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STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2019-20)

SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

STUDY OF SYSTEM OF FERTILIZER SUBSIDY

FIFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

March, 2020/ Phalguna, 1941 (Saka)

CC&F.No.05

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Presented to Lok Sabha on 17 March 2020

Laid in Rajya Sabha on 17 March 2020

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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 Fifth Report on the subject 'Study of System of Fertilizer Subsidy' pertaining to the Department of Fertilizers of the Ministry of Chemicals and Fertilizers.

2. The subject 'Study of System of Fertilizer Subsidy' was taken up by the Committee on Chemicals and Fertilizers (2019-20) for examination and report. The Committee took oral evidence of the representatives of Department of Fertilizers (Ministry of Chemicals and Fertilizers) on the subject at their sitting held on 13.11.2019

3. The Report was considered and adopted by the Committee at their sitting held on 28.02.2020.

4. 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 information and for placing their views before the Committee.

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

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

New Delhi;
13 March, 2020
23 Phalguna, 1941 (Saka)

Kanimozhi Karunanidhi
Chairperson
Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER – I

INTRODUCTION TO DEVELOPMENT AND DISTRIBUTION OF FERTILIZERS IN INDIA

1.1 **Growth of Fertilizer Sector** – The history of Indian fertilizer industry dates back to 1906when the first fertilizer factory was opened at Ranipet, (Tamil Nadu). Since then there have been major development in terms of both quantity and types of fertilizer produced. (Source – internet). Prior to 1960-61, India produced only simple nitrogenous fertilizers such as Ammonium Sulphate (AS), Urea, Calcium Ammonium Nitrate (CAN), Ammonium Chloride and Single Superphosphate (SSP). Production of NP complex fertilizers commenced in 1960-61. Currently India produces a large number of NP / NPK fertilizers. In addition various grades of simple and granulated mixtures are also produced.

1.2 The Indian Fertilizer Industry is regulated and monitored by the Minisrtry of Chemicals and Fertilizers (Department of Fertilizers). 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, management of financial assistance by way of subsidy / concession for indigenous and imported fertilizers, Administration of the Fertilizers (Movement Control) Order, 1973, Policy and pricing matters relating to Urea and matters concerned with supply and availability of Fertilizers, raw materials and marketing of fertilizers.

1.3 **Fertilizer Control Order** - 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. The 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 subsidized urea to industrial sector and to initiate action 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.

1.4 In order to make available large variety of fertilizers to the farmers as per their soil requirement, different grades of fertilizers are notified under FCO Schedule-I (Part-A). At present 11 Straight Potassic Fertilizers, 2 Sulphur Fertilizers, 19 NPK Complex Fertilizers, 6 Water Soluble Fertilizers and 22 Micronutrients are notified under FCO.

1.5 In order to encourage use of organic and bio-fertilizers namely, Rhizobium, Azotobacter, Azospirillum, Phosphate Solubilizing Bacteria, Potash mobilizing Bacteria (KMB), Zinc Solubilizing Bacteria (AnSB), Mycorrhizae, Acetobacter and Consortia of bio-fertilizers have been incorporated in FCO, 1985. Generalized specifications of organic manures and bio-enriched organic manure, namely City Compost, Vermi-Compost, Phosphate Rich Organic manure (PROM) and Organic Manure, Bone meal raw and Bone meal steamed are notified under FCO Schedule-IV. Besides this, De-Oiled cake/Caster-Oiled cake fertilizers is notified under FCO Schedule-V.

1.6 Under the provisions of FCO (Clauses-38), the Government of India vide notification SO No. dated 10-02-2016 constituted the Central Fertilizer Committee under Chairmanship of Additional Secretary (INM) and 10 other members to advice Central Government on the following issues :-

- Inclusion of a new fertilizer, under this order ;
- Specifications of various fertilizers ;
- Grades / formulation of physical / granulated mixtures of fertilizers that can be allowed to be prepared in a State ;
- Requirements of laboratory facilities in a manufacturing unit, including a unit manufacturing physical / granulated mixtures of fertilizers ;
- Method of drawl and analysis of samples.

Central Fertilizer Committee advises Central Government on above technical related aspects of fertilizers, on basis of which, the new grades are notified from time to time.

1.7 The Government introduced fertilizer subsidy scheme [Retention Price Scheme (RPS)] in November, 1977 for indigenous nitrogenous fertilizer units and subsequently, it was extended to phosphatic and other complex fertilizers from February 1979 and to Single Super Phosphate from May 1982. The Department of Fertilizers (Ministry of Chemicals and Fertilizers) administers the fertilizer subsidy schemes of the Government w.e.f. 01 October, 2000.

1.8 **Production, Movement and Distribution of Fertilizers** - The details regarding demand, production, supply, consumption & import of major fertilizers during the last three years, and the target set for 2019-20, as per the data furnished by Department of Fertilizers, are as under :-

(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
2019-20	**Urea**	-	271*	-	-	-
	DAP	-	47.28*	-	-	-
	MOP	-	104.28*	-	-	-
	NPK	-		-	-	-

* Target set for production during 2019-20

1.9 The requirement of subsidized fertilizers is projected by the State Governments to the Department of Agriculture and Farmers Welfare which in turn coordinates with Department of Fertilizers for finalizing the requirement of fertilizers in the country. The Department of Fertilizers (Movement Wing) prepares agreed monthly supply plan 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. Dealers and retailers are appointed by companies and the license is provided by the respective State Governments.

1.10 The Department of Fertilizers introduced the mobile Fertilizer Monitoring System (mFMS) in the year 2012 to achieve more visibility and transparency in the fertilizer chain from production to receipt at the last point sale (retail point). It facilitated the retailer to acknowledge the receipt of stock through mobile as well as web. The mobile Fertilizer Monitoring System (mFMS) covered all subsidized fertilizers in the country namely, Urea, and 21 grades of Phosphatic and Potassic (P&K) fertilizers. In June 2014, the Department developed iFMS (Integrated Fertilizer Management System) and the new software has been on parallel run from June, 2016 and this has become fully operational w.e.f. 01st September, 2016. Presently 173 fertilizer manufacturers, 24,965 wholesalers and 2,21,629 retailers are registered in iFMS.

1.11 On being asked about the total number of retail outlets in the country, the Department of Fertilizers informed that "*total number of retail-outlets in the country at present is approximately 2.26 Lakh.*" In response to a query relating to State-wise details of number of retail outlets that have been covered under the iFMS, the Department of Fertilizers stated that there are approximately 2.26 lakh retail-outlets, and furnished the following details :-

Sl. No.	State /UT	No of PoS Devices Deployed
1	Andhra Pradesh	9311
2	Telangana	7854
3	Odisha	10556
4	West Bengal	23269
5	Delhi	58
6	Himachal Pradesh	2050
7	Chhattisgarh	3987
8	Jammu and Kashmir	3421
9	Punjab	8451
10	Bihar	20274
11	Madhya Pradesh	10265
12	Uttarakhand	936
13	Jharkhand	3554
14	Uttar Pradesh	46759
15	Karnataka	9830
16	Rajasthan	11044
17	Andaman &Nicobars	15
18	Puducherry	94
19	Tamil Nadu	11692
20	Daman & Diu	1
21	Dadar& Nagar Haveli	1
22	Gujarat	8916
23	Maharashtra	23774
24	Kerala	2587
25	Haryana	6170
26	Assam	1067
27	Manipur	35
28	Mizoram	13
29	Nagaland	4
30	Tripura	155

31	Goa	46
Total		**226189**

1.12 Regarding average area covered by one retail outlet, the Department of Fertilizers furnished reply that *"No information regarding the average area covered by one retail outlet is available*. When asked about the average annual return (total) for each retail-outlet , the Department of Fertilizers informed that "No information regarding the annual return for each retail outlet is available". To a query seeking information regarding average annual sale of urea by each retail-outlet, the Department of Fertilizers intimated that *" For the Financial Year 2018-19 a total of 3,20,18,980.53 MT of Urea was sold. The number of retailers in March 2019 were 2.21 Lakh. Thus an average approximately 145 MT of Urea was sold by each retail outlet."*

1.13 **Model Fertilizer Shops** - The Department of Fertilizers has informed that 2044 Model Fertilizers Shops have been set up in 23 States. On being asked as to whether any feedback was obtained on the functioning of the Model Fertilizer Shops, the Department of Fertilizers replied that "*the Department is in the process of obtaining the details regarding functioning of the Model Fertilizer Shops."* To query regarding steps being taken to open Model Fertilizer Shops at block level, the Department of Fertilizers stated that "*at present there is no such proposal to open Model Fertilizer Shops in every block of the country"*

CHAPTER – II

FERTILIZER SUBSIDY POLICY OF GOVERNMENT

Policy framework on Fertilizer subsidy

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.

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. 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. Based on the recommendations of the Fertilizer Prices Committee (Maratha Committee), set up under the Chairmanship of Shri S.S. Marathe, the then Chairman of the erstwhile Bureau of Industrial Costs and Prices (BICP), the Government introduced a unit-wise Retention Price Scheme (RPS) from 01.11.1977 for indigenous nitrogenous fertilizer units. Subsequently, this was extended to phosphatic and other complex fertilizers from February 1979 and to Single Super Phosphate from May 1982, which continued up to 1991. Later on, subsidy was also extended to imported phosphatic and potassic fertilizers. Till 30th September, 2000, fertilizers subsidy was being administered by the Department of Agriculture and Cooperation (DAC) and thereafter it was continued by the Department of Fertilizers with changed parameters from time to time.

2.3 As per the provision of the Fertilizer Control Order (FCO), the fertilizers which meet the standard of quality laid down in the Order, should only be sold to the farmer. The State Governments are supposed to check the quality of the fertilizers by the manufacturers / importers of fertilizers as prescribed under the FCO and are fully empowered to take action under EC Act 1955, if the fertilizers are found to be non/sub-standard. The penal provision under the EC Act, 1955 for violation of quality standards includes prosecution of offenders and sentence if convicted up to seven years imprisonment besides cancellation of authorization certificate and other administrative action. The Department of Fertilizers does not pay any subsidy on sale of non-substandard fertilizers and in case it has been paid, a recovery along with penal interest is made. In order to ensure this, Department of Fertilizers obtains quality certificate of all fertilizers on which subsidy is paid.

2.4 The mandate of the Department of Fertilizers (DOF) is to make available fertilizers to the farmers at affordable prices. The "affordable prices" part of the mandate gets translated into subsidized fertilizers. The subsidy portion of fertilizers which ranges from 30% to 70% of the cost of the fertilizers is given to the companies, so as to make available fertilizers for the farmers at subsidized Maximum Retail Price (MRP).

Broad Structure of Fertilizer Subsidy Schemes

2.5 The Department of Fertilizers implements different fertilizer subsidy schemes with different subsidy components from time to time to ensure timely and easy availability of different fertilizers at affordable prices. At present, (i) Urea ; (ii) 21-grades of P&K-fertilizers & (iii) City Compost are covered under the subsidy schemes implemented by the Department of Fertilizers.

2.6 **Urea Subsidy** - 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. Details of Urea subsidy policy are examined in Chapter-III.

2.7 **Nutrient Based Subsidy (NBS)** : 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. MRP of P&K fertilizers has been left open and fertilizer manufacturers / marketers are allowed to fix the MRP at reasonable rates. Details of NBS scheme are examined in Chapter-IV.

2.8 **Promotion of City Compost -** The Department of Fertilizers notified the scheme for promotion of City Compost on 10.02.2016. Under the scheme, Market Development Assistance (MDA) in the form of fixed amount of Rs.1500/- per MT of City Compost will be provided for scaling up production and consumption of the product. Details of the scheme for promotion of City Compost Urea subsidy policy are examined in Chapter-V.

2.9 When asked to explain the process of formulation of the current policy and the level at which the stakeholders consultation were undertaken to formulate this policy, the Department of Fertilizers furnished written reply as under :-

> “ **P&K Fertilizers** : An IMG with Secretary (Fertilizers) as Chairman and Secretaries of Department of Expenditure, Agriculture and Planning Commission as members, was constituted in November, 2008 to look into all aspects of fertilizer subsidy regime. After considering all the issues relating to agriculture productivity, balanced fertilization and growth of indigenous fertilizer industry, and examining all options for rationalization of existing fertilizer subsidy regime, the IMG recommended to implement NBS regime, wherein the farm gate prices of fertilizers are decontrolled and subsidy is fixed for each fertilizer based on nutrient content therein. The intent of the Government in fertilizer sector was announced by the Finance Minister in his Budget Speech 2009, which is as below:
>
> > ”In the context of the nation’s food security, the declining response of agricultural productivity to increased fertilizer usage in the country is a matter of concern. To ensure balanced application of fertilizers, the Government intends to move towards a nutrient based subsidy regime instead of the current product pricing regime. It will lead to availability of innovative fertilizers products in the market at reasonable prices. This unshackling of the fertilizer manufacturing sector is expected to attract fresh investments in this sector. In due course it is also intended to move to a system of direct transfer of subsidy to the farmers.”
>
> Further, the CCEA in its meeting held on 29.10.2009 directed to submit appropriate proposals regarding reduction in fertilizer subsidy before the CCEA for its consideration. A Group of Ministers (GOM) was constituted in July 2009 to look into the proposed NBS Policy and make appropriate recommendations to the Government. Accordingly, the GOM in its first meeting held on 20.1.2010 considered the proposed NBS Policy and made the recommendations for rationalization of the current fertilizer subsidy regime. Accordingly, a proposal for implementation of Nutrient Based Subsidy Policy w.e.f. 1.4.2010 was submitted to the Cabinet vide Note dated 15.2.2010.
>
> **Urea** : The aforesaid policies have been notified by the Department of Fertilizers with the approval of Cabinet/Cabinet Committee on Economic Affairs (CCEA).
>
> **City Compost** : Policy on promotion of City Compost was initiated under ‘Swachh Bharat Mission’ of Ministry of Urban Development. The stakeholder’s consultation was undertaken at the level of Secretary to formulate this policy. Subsequently, with the approval of the Cabinet on 20.01.2016, the Department of Fertilizers notified the policy on promotion of city compost on 10.02.2016.”

2.10 The Department of Fertilizers, when asked to explain reasons for difference in the scheme vis-a-vis different fertilizers/nutrients, submitted written reply as under :-

“ Since, MRP of Urea is controlled by the Government and P&K fertilizers are decontrolled and P&K fertilizer companies are free to fix MRP, these fertilizers are covered under different subsidy regime.

An EGoM in its meeting on **20th January, 2010** decided to implement Nutrient Based Subsidy (NBS) regime for phosphatic and pottasic fertilizers. With the approval of CCEA, NBS in P&K Sector was introduced w.e.f 01.04.2010.

However, in the case of urea, it was decided not to implement Nutrient Based Regime at that moment. At the time of extending NPS-III from 1.4.2010 to 31.03.2013, it was felt that decontrolling of entire urea sector is extremely sensitive and NBS in urea is not feasible, due to following reasons:-

- Heterogeneous nature of urea industry.
- Non-connectivity of gas pipeline to Naphtha based urea units viz., SPIC, MFL and MCFL.
- Without connection of gas pipeline, the Naphtha based units may be closed.
- It will affect the supply of urea.
- It may lead to substantial subsidy outgo.
- It will give windfall gain to low cost urea units.
- In urea sector, farmers cannot afford for any regime which may entitle companies to choose any price of urea, as urea is sensitive fertilizer.”

<u>Subsidy for Imported Fertilizers</u>

2.11 The cost of imported urea is completely borne by Government of India and the 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. As regards details of imported fertilizers that are covered under subsidy scheme, the Department of Fertilizers intimated that 20 grades of imported P&K fertilizers, are covered under the NBS Scheme except Ammonium Sulphate. Any company registered under NBS Scheme is eligible to get subsidy.

2.12 When asked about the quantum of subsidy provided to different types of imported fertilizers, the Department of Fertilizers intimated that “ *NBS rates are same for imported and indigenous P&K fertilizers*.” Responding to another specific query regarding restriction on the entities that can import fertilizers, the Department of Fertilizers informed that “ *Since, P&K fertilizers are placed under Open General License (OGL), there is no restriction on the entities to import these fertilizers*. “

2.13 The Department of Fertilizers was asked whether it considers the exchange value of dollar at the time of reimbursement for imported fertilizers and in case of the same the Department was also asked to state about the mechanism followed to ensure that fertilizer companies do not suffer loss due to variation of exchange value. Responding to the same the Department of Fertilizers stated as under :-

> " P&K Fertilizers: IMC may among other factors, consider this factor of exchange value of US$ while fixing the Nutrient Based Subsidy rates annually. Department of Fertilizer considers the exchange value of dollar at the time of reimbursement for imported urea. The Department receives time bound claims of 100% from Oman, 98% and 2% from M/s MMTC and 90% and 10% of Ocean Freight from Fertilizer Monitoring Entity (FME) and Handing Agencies. Letter of Credit is opened by the FME and Handling Agencies. The canalizing agency submits the claim for reimbursement. After receiving all the necessary documents with the claim, the Department process the claim on the basis of exchange rate applicable on the date of processing and send for Administrative and Financial approval. At the time of making sanction, exchange rate for payment is considered lower of processing and of date of sanction. However at the time of payment of final settlement, exchange rate is applied to Fertilizer Companies on which they have settled the account with supplier and this Division made reimbursement accordingly. So Fertilizer Companies do not suffer loss due to variation of Exchange Value."

