27	STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2016-17) SIXTEENTH LOK SABHA

MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)

[Action Taken by the Government on the Observations / Recommendations contained in the Twenty Second Report of the Standing Committee on Chemicals and Fertilizers (Sixteenth Lok Sabha) on "Demands for Grants 2016-17" of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)

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TWENTY SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

NOVEMBER, 2016 /AGRAHAYANA, 1938 (SAKA)

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(2016-17)

(SIXTEENTH LOK SABHA)

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(DEPARTMENT CHEMICALS AND PETROCHEMICALS)

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Presented to Lok Sabha on 28 November 2016

Laid in Rajya Sabha on 28 November 2016

LOK SABHA SECRETARIAT
NEW DELHI

NOVEMBER, 2016 /AGRAHAYANA, 1938 (SAKA)

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Smt. Rashmi Jain	-	Joint Secretary
Shri A.K.Srivastava	-	Director
Shri H. RamPrakash	-	Additional Director
Shri Thangkhanlal Ngaihte	-	Senior Committee Assistant

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2016-2017) having been authorised by the Committee to present the Report on their behalf, present this Twenty Seventh Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Twenty Second Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers on "Demands for Grants 2016-17" of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

2. The Twenty Second Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 28.04.2016. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 02.07.2016. The Standing Committee on Chemicals and Fertilizers (2016-2017) considered and adopted this Report at their sitting held on 26.10.2016.

3. An analysis of the Action Taken by the Government on the observations/recommendations contained in the Twenty Second Report (Sixteenth Lok Sabha) of the Committee is given in Appendix-II.

4. For facility of reference and convenience the Comments of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
22 November, 2016
01 Agrahayana 1938 (Saka)

ANANDRAO ADSUL
Chairperson
Standing Committee on

REPORT

CHAPTER – I

This Report of the Standing Committee on Chemicals and Fertilizers (2016-17) deals with the action taken by the Government on the Observations / Recommendations contained in the Twenty Second Report (Sixteenth Lok Sabha) of the Committee on 'Demands for Grants (2016-17)' of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) which was presented to Lok Sabha on 28.4.2016. In all, the Committee made 10 Observations / Recommendations in the Report.

2. The Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) were requested to furnish replies to the Observations/ Recommendations contained in the Seventh Report within three months from the date of presentation of the Report, i.e. by 29.7.2016. The Action Taken Replies of the Government in respect of all the 10 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. (Vol. III) dated 2.7.2016. These Replies have been examined and categorized as follows:-

(i) Observations/Recommendations which have been accepted by the Government-
Rec. Nos. 1, 2, 5, 7 and 9 (Total =5)
Chapter-II

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's reply-
Rec. No. Nil (Total =0)
Chapter-III

(iii) Observations/Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration-
Rec. No. Nil (Total=0)
Chapter-IV

(iv) Observations/Recommendations in respect of which final replies of the Government are still awaited-
Rec. Nos. 3, 4, 6, 8 and 10 (Total =5)
Chapter-V

3. The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I of this Report should be furnished expeditiously.

4. The Committee will now deal with action taken by the Government on some of their Observations/Recommendations which still require reiteration or merit comments.

A. MID-TERM APPRAISALS

RECOMMENDATION NO. 3

5. While recommending that the Department should work with the Niti Aayog and the Ministry of Finance for release of required funds for various projects of the Department, the Committee had recommended as under:

> "The Committee observe that the mid-term appraisal of the funding and allocation for the schemes/programmes under the Department have shown major problems with regard to Plastic Parks, CIPET and Hindustan Fluorocarbons Ltd (HFL). Since the existing 12th Plan budgetary allocation for the Plastic Parks scheme is insufficient even for the 4 proposals under implementation, the Department is unable to consider proposals from States like Haryana, Uttar Pradesh, Gujarat and Kerala for implementing Plastic Parks in their States. As for CIPET, there is a need to increase budgetary support given by the Department for capital expenditure from Plan funds as CIPET needs substantial additional investment for building up its infrastructure to the required level for existing CIPET centres and also for its expansion in other States. For HOCL, all the budgetary support sanctioned for it from 2013-14 to 2015-16 could not be released as HOCL has been a defaulter in repayment of its loans to the Government.
>
> The Committee further note that the Ministry of Finance vide its orders dated 17.2.2016 had reiterated its decision dated 03.02.2015 not to release any loans to PSUs, and because of that, the funds that were allocated to the PSUs in the Capital Section for 2015-16 could not be released.
>
> In view of the above, the Committee recommend that the Department should take remedial steps with regard to the problems uncovered during the mid-term appraisal of schemes and programmes. As regards HOCL, non-repayment of loans and interests which resulted in its being barred from receiving more funds, will further aggravate the crisis in the company. The problems has been there for a long time and needs effective intervention from the Department to alleviate the crisis. The Department therefore should work with the Niti Aayog and the Ministry of Finance so that the required funds for PSUs and Plastic Parks may be sanctioned. Infusion of funds to refurbish the basic infrastructure of CIPET may also be carried out. The Committee expect the Department to take effective measures on the above issues and intimate the action taken to the Committee at the earliest."

REPLY OF THE GOVERNMENT

6. In its action taken reply to the aforesaid recommendation, the Department of Chemicals and Petrochemicals has stated as under:

> "The Department has appraised Ministry of Finance of requirement of additional budgetary allocation in the current year to support under implementation CIPET schemes. The projected and additional plan funding requirement of Rs. 96.09 crore forCIPET's infrastructure is central to the mission of strengthening of CIPET's infrastructure & capacities and shall be projected in the supplementary grants of 2016-17.
>
> HOCL and HFL are loss-making PSUs and registered with BIFR as sick companies. Issues relating to sick, loss-making and non-performing CPSEs are being examined by

the NITI Aayog. Further action on HOCL and HFL will be taken based on the final decision of the Government in the matter.

As regards HIL, a proposal for release of Plan loan of Rs. 10.00 crore, that was available in the Department's budget for 2015-16, for setting up Multi-product facility of capacity of 1000TPA at Rasayani Unit was referred on 11.01.2016 to Ministry of Finance for seeking prior approval as HIL has defaulted in the repayment of Govt. Loans and interests. However, as the decision/ approval of Ministry of Finance was not received in the Department by the end of FY 2015-16, the Plan provision of Rs. 10 crore had to be surrendered.

Subsequently, the proposal was received from M/o Finance on 13.06.2016. DEA, M/o Finance, has requested the Department to re-examine the proposal in terms of M/o Finance's OM dated 03.02.2016 which instructs that the window of investment and working capital loan to CPSUs from Govt. Of India, in general, is closed. PSUs in general are hardly having debt and hence should raise debt from market or banks. Only if PSU is justified as significant from strategic/ security angle, banks refuse loan to it and it has no real assets including land to monetise, would loan be considered at 11% with the prior approval of Budget Division.

In view of the above comments of M/o Finance, the proposal is being re-examined in consultation with HIL. In the current FY 2016-17, Plan loan provision of Rs. 15 crore for HIL has been made in the Department's budget. Decision on resubmitting the proposal to M/o Finance would be taken after re-examination of the proposal is completed.

The Department had the requirement of Rs. 127.41 crore for Plastic Parks in the 2016-17, but the allocated amount is Rs. 45.00 crore only. Subsequently, the Department requested for an additional sum of Rs. 82.41 crore to meet the plan requirement in the Supplementary Demands for 2016-17. The matter has already been taken up with Internal Finance Division for allocation of the balance requisite funds for the Scheme, and is being followed up regularly."

COMMENTS OF THE COMMITTEE

7. The Committee, in their recommendation, had asked the Department to take remedial steps with regard to the problems uncovered during the mid-term appraisal of schemes and programmes and desire that the Department should work with the Niti Aayog and the Ministry of Finance so that the required funds for PSUs and Plastic Parks, etc. may be sanctioned.

In its Action Taken Replies (ATR), the Department had referred to a recent note from the Ministry of Finance which stated that the window of investment and working capital loan to CPSUs from the Government of India, in general, is closed, hence necessitating the re-examination of the proposal to release a Plan loan of Rs. 10 crore for HIL. Decision on resubmitting the proposal to the Ministry of Finance would only be taken after re-examination of the proposal is completed. As for the Plastic Parks, the Department had stated that the request by the Department for an

additional sum of Rs. 82.41 crore in the Supplementary Demands for 2016-17 has already been taken up with the Internal Finance Division and is followed up regularly.

