

# **FIRST REPORT**

**STANDING COMMITTEE ON  
CHEMICALS & FERTILISERS  
(2004-05)**

**(FOURTEENTH LOK SABHA)**

**MINISTRY OF CHEMICALS & FERTILISERS  
(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)**

**DEMANDS FOR GRANTS  
(2004-2005)**

*Presented to Lok Sabha on 20.08.2004*

*Laid in Rajya Sabha on 20.08.2004*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 2004/Sravana, 1926 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILISERS  
(2004-05)**

**Shri Anant Gangaram Geete      -      Chairman**

***Members  
Lok Sabha***

2. Shri Afzal Ansari
3. Shri Jai Prakash
4. Shri Prahlad Joshi
5. Shri Sukhdev Singh Libra
6. Shri Punmulal Mohale
7. Shri A.K. Moorthy
8. Shri P. Rajendran
9. Shri A. Venkatarami Reddy
10. Kunwar Akshyay Pratap Singh
11. Shri V.K. Thummar
12. Shri Bhanupratap Singh Verma
13. Shri Mansukhbhai D. Vasava
14. Shri Bhal Chandra Yadav
15. Vacant
16. Vacant
17. Vacant
18. Vacant
19. Vacant
20. Vacant
21. Vacant

***Rajya Sabha***

22. Shri Gireesh Kumar Sanghi
23. Shri Raju Parmar
24. Shri Ajay Maroo
25. Dr. Chhatrapal Singh Lodha
26. Shri Sanjay Rajaram Raut
27. Shri R. Shunmugasundaram
28. Shri Raj Mohinder Singh
29. Shri T.R. Zeliang
30. Shri M.A.M. Ramaswamy
31. Vacant

**Secretariat**

1. Shri P.D.T. Achary      -      *Additional Secretary*
2. Shri M. Rajagopalan Nair      -      *Joint Secretary*
3. Shri P.K. Grover      -      *Director*
4. Shri S.C. Kaliraman      -      *Under Secretary*
5. Shri Santosh Kumar      -      *Committee Officer*
6. Smt. Madhu Bhutani      -      *Senior Executive Assistant*

## **INTRODUCTION**

I, the Chairman, Standing Committee on Chemicals and Fertilisers (2004-05) having been authorised by the Committee to submit the Report on their behalf present this First Report on Demands for Grants of the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) for the year 2004-05.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) for the year 2004-05 which were laid on the Table of the House on 22nd July, 2004.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) at their sitting held on 11<sup>th</sup> August, 2004.

4. The Committee considered and adopted the Report at their sitting held on 19<sup>th</sup> August, 2004.

5. The Committee wish to express their thanks to the officers of the Ministry of Chemicals & Fertilisers (Department of Chemicals and Petrochemicals) for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2004-05 and for giving evidence before the Committee.

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

**New Delhi:**

**August 19, 2004**

**Sravana 28, 1926 (Saka)**

**ANANT GANGARAM GEETE**

***Chairman,  
Standing Committee on  
Chemicals & Fertilisers***

# **REPORT**

## **PART – I**

### **CHAPTER I**

#### **INTRODUCTORY**

The Demand No. 7 of the Union Budget (2004-05) makes provision for the financial requirements of the Department of Chemicals & Petrochemicals of the Ministry of Chemicals & Fertilisers. The main objectives of Department of Chemicals & Petrochemicals are to plan, develop, regulate and control industries in the field of Chemicals, Drugs and Pharmaceuticals and Petrochemicals. The business allocated to the Department is listed below:-

- (1) Drugs and Pharmaceuticals, excluding those specifically allotted to other departments.
- (2) Insecticides (excluding the administration of the Insecticides Act, 1968 (46 of 1968)).
- (3) Molasses.
- (4) Alcohol-industrial and potable molasses.
- (5) Dye-stuffs and dye intermediates.
- (6) All organic and inorganic chemicals not specifically allotted to any other Ministry or Department.
- (7) Planning, development and control of and assistance to all industries dealt with by the Department.
- (8) Bhopal Gas Leak Disaster-Special Laws relating thereto.
- (9) Petrochemicals.
- (10) Industries relating to production of non-cellulosic synthetic fibres (Nylon, Polyester, Acrylic etc).
- (11) Synthetic rubber.
- (12) Plastics including fabrications of plastic and moulded goods.

1.2 The Department deals with the following Public Sector Undertakings/ Institutions/Organisations:-

- (i) Hindustan Organic Chemicals Ltd. (HOCL)
- (ii) Hindustan Insecticides Ltd. (HIL)
- (iii) Indian Drugs & Pharmaceuticals Ltd. (IDPL)
- (iv) Hindustan Antibiotics Ltd. (HAL)
- (v) Smith Stanistreet Pharmaceuticals Ltd. (SSPL)
- (vi) Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)
- (vii) Bengal Immunity Ltd. (BIL)
- (viii) Petrofils Cooperative Ltd. (PCL)
- (ix) Central Institute of Plastics Engineering & Technology. (CIPET)
- (x) National Institute of Pharmaceuticals Education & Research (NIPER)
- (xi) Institute of Pesticides Formulation Technology. (IPFT)
- (xii) National Pharmaceutical Pricing Authority. (NPPA)

1.3 The Budget Estimates (2003-04), Revised Estimates (2003-04) and Budget provisions for the year (2004-05) for the Department of Chemicals & Petrochemicals and Public Sector Undertakings/Organisation under its control are as under:-

**(Rs. in crores)**

Major Heads	Heads No.	Budget Estimates 2003-04			Revised Estimates 2003-04			Budget Provision 2004-05		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
REVENUE SECTION										
Secretariat-Economic Services	3451	0.43	5.66	6.09	0.43	6.37	6.80	0.01	6.64	6.65
North Eastern Areas	2552	5.50	--	5.50	4.70	--	4.70	4.71	--	4.71
Industries	2852	28.29	18.47	46.76	24.84	18.13	42.97	52.46	18.90	71.36
Total-Revenue Section		34.22	24.13	58.35	29.97	24.50	54.47	57.18	25.54	82.72

<b>CAPITAL-SECTION</b>										
Capital outlay on Chemicals & Pharmaceutical Industries	4857	2.53	--	2.53	1.53	--	1.53	.03	--	.03
Loans for Petrochemical Industries	6856	--	0.50	0.50	--	0.87	0.87	--	0.51	0.51
Loans for Chemical & Pharmaceutical Industries	6857	18.25	229.57	247.82	15.50	373.38	388.88	20.17	20.96	41.13
<b>Total-Capital Section</b>		<b>20.78</b>	<b>230.07</b>	<b>250.85</b>	<b>17.03</b>	<b>374.25</b>	<b>391.28</b>	<b>20.20</b>	<b>21.47</b>	<b>41.67</b>
<b>GRAND TOTAL</b>		<b>55.00</b>	<b>254.20</b>	<b>309.20</b>	<b>47.00</b>	<b>398.75</b>	<b>445.75</b>	<b>77.38</b>	<b>47.01</b>	<b>124.39</b>

1.4 These Budget provisions relate to Secretariat of the Department, Development of North-Eastern Areas, Bhopal Gas Leak Disaster, National Pharmaceutical Pricing Authority (NPPA) and the grants-in-aid for the Autonomous Bodies, namely Central Institute of Plastics Engineering and Technology (CIPET), Institute of Pesticide Formulation Technology (IPFT) and National Institute of Pharmaceutical Education & Research (NIPER) etc. There is also Budget provision for investment in and loans to Public Sector Undertakings for capital expenditure as well as for Non-Plan support to meet cash losses and payment of salaries and wages in sick PSUs. The Head-wise Budget allocation for BE & RE (2003-04) and BE (2004-05) are given below:-

*(Rs. in crores)*

Sl. No	Major Heads	Heads No.	Budget 2003-04			Revised 2003-04			Budget 2004-05		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	Secretariat-Economic Services	3451	0.43	5.66	6.09	0.43	6.37	6.80	0.01	6.64	6.65
<b>Petrochemical Industries</b>											
2	Central Institute of Plastics Engg. & Technology (CIPET)	2852	10.00	3.38	13.38	6.89	3.38	10.27	34.92	3.38	38.30
3	Subsidy to Assam Gas Cracker Project	2852	0.01	0.01	0.02	0.01	0.01	0.02	0.01	0.01	0.02

<b>Chemical and Pharmaceutical Industries</b>											
4	Bhopal Gas Leak Disaster	2852	-	4.45	4.45	-	4.21	4.21	-	5.11	5.11
5	Grant to Institute of Pesticides Formulation Technology (IPFT)	2852	3.58	-	3.58	3.08	-	3.08	5.73	-	5.73
6	National Institute of Pharmaceuticals Education & Research (NIPER)	2852	12.00	7.42	19.42	13.16	7.62	20.78	3.35	7.11	10.46
7	Chemicals Weapons Convention (CWC)	2852	0.05	0.03	0.08	0.05	0.03	0.08	0.05	0.03	0.08
8	National Pharmaceutical Pricing Authority (NPPA)	2852	-	3.15	3.15	-	2.85	2.85	-	3.23	3.23
9	Pharmaceutical Export Promotion Scheme (PEPS)	2852	-	0.03	0.03	-	0.03	0.03	-	0.03	0.03
10	Pharmaceuticals Research & Dev. Programme (PRDP)	2852	0.25	-	0.25	0.25	-	0.25	5.00	-	5.00
11	Chemical Promotion & Dev. Scheme (CPDS)	2852	2.40	-	2.40	1.40	-	1.40	3.40	-	3.40
<b>Total-Industries</b>		2852	<b>28.29</b>	<b>18.47</b>	<b>46.76</b>	<b>24.84</b>	<b>18.13</b>	<b>42.97</b>	<b>52.46</b>	<b>18.90</b>	<b>71.36</b>
12	Lumpsum provision for N.E.Region & Sikkim	2552	5.50	--	5.50	4.70	--	4.70	4.71	--	4.71
13.01	Smith Stainistreet Pharmaceuticals Ltd. (SSPL)	6857	--	1.92	1.92	--	24.40	24.40	--	0.01	0.01
13.02	Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)	6857	5.00	0.01	5.01	5.00	0.01	5.01	4.64	0.01	4.65
13.03	Bengal Immunity Ltd. (BIL)	6857	--	3.42	3.42	--	49.47	49.47	--	0.01	0.01
13.04	Indian Drugs & Pharmaceuticals Ltd (IDPL)	6857	--	211.22	211.22	--	293.00	293.00	--	14.26	14.26
13.05	Petrofils Co-operative Ltd.(PCL)	6856	--	0.50	0.50	--	0.87	0.87	--	0.51	0.51
13.06	Hindustan Organic Chemicals Ltd. (HOCL)	6857	7.75	--	7.75	6.00	--	6.00	7.19	--	7.19
13.07	Hindustan Insecticides Ltd. (HIL)	6857	2.50	13.00	15.50	2.50	6.50	9.00	5.57	0.01	5.58
13.08	Hindustan Antibiotics Ltd. (HAL)	6857	3.00	--	3.00	2.00	--	2.00	2.77	6.66	9.43
<b>Total</b>		6857	<b>18.25</b>	<b>229.57</b>	<b>247.82</b>	<b>15.50</b>	<b>373.38</b>	<b>388.88</b>	<b>20.17</b>	<b>20.96</b>	<b>41.13</b>
14	Investment in Public Enterprises	4857	2.53	--	2.53	1.53	--	1.53	0.03	--	0.03
<b>Grand Total</b>			<b>55.00</b>	<b>254.20</b>	<b>309.20</b>	<b>47.00</b>	<b>398.75</b>	<b>445.75</b>	<b>77.38</b>	<b>47.01</b>	<b>124.39</b>

### **Non-Plan provisions**

1.5 The Budget provision under Non-Plan has been made for Secretariat expenses of the Department, expenditure on the Secretariat of the office of the Welfare Commissioner, Bhopal Gas Leak Disaster, National Pharmaceutical Pricing Authority, Pharmaceutical Export Promotion Scheme and Chemical Weapons Convention. Non-Plan support is provided under BE (2004-05) to the autonomous bodies under the administrative control of this Ministry viz. NIPER, IPFT and CIPET to meet the deficit on their day-to-day running expenses.

### **Non-Plan Loans to PSUs**



1.6 Non-Plan loans are given to PSUs for meeting shortfall in their resources. For the year 2004-05, a Budget provision of Rs. 21.47 crore as Non-Plan loan has been made. This includes Rs. 14.26 crore for IDPL, Rs. 6.66 crore for payment of terminal dues to the employees of MAPL through the holding company HAL, on the direction of the Mumbai High Court, and Rs. 51 lakh for meeting expenditure by the Liquidator in connection with winding up of the Petrofils Co-operative Ltd. (PCL).

### **Plan Funds to PSUs**

1.7 The total Plan Budget Support for the year 2004-05 is Rs. 77.38 crore which comprises Rs. 20.20 crore as a provision for investments in PSUs including Rs. 0.03 crore as equity and Rs. 20.17 crore as loans. This includes a Budget provision of Rs. 7.19 crore for Hindustan Organic Chemicals Ltd. (HOCL), Rs. 5.57 crore for Hindustan Insecticides Ltd; Rs. 4.64 crore for Bengal Chemicals & Pharmaceuticals Ltd; Rs. 2.77 crore for Hindustan Antibiotics Ltd. for carrying out capital expenditure on repair and replacement of the plant and machinery.

1.8 A provision of Rs. 44.00 crore has also been made as grant-in-aid to Autonomous Bodies and other organisations under Department of Chemicals & Petrochemicals. This mainly includes grant-in-aid to NIPER (Rs. 3.35 crore), CIPET (Rs. 34.92 crore), IPFT (Rs. 5.73 crore) for implementation of their projects included in the Annual Plan for the year with the domestic Budgetary support. Besides this, as per guidelines of the Planning Commission and Ministry of Finance, 10% of the Plan Budget i.e. Rs. 4.71 crore has been earmarked for the Plan schemes in N.E. Region and Sikkim.

