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HINDUSTAN ORGANIC CHEMICALS LIMITED

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

COMMITTEE ON PUBLIC UNDERTAKINGS
2016-2017

SIXTEENTH REPORT

(SIXTEENTH LOK SABHA)

LOK SABHA SECRETARIAT

NEW DELHI

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HINDUSTAN ORGANIC CHEMICALS LIMITED

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(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)

(Action taken by the Government on the Observations / Recommendations contained in the Ninth Report of Committee on Public Undertakings on Hindustan Organic Chemicals Limited)

Presented to Lok Sabha on 16.12.2016
Laid on the Table of Rajya Sabha on 16.12.2016

LOK SABHA SECRETARIAT

NEW DELHI

16 December, 2016/ 25 Agrahayana, 1938 (Saka)

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COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2017)

Shri Shanta Kumar - *Chairperson*

MEMBERS

Lok Sabha

1. Shri Shanta Kumar
2. Shri L.K. Advani
3. Shri Ramesh Bais
4. Shri Biren Sing Engti
5. Dr. Khambhampati Haribabu
6. Shri Kristappa Nimmala
7. Shri Prahlad Singh Patel
8. Shri Shivaji A. Patil
9. Shri Ajay Nishad
10. Shri Ram Sinh Rathwa
11. Shri Narendra Keshav Sawaikar
12. Shri B. Senguttuvan
13. Shri Sushil Kumar Singh
14. Shri Kalikesh Narayan Singh Deo
15. Shri Rameshwar Teli

Rajya Sabha

16. Shri Narendra Budania
17. Shri Ram Narain Dudi
18. Shri Naresh Gujral
19. Shri Praful Patel
20. Shri A.K. Selvaraj
21. Shri Tapan Kumar Sen
22. Shri Ram Chandra Prasad Singh

SECRETARIAT

1. Smt. Sudesh Luthra - Joint Secretary
2. Smt. Anita B. Panda - Director
3. Smt. Mriganka Achal - Under Secretary
4. Ms. Patricia Elizabeth Jacobs - Committee Assistant

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2016-17) having been authorized by the Committee to submit the Report on their behalf, present this Sixteenth Report on action taken by the Government on the Observations / Recommendations of the Committee contained in the Ninth Report (Sixteenth Lok Sabha) on 'Hindustan Organic Chemicals Limited'.

2. The Ninth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 8th December, 2015. Replies of the Government to the Observations / Recommendations contained in the Report were received on 29th July, 2016. The Minutes of the Sitting are given in Appendix I.

3. The Report was considered and adopted by the Committee at their sitting held on 14 December, 2016. An analysis of the action taken by the Government on the Observations / Recommendations contained in the Ninth Report is given at Appendix II.

New Delhi
14 December 2016
23 Agrahayana 1938 (S)

SHANTA KUMAR
Chairperson,
Committee on Public Undertakings.

ABBREVIATIONS

ACC	Appointments Committee of the Cabinet
ADD	Anti-Dumping Duty
BIFR	Board of Industrial and Financial Reconstruction
BRPSE	Board for Reconstruction of Public Sector Enterprise
C&F	Chemicals and Fertilizers
CMD	Chairman and Managing Director
CNG	Compressed Natural Gas
CNA	Concentrated Nitric Acid
CONCOR	Container Corporation of India Limited
CPSE	Central Public Sector Enterprise
CTPT	Current Transformer and Potential Transformer
DCS	Distributed Control System
DPE	Department of Public Enterprise
FEDO	FACT Engineering and Design Organisation
HOCL	Hindustan Organic Chemicals Limited
ISRO	Indian Space Research Organisation
LNG	Liquefied Natural Gas
LSFO	Low Sulphur Fuel Oil
MT	Million Tonnes
MTPA	Million Tonnes Per Annum
N2O4	Di-Nitrogen Tetroxide
PESB	Public Enterprises Selection Board
PSU	Public Sector Undertaking
RCF	Rashtriya Chemicals & Fertilizers Limited
SBI	State Bank of India
VRS	Voluntary Retirement Scheme
VSS	Voluntary Separation Scheme
USA	United States of America
USD	US Dollar

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Ninth Report (Sixteenth Lok Sabha) of the Committee on Public Undertakings (2015-16) on "**Hindustan Organic Chemicals Limited**" which was presented to Lok Sabha on the 8th December, 2015.

2. The Report contained eleven Observations/Recommendations. Action Taken notes have been received from the Government in respect of all the eleven Observations / Recommendations contained in the Report. These have been categorized as follows:

(i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 2, 7 and 8 (Total 3)

(ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
Sl. Nos. 6 and 11 (Total 2)

(iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee (Chapter IV)
Sl. Nos. 1, 4 and 9 (Total 3)

(iv) Observations / Recommendations to which the Government have furnished interim replies. (Chapter V)
Sl. Nos. 3, 5 and 10 (Total 3)

3. The Committee desire that the response to their comments in Chapter I of the Report should be furnished to them expeditiously. They further desire that the final replies in respect of the Observations/Recommendations, for which interim replies have been furnished may be furnished to the Committee expeditiously.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

Recommendation Serial No. 1

5. The Committee in their Ninth Report had recommended as follows:-

"The Committee in the course of its examination of HOCL are pained to note that this Company, which was considered a blue chip Company till the 1990s, functioning in a productive manner for a substantial period of thirty-five years, has become a sick PSU with a negative net worth and seems to be unable to revive its fortunes. Although the Company has stated to have largely succeeded in fulfilling the objectives for which it was set up, however, in the last one decade, it has gone into severe financial troubles and has been twice referred to the Board of Industrial Finance and Reconstruction (BIFR) in 2005 and again in 2013. While HOCL claims that its problems started only post-liberalisation, the Committee have noticed that HOCL exhibited little ability to adapt to the changing economic situation of the Country or to undertake measures to reduce its power and fiscal costs in a major way so as to cut the cost of production. This is further evident when HOCL went to BIFR for the first time in 2005 and was given the financial package of ₹270 crore by the Government. The Committee opine that at that time though a revival plan was prepared, yet a greater diligence was required in the management of the Company so as to understand the need to diversify its products, to cut the cost of production and upgrade technology in its various plants to withstand the competition in the liberalised global situation. Accordingly, a comprehensive plan for financial and technical restructuring of the Company should have been prepared and followed. Unfortunately, either such a vision was completely missing in HOCL or the Government of India did not extend requisite support to its own PSU. In the light of HOCL referral to the BIFR for the second time in 2013, the Committee feel that HOCL's initial revival plan was an opportunity lost."

