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**STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS**

**(2016-17)**

**SIXTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS**

**(2017-18)**

**THIRTY THIRD REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

***March, 2017/ Phalguna, 1938 (Saka)***

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(2016-17)**

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

**DEMANDS FOR GRANTS  
(2017-18)**

*Presented to Lok Sabha on 21 March 2017*

*Laid in Rajya Sabha on 21 March 2017*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 2017/ Phalguna, 1938 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2016-17)**

***Shri Anandrao Adsul - Chairperson***

**MEMBERS  
LOK SABHA**

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B.N Chandrappa
5. Shri Sankar Prasad Datta
6. Smt. Veena Devi
7. Shri R. Dhruvanarayana
8. Shri Innocent
9. Shri K Ashok Kumar
10. Shri Chhedi Paswan
11. Smt. Kamla Devi Patle
12. Shri S. Rajendran
13. Shri Kotha Prabhakar Reddy
14. Dr. Kulamani Samal
15. Dr. Uma Saren
16. Dr. Krishna Pratap Singh
17. Shri Taslimuddin
18. Smt. Rekha Arun Verma
19. Shri Kirti Vardhan Singh
20. Shri Pankaj Chaudhary
21. \$ Dr. (Smt.) Ratna De (Nag)

**RAJYA SABHA**

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri Sanjay Dattatraya Kakade
25. Shri Surendra Singh Nagar
26. Shri Narayan Lal Panchariya
27. Shri K Parasaran
28. Shri Palvai Govardhan Reddy
29. Dr. Sanjay Sinh
30. Shri Abdul Wahab
31. Smt. Roopa Ganguly

**SECRETARIAT**

- |    |                        |   |                            |
|----|------------------------|---|----------------------------|
| 1. | Smt. Rashmi Jain       | - | Joint Secretary            |
| 2. | Shri A.K. Srivastava   | - | Director                   |
| 3. | Shri Nishant Mehra     | - | Under Secretary            |
| 4. | Shri S. Vijayaraghavan | - | Senior Committee Assistant |

*\$ Dr.(Smt.) Ratna De (Nag) MP, (LS) has nominated as a member of the Committee w.e.f 2.1.2017 in lieu of Sh. Shri Dasrath Tirkey MP, (LS)*

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## INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2016-17) having been authorised by the Committee to submit the Report on their behalf present this Twenty Third Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2017-18.

2. The Committee examined the Demands for Grants (2017-18) pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) which were laid in Lok Sabha and Rajya Sabha on 07 February, 2017.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) at their sitting held on 23<sup>rd</sup> February, 2017.

4. The Report was considered and adopted by the Committee at their sitting held on 20 March, 2017.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for their cooperation in furnishing the written replies and other material/ information and for placing their views before the Committee.

6. The Committee also place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;  
20 March, 2017  
*29 Phalguna, 1938 (Saka)*

Anandrao Adsul  
Chairperson  
Standing Committee on  
Chemicals and Fertilizers

# **REPORT**

## **CHAPTER – I**

### **INTRODUCTION**

- 1.1 Department of Chemicals and Petrochemicals (DCPC) aims:
- i. To formulate and implement policy and programmes for achieving growth and development of the chemical and petrochemical sectors in the country; and
  - ii. To foster the spirit of public-private partnership for overall development of above-mentioned sectors of the industry.
- 1.2 The Department has the mandate to deal with the following broad subject matters:
- i. Insecticides excluding the administration of The Insecticides Act, 1968 (46 of 1968);
  - ii. Molasses;
  - iii. Alcohol - Industrial and Potable from the molasses route;
  - iv. Dye-stuffs and Dye-Intermediates;
  - v. All organic and inorganic chemicals, not specifically allotted to any other Ministry or Department;
  - vi. Planning, development and assistance to all industries dealt with by the Department;
  - vii. Bhopal Gas Leak Disaster-Special Laws relating thereto;
  - viii. Petrochemicals;
  - ix. Industries relating to production of non-cellulosic synthetic fibers (Nylon Polyesters, Acrylic etc.);
  - x. Synthetic Rubber; and
  - xi. Plastics including fabrication of plastic and moulded goods.
- 1.3 The Department has four major divisions viz. Chemicals, Petrochemicals, Planning & Personnel and Statistics & Monitoring (S&M). The Internal Finance Division is common to the three Departments in the Ministry of Chemicals and Fertilizers. There are three Central Public Sector Undertakings (CPSU) in the chemical sector namely Hindustan Organic Chemicals Ltd. (HOCL), Hindustan Insecticides Ltd. (HIL) and Hindustan Fluorocarbons Limited (HFL), which is a subsidiary of HOCL and one CPSU in the petrochemical sector viz. Brahmaputra Cracker and Polymer Ltd. (BCPL). The autonomous institutes under this Department are Central Institute of Plastics Engineering & Technology (CIPET) and Institute of Pesticides Formulation Technology (IPFT).

**1.4 The detailed Demands for Grants (2017-18) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) were presented to the Lok Sabha on 7 February 2017. The demand shows a budgetary support of Rs.298 crore [(Rs. 273.39 crore (Revenue) + Rs.24.61 crore (Capital))]. The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2017-18. The detailed analysis along with Observations/ Recommendations of the Committee are given in a separate chapter at the end of the Report. The Committee expect the Department to take all necessary steps for proper and timely utilization of funds ensuring completion of the various plans and projects in a time bound manner. The Committee also expect the Department to act on the recommendations of the Committee expeditiously.**

## CHAPTER - II

### AN OVERVIEW OF CHEMICAL AND PETROCHEMICAL INDUSTRY

#### CHEMICAL AND PETROCHEMICAL INDUSTRY

The chemical industry is a knowledge intensive as well as capital intensive industry. It is an integral constituent of the growing Indian Industry. It includes basic chemicals and its products, petrochemicals, fertilizers, pesticides, paints, varnishes, gases, soaps, perfumes and toiletry and pharmaceuticals. It is one of the most diversified of all industrial sectors covering thousands of commercial products. This Industry occupies a pivotal position in meeting basic needs and improving quality of life. The industry is the main stay of industrial and agricultural development of the country and provides building blocks for several downstream industries, such as textiles, papers, paints, varnishes, soaps, detergents, pharmaceuticals, etc.

2.2 As per National Industrial Classification (NIC) 2008, Chemical & Chemical products are covered under the industry division 20.

2.3 According to National Accounts Statistics 2016, brought out by the Central Statistics Office (CSO), chemical and chemical products sector (industry division 20 and 21 of NIC 2008) accounted for 2.33% of the GVA (at 2011-12 prices) in 2014-15, compared to 2.34% in 2013-14. The share of this sector in the GVA of manufacturing sector at 2011-12 prices was 13.60% during 2014-15 as compared to 13.43% in 2013-14. The average Indices of Industrial Production (IIP) for the Chemical and Chemical products (industry division 24: NIC 2004) for the year 2015-16 stand at 143.5, which is 3.8% higher as compared to the previous year. The size of the Indian Chemical industry (Industry division 20 and 21 of NIC 2008) in terms of value of output in the year 2014-15 was Rs. 8,33,046 crore.

2.4 The production of major chemicals and petrochemicals in 2016-17 (up to November 2016) was 17162 thousand MT, compared to 16255 thousand MT in 2015-16 (up to November 2015) implying growth of 5.6%.

#### 2.5 PRODUCTION TRENDS

##### Production of selected major chemicals and petrochemicals

Figures in thousand Metric Tonne (MT)							
Group	Production / Growth Rate	2012-13	2013-14	2014-15	2015-16	2015-16 (April 15 to Nov. 15)	2016-17 (April 16 to Nov. 16)*
Alkali Chemicals	Production	6487	6481	6625	6802	4472	4636
	Growth Rate (%)	0.1	-0.1	2.2	2.7		3.6



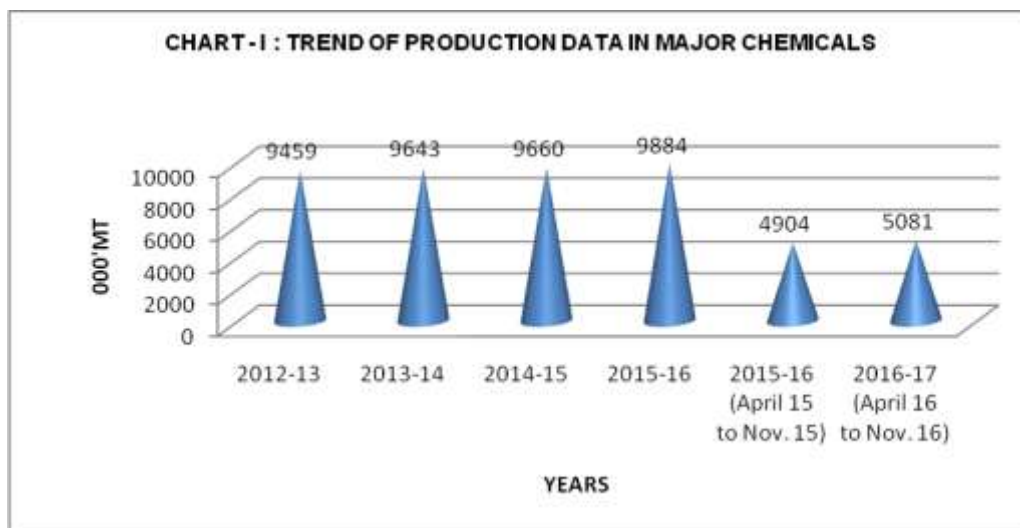
<b>Inorganic Chemicals</b>	Production	<b>891</b>	<b>906</b>	<b>944</b>	<b>1002</b>	<b>661</b>	<b>698</b>
	Growth Rate (%)	-0.4	1.7	4.2	6.1		<b>5.6</b>
<b>Organic Chemicals</b>	Production	<b>1686</b>	<b>1792</b>	<b>1619</b>	<b>1589</b>	<b>1075</b>	<b>1057</b>
	Growth Rate (%)	2.8	6.3	-9.7	-1.9		<b>-1.7</b>
<b>Pesticides (Technical)</b>	Production	<b>155</b>	<b>179</b>	<b>186</b>	<b>188</b>	<b>125</b>	<b>142</b>
	Growth Rate (%)	-0.5	15.4	4.0	0.6		<b>13.2</b>
<b>Dyes&amp; Pigments</b>	Production	<b>240</b>	<b>284</b>	<b>285</b>	<b>304</b>	<b>196</b>	<b>207</b>
	Growth Rate (%)	-0.6	18.4	0.6	6.6		<b>5.4</b>
<b>Total Major chemicals</b>	Production	<b>9459</b>	<b>9643</b>	<b>9660</b>	<b>9884</b>	<b>6530</b>	<b>6740</b>
	Growth Rate %)	0.5	1.9	0.2	2.3		<b>3.2</b>
<b>Synthetic Fibers</b>	Production	<b>3124</b>	<b>3144</b>	<b>3527</b>	<b>3554</b>	<b>2362</b>	<b>2420</b>
	Growth Rate (%)	0.6	0.6	12.2	0.8		<b>2.5</b>
<b>Polymers</b>	Production	<b>7509</b>	<b>7876</b>	<b>7558</b>	<b>8839</b>	<b>5720</b>	<b>6155</b>
	Growth Rate (%)	3.6	4.9	-4.0	17.0		<b>7.6</b>
<b>Elastomers (S.Rubber)</b>	Production	<b>96</b>	<b>105</b>	<b>172</b>	<b>242</b>	<b>170</b>	<b>186</b>
	Growth Rate (%)	-4.2	8.7	64.1	40.8		<b>9.5</b>
<b>Synth. Detergent Intermediates</b>	Production	<b>627</b>	<b>597</b>	<b>596</b>	<b>566</b>	<b>372</b>	<b>458</b>
	Growth Rate (%)	0.7	-4.8	-0.1	-5.1		<b>23.2</b>
<b>Performance Plastics</b>	Production	<b>1691</b>	<b>1685</b>	<b>1591</b>	<b>1700</b>	<b>1100</b>	<b>1203</b>
	Growth Rate (%)	0.8	-0.4	-5.5	6.9		<b>9.4</b>
<b>Total Basic Major Petrochemicals</b>	Production	<b>13047</b>	<b>13406</b>	<b>13443</b>	<b>14900</b>	<b>9725</b>	<b>10423</b>
	Growth Rate %)	2.3	2.7	0.3	10.8		<b>7.2</b>
<b>Total Major Chemicals and Petrochemicals</b>	Production	<b>22507</b>	<b>23048</b>	<b>23103</b>	<b>24783</b>	<b>16255</b>	<b>17162</b>
	Growth Rate	1.5	2.4	0.2	7.3		<b>5.6</b>

\*Provisional

Note: Production is aggregated based on Monthly Production Returns from manufacturers under large and medium scale. Product-wise and Group wise details of installed capacity and production for major chemicals and major petrochemicals are given in Annexure-I & Annexure-II respectively.

