7	STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2019-20) SEVENTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS

(2020-21)

LOK SABHA SECRETARIAT
NEW DELHI

March, 2020/ Phalguna, 1941 (Saka)

CC&F.No.07

SEVENTH REPORT

STANDING COMMITTEE ON

CHEMICALS AND FERTILIZERS

(2019-20)

(SEVENTEENTH LOK SABHA)

MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF FERTILIZERS)

DEMANDS FOR GRANTS 2020-21

Presented to Lok Sabha on 20.03.2020

Laid in Rajya Sabha on 20.03.2020

LOK SABHA SECRETARIAT

NEW DELHI

March, 2020/ Phalguna, 1941 (Saka)

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Smt. Kanimozhi Karunanidhi - Chairperson

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3	Shri Ramakant Bhargava
4	Shri Prataprao Govindrao Patil Chikhalikar
5	Shri Rajeshbhai Naranbhai Chudasama,
6	Shri Ramesh Chandappa Jigajinagi
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SECRETARIAT

1.	Shri Manoj K. Arora	-	OSD (LSS)
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 seventh Report on 'Demands for Grants 2020-21' pertaining to the Department of Fertilizers of the Ministry of Chemicals and Fertilizers.

The Committee examined the Demands for Grants (2020-21) pertaining to the Department of Fertilizers which were laid in Lok Sabha and Rajya Sabha on 11 February 2020.

The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) at their sitting held on 04 March, 2020.

The Report was considered and adopted by the Committee at their sitting held on 18 March 2020.

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

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

New Delhi;

18 March, 2020 — **Kanimozhi Karunanidhi**

28 Phalguna, 1941 (Saka) — **Chairperson**

Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER – I

Introduction

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

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

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

1. Fertilizers Projects and Planning (Urea Policy Division).
2. Phosphatic & Potassic Fertilizers (P&K Division) and Joint Ventures abroad (IC Division).

3. Fertilizer Imports, Movement and Distribution (Movement Division).
4. PSU Division (dealing with PSUs) & Board Level appointments.
5. Fertilizer Industry Coordination Committee (FICC), an attached office.
6. Fertilizers Subsidy (FS Wing) dealing with payment of subsidy.
7. General administration, Establishment, Parliament, Coordination, Information Technology, RTI matters & Vigilance
8. Planning, Monitoring and Innovation(PMI)and City Compost
9. Finance and Budget (IFD)
10. Direct Benefits Transfer (DBT)
12. Official Language (Hindi Cell)
13. Shipping Division

1.3 The Detailed Demands for Grants (2019-20) of the Ministry of Chemicals and Fertilizers (Department of Fertilizers) were presented to the Lok Sabha on 11 February, 2020. Rs.73975.00/- crore is the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizers for the year 2020-21. The Committee have examined, in-depth, the Demands for Grants of the Department for the year 2020-21 and these details are given in succeeding Chapters of the Report. The Observations / Recommendations of the Committee are presented at the end of the Report. The Committee expect the Department of Fertilizers to take the Committee's observations / recommendations seriously and act on them expeditiously and furnish action taken replies in respect of the observations / recommendations made in the Report within three months from the date of presentation of this Report.

CHAPTER – II

OVERVIEW OF INDIAN FERTILIZER SECTOR

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

Policies Governing Fertilizer Sector

2.2 **Fertilizer Control Order** – Government of India has declared fertilizer as an essential commodity under the Essential Commodities Act, 1955 (ECA) and has notified Fertilizer Control Order, 1985 (FCO) under this Act. As per the provision of the FCO, the fertilizers, which meet the standard of quality laid down in the order, should only be sold to the farmers. In order to make available large variety of fertilizers to the farmers as per their soil requirement, different grades of fertilizers and their specifications including bio-fertilizers, organic fertilizers, city compost, vermin-compost, etc are notified under FCO. The Central Fertilizer Committee advises Central Government on matters relating to inclusion of new fertilizer under FCO and its specifications.

2.3 **Fertilizer Produced and Marketed** - As regards, details of fertilizers in FCO which are being produced and marketed in the county and new fertilizers introduced by the Central Fertilizer Council, the Department of Fertilizers intimated as under :-

" The information about fertilizers included in the Fertilizer Control Order is as under:

(Figures in Lakh MT)

Sl No.	Name of Fertilizer	Year	Installed capacity	Actual Production	Annual consumption in 2018-19 & 2019-20	Import in 2018-19 & 2019-20
1	Urea	2018-19	232.94	240.00	320.04	74.81
		2019-20 (upto Jan 2020	245.64	204.26	294.18	83.89
2	P&K Fertilizers*	2018-19	151.22	128.97	209.99	113.62
		2019-20 (upto Jan 2020	149.51	112.92	205.39	86.17

* Include only DAP & complex fertilizers

The department has no information about details of new fertilizers approved and introduced by the Central Fertilizer Council since its constitution. "

2.4 **Subsidy Schemes**. - The subject of fertilizer subsidy, which was being administered by the Department of Agriculture and Cooperation (DAC) till 30th September, 2000, is thereafter continued by the Department of Fertilizers with changed parameters from time to time. At present, the Department of Fertilizers implements subsidy schemes for production and distribution of (i) Urea ; (ii) 21-grades of P&K-fertilizers & (iii) City Compost to farmers. In addition, the Department of Fertilizers provide freight subsidy for the movement of Urea and subsidized P&K-fertilizers under the Uniform Freight Subsidy notified on 17-07-2008.

2.5 The payment of subsidy to manufacturers / importers of fertilizers is released as per procedure notified by the Department of Fertilizers. 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)".

2.6 To a query regarding market shares of non-subsidized and subsidized fertilizers marketed in the country during the last three years, the Department of Fertilizers intimated that " *the information about market shares of non-subsidized and subsidized fertilizers in the fertilizer sector is not available with the Department."*

2.7 **Uniform Freight Subsidy -** DOF 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. The freight subsidy is paid to the urea units for the transportation of urea from Plant/Port to the Block/District.

2.8 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. Vide Notification dated 1st September, 2011, 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. 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.

2.9 As regards steps taken to encourage Coastal-Shipping and Inland-water ways for movement of fertilizers, the reply of the Department of Fertilizers is as under :-

> "In continuation of guidelines dated 17.6.2019, DoF has issued certain clarifications vide OM dated 18.9.2019 in respect of secondary freight subsidy on distribution of subsidized fertilizers through Coastal Shipping or/and inland waterways as under:-
>
> > (i) If a manufacturer is moving the fertilizers through multi-modal transportation, which includes coastal shipping/ inland waterways, and the manufacturer decides to move the fertilizer from the discharge port directly to the destination district by road, then the entire multi-modal freight would be considered as primary movement and freight subsidy would be restricted to the railway charges or the actual freight incurred whichever is less as given in Order No. 23011/10/2016-MPR dated 17th June, 2019. In such cases, there is no scope of secondary movement and hence, no scope of secondary freight subsidy payment.
> >
> > (ii) In case, the fertilizer company chooses to transport fertilizers from unloading port to the nearest rake point in destination district by railway and then transports fertilizers further by road, the entire multi-modal transport up to the railway rake point would be treated as primary movement and road movement beyond rake point would be treated as secondary movement. The restriction on freight subsidy for secondary transport of Urea would remain as per extant policies and freight subsidy for secondary movement for P&K fertilizers would continue to be inadmissible as per extant policies in this regard.
> >
> > (b) The guidelines for movement of fertilizers through coastal shipping have been introduced in 2019-20. The impact of these guidelines on expenditure on movement of fertilizers through coastal shipping can be assessed after the end of this financial year."

2.10 **Inter-Ministerial Committee** - 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.

2.11 **<u>Policy for Import of Fertilizers</u>** - Import of all the subsidized P&K (Phosphatic & Potassic) fertilizers, including complex fertilizers has been placed under Open General License (OGL). Nutrient Based Subsidy (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 and GSFC.

<u>Urea Subsidy Policy</u>

2.12 – The Department of Fertilizers in a written reply stated that at present there are 32 urea manufacturing units with installed annual capacity of 234.94 LMT approx. Out of 32, 30 urea units are Gas Based/Coal Based Methane (CBM) based units & 2 are Naphtha Based Units. Out of the 30 gas based urea units, 26 units are included in the Gas Pooling Mechanism and get natural gas at Pooled gas rate. BVFCL units viz. Namrup-I & II have been kept out of pooling as these are situated in North Eastern region and are not connected to National grid of gas pipeline. 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 difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer. The mode and methodology of computation and disbursement has been laid down in various policies (approved by CCEA) issued from time to time.

2.13 Subsidy for the gas based urea units subsidy is being paid as per **New Pricing Scheme (NPS-II)** from 01-10-2006 to 31-03-2010. The provisions of NPS-III were extended beyond the validity period of NPS-III i.e. 31-03-2010 till further orders. Subsequently, with the approval of CCEA, **Modified NPS-III** was notified on 2nd April, 2014 in order to address the issue of under recoveries of the existing urea units due to freezing Fixed Cost at the level of costed year 2002-03. The policy envisages the continuation of calculation of concession rates of urea units as per NPS-III with certain amendments. NPS-III and Modified NPS-III provided provisions for compensation of fixed cost and variable cost e.g. the cost of bag, water charges & electricity charges. The Department of Fertilizers notified **New Urea Policy-2015 (NUP-2015)** on 25th May, 2015) to be effective from 01-06-2015 with the objectives of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the government. The concession rate for new units (units which were not in existence when NUP-2015 was implemented) is determined as per provisions of NIP-2012.

2.14 **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, notified the following decisions with regard to Target Energy Norms given to all urea manufacturing units (except the units of 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.

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.

2.15 The three Naphtha based urea units viz., Madras Fertilizers Limited- Manali (MFL), Southern Petrochemicals Industries Corporation (SPIC) - Tuticorin and Mangalore Chemicals & Fertilizers Limited (MCFL) are governed by Policy Notification dated 17th June, 2015, which allows these units to operate urea production using Naphtha as feedstock till gas availability and connectivity to these three units either by gas pipeline or by any other means. Energy norms for these 3 units were also prescribed and a target energy norm of 6.5 Gcal/MT was given from 2018-2019 which has been extended vide notification dated 28.03.2018 as mentioned in the above para. It is pertinent to mention here that MFL has started production of Urea by using gas as a feedstock from 29th July, 2019. Therefore, as on date only two units viz., MCFL-Mangalore and SPIC-Tuticorin are covered under the provision of this policy.

Nutrient Based Subsidy Policy

2.16 The Government has implemented Nutrient Based Subsidy 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 subsidised 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 subsidised P&K fertilizers covered under NBS Policy. At present 21 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate (produced by M/s FACT and GSFC), SSP and 15 grades of NPKS complex fertilizers are covered under the NBS Policy. 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.

2.17 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 and GSFC.

2.18 To a query as to whether domestic production of P&K fertilizers is profitable in the light of cost of P&K fertilizers in international markets as compared to cost of domestic production, the Department of Fertilizers replied in writing that *"the comparison between the cost of domestic production of P&K fertilizers and the cost of P&K fertilizers in international markets is not available".*

2.19 On being asked to state about the scheme-wise steps taken for the improvement in the implementation of the schemes, the Department of Fertilizer furnished written reply as under :-

> " Presently, the approval for continuation of the schemes is up to 31.03.2020. In accordance with the instructions of Ministry of Finance, a third party evaluation of the scheme is being undertaken to review the scheme for improvement in the implementation of scheme. Pending, completion of third party evaluation, MOF has given extension of schemes till 31.03.2021 or presentation of report of 15th Finance Commission, whichever is earlier. "

2.20 Regarding the third party evaluation of Urea subsidy and NBS schemes and progress thereof, the Department of Fertilizers gave the following information in writing :-

> **NBS Subsidy Policy**
>
> Department of Expenditure in their instruction dated 20.3.2019 has brought out that while NITI Aayog will undertake the evaluation of 28 centrally sponsored schemes, the work relating to evaluation of the remaining CS/CSS (approx. 524) would be undertaken by the concerned Ministries/Departments. Accordingly, the process of third party evaluation of NBS scheme has been initiated by Department of Fertilizers. Department of Fertilizers forwarded the bid documents in respect of tender to assign a study to assess the impact of Nutrient Based Subsidy Policy for Phosphatic and Potassic (P&K) Fertilizers to the concerned agencies (being listed by NITI Aayog) on 22.8.2019. After detailed evaluation/analysis of Bids agreement, the agreement in this regard was signed between DoF and M/s. Santek Consultants Pvt. Limited on 18th November, 2019. Accordingly, M/s Santek Consultants Private Limited has been awarded

the contract to conduct the study. The report will be submitted by M/s Santek Consultants Private Limited by March 2020.

Urea Subsidy Scheme:

Vide OM No.66(59)/PFC-II/2018 dated 17th September, 2018, Department of Expenditure informed that an independent third party evaluation of all continuing schemes is mandatory before the appraisal and approval by appropriate authority for continuation of these ongoing schemes beyond March, 2020.

After an open bid enquiry, contract for ‘Third Party Evaluation of Urea Subsidy Scheme’ was awarded on 19th November, 2019. However, later the Bid Evaluation Committee (BEC) observed some deficiencies in in the documents provided by the successful bidder. Therefore, BEC recommended to cancel letter of award/contract and go for the retendering process. Accordingly, the contract has been cancelled vide this Department’s letter dated 5th February, 2020. Further, Request for Proposal inviting fresh bids have been floated on the Central Public Procurement Portal (CPPP) on 7th February, 2020.

The selection process is likely to complete by the end of March, 2020. As per RFP, the successful bidder is required to complete the assignment within a period of 100 days from the date of issuance of Letter of Intent or Work Order whichever is earlier

2.21 On being asked to state about the measures taken during the last two years to improve functional efficiency for effective implementation of schemes and programmes, the Department of Fertilizers furnished written reply as under :-

“ For Nutrient Based Subsidy Policy:

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 subsidized P&K fertilizers depending on their nutrient content with an objective to make available these fertilizers to farmers at a reduced price. Under this policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level.