6. The Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) in their action taken reply have stated as follows:-

"The profitability of the entire chemical industry, specifically organic chemicals, was adversely affected after liberalisation of the Indian economy due to competition from imported materials and HOCL was no exception. The Indian chemicals industry was in a disadvantageous position vis-à-vis raw material consumption norms (65% to 70% as against 45% to 50% in the case of the overseas manufacturers), high power cost, high overhead cost (labour and interest), as compared to the overseas manufacturers, who enjoyed relatively low interest rates and labour cost.

In the first revival plan submitted in 2005, the Company's main focus was reduction of overhead cost i.e. high interest cost and manpower cost, and restarting of caustic soda plant. With the completion of financial restructuring, the Company registered profits in two Financial Years 2006-07 & 2007-08. However, the company's efforts to reduce manpower through VRS could not succeed due to implementation of less attractive VRS scheme (as per the Gujarat pattern). Subsequently, due to the impact of global meltdown affecting the overall economy during 2008-2010, the Company went into losses during this period. With favourable market conditions, the Company registered profit of ₹ 25.72 crore in the year 2010-11.

As regards the caustic soda plant, the power cost, which constitutes a major portion in caustic soda production, was reasonable and the ruling prices were good at the time of framing the revival plan. However, after refurbishment of the caustic soda plant and its operation in 2008, there was an increase of more than 40% in power per unit cost. This, coupled with the imports / dumping of caustic soda that led to drastic reduction in the selling price, resulted in the caustic soda plant operation becoming unviable.

After 2011-12, the Company's fortunes were greatly affected due to factors like withdrawal of anti-dumping duty on the major revenue earning products of HOCL viz. Phenol & Acetone and volatility in the crude prices, resulting in the Company registering losses from 2011-12 onwards. Due to the continuous losses, there was a total erosion of working capital and accumulation of dues to suppliers and contractors thereby severely affecting the operations of the plants. With accumulated losses resulting in erosion of net worth of the Company, HOCL was again referred to BIFR for the second time in 2014."

7. **The Committee note from the reply of the Ministry that they are only repeating the facts already put forth by the Department and the Company over the course of the examination by the Committee. The Committee are of the opinion that even for matters concerning high power tariff for Rasayani Unit levied by the Government of Maharashtra after 2008, the Ministry had hardly played any timely role to bring some relief to the Company as the letter to this effect was also sent only by July, 2016, after this Committee suggested the need for reasonably priced power in their Ninth report in December, 2015. Hence, this reply fails to convince the Committee about any seriousness or inclination on the part of either HOCL or the Ministry to improve the Company's precarious situation. In another recommendation at serial no. 3 on the issue of revival plan, the Committee have been apprised that issues relating to sick, loss making and non-profit CSPEs are being examined. The Committee would like to be apprised of the position in this regard as and when finalized. In the context of those units of HOCL which have a potential for profitability, the Committee would like to recommend for their revival within the PSU framework. The Committee would like to be apprised of the action taken by the Government in this regard at the final action taken stage.**

Recommendation Serial No. 4

8. The Committee, in their Ninth Report, had recommended the following with regard to HOCL's lack of foresight :-

"After examining HOCL, the Committee have concluded that while HOCL's losses have partly been caused by the change in the economic environment of the Country post-liberalization and other policy measures like non-imposition of Anti-Dumping Duty on imported organic chemicals, a very strong reason for the losses incurred by the Company is poor management on the part of HOCL and the Department of Chemicals and Petrochemicals. The Committee, acknowledging the candid submission of the Department with regard to HOCL's poor record in the face of economic liberalization and globalization and lack of world-class standard plants, feel that no robust measures were taken by the Company or the Ministry to reach the economy of scale in order to face the abovementioned challenges. The measures implemented via the initial revival plan also reflect very poor foresight on the part of the Company management from the 1990s till date in helping HOCL thrive in the new economic conditions, when similar manufacturing companies in both the public and private sectors have managed to thrive. The Committee could not get a specific reply from either HOCL or the Department as to why the initial package given to them was spent solely on paying the debts and not on any other aspect to strengthen its functioning. They, therefore, would like a specific response on the aspects where the initial revival package went wrong and the reasons, both external and internal, responsible for it."

9. The Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals), in their Action Taken reply, have stated as follows:-

"As already mentioned in the reply to recommendation Sl.No.1, the initial revival plan of HOCL focused on reduction of high overhead cost i.e. high interest cost and manpower cost, and restarting of caustic soda plant. At that time, Phenol / Acetone was making profit and other products like Aniline were also fetching considerable profits. In addition to the financial restructuring, VRS and caustic soda plant for which total amount of ₹270 crore was sanctioned by the Government, the company had planned to revamp the production facilities at Kochi (Hydrogen Peroxide and Phenol) at a cost of ₹163 crore to be funded out of internal accruals / market borrowings.

With the completion of financial restructuring, the Company registered profits in two financial years 2006-07 & 2007-08. However, the company's efforts to reduce manpower through VRS could not succeed due to implementation of less attractive VRS scheme (as per the Gujarat pattern). The caustic soda plant operation also became unviable due to increase of more than 40% in power cost coupled with the imports / dumping of caustic soda that led to drastic reduction in the selling price. Subsequently, due to the impact of global meltdown affecting the overall economy during 2008-2010, the Company went into losses during this period. With the decline in the fortunes of the Company post restructuring, the revamping of production facilities envisaged at Kochi could not be carried out.