In view of the above, the Committee desire that the Department should complete the re-examination of the proposal for release of Plan loan for HIL at the earliest and then pursue the matter vigorously with the Ministry of Finance. Further, the Committee are of the view that additional funds are urgently required for Plastic Parks and desire the Department to pursue their request for the same with the Ministry of Finance in a proactive manner. The action taken on the matters dealt above may be communicated in detail to the Committee at the time of furnishing Action Taken Statements.

B. BUDGET PROPOSALS AND ACTUAL ALLOCATION

RECOMMENDATION NO. 4

8. Emphasizing the need to regularly appraise the Niti Aayog/Ministry of Finance, Government of India, about the projects and schemes of the Department, the Committee had recommended as under:

> "Looking at the Budget Estimates of the Department of Chemicals and Petrochemicals, the Committee are distressed to observe the wide disparity between proposed outlays and actual allocations. The Committee observe that for 2015-16, the Department had proposed a Plan outlay of Rs. 1011.50 crore, against which the Ministry of Finance allotted Rs. 188.00 crore. Further, against a proposed Plan outlay of Rs. 921.51 Crores by the Department for 2016-17, the Ministry of Finance allocated only an amount of Rs. 160.00 Crores. That means, the percentage figure of actual allocation vis-a-vis the proposed allocation during 2015-16 is 18.59 percent and only 17.36 percent of the proposed amount for 2016-17 is actually allocated. The Committee further observe that such a reduction in allocation seriously impede the execution of the projects and schemes under the Department. Therefore, the Committee strongly feel that there is a pressing need to evolve regular appraisal of projects and schemes of the Department with the Niti Aayog / Finance Ministry so that such drastic cuts may be avoided.
>
> In light of the huge cuts in actual allocations granted to the Department, the Committee recommend that the Department may propose for the requisite funds in the form of supplementary demand for grants with proper justification for the same to the Ministry of Finance/Niti Aayog. The Department should apprise the Committee about action taken in this regard."

REPLY OF THE GOVERNMENT

9. In its action taken reply to the aforesaid recommendation, the Department of Chemicals and Petrochemicals has stated as under:

> "An allocation of Rs. 57.67 crore has been made for CIPET's Schemes for the year 2016-17 (BE) as against projected requirement of Rs. 181.27 crore. Meanwhile, in

order to strengthen the skill development initiatives, enhance technology support to industries, promote entrepreneurs and R&D to develop indigenous technologies, the Expenditure Finance Committee recommended establishment of 11 new CIPET Centres – (i) 06 High & Other Learning Centres (HLC/OLC), (ii) 04 Vocational Training Centres (VTC) and (iii) Advanced Polymer Design & Development Research Laboratory, Bengaluru at a cost of Rs. 562.32 crore over a period of next three year i.e during 2016-17 to 2018-19. EFC has inter-alia recommended budgetary allocation of Rs. 153.76 crore for 2016-17. Accordingly, Ministry of Finance through IFD, Department of Chemicals and Petrochemicals has been requested to allocate additional amount of Rs. 96.09 crore in 1st Supplementary Demands for Grants for the year 2016-17.

It is stated that a fund of Rs. 5 crore has been allocated under CPDS Plan Head of Account during the current FY. The allocated budget seems to be sufficient for conducting the various seminars/ conferences in association with various industry associations. No further funds may be required under CPDS Plan Head of Account during the current financial year.

The Department had the requirement of Rs. 127.41 crore for Plastic Parks in the 2016-17, but the allocated amount is Rs. 45.00 crore only. Subsequently, the Department requested for an additional sum of Rs. 82.41 crore to meet the plan requirement in the Supplementary Demands for 2016-17. The matter has already been taken up with Internal Finance Division for allocation of the balance requisite funds for the Scheme, and is being followed up regularly. A proposal for allocation additional funds to the tune of Rs. 549.45 crore has been moved to the M/o Finance for the Assam Gas Cracker Projects."

COMMENTS OF THE COMMITTEE

10. The Committee had recommended that the Department should make a proposal for allocation of additional funds in the form of supplementary Demands for Grants to the Ministry of Finance/Niti Aayog with the aim to offset the huge cuts in actual allocation of funds granted to the Department.

In its Action Taken Replies (ATR), the Department informed that it had requested for an additional allocation of Rs. 96.09 crore for CIPET, Rs. 82.41 crore for Plastic Parks and Rs. 549.45 crore for Assam Gas Cracker Project (AGCP) in the form of Supplementary Demands for Grants for the year 2016-17.

In view of the above, the Committee desire the Department to pursue its requests to the Ministry of Finance/Niti Aayog vigorously so that additional allocations may be made and the affected projects and schemes do not suffer. The Action Taken Reply is silent about the utilization of the Rs. 45 crore allocated towards Plastic Parks. The Committee expect to be apprised about the progress made in this regard at the time of furnishing Action Taken Statement by the Department.

C. PUBLIC SECTOR UNDERTAKINGS (PSUS)

RECOMMENDATION NO. 6

11. Regarding the issues facing the Public Sector Undertakings (PSUs) under the Department, the Committee had recommended as under:-

> "The Committee note that during 2015-16 (up to December, 2015), Hindustan Organic Chemicals Ltd (HOCL) achieved a turnover of Rs.97.39 crore and loss of Rs.133.70 crore. As per the Department, the low turnover and loss is due to the fact that most of the plants of HOCL at Kochi (Phenol and Acetone) and Rasayani (Nitrobenzene, Formaldehyde and Concentrated Nitric Acid) were not operational due to acute working capital shortage. As a result, the HOCL was declared sick again on 22 July, 2015. As per the Department, a new revival plan for HOCL prepared by the consultants (M/s JPS Associates) has been approved by the Board of Directors of HOCL and based on the revival plan report, a revival restructuring plan for HOCL is presently under consideration of the Department. Regarding the Hindustan Fluorocarbons Ltd (HFL), a subsidiary of HOCL, as per the Department, during 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.25.40 crore and loss of Rs.7.00 crore, as per the provisional unaudited results. This is mainly due to plant shut down for refurbishment / revamping activities. A revival / restructuring plan for HFL is also under consideration of the Department for long term and sustainable growth of the company. In view of the above, the Committee recommend that the Department should take all steps necessary to revive HOCL and its subsidiary company, HFL for long-term sustained growth. The sickness of the company have gone on for so long and require concrete action to revive it. The Committee desire that the latest revival plan for HOCL prepared by M/s JPS Associates may be finalized at the earliest and revival measures may be taken on priority. Similarly, restructuring plan for HFL may also be implemented expeditiously. The roadmap for revival may be communicated to the Committee at the earliest.
>
> II. As for the Hindustan Insecticides Ltd (HIL), the Committee appreciate that the company has been continuously posting profits since the last 10 years. The Committee note that during 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.132.78 crore and net profit of Rs.0.25 crore, as per the provisional unaudited results. The Company has now diversified to decrease its dependence on revenue from DDT. The Committee note that HIL proposes to set up a multi-product plant facility at a cost of Rs. 11 crore at its Rasayani unit. The proposal has been referred to the Ministry of Finance for approval. The Committee desire that the approval be expedited. The Committee also recommend that the HIL/Department should make earnest efforts to make successful all the initiatives taken by the company to increase its profits. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

12. In its two-part action taken reply to the aforesaid recommendations, the Department of Chemicals and Petrochemicals has stated as under:

> "Issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Further action on HOCL and HFL will be taken based on the final decision of the Government in the matter."

"The proposal for release of Plan loan of Rs.10.00 crore, which was available in the Department's budget for 2015-16, for setting up Multi-product facility of capacity of 1000TPA at Rasayani Unit was referred on 11.01.2016 to Ministry of Finance since their prior approval is required as HIL has defaulted in the repayment of Govt. loans and interest. Since the file was not received back in the Department and the FY 2015-16 was about to end, a reminder was sent to the Department of Economic Affairs, Ministry of Finance, from the Joint Secretary (Chemicals) on 21.3.2016 and Secretary (C&PC) on 22.3.2016 for expediting M/o Finance's approval. However, as the file was not received by 31.03.2016, the Plan provision of Rs.10 crore had to be surrendered by the Department.

Subsequently, the file was received from M/o Finance on 13.6.2016. DEA, M/o Finance, has requested the Department to re-examine the proposal in terms of M/o Finance's OM dated 3.2.2016 which instructs that the window of investment and working capital loan to CPSUs from Govt. of India, in general, is closed. PSUs in general are hardly having debt and hence should raised debt from market or banks. Only if PSU is justified as significant from strategic / security angle, banks refuse loan to it and it has no real assets including land to monetise, would loan be considered at 11% with the prior approval of Budget Division.

