

# Clarification regarding Resumption of Fertilizer Subsidy to Gujarat State Fertilizer Corporation (GSFC)

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There have been some Media reports today, alleging inconsistency in Government's decision to resume the Fertilizer Subsidy to Gujarat State Fertilizer Corporation (GSFC). The reports contain erroneous representation of facts. The following is the clarification in this regard.

The subsidy on Ammonium Sulphate (AS) of GSFC was stopped by an order dated 18.03.2013 on the grounds that the company had not passed on the benefits of subsidy to the farmers. The recovery of subsidy already paid to GSFC on AS w.e.f. 01.04.10 was also ordered by the same order. The order was issued as the company failed to provide the requisite data to substantiate its claim that it has passed on the benefits of subsidy to the farmers.

The company filed a writ petition before the Hon'ble High Court of Delhi against the above-said order immediately. The Hon'ble Court by its order dated 02.03.16 asked GSFC to make a representation to the DoF for reconsideration of the matter along with all the requisite documents/data. Hon'ble Court further ordered the Department to dispose-off the representation within 4 weeks. Accordingly, GSFC made a representation along with the requisite data. The Data was forwarded to the Fertilizers Industry Coordination Committee (FICC), a subordinate office of the Department. **After the examination, FICC found that the company has not fully passed on the benefits during 2010-11 and made undue profits. However, the company had passed on the benefits to the farmers during 2011-12 and 2012-13.**

**FICC calculated the amount of Rs. 33.78 Cr to be recovered from the company for not passing on the benefits of subsidy to the farmers during 2010-11.** The year wise profit made by the company was calculated as under:-

Year (1)	Cost of Production (2)	Subsidy (3)	MRP (4)	Profit {4-(2-3)} (5)	Profit %* (6)
2010-11	9507	5069	7086	2648	27.86%
2011-12	12707	6618	7371	1282	10.09%
2012-13	14557	6204	7679	-675	-4.64%

\* Up to 12% of profit is accepted as reasonable by the Department for all products.

**A Committee of Senior officers of DoF was constituted to examine the analysis done by FICC.** The Committee after examination accepted the analysis done by FICC and recommended that the amount of Rs. 33.78 Crores may be recovered from the withheld subsidy amount of the company w.e.f. 01.04.10 to 17.03.13. The committee further recommended to induct the AS with effect from the approval of the Competent Authority i.e 06.03.2017.

Since, the matter was subjudice and the Hon'ble Delhi High Court had given stay on the order to the extent it seeks recovery of past dues, the department informed the company that the department cannot take further action till the matter is subjudice. The Company withdrew the case to enable the Department to make recovery and take further action.

**The matter of release of subsidy for the period 18.03.13 to 05.03.17 is still under examination and no subsidy has been released to the company for the above period yet.**

**Further, the matter of Rashtriya Chemicals & Fertilizers (RCF), as mentioned in some news reports, is not related to the matter of AS of GSFC and the matter of RCF is under examination in which GSFC is also a party.**

In view of the above fact, the department has released the subsidy in line with the orders of Hon'ble High Court and in view of the benefit of the farmers since the **Caprolactum Grade Ammonium Sulphate has been manufactured in India only by two companies i.e. Fertilizers and Chemicals Travancore (FACT) and GSFC.**

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