## **Departmental Schemes**

1.9 The Plan Budgetary Support for the Departmental Schemes is Rs. 8.45 crore. This includes allocation of Rs. 5 lakh to Chemical Weapons Convention (CWC), Rs. 3.40 crore to Chemical Promotion & Development Scheme (CPDS) and Rs. 5.00 crore to Pharmaceutical Research & Development Programme (PRDP).

1.10 Statement showing the detailed provision object head-wise under RE (2003-04) and BE (2004-05) for the Department of Chemicals & Petrochemicals is as under:-

*(In thousand of Rupees)*

Sl. No	Major Heads	Revised Estimates 2003-04		Budget Estimates 2004-05		
		Plan	Non-Plan	Plan	Non-Plan	Total
1	Salary	--	8,69,17	--	10,24,11	10,24,11
2	Wages	--	18,12	--	19,20	19,20
3	O.T.A.	--	8,30	--	9,00	9,00
4	Domestic Travel Exp.	--	37,41	--	39,00	39,00
5	Foreign Travel Exp.	--	29,00	--	33,00	33,00
6	Office Expenses	43,00	2,55,00	1,00	2,39,30	2,40,30
7	Rent, Rates & Taxes	--	85,00	--	85,00	85,00
8	Professional Services	--	27,50	--	32,00	32,00
9	Publication	--	4,50	--	4,50	4,50
10	Other Admn. Expenditure	5,00	13,00	5,00	16,89	21,89
11	Grants-in-aid	29,48,00	11,00,00	57,11,00	10,49,00	67,60,00
12	Subsidies	1,00	1,00	1,00	1,00	2,00
13	Exchange variation	--	1,00	--	1,00	1,00
14	Other Charges	--	1,00	--	1,00	1,00
15	Investments	--1,53,00	--	3,00	--	3,00
16	Loans & Advances	15,50,00	374,25,00	20,17,00	21,47,00	41,64,00
<b>Total</b>		<b>47,00,00</b>	<b>398,75,00</b>	<b>77,38,00</b>	<b>47,01,00</b>	<b>124,39,00</b>

1.11 Statement showing budget allocation, actual utilization, percentage utilization for the schemes/ projects in Non-Plan for 2003-04 alongwith details regarding unutilized funds, surrender of savings, appropriation of funds from one Head to another, and the supplementary grants received during the year is as under:-

**Non-plan (2003-04)**

*(Rs. in lakh)*

	BE 2003-04	Re-approp/ Supp.	Total Funds Available	Exp. Upto 31.3.04	% Utilisation	Savings/ Surrender
<b>NON PLAN Revenue</b>						
<b>Sectt.</b>	<b>566.00</b>	<b>(+) 41.00</b>	<b>607.00</b>	<b>591.08</b>	<b>97.38</b>	15.92
CIPET	338.00		338.00	338.00	<b>100.00</b>	0.00
Assam	1.00		1.00	0.00	<b>0.00</b>	1.00
<b>Bhopal Gas</b>	<b>445.00</b>	<b>-34.00</b>	<b>411.00</b>	<b>345.04</b>	<b>83.95</b>	65.96
CWC	3.00		3.00	2.95	<b>98.33</b>	0.05
PEPS	3.00		3.00	2.65	<b>88.33</b>	0.35
<b>NPPA</b>	<b>315.00</b>	<b>-27.00</b>	<b>288.00</b>	<b>251.41</b>	<b>87.30</b>	36.59
NIPER	742.00	(+)20	762.00	762.00	<b>100.00</b>	0.00
IDPL			<b>0.00</b>			0.00
<b>NON-PLAN Capital</b>						0.00
<b>Non Plan Loans toPSU</b>						0.00
PCL	50.00	(+)37	87.00	87.00	<b>100.00</b>	0.00
IDPL	21122.00	(+)12098.00	33220.00	29203.00	<b>87.91</b>	4017.00 0.00
HIL	1300.00		1300.00	300.00	<b>23.08</b>	1000.00
BCPL	1.00		1.00	0.00	<b>0.00</b>	1.00
HAL	0.00	694.00	694.00	694.00	<b>100.00</b>	0.00
SSPL	192.00	2226.00	2418.00	2385.04	<b>98.64</b>	32.96
BIL	342.00	4590.00	4932.00	4375.55	<b>88.72</b>	556.45
<b>Total Non-Plan</b>	<b>25420.00</b>		<b>45065.00</b>	<b>39337.72</b>	<b>87.29</b>	5727.28

1.12 The statement showing Budget allocation, re-appropriation/Supplementary Grants, actual utilisation, percentage utilisation in Plan scheme for the year (2002-03) and (2003-04) are as under:-

**Plan (2002-03)**

*(Rs. in lakh)*

	BE 2002-03	Re-approp./ Supp.	Total Funds Available	Exp. Upto 31.3.03	% Utilization	Savings/ Surrender
<b>PLAN Revenue</b>						
Sectt.	3.00		3.00	1.28	42.67	1.72
NE Region	550.00		550.00	287.00	52.18	263.00
CIPET	500.00	(-) 200.00	300.00	299.00	99.67	1.00
Assam	1.00		1.00	0.00	0.00	1.00
IPFT	350.00	(-) 109.00	241.00	241.00	100.00	0.00
CPDS	40.00		40.00	4.32	10.80	35.68
PRDP	25.00		25.00	23.15	92.60	1.85
IDPL	0.00	(+) 700.00 2nd Supp.	700.00	700.00	100.00	0.00 0.00
NIPER	1507.00		1507.00	1507.00	100.00	0.00
CWC	5.00	(-) 5.00	0.00			0.00

<b>PLAN Capital</b>						0.00
HIL	806.00		400.00	520.00	130.00	-120.00
HOCL	910.00		910.00	910.00	100.00	0.00
IDPL	1.00		1.00	0.00	0.00	1.00
HAL	300.00		300.00	200.00	66.67	100.00
SSPL	1.00		1.00	0.00	0.00	1.00
BIL	1.00		1.00	0.00	0.00	1.00
BCPL	500.00		500.00	500.00	100.00	0.00
<b>Total Plan</b>	<b>5500.00</b>		<b>5886.00</b>	<b>5192.75</b>	88.22	693.25

**Plan (2003-04)**

*(Rs. in lakh)*

	<b>BE 2003-04</b>	<b>Re-approp/ Supp.</b>	<b>Total Funds Available</b>	<b>Exp. Upto 31.3.04</b>	<b>% Utilisation</b>	<b>Savings/ Surrender</b>
<b>PLAN Revenue</b>						
Sectt.	43.00		43.00	41.21	95.84	1.79
NE Region	550.00		550.00	451	82.00	99.00
CIPET	1000.00		1000.00	689	68.90	311.00
Assam	1.00		1.00	0	0.00	1.00
IPFT	358.00		358.00	167	46.65	191.00
CPDS	240.00		240.00	12.39	5.16	227.61
PRDP	25.00		25.00	23.00	92.00	2.00
IDPL						0.00
						0.00
NIPER	1200.00		1200.00	1200	100.00	0.00
CWC	5.00		5.00	2.98	59.60	2.02
<b>PLAN Capital</b>						
HIL	500.00		500.00	400.00	80.00	100.00
HOCL	775.00		775.00	600.00	77.42	175.00
IDPL	1.00		1.00	0.00	0.00	1.00
HAL	300.00		300.00	200.00	66.67	100.00
SSPL	1.00		1.00	0.00	0.00	1.00
BIL	1.00		1.00	0.00	0.00	1.00
BCPL	500.00		500.00	500.00	100.00	0.00
<b>Total Plan</b>	<b>5500.00</b>		<b>5500.00</b>	<b>4286.58</b>	77.94	<b>1213.42</b>

1.13 During (2003-04), there was 87.29% utilisation in Non-Plan Schemes and 77.94% utilisation in Plan schemes leaving a sum of Rs. 5727.28 lakh and Rs. 1213.42 lakh unutilised respectively. During 2002-03, under plan schemes, there was 88.22% utilisation leaving a sum of Rs. 693.25 lakh unutilised.

1.14 On being asked by the Committee about the reasons for less utilisation of Budget allocation during the year 2002-03 and 2003-04, the Ministry in their written reply stated as under:-

**“Year 2002-03**

- (i) The savings under salary head is due to non-filling up of vacant posts.
- (ii) The savings under the Head Bhopal Gas is due to drawl of lesser amount from the dollar deposit account for distribution of the compensation to the victims of Bhopal gas and also due to decrease in the Establishment expenses of the office of the Welfare Commissioner due to disposal of pending cases.
- (iii) The Cabinet had approved one time grant of Rs.10 crore to UPDPL through IDPL for rehabilitation of UPDPL. A technical supplementary of Rs. 4.86 crore was sanctioned in the supplementary Demands for grants for 2002-03 to be met by surrender of equivalent amount from capital section of the grant. Accordingly matching savings under the heads HIL, HAL and Petrofils Co-operative Ltd. have been surrendered.

**Year 2003-04**

**Non-Plan**

- (i) The savings under the Head Sectt. is mainly due to non-receipt of bills relating to foreign travel from Balmer and Lawrie.
- (ii) The savings under the Head Bhopal Gas is due to decrease in the Establishment expenses of the office of the Welfare Commissioner due to disposal of pending cases.
- (iii) Savings under the Head NPPA is mainly due to shifting of the Office to the new premises and thereby reduction in the expenditure on account of rent rate and taxes.
- (iv) Savings under the head IDPL is due to retention of around 500 employees as skeleton staff to attend the pending works in the company and maintenance of plant and machinery and other assets.
- (v) Savings under HIL is due to the VRS Scheme offered by the company had not received proper response from the employees.
- (vi) Savings under the BIL is due to retention of 10% money payable to VRS optees after the final audit on the VRS payment is over.

**Plan:**

- (vii) Savings under NE Region Plan Head is to be transferred to non-lapsable pool as per the instructions of the Planning Commission.
- (viii) Savings under the head IPFT is on account of adjustment of Corpus fund accumulations, as the same is not approved by the Government of India and adjustment of unspent balance out of the earlier releases to the unit.
- (ix) Savings under CPDS is due to the fact that the works relating to the scheme of setting up of Mega Chemical Industrial Estate could not be completed.
- (x) A cut of Rs.8 crore has been made in the RE stage over the plan for 2003-04 which has necessitated surrender.”

## **CHAPTER II**

### **REVENUE SECTION**

The budget provision for the Department of Chemicals and Petrochemicals for the year 2004-05 is as under: -

	<i>(Rs. in crore)</i>		
	Plan	Non-plan	Total
Revenue Section	57.18	25.54	82.72
Capital Section	20.20	21.47	41.67
<b>Total</b>	<b>77.38</b>	<b>47.01</b>	<b>124.39</b>

The above budget proposals for expenditure relating to secretariat economic services, petrochemical industries, chemical and pharmaceutical industries, autonomous institutions, N.E. Region and Sikkim, etc. have been made under various heads. The head-wise analysis of budget allocation has been made in succeeding paragraphs: -

#### **(I) Major Head '3451'**

2.2 The allocation under this head is meant for salaries, wages, OTA, medical treatment, domestic travel expenses, foreign travel expenses, professional services, publication, office expenses and other administrative expenditure of Secretariat. The actual expenditure under this head during the year 2002-03 was Rs. 1,28,000 in Plan and Rs. 5,25,32,000 in Non-Plan. The allocation in Revised Estimate during 2003-04 under this head was Rs. 43,00,000 as Plan and Rs. 6,37,00,000 as non-Plan. The budget allocation during the year 2004-05 has been kept at one lakh under Plan and Rs. 6,64,00,000 under Non-Plan.

#### **(II) Major Head '2852'**

2.3 Under this head, the funds are allocated for meeting financial requirements of petrochemical industries as well as chemical and pharmaceutical industries under the administrative control of Department of Chemicals & Petrochemicals. The fund is also meant for Bhopal Gas Leak Disaster, subsidy to Assam Gas Cracker Project, Chemical Weapon Convention (CWC), National Pharmaceutical Pricing Authority (NPPA), Pharmaceutical Export Promotion Scheme (PEPS), Pharmaceutical Research & Development Programme (PRDP), Chemical

Promotion & Development Scheme (CPDS). Each of these schemes has been dealt with in succeeding paragraphs:-

**(A) PETROCHEMICAL INDUSTRIES**

**(a) Central Institute of Plastics Engineering & Technology (CIPET)**

2.4 Central Institute of Plastic Engineering and Technology, an autonomous institution under the Department of Chemicals and Petrochemicals is devoted to the services of plastic industries since 1968. The main objectives of the institute are:

- To train and develop manpower in different discipline of plastic engineering and technology;
- To organise conventional advanced labour training programmes for upgradation of skill;
- To provide technical services to the industries in the area of design, fabrication of moulds, machinery and equipment, computer aided engineering services, testing and quality assurance, consultancy and advisory services;
- Application development in the areas of Plastics; and
- To act as R&D institute for small/ medium scale industries

2.5 CIPET centres are established at Chennai, Ahmedabad, Amritsar, Bhubaneswar, Bhopal, Guwahati, Hyderabad, Haldia, Imphal, Lucknow, Patna and Mysore. CIPET is also considering to establish some new centres in the country. In this connection, when the Committee asked whether Government is planning to establish new extension centres particularly in the States of Rajasthan and Maharashtra, the Ministry in their written reply stated as under:

“CIPET had actively interacted with the State Governments of Rajasthan and Maharashtra as well as the Industry Associations in these states for setting up CIPET centres where 100% funding on infrastructure would be made by the States/ Industry Associations and management would be provided by CIPET. However, no positive response has been received from these states on this proposal. Rather Government of Rajasthan has requested that Central Government should also provide part funds for such centres as was being done in the past. Looking to the usefulness of these centres and their potential, it has recently been decided to propose setting up of three new CIPET centres in Rajasthan, Maharashtra and NCR Area on the pattern of earlier scheme where 50% expenditure is borne by the Central Government.”



