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STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2017-18)

SIXTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2018-19)

FORTY - THIRD REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018/ Phalguna, 1939 (Saka)

CC&F.No.43

FORTY THIRD REPORT

STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS
(2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS
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DEMANDS FOR GRANTS
(2018-19)

Presented to Lok Sabha on 13 March 2018

Laid in Rajya Sabha on 13 March 2018

LOK SABHA SECRETARIAT
NEW DELHI
March, 2018/ Phalguna, 1939 (Saka)

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2. Shri George Baker
3. Smt. Anju Bala
4. Shri B.N. Chandrappa
5. Shri Pankaj Chaudhary
6. Shri Sankar Prasad Datta
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17. Dr. Uma Saren
18. Dr. Krishna Pratap Singh
19. Shri Kirti Vardhan Singh
20. Smt. Rekha Arun Verma
21. Vacant

RAJYA SABHA

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri B.K. Hariprasad
25. Dr. Bhushan Lal Jangde
26. Shri Ranvijay Singh Judev
27. Shri Sanjay Dattatraya Kakade
28. Shri K. Parasaran
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SECRETARIAT

1. Shri V.K. Tripathi - Joint Secretary
2. Shri A.K. Srivastava - Director
3. Shri U.C. Bharadwaj - Deputy Secretary
4. Shri Vikas Kumar Chauhan - Sr. Committee Assistant

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2017-18) having been authorised by the Committee to present the Report on their behalf, present this Forty Third Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2018-19.

The Committee examined the Demands for Grants (2018-19) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which were laid in Lok Sabha and Rajya Sabha on 07 February , 2018.

The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 22 February, 2018.

The Report was considered and adopted by the Committee at their sitting held on 12 March, 2018.

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

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

New Delhi;
12 March, 2018
21 Phalguna , 1939 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

Chapter-I

INTRODUCTORY- DEMAND & SUPPLY OF FERTILIZERS

In India, the Department of Fertilizers, Ministry of Chemicals & Fertilizers is responsible for the policy formulation in the field of fertilizers. The following are the prominent function of the department :-

(i) planning, promotion and development of the fertilizer industry;

(ii) planning & monitoring of production;

(iii) input and distribution of fertilizer; and

(iv) management of financial assistance by way of subsidy/ concession for indigenous and imported fertilization.

1.2 The Indian Fertilizer Industry has shown tremendous growth in the last five decades and at present ranks third in the world. India is the second largest consumer of fertilizers after China. India also ranks second in the production of nitrogenous fertilizers and third in phosphatic fertilizers whereas the requirement of potash is met through imports since there are limited reserves of potash in the country. The fertilizer industry is considered to be an allied activity of the Agricultural sphere. Farming and ancillary activities contribute about 1/7th to India's GDP. Being an important industry to the Indian economy, the government has ensured the availability of adequate quantity and proper quality of fertilizers to the farmers. The production of these in recent years are as follows:-

Year	Urea	DAP	Complex Fertilizer	Total
2014-15	225.85	34.44	78.32	338.61
2015-16	244.75	37.87	83.01	365.63
2016-17	242.01	43.65	79.55	365.32

(in Lakh metric tonnes)

1.3 On the issue of availability and demand of fertilizers , the Ministry has informed vide notification dated 25th May, 2015, Department of Fertilizers has notified New Urea Policy – 2015 (NUP-2015) effective from 1st June, 2015, with the objectives of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the government. As a result, the production of urea during the year 2015-16 was 244.75 LMT, i.e., the highest ever urea production in the country. The production of urea during the year 2016-17 was 242.01 LMT. This is significantly higher than the production of urea during 2012-13 (225.75 LMT) and 2013-14 (227.15 LMT).

1.4 At present, there are 31 large size urea plants in the country manufacturing urea, 21 units produce DAP and complex fertilizer and 2 units manufacture Ammonium Sulphate as a by-product. These operates in public, private as well as in cooperative sectors. The MRP of Urea is statutorily fixed by the Government of India and presently it is Rs. 5360 per MT. The Government also provides subsidy to the manufacturer/importer of fertilizers.

1.5 In the financial year 2018-19, Government has set the following physical targets regarding making available the following kind of fertilizers:-

(i) Indigenous P &K fertilizers - 152 LMT
(ii)Imported P & K fertilizers -80 LMT
(iii)City Compost -02 LMT
(iv) Indigenous Urea -245LMT
(v) Imported Urea -70 LMT

1.6 In response to the query of the Committee whether self sufficiency in inorganic/chemical fertilizers has been achieved, the Department of Fertilizers in a written note regarding the domestic Urea requirement vis-a-vis indigenous Urea productions for the last three years submitted as under:-

In LMT

	2014-15	2015-16	2016-17
Requirement	**306.70**	**313.40**	**289.10**
Indigenous Urea production	**226.00**	**245.00**	**242.00**

The Department of Fertilizers further stated that to meet the domestic requirement, 88 LMT, 85 LMT and 54 LMT of Urea was imported for the last three years respectively. However, Government is reviving five closed urea Plants namely Gorakhpur, Sindri, Barauni, Talcher and Ramagundam each having production capacity of 12.7 LMT. This additional indigenous Urea production in future will help India achieve self sufficiency in meeting domestic Urea requirement.The self sufficiency in P & K Fertilizer sector has not been achieved as India is 100% dependent on imports in Potash and to the extent 90% in case of Phosphate Sector in terms of either finish fertilizers, raw material and inter-mediaries.

1.7 The total installed capacity of P&K fertilizers is 146 LMT against the total average sale of 202.2233 LMT during last three years. However, due to non availability of raw material in the country, the indigenous industry is not able to utilize the full installed capacity. The gap is being filled by imports.

1.8 The Committee raised the issue of demand and supply of fertilizers in the country in its sitting held on 22 February 2018 on which the Secretary, Department of Fertilizers has *inter-alia* provided the following points:-

> ".... The physical targets in the outcome budget are, as explained in the slide show, the outcome of discussions which are held biannually by the Agriculture Department with the State Governments. We are then conveyed the requirement of fertilizers. We generally

go about arranging for that quantity of fertilizer through domestic and import sources. There is no question of not achieving the outcome target. The Agriculture Department conveys to us. They give us two targets – one is slightly liberal target and the one is a little conservative target. We plan liberally for the maximum amount of fertilizers. For the last three or four years, there has been no shortage noted anywhere in the country both in the two main agriculture crop seasons, Kharif

and Rabi ..."

1.9 Elaborating the vision and strategy to augment fertilizers production in the country, the Department in their post evidence written reply stated as under:-

The total installed capacity of 30 urea manufacturing is around 207.54 LMT.During 2016-17, the requirement of urea in the country was 290 LMT against which the total indigenous production of urea was 242.01 LMT. Since the indigenous production is not sufficient to meet the requirement of urea in the country, the gap between demand and supply is met through imports. During 2016-17, 54 LMT of urea was imported.

The Government has announced New Investment Policy – 2012 (NIP-2012) on 2nd January, 2013 and its amendment on 7th October 2014 to facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector. Under the provisions of NIP-2012 and its amendment, Matix Fertilisers & Chemicals Limited (Matix) has set up a Coal Bed Methane (CBM) based Greenfield Ammonia-Urea complex at Panagarh, West Bengal with the installed capacity of 1.3 MMT per annum. The commercial production of Matix has started on 1st October, 2017. Chambal Fertilizers & Chemicals Limited (CFCL) has also proposed to set up a brownfield project with capacity of 1.34 MMT at Gadepan, Rajasthan, which is likely to start commercial production in January, 2019.

Further, to increase the production of fertilizers by Central PSUs, Government has decided to revive closed units namely Gorakhpur, Sindri, Talcher and Ramagundam units of (FCIL) and Barauni unit of Hindustan Fertilizer Corporation Limited (HFCL) by setting up of 12.7Lakh Metric Tonne per annum urea plant at these units. All of these units are targeted to become operational by December, 2020 i.e., within four years.

In addition to above, the Government has also decided to install a new Urea plant of 8.646 Lakh Metric Ton (LMT) per annum in the existing premises of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), which will subsequently replace the existing Namrup II (Capacity 2.40 LMT) and Namrup III (Capacity 2.70 LMT) units.

The aforesaid projects are likely to add 93.45 LMT to the indigenous production capacity by 2022.

Neem coating of urea

1.10 The Government has made 100% neem coating mandatory on 25 May 2015. Indigenous urea to be neem coated by 1 September 2015 and the imported urea by 1 December 2015. Neem coating ensures slow release of nitrogen resulting in reduced consumption of nitrogen use efficiency as compared to normal urea. A 45 Kg bag of urea has been introduced by the government in place of 50 kg bag.

1.11 The detailed Demands for Grants (2018-19) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 07 February, 2018. The Demand (No.7) shows a budgetary allocation of Rs. 73485.39 crore [(Rs.0.04 crore (capital) + Rs. 73485.35 crore (revenue)]. The Committee have examined in-depth the Demands for Grants of the Department for the year 2018-19. The detailed analysis, along with Observations/ Recommendations of the Committee are presented at the end of the Report. The Committee expect the Department of Fertilizers to take the Committee's recommendations seriously and act on them expeditiously.

CHAPTER-II

DFG 2018-19

The Demands for Grants (Demand No.7) for the year 2018-19 of the Department of Fertilizers are as under:-

(in Lakhs Rs)

		BE 2017-18	RE 2017-18	BE 2018-19
1	**Secretariat Economic Services (3451)**	**3266.00**	**3291.00**	**3499.00**
2	**Nutrient Based Subsidy Policy (2401)**	**2023200.00**	**2225180.00**	**2509035.00**
	Indigenous P & K Fertilizers	1231700.00	1433700.00	1582035.00
	Imported P & K Fertilizers	790000.00	790000.00	926000.00
	City Compost	1500.00	1480.00	1000.00
3	**Urea Subsidy (2852)**	**5400000.00**	**4698000.00**	**4836000.00**
	Indigenous Urea Subsidy	3700000.00	3197370.00	3498950.00
	Urea Freight Subsidy	300000.00	500000.00	0.00
	Import of Urea Subsidy	1400000.00	998000.00	1336000.00
	(iv) Direct Benefit Transfer (DBT) in Fertilizer Subsidy			
	(a) Office Expense		2220.00	100.00
	(b) Professional Service		410.00	950.00
4	**Assistance to PSUs**			
	For write off of loan, interest and penal interest on Govt. of India loan outstanding (3475)	1.00	0.00	1.00
	Grand Total	**7426467.00**	**6926467.00**	**7348535.00**

Under-utilization of allocations

2.2 On being asked by the Committee to the Department of Fertilizers on the reduction of B.E. (2017-18) of Rs. 74264.71 crore to Rs 69264.71 crore at revised stage and again seeking the enhanced allocation to the tune of Rs. 73485.35 in B.E. 2018-19 , the Department furnished as follows in their reply:-

"....... Due to decrease in the international price of Urea and lesser quantity of imported urea, an amount of Rs. 2000.00 Crore has been surrendered from the Head of Imported Urea and another amount of Rs. 3000.00 Crore has been surrendered from indigenous Urea partly on account of low international gas prices.."

2.3 On being asked about the rationale behind making provision of Rs. 73485.39 Crore for the year 2018-19 viz-a-viz actual expenditure finally to be incurred on lower side for the year 2017-18; the ministry replied in the written submission which is as follows:-

> **".....**During the current financial year a provision of Rs. 74264.71 crore was made at BE stage which has been reduced by Rs. 5000.00 Crore at RE stage. Thus the RE allocation became Rs. 69264.71 Crore. For the financial year 2018-19 an amount of Rs. 73485.39 has been provided at BE stage keeping the view the fact that certain liabilities of the current year will be carried forward to the next year....."

2.4 A statement showing the Budget Estimates, Revised Estimates and Actual Expenditure for the last three years (year-wise) in gross terms is given below:

(Rs) in crore

	2015-16			**2016-17**			**2017-18 #**	
	BE	**RE**	**Actuals**	**BE**	**RE**	**Actuals**	**BE**	**RE**
Plan	50.00	1002.80	1002.71	10.00	0.00	0.00	0.04	0.00
Non Plan	77097.80	76562.47	76561.65	74129.37	74130.85	70130.19	74264.67	69264.71
Total	77147.80	77565.27	77564.36	74139.37	74130.85	70130.19	74264.71	69264.71

#From 2017-18, the distinction between Plan and Non-Plan expenditure has been done away

* The Figures of Actuals for 2017-18 are up to 31st December 2017.