To ensure the above objective and in order to ensure reasonableness of prices of P&K fertilizers, the Department is examining the reasonableness of MRP of P&K fertilizers fixed by the fertilizer companies under the NBS Scheme. It has been stipulated in the provisions that in case, where after scrutiny, unreasonableness of MRP if established or where there are no correlation between the cost of production or acquisition and the MRP printed on the bags, the subsidy would be restricted or denied even if the product is otherwise eligible for subsidy under NBS Scheme. In proven case of abuse of subsidy mechanism, the Department of Fertilizers, on the recommendations of Inter-Ministerial Committee may exclude any grade/grades of fertilizers of a particular company or the fertilizer company itself from the NBS Scheme. The detailed guidelines in this regard have been issued on 15.11.2019. These guidelines are applicable with effect from 1st April, 2012.

<u>Demand and Supply of Fertilizers in India</u>

2.22 – As per the information provided by the Department of Fertilizers, demand, production, supply, consumption and import of urea, P&K complex fertilizers covered under NBS policy and city compost are as under :-

(Figures in Lakh MT)

Year	Fertilizer	Demand	Production	Supply	Consumption (Sale)	Import
2016-17	Urea	289.09	242.01	309.08	296.07	54.81
	P&K Fertilizers*	236.50	172.40	215.19	203.02	86.42
	City Compost		1.97		0.97	*
2017-18	Urea	298.00	240.23	313.57	303.31	59.75
	P&K Fertilizers*	230.86	173.38	223.46	212.54	94.52
	City Compost		3.47		2.00	*
2018-19	Urea	300.04	240.00	379.62	320.04	74.81
	P&K Fertilizers*	232.88	174.85	298.04	209.99	113.62
	City Compost		3.89		3.07	*
2019-20	Urea	302.30	240.26	345.28	294.18	83.89
	P&K Fertilizers*	218.02	155.03	291.26	205.39	86.17
	City Compost		2.79		2.80	*

*Note: City Compost is purely indigenous product and no import is made for the same."

2.23 The Department of Fertilizers was asked to state about the steps being taken to achieve the production targets during 2020-21 and the stocks carried forwarded during the last two years. In this regard, the Department of Fertilizers in their written reply inter-alia stated as under:-

"The P&K fertilizers are under decontrolled regime. The production targets intimated by them are indicative in nature. They may produce more or less as per their own commercial decision. However, the production targets in respect of Urea are based on the Re-assessed capacity of all the urea manufacturing units. The shortfall in urea production is due to closure of a few plants due to major break down.

The carried forward stock during last two years is as to next year is as under:-

(In LMT)

Carried over stock from previous year	Urea	DAP	MoP	NPKs
2017-18 to 2018-19	66.41	20.30	6.90	36.37
2018-19 to 2019-20	59.30	34.21	10.83	42.30

Market Price of Fertilizers

2.24 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.

2.25 The Department of Fertilizers, *vide* notification dated 28th March, 2018, has revised Dealer's Margin from Rs. 180/200 per MT of Urea (for Private Agencies/Institutional Agencies) to Rs. 354 pre MT of Urea, effective from 1st April, 2018, which will be paid on the quantity sold through POS devices only. This has enhanced the financial viability of around 23000 Dealers/Distributors post DBT implementation.

2.26 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. 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.

2.27 During the course of evidence , the Secretary, Department of Fertilizers stated as under :-

> "Sir, in case of P&K fertilizers, we do not enter into fixation of pricing with the companies. We do a kind of post mortem to know whether they are charging unreasonable price. We get these details from them. But already the event had happened. It is a *post facto* analysis.

2.28 On being asked as to why prices of NPK fertilizers cannot be fixed, the Secretary, Department of Fertilizers stated as under:-

> "Let me explain it to the hon. Members that this was the situation before 2010. We were fixing the prices, determining each thing including as to what is the dealer margin in case of PNK. But in 2010, the Union Cabinet took a decision of decontrolling the non-urea sector. It means, we need not enter into the detailing of the cost, as to who is getting how much. So, it is left to the fertilizer companies to decide it. That is why, we are not entering into it."

<u>Direct Benefit Transfer (DBT) in Fertilizer Sector</u>

2.29 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.

2.30 Pan-India roll-out DBT was completed by March, 2018. Implementation of the DBT in Fertilizer Scheme required deployment of PoS (Point of Sale) devices at every retailer shop and training of retailers for operating PoS device. All the Fertilizer sale transactions are captured online in the Integrated Fertilizer Management System (iFMS) system on real time basis. **2.26 Lakh** PoS devices have been deployed across all States. A total of **1182.04 Lakh Metric Tons** Fertilizers have been sold through PoS devices under DBT Scheme till December 2019.

2.31 In regard to the scope for misuse of DBT system at retailer-end, the Committee pointed out during oral evidence of the representatives of the Department of Fertilizers on Demands for Grants, 2020-21 as under :-

> "urea is being purchased by anybody who has an Aadhaar Card. So, this is an ambiguous grey area. This particular person may not have land with him, but he may have utilized his quota and in that case there is more possibility of the retailer collecting all the Aadhaar Cards and asking all of them to come and put in their thumb impressions and for that some small amount is being given."

2.32 In this regard, Secretary Department of Fertilizers, at the time of evidence, stated as under:-

> "Sir, the DBT system provides information as to who has purchased fertilizer. This is the most important piece of information, which is available to the general public, district administration, Sub-Divisional Magistrate, the Agricultural Officers, etc., and under the Fertilizer Control Order they are empowered to take action if anyone has mis-utilized the subsidized fertilizer. So, we expect cooperation from the State Governments that they will take action in this regard if anybody is mis-utilizing subsidized fertilizer, that is, if someone does not have land, but he is taking it for any other purpose or taking for black marketing, then we expect, in our federal system, that the State Governments will also exercise due diligence and assist the nation, economy, community that the fertilizer is used for the purpose it is intended for."

2.33 On being asked whether any land record has been linked into DBT, the Additional Secretary, Department of Fertilizers stated as under:-

> Sir, at the moment, it is not linked. When we were trying to implement the system, a lot of meeting took place in NITI Aayog, PMO etc

Secretary, Department of Fertilizers further added that a lot of discussion is going as to how to do it.

2.34 Regarding the challenge in linking land Records, the Additional Secretary, Department of Fertilizers submitted as under:-

> The other challenge is linking the land record with actual sale is that most of the land records, some of the States have computerised land records, but a very few States have ceded the complete database with Aadhar. So it has to be linked with Aadhar. That is another challenge. The main challenge is as to how to take care of the tenants who are no the actual owners but they are cultivating the land. Andhra Pradesh has given a solution now. we are now studying that. They have come up with the Tenancy Act. There will be registered tenancy on the land; once that database is available, it would be combined with the land ownership data and the tenancy data. That would probably give us a complete list of farmers...

Balanced use of fertilizers

2.35 Agriculture remains the mainstay for livelihood of rural people in India and Fertilizers are the most vital inputs for Agriculture to meet the food production requirement for the country. There are many issues concerning Indian agriculture, which bears a direct relationship with the usage of Fertilizers. Some of the issues with regard to usage of fertilizers are Imbalance in usage of major Plant Nutrients viz. N, P & K; Non-awareness of usage and deficiency of Nutrients other than N-P-K required by Soil (micronutrients); Declining response ratio of the soil to the fertilizer application (Inefficiency of fertilizers); Agronomical importance of low analysis fertilizers like Single Super Phosphate; Development of new type of fertilizers like liquid fertilizers, special compounds, bio-fertilizers, slow-release fertilizers etc.; Climatic zones, Soil types, quantity & method of fertilizers usage and suitability for crops; Long-term sustainability of agriculture; and Use of Soil health cards to get right amount and right type of fertilizers for each crop.

2.36 In the matter of the mechanism of farmer outreach for effective implementation of fertilizer utilization at the ground level, the Department in its written reply stated as under:-

> "The issue of fertilizers application by farmers is a subject that does not lie with DoF under the allocation of Business Rules. Still, the DoF took an initiative in 2019 and in collaboration with DAC&FW, DARE, Fertilizer companies, ICAR, State Governments and other stake-holders organised a countrywide Fertilizers

Application Awareness programme through the Krishi Vigyan Kendras and PSUs in which lakhs of farmers were trained to adopt balanced fertilizer usage methods."

2.37 During course of evidence the representatives from ICAR stated as under:-

Sir, through Krishi Vigyan Kendras, located in each of the districts, we communicated the message of integrated nutrient management and balanced used of fertilizers. The soil health cards which are distributed amongst the farmers prescribe the fertilizer requirement of each of the crop and these requirements are printed based on the soil test values. We are also propagating the message of maximum utilization of bio fertilizers. If you see the bio-fertilizer consumption in the past five years, there is an increasing trend of bio fertilizers. We have come up with 51 integrated nutrient managements packages for different crops and cropping systems. These packages are also being promoted through KVKs, the ATMA, which are located at the district level. Through them also the Department of Agriculture and Cooperation are trying to push the information on integrated nutrient management.

2.38 **Promotion of City Compost** - Government of India approved a policy on promotion of city compost which was notified by the Department of Fertilizers on 10.02.2016. Under the policy, Market Development Assistance (MDA) in the form of fixed amount of Rs. 1500/- P.M. of City Compost will be provided for scaling up production and consumption of city compost. Promotion of City Compost is a flexi programme of Government of India for which a Committee of Joint Secretaries of Department of Fertilizers, Ministry of Urban Development and Department of Agriculture has been set up for coordination. For better coordination and promotion of city compost, States have been asked to constitute State Level Steering Committee. State Level Steering Committee has been constituted in 11 States. The Direct Benefit Transfer (DBT) has been rolled out in Fertilizer Sector w.e.f. 1st March, 2018 and fertilizer companies marketing city compost are also covered under the scheme.

CHAPTER – III

EXAMINATION OF DEMAND NO.6 – DEMANDS FOR GRANTS OF DEPARTMENT OF FERTILIZERS FOR 2020-21

Budget Estimates for 2020-21

Rs.73975.00/- crore is the Budget Estimates (BE) of Demand No.6 pertaining to Department of Fertilizers for the year 2020-21. The budgetary allocation of Rs.73975.00/- crore includes Revenue Expenditure of Rs.73974.95/- crore and Capital Expenditure of Rs.0.05 crore.

3.2 The proposed cash management of Budget Estimates of Rs.73975.00 Crore during 2020-21 is Rs.38980.49/- Crore in Q-I + Rs.22020..49/- Crore in Q-II + Rs.12962.52/- Crore in Q-III + Rs.11.52/- Crore in Q-IV. Regarding reduced allocation made for the IVth quarterly period during the financial year 2020-21, the Department of Fertilizers inter-alia stated that '*the substantial expenditure in first two quarters is attributable to (i) Repayment of Principal amount of SBA in April ; (ii) Priority to liquidate the payments of carry over liabilities of fertilizer companies as on 01.04.2020; and (iii) Payment for sale of fertilizers for Kharif season. All the subsidy expenditure would be over by 3rd Quarter. In the 4th quarter, the amount is left to cater to Secretariat Economic expenditure; and professional services and office expenses under DBT head.*'

Budget Estimates and Expenditure

3.3 A comparative statement showing Budget Estimates, Revised Estimates and Actual Expenditure of Department of Fertilizers for 2017-18, 2018-19 2019-20 and BE for 2020-21 in Gross terms as furnished by the Department is given below :

(Rs. in Crore)

	2017-18	2018-19			2019-20			2020-21
	Actual	BE	RE	Actuals	BE	RE	Actual upto 31-01-2020	BE
Revenue	89788.57	73485.35	73482.74	73477.37	83514.95	83514.95	81624.10	73974.95
Capital	0	0.04	0.04	0.00	0.05	0.05	0.00	0.05
Total	**89788.57**	**73485.39**	**73482.78**	**73477.37**	**83515.00**	**83515.00**	**81624.10**	**73975.00**
Carry-over Liabilities	**26182.80**	**32488.54**			**To be known at the end of financial year**			**-**

3.4 The Committee noted that the carry-over liabilities of the Department of Fertilizers due to non-payment of subsidy was Rs.26182.80 crore at the end of 2017-18 and the same increased to Rs.32488.54 crore at the end of 2018-19. When asked state about the estimated amount of carry forward liability at the end of 2019-20 and measures are proposed to be taken to completely eliminate carry-forward liabilities during 2020-21, the Department of Fertilizers submitted in writing as under :-

> " As on 01.04.2019, the carry over liabilities in fertilizer subsidy were to the tune of Rs.32488.54 Crore, the Department has wiped up the carry over liabilities from the budget allocation of 2019-20. The carry over liabilities for the year 2019-20 would be known only at the end of financial year 2019-20. In the absence of adequate budget allocation for 2020-21, the Department would seek additional allocation in the supplementary demands and if required it would seek the Special Banking Arrangement also besides any other measures. "

3.5 The Department of Fertilizers asked to furnish a brief note on the outcomes regarding supplementary Grants sought by it from the Government during 2019-20, stated as under :-

> " In the First Batch of Supplementary Demand for Grants, 2019-20, an amount of Rs 48051.00 Crore was requested from the Department. However, the same was not included in the Supplementary laid on the Table of the Parliament and no amount has been granted by the Department of Economic Affairs. Further, in the Second batch of Supplementary Demand, an amount of Rs 51707.23 Crore was requested from the Department of Economic Affairs. However, no response has been received from the Department of Economic Affairs, MoF. "

3.6 The Department of Fertilizers, when asked to state whether the matter of requirement of Supplementary Grant was taken up at Minister level and its outcomes. In this regard, the Department Fertilizers replied as under :-

> " This Department had requested the Department of Economic Affairs for inclusion of additional demand of Rs.48051 Crore in 1st batch of supplementary demands and additional demand of Rs.51707.23 Crore in the 2nd batch of supplementary demands for grants 2019-20, however on both the occasions, this has not been included in the supplementary demand for grants. In this regard, Hon'ble Minister (Chemical & Fertilizers) has written a letter on 11.2.2020 to Hon'ble Minister of Finance for allocation of adequate additional funds to ensure that carry over liabilities are kept at the minimum."

