

FERTILISER POLICY – 1944 to 2024

(HIGHLIGHTS)

1944: Central Fertilizer Pool

The Government of India established the “Central Fertilizer Pool” in 1944 to ensure equitable distribution of all fertilisers at fair prices all over the country. All fertilisers irrespective of domestic or imported were pooled together under Central Fertilizer Pool and distributed through state agencies.

1957: Fertiliser (Control) Order

In 1957, the Government of India passed the Fertiliser (Control) Order (FCO) under the Essential Commodities Act (ECA) to regulate the sale, price, and the quality of fertilisers.

1965: Committee on Fertilisers (Sivaraman Committee)

The Government of India constituted a ‘Committee on Fertilisers’ in 1964, headed by **Shri B. Sivaraman**, Secretary, Department of Agriculture, Government of India, to examine the problems connected with the distribution of all chemical fertilisers, pricing of fertilisers, role of cooperatives in their marketing, and the role of extension services in the promotion and popularisation of the use of fertilisers. The Sivaraman Committee submitted its report in 1965. The Sivaraman Committee made a number of recommendations, which laid the foundation regarding production, promotion, distribution, and consumption of fertilisers in the country.

1966: Liberalisation of Fertiliser Marketing

Fertiliser marketing liberalised as per the recommendations of the Sivaraman Committee Report. The manufacturers were given freedom to market up to 50% of their production.

1969: By 1969, domestic manufactures were given complete freedom in marketing. But this was short-lived.

1972: Half-yearly Zonal Conferences

In the early seventies, shortages of fertilisers were experienced in the country. Consequently, the government started regulating the distribution of fertilisers under the Essential Commodities Act (ECA) and the concept of Half-yearly Zonal Conferences was introduced in 1972. All the fertilisers were distributed by the manufacturers according to their ECA allocation during the two cropping (Kharif and Rabi) seasons, as per the supply plan fixed at the zonal conferences.

1973: Fertiliser Movement Control Order

Fertiliser shortages in the early 1970’s led the government to pass the Fertiliser Movement Control Order in 1973, which brought fertilizer distribution and its inter-state movement under government control.

1976: Fixed Subsidy per tonne on P₂O₅

During mid-1970’s, the prices of fertilisers and raw materials escalated steeply in the international market as a result of oil crisis. To meet partially the increasing cost of production/ import, the Government of India initially introduced fixed subsidy of Rs.1250 per tonne P₂O₅ w.e.f. 17th March, 1976.

1977: Fertilizer Prices Committee (Marathe Committee) Report Part I

To resolve the dilemma of how to keep farm gate prices of fertilisers at an affordable level in the face of rising production / import costs, the Ministry of Chemicals & Fertilizers constituted a committee in January 1976, namely, “Fertilizer Prices Committee,” under the chairmanship of **Shri S. S. Marathe**, Chairman, Bureau of Industrial Costs, and Prices. The committee was set up to study the basis of existing pricing of fertilisers and recommend a pricing policy which would ensure a fair return on investment on a sustained manner. The objective was to ensure that both producers and consumers of fertilisers found it worthwhile to produce and use fertilisers. The committee was also asked to evolve a pricing policy for

pricing of the imported fertilisers in relation to cost of imports. The committee submitted Part I of its Report in May 1977.

RPS for Nitrogenous fertilisers introduced in 1977

Based on the recommendations of the Marathe Committee, the Retention Price Scheme (RPS) was introduced for various fertilisers. *The RPS for nitrogenous fertilisers (except ammonium chloride) was introduced in November 1977.*

1978: Fertilizer Prices Committee (Marathe Committee) Report Part II

The Fertilizer Prices Committee submitted Part II of its report in 1978 which covered pricing of complex fertilisers, equated freight, and distribution of fertilisers. The committee recommended the continuation of ECA allocations introduced in July 1972 and introduction of an equated freight system for each unit. The recommendations of the committee were accepted.

1979: RPS for Complex fertilisers introduced

The RPS for complex fertilisers was introduced in February 1979. The fixed subsidy of Rs.1250 per tonne P₂O₅ on complex fertilisers was discontinued and replaced by RPS. However, the fixed subsidy on SSP continued. **The Equated freight scheme was introduced with effect from 1.2.1979.**

1980-81: Decontrol of Ammonium Sulphate (A/S), and Calcium Ammonium Nitrate (CAN)

The prices of A/S and CAN (25% N) were decontrolled from 8th June, 1980.

Block Delivery Scheme

To promote the use of fertilisers in the remote and inaccessible areas, the government introduced "Block Delivery Scheme" (BDS) during 1980-81. The objective of the policy was to encourage opening of retail outlets in the interiors away from the railheads. After the introduction of BDS, the government allowed the reimbursement of cost of secondary freight from railheads to the block headquarters.

1982: SSP brought under RPS

Per tonne fixed subsidy on SSP withdrawn and replaced with RPS w.e.f 23rd May 1982.

1984: A/S and CAN brought under price control

A/S and CAN were brought under statutory price control w.e.f 21st August, 1984 and 7th September, 1984, respectively.

1985: Ammonium chloride was brought under RPS during 1985.

1986: High Powered Committee of Secretaries (B. B. Singh Committee)

In April 1983, the Department of Fertilizers in the Ministry of Chemicals & Fertilizers, constituted a "High Powered Committee of Secretaries", headed by **Shri B. B. Singh**, Secretary (Fertilizers), to conduct an in depth study of the Retention Prices Scheme, covering the cost of production, the capital cost of fertiliser plants, the cost of inputs, and seeking an analysis of the factors contributing to the increase in the cost of production and subsidy in order to suggest remedial measures to contain the subsidies.

The Committee evolved a group retention price for each of the different feedstock for existing units and recommended a shift to uniform price later so as to allow plants time to adjust. The committee favoured a tariff adjusted import parity price for new gas based units. *None of the major recommendations of the Committee were accepted.*

1987: High powered Committee on Fertilizer Consumer prices (G. V. K. Rao Committee)

The government of India in the Ministry of Agriculture & Rural Development, Department of Agriculture & Cooperation set up a "High powered Committee on Fertilizer Consumer prices" on 1st May '84. Initially, **Dr. A. S. Kahlon** was appointed chairman of the Committee. Consequent to the resignation of Dr. Kahlon, **Dr. G. V. K. Rao**, I.A.S (Retd.) was appointed chairman of the Committee

effective from July, 1985. The committee submitted its report in 1987 in which, it made several recommendations. It recognized fertiliser as a key input for agricultural production and recommended the systematic development of the dry lands, improvement in soil testing laboratories, creation of more soil testing capacities, future product pattern in the form of urea, DAP and MOP, with the continuance of existing NPK fertiliser capacity, incentives for fertiliser promotion, monitoring fertiliser use efficiency, strengthening of credit, abolition of sales tax, etc. The committee also felt that the prices of fertilisers could be increased by 5 to 7 per cent, provided the country has achieved a cumulative increase of 30 per cent in the consumption of fertilisers during the preceding 3 years.

1991: Dual Pricing

The retail prices of fertilisers were raised by 30 per cent w. e. f 14th August 1991. The government of India tried to experiment with “dual pricing” of fertilisers on a limited scale by exempting small & marginal farmers from the hike of 30 percent on the retail prices of fertilisers with effect from 14th August, 1991. The government earmarked funds on the basis of the area held by the small and marginal farmers upto a limit of 2 hectares and the average per hectare consumption of fertilisers during 1990-91 in each state. But the scheme did not succeed. It was operational for a brief period, from 14th August’91 to 31st March’92 and was discontinued after that.

Decontrol of A/S, CAN and Ammonium Chloride

The prices of Ammonium Sulphate, CAN and Ammonium Chloride were decontrolled w. e. f 25th July, 1991.

1992: BICP Report on Normative Retention Price of Fertilizers

In April 1991, the Committee of Secretaries of the Government of India requested BICP to assess the feasibility of a group retention price for new gas based fertiliser plants along the HBJ pipeline. The “BICP study” recommended a normative approach for determining capital costs for the gas based units. The normative cost approach was meant to encourage more efficient investment and provide a more prudent design approach. *The recommendations of the Committee were not implemented.*

1992: Joint (Parliamentary) Committee on Fertilizer Pricing

A Joint Committee on Fertilizer Pricing was formed in 1991 under the Chairmanship of Shri Pratap Rao Bhosale, Member of Parliament (Lok Sabha), to review the method of computation of Retention Prices for different manufacturers of fertilisers and to suggest whether there was any scope for reducing fertiliser prices within the existing scheme or whether a new methodology for fertiliser pricing could be evolved without causing undue strain to the exchequer, and at the same time assuring fair prices to the farmers and a fair return to the manufacturers. The Committee submitted its report on the 20th August, 1992.

The main conclusions and recommendations of the Committee were that the rise in subsidy had been mainly due to rise in the prices of inputs which were not reflected in the farm gate prices, increase in the cost of imported fertilisers, devaluation of the rupee in July 1991 and the stagnant farm gate prices from 1980-1991. The Committee did not favour total decontrol of all fertilisers but recommended decontrol price and distribution of the phosphatic and potassium fertilisers along with a marginal 10 per cent reduction in the consumer price of urea. The committee noted the lack of incentives in RPS for fertiliser units to optimize capital costs of plants, and recommended a detailed study of the RPS as well as the working of the FICC by a Committee of Experts.

Decontrol of P & K fertilisers

Based on the recommendations of the Joint (Parliamentary) Committee on Fertiliser Pricing, the prices, movement and distribution of all phosphatic and potassic fertilisers were decontrolled w.e.f. 25th August, 92.

Ammonium sulphate, CAN and Ammonium chloride brought under price control

Ammonium sulphate, CAN and Ammonium chloride were brought back under statutory control w. e. f 25th August, 1992.

Decanalisation of Raw materials, Intermediates and DAP

The import of rock phosphate and sulphur was decanalised w.e.f 1st March'92. Import of ammonia and phosphoric acid was decanalised w.e.f 1st April'92. Import of DAP was decanalised w. e. f 17th September'92.

Concession on decontrolled P & K fertilisers introduced

As a result of the decontrol of phosphatic and potassic fertilisers, the retail prices of these fertilisers increased significantly. With a view to partially compensate the increased cost of decontrolled fertilisers, an *ad hoc concession* (later termed as *concession*) of Rs.1000 per tonne each for DAP and MOP, Rs.435-999 per tonne for NP/NPK fertilisers was announced effective from Rabi 1992-93. The rates of concession were revised from time to time in the later years.

1993: Decanalisation of MOP

Import of MOP was decanalised w. e. f 17th June,'93.

Ad hoc concession on SSP

Ad hoc concession for SSP was announced from **Kharif 1993**.

1994: Decontrol of A/S, CAN and Ammonium Chloride

The prices of Ammonium Sulphate, CAN and Ammonium Chloride were decontrolled w. e. f 10th June, 1994.

1998: High Powered Fertilizer Pricing Policy Review Committee (HPC) (Hanumantha Rao Committee)

The Government of India constituted a 'High Powered Fertilizer Pricing Policy Review Committee (HPC)' under the chairmanship of **Prof. C. H. Hanumantha Rao**, former member, Planning Commission to review the existing system of subsidization of urea, suggest an alternative broad-based, scientific, and transparent methodology, and recommend measures for greater cohesiveness in the policies applicable to different segments of the industry. The HPC, which submitted its report to the Government on 3rd April 1998, recommended that unit-wise RPS for urea may be discontinued and a uniform Normative Referral Price (NRP) be fixed for existing gas based urea units and also for DAP. A Feedstock Differential Cost Reimbursement (FDCR) could be given for a period of five years for non-gas urea units.

2000: Expenditure Reforms Commission (ERC)

The Expenditure Reforms Commission headed by **Shri K. P. Geethakrishnan**, former Finance Secretary, had gone into the question of rationalizing fertilizer subsidies. The commission submitted its report on the 20th September, 2000. It recommended the dismantling of the control system in a phased manner, leading to a decontrolled fertiliser industry at the commencement of fourth stage, which can compete with imports albeit with a small level of protection and a feedstock cost differential compensation to naphtha / LNG based units to ensure self-sufficiency.

(a) First stage (1.2.2001 to 31.3.2002) – The existing urea manufacturing units will be grouped into 5 categories – (i) pre-1992 gas based units, (ii) post 1992 gas based units, (iii) naphtha based units, (iv) FO/LSHS based units and (v) mixed feedstock units. The individual retention prices to be replaced by a fixed concession for units in each of these groups. Distribution control will be done away with. The system of the determination of maximum retail price by the government to be continued.

(b) Second stage (1.4.2002 to 31.3.2005) – The concession to be reduced to reflect the possibility of reasonable improvement in feedstock use efficiencies and reduction in capital related charges.

(c) Third stage (1.4.2005 to 31.3.2006) – It reflects the feasibility of all non-gas based plants of modernizing and switching over to LNG. For plants which will not be able to switch over to LNG as feedstock, only the level of concession that the unit would have been entitled to if it had switched over to LNG would be allowed.

(d) Fourth stage (from 1.4.2006) - The fourth stage, to commence from 1st April, 2006 when the industry was to be decontrolled. The commission recommended a 7 per cent increase in the price of urea every year from 1.4.2001. This way the open market price will reach Rs.6903 per tonne by 1.4.2006, a level at which the industry could be freed from all controls and be expected to compete with imports, with a variable levy to ensure availability of imported urea at the farm gate price of Rs.7000 per tonne. No concession will be necessary from this date onwards for gas based plants. The fuel oil/ LSHS and mixed feed stock plants, existing naphtha plants converting to LNG, as also new plants and substantial additions to existing plants will be entitled to a feed stock differential with that for LNG plants serving as a ceiling.