## CHEMICAL SECTOR PRODUCTION TRENDS

2.6 It may be seen from above Table that the production of Alkali Chemicals accounts for around 69% of the total production of major chemicals. The production of major chemicals in 2016-17 (up to November 2016) was 6740 thousand MT, compared to 6530 thousand MT during the same period in 2015-16 (up to November 2015) implying a growth of 3.2%. The trend in the production of selected major chemicals is depicted in Chart I.

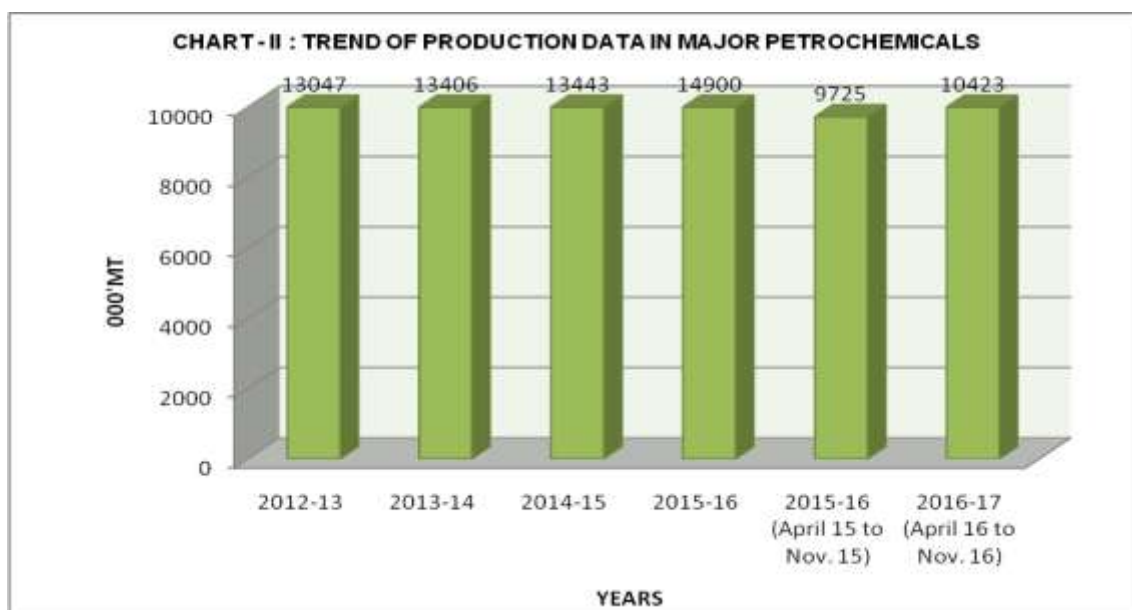


## PETROCHEMICAL SECTOR- PRODUCTION TRENDS

2.7 Petrochemicals, which comprise of plastic and host of other chemicals, are downstream hydrocarbons derived from crude oil and natural gas. The value additions in the petrochemicals chain offer immense possibilities and cater to the need of textiles and clothing, agriculture, packaging, infrastructure, healthcare, furniture, automobiles, information technology, power, electronics and telecommunication, irrigation, drinking water, construction and a host of other articles of daily and specialized usage amidst other emerging areas.

2.8 There are four naphtha and four gas based cracker complexes in the country with a combined annual ethylene capacity of 4.00 million MT. There are six aromatic complexes with a combined Xylene capacity of 4.45 million MT. Besides, there are six Petro Fluid Catalytic Cracking Units with a combined propylene capacity of 1.7 million MT.

2.9 From Table II, it may be seen that the production of polymers account for around 59% of the total production of basic major petrochemicals. The production of basic major petrochemicals in 2016-17 (up to November 2016) was 10423 thousand MT, compared to 9725 thousand MT in 2015-16 (up to November 2015) implying a growth of 7.2%. The trend in the production of selected major petrochemicals has been depicted in Chart II.



### **INTERNATIONAL TRADE**

2.10 Trends in exports and imports of Chemicals and Chemical Products (excluding Pharmaceutical Products and Fertilizers) during 2012-13 to 2016-17 (up to September, 2016) are given below:-

**Exports and Imports- Chemicals and Chemical Products  
(excluding Pharmaceutical Products and Fertilizers)**

**A. Exports**

(Rs. in crore)

HS Code	Commodity	2012-13	2013-14	2014-15	2015-16	2015-16 (upto Sep.,15)	2016-17 (upto Sep.,16)
	Total National Exports	1634318	1905011	1896348	1716378	858623	878318
28	Inorganic Chemicals	7176	8258	8749	7913	3740	4051
29	Organic Chemicals	65865	72860	73069	75325	37876	37469
32	Tanning or Dyeing	11372	15455	17206	16165	8103	8682
38	Miscellaneous Chemical Products.	15545	18694	19432	20083	8973	9900
39	Plastic and Articles thereof.	28012	34154	31022	34339	16727	17410
4002	Synthetic Rubber and Factice	181	245	379	452	264	196
54	Man-Made Filaments.	12112	15575	14621	13460	7148	6725
55	Man-Made Staple Fibres.	10565	12621	13334	13625	6704	6888
<b>A: Total Chemicals and Chemical Products</b>		<b>150829</b>	<b>177862</b>	<b>177813</b>	<b>181361</b>	<b>89534</b>	<b>91321</b>
<b>% share in total export</b>		9.2	9.3	9.4	10.6	10.4	10.4

**B. Imports**

(In Rs. crore)

HS Code	Commodity	2012-13	2013-14	2014-15	2015-16	2015-16 (upto Sep.,15)	2016-17 (upto Sep.,16)
	<b>Total National Imports of which</b>	<b>2669162</b>	<b>2715434</b>	<b>2737087</b>	<b>2490298</b>	<b>1298646</b>	<b>1167856</b>
28	Inorganic Chemicals	28770	29063	31413	33170	16596	16743
29	Organic Chemicals	85439	103157	108320	101986	55298	50611
32	Tanning or Dyeing	8004	9254	9821	10467	5237	5327
38	Miscellaneous Chemical Products	20650	23107	25494	27207	14346	15411
39	Plastic and Articles thereof	52283	61072	71398	74566	38566	39530
4002	Synthetic Rubber And Factice	7562	7339	6697	5205	2862	2915
54	Man-Made Filaments	4149	4597	5042	4879	2478	2470
55	Man-Made Staple Fibres.	3052	3722	4539	4401	2352	1896
<b>B: Total Chemicals and Chemical Products</b>		<b>209909</b>	<b>241311</b>	<b>262722</b>	<b>261880</b>	<b>137735</b>	<b>134903</b>
<b>% share in total import</b>		7.9	8.9	9.6	10.5	10.6	11.6

2.11 The imports of chemicals and products (excluding Pharmaceutical Products and Fertilizers) contributed 11.6% of total imports in 2016-17 (upto September, 2016) compared to 10.6% in 2015-16 (upto September, 2015) whereas the exports contributed 10.4% of total exports both in 2016-17 (upto September, 2016) and 2015-16(upto September, 2015).

2.12 When asked the exports contributed 10.4% of total exports both in 2016-17 (upto September, 2016) and 2015-16(upto September, 2015; the imports of chemicals and products contributed 11.6% of total imports in 2016-17 (upto September, 2016) compared to 10.6% in 2015-16 (upto September, 2015) and to explain the reasons for the increased in percentage of the share of Chemicals and chemicals products in total imports, the Department of Chemicals and Petrochemicals in its written reply stated as under:-

“Most of the chemicals are under open general license under the provisions of current foreign trade policy. The important reason for stagnant export of Chemicals product is increase in the domestic demand of these products without commensurate increase in the domestic production. Further the export/import of chemicals is freely allowed except for few chemicals attracting the provisions of international conventions. The consumers of chemicals procure them from domestic manufacturers or import the chemicals, depending upon their techno-commercial price considerations”.

## CHAPTER – III

### DEMANDS FOR GRANTS 2017-18

#### DEMAND NO. 6

(Rs. in crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
162.01	40.03	202.04	158.39	24.61	183.00	273.39	24.61	298.00

3.2 When asked how the Department propose to utilize the increased amount of Rs.273.39 crore in BE 2017-18 under revenue Head as compared to Rs.158.39 crore in RE 2016-17, the Department in its written reply stated as under:-

“The RE ceilings for 2016-17 were reduced to Rs.183.00 crore. The allocations to Revenue and Capital Sections accordingly stood at Rs 158.39 crore (Rs.113.40 Plan + Rs.44.99 Non Plan) and Rs.24.61 crore (Capital Non Plan) respectively. After the Pre-budget discussions with the officials of M/o Finance, the Department was initially allocated a BE of Rs.198.00 crore in 2017-18. Subsequently, this was enhanced to Rs.298.00 crore along with the stipulation to earmark Rs.100.00 crore for AGCP.

In the capital section, only an amount of Rs.24.61 crore has been allocated to HOCL in the Capital Section and the balance in Revenue Section. The allocation to HOCL is 24.61 crore for disbursement as Non Plan loans to the company for servicing the interest component of the Rs.250 crore bonds issued by the company against the Sovereign Guarantor obtained from GoI. The allocation for Revenue Section during 2017-18 is as follows:-

#### REVENUE SECTION

(Rs. in Crore)

Sl. No.	Name of the Scheme	RE 2016-17	BE 2017-18 (Approved)
<b>I</b>	<b>Central Sector Schemes</b>		
1.1	Assam Gas Cracker Project (AGCP)	0.01	100.01
1.2	Other New Schemes of Petrochemicals	48.00	48.00
1.3	Chemical Promotion & Development Scheme (CPDS)	1.99	1.99
1.4	Chemical Weapons Convention (CWC)	0.00	0.00
	Total	50.00	150.00
<b>II</b>	<b>Other Central Expenditure(Sectt/BGLD/Abs/PSUs)</b>		
2.1	Secretariat/Economic Services	17.97	20.41
2.2	Central Institute of Plastic Engineering & Technology (CIPET)	57.67	68.08
2.3	Institute of Pesticides Formulation Technology (IPFT)	8.89	9.16
2.4	Bhopal Gas Leak Disaster (BGLD)	23.86	25.74
	Total	158.39	123.39
<b>III Capital Section</b>			
3.1	Hindustan Organic Chemicals Ltd.(HOCL)	24.61	24.61
3.2	Hindustan Insecticides Ltd. (HIL)	0.00	0.00
3.3	Hindustan Fluorocarbons Ltd (HFL)	0.00	0.00
	Total	24.61	24.61
	Grand Total	183.00	298.00

### 3.3 BUDGET ALLOCATION 2017-18

Sl. No.	Head	RE 2017-18	
I	Central Sector Schemes	Proposed	Allocated
1.1	Assam Gas Cracker Project (AGCP)	0.00	100.01
1.2	New Schemes of Petrochemicals	142.39	48.00
1.3	Chemical Promotion & Development Scheme (CPDS)	5.50	1.99
	Total	147.89	150.00
II	Other Central Expenditure (Sectt/BGLD/Abs/PSUs)		
2.1	Secretariat/Economic Services	19.71	20.41
2.2	Central Institute of Plastic Engineering & Technology (CIPET)	218.08	68.08
2.3	Institute of Pesticides Formulation Technology (IPFT)	44.80	9.16
	Hindustan Organic Chemicals Limited (HOCL)	24.61	24.61
2.4	Bhopal Gas Leak Disaster (BGLD)	25.64	25.74
	Total	480.73	298.00

### ESTABLISHMENT EXPENDITURE OF THE CENTRE

#### I) SECRETARIAT

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
16.87	--	16.87	17.97	--	17.97	20.41	--	20.41

3.4 When asked how the Department propose to utilize the allocated funds, Rs.20.41 crore the Department in its written reply stated as under:-

“Under Secretariat Economic Services, the RE for the year 2016-17 is Rs.17.97 crores and the BE for the year 2017-18 is proposed at Rs.20.41 crore. The proposed allocation for the year 2017-18 (BE) is proposed to be utilized on various establishment matters of the Secretariat namely Salary, Wages, Over Time Allowance, Medical treatment, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Publications, Other Administrative Expenses, Advertising & Publicity, Minor Works, Maintenance, Professional Services and IT. The increase over RE of 2016-17 is 13.58%. The increased allocation has been proposed after taking into account the annual increments in salary, dearness allowance, expenditure of LTC, increase in HRA and Transport allowances etc. The effect of inflation on the economy has also been accounted for in various services. Ministry of Communication and Information Technology has requested all the Government organizations to transit to the next generation internet protocol namely IPv6 (dual stack) by December, 2017. The Department proposes to complete this work within the prescribed timeline. The expenditure for this work has also been included in the proposal for BE 2017-18”.

