3(i) notification published in Gazette of India for RoU Acquisition in Private land.
- iv. Coastal Regulatory Zone (CRZ) mapping work completed for obtaining CRZ clearance.
- v. Application for obtaining crossing permissions across rivers/nala, NH/SH, Railway etc. submitted to respective authorities and follow up in hand.
- vi. Detailed Design & Engineering of pipeline progress.
- vii. EIA & RA study work has been awarded and the same is in progress.
- viii. Pipeline will be commissioned in synchronization with commissioning of Ennore LNG terminal i.e. by June 2018.

Option2: As an alternative supply to MFL-Manali, GAIL has also plans to connect the plant through a spurline of about 270 kms from its Kochi-Koottannad- Bangalore-Mangalore (KKBMPL) pipeline. Further, gas can also be supplied from Dabhol LNG terminal of RGPPL through Dabhol- Bangalore pipeline with extension to MFL, Manali. For execution of the pipeline, GTA and GSA are required to be signed by GAIL with MFL, Manali. GAIL had offered MFL to supply RLNG at Henry Hub (HH) linked prices for a Long term period of 20 years and for the initial period of 2017-18. MFL is yet to execute the necessary agreements.

Mangalore Chemicals and Fertilizers Ltd. (Mangalore)

GAIL planned to connect this plant with Kochi LNG terminal laying Kochi-Koottannad- Bengaluru-Mangalore Pipeline (KKBMPL). GAIL has taken up KKBMP in phases. KKBMP (Phase-I) involving the first 17 Km Pipeline section of Kochi-Koottannad – Mangaluru section in Kochi city was commissioned in Aug'13 in synchronization with commissioning of Kochi LNG Terminal. Balance Pipeline section of Kochi – Koottannad- Mangaluru Pipeline is being taken up as part of KKBMP (Phase-II). Construction works of KKBMP (Phase-II) were started initially in Feb' 12. However, due to stiff resistance from farmers in the state of Kerala and Tamilnadu, the Koottannad – Mangalore pipeline section and Koottannad- Bangalore pipeline section are getting delayed in execution.

With the active involvement of Government of Kerala since Jun'15, the survey and panchnama activities for RoU acquisition resumed in Kerala. As on date, Survey and Panchnama Works are completed in all other districts enroute Kochi- Koottannad-Mangaluru section except Malappuram & Kozhikode Districts. Out of 130 Km RoU in Malappuram & Kozhikode Districts, Survey & Panchnama is completed for 55Km till date. Looking into the progress of Survey & Panchnama works, GAIL resumed construction works of Kochi- Koottannad- Mangaluru Pipeline Section which will connect MCFL, Mangaluru. This pipeline Section is targeted to be completed by

Dec'18, subject to availability of hindrance free RoU in Malappuram & Kozhikode Districts by March 2017."

Comments of the Committee

(Please see Para No. 31 of Chapter-I of the Report)

CHAPTER – III

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

NIL

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLY OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

RECOMMENDATION SL. NO.5

With regard to facilitate fresh investment in urea sector to reduce India's import dependency in urea production, the committee had recommended as under:-

"The Committee note that the New Investment Policy 2012 (NIP-2012) was notified by the Government on 2nd January, 2013 and its amendment on 7th October

2014 in order to facilitate fresh investment in urea sector to reduce India's import dependency in urea production. The Department at present has received 06 proposals for setting up of Revamp, Expansion, Revival and Greenfield plants. The Department in April, 2015 had advised all the project proponents to furnish Bank Guarantee & take all necessary steps as per the provisions of NIP-2012 and its amendment. In this regard, three project proponents viz., Chambal Fertilizers & Chemicals Limited, Kanpur Fertilizers & Cement Limited and Matix have written letters to the Department in respect of their proposals. However, no communication has been received from Indo-Gulf Fertilizers Limited and Nagarjuna Fertilizers & Chemicals Limited. As far as Matrics Fertilizers & Chemicals Limited is concerned, they have been requesting for exemption from bank guarantee. To this effect PDIL has been deputed to see the level of execution of the project as MFCL are ready for commissioning. Further, vide letter dated 29th February, 2016 and 11th January, 2017, the Department of Fertilizers has advised the other project proponents to provide the present status of their projects and furnish the Bank Guarantee as per the provisions of NIP-2012 and its amendment.