3.7 On being asked about details regarding surrender and diversion / re-appropriation of funds from one head to another during 2019-20 along with reasons therefor, the Department of Fertilizers furnished written reply as under :-

" An amount of Rs.1.00 Crore was re-appropriated from the object head Professional Services to object head Office expenses under the detailed head Direct Benefit Transfer (DBT) under Major Head 2852.

In the ceilings for RE 2019-20, the allocation for the Department has been kept at BE level. However, an amount of Rs.1.85 Crore has been reduced with respect to Salary head. Accordingly, the same amount is proposed to be re-appropriated to City Compost head, which is a subsidy head. Since, this involves the enhancement of subsidy head expenditure, a proposal has been sent to Ministry of Finance for inclusion in the 2nd Batch of Supplementary (2019-20) for approval of Parliament."

Major Head-wise Allocation

3.8 Account-wise and Major Head-wise details of BE of Rs. 73975.00/- Crore for the Department of Fertilizers for the years 2018-19, 2019-20 and for 2020-21 is as under :-

(**Rs.in Crores)**

Account	Major Head	Actuals 2018-19	BE- 2019-20	RE- 2019-20	BE- 2020-21
REVENUE SECTION					
Secretariat Economic Services	3451	35.23	38.94	37.09	35.94
Crop Husbandry	2401	24090.35	26367.00	26368.85	23504.00
Industries	2852	49351.83	57109.00	57109.00	50435.00
Other General Economic Services	3475	...	0.01	0.01	0.01
Total-Revenue Section		**73477.41**	**83514.95**	**83514.95**	**73974.95**
CAPITAL SECTION					
Loans for Fertilizer Industries	6855	....	0.05	0.05	0.05
Total-Capital Section		**...**	**0.05**	**0.05**	**0.05**
GRAND TOTAL		**73477.41**	**83515.00**	**83515.00**	**73975.00**

3.9 The Department of Fertilizers, when asked to furnish a note on breakups of BE 2020-21 proposed by the Department for different schemes and finally approved by Ministry of Finance indicating IEBR/GBS (Internal and Extra Budgetary Resources/Gross Budgetary Support) along with their comments/reasons why the later did not allocate the funds as originally proposed by the Department, the reply of the Department is as under :-

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

(In Rs. crores)

Budget Heads of Expenditure	**Proposed Requirement**	**BE allocation 2020-21**
Secretariat Expenditure **(MH 3451)**	**42.44**	**35.94**
Nutrient Based Subsidy Policy **(MH 2401)**	23400.00	23504.00
Urea Subsidy **(MH 2852)**	76895.00	50425.00
Subsidy(NBS + Urea Subsidy)	**100295.00**	**73929.00**
DBT **(MH 2852)**	12.00	10.00
Write Off of loans and interest on GOI loans outstanding against DOF PSUs **(MH 3475)**	0.01	0.01
Loans for Fertilizer Industries **(MH 6855)**	0.05	0.05
Total	**100349.50**	**73975.00**

In 2019-20, The Department had proposed an amount of Rs.100580 Crore for its fertilizer subsidy schemes, against which the department was allocated Rs.78466 Crore, initially. However, after much persuasion by the department to liquidate carry over liabilities of Rs.32,488 Crore in fertilizer subsidy, the Ministry of Finance has revised the BE allocation for subsidy schemes to the tune of Rs.83466 Crore. The Nutrient Based Subsidy Policy and Urea Subsidy are Central Sector Schemes and these are wholly financed by the Central Government.

The PSUs in the Department are not being given any Government Budgetary Support. Their IEBR for 2020-21 is under:-

(Rs. in Crore)

S.No.	**Name of the CPSU**	**Proposal for BE 2020-21**
1	BVFCL	0.93
2	FAGMIL	44.48
3	NFL	302.88
4	PDIL	4.51
5	RCF	190.20
	Total	**543.00**

3.10 The Department of Fertilizers was asked to state reasons for reduced BE Rs. 73975.00 crore for 2020-21 against the Revised Estimates of Rs.83515 Crore for 2019-20 out of which the actual Expenditure upto 31.01.2020 was Rs.81624.10 Crore. The Department was also asked to state about the quantum of funds requested by the Department for BE, 2020-21 and how the Department proposes to manage the situation with reduced allocation of funds in the light of persisting carry-forward-liabilities of subsidy payment to fertilizer industry. The written reply of the Department of Fertilizers is as given below : -

“ This Department had projected a requirement of Rs.100349.50 Crore for the financial year 2020-21. However, Ministry of Finance has allocated only Rs.73975 Crore keeping in view the overall fiscal space and priorities of the

Government. As on 01.04.2019, the carry over liabilities in fertilizer subsidy were to the tune of Rs.32488.54 Crore. The Department has wiped up the carry over liabilities from the budget allocation of 2019-20. The carry over liabilities for the year 2019-20 would be known only at the end of financial year 2019-20. In the absence of adequate budget allocation for 2020-21, the Department would seek additional allocation in the supplementary demands and if required it would seek the Special Banking Arrangement also besides any other measures."

Major Head-3451 (Secretariat Economic Services)

3.11 The Committee took note that under Major Head-3452 pertaining to Secretariat Economic Service, the BE for 2020-21 is Rs.35.94 crore which is less than RE of Rs.37.09 made for 2019-20. On being asked to state the reasons for higher expenditure during 2019-20, the Department of Fertilizers furnished written reply as under :-

" The BE and RE for Secretariat Economic Services Major Head in 2018-19 was Rs.34.99 Crore and Rs.37.03 Crore respectively. The RE in 2018-19 got enhanced mainly due to enhancement of Professional services head by Rs.2.00 Crore. The In 2019-20, the BE and RE for MH 3451 is Rs.38.99 Crore and 37.09 Crore respectively.

The progressive expenditure in respect of Secretariat Economic Service during 2018-19 was Rs.31.73 Crore. Against that in 2019-20, the progressive expenditure is Rs.29.02 Crore till 31.01.2020. "

Major Head-2401 (Crop Husbandry)

3.12 The BE under Major Head-2401 (Crop Husbandry) for the year 2020-21 is Rs.23504.00 crore which is lower than the RE of Rs.26368.85 crore for 2019-20. When asked to state reasons for lower allocations for Nutrient Based Subsidy (NBS) schemes, the Department of Fertilizers stated that "*in view of estimated sale of indigenous P&K fertilizers including SSP and imported P&K fertilizers, an amount of Rs.23400 Crore was sought against which an amount of Rs.23475.00 crore has been provided.*

3.13 A statement showing the details of budgetary outlays, physical & financial targets in respect of P&K fertilizers (fixed and achieved) during the years 2017-18 to 2019-20 is as under :-

					Figures in LMT
P&K Fertilizers	**Financial Outlay**	**Production Target**	**Actual Production**	**Availability**	**Sales**
2017-18	Rs. 20232 Crore	149.38	134.64	222.43	212.53
2018-19	Rs.25090.35 Crore	150.04	134.14	298.04	209.97
2019-20(up to Dec 19)	Rs. 26367 Crore	116.53	101.46	274.13	184.46

Note: The sale denotes the quantity of fertilizers lifted by State Governments for consumption.

The Committee were also informed that the P&K fertilizers are under decontrolled regime. The production targets intimated by them are indicative in nature. They may produce more or less as per their own commercial decision.

3.14 To a specific query as to how the Department of Fertilizers propose to meet the expenditure burden on Major Head-2401 (Crop Husbandry) with reduced allocation for 2020-21 as compared to previous financial year and whether any change in the NBS rate was visualized, the Department of Fertilizers stated that " *The BE allocation for Major Head 2401 in 2019-20 is Rs.26367 Crore. As against that the BE 2020-21 is 23504 Crore. In 2020-21, the NBS rates are expected to be slightly lower as compared to 2019-20 due to reduction in prices of nutrients.* "

3.15 **Scheme for Promotion of City Compost** - The budgetary support for the scheme for promotion of City Compost, during 2018-19, 2019-20 & 2020-21 are as under :-

(In Rs. Crore)

2018-19	**2019-20**		**2020-21**
ACTUAL	BE	RE	BE
10	32	33.85	29

3.16 The Department of Fertilizers was asked to furnish details regarding BE, RE & Actual Expenditure on the scheme since inception and details regarding projected BE for 2020-21 along with reasons for reduced allocation and to state whether the BE would be upwardly revised later. In response the Department of Fertilizers intimated in writing as under : -

(Rs. in Crore)

Year	BE	RE	Actual
2016-17	0.01	15.00	0.55
2017-18	15.00	14.80	7.26
2018-19	10.00	10.00	10.00
2019-20	32.00	33.85	32.00(upto 14.2.2020)
2020-21	29.00	--	--

This Department projected the requirement of Rs.30 Crore for City Compost for the financial year 2020-21. However, Rs.29 Crore has been allocated for City Compost from the overall allocation. The enhancement of allocation in respect of city compost would be sought in the year 2020-21 depending upon the sale of the city compost.

Major Head-2852 (Industries / Urea Subsidy)

3.17 Budgetary support for indigenous urea and imported urea during the last two years and the current year is as given below :-

(In Rs. Crore)

ACCOUNT	**2018-19**	**2019-20**		**2020-21**
	ACTUAL	**BE**	**RE**	**BE**
INDEGENOUS UREA	32189.50	43050	43050	38375
IMPORTED UREA	17155.36	14049	14049	12050
TOTAL	**49344.86**	**57099.00**	**57099.00**	**50425.00**

3.18 The Committee observed that the Budgetary allocation for urea subsidy has reduced from Rs. 57099 Crore in 2019-20 to Rs.50425 Crore for 2020-21 against projected requirement of Rs. 76895 Crore for 2020-21 as proposed by the Department of Fertilizers. In this, on being asked to explain reasons for reduced budgetary allocation, the Department of Fertilizers furnished written reply as under :-

> " This Department projected the requirement of Rs.76896 Crore for Urea subsidy for the financial year 2020-21. However, Ministry of Finance allocated only Rs.50435 Crore(Rs.50425 Crore for Subsidy + Rs. 10.00 Crore for DBT). As on 01.04.2019, the carry over liabilities in fertilizer subsidy were to the tune of Rs.32488.54 Crore. The Department has wiped out the carry over liabilities from the budget allocation of 2019-20. The carry over liabilities for the year 2019-20 would be known only at the end of financial year 2019-20. In the absence of adequate budget allocation for 2020-21, the Department would seek additional allocation in the supplementary demands and if required it would seek the Special Banking Arrangement also besides any other measures. Since the Demand for Grants for 2020-21 have already been laid in the budget document on 1st February, 2020, it is not feasible to get the budget allocation enhanced at this stage. Moreover, the carry over liabilities of the financial year 2019-20 would be known only at the end of the financial year. As such the request for additional allocation would be made separately at the appropriate time in 2020-21.

3.19 A statement showing details of budgetary outlays, physical & financial targets in respect of urea (fixed and achieved) during the years 2017-18 to 2019-20 is as under :-

					Figures in LMT
Urea	**Net Financial Outlay**	**Production Target**	**Actual Production**	**Availability**	**Sales**
2017-18	Rs 49768 Crore	244.63	240.23	313.17	303.31
2018-19	Rs.45000 Crore	253.63	240.0	379.62	320.04
2019-20(up to Dec 19)	Rs. 53629 Crore	197.68	181.98	308.81	254.00

Note: The sale denotes the quantity of fertilizers lifted by State Governments for consumption.

3.20 It is observed that consumption of urea has been on the rise for the last three years and domestic production is approximately near about 240 LMT. However, under the Major Head-2852 (Urea Subsidy) a reduced BE of Rs.50435.00/- crore has been made for 2020-21 as compared to the RE of RS.57109.00/- during 2019-20. Against this backdrop, the Committee sought to know whether the budgetary support of Rs.50435.00/- crore would be sufficient to meet (i) the expenditure on urea subsidy for 2010-21 and (ii) to clear the pending liabilities on this account as on 01-04-2020 due to carry-forward liabilities of 2019-20. In this regard, the reply furnished by the Department of Fertilizers is as under :-

> " The BE/RE in 2019-20 for Urea subsidy (Major Head 2852) is Rs.57109 Crore in gross terms. As against that BE 2020-21 is Rs.50435 Core in gross terms. Thus, there is a reduction of Rs.6675 Crore. As on 01.04.2019, the carry over liabilities were to the tune of Rs.32488.54 Crore that included the carry over liabilities of Rs.20226.91 Crore in respect of Urea Subsidy. The carry over liabilities in respect of Urea subsidy for financial year 2019-20 would be known only at the end of FY 2019-20. Due to lesser budgetary allocation in 2020-21 as compared to 2019-20, certainly the funds allocated in 2020-21 would not be adequate to meet the requirement of Carry over liabilities of 2019-20 and the expenditure of 2020-21. "

3.21 Regarding the system of monitoring and control over the performance of the schemes/programmes, the Department of Fertilizers has stated as under :-

> "The progress of expenditure against the On-going Schemes of NBS subsidy for P&K fertilizers and Urea subsidy for Urea is reviewed every week in the Sr. Officers' meeting chaired by Secretary (Fertilizers). In the meeting, all important issues like revival of sick units of Fertilizer PSUs, requirement and availability of fertilizers, movement of fertilizers; and grievances related to the fertilizers are discussed. In the Quarterly Review Meetings (QRMs) taken by Secretary (Fertilizers), the performance of DOF PSUs are reviewed with the

representatives of the concerned PSUs and suitable directions are given to them for corrective action.

