

43

**STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS**

(2022-23)

SEVENTEENTH LOK SABHA

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

**PLANNING FOR FERTILIZERS PRODUCTION AND IMPORT POLICY
ON FERTILIZERS INCLUDING GST AND IMPORT DUTY THEREON**

FORTY-THIRD REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2023/ Sravana, 1945 (Saka)

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FERTILIZERS INCLUDING GST AND IMPORT DUTY THEREON**

Presented to Lok Sabha on 09.08.2023

Laid in Rajya Sabha on 09.08.2023



LOK SABHA SECRETARIAT

NEW DELHI

August, 2023/ Sravana, 1945 (Saka)

CONTENTS

		PAGE No.
COMPOSITION OF THE COMMITTEE (2022-23)		(iv)
INTRODUCTION		(v)
REPORT		
PART- I NARRATIVES		
I	Introductory	1
II	New Investment Policy (NIP) - 2012	3
III	New Urea Policy (NUP) – 2015	4
IV	Import of Urea, DAP, MOP etc.	7
V	Nutrient Based Subsidy Policy (NBS)	9
VI	Investments in Mines And Plants Abroad	11
VII	GST rate and basic custom duty on fertilizers and fertilizer raw materials	13
PART - II		
OBSERVATIONS/RECOMMENDATIONS		17
APPENDICES		
I.	Minutes of the sitting of the Standing Committee on Chemicals & Fertilizers (2022-23) held on 21 st December, 2022.	30
II.	Minutes of the sitting of the Standing Committee on Chemicals & Fertilizers (2022-23) held on 18 th January, 2023.	33
III.	Minutes of the sitting of the Standing Committee on Chemicals & Fertilizers (2022-23) held on 07 th August, 2023.	36

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS AND
FERTILIZERS**

(2022-23)

Dr. Shashi Tharoor- Chairperson

MEMBERS

LOK SABHA

2. Shri Dibyendu Adhikari
3. Maulana Badruddin Ajmal
4. Shri C.N. Annadurai
5. Shri Deepak Baij
6. Shri Ramakant Bhargava
7. Shri Prataprao Patil Chikhalikar
8. Shri Rajeshbhai Naranbhai Chudasama
9. Dr. Sanjay Jaiswal
10. Shri Ramesh Chandappa Jigajinagi
11. Shri Kripanath Mallah
12. Shri Satyadev Pachauri
13. Smt. Aparupa Poddar
14. Shri Arun Kumar Sagar
15. Shri Muniyan Selvaraj
16. Dr. Sanjeev Kumar Singari
17. Shri Atul Kumar Singh
18. Shri Pradeep Kumar Singh
19. Shri Uday Pratap Singh
20. Shri Indra Hang Subba
21. Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

22. Shri G.C.Chandrashekhar
23. Dr. Anil Jain
24. Shri Arun Singh
25. Shri Ram Nath Thakur*
26. Shri Vijay Pal Singh Tomar
27. Vacant
28. Vacant
29. Vacant
30. Vacant
31. Vacant

SECRETARIAT

- | | | |
|---------------------------|---|---------------------|
| 1. Shri Vinay Kumar Mohan | - | Joint Secretary |
| 2. Shri N.K. Jha | - | Director |
| 3. Smt. Geeta Parmar | - | Additional Director |
| 4. Shri Kulvinder Singh | - | Deputy Secretary |

**Nominated w.e.f. 13.02.2023 vide Lok Sabha Bulletin- Part-II Para No. 6251 dated 14.02.2023.*

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2022-23) having been authorized by the Committee do present on their behalf, this Forty-Third Report (Seventeenth Lok Sabha) on 'Planning for Fertilizers production and Import Policy on fertilizers including GST and import duty thereon' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers.

2. The Committee had a briefing by the representatives of the Department of Fertilizers on 21st December, 2022 and took further oral evidence of the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers, Ministry of Finance and Ministry of Commerce on 18th January, 2023.

3. The Committee (2022-23) considered and adopted this Report at their sitting held on 07th August, 2023.

4. The Committee wish to express their thanks to the officers of the Department of Fertilizers, Ministry of Chemicals and Fertilizers, Ministry of Finance and Ministry of Commerce for tendering their evidence and placing before them all the requisite information sought for in connection with the examination of the subject.

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

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

***New Delhi;
07 August, 2023***
16, Sravana, 1945 (Saka)

**DR. SHASHI THAROOR
CHAIRPERSON,
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS.**

**REPORT
PART- I
NARRATION**

INTRODUCTORY

Fertilizer, water and seeds are vital inputs for higher agricultural production. Increasing use of fertilizers has contributed significantly in enhancing food grain production and bringing self-sufficiency in food grain production in the country. India is the second largest consumer and third largest producer of finished fertilizers in the world. India is net importer of fertilizers, both finished products as well as raw materials.

Production and consumption/sale of major Fertilizers

2. The Committee have been informed that Urea is the major fertilizer consumed in the country and about 20% of domestic requirement is imported. About 90% of gas requirement of Urea sector Re-gasified liquefied Natural Gas (RLNG) is met through imports. In case of Di Ammonium Phosphate (DAP) - About 50-60% of domestic requirement is imported. The production of indigenous DAP is dependent on import of Phosphoric Acid, Rock Phosphate, Ammonia, etc. In case of Muriate of potash (MOP), 100% is imported whereas 8-10% of Nitrogen, Phosphorus, and Potassium (NPK) domestic requirement is met through imports. Single super Phosphate (SSP) is indigenously produced fertilizer in which rock phosphate (RP) and Sulphuric acid are the raw materials. High grade RP is imported for the production of SSP. Low grade indigenous RP is also used for indigenous production of SSP. The figures for production and consumption/sales of various types of fertilizers since 2014 -15 upto November, 2022 and January, 2023 are given as under:

Trend in Production of Fertilizers

(Figures in 'LMT')

Year	Type of Fertilizer					
	Urea	DAP	MOP	NPKS	SSP	Total
2014-15	225.85	34.44	-	82.74	42.36	385.39
2015-16	244.75	37.87	-	87.15	43.39	413.16
2016-17	242.01	43.65	-	84.57	44.18	414.41
2017-18	240.23	46.50	-	88.13	38.75	413.61
2018-19	238.99	38.99	-	95.15	40.72	413.85
2019-20	244.58	45.50	-	93.34	42.53	425.95
2020-21	246.05	37.74	-	100.54	49.35	433.68
2021-22	250.72	42.22	-	89.67	53.34	435.95
2022-23 (Upto November 2022)	187.21	27.41	-	67.21	38.94	320.76

Trend in Consumption/Sale of Fertilizers

(Figures in 'LMT')

Year	Type of Fertilizers				
	Urea	DAP	MOP	NPKs	Total
2014-15	308.75	75.57	27.8	85.98	498.10
2015-16	319.68	97.47	24.23	92.68	534.06
2016-17	296.07	88.23	28.21	86.58	499.09
2017-18	303.31	89.85	31.93	90.75	515.84
2018-19	320.04	87.35	26.98	95.66	530.03
2019-20	336.96	101.01	27.80	105.01	570.78
2020-21	350.51	119.18	34.32	125.82	629.83
2021-22	341.73	92.64	23.93	121.37	579.67
2022-23 (Upto November 2022)	232.54	83.53	11.23	74.16	401.46

3. The production and consumption of Urea only during the last three years and current year (upto January, 2023) are as under:

(Fig. in LMT)

S. No.	Year	Production	Consumption
1.	2019-2020	244.58	336.96
2.	2020-2021	246.05	350.51
3.	2021-2022	250.72	341.72
4.	2022-2023 (Upto Jan.,23)	237.15	319.03

Closing stock for the financial year 2022-23 (upto 31.01.2023) is 39.00 LMT

4. With regard to availability of the Fertilizers in the country, a representative of the Department of Fertilizers submitted as under:

"To begin with, I would like to talk about the position of availability of fertilizers in the country today. As far as Rabi of 2022-23 is concerned, the figures are before you. The requirement of Urea was 180 lakh metric tonnes..... so far, we have supplied 88 lakh metric tonnes. But in three days, we have sold some more. So, about 90 lakh metric tonnes have already been sold to farmers, and we have stocks of more than 40 lakh tonnes. Our production is about 25 lakh tonnes per month. So, we are quite comfortable in the position of Urea. If you look at DAP, the requirement was 55 lakh metric tonnes. We have, so far, sold 37.69, and we have remaining stocks of 11.47. Similarly, for MOPs and NPKs also, the position is quite comfortable. So, overall, the availability of fertilizers is adequate in the country, and there is no major

shortage anywhere. If you look at Kharif-2022, again the requirement was 179.01 for Urea and we did sell 172.61. We had a closing stock of 47.37. So, fertilizer was available till the very end. Again, the requirement with regard to DAP was 58.82 and we sold 51.60, and 14.18 was available as a closing stock. For MOPs and NPKs, there has never been any problem.”

