



The Fertiliser Association of India

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Current News

Current news on the latest developments in fertiliser, energy, weather, agriculture, agri-business, logistics, economy, and other related areas

(The views expressed in the news items are not necessarily of FAI)

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WEATHER

South may get rain by weekend

South peninsular India may expect to get some organised rainfall by the end of this week as an easterly wave comes calling across the Bay of Bengal. An IMD outlook valid for the next two days said that rainfall activity would increase over Andaman and Nicobar Islands.

Rain or thundershowers could break out afresh at a few places over east Madhya Pradesh and north Chhattisgarh. Rains have been forecast also over west Madhya Pradesh, south Chhattisgarh, Jharkhand, Orissa, north Madhya Maharashtra, Vidarbha, north coastal Andhra Pradesh and Andaman and Nicobar Islands. The IMD has flagged the possibility of fog to shallow fog conditions mainly during the morning hours over isolated pockets of Punjab, Haryana, Delhi and the North-eastern States during the next two days.

SUMMER HEATING

The Tokyo-based Regional Institute for Global Change has said in its seasonal predictions for March-April-May that almost entire India is likely to witness below-normal temperatures. Heating up of the land through the summer is a must to set up the ideal pressure gradient for the impending monsoon to run in. These are initial indications yet, and would need to be watched on a monthly basis from now to arrive at any definitive trend. But it's also a given that the 2012 monsoon would break out against the background expected 'ENSO-neutral' conditions in the equatorial Pacific.

Source: The Hindu Business Line, Tuesday, January 31, 2012

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ENERGY

Anil Ambani seeks PM's help to ensure gas for AP power unit

With the high-powered ministerial panel on gas allocation set to meet on February 14, Reliance Power chairman Anil Ambani has shot off a letter to prime minister Manmohan Singh, seeking his intervention to ensure allocation of required gas supply for his company's R10,000 crore-Samalkot power project in Andhra Pradesh, which is expected to be commissioned by March-end.

The private developer is putting up a 2,400 mw capacity at Samalkot, India's largest gas-based power project, and has bagged the power ministry's recommendation for allocation of 9 million standard cubic meter per day (mmscmd) gas.

"We are ready for the plan commissioning, and we are requesting for gas for the power sector, which has been acknowledged as a priority sector. We fulfill all requirements of gas allocation as required by the Gas Utilization Policy," Ambani said in the letter, referring to the Supreme Court's landmark ruling in the RIL vs RNRL case in 2010, which upheld the government's authority to prioritise gas allocation to various sectors.

"We understand that there are short-term gas shortages on the supply front, hence we have also requested in line with Saumitra Chadhury committee report on pooling of gas that gas allocated to non-priority sectors reallocated to priority sectors of power and fertiliser," he added.

The Shaumitra Chaudhuri committee's report on gas pooling has suggested that the entire domestic gas be given to power and fertiliser sectors as per the existing priority of the empowered group of ministers (Egom) on gas allocation.

The report further said any gas which has not been allocated following this policy should be diverted to power and fertiliser sectors. Further, this gas should be equally shared by all the plants. If this recommendation is accepted, about 25% of LNG may be have to be used by all power plants to meet the shortfall in domestic gas.

Source: The Financial Express, Tuesday, January 31, 2012

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Oil ministry asks RIL to withdraw arbitration notice

The petroleum ministry has asked Reliance Industries Ltd (RIL) to immediately withdraw its arbitration notice against the proposed move to curtail cost-recovery at its KG-D6 gas fields, saying "as on date", there was no cause for such action.

Partha Sarthi Das, director in the exploration division of the ministry, on January 25, wrote to RIL executive director P M S Prasad saying "as on date", no dispute has arisen to warrant arbitration and the company should withdraw the notice invoking arbitration forthwith, ministry sources said.

