

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

UNSTARRED QUESTION NO:3966
ANSWERED ON:21.03.2013
INVESTMENT IN FERTILIZER INDUSTRY
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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the fertilizer industry has failed to attract investments in the sector over a period of time;
- (b) if so, the reasons therefor;
- (c) the target set for production of fertilizers in the next five years along with the steps being taken to achieve it State/UT-wise including Maharashtra;
- (d) whether the Government has formulated any price policy for sale of fertilizers; and
- (e) if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) & (b) Policy for New Investment in urea sector and off-take of urea from joint venture abroad was notified on 4th September 2008. The policy failed to attract investments in urea sector due to following reasons:

Lack of commitment on availability of domestic natural gas by the Government at a pre- determined price formula

Greenfield units were supposed to go through a bidding route for determination of price of urea and price was kept outside IPP regime unlike Brownfield/Expansion

Absence of provisions to protect the industry from any additional liability arising due to increase in the delivered price of gas by correspondingly providing adequate protection at the floor prices However, many units took revamp projects under New Investment policy -2008, which resulted in additional production of 20 LMT of urea.

(c) As far as urea is concerned, the present production during current year is around 224 Lakh MT (LMT) and expected production for next year will be 230 LMT. After announcement of New Investment Policy 2012, it is expected that additional capacity of 100 LMT of urea will be added by the end of 12th five year plan. The state wise existing production of various fertilizers viz. urea, DAP and NPK is annexed.

The possibility of additional capacity of P and K sector may not be encouraging due to limitation of availability of indigenous raw material required for production of P & K fertilizers. The Coromondal International Limited in Kakainada, Andhra Pradesh will add capacity of 7.5 LMT of DAP and NPK fertilizers during 2013-14.

The Government has notified on 2nd January 2013, New Investment Policy 2012 to facilitate fresh investment in urea sector in future and to reduce India's import dependency in urea.

(d) & (e) Policy for new pricing scheme Stage-III for existing urea units notified on 8th March 2007, provisions of which has since been extended till further orders, covers the movement and sale of urea. The price of urea is statutorily controlled by the government. As regards phosphatic and potassic fertilizers (P&K) fertilizers is concerned, Nutrient Based Subsidy(NBS) is being implemented w.e.f. 1-4-2010 under which a fixed amount of subsidy, decided on annual basis, is provided on each grade of subsidized P&K fertilizers depending upon their nutrient content. Maximum Retail Price (MRP) of P&K fertilizers is fixed by the fertilizer companies.