The Committee are dismayed to note that apart from issuing the reminders, no progress has been made since the last year in implementing the New Investment Policy which was notified on 2nd January, 2013. The Committee further note that the commissioning of new fertilizer plant takes around 3 to 3.5 years from the zero date. In view of this, it is imperative that these investment proposals are implemented at the earliest. Considering the importance of the fresh investment in the fertilizer sector, the Committee reiterates its earlier recommendation that the Department of Fertilizers should make more sustained and proactive efforts to review periodically the progress made by the project proponents in a time bound manner and take corrective measures to ensure their timely execution. The Department may also take up the matter to furnish the Bank Guarantee regularly with the project proponents & also to take all necessary further steps as per the provisions of NIP-2012. Further, the Department is also expected to take decision regarding MFCL expeditiously and press upon PDIL to come out with a report without any delay. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

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

S. No.	Company	Projects	Ownership	State
1.	Kanpur Fertilizers &	Greenfield Project at	Private	Madhya

	Cement Limited	Jabalpur		Pradesh
2.	Indo-Gulf Fertilizers Limited –Jagdishpur	Brownfield Expansion urea project at Jagdishpur.	Private	Uttar Pradesh
3.	Chambal Fertilizers & Chemicals Limited-Gadepan	Brownfield of Ammonia-Urea units at Gadepan-Kota.	Private	Rajasthan
4.	Matix Fertilizers & Chemicals Limited, Panagarh	Greenfield/Brownfield Ammonia-Urea Fertilizers Complex at Panagarh.	Private	West Bengal
5.	Rashtriya Chemicals & Fertilizers Limited-Thal	Brownfield Ammonia-Urea Expansion project at Thal.	CPSU	Maharashtra
6.	Nagarjuna Fertilizers & Chemicals Ltd.	Brownfield Project at Kakinada, Andhra Pradesh.	Private	Andhra Pradesh

As per para (ii) of the amendment to NIP-2012, all the project proponents are required to furnish Bank Guarantee (BG) of Rs. 300.00 Crore for each project linked to milestone in the project cycle, to ensure seriousness/credibility of the project proponents under NIP-2012 and for timely execution of the projects. Out of Rs. 300.00 Crore, Rs. 100.00 Crore of BG is to be released after finalization of Lump sum Turn Key (LSTK)/Engineering Procurement Construction (EPC) contractors and release of advance to the contractor's account; Rs. 100.00 Crore on completion of requirements ordering and supply to the site or midpoint of the project cycle, whichever is earlier, and the balance of Rs. 100.00 Crore of BG on completion of the project. PSUs are, however, exempted from furnishing the BG.

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

S. No.	Company	Present Status
1.	CFCL- Brownfield of Ammonia-Urea units at Gadepan-Kota	As per the terms of the NIP Policy, CFCL has furnished the Bank Guarantee of Rs. 300 Crore to the Government of India. On achieving the first milestone of the project, Rs 100 Crore has been released to CFCL.
2.	KFCL- Greenfield project at Jabalpur	<p>The request of KFCL, Jai Prakash Associates Limited for allocation of sufficient quantity of gas for the proposed urea plant at Jabalpur and to expedite the Surat- Paradip gas pipeline with a provision to connect Jabalpur to this pipeline was taken up with MoP&NG.</p> <p>In this regard, GAIL informed that they are presently carrying out detailed route survey of Dhamra- Ang ul-Durg Section of Surat-Paradip-Dhamra Pipeline along with a spurline to Balaghat/Jabalpur. GAIL has requested to provide the indicative schedule/ plan for setting up a fertilizer plant at Balaghat/Jabalpur.</p> <p>In response to the above letter of GAIL, KFCL has communicated that the acquisition of the desired land is under process by the state government, pending which, it would be difficult for them to communicate the indicative</p>

