

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:2437
ANSWERED ON:11.03.2010
NEW FERTILIZER INVESTMENT POLICY
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the new fertilizer investment policy has been implemented;
- (b) if so, the details of tax exemptions and other benefits provided to attract investments in the field;
- (c) the rate of subsidy proposed to be given for the gas based fertilizer projects; and
- (d) the extent to which the new policy is likely to boost the investment in this sector?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) Yes, Madam. The new investment policy for urea sector has been notified by the Government on 4th September 2008 and is under implementation.

(b) No tax exemption are provided in the New Investment Policy. However, the policy is based on the import Parity Price (IPP) benchmarked with floor and ceiling prices of USD 250/MT and USD 425/MT respectively. The additional urea from the revamp of existing units will be recognized at 85% of IPP, the urea from the expansion of existing units will be recognized at 90% of IPP and the urea from the revived PSU units of Hindustan Fertilizer Corporation Limited(HFCL) and Fertilizer Corporation of India Limited (FCIL) will be recognized at 95% of IPP with prescribed floor & ceiling price given above.

(c) The Fertilizer subsidy is given in the form of subsidized Maximum Retail Prices (MRPs) notified by the Government, which are much below the normative delivered cost of these fertilizers. The difference between normative delivered cost and the notified MRPs is released as fertilizer subsidy to manufacturers/importers of these subsidized fertilizers on receipt of fertilizers in the district. The delivered cost will be based on pricing parameters laid down under New Investment Policy for new gas based projects.

(d) The fertilizer Industry has responded positively towards the New Investment Policy by initiating investment decision for revamp of existing capacities. The fertilizer units like IFFCO-Aonla – I & II, IFFCO-Phulpur – I & II, Chambal Fertilizers and Chemicals Limited (CFCL) – Gadepan – I&II, Nagarjuna Fertilizers and Chemicals Limited (NFCL) – Kakinada – I & II and the unit of Tata Chemicals Limited - Babrala have informed regarding availability of additional production of urea after revamp. Further, RCF, Thal; KRIBHCO-Hazira and NFL, Vijapur have undertaken revamp of their units. The six companies viz. IFFCO, KRIBHCO, Rashtriya Chemicals and Fertilizers Limited, INDO-GULF Fertilizers Limited, TATA Chemicals Limited and Chambal Fertilizers and Chemicals Limited have proposed to undertake expansion of their units. However, these units have expressed concern regarding pricing and firm availability of gas before taking final investment decision to undertake expansion of their existing units. M/s Matix Group Company, Mumbai has also intimated to Department of Fertilizers for setting up of a Greenfield Gas Based Ammonia-Urea project in BURDWAN District, West Bengal of one million metric tonne per annum (1 Mn MTPA), based on Coal Bed Methane(CBM) Gas which will be supplied to them by Essar Oil Limited's Raniganj CBM block.