With favourable market conditions, the Company registered profit of ₹25.72 crore in 2010-11. However, after 2011-12, the Company's fortunes were greatly affected due to factors like withdrawal of anti-dumping duty on the major revenue earning products of HOCL viz. Phenol and Acetone and volatility in the crude prices, resulting in the company registering losses from 2011-12 onwards. Due to the continuous losses, there was a total erosion of working capital and accumulation of dues to suppliers and contractors thereby severely affecting the operations of the plants.

In view of the above, the external and internal factors for the non-successful outcome of the initial revival plan for HOCL can be summarised as follows:

External Factors - (a) Impact of global meltdown affecting the overall economy during the crucial post-revival phase in 2008-2010 (b) Removal of protective barriers like anti-dumping duty after 2011-12 and huge imports resulting in un-remunerative price levels (c) Volatility in crude prices during the last few years

Internal factors - (a) High cost of petroleum based input consumptions (b) Poor response to VRS and consequent high manpower cost (c) Highly competitive import parity pricing and low margins on the finished products (d) Failure to take up plant modernisation / upgradation projects due to the continuous decline of the Company's financial condition (e) Failure of the company's management to foresee and come up with timely and adequate responses to the emerging trends."

10. The Committee in their original recommendation had sought specific reasons from the Ministry for the failure of the initial revival package given to HOCL. From the reasons, both external and internal, provided in the action taken reply, the Committee find that the Department and HOCL both miserably failed in their duty to address the reasons. Even the Department has agreed that one of the internal reasons for the unsuccessful outcome of the revival plan was the failure of the Company's management to foresee and come up with timely and adequate responses to the emerging trends as well as the failure of a less attractive VRS for employees of HOCL. This raises serious doubts about the Department's ability to either appoint suitable managerial personnel or provide them requisite support to help HOCL overcome various challenges. As regards the adverse impact of the global financial meltdown between 2008-10, which severely hampered the Company's revival plan, the Committee feel that the Government did not take timely action to guide HOCL on the adverse impact of the withdrawal of Anti-Dumping Duty (ADD) or approach the appropriate authority to

consider reversing the decision to protect the domestic supplier, which was not only the Country's first endeavour to indigenize manufacture of basic chemicals but was set up with a specific purpose to reduce the Country's dependence on import of vital organic chemicals too. Considering the challenges being faced by HOCL, the Committee opine that the administrative Ministry should have intervened timely and strongly to support them. Though the Committee are relieved to note from the reply of HOCL to their original recommendation no. 7 regarding ADD that the same has been re-imposed on phenol and acetone till 2019, 2020 and 2021 in respect of various countries. They would like to be apprised of the Ministry's plans now to protect HOCL as a Company as well as its employees in the future.

Recommendation Serial No. 9

11. On the issue of manpower, the Committee in their Ninth Report have recommended the following:

"While noting the efforts of HOCL in streamlining its manpower strength through VRS and in turn aiding the cost-cutting efforts of the Company, the Committee are concerned about the submission of HOCL with regard to the average age of the staff still retained by it. In the course of the examination of the Company, the Chairman, HOCL had submitted that the average age of its employees is 50 since most of them were recruited in the 1980s. Since HOCL is now once again being referred to the BIFR, the Committee are concerned with regard to the productivity of the staff retained. In addition, the Committee also feel that the lack of recruitment in HOCL has limited the opportunities for bringing in younger talent into the workforce of HOCL who could have benefited from the experience of its older staff while bringing fresh energy to the functioning of HOCL's plants. The Committee are also concerned about the lack of funds in HOCL to provide VRS dues to the willing staff. They, therefore, desire to have details of the future plans on the matter."

Reply of the Government

12. The Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals), in their Action Taken Reply, on the above Recommendation has stated as follows:

"The Company has been giving utmost importance to manpower training and deployment to ensure optimal productivity of the staff. The manpower at Rasayani is in surplus and action has already been taken to transfer part of the surplus technical manpower to the Company's Kochi unit as the latter has been witnessing reduction in manpower due to superannuation and resignations.

Attempts are also being made to fill up vacant positions by contractual appointment to ensure that the production activities are not hampered.

In Rasayani Unit, there is surplus manpower to the extent of approximately 300 (technical and non-technical) who are required to be separated through a VRS scheme. In addition there are 250 numbers of non-regular employees (canteen, ad hoc and Mathadi workers) for whom VSS is required. The above manpower reduction will result in savings of approx. ₹30 crore per year. However, given the financial position of HOCL, it is presently not in a position to generate the funds of around ₹108 crore required for implementing the VRS / VSS scheme."

13. From the action taken reply, the Committee conclude that HOCL is still relying on stop gap measures to reduce its financial liabilities by phasing out surplus manpower through VRS. The irony of HOCL's situation is that while it wishes to save money in the future by reducing its manpower through VRS, it is not in the position to generate the necessary finances to carry out the same. The Committee opine that the Company should work in coordination with the Department to bring about a one-time solution to its need to reduce its surplus manpower. At the same time, HOCL should retain the requisite trained staff to help run its operational plants, if so decided. The Committee are aware of the severe financial and mental stress levels of HOCL's employees at present and thus recommend that the Department and HOCL should work in coordination with the Counseling, Retraining and Redeployment (CRR) Cell of the Department of Public Enterprises, the nodal department for all PSUs to help those HOCL staff who will eventually be awarded VRS. This will ensure suitable re-deployment of its skilled manpower. At the same time, the Committee desire to be apprised of the Department's efforts to help HOCL generate funds amounting to ₹ 108 crore for implementing the VRS/VSS scheme.