RIL had on November 24, slapped the notice upon learning that the ministry was moving to restrict cost-recovery in the KG-D6 block after flagging gas production led to utilisation of less than half of the 80 million cubic metres per day of infrastructure the company had built.

The ministry's technical advisor, the DGH, advised disallowing \$1.235 billion of out of the \$5.7 billion expenditure already made as RIL has drilled and completed only 18 wells as against agreed the 31 wells in the block, resulting in lower gas output.

Gas production averaged 48.13 mscmd against the target of 53.40 mscmd in 2010-11 and 38.61 mscmd (up to October 31, 2011), compared to the target of 61.88 mscmd, in 2011-12. Production of 80 mscmd was envisaged in 2012-13. RIL says it has not drilled the committed wells as the reservoir has not behaved as previously predicted and output dipped due to a fall in pressure and water and sand ingress in wells.

Sources said before the ministry could write to RIL on restricting cost-recovery, the company slapped the arbitration notice. The ministry had referred the arbitration notice to the law ministry, which was of the opinion that as on date, there was no cause of action for RIL to raise a dispute (as defined in Article 33 of the Production Sharing Contract) entitling the company to refer it for arbitration.

Also, RIL did not wait for the mandatory 90 days from the date on which the dispute arose, they said, adding that the three-month period expired on December 15, 2011, and not November 15, 2011, as "wrongfully" mentioned in the arbitration notice. RIL had appointed S P Bharucha, former Chief Justice of the Supreme Court, as its arbitrator and had asked the ministry to appoint its arbitrator within 30 days.

The ministry had days before the December 23 deadline expiry sought a one month extension to respond to the notice and after receiving the Law Ministry's opinion, has now written to the company saying its claims are based on surmises, conjecture and apprehensions, sources added.

Source: Business Standard, Tuesday, January 31, 2012

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FERTILISER

Fertiliser ministry opposes proposal to cut cheap gas to P&K plants

According to the fertiliser ministry, cancellation of cheaper gas allocation could lead to closure of the plants and increase dependence on imports

The fertiliser ministry has opposed the petroleum ministry's proposal to cut supply of cheap natural gas to potassic and phosphatic (P&K) fertiliser plants. According to the fertiliser ministry, cancellation of cheaper gas allocation could lead to closure of the plants and increase dependence on imports. "In case domestic gas is not available to P&K plants, they will be forced to buy gas at spot prices of about \$16-18 per million metric British thermal units (MMBTU), which could lead to high input costs," fertiliser ministry said in a note to the petroleum ministry. In December last year, the oil ministry proposed in a note to the Empowered Group of Ministers (EGoM) headed by finance minister Pranab Mukherjee that "future gas allocations be made only to urea fertiliser plants" as gas allocation to urea has been accorded top priority.

The note said supply of cheap gas to phosphatic and potassic (P&K) fertiliser producers should be stopped since the government pays them a fixed subsidy and "cheaper input gas does not lead to a lower subsidy burden on the government". The subsidy bill during the current fiscal is expected to overshoot the Budget estimate by over Rs. 1 lakh crore. The government has already announced its intent to borrow an additional Rs. 90,000 crore to bridge the revenue-expenditure gap.

The fertiliser ministry has supported the comments made by industry body Fertiliser Association of India (FAI) on the implications of cutting supply of cheap natural gas to P&K units. FAI, in a letter written to the fertiliser ministry earlier this month, had said that curtailing the allocation of gas at a reasonable rate may result in high international prices of ammonia, an important component of P&K fertilisers, leading to a rise in input costs, which could lead to closure of fertiliser plants. Also, higher input costs would affect production, forcing the plants to cut down output to save costs, which could lead to greater dependence on imports, FAI had pointed out. India imports most of its requirement of raw materials for DAP and MoP to meet domestic demand. It also imports about 6 million tonnes of urea.