### CENTRAL SECTOR SCHEMES/PROJECTS

#### (I) Assam Gas Cracker Project

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
0.02	--	0.02	0.01	--	0.01	100.01	--	100.01

3.5 When asked how the Department is going to utilise the exponential increased allocation and also to give details as to why an amount of Rs.100 crore has been allocated in BE 2017-18 as the Assam Gas Cracker Project has already been commissioned on 2nd January 2016, the Department in its written reply stated as under :-

“As per the table of allocated fund scheme, the amount of Rs. 100.01 crore is allocated for Assam Gas Cracker Project (AGCP).

With the release of Rs 1000 crore in 2013-14, the Department of Chemicals & Petrochemicals has released the entire sanctioned amount of capital subsidy of Rs.4690 crore for AGCP. A token provision of Rs. 0.01 crore each was provided in Budget Estimates (2014-15,2015-16 and 2016-17).

In view of time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies etc., further cost and time escalation has occurred and therefore, BCPL proposed revised project cost of Rs. 9,965 crore as against the approved project cost of Rs.8,920 crore. The project cost has been estimated based on timelines for overall commissioning by December, 2015. 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. Funds are urgently required by BCPL during this crucial phase of stabilization of operations, as it is going through a severe financial crunch.

This Department submitted a proposal for seeking additional budget allocation of Rs.549.45 crore (as approved in RCE-II as additional Capital Subsidy) for the project from Ministry of Finance on priority for disbursing the same to BCPL in the current financial year. For 2017-18, at BE stage, only Rs.100 crore has been allocated for BCPL, against the requirement i.e. Rs.549.45.

The Project has since been commissioned on 02.01.2016 and dedicated to the nation by Hon'ble Prime Minister on 05.02.2016."

#### **CHEMICAL PROMOTION AND DEVELOPMENT SCHEME**

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
5	--	5	1.99	--	1.99	1.99	--	1.99

3.6 When asked to give reasons for not allocating any higher amount for Chemical Promotion and Development Scheme as Revenue Head in RE 2016-17 and BE 2017-18 is same, the Department in its written reply stated as under:-

“A sum of Rs. 5.00 crore for the FY 2016-17 was allocated under CPDS Head of Account. However, a number of proposals received from industry associations and organizations were not in consonance with the objectives of the scheme. Hence, the fund under CPDS Head of Account was reduced from Rs. 5.00 crore to Rs. 1.99 crore in RE 2016-17. Out of a fund of Rs. 1.99 crore allocated under CPDS, sanctions to the tune of Rs. 0.71 crore have been allocated so far. Remaining fund will be utilized during the current FY”.

#### **Promotion of Petrochemicals**

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
48.00	--	48.00	48.00	--	48.00	48.00	--	48.00

3.7 On being asked to give reasons for maintaining the status-quo and not allocating the higher amount under this scheme in BE 2017-18, the Department in its written reply stated as under:-

“Under the New Schemes of Petrochemicals including the scheme for setting up of Plastic Parks a sum of Rs 142.388 crores was sought against which only a sum of Rs 48.00 crores has been allocated in view of the curtailed budget allocation by Ministry of Finance”.

#### **CHEMICAL WEAPONS CONVENTION (CWC)**

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
1.01	--	1.01	--	--	--	--	--	--

3.8 When asked why no amount has been allocated for this scheme during this year 2016-17 and 2017-18, the Department in its written reply stated as under:-

“In this regard it is stated that the work related to Chemical Weapons Convention (CWC) was transferred to National Authority Chemical Weapons Convention (NACWC) in August 2016 with the approval of Cabinet Secretary and Hon’ble Minister (C&F). Subsequently, funds of Rs. 1 crore allocated for CWC in the Grant No. 6 of Department of Chemicals & Petrochemicals for 2016-17 was surrendered vide Order No. 23017(03)/2016-Fin/C-1.40015/6/2015-Chem.1 dated 17<sup>th</sup> October, 2016 as the scheme is to be henceforth implemented by National Authority Chemical Weapons Convention”.



## CHAPTER – IV

### NEW SCHEMES OF PETROCHEMICALS

Department of Chemicals and Petrochemicals is implementing the following three schemes under the National Policy on Petrochemicals:-

- (i) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry
- (ii) Setting up Centres of Excellence in Polymer Technology
- (iii) Setting up Plastic Parks

#### 4.2 National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry

##### **Budget allocation (2017-18) : Rs. 1.00 crore**

The Department is implementing an Award Scheme to provide incentive for meritorious innovations & inventions in various fields of petrochemicals and downstream plastics processing industry since 2010-11. Central Institute of Plastic Engineering and Technology (CIPET) is entrusted with the task of seeking and shortlisting nominations for the scheme. The Department has been providing grant-in-aid of Rs. 1 crore (approx.) to CIPET each year for administering the award scheme.

Awards given in last five years:

Sl. NO.	Year	Winners	Runners-Up
1	2012-13	11	08
2	2013-14	17	06
3	2014-15	16	14
4	2015-16	17	14
5	2016-17	16	07

4.3 The National Awards for Technology Innovation are given in eight categories for innovation in areas such as Polymeric Materials, Polymeric Products, Polymer Waste Management and Recycling Technology and related areas. There are three sub-categories of Awards in each category, covering (i) individual/ team (ii) industry, and (iii) R&D institutions. The award money for each category is Rs. 2 lakh. 264 nominations were received for these categories and sub-categories of the scheme for the 6<sup>th</sup> National Award for Technology Innovation in 2015-16, out of which 17 'Winners' and 14 'Runners-up' were selected and the awardees were felicitated by the Union Minister (C&F) at a function held on 20.01.2016 in New Delhi.

4.4 For the 7<sup>th</sup> National Awards for Technology Innovation-2016-17, total 415 nominations have been received, out of which 16 'Winners' and 7 'Runners-up' have been selected and approved. The function to distribute the awards is scheduled to be held in March, 2017.

### **SETTING UP CENTRES OF EXCELLENCE (CoE) IN POLYMER TECHNOLOGY**

#### **Centres of Excellence (CoEs)**

**Budget Allocation (2017-18) : Rs. 0.00 crore**

#### **Aim :**

Improve existing petrochemicals technology, Research and New Applications for Polymer.

4.5 The scheme, started in the 11<sup>th</sup> Five Year Plan aims at improving the petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. The Department has set up five Centres of Excellence (CoE) within the premises of reputed educational/research institutes:-

- (i) National Chemicals Laboratory (NCL), Pune – CoE for Sustainable Polymer Industry through Research, Innovation & Training (CoE-SPIRIT);
- (ii) Central Institute of Plastics Engineering & Technology (CIPET), Chennai – CoE for Green Transportation Network (GREET),
- (iii) IIT, Delhi – CoE for Advanced Polymeric Materials,
- (iv) CIPET, Bhubaneswar- CoE on Sustainable Green Materials and
- (v) IIT, Guwahati – CoE for Sustainable Polymers.

4.6 The CoE at Pune and CoE at CIPET, Chennai were approved during the 11<sup>th</sup> Five Year Plan and the remaining three CoEs were approved during the 12<sup>th</sup> Five Year Plan.

4.7 The assets created under CoE-SPIRIT at NCL, Pune have not only resulted in a boost to contemporary research in Polymer science, but also contributed to the training of several members of polymer industry and academia. In case of CoE- GREET at CIPET, Chennai and CoE on Sustainable Green Materials at CIPET, Bhubaneswar, the outputs are in terms of promoting academic, research and educational excellence through partnership between CIPET, India and University of Toronto, Canada and Michigan State University, USA. At IIT, Delhi and IIT, Guwahati, the resources and capabilities are being strengthened for furthering research activities in Advanced Polymeric Materials and Sustainable Polymers, respectively.

4.8 Government of India provides financial support to the extent of maximum of 50% of total cost of the project subject to an upper limit of Rs. 6 crore over a period of three years. An outlay of Rs. 2 crore has been provided for the scheme in the year 2016-17. The 3<sup>rd</sup> installment of Rs. 2 crore has been released to IIT, Delhi in November, 2016 and with this disbursement, the entire GoI grant of Rs. 6 crore has been released to all the CoEs.

4.9 The Secretary, Department of Chemicals and Petrochemicals stated following about Centre of Excellence :

“We would like to develop a synergy between the industry and the Government, between the academia and the Government. So, our focus is to bring about as much progress in this sector and we want to take a very proactive part in this whole process of development. That is why, we started on a very limited scale the Centres of Excellence. Ultimately, they will help everyone and the industry. When we develop new materials, it will help the industry and when we develop new process, it helps the industry and when it helps the industry, it helps everyone because employment is generated”.

#### **SETTING UP OF PLASTIC PARKS**

**Budget Allocation - an amount of Rs.47 crore has been allocated for the year 2017-18**

#### **Schemes for Petrochemicals Sector**

##### **Plastic Parks**

Budget Allocation (2017-18) : Rs.47 crore

- i. Provide quality infrastructure and services for plastics industry in cluster approach.
- ii. Grant-in-Aid : Rs.40 crore or 50% of the project cost
- iii. Under implementation : Odisha, Madhya Pradesh, Assam, Tamil Nadu
- iv. Approved ‘in-principle’ : Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana, West Bengal.
- v. Interest shown : Gujarat, Uttar Pradesh, Punjab, Manipur, Jammu & Kashmir, Rajasthan, Kerala.

4.10 The scheme aims at setting up need based plastic parks, an ecosystem with state-of-the-art infrastructure and enabling common facilities through cluster development approach, to consolidate and synergize the capacities of the domestic downstream Plastic Processing Industry. The larger objective of the scheme is to contribute to the economy by increasing investment, production, exports in the sector and also generation of employment.

4.11 Under the scheme, Government of India provides grant funding up to 50% of the project cost, subject to a ceiling of Rs. 40 crore per project. The remaining project cost is funded by the State Government or State Industrial Development Corporation or similar agencies of State Government, beneficiary industries and loan from financial institutions.

4.12 In the 1st phase, 10 Plastic Parks have been approved, out of which, Plastic Parks in Madhya Pradesh, Odisha and Assam are under implementation. For setting up a Plastic Park at Voyalur Village, Ponneri Taluk, Thiruvallur District in Tamil Nadu, the final approval has been accorded in June, 2016 and the Memorandum of Agreement MoA has been signed on 24th November 2016 with the Tamil Nadu Plastic Park agency.