In view of the above comments of M/o Finance, the proposal is being re-examined in consultation with HIL. In the current FY 2016-17, there is a Plan loan provision of Rs.15 crore for HIL in the Department's budget. Decision on resubmitting the proposal to M/o Finance would be taken after re-examination of the proposal is completed.

In addition to the above proposal for setting up a multi-product plant facility, some of the other measures taken / efforts being made by the Department / HIL to increase the company's turnover and profit are as follows:

(i) HIL has grown from existing 6 numbers of Technicals to total 10 numbers of Technicals with the launch of products like Acephate, Imidacloprid, Clorpyriphos etc.. Few more products like Acetamiprid, Triazophos, Glyphosate, Thiomethoxam are under launch and facility is being put up to manufacture Pendimethalin.

(ii) The company has got recognition as a National Level Seed Agency and has ventured into production and marketing of all varieties of seeds and is covered under various benefits under the National Food Security Mission (NFSM), National Horticulture Mission (NHM) and National Mission on Oilseeds & Oil Pulses (NMOOP).

(iii) The company has recently ventured into the Fertilizer segment as well and has been inducted by the Department of Fertilizers as an agency to import fertilizers. Further, Bathinda plant of the company is planned to be utilized for producing water soluble fertilizers. This diversification will enable the company to become a one stop shop for the farming community by providing all the three critical agricultural inputs viz. seeds, pesticides and fertilizers.

(iv) As there is a demand for new generation molecules, the company is also looking at strategic tie-ups with multinational companies who own the patents for the same."

COMMENTS OF THE COMMITTEE

13. The Committee, in their original report, recommended that the Department should take all steps necessary to revive HOCL and its subsidiary company, HFL for long-term sustained growth and specifically desired that the latest revival plan for HOCL prepared by M/s JPS Associates be finalized at the earliest. Similarly, restructuring plan for HFL may also be implemented expeditiously. As for HIL, the Committee had recommended that the HIL/Department should make earnest efforts to make successful all the initiatives taken by the company to increase its profits.

In its ATR, the Department stated that issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog and that further action on HOCL and HFL will be taken based on the final decision of the Government in the matter. The Department further states that the decision on resubmitting the proposal to the Ministry of Finance would be taken after the re-examination is completed. The Department also enumerated various steps it had taken to increase the profitability and viability of HIL.

In light of the above, the Committee would like to know the latest position for revival plan for HOCL prepared by M/s JPS Associates and also revival plan of HFL. The Committee therefore reiterate their earlier recommendation on the need to take concrete steps in a time-bound manner to revive HOCL and its subsidiary, HFL and desire to be apprised of the action taken toward that end.

D. NEW SCHEMES OF PETROCHEMICALS

RECOMMENDATION NO. 8

14. Emphasizing the need to institutionalize a proper mechanism for coordination with the State Governments for effective implementation of the Plastic Parks, the Committee had recommended as under:-

> "The Committee observe that the allocated amount of Rs. 48.00 crore for New Schemes for the Petrochemicals for 2016-17 is proposed to be spent for the three schemes, viz. Scheme for Plastic Park (Rs. 45.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for CoE (Rs.2.00 crore). However, the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds, and the Department informed that it will ask for the balance funds at the time of Supplementary Demands.
>
> In this regard, the Committee note that Plastic Parks are the most ambitious schemes which takes the lion's share of the allocation. However, as per the Department, even the amount of Rs. 45 crore allocated for Plastic Parks is totally inadequate to meet the requirements. At present, three plastic parks at Tamot Village, Raisen District in

Madhya Pradesh; Siju Village, Kujanga Tehsil, Jagatsinghpur District in Odisha and Gellapukhuri, Tinsukia District in Assam are under various stages of implementation. Government has approved in October, 2015 setting up of a Plastic Park in Thiruvallur District in the State of Tamil Nadu. Because of the shortfall, progress of the implementation of the existing Parks (already under implementation) will be adversely affected. Further, it will not be possible to release any funds for setting up the six new Plastic Parks which have been approved 'inprinciple' by the Scheme Steering Committee in February, 2016. The six Plastic Parks are to be located in the States of Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana,West Bengal. Moreover, there are eight additional new Plastic Parks, which have been accorded 'in-principle' approval and after obtaining financial approval, their locations will be decided in consultation with the State Governments. In short, the Department is planning to set up a total of 18 Plastic Parks all over the country.

In light of the above, the Committee recommend that the Department should ask for the requisite funds at the time of Supplementary Demands with proper justification so that the same may be sanctioned. Further, Plastic Parks have been implemented with the concerned State Governments on a 50:50 sharing basis subject to a ceiling of Rs. 40 crore per project. Hence, the success of these projects depend on how well the Department works with the concerned State Governments. Therefore, the Committee recommend that the Department should institutionalize a proper mechanism for coordination with the State Governments so that there is complete synergy between the Department and the States on the matter for effective implementation of the project. The action taken in pursuance of this recommendation may be intimated to the Committee at the earliest."

REPLY OF THE GOVERNMENT

15. In its action taken reply to the aforesaid recommendation, the Department of Chemicals and Petrochemicals has stated as under:

"The Department makes an all out effort for execution of the Plastic parks as per the timelines. A mechanism has been put in place for periodically monitoring and reviewing the performance of the Plastic Parks for their expeditious implementation in a time bound manner. The high level 'Scheme Steering Committee' is tasked with the responsibilities of reviewing the progress of the projects. The project implementing agencies (SPVs) report their performance on a monthly basis to the Department. The Scheme also has a mechanism of appointing a Programme Manager, a consulting agency with professional expertise. The Programme Manager is required to assist the Department, inter-alia, in monitoring the Scheme progress and furnishing regular reports based on the monthly progress reports, received from the implementing agencies and undertake site visits before release of grant to the SPVs based on achievement of milestones along with time lines as approved by SSC. The Department also closely monitors the projects through periodic review meetings and field visits by senior officers.

As regards seeking additional funds at the time of Supplementary Demands, the Department has sought an amount of Rs. 130.41 crore for 2016-17 but the allocated amount is Rs. 48.00 crore only in BE 2016-17 for the New Schemes of Petrochemicals. The matter has already been taken up with Internal Finance Division for allotment of balance requisite funds for the Scheme, and is being followed up regularly."

COMMENTS OF THE COMMITTEE

16. The Committee, in their earlier recommendation, had noted that the success of the Plastic Park projects depend on how well the Department work with the concerned State Governments who are to contribute 50 percent of the project cost. Accordingly, the Committee had recommended that the Department should institutionalize a proper mechanism for coordination with the State Governments so that there is complete synergy between the Department and the States on the matter for effective implementation of the Plastic Park projects.

In its ATR, the Department had highlighted the monitoring and reviewing system it had evolved regarding Plastic Parks, mainly through the high level Scheme Steering Committee, the Project Implementing Agencies and Programme Managers. As for need for additional funds in the form of Supplementary Demands, the Department had informed that it had already taken up the matter with the Internal Finance Division for allotment of balance requisite funds for the Schemes. In this regard, the Committee reiterate that the State Governments are playing a crucial role for the success of the Plastic Park projects and therefore the State Governments' role in the implementation of the Projects is imperative for the success of the Scheme. Since they are the hosts of the Projects and also have 50 percent share of the Project costs, the Committee are of the view that the composition of the Scheme Steering Committee (SSC) should have proper and adequate representation of the concerned State Government officials. In view of the above, the Committee desire that the Department should review the structure and composition of the 'Scheme Steering Committee' which is the main monitoring and reviewing body of the Plastic Parks project and ensure that the State Governments are adequately represented in it. A detailed explanation of the monitoring scheme may please be given at the time of furnishing Action Taken Statement.

E. ENVIRONMENTAL CONCERNS

RECOMMENDATION NO. 10

17. Strongly arguing for the setting up of effective mechanisms to monitor all environmental concerns in coordination with all the stakeholders and the need to review the existing environmental safeguards, the Committee had recommended as under:-

> "The Committee observe that one of greatest concern arising out of chemical plants and industries is the pollution and degradation that it causes to the surrounding environment. The Committee are distressed to note that still there is so much wanting

in the areas of proper effluent treatment plants, preservation of ground water and ecological health.