<u>Evaluation of Urea Subsidy & Nutrient Based Subsidy Schemes</u>

2.14 The Department of Fertilizers carried out an evaluation of Nutrient Based Subsidy Policy and Urea Subsidy through M/s Ernst & Young in the year 2014. When asked about the outcomes of the study conducted by Ernst & Young, the Department of Fertilizers submitted written reply as under :-

Key recommendations of Ernst & Young are as under:-

i. **Enhancing effectiveness of NBS Policy**

- o Mechanism to ascertain reasonability of MPR
- o Identification of additional mechanism under NBS Policy to make it more effective in achieving its objectives
- o Monitoring and regulation of MRP, imports and price discovery for fixation of rates of NBS on annual basis.

ii. **Securing supply of P&K fertilizers for India**

- Development of strategy for securing supplies of P&K fertilizers on long term basis
- Protection against volatility in international prices
- Acquisition of fertilizer assets abroad

2.15 On being asked about the steps taken based on the outcomes of the study, the Department replied as under :-

> * M/s Ernst & Young recommended a mechanism to ascertain 'reasonability of MRP' in the year 2014. However, it had already been decided by the Cabinet during the year 2013 only to check reasonableness of MRPs to be fixed by the P&K Fertilizer Companies. As a result, a notification dated 3.5.2013 was issued to recover unreasonable profit to convey the in principle decision of the Government. The Department is finalizing guidelines for specifying the modalities to determine reasonable MRPs and to action therein. It is to be finalized soon.
>
> * In so far as second recommendation is concerned, it is stated that Govt. is already facilitating securing supplies of phosphatic and Potassic fertilizers and their raw materials and encouraging companies to set up joint ventures and long term supply agreements abroad to ensure continuous availability of finished fertilizers/raw materials in the country. "

<u>Long Term Vision for Progressive reduction of subsidy</u>

2.16 The Department of Fertilizers was asked whether any long term vision was formulated for progressive reduction of fertilizer subsidy burden on the Central Government and to furnish details thereto, in case of their positive reply. In this regard, the Department of Fertilizers stated that " *the Government of India has notified the New Urea Policy (NUP) - 2015 on 25th May, 2015 for existing 25 gas based urea units with the objective of (i) maximizing indigenous urea production; (ii) promoting energy efficiency in urea production; and (iii) rationalizing subsidy burden on the government*."

2.17 During oral evidence of the representatives of the Department of Fertilizers, when the committed asked them whether they are planning to continue with the policy or they are going to bring any changes to it, the Secretary of the Department informed the committee as under:-

> "There is a Committee of Secretaries headed by the Cabinet Secretary and they have suggested to study the existing subsidy regime and suggest any improvement or change in the policy."

2.18 To a query whether the Ministry undertook any analysis of the cost of manufacturing of fertilizers in India vis-a-vis the manufacturing at other locations in the world where feedstock price are much lower and whether the Ministry envisages a progressive shift of manufacturing facilities in future to these locations, the Department of fertilizers replied that "No such analysis has been done."

2.19 The Department of Fertilizers was pointed out that the existing regulatory system could be considered as a cost based system. Such a system does not provide sufficient incentives to the manufacturers to attain highest level of productivity and cost based efficacy. This is evident from the huge variation in per metric tonne of subsidy amounts given to different manufacturing units. In this context, the Department was asked whether the system of subsidy in other countries was studied and whether the possibility of introducing any alternative system of subsidy which is not based on the cost and which promotes highest level of manufacturing efficiency, was examined. In this regard, the Department of Fertilizers submitted the following written reply:-

> " As per NUP-2015, the 25 gas based urea units have been classified into three groups based on their pre-set energy norms viz., Group-I (with energy norm between 5.0 Gcal/MT to 6.0 Gcal/MT), Group-II (with energy norm between 6.0 Gcal/MT to 7.0 Gcal/MT) and Group-III (with energy norm above 7.0 Gcal/MT). These units have been given a target energy norm to be achieved in 2018-19. Group- I has been given the target energy consumption of 5.5 Gcal/MT, Group- II has been given the target energy consumption of 6.2 Gcal/MT and Group- III has been given the target energy consumption of 6.5 Gcal/MT. Vide notification dated 28th March, 2018, the target energy consumption norms for 11 urea manufacturing units have come into force w.e.f. 1st April, 2018 while for remaining 14 urea manufacturing units, the existing norms under NUP-2015 have been extended for further period of 2 years i.e. 31st March, 2020 with certain penalties. It has been also decided that the target energy norms of NUP-2015 may be continued upto 31st March, 2025.
>
> NUP-2015 has been implemented with effect from 1st June, 2015 in - tandem with the Gas pooling policy notified by Ministry of Petroleum & Natural Gas. As per gas pooling policy, the domestic gas is pooled with RLNG to provide natural gas at uniform delivered price to all Natural Gas Grid connected Urea manufacturing plants for the purpose of manufacturing of Urea. After gas pooling, all urea units gets gas at uniform rate irrespective of the gas allocation to the units which has brought a uniformity in the cost of production of urea by these urea units.
>
> Prior to implementation of NUP-2015, due to wide variation in the prices of domestic-gas and RLNG, the cost of production of urea by the urea units was in a wide range. However; the implementation of NUP-2015 along-with Gas Pooling policy has brought uniformity in the feedstock i.e. input cost and resultantly minimised the variation in the cost of production of urea.
>
> Further, the energy level of these 25 urea units would also be brought down to three levels by 2019-20 as against the present different energy levels for each urea unit.

The Government has implemented Nutrient Based Subsidy (NBS) Policy w.e.f. 1.4.2010 for Phosphatic and Potassic (P&K) Fertilizers. Under the NBS Policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidized P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidized P&K fertilizers covered under NBS Policy. Under the Policy, MRP of P&K fertilizers has been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates as per market dynamics. At present 21 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate (produced by M/s FACT and M/s GSFC), SSP and 15 grades of NPKS complex fertilizers are covered under the NBS Policy. “

2.20 **Freight Subsidy** – Freight subsidy is provided for the movement of Urea and subsidized P&K-fertilizers. The Department of Fertilizers notified Uniform Freight Subsidy on 17-07-2008. The Department of Fertilizers had followed different freight subsidy policies for different fertilizers prior to implementation of the extant Uniform Freight Subsidy policy. The rates of freight subsidy for indigenous urea, imported urea, indigenous P&K fertilizers & imported DAP & MOP, etc were different. The Department of Fertilizers announced the Uniform Freight Policy (UFP) with effect from April 1, 2008 vide notification dated July 17, 2008 with an objective to ensure the availability of fertilizers in all parts of the country, especially distant/remote corners of the country.

2.21 Under the Uniform Freight Subsidy policy, movement of fertilizers is classified into two categories namely (i) Primary Movement & (ii) Secondary Movement. Freight subsidy for each of the two categories of fertilizer movement is different. Gist of salient features of the Uniform Freight Subsidy policy is given in appended table :-

<table>
<tr><th colspan="2">Type of Movement, Definition & coverage</th><th>Subsidy Amount</th></tr>
<tr><td rowspan="2"><u>Primary Movement</u>
It refers to direct movement of subsidised fertilizers by rail and/or coastal shipping/inland water transportation including road bridging upto final destination or by any or two or by all three modes of transportation from plant or port to various rake points of districts.</td><td><u>By Rail</u> - From plant/port to rake point (upto 1400 Kms)].</td><td>Actual freight is paid on Railway Receipt (RR).</td></tr>
<tr><td><u>By Road</u> - From Plant/Port to Block-HQ (upto 500 Kms).

(Transportation through Coastal / Inland waterways is</td><td>Freight amount calculated for the month based on PTPK slab rates ;
OR
the actual expenditure incurred by the Company during the month, duly certified by company’s statutory auditors, whichever is lower.</td></tr>
</table>

Admissible for **Urea and all subsidized P&K fertilizers excluding SSP.**	**also permitted)**	
PTPK Slab rates are notified based on the recommendations of Tariff Commission. Further, the freight on primary movement of all P&K fertilizers is on the basis of actual rail freight w.e.f. 01-04-2012.		
<u>Secondary Movement</u> It refers to movement from nearest rake point to District / Block-HQ. Admissible for **Urea only**.	**<u>By Road</u>** [From nearest rail-rake point to District / Block-HQ]	Freight subsidy is calculated on the basis of lead distances (average of distances in the district) and normative Per Tonne Per Km (PTPK) ***rate**** and paid on monthly basis **(or)** actual freight whichever is lesser.
<u>Note</u> – (i) Special PTPK rate for primary road movement from NFL Nangal to Himachal Pradesh @ Rs.7.25/- Per Tonne Per Kilometre is allowed. (ii) Special compensation for freight for secondary movement to difficulty areas is allowed w.e.f. 01-04-2012. [PTPK rates for A&N Islands-Rs.2.33/-, HP-Rs.7.25/-, Uttarakhand- Rs.6.31/-, J&K-Rs.5.29/-, Assam-Rs.4.81/-, Arunachal Pradesh Rs.6.88/-, Manipur-Rs.9.08/-, Meghlaya -Rs.9.40/-, Mizoram-Rs.9.64/-, Nagaland-Rs.5/- & Tripura Rs.7.95/-. * Normative PTPK rate for each district is notified based on the recommendations of Tariff Commission.		

2.22 Based on the recommendations of Tariff Commission, the slab-wise rates in respect of primary road movement upto 500 Kms were notified for the year 2008-09 vide notification dated 17.6.2015. The said rates are escalated/de-escalated for each financial year and notified accordingly. Department of Fertilizers had issued Normative Per tonne per Km Transportation Rates for the year 2007-08, 2008-09 and 2009-10 based on recommendations made by Tariff Commission in the case of secondary movement of fertilizers from unloading rake point to retail point vide Notification dated 1st September, 2011. The escalated/de-escalated Per Tonne Per Kilometre (PTPK) for road transportation in the case of secondary movement of fertilizers are notified by Department of Fertilizers annually.

<u>Direct Benefit Transfer (DBT)</u>

2.23 The Government has introduced Direct Benefit Transfer (DBT) system in Fertilizers w.e.f. October 2016. Under the 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 Under DBT, the fertilizer sales are being done through the PoS devices installed at retail points across the country. The cost of installation and maintenance PoS devices and other IT related equipment is borne by the Fertilizer companies out of the incentive of Rs. 50/MT allowed by the Govt. for acknowledging the receipt of Fertilizers through Fertilizer Monitoring System (iFMS). Till now 18 versions of PoS software has been released in the process of improving the PoS operations. The Department of Fertilizers has recently 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.

2.25 The Department of Fertilizers when asked to state as to how this system is functioning in areas which have no or poor internet connectivity, submitted that "at initial stages, states were recommended to conduct study to identify telecom service provider with maximum penetration with best connectivity. All PoS devices have multiple connectivity options like SIM card, Wi-Fi, LAN, PSTN. Also, the PoS Devices are provided with additional separate Antenna for coverage in remote areas with low connectivity. Further, in States like Odisha, VLAN were put in use for retail points with no internet connectivity."

2.26 When asked to provide the details of Integrated Fertilizer Management System (iFMS) for monitoring the sale of fertilizers through point of sale machines, the Department of Fertilizers furnished written reply as under :-

> " DOF has developed an IT enabled system viz., Integrated Fertilizer Management System (iFMS), which captures end to end details of Fertilizer in terms of Production, Movement, availability, requirement, Sale, Subsidy Bill Generation to Subsidy payment to fertilizer companies. The iFMS system can be accessed at http://mfms.nic.in/. Concerned stakeholders like DoF, State Agriculture Departments,

District Collectors, Fertilizer Companies are all provided with separate credentials for operating and monitoring purposes .Few features of iFMS portal are as below:

- Real time, online tracking of fertilizer movement, along the plant/port-rake point-district-wholesaler-retailer chain.
- Real time Fertilizer availability data at state, district, wholesaler & retailer level.
- Real time tracking of sale of fertilizers at subsidized rates to farmers through PoS devices.
- Provision of Soil Health Card (SHC) recommendations to farmers for balanced use of fertilizers.
- Process re-engineering to ensure “Just in Time” release of subsidy to fertilizer companies.
- A complete end to end transaction visibility of fertilizers starting from import/ production till sales to farmers.

In addition, separate modules have been developed for specific functions as below:

- PoS Software: Designed to capture all retailer transactions online i.e., retailer registration, stock acknowledgement, fertilizer sales & buyer’s details.
- Release Order (RO) Module: Tracks the real-time movement of fertilizers along Plant/Port-Rake Point - District - Wholesaler- Retailer chain.
- Subsidy Payment Module: Online generation of subsidy claims by companies on weekly basis. Claims are processed & paid electronically. Integration of iFMS done with PFMS to enable complete end-to-end electronic payment.

Department has also developed a dashboard which can be accessed at https://urvarak.nic.in. The dashboard is developed to facilitate easy monitoring by various Stake holders viz. State Agriculture Departments, District Collectors and State Marketing Federations. The Dashboards provide various reports viz.,

- Top 20 buyers (State wise, District wise)
- Frequent buyers (State wise, District wise)
- the retailers not selling fertilizer through PoS devices
- Stock as on Today
- Stock Availability:
    - Availability at Port
    - Availability at Plant
    - Availability in States
    - Product –wise Availability
    - Period-Wise availability (Month, Session and Year). ”

2.27 The Department of Fertilizers was asked about (i) percentage of farmers having Soil Health Cards as per data recorded in POS-devices ; (ii) Analysis of fertilizer consumption vis-a-vis Farm size & Soil-health, if any ; and (iii) whether it is possible to formulate some norms on the intensity of fertilizers required to be used (per acre) on the basis of soil-health. In this regard, the Department of Fertilizers furnished written reply as under :-

“ As of now, under DBT system, fertilizers are sold on a no-denial basis and it is not mandatory for the buyer to provide Soil Health Card details while purchasing fertilizers.

Further, there is a provision of generating Soil Health Card (SHC) recommendations to farmers for balanced use of fertilizers, which is only an optional facility."

2.28 Taking into account the advantages in the IT-enabled PoS system for verification of buyer identity, the Department of Fertilizers was asked to state about the steps taken to ensure that retailers do not sell fertilizers to those who do not require fertilizers and indulge in malpractices. In this regard, the Department of Fertilizers submitted as under :-

Subsidized Fertilizer is only allowed to be sold through DoF registered PoS devices only after Aadhaar Based Biometric Authentication/Presenting Kisaan Credit Card/Voter ID at the time of purchase with Aadhaar enrolment number.

The Details of all purchases are captured in the system and the captured Buyers information (Name, address, mobile no., ID type etc.) is made available in terms of Top 20 Buyers / Top 20 Frequent Buyers to State Agriculture Departments and District Collectors for monitoring any malpractices in Fertilizer sale activity.

In addition, all retailers are sensitized through regular training programs conducted for sensitizing new or old retailers on correct procedures to follow on sale through PoS devices. As on date a total of 9000 (approx.) training programs have been conducted for retailers.

2.29 To a query seeking details of cases of excessive purchase of fertilizers by individuals, noticed in the IT enabled system and action taken in such cases, the Department of Fertilizers submitted as under :-

" Under DBT in Fertilizers, subsidized fertilizer is sold through PoS devices on no-denial basis with no fixed purchase quantity limit. However, to keep track on highest purchasers/Frequent purchasers, DoF has provided reports to concerned State Agriculture Departments and District Collectors with details of Buyers (Demographic details as per Aadhaar – Address, mobile number etc.) for monitoring or keeping track on bulk purchases.

In addition, DoF on 10th July 2019 launched new version of PoS software, which captures purchase by Mixture Manufacturers, Planter Associations (usually purchasing very large quantities) separately on basis on authorisation letter & GSTIN number.

2.30 In this regard when the committee further asked about the system to present misuse or diversion of fertilizers in such cases where one farmer has taken fertilizers on behalf of others, the Secretary further clarified as follow:-

"we have the methodology of checking what that gentleman is doing with that much of quantity of fertilizer because he has put his biometric and he has put his authentication. I have written to the Chief Secretaries of all the States to please check if anybody is significantly taking higher quantity of fertiliser, what he is doing with it. The Government of India cannot do that kind of a job at the grassroot level. Under the Fertilizer Control Order, powers have been given to all the District Magistrates, Magistrates, State Agriculture Department Functionaries. So, we expect that the State Governments will exercise their authority and they will also see that the fertilisers purchased by any individual is not misutilized or diverted for any other purpose than for agriculture.

2.31 When the Committee pointed out during oral evidence that the retailers just feed Aadhaar numbers of farmers without taking their thumb impression and large quantities of fertilizers is given to one farmer, the Secretary, Department of Fertilizers clarified as under:-

> "Regarding your last point on retail sale, we have no denial policy. Whoever comes, whatever quantity he demands, we give it to him. The reason is that during the peak season, sometimes because of internet connectivity, all these issues come up; so there would be long lines. Farmers do not have time to wait. So, we allow this open policy. Sometimes, a group of farmers send only one representative; they send one tractor trolley and take their fertiliser. That is not denied. That is given. Like you pointed out, the retailers have Aadhaar cards of all the farmers. Whoever comes, he takes his biometric and put entire fertiliser against this name. It is happening. But, at least, the fertiliser is sold at that point. It is not diverted en route from the plant or port to somewhere else."

2.32 To a post-evidence query seeking details of Number of instances where very large quantities have been reported to be purchased by a single farmer and action taken thereon, the reply of the Department of Fertilizers is as given below :-

> **"**Department has developed a dashboard which can be accessed at https://urvarak.nic.in. The dashboard facilitates easy monitoring by State Agriculture Departments, District Collectors and State Marketing Federations by providing various reports like list of top 20 buyers (State wise, District wise), which is available for the State Agriculture Dept. The State Governments have been empowered to take appropriate action as per FCO after examining each case."

