3

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2019-20)

SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS (2019-20)

THIRD REPORT

LOK SABHA SECRETARIAT

NEW DELHI

December, 2019/ Agrahayana, 1941 (Saka)

CC&F.No.3

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(SEVENTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS
(2019-20)

Presented to Lok Sabha on 12 December 2019

Laid in Rajya Sabha on 12 December 2019

LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2019-20)

Smt. Kanimozhi Karunanidhi - Chairperson

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2	Shri Maulana Badruddin Ajmal
3	Shri Ramakant Bhargava
4	Shri Prataprao Govindrao Patil Chikhalikar
5	Shri Rajeshbhai Naranbhai Chudasama,
6	Shri Ramesh Chandappa Jigajinagi
7	Shri Kripanath Mallah
8	Shri Satyadev Pachauri
9	Smt Aparupa Poddar
10	Shri Arun Kumar Sagar
11	Shri M. Selvaraj
12	Shri Pradeep Kumar Singh
13	Shri Uday Pratap Singh
14	Shri Nandigam Suresh
15	Shri Er. Bishweswar Tudu
16	Shri H. Vasanthakumar
17	Shri Prabhubhai Nagarbhai Vasava
18	Dr. Vishnu Prasad M.K.
19	Shri Deepak Baij
20	Dr. Manoj Rajoria
21	Vacant

RAJYA SABHA

22	Shri Ranjib Biswal
23	Shri G.C.Chandrashekhar
24	Dr. Anil Jain
25	Shri Ahmad Ashfaque Karim
26	Shri Amar Singh
27	Shri Vijay Pal Singh Tomar
28	Vacant
29	Vacant
30	Vacant
31	Vacant

SECRETARIAT

1.	Shri Manoj K. Arora	-	OSD
2.	Shri A.K. Srivastava	-	Director
3.	Shri C. Kalyanasundaram	-	Additional Director
4.	Shri N. Amarathiagan	-	Under Secretary

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2019-20) having been authorised by the Committee to present the Report on their behalf, present this Third Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) for the year 2019-20.

The Committee examined the Demands for Grants (2019-20) pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers) which were laid in Lok Sabha and Rajya Sabha on 16 July 2019.

The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 23 October, 2019.

The Report was considered and adopted by the Committee at their sitting held on 10 December 2019.

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;
10 December, 2019
19 Agrahayana, 1941 (Saka)

Kanimozhi Karunanidhi
Chairperson
Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER – I

Introductory

The Department Fertilizers of the Ministry of Chemicals and Fertilizers is the nodal agency for ensuring availability of fertilizers at reasonable prices to the farmers of the country.(Ref.- own wording). The main functions of the Department of Fertilizers include planning, promotion and development of the fertilizer industry, planning and monitoring of production, import and distribution of fertilizers and management of financial assistancy by way of subsidy / concession for indigenous and imported fertilizers. A list of activities falling under the jurisdiction of the Department of Fertilizers is as given below :-

1. Planning for fertilizer production including import of fertilizer through a designated canalizing agencies.
2. Allocation and supply linkages for movement and distribution of fertilizers in terms of assessment made by the Department of Agriculture and Cooperation.
3. Administration of concession schemes and management of subsidy for controlled as well as decontrolled fertilizers, including, quantum of concession of decontrolled fertilizers.
4. Administration of the Fertilizers (Movement Control) Order, 1973.
5. Policy and pricing matters relating to Urea.
6. All matters pertaining to disinvestment of fertilizers PSUs.
7. All matters pertaining to Fertilizers Projects, Joint venture/Joint Sector Companies.
8. External assistance for new Fertilizers Projects.
9. Matters concerned with supply and availability of Fertilizers, raw materials and marketing of fertilizers.
10. Fixation of remuneration rate for handling imported Urea.
11. Work relating to planning, monitoring and valuation of fertilizers production.
12. All matters relating to WTO in the fertilizers sector.
13. Direct Benefits Transfer (DBT).

1.2 The Department of Fertilizers consists of following Divisions / attached offices dealing with :

1. Fertilizers Projects and Planning (Urea Policy Division).
2. Phosphatic & Potassic Fertilizers (P&K Division) and Joint Ventures abroad (IC Division).
3. Fertilizer Imports, Movement and Distribution (Movement Division)

4. PSU Division (dealing with PSUs) & Board Level appointments.
5. Fertilizer Industry Coordination Committee (FICC) an attached office.
6. Fertilizers Subsidy (FS Wing) dealing with payment of subsidy.
7. General administration, Establishment, Parliament, Coordination, Information Technology, RTI matters & Vigilance.
8. Economic and Statics (E&S), Monitoring and Evaluation (M&E) and Production and inputs (P&I).
9. Finance and Budget(IFD)
10. Direct Benefits Transfer (DBT).
11. City Compost.

1.3 When asked about the system of monitoring and control over the performance of schemes / programmes being implemented, the Department of Fertilizers has replied as under :-

> "The progress of expenditure against the On-going Schemes of NBS subsidy for P&K fertilizers and Urea subsidy for Urea is reviewed every week in the Sr. Officers' meeting chaired by Secretary (Fertilizers). In the meeting, all important issues like revival of sick units of Fertilizer PSUs, requirement and availability of fertilizers, movement of fertilizers; and grievances related to the fertilizers are discussed. In the Quarterly Review Meetings (QRMs) taken by Secretary (Fertilizers), the performance of DOF PSUs are reviewed with the representatives of the concerned PSUs and suitable directions are given to them for corrective action.
>
> The department is implementing two Central Sector Schemes namely: Nutrient Based Subsidy Policy and Urea Subsidy through which the subsidy on P&K Fertilizers and Urea is disbursed. Nutrient Based Subsidy Policy for Decontrolled Fertilizers (P&K Fertilizers) was introduced w.e.f 01.04.2010. An evaluation of the scheme was carried out by the Department through M/s Ernst & Young in the year 2014, wherein impact of NBS had been examined for the years 2010 to 2013.
>
> Nutrient Based Subsidy Policy and Urea Subsidy scheme for P&K Fertilizers and Urea respectively were reviewed in 2017-18 for their continuance upto 31.03.2020 was approved by CCEA. As per instructions of Ministry of Finance, NBS scheme and Urea Subsidy Scheme are required to be reviewed for their further continuance beyond 31.03.2020. Ministry of Finance has indicated that a third party evaluation of the schemes be carried out in this regard. Accordingly, Terms of reference (TOR) for third party evaluation have been finalized in consultation with NITI Aayog. Action is in hand for appointing Consultancy firm for third party evaluation of the schemes. "

1.4 Rs.83515.00/- crore is the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizer for the year 2019-20. The budgetary allocation of Rs.83515.00/- crore includes Revenue Expenditure of Rs.83514.95/- crore and Capital Expenditure of Rs.0.05 crore.

1.5 The Department of Fertilizers, when asked to furnish a note on how BE 2019-20 will affect the long term National policies/goals and new initiatives being considered for implementation, furnished written reply as under :-

> "In the year 2019-20, the Department of Fertilizers has been allocated Rs.83515 Crore against Rs.73485.39 Crore in 2018-19 (BE). The Budget allocation of Rs.83515 Crore includes a provision of Rs.83476 Crore for subsidy and Rs.38.94 Crore for Secretariat Expenditure besides six token provision of Rs.1 lakh each. This enhanced allocation in BE 2019-20 is expected to help liquidating the carry over liabilities in fertilizer subsidy which in turn would be a good incentive for the fertilizer PSUs and P&K Companies to produce more to bring reduction in imports.
>
> The department has recently launched the PoS version 3.0 of DBT and Desktop 1.0 version of DBT, which make the transactions carried out upto the end beneficiary more visible. "

1.6 On being asked to furnish details regarding proposed new initiatives / schemes / programmes and closed or proposed to be closed during 2019-20, the Department of Fertilizers furnished written reply as under :-

> In the budget 2016-17, it was announced that over a period of three years 2000 **Model Fertilizers Retail Shops** would be opened across the country. Department of Fertilizers had issued the guidelines to all the fertilizers companies for opening up of model fertilizers retail shops which shall include mandatory services like selling of quality fertilizer at genuine rates, soil testing, seed testing, promotion of balanced use of nutrients etc. Some optional services are also required to be given through these shops like hiring of equipment such as tractors lasers, levellers, rotavator, crop harvesters and thrashers, hiring of sprayers, sale of small instruments like spades and sickles etc. Till date 2014 Model Fertilizers Retail Shops have been made operational.
>
> In the year 2016-17, it was also announced to introduce DBT on pilot basis for fertilizer in a few districts across the country, with a view to improving the quality of service delivery to farmers. Accordingly, the DBT in fertilizers was launched on pilot basis in October, 2016 in 19 Districts. The Pan India Roll out of DBT in fertilizers has been made from March, 2018. Recently, in June 2019, DBT PoS Version 3.0 and Desktop Version 1.0 of DBT has been launched, which would enhance the effectiveness of DBT in fertilizers.
>
> No schemes/programmes are proposed to be closed in 2019-20."

1.7 The Detailed Demands for Grants (2019-20) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 16 July, 2019. Since the Departmentally Related Standing Committees were not constituted, the Rule 331G of Rules of Procedure and Conduct of Business in Lok Sabha was suspended. Therefore a Motion was moved in Lok Sabha on 11.07.2019 to enable Lok Sabha to Pass the Demands for Grants in respect of Union Budget for the year 2019-20 without referring them to DRSCs. However, Hon'ble Speaker observed in the House that the Demands for Grants would stand referred to the

concerned Departmentally Related Standing Committees after they have been constituted for examination and report to the House. The demand shows a budgetary support of Rs. 83515 crore. The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2019-20. The Observations/Recommendations of the Committee have been given in a separate chapter at the end of the Report. The Committee expect the Department to take all necessary steps for proper and timely utilization of funds ensuring completion of the various plans and projects in a time bound manner. The Committee also expect the Department to act on the recommendations of the Committee expeditiously and furnish action taken replies to the observations/recommendations made in the Report within three months from the date of presentation of this Report.

CHAPTER – II

OVERVIEW OF INDIAN FERTILIZER SECTOR

Policies Governing Fertilizer Sector

Chemical Fertilizers have played an important role in making the country self-reliant in food grain production. It provides a very vital input for the growth of Indian agriculture and in the attainment of the goal of self-sufficiency in food grains. The objective of Government's policy is to maximize indigenous production of nitrogenous fertilizers based on utilization of indigenous feedstock to reach self-sufficiency levels. For sustained agricultural growth and to promote balanced nutrient application, it is imperative that fertilizers are made available to farmers at affordable prices. Timely availability of fertilizers, as input to the farmer at affordable prices, is vital for growth of agriculture sector in the country. Subsidy or concession schemes have been an integral part of Government policy to sustain agricultural productivity which in turn plays critical role in ensuring the food security in promoting rural livelihood and employment.. The Indian Fertilizer Industry, which provides the critical input of necessary fertilizers to the agriculture sector of the country, is regulated and monitored by the Government of India.

2.2 The Government of India established the "Central Fertilizer Pool" in 1944 to ensure equitable distribution of all fertilizers at fair prices all over the country. The Government of India passed Fertilizer Control Order (FCO) under the Essential Commodities Act (EC Act, 1955) in the year 1957 to regulate sale, pricing and quality of fertilizers. Subsequently, movement control order was passed in 1973 to regulate distribution of fertilizer. No subsidy seems to have been paid on fertilizer before 1977 except subsidy on Phosphate due to its high prices in the international market during 1977. Till 30th September, 2000, the fertilizers subsidy was being administered by the Department of Agriculture and Cooperation (DAC) and there after it was continued by the Department of Fertilizers with changed parameters from time to time.

Production and Supply of Fertilizers

2.3 Movement Wing, Department of Fertilizers, deals with season wise assessment of subsidized fertilizers (Urea, DAP, MOP and NPK) in consultation with Department of Agriculture, Cooperation and Farmers Welfare and to ensure adequate and timely availability of fertilizers to the farmers in all parts of the country, prepares agreed supply in consultation with Manufacturers / Importers to fulfill the monthly requirement in the country. The movement of all major subsidized fertilizers is monitored through an online web based monitoring system i.e. integrated Fertilizers Monitoring System (iFMS).

2.4 As of now, the country has achieved 76% self-sufficiency in production capacity of Urea. As a result, India could manage its substantial requirement of nitrogenous fertilizers through the indigenous industry besides imports. Similarly, 56.5% indigenous capacity has been developed in respect of phosphatic fertilizers to meet domestic requirements. However, the raw material and intermediates for the same are largely imported. For potash (K), since there are no viable sources / reserves in the country its entire requirement is met through imports.

2.5 The Committee sought to know about the procedure followed in allowing production and use of customized fertilizers and mixture fertilizers produced by combining various P&K fertilizers and Urea in various ratios. In this regard, the written reply furnished by the Department of Fertilizers is reproduced below : -

> " The NPK mixture fertilizers are manufactured by mixing together various P&K fertilizers and Urea in various ratios approved by the State Government. The NPK mixtures are crop specific and soil specific. The objective of promoting mixture and customized fertilizers is to achieve maximum fertilizer use efficiency of applied nutrients in a cost effective manner. A list of customized fertilizer and mixture fertilizers for the production of which, use of subsidized fertilizers is permitted as available with the Department is enclosed as per **Annexure – 'I'**.
>
> The Department issued guidelines dated 23.5.2018 for Interim procedure for sale of subsidized fertilizers to Mixture/Customized fertilizers manufacturing units under Direct Benefit Transfer (DBT) system. The procedure is as under:
>
> **i.** State Agriculture Departments must register all authorized mixture/customized units in iFMS.
> **ii.** The State Agriculture Department with the approval of State Agriculture Commissioner/Principal Secretary (Agri) will authorize in writing the type and quantity of subsidized fertilizers required to be purchased by each mixture/customized unit.
> **iii.** On the basis of written authorization of Agriculture Department, mixture/customized units will authorize any of their employee for purchase of subsidized fertilizers as specified by the State Agriculture Department.
> **iv.** The authorized employee will approach any retail outlet with authorization of State Government and mixture unit. Retailer will retain the copy of both authorization and sell the specified quantity and type of fertilizers through Point of Sale (PoS) using authorized employee's Aadhar number.
> **v.** Retailer will maintain a separate register for the above sale.
> **vi.** Mixture unit would also maintain separate registers for purchase, production and sale.
> **vii.** The registers maintained by retailers and mixture units would be periodically checked by State Agriculture Department.
>
> This interim arrangement is valid upto 22.11.2019 or till further orders, whichever is earlier."

2.6 To query regarding applicability of DBT for sale of customized / mixture fertilizers, the Department of Fertilizers furnished reply as under :-

" Direct Benefit Transfer (DBT) system in fertilizers was implemented across all states/UTs w.e.f. March 2018. Further, the Department has issued interim guidelines for sale of subsidized fertilizers to Mixture/Customized Fertilizer Manufacturing Units under DBT system vide F.N. 15011/08/2017-DBT dated 23.05.2018. The guidelines have been further extended vide F.No. 15011/05/2018-DBT dated 06.12.2018 (As per **Annexure-2**). In addition, the Department has instructed NIC for developing a proper software model under DBT framework to track the subsidized fertilizers purchased and mixture fertilizers produced and sold by Mixture Fertilizer Units. "

Subsidy / Concession Schemes and Price of Fertilizers

2.7 The Department of Fertilizers at present implements subsidy or concession schemes for the production and supply of Urea and 21 grades of P&K fertilizers and for the production of city compost and as per the policy on promotion of city compost notified by the Department of Fertilizers on 10-02-2016. Market Development Assistance (MDA) in the form of fixed amount of Rs.1500/- per tone of city compost will be provided for scaling up production and consumption of the product.

2.8 The urea is sold at a Maximum Retail Price (MRP) statutorily fixed by the Government of India. The difference between delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer / importer by the Government of India.

2.9 MRP of P&K fertilizers has been left open and fertilizer manufacturers / marketers are allowed to fix the MRP at reasonable rates. The Nutrient Based Subsidy (NBS) Policy for P&K fertilizers has been implemented w.e.f. 01-04- 2010 by the Department of Fertilizers. Under the NBS Policy, the Government provides a fixed rate of subsidy (in Rs. Per Kg basis) on each nutrient of subsidized P&K fertilizers. The updated list of P&K fertilizers covered under NBS policy as furnished by the Department of Fertilizers is appended below :-

S. No.	Name of Fertilizers	S. No.	Name of Fertilizers
1	DAP 18-46-0-0	12	NPK 19–19–19
2	MOP 0-0-60-0	13	NPK 16-16-16-0
3	SSP 0-16-0-11	14	NPS 16-20-0-13
4	NPS 20–20–0-13	15	NPK 14–35–14
5	NPK 10–26–26-0	16	NPS 24-24-0-8*
6	NP 20-20-0-0	17	MAP 11-52-0-0
7	NPK 15–15–15	18	TSP 0-46-0-0
8	NP 24-24-0-0	19	NPK 12–32–16
9	AS 20.5-0-0-23	20	NPK 14–28–14
10	NP 28–28–0-0	21	NPKS 15-15-15-09
11	NPK 17–17–17		

2.10 The Department of Fertilizers was asked whether the differential cost subsidy paid for urea could be made applicable for other fertilizers as well and to furnish reasons, in case of negative reply of the Government to the proposition. In this regard, written reply furnished by the Department of Fertilizers is reproduced below :-

> "The Nutrient Based Subsidy (NBS) Policy for P&K fertilizers is being implemented w.e.f. 1.4.2010 by the Department of Fertilizers and under the said policy, a fixed amount of subsidy decided on annual basis, is provided on each grade of subsidized Phosphatic & Potassic (P&K) fertilizers depending on its Nutrient Content. As the P&K fertilizers are decontrolled, the Maximum Retail Price (MRP) is fixed by Companies as per market dynamics at reasonable level. So, differential cost paid for urea is not admissible for P&K fertilizers.
>
> The NBS policy for P&K fertilizers was introduced as a first step towards implementation of NBS for the whole fertilizers sector including Urea. So, going back to the earlier subsidy regime for for P&K fertilizers would be a regressive step."

2.11 Responding to a query seeking reasons for adopting different yard sticks viz. differential cost subsidy to urea and nutrient based subsidy for other fertilizers, the Department of Fertilizers replied as under in writing :-

> " The MRP of urea is statutorily fixed by the Government of India and at present it is Rs. 242 per 45 kg bag (exclusive of the Central/State Taxes). An extra MRP of 5 is charged by fertilizer manufacturing entities on Neem Coated Urea. The difference between the delivered cost of fertilizers at farm gate and MRP payable by the farmer is given as subsidy to the fertilizer manufacturer/importer by the Government of India. The subsidy is paid to the urea manufacturing units through concession rates (Normative Cost of production under extant Urea Policies) comprising of two major components namely Fixed Cost and Variable Cost.
>
> The MRP of P&K fertilizers under NBS is under decontrolled regime where the MRP of such fertilizers are fixed by the companies. In Urea, the prices have not been increased by the Government to save the farmers from the risk of rise in price of Urea, if it is brought under decontrolled regime.
>
> No fertilizer under NBS scheme is paid any differential cost subsidy."

2.12 To a query seeking details regarding profit margin available for producers of urea on one unit at the present rate of MRP fixed by the Government, the Department of Fertilizers furnished reply as under :-

> "While paying subsidy we consider only variable cost for the year and fixed cost based on costed year 2002-03 is paid upto reassessed capacity (RAC) level and beyond reassessed capacity level the units are entitled for their respective variable cost and uniform per MT incentive equal to the lowest of the per MT fixed cost of all the indigenous urea units subject to import parity price plus weighted average of other incidental charges . Hence the profitability per MT cannot be ascertained."

2.13 Regarding mechanism being followed by fertilizer companies for fixing Maximum Retail Price (MRP) of NBS covered P&K fertilizers, monitoring-mechanism in place to check exorbitant price fixation and details of action taken by the Ministry of Chemicals and Fertilizers on complaints of farmers relating to arbitrary price fixation by companies during the last three years, the Department of Fertilizers furnished written reply as given below :-

> “ The Government has implemented Nutrient Based Subsidy Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers. Under the policy, a fixed amount of subsidy, decided on annual basis, is provided on subsidised P&K fertilizers depending on their nutrient content. Under this policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government. Any sale over and above the printed MRP is a punishable offence under the Essential Commodities Act, 1955. The State Governments have the responsibility to ensure that the farmers get the subsidised fertilizers on the MRP. State Governments are authorised to take punitive action against any company / firm / person found selling subsidised fertilizers over and above the printed MRP. Besides, the Government is also analysing the yearly audited cost data submitted by the P&K fertilizers companies to verify the reasonableness of MRP of these fertilizers fixed by the fertilizers companies.
> No such complaint has been received.”

2.14 To a query regarding agencies responsible for checking subsidy-claims of producers of NBS covered P&K fertilizers and action taken on the cases of incidences of unreasonable MRP fixation during the last 5 years, the Department of Fertilizers submitted written reply as under :-

> “ Fertilizers Subsidy (FS) division has been entrusted with the responsibility of checking claims of P&K and other NBS fertilizers. The monitoring of reasonableness or otherwise of MRPs fixed by P&K fertilizer companies is done by FICC (attached office of DoF).
>
> DoF has been collecting certified cost data from P&K fertilizer companies in a given format and scrutinizing them for checking reasonableness of MRPs. However, for taking action against the companies whose MRPs are found to be unreasonable, DoF in consultation with DoE is in final stage of finalizing guidelines for recovery of profit earned over and above 12%, which is considered to be reasonable.”

2.15 On being asked to state as to by what time these guidelines are likely to be finalized and implemented, the Department of Fertilizers furnished reply as under :-

> “The inputs have been received from Department of Expenditure. The Committee constituted under the chairmanship of Additional Secretary for the purpose has already recommended the proposed guidelines taking into consideration the views of DOE which are under the approval of competent authority. The guidelines are likely to be finalized by the end of this Financial Year. “

2.16 During oral evidence by the representatives of Department of Fertilizers on 23.10.2019 Secretary Department of Fertilizers responding to a query of the Committee regarding issue of guidelines for allocating reasonable profit to manufacturing of P&K fertilizers stated as under:-

"Yes, we have a control. Already it is going on and the modalities have been approved by the Finance Ministry as to how to recover if somebody has made unreasonable profit".