2.6 The Budget Estimate and Revised Estimate during (2003-04) and BE (2004-05) for CIPET are as under:

(Rs. in crore)

	Plan	Non-plan	Total
<b>Budget Estimate (2003-04)</b>	10.00	3.38	13.38
<b>Revised Estimate (2003-04)</b>	6.89	3.38	10.27
<b>Budget Estimate (2004-05)</b>	34.92	3.38	38.30

2.7 The Department have informed that during the year (2004-05) the Plan assistance of Rs. 34.92 crore consists of Rs. 30.27 crore of externally aided projects. CIPET will require Rs. 3.57 crore of counterpart fund which will be utilised for augmenting machinery, equipment and expertise in the related thrust areas of each centre. The Institute has fixed some targets of income generation Centre-wise during (2004-05) which are as under:-

(Rs. in lakh)

SL. NO.	PARTICULARS	AHD	AMR	BPL	BBSR	CHN	CORP	GUW	HAI	HAL	Hyd	Lko	MYSORE	TOTAL
I	<b><u>TRAINING COURSES</u></b>													
1	Long Term	34.24	33.24	31.99	45.95	64.93	0.00	13.31	18.18	22.25	31.63	44.12	42.46	382.29
2	Short Term	12.94	2.17	15.57	36.67	105.99	0.00	1.34	1.34	4.41	39.28	11.06	11.88	242.65
3	Application Form & Prospectus	0.00	0.00	0.00	0.00	0.00	16.00	0.00	0.00	0.00	0.00	0.00	0.77	16.77
4	Examination Fees	0.00	0.00	0.00	0.00	0.00	17.22	0.00	0.00	0.00	0.00	0.00	0.00	17.22
II	<b><u>TECHNICAL SERVICES</u></b>													
5	Design of Moulds & Dies	0.22	0.38	0.27	0.66	0.28	0.00	0.01	0.02	0.02	0.17	0.18	0.22	2.43
6	Fabrication of Moulds & Dies	25.09	0.11	0.06	0.03	18.57	0.00	0.01	0.21	0.00	1.01	0.06	0.17	45.32
7	Job order in Tool Room	18.54	2.71	20.20	15.55	21.19	0.00	0.02	0.15	0.10	17.54	6.95	3.03	105.98
8	Job order in Processing	9.13	2.48	0.56	7.64	17.22	0.00	0.07	1.13	0.26	8.88	4.68	8.24	60.27
9	Testing Services	131.76	46.34	74.92	30.92	153.90	0.00	0.01	0.28	26.77	56.44	60.31	35.86	617.51
10	Developmental/Research Projects	0.00	0.28	2.66	9.23	4.42	0.00	0.00	0.00	0.00	2.52	0.00	16.05	35.17
11	Consultancy Services	5.62	0.06	0.15	0.28	2.07	7.20	0.02	0.13	0.20	0.42	0.82	1.35	18.32
12	Equipment Fabrication	19.48	1.35	0.00	1.62	50.04	0.00	0.00	0.00	0.00	0.32	1.24	1.86	75.92
13	Inspection Services	0.83	0.02	0.02	35.39	0.02	0.00	0.02	0.00	0.00	0.02	0.02	5.24	41.60
14	Sale of Scrap	0.06	0.76	0.02	3.76	8.88	0.00	0.00	0.00	0.00	0.01	0.07	2.17	15.72
III	<b><u>OTHER RESOURCES</u></b>													
15	Int.on Term Deposits	11.54	4.41	3.59	9.38	7.31	159.12	0.71	6.45	0.17	0.75	0.95	2.39	206.77
16	Computer Services	0.16	0.02	0.06	0.06	0.02	0.00	0.00	0.00	0.02	0.02	0.02	0.02	0.40
17	Publications	0.01	0.00	0.00	0.00	1.59	0.18	0.02	0.00	0.03	0.00	0.04	0.00	1.89
18	Income from Seminar	0.00	0.00	0.00	0.02	4.82	0.28	0.00	0.00	0.00	0.00	0.00	0.00	5.12
19	Others	4.44	5.76	4.56	4.37	15.19	5.51	0.62	0.10	4.94	6.26	12.51	11.14	75.39
	<b>TOTAL</b>	<b>274.06</b>	<b>100.09</b>	<b>154.64</b>	<b>201.53</b>	<b>476.44</b>	<b>205.51</b>	<b>16.17</b>	<b>27.99</b>	<b>59.17</b>	<b>165.27</b>	<b>143.02</b>	<b>142.84</b>	<b>1966.75</b>

2.8 The Ministry have informed that the plan amount of Rs. 1.28 crore is meant for ongoing schemes of providing Computer Aided Design/Computer Aided Manufacturing facilities and plastic recycling and waste management facilities. In this context, when the Committee asked about the achievements of CIPET in recycling and waste management of plastics, the Ministry in their written reply submitted as under:-

“CIPET is concentrating on the application oriented development programmes in the areas of value added recycling, development of blends from recyclates, etc. The usage of plastics in consumer items, packaging had lead to the generation of plastics waste which need to be managed suitably to avoid present and future environment problems of higher magnitude. It is conducting public awareness programmes for students and industry. To strengthen its applied research capabilities it is setting up a plastic re-cycling and waste management facilities at Chennai which will be operational during the current year.”

2.9 In regard to the financial assistance to CIPET, the Ministry have further explained that in the Tenth Five Year Plan CIPET has been sanctioned plan assistance of Rs. 80 crores under Externally Aided Project (EAP) and Rs. 20 crores as DBS. The externally aided project “Capacity Building of CIPET Centres for Development of Infrastructure in Thrust Areas” was to be funded by OPEC. Initially the loan amount was US \$ 16.67 million and later reduced to US \$ 13.67 million keeping in view the repaying capacity of the institute. CIPET wanted the amount as a grant-in-aid on the lines of World Bank Assistance. Later on it conveyed its decision to accept the soft loan. Due to these reasons the loan agreement could not be finalized.

2.10 When the Committee asked about reasons for non-finalisation of the proposal of loan amount of US \$ 13.67 million so far, the Ministry replied as under:-

“Department of Economic Affairs, the nodal department for externally aided projects, sent a draft agreement vetted by Department of Legal Affairs in May, 2004. Department of Legal Affairs has made some observations on certain clauses of the agreement. These need to be clarified by DEA. The matter is being pursued with them.”

2.11 On being enquired by the Committee as to what the Ministry is going to do in the field of plastic recycling and its proper use, the Secretary, Chemicals & Petrochemicals stated during oral evidence as follows:-

“We have mentioned it in one of the answers to the questions that we are trying to finalise the Petrochemical Policy. It is in the stage of consideration and consolidation with various Ministries in the Government of India. We are going to keep track there for recycling and we shall lay emphasis on that.”

2.12 In regard to use of plastic, the Secretary, further added:-

“But in our policy of petrochemicals, whenever it is finalised, we shall lay emphasis on plastic recycling. We share the Hon'ble Members' concern that the material is of a highly polluting nature. But, as Dr. Verma has pointed out, it also has a very useful role to play. Modern development cannot completely do away with plastics. The best we can do is to emphasise recycling or to promote technologies and scales of economy where it becomes viable.”

#### **(b) Assam Gas Cracker Project**

2.13 The Assam Gas Cracker Project was proposed in 1984 for utilisation of petroleum fraction of natural gas resources of Assam. Assam Gas Cracker Project is being implemented as part of Assam Accord to give boost to the developmental activities in Assam. The Assam Industrial Development Corporation (AIDC), a State Government Undertaking, was issued Letter of Intent for setting up of a Gas Cracker of 3 lakh TPA Ethylene. The Letter of Intent was subsequently transferred to Reliance Assam Petrochemicals Ltd. (RAPL), a Joint Venture between AIDC and Reliance Industries Ltd. (RIL). With a view to make Gas Cracker Project a viable commercial proposition, the Central Government has approved inter-alia, the following special incentives/concessions:-

- Provision of Rs. 377 crore as one time capital subsidy.
- Provision of Associated Gas for the project at a price of Rs. 600 per thousand standard cubic metres for production of 2 lakh tonnes of ethylene for a period of 15 years.

- Infrastructure subsidy (Rs. 72 crore) to be paid to M/s. Oil India Ltd. for expenditure pertaining to Duliajan Gas Separation Plant.
- GAIL's Gas Separation Plant under implementation at Lakwa to be transferred to the project at a price to be determined by an independent agency (Tariff Commission)

2.14 Originally the Cracker Project was proposed to be established with a capacity of 3 lakh tonnes per annum. However, a monitoring group under the Secretary, Department of Chemicals & Petrochemicals, was set up in 1992. The group assessed that there would be associated gas available for the production of 2 lakh tonnes of Ethylene only. Accordingly, the capacity of the Cracker was fixed at 2 lakh tonnes of Ethylene per annum.

2.15 The Ministry have further stated that even if the issue of feedstock supply is finalised, it is expected that nearly 4 years would be required for implementation of the project. The feasibility of setting up such a Cracker complex in Assam in the changed economic scenario is also simultaneously receiving the attention of the Government.

2.16 OIL is to supply 5 mmcmd of Gas for the project. They have already finalized/signed agreement with RAPL in this regard on 19/10/2000.

2.17 ONGC is to supply 1.35 mmcmd of gas for the project. The Department of Chemicals & Petrochemicals has informed that the agreement between ONGC and RAPL has been initialed barring few clauses which relate to the supply of alternate feedstock to make up the shortfall in the supply of gas. The agreement between ONGC & RAPL regarding supply of 1.35 mmcmd of gas is pending for decision on the supply of LPG for the shortfall in the feedstock supply and the price and subsidy on LPG is to be approved by the Government.

2.18 Reliance Assam Petrochemicals Ltd., (RAPL) has informed to the Government that with this quantity and quality of gas being made available by ONGC, they would not be able to produce 70,000 tones p.a of ethylene as

envisaged by the Government. In this context, when the Committee asked what quantity/quality constraint has been observed by RAPL, the Department of Chemicals & Petrochemicals in their written reply have submitted as under:-

“Reliance Assam Petrochemicals Ltd. (RAPL) informed that 5 mmscmd of gas to be supplied by OIL would be sufficient for 1,30,000 tonnes of ethylene per annum. However, with the decline in quality of gas being made available by ONGC ( 1.35 mmscmd), they would produce only 28,000 tonnes per annum of Ethylene for the first five years and 15,000 tonnes p.a for the remaining 10 years. They, therefore, requested that gas feedstock for the production of 200,000 of Ethylene may be provided to them so that the project is viable.”

2.19 The present price of natural gas is Rs. 1700/ thousand cubic meters for the north east and for the general consumer price is Rs. 2850 per thousand cubic meters. The concessional gas price applicable to the consumers in North East in 1994 was Rs. 1000/ thousand cubic meter of gas with a further discount of Rs. 400/ thousand cubic meter on a case to case basis. This was valid up to 31.12.1995. However, the Cabinet decided to make available the gas at the fixed concessional price of Rs. 600 per thousand cubic meter of gas for production of 200,000 tones of ethylene per annum for a period of 15 years.

2.20 Indian Oil Corporation is to supply LPG for the project to make up the shortfall in the supply of gas. Since the cost of LPG is very high and a substantial subsidy would be required to be paid to the Indian Oil Corporation, they have not signed any agreement with RAPL as yet pending finalization of the question of payment of subsidy to the company by the Government. When the Committee asked whether Ministry of Finance has been approached to provide funds for the purpose or to solve the problem with any alternate option, the Ministry in their written reply stated as under:-

“The matter about subsidy was discussed in the Ministry of Finance. Since a substantial amount of subsidy was involved, they desired to have the views of GAIL about the viability of the project and whether GAIL could take up the project. They also suggested that in case this project is not viable, some alternate project may be considered by the Government.

Since substantial amount (more than Rs. 6000 crore over a period of 15 years) is required to be reimbursed to the oil companies as subsidy for supplying feedstock at the concessional rate of Rs. 600 per thousand cubic meters of gas, the Government is examining as to whether the project would remain viable or not. The question of involving some PSU in the implementation of the project is also being considered.”

2.21 Thus, for the implementation of the project, there are two critical issues viz. acquisition of land and signing of LPG supply agreement between RAPL and IOCL. Taking into account the magnitude of the problem and involvement of more than one Ministry in execution of project, the erstwhile Standing Committee on Petroleum & Chemicals had dealt with the matter in their 40<sup>th</sup> Report on Demands for Grants (2003-04) and 51<sup>st</sup> Report on Action Taken Report thereon and had recommended that a Committee of Secretaries comprising of Secretaries of the Department of Chemicals & Petrochemicals, Ministry of Petroleum & Natural Gas and Ministry of Finance be constituted under the Chairmanship of Cabinet Secretary and the Cabinet Secretariat be made a nodal agency for resolving all the outstanding issues including finalisation of Gas Supply Agreement, making Budgetary provisions for subsidy to Oil Companies etc.

2.22 The Ministry in their Action Taken Statement furnished to the Committee in December, 2003 has stated that the matter regarding subsidy for the project is being examined by a Committee of Secretaries in which all concerned Secretaries are involved. The Committee is chaired by the Cabinet Secretary. In this regard when the Committee asked whether any final decision has been taken in the matter, the Ministry in their post evidence reply stated as under:-

“A note for the Committee of Secretaries was sent on the suggestion of Cabinet Secretariat to give recommendations on subsidizing the supply of gas/LPG at the rate of Rs. 600 per thousand cubic metre of gas for production of 2.00 lakh TPA of ethylene over a period of 15 years and authorising Ministry of Finance to determine the modalities for release of subsidy to the oil and gas companies to Cabinet Secretariat on 22<sup>nd</sup> July, 2003.

