

No. 23011/17/2013-MPR  
Government of India  
Ministry of Chemicals & Fertilizers  
Department of Fertilizers

Shastri Bhawan, New Delhi  
Dated the 22<sup>nd</sup> January, 2014

**OFFICE MEMORANDUM**

Subject: Special Banking Arrangement (SBA-II) for payment of subsidy on fertilizers in the current financial year 2013-14.

The undersigned is directed to state that a Special Banking Arrangement (SBA-II) as approved by the Ministry of Finance, Department of Expenditure vide O.M.s No.6 (03)/PF II/2010 dated 13<sup>th</sup> January 2013, is hereby put in place to enable the indigenous urea manufacturers and P&K fertilizer importers to raise funds from the two consortiums of Public Sector Banks led by State Bank of India and Punjab National Bank against their subsidy receivables from the Government. Based on the approval of the Department of Expenditure letter of comfort (LOC) for an amount of Rs.9000 crore is also hereby issued in favour of two consortium lead by State Bank of India and Punjab National Bank to provide loans under the SBA as per the amounts given below:

- |     |  |               |
|-----|--|---------------|
| i.  | Consortium led by State Bank of India  | Rs.4500 crore |
| ii. | Consortium led by Punjab National Bank | Rs.4500 crore |

2. The following are the salient features of the SBA-II as finalized with fertilizers companies and consortium of public sector banks led by State Bank of India and Punjab National Bank:

- i. The borrowing under the SBA-II is in the nature of quasi-sovereign borrowing and the banks may accordingly cost the SBA.
- ii. The interest rate of 10.40% per annum shall be charged by the consortium of banks as communicated by SBI vide letter No.CAG/AMT-II/483 dated 17.1.2014 and PNB vide letter No.PNB/LCB/FS/2014 dated 20.1.2014. The Government liability towards interest on the loan shall be limited to maximum G-sec interest rate of 8%. The remaining interest over and above this G-sec interest rate shall be borne by the fertilizer companies.
- iii. Under the SBA-II loans upto Rs.8651.025 crore as per details below can be raised by the fertilizer companies against the letter of comfort issued by the Dept. of Fertilizers :

i.	Consortium led by State Bank of India	:	Rs.4294.890 crore (Annexure-I)
ii.	Consortium led by Punjab National Bank	:	Rs.4356.135 crore (Annexure-II)
- iv. The repayment of loan shall be made after allocation of funds in the BE for 2014-15. Government interest liability of the loan limited to G-sec rate @ 8% per annum shall be calculated from the date of loan to the date of repayment of the loan alongwith interest thereon. The interest liability of the loan shall be paid on first day of next month for the interest of the previous month i.e. on 1<sup>st</sup> February for interest of January, 2014, 1<sup>st</sup> of March 2014 for interest of February 2014 so on. Interest on account of delay in payment of interest by the companies shall be borne by the companies themselves.
- v. The fertilizer companies will raise their bills against receipt/sale of fertilizer under the Subsidy scheme as per laid down procedure.
- vi. FICC will process the claims of fertilizer companies for payment of subsidy on account of indigenous Urea and FA Wing will process claims of fertilizer companies for payment of subsidy on account of imported P&K fertilizers as per due procedure clearly indicating the arrangement under which the bills have been settled.

