

No. 12012/3/2010-FPP (II)
Government of India
Ministry of Chemicals & Fertilizers
Department of fertilizers

Shastri Bhawan, New Delhi
Dated 3rd April, 2014

To

Chief Executive of all urea companies/Cooperatives
(As per list attached)

Subject: Policy for Modified New Pricing Scheme (NPS) - III for urea manufacturing units – Undertaking by the company.

I am directed to refer to DoF letter of even number dated 2nd April, 2014 regarding submission of an undertaking by the urea manufacturing unit(s) before 30th April, 2014 for participation in the scheme in the prescribed proforma of the undertaking is to be executed on the Stamp Paper of the requisite value, attested either by Judicial/Metropolitan Magistrate or a Notary Public.

2. You are requested to furnish the undertaking to DoF latest by 30th April, 2014.


(Vijay Ranjan Singh)
Director (F)
Tel: 23386398

Copy to:-

- (i) DG, FAI.
- (ii) ED/FICC.

(Specimen of the undertaking)

From

To,

The President of India

Whereas the Government of India have decided to introduce a Pricing Scheme to be administered by the Fertilizer Industry Coordination Committee (FICC) for all urea producing units with effect from 1.4.2003 and such Scheme is intended to sustain and ensure the healthy development of the urea industry based on international standards of efficiency;

And whereas the broad features of the Scheme are set forth for Stage I and II in the Ministry of Chemicals & Fertilizers, Department of Fertilizers' letter No.12019/5/98-FPP dated 30.1.2003, issued to replace the existing Scheme, communicated vide ED/FICC/94/2002 dated 4th June, 2002 and the policy for Stage-III of New Pricing Scheme communicated vide letter No. 1012/3/2006-FPP dated 08th March, 2007 and the policy of modified NPS-III communicated vide letter No. 12012/3/2010-FPP dated 02nd April, 2014.

We _____ (which expression shall include all our successors and assigns) do hereby undertake and promise to accept and abide by all the terms and conditions contained in different provisions of the Pricing Scheme for urea producing units as communicated to us by the Department of Fertilizers vide letter No.12019/5/98-FPP dated 30.1.2003, letter No.12012/3/2006-FPP dated 8th March, 2007 and 12012/3/2010-FPP dated 2nd April, 2014 along with annexures thereto and also to the rules, notifications and regulations framed by the Department of Fertilizers/FICC from time to time to give effect to the Scheme;

We further undertake and promise to carry out periodic financial transactions under the Scheme through such Account or Fund and in such manner as the Government/FICC may, from time to time prescribe or direct;

We further undertake and promise to abide by the decisions of the Fertilizer Industry Coordination Committee which is the competent authority to determine the concession rates.

SIGNED by our representative Shri/Smt _____ on dated _____ on our behalf as holder of General Power of Attorney dated _____ executed in pursuance of the Resolution No. _____ dated _____ passed by the Board of Directorate of _____.

IN THE PRESENCE OF

Signed by

For and on behalf of

Witnesses

1.

2.

Power of Attorney

No. 12012/3/2010-FPP
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

New Delhi, the 2nd April, 2014

To

The Executive Director,
Fertilizer Industry Coordination Committee(FICC),
8th Floor, Sewa Bhawan,
New Delhi.

Subject: Modified NPS-III for existing urea units.

Sir,

I am directed to convey the approval of Government of India for Modified NPS-III for existing urea units as under:

2. Duration of Modified NPS-III

The Modified NPS-III policy will be implemented for a period of one year from the date of issue of this notification. Thereafter, the policy will be reviewed taking into account prevailing energy scenario, production and supply scenario, international trend of urea prices etc., at that time.

3. Concession rates of urea units

The calculation of concession rates of urea units shall continue as per NPS-III and its amendments subject to the following modifications:

3.1 Additional Fixed cost

(a) The maximum additional fixed cost (towards increase in the four components, viz , salaries & wages, contract labour, selling expenses 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 compared to the year 2002-03, whichever is lower will be paid. This will be based on the certified cost data for above four components for the year 2012-13 to be provided by all urea Units.

(b) 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.

3.2 Minimum Fixed Cost

The minimum fixed cost of Rs. 2300/MT or actual fixed cost prevailing during 2012-13, whichever is lower, after taking into account the compensation at 3.1 (a) and (b) above, will be paid. This will be based on certified fixed cost data for the year 2012-13, to be provided by all urea units.

3.3 Special compensation to Urea Plants which have Completed 30 Years and Converted to Gas

The special compensation of Rs. 150/MT will be paid to gas based urea plants which have converted to gas and are more than 30 years old. This is in addition to para 3.1 and 3.2 above.

3.4 It has been decided to phase out old and inefficient units in due course of time after addition of new capacity.

4. Continuing the production from high cost units

The production of the high cost naphtha based urea units namely SPIC Tuticorin, MFL Manali and MCFL Mangalore will continue under modified NPS-III 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, no new naphtha based plants will be permitted in Greenfield investments.