- (i) The note was to be considered in the meeting Chaired by Cabinet Secretary with Secretaries from Department of Chemicals & Petrochemicals, Ministry of Petroleum & Natural Gas, Ministry of

Statistics & Programme Implementation, Ministry of Finance, Department of Expenditure, Department of Development of North East Region, Planning Commission.

- (ii) Committee of Secretaries desired that the latest comments of the Ministry of Finance and Ministry of Petroleum & Natural Gas be incorporated in the Note for the Committee of Secretaries. Ministry of Finance in their comments desired for the inclusion of comments from GAIL (India) Ltd. Ministry of Petroleum & Natural Gas is coordinating with GAIL (India) Ltd. M/s. GAIL (India) Ltd., has submitted a proposal for implementing the Assam Gas Cracker Project. The viability of the project will be known only after the total financial implications are available.”

**(B) CHEMICAL & PHARMACEUTICAL INDUSTRIES**

**(a) Bhopal Gas Leak Disaster**

2.23 Due to the leakage of the lethal gas known as Methyl Iso-Cyanate (MIC) stored in the storage tanks of Union Carbide factory at Bhopal in December 1984, causing death and injury to a large number of people of the Bhopal city, various relief and rehabilitation measures have been undertaken by the State and the Central Governments.

2.24 Subsequently, the Central Government approved an Action Plan with an outlay of Rs. 163.10 crore for the medical, economic, social & environmental rehabilitation of the victims. Later on the outlay was increased to Rs. 258.00 crores which was to be shared between the Central Government and the State Government of Madhya Pradesh in the ratio of 75:25. The Central Government released its share of Rs. 193.50 crore. It has been informed by the Ministry that State Government has also released its share of funds and the Action plan has been completed in the year 2001 under which a scheme costing of Rs. 8.5 crore has been implemented to provide safe drinking water.

2.25 As per the direction of the Supreme Court, a new Trust named the 'Bhopal Memorial Hospital Trust' was set up under the Chairmanship of retired Chief Justice Shri A.M. Ahmedi in August, 1998 to oversee the construction and Management of the speciality Hospital.

### **Adjudication of compensation claims**

2.26 The process of adjudication of claims for payment of compensation to the victims of the disaster commenced in February, 1992. The actual disbursement of money could be started only in October, 1992 when the compensation amount that had been deposited by the Union Carbide India Ltd. with the Reserve Bank of India under the orders of the Supreme Court was transferred to the Welfare Commissioner for adjudicating the claims. The total number of claims decided upto 31.12.2003 is 10,29,515, the break-up of which is given below:-

Category	Cases Registered	Decided	No. of Awarded cases	No. of pending cases	Total amount awarded Rs/crore	Total Amount disbursed Rs/crore	Total No. of claimants to whom amount disbursed
01 (injury)	10,01,723	10,01,723	5,55,018	Nil	1447.90	1444.63	5,53,306
02 (Loss of Livestock)	658	642	233	Nil	0.11	0.07	140
03 (Loss of Property)	4,901	4,901	544	Nil	0.14	0.12	490
04 (death)	22,149	22,149	15,256	Nil	87.81	87.36	14,982
05 (PSU Cases)	84	84	07	Nil	0.04	0.02	04
<b>Total</b>	<b>10,29,515</b>	<b>10,29,515</b>	<b>5,71,058</b>	<b>Nil</b>	<b>1536.00</b>	<b>1532.20</b>	<b>5,68,922</b>

2.27 The Department of Chemicals & Petrochemicals has informed that as on 30.06.2004, there are 1058 appeals, 44 revision petitions lying pending in the office of Welfare Commissioner. In addition to this, there are 11,647 applications pending for scrutiny and motion hearing in the Court of Welfare Commissioner. In this connection, when the Committee asked whether the Government have



thought it fit to appoint a full time Welfare Commissioner for speedy disposal of cases, the Department replied as under:-

“The Government had requested the Chief Justice of Madhya Pradesh High Court to appoint a full time High Court Judge for speedy disposal of pending cases. However, the Chief Justice recommended only part time appointment of the Welfare Commissioner. The Government is again requesting for the appointment of a High Court Judge on full time basis as the Welfare Commissioner in view of the expected increased work load due to the Supreme Court order dated 19<sup>th</sup> July, 2004 for pro-rata disbursement of the compensation amount.

The text of the order is as under:

‘The Welfare Commissioner shall disburse the amount keeping in view the order of this Court, particularly paragraph 7 made in IA Nos. 16 & 17 in Civil Appeal Nos.3187-88 of 1988, dated 16.10.1992 to the persons whose claims have been settled on pro-rata basis having due regard to the number of claims settled, unsettled and pending. As and when the Welfare Commissioner makes request to the Reserve Bank of India, the RBI may place the funds at the disposal of the Welfare Commissioner from time to time. We are informed that the amount of disbursement available with the RBI as on today is approx.1503.01 crores.’ “

2.28 On being enquired by the Committee as to whether the relief amount of Rs. 1503 crore is still lying with RBI, the Ministry in a written note stated as follows:-

“According to the information furnished by the Reserve Bank of India as on 7.7.2004 there is a sum of about Rs.601 crore in the account of the Welfare Commissioner. Out of this the foreign currency component account has a sum of Rs.475.76 crore and balance about Rs.125 crores in Rupee account. The balance foreign currency compensation amount with current exchange rate of one US \$ to Rs. 45 will work out about Rs.1402 crores. However, the exact quantum of amount will depend upon the exchange rate on the date of withdrawal. The disbursement process will start soon. According to the Welfare Commissioner the process of disbursement is likely to be completed in about a year's time.”

2.29 When the Committee desired to know about the progress made on Government's request for appointment of a full time Judge as Welfare Commissioner and whether a retired High Court/District Judge can be appointed

as full time Welfare Commissioner, the Ministry in a post-evidence reply stated as under:-

“The Department of Chemicals & Petrochemicals, through Ministry of Law and Justice, had been requesting Chief Justice of Madhya Pradesh High Court to spare the services of a full time judge as the Welfare Commissioner. However, so far, the High Court of Madhya Pradesh has not been able to spare the services of a High Court Judge on full time basis.

The matter was examined in consultation with Ministry of Law and Justice. According to them, the Welfare Commissioner should be a sitting Judge of the High Court.”

### **Toxic Waste**

2.30 It has been noticed that there is substantial and severe contamination of land and drinking water supplies with heavy metal and persistent organic contaminants both within the plant and in the surrounding areas. While the Bhopal Gas Leak Disaster was settled by an order of the Supreme Court in 1989, the issue of soil and water contamination has not been addressed so far. The Union Carbide was sold to Dow Chemicals in US but the plant site is owned by the Madhya Pradesh Government. Hence, the New York Federal Court said that it could direct Union Carbide to clean up the factory ravaged by the gas leak but for this a No Objection is to be sent by Indian Government by June, 30. The Madhya Pradesh Government urged the Central Government to send NOC stating that it is in the public interest that the toxic waste from the site is removed and disposed of earlier. The Government of India has filed No Objection on 28<sup>th</sup> June, 2004. In this connection, when the Committee asked as to whether the cleaning operation has begun, the Ministry, in a written note, submitted as under:-

“The cleaning up operation within and surrounding areas of former Union Carbide Plant has not started so far. The site is in possession of the State Government since 1998. The main hurdle in the removal of toxic wastes is identification of proven technology for the disposal of hazardous wastes and selection of secured site for disposal of the same. Last year a team of Central Pollution Control Board Officers visited the site alongwith

officers of Madhya Pradesh Pollution Control Board and Directorate of Bhopal Gas Relief and Rehabilitation and submitted a status report. As per the recommendations of Ministry of Environment and Forests, Engineers India Ltd. was requested to prepare a plan for the removal of toxic wastes and its cost estimates. It has submitted its technical proposal on 6<sup>th</sup> July, 2004. The State Govt. of Madhya Pradesh has been requested to offer its comments on the proposal.”

2.31 On being asked by the Committee whether comments of the State Government of Madhya Pradesh on the technical proposal of Engineers India Limited (EIL) for removal of toxic waste have been received, the Ministry in a post evidence note submitted as follows:-

“The proposal of Engineers India Limited was discussed with the officials of the State Government of Madhya Pradesh in a meeting on 5<sup>th</sup> August, 2004. The State Government of Madhya Pradesh has agreed with the proposal of Engineers India Limited for the steps to be taken for removal of toxic wastes and decommissioning of the plant.”

**(b) Chemical Weapons Convention (CWC)**

2.32 Chemical Weapons Convention is a universal non-discriminatory multilateral, disarmament treaty, which bans the development, production, acquisition, transfer, use and stockpile of all chemical weapons. The treaty puts all the State Parties on an equal footing. Countries who produce and use chemicals that can be conveniently converted into chemical weapons have to be open and transparent about the use they put these chemicals to. The Convention was opened for signature on 13<sup>th</sup> January, 1993 in Paris. India signed the Convention on 14<sup>th</sup> January, 1993.

2.33 Under Chemicals Weapon Convention (CWC) , an allocation of Rs. 5 lakh Plan and Rs. 3 lakh Non-Plan was made during BE & RE (2003-04). During 2002-2003 and 2003-2004 there was expenditure of Rs. 2 lakh and Rs.4 lakh respectively under the Head of account other administrative expenses. This was

incurred on organizing awareness raising workshops about CWC and for the creation of infrastructural facilities for the implementation of CWC.

2.34 During the year (2004-05), an amount of Rs. 5.00 lakh Plan and 3.00 lakh non-plan has been allocated. The Department has informed that the expenditure will be incurred on various activities relating to the raising of awareness about the obligations under the Chemical Weapons Convention in the chemical industry. This will include awareness raising workshops/ seminars which are planned in different regions of the country having good concentration of the chemical industry as also for preparing suitable literature. Expenditure will also be incurred on arranging infrastructural facilities for the implementation of CWC.

2.35 To be able to discharge the obligations under the Convention, each country is required to have a domestic legislation, which makes the filing of correct information about various activities in schedule chemicals mandatory. CWC Act has been enacted on 28<sup>th</sup> August, 2000. In this connection, when the Committee asked whether the rules and regulations under CWC Act have been notified, the Department in their written reply submitted as under:-

“In the last meeting of the Steering Committee of the National Authority held under the Chairmanship of the Cabinet Secretary on 8<sup>th</sup> July, 2004 it has been decided to bring the Act into force, while holding in abeyance the Articles 18 and 39 of the Act, which relate to the requirement of Registration and punishment for not Registering. Rules and regulations are in the process of being framed accordingly.”

**(c) National Institute of Pharmaceutical Education & Research (NIPER)**

2.36 The National Institute of Pharmaceutical Education & Research (NIPER) has been set up at a cost of Rs. 99 crore at Mohali (Punjab), as a part of the economic package for the State of Punjab. The Institute is located in SAS Nagar near Chandigarh on a plot of 130 acres of land provided free of cost by the Government of Punjab.

2.37 NIPER has been conceived as a mother Institution to set standards of excellence for pharmaceutical sciences and for research and development in the field of pharmaceuticals. The setting up of NIPER fulfils a demand of several decades by the Indian pharmaceutical Industry and profession. It is the first national level institute in India in the field of pharmaceutical sciences and has been declared as an Institute of National Importance by an Act of Parliament on 26.6.1998.

2.38 In RE (2003-04), a Budget allocation of Rs. 20.78 crore was made, 13.16 crore under Plan and 7.62 crore under Non\_Plan. The actual expenditure for the year was Rs. 20.49 crore. During the year (2004-05), an amount of Rs. 10.46 crore has been given, Rs. 3.35 crore as Plan and Rs. 7.11 crore as Non-Plan.

2.39 Till date NIPER has filed 38 patent applications for the product, out of which 7 applications have been filed during the last year. The Institute has been granted 4 patents till date out of which 2 are US patents. Out of this one patent has been given for commercial production in collaboration with the Ind-Swift Laboratories. When the Committee asked about the number of projects undergoing in the Institute and details about internal generation of resources, the Department of Chemicals & Petrochemicals in a written note submitted as under:-

“50 projects are undergoing in the Institute with an estimated cost of Rs. 15 crore. The detail is as under:

<b>Year</b>	<b>Amount</b>
2001-02	223.71
2002-03	270.57
2003-04	339.21
2004-05	440.00(proposed)”

2.40 The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) is a part of the Agreement establishing the World Trade Organization (WTO) which India has ratified and which came into force from January 01, 1995. India is bound by international obligation under TRIPs to introduce product patent regime. In this connection, when the Committee asked how NIPER has helped the Indian Pharmaceutical Industry in solving their R&D problems and whether any work is being done by NIPER to meet the challenges of WTO regime and era of product patent, the Department in their written reply stated as under:-

“One of the main objectives of the Institute is to help Pharmaceutical industry in their R&D efforts. In this direction the Institute has set up a number of National Centers which are being used by the industry at present. The bio availability centre at NIPER is one of the two accredited laboratories in the world where bio availability of fixed dose combinations of anti tuberculosis drugs can be carried out. The Institute has carried out a number of studies in some of the Centers for the Indian pharmaceutical industry during the past three years. NIPER is also trying to interact with a number of international organizations like WHO, UNIDO, TOPACD and some multi national companies for the development of research projects. Some of these projects have already begun. The Institute has a number of sponsored projects for both national and international organizations.

The Institute is planning to have Business Development Group to increase interaction with the pharmaceutical industry in niche area both within India and abroad. The Group will be responsible for exploring contract research opportunities, licensing of laboratories generated know-how/services, consultancy arrangement etc. The Institute will build up a strong IPR portfolio so as to create basket of commercialisable process/product. The Institute will productively work to gainfully exploit India's unique bio-diversity especially its medicinal plant wealth.