5. The Committee wanted to know about the availability of various fertilizers in all the States and whether the Department has received complaints from some States in this regard. In reply, the representative of the Department submitted as under :

“Sir, there are local shortages in some States.....It takes about one week to move stocks to an area which is deficient. So, there are some localized shortages because of logistical reasons. But what I am presenting before the hon. Committee is the total availability in the entire country. That is quite adequate. We try to take care of the local problems that arise from time to time.”

6. It was further submitted as under :

“.....so, look at Urea, the production, by and large, moved from 240 lakh metric tons to 250 lakh metric tons. This was in 2021-22. In the current year, we expect it to be around 280 lakh metric tons.....Now, there is one thing called SSP which basically uses locally available material, rock phosphate, which is low grade rock phosphate. About 10 per cent of our requirement is met through SSP and local rock phosphate. For the remaining part, even if we manufacture DAP in the country, it is on the basis of imported raw materials.....”

7. During oral evidence, a representative of the Department of Fertilizers informed that some new DAP and NPK plants are coming up in the country in Jhabua and Sagar districts of Madhya Pradesh. The RCF is setting up one unit at Thal, and FACT is setting up one more unit. So, these four plants are coming up.

8. As regards mines in Rajasthan and UP, where some phosphate and potash is available, he further submitted as under:

“As I mentioned earlier, there are some mines in the Rajasthan, UP and Madhya Pradesh where some phosphates and some potash is available but not much progress has been made so far because the technology required for mining of potash is not commercially viable at the moment. So, it is being looked at. Some phosphates are being mined and they are being converted to SSP. We are promoting SSP in a big way because that is being seen as an indigenous source of phosphatic fertilizers.”

II. NEW INVESTMENT POLICY (NIP) - 2012

9. The Committee have been informed that the New Investment Policy (NIP)-2012 was announced on 2nd January, 2013 read with amendment dated 7th October, 2014. The objective of NIP-2012 was to facilitate fresh investment in Urea sector and to make India self-sufficient in the Urea sector. NIP-2012 has helped in setting up of

6 new Urea plants (1 Brownfield and 5 Greenfield) each having the annual production capacity of 12.7 LMT and has facilitated in adding Urea production capacity of 76.2 LMT per annum in the existing Urea production capacity of the country. Now, there are 36 Urea manufacturing units with installed annual capacity of 283.74 LMT approx., out of which 30 units are old/existing units while 6 units were set up under under NIP-2012. The six (6) Units set up under NIP-2012 are as under:

S.No.	Name of Plant and Location	Capacity (LMT per annum)	Date of start /commissioning
1	Chambal Fertilizers & Chemicals Ltd. (Gadepan-III), Kota, Rajasthan	12.7 (Brownfield)	1 st Dec, 2018
2	Matix Fertilizers & Chemicals Ltd., Panagarh, West Bengal	12.7 (Greenfield)	9 th Sept, 2021 (Restart)
3	RFCL, Ramagundam, Telangana	12.7 (Greenfield)	22 nd March, 2021
4	HURL- Gorakhpur, U.P.	12.7 (Greenfield)	26 th March, 2022
5	HURL-Sindri, Jharkhand	12.7 (Greenfield)	5 th November, 2022
6	HURL- Barauni, Bihar	12.7 (Greenfield)	18 th October, 2022
Total capacity addition due to NIP-2012		76.2 LMT per annum	

10. The Committee have further been informed that the above 06 units also include the Urea units, namely, Ramagundam, Gorakhpur and Sindri units of Fertilizer Corporation of India Limited (FCIL) and Barauni unit of Hindustan Fertilizer Corporation Limited (HFCL), which were revived by setting up new gas based Greenfield Urea units. Also, the Talcher unit of FCIL located in Odisha is also being revived by setting up of coal-gasification based Urea plant by the Talcher Fertilizers Limited with annual installed capacity of 12.70 LMT, for which an exclusive policy has been notified. It was submitted that with the start of Talcher Urea unit, the annual Urea production capacity of country would increase from 283.74 LMT to 296.44 LMT. Besides, the NIP-2012 alongwith the increasing production capacity of Nano Urea (Liquid) is likely to make India *atmanirbhar* in Urea Sector by 2025-26. The units set up under NIP-2012 are very efficient units in terms of energy and after the end of the initial 8 years period during which subsidy also include the recovery of their investment, these units as expected would save substantial subsidy outgo for the Urea.

III. NEW UREA POLICY (NUP) – 2015

11. The Committee have been informed that based on CCEA decision, *vide* notification dated 25th May, 2015, the Department of Fertilizers introduced New Urea Policy – 2015 (NUP-2015) with effect from 1st June 2015. The objectives of NUP-2015 were to maximise indigenous Urea production, promoting energy efficiency in

Urea production and rationalizing subsidy burden on the Government. With objective of making the Urea units energy efficient, the energy norms of existing 25 gas-based Urea units were revised for the period 2015-16 (from 1st June 2015 onwards), 2016-17 and 2017-18. The revised energy norms (REN) for these units for the year was the simple average of pre-set energy norms of NPS-III and average actual energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS-III, whichever is lower. Further, the said 25 gas-based Urea units were categorized into three groups based on their pre-set energy norms and each of the category have been given Target Energy Norms (TEN) based on their pre-set energy norms under the NPS-III, the details of which are as under:

S. No.	Groups along with unit names	Preset Energy level (In Gcal/MT)	Revised Energy Norm (1 st June 2015 to 2017-18)	Target Energy Norm (2018-19) (In Gcal/MT)#
1.	Group-I (13 units): (NFL- Vijaipur-I & II, Kribhcho-Hazira, Indorama- Jagadishpur, IFFCO-Aonla-I&II,KSFL- Shahajanpur, CFCL-Gadepan-I & II, YFIPL-Babrara, NFCL-I&II and IFFCO Phulpur-II)	5.0 to 6.0	Fixed for each unit*	5.5 (TCL- Babrara. 5.417).
2.	Group-II (4 units): (IFFCO-Kalol, GSFC-Baroda, RCF-Thal, and GNVFC- Bharuch)	6.0 to 7.0		6.2
3.	Group-III (8 units): (NFL-Nangal, NFL-Panipat, NFL-Bhatinda, PPL-Goa, SFC-Kota, RCF-Trombay-V, IFFCO-Phulpur-I, KFCL-Kanpur)	> 7.0		6.5

***Revised Energy Norms:- simple average of preset energy norms of NPS-III and average actual energy consumption for 2011-12, 2012-13 & 2013-14 OR preset energy norms of NPS-III, whichever is lower.**

12. The above mentioned twenty-five units got the concession rate on the basis of revised energy norms fixed for each group from 1st June, 2015 to 31st March 2018. Thereafter, vide notification dated 28th March 2018:

- i. For 11 Urea units viz., YFIL, NFL-Vijaipur-II, Indorama, CFCL-Gadepan-I & II, IFFCO-Aonla-II, RCF-Thal, IFFCO-Kalol, IFFCO-Aonla-I, IFFCO-Phulpur-I & II, the target energy consumption norms enforced w.e.f. 1st April, 2018.
- ii. The existing norms under NUP-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, PPL-Goa extended till 30th September, 2020 with the following penalties.

- (a) Penalty equivalent to 2% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, up to 31st March 2019.
- (b) Penalty equivalent to 5% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015 from 1st April 2019 to 31st March 2020.
- (c) The target energy norms shall be continued up to 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.