The ERC also recommended that the farm-gate prices of nitrogenous, phosphatic and potassic fertilisers should be fixed so as to promote balanced fertiliser use. It was suggested that once the price of urea is re-determined every six months, the prices of potassic and phosphatic fertilisers should be suitably adjusted to ensure the desired NPK balance.

2001

Expert Committee on Reassessment of Production Capacity (Alagh Committee)

The Department of Fertilizers constituted an “Expert Committee” under the Chairmanship of **Dr. Y. K. Alagh**, Eminent Economist & Former Union Minister, to reassess the production capacity of Urea manufacturing units. The terms of reference of the committee included (a) the method of reassessment to be adopted, (b) the effective cut off date to be adopted for the purpose of recovery on the method of reassessment, (c) quantification of total amount of unintended benefits accrued to each unit and suggest modalities to recover the amounts thus quantified. The committee submitted its report in March 2001. Based on the recommendations of the committee, the capacities of 22 ammonia-urea plants were reassessed with effect from 1.4.2000 for the purpose of pricing and subsidy.

Cost Price Study of Complex Fertilizers (Tariff Commission)

On the request of the Ministry of Agriculture, the Tariff Commission under the Ministry of Commerce and Industry undertook a 'Cost Price Study of Complex Fertilizers' to decide the rates of concession of decontrolled complex fertilisers covered under the Concession Scheme. The commission submitted its report in May 2001. The commission recommended the delivered prices of various complex fertilizers for (a) Group I comprising units with gas as feedstock, (b) Group II comprising of the units using predominantly naphtha. The commission also recommended that the Department of Fertilizers may consider carrying out cost-benefit analysis to assess desirability for switching over to imported ammonia by the units under Group II to reduce costs and concessions.

2003

Committee on Cost Price Study of Diammonium Phosphate (Indigenous and Imported) and Muriate of Potash (Imported)

The then Bureau of Industrial Costs & Prices (BICP) had conducted a study in 1998-99 for DAP/MOP and recommended the normated industry price for indigenous DAP based on the prices of the group of units using imported phosphoric acid and imported ammonia, which constituted 70% of total production of the country. Uniform concession rates for decontrolled fertilisers were announced from 1999-2000 based on the BICP study. Subsequently, two new units, i.e., Oswal Chemicals & Fertilisers and Hindalco Industries Ltd., based on captive phosphoric acid went into production. The share of units using captive phosphoric acid has gone up substantially. Accordingly, a committee was set up under the chairmanship of **Dr. V. K. Agnihotri**, Chairman, Tariff Commission, Ministry of Commerce & Industry,

Govt of India to undertake cost evaluation in respect of DAP, both indigenous and imported and MOP and work out the delivered prices of the products. The committee submitted its report in February 2003. Based on the recommendations of the committee, the indigenous DAP units have been divided into two groups, i.e., plants based on (i) captive phosphoric acid and (ii) imported phosphoric acid.

Committee on Efficient Energy Levels, etc. for Urea Units (Gokak Committee)

Based on the suggestions made by the ERC, the Department of Fertilizers appointed a Committee on 'Efficient Energy Levels, etc. for Urea Units' under the chairmanship of **Shri A. V. Gokak**, to suggest energy consumption norms for urea units and other related matters, keeping in view to do away with the individual RPS and introduce a Group Concession Scheme. The Committee submitted its report during May 2003.

The committee suggested three stages for its recommendations, viz., Stage I – 1.4.2003 to 31.3.2004, Stage II – 1.4.2004 to 31.3.2006, and Stage III – 1.4.2006 onwards.

The committee recommended to group urea units into six categories, viz., i) pre-'92 gas based plants, ii) post-'92 gas based plants, iii) pre-'92 naphtha based plants, iv) post-'92 naphtha based plants, v) FO/LSHS based plants, vi) mixed energy based plants. In case consumption of alternative feedstock/fuel in a gas based unit exceeds 25%, the classification of the unit should be shifted from gas based to the mixed energy group until the mix again changes warranting its inclusion in the gas based group.

The committee did not recommend any specific efficiency norms for Stage I as urea units did not have any time to adjust to any norms. The committee recommended pre-set energy levels at stage II for each group based on the weighted average consumption figures (excluding outliers) for the period 1999-2000 to 2001-02. For the period beyond stage II, the committee set the energy level benchmarking as the lowest weighted average level attained by a urea unit in each group in the 3 year period, i.e. 1999-2000 to 2001-02 be considered as target energy norm beyond stage II for all the units in that group. However, the benefits that accrue to the urea units as a result of higher efficiency due to capital investment shall not be mopped up and the urea units in each group should continue to get the energy figures fixed for the group under stage II.

The committee carried out comparison of energy consumption figures of ammonia and urea plants of three large producers in the world namely, China, USA, and India and found that Indian plants compare favourably with the plants outside India in terms of specific energy consumption. It also observed that the average energy consumption of 25% most efficient Indian ammonia-urea plants is lower than the average of 25% most efficient plants in the world.

New Pricing Scheme for Urea units (NPS) (Stage I and II)

Based on the recommendations of various committees, a new pricing policy for urea units was approved by the Government on 19.12.2002. The New Pricing Scheme came into force w.e.f 1. 4. 2003. The new policy aimed at greater transparency, uniformity, and efficiency in disbursements of subsidy payments to urea units and inducing them to take cost reduction measures on their own and be competitive. The scheme was implemented in three stages.

- (a) Stage-I for one-year duration from 1.4.2003 to 31.3.2004
- (b) Stage-II for two years duration from 1.4.2004 to 31.3.2006
- (c) Stage- III from 1.4.2006 onwards. The modalities were to be decided by the Department of Fertilizers (DOF) after review of the implementation of Stage-I and Stage-II.

The scheme introduced a group based concession, which replaced RPS. The NPS envisaged phased decontrol of movement, distribution and sale of urea which was hitherto entirely under the purview of ECA allocations. For the Kharif 2003 season, 75% of the despatches of each manufacturer was covered under ECA allocation and the balance 25% could be sold freely anywhere in India. For the Rabi 2003-04

seasons, this ratio was changed to 50:50. The scheme is still continuing. For quantities sold under the ECA, units are allowed equated freight in the same manner as for the 8th pricing period. For urea sold under the free category (urea outside the ECA allocation), the equated freight has been reduced by Rs.100/te. Under Stage II of NPS, the capital related charges and consumption norms were tightened.

2004: Cost Price Study of Single Super phosphate (CAB Report)

The Cost Accounts Branch (CAB) under Department of Expenditure of the Ministry of Finance was requested by the Department of Fertilizers to undertake cost study of Single Super phosphate industry in India. The report on 'Cost price Study of Single Super phosphate' was submitted by CAB in April 2004. The committee recommended (i) fixation of maximum retail price by the central government, (ii) a fresh cost study after every three years and (iii) review of price, based on price adjustment formula every quarter/six months, in consultation with the CAB. Fair prices should be worked out based on price adjustment formula as recommended on a quarterly basis by the manufacturing units based on actual prices of inputs used by them duly certified by practising cost accountant and submitted to the government. Time bound scheme needs to be framed so that states ensure issuance of certificates to the industry within specified time once sales have materialized. Subsequently, as a temporary relief, the government enhanced the concession of SSP from Rs.650 per tonne to Rs.975 per tonne w.e.f 1st September 2005 on an ad-hoc basis.

2005

Working Group on Review of Stage I & II of New Pricing Scheme (NPS) and formulation of Policy for Stage III for Urea units (Alagh Committee)

The New Pricing Scheme (NPS) for urea in force from the 1st April, 2003 was to be implemented in three stages. Stage-I was applicable for one year i.e., up to the 31st March, 2004 and the second stage was for two years from the 1st April, 2004 to the 31st March, 2006. The policy for Stage-III commencing from the 1st April, 2006 was to be formulated and announced based on the experience of Stages I and II. Accordingly, the Government of India set up a 'Working Group on Review of Stage I & II of New Pricing Scheme (NPS) and formulation of Policy for Stage III for Urea units' under the chairmanship of Eminent Economist & Former Union Minister, **Dr. Y.K. Alagh** on the 10th December, 2004. The Working Group submitted its report in December 2005.

Expert Group on Phosphatic Fertilizer Policy (Abhijit Sen Committee)

The government of India constituted an 'Expert Group on Phosphatic Fertilizer Policy' under the chairmanship of Prof. Abhijit Sen, Member, Planning Commission to review the current phosphatic fertiliser environment, examine international and Indian phosphatic fertiliser scenario and examine alternatives to the existing methodology of phosphatic fertilizer pricing and costing. The Expert Group submitted its report during October 2005. The committee made a number of recommendations and suggested the subsidy on DAP to form the basis for subsidy on other phosphatic and complex fertilisers. The subsidy on DAP would have 3 components, viz. (1) difference in the landed price of imported DAP (including customs duty) and the MRP, (2) cost of marketing including the selling and distribution expenses and dealers' margin (Rs.350 per tonne) and (3) to offset disadvantage to the domestic manufacturers of vis-à-vis abroad. Floor and ceiling for the disadvantage has been recommended as 5% and 20% of CFR price of DAP. The government may review the competitiveness achieved by the industry in future and accordingly consider downward revision of the two limits. The cost of domestic production would be arrived at taking into account the normated cost of phosphoric acid, international ammonia prices, cost of conversion, and capital cost based on norms given by the tariff commission. The marketing cost of Rs.1350 would be escalated on annual basis linked to WPI (General) index. The adjustment in subsidy of the first two components would be made quarterly after taking into account the prevalent international prices and foreign exchange rates. The expert group did not recommend any immediate change in the MRP. However, changes in MRP may be considered in case the MRP goes below 65% of the landed price of

imported DAP. The government may, however, consider revision in the MRP of DAP in case any revision is brought in the MRPs of other nutrients.

Task Force on Balanced Use of Fertilisers

The imbalanced use of chemical fertilisers and neglect of organic manure caused many problems, like stagnation in productivity, soil sickness, widespread deficiency of secondary and micro nutrients, spread in salinity and alkalinity, etc. The fertiliser use is also skewed in the country. In this context, the Ministry of Agriculture constituted a 'Task Force on Balanced Use of Fertilisers', under the chairmanship of **Shri A. K. Singh**, Additional Secretary, Department of Agriculture and Cooperation to relook at the policy on use of fertilisers. The committee recommended the restoration of NPK use ratio at the macro level by increasing the use of nutrients P and K instead of reducing the intake of nitrogen. However at the micro level, the application of nutrient has to be soils, crops, and climate specific. Among other major recommendations, the committee suggested strengthening of soil testing laboratories, fertiliser quality control laboratories, efforts for promotion of green manures, vermi compost, enriched organic manures, micronutrients, expansion of area under fertigation, etc. The committee also felt the need for recognition of sulphur as a critical input at par with NPK for price fixation and subsidy and the extension of subsidy to other secondary and micro nutrients. The existing pricing mechanism need to be made conducive for balanced fertilization by properly adjusting the pricing and subsidy on nutrient basis. *The recommendations of the Report have been accepted in principle.*

2006

Fertilizer Monitoring System

Department of Fertilizers, Ministry of Chemicals, Petrochemicals took initiative to provide comprehensive information on fertilisers in a dynamic timeframe in 2005. Subsequently, **Fertilizer Monitoring System** was developed and put on public domain in January 2006. The underlying objective was to monitor movement of various fertilisers at various stages in their value chain on day to day basis. The web site focusses on various fertilisers and provides information on the fertiliser companies dealing with these fertilisers, the rate of concession on each fertiliser, its MRPs and productwise / statewide details of despatch and receipts of fertilisers at different destinations across the country.

2007

New Pricing Scheme for Urea units (NPS) (Stage III)

Government notified the New Pricing Scheme (NPS) Stage III for urea units on the 8th March, 2007. The NPS Stage II scheduled to be expired by the 31st March, 2006 was extended upto 30th September, 2006. The NPS Stage III came into force from 1st October 2006 and will be effective upto 31st March 2010. The policy aims at greater efficiency in urea production and its distribution in the country.

The Policy seeks to encourage urea production from the indigenous urea units beyond 100% of their reassessed capacity by introducing a system of incentives for additional urea production subject to merit order procurement. All production between 100% and 110% of the existing reassessed capacity, as per the approved production plan will be incentivised on the existing net gain sharing formula between the government and the unit in the ratio of 65:35, respectively. Units increasing production beyond 110% may be compensated at their concession rate, subject to the overall cap of import parity price (IPP). The provision of prior Government permission for additional urea production has been dispensed with.

NPS Stage III sought to promote the usage of natural gas, which is an efficient and comparatively cheaper feedstock for production of urea. A definite time schedule of three years has been provided for conversion of all non-gas based units to gas. To expedite conversion, the Policy provides for non-mopping

up of energy efficiency for a period of five years for naphtha and F.oil/ LSHS based plants. Units not able to tie up gas will have to explore alternative feedstock like coal bed methane (CBM) and coal gas.

The Policy encourages setting up joint venture (JV) fertiliser plants abroad in countries where gas is available in abundance and at reasonable prices. The JVs for urea will be set up abroad subject to the condition that the government will enter into long term buy back arrangements with JVs abroad depending upon merits.

The government will continue to regulate movement of urea up to 50% of production depending upon the exigencies of the situation. States would be required to allocate the entire quantity of planned urea arrivals for regulated and deregulated urea in a district-wise, month-wise, and supplier-wise format. The units will be required to maintain a district level stock point (primary godowns) in the districts where it is required to supply urea. The monitoring of movement and distribution of urea throughout the country upto district level will be done by an on-line web based system. The Department of Fertilizers (DOF), Ministry of Chemicals & Fertilizers, will operate a buffer stock through the state institutional agencies/ fertiliser companies in states upto a limit of 5% of their seasonal requirement.