2.33 The Committee further enquired about the possible ways in which the fertilizers can be misused. The Secretary, Department of Fertilizers informed the committee in this regard during oral evidence as below:-

> "Suppose, somebody says that a significant quantity is diverted and leaked, then what are the probable uses? We did a little bit of exercise informally with the Council of Chemical Industries located at Chennai. I interacted with those people. They said that there are a couple of industries where urea is used as a chemical like melamine industry, paint and varnishing, plywood industry, poultry feed like that. Then, I asked:

‘What is your likely use of urea in this kind of industry?’ They said: “It is not more than 10 lakh tonnes.” Even we assume that the entire 10 lakh tonnes is taken from our agricultural subsidised urea, it is an insignificant amount….I am talking about the country as a whole. We are supplying 320 lakh metric tonnes urea. Suppose, 10 lakh tonnes, which is used by the chemical industries is diverted, that is an insignificant percentage, which is just around 3.5 per cent of the total fertilizers or the urea supplied in the system. But the DGFT data shows that the people also import technical grade urea from abroad. That is also used for those industries. So, it is not entirely what they are consuming in the country is being diverted from subsidised urea. Yes, it is possible that some amount of urea may be diverted at that level but it is not a significant quantity which the people talk about.”

2.34 **Phase-II of DBT** – The Department of Fertilizers was asked whether the Department of Fertilizers considered giving direct subsidy to farmers rather than giving it to the manufacturing units. The Department was also asked to furnish comments as to whether it is possible to switch over to Direct Subsidy Model and about the preparatory steps required to be completed for the same. In this regard, the Department of Fertilizers written reply as under :-

“ 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. The final report of the Committee is yet to be received. “

2.35 In this context, the Department of Fertilizers was asked to state about the salient features of the suggestions contained in the draft report of NITI Ayog on the proposed system to provide agriculture subsidy on area basis through DBT along with comments of the Department with regard to feasibility of implementation of the suggestions. The reply of the Department in this regard is reproduced below :-

“ The salient features of the suggestions contained in the draft report of NITI Aayog appointed committee are as under:

The committee has suggested three models for DBT in its draft report–

1. Direct Benefit transfer (without area basis)
2. Direct Benefit transfer based on areas
3. Differential Cost of supply of Inputs.

Main features of these models are as below:

1. **Direct Benefit Transfer (without area basis)** -

   a. Requires a complete database of bonafide users with evidence of eligibility like land records.
   b. Eligibility criteria not based on land ownership but actual cultivator as per land holding (possession).
   c. DBT to be linked to purchase/use of inputs by beneficiaries.

   Limitations:
   a. Excludes informal tenant farmers and farmers without clear land titles.

2. **Direct Benefit transfer based on areas** –

   a. Per hectare transfer of subsidy to farmers
   b. Linked to average productivity taking district as a unit.
   c. Subsidies linked to productivity of irrigated / unirrigated Land.
   d. Farmers should be provided Kisan Input Cards (KIC) entitling them to use the given subsidy amount to buy wide range of inputs.

3. **Differential Cost of supply of Inputs** -

   a. Moving P&K based fertilizer to DBT per acre mode (which are on nutrient based subsidy policy and where subsidy is fixed, MRP is freed and not many variations in prices of different companies).
   b. For Urea, per hectare DBT Model may be implemented once all plants become gas based and after commissioning of Plants being revived.

   Limitations :
   a. Wide Variation in the Cost of Manufacturing fertilizer.

2.36 When asked as to how the proposed new mechanism of direct cash transfer of fertilizer subsidy to farmers' account, would affect the existing system of production, movement and distribution of subsidized fertilizers in the country, the Department of Fertilizers stated that *"No final model of Direct Cash transfer of fertilizer subsidy to farmer's account has been finalized yet. Therefore no impact study has been conducted."*

2.37 In regard to a query on system of fertilizer subsidies in other countries, the Secretary, Dept. of Fertilizers stated during oral evidence as under:-

> "Yes Madam. There is a study done by the International Food Policy Research Institute, Washington. They have done the study in Asian countries and six African countries. The study is quite lengthy. I was going through that report. In Indonesia, it is similar to India. They have a dual pricing system; one is for subsidised fertilisers and another is for non-subsidised fertilisers and the study shows that it is quite inefficient as compared to our system because the dual pricing means that there is no control as to who is getting what. There is inter-changeability from subsidised fertiliser to non-subsidised fertiliser use. In China, till recently, they had a similar kind of pricing policy. Still they have a pricing policy which is controlled."

They incentivise the fertiliser industry by giving various subsidies. For example, electricity is given at a concessional rate, rate of interest for the fertiliser industry from the banking sector is low compared to others. Then, their import of capital machinery is also subsidised. That is from the industry side. On the farmer side, the prices are a little flexible, but it is controlled by their Government. In Pakistan, it is just like our country. In Bangladesh also, they have the control system. Now, China is thinking of moving to a completely decontrolled system. In Europe and US, they have decoupled it. They call it 'decoupling' of individual input subsidy like fertiliser, they have given aggregate support to agriculture for environmental consideration, adopting better practices, conservation in agriculture, etc. But they have parameters to monitor that performance. It is a performance-based aggregate support. This is the information which I have from what I have studied about cross-country experience of fertiliser subsidy.

2.38 The Parliamentary Standing Committee on Agriculture in their 29th Report (16th Lok Sabha) had inter-alia made the following observations :-

"There is imbalance in fertilizer use in terms of NPK as it is evidenced by their wider consumption ration or (6.7) : (2.4) : 1 in the country as against their desirable ration of 4:2:1. The situation is more grim in agriculturally important States like Punjkab and Haryana where NPK use ratio is as high as (31.4) : 8 : 1 and (27.7) : (6.1) : 1, respectively. According to the Secretary of Department of Agriculture, Cooperation and Farmers' Welfare, skewed subsidy policy in favour of urea and high prices of other fertilizer are the real culprit behind the imbalanced use of fertilizer in the country. Even the pattern of use of fertilizer varies widely among different crops. Fertilizer use in potato sugarcane, cotton, wheat and paddy are among highest the level of 347.2, 192.6, 176.7 and 165.2 Kg/hectare respectively. Even among these crops there is excessive use of nitrogenous fertilizer."

CHAPTER – III

UREA SUBSIDY

Urea Subsidy - Urea is sold at a Maximum Retail Price (MRP) statutorily fixed by the Government of India. The difference between the delivered cost of fertilizers 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. FICC (Fertilizer Industry Coordination Committee), an attached office under the Department of Fertilizers, calculates the Concession rate for indigenous urea as per New Urea Policy for existing units and New Investment Policy (NIP) for new unit. As on date FICC, determines the concession rates for 31 urea units (30 units under NUP and 1 unit under NIP).

3.2 **MRP of Urea** The MRP of urea is statutorily fixed by the Government of India and at present the Urea is being provided to the farmers at a statutorily notified Maximum Retail Price (MRP). The MRP of 45 kg bag of urea is Rs.242 per bag (exclusive of charges towards neem-coating and taxes as applicable) and the MRP of 50 kg bag of urea is Rs.268 per bag (exclusive of charges towards neem-coating and taxes as applicable).

3.3 **Role of Fertilizer Industry Coordination Committee (FICC)** – FICC is responsible to evolve and review periodically, the group concession rates including freight rates for units manufacturing nitrogenous fertilizers, maintain accounts and make payment to / and recover amounts from fertilizer companies, undertake costing and other technical functions, collect and analyze production data, cost and other information etc.

3.4 **Urea Manufacturing Units** - At present, there are 32 urea manufacturing units with installed annual capacity of 220 LMT approx. Out of 32, 30 urea units are Gas Based/CBM based units & 2 are Naphtha Based Units. The details of urea units along with their location, vintage and capacity are appended below :-

(Quantum in MT)

Sl. No.	Urea Unit	Location / State	Month / Year of Commissioning	Reassessed Capacity
Gas Based Units – Under NUP-2015 (Target Energy Norms w.e.f. 01-04-2018)				
1.	Yara Fertilizers India Private Limited (YFIPL)- Barbala	Uttar Pradesh	Dec 1994	864600
2.	National Fertilizers Limited (NFL) – Vijaipur - II	Madhya Pradesh	March 1997	864600
3.	Grasim Industries Limited – Jagdishpur (GIL / Indo-Gulf)	Uttar Pradesh	Nov 1988	864600
4.	Chambal Fertilizers & Chemicals Limited (CFCL)- Gadepan-I	Rajasthan	Jan 1994	864600

5.	Chambal Fertilizers & Chemicals Limited (CFCL)-Gadepan-II	Rajasthan	Oct 1999	864600
6.	Indian Farmers Fertilizer Cooperative (IFFCO)-Aonla-II	Uttar Pradesh	Nov 1996	864600
7.	Rashtriya Chemicals & Fertilizers Limited (RCF)- Thal	Maharashtra	Apr 1985	1706897
8.	Indian Farmers Fertilizer Cooperative (IFFCO)-Kalol	Gujarat	Apr 1975	544500
9.	Indian Farmers Fertilizer Cooperative (IFFCO)-Aonla-I	Uttar Pradesh	July 1988	864600
10.	Indian Farmers Fertilizer Cooperative (IFFCO)-Phulpur-I	Uttar Pradesh	Mar 1981	551100
11.	Indian Farmers Fertilizer Cooperative (IFFCO)-Phulpur-II	Uttar Pradesh	Dec 1997	864600
	Gas Based Units – Under NUP-2015 (Target Energy Norms – Extended for 2 Years)			
12.	National Fertilizers Limited (NFL) – Vijaipur - I	Madhya Pradesh	July 1988	864600
13.	KrishakBharati Cooperative (Kribhco)-Hazira	Gujarat	Mar 1986	1729200
14.	Kribhco Fertilizers Limited (KFL) - Shahjahanpur	Uttar Pradesh	Dec 1995	864600
15.	Nagarjuna Fertilizers & Chemicals Limited (NFCL) – Kakinada-I	Hyderabad	August 1992	597300
16.	Nagarjuna Fertilizers & Chemicals Limited (NFCL) – Kakinada-II	Hyderabad	March 1988	597300
17.	Gujarat Narmada Valley Fertilizers Company Limited (GNVFC)-Bharuch	Gujarat	1982	636900
18.	Gujarat State Fertilizers & Chemicals Limited (GSFC)-Vadodara	Gujarat	May 1967	370590
19.	National Fertilizers Limited (NFL) – Bhatinda	Punjab	Oct 1979	511500
20.	National Fertilizers Limited (NFL) – Nangal	Punjab	Nov 1978	478500
21.	National Fertilizers Limited (NFL) – Panipat	Haryana	Sep 1979	511500
22.	Shriram Fertilizers & Chemicals Limited (SFC) – Kota	Rajasthan	Feb 1969	379500
23.	Kanpur Fertilizers & Cement Limited (KFCL), Kanpur	Uttar Pradesh	Dec 1969	722700
24.	Rashtriya Chemicals & Fertilizers Limited (RCF)-Trombay	Maharashtra	July 1985	330000
25.	Zuari Agro Chemicals Limied (ZACL) – Goa	Goa	May 1973	399300
	Gas Based Units Under NPS-III			
26.	Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) – Namrup-II	Assam	Oct 1976	240000
27.	Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) – Namrup-III	Assam	Oct 1987	269565
	Gas Based Units Under New Investment Policy-2012			
28.	Matix Fertilizers & Chemicals Limited, Panagarh	West Bengal	Oct 2017	127000
29.	Chambal Fertilizers & Chemicals Limited (CFCL)Gadepan–III	Rajasthan	Jan 2019	127000
	Naptha Based Units already converted into Gas Based Unit			
30..	Madras Fertilizers Limited (MFL)-Manali	Tamil Nadu	Nov 1971	486750
	Naptha Based Units			
31.	Mangalore Chemicals & Fertilizers Limited (MCFL)-Mangalore	Karnataka	March 1976	379500
32.	Southern Petrochemicals Industries Limited (SPIC)-Tuticorin	Tamil Nadu	June 1975	620400

3.5 As per data furnished by the Department of Fertilizers, the details regarding demand, production, import, supply and consumption of urea in the country during the last three years are as under :-

(Figures in LMT)

Year	Demand	Production	Supply	Consumption	Import
2016-17	289.09	242.01	309.08	296.07	54.81
2017-18	298.00	240.23	313.57	303.31	59.75
2018-19	300.04	240.00	323.31	317.19	74.81

The target set for production of Urea, during 2019-20 is 271.00 LMT.

Urea Subsidy Policy

3.6 The current pricing policy of urea and the associated issues of concession rate / subsidy given to the Fertilizer Industry in respect of urea have its foundation in the Retention Price Scheme (RPS),. The retention prices were calculated on a cost plus approach and it was determined separately for each urea producing plant. However, at present, 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 concession rates vary from unit to unit depending upon their vintage, energy norms, water norms, electricity, bag rates etc. The mode and methodology of computation and disbursement has been laid down in various policies (approved by CCEA) issued from time to time on the basis of which FICC calculates the concession rate for indigenous urea.

3.7 The cost of production of a unit comprises of two elements - Fixed cost and Variable cost. Fixed cost has component of Salaries & wages, contract labour, chemicals & consumables, Repairs & maintenances, Non-plant power & water, overheads, insurance, depreciation, selling expenses etc. Variable cost in turn has the components like Bag cost, water, energy cost & electricity.

3.8 **New Pricing Scheme (NPS)** New Pricing Scheme (NPS) for urea was introduced w.e.f. 1st April, 2003. Details of different Stages of implementation of NPS and salient features are as given below :-

(3.9.1) New Pricing Scheme (notified on 30th January, 2003).

- NPS replaced erstwhile Retention Price Scheme (RPS).
- NPS-I (1st April, 2003 to 31st March, 2004).
- Fundamental principles of RPS remained unchanged.
- Fixed costs were based on weighted average of the group, further averaged for preceding three years.
- Energy Norms based on 8th Pricing period of RPS.
- Operating units were classified into 6 groups on the basis of Vintage & feed stock.
- No capping on production of Urea.

(3.9.2) NPS- II (1st April, 2004 to 30th September, 2006)

- Stage II of NPS was for two years' duration.
- Classification of units into six groups remained unchanged.
- Energy Norms were revised based on Group energy norm as per Gokak Committee recommendation.
- Adjustment on account of Capital Related Charges (CRC) and Group Energy norms communicated to units for making necessary technological and structural adjustments.

(3.9.3) New Pricing Scheme-III (notified on 8th March, 2007)

- Effective from 1st October,2006 to 31st March, 2010
- Classification of various units among Six Groups continued as in NPS-I & NPS-II.
- Costs to be updated as on 31.03.2003.
- Group averaging to be done after updating the costs upto 31.03.2003.
- Energy Norm: Lower of NPS-II norm or actual for 2002-03 to be paid.
- Cost of bags recognized on the basis of moving average of 3 years preceding last Year.

(3.9.4) Modified New Pricing Scheme-III

- Notified on 2nd April, 2014 to compensate the existing urea units.
- The calculation of concession rates of urea units shall continue as per NPS-III and its amendments subject to the following modifications:

(i) Additional Fixed cost

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

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

(ii) Minimum Fixed Cost

The minimum fixed cost of Rs. 2300/MT or actual fixed cost prevailing during 2012-13, whichever is lower, after taking into account the compensation at 3.9.4(i) above, will be paid. This will be based on certified fixed cost data for the year 2012-13, to be provided by all urea units.

(iii) Special compensation to Urea Plants which have Completed 30 Years and Converted to Gas

The special compensation of Rs. 150/MT will be paid to gas based urea plants which have converted to gas and are more than 30 years old. This is in addition to para 3.9.4(i)&(ii) above.

The old and inefficient units to be phased out in due course of time after the addition of new capacity."

(iv) Clarification on Modified NPS-III

- Due to ambiguity in the notification, the notification could not be implemented.
- Therefore, a need was felt to issue clarification to facilitate the implementations of MNPS-III. Department of Fertilizers had forwarded the advance copy of a CCEA Note dated 3rd October, 2019 to Cabinet Secretariat and PMO for removal of ambiguities in the Modified NPS-III for determination of fixed costs for urea units. However, the same has been withdrawn for modifications.

3.9 **New Investment Policy (NIP) – 2012** – The Government had announced New Investment Policy – 2012 on 2nd January, 2013 to facilitate fresh investment in urea sector and to make India self-sufficient in the urea sector. The salient features of NIP-2012 are as under:-

i. Separate floor and ceiling price for calculating the concession rate of urea produced from the Revamp, Expansion, Revival and Greenfield Urea Units set up under NIP-2012.

ii. Floor and ceiling prices linked to the gas price and the corresponding change with the revision in delivered gas price.

iii. Floor prices have been determined at a Return on Equity (RoE) of 12 % and ceiling price has been determined at a RoE of 20%.

- Amendment to NIP 2012 was notified on 7th October 2014, the provisions of which are as under:

i. Units whose production starts within 5 years of this amendment (i.e. upto 6th October, 2019) will be covered under NIP 2012.

ii. Subsidy only on domestic sale for 8 years from the date of production.

iii. Project Proponents to submit Bank Guarantee of Rs.300 crores.

iv. Release of Bank Guarantee linked with milestones of the project cycle.

3.10 Under the provisions of NIP – 2012 and its amendment, Department of Fertilizers informed that Matix Fertilizers & 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 was 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. Each unit is having the production capacity of 12.7 LMT. The production from CFCL-III is added to the production capacity of the country since January, 2019.

