12

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2024-25)

EIGHTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF FERTILIZERS)

MATTERS PERTAINING TO DISINVESTMENT OF FERTILIZER PSUs - A REVIEW

TWELFTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

AUGUST, 2025/ SHRAVAN, 1947 (SAKA)

CC&F.No. 192

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Presented to Lok Sabha on 20 August, 2025

Laid in Rajya Sabha on 20 August, 2025

LOK SABHA SECRETARIAT

NEW DELHI

AUGUST, 2025/ SHRAVAN, 1947 (SAKA)

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COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2024-25)

Shri Azad Kirti Jha - Chairperson

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2. Shri Brijmohan Agrawal
3. Shri Ajay Bhatt
4. Shri Robert Bruce C.
5. Shri Bharatsinhji Shankarji Dabhi
6. Smt. Kriti Devi Debbarman
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21. Shri Shivmangal Singh Tomar

RAJYA SABHA

22. Shri Subhash Barala
23. Dr. Bhagwat Karad
24. Shri Subhash Chandra Bose Pilli
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26. Shri Sanjay Raut
27. Shri Meda Raghunadha Reddy
28. Shri Arun Singh
29. Shri Tejveer Singh
30. Shri Subhash Barala
31. Dr. Bhagwat Karad

SECRETARIAT

1.	Smt. Maya Lingi	:	Joint Secretary
2.	Ms. Miranda Ingudam	:	Director
3.	Shri Nagendra Suman	:	Deputy Secretary
4.	Shri Abhishek Kumar	:	Deputy Director

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals & Fertilizers (2024-25) having been authorized by the Committee do present on their behalf, this Twelfth Report (Eighteenth Lok Sabha) on 'Matters pertaining to Disinvestment of Fertilizer PSUs - A review' pertaining to the Ministry of Chemicals and Fertilizers (Department of Fertilizers).

2. The Committee had a briefing by the representatives of the Department of Fertilizers on 12th November, 2024 and took oral evidence of the representatives of the Department of Fertilizers on the subject on 9th May, 2025.

3. The Committee considered and adopted this Report at their Sitting held on 18th August, 2025.

4. The Committee wish to express their thanks to the officers of the Department of Fertilizers, Ministry of Chemicals and Fertilizers for tendering evidence and placing before the Committee all the requisite information related to 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 ease of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
18 AUGUST, 2025
27 SHRAVAN, 1947(SAKA)

AZAD KIRTI JHA
CHAIRPERSON,
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS.

Glossary of Abbreviations

Abbreviation	Full Form
AM	Alternative Mechanism
BIFR	Board for Industrial and Financial Reconstruction
BVFCL	Brahmaputra Valley Fertilizer Corporation Limited
CAPEX	Capital Expenditure
CCEA	Cabinet Committee on Economic Affairs
CFCL	Chambal Fertilizers and Chemicals Ltd.
CGD	Core Group of Secretaries on Disinvestment
CGO	Core Group of Officers' / Committee of Group of Officers
CIL	Coal India Limited
CPSE	Central Public Sector Enterprise
DA&FW	Department of Agriculture and Farmers Welfare
DAP	Diammonium Phosphate
DIPAM	Department of Investment and Public Asset Management
DoF	Department of Fertilizers
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
ECoS	Empowered Committee of Secretaries
EIL	Engineers India Limited
EoI	Expression of Interest
ESC	Evaluation Sub-committee
FACT	Fertilizers and Chemicals Travancore Limited
FAGMIL	FCI Aravali Gypsum and Minerals India Limited
FCIL	The Fertilizer Corporation India Limited
FEDO	FACT Engineering and Design Organisation
GAIL	Gas Authority of India Limited
GCal/MT	Giga Calories per Metric Tonne
GDP	Gross Domestic Product
HFCL	The Hindustan Fertilizer Corporation Limited
HTAS	Haldor Topsoe and Associates
HURL	Hindustan Urvarak & Rasayan Limited
iFMS	Integrated Fertilizer Monitoring System
IMG	Inter-Ministerial Group
IOCL	Indian Oil Corporation Limited
IPO	Initial Public Offer
JVC	Joint Venture Companies
LMTPA	Lakh Metric Tonne Per Annum
LPG	Liberalization, Privatization, and Globalization

Abbreviation	Full Form
MEA	Ministry of External Affairs
MFL	Madras Fertilizers Limited
MOP	Muriate of Potash
MPS	Minimum Public Shareholding
NBA	Not mentioned in document (please verify)
NFL	National Fertilizers Limited
NBS	Nutrient Based Subsidy
NCU	Neem Coated Urea
NPK	Nitrogen, Phosphorus, and Potassium (Complex Fertilizers)
NTPC	National Thermal Power Corporation
NUP	New Urea Policy
OFS	Offer for Sale
OGL	Open General License
PDIL	Projects & Development India Limited
PDM	Potash Derived from Molasses
PIM	Preliminary Information Memorandum
PSE	Public Sector Enterprise
PSU	Public Sector Undertakings
RAC	Reassessed Capacity
RCF	Rashtriya Chemicals and Fertilizers Limited
RFCL	Ramagundam Fertilizers and Chemicals Ltd.
SEBI	Securities and Exchange Board of India
SHA	Shareholders' Agreement
SNIF	Specified National Investment Fund
SPA	Share Purchase Agreement
SPV	Special Purpose Vehicle
SSP	Single Super Phosphate
TFL	Talcher Fertilizer Limited
TPD	Tonnes Per Day
TVA	Tennessee Valley Authority
VSS	Voluntary Separation Scheme

CHAPTER I

INTRODUCTION

India remains a largely agrarian economy, with nearly 46% of the population relying on agriculture and allied sectors for their livelihood. The sector contributes about 16% to the Country's GDP. Fertilizers play a vital role in boosting agricultural productivity by enriching soil health and supporting plant growth. Their widespread use was a key factor in the Green Revolution, which helped India achieve self-sufficiency in food grain production and even generate exportable surpluses. Recognizing their importance, the Government has consistently focused on increasing domestic production of nitrogenous and phosphatic fertilizers using local resources, while also minimizing dependence on imports. Ensuring timely and affordable access to fertilizers remains essential for sustaining agricultural growth and securing food security in the Country.

1.2 Over the past decade, the Government has implemented a range of initiatives to scale up fertilizer production and enhance nutrient use efficiency. Total fertilizer production has grown significantly, from 385.39 LMT in 2014–15 to 503.35 LMT in 2023–24. Key schemes such as the Urea Subsidy Scheme, New Urea Policy (2015), and the Nutrient-Based Subsidy (NBS) Scheme have driven this growth. At the same time, the Government is encouraging sustainable agricultural practices through the promotion of innovative and eco-friendly alternatives like Nano Urea, Nano DAP, and organic fertilizers. These measures are part of a broader policy thrust to ensure food security while maintaining soil health and long-term agricultural sustainability.

1.3 Fertilizer production in India are done by both Public and Private Sector Entities, some of which are profit making; some sick and loss making and some already closed. This report will deal with issues pertaining to the Disinvestment of Fertilizer Sector PSUs. At present, there are nine Public Sector Undertakings (PSUs) which comes under the administrative control of Department of Fertilizers out of which, four (4) companies are listed in the stock exchange, as per the details given below: -

Sl. No.	Name of the Fertilizer Company	Main Products	Installed Capacity (LMTPA)	Functional Status (Operational/Sick/Closed)
Listed Entities				
1.	National Fertilizers Limited (NFL)	Urea	35.68	Operational/Profit Making
2.	Rashtriya Chemicals &Fertilizers Limited (RCF)	Urea	20.37	Operational/Profit Making
		NPK- Suphala (15:15:15)	4.2	
3.	Fertilizers and Chemicals Travancore Limited (FACT)	NP 20:20:0:13 (Factamfos)	6.33	Operational/Profit Making
		Ammonium Sulphate	2.25	
		Caprolactam	0.5	
4.	Madras Fertilizers Limited (MFL)	Urea	4.87	Operational/Profit Making
		NPK	2.8	
Unlisted Entities				
5.	FCI Aravali Gypsum and Minerals India Limited (FAGMIL)	Gypsum	2.79	Operational/Profit Making
6.	Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Namrup	Neem coated Urea	2.7	Operational/Loss Making (Namrup II plant remained under shutdown w.e.f 06.01.2020)
7.	Projects & Development India Limited (PDIL)	Design, Engineering, Consultancy, Project execution services		Operational/Profit Making

8.	Hindustan Fertilizer Corporation Limited (HFCL).	Due to un-viability of economic operations of the fertilizer Units, GoI in 2002 decided to close the operations of all the fertilizer units of HFCL and FCIL.
9.	Fertilizer Corporation India Limited (FCIL)	

1.4 Although, India is a major producer and also consumer of fertilizers, it faces a supply- demand imbalance in respect of its requirement. The import of urea for direct agriculture use is made on Government account to bridge the gap between assessed demand and indigenous production. India's dependency on import at present is to the extent of 25% of the requirement of Urea, 90% in case of Phosphates (either as raw material or finished fertilizers) and 100% in case of Potash. So, there is a strong need to ensure that the existing fertilizer manufacturing units function profitably and to revive the closed units so as to bridge the gap between the demand and availability of fertilizers in the Country.

1.5 The subject “Matters Pertaining to Disinvestment of Fertilizer Sector PSUs – A Review” was selected by the Standing Committee on Chemicals and Fertilizers (2023–24) for detailed examination and report. A briefing on the subject was held on 09 October 2023. However, due to time constraints, the Committee could not complete the examination of the subject during its tenure. Accordingly, the subject was carried forward as part of the unfinished work and re-selected for examination by the Committee for the year 2024–25. Following its reconstitution under the Eighteenth Lok Sabha, the Committee—with a new Chairperson and newly nominated Members—held a re-briefing on the subject on 12 November 2024. Subsequently, the Committee had oral evidence held on 09 May 2025. The subject was also examined during the SCCF’s study visit to Chennai, Hyderabad, Kochi, Kumarakom and Kolkata, from 16 to 20 January, 2025, Wherein the Committee had a field visit to the Fertilizers and Chemicals Travancore Limited (FACT), Kochi on 18 January 2025. After detailed examination of the subject, this report of the Committee highlights the various aspects on the subject. In the light of ongoing disinvestment initiatives and restructuring efforts, this report seeks to review the status, performance, and prospects of fertilizer PSUs, particularly focusing on the disinvestment process; Government's approach towards reviving sick and closed units; implications of disinvestment on production capacity and employee welfare; and Self-Reliance in the fertilizer sector which are brought out in the succeeding Chapters.

CHAPTER II

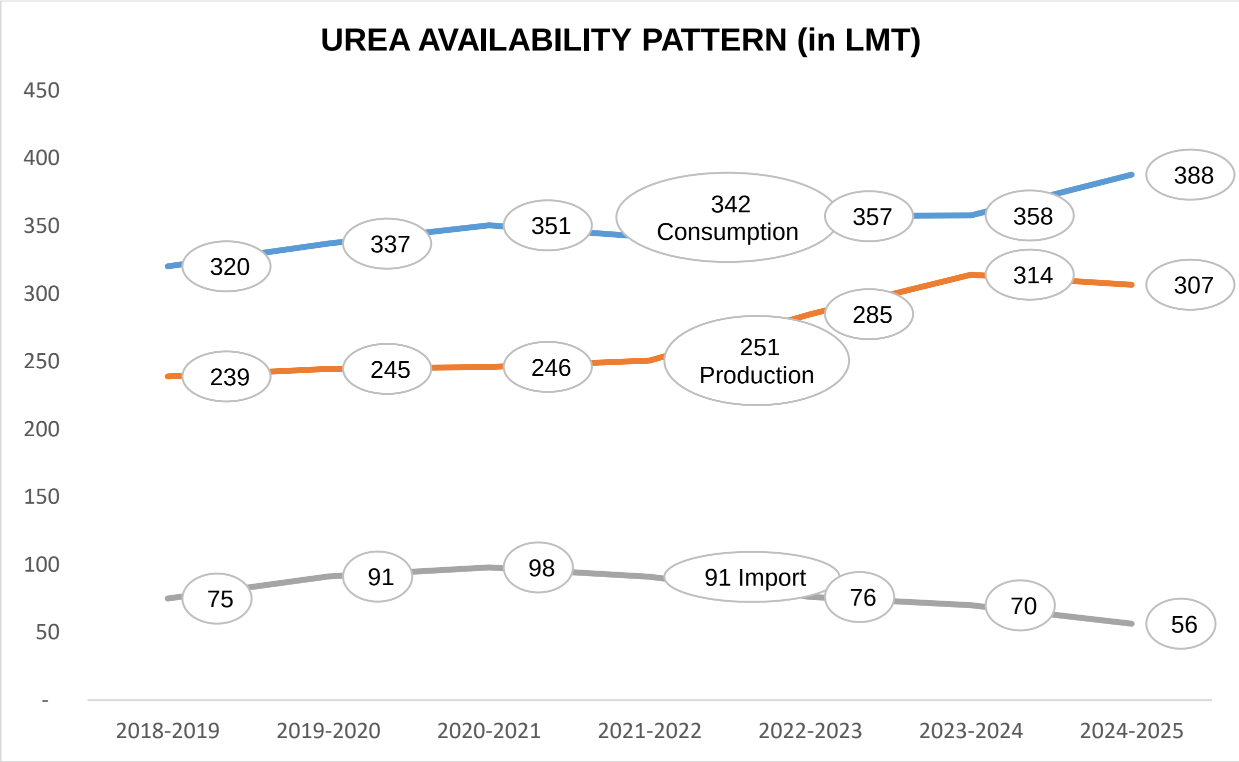
FERTILIZER INDUSTRY ANALYSIS

Fertilizers are basic nutrients to soil which help replenish the depletion or original deficiency in the soil. Nitrogen (N), phosphate (P) and potash (K) are primary nutrients whose percentage concentration in a chemical fertilizer is expressed in terms of NPK respectively. Nitrogenous fertilizers account for more than 70% of the consumption of chemical fertilizers in India. Urea Subsidy Scheme, which is in existence since the year 1977, has been instrumental in ensuring timely availability of urea to the farmers at affordable price.

2.1 Under Urea Subsidy Scheme, Urea is presently provided to the farmers at a statutorily notified Maximum Retail Price (MRP). The MRP of 45 kg bag of urea is Rs.242 per bag (exclusive of charges towards neem coating and taxes as applicable). 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 by the Government of India.

2.2 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/bi-annual basis - based on import prices of fertilizers and other relevant factors like requirement of nutrients in the Country, balanced use of fertilizers, subsidy and MRP etc - is provided on P&K fertilizers depending on their nutrient content. P&K fertilizers are covered under Open General License (OGL) and companies are free to import /produce these fertilizers as per their business dynamics.

2.3 At present, there are 33 urea units in the Country with a Re-assessed capacity (RAC) of 269.40 LMT. Out of these 33 units, there are 9 units of PSUs with RAC of 60.69 LMT; 6 units of Cooperatives with RAC of 54.19 LMT; 4 units of Joint Venture with RAC of 50.80 LMT; and 14 units of Private companies with RAC of 103.72 LMT. Further, the Urea units are producing around 30-40 LMT of Urea Beyond Re-Assessed Capacity (RAC) annually. As such, the present production capacity of indigenous Urea is around 307 LMT per annum.



2.4 Fertilizer Consumption Pattern:

(a) The details of Urea Consumption, Production and Import during the last 7 years are as follows:

Financial Year	Consumption (In LMT)	Production (In LMT)	Import (In LMT)
2018-19	320.04	239	74.82
2019-20	336.96	245	91
2020-21	350.51	246	98
2021-22	341.73	251	91
2022-23	357.26	285	76
2023-24	357.81	314	70
2024-25	387.92	307	56

Urea shows gradual improvement in bridging the production gap, helped by domestic capacity additions.