The department is implementing two Central Sector Schemes namely: Nutrient Based Subsidy Policy and Urea Subsidy through which the subsidy on P&K Fertilizers and Urea is disbursed. Nutrient Based Subsidy Policy for Decontrolled Fertilizers (P&K Fertilizers) was introduced w.e.f 01.04.2010. An evaluation of the scheme was carried out by the Department through M/s Ernst & Young in the year 2014, wherein impact of NBS had been examined for the years 2010 to 2013.

Nutrient Based Subsidy Policy and Urea Subsidy scheme for P&K Fertilizers and Urea respectively were reviewed in 2017-18 and their continuance upto 31.03.2020 was approved by CCEA. As per instructions of Ministry of Finance, NBS scheme and Urea Subsidy Scheme are required to be reviewed for their further continuance beyond 31.03.2020. Presently, the approval for continuation of the schemes is up to 31.03.2020. In accordance with the instructions of Ministry of Finance, a third party evaluation of the scheme is being undertaken to review the scheme for improvement in the implementation of scheme.

Pending, completion of third party evaluation, MOF has given extension of schemes till 31.03.2021 or presentation of report of 15th Finance Commission, whichever is earlier."

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CHAPTER – IV

PERFORMANCE OF FERTILIZER UNITS UNDER DEPARTMENT OF FERTILIZERS

Financial Performance of Fertilizer Companies

In a brief note on financial condition of manufacturing and trading companies of fertilizers including urea and P&K fertilizers, the Department of Fertilizers has stated that information about registered P&K fertilizers manufacturers and manufacturers of Bio fertilizers/Organic fertilizers and their financial status is not available with Department of Fertilizers. As regards imports, Urea imports on Government account is canalized through designated State Trading enterprises (STEs) namely Metals and Minerals Trading Corporation of India Limited (MMTC) and Rashtriya Chemicals & Fertilizers (RCF) under the Foreign Trade Policy of the Government. The distribution of imported urea is being done through Seven (7) Foreign Marketing Entities (FMEs) appointed by the Department of Fertilizers. In respect of P&K fertilizers, the companies import P&K fertilizers under Open General License (OGL) as per their commercial interests. Therefore the total number of firms/companies is not being maintained in the Department

4.2 As on date, there are 32 urea manufacturing units, the details of which along with their present financial condition (as received from the respective companies) are mentioned in the table below:

S. No.	Unit	Location	(Profit/Loss*) FY 2018-19
1.	Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) – Namrup-II	Assam	Loss
2,	Brahmaputra Valley Fertilizers Corporation Limited (BVFCL) – Namrup-III	Assam	Loss
3.	Indian Farmers Fertilizer Cooperative (IFFCO)-Aonla-I	Uttar Pradesh	Profit
4.	Indian Farmers Fertilizer Cooperative (IFFCO)-Aonla-II	Uttar Pradesh	Profit
5.	Indian Farmers Fertilizer Cooperative (IFFCO)-Phulpur-I	Uttar Pradesh	Loss
6.	Indian Farmers Fertilizer Cooperative (IFFCO)-Phulpur-II	Uttar Pradesh	Profit
7.	Indian Farmers Fertilizer Cooperative (IFFCO)-Kalol	Gujarat	Loss
8.	National Fertilizers Limited (NFL) – Vijaipur - I	Madhya Pradesh	Profit
9.	National Fertilizers Limited (NFL) – Vijaipur - II	MP	Profit

10.	National Fertilizers Limited (NFL) – Nangal	Punjab	Profit
11.	National Fertilizers Limited (NFL) – Panipat	Haryana	Profit
12.	National Fertilizers Limited (NFL) – Bhatinda	Punjab	Profit
13.	Krishak Bharati Cooperative (Kribhco)-Hazira	Gujarat	Loss
14.	Rashtriya Chemicals & Fertilizers Limited (RCF)- Thal	Maharashtra	Profit
15.	Rashtriya Chemicals & Fertilizers Limited (RCF)-Trombay	Maharashtra	Profit
16.	Nagarjuna Fertilizers & Chemicals Limited (NFCL) – Kakinada-I	Hyderabad	Loss
17.	Nagarjuna Fertilizers & Chemicals Limited (NFCL) – Kakinada-II*	Hyderabad	Shut Down
18.	Chambal Fertilizers & Chemicals Limited (CFCL)-Gadepan - I	Rajasthan	Profit
19.	Chambal Fertilizers & Chemicals Limited (CFCL)-Gadepan - II	Rajasthan	Profit
20.	Yara Fertilizers India Private Limited (YFIPL)-Barbala	Uttar Pradesh	Loss
21.	Kribhco Fertilizers Limited (KFL) - Shahjahanpur	Uttar Pradesh	Loss
22.	Kanpur Fertilizers & Cement Limited (KFCL), Kanpur	Uttar Pradesh	Profit
23.	Shriram Fertilizers & Chemicals (SFC) – Kota	Rajasthan	Loss
24.	Zuari Agro Chemicals Limied (ZACL) – Goa	Goa	Loss
25.	Gujarat Narmada Valley Fertilizers Company Limited (GNVFC)-Bharuch	Gujarat	Loss
26.	Gujarat State Fertilizers & Chemicals Limited (GSFC)-Vadodara	Gujarat	Profit
27.	Grasim Industries Limited - Jagdishpur	Uttar Pradesh	Loss
28.	Matix Fertilizers & Chemicals Limited, Panagarh**	West Bengal	Loss
29.	Chambal Fertilizers & Chemicals Limited (CFCL)-Gadepan – III	Rajasthan	Profit
30	Madras Fertilizers Limited (MFL)-Manali	Tamsil Nadu	Loss
31.	Mangalore Chemicals & Fertilizers Limited (MCFL)- Mangalore	Karnataka	Loss
32.	Southern Petrochemicals Industries Limited (SPIC)-Tuticorin	Tamil Nadu	Profit

Public Sector Fertilizer Units

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

4.4 The Committee took note that no budgetary allocation has been made under the Major Head-4855 (Capital Outlays on Fertilizer Industries) during the years 2018-19, 2019-20 & 2020-21. When asked to state reasons for not making any investment in Public Sector Undertakings engaged in production of fertilizers during the last two years and for 2020-21 and how the Department proposed to achieve the success in running of these CPSUs without any assistance from the Government, the Department of Fertilizers furnished written reply as under :-

> " The window of investment and working capital loan to CPSUs from Government of India in general, stands closed, as clarified in Ministry of Finance, Department of Economic Affairs, O.M. No.5(3)-B(PD)/2015, dated 3rd February, 2016. Hence, no budgetary allocation for investment in PSUs has been kept under MH-4855. However, 5 token provisions of Rs. 1lakh each has been provided under Major Head 6855 Loans for Fertilizer Industries under Capital Section.
>
> Further, all short term / long term financial resources are met through internal Accrual & External borrowing mainly from Banks by the respective PSUs. However, the GOI supports to achieve the successful running of these PSUs in the form of subsidy."

4.5 On being asked to state whether the Department of Fertilizers are aware of IEBR raised by PSUs during 2020-21 and the purpose for which the funds will be utilized, the reply of the Department is as under :-

The details of IEBR mobilized by the PSUs under DoF in 2020-21 is as under:-

S.No.	Name of the CPSU	Proposal for BE 2020-21
1	BVFCL	0.93
2	FAGMIL	44.48
3	NFL	302.88
4	PDIL	4.51
5	RCF	190.20
	Total	543.00

Internal & Extra Budgetary Resources (IEBR) generated by fertilizer PSUs are utilized by them for carrying out their Capital Expenditure.

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

S. No.	Name of PSU	Products	Installed Capacity (in LMT)	Functional status (2018-19)
1.	National Fertilizers Limited (NFL)*	Urea	35.68	Profit making
2.	Rashtriya Chemicals & Fertilizers Limited (RCF)	Urea & Complex Fertlizers	11.89	-do-
3.	FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	Gypsum	12.25	-do-
4.	Madras Fertilizers Limited (MFL)	Urea, & NPK	13.26	Sick PSU
5.	Fertilizers and Travancore India Limited (FACT)	Complex Fertilizers & Caprolactam	8.58 & 5.00	-do-
6.	Bhramputra Valley Fertilizers & Chemicals Limited (BVFCL)	Urea	5.10	Loss making
7.	Projects & Development India Limited (PDIL)	Consultancy & Engineering Services.	-	Profit making
8.	Fertilizer Corporation of India Limited (FCIL)	5 plants at Sindri, Talchar, Ramagundam, Gorakhpur & Korba closed in Sep, 2002. A joint venture Company Hindustan Urvarak & Rasayan Lmited (HURL), set up in June 2016 for revival of Gorakhpur & Sindri Units.		--
9.	Hindustan Fertilizer Corporation Limited (HFCL)	Operations HFCL closed in Sep, 2002. Barauni Unit under revival through nomination and two other untis are closed.		--

Revival of Sick Units of Fertilizer PSUs

4.7 The Department of Fertilizers had intimated that the Cabinet in 2011 approved to revive FCIL and HFCL units and to consider write off of GoI Loan and interest to the extent required, subject to submission of fully tied up proposals for final decision on waiver. The revival of these closed units would be either through 'nomination route' by PSUs or through 'bidding route' by private sector. Sindri, Talcher and Ramagundam Units of FCIL (Fertilizer Corporation of India Limited) to be revived on 'nomination basis' and Gorakhpur and Korba units of FCIL and Durgapur, Haldia and Barauni units of HFCL (Hindustan Fertilizer Corporation Limited) to be revived through bidding route.

4.8 **Talcher unit of FCIL** is being revived on 'Nomination Basis' by a Consortium of PSUs namely RCF, GAIL (India) Limited, Coal India Limited and FCIL. A Joint Venture Company named as "Talcher Fertilizers Limited (TFL)" formed. Site preparation work has commenced. Environment Clearance received on 09.02.2018. Likely to start production by Sept, 2023. The estimated capacity of the plant is 1.27 MMTPA.

4.9 **The Ramagundam unit of FCIL** is being revived through nomination route by consortium of PSUs namely Engineers India Limited (EIL), National Fertilizers Limited (NFL) and FCIL. A Joint Venture Company named as Ramagundam Fertilizers &

Chemicals Ltd. **(RFCL)** was incorporated on 17.02.2015. RFCL is being revived by setting up a gas based fertilizer plant of 1.27 MMTPA capacity. The project likely to be commissioned in February, 2020.

4.10 Sindri and Gorakhpur units (two units) of FCIL and Barauni unit of HFCL are being revived by means of a SPV of PSUs namely NTPC, CIL, IOCL and FCIL / HFCL. The name of this Joint Venture company is Hindustan Urvarak & Rasayan Limited (HURL). Pre pre-project activities namely, pre- feasibility, Geo technical investigation, Hydro topographic studies, geological & ground water study for water availability have been completed for all the three projects. Environmental clearance obtained. Capacity of each of the plant is 1.27 MMTPA

4.11 Regarding progress achieved in revival of each of the above mentioned five urea plants as furnished by the Department of Fertilizers is as given below :-

Sl No.	**Project**	**Zero Date**	**Progress in terms of % of work upto 31st January, 2020.**	**Likely date of Commercial Production**	**Financial assistance provided by GoI, along with reasons, if there is delay.**
1	RFCL	25.09.2015	99.20	March, 2020	GoI has not provided any financial assistance to RFCL. Reasons for delay in commissioning of the plant is stated at #
2	HURL (Sindri)	18.05.2018	63.20	May, 2021	** Details are given in Note below the table
3	HURL (Gorakhpur)	27.02.2018	73.00	February, 2021	
4	HURL (Barauni)	18.05.2018	62.50	May, 2021	
5	TFL	17.09.2019	Now, only pre-project activities are underway. Its progress is 51.74%	September, 2023	GoI has not provided any financial assistance to TFL.

 # Major Reasons for Delay

-Upfront delay in availability of Licensor packages

- Gas transmission facility was delayed. Gas made available on 01.11.2019. Minimum six months are required for commissioning of plant thereafter.

-Delay in execution of works by contractors i.e. BHEL (Steam & Power Generation Package), WIPRO WATER (Water Block), M/s. Elecon (Bagging & Conveying package), M/s. Simplex and M/s B&R.

- Unprecedented rains in 2018 resulting in interruption of construction activities.

- Inadequate availability of skilled manpower locally.

****-** Government of India has sanctioned Interest Free Loan (IFL) to the tune of Rs. 1257.82 crore to HURL 3 units. The IFL will be disbursed to HURL units after signing of Loan Agreement between Department of Fertilizers and HURL.

On being asked as to when closed fertilizers units at Gorakhpur, Barauni and other places would start functioning, the joint Secretary Department of Fertilizers stated that they are trying and hope that before next year monsoon the units shall be functional.

Revival of Fertilizers and Chemicals Travancore Ltd (FACT)

4.12 FACT (Fertilizers and Chemicals Travancore Ltd.) was incorporated in 1943 and it started production in 1947. It became a PSU in 1960. GoI became a major shareholder in 1962. At present the Authorized Share Capital of the PSU is Rs. 1000 Crore and its Paid up capital is Rs 647.07 Crore. Govt. of India shareholding is 90%. During the Financial year 2013-13, FACT became a sick CPSU having net worth – (Rs.192.5 Crore). The Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting on 20.12.2013 recommended the infusion of funds and waiver of GOI loans and interest for revival of FACT subject to continuation of existing support for providing the company a level playing field with other fertilizers companies. Based on the BRPSE proposal, D/o Fertilizers submitted a note for Cabinet Committee on Economic Affairs (CCEA) on 17.4.2014 containing proposal as recommended by BRPSE. Cabinet Secretariat vide OM dated 17.5.2014 directed D/o Fertilizers to undertake fresh Inter Ministerial Consultation (IMC) and forward the revised note for consideration of CCEA with the approval of new Minister-in-charge.