2.5 Responding to the concerns of the Committee regarding the reasons for comparatively low utilization of funds allocated under Revenue Head during the year 2017-18 on substantially lower side, the Department of Fertilizers apprised that the All the funds available under the subsidy heads will be utilized during the financial year 2017-18. The break-up of the expenditure for the yer 2017-18 is as under:-

(Rs. In Crores)

	2017-18		
	BE	**RE**	**Actual Expenditure as on 16.02.2018**
Capital	**0.04**	**0.00**	**0.00**
Revenue	**74264.67**	**69264.71**	**59369.30**
Total	**74264.71**	**69264.71**	**59369.30**

Actual Expenditure as on 16th February 2018 is 85.71% of RE. Remaining budgetary balance is expected to be utilized during the year 2017-18 to meet on account claims as well as balance claims.

2.6 Giving the reasons for variations in BE, RE and AE for the years 2015-16, 2016-17 and 2017-18, the Department of Fertilizers in its written reply stated as under:

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

2015-16

Plan: The Budget provision for 2015-16 under Plan Section was Rs.50.00 Crore, which was meant for Loans to Public Sector Undertakings (PSUs). At 2nd Supplementary stage a loan of Rs. 1000.00 Crore was provided to FACT. Thus, at RE stage an amount of Rs. 1002.80 had been available including an allocation Rs. 2.80 Crore for MIT Head. A sanction of Plan loan amounting Rs. 1000 Cr to FACT had been issued on 21.03.2016, which was later released to the company in the same financial year. Against the allocation of Rs.2.80 Crore for MIT head, an amount of Rs. 2.71Crore has been spent.

Non-Plan: Against the projected requirement of Rs.108691.44 Crore (gross), the Department has been allocated an amount of Rs. 77097.80 Crore (Gross). The Gross allocation under Non Plan Section has been reduced to Rs. 76562.47 Crore under Revised Estimates (RE) stage. Against this an amount of Rs. 76561.65 Crore has been spent

At the close of Financial year 2015-16, the Department had a carry over liability of Rs.43356.23 Crore.

2016-17

Plan: The Budget provision for 2016-17 under Plan Section has been Rs.10.00 Crore, which was meant for Loans to Public Sector Undertakings (PSUs). However, at RE stage no amount has been provided as loans to PSUs.

Non-Plan: Against the projected requirement of Rs. 100945.66 Crore (gross), the Department has been allocated an amount of Rs. 74129.37 Crore (Gross). The Gross allocation under Non Plan Section has been slightly increased to Rs.74130.85 Crore under Revised Estimates (RE) stage. Against this an amount of Rs. 70130.19 Crore was spent during this year.

The carry over liabilities of 2016-17 were Rs.39057.11 crore at the end of financial year 216-17

2017-18

From 2017-18, the distinction between Plan and Non Plan Expenditure has been eliminated. The expenditure is now classified as Capital Expenditure and Revenue Expenditure.

Capital Expenditure

In the year 2017-18, the allocation for Capital Expenditure is Rs.0.04 Crore. This is basically in the form of token provisions at BE 2017-18 for assistance to PSUs. However, in view of the instructions of Ministry of Finance regarding defaulting PSUs in respect of repaying loans and interests, no provision has been kept in RE 2017-18.

Revenue Expenditure

In the year 2017-18, the total allocation for Revenue Expenditure has been Rs.74264.67 Crore including allocation of (i) Rs.32.66 Crore for Secretariat Expenditure; (ii) Rs.74232.00 Crore for Subsidy Expenditure; and (iii) a token provision of Rs.0.01 Crore towards waiver of losses. RE 2017-18 has been kept at Rs 69264.71 Crore. As on 31.12.2017, the Secretariat Expenditure is Rs. 26.64 Crore and the Subsidy Expenditure is Rs. 54955.40 Crore.

The carryover liabilities of 2017-18 would be known only after the end of the current financial year.

SUBSIDY EXPENDITURE AND CARRYOVER LIABILITIES (ACTUALS) (RS. CRORE)

2.7 The Department of Fertilizers informed that as on 31.03.2017, there was a carryover liability of Rs.39,057.11 crore. As on date, an amount of Rs. 29,091.47 cr. has been discharged. The remaining carry over liabilities will be discharged subject to availability of funds under BE/ RE/ Supplementary budget and submission of claims by fertilizer companies.

Sl. No.	Year	Subsidy Expenditure	Carryover liability
1.	2011-12	74570	22201
2.	2012-13	70592	26417
3.	2013-14	71280	40341
4.	2014-15	75067	31831
5.	2015-16	76538	43356
6.	2016-17	70100	39057 @
7.	2017-18	59369* *till 16.2.18	@ to be known on close of financial year

Clearence of carry forward liabilty

2.8 The details of Carryover Liabilities as on 01.04.2017, discharged so far and yet to be discharged as on date are as under:

(Rs. in crore)

Head	Carryover liabilities as on 01.04.2017	Carryover liabilities discharged as on date	Carryover liabilities to be discharged
Indigenous Urea	19500.00	14925.89	4574.11
Imported Urea	399.71	399.70	0.01
Indigenous P&K	11671.40	8589.54	3081.86
Imported P&K	7482.42	5173.82	2308.60
City Compost	3.58	2.51	1.07
Total	39057.11	29091.46	9965.65

The Committee raised the issue of carry forward liabilities in fertilizers PSUs. The Secretary, Department of fertilizer has informed during the committee sitting held on 22 Feb. 2018 that last year the ministry had committed that they will try and extinguish some of their liabilities which were pending against the fertilizer sector. With the cooperation of both, the Ministry of Finance and also because of the decline in the international prices in natural gas, they have been able to substantially bring down the liabilities which the Government owed to the fertilizer industry.
(Proceedings dt 22.02.2018 pg)

2.9 Applying the fear of the Committee regarding delay in clearance of total carry forward liabilities, the Secretary, Department of Fertilizers submitted before the Committee as under:-

In so far as the Budget is concerned, there was some concern that there has been a reduction in the Budget for 2018-19 and the companies are complaining about not receiving payments. They are also saying that we have not been able to extinguish those liabilities regarding money for urea as well as the P&K. I want to bring to your notice that as on March 31, 2017, liabilities stood at about Rs.39,000 crore and we have in this 11 months, been able to extinguish almost Rs.30,000 crore of this liability. We are taking active steps to extinguish the balance liability also. States have also been now asked to upload their DBT data on state-wise basis. It is expected that almost hundred per cent payment will begin flowing to the company in the course of the next two months. Till now, only the pilot districts have been enabled. Now, I am told that this week, the States also have been enabled.

So, going forward, I anticipate that all pending liabilities should be extinguished.

With respect to the huge liabilities which have come up in the P&K sector, it is keeping this in mind that we actually enhanced the allocation this year substantially so that next year we would have additional money in the P&K head to disburse to the P&K sector. In the urea sector, quantum of liability is very much lower and we expect that whatever we have allocated should be sufficient. Having said that, should there be an additional requirement, since we are going into a DBT form of payment, I can assure you that together with the Finance Ministry, we would be able to ensure that there will be no case of non-payment on time because we are committed to make the payments on time, on the basis of real time. So, there should be no shortage of funds as we move forward into

Chapter-III

DISTRIBUTION OF FERTILIZERS AND FREIGHT SUBSIDY

A. FERTILIZER SUBSIDY

Governments in both developed and developing countries intervene in agriculture with a view to achieving a wide range of economic and social objectives. The reasons for government intervention are diverse and varied. Some of the most cited reasons for intervention are self sufficiency, employment creation, support small-scale producers for adopting modern technologies and inputs, reduce price instability and improve the income of farm households. In pursuit of achieving these the Govt. provides input subsidies to influence the cost and availability of farm inputs, like credit, fertilizers, seeds, irrigation water, etc. Fertilizer subsidy is one of the important among these. With the objective of providing fertilizers to farmers at an affordable price and ensuring adequate returns on investments to entrepreneurs, a fertilizer policy was envisaged of providing fertilizers to farmers at subsidized prices to induce farmers to use fertilizer.

3.2 The outcomes with reference to outlays for different subsidy schemes during the financial years 2015-16, 2016-17 and 2017-18 have been as under:-

(Rs. in crores)

Year		BE	Expenditure	Physical Outcomes (in LMT)
2015-16	Urea Subsidy	54600.00	54600.00	329.49
	NBS Subsidy	22468.56	21937.56	254.87
2016-17	Urea Subsidy	55100.00	51256.59	296.82
	NBS Subsidy	19000.00	188843.42	209.74
2017-18	Urea Subsidy	54000.00	36035.45*	227.67*
	NBS Subsidy	20232.00	18871.32*	166.87*

*Information upto Dec., 2017.

DBT scheme for fertilizer subsidy

3.3 The Government has introduced Direct Benefit Transfer (DBT) system for fertilizer subsidy payments w.e.f. October 2016. Under the proposed fertilizer DBT system, 100% subsidy on various fertilizer grades shall be released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidised fertilizers to farmers/buyers will be made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries will be identified through Aadhaar Card, KCC, Voter Identity Card etc.

Present status of DBT pilot and Pan-India rollout.

i. The Pilot project has been implemented in 19 districts
ii. A Project Monitoring Cell is in place in the Department to oversee implementation of DBT exclusively. DBT PMU comprising of 42 IT and 1 IEC Professionals i.e. 5 consultants at headquarters, 14 District Consultants, 24 State Coordinators have been appointed across all States to monitor the on-going DBT activities,
iii. The Department has chalked out a detailed plan of action for Pan-India rollout of the DBT in Fertilizers scheme, based on the preparedness of the State Governments and deployment of PoS devices by fertilizer companies.
iv. Different states/U.T.s have been put on Go-Live mode w.e.f. 01.09.2017.
v. As on date 30 States/UTs have been brought under DBT Framework.
vi. Implementation of the DBT Scheme requires deployment of PoS devices at every retailer shop, training of retailers & wholesalers for operating PoS device. Across the country, Lead Fertilizer Supplier (LFS) has conducted 4630 training sessions till date, as a part of ongoing PoS deployment and as a precursor to nation-wide rollout of DBT. Approximately 1.95 lakh retailers were sensitized during the introductory training sessions conducted by LFS and 93.5% of PoS devices have been deployed across the country.
vii. The schedule for phase-wise roll out of DBT is tabulated below:

S. No	Name of States / UT's	GO Live Timelines
1	NCT of Delhi	1st September, 2017
2	Mizoram, Daman & Diu, Dadra Nagar Haveli, Manipur, Nagaland, Goa, Puducherry,	1st October, 2017
3	Rajasthan, Uttarakhand, Maharashtra, Andaman & Nicobar Islands, Assam, Tripura.	1st November, 2017
4	AP, Haryana, Punjab, Chhattisgarh and MP	1st December,2017
5	Kerala, Bihar, Karnataka, Jharkhand, Telangana, and TN	1st January, 2018
6	UP, Gujarat, WB, Odisha and Himachal Pradesh	1st February, 2018
7	J&K	1st March, 2018

Benefits & Expected outcomes:

i. The proposed DBT framework is a beneficiary driven subsidy payment mechanism being initiated at national level.
ii. It creates Aadhaar seeded data base of beneficiaries and provides transaction visibility at the level of buyers.
iii. By linking the actual sales to subsidy payments, DBT facilitates a more transparent and faster tracking of movement of fertilizers along the value chain i.e. from manufacturers to beneficiaries.

iv. Linking of Soil Health Card Data with DBT, would lead to optimal use of nutrients and subsidy savings.

v. Setting up a PoS device at 2 lakh retailers (approx) will create a channel which will provide unlimited opportunities for the Government to reach out to Rural India. This could become service delivery channel for other ministries as well. Digitizing transactions will create purchase history of farmers/buyers, which can be used by Financial Institutions to provide credit to farmers based on transaction history at retail outlets. The data also helps to understand the consumption patterns of buyers & can be used as a Key decision making tool.

3.4 The Committee requested the Department of Fertilizers for apprising about the present system of payment/reimbursement of fertilizers subsidy for both urea and complex fertilizers and whether the Government is going to propose to review the existing system to ensure full compliance by fertilizers producing and importing companies. In this regard, the Department of Fertilizers has furnished the following reply:-

".............. Presently Subsidy on indigenous urea is being paid on receipt of material in the Districts duly acknowledged by retailers. However, under Direct Benefit Transfer (DBT) in Fertilisers, the subsidy is being paid to urea manufacturing companies on Sale of urea through PoS installed at retail point.

85% (90% if Bank Guarantee is given) 'on account' payment of subsidy is released to the P&K fertilizer companies after the receipt of P&K fertilizers in the districts. Remaining 15% (10% if Bank Guarantee is given) payment of the subsidy is released after receiving sale certification in Proforma 'B' issued by the State Government and retailer acknowledgement in iFMS.

Presently Subsidy on P&K Fertilizers is being paid to the manufacturer / importers of fertilizers on receipt of material in the Districts and retailers acknowledgement. However, Direct Benefit Transfer (DBT) system in Fertilizers, entails 100% subsidy to the manufacturer / importing companies on the basis of actual sales by the retailers to the beneficiary through the PoS device at retail points."