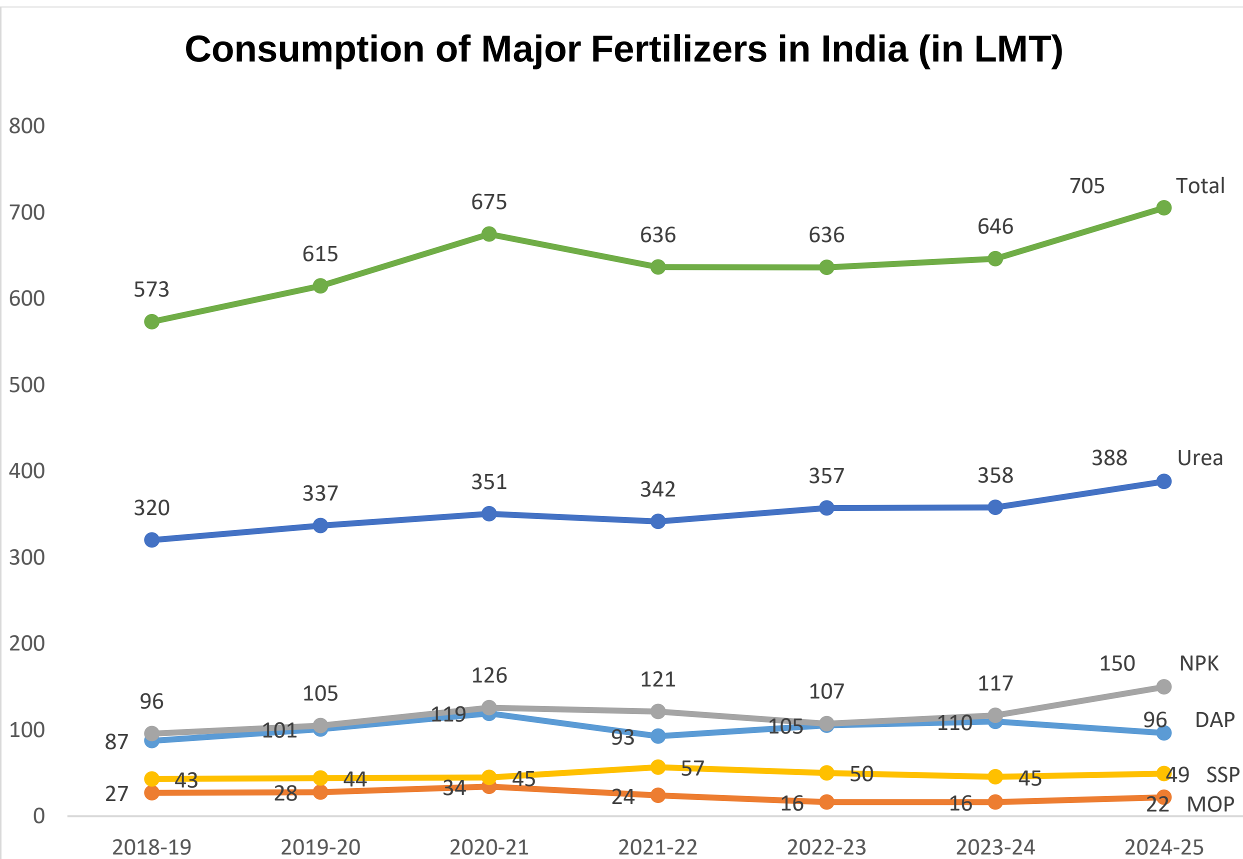
(b) The details of P & K Consumption, Production and Import during the last 7 years are as follows:

Financial Year	Consumption (In LMT) (DAP+MOP*+NPKS+SSP)	Production (In LMT)	Import (In LMT)# (DAP+MOP*+ NPKS)
2018-19	253.12	174.85	113.62
2019-20	277.82	181.37	92.86
2020-21	324.21	187.63	109.99
2021-22	294.70	185.23	90.92
2022-23	279.12	200.35	112.01
2023-24	288.42	189.25	106.53
2024-25	317.31	211.21	103.82

P&K remains highly import-dependent, especially due to lack of indigenous raw materials.

Note: **MoP included as both agricultural and **infrastructural***

 # Fig. as imported by companies



2.5 CHALLENGES IN UREA SECTOR

(a) There are 33 urea units, among 27 units are over 25 years old and 7 units are over 50 years old which likely to be revamped in upcoming years. The companies are required significant capital expenditure for production of urea for implementation of Energy Saving Scheme (ESS) and ongoing operations and maintenance of vintage fertilizers plants.

(b) It is observed that in recent past the demand of Urea is continuously rising over the year. The existing plants have lack of technological advancement in domestic urea production. In another side, the high volatility in international gas prices is also affecting production costs. India is fully dependent on raw material imports from other countries.

2.6 CHALLENGES IN P & K SECTOR

(a) Non availability of raw materials: India is heavily reliant on import of raw materials like Phosphoric Acid, Rock Phosphate, Ammonia for manufacturing Phosphatic and Potassic fertilizers. The details are as under:

(All figures for 2024-25)

- Phosphoric Acid – 19,87,000 tonnes (~50 % of total consumption)
- Rock Phosphate – 96,09,000 tonnes (~90 % of total availability)
- Sulphur – 16,91,000 tonnes
- Imported Gas Qty – 40 MMSCMD (72 % of total consumption at present)

(b) Global Market Volatility**:** Raw material prices globally are often volatile, influenced by Geopolitical events (e.g., conflicts like the Russia-Ukraine war, Red-sea crisis), Fluctuating crude oil and natural gas prices & international trade policies and sanctions.

(c) Supply Chain Disruptions: The global supply of fertilizer raw materials and finished products can be disrupted by Geopolitical tensions, Trade restrictions (e.g., export bans) and Natural disasters (e.g., floods, earthquakes).

(d) Underutilization of DAP/NPK plant capacity or lack of NPK production facility is mainly due to non-availability of raw materials/inputs and other technical reasons (like plant shutdowns, etc.).

(e) Dependency on imported license processes/technology.

2.7 The fertilizer industry is regulated to a large extent by Government policies brought out from time to time. To promote fertilizer use among small and marginal farmers, particularly for urea, the Government regulates key aspects such as production, input sourcing, and distribution. Urea remains under price control through the New Pricing Scheme (NPS), with subsidy calculations historically designed to ensure around a 12% post-tax return on net worth. In contrast, phosphatic and potassic fertilizers were decontrolled in 1992 and are currently supported under the Nutrient-Based Subsidy (NBS) Scheme, which provides fixed subsidies based on the nutrient content of each fertilizer type.

CHAPTER III

FERTILISER PSUs- An Overview

Public Sector Undertakings (PSUs) have played a crucial role in India's post-independence industrialization by promoting self-reliance, generating employment, and supporting regional development. Backed by the Industrial Policy Resolution of 1956, significant investments in the 1960s and 70s enabled PSUs to expand production, adopt new technologies, and build technical capacity, helping India emerge as a leading industrialized developing nation.

Contribution of Fertilizer PSUs

3.2 On the point pertaining to contribution of Fertilizer PSUs in India, the Department submitted that the Fertilizer Public Sector Undertakings (PSUs) have played a foundational role in India's agricultural transformation, particularly since the Green Revolution. By ensuring timely availability of fertilizers—an essential input under the Essential Commodities Act—they helped boost food grain production and achieve self-sufficiency. Central Public Sector Enterprises (CPSEs) currently contribute about 21% of urea and 11% of non-urea fertilizer production in the Country. Profitable and strategically significant, these PSUs have supported indigenous production, reduced import dependency, and provided critical inputs for sectors like defense, mining and petrochemicals. Their continued relevance is underscored by Government initiatives such as reviving five (05) closed units through joint ventures, in line with the *Atmanirbhar Bharat* mission.

3.3 As India prepares to feed a projected population of over 1.52 billion by 2035, the role of Fertilizer PSUs becomes even more critical. Stable pricing policies—such as the near-zero increase in urea prices over the past decade— to ensure fertilizers remain affordable and help farmers maintain profitability. In an era of global price volatility driven by geopolitical tensions and fluctuating raw material costs, reliability and certainty in domestic fertilizer production provides a buffer against international shocks. Moreover, Fertilizer PSUs support rural development by generating employment and stimulating local economies, reinforcing their status as vital contributors to both food security and economic stability. Under the initiative of the Government of India, over time nine (09) PSUs were established to cater to the growing fertilizer needs of the nation. The detailed operational and financial position of the PSUs under the Department of Fertilizers is discussed here under:-

PSUs UNDER DEPARTMENT OF FERTILIZERS

3.4 **National Fertilizers Limited (NFL)**

Overview and Operations of NFL

3.4.1 National Fertilizers Limited (NFL) is a Schedule 'A' Navratna Public Sector Undertaking, incorporated on 23rd August 1974 and headquartered in Noida. As the second-largest urea producer in India, NFL plays a significant role in ensuring the supply of affordable fertilizers to Indian farmers. The Company operates five gas-based Ammonia-Urea plants located in Punjab (Nangal and Bathinda), Haryana (Panipat), and Madhya Pradesh (two units at Vijaipur), with a total annual installed capacity of 35.68 Lakh Metric Tonnes (LMT) of urea.

3.4.2 NFL is majority-owned by the Government of India, which holds 74.71% of its equity. It is also planning to foray into the production of Nano Urea, in alignment with the government's strategy to promote precision agriculture and enhance nutrient use efficiency.

3.4.3 The Department of Fertilizers furnished, the following information about NFL:-

Year of Commissioning	Nangal (1978); Bathinda & Panipat (1979); vijaipur-I (1988); Vijaipur-II (1997)
Paid up Capital	Rs. 490.58 cr.
Shareholding Pattern	GOI:74.71%; Financial Institutions & others:25.29%
Auhtorised Share Capital	Rs. 1000 cr.
Manpower Strength	2667 (1377-Managerial; 1290-workers/Non-Managerial)

<table>
<tr><td>Main Products and major By products</td><td>Urea</td></tr>
<tr><td>Installed Capacity</td><td>Unit wise Re-assessed Capacity (RAC) and production for FY 2023-24 is given below: (In MT)
<table>
<tr><th>Unit</th><th>Reassessed Capacity</th><th>Production (FY 2023-24)</th><th>Plant Age (Years)</th></tr>
<tr><td>Nangal</td><td>478500</td><td>521077</td><td>46</td></tr>
<tr><td>Bathinda</td><td>511500</td><td>471837</td><td>45</td></tr>
<tr><td>Panipat</td><td>511500</td><td>529820</td><td>46</td></tr>
<tr><td>Vijaipur-1</td><td>864600</td><td>1042728</td><td>36</td></tr>
<tr><td>Vijaipur-2</td><td>864600</td><td>1123433</td><td>27</td></tr>
<tr><td>Total</td><td>3230700</td><td>3688895</td><td></td></tr>
</table></td></tr>
<tr><td>Major Assets for FY 2024-25 (Rs. in cr.)</td><td>Value of land-17.64

Value of Building and Machinery-3622.62</td></tr>
<tr><td>Major Liabilities for FY 2024-25 (Rs. in cr.)</td><td>Outstanding Loan- 1995.77

Liabilities (Excluding loans)-5660.61</td></tr>
<tr><td>Net Worth (Rs. in cr.)</td><td>2763.97</td></tr>
</table>

Financial Performance of NFL

3.4.4 The Department of Fertilizers submitted that, NFL has posted consistent profits over the last five years. However, both turnover and profitability have witnessed a declining trend since the peak in FY 2022–23: **(Rs. In Crore)**

	2024-25	**2023-24**	**2022-23**	**2021-22**	**2020-21**
Turnover	19532.86	23241.43	29616.52	15857.09	11905.66
Profit Before Tax	104.08	88.52	609.77	144.82	343.46
Profit After Tax	76.26	64.74	456.10	108.20	249.63

Production performance

3.4.5 Despite near-full utilization of capacity, fertilizer production has remained stagnant over the past five years, fluctuating between 35–39 LMT.

(figures in LMT)

Products	2019-20	2020-21	2021-22	2022-23	2023-24
Urea	37.27	37.99	35.23	39.35	36.89

Current Status of Disinvestment

3.4.6 In response to a question regarding the disinvestment status of National Fertilizers Limited (NFL), the Department, in its written submission, stated that for listed companies such as RCF and NFL, the Government may undertake minority stake sales from time to time. These sales are intended to comply with SEBI's Minimum Public Shareholding (MPS) norms and to enhance public float by diluting equity through stock exchanges, subject to prevailing market conditions and investor interest. However, the government will continue to retain at least 51% equity and control in these companies. It was further informed that on 18 July 2018, the Alternative Mechanism (AM) approved the disinvestment of up to 20% equity in NFL through the Offer for Sale (OFS) route. The process of appointing intermediaries—Merchant Bankers cum Selling Brokers and Legal Advisers—has been completed. Additionally, non-deal roadshows targeting potential investors were conducted between October 2022 and January 2023.

3.4.7 The Department of Fertilizers (DoF) was asked whether there was a justification for continuing with disinvestment plans; such as 20% in National Fertilizers Limited (NFL) and 10% in Rashtriya Chemicals and Fertilizers Limited (RCF)—under the 2018 Cabinet approvals, despite consistent market feedback and inputs from DIPAM and merchant bankers indicating poor investor demand and sub-optimal valuations and why these sales were not formally reconsidered or postponed with a sunset clause (e.g., two years), given the prolonged inaction. In its written reply, the DoF stated that the subject of disinvestment falls under the purview of the Department of Investment and Public Asset Management (DIPAM). As per DIPAM's comments, the Alternative Mechanism (AM) is empowered to decide the extent of disinvestment of Government of India shareholding in Central Public Sector Enterprises (CPSEs), provided that the Government retains at least 51% equity and management control. Common modes of disinvestment for minority stake sales include Initial Public Offer (IPO), Offer for Sale (OFS), and buybacks. These approaches contribute to strengthening capital markets by:

(i) increasing the float of well-performing CPSEs,

(ii) providing retail investors with broader access to equity markets, and

(iii) enhancing market liquidity and depth.

The disinvestment of minority stakes in listed entities like RCF and NFL is contingent on market conditions, investor sentiment, and share prices. Having prior Cabinet approval in place offers the necessary flexibility to proceed when market conditions are favorable. Introducing a sunset clause, it was noted, could reduce this execution flexibility and hinder long-term strategic planning.

3.5 Rashtriya Chemicals and Fertilizers Limited (RCF)

Overview and Operations of RCF

3.5.1 Rashtriya Chemicals and Fertilizers Limited (RCF) one of India's premier fertilizer and chemical manufacturing CPSEs under the administrative control of the Department of Fertilizers, was established on 6th March 1978 following the reorganization of the erstwhile Fertilizer Corporation of India Ltd., RCF has grown into a key contributor to the country's agricultural and industrial sectors and the Company was granted 'Navratna status' in August 2023, recognizing its strategic role and operational performance.

3.5.2 RCF operates two production units—Trombay (Mumbai) commissioned in 1982, and Thal (Raigad district, Maharashtra), commissioned in 1984. Its diverse product portfolio includes Urea, Complex Fertilizers, Bio-fertilizers, Micronutrients, 100% Water Soluble Fertilizers, and over 20 industrial chemicals such as Methanol, Ammonium Bicarbonate, Formic Acid, and Dimethyl Formamide, which are used in pharmaceuticals, dyes, leather, and other industries. The Company was also planning to commence production of Nano Urea in the near future, aligning with national efforts to promote sustainable and efficient fertilizer use.