4.13 Thereafter the revised Cabinet note was circulated for IMC on 18.6.2015 containing the under mentioned proposals, upon which PMO vide their Note dated 30.6.2015 requested DIPAM (erstwhile D/o Disinvestment) to visit the plant and make independent recommendations in the matter :-.

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

- In principle approval for sale/leveraging of land for raising resources to repay the loans raised against sovereign guarantee and to raise fund for implementation of projects.

4.14 Meanwhile, a loan of Rs.1000 Crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016. Also was proposal mooted for financial re-structuring of FACT involving the following proposals :-

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

4.15 On this proposal a meeting was held in PMO on 10.08.2018, wherein the PMO directed inter-alia that the proposal for sale of land of FACT to be delinked from the Cabinet note for financial restructuring of FACT. A study Report submitted by NITI Aayog on subject matter was under the examination of Department of Fertilizers

4.16 The Standing Committee on Chemicals and Fertilizers undertook study visit to Fertilizers and Chemicals Travancore Ltd. (FACT) in January, 2021. As part of the study visit programme the Committee held informal discussion with the representatives of Department of Fertilizers and FACT on the subject 'Revival of FACT'. The Committee were apprised *inter-alia* that approval has been accorded for sale of 169.689 acres of land of FACT to BPCL @ Rs.2.47 Crore per acre (total approx. Rs.420 Crore) and approval for sale of 481.79 acres of land held by FACT to Govt. of Kerala and utilization of sale proceeds by FACT was accorded on 24-07-2019. FACT stated that it has undertaken various capex activities for improving functional efficiency of the plant. FACT also submitted that waiver of the outstanding GoI loan liabilities of Rs.1282.73 Crore and total interest of Rs.487.76 as on 31-03-2017 would improve the financial performance of the company.

4.17 The financial performance of FACT during the last three years as furnished by the Department is reproduced below :-

<u>THE FERTILIZERS AND CHEMICALS TRAVANCORE LIMITED (FACT)</u>			**<u>(Rs. In Crore)</u>**
	2016-17	**2017-18**	**2018-19**
Sales Turnover	1883.28	1928.67	1954.98
PBDIT	63.28	209.50	466.19
PBIT	41.99	192.36	443.67
Financing Charges	304.66	321.42	280.63
PBT	-262.68	-129.06	163.14
New Worth	-1555.01	-1695.05	-1523.70
Short term borrowing	631.81	507.37	479.93
GoI Loan outstanding (incl. Interest)	1770.49	2009.50	2248.52
Dues to Suppliers	320.72	423.00	418.90
Other outstanding liabilities	356.92	515.07	637.66
Total Outstanding liability	3079.94	3454.94	3785.01
Gross Block	321.68	333.60	355.77
Capital Employed	187.76	53.89	246.78

4.18 The Department of Fertilizers was asked to state whether any steps were taken for waiver of the FACT's outstanding GoI loan of Rs.1282.73 Crore and total interest of Rs.487.76 on the said loan as on 31-03-2017 and about the capex works under taken by the FACT and its role and significance in improving financial of FACT. In this regard, the written reply furnished by the Department of Fertilizers is as under :-

> "This department was examining financial restructuring proposal for FACT including waiver of GoI loan & interest thereon and sell of surplus land to Govt. of Kerala. Meanwhile a meeting was held in PMO on 10.08.2018. The matter of sale of surplus FACT land has been de-linked from Financial restructuring of FACT. NITI Aayog was entrusted to furnish a study report for possibility of merger with other PSUs and to explore other options. NITI Aayog submitted the draft study report to this Department for comments. Vide letter dated 18th November, 2019, Department of Fertilizers has furnished the comments to NITI Aayog.
>
> Cabinet has approved the proposal for Sale of 481.79 acres of land held by FACT to the Govt. of Kerala on 24.07.2019 as under:
>
> - 150 acres of land at the rate of Rs. 1 Crore per acre (in lieu Government of Kerala agreed to give free hold right over 143.22 acres of land to FACT).
> - Remaining 331.79 acres at the rate of Rs. 2.4758 Crore per acre as assessed by District Collector of Ernakulum.
> - Utilization of sale proceeds by FACT.

The amount of Rs. 967.69 Crore has been received by FACT from Govt. of Kerala/Kerala Industrial Infrastructure Development Corporation (KINFRA). FACT vide letter dated 01.08.2019 was asked to adhere to the Capital Expenditure (CAPEX) to the tune of Rs. 608 Crore over a period of three years as approved by the Cabinet. The said CAPEX would be used for setting up of 1650 TPD plant with pipe reactor and other schemes.

Final study report has been received through PMO on 22nd January, 2020. The same is under examination in the Department of Fertilizers.

4.19 Regarding NITI Ayog Report on FACT and action taken thereto, the Secretary, Department of Fertilizers stated as under:-

NITI Aayog has a scheme of gradual recommendations. The report went to the Cabinet. The Cabinet asked for leveraging the surplus assets of FACT first; once FACT gets the resources and utilizes it to improve its production and productivity and profitability, the Cabinet will take the next step. In the first installment, we sold some land to the Kerala Government. They have Rs. 971 crore now. The CMD of FACT is here. He can give the plans for utilization of that money.

4.20 On the issue of revival, the CMD, FACT submitted before the Committee as under:-

"With respect to FACT, the first step was to sell the land to the Kerala Government. We have done it and got the money. In the second stage, based on the suggestion of the NITI Aayog, we have given our proposal to the Department of Fertilizers for putting the financial restructuring and it is under consideration.

He further added that he is hopeful as the Department of Fertilizers is likely to move cabinet note soon".

Revival of Madras Fertilizers Limited (MFL)

4.21 Madras Fertilizers Limited (MFL) was incorporated in December 1966 as a joint venture between GOI and AMOCO India Incorporation of USA with GOI holding 51% of the equity share capital. The present share holding pattern is GOI-59.50% and NIOC-25.77% and Publoc-14.73%. Madras Fertilizers Ltd is engaged in manufacturing of Ammonia, Urea and Complex fertilizers.

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

4.23 As regards financial restructuring of MFL based on NITI Aayog study, the Department of Fertilizers stated as under :-

> " NITI Aayog was entrusted to make a study on possibility of merger of FACT and MFL with other PSUs and to explore other options. NITI Aayog submitted the draft study report to this Department for comments. The draft study is being examined in this Department in consultation with other stakeholders.
>
> MFL Board submitted recommendation on revival plan to DoF vide letter dated 1.6.17 and suggested following new option other than the 6 options suggested by PDIL:
>
> (i) Waiver of GoI loan interest of Rs. 509.04 Cr (as on 31.03.2017).
> (ii) Waiver of GoI loan principal of Rs 554.24 Cr. (as on 31.03.2017).
> (iii) Raising of loan of Rs 171 Cr. from Financial Institutions/Banks for CAPEX schemes.
> (iv) Increase the Public shareholding from the existing level of 14.33 to 25% and
> corresponding reduction in GoI/ NICO share to accomplish the same.
>
> Based on submission of MFL, the proposal for the CCEA was examined in the DoF. Meanwhile, a meeting was held in PMO on 23.01.2018 wherein it was directed to explore possibility of monetization of surplus land of MFL. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL). In a meeting held in PMO on 10.08.2018, it was decided that D/o Fertilizers would list all assets of MFL and to ascertain which assets can be monetized. Accordingly, MFL has identified 70 acres of surplus land for sale to CPCL. The proposal for sale of 70 acres surplus land of MFL to CPCL was taken up with Ministry of Petroleum & Natural Gas for their concurrence. However, MoPNG has informed that CPCL has given approval for purchase of 4.98 acres of land by CPCL first. MoP&NG has further

informed that for purchase of balance 65 acres of land, CPCL will approach MFL at later stage.

The conversion of Madras Fertilizers Limited (MFL) from Naphtha based to gas based has been made under policy provisions of New Pricing Scheme (NPS)-III. As per para 5 (i) of NPS III issued vide DoF vide letter dated 08.03.2007, "All functional Naphtha and FO/LSHS based units should get converted within a period of 3 years…"

Madras Fertilizers Limited (MFL) has already converted its plant on Natural Gas as feedstock and started its commercial production of urea w.e.f 28.07.2019."

4.24 In January, 2021, the Standing Committee on Chemicals and Fertilizers undertook study visit to Madras Fertilizers Limited (MFL) and as part of the study visit programme, the Committee held informal discussion with the representatives of Department of Fertilizers and MFL on the subject 'Revival of MFL' on 23-01-2020. The Committee were *inter-alia* apprised that MFL has taken many steps for improving functional efficiency of the plant including reduction in energy consumption by the plant and setting up of captive power plant. MFL has taken steps for sale of its 70 acres land for utilizing the same capex activities. The Committee were also informed that their request for waiver of GoI loan interest of Rs. 509.04 Cr (as on 31.03.2017) and interest on the said loan of Rs 554.24 Cr. (as on 31.03.2017) are still pending. Subsequently, the Department of Fertilizers was asked to intimate further progress achieved in the financial restructuring of MFL including steps taken for loan and interest waiver. The written reply of the Department of Fertilizers in this regard is reproduced below :-

" Department of Fertilizers was examining Financial Restructuring proposal for MFL including waiver of Government of India (GoI) loan & interest thereon. Meanwhile, a meeting was held in Prime Minister Office (PMO) on 10.08.2018. Action is being initiated as per Minutes of the Meeting (MoM).

Further, MFL identified 70 acres of surplus land for sale to CPCL, a subsidiary company of IOCL. An MoU was signed between MFL and CPCL on 14th February, 2018 for sale of 70 acres of land from MFL to CPCL. The proposal of sale of land of 70 acres of surplus of MFL to CPCL was taken up with MoP&NG for their concurrence to the proposal for sale of 70 acres of land of MFL to CPCL. However, MoP&NG has given approval for purchase of only 4.98 acres of land by CPCL. Department of Expenditure was requested to concur into the proposal of transfer of 4.98 acres of land from MFL to CPCL at mutually agreed rate of Rs. 976/- per sq ft.

However, no information from Department of Expenditure has been received till date. Vide letter dated 18th November, 2019, Department of Fertilizers has furnished the comments to NITI Aayog on the draft study report. Final study report has been received through PMO on 22nd January, 2020. The same is under examination in the Department of Fertilizers.

Once the land monetization of MFL is completed a complete view would be taken on financial restructuring of MFL.. "

4.25 During the course of evidence, the Secretary, Department of Fertilizers has stated as under"-

"As far as Madras Fertilizers Limited is concerned, we are trying to sell the land, but we are not getting the buyers there. We have got a buyer only for 4.74 acres of land, which will get us only a limited amount of money. But that will again help them to establish a captive power plant because they need around Rs. 200 crore for that."

4.26 On being asked whether the Government plans to sell MFL or closed it down or run it as a PSU, the Secretary , Department of Fertilizers stated as under:-

"There is no plan to close it down or to sell it off. The plan is to revive them through stage-wise infusion of funds by leveraging its surplus assets. If need be, the NITI Aayog recommendation says that the Government of India may consider waiving off the interest, penal interest or the loan given to this organization."

4.27 Regarding waiving -off the Government of India loan to MFL and interest thereon, the Secretary , Department of Fertilizers added as under:-

"This is part of the recommendation and we are going stage-wise. First, we are trying to find out buyers for the surplus land. If we succeed, it will run profitably. By that time, we can consider the rest of the proposals."

4.28 The financial performance of MFL during the last three years as furnished by the Department is reproduced below :-

MADRAS FERTILIZERS LIMITED (MFL) **Financial performance**			**(Rs. In Crore)**
	2016-17	**2017-18**	**2018-19**
Total Revenue	1432.43	1664.39	1659.77
Profit before Depreciation, Interest and Taxes	98.20	35.44	39.78
Depreciation	21.36	22.01	22.99
Interest	73.53	75.39	100.03
Profit before Tax	3.31	(61.96)	(83.24)
Tax Provision	0.00	0.00	0.00
NET Profit / (Loss)	**3.31**	**(61.96)**	**(83.24)**
Dividend (%)	**0.00**	**0.00**	**0.00**
Share Capital (Paid up)	**162.14**	**162.14**	**162.14**
Reserves & Surplus	**(592.21)**	**(654.17)**	**(737.41)**

Net Worth	**(430.07)**	**(492.03)**	**(575.27)**
Liabilities			
GOI Loan	554.24	554.24	554.24
GOI Loan Interest	509.05	563.63	618.21
Banks	205.82	404.13	494.69
Suppliers	246.29	381.81	276.97
Others	144.48	170.43	199.45
Total Liabilities	**1659.88**	**2074.24**	**2143.56**

4.29 To a further query as to how the money from sale of land of FACT and MFL would be utilized, the Joint Secretary, Department of Fertilizers stated as under:-

> As the Secretary has said, there were two issues. One is the leveraging of assets to give some money and the other is the rest of the financial restructuring. We had delinked them. FACT has already got the money. It has got into a capex plan. MFL is in the process of selling its land. NITI Aayog, at the end of January, have given their financial recommendation based on our comments which we had almost agreed to. Once we have agreed to their draft report, we do not find any reason for the Department of Fertilizers to differ from NITI Aayog's report. We will obviously have to take other stakeholders and other departments into confidence and come out with a financial restructuring plan. As of now, there is no discussion or no decision of closure of these units or to come out of business

4.30 The financial performances of other PSUs under the Department of Fertilizers (FAGMIL, NFL, RCF, PDII & BVFCL) during the last three years as furnished by the Department are reproduced below :-.