4.13 Further, in-principle approval has been accorded for setting up the remaining 6 Plastic Parks i) Devipur, District Deoghar in Jharkhand, (ii) Bilaua, District Gwalior in Madhya Pradesh, (iii) Khairjiti, District Rajnandgaon in Chhattisgarh, (iv) Sitarganj, District Udham Singh Nagar in Uttarakhand, (v) Industrial Estate, District Panipat in Haryana and (vi) Barjora, District Bankura in West Bengal. In addition, keeping in view the additional demand from States, setting up 8 more Plastic Parks (in addition to 10 Parks already approved) has been accorded in-principle approval. This initiative will boost 'Make in India' programme and also generate huge employment.

4.14 During the year under report, till Jan 2016, the Department has released Rs.11.39 crore (as part of 2<sup>nd</sup> installment) and Rs. 5 crore (as part of 3<sup>rd</sup> installment) as Grant in Aid to Madhya Pradesh Plastic Park Development Corporation Ltd. (MPPPDCL) for setting up a Plastic Park at Tamot village, Goharganj Tehsil, Raisen District. Similarly, a sum of Rs. 10.22 crore (as part of 2<sup>nd</sup> installment) has been released to Paradeep Plastic Park Limited (PPPL) for setting up a Plastic Park in Siju Village, Kujang Tehsil, Jagatsinghpur District in Odisha. A sum of Rs. 3.89 crore has been sanctioned and is being released for the Plastic Park in Tamil Nadu.

4.15 Considering the fact that the existing 12<sup>th</sup> Plan budgetary allocation for the scheme is insufficient even for the 4 proposals under implementation, DCPC is unable to carry forward the setting up of approved 10 Plastic Parks of the 12<sup>th</sup> Plan and Annual Plans 2017-18. Note has been submitted for Minister as to whether the additional six plastic already approved for the 12<sup>th</sup> plan and further in principle approval taken for a further eight plastic parks is to be taken up from 2019 onwards. Further during the course of evidence when the Committee asked about the reason for taking up the work related to these 08 Plastic Parks from 2019 onwards the Secretary, Department of Chemicals and Petrochemicals stated as under:-

“Four parks in Odisha, Madhya Pradesh, Assam and Tamil Nadu have been sanctioned. There are some infrastructure and budgertary constraints. We wish to take these plants to the next level. If we take up the work related to all the plants simultaneously, the output will be minimal. Therefore, the idea is to get the outcome from the plants on which work has already started”.

## **CHAPTER – V**

### **BHOPAL GAS LEAK DISASTER**

The biggest Industrial Disaster occurred in Bhopal in the intervening night of 2<sup>nd</sup> and 3<sup>rd</sup> December, 1984 when Methyl Iso-Cynate (MIC) , a lethal gas stored in the tanks of Union Carbide India Limited (UCIL) pesticide factory at Bhopal escaped into the atmosphere causing death and injury to a large number of people of Bhopal city. The State and Central Governments provided immediate relief to the gas victims. Various relief and rehabilitation measures were initiated immediately after the disaster. Some of these are still continuing.

#### **ADJUDICATION AND DISBURSEMENT OF COMPENSATION**

5.2 On directions of the Hon'ble Supreme Court issued vide orders dated 14<sup>th</sup> and 15<sup>th</sup> February, 1989, Union Carbide Corporation, USA deposited a compensation amount of US\$ 470 million, with the Registrar of the Supreme Court of India in February, 1989. Government of India had earlier enacted the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and a Scheme there under for ensuring proper legal representation of the victims and settlement of their claims. Under this Act, the Office of the Welfare Commissioner, Bhopal Gas Victims, was set up by the Government of India for speedy adjudication and award/disbursement of compensation to the survivors and families of the victims of the gas leak disaster.

#### **ORIGINAL COMPENSATION**

5.3 The process of adjudication and disbursement of the compensation was commenced in 1992. The Office of the Welfare Commissioner has disbursed a total amount of Rs. 1549.34 crore as compensation in 5,74,391 awarded cases of claimants belonging to the categories of death, permanent disability, temporary disability, injury of utmost severity cases, minor injury, loss of property/PSU and loss of livestock.

#### **PRO-RATA COMPENSATION**

5.4 It was brought to notice in the year 2004 that an amount of approximately Rs. 1500 crore, had accumulated with the Reserve Bank of India on account of accrual of interest and exchange rate variation. The Supreme Court vide order dated 19<sup>th</sup> July, 2004 had directed the Welfare Commissioner to disburse the said amount, on pro-rata basis (in the ratio of 1:1 of original compensation) to the claimants whose cases had been settled. A sum of Rs. 1511.35 crore as pro- rata compensation has been paid in 5,63,078 awarded cases till 30.11.2016.

5.5 There are about 11,313 cases in which the claimants concerned or their legal heirs did not turn up. To settle such absentee cases, the Office of the Welfare Commissioner had issued notification published in the local newspapers with the direction to attend the Claim Tribunals for settlement of pro-rata compensation. Besides this, the list of absentees was also provided to NGOs working for the Bhopal Gas Victims, to trace the genuine claimants. The work of disbursement of pro-rata compensation is still continuing.

#### **DISBURSEMENT OF EX-GRATIA**

5.6 After the reconstitution of the Group of Ministers (GoM) on Bhopal Gas Leak Disaster on 26.05.2010, the Government took certain decisions to provide further relief and rehabilitation to the gas victims. One major decision taken by the Government was to pay ex-gratia to the following categories of gas victims:

#### **CATEGORIES OF EX-GRATIA TO GAS VICTIMS**

<b>Category</b>	<b>Compensation</b>
Death	Rs. 10 lakh (less amount already received)
Permanent disability	Rs. 5 lakh (less amount already received)
Injury of utmost severity	Rs. 5 lakh (less amount already received)
Cancer	Rs. 2 lakh (less amount already received)
Total Renal Failure	Rs.2 lakh (less amount already received)
Temporary disability	Rs. 1 lakh (less amount already received)

5.7 An amount of Rs. 874.28 crore has been approved by the Government for disbursement of ex-gratia by the Welfare Commissioner to an estimated 62,448 Gas Victims falling in the above mentioned categories. The disbursement of Ex-gratia commenced on 19.12.2010. A total number of 57,983 cases were decided till 30.11.2016 and a total amount of Rs. 784.83 crore was awarded.

#### **ACTION PLAN FOR REHABILITATION OF BHOPAL GAS VICTIMS**

5.8 Immediately after the disaster, the Central Government provided financial assistance of Rs. 102 crore over a period of 4 years starting from 1985 for carrying out the rehabilitation related work.

5.9 Subsequently, in the year 1990, the Government of India (GoI) approved an Action Plan with a capital outlay of Rs. 163.10 crore which was later revised to Rs. 258 crore, for medical, economic, social and environmental rehabilitation of the gas victims. The outlay was to be shared between the Central Government and State Government of Madhya Pradesh (GoMP) in the ratio of 75:25. The Action Plan was implemented from 1990 to 1999. The major component of the Action Plan was medical rehabilitation which included establishment of six full-fledged Gas Relief hospitals and also dispensaries for free treatment of gas victims. Further, Rs. 14.18 crore was provided by Government of India under

Jawaharlal Nehru National Urban Renewal Mission (JNNURM), in April, 2006 for supply of piped drinking water to 14 localities around UCIL plant site where the ground water is not potable.

5.10 The GoMP had submitted to GoI, in April 2008, a new Memorandum on Plan of Action with an outlay of Rs. 982.75 crore for various rehabilitation measures to be taken for Bhopal Gas Victims. The Government, on the recommendations of the GoMP, had approved a sanction of Rs. 272.75 crore as Additional Central Assistance (ACA), on 75:25 basis to the State Government of Madhya Pradesh under the New Plan of Action for carrying out various Rehabilitation Measures of Bhopal Gas Victims. The sanction was issued by Ministry of Finance, Department of Expenditure on 8.7.2010.

5.11 The GoMP is in the process of implementation of various rehabilitation schemes as approved in the New Plan of Action. The GoMP has apprised that till June, 2016, an amount of Rs. 122.68 crore has been utilized, out of allocated sum of Rs. 272.75 crore.

#### **Assistance Related to Bhopal Gas Leak Disaster**

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
25.11	--	25.11	23.86	--	23.86	25.74	--	25.74

5.12 When asked how the Department is going to utilise increased amount of Rs.25.74 crore under Revenue Head in BE 2017-18, the Department in its written reply stated as under:-

“A total of Rs. 25.74 crore has been allocated for FY 2017-18. Out of Rs. 25.74 crore an amount of Rs. 20 crore has been allocated for payment of ex-gratia to Bhopal gas victims. For the Establishment of Office of the Welfare Commissioner, Bhopal Gas Victims, Bhopal an amount of Rs. 5.64 crore has been allocated for FY 2017-18. Out of Rs. 5.64 crore an amount of Rs. 4.39 crore has been allocated for Salary Head as compared to Rs. 4.05 crore for FY 2016-17. An increase of Rs. 0.35 crore is required for incremental expenses and probable expenditure payable on account of revision of pay scales of 7<sup>th</sup> Central Pay Commission. The remaining amount of Rs. 1.25 crore will be utilized under other Head of Accounts, viz. Medical Treatment, Domestic Travel Expenses, Office Expenses, Professional Service during FY 2017-18. The allocation provided for BE 2017-18 is sufficient to provide the assistance to the Bhopal Gas Victims.

5.13 During the course of evidence when the Committee asked about the allocation of Rs.25.74 crore for the year 2017-18 for Bhopal gas tragedy related cases and how long this process will continue, the Secretary, Department of Chemicals and Petrochemicals stated as under:-

“That is one question which has been bothering me also. I have held a few meetings. Initially there was certain criteria for providing compensation to the victims. Later on that criteria was enlarged. In certain cases, we still say that if anyone who is

suffering from a certain kind of disease, we presume that it is the effect of leakage of gas and we will provide compensation. This issue also came up earlier that we should have a time limit. It is a little sensitive issue that if someone is still suffering from the effects of gas disaster, till we settle all such cases it may become a problem if we suddenly stop. So, we are still struggling with a solution. I have held two or three meetings. I hope to find a solution soon, but we have to take into account sensitivities of various kinds before we come to a decision.”

#### **ENVIRONMENTAL REMEDIATION OF THE ERSTWHILE UNION CARBIDE INDIA LTD. (UCIL) PLANT SITE**

5.14 As per Union Cabinet’s decision taken in the year 2010, the GoMP would be responsible for undertaking disposal of hazardous wastes and remediation of the erstwhile UCIL plant at Bhopal. As per cabinet’s decision, an Oversight Committee was constituted in the Ministry of Environment, Forest and Climate Change to provide oversight and support to the GoMP in taking the necessary remedial actions. Hon’ble Supreme Court is seized with the issue of disposal of UCIL waste in the matter of SLP (Civil) No. 9874 of 2012 UoI Vs Alok Pratap Singh and Others. Ministry of Environment, Forest and Climate Change is complying with the orders issued by the Hon’ble Supreme Court then and there. As per the directions given by the Hon’ble Supreme Court, 10 MT of erstwhile UCIL waste was successfully incinerated at Common Hazardous Waste Incinerator at Pithampur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during August 13-18, 2015.

5.15 When asked by the Committee whether toxic material has been completely removed from the site, the Secretary, Department of Chemicals and Petrochemicals submitted before the Committee as under:-

“No, Madam. If my figures are correct, there are 300 tonnes which is still there, that has to be done by Government of Madhya Pradesh. We have taken up with the Ministry of Environment, and Central Pollution Control Board because it is to be done under their supervision and their satisfaction. Environment Ministry has to guide the Government of MP and then they have to do it.”