13. The status of target energy norms achievement by the units is as under:

- 15 Urea units namely YFIL, NFL-Nangal, NFL-Panipat, NFL-Bathinda, NFL-Vijaipur-II, Indorama-Jagdishpur, CFCL-Gadepan-I & II, IFFCO-Aonla-II, RCF-Thal, IFFCO-Kalol, IFFCO-Aonla-I, IFFCO-Phulpur-I & II and KFL-Shahjahanpur have already achieved the target energy norms.
- 5 Urea units namely NFL-Vijaipur-I, RCF-Trombay, KRIBHCO-Hazira, GSFC-Baroda and PPL-Goa are implementing Energy Saving Scheme and likely to achieve the TEN in near future.
- In respect of 3 Urea units namely SFC-Kota, KFCL-Kanpur and GNFC-Bharuch, it has been examined that these units use coal in their energy mix and to achieve the TEN, these units will be required to replace their coal proportion with much costlier natural gas due to which the subsidy burden on exchequer will increase. Therefore, a proposal to revise the Target Energy Norms of these units is under consideration.
- Remaining 2 Urea units namely, NFCL-I & II have been directed to expedite the implementation of ESS.
- In case of the Urea units which have not achieved target energy norms till date, the TEN will be enforced w.e.f. 1st April, 2023. Till then, the revised energy norms of NUP-2015 have been extended with certain penalties.
- Due to various policy majors starting from 1987-88 and NUP-2015, energy consumption by Urea units reduced from 8.87 Gcal/MT during 1987-88 to 5.82 Gcal/MT during 2021-22. The NUP-2015 has brought energy efficiency in the units due to which there has been saving of around ₹8851.59 Crore in the subsidy outgo during the period of 1st June 2015 to 30th September 2022.

14. It has been informed that later *vide* notification dated 7th July 2020 and 18th November 2022, the revised energy norms of NUP-2015 were further extended with penalty equivalent to 10% energy of difference between NUP Energy norms and Target Energy norms of NUP-2015, up to 1st April 2020 to 30th Sept 2020. In case, units still fails to achieve the TEN, the revised energy norms will be further extended till 31st March 2023, with penalty of 12%. Thereafter, Target energy norms will be made effective. In case of extension from 1st October 2020 onward, it has been envisaged that the TEN will be made effective from an earlier date, if any unit achieves the Target energy norms before 31st March 2023. NUP-2015 also envisaged the provision of production by Urea units beyond their recognized capacity i.e. beyond Re-Assessed Capacity (RAC) and the existing units started producing additional quantity of Urea to the tune of 20-25 LMT per annum over and above their RAC.

Production beyond Re- Assessment Capacity (RAC):

15.

- i. For production beyond the Re- Assessment Capacity (RAC), the units will be entitled for their respective variable cost and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous Urea units subject to import parity price plus weighted average of other incidental charges which the government incurs on the imported Urea.
- ii. In the event of any fluctuation in Import Parity Price (IPP) that would have adverse impact on the production beyond RAC by Urea units, Department of Fertilizers may take an appropriate decision in consultation with Department of Expenditure.

16. It has been stated that NUP-2015 helped in achieving energy efficiency by the Urea units resulting into saving in subsidy due to reduced energy norms/energy cost and optimizing the production of Urea from the existing 25 Urea units. It has been observed that Urea units covered under NUP-2015 have been producing around 30-35 LMT Urea beyond their total re-assessed capacity (i.e. recognized annual production capacity).

IV. IMPORT OF UREA, DAP, MOP etc.

17. The Department has informed that Urea is imported to bridge the gap between assessed requirement and indigenous production. Urea is imported through three State Trading Enterprises (STEs) viz. – IPL, NFL & RCF. For each season, the quantity of Urea to be imported is decided by Steering Committee of Secretaries (SCOS) which consists of Secretary (F) (as Chairman), Chairman Railway Board, Secretary (Commerce), Secretary (Expenditure), Secretary (Agriculture) and Secretary (Shipping). The Steering Committee of Secretaries

(SCOS) authorizes DoF with the seasonal authorization to import Urea on Government account as and when required. STEs procure Urea through global tenders. Urea and P&K Fertilizers thus imported are handled at various Indian Ports. To handle and market Urea at Indian Ports of WCI and ECI, various Fertilizers Market Entities (FMEs) have been appointed. Besides this, under the LTA, term sheet has been finalized with OQ Trading, OMAN for supply of 10 LMT Urea annually for a period of 3 years w.e.f February 2022 to January 2025. (approx 0.90 LMT per month). The Department of Fertilizers is also exploring more options to go for long term contracts.

18. The Committee desired to know the reasons for importing 20% of domestic requirement of Urea, 50-60% of domestic requirement of DAP and 100% of domestic requirement of MOP and how the Department propose to reduce the dependency of Urea, DAP and MOP on imports. In reply, the Department has stated that the production capacity of Urea in the country does not commensurate with the demand/requirement of Urea in the country and the gap between demand-supply is filled through imports. As regards DAP & MOP, the country is fully dependent on imports in Potassic sector (100 %) and heavily import dependent in Phosphatic sector in the form of either finished products or its raw material. There are very few reserves/mines for rock phosphate in India at present. Further, the P₂O₅ content in those reserves/mines is not at par to manufacture a quality DAP fertilizer. As far as MOP is concerned, the present mines of Potash have not been exploited yet, as they are commercially unviable and the K₂O content in the present potassic reserves in the country is 3-5% against the 60% of K₂O in imported MOP. The import of P&K fertilizers is under Open General Licensing (OGL). P&K fertilizers, under Nutrient Based Subsidy scheme, are decontrolled and the P&K fertilizer companies are not regulated to manufacture or import P&K fertilizers.

19. When asked about the steps taken by the Department to reduce import dependency of DAP and MOP, the Department, in their written reply, submitted as under:

- (i). Government of India introduced, Potash Derived from Molasses, 100% indigenously manufactured, under Nutrient Based Subsidy (NBS) scheme.
- (ii). Freight Subsidy on SSP, 100% indigenously manufactured fertilizer, approved for Kharif-2022 and Rabi-2022 season to promote indigenous production of fertilizers.
- (iii). DoF granted permission to M/s. Madhya Bharat Agro product Limited Unit-II, Banda Sagar, M.P. for production of 2.40 LMT of P&K fertilizer per annum
- (iv). DoF granted permission to M/s. Krishna Phoschem Ltd., Meghnagar, M.P. for production of 3.30 LMT of P&K fertilizer per annum

- (v). On exploration of minerals for raw materials for fertilizers in India, discussion is in place with Ministry of Mines, GSI, MECL & FAGMIL which is an ongoing process.

V. NUTRIENT BASED SUBSIDY POLICY (NBS)

20. 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/semi-annual basis, is provided on subsidised P&K fertilizers depending on their nutrient content. Under this policy, MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government. There has been increase in the international prices of finished P&K fertilizers as well as its raw materials. As India is 100% import dependent on Potassic fertilizer and upto 90% on Phosphatic fertilizer and its raw materials, the increase in international price may affect the prices of P&K fertilizers. However, Gol has analyzed the situation and notified the subsidy rates under the Nutrient Based Subsidy (NBS) scheme in such a way that the international price rise does not affect farming community of India and these fertilizers could be available at the affordable rates to Indian farmers. The subsidy rates under NBS scheme during FY 2021-22 and FY 2022-23 are as under:

S. No.	Nutrient	NBS (Rs. Per Kg of Nutrient) (from 01.04.2021 to 19.05.2021)	NBS (Rs. Per Kg of Nutrient) (from 20.05.2021 to 31.03.2022)	NBS (Rs. Per Kg of Nutrient) (from 1.04.2022 to 30.9.2022)	NBS (Rs. Per Kg of Nutrient) (from 1.10.2022 to 31.3.2023)
1.	N	18.789	18.789	91.96	98.02
2.	P	14.888	45.323	72.74	66.93
3.	K	10.116	10.116	25.31	23.65
4.	S	2.374	2.374	6.94	6.12

A special one-time package with additional subsidy has been provided (effective from 01.10.2021 to 31.3.2022)

For DAP at Rs.8769/MT and 3 most consumed NPK fertilizers (10:26:26, 20:20:0:13 and 12:32:16) at Rs. 2000/MT for each grade in order to make P&K fertilizers available at affordable prices to the farmers.