2.17 During oral evidence, responding to a query of the Committee as to why there is no price control on P&K Fertilizers in the country, Secretary of Department of Fertilizers deposed as under:-

"It was decided that, because urea is the most important fertilizer consumed by the farmers, to keep the control here. Let us allow de-control of these fertilizer units so that the companies or the distributors make a little bit of money and recover their money invested by them so that they can further expand their capacities. It has been borne out by facts. The production has gone up in the country. Imports have come down. In case of urea, there is a different policy. I will come to that in subsequent slides."

" I will explain. Though we have not controlled the MRP but it is still under the Essential Commodities Act. The Cabinet and also this Parliamentary Standing Committee from time to time have been asking us how we are managing to control the prices. We ask the producers, 'what is your cost of production or input?' We ask them if they follow competitive bidding for their imports or not. Based on that, we will find out whether they are making reasonable profit or unreasonable profit. We allow them 12 per cent return on that".

2.18 To a query relating to mechanism followed by Government while undertaking review of sale-price of urea, the Committee were given written reply as under :-

"The details of Maximum Retail Prices of Urea (Rates in Rs. Per MT) (exclusive of Central/State levies and other charges) since 1991-92 is as under:-

Maximum Retail Prices of Urea (Rates in Rs. Per MT) (exclusive of Central/State levies and other charges)	
Year	**Urea**
1991-92	
Upto 24.7.91	2350
From 25.7.91	3300
1992-93	
Upto 24.8.92	3060
From 25.8.92	2760
1993-94	2760
1994-95	
Upto 9.6.94	2760
From 10.6.94	3320
1995-96	3320
1996-97	
Upto 20.2.97	3320
From 21.2.97	3660
1997-98	3660
1998-99	
Upto 1.6.98	3660
From 2.6.98 to 12.6.98	4160
From 13.6.98 to 28.1.99	3660

From 29.1.99	4000
1999-2000	
Upto 28.2.2000	4000
From 29.2.2000	4600
2000-2001	4600
2001-2002	
Upto 27.2.2002	4600
From 28.2.2002	4830
2002-2003	
Upto 27.2.2003	4830
From 28.2.2003 to 11.3.2003	5030
From 12.3.2003 to 31.3.2010	4830
From 1.4.2010 to 31.10.2012	5310
From 1.11.2012 to 28.02.2018	5360
From 01.03.2018 till date	Rs 242 for 45 kg bag Rs 268 for a 50 kg bag

vide notification dated 4th September, 2017 of the department, it was decided to introduce 45 Kg bag of urea in place of 50 kg bag. On 1st March, 2018, Department of Agriculture, Cooperation & Farmers Welfare notified the Maximum Retail Price (MRP) of 45 kg bag urea bag as Rs 242 per bag and for a 50 kg bag as Rs 268 per bag. This is exclusive of the central excise duty, Central Tax, Integrated Tax, Union Territory Tax or Countervailing Duty, state tax and other local taxes wherever levied, whether at the retail sales point or at an intermediate stages and other charges towards neem coating."

Size of Fertilizer Bags

2.19 The Standing Committee on Chemicals and Fertilizers undertook a study visit to Dharamshala on 11-06-2018. As part of the study visit programme, the Committee held informal discussion with the representatives of farmers at Ichhi-village near Dharamshala on 11-06-2018. During the informal discussion, some farmers especially vegetable/fruit growers apprised the Committee about the need for smaller fertilizer-bags at retail sale points as the same would be suitable / economical for them. Regarding action taken reply in the matter, the Department of Fertilizers inter-alia stated as under :-

" In respect of visit of the Standing Committee to Dharamshala on 11.06.2018 wherein desirability of smaller fertilizer bags has been mentioned, it is pointed out that in the case of Urea where the prices are controlled by the Government; it is being supplied in 45 Kg bags and 50 Kg bags. As regards P&K fertilizers where the prices are fixed by the companies, it is upto them to sell the P&K fertilizers in smaller bags depending on their commercial decision.

The Department of Agriculture, Cooperation & Farmers Welfare vide letter dated 16.1.2013 has already allowed the sale of DAP, MOP, Complexes, Fortified fertilizers and customized fertilizers in a bag of 5 Kg, 10 Kg, 25 Kg and 40 Kg besides conventional bag size of 50 Kg. A copy of this letter was also endorsed to Fertilizer Association of India (FAI) to make the fertilizer bags of various sizes available to the farmers as per market demand."

Evaluation and Extension of Fertilizer Subsidy / concession Schemes

2.20 Regarding the prospect of continued implementation of subsidy schemes in future, the Department of Fertilizers informed that as per instructions of Ministry of Finance, NBS scheme and Urea Subsidy Scheme are required to be reviewed for their further continuance beyond 31-03-2020 and that a third party evaluation of the schemes be carried out for the purpose. In this regard, the Department of Fertilizers was asked about progress made in making third party evaluation of these schemes and the written reply furnished by the Department of Fertilizers in this regard states inter-alia as under :-

> " In accordance with instructions of Ministry of Finance, both NBS Scheme and Urea Subsidy Scheme were reviewed in 2017 and their continuance upto 31.03.2020 was approved by CCEA. M/o Finance has subsequently instructed that third party evaluation of all subsidy schemes needs to be completed before commencement of next Finance Commission cycle i.e. 01.04.2020 in consultation with NITI Aayog for their further continuance beyond 31.03.2020.
>
> Based on template prescribed by NITI Ayog, the Terms of Reference for third party evaluation of NBS Scheme and Urea Subsidy Scheme have been finalized. This department is in the process of finalizing a consultancy firm for third party evaluation. Request for Proposal (RFP) for selection of a consultancy has been prepared and is being uploaded on the CPP, the e-tendering portal of Department of Fertilizers, very shortly."

2.21 The Department of Fertilizers when asked as to whether evaluation process would be completed before the deadline date of 31.03.2020 and what alternate steps are proposed to be taken in the event of non-completion of evaluation by the stipulated date. In this regard, the reply of the Department of Fertilizers is as under :-

> "On the basis of Request for Proposal (RFP) uploaded on the CPP, the e-tendering portal of Department of Fertilizers, total 8 Bids have been received. Bid submission date is over now. Technical bids have been opened and are being evaluated. On qualifying the Technical bids, Financial bids will be opened. Thereafter, the work order will be provided to the successful bidder. The whole process is likely to complete by 15th November, 2019.
> As per the timeframe mentioned in RFP, the assignment shall be completed within a period of 100 days from the date of issuance of Letter of Intent or Work Order whichever is earlier."

Sr. No.	**Activity**	**Deadline**
1.	Award of contract	T
2.	Inception Report	T+15 days
3.	Finalization of Inception report based on comments by Ministry/Department	T+17 days
4.	Mid-term report	T+45 days
5.	Sign-off on the mid-term report based on comments by Ministry/Department	T+48 days
6.	Draft report	T+85 days
7.	Comments on Draft report by Ministry/Department	T+92 days
8.	Sign-off the Final Evaluation Report	T+100 days

In view of the above time frame, the evaluation exercise will be completed before the deadline. Therefore, the question of taking alternate steps does not arise."

2.22 As regards measures initiated or proposed to be initiated for subsidy rationalization in Fertilizer Sector so as to bring down subsidy-outgo, the Department of Fertilizers informed inter-alia as under :-

"The Government has implemented Direct Benefit Transfer (DBT) system in Fertilizers across all States/UTs w.e.f. March 2018. Under the proposed fertilizer DBT system, 100% subsidy on various fertilizer grades is 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 is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc…"

Direct Benefit Transter (DBT)

2.23 The Government has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October 2016. Under the proposed fertilizer DBT system, 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by the retailers to the beneficiaries. Sale of all subsidized fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc. Different States/U.T.s have been put on Go-Live mode w.e.f. 01.09.2017 and the Pan-India Roll out has been completed by March, 2018.

2.24 The Committee having taken note that the Department of Fertilizers, in the recent past, launched the PoS version3.0 of DBT and Desktop1.0 version of DBT, sought to know about the salient features of these versions of software for DBT. The reply of the Department in this regard is reproduced below :-

" Under DBT, the fertilizer sales are being done through the PoS devices installed at retail points across the country. Till now 18 versions of PoS software has been released in the process of improving the PoS operations. PoS version 2.5 captures sale to farmers only. It does not capture the different category of buyers like Mixture manufacturers, Planters Associations etc.

Keeping pace with the ongoing development process and interventions, the DoF has developed the PoS software version 3.0. The features of DBT PoS software version 3.0 are as follows:

- New system will provide Aadhaar virtual ID option during use to registration, login and sale activity in DBT Software
- It captures Sale to farmers, Mixture manufacturers, Planter association separately.
- It has Multi-lingual facility
- It has Provision for Soil Health Card (SHC) recommendation: area-specific, crop-specific recommendations.

a) Development of Desktop PoS Version:

As a part of ongoing implementation of DBT, the department has installed PoS devices at 2.24 lakh retail points across the country. Keeping in view the various operational challenges viz. limited PoS vendors, rush of sales due to peak season etc. the department developed a desktop version of PoS software as an alternative or added facility to PoS devices. Retailers with Laptops and Computer systems can use high speed broadband service for fertilizer sales. The Desktop software is more robust and secure as the application is developed and handled directly from the central HQ team at D/o Fertilizers.

(i) The new features of Desktop version of PoS software are as follows:

- Retailer registration with same iFMS login ID, PIN and Aadhaar number.
- New system will provide Aadhaar virtual ID option during use to registration, login and sale activity in DBT Software
- Captures Sale to farmers, Mixture manufacturers, Planter association separately.
- Multi-lingual facility
- Provision for Soil Health Card (SHC) recommendation: area-specific, crop-specific recommendations.

(ii) The Advantages of Desktop version of PoS software are as under:

- Alternative or added facility to PoS devices.
- Reduces the dependency on PoS devices & limited vendors.
- Retailers with Laptops and Computer systems can use high speed broadband service to make Fertilizer sale.
- Easy to operate, bigger screen compared to small screen of PoS.
- Multilingual facility.
- Sale receipts will be multilingual.
- More Secure: Single point development control with DoF.
- Can serve as additional device for handling peak season sales.

It is expected that the desktop version will facilitate in easy handling of fertilizer business at retailer points. "

2.25 As regards progress in the implementation of phase-II of the DBT scheme, the Department of Fertilizers submitted as under:-

"Phase II of DBT: NITI Aayog has constituted a Committee to analyze and suggest a mechanism to provide agriculture subsidy on area basis through DBT vide letter No. I-22/2/21/2017-P&E dated 06.02.2018. The committee is examining the feasibility of providing agriculture subsidy on area basis through DBT through wide consultations involving various stakeholders from D/o Fertilizers, M/o Power, DAC&FW and State Governments. A draft report has been issued by the Committee to all stakeholders, which has been circulated to all PSUs and FAI by the D/o Fertilizers for views and suggestions. The final report of the committee is awaited."

CHAPTER – III

EXAMINATION OF DEMAND NO.6 – DEMANDS FOR GRANTS OF DEPARTMENT OF FERTILIZERS FOR 2019-20

Budget Estimates for 2019-20

Rs.83515.00/- crore is the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizer for the year 2019-20. The proposed cash management of Budget Estimates of Rs.83515.00/- crore during 2019-20 is Rs.29199.22/- in Q-I + Rs.28231.25/- in Q-II + Rs.21017.79/- in Q-III + Rs.5066.74/- in Q-IV.

3.2 Account-wise and Major Head-wise details of BE of Rs.83515.00/- crore for the Department of Fertilizer for the year 2019-20 is as under :-

(Rs.in crores)

	Revenue	Capital	Total
Charged	**--**	**--**	**--**
Voted	**83514.95**	**0.05**	**83515.00**

Account	Major Head	Actuals 2017-18	BE- 2018-19	RE- 2018-19	BE- 2019-20
REVENUE SECTION					
Secretariat Economic Services	3451	31.80	34.99	37.03	38.94
Crop Husbandry	2401	22244.26	25090.35	25090.35	26367.00
Industries	2852	67512.50	48360.00	48355.35	57109.00
Other General Economic Services	3475	...	0.01	0.01	0.01
Total-Revenue Section		**89788.56**	**73485.35**	**73482.74**	**83514.95**
CAPITAL SECTION					
Loans for Fertilizer Industries	6855	....	0.04	0.04	0.05
Total-Capital Section		...	0.04	0.04	0.05
GRAND TOTAL		**89788.56**	**73485.39**	**73482.78**	**83515.00**

Variations in Actual Expenditure

3.3 Budget Estimates, Revised Estimates and Actual Expenditure of Department of Fertilizers for 2017-18, 2018-19 and 2019-20 in Gross terms as furnished by the Department is given below :

(Rs. in Crore)

	2017-18			2018-19			2019-20
	BE	RE	Actuals	BE	RE	Actuals	BE
Revenue	74264.67	89797.21	89788.57	73485.35	73482.74	73477.37	83514.95
Capital	0.04	0	0	0.04	0.04	0.00	0.05
Total	74264.71	89797.21	89788.57	73485.39	73482.78	73477.37	83515.00

3.4 Regarding large variations in the Actual Expenditure during 2017-18, 2018-19 and the BE for 2019-20 and the steps being taken to streamline its annual expenditure, the Department of Fertilizers submitted in writing as under :-

> "The actual expenditure for 2017-18 shown as Rs.89788.56 Crore is due to the fact that a supplementary of Rs.20532.50 Crore was obtained in the 2nd Batch of Supplementary in 2017-18 to write off the entries of loans and interest from the books of PAO, which were waived off by CCEA in respect of BVFCL, FCIL, HFCL from different dates about 4-5 years ago. It was a technical supplementary and there was no financial outgo from the government exchequer. In the year 2017-18 the actual expenditure was Rs.69256.06 Crore only.
>
> In the year 2018-19, the Budget allocation was Rs.73485.35 Crore; and the Revised estimate was Rs.73482.74 Crore against which the Actual Expenditure was Rs.73477.36 Crore. Thus, the actual expenditure in 2018-19 was Rs.4000 Crore (approx.) more than the Actual Expenditure of 2017-18 of Rs. 69256.06 Crore.
>
> In the year 2019-20, as already stated the department had projected a requirement of Rs.100633.43 Crore against which, the interim budget the department was allocated an amount of Rs.78515.00 Crore which was revised by Ministry of Finance to Rs.83515.00 Crore after much persuasion by this department for additional allocation to wipe out the carry over liabilities by providing another Rs.5000 Crore for subsidies."

Surrender of Funds in 2018-19

3.5 When asked to furnish details regarding surrender of Budget allocations during 2018-19 along with reasons therefor, the Department of Fertilizers gave written reply as under :-

> " Surrender of funds
>
> The Following Surrender of Funds have been made:-
>
> (i) Rs.4.65 Crore from Import of Urea Subsidy Budget Head consequent on reduction of allocation of RE stage.
>
> (ii) Rs.3.53 Crore from Direct Benefit Transfer in Subsidy Budget Head due to non-purchase of server owing to non-finalization of discussion between NIC and UIDAI as server was to be procured by DoF as per guidelines of UIDAI; and resignation of a lot of DBT consultants(District/ State/ PMU Headquarter consultants) during the year 2018-19.
>
> (iii) Rs.1.78 Crore from Secretariat Economic Services Budget Head ;
>
> (iv) Rs.0.05 Crore from other General Economic Services Budget Head and Loans for Fertilizers Industries Budget Head have been surrendered. "

Inadequate Funds Allocation

3.6 The Department of Fertilizers was asked about adequacy of BE of Rs.83515.00 for the year 2019-20 and to justify the same. In this regard, the written reply furnished by the Department is as under :-

> "The Department had projected a demand of Rs.100633.43 Crore against which the Department was allocated an amount of Rs.78515.00 Crore in the interim

budget 2019-20. As the lesser allocation than the projected demand results in non-payment of bills leading to accumulation of carry over liabilities at the financial year end, this department had made a request to Ministry of Finance to enhance its allocation as there was a gap of Rs.32932.37 Crore in the allocation of fertilizer subsidy. However, Ministry of Finance in June 2019 provided Rs.5000 Crore in BE allocation raising the subsidy budget to Rs.83466 Crore and the overall budget of the Department became Rs.83515.00 Crore. It is still considered inadequate as there remains a gap of Rs.27932.27 Crore in the subsidy budget."

3.7 As regards Budget Estimates proposed by Department of Fertilizers for 2019-20 and that approved by Ministry of Finance and reasons for reduction / variation, the Department of Fertilizers stated as under :-

"The Department's expenditure consists of Secretariat Expenditure and Subsidy Expenditure. The Budget Head wise allocation against the proposed requirement of the Department is as under:-

(Rs. In Crore)

Budget Heads of Expenditure	**Proposed Requirement**	**BE allocation 2019-20**	**Revised BE allocation 2019-20**
Secretariat Expenditure **(MH 3451)**	**41.88**	**38.94**	**38.94**
Nutrient Based Subsidy Policy **(MH 2401)**	24832.00	24832.00	26367.00
Urea Subsidy **(MH 2852)**	75748.00	53634.00	57099.00
Subsidy(NBS + Urea Subsidy)	**100580.00**	**78466.00**	**83466.00**
DBT **(MH 2852)**	11.50	10.00	10.00
Write Off of loans and interest on GOI loans outstanding against DOF PSUs **(MH 3475)**	0.01	0.01	0.01
Loans for Fertilizer Industries **(MH 6855)**	0.04	0.05	0.05
Total	**100633.43**	**78515.00**	**83515.00**

The Department had proposed an amount of Rs.100580 Crore for its fertilizer subsidy schemes, against which the department was allocated Rs.78466 Crore, initially. However, after much persuasion by the department to liquidate carry over liabilities of Rs.32,488 Crore in fertilizer subsidy, the Ministry of Finance has revised the BE allocation for subsidy schemes to the tune of Rs.83466 Crore. The Nutrient Based Subsidy Policy and Urea Subsidy are Central Sector Schemes and these are wholly financed by the Central Government.

The PSUs in the Department are not being given any Government Budgetary Support. Their IEBR for 2019-20 is under:-

(Rs. In Crore)

S.No.	**Name of the CPSU**	**Proposal for BE 2019-20**
1	BVFCL	4.61
2	FAGMIL	10.00
3	NFL	759.10
4	PDIL	6.00
5	RCF	709.34
	Total	**1489.05**

3.8 To a query as to whether the Department of Fertilizers foresee any requirement of Supplementary Demands during 2019-20, the Department furnished reply as under :-

> " The department may raise a demand for additional amount after assessing the need of funds to meet the committed expenditure on account of subsidy and any other requirement for capital expenditure. It would be premature to say anything without actual assessment."

Funds Allocation for Subsidy Schemes

3.9 It has been observed that BE of Rs.26,367/- crore has been allocated for Nutrient Based Subsidy Schemes against the projected requirement of Rs.24832/- crore whereas substantially lower allocation of Rs.57,099/- crore has been made for Urea Subsidy for 2019-20 against the proposed requirement of Rs.75,748/- crore. On being asked to explain reasons for the same, the Department of Fertilizers submitted written reply as under :-

> " The Department has made higher allocation of funds for P&K Fertilizers to meet the carry over liabilities to the extent possible primarily. However, the department has kept the remaining allocation for urea subsidy for meeting obligations of carry over liabilities and committed expenditure comprehensively."

3.10 When asked about the details of expenditure for Urea Subsidy (MH-2852), and Nutrient Based Subsidy (MH-2401) out of the BE of Rs.83515.00/- crore for 2019-20, the Department of Fertilizers submitted the following details :-

> " The detailed break up of expenditure of the proposed outlay in terms of budgetary provisions for Urea subsidies, separately for domestically produced and imported Urea subsidies for Imported Urea, NBS, Freight subsidy for NBS and other fertilizers, DBT, City Compost Schemes, etc. is as under :-

(Rs. in crore)

	REVISED 2019-20
1. Nutrient Based Subsidy Policy (MH 2401)	**26367.00**
(a). Payment for Indegenous P&K Fertilizers	15906.00
(b). Payment for Imported P&K Fertilizers	10429.00
(c). Payment for City Compost	32.00
3. Urea Subsidy (MH 2852)	**57109.00**
(a). Payment for Indegenous Urea	43050.00
(b). Payment for Urea Freight Subsidy	0.00
(c). Payment for Import of Urea	
Gross	14049.00
Recovery (-)	3480.00
Net	10569.00
(d). Direct Benefit Transfer (DBT) in fertilizers Subsidy	
Office Expences	1.00
Professional Expenses	9.00
Waiver of Loan and interest in r/o Fertilizer PSUs write off/loses	0.00
Total Subsidy (Gross)	**83476.00**
Total Subsidy (Net)	**79996.00**

The budget allocation is still considered inadequate to fully meet the expenditure needs of the Department as there remains a gap of Rs.27932.37 Crore in the subsidy budget to meet basically the carry over liabilities as on 31.3.2019 and the committed expenditure for the current year (2019-20). The budgetary allocations are made by Ministry of Finance; and the increase/decrease in allocation to any Department/Ministry of funds from the budget is done by them keeping in view the overall fiscal space."

3.11 To a query as to the anticipated expenditure of Urea Subsidy under Major HeadMH-2852, the Department of Fertilizers informed as under :-

" The break-up of anticipated expenditure of BE of Rs. 53,629 crore of urea subsidy on various subsidy accounts (Freight subsidy, DBT subsidy, etc.) in the year 2019-20 is as follows : -

(Rs: in crore)

Indigenous Urea	43050.00
Import of Urea	10569.00
DBT	10.00
Total	**53629.00**

3.12 Regarding outlays and outcomes on the subsidy schemes during 2016-17, 2017-18 and 2018-19, the Department of Fertilizers furnished written reply as under :-

" The outcomes with reference to outlays for different subsidy schemes in the years 2016-17, 2017-18 and 2018-19 have been as under:-

(Rs. in Crore)

Year		BE	Expenditure	Physical Outcomes (in LMT)*
2016-17	Urea Subsidy	55100.00	51256.59	296.82
	NBS Subsidy	19000.00	18843.42	259.78
2017-18	Urea Subsidy	54000.00	46980.00	299.98
	NBS Subsidy	20232.00	22244.26	269.15
2018-19	Urea Subsidy	48360.00	49351.83	314.81
	NBS Subsidy	25090.35	24090.35	290.44

*The financial outlays and the physical outcomes include the indigenous production as well as import."