3.5 The Committee requested the Ministry for providing details about the installation of the requisite infrastructure for making the DBT Scheme successful and details of the expenditure likely to be incurred on this. In this regard, the Ministry has furnished the following reply:-

"...............The Department has set-up a DBT PMU comprising of 42 IT Professionals at headquarters, 14 District Consultants for pilot districts and 24 State DBT Coordinators to support and monitor the implementation of DBT across all States/UTs. A provision of Rs. 22.20 crore and Rs. 4.10 crore was made under DBT for the procurement of IT infrastructure and professional services respectively during the FY 2017-18. Out of this, an amount of Rs. 19 crores under IT infrastructure and Rs. 1.46 crore under professional services have already been placed at the disposal of NIC and NICSI. The entire budget allocated under DBT would be utilized during the current financial year 2017-18. Further, the Department has instructed the Lead Fertilizer Suppliers to install PoS devices at all retail points for sale of fertilizers and issue of sale receipts to farmers. As on date, 1.95 lakh (approx.) PoS devices have been deployed across various States/UTs."

3.6 Status of the DBT rollout in pilot districts as informed by the Ministry:-

Sr. No	District	Go live Status
1	Krishna (AP)	Live (1st Oct. 2016)
2	West Godavari (AP)	
3	Una (HP)	Live (1st Jan. 2017)
4	Hoshangabad (MP)	
5	Pali (Rajasthan)	
6	Kishanganj (Bihar)	Live (1st Feb. 2017)
7	Karnal (HR)	
8	Kurukshetra (HR)	
9	Nasik (Maharashtra)	
10	Raigarh (Maharashtra)	
11	Rangareddy (Telangana)	Live (1st Mar. 2017)
12	Tumkur (Karnataka)	
13	Narmada, (Gujarat)	
14	Thrissur, (Kerala)	
15	Dhanbad, (Jharkhand)	Live (1st Aug. 2017)
16	Begusarai, (Bihar)	
17	Gorakhpur, (UP)	
18	Malda, (WB)	Went live with State of West Bengal on 01.02.2018
19	South 24Parganas,WB)	

3.7 The Secretary, Department of Fertilizers also briefed about the preparedness regarding the implementation DBT Scheme in the country and stated the following:-

"......There is a Committee, which has been appointed at the level of the NITI Aayog, which is going to examine India's readiness to transit to the Phase-II of the DBT programme, which will be a scenario where the subsidy is actually transferred to the farmer, but it will take some time because there is a whole issue of who is the farmer is it the tenant; is it the land holder; or is it the agricultural labourer who works in the field?

So, there are a large number of complex issues, which need to be resolved plus the entire land records throughout the country has to be digitised.

8 The Department of Fertilizers was requested for apprising about the steps/ initiatives which have been taken to check possible pilferage and adulteration of fertilizers by unscrupulous elements during road transportation. In this regard, the Department has furnished the following reply:-

"............... It is submitted that the matter was taken up with all suppliers of fertilizers and after due diligence it has emerged that suppliers of fertilizers are responsible for delivery of allocated quantity to the State Governments and also for ensuring its quality. They are paid subsidy on the basis of actual quantity received in the States. Similarly, transporters are engaged by the suppliers through an established procedure. Fertilizer bags are factory sealed and cannot be replicated during the short period of transportation. Therefore, for any deficiency in respect of quantity and quality, both the suppliers and transporters are responsible. Hence, there is remote possibility of adulteration and pilferage of fertilizers during transportation by road and as such no incidence of enroute pilferage or adulteration of fertilizer has been reported so far.

Here it is also submitted that in order to ensure availability and sales of good quality fertilizers at right price and quantity the Government of India under Section 3 of the ECA, Fertilizer (Control) Order, 1985 has been promulgated. It regulates the trade, price, quality and distribution of fertilizers. Specifications of fertilizers are prescribed in the said Order. No person shall himself or by any other person on his behalf manufacture/import for sale, sell, offer for sale, stock or exhibit for sale or distribute any fertilizer which is not of prescribed standard. Samples of fertilizers are drawn periodically by the fertilizer inspectors of the State Governments from retailers/wholesalers and manufacturing units etc. for testing in the notified laboratories to check their quality in respect of the quality parameters prescribed in the Fertilizer (Control) Order, 1985. In case of imported fertilizers, the fertilizer inspectors of the Central Government (Central Fertilizer Quality Control & Training Institute and its regional laboratories) draw the samples from the ship/containers at ports.

State Governments are empowered under the Fertilizer (Control) Order/Essential Commodities Act, 1955 to take appropriate administrative and legal action against those dealers /manufacturers /importers who do not comply with the provisions prescribed in the Order.

3.9 Shri Satish Chander, D.G. FAI has informed the Committee during its sitting held on 22 February, 2018 that the MRP of fertilizers in the countries like China and Bangladesh are higher than that of India and Indian Fertilizers Industry is facing problem in keeping their profit margins because of less MRP in India. In this regard, the Secretary, Department of Fertilizers has replied following on the issue as

"............... I just want to humbly submit that the political economy of Urea prices and distribution is extremely different in India as compared to China and Bangladesh. As you would have noticed that even the prices in China and Bangladesh are much higher. So, there is probably a more efficient use of Urea and the farmer pays upfront. So, he knows the value of the product that he is using."

B. FREIGHT SUBSIDY

3.10 Fertilizer subsidy is provided by the Government with the objective of ensuring timely availability of fertilizers to farmers at affordable prices. The aforesaid twin objectives stand fulfilled only if the fertilizers are easily available, especially during the peak demand period, in all parts of the country. Freight for urea has been always driven by considerations of serving the farming population at large including those in remote and hilly areas. Being essential commodity, efficient distribution of urea can add to the efficiency of the manufacturing unit. To implement the freight reimbursement in line with NPS- III, DOF announced the uniform freight policy (UFP) with effect from April 1, 2008 vide notification dated July 17, 2008. The salient features of the policy are as below:

(i) The rail expenditure for transportation of fertilizers is paid as per the actual expenditure based on actual lead.

(ii) The road freight towards transportation of fertilizers from nearest railway rake point to block, or from manufacturing unit / port directly by road to block, consists of two elements-Lead distances and per KM rate. This element of subsidy will be paid asbelow:

a. The lead distance for each block in the district is based on average district lead (average of leads from nearest rail rake port to block headquarter)

b. The per KM road freight is paid on the basis of average of existing per KM rate for each state in the country, being adopted by FICC for reimbursement of freight for indigenous urea under NPS-III.

(iii) The normative per KM rate is annually escalated/de-escalated based on a composite road transport index (weighted average of the WPIs of HSD Oil, Motor tyres, Truck chassis and all commodities) as being done underNPS-III.

(iv) The manufacturing units (especially the SSP units) not having railway siding facilities is reimbursed the road transportation costs from their unit to the nearest rake point based on actual leads and the per tonne per KM rate, as computed in paras above.

(v) The freight subsidy is paid on actual movement of fertilizers up to the block level based on monthly district wise /block movement plans. The subsidy will be released only after the fertilizers reach the district/block as per the monthly plan.

(vi) The special freight re-imbursement scheme for J&K and North Eastern states is being under separate category as per the recommendation of the tariff commission.

(vii) The uniform freight subsidy on urea is paid through the freight module on iFMS, under which the freight for Fertilizers transportation is paid as per the following:

a. The companies are raising claims on iFMS (erstwhile mFMS) Module for payment of freight subsidy based on actual rail freight and adhoc road freight.

b. The actual railway freight is claimed by the companies based on the railway receipts uploaded in the freight module on the iFMS

3.11 The Department of Fertilizers in their pre budget material has provided that in the 2nd Batch of Supplementary Demand for Grants (2017-18), re-appropriation of Rs. 2000.00 Crore from Indigenous Urea to Freight Subsidy has been proposed to clear the Carry over liabilities in respect of Freight Subsidy. On being asked about the reasons for re-appropriation of Rs. 2000 Crore from Indigenous Urea to Freight Subsidy. the Ministry furnished the following comments:-

> "...As on 01.04.2017, there was a carry over liability towards Freight for Rs.3103.36 crores comprising freight claims for the months of December 2015 to January 2017, which were not paid due to paucity of funds during the financial year 2016-17. During the year 2017-18, an amount of Rs.3000.00 crore has been allocated for freight subsidy. Almost all the funds have been exhausted to clear the carry over liability of 2016-17. At present freight claims for February 2017 onwards are pending for payment. Claims amounting to Rs.1504.17 crore are in hand and pending for payment. Monthly Claims amounting to approx. Rs.700-800 crore, are expected to be received in the remaining period of 2017-18. Differential freight Claims (pending since 01.04.2008) amounting to approx. Rs1100.00-1200.00 crores are also expected to be received. Therefore, re-appropriation of Rs. 2000.00 crore has been sought for from Indigenous Urea."

3.12 The Budgetary provision proposed for freight subsidy during the year 2017-18 was Rs.3000.00 crore, with the assumption that there will be no carry over liability for the year 2017-18 and sufficient amount will be provided in RE 2017-18. However, a separate proposal was moved for the merger of Subsidy head with the Freight head. The Allocated budget for the merged head i.e. Indigenous Urea Subsidy as well as Freight is Rs.34989.50 crore for the year 2018-19.

3.13 On being asked whether the Government propose to review the present system of sequential reimbursement process for freight subsidy, which does not allow to generate reimbursement bill for next month in case the bill for previous/preceding month has not been fed/generated. the Ministry provided the following comments:-

"..The present system of sequential reimbursement process for freight subsidy has been adhered to maintain quantity flow (FIFO) over month to month basis, to keep an easy watch on payment as well as to avoid any duplicate payment."

CHAPTER-IV

FERTILIZER INDUSTRY AND CAPACITY UTILISATION

Fertilizer sector in India comprises of public sector, private sector and the cooperatives. The production of various sectors in total production of fertilizer is as follows during the last two years:-

Sl. No.	Sector	Production during 2016-17	Estimated production 2017-18
1.	Public Sector	84.66	84.56
2.	Cooperative Sector	108.17	104.46
3.	Private Sector	221.58	273.18
Total		414.41	462.20

Unit-wise installed capacity & production of all fertilizers during 2017-18 & estimated production during 2017-18 (upto 14 Nov. 2017) as provided by the ministry in its annual report (2017-18) is given at Appendix I

A. PUBLIC SECTOR

4.2 The following are 09 PSUs that are working in the field of fertilizer production in india:-

1. **The Fertilizers and Chemicals Travancore Ltd. (FACT)**
2. **Fertilizes Corporation of India Ltd (FCIL)**
3. **National Fertilizers Ltd (NFL)**
4. **Rashtriya Chemicals and Fertilizers Ltd. (RCF)**
5. **Madras Fertilizers Ltd (MFL)**
6. **Projects and Development India Ltd (PDIL)**
7. **Hindustan Fertilizes Corporation Ltd (HFCL)**
8. **Brahmaputra Valley Fertilizer Corporation Ltd (BVFCL)**
9. **FCI Aravali Gypsum and Minerals India Ltd (FAGMIL)**

4.3 The quantum of total revenues/receipts by each PSU and the expenditure for the last three years is as under:

(Rs. In Lakhs)

Name of PSU	2016-17		2015-16		2014-15	
	Revenue	expenditure	Revenue	expenditure	Revenue	expenditure
BVFCL	46273.66	45524.03	64667.56	61818.05	61187.62	73905.35
FACT	187976	179613	176497	195925	199734	215669
FAGMIL	6842	3217	8139	3706	9977	4505
MFL	140843	143054	122476	132230	171942	185411
NFL	770781	738293	784044	755202	856176	851704
PDIL	5744.46	6768.89	7205.84	7845.60	5755.33	6803.56
RCF	729115	704242	832640	806117	779006	725674

4.4 As regards to the study conducted to find the reasons responsible for ill financial health of some of PSUs namely MFL & FACT, the Department of Fertilizers submitted as under:-

"**MFL:**

MFL has engaged M/s PDIL as a consultant for drawing of business, operational and financial restructuring plans for revival of MFL. M/s PDIL has submitted its report. The reasons responsible for ill financial health of MFL are as under:

a. MFL had incurred losses upto Mar 31,2009 due to implementation of New Pricing Scheme (NPS) for Urea from 01.04.2003. The losses since 2003-04 are solely on account of the introduction of Pricing Scheme (NPS) for Urea by GoI which did not compensate the cost of revamp incurred during 1993-98. MFL has also suffered major losses due to the then fertilizer policy as only 50% outlier benefit was extended for urea during stage I and II till the period 30.9.2006. The outlier benefit of 50% had been withdrawn during the Stage III effective from 01/10/2006. Further, the Price Concession Scheme (PCS) for complex fertilizers as applicable from 1.4.2002, did not adequately compensate the Company for cost of 'N' in its flagship product NPK 17-17-17.

b. The inadequate compensation for urea and complex fertilizers under NPS & PCS respectively had an adverse impact on the profitability of the Company leading to erosion of net worth. However, the under recovery on the fixed cost of MFL has been addressed by the amendment to NPS III for Urea by restricting reduction in fixed cost to 10% with effect from Apr 1, 2009.