21. On being asked about the salient features of Nutrient Based Subsidy Policy being implemented since 01.04.2020, it has been informed that under the NBS Policy the Government announces a fixed rate of subsidy (in Rs. per Kg basis), on each nutrient of subsidized P&K fertilizers, namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S), on annual basis taking into account all relevant factors including international prices, exchange rate, inventory level and prevailing Maximum Retail

Prices of P&K fertilizers. The per Kg subsidy rates on the nutrients N, P, K, S is converted into per Tonne subsidy on the various subsidized P&K fertilizers covered under NBS Policy.

22. It has further been stated that at present 25 grades of P&K fertilizers, namely, DAP, MAP, TSP, MOP, Ammonium Sulphate (produced by M/s FACT and GSFC), SSP, PDM and 18 grades of NPKS complex fertilizers are covered under the NBS Policy. Under the Policy, MRP of P&K fertilizers have been left open and fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates which is checked by Government. In effect, the domestic prices are determined by demand-supply mechanism. Under the policy, any variant of the subsidised 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 alongwith primary nutrients.

23. 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) to recommend 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.

24. The Committee desired to know about the ideal consumption ratio of Fertilizers. In reply, a representative submitted as under:

"Sir, you have mentioned about 4:2:1. There is a problem of over-application of Urea in the country. If you look at the consumption of nitrogen in the country, it is much higher than many other countries in the world. So, it is quite high and we are bothered about that. So, it is a good thing that the consumption of Urea in the country seems to be stabilizing it came down from 351 to 342. This year, it was slightly higher. But if you look at Kharif, you will find that it came down from 178 to 166. Now, it has gone up to 173, which is still lower than 178. So, the consumption of nitrogen, as fertilizer, is stabilizing in the country. We see that it is a good sign. It is because of several reasons. We will come to the reasons later on. But there was nano Urea, which basically has led to the reduction of demand of Urea.

There is neem coating of Urea and there are 45 kg bags which was a good innovation because farmers normally tend to purchase a bag or two bags or

three bags. If the bag instead of 50 kilograms becomes 45 kilograms, it does not lead to a corresponding increase in number of bags. So, that was a good strategy which worked in reducing the excess consumption of nitrogen. It is because of all these reasons that the consumption of Urea is now stabilizing in the country.”

25. On being pointed out that the consumption of Urea is skewed to some extent, a representative of the Department submitted as under:

“You are absolutely right, Sir. It is skewed to some extent. We do notice that. Instead of 4:2:1, it is higher and Potash is consumed in significantly lower quantities and it should be. So, that is a distortion which is there and we try to address it through various measures but ultimately, it is something on which the major consensus is required to control the prices of fertilizers.”

26. Asked whether the consensus is required within the Government, the representative replied as under:

“Sir, within the country and with all the stakeholders because Urea price is administered. Urea is a not a free priced thing. The price of Urea has been fixed by the Government. It has been nearly constant for the past twenty years. It is not in one Government or the other Government. It has been constant for a long time. The question of increasing the price of Urea in order to decrease the consumption of Nitrogen and to boost the consumption of other fertilizers has always been there and it is still there and we keep on working on it. There is also the concept of NBS for Urea-nutrient based subsidy for Urea - which is being examined. Again, that has been under examination from 2010 onwards. In 2008, a proposal was prepared for a nutrient based subsidy on fertilizers. It went to the Cabinet in 2010 and that did include Urea at that point of time. But when it went to the cabinet, it was decided to separate Urea from it because Urea is so critical. It is extremely important. And a Committee of Secretaries was set up. Then there was a NITI Aayog Committee which looked into the matter. Various deliberations have taken place. For one reason or the other, till now, NBS in Urea has not come about and we have NBS in the other fertilizers.

So, the prices of Urea is something which needs a lot of discussion and consensus. If the Committee can form a view on it and give a recommendation, that, of course, would be very helpful to us. We too will take up the matter at the highest level also. So, we will submit to the wisdom of the Committee. If the Committee is able to make a recommendation, it will be wonderful. We will be grateful to the Committee.”

VI. Investments in Mines and Plants abroad

27. Regarding Investments in Mines & Plants abroad, the Committee were informed as follows:

- **Jordon:** Joint Venture of IIFCO & JPMC - JIFCO - long term contract for supply of 3-25-3.75 LMt of Phosphoric Acid per annum.

- **Senegal:** JV of IFFCO, KRIBHCO as ICS Senegal with long term contract for supply of 3.0-3.5 LMT of Phosphoric Acid per annum.
- **Tunisia:** Stakes of M/s CIL, GSFC in TIFERT plant for production of Phosphoric Acid. Currently the project is stalled due to unrest in Tunisia. Annual assessed capacity is 3.5 LMT of Phos Acid.
- **Canada:** Equity stake of GSFC in the Karnalyte Resources for mining of MOP.
- **Senegal:** Coromandel International Limited acquired 45% equity share in Baobab Mining and Chemicals Corporation (BMCC), a Rock Phosphate Mining company based in Senegal in 2022 for annual supply of 1.5 million tonnes of Rock Phosphate to India.
- **Saudi Arabia:** Investment by Kribhco and CIL under process in new project of MA'ADEN for supply of phosphatic fertilizers.

28. When asked whether raw material of DAP can be procured from the mines in the countries like Jordan, Morocco and also South African countries, the Department replied in affirmative. As per the report of Indian Bureau of Mines (under Ministry of Mines), the World reserves of Phosphate rock (country-wise) is as under:

World Reserves of Phosphate Rock
(By Principle Countries)

In thousand tonnes

No	Country	Reserves
World: Total (rounded)		7100000
1	Algeria	2200000
2	Australia	1100000 ⁵
3	Brazil	1600000
4	China	3200000
5	Egypt	2800000
6	Finland	1000000
7	India*	46000
8	Israel	53000
9	Jordan	1000000
10	Kazakhstan	260000
11	Mexico	30000
12	Morocco & Western Sahara	50000000
13	Peru	210000
14	Russia	600000

15	Saudi Arabia	1400000
16	Senegal	50000
17	South Africa	1600000
18	Togo	30000
19	Tunisia	100000
20	Turkey	50000
21	USA	1000000
22	Uzbekistan	100000
23	Vietnam	30000
24	Other countries	2600000

Source: USGS Mineral commodity summaries 2022

For Australia, Joint Ore Reserves Committee Complaint reserves were 110 million 13ubsi.

** India's total reserves/resources of rock phosphate as per National Mineral Inventory as on 1.4.2020 are 3.11.25 million 13ubsi*

On being asked whether the Department has any plans to own some mines in these countries, it was replied that at present DoF has no plan to own any of these mines.

29. Regarding investment in Mines and Plants abroad, the representative submitted as under:

"We are encouraging our companies to invest in mines and plants abroad. There are some phosphoric acid plants where investments have been made. There are some mines also where investments have been made. All of them are not operational. Some are operational and some are not. These are more with an eye to the future in terms of strategic planning that these investments are being made."

VII. GST rate and Basic Custom Duty on Fertilizers and Fertilizer Raw Materials

30. The Committee have been informed that fertilizers attract GST at the rate of 5%. The major types of fertilizers are Urea, Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP) and NPK. In the original rate structure, fertilizers were placed under the 12% GST bracket. However, many States raised the demand to reduce the GST rate on fertilizers to support the agricultural sector. It was also mentioned that natural gas, a major input for fertilizers, remains outside GST. Ultimately, a consensus was reached in the GST Council (in the 18th meeting held on 30th June, 2017 i.e., just before the roll out of GST) that GST rate on fertilizers be fixed at 5%. The GST and

import Basic Customs Duty (BCD) rates on fertilizers were stated to be as given below:-

HS Code	Description	GST Rate	GST Rate reference	Effective BCD Rate	BCD Rate reference
3102	Urea	5%	Notification No. 1/2017-Central Tax(Rate) as amended	5%	Notification No. 50/2017-Customs as amended, read with First Schedule to Customs Tariff Act, 1975. (As per S.No. 225 of above notification, BCD on certain specified fertilizers listed is 2.5%)
3102	Ammonium Sulphate	5%		5%	
3104	Potassium Chloride (Muriate of Potash – MOP)	5%		5%	
3105	Mineral or Chemical Fertilizers containing all 3 Fertilizer elements N, P & K	5%		5% / 2.5%	
3105	Di Ammonium Phosphate (DAP)	5%		5%	