3.13 The Department of Fertilizers, when asked to furnish the details regarding actual consumption of fertilizers and subsidy outgo thereto during the last three years, furnished written reply as under :-

" Data regarding actual consumption / sale of fertilizers, subsidy-outgo incurred on the same and average annual subsidy outgo per MT (million tones) of fertilizers in respect of subsidized fertilizers for the last three years and for 2019-20 (anticipated) is as under:

Year	Total Consumption of subsidized Fertilizers(in LMT)	Subsidy incurred (Rs. in Crore)	Average per MT rate of subsidy (Rs in thousand)
2016-17	499.09	70100.01	14045.56
2017-18	515.84	69224.26	13419.72
2018-19	537.89	73442.18	13653.75
2019-20(up to August,2019)**	204.41	47960.36	

Note: Above figures are approximate only as the subsidy incurred includes the carry over liability cleared during the year. In the year 2019-20 mostly, the expenditure on subsidy outgo involves payment of carry over liabilities, hence, the average subsidy would not depict correct approximation.

Freight subsidy on primary movement of all P&K fertilizers (except SSP) under NBS and Urea is being provided. Freight subsidy is not provided on Single Super Phosphate (SSP). Currently, the freight subsidy in respect of urea is being paid as per the provisions of notification dated 17th July, 2008."

Carry-over Liabilities on Subsidy Schemes

3.14 According to Department of Fertilizers, an amount of Rs.39057.11/- crore was the carry-over liabilities on Urea Subsidies and Nutrient Based Subsidies at the end of Financial Year 2016-17. The carry-over liabilities came down to Rs.26182.80/- at the end of financial year 2017-18. At the end of financial year 2018-19, the carry-over liability was Rs.32488.54 crore. Taking into account the persistent carry-over liabilities in the implementation of fertilizer subsidy schemes, the Department of Fertilizers was asked about reasons for continued carry-over liabilities and the steps proposed to be taken to permanently eliminate the carry-over liabilities on fertilizer subsidies. In this regard, the reply furnished by the Department is as under :-

"The annual budget allocation for fertilizer subsidy has been consistently less compared to the requirement projected by D/o Fertilizers. This has resulted in continuance of Carryover Liabilities in fertilizer subsidy. The D/o Fertilizers is fully utilizing the budgetary allocation made every year for the disbursal of fertilizer subsidy to the fertilizer companies.

In addition, Department of Fertilizers is also arranging funds through Special Banking Arrangement (SBA) against the pending claims of the fertilizer companies to ease the financial hardship."

3.15 When asked to state whether the Department of fertilizers had impressed upon the Ministry of Finance about the need for complete elimination of carry over liabilities of fertilizes subsidies, the reply of the Department is as under :-

"The Department of Fertilizers has time and again impressed upon the Ministry of Finance about the need for complete elimination of carry over liabilities of fertilizer subsidy. However, Ministry of Finance has not been able to provide the projected allocations. It would be endeavour of Department of Fertilizers to seek the additional budgetary allocation from Ministry of Finance and if need be the funds may be arranged through SBA/loan from NSSF may be to wipe out the carry over liabilities to the extent possible."

3.16 In regard post evidence queries relating to proposed action plan of the Department to manage the fertilizer subsidy with inadequate BE of Rs.83,515.00/- crore against a projected demand of Rs.100633.43/- crore and steps proposed to be taken to permanently eliminate carry-over liabilities, the Department of Fertilizers submitted as under :-

"In case of gap between projection and allocation, Department of Fertilizer arranges funds through Special Banking Arrangement (SBA) against the pending claims of fertilizer companies to ease the financial hardship.

Against the projected requirement of Rs 100633.43 crore, Ministry of Finance allocated an amount of Rs 78515.00 crore in the interim budget. After much persuasion by this Department for additional allocation to wipe out the carry over liabilities, Ministry of Finance provided another Rs 5000 crore for subsidies thereby making the allocation as Rs 83515.00 crore.

Carry over liability of fertilizer subsidy at the end of 2018-19 was Rs 32488.54 crore. The carry over liability for 2019-20 can be ascertained only at the end of financial year. The Department is seeking revised allocation at RE stage by adding the carry over liabilities in the current financial years' committed expenditure.**"**

3.17 The matter of carry over liabilities of the Department of Fertilizers on account of Fertilizes subsidy was raised by the Committee. In this regard the concern representative of the Department explained as given below:-

"Madam, I am talking about indigenous subsidy on urea. In the beginning of this year, because of the limitation of last year's Budget, we had a carry-over liability of about Rs.19,000 crore. We could not pay the bills which had been generated up to 31st March, 2019 to the extent of Rs. 19,000 crore approximately. In the current year, the first effort has been made that across all the companies, we have cleared all the carry-over liability bills. So, I can say with confidence that the companies that had submitted their Bills on which there were no issues regarding information pending or anything, have all been cleared as on 31st March, 2019.Coming to 2019-20, we have cleared all the bills that had been generated upto 20th August, 2019. I am talking about only DBT bills. Non-DBT bills which are pending with us are only to the extent of Rs.1000 crore for all the companies. Non-DBT bills pending with us for all the companies after 20th August, 2019 amount to about Rs.14,000 crore. That is the position."

3.18 Expressing the concern over the budgetary gap of near by Rs. 28,000/- between demand and allocation, Hon'ble Chairperson, Standing Committee on Chemical and Fertilizers asked the representatives of the Department as to how they are going to manage the short-fall of funds. In this regard Secretary of Department of Fertilizers stated as under:-

"Madam, as Sir has presented in Slide No. 8, every year we have been having a carry-over liability. We had a carry-over liability of Rs. 32,488 crore from 2014-2015 till 2018-2019. So, whatever we have projected to the Ministry of Finance, we have not been able to get it. This year also we have made a realistic projection, but we got Rs. 78,515 crore only. This was at the level of Vote-on-Account, and when the final Budget was being passed, we again went to the Ministry of Finance and projected our actual requirement. We got Rs. 5,000 crore at that stage, and we had got an assurance that at the RE stage we will be given additional amount and even after RE if there is a gap remaining, then we get Special Banking Arrangement (SBA). This is a mechanism by which the companies take loan from the banks and a particular interest amount is paid by the Government and rest is borne by the companies. So, that is invoked, may be, in the month of February and March".

CHAPTER – IV

ISSUES IN PRODUCTION / IMPORT AND MOVEMENT / DISTRIBUTION OF FERTILIZERS

Production / Import of Fertilizers

P&I Section of Department of Fertilizers deals with setting of annual and monthly production targets to all Urea, DAP & Complex Fertilizer manufacturing units, monitoring and compilation of production data of major fertilizers - Urea, DAP and Complex Fertilizers. At present there are 32 large size urea plants in the country manufacturing Urea, 21 units producing DAP & complex fertilizers, 2 units manufacturing Ammonium Sulphate as a by-product and 110 units are manufacturing SSP (Single Super Phosphate).

4.2 The actual production of all the fertilizers during the year 2017-18 was 413.59 LMT. The estimated production of all the fertilizers during the year 2018-19 is expected to be 453.71 MT showing an increase of more than 9.7% in comparison of the previous year. However, as per details given in Fiscal Policy Statements of Government, production of fertilizers increased by 0.3 percent during 2018-19 and in this context the Department of Fertilizers was requested to state whether the fertilizer production growth rate of 0.3% was adequate to meet fertilizer demand for 2018-19. In this regard, the Department of Fertilizers stated in writing as under :-

> " Total Fertilizers production during 2017-18 was 413.61 LMT and total Fertilizers production durin2018-19 was 414.85 LMT. Therefore the growth rate during 2018-19 was 0.3%. Requirement of all fertilizers during 2018-19 was 532.92 LMT. Therefore indigenous production of fertilizer was not adequate to meet fertilizer demand for 2018-19."

4.3 Regarding the growth rate in production required for 2019-20 to meet agricultural production targets, the Department of Fertilizers submitted as under : -

> "During 2019-20 total fertilizers production target is about 553 LMT. The rate of increase in fertilizer production to be about 33 % for 2019-20 compared to last year. However, the requirement of fertilizers for Rabi season during 2019-20 is yet to be finalized. So, we are unable to visualize the rate of increase in production to be required to meet the agricultural production targets."

4.4 Responding to queries relating to demand, production, import and consumption of Urea, DAP and Complex fertilizers in the country during the last three years and targets sets for the current year, the Department of Fertilizers furnished following details :-

"The details of demand, production, supply and consumption of urea and complex fertilizers in the country during the last three years are given in the table below:-

(Figures in LMT)

Year	Fertilizer	Demand	Production	Supply	Consumption	Import
2016-17	**Urea**	289.09	242.01	309.08	296.07	54.81
	DAP	100.57	43.65	93.79	88.23	43.85
	MOP	33.36	-	28.91	28.21	26.87
	NPK	102.58	84.57	92.49	86.58	5.21
2017-18	**Urea**	298.00	240.23	313.57	303.31	59.75
	DAP	98.77	46.50	91.94	89.85	42.17
	MOP	33.90	-	32.88	31.93	34.04
	NPK	98.19	88.13	98.64	90.75	4.99
2018-19	**Urea**	300.04	240.00	323.31	317.19	74.81
	DAP	98.40	38.99	104.15	94.95	66.02
	MOP	36.81	-	32.27	29.54	29.81
	NPK	97.68	95.15	109.43	96.21	5.46

The target set for production of Urea, DAP and Complex fertilizers during 2019-20 are as follows:

Urea: 271.00 LMT

DAP: 47.28 LMT

Complex Fertilizers: 104.28 LMT"

4.5 The Department of Fertilizers, when asked to furnish updated list showing details of urea units, their installed capacity, capacity-utilization, financial performance etc., the Department furnished the following details :-

"The details of financial performance of urea companies is not available in this division. However, the details of 31 urea manufacturing units along with their re-assessed capacity, capacity utilization and feedstock are as under: -

Sl No.	Name of the Unit	Re-assessed capacity (LMT)	Urea Production 2018-19 (LMT)	Capacity Utilization 2018-19 (%)
Gas Based Urea units				
1	KFCL-Kanpur	7.22	6.73	93.21 %
2	CFCL-I	8.65	11.33	130.98 %
3	CFCL-II	8.65	9.87	114.10 %
4	CFCL-III*	12.7	3.83	-
5	ZACL-Goa	3.99	4.09	102.50 %
6	NFCL-Kakinada I	5.97	3.89	65.16 %
7	NFCL-Kakinada II	5.97	1.96	32.83 %
8	YFIPL Babrala	8.65	13.01	150.40 %
9	KFL Shahjahanpur	8.65	10.64	123.00 %
10	GIL-Jagdishpur	8.65	11.37	131.45 %
11	SFC-Kota	3.80	3.90	102.63 %
12	GNFC-Bharuch	6.37	6.45	101.26 %

13	GSFC-Baroda	3.71	3.71	100.00 %
14	MFL-Madras**	4.87	3.94	80.90 %
15	RCF-Thal	17.07	19.84	116.28 %
16	IFFCO-P,PUR I	5.51	6.71	121.78 %
17	IFFCO-P,PUR II	8.65	10.48	121.16 %
18	IFFCO-Aonla I	8.65	11.23	129.83 %
19	IFFCO-Aonla II	8.65	11.18	129.25 %
20	IFFCO-Kalol	5.45	6.02	110.46 %
21	KRIBHCO-Hazira	17.29	22.42	129.67 %
22	BVFCL- Namrup II	2.40	0.58	24.17 %
23	BVFCL- Namrup - III	3.15	2.29	72.70 %
24	NFL-V Pur I	8.65	10.59	122.43 %
25	NFL-V Pur II	8.65	11.75	135.84 %
26	RCF -Trombay-V	3.30	3.92	118.78 %
27	NFL-Nangal	4.79	5.42	113.15 %
28	NFL-Bhatinda	5.12	6.03	117.77 %
29	NFL-Panipat	5.12	5.82	113.67 %
Naphtha Based Urea units				
30	SPIC-Tuticorin	6.20	6.52	105.16 %
31	MCFL-Mangalore	3.80	3.49	91.84 %
	Total	**220.24**	**239.99**	**108.97 %**
*** CFCL-III started commenced urea production w.e.f 1st January, 2019. ** MFL, Madras has converted to gas based plant and has restarted production w.e.f 28th July, 2019.**				

4.6 When asked to explain reasons for the country not attaining self-sufficiency in the production of Urea and other fertilizers and details of action taken to attain self-sufficiency in fertilizer production in the country, the Department of Fertilizers submitted as under :-

> "The Government had announced New Investment Policy (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 NIP- 2012 read with its amendment, Chambal Fertilizers & Chemicals Limited (CFCL) has also set up a Brownfield project at Gadepan, Rajasthan. The commercial production of CFCL-III started on 1st January, 2019. Matix Fertilizers & Chemicals Limited (Matix) has also set up a Coal Bed Methane(CBM) based Greenfield Ammonia-Urea complex at Panagarh, West Bengal. The commercial production of Matix started on 1st October, 2017. However, it is not operational due to non-availability of CBM/Natural Gas. MATIX had informed that they have signed Gas Sale & Purchase agreement with GAIL for supplying 1.5 mmscmd RLNG to its Urea Plant. The gas pipeline connectivity from GAIL is likely to be completed by December 2019.
>
> Further, 5 plants of 1.27 MMT capacity each are coming up at Ramagundam, Talcher, Gorakhpur, Sindri and Barauni as JVs of leading PSU consortia and 2 plants in the private sector domain. In addition to above, the Government has also decided to install a new Urea plant of 8.646 LMTPA 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. Once all the above plants become operational, India may become self-sufficient in urea production."

4.7 On being asked about quantity of different fertilizers (Urea and other subsidized fertilizers) proposed to be imported during 2019-20, the written reply of the Department of Fertilizers is as under :-

" 65.20 LMT of Urea (33.00 LMT for Kharif 2019 and 32.20 LMT for Rabi 2019-20) has been proposed to be imported during 2019-20 based on the respective authorizations given by Steering Committee of Secretaries (SCoS) to Department of Fertilizers.

Further, the imports of DAP, MOP and NPK fertilizers are in Open General License (OGL) and the quantities and timing of imports are decided by the companies on their own based on the market intelligence."

4.8 Regarding installed capacity, production and import requirement of P&K fertilizers during 2019-20, the Committee were informed as under :-

S. No	Name of Fertilizer	Installed capacity (in LMT)	Production in 2018-19 (in LMT)	Production in 2019-20 (in LMT)	Import in 2019-20 (in LMT)	Subsidy outgo (Rs. in crores)
1	P&K fertilizers	149.51	79.71	53.20 (upto 8/2019)	51.37 (upto 8/2019)	14723.17

Regarding import, it is submitted that 65.20 LMT of Urea (33.00 LMT for Kharif 2019 and 32.20 LMT for Rabi 2019-20) has been proposed to be imported during 2019-20 based on the respective authorizations given by Steering Committee of Secretaries (SCoS) to Department of Fertilizers.

4.9 In response to post-evidence queries relating to rate of increase in fertilizer-production required for 2019-20 and steps proposed to be taken for increasing domestic production of urea and other fertilizers in order to decrease dependence on imports, the Department of Fertilizers furnished written reply as under :-

" All fertilizers production was 413.61 LMT during 2017-18 and 414.85 LMT during 2018-19 witnessing a growth rate of 0.3 %. Requirement of all fertilizers during 2018-19 was 532.92 LMT. Therefore, indigenous production of fertilizer was not adequate to meet fertilizer demand for 2018-19.

The revised production target for all fertilizers for 2019-20 is 539.92 LMT. However, actual production is always lower than the production target. As per the revised production target for all fertilizers, the rate of increase would be about 30.15% for 2019-20 compare to last year actual production. Department of Agriculture Cooperation and Farmers Welfare has now finalized the seasonal requirement of fertilizers for Kharif and Rabi 2019-20 seasons and has conveyed the same to Department of Fertilizers. The requirement of all fertilizers during 2019-20 is 579.14 LMT (excluding Reserve) and for Rabi Season is 297.84 LMT. The production target is much lower that the requirement. The gap has to be met through planned import.

The New Investment Policy – 2012 was notified on 2nd January, 2013 and its amendment was notified 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. The commercial production of Matix started on 1st October, 2017.However, it is not operational due to non-availability of CBM / Natural Gas. Matix had informed that they have signed Gas Sale & Purchase agreement with GAIL for supplying 1.5 mmscmd RLNG to its Urea Plant. The gas pipeline connectivity from GAIL is likely to be completed by December 2019. Chambal Fertilizers & Chemicals Limited (CFCL) has also set up a brownfield project at Gadepan, Rajasthan. The commercial production of CFCL-III started on 1st January, 2019.

With the commissioning of CBM gas based Greenfield Ammonia urea plant set up by Matix Fertilizers & Chemicals Limited at Panagarh, West Bengal and Brownfield project of Chambal Fertilizers & Chemicals Limited at Kota, Rajasthan, the indigenous production of urea in the country will be enhanced by 25.4 LMT.

Further, the Government has decided to revive closed units namely Gorakhpur (UP), Sindri (Jharkhand), Talcher (Odisha) and Ramagundam (Telengana) units of Fertilizer Corporation of India Limited (FCIL) and Barauni (Bihar) unit of Hindustan Fertilizers Corporation Limited (HFCL) with the production capacity of 12.70 LMT each. Therefore, the aforementioned upcoming plants which are likely to be operational by 2021-22, will add 63.50 LMT of urea to the indigenous production of urea of the country leading to reduction in import.

The Cabinet in its meeting held on 21.05.2015 has decided to install a new urea plant of 8.646 Lakh Metric Tonne Per Annum (LMTPA) in the existing premises of Brahmaputra Valley Fertilizers Corporation Limited (BVFCL), which will subsequently replace the existing urea plants Namrup-II (capacity 2.20 LMTPA) and Namrup-III (capacity 2.70 LMTPA).

As far as P&K fertilizers is concerned, it is stated that the country is dependent on imports either in the form of finished fertilizers or their raw material due to non-availability / scarce availability of resources as per details below:

1. Phosphatic fertilizers - upto 90%
2. Potassic fertilizers - upto100%

In view of almost complete dependency of the country on raw materials, it is not possible to do much to increase domestic production of non-urea fertilizers. Further, all non urea fertilizers are covered under Open General License regime and are imported by companies on commercially viable terms.”

4.10 The Department of Fertilizers on being asked about the salient features of the New Investment Policy and the investment made in the urea sector and the new fertilizers plants setup/being set up in the country as a result of the policy, submitted as under :-

“ The Government had announced New Investment Policy (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. The salient features of New Investment Policy are as under:-

a) The policy supports gas based/CBM based/Coal Gasification plants.
b) It has structure of a flexible floor and ceiling price calculated at delivered price of gas from US$ 6.5 to US$ 14/mmbtu.
c) The floor price has been determined at a Return on Equity (RoE) of 12% and the ceiling price at a RoE of 20%.
d) For Greenfield/Revival and Brownfield Projects, the floor and ceiling shall increase in tandem with increase in delivered gas price i.e. every USD 0.1/mmbtu increase in delivered gas price will increase the floor and ceiling by USD 2/MT upto delivered gas price of USD 14/mmbtu.
e) Beyond delivered gas price of USD 14/mmbtu, only floor will be increased.
f) For Revamp Projects, floor and ceiling have been linked to delivered gas price of USD 7.5/mmbtu and floor and ceiling shall increase by USD 2.2/MT for every increase in delivered gas price of 0.1/mmbtu.
g) It supports revival of closed units.
h) It encourages investment by Indian industry in Joint Venture abroad in resource rich countries
i) For units in North Eastern states, the special dispensation regarding gas price that is being extended by GOI/State Governments will be available to any new investment. Suitable adjustments will be made to applicable floor and ceiling price in case the delivered price (after allowing for special dispensation) falls below USD 6.5 per mmbtu, subject to approval of Ministry of Finance.
j) Only those units whose production starts within five years from the date of the amendment, i.e. 7th October, 2014, will be covered under the policy.
k) Subsidy will be given only upon domestic sale as at present for a period of 8 years from the date of start of production. Thereafter, the units will be governed by the urea policy prevalent at that time.'
l) To ensure seriousness/credibility of the project proponents under NIP-2012 and for timely execution of the projects, all the project proponents required to furnish Bank Guarantee (BG) of Rs. 300 crores for each project. The BG will be linked to milestones in the project cycle. PSUs are, however, exempted from furnishing the BG.

Under NIP- 2012 read with its amendment, Chambal Fertilizers & Chemicals Limited (CFCL) has set up a Brownfield urea plant (Capacity: 12.7 LMT) at Gadepan, Rajasthan. The commercial production of CFCL-III started on 1st January, 2019. Matix Fertilizers & Chemicals Limited (Matix) has also set up a Coal Bed Methane(CBM) based Greenfield Ammonia-Urea complex (Capacity: 12.7 LMT) at Panagarh, West Bengal. The commercial production of Matix started on 1st October, 2017. However, it is not operational due to non-availability of CBM/Natural Gas. MATIX had informed that they have signed Gas Sale & Purchase agreement with GAIL for supplying 1.5 mmscmd RLNG to its Urea Plant. The gas pipeline connectivity from GAIL is likely to be completed by December 2019.

Moreover, 5 plants of 1.27 MMT capacity each are coming up at Ramagundam, Talcher, Gorakhpur, Sindri and Barauni as JVs of leading PSU consortia. In addition to above, the Government has also decided to install a new Urea plant of 8.646 LMTPA 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. Once these plants become operational, India may become self-sufficient in urea production. "

4.11 During oral evidence, Secretary of Department of Fertilizers, responding queries on quantum of domestic production of urea and steps being taken for attaining self-sufficiency in urea production in the country, stated as under:-

" in case of Urea, our new plants will come by 2021 and 2023. If the consumption will remain at the present level, then we may not go for imports in 2024 in case of Urea".

