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Govt brings non-urea fertilisers under price control, fixes profit margins

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Written by **Harish Damodaran** Follow
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THE NARENDRA Modi government has brought di-ammonium phosphate (DAP), muriate of potash (MOP) and all other such fertilisers that receive nutrient-based subsidy (NBS) support under "reasonable pricing" controls.

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But the Department of Fertilisers (DoF) has now, in an office memorandum dated January 18, issued detailed guidelines for the evaluation of "reasonableness" of the MRPs for all non-urea fertilisers covered under NBS.

The guidelines, to be effective retrospectively from April 1, 2023, have prescribed maximum profit margins that will be allowed for fertiliser companies – 8% for importers, 10% for manufacturers and 12% for integrated manufacturers (those producing finished fertilisers as well as intermediates such as phosphoric acid and ammonia).

Companies earning "unreasonable profit", i.e. over and above the stipulated percentages, in a particular financial year (April-March) will have to refund the same to the DoF by October 10 of the following fiscal. If they don't return the money within the said time limit, "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 April 1, 2024)," the memorandum has said. The unreasonable profits would also get adjusted against subsequent fertiliser subsidy payments by the government.

Simply put, the new guidelines impose indirect MRP controls on non-urea fertilisers by capping the profits that companies can earn from their sales. These will be based on their "total cost of sales", which would cover cost of production/ import, administrative overheads, selling and distribution overheads, and net interest and financing charges. Deduction for dealer's margin will be allowed to the extent of 2% of the MRP for DAP and MOP, and 4% for all other NBS fertilisers.

The guidelines have mandated fertiliser companies to "self-assess" unreasonable profits, based on the cost auditor's report along with audited cost data approved by their board of directors. This report and data has to be furnished to the DoF by October 10 of the following fiscal year. The DoF will then scrutinise the "reasonability of MRPs", as submitted by the companies, "by 28th February for each completed previous financial year (i.e. for FY 2023-24 by 28th February 2025)".

Following that, it will finalise a report on unreasonable profits earned, if any, to be recovered from the companies.

An industry source told [The Indian Express](https://indianexpress.com) that the new guidelines basically extend the regime of detailed cost monitoring and price control currently applicable on urea to other fertilisers. The MRP of urea has remained at Rs 5,360 per tonne since November 1, 2012. The only change that has taken place is companies being permitted to charge 5% extra (Rs 268) for neem-coating of urea, made mandatory from May 25, 2015.

“Non-urea fertilisers are already under informal price control, which will definitely continue till the Lok Sabha elections are over. We have been advised to fix the MRPs at Rs 27,000 per tonne for DAP, Rs 33,100 for MOP, Rs 29,400 for 12:32:16 and 10:26:26 NPK, and Rs 25,000 for 20:20:0:13 NPKS fertilisers,” the source said.

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