

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

STARRED QUESTION NO:333

ANSWERED ON:16.12.2014

SUBSIDY ON NAPHTHA BASED FERTILIZER PLANTS

Girri Shri Maheish;Roy Prof. Saugata

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

- (a) whether the Government has decided to defer/withheld/stop subsidy to Naphtha based fertilizer plants/units operating in the country;
- (b) if so, the details of such plants/units affected as a result thereof and the reasons therefor, plant/unit-wise;
- (c) whether the Naphtha based manufacturing companies have requested for continuation of grant of subsidy to the fertilizer plants/units and if so, the action taken thereon; and
- (d) the steps taken by the Government to protect the interest of the employees of the said plants/units?

**Answer**

MINISTER OF CHEMICALS AND FERTILIZERS (SHR) ANANTH KUMAR)

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

STATEMENT REFERRED TO IN REPLY TO PART (a) to (d) OF STARRED QUESTION NO.333 TO BE ANSWERED ON 16th DECEMBER, 2014 REGARDING SUBSIDY ON NAPHTHA BASED FERTILIZER PLANTS.

(a) & (b): Yes, Madam. As per the provisions of para `4` of the Modified New Pricing Scheme (NPS)-III for existing urea units dated 2nd April, 2014, `the production of the high cost naphtha based urea units viz., Southern Petrochemicals Industries Corporation (SPIC) - Tuticorin, Madras Fertilizers limited (MFL)- Manali and Mangalore Chemicals & Fertilizers Limited (MCFL) - Mangalore will continue 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.` However, the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 27th August, 2014 had decided to continue urea production from the three Naphtha based urea units upto 30th September, 2014.

(c) & (d): Yes, Madam. The Department of Fertilizers has prepared and submitted a final CCEA Note for permitting operation of the three naphtha based urea units. The CCEA in its meeting dated 10th December, 2014 considered the note submitted the Department of Fertilisers and approved to pay subsidy to these three naphtha based units in the following manner:

i. The concession rate for these plants will be determined notionally on the basis of weighted average delivered cost of spot RLNG to recently converted plants after deducting state taxes (VAT, Entry tax) on Naphtha/FO or the cost of production of urea from Naphtha/FO after deducting state taxes (VAT, Entry tax) on Naphtha/FO, whichever is lower.

ii. The above decision will be operationalized after concerned State Governments agree to waive the local taxes (VAT, Entry Tax) on Naphtha/FO used as feedstock for urea production.

iii. The CCEA has approved that the operation of the plants be allowed on only for a period of 100 days from the date of notifications. The Committee further directed that a proposal for alternative arrangements be finalised for its consideration, before the expiry of the aforesaid period.