Promotion of City Compost

4.12 Government of India approved a policy on promotion of city compost which was notified by the Department of Fertilizers on 10.02.2016. The salient features of the policy are as under:

(i) Market Development Assistance (MDA) in the form of fixed amount of Rs. 1500/- P.M. of City Compost will be provided for scaling up production and consumption of the product

(ii) Initially, marketing and production of city compost will be done through the existing fertilizer companies. In due course, compost manufacturers and other marketing entities recognized by the concerned State Government may also be included with the approval of DoF.

(iii) The fertilizer marketing companies shall be eligible for on account payment upto 50% only on the basis of first point sale at the district level. The balance shall be released on receipt of retailer's acknowledgement in mFMS as well as issue of required certificates relating to quantity and quality issued by the respective State Governments in prescribed form.

(iv) Fertilizer companies and marketing entities will also co-market City compost with chemical fertilizers through their dealers network.

(v) The companies will adopt villages for promoting the use of compost.

(vi) Government Departments and Public Sector Undertakings will also use City Compost to the extent possible for their horticulture and related use.

(vii) Department of Agriculture, Cooperation and Farmers Welfare will carry out IEC campaigns to educate farmers on the benefits of city compost.

(viii) Ministry of Urban Development will take steps to increase setting up of compost plants across all States.

(ix) An appropriate BIS standard/Eco-mark will be developed in consultation with BIS for better market acceptance.

(x) A Joint mechanism will be set up by Department of Fertilizers, Ministry Urban Development and Department of Agriculture to monitor and facilitate availability of adequate quantity of city compost.

(xi) The expenditure towards MDA for scaling up production and consumption of city compost will be met out from the budget for DoF.

(xii) Direct benefit Transfer (DBT) has been rolled out in Fertilizer Sector w.e.f. 1st April, 2018 and fertilizer companies marketing city compost are also covered under the scheme.

(xiii) DoF has monitored mandatory off take of city compost by giving targets for fertilizer companies for co-marketing of city compost at the beginning of every financial year and it is reviewed periodically through holding meeting with marketing companies and compost manufacturing companies.

4.13 Regarding steps taken by the Department of Fertilizers towards implementing the policy on promotion of city compost, the Committee have inter-alia been intimated as under :-

(i) Concerned Ministries/Departments/Authorities have been requested to take appropriate action on actionable points contained in the notification. A Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture set up for coordination.

(ii) The operational guidelines have been issued on 3.6.2016 and the revised operational guidelines issued on 10.10.2016.

(iii) Manufacturing companies allowed undertaking direct sale of city compost to farmers. Guidelines for release of MDA on direct sale issued on 9th January, 2017.

(iv) Required software for routing of MDA through FMS and Mobile Fertilizer Management System (mFMS) rolled out.

(v) The Fertilizer Companies have adopted 498 villages for promoting the use of City Compost.

(vi) State Level Steering Committee for promotion of city compost constituted in 11 States.

(vii) Vide O.M. dated 7th September, 2017, Fertilizer marketing companies also allowed for Bulk sale of city compost and manufacturing companies for bagged sale of city compost.

(viii) During 2019-20, a provision of 32.00 crore has been made for payment of MDA on the sale of city compost.

4.14 The year-wise production & sales positioned and budget allocation and expenditure on MDA of city compost as furnished by the Department of Fertilizers, are as under :-

Year	Production of city compost (in MT)	Sale by marketing companies (in MT)	Bulk Sale by manufacturing companies (in MT)	Total sale (in MT)	Budget allocated (in crore)	Actual Expenditure on MDA (in crore)
2016-17	196999.32	96584.00	-	96584.00	15.00	0.55
2017-18	338701.38	123569.87	75492.04	199061.91	15.00	7.26
2018-19	363261.24	195551.48	111078.99	306630.47	10.00	10.00
2019-20 (April to Aug, 2019)	142693.65	84366.74	53819.17	138185.91	32.00	13.62

The policy on promotion of city compost notified on 10.02.2016 is in its initial stage of implementation. No evaluation studies were done on implementation of the policy.

4.15 The scheme for promotion of city compost also came in for curious discussion during oral evidence of the Department of Fertilizers before the Committee. The Committee expressed view that

> "That is correct. The Government has given Rs.32 crore for compost and you have used only Rs.13 crore till today. Instead of giving Rs.32 crore to the entire country, take two cities under a pilot project and convert the garbage there in to compost. If it runs successfully, you can do it all over the country. We can do it easily. We do not need big scientists for this kind of work. You can start this immediately. The Government has already givenRs.32 crore and the money utilised so far is only Rs.13 crore. That Rs.32 crores not enough for the entire country. Take any two cities where garbage is available. Make a project. We know the problem of garbage we are facing todayall over the country. We can avoid it. A lot of technologies have come up. You can do something like this by adopting new technology. Raw material is available. You have to just bring in the technology and start things. As rightly said, that is the most important thing to do for us in the future. Start something on this."

Procedure for Settlement of Subsidy/DBT claims of Fertilizer Companies.

4.16 The Department of Fertilizers, on being asked to furnish brief details relating subsidies being paid to companies through phase-I of DBT on various fertilizers, intimated as under :-

> " Under DBT payment system, subsidy in r/o Indigenous and Imported P&K fertilizers, Indigenous Urea and City Compost is distributed to fertilizers companies on the basis of PoS sales at retail points. Freight subsidy is being paid as per the payment system prevailing prior to implementation of DBT. Freight is reimbursed after verification of Railway Receipts (RRs) lead distances, applicable slab rates as per the notified NBS policy.
>
> DBT payment system does not cover Imported Urea as the cost of imported urea is completely borne by Government of India. Subsequently, cost of imported urea is recovered at the statutory rate from Fertilizers Marketing Entities / handling agencies after adjusting Port dues, customs duty etc. Therefore, no subsidy is payable to fertilizer companies after sale of Imported Urea through PoS devices. However, quantity of Imported Urea sold by retailers through PoS devices and beneficiary details are captured in iFMS."

4.17 In response to queries relating to mechanism followed in making payment of DBT subsidies to fertilizers production companies, minimum time period taken for processing of DBT-claim and whether any delay is involved payment of DBT subsidy to fertilizes companies, the Department of Fertilizers submitted as under :-

> " DBT system in fertilizers has been rolled across all states / UTs w.e.f. March 2018. The DBT system entails 100% payment of subsidy to the fertilizers manufacturing / importing companies on the basis of actual sale by the retailers to

the beneficiary. All the sales are tracked online (Company-wise/ plant-wise/ product-wise etc. in iFMS). After the sale, fertilizers companies submit their claims online on weekly basis through iFMS. The claims are processed online by fertilizer subsidy division and after obtaining the approval of competent authority; sanctions are generated, digitally signed and submitted to Pay and Accounts Office through PFMS portal along with hard copies of the bill and sanctions. Pay & Accounts Office releases the subsidy to the company's bank account online.

During the initial stage of implementation of DBT system, there were teething problems such as validation of e-signature on subsidy claims, stock issues, integration of iFMS portal with PFMS portal of O/o CGA etc. However, the payment module is now streamlined and the subsidy payment is being done regularly subject to availability of funds. In iFMS, bills tracking mode is available at all levels for day to day monitoring of the DBT claims. In addition, status of payments is reviewed regularly in the Senior Officers Meetings. "

4.18 To a specific query seeking information relating to agencies involved and procedure followed in passing of NBS to fertilizer industry and the institutional mechanism available for fertilizer companies to settle disputes arising out of their various subsidy claims preferred by the companies, the Department of Fertilizers furnished written reply as under :-

" The checking of subsidy claims for P&K is done by Fertilizers Subsidy Division, Integrated Finance Division and Pay & Accounts Office of D/o Fertilizers. Movement Division enters the monthly supply plan details company-wise, product-wise in iFMS. The subsidy rates, freight rates notified by policy divisions (P&K Division), are uploaded in iFMS. Companies enters data relating to Production/Import ->Dispatches-> Receipts -> Sales in iFMS as per the supply plan. Companies generates subsidy bills ('On Account', 'Balance', 'Freight') (based on receipt of fertilizers in district/ state) in the system and submit the hard copy to the Department duly certified by Authorized Signatory of the company and Auditor of the company.85% to 90% subsidy payment on the basis of receipt of fertilizers in the district15% to 10% subsidy payment after receipt of acknowledgment by the retailers on mFMS portal & Quantity(B1) and Quality(B2) certificates furnished by the agriculture departments of respective state/ UT. Freight subsidy is also paid under Nutrient Based Subsidy (NBS) Policy for movement of P&K fertilizers. The subsidy claims are scrutinized with reference to the Subsidy rate, Freight subsidy rates (railway freight on actuals) and distance as per Railway Receipt uploaded in the system. After obtaining the approval of competent authority and concurrence of Integrated Finance Division, sanction is issued and subsidy is released by Pay & Accounts Office. Recoveries are made from pending claims for any short/sub-standard quantity.

After implementation of DBT, companies are generating bills on the basis of sale of fertilizers through PoS devices installed at retails points. The DBT claims scrutinized with reference to subsidy rates, quantity sold through PoS devices to the beneficiaries, Opening & Closing stock, digital signature of authorized signatory / auditor of the company etc. After approval of competent authority, sanctions are generated and digitally signed and submitted to Pay and Accounts Office through PFMS portal along with hard copies of the bills and sanctions. Pay & Accounts Office releases the subsidy to the company's bank account in electronic mode.

The fertilizer companies can prefer their grievance to Joint Secretary (P&K). If not satisfied, they can appeal to Secretary (Fert). For appealing against decisions of the DoF, companies can approach judiciary after exhausting all their options."

4.19 The Department of Fertilizers on being asked about the average time taken by the Department of Fertilizers to make payment to a fertilizer company after processing an online weekly subsidy claim of a company, stated a sunder:-

"During the initial stage of implementation of DBT system, there were teething problems such as validation of e-signature on subsidy claims, stock issues, integration of iFMS portal with PFMS portal of O/o CGA etc. However, the payment module is now streamlined and the subsidy payment is being done regularly subject to availability of funds. During the month of September, 2019, the average time taken for sanction of DBT payment is 10-20 working days approximately. Efforts are being made to reduce this time further. "

4.20 The Committee has taken note that the Department of Fertilizers is arranging funds through special Banking Arrangement (SBA) against the pending claims of the fertilizer companies to ease their financial hardship. In this regard Department of Fertilizers was asked to furnish relevant point relating to SBA as to how the liability arising due to the interest on SBA is managed by the Department, the reply of Department is as under

"The Department with the concurrence of Ministry of Finance make Special Banking Arrangement (SBA) with the bank for prescribed amount. The authorized bank makes payment to the companies against the sanctions for fertilizer subsidy issued by the Department. The Department bears the liability of principal amount of SBA utilized and the interest upto G-sec rate thereon. The interest liability beyond G-sec rate is to be borne by fertilizer companies."

4.21 During oral evidence the issue of delay in payment of subsidy to fertilizer companies was raised by the Committee. Adverting to the same, Secretary Department of Fertilizers stated as under:-

"Hon. Member has raised a very valid point. We agree that we are not in a position to give the subsidy immediately after they raise the bills. But we are making efforts to expedite it. We are trying to give it as early as possible……. Madam, it is two to two and a half months".

4.22 To a specific query of the committee whether the Department of Fertilizers can have an interest free mechanism in place of SBA, the representative of Department of Fertilizers submitted as under: -

"Madam, interest-free mechanism is not available. This year, a new effort has been made. We have asked the Department of Economic Affairs for loan from the National Small Savings Fund (NSSF). This loan is availed by other organizations like NHAI, FCI, etc. We have not availed from this NSSF till now, but this year we are exploring the possibility. Under that also interest would have to be paid, and we will work out the mechanism and terms and conditions."

Fertilizer Quality Standards and System of Movement / Distribution of Fertilizers

4.23 Government of India has declared fertilizer as an essential commodity under the Essential Commodities Act, 1955, (ECA) and has notified Fertilizer Control Order 1985 (FCO) under this Act. As per the provision of the FCO, the fertilizers, which meet the standard of quality laid down in the order, should only be sold to the farmers. The State Governments are supposed to check the quality of the fertilizers to ensure supply of quality of fertilizers by the manufacturers / importers of fertilizers as prescribed under the FCO and are fully empowered to take action under EC Act, if the fertilizers are found to be non / sub-standard. The quality of the imported fertilizers is checked by the fertilizer quality control laboratories of the Government of India. It can only be sold if it conforms to quality as per FCO specification.

4.24 The requirement / demand for fertilizers for Kharif and Rabi seasons is assessed in bi-annual Zonal Conferences held by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) with the representatives of fertilizer companies, Fertilizer Association of India, Ministry of Railways, State Governments, Department of Fertilizers and other concerned agencies. The projected requirement is communicated to DoF. Every month Movement Division prepares agreed supply plan in consultation with manufacturers and importers to meet the demand of fertilizers projected by DAC&FW. State-wise availability of fertilizers as per supply plan is made and monitored upto State level by the Department of Fertilizers, the concerned State Governments are responsible for monitoring the availability intra-state. The distribution and movement of fertilizers along with import of finished fertilizers, fertilizer inputs and production by indigenous units is monitored through the online web based "Fertilizers Monitoring System (FMS)"…..

4.25 As regards, demand from States for setting up of new Rail-Rake points in the country, if any and action taken thereon, the Department of Fertilizers stated inter-alia that "*Currently there is no request/demand of setting up of new rake points received in the Department of fertilizers from State Governments."*

4.26 The Department of Fertilizers, when asked to state about the incidences of shortage of supply of fertilizers in the country during the last three years along with action taken thereon, replied that *"No report of incidence of shortage of supply of fertilizers in the country during the last three years has been received from any of the State Government."*

4.27 On being asked about total expected production of fertilizers (subsidized & unsubsidized) in the country during 2019-20 and whether the fertilizers produced in plants are moved for distribution 100% without any delay or inventory storage, the Department of Fertilizers furnished written reply as under :-

" As on date total expected production of major fertilizers in the country during 2019-20 are about 497 LMT (actual production upto August 2019 and production target for rest months are added).

Before the commencement of each cropping season, Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW), in consultation with all the State Governments, assess the requirement of fertilizers. After the assessment of requirement, DAC&FW projects month-wise requirement of fertilizers.

On the basis of month-wise & state-wise projection given by DAC&FW, Department of Fertilizers allocates sufficient/ adequate quantities of fertilizers to States by issuing monthly supply plan and continuously monitors the availability through the following system:

(i) The movement of all major subsidized fertilizers is being monitored throughout the country by an on-line web based monitoring system called integrated Fertilizer Monitoring System (iFMS);

(ii) The State Governments are regularly advised to coordinate with manufacturers and importers of fertilizers for streamlining the supplies through timely placement of indents for railway rakes through their state institutional agencies like Markfed etc.

(iii) Regular Weekly Video Conference is conducted jointly by Department of Agriculture & Cooperation and Farmers Welfare (DAC&FW), Department of Fertilizers (DoF), and Ministry of Railways with State Agriculture Officials and corrective actions are taken to dispatch fertilizer as indicated by the State Governments.

(iv) The gap between demand (requirement) and production is met through imports. The import for the season is also finalized well in advance to ensure timely availability.

Further, it is submitted that a new initiative has been made by the Department of Fertilizers i.e. introduction of Dashboard in which various detailed reports related to DoF and States. The same is also in public domain. There is also Collector Dashboard, Company Dashboard and MarkFed Dashboard.

Thus, with the steps as indicated above, Department of Fertilizers ensures availability of fertilizers in all the States.

4.28 The Committee wanted to know about the feasibility of further rationalizing the movement of fertilizers in the country so as to effect economy and efficiency in distribution and sought comments whether fertilizer assessment for four-monthly period through triennial zonal conferences would improve demand and supply position in the country. In this regard, the reply of the Department of Fertilizers is as under :-

" The requirement/ demand for fertilizers for Kharif and Rabi season is assessed in bi-annual Zonal Conferences held by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) with the representatives of fertilizer companies, Fertilizer Association of India, Ministry of Railways, State Governments, Department of Fertilizers and other concerned agencies. The projected requirement is communicated to DoF. Every month Movement Division prepares agreed supply plan in consultation with manufacturers and importers to meet the demand of fertilizers projected by DAC&FW. State-wise availability of fertilizers as per supply plan is made and monitored upto State level by the Department of Fertilizers.

As such it is not possible as the assessment of fertilizers is done for the whole year through these Zonal conferences. Secondly, the fertilizers are required mainly in small window of consumption during the season i.e. peak season. Further, the availability of fertilizers is being monitored on day to day basis. "

4.29 Based on the demands of farmers for making advance movement of fertilizers to the needy regions as apprised to the Standing Committee on Chemicals and Fertilizers during their informal discussion with farmers as part of their study visit programme to Shirdi on 01-12-2018, the Committee subsequently asked the Department of Fertilizers to furnish action taken by them in the matter. In this regard, the Department of Fertilizers stated as under :-

" In respect of visit of the Standing Committee to Shirdi on 01.12.2018, it is submitted that the requirement/ demand for fertilizers for Kharif and Rabi season is assessed in bi-annual Zonal Conferences held by Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) with the representatives of fertilizer companies, Fertilizer Association of India, Ministry of Railways, State Governments, Department of Fertilizers and other concerned agencies. The projected requirement is communicated to DoF after breaking the season's requirement into months for each State.

Every month Movement Division prepares agreed supply plan in consultation with manufacturers and importers to meet the demand of fertilizers projected by DAC&FW and this plan is issued before the start of each month. States are also advised to tie up with the concerned suppliers so that the fertilizers reach the needy regions well in advance. At present, there is no shortage of any fertilizers in the country."

4.30 The Committee during evidence, expressed their unhappiness over anomalies in movement and distribution of fertilizers in states. Adverting to the same, Secretary Department of Fertilizers stated as under;-

"We make macro level arrangements in the country. We have an agreed supply plan with the Department of Agriculture, State Departments, and the fertilizer companies. That is what they call the RO module. Accordingly, we monitor through the software. This is the agreed supply plan that according to your requirement this has to be supplied during this month and that month. We try to supply that. We observe that it reaches the State. How they distribute it among the districts within the State is the responsibility of the State Government. Sometimes, there are logistical issues or some other issues. Sometimes, distortions do take place. I do agree. When there is a hue and cry about something then we step in. We say this was the agreed plan; we supplied you the fertilizers; and why it is not reaching the districts? Then, again the balance takes place."

4.31 After evidence, clarification was sought from the Department of Fertilizers as to how the situations of sudden emergence demand for fertilizers are managed by the Department. In this regard, the Department of Fertilizers in their written reply stated as under :-

"The availability of fertilizers is being monitored on day to day basis. Further, it is submitted that a new initiative has been made by the Department of Fertilizers i.e. introduction of Dashboard in which various detailed reports related to DoF and States are available. Through this Dashboard the Department of fertilizers is ensuring the availability of stocks of all the fertilizers at Wholesalers and the Retailers. The same is also in public domain. There is also Collector Dashboard, Company Dashboard and MarkFed Dashboard.

Information regarding availability of fertilizers and rake availability is being shared among the departments to ensure smooth movement of fertilizers and all issues are discussed in the weekly Video Conference with States & corrective steps are taken and every State has conveyed that there is sufficient availability of all the fertilizers.

Any additional requirement by the states is communicated to DoF through DAC&FW, based on which DoF make necessary allocations to meet the additional requirement.

Besides, an advisory is issued at the highest level from Department of Fertilizers to all the states at the beginning of each cropping season to do adequate pre-positioning of fertilizers during the lean phase so as to fulfill sudden additional requirement."

4.32 The Committee took note of media reports regarding shortages and non availability of fertilizers in various parts of the country. One such report was published in The Hindu on 06.09.2019 (Delhi edition) regarding death of a farmer in Telangana while waiting for fertilizers.

4.33 **Model Fertilizer Retail Shops** - In the budget 2016-17, it was announced that over a period of three years 2000 Model Fertilizers Retail Shops would be opened across the country. These shops provide mandatory services like selling of quality fertilizer at genuine rates, soil testing, seed testing, promotion of balanced used of nutrients etc. They may also provide some optional services like hiring of equipment such as tractors lasers, levelers, rotavator, crop harvesters and thrashers, hiring of sprayers, sale of small instruments like spades and sickles etc. Till date, 2014 Model Fertilizers Retail Shops have been made operational.

4.34 The Department of Fertilizers was asked to furnish list of state-wise Model Fertilizer Retail Shops in the country and details of functioning of these Model Fertilizer Retail Shops. In this regard, the Department of Fertilizers gave written information as under :-

> " In this Budget 2016-17, it was announced that **over a period of three years, 2000 Model Fertilizer Retail Shops** would be opened across the country. Department of Fertilizers had issued the guidelines to all the Fertilizers Companies for opening up of Model Fertilizer Retail Shops which shall include mandatory services like selling of quality fertilizers at genuine rates, soil testing, seed testing, promotion of balanced use of nutrients etc. Some optional services are also required to be given through these shops like hiring of equipment such as tractors, laser levellers, rotavator, crop harvester and thrashers, hiring of sprayers, sale of small implements like spades and sickles etc. Till date, 2044 Model Fertilizer Retail Shops have been made operational. The state wise details of the Model Fertilizers Retails Shops are as under:-

S.No.	State	Number of Shops
1	ANDHRA PRADESH	299
2	ASSAM	12
3	BIHAR	98
4	CHHATTISGARH	16
5	DADRA & NAGAR HAVELI	1
6	GOA	3
7	GUJARAT	214
8	HARYANA	114
9	HIMACHAL PRADESH	1
10	JAMMU & KASHMIR	1
11	JHARKHAND	13
12	KARNATAKA	97
13	KERALA	13
14	MADHYA PRADESH	84
15	MAHARASHTRA	164
16	ODISHA	13
17	PUNJAB	141
18	RAJASTHAN	45
19	TAMIL NADU	47
20	TELANGANA	212
21	UTTAR PRADESH	366
22	UTTARAKHAND	14
23	WEST BENGAL	76
	Total	**2044**

4.35 When asked as to whether any feed back was obtained on the functioning of these Model Fertilizer Retail Shops and whether such Model Fertilizers shops would be opened in every block of the country, the Department of Fertilizers stated "*that Department is in the process of obtaining the details regarding functioning of the Model Retail Shops and that at present, there is no such proposal to open Model Fertilizers shops in every block of the country.*"

4.36 Responding to a query of the Committee relating to objectives / achievements in the implementation of Fertilizer Control Order (FCO), the Department of Fertilizers furnished written reply as under :-

> "50% of indigenously produced Urea and 20% of the Phosphatic & Potassic fertilizers (DAP, MOP and NPK) Indigenous / Imported is required to be regulated under clause (6) of the Fertilizer (Control) Order, 1985. However, supply plan is issued for fulfilling the 100% of the requirement projected by DAC& FW. As per present practice, supply of 100% of Urea and P&K fertilizers are controlled through agreed supply plan issued by DoF and monitored through the online web based "integrated Fertilizer Management System (iFMS)". This is being done to ensure availability of all fertilizers across the country."