MAP brought under concession scheme

Imported MAP (11-52-0), including powdered MAP was brought under concession scheme for decontrolled phosphatic and potassic fertilisers w.e.f 1.4.2007. GOI decided that concession payable on these fertilisers will be capped to that payable on imported DAP and no additional concession/ cost would be reimbursed for processing powdered MAP to granulated MAP.

Cost Pricing Study of DAP, Complex Fertilisers & MOP by Tariff Commission

The Department of Fertilizers entrusted a fresh Cost Price Study on the DAP, MOP and Complex Fertilisers to the Tariff Commission (TC) in November, 2006. The Commission submitted its report in December, 2007. Salient features of the recommendations are stated below:

a) The normative delivered price of all complex fertilisers, including DAP has been worked out on the basis of per unit material cost of four nutrients namely N, P, K, & S and other costs. Sulphur (S) has been recognized as a nutrient in pricing for the first time and compensation for S bearing complex fertilisers has been allowed accordingly with lump sum compensation for use of sulphur in manufacturing other fertilisers.

(b) For determining the normative production levels, the TC has adopted a norm of 85% of capacity utilization. The minimum efficiency factor for conversion of raw materials/intermediates used by TC in the case of DAP is 97% for N and 98% for P. The minimum efficiency factor in the case of other complexes for nutrients N, P and K is 96%. Upper limit of efficiencies have been adopted at 99% for all the nutrients.

(c) All domestically produced complex fertilisers, including DAP have been grouped as complex fertilisers for the purpose of determining normative nutrient cost/total delivered cost.

(d) For the purpose of determining the price of nutrient N, the units have been divided into four groups based on the source of nitrogen namely natural gas, naphtha/fuel oil, imported ammonia/urea mix and imported ammonia. For determination of price of P and K nutrients, a single reference price has been adopted.

(e) For determination of other costs, the complex fertiliser units have been categorised in four groups depending on the sources of N as explained above. The TC has also suggested a uniform other costs as an alternative.

(f) Freight is recognized as a separate component from other costs for indigenous fertilisers. A separate report on state-wise lead distance for DAP/complex fertilisers from factory/port to consumer destination was also submitted by TC.

(g) Separate compensation has been recommend for IFFCO-Paradeep unit based on Long Run Marginal Costing to take care of the capital investment in acquisition of the unit and revamping cost.

(h) Escalation/de-escalation formula has been provided for updating prices of four nutrients N, P, K and S. Escalation formula for freight is also provided.

(i) Delivered cost of imported DAP and MOP has been worked out with normative handling and distribution cost including freight element.

(j) The Commission has recommended compensation to the industry on delayed payments by way of payment of interest by the Government of India.

2008

Guidelines for production and use of Customised Fertilisers

Keeping in view the focus of balanced fertilization, GOI formulated guidelines for production and use of customized fertilisers under Clause 20B of FCO, 1985. The guidelines were issued on March 11, 2008 to enable interested companies to initiate the process of developing different grades of customized fertilisers. The guidelines broadly covered the definition, eligibility criteria, grades, quality requirement, and tolerance limit, labeling and pricing of customized fertilisers.

As per the guidelines, permission for manufacture and sale of customized fertilisers shall be granted to the manufacturing companies whose annual turnover is Rs.500 crores or above, having soil testing facility with annual capacity of 10,000 samples per annum and should have analyzing capacity for NPK, micronutrient and secondary nutrient. The proposed grades shall be based on area specific and crop specific soil testing results. All subsidized fertilisers can be used for manufacturing of customized fertilisers. The company shall fix reasonable MRP for its approved grades of customized fertilisers.

Revised concession scheme for SSP for 2008-09

GOI implemented a revised concession scheme for SSP with effect from 1st May, 2008 for the year 2008-09. The new policy for SSP has made provision for fixation of uniform MRP throughout the country by the Central Government unlike the earlier practice of MRP being fixed by the State Governments. The policy also provided for monthly revision in the concession rates to reflect the variation in prices of raw-materials vis-à-vis indigenous and imported rock phosphate and imported sulphur. For the first time, the policy recognized sulphur content in SSP while fixing MRP. The policy continued upto 30th September, 2009.

Policy for encouraging production and availability of fortified and coated fertilisers

To promote use of secondary and micro nutrients and to improve fertiliser use efficiency, the Government of India has allowed the fortification / coating of fertilisers specified in Fertilizer Control Order (FCO), up to 20% of their total production w.e.f 1st June 2008. The manufacturers have also been allowed to charge additional cost involved in manufacture of these fertilisers from the consumers as per the Government guidelines. The manufacturers / producers of fertilisers are allowed to sell the FCO approved fortified/ coated subsidized fertilisers, except for Zincated urea and Boronated SSP at a price upto 5% above the MRP. For Zincated urea and Boronated SSP, the manufacturers are allowed to charge upto 10% above MRP of urea and SSP, respectively.

Nutrient based pricing of subsidized fertilisers

GOI introduced nutrient based pricing of subsidized fertilisers to promote balanced fertilisation. As per the scheme, the per unit price of nutrients N, P, K and S will be the same in all complex grade fertilisers. Consequently, MRPs of complex fertilizers have been significantly reduced w.e.f. 18th June 2008. The nutrient prices of urea, DAP and MOP are the benchmark for determining the prices for nutrient

prices of N, P and K. For the first time, sulphur has been recognized as a primary nutrient to be covered under the Concession Scheme.

Indigenous and imported TSP under the concession scheme

GOI included TSP under the concession scheme w.e.f 1st April 2008.

Indigenous Amm. Sulphate under concession scheme

GOI included indigenous Ammonium Sulphate (20.6-0-0-23) under the concession scheme w.e.f 1st July 2008.

Policy on P & K fertilisers

The government of India continued the Concession scheme on decontrolled P & K fertilisers w.e.f 1st April 2008 with the following policy:

DAP

In the policy for Phosphatic and Potassic fertilizers there has been a departure from hitherto cost plus approach. The subsidy has been benchmarked to Import Parity Price (IPP) of DAP. Unlike in the past, there will be uniform subsidy for imported and indigenous DAP based on IPP concept.

NP/ NPK Complex Fertilisers

In case of complex fertilisers, the price of P₂O₅ will be determined on the basis of imported DAP. The price of 'K' will be determined on the basis of imported MOP. The price of 'N' will continue to be determined on unit wise basis, in a rationalized manner. Cost of 'S' in sulphur containing complex fertilisers will be recognized based on the price of imported sulphur.

Policy for uniform freight subsidy on all fertilisers

GOI approved a separate uniform freight subsidy policy on all subsidized fertilisers covered under the NPS III for indigenous urea and the concession scheme on P & K fertilisers. The policy implemented w.e.f 1st April 2008. Under the new uniform freight policy inland freight for transportation of fertilizers will be reimbursed to the fertiliser companies from plant/port upto the block level. For this, rates would be calculated based on actual railway freights and in case of road transport, it will be based on the average lead distance of all the blocks in the district and the State level truck rates from rake point to the block. The state governments will be responsible for confirming the receipts of fertilisers as indicated in the movement plan in FMS.

Policy related to Surplus Ammonia from Urea units

The policy for sale of surplus ammonia from domestic urea units was notified on the 19th August, 2008 and was made applicable from 1st August, 2008. The policy will be applicable to all urea producing units covered under NPS. The sale will include inter-unit or intra-unit transfer of ammonia and also surplus capacity created by debottlenecking/revamp/modernization of urea/ammonia plant. It will, however, not be applicable for multi-product/integrated fertiliser units where APM gas will be allocated on priority for production of urea and other subsidized fertilisers and actual mix excluding APM gas will be allowed towards energy for remaining urea and surplus ammonia.

The policy on sale of surplus ammonia is classified under three categories: (1) urea production is less than 100% of re-assessed capacity and surplus ammonia is due to technical reasons. In this case, net gain from sale of surplus ammonia will be shared between the Government and the unit in the ratio of 65:35 respectively. (2) Urea production at 100% of re-assessed capacity & beyond and surplus ammonia available due to technical reasons. Under this category, the Government will take only 35% of the net gain and balance 65% will be left for the unit. (3) Surplus ammonia due to non-technical or commercial reason.

Here, net gain will be shared in the ratio of 90:10 between the Government and the industry. For all the above three categories, the actual input mix of energy used for entire production of urea and ammonia including surplus ammonia would be considered. The quantum of energy consumed for surplus ammonia would be taken on actual basis as furnished by the units in their annual escalation/de-escalation claims.

The net gain will be computed as 'net sales realization at import parity price minus the variable cost of ammonia as per FICC'. Import parity price (IPP) will be an annual value for a particular year and will be computed as the lower of the following two values:

- (i) Actual weighted average CIF price of ammonia imported in India during the period of 12 months starting from the last month of the preceding year and including the first 11 months of the current year, and
- (ii) The average IPP (CIF) reported in Fertiliser Market Bulletin, Fertilizer Week and Fertecon Weekly Nitrogen Fax for the similar period as stated in (i).

As per the policy, sale of surplus ammonia will be allowed only for domestic consumption and not for exports. The sale of surplus ammonia between 8th March, 2007 and 31st July, 2007 will be covered under the existing provision of NPS-III notified on 8th March, 2007. Thus, the policy for surplus ammonia given in NPS-III will stand amended as above.

Policy for new investments in urea sector and long term offtake of urea from joint ventures abroad

GOI approved and made applicable the policy for new investments in urea sector, both indigenous and abroad w.e.f the 4th September, 2008. In this policy also, a departure has been made from cost based approach and benchmarking has been made to imports. Main features of the policy are as under:-

- (a) The additional urea from (i) Revamp of existing units (within four years of Notification) will be recognized at 85% of Import Parity Price (IPP), (ii) Expansion of existing units (within five years of Notification) at 90% of IPP, (iii) Revived units of HFC and FCI (within five years of Notification) at 95% of IPP, with the floor and ceiling prices of US\$ 250 per tonne and US\$ 425 per tonne, respectively in each category.
- (b) The price of urea from the Greenfield projects will be derived through a bidding route, with percentage discount over IPP, with an appropriate floor and ceiling price.
- (c) The coal gasification based urea projects will be treated at par with brown field or Greenfield project as the case may be. In addition, these projects will also get incentives or tax benefits.
- (d) The joint venture projects abroad will be encouraged through firm off take contracts with pricing decided on the basis of prevailing market conditions and in mutual consultation with the joint venture partners. The principle for deciding upon the maximum price will be the price achieved under the green field projects or 95% of IPP subject to a floor of US\$ 225/tonne CIF India and a cap of US \$405/tonne CIF India inclusive of handling and bagging cost.

2009

Revised policy for ad hoc concession for SSP

The revised policy for ad hoc concession for SSP came into force from 1st October, 2009. As per the revised policy, the government has decided to leave the selling price of SSP open w.e.f 1st October, 2009 in place of existing all-India MRP of Rs.3400 per tonne for powered SSP. Accordingly, the selling

price of granulated and boronated SSP will also be open. An ad hoc concession of Rs. 2000 per tonne will be provided to powdered, granulated and boronated SSP w.e.f 1st October, 2009.

2010

NBS policy for P & K fertilisers

In the context of nation's food security, the declining response of agricultural productivity to increased fertilizer usage in the country has been a matter of concern. To ensure balanced application of fertilisers, the government intended to move towards a nutrient based subsidy regime (NBS) instead of existing product pricing regime. The policy is expected to promote balanced fertilization through new fortified products and lead to an increase in agricultural productivity and consequently better returns for the farmers. The Govt. of India implemented the first phase of Nutrient Based Subsidy (NBS) policy for P & K fertilisers w.e.f 1st April, 2010. The per kg NBS for nutrient 'N', 'P', 'K' and 'S' for 2010-11 have been fixed at Rs.23.227, Rs.26.276, Rs.24.487 and Rs.1.784, respectively. The NBS to be paid on each nutrient will be decided annually by the government. The nutrient based subsidy so decided by the Government will be converted into subsidy per tonne for each subsidized fertiliser. The NBS is applicable for DAP, MOP, MAP, TSP, 12 grades of complex fertilisers and Ammonium sulphate (Caprolactum grade of GSFC and FACT). Per MT additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne. Manufacturers of customized fertilisers and mixture fertilisers will be eligible to source subsidized fertilisers from the manufacturers/ importers of subsidized fertilisers. The market price of subsidized fertilisers, except urea will be determined based on demand/supply balance. The fertiliser companies will be required to print retail price along with applicable subsidy on the fertiliser bags.

20 per cent of the decontrolled fertilisers produced/imported in India will now be in the movement control under the ECA 1955 to bridge the supplies in underserved areas. Freight subsidy on the decontrolled fertilisers will be restricted to the rail freight.

Import of all the subsidized P & K fertilisers is placed under Open General License (OGL). However, subsidy will not be applicable on imported Ammonium sulphate during the first phase. Import of urea will remain canalized during the first phase.

NBS policy for SSP

The Govt. of India implemented Nutrient Based Subsidy (NBS) policy for SSP w.e.f 1st May, 2010. The per kg NBS for nutrient 'P' and 'S' for 2010-11 fixed at Rs. 26.276 and Rs.1.784, respectively, for SSP. Accordingly, per tonne NBS for powder and granulated SSP for 2010- 11 w.e.f 1st May, 2010 fixed at Rs.4400 inclusive of cost of freight. 20 per cent of the SSP produced will now be in the movement control under the ECA 1955 to bridge the supplies in underserved areas. The SSP producers/ marketers will be required to print maximum retail price along with applicable subsidy on the fertiliser bags.