The Department also informed the Committee that Ramagundam, Talcher, Sindri and Goakhpur units of FCIL and Barauni unit of HFCL are being revived as per New Investment Policy 2012. The details regarding these units are as under:-

Sl. No		**Ramangun-dam**	**Talcher**	**Sindri**	**Gorakhpur**	**Baraunit**
1.	State	Telangana	Odisha	Jharkhand	Uppar Pradesh	Bihar
2.	District	Karimnagar	Angul	Dhanbad	Gorakphur	Begusarai
3.	Capacity in (Million Metric Tons per annum)	1.27	1.27	1.27	1.27	1.27
4.	Targeted Year of Commissioning	2020	2023	2021	2021	2021

3.11 The New Investment Policy (NIP categorized new plants as (i) Revamp projects, (ii) Expansion or Brownfield projects, (iii) Revival of closed urea units and (iv) Greenfield Projects. Concession rate under NIP is calculated as detailed below:

(a) NIP 2012 provides a structure of a floor price and ceiling price for the amount payable to urea units based on categorization stated above, which will be calculated based on delivered price gas price (inclusive of charges & taxes) to respective urea units as follows:.

Category	**Delivered Gas Price**	**Floor Price**	**Ceiling Price**
Greenfield/ Revival of closed unit	USD 6.5 per MMBtu	USD 305 per MT of Urea	**USD 335 per MT of Urea**
Expansion or Brownfield	USD 6.5 per MMBtu	USD 285 per MT of Urea	USD 310 per MT of Urea
Revamp	USD 7.5 per mmbtu	USD 245 per MT of Urea	USD 255 per MT of Urea

(b) Further, for each 0.1 USD per MMBtu revision in delivered gas price, it will correspondingly change the Floor and Ceiling price depending upon the categorization of the unit as mentioned in NIP 2012.

3.12 **New Urea Policy (NUP) – 2015** - The Government of India had notified the New Urea Policy (NUP) - 2015 on 25th May, 2015 for existing gas based urea units with the objective of (i) maximizing indigenous urea production; (ii) promoting energy efficiency in urea production; and (iii) rationalizing subsidy burden on the government. The provisions of NUP-2015 were introduced from 1st June, 2015. Vide notification dated 14th May, 2019, the duration of New Urea Policy-2015 has been extended from 1st April, 2019 till further orders.

3.13 Under NUP-2015, the existing gas based urea units were classified into three groups based on their preset energy norms. The energy norms of the 25 gas based urea units were revised for a period of three years i.e. 2015-16 (w.e.f. 1st June, 2015) to 2017-18 which was the simple average of pre-set energy norms of NPS-III and average actual energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set set energy norms of NPS-III, whichever was lower. Each group was given target energy norms w.e.f. 1st April, 2018.

3.14 As per para 3.2 of NUP-2015, each group was given a target energy norm for the year 2018-2019 as per the details given below:-

Group	**Energy level (In Gcal/MT)**	**Target Energy Norm (2018-19)(In Gcal/MT)**	**Name / No. of Companies**
Group-I	5.0 to 6.0	5.5*	NFL- Vijaipur-I & II, Kribhcho-Hazira, Indo-Gulf, IFFCO-Aonla-I & II and Phulpur-II, KSFL, CFCL-I & II, TCL, NFCL-I & II **(Thirteen Units)**
Group-II	6.0 to 7.0	6.2	IFFCO-Kalol, GSFC, RCF-Thal, GNVFC **(Four Units)**
Group-III	More than 7.0	6.5	NFL-Nangal, NFL-Panipat, Bhatinda, ZACL, SFC, RCF-Trombay-V, IFFCO-Phulpur-I, KFCL **(Eight Units)**

*(except Tata Chemicals Limited-Babrala for which existing pre-set energy consumption norm of NPS-III i.e. 5.417 G Cal/MT will continue).

3.15 The compensation for other variable cost e.g. the cost of bag, water charges & electricity charges and fixed cost are determined in accordance with existing provisions of

NPS-III (notified on 8th March, 2007) and Modified NPS-III (2nd April, 2014). For production upto 100% re-assessed capacity (RAC), the 25 gas based urea units are entitled to get total cost of production of urea, which includes fixed cost and variable cost. For the production beyond Reassessed Capacity (RAC), the units are entitled for their respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous urea units subject to import parity price (IPP) plus weighted average of other incidental charges which the Government incurs on the imported urea. The Committee were further informed by the Department of Fertilizers in a written reply that Five units namely MFL-Manali, MCFL-Mangalore, SPIC-Tuticorin, BVFCL-Namrup-II and BVFCL-Namrup-III are not covered under this scheme because these units are not connected to gas pipeline network in the country at the time of introduction of the policy. Further, Namrup-II and Namrup-III units of BVFCL are proposed to be closed and a new high efficiency unit will be installed, which will be dealt separately under their restructuring proposal. Till then, these two units are functioning under the provisions of Modified NPS-III.

3.16 **Revision of Energy Norms under New Urea Policy (NUP) – 2015 -** With the approval of the CCEA, Department of Fertilizers vide notification dated 28th March, 2018, had conveyed the following decisions with regard to Target Energy Norms given to all urea manufacturing units (except BVFCL):

i. For 11 urea manufacturing units viz., YFIL, NFL-Vijaipur-II, GIL, CFCL-Gadepan-I & II, IFFCO-Aonla-II, RCF-Thal, IFFCO-Kalol, IFFCO-Aonla-I, IFFCO-Phulpur-I & II, the target energy consumption norms as mentioned in Para 3.2 of NUP – 2015, will come into force w.e.f. 1st April, 2018.

ii. The existing norms under New Urea Policy-2015 for remaining 14 urea manufacturing units viz., NFL Vijaipur-I, KRIBHCO-Hazira, KFL-Shahjahanpur, NFCL- Kakinada-I, NFCL-Kakinada-II, GNFC-Bharuch, GSFC-Vadodara, NFL-Bathinda, NFL-Nangal, NFL-Panipat, SFC-Kota, KFCL–Kanpur, RCF Trombay-V, ZACL-Goa are hereby extended for further period of 2 years i.e. till 31stMarch, 2020 with the following penalties:

   a. Penalty equivalent to 2% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, for the first year i.e. 2018-19.

   b. Penalty equivalent to 5% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, for the second year i.e. 2019-20.

c. Urea manufacturing units must achieve Target Energy Norms during the extended period of 2018-19 to 2019-20 failing which additional penalties may be imposed on defaulting units in consultation with the Department of Expenditure.

3.17 The aforesaid target energy norms may be continued upto 31st March, 2025. Meanwhile, an expert body under NITI Aayog would be engaged to recommend the energy norms to be achieved from 01st April, 2025.

3.18 During oral evidence, the Committee enquired about the import of gas for running gas based fertilizer and the manner in which the Government mange the expenditure in this regard, the Additional Secretary in the Department of Fertilizer informed the Committee as under:-

> **"**Sir, Our plants function in two different ways. One is Gas based. Earlier, 25 plants are fully converted to gas. They were operating on gas. Three plants which were mentioned during the presentation, they were on basically Naphtha, alternate feedstock. As there was no gas connectivity there. So the something could be done through Naphtha which is done through gas, basically extraction of Hydrogen from Naphtha instead of gas. Our Madras based plant has got converted. The remaining two will get converted by March 2020. One will be converted in December and other in March 2020. Then, all our plants will become gas based. Naphtha which is an expensive feedstock will be removed from our system then. Everything will be gas based. Perhaps, you are inquiring about the pricing of New Investment Policy. Total production of gas in the country is 71 MMSCMD or it is called MMBTU. Out of this, our requirement is 48 and out of 48 our allocation is 31.5. But we do not get 31.5, we get only 16 MMSCMD or MMBTU after allocation to city Gas and other power sectors and we import RLNG to meet the gap between 16 and 48. In most of the import, GAIL is our main player. GAIL supplies the gas to the unit after importing the same. Domestic gas is cheap, RLNG is very costly. Thereafter, we pool whole gas and then we get pool gas price. After that concession rate is worked out for all the plants. Presently there is a lot of deficit. We do not get full 31.5 MMSCMD. Even we do not get gas allocated by cabinet. That leaves a gap, which we meet through RLNG resulting on our increased subsidy bill."

3.19 **<u>Calculation of Subsidy</u>** - The calculation of concession rates of urea under NUP are as detailed below :-

(a) The concession rate upto Reassessed Capacity (RAC) level includes Fixed Cost (calculated at 2002-03 level) and current variable cost of the unit. Fixed Cost calculated as on 2002-03 includes (i) Conversion cost viz. salaries & wages, contract labour cost, marketing cost, repair & maintenance, catalyst, administrative expenses etc. and (ii) Capital related cost viz. depreciation, interest on borrowed capital, return on equity. Variable Cost means actual cost incurred on energy cost, water cost, bag cost and electricity duty wherever applicable.

(b) The concession rates of urea beyond Reassessed Capacity (RAC) level includes Fixed Cost and Variable Cost calculated as below subject to Import Parity price which the Government incurs on the imported urea. Fixed Cost is the lowest of the fixed cost calculated as on 2002-03 of all the indigenous urea units. Variable Cost includes energy cost, water cost, bag cost and electricity duty wherever applicable.

3.20 The amount of subsidy on urea for different plants varies from Rs. 5990 PMT (BVFC Namrup-III) to Rs. 26483 PMT (RCF - Trombay-5). In this connection, the Department of Fertilizers was asked to explain the reasons for such a huge variation in the amount of subsidy being given. The Department was also asked whether any analysis was done on economic-viability of closure of high subsidy unit or their complete overhauling so as to reduce subsidy amount and to furnish an assessment on each of such high subsidy units. In reply, the Department of Fertilizers submitted as under :-

" Since the concession rates (i.e. Cost of Production of Urea) are determined separately for each urea producing plant, the subsidy payable to different urea producing plants varies from unit to unit. Components of Cost of Production of Urea are as under:

(i) Variable cost which includes:
  (a) Cost of energy viz. Natural Gas, RLNG, Naphtha
  (b) Cost on non-plant use of power and water
  (c) Cost of bags

(ii) Conversion cost or fixed cost:
  (a) Salary and wages,
  (b) Cost of contract labour
  (c) Cost of consumables like catalyst, chemicals and other consumables
  (d) Administrative overheads.
  (e) Factory overheads, insurance etc.

(iii) Capital related charges:
  (a) Depreciation
  (b) Interest on long term loans
  (c) Interest on short term loans and cash credit

(iv) Selling expenses

Energy norms of the urea manufacturing plants of the country vary from plant to plant along-with the cost of above components. Therefore, the amount of subsidy on urea also varies from plant to plant. So far as the concession rate of BVFCL units is concerned, being located in the north east region of the country, it enjoys special dispensation regarding pricing of gas due to which its concession rate is lower than the other urea manufacturing units of the country.

Once the NUP-2015 target energy norms are fully achieved, the variation in the energy norms of the different units will be minimized which in turn will minimize the variation in the subsidy on urea for different plants.

Under NUP-2015, the existing gas based urea units were classified into three groups based on their preset energy norms. The energy norms of the 25 gas based urea units were revised for a period of three years i.e. 2015-16 (w.e.f. 1st June, 2015) to 2017-18. Each group was given target energy norms w.e.f. 1st April, 2018. Vide notification dated 28th March, 2018, the target energy consumption norms for 11 urea manufacturing units have come into force w.e.f. 1st April, 2018 while for remaining 14 urea manufacturing units, the existing norms under NUP-2015 have been extended for further period of 2 years i.e. 31st March, 2020 with certain penalties.

Due to the revision of energy norms under NUP-2015 and notification dated 17th June, 2015, there has been a saving of Rs. 638.90 Crore, Rs. 535.04 Crore and Rs. 615.28 Crore during the year 2015-16, 2016-17 and 2017-18 respectively. Resultantly, there has been a total saving of around Rs. 1789 Crore in three years. "

3.21 The Committee sought to know about the details regarding total production subsidy provided to 1 metric tonne of urea in different types of production process like naptha based / gas based processes and justification for payment of different rate of production subsidy for different plants. Responding to the same, Department of Fertilizers furnished *inter-alia* following details :-

Sl. No.	**Name of the Unit**	**Capacity (MT)**	**Total rate (Rs/MT)**	**Consumer price (Rs/MT)**	**Subsidy (Rs/MT)**
	Feed-Stock: Gas Pool				
1	IFFCO- Aonla	864600	16408	5110	11298
2	INDOGULF- Jagdishpur	864600	16018	5130	10888
3	KRIBHCO-Hazira	1729200	16695	5110	11585
4	NFL-V Pur	864600	16388	5130	11258
5	NFCL-Kakinada	597300	17610	5130	12480
6	CFCL-Kota	864600	16822	5130	11692
7	YFIPL	864600	16643	5130	11513
8	KFL	864600	16930	5130	11800
9	NFCL-Kakinada exp.	597300	17627	5130	12497
10	IFFCO-Aonla exp.	864600	16470	5110	11360
11	NFL-V Pur Exp.	864600	16624	5130	11494
12	IFFCO-P,PUR EXP.	864600	17832	5110	12722
13	CFCL-II	864600	17441	5130	12311
	Sub Total	**11569800**	**16837**	**5123**	**11714**
14	GNFC-Bharuch	636900	16787	5130	11657
15	GSFC-Baroda	370590	20365	5130	15235

16	IFFCO-Kalol	544500	18388	5110	13278
17	RCF-Thal	1706897	18298	5130	13168
	Sub Total	**3258887**	**18253**	**5127**	**13126**
18	IFFCO-P,PUR	551100	19819	5110	14709
19	KFCL-Kanpur	722700	23343	5130	18213
20	SFC-Kota	379500	19500	5130	14370
21	RCF -Trombay-V	330000	24571	5130	19441
22	ZACL-Goa	399300	20976	5130	15846
23	NFL-Nangal	478500	19634	5130	14504
24	NFL-Bhatinda	511500	19938	5130	14808
25	NFL-Panipat	511500	20185	5130	15055
	Sub Total	**3884100**	**21007**	**5127**	**15880**
	Gas pool units Total	**18712787**	**17949**	**5124**	**12825**
Feed-Stock: other than Gas Pool					
26	BVFC- Namrup II	240000	13529	5130	8399
27	BVFC- Namrup - III	315000	10874	5130	5744
		555000	**12022**	**5130**	**6892**
	Feed-Stock: Naphtha				
28	MCFL-Mangalore	379500	25412	5130	20282
29	MFL-Madras	486750	29947	5130	24817
30	SPIC-Tuticorin	620400	28102	5130	22972
	Total -Naphtha	**1486650**	**28019**	**5130**	**22889**
	Grand Total	**20754437**	**18512**	**5125**	**13387**
	Under NIP-2012	**Started in December 2018**			
31	CFCL-III	1270500	30746	4974	25772

The difference in concession rate mainly are due to the different policy applicable to different units, energy norms feed stock (Gas or Naphtha based).

3.22 **Subsidy and Energy Norms for Naphtha based Urea Units -** The three Naphtha based urea units viz., MFL, MCFL, SPIC are also allowed the existing energy norms under Para (2) of policy notification dated 17th June, 2015 for another two years i.e. till 31st March, 2020 or till these units get the gas pipeline connectivity, whichever is earlier. There will be no mopping up of energy efficiency for a fix period of 5 years from date of gas pipeline connectivity as per Para 3 (viii) and 5 (ii) of NPS-III policy dated 8th March, 2007. Vide notification dated 14th May, 2019, the duration of New Urea Policy-2015 has been extended from 1st April,2019 till further orders except the provisions as amended already vide notification dated 28th March, 2018. Energy norms for these 3 units were also prescribed and a target energy norm of 6.5 Gcal/MT was given from 2018-19 which has been extended vide notification dated 28.03.2018. It is pertinent to mention here that MFL has started production of Urea by using gas as a feedstock from 29thJuly, 2019.

Progressive Reduction of Subsidy

3.23 The Department of Fertilizers, when asked inter-alia about the steps taken for the progressive reduction of subsidy, furnished reply as under :-

> " Under NUP-2015, the existing gas based urea units have been classified into three groups based on their preset energy norms. The energy norms of the 25 gas based urea units were revised for a period of three years i.e. 2015-16 (w.e.f. 1st June, 2015) to 2017-18. Each group was given target energy norms w.e.f. 1st April, 2018.
>
> Vide notification dated 28th March, 2018, the target energy consumption norms for 11 urea manufacturing units have come into force w.e.f. 1st April, 2018 while for remaining 14 urea manufacturing units, the existing norms under NUP-2015 have been extended for further period of 2 years i.e. 31st March, 2020 with certain penalties. It has been also decided that the target energy norms of NUP-2015 may be continued upto 31st March, 2025.
>
> NUP-2015 has led to additional production of 20 LMT from the existing plants in 2015-16 as compared to 2014-15. The total production of urea during the year 2015-16 was 244.75 LMT, i.e. the highest ever urea production in the country. The total production of urea during 2016-17, 2017-18 and 2018-19 was 242.01 LMT, 240.23 LMT and 240 LMT respectively, which are significantly higher than 2014-15."

3.24 During oral evidence, the Committee asked how did the government of India saved Rs. 10,000 crore in subsidy disbursement last year and also asked what is the plan for further saving of subsidy. In this regard, the Secretary Department of Fertilizers informed as under:-

> "Our objective of a subsidy regime is ensuring food security and ensuring a reasonable livelihood to the farmers. If reducing subsidy and reducing the quantum of subsidy for the Finance Ministry is a prime objective, Sir, what you are saying, can be worked out. So far, this thinking has not been accepted that we should limit the subsidy at the cost of the two other objectives. So, these are conflicting objectives. Yes, fiscal prudency is one lesser objective than the two other objectives. Sir, as I presented by tweaking the energy norms and bringing little efficiency, the quantum of subsidy that goes to the fertilizer companies have been contained."

