

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

STARRED QUESTION NO:341

ANSWERED ON:18.02.2014

NEW INVESTMENT POLICY

Nagar Shri Surendra Singh;Vishwanath Shri katti Ramesh

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the salient features of the New Investment Policy (NIP)-2012 to facilitate investment in the urea sector;

(b) the number of investment proposals received and the criteria adopted for selection of the investment proposals/projects under the NIP-2012;

(c) whether the Government has estimated the requirements of various fertilizers for domestic consumption by farmers in the country by the end of 2015 and if so, the details thereof, fertilizer-wise;

(d) whether the domestic fertilizer companies in the public, private and co-operative sectors will be able to meet the above demand and if so, the details thereof; and

(e) if not, the steps taken by the Government to meet the demand of farmers for timely supply of adequate quantity of fertilizers?

Answer

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

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF STARRED QUESTION NO. 341 TO BE ANSWERED ON 18TH FEBRUARY, 2014 REGARDING NEW INVESTMENT POLICY – 2012.

The salient features of the New Investment Policy (NIP) – 2012 to facilitate investment in urea sector are as follows:-

The policy supports gas based plants only.

It has structure of a flexible floor and ceiling price calculated at delivered price of gas from US \$6.5 to US \$ 14/mmbtu.

The floor price has been determined at a Return on Equity (RoE) of 12% and the ceiling price at a RoE of 20%.

For Greenfield/Revival and Brownfield Projects, the floor and ceiling shall increase in tandem with increase in delivered gas price i.e. every USD 0.1/mmbtu increase in delivered gas price will increase the floor and ceiling by USD 2/MT upto delivered gas price of USD 14/mmbtu.

Beyond delivered gas price of USD 14/mmbtu, only floor will be increased.

For Revamp Projects, floor and ceiling have been linked to delivered gas price of USD 75/mmbtu and floor and ceiling shall increase by USD 2.2/MT for every increase in delivered gas price of 0.1/mmbtu.

It supports revival of closed units.

It encourages investment by Indian industry in Joint Venture abroad in resource rich countries

The policy incentivizes units to produce urea in granulated or coated/fortified form to improve the efficiency in the use of Urea with additional amount of USD 10/MT allowed in floor and ceiling prices.

For units in North Eastern states, the special dispensation regarding gas price that is being extended by GOI/State governments will be available to any new investment. Suitable adjustments will be made to applicable floor and ceiling price in case the delivered price (after allowing for special dispensation) falls below USD 6.5 per mmbtu, subject to approval of Ministry of Finance.

The policy is applicable to all units whose production starts within five years from the date of notification and has dispensation of guaranteed buy back for eight years from date of start of production.

In response to notification of 2012, as of now, 14 companies (including PSUs) have responded to the NIP-2012 for setting up new Brownfield/Greenfield Projects. In addition, one private sector company has proposed a joint venture Ammonia-Urea project in Nigeria (in response to provisions under NIP 2012 for overseas/joint projects). Final decision on these proposals will be taken after the amendment of NIP 2012 which is under consideration of the Government.

Before start of each cropping season i.e. Kharif and Rabi, Department of Agriculture & Cooperation (DAC) conducts biannual Zonal Conferences to assess demand of fertilizers for the coming cropping season i.e. for Kharif (April to October) and for Rabi (October to March) Officials of Department of Agriculture of all the States, Suppliers/ Fertilizer Companies, Fertilizer Association of India (FAI), Ministry of Railways and Department of Fertilizers are participants in these biannual Zonal Conferences. The final requirement of Kharif for the year 2014 would be known after completion of the Zonal Conference in February, 2014. However, considering the requirement/ sales (consumption) during last four seasons, the projected requirement for the year 2014-15 is indicated below:

Season Wise Requirement of Fertilizers						
2012-13						
Product	Kharif	Rabi	Total	Requirement	Sales	Requirement Sales
Urea	152.82	135.80	164.61	165.78	317.43	301.58
DAP	69.40	40.79	54.18	51.43	123.58	92.22
MOP	21.98	10.98	25.84	10.36	47.82	21.34
NPK	55.53	39.45	55.99	37.83	111.52	77.28
2013-14						
Product	Kharif	Rabi	Total	Requirement	Sales	Requirement Sales
Urea	153.18	150.99	163.71	112.90	316.89	263.89
DAP	64.59	32.30	45.26	25.90	109.85	58.20
MOP	20.25	10.99	14.87	6.47	35.12	17.46
NPK	54.83	32.60	52.52	29.45	107.35	62.05

2014-15		
Product	Requirement	Requirement
Urea	153.18	163.71
DAP	64.59	45.26
MOP	20.25	14.87
NPK	54.83	52.52

#The total requirement projected for Rabi 2013-14 is 171.96 LMT, which includes 8.25 LMT of reserve allocation.

The requirement as well as sales of P&K fertilizers has decreased in the current year as compared to the year 2012-13. Hence, for the year 2014-15 the requirement of P&K fertilizers has been taken at the level of 2013-14.

For Urea in the current year, the requirements as well as sales have been comparable with that of last year. Therefore, for the year 2014-15, the requirement of Urea is expected to be at the same level as was in the year 2013-14.

The details of requirement of various fertilizers & estimated indigenous production & shortfall during the year 2014-2015 are given below:

Product	Requirement	Indigenous Production	Shortfall
Urea	316.89	230.1	86.50
DAP	109.85	53.81	56.04
MOP	35.13	00.00	35.13
NPK	107.36	80.62	26.74

The gap (shortfall) between requirement and indigenous production of fertilizers will be met through imports, as done in the previous year.