The Committee note that the model developed in Maharashtra in which wherever a treatment plant in Maharashtra Industrial Development Corporation is to be developed, a part of infrastructure like Road, electricity, water and transport, etc. will be done by the Government and the cost will be taken care of by the industry. It is possible in chemical clusters too. The concerned States should be involved in all these aspects so that there can be a lasting solution. The Committee desire that the Department should seriously study this model and convince other states to follow on these lines. The Committee note that since the initial cost for common effluent treatment plants are so high and the private companies are often not ready to foot that bill in one go, it may be necessary for the Government to come out with the investments for common effluent treatment plants and later on collects the money from the industries. The Committee seriously view the present situation in which there is no proper mechanism or common standard for environmental safety. Common effluent treatment plants are an essential component of any chemical/petrochemical project and the Government should ensure that the required funds are made available. The Committee strongly recommend that the Department may set up a mechanism to monitor all environmental concerns in coordination with all stakeholders and should also review the existing environmental safeguards in all projects under its ambit and make amends speedily wherever necessary. The action taken on the above points may be communicated to the Committee at the earliest."

REPLY OF THE GOVERNMENT

18. In its action taken reply to the aforesaid recommendation, the Department of Chemicals and Petrochemicals has stated as under:

“The chemical industry is an important constituent of the growing Indian economy and it is the mainstay of industrial and agriculture development of the country, providing several building blocks and raw materials for a number of industries, including textile, paper, paint, soap and detergent, pharmaceuticals, agrochemicals etc.

The Industries, particularly small industries, due to their limited size and scale of operation do not find it economically viable to install elaborate pollution control equipments. Common Effluent Treatment Plants (CETPs) are considered as one of the viable solution to achieve end-of-pipe treatment for effective wastewater treatment from Small and Medium Enterprises (SMEs) and thereby reduce the number of discharge points for better enforcement.

There are 28 CETPs in various states including Andhra Pradesh, Kranataka, Gujarat, and Maharashtra catering to the need of Chemical clusters. The financial support for the construction of CETPs is available under various schemes of central government including Ministry of Environment, Forest & Climate Change (MOEF &CC) for all the states in the country. The CETPs are regularly monitored by concerned state pollution control boards to check their compliance.

In the scheme of MOEF & CC, which was started in 1991 for funding establishment of CETPs, the financial assistance provided to the project proponent was as Central Government subsidy- 25% of the project capital cost, State Government subsidy – 25% of the project capital cost, Loans from financial institutions – 30% of the project capital cost, and Entrepreneurs contribution – 20% of the project capital cost. The scheme was revised in 2012 to increase the Central subsidy from 25% to 50% retaining the state subsidy at 25% and lowering down the project proponent's share from 50% to 25%. Out of the proponent's share, at least 40% of contribution has to be from the proponent and balance 60% is to be raised through loan to the proponent from Banks/ Financial Institutions.

The Department has been taking up the issues related to chemical sector with MOEF & CC in the past based on environmental concerns raised by various Industry Associations/ Stakeholders. MOEF &CC is the Nodal Ministry for Environmental standards and their compliance in the Country under the Environmental (Protection) Act, 1986."

COMMENTS OF THE COMMITTEE

19. The Committee, in their earlier recommendation, while being concerned about the environment, had expressed appreciation of the model developed by the Maharashtra Industrial Development Corporation in which whenever a treatment plant is to be developed, a part of infrastructure like Road, electricity, water and transport, etc. will be done by the Government and the cost will be taken care of by the industry and desired the Department to explore ways in which this model may be adopted in other States too. The Committee further recommended that the Department may set up a mechanism to monitor all environmental concerns in coordination with all stakeholders and should also review the existing environmental safeguards in all the projects under its ambit and make amends speedily wherever necessary.

In its ATR, the Department had stated, inter alia, that the Ministry of Environment, Forests and Climate Change (MOEF &CC) is the Nodal Ministry for Environmental standards and their compliance in the Country under the Environmental (Protection) Act, 1986 and that the Department is taking up the environmental issues related to chemical sector with MOEF & CC in the past based on environmental concerns raised by various Industry Associations/ Stakeholders.

The Committee, in their recommendation, had desired to know what role the Department can play in matters relating to creating effective environmental safeguards in relation to Chemical projects being implemented by them. The Department, in its reply had simply stated that the MOEF & CC is the nodal Ministry dealing with the matter. In the opinion of the Committee, the Department cannot shirk away its responsibility from the environment safety concerns relating to industries and projects coming under the Department of Chemicals and Petrochemicals. The Committee therefore reiterate their earlier recommendation that the Department may provide a detailed action plan on the issues relating to

environment safeguards taken for the Plants created under their jurisdiction at the time of furnishing Action Taken Statements.

CHAPTER – II

OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

RECOMMENDATION NO. 1

STAGNANT GROWTH IN PRODUCTION OF CHEMICALS AND PETROCHEMICALS :-

The Committee observe that the major chemicals witnessed very stagnant growth, posting overall growth rate of 1.1 percent during 2015-16 (up to September 15, 2015). The sector also registered zero growth rate during 2014-15. Regarding major petrochemicals, while the sector saw higher overall growth rate, the group-wise growth is very uneven. Polymers, Synthetic Detergent Intermediates and Performance Plastics all registered very low and even negative growth rates during 2011-2015.

According to the Department, the slowdown of growth in the chemicals sector is a reflection of the global trend and other factors like expensive capital, lack of world class infrastructure and cheap imports, and reduced global demand, etc. As for the petrochemicals, factors like shortage of basic building blocks, policy of free import, the worldwide slowdown and other market mechanisms are responsible for slow growth.

In this regard, the Committee are of the view that while there are global factors that are beyond the control of the Government, perennial issues like lack of infrastructure and shortage of basic building blocks are domestic issues that need to be addressed urgently. The Committee recommend that the Department should take a longterm view of the situation and make concerted efforts to upgrade the basic infrastructure and address the issue of shortage of basic building blocks for rapid growth. The Committee also desire that issues of cheap imports should be addressed so that the domestic industry should not suffer.

REPLY OF THE GOVERNMENT

The chemical sector is de-licensed and de-regulated. The chemical units are being set up in private sector based on the techno economic feasibility, global demand and supply and cost of raw materials/ feedstock etc. The Government has taken various steps including rationalization of custom duties for having a complete synergy in the value chain in the manufacturing process involving building blocks, intermediates and final products. Some of the raw materials/ building blocks are being imported in the country for manufacture of further value added chemicals both for domestic consumption as well as for exports. Thus there is import led growth also in the country.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)
***vide* their O.M. No.23003/3/2016-Fin. dated July 2016]**

RECOMMENDATION NO. 2

EXPORTS AND IMPORTS OF CHEMICALS AND PETROCHEMICALS:-

The Committee note that the percentage share of chemicals and chemical products in total exports has remained more or less constant (9.3% to 9.4%) over the years since 2011-12 till 2014-15. The percentage share increased from a stagnant figure of 9.3/9.4 percentage during 2011-2015 to 10.5 percent during 2015-16 (up to September 2015). On the other hand, the export/import data also show a steady increase in the percentage share of total imports for chemicals and chemical products during the same period. While the contribution of this sector in total imports during 2011-15 were 7.5 percent, 7.9 percent, 8.9 percent, 9.6 percent and 9.9 percent respectively, the same for the year 2015-16 (up to Sept, 2015) was 10.8 percent.

In this regard, the Department has informed that one of the important reasons for the stagnant export of Chemical and Petrochemical products and the rising imports of chemicals and petrochemicals is the increase in the domestic demand of these products without commensurate increase in the domestic production. Further, as per the Department, the fact that export / import of chemicals and petrochemicals is freely allowed except for a few chemicals attracting the provisions of international conventions also contributed to the situation. The Department has stated that schemes like Plastic Parks, National Award for Technology Innovation in Petrochemical and downstream Plastic Processing Industry, and Centres of Excellence (CoE) are meant to increase the production capacity for both chemical and petrochemical industries. Further, the PCPIR Policy has been formulated and has been implemented to make easy availability of feedstock for the chemicals and petrochemicals in the country.

Given the above, the Committee are concerned that there is no commensurate increase in domestic production of chemicals and petrochemicals to cater to the rising demand for the same, which resulted in increased imports. Therefore, the Committee recommend that the Department should expedite the ongoing schemes of PCPIRs, Plastic Parks and Centres of Excellence (CoE) so as to give fillip to the production capacities commensurate with the rising demand for chemicals and petrochemicals materials in the country.

<u>REPLY OF THE GOVERNMENT</u>

The Department makes an all out effort for execution of the Plastic Parks as per the timelines. A mechanism has been put in place for periodically monitoring and reviewing the performance of the Plastic Parks for their expeditious implementation in time bound manner. A high level 'Scheme Steering Committee' is tasked with the responsibility of reviewing the progress of the projects. The project implementing agencies (Special Purpose Vehicles- SPVs) report their performance on a monthly basis to the Department. The Scheme also has a mechanism of appointing a Programme Manager, a consulting agency with professional expertise. The Programme Manager is required to assist the Department, inter-alia, in monitoring the Scheme progress and furnishing regular reports based on the monthly progress reports, received from the implementing agencies and undertake site visits before release of grant to the SPVs, based on achievement of milestones along with timelines as approved by SSC. The Department also closely monitors the projects through periodic review meetings and field visits by senior officers.