CHAPTER II

RECOMMENDATIONS / OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2)

The Committee observe from the statistics furnished to them providing the production performance of HOCL for each of its products, that all its products except Hydrogen Peroxide, have registered negative growth for the financial year 2013-14. The Committee also observe that in the past too, out of all the products in HOCL's portfolio, only nitrobenzene, aniline and hydrogen had not registered any negative growth. In addition, the Committee find that HOCL has hardly been able to meet the yearly targets for each of its products. The Committee opine that the continuous gap between HOCL's production target for its products and the actual production reflects poorly on the Company's overall performance. The Committee recommend that in the light of HOCL's growing dismal performance record, it would not be feasible for HOCL to carry on producing items for which it is neither able to meet its own internal targets nor produce the same profitably. The Committee would therefore recommend a thorough study to be initiated by HOCL to assess the viability of its product profile and make suitable inclusion or exclusion of products in the same, which will find market and thus help revive the Company's financial health. Although at present, the Company is producing very few products, the Committee recommend HOCL to adopt a realistic method based on its production capability to set its yearly targets and meet those diligently to bring about a turnaround in the Company's performance.

Reply of the Government

HOCL could achieve production and sales target in the year 2010-11 with the highest turnover due to favourable market conditions. However, the subsequent period saw dwindling of the fortunes of the company due to factors like withdrawal of anti-dumping duty and unprecedented volatility in crude prices resulting in the company registering continuous losses from 2011-12 onwards. The company had taken the initiative to conduct a market feasibility report for manufacture of some of the value added chemicals through external consultant M/s Mott Macdonald. However, due to the poor financial health of the company it was not in a position to finance the project or raise finance from external sources. Hence, the company has decided to restart the plant operations in respect of only those products which are giving positive contributions and plans to stabilize / achieve the targeted production and sale before considering addition of any new product line.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Recommendation (Sl. No. 7)

The Committee note that the Anti-Dumping Duty has played a negative role in the fortunes of HOCL. The withdrawal of the Anti-Dumping Duty from the year 2012, on the imports from USA, Thailand, Saudi Arabia and Japan, which prevented the flooding of the domestic organic chemical market with cheap imports, had a detrimental effect on the tenuous revival of HOCL in the first decade of the 21st century. As a result, in spite of the measures taken under the initial revival package, HOCL began posting losses again, even in its relatively more profitable Kochi production unit, as their products could not find a market due to the cost factor. The Committee further note that HOCL had taken up the matter with the competent authority to investigate the 'injury' to the acetone producing industry due to the withdrawal of Anti-Dumping Duty on import of the same. They are of the view that the Government should reconsider the imposition of Anti-Dumping Duty on these products if the domestic PSUs are to be saved from closure. HOCL, being the sole manufacturer and supplier of fuel for ISRO's rocket launching programme, must remain afloat and the Committee, therefore, desire the Department to make sincere efforts to get the decision on re-imposition of Anti-Dumping Duty in its favour.

Reply of the Government

HOCL’s efforts to get the anti-dumping duty (ADD) re-imposed has been fruitful. ADD has been imposed by the Government on Phenol and Acetone in respect of various countries as given in the table below. With the imposition of ADD, HOCL is in a position to get profit margins on Phenol / Acetone after covering cost of production at the current level of finished product and raw material prices.

I. Anti-Dumping Duty (ADD) : Phenol (as on 9.6.2016)

Country	Validity	Rate in USD per MT	Average Rate	Conv. Rate	₹/MT
Chinese Taipei (Taiwan)	15.05.2019	**47-196**	**122**	65	7930
USA	15.05.2019	**159**	**159**	65	10335
South Africa	10.07.2020	**342**	**342**	65	22230
Europian Union	07.03.2021	**253**	**253**	65	16445
Singapore	07.03.2021	**219**	**219**	65	14235
Korea	07.03.2021	**77**	**77**	65	5005

II. Anti-Dumping Duty (ADD) : Acetone (as on 9.6.2016)

Country	Validity	Rate in USD	Average Rate	Conv. Rate	₹/MT
Singapore	10.03.2019	**147-240**	**217**	65	14073
South Africa	10.03.2019	**142-179**	**161**	65	10433
USA	10.03.2019	**213**	**213**	65	13845
Europian Union	10.03.2019	**277**	**277**	65	18005
Saudi Arabia	15.04.2020	**132-203**	**168**	65	10888
Chinese Taipei (Taiwan)	15.04.2020	**86-271**	**179**	65	11603
Korea	17.02.2020	**79**	**79**	65	5135

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Recommendation (Sl. No. 8)

The Committee find that the non-viability of HOCL's Caustic Soda Plant is a classic case of the general apathy of the Government towards the PSUs. Caustic Soda production is a high energy intensive activity and thus when the revival plan for HOCL's Caustic Soda Plant was suggested by M/s SBI CAPS Ltd in 2004, the price of power in Maharashtra was ₹3.26 per unit, a rate which was affordable to HOCL. However, the BRPSE considered this revival proposal after two years, i.e. in the year 2006 and by this time the cost of power had nearly doubled in Maharashtra which made the operations of Caustic Soda plant unviable. Unable to set up a captive power plant to sustain power-intensive production, HOCL was rendered helpless in the matter. The Committee therefore cannot but concur that revival of sick PSUs need better attention and efforts on the part of the Government too. They further reiterate that ensuring power supply to its Companies should be a priority of the Government as PSUs producing chemicals need reasonably-priced power for their energy-intensive production. Otherwise, their products, being expensive, may lose in today's highly competitive markets.

Reply of the Government

As mentioned in the preceding replies, the efforts made by HOCL to revive the caustic soda plant operations in the year 2008 did not yield positive results in view of the huge increase in the power cost (₹8.10 in 2009) combined with large scale dumping of caustic soda in the country. Due to the non-viability of the plant, HOCL Board had to take a decision for its shut-down and is on the look out to sell the plant on as is where is basis since the situation is unlikely to improve and the alternative energy sources like captive power plant is also not viable due to high cost of CNG / furnace oil.

With regard to the observation of the Committee relating to the delay by BRPSE in considering the revival plan of HOCL, it is submitted that BRPSE has been wound up by the Government in 2015.

