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Annex I to IV (attached)

1.0 Rainfall

1.1 Post-monsoon 2023

Rainfall in the country during the post-monsoon season i.e. 1st October to 31st December, 2023 was 9% below long period average (LPA). Actual rainfall was 110.7 mm as against normal of 121.0 mm. Out of 36 meteorological sub-divisions, 25 sub-divisions received normal to excess rains and remaining 11 sub-divisions received deficient rainfall during the season. The sub-divisions which received deficient rains include West Uttar Pradesh; Uttarakhand; Himachal Pradesh; Saurashtra & Kutch; Madhya Maharashtra; Marathwada; Vidarbha; Telangana; Rayalaseema, North Interior Karnataka and South Interior Karnataka.

1.2 Water reservoirs

Live storage capacity in 150 reservoirs in the country was 178.78 billion cubic meters (BCM). Live storage available in these reservoirs was 93.53 BCM as on 1st February, 2024 as against 113.08 BCM on the same date in the previous year. Live storage during the period was 83% of the last year and 97% of the normal storage.

2.0 Fertilizer Scenario

2.1 Production

Production of major fertilizers increased during April-December 2023 except SSP. Production of urea, DAP and NP/NPK complex fertilizers recorded increase of 12.4%, 7.6% and 4.3%, respectively, during April-December 2023 over April-December 2022. However, production of SSP registered a decline of 17.6% during the period.

2.2 Import

Import of major fertilizers declined during April-December 2023, except MOP. Import of MOP increased from 1.62 million MT during April-December 2022 to 2.57 million MT during April-December 2023. However, import of urea, DAP and NP/NPK complex fertilizers reduced by 2.8%, 5.1% and 15.1%, respectively, during the same period.

2.3 Sale (DBT)

Sale of urea at 28.21 million MT, DAP at 9.73 million MT and NP/NPK complex fertilizers at 9.19 million MT, during April-December 2023 registered increase of 0.2%, 6.4% and 14.3%, respectively, over April-December 2022. However, sale of MOP at 1.28 million MT and SSP at 4.04 million MT declined by 0.5% and 6.5%, respectively, during the period. **Table 1** shows production, import and DBT sale of major fertilizers during April-December 2022 and April-December 2023.

**Table 1: Production, Import and DBT Sale of Major Fertilizers
(April- December 2022 & 2023)**

	Urea	DAP	NP/NPKs	SSP	MOP
I. Production (Million MT)					
April - December 2022	21.10	3.18	7.08	4.33	-
April - December 2023	23.71	3.42	7.39	3.57	-
± % in 2023 over 2022	12.4	7.6	4.3	-17.6	-
II. Import (Million MT)					
April - December 2022	6.25	5.32	2.09	-	1.62
April - December 2023	6.07	5.05	1.77	-	2.57
± % in 2023 over 2022	-2.8	-5.1	-15.1	-	58.5
III. DBT Sale (Million MT)					
April - December 2022	28.14	9.14	8.04	4.32	1.28*
April - December 2023	28.21	9.73	9.19	4.04	1.28*
± % in 2023 over 2022	0.2	6.4	14.3	-6.5	-0.5
* MOP for direct application.					

3.0 Crop Situation

3.1 Crop area sown – Rabi 2023-24

As per the latest available data, total sown area under all *rabi* crops was 68.72 million hectares (Mha) up to 19th January, 2024 compared to 68.91 Mha during the corresponding period in the previous year. Area coverage during *rabi* 2023-24 was 0.3% lower over *rabi* 2022-23. Among the principal crops, sown area under food grains reduced by 0.5% whereas oilseeds increased by 1% during the period. Among the food grain crops, sown area under wheat and coarse cereals increased by 0.8% and 6.0%, respectively, during *rabi* 2023-24 over *rabi* 2022-23. However, sown area under rice and total pulses reduced by 3.7% and 4.6%, respectively, during the same period.

Progress in sown area under *rabi* 2023-24 crops up to 19th January 2024 is shown in **Table 2**.

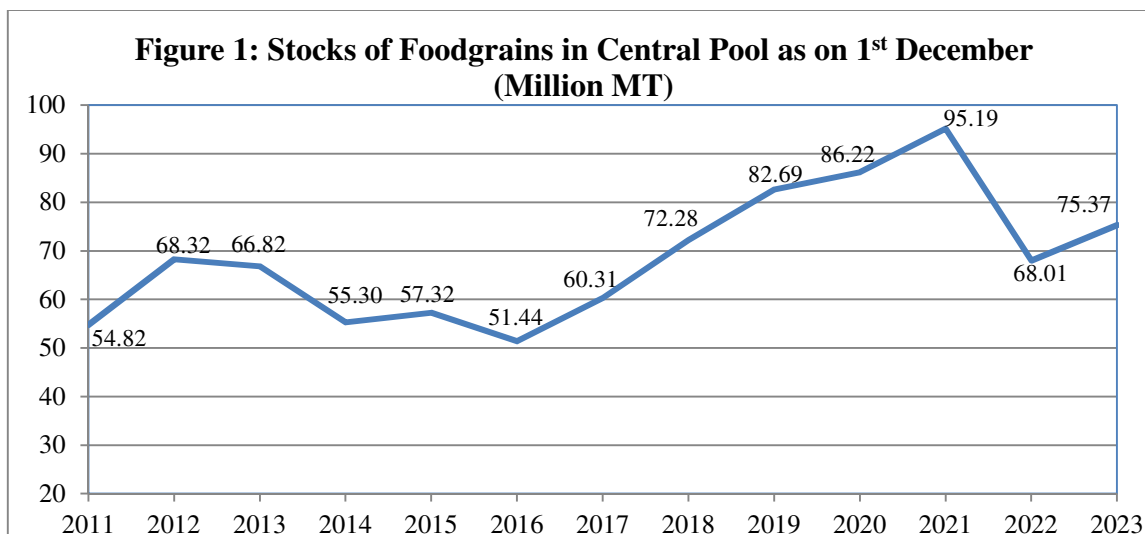
**Table 2: Progress in Sown Area under Rabi Crops
(As on 19-1-2024)**

Crop	Normal area for whole <i>rabi</i> season (million ha)	Sown area during <i>rabi</i> up to 19 th January (million ha)		Increase / decrease in <i>rabi</i> 2023-24 over <i>rabi</i> 2022-23	
		2022-23	2023-24	Area (million ha)	± %
Wheat	30.732	33.750	34.008	0.258	0.8
Rice	5.250	2.933	2.825	-0.108	-3.7
Coarse cereals	5.132	5.077	5.383	0.306	6.0
Total pulses	15.274	16.266	15.513	-0.753	-4.6
Total Foodgrains	56.388	58.026	57.729	-0.297	-0.5
Total oilseeds	8.445	10.882	10.988	0.106	1.0
Total crops	64.833	68.909	68.718	-0.191	-0.3
Note: Totals may not exactly tally due to rounding of figures.					