3.5.3 The Department of Fertilizers furnished the following information about RCF:-

Year of Commissioning	Trombay (1982); Thal (1984)
Paid up Capital	Rs. 551.69 cr.
Shareholding Pattern	GOI:75%; Financial Institutions & others:25%
Auhtorised Share Capital	Rs. 800 cr.
Manpower Strength	2356 (1285-Managerial; 1251-workers/Non-Managerial)
Main Products and major by-products	Urea, Suphala (15:15:15)
Installed Capacity	Unit wise Re-assessed Capacity (RAC) and production for FY 2023-24 is given below: **(In LMT)** <table><tr><th>Unit</th><th>Reassessed Capacity</th><th>Production (FY 2023-24)</th></tr><tr><td>Trombay</td><td>3.30</td><td>100% RAC</td></tr><tr><td>Thal</td><td>17.067</td><td>100% RAC</td></tr></table>
Major Assets for FY 2024-25 (Rs. in cr.)	Value of land-10.74 Value of Building and Machinery-2754.64
Major Liabilities for FY 2024-25 (Rs. in cr.)	Outstanding Loan (Short Term+ Long Term)- 2751.92 Liabilities (Excluding loans)-3769.38
Net Worth (Rs. in cr.)	4616.40

3.5.4 On the aspect of Technology being used for production and age of the plant, the Department of Fertilizers furnished the following information: -

Sl. No.	Unit	Plant	Technology	Age of the plant (Yrs.)
1	RCF Trombay	Neem Urea	M/s Saipem	42
2	RCF Trombay	Suphala (15:15:15)	M/s Kemira	57
3	RCF Thal	Neem Urea	M/s Saipem	40

Current Financial Status of RCF

3.5.5 The Department of Fertilizers further submitted that the RCF has made continuous profit during the last four years as under:- **(Rs. in Crore)**

	2024-25	**2023-24**	**2022-23**	**2021-22**	**2020-21**
Turnover	17098.46	17146.74	21451.54	12812.17	8281.18
Profit Before Tax	327.50	303.63	1273.98	943.91	527.98
Profit After Tax	241.63	227.74	967.15	704.36	381.94

Production performance

3.5.6 However, the Department of Fertilizers submitted that the fertilizer production of RCF has remained stagnant during the last five years.

(figures in LMT)

Products	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Urea	23.5	22.5	21.9	22	21.8
NPK Fertilizers	5.71	5.37	5.72	6.43	5.77

Current Status of Disinvestment

3.5.7 In response to a question regarding the disinvestment status of Rashtriya Chemicals and Fertilizers Limited (RCF), the Department, in its written submission, stated that on 18 July 2018, the Alternative Mechanism (AM) approved the disinvestment of up to 10% equity in RCF through the Offer for Sale (OFS) route.

3.6 Fertilizers and Chemicals Travancore Limited (FACT)

Overview and Operations of FACT

3.6.1 The Fertilizers and Chemicals Travancore Limited (FACT), incorporated in 1943, is India's oldest large-scale fertilizer enterprise and among the earliest contributors to the country's green revolution. Initially a private entity promoted by the Seshasayee Brothers, FACT became a central public sector undertaking (CPSU) in 1960, with the Government of India becoming the majority shareholder in 1962. The company has been a key player in India's journey toward fertilizer self-sufficiency and agricultural resilience, particularly in the southern region.

3.6.2 FACT operates its manufacturing units at Udyogamandal and Ambalamugal (Cochin Division) in Kerala. It manufactures a diversified product mix including Factamfos (NP 20:20:0:13), Ammonium Sulphate, Caprolactam, and key intermediates like Ammonia, Sulphuric Acid, and Phosphoric Acid. Its by-products include Gypsum, CO_2, and Nitric Acid.

3.6.3 During Briefing of the representatives of the Department of Fertilizers, the following information was provided to the Committee about FACT:-

Year of Commissioning	1943
Paid up Capital	Rs. 647.07 cr.
Shareholding Pattern	GOI:90%; SNIF:8.56%; others:1.44%
Auhtorised Share Capital	Rs. 1000 cr.
Manpower Strength	1512 (632-Managerial; 880-workers/Non-Managerial)
Main Products and major By products	Ammonium Phosphate (FACTAMPHOS), Ammonium Sulphate and Caprolactam
Installed Capacity	Factamfos (NP 20:20:0:13): 6,33,500 MT per annum Ammonium Sulphate: 2,25,000 MT per annum Caprolactam: 50,000 MT per annum
Major Assets for FY 2024-25 (Rs. in cr.)	Current Asets-4447.94 Non-Current Assets-1326.55 Assets held for Disposal- 40.65
Major Liabilities for FY 2024-25 (Rs. in cr.)	Liabilities: 4610.69 cr GoI Loan with interest: 3682.62 cr (Principal:1770.49 cr Interest@13.5%: 1912.13cr – as on 30.01.25)
Net Worth (Rs. in cr.)	1370.70

Ageing Infrastructure and Technology Gaps

3.6.4 The following information was provided to the Committee over the technology being used in production and age of the plant by the Department of Fertilizers: -

Sl. No.	Unit	Plant	Product	Technology	Age of the plant (Yrs.)
1	FACT: Udyogmandal Complex	300 TPD NP Plant	NP (20:20:0:13)	Door Oliver Inc. USA	59
2	FACT: Udyogmandal Complex	150 TPD NP Plant	NP (20:20:0:13)	FEDO, India	52
3	FACT: Udyogmandal Complex	Ammonium Sulphate	Ammonium Sulphate	TSK, Japan	35
4	FACT: Cochin Division, Ambalamugal	800 TPD x2 NP Plant	NP (20:20:0:13)	TVA(Tennessee Valley Authority), USA	52

Current Financial Status of FACT

3.6.5 It has been intimated that FACT has undergone a notable financial and operational turnaround over the last five years. From a loss-making and net-worth-negative company, it has transitioned into a profit-making and market-valued enterprise. Key performance metrics are as follows:

(Rs. in Crore)

	2024-25	**2023-24**	**2022-23**	**2021-22**	**2020-21**
Turnover	4050.91	5051.21	6198.14	4424.81	3258.83

Profit Before Tax	53.74	41.85	612.83	353.28	350.47
Profit After Tax	41.23	128.27	12.83	346.38	350.47

Production performance

3.6.6 The fertilizer production of FACT has considerably improved during the last five years. With necessary modernization and debottlenecking, the fertilizer production has crossed 125% capacity utilization with production crossing 1million MT.

	Installed capacity	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**
Ammonium Sulphate	2.25	2.43	2.45	1.37	2.46	2.21
Factamfos	6.34	8.28	8.28	8.27	8.61	8.45
Total	8.59	10.70	10.73	9.64	11.07	10.66
Caprolactum	0.50	0.35	0.45	0.21	0	0

Financial Stress and Interest Burden

3.6.7 The Department of Fertilizers (DoF) apprised the Committee of the financial stress faced by Fertilizers and Chemicals Travancore Limited (FACT) highlighting that despite net worth of ₹1,370.70 crore, the company continues to be under significant financial strain due to high-cost Government of India (GoI) loans. As of 30 January 2025, the financial position is as follows:

- GoI loan principal: ₹1,770.49 crore
- Accrued interest (@13.5%): ₹1,912.13 crore
- Total GoI dues: ₹3,682.62 crore
- Total liabilities: ₹4,610.69 crore

3.6.8 When asked for reasons behind charging high interest rate of 13.5% on financially stressed PSU like FACT leading to interest payments exceeding 120% of the principal—and the failure to avail cheaper loans, the Department of Fertilizers (DoF), in a written replies have stated that FACT lacked a credit rating and was unable to raise funds externally due to its poor financial condition. In 2016, the Government extended a ₹1,000 crore loan at 13.5% interest to help repay bank borrowings and restart operations, as the company had defaulted on key payments and had no alternative funding options.

3.6.9 On being asked about the rationale for levying an exorbitant interest rate of 13.5% on the outstanding dues of Fertilizers and Chemicals Travancore Ltd. (FACT), as well as the reasons behind the delay and eventual cancellation of FACT's request for financial restructuring, the Secretary, Department of Fertilizers, during oral evidence submitted as under: –

> *"FACT is actually when they were losing their net worth, nobody was giving any kind of financial assistance to them and at that point of time, the Government of India had stepped and had given this money. Now, we will be restructuring with the help of finance. If I am not wrong, once finance has already regretted the restructuring, around 3-4 years, please confirm if it is correct or not. So, it was regretted on the basis that it is not doable because what FACT wanted that the total amount of interest that has been accrued, that is to be converted to the equity of the Government. But they said, no. This cannot be done. You have to repay the loan and if you do not repay the loan, then, at the time of disinvestment, we will be getting the whole thing back. "*

Government support on Revival & Capex project

3.6.10 The Committee were further informed that during the financial year 2019–20, the Union Cabinet approved the sale of 481.79 acres of land owned by the Company to the Government of Kerala. The proceeds from this sale were intended to address the Company's working capital shortfall and improve its balance sheet, thereby enabling it to enhance both physical and financial performance. The Company has since planned a series of capital expenditure (Capex) projects aimed at increasing fertilizer production capacity, diversifying the product mix, upgrading technology, and modernizing logistics and raw material handling systems to remove bottlenecks and maximize capacity utilization for sustainable growth.

Financial Restructuring

3.6.11 The Department of Fertilizers (DoF) over the plans to ensure operational viability of the FACT and preventing asset erosion, pending financial restructuring, the Department have submitted as under:-

FACT had submitted a financial restructuring proposal to the Government of India seeking:

(a) conversion of ₹282.73 crore of old GoI loans into equity;

(b) conversion of a ₹1,000 crore loan into an interest-free loan, repayable in 10 annual instalments starting FY 2022–23; and

(c) waiver of accumulated interest on GoI loans.

However, the Department of Expenditure, in its order dated 21.06.2023, noted that the proposal was not aligned with the New PSE Policy and the Core Group of Officers' (CGO) recommendations made in August 2022. The DoF clarified that financial restructuring matters will be addressed at an appropriate stage during the disinvestment process. Since no disinvestment decision for FACT has been taken yet, the company has been advised to submit a revised restructuring proposal.

Disinvestment

3.6.12 The Department of Fertilizers, in their written reply to the query on the disinvestment proposal for FACT, stated that no decision on the disinvestment of FACT has been taken at present.

3.7 Madras Fertilizers Limited (MFL)

Overview and Operations of MFL

3.7.1 Madras Fertilizers Limited (MFL), incorporated in 1966, as a joint venture between the Government of India and Naftiran Intertrade Co. (NICO) of Iran started commercial production in 1971 and currently operates one of the oldest fertilizer production facilities in the country. Over the decades, MFL has contributed significantly to agricultural development in southern India. However, operational constraints, ageing infrastructure, and debt overhang have affected its long-term viability. MFL is among the few PSUs with international equity participation, adding complexity to its disinvestment process.

3.7.2 The representatives of the Department of Fertilizers have submitted, the following data on MFL:-

<table>
<tr><td>Year of Commissioning</td><td>Ammonia Plant (1997); Urea Plant (1997); NPK Plant (1970)</td></tr>
<tr><td>Paid up Capital</td><td>Rs. 161.10 cr.</td></tr>
<tr><td>Shareholding Pattern</td><td>GOI:59.5%; Naftiran Intertrade Co. (NICO) Ltd.:25.77%; Public: 14.73%</td></tr>
<tr><td>Auhtorised Share Capital</td><td>Rs. 365 cr.</td></tr>
<tr><td>Manpower Strength</td><td>413</td></tr>
<tr><td>Main Products and major By products</td><td>Urea, Ammonia</td></tr>
<tr><td>Installed Capacity</td><td>Unit wise Re-assessed Capacity (RAC) and production for FY 2023-24 is given below: (in MT)
<table>
<tr><th>Plant</th><th>Reassessed Capacity (RAC)</th><th>Production (FY 2023-24)</th><th>Plant Age in Years (after revamp)</th></tr>
<tr><td>Ammonia</td><td>346500</td><td>252140</td><td>28</td></tr>
<tr><td>Urea</td><td>486750</td><td>432500</td><td>28</td></tr>
<tr><td>NPK</td><td>280000</td><td>0</td><td>55</td></tr>
</table></td></tr>
<tr><td>Major Assets for FY 2024-25 (Rs. in cr.)</td><td>Value of land-1.89

Value of Building and Machinery-198.24</td></tr>
<tr><td>Major Liabilities for FY 2024-25 (Rs. in cr.)</td><td>Liabilities: 1569.19 cr

GoI Loan with interest -1499.94 cr (Principal:554.24 cr Interest@9.85% :945.70 cr – as on 31.03.25)</td></tr>
</table>

Net Worth (Rs. in cr.)	(477.77)

Financial Analysis

3.7.3 While MFL has reported profits in recent years, its net worth remains negative. The company's financial trajectory over the last five years is as follows:

Year	Turnover	Profit Before Tax	Profit After Tax	Net Worth
2020-21	1532.79	2.87	2.87	(906.18)
2021-22	2302.16	166.72	162.37	(734.29)
2022-23	3447.09	248.66	185.33	(547.58)
2023-24	2228.42	11.86	5.56	(542.01)
2024-25 (Prov)	2585.81	91.60	64.25	(477.77)

Production Performance

3.7.4 The production of urea showed a consistent upward trend from 2019–20 to 2022–23, peaking at 5.19 LMT, before witnessing a decline to 4.32 LMT in 2023–24.

(figures in LMT)

Products	2019-20	2020-21	2021-22	2022-23	2023-24
Urea	3.45	4.80	5.03	5.19	4.32

Financial Stress and Interest Burden

3.7.5 The Department of Fertilizers (DoF) apprised the Committee of the financial stress faced by Madras Fertilizers Limited (MFL). Despite profitability, MFL is burdened by high-cost Government of India loans, including:

- Principal: ₹554.24 crore
- Accrued interest (@9.85%): ₹945.70 crore
- Total dues to GoI: ₹1,499.94 crore
- Total liabilities: ₹1,569.19 crore

Financial Restructuring

3.7.6 When enquired about status of the proposal for the revival of Madras Fertilizers Limited (MFL), the Department of Fertilizers (DoF) in their written replies have submitted as under: -

MFL has submitted a financial revival package proposing:

- 100% waiver of outstanding interest and penal interest on Government of India loans, and
- Conversion of the ₹554.24 crore principal amount into a zero-interest loan, repayable over 15 equal annual instalments.

The Department of Fertilizers (DoF) further submitted that following the introduction of the New Public Sector Enterprise (PSE) Policy under Atmanirbhar Bharat by DIPAM on 04.02.2021, MFL has been asked to submit a revised proposal in alignment with the new policy framework.

Revamp and Revival Plans

3.7.7 On the specific point with regard to the long-term strategic plan for Madras Fertilizers Limited (MFL), for ensuring sustainable fertilizer supply to meet the growing agricultural need, the DoF in their written reply stated that: -

MFL is currently producing 1,650 MTPD of Neem Coated Urea (NCU) against a design capacity of 1,475 MTPD. The strategic roadmap includes:

- Capacity Enhancement: A revamp and debottlenecking study is underway to raise production to 1,750–1,800 MTPD, allowing annual NCU output to increase to 5.8 LMT. The project is expected to be completed within two years.
- Energy Efficiency Upgrade: MFL has engaged M/s Haldor Topsoe to revamp the Ammonia plant to reduce energy consumption from 9.0 to 7.4 GCal/MT. Basic engineering is in progress, and project execution is expected in 4–5 years. Post-completion, Urea plant energy consumption will drop below 6.0 GCal/MT.
- New Plant Development: Given that MFL's current plant has operated for over 50 years, a new Ammonia-Urea complex is being planned within the existing premises, with a proposed Ammonia capacity of 2,300 MTPD (or

higher). Pre-feasibility studies for the new complex have been initiated, targeting modern, energy-efficient technology with reduced CAPEX and shorter execution timelines.

Disinvestment

3.7.8 The Department of Fertilizers, in its written reply to the query on the disinvestment proposal for MFL, stated that no decision on the disinvestment of MFL has been taken at present.

3.7.9 When further asked about the role of international stakeholders in disinvestment plans for PSUs like Madras Fertilizers Limited (MFL), the Department submitted that the Ministry of External Affairs (MEA) had been requested to engage with such stakeholders in line with the New Public Sector Enterprise (PSE) Policy, 2021, notified by DIPAM. However, the Iranian company involved has declined the disinvestment proposal for MFL.

