

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

UNSTARRED QUESTION NO:100
ANSWERED ON:08.07.2014
NEW PRICING SCHEME FOR UREA SECTOR
Simha Shri Prathap

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

- (a) Whether the Government proposes to introduce New Pricing Scheme (NPS-III) for the urea sector;
- (b) if so, the details and the salient features thereof;
- (c) the present status of NPS-III; and
- (d) the time by which NPS-III is likely to be implemented?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI NIHALCHAND)

(a) to (d): The Government has notified the Modified NPS-III for existing urea units on 2nd April, 2014 in order to address the issue of under recoveries of the existing urea units due to freezing Fixed Cost at the level of costed year 2002-03. The policy will be implemented for a period of one year from the date of issue of notification. The policy envisages the continuation of calculation of concession rates of urea units as per NPS-III with certain amendments. As per the said policy, the existing urea units will be paid the maximum additional fixed cost (towards increase in the four components, viz., salaries & wages, contract labour, selling expensed and repair & maintenance) of Rs. 350/MT to existing urea units or actual increase in above four components of fixed cost during the year 2012-13 as compared to the year 2002-03, whichever is lower. However, in respect of KFCL and BVFCL-II units, for which cost data of four components is not available either for the year 2002-03 or 2012-13, the actual increase in these four components as per the certified cost data for the latest year over and above Rs. 521/MT (weighted industry average during 2002-03) subject to maximum of Rs. 350/MT will be allowed.

The policy also provides for the grant of the minimum fixed cost of Rs. 2300/MT or actual fixed cost prevailing during 2012-13, whichever is lower, after taking into account the aforesaid additional fixed cost. This will be based on certified fixed cost data for the year 2012-13, to be provided by all urea units. Further, in order to protect the efficient units which have converted to gas and are more than 30 years old, the policy has the provision of compensating these units by way of grant of the special compensation of Rs. 150/MT.