FCI ARAVALI GYPSUM AND MINERALS INDIA LTD. (FAGMIL) (Rs. In Crore)			
	2016-17	**2017-18**	**2018-19**
Net worth	232.67	245.42	251.08
Outstanding Liabilities	26.07	17.16	14.21
Sales Turnover	51.33	48.60	51.16
Profit Before Tax	55.19	41.88	29.89

NATIONAL FERTILIZERS LIMITED NFL) (Rs. In Crore)			
	2016-17	**2017-18**	**2018-19**
Sales Turnover	7643.36	8954.36	12245.24
PBT	324.88	334.83	463.37
PAT	208.16	212.77	298.45
Net Worth	1826.64	1987.40	2219.02
Total Outstanding Liabilities in respect of Borrowing			
Long Term	980.88	170.28	341.49

Short Term	**3153.73**	**2890.43**	**6122.11**
GoI Loan	**-**	**-**	**-**
Finance Cost (Interest Cost)	**189.84**	**189.57**	**316.36**

RASHTRIYA CHEMICAL & FERTILIZERS LIMITED (RCF)

(Rs. In Crore)

	2016-17	**2017-18**	**2018-19**
Revenue from Operations	7223.17	7281.96	8885.47
Other Income	67.98	61.24	79.67
Total Income	7291.15	7343.2	8965.14
Total Expenses	7042.42	7214.86	8753.33
Profit Before Exceptional item	248.73	128.34	211.81
Exceptional Item	0	0.12	-23.44
Profit Before Tax	**248.73**	**128.22**	**235.25**
Profit after Tax	**179.26**	**78.8**	**139.17**
Assets			
Property Plant & Equipment	**1538.24**	**1903.49**	**1942.71**
CWIP	**107.24**	**152.36**	**275.69**
Investment Property	**5.25**	**5.1**	**6.29**
Other non-current Assets	**384.05**	**393.41**	**384.86**
Trade receivables	**3641.72**	**2860.41**	**4550.19**
Inventories	**793.3**	**741.65**	**1478.78**
Cash & Bank	**13.01**	**5.96**	**4.86**
Other current Assets	**52.97**	**261.17**	**277.11**
Total Assets	**6535.78**	**6323.55**	**8920.49**
Equity & Liabilities			
Equity			
Equity Share Capital	**551.69**	**551.69**	**551.69**
Other Equity	**2373.33**	**2378**	**2483.01**
Net Worth	**2925.02**	**2929.69**	**3034.7**
Liabilities	**1659.38**	**1254.65**	**3310.58**
Borrowings	**1659.38**	**1254.65**	**3310.58**
Trade Payables	**844.96**	**914.9**	**1366.88**
Provisions	**274.12**	**333.93**	**254.28**
Other liabilities	**832.3**	**890.38**	**954.05**
Liabilities (Total)	**3610.76**	**3393.86**	**5885.79**
Total Equity & Liabilities	**6535.78**	**6323.55**	**8920.49**

PROJECT AND DEVELOPMENT INDIA LIMITED (PDIL)

(Rs. In Crore)

	2016-17	**2017-18**	**2018-19**
Income for Operations (Net)	45.95	68.20	116.50
Other Income	11.79	9.66	15.00
Total Income	57.74	77.86	131.50
Earnings before depreciation/impairment, Interest and Tax (PBDIT)	(7.76)	2.60	39.54

Interest on Govt. Loan	-	-	-
Depreciation/Impairment	2.19	1.99	2.32
Profit before Tax	**(9.95)**	**0.61**	**37.22**
Profit After TAX	**(10.58)**	**2.69**	**30.36**
Gross Fixed Assets	**68.91**	**69.55**	**47.71**
Net Fixed Assets	**16.29**	**14.99**	**16.25**
Current & Non-Current Assets, Loans and Advances	**120.41**	**134.99**	**173.11**
Current and Non-Current Liabilities and Provisions	**32.29**	**44.96**	**71.65**
Govt. of India Loan	**-**	**-**	**-**
New Worth	**107.70**	**110.39**	**123.12**

BRAHMAPUTRA VELLEY FERTILIZERS & CHEMICAL LIMITED (BVFCL) (Rs. In Crore)			
	2016-17	**2017-18**	**2018-19**
Share Capital	365.83	365.83	365.83
Cumulative Loss	(-)265.33	(-)286.50	(-)349.66
Net Worth	100.50	79.33	16.17
Total Laibility Including GoI Loan & Interest (Total Liability including loan from GoI Rs.57275.00 lakh)	741.83	707.46	734.78
Net Profit (Profit (+)/Loss (-)	7.50	0.79	(-)63.15

Cooperative Sector Fertilizer Units

4.31 The Department Fertilizers in a brief note on IFFCO and KRIBHCO, has stated that **KRIBHCO** is a Multi-State Cooperative Society (MSCS) governed by MSCS Act, 2002. In the year 2001-02, Government was holding equity of Rs. 328 crores with about 67% of the total equity in KRIBHCO. Government amended MSCS Act in 2002. Accordingly, KRIBHCO amended its by-laws repatriated equity of Government on the face value in following manner: -

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

4.32 DOF has not yet accepted the cheques amounting to Rs. 188.90 crore even though KRIBHCO has claimed that consequent to repatriation of entire equity of Government of India, the Government equity stand reduced to 'NIL' in KRIBHCO. As KRIBHCO amended their bye-laws without explicit approval/concurrence of Department of Fertilizers, an appeal was filed before the Appellate Authority & Additional Secretary, Department of Agriculture Cooperation & Farmers' Welfare on 06.03.2019. The Last hearing of the case was held on 28.01.2020. Next date of hearing is to be fixed.

4.33 IFFCO is a Multi-state-cooperative Society (MSCS) registered under MSCS Act in 1967, involved in production, marketing etc of Fertilizers. Government in 2002 enacted amended MSCS Act 2002. The Section 35 of amended deals with retirement of Govt. equity, which provides that shares held in a multi-state cooperative society shall be redeemable in accordance with the Bye-Laws of such multi state cooperative society. The redemption of such shares shall be on the face value of shares. The Government of India equity in IFFCO was Rs. 289.61 crore till 2002, however after the amendment of MSCS Act in 2002, IFFCO had amended its Bye Laws and repatriated its entire GOI equity in 7 instalments during December 2002 to June 2004 as per the following details:

Month & year during which the GOI equity was retuned	Amount of equity returned (Rs. In crores)
December, 2002	14.8664
March, 2003	20.4456
June, 2003	80.5171
September, 2003	40.7732
December, 2003	46.7015
March, 2004	33.3784
June, 2004	52.9277
TOTAL	**289.61**

4.34 The repatriation of GoI equity by IFFCO is disputed as it was done in violation of the then IFFCO Bye Laws which was illegally and unlawfully amended by IFFCO. Against this amendment Department of Fertilizers, Government of India filed an appeal before the Appellate Authority & Additional Secretary, Department of Agriculture Cooperation & Farmers' Welfare which was dismissed. Again, a review petition was filed by DoF. Its judgement order was passed on 29.09.2018 in the favour of DoF, GoI. Aggrieved by the Order dated 29.09.2018 of the Appellant Authority & Additional Secretary, Department of Agriculture Cooperation & Farmers' Welfare, IFFCO has filed a Writ Petition on 04.10.2018 before the High Court of Delhi. The case was listed for hearing on 05.10.2018. Hon'ble High Court vide order dated 05.10.2018 has stayed the impugned order dated 29.09.2018 issued by the Appellant Authority & Additional Secretary, Department of Agriculture Cooperation & Farmers' Welfare. The next date of hearing is 28.07.2020

Research & Development in Fertilizer Sector

4.35 As regards achievements made in R&D of Fertilizers Sector, the Department of Fertilizers has stated that an "Indian Council for Fertilizers and Fertilizer Technology Research (ICFFTR)" has been formed by CPSEs of Department of Fertilizers. ICFFTR has been registered under the Societies Registration Act, 1860 on 19th August 2019. The Council has been mandated to undertake / promote R&D and research work in the area of fertilizer and fertilizer manufacturing technology; and use of raw materials and innovation in products through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders.

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4.36 Regarding ICFFTR and R&D infrastructure are being created by the ICFFTR and R&D activities are proposed to be undertaken / supported during 2020-21, the Department of Fertilizers formed in writing as under :-

> " ICFFTR has been constituted and registered under Societies Registration Act of 1860 on 19.08.2019. Its registered office is at Scope, Complex, Core-III, 7 Institutional Area, Lodhi Road, New Delhi-110003. Its corporate office is at NFL, A-11, Sector 24, U.P-201301.
>
> Fertilizer PSUs viz. NFL, RCF and FAGMIL are founding members of ICFFTR. In addition to these PSUs, MFL, FACT, BVFCL, PDIL, HFCL and FCIL are also its members. The membership of the Society is open to other organizations, Corporate Bodies / Joint Venture Companies, Institutions engaged in manufacturing and trading fertilizers. ICFFTR is functioning under the administrative control of Department of Fertilizers (DoF), however, DoF will not allocate any funds to ICFFTR.
>
> ICFFTR comprises of Governing Council headed by Secretary, D/o fertilizers and Executive Committee headed by CMD, RCF. The Director General of the Society is the administrative head of the society.
>
> Presently following four R&D activities have been identified for nominal support by ICFFTR:

A. **Research activities by FAGMIL**: - 3rd Phase Research on Potash Recovery from Potash Feldspar.

B. **Research activities by PDIL**: - Use of Phosphogypsum for production of Calcium Nitrate, Calcium Ammonium Nitrate (CAN) and Sulphur nutrient (Hydrometallurgy).

C. **Research activities by RCF: –**

(i) Development, testing and pilot scale production of Organic Fertilizer; and

(ii) Development, testing and pilot scale production of Bio stimulants."

4.37 The Department of Fertilizers was asked to intimate progress / success achieved by IFFCO in their venture to innovate nano-fertilizers, trial use of which was to be undertaken during 2019-20. The reply of the Department of Fertilizers in this regard is as under :-

"1. IFFCO have undertaken 11,000 'ON Farm' trials of Nano N, Nano Zn and Cu in different crops and stat1. es which are being monitored through IFFCO Nano App. In addition 'On Station' trials are also being conducted in association with ICAR research institutes / SAU's/ KVKs.
2. Sprays of Nano N, Zn and Cu are almost over and preliminary results are quite encouraging in terms of increase in greenness and overall growth parameters as well as yield contributing characters in different crops. Quantitative data will be available once the crops are harvested.

A link https://www.transfernow.net/erM0F4022020 is there for 1) State wise Crop response reports and 2) Farmer videos for information."

4.38 The Department of Fertilizers was asked to state reasons for non-allocation of any funds for Research and Development for the last two financial years and for 2020-21 and to state how the Government proposed to achieve the efficiency in production of fertilizers by public Sector Fertilizer companies. In this regard, the written reply of the Department of Fertilizers is as given below:-

" In the Department of Fertilizers, there has been no government approved R&D Scheme in the last two financial years and for the next financial year 2020-21. The Department of Fertilizers has formed an "Indian Council for Fertilizers and Fertilizer Technology Research (ICFFTR)" by associating its CPSEs. ICFFTR has been registered under the Societies Registration Act, 1860 on 19th August 2019. The Council has been mandated to undertake / promote R&D and research work in the area of fertilizer and fertilizer manufacturing technology; and use of raw materials and innovation in products through partnership and collaboration with various research institutions, fertilizer industry and other stakeholders. Since it is combined effort of DOF PSUs, no Government budgetary support has been provided.

In order to make use of space technology in fertilizer sector, DoF has taken an initiative to commission a three-year pilot study on ***“Resource Mapping of Rock phosphate using Reflectance Spectroscopy and Earth Observations Data***” by National Remote Sensing Centre under ISRO in collaboration with Geological Survey of India and the Atomic Mineral Directorate (AMD) and DoF. Funding for the proposal has been borne by DoF. Funds to the tune of Rs. 31.40 lakh to NRSC, ISRO and Rs. 3.89 lakh to AMD have been allocated for the purpose of study. The funding to this project is being made from “Professional Services Head” of DoF.”

OBSERVATIONS / RECOMMENDATIONS

Recommendation No. 1 - Budgetary Allocation for Department of Fertilizers

The Committee note that the Department of Fertilizers implements fertilizer subsidy schemes to make available fertilizers to farmers at affordable prices so as to sustain agricultural productivity which in turn plays critical role in ensuring food security, in promoting rural livelihood and employment. In view of the above, the major chunk of budgetary allocation for the Department is utilized for disbursal of fertilizer subsidy on production and distribution of urea, twenty one grades of P&K fertilizers and for promotion of city compost. However, the Committee are concerned to note that the budgetary allocation for the Department of Fertilizers has been reduced from Rs. 83515 crore at RE stage of 2019-20 to Rs. 73,975 crore at BE stage of 2020-21 in spite of the fact that Department is projecting a requirement of Rs. 10,0349.50 crore for the financial year 2020-21. As a result of this reduced budgetary allocation to the Department, carry forward liabilities of the Department in regard to payment of fertilizer subsidy to fertilizer manufacturing companies is rising year after the year. It is a matter of concern that at the end of 2017-18, carry over liability was Rs. 26,182.80 crore and the same had risen to Rs. 32488.54 core by the end of 2018-19. As on 4 February 2020, carry over liability for 2019-20 was Rs 43,483 crore. Department's efforts to obtain Rs 48051 crore in the first batch of supplementary Demand for Grants, 2019-20 and Rs. 51707.23 crore in second batch of supplementary Demand for Grants, 2019-20 were not successful as there was no response from the Ministry of Finance. Budgetary allocation of Rs. 73,975 corore for 2020-21 is hardly enough to meet the subsidy expenditure and to clear carry over liability of the previous year. Reduced budgetary allocation results in delayed payment of

fertilizer subsidy to fertilizer manufacturing companies which may affect their day to day functioning and their economic condition which in turn may affect the agricultural production and the interest of farmers in the country. To avert the situation, the Department has to resort to Special Banking Arrangement through which loans are provided by banks to the fertilizer companies to manage the situation arisen due to delayed payment of fertilizer subsidy by the Government and the interest for this loan is borne by the Department of Fertilizers. Hence, the reduced budgetary allocation leads to several complications including the unnecessary interest burden on the Government. The Committee, therefore, strongly recommend that the Department of Fertilizers should be given a one-time fund to clear off all pending liabilities with respect to payment of fertilizer subsidies. This will enable the fertilizer companies to recover their financial well-being as well as reduce the overall cost of production of fertilizers which will subsequently result in lowering of the subsidy amounts. The Committee also recommend that henceforth there should be no cut on the fertilizer subsidy budget sought by the Department of Fertilizers so that fertilizer companies are able to operate in a healthy environment. The Department should also convey this recommendation of the Committee to Ministry of Finance for necessary action at their level.