4.0 Stock and Exports of Food grains

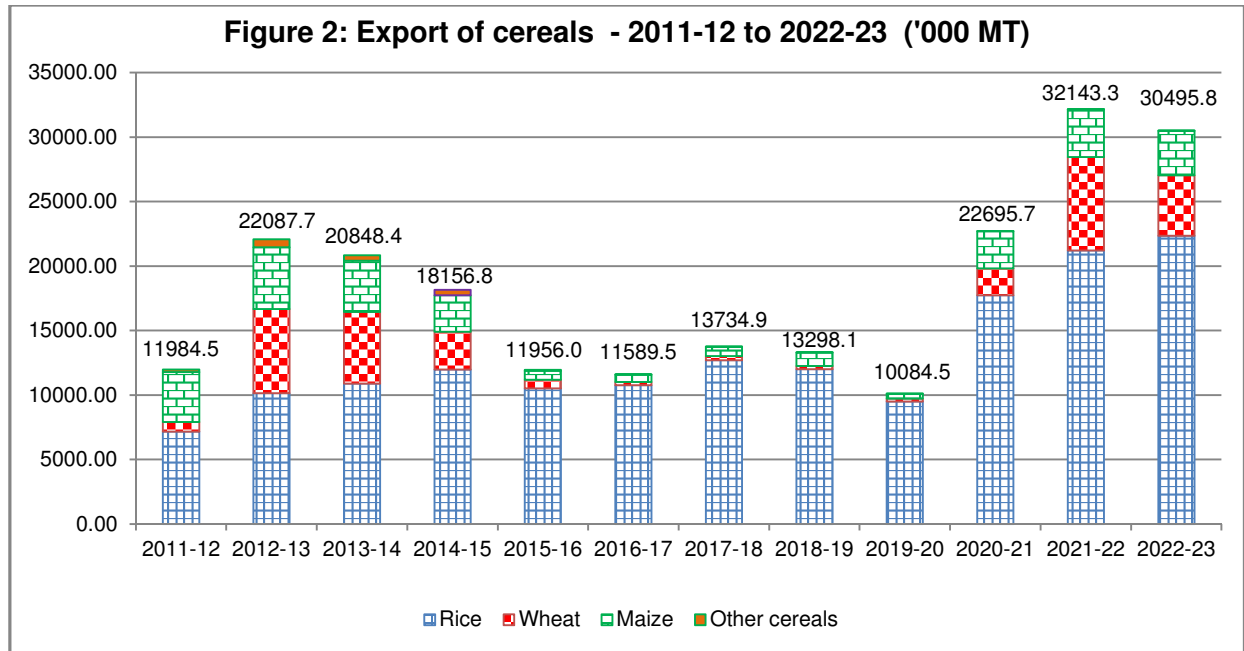
4.1 Foodgrain Stock

Figure 1 shows the changes in stock of food grains in Central Pool as on 1st December for last one decade. Total stock of food grains in Central Pool improved in 2021 but slipped in 2022 and further improved in 2023. As on 1st December, stock of food grains was 55 million MT in 2011 which increased to 68 million MT in 2012. It slipped during the subsequent years and touched 51 million MT in 2016. Thereafter, it started moving up and crossed 95 million MT in 2021. However, in 2022, it slipped to 68 million MT. Further, it improved in 2023 and touched at 75.37 million MT.



4.2 Exports

Figure 2 shows export of cereals during 2011-12 to 2022-23. Export of cereals in 2022-23 at 30.50 million MT was lower by around 5.1% over 2021-22. Out of which rice accounted for 22.35 million MT, wheat 4.69 million MT, maize 3.45 million MT and balance accounted for other cereals during 2022-23. Earlier, the rise in export was noticed in 2012-13 at 22 million MT. Thereafter, it came down with some improvement in 2017-18, followed by decline in 2018-19 and 2019-20. During 2020-21, the export touched a figure of 22.70 million MT which was more than double over 2019-20. The record export of cereals at 32.14 million MT was witnessed in 2021-22.



The export of cereals was 12.07 million MT during April-November 2023. Out of which rice accounted for 10.69 million MT, wheat 0.10 million MT, maize 1.28 million MT and balance accounted for other cereals during the period.

5.0 Global Food Outlook 2023

The Food Outlook, November 2023 of FAO shows estimated global production of cereals and oil crops during 2022-23 compared to actuals for 2021-22 and forecast for 2023-24.

World production of rice estimated at 519.8 million MT in 2022-23 showed a decline of 1.2% over the previous year. However, it is expected to increase to 523.9 million MT during 2023-24, 0.8% higher than that of 2022-23. Uneven weather disruption but improvements in the profitability of rice cultivation have stimulated expansion in rice crop plantations in Asia, Africa and Northern America.

Global production of wheat is estimated at 803.1 million MT in 2022-23, 3.2% higher than the level of the previous year. In 2023-24, it is anticipated to be at 785.1 million MT, drop of 2.2% over 2022-23. Lower output in Australia, Russian Federation, Canada and Kazakhstan are anticipated offset production upturns in Argentina, India and USA.

World coarse grains production at 1470.5 million MT in 2022-23, 2.5% lower than the level of 2021-22. It is estimated to increase to 1510.3 million MT in 2023-24, 2.7% over the previous year. Increase in maize production is expected in Brazil, USA where remunerative crop prices have driven up maize plantings. A small increase is also expected in China (mainland) and the European Union. However, due to dry weather conditions, there is expected to have lower output in Argentina, Australia and Canada during the year.

World oil crops production is estimated at 640.9 million MT in 2022-23, an increase of 3.5% over 2021-22. Global oil crops production in 2023-24 is forecasted to reach at a record level of 666.7 million MT,

an increase of 4% over 2022-23 due to increase in production of soybean and sunflower seeds. Production of soybean is expected to increase in Argentina and Brazil assuming normal weather but could fall in USA due to likely decline in plantings. Global sunflower production is predicted to increase in Black Sea region and Europe. However, global rapeseed production is expected to drop in Australia and Canada due to unfavourable weather conditions. In case of palm oil, global production is forecasted to rise in Indonesia and Malaysia.