Ensuring power supply and determining the power cost for industrial units is a matter within the purview of the State Government concerned. However, the above observation / recommendation of the Committee has been conveyed to the state Government of Maharashtra for appropriate action. (***Annexure***)

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

CHAPTER III

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

Recommendation (Sl. No. 6)

Returning to the issue of HOCL's initial revival scheme and its consequent failure to prevent the Company from going into the red again, the Committee concur with HOCL's assessment that lack of plans for physical restructuring of plants was one of the reasons which led to the Company's second referral to BIFR. As a result, the advantages of the initial revival plan which included plans for financial restructuring have been frittered away. The Committee hope that HOCL have not repeated the same mistake in their revival plan submitted to the Government again. Though they were very keen to familiarize themselves with the Company's revival plan, the Committee express their disappointment over the fact that despite several assurances, HOCL did not keep its word to send its restructuring plan to them in time so as to enable them to understand and appreciate the situation better for nearly two years. The same has been provided at the post evidence stage. Now, when the said plan is currently under consideration, the Committee reserve its observations till the same is approved. They desire to be apprised of the progress made in this regard at the action taken stage.

Reply of the Government

HOCL had initially considered appointment of M/s. Deloitte Consulting for conducting a revival study since they had earlier undertaken a study of HOCL merger with Rashtriya Chemicals & Fertilizers (RCF) at the behest of RCF. The company, however, subsequently appointed M/s.FEDO (FACT Engineering and Design Organization) in January, 2014 to conduct a revival study. The consultant's report was scrutinised by the Board of Directors of HOCL. Observing that FEDO's report does not take into account the scenario prevailing in the domestic and international market, crashing crude prices, drastic downfall in the prices of Phenol and Acetone, the Board of Directors decided to appoint a new consultant for preparing a fresh revival plan. Thereafter, the company appointed M/s. JPS Associates for conducting the revival study. The revival plan report of M/s JPS Associates was approved after some modifications by the Board of HOCL in September, 2015. The delay in submitting the revival report to the Committee is due to the above reason. A copy of the revival plan report of M/s JPS Associates was forwarded to the Lok Sabha Sabha Secretariat (P. U. Branch) on 21.10.2015.

As regards the revival / restructuring plan for HOCL, it is informed that issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Based on the final decision of the Government in this regard, necessary action will be taken.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Recommendation (Sl. No. 11)

The Committee note that HOCL not only produces Benzene derivatives like aniline, nitrobenzene, etc. which are organic chemicals but also hydrogen, sulphuric acid, hydrogen peroxide, caustic soda, chlorine and concentrated nitric acid, which are inorganic. Hence, they are of the view that the name of the Company 'Hindustan Organic Chemicals Limited' needs to be revised to project a complete picture of its product profile in the market. The Committee, therefore, recommend that the Department may consider revising the Company's name as 'Hindustan Chemicals Limited' too, while considering and finalizing its financial and physical restructuring plan. They desire to be apprised of the view of the Department on the matter at the action taken stage.

Reply of the Government

The main products presently manufactured by HOCL are Phenol, Acetone and Hydrogen Peroxide at its Kochi unit, and Formaldehyde, Nitrobenzene, Conc. Nitric Acid and N2O4 at the Rasayani unit. Out of the above seven products, four viz. Phenol, Acetone, Formaldehyde and Nitrobenze, are organic chemicals and account for almost 80% of the company’s total production and 90% of the company’s total turnover. As such, the product profile of HOCL is still predominantly organic chemicals.

Further, HOCL has been operating under this name for the past more than 50 years and has built a brand name and identity around the existing name.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

CHAPTER IV

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

Recommendation (Sl. No. 1)

The Committee in the course of its examination of HOCL are pained to note that this Company, which was considered a blue chip Company till the 1990s, functioning in a productive manner for a substantial period of thirty-five years, has become a sick PSU with a negative net worth and seems to be unable to revive its fortunes. Although the Company has stated to have largely succeeded in fulfilling the objectives for which it was set up, however, in the last one decade, it has gone into severe financial troubles and has been twice referred to the Board of Industrial Finance and Reconstruction (BIFR) in 2005 and again in 2013. While HOCL claims that its problems started only post-liberalisation, the Committee have noticed that HOCL exhibited little ability to adapt to the changing economic situation of the Country or to undertake measures to reduce its power and fiscal costs in a major way so as to cut the cost of production. This is further evident when HOCL went to BIFR for the first time in 2005 and was given the financial package of ₹270 crore by the Government. The Committee opine that at that time though a revival plan was prepared, yet a greater diligence was required in the management of the Company so as to understand the need to diversify its products, to cut the cost of production and upgrade technology in its various plants to withstand the competition in the liberalised global situation. Accordingly, a comprehensive plan for financial and technical restructuring of the Company should have been prepared and followed. Unfortunately, either such a vision was completely missing in HOCL or the Government of India did not extend requisite support to its own PSU. In the light of HOCL referral to the BIFR for the second time in 2013, the Committee feel that HOCL's initial revival plan was an opportunity lost.

Reply of the Government

The profitability of the entire chemical industry, specifically organic chemicals, was adversely affected after liberalisation of the Indian economy due to competition from imported materials and HOCL was no exception. The Indian chemicals industry was in a disadvantageous position vis-à-vis raw material consumption norms (65% to 70% as against 45% to 50% in the case of the overseas manufacturers), high power cost, high overhead cost (labour and interest), as compared to the overseas manufacturers, who enjoyed relatively low interest rates and labour cost.

In the first revival plan submitted in 2005, the company's main focus was reduction of overhead cost i.e. high interest cost and manpower cost, and restarting of caustic soda plant. With the completion of financial restructuring, the company registered profits in two financial years 2006-07 & 2007-08. However, the company's efforts to reduce manpower through VRS could not succeed due to implementation of less attractive VRS scheme (as per the Gujarat pattern). Subsequently, due to the impact of global melt down affecting the overall economy during 2008-2010, the company went into losses during this period. With favourable market conditions, the company registered profit of ₹25.72 crores in the year 2010-11.