CHAPTER – IV

SUBSIDY FOR PHOSPHATIC & POTASSIC FERTILIZERS AND FOR CITY COMPOST

The country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Subsidy being fixed, and fluctuation in international prices has effect on the domestic prices of P&K fertilizers.

Concession scheme for P&K fertilizers and its impact

4.2 The Government introduced a new methodology for working out subsidy on complex fertilizers based on the recommendation of Tariff Commission w.e.f. 1.4.2002 upto 31.3.2010 on monthly basis. The MRP of P&K fertilizers provided to farmers were much lower than its delivered cost. This led to increase in consumption of fertilizers during the last three decades and consequently increase in food grain production within the country. However, it was observed few years before 2010 that:

(i) The marginal response of agricultural productivity to additional fertilizer usage in the country had fallen sharply, leading to near stagnation in agricultural productivity and consequently agricultural production.

(ii) The disproportionate NPK application, rising multi-nutrient deficiency and lack of application of organic manures leading to reduction in carbon content of the soil, was attributed to the stagnating agricultural productivity.

(iii) The innovation in fertilizer sector also suffered as very few new products were introduced by fertilizer companies, since they got outpriced by subsidized fertilizers.

(iv) The subsidy outgo of Government had increased exponentially by 500% during the five years (2005-06 to 2009-10) under the Concession Scheme.

NBS Policy for P&K fertilizers w.e.f. 01-04-2010

4.3 It was, thus, observed that over the years *the* product based subsidy regime (erstwhile concession scheme) had been proving to be a losing proposition for all the stake holders viz farmers, industry and the Government. Accordingly, considering all the issues relating to agriculture productivity, balanced fertilization and growth of indigenous fertilizer industry, competiveness amongst the fertilizer companies and to overcome the deficiency of concession scheme, the Government introduced Nutrient Based Subsidy (NBS) Policy for P&K fertilizers w.e.f 01-04-2010.

4.4 **Broad structure of Nutrient Based Subsidy (NBS)** - Under the NBS Policy, the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidized P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidized P&K fertilizers covered under NBS Policy.

4.5 **Fertilizers Covered under NBS** - At present 21 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate (produced by M/s FACT), SSP and 15 grades of NPKS complex fertilizers are covered under the NBS Policy with following NPKS ratios:

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

4.6 **Per Kg Nutrient Subsidy Rate** - An Inter-Ministerial Committee (IMC) has been constituted with Secretary (Fertilizers) as Chairperson and Joint Secretary level representatives of Department of Agriculture & Cooperation (DAC), Department of Expenditure (DOE), Planning Commission and Department of Agricultural Research and Education (DARE). This Committee recommends per nutrient subsidy for 'N', 'P', 'K' and

'S' before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. The Committee also recommends inclusion of new fertilizers under the subsidy regime based on application of manufacturers/ importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government.

4.7 **Additional Subsidy for Micro-Nutrients Under NBS** - Under the policy, any variant of the subsidized P&K fertilizers with secondary and micronutrients (except Sulphur 'S'), as provided for under FCO, is also eligible for subsidy. There is separate additional subsidy for micronutrients namely Boron and Zinc. The secondary and micro-nutrients (except 'S') in such fertilizers attracts a separate per tonne subsidy to encourage their application along with primary nutrients.

4.8 On being asked, the details of Per Kilo Gram NBS rates for the Nutrients of N, P, K and S for the years 2016-17 to 2018-19, as furnished by the Department of Fertilizers, are as under :-

a) Per Kg NBS rates (in Rs.) for nutrients N, P, K, S for the 2016-17 to 2018-19

Nutrients	**2016-17**	**2017-18**	**2018-19**
'N' (Nitrogen)	15.854	18.989	18.901
'P' (Phosphate)	13.241	11.997	15.216
'K' (Potash)	15.470	12.395	11.124
'S' (Sulphur)	2.044	2.240	2.722

b) Per MT subsidy on different P&K fertilizers during 2010-11 to 2018-19 :

Sl. No.	**Fertilizer Grades(FG) (N P K S nutrient)**	**2016-17**	**2017-18**	**2018-19**
1.	DAP (18-46-0-0)	8945	8937	10402
2.	MAP (11-52-0-0)	8629	8327	9991
3.	TSP (0-46-0-0)	6091	5519	6999
4.	MOP (0-0-60-0)	9282	7437	6674
5.	SSP (0-16-0-11)	2343	2166	2734
6.	16-20-0-13	5451	5729	6421
7.	20-20-0-13	6085	6488	7177
8.	20-20-0-0	5819	6197	6823
9.	28-28-0-0	8147	8676	9553
10.	10-26-26-0	9050	8241	8739
11.	12-32-16-0	8615	8101	8917

12.	14-28-14-0	8093	7753	8464
13.	14-35-14-0	9020	8593	9529
14.	15-15-15-0	6685	6507	6786
15.	17-17-17-0	7576	7375	7691
16.	19-19-19-0	8467	8242	8596
17.	Ammonium Sulphate (20.6-0-0-23)	3736	4408	4501
18.	16-16-16-0(w.e.f. 1.7.2010)	7130	6941	7239
19.	15-15-15-9 (w.e.f. 1.10.2010)	6869	6709	7031
20.	24-24-0-0(from 1.10.10 to29.5.12 and w.e.f. 22.6.2012)	6983	7437	8188
21.	24-24-0-8 (wef 12.11.13 to 14.2.15) without subsidy on S	6983	7437	8188

4.9 The rates of additional subsidy for micronutrients namely Boron and Zinc from the years, 2010-11 to 2017-18 are as under:

Sl No.	**Nutrients for fortification as per FCO**	**Additional subsidy per MT of fortified fertilizers (in Rs. PMT)**
1	Boron 'B'	300
2	Zinc 'C'	500

4.10 **Import of subsidized P&K fertilizers** - Import of all the subsidized P&K fertilizers including complex fertilizers has been placed under Open General License (OGL). NBS is available for imported complex fertilizers also except Ammonium Sulphate. However, in case of Ammonium Sulphate (AS) the NBS is applicable only to domestic production by M/s FACT.

4.11 **Freight Subsidy for NBS Covered P&K Fertilizers** In addition to NBS, subsidy for primary freight movement of the decontrolled fertilizers(except SSP) by rail and road and coastal shipping / inland shipping is being provided to enable wider availability of fertilizers even in the remotest places in the country.

4.12 **MRP of NBS Covered P&K Fertilizers** - Under the Policy, MRP of P&K fertilizers has been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates. In effect, the domestic prices are determined by demand supply mechanism. Companies are allowed to fix the MRP on their own. The intention behind introduction of NBS was to increase competition among the fertilizer companies to facilitate availability of diversified products in the market at reasonable prices.

4.13 When asked about the extent to which this system of payment of subsidy is beneficial to the farmers , the Department of Fertilizers stated that *" As a result of payment of subsidy, farmers are paying less than MRP for P&K fertilizers compared to what it would have been without subsidy. "*

4.14 Though the market price of subsidized fertilizers, except Urea, is determined based on demand-supply dynamics, the fertilizer companies are required to print Retail Price (RP) along with applicable subsidy on the fertilizer bags clearly. Any sale above the printed MRP is punishable under the EC Act. The Department of Fertilizers was asked to state whether the MRP in respect of 21 P&K fertilizers is same all over the country and whether the Government would take necessary steps for ensuring uniform MRP for subsidized P&K fertilizers(21) in case different MRPs in different part of the country. In reply, Department of Fertilizers submitted as under :-

> " Under the NBS policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government. Since, P&K fertilizers are decontrolled and the MRP is fixed by fertilizer companies as per cost of production/import at reasonable level, it is not viable for the companies to fix similar MRP for similar product all over the country."

4.15 The Department of Fertilizers was asked as to explain how the benefits of NBS reaches farmers under the scheme as Subsidy is provided to fertilizer companies and they are also permitted to fix MRP as per market dynamics. In this regard, the Department of Fertilizers stated as under :-

> " Under the NBS policy, a fixed amount of subsidy, decided on annual basis, is provided on subsidised P&K fertilizers depending on their nutrient content. MRP is fixed by fertilizer companies excluding subsidy amount as per market dynamics at reasonable level which is monitored by the Government. Accordingly, any farmer who is buying these fertilizers is getting benefits of subsidy."

4.16 On being asked to explain as to how the Department has ensured that the NBS subsidy is transferred to farmers in a free market economy, where the MRP for 21 P&K fertilizers are fixed by producer companies, and to state whether any study has been conducted in this regard, the Department of Fertilizers furnished written reply as under :-

> "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. As the MRP fixed by the P&K fertilizer companies are exclusive of subsidy, any farmer who is buying these fertilizers is getting benefits of subsidy.

Study on the mechanism for fixing MRP by the companies has not been conducted by the Department.

However, guidelines for ensuring reasonable MRP have been issued by the Department with the approval of competent authority w.e.f. 01.04.2012."

4.17 **Calculation and Payment of Subsidy** - 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 "Fertilizer Monitoring System (FMS)". The payment of subsidy to the manufacturers/importers of P&K fertilizers is released as per the procedure notified by the Department vide OM dated 17.3.2017.

4.18 When the Committee asked about the mechanism followed for calculation of subsidy amount for different nutrients, the Department in a written reply stated as under :-

"The basic principle adopted in fixation of subsidy rates for different nutrients, is the identification of benchmark international prices of major consuming fertilizers viz. Urea, DAP and MOP. Based on these benchmark prices, the delivered prices of these fertilizers are determined taking into account the prevailing exchange rate. The IMC also takes into account other relevant factors like requirement of nutrients in the country, balanced use of fertilizers, subsidy burden, MRP of fertilizers etc."

4.19 To a query of the Committee, whether the Department had ever undertaken any external or forensic audit of the calculations provided by fertilizers companies to assess the reasonableness of the subsidy claimed, the Department in a written reply stated that "*it has not undertaken any external audit or forensic audit of the calculations provided by fertilizer companies. However, FICC as technical expert examines the reasonableness of MRPs fixed by the P&K fertilizer companies*. "

4.20 To a query as to whether the Government considered any alternative models to calculate the admissible subsidy, the Department of Fertilizers replied in negative.

Monitoring MRP of P&K fertilizers under NBS regime

4.21 As per the Annual Report, 2018-19 of the Department of Fertilizers, the prices of P&K fertilizers had gone up substantially and doubts had been raised about reasonableness of the pries fixed by the companies. The prices had gone up substantially on the account of increase in prices of raw materials/finished fertilizers in international market, depreciation of Indian rupee w.r.t US Dollar and also due perhaps to larger profit margins by the companies. This lead to lot of hue and cry from the various quarters and has also lead to imbalance in use of fertilizers. Accordingly, in order to check the prices fixed by P&K companies, the government vide notification dated 8.7.2011 directed the fertilizers companies to fix the prices of P&K fertilizes at reasonable level under the NBS regime. In order to ensure reasonableness of prices fixed by the NBS Policy and rates for the year 2013-14, the following clauses have been incorporated in NBS Policy applicable with effect from 1.4.2012:-

(i) It shall be mandatory for all the fertilizer companies to submit, along with their claims of subsidy, certified cost data in the prescribed format and as per the requirement for the purpose of monitoring of MRPs of P & K fertilizer fixed by the fertilizer companies.

(ii) In cases, where after scrutiny, unreasonableness of MRP is established or where ther is ;no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy may be restricted or denied even if the product is otherwise eligible for subsidy under NBS. In proved case of abuse of subsidy mechanism, DOF, on the recommendation of IMC may exclude any grade/grades of fertilizers of a particular company or the fertilizers company itself from the NBS scheme.

(iii) The reasonableness of MRP will be determined with reference to the MRP printed on the bags.

4.22 In regard to a query on action taken on companies which fixes MRP in a unreasonable manner, the Department of Fertilizers further stated that it is finalizing the guidelines for recovery of profit earned over and above 12% of companies. Action would be taken after finalization of these guidelines against the defaulter erring companies. The Committee were further informed that these guidelines would be finalized latest by the end of the current financial year."

Subsidy Scheme For Promotion of City Compost

4.23 Policy on promotion of City Compost was approved by the Cabinet on 20.01.2016 which has been notified by the Department of Fertilizers on 10.2.2016. As per the policy on promotion of city compost, Market Development Assistance (MDA) in the form of fixed amount of Rs. 1500 per tonne City Compost is provided on the sale of city compost to Fertilizer Marketing Companies as well as to City Compost manufacturers. Initially, existing Fertilizer Marketing Companies were permitted for marketing and promotion of City Compost. Operational guidelines for release of MDA to marketing companies have been issued on 3.6.2016 & 10.10.2016. Subsequently, the compost manufacturers have been allowed for bulk sale of city compost directly to farmers on 28.09.2016. Guidelines for direct sale of city compost by compost manufacturers were issued on 9th January, 2017. Vide letters dated 7th September, 2017, the Fertilizers Marketing Companies are allowed for Bulk Sale of City Compost and compost Manufacturing Companies for Bagged Sale of City Compost. The MDA is disbursed to the Marketing Companies on sale of City Compost through FMS and Mobile Fertilizer Management System (mFMS) on similar method of release of subsidy on chemical fertilizers. Presently, under the Direct Benefit Transfer (DBT) which has been rolled out Pan India on 1st March, 2018, the MDA on City Compost is being provided to fertilizer companies marketing city compost.

4.24 A Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture has been set up for coordination. During 2019-20, a provision of Rs. 32.00 crore has been made for payment of MDA on sale of City Compost. The year-wise sales by fertilizer marketing companies and compost manufacturers and MDA released during the years from 2016-17 to 2019-20 is as follows :-

Year	Sale by marketing companies (in MT)	Bulk Sale by manufacturing companies (in MT)	Total sale (in MT)	% increase in total sale from previous yr	Budget allocation (Rs. in crore)	MDA Released (In Cr.)
2016-17	96584.00	-	96584.00	-	15	0.55
2017-18	123569.87	75492.04	199061.91	106.1	15	7.26
2018-19	195551.48	111078.99	306630.47	54.03	10	10.00
2019-20 (Apr to Oct 2019	118585.48	70454.75	189040.23	-	32	21.66

4.25 The Committee observed that in 2018-19 total budget allocation for the Market Development Assistance (MDA) under the scheme for promotion of city compost was Rs.10 crore and the total sale of city compost was 3 Lac tonnes. In this context, the Department of Fertilizers was asked whether any study was conducted to analyze the efficacy of using the compost vis-a-vis the chemical fertilizers in terms of crop yields and to provide details of the same. Further, the Department of Fertilizers was also asked to give an assessment whether the productivity and usage of compost can be significantly enhanced and whether city compost could be provided the same level of subsidy as urea. In this regard, the written reply of the Department is appended below :-

“ With the approval of the Cabinet the Department of Fertilizers has notified the policy on promotion of City Compost on 10.02.2016 wherein Market Development Assistance (MDA) of Rs. 1500/- M.T. in the form of subsidy has been provided for scaling up production and consumption of city compost. As the funds of Rs, 15.00 crore allocated during the year 2016-17 and 2017-18 for payment of Market Development Assistance (MDA) on the sale of city compost was not fully utilized, the Budget for the 2018-19 was kept at Rs. 10.00 crore. However, keeping in view the pace of expenditure during 2018-19, it has been increased to Rs. 32.00 crore during 2019-20. As the scheme is relatively new and has been rolled out recently the Department of Fertilizers has not yet conducted any study to analyze the efficacy of using the compost. As on date there has been no assessment done by the Department regarding enhancement of productivity and usage of compost, if compost provide the same level of subsidy as Urea.

CHAPTER – V
EXPENDITURE ON FERTILIZER SUBSIDY & PAYMENT OF SUBSIDY

5.1 Under the extant 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. The Department of Fertilizers is entrusted with the responsibility of disbursal of subsidy on Urea, Phosphatic & Potassic (P&K) complex fertilizers and City Compost. Consumption of subsidized fertilizers in the country and subsidy expenditure of Government has shown an increasing trend over the last 15 years.

Pattern of Consumption of Major Fertilizers

5.2 The data furnished by the Department of Fertilizers regarding consumption of major fertilizers from 2000-01 to 2018-19 are as under :-

(In '000 tonnes)

Year	UREA	DAP	MOP	COMPLEX	SSP	TOTAL
2000-01	19160.00	5884.00	1790.00	4780.00	2860.00	**34474.00**
2001-02	19917.00	6181.00	1993.00	4964.00	2605.00	**35660.00**
2002-03	18493.00	5473.00	1912.00	4810.00	2499.00	**33187.00**
2003-04	19579.00	5624.00	1841.00	4757.00	2544.00	**34345.00**
2004-05	20655.19	6255.78	2406.20	5507.96	2549.35	**37384.48**
2005-06	22297.51	6763.92	2731.26	6694.02	2755.95	**41242.66**
2006-07	24337.66	7378.24	2585.61	6799.39	2910.48	**44011.38**
2007-08	25963.15	7496.61	2880.69	6570.72	2287.76	**45198.93**
2008-09	26649.21	9231.21	4077.33	6804.83	2616.61	**43379.19**
2009-10	26673.44	10491.83	4634.06	8024.83	2651.10	**52475.26**
2010-11	28112.53	10869.90	3931.62	9764.13	3825.20	**56503.38**
2011-12	29565.32	10191.19	3028.93	10394.70	4746.01	**57926.15**
2012-13	30002.20	9154.08	2211.02	7527.18	4030.36	**52924.84**
2013-14	30600.48	7357.42	2280.41	7263.52	3879.32	**51381.15**
2014-15	30609.97	7625.56	2853.35	8277.51	3989.30	**53355.69**
2015-16	30634.77	9107.22	2466.93	8821.05	4252.74	**55282.71**
2016-17	29613.58	8963.51	2863.20	8414.31	3756.81	**53611.41**
2017-18	29894.44	9294.11	3158.18	8596.43	3439.38	**54382.54**
2018-19	31398.18	9208.30	2952.49	9088.23	3561.44	56208.64

Source: State Governments

5.3 To a query seeking details regarding pattern of consumption of fertilizers by farmers vis-à-vis cost of fertilizers, Department of Fertilizers stated inter-alia that "*No study has been conducted regarding the consumption of fertilizers by the farmers vis-à-vis cost of fertilizers*.