4.37 The Department of Fertilizers, when asked about the incidents of violations in the implementation of Fertilizer Control Order (FCO) during the last 5 years, furnished written reply as under

> "Government of India has declared fertilizer as an essential commodity under the Essential Commodities Act, 1955(ECA) and notified Fertilizer (Control) Order (FCO), 1985 & Fertilizer (Movement Control) Order, 1973 under the EC Act. State Governments have been adequately empowered to ensure selling of fertilizers at MRP and take appropriate action to curb Black-Marketing, Smuggling and Diversion of Subsidised Urea to Industrial Sector and to initiate actions against persons who indulge in illegitimate activities. State Governments are empowered to conduct search, make seizures and take punitive action against any person violating provisions of FCO, 1985 and Essential Commodities Act, 1955. The details of the cases of Smuggling, Black Marketing and Diversion of Urea for non-agricultural purpose during the last 5 years are given in the table below:-

Year	Smuggling	Black Marketing	Diversion
2014-15	18	348	6
2015-16	0	8	5
2016-17	0	0	0
2017-18	1	2	0
2018-19	1	33	9

<u>Research & Development</u>

4.38. The Committee were apprised that to make use of the space technology in fertilizer sector, the Department of Fertilizer has taken an initiative to commission a three year Pilot Study on "Resource Mapping of Rock Phosphate using Reflectance

Spectroscopy and Earth Observation Data" by National Remote Sensing Centre under ISRO in collaboration with Geological Survey of India (GSI) and the Atomic Mineral Directorate (AMD). The MoU for the proposed study has been signed on 21-08-2017. Letter of Authorization for release of funds of Rs.31.40 lakh has been issued by the Department of Fertilizers on 10-05-2018. The work on first phase is in progress.

4.39 When asked about the progress in the pilot study to "Resource Mapping of Rock Phosphate using Reflectance Spectroscopy and Earth Observation Data" and proposed action plan to extract and use Rock Phosphate in the production of fertilizers, the Department of Fertilizer submitted in writing as under :-

> "To make use of the space technology in fertilizer sector, the Department of Fertilizers had commissioned a 3(three) year Pilot Study on "Resource Mapping of Rock Phosphate using Reflectance Spectroscopy and Earth Observation Data" by the National Remote Sensing Centre (NRSC) under ISRO in collaboration with Geological Survey of India (GSI) and the Atomic Mineral Directorate (AMD). The MoU for the proposed study has been signed on 21.08.2017. Letter of Authorization for release of funds has been issued by the Department Fertilizers. The work progress of the study is as under:
>
> - Preliminary Data processing for the phosphate mapping is completed.
> - Spectral analysis of samples collected during field work is completed.
> - Data for reducing the false positives have been reprocessed.
> - Final phosphate anomaly map of Chhatarpur area is being finalized.
> - Joint processing of ASTER data was carried out with GSI in the first week of January, 2019.
> - Based on spectral analysis of rock samples, results obtained from ASTER data (space borne advanced multispectral data) processing and consequent spectrochemical analysis of samples in field, few promising areas or surface exposures of rock- phosphate in Heerapur-Chhatarpur were identified.
> - Draft report is being prepared and few samples are being sent to Atomic Mineral Directorate (AMD) to get geochemical data of these samples.
>
> Further steps to be envisaged would depend upon the outcome of study regarding identification of areas with rock phosphates deposits/ phosphorite and the quality of Rock Phosphate etc."

4.40 The Committee learnt that the Department of Fertilizers does not have any Research and Development (R&D) activities under its control. However, a new society named ICFFTR (Indian Council for Fertilizers and Fertilizer Technology Research) is being constituted comprising members of fertilizer PSUs. The ICFFTR would be exclusively devoted to the research, development and technology in the area of fertilizer sector. ICFFTR will fund research and development projects proposals after due deliberations submitted by various R&D organisations/ Institutions. The aims and objectives of ICFFTR are as under:-

- Undertake / promote research in the area of fertilizer and fertilizer manufacturing technology, use of raw material and innovation in fertilizer products, etc. through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders.
- Recommend R&D project proposals submitted by various R&D organizations / Academic institutions / industry for funding.
- Identify and formulate long range technology plans and working out suitable mechanism for adoption of indigenous processes.
- Identify and promote eco-friendly micro nutrients and pesticide coated slow release fertilizers.
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- Identify and promote eco-friendly micro nutrients and pesticide coated slow release fertilizers.
- Undertake and promote research in bio fertilizer / organic fertilizer and its derivatives so as to protect and increase soil fertility.
- Promote dissemination of information on latest developments in fertilizer sector and also to support new ideas and changes for effecting improvements in fertilizer industry.
- Carry out all kinds of scientific and economic investigations and other experiments in the interest of agriculture and farmers.
- Study and promote the application of science and scientific and economic methods for the manufacture of fertilizers and their utilization in the fields either alone or in conjunction with preparations of other materials.

4.41 ICFFTR is proposed to have (i) Governing Council initially consisting of minimum eight members and overall strength not to exceed twenty members, (ii) Executive Committee initially consisting of minimum of 8 members, (iii) Director General who shall be the administrative head of the Society. Finances of Council shall be derived from seed money, subscriptions and annual fees, contributions, donations, bequests, gifts, etc., Govt. aid, grants-in-aid, investments, loans, endowments, rents, etc. Necessary documents have been submitted to the Registrar of Society for registration of the Council under the Societies Registration Act. Registration process is going on.

4.42 According to Department of Fertilizers, no information is available with them regarding infrastructural and institutional mechanisms and other facilities are available for the Fertilizer Industry (units) in the country for undertaking R&D activities in fertilizer sector so as to improve and upgrade their production technology, quality of fertilizers, introduction of new fertilizers, etc. Further, when asked about funds likely to be allocated for research activities of ICFFTR (Indian Council for Fertilizers and Fertilizer Technology Research), the Department of Fertilizers submitted that "*ICFFTR has been registered under Societies Registration Act of 1860 on 19.08.2019. In order to create initial fund for ICFFTR and to make the same operational, seed money (initial corpus non-refundable will be provided by Rs 2 crore each by NFL & RCF and 1 crore by FAGMIL. DoF do not allocate any funds to ICFFTR.*

4.43 During oral evidence, Members of the Committee expressed serious concern over the quality of fertilizers and declining response rate on use of fertilizers. Responding to the same, Secretary Department of Fertilizers stated that "this is a valid concern raised by the hon. Members. Fertilizer response rate is going down. This is a known fact, researchers have found it. Ordinary farmers are also aware about it. They are using more urea but yield is not increasing correspondingly. Regarding this, NRM Division of Indian Council of Agriculture Research, which is our prime research organization, is conducting research. As regard quality of urea, there is no degradation. The quality of urea is not the reason for decreased response ratio."

4.44 Secretary, Department of Fertilizers further added that "if the price is cheaper than non urea fertilizers, then ordinary farmers would use more urea. It was also added by this that IFFCO is experimenting nano fertilizers which shall be utilized in smaller quantity as compared to conventional bag of urea and benefit would be the same. It would be tested by IFFCO on 04.11.2019 by giving it to 11000 farmers."

4.45 To a post evidence query as to whether the Department of Fertilizers has any proposal to support/ incentivize R&D in Fertilizer sector, reasons in case of no such proposal with the Department and the steps being taken to develop & popularize non-chemicals fertilizers, the Department submitted as under :-

> "Presently, Department of Fertilizer do not have any budget to support R&D activities in fertilizer sector. However, Department of fertilizer is contemplating to have budget line to support such activities. So far, not much R&D efforts have been made in fertilizer sector. However, with ICFFTR, a Think Tank body in fertilizer and fertilizer technology came into being, a lot of research activities is expected to be carried out by the Council. "

CHAPTER – V

PERFORMANCE OF FERTILIZER UNITS UNDER DEPARTMENT OF FERTILIZERS

Public Sector Fertilizer Units

PSU Wing of Department of Fertilizers deals with matters relating to financial performance, annual accounts, MoUs, Budgetary Support to corporate affairs, revival / rehabilitation of sick PSUs, issues relating to BIFR, formation of new PSUs and all matters incidental thereto in respect of nine fertilizers PSUs, i.e. RCF / NFL / MFL /FACT / BVFCL /FAGMIL / PDIL / FCIL / HFCL, matters relating to two Multistate Cooperative Societies i.e. IFFCO / KRIBHCO, the work relating to disinvestment of companies, all establishment matters related to PSUs including Board level appointments, Nomination of Part-time official and Non-official Directors in fertilizers PSUs.

5.2 When asked about facilities available to CPSEs for mobilization of funds for developmental activities like expansion / modernization / short-term operational requirements, the Department of Fertilizers stated that "*Department of Fertilizers does not provide/grant any budgetary support to the PSUs for expansion/modernization or to overcome short term financial crunch. All short term/long term financial resources are met through internal Accrual & External borrowings mainly from Banks by the respective PUSs*".

5.3 Hon'ble Finance Minister, in her Budget Speech had stated that the recommendations of the High Level Empowered Committee (HLEC) on retirement of old & inefficient plants, and addressing low utilization of Gas plant capacity due to paucity of Natural Gas, will also be taken up for implementation now. The Department of Fertilizers was asked to explain whether the recommendations of HLEC are applicable to fertilizer companies as well and follow up action taken up by the Department in case of applicability of recommendations of HLEC. Reply of the Department of Fertilizers in this regard is reproduced below :-

> "No such proposal has been received regarding applicability of recommendations of High Level Empowered Committee (HLEC) on the urea manufacturing units."

5.4 To a query regarding financial performance of the PSUs under the administrative control of Department of Fertilizers and their contribution to the Government during 2018-19, the Department of Fertilizers furnished details inter-alia as under :-

S. No.	Name of PSU	% of share capital held by Central Govt./Holding Company (in case of subsidiary company)	Dividend for the year 2018-19 (in crores)
1.	National Fertilizers Limited (NFL)	74.71	39.95
2.	Rashtriya Chemicals and Fertilizers Limited (RCF)	75	60.69
3.	Fertilizer Corporation of India Limited (FCIL)	100	-
4.	Hindustan Fertilizer Corporation Limited (HFCL)	100	-
5.	Madras Fertilizers Limited (MFL)	59.50	-
6.	FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	100	12.30
7.	Projects & Development India Limited (PDIL)	100	11.80
8.	Bhramputra Valley Fertilizers & Chemicals Limited (BVFCL)	100	-
9	Fertilizers and Travancore India Limited (FACT)	90	-

5.5 Details of authorized capital, paid-up capital and financial performance during the last two years in respect of the nine Public Sector Undertakings (PSUs) under the administrative control of Department of Fertilizers, as provided by the Department, are as follows:-

(in crores)

Name of PSU	Authorized Capital	Paid – up capital	Profit before tax (PBT)		Profit after tax (PAT)		Net Worth	
			2017-18	**2018-19**	**2017-18**	**2018-19**	**2017-18**	**2018-19**
National Fertilizers Limited (NFL)	1000	490.58	463.37	334.83	212.77	298.45	2219.02	1987.40
Rashtriya Chemicals and Fertilizers Limited (RCF)	800	551.69	128.22	235.25	78.80	139.70	2929.69	3034.70
Fertilizer Corporation of India Limited (FCIL)	800.00	750.92	145.27	183.16	113.95	164.77	373.42	528.61
Hindustan Fertilizer Corporation Limited (HFCL)	1200.00	686.54	33.00	80.38	22.17	64.34	51.70	116.04
Madras Fertilizers Limited (MFL)	365.00	162.14	(61.96)	(83.24)	(61.96)	(83.24)	(492.03)	(575.27)
FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	30.00	30.00	41.88	29.89	27.03	20.49	245.42	251.08
Projects & Development India Limited (PDIL)	60.00	17.30	00.61	37.22	02.69	30.36	106.99	123.12
Bhramputra Valley Fertilizers & Chemicals Limited (BVFCL)	510.00	365.83	(22.50)	(63.15)	.79	(63.16)	79.32	100.50
Fertilizers and Travancore India Limited (FACT)	1000	647.07	(129.06)	163.14	(262.68)	163.14	(1695)	(1523.7)

5.6 Regarding the financial status of the PSUs during the last three years, the Department of Fertilizers furnished details as under :-

(Rs. in cores)

Name of PSU	Financial Status (Net Worth)			Profit/(Loss) after Tax		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
National Fertilizers Limited (NFL)	1826.64	1987.40	2219.02	208.16	212.77	298.45
Rashtriya Chemicals and Fertilizers Limited (RCF)	2925.02	2929.69	3034.70	179.26	78.80	139.70
Fertilizer Corporation of India Limited (FCIL)	261.17	373.42	528.61	30.09	113.95	164.77
Hindustan Fertilizer Corporation Limited (HFCL)	29.52	51.70	116.04	1.65	22.17	64.34
Madras Fertilizers Limited (MFL)	(430.07)	(492.03)	(575.27)	3.31	(61.96)	(83.24)
FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	232.68	245.42	251.08	36.03	27.03	20.49
Projects & Development India Limited (PDIL)		106.99	123.12	(10.58)	2.69	30.36
Bhramputra Valley Fertilizers & Chemicals Limited (BVFCL)	100.50	79.32	16.17	7.50	.79	(63.15)
Fertilizers and Travancore India Limited (FACT)	(1555)	(1695)	(1523.7)	(262.68)	(262.68)	(163.14)

5.7 To a query as to whether the Union Government has any proposal for disinvestment / privatization of the PSUs under the control of Department of Fertilizers during 2019-20, the Department of Fertilizers replied in writing that "*the disinvestment process of PDIL is under process.*"

5.8 The functional status of these nine PSUs under the administrative control of Department of Fertilizers, is as given below :-

S. No.	Name of PSU	Products	Installed Capacity (in LMT)	Functional status (2018-19)
1.	National Fertilizers Limited (NFL)*	Urea	35.68	Profit making
2.	Rashtriya Chemicals & Fertilizers Limited (RCF)	Urea & Complex Fertlizers	11.89	-do-
3.	FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	Gypsum	12.25	-do-
4.	Madras Fertilizers Limited (MFL)	Urea, Ammonia & NPK	16.73	Sick PSU
5.	Fertilizers and Travancore India Limited (FACT)	Complex Fertilizers	9.08	-do-
6.	Bhramputra Valley Fertilizers & Chemicals Limited (BVFCL)	Urea	5.10	Loss making
7.	Projects & Development India Limited (PDIL)	A premier Consultancy & Engineering Organization.		Profit making
8.	Fertilizer Corporation of India Limited (FCIL)	Government of India decided in Septerber, 2002 to close operations of the five plants (at Sindri, Talchar, Ramagundam, Gorakhpur & Korba) of FCIL. A joint venture Company Hindustan Urvarak & Rasayan Lmited (HURL) has been se up in June 2016 for revival of Gorakhpur,and Sindri Units.		
9.	Hindustan Fertilizer Corporation Limited (HFCL)	GOI decided to close operations of HFCL in Septerber, 2002. Barauni Unit under revival through nomination and two other untis are closed.		

5.9 The Department of Fertilizers was asked to state details regarding factors which led to closure of the fertilizer plants of the erstwhile FCIL and HFCL. In this regard, the written reply furnished by the Department of Fertilizers is reproduced below :-

> " The factors which led to closure of the fertilizer plants at Gorakhpur, Sindri, Talcher, Ramagundam (under the erstwhile FCIL) and HFCL's Barauni plants are as under:-
>
> i Obsolete Technology
>
> ii High energy consumption due to feedstocks, like fuel oil, coal & Naphtha.
>
> iii Poor quality of power/frequent interruption of power supply from state Grid as no captive power plant existed.
>
> iv Non-availability of funds for timely repairs & renewals resulting in economic unavailability in sustained operations of these plants."

Revival of Closed Plants of FCIL & HFCL

5.10 In its brief note on 'revival of closed units of PSUs, the Department of Fertilizers has inter-alia stated that in 2011, Cabinet approved to revive FCIL and HFCL units and to consider write off of GoI Loan and interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be either through 'nomination route' by PSUs or through 'bidding route' by private sector. Sindri, Talcher and Ramagundam Units of FCIL to be revived on 'nomination basis'. Gorakhpur and Korba units of FCIL and Durgapur, Haldia and Barauni units of HFCL to be revived through bidding route.

The Union Cabinet in its meeting held on 13.07.2016 approved to revive Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle (SPV) of Public Sector Units namely, NTPC, CIL, IOCL and FCIL/HFCL, through "nomination route". In pursuance to the decision of the Government an SPV by name the Hindustan Urvarak & Rasayan Limited (HURL) for revival of closed units of FCIL at Gorakhpur, Sindri and Barauni unit of HFCL was incorporated.

Revival Plan

i. Ramagundam unit of FCIL is being revived by M/s. Ramagundam Fertilizers & Chemicals Ltd (RFCL), a Joint Venture of Engineers India Limited, National Fertilizers Limited and FCIL for setting up a gas based urea plant with a capacity of 12.7 LMTPA of urea.

ii. Talcher unit of FCIL is being revived by M/s. Talcher Fertlilizers Ltd, a Joint Venture of GAIL, CIL RCF & FCIL by setting up a coal based urea plant with a capacity of 12.7 LMTPA of urea.

iii. Cabinet approved on 13.07.2016 revival of Gorakhpur & Sindri units of FCIL and Barauni unit of HFCL by M/s. Hindustan Urvarak & Rasayan Limited (HURL), a JV of NTPC, CIL, IOCL, HCIL & HFCL for setting up a Gas based urea plants with a capacity of 12.7 LMTPA of urea at each of the locations.

Progress in Revival of Gorakhpur (UP), Sindri (Jharkhand) & Barauni (Bihar) Units

5.11 Regarding formation of Special Purpose Vehicle for the revival of closed plants at Gorakhpur, Sindri and Barauni, the Department Fertilizers informed that Hindustan Urvarak & Rasayan Limited (HURL) was incorporated on 15th June, 2016 as a joint venture company by Coal India Limited (CIL), NTPC Limited (NTPC) and Indian Oil Corporation Limited (IOCL) as the lead promoters with Fertilizer Corporation of India Limited (FCIL) and Hindustan Fertilizer Corporation Limited (HFCL) as other two partners. The initial Joint venture Agreement (JVA) was signed on 16th May, 2016 between CIL and NTPC, followed by a Supplemental JVA on 31st October, 2016 between CIL, NTPC, IOCL, FCIL and HFCL.

5.12 As regards plant-wise details of work progress and the likely date of commission of the plants, the Department fertilizers submitted as under :-

" HURL has appointed M/s PDIL as PMC who has expertise in design, engineering and construction supervision of Fertilizer Projects. Further, all the three projects are being implemented under LSTK mode as per following details:

i. Gorakhpur - This is being implemented by a consortium of Toyo Engineering Japan & Toyo Engineering India.
ii. Sindri & Barauni- Both the projects are being implemented by a consortium of Technip France, Technip India and L&T Hydrocarbon Engineering.

While Majority of the Projects is covered under the scope of LSTK Contractor at all the 03 locations, however few offsite facilities (Non LSTK and EPCM Packages) are being implemented separately by our PMC M/s PDIL, who is responsible for these offsite packages from concept to commissioning including its design, engineering, procurement, expediting, site construction and erection leading to testing & commissioning.
LSTK works are in general progressing as per schedule. However, there are minor delays in Non LSTK Packages for which recovery plans are being made by M/s PDIL on best efforts basis. It is expected that there will be no impact on overall completion schedule.

Project wise Work Progress Details and likely commissioning dates are as under:

S. No.	Project	Zero Date	Overall Progress (upto 25-08-19)	Likely date of Commercial Production
1	Gorakhpur	Feb 2018	58.5 %	Feb 2021
2	Barauni	May 2018	42.8 %	May 2021
3	Sindri	May 2018	43.3 %	May 2021

5.13 To a query relating to release of CCEA approved Interest Free Loan (IFL) of Rs.1257.82 crore for HURL, the Department of Fertilizers submitted as under :-

" As per CCEA approval, the release of Interest Free Loan (IFL) of Rs 1257.82 Cr was scheduled in 03 installments as below:

FY 18-19:	Rs 125.79 Cr
FY 19-20:	Rs 503.10 Cr
FY 20-21:	Rs 628.93 Cr

However, no amount has been released so far. As per Department of Expenditure guidelines, a Draft Loan Agreement is to be executed between Department of Fertilizers and HURL. A copy of draft Loan Agreement has been sent to DoE and DoEA vide OM dated 08.05.2019, 04.06.2019, 08.07.2019 and DO letter dated 19.08.2019 for concurrence of the same. On receipt of vetting on the draft Loan Agreement, Ist installment of IFL will be disbursed to HURL."

5.14 When asked about reasons for delay in release of GOI loan to HURL and whether the Department of Fertilizers proposes to take up the matter at highest level with the Ministry of Finance for the early approval of draft agreement, the Department of Fertilizers submitted as under :-

"Secretary (Fertilizers) vide DO letter dated 19.08.2019 has taken up the matter with Secretary, Department of Expenditure (DoE) to concur the draft Loan Agreement to be executed between Department of Fertilizers and HURL. DoE vide OM dated 01.10.2019 has furnished some observations on the draft Loan Agreement and has also suggested that the same may also be vetted by Department of Legal Affairs (DoLA). Therefore, after making necessary changes in the draft Loan Agreement, the draft Loan Agreement is being sent to DoLA for vetting. "

Progress in Revival of Talcher (Odisha) Unit of FCIL

5.15 According to Department of Fertilizers, JV company named Talcher Fertilizers Ltd. (TFL) was formed on 27-10-2015. The Estimated project cost of establishment of TFL is Rs.13,227 crores. New Ammonia Urea plant of 12.7 LMTPA capacity based on Coal Gasification Technology is being set up. Equity of GAIL, RCF & CIL in TFL is 29.67% each & FCIL's 10.99%.Coal Gasification Technology of M/s. Shell Product has been selected which is now overtaken by M/s. Air Products, USA. The total progress (Pre Project overall) for Talcher Fertilizer project as on 31.05.2019 is 37.86%. The Talcher plant is likely to be commissioned by Sept, 2023 (Commercial production).