FACT:

In respect of FACT, no study has been conducted. However, the performance of FACT has been reviewed from time to time and reason responsible for ill financial health of FACT are as under:

FACT was operating profitably for over 15 years until 1997-98. Thereafter, the company started incurring losses due to following factors:

(a) FACT continued to depend on Naphtha as feedstock for Ammonia production in the absence of availability of natural gas in the region. Hence the cost of captive ammonia produced was high.

(b) The company was using a judicious mix of imported and indigenously produced ammonia to keep its cost of production competitive. The use of ammonia storage tanks for storing imported ammonia at the Kochi Port was questioned in a Public Interest Litigation (PIL) petition and the Hon'ble High Court of Kerala ruled against the company. The company had to set up a new ammonia plant at a cost of Rs. 678 crores, leading to increased cost of ammonia.

(c) Anomalies in the erstwhile price concession scheme for Complex fertilizers during 2002-03 to 2007-08, resulted in inadequate compensation for usage of liquid naphtha as feedstock. Further, non-recognition of Sulphur as a nutrient under a fixed maximum retail price (MRP) regime led to negative contribution on NP complex fertilizers manufactured by the company.

(d) The abnormal rise in the prices of Naphtha and Sulphur during 2006-2007 and 2007-2008 adversely affected the performance of the company. As the cost of production with high input costs was much higher than the regulated selling prices, the company continued to suffer losses.

(e) One of the major products of the company, namely, Ammonium Sulphate became unviable due to withdrawal of subsidy in 1994, which was restored only in 2008.

(f) Introduction of group pricing scheme for urea in 2003 led to stoppage of Urea production on account of unviable economics."

4.5 The Department of Fertilizers was requested to provide the details of progress of efforts made to fully convert the fertilizer (Urea) manufacturing companies to switch over to LPG/LNG gas based plants from naphtha/FO/LSHS along with the constraints impeding this switch over and also whether the Ministry of Petroleum and Natural Gas are supplying the quantity of gas agreed upon to these companies, the Ministry furnished the following in this regard:-

"...As per Department of Fertilizers notification dated 17th June, 2015, Madras Fertilizers Limited- Manali, Southern Petrochemicals Industries Corporation (SPIC) - Tuticorin and Mangalore Chemicals & Fertilizers Limited (MCFL), are entitled to get subsidy till gas availability and connectivity to these three units either by gas pipeline or by any other means as per the following conditions:

a) These units will be eligible for subsidy on the basis of the revised energy norms from the date of notification, which would be the simple average of pre-set energy norms of New Pricing Scheme (NPS) – III and lowest yearly specific energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS – III, whichever is lower.

b) The concession rate for these plants will be determined notionally on the basis of weighted average of the delivered cost of RLNG to recently converted plants after deducting state taxes (VAT, Entry tax) on RLNG or the cost of production of urea from Naphtha/FO after deducting state taxes levied on Naphtha/FO consumed for urea production (VAT, Entry tax) on Naphtha/FO, whichever is lower.

c)The compensation for other variable cost e.g. the cost of bag, water charges & electricity charges and fixed cost will be determined in accordance with existing provisions of NPS – III and Modified NPS – III.

Status of Pipeline Connectivity

SPIC and MCFL has 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. Ministry of Petroleum & Natural Gas has earmarked 0.9 MMSCMD of Non-APM gas 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 authorized 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.

Madras Fertilizers Ltd (MFL)- Manali:

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.

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 KKBMPL is phases. KKBMPL (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 KKBMPL (Phase-II). Construction works of KKBMPL (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 June 2015, the survey and panchnama activities for RoU acquisition resumed in Kerala. Looking into the progress of survey & panchnama works, GAIL resumed construction works of Kochi-Koottanad-Mangaluru pipeline section which will connect MFCL, Mangluru. This pipeline Section is targeted to be completed by December, 2018."

INRODUCTION OF ENERGY NORMS

4.6 DG, FAI has apprised to the Committee about the problems faced by the fertilizer industry due to new energy norms introduction by the government for them. He has complained that the necessary and comprehensive view/consultation of the industry was not taken by the govt. in formulating this policy because of which they are facing various problems in this regard. On the issue of energy norms as expressed constraints by DG, FAI: the Secretary, Deptt. of fertilizer has *inter-alia* stated the following:-

".....The presentation of the FAI reflected its two major concerns, to my mind. One was that the energy norms are being frequently revised and industry is not being given adequate time to make good the investment which has been made upfront in order to improve energy efficiency. This is a concern which the Department is fully cognisant with and we are now actively working with the other related Ministries like Finance etc., in developing a proposal with respect to the energy norms. ..."

"..The energy norms were finalized under the New Urea Policy of 2015. This Policy was framed in consultation with the industry. The entire industry was categorised into three groups: those which were to achieve a target of 6.5 GCal; those which were to achieve a target of 6.2 GCal; and those which were to achieve a target of 5.5 GCal. These targets were to be achieved by 1st April, 2018, after which subsidy would be released as per the new gargets. If they were above or at it, they would benefit.

It was decided at that time itself that this would be embedded in the Policy. After that, on the basis of feedback received from the industry they were finding it increasing difficult to make these large investments. There was a fear that they were not being allowed to recover those investments.

There was an independent study by PDIL. They have submitted their report to the Department last year. After that, we have analysed it and we have given a proposal. A large number of these firms have already achieved it. Almost 13 or 14 of them would achieve it by the end of this year, but there are some units where there is serious difficulty.

We are right now engaging with some of the Ministries relevant to this proposal in order to make their transition as smooth as possible. The aim is that the industry should flourish. The Government is committed as you are aware to making in India. The Government is also deeply committed to ensuring that this industry survives. I feel that FAI, in order to drive this point home, may have taken an alarmist position but surely, we are all working in Government to ensure that the industry not only survives but also flourishes...."

4.7 DG, FAI confronted the Ministry on this and stated the following:-.

".... As the Secretary, Fertilizer has clearly pointed out that they are working, we are working very clearly at the official level on that account. We have considered the issues. We are very hopeful. They have already taken the proposal. We are in touch with them. We are confident that this should be resolved well in time. We need your support. We need the support of the hon. Members of the Committee and the hon. Chairman. This is an issue which has to be addressed well in time. The energy norms have been accepted. There cannot be a decision higher than the Cabinet decision. This has happened through three or four years of consultations through Group of Ministers and at the Cabinet .

We already have more than 100 per cent production. We assure that we will achieve the norms. We need time. As I mentioned, we have already reduced the energy consumption by 33 per cent. As we go further, to improve further is a big challenge because the investment levels go up. The return on that investment, which we have to do on our own, need longer period. We are at a level which is quite acceptable with reference to the vintage of the plant.

Ultimately, we should look at the total cost of production of Urea. Is the total cost of production of Urea from the existing plants lower with these energy norms if we import Urea? Is it lower with reference to the new plants which are being set up? My humble submission is that these plants are producing Urea at a cost which is lower than either imported Urea or at a cost at which we will get additional Urea from the new plants. So, keeping that in mind these plants should be allowed to survive.

Sir, I would humbly like to submit that when 2015 Policy was formulated, it was done very fast and as far as my knowledge goes, there was no consultation with the industry. This 2015 Policy had four components, if I can put it. One was the pooling of the gas. From the industry side, we had welcomed it because everyone will get the gas at the same price. Then there was a positive component that if you produce beyond 100 per cent of your re-assessed capacity, earlier there were three policies so that was simplified. That gave opportunity one by pooling of gas the simplification of how that production of beyond 100 per cent of re-assessed capacity will be processed. There is a different policy. So, that was positive. The industry naturally welcomed it and from the same plants we produced another two million tonnes.

The third component of this policy was that it clearly reiterated that Rs.350 and Rs.150 per metric tonne will be paid. Fixed cost will be given as per modified NPS III Policy. So, that part has not been implemented. But talking specifically of the energy norms, there was no consultation with the industry."

4.8 The Ministry of Chemicals and Fertilizers (Department of Fertilizers) in their post evidence written reply pertaining to the above CCEA decision stated as under:-

With the approval of CCEA, Department of Fertilizers vide notification No 12012/3/2010-FPP dated 2nd April, 2014 notified Modified NPS-III for the existing urea units.

Para 3 of the said policy reads as follows:

"3.1 <u>Additional Fixed cost</u>

(a) The maximum additional fixed cost (towards increase in the four components, viz., salaries & wages, contract labour, selling expenses and repair & maintenance) of Rs. 350/MT to existing urea units or actual increase in above four components of fixed cost during the year 2012-13 compared to the year 2002-03, whichever is lower will be paid. This will be based on the certified cost data for above four components for the year 2012-13 to be provided by all urea Units.

(b) In respect of KFCL and BVFCL-II units, for which cost data of four components is not available either for the year 2002-03 or 2012-13, the actual increase in these four components as per the certified cost data for the latest year over and above Rs. 521/MT (weighted industry average during 2002-03) subject to maximum of Rs. 350/MT will be allowed.

3.2 <u>Minimum Fixed Cost</u>

The minimum fixed cost of Rs. 2300/MT or actual fixed cost prevailing during 2012-13, whichever is lower, after taking into account the compensation at 3.1 (a) and (b) above, will be paid. This will be based on certified fixed cost data for the year 2012-13, to be provided by all urea units.

3.3 Special compensation to Urea Plants which have Completed 30 Years and Converted to Gas

The special compensation of Rs. 150/MT will be paid to gas based urea plants which have converted to gas and are more than 30 years old. This is in addition to para 3.1 and 3.2 above.

3.4 It has been decided to phase out old and inefficient units in due course of time after addition of new capacity."

However, there have been implementation issues with respect to para 3.2 of the policy. Clarification of Modified NPS-III policy is under consideration of the Department.

4.9 While justifying the concern of the Committee regarding implementation of new Energy norms w.e.f. 01.04.2018 even in view of substantial Capital Investment for upgradation of technology by existing old Fertilizers industry, the Department in their post evidence reply stated as under:-

"It is pertinent to mention here that as per NPS-III policy, the respective pre-set energy consumption norm of each urea unit during Stage-II of NPS or the actual energy consumption achieved during the year 2002-03, whichever is lower, will be recognized as the norm for Stage-III of NPS. The pre-set energy norms fixed under New Pricing Scheme (NPS)-III continued till the regime of Modified New Pricing Scheme (MNPS)-III for existing urea manufacturing units, i.e., upto 31st May, 2015

Based on the CCEA decision, vide notification dated 25th May, 2015, the New Urea Policy-2015 (NUP-2015) has been notified by Department of Fertilizers on 25th May, 2015, effective from 1st June, 2015, with the objectives of maximizing indigenous urea production; promoting energy efficiency in urea production; and rationalizing subsidy burden on the government. It is expected to prepare the domestic urea sector to become globally competitive in terms of energy efficiency over a period of three years. On the basis of actual energy consumption and pre-set norms, the existing gas based urea units have been divided into three groups.

Further, the revised energy consumption norms have been fixed for three financial years and target energy norm have been fixed for 2018-19. For group-I, target energy norms for the year 2018-19 is 5.5 G Cal/MT (except TCL-Babrala for which existing pre-set energy consumption norm of NPS-III i.e. 5.417 G Cal/MT will continue). For group-II and group-III, the energy consumption norms for the year 2018-19 is 6.2 G Cal/MT and 6.5 G Cal/MT respectively. It will drive urea units to select better technology and different measure to reduce energy consumption.

Since the achievement of target energy norms requires huge amount of investment for technology up-gradation, most of the companies represented either to extend the existing norms for some further period or to give these companies financial assistance through capital subsidy as reduction in energy would call for substantial capital investment. After examining the various requests/representations from the urea units, PDIL was engaged to conduct a study and give a detailed report. Accordingly, a study was conducted by PDIL on the basis of the details of schemes identified by these units for achieving target energy norms as per New Urea Policy-2015. The proposal submitted by PDIL is under consideration of this Department."

INVESTMENT IN PUBLIC SECTOR

4.10 In the 2nd Batch of Supplementary Demand for Grants (2017-18), the Department had sought an amount of Rs. 20532.50 Crore to write off of loan and interest as per following description:

(Rs. in crore)

PSU	Loan	Interest	Effective date of waiver
BVFCL	**21.96**	**787.30**	**21.05.2015**
FCIL	**2739.28**	**7904.47**	**31.03.2012**
HFCL	**1916.14**	**7163.35**	**31.3.02015**
Total	**4677.38**	**15855.12**	

As this entry will be notional in nature therefore there would be no cash outgo.