5.4 To a post evidence query seeking whether any study been undertaken regarding the conformity of the fertilizer subsidy scheme with WTO norms and details of such study, the Department of Fertilizers furnished written reply that *"No such study has been undertaken of the fertilizer subsidy scheme by Department."*

Expenditure on Fertilizer Subsidy Schemes

5.5 The estimated budgetary allocation for Urea Subsidy (MH-2852) and Nutrient Based Subsidy (MH-2401) during 2019-20 is Rs.83476.00 crore out of the BE of Rs.83515.00/- crore allocated for the Department of Fertilizer for the year. Detailed break up of subsidy expenditure proposed by the Department of Fertilizers during 2019-20 is as under :-

(Rs. in crore)

Head of Account	**Revised 2019-20**	
1. Nutrient Based Subsidy Policy (MH 2401)	**26367.00**	
(a). Payment for Indigenous 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 Indigenous 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 Expenses	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**	

5.6 Details of expenditure incurred on Urea subsidy and Nutrient Based Subsidy during 2016-17, 2017-18 and 2018-19, as furnished by Department of Fertilizers are as under :-

(Rs. in Crore)

Year	Scheme	Expenditure	Physical Outcomes (in LMT)*	
2016-17	Urea Subsidy	51256.59	296.82	*** The financial outlays and the physical outcomes include the indigenous production as well as import.**
	NBS Subsidy	18843.42	259.78	
2017-18	Urea Subsidy	46980.00	299.98	
	NBS Subsidy	22244.26	269.15	
2018-19	Urea Subsidy	49351.83	314.81	
	NBS Subsidy	24090.35	290.44	

5.7 According to Department of Fertilizers actual consumption of fertilizers and subsidy outgo thereto during the last three years are as given below :-

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	

<u>Note:</u> 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.

5.8 When asked to furnish fertilizer-wise details of annual quantum of consumption of subsidized fertilizers and subsidy expenditure since 2000-01 onwards, Department of Fertilizers furnished the same from financial year 2001-02 onwards, which are as under :-

(Amt. in Cr.)

Year	Imported P&K	Indigenous P&K	City Compost	Imported Urea	Indigenous Urea	Total Subsidy
2001-02	744.00	3759.52		147.50	8257.00	12908.02
2002-03	736.58	2487.94		1.16	8078.35	11304.03
2003-04	720.00	2606.00		0.82	8521.00	11847.82
2004-05	1165.18	3977.00		742.37	10243.15	16127.7
2005-06	2097.00	4499.20		2140.88	10460.17	19197.25
2006-07	3649.95	6648.16		5071.06	12650.37	28019.54
2007-08	6600.00	10333.80		9934.99	16450.37	43319.16
2008-09	32597.69	32957.10		12971.18	20914.76	99440.73
2009-10	23452.06	16000.00		6999.98	17580.25	64032.29
2010-11	20850.00	20650.00		9255.95	15080.73	65836.68
2011-12	16571.92	20237.49		17475.00	20285.42	74569.83
2012-13	14576.10	16000.00		20016.00	20000.00	70592.1
2013-14	13926.86	15500.00		15353.30	26500.00	71280.16
2014-15	8667.30	12000.00		16200.00	38200.01	75067.31

2015-16	9968.56	11969.00		16400.00	38200.00	76537.56
2016-17	6999.99	11842.88	0.55	11256.59	40000.00	70100.01
2017-18	7900.00	14337.00	7.26	9980.00	36973.70	69197.96
2018-19	9260.00	14820.35	10.00	17155.36	32189.50	73435.21

5.9 The Department of Fertilizers, on being was asked details regarding study, if any, conducted on consumption of pattern vis-à-vis cost of fertilizers. In this regard, the Department of Fertilizers submitted *inter-alia* that "*No study has been conducted regarding the consumption of fertilizers by the farmers vis-à-vis cost of fertilizers*."

SYSTEM OF PAYMENT OF SUBSIDY

5.10 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."

5.11 According to Department of Fertilizers, submission, procession and disbursement of subsidy claim by companies is online and done through IT based system namely Integrated Fertilizer Management System (iFMS) developed by NIC. Fertilizers companies, after sale, 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."

5.12 When asked to explain in detail the structure of the current subsidy scheme framework with reference to fertilizer/nutrient-wise details and methodology for calculation and disbursement of subsidy, the Department of Fertilizers intimated about the following procedure notified by the Department vide O.M dated 17.3.2017 :-

I. **Month-wise Budget provision on the basis of supply plan/actual sales:** The Programme Division will prepare an estimate of the monthly expenditure for the disbursement of subsidy on the basis of information provided by the Movement Division, Supply Plan for previous month and/or supply plan for corresponding month of previous year or actual sales with a variation of +/- 10%. The provision of budget will be under the following heads of account :-

a. Indigenous P&K (including SSP)
b. Indigenous Urea
c. Imported P&K
d. City compost

II. **Approval/ Sanction of the Competent Authority**: Sanction of Competent Authority would be obtained by the Programme Division with the concurrence of IFD for the estimated monthly expenditure. This is an advance sanction (Master Sanction/ Mother sanction) for the release of subsidy payments during the month.

III. **DBT System:** The DBT system entails 100% payment of subsidy to the fertilizer manufacturing/ importing companies o the basis of actual sales by the retailer to the beneficiary. The farmers or buyers identity is verified through Aadhar based biometric authentication/ Voter ID card/ Kisan Credit Card (KCC). The buyers' details will be captured in the Point of Sale (Pos) machines installed at the retailer's end, having online connectivity with central server. All the Fertilizer sale transactions will be tracked online (Company wise, Plant wise, Product wise etc.) in the Integrated Fertilizer Management System (iFMS).

IV. After the sale of fertilizers, each company will submit an online claim through iFMS duly signed digitally by the authorized signatory on weekly basis for the quantity sold during the week. The online claims will be submitted on 8th, 16th 24th and the last working day of the month. In case of public holiday, the claim would be submitted on the next working day. The weekly claims submitted by the companies for a particular month should be verified and certified by the Chartered Accountant/ Statutory Auditor on monthly basis. Weekly claims submitted to DOF will be processed on the basis of certification by the Chartered Accountant/ Statutory

Auditor of the company for the claims of previous month. The existing Payment procedure and the Payment procedure under DNT is given at Annexure-I of the OM dated 17.03.2017.

V. After receipt of the online claims from the companies, the Programme Division processes the same on the next working day. The approval of the Head of Programme Division will be obtained before issue of weekly digital financial sanction by DDO to PAO along with digital bill. The PAO would process the payment through Public Financial Management System (PFMS) and credits the subsidy amount to the company's bank account. The iFMS will generate Weekly/Monthly expenditure statements for the companies and concerned divisions of DOF. The list of beneficiaries will be made available on the iFMS web portal for all the users. The release of 100% subsidy to the companies shall be made within a period not exceeding 7 working days from the date of submission of claims.

VI. **Mode of reconciliation:** On 20th of every month (or the next working day if 20th happens to be a holiday), the DDO of respective programme division will generate the statement of bills paid during the preceding month and also submit the budget estimate for next month and seek concurrence of IFD as per the laid down procedure. This needs to be completed by 25th of every month.

VII. **Installation of Point of Sale (Pos) Device:** The retailer is an important stakeholder in the DNT system. He is the front line agency having interface with the farmer/ beneficiary. The 100% payment of subsidy is triggered by the retailer sales at the field level. Therefore, it is essential that the retailers are provided with necessary infrastructure and are well trained to handle the PoS machines, the responsibility for which rests with both fertilizer companies and retailers.

VIII. As per notification No. F.D(FA)/CCEA/2011 dated 12th October, 2012 an incentive of Rs.50/- was provided to the retailers for installation of IT related equipment for acknowledging the receipt of fertilizers in the m-FMS w.e.f. 1st November, 2012. The incentive shall also be applicable for installation of PoS machines at the retailers' end.

IX. **State certification for Quantity:** States would continue to send certificate w.r.t. the quantity (proforma-B1), with the proviso that quantity will be certified online within 30 days on the iFMS. Short and sub-standard quantity as reported by the State(s) will not be eligible for subsidy and the subsidy paid, if any, will be recovered from the companies. A 30 day window will be made available for the states on the transparency portal to report any discrepancies in the quantity of fertilizers reported. In case state certification for quantity is not submitted within 30 days, it shall be deemed as no discrepancies on quantity reported by State agencies. However, if any discrepancy w.r.t. quantity is reported by State(s) or any other Agency at any later stage, recoveries will be made from the pending claims of the company.

X. **State certification for Quality:** Currently Proforma-B2 is required for P&K Fertilizers, urea and SSP for quality certification from states. The existing provision of availability of 180 day window continues for the states to report any discrepancies in the quality of fertilizers reported. If the quality certificate (Proforma B2) is not submitted within 180 days, it shall also be deemed as no discrepancies w.r.t. quality reported by State agencies. However, if any discrepancy w.r.t. quality is reported by State(s) or any other Agency at any stage, recoveries will be made from the pending claims of the company.

5.13 On being asked to provide the details of arrears of subsidy as on 31 March for last 10 financial years, the Department of Fertilizers furnished the under mentioned details of arrears of subsidy bills as on 31st March for last 10 financial years:-

(Rupees in crores)

Year	**P&K Fertilizers**	**City Compost**	**Total**
2009-10	7111.48	0.00	7111.48
2010-11	7172.00	0.00	7172.00
2011-12	17660.42	0.00	17660.42
2012-13	15317.88	0.00	15317.88
2013-14	12106.34	0.00	12106.34
2014-15	12295.09	0.00	12295.09
2015-16	16518.36	0.00	16518.36
2016-17	19153.82	3.58	19157.40
2017-18	16021.93	12.18	16034.11
2018-19	12232.02	29.61	12261.63

5.14 When asked to furnish company-wise details of pending subsidy bills (carry-over liabilities 2018-19), the Department of Fertilizers furnished the following details in respect of indigenous urea as on 31-03-2019, which are as under :-

(Rs. In Crores)

Sl No.	**Name of company**	**Amt. of carry-over liabilities**	**Sl No.**	**Name of company**	**Amt. of carry-over liabilities**
1	BVFCL-Namrup II	14.02	16	NFCL-II	135.07
2	BVFCL-Namrup III	36.20	17	NFL (P)	466.64
3	CFCL-I	823.22	18	NFL (V-I)	846.13
4	CFCL-II	892.01	19	NFL (V-II)	934.80
5	GNVFC	609.39	20	NFL(B)	466.19
6	GSFC	373.81	21	NFL(N)	437.40
7	IFFCO (KALOL)	567.40	22	KFL	738.64
8	IFFCO (A-I)	788.38	23	RCF-THAL	2014.52
9	IFFCO (A-II)	807.51	24	RCF-TROMBAY	633.34
10	IFFCO (P-I)	585.90	25	SFC, KOTA	339.68

11	IFFCO (P-II)	865.80	26	TATA / YARA	499.21
12	Grasim	941.21	27	ZACL	520.39
13	KRIBHCO	1725.81	28	MFL	439.52
14	MCFL	585.64	29	SPIC	754.89
15	NFCL-I	254.02	30	KFCL	490.22
TOTAL					**19586.96**
Total Carried Over and Committed Liabilities (DBT and Non-DBT & Freight)					**19586.96**

5.15 Regarding company-wise details of pending subsidy bills (carry-over liabilities 2018-19), pertaining to imported urea as on 31-03-2019, the Department of Fertilizers furnished the following details :-

Sl. No.	Company	Amount in Crores
1.	Arcadia	1.95
2.	CIL	17.83
3.	GESCO	0.27
4.	GNFC	0.56
5.	Grasim	2.08
6.	GSFC	5.77
7.	IFFCO	300.73
8.	INTEROCEAN	0.73
9.	IPL	85.92
10.	KRIBHCO	107.15
11.	MCFL	10.27
12.	MMTC	25.83
13.	NFCL	40.36
14.	NFL	24.56
15.	OMIFCO	1.34
16.	RCF	11.52
17.	SCI	1.06
18.	SPIC	2.02
Total		**639.95**

5.16 Regarding details of unpaid subsidy bills (carry-over liabilities 2018-19) on 31-03-2019 as per claims submitted by P&K Fertilizer companies, the Department of Fertilizers furnished details as per which an amount of Rs.4,976.82 crore remained as unpaid against bills already submitted by 15 companies and certain SSP units and that as per subsidy claims-in-hand from 21 companies pertaining to imported P&K fertilizers, an amount of Rs.5,019.42/ crore was pending unpaid as on 31-03-2019. ***[Reply to LOP - 5(a)]*** When asked about the company-wise details of pendency status of subsidy bills as on 31-03-2019, the Department of Fertilizers furnished the following details :-

S. No.	Sector	Company Name	Amount in Crores
1.	Public	Fertilizer & Chemicals Travancore Ltd.	316.632
2.	Public	Gujarat State Fertilizers & Chemicals Ltd.	601.97
3.	Public	Madras Fertilizers Ltd.	35.32

4.	Public	National Fertilizer Ltd.	368.12
5.	Public	Rashtriya Chemicals & Fertilizers Ltd.	289.79
6.	Coop	Indian Farmers Fertilizers Coperative Ltd.	1,943.36
7.	Coop	Krshak Bharti Cooperative Ltd.	471.22
8.	Pvt.	Chambal Fertilizers and Chemical Ltd.	621.75
9.	Pvt.	Coromandel International Ltd.	893.31
10.	Pvt.	Green Star Fertilizers Ltd.	159.70
11	Pvt.	Gujrat Narmada Valley Fertilizers' Co. Ltd.	84.55
12.	Pvt.	Hindalco Industries Ltd.	158.32
13.	Pvt.	Indian Potash Ltd.	1,410.34
14.	Pvt.	RC Agrochemicals Pvt. Ltd.	607.63
15.	Pvt.	Khaitan Chemicals & Fertilizers Ltd. (Import)	2.71
16.	Pvt.	KPR Agrochem Ltd.	0.32
17.	Pvt.	Manglore Chemicals & Fertilizers Ltd.	130.82
18.	Pvt.	MOSAIC INDIA PVT. LTD.	440.50
19.	Pvt.	Nagarjuna Fertilizers & Chemicals Ltd.	2.39
20.	Pvt.	Paradeep Phosphate Ltd.	418.12
21.	Pvt.	Shri Ram Fertilizers & Chemicals	0.22
22.	Pvt.	Smachem Technologies Pvt. Ltd.	214.48
23.	Pvt.	Transworld Fourtichem Pvt. Ltd.	11.32
24.	Pvt.	Zuari Agro Chemicals Ltd.	383.22
25.	Pvt.	SSP Units	430.10
26.	-	Claims to be received	2,235.78
Total			**12,232.02**

5.17 As regards details of unpaid subsidy bills (carry-over liabilities 2018-19) on 31-03-2019 against claims submitted companies in respect of City Compost, the Department of Fertilizers furnished details as per which an amount of Rs.20.78 crore remained pending as unpaid against bills from 22 companies.***[Reply to LOP - 5(a)].*** When asked about the company-wise details of pendency status of subsidy bills as on 31-03-2019, the Department of Fertilizers furnished the following details :-

(Rupees in Crore)

S. No.	**Sector**	**Company Name**	**Amount in Crores**
1.	Public	Fertilizer & Chemicals Travancore Ltd.	1.00
2.	Public	Gujarat State Fertilizers & Chemicals Ltd.	0.54
3.	Public	Madras Fertilizers Ltd.	1.58
4	Public	National Fertilizers Ltd.	1.62
5.	Public	Rashtriya Chemicals & Fertilizers Ltd.	3.06
6.	Coop.	Krishak Bharti Co-operative Ltd.	3.48

7.	Pvt.	Chambal Fertilizers & Chemicals Ltd.	0.39
8.	Pvt.	Grasim Industries Ltd.	0.53
9.	Pvt.	Green Star Fertilizers Ltd.	0.25
10.	Pvt.	Gujrat Narmada Valley Fertilizers Co. Ltd.	1.62
11.	Pvt.	IRC Agrchemicals Pvt. Ltd.	0.66
12.	Pvt.	Kanpur Fertilizers & Cement Ltd.	0.12
13.	Pvt.	Manglore Chemicals & Fertilizers Ltd.	0.81
14.	Pvt.	Nagarjuna Fertilizers & Chemicals Ltd.	0.42
15.	Pvt.	Pradeep Phosphate Ltd.	0.00
16.	Pvt.	Smartchem Technologies Pvt. Ltd.	0.02
17.	Pvt.	Sriram Fertilizers and Chemicals	0.05
18.	Pvt.	Bharuch Enviro Infrastructure Ltd.	0.64
19.	Pvt.	Bhumi Green Energy	0.42
20.	Pvt.	Coimbatore Integrated Waste Management Co. Pvt. Ltd.	0.34
21.	Pvt.	IL&FS Environmental Infrastructure & Service Ltd.	1.73
22.	Pvt.	MD Biocoals	0.01
23.	Pvt.	MSGP Infra Tech Pvt Ltd.	0.36
24.	Pvt.	Nashik Management Pvt Ltd.	0.21
25.	Pvt.	Rohini Fire Safety Pvt. Ltd.	0.92
26.		Claims to be received	8.83
Total			**29.61**

5.18 On being asked to furnish consolidated details regarding subsidy claims settled during 2018-19 and pending subsidy claims during as on 31-03-2019, the Department of Fertilizers furnished the following data :-

(Rs. In Crore)

Scheme	Subsidy claims pending on 31.03.2018		Subsidy claims received during 1.4.2018 & 31.03.2019		Subsidy claims settled during 1.4.2018 & 31.03.2019		Subsidy claims pending on 31.03.2019	
	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount	No. of Bills	Amount
Indigenous P&K	1383	4864.64	9987	14932.53	7778	14820.35	3592	4,976.82
City	43	1.10	1098	29.68	458	10	683	20.78

Compost								
Imported P&K	351	4348.11	2237	9931.31	1682	9260.00	906	5,019.42
Imported Urea	294	354.69	1412	17440.62	1314	17155.36	392	639.95
Indigenous Urea	617	9794.00	5178	41982.46	2155	32189.50	3640	19586.96
Grand TOTAL	**2688**	**19362.54**	**19912**	**81316.60**	**13387**	**73435.21**	**9223**	**30243.93**

5.19 The Department of Fertilizers was asked about the stipulated time-period in which they are required to dispose of subsidy claims and whether any provision for payment of interest in case of delay in settlement of subsidy claims within the prescribed period. In this regard, the Department of Fertilizers furnished reply as under :-

> " As per policy guidelines, DBT claims are to be settled within 7 working days from the date of submission of the claims. However, there is no time limit prescribed for settlement of non DBT claims. There is no provision for payment of interest in case of delay in settlement of subsidy claims."