31. The Committee have further been informed that Ammonia, phosphoric acid, rock phosphate, sulphur and sulphuric acid are the major inputs used for manufacturing the fertilizers. The GST and import Basic Customs Duty (BCD) were stated to be as given below-

HS Code	Input Description	GST Rate	GST Rate reference	Effective BCD Rate	BCD Rate reference
2503	Sulphur	5%	Notification No. 1/2017-Central Tax(Rate) as amended	2.5%	Notification No. 50/2017-Customs as amended, read with First Schedule to Customs Tariff Act, 1975.
2510	Rock Phosphate	5%		2.5%	
2809	Phosphoric Acid	5%		5%	
2807	Sulphuric Acid	18%		5%	
2814	Ammonia	18%		5%	

32. On being asked to state whether GST can further be reduced and fertilizers be kept outside the ambit of GST as in the case of natural gas, the Department has stated that the GST rates are prescribed on the recommendations of the GST

Council, which is a constitutional body comprising of representatives from States/UTs and Centre. In its 31st Meeting held in December, 2018, the GST Council had examined the issue of reduction of GST on agricultural inputs including pesticides, fertilizers and plant growth regulators to 5% but it did not recommend any change to avoid a distortion of the ITC chain and inversion of duty structure, which would put domestic manufacturers at a disadvantage. The issue was placed before the Council in its 45th and 47th Council meetings held in September 2021 and June 2022 respectively. However, the Council did not recommend any change in the rates of fertilizers or other organic farm inputs.

33. The Committee have further observed that the Basic Custom Duty (BCD) rate on fertilizers is around 5%. In this regard, the Committee enquired whether some requests to reduce the same were received and the action taken thereon. In reply, the Department of Fertilizers submitted that the request for reduction of Basic Custom Duty (BCD) was taken up with Department of Revenue vide O.M. No. 15011/4/2023-P&K dated 10.2.2023. Further, previously also the issue was taken up with Department of Revenue from time to time. Thereafter, the Department of Fertilizers on receipt of reply from Department of Revenue, Ministry of Finance submitted that Urea and Complex (NP/NPK) finished fertilizers attract a BCD rate of 5% which is already a concessional rate against the standard BCD rate of 10%. Though requests were received for both reduction and increase of BCD on fertilizers, from Department of Fertilizer, the same when examined was not found feasible keeping in view competing interests of domestic manufacturers and users consisting primarily of farmers, prevailing market conditions, bound rate of customs duty on certain fertilizers, etc.

34. The Committee pointed out that while finished P&K fertilizers attracts 5% of GST but raw materials like Sulphuric Acid and Ammonia attracted 18% GST and desired to know the reasons for levying higher GST on these raw materials. The Department submitted that the GST rates are prescribed on the recommendations of the GST Council, which is a constitutional body comprising of representatives from States/UTs and Centre. Sulphur and Ammonia have been prescribed GST rate of 18% considering the pre-GST rate. Both Sulphur and Ammonia have multiple uses. While sulfuric acid is used to make fertilizers, it is also used in the production of detergents, paints, dyes, plastics, artificial fibres etc. Similarly, while ammonia is mostly used in agriculture as fertilizer, it is also used as a refrigerant gas, for purification of water supplies, and in the manufacture of plastics, explosives, textiles, pesticides, dyes and other chemicals. It is found in many household and industrial-strength cleaning solutions also. Keeping lower GST rate for fertilizer industry would entail an end use-based exemption. The policy of the Government is to move away from end use exemptions as they are prone to misuse.

35. When asked to state steps being taken the Ministry/Department for reduction or NIL custom duty and GST on the raw material of the fertilizers, it has been stated that the Department has already requested Ministry of Finance in this regard.

36. The Committee have further been informed that with a view to encourage full utilization of the installed capacity by the indigenous P&K units, which will promote *atmanirbhar* Bharat Mission, the Department of Fertilizer has taken up the matter with the Finance Minister wherein it was, inter-alia, requested that, following points need to be addressed:

- GST rate for raw materials such as Sulphuric Acid and Ammonia for P&K fertilizers may be reduced to at least 5% (i.e. at par with other raw materials)
- Custom duties on import of raw materials for P&K fertilizers may be suitably rationalised or exempted.
- Custom duties on imported fertilizers may be raised.

37. The Committee then asked as to when was the above mentioned request made to the Ministry of Finance and its present status. In reply, the Department has stated that the request was made on 10th February, 2023 to the Ministry of Finance and the reply is awaited from Ministry of Finance.

OBSERVATIONS/RECOMMENDATIONS

Production and Consumption of Fertilizers in the Country

1. The Committee note that the production of Urea, DAP, MOP and NPK during the year 2022-23 (up to November, 2022) was 187.21, 27.41, Nil, 67.21 LMT respectively. The cumulative total production of these fertilizers comes to 281.83 LMT. However, the consumption of Urea, DAP, MOP and NPKs for the same period was 232.54, 83.53, 11.23 and 74.16 LMT, respectively. Therefore, cumulative total consumption of these fertilizers was 401.46 LMT. Thus, there was a deficit of 119.63 LMT for all types of fertilizers in the country, which is worrisome. The position in respect of urea, which is the main fertilizer in the country, is more alarming as the consumption of Urea during the current year (up to January, 2023) was 319.03 LMT as against its production of 237.15 LMT in the country resulting in deficit of about 81.88 LMT. The Department's representative admitted during evidence that the production capacity of Urea in the country is not commensurate with the demand of Urea in the country and the gap between demand and supply is filled through imports only. The Committee would, therefore, desire that Department of Fertilizers should take all remedial measures to contain the deficit of various types of fertilizers in the country especially Urea, as consumption of Urea is the highest in the country, and make the country more self-reliant. The Committee would like to be apprised of the steps taken by the Department in this regard.

Availability of Fertilizers

2. The Committee have been informed that position of Urea, DAP, MOP and NPK in respect to their availability is quite comfortable. For Rabi (2022-23), the

requirement of Urea was 180 LMT. As submitted, about 90 LMT was sold to the farmers and the Department had a stock of 40 LMT, besides their production being 25 lakh tones per month. In respect of DAP, out of the requirement of 55 LMT, 37.69 LMT were sold and the Department had a remaining stock of 11.47 LMT. For Kharif (2022), out of the requirement of 179.01 LMT for Urea, 172.61 LMT was sold with a closing stock of 47.37 LMT. Similarly for DAP, out of the requirement of 58.82 LMT, 51.60 LMT was sold with a closing stock of 14.18LMT. However, to a concern expressed by the Committee about the non-availability of fertilizers, the representative of the Department admitted during evidence that there were local shortages in some States. Therefore, though the Committee express their satisfaction over the availability of fertilizers in the country, they would strongly desire that the Department of Fertilizers should ascertain the reasons for shortage of fertilizers being reported in some of the States in the country and ensure availability of fertilizers in every State by taking corrective steps accordingly.

3. The Department has admitted that there is a problem of over-application of Urea in the country and that the consumption of nitrogen in India is much higher than many other countries in the world. Evidently, Indian farmers do not adhere to the established ideal fertiliser ratio of 4:2:1 of N:P:K, with negative consequences for soil health. The Committee are of the view that the over-consumption of Urea is being promoted due to Nutrient Based Subsidy Policy which covers other fertilisers like P & K fertilisers only. Urea is left out of the scheme and hence it remains under price control whereas technically there is no price control in other fertilizers. The prices of the other fertilizers which were decontrolled have gone up and that has led farmers to

use more Urea than before. This has further worsened fertilizer imbalance. Therefore, the Committee urge that the Government should review the present NBS Policy in order to remove the disincentives for farmers to use other fertilizers rather than Urea. The Committee would wish to kept informed of further progress in this regard.

4. The Committee take note of the gap between requirement and availability of different category of fertilizers, and, therefore, recommend further increasing the indigenous production of fertilizers. The Committee are happy to note that four new DAP and NPK plants are being set up in Jhabua and Sagar districts of Madhya Pradesh, RCF is setting up one unit at Thal and FACT is also setting up one more unit. The Committee would recommend that the Department should oversee and monitor the development of the upcoming fertilizer plants from time to time so that these Plants are completed within a fixed timeline and contribute towards meeting the need of fertilizers in the country.