Inclusion of NPK 16-16-16 complex fertiliser under NBS

The Govt. of India included complex fertiliser grade 16-16-16, indigenously produced and imported under the NBS w.e.f 1st July, 2010. Per tonne NBS for complex fertiliser grade 16-16-16, indigenously produced and imported fixed at Rs, 11838 w.e.f 1st July, 2010 for 2010-11.

IPP 2009-10 policy for Stage III of NPS for urea

The Government of India notified the policy for new investment in urea sector w.e.f. the 4th September, 2008 keeping the principles of Import Parity Price (IPP) with the floor and the ceiling price for new investments and long term off take of urea from joint venture abroad. The IPP is applicable for recognition of incentivisation of additional production both under the NPS-III policy and the new investment policy.

No expansion projects/revival projects or Greenfield projects have been commissioned under the policy until 2011. However, there may have been instances of production from indigenous urea unit beyond the cut off quantities notified under the policy. The indigenous units producing urea beyond the cut off quantity are eligible for payment of subsidy at 85% IPP subject to floor and ceiling price only if the total production of the unit crosses 105% of the cut off quantity or 110% of the reassessed capacity, whichever is higher. Moreover, the APM gas should not be considered for production beyond the cut off quantities notified for each urea unit and would be taken for production of urea below the cut off quantity.

Modification in NBS policy for P & K fertilisers for 2010-11

The Government reduced the subsidy rates for P and K nutrients to Rs.25.624 and Rs.23.987, respectively, w.e.f. 1st January, 2011 through a notification dated 1st December, 2010 with N and S rates remaining unchanged. This was due to exclusion of the secondary freight element included earlier in the NBS. The secondary freight was now allowed to be paid in line with the uniform freight applicable for urea. In case of SSP, in addition to the NBS, a lump sum freight of Rs. 200 per tonne will be provided.

Recognition of Boron (B) included under NBS for additional subsidy

Boron 'B' has been included as a nutrient under the NBS for additional subsidy. Subsidised fertilisers fortified with Boron (B) and Zinc (Zn) are eligible for additional subsidy of Rs.300 per tonne and Rs.500 per tonne, respectively.

Inclusion of 15-15-15-09 and 24-24-0-0

The Govt. of India included complex fertiliser grades 15-15-15-09 and 24-24-0-0, indigenously produced and imported under the NBS w.e.f. 1st October, 2010. The per tonne NBS for complex fertiliser grade 15-15-15-09 and 24-24-0-0 were fixed at Rs. 11259 and Rs. 11881, respectively, w.e.f. 1st October, 2010 and Rs. 11086 and Rs. 11724, respectively, w.e.f. 1st January, 2011.

2011

Task Force on Direct Benefit Transfer (DBT)

The Government of India has been providing subsidies on fuel, foodgrains and fertilisers to enable the common man to have access to these basic necessities at affordable prices. To ensure greater efficiency, cost effectiveness and better delivery for both kerosene and fertilisers, the Government decided to move towards direct transfer of cash subsidy to people living below poverty line in a phased manner as stated in the Union Budget 2011-12. In this context, a Task Force headed by Shri Nandan Nilekani was set-up to work out the modalities for the proposed system of direct transfer of subsidy for kerosene, LPG and fertilisers. The Task Force recommended phase-wise roll out of DBT of fertiliser subsidy to farmers.

35% of indigenous Neem Coated Urea allowed for production

Indigenous manufacturers / producers of urea are allowed to produce Neem Coated urea which has been incorporated in Schedule 1 of the Fertiliser Control Order, 1985, up to a maximum of 35% of their total production of respective subsidized fertilizers w.e.f. 11th January, 2011.

MRP of Boronated SSP

Subsidised fertilisers fortified with Boron (B) and Zinc (Zn) are eligible for additional subsidy of Rs.300 per tonne and Rs.500 per tonne, respectively. Boronated SSP being a premium, value added fertiliser, manufactures/ marketers of Boronated SSP are allowed to fix its MRP accordingly and if necessary, higher than Powdered and Granulated SSP as per the notification of the GOI dated, 11th January, 2011.

Inclusion of 16-44-0-0 (DAP lite) under NBS

The Govt. of India included fertiliser grade 16-44-0-0 (DAP lite) indigenously produced and imported under the NBS w.e.f. 1st February, 2011. The per tonne NBS for fertiliser grade 16-44-0-0 (DAP lite) was fixed at Rs. 14991 w.e.f. 1st February, 2011.

Central Excise and Customs Duty on fertilisers

Govt. of India has levied 1% excise duty (without availing credit of duty on inputs or tax on input services under the CENVAT Rules 2004) / 5% (with availing credit of duty on inputs or tax on input services under the CENVAT Rules 2004) on finished fertilisers w.e.f 1st March, 2011.

The duty is chargeable at ad valorem rates and the duty is computed on the 'transaction value' of the goods as and when they are cleared from the factory. Since, fertilizers are sold under subsidy scheme at MRP, excise duty would be applicable on the MRP and not on the total cost of production. The additional cost will be recovered by the fertiliser companies through MRP of fertilisers.

NBS policy for P & K fertilisers – 2011-12

The Government initially notified NBS rates per kg of nutrient N, P, K and S in November 2010 and March 2011 for 2011-12. The rates were significantly lower than ruling international prices. Thereafter, the final rates of subsidy per kg. of nutrients N, P, K and S were notified on 5th May, 2011 by the Government at Rs.27.153, Rs.32.338, Rs.26.756 and Rs.1.677 respectively for 2011-12 w.e.f 1st April, 2011.

The NBS is applicable for indigenously produced and imported DAP (18-46-0), DAP lite (16-44-0), MAP (11-52-0), TSP (0-46-0), MOP (0-0-60), 15 grades of complex fertilisers, SSP and indigenous Ammonium Sulphate (20.6-0-0-23 Caprolactum grade produced by GSFC and FACT).

Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continued.

Manufacturers of customized fertilisers and mixture fertilisers will continue to be eligible to source subsidized fertilisers from the manufacturers/ importers of subsidized fertilisers after their receipt in the districts as inputs for manufacturing customized fertilisers and mixture fertilisers for agricultural purposes. There would be no separate subsidy on sale of customized fertilisers and mixture fertilisers.

The market price of subsidized fertilisers, except urea will be determined based on demand/supply balance. The fertiliser companies will be required to print retail price along with applicable subsidy on the fertiliser bags. Counter Vailing Duty/ Excise Duty as applicable would also be recoverable by way of suitable increase in MRPs.

20 per cent of the decontrolled fertilisers produced/imported in India will continued to be in the movement control under the ECA 1955 to bridge the supplies in underserved areas.

The secondary freight was allowed to be paid in line with the uniform freight applicable for urea. Freight for direct road movement (primary movement) would be subject to lower of actual claim and equivalent rail freight. Direct road movement will be allowed to a maximum distance of 500 KM. In addition to the NBS for SSP, a lump sum freight of Rs. 200 per tonne will be provided.

Inclusion of 13-33-0-6, MAP lite 11-44-0-0 and DAP lite grade II 14-46-0-0 under NBS

The Govt. of India included the imported NPKS complex fertiliser grade 13-33-0-6, MAP lite 11-44-0-0 and DAP lite grade II 14-46-0-0 under NBS w.e.f. 30th August, 2011. The per tonne NBS for

NPKS complex fertiliser grade 13-13-0-6, MAP lite 11-44-0-0 and DAP lite grade II 14-46-0-0 were fixed at Rs. 14302, Rs. 17216 and Rs. 18677, respectively, w.e.f. 30th August 2011.

2012

Mobile based fertilizer management system (mFMS)

Based on the recommendations of the Task Force on DBT, a mobile based fertilizer management system (mFMS) was designed by National Informatics Centre (NIC) to provide end-to-end information on the movement of fertilisers from manufacturers to the retail level.

The mFMS was rolled out across the states w.e.f 1st November 2012. Part payment of subsidy (5% in case of urea and 10/15% in case of P & K fertilizers) was linked to sale of fertilizers by the wholesalers to retailers and receipt acknowledgement of the same by the retailers.

NBS policy for P & K fertilisers – 2012-13

The rates of subsidy per kg. of nutrients N, P, K and S were notified on 29th March, 2012 by the Government at Rs.24.000, Rs.21.804, Rs.24.000 and Rs.1.677 respectively for 2012-13 w.e.f 1st April, 2012.

Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continued.

Manufacturers of customized fertilisers and mixture fertilisers will continue to be eligible to source subsidized fertilisers from the manufacturers/ importers of subsidized fertilisers after their receipt in the districts as inputs for manufacturing customized fertilisers and mixture fertilisers for agricultural purposes. There would be no separate subsidy on sale of customized fertilisers and mixture fertilisers.

The market price of subsidized fertilisers, except urea will be determined based on demand/supply balance. The fertiliser companies will be required to print retail price along with applicable subsidy on the fertiliser bags. Counter Vailing Duty/ Excise Duty as applicable would also be recoverable by way of suitable increase in MRPs.

20 per cent of the decontrolled fertilisers produced/imported in India will continued to be in the movement control under the ECA 1955 to bridge the supplies in underserved areas.

Freight reimbursement on account of primary movement of P & K fertilisers (except SSP) by railway shall be paid as per actual on the basis of railway receipts. No freight reimbursement shall be made on account of secondary movement of P & K fertilisers. Freight reimbursement on account of direct road movement of P & K fertilisers (except SSP) shall be paid as per the actual subject to maximum of equivalent rail freight. Maximum allowable distance under direct road movement shall be 500 Kms.

Policy for reimbursement of freight for P & K fertilisers under NBS

The policy for reimbursement of freight for P & K fertilisers under NBS was revised and notified on 23rd July, 2012 for the period (i) 1.1.2011 to 31.3.2012 and (ii) with effect from 1.4.2012 onwards.

(a) Freight policy for P & K fertilisers w.e.f. 1.1.2011 to 31.3.2012

- i. Reimbursement of freight on account of primary movement (by rail from the plant or the port to various rake points) of all P & K fertilisers (except SSP) shall be reimbursed on the basis of actual rail freight as per the railway receipt.

- ii. Reimbursement of freight on account of secondary movement (by road from the nearest rake points to the block head quarters in the districts) of all P & K fertilisers (except SSP) shall be made as per the uniform freight subsidy policy applicable to urea during the period.
- iii. Freight subsidy for direct road movement (by road from plant or port to blocks) of all P & K fertilisers (except SSP) shall be paid as per actual claims subject to the equivalent rail freight with a maximum limit upto 500 Kms.
- iv. A lump-sum freight subsidy of Rs. 200 per tonne on SSP shall be paid w.e.f. 1.1.2011 to 31.8.2011 and thereafter no freight subsidy would be paid on SSP during the period from 1.9.2011 to 31.3.2012.

(b) Freight policy for P & K fertilisers w.e.f. 1.4.2012

- i. Freight on account of primary movement of all P & K fertilisers (except SSP) shall be reimbursed on the basis of actual rail freight as per the railway receipt.
- ii. There shall be no reimbursement on account of secondary movement of all P & K fertilisers (including SSP).
- iii. Freight subsidy for direct road movement of all P & K fertilisers (excluding SSP) shall be reimbursed as per the actual claims subject to the equivalent rail freight to be announced by DoF from time to time. The maximum allowable distance under the direct road movement shall be 500 Kms.
- iv. Special compensation on account of secondary freight for all P & K fertilisers (except SSP) shall be provided for difficult areas, viz., Himachal Pradesh, Uttarakhand, Sikkim, Jammu & Kashmir, Seven North-East States and Andaman & Nicobar Islands.

2013

New Investments Policy 2012

The investment policy for 2008 attracted investments only for revamp of some existing ammonia-urea plants. No investment came for brownfield or green field projects. The government notified a New Investment Policy 2012 (NIP 2012) on 2nd January 2013 to facilitate fresh investments in urea sector.

The policy provides a structure of a floor price and a ceiling price for the amount payable to urea units, to be calculated based on delivered gas price to respective urea units. The floor and ceiling price of each urea unit shall be operative with respect to the computed IPP. Salient features of the policy are presented in the following table.