Recommendation No. 2 - <u>Requirement for additional fund allocation for subsidy Schemes</u>

The Committee note that an amount of Rs. 50,435 crore has been allocated at BE stage for 2020-21 against the proposed requirement of Rs. 76,895 crore under Major Head 2852 for urea subsidy. However, Rs. 23,504 crore has been allocated under Major Head 2401 for nutrient based subsidy (NBS) and City Compost against requirement of Rs. 23400 crore proposed by the Department.

The Committee could not understand the logic of reducing budgetary allocation by a huge margin of Rs. 26460 crore for urea subsidy and at the same time increasing allocation for NBS. Timely payment of fertilizer subsidy whether it is urea subsidy or NBS is important for smooth implementation of fertilizer subsidy schemes and for that purpose adequate amount of budgetary allocation is very much necessary. The Committee would like to know the reasons for drastic reduction of budgetary allocation for urea subsidy and for making more allocation for NBS than the requirement projected by the Department. Department should make proper and accurate projection of requirement of funds for fertilizer subsidy and convince the Ministry of Finance to make the requisite amount of budgetary allocation so as to implement subsidy schemes without carryover liabilities. Hence, the Committee recommend that the Department should place before the Ministry of Finance the exact requirement of funds for disbursing urea subsidy during 2020-21 and to dismantle the accumulated carryover liabilities for allocation of necessary funds for urea subsidy scheme at RE stage of 2020-21. Annual expenditure on Nutrient Based subsidy and city compost and the accumulated carry forward liability thereon may be lesser than the expenditure on urea subsidy. The Committee, therefore, recommend that all efforts should be made by the Department to completely eliminate carry over liabilities in respect of NBS and city compost from 2020-21 onwards in case it is found very difficult to totally eliminate carryover liabilities in respect of urea.

Recommendation No. 3. <u>Monitoring mechanism for checking MRP of Decontrolled Fertilizers.</u>

The Committee note that Nutrient Based subsidy scheme is being implemented by the Department of Fertilizers for Phosphatic and Potassic (P&K) fertilizers. Under 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. Under the Policy, Maximum Retail Prices of P&K fertilizers has been left open and fertilizer manufacturers /marketers are allowed to fix MRP at reasonable rates. The companies are required to print maximum Retail Price alongwith applicable subsidy on the fertilizer bags clearly. Any sale above the printed MRP is punishable under the Essential Commodities Act. The Committee also note that action would be taken against the companies which earned profit over and above 12% and the guidelines in this regard have been issued by the Department recently.

The Committee note that in case of decontrolled fertilizers that is P&K fertilizers, post facto analysis is done. The Committee are also given to understand that before 2010, the prices of NPK fertilizers were fixed determining each thing including the dealer margin. But in 2010, Union Cabinet took a decision to decentralize the non urea sector so it is left to the fertilizer companies to decide the price. The Committee while appreciating the decontrolling of NPK fertilizers, for the survival of fertilizer units desire that interest of farmers should also be considered while fixing the dynamic marketing price by the companies. The Committee feel that it is not a prudent policy where on one hand, the fixation of MRP of the fertilizers is left to the companies and the market forces and on the other hand, regulatory action is initiated against those companies which appear to be over-charging the farmers. The Committee therefore recommend that the Department should re-visit this aspect of the fertilizer policy keeping in view the primacy of the farmers' interests. The Department, could, as a suggestion, examine the possibility of prescribing the

upper limit of prices of different fertilizers and then allow the companies to fix the individual MRPs with this prescribed limit. The Department could also examine the possibility of prescribing a price – band for different fertilizers.

<u>Recommendation No. 4 - Reduction in import of Fertilizers</u>

The Committee are constrained to note fluctuations in figures of Production and import of fertilizers. The country is mostly self sufficient in production of urea but import of urea is still made to bridge the gap between demand and availability. However, county is 100% dependant on import of potash and 90% dependant on import of phosphates. Production of urea was highest at 244.75 Lakh Metric Tons (LMT) during 2015-16 and it came down to 240 MLT during 2018-19 and it is expected to be 240.26 LMT during 2019-20. Import of urea has shown a rising trend during the same period. It was 54.81 LMT during 2016-17 but had risen to 74.81 LMT during 2018-19 and is 90.76 LMT as on February, 2020 during 2019-20. The Committee find an increase in production of P&K fertilizes from 125.02 LMT in 2015-16 to 174.85 LMT during 2018-19. Import of P&K fertilizers has also risen during the period from 98.80 LMT in 2015-16 to 113.62 LMT in 2018-19. Since it is necessary to keep imports minimum and increase self sufficiency in production of fertilizers, the Committee recommend that the Department should take all steps to augment production of urea in the country in a time bound manner to arrest the increasing trend of import of urea. As far as P&K fertilizes are concerned, the country is largely dependent on imports mainly due to the dearth of raw material in the country. In this regard, the Committee recommend that the Department should find ways and means to increase domestic production of P&K fertilizers in the country through import of necessary raw material or by setting up of production facilities in those countries where Potash and Phosphates are available in plenty.

Recommendation No. 5 - Balanced use of Fertilizers

The Committee are constrained to note the over use of urea when compared to other chemical fertilizers and the city compost. Consumption (sale) of urea was 296.07 lakh Metric Tons, 303.31 LMT and 320.04 LMT during 2016-17, 2117-18 and 2018-19 respectively. Consumption of P&K fertilizers was 203.02 LMT, 212.54 LMT and 209.99 LMT respectively during the same period. Hence, the consumption of urea was almost 50% more than the consumption of P&K fertilizers. At the same time the use of city compost was merely 0.97 LMT, 2 LMT and 3.07 LMT respectively during the period. Overuse of urea or a Particular chemical fertilizer may result in loss of soil fertility over a period of time and the situation is not conducive for increasing agricultural productivity to meet the food requirements of the huge population of the country. Overuse of chemical fertilizers may also pose health hazards to the people.

The Committee note that there is non awareness of usage and deficiency of nutrients other than N. P. K required by soil; declining response ratio of the soil to the fertilizers application; agronomical importance of low analysis fertilizers like Single Super Phosphate; Development of new type of fertilizers like liquid fertilizers, special compounds, bio-fertilizers, slow-release fertilizers etc. The Committee are happy to note that in order to disseminate knowledge to farmers on optimum usage of fertilizer nutrients based on various parameters to sustain the agricultural productivity and to make them aware of new developments in the field of fertilizer usage and Management, Department of Agricultural Research and Education (DARE) , Department of Agriculture Cooperation & Farmers Welfare and Department of Fertilizers decided to jointly organize a fertilizer awareness programme for farmers with the help of State Governments through Krishi Vigyan Kendras (KVKS) located in each of the districts and Public Sector

Units in which lakhs of farmers were trained to adopt balanced fertilizer usage methods. The Committee also note that soil Health cards have been distributed to farmers to prescribe fertilizer requirements for each of the crop and these requirements are printed on soil Health Cards based on soil test values. The Committee have been informed that the Government is propagating the message of maximum utilization of bio-fertilizers and its consumption has also increased in the last 5 years and 51 Integrated Nutrient Management packages for different crops and cropping system are also being promoted through KVKS and Agricultural Technology Management Agencies (ATMAs). While appreciating the combined efforts of Ministry of Agriculture, Department of Fertilizers and State Governments for propagation of balanced use of fertilizers maximum utilization of bio-fertilizers, as well as micro nutrients, the Committee feel that enough has not been done in this regard. The Committee are of the view that the functioning of ATMA at district level is not up to the mark and steps should be taken to strengthen ATMA through better mechanism. In this regard, it is also imperative that local MPs/MLAs should also be involved in the awareness programme to increase the use of bio fertilizers.

Recommendation No. 6- Verification of Beneficiary under Direct Fertilizers Subsidy

The Committee note that the Government has introduced Direct Benefit Transfer (DBT) system in fertilizer subsidy payment with effect from October, 2016. Pan India Roll out of the system was completed by March, 2018. Implementation of DBT in Fertilizer subsidy system requires deployment of PoS devices at every retailer shop. 2.26 lakh PoS devices have been deployed across all the states. A total of 1182.04 Lakh Metric Tons fertilizers have been sold through PoS devices under DBT scheme till December, 2019. The farmer or buyer's identity is authenticated through biometric, Aaadhar based unique Identification Number or Voter ID card or Kissan Credit Card. In this regard, the

Committee find that there is hardly any checks and balances now to verify whether genuine farmers are getting subsidized fertilizers. A person who may not be a farmer but his Aaadhar card may be used for collecting fertilizer. So there is scope for misuse by retailers by collecting Aaadhar cards and asking those persons to put thumb impressions for an amount given to them and showing false sale and later on selling the fertilizers in black market. . The Committee, therefore, recommend that a fool proof monitoring system should be developed at ground level by deploying inspectors at district level to prevent all possible misuses by retailers and to ensure only farmers get subsidized fertilizers according to their requirements. The Committee observe that the Department has made a lot of efforts to bring together all stakeholders and tried to develop a solution for reaching the ideal situation of payment of fertilizer subsidy directly to the farmers. However, the Committee expresses its concern that a concrete solution is still elusive. While recognizing the challenges that need to be overcome to reach the ideal situation, the Committee recommend that the Department should lay down a concrete plan of action along with broad timelines so that we can reach to the point of this elusive ideal situation within a period of 5 years. While designing the solution, the plan should take into account issues like contract-farming, tenancy-farming, separation of land owner and actual farmers, farming by cooperatives/federation etc.

<u>Recommendation No. 7- Scheme for Promotion of City Compost</u>

The Committee note that the scheme for promotion of city compost notified on 10.02.2016, is being implemented from the year 2016-17. Under the scheme, Market Development Assistance (MDA) in the form of fixed amount of Rs.1500/- per metric ton of City Compost is provided for scaling up its production and consumption. The Committee also note that a Committee of Joint Secretaries of

Department of Fertilizers, Ministry of Urban Development and Department of Agriculture has been set up towards effecting better coordination in the implementation of the scheme and the States have been asked to constitute State Level Steering Committee for the purpose. The State Level Steering Committee has been constituted in 11 States. As regards implementation of the scheme, the Committee note that in the year 2016-17 RE for the scheme was Rs.15.00 crore and expenditure was Rs.55 lakh (3.6%). In the subsequent two years i.e. 2017-18 & 2018-19, RE was 14.80 crore and Rs.10 crore respectively and the expenditure was Rs.7.28 crore (49%) and Rs.10 crore (100%). In the year 2019-20, against the RE of Rs.33.85 crore, expenditure as on 14-02-2020 was Rs.32.00 crore (94.85%). However, the BE for the next financial year 2020-21 has been reduced to Rs.29 crore. While expressing its satisfaction over optimum utilization of allocation, the Committee further desire that implementation of the scheme which promotes conversion of wastes into compost manure needs to be given impetus to scale up pace of implementation of the scheme and if necessary an evaluation of the scheme may be conducted for this purpose. The States / UTs which have not yet constituted steering Committee for coordinating implementation of the scheme at State/UT level, may be requested to do so within a stipulated time-frame. The Committee also recommend that the Department of Fertilizers should take necessary action for upward revision of budgetary allocation for the scheme for 2020-21 by seeking supplementary grants for the scheme during 2020-21. Measures should also be taken by the Department to promote and popularize city compost across the country. The Committee may be informed of the action taken in the matter.

Recommendation No. 8. (Financial Restructuring of (MFL)

The Committee note that the Department of Fertilizers had initiated action for revival for Madras Fertilizers Limited (MFL) in terms of Department of Public Enterprises guidelines for revival and restructuring of sick Central Public Sector Enterprises. Based on the revival proposals recommended by MFL Board on 01.06.2017, a proposal for the Cabinet Committee on Economic Affairs (CCEA) was circulated for Inter-Ministerial Committee (IMC) on 15.11.2017. The proposals included waiver of Government of India loan of Rs.554.24 crore and interest of Rs.509.00 crore as on 31-03-2017 and raising of loan of RS.171.00 crore from financial institutions / banks for CAPEX schemes. This Department was examining Financial restructuring proposal for MFL including waiver of Government of India loan & interest thereon. Meanwhile a meeting was held in PMO on 23.01.2018. In pursuant to that meeting, Government of Tamil Nadu was asked either to take over full ownership of the plant or to grant NOC for transfer of land to another PSU. Government of Tamil Nadu on 09.08.2018 has accorded No Objection Certificate (NOC) for transfer of 70 acres of MFL land to Chennai Petroleum Corporation Ltd (CPCL). However, Ministry of Petroleum and Natural Gas gave approval for purchase of only 4.98 acres of land by CPCL and the Department of Expenditure was requested to concur into the proposal of transfer of 4.98 acres of land from MFL to CPCL at mutually agreed rate of Rs. 976/- per sq ft. As regards MFL revival proposals, NITI Aayog conducted a study on the same and the final study report of NITI Aayog, which was received through PMO on 22nd January, 2020, is under examination in the Department of Fertilizers. The Department of Fertilizers has further intimated that once the land monetization of MFL is completed, a complete view would be taken on financial restructuring of MFL. At this backdrop, the Committee would like to point out that as on date, the

total outstanding liabilities of MFL is Rs.2143.56 crore including Government of India loan and interest of Rs.1172.45 crore. Moreover, as already submitted by MFL, it needs to undertake capital expenditure schemes to upgrade its functional efficiency and to bring down operative cost. MFL is at present is a loss making company and is functioning in a critical state of survival. A turn-around in the business prospects of the company can be made possible if the financial restructuring proposals are implemented in a time-bound manner. Any delay in undertaking financial restructuring of the company would put the company to a great disadvantage and it will lead to further weakening of financial condition of the company. As such, the same old stance of the Department of Fertilizers that it would take a view on financial restructuring of MFL after land monetization is not acceptable to the Committee and the same is needed to be reviewed.