5. The Committee note that India is the second largest consumer and third largest producer of finished fertilizers in the world. The country has so far achieved 80% self-sufficiency in production capacity of Urea. However, it is matter of concern that about 90% of gas requirement of Urea sector (RLNG) is met through imports. In case of Di Ammonium Phosphate (DAP), about 50-60% of domestic requirement is imported. The production of indigenous DAP is dependent on import of Phosphoric Acid, Rock Phosphate, Ammonia, etc. In case of MOP, 100% is imported whereas 8-10% of NPK domestic requirement is met through imports. Though, SSP is indigenously produced fertilizer in which rock phosphate (RP) and Sulphuric acid are the raw materials, high

grade RP is imported for the production of SSP. For enhancing fertilizer production in the country and reducing dependence on import, the Committee, therefore, recommend for taking effective policy initiatives aimed at creating environment that would facilitate investments in the public, co-operatives and private sectors that are engaged in manufacturing and marketing of fertilizers. The Committee trust that the Department would take concrete measures in this direction.

Single Super Phosphate (SSP)

6. The Committee learn that Single Super Phosphate (SSP) is the most popular phosphatic fertilizer as it contains 3 major plant nutrients namely Phosphorus, Sulphur and Calcium along with traces of many micro-nutrients. SSP can be used as an alternative to Di-ammonium Phosphate(DAP). Besides, SSP is indigenously available and it also helps to treat sulphur deficiency in soils (40% Indian soil is sulphur deficient) as well for further enhancement of yields at the least cost. In various crops, which require more of sulphur and phosphate like oilseeds, pulses, sugarcane, fruits and vegetables, tea etc., SSP is an essential fertilizer. A representative of the Department of Fertilizers stated during evidence that SSP uses locally available material i.e. rock phosphate and about 10% of the requirement of fertilizers is met through SSP whereas DAP is manufactured on the basis of imported raw materials. It is, however, disheartening to note that though there are some mines in Rajasthan, UP and Madhya Pradesh, where phosphates and potash are available, not much progress has been made as the technology required for mining of potash is not commercially viable at the moment and the matter is being looked into. Considering that SSP is indigenously available and is an

alternative to DAP which is being manufactured with imported raw materials, the Committee strongly recommend that the Department should make earnest efforts to remove all the bottlenecks in the projects for mining of potash and phosphates, so that our country becomes self-sufficient in production of SSP as a replacement of DAP. The Committee would like to be apprised of the progress made by the Department in this regard.

7. The Committee derive some consolation from learning that the Department of Fertilizers is promoting SSP in a big way as SSP is being seen as an indigenous source of phosphatic fertilizers. Keeping in view the numerous advantages of SSP, the Committee would like the Department to ensure that adequate measures are taken to increase the production of SSP so that it matches the increasing demand of SSP. The issues/concerns of the manufacturers/suppliers of SSP should be looked into and they should be encouraged by way of incentivizing them, if required, for enhancing the production of SSP and for preparing themselves to meet the increasing demand of SSP. The Committee would like to be apprised of the various steps being taken by the Department for promotion of SSP.

New Investment Policy (NIP) 2012

8. The Committee note that the Government had announced New Investment Policy (NIP)-2012 on 2 January, 2013 read with amendment dated 7th October, 2014 with an objective to facilitate fresh investment in Urea sector and to make India self-sufficient in the Urea sector. It is satisfying to note that since then 6 new Urea plants (1 Brownfield and 5 Greenfield) have been set up each having the annual production capacity of 12.7 LMT thereby adding Urea production capacity of 76.2 LMT per annum in the existing Urea production

capacity of the country. Now, 36 Urea manufacturing units are functioning in our country, out of which, four (04) new Urea Units viz Ramgundam, Gorakhpur, Sindri Unit of Fertilizers Corporation of India limited (FCIL) and Barauni unit of Hindustan Fertilizer Corporation Limited (HFCL), have been revived by setting up of new gas-based Greenfield units. Therefore, under the NIP-2012, not only new Urea manufacturing units have been set up but the ailing urea manufacturing units too are revived. The Department has mentioned that the NIP-2012 along with the increasing capacity of Nano Urea is likely to make India *Atmanirbhar* in Urea Sector by the year 2025-26. The Committee are optimistic that more Urea fertilizers manufacturing Plants (Brownfield and Greenfield) would be set up in the coming years and recommend accordingly. The Committee would like to be kept updated in this regard from time to time.

9. The Committee find it encouraging that the Talcher unit of FCIL located in Odisha is being revived by setting up of coal-gasification based urea plant by the Talcher Fertilizers Limited with annual installed capacity of 12.70 LMT, for which an exclusive policy has been notified. The Talcher urea unit will increase the annual urea production capacity of country from 283.74 LMT to 296.44 LMT. The Committee feel that for setting up of more urea fertilizers manufacturing Plants, Brownfield as well Greenfield, the Fertilizer Companies need the patronage of the Department of Fertilizers and, therefore, recommend the Department to continue to extend its support for setting up/revival of fertilizer manufacturing companies. The Committee also recommend that the Government should bring in more effective policy reforms with the objective of increasing domestic production capacities of the fertilizers in the country.

New Urea Policy (NUP) 2015

10. The Committee further note that the Department of Fertilizers had introduced New Urea Policy (NUP)-2015 in May, 2015 with the objectives to maximize indigenous urea production, promote energy efficiency in urea production and rationalize subsidy burden on the Government. With an aim to make the urea units energy efficient, the energy norms of existing 25 gas-based Urea units were revised for the period 2015-16, 2016-17 and 2017-18 and these units were categorized into three groups and given Target Energy Norms (TEN) based on their pre-set energy norms. Reportedly, 15 units have so far achieved TEN, 5 units are implementing Energy Saving Scheme (ESS) and likely to achieve the TEN in near future. However, for 3 Units, a proposal to revise TEN is under consideration as these units will have to replace their coal proportion with much costlier natural gas and the remaining 2 units have been directed to expedite the implementation of ESS. The Committee have been informed that TEN has saved Rs 8851.59 crore and also due to the provision of production beyond Re-Assessed Capacity (RAC), these units have produced additional quantity of about 20-25 LMT of urea thereby increasing total production of urea from 225 LMT to 240 LMT. While observing that NUP-2015 is showing good results, the Committee would like the Department of Fertilizers to take such similar steps and ensure that all urea units are made more and more energy efficient and produce fertilizers to the optimum capacity.

Import of Fertilizers

11. The Committee are concerned over the fact that the production capacity of fertilizers in the country does not commensurate with its

demand/requirement and, therefore, the gap between demand and supply is met through imports. About 20% of domestic requirement of urea, 50-60% of domestic requirement of DAP and 100% of domestic requirement of MOP is met through import. For DAP & MOP, the country is fully dependent on imports in Potassic sector (100 %) and heavily import dependent in Phosphatic sector in the form of either finished products or its raw material. The import of P&K fertilizers is under Open General Licensing (OGL), wherein the fertilizer companies are free to import the quantities/raw material based on their commercial considerations. P&K fertilizers, under Nutrient Based Subsidy scheme are decontrolled. P&K fertilizer companies are not regulated to manufacture or import P&K fertilizers. The Committee have been informed that some measures may be enforced strictly to gradually decrease the dependency on imports viz. introduction of Potash derived from molasses under Nutrient Based Subsidy Scheme, grant of permission for production of P&K fertilizers and plans for exploration of minerals for raw materials for fertilizers in India, etc. The Committee would like to be apprised of the present status in this regard. The Committee, however, are of the considered opinion that the Government should take long term measures to meet the fertilizer requirement of the country. There is a need for clear vision, a consistent policy and an action plan after serious interactions with all the stakeholders for exploring ways and means to increase production of fertilizers thus decreasing their dependence on imports.

Nutrient Based Subsidy Policy (NBS)

12. The Committee note that Nutrient Based Subsidy Policy (NBS) is being implemented since 01.04.2020. Under this policy, fixed rate of subsidy is

announced in Rs. Per Kg basis on each nutrient of subsidized P&K fertilizers, on annual basis but MRP of P&K fertilizers have been left open. Fertilizer manufacturers/marketers are allowed to fix the MRP at reasonable rates subject to check by the Government. The Committee have been informed that a proposal was prepared in 2008 for NBS on fertilizers. However, the Cabinet decided to separate urea because urea is critical. Thereafter, a committee of Niti Aayog looked into the matter and various deliberations were held. However, NBS policy in urea could not be implemented. In this context, the Committee apprehend that in case urea is brought under NBS policy, its prices would be determined by manufacturers/marketers based on demand and supply and possibly higher prices would be fixed by the manufacturers. Urea bag which is available to the farmers @ Rs.242 would cost higher and prove detrimental to the interest of the farmers. Hence, the Committee recommend that the present system of subsidy on urea may be continued.