The Institute shall create a brand name for itself through its high quality teaching and research programmes. It would strive to reach its potential clients both nationally and internationally by participation in national/international technology trade fairs, seminars, symposia etc. An in-house capability would be created for such a market thrust.”

**(d) Pharmaceutical Research & Development Programme (PRDP)**

2.41 The Pharmaceutical Industry in India is one of the largest and most advanced among the developing countries. Department of Chemicals & Petrochemicals has a scheme known as Pharmaceutical Research & Development Programme.

2.42 A provision of Rs. 5.00 crore (Plan) has been made in the BE (2004-05) as against RE of Rs. 25.00 lakh (Plan) of last year. In this context when the Committee desired to know about the continuing schemes of R&D and with what benefits common people, the Ministry, in a written reply, submitted as under:-

“For taking up new R & D projects, the National Institute for Pharmaceutical Education & Research (NIPER) has been sanctioned funds from PRDP Head for the following purposes:

- i. for developing a new process for S-Duloxetine by synthesising the crucial homochiral alcohol intermediate through microbial reduction of 2- Acetylthiophene.
- ii. Design and synthesis of new chemicals entities as anti-parasitic agents;
- iii. Determination of molecular Basis of Diabetic Complications;
- iv. Permeability Studies on Rifampicin in the presence of various anti-retroviral agents.

Out of the four projects mentioned above, the first one is complete and the other three projects are still continuing. The benefits derived from the above projects are briefly as follows:

- (a) B-Duloxetine is an important anti-depressant. A biochemical process for production of Chiral Precursor has been adopted and NIPER could achieve production of these chiral precursor in good yields and high chiral purity adopting a bioreduction procedure. Further scale up of biochemical reaction in fermentor is in progress. This work will lead to industrial process of the drug which is cost effective.
- (b) The work carried out under the project ‘ Design and synthesis of new chemicals entities as anti-parasitic agents’ has led to discovery of a few novel compounds with anti-malarial activity. The project is mostly focused on introduction of new drugs on malaria, tuberculosis and leishmanias.

- (c) Type 2 diabetes is affecting increasing numbers of people all over the world including India. The third project is expected to throw up new basis for treatment of diabetic complications and newer screens are expected to be available for evaluation of anti-diabetic drugs.
- (d) The programme 'permeability studies on Rifampicin in the presence of various anti-retroviral agents' is expected to help in modification of therapeutic regimens of anti-HIV and anti-TB drugs. Tuberculosis is a dreaded disease in India and the HIV-TB synergism has added new complications for the treatment of TB."

2.43 For promotion of R&D in drugs and pharmaceutical sectors, the Department of Science and Technology has dedicated programme for promoting R&D in drugs & pharmaceutical sector. They have a budget of Rs. 150 crore during 2004-05. To be globally viable in R&D, high level expertise and adequate human resources as also modern facilities in specified areas of drug development are required. The representatives of Ministry during the oral evidence stated that while Department of Science and Technology have a Budget provision of Rs. 150.00 crore as against 700-800 million \$ (USD) being spent in advanced countries. They further stated that same level of research might take place in India by a quarter of investment in comparison to advanced countries. In this regard when the Committee asked how the PRDP thrust areas are different from the dedicated programme for promoting R&D in the drugs and pharmaceuticals sector being carried out by the Department of Science and Technology, the Department replied through a note as under:-

"The Patent Act of 1970 is required to be amended to usher in the era of product patents for the pharmaceutical sector, in compliance with obligations under the WTO and TRIPS. This would necessarily mean that the Indian Pharmaceutical Industry has to focus on Research and Development. The Ministry of Chemicals and Fertilizers, being the Administrative Ministry for the Pharmaceutical Sector, has to give all necessary support to ensure that R&D is undertaken vigorously so that India is able to maintain its status in the world pharmaceutical market and move ahead to become a global leader. Fiscal and Non-Fiscal measures would be required to support Research and Development.



The Scheme for granting in-house recognition, which is administered by Department of Science and Technology, relates to all the industries including Pharmaceutical Industry. The Pharmaceutical Research and Development Programme (PRDP) is a Sectoral Programme only for Pharmaceutical Industry. There is no overlap between the two since the areas covered by PRDP are different from those covered by Department of Science and Technology. Keeping in view the observations made by the Committee last year regarding the meagre availability of funds under the Pharmaceutical Research and Development Programme, the Department had given an assurance that it would be its endeavour to obtain more allocation in the budget for the next financial year. In pursuance thereof, funds have been proposed to be augmented in the current financial year.”

**(e) Chemicals Promotion and Development Scheme (CPDS)**

2.44 The expenditure incurred under the scheme is as under:-

Annual Plan			
Year	BE	RE	Expenditure
2002-03	Rs.40 lakh	Rs.40 lakh	Rs. 5.62 lakh
2003-04	Rs. 240 lakh	Rs.140 lakh	Rs. 12.04 lakh

2.45 The Department of Chemicals & Petrochemicals is playing a facilitating role to promote exports and to address specific problems faced by the Industry from time to time. This Chemical Promotion and Development Scheme with a small outlay aims at providing funds for discharging the development role through organization of seminars, disseminating information, improving awareness about the need for better quality standards, etc. An amount of Rs. 200.00 lakh has been earmarked for promotional activities in the chemical sector during 10<sup>th</sup> Plan outlay. In addition to this, a special allocation of Rs. 500.00 lakh has been made for conducting a feasibility study for establishment of Mega Chemical Industrial Estate (MCIE). The project is under consideration since 1999.

2.46 Out of an allocation of Rs. 40.00 lakh during 2002-03, an expenditure of Rs. 5.62 lakh was made during 2003-04, too, out of an allocation of Rs. 240 lakh, only 12.04 lakh was spent. On being enquired by the Committee as to the reasons for

sharp increase in Budget provisions and also how the Government proposed to utilize this amount, the Department in a note replied as under:-

“For the normal promotional activities, there is allocation @ Rs.40 lakh per year i.e. Rs. 200 lakh for the total five year plan period.

Further a special allocation for conducting a feasibility study for establishment of MCIE which was expected to cost Rs.500 lakh was made. Out of this an allocation of Rs. 200 lakh was provided in 2003-04. The Department is in the process of commissioning a consultant to undertake the feasibility study. The MCIE, once set up, will improve the competitiveness of the Indian Chemical Industry in the global market.”

**(f) National Pharmaceutical Pricing Authority (NPPA)**

2.47 The National Pharmaceutical Pricing Authority (NPPA), an independent body of experts, has been established on 29.8.1997 under the Ministry of Chemicals and Fertilisers, Department of Chemicals and Petrochemicals. The Authority was entrusted with the task of price fixation/ revision and other related matters such as monitoring the prices of decontrolled drugs and formulations and enforcing and implementing the provisions of the Drugs (Prices Control) Order (DPCO), 1995. The Budget allocation for NPPA in BE (2003-04) was Rs. 3.15 crore which was reduced to Rs. 2.85 crore in RE (2003-04). During the year 2004-05, the Budget Estimates for NPPA is Rs. 3.23 crore.

2.48 The functions of the National Pharmaceutical Pricing Authority are:

- To implement and enforce the provisions of the Drugs (Prices Control) Order, 1995 in accordance with the powers delegated to it.
- To undertake and/or sponsor relevant studies in respect of pricing of drugs/ formulations.
- To monitor the availability of drugs, identify shortages, if any, and to take remedial steps;
- To collect/ maintain data on production, exports and imports, market share of individual companies profitability of companies etc. for bulk drugs and formulations;

- To deal with all legal matters arising out of the decision of the Authority.
- To render advice to the Central Government on changes/ revisions in the drug policy;
- To render assistance to the Central Government in parliamentary matters relating to drug pricing.

2.49 The National Pharmaceutical Pricing Authority (NPPA) has fixed/revised the prices of scheduled bulk drugs in 178 cases, which include 69 derivatives of scheduled bulk drugs and 2557 formulations since its inception. Of these, the prices of 48 scheduled bulk drugs, including 30 derivatives and 506 formulations were fixed/revised during the period 1<sup>st</sup> April, 2003 to 31<sup>st</sup> March, 2004.

2.50 Since the inception of NPPA, cost cum techno economic studies have been undertaken for 109 bulk drugs and for 69 derivatives of the bulk drugs. When the Committee asked whether any study has been undertaken in respect of pricing of drugs/formulations, the Department in their written reply submitted as under:-

“A study was made by ORG in August, 2003 analyzing 20 therapeutic categories covering 73% of the total industry and 13132 brands for the period 2001-2003. It showed the volume growth in the controlled basket (2999 brands) was minus 1% while that for non-controlled basket (10133 brands) it was 9%. Overall, the growth was 6%. It highlighted the fact that competition is an effective tool to keep prices under check.”

2.51 On being queried by the Committee as to what efforts have been made by the Government to keep essential drugs within the reach of the common man and minimize the variation in prices of drugs, the Department stated as under:-

“The prices of non-scheduled formulations are monitored based on ORG data. Wherever abnormal price increase is noticed, the matter is being taken up with the manufacturer of such formulations, in order to keep the rise in prices under check. In 2003-04, 13 companies have reduced prices voluntarily in respect of 21 formulations following the above process. Wherever shortage of essential medicines is reported by State Drug

Controllers, the company concerned is asked to rush the stock and make the drug available.

In case of scheduled bulk drugs NPPA fixes only one price to be followed throughout the country. In the case of scheduled formulations NPPA fixes prices which are to be followed by individual companies. In the case of commonly marketed standard pack sizes of scheduled formulations, manufactured by multiple formulators, ceiling prices are notified by NPPA in order to minimize price variation. Variation in prices is being observed mainly in non-scheduled medicines. In such cases, Manufacturers / Importers of such medicines fix the prices of such medicines by themselves, keeping in view various factors like cost of production / landed cost of import, cost of R&D, marketing cost, trade margins etc. Another reason for variation in prices is different rates of sale tax and local taxes in various states.”

2.52 There are 23,000 formulation packs which have Minimum Annual Turnover (MAT) of less than Rs. 1.00 crore. This has a market share of Rs. 4,000 crore. In this context, when the Committee desired to know about the mechanism for monitoring the prices of formulations which have annual sale of less than Rs. one crore, the Department, in a written reply, stated as under:-

“Regarding monitoring of prices of non-scheduled medicines having MAT value (turnover) of less than Rs. 1 crore, it may be mentioned that there are about 27,000 formulation packs covered in the monthly reports of ORG IMS Research Private Limited. The total MAT value (turnover) of these 27000 formulation packs is about Rs.20,000 crores. Though there are about 23,000 formulation packs which have MAT value of less than Rs. 1 crore, but the total MAT value (turnover) of these 23,000 formulation packs is about Rs.4,000 crores only as against total MAT value of Rs.20,000 crores. It can be seen that the presence of these 23,000 formulation packs in the market is not so significant in terms of their turnover / market share and, hence, they are not in a position to influence the market prices of medicines. On the principle of A-B-C analysis, NPPA monitors the prices of the medicines which have MAT value of Rs.1 crore and above only, which covers about 80% of the market as a whole.”

## **CHAPTER III**

### **CAPITAL SECTION**

In the Capital Section, a total provision of Rs. 41.67 crore (Rs.20.20 crore as Plan and Rs. 21.47 crore as Non-Plan) has been made in current year's budget. Capital Section deals with investment and loan to PSUs. The following table indicates the Plan and Non-plan investments and loan to the PSUs under the administrative control of the Deptt. of Chemicals & Petrochemicals:-

#### **Non-Plan Loans to Public Enterprises**

*(Rs. in crores)*

	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Smith Stainistreet Pharmaceuticals Ltd. (SSPL)	--	1.92	1.92	--	24.40	24.40	--	0.01	0.01
Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)	--	0.01	0.01	--	0.01	0.01	--	0.01	0.01
Bengal Immunity Ltd. (BIL)	--	3.42	3.42	--	49.47	49.47	--	0.01	0.01
Indian Drugs & Pharmaceuticals Ltd (IDPL)	--	211.22	211.22	--	293.00	293.00	--	14.26	14.26
Petrofils Co-operative Ltd.(PCL)	--	0.50	0.50	--	0.87	0.87	--	0.51	0.51
Hindustan Insecticides Ltd. (HIL)	--	13.00	13.00	--	6.50	6.50	--	0.01	0.01
Hindustan Antibiotics Ltd. (HAL)	--	--	--	--	--	--	--	6.66	6.66
<b>Total</b>	<b>--</b>	<b>230.07</b>	<b>230.07</b>	<b>--</b>	<b>374.25</b>	<b>374.25</b>	<b>--</b>	<b>21.47</b>	<b>21.47</b>

#### **Investment in Public Enterprises**

Major Heads	Budget 2003-04			Revised 2003-04			Budget 2004-05		
	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
<b>Petrochemical Industries</b>									
Other bodies Insitutions (CIPET, Assam)	10.01	29.47	39.48	6.90	-	6.90	34.93	6.40	41.33
<b>Chemicals &amp; Pharmaceutical Industries</b>									
Hindustan Organic Chemicals Ltd.	7.75	14.61	22.36	6.00	15.00	21.00	7.19	--	7.19
Hindustan Insecticides Limited	5.00	--	5.00	4.00	--	4.00	5.57	--	5.57
Indian Drugs and Pharmaceuticals Ltd.	0.01	--	0.01	0.01	--	0.01	0.01	--	0.01
Hindustan Antibiotics Ltd.	3.00	--	3.00	2.00	--	2.00	2.77	--	2.77
Bengal Chemicals & Pharmaceuticals Ltd.	5.00	5.00	10.00	5.00	5.00	10.00	4.64	7.00	11.64
Smith Stanistreet Pharmaceuticals Ltd.	0.01	--	0.01	0.01	--	0.01	0.01	--	0.01
Bengal Immunity Ltd.	0.01	--	0.01	0.01	--	0.01	0.01	--	0.01
NIPER	12.00	3.51	15.51	13.16	3.51	16.67	3.35	4.40	7.75
Other bodies/institutions (IPFT, PRDP, CPDS) & CWC	6.28	--	6.28	4.78	--	4.78	14.18	--	14.13
<b>Total</b>	<b>39.06</b>	<b>23.12</b>	<b>62.18</b>	<b>34.97</b>	<b>23.51</b>	<b>58.48</b>	<b>37.73</b>	<b>11.40</b>	<b>49.13</b>