Similarly, in order to review the progress made by the CoEs, a High Level Review Committee has been constituted by the Department. The Committee evaluates the performance of CoEs periodically and submits reports to Department of Chemicals & Petrochemicals. The report evaluates the performance and also indicates the advancements made by the CoEs in their specified areas. The CoEs have, inter alia, conducted seminars and published papers in their respective areas.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)
***vide* their O.M. No.23003/3/2016-Fin. dated July 2016]**

RECOMMENDATION NO. 5

AUTONOMOUS INSTITUTIONS AND OTHER SCHEMES

(A) CIPET and IPFT

(i) The Committee observe that there is sharp decrease in the allocation made to Central Institute of Plastics Engineering and Technology (CIPET) in the year 2016-17. As against RE 2015-16 of Rs. 98.68 crore, BE 2016-17 have been reduced to Rs. 57.67 crore. The Committee have also been informed that the Department has sought an allocation of Rs. 181.27 crore as Plan assistance for new schemes viz. (i) Capabilities and academic activities, (ii) R&D activities and technology support services at CIPET Centres and thereby sought an overall allocation of Rs. 305 crore for CIPET for the year 2016-17 which has been curtailed to Rs. 57.67 crore due to overall reduction in Department's outlay.

Considering that low allocation of funds would impact various activities and infrastructure development for CIPET centres, the Committee recommend the Department to take up the matter with the Ministry of Finance to enhance the allocation especially for CIPET so that the progress of this premier institution is not affected due to meagre allocation of funds.

(ii) As regards the allocation to Institute of Pesticide Formulation Technology (IPFT), Committee note that there is substantial increase in the total allocation to it for the year 2016-17. It was Rs. 5.05 crore in RE 2015-16 which rose to Rs. 8.32 crore in BE 2016-17. The Committee further note that the Department has plans to utilize the allocated funds for the procurement of capital equipment to strengthen the existing infrastructure and facilities required for the execution of ongoing and future R&D projects of IPFT. The Committee therefore desire that the Department may ensure that the allocated funds are fully utilised.

(B) Chemical Promotion and Development Scheme (CPDS)

The Committee note that the Budgetary allocation for Chemical Promotion and Development Scheme (CPDS) has increased from Rs. 3.90 crore in RE 2015-16 to Rs. 5 crore in the year 2016-17.

The Committee are given to understand that this money shall be utilised for setting up Help Desks/PCPIR Facilitation Desk with the objective to promote investment and trade in Chemical and Petrochemical Sector among other things. The Committee hope that an impetus would be given by making the optimum utilization of fund which would ultimately promote the Scheme.

(C) Lumpsum provisions to North-Eastern Region

The Committee note that Rs. 16 crore has been allocated to North-Eastern Region. Out of this amount Rs.2 crore has been allocated for CIPET and Rs. 14 crore has been allocated to 'New Schemes for Petrochemicals'. The Committee further note that the Department has not spelt out the details of such New Schemes.

The Committee, therefore, recommend that the Department may ensure full utilization of all the funds allocated for the benefit of the region. The Committee would like to know action taken in this regard at the earliest.

REPLY OF THE GOVERNMENT

CIPET:-

The Department appreciates the concern expressed by the Committee on the need for higher budgetary support for capital expenditure from Plan funds to CIPET for upgradation of existing infrastructure and further expansion. Considering the potential of the domestic petrochemical industry and the growth opportunities provided by the global shift in production and demand coupled with export demand, the polymer industry is expected to grow at a significant rate. In this context, CIPET is required to be equipped with additional infrastructure to meet the impending skill development vocational training needs of the sector.

The Department has appraised Ministry of Finance of requirement of additional budgetary allocation in the current year to support under implementation CIPET schemes of (i) Scheme for Enhancing the Capabilities in Academic Activities (Skill Development Training Programme) at CIPET Centres and (ii) Scheme for Enhancing capabilities in Research activities at two R&D Centres and Technology Support Services at CIPET Centres. The projected plan funding of for CIPET's infrastructure is central to the mission of strengthening of CIPET's infrastructure and capacities to take up big stride in skill development targets.

The Expenditure Finance Committee (EFC), in its meeting held on 13th April, 2016, while appraising and recommending the proposal for expansion of CIPET centres, considered the balance requirement of funds for implementation of above schemes and recommended an outlay of Rs. 153.76 crore in 2016-17. In view of crucial requirement of funds for ongoing and schemes in CIPET, the balance requirement of Rs. 96.09 crore (153.76- 57.67) shall be projected in the supplementary grants of 2016-17.

IPFT:

IPFT has stated that the allocated funds for 2016-17 (Plan) will be fully utilized for the procurement of capital equipments to strengthen the existing infrastructure and facilities required for the execution of ongoing and future R & D projects of IPFT.

CPDS:

It is stated that a fund of Rs. 5 crore has been allocated under CPDS Plan Head of Account during the current FY. The allocated budget seems to be sufficient for conducting the various seminars/ conferences in association with various industry associations. No further funds may be required under CPDS Plan Head of Account during the current FY.

Lumpsum provisions to North-Eastern Region:-

The amount of Rs. 14.00 crore allocated to the Scheme "New Schemes of Petrochemicals" is for facilitating release of the amount as IIIrd instalment of the contribution of GoI for the Plastic Park being set up in Assam. The amount of Rs. 2.00 crore allocated for the Scheme "CIPET" in the NER Major Head is for procurement of Machinery to be installed at Guwahati and Imphal under the "Technology Support Service" sub scheme of CIPET.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

RECOMMENDATION NO. 7

ASSAM GAS CRACKER PROJECT :-

The Committee observe with satisfaction that the Assam Gas Cracker Project is at last completed and commissioned on 2 January, 2016. However, the Department has stated that in view of time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies etc., further cost and time escalation has occurred and therefore, Brahmaputra Crackers and Polymers Ltd. (BCPL) has proposed revised project cost of Rs. 9,965 crore as against the approved project cost of Rs.8,920 crore. The estimated increase in project cost of Rs. 1045 crore is proposed to be funded by capital subsidy of Rs. 549.45 crore, equity of Rs. 148.67 crore and debt of Rs. 346.88 crore. The Department has further stated that in order to make the project economically viable, BCPL has proposed in-principle approval for feedstock subsidy on natural gas with an annual review for 15 years of plant operation for maintaining a minimum Internal Rate of Return (IRR) of 10% and revenue subsidy of Rs. 26 crore to fund the cash deficit during initial one year. The capacity utilization of the Plant is envisaged to be gradually be increased to the installed capacity of 2.8 lakh MT over a period of next three years. The Department also stated that the project at present provides direct employment to 700 personnel and indirect employment to around 2000-2500 persons inside the project complex.

However, still, there are numerous challenges as stated above to make the project fully functional. The Committee desire that the Department sort out all the pending issues and should take all the desired actions and ensure that the project should help in the economic development of the entire northeast region through production of polymers and other petrochemical products and by opening up employment avenues to thousands of youths in the region. The Committee accordingly recommend that the Department/AGCP should chalk out a realistic plan to achieve its targets in terms of capacity utilization and employment. The Committee expect to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

The BCPL Lepetkata Complex has been commissioned on 02.01.2016. Around 13,000 MT of Polymer has been produced since commissioning (up to 23.06.2016). Presently, the Petrochemicals complex is in the phase of stabilization.

As regards capacity utilization of BCPL Plant, all efforts are being made to achieve at least 60% of the rated production capacity of 2,70,900 Tonnes per Annum (TPA), which translates into 1,62,540 TPA for the year 2016-17. The above has been worked out considering the time required for stabilization of operations in such Petrochemical Complexes. It is envisaged to build up the capacity utilization to the tune of 80% in the year 2017-18 and further increase the same in the year 2018-2019.