5.16 During the course of evidence, when the Committee asked whether today the Department of Petrochemicals is having sufficient precautionary measures that we can ensure that such type of Union Carbide gas leakage will not happen in our country in the coming days, the Secretary, Department of Chemicals and Petrochemicals stated as under:-

“Your question relates to basically safety, safety of the chemical industry. After the gas tragedy, several Committees have been set up, several studies have been done. Even now, in our Department, we have set up a Committee which goes into the safety relating to the chemical industry. It is an on-going process. We can keep trying to minimise the chances of accidents. I think we have achieved certain amount of success in this regard also. But we cannot stop this process till we are 100 per cent satisfied. But ultimately our objective is to minimise that as much as we can”.



## **CHAPTER -VI**

### **PUBLIC SECTOR UNDERTAKINGS**

#### **HINDUSTAN INSECTICIDES LIMITED (HIL)**

Hindustan Insecticide Limited (HIL) was incorporated in March, 1954 for manufacture and supply of DDT(dichloro diphenyl trichloroethane). In 1957, the company set up a factory at Udyogmandal, Kerala, for manufacture of DDT and in 1977 at Rasayani, Maharashtra, for manufacture of Malathion, an insecticide. The third unit of HIL was set up at Bhatinda, Punjab, in 2003. Rasayani and Udyogmandal Plants have both DDT manufacturing and agrochemical manufacturing facilities while Bathinda has only formulations manufacturing and packaging facility. All the units of HIL are today holding the Integrated Management System certification (i.e. combination of all the ISO Certificates). The company has 7 Regional Sales Offices across India and a wide network of dealers for marketing and distribution of its products.

6.2 Authorised and paid up share capital of HIL is Rs.100 crore and Rs.91.33 crore respectively. 100% of its shares are held by the Govt. of India.

6.3 DDT accounts for almost 50 % of the turnover of the company. HIL is the sole supplier of DDT to the National Vector Borne Disease Control Programme (NVBDCP) of the Ministry of Health and Family Welfare, Govt. of India. The company also exports DDT to some African countries.

6.4 HIL diversified into agrochemicals in the late 1970s to ensure supply of quality pesticides at reasonable prices to the agricultural sector. Today it has a range of technical and formulation grade pesticides to meet the varied requirements of the farming community. To further consolidate its position, HIL in the year 2012-13 ventured into the seed production and marketing business. The company has been recognized as a nodal agency by Ministry of Agriculture for production and marketing of certified seeds for crops and vegetables. The company is participating in Seed Minikit Programme of Ministry of Agriculture& Farmers Welfare to popularize the latest high yielding varieties among the farmers.

6.5 HIL has identified a new thrust area of fertilizers business. It has been inducted by the Department of Fertilizers as an agency to import fertilizers. The company has also launched its own Water Soluble Fertilizer (NPK 19:19:19) having manufacturing facility of 1800 MTPA at its Bathinda unit (Punjab). 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.

## FINANCIAL PERFORMANCE

6.6 After implementation of revival package sanctioned for the company in 2006-07, HIL has been continuously posting profits. Financial performance in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.3.2016 are given below:

(Rs. in crore)		
Year	Turnover	Net Profit / (Loss)
2011-12	279.82	1.60
2012-13	301.11	2.92
2013-14	330.35	1.84
2014-15	339.90	1.60
2015-16	334.75	1.83
Net worth as on 31.3.2016: <b>Rs.93.55 crore</b>		

6.7 During 2016-17 (up to September, 2016), the company achieved turnover of Rs.72.88 crore and net profit of Rs.0.10 crore, as per provisional unaudited results.

## EXPORTS

6.8 HIL achieved exports of Rs.28.66 crore in 2015-16 as against exports of Rs.26.99 in the preceding FY 2014-15. The company exported DDT to African countries like Zimbabwe, Mozambique, South Africa etc. for the malaria control programme in these countries. It also exported agrochemicals to countries like Mexico, Costa Rica, Russia, Peru, Israel, Spain and Myanmar.

## HINDUSTAN ORGANIC CHEMICALS LIMITED (HOCL)

6.9 Hindustan Organic Chemicals Limited (HOCL) was incorporated on 12<sup>th</sup> December, 1960 as a Government company with the objective of setting up manufacturing capacities for chemicals / intermediates required for production of dyes, dyes – intermediates, rubber chemicals, pesticides, drugs and pharmaceuticals, laminates, etc. The company has two manufacturing units located at Rasayani (Maharashtra) and Kochi (Kerala). The Rasayani unit (Chemical Complex) started production from 1970-71 and the Kochi Unit (Phenol Complex) commenced production from 1987-88. The company has plants to manufacture phenol, acetone and hydrogen peroxide at Kochi unit and nitrobenzene, formaldehyde, concentrated nitric acid and di-nitrogen tetroxide (N<sub>2</sub>O<sub>4</sub>) at Rasayani unit. HOCL is the sole manufacturer of N<sub>2</sub>O<sub>4</sub> in India which is supplied to Indian Space Research Organisation (ISRO) for use in rocket launching programme.

6.10 HOCL has a subsidiary company M/s Hindustan Fluorocarbons Limited (HFL) located at Rudraram, Telangana, which manufactures Poly tetra fluoro ethylene (PTFE), a high-tech

engineering plastic, and chloro di-fluoro methane (CFM-22), a refrigerant gas and feedstock for PTFE.

6.11 Following globalization and liberalization of the Indian economy in the early 1990's resulting in competition from international players, HOCL incurred losses for the first time in 1997-98. Due to continued losses leading to negative net worth by 2003-04, the company was referred to Board for Industrial and Financial Reconstruction (BIFR) in February, 2005. Based on the recommendations of Board for Reconstruction of Public Sector Enterprises (BRPSE), Govt. approved a revival package for the company on 9<sup>th</sup> March, 2006 providing (i) cash infusion of Rs.270 crore by way of preference share capital (redeemable) for repayment of high interest bonds, bank loans and implementation of VRS and (ii) continuation of Govt. of India guarantee of Rs.100 crore for full term of 10 years to be utilized to liquidate high cost debt. After implementation of the package, the company made nominal profits during 2006-07 and 2007-08 and came out of BIFR.

6.12 However, the company again suffered losses in 2008-09 and 2009-10 mainly due to recessionary trend in the market as an effect of global meltdown. Though it earned profit during 2010-11, the situation worsened thereafter with losses during 2011-12 and 2012-13 mainly due to withdrawal of anti-dumping duties on its main products phenol and acetone. In order to enable the company to tide over its liquidity problems, the Govt. on 1<sup>st</sup> August, 2013 approved postponement of redemption of Rs.270 crore preference shares issued to the Govt. of India (date of allotment 24.01.2008), which was due for redemption from 2011-12 onwards, to 2015-16 onwards. The Govt. guarantee of Rs.100 crore was also further extended up to August, 2017.

6.13 Further, another Govt. guarantee of Rs.150 crore was provided to HOCL in July, 2014 for issue of bonds by the company for meeting its working capital requirement and payment of liabilities towards raw material suppliers, employee dues etc. Funds of Rs.150 crore were raised by HOCL in October, 2014 against the Govt. guarantee which enabled the company to restore manufacturing operations at Kochi Unit and restore operations of Nitrobenzene plant and N<sub>2</sub>O<sub>4</sub> plant at Rasayani Unit. However, the global fall in the prices of petroleum products caused severe crash in the prices of Phenol and Acetone and the company faced difficulties in selling the products at profitable rates and generating adequate working capital. This has led to frequent shutting down of operations at both Kochi and Rasayani units thereby further aggravating the financial crisis of the company.

6.14 With accumulated losses resulting in erosion of company's net worth to (-) Rs.128.50 crore in 2012-13, HOCL again made a reference to BIFR in November, 2013 for registration as a sick company. In the hearing held on 22.7.2015, BIFR declared HOCL as a sick company. (BIFR has been dissolved with effect from 01.12.2016 following which all proceedings before the Board have abated.)

### FINANCIAL PERFORMANCE

6.15 Financial performance of HOCL in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.3.2015 are given below:

(Rs. in crore)		
Year	Turnover	Net Profit / (Loss)
2011-12	606.37	(78.07)
2012-13	624.19	(137.99)
2013-14	236.80	(176.85)
2014-15	167.19	(215.49)
2015-16	120.79	(173.91)
Net worth as on 31.3.2016: <b>(-)Rs.711.21 crore</b>		

6.16 During 2016-17 (up to September, 2016), the company achieved turnover of Rs.79.39 crore and loss of Rs.79.52 crore, as per the provisional unaudited results. The low turnover and loss is due to the fact that most of the plants / operations of the company have generally remained shut down for several months due to acute shortage of working capital. However, the N<sub>2</sub>O<sub>4</sub> plant at Rasayani is being operated with financial assistance from ISRO. The Hydrogen Peroxide plant at Kochi is also being operated regularly.

6.17 With a view to address the persistent financial problems of the company, a restructuring plan for HOCL is under active consideration of the Government.

### BUDGET ALLOCATION

(Rs. in crores)								
BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
--	25.01	25.01	--	24.61	24.61	--	24.61	24.61

6.18 When asked to give reasons for the same allocation In RE 2016-17 under capital Head and also under Capital Head in BE 2017-18 and how the HOCL will be revived with this meagre allocation, the Department in its written reply stated as under:-

"In view of the poor financial position of HOCL, Rs.24.61 crore was re-appropriated in the First Batch of Supplementary Demands for Grants for 2016-17 for providing Non-Plan loan to the company to enable it to pay the interest (due in August-September, 2016) on the two Government of India guaranteed bonds of Rs. 100 crore and Rs. 150 crore raised by HOCL. On the same grounds, provision of Rs.24.61 crore has been kept in BE 2017-18 to pay the interest, if required, that would be due in August-September, 2017.

As mentioned above, the allocation of Rs.24.61 crore in BE 2017-18 has been made for the specific purpose of payment of interest on Government guarantee bonds in case HOCL is not in a position to pay the same due to its poor financial position. Regarding the revival of HOCL, it is mentioned that based on the assets and liabilities of HOCL, feasibility of generating adequate funds to liquidate the liabilities, assessment of long term viability of the company's business and future operations, strategic importance of the N2O4 plant and consultations being held in this regard at various levels in the Govt., a restructuring plan for HOCL is under consideration of the Government".

#### **HINDUSTAN FLUOROCARBONS LTD. (HFL)**

6.19 Hindustan Fluorocarbons Ltd. (HFL), a subsidiary company of Hindustan Organic Chemicals Ltd. (HOCL), was incorporated on 14.07.1983. It is located at Rudraram, District Medak, Telangana. The company started production in the year 1987 and is engaged in the manufacture of Poly Tetra Fluoro Ethylene (PTFE) and of Chloro Di Fluoro Methane (CFM-22). PTFE is extensively used in chemical, mechanical, electrical and electronic industries and has strategic applications in defence and aerospace sectors. CFM-22 is used as a refrigerant gas and also as feedstock for production of PTFE.

6.20 Authorized and paid up share capital of HFL is Rs.21 crore and Rs.19.61 crore respectively. HOCL (promoter company) holds 56.40% of the equity share capital and balance is held by the public (39.11%) and Andhra Pradesh Industrial Development Corporation (4.43%). HFL is listed on the Bombay Stock Exchange (BSE).

6.21 HFL started making losses from its inception in 1987-88 resulting in erosion of its net worth and referred to BIFR in 1994. A rehabilitation package for HFL under the operating agency M/s IDBI was approved by BIFR on 03.12.2007. Total cost of rehabilitation package was Rs.19.28 crore and did not involve infusion of any Govt. funds. Following implementation of the rehabilitation package, HFL made marginal profits from 2007-08 to 2012-13. However, the company suffered loss of Rs.24.82 crore in 2013-14 mainly on account of provisioning for wage revision arrears of 1997 and 2007 and reduction in sales realization. During 2014-15 and 2015-16 also the company suffered losses of Rs.3.77 crore and Rs.11.11 crore respectively due to reduced sales realization. HFL continues to be registered with BIFR as a sick company since the net worth of the company is negative.