3.8 FCI Aravali Gypsum and Minerals India Limited (FAGMIL)

Overview and Operations of FAGMIL

3.8.1 FCI Aravali Gypsum and Minerals India Limited (FAGMIL) was incorporated on 14 February 2003 under the Companies Act, 1956, following the hiving off of the Jodhpur Mining Organization (JMO) from Fertilizer Corporation of India Ltd. (FCIL). Operating as a 100% Government of India-owned public sector undertaking under the administrative control of the Department of Fertilizers, FAGMIL is engaged primarily in mining and exploration of gypsum, a key input for both agriculture and industrial sectors.

3.8.2 FAGMIL holds significance as one of the few domestic sources of natural gypsum, which is vital for the production of ammonium sulphate, cement, plaster of Paris, and as a soil conditioner in agriculture.

Operational and Financial Profile

3.8.3 The following information was provided to the Committee about FAGMIL during the briefing meeting:-

Year of establishment	2003

Auhtorised Share Capital	Rs. 50 cr.
Paid up Capital	Rs. 50 cr.
Shareholding Pattern	GOI: 100%
Manpower Strength	34
Main Products and major By products	1. Agriculture Gypsum Powder 2. RoM Gypsum Cement Grade 3. RoM Gypsum Plaster of Paris (PoP) Grade
Major Assets for FY 2024-25 (Rs. in cr.)	Value of Land –NA Value of Building & Machinery-13.13
Major Liabilities for FY 2024-25 (Rs. in cr.)	9.72
Net Worth (Rs. in cr.)	251.33

Financial Performance:

3.8.4 The Department has also furnished the following information about the performance of FAGMIL: -

(Rupees in Crores)

Year	Turnover	Profit Before Tax	Profit After Tax
2020-21	37.81	18.22	13.48
2021-22	41.44	15.57	11.59
2022-23	56.04	13.47	9.74
2023-24	30.48	15.38	11.18
2024-25	26.11	10.08	7.55

Production Performance:

3.8.5 The reduction in output in recent years may reflect resource exhaustion at certain mining sites, delayed environmental clearances, or lack of capital investment for expanded operations.

(figures in LMT)

Products	2019-20	2020-21	2021-22	2022-23	2023-24
Gypsum	4.97	5.05	4.11	4.53	2.79

Disinvestment

3.8.6 During the oral evidence, When asked about disinvestment plan for each PSUs, , the Secretary, Department of Fertilizers, stated:–

> "FAGMIL was on the block. But FAGMIL now, it is not there. It is a very small company. Rs. 50 Crore turnover. But they are very innovative. No issue of disinvestment."

3.9 Brahmaputra Valley Fertilizer Corporation Limited (BVFCL)

Overview and Operations of BVFCL

3.9.1 Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) was incorporated on 5th April 2002 following the demerger of the Namrup Unit in Assam from Hindustan Fertilizer Corporation Ltd. It operates under the administrative control of the Department of Fertilizers and plays a critical role in supplying urea to the North-Eastern region of India.

3.9.2 The company currently has two Ammonia-Urea production units—Namrup-II (commissioned in 1976) and Namrup-III (commissioned in 1987). The Namrup-II unit, however, has been under shutdown since January 2020 due to ageing infrastructure and viability issues.

Operational and Financial Profile

3.9.3 The Department of Fertilizers has submitted, the following data on the operational and financial profile of BVFCL:-

Year of Commissioning	Namrup II 1976, Namrup III 1987
Paid up Capital	Rs. 365.83 cr.
Shareholding Pattern	GOI:100%
Authorized Share Capital	Rs. 510 cr.
Manpower Strength	398
Main Products and major By products	Urea, Bio-Fertilizers
Installed Capacity	Namrup II Plant (**Under shut down since Jan 2020**) Naumrup III- 2.7 LMTPA
Major Assets for FY 2024-25 (Rs. in cr.)	Value of land Namrup (as on 2013 Valuation of 863.311 Acres held by the company)– 815.42* Value of Building & Machinery (as on 2013 Valuation)– 575.03
Major Liabilities for FY 2024-25 (Rs. in cr.)	GoI Loan- 572.75 (Interest Free Loan) Liabilities- 465.16
Net Worth for FY 2024-25 (Rs. in cr.)	(416.09) -negative

* BVFCL owned 863.112-Acre (349.37 Hectare) land with a valuation of Rs.815.42 crore as per Naharkatia Revenue Circle Report dated 02.06.2022

3.9.4 During the examination, the Committee were informed that BVFCL does not have any bank or institutional borrowings. The existing GoI loan, extended during 2002–2012, was intended for revamp and modernization of legacy plants to improve efficiency, ensure compliance, and preserve regional employment. However, the shutdown of Namrup-II and limited production from Namrup-III have severely impacted revenue generation, making it difficult to meet even basic maintenance needs. To sustain minimal operations, BVFCL received ₹100 crore as grants-in-aid from the Government of India in recent years.

Physical and Financial performance of BVFCL

3.9.5 While FY 2022–23 showed signs of operational improvement, output and profitability remain highly volatile due to ageing plant infrastructure and limited capacity utilization:-

(Rupees in Crores)

	2020-21	2021-22	2022-23	2023-24	2024-25
Turnover	233.32	327.74	1,158.50	748.96	668.54
Profit Before Tax	-137.75	-95.11	24.38	8.71	(100.26)
Profit After Tax	-137.75	-97.64	24.38	8.71	(100.26)

Production performance

3.9.6 Urea production fluctuated over the years, peaking at 2.23 LMT in 2022–23 before declining to 1.80 LMT in 2023–24.

(figures in LMT)

Products	2019-20	2020-21	2021-22	2022-23	2023-24
Urea	1.55	1.31	1.70	2.23	1.80

Disinvestment Status and Policy Alignment

3.9.7 As per records submitted to the Committee:

- The Committee of Group of Officers (CGO) had earlier recommended the closure of BVFCL.
- However, subsequent policy direction shifted with the Union Cabinet's approval of the Namrup-IV revival project.

During the oral evidence, officials from the Department of Fertilizers stated that no disinvestment decision is currently under active consideration for BVFCL.

Revival and Expansion Plan: Namrup-IV Project

3.9.8 The representatives of the Department of Fertilizers during briefing on the subject apprised the Committee that a major policy shift was announced in the Union Budget 2025–26 to achieve self-reliance in urea production under the Atmanirbhar Bharat initiative. In this context, the Cabinet, on 19 March 2025, approved the establishment of a new **12.7 LMT per annum Ammonia-Urea Complex (Namrup-IV)** within BVFCL's existing premises.

Key Features of the Namrup-IV Project:

- Total Project Cost: ₹10,601.40 crore
- Debt-Equity Ratio: 70:30
- Implementation Mode: Joint Venture under the New Investment Policy, 2012 (as amended)
- BVFCL shall be contributing 11 percent equity in lieu of its tangible Assets and Land.
- Tentative Commissioning Timeline: 48 months
- Land Allocation: 425.14 acres (tentative), final decision to be taken by the JV

The proposed Namrup-IV complex is expected to replace the obsolete facilities, reduce import dependency in the North-Eastern region, and boost local employment and economic activity.

3.10 Projects & Development India Ltd. (PDIL)

Overview and Operations of PDIL

3.10.1 Projects & Development India Ltd. (PDIL) is a Mini-Ratna Category-I Central Public Sector Undertaking (CPSU) under the Department of Fertilizers. An ISO 9001:2015 and ISO 45001:2018 certified, and ISO/IEC 17020:2012 accredited entity, PDIL has played a critical role in India's fertilizer self-reliance journey since its inception as a technical wing of Fertilizer Corporation of India (FCI) in 1951. It became an independent PSU in 1978 as Fertilizer Planning and Development India Ltd. (FPDIL), and was renamed PDIL in 1981 to reflect its diversified engineering and consultancy portfolio beyond fertilizers. Today, PDIL provides end-to-end engineering, project management, and third-party inspection services across sectors such as oil and gas, petrochemicals, refineries, power, and infrastructure.

Operational and Financial Profile

3.10.2 The operational and financial profile of PDIL is given as under: -

Year of establishment	1978
Paid up Capital	Rs. 17.3 cr.
Shareholding Pattern	GOI: 100%
Auhtorised Share Capital	Rs. 60 cr.
Manpower Strength	**338 (298-Technical; 40-Non-Technical)**
Core Services	• Design, engineering, and project execution from concept to commissioning in fertilizer and allied sectors; • Consultancy services for coal gasification and infrastructure development; • Third-party inspection and non-destructive testing (NDT);
Major Assets for FY 2024-25 (Rs. in cr.)	Value of land(Net)-2.55 Value of Building and Machinery-4.99
Major Liabilities for FY 2024-25 (Rs. in cr.)	Outstanding Loan - Nil Liabilities -233.59
Net Worth (Rs. in cr.)	175.97

Strategic Disinvestment Process: Timeline and Status

3.10.3 During Evidence, the representatives of the Department of Fertilizers shared the following information about the strategic disinvestment of PDIL:-

PDIL is the only fertilizer PSU undergoing strategic disinvestment, PDIL's divestment journey has spanned nearly a decade:

- **October 2016:** CCEA grants 'in-principle' approval for 100% strategic disinvestment.

- **2019:** First bidding round fails due to conditional bid from Engineers India Ltd. (EIL).

- **December 2021:** Fresh EoIs invited; multiple parties express interest.
- **January 2023:** Share Purchase Agreement (SPA) issued; due diligence completed.
- **January 2025:** IMG recommends *annulment of the ongoing process* due to insufficient bidder interest and advises against initiating a third round.

  A final decision is awaited from the Alternative Mechanism (AM) upon consideration of the Core Group of Secretaries on Disinvestment (CGD) recommendations.

Functional Relevance and Diversification

3.10.4 PDIL was originally a fertilizer-sector consultancy, has diversified significantly into other strategic areas, including:

- Coal-to-chemicals projects
- Gasification-based fertilizer production
- Infrastructure and energy consulting
- Non-destructive testing and third-party quality assurance

The Department of Fertilizers, in their written reply have submitted that:

> "PDIL is actively involved in coal gasification projects, including Pre-PMC services for the BCGCL Coal-to-Ammonium Nitrate Project and the CIL-GAIL Coal-to-Syngas JV. It is also advising on technology selection, feasibility studies, and contractor finalization for such initiatives."

3.10.5 On the revenue expected from the 100% disinvestment of PDIL and utilization thereto, the Department of Fertilizers in their written replies have stated as under:- responded in writing:

> "As of March 2024, the book value of PDIL's total tangible and intangible assets is ₹14.62 crore. However, it is currently not possible to determine the anticipated receipt from the disinvestment, as market-based price discovery has yet to take place. Once realized, the proceeds from the disinvestment will be treated as capital

receipts and will be utilized by the Department of Economic Affairs in accordance with existing guidelines and fiscal priorities."

3.10.6 When the Committee questioned on the rationale behind proposed disinvestment of Projects & Development India Ltd. (PDIL) despite their diversification into the other sectors of relevance, Department of Fertilizers during briefing held on 12.11.2024 submitted as under: -

" *Actually, the idea behind the total disinvestment of PDIL is that in the country they wanted to have one and only consultancy service, that is Engineers India Ltd. So basically Engineers India Ltd. wanted to acquire the shares of PDIL so that in a country they will have one and only consultancy service.* "

3.10.7 Over the future of the workforce of around 10,000 employed currently working across various PSUs under the Department, and the strategy to address the issue, the Secretary, Department of Fertilizers, during briefing further submitted as under: –

" *The minority stake sale will not affect the employment. But PDIL, when it is completely sold, then some 300 people are there. Either they will be absorbed, but whatever be the norms with DIPAM, the acquisition company will retain it or it may actually decide otherwise. But, at this moment, no progress has been made.* "

3.11 Hindustan Fertilizer Corporation Limited (HFCL)

Overview and Operations of HFCL

3.11.1 Hindustan Fertilizer Corporation Limited (HFCL), incorporated on 14th March 1978 after the reorganization of Fertilizer Corporation of India Ltd., operates under the Ministry of Chemicals and Fertilizers with 100% government ownership. HFCL had three units at Barauni (Bihar), Durgapur and Haldia (both in West Bengal). The details of these plants are as follows:-

Sl. No.	Unit	Capacity (in LMTPA)	Feed Stock	Year of Commissioning	Production suspended on

1.	Barauni	3.30	Naptha	1.11.1976	Jan, 1999
2.	Durgapur	3.30	Naptha	1.10.1974	24.06.1997
3.	Haldia	1.65	FO/LSHS	Not commissioned. Suspended commissioning in Oct. 1986 on GoI orders	---

Closure of operations of the Units:

3.11.2 During briefing, the Committee were informed that the Government of India, in September 2002, decided to shut down operations of Hindustan Fertilizer Corporation Limited (HFCL) and implement a Voluntary Separation Scheme (VSS) for all its employees. However, considering the existing infrastructure and the growing national demand for fertilizers, the Government approved the revival of these units in August 2011 through a competitive bidding process.

Future Potential of Durgapur and Haldia Units

3.11.3 The Department of Fertilizers have stated that considering the infrastructure available with HFCL and the demand of fertilizers, Government of India on 04.08.2011 approved revival of Barauni, Durgapur Units and Haldia division through bidding route.

3.11.4 When the Committee wanted to know about the failure of the Government in establishing fertilizer units under the Aatmanirbhar Bharat initiative, in regions like Durgapur and Haldia, despite availability of essential resources such as coking coal, gas, water, and supporting infrastructure within a radius of 10-kilometre with land holding on a nominal rate of ₹1 per acre per year, the Secretary, Department of Fertilizers, during briefing *inter-alia* resubmitted as under stated: –

> "*It is a highly desirable technology that has to be established. It may be the vision of the Government that* ***once that is done****, the rest of the area including Nellore, Durgapur and Haldia should qualify without any doubt because Durgapur is very strategically located. It has all the boxes ticked.*"

The reference to ‘once that is done’ pertains to the Talcher unit, which is the first project under the National Mission on Coal Gasification. The Department informed that Talcher is scheduled to commence production next year, with an estimated capacity of 12.7 lakh tonnes. Once operational, it is expected to reduce the fertilizer sector’s gas import bill by approximately ₹3,000 crore annually. The successful commissioning of Talcher will serve as a technological and economic benchmark, paving the way for revival of other closed units like Durgapur and Haldia through indigenous gasification solutions.

3.11.5 On the viable use of the large landholdings of HFCL and FCIL—spanning to hundreds of acres and strategically located land near key industrial and agricultural zones, the Secretary, Department of Fertilizers, clarified as under: –

> "*These are actually closed companies which are only holding the lands. They are the mothers of all the subsequent PSUs because they had land at that point of time when they started in 1950s’ and 1960s’. They had land all over India. So, the land of Barauni and Sindri belongs to FCIL as they were the pioneers. Now, they are only holding the lands, and on the basis of land, they carry 11 to 12 per cent of the equity. That is the proportional equity in the Hindustan Urvarak and Rasayan Limited (HURL). That plant is actually having the land of HCIL and FCIL. They have no revenue other than getting the lease from these companies which have come on their land.* "

Progress of revival of closed units:

3.11.6 The Committee have been informed that the Union Cabinet decided on 13.7.2016 to revive Barauni Unit of HFCL along with Sindri & Gorakhpur Units of FCIL, by a Joint Venture of nominated PSUs, namely, NTPC, CIL & IOCL. HFCL & FCIL would also be Joint Venture partners, which would receive 11% of equity in each of the projects in lieu of land use & other available infrastructure. A Joint Venture company, 'Hindustan Urvarak & Rasayan Limited (HURL)' has been incorporated for the purpose of revival. Concession Agreement, Lease Agreement & Substitution Agreement have been signed with HFCL. HURL has completed the revival of Barauni plant and started its commercial production on 30.04.2023.