As per the assessment made at DFR stage, the employment generation of around one lakh people is expected through setting up of various downstream plastic processing industries & ancillaries over a period of 10-15 years. In 2013, the NER (North-East Region) was having around 136 nos. of plastic processing units. Thereafter 13 new units have commenced their operations in the region. The Govt. of Assam, with financial assistance from Government of India, is developing an integrated plastic park at Tinsukia, Assam (approx. 60 kms. from BCPL). The plastic park is expected to attract entrepreneurs to set up downstream plastic processing units to utilize the polymers produced at BCPL, Dibrugarh thereby generating avenue for employment generation. Department of Chemicals and Petrochemicals is closely monitoring the progress of the plastic park at Tinsukia through periodic review meetings and site visits for expediting its early completion.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

RECOMMENDATION NO. 9

BHOPAL GAS LEAK DISASTER

On the Bhopal Gas Leak Disaster, the Committee note that the work of disbursal of pro-rata compensation to the victims is still continuing. As per the Department, out of 63,819 claims received by the Office of the Welfare Commissioner for payment of exgratia to Bhopal gas victims, 46,046 claims were awarded and 10,831 claims were rejected till February, 2016. Thus, the total number of settled cases is 56,877 and pending cases is 6942. As for the remaining claims, the Supreme Court had directed to amend the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and Scheme there under with the approval of the Parliament and see that these claims be transferred to Judicial or Quasi-Judicial authority for further action in the pending claims. The Committee further note that the various components of rehabilitation, viz. Social, medical, economic and clean drinking water are still ongoing.

The Committee recommend that the rehabilitation process be speeded up so that pending cases may be resolved soon. The Department/Office of Welfare Commissioner should try to resolve the pending 6942 cases for compensation within a stipulated time. Measures taken in this regard may be communicated to the Committee at the earliest.

REPLY OF THE GOVERNMENT

The Ex-gratia payments involved legal aspects, as all the compensation related payments were awarded by the Judicial Officers. According to the Bhopal Gas Leak Disaster Act, 1985, the Hon'ble Judge, Madhya Pradesh High Court is designated as the Welfare Commissioner, who vested with powers to make procedures for payment of compensation. The Deputy Welfare Commissioner is hearing those Ex-gratia cases, which are complicated in nature, involved many legal problems like successors of other serious dispute regarding the recipients of the amount of compensation. Naturally, the trial of those cases takes 20 times of the time of cases of simple nature.

It is mentioned that no cut-off date for receipt of application is set out and State Government of Madhya Pradesh, Bhopal Gas Tragedy Relief & Rehabilitation Department is continuously forwarding the applications of the victims along with their Verification Certificate for payment of Ex-gratia under Cancer/ TRF Categories. The applications for Ex-gratia are being received continuously at an average of 25 to 30 per week from victims of Bhopal Gas Tragedy. During the current year, i.e. from 1.04.2016 to 15.06.2016 such applications numbering 230 cases have been received in the Office of the Welfare Commissioner for payment of Ex-gratia. The probable receipt of applications during the F.Y. 2016-17 is estimated to 1300 nos.

It is stated that the pendency of Ex-gratia Compensation was reduced to 5,441 cases as on 15.06.2016 from 6942 cases reported earlier. During the current financial year 2016-17, a provision of Rs. 20 crores have been provided for payment of Ex-gratia to Bhopal Gas Victims. Out of this, an amount of Rs. 3.53 crore has been disbursed till

15.06.2016. Thus, the budget provision will be utilized within this financial year. Every effort is being made to disburse the Ex-gratia Compensation in pending cases.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

CHAPTER – III

OBSERVATIONS / RECOMMENDATIONS WHICH THE COMMITTEE DO NOT WANT TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

-- NIL--

CHAPTER – IV

OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

-- NIL--

CHAPTER – V

OBSERVATIONS / RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

RECOMMENDATION NO. 3

MID-TERM APPRAISALS:-

The Committee observe that the mid-term appraisal of the funding and allocation for the schemes/programmes under the Department have shown major problems with regard to Plastic Parks, CIPET and Hindustan Fluorocarbons Ltd (HFL). Since the existing 12th Plan budgetary allocation for the Plastic Parks scheme is insufficient even for the 4 proposals under implementation, the Department is unable to consider proposals from States like Haryana, Uttar Pradesh, Gujarat and Kerala for implementing Plastic Parks in their States. As for CIPET, there is a need to increase budgetary support given by the Department for capital expenditure from Plan funds as CIPET needs substantial additional investment for building up its infrastructure to the required level for existing CIPET centres and also for its expansion in other States. For HOCL, all the budgetary support sanctioned for it from 2013-14 to 2015-16 could not be released as HOCL has been a defaulter in repayment of its loans to the Government.

The Committee further note that the Ministry of Finance vide its orders dated 17.2.2016 had reiterated its decision dated 03.02.2015 not to release any loans to PSUs, and because of that, the funds that were allocated to the PSUs in the Capital Section for 2015-16 could not be released.

In view of the above, the Committee recommend that the Department should take remedial steps with regard to the problems uncovered during the mid-term appraisal of schemes and programmes. As regards HOCL, non-repayment of loans and interests which resulted in its being barred from receiving more funds, will further aggravate the crisis in the company. The problems has been there for a long time and needs effective intervention from the Department to alleviate the crisis. The Department therefore should work with the Niti Aayog and the Ministry of Finance so that the required funds for PSUs and Plastic Parks may be sanctioned. Infusion of funds to refurbish the basic infrastructure of CIPET may also be carried out. The Committee expect the Department to take effective measures on the above issues and intimate the action taken to the Committee at the earliest.

REPLY OF THE GOVERNMENT

The Department has appraised Ministry of Finance of requirement of additional budgetary allocation in the current year to support under implementation CIPET schemes. The projected and additional plan funding requirement of Rs. 96.09 crore for CIPET's infrastructure is central to the mission of strengthening of CIPET's infrastructure & capacities and shall be projected in the supplementary grants of 2016-17.

HOCL and HFL are loss-making PSUs and registered with BIFR as sick companies. Issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Further action on HOCL and HFL will be taken based on the final decision of the Government in the matter.

As regards HIL, a proposal for release of Plan loan of Rs. 10.00 crore, that was available in the Department's budget for 2015-16, for setting up Multi-product facility of capacity of 1000TPA at Rasayani Unit was referred on 11.01.2016 to Ministry of Finance for seeking prior approval as HIL has defaulted in the repayment of Govt. Loans and interests. However, as the decision/ approval of Ministry of Finance was not received in the Department by the end of FY 2015-16, the Plan provision of Rs. 10 crore had to be surrendered.

Subsequently, the proposal was received from M/o Finance on 13.06.2016. DEA, M/o Finance, has requested the Department to re-examine the proposal in terms of M/o Finance's OM dated 03.02.2016 which instructs that the window of investment and working capital loan to CPSUs from Govt. Of India, in general, is closed. PSUs in general are hardly having debt and hence should raised debt from market or banks. Only if PSU is justified as significant from strategic/ security angle, banks refuse loan to it and it has no real assets including land to monetise, would loan be considered at 11% with the prior approval of Budget Division.

In view of the above comments of M/o Finance, the proposal is being re-examined in consultation with HIL. In the current FY 2016-17, Plan loan provision of Rs. 15 crore for HIL has been made in the Department's budget. Decision on resubmitting the proposal to M/o Finance would be taken after re-examination of the proposal is completed.

The Department had the requirement of Rs. 127.41 crore for Plastic Parks in the 2016-17, but the allocated amount is Rs. 45.00 crore only. Subsequently, the Department requested for an additional sum of Rs. 82.41 crore to meet the plan requirement in the Supplementary Demands for 2016-17. The matter has already been taken up with Internal Finance Division for allocation of the balance requisite funds for the Scheme, and is being followed up regularly.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

COMMENTS OF THE COMMITTEE

(Please see Para No. 7 of Chapter-I of the Report)

RECOMMENDATION NO. 4

BUDGET PROPOSALS AND ACTUAL ALLOCATION:-

Looking at the Budget Estimates of the Department of Chemicals and Petrochemicals, the Committee are distressed to observe the wide disparity between proposed outlays and actual allocations. The Committee observe that for 2015-16, the Department had proposed a Plan outlay of Rs. 1011.50 crore, against which the Ministry of Finance allotted Rs. 188.00 crore. Further, against a proposed Plan outlay of Rs. 921.51 Crores by the Department for 2016-17, the Ministry of Finance allocated only an amount of Rs. 160.00 Crores. That means, the percentage figure of actual allocation vis-a-vis the proposed allocation during 2015-16 is 18.59 percent and only 17.36 percent of the proposed amount for 2016-17 is actually allocated. The Committee further observe that such a reduction in allocation seriously impede the execution of the projects and schemes under the Department. Therefore, the Committee strongly feel that there is a pressing need to evolve regular appraisal of projects and schemes of the Department with the Niti Aayog / Finance Ministry so that such drastic cuts may be avoided.

In light of the huge cuts in actual allocations granted to the Department, the Committee recommend that the Department may propose for the requisite funds in the form of supplementary demand for grants with proper justification for the same to the Ministry of Finance/Niti Aayog. The Department should apprise the Committee about action taken in this regard.