Sr. No.	Item	Unit	Revamp projects	Expansion/ Brownfield projects	Greenfield / Revival of closed urea units of HFCL and FCI projects
1.	Gas price upto (delivered)	US\$ per million BTU	7.5	6.5	6.5
2.	Floor price of Urea	US\$ per MT	245	285	305
3.	Ceiling price of urea	US\$ per MT	255	310	335
4.	IPP to be recognized		85%	90%	95%
5.	Gas price escalation formula for each US\$ 0.1 per MMBTU				

	i) Gas price upto US\$ 14 per MMBTU		Increase in Floor & Ceiling price of Urea by US\$ 2.2/ MT	Increase in Floor & Ceiling price of Urea by US\$ 2/ MT	Increase in Floor & Ceiling price of Urea by US\$ 2/ MT
	ii) Gas price above US\$ 14 per MMBTU		Increase in Floor price of Urea by US\$ 2.2/ MT	Increase in Floor price of Urea by US\$ 2/ MT	Increase in Floor price of Urea by US\$ 2/ MT
<p>In the event of delivered gas price crosses US\$ 14 per million BTU, the units (whether revamp, expansion/brownfield, greenfield or revival) shall be paid only the floor price based on the delivered gas price. All other conditions like ceiling price and recognition of IPP w.r.t IPP shall not be operational.</p>					
<p><i>Joint ventures abroad (in gas rich countries):</i> Decisions regarding urea off-take agreement for JV units setup abroad shall be taken on case-to-case basis, based on the prevalent IPP of urea price and availability of indigenous gas, cost of gas being offered to the JV and demand supply gap of urea in the country.</p> <p>The policy was put on hold by the government for further revision.</p> <p>NBS policy for P & K fertilisers – 2013-14</p> <p>The rates of subsidy per kg. of nutrients N, P, K and S were notified on 3rd May, 2013 by the Government at Rs.20.875, Rs.18.679, Rs.18.833 and Rs.1.677, respectively, for 2013-14 w.e.f. 1st April, 2013. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continued.</p> <p>Manufacturers of customized fertilisers and mixture fertilisers will continue to be eligible to source subsidized fertilisers from the manufacturers/ importers of subsidized fertilisers after their receipt in the districts as inputs for manufacturing customized fertilisers and mixture fertilisers for agricultural purposes. There would be no separate subsidy on sale of customized fertilisers and mixture fertilisers.</p> <p>The market price of P & K fertilisers is open and fertiliser companies are allowed to fix MRPs at reasonable level. The fertiliser companies will be required to print retail price along with applicable subsidy on the fertiliser bags.</p> <p>20 per cent of the decontrolled fertilisers produced/imported in India will continue to be in the movement control under the ECA 1955. DOF will regulate the movement of these fertilisers to bridge the supplies in underserved areas.</p> <p>2014</p> <p>NBS policy for P & K fertilisers – 2014-15</p> <p>The rates of subsidy per kg. of nutrients N, P, K and S were notified on 31st March, 2014. The rates of subsidy per kg. of nutrients for N, P, and S remain unchanged at Rs.20.875, Rs.18.679 and Rs.1.677, respectively, for 2014-15 w.e.f. 1st April, 2014. However, the rate of subsidy per kg. of nutrient K has been reduced to Rs.15.500 for the same period. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continues. Other elements of the policy broadly remain unchanged.</p>					

Modified NPS III for existing urea units

The modified NPS-III policy for existing urea units was notified on 2nd April, 2014. The salient features of the policy are given below:

(i) Additional fixed cost

The modified NPS-III policy provides for maximum additional fixed cost towards increase in the four components of conversion cost viz., salaries & wages, contract labour, selling expenses and repair & maintenance of Rs. 350 per tonne to existing urea units or actual increase in above four components during the year 2012-13 compared to the year 2002-03 whichever is lower.

(ii) Minimum fixed cost

The minimum fixed cost of Rs. 2300 per tonne or actual fixed cost prevailing during 2012-13 whichever is lower after taking into account the compensation indicated above will be paid.

(iii) Special compensation to urea plants which have completed 30 years and converted to gas

The special compensation of Rs. 150 per tonne will be paid to gas based urea plants which have converted to gas and are more than 30 years old. This is in addition to item (i) and (ii) mentioned above.

Other elements of policy remain unchanged, except policy for continuing production from high cost naphtha based units.

(iv) Production from high cost naphtha based units

The production from high cost naphtha based units namely SPIC, Tuticorin; MFL, Manali and MCFL, Mangalore will continue under Modified NPS-III till the gas availability and connectivity is provided to these units or June 2014 whichever is earlier beyond which subsidy for naphtha based plants will not be paid. Subsequently, the period was extended upto 30th September 2014. Consequently, naphtha based urea plants were shut down from 1st October, 2014.

Amendment to New Investment Policy – 2012

The Government of India (GOI) notified the Amendment to New Investment Policy on the 7th October, 2014. The amendment does away with the “dispensation of guaranteed buy-back” outlined earlier, to support only those companies who are serious about setting up new urea projects. The following amendments to the New Investment Policy have been made.

i) Only those units whose production starts within 5 years from the date of this amendment notification will be covered under the policy. Subsidy will be given only upon domestic sale as at present for a period of 8 years from the date of start of production. Thereafter, the units will be governed by the urea policy prevalent at that time.

(ii) To ensure seriousness/ credibility of the project proponents under NIP-2012 and for timely execution of the projects, all the project proponents will be required to furnish Bank Guarantee (BG) of Rs.300 crores for each project. The BG will be linked to milestones in the project cycle. Out of Rs.300 crores, Rs.100 crores of BG will be released after finalization of LSTK/EPCA contractors and release of advance to the contractor’s account; Rs.100 crores of BG will be released on completion of requirements ordering the supply to the site or midpoint of the project cycle, whichever is earlier; and the balance of Rs.100 crores of BG on completion of the project. PSUs are, however, exempted from furnishing the BG.

Revision of Domestic Gas prices

The Cabinet Committee of Economic Affairs (CCEA) approved the new domestic gas pricing policy on 18th October, 2014. The following has been approved by the CCEA:-

The gas price is proposed to be determined as per the formula given below:

$$P = \frac{(VHH \text{ PHH} + VAC \text{ PAC} + VNBP \text{ PNBP} + VR \text{ PR})}{(VHH + VAC + VNBP + VR)}$$

Where

- (a) VHH = Total annual volume of natural gas consumed in USA & Mexico.
- (b) VAC = Total annual volume of natural gas consumed in Canada.
- (c) VNBP = Total annual volume of natural gas consumed in EU and FSU, excluding Russia.
- (d) VR = Total annual volume of natural gas consumed in Russia.
- (e) PHH and PNBP are the annual average of daily prices at Henry Hub (HH) and National Balancing Point (NBP) less the transportation and treatment charges.
- (f) PAC and PR are the annual average of monthly prices at Alberta Hub and Russia respectively less the transportation and treatment charges.

A few other salient points are given below.

The periodicity of price determination/notification shall be half yearly. The price and volume data used for calculation of applicable price shall be the trailing four quarter data with one quarter lag. The price so notified would be on GCV basis as input prices in the formula are on GCV basis.

The revised gas price, so determined would be applicable to all gas produced from nomination fields given to ONGC and OIL India, NELP blocks, such Pre-NELP blocks where PSC provides for government approval of gas prices and CBM blocks. In the NER region, the 40% subsidy would continue to be available for gas supplied by NGC/OIL.

2015

Cap/restriction to produce Neem Coated Urea removed

GOI issued a notification on 7th January 2015 regarding its approval to remove the cap/restriction to produce Neem Coated Urea. As per the notification, the indigenous producers of urea were allowed to produce Neem Coated Urea (listed in Schedule I of the FCO, 1985) up to maximum of their total production of subsidized urea. It was also decided to restrict the extra 5% of MRP to be charged by the companies on Neem Coated Urea for future to the extent of 5% of the existing MRP of urea only i.e. Rs.5360 per MT.

Mandatory production of Neem Coated urea

On 24th March, 2015, GOI issued a notification making it mandatory for all the indigenous producers of urea to produce 75% of their total production of subsidised urea as Neem Coated urea. Other terms and conditions continued to remain same.

Thereafter, on 25th May, 2015, GOI issued a notification making it mandatory for all the indigenous producers of urea to produce 100% of their total production of subsidised urea as Neem Coated urea. Other terms and conditions continued to remain same.

Pooling of gas in fertilizer (Urea) sector

The Cabinet Committee on Economic Affairs approved a policy intervention on 31st March, 2015 to supply gas at uniform delivered price to all fertiliser plants on the gas grid for production of urea through a pooling mechanism. The policy would reduce inter plant variation in energy cost element in the total cost of production of urea.

New urea policy 2015

GOI notified New Urea Policy-2015 for existing gas based urea manufacturing units on 25th May, 2015. The New Urea Policy – 2015 will be effective from 1st June 2015 to 31st March 2019. As per the policy, existing gas based units will be classified into three groups as given below.

Group I : NFL-Vijaipur I & II, KRIBHCO-Hazira, Indo Gulf (Now Grasim Ind.)-Jagdishpur, IFFCO-Aonla I & II, KSFL-Shahjahanpur, CFCL-Gadepan I & II, TCL (Now, Yara Fert India)-Babrara, NFCL-Kakinada I & II and IFFCO-Phulpur II.

Group II: IFFCO-Kalol, GSFC-Baroda, RCF-Thal and GNVFC-Bharuch.

Group III: NFL-Nangal, NFL-Panipat, NFL-Bhatinda, ZACL-Goa, SFC-Kota, RCF-TrombayV, IFFCO-Phulpur I and KFCL-Kanpur.

Pre-set energy norms for 3 groups are as follows.

Group I : urea units having pre-set energy norms between 5.0 G. Cal/ MT to 6.0 G Ca/ MT.

Group II : urea units having pre-set energy norms between 6.0 G.Cal/ MT to 7.0 G Ca/ MT.

Group III: urea units having pre-set energy norms more than 7.0 G.Cal/ MT

25 gas based units will be eligible to get concession rates on the basis of energy norms fixed for each group from 1st June, 2015 to 31st March, 2018.

Revised energy norms for three years (2015-16 to 2017-18): For the year 2015-16 (from 1st June, 2015 onwards), 2016-17 and 2017-18, the revised energy norms would be the simple average of pre-set energy norms of NPS-III and average actual energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS III whichever is lower.

Energy norms for the year 2018-19 will be:

Group I: 5.5 G. Cal/ MT except TCL, Babrara for which, existing pre-set energy consumption norm of NPS-III, i.e., 5.417 G Cal/MT will continue

Group II: 6.2 G.Cal/ MT.

Group III: 6.5 G.Cal/ MT.

BVFCL-Namrup: BVFCL-Namrup-II and BVFCL-Namrup III are proposed to be closed and to install a new high efficiency unit and will be dealt separately under their restructuring proposal. Till then, these two units will function under the provisions of Modified NPS-III.

Naphtha based plants: MFL-Manali, MCFL-Mangalore and SPIC-Tuticorin are allowed by the Government to operate on naphtha on existing provisions for a period till these plants get assured supply of gas either by gas pipeline or any other means.

The units will be eligible for subsidy on the basis of the revised energy norms from 17th June, 2015 which would be the simple average of pre-set energy norms of NPS-III and lowest yearly specific energy consumption achieved during the years 2011-12, 2012-13 and 2013-14 or the pre-set energy norms of NPS-III, whichever is lower.

The concession rates for these plants will be determined notionally on the basis of weighted average of the delivered cost of RLNG to the recently converted plants after deducting state taxes (VAT,

Entry tax) on RLNG or the cost of production of urea from Naphtha/FO after deducting state taxes levied on Naphtha/FO consumed for urea production (VAT, Entry tax) on Naphtha / FO, whichever is lower.

The specific energy consumption norms for these three units from financial year 2018-19 will be 6.5 G Cal / MT of urea.

Compensation for other variable cost and fixed cost: The compensation for other variable cost , e.g., the cost of bag, water charges and electricity charges and fixed cost will be determined in accordance with existing provisions of NPS III and Modified NPS III.

Production beyond re-assessed capacity: For production beyond the re-assessed capacity, the units will be entitled for their respective variable cost (as applicable to re-assessed capacity) and a uniform per MT incentive equal to the lowest of the per MT fixed costs of all the indigenous urea units subject to import parity price plus weighted average of other incidental charges which the government incurs on the imported urea.

NBS policy for P & K fertilisers for 2015-16

Department of Fertilizers (DoF) issued OM on the 25th June, 2015 regarding implementation of the Nutrient Based Subsidy (NBS) policy for Phosphatic and Potassic Fertilisers (P & K) and revision in the NBS rates for 2015-16. The NBS rates for 2015-16 will continue to remain unchanged at the level of 2014-15.

2016

DBT on Pilot basis

In the Union Budget 2016-17, it was stated that based on successful experience of DBT in LPG, DBT would be introduced on pilot basis for fertilizer in a few districts across the country to provide quality service delivery to farmers. The Department of Fertilizers implemented Direct Benefit Transfer System on a pilot basis w.e.f. 1st October, 2016 in 17 districts. Different states/U.T.s were put on Go-Live mode w.e.f. 1st September, 2017. The Pan India rollout of DBT (Phase-I) was completed by March 2018

The proposed DBT model in fertilizers is different from the conventional system of DBT being implemented in LPG. Under the DBT system, fertilizer subsidy will continue to be routed through the Industry. The farmers/beneficiaries will continue to receive Urea at statutory subsidized prices and P&K fertilizers at subsidized prices in the market. In other words, subsidy continues to be reimbursed to the fertilizer industry and not transferred direct to the bank account of farmers. The scheme only changed the procedure of disbursement of subsidy to the industry from receipt of fertilizers in the districts to sale of fertilizers to the beneficiaries through POS machines. The proposed DBT system entails 100% payment of subsidy to the fertilizer manufacturing companies on the basis of actual sales by the retailer to the beneficiary after biometric authentication.

Promotion on Policy of City Compost

DoF issued an Office Memorandum (OM) on the 10th February, 2016 regarding Policy on Promotion of City Compost. Under the policy, market development assistance in the form of fixed amount of Rs. 1500 per tonne of City Compost will be provided for production and consumption of the product. The fertiliser marketing companies shall be eligible for on-account payment up to 50% only on the basis of first point sale (to the dealer/retailer) at the district level. The balance shall be released on receipt of retailer's acknowledgement in mFMS as well as issue of required certificates relating to quantity and

quality issued by the respective State Governments in prescribed forms. Fertiliser companies and marketing entities will also co-market city compost with chemical fertilisers through their dealers' network.

Removal of the minimum capacity utilisation criteria for SSP manufacturing units to be eligible for subsidy under NBS scheme

DoF issued an OM on the 18th March, 2016 regarding removal of the minimum capacity utilization criteria for SSP manufacturing units to be eligible for subsidy under NBS scheme. As per the OM, the Government has decided to do away with the provision of mandatory 50% capacity utilization or minimum annual production of 40000 MT for SSP units to be eligible for subsidy.