3.2 The following 'Heads' are used in this Section for defraying expenditure for the following purposes:-

- 4857 : Capital outlay on Chemical & Pharmaceutical industries.
- 6856 : Loans for petrochemical industries
- 6857 : Loans for Chemical & Pharmaceutical industries

3.3 PSUs-wise allocations and their brief performance are being examined in the succeeding paragraphs.

**(a) Hindustan Insecticides Limited (HIL)**

3.4 HIL is engaged in production of insecticides, agro-pesticides and eco-friendly bio-pesticides. The main objective of the company is to provide quality insecticides and pesticides at fair prices and earn reasonable return. Its Delhi plant has been closed down and relocated formulation plant has been established at Bhatinda. The following table indicates Loans and Advances in HIL for the year 2003-04 and 2004-05:-

**(Rs. in crore)**

	BE 2003-04			RE 2003-04			BE 2004-05		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
<b>Loans and Advances in HIL Major Head 6857</b>	2.5	13.00	15.5	2.5	6.50	9.00	5.57	0.01	5.58

3.5 The Non-Plan loan to HIL during 2003-04 was reduced from Rs. 13.00 crore at BE stage to Rs. 6.50 crore (RE). In this connection, when the Committee

asked the reasons for decrease in Budget allocation, the Department have informed as under:-

“Under the orders of Hon'ble Supreme Court dated 8.7.1996 Delhi unit of HIL was closed and relocated at Bathinda(Punjab) and 285 employees were shifted to the new location. The new located plant was having only formulation facilities which would have taken some more time before the company could generate enough business, utilise the full capacity and potential of the facilities. The excess manpower available at the relocated site could not be put to full use and entailed substantial cost on account of salary,allowances and perks. The company had an indication that the employees of Delhi unit, many of whom were in their higher age group and would like to settle with their families at Delhi were likely to opt for VRS and come back to Delhi. Initial indication was that more than 100 employees would opt for VRS and the estimated amount payable would be approximately Rs. 10 crore. Since the company had no internal resources to meet this requirement, Ministry provided a sum of Rs.10 crore for this purpose in the BE-2003-04. During the year 2003-04 Government approved VRS scheme was introduced for the employees of HIL on 1.8.2003. The response was very poor since the union expressed that the Government approved scheme was not attractive enough. The company revised the requirement for VRS purposes from Rs.10 crore to Rs.3.5 crore which was sufficient to meet VRS for about 50 employees(Compensation-Rs.2.00 crore and Terminal benefits-Rs.1.5 crore).”

3.6 Non-Plan loan to HIL in BE during 2004-05 has been kept at Rs.one lakh in comparison to Rs.6.50 crore in R.E. (2003-04) and the plan investment in the undertaking in BE (2004-05) has been kept at 5.57 crore. However, a token provision of one lakh has been made in order to keep the account Head live to accommodate any emergency requirement of funds in future.

3.7 The outstanding dues and Liabilities of HIL as on 31.3.2004 are as under:-

Particulars	Rs. in crores (Pre-audited)
Secured Loan	13.61
Unsecured Loan	182.73
Current Liabilities	66.78
<b>Total</b>	<b>263.12</b>

3.8 In regard to the above, Rs. 263.12 crore liabilities, when the Committee expressed its concern as to whether it would be proper to run the company with such a huge liabilities, the Department of Chemicals & Petrochemicals in their post evidence reply, stated as under:-

“The amount of outstanding dues of Rs. 263.12 crore includes current liabilities amounting to Rs. 66.78 crore and bank cash credit outstanding amounting to Rs. 13.61 crore as against current assets amounting to Rs. 153.96 crore as on 31.3.2004. Unsecured loans amounting to Rs. 182.73 crore include loans from Government of India Rs. 84.83 crore and interest on Government Loan Rs. 96.20 crore. Fixed assets and investments exist to the extent of Rs. 57.45 crore. The dues to Government could not be repaid due to idle wages etc. paid for the last 7 years to employees of Delhi unit of HIL which ceased operations consequent to the Orders of Hon’ble Supreme Court. The current assets are twice the trade dues, which establishes the capability of HIL to run the business on its own.

As may be noted from the following figures, the turnover of the company has steadily increased during the last five years, inspite of Rs. 48/- crore having been paid out as idle wages.

1999-2000	Rs. 124/- crore
2000-2001	Rs. 120/- crore
2001-2002	Rs. 115/- crore
2002-2003	Rs. 145/- crore
2003-2004	Rs. 160/- crore

HIL has introduced various cost reducing measures, which together with increase in sales brought down its operational loss during the year 2003-04 to Rs. 13.60 crore against the previous year loss of Rs. 16.17 crore. The Company is now before BIFR and its restructuring/revival or closer will be considered by BIFR.”

3.9 The financial performance of different units of HIL during the last three years has been as follows:-

**(Rs. in crore)**

	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
UDL Unit	(-) 6.21	(-) 3.36	(-)0.84
Rasayani Unit	(-)1.62	(-)3.38	(-)2.57
Delhi/Bathinda Unit	(-)7.57	(-)8.69	(-)8.84



3.10 The Net Profit(+)/Loss(-) of HIL for the last five years is as under:-

Year	Rs.in crores
2003-2004	-14.18
2002-2003	-15.48
2001-2002	-15.41
2000-2001	-15.45
1999-2000	-14.08

3.11 The Committee was informed that HIL has entered into an agreement with M/s International Panacea Limited (IPL), New Delhi. When the Committee asked how this has helped HIL, the Ministry replied as under:-

“HIL has entered into an agreement with International Panacea Ltd. for marketing of Bio-Fertilizers as a part of diversification. HIL has marketed product worth Rs.10.06 crores during 2002-03 and Rs. 7.52 crores during 2003-2004. As per agreement, HIL is eligible for 12% commission for sale through private trade and 5% for institutional sales. All the promotional work is being undertaken by IPL which indirectly help HIL in promoting HIL's own agro chemicals.

As chemical fertilizers and pesticides are coming under attack from environmentalists and there is more thrust in going organic wherein bio-fertilizers and bio-products are gaining more and more acceptance, the entry into these products is an investment for the future. The revenue/sales generated is in addition to the normal agro-chemical sale.

This experience will make HIL to market reputed related products of other Companies/MNCs without any conflict with company's interest.”

3.12 A proposal of Rs. 122.00 crore for write off/relief has been submitted to Government by HIL. In this connection, when the Committee asked about the latest position of modified capital restructuring proposal of HIL, the Ministry replied as under:-

“As per the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, on complete erosion of the network as on 31.3.2003, HIL has been referred to BIFR on 29<sup>th</sup> January, 2004. BIFR has registered HIL as a sick company under Case No.501/2004. Restructuring/revival/rehabilitation would depend on the proceedings before the BIFR.”

### **Mancozeb Plant**

3.13 According to the Report of the C&AG of India for the year 2003, Union Government commercial No. 3 of 2004, HIL could not resolve technical problems of its Mancozeb Plant and could operate the plant for six months only after its commissioning in August 2002 resulting in blocking of capital of Rs.9.97 crore. While stating the reason, the Department of Chemicals & Petrochemicals have informed that the company had installed a plant to manufacture Mancozeb, a fungicide, at Udyogamandal (capacity 1000 TPA Technical/1133 TPA Formulation). the process knowhow for mancozeb Technical Plant was developed by in-house R & D at Gurgaon and detailed design engineering was carried out by Fact Engineering and Design Organisation (FEDO). The plant was commissioned during 2002-2003. During the commissioning of the plant it was found that most of the competitors are producing Mancozeb formulations in the Mancozeb Technical Plant itself by adding the adjuvants at the slurry stage so that the final product from rotary vacuum drier is received as mancozeb WDP .

3.14 As per BIS standard, mancozeb 75 WDP produced from the plant specifies one year shelf-life of the product and 50% suspensibility whereas the competitors are able to produce mancozeb 75 WDP with minimum 2 years shelf-life and suspensibility more than 70% by mass. Efforts were made to update the knowhow so as to produce the product of the better quality as being supplied by the competitors.

3.15 HIL produced mancozeb formulations in existing facility detailed as under:-

<b><u>Year</u></b>	<b><u>Quantity</u></b>
2002-03	45.575 MT
2003-04	195.570 MT
2004-05(upto May 2004)	44.625 MT

3.16 The research and development work being carried out in HIL's R&D laboratory at Udyogamandal Unit and Gurgaon has not yet succeeded in

improving the quality. The company has been receiving complaints with regard to product quality deterioration for the product produced and sold. When the Committee asked what remedial action/steps have been taken, the Department, in their response, stated as under:-

“In order to achieve the quality specifications required by the market and efficient parameters on the consumption of inputs so that the product is viable, HIL has explored to engage an outside agency to suggest the necessary techniques, modifications for improving the raw material, efficiency to achieve the rated production capacity and produce the quality product for indigenous as well as export purposes. The idea was to look for a consultant who has exposure to Mancozeb technology rather than an academic/research institution as they will also be adopting a trial and error approach. After a lot of search in the market, the company has identified a Consultant who has a technical experience and having exposure in the manufacture of Mancozeb. They have conducted the preliminary study and identified the problem areas. The consultant has assured that the product of two years shelf-life with 70% suspensibility would be achieved from company's plant. They have assured the following 4 landmarks and their fees is also linked with these achievements:

- i) Achievement of quality and shelf-life;
- ii) Achievement of raw material and fuel efficiency;
- iii) Capacity achievement;
- iv) Recipe for other formulations.

The detailed study will be completed on appointment and implemented during the current financial year.”

**(b) Smith Stanistreet Pharmaceuticals Ltd. (SSPL)**

3.17 The company manufactures tablets, capsules, parenterals, oral liquids, ointments, etc. in its manufacturing plant at Kolkata. The Company is sick and referred to BIFR who has formed its opinion that it is just, equitable and in public interest that the company should be wound up. On 3<sup>rd</sup> December, 2001 the Bench confirmed its prima-facie opinion of winding up the company. The Government is releasing non-Plan funds to the company since September, 1998 to meet the salary and wage bill of the company. A token provision of Rs. 1.00 lakh as Non-Plan loan and 1.00 lakh as Plan investment has been made in this year's budget allocation as against Rs. 24.40 crore (RE) of last year. The following table indicates the Non-Plan loan to SSPL and investment in the undertaking for the year 2003-04 and 2004-05:-

(Rs. in crore)

	BE 2003-04			RE 2003-04			BE 2004-05		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Loan to SSPL Major Head 6857	-	1.92	1.92	-	24.40	24.40	-	0.01	0.01
Investment in SSPL Major Head 4857	0.01	-	0.01	0.01	-	0.01	0.01	-	0.01

3.18 On being asked by the Committee about the reasons for delay in getting approval of Government for VSS in SSPL despite the decision for winding up was confirmed by BIFR in December, 2001 and whether all the employees of SSPL have taken VSS, the Department in their written reply stated as under:-

“BIFR confirmed its opinion on winding up of the company on 3.12.2001. But the Employees Union preferred an appeal before AAIFR. The AAIFR dismissed the appeal on 16.4.2002. Thereafter, the inter-ministerial consultation and approval of the competent authority took some time.

All employees of SSPL have taken VSS.”

3.19 Further when the Committee asked whether all the dues and benefits arising out VSS have been paid to employees and whether the workers of SSPL have approached the management to run the unit on cooperative basis, the Department of Chemicals & Petrochemicals in their post-evidence reply stated as under:-

“An amount of Rs. 21.62 crore was released to SSPL for VSS purpose and for settlement of other dues. The entire amount was utilized by SSPL. However, after the final scrutiny of accounts, the SSPL has requested the Department for releasing an additional amount of Rs. 1.80 crore for VSS including the shortfall in PF dues etc. which is under the consideration of the Department.

The Government has received a proposal from Smith Stanistreet Workers' Union for forming an Industrial Co-operative Society. The proposal is being examined in the Department. No such proposal has been received in regard to any other PSUs under the administrative control of the Department.”

**(c) Bengal Chemicals and Pharmaceuticals Ltd. (BCPL)**

3.20 The Company was formally declared sick by the Board for Industrial and Financial Reconstruction (BIFR) on 14<sup>th</sup> January, 1993. The Company was offered a revival package in April, 1995 and since then is performing well. The company has revised its project cost from Rs. 47.65 crore to Rs. 69.08 crore. The Company manufactures and markets a wide range of industrial chemicals, Sulphuric Acid, Ferric Alum, a large number of drugs and pharmaceuticals besides cosmetics and home products. In the home products, the well known products are Cantharidine hair oil and lamp brand pheneol. The following table indicates the Loans and Advances in BCPL for the year 2003-04 and 2004-05:-

**(Rs. in crore)**

	BE 2003-04			RE 2003-04			BE 2004-05		
Loans and Advances in BCPL Major Head 6857	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	5.00	0.01	5.01	5.00	0.01	5.01	4.64	0.01	4.65

3.21 When the Committee asked how BCPL proposes to spend an amount of Rs. 4.64 crore ( Plan) and Rs. 1.00 lakh ( Non-Plan) during the year 2004-05, the Department in their written reply, stated as under:-

“BCPL proposes to spend the amount of Rs. 4.64 crores (Plan) for modification of drainage systems, boundary walls, buildings etc.; renewal and replacement of plant & machineries ; modernization of Anti-Snake Venom Project; automation and modernization of Home Products Division and Brand Image building etc. Non-Plan provision of Rs. 1.00 lakh is a token provision. “

3.22 The details of physical and financial targets of BCPL are given below:

**Physical Performance ( 2003-2004):**

The Company had achieved 92.82 % of target in Production and 96.04 % of target in Sale which were 3.84 % and 11.64 % higher than previous year in respect of Production of Sales respectively.