In view of the above, the Department of Fertilizers was requested to provide their comments along with the comments of the Ministry of Finance whether the latter agreed to writing off the loan and interest given above. in this regard the Department replied as follows :-

"..CCEA in its various meetings held has already approved the waiver of loan and interest in respect of BVFCL, HFCL and FCIL in view of financial re-structuring/revival of closed units. Accordingly, the proposal was sent to Ministry of Finance to make a notional provision of Rs.20,532.50 Crore in the 2nd Batch of Supplementary Demands for Grants(2017-18) to write off the above amount, which has since been approved by the Parliament. "

4.11 It was submitted by the Department of Fertilizers that due to financial restrictions imposed by Ministry of Finance vide its letter dated 20th Sept, 2012, in respect of default of Government of India loans and payment of interest thereon by CPSEs, the loan could not be released to any fertilizer PSUs, except during the year 2015-16 wherein an amount of Rs. 1000 crore which was allocated and released to M/s FACT in

R.E through 2nd Supplementary after obtaining relaxation in norms from M/o Finance

4.12 The quantum of extra budgetary resources mobilised by each of aforesaid fertilizer PSUs for the year 2017-18 are as under: -

Sl No.	Name of the PSUs	Quantum of Extra Budgetary resources mobilised and its medium	Amount (Rs. In crore)
1	NFL	Others – Loans from Banks/ Financial Institutions	400.00
2	RCF	External resource	558.30
3	FAGMIL	Loan from Bank	35.22
4	PDIL	No extra budgetary resources	0.00
5	BVFCL	No extra budgetary resources	0.00

4.13 The details of accumulated quantum of loans and interests in respect of MFL and FACT (as on 31.03.2017) are as under:-

(Rs. in Crore)

S.No	Name of The Company	Loan	Interest
1.	**MFL**	**554.24**	**682.07**
2.	**FACT**	**1282.73**	**487.76**

4.14. The quantum of disinvestment of each above PSUs as on 31.03.2017 is as under:-

Name of PSU	Equity as on March 31, 2017 (each share having face value of rs. 10)	Equity holding of GoI on March 31, 2017 (each share having face value of rs. 10)	% Govt. of India Shares
BVFCL	3658324	3658324	100%
FACT	6470720	5823647	90%
FAGMIL	73298	73298	100%
FCIL	7509239	7509239	100%
HFCL	6865365	6865365	100%
MFL	1611013	958517	59.50%
NFL	4905784	4401162.92	89.71%
PDIL	172985	172985	100%
RCF	5516881	4413539	80%

During the F.Y. 2017-18 as per SEBI guidelines on disinvestment ,the following quantum of disinvestment were made in respect of RCF and NFL:

RCF: Total 5% of Government equity (27584405 equity shares of face value of Rs. 10 each).

NFL: Total 15% of Government equity (73586760 equity shares of face value of Rs. 10 each). GoI equity now is 74.71 % .

PDIL: Strategic disinvestment of 100 % shareholding of GoI in respect of PDIL to EIL or other similar CPSEs is under progress.

4.15 The details of current assets and current liabilities along with the following ratio - (a) Current Ratio and (b) Debt - Equity Ration in respect of each of the PSU are as follows:-

(Rs. In Lacs)

PSU	Current Assets	Current Liability	Current assest/current Liability ratio	Debt-equity ratio
BVFCL	84233.06	84233.06	1:1	1.57:1
FACT	124424	114319	1.09:1	1.50:1
FAGMIL	23469.3	3995.7	5.87:1	Nil
MFL	110208	110208	1:1	3.44:1
NFL	1017994	1017994	1:1	2.26:1
PDIL	9623.91	2119.67	4.54:1	Nil
RCF	450100	71714	6.63:1	0.60:1
FCIL	33321.92	7330.71	4.54:1	Nil
HFCL	5401.98	791.57	6.82:1	Nil

4.16 The Department of Fertilizers was requested to provide the details about the accumulated losses and under recoveries as on date in respect of each of the PSUs. On this, the following information was provided:-

Name of PSU	Accumulated losses
BVFCL	287.29 Cr.
FACT	2143.56 Cr.
FAGMIL	nil
MFL	717.60 Cr.
NFL	nil
PDIL	nil
RCF	nil

4.17 The details of accumulated debt and interest in respect of each PSUs alongwith the notional at the end of year 2016-17 as furnished by the Department are follows:-

(in Crore)

Name of PSU	**Accumulated debt and interest**
BVFCL	**GoI Loan 572.75**
FACT	**GoI Loan Principal 1282.73** **Interest accrued 487.75** **Interest for 2017-18 200.18** **(upto Jan. 2018)** **Total: 1970.66**
FAGMIL	**nil**
MFL	**GoI loan Principal: 554.24** **GoI interest accrued and due: 493.50** **GoI interest accrued but not due: 15.55** **Bank Overdraft: 205.82** **Total: 1269.11**
NFL	**nil**
PDIL	**nil**
RCF	**Non current bank borrowings: 210.63** **Current bank borrowings: 1545.54** **Total: 1756.17**

4.18 In response to a query of the Committee whether the waiving off loan and interest liability would facilitate the competitive functioning of these three PSUs(BVSL,FCIL & HFCL) and the reasons for proposing writing off carried forward liabilities, the Ministry in a written note submitted has stated as under:-

"BVFCL

The waiver of loan and interest has facilitated to bring the company under the positive Net worth and earning Net Profit from the Financial Year 2014 – 15 onwards.

FCIL

Waiver of loan & interest enabled other profit making PSUs to come forward to invest in revival of closed Plants and reduce dependence on imported urea for the domestic consumption.

HFCL

Waiver of loan & interest enabled other profit making PSUs to come forward to invest in revival of closed Plant and reduce dependence on imported urea for the domestic consumption."

4.19 The Department of Fertilizers has provided the details about the investment made in the public, private and cooperative sector in fertilizers industry with reference to New Investment Policy 2012 as under:-

"Public Sector

The Cabinet in its meeting held on 13.07.2016 approved revival of closed Gorakhpur & Sindri of HFCL and Barauni Units of FCIL on nomination basis by Central Public Sector Enterprises (CPSEs) by forming a Joint Venture. As the closed plants are being revived by CPSEs, no budgetary support is given by the Government. The plant is likely to start production by end of 2018 and 2021 respectively. In respect of Ramagundam, a capital expenditure of 1200 Cr. has been incurred by JV Company Ramagundam Fertilizer & Chemicals limited. In respect of other units pre project activities are under progress.

Private Sector

Under the provisions of New Investment Policy (NIP) – 2012 and its amendment, Matix Fertilisers & Chemicals Limited (Matix) has set up a Coal Bed Methane (CBM) based Greenfield Ammonia-Urea complex at Panagarh, West Bengal of installed capacity of 1.3 MMT per annum with an investment of Rs 7000 crores. The commercial production of Matix has started on 1st October, 2017.

Chambal Fertilizers & Chemicals Limited (CFCL) has also proposed to set up a brownfield project with capacity of 1.34 MMT at Gadepan, Rajasthan, which is likely to start commercial production in January, 2019. As on 31.12.2017, a capital expenditure of Rs 3614 crores has been incurred by CFCL.

Co-operative Sector

No urea plant has been set up in co-operative sector with reference to New Investment Policy 2012."

Vision of Government for development of Fertilizers sector:-

4.20 **The vision and Mission of the govt. for the fertilizer sectors are as follows**:-

Vision

Achieving fertilizer security for the country for sustainable agricultural growth supported by a robust domestic fertilizes industry.

Mission

Ensuring adequate and timely availability of fertilizers to the farmers at affordable prices through planned production and imports and distribution of fertilizes in the country and planning for self sufficiency in Urea Production.

4.21 Regarding the formulation of road map or a vision document in respect of the sustainability and role of urea and complex fertilizers vis-a-vis the need of the hour i.e. extensive use of organic fertilizers to preserve and augment the necessary natural soil nutrients, the Department in their written note submitted as under:-

"...In order to ensure food security in the country by increasing productivity, Urea and P&K fertilizers are provided to farmers at subsidized rates under different subsidy schemes at different periods. The Concession Scheme on decontrolled Phosphatic and Potassic (P&K) fertilizers was under implementation w.e.f 1st April 2008. Under Concession Scheme, the prices of P&K fertilizers were fixed by Govt. and the difference between the normated delivered price (different cost factors are based on certain norms and not based on actual expenses reported by companies) of fertilizers and the statutory MRP was being paid as concession to the fertilizer companies. During implementation of the Concession Scheme, certain drawbacks such as high subsidy implication; marginal response of agricultural productivity to additional fertilizer usage, near stagnation of indigenous industry etc., were observed.

In order to overcome the shortcomings of concession scheme and with the main objectives of reducing subsidy burden, to improve agriculture productivity, to ensure balanced use of fertilizers and promote growth of indigenous fertilizers industry, the subsidy scheme for P&K fertilizers has been modified w.e.f. 1.4.2010 from a controlled regime to market driven scheme allowing the market forces to determine the MRP of P&K fertilizers, while maintaining subsidy rates unchanged for one year. The revised scheme was named NBS Scheme as the subsidy was provided on each grade of P&K fertilizers based on their nutrient content.

The freedom allowed to fertilizer companies in the NBS Scheme to fix MRP of P&K fertilizers based on market dynamics was expected to promote competition leading to efficiencies in production and import. In the long run, the policy is expected to stabilise demand and supply situation and also contain the subsidy outgo, besides promoting balanced fertilization of soil.

However, the success of NBS Scheme is not independent in itself as it is dependent on international prices of fertilizer raw materials/intermediaries/ finished fertilizers. Our country has no known source of potash and is dependent on imports for 90% requirement of Phosphate. Even the P&K fertilizer industry is dependent more than 90% on imports for its nitrogen requirement. Thus, the indigenous P&K fertilizer industry is almost dependent on imported raw materials/intermediaries for its survival and growth. At the time of introduction of NBS Scheme, availability of domestic gas was not an issue as the KG D6 gas was expected to be available for fertilizer industry. Even the three indigenous P&K fertilizer industries, MFL, FACT & GNFC were asked to convert their Naphtha based feedstock plant to gas based feedstock plant. However, domestic gas production in the country came down and the supply of gas to fertilizer industry reduced post NBS Policy. Domestic gas provided to three P&K fertilizer companies, RCF, GSFC & DFPCL, was either diverted for urea production or discontinued. This has affected the existing production of P&K fertilizers in the country.

Post NBS Policy, the Government could not facilitate acquiring of fertilizer raw material abroad due to unfavourable terms & conditions, commercial decision of fertilizer companies and internal policies of the resource rich countries to promote their own industry instead of selling raw materials abroad and keeping the prices of finished products lower than that of raw materials. This also affected the growth of indigenous industry.

The other factors, which affected growth of indigenous industry are delay in payment of subsidy to fertilizer companies and various controls at different levels. The funds allocated under different heads of account for payment of subsidy were never adequate resulting in delay in payment of subsidy and extra financial cost to fertilizer companies.

In view of the foregoing, the NBS policy in itself cannot ensure growth of indigenous fertilizer industry. However, number of indigenous SSP industries and production of SSP have registered an increase after NBS Scheme.

After introduction of NBS Policy, the subsidy burden has come down considerably achieving one of the objectives of the Scheme. The actual subsidy disbursed during last ten years as given below confirms this:

Year	Subsidy on P&K Ferts. (Rs. In crore)	Year	Subsidy on P&K Ferts. (Rs. In crore)
2005-06	6596.19	2011-12	36107.94
2006-07	10298.12	2012-13	30576.10
2007-08	16933.80	2013-14	29426.86
2008-09	65554.79	2014-15	20667.30

2009-10	39452.06	2015-16	21937.56
2010-11	41500.00	2016-17	18985.01 + 15 City Compost

In respect of balanced use of fertilizers as one of the objectives of NBS Policy it is stated that balanced use of fertilizers refers to use of proper combination of various nutrients, N, P, K and S besides other micro-nutrients. Balanced use of fertilizers is a wider issue involving other factors such as price of urea, farmers' active participation and level of awareness about balanced use of fertilizers, active involvement of State Governments in implementation by way of effective agro-extension services, soil condition and its health, awareness amongst farmers etc. While controlling of urea prices is within the administrative ambit of the Department of fertilizers, Department of Agriculture, Cooperation and Farmers Welfare is concerned with promotion of balanced use of fertilizers through various awareness programmes and schemes, involving the state agriculture departments etc. In this regard, the DAC&FW has launched the Soil Health Card Scheme in February 2015. Under the scheme, about 14 crore farmers will be issued soil cards, which will carry crop-wise recommendations of nutrients and fertilisers required for the individual farms to help them to improve productivity through judicious use of inputs.