Revision in the NBS rates for 2016-17

DoF revised NBS rates for P & K fertilisers for 2016-17 vide OM dated the 30th March, 2016. The NBS rates for N has been reduced from Rs.20.875/ kg in 2015-16 to Rs.15.854 /kg for 2016-17. NBS for P has been reduced from Rs. 18.679 / kg to Rs. 13.241/ kg and K from Rs. 15.500/ kg to Rs. 15.470 / kg. However, in case of S it has been raised from Rs.1.677 / kg to Rs. 2.044/ kg. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continues. As per the policy, it has also been decided that the subsidy rates will be reviewed on half yearly basis instead of annual basis.

Revised rates for the direct movement of fertilizers by road from Plant/Port upto 500 Kms

DoF issued a notification on 17th June, 2016 regarding revised rates for the direct movement of fertilisers by road upto 500 Kms from Plant/Port to block for the period 2008-09 to 2014-15. The rates are based on the recommendations of Tariff Commission for the year 2007-08 and have been escalated/de-escalated by WPI (composite road transport index) for the subsequent years. The revised rates are presented in the following table.

Distance Slab (Km)	Normative rates (Rs. Per MT/Km)							
	2007-08 (As recommended by Tariff Commission)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
0-100	3.02	3.25	3.24	3.61	3.81	4.06	4.53	4.60
101-250	1.93	2.07	2.06	2.30	2.43	2.59	2.89	2.93
251-350	1.44	1.55	1.54	1.72	1.82	1.94	2.16	2.19
351-500	1.29	1.39	1.38	1.54	1.63	1.74	1.94	1.97

Primary freight for direct road movement of fertilisers (upto 500kms) shall be paid on the basis of lower of the following:

- i) Freight amount calculated for the month based on the slab rates indicated above; or
- ii) The actual expenditure incurred by the company during the month, duly certified by company's statutory auditors.

The freight subsidy for secondary movement for North-Eastern and Hilly states will be paid as per the notification dated 25th October, 2012 till the finalization of study by Tariff Commission.

Road Freight rates for Urea manufacturing/importing units under the uniform freight subsidy scheme

The Department of Fertilizers, Ministry of Chemicals & Fertilizers issued a notification on 17th June, 2016 regarding road freight rates for Urea manufacturing/importing units under the uniform freight subsidy scheme and made the following amendment:

“The reimbursement of secondary freight cost will be allowed on the monthly basis at the lower of, (i) normative per tonne per km rates as notified by DoF from time to time; or (ii) the actual expenditure incurred by the company on secondary freight during the said month, duly certified by company’s statutory auditor.” The above amendments will be effected from 1st April, 2008.

Incentives to the retailers for acknowledging the receipt of fertilizer in m-FMS regarding

DoF issued a notification on 22nd September, 2016 regarding incentives to the retailers for acknowledging the receipt of fertiliser in m-FMS. DoF clarified that IT related equipment such as PoS devices etc. may be installed out of Rs.50/MT allowed earlier for acknowledging the receipt of fertilisers through FMS.

Coastal Shipping/Inland waterways included under policy for reimbursement of freight

DoF has decided to allow movement of fertilisers (urea and P&K) through Coastal Shipping/Inland waterways under the policy for reimbursement of freight vide DoF OM dated the 13th October, 2016. Accordingly, the primary movement will refer to movement of subsidized fertilisers by rail and/or coastal shipping or inland water transportation or by any or two or by all three modes of transportation from the plant or port to various rake points of districts.

2017

Revision in the NBS rates for 2017-18

DoF revised NBS rates for P & K fertilisers for 2017-18 vide OM dated the 17th April, 2017. The NBS rates for N has been increased from Rs.15.854 /kg to 18.989/kg for 2017-18. NBS for P has been reduced from Rs. 13.241/ kg to 11.997 / kg and K from Rs. 15.470 / kg to Rs.12.395 / kg for 2017-18. However, in case of S it has been raised from Rs. 2.044/ kg to Rs.2.240 / kg. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continues.

Goods and Services Tax (GST) introduced w.e.f 1st July, 2017

Goods and Services Tax (GST) was introduced in India on 1st July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. The rates of GST for fertilisers initially fixed at 12% by GST Council was amended and reduced to 5% w.e.f 1st July, 2017. Consequently, there will be uniform MRP of fertilisers across the country except Uttar Pradesh where additional VAT is charged on the natural gas as natural gas has not been brought within the ambit of GST.

GST rates for fertiliser raw materials/ intermediates, such as, ammonia and phosphoric acid have been fixed at 18% and rock phosphate and Sulphur at 5% each.

Withdrawal of Additional VAT on input in Gujarat

The Government of Gujarat had levied additional VAT on input from 1st April 2008. Fertiliser manufacturers were allowed to recover the amount of additional VAT from the farmers for sale of urea over and above MRP w.e.f 1st April, 2011. However, Gujarat Government had made an amendment in Gujarat Value Added Tax Act, 2003 whereby the Additional VAT has been withdrawn w.e.f. 1st July, 2017. Consequently, all the urea manufacturers in Gujarat are not required to pay any Additional VAT on input in Gujarat w.e.f. 1st July, 2017.

Rationalizing the size of urea bag

DoF issued a notification on 4th September, 2017 conveying the approval of the Government to introduce 45 kg bag of urea replacing the existing 50 kg bag. In order to enable the urea units to exhaust

existing 50kg bags and for making necessary modifications in their plants, a period of six months (upto March 2018) was given as lead time to them to ensure the smooth implementation of the policy.

2018

Notification of MRP of 45 kg urea bag

Department of Agriculture, Cooperation and Farmers Welfare notified the MRP of urea at Rs.242 per bag of 45 kg on 1st March, 2018. A period of 2 months from the date of notification of MRP of 45 kg bag of Urea was given as lead time to implement the introduction of 45 kg bag of Urea.

Reduction in GST rates on phosphoric acid and drip irrigation system

GST council in its meeting held on 18th January, 2018 approved reduction in GST rates on fertiliser grade phosphoric acid and Drip irrigation system including laterals, and sprinklers from 18% to 12%. The rates were applicable from 25th January, 2018.

Further, GST Council in its meeting held on 21st July, 2018 approved reduction in rates of GST on phosphoric acid (fertiliser grade) from 12% to 5%.

Revision of energy norms under new urea policy – 2015

DoF issued a notification of 28th March, 2018 regarding revision of energy norms under new urea policy-2015 for all urea manufacturing units (except BVFCL) as given below:

- (i) For 11 urea manufacturing units, viz., Yara Fert India-Babrala, NFL-Vijaipur II, Grasim Ind.-Jagdishpur, CFCL-Gadepan I & II, IFFCO-Aonla I & II, IFFCO-Phulpur I & II, IFFCO-Kalol and RCFL-Thal, the target energy consumption norms as mentioned in Para 3.2 of NUP-2015 (i.e., energy norms for 2018-19) will come into force w.e.f. 1st April, 2018.
- (ii) For remaining 14 urea manufacturing units, the target period have been extended for 2 years i.e. till 31st March, 2020. Penalty will be levied equivalent to 2% energy of difference between NUP Energy norms and Target Energy norms of NUP 2015 for the first year, i.e.,2018-19 and 5% for 2nd year i.e. 2019-20.
- (iii) The aforesaid target energy norms may be continued upto 31st March, 2025.
- (iv) The three naphtha based urea units are also allowed the existing energy norms for another two years, i.e. till 31st March, 2020 or till these units get the gas pipeline connectivity, whichever is earlier.

Revision of dealer/ distribution margin of urea sale w.e.f. 1st April, 2018

DoF issued a notification on 28th March, 2018 regarding revision of dealer/ distribution margin in respect of urea sale effected through private agencies and institutional agencies w.e.f. 1st April, 2018. The revised rate of dealer/ distribution margin has been fixed at Rs. 354 per MT w.e.f. 1st April, 2018 for sale of urea through private trade as well as institutional agencies. The dealer/ distribution margin will be paid to the dealer on the quantity sold through POS devices only.

Revision in the NBS rates for 2018-19

DoF revised NBS rates for P & K fertilisers for 2018-19 vide OM dated the 16th April, 2018. The NBS rates for N has been reduced from Rs. 18.989/kg for 2017-18 to Rs.18.901/kg for 2018-19. NBS for K has been reduced from Rs.12.395/kg to Rs.11.124/kg. However, NBS rates for P has been raised from Rs.

11.997/kg to Rs.15.216/kg for 2018-19. Similarly, NBS rates for S has been raised from Rs.2.240/kg to Rs.2.722/kg. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continues.

2019

Relaxation in Export Policy of Fertilisers

Department of Commerce (DoC), Ministry of Commerce & Industry issued a notification on 7th January, 2019 relaxing Export policy of Fertilisers under Chapter 31 of ITC (HS) Classification of Export and Import Items 2018. Under the revised Export Policy of Fertilizers, the items under 'Restricted' category moved to 'Free' category subject to prior permission / No Objection Certificate (NOC) to be obtained by the manufacturers/ exporters from the Department of Fertilizers, and compliance of other laid down conditions.

Withdrawal of Additional VAT on input in Uttar Pradesh

The Government of Uttar Pradesh had levied additional VAT on input (i.e. natural Gas) w.e.f 19th February, 2010. Fertiliser manufacturers were allowed to recover the amount of additional VAT from the farmers for sale of urea over and above MRP. Uttar Pradesh Government rescinded the erstwhile notification and advised the urea manufacturers/traders/importers not to recover additional cost on urea bag w.e.f 12th January, 2019.

NBS rates for 2019-20

On the 29th March, 2019, DoF issued a notification by stating that the NBS rates of 2018-19 will continue for 2019-20 provisionally on the same terms and conditions. Subsequently, NBS rate for Sulphur (S) has been raised while rates for N,P and K remain unchanged as per the O.M issued by the DoF on 7th August, 2019. The NBS rates for Sulphur raised to Rs.3.562 per kg with the rates for N, P, K continue at Rs.18.901, Rs.15.216, Rs.11.124 per kg, respectively, w.e.f 7th August, 2019. Per tonne additional subsidy for fortified fertilisers with Boron fixed at Rs.300 per tonne and Zinc Rs.500 per tonne continues.

Policy for reimbursement of freight subsidy for distribution of subsidized fertilizers through coastal shipping or / and inland waterways

DoF issued an OM on the 17th June, 2019 regarding policy for reimbursement of freight subsidy for distribution of subsidized fertilizers through coastal shipping or / and inland waterways. It has been decided to allow movement of fertilizers through coastal shipping/ inland waterways along with the road movement that follow the coastal movement/ inland water movement up to the rake point in the destination district to make it qualify for reimbursement of freight subsidy under the primary movement.

The primary movement will refer to movement of subsidised fertilisers by rail and / or coastal shipping / inland water transportation including road bridging (only in case of use of coastal shipping or inland waterways) upto the rake point in the destination district or by any or two or by all three modes of transportation from the plant or port to various rake points in the destination districts.

Only the movement of subsidized indigenous fertilisers (Urea and P & K fertilisers) through coastal shipping / inland waterways will be eligible for the payment of freight subsidy at this stage.

In case of single mode or multi model transportation of fertilisers which includes coastal shipping also, the freight subsidy for movement of fertilisers will be restricted to the railway charges or actual freight incurred whichever is less.

Clarifications on Policy for reimbursement of freight subsidy for distribution of subsidized fertilizers through coastal shipping or / and inland waterways

DoF issued an OM on 18th September, 2019 giving clarification in respect of secondary freight subsidy on coastal shipping or / and inland waterways.

- (i) If a manufacturer is moving the fertilisers through multi-modal transportation, which includes coastal shipping/ inland waterways, and the manufacturer decides to move the fertiliser from the discharge port directly to the destination district by road, then the entire multi-modal freight would be considered as primary movement and freight subsidy would be restricted to the railway charges or the actual freight incurred whichever is less. In such cases, there is no scope of secondary movement and hence no scope of secondary freight subsidy payment.
- ii) In case, the fertiliser company chooses to transport fertilisers from unloading port to the nearest rake point in destination district by railway and then transport fertilisers further by road, the entire multi-modal transport upto the railway rake point would be treated as primary movement and road movement beyond rake point would be treated as secondary movement. The restriction on freight subsidy for secondary transport of urea would remain as per extant policies and freight subsidy for secondary movement for P & K fertilisers would continue to be inadmissible as per extant policies in this regard.

DBT 2.0

Department of Fertilizers launched DBT 2.0 initiatives on 10th July, 2019. This is an advanced multi-lingual desktop version of Point of Sale (POS) software as an alternative or added facility of POS devices. Retailers with computer can use this for sale of fertilisers. The dashboard (<https://urvarak.nic.in>) shows the details of fertilisers at national, state and district level. The new POS 3.0 software version provides multi-lingual facility, Aadhaar Virtual ID option and fertiliser recommendations based on soil health card.

Revised guidelines for Processing/Granting Techno-Economic Clearance proposal for availing customs duty concession on imported goods/items

Department of Fertilizers issued the revised guidelines on the 18th December, 2019 for Processing/Granting Techno-Economic Clearance proposal for availing customs duty concession on imported goods/items for renovation / modernization of fertilizer plants, expansion/ revival of existing fertilizer plants and setting up of new fertilizer plants/ projects. As per the revised guidelines, the concerned fertilizer company shall pay the technical consultation fee (as to be decided by government from time to time) to the notified outside agency(s) for the purpose. Presently, PDIL is entrusted for technical examination.

2020

Revision in NBS rates for 2020-21

Department of Fertilizers revised NBS rates for P & K fertilizers for 2020-21 vide OM dated the 3rd April, 2020. The NBS rates for N were reduced from Rs.18.901/ kg in 2019-20 to Rs.18.789/ kg for 2020-21. NBS for P were reduced from Rs. 15.216/ kg to Rs. 14.888/ kg. Similarly, NBS rates for K were reduced from Rs. 11.124/ kg to Rs. 10.116/ kg and NBS rates for S reduced from Rs.3.562/ kg to Rs. 2.374/ kg. In the complex grade fertilizers, ammonium phosphate (14-28-0-0) was included under NBS scheme. However, per tonne additional subsidy for fortified fertilizers with Boron and Zinc continued and remained unchanged at Rs. 300 and Rs. 500, respectively.