#### **FINANCIAL PERFORMANCE**

6.22 Financial performance of HFL in terms of turnover and net profit/loss for the last 5 years and net worth as on 31.3.2016 are given below:

(Rs. in crore)		
Year	Turnover	Net profit / (Loss)
2011-12	50.33	2.52
2012-13	44.48	0.95
2013-14	31.34	(24.82)
2014-15	32.75	(3.77)
2015-16	39.63	(11.11)
	Net worth as on 31.3.2016: <b>(-)Rs.63.67 crore</b>	

6.23 During 2016-17 (up to September, 2016), the company achieved turnover of Rs.17.24 crore and restricted its loss to Rs.1.48 crore, as per the provisional unaudited results.

6.24 For revival and growth of HFL, the company has diversified into profitable business of fluoro specialty chemicals which has higher profit margins than the existing grades of PTFE and adopted the strategy of switching over from single product to multi-product facility to reduce dependency on PTFE. HFL has developed superior grades of PTFE (modified PTFE or MPTFE) and fluoro specialty chemicals like TFE-Ether and Telomers and started commercial facility of partial conversion of Telomers. It has also developed Benzotrifluoride (BTF) on lab scale and sample has been accepted by the customer.

6.25 Plan loan of Rs.3.60 crore was provided to the company in 2014-15 for development of modified PTFE project. Additional Plan loan of Rs. 13.20 crore was also provided in 2014-15 for plant refurbishment and new schemes. Implementation of the above project / schemes has been completed.

6.26 The Government on 27.10.2016 has given 'in principle' approval for strategic disinvestment of HFL with the parent company HOCL to exit the firm completely.

#### BUDGET ALLOCATION

(Rs. in crores)								
BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
--	0.01	0.01	--	--	--	--	--	--

6.27 When asked to give reasons for no allocation under any Head to HFL, the Department in its written reply stated as under:-

"Since no new project/scheme for 2017-18 was proposed by HFL, and in view of Finance Ministry's order dated 03.02.2016 regarding closure of window of investment & working Capital loans to PSUs, no budgetary allocation has been made for HFL. Also, the Government on 27.10.2016 has given 'in principle' approval for strategic disinvestment of HFL by its parent company HOCL".

6.28 When asked Whether sick PSUs under Department of Chemicals and Petrochemicals can take up the production of chemicals that are presently being imported, does the

Department has considered any such strategy, the Department in its written reply stated as under:-

“HOCL and HFL are the two sick PSUs under DCPC. HOCL is already manufacturing chemicals like Phenol and Acetone that are also presently being imported. As regards HFL, the company is manufacturing PTFE (Poly Tetra Fluoro Ethylene) that is also being imported. However, in view of the ‘in principle’ approval of the Government of India for the strategic disinvestment of HFL, the company is continuing its existing business and has no plans to take up the production of other imported chemicals”.

6.29 When asked to give details whether the Department has taken up the issue of disinvestment of HFL with the Government of India as the company is manufacturing PTFE that is being imported, Department in its written reply stated as under:-

“The Government on 27.10.2016 has given ‘*in principle*’ approval for strategic disinvestment of HFL with its parent company HOCL to exit the firm completely. As the decision has been taken by the competent authority in the Government of India, further necessary action is required to be taken by the Department for implementing the said decision, in accordance with the guidelines / instructions issued by the Department of Investment and Public Asset Management (DIPAM) in the matter”.

6.30 During the course of evidence when the Committee asked about the disinvestment of HFL as the company is manufacturing PTFE that are being imported, the Secretary, Department of Chemicals and Petrochemicals stated as under:-

“HFL is a subsidiary of the HOCL. HOCL is a company in which the Government of India has a shareholding of around 57 to 58 per cent. In turn, HOCL has HFL as its subsidiary. So, the decision that has been taken is to go in for disinvestment of HFL. That decision has already been taken. We have already started the process for disinvestment of HFL. If your question was relating to the functioning of the HFL, then I can ask the CMD to give more details”.

6.31 At this, CMD of HFL stated as under:-

“The capacity of the PTFE plant of the HFL is only 500 metric tonnes. The world size capacity is about 12,000 metric tonnes. We do not have backward integration also. The variable cost is also higher than the Chinese manufacturer. Hence, HFL is not competitive in PTFE. It is the main reason. This plant size of 500 metric tonnes is very small. It is as good as a R&D plant for world-size plant. Hence, the PTFE is not competitive in the market”.

## CHAPTER – VII

### AUTONOMOUS INSTITUTIONS

#### CENTRAL INSTITUTE OF PLASTICS ENGINEERING & TECHNOLOGY (CIPET)

CIPET is an ISO 9001:2008 QMS, NABL, ISO/IEC 17020 accredited premier national Institution under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Govt. of India fully devoted to Skill development, Technology Support, Academic & Research (STAR) activities for the growth of polymer & allied industries in the country. CIPET, with its Head Office at Chennai, function at 30 locations spread across the country as given below:

Sl. No.	States/UTs	CIPET Centre at
<b>High Learning Centres (HLCs)</b>		
1	Tamil Nadu	Chennai
2	Gujarat	Ahmedabad
3	Odisha	Bhubaneswar
4	Uttar Pradesh	Lucknow
5	Kerala	Kochi
<b>Diploma Centres</b>		
6	Punjab	Amritsar
7	Maharashtra	Aurangabad
8	Madhya Pradesh	Bhopal
9	Assam	Guwahati
10	Telangana	Hyderabad
11	Bihar	Hajipur
12	West Bengal	Haldia
13	Rajasthan	Jaipur
14	Manipur	Imphal
15	Karnataka	Mysore
16	Haryana	Murthal
17	Chhattisgarh	Raipur
<b>R&amp;D wings</b>		
18	Odisha	Laboratory for Advanced Research in Polymeric Materials (LARPM), Bhubaneswar
19	Tamil Nadu	Advanced Research School for Technology and Product Simulation (ARSTPS), Chennai
20	Karnataka	Advanced Polymer Design & Development Research Laboratory (APDDRL), Bengaluru
<b>Specialized Centres</b>		
21	Assam	Plastic Waste Management Centre at Guwahati
22	Odisha	Advanced Plastics Processing Technology Centre (APPTC), Balasore
23	Tamil Nadu	Advanced Tooling and Plastics Product Development Centre (ATPDC), Madurai
<b>Vocational Training Centre</b>		
24	Gujarat	Dharampur, Valsad
25	Odisha	Bhubaneswar Campus – II
26	Andhra Pradesh	Vijayawada
27	Himachal Pradesh	Baddi
28	Madhya Pradesh	Gwalior
29	Maharashtra	Chandrapur
<b>Polymer Data Service Centre</b>		
30	Haryana / Delhi NCR	Gurgaon



7.2 Further, CIPET is in the process of establishing 9 more Centres in different parts of the country. CIPET Centres have modern infrastructural facilities of Designing, CAD/CAM/CAE, Tooling & Mould Manufacturing, Plastics Processing, Testing and Quality Control to cater to the needs of plastics and allied industries.

### BUDGET ALLOCATION

(Rs. In crores)

BE 2016-17			RE 2016-17			BE 2017-18		
REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL	REVENUE	CAPITAL	TOTAL
57.67	--	57.67	57.67	--	57.67	68.08	--	68.08

7.3 When asked In RE 2016-17 under Revenue Head an amount of Rs.57.67 crore was allocated and the same has been increased to the Rs.68.08 crore in BE 2017-18. How the Department is going to utilise the increased allocation, the Department in its written reply stated as under:-

“CIPET schemes with a total outlay of Rs. 496.42 crore were appraised by Expenditure Finance Committee (EFC) and approved by Minister of Finance, with phasing of expenditure of Rs. 153.76 crore in 2016-17, Rs. 218.08 crore in 2017-18 and Rs. 124.58 crore in 2018-19. The allocation for 2015-16 was Rs. 107.68 crore. As such, in terms of requirement, there is no increase in allocation in BE 2017-18. The budget allocation of Rs. 68.08 crore has been made as against the projections of Rs. 314.17 crore, including balance amount of 2016-17. Due to inadequate budget allocation during 2017-18, a number of activities under the plan schemes of CIPET including setting up of 11 new centres cannot be taken up. However, the budget allocation of Rs. 68.08 crore in 2017-18 will be utilized on following activities”.

#### I. **Scheme for Enhancing the Capabilities in Academic Activities (Skill Development Training Programs) at CIPET Centres:**

**Creation of hostel facilities:** Ongoing construction activities of hostels for 805 students at CIPET centres in Lucknow, Hyderabad, Bhubaneswar with a total allocation of Rs. 18.00 crore in 2017-18.

**Setting up High Learning Centre (HLC) and Vocational Training Centres (VTCs);** Provide machineries, equipments and other project components for the four centres in the States of Chhattisgarh (Raipur), Andhra Pradesh (Vijayawada), Himachal Pradesh (Baddi) and Madhya Pradesh (Gwalior) to impart skill development vocational training to meet growing demands of skilled manpower and technology support for plastic and allied industries, with a total allocation of Rs. 37.87 crore in 2017-18. Implementation of these centres started during 2015-16.

**II. Scheme for enhancing capabilities in Research activities at R&D Centres and Technology Support Services at CIPET Centres:** Under this scheme, it is proposed to undertake the activity regarding enriching technical infrastructure facilities to enhance technology support services to industries extended by CIPET through procurement of additional machineries and equipment in plastic processing, tooling, testing and CAD / CAM etc. at a budget allocation of Rs. 4.41crore.

**III. Establishment of 11 new CIPET Centres:** In order to meet the skill demand and technology and research activities for industry, Government of India has granted approval for setting up of 11 new centres in the country at Bengaluru, Varanasi,

Chandrapur, Medak, Ranchi, Srinagar, Dehradun, Jaipur, Agartala, Bihar and Mumbai with a total cost of Rs. 281.16 crore, Government of India's share. During 2017-18, Rs. 2.00 crore will be spent on Advanced Polymer Design & Development Research Laboratory (APDDRL, Bengaluru).

**IV. Creation of civil and technical infrastructure for expansion of CIPET Centres at Guwahati and Imphal and setting up of CIPET centre at Agartala in North Eastern Region:** Under this component, it is proposed to augment the creation of labs, classrooms, seminar halls, faculty rooms & students interaction rooms and also to augment the technical infrastructure at CIPET's Centres including setting up of new centre in Agartala as part of scheme mentioned at III above. In 2017-18, Rs. 5.80 crore will be spent on these activities."

7.4 When asked to give reasons for lesser allocation of funds by Ministry of Finance, against the projection of Rs.314.17 crore for CIPET schemes, the budget allocation of Rs.68.08 crore has been made, the Department in its written reply stated as under:-

"The allocation of funds is done by the Ministry of Finance, this Department is not in a position to give reasons for lesser allocation. The current allocation is certainly not adequate".

7.5 On being asked whether the Department has taken initiatives to impress upon the Ministry of Finance to allocate the required amount of finance to CIPET so that establishment of 11 new CIPET centre can be done, the Department in its written reply stated as under:-

"The additional requirements of funds to CIPET in the current year was projected at the time of both BE and RE as well as at the time of second and in the final batch of Supplementary Grants(2016-17). The issue of inadequate budget allocation to CIPET has been taken up with the Ministry of Finance on several occasions vide following references/ communications:

- (i) DO letter dated 22.11.2016 to Joint Secretary (Budget), Department of Economic Affairs.
- (ii) DO letter dated 23.11.2016 from Minister (C&F) to Finance Minister.
- (iii) DO letter dated 14.12.2016 to Joint Secretary (PF-II), Department of Expenditure.
- (iv) DO letter dated 09.02.2017 from Minister (C&F) to Finance Minister".

## **INSTITUTE OF PESTICIDE FORMULATION TECHNOLOGY (IPFT)**

### **Proposed Budget Allocation 2017-18 Rs.44.80 and Rs.9.16 Allocated**

7.6 Institute of Pesticide Formulation Technology (IPFT) located at Gurgaon, Haryana, is a registered Society under the Societies Registration Act-1860 under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India. IPFT is the only Institute of its kind devoted to the development of state-of-the-art user and environment friendly new generation pesticide formulation technology. The Institute has

established a healthy rapport with the Indian agrochemical industries and has been able to successfully transfer technology for safer, efficient and environment friendly formulations. IPFT is also helping the industries in data generation as per CIB/RC guidelines for bioefficacy, phytotoxicity and pesticide residue analysis for both agriculture and household formulations. IPFT undertakes both in-house and external R & D projects.