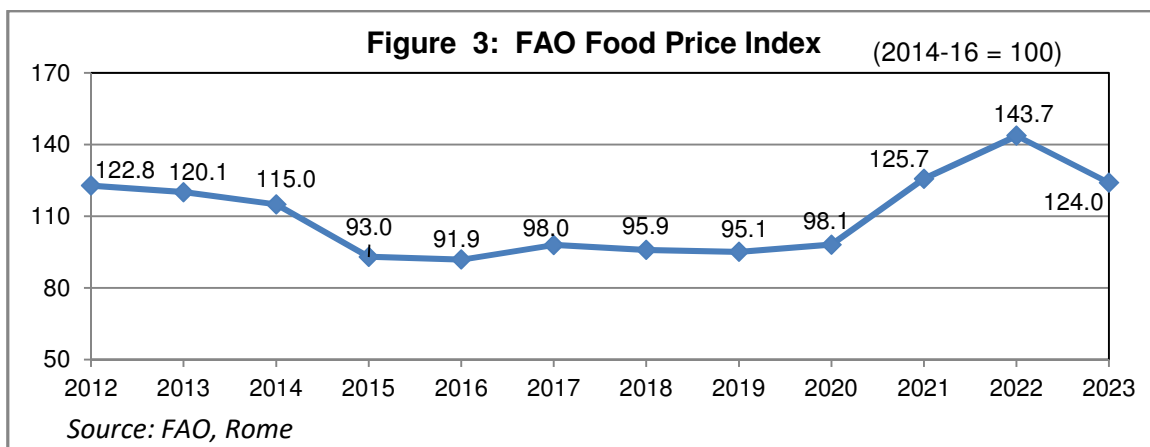
Table 3 shows the world food production of various crops during 2021-22 with estimates for 2022-23 and forecast for 2023-24.

Crop	2021-22 (million MT)	2022-23 (million MT)	2023-24 (million MT)	± % change in 2022-23 over 2021-22	± % change in 2023-24 over 2022-23
Rice	526.0	519.8	523.9	-1.2	0.8
Wheat	778.3	803.1	785.1	3.2	-2.2
Coarse grain	1507.8	1470.5	1510.3	-2.5	2.7
Total Cereals	2812.1	2793.3	2819.3	-0.7	0.9
Oil crops	619.4	640.9	666.7	3.5	4.0

Source: Food Outlook – November 2023, FAO, Rome.

6.0 FAO Food Price Index

FAO food price index consists of 5 commodity group price indices, viz., cereals, sugar, vegetable oils, meat and dairy. The food price index was at 124.0 during 2023. The food price index was 115 and above between 2012 and 2014. It plummeted to a low of 91.9 during 2016. Thereafter, it moved up at 98 in 2017. But it went down progressively during the subsequent periods and touched at 95.1 in 2019. Thereafter, it started moving up at 98.1 in 2020 to 143.7 in 2022. During 2023, it contracted by 19.7 points and reached at the level of 124.0. **Figure 3** shows trends in FAO food price index from 2012 to 2023.



7.0 Index of Eight Core Industries for April/December, 2023

The Office of Economic Adviser, Department for Promotion of Industry and Internal Trade released Index of Eight Core Industries (Base: 2011-12=100) for the Month of December, 2023 and April-December 2023 on 31st January, 2024.

Among the eight core industries, except crude oil, production index of all other industries showed increase during April/ December 2023 over April/ December 2022. Cumulative index of coal, natural gas, refinery products, fertilizers, steel, cement and electricity increased by 12.5%, 5.6%, 4.7%, 6.2%, 13.3%, 9.2% and 6.9%, respectively, during April/December 2023 over corresponding period of the previous year. However, cumulative index of crude oil declined by 0.3% during the period. Overall increase in production index was 8.1% during the period.

The performance of eight core industries during past 5-years and April-December 2023 over April-December 2022 is given in **Table 4**.

Table 4: Performance of Eight Core Industries (2018-19 to 2022-23 and April/December 2023) (Base year 2011-12 = 100)									
								(Per cent)	
Sector	Weight	2018-19	2019-20	2020-21	2021-22	2022-23	April-Dec. 2022	April-Dec. 2023(P)	
Coal	10.33	7.4	-0.4	-1.9	8.5	14.8	16.5	12.5	
Crude Oil	8.98	-4.1	-5.9	-5.2	-2.6	-1.7	-1.3	-0.3	
Natural Gas	6.88	0.8	-5.6	-8.2	19.2	1.6	0.9	5.6	
Refinery Products	28.04	3.1	0.2	-11.2	8.9	4.8	5.5	4.7	
Fertilizers	2.63	0.3	2.7	1.7	0.7	11.3	9.6	6.2	
Steel	17.92	5.1	3.4	-8.7	16.9	9.3	7.9	13.3	
Cement	5.37	13.3	-0.9	-10.8	20.8	8.7	10.7	9.2	
Electricity	19.85	5.2	0.9	-0.5	8.0	8.9	9.9	6.9	
Overall Growth	100	4.4	0.4	-6.4	10.4	7.8	8.1	8.1	
(P) = Provisional.									
<i>Source: Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade, Ministry of Commerce & Industry, Government of India.</i>									

8.0 First Advance Estimates of National Income for 2023-24

The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation released the First Advance Estimate of gross domestic products for the years 2023-24 compared to estimates of 2021-22 (RE) and 2022-23 (PE) on 5th January, 2024.

8.1 Gross Domestic Product (GDP)

GDP at Constant Prices (2011-12) in the year 2023-24 is estimated to be at the level of ₹171.79 lakh crore, as against provisional estimate of GDP for the year 2022-23 of ₹160.06 lakh crore, showing a growth of 7.3% compared to 7.2% in 2022-23.

8.2 Gross Value Added (GVA) at Basic Prices

GVA at Basic Prices is estimated to increase from ₹147.65 lakh crore in 2022-23 to ₹157.82 lakh crore in 2023-24 showing a growth of 6.9%.

All sectors showed positive growth during the year. Sector-wise details are given in **Table 5**.