		<p>schedule. Subsequent to the land allotment, they will be starting the process for environment clearance. KFCL has indicated that the project for setting up a Greenfield fertilizer unit will take 36 months from receipt of Environment clearance.</p> <p>The same has been informed to MoP&NG.</p>
3.	Matix	<p>Matix Fertilizers & Chemicals Limited has proposed to set up a Greenfield Project of 3 Million Metric Tonne Per Annum gas based Ammonia-Urea complex (Train-I & II) at Pannagarh, West Bengal with the investment of over Rs. 6000 Crore. The Matix plant will use Coal Bed Methane (CBM) gas as feedstock for manufacturing urea. Matix has confirmed its readiness to commence production of urea subject to the availability of minimum 1.7 mmscmd of CBM. There is no domestic gas allocation for this project by the Government of India and also the unit is not connected to National Gas Grid Network. In order to facilitate the commissioning of plant, DoF has taken up the matter of allocation of CBM Gas with MoP&NG.</p> <p>Matix has requested for the exemption of Bank Guarantee for Train-I. The request of Matix has been examined by the Committee of Secretaries constituted under amendment to NIP-2012. During its meeting held on 29th June, 2017 it has decided that Matix will have to submit Rs.300.00 Crore BG as per NIP-2012 read with its amendment. Rs.200.00 Crore will be released in view of attainment of first two milestones.</p> <p>So far as Train-II is concerned, vide letter dated 24th April, 2016, Matix has informed that they shall take all necessary action as required and also take steps to achieve Financial Closure. They agree to submit Bank Guarantee on achieving financial closure but before making any LSTK/EPC financially effective.</p>

However, no communication has been received from Indo-Gulf Fertilizers Limited (IGFL) and Nagarjuna Fertilizers & Chemicals Limited (NFCL). Vide letter dated 29th February, 2016 and 11th January, 2017, Department of Fertilizers has advised the project proponents to provide the present status of the project and furnish the Bank Guarantee as per the provisions of NIP-2012 and its amendment."

Comments of The Committee
(Please see Para No. 19 of Chapter -I of the Report)

RECOMMENDATION SL NO.10

While recommending the Department to recheck the data regarding availability of fertilizers to farmers during the period of demonetization, the committee had recommended as under

"The Committee note that in the backdrop of demonetization, various arrangements have been made for smooth delivery of fertilizers to farmers by Department of Fertilizers (DoF). The Department took various steps like adequate availability of Urea, DAP, MOP, NPK and other fertilizers was ensured to every nook & corner of the country in close coordination done with Companies, State Governments, Ministry of Railways, Ministry of Shipping etc; *manufacturing Companies* and *Importers* of various fertilizers were directed to provide fertilizers to dealers/ wholesalers/ retailers on credit and the credit limit was extended by

additional 30 days by the Companies; similarly, Companies were asked to instruct their dealers/ wholesalers/ retailers to use all modes of transaction including sales on credit, debit card, credit card, cheques etc., for sale of fertilizers to the farmers; States were issued an advisory that they should ensure that fertilizers are readily made available to the farmers as per demand without fail and also necessary instructions be issued by State Governments to the cooperatives, private retailers/wholesalers to provide fertilizers on credit and accept all modes of payment viz. debit card, credit card, cheques etc. As per the Data provided by the Department, the availability of all the fertilizers during November 2016 and December 2016 was more than that in November 2015 and December 2015. During November- December 2016 total requirement of fertilizers was 107.76 LMT, the availability was 142.59 LMT and sales were 99.63 LMT.

However, the Committee are apprehensive about the data furnished by the Department. The Committee would therefore like the Department to recheck the data regarding availability of fertilizers to farmers during November-December 2016. The data furnished relates to November and December, 2016 however, during this period withdrawal of even Rs.1000 to Rs.2000 was very difficult. The Committee are of the view that after demonetization farmers neither had money nor credit / debit card and any other facility. They did not even have the facility of withdrawing money from their bank accounts. Some villages even do not have banking facility and even if banks were available Government has imposed withdrawal limit on such banks. The Committee, therefore, recommend that post demonetization the Department should effectively monitor the situation at district and at the village level and take adequate measures to ensure that the farmers do not suffer due to dearth of cash in hand and fertilizers are made available to each and every farmer. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

As ascertained from the first point sales data the sale during demonetization period (Nov.'16 - Dec.'16) was more as compared to last years and no shortage of fertilizers has been reported from any of the States/UTs. Further, a statement showing requirement & availability of fertilizers upto the month of March 2017 is enclosed (Annexure-II)

Comments of the Committee

(Please see Para No. 34 of Chapter-I of the Report)

CHAPTER V

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

RECOMMENDATION SL. NO.4

While emphasizing the need for providing DBT to farmers, the committee had recommended as under:-

"The Committee have time and again emphasized the need for expeditious implementation of Direct Benefits Transfer (DBT) system which was conceptualized in 2011 on the recommendation of Task Force constructed by the Ministry of Finance to recommend implementable solution for direct transfer subsidy on kerosene, LPG and fertilizers. The Task Force has suggested four phase approach for direct disbursement of fertilizer subsidy to the intended beneficiaries. In the 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 (Mobile Fertilizers Management System), 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.