Extension of Period for Revision of Energy Norms under New Urea Policy-2015

Department of Fertilizers issued a notification on 7th July, 2020 regarding extension of period for revision of energy norms under new urea policy-2015. Government extended 2015 norms by only 6 months i.e. upto 30th September, 2020 for 14 gas based plants with enhanced penalty of 10% of difference between 2015 and 2018 (target) energy norms. Now, 2018 energy consumption norms for these 14 plants were made applicable w.e.f 1st October, 2020.

2021

Revision in NBS rates for 2021-22

On 9th April, 2021, Department of Fertilizers (DoF) extended the NBS rates of the year 2020-21, for the year 2021-22 till further orders. Thereafter, on 20th May, 2021 DoF notified the NBS rates of the year 2021-22 applicable from 20th May, 2021 to 31st October, 2021. As per the notification, DoF revised the per kg subsidy on phosphate (P) from Rs.14.888 per kg for 2020-21 to Rs. 45.323 per kg for 2021-22. However, NBS rates per kg for N, K and S remained unchanged at the previous year's level.

Accordingly, NBS rates of fertilizers containing P nutrient increased significantly. NBS rate per MT of DAP and SSP increased from Rs. 10,231 and Rs. 2,643 for 2020-21 to Rs. 24,231 and Rs. 7,513 for 2021-22, respectively. NBS rates for NP/NPK grades of fertilizers were in the range of Rs. 11,134 per MT to Rs. 19,910 per MT. However, NBS rates for MOP and ammonium sulphate remained unchanged at Rs. 6,070 and Rs. 4,398 per MT, respectively, for 2021-22. In addition, two new NPK complex fertilizers (8-21-21 and 9-24-24) were included in the NBS scheme.

Further, on 13th October, 2021, DoF again notified NBS rates applicable from 1st October, 2021 to 31st March, 2022. NBS rates for N, P, K and S were kept at the level of earlier notified rates of 20th May, 2021. In addition, DoF announced special onetime package with an additional subsidy for DAP at Rs. 8769 per tonne and three most consumed NPK grades (20-20-0-13, 10-26-26 and 12-32-16) at Rs. 2000 per tonne each for *rabi* 2021-22 from 1st October, 2021 to 31st March, 2022. DoF had also included Potash Derived Molasses (PDM) (0:0:14.5:0) under the NBS scheme. However, per tonne additional subsidy for fortified fertilizers with Boron and Zinc continued and remained unchanged at Rs. 300 and Rs. 500, respectively.

Rationalization of Guidelines dated 10.8.2005 for Using of New Grades of Rock Phosphate for Manufacturing SSP of FCO Standard

DoF issued a notification on 26th July, 2021 regarding rationalization of guidelines dated 10.8.2005 for using of new grades of Rock Phosphate for manufacturing SSP as per FCO standard. As per the guidelines, all SSP manufacturing units (plant-wise) have to take prior permission from the DoF for purchase of any new grade of rock phosphate (un-notified grade) and quantity of new grade of rock phosphate shall not exceed 500 MT for trial purpose for the production of SSP.

2022

Amendment in import policy of Urea

Directorate General of Foreign Trade, Department of Commerce, Ministry of Commerce & Industry, Government of India issued a notification on 3rd November, 2021 regarding amendment in import policy condition of Urea [Exim Code 31021000] in the ITC (HS) 2017, Schedule – I (Import Policy) with immediate effect.

According to the revised policy, import of urea was allowed through RCF and NFL subject to Para 2.20 of Foreign Trade Policy, 2015-2020. In addition, import of urea was also allowed through IPL for a period upto 31st March, 2022. However, import of Technical Grade Urea (TGU) meant for non-agricultural purpose/ industrial use/ NPK Manufacturing shall be "Free".

NBS rates for P & K fertilizers for Kharif 2022

In order to keep the P&K fertilizer prices affordable to the farmers, DoF issued a notification on 27th April, 2022 and enhanced the subsidy rates for P&K fertilizers under NBS policy for *kharif* 2022 (from 1st April, 2022 upto 30th September, 2022). The per kg NBS rates of N, P, K and S increased from Rs. 18.789, Rs. 45.323, Rs. 10.116 and Rs. 2.374 during *rabi* 2021-22 to Rs. 91.96, Rs. 72.74, Rs. 25.31 and Rs. 6.94, respectively, for *kharif* 2022.

Accordingly, NBS rates per MT of DAP and MOP increased from Rs. 33,000 and Rs. 6,070 per MT during *rabi* 2021-22 to Rs. 50,013 and Rs. 15,186 per MT, respectively, for *kharif* 2022. NBS rates for NP/NPK grades of fertilizers ranged between Rs. 27,947 per MT and Rs. 46,116 per MT for *kharif* 2022. However, subsidy on SSP and Potash Derived from Molasses remained unchanged at Rs. 7,513 per MT and Rs. 1,467 per MT, respectively, for *kharif* 2022. The per tonne additional subsidy for fortified fertilizers with boron and zinc continued and remained unchanged at Rs. 300 and Rs. 500, respectively.

NBS rates for P & K fertilizers for Rabi 2022-23

As per OM dated 2nd November, 2022, DoF revised the subsidy rates for P&K fertilizers under NBS policy for *rabi* 2022-23 effective from 1st October, 2022 upto 31st March, 2023. The per kg NBS rates for N has been increased while P, K and S reduced. The per kg NBS rates of N, P, K and S revised from Rs. 91.96, Rs. 72.74, Rs. 25.31 and Rs. 6.94 during *kharif* 2022 to Rs. 98.02, Rs. 66.93, Rs. 23.65 and Rs. 6.12, respectively, for *rabi* 2022-23.

Accordingly, NBS rates per MT of DAP and MOP reduced from Rs. 50,013 and Rs. 15,186 per MT during *kharif* 2022 to Rs. 48,433 and Rs. 14,188 per MT, respectively, for *rabi* 2022-23. NBS rates for NP/NPK grades of fertilizers ranged between Rs. 26,864 per MT and Rs. 46,188 per MT for *rabi* 2022-23. However, subsidy on SSP and Potash Derived from Molasses remained unchanged at Rs. 7,513 per MT and Rs. 1,467 per MT, respectively. The per tonne additional subsidy for fortified fertilizers with boron and zinc continued and remained unchanged at Rs. 300 and Rs. 500, respectively.

However, keeping in view the downward trends in the prices of fertilizers and raw materials in the international market but above pre-crisis levels, DoF revised the NBS rates of P&K fertilizers for *rabi* 2022-23 from 1st January, 2023 to 31st March, 2023 on 18th May, 2023. The per kg NBS rates for N and K increased while P and S reduced. The per kg NBS rates of N, P, K and S revised to Rs. 99.27, Rs. 49.94, Rs. 25.70 and Rs. 2.84, respectively, for *rabi* 2022-23 applicable from 1st January, 2023 to 31st March, 2023. Accordingly, NBS rates per MT of DAP reduced to Rs. 40,841 per MT for the said period. However, NBS rates for MOP increased to Rs. 15,420 per MT during the period. NBS rates for NP/NPK grades of fertilizers ranged between Rs. 23,826 per MT and Rs. 41,779 per MT during the period. However, subsidy on SSP and Potash Derived from Molasses remained unchanged at Rs. 7,513 per MT and Rs. 1,467 per MT, respectively. The per tonne additional subsidy for fortified fertilizers with boron and zinc continued and remained unchanged at Rs. 300 and Rs. 500, respectively.

Modified Guidelines for purchase of specified grade and sources of rock phosphate for use of raw materials by manufacturers of SSP under NBS policy

DoF issued a notification on 6th June, 2022 regarding Modified Guidelines for purchase of specified grade and sources of rock phosphate for use of raw materials by manufacturers of SSP under NBS policy. As per the modified guidelines, all SSP manufacturing units are required to use only specified grades of rock phosphate for production of SSP and the said grades of rock phosphate are to be imported or purchased in India as per modified guidelines to become eligible for subsidy under NBS.

Guidelines relating to Potash Derived from Molasses (0-0-14.5-0) under NBS scheme

DoF issued an Office Memorandum on 12th July, 2022 regarding the guidelines relating to Potash Derived from Molasses (0-0-14.5-0) under NBS scheme. The main points in the guidelines as stated below:

- a) Manufacturers of granulated Potash Derived from Molasses shall be provided subsidy under NBS Scheme.
- b) Granulated Potash derived from Molasses with a minimum 14.5% of K₂O content as per FCO 1985 as amended from time to time will be allowed for claiming subsidy.
- c) The subsidy on Potash Derived from Molasses will be inclusive of the freight subsidy.
- d) With regard to marketing arrangement, the manufacturer of Potash Derived from Molasses shall be eligible for sale by entering into marketing arrangement with marketers under intimation to DoF and the fertilizer manufacturers including importers which are registered under the subsidy scheme of DoF shall be considered as marketer of Potash Derived from Molasses.
- e) Regarding quality, manufacturer/marketer/retailer/dealer will be jointly liable for ensuring/maintaining quality of the fertilizer as per the extant rules/ guidelines issued by DoF. Quality testing will be done by the manufacturer in the NABL accredited labs/ State Government registered labs.

Implementation of One Nation One Fertilizer

DoF issued an OM on 24th August, 2022 to implement One Nation One Fertilizer by introducing Single Brand for Fertilizers and Logo under Fertilizer subsidy scheme namely “Pradhanmantri Bhartiya Janurvarak Pariyojna (PMBJP).

The single brand name for Urea, DAP, MOP and NPKs, etc. would be Bharat Urea, Bharat DAP, Bharat MOP and Bharat NPK, etc., respectively, for all fertilizer companies, State Trading Entities and fertilizer Marketing Entities. A logo indicating Fertilizer Subsidy scheme namely Pradhanmantri Bhartiya Janurvarak Pariyojna will be used on the respective fertilizer bags.

As per OM, the print will be done on one side of fertilizer’s bag. Two-third of the Fertilizer’s bag will be used for new brand and logo with Pradhanmantri Bhartiya Janurvarak Pariyojna and one-third will be used for using Fertilizer companies’ name, logo and other information as required in different Rules & Regulations, etc.

Further, on 1st November, 2022 DoF informed all fertilizer companies that the design of urea bag and logo forwarded earlier must be adopted by fertilizer manufacturers/importers within the following timelines:

S.No.	Type of Fertilizer	Timeline
1.	Imported Urea	30 th November, 2022
2.	Indigenous Urea	30 th November, 2022
3.	Imported P&K	30 th November, 2022
4.	Indigenous P&K	31 st December, 2022

The release of fertilizer subsidy to companies will be considered only for fertilizers dispatched in the new bags after the aforesaid cut-off dates.

Policy for reimbursement of freight subsidy for SSP under NBS Scheme on pilot basis for *Kharif 2022*

DoF issued a notification on policy for reimbursement of freight subsidy for SSP under NBS Scheme on pilot basis on 1st September, 2022. It was decided to include SSP under freight subsidy regime for *Kharif 2022*. Accordingly, it has been decided to extend freight subsidy to SSP at par with P&K fertilizers, subject to fulfilment of following conditions:

- a) Freight subsidy shall be admissible to those units only to whom supply plan has been issued by DoF.
- b) Freight subsidy is allowed for movement of SSP beyond 200 kms only.

- c) Rail freight would be admissible on actual basis beyond 200 kms.
- d) The reimbursement for road movement above 200 km and upto 500 kms, would be admissible on actual basis or the rates notified, whichever is lower.
- e) There shall be no reimbursement on account of secondary movement by road from destination rake point to block headquarter in the district.
- f) The freight subsidy along-with penal interest paid shall be recovered from the subsequent bills on failure of SSP samples based on quality certificate (B-2).
- g) Special compensation on account of secondary freight for all the P&K fertilizers shall be provided for difficult areas namely Himachal Pradesh, Uttarakhand, Sikkim, J&K, Ladakh, 7 N-E States, A & N Islands. The rates for special compensation would be governed by DoF guidelines dated 23rd July, 2012 for these difficult states/UTs.

Rationalization / Consolidation of guidelines pertaining to SSP Industry

DoF issued rationalization / consolidation of guidelines pertaining to SSP Industry on 21st September, 2022 with the approval of Hon'ble Minister (C&F). Briefing the importance of SSP as a better substitution for DAP if the quality of raw materials, manufacturing process are maintained as per standard specifications for the benefit of the farming community.