5. Reimbursement to naphtha & FO/LSHS based units

The existing system of recognizing costlier feed/fuel stock of naphtha/FO/LSHS will continue and existing system of incentivizing these units for energy savings on the basis of actual input mix including 100% Naphtha/FO/LSHS as in force will continue up to June 2014 or till such time they convert to gas whichever is earlier.

6. Continuing Pre set Energy norm of Naphtha units converting to gas

The data of investment for conversion from Naphtha as feedstock to gas and actual energy consumption achieved after conversion from each unit will be obtained and based on this data, the Department of Fertilizers,

in consultation with Department of Expenditure, shall work out the period for which existing pre set norms will be allowed, which shall not be more than five years from the date of conversion so that each unit may be in position to recover the investment with interest thereon from energy savings.

7. **Continuance of amended provisions notified under NPS-III**

The following amended provisions notified under NPS-III will continue:

- (a) The provision as contained in Para (ii) of Notification No.12012/19/2007-FPP dated 10th July, 2009 regarding reduction in fixed cost of each urea unit due to group averaging principle under NPS-III to 10% of normated fixed cost computed under the base concession rates thereby removing the pricing anomaly arising out due to group averaging.
- (b) The provision as contained in Para (iii) of Notification No.12012/19/2007-FPP dated 10th July, 2009 regarding the detailed parameters for buffer stocking schemes of urea.
- (c) The provisions as contained in Notification No.12014/1/2008-FPP dated 6th March, 2009 regarding resumption of urea production by RCF-Trombay unit.
- (d) The provisions of Notification No.12014/1/2008-FPP dated 6th March, 2009 regarding amendment of NPS-III- the policy for restart of existing urea units, the permission granted to DIL/KFCL-Kanpur to restart production on LNG in June 2013 will be covered under the above notification.
- (e) Notification No.12014/1/2008-FPP dated 6th March 2009 regarding policy for Conversion of FO/LSHS urea units to Natural Gas; Provisions under notifications dated 8th February, 2010 for Conversion of Fuel Oil/ Low Sulphur Heavy Stock (FO/LSHS) based Urea units at Bathinda, Nangal & Panipat of NFL to Natural Gas (NG); Provisions under notifications dated 14th December, 2009 for Conversion of Fuel Oil/ Low Sulphur Heavy Stock (FO/LSHS) based Urea unit at Gujarat Narmada Valley Fertilizer Corporation to Natural Gas (NG).

8. The capacity utilization of two units in post 92 Naphtha based groups namely IFFCO Phulpur-II and CFCL-II, is increased from 95% to 98% on par with gas based units. FICC may re-work the group average of fixed cost for these units

9. Production above reassessed capacity

- (a) The production above reassessed capacity (RA) is presently governed by gain sharing with respect to IPP as under:
- (i) Beyond 100% of RA and upto 110% of RA: Gain sharing between Government and unit in the ratio of 65:35 with respect to IPP subject to concession rate.
 - (ii) Beyond 110% of RA and upto cut off level: At concession rate subject to overall cap of IPP.
 - (iii) Beyond cut off level: At 85% IPP.
- (b) The production at cut off levels are fixed under Investment Policy (No. 12012/12/2007-FPP dated 04.09.2008) based on highest achieved Metric Tonnes Per Day (MTPD) during 2003-04 to 2006-07. No change is made in the method for incentivizing additional production. The cut off level as per the Investment Policy of 2008 will continue without any change.

10. Distribution and Movement

The distribution and movement of Urea shall be governed by the policy for freight and movement and amendments thereof from time to time. The movement of Urea will continue to be done in accordance with the monthly supply plan drawn by Department of Fertilizers. Movement & Distribution of entire 100% of urea both imported & indigenous will be regulated by movement division through the monthly supply plan.

11. Import of Urea

The provisions of import through three STEs as given in the existing policy of urea at para 10 of notification dated 8th March, 2007 may continue till the time the same is reviewed , if required.

12. Joint ventures abroad

The scheme for Joint ventures abroad covered under NPS-III policy would be covered by New Investment Policy 2012.


13. Taxes on inputs

The policy with regard to recognition of new taxes levied by State Governments from time to time and those not recognized under RPS has been notified vide Notification dated 8th March, 2007, will continue.

14. The NPS-III policy, issued vide notification number 12012/3/2006-FPP dated 8th March, 2007 and as amended from time to time was extended by DoF on provisional basis till further orders vide notification number 12012/9/2009-FPP dated 17th March 2010. NPS-III Policy is deemed to be continued till the date of this notification.

15. In case of any -issue/dispute relating to interpretation of the policy, the decision of Department of Fertilizers shall be final.

Yours faithfully,


(Satish Chandra) 2/4/14
Joint Secretary
Ph: 23386800