

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

UNSTARRED QUESTION NO:6322

ANSWERED ON:06.05.2003

OPERATIONAL COST AND PRODUCTION CAPACITY OF FERTILIZERS

A. VENKATESH NAIK

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

(a) whether it is a fact that the Union Government have reviewed the operational cost and production capacity of fertilizers industry in the country during 2002-2003; and

(b) if so, the outcome thereof?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (DR. CHHATTRA PAL SINGH)

(a) and (b) : Retention prices (cost of production plus 12% post tax return on networth) of urea units were revised w.e.f 1.7.1997 based on the policy parameters for 7th and 8th pricing periods, covering the period from 1.7.1997 to 31.3.2000 and 1.4.2000 to 31.3.2003 respectively. These parameters were approved by the Government on 16.5.2002 and communicated to urea units on 4.6.2002. Plant capacities of 20 urea units were re-assessed w.e.f. 1.4.2000 based on the Alagh Committee methodology as a part of the approved policy parameters for the 7th and 8th pricing periods.

Retention Price Scheme has been replaced by the New Pricing Scheme(NPS) w.e.f 1.4.2003. The NPS will be implemented in stages. Stage-I would be of one year duration, from 1.4.2003 to 31.3.2004. Stage-II would be of two yearsduration, from 1.4.2004 to 31.3.2006. The modalities of subsequent stages would be decided after review of the implementation of Stage-I and Stage-II.

The NPS aims at greater transparency, efficiency and uniformity insubsidy disbursements to urea units and inducing them to take cost reduction measures on their own and be competitive.