As regards the caustic soda plant, the power cost, which constitutes a major portion in caustic soda production, was reasonable and the ruling prices were good at the time of framing the revival plan. However, after refurbishment of the caustic soda plant and its operation in 2008, there was an increase of more than 40% in power per unit cost. This, coupled with the imports / dumping of caustic soda that led to drastic reduction in the selling price, resulted in the caustic soda plant operation becoming unviable.

After 2011-12, the company's fortunes were greatly affected due to factors like withdrawal of anti-dumping duty on the major revenue earning products of HOCL viz. Phenol & Acetone and volatility in the crude prices, resulting in the company registering losses from 2011-12 onwards. Due to the continuous losses, there was a total erosion of working capital and accumulation of dues to suppliers and contractors thereby severely affecting the operations of the plants. With accumulated losses resulting in erosion of net worth of the company, HOCL was again referred to BIFR for the second time in 2014.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Comments of the Committee

(Please See para 7 of Chapter I of the report.)

Recommendation (Sl. No.4)

After examining HOCL, the Committee have concluded that while HOCL's losses have partly been caused by the change in the economic environment of the Country post-liberalization and other policy measures like non-imposition of Anti-Dumping Duty on imported organic chemicals, a very strong reason for the losses incurred by the Company is poor management on the part of HOCL and the Department of Chemicals and Petrochemicals. The Committee, acknowledging the candid submission of the Department with regard to HOCL's poor record in the face of economic liberalization and globalization and lack of world-class standard plants, feel that no robust measures were taken by the Company or the Ministry to reach the economy of scale in order to face the abovementioned challenges. The measures implemented via the initial revival plan also reflect very poor foresight on the part of the Company management from the 1990s till date in helping HOCL thrive in the new economic conditions, when similar manufacturing companies in both the public and private sectors have managed to thrive. The Committee could not get a specific reply from either HOCL or the Department as to why the initial package given to them was spent solely on paying the debts and not on any other aspect to strengthen its functioning. They, therefore, would like a specific response on the aspects where the initial revival package went wrong and the reasons, both external and internal, responsible for it.

Reply of the Government

As already mentioned in the reply to recommendation Sl.No.1, the initial revival plan of HOCL focused on reduction of high overhead cost i.e. high interest cost and manpower cost, and restarting of caustic soda plant. At that time, Phenol / Acetone was making profit and other products like Aniline were also fetching considerable profits. In addition to the financial restructuring, VRS and caustic soda plant for which total amount of ₹270 crore was sanctioned by the Government, the company had planned to revamp the production facilities at Kochi (Hydrogen Peroxide and Phenol) at a cost of ₹163 crore to be funded out of internal accruals / market borrowings.

With the completion of financial restructuring, the company registered profits in two financial years 2006-07 & 2007-08. However, the company's efforts to reduce manpower through VRS could not succeed due to implementation of less attractive VRS scheme (as per the Gujarat pattern). The caustic soda plant operation also became unviable due to increase of more than 40% in power cost coupled with the imports / dumping of caustic soda that led to drastic reduction in the selling price. Subsequently, due to the impact of global melt down affecting the overall economy during 2008-2010, the company went into losses during this period. With the decline in the fortunes of the company post restructuring, the revamping of production facilities envisaged at Kochi could not be carried out.

With favourable market conditions, the company registered profit of ₹25.72 crore in 2010-11. However, after 2011-12, the company's fortunes were greatly affected due to factors like withdrawal of anti-dumping duty on the major revenue earning products of HOCL viz. Phenol & Acetone and volatility in the crude prices, resulting in the company registering losses from 2011-12 onwards. Due to the continuous losses, there was a total erosion of working capital and accumulation of dues to suppliers and contractors thereby severely affecting the operations of the plants.

In view of the above, the external and internal factors for the non-successful outcome of the initial revival plan for HOCL can be summarised as follows:

External Factors - (a) Impact of global melt down affecting the overall economy during the crucial post-revival phase in 2008-2010 (b) Removal of protective barriers like anti-dumping duty after 2011-12 and huge imports resulting in un-remunerative price levels (c) Volatility in crude prices during the last few years

Internal factors - (a) High cost of petroleum based input consumptions (b) Poor response to VRS and consequent high manpower cost (c) Highly competitive import parity pricing and low margins on the finished products (d) Failure to take up plant modernisation / upgradation projects due to the continuous decline of the company's financial condition (e) Failure of the company's management to foresee and come up with timely and adequate responses to the emerging trends

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals] (O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Comments of the Committee

(Please See para 10 of Chapter I of the report).

Recommendation (Sl. No. 9)

While noting the efforts of HOCL in streamlining its manpower strength through VRS and in turn aiding the cost-cutting efforts of the Company, the Committee are concerned about the submission of HOCL with regard to the average age of the staff still retained by it. In the course of the examination of the Company, the Chairman, HOCL had submitted that the average age of its employees is 50 since most of them were recruited in the 1980s. Since HOCL is now once again being referred to the BIFR, the Committee are concerned with regard to the productivity of the staff retained. In addition, the Committee also feel that the lack of recruitment in HOCL has limited the opportunities for bringing in younger talent into the workforce of HOCL who could have benefited from the experience of its older staff while bringing fresh energy to the functioning of HOCL's plants. The Committee are also concerned about the lack of funds in HOCL to provide VRS dues to the willing staff. They, therefore, desire to have details of the future plans on the matter.

Reply of the Government

The company has been giving utmost importance to manpower training and deployment to ensure optimal productivity of the staff. The manpower at Rasayani is in surplus and action has already been taken to transfer part of the surplus technical manpower to the company's Kochi unit as the latter has been witnessing reduction in manpower due to superannuation and resignations. Attempt is also made to fill up vacant positions by contractual appointment to ensure that the production activities are not hampered.