REPLY OF THE GOVERNMENT

An allocation of Rs. 57.67 crore has been made for CIPET's Schemes for the year 2016-17 (BE) as against projected requirement of Rs. 181.27 crore. Meanwhile, in order to strengthen the skill development initiatives, enhance technology support to industries, promote entrepreneurs and R&D to develop indigenous technologies, the Expenditure Finance Committee recommended establishment of 11 new CIPET Centres – (i) 06 High & Other Learning Centres (HLC/OLC), (ii) 04 Vocational Training Centres (VTC) and (iii) Advanced Polymer Design & Development Research Laboratory, Bengaluru at a cost of Rs. 562.32 crore over a period of next three year i.e during 2016-17 to 2018-19. EFC has inter-alia recommended budgetary allocation of Rs. 153.76 crore for 2016-17. Accordingly, Ministry of Finance through IFD, Department of Chemicals and Petrochemicals has been requested to allocate additional amount of Rs. 96.09 crore in 1st Supplementary Demands for Grants for the year 2016-17.

It is stated that a fund of Rs. 5 crore has been allocated under CPDS Plan Head of Account during the current FY. The allocated budget seems to be sufficient for conducting the various seminars/ conferences in association with various industry associations. No further funds may be required under CPDS Plan Head of Account during the current FY.

The Department had the requirement of Rs. 127.41 crore for Plastic Parks in the 2016-17, but the allocated amount is Rs. 45.00 crore only. Subsequently, the Department requested for an additional sum of Rs. 82.41 crore to meet the plan requirement in the Supplementary Demands for 2016-17. The matter has already been taken up with Internal Finance Division for allocation of the balance requisite funds for the Scheme, and is being followed up regularly. A proposal for allocation additional funds to the tune of Rs. 549.45 crore has been moved to the M/o Finance for the Assam Gas Cracker Projects.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

COMMENTS OF THE COMMITTEE

(Please see Para No. 10 of Chapter-I of the Report)

RECOMMENDATION NO. 6

Public Sector Undertakings:-

I. The Committee note that during 2015-16 (up to December, 2015), Hindustan Organic Chemicals Ltd (HOCL) achieved a turnover of Rs.97.39 crore and loss of Rs.133.70 crore. As per the Department, the low turnover and loss is due to the fact that most of the plants of HOCL at Kochi (Phenol and Acetone) and Rasayani (Nitrobenzene, Formaldehyde and Concentrated Nitric Acid) were not operational due to acute working capital shortage. As a result, the HOCL was declared sick again on 22 July, 2015. As per the Department, a new revival plan for HOCL prepared by the consultants (M/s JPS Associates) has been approved by the Board of Directors of HOCL and based on the revival plan report, a revival restructuring plan for HOCL is presently under consideration of the Department. Regarding the Hindustan Fluorocarbons Ltd (HFL), a subsidiary of HOCL, as per the Department, during 2015-

16 (up to December, 2015), the company has achieved a turnover of Rs.25.40 crore and loss of Rs.7.00 crore, as per the provisional unaudited results. This is mainly due to plant shut down for refurbishment / revamping activities. A revival / restructuring plan for HFL is also under consideration of the Department for long term and sustainable growth of the company. In view of the above, the Committee recommend that the Department should take all steps necessary to revive HOCL and its subsidiary company, HFL for long-term sustained growth. The sickness of the company have gone on for so long and require concrete action to revive it. The Committee desire that the latest revival plan for HOCL prepared by M/s JPS Associates may be finalized at the earliest and revival measures may be taken on priority. Similarly, restructuring plan for HFL may also be implemented expeditiously. The roadmap for revival may be communicated to the Committee at the earliest.

II. As for the Hindustan Insecticides Ltd (HIL), the Committee appreciate that the company has been continuously posting profits since the last 10 years. The Committee note that during 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.132.78 crore and net profit of Rs.0.25 crore, as per the provisional unaudited results. The Company has now diversified to decrease its dependence on revenue from DDT. The Committee note that HIL proposes to set up a multi-product plant facility at a cost of Rs. 11 crore at its Rasayani unit. The proposal has been referred to the Ministry of Finance for approval. The Committee desire that the approval be expedited. The Committee also recommend that the HIL/Department should make earnest efforts to make successful all the initiatives taken by the company to increase its profits. The Committee would like to be apprised of the action taken in this regard.

REPLY OF THE GOVERNMENT

Issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Further action on HOCL and HFL will be taken based on the final decision of the Government in the matter.

The proposal for release of Plan loan of Rs.10.00 crore, which was available in the Department's budget for 2015-16, for setting up Multi-product facility of capacity of 1000TPA at Rasayani Unit was referred on 11.01.2016 to Ministry of Finance since their prior approval is required as HIL has defaulted in the repayment of Govt. loans and interest. Since the file was not received back in the Department and the FY 2015-16 was about to end, a reminder was sent to the Department of Economic Affairs, Ministry of Finance, from the Joint Secretary (Chemicals) on 21.3.2016 and Secretary (C&PC) on 22.3.2016 for expediting M/o Finance's approval. However, as the file was not received by 31.03.2016, the Plan provision of Rs.10 crore had to be surrendered by the Department.

Subsequently, the file was received from M/o Finance on 13.6.2016. DEA, M/o Finance, has requested the Department to re-examine the proposal in terms of M/o Finance's OM dated 3.2.2016 which instructs that the window of investment and working capital loan to CPSUs from Govt. of India, in general, is closed. PSUs in general are hardly having debt and hence should raised debt from market or banks. Only if PSU is justified as significant from strategic / security angle, banks refuse loan to it and it has no real assets including land to monetise, would loan be considered at 11% with the prior approval of Budget Division.

In view of the above comments of M/o Finance, the proposal is being re-examined in consultation with HIL. In the current FY 2016-17, there is a Plan loan provision of Rs.15

crore for HIL in the Department's budget. Decision on resubmitting the proposal to M/o Finance would be taken after re-examination of the proposal is completed.

In addition to the above proposal for setting up a multi-product plant facility, some of the other measures taken / efforts being made by the Department / HIL to increase the company's turnover and profit are as follows:

(i) HIL has grown from existing 6 numbers of Technicals to total 10 numbers of Technicals with the launch of products like Acephate, Imidacloprid, Clorpyriphos etc.. Few more products like Acetamiprid, Triazophos, Glyphosate, Thiomethoxam are under launch and facility is being put up to manufacture Pendimethalin.

(ii) The company has got recognition as a National Level Seed Agency and has ventured into production and marketing of all varieties of seeds and is covered under various benefits under the National Food Security Mission (NFSM), National Horticulture Mission (NHM) and National Mission on Oilseeds & Oil Pulses (NMOOP).

(iii) The company has recently ventured into the Fertilizer segment as well and has been inducted by the Department of Fertilizers as an agency to import fertilizers. Further, Bathinda plant of the company is planned to be utilized for producing water soluble fertilizers. This diversification will enable the company to become a one stop shop for the farming community by providing all the three critical agricultural inputs viz. seeds, pesticides and fertilizers.

(iv) As there is a demand for new generation molecules, the company is also looking at strategic tie-ups with multinational companies who own the patents for the same.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

COMMENTS OF THE COMMITTEE

(Please see Para No. 13 of Chapter-I of the Report)

RECOMMENDATION NO. 8

New Schemes of Petrochemicals:-

The Committee observe that the allocated amount of Rs. 48.00 crore for New Schemes for the Petrochemicals for 2016-17 is proposed to be spent for the three schemes, viz. Scheme for Plastic Park (Rs. 45.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for CoE (Rs.2.00 crore). However, the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds, and the Department informed that it will ask for the balance funds at the time of Supplementary Demands.

In this regard, the Committee note that Plastic Parks are the most ambitious schemes which takes the lion's share of the allocation. However, as per the Department, even the amount of Rs. 45 crore allocated for Plastic Parks is totally inadequate to meet the requirements. At present, three plastic parks at Tamot Village, Raisen District in Madhya Pradesh; Siju Village, Kujanga Tehsil, Jagatsinghpur District in Odisha and Gellapukhuri, Tinsukia District in Assam are under various stages of implementation. Government has approved in October, 2015 setting up of a Plastic Park in Thiruvallur

District in the State of Tamil Nadu. Because of the shortfall, progress of the implementation of the existing Parks (already under implementation) will be adversely affected. Further, it will not be possible to release any funds for setting up the six new Plastic Parks which have been approved 'inprinciple' by the Scheme Steering Committee in February, 2016. The six Plastic Parks are to be located in the States of Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana,West Bengal. Moreover, there are eight additional new Plastic Parks, which have been accorded 'in-principle' approval and after obtaining financial approval, their locations will be decided in consultation with the State Governments. In short, the Department is planning to set up a total of 18 Plastic Parks all over the country.