3.11.7 When, the Committee enquired about the status of the 2,776 acres of land held in Nellore, Andhra Pradesh, with plans to utilize land parcel for investment or industrial development in the region and the clarification with regard or revival of the Haldia/Durgapur plant of HFCL following the revival of the Barauni unit, the Secretary, Department of Fertilizers during briefing on the subject, submitted as under: –

> " *Sir, actually that particular proposal had come. I think in 2022 it had come. But in the initial phase there was no taker. NPK firms were very much interested. They were looking into the Nellore land because the ecosystem is there. The gas is near comparatively from the seashore side. And the KG basin is not very far away. But the proposals actually did not go forward. We will try again. And* ***we have the investment issue with us in the sense that a subsidized sector generally is not preferred by the private sector.*** *But in the Government sector, if it is possible, because Haldia and Durgapur are also to be taken in phases. But nothing has been decided as yet. But the asset is there and we have to go for it the moment the investment is tied up. What we have done, Sir, is this. I am also speaking with reference to Durgapur. Very preliminary stage. In Talcher, as you know, we have brought the gasification route to actually produce the gas, which will produce ammonia. The difference between Barauni and Talcher, Barauni and Gorakhpur, all kinds of plants that are operating in India, they are based on the gas. Gas is the supplier of carbon. Urea has carbon, but the gas is costly. Gas is volatile. Gas is not available in India. So, what is the solution? The solution is that we have lots of coal deposits in India, one billion tons, low-grade coal, which cannot be used for other things. So, the gasification of coal, coal becomes gas by a process. And that process produces a kind of syngas, which is a very versatile gas, which can be changed into the gas which we are importing. So, that technology is used for the first time, and Talcher is making progress. Once that is successful, once that is established, then there will be lots of urea projects, DAP projects, and NPK projects that can be designed on the basis of coal gasification. So, people are very anxiously looking at it. It will take another one year, but it is a massive investment of Rs. 17,000 crore in bringing that coal gasification and that will be the future in India in terms of spreading the indigenous production.* "

3.11.8 On the point regarding long-term plans for the productive utilization of land held by Hindustan Fertilizer Corporation Limited (HFCL), including proposals to repurpose the land for economic use, the Department of Fertilizers have submitted as under:-

Details of Land Owned by HFCL		
Sl. No.	**Units**	**Remarks**
1	Barauni (Bihar)	Out of 686.291 acres freehold land, 480 acres has been given to HURL on 55 years lease for setting up gas based Fertilizer plant. 56 acres is under transfer to Bihar State Power Generation

		Company Ltd. (BSPGCL). Remaining 150.291 acres of land is in possession of HFCL.
2	Haldia (West Bengal)	HFCL is in possession of 285.534 acres land at Haldia (249.534 acres leasehold land, for which no agreement exists & 36.0 acres freehold land). As per administrative approval of Department of Fertilizers, pursuant to the decisions taken in the meeting between Secretary (Fertilizers) & Secretary (Shipping) on 21.12.2017 to resolve the land issues and outstanding dues, directives were issued to hand over the 249.534 acres of land at Haldia to KoPT, but later on matter was kept in abeyance. Further, DoF, vide its orders No: 18045/01/2023-PSU dated 17.04.2023 & 18045/01/2023-PSU dated 09.05.2023 has directed that 249.534 acres of land at Haldia Division, which is in possession of HFCL (without any formal land lease agreement) be surrendered to Kolkata Port Trust (KoPT). The action of surrendering the land is in progress.
3	Durgapur (West Bengal)	Asansol Durgapur Development Authority (ADDA) has not executed Lease agreement w.r.t. 830.17 acres of leasehold land since 1964.

Broader Revival Strategy and Role of FCIL/HFCL in JV Models

3.11.9 When enquired about the contribution of the land holdings of FCIL and HFCL's acquired during 1950s and 1960s in the establishment of subsequent new PSUs like Hindustan Urvarak and Rasayan Limited (HURL), with specific reference to 11–12% stake held by FCIL and HFCL in HURL, the Department of Fertilizers have stated that the Government of India had mandated the revival of the Sindri, Gorakhpur, Barauni, and Ramagundam units as follows:

Equity of FCIL and HFCL in the revived units					
JV Name	**RFCL**	**HURL**	**HURL**	**HURL**	**TFL**
Plant Location	Ramagundam (Telangana)	Gorakhpur (Uttar Pradesh)	Sindri (Jharkhand)	Barauni (Bihar)	Talcher (Odisha)
Equity	FCIL – 11%	FCIL/HFCL -10.99 %			FCIL – 4.45 %

3.12 Fertilizer Corporation of India Limited (FCIL)

Overview and Operations of FCIL

3.12.1 The Fertilizer Corporation of India Limited (FCIL) was established in 1961 with the primary mandate of setting up urea manufacturing plants across the country. Over time, FCIL developed significant fertilizer production infrastructure, operating units in Sindri (Jharkhand), Gorakhpur (Uttar Pradesh), Ramagundam (Telangana), Talcher (Odisha), and Korba (Chhattisgarh). These units were among the earliest public sector undertakings in the fertilizer sector and played a crucial role in supporting India's agricultural economy. The details of these plants are as under:-

Sl. No.	Unit	Capacity (in TPD)	Feed Stock	Year of Commissioning	Production suspended on
1.	Sindri	1000	FO/LSHS	01.10.1961	16.03.2002
2.	Gorakhpur	950	Naptha	01.01.1969	10.06.1990
3.	Ramagundam	1500	Coal	01.11.1980	31.03.1999
4.	Talcher	1500	Coal	01.11.1980	31.03.1999
5.	Korba	1500	Coal	Construction not taken up	----

Closure of operations of the Units:

3.12.2 Due to continued operational and financial challenges, the Government of India (GoI) decided in September 2002 to close the operations of FCIL and release all employees under a Voluntary Separation Scheme (VSS). At present, FCIL retains only one employee on its rolls.

Revival of Closed Units through JV Route

3.12.3 The Department of Fertilizers in their written replies have submitted that considering the fully-developed infrastructure available with FCIL and the demand of fertilizers, Government of India in October, 2008, constituted an Empowered Committee of Secretaries (ECoS) to evaluate all options of revival of closed units of FCIL. Based on the Committee's recommendations, the Cabinet Committee on Economic Affairs (CCEA) approved on 04 August 2011 the revival of:

- Gorakhpur and Korba units via the bidding route
- Sindri, Ramagundam, and Talcher units through nomination to selected PSUs

To enable revival, the CCEA on 09 May 2013 approved the waiver of GoI loans and interest, which turned FCIL's net worth positive. As a result, FCIL was deregistered from BIFR on 27 June 2013.

Details of Land Holdings

3.12.4 When asked about long-term plans for the productive utilization of land held by the Fertilizer Corporation of India Limited (FCIL), including proposals to repurpose the land for economic use, the Department of Fertilizers have provided the following information:

Details of Land Owned by FCIL		
S. No.	Units	Remarks
1	Sindri (Jharkhand)	Out of total 6652.61 acres of freehold land, 695 acres has been given to JV Company (HURL) and 722.8 acres has been leased out to other entities. Remaining 5234.81 acres is in possession of FCIL.
2.	Gorakhpur (U.P.)	Out of total 993.335 acres of freehold land, 600 acres has been given to JV Company (HURL), 125 acres is in possession of 'Sashatra Seema Bal (SSB)' and 268.335 acres has been put under the control of DM, Gorakhpur, without the consent of FCIL.
3.	Ramagundam (Telangana)	Total 1284.04 acres of leasehold land has been given to JV Company (RFCL)
4.	Talcher (Odisha)	Out of total 908.516 acres of leasehold land, 876.135 acres has been given to JV Company (TFL) and 32.381 acres has been given to Heavy Water Plant, Talcher.
5.	Korba (Chhattisgarh)	At Korba, FCIL is in possession of 623 acres of land (587 acres leasehold land from State Government, but no lease agreement executed since beginning) and 36 acres freehold land.

Revival Projects and Joint Ventures

3.12.5 FCIL's land and infrastructure are being leveraged to facilitate revival through Joint Ventures (JVs), with FCIL receiving equity shares in lieu of land contributions.

Sl. No.	Plant Location	Ramagundam	Gorakhpur	Sindri	Talcher
1.	State	Telangana	Uttar Pradesh	Jharkhand	Odisha
2.	Name of JV/SPV	M/s Ramagundam Fertilizers & Chemicals Ltd. (RFCL)	M/s Hindustan Urvarak & Rasayan Ltd. (HURL)		M/s Talcher Fertilizer Ltd. (TFL)
3.	Capacity (in LMT/Annum)	12.7	12.7	12.7	12.7
4.	Production (in LMT/Annum)	11.14	13.50	11.44	--
5.	Equity Contribution	I-NFL 26% II-EIL 26% III-FCIL 11% IV- State Govt. 11% V-GAIL 14.3% VI-HTAS Consortium 11.7%	I- NTPC 29.67% II- IOCL 29.67% III- CIL 29.67% IV- FCIL 10.99%		I-RCF 31.85% II- CIL 31.85% III- GAIL 31.85% III-FCIL 4.45%
6.	Date of Commissioning	22.03.2021	07.12.2021	05.11.2022	--
7.	Cost of Project (Rs. in Cr.)	6165.06	8602.71	8130.09	13277 (+10% as per revised DPR)

These plants are expected to play a key role in enhancing domestic urea production and reducing fertilizer imports.

CHAPTER IV

DISINVESTMENT POLICY FRAMEWORK AND CLASSIFICATION OF THE FERTILIZER SECTOR

Policy and Institutional Framework for Disinvestment

4.1 The disinvestment of Central Public Sector Enterprises (CPSEs) is governed by the Department of Investment and Public Asset Management (DIPAM), Ministry of Finance. DIPAM oversees both minority stake sales (without transfer of management control) and strategic disinvestment (involving full or substantial sale of Government shareholding along with transfer of control).

4.2 The disinvestment framework has undergone several institutional reforms since its initiation in 1991–92, evolving as follows: -

- The Disinvestment Commission was set up in 1996,
- The Board for Restructuring of PSEs in 2004, and
- The three-tier mechanism for strategic disinvestment was approved in 2016 by the Cabinet Committee on Economic Affairs (CCEA), including:
    - CCEA as the apex authority,
    - Core Group of Secretaries on Disinvestment (CGD),
    - Evaluation Committee (EC),
    - NITI Aayog as the entity identifying CPSEs for disinvestment.

4.3 A major policy turning point came with the approval of the **New Public Sector Enterprise (PSE) Policy for *Atmanirbhar Bharat*** notified on 4 February 2021. This reform aimed to curtail the Government's involvement in commercial activities and to boost private sector engagement across all segments of the economy. A key element of the policy was the reclassification of Central Public Sector Enterprises (CPSEs) into two broad categories—**Strategic** and **Non-Strategic.**

4.4 The **strategic disinvestment** under the new framework involves not just the sale of Government shareholding but also the **transfer of management control**, either to a private strategic buyer or to another CPSE. The rationale, as articulated by DIPAM, is grounded in the principle that competitive markets have matured, and that the economic potential of such enterprises can be better realized in private hands through capital infusion, improved management and technology upgrades.

4.5 Further, the Department of Public Enterprises (DPE)—brought under the Ministry of Finance in July 2021—was tasked with identifying CPSEs in non-strategic sectors for disinvestment or closure. As per the guidelines dated 13 December 2021, the DPE, in consultation with NITI Aayog, DIPAM, Department of Expenditure, and the Administrative Ministry, prepares proposals for in-principle approval of CCEA before a specific disinvestment transaction is initiated.

Strategic vs Non-Strategic Classification of the Fertilizer Sector: A Reconsideration

4.6 Under the framework of the New Public Sector Enterprise (PSE) Policy for *Atmanirbhar Bharat*, the Fertilizer Sector was categorized as a non-strategic sector, making it eligible for privatization or closure.

DIPAM's Justification for Non-Strategic Classification

4.7 On being asked about the specific grounds on which the proposal to classify the fertilizer sector as 'strategic' was rejected under the New Public Sector Enterprise Policy for *Atmanirbhar Bharat*, and whether the Department could place before the Committee the relevant Cabinet note(s), file notings, and the decision communicated by the Department of Investment and Public Asset Management (DIPAM) in this regard, the Department replied as follows:

> The subject of disinvestment falls within the purview of DIPAM. As per the comments received from DIPAM, it was clarified that the concepts of "essential," "critical," and "strategic" are distinct, and disinvestment or privatization may still be pursued even in sectors classified as strategic. The "New Public Sector Enterprise (PSE) Policy for *Atmanirbhar Bharat*," notified by DIPAM through Office Memorandum dated 04.02.2021 following the decision of the Cabinet Committee on Economic Affairs (CCEA), delineated the following as Strategic Sectors, based

on criteria such as national security, energy security, critical infrastructure, provision of financial services, and availability of important minerals:

- Atomic Energy, Space, and Defence;
- Transport and Telecommunication;
- Power, Petroleum, Coal, and other Minerals;
- Banking, Insurance, and Financial Services.

In these strategic sectors, the policy provides for the retention of a “bare minimum” presence of existing public sector commercial enterprises under Government control, with the remaining entities to be considered for privatization, merger, subsidiarization or closure. The CCEA grants ‘in-principle’ approval for the strategic disinvestment of specific PSEs on a case-by-case basis, and the timing of each transaction depends on various factors including appropriate sequencing, sectoral trends, administrative feasibility, and investor interest.

Non-Strategic Classification of Fertilizer Sector- Need for a Review

4.8 On being asked to explain the rationale behind DIPAM’s classification of the fertilizer sector as ‘non-strategic’—particularly considering the sector’s critical role in ensuring the nation’s food security and public health—and to detail the steps taken by the Department to request a reconsideration of this classification by the Ministry of Finance, the Department responded as follows :-

A D.O. letter dated 24.03.2021 from the Hon’ble Minister of Chemicals and Fertilizers was addressed to the Hon’ble Finance Minister requesting the inclusion of the fertilizer sector in the list of strategic sectors under the new PSE policy. The grounds cited in the communication were as follows:

“Fertilizers, classified as an essential commodity under the Essential Commodities Act, 1955, are crucial for agricultural sustainability. The Government prioritizes their timely availability, affordability and balanced usage while promoting indigenous production to reduce import dependence under the *Atmanirbhar Bharat* initiative. To strengthen the sector, five closed fertilizer units are being revived through Joint Ventures with CPSEs, which are investing heavily through equity and bank borrowings. Additionally, fertilizer PSUs play a strategic role in producing critical chemicals for defence, mining and petrochemicals. Given its national importance, the inclusion of fertilizers in the Strategic Sector under the new PSE Policy was strongly recommended." Subsequently, the Department reiterated its request through another D.O. letter dated 09.04.2022, addressed to DIPAM.

In response, DIPAM, through a D.O. letter dated 19.04.2022 (No. 4/2/2022-DIPAM-II-B(E)) from Secretary (DIPAM) to Secretary (Fertilizers), conveyed the following:

"There are many private fertilizer manufacturers in the Country. CPSEs account for only 25% and 11% of urea and non-urea fertilizers respectively. Most of the CPSEs are operating at a loss and their continued existence does not align with the principles of fiscal prudence or meet the criteria applied for strategic sector classification. Therefore, there is no justification for classifying the fertilizer sector as strategic."

Accordingly, the proposal to include the fertilizer sector within the strategic classification under the New PSE Policy was not accepted.

4.9 When asked to clarify as to how DIPAM concluded fertilizer sector not to be critically dependent on Public Sector Undertakings (PSUs), despite dependence on fertilizer imports, price fluctuations and geo-political disruptions, besides shortage of Di-Ammonium Phosphate (DAP) due to imports of only 30 lakh tonnes against national requirement of 60 lakh tonnes as per media reports, the Secretary, Department of Fertilizers, admitted as under:

"Yes, Sir. I fully agree... there was an international issue due to the war, and our domestic production, which was earlier 23.3 LMT, came down to 21.5 LMT. That caused a shortfall. Had we been self-sufficient, we wouldn't have had to depend on a 6,500 km-long supply chain."