The main features of the guidelines as stated are the following:

- a) With effect from 1st April, 2024, only those new units of SSP having capacity of minimum 1 lakh MT will be inducted under NBS.
- b) Necessary documents to be submitted to DoF for consideration of induction under NBS.
- c) After examination of the request of the Unit, DoF shall direct agency approved/ notified by DoF to undertake 'first time' & Six Monthly technical inspection of the unit in order to assess the production capability and other parameters for production of FCO Standard SSP. Based on the report received in DoF, the unit shall be considered for its induction under the NBS Scheme.
- d) All new SSP units must have granulation plants for granulation of SSP.
- e) With effect from 1st April, 2024, payment of subsidy will be admissible to only those existing SSP manufacturers whose unit-wise production in 2023-24 will be minimum 50,000 MT. Existing SSP units have to submit their plan of capacity enhancement and switching over to granulation to DoF, before 31st March, 2023.
- f) The sourcing of rock phosphate having P₂O₅ equal to or greater than 29.5% shall be allowed to be used as primary rock subject to: sampling & testing of each consignment/vessel of 29.5% P₂O₅ (minimum) grade rock phosphate; rock evaluation by DoF approved agency; Filler is not allowed to be added in SSP manufactured from 29.5% P₂O₅ grade rock phosphate for maintaining the quality in the production of SSP; technical norms; etc.
- g) If P₂O₅ content found to be between 29.49% – 28.00% after testing, it will be allowed for blending under intimation to DoF with corresponding entries in iFMS portal.
- h) If P₂O₅ content found to be below 28.00% after testing, it will be sold to BRP units under intimation to DoF with corresponding entries in iFMS portal.
- i) With regard to imported rock phosphate, hatch-wise composite sample for all companies importing same grade of rock phosphate through single ship/vessel will be done by labs/agencies notified by DoF from time to time.
- j) Companies need to intimate DoF at least 15 days in advance about the arrival of their consignments/vessel.
- k) SSP quality will also be tested on quarterly basis by the agency notified by DoF.

- l) In case of indigenous rock phosphate, unit-wise sampling will be done on purchase-wise quantity at the plant by agency notified by DoF.
- m) For export of SSP, unit should seek prior approval of DoF.
- n) In addition to above, the guidelines on standards of testing, blending grades of rock phosphate, import/purchase/loaning of rock phosphate, guidelines for beneficiated rock phosphate plants, minimum automation required for SSP plants, provisions for marketing arrangements for sale of SSP, recovery provisions in case of non-standard/sub-standard SSP/ violation of guidelines, freight subsidy to SSP manufacturers and exception clauses on rock containing 29% P₂O₅ as primary rock are also mentioned in the notification.

Extension of Revised Energy Norms

DoF notified the extension of the revised energy norms of NUP-2015 for 14 urea manufacturing units on 18th November, 2022. Government extended 2015 norms till 31st March, 2023 with additional penalty of 2% imposed on all the units which are not Target Energy Norms (TEN) compliant w.e.f. 1st October, 2022. This additional penalty along with the penalty imposed earlier will be in effect till 31st March, 2023, by which date, all units should mandatorily be TEN compliant and no further extension will be allowed. Further, in case of the six nominated urea manufacturing units are not able to meet the TEN even by the extended timeline of 31st March, 2023, DoF would move a proposal after in-depth examination for consideration of Department of Expenditure and the said proposal would be examined on its own merit.

2023

NBS Rates for P & K Fertilizers for Kharif 2023

DoF vide O.M. dated 18th May, 2023 notified NBS rates for P&K fertilizers for *kharif* 2023 (from 1st April to 30th September, 2023). The per kg NBS rates of N, P, K and S were reduced and fixed at Rs. 76.49, Rs. 41.03, Rs. 15.91 and Rs. 2.80, respectively, for *kharif* 2023. Accordingly, subsidy per MT of DAP, MOP and SSP were fixed at Rs. 32,641, Rs. 9,547 and Rs. 6,872 per MT for the said period. Similarly, subsidy on NP/NPK grades of fertilizers ranged between Rs. 18,077 per MT and Rs. 32,906 per MT during the period. Subsidy on Potash Derived from Molasses increased to Rs. 2,307 per MT. The per tonne additional subsidy for fortified fertilizers with boron and zinc remained unchanged at Rs. 300 and Rs. 500, respectively.

Continuation of Ongoing Urea Subsidy

As per notification of the DoF dated 13th July, 2023, it has been decided to continue the existing Urea Subsidy Scheme up to 31st March, 2025 (FY 2022-23 to 2024-25) to a total estimated outlay of Rs. 368,676 crores (the actual expenditure may vary based on the prices of natural gas and other inputs used for the production of urea).

Policy on Promotion of Organic Fertilizers

DoF O.M. dated 18th July, 2023 conveyed the approval of the Government of India for promotion of organic fertilizers. As per the OM, the Market Development Assistance @ Rs. 1500 per MT will be provided to promote organic fertilizers and will be given for the manure products at plants under umbrella Galvanizing Organic Bio-Agro Resources Dhan (GOBARdhan) initiative covering different Biogas/CBG support scheme/programme of stakeholder Ministries/Departments such as Sustainable Alternative Towards Affordable Transportation (SATAT) scheme of Ministry of Petroleum & Natural Gas (MoP&NG), 'Waste to Energy' programme of Ministry of New & Renewable Energy (MNRE), Swachh Bharat Mission (Grameen) of Department of Drinking Water & Sanitation (DDWS), etc.

All manufacturing-cum-marketing entities and marketing through fertilizer marketing companies shall be eligible for Market Development Assistance (MDA) for promotion of organic fertilizers, subject to

their conforming to specifications as per Fertilizer (Control) Order (FCO), 1985, as amended from time to time.

NBS Rates for P & K Fertilizers for Rabi 2023-24

DoF O.M. dated 26th October, 2023 notified NBS rates for P&K fertilizers for Rabi 2023-24 (from 1st October, 2023 to 31st March, 2024). The per kg NBS rates of N, P, K and S has been reduced significantly and fixed at Rs. 47.02, Rs. 20.82, Rs. 2.38 and Rs. 1.89, respectively, for *rabi* 2023-24. Accordingly, subsidy per MT of DAP, MOP and SSP has been reduced from Rs. 32,641, Rs. 9,547 and Rs. 6,872 per MT during *kharif* 2023 to Rs. 22,541, Rs. 1,427 and Rs. 3,540 per MT, respectively, for the *rabi* 2023-24. Subsidy on NP/NPK grades of fertilizers ranged between Rs. 8,634 per MT and Rs. 18,995 per MT during the period. Subsidy on Potash Derived from Molasses fixed at Rs. 345 per MT. The per tonne additional subsidy for fortified fertilizers with boron and zinc has been remained unchanged at Rs. 300 and Rs. 500, respectively.

2024

MRP of Sulphur Coated Urea

DoF issued a notification on 5th January, 2024 regarding the approval for launching of Sulphur Coated Urea with the name of "Urea Gold" by the Cabinet Committee on Economic Affairs in its meeting held on 28th June, 2023. The price of Sulphur Coated Urea in 40 kg bag has been fixed at the same MRP as that of 45 kg bag of Neem Coated Urea *i.e.* Rs. 266.50 (inclusive of GST).

Guidelines for Evaluation of Reasonableness of MRPs of P&K Fertilizers under NBS Policy

DoF issued guidelines dated on 18th January, 2024 regarding evaluation of reasonableness of MRPs of P&K fertilizers under NBS policy. The guidelines outlined that effective from April 1, 2023, the evaluation of reasonableness of MRP will be based on the following major points:

- (i) GST will be excluded from evaluation of reasonableness of MRPs;
- (ii) Differential profit percentages are allowed based on the category: 8% for importers, 10% for manufacturers, and 12% for integrated manufacturers;
- (iii) Total cost of sales includes the cost of production/import (except profit on self-manufactured intermediates for manufacturing finished fertilizers), administrative overheads, selling and distribution overheads (except promotional expenses), and net interest and financing charges;
- (iv) The total cost of sales will not include interest beyond net interest and financing charges and GST/IGST paid on inputs/imports of fertilizers eligible for input tax credit;
- (v) Deduction of discount or promotional expenditure except the prescribed dealer's margin will not be permitted. However, deduction for dealer's margin will be allowed to the extent of 2% of MRP for DAP & MOP and 4% of MRP for all other grades of fertilizers under NBS (TSP, MAP, SSP, NPKs & PDM);
- (vi) Reasonability will be evaluated for all fertilizer grades for which subsidy is received by P&K fertilizer companies under the NBS scheme on a segment basis. The three categories of integrated manufacturer, manufacturer and importers will be considered as three separate categories/segments;
- (vii) Companies will report P&K fertilizers under NBS as a separate segment in their Audited Annual Accounts. The Cost Auditor's Report along with audited cost data approved by the Board of Directors (BoD) and refund unreasonable profit will be submitted in the online module by 10th October for the previous financial year. In case, companies do not refund unreasonable profit earned above the prescribed limit within prescribed time limit, then an interest @ 12% per annum

- on pro-rata basis would be charged on the refund amount from the next day of end of financial year;
- (viii) All companies/cooperatives (except SSP & PDM units) under NBS will set-up an Audit Committee to review the Cost Auditor's Report along-with audited cost data on reasonableness of MRPs before placing it before the BoD for their approvals;
 - (ix) Non-submission of the Cost Auditor's Report along with audited cost data approved by the BoD by the companies upto 10th October for the previous financial year, will result in the stoppage of further subsidy payment until the requisite cost data is furnished to the DoF, with a penalty of Rs. 1000 per day from the next day of the specified time limit for submission of cost data.
 - (x) Examination of the reasonability of MRPs as submitted by the P&K Fertilizer Companies shall be completed timely by DoF/ FICC by 28th February for each completed previous financial year.
 - (xi) DoF will place a report on unreasonable profit earned by the companies and recovered by the Department before the IMC.

One Time Permission for Production of Urea beyond Re-assessed Capacity(RAC)/ Installed Capacity by Naphtha Converted and the Units Set up under NIP-2012 during 2023-24

DoF issued a notification on 29th January, 2024 regarding one-time permission for production of urea beyond RAC/ installed capacity by naphtha converted and the units set up under NIP-2012 during 2023-24. The notification was issued to the CEOs of concerned urea units.

The provisions for calculation of concession rates, terms and conditions, were subject to IPP of urea plus incidental charges of urea beyond RAC by three Naphtha converted units; and details of incentives in terms of Rs./MT for quantity of urea produced, terms and conditions and concession rate so calculated for production beyond installed capacity by NIP-2012 urea units subject to IPP of urea plants incidental charges as per the extant norms applicable were highlighted in notification.

Comprehensive Review of Primary/ Secondary Lead Distances

The Movement Division of the DoF issued an OM dated 8th May, 2024 regarding comprehensive review of primary/ secondary lead distances. Referring to the Standard Operating Procedure (dated 1st January, 2023 and 17th January, 2023 for updation of Primary/ Secondary Lead distances and to inform that few cases of pending lead distances in iFMS have been observed since long, due to which companies are unable to generate freight claims. In this regard, DoF modified in SOP to expedite the disposal of such cases in specified time-frame.

NBS Rates for P&K Fertilizers for *Kharif* 2024

DoF notified NBS rates for P&K fertilizers for *kharif* 2024 on 1st March, 2024. DoF revised the per kg subsidy on phosphate (P) from Rs. 20.82 for *rabi* 2023-24 to Rs. 28.72 for *kharif* 2024. However, NBS rates per kg for N, K and S were kept unchanged at the *rabi* 2023-24 level. Three new grades of fertilizers viz., 11-30-14 fortified with magnesium, zinc, boron and sulphur; Urea-SSP-complex (5-15-10-0) and SSP (0-16-0-11) fortified with magnesium, zinc and boron were included in NBS policy *w.e.f.* *kharif* 2024. However, additional subsidy of Rs. 4500 per MT on DAP, notified for *rabi* 2023-24, was withdrawn. Accordingly, the per tonne subsidy on DAP was reduced from Rs. 22,541 for *rabi* 2023-24 to Rs. 21,676 for *kharif* 2024. NBS rates for SSP and MOP were reduced and fixed at Rs. 4804 per MT and Rs. 1427 per MT, respectively. NBS rates for NP/NPK grades of fertilizers ranged between Rs. 6,849 per MT and Rs. 21,208 per MT during the period. NBS rates for Potash Derived from Molasses remained unchanged at Rs. 345 per MT. The per tonne additional subsidy for fortified fertilizers with boron and zinc continued at Rs. 300 and Rs. 500, respectively.

Policy Relating to Surplus Ammonia from Urea Units

DoF notified a policy relating to surplus ammonia from urea units to all urea manufacturing companies on 6th August, 2024. The policy aims to optimize urea production by utilizing surplus ammonia either through installation of carbon dioxide recovery (CDR) units or use CO₂ purchased from market for production of urea. It has been stated that for remaining surplus ammonia, units may accord priority to supply surplus ammonia for production of P&K fertilizers.

In this regard, DoF advised the urea manufacturing units to take following actions:

- a. Units producing surplus ammonia but do not have CDR plant, are advised to install CDR plant to optimize their urea production from the surplus ammonia
- b. Priority for selling of surplus ammonia may be given to the P&K manufacturers, if demand for surplus ammonia procurement comes from P&K manufacturing units.

NBS Rates for P&K Fertilizers for *Rabi* 2024-25

NBS rates for P&K fertilizers for *rabi* 2024-25 (from 1st October, 2024 to 31st March, 2025) were notified vide DoF O.M. dated 20th September, 2024. Per kg NBS rates of P has been revised from Rs. 28.72 for *kharif* 2024 to Rs. 30.80 for *rabi* 2024-25. However, NBS rates per kg for N and S has been reduced to Rs. 43.02 and Rs. 1.76, respectively, for the period. Per kg NBS rates for K remained unchanged at the *kharif* 2024 level. Accordingly, subsidy per MT of DAP, MOP and SSP is fixed at Rs. 21,911, Rs. 1,427 and Rs. 5,121, respectively, for *rabi* 2024-25. Subsidy on NP/NPK grades of fertilizers ranges between Rs. 6,947 per MT and Rs. 20,748 per MT during the period. Subsidy on Potash Derived from Molasses remains unchanged at Rs. 345 per MT. Per MT additional subsidy for fortified fertilizers with boron and zinc are same at Rs. 300 and Rs. 500, respectively. On 14th August 2024, Government approved one-time special package on DAP @Rs. 3500 per MT over and above the NBS subsidy rates on actual PoS sale for the period from 1st April, 2024 to 31st December 2024.

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