5.20 During oral evidence, when the Committee specifically asked about the reasons for pending of huge amount of subsidy bills and the manner in which the companies are going to sustain in such a situation, the Secretary of the Department replied as under:-

> "Sir, our effort is to provide subsidy. Under the new DBT system, we promised that within a week's time, we will clear the subsidy bills. But that is subject to the budgetary allocations. As you have rightly pointed out, every year, we get arrears of subsidy bills pending at the end of the financial year. Those figures you quoted are correct. On 31st March, 2019, we had around Rs. 32,000 crores of outstanding subsidy bills to be paid to the fertilizer companies. But this year, we made couple of efforts. I will enumerate them. We impressed upon the Department of Finance to enhance our budgetary allocations. This year, it has been significantly enhanced. Earlier, it was Rs. 73,000 crores and now, it has been raised to Rs. 84,000 crores. Within one year, there has been a significant increase. Secondly, we are trying to get some other ways to compensating or getting the bills paid to the fertilizer companies. We allow them to take loans against the receivables of subsidies from the banks and we bear some interest cost on that. In that case, cash flow becomes little bit improved. Then, we are also trying to allow the public sector fertilizer companies to borrow from the National Small Savings Fund as a temporary measure in which case we will also bear the cost of interest. This proposal has gone to the Finance Department. Now, we take the credit that in the Department this year, we have cleared all outstanding bills of those Rs. 32,000 crores by the month of August or September."

5.21 To a post evidence query seeking reasons for delay in settlement of the arrears in cases where the amount has been assessed but funds are not available and the cases where amount of subsidy itself has not been assessed, the Department of Fertilizers furnished written reply as under :-

> " The reasons for delay in settlement of arrears pertaining to P&K Fertilizers and City Compost attributes to non receipts of Performa B1/B2 from the concerned State, non submission of requisite documents/data by fertilizers companies as per policy guidelines and paucity of funds."

5.22 The Department of Fertilizers was asked whether any legal case(s), pertaining to method of calculation of amounts admissible or amounts denied, is / are pending in High Courts and Supreme Court and it was also asked to furnish details thereof in case of positive reply. In response, the Department of Fertilizers stated that *"No legal case is pending which pertain to the method of calculating of amounts admissible or amounts denied in any of the High Courts and Supreme Court."*

OBSERVATIONS/RECOMMENDATIONS

1. Fertilizer Subsidy Policy

The Committee note that chemical fertilizer is an essential component of modern agriculture. Timely availability of fertilizer at affordable price to farmers is vital for the growth of agriculture sector in the country. Fertilizer subsidy schemes have been an integral part of the Government policy to sustain agricultural productivity which in turn plays critical role in ensuring the food security in the country and in promoting rural livelihood and employment. Presently the government is implementing separate subsidy schemes for urea, P&K fertilizers and city compost. The Government is also providing freight subsidy for the movement of urea and P&K fertilizers. As far as urea is concerned, the government is fixing maximum Retail price and it has been left to fertilizer companies to fix the MRP of P&K fertilizers. The difference in concession rate/import price and net market realization is given as subsidy by the government to the fertilizer industry. Farmers are the actual beneficiaries of the Subsidy schemes as they are getting the fertilizers at affordable prices. Implementation of fertilizer subsidy schemes has resulted in tremendous growth of agricultural productivity which was necessary to meet the food security of the huge population of the country. However, there are some negative effects of use of Chemical fertilizes viz over-use of fertilizers, imbalanced use of fertilizers and the resultant soil degradation etc. In this regard, the Committee note that a committee of Secretaries headed by Cabinet Secretary has suggested to study the existing subsidy regime and to suggest any improvement or change in the policy. NITI Ayog has also constituted a Committee to examine the feasibility of providing agriculture subsidy on area basis through Direct Benefit Transfer system.

Draft Report of this committee has been circulated to various stake holders. Since any drastic change in the extant fertilizer subsidy policy would have huge bearing on the food security of the country, the committee would like to make the following recommendations:-

i. **Fertilizers subsidy policy of the Government helped the country in ensuring food security to the people of the country and any drastic change in the policy must be effected only after wider consultations and in depth study and no hasty decision should be taken in this regard.**
ii. **Both the Department of Fertilizers and NITI Ayog should consult all the stake holders viz concerned Departments of the Union government, state Governments, fertilizer industry, farmers' Associations, individual farmers, etc. before making any decision on change in the existing fertilizer subsidy policy.**
iii. **Interests of small and marginal farmers should be firmly kept in mind while bringing in any change in the extant policy.**
iv. **Education and awareness of farmers about the over use of any particular fertilizer and balanced use of fertilizers should be an integral part of fertilizer subsidy policy.**
v. **Best practices in other countries should also be carefully studied while considering any change in the extant fertilizers subsidy policy.**

2. Direct transfer of Subsidy to Farmers

The current system of providing subsidy to the manufacturer, which is based on complex parameters of technologies and inputs used by the manufacturers, is economically and technologically lopsided. This is apparent from the variation in per metric tonne subsidy being given to different plants which ranges from Rs 5744 per metric tonne to Rs 25772 per metric tonne. The Committee note that a number of plants have been operating with very old technology and systems and the subsidy based on the technology used has not encouraged these plants to shift to modern methods. As a result, we continue to manufacture the fertilizers not necessarily with highest efficiency and the Government continues to bear the cost of this inefficiency in terms of higher subsidy. While the Committee strongly feel that there is a need to continue subsidizing the fertilizers as they constitute the most critical input for the farmers, the Committee also believe that in an ideal situation, the farmers should get this subsidy directly in their accounts while the fertilizer manufacturers should be set free to manufacture, supply and sell the fertilizers as per their own system. The farmer should have a choice of buying from various brands of fertilizers while getting a subsidy amount credited to his bank account directly on producing the purchasing vouchers, which as the Committee understands, are now linked through the PoS machines. The Committee are of the view that such a system will push the manufacturers to produce and sell the fertilizers in the most cost effective manner and it will also push the inefficient manufacturers/importers out of the system.

The Committee observe that the system of direct subsidy to the beneficiary has been incorporated into a number of schemes by the Government under various Ministries. This has been possible due to an efficient expansion of the unique

identifier, AADHAR, as well as an aggressive expansion of the reach of banking system to the farthest corners of the country. The Committee feel that time has come for the Government to set out a clear and firm roadmap to switch over from the current system of subsiding fertilizers to a system where the subsidy amounts get credited directly to the account of the farmers and the manufacturing/importing of fertilizers is set free to the market forces.

3. <u>Innovative Methods to contain expenditure on Subsidy</u>

The Committee note that the quantum of consumption of fertilizer in the country and the corresponding expenditure on fertilizers subsidy has been increasing over the years. During the last two financial years subsidy was given to the tune of Rs. 69198 crore and Rs. 73435 crore respectively and the estimated expenditure for 2019-20 is Rs. 83476 crore. However, the Committee are satisfied to note that the government was able to contain the quantum of expenditure on subsidy that goes to the fertilizer industry by rationalizing the energy norms for urea manufacturing companies under New Pricing schemes and New Urea policy, 2015 without any adverse impact on fertilizers prices in the country. In this regard, the Committee are of the firm view that it is necessary to make available fertilizer to farmers at affordable prices so as to safeguard the food security of the country and it is the responsibility of the government to contain this expenditure by adopting innovative ways without increasing the price of fertilizers. The Committee, therefore, recommend that the Government should take all possible steps to reduce the expenditure on fertilizer subsidy by adopting best manufacturing practices, strict energy norms, modernization of fertilizers manufacturing plants and a strong research and development base for continuously upgrading the manufacturing

technology so as to reduce the manufacturing cost of fertilizers thereby reducing the fertilizer subsidy expenditure to the Government.

4. <u>Delay in Settlement of Subsidy Claims and Carry-forward Liabilities</u>

The Committee are concerned to note the huge carry-over liabilities of the Department of Fertilizers on subsidy expenditure at the end of each financial year due to non payment of subsidy bills received from companies. As on 31.03.2018, 2688 subsidy bills amounting to Rs. 19362.54 crore were pending for settlement and as on 31.03.2019, 9223 subsidy bills amounting to Rs. 30,243.93 crore were pending for payment. As per policy guidelines, DBT claims are to be settled within 7 working days from the date of submission of the claims and there is no time limit prescribed for settlement of non-DBT claims. There is no provision for payment of interest in case of delay in settlement of subsidy claims. According to Department of Fertilizers, non-receipt of Proforma B1/B2 from the concerned State, non submission of requisite documents/data by fertilizers companies as per policy guidelines and paucity of funds are the reasons for delay in settlement of arrears of subsidy claims. In Committee's view, the paucity of funds due to inadequate budgetary allocation is the major reason for delay in settlement of subsidy arrears. To avert the financial difficulties of fertilizer manufacturing companies, the Government allows the fertilizer companies to take loans against the receivables of subsidies from the banks and the government to bear the cost of interest. There is also a proposal to allow public sector fertilizer companies to borrow from National Small Saving Fund as a temporary measure with the bearing of interest by the Government. The Committee has taken note of the delays in settlement of subsidy claims. The Committee have strongly taken note of the specific cases brought out

by some of the Members where the delay in payment of subsidy to the manufacturer is unusually long. The Committee have also taken note of the fact that very often the amount held up due to such delays is fairly high while the amount that is disputed in the individual claim may be a small proportion of the total amount of subsidy claim by manufacturer. Since the present situation is not conducive for the smooth functioning of fertilizer subsidy system, the Committee recommend the following:-

(i) The Committee strongly recommend that the Department should develop a system by which a certain proportion of the amount of claim is paid to the manufacturer automatically within a period of seven working days. This amount could be 75% of the total claim of subsidy. The remaining amount should also be paid off in a fixed period of time subject to the completion of all documentation and clarifications by the manufacturer/importer. It is to be noted that the automatic payment should be really automatic and not subject to any scrutiny beyond a basic calculation checking. Such a system will eliminate financial stress on the manufacturers which is often caused due to delay in payment of subsidy amounts. This will also bring in transparency and accountability on the Department and improvement in the governance standards.

(ii) The Department should impress upon the Ministry of Finance at the highest level to make adequate amount of funds in the form of budgetary allocation for subsidy schemes and it is the responsibility of the Department of Fertilizers to place before that Ministry of Finance the exact requirement of funds for meeting

the expenditure on fertilizers subsidies in a financial year. Sentiments expressed by this committee for the allocation of adequate amount of funds for subsidy schemes should be conveyed to the Ministry of Finance.

(iii) One time Additional supplementary budgetary allocation to completely dismantle the recurring carry over liabilities may be sought from the Ministry of Finance particularly to avoid unnecessary expenditure on interest on loans borrowed by fertilizer companies to manage the situation arising out of delays in payment of subsidies by the Government.

(iv) Department should initiate strong steps to settle the subsidy claims under DBT within 7 working days as stipulated under the policy guidelines. Definite time limit should also be fixed for non-DBT subsidy claims and the progress made in this regard should be intimated to the Committee.

(v) Before settlement of subsidy claims submitted by fertilizer companies, 30 days are presently given for B-1 proforma certification by the concerned state regarding short and substandard quantity of fertilizer supplied by fertilizer companies and 180 days are allowed for state certification for quality under B-2 proforma. This may be examined by the Department whether these many days are necessary for certification as this may be one of the reasons for carry-over liabilities and appropriate action may be taken for reducing the number of days required for these certifications by the concerned states.

5. New Investment Policy

The Government announced 'New Investment Policy (NIP) – 2012' on 02-01-2013 to facilitate fresh investment in urea. Under NIP-2012, new plants are categorized as (i) Revamp projects, (ii) Expansion or Brownfield projects, (iii) Revival of closed urea units and (iv) Greenfield Projects. Separate floor and ceiling price (variable cost) is allowed for calculating the concession rate of urea produced from the new urea units. An amendment to NIP 2012 notified on 7th October 2014 provides inter-alia that subsidy is permissible only on domestic sale for 8 years from the date of production. Setting up of seven urea projects were approved under NIP-2012. Out of these seven projects, two are in private sector and rest of the five are in public sector. In this regard, the Committee are concerned to note that NIP, 2012 could attract private investments for only two projects. Out of these two projects, the Matix Fertilizers and Chemicals Limited at Panagarh which started commercial production in on 01.10.2017 is presently non-functional due to non-availability of Coal Bed Methane / Natural gas. As such the success of NIP-2012 cannot be rated highly. In this regard, the Committee would recommend that provisions made in NIP 2012 should be revisited for suitable amendments so as to attract private investments in this crucial sector. The committee also note that five projects for setting up of fertilizer manufacturing units under public sector are under progress which are Ramagundam, Talcher, Sindri and Gorakhpur units of FCIL and Barauni units of HFCL. In this regard, the Committee recommend that concrete steps should be taken to complete these projects within the stipulated time period so as to meet the country's requirements of urea domestically without resorting to imports. The Committee are of the view that self sufficiency in urea products would help in reducing subsidy burden.

6. **<u>Frequent changes in Urea Subsidy Policies</u>**

The Committee note that Urea Subsidy for indigenous urea is paid to 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, which includes the cost of feedstock (Gas/Naphtha). The concession rates vary from unit to unit depending upon their vintage, energy norms, water norms, electricity, bag rates etc. The mode and methodology of computation and disbursement has been laid down in various policies (approved by CCEA) issued from time to time. Retention Price Scheme was implemented till 31st March, 2003. It was replaced by the New Pricing Scheme-I (NPS-I) implemented from 01-04-2003 to 31-03-2004, New Pricing Scheme-II (NPS-II), was implemented from 01-04-2004 to 30-09-2006, Subsequently, New Pricing Scheme-III (NPS-III) which was made effective from 01-10-2006 to 31-03-2010 was notified on 08th March 2007. Thereafter, the Modified NPS-III notified on 02-04-2014 to compensate the existing urea units, could not be implemented due to ambiguities in the notification. In the meantime, New Urea Policy (NUP) – 2015 was introduced for 25 existing gas based urea units from 1st June, 2015 with the objective of (i) maximizing indigenous urea production; (ii) promoting energy efficiency and (iii) rationalizing subsidy burden. The duration of NUP-2015 has been extended from 01-04-2019 till further orders. Under NUP-2015, 25 existing Gas based urea units were initially classified into three groups based on their preset energy norms and for attaining target energy norms in the range of 5.5 G Cal/MT to 6.5 G Cal/MT w.e.f. 1st April, 2018. Further the aforesaid Target Energy Norms have been revised vide notification dated 28-03-2018 under which 11 units are to attain the Target Energy Norms w.e.f. 01-04-2018.

For the remaining 14 units the existing energy norms are extended for further period of 2 years i.e, till 2020 with penalty provisions of 2% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, for the first year i.e. 2018-19 and 5% for the second year. The aforesaid target energy norms may be continued upto 31st March, 2025 and an expert body under NITI Aayog would be engaged to recommend the energy norms to be achieved from 01st April, 2025. The Committee have been informed that since the concession rates are determined separately for each urea producing plant, the subsidy payable to different urea producing plants varies from unit to unit. The variation in subsidy will be minimized once the plants attain the Target Energy Norms. However, the Committee observe that at present, the subsidy rate is the highest for Chambal fertilizers and chemicals Ltd.- Gadepan (CFCL-III) which has been set up under New Investment Policy-2012. Further, the issue of compensation for 25 gas based urea units proposed under Modified NPS-III remains pending due to ambiguities. Under such circumstances, the Committee are of the view that frequent changes in pricing schemes may create difficulties for urea manufacturing companies in scrupulously adhering to the norms set under each pricing scheme. Moreover, frequent changes in urea subsidy schemes may be also be a hindrance for attracting private investment in urea sector. The Committee, therefore, recommend that the frequent changes in the fertilizer subsidy Policies may be avoided and that the fertilizer subsidy polices should be amended only after in depth study in consultation with all the stakeholders including fertilizer industry and the representatives of farmers for implementing simplified, streamlined and effective fertilizer subsidy policies.