FAI, while accepting the point that cheaper gas does not lead to lower subsidy burden on the government, has suggested that the allocation of cheap domestic gas should be continued to all fertiliser plants, including urea. However, natural gas used for purposes apart from manufacturing urea should be calculated by the department of fertilisers and the differential price from either imported ammonia or any other benchmark should be recovered from P&K fertiliser plants, the industry body had said. The fertiliser ministry, while favouring the proposal made by FAI, said it will frame specific guidelines in relation to the pricing of gas that is to be recovered from these units. Presently, domestic gas is priced at \$4.2 to \$5.5 per MMBTU, while the fuel imported in ships in its liquid form (liquefied natural gas or LNG) is priced at \$10 to \$14 per MMBTU.

Source: Live Mint, Monday, January 30, 2012

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FERTILISER COMPANY

National Fertiliser's Q3 net up 8%

State-owned firm National Fertiliser (NFL) today reported an 8% rise in its net profit at Rs 54.75 crore for the quarter ended December 31, 2011. The company had reported a net profit of Rs 50.90 crore in the year-ago period, it said in a filing to the Bombay Stock Exchange (BSE).

The net sales of the company rose by 39% to Rs 2,043.36 crore in the third quarter of the current fiscal from Rs 1,468.83 crore in the same quarter of the previous fiscal. NFL's total expenditure in the October-December period of 2011 also increased by 39% to Rs 1,948.24 crore compared to Rs 1,400.16 crore in the same period previous year.

The company is a leading producer of urea in the country with an an installed capacity of about 33.30 lakh tonne. It has has also started the production of foundation and certified seeds under a pilot project. Shares of the company today surged 6.7% to settle at Rs 82.05 from its previous close on the BSE.

Source: Business Standard, Monday, January 30, 2012

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ECONOMY

Core industry growth slows to 3.1%

In a poor performance, the eight core industries grew by 3.1 per cent in December mainly due to slackening output of crude oil, steel and natural gas. The eight core industries, which include coal, cement, natural gas, petroleum refinery and fertilisers, had recorded a growth rate of 6.3 per cent in December 2010.

This is the second lowest growth rate of the core industries in 2011-12 after October when the infrastructure sectors had expanded by just 0.3 per cent. For the April-December this fiscal, the growth was lower at 4.4 per cent compared to 5.7 per cent in the corresponding period of 2010-11 in wake of deceleration in investment.

The eight industries together contribute 37.9 per cent in the overall Index of Industrial Production (IIP). As per the data released by Commerce and Industry Ministry, crude oil production contracted by 5.6 per cent in December against 15.8 per cent in the same month last year.

Natural gas production too contracted by 10.8 per cent against (-) 0.2 per cent year-on-year. In December, the petroleum refinery output slowed to 0.8 per cent (from 8.3 per cent) and steel to 2.2 per cent (from 9.4 per cent). On the other hand, coal output was up by 5.6 per cent in December this fiscal from 3.8 per cent year-on-year.

Fertilisers segment expanded by 0.8 per cent (from 0.3 per cent), cement by 13.3 per cent (from minus 2.2 per cent) and electricity by 8 per cent (from 5 per cent). Concerned over slowing economic activities in the country, Finance Minister Pranab Mukherjee in Chicago had said one of the key objective in the current year is to rejuvenate the markets and improve the business sentiments which have been at low levels for most of the last year.

As per a latest CII survey, the Business Confidence Index (BCI) in the country declined by five points to 48.6 during the October-December quarter.

Source: The Financial Express, Tuesday, January 31, 2012

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FOREIGN EXCHANGE RATES – Monday, January 30, 2012

Currency Name	Buy (₹)		Sell (₹)	
	TT	Bill	TT	Bill
Dollar	49.71	49.74	49.62	49.61
Euro	65.24	65.28	65.14	65.13
Pound Sterling	77.91	77.95	77.78	77.77
100 Yen	64.85	64.89	64.71	64.70

Source: The Hindu Business Line, Tuesday, January 31, 2012

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