4.11 On being asked about the role of Public Sector Undertakings (PSUs) in ensuring self-sufficiency in fertilizer production and their involvement in recently launched joint ventures such as Hindustan Urvarak & Rasayan Limited (HURL) and Ramagundam Fertilizers and Chemicals Limited (RFCL)—notably the successful revival of the Barauni, Gorakhpur, and Sindri units under HURL and RFCL, which has collectively added over 76.2 Lakh Metric Tonnes (LMT) to the country's annual urea production capacity—and further, about the Department's plans and strategies for achieving import substitution in alignment with the vision of *Atmanirbhar Bharat*, the Department of Fertilizers inter-alia stated as follows:

> "With regard to Urea, the Government had announced New Investment Policy (NIP) – 2012 on 2nd January, 2013 and its amendment on 7th October, 2014 to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. Total 6 new urea units have been set up under NIP-2012 which includes 4 urea units set up through Joint Venture Companies (JVC) of nominated PSUs and 2 urea units set up by the private companies. The units set up through JVC are Ramagundam urea unit of Ramagundam Fertilizers and Chemicals Ltd (RFCL) in Telangana and 3 urea units namely Gorakhpur, Sindri and Barauni of Hindustan Urvarak & Rasayan Limited (HURL) in Uttar Pradesh, Jharkhand and Bihar, respectively. The units set up by private companies are Panagarh urea unit of Matix Fertilizers and Chemicals Ltd. (Matix) in West Bengal; and Gadepan-III urea unit of Chambal Fertilizers and Chemicals Ltd. (CFCL) in Rajasthan. Each of these units has installed capacity of 12.7 Lakh Metric Tonne Per Annum (LMTPA). These units are highly energy efficient as they are based on latest technology. Therefore, these units have together added urea production capacity of 76.2 LMTPA, thereby total indigenous urea production capacity (Reassessed Capacity, RAC) has increased from 207.54 LMTPA during 2014-15 to 283.74 LMTPA during 2023-24. Further, an exclusive policy for the revival of Talcher unit of FCIL through JVC of nominated PSUs namely Talcher Fertilizers Limited (TFL) by setting up a new Greenfield urea plant of 12.7 LMTPA at coal gasification route has also been approved."

Disinvestment in Limbo: Execution Delay

4.12 On being asked about the delay in executing the disinvestment of two entities—20 per cent stake in National Fertilizers Limited (NFL) and 10 per cent stake in Rashtriya Chemicals and Fertilizers Limited (RCFL)—despite the Cabinet having approved the decision in 2018, the Secretary, Department of Fertilizers during evidence, responded as follows:

> "*We hire merchant bankers. The merchant bankers are professional advisers in terms of these disinvestment transactions. So, what had happened was that when we take regular meetings with them, they assess the demand in the market and they come back to us telling as to what is the right timing for the transaction. Unfortunately, in both these cases, this has not been a good timing for them and they have not been able to get the kind of demand that is required to offload about Rs. 700 crore to Rs. 800 crore worth of Government equity. That is why, this transaction has not happened.* "

4.13 On being asked the reasons for the non-implementation of the 2018 Cabinet decision to disinvest 20 per cent stake in National Fertilizers Limited (NFL) and 10 per cent stake in Rashtriya Chemicals and Fertilizers Limited (RCFL), even after a lapse of six years; the importance of timely execution of cabinet decisions and constraints, the representatives of the Department of Public Enterprises stated as under:-

> " *When we go to the market and when we do the disinvestment in case of the minority stake sale, it is a two-day process. It is called an 'Offer for Sale', in which the first day is for non-retail investors and the second day is for retail investors.*
>
> *Basically, what we see is the demand from both the categories. Sometimes what happens is that the prices go so high. While it may appear to be counterintuitive that if the prices are so high, why cannot the shares be sold, but actually, there might not be any buyers at that price. So, for instance, in the case of RCFL, today, the prices are in the range of about Rs. 130 and the merchant bankers came back to us and said that there is no demand at this price. So, sometimes, it happens that the markets can actually get very high and there might not be further buyers.*"

4.14 During the oral evidence, the representatives of the Department of Fertilizers were asked the reasons for prolonged uncertainty surrounding disinvestment decisions and whether keeping PSUs and their employees in a state of indefinite suspense for over seven years—under the constant impression that disinvestment could occur at any moment— akin to Damocles' sword hanging over these PSUs impacting on employee morale, operational efficiency, and long-term planning, the Secretary, Department of Fertilizers, stated:

> "*Sir, it has two parts. The partial disinvestment that DIPAM undertook has taken so much time, with 10 per cent and 20 per cent for the two PSUs. As we do not deal with disinvestment, but as an observer and Department Secretary, I have this visibility that this type of 20 per cent 10 per cent as the hon. Member said, if it gets a response from the market, it becomes a kind of strengthening of the image of the company. It may not materialize, because it is too less or too insignificant. But it does not actually affect the employment, the employees, the production, the management as a whole.*
>
> *But when PDIL was shortlisted for the entire sellout, complete strategic disinvestment, it took so many years, which has definitely affected the confidence of the employees to work. Migration of employees was there; people have gone out of the company. So, these are the ill effects, I would say, if the decision is not taken promptly."*

4.15 During the oral evidence, representative of DIPAM were asked to clarify on the operational efficiency and impact on employee morale over the uncertainty and prolonged delay of seven years in the proposed disinvestment of the globally recognized, Projects & Development India Limited (PDIL), that made significant contributions to the design and development of Public Sector Undertakings. In response, the representative of DIPAM submitted as under: -

> "सर, जैसा सेक्रेटरी साहब ने समझाया कि पीडीआईएल के केस में जो स्ट्रैटेजिकली पूरा ही डिसइन्वेस्ट होने वाला था तो ये वाली बात एकदम सही है कि उससे एम्प्लॉइज के कॉन्फिडेंस और बाकी प्रोडक्टविटी पर असर आता है।"

OBSERVATIONS/RECOMMENDATIONS

Revitalization and Strengthening of Fertilizer PSUs for Food Security and Self-Reliance

1. The Committee have been apprised of the decision of the Ministry of Finance to classify the fertilizer sector as *non-strategic* under the New Public Sector Enterprise (PSE) Policy, despite multiple submissions made by the Department of Fertilizers—including D.O. letters dated 24 March 2021 and 9 April 2022. These submissions highlighted the sector's critical role in ensuring food security, sustaining rural livelihoods, and advancing national self-reliance—factors that warrant its inclusion in the strategic sector. However, the Department of Investment and Public Asset Management (DIPAM) turned down these requests, arguing that Central Public Sector Enterprises (CPSEs) contribute only 25% and 11% of the country's urea and non-urea fertilizer production respectively; that many operate at a loss; and that their continued existence is inconsistent with fiscal prudence and the criteria for strategic classification, as approved by the Cabinet Committee on Economic Affairs (CCEA) under the New PSE Policy. The Committee find this reasoning incongruent with the Government's *Atmanirbhar Bharat* agenda. Contrary to DIPAM's claim, several fertilizer PSUs have shown remarkable turnaround, notably FACT, which has transitioned from a loss-making entity to a consistently profitable enterprise. Additionally, the revival of closed units at Gorakhpur, Sindri, Barauni (under HURL) and Ramagundam (under RFCL) through CPSE-led joint ventures, has added over 76.2 Lakh Metric Tonnes (LMT) to India's annual urea production capacity. This clearly demonstrates the strategic

value of leveraging PSU assets to meet national goals. In light of rising global fertilizer prices and India's continued reliance on imports for over 90% of its potash and phosphate needs (procured under the Open General License), the sustained operation and strengthening of fertilizer PSUs is crucial—not only for domestic production but also for price stabilization, disaster resilience, and long-term food sovereignty.

The Committee urge that the Government continue to make efforts to revitalize the fertilizer sector by ensuring adequate support for modernization, technology upgradation, and capacity expansion of fertilizer PSUs. Further, the Committee emphasize the need for a balanced policy approach that strengthens domestic production capabilities while reducing over-dependence on imports of vital raw materials such as potash and phosphates. The Committee are of the considered view that sustained investment in fertilizer PSUs will not only enhance self-reliance but also safeguard national interests in times of global supply disruptions, thereby reinforcing India's long-term food and nutritional security.

<u>Restructure Legacy Government Debt and Rationalize Debt Structures</u>

2. The Committee are deeply concerned about the unsustainable debt burden and high-interest liabilities afflicting key Public Sector Undertakings (PSUs) under the Department of Fertilizers, particularly Fertilizers and Chemicals Travancore Limited (FACT) and Madras Fertilizers Limited (MFL), where legacy Government of India (GoI) loans have accrued interest far exceeding the principal, severely undermining their financial viability and creditworthiness. For instance, FACT faces an interest liability of ₹1,912.13 crore on a principal loan of ₹1,770.49 crore,

while MFL's outstanding dues to the GoI total ₹1,499.94 crore—including ₹945.70 crore in accrued interest on a principal of ₹554.24 crore. Despite long-pending proposals from both companies for financial restructuring—including waiver of interest and conversion of principal into zero-interest loans repayable in instalments—no concrete relief has been granted. Although the Department of Fertilizers has forwarded these proposals, the Department of Expenditure has dismissed them for being inconsistent with the New PSE Policy (2021), even though these liabilities originated long before the policy's adoption and continue to obstruct the companies' revival. Notably, both FACT and MFL have taken significant steps to improve their balance sheets and have undertaken expansion projects aimed at enhancing production capacity, diversifying product portfolios, and upgrading critical infrastructure. These efforts require complementary financial restructuring and government support to ensure long-term sustainability. The Committee, therefore, strongly recommend that the Government convert high-interest GoI loans into equity or interest-free loans and write off unserviceable interest obligations to reduce the debt overhang, restore financial stability, and enhance these PSUs' ability to raise resources from the market for modernization and expansion. The Committee also recommend encouraging the refinancing of high-cost debt into low-interest, long-term instruments through Government-backed bonds, concessional finance, or other market-based mechanisms, especially in view of the improved credit profile and recent operational turnaround of certain PSUs. Such measures would enable

public financial institutions to extend more favourable lending terms and support the sustained revival of these strategic enterprises.

Modernize Ageing Infrastructure

3. The Committee express serious concern over the ageing and technologically obsolete state of a large portion of India's fertilizer production infrastructure, particularly within Public Sector Undertakings (PSUs). Of the 33 operational urea units in the country, 27 are over 25 years old, and 7 have crossed the 50-year mark—making them highly susceptible to inefficiencies, excessive energy consumption, and increased operating costs. Notable examples include Rashtriya Chemicals and Fertilizers Ltd.'s Suphala plant at Trombay (57 years old), FACT's NP plants at Udyogamandal (52+ years old), and BVFCL's Namrup-II unit (48 years old), which remains shut due to major operational failures. These vintage facilities are prone to frequent breakdowns and incur high maintenance costs, thereby undermining production stability and overall competitiveness. Despite commendable production outcomes—such as National Fertilizers Limited's five units collectively producing over 36.88 Lakh Metric Tonnes (LMT) of urea in 2023–24—these achievements are being maintained under increasing strain. The lack of significant technological upgrades, rising production costs, and volatility in international natural gas prices further exacerbate the situation. Compounding the challenge is India's heavy dependence on imported raw materials like natural gas, phosphate, and potash, which heightens the Country's strategic vulnerabilities in ensuring long-term food security. Recognizing current challenges in the fertilizer sector, the Committee strongly recommend launching a centrally-supported

"*Revamp and Upgrade Scheme*" for fertilizer PSUs. This scheme should provide for phased capital investment to replace obsolete plants with modern, energy-efficient, and environmentally compliant facilities. To ensure its success, the initiative must be backed by long-term, low-cost financing and aligned with key national missions such as Atmanirbhar Bharat and Green Growth. A structured modernization plan—encompassing technology upgrades, capacity enhancement, or complete replacement—should be pursued through capital investment sourced via budgetary allocations, public-private partnerships, and internal accruals.

Reclaiming Idle Potential: HFCL's Durgapur and Haldia Units as Pillars of Regional Fertilizer Security

4. The Committee are of the considered view that the revival of strategically located fertilizer units at Haldia and Durgapur; both formerly under the Hindustan Fertilizer Corporation Limited (HFCL)—is long overdue. These sites with huge land parcels on nominal rates possess all essential infrastructure—such as natural gas, water, coking coal, land, and industrial support systems—within a 10-kilometre radius. The Committee appreciate the decision taken to revive Barauni Fertilizer unit which is fruitfully contributing in fulfilment of the Fertilizer needs of the nation. The Committee find that the objectives of the *Atmanirbhar Bharat* initiative can be achieved if such ready-to-operate assets capable of strengthening domestic fertilizer self-sufficiency, reduce import dependence, and generate employment in eastern India are revived based on viability and economic parameters. The Committee further note that the Department of Fertilizers has

linked the revival of these units to the successful commissioning of the Talcher plant under the National Mission on Coal Gasification, expected to become operational next year. While the Committee appreciate the technological ambition of this approach, they firmly believe that the revival of Durgapur and Haldia units must not be made contingent upon a single project. Accordingly, the Committee urge that the Government consider the early revival of HFCL's Durgapur and Haldia units through the joint venture (JV) route, as successfully implemented in the case of Ramagundam Fertilizers and Hindustan Urvarak & Rasayan Limited (HURL). The revival may factor in the high strategic value of the land assets involved and the urgent fertilizer needs of the region's farmers, thereby aligning economic development with national agricultural priorities.

Delayed Disinvestment: Concerns over Execution, Impact on PSUs, and the Need for Time-Bound Frameworks

5. The Committee note with serious concern the prolonged delay in executing Cabinet-approved disinvestment of 20% in National Fertilizers Limited (NFL), 10% in Rashtriya Chemicals and Fertilizers Limited (RCF) (approved in 2018), and 100% in Projects & Development India Limited (PDIL) (approved in 2016). The Committee are surprised that, despite the appointment of merchant bankers and periodic market assessments, these proposals remain stalled—RCF, for instance, found no buyers even at ₹130 per share. The Committee find such delays—stretching over six years—unjustified and indicative of policy-implementation misalignment, procedural inertia, and a lack of accountability. The Committee believe that keeping PSUs in limbo for years—without a final decision—not only affects

employee morale but also hampers operational efficiency, undermines institutional legacy, and erodes financial viability. In light of these concerns, the Committee stress that implementation of Cabinet-approved disinvestment decisions must follow a clearly defined timeline of one to two years. Blanket approvals that remain dormant for over half a decade are unacceptable, particularly in view of the periodic reconstitution of Parliamentary Committees and the resultant loss of institutional memory. The Committee, therefore, recommend that the Department of Investment and Public Asset Management (DIPAM), in coordination with the Department of Fertilizers, urgently prepare and submit a concrete disinvestment action plan for NFL, RCF and PDIL based on current market realities, with a clearly defined execution timeline of six months to one year.

<u>Revival of Underutilized Land Assets of Fertilizer PSUs</u>

6. The Committee note with concern that several fertilizer PSUs—including RCF, HFCL, FCIL, BVFCL, and MFL—hold large tracts of strategically located land, much of which remains underutilized due to encroachments, litigation, outdated valuations, or lack of investment. Despite some efforts, such as FCIL and HFCL leveraging land equity in HURL, progress has stalled at sites like Durgapur, Haldia, and Chennai, where valuable public assets remain idle. The absence of updated third-party valuations further hampers monetization and strategic planning, undermining opportunities for modernization and efficient land use. The continued delay in operationalizing viable sites is further compounded by the pending commissioning of the Talcher coal gasification project, which has been

cited as a precondition for future investments in the fertilizer sector. The Committee recommend that the Government conduct a comprehensive national audit of land and asset holdings across all fertilizer PSUs, identifying commercially viable parcels for industrial use and those suitable for monetization through lease models, PPPs, or joint development. All PSUs should immediately undertake fresh, independent valuations of land and built assets—particularly non-core holdings in urban and semi-urban areas. The Ministry should also facilitate the creation of Special Purpose Vehicles (SPVs) or adopt lease-based monetization frameworks to unlock value, generate non-debt capital, reduce idle asset costs, and support the revival or repurposing of defunct sites under the Aatmanirbhar Bharat initiative.

