



नेशनल फर्टिलाइजर्स लिमिटेड

(भारत सरकार का उपक्रम)

कॉर्पोरेट कार्यालय : ए-11, सेक्टर-24, नोएडा - 201301
जिला गौतम बुद्ध नगर (उ.प्र.),

दूरभाष : 0120 2412294, 2412445, फ़ैक्स : 0120-2412397



NATIONAL FERTILIZERS LIMITED

(A Govt. Of India Undertaking)

Corporate Office : A-11, Sector-24, Noida-201301,

Distt. Gautam Budh Nagar (U.P.)

Ph.: 0120-2412294, 2412445, Fax : 0120-2412397

Ref No. NFL/SEC/SE

Dated: 12.04.2020

Manager (Listing), National Stock Exchange Limited, Registered Office (Exchange Plaza), C-1, Block-G, Bandra Kurla Complex, Bandra (E), Mumbai-400051.	General Manager, Department of Corporate Services, BSE Limited, Floor 25th, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
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Dear Sir,

**Subject: Disclosure of Information pursuant to Regulation 30 of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations,
2015**

With reference to the above matter, we would like to inform you that National Fertilizers Limited is inter-alia engaged in manufacturing of Urea a nitrogenous fertilizer through its Urea manufacturing units located at Panipat, Bathinda, Nangal and Vijaipur (Vijaipur-I and Vijaipur II). Urea is presently covered under the subsidy scheme of the Government of India. In this connection it is submitted as under:

1. Fixed Costs applicable to urea manufacturing units for calculation of Concession Prices were revised vide Modified NPS-III policy notified by Deptt. of Fertilizers (DoF), Ministry of Chemicals & Fertilizers, Govt of India vide notification no 12012/3/2010-FPP dated 02.04.2014 (**Annexure-I**), which contained the following elements:

- (a) Additional Fixed cost of Rs. 350 per MT,
- (b) Minimum Fixed cost of Rs. 2300 per MT and
- (c) Special Compensation of Rs. 150 per MT to gas based urea plants which had converted to Gas and were more than 30 years old.

These provisions of Modified NPS-III were continued in New Urea Policy (NUP) effective from 01.06.2015. Pursuant to the said policy, the Company had been accounting for the above revision in fixed costs in its accounts since 02.04.2014 on accrual basis by booking the increased subsidy income up to its previous unaudited quarterly / 9-months results published for the period ended 31.12.2019.

2. DoF, Ministry of Chemicals and Fertilizers, Government of India vide its letter no 12012/3/2010-FPP dated 30.03.2020 (**Annexure-II**) addressed to ED, Fertilizer Industry Coordination Committee (FICC), has stated that the



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Modified NPS-III could not be implemented due to its ambiguous language, and conveyed the decision of the competent authority to amend the same. As per the said amendment the earlier provision of Minimum Fixed Cost of Rs. 2300 per MT stood deleted w.e.f. 02.04.2014.

3. The above amendment in Modified NPS-III w.e.f. 02.04.2014 has affected the subsidy income of the Company in the following manner:
 - (a) The Fixed cost of the Vijaipur-I unit, up to its annual re-assessed capacity of 8.646 lakh MT, which was Rs.1285 per MT prior to Modified NPS-III and was being recognized @ Rs.2300 per MT w.e.f. 02.04.2014 upon issue of Modified NPS-III, stands revised to Rs.1635 per MT [Rs.1285 + Rs.350]. In other words, the subsidy income on urea production from Vijaipur-I from 02.04.2014, up to its re-assessed capacity, would come down by Rs.665 per MT [Rs.2300 – Rs.1635]. For the period 02.04.2014 to 31.12.2019, this would result in lower subsidy income by Rs.330.41 crore.
 - (b) In respect of urea production beyond the re-assessed capacities (RAC) by all the five units of the Company, one of the elements for calculation of subsidy income is the Minimum Fixed Cost amongst all urea-manufacturing units in the industry. As the fixed cost of Vijaipur-I unit is the lowest in the industry, and the same has come down from Rs 2300 per MT to Rs.1635 per MT, as explained above; this would result in lower subsidy income by Rs 121.24 crore in respect of urea production beyond RAC for the period 01.06.2015 to 31.12.2019.
4. Since the Company has been recognizing Minimum Fixed Cost under the Modified NPS-III policy on accrual basis in its accounts from 02.04.2014 to 31.12.2019, the deletion of clause no. 3.2 of Modified NPS-III, relating to Minimum Fixed Cost, shall result in reversal of Subsidy Income of Rs. 451.65 crore in the accounts for quarter ended 31.03.2020 and F.Y. 2019-20.
5. In the opinion of the Company, the omission of information is likely to result in significant market reaction if the said omission came to light at a later date.

In view of above as a matter of abundant caution, it has been considered prudent to make the above disclosure in the matter.

This is for your information and record.

Thanking You,

Yours faithfully,
For National Fertilizers Limited
Sd/-
(Ashok Jha)
Company Secretary

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

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

Shastri Bhawan, New Delhi
Dated: 30th March, 2020

To

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

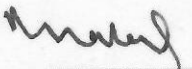
Subject: - Removal of Ambiguities in the Modified NPS-III for determination of fixed costs for the urea units.

Madam,

I am directed to state that the Department of Fertilizers had notified Modified NPS-III for existing urea units on 2nd April, 2014. However, the said notification could not be implemented due to its ambiguous language. Therefore, the Competent Authority has now decided to make the following amendment in Modified NPS-III for its smooth implementation:

- "(i) Para 3.2 of Modified NPS-III stands deleted.**
 - (ii) With above, change, Modified NPS-III is made effective from the date of its notification i.e. 2nd April, 2014."**
2. Other provisions of Modified NPS-III will remain the same.

Yours faithfully,


(Dharam Pal)

Additional Secretary to the Government of India
Ph: 23386800