Table 5: Sector-wise Economic Activities 2021-22 to 2023-24					
Sector	GVA at basic price (Rs. crore)			% change over previous year	
	2021-22 (1 st RE)	2022-23 (PE)	2023-24 (1 st AE)	2022-23	2023-24
1. Agriculture, Forestry & Fishing	21,49,122	22,34,269	22,74,933	4.0	1.8
2. Mining & Quarrying	3,10,415	3,24,708	3,50,870	4.6	8.1
3. Manufacturing	25,82,473	26,17,059	27,88,056	1.3	6.5
4. Electricity, Gas, Water Supply & other Utility Services	3,16,110	3,44,418	3,72,919	9.0	8.3
5. Construction	11,29,368	12,42,354	13,75,800	10.0	10.7
6. Trade, Hotels, Transport, Communication and Services related to Broadcasting	24,56,447	28,00,112	29,77,007	14.0	6.3
7. Financial, Real Estate & Professional Services	30,98,827	33,20,305	36,15,545	7.1	8.9
8. Public Administration, Defence and other Services*	17,55,263	18,81,615	20,27,026	7.2	7.7
GVA at Basic Prices	1,37,98,025	1,47,64,840	1,57,82,157	7.0	6.9
<i>Net Taxes on Products</i>	<i>11,27,815</i>	<i>12,41,585</i>	<i>13,96,485</i>	<i>10.1</i>	<i>12.5</i>
GDP	1,49,25,840	1,60,06,425	1,71,78,641	7.2	7.3
RE = Revised estimates. PE = Provisional estimates. AE = Advance estimates. * = Public Administration, Defence & Other Services category includes the Other Services sector <i>i.e.</i> Education, Health, Recreation, and other Personal Services. Source: Press Note on <i>First Advance Estimates of National Income 2023-24</i> , National Statistical Office, Ministry of Statistics & Programme Implementation, Government of India.					

9.0 Interim Union Budget 2024-25

The Hon'ble Finance Minister Mrs. Nirmala Sitharaman presented the interim Union Budget 2024-25 in the parliament on 1st February, 2024. The highlights of the interim budget are given below:

- There are no changes in direct, indirect tax rates.
- The Government withdrew income tax demands up to ₹25,000 (till 2009-10) and ₹10,000 from 2010-11 to 2014-15. This will benefit about one crore taxpayers.
- A scheme to help middle class living in rented houses to buy or build their own houses will be launched.
- Tax benefits to start-ups and investments made by sovereign wealth or pension funds have been extended up to March 31, 2025.
- Capital expenditure hiked by 11% to ₹11.11 lakh crore.
- Fiscal deficit for FY25 is projected at 5.1%, lower than the revised estimate (5.8%) in FY24
- Government to borrow ₹14.13 lakh crore in next fiscal, lower than ₹15.43 lakh crore in FY24.
- Nominal GDP growth for FY25 is projected at 10.5%.
- Mop-up from central public sector enterprises (CPSEs) disinvestment pegged at ₹50,000 crore for FY25, up from ₹30,000 crore in FY24.
- Gross tax revenue target for FY25 is hiked by 11.46% to ₹38.31 lakh crore, from ₹34.37 lakh crore in FY24.
- Direct tax collection target is set at ₹21.99 lakh crore, while that of indirect tax is at ₹16.22-lakh crore.
- The Government will release a white paper on mismanagement of economy prior to 2014.
- Next generation reforms will be unveiled in consultation with States and stakeholders.
- Government to form high-powered panel to address population growth challenges and demographic changes.

9.1 Fertilizer Subsidy

Government has been providing sufficient funds for fertilizer subsidy for last couple of years. During the year 2022-23, the Government had budgeted Rs.1,05,222 crore for fertilizer subsidy. However, unusual spike in international prices caused disruption in the availability and prices of raw materials and finished fertilizers. This led to a huge increase in subsidy requirement to insulate the farmers and agriculture from skyrocketing fertilizer prices. The total subsidy on fertilizers was increased to Rs. 2,51,340 crore for 2022-23. Similarly, the budget allocation for fertilizer subsidy was Rs. 1,75,103 crores during 2023-24 which has been revised and increased to Rs. 1,88,902 crore due to price volatility of fertilizers and raw materials in the international market during the year.

The budget allocation for fertilizer subsidy is kept at Rs.1,64,103 crore for the year 2024-25. Budget for urea subsidy is Rs. 1,19,000 crore which is lower by Rs. 9,594 crore than the revised BE for 2023-24. Similarly, the subsidy for P&K fertilizers has also been reduced by Rs. 15,300 crore. Adequacy of

allocation will depend on the international prices of energy, fertilizers and raw materials to remain during the year. Details on allocation of fertilizer subsidy for 2024-25 are given in **Table 6**.

Item	(Rs. crore)			
	2022-23 (Actual)	2023-24 (Budgeted)	2023-24 (Revised)	2023-24 (Budget)
Urea Subsidy				
- Payment for Indigenous Urea	125270.09	104063.18	102121.00	100340.00
- Payment for Import of Urea	43406.61	31000.00	30000.00	22634.00
- Direct Benefit Transfer(DBT) in Fertilizer Subsidy	3.96	16.94	5.00	6.00
- Recovery	-3463.53	-3980.00	-3532.00	-3980.00
<i>Net</i>	165217.13	131100.12	128594.00	119000.00
Nutrient Based Subsidy				
- Payment for Indigenous P and K Fertilizers	50089.67	25500.00	32370.00	26500.00
- Payment for Imported P and K Fertilizers	36032.56	18500.00	27930.00	18500.00
Total- Nutrient Based Subsidy	86122.23	44000.00	60300.00	44000.00
Scheme for Promotion of Flagging of Merchant Ships in India	1.12	3.25	1.50	2.50
Policy on Promotion of Organic Fertilizers	-	-	6.00	100.00
Total Subsidy	251340.48	175103.37	188901.50	164102.50

Source: Interim Union Budget – 2024-25

10.0 Policy Developments

10.1 MRP of Sulphur Coated Urea

Department of Fertilizers (DoF) issued a notification on 5th January, 2024 regarding the approval for launching of Sulphur Coated Urea with the name of “Urea Gold” by the Cabinet Committee on Economic Affairs in its meeting held on 28th June, 2023. The price of Sulphur Coated Urea in 40 kg bag has been fixed at the same MRP as that of 45 kg bag of Neem Coated Urea *i.e.* Rs. 266.50 (inclusive of GST). A copy of the notification is attached as **Annex I**.