**Financial Performance:**

		(Rs. In Lakh)
Production	:	5569.21
Sales	:	4801.88
Net Profit (before Sale of Land)	:	101.84
Profit on Sale of Land	:	1004.00
Net Profit	:	1105.84

3.23 The details of trend in losses in the company are given as follows :

	(Rupees in Lakh)
Year	Profit (+)/Loss (-)
1999-2000	(-) 387.04
2000-01	(-) 702.31
2001-02	(-) 451.19
2002-03	(+) 211.76
2003-04	(+) 1105.84
(unaudited)	

3.24 The details of internal generation of resources are given as follows :

Year	Profit (+)/Loss (-)	Depreciation	Internal Resources
1999-2000	(-) 387.04	48.56	(-) 338.48
2000-01	(-) 702.31	61.68	(-) 640.63
2001-02	(-) 451.19	108.87	(-) 342.32
2002-03	(+) 211.76	109.10	(+) 320.86
2003-04	(+) 1105.84	108.00	(+) 1213.84

3.25 The Ministry has informed that as per Modified Draft Revival Scheme (MDRS) sanctioned by BIFR on 14<sup>th</sup> January, 2004, the huge accumulated losses will not get wiped out within the projected period up to 2007-08. However, the Management is preparing a plan to wipe out the losses fully in five years from now i.e. by 2008-09. In regard to this, when the Committee desired to know as to

whether the Government plans to give any relief/concession to BCPL, the Department replied as under:-

“Under the Modified Rehabilitation Scheme sanctioned by the BIFR, the following reliefs and concessions have been sought from the Government:

- (i) To waive interest, penal interest and compound interest (approx Rs. 5.54 crore upto 31.3.2003) already accumulated on Non-Plan and Plan Loans. The entire Non-Plan and Plan Loans would be interest-free in future.
- (ii) To accept repayment of the entire Plan Loan (Rs. 14.75) in five equal annual instalments from 2003-04 onwards.
- (iii) To convert the principal portion of Non-Plan Loan of Rs. 10.65 crores as on 31<sup>st</sup> March, 2002 into Equity.
- (iv) To convert the Zero Rated Debenture of Rs. 13.50 crore as on 31<sup>st</sup> March, 2002 into Equity.
- (v) Additional support in the form of VRS Grant for rationalisation of manpower and also capital expenditure with the approval of Planning Commission through normal process of Budget approval, as applicable to other PSUs, for continuous upgradation of the Plant & machinery and technology to be at par with the international standards so as to remain competitive.
- (vi) To adhere to the directions of BIFR regarding transparency, while looking for a joint venture partner in future.
- (vii) These are being examined in the Department.”

**(d) Indian Drugs and Pharmaceuticals Ltd. (IDPL)**

3.26 IDPL was established in 1961 with the primary objective of creating self-sufficiency in essential life saving drugs and medicines. Initially the company functioned well but gradually it became sick and was also declared same by BIFR in August, 1992. The operations in the main units of IDPL have come to standstill. Since October, 1996, the Government is providing non-Plan financial assistance to meet the salaries and wages of the employees and workers of the company. The Government have now come to the conclusion that all efforts to revive the company have failed. A token provision of Rs. 1.00 lakh as Planned investment has been made in the budget. Further, loan provision of Rs. 211.22 crore has also been made as against Rs. 293.00 crore (RE) of last year. The

following table indicates the Non-Plan loan to IDPL and investment in the undertaking for the year 2003-04 and 2004-05:-

(Rs. in crore)

			BE 2003-04			RE 2003-04			BE 2004-05		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Loan to IDPL			-	211.22	211.22	-	293.00	293.00	-	14.26	14.26
Major Head											
6857											
Investment in			0.01	-	0.01	0.01	-	0.01	0.01	-	0.01
IDPL											
Major Head											
4857											

3.27 In this context, when the Committee asked about the latest position regarding functioning of different units of IDPL and whether all the employees of IDPL have taken VRS, the Department of Chemicals & Petrochemicals replied as under:-

“IDPL has three units at Rishikesh, Hyderabad and Gurgaon. In Rishikesh Unit, the production of bulk drugs has been stopped since October, 1996. However, production of a few formulations is being done as per the orders received from Trade Market, Ministry of Health & Family Welfare, ESIC, etc. There is no production in Hyderabad Unit. However, its Effluents Treatment Plant is being used by outside parties on payment basis. In Gurgaon Unit, a few formulations are being produced based on market demand and orders received from Ministry of Health & Family Welfare, ESIC, etc.

In addition, IDPL has two fully owned subsidiaries, namely, IDPL (TN) and Bihar Drugs & Organic Chemicals Limited (BDOCL), Muzaffarpur. All production activities in BDOCL have been stopped since 1996. IDPL (TN) is producing some formulations as per demand of the Marketing Division of IDPL.

Out of 6571 employees, as on 31.01.2003, 6531 employees had opted for VRS. Thereafter, 6052 employees have been separated by the company.”

3.28 Further, when the Committee enquired about the arrangements made by the Government to ensure availability of essential life saving drugs and medicines in view of closure of IDPL, the Department informed that so far, no final decision had been taken on the ‘closure’ of IDPL. However, the Drug Policy issued from



time to time by the Government is directed towards ensuring abundant availability of medicines at reasonable prices.

3.29 On being asked by the Committee about the revival and future of IDPL, the Secretary, Department of Chemicals & Petrochemicals during oral evidence deposed that Hon'ble Minister of Chemicals & Fertilisers has recently decided that a Technical Committee to assess independently about the revival and future of IDPL will be constituted by 3<sup>rd</sup> week of August and they will give their recommendations by October, 2004.

**(e) Hindustan Organics Chemicals Ltd. (HOCL)**

3.30 The Company was incorporated on 12<sup>th</sup> December, 1960 for setting up manufacturing capacities for chemicals/intermediates. The products manufactured by HOCL include Phenol, Acetone, Nitrobenzene, Nitrotoluene, Chlorobenzenes and Nitro-Chlorobenzenes. The Company has two units, one at Rasayani (Maharashtra) and the other at Kochi (Kerala). It also has a subsidiary company M/s. Hindustan Fluorocarbons Limited located at Rudraram (Andhra Pradesh).

3.31 A provision of Rs. 7.19 crore as Planned investment has been made in this year's Budget as against Rs. 21.00 crore (RE) of 2003-04.

3.32 The following table indicates Loans and Advances in the HOCL for the year 2003-04 and 2004-05:-

		<b>BE 2003-04</b>			<b>RE 2003-04</b>			<b>BE 2004-05</b>		
		<b>Plan</b>	<b>Non-Plan</b>	<b>Total</b>	<b>Plan</b>	<b>Non-Plan</b>	<b>Total</b>	<b>Plan</b>	<b>Non-Plan</b>	<b>Total</b>
Loans and advances in HOCL Major Head 6857		7.75	0.00	7.75	6.00	0.00	6.00	7.19	-	7.19

**(Rs. in crore)**

3.33 The Physical and financial performance of different units of HOCL during 2002-03 and 2003-04 was as under:-

Particulars	2002-03		2003-04 (Provisional)	
	Rayasani	Cochin	Rayasani	Cochin
Physical Performance				
Production(MT)	24716	163683	132072	169412
Financial Performance (Rs.Lakhs)				
Sales Turnover	13981	32740	15210	32971
Raw Material	8388	14188	9982	16807
Employee Salaries & Benefits	3556	1543	3633	1761
Operating Profit/Loss	-2050	5027	-2715	5137
Net Profit/Loss after Adjustments	-7269	2957	-7915	2303

3.34 The network of the Company as on 31.03.2004 was Rs. 7.17 crore (provisional ) as against the corresponding position of network of the Company as on 31.03.2003 of Rs.95.57 crore. Board of Directors of HOCL has ordered a techno-economic study of the company by M/s. SBI Capital Market Ltd. which will work out a future road map for growth and profit for the company.

3.35 At present there is no further proposal for VRS in HOCL.

3.36 The Disinvestment Commission had recommended disinvestment of 32.61% of HOCL equity shares out of the Government of India holding of 58.61% to a strategic partner while retaining 26% of the equity. The Government of India. approved the proposed disinvestment in July, 2000. The issue of disinvestment of HOCL is being looked after by the Department of Disinvestment in the Ministry of Finance.

3.37 As per the information provided by Department of Chemicals & Petrochemicals, the operating profit of Hindustan Fluorocarbon Ltd., Rudraram, a subsidiary company of HOCL is as under:-

“ Performance of the company for the last two years was as follows:-

<b>Particuclars</b>	<b>2002-03</b>	<b>2003-04</b>
Physical Performance		
Production(MT)		
PTFE	401	265
CFM-22	1301	907
Financial		
Performance(Rs.Lakhs)		
Total Income(Sales Turnover & other income)	2507.38	1509.74
Raw material	1236.48	934.59
Employees Salaries & benefits	371.26	414.48
Operating Profit/Loss	190.01	-410.07
Net Profit/Loss after adjustments	-458.96	-1013.35 ”

**(f) Hindustan Antibiotics Limited (HAL)**

3.38 HAL, Pimpri Pune was incorporated on the 30<sup>th</sup> March, 1954. This was the first Public Sector Company in drugs and pharmaceuticals. HAL has been incurring losses since 1993-94. The company was referred to BIFR in January, 1997. The BIFR declared the company as formally sick on 31.3.1997. Since then the case of revival or otherwise of the company remained with BIFR and the Government. In March 2002, the Government communicated to BIFR that it was not in a position to submit a fully tied up proposal for rehabilitation of the company and the Government was agreeable for a change in management of the company and was willing to consider a financial restructuring package without infusion of additional funds along with and as part of disinvestment to a strategic partner. This year Finance Minister in the Budget Speech has also announced that Hindustan Antibiotics Limited will be given financial support for restructuring. A loan of Rs. 6.66 crore has been provided during the current financial year. The following table indicates Loans and Advances in HAL for the year 2003-2004 and 2004-05:-

(Rs. in crore)

	BE 2003-04			RE 2003-04			BE 2004-05		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Loans and Advances in HAL Major Head 6857	3.00	-	3.00	2.00	-	2.00	2.77	6.66	9.43

3.39 The physical & financial performance of Hindustan Antibiotics Limited (HAL), Pimpri and its Joint Sector Units is as follows:-

Hindustan Antibiotics Limited (HAL), Pimpri

Financial Performance

(Rs. In lakhs)

Particulars	Actual provisions for 2003-04
SALES	
Product	6837
Utilities	3016
<b>TOTAL:</b>	<b>9853</b>
PROFIT/(LOSS)	(945)
CASH PROFIT (LOSS)	(93)
VALUE OF PRODUCTION	8991 ( p. 65/c)

Physical Performance

Sr. No..	Particulars		Production	
	Units		2002-03	2003-04
1.	VIALS	Lakh	310.67	347.36
2.	TABLETS	Nos.	1616.52	1905.32
3.	CAPSULE	Lakh	983.18	813.12
4.	S	Nos.	91.55	88.54
	I.V.	Lakh		
	FLUIDS	Nos.		
		Lakh		
		Nos.		

Karnataka Antibiotics & Pharmaceuticals Limited (KAPL), Bangalore

Financial Performance:

Particulars	Actual Provision for 2003-04 (Rs. in lakhs)
SALES	7971
PROFIT/(LOSS)	286
VALUE OF PRODUCTION	10433

Physical Performance:

(Rs. In Lakhs)

Description	Current Year 2004-05		Previous Year 2003-04	
	For own	For others	For own	For others
Dry Powder Vials	387.83	192.45	381.59	89.40
Liquid Parenterals	115.19	6.11	141.26	0.96
Tablets	845.01	----	767.11	0.00
Capsules	558.13	6.00	573.10	----
Dry Syrups & Suspension	8.56	5.05	10.71	3.78
Others	36.36	26.20	51.95	38.37

Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL), Nagpur

BIFR has issued winding up orders for this company and it is before the High Court for appointing a Liquidator. MAPL's operations are closed and VSS for its employees have already been implemented.

Manipur State Drugs & Pharmaceuticals Limited (MSDPL), Imphal.

MSDPL operations have been closed.

3.40 On being asked by the Committee as to whether the Government has taken any decision in regard to change of management of HAL and whether comprehensive and fully tied up revival proposal has been received for restructuring HAL, the Department in their written reply submitted as under:-

“ Hindustan Antibiotics Limited (HAL), Pimpri, is a Sick Public Sector Company referred to the Board for Industrial and Financial Reconstruction (BIFR). IDBI, Mumbai have been appointed as the Operating Agency by BIFR. In March 2002, the Government had communicated to the BIFR that it was agreeable for a change in management of the company and would be willing to consider a financial restructuring package without infusion of additional funds along with and as a part of disinvestments to a strategic partner. However, recently the Finance Minister in the Budget Speech of 2004-05 has announced that the HAL will be given financial support for restructuring.

Revised Modified Draft Rehabilitation Scheme Report has been received from HAL.

The main components of the Draft Rehabilitation Scheme of HAL include one time settlement with the Banks, payment of statutory dues, VRS and fixed/working capital requirements, ; means of finance by way of sale of land and budgetary support from the Government ; waiver and sacrifices from the Government of India , Banks & Financial Institutions etc.

The revised Draft Rehabilitation Scheme contemplates infusion of funds from the Government . However no fund has been released , so far.”