One of the reasons for imbalanced use of nutrients is the comparatively lower price of Urea. While the Urea price is fixed statutorily by Govt., the MRPs of P&K fertilizers are determined by market forces. Any change in the international prices of P&K fertilizers and distortion in the exchange rate has a bearing on the domestic prices of P&K fertilizers. Due to devaluation of Indian rupee against USD after NBS Scheme (Rs.46/USD in 2010 to Rs.68.565/USD in 2016-17) and increase in the international prices of P&K fertilizers during the initial years of NBS Policy, there was an increase in the domestic prices of P&K fertilizers. Delay in payment of subsidy also had a bearing on the prices as finance cost due to delayed subsidy payments gets added up to the MRP. During introduction of NBS Scheme, the idea was to bring Urea also into the NBS Scheme in the 2nd phase. However, non-implementation of NBS Scheme in urea due to various reasons resulted in the widening of the prices of P&K fertilizers and Urea and ultimately affecting the preference of farmers for Urea. However, since last one year, the international prices of P&K fertilizers have come down and the Government instead of reducing subsidy in line with falling international prices, kept the subsidy rates same, resulting in fall in domestic prices of P&K fertilizers. It is expected that the reduced prices of P&K fertilizers and the awareness programmes initiated by DAC&FW will encourage farmers for balanced use of fertilizers.

To encourage the use of organic fertilizers and for maintaining the balance of necessary soil nutrients, the Govt. is promoting the use of City Compost and is providing assistance to the City Compost Manufacturers/Marketers of Rs.1500/- Per MT as Marketing Development Assistance (MDA)

Research and Development and other Research Schemes for Fertilizer Development

4.22 From the detailed Demands for Grants 2018-19 it is evident that no allocation has been made for Research & Development and other research schemes for Fertilizer Development either in the year 2017-18 or 2018-19. Further no allocation under this head has been done for the year 2016-17. The Ministry was requested to state the reason for ignoring such an important issue and not allowing even a single penny for this purpose. The Ministry has provided the following comments in this regard:-

"...There is no separate R & D Head in the Department w.e.f 01.04.2016 since it was merged with the object head of professional head under the Secretariat Economic Services at the time of rationalization of scheme on advice/instruction of Ministry of Finance. The R & D activities are being carried out by the fertilizer PSUs from their own internal resources. Also, efforts are being made to revive / open R & D budget head for funding of projects approved by Indian Council of Fertilizer and Nutrient Research (ICFNR)."

RECOMMENDATIONS

RECOMMENDATION NO. 1

Review of budgetary provisions earmarked For the year 2017-18.

Against the actual expenditure of Rs. 70130.19 crores incurred in the year 2016-17, a total budgetary provision of Rs. 74264.71 crores was made for the year 2017-18, which was increased to Rs. 89797.21 crore at revised stage. However, after adjusting receipts of Rs. 20532.50 crores, the expenditure would amount to Rs. 69264.71 crores which is comparatively less than the expenditure of Rs. 70130.19 incurred during the year 2016-17. It indicate that the real level of expenditure has not increased instead it got decreased slightly. The reason, as has been stated by the Ministry, behind decreasing of allocations at Revised Stage, was surrender of funds to the tune of Rs. 5000 crore (Rs 3000 crores from Indigenous Urea Subsidy and Rs. 2000 crore from Imported Urea Subsidy Head). Apart from this, Rs. 2000/- crores have been re-appropriated from Indigenous Urea to Freight subsidy to clear the carry over liabilities in respect of Indigenous P&K fertilizers and Freight subsidy. This shows there would be a cut of Rs. 7000/- crore from the budgetary allocation made for Urea subsidy during 2017-18 as a whole bringing down Budgetary Estimates to Rs. 46980.00 crores from Rs. 54000 crores at the Revised stage whereas the BE earmarked Rs. 20232.00 crores for Nutrient Based Subsidy have been increased to Rs. 22251.80 crore at Revised stage.

The Committee are dismayed over the considerable cut of Rs. 7000 crores from the Urea Subsidy Head at the Revised stage. They are further surprised to see that after such a cut under Urea Subsidy Head, physical targets fixed for both Urea and P&K fertilizers have been kept unchanged. The physical outcomes in respect of Urea decreased from 329.49 LMT in 2015-16 to 296.82 LMT in 2016-17 and 227.67 LMT (as on 31.12.2017) in the year 2017-18. A similar trend has also been noticed in the outcomes achieved in respect of Nutrient Based Subsidy regime. However, the actual picture of

performance will emerge after 31st March, 2018. The Committee also notice that the net expenditure on fertilizers subsidy has been static over the last few years. The net expenditure for the years 2016-17 and 2017-18 under Fertilizers Subsidy has been Rs. 65054.23 crore and Rs. 65032.71 crore respectively after adjusting recoveries and receipts from the gross allocation. This trends show that the fertilizers growth has been static or little bit decelerating. The Committee further notice that even after the introduction of New Urea Policy - 2015 there has been no substantial increase in the growth of fertilizers except in year 2015-16 by margin of 2 LMT. The reasons may be either decreasing demand or the incapacity of the Government regarding progressive expenditure on this account. The Committee attribute this stagnation to the unscientific planning and execution of their policies without professional approach. They think that there is lack of synchronized efforts and proper coordination among all the stakeholders to pursue the cause of sustainable agriculture ameliorating not only the soil health, purchasing power of the peasantry and financial health of fertilizers industry. The Committee, therefore, recommend to the Government to make all out efforts to address the policy constraints at the earliest to add more credibility, predictability, efficiency and transparency in the system so that the latter can be enabled to such an extent that automation may take care of all odds.

RECOMMENDATION NO. 2

Budgetary estimates for the year 2018-19

The budgetary allocations for the Department of Fertilizers mainly consist of fertilizer subsidy for both Urea and P&K fertilizers. This subsidy is given for indigenous and imported fertilizers. However, its mode of distribution is different in both the cases. For the year 2018-19, a total budgetary provision of Rs. 73483.34 crores including Rs. 34.99 crores for Secretariat expenditure has been made/estimated. This estimated expenditure for the year 2018-19 has been made against the revised estimates of Rs. 69264.70 crores likely to be incurred during the year 2017-18. However, if supplementary provision of Rs. 20532.50 in the budgetary provision of the year 2017-18 to waive of loans and interest of PSUs is taken into account the total budgetary provision for fertilizers subsidy under the year 2017-18 comes to Rs 89797.21 crores which is already reflected in detailed Demand No. 6 of consolidated DFG 2018-19 document of Ministry of Finance presented to the Lok Sabha along with other Budget documents on 01.02.2018. This shows the Budgetary estimates for the Year 2018-19 are substantially short to the tune of approximately Rs. 20000 crores. No doubt this waiving of loans and interest will not involve cash flow but will go a long way in improving the Balance Sheet of such PSUs by reducing their overall liabilities. The Committee think that the expenditure on this account though notional in nature but in bookkeeping records it will always be reflected as expenditure and hence warrants debit entry at source i.e. the Ministry of Finance.

The Committee are of the view that the Government superficially resorted to showing less expenditure of Rs. 69264.71 for the year 2017-18 at revised stage instead of Rs. 89797.21 crore as shown by the Ministry of Finance in their records. This shows that the budgetary provisions for the year 2018-19 are comparatively on lower side by almost Rs. 20000 crore. The Committee think that the pattern of making estimates and actual spending as being resorted to during the last 2-3 years has not been adhered to the strictest principles of financial propriety wherein every new year budgetary proposals

have to be assessed at zero-based budgeting concept. This strengthens the belief that the lot of changes are resorted after the proposals are voted in the parliament by way of re-appropriation, waiving of loans/interest/capital subsidy etc. The Committee are quite apprehensive that the growth of fertilizers and their availability may be adversely hit causing chaos and reducing the agriculture production. The Committee, therefore, cannot help but recommend that judicious planning is a must and paramount requirement to assess the real time budgetary requirement by resorting to due diligence. They further urge that there must not be any substantial changes at the Revised Stage of 2018-19. They are of the considered view that resorting to such tendencies may kill the real policy initiative and give way to ad-hocism.

RECOMMENDATION NO. 3

Carry over liabilities

The carry over liability discharged as on 01.04.2017 stands out to be Rs. 29091.46 crores out of the total carryover liability of Rs. 39057.11 crores acured due to delayed payment of fertilizers subsidy to the fertilizers producing/importing companies. The remaining carryover liability of Rs. 9965.65 crores as assessed on 01.04.2017 has been still pending to be cleared/discharged. It is also pertinent to mention that some more liability on this account might have been accrued/accumulated after 01.04.2017 due to further delay in payment. The Committee appreciate the efforts of the Ministry in clearing the carryover liability to the tune of 74.48% of the total pending liability as on 01.04.2017 but at the same time would like to know the exact quantum of carryover liability after 01.04.2017 and the efforts being made by the Ministry to clear this carryover liability after 01.04.2017. The Committee are quite apprehensive of the dwindling financial health of fertilizers producing and importing companies and are of the considered view that any undesirable delay in clearing the over accumulated carryover liabilities may hamper the production/import of fertilizers ultimately heralding adverse impact on agriculture production in the country.

Apart from this the Committee are also seized of the higher cost of working capital of these fertilizers producing/importing companies. They notice that most of the companies have not reached their Break-in-Point and as a result their substantial portion of profit margin is consumed in recouping their Fixed Cost. They are of the considered view that fertilizers industry being capital intensive industry once closed will never be able to restart and no new investment could be mobilized in view of the fact of delayed payment and thin margin of profit and comparatively higher cost of capital both fixed and variable. In view of this, the Committee strongly recommend to clear all the over delayed outstanding dues of the fertilizers companies on account of payment of fertilizers

subsidy. They also urge the Ministry to apprise the committee on quarterly basis about progress made on this account.

RECOMMENDATION NO. 4

Direct Benefit Transfer Scheme

The Direct Benefit Transfer Scheme was introduced with effect from October, 2016 to release 100% subsidy on various fertilizers grades to the fertilizers companies on the basis of actual sales made by the retailers to the beneficiaries through Point of Sales (PoS) devices installed at the retailers' shop. The beneficiaries of this scheme will be identified through Aadhar Card, Kishan Credit Card, Voter Identity Card etc. Initially this scheme was launched on pilot basis in 19 districts of the country. However, as on date 30 state/UTs have been brought under this DBT Framework by establishing the requisite paraphernalia alongwith necessary training sessions of 1.95 lakh retailers backed by a strong chain of PoS devices. The Committee have been apprised that this new DBT Scheme would enable Aadhar seeded data base of beneficiaries, facilitate more transparent and faster tracking of movement of fertilizers lead to optimal use of nutrients linking soil Health card data with DBT and finally create a robust channel for service delivery for other ministries as well in Rural India.

However, the Committee were also apprised of the fact that this DBT does not transfer subsidy directly into the pocket of beneficiary as in the case of LPG. The reasons inter-alia as cited by the Ministry is inadequate purchasing power of the farmers due to extremely high cost of fertilizers and identification problem of real farmer.. They were further enlightened by the Secretary, Department of Fertilizers that a Committee at the level of NITI Aayog has been appointed to examine the possibility wherein the subsidy is actually transferred to the farmers. It would be appropriate to mention that a new scheme 'Nutrient Based Subsidy' was launched in respect of P&K fertilizes with effect from 01.04.2010 from a controlled regime to market driven scheme allowing market forces to determine the MRP of P&K fertilizers. This scheme was introduced with the objective of reducing subsidy burden and to ensure balanced use of fertilizers. However this scheme is not independent as it is dependent on imported raw material upto 90% in

phosphate and 100% in potash. It has also been brought to notice of the Committee that after the introduction of NBS policy the subsidy burden has come down from Rs. 65554.79 crores in 2008-9 to Rs. 18985 Crores approximately in 2016-17. The Committee were further apprised that comparatively lower price of Urea vis-a-vis market driven MRP of P&K fertilizers is one of the reasons of imbalanced use of fertilizers in the country.

Besides, the Committee were informed that the NBS was also to be extended to urea also in the 2nd phase, which could not be introduced due to various reasons. As a result of its non-implementation the gap between prices of P&K fertilizers and Urea widened and ultimately resulted in more preference to Urea by the farmers.

Having analysed the pros and cons of the existing system of transferring fertilizers subsidy directly to the Fertilizers Companies, through the extant DBT system, the Committee are of the strong view that the cause of balanced use of fertilizers is a sacrosanct objective which cannot be compromised to sustain agriculture production and soil health. They also do not endorse the reason of the Government that the farmers would not be able to purchase the Urea in case DBT as in the case of LPG is used to directly transfer the fertilizers subsidy keeping in view of their limited purchasing power. The Committee think that the way can only be explored when there is will. They are of the strong conviction that such constraint may be addressed by way of giving advance credit over draft facility to farmers or by reducing packaging of the fertilizers below 45 Kg making viable for them to purchase the same. They are of the considered view that it will also go a long way contributing for balanced use of fertilizers on one hand and bringing down the subsidy burden on the other. The Committee, therefore, also urge that the matter may be taken up on priority basis with NITI Aayog for early finalisation of the Report of the Committee constituted in the Aayog for the purpose.