In Rasayani Unit, there is surplus manpower to the extent of approximately 300 (technical and non-technical) who are required to be separated through a VRS scheme. In addition there are 250 numbers of non-regular employees (canteen, ad hoc and Mathadi workers) for whom VSS is required. The above manpower reduction will result in savings of approx. ₹30 crore per year. However, given the financial position of HOCL, it is presently not in a position to generate the funds of around ₹108 crore required for implementing the VRS / VSS scheme.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals] (O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Comments of the Committee

(Please See para 13 of Chapter I of the report)

CHAPTER V

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

Recommendation (Sl. No. 3)

The Committee, while reiterating that HOCL's revival plan in the years 2005- 06 was wasted since the Company is once again knocking at the door of BIFR, has taken serious note of the lack of concrete vision in HOCL's former revival plan to suggest suitable technology upgradation so as to reduce the cost of production and remain at par with other companies. They fail to understand the rationale of HOCL remaining in the sector with its plants having just first generation technology, while the CMD had very candidly admitted before the Committee, that international companies were running their plants with the fourth generation technology. The Committee also noted the failure of HOCL to utilise the Government of India support of ₹32.63 crore between 2009-12 for the purpose. A lack of suitable action is quite evident in the matter due to which HOCL has been unsuccessful in the requisite upgrading or modernising of its plants and take advantage of the economy of scale and efficient and increased production, an opportunity more modern plants have utilised optimally. As a result, HOCL has been left far behind in the organic/inorganic chemical sector in India, even by similar PSUs run by State Governments like Gujarat. The Committee hope that HOCL, in its restructuring plan submitted to the Government now, have included concrete proposals to technologically upgrade its units capable of producing those chemicals which will help the Company recover physically and financially while also serving the industrial demands of domestic and overseas markets. In this connection, the Committee note the revamping of the Rasayani Unit of HOCL with financial help from ISRO. They would like to be apprised of the improvements envisaged for the Cumene Plant and Phenol Plant in Kochi, for which ₹260 crore was proposed to be included in the Plan fund for 2015-16 and 2016-17.

Reply of the Government

In the first revival plan submitted in the year 2005-06, the company's main focus was reduction of overhead cost i.e. high interest cost and manpower cost. There was an attempt to increase the production capacity of the plants of Kochi Unit but the same could not materialize due to inability of the company to generate funds required through internal accruals or from external sources. Also, upgradation of existing technology of the Phenol Plant at Kochi could not be taken up in the first revival plan as it required huge investment and long shutdown period.

The Government loans of ₹32.63 crore released during the period 2009-12 was mainly spent at Rasayani for (i) Change of feedstock in Hydrogen Plant from Naptha to CNG (₹ 1 crore), (ii) Import of Nox Blower for Conc. Nitric Acid Plant (₹7.67 crore) for producing N2O4, (iii) Upgradation of DCS System and CTPT meter (₹3.54 crore) etc; and at Kochi for (i) ERP implementation (₹9.29 crore), (ii). Debottlenecking Hydrogen

Peroxide Plant (₹1.85 crore) (iii) Conversion to LNG from LSFO in Hot Oil and Boliers (₹5.67 crore) etc. The company could achieve improved production efficiency and reduction in cost through implementation of the above schemes.

The proposal for Plan fund / budgetary support of ₹260 crore for improvements and capacity expansion of the Phenol plant at Kochi unit has not been approved by the Government. However, the HOCL Board approved revival plan for the company that was submitted to the Department in September, 2015, included modernization and technological upgradation of the plants and machinery of Kochi and Rasayani units of the company at a total cost of ₹238 crore.

As regards the revival plan for HOCL, it is informed that issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Based on the final decision of the Government in this regard, necessary action will be taken.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Recommendation (Sl. No. 5)

The Committee feel that the role of the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers in the losses incurred by HOCL in the last two decades also needs to be understood. The Committee agree with the Department's assessment that the management of the Company is partly responsible for the losses as it could not foresee the emerging trends and competition, and plan accordingly to avoid such a situation. However, they would also like to point out that the management of the Company, especially the Board of Directors, is constituted with the approval of the Department and other relevant Government Ministries. Hence, the Committee feel that the Government also failed in its duty to appoint suitable persons to the Board of Directors of HOCL or to review the performance of the Board during the crucial years of economic liberalization in India and the trend of recurring losses being faced by the Company, as a result of which the Company was referred to BIFR for a second time. The Committee recommend that necessary action be taken by the Department so as to ensure the appointment of such persons who have the necessary skill and calibre to help turn around HOCL's loss-making run. Also, the Committee would urge the Department to expeditiously complete the procedures concerning comments of SBI, the operating agency, and wind up their consideration of HOCL's revival/restructuring plan so as to facilitate its early submission to the Board of Industrial and Financial Reconstruction. The Committee believe that the Government is making positive efforts to revive sick PSUs and thus expect the Department to timely utilise the opportunity in favour of HOCL. They desire to be apprised of the latest development on the matter at the action taken stage.

Reply of the Government

There is a well laid down procedure for appointment of functional Directors on the Board of HOCL, a schedule ‘B’ PSU, which is followed by the Department. The appointment process is initiated by the Public Enterprises Selection Board (PESB) under the Department of Public Enterprises, which after interview with the shortlisted candidates forwards the name and details of the recommended candidate to the Department for appointment as functional Director. The Department, after obtaining approval of the Minister (C&F), sends the requisite proposal for the consideration and final approval of the Appointments Committee of the Cabinet (ACC).