5.16 To a specific query whether the remaining 62.14% of project work would be completed by September, 2023, the Department of Fertilizers furnished written reply that "as on 31.8.2019, against the scheduled target of 62.42 % for pre project activities, 47.59% has been completed and that balance work of pre project activities will be completed by October, 2023 (date of commercial production."

5.17 As regards reasons for delay and steps proposed to be taken for completion and commercial production of the project by the stipulated time of October, 2023, the Department of Fertilizers stated as under :-

> "The figures refer to pre – project activities currently under progress like Site Grading, Construction Power & Water, Renovation of Admn. Building & Vikrampur Guest House etc. Delay in these activities is not likely to affect project schedule as same are required for completion before mobilization of 1st Project Contractor at site which is scheduled in Feb., 2020. However, due to heavy rain in Talcher region, the work has affected the pre – project activity. Efforts like mobilization of additional resources etc. are underway to complete the jobs before mobilization of Project Contractors so that overall project schedule is not affected. "

<u>Progress in Revival of Ramagundam (Telangana) Unit of FCIL</u>

5.18 The Ramagundam unit is being revived through nomination route by forming JV of nominated PSUs. JV company named as Ramagundam Fertilizers & Chemicals Ltd. (RFCL) has been formed. Equity of NFL & EIL is 26% each and FCIL's 11%. In addition, State Govt. of Telangana has 11%, GAIL -14.3% and HTAS- 11.7% equity in RFCL. RFCL is being revived by setting up a gas based Ammonia Urea plant of 12.7 LMTPA capacity. The project is expected to be commissioned by December, 2019 subject to availability of Gas by 1st week of July, 2019.

5.19 The written reply furnished by the Department of Fertilizers in regard to query seeking progress on gas pipeline connectivity to the project and the likely date of commissioning of RFCL, is as under :-

> " Gas Pipeline connectivity for RFCL is to be provided by GSPL India Transco Ltd. (GITL) (a subsidiary of GSPC). GITL informed completion of gas pipeline and ready for gas in on 31st August, 2019. Therefore, gas is expected to be available for RFCL project by mid-September, 2019.
> As per agreement between RFCL and GITL pipeline was to be completed by September, 2018 and due to delay in completion of gas pipeline and likely completion by June, 2019 and commissioning of RFCL Project was envisaged in December, 2019. The delay in completion of gas pipeline impacting commissioning of RFCL Project is regularly reviewed in the DoF in monthly review meetings, where GITL is also present. The matter is further taken up by DoF with Chief Secretary, Govt. of Gujarat & Chairman, GITL with request to expedite completion of gas pipeline by GITL.
> In view of availability of gas at RFCL Project by mid-September, 2019, commissioning of RFCL project shall take minimum 6 months from date of receipt of gas at RFCL battery limit. "

5.20 In regard to a post evidence query from the Committee relating to time frame for commissioning of fertilizers plants being revived, the Department of Fertilizers furnished details as under :-

" The progress of revival of fertilizer projects at Ramagundam, Talcher, Gorakpur, Sindri and Barauni is being closely monitored by Department of Fertilizers along with NITI Aayog and Prime Minister Office. Secretary (Fertilizers) take monthly review meetings to facilitate smooth revival of these projects. The time frame fixed for revival of these plants are as under: -

Sl No.	Name of Plant	State	Expected Year of Commissioning
1	Ramagundam	Telangana	2020
2	Talcher	Odisha	2023
3.	Sindri	Jharkhand	2021
4.	Gorakhpur	Uttar Pradesh	2021
5.	Barauni	Bihar	2021

Revival of Sick PSUs (MFL, FACT & BVFCL)

5.21 **Revival of FACT –** FACT (Fertilizers and Chemicals Travancore Ltd.) was incorporated in 1943 and it started production in 1947. It became a PSU in 1960. GoI became a major shareholder in 1962. At present the Authorized Share Capital of the PSU is Rs. 1000 Crore and its Paid up capital is Rs 647.07 Crore. Govt. of India shareholding is 90%. Its productions units are (1) Udyogamandal, Kochi, and (2) Ambalamedu, Kochi. The Udyogmandal Plant produces NP 20:20:0:13, Ammonium Sulphate, Caprolactam, Sulphuric Acid and Ammonia; and Ambalamedu plant produces NP 20:20:0:13, Sulphuric Acid and Phosphoric Acid. The other divisions of the company are (1) FACT Engineering & Design Organization (FEDO); and (2) FACT Engineering Works (FEW). The company had 1743 permanent staff as on May, 2019. The company operates in South India (Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Telangana & Puduchery. Its Market share is 27% for NP 20:20:0:13 & 64% for Ammonium Sulphate. The following is the description of product range of the company:

Complex Fertiliser : NP 20:20:0:13
Fertilizer : Ammonium Sulphate
Petrochemical : Caprolactam
Biofertiliser : 150 MT
Traded Products : City compost, MOP, NP

During the Financial year 2013-13, FACT became a sick CPSU having net worth –(Rs.192.5 Crore).

5.22 Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting on 20.12.2013 recommended the infusion of funds and waiver of GOI loans and interest for revival of FACT subject to continuation of existing support for providing the company a level playing field with other fertilizers companies. Based on the BRPSE proposal, D/o Fertilizers submitted a note for Cabinet Committee on Economic Affairs (CCEA) on 17.4.2014 containing proposal as recommended by BRPSE. Cabinet Secretariat vide

OM dated 17.5.2014 directed D/o Fertilizers to undertake fresh Inter Ministerial Consultation (IMC) and forward the revised note for consideration of CCEA with the approval of new Minister-in-charge. Thereafter a revised Cabinet note was circulated for IMC on 18.6.2015 containing following proposal;

- Waivers of GoI loans & Interest - (i) Approval for write off of outstanding loans of Rs. 282.73 Crore as on 31.3.2015. (ii) Approval for write off of outstanding interest of Rs. 269.81 Crore as on 31.3.2015.
- Grant of one time compensation of Rs. 140 Cr. for the LNG used to test the plant equipment during the period from October, 2013 to Jan, 2014.
- Approval for issuance of sovereign guarantee for Rs. 860 Cr. for a period of two years for repayment of short term borrowings from banks, payment to suppliers and payment to LIC towards gratuity funding in respect of FACT employees.
- In principle approval for sale/leveraging of land for raising resources to repay the loans raised against sovereign guarantee and to raise fund for implementation of projects.

5.23 On the above proposal PMO vide their Note dated 30.6.2015 requested DIPAM (erstwhile D/o Disinvestment) to visit the plant and make independent recommendations in the matter. Meanwhile, in order to avert immediate financial crisis of FACT, this Department vide DO dated 1.12.2015 requested D/o Expenditure (DoE) for immediate financial support. On getting a provision in 2nd Supplementary in 2016-17. A loan of Rs.1000 Crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016. A proposal is being mooted for financial re-structuring of FACT which involves the following proposals :-

- Approval for the sale/leveraging of total 651.479 acres of land held by the Company and out of which, 481.790 acres of land for transfer to Government of Kerala (331.790 acre @Rs.2.4758 Cr. per acre and 150 acre @Rs.1.0 Cr. per acre) and the remaining 169.689 acres of land (@Rs.2.4758 Cr. per acre) for transfer to BPCL.
- Grant of a one-time compensation amounting to Rs. 140 Crore for the use of high cost LNG to test the plant (during October 2013 to January 2014).
- Write-off of outstanding Government of India loan of Rs. 1282.73 Crore as on 31.03.2017.
- Write-off of the total interest payable on Government of India loans (Rs.1282.73 Crore) up to 31.03.2017 amounting Rs 487.76 Crore
- Waiver / refund of consequent tax liabilities on account of implementation of the above financial restructuring proposal.

5.24 On this proposal a meeting was held in PMO on 10.08.2018 , wherein the PMO directed inter-alia that the proposal for sale of land of FACT to be delinked from the Cabinet note for financial restructuring of FACT. Accordingly, D/o Fertilizers has de-linked the proposal of sale of land from FACT to Govt. of Kerala from financial restructuring proposal. The advance of Cabinet Note seeking approval for “Sale of 481.79 acres of land held by FACT to the Government of Kerala and utilization of the sale proceeds by FACT” was submitted to Cabinet Secretariat and PMO on 07.01.2019. In this connection, NITI Aayog has submitted the study report on subject matter to this Department for comments. The same is under examination

5.25 On being asked about the nature study conducted by NITI Ayog and their recommendations and further progress made in the matter of revival/restructuring of FACT, the Department of Fertilizers submitted as under : -

> “ NITI Aayog was entrusted to make a study on possibility of merger of FACT and MFL with other PSUs and to explore other options. NITI Aayog submitted the draft study report to this Department for comments. The draft study is being examined in this Department in consultation with other stakeholders.
>
> Cabinet has approved the proposal for sale of 481.79 acres of land held by FACT to the Govt. of Kerala and utilization of sale proceeds by FACT. The process of getting the sale consideration and handing over the land is underway. “

5.26 To a post evidence query seeking details concrete steps taken for the revival / modernization of FACT, the Department of Fertilizers replied in writing as under :-

> “ Cabinet on 24.07.2019 has approved the proposal for sale of 481.79 acres of land held by FACT to the Govt. of Kerala in the following manner;
>
> a) 150 acres of land at the rate of Rs. 1 Crore per acre (in lieu Government of Kerala agreed to give free hold right over 143.22 acres of land to FACT).
>
> b) Remaining 331.79 acres at the rate of Rs. 2.4758 Crore per acre as assessed by District Collector Ernakulum.
>
> c) Utilization of the sale proceeds by FACT to address working capital deficiency, improvement of balance sheet and enabling the company to enhance physical and financial performance by implementing capacity expansion projects for sustainable growth of the Company

5.27 **Revival of MFL** – Madras Fertilizers Limited (MFL) was incorporated in December 1966 as a joint venture between GOI and AMOCO India Incorporation of USA with GOI holding 51% of the equity share capital In the year 1972, NIOC acquired 50% of the AMOCO's share and share holding pattern became 51% GOI and 24% each of AMOCO and NIOC. In 1985, AMOCO disinvested their shares, which were purchased by GOI and NIOC in their proportions of their respective shares as on 22-07-1985. The revised share holding pattern was GOI 67/55% and NIOC 32.45%. Subsequent to the Issue of Rights shares in 1994 for past financing of the project, the share holding of GOI & NIOC stood at 69.78% and 30.22%. During 1997, MFL had gone for Public Issue of 2,86,30,000 shares with face value of Rs.10 and a premium of Rs.5 per share.

5.28 Madras Fertilizers Ltd is engaged in manufacturing of Ammonia, Urea and Complex fertilizers. Its corporate office is situated at Manali, Chennai. Though it is a sick PSU, however, it is operational as on date. As on 31.03.2018, the Authorized Capital of MFL is Rs 365 Crore and the Paid up Capital is Rs 162.14 Crore. 59.50% shares are held by GOI; 25.77% by NIOC; and 14.73% shares are held by Financial institutions/Public.

5.29 In terms of DPE guidelines for revival and restructuring of sick Central Public Sector Enterprises, DOF had engaged Projects Development India Limited (PDIL). The PDIL gave recommendation for 6 options. MFL Board had submitted their recommendation on revival plan to this Department on 01.06.2017, based on which, a proposal for the CCEA was circulated for Inter-Ministerial Consultation (IMC) on 15.11.2017. This Department was examining Financial Restructuring proposal for MFL including waiver of GoI loan & interest thereon. Meanwhile a meeting was held in PMO on 10.08.2018. Pursuant to the meeting in PMO, Government of Tamil Nadu was asked either to take over full ownership of the plant or to grant NOC for transfer of land to another PSU. Government of Tamil Nadu vide on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL).

5.30 The matter has been taken up with Ministry of Petroleum & Natural Gas for their concurrence to the proposal for sale of 70 acres of land of MFL to CPCL. On 30.04.2019, MoPNG conveyed the decision of CPCL to obtain Board's approval for acquisition of 4.98 acres of land. As regards the balance 65 acres of land, CPCL Board has desired that a detailed study on utilization of this land be carried out and projects be firmed up. Thereafter, CPCL will approach MFL at a later date for purchase of land. Meanwhile, MFL vide letters dated 24.6.2019 has informed various CPSEs about the availability of the surplus 65 acres of land at Manali Plan, Chennai for sale. In this connection, NITI Aayog has submitted the study report on subject matter to this Department for comments. The same is under examination.

5.31 On being asked about the study conducted by NITI Aayog, their recommendations and further progress made in the matter including decision taken on the request of MFL for waiving of Government of India loans and interest thereon, the Department of Fertilizers furnished written reply as under : -

> " NITI Aayog was entrusted to make a study on possibility of merger of FACT and MFL with other PSUs and to explore other options. NITI Aayog submitted the draft study report to this Department for comments. The draft study is being examined in this Department in consultation with other stakeholders.
>
> MFL Board submitted recommendation on revival plan to DoF vide letter dated 1.6.17 and suggested following new option other than the 6 options suggested by PDIL:
>
> (i) Waiver of GoI loan interest of Rs. 509.04 Cr (as on 31.03.2017).
> (ii) Waiver of GoI loan principal of Rs 554.24 Cr. (as on 31.03.2017).
> (iii) Raising of loan of Rs 171 Cr. from Financial Institutions/Banks for CAPEX schemes.
> (iv) Increase the Public shareholding from the existing level of 14.33 to 25% and corresponding reduction in GoI/ NICO share to accomplish the same.
>
> Based on submission of MFL, the proposal for the CCEA was examined in the DoF. Meanwhile, a meeting was held in PMO on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL). In a meeting held in PMO on 10.08.2018, it was decided that D/o Fertilizers would list all assets of MFL and to ascertain which assets can be monetized. Accordingly, MFL has identified 70 acres of surplus land for sale to CPCL. The proposal for sale of 70 acres surplus land of MFL to CPCL was taken up with Ministry of Petroleum & Natural Gas for their concurrence. However, MoPNG has informed that CPCL has given approval for purchase of 4.98 acres of land by CPCL first. MoP&NG has further informed that for purchase of balance 65 acres of land, CPCL will approach MFL at later stage.
>
> The conversion of Madras Fertilizers Limited (MFL) from Naphtha based to gas based has been made under policy provisions of New Pricing Scheme (NPS)-III. As per para 5 (i) of NPS III issued vide DoF vide letter dated 08.03.2007, "All functional Naphtha and FO/LSHS based units should get converted within a period of 3 years…"
>
> Madras Fertilizers Limited (MFL) has already converted its plant on Natural Gas as feedstock and started its commercial production of urea w.e.f 28.07.2019."

5.32 During oral evidence, the topic of proposed merger of MFL and FACT was raised by Members. Responding to the members, the Secretary of Department of Fertilizers and CMD, MFL stated as under respectively :-

> "Regarding the Niti Aayog's recommendation for merger of FACT and MFL, they have recommended step-wise steps. Merger was one of the recommendations. They suggested merging it with the profit making PSUs, like the NFL and the RCF. All these options were explored. They are loss making and they have a huge man power. So, the Boards of other PSUs which are profit-making have rejected this proposal. They said that in the present scenario it would not be advisable to merge these loss-making units with the profit-making ones. Let them be restructured first so that they can take less of their liabilities. Then they are willing to accept merger. That was also one of the recommendations by the Niti Aayog. The recommendation is to financially restructure MFL and FACT."
>
> "Around 70 acres of land have been identified for sale. Initially we thought that of selling it to CPCL. But they agreed to purchase only five acres today. They are not able to buy the other 65 acres of land. We are envisaging to get Rs. 282 crore by selling 70 acres of land after deducting the capital gain. That will be utilised for replacement of old equipment and for constructing a power plant…….The plant has already been revived in the case of feed stock conversion, from Naphtha to RLNG. We are under the commercial production with the RLNG with our own internal resources worth about Rs. 80 crore. So, presently we have identified three or four equipment, vintage equipment which are steam-based. We want to convert that into power-based for which we need to have a reliable power source. For that we have decided to have a captive power plant. For that we require Rs. 150 crore. So, we would be using Rs. 150 crore out of this Rs. 282 crore for that. Our MFL has already got the latest technology. It has got a remaining life of another 10 to 15 years.

5.33 To a post evidence query seeking details of concrete steps taken for the revival / modernization of plants by MFL, the Department of Fertilizers replied in writing as under :-

> " The CCEA Note regarding for financial restructuring of MFL was examined in the Department of Fertilizers. Meanwhile, a meeting was held in PMO on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land to MFL. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of land to Chennai Petroleum Corporation Limited (CPCL). However, the proposal for sale of 4.98 acres of land of MFL to CPCL is in advance stage. For, transfer of rest of the 65 acres of land, MFL is exploring other options.
>
> Once the land monetization of MFL is completed, action for financial restricting will be taken up. "

5.34 In regard another post evidence query seeking reasons for not acceding to the proposal of MFL for waiver of GOI loan principal of Rs.554.24 crore and loan interest of Rs.509.04 corore and whether adequate production and supply order would be given to

MFL during 2019-20 to enable the company to increase its capacity utilization, the Department of Fertilizers replied in writing as under :-

> " The CCEA Note regarding for financial restructuring of MFL was examined in the Department of Fertilizers. Meanwhile, a meeting was held in PMO on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land to MFL. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of land to Chennai Petroleum Corporation Limited (CPCL). However, the proposal for sale of 4.98 acres of land of MFL to CPCL is in advance stage. For, transfer of rest of the 65 acres of land, MFL is exploring other option.
>
> Once the land monetization of MFL is completed, action for financial restricting will be taken up.
>
> Adequate supply plan for urea will be given to MFL for the production done by them during Financial Year 2019-20."

5.35 **Revival of BVFCL** – Brahmaputra Valley Fertilizers Corporation (BVFCL) was incorporated on 5th April 2002 after de-merger of the Namrup unit of Assam from Hindustan Fertilizer Corporation Ltd. It has two operating Ammonia-Urea Units namely Namrup-II and Namrup-III which were originally commissioned in 1976 and 1987 respectively. Its corporate & registered offices are also located at Namrup. The other establishments of the company are Liaison Offices at NOIDA & Kolkata and Marketing offices at Guwahati, Siliguri & Patna. The authorized share capital and paid up capital of the company as on 31-03-2018 were Rs.510 crores and Rs.365.83 crores respectively.

5.36 Production in Namrup-II and Namrup-II plants in the year 2017-18 were not encouraging. Targeted production could not be achieved during the year 2017-18 due to various breakdowns of old, unreliable equipments, leakages in various heat exchangers, boilers reactor, primary reformer etc. as well as restriction / fluctuation in natural gas supply from OIL. Both the operational plants (Namrup-II & Namrup-III) of the company are based on vintage technology with obsolete equipments and machineries. However, the company is putting its best efforts to maintain urea production with reasonable productivity for the next few years till the proposed Namrup-IV project is commissioned.

5.37 The Committee noted that against the installed capacity of 2.40 LMT, Production of urea in Namrup-II Plant of BVFCL in 2017-18 was 0.58 LMT and 0.62 LMT in 2018-19 and in Namrup-III Plant against the installed capacity of 3.15 LMT, the production was 2.12 LMT and 2.38 LMT in 2017-18 & 2018-19 respectively. ***(Annexure-I DOF).*** The Committee also took notice of reply of Hon'ble Minister of Chemicals & Fertilizers to Lok Sabha unstarred Question No. 1579 dated 02/07/2019 wherein it has been stated inter-alia that the Cabinet in its meeting held on 21/05/2015 has decided to install a new plant of 8.648 LMTPA in the existing premises of BVFCL which would subsequently replace existing urea plants (Namrup-II- capacity 2.20 LMTPA) and Namrup-III- Capacity 2.70

LMTPA). In this regard, the Department of Fertilizers was asked to furnish details regarding follow-up action taken in the matter, source of funds for the expenditure and details of funds that have been allocated for this purpose. Reply of the Department of Fertilizers in this regard is reproduced below :-

> " During the CCEA meeting held on 21.05.2015, Cabinet had approved the proposal to set up a new Brownfield ammonia-urea unit within the premises of BVFCL, Namrup on PPP basis, which did not materialize due to non-receipt of any proposal from the investors.
>
> Considering the above situation, Government has decided that the proposal of setting up of 8.646 LMT urea plant at Namrup be relooked and Namrup-IV may now be established through nomination route. The same is under consideration in the Department of Fertilizers.
>
> It is further mentioned that the expenditure for the said proposed Namrup-IV plant will be borne by the respective equity holder.
>
> No such proposal was considered in the Department of Fertilizers."

5.38 To a post evidence query seeking details regarding concrete steps taken by the Department of Fertilizers for revival / modernization of plants by BVFCL, the Department of Fertilizers replied in writing as under :-

> " In respect to commissioning of Namrup IV Plant at Bhramputra Valley Fertilizers and Corporation Limited (BVFCL), it is intimated that Govt. of India vide its Cabinet approval dated 21st May 2015 decided for setting up of a new brown field Ammonia-Urea complex (Namrup-IV) in the existing premises of BVFCL having capacity of 8.646 Lakh MT per annum with the available gas of 1.72 MMSCMD through a JV under Public Private Partnership (PPP) mode with equity participation of 48% on nomination basis and the remaining 52% equity through competitive bidding by inviting bids from public/private entities. However, due to poor response from private parties, this department is in the process of exploring possibilities for equity participation of remaining 52% equity also on nomination basis to CPSEs and installation of a standard size gas based Ammonia-Urea Plant with a capacity of 12.7 LMTPA in place of 8.646 LMTA by forming a Joint Venture company.
>
> Subsequently, it was decided to allocate 52% equity to RCF on nomination basis. However, due to CAPEX commitment of RCF in Talcher Project, RCF has declined to hold 52% equity. Therefore, in a meeting held under the Chairmanship of Secretary (F) on 04.04.2019, it was decided to allocate 35% equity to NFL and remaining 17% equity to RCF. Further, action for due diligence with regard to project viability is under way. "

Cooperative Sector Fertilizer Units

5.39 According to Department of Fertilizers IFFCO and KRIBHCO are Multi-state-cooperative Societies (MSCS) registered under MSCS Act. In 2002, Government of India enacted amended MSCS Act 2002. Subsequently, both IFFCO and KRIBHCO amended their Bye-Laws without explicit approval/concurrence of Department of Fertilizers. The repatriation of GoI equity by IFFCO and KRIBHCO is disputed as it was done in violation of the then IFFCO Bye Laws, which were illegally and unlawfully amended by IFFCO and KRIBHCO.