<u>Recalibrate Disinvestment Strategy</u>

7. The Committee note with concern that several disinvestment decisions in the fertilizer sector have remained unimplemented for extended periods—sometimes exceeding seven years—despite Cabinet-level approvals. A prominent example is the case of Projects and Development India Limited (PDIL), whose strategic disinvestment has been pending since 2016, leading to prolonged uncertainty, erosion of employee morale, and operational stagnation. The Committee also observe that weak investor response in certain cases is compounded by outdated valuations and market assessments that no longer reflect present-day realities. Such indefinite delays raise questions about the institutional efficacy of long-term disinvestment approvals and create a policy vacuum, especially when no fresh guidance or revised direction is issued. The

Committee recommend that the Ministry of Chemicals and Fertilizers formally propose that any disinvestment decision pending implementation for more than two years be mandatorily reviewed afresh by the Cabinet Committee on Economic Affairs (CCEA) to reassess its feasibility and relevance. Further, a clear sunset clause should be introduced for Cabinet-approved disinvestment proposals that remain inactive beyond a defined period. All such reviews must be accompanied by updated asset valuations and due diligence to ensure alignment with current market conditions, investor appetite, and operational performance of the concerned PSUs.

Strengthen Domestic Production Before Disposing of Key Assets

8. The Committee note with concern that India continues to face significant import dependency in key fertilizers—100% in Muriate of Potash (MOP), approximately 40% in Di-Ammonium Phosphate (DAP), and around 20% in Urea. With Urea demand projected to exceed 364 Lakh Metric Tonnes (LMT) in 2024–25, any move to disinvest from core fertilizer PSUs—especially those with potential for backward integration, strategic buffer capacity, or technical expertise—may risk undermining the Country's long-term self-reliance objectives. Entities such as Projects and Development India Limited (PDIL), Madras Fertilizers Limited (MFL), and Fertilizers and Chemicals Travancore Limited (FACT) play critical roles in maintaining domestic production and fertilizer security. The Committee recommend that the Ministry undertake a comprehensive 10-year fertilizer supply-demand gap analysis and assess the strategic role of each PSU before proceeding with any disinvestment. In particular, disinvestment decisions affecting PSUs with

relevance to national buffer stocks, feedstock self-sufficiency, or technical backward linkage should be deferred. All such evaluations must be aligned with the objectives of the Aatmanirbhar Bharat initiative to ensure that critical national capacities are preserved and strengthened before any irreversible disposal of assets is undertaken.

Establish a Fertilizer PSU Revamp Mission

9. The Committee observe that many fertilizer PSUs continue to operate with outdated technologies and limited product diversity, undermining their competitiveness and contribution to national agricultural priorities. For instance, vintage plants like Rashtriya Chemicals and Fertilizers' (RCF) Suphala unit and granulation facilities at Fertilisers and Chemicals Travancore Limited (FACT) remain technologically stagnant. At the same time, the global fertilizer landscape is rapidly shifting towards innovation in nano fertilizers, fortified formulations like Urea Gold, and environmentally sustainable production methods. Despite these trends, most PSUs have yet to receive structured support for modernization or green transition, leaving a critical gap in realizing the full potential of these legacy institutions. Therefore, the Committee stresses upon the conceptualization of a targeted "Revitalizing Fertilizer PSUs" mission to support technology upgradation, product diversification, and sustainable practices. This mission should include earmarked funding for: (i) modernizing aging production units such as those at RCF and FACT; (ii) expanding product lines to include Nano Urea, Urea Gold, organic and crop-specific fertilizers; and (iii) incentivizing green retrofits to improve energy efficiency and reduce carbon emissions. Such an

initiative would not only enhance the operational viability of legacy PSUs but also align the sector with emerging agronomic and environmental imperatives under the Aatmanirbhar Bharat vision.

Improve Market Responsiveness and Product Diversification

10. The Committee note that with intensifying competition from private players and a growing policy thrust towards sustainable agriculture, fertilizer PSUs must evolve beyond the conventional focus on bulk urea production. While overall demand for urea remains high, future agricultural strategies demand value-added, eco-friendly, and crop-specific nutrient solutions. In this context, Rashtriya Chemicals and Fertilizers (RCF) has demonstrated forward-looking innovation through the development of products such as Urea Gold (fortified with sulphur), Nano Urea, and Phosphate Rich Organic Manure (PROM), showcasing the potential of PSUs to adapt and lead in this evolving landscape. The Committee recommend that fertilizer PSUs be actively encouraged to diversify into value-added, customized, and organic fertilizers. They should invest in R&D to develop climate-resilient, nutrient-efficient solutions that align with emerging national priorities such as the PM-PRANAM scheme and the Atmanirbhar Bharat initiative. Such diversification will not only enhance the long-term sustainability and profitability of PSUs but also contribute meaningfully to environmentally responsible agricultural transformation.

Strengthening Rashtriya Chemicals and Fertilizers Limited (RCFL): Investing in Innovation, Modernization, and Strategic Retention

11. In view of Rashtriya Chemicals and Fertilizers Limited's (RCF) consistent profitability, strategic location, and growing role in fertilizer innovation—such as the development of Urea Gold, Nano Urea, and other value-added products—the Committee underscore the company's importance to India's fertilizer self-reliance and regional supply stability. The Committee express concern over ageing infrastructure, particularly at RCF's Suphala plant in Trombay, which could hamper long-term operational efficiency and environmental compliance. The Committee therefore recommend that targeted modernization support be extended to RCF through budgetary assistance, soft loans, or viability gap funding. Additionally, RCF's planned entry into Nano Urea production should be expedited and supported under Government initiatives like PM-PRANAM. Given the company's profitable status and strategic relevance, the Committee further recommend that any disinvestment proposals be carefully reconsidered. Instead of pursuing outright divestment, the Ministry of Fertilizers and DIPAM should explore alternatives such as strategic partnerships, asset monetization, or phased dilution of minority stake—ensuring safeguards to retain public sector presence while unlocking capital for modernization and growth.

Revitalizing National Fertilizers Limited (NFL): Modernization, Diversification, and Strategic Retention

12. The Committee note with concern that National Fertilizers Limited (NFL), despite holding a significant 15% share in India's total urea production and playing a vital role in national fertilizer distribution, faces multiple structural challenges. Three of its five units—Nangal, Bathinda, and Panipat—are over 45 years old and

rely on outdated technologies, leading to energy inefficiencies and high production costs. Despite operating near reassessed capacities, NFL's overall production has remained stagnant, with no major expansion or diversification initiatives. Profitability has sharply declined since FY 2022–23 due to input cost volatility, rising liabilities, and the absence of significant cost rationalization. The Committee recommend that targeted modernization of NFL's ageing units be prioritized through energy-efficiency upgrades and supported by a centrally funded 'Modernization Fund for Fertilizer PSUs.' It also urges the Ministry of Finance to consider debt rationalization measures such as interest subvention or loan restructuring to reduce financial stress and free up capital for investment. Further, NFL should be supported in diversifying its product portfolio—expediting its Nano Urea programme and expanding into bio-fertilizers, micronutrients, and water-soluble formulations, while encouraging R&D collaborations with ICAR and other stakeholders. The Committee strongly recommend pausing any disinvestment plans pending a sector-wide strategic reassessment, exploring options such as minority stake dilution with continued Government control. Finally, NFL's robust marketing and distribution infrastructure should be leveraged to provide bundled agri-input services, including soil testing and farmer outreach, aligned with schemes like PM-PRANAM, to strengthen its long-term competitiveness and service to Indian agriculture.

Unlocking The Fertilizers And Chemicals Travancore Limited-FACT's Potential Through Timely Financial Restructuring

13. The Committee note with concern that despite FACT's significant operational turnaround and strong market performance—including a market capitalization of ₹57,400 crore as of December 2024, the highest among fertilizer PSUs—its financial health remains severely constrained by an unsustainable interest burden. As of 30 January 2025, FACT's total liabilities stood at ₹4,610.69 crore, of which ₹3,682.62 crore were dues to the Government of India, comprising ₹1,770.49 crore in loan principal and ₹1,912.13 crore in accrued interest at a punitive 13.5% rate. Alarmingly, the interest now exceeds the principal, undermining the viability of a PSU with strategic and social responsibilities. While FACT has made notable progress in production, marketing, and asset utilization, these gains are overshadowed by unresolved debt restructuring. The Committee find the Ministry of Finance's rejections of FACT's restructuring proposals—endorsed by NITI Aayog and involving partial conversion of loans to equity and interest-free instruments—somewhat short-sighted and not fully aligned with long-term fiscal prudence. The rationale of maintaining high interest rates to preserve disinvestment value is skewed, as it erodes long-term value creation and discourages investor confidence. Given FACT's strategic importance, especially in southern India, the Committee strongly recommend urgent financial restructuring, including interest waiver, equity conversion, and soft loan options. The Committee further urge the Government to recognize FACT as a strategic public asset and retain it under public ownership until modernization is complete. Infrastructure upgrades to replace ageing plants must be prioritized through dedicated funding for green and energy-efficient technologies. Finally, any

disinvestment should follow—not precede—financial rehabilitation, to ensure robust valuation and equitable asset monetization.

Revival of Madras Fertilizers Limited (MFL)

14. The Committee observe that Madras Fertilizers Limited (MFL) is constrained not by operational inefficiency but by legacy debt and a challenging shareholder structure. With the interest burden on Government of India (GoI) loans exceeding the principal, the company's net worth has been eroded, severely limiting modernization and investment potential. While its ammonia and urea units operate on legacy equipment, the NPK plant remains idle, impacting overall efficiency. Compounding this is the 25.77% equity stake held by NICO (Iran), whose refusal to participate in disinvestment has introduced geopolitical and procedural complications. Despite these hurdles, MFL has made progress toward operational recovery and has submitted a revival package proposing a 100% interest waiver, conversion of ₹554.24 crore principal into interest-free long-term loans, and the establishment of a new 2,300 MTPD ammonia-urea complex alongside energy retrofits in collaboration with Halder Topsoe. Given MFL's strategic location near Chennai port, regional significance in southern India, and potential alignment with national initiatives like PM-PRANAM and Atmanirbhar Bharat, the Committee strongly recommend that the Ministry of Finance and Department of Fertilizers approve the revival package without delay. Disinvestment should be deferred until restructuring and modernization are complete. The Government should also support capital infusion for energy upgrades and task the Ministry of External Affairs with diplomatically resolving

the shareholding impasse with NICO, exploring options such as buyback or conversion to non-controlling interest. Furthermore, MFL's port access presents an opportunity to develop it into a regional fertilizer logistics and blending hub, enhancing its long-term viability within the national fertilizer ecosystem.

FCI Aravali Gypsum and Minerals India Ltd. (FAGMIL): Strategic Outlook

15. The Committee observe that FCI Aravali Gypsum and Minerals India Ltd. (FAGMIL) stands out as a lean yet consistently profitable PSU, operating with just 34 employees and a net worth of ₹251.33 crore against minimal liabilities of ₹9.72 crore. Despite this, gypsum production has declined from 5.05 LMT in 2020–21 to 2.79 LMT in 2023–24, raising concerns over resource management and operational stagnation. Given that gypsum is critical for soil reclamation in saline areas, for fertilizer and cement production besides dependence on imports, — FAGMIL strategic value remains underscored. The Committee note with concern that the disinvestment of a debt-free, financially sound entity such as FAGMIL is being considered without a comprehensive geological, environmental, and commercial reassessment of its mineable reserves and future viability, the Committee, therefore, recommend that disinvestment be deferred until a detailed resource valuation and mining potential study is conducted. The Ministry of Fertilizers should coordinate with the Ministry of Mines and relevant State Governments to expedite environmental clearances and enable optimized resource utilization. The Committee further suggest exploring public-private partnerships through joint ventures or long-term supply contracts with fertilizer and cement companies to enhance market stability and technological adoption. Additionally, FAGMIL should

diversify into downstream products such as gypsum boards, plasters, and specialty agricultural amendments to boost value addition, profitability, and employment generation. In conclusion, the Committee assert that FAGMIL's strong financials and strategic utility make it a valuable national asset whose growth, rather than divestment, should be prioritized.

Reviving Brahmaputra Valley Fertilizer Corporation Limited (BVFCL): Prioritizing Strategic Investment Over Disinvestment in the North-East

16. The Committee observe that Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) continues to face persistent financial stress, with a negative net worth, high legacy liabilities, and insufficient internal accruals for sustained operations. Despite these constraints, BVFCL holds strategic importance due to its location in Assam and its vital role in ensuring fertilizer availability and distribution in the North-East—an area often constrained by logistical challenges. The Committee notes that while Namrup-II has been shut down and Namrup-III operates below optimal efficiency, the proposed Namrup-IV plant is essential for the company's long-term viability and revival. The unencumbered land moving and infrastructure readiness further strengthens the case for modernization over disinvestment of BVFCL. In light of this, the Committee strongly recommend deferring any disinvestment plans until the successful implementation and stabilization of Namrup-IV. The Department of Fertilizers should proactively coordinate with Joint Venture partners, the State Government, and relevant stakeholders to fast-track the project within its 48-month timeline. In the interim, BVFCL should continue to receive operational support through budgetary grants

to bridge its working capital and maintenance gaps. Additionally, the Committee reiterates its call to reclassify fertilizer PSUs like BVFCL as part of the "strategic sector" under the PSE policy framework, acknowledging their critical role in regional and national food security.

Reconsidering Projects & Development India Ltd. (PDIL) Disinvestment: Preserving Strategic Expertise in Engineering and Gasification

17. The Committee observe that the proposed 100% disinvestment of PDIL lacks strategic justification, especially given its strong financials (net worth ₹175.97 crore, zero debt), successful diversification, and critical role in national initiatives like coal gasification under Atmanirbhar Bharat. Despite two failed disinvestment attempts and continued operational viability, the rationale—centred on consolidating consultancy services under Engineers India Ltd.—risks undermining PDIL's specialized expertise and weakening India's technical capacity in key sectors. As such, the Committee desire that the Government should not only revisit the strategic disinvestment of PDIL but also explore alternative monetization and operational models, such as minority stake sales, strategic collaborations, or establishing PDIL as a Centre of Excellence for engineering and gasification technologies in the fertilizer and chemical sectors if any disinvestment proposed must be preceded with detailed valuation audit, stakeholder consultations, and incorporation of enforceable safeguards for employee retention and technical continuity in the Share Purchase Agreement (SPA). Additionally, the Ministry should recognize and institutionalize PDIL's role as a nodal technical adviser for India's coal-to-chemical transition and provide

necessary financial and policy support to scale up its contributions across ministries and national missions.

<u>From Closure to Contribution: Reimagining HFCL and FCIL Under Atmanirbhar Bharat</u>

18. The Committee observe that Hindustan Fertilizer Corporation Limited (HFCL) and Fertilizer Corporation of India Limited (FCIL), though non-operational, hold vast tracts of strategically located land and infrastructure that have already enabled successful joint ventures like Hindustan Urvarak & Rasayan Limited (HURL) and Ramagundam Fertilizers & Chemicals Limited (RFCL). These ventures have significantly contributed to domestic urea production, validating the JV-based revival model. However, large portions of land in Durgapur and Haldia remain underutilized, despite their proximity to essential resources and industrial ecosystems. The ongoing Talcher coal gasification project offers a replicable model for reviving such units using indigenous technology. The Committee recommend institutionalizing the JV model for other closed units, expediting Talcher's commissioning, and undertaking a comprehensive land audit to resolve legal issues and unlock value. Strategic repurposing of HFCL and FCIL assets through public-private partnerships or targeted revival initiatives should be prioritized under Atmanirbhar Bharat to enhance fertilizer self-reliance and regional development. In conclusion, the Committee urges the Government to shift from a disinvestment-first approach to a "Revive, Modernize, Then Monetize" strategy that recognizes fertilizer PSUs as national assets vital to India's food sovereignty, climate resilience, and rural economy.