10.2 Optimizing Indigenous Urea Production

DoF issued a notification on 15th January, 2024 regarding optimizing indigenous urea production. The notification stated that in view of ongoing peak season, the urea manufacturing units may take urgent steps to maximize the urea production and not to plan any shutdown during the current financial year, 2023-24 so that Government could meet the demand and ensure timely availability of urea in the country.

10.3 Guidelines for Evaluation of Reasonableness of MRPs of P&K fertilizers under NBS Policy

DoF issued guidelines dated on 18th January, 2024 regarding evaluation of reasonableness of MRPs of P&K fertilizers under NBS policy. The guidelines outlined that effective from April 1, 2023, the evaluation of reasonableness of MRP will be based on the following major points:

- (i) GST will be excluded from evaluation of reasonableness of MRPs;
- (ii) Differential profit percentages are allowed based on the category: 8% for importers, 10% for manufacturers, and 12% for integrated manufacturers;
- (iii) Total cost of sales includes the cost of production/import (except profit on self-manufactured intermediates for manufacturing finished fertilizers), administrative overheads, selling and distribution overheads (except promotional expenses), and net interest and financing charges;
- (iv) The total cost of sales will not include interest beyond net interest and financing charges and GST/IGST paid on inputs/imports of fertilizers eligible for input tax credit;
- (v) Deduction of discount or promotional expenditure except the prescribed dealer's margin will not be permitted. However, deduction for dealer's margin will be allowed to the extent of 2% of MRP for DAP & MOP and 4% of MRP for all other grades of fertilizers under NBS (TSP, MAP, SSP, NPKs & PDM);
- (vi) Reasonability will be evaluated for all fertilizer grades for which subsidy is received by P&K fertilizer companies under the NBS scheme on a segment basis. The three categories of integrated manufacturer, manufacturer, and importers will be considered as three separate segments;
- (vii) Companies will report P&K fertilizers under NBS as a separate segment in their Audited Annual Accounts. The Cost Auditor's Report along with audited cost data approved by the Board of Directors (BoD) and refund unreasonable profit will be submitted in the online module by 10th October for the previous financial year. In case, companies do not refund unreasonable profit earned above the prescribed limit within prescribed time limit, then an interest @ 12% per annum on pro-rata basis would be charged on the refund amount from the next day of end of financial year;
- (viii) All companies/cooperatives (except SSP & PDM units) under NBS will set-up an Audit Committee to review the Cost Auditor's Report along-with audited cost data on reasonableness of MRPs before placing it before the BoD for their approvals;
- (ix) Non-submission of the Cost Auditor's Report along with audited cost data approved by the BoD by the companies upto 10th October will result in the stoppage of further subsidy payment until the requisite cost data is furnished to the DoF, with a penalty of Rs. 1000 per day from the next day of the specified time limit for submission of cost data.
- (x) Examination of the reasonability of MRPs as submitted by the P&K Fertilizer Companies shall be completed timely by DoF/ FICC by 28th February for each completed previous financial year.

A copy of the OM covering other details is given as **Annex II**.

10.4 One Time Permission for Production of urea beyond Re-assessed Capacity(RAC)/ Installed Capacity by Naphtha Converted and the Units set up under NIP-2012 during 2023-24

DoF issued a notification on 29th January, 2024 regarding one-time permission for production of urea beyond RAC/ installed capacity by naphtha converted and the units set up under NIP-2012 during 2023-24. The notification was issued to the CEOs of concerned urea units.

The provisions for calculation of concession rates, terms and conditions, are subject to IPP of urea plus incidental charges of urea beyond RAC by three Naphtha converted units; and details of incentives in terms of Rs./MT for quantity of urea produced, terms and conditions and concession rate so calculated for production beyond installed capacity by NIP-2012 urea units subject to IPP of urea plants incidental charges as per the extant norms applicable are given in **Annex III**.

10.5 Procurement of Natural Gas through IGX Portal by Urea Manufacturing Units

As per the office memorandum dated the 22nd January, 2024, issued by DOF, the Department decided to allow urea manufacturing units to procure total 0.5 MMSCMD of natural gas available from domestic sources at IGX portal for the urea production on pilot basis for a period of 3 months i.e. from March to May 2024.

The detail provision for procurement of natural gas available from domestic sources at IGX portal for production of urea during the pilot phase is at **Annex IV**.

10.6 Domestic Natural Gas Price for the period April 2023 to February 2024

Domestic natural gas price increased for the period of April to October 2023 from US\$ 7.92 per MMBTU during April 2023 to US\$ 9.20 per MMBTU during October 2023. Afterwards, it reduced from US\$ 9.12 per MMBTU in November 2023 to US\$ 7.82 per MMBTU in January 2024. However, it increased marginally to US\$ 7.85 per MMBTU in February 2024. At the same time, the gas price ceiling for Deepwater, high pressure-high temperature areas reduced from US\$ 12.12 per MMBTU in April 2023 to US\$ 9.96 per MMBTU in October 2023. It remained constant at US\$ 6.50 MMBTU from November 2023 to February 2024. **Table 7** shows changes in domestic natural gas prices from April 2022 to February 2024.

Table 7: Domestic Natural Gas Prices on Gross Calorific Value (GCV) Basis		
US\$/MMBTU		
Period	Domestic Gas Price	Price Ceiling for Deepwater, High temp High Pressure Area
1 st April 2023 to 7 th April 2023	9.16	12.12
8 th April 2023 to 30 th April 2023	7.92*	
1 st May 2023 to 31 st May 2023	8.27*	
1 st June 2023 to 30 th June 2023	7.58*	
1 st July 2023 to 31 st July 2023	7.48*	
1 st August 2023 to 31 st August 2023	7.85*	
1 st September 2023 to 30 th September 2023	8.60*	
1 st October 2023 to 31 st October 2023	9.20*	9.96**

1 st November 2023 to 30 th November 2023	9.12	6.50
1 st December 2023 to 31 st December 2023	8.47	6.50
1 st January 2024 to 31 st January 2024	7.82	6.50
1 st February 2024 to 29 th February 2024	7.85	6.50
* = Gas produced by ONGC/OIL from their nomination fields, APM price shall be subject to a ceiling of US\$6.50/MMBTU on GCV basis for the same period.		
** = For the period October 2023 to March 2024.		

The supply of domestic gas to fertilizer (Urea) plants has been declining. This has made fertilizer plants more and more dependent on imported LNG. Share of domestic gas to fertilizer plants declined from 76% in 2012-13 to 15.7% in 2022-23. However, as per the data available for April-October 2023, the share of domestic gas to fertilizer plants improved to about 22% due to availability of domestic high pressure high temperature gas from June 2023 onwards.