5.40 The Department of Fertilizers was asked to state about legal and other action taken or proposed to be taken against IFFCO and KRIBHCO against their illegal and unlawful amendment of their Bye-Laws. In response, the Department of Fertilizers submitted in writing as under :-

> " With respect to IFFCO, DoF filed appeal under Section 99 of MSCS Act, 2002 before Appellate Authority and Additional Secretary (AS), DAC&FW on 04.08.2017 which was dismissed by the Appellate Authority on 28.06.2018. Subsequently, this Department filed a review petition before Appellate Authority and Additional Secretary (AS), DAC&FW on 06.08.2018. Appellate Authority and Additional Secretary (AS), DAC&FW passed order on 29.09.2018 in favour of GoI. However, aggrieved by the order of the Appellant Authority, IFFCO filed WP No 10637/2018 in Delhi HC on 04.10.2018. Hon'ble High Court of Delhi vide its order dated 05.10.2018 stayed the impugned order dated 28.09.2018. Next date of hearing in the matter is scheduled on 23.01.2020.
>
> In case of KRIBHCO, this Department has also filed an Appeal under Section 99 of MSCS Act, 2002 before the Appellate Authority & Additional Secretary (AS), DAC&FW on 06.03.2019. The last hearing was held on 16.09.2019 and next date of hearing yet to be scheduled by Appellate Authority and Additional Secretary (AS), DAC&FW. "

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OBSERVATIONS / RECOMMENDATIONS

Inadequate Funds Allocation in Budget Estimates for 2019-20

1. The Committee note that a budgetary allocation of Rs.83515/- Crore including Revenue Expenditure of Rs.83514.95 and Capital Expenditure of Rs.0.05/- crore has been made in respect of Demand No.6 pertaining to Department of Fertilizers for the year 2019-20. The Committee observe that the Department of Fertilizers was allocated BE of Rs.78515.00/- Crore in the interim budget 2019-20 against the projected demand of Rs.100633.43/- Crore. Since there was a gap of Rs.32932.37/- Crore in the allocation of fertilizer subsidy, Department of Fertilizers took up case for enhanced budgetary allocation. Subsequently, Ministry of Finance in June 2019 provided Rs.5000/- Crore in BE allocation raising the subsidy budget to Rs.83466/- Crore and the overall budget of the Department became Rs.83515.00/- Crore. As compared to RE of Rs.73482.74/- Crore in 2018-19, the BE of Rs.83515 Crore made for the current year for the Department shows an increase of 13.65%. The Committee also note that the Department has no proposal to launch any new scheme or close any of the existing schemes during the current year. However, the Committee are dismayed to note that the enhanced BE of Rs.83515.00/-Crore is still considered inadequate as there remains a gap of Rs.27932.27 Crore in the subsidy budget. Against the backdrop of huge budgetary gap of Rs.27932.27 Crore, the Committee record their unhappiness over inability of the Department of Fertilizers in convincing Ministry of Finance to make adequate BE allocations to the Department during the last three financial years. The Committee express the opinion that the aforesaid budgetary gap will eventually result in delayed payment to fertilizers companies and thereby adversely affect their financial performances. The Committee, therefore, strongly recommend that the Department of Fertilizers shall make sincere efforts to bring down the nagging gap in the subsidy budget of the Department year after year due to inadequate BE allocations and convince Ministry of Finance to make supplementary allocations for 2019-20 and make adequate BE allocations in the coming years for the Department so that all stake holders in the fertilizer sector get the benefits of fertilizer subsidy schemes without much constraints.

Guidelines for Customized Mixture Fertilizers

2. The Committee has taken note that NPK mixture fertilizers, which are crop specific and soil specific, are manufactured by mixing together various P&K fertilizers and Urea in various ratios approved by State Government. The objective of promoting mixture and customized fertilizers is to achieve maximum fertilizer efficiency of applied nutrients in a cost effective manner. The Department of Fertilizers issued interim guidelines for sale of subsidized fertilizers to Mixture/Customized fertilizers manufacturing units under Direct Benefit Transfer (DBT) system. This interim arrangement is valid upto 22.11.2019 or till further orders, whichever is earlier. The Department is in the process of developing a suitable software model under DBT framework through National Informatics Centre to track purchase of subsidized fertilizers and mixture fertilizers produced and sold by Mixture Fertilizer Units. In this regard, the Committee recommend that the Department of Fertilizers shall finalize and notify a comprehensive guidelines for production and use of Mixture / Customized fertilizers and sale of subsidized fertilizers to Mixture/Customized fertilizers manufacturers through Direct Benefit Transfer (DBT) system at the earliest for the benefit of all stake-holders.

Price of Subsidized Fertilizers

3. The Committee observe that urea is sold at a Maximum Retail Price (MRP) statutorily fixed by the Government of India and the present MRP of urea, effective from 01-03-2018 is Rs 268 for a 50 kg bag excluding local taxes / charges. The MRP of P&K fertilizers covered under the Nutrient Based Subsidy (NBS) implemented w.e.f. 01-04-2010 are allowed to be fixed by fertilizer manufacturers / marketers at reasonable rates as per market dynamics and monitored by the Government. Any sale over and above the printed MRP is a punishable offence under the Essential Commodities Act, 1955. The State Governments have the responsibility to ensure that the farmers get the subsidised fertilizers on the MRP. State Governments are authorised to take punitive action against any company / firm / person found selling subsidised fertilizers over and above the printed MRP. The Committee have also been apprised that the Department of Fertilizers, in consultation with Department of Expenditure, is finalizing guidelines for recovery of profit earned over and above 12% in the sale of NBS covered P&K fertilizers. The guidelines are likely to be finalized by the end of this Financial Year. Taking a holistic view, the Committee

are of the view that the guidelines for recovery of profit earned over and above reasonable rate be issued at the earliest and a review mechanism be evolved for periodic review of the reasonability of the prices of urea and NBS covered P&K fertilizers. The Committee hope that Department of Fertilizers would take appropriate follow-up action in the matter.

Size of Fertilizer Bags

4. The Committee have taken note that urea is being supplied in 45 Kg bags and 50 Kg bags. As regards P&K fertilizers, producers can sell the P&K fertilizers in smaller bags depending on their commercial decision. The Department of Agriculture, Cooperation & Farmers Welfare vide letter dated 16.1.2013 has already allowed the sale of DAP, MOP, Complexes, Fortified fertilizers and customized fertilizers in a bag of 5 Kg, 10 Kg, 25 Kg and 40 Kg besides conventional bag size of 50 Kg. The need for marketing of smaller sized size fertilizers bags was highlighted by the farming community to the Committee during the study visit of the Committee to Dharamshala in June, 2018. The Committee taking into account the affordability of poor farmers, recommend that the Department of Fertilizers, besides ensuring availability of smaller fertilizers bags for NBS covered P&K fertilizers, shall also take steps for smaller urea bags instead of 50 & 45 Kg bags, presently available, smaller bag(s) may be arranged in place of 45 kg bag.

Evaluation and Extension of Fertilizer Subsidy Schemes

5. The Committee are given to understand that as per instructions of Ministry of Finance, Nutrient Based Subsidy (NBS) scheme and Urea Subsidy Scheme are required to be reviewed for their further continuance beyond 31-03-2020 and that a third party evaluation of the schemes needs to be completed before commencement of next Finance Commission cycle i.e. 01.04.2020 for their further continuance beyond 31.03.2020. Allaying the apprehensions of the Committee regarding any delay in the proposed third party evaluation, Department of Fertilizers have intimated that the evaluation process would be completed before deadline date of 31-03-2020. Taking all relevant factors into account, the Committee recommend that the Department of Fertilizers shall take all necessary mandatory steps required to ensure that all fertilizers subsidy schemes including NBS and urea subsidy schemes are continued to be implemented beyond 31-03-2020. The Committee also desire that in case of likelihood of any change in these schemes after 31-03-2020, the same may be apprised to the Committee in advance.

Direct Benefit Transfer (DBT)

6. The Committee are aware that the Government has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October 2016. Sale of all subsidised fertilizers to farmers/buyers is made through Point of Sale (PoS) devices installed at each retailer shop and the beneficiaries are identified through Aadhaar Card, KCC, Voter Identity Card etc. Different States/U.T.s have been put on Go-Live mode w.e.f. 01.09.2017 and the Pan-India Roll out has been completed by March, 2018. The Department of Fertilizers has in the recent past launched the PoS version 3.0 of DBT and Desktop 1.0 version of DBT in the process of improving the PoS operations. The Committee have also been apprised that NITI Aayog has constituted a Committee to analyze and suggest a mechanism to provide agriculture subsidy on area basis through DBT and the committee after wide consultations has circulated a draft Report in the matter to all stakeholders including D/o Fertilizers, M/o Power, DAC&FW and State Governments. In this regard, the Committee desire that a brief note on important recommendations contained in the draft report of the NITI Aayog appointed Committee along with comments of Department of Fertilizers be furnished to the Committee for information and perusal. The Committee also express the opinion that the proposed phased-II of DBT in fertilizers on area basis be finalized after through consultation with all stake holders and implementation of the same be made applicable in the first instance for NBS covered P&K fertilizers before it is made applicable for urea.

Carry-forward Liabilities on Subsidies

7. The Committee have observed that the Department of Fertilizers has had carry-over liabilities at the end of financial years continuously for the last few years. According to Department of Fertilizers an amount of Rs.39057.11/- crore was the carry-over liabilities on Urea Subsidies and Nutrient Based Subsidies at the end of 2016-17. It came down to Rs.26182.80/- at the end of 2017-18. At the end of financial year 2018-19, it was Rs.32488.54 crore. The Committee have also taken note that approximately an amount of Rs.10 crore was surrendered during the financial year 2018-19 under different heads of expenditure. The committee have been apprised that the expenditure on subsidy was Rs.70100.01/- crore in 2016-17, Rs.69224.26/- crore in 2017-18 and Rs.73442.18/- in 2018-19 and these aforesaid figures include the carry over liability cleared during the year and as such these figures would not depict correct picture. The Department of Fertilizers

has stated that in spite of its repeated efforts to impress upon the Ministry of Finance about the need for complete elimination of carry over liabilities of fertilizer subsidy, the Ministry of Finance has not been able to provide the projected allocations. Taking into the foregoing, the Committee recommend that the Department of Fertilizers shall make serious efforts to improve their functional mechanisms so that it can correctly assess the annual expenditure outgo on subsidy schemes and make realistic projection of requirement of funds to the Ministry of Finance. The Committee may be apprised of the action taken in this regard.

<u>Production / Import of Fertilizers</u>

8. The Committee note that the actual production of all the fertilizers during the year 2017-18 was 413.59 LMT and the total production during 2018-19 was 414.85 LMT. Further consumption of all subsidized fertilizers during 2017-18 was 515.84 LMT and it was 537.89 LMT in 2018-19. Domestic production of urea against consumption during 2016-17, 2017-18 and 2018-19 was 242.01/296.07 LMT, 240.23/303.31 LMT & 240/317.19 LMT respectively. Similarly, domestic production of P&K fertilizers is less than consumption during the last three year. The target set for production of Urea, DAP and Complex fertilizers during 2019-20 are Urea-271.00 LMT, DAP-47.28 LMT & Complex Fertilizers-104.28 LMT and the revised production target in respect of all fertilizers for 2019-20 is 539.92 LMT. The Department of Fertilizers have also informed that the requirement of fertilizers for Rabi season during 2019-20 is yet to be finalized and hence they are unable to visualize the rate of increase in production required to meet the agricultural production targets. 65.20 LMT of Urea (33.00 LMT for Kharif 2019 and 32.20 LMT for Rabi 2019-20) has been proposed to be imported during 2019-20 based on the respective authorizations given by Steering Committee of Secretaries (SCoS) to Department of Fertilizers. Import of MOP and NPK fertilizers, their quantities and timing are decided by companies based on market intelligence as import of these fertilizers are in Open General License (OGL) and 51.37 LMT of P&K fertilizers have been imported upto Aug, 2019. The Committee appreciate the Department of Fertilizers for ensuring availability of required quantity of all fertilizers to meet the needs of agriculture sector of the country. However, the Committee find that the Department is unable to make out timely assessment of correct figures of required quantity of fertilizers to be produced or imported for a particular season (Rabi / Kharif). Further, production of urea has stagnated for the last three years and as

such the goal of self-sufficiency in urea production is seemingly an unattainable objective at present. The Committee expect that the Department looks into the relevant issues affecting their monitoring mechanisms adopted for the assessment of requirement and production fertilizers and paves way for attainment of self-sufficiency in urea production at the earliest. The Committee also desire that the Department shall study / review their subsidy policies in order to ensure that subsidy policy of the Government encourages use of soil-specific right combination of fertilizers and discourages improper use of cheaper / highly subsidized fertilizer (urea) in place of the fertilizer which suits the soil.

Scheme for Promotion of City Compost

9. The Committee are aware that a policy on promotion of city compost was notified by the Department of Fertilizers on 10.02.2016 under which Market Development Assistance (MDA) in the form of fixed amount of Rs. 1500/- P.M. of City Compost is provided for scaling up production and consumption of the product. Ministry of Urban Development is to take steps to increase setting up of compost plants across all States and the Department of Agriculture, Cooperation and Farmers Welfare is to carry out IEC (Information, Education and Communication) campaigns to educate farmers on the benefits of city compost. Concerned Ministries/Departments/Authorities have been requested to take appropriate action on actionable points contained in the notification. A Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture set up for coordination. State Level Steering Committee for promotion of city compost constituted in 11 States. The Committee have also taken note of improvement in funds utilization under the scheme during the last three years. Funds utilization against budgetary allocation under the scheme was 0.5 / 15 Crore in 2016-17 ; 7.26 / 15 Crore in 2017-18; 10 / 10 Crore in 2018-19. During the current financial year a budgetary allocation of Rs.32 crore has been made for the scheme against which Rs. 13.62 crore has been spent upto Aug, 2019. The Committee, while appreciating the scheme which promotes conversion of wastes into compost manure, express the opinion that the BE for the scheme and level of implementation of the scheme as compared to garbage generated in the country, is very low. The Committee, therefore, strongly recommend that the Government shall review the operative guidelines for the scheme so as to widen the scope and scale of implementation of the scheme and shall provide higher budgetary support for the implementation of the scheme.

Settlement of Subsidy / DBT claims of Fertilizer Companies.

10. The Committee take note that under DBT payment system, subsidy on indigenous and imported P&K fertilizers, indigenous urea and city compost is distributed to fertilizers companies on the basis of PoS sales at retail points. Freight subsidy is being paid as per the payment system prevailing prior to implementation of DBT after verification of Railway Receipts (RRs) lead distances, applicable slab rates as per the notified NBS policy. DBT payment system does not cover Imported Urea as the cost of imported urea is completely borne by Government of India and subsequently cost on imported urea is recovered from fertilizers marketing entities / handling agencies at the statutory rate after adjusting port dues, customs duty etc. The DBT system entails 100% payment of subsidy to the fertilizers manufacturing / importing companies on the basis of actual sale by the retailers to the beneficiary. All the sales are tracked online (Company-wise/ plant-wise/ product-wise etc. in iFMS). After the sale, fertilizers companies submit their claims online on weekly basis through iFMS. In iFMS, bills tracking mode is available at all levels for day to day monitoring of the DBT claims. The claims are processed online by fertilizer subsidy division and sanctions are generated, digitally signed and submitted to Pay and Accounts Office through PFMS portal for payment. Subsidy payment is released to the company's bank account online, subject to availability of funds. Department of Fertilizers has stated that the average time taken for sanction of DBT payment is 10-20 working days approximately and that efforts are being made to reduce this time further. However, during oral evidence, Secretary, Department of Fertilizers stated that the average time taken for payment of subsidy reimbursement is two and a half months. The Committee also note that the Department of Fertilizers is arranging funds to the fertilizer companies through Special Banking Arrangement (SBA) against pending claims. The Department bears the liability of principal amount of SBA utilized and the interest upto Government Security (G-sec) rate thereon. The interest liability beyond G-sec rate is to be borne by fertilizer companies. Taking into account all related factors including carry-over liabilities of the Department and constraints faced by the fertilizer companies, the Committee strongly recommend that the Department of Fertilizers shall look into the matter with all seriousness and ensure that subsidy reimbursement to fertilizer companies are done without any delay. Progress achieved in this regard may be apprised to the Committee in terms of number of claims settled, amount paid,

reduction in average days taken for settling fertilizer subsidy claims from companies and reduction of carry-over liabilities.

<u>System of Movement / Distribution of Fertilizers</u>

11. The Committee note that the Movement Division of Department of Fertilizers deals with production and movement of all subsidized fertilizers (Urea, DAP, MOP and NPK). Movement of these fertilizers is monitored by the Department through an online web based monitoring system i.e. integrated Fertilizers Monitoring System (iFMS). Every month Movement Division prepares agreed supply plan in consultation with manufacturers and importers to meet the demand of fertilizers projected by DAC&FW. The gap between demand (requirement) and production is met through imports. The import for a season is finalized well in advance to ensure timely availability. State-wise availability of fertilizers as per supply plan is made and monitored upto State level by the Department of Fertilizers. The concerned State Governments are responsible for monitoring the availability intra-state. According to the Department at present there is no shortage of any fertilizers in the country and no incidence of shortage of supply of fertilizers in the country has been reported to them by any State Government. Further, the information regarding availability of stocks of all the fertilizers at Wholesalers and the Retailers is furnished in the online Dashboard introduced by the Department. There is also Collector Dashboard, Company Dashboard and MarkFed Dashboard. The Committee also take note that a total of 2044 Model Fertilizer Retail Shops have been made functional across the country to provide mandatory services like selling of quality fertilizer at genuine rates, soil testing, seed testing, promotion of balanced used of nutrients etc and some optional services like hiring of equipment such as tractors lasers, levelers, rotavator, crop harvesters etc. Notwithstanding the above stated elaborate arrangements for the movement and distribution of subsidized fertilizers in the country, the Committee still find that there are reports of sporadic / recurring incidences of non-availability or delayed availability of fertilizers in different parts of the country from time to time particularly during peak cultivation seasons. The Committee feel that this problem could be overcome by streamlining, strengthening and improving the efficiency of the functioning of retail net-work system in the States / UTs. The Committee therefore, recommend that the Department of Fertilizers shall look into all factors which lead to sporadic / recurring incidences of shortages / non-availability of fertilizers in States / UTs and find a solution for the same in fixed time frame.

Fertilizer Quality Standards and Research and Development in Fertilizer Sector

12. The Committee are aware that Government of India has declared fertilizer as an essential commodity under the Essential Commodities Act, 1955, (ECA) and has notified Fertilizer Control Order 1985 (FCO) under this Act. As per the provisions of the FCO, the fertilizers, which meet the standard of quality laid down in the order, should only be sold to the farmers. The State Governments are supposed to check the quality of the fertilizers to ensure supply of quality of fertilizers by the manufacturers / importers of fertilizers as prescribed under the FCO and are fully empowered to take action under EC Act, if the fertilizers are found to be non / sub-standard. The quality of the imported fertilizers is checked by the fertilizer quality control laboratories of the Government of India. At this back drop, the Committee are perturbed to take note that the fertilizer response rate in the country is reportedly declining over the years. The Committee are also concerned to note that the Department of Fertilizers neither possesses any Research and Development facility nor has any data regarding institutional mechanisms and infrastructural and other facilities available in the country for the Fertilizer Industry to undertake R&D activities to improve and upgrade the production technology, quality of fertilizers, introduction of new fertilizers, etc. As a matter of solace, the Committee find that a new society named ICFFTR (Indian Council for Fertilizers and Fertilizer Technology Research) is being constituted comprising members of fertilizer PSUs to undertake research and development in the area of fertilizer sector. The Committee have also been given to understand that IFFCO (Indian Farmers Fertilizer Cooperative Limited) has introduced nano-technology based products of nano-nitrogen, nano-zinc & nano-copper for field trials. Taking the foregoing factors into account, the Committee are of the considered view that since production and movement of major fertilizers are controlled and regulated by the Union Government, the Department of Fertilizers shall take a proactive role to monitor and improve the quality of fertilizers marketed in the country. The Committee expect that the Department of Fertilizers will take necessary follow-up action in the matter and apprise the Committee accordingly.

Revival of Closed Plants of FCIL & HFCL

13. The Committee observe that out of the nine PSUs under the administrative control of the Department of Fertilizers, operations of two PSUs namely FCIL (Fertilizer Corporation of India Limited) and HFCL (Hindustan Fertilizers Corporation Limited) have been closed since September, 2002 due to obsolete technology and high energy consumption of plants and economic unviability. FCIL had five units at Sindri (Jharkhand), Talcher (Odisha), Ramagundam (Telangana), Gorakhpur (Uttar pradesh) and Korba (Chhatisgarh). While Revival of Sindri, Talcher, Ramagundam and Gorakhpur is being taken up by the Government. The revival of Korba unit would be taken up later. HFCL has three units viz Durgapur, Haldia and Barauni units. While Barauni unit is being revived alongwith Sindri and Gorakhpur units of FCIL, the revival of Durgapur and Haldia units would be taken up later.