In divergence from the above the Committee have been informed that 100% subsidy on various fertilizer grades shall be released to the fertilizer companies instead of the beneficiaries, on the basis of actual sales made by the retailer to the beneficiaries. Initially, the modified subsidy procedure under DBT System will be introduced on pilot basis in 16 select districts. Three more districts, Dhanbad in Jharkhand, Begusarai in Bihar and Gorakhpur in UP have been included in the pilot project. The Committee are also given to understand that the DBT in fertilizer subsidy is slightly different from the beneficiary directed subsidy administered in LPG, etc. as traditionally subsidy in the fertilizer sector has been given to industry and the difference of cost of production and margin of profit is passed on to the farmers in the form of subsidized rates.

The Committee are not satisfied with the performance of the Department in implementing DBT Scheme, and are of the view that the Department has not been able to implement the Scheme in a time bound manner which was conceptualized in 2011. The Committee are unhappy regarding modification made in the subsidy procedure under DBT System, wherein, 100% subsidy on various grades is to be released to the fertilizers companies instead of the beneficiary. The Committee expect that after implementation of DBT, divergence or smuggling of fertilizer will be reduced to a large extent and the Government will save subsidy eventually. The Committee believe that the soil Health Card which contains particulars like name of the farmer, land holding, irrigated area, bank details etc., may be beneficial in disbursing subsidy directly in the farmer's bank account. The Committee, therefore, recommend that the Department to reconsider its decision and disburse subsidy to farmer directly. The Committee also,

reiterate its earlier recommendation that the Department of fertilizer in coordination with the Ministry of Agriculture may make earnest efforts towards expeditious implementation of Soil Health card scheme and ensure that every farmers is provided with a Soil Health card having bank details for direct transfer of subsidy to them. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Mobile Fertilizer Monitoring System (mFMS) Phase-I was introduced in November 2012 in which the receipt of fertilizers upto the retailers is being tracked through Mobile based Fertilizer Monitoring System (mFMS). The Department of Fertilizers is implementing Direct Benefit Transfer (DBT) Scheme on pilot basis in 19 districts. The pilot DBT captures the details of retailer sales through PoS devices and beneficiary/buyer details (as proposed in mFMS Phase-II).

Under the conventional DBT being implemented in other Government Welfare Schemes such as LPG, the subsidy amount is directly transferred to beneficiaries immediately after purchase of the subsidized product by the beneficiary. However, in case of fertilizer subsidy the subsidy will be released to the fertilizer company after the sale of fertilizers by the retailers to beneficiary and submission of claim to Dept. of Fertilizers. All sales of fertilizers will be made through Point of Sale (PoS) devices at retailer level. The subsidized fertilizers will be available to the beneficiaries at subsidized MRP.

Implementation of DBT in Fertilizers like other traditional DBT schemes is complex due to the following:

- i. Beneficiary is not defined.
- ii. Entitlement of the beneficiary is not defined.
- iii. Subsidy amount is more than twice of subsidized price.
- iv. Moving MRP to Market Price will cause huge burden on farmers as they would be required to pay the market price upfront.
- v. Multiple products (Urea, Phosphatic and Potassic etc.) have varied subsidy amounts.
- vi. Subsidy component varies from company to company even for the same product.

Further, to facilitate smooth rollout of DBT and passing on the intended benefits of DBT in fertilizers to the end beneficiaries, the Department of Fertilizers has taken up with D/o Agriculture, Cooperation & Farmers Welfare to expedite the issue/distribution of the Soil Health Cards to the targeted beneficiaries (copy enclosed at Annexure-I)."