* * * * *

No.12019/45/2021-UPP (E-29841)
Government of India
Ministry of Chemicals and Fertilizers
Department of Fertilizers

Shastri Bhawan, New Delhi
Dated 22nd January, 2024

OFFICE MEMORANDUM

Subject: Procurement of natural gas through IGX portal by urea manufacturing units- regarding.

The undersigned is directed to refer to the subject mentioned above and to state that with the approval of Competent Authority, it has been decided to allow the urea manufacturing units to procure total 0.5 MMSCMD of natural gas available from domestic sources at IGX portal for the Urea production on pilot basis for a period of 3 months i.e. from March to May 2024. Procurement of natural gas through IGX after the end of pilot phase will be decided based on experience during the pilot phase.

2. Detailed provisions for the procurement of natural gas available from domestic sources at IGX portal for the Urea production during the pilot phase are as under:

- a. Only gas available from domestic sources will be procured through IGX portal.
- b. M/s GAIL has been nominated as aggregator in case of procurement of natural gas available from domestic sources through the IGX.
- c. Urea manufacturing companies/units may procure the natural gas available through domestic sources either directly or through Aggregator i.e. M/s GAIL.
- d. The urea units will be required to procure the IGX gas quantity by 7th of the preceding month in which gas is to be utilized for the production of Urea. Thereafter, the units will inform about the shortfall quantity to FICC and FICC will inform the required quantity to EPMC by 10th of the preceding month for procurement through EPMC. For example, for the month of March, 2024 the units may complete the procurement of domestic gas through IGX till 7th February, 2024. Thereafter, based on quantity of IGX gas as on 7th February, 2024, FICC will inform the shortfall quantity to be procured through EPMC by 10th February, 2024. Thereafter, by the end of February, the remaining natural gas shall be procured through EPMC.

P.T.O.

e. There shall be no payment of transaction charges during the Pilot Phase.

3. This issues with the approval of the competent authority.



(Robin Gangte)

Under Secretary to the Government of India

Tel. 23389364

To

1. Secretary, Ministry of Petroleum and Natural Gas, Shastri Bhawan, New Delhi: with request to issue clarification as requested under point 2(b) above at the earliest.
2. CMD GAIL, GAIL (India) Ltd., New Delhi: With request to work as aggregator as specified under point 2(d) & (e) above.
3. ED-FICC, New Delhi
4. MD/CMD all urea manufacturing companies: with request to take action positively.
5. MD&CEO, IGX, Noida

Copy to:

PPS to AS (AM)/PPS to Director (UPP)/JD(SSA)-FICC/ JD(HHP)-FICC.

No. 12018/2/2016-FPP (Vol.III)
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

Shastri Bhawan, New Delhi
Dated 29th January, 2024

To

CMD/MD, MCFL/SPIC/MFL/CFCL//Matix/ RFCL/HURL

Subject: One time permission for production of urea beyond Re-assessed capacity (RAC)/Installed capacity by Naphtha converted and the units set up under NIP-2012 during 2023-24 –regarding.

Sir,

I am directed to state that the Department of Fertilizers is in receipt of request from few urea manufacturing units converted from Naphtha to Natural Gas as feedstock and urea units covered under the NIP-2012 read with its amendment to produce beyond their re-assessed capacity (RAC)/installed capacity during 2023-24.

2. The matter has been examined in consultation with Department of Expenditure and it has been decided to grant in principle one-time permission to urea units converted from Naphtha to Natural Gas as feedstock viz., MCFL-Mangalore, SPIC-Tuticorin, MFL-Manali and NIP-2012 based urea units namely, CFCL-Gadepan-III, Matix-Panagarh, HURL-Gorakhpur, HURL-Barauni, HURL-Sindri and RFCL-Ramagundam to produce beyond their respective RAC/Installed Capacity during the financial year 2023-24.

3. The concession rates for the production of Urea beyond RAC/Installed Capacity by three Naphtha converted units and units under NIP-2012 will be calculated as per following provisions:

A. For production of Urea beyond RAC by three Naphtha converted units.

- I. The incentive (in terms of Rs./MT), for quantity of urea produced by the three Naphtha converted units beyond their RAC, would consist of the following:

P.T.O.

- a. Interest on additional Working Capital required for production of quantity of urea beyond RAC by the unit.
- b. Incremental additional selling expenses for sale of quantity of urea produced beyond RAC by the unit.
- c. 1% post-tax return on the paid up capital of the company as on the last working day of the preceding financial year.
- d. The cumulative amount so arrived after adding (a), (b) and (c) above would be converted into incentive (in terms of Rs./MT) for urea produced by the Naphtha converted unit beyond its RAC.

Or

The lowest of the fixed cost of the three Naphtha converted units

Or

- e. Rs.1635/MT (which is applicable to 25 urea units covered under NUP-2015), whichever is lower.
- II. The other terms and conditions for the production of urea beyond RAC by the three Naphtha converted units would be:
 - a. The energy norms for calculation of concession rate for urea beyond RAC would be 6.5 Gcal/MT (the target energy norms for these units) or actual energy consumption, whichever is lower.
 - b. All other variable cost such as Bag cost, Water cost etc. would be provided based on actual rate and respective consumption norm for the quantity.
 - III. The Concession rate so calculated for beyond RAC production by the three Naphtha converted urea units would be subject to IPP of urea plus Incidental charges.

B. For production of Urea beyond Installed Capacity by the units under New Investment Policy-2012 units

- I. The incentive (in terms of Rs. /MT), for quantity of urea produced by NIP-2012 Urea units beyond their installed capacity would consist of the following:
 - a. Interest on additional Working Capital required for production of quantity of urea beyond installed capacity by the unit.
 - b. Incremental additional selling expenses for sale of quantity of urea produced beyond installed capacity by the unit.
 - c. 1% post-tax return on the paid-up capital of the company as on the last day of the preceding financial year.
 - d. The cumulative amount so arrived after adding (a), (b) and (c) above would be converted into incentive (in terms of Rs./MT) for urea produced by the NIP-2012 unit beyond its installed capacity.

Or


P.T.O.