The Committee note that they are not getting the buyers for the land and they have get buyer only for 4.98 acres of land which will give them a limited amount of money. The Committee have been apprised that the Department of Fertilizers is trying to find out buyers for the surplus land and if they succeed and run the companies profitably then Department of Fertilizers would consider to waive off interest and loan given to them. The Committee hope that with the sale of a small portion of land i.e. 4.98 acres, MFL would get some financial assistance to establish captive power plant for which Rs. 200 core is required. As regards the sale of remaining portion of land, the Committee are of the view that the feasibility of selling the land to private organizations/individuals may also be explored so that MFL get its value of land which would help them in financial restructuring. In the meantime, the Committee strongly recommend to waive-off the principal amount of loan and interest thereon. The Committee here also strongly recommend that the Department of Fertilizers should complete the

examination of final report of NITI Aayog on priority basis and take immediate necessary steps for financial restructuring of MFL without any further delay. The Committee hope that the Department of Fertilizers will take timely action in the matter and apprise the Committee about the action by it in the matter.

<u>Recommendation No. 9- Revival of Fertilizers and Chemicals Travancore Ltd (FACT)</u>

The Committee note that FACT became a sick CPSU during the financial year 2012-13 with net worth of -(Rs.192.5) Crore. The Board for Reconstruction of Public Sector Enterprises (BRPSE) in its meeting held on 20.12.2013 recommended for revival of FACT including measures for infusion of funds and waiver of Government of India loan and interest. The revival proposals were submitted to the Government by Department of Fertilizers in April 2014. Subsequently, as directed by Cabinet Secretariat, the Department of Fertilizers submitted revised proposals after fresh Inter Ministerial Committee (IMC) in June, 2015, which also included sale of land for raising resources to repay the loans raised against sovereign guarantee and raise funds for certain projects. Meanwhile, a loan of Rs.1000 crore with interest rate at 13.5% was sanctioned to FACT on 21.03.2016. As regards revival proposals, a meeting was held in PMO on 10.08.2018, wherein the PMO *inter-alia* directed that the proposal for sale of land of FACT be delinked from the Cabinet note for financial restructuring of FACT. Approval was accorded for sale of 169.689 acres of land of FACT to BPCL @ Rs.2.47 Crore per acre (total approx. Rs.420 Crore) and approval for sale of 481.79 acres of land held by FACT to Govt. of Kerala and utilization of sale proceeds by FACT was accorded on 24-07-2019. FACT received an amount of Rs. 967.69 crore from Govt. of Kerala and vide letter dated 01.08.2019, FACT was asked to adhere to the Capital Expenditure (CAPEX) to the tune of Rs. 608 Crore over a period of

three years as approved by the Cabinet. The said CAPEX would be used for setting up of 1650 TPD plant with pipe reactor and other schemes. The Committee also learn that NITI Aayog studied the matter of revival of FACT and the final study report of NITI Aayog was received by Department of Fertilizers through PMO on 22nd January, 2020 and the same is under examination in the Department of Fertilizers. At this juncture, the Committee would like to point out that FACT became a loss making unit in 2012-13 and the proposals for its revival which were initiated in 2014 have not yet been approved and implemented. All the while, the company has been continuing with its financial down-slide and the net worth of the company at the end of financial year 2018-19 showed a negative growth of –(1523.70) crore. The total outstanding liabilities of FACT have now risen to Rs.3785.01 crore including Government of India loan and interest of Rs.2248.52 crore. The Committee express the view that the Department of Fertilizers should be more proactive in monitoring the functions and financial performances of PSUs under it. In Committee's view, the revival initiatives already taken by the way of land-sale and allowing capital expenditure with the land-sale proceeds to the tune of Rs. 608 Crore over a period of three years, would not be of much help unless other proposals like waiving off loan and interest are also considered and implemented within a fixed time frame. The Committee, therefore, strongly recommend that the Department of Fertilizers should take immediate steps in the light of NITI Aayog's Report for the financial restructuring of FACT without any further delay.

Recommendation No. 10 - Revival of closed Public Sector Fertilizer Companies

The Committee note that Talcher, Ramagundam, Sindri and Gorakhpur Units of Fertilizers Corporation of India Ltd (FCIL) and Barauni unit of Hindustan Fertilizer Corporation Ltd. (HFCL), which are closed public sector Undertakings

engaged in manufacture of fertilizers, are presently being revived by the Government either through Nomination Basis by a consortium of PSUs or by means of Special Purpose Vehicle (SPV) of PSUs. In case of Talcher Unit of FCIL, a joint venture company named Talcher Fertilizers Limited (TFL) has been formed by RCF, GAIL, CIL and FCIL. This unit was targeted to be started on 17.09.2019 but only pre-project activities are underway presently. Only 51% of the project work has been completed and it is expected to be commissioned by September, 2023. Ramagundam Fertilizers and Chemicals Ltd., (RFCL) is being revived by EIL, NFL and FCIL. It is likely to start production in March, 2020. Sindri, Gorakhpur and Barauni units are being commissioned by an SPV namely Hindustan Urvarak and Rasayan (HURL) formed by NTPC, CIL, IOCL and FCIL /HFCL. 63.20%, 73% and 62.50% of work of these projects has so far been completed, respectively. Sindri and Barauni Projects are likely to start production in May 2021 and the Gorakhpur Project is likely to be commissioned in February. 2021. The Government of India has sanctioned an interest free loan (IFL) to the tune of Rs. 1257.82 crore to HURL units. This IFL will be disbursed to HURL units after signing of loan agreement between Department of Fertilizers and HURL. But an allocation of only Rs. 5 lakh has been made in BE of 2020-21 under the major Head of 6855 as loans for fertilizer Industries. Since timely starting of these Fertilizers units is very much important to attain self sufficiency in production of fertilizers in the country, the committee recommend that the execution of each of these projects should be continuously monitored by Department of Fertilizers and it should be ensured that all the five units start production as per the schedule mentioned above without any delays. All issues which cause delays in execution of these projects should also be resolved in coordination with the concerned JV/SPV. Project wise progress made in completion of these projects should be conveyed to the committee. Department

should also take steps for budgetary allocation of Rs.1257.82 crore to HURL either at RE stage of 2020-21 or in supplementary demands during 2020-21.

The Committee have also been apprised that these units shall be functional before the monsoon 2021. Though the Committee have apprehensions that closed fertilizer units be functional by the dates given by the Department of Fertilizers, but they rely on the commitment of the Department and hope that Department of Fertilizers would leave no stone unturned to adhere to set time limits to make the closed units functional.

Recommendation No. 11- Research and Development in Fertilizers Sector

The Committee are concerned to note that no budgetary allocation has been made for Research and Development in BE, 2020-21 of the Department of Fertilizers. In the Department of Fertilizers, there has been no Government approved R&D scheme in the last two years and for the next financial year 2020-21. However, the Department has formed an Indian council for fertilizers and fertilizers Technology Research (ICFFTR) by associating CPSEs under it. This council has been mandated to undertake/promote R&D in the areas of fertilizers and fertilizers manufacturing technology. Since it is very much necessary to continuously upgrade the manufacturing technology, the Committee recommend that appropriate budgetary allocation may be made from next financial year onwards to financially assist ICFFTR to undertake research and Development in this sector as to avoid dependence on foreign countries on fertilizers and fertilizers manufacturing technologies.

KANIMOZHI KARUNANIDHI

New Delhi;
18 March, 2020
28 Phalguna, 1941 (Saka)

Chairperson
Standing Committee on
Chemicals and Fertilizers

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

The Committee sat on Wednesday, the 04 December, 2019 from 1500 hrs. to 1615 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

KANIMOZHI KARUNANIDHI - CHAIRPERSON

MEMBERS

LOK SABHA

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

RAJYA SABHA

11. Shri G.C. Chandrashekhar
12. Shri Ahmad Ashfaque Karim

<u>LIST OF WITNESSES</u>

S.No.	Name of the Officer/Officials	Designation
	DEPARTMENT OF CHEMICALS AND PETROCHEMICALS	
1.	Sh. P. Raghavendra Rao	Secretary (C&PC)
2.	Sh. Samir Kumar Biswas	Joint Secretary (Chem)
3.	Sh. Kashi Nath Jha	Joint Secretary (PC)
4.	Smt. Godhuli Mukherjee	Economic Adviser
5.	Sh. Rajendra Kumar Soni	Director (PC-1)
	MINISTRY OF PETROLEUM AND NATURAL GAS	
1.	Shri Sushil T. Williams	DS (Ref)
	PSUs/AUTONOMOUS INSTITUTIONS	
1.	Dr. S.K. Nayak	Director General, CIPET
2.	Sh. Illangovan	Principal Director (T), CIPET
3.	Sh S. N. Yadav	Principal Director & Head CIPET:CSTS
4.	Shri Pankaj Misra	Director (Administration), CIPET
5.	Sh. Subodh Kumar	Executive Director (PC, AE &SD), IOCL
6.	Sh. A V Raghunadhan	GM (PCM), IOCL
7.	Sh. Pruthiviraj Dash	Director (Finance), BCPL
8.	Sh. Prantik Sharma	Chief Manager (Marketing),BCPL

SECRETARIAT

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

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and stated that the sitting has been convened for briefing by the representatives of the Department of Chemicals and Petrochemicals on the subject "Demand and Availability of Petrochemicals including imports and exports".

3. Thereafter, Secretary, Department of Chemicals and Petrochemicals and other Officers of the Department made a power point presentation and briefing to the Committee on the subject. After the briefing, Members of the Committee raised questions on the subject which were answered by the Secretary and other witnesses. The following were the important Points discussed during briefing:-

(i) Production of Petrochemicals
(ii) Current and future Demand and supply scenario
(iii) Import and export of Petrochemicals
(iv) Petrochemical Cracker Complexes
(v) Challenges for Indian Petrochemical Industry
(vi) Strategies and measures being taken to promote Petrochemical sector
(vii) Vision 2024 and the initiatives to achieve the vision
(viii) Petroleum, chemicals and Petrochemicals Investment Region

4. The Committee decided to select the subject "Revival of closed and sick Fertilizer Units" for examination during 2019-20 in addition to the subjects already selected by the Committee.

5. The Committee also decided to undertake a study tour to Karnataka, Kerala and Tamil Nadu during January, 2020 in connection with the subjects under examination by the Committee.

The Committee then adjourned.

[A copy of the Verbatim Proceeding of the sitting has been kept.]

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

(2019-20)

The Committee sat on Thursday, the 18 March, 2020 from 1000 hrs. to 1045 hrs. in Committee Room C, Parliament House Annexe, New Delhi.

Present

Ms Kanimozhi Karunanidhi- Chairperson

Members

Lok Sabha

2. Shri Prataprao Patil Chikhalikar
3. Shri Satyadev Pachauri
4. Shri Arun Kumar Sagar
5 Shri M. Selvaraj
6. Shri Pradeep Kumar Singh
7. Shri Uday Pratap Singh
8. Shri H. Vasanthakumar
9. Shri Prabhubhai Nagarbhai Vasava
10. Dr. M. K. Vishnu Prasad
11. Dr. Manoj Rajoria
12. Shri Shriniwas Patil

RAJYA SABHA

13. Shri G. C. Chandrashekhar
14 Dr. Anil Jain
15 Shri Ahmad Ashfaque Karim
16 Shri Vijay Pal Singh Tomar
17 Shri Arun Singh

SECRETARIAT

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

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

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

(i) Draft report on 'Demands for Grants 2020-21' (Department of Chemicals and Petrochemicals);
(ii) Draft report on 'Demands for Grants 2020-21' (Department of Fertilizers); and
(iii) Draft report on 'Demands for Grants 2020-21' (Department of Pharmaceuticals);

4. After deliberations, the Committee unanimously adopted Draft Reports pertaining to the Department of Chemicals & Petrochemicals and the Department of Fertilizers without any changes/amendments.

5. The Committee adopted the draft report on Demands for Grants, 2020-21 of the Department of Pharmaceuticals with the following additions to the recommendations:-

Recommendation No.9 National Pharmaceutical Pricing Authority (NPPA):

The Committee note that while the NPPA regulates the prices of drugs which are sold at the retail level, there appears to be no regulation of pricing at which the hospitals charge the patients. It has been observed that large hospitals are able to "extract" significantly higher discounts from the pharmaceutical companies but the end user, that is the patient, is billed at the retail price. It is also seen that many hospitals use only those medicines on which an unusually high MRP is printed so that the billing to the patients becomes more profitable. Therefore, the Committee recommend that NPPA should separately examine this aspect within the overall regulatory framework of drug pricing so that the patients being treated in the hospitals are not charged excessively for the medicines.

The Committee also observed that as a routine practice, the hospitals bill the patients who are in ICU or in a state of unconsciousness, for drugs which are never actually administered. The patient as well as the family members have no means to verify whether the billed drugs were actually administered or not. The Committee understand that this issue may not be falling directly within the purview of the Department but the Committee would like the Department to refer this matter to the Ministry of Health and Family Welfare for necessary action at their end.

Recommendation No:12 Settlement of Liabilities of Closed Pharma PSUS:

The Committee observe that along with the dues of the employees, there are also significant dues of the former business associates of the closed PSUs which may pertain to advance deposits, outstanding payments, etc. The Committee recommend that the Department should examine these dues also and settle them as per the provisions of the law.

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

The Committee then adjourned.