7. Quantum of allocation of gas for fertilizer industry

The Committee note that out of 32 urea manufacturing plants, 30 were converted into gas based plants and the remaining two which are presently using Naphtha as feed stock, are in the process of conversion. Since Naphtha is an expensive feed stock, the Government took initiative and converted the plants into gas based Plants. Total production of gas in the country is 71 MMBTU. Out of this, the requirement for gas based fertilizer manufacturing units is 48 MMBTU. Out of this requirement, although the Government makes allocation of 31.5 MMBTU, only 16 MMBTU is being actually provided to fertilizer industry after meeting the requirements of city gas, power sector etc. Since the fertilizer industry is not getting the allocated quantum of gas, the gap between the demand and supply is met by the import of RLNG which is costlier than domestically produced gas resulting in increased subsidy bill due to increase in cost of production. Since this is an important sector concerning agricultural productivity, the Committee recommend that the entire quantum of gas allocated for fertilizer manufacturing industry should be provided for use by fertilizer industry to ward off import of RNLG. The Department of fertilizer should take up issue with the concerned Ministry at the highest level in this regard and the recommendation made by this Committee should also be conveyed to it for compliance.

8. Freight Subsidy

The Committee note that Government of India provides freight subsidy for all subsidized fertilizers to facilitate timely and easy availability of fertilizers in all parts of the country especially distant/remote corners of the country. The Department of Fertilizers implemented Uniform Freight Policy (UFP) with effect from April 1, 2008.

Under the Uniform Freight Subsidy policy, movement of fertilizers is categorized into two categories namely Primary Movement and Secondary Movement. Primary movement by road is allowed upto maximum distance of 500 Kms and by rail upto a maximum distance of 1400 Kms. Secondary movement is by road from Railway-rake-point to District / Block Headquarters. Freight subsidy on primary movement is provided for Urea and NBS covered P&K fertilizers excluding SSP. Freight subsidy on secondary movement is provided for urea only. In case of road journey, the Department of Fertilizers annually notifies the Per Tonne Per Kilometre (PTPK) slab rates for primary movement and PTPK rates for secondary movement. The said rates are escalated/de-escalated based on Tariff Committee recommendations for the same. Since it is very much necessary to eliminate carry –forward liabilities of subsidy payment, the Committee recommend that the annual PTPK slab-rates for primary movement for a year may be notified before the start of the financial year so that arrear calculation exercises are avoided and subsidy claims and payments are completed within the financial year and not carried forwarded to next financial year for want revised rates. Further, steps may be taken to ensure that the retail-sale facility is also available at all Rail-rake-points by opening new retail-outlets / Model Fertilizer Shops, wherever necessary.

9. <u>System of sale of fertilizers to farmers</u>

The Committee note that presently the government is implementing Direct Benefit Transfer (DBT) system. Under this system 100% subsidy on various fertilizer grades is released to the fertilizer companies on the basis of actual sales made by retailers to the beneficiaries. Sale of all subsidized fertilizers to the farmers/buyers is made through Point of Sale (POS) devices installed at each retailer

shop and the beneficiaries are identified through Aadhaar Card, Kishan Credit Card, voter Identity Card etc. Under this DBT system, subsidized fertilizer is sold through POS devices on no denial basis with no fixed purchase quantity limit. One farmer is permitted to purchase fertilizers on behalf of many farmers after biometric verification. Presently there is no system to verify that the fertilizer purchased on behalf of other farmers actually reaches them or diverted elsewhere. In this regard it is pertinent to note here that there is possibility of subsidized urea diverted for use by chemical industries which may be around 10 lakh tones or 3.5 percent of total urea supplied in the system throughout the country. The Committee are of the view that the current system of fertilizer subsidy is inherently inefficient to administer. Although a fairly elaborate IT system has been put in place to monitor the movement of fertilizers from the point of manufacture/import to the farmer, there is no system in place to prevent its diversion and misuse. The Committee do not agree with the views of the Ministry that the quantity reported to be diverted/misused is only a small proportion of the total quantity manufactured. Since the present system is prone to misuse by miscreants, the Committee recommend that the Department may issue instructions that the retailer may obtain the list of farmers alongwith their signature/thumb impression and the quantum of fertilizers required by each of them for verification purposes. State Governments may also be requested to keep a vigil on diversion/misuse of subsidized fertilizer and for the purpose Integrated Fertilizer Management System may be used by the authorities concerned. The Department of Fertilizers may also undertake random scrutiny of activities in this regard to find out any possible misuse of subsidized fertilizers.

10. <u>Monitoring of Maximum Retail Price (MRP) of Phosphatic & Potassic Fertilizers</u>

The Committee note that Nutrient Based Subsidy Policy is being implemented by Government of India for P&K fertilizers w.e.f. 01.04.2010. Presently 21 grades of P&K fertilizers are covered under this policy. Government provides a fixed rate of subsidy (in Rupees per Kg basis) on each nutrient of subsidized P&K fertilizers. Unlike Urea, MRP of P&K fertilizers has been left open and fertilizer manufacturers/ marketers are allowed to fix the MRP at reasonable rates. The country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector. As such, prices of P&K fertilizers are fluctuating on the basis of international market prices. The Committee are concerned to note the submission of the Department of Fertilizers that the prices of P&K fertilizers had gone up substantially on account of increase in prices of raw materials/ finished fertilizers in international market, depreciation of Indian Rupee w.r.t. US Dollar and also due to larger profit margins by the companies. In this regard, the Committee note that it has been made mandatory for all the fertilizer companies to submit cost data along with their claims of subsidy so as to monitor the MRPs of P&K fertilizers. In Committee's view it is very much necessary to monitor the MRP fixed by fertilizer companies on P&K fertilizers so as to protect the interests of farmers. The Committee, therefore, recommend the following:-

(i) Cost data of all P&K fertilizer companies should be scrupulously examined at the time of submission of their subsidy claim and necessary action should be taken against those companies which indulge in over pricing of P&K fertilizers.

(ii) Department of Fertilizers quickly finalize the guidelines for recovery of profit earned over and above 12% of companies above MRP on fertilizers and found to be unreasonable and implement the provisions of the guidelines in a time bound manner.

(iii) Department of Fertilizers should take all possible steps to encourage indigenous production of Potassic and Phosphatic fertilizers including strengthening of Research and Development in the field of these fertilizers.

11. <u>Nutrient based subsidy for imported P&K fertilizers</u>

The Committee note that under the Nutrient Based Subsidy (NBS) scheme, an Inter-Ministerial Committee (IMC) chaired by Secretary (Fertilizers) recommends per nutrient subsidy for 'N', 'P', 'K' and 'S' before the start of the financial year for decision by the Government (Department of Fertilizers). The IMC also recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than 'S') and micro- nutrients. According to Department of Fertilizers, the basic principle adopted in fixation of subsidy rates for different nutrients, is the identification of benchmark international prices of major consuming fertilizers viz. Urea, DAP and MOP. Based on these benchmark prices, the delivered prices of these fertilizers are determined taking into account the prevailing exchange rate. NBS rates are same for imported and indigenous P&K fertilizers. Any company registered under NBS Scheme is eligible to get subsidy. There is no restriction on the entities to import P&K fertilizers as these fertilizers are placed under Open General License (OGL). However, the Committee feel that the NBS rates are notified annually but the price of NBS fertilizers may fluctuate on weekly and monthly basis.

Taking these factors into account, the Committee have apprehensions that in case of lower cost at international market for imported P&K fertilizers as compared to cost price of domestically produced P&K fertilizers, private agencies which get import licence for P&K fertilizers, are better placed to make profits as they will be getting NBS subsidy in addition to profit margin due to lower prices in international market. Further, such eventuality will also make domestic production of P&K fertilizers economically unviable. The Committee, therefore, recommend that the Department of Fertilizers shall take steps for continued monitoring the cost price of P&K fertilizers in the international market and in case of long-prevailing cheaper cost-price for P&K fertilizers in the international market, necessary steps be taken to protect the interests of existing domestic companies.

12. <u>Scheme for promotion of City compost</u>

The Committee are happy to note 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/- per tonne of city Compost is provided on the sale of city compost to fertilizer Marketing companies as well as to city compost manufactures. This policy aims at conversion of city wastes into compost manure for use by farmers in place of chemical fertilizers. Since city compost is a unique Bio organic soil enricher and its use reduces the use of chemicals fertilizers, the Committee recommend that that the Department of fertilizers should take necessary steps for increasing the production and use of city compost on a large scale so as to reduce the use of chemical fertilizers in the country. The Committee also recommend that the Department of Fertilizers should examine the feasibility of involving all fertilizer companies in the

production and distribution of city compost alongwith chemicals fertilizers. Freight subsidy may also be considered for city compost

The Committee has taken note of the problems associated with the use of excessive quantities of fertilizers by the farmers. The Committee has analysed the literature available on long-term environmental consequences of such excessive use of chemical fertilizers. While the Department has a scheme for providing financial assistance for city composting units, the Committee feels that the effort is too little to make a significant positive environmental impact. The Committee observe that the flagship programme of the Government Swachh Bharat Abhiyan, is having a deeper penetration and is leading to significant changes in the manner in which urban solid waste is handled. The Committee note that there are a large number of good opportunities available for dove-tailing the city composting scheme by the Department with the urban waste management projects so that the dependence on chemical fertilizers gets reduced and as a society we are able to utilize the urban waste properly. The Committee recommend that the Department should constitute an inter-Ministerial body comprising of the Ministry of Agriculture and Farmers Welfare, Ministry of Housing and Urban Development, Ministry of Drinking Water and Sanitation as well as the Department of Fertilizers to set a clear roadmap for vastly expanding the city composting systems and taking the farmers to shift from using chemical fertilizers to using compost for their agriculture. The Committee advise the Department to take up this issue in the national interest immediately and set out a time frame of not more than six months for this inter-Ministerial Committee to submit its recommendations.

13. Education to Farmers for use of Soil Specific Fertilizers

The Committee feel that the nutrients based system (NBS) for fertilizer subsidy is far too complicated. Simultaneously, the Committee observes that there is very little knowledge and understanding available with the farmers on the use of appropriate nutrients in view of the soil conditions as well as the cropping patterns. The Committee have come to know of situations where the farmers are being encouraged to use a particular group of nutrients even when their soil or cropping pattern does not warrant so. It is suspected that this may be happening due to inappropriate promotion of use of fertilizers by some of the manufacturers who keep in view the amount of subsidy available on the basis of the nutrients contained in the fertilizers produced by them. The Committee observe that the Government has successfully expanded the use of soil health cards across the country and therefore it should be possible to educate the farmers on the appropriate combination of nutrients which may be required to administer in their farms. The Committee therefore, recommend that the Department should take up this subject with the Ministry of Agriculture and Farmers Welfare and come up with a firm plan of action so that the use of nutrients by individual farmers gets rationalised on the basis of scientific analysis. The Committee also recommend that steps be taken to identify States/UTs where fertilizers especially urea is used by farmers in a very high distorted ratio against the desirable NPK ratio of 4:2:1. Further, suitable preventive mechanism be evolved by the Movement Division of Department of Fertilizers to preclude supply of very high quantity of subsidized fertilizers to States/UTs based on their projection of annual demand for fertilizers. The Kisan Call Centres (KCC)

may also be involved for tendering appropriate advice to the farmers regarding judicious use of soil specific fertilizers.

14. Discrepancies in figures on consumption of fertilizers

The Committee find some discrepancies in the figures provided by the Department of Fertilizers about the quantum of consumption of fertilizers in the country. As per figures given to show the pattern of consumption of fertilizers from 2000 to 2019, it has been stated that 526.46 Lakh metric tonnes (LMTs) of fertilizers have been consumed during 2018-19. At some other place, it has been mentioned that 537.09 LMTs of fertilizers were consumed during 2018-19. Since it is very important to maintain correct figures of consumption of fertilizers for effective implementation of fertilizer subsidy schemes, the Committee recommend that the Department should develop a foolproof method of collection of exact data on production and consumption of various fertilizer in the country.

KANIMOZHI KARUNANIDHI
Chairperson
Standing Committee on
Chemicals and Fertilizers

New Delhi;
13 March, 2020
23 Phalguna, 1941 (Saka)

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

(2019-20)

The Committee sat on Wednesday, 13th November, 2019 from 1500 hrs. to 1700 hrs. in Committee Room no. 2, Block A, Extension to Parliament House Annexe Building, New Delhi.

PRESENT

Smt. Kanimozhi Karunanidhi- Chairperson

MEMBERS

LOK SABHA

2 Shri Satyadev Pachauri

3 Shri Arun Kumar Sagar

4 Shri Prabhubhai Nagarbhai Vasava

5 Dr. Manoj Rajoria

RAJYA SABHA

6 Shri G.C. Chandrashekhar

7 Dr. Anil Jain

8 Shri Ahmad Ashfaque Karim

9 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. MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

1	Shri Chhabilendra Roul	Secretary (Fert.)
2	Shri Dharam Pal	Addl. Secretary
3	Shri Partha Sarthi Sen Sharma	Joint Secretary
4	Shri Vinay Kumar Pandey	Director (P&K)
5	Shri Parbhas Kumar	Director (UPP)
6	Sh. B. Venkatesh	Director (CE)

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. Chairperson also introduced Dr. Manoj Rajoria, the newly nominated Member to the Committee.

3. After the witnesses introduced themselves, Secretary, Department of Fertilizers made a power point presentation to the Committee regarding 'Study of system of Fertilizer Subsidy' of the Department of Fertilizers.

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

i. Progress made in conversion of Naphtha based urea plants into gas based plants;
ii. Benefits accrue to farmers as a result of fertilizer subsidy policy;
iii. Fertilizers subsidy system in other countries;
iv. Demand and availability of fertilizers in the country;
v. Delays in release of fertilizer subsidy to Fertilizer companies;
vi. Diversion and leakage of urea for non agricultural purposes and
vii. Relative price of urea vis-à-vis other fertilizers.

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

6. The Secretary and the other representatives of the Department also made a presentation of a Dashboard from the web pages of the Department about the supply, demand and availability of fertilizes in different parts of the country.

7. 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.

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

9. The Committee thereafter took up for consideration and adoption the draft Action Taken Report on subject 'Pricing of Drugs with Special Reference to Drugs (Prices Control) Order, 2013 (Department of Pharmaceuticals). After deliberations, the Committee adopted the draft report unanimously without any changes/amendments. The Committee also authorised the Chairperson to finalize and present the report to the Parliament.

The Committee then adjourned.

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

(2019-20)

The Committee sat on Friday, the 28th February, 2020 from 1130 hrs. to 1330 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT
Smt. Kanimozhi Karunanidhi- Chairperson
MEMBERS
LOK SABHA

2 Shri Satyadev Pachauri
3 Shri Arun Kumar Sagar
4 Shri M. Selvaraj
5 Shri Uday Pratap Singh
6 Shri Deepak Baij
7 Dr. Manoj Rajoria

RAJYA SABHA

8 Shri G.C. Chandrashekhar
9 Shri Anil Jain
10 Shri Vijay Pal Singh Tomar

SECRETARIAT

1. Shri Manoj Kumar Arora - Officer on Special Duty(LSS)
2. Shri A. K. Srivastava - Director
3. Shri N. Amarthiagan - Under Secretary

LIST OF WITNESSES

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

S.No	Name of the Officer/Officials	Designation
1.	Dr. P. D. Vaghela	Secretary
2.	Ms. Alka Tiwari	AS&FA
3.	Sh. Navdeep Rinwa	Joint Secretary
4.	Sh. Rajneesh Tingal	Joint Secretary
5.	Sh. H. K. Hajong	Economic Adviser
6.	Smt. Deepika Jain	CCA
7.	Shri Pawan Kumar	Director (NIPER)

II. REPRESENTATIVES OF NPPA

1.	Smt. Shubra Singh	Chairperson, National Pharmaceuticals Pricing Authority (NPPA)

III ***REPRESENTATIVES OF NIPER***

2.	Dr. Kiran Kalia	Director (NIPER Ahmedabad)
3	Dr. Shashi Bala Singh	Director (NIPER- Hyderabad)
4	Dr. V. Ravichandiran	Director (NIPER-Kolkata and NIPER -Hajipur)
5	Dr. U S N Murty	Director (NIPER-Guwahati)
6	Dr. S J S Flora	Director (NIPER-Rai Bareli and NIPER -Mohali)

IV. REPRESENTATIVES OF PSUS

1	Ms. Nirja Saraf	Managing Director, Hindustan Antibiotics Limited (HAL) and RDPL
2	Mr. Sunil Kumar Kaimal	Managing Director, Karnataka Antibiotics & Pharmaceuticals Limited, (KAPL)
3	Sh. P. M. Chandraiah	Managing Director, Bengal Chemicals and Pharmaceuticals Limited (BCPL)
4	Sh. Sachin Kumar Singh	CEO, Bureau of Pharma Public Sector Undertakings of India (BPPI)

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

3. After the witnesses introduced themselves, Secretary of the Department of Pharmaceuticals made power point presentation to the Committee regarding Demands for Grants 2020-21 of the Department of Pharmaceuticals.

4. xxxx xxxx xxxx xxxx

5. xxxx xxxx xxxx xxxx

6. xxxx xxxx xxxx xxxx

7 The Committee thereafter took up for consideration and adoption the draft Report on the subject 'The Study of System of Fertilizer Subsidy' pertaining to Department of Fertilizers. After deliberations, the Committee adopted the draft report unanimously without any changes/amendments. The Committee also authorised the Chairperson to finalize and present the report to the Parliament.

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

The Committee then adjourned.