Investments in Mines and Plants abroad

13. The Committee are aware that worldwide, more than 85% of the phosphate rock mined is used to manufacture phosphate fertilizers. All common fertilizers have an “N-P-K” rating. Phosphorus is the “P” in fertilizers, which is essential for plants. Indigenous reserves of phosphatic rock and potash will not only be advantageous to the indigenous industries but will also cater to the needs of Indian farmers with the production of fertilizers like DAP, SSP, NPK, and MOP. Currently, India is largely dependent on imports for this raw material. The volatility in international prices also affects the domestic prices of fertilizers, which in turn, hinders the progress and development of

the agriculture sector in the country and puts extra pressure on the farmers. As per National Mineral Inventory, India too has a reserve/resources of 46000 thousand tonnes of rock phosphate. The Committee are of the considered opinion that there is emergent need to explore indigenous deposits of phosphoric rocks as it will help save the country money that now goes out of the country through import. Further as studies suggest, the demand for phosphatic fertilizers is expected to increase gradually with the increase in population and the requirement of food. Exploring Phosphatic reserves would mean India can reduce its dependency on other countries and become self-reliant in the production of Urea and other fertilizers. The Committee recommend to the Department to act responsibly and take concrete measures accordingly.

14. The Committee further note that there are enough reserves of phosphate rock in Mines abroad. However, the Department of Fertilizers has no plans to own any of the Mines in countries like Jordan, Morocco and South African countries. The Committee impress upon the Department for owning some Mines abroad for seamless supply of fertilizers in the country and apprise the Committee of the steps taken in this regard.

15. The Committee are satisfied to note the Department has been encouraging Indian Companies to invest in Mines and Plants abroad and investments have also been made in some phosphoric acid plants and in some mines. However, all of them are not operational. The Committee recommend that necessary remedial measures be taken so that the non-operational phosphoric acid plants and mines are made operational at the earliest.

GST on Fertilizers

16. The Committee have been informed that fertilizers were placed under the 12% GST bracket. However, on demand of various States, GST on fertilizers was reduced to 5%. The issue to further reduce GST on fertilizers was placed before the GST council in its 45th and 47th meetings held in September, 2021 and June, 2022, respectively. The GST council, however, did not recommend any change in the rates of fertilizers or other organic farm inputs. The Committee strongly recommend that the issue to further reduce GST on fertilizers may be placed before the GST Council at the earliest in the best interest of the farmers of our country.

17. The Committee note that fertilizers are levied GST @5% and its raw materials like Sulphuric Acid and Ammonia are levied a higher GST@18% on the recommendations of the GST council. The Committee failed to understand this anomaly. The Department have clarified that the raw material of fertilizers like Sulphur has multiple uses and is also used in the production of detergents, paints, dyes etc. Similarly, Ammonia too has multiple uses and is also used as refrigerator gas, manufacturing of plastics, explosives, textiles etc. However, the Committee are of the strong conviction that raw materials used for production of fertilizers should be levied with lesser GST and hence desire the Department to consider favorably the proposal to lower the GST on raw materials in the interest of fertilizer manufacturing companies and ultimately farmers.

Bringing Natural Gas under the ambit of GST

18. At present, the Natural Gas is kept outside the ambit of GST and VAT/CST is being levied on sale of Natural Gas. As VAT/CST on import is par-

through element of cost, such VAT/CST forms part of cost of production of Urea and is reimbursed in the form of subsidy. The GST Council has not made any recommendation for levying GST on Natural Gas and VAT/Central Excise duty continue to be levied on Natural Gas and is adding to the subsidy bill. In cases where Natural Gas is sold twice in two States, there are incidence of double levying of VAT on Natural Gas. What is more disturbing is the fact that VAT rates differ from State to State and ranges as low as 3% to as high as 25% in States like Chhattisgarh, which makes the Natural Gas costlier and is detrimental to the interests of the farmers. However, if natural gas is brought under the ambit of GST, then such problems would be resolved. The Department admits that natural gas should be brought under the ambit of GST. The Committee therefore recommend that the Department should take up the matter of bringing natural gas under the ambit of GST, at the highest level with the Ministry of Finance.

19. It is a matter of serious concern that every State has a different VAT rate. The Committee note that the Department of Fertilizers has requested the States to have a uniform VAT on natural gas. The Committee do agree with the contention of the Department that GST Council has to take a call on this issue. However, the Committee would emphasise that till the issue is decided by GST Council the States should be convinced to fix uniform VAT on natural gas. The Department, therefore, need to take the responsibility in the matter by discussing the repercussions of having separate VAT rates in States and to avoid the unfortunate incidences of double taxation on sale of natural gas.

GST & Basic Custom Duty (BCD) on Micronutrients

20. Micronutrients are considered as an essential plant nutrients under the Fertilizer (Inorganic, Organic Mixed) Control order, 1985. Though micronutrients are required in small quantities, they are very important for growth and development of plants, as on an average, soil is deficient in Zinc, manganese, copper and boron. However, presently micronutrients are being levied GST ranging from 12% to 18% which discourages the farmers from using them. Besides, BCD at the rate of 7.5% is leviable on micronutrients. The high rate of GST together with a higher BCD on micronutrients, are making them costlier for the farmers. It is an unhappy situation. In the opinion of the Committee, GST rates on micronutrients should be brought down to make micronutrient available to the farmers at affordable rates. The Department of Fertilizers in the month of February, 2023 has already requested the Ministry of Finance, Department of Revenue to do the needful in this regard. The Committee desire that the Department should draw the attention of the Department of Revenue to the benefits and need of micronutrient in agriculture and actively pursue the matter for lesser GST and BCD on micronutrients so that farmers get the micronutrients at affordable rates and use them so that the soil is replenished with the nutritional content. The Committee would like to be apprised of the progress in the matter.

New Delhi;
07 August, 2023
16, Sravana, 1945 (Saka)

DR. SHASHI THAROOR
CHAIRPERSON,
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS.

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2022-23)

Minutes of the Fifth Sitting of the Committee

The Committee sat on Wednesday, the 21 December, 2022 from 1600 hrs. to 1800 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Shashi Tharoor – CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri C. N. Annadurai
3. Shri Ramakant Bhargava
4. Shri Prataprao Patil Chikhlikar
5. Shri Satyadev Pachauri
6. Shri Uday Pratap Singh
7. Shri Indra hang Subba

RAJYA SABHA

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

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri Vinay Kumar Mohan | - | Joint Secretary |
| 2. | Shri N. K. Jha | - | Director |
| 3. | Smt. Geeta Parmar | - | Additional Director |
| 4. | Shri Kulvinder Singh | - | Deputy Secretary |

WITNESSES

**Representatives of the Ministry of Chemicals and Fertilizers
(Department of Fertilizers)**

1. Shri Arun Singhal Secretary, Department of Fertilizers

2.	Shri Sanjay Rastogi	AS&FA
3.	Ms. Neeraja Adidam	Additional Secretary
4.	Ms. Aneeta Meshram	Joint Secretary
5.	Ms. Aparna Sharma	Joint Secretary
6.	Dr. Pratibha A	Eco. Advisor
7.	Shri Niranjan Lal	Director
8.	Shri Anil Phulwari	Director
9.	Shri Harvinder Singh	Director

2. At the outset, the Chairperson welcomed the Members of the Committee and the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers to the sitting of the Committee which was convened to have a briefing on the subject 'Planning for fertilizers production and Import Policy on fertilizers including GST and import duty thereon'. After inviting the attention of the witnesses to Direction 55 of the 'Directions by the Speaker' regarding confidentiality of the proceedings during deposition before the Parliamentary Committees, the Chairperson asked the Secretary, Department of Fertilizers to brief the Committee on the subject.