Comments of the Committee

(Please see Para No. 16 of Chapter-I of the Report)

RECOMMENDATION SL.NO.6

While expressing the need for restructuring process of FACT and MFL, the Committee had recommended as under:-

"The Committee note that out of 9 public sector fertilizer companies under administrative control of the Department of Fertilizers, one PSU namely Project Development India Ltd. (PDIL) is loss making and 2 PSUs viz. Fertilizers and Chemicals (FACT) and Madras Fertilizers Limited (MFL) are sick and 2 companies viz. Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) are lying closed since 2002. The Committee also note that MFL and FACT had approached the Department of Fertilizers with a financial and business restructuring proposal, which is under consideration in the Department. Further, a sum of Rs.1000 Crore has been transferred to FACT, which would monetise its land in order to liquidate Government loan.

The Committee note with deep concern that the proposals for financial restructuring of the two sick companies MFL and FACT is pending with the Department since last year. The Committee are of the strong view that loan given to sick companies like FACT should have been a soft loan so that such companies are not forced to sell of their precious assets in order to repay loan. Further, the Committee are of the view that due to delay in finalization of the proposal for financial restructuring FACT and MFL are not able to carry out renovation and modernization/repair and construction activities. The Committee, therefore, recommend that the Department should make earnest efforts to expedite the implementation of financial restructuring proposal of FACT and MFL without any further delay. The Committee would like to be apprised of the progress made in this regard."

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Department of Fertilizers has taken up the matter regarding higher interest rate on Plan loan of Rs. 1000.00 Crore granted to FACT, with Department of Economic Affairs.

Department of Fertilizers is actively considering the proposals submitted by MFL and FACT for their Financial Re-structuring:

Further Progress made for the Financial Restructuring of MFL:

In terms of DPE guidelines regarding streamlining the mechanism for revival and restructuring of sick Central Public Sector Enterprises, DoF had approved to engage an external expert agency which has experience and expertise of the business environment, operational issues, technology option and financial viability of the sector in which such CPSE is working. Accordingly, MFL was asked to initiate process for engagement of an external expert agency on urgent basis. MFL engaged PDIL as expert agency on 02.06.2016. MFL vide letter dated 20.12.2016 has submitted the study report prepared by PDIL with the approval of its Board.

In its study report, PDIL has given six options for the revival of MFL. MFL has submitted its report on PDILs recommendation for its revival. Report of MFL is under examination of DoF. A meeting was held on 5.4.2017 under chairmanship of Secretary (Fertilizers). All the six options recommended by PDIL were deliberated in the meeting. MFL has been asked to present all option before Board of Directors and submit proposal to the Department of Fertilizers with clear recommendation. Accordingly, MFL has submitted their recommendation on revival plan to this Department vide letter dated 1.6.2017 which is under consideration.

Further Progress made for the Financial Restructuring of FACT:

To avert immediate financial crisis of FACT GoI has granted a plan loan of Rs. 1000 Crore to FACT during 2015-16. In that regard:

FACT has submitted a comprehensive proposal for its financial restructuring to DoF. Proposal inter-alia seeks approval for the waiver of GoI loan & interest thereon, one-time compensation for the use of high cost LNG, approval for sale of its land and waiver of income tax on profit on sale of land. In its proposal FACT has proposed to repatriate the Plan loan of Rs 1000 crore, which was sanctioned by GoI in 2015-16, by the money generated by the sale of land.

FACT was asked on 15.11.2016 to submit details for preparing of Cabinet Note in the matter. FACT furnished the details on which Dept. of Fertilizers sought certain clarification.

FACT was advised for the following:

- a To make the projections of financial performance from 2017-18 to 2021-22 in the proposal.
- b. To submit the proposal to National Company Law Tribunal (NCLT) for obtaining clearance for sale of land as proposed in the financial restructuring proposal immediately.

On 27.03.2017 FACT has furnished the projection of financial performance from 2017-18 to 2021-22. The same is under examination in the Department.

Government of Kerala vide letter dated 27.03.2017 intimated that Govt. of Kerala has no objection on the proposed transfer of the 170 acres of land from FACT Ltd. to BPCL. MoPNG vide letter dated 31.03.2017 requested DoF to expedite the matter and consent of FACT to transfer the 170 acres of land to BPCL. Comments of FACT were sought on this matter. FACT has furnished its comments and the same are under examination.

Govt. of Kerala vide Order dated 28.04.2017 has accorded approval for the negotiated purchase of 600 acres of the land by Kerala Industrial Infrastructure Development Corporation (KINFRA) from the land acquired for FACT. The matter is under examination in Dept. of Fertilizers."