- vii. Simultaneously, before processing the claims for payment against future receipt of funds, FICC/FA Wing will take a Letter of Undertaking from various Fertilizer Companies indicating clearly that the amount against the said claim of the Company can be released directly to the SBI or the PNB, as the case may be, under intimation to the Companies. Based on above undertaking, the sanction order will clearly indicate that the claim of the subsidy against the sanctioned order will be released to the SBI/PNB, as requested by the Fertilizer Companies from the government account.
- viii. The Controller of Accounts will make a list of all Sanction Orders received under this SBA-II for which the funds are to be released to State Bank of India / Punjab National Bank, New Delhi and forward a list of the same to SBI/PNB. The SBI/PNB will be instructed to give daily/ weekly statement of accounts of the companies to the Controller of Accounts under intimation to the DDO concerned.
- ix. The Controller of Accounts will ensure that the total amount of the list of accounts forwarded to SBI/PNB under the SBA-II should not exceed Rs.8651.025 crore at any point of time under the concerned head of account.
- x. The fertilizer companies will submit the documents and undertakings (format enclosed) as per the requirement authorizing the government to utilize the subsidy receivables in discharging the loans/over draft given to the fertilizer companies by the SBI/PNB consortiums. The Controller of Accounts on receipt of funds through BE 2014-15 will release funds from the respective head of account for the amount equivalent to the total amount intimated to the SBI/PNB.
- xi. On receipt of claim from SBI/PNB for payment of interest on the short term loan of credit extended to fertilizer companies, the same will be processed separately by FICC & FA Wing and will be paid after due approval of the competent authority.
- xii. To facilitate the operational aspects of the above bank finance arrangement, the SBI and PNB have nominated a dedicated officer each as under, who may be contacted for resolving any issue or seeking any clarification:

STATE BANK OF INDIA	PUNJAB NATIONAL BANK
Shri Onkar Singh, Chief Manager (Advances), State Bank of Patiala, Shastri Bhawan, New Delhi. Mobile:9560099534	Shri Sanjay Prasad, Asst. General Manager, Punjab National Bank, Large Corporate Branch, Tolstoy House, New Delhi Phone No.8130603878

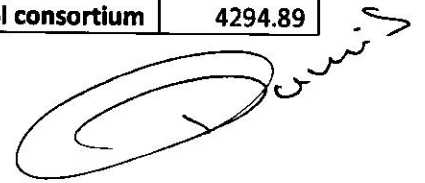
- xiii. The Companies are required to complete all formalities with the lending bank before taking loans as per the SBA.
3. The operational aspects of the SBA-II shall be reviewed by IFD under the supervision of SS&FA.
4. This issues with the approval of IFD vide Diary No.5021/SS&FA dated 16.1.2014 and approval of Secretary (Fertilizers).

  
(Rajiva Kumar)  
Deputy Secretary to Govt. of India

1. Joint Director, FICC/Controller of Accounts, DOF
2. Director (FA), FA Wing, DOF, Udyog Bhawan, New Delhi.
3. Sr. PPS to Secretary (F)/PS to JS (SG)/PS to JS (SLG)
4. State Bank of India, Corporate Accounts Group Branch, Jawahar Vyapar Bhawan, New Delhi.
5. Punjab National Bank, Large Corporate Branch, Tolstoy House, New Delhi
6. Indigenous urea manufacturers and P&K fertilizer Importers as per list.

(Rs. in crore)

<b>FERTILIZER INDUSTRY COORDINATION COMMITTEE</b>			
<b>Statement showing details of subsidy payable to Indigenous Urea Manufacturers under SBA-II during 2013-14</b>			
<b>Sl No</b>	<b>Unit name</b>	<b>TOTAL</b>	<b>Co. Total</b>
1	CFCL-I	307.82	
2	CFCL-II	345.44	653.26
3	GNVFC	356.03	356.03
4	KRIBHCO	176.22	176.22
5	MCFL	442.4	442.4
6	NFCL-I	87.18	
7	NFCL-II	108.45	195.63
8	RCF-THAL	398.39	
9	RCF-TROMBAY	80.02	478.41
10	TATA CHEM	247.65	247.65
11	ZACL	465.05	465.05
12	SPIC	238.48	238.48
<b>TOTAL UREA SUBSIDY</b>		<b>3253.13</b>	<b>3253.13</b>
<b>Total P&amp;K subsidy as per attached list</b>			<b>1041.76</b>
<b>Total for SBI consortium</b>			<b>4294.89</b>



FA WING, UDYOG BHAWAN

Annexure -I (Contd.)