RECOMMENDATION NO. 5

Energy Norms

Energy performance has been a priority area to improve energy efficiency in fertilizers production. These energy norms were finalised under the New Urea Policy 2015 which was formulated in consultation with the fertilizers industry as stated by the Ministry. The entire Fertilizer industry was categorised in three groups. The first group has to achieve a level of 6.5 G.Cal, second group 6.2 G.Cal and third group a target of 5.5 G.Cal by 1st April, 2018 after which subsidy would be released as per the new targets. Indian fertilizers industry being comparatively not upgraded has not found it easy to update their technological infrastructure due to fear of not being allowed to recover their investment. An independent study by PDIL was conducted and submitted last year to the Government Department, which is under consideration of the Department.

The Committee further noticed that as per the submission made by the Fertilizers Association of India (FAI), the energy efficiency norms have been mopped four times without consulting the representatives of the fertilizers industry. The representatives of the FAI also apprised the Committee that additional capital cost required to meet the norms is not recognized under the existing policy. They further stressed upon the fact that the existing plants though may be old but are producing urea at a cost which is lower than either imported Urea or the cost at which new plants are producing urea. They urged the Committee that the total cost of production of urea should be taken into consideration instead of new energy norms and therefore, the existing energy norms be allowed to continue. The Committee, having taken into account the cause of survival of fertilizers industry and food security of the country are of the considered view that the fertilizers industry be accorded some breathing space after making a practical assessment of the new energy norms related problem.

RECOMMENDATION NO. 6

Freight Subsidy

The Committee appreciate the initiative of the Department for merging the Freight Subsidy Head with the indigenous Urea Subsidy Head as per the earlier recommendation of the Committee and accordingly Rs. 34,989.50 Crores have been earmarked under this merged head for the year 2018-19. The Department has also informed that still claims of Rs. 1,504.17 crores are being pending upto February 2017 and onwards claims of approx Rs. 700-800 Crores per month are expected to be generated for the remaining period till date. It means carry forward liability on Freight Subsidy account shall stand roughly at Rs. 11,300-12,700 Crores on the closing of the financial year 2017-18 i.e. 31.03.2018. This shows that around Rs. 24000 crores will remain to be used for indigenous Urea Subsidy out of Rs 34989.50 Crores allocated for this purpose during the year 2018-19 at BE Stage. This amount is comparatively low as compared to indigenous Urea Subsidy allocation made in 2017-18 (Rs 37,000 Crore) and RE 2017-18 (Rs. 31000 Crore).

Though the Ministry has merged the two different Heads but proper planning for allocating made the funds collectively for Freight Subsidy and indigenous Subsidy has not been adequately addressed by them. This will again compel the Department for requesting funds again at Revised stage. Due to non-payment of subsidies timely, the Fertilizers PSUs have to borrow from Banks creating additional liability with interest payment on loans. This has become a common practice over the years. The Committee referring their study visit to Hyderabad in July 2017 has recommended to the Department for exploring the possibility for reimbursement of interest on loans raised by PSUs in this regard. Though the Department has given it assurance for looking into the matter, but no such financial provision have been provided in the BE 2018-19 by them. Taking a holistic view of the entire spectrum of Scheme, the Committee strongly recommend to extinguish the complete pending liability on account of fertilizers freight subsidy during

this financial year 2018-19 only in close coordination with the stake holders by relaxing the procedural requirements, if any and possible.

RECOMMENDATION NO. 7

Production of Urea & P&K Fertilizers

The Committee note that the total installed capacity of 30 Urea manufacturing is around 207.54 LMT whereas the requirement of urea ranges between 290-320 LMT approximately depending upon the monsoon season. The gap between the demand and supply is met through imports. To bridge this gap, the Government launched New Investment Policy (NIP - 2012) - 2012 to facilitate fresh investment in urea sector to make India self-reliant. In the backdrop of this policy two projects one in Greenfield by Matix at Panagarh, West Bengal with installed capacity of 1.3 MMT (13 LMT) per annum was set up and the other one in the brown-field by Chambal Fertilizers & Chemicals Limited (CFCL) with installed capacity of 1.34 MMT (13.4 LMT) at Gadepan, Rajasthan was set up, which will start commercial production by January, 2019. To Boost the urea production further, the Government have decided to revive closed units namely Gorakhpur, Sindri, Talcher and Ramagundam units of (FCIL) and Baroni unit of Hindustan Fertilizers Corporation Limited (HFCL) by setting up 12.7 LMT per annum urea plant at these units which are likely to become operational by December, 2020. In addition to this, the Government have decided to install a new Urea Plant of 8.646 LMT by replacing the existing Namrup II (capacity 2.40 LMT) and Namrup III (Capacity 2.70 LMT) in the existing premises of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL). These new projects are likely to add 93.45 LMT to the indigenous production capacity by 2022.

The Committee further notice that the total installed capacity of P&K fertilizers is 146 LMT against the average sale of 202.22 LMT. However, due to non-availability of raw material in the country, the indigenous industry could not utilize the full installed. Capacity. India is 100% dependent on imports in Potash and 90% in case of Phosphate.

They were also apprised that the total production of urea has been 244.75 LMT and 242.01 LMT respectively during 2015-16 and 2016-17.

The Committee are constrained to not that installed capacity of Urea i.e. 207.54 LMT is being over utilized to the tune of 244.75 LMT in 2015-16 and whereas the installed capacity of P&K fertilizers which 146 LMT is underutilized due to non-availability of raw material which has to be imported between 90-100 %. They further note with concern that there has been slight volatility in the planning of requirement of fertilizers and strategy to ensure availability of the same in adequate quantum throughout the county. They attribute the cause of this dilemma to the dilly-dally policy and approach of the Government while dealing with the challenges of production and availability of fertilizers in the country. This ad-hocism and delay in implementation of the policy decision not only hamper the production of fertilizers but also pose serious challenge of food security in the county. The Committee are of the considered view that the indecisiveness and procrastination of the Department warrant immediate attention to address the matters which are almost threatening the survival of the fertilizers industry and sustainability of the agriculture growth and productivity. The Committee are dismayed to note that even the agreements signed between fertilizers making units/Department of Fertilizes and raw material suppliers like OIL/ONGC/GAIL etc are not being honored despite the latter being all Government Companies/Entities. This can lead to total chaos and apathy towards the cause of food security in the country.

They feel disappointed over the fact that even after introduction of New Urea Policy 2015 there has been no substantial increase in Urea Production except in the year 2015-16. Taking a holistic view of the entire situation of fertilizers industry, production, availability etc, the Committee strongly recommend to revisit the entire spectrum of policy to address the constraints as early as possible and apprise the Committee in this regard within three months about the progress made on this regard.

RECOMMENDATION NO. 8

<u>Promotion of City Compost</u>

The Central Government has been giving due importance to the model of sustainable development like promotion of non conventional and environment friendly measures such as solar energy and wind energy for meeting out the energy requirement of the country. Similarly, the provision of promoting organic fertilizers such as city compost is also an alternative option available in this regard for giving impetus to organic farming for reducing dependence on chemical fertilizers. In the wake of rapid urbanization the country is facing the problem of disposal of solid waste originating from metro cities and urbanised areas. The city compost methods provide a viable option for sorting out this problem. The Committee is surprised to note that only Rs. 10 crore has been allocated for promotion of city compost for the year 2018-19 and it is contrary to the Government Policy for promotion of models of sustainable development as being initiated in other sectors. In Western countries there is a demand for agri-products harvested under organic farming and India could be a pioneering nation in making use of this opportunity by supplying organic food through method like city compost. But there is complete lack of interest on the part of Government in promoting the use of city compost. The chemical fertilizers affect the natural composition of the soil which in long run may be harmful. The Committee are of the opinion that there should be proper well defined policy of the Government for systematically increasing the use of city compost among Indian farmers. They are of the considered view that this can be done only with the close coordination with concerned state/UT Governments and local bodies/Corporations by ensuring a robust mechanism for that. This is both economically and environmentally suitable for Indian needs. The Committee further do hope that the requisite policy shall be envisaged by the

Government at the earliest and subsequent budgetary allocation for this be increased in future.

New Delhi;

<u>12 March, 2018</u>
21 Phalguna, 1939 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

मांग संख्या DEMAND NO. 7

उर्वरक विभाग DEPARTMENT OF FERTILISERS

I. **उर्वरक विभाग** के संबंध में 31 मार्च, 2019 को समाप्त होने वाले वर्ष में व्यय के लिये आवश्यक धनराशि का अनुमान।

I. Estimates of the amount required in the year ending 31st March, 2019 to defray charges in respect of **DEPARTMENT OF FERTILISERS**

	राजस्व Revenue	पूंजी Capital	जोड़ Total	*(₹ करोड़) (In ₹ crores)*
भारित Charged :	...	...	...	
स्वीकृत Voted :	73485.35	0.04	73485.39	

II. शीर्ष जिनके अन्तर्गत **रसायन और उर्वरक मंत्रालय** की ओर से इस अनुदान का हिसाब दिखाया जाएगा।

II. The Heads under which this Grant will be accounted for on behalf of the **MINISTRY OF CHEMICALS AND FERTILISERS**

		मुख्य शीर्ष Major Head	वास्तविक 2016-2017 Actuals	बजट अनुमान 2017-2018 Budget Estimates	संशोधित अनुमान 2017-2018 Revised Estimates	बजट अनुमान 2018-2019 Budget Estimates
राजस्व भाग	***REVENUE SECTION***					
सचिवालय- आर्थिक सेवाएं	Secretariat-Economic Services	3451	30.18	32.66	32.91	34.99
कृषि कार्य	Crop Husbandry	2401	18843.42	20232.00	22251.80	25090.35
उद्योग	Industries	2852	51256.59	54000.00	67512.50	48360.00
अन्य सामान्य आर्थिक सेवाएं	Other General Economic Services	3475	...	0.01	...	0.01
जोड़ - राजस्व भाग	**Total-Revenue Section**		**70130.19**	**74264.67**	**89797.21**	**73485.35**
पूंजी भाग	***CAPITAL SECTION***					
उर्वरक उद्योगों के लिए ऋण	Loans for Fertilizer Industries	6855	...	0.04	...	0.04
जोड़ - पूंजी भाग	**Total-Capital Section**		**...**	**0.04**	**...**	**0.04**
कुल जोड़	***GRAND TOTAL***		***70130.19***	***74264.71***	***89797.21***	***73485.39***

टिप्पणियां: (क) उपरोक्त अनुमानों में नीचे दिखाई गई वसूलियां शामिल नहीं हैं, जिन्हें व्यय में से घटा कर खातों में समायोजित कर दिया जाता है।

Notes: (a) The above estimates do not include the recoveries shown below which are adjusted in reduction of expenditure.

राजस्व भाग	***Revenue Section***					
कृषि कार्य	Crop Husbandry	2401	-4441.84	...	...	...
उद्योग	Industries	2852	-634.12	-4232.00	-4232.00	-3360.00
जोड़ - राजस्व भाग	**Total-Revenue Section**		**-5075.96**	**-4232.00**	**-4232.00**	**-3360.00**

(ख) नीचे दिखाई गई प्राप्तियां व्यय बजट में प्रदर्शन के प्रयोजन के लिये घटा कर दिखाई गई हैं

(b) The receipts shown below are netted for the purpose of exhibition in the Expenditure Budget:

राजस्व भाग	***Revenue Section***					
ब्याज प्राप्तियां	Interest Receipts	0049	...	...	-15855.12	...
उद्योग	Industries	0852	...	...	-4677.38	...
जोड़ - राजस्व भाग	**Total-Revenue Section**		**...**	**...**	**-20532.50**	**...**

उपर्युक्त वसूलियों और प्राप्तियों को घटा कर व्यय व्यवस्था इस प्रकार होगी

The expenditure provisions, net of the above recoveries and receipts, will be as under:

राजस्व	Revenue	65054.23	70032.67	65032.71	70125.35
पूंजी	Capital	...	0.04	...	0.04
जोड़	**Total**	**65054.23**	**70032.71**	**65032.71**	**70125.39**

ANNEXURE - I

UNIT- WISE INSTALLED/REASSESSED CAPACITY & PRODUCTION OF ALL FERTILIZERS DURING 2017-18 & ESTIMATED PRODUCTION DURING 2017-18

(Fig. In 'LMT')