The Union Government approved to revive two units of FCIL viz Gorakhpur and Sindiri and one unit of HFCL i.e. Barauni in 2016. The proposal to revive Gorakhpur, Sindri & Barauni units by means of a Special Purpose Vehicle (SPV) of Public Sector Units namely, NTPC, CIL, IOCL and FCIL/HFCL was approved by Union Government on 13-07-2016. Subsequently an SPV by name the Hindustan Urvarak & Rasayan Limited (HURL) was incorporated on 15th June, 2016 for revival of closed units of FCIL at Gorakhpur and Sindri and Barauni unit of HFCL by setting up gas based urea plants with a capacity of 12.7 LMTPA of urea at each of the locations. Setting up of Gorakhpur plant is being undertaken by a consortium of Toyo Engineering Japan & Toyo Engineering India. 58.5% of work of the plant was completed upto 25-08-2019 and commercial production is likely to be started in February, 2021. Sindri & Barauni projects are being implemented by a consortium of Technip France, Technip India and L&T Hydrocarbon Engineering. The work progress in these plants was about 43% upto 25-08-2019 and the likely date of starting of commercial production in these plants is May 2021. The Committee also note that release of CCEA approved Interest Free Loan (IFL) of Rs.1257.82 crore to HURL, is getting delayed in the process of execution of loan agreement between Department of Fertilizers and HURL. Taking into consideration the aforesaid factors and prevailing shortfall in domestic production of urea against consumption during the last three years, the Committee strongly feel that the Department of Fertilizers shall take all necessary steps to ensure timely completion of upcoming urea plants at Gorakhpur, Sindri and Barauni. The Department of Fertilizers may kindly apprise the Committee about the action taken

to speed-up release of interest-free loan to HURL and for early completion of the Gorakhpur, Sindri and Barauni plants.

14. The Committee note that in pursuance of decision of the Union Government in 2011 to revive FCIL and HFCL units, the Talcher unit of FCIL is being revived by setting up a coal based urea plant with a capacity of 12.7 LMTPA of urea by a Joint Venture company named M/s. Talcher Fertlilizers Ltd, (TFL) which was formed on 27-10-2015 with equity holdings among GAIL, CIL RCF & FCIL. The Estimated project cost of establishment of TFL is Rs.13,227 crores. The total progress (Pre Project overall) for Talcher Fertilizer project as on 31.05.2019 is 37.86%. The likely date of commissioning of Talcher plant is October, 2023. At this juncture, the Committee hope that the Department of Fertilizers will ensure that progress of the work on the project is given necessary impetus and the commissioning of the project is not delayed due to time and cost overruns. Action taken by the Department of Fertilizers in this regard may be apprised to the Committee.

The Ramagundam unit of FCIL is also being revived by setting up a gas based Ammonia Urea plant of 12.7 LMTPA capacity through nomination route by forming Joint venture company in February, 2015, named Ramagundam Fertilizers & Chemicals Ltd. (RFCL) with equity participation from NFL, EIL, (26% each), FCIL (11%), State Govt. of Telangana (11%), GAIL (14.3%) and HTAS (11.7%). Cumulative work progress in respect of the project as on 15-06-2019 was 97.02% The delay in completion of gas pipeline is impacting commissioning of RFCL. The project, which was expected to be commissioned by December, 2019 is now likely to be commissioned in 2020 subject to availability of Gas supply. The Committee also note that the Department of Fertilizers is regularly reviewing work progress of the project in monthly review meetings and taking up the matter with all concerned. The Committee hope that the Department of Fertilizers will leave no stone unturned to ensure that commercial production of urea is started by RFCL at the earliest in 2020.

<u>Revival of MFL (Madras Fertilizers Limited) from Sickness</u>

14. The Committee note that Madras Fertilizers Limited (MFL) is one of the sick company out of the nine PSUs of Department of Fertilizers. The Department of Fertilizers has taken up revival of MFL in terms of DPE guidelines for revival and restructuring of sick Central Public Sector Enterprises. A proposal for the CCEA was circulated for Inter-Ministerial Consultation (IMC) on 15.11.2017. This

Department was examining Financial Restructuring proposal for MFL including waiver of GoI loan & interest thereon. Meanwhile a meeting was held in PMO on 10.08.2018 in pursuance of which, Government of Tamil Nadu was asked either to take over full ownership of the plant or to grant NOC for transfer of land to another PSU. Government of Tamil Nadu vide on 09.08.2018 accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum. The Committee learn that sale of 70 acres of land of MFL is under process. The Committee also take note that MFL has already been revived in terms of feedstock by converting it from Naphtha based plant to natural gas based in July 2019. According to Department of Fertilizers financial restructuring of MFL will be taken up after completion of the process of monetization of 70 acres of land of MFL. However, the outstanding GOI loan and interest thereon is approximately more than 1063/- crore whereas the amount expected from land-monetization by MFL is approximately Rs.282/- crore only. Further, MFL has also projected the need for a captive power plant at an approximate cost of Rs.150/- crore. Considering all these facts, the Committee while recommending to the Department of Fertilizers for taking up financial restructure including waiver of Government of India loan and interest thereon, would like to know the reasons for keeping the company to remain under sickness till its land resources are sold. The Committee may be informed of the action taken in the matter.

<u>Revival of FACT (Fertilizer Travancore Limited) from Sickness</u>

15. The Committee note that FACT (Fertilizers Travancore Limited), which is one of the sick companies out of the nine PSUs under the control of Department of Fertilizer, was incorporated in 1943 and it started production in 1947. During the Financial year 2013-13, FACT became a sick CPSU having net worth –(Rs.192.5 Crore). Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting on 20.12.2013 recommended infusion of funds and waiver of GOI loans and interest for revival of FACT subject to continuation of existing support for providing the company a level playing field with other fertilizers companies. Based on the BRPSE proposal, Department of Fertilizers submitted case for revival of FACT in April 2014. While the revival proposals remained pending for various reasons, a loan of Rs.1000 crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016 to avert financial crisis of FACT. The present position of financial restructuring of FACT is that Union Cabinet has approved the proposal for sale of 481.79 acres of land held by FACT to the Govt. of Kerala and utilization

of sale proceeds by FACT. The process of getting the sale consideration and handing over the land is underway. Further, draft study report of NITI Aayog in the matter is being examined by the Department of Fertilizers in consultation with other stakeholders. Taking into account the foregoing, the Committee recommend that Department of Fertilizers may finalize their financial restructure plan of FACT based on NITI Aayog study Report and implement the same in a time bound manner and the progress thereof intimated to Committee from time to time till completion of the process.

<u>Revival of BVFCL (Brahmaputra Valley Fertilizers Corporation Limited)</u>

16. The Committee note that Brahmaputra Valley Fertilizers Corporation (BVFCL) was incorporated on 5th April 2002 after de-merger of the Namrup unit of Assam from Hindustan Fertilizer Corporation Ltd. It has two operating Ammonia-Urea Units namely Namrup-II and Namrup-III which were originally commissioned in 1976 and 1987 respectively. Both the operational plants (Namrup-II & Namrup-III) of the company are based on vintage technology with obsolete equipments and machineries. Production in Namrup-II and Namrup-II plants in the year 2017-18 were not encouraging. Against the installed capacity of 2.40 LMT, production of urea in Namrup-II plant of BVFCL in 2017-18 was 0.58 LMT and 0.62 LMT in 2018-19 and in Namrup-III plant, against the installed capacity of 3.15 LMT, the production was 2.12 LMT and 2.38 LMT in 2017-18 & 2018-19 respectively. The proposal to set up a new Brownfield ammonia-urea unit within the premises of BVFCL, Namrup on PPP basis as approved by CCEA on 21.05.2015 did not materialize due to non-receipt of any proposal from the investors. Subsequently, Government has decided that setting up of 8.646 LMT Namrup-IV urea plant may be established through nomination route. The same is under consideration in the Department of Fertilizers and the expenditure will be borne by the respective equity holder. In this context, the Committee desire that Department of Fertilizer may explore new avenues as well finalize their proposals and take necessary action for setting up of Namrup-IV plant at the earliest. Action taken in the matter may be apprised to the Committee.

<u>Cooperative Sector Fertilizer Units</u>

17. The Committee note that the Department of Fertilizers is mandated to have administrative power over IFFCO (Indian Farmers Fertilizer Cooperative Limited)) and KRIBHCO (Krishak Bharati Cooperative Limited). IFFCO and KRIBHCO are Multi-state-cooperative Societies (MSCS) registered under MSCS Act. In 2002,

Government of India enacted amended MSCS Act 2002. Subsequently, both IFFCO and KRIBHCO amended their Bye-Laws without explicit approval/concurrence of Department of Fertilizers. The repatriation of Government of India equity by IFFCO and KRIBHCO is disputed as it was done in violation of the then IFFCO Bye Laws which was illegally and unlawfully amended by IFFCO and KRIBHCO. With regard to IFFCO, the Department of Fertilizers filed appeal under Section 99 of MSCS Act, 2002 before Appellate Authority and Additional Secretary (AS), DAC&FW on 04.08.2017 which was dismissed by the Appellate Authority on 28.06.2018. Subsequently, this Department filed a review petition before Appellate Authority and Additional Secretary (AS), DAC&FW on 06.08.2018 whereupon the Appellate Authority passed order on 29.09.2018 in favour of GoI. However, aggrieved by the order of the Appellant Authority, IFFCO filed WP No 10637/2018 in Delhi HC on 04.10.2018. Hon'ble High Court of Delhi vide its order dated 05.10.2018 stayed the impugned order dated 28.09.2018. Next date of hearing in the matter is scheduled on 23.01.2020. In case of KRIBHCO, this Department has also filed an Appeal under Section 99 of MSCS Act, 2002 before the Appellate Authority & Additional Secretary (AS), DAC&FW on 06.03.2019. The last hearing was held on 16.09.2019 and next date of hearing yet to be scheduled by Appellate Authority and Additional Secretary (AS), DAC&FW. In this regard, the Committee strongly recommend that the Department of Fertilizers shall vigorously pursue the legal cases to their logical end.

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

New Delhi;
10 December, 2018
19 Agrahayana, 1940 (Saka)

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Annexure-I

(W.r.t Para-… of Report)

List of Mixture and Customized Fertilizers

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Annexure- I,B

State	Mixture Fertilizer grade approved			Raw Materials Used in Kgs									Crops for which recommended
	N	P	K	Urea	MOP	DAP	Rock Phosphare 30%	SOP	FILLER (Dolomite,Gupsum, Neem)	AS	TSP	SSP	
Kerala	20	0	10	435	167				398				Paddy Top dressing
Kerala	10	5(3)	20	192	334	66	67		341				Cocount
Kerala	10	4(2)	14	185	234	87			494				Pepper, clove
Kerala	8	8(4)	16	142	267	87	134		370				Banana, Tapioca, Arecanut
Kerala	10	10	4	218	67		333		382				Rubber up to 4 year old (southern region)
Kerala	12	12	6	261	100		400		239				Rubber up to 4 year old (Northern region)
Kerala	12	12	12	261	200		400		139				Rubber under tapping (Northern Region)
Kerala	15	10	6	327	100		333		240				Rubber 4 to 6 year old, (before tapping)
Kerala	10	10	10	218	167		333		282				Rubber under tapping (southern Region)
Kerala	18	18(18)	18	238	300	392			70				High Analysis Fertilizer Mixture Paddy Basal dressing and for all other crops.
Kerala	6	12(6)	6	28	100	260			612				Potato and all winter vegetables in Idukki, Wayanad dists.
Karnataka	17	17	17	243	284	342			58			80	Paddy, All Crops
Karnataka	20	20	0	283		390			197			130	Paddy, Cotton
Karnataka	15	5	5	293	84	87			473			63	Sugarcane
Karnataka	10	20	10	66	167	387			242			138	Oil Seeds, Pulses
Karnataka	15	15	15	263	250	165	265		57				Coffee
Karnataka	18.1	12.1	18.1	346	303	133	218						Coffee
Gujarat	20	10	10	380	180	170						180	Cotton, weat, all beans, corn, vegetables
Gujarat	20	20	0	310		340						300	Groundnut, til, soyabean, onion
Gujarat	12	32	6	20	110	630						220	sugarcane, custor , all frat crops
Gujarat	18	18	10	270	180	320						210	Banana, potato, garlic, coconut
Gujarat	15	10	0	270		160						190	groundnut, soyabean, onion
Gujarat	20	10	5	380	90	170						170	cotton, weat, vegetables
Andhra Pradesh	20	0	11	480	184				336				Paddy
Andhra Pradesh	20	10	10	360	180	235			225				Sugarcane
Andhra Pradesh	5	15	15	199	250	327			224				Tobacco
Andhra Pradesh	18	18	9	240	160	400			200				Cotton Hybrid Seed Production
Andhra Pradesh	6	18	12			288		240	130	42		300	FVCV Tobacco
Andhra Pradesh	20	20	0	295		360			125			220	All Crops Including Commercial Crops
Andhra Pradesh	15	15	15	199	250	327			224				All Crops Including Commercial Crops
Andhra Pradesh	17	17	17	240	284	335			41			100	All Crops Including Commercial Crops
Andhra Pradesh	19	19	19	251	317	415			17				All Crops Including Commercial Crops
Andhra Pradesh	14	28	14	60	233	610			91				All Crops Including Commercial Crops
Andhra Pradesh	14	35	14	5	234	761							All Crops Including Commercial Crops
Andhra Pradesh	10	26	26		434	566							All Crops Including Commercial Crops
Bihar	12	12	12										
Bihar	18	18	6										
Bihar	15	15	7.5										
Haryana													
Jammu & Kashmir													
Tamil Nadu	12	6(1.2)	6										Paddy, Ragi, Cotton, Chillies, Tobacco and Vegetables
Tamil Nadu	12	6	6										Fruits
Tamil Nadu	8	8	16										Coconut, Tapioca and Arecanut
Tamil Nadu	6	12(2.4)	6										Potato, Paddy, Hybrid Millets and Basal dressing Mixture
Tamil Nadu	6	12(2.4)	6										Potato
Tamil Nadu	9	9(1.8)	9						Details not provided				Paddy, Millets, Vegetables and Basal dressing mixtures
Tamil Nadu	4	8(1.6)	12										Groundnut
Tamil Nadu	10	0	30										Banana

Tamil Nadu	15	5	5										Sugarcane
Tamil Nadu	16	0	2										Top dressing mixtures
Tamil Nadu	12	4	12										Coconut-sandyloam
Uttrakhand	15	15	10	210	170	300			260			80	Rabi, Kharif, Potato
Uttrakhand	20	20	10	280	170	406			60			100	
Uttrakhand	20	20	0	287		387			200			140	
West Bengal	12	12	12	261	200				39		125	375	Vegetables
West Bengal	10	5	10	217	83				75			625	Tea
Telangana	17	17	17	240	284	335			41			100	All Plantation Crops including Commercial Crops
Telangana	5	15	15	22	250	223			205			300	Tobacco
Telangana	15	15	15	199	250	327			224				All Plantation Crops including Commercial Crops
Telangana	20	20	0	295		300			125			220	All Plantation Crops including Commercial Crops
Telangana	6	18	12(s)			288		240	130	43		300	Not in production
Telangana	14	28	14	60	233	610			91				All Plantation Crops including Commercial Crops
Telangana	19	19	19	251	317	415			17				All Plantation Crops including Commercial Crops
Telangana	22	0	11	480	184				336				Paddy
Telangana	14	35	14	5	234	761							All Plantation Crops including Commercial Crops
Telangana	20	10	10	360	180	235			225				Sugarcane
Telangana	10	26	26		434	586							All Plantation Crops including Commercial Crops
Telangana	18	18	9	240	180	400			200				Cotton Hybrid Seed Production (Not in production))
Maharashtra	20	10	10	375	167	155			121			182	Paddy, Sugarcanem Hy.Jowar, Hy. Bajara, Wheat, Maize, Cotton, Banana, Mango, Orange, Potato, Onion, brinjal, Ladies Finger, Tobacco, Cabbage, Beans
Maharashtra	18	18	10	261	167	333			69			100	Paddy, Sugarcanem Hy.Jowar, Hy. Bajara, Wheat, Maize, Cotton, Banana, Mango, Orange, Potato, Onion, brinjal, Ladies Finger, Tobacco, Cabbage, Beans
Maharashtra	10	20	20	80	341	374			20			205	Sugarcane, Paddy, Wheat, Jowar, Red Gram, Black Gram, Green gram, Soyabean, Sunflower, Vegetable Crops.
Maharashtra	20	20	0	290		375			155			180	Soyabean, Groundnut, Potato, Fruit Crops, Tobacco, Vegetables
Uttar Pradesh	12	12	12	183	200	200			242			175	As per requirement (not specified in notification)
Uttar Pradesh	13	12	10	205	167	200			253			200	
Uttar Pradesh	12	24	12	85	200	450			58			207	
Uttar Pradesh	13	12	0	205		200			420			175	

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

(2019-20)

The Committee sat on Wednesday, 23rd October, 2019 from 1100 hrs. to 1300 hrs. in Committee Room no. 139, Parliament House Annexe, New Delhi.

PRESENT
Smt. Kanimozhi Karunanidhi- Chairperson

MEMBERS
LOK SABHA

2 Shri Prataprao Patil Chikhalikar
3 Shri Satyadev Pachauri
4 Shri Arun Kumar Sagar
5 Shri M. Selvaraj
6 Shri Pradeep Kumar Singh
7. Shri Uday Pratap Singh
8. Shri Prabhubhai Nagarbhai Vasava
9. Dr. M. K. Vishnu Prasad

RAJYA SABHA

10 Shri G.C. Chandrashekhar
11 Shri Ahmad Ashfaque Karim
12 Shri Vijay Pal Singh Tomar

SECRETARIAT

1. Shri Manoj Kumar Arora - Officer on Special Duty(LSS)
2. Shri A. K. Srivastava - Director
3. Shri C. Kalyanasundaram - Additional Director

LIST OF WITNESSES

I. <u>MINISTRY OF CHEMICALS AND FERTILIZERS</u>

<u>(DEPARTMENT OF PHARMACEUTICALS)</u>

1	Shri Chhabilendra Roul	Secretary (Fert.)
2.	Smt. Alka Tiwari	Addl. Secretary & FA
3.	Shri Dharam Pal	Addl. Secretary & CMD, FCIL/HFCL

4.	Smt. Gurveen Sidhu	Joint Secretary
5.	Shri Partha Sarthi Sen Sharma	JS &CMD, PDIL/FAGMIL
6.	Shri Lal Sanglur	Eco. Advisor
7.	Ms. Deepika Jain	C.C.A

II. REPRESENTATIVES FROMOTHER MINISTRIES/DEPARTMENTS

1.	Dr. S.K. Chaudhari	ADG, ICAR
2.	Shri Ashish Chatterjee	Jt. Secretary(G), M/o PNG
3.	Shri Vinod Kumar Jindal	Jt. Secretary, M/o Urban Development
4.	Shri Diwakar Jha	OSD MT M/o Railway
5.	Shri S. K. Gangwar	Member (Tech.), IWAI, M/o Shipping
6.	Shri Shashi Bhushan Shukla	Member (Traffic), IWAI, M/o Shipping

III *REPRESENTATIVES OF PSUS*

1.	Shri Manoj Mishra	CMD, NFL
2.	Shri S.C. Mudgerikar	CMD, RCF
3.	Shri Umesh Dongre	Dir. (Fin.)
4.	Shri U. Sarvanan	CMD, MFL
5.	Shri A.K. Ghosh	CMD, BVFCL
6.	Shri Kishor Rungta	CMD, FACT
7.	Shri P.K. Sarkar	GM, FACT

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.

3. After the witnesses introduced themselves, Secretary, Department of Fertilizers made a power point presentation to the Committee regarding Demands for Grants 2019-20 of the Department of Fertilizers.

4. Power Point presentation was followed by discussion on several aspects of Demands for Grants of the Department. During the discussion, the Hon'ble Chairperson and Members of the Committee raised queries on several issues such as:-

i. Production and import scenario of fertilizers and the steps being taken to reduce imports and to make the country self reliant;
ii. Fertilizers subsidy and the expenditure on fertilizers subsidy;
iii. Delays in payment of fertilizers subsidy and the carry over liabilities;
iv. Monitoring price fixation of decontrolled fertilizers
v. Decreasing fertility of the soil due to over use of fertilizers and the steps to be taken thereon including issue of Soil Health Card to farmers;
vi. Issues relating to implementation of DBT;
vii. Financial performances of PSUs under the department including Restructuring/merger of loss making PSUs viz. FACT and MFL and the status of revival of closed units at various places viz. Talcher, Ramagundam, Gorakhpur, Sindri and Barauni.

5. The Secretary and other officers of Department of Fertilizers responded to the aforesaid issues raised by the Committee.

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 SEVENTH SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2019-20)

The Committee sat on Tuesday, the 10th December, 2019 from 1700 hrs. to 1730 hrs. in Committee Room B, Parliament House Annexe, New Delhi.

PRESENT

Ms Kanimozhi Karunanidhi- Chairperson

MEMBERS

LOK SABHA

2. Shri Ramakant Bhargava
3. Shri Prataprao Patil Chikhalikar
4. Shri Rajeshbhai Naranbhai Chudasama
5. Shri Satyadev Pachauri
6. Shri Pradeep Kumar Singh
7. Shri M. Selvaraj
8. Shri Uday Pratap Singh
9. Shri H. Vasanthakumar
10. Shri Prabhubhai Nagarbhai Vasava
11. Dr. M. K. Vishnu Prasad
12. Shri Deepak Baij
13 Dr. Manoj Rajoria

RAJYA SABHA

14. Shri G. C. Chandrashekhar
15. Shri Ahmad Ashfaque Karim

SECRETARIAT

1. Shri Manoj K. Arora - OSD
2. Shri A. K. Srivastava - Director
3. Shri C. Kalyanasundaram - Additional Director

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 2019-20' (Department of Chemicals and Petrochemicals);

(ii) Draft report on 'Demands for Grants 2019-20' (Department of Pharmaceuticals; and

(iii) Draft report on 'Demands for Grants 2019-20' (Department of Fertilizers.

4. After deliberations the Draft Reports were unanimously 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 Chemicals and Petrochemicals, Department of Fertilizers and Department of Pharmaceuticals and present the same to both the Houses of Parliament.

The Committee then adjourned.