As regards revival / restructuring plan for HOCL, it is informed that issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Based on the final decision of the Government in this regard, necessary action will be taken.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals]
(O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

Recommendation (Sl. No. 10)

The Committee note that HOCL is proposing to undertake a number of steps to raise financial capital, for instance sale of idle assets worth ₹12.57 crore, surplus industrial land and leasing out of surplus land to other PSUs in petroleum and infrastructure sector, in addition to a number of other steps in order to aid in its second revival initiative. The Committee, while noting the steps taken by HOCL to raise working capital to enable it to run its units apart from paying the dues for employees who are being offered Voluntary Retirement so as to reduce the cost being incurred on its manpower, recommend that HOCL should resort to such methods in a judicious and transparent manner so as to not fritter away precious resources to aid the Company only momentarily. The Committee, in particular, are very apprehensive about the selling of land owned by HOCL, for instance, sale of 8 acre freehold land in Panvel, as such an action should not be normally resorted to, considering the scarcity of land in the Country for industrial purposes. Besides, as the chemical industries are considered environmentally hazardous, hence, once HOCL's surplus land is sold, any further expansion of HOCL units to enhance its production that requires land, may not be viable. The Committee desire that sale of HOCL land should not be considered as an option to earn cash for repaying its loans unless a final decision is taken by the Government for closure of the Company itself, which, at present, is not an option. The Committee, therefore, urge that possibilities need to be explored to utilise the Company's surplus land for lease/rent further in addition to the 60 acres proposal to be given to CONCOR at Rasayani, so as to generate funds to settle the Company's liabilities.

Reply of the Government

The 8 acres of land at Panvel is in residential area and can be developed for residential and commercial purposes. The said land was acquired specifically for the purpose of construction of residential colony for the employees.

As mentioned in the preceding replies, issues relating to sick, loss-making and non-performing CPSEs are being examined by the NITI Aayog. Based on the final decision of the Government in this regard, appropriate action on disposal of surplus land assets of the company will be taken.

[Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals] (O.M. No. P-51015/11/2015-Ch.III dated 29.07.2016.)

New Delhi,	**SHRI SHANTA KUMAR**
14 December, 2016	**Chairperson,**
23 Agrahayana ,1938(S)	**Committee on Public Undertakings.**

APPENDIX I

COMMITTEE ON PUBLIC UNDERTAKINGS
(2016-2017)

MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE

The Committee sat on Wednesday, the 14th December 2016 from 1500 hrs to 1520 hrs in Main Committee Room, Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Shanta Kumar - Chairperson

MEMBERS

Lok Sabha

2. Shri Ramesh Bais
3. Dr. Kambhampati Haribabu
4. Shri Prahlad Patel
5. Shri Shivaji A. Patil
6. Shri Ram Sinh Rathwa
7. Shri Narendra Keshav Sawaikar
8. Shri Sushil Kumar Singh
9. Shri Rameshwar Teli

Rajya Sabha

10. Shri Narendra Budania
11. Shri Ram Narain Dudi
12. Shri Tapan Kumar Sen

SECRETARIAT

1.	Smt. Sudesh Luthra	Joint Secretary
2.	Shri G.C. Prasad	Deputy Secretary

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee.

3. **** **** **** ****

4. The Committee thereafter took up for consideration the draft report on action taken by the Government on the Observations / Recommendations contained in the Ninth Report (Sixteenth Lok Sabha) of the Committee on Public Undertakings (2015-16) on 'Hindustan Organics Chemicals Limited (HOCL)' and adopted with a modification to recommendation at Sl. No. 7.

5. The Committee then authorized the Chairperson to finalise the aforesaid draft Reports on the basis of factual verification by Ministries/ Departments concerned and present the same to Parliament.

The Committee then adjourned.

APPENDIX - II

(*Vide* para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS CONTAINED IN THE NINTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2015-16) SIXTEENTH LOK SABHA ON 'HINDUSTAN ORGANIC CHEMICALS LIMITED'

I	Total number of Recommendations	11
II	Recommendations that have been accepted by the Government [Para Nos.2, 7 and 8]	Total - 3 Percentage - 27.27
III	Recommendation which the Committee do not desire to pursue in view of Government's replies [Para Nos. 6 and 11]	Total - 2 Percentage - 18.18
IV	Recommendations in respect of which replies of the Government have not been accepted by the Committee [Para Nos. 1, 4 and 9]	Total - 3 Percentage - 27.27
V	Recommendations in respect of which final replies of Government are still awaited. [Para Nos. 3, 5 and 10]	Total - 3 Percentage - 27.27

Samir Kumar Biswas

Joint Secretary

D.O.No.P.51015/11/2015-Ch.III
Dated July, 2016

Hindustan Organic Chemicals Limited (HOCL) is a CPSE under the administrative control of the Department of Chemicals & Petrochemicals. The company has a unit at Rasayani, Dist: Raigad, Maharashtra, where it manufactures chemical products like Formaldehyde, Nitrobenzene, Conc. Nitric Acid, N2O4, etc. HOCL is the only manufacturer and supplier of N2O4 to ISRO in India which is used by ISRO in its space vehicle launching programme.

2. Earlier the company also used to operate a caustic soda plant at Rasayani. However, due to the huge increase in the cost of power supplied to the Rasayani unit from around Rs.3.26 per unit in 2004 to Rs.8.10 per unit in 2008-09, the operation of the caustic soda plant became unviable (since it is an energy intensive plant) and the same had to be ultimately shut down by the company. In this regard, relevant extracts from the Ninth Report of the Parliamentary Committee on Public Undertakings (CoPU) relating to caustic soda plant is enclosed herewith. It may be seen that the Committee have *inter alia* observed / recommended that "...***They further reiterate that ensuring power supply to its Companies should be a priority of the Government as PSUs producing chemicals need reasonably-priced power for their energy-intensive production. Otherwise, their products, being expensive, may lose in today's highly competitive markets.***"

3. Since ensuring power supply and determining the power cost for industrial units is a matter within the purview of the State Government concerned, the above observation / recommendation of the Committee is being forwarded to you for appropriate action.

Yours sincerely,

(Samir Kumar Biswas)

ShriSwadhin Kshatriya,
Chief Secretary,
Government of Maharashtra,
Mantralaya,
Mumbai – 400 032