3. The Secretary, Department of Fertilizers accordingly gave an overview of various issues pertaining to the subject which included inter-alia production, consumption & import of fertilizers during the last five years, Urea and P&K production, objectives of New Investment Policy- 2012 and its achievements, revival of urea projects, objectives of New Urea Policy-2015 and its impact, trend in weighted average energy consumption of urea plants, proportion of gas types and rates used by Units, rationalization of EPMC gas purchase, price trend of different sources of gas, various reforms in the gas sector, urea import procedure, Nutrient based subsidy policy and its impact, efforts made for indigenous mining of fertilizers, imports of P&K fertilizers and international prices trends, development of Nano Urea (liquid) and Nano DAP, taxes on urea and natural gas, VAT rates on natural gas in States, inverted tariff & custom duty for P&K fertilizers and higher GST & BCD on micronutrients, etc.

4. The Members, then, raised several questions related to the subject which included inter-alia shortage of di-ammonium Phosphate (DAP), Muriate of Potash

(MOPs), NPKs and Urea in the States and complaints received from the States in this regard, consensus required to control the prices of fertilizers, GST rate and basic custom duty and its impact on the fertilizers industry, reduction in import bills due to production and use of Nano Urea, highly variable price of EPMC gas, capacity to scale up production of Nano Urea developed by IFFCO, different rates of VAT in different States, etc. The representatives of the Ministry/Department responded to the questions of the Members.

5. The Chairperson then thanked the Secretary and other representatives of the Department of Fertilizers for furnishing the valuable information on the subject and responding to the questions of the Members. However, as the briefing on the aforesaid subject remained inconclusive, the Committee decided to meet again on 05.01.2023 to complete the briefing. It was also decided to have a briefing session on another subject "Subsidy Policy and Pricing matters including need to continue Urea Subsidy Scheme" pertaining to the Department of Fertilizers, the same day.

(The witnesses then withdrew)

[A copy of the audio-recorded verbatim proceedings was kept on record]

The Committee then adjourned.

**STANDING COMMITTEE ON CHEMICALS & FERTILIZERS
(2022-23)**

Minutes of the Seventh Sitting of the Committee

The Committee sat on Wednesday, the 18 January, 2023 from 1500 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. Shashi Tharoor – Chairperson

MEMBERS

LOK SABHA

2. Shri Sanjay Jaiswal
3. Shri Satyadev Pachauri
4. Shri Arun Kumar Sagar
5. Shri Uday Pratap Singh
6. Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

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

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri Vinay Kumar Mohan | - | Joint Secretary |
| 2. | Shri N. K. Jha | - | Director |
| 3. | Smt. Geeta Parmar | - | Additional Director |
| 4. | Shri Kulvinder Singh | - | Deputy Secretary |
| 5. | Shri Panna Lal | - | Under Secretary |

WITNESSES

**Representatives of the Ministry of Chemicals and Fertilizers
(Department of Fertilizers)**

- | | | |
|----|----------------------|----------------------|
| 1. | Ms. Neeraja Adidam | Additional Secretary |
| 2. | Ms. Aneeta Meshram | Joint Secretary |
| 3. | Ms. Aparna Sharma | Joint Secretary |
| 4. | Dr. Pratibha A | Eco. Advisor |
| 5. | Shri Niranjana Lal | Director |
| 6. | Ms Tina Soni | Director |
| 7. | Shri Anil Phulwari | Director |
| 8. | Shri Harvinder Singh | Director |

Representatives of the Ministry of Finance

- | | | |
|----|----------------------|-----------------|
| 1. | Shri Gaurav Masaldan | Joint Secretary |
|----|----------------------|-----------------|

Representatives of the Ministry of Commerce

- | | | |
|----|--------------------------|------------|
| 1. | Shri Jaipal | Joint DGFT |
| 2. | Shri Sanjay Kumar Tiwari | Dy. DGFT |

2. At the outset, the Chairperson welcomed the representatives of the Department of Fertilizers, Ministry of Chemicals and Fertilizers; the Ministry of Finance and the Ministry of Commerce to the sitting of the Committee convened to brief the Committee on the subjects, (i) 'Planning for fertilizers production and Import Policy on fertilizers including GST and import duty thereon' and (ii) 'Fertilizer Subsidy Policy and Pricing Matter including need to continue Urea Subsidy Scheme'. Their attention was invited to Direction 58 of the 'Directions by the Speaker' regarding confidentiality of the proceedings during deposition before the Parliamentary Committees.

3. The Additional Secretary, Department of Fertilizers then briefed the Committee on various issues which *inter-alia* included the fertilizer subsidy schemes (both Urea and Nutrient based subsidy scheme), a profile of Urea industry, existing policies of the Government viz. the New Pricing Scheme (NPS), Modified New Pricing Scheme, New Urea Policy (NUP)-2015, New Investment Policy (NIP)-2012, Uniform Freight Subsidy Scheme, Impact of NUP, etc. energy consumption trend in Urea Plants over the years, Gas requirement of Urea industry, proportion of gas types and their rates, pooling of gas policy, constitution of Empowered Pool Management Committee (EPMC) to administer the pooling of gas policy, savings by replacing costlier EPMC gas with spot gas which are procured at cheaper price,

Urea import procedure, P&K Fertilizer pricing matters, import of fertilizers, comparative retail sale prices of fertilizers in India with certain other countries, etc. The representatives of the Ministry of Finance and the Ministry of Commerce also briefed the Committee on revenue collection by levy of Basic customs duty on import of various fertilizers and fertilizer raw materials, non-inclusion of Natural gas in the ambit of GST, reasons for different rates of VAT on Natural Gas in various States, monitoring of Urea imports, separate tariff code for agricultural and non-agricultural use of Urea, etc.

4. The Members, then, raised several questions related to the subjects which *inter-alia* included the Dealer's/ Retailer's Margin per bag of Urea, Net Market realization by the sale of fertilizers, shortage, black marketing and smuggling of fertilizers, objectives of freight subsidy policy, initiatives taken to check mal-practices in distribution/ sale of fertilizers at the local levels, educating the farmers for balanced use of fertilizers to maintain soil health, need to decrease the tax rates on fertilizers raw materials, etc.

5. The representatives of the Department/ Ministry(ies) responded to the aforesaid concerns/ queries raised by the members.

6. The Chairperson then thanked the representatives of the Department of Fertilizers, Ministry of Finance and the Ministry of Commerce for furnishing valuable information on the subjects taken up for discussion before the Committee. They were asked to furnish written replies to the queries raised by the Members, on which information was not readily available.

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

The Committee then adjourned.

**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2022-23)**

Minutes of the Seventeenth Sitting of the Committee

The Committee sat on Monday, the 07th August, 2023 from 1600 hrs. to 1630 hrs. in Chamber of Hon'ble Chairperson, Room No. 219, 'B' Block, Parliament House Annexe Extension Building, New Delhi.

PRESENT

DR. SHASHI THAROOR- Chairperson

MEMBERS

LOK SABHA

2. Shri Ramakant Bhargava
3. Shri Prataprao Patil Chikhalikar
4. Shri Rajeshbhai Naranbhai Chudasama
5. Dr. Sanjay Jaiswal
6. Shri Kripanath Mallah
7. Shri Satyadev Pachauri
8. Smt. Aparupa Poddar
9. Dr. Sanjeev Kumar Singari
10. Shri Uday Pratap Singh
11. Shri Parbhubhai Nagarbhai Vasava

RAJYA SABHA

12. Shri G.C. Chandrashekhar
13. Shri Ram Nath Thakur
14. Shri Vijay Pal Singh Tomar

SECRETARIAT

1. Shri Vinay Kumar Mohan - Joint Secretary
2. Shri Nabin Kumar Jha - Director
3. Smt. Geeta Parmar - Additional Director
4. Shri Kulvinder Singh - Deputy Secretary
5. Shri Panna Lal - Under Secretary

2. The Chairperson took up for consideration, the following Draft Reports and adopted the same without any modification: -

i Forty-Third Report on the subject 'Planning for fertilizers production and Import Policy on fertilizers including GST and import duty thereon' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers; and

ii. XXXX XXXX XXXX XXXX XXXX

3. The Committee then authorized the Chairperson to finalize the Reports and present/lay the Reports in both the Houses of Parliament in light of factual verifications received from the concerned Ministry/Department.

The Committee then adjourned.

XXX : Matter not related to this report.