In light of the above, the Committee recommend that the Department should ask for the requisite funds at the time of Supplementary Demands with proper justification so that the same may be sanctioned. Further, Plastic Parks have been implemented with the concerned State Governments on a 50:50 sharing basis subject to a ceiling of Rs. 40 crore per project. Hence, the success of these projects depend on how well the Department works with the concerned State Governments. Therefore, the Committee recommend that the Department should institutionalize a proper mechanism for coordination with the State Governments so that there is complete synergy between the Department and the States on the matter for effective implementation of the project. The action taken in pursuance of this recommendation may be intimated to the Committee at the earliest.

REPLY OF THE GOVERNMENT

The Department makes an all out effort for execution of the Plastic parks as per the timelines. A mechanism has been put in place for periodically monitoring and reviewing the performance of the Plastic Parks for their expeditious implementation in a time bound manner. The high level 'Scheme Steering Committee' is tasked with the responsibilities of reviewing the progress of the projects. The project implementing agencies (SPVs) report their performance on a monthly basis to the Department. The Scheme also has a mechanism of appointing a Programme Manager, a consulting agency with professional expertise. The Programme Manager is required to assist the Department, inter-alia, in monitoring the Scheme progress and furnishing regular reports based on the monthly progress reports, received from the implementing agencies and undertake site visits before release of grant to the SPVs based on achievement of milestones along with time lines as approved by SSC. The Department also closely monitors the projects through periodic review meetings and field visits by senior officers.

As regards seeking additional funds at the time of Supplementary Demands, the Department has sought an amount of Rs. 130.41 crore for 2016-17 but the allocated amount is Rs. 48.00 crore only in BE 2016-17 for the New Schemes of Petrochemicals. The matter has already been taken up with Internal Finance Division for allotment of balance requisite funds for the Scheme, and is being followed up regularly.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

COMMENTS OF THE COMMITTEE

(Please see Para No. 16 of Chapter-I of the Report)

RECOMMENDATION NO. 10

ENVIRONMENTAL CONCERNS:-

The Committee observe that one of greatest concern arising out of chemical plants and industries is the pollution and degradation that it causes to the surrounding environment. The Committee are distressed to note that still there is so much wanting in the areas of proper effluent treatment plants, preservation of ground water and ecological health.

The Committee note that the model developed in Maharashtra in which wherever a treatment plant in Maharashtra Industrial Development Corporation is to be developed, a part of infrastructure like Road, electricity, water and transport, etc. will be done by the Government and the cost will be taken care of by the industry. It is possible in chemical clusters too. The concerned States should be involved in all these aspects so that there can be a lasting solution. The Committee desire that the Department should seriously study this model and convince other states to follow on these lines. The Committee note that since the initial cost for common effluent treatment plants are so high and the private companies are often not ready to foot that bill in one go, it may be necessary for the Government to come out with the investments for common effluent treatment plants and later on collects the money from the industries. The Committee seriously view the present situation in which there is no proper mechanism or common standard for environmental safety. Common effluent treatment plants are an essential component of any chemical/petrochemical project and the Government should ensure that the required funds are made available. The Committee strongly recommend that the Department may set up a mechanism to monitor all environmental concerns in coordination with all stakeholders and should also review the existing environmental safeguards in all projects under its ambit and make amends speedily wherever necessary. The action taken on the above points may be communicated to the Committee at the earliest.

REPLY OF THE GOVERNMENT

The chemical industry is an important constituent of the growing Indian economy and it is the mainstay of industrial and agriculture development of the country, providing several building blocks and raw materials for a number of industries, including textile, paper, paint, soap and detergent, pharmaceuticals, agrochemicals etc.

The Industries, particularly small industries, due to their limited size and scale of operation do not find it economically viable to install elaborate pollution control equipments. Common Effluent Treatment Plants (CETPs) are considered as one of the viable solution to achieve end-of-pipe treatment for effective wastewater treatment from Small and Medium Enterprises (SMEs) and thereby reduce the number of discharge points for better enforcement.

There are 28 CETPs in various states including Andhra Pradesh, Kranataka, Gujarat, and Maharashtra catering to the need of Chemical clusters. The financial support for the construction of CETPs is available under various schemes of central government including Ministry of Environment, Forest & Climate Change (MOEF &CC) for all the states in the country. The CETPs are regularly monitored by concerned state pollution control boards to check their compliance.

In the scheme of MOEF & CC, which was started in 1991 for funding establishment of CETPs, the financial assistance provided to the project proponent was as Central

Government subsidy- 25% of the project capital cost, State Government subsidy – 25% of the project capital cost, Loans from financial institutions – 30% of the project capital cost, and Entrepreneurs contribution – 20% of the project capital cost. The scheme was revised in 2012 to increase the Central subsidy from 25% to 50% retaining the state subsidy at 25% and lowering down the project proponent's share from 50% to 25%. Out of the proponent's share, at least 40% of contribution has to be from the proponent and balance 60% is to be raised through loan to the proponent from Banks/ Financial Institutions.

The Department has been taking up the issues related to chemical sector with MOEF & CC in the past based on environmental concerns raised by various Industry Associations/ Stakeholders. MOEF &CC is the Nodal Ministry for Environmental standards and their compliance in the Country under the Environmental (Protection) Act, 1986.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) *vide* their O.M. No.23003/3/2016-Fin. dated July 2016]

COMMENTS OF THE COMMITTEE

(Please see Para No. 19 of Chapter-I of the Report)

NEW DELHI;
NOVEMBER 2016
AGRAHAYANA (SAKA) 1938

(ANANDRAO ADSUL)
CHAIRPERSON
STANDING COMMITTEE ON
CHEMICALS AND FERTILIZERS

APPENDIX – II

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2016-17)

The Committee sat on Wednesday, the 26 October, 2016 from 1500 hrs. to 1600 hrs. in Committee Room 'C ', Parliament House Annexe, New Delhi.

PRESENT

Dr. Kulamani Samal- In the Chair

MEMBERS

LOK SABHA

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B. N. Chandrappa
5. Smt. Veena Devi
6. Shri K. Ashok Kumar
7. Shri Chhedi Paswan
8. Shri S. Rajendran
9. Shri Kotha Prabhakar Reddy
10. Shri Tasleem Uddin
11. Shri Dasrath Tirkey
12. Smt. Rekha Arun Verma
13. Shri Pankaj Chaudhary

RAJYA SABHA

14. Shri Prem Chand Gupta
15. Shri Narayan Lal Panchariya

SECRETARIAT

1. Smt. Rashmi Jain - Joint Secretary
2. Shri A. K. Srivastava - Director
3. Shri H. Ram Prakash - Additional Director
4. Shri Nishant Mehra - Under Secretary

2. As the Chairman could not attend the sitting due to health problem, under Rule 258 (3) of the Rules of Procedure and Conduct of Business of Lok Sabha, the Members chose Dr. Kulamani Samal, MP and a Member of the Committee, to act as the Chairman. The Acting Chairman welcomed the Members to the sitting of the Committee.

3. The Committee, thereafter, took up for consideration and adoption of the Draft Action Report on 'Demands for Grants 2016-17' of Department of Chemicals and Petrochemicals.

4. After a brief discussion on the contents of the report, the draft Action Taken Report was adopted by the Committee without any amendment.

5. The Committee authorised the Chairperson to make consequential changes, if any, arising out of the factual verification of the Report by the Department of Chemicals and Petrochemicals of the Ministry of Chemicals and Fertilizers and present the same to both the Houses of Parliament.

The Committee then adjourned.

APPENDIX – II

(*Vide* Para 3 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY SECOND REPORT (16TH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2015-16) ON 'DEMANDS FOR GRANTS (2016-2017)' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF CHEMICALS AND PETROCHEMICALS).

I	Total No. of Recommendations	10
II	Observations / Recommendations which have been accepted by the Government:- (*Vide* Recommendation Nos. 1, 2, 5, 7 and 9)	5
	Percentage of Total	50%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:- (*Vide* Recommendation No. Nil)	0
	Percentage of Total	Nil
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:- (*Vide* Recommendation Nos. Nil)	0
	Percentage of Total	Nil
V	Observations / Recommendations in respect of which replies of the Government are still awaited:- (*Vide* Recommendation Nos. 3, 4, 6, 8 and 10)	5
	Percentage of Total	50%