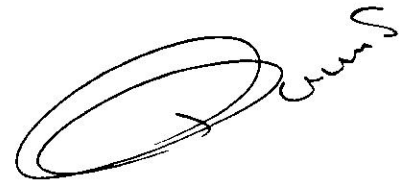
Statement showing details of subsidy payable to P&K importers under SBA-II during 2013-14

(Rs. in crore)

Sr. No.	Company	Oct-13	Nov. 13 (50%)	Total Oct.13 & Nov. 13 for disbursement
1	CFCL	0.060	0.025	0.085
2	CFCLIMP	106.270	49.360	155.630
3	CFLK	3.290	3.305	6.595
4	CFLV	0.070	0.000	0.070
5	DFPCL	0.770	13.725	14.495
6	FACT	10.960	3.505	14.465
7	HPM	2.780	4.380	7.160
8	IFFCOKIMP	69.300	8.400	77.700
9	IPL	207.100	169.235	376.335
10	MCFL	18.340	1.660	20.000
11	MOSAIC	95.940	20.455	116.395
12	NFCL	14.480	7.000	21.480
13	PPL	46.540	17.080	63.620
14	RCF	17.760	1.390	19.150
15	TCL	43.960	34.505	78.465
16	ZIL	35.810	34.305	70.115
<b>TOTAL P&amp;K SUBSIDY</b>		<b>673.43</b>	<b>368.33</b>	<b>1041.76</b>

(Rs. in crore)

<b>FERTILIZER INDUSTRY COORDINATION COMMITTEE</b>			
<b>Statement showing details of subsidy payable to Indigenous Urea Manufacturers under SBA-II during 2013-14</b>			
<b>Sl No</b>	<b>Unit name</b>	<b>TOTAL</b>	<b>Co. Total</b>
1	BVFCL-Namrup II	1.66	
2	BVFCL-Namrup III	2.84	4.5
3	IFFCO (KALOL)	107.8	
4	IFFCO (A-I)	179.54	
5	IFFCO (A-II)	162.79	
6	IFFCO (P-I)	296.1	
7	IFFCO (P-II)	431.02	1177.25
8	INDOGULF	323.13	323.13
9	GSFC	62.08	62.08
10	MFL-Priority approved upto Sept 13	314.28	314.28
11	NFL (PANIPAT)-Priority approved upto Mar 14	389.12	
12	NFL (V-I)-Priority approved upto Mar 14	172.99	
13	NFL (V-II)-Priority approved upto Mar 14	190.58	
14	NFL(BHATINDA)-Priority approved upto Mar 14	411.14	
15	NFL(NANGAL)-Priority approved upto Mar 14	472.61	1636.44
16	KSFL	164.35	164.35
17	SFC, KOTA	94.05	94.05
18	NFL Capital Subsidy-Bhatinda-Priority approved upto Mar 14	154.94	
19	NFL Capital Subsidy-Panipat-Priority approved upto Mar 14	129.84	284.78
20	KFCL-Priority approved upto Mar 14	234.55	234.55
Total Urea subsidy		4295.41	4295.41
Total P&K subsidy as per attached list		60.725	60.725
Total for PNB consortium		4356.135	4356.135

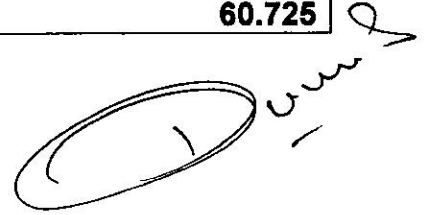


## FA WING, UDYOG BHAWAN

Statement showing details of subsidy payable to P&K importers under SBA-II  
during 2013-14

(Rs. in crore)

Sr. No.	Company	Oct-13	Nov. 13 (50%)	Total Oct.13 & Nov. 13 for disbursement
1	KRIBHCO	34.190	1.940	36.130
2	SFC	16.370	6.750	23.120
3	TAIPL		1.475	1.475
<b>TOTAL P&amp;K SUBSIDY</b>				<b>60.725</b>

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