#### **7.7 Objectives of the Institute :**

- Development and production of the state-of-the-art user and environment friendly new generation pesticide formulation technology.
- Promotion of efficient application technologies suiting the existing requirements of the newer formulations.
- Information dissemination of safe manufacturing practices, quality assurances, raw material specification and sources.
- Analytical and consultancy services.
- Fostering the improvement in the qualification and usefulness of pesticide scientists working in the agrochemical area.
- Continuing education through specialized training for pesticide personnel.

#### **7.8 Functional Divisions :**

IPFT is served by four major Functional Divisions, namely, Formulation Division, Analytical Division, Bio-Science Division and a Pilot Plant Division. The Institute carries out in – house, grants-in-aid and industry sponsored projects.

#### **7.9 Major Achievements :**

##### **Continuation of NABL Accreditation of IPFT :-**

IPFT continues to be an accredited Laboratory by National Accreditation Board for Testing & Calibration Laboratories (NABL) as per ISO/IEC-17025 (2005) for the analysis of pesticides and their formulations, pesticide residues in food matrices and CWC related chemicals. The Re – Assessment of the laboratory was held during 24-25, January, 2015 and the accreditation of the Lab is valid until 23rd April, 2017.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **RECOMMENDATION NO.1**

#### **EXPORT AND IMPORT OF CHEMICALS**

The Committee note that the imports of chemicals and products contributed 11.6% of the total imports in 2016-17 (upto September, 2016) in comparison to 10.6% in 2015-16 (upto September, 2015), whereas the exports contributed same 10.4% of total exports both in 2016-17 (upto September, 2016) and 2015-16(upto September, 2015). The Committee also observe that most of the chemicals are under open general license under the provisions of current foreign trade policy. The Committee are of the strong view that increase in the domestic demand of chemical products without commensurate increase in the domestic production has led to increase in import and stagnation of export. The Committee, therefore recommend that the Department should take prompt steps to increase the indigenous production of chemicals and its products. The Committee, would also like the Department to take up various fiscal measures like rationalization of tax structure, safeguard duty issues, anti-dumping measures with concerned authorities. The Committee, would like to be informed of the action taken in this regard.

### **RECOMMENDATION NO.2**

#### **BUDGET ALLOCATION**

The Committee observe that as against proposal of Rs.480.73 crore the Department of Chemicals and Petrochemicals has been allocated an amount of Rs.298 crore for BE 2017-18 and out of this Rs.150 crore has been approved for Central Sector Scheme, Rs.123.39 crore has been approved for other central expenditure and Rs.24.61 crore for capital section. The Committee also note that an amount of Rs.100 crore has been earmarked for Assam Gas Cracker Project (AGCP), an amount of Rs.68.08 crore and Rs.9.16 crore have been allocated for CIPET and IPFT respectively and under the New Schemes of Petrochemicals including the scheme for setting up of Plastic Parks a sum of Rs.142.388 crore was sought against which only a sum of Rs.48 crore has been allocated as curtailed budget allocation by Ministry of Finance. In view of the foregoing the Committee feel that funds allocated to the Department by the Ministry of Finance are abysmally low with reference to their proposal. In the absence of adequate funds available to them, the schemes undertaken by the Department would be adversely affected. The Committee, are of the view that the

schemes of Chemicals and Petrochemicals are of wide national importance and therefore recommend the Department should take up the issue of fund allocation vigorously with the Ministry of Finance and impress upon them to allocate funds as per the demand of the Department. The Committee, would like to be informed of the action taken in this regard.

### **RECOMMENDATION NO.3**

#### **NEW SCHEMES OF PETROCHEMICALS**

The Committee observe that an amount of Rs. 48.00 crore has been sanctioned for New Schemes of the Petrochemicals for the year 2017-18. Under the Head of New Schemes of Petrochemicals there are three schemes, viz. Scheme for Plastic Parks (Rs.47.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for Centres for Excellence in Polymer Technology (CoE) (Rs.0.00 crore). The Committee are of the strong view that the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds.

#### **PLASTIC PARKS**

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. 47 crore allocated for Plastic Parks is totally inadequate to meet the requirement. At present, in the 1st phase, 10 Plastic Parks have been approved, out of which, Plastic Parks in Madhya Pradesh, Odisha and Assam are under implementation. For setting up a Plastic Park at Voyalur Village, Ponneri Taluk, Thiruvallur District in Tamil Nadu, the final approval has been accorded in June, 2016 and the Memorandum of Agreement has been signed on 24th November 2016 with the Tamil Nadu Plastic Park agency.

Further, in-principle approval has been accorded for setting up the remaining 6 Plastic Parks i) Devipur, District Deoghar in Jharkhand, (ii) Bilaua, District Gwalior in Madhya Pradesh, (iii) Khairjhati, District Rajnandgaon in Chhattisgarh, (iv) Sitarganj, District Udham Singh Nagar in Uttarakhand, (v) Industrial Estate, District Panipat in Haryana and (vi) Barjora, District Bankura in West Bengal. In addition, keeping in view the additional demand from States, setting up 8 more Plastic Parks (in addition to 10 Parks already approved) has been accorded in-principle approval. Further, the Committee are given to understand that due to infrastructural and

budgetary constraints, the Department will concentrate only on four parks in Odisha, Madhya Pradesh, Assam and Tamil Nadu till 2019.

The Committee are of the view that setting up of Plastic Parks will boost 'Make in India' programme and also generate huge employment. 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 by the Ministry of Finance. The Committee would like to be apprised of the progress made in this regard.

#### **CENTRE OF EXCELLENCE**

The Committee note that the Department has set up five Centres of Excellence (CoE) within the premises of reputed educational/research institutes viz (i) National Chemicals Laboratory (NCL), Pune - CoE for Sustainable Polymer Industry through Research, Innovation & Training (CoE-SPIRIT); (ii) Central Institute of Plastics Engineering & Technology (CIPET), Chennai - CoE for Green Transportation Network (GREET), (iii) IIT, Delhi - CoE for Advanced Polymeric Materials, (iv) CIPET, Bhubaneswar- CoE on Sustainable Green Materials and (v) IIT, Guwahati - CoE for Sustainable Polymers.

The Committee are of the view that the scheme is vital for improving the petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. The Committee are dismayed to note that no funds have been allocated under the scheme. The Committee, would therefore recommend the Department to take up the matter with the Ministry of Finance to provide funds under the scheme. The Committee would like to be informed of the action taken in this regard.

#### **RECOMMENDATION NO. 4**

#### **BHOPAL GAS LEAK DISASTER**

The Committee observe that the Department in their Annual Report 2016-17 have stated that UCIL waste was successfully incinerated at common hazardous waste incineration at pitham pur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during 13-18 August 2015. During the course of evidence the Committee has been informed that 300 tonnes of wastes is still lying there and has to be incinerated by Government of Madhya Pradesh and it has been

taken up with the Ministry of Environment and pollution control Board because it is to be done under their supervision and to their satisfaction.

The Committee are deeply anguished to note that even after three decades the toxic waste of 300 tonnes has not been incinerated so far. The Committee, therefore, recommend that the Department may take immediate action in the matter to ensure that toxic waste is incinerated without any further delay by taking up the issue with the concerned Departments. The Committee would like to be informed of the action taken in this regard.

#### **RECOMMENDATION NO.5**

It is observed that HOCL has been incurring losses since 2011-12 and as such it has been declared a sick company. Though, a structuring plan has been made by the Government for revival of HOCL in view of its strategic importance as HOCL is the only company to manufacture Nitrogen Tetra Oxide ( $N_2O_4$ ) which is supplied to ISRO but revival plan has not yet taken off. The Committee are given to understand that in view of the poor financial position of HOCL, Rs. 24.61 crore was re-appropriated in the first batch of Supplementary Demands for Grants for 2016-17 by providing non-plan loan to the company to enable it to pay the interest on the two Government of India Guaranteed Bonds of Rs. 100 crore and 150 crore raised by HOCL. As the company is not in a position to pay the interest of the Government an allocation of Rs. 24.61 crore has also been made in BE 2017-18 for the same purpose. The Committee feel that the Company is of strategic importance and therefore recommend the Department to finalise the revival plan of HOCL at the earliest. The Committee hope that the restructure plan would soon be implemented and they would be informed accordingly.

#### **RECOMMENDATION NO.6**

The Committee note that Hindustan Fluorocarbons Ltd. (HFL) a subsidiary of HOCL. has been incurring losses for the last three years. The net worth as on 31.03.2016 is (-)Rs. 63.67 crore. The Government has therefore, given in-principle approval of strategic disinvestment of HFL with the parent company of HOCL to exit the firm completely. The Committee observe that for revival of HFL, the company has diversified into profitable business of fluoro specialty chemicals which has higher profit margins than the existing grades of PTFE and adopted the strategy of switching over from single product to multiproduct facility to reduce dependency of PTFE. HFL

has also developed superior grades of PTFE (modified PTFE or MPTFE) and fluoro specialty chemicals like TFE-Ether and Telomeres and started commercial facility of partial conversion of Telomeres. It has also developed Benzotrifluoride (BTF) on lab scale and sample has been accepted by the customer. The Committee also note that during 2016-17 (upto September, 2016), the company achieved a turnover of Rs. 17.24 crore and restricted its loss to Rs. 1.48 core, as per the provisional unaudited results.

The Committee are pained to note that inspite of the efforts made by the company to come out of loss by diversifying its various activities and also achieving a turnover of Rs. 17.24 crore (upto September 2016) in 2016-17, the Government has decided for strategic disinvestment of HFL. The Committee, therefore, recommend that instead of strategic disinvestment of HFL, the Government may make a revival plan for the Company keeping in view its diversified activities. The Committee would like to be appraised of the progress made in this regard.

#### **RECOMMENDATION NO.7**

The Committee are dismayed to note that a very meager sum of Rs. 68.08 Crore has been made to CIPET during the year 2017-18 against the projection of Rs. 314.17 Crore. This is inspite of the fact that CIPET is an ISO 9001:2008 QMS, NABL, ISO/IEC 17020 accredited premier national institution and proposed to set up 11 new centers. The Committee feel that such a petty amount would not only obstruct the road map of setting up new CIPET Centers but also impede R&D work. The Committee are of the view that lesser allocation to CIPET at a time when plastic waste management is the need of hour would affect the scheme of Swatch Bharat Mission. The Committee observe that the issue of inadequate budget allocation to CIPET has been taken up with the Ministry of Finance by the Department of Chemicals and Petrochemicals on several occasions but that yielded no result. The Committee, therefore, strongly recommend the Department of Chemicals and Petrochemicals to take up with the Ministry of Finance the issue of fund allocation again highlighting the activities of CIPET as an institute of national importance for skill development in its field.