New Delhi;	**Azad Kirti Jha**
18 August, 2025	**Chairperson,**
27 Shravan, 1947 (Saka)	**Standing Committee on Chemicals and Fertilizers.**

APPENDIX - I

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS

(2024-25)

Minutes of the Third Sitting of the Committee

The Committee sat on Tuesday, the 12th November, 2024 from 1500 hrs. to 1730 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Azad Kirti Jha – Chairperson

MEMBERS

LOK SABHA

2. Shri Robert Bruce C.
3. Shri Bharatsinhji Shankarji Dabhi
4. Smt. Kriti Devi Debbarman
5. Shri Babu Singh Kushwaha
6. Shri Utkarsh Verma Madhur
7. Shri Balram Naik Porika
8. Shri Sachithanantham R.
9. Shri Eatala Rajender
10. Shri Daggumalla Prasada Rao
11. Shri Tharaniventhan M.S.
12. Dr. Ricky Andrew J. Syngkon

RAJYA SABHA

13. Shri Subhash Barala
14. Shri Subhash Chandra Bose Pilli
15. Shri Meda Raghunadha Reddy
16. Dr. Kalpana Saini
17. Shri Arun Singh
18. Shri Akhilesh Prasad Singh
19. Shri Tejveer Singh

SECRETARIAT

1.	Smt. Suman Arora	-	Additional Secretary
2.	Ms. Miranda Ingudam	-	Director
3.	Shri Kulvinder Singh	-	Deputy Secretary
4.	Shri Nagendra Suman	-	Deputy Secretary

5.	Shri Abhishek Kumar	-	Deputy Director
6.	Ms. Neelam Bhave	-	Committee Officer

WITNESSES

I. Representatives of the Ministry of Chemicals and Fertilizers (Department of Fertilizers)

1. Shri Rajat Kumar Mishra, Secretary (Fert.)
2. Ms. Aneeta C Meshram, Addl. Secretary
3. Shri Manoj Sethi, Joint Secy. & FA
4. Dr. Tina Soni, Joint Secretary
5. Ms. Aparna Sharma, Joint Secretary
6. Shri Bharat Bhushan, Sr. Eco. Advisor

II Representative of the Department of Public Enterprises (DPE)

1. Shri Amardeep Singh Chowdhary, Principal Advisor

III. Representative of the Department of Economic Affairs, Ministry of Finance

1. Shri Antony Cyriac, Advisor

IV. Representative of the Department of Investment and Public Asset Management (DIPAM)

1. Shri Shailender Kumar, Joint Secretary

v Representative of Public Sector Undertakings (PSUs)

1. Shri S. C. Mudgerikar, CMD, RCF
2. Shri S. Sakthimani, Dir. (Fin), FACT
3. Shri U. Saravanan, CMD, NFL/PDIL
4. Shri Manoj Kumar Jain, CMD, MFL
5. Brig. Amar S. Rathore, CMD, FAGMIL
6. Shri Pradip K. Banik, CMD, BVFCL

2. At the outset, the Chairperson welcomed the representatives of the Department of Fertilizers, and the representative of DIPAM, DPE and respective PSUs under the Ministry of Chemicals and Fertilizers to the Sitting of the Committee convened for Briefing on the subject – 'Matters relating to Disinvestment of Fertilizer PSUs – A Review'. Their attention was drawn to Direction 55(1) of the 'Directions by the Speaker' regarding confidentiality of the proceedings of the Committee.

3. The Chairperson in his opening remarks sought clarification on the rationale behind classifying the Fertilizer Sector as "Non-Strategic" under the New Public Sector Enterprises Policy for Atmanirbhar Bharat as notified by the DIPAM OM dated 04.02.2021 which implied that the sector would be considered either for privatization or closure. Specific attention was drawn to the operational status of fertilizer PSUs particularly profit-making ones and the need to reconsider their strategic importance considering the important role of the Fertilizer Sector in food security of the nation. The Chairperson also sought information regarding the feasibility of utilizing domestic resources, such as coal gasification, to reduce dependency on natural gas imports, the status of Nano Urea initiatives, and strategies to ensure the affordability and accessibility of fertilizers to farmers amidst global price volatility.

4. The Secretary, Department of Fertilizers provided an overview of the fertilizer sector, highlighting its significant contributions made in the field of indigenous production and innovation, including initiatives taken in the field of nano-urea. It was clarified that the Department of Fertilizers has a limited role in the disinvestment process, which is primarily under the jurisdiction of DIPAM and DPE. The Secretary elaborated on the challenges faced such as dependence on imported raw materials like gas and phosphate, which impede efforts to expand domestic production capacity.

5. The representatives of the Department of Investment and Public Asset Management (DIPAM) responded to the queries regarding classification of PSEs into Strategic and Non-strategic sector and also highlighted the Government's disinvestment strategies, explaining the distinction between minority stake sales and strategic disinvestment. The representatives while clarifying on over valuation, stakeholder retention, and compliance with SEBI norms, emphasized that the Government's policy is

to ensure efficiency and modernization of PSUs through private investments. Supplementing, the representative of the DPE also reiterated the benefits of financial restructuring for loss-making units. Members stressed the importance of ensuring fair valuation of PSU shares, noting their undervaluation despite consistent profitability and strong dividend records. The representatives also responded to specific points raised by the Members.

6. The Chairperson stressed upon revival of fertilizer units in Durgapur and Haldia considering the success of Barauni Unit as also the significant locational advantages including availability of coal and water resources nearby. Thereafter the Secretary clarified that to make fertilizer sector import free, the country has to stress on coal-gasification technology which will get rid of the issue of import of natural gas. Talcher Plant is based on the coal-gasification technology and once that comes up and running, the rest of the plant in Nellore, Durgapur and Haldia which are very strategically located can surely qualify for revival.

7. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information and asked them to furnish written replies to the points raised by the Members that remained unanswered, within 15 days time.

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

(The witness then withdrew).
The Committee then adjourned.

APPENDIX - II

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS
(2024-25)

Minutes of the Eighteenth Sitting of the Committee

The Committee sat on Friday, the 09th May, 2025 from 1030 hrs. to 1140 hrs. in Committee Room '2', Extension Parliament House Annexe (EPHA), New Delhi.

PRESENT

Shri Azad Kirti Jha – Chairperson

MEMBERS

LOK SABHA

2.	Shri Robert Bruce C.
3.	Shri Bharatsinhji Shankarji Dabhi
4.	Shri Malvider Singh Kang
5.	Shri Babu Singh Kushwaha
6.	Shri Praveen Patel
7.	Shri Balram Naik Porika
8.	Shri Eatala Rajender
9.	Shri Daggumalla Prasada Rao
10.	Shri Nalin Soren
11.	Shri Shivmangal Singh Tomar

RAJYA SABHA

12.	Shri Subhash Barala
13.	Dr. Kalpana Saini
14.	Shri Arun Singh
15.	Shri Akhilesh Prasad Singh
16.	Shri Tejveer Singh

SECRETARIAT

7. Smt. Maya Lingi - Joint Secretary
8. Shri Kulvinder Singh - Deputy Secretary
9. Shri Abhishek Kumar - Deputy Director

WITNESSES

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

1.	Shri Rajat Kumar Mishra, Secretary (DoF)
2.	Ms. Aneeta C Meshram, Addl. Secretary
3.	Ms. Aparna Sharma, Addl. Secretary
4.	Shri Bharat Bhushan, Sr. Eco. Advisor
5.	Dr. Pratibha A., Eco. Advisor
6.	Shri Anil Phulwari, Director

II Representatives of the Department of Public Enterprises (DPE)

1.	Shri Amardeep Singh Chowdhary, Principal Advisor

III Representatives of the of the Department of Investment and Public Asset Management (DIPAM)

1.	Dr. Alok Pande, Addl. Secretary
2.	Shri Amit Ray, Economic Advisor
3.	Ms. Mamta Meena, Director

IV Representatives of Public Sector Undertakings (PSUs)

1.	Shri S. C. Mudgerikar, CMD, RCF/FACT
2.	Dr. U. Saravanan, CMD, NFL/PDIL
3.	Shri Manoj Kumar Jain, CMD, MFL
4.	Shri Mohan Raj Shetty, CMD, BVCFL
5.	Brig. Amar S. Rathore, CMD, FAGMIL
6.	Shri Anupam Misra, Dir. (Mktg.), FACT
7.	Shri Priya Ranjan Panda, Advisor (Finance), MFL
8.	Shri S.S.Sekhawat, OSD, FCIL & HFCL

2. At the outset, the Chairperson welcomed the representatives of the Department of Fertilizers, and the representative of DIPAM, DPE and respective PSU under the Ministry of Chemicals and Fertilizers to the Sitting of the Committee convened to take an Evidence on the subject – 'Matters relating to Disinvestment of Fertilizer PSUs – A Review'. Their attention was drawn to Direction 58 of the 'Directions by the Speaker' regarding confidentiality of the proceedings of the Committee. In his opening remarks, the

Chairperson emphasized the critical importance of the fertilizer sector in maintaining agricultural productivity and food security. The Chairperson highlighted that the Department of Fertilizers had written to the Government in 2021 and 2022 requesting the reclassification of the fertilizer sector as "Strategic" under the New Public Sector Enterprise (PSE) Policy. This was based on the sector's essential role under the Essential Commodities Act, its contribution to domestic agricultural needs, and its linkages to critical sectors such as defence and mining. However, DIPAM declined the request, citing that CPSEs contribute only 25% to urea and 11% to non-urea production and that many were loss-making. The Chairperson noted that this decision appeared to neglect broader strategic considerations, including self-reliance, national production capacity, and the welfare of Indian farmers.

3. The Secretary, Department of Fertilizers, in his submission, provided an overview of the nine fertilizer PSUs under the Department, further elaborating the significant historical and ongoing contributions of these PSUs to the Green Revolution and indigenous fertilizer production. Together, they account for approximately 21% of urea and 11% of complex fertilizer production. The Secretary noted that companies like NFL and RCF were also investing in newer technologies like nano urea and nano DAP. However, it was clarified that, while the Department had advocated for strategic sector status, disinvestment decisions are taken by DIPAM. The Committee were apprised about FACT's financial restructuring proposal currently under consideration, which sought to convert a portion of old government loans into equity, repay the remaining principal in installments, and waive the heavy interest burden, currently totaling over ₹1,900 crore.

4. The representatives of the Department of Investment and Public Asset Management (DIPAM) outlined the two primary modes of disinvestment: minority stake sale with management control retained, and strategic disinvestment involving transfer of control. It was stated that four fertilizer PSUs—NFL, RCF, FACT, and MFL—had been identified for disinvestment. PDIL is currently undergoing strategic disinvestment, and the second round of expressions of interest had seen multiple responses. The representative further explained that in the case of NFL and RCF, although Cabinet approvals had been obtained for reducing the Government's stake, poor market demand and unfavorable

pricing conditions had delayed the actual stake sale. For these listed companies, DIPAM monitors share prices and works with merchant bankers to assess market readiness. The Chairperson, however, questioned whether appropriate safeguards had been planned to protect fertilizer access, price stability, and national interests. The Chairperson, further sought clarification on whether independent valuations have been carried out for these PSUs and raised concerns about disinvestment decisions being kept pending for up to seven years without clear action or outcome.

5. Members of the Committee, expressed strong reservations about prolonged delays, the lack of clarity in valuation processes, and the potential negative consequences of disinvestment on PSU morale, especially in the case of PDIL, whose employees were reported to have left due to uncertainty. It was noted that disinvestment decisions taken as early as 2016–18 had still not been implemented. The CMD of FACT elaborated on the company's precarious financial situation in the past and the current burden of high interest rates on Government loans, which were obstructing balance sheet improvement. He emphasized the importance of financial restructuring for any future disinvestment. The Committee also noted disparities in interest rates among PSUs and sought clarification on whether DIPAM had considered these factors while determining disinvestment suitability.

6. The Chairperson further questioned why disinvestment of fertilizer PSUs was proceeding in an ad hoc manner, without a consistent policy roadmap, and why critical minerals like phosphate and potash—recently declared strategic under the MMDR Act—were not influencing DIPAM's classification of fertilizer as a non-strategic sector. The Chairperson stressed that even if companies are currently excluded from disinvestment, their categorization as "non-strategic" leaves them vulnerable to future privatization without robust safeguards. Members also questioned whether DIPAM had conducted land and asset reassessments, especially for PSUs with urban land holdings. The Chairperson further advocated the need for the revival of fertilizer units in Durgapur and Haldia considering the significant infrastructure advantages, including coal and water resources available to boost indigenous production and bring down imports. The

Chairperson urged the government to allocate resources and prioritize the revival of these units, suggesting that such investments would enhance national self-reliance while benefiting farmers and the agricultural sector.

7. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information. The Chairperson stated that the Committee Secretariat would send a detailed post-briefing questionnaire covering unresolved points. Department was requested to furnish their written replies within seven days. The Chairperson affirmed that the Committee would present its report during the upcoming Monsoon Session of Parliament, and in the absence of sufficient responses, the Committee's report would reflect the oral testimonies recorded during the evidence.

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

(The witness then withdrew).

The Committee then adjourned.

APPENDIX – III

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2024-25) MINUTES OF THE TWENTY SIXTH SITTING

The Committee sat on Monday, the 18th August, 2025 from 1500 hrs. to 1700 hrs. in the Committee **Room '2', EPHA, New Delhi.**

PRESENT

SHRI AZAD KIRTI JHA - CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Brijmohan Agrawal
3. Shri Ajay Bhatt
4. Shri Robert Bruce C.
5. Shri Malvinder Singh Kang
6. Shri Babu Singh Kushwaha
7. Shri Utkarsh Verma Madhur
8. Shri Praveen Patel
9. Dr. Sambit Patra
10. Shri Balram Naik Porika
11. Shri Sachithanantham R.
12. Shri Eatala Rajender
13. Shri Nalin Soren
14. Dr. Ricky Andrew J. Syngkon

RAJYA SABHA

15. Shri Subhash Barala
16. Dr. Bhagwat Karad
17. Shri Subhash Chandra Bose Pilli
18. Shri Naresh Bansal
19. Shri Sanjay Raut
20. Shri Meda Raghunadha Reddy
21. Shri Arun Singh
22. Shri Tejveer Singh

SECRETARIAT

1. Smt. Maya Lingi	-	Joint Secretary
2. Ms. Miranda Ingudam	-	Director

3.	Shri Kulvinder Singh	-	Deputy Secretary
4.	Shri Nagendra Suman	-	Deputy Secretary
5.	Shri Panna Lal	-	Deputy Secretary
6.	Shri Abhishek Kumar	-	Deputy Director
7.	Ms. Neelam Bhave	-	Under Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up for consideration, the following Draft Reports:

(i) XXXX XXXX XXXX XXXX
(ii) XXXX XXXX XXXX XXXX
(iii) XXXX XXXX XXXX XXXX
(iv)
(v) Twelfth Report on the subject 'Matters pertaining to Disinvestment of Fertilizer PSUs - A review' pertaining to the Department of Fertilizers, Ministry of Chemicals and Fertilizers.
(vi) XXXX XXXX XXXX XXXX
(vii) XXXX XXXX XXXX XXXX
(viii) XXXX XXXX XXXX XXXX
(viii) XXXX XXXX XXXX XXXX

3. Giving an overview of the important Observations/Recommendations contained in the draft Reports, the Chairperson solicited the views/suggestions of the Members.

4. After some deliberations the Committee decided to Adopt five (05) Draft Reports *viz*, 03 ATRs and 02 subject Reports i.e, the Ninth, Tenth, Eleventh, Twelfth and Thirteenth draft Reports. The Committee then authorized the Chairperson to finalize the Reports and present/lay the Reports in the ongoing Session in both the Houses of Parliament.

5. The Committee decided to consider Draft Report No. Fifteenth and Sixteenth for adoption in the next Sitting of the Committee to be held on 19.08.2025 at 1600 hrs. onwards.

***The Committee then adjourned*.**