

CHAPTER IV : MINISTRY OF CHEMICALS AND FERTILIZERS

Fertilizer Industry Coordination Committee

4.1 Non-recovery of interest on overpaid subsidy

Interest of ₹ 25.78 crore was not recovered on overpaid subsidy due to downward revision of concession rate.

Fertilizer Industry Coordination Committee (FICC) instituted a revised procedure (26 March 2004) for submission of bills for payments/recoveries in respect of urea units. As per this procedure, in case of any recovery from units arising out of de-escalation in the input prices and consequent downward revision in the group concession rate, the differential amount¹ was required to be deposited by these units within a period of 45 days. Delayed credits attracted interest at the rate of 3 *per cent* above the State Bank of India's prime lending rates.

Test check of records for the years 2013-14 to 2015-16 revealed that consequent upon notification of de-escalation of concession price, the urea units mentioned in the table below were required to deposit the differential amount of ₹ 1506.03 crore to FICC. It was, however, observed that instead, FICCI recovered/ adjusted the amounts from the subsequent subsidy payments to these units, and though delays in such recovery/adjustment ranged from 8 to 142 days, FICC did not recover interest of ₹ 25.78 crore. Details are given below:

Sl. No.	Name of the Unit	Date of notification of de-escalation	Due date by which the differential amount was to be deposited by the unit	Date on which differential amount was recovered by FICC from subsequent bill	Delay in recovery of the differential amount (delay in days)	Amount recovered by FICC on account of annual de-escalation (₹ in crore)	Prime lending rate on the due date	Rate of interest required to be levied (3 <i>per cent</i> above SBI prime lending rate)	Non recovery of interest (₹ in crore) ²
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1.	Chambal Fertilizers and Chemicals Ltd-I	01.10.2013	15.11.2013	02.04.2014	137	15.60	14.75	17.75	1.03
		06.01.2015	20.02.2015	06.04.2015	44	53.14	14.75	17.75	1.14

¹ Difference between net realisation and rate of concession

² Calculation of non-recovery of interest = (Col. F x Col. H x Col. E) / (100x365)

2.	Gujarat Narmada Valley Fertilizers Corporation	26.11.2013	10.01.2014	04.04.2014	83	12.22	14.75	17.75	0.49
		09.06.2015	24.07.2015	12.08.2015	18	207.01	14.45	17.45	1.78
3.	Indo Gulf Fertilizers	22.12.2014	05.02.2015	07.04.2015	60	41.44	14.75	17.75	1.20
4.	KRIBHCO	12.09.2013	27.10.2013	22.01.2014	86	119.47	14.55	17.55	4.94
5.	National Fertilizers Ltd. Vijaypur-II	11.12.2012	25.01.2013	16.04.2013	80	116.89	14.50	17.50	4.48
		10.02.2015	27.03.2015	07.04.2015	10	178.55	14.75	17.75	0.86
6.	National Fertilizers Ltd. Bhatinda	24.06.2015	08.08.2015	17.08.2015	08	515.18	14.45	17.45	1.97
				15.09.2015	37	39.04	14.45	17.45	0.69
7.	Tata Chemicals Ltd.	30.11.2012	14.01.2013	06.06.2013	142	79.33	14.50	17.50	5.40
		22.01.2015	08.03.2015	07.04.2015	29	128.16	14.75	17.75	1.80
Total					1506.03				25.78

Thus, non-observance of the prescribed procedure by FICC resulted in non-recovery of interest of ₹ 25.78 crore on delayed credits arising due to de-escalates in concession rate.

Department of Fertilizers (DoF) replied (May 2016) that sometimes, FICC was unable to make timely subsidy payments to the urea units due to non-availability of budget, but no interest was paid to the units. If interest was levied on the units for delayed recovery/adjustment of downward revision of group concession rate, the urea units may resort to litigation, and FICC may not be able to defend their stand.

The reply of DoF is not acceptable. The provision for recovery of interest was instituted by FICC, and it was presumably done with full understanding of ground realities.