## **RECOMMENDATION NO.8**

**As regards the allocation to Institute of Pesticide Formulation and Technology (IPFT), as against the proposal of Rs.44.80 Crore of the Department for the year 2017-18, Rs 9.16 Crore has been allocated . The Committee strongly feel that the funds allocated to the Department by the Ministry of Finance is abysmally low with reference to their proposals. In the absence of adequate funds available with them, the programmes undertaken by the IPFT would be adversely affected. The Committee, therefore, strongly feel that the Ministry of Finance should allocate the funds as per the proposed requirement of the Department and would like that the Department may strongly take up the matter with the Ministry of Finance. At the same time, the Department, on their part, should ensure that funds allocated to them are utilized fully.**

**New Delhi;  
20 March, 2017  
29 Phalguna, 1938 (Saka)**

**Anandrao Adsul  
Chairperson  
Standing Committee on  
Chemicals and Fertilizers**

## MINISTRY OF CHEMICALS AND FERTILISERS

## DEMAND NO. 6

## Department of Chemicals and Petrochemicals

(In ₹ crores)

	Actual 2015-2016			Budget 2016-2017			Revised 2016-2017			Budget 2017-2018		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Gross	165.09	24.61	189.70	162.01	40.03	202.04	158.39	24.61	183.00	273.39	24.61	298.00
Recoveries	...	...	...	...	...	...	...	...	...	...	...	...
Receipts	...	...	...	...	...	...	...	...	...	...	...	...
Net	165.09	24.61	189.70	162.01	40.03	202.04	158.39	24.61	183.00	273.39	24.61	298.00
A. The Budget allocations, net of recoveries, are given below:												
<b>CENTRE'S EXPENDITURE</b>												
<b>Establishment Expenditure of the Centre</b>												
1. Secretariat	15.00	...	15.00	16.87	...	16.87	17.97	...	17.97	20.41	...	20.41
<b>Central Sector Schemes/Projects</b>												
2. Assam Gas Cracker Project	...	...	...	0.02	...	0.02	0.01	...	0.01	100.01	...	100.01
3. Chemical Promotion and Development Scheme	2.80	...	2.80	5.00	...	5.00	1.99	...	1.99	1.99	...	1.99
4. Promotion of Petrochemicals	9.06	...	9.06	48.00	...	48.00	48.00	...	48.00	48.00	...	48.00
5. Chemical Weapons Convention (CWC)	1.00	...	1.00	1.01	...	1.01	...	...	...	...	...	...
<b>Total-Central Sector Schemes/Projects</b>	<b>12.86</b>	<b>...</b>	<b>12.86</b>	<b>54.03</b>	<b>...</b>	<b>54.03</b>	<b>50.00</b>	<b>...</b>	<b>50.00</b>	<b>150.00</b>	<b>...</b>	<b>150.00</b>
<b>Other Central Sector Expenditure</b>												
<b>Statutory and Regulatory Bodies</b>												
6. Assistance related to Bhopal Gas Leak Disaster	25.22	...	25.22	25.11	...	25.11	23.86	...	23.86	25.74	...	25.74
<b>Autonomous Bodies</b>												
7. Central Institute of Plastic Engineering and Technology	107.68	...	107.68	57.67	...	57.67	57.67	...	57.67	68.08	...	68.08
8. Institute of Pesticides Formulation Technology (IPFT)	4.33	...	4.33	8.33	...	8.33	8.89	...	8.89	9.16	...	9.16
<b>Total-Autonomous Bodies</b>	<b>112.01</b>	<b>...</b>	<b>112.01</b>	<b>66.00</b>	<b>...</b>	<b>66.00</b>	<b>66.56</b>	<b>...</b>	<b>66.56</b>	<b>77.24</b>	<b>...</b>	<b>77.24</b>
<b>Public Sector Undertakings</b>												
9. Hindustan Organic Chemicals Ltd. (HOCL)	...	24.61	24.61	...	25.01	25.01	...	24.61	24.61	...	24.61	24.61
10. Hindustan Fluorocarbons Ltd. (HFL)	...	...	...	...	0.01	0.01	...	...	...	...	...	...
11. Hindustan Insecticides Ltd. (HIL)	...	...	...	...	15.01	15.01	...	...	...	...	...	...
<b>Total-Public Sector Undertakings</b>	<b>...</b>	<b>24.61</b>	<b>24.61</b>	<b>...</b>	<b>40.03</b>	<b>40.03</b>	<b>...</b>	<b>24.61</b>	<b>24.61</b>	<b>...</b>	<b>24.61</b>	<b>24.61</b>
<b>Total-Other Central Sector Expenditure</b>	<b>137.23</b>	<b>24.61</b>	<b>161.84</b>	<b>91.11</b>	<b>40.03</b>	<b>131.14</b>	<b>90.42</b>	<b>24.61</b>	<b>115.03</b>	<b>102.98</b>	<b>24.61</b>	<b>127.59</b>

(In ₹ crores)

	Actual 2015-2016			Budget 2016-2017			Revised 2016-2017			Budget 2017-2018		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
<b>Grand Total</b>	<b>165.09</b>	<b>24.61</b>	<b>189.70</b>	<b>162.01</b>	<b>40.03</b>	<b>202.04</b>	<b>158.39</b>	<b>24.61</b>	<b>183.00</b>	<b>273.39</b>	<b>24.61</b>	<b>298.00</b>
<b>B. Developmental Heads</b>												
<b>Economic Services</b>												
1. Industries	150.09	...	150.09	129.14	...	129.14	124.42	...	124.42	223.18	...	223.18
2. Secretariat-Economic Services	15.00	...	15.00	16.87	...	16.87	17.97	...	17.97	20.41	...	20.41
3. Loans for Petro-Chemical Industries	...	...	...	...	0.01	0.01	...	...	...	...	...	...
4. Loans for Chemical and Pharmaceutical Industries	...	24.61	24.61	...	40.02	40.02	...	24.61	24.61	...	24.61	24.61
<b>Total-Economic Services</b>	<b>165.09</b>	<b>24.61</b>	<b>189.70</b>	<b>146.01</b>	<b>40.03</b>	<b>186.04</b>	<b>142.39</b>	<b>24.61</b>	<b>167.00</b>	<b>243.59</b>	<b>24.61</b>	<b>268.20</b>
<b>Others</b>												
5. North Eastern Areas	...	...	...	16.00	...	16.00	16.00	...	16.00	29.80	...	29.80
<b>Total-Others</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>16.00</b>	<b>...</b>	<b>16.00</b>	<b>16.00</b>	<b>...</b>	<b>16.00</b>	<b>29.80</b>	<b>...</b>	<b>29.80</b>
<b>Grand Total</b>	<b>165.09</b>	<b>24.61</b>	<b>189.70</b>	<b>162.01</b>	<b>40.03</b>	<b>202.04</b>	<b>158.39</b>	<b>24.61</b>	<b>183.00</b>	<b>273.39</b>	<b>24.61</b>	<b>298.00</b>
	Budget Support			Budget Support			Budget Support			Budget Support		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
<b>C. Investment in Public Enterprises</b>												
1. Hindustan Organic Chemicals Ltd	...	...	...	...	...	...	24.61	...	24.61	24.61	...	24.61
2. Hindustan Insecticides Ltd	...	...	...	...	...	...	...	...	...	...	...	...
3. Hindustan Fluorocarbons Ltd	...	...	...	...	...	...	...	...	...	...	...	...
<b>Total</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>24.61</b>	<b>...</b>	<b>24.61</b>	<b>24.61</b>	<b>...</b>	<b>24.61</b>

1. **Secretariat:** Provision is for Secretariat expenditure of the Department.

2. **Assam Gas Cracker Project:** Provision has been made for meeting the Revised Cost of the project.

3. **Chemical Promotion and Development Scheme:** Provision under Chemical Promotion and Development Scheme (CPDS) is for promotion of chemicals, by organizing various seminars, studies, conferences, workshops etc.

4. **Promotion of PetroChemicals:** The provision is for various activities under Schemes of Petro-Chemicals viz. National Awards for Technology Innovations in Petrochemical and Downstream Plastic Processing Industry, setting up of Centres of Excellence (CoE) in Polymer Technology, setting up of dedicated Plastic Parks in the field of petrochemicals etc.

5. **Chemical Weapons Convention (CWC):** The provision under the scheme, Chemical Weapons Convention (CWC) is now transferred to Demand No-47 of Cabinet.

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

The Committee sat on Thursday, the 23<sup>rd</sup> February, 2017 from 1100 hrs. to 1230 hrs. in Committee Room B, Parliament House Annexe, New Delhi.

***PRESENT***

**Dr. (Smt.) Ratna De (Nag) - In the Chair**

***MEMBERS***

***LOK SABHA***

2. Smt. Anju Bala
3. Shri Sankar Prasad Datta
4. Smt. Veena Devi
5. Shri K. Ashok Kumar
6. Shri Chhedi Paswan
7. Smt. Kamla Devi Patle
8. Shri S. Rajendran
9. Dr. Kulamani Samal
10. Shri Tasleemuddin

***RAJYA SABHA***

11. Shri Abdul Wahab

***SECRETARIAT***

- |                          |   |                 |
|--------------------------|---|-----------------|
| 1. Smt. Rashmi Jain      | - | Joint Secretary |
| 2. Shri A. K. Srivastava | - | Director        |
| 3. Shri Nishant Mehra    | - | Under Secretary |

***LIST OF WITNESS***

**I. *MINISTRY OF CHEMICALS AND FERTILIZERS  
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)***

1. Shri Anuj Kumar Bishnoi, Secretary
2. Ms. Meenakshi Gupta, AS & FA
3. Dr. S.K. Biswas, Joint Secretary
4. Ms. Ranjana Kale, Economic Adviser
5. Shri Bandhula Sagar, Chief Controller of Accounts

**II. *REPRESENTATIVES FROM PSUs***

1. Dr. P.K. Patanjali, Dir. (IPFT)
2. Dr. S.K. Nayak, DG (CIPET)
3. Sh. P. Vishwanathan, Dir. (Finance) CIPET
4. Shri S.B. Bide, CMD (HOCL)
5. Sh. S.P. Mohanty, Dir. (Marketing) & CMD (Additional Charge), (HIL)
6. Shri T.S. Gaikwad, MD (HFL)

7. Shri Deepal Bansal, Deputy Commissioner - Bhopal
8. Shri A. K. Singh, MD (BCPL)
9. Shri O.P. Tailor, Dir (Fin), BCPL

2. As the Chairman could not attend the sitting due to his preoccupations, the Members chose Dr. (Smt.) Ratna De (Nag), MP and a Member of the Committee, to act as Chairperson under Rule 258 (3) of the Rules of Procedure and Conduct of Business of Lok Sabha. The Acting Chairperson then occupied the chair and welcomed the Members and representatives of Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) and other officials to the sitting of the Committee.

3. After the witnesses introduced themselves, the Joint Secretary of the Department of Chemicals and Petrochemicals made power point presentation to the Committee and gave a brief highlight of the major projects and activities of the Department pertaining to the Demands for Grants (2017-18).

4. Thereafter, the Secretary and other officials replied to the queries raised by the Members relating to the subject. Members *inter-alia* expressed deep concern over shortage of allocation of funds for the year 2017-18 for various schemes taken up by the Department and raised queries regarding promotion of plastic parks, less allocation of funds, for establishment of 11 new CIPET centers, status of 4 PCPIRs and problem faced by them, HFL disinvestment, BCPL Projects, compensation to victims of Bhopal Gas tragedy and problem faced by Petrochemicals industries and skill development centers across the country. The Committee also emphasized on the need to give priority to employment of local people in schemes like PCPIRs and Plastic Parks.

5. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to provide required information not readily available at the earliest.

6. A copy of the verbatim record of the proceedings of the sitting has been kept.

***The Committee then adjourned.***

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

The Committee sat on Friday, the 20<sup>th</sup> March, 2017 from 1500 hrs. to 1530 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

**Shri Anandrao Adsul - Chairperson****Members****Lok Sabha**

2. Shri George Baker
3. Smt. Anju Bala
4. Shri Sankar Prasad Datta
5. Smt. Veena Devi
6. Shri K. Ashok Kumar
7. Shri Chhedi Paswan
8. Shri S. Rajendran
9. Shri Pankaj Chaudhary

**Rajya Sabha**

10. Shri Biswajit Daimary
11. Shri Narayan Lal Panchariya
12. Shri K. Parasaran

**Secretariat**

- |    |                      |   |                 |
|----|----------------------|---|-----------------|
| 1. | Smt. Rashmi Jain     | - | Joint Secretary |
| 2. | Shri A.K. Srivastava | - | Director        |
| 3. | Shri Nishant Mehra   | - | Under Secretary |

2. At the outset, the Hon'ble Chairperson welcomed the members of the Committee.
3. The Committee thereafter took up for consideration the draft Report on Demands for Grants (2017-18) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).
4. The draft Reports was adopted by the Committee without any amendment.
5. The Committee authorised the Chairman 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.*