The lowest of the fixed cost of all NIP-2012 units

Or

- e. Rs.1635/MT (which is applicable to 25 urea units covered under NUP-2015), whichever is lower.
- II. The other terms and conditions for the production of urea beyond installed capacity by NIP-2012 units would be:
 - a. The energy norm to be considered for NIP-2012 units for the production of urea beyond their installed capacity would be lower of 5.0 Gcal/MT or actual energy consumption.
 - b. The other variable cost such as water consumption norm will be best of industry. Bag cost will be the moving weighted average cost of bag of preceding three years of best of industry.
- III. The Concession rate so calculated for production beyond installed capacity by NIP-2012 urea units would be subject to IPP of urea plus Incidental charges as per extant norms applicable.
4. This issues with the approval of Competent Authority.

Yours faithfully,


(Robin Gangte)

Under Secretary to the Govt. of India

Tel. 23389364

Copy for information to: ED(FICC)/Director (PMI)/Director (Movement)/Director (Finance).

F.No.23011/9/2023-P&K
Government of India
Ministry of Chemicals and Fertilizers
Department of Fertilizers

205-D, Shastri Bhawan
Dated 18th January, 2024

OFFICE MEMORANDUM

Subject: Guidelines for evaluation of reasonableness of Maximum Retail Prices (MRPs) of Phosphatic and Potassic (P&K) fertilizers under the Nutrient Based Subsidy (NBS) Policy-Regarding.

In exercise of powers conferred by section 3 of the Essential Commodity Act, 1955, under Fertilizer (Control) Order, 1985 section 25(1) restriction on sale and use of fertilizers as per terms and conditions which are laid down as per govt. policies are prescribed. Accordingly, the govt. has implemented the Nutrient Based Subsidy (NBS) Policy w.e.f. 01.04.2010.

2. The undersigned is directed to refer to the various OMs/Orders on the above subject issued by this Department from time to time and directed to issue the detailed guidelines for evaluation of reasonableness of MRP's of Phosphatic and Potassic (P&K) fertilizers under the Nutrient Based Subsidy (NBS) Policy.
3. The salient features/provisions of the guidelines are as below: -
 - i. These guidelines will be effective from 01.04.2023 onwards.
 - ii. GST will be excluded from evaluation of reasonableness of MRPs.
 - iii. Differential Profit percentage will be allowed for P&K Fertilizer Companies based on the category to which they belong i.e. 8% for Importers, 10% for Manufacturers and 12% for Integrated Manufacturers. **(detailed formula of calculation along with details of categorization are at Annexure-A)**
 - iv. The basis of evaluation of reasonableness of MRPs will be the Total Cost of Sales i.e. is the Cost of Production/Import (except profit on self- manufactured intermediates for manufacturing finished fertilizers), Administrative Overheads, Selling and Distribution Overheads (except promotional expenses), Net Interest and Financing charges.
 - v. The Total Cost of Sales will not include the following: (a) any interest beyond the net interest and financing charges (ie. Net Interest and Financing Charges = Actual interest expenses -Interest Income shown in P&L a/c), (b) GST/IGST paid on inputs/imports of fertilizers which are eligible for input tax credit.



- vi. Deduction of discount or promotional expenditure except the prescribed Dealer's margin will not be permitted.
- vii. Deduction for Dealer's margin will be allowed to the extent of 2% of MRP for DAP & MOP and 4% of MRP for all other grades of fertilizers under NBS (TSP, MAP, SSP, NPKs & PDM).
- viii. Reasonability will be evaluated for all fertilizer grades for which subsidy is received by P&K fertilizer companies under NBS scheme on segment basis. (i.e. for all the P&K grades taken together for which subsidy has been realized under NBS scheme by the company) However, the 3 categories of Integrated manufacturer, Manufacturer and Importers will be considered as three separate categories/ segments (i.e. for ex. all imported finished products would come under Importers category).
- ix. Companies will report P&K fertilizers under NBS as a separate Segment in their Audited Annual Accounts. However, the 3 categories of Integrated Manufacturer, Manufacturer and Importers will be considered as three separate categories/ segments.
- x. Companies will self-assess unreasonable profit earned by them based on Cost Auditor's Report along-with audited cost data approved by the Board of Directors (BoD) and refund unreasonable profit to DoF upto 10th October for the previous financial year (Self-assessment based on the Cost auditor's report) (i.e. for FY 2023-24 upto 10th October, 2024). In case, companies do not refund unreasonable profit earned above the prescribed limit within prescribed time limit, then an interest @ 12% per annum on pro-rata basis would be charged on the refund amount from the next day of end of financial year (i.e. in case of FY 2023-24, the interest would be charged from 1st April, 2024).
- xi. The Cost Auditor's Report along-with audited cost data approved by the BoD will be submitted in the online module upto 10th October for the previous financial year (i.e. for FY 2023-24 upto 10th October, 2024).
- xii. All companies/cooperatives (except SSP & PDM units which are very small units) under NBS will set-up an Audit Committee (composition as prescribed in Companies Act, 2013) to review the Cost Auditor's Report along-with audited cost data on reasonableness of MRPs before placing it before the BoD for their approvals.
- xiii. In case of non-submission of Cost Auditor's Report along-with audited cost data approved by BoD by the companies upto 10th October for the previous financial year, further subsidy payment of the company will be stopped till the time the company furnishes the requisite cost data to the DoF and a penalty @ Rs. 1000 per day would be charged from next day of time limit specified for submission of cost data (i.e. for FY 2023-24 penalty would be charged from 11th October, 2024 onwards).

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xiv. Examination of the reasonability of MRPs as submitted by the P&K Fertilizer Companies shall be completed timely by DoF/ FICC by 28th February for each completed previous financial year (i.e. for FY 2023-24 by 28th February, 2025).

xv. DoF will place a report on unreasonable profit earned by the companies and recovered by the Department before the IMC.

xvi. **Reporting mechanism by the Companies**

In view of Government vision of transparency and good governance, cost auditor will report following in its report: -

a. The updated cost data format will be used for online submission of data (DoF will issue updated cost data format along with auditor report format).

b. Compliance by the Company with all the policy parameters issued by DoF in relation to NBS scheme from time to time.

c. Company has not used any other subsidized fertilizers in production of P&K fertilizers under NBS scheme.

d. Company has not earned any profit on self- manufactured intermediaries for manufacturing finished fertilizers.

e. Subsidy claims submitted by company to the DoF are in line with NBS policy/Notification issued from time to time by DoF.

f. Production/Import of P&K fertilizers figures submitted in IFMS and Cost sheet are same. If any difference is there, then reason for the same alongwith justification has to be given.