Comments of the Committee

(Please see Para No. 22 of Chapter-I of the Report)

RECOMMENDATION NO.8

While emphasizing the need to provide adequate supply of domestic gas to urea sector, the Committee had recommended as under:-

"The Committee note that the inadequate availability of gas is one of the major limiting factors to the growth of urea industry in the country. Presently, against the requirement of approximately 49 MMSCMD of gas, the urea sector is getting approximately 21 MMSCMD of domestic gas and the gap of 28 MMSCMD is being filled up by RLNG. It may be noted that out of 31.5 MMSCMD of domestic gas as allocated by CCEA, only 21 MMSCMD of domestic gas is being supplied to urea sector. The availability of domestic natural gas is not even sufficient to meet the demand of existing gas based urea units. Considering pricing and firm availability of natural gas for existing and new units of fertilizer companies vital to increase their indigenous production, the Committee, therefore, recommend the Department to vigorously take up this issue with the Ministry of Petroleum and Natural Gas and ensure that the existing and new fertilizer plants are supplied domestic gas at least to the extent of 31.5 MMSCMD as allocated to the urea sector. The Committee would like to be apprised of the progress made in this regard.

REPLY OF THE GOVERNMENT

In reply to the aforementioned recommendations of the Committee, the Department of Fertilizers has stated as under:-

"Vide D.O letters dated 22nd June, 2016, and 26th September, 2016, Secretary (Fertilizers) has written to Secretary (MoP&NG) to ensure the supply of domestic gas at least to the extent of 31.5 mmsmcd to the urea sector as per EGoM decision dated 23.08.2013.

The matter regarding shortfall in supply of domestic gas has been again taken up with Ministry of Petroleum and Natural gas vide letter dated 5.7.2017."

Comments of the Committee

(Please see Para No. 28 of Chapter-I of the Report)

New Delhi;
09 August, 2017
18 Shravana, 1939 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on
Chemicals and Fertilizers

**MINUTES OF THE EIGHTEENTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2016-17)**

The Committee sat on Wednesday, the 09 August, 2017 from 1500 hrs. to 1540 hrs. in Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri George Baker
3. Smt. Anju Bala
4. Smt. Veena Devi
5. Shri K. Ashok Kumar
6. Smt. Kamla Devi Patle
7. Shri S. Rajendran
8. Dr. Kulamani Samal
9. Dr. Ratna De (Nag)

RAJYA SABHA

10. Shri Narayan Lal Panchariya

SECRETARIAT

- | | | | |
|----|---------------------------|---|------------------|
| 1. | Shri Vinod Kumar Tripathi | - | Joint Secretary |
| 2. | Shri A. K. Srivastava | - | Director |
| 3. | Shri R. C. Sharma | - | Deputy Secretary |

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

3. The Committee thereafter took up for consideration the following Draft Action Taken Reports on :-

- (i) Demands for Grants 2017-18' of Department of Fertilizers;
- (ii) Demands for Grants 2017-18' of Department of Pharmaceuticals;
- (iii) Demands for Grants 2017-18' of Department of Chemicals and Petrochemicals; and
- (iv) Implementation of policy on promotion of city compost of Department of Fertilizers.

4. After some deliberations the Draft Action Taken Reports were adopted by the Committee without any changes. The Committee authorised the Chairperson to make consequential changes, if any, arising out of the factual verification of the Action Taken Reports by the Department of Fertilizers, Department of Pharmaceuticals and Department of Chemicals and Petrochemicals of the Ministry of Chemicals and Fertilizers.

5. The Committee thereafter decided to hold its next meeting on 23rd August, 2017.

The Committee then adjourned.

(Vide Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY FIRST REPORT (16TH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2016-17) ON 'DEMANDS FOR GRANTS 2017-18' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS).

I	Total No. of Recommendations	10
II	Observations / Recommendations which have been accepted by the Government:- (Vide Recommendation Nos. 1, 2,3,7 and 9)	5
Percentage of Total		50%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:- (Vide Recommendation Nos. NIL)	0
Percentage of Total		0
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (Vide Recommendation No. 5 and 10)	2
Percentage of Total		20%
V	Observations / Recommendations in respect of which replies of the Government are still awaited:- (Vide Recommendation Nos. 4,6 and 8)	3
Percentage of Total		30%