NAME OF PLANTS	PRODUCT NAME	Installed/Reassessed Capacity (as on 01.04.2017)	PRODUCTION DURING 2016-17	ESTIMATED PRODUCTION DURING 2017-18 *
PUBLIC SECTOR				
NFL:Nangal-II	Urea	4.79	5.02	5.45
NFL:Bhatinda	Urea	5.12	5.68	5.58
NFL:Panipat	Urea	5.12	5.43	5.52
NFL:Vijaipur	Urea	8.65	10.58	10.44
NFL:Vijaipur Expn.	Urea	8.65	11.39	10.76
Total(NFL):		32.31	38.10	37.76
BVFCL:Namrup-II	Urea	2.40	0.60	0.66
BVFCL:Namrup-III	Urea	3.15	2.50	2.23
Total(BVFCL):		5.55	3.11	2.89
FACT:Udyogamandal	A/S	2.25	1.53	1.75
	20:20	1.49	1.65	1.57
FACT:Cochin-II	20:20	4.85	4.93	5.24
Total(FACT):		8.59	8.11	8.55
RCF:Trombay V	15:15:15	4.20	4.65	5.01
	10:26:26	0.00	0.00	0.00
RCF:Trombay-V	20.8:20.8	0.00	0.00	0.00
	20:20	2.70	0.00	0.00
RCF:Trombay-V	Urea	3.30	4.08	4.39
RCF:Thal	Urea	17.07	21.44	20.53
Total(RCF):		27.27	30.17	29.92

MFL:Chennai	Urea	4.87	4.68	4.15
	20:20	0.00	0.00	0.00
	19:19:19	0.00	0.00	0.00
	17:17:17	8.40	0.49	1.29
Total(MFL):		13.27	5.17	5.44
Total (PUBLIC SECTOR):		86.98	84.66	84.56
COOPERATIVE SECTOR				
IFFCO:Kandla	10:26:26	5.15	7.20	6.96
	12:32:16	7.00	8.56	7.73
	12:32:16:0.5Zn	0.00	0.11	0.00
	DAP	12.00	9.18	9.10
Total(Kandla):		24.15	25.05	23.78
IFFCO:Kalol	Urea	5.45	6.02	5.99
IFFCO:Phulpur-I	Urea	5.51	6.32	7.14
IFFCO:Phulpur-II	Urea	8.65	9.92	9.36
IFFCO:Aonla	Urea	8.65	10.69	9.10
IFFCO:Aonla- II	Urea	8.65	10.34	9.27
(IFFCO ALL UNITS):		61.05	43.27	40.86
IFFCO:Paradeep	DAP	15.00	8.69	10.74
	12:32:16	1.60	0.74	0.23
	20:20	1.00	5.79	5.61
	10:26:26	1.60	1.10	0.10
Total(Paradeep):		19.20	16.31	16.68
KRIBHCO:Hazira	Urea	17.29	23.53	23.14
Total (COOP. SECTOR):		97.54	108.17	104.46
Total (PUB+COOP):		184.52	192.83	189.02

Note: * Actual Production during April, 2017 to October, 2017 and target from November, 2017 to March, 2018

Sources : mfms.nic.in as on 14.11.2017

Private Sector

(Fig. In 'LMT')

NAME OF PLANTS	PRODUCT NAME	Installed/Reassessed Capacity (as on 01.04.2017)	PRODUCTION DURING 2016-17	ESTIMATED PRODUCTION DURING 2017-18 *
GSFC:Vadodara	Urea	3.71	3.59	3.02
	A/S	2.28	3.37	3.43
	DAP	0.00	0.00	0.00
	20:20	2.00	2.72	2.71
Total(GSFC Badodara):		7.99	9.68	9.16
GSFC:Sikka-I	DAP	3.26	4.12	4.04
	10:26:26	0.00	0.23	0.48
	20:20	0.00	0.42	0.71
	12:32:16	0.00	0.15	0.83
GSFC:Sikka-II	DAP	3.96	0.00	2.00
Total(GSFC Sikka):		7.22	4.92	8.07
CIL:Vizag	28:28	0.00	3.94	4.51
	14:35:14			0.00
	20:20	10.00	5.65	5.60
	14:35:14	0.00	0.01	0.00
	17:17:17	0.00	0.04	0.00
	UAP 20:20	0.00	0.20	0.23
	24:24:0,	0.00	0.11	0.57
	10:26:26	0.00	0.10	0.57
	DAP	0.00	1.17	0.00
Total(CIL Vizag):		10.00	11.23	11.48
SFC:Kota	Urea	3.80	3.94	4.11
KFCL:Kanpur	Urea	7.23	7.23	7.22

ZACL:Goa	Urea	3.99	4.65	4.67
	DAP	3.30	1.51	1.79
	19:19:19	3.30	0.68	0.78
	10:26:26	0.00	3.02	4.25
	14:35:14	0.00	0.00	0.00
	12:32:16	0.00	0.63	0.85
Total(ZACL):		10.59	10.49	12.33
SPIC:Tuticorin	Urea	6.20	5.63	6.21
Greenstar Fert. Ltd.	DAP	3.47	3.20	3.16
	20:20	**2.59**	2.32	2.41
	17:17:17	0.00	0.00	0.00
Total(SPIC+GFL):		12.26	11.15	11.78
MCFL:Mangalore	Urea	3.80	3.80	3.90
	DAP	2.20	1.60	1.78
	16:20	0.00	0.00	0.00
	20:20	0.40	1.02	0.99
	10:26:26	0.00	0.00	0.00
Total(MCFL):		6.40	6.42	6.68
GNFC:Bharuch	Urea	6.37	6.90	6.48
	20:20	1.43	2.21	2.15
Total(GNFC):		7.79	9.11	8.63

CIL:Ennore	16:20	3.30	0.98	2.18
	20:20	0.00	0.45	0.00
Total(CFL:Ennore):		3.30	1.43	2.18
Smartchem/DFCL:Taloja	24:24:0,	3.00	2.18	2.33
	10:26:26	0.00	0.22	2.04
	12:32:16	3.00	0.14	0.94
	20:20	0.00	0.00	1.77
	16:16:16,	0.00	0.00	0.00
Total: DFCL		6.00	2.54	7.08
TCL:Haldia	DAP	6.70	1.46	1.43
	10:26:26	0.00	2.11	2.13
	12:32:16	0.00	0.00	0.26
	20:20	0.00	0.00	0.00
	14:35:14	0.00		
	15:15:15	0.00		
Total(TCL):		6.70	3.57	3.82
CIL:Kakinada	DAP	19.25	3.43	6.37
	12:32:16	0.00	0.00	0.00
	10:26:26	0.00	2.27	2.83
	28:28	0.00	0.29	1.02
	14:35:14	0.00	2.44	3.22

	17:17:17	0.00	0.16	0.00
	20:20	0.00	2.88	4.46
	14:28:14	0.00	0.00	0.00
Total (Kakinada):		19.25	11.48	17.90
NFCL:Kakinada	Urea	5.97	7.88	8.06
NFCL:Kakinada Expn.	Urea	5.97	7.10	7.88
Total(NFCL):		11.95	14.98	15.94
Grasim/ IGFL:Jagdishpur	Urea	8.65	11.61	11.86
Hindalco .:Dahej	DAP	4.00	3.00	3.00
CFCL:Gadepan-I	Urea	8.65	9.66	11.34
CFCL:Gadepan-II	Urea	8.65	10.36	9.61
Total(CFCL):		17.29	20.02	20.96
TCL:Babrala	Urea	8.65	12.14	12.67
KFL/KSFL:Shahjahanpur	Urea	8.65	9.32	8.89
PPL:Paradeep	DAP	7.20	6.28	6.95
	20:20	0.00	5.40	4.41
	15:15:15	0.00	0.00	0.00
	12:32:16	0.00	0.45	0.54
	10:26:26	0.00	1.01	0.89
	14:35:14	0.00	0.00	0.00
Total(PPL):		7.20	13.14	12.80

Matix Group. Cor.			0.00	2.89
SSP Units	SSP	120.85	44.18	73.76
Total (PRIVATE SECTOR):		295.75	221.58	273.18
Total (PUB+COOP+PVT):		480.27	414.41	462.20

Note: * Actual Production during April, 2017 to October, 2017 and target from November, 2017 to March, 2018

Sources : mfms.nic.in as on 14.11.2017

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2017-18)

The Committee sat on Thursday, the 22nd February, 2018 from 1030 hrs. to 1230 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

Present

Shri Anandrao Adsul - Chairperson

Members

Lok Sabha

2. Dr. (Smt.) Ratna De (Nag)
3. Dr. (Prof.) Azmeera Setaram Naik
4. Shri Chhedi Paswan
5. Shri S. Rajendran
6. Dr. Kulamani Samal
7. Dr. Krishna Pratap Singh

RAJYA SABHA

8. Shri Biswajit Daimary
9. Shri Prem Chand Gupta
10. Shri B. K. Hariprasad
11. Dr. Bhushan Lal Jangde
12. Shri Ranvijay Singh Judev

SECRETARIAT

1.	Shri Vinod Kumar Tripathi	-	Joint Secretary
2.	Shri A. K. Srivastava	-	Director
3.	Shri U. C. Bharadwaj	-	Deputy Secretary

LIST OF WITNESSES

I. **MINISTRY OF CHEMICALS AND FERTILIZERS**

(DEPARTMENT OF FERTILIZERS)

1.	Smt. Bharathi Sivaswami Sihag	Secretary
2.	Smt. Meenakshi Gupta	Additional Secretary & FA
3.	Shri Dharam Pal	Additional Secretary (F)

II. REPRESENTATIVES FROM OTHER MINISTRIES / DEPARTMENTS

1.	Smt. Vandana Dewidi	Addl. Comm, Department of Agriculture Corporation
2.	Dr. S. K. Chaudhari	ADG, ICAR
3.	Shri Manoj Srivastava	ED (TTF), M/o Railways
4.	Shri V. K. Chaurasia	Adviser, Central Public Health Environment Engineering Organization (CPHEEO), M/o Housing &Urban Affair

III. REPRESENTATIVES FROM PSUs

1.	Shri Manoj Mishra	CMD, NFL
2.	Shri Umesh V. Dhatrak	CMD, RCF
3.	Shri D. S. Sudhakar Ramaiah	CMD, PDIL
4.	Shri S. K. Samadani	Additional G.M. PDIL
5.	Shri A. B. Khare	CMD, MFL
6.	Shri S. D. Singh	CMD, BVFCL
7.	Shri Nandakumar	FACT
8.	Shri K.V. Balakrishnan Nair	GM (Fin.) FACT

IV REPRESENTATIVES FROM FAI (NON OFFICIAL WITNESS)

1.	Shri Satish Chander	DG, FAI
2.	Shri Anil Malhotra	Consultant, FAGMIL

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

3. After the witnesses introduced themselves, a representative of the Department of Fertilizers made power point presentation to the Committee regarding Demands for Grants 2018-19 of the Department of Fertilizers. Then the Chairman requested DG, FAI for providing the views of their organisation on the issue of problems faced by the fertilizer industry. DG, FAI briefed the Committee in this regard and also made a power point presentation.

4. During the discussion, the Hon'ble Chairperson and Members of the Committee raised queries on several issues such as:-

(i) New energy norms and their conformity with vintage fertilizers plants;

(ii) Justifications and reasons behind revising energy norms for Fertilizers Industries four times in the past and providing the details about the energy norms to be made applicable during financial year 2018-19;

(iii) Investment required by the current fertilizers industry for upgrading themselves as per the new energy norms and constraints felt by them in this regard. Consultations with the fertilizers industries on this issue by the Government;

(iv) Reasons for not increasing the MRP of Urea Fertilizers since 2010 till date and narrowing of profit margins of fertilizers plants due to this;

(v) Delay in implementation of CCEA decision taken way back in 2014 for enhanced benefits per metric tonne;

(vi) Non-consultation of all stakeholders while deciding energy norms and other policy matter by the Department of Fertilizers

(vii) Implementation of DBT to distribute fertilizers subsidy; and

(viii) Surrendering of funds at revised stage in last financial year 2017-18.

5. The Secretary, Department of Fertilizers and other officials responded to the aforesaid concerns/issues raised by the Committee. DG, FAI also provided his view points on the issues relating to working constraints of fertilizer industry and fertilizer subsidy.

6. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to provide required information in writing at the earliest which was not readily available.

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

The Committee then adjourned.

MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2017-18)

The Committee sat on Monday, the 12 March, 2018 from 1500 hrs. to 1530 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. Shri Chhedi Paswan
7. Dr. Kulamani Samal
8. Dr. (Smt.) Ratna De (Nag)
9. Shri S. Rajendran

RAJYA SABHA

10. Shri B. K. Hariprasad
11. Dr. Bhusan Lal Jangde
12. Shri Ranvijay Singh Judev

SECRETARIAT

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri A. K. Srivastava - Director
3. Shri U. C. Bharadawaj - Deputy Secretary

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

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

(i) Draft report on 'Demands for Grants 2018-19' (Department of Fertilizers)

(ii) XXX XXX XXX

(iii) XXX XXX XXX

4. After deliberations the Draft Reports were adopted by the Committee. without any changes/amendments.

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

The Committee then adjourned.