g. Company has submitted Imported Goods (Raw Material/Finished Fertilizers) details (Bill of Entry, Invoice, Bill of Lading etc.) in IFMS within 7 days from generation of Bill of Entry.

h. Confirmation that the data submitted by the company in IFMS is correct.

i. Any expansion/ Setup of new plant of Fertilizers (DAP/NPKs, SSP, PDM, Bio Fertilizers, Organic Fertilizers etc.)

j. Capacity utilization of plants in India.

k. Total raw material/intermediates viz. rock phosphates, Phosphoric acid, Ammonia, Natural Gas, Urea, Potash etc. consumed during the year in domestic production of fertilizers under NBS.

l. Any other information that company/auditor may like to disclose.

xvii. If the scrutiny of reasonableness of MRPs by DoF does not match with self-assessment, the company will be provided an opportunity to represent/furnish

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inputs prior to adjustments from the subsidy payments. In such cases, DoF /FICC will issue notice to represent/furnish comments within 14 days. FICC (P&K Cost Analysis Cell) will be asked to examine the comments received from the company within next 15 days and thereafter final decision will be taken by DoF within 7 days of receipt of FICC's (P&K Cost Analysis Cell) response. If company does not reply within 14 days, it will be presumed that company has nothing to represent and accordingly, the amount over and above the reasonable profit will be recovered with Interest @ 12 % p.a. on pro-rata basis from next day of end of financial year under examination. (i.e. in case of FY 2023-24, the interest would be charged from 1st April,2024)

- xviii. The unreasonable amount of profit i.e. profit over and above reasonable profit not refunded by the companies based on self-assessment or based on the examination of DoF, would be adjusted from subsequent subsidy payments along with interest, if any.
- xix. In case of any dispute related to implementation of guidelines, the litigation shall be decided by Courts having jurisdiction in New Delhi.
4. This issue with the approval of the competent authority.

(Nirmla Devi Goel)

Under Secretary to the Govt. of India

Tele 011-23386151

To

P&K Cost Cell, FICC

Copy to DG-FAI, New Delhi for conveying to all the P&K Companies under NBS scheme.

Enclosure to Draft Guidelines dated 18.01.2024

Particulars	Category/Segment		
	A. Integrated Manufacturers	B. Manufacturers	C. Importers of Fertilizers
a. Profit Margin	12% of Total Cost of Sales	10% of Total Cost of Sales	8% of Total Cost of Sales
b. Equation for Reasonableness Criteria	If Net MRP + Subsidy \leq 1.12*Total Cost of Sales, profit margin is reasonable.	If Net MRP + Subsidy \leq 1.10*Total Cost of Sales, profit margin is reasonable.	If Net MRP + Subsidy \leq 1.08*Total Cost of Sales, profit margin is reasonable.
	If Net MRP + Subsidy $>$ 1.12*Total Cost of Sales, profit margin is unreasonable.	If Net MRP + Subsidy $>$ 1.10*Total Cost of Sales, profit margin is unreasonable.	If Net MRP + Subsidy $>$ 1.08*Total Cost of Sales, profit margin is unreasonable.
c. Total cost of sales	Cost of Production/Import (Except profit on self-manufactured intermediaries for manufacturing finished fertilizers) + Administrative Overheads + Selling and Distribution Overheads (Except promotional expenses) + Net Interest and Financing Charges/expenses (Actual interest expenses -Interest Income shown in P&L a/c). (GST/IGST paid on inputs/imports of fertilizers which are eligible for input tax credit will not be included in the total cost of sales.)		
d. Dealer's margin	Deduction for dealer's margin will be allowed to the extent of 2% of MRP for DAP & MOP and 4% for MAP, TSP, NPKs, SSP, PDM and any other.		
e. Discount	Deduction of any discount or promotional expenditure except prescribed dealer's margin would not be permitted.		
f. MRP	Maximum Retail Price printed on Bag.		
g. Net MRP	Net MRP = MRP – Dealer's Margin (2% of MRP for DAP & MOP and 4% of MRP for MAP, TSP, NPKs, SSP, PDM and any other) – Indirect Taxes (GST) on MRP		
h. Net Interest and Financing Charges	No interest would be allowed beyond the Net Interest and Financing Charges/expenses i.e. (Interest and Financing		



	Charges - Interest Income) (interest Income is the income shown in financial statement i.e. P&L account) in Total Cost of Sales.
i. Evaluation methodology	Profit margin has to be evaluated for entire P&K fertilizers segment-wise. However, Integrated Manufacturer, Manufacturer and Importer of Fertilizers will be considered as separate segment.(Inter-segment set-off of profit/loss will not be permitted)
A. Integrated manufacturers are	<ul style="list-style-type: none"> i. Companies which have/develop capacities in India covering the entire value chain from raw material stage i.e. rock phosphate and Ammonia to finished fertilizers i.e. DAP/NPKs in India; and ii. Companies which utilize 100% of their plant capacities; and iii. Companies which set-up new production facilities for chemical fertilizers, alternate innovative fertilizers (DAP/NPKs, Bio-fertilizers, Organic Fertilizers, PDM and SSP etc.) with capacity of at least 5 LMT; or Invest to increase the existing production capacity by at least 20% or at least 5 LMT, whichever is higher after 01.04.2023.
B. Manufacturers are	Those entities which are inducted under NBS Scheme with DoF as per guidelines for manufacturing and selling finished fertilizers manufactured in their own factory within India and which does not fall in the category of integrated manufacturers.
C. Importers are	Those entities which are inducted under NBS Scheme with DoF as per guidelines for selling imported finished fertilizers.

Good

F No. 20-41/2022-FI
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

Dated 5th January, 2024
Shastri Bhawan, New Delhi

To,

MD/CMD of all Fertilizer manufacturing companies

Subject: MRP of Sulphur Coated Urea-regarding.

The undersigned is directed to convey that the Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 28th June, 2023 has approved the proposal for launching of Sulphur Coated Urea with the name of "Urea Gold". In this regard, the competent authority has approved introduction of Sulphur Coated Urea in 40 kg bag at the same MRP as that of 45 kg bag of Neem Coated Urea i.e., Rs 266.50 (inclusive of GST). A formal notification will follow soon.

2. This issues with the approval of competent authority.

Yours' sincerely,

dlh
05/01/24

(Sankara Subramonian V)
Under Secretary to the Govt of India
Tele: 011- 23073820

Copy to: PS to Hon'ble Minister (C&F)/PPS to Secretary (F)/PPS to AS (NA)/PPS to AS (AM)