## **PART II**

### **RECOMMENDATIONS/ OBSERVATIONS OF THE COMMITTEE**

The Committee note that out of total funds of Rs. 5886.00 lakh available with the Department of Chemicals & Petrochemicals under plan allocation during the year 2002-03, Rs. 693.25 lakh has not been utilised. Similarly, during the year 2003-04 under the non-plan schemes, out of the total availability of funds of Rs. 45065.00 lakh, Rs. 5727.28 lakh have been shown as savings/surrender and out of a fund of Rs. 5500.00 lakh, under plan scheme Rs. 1213.42 lakh remained unutilised. Further, there are aberrations in percentage utilisation of expenditure as low as 10.80% in (2002-03) and 5.16% in (2003-04) under Chemicals Promotion and Development Scheme (CPDS). The Plan expenditure for Hindustan Antibiotics Ltd. (HAL) in (2002-03) and (2003-04) has been only 66.67% in both the years. The Committee view with serious concern the underutilisation of funds by the Department during these years. The Committee desire that every effort should be made by the Department to utilise fully the money allocated in BE 2004-05. In order to ensure full utilisation, efforts should be made to utilise the money evenly during each quarter of the year, continuous monitoring in this regard should also be ensured. With this the Committee endorse the Demands for Grants of the Department of Chemicals & Petrochemicals of the Ministry of Chemicals & Fertilisers. However, they recommend that the Department should contain the expenditure for the year within the sanctioned Budget of the Department and follow the instructions of the Ministry of Finance to observe austerity in non-plan expenditure.

*(Recommendation No. 1)*

2. In the Tenth Five Year Plan, the Central Institute of Plastics Engineering and Technology (CIPET) has been sanctioned plan assistance of Rs. 80 crore under externally aided projects (EAP) and Rs. 20 crore as

**Domestic Budget Support (DBS). The externally aided project “capacity building of CIPET centres for development of thrust areas” was to be funded by OPEC. Initially the loan amount was US \$16.67million and later reduced to US \$ 13.67 million. Earlier, CIPET wanted the amount as Grants-in-Aid on the lines of World Bank assistance. However, later on it conveyed its decision to accept the soft loan. The Committee find that the draft loan agreement in this regard is still under process and has not yet been finalised by the Department of Economic Affairs and Department of Legal Affairs. The Committee feel that this may result into slow down in technological upgradation plan of the different centres of CIPET. They, therefore, desire that the Department of Chemicals & Petrochemicals should take up the matter with the Department of Economic Affairs and Legal Affairs so that the loan agreement is finalised at the earliest.**

***(Recommendation No. 2)***

**3. The Committee find that Rs. 1.28 crore has been allocated in BE (2004-05) for ongoing schemes of providing Computer Aided Design/Computer Aided Manufacturing facilities and plastic recycling and waste management. The waste management is the need of the hour today as recycling of plastic wastes is going to cost heavily. In this regard during the evidence, the Secretary, Department of Chemicals & Petrochemicals apprised the Committee that they in collaboration with other Ministries were trying to finalise the Petrochemical Policy giving considerable emphasis on plastic recycling as the role of plastics is increasing day by day for modern development. The Committee, however, feel that an amount of Rs. 1.2 crore is too meagre an amount for this purpose. The Committee desire that waste management be accorded high priority. They recommend that extra efforts be made for waste management activities and plastic recycling and the financial allocation for these activities be augmented.**

***(Recommendation No. 3)***



4. The Committee are given to understand that CIPET has been endeavouring itself to become self-sufficient as far as cash expenditure is concerned from the year 2001-02 onwards. The organisation is making all efforts to increase the number of short-term courses, technical services and R&D projects. However, to sustain the profitability and meet the challenges of competition in coming years, a lot still requires to be done. It is appreciable that CIPET has fixed targets for the income to be generated during the year 2004-05, centre-wise and item-wise. The Committee desire that all efforts should be made to realise these targets so as to make the organisation self-sufficient as soon as possible.

*(Recommendation No. 4)*

5. The Committee are informed that for establishment of new extension centres of CIPET, hundred per cent funding proposals are not coming from States/ industry associations. The Government of Rajasthan has requested that the Central Government should also provide part fund for such centres as was being done in the past. The Committee find that there is proposal for setting up three new CIPET centres in Rajasthan, Maharastra and NCR area. They, therefore, recommend that new extension centres at places identified may be opened with 50 per cent assistance from the Central Government.

*(Recommendation No. 5)*

6. Assam Gas Cracker Project which was proposed as early as in 1984 for the utilisation of petroleum fraction of natural gas has not been implemented even after elapse of 20 years due to some hurdles, particularly regarding availability of feedstock. The Indian Oil Corporation has not signed any agreement with RAPL for supply of LPG as the question of payment of subsidy to the company by the Government has not been settled. The Committee have observed that subsidy of Rs. 6000 crore over a period of 15 years is required to be reimbursed to the Oil Companies for supplying feedstock at the concessional rate of Rs. 600 per thousand cubic

metres. Since 20 years have already passed, the Committee have recommended that the Government should make real and serious efforts to complete the project by settling the question of providing subsidy without any further loss of time. The feasibility of implementing this project through another public sector undertaking such as GAIL should also be explored seriously and with a sense of urgency.

*(Recommendation No. 6)*

7. The Committee find that there are 1058 appeals and 44 revision petitions lying pending in the Office of the Welfare Commissioner as on 30<sup>th</sup> June, 2004 relating to Bhopal Gas Leak Disaster. About 11647 applications are also pending for scrutiny and motion hearing in the court of Welfare Commissioner. The Committee feel that these cases might be dealt with speedily if the Office of Welfare Commissioner is held by a full-time judge. The Committee have been informed that presently the Office of Welfare Commissioner is being held by a sitting judge of the Madhya Pradesh High Court who has his preoccupations in the High Court too. The Committee observe that even after the lapse of many years, the Government has not been able to get appointed a full time High Court Judge. They feel that it would be in the fitness of things to have a full-time judge to deliver justice to the victims of Bhopal Gas tragedy because recently, on 19<sup>th</sup> July 2004, the Supreme Court has also given a directive for disbursement of compensation amount to Bhopal Gas victims expeditiously. The Committee also desire that all the cases relating to appeals, revision petitions and applications for scrutiny and motion hearing are disposed of quickly.

*(Recommendation No. 7)*

8. The Committee have been informed that the Government of India has filed no objection in the New York Federal Court for removal of toxic wastes within and surrounding areas of former Union Carbide Plant. It has also been informed by the Ministry that Engineers India Ltd. (EIL) was requested

to prepare a plan for the removal of toxic wastes and its cost estimates. EIL has submitted its proposals and the Madhya Pradesh Government has also agreed with the former's proposal for removal of toxic wastes and decommissioning of the plant. The Committee desire that the toxic wastes should now be removed without any further delay and the Committee be apprised of the same.

*(Recommendation No. 8)*

9. The Committee find that although the CWC Act was enacted on 28<sup>th</sup> August, 2003, it has not so far been enforced. The Committee have come to know that in a meeting of the Steering Committee of National Authority held in July, 2004 under the chairmanship of Cabinet Secretary, it was decided to bring the CWC Act into force. The rules and regulations in this regard have also not been framed as yet. The Committee, therefore, desire to bring CWC Act into force immediately and notify the rules and regulations thereunder without any further delay.

*(Recommendation No. 9)*

10. A provision of Rs. 5 crore has been made under Pharmaceutical Research & Development Programme during 2004-05 against Rs. 25 lakh during 2003-04. The Patent Act of 1970 is required to be amended to usher in the era of product patents in the pharmaceutical sector in compliance with obligations under the WTO and TRIPS. For this, the Indian pharmaceutical industry has to focus on research and development. In view of the importance of research and development in the field of pharmaceuticals, the Committee feel that the amount of Rs. 5 crore for R&D earmarked for this year is very meagre. The Committee, therefore, strongly recommend that the budget allocation for pharmaceutical research should be increased at least to a level of Rs. 50 crore to meet the challenges of the future.

*(Recommendation No. 10)*

11. A special allocation of Rs. 200.00 lakh was made for conducting a feasibility study for the establishment of a Mega Chemical Industrial Estate (MCIE) during 2003-04. The Project has been under consideration since 1999. However, the Committee find that even a consultant has not been appointed so far. The Annual Plan 2002-03 and 2003-04, an expenditure to the tune of only Rs. 5.62 lakh and Rs. 12.04 lakh respectively has been made. The Committee feel that the establishment of a Mega Chemical Industrial Estate would augment the activities of the chemical industries. They, therefore, recommend that Government should make all out efforts to establish MCIE in a time-bound manner.

*(Recommendation No. 11)*

12. The Committee note that the National Pharmaceutical Pricing Authority (NPPA) fixes/ revises prices of scheduled formulation and monitors the movement of prices of non-scheduled formulations. However, there has been wide variation in prices of drugs in the market. Drug policy 1994 aimed at abundant availability of essential drugs at reasonable prices. The Committee further note that to encourage competition and improve availability under 1994 Drug Policy the number of bulk drugs under control was brought down from 142 in 1987 to 74 in 1995. The Government also brought Drug Policy 2002, which decreased the number of controlled drugs but this has been challenged in Court. The Committee, therefore, desire that to ensure easy availability of drugs at affordable prices to the common man, Government should take all necessary steps to have the matter settled early by the Court.

*(Recommendation No. 12)*

13. The Committee have been informed that the total Minimum Annual Turnover (MAT) value of 27000 formulation packs is about Rs. 20,000 crore – out of which 23,000 formulation packs having MAT value less than Rs. 1 crore, amount to Rs. 4,000 crore. NPPA monitors the prices of medicines which have MAT value of Rs. 1 crore and above only. The Committee feel that it is due to these non-controlled medicines that the main variation in prices takes place. The Committee, therefore, recommend that the Government must take some measures to control the prices of these non-controlled medicines also on case to case basis.

*(Recommendation No. 13)*

14. The Committee have come to know that, on complete erosion of networth of the Hindustan Insecticides Ltd. (HIL), the company has been referred to BIFR on 29<sup>th</sup> January, 2004. The company is in production of insecticides, agro-pesticides and eco-friendly bio-pesticides which have vast demand in the country. The National Anti Malaria Programme (NAMP) was made successful on account of DDT being supplied by HIL to various State Governments. The Committee feel that DDT is in large demand in Municipal Corporations/ Municipalities even today. The Committee, therefore, are of the view that referral of the company to BIFR at this juncture indicates a sorry state of affairs. The management of HIL has sent a proposal of Rs. 122.00 crore to Government for write off/ relief for capital restructuring of HIL. The Committee recommend that Government should take all necessary measures for the financial revival of the company.

*(Recommendation No. 14)*

15. The Committee are informed that HIL has entered into an agreement with M/s International Panacea Ltd., New Delhi for marketing of bio-fertilisers. As per agreement, HIL is eligible for 12% commission for sale through private trade and 51% for institutional sale. In the opinion of the Committee,

this is a wise step and they desire that HIL should go into further diversification of its activities where generation of resources is possible.

*(Recommendation No. 15)*

16. The Committee note that Mancozeb Plant of HIL could operate only for six months after its commissioning in August 2002 resulting in blocking of capital of Rs. 9.97 crore. This was because the in-house R&D activity was not sufficient to maintain the shelf-life of the product. While the Mancozeb produced from private companies have shelf-life of about 2 years and suspensibility of more than 70% by mass, that produced by HIL plant has a shelf-life of one year only and suspensibility of mere 50%. They are constrained to find that all the factors were not kept in mind before commissioning the project. They desire that strict action should be taken against officers responsible for such omissions. Now the Ministry has informed that a consultant having exposure of mancozeb technology has been identified for conducting detailed study. The consultant has already done preliminary study. The Committee, therefore, recommend that detailed study in regard to Mancozeb plant be conducted without delay and requisite technology incorporated in the plant expeditiously.

*(Recommendation No.16)*

17. The Committee observe that as and when networth of a company erodes, the company is referred to Board for Industrial and Financial Reconstruction (BIFR). In the opinion of the Committee, before closing down the company, all possibilities be explored to run the company including the proposal from workers' cooperative because once the company is referred to BIFR, chances of its revival are very grim. The Ministry have informed that they have received a proposal from Smith Stanistreet Workers' Union for forming an Industrial Co-operative Society and run the undertaking. The Committee, therefore, recommend that before winding up the company all possibilities to run the undertaking be explored.

They desire that the proposal submitted by the Workers' Union of SSPL be examined positively and a chance given to the workers of SSPL to run the undertaking on co-operative basis.

*(Recommendation No. 17)*

18. The Committee are informed that the Board for Industrial and Financial Reconstruction (BIFR) has sanctioned revised modified rehabilitation scheme for Bengal Chemicals & Pharmaceuticals Ltd. (BCPL) which envisages a number of reliefs and concessions from the Government and other agencies. The Ministry has also informed that the huge accumulated losses of BCPL will not get wiped out by 2007-08. The networth of the company has since become positive amounting to Rs. 739.74 lakh in relation to its total assets amounting to Rs. 3257.66 lakhs. The Committee, therefore, recommend that the reliefs and concessions in accordance with revised modified rehabilitation scheme sanctioned by BIFR be given to BCPL and the management of BCPL should make all efforts to wipe out the losses fully by 2008-09.

*(Recommendation No. 18)*

19. Indian Drugs & Pharmaceuticals Ltd. (IDPL) was established in 1961 with the primary objective of creating self-sufficiency in essential life saving drugs and medicines. With the deterioration in performance of the company, except production of some formulations in units of IDPL, the production of medicines in all its units and subsidiaries has been stopped. During the evidence, the Committee were apprised by the Secretary, Department of Chemicals & Petrochemicals that the Government have decided to appoint a Technical Committee for assessment of revival prospects and future of IDPL which is likely to submit its recommendations by October, 2004. The Committee hope that the Government would expedite this process leading to the revival of IDPL units so that the production of essential life saving drugs might be restarted in these units.

*(Recommendation No 19)*

20. The operating loss of Rasayani Unit of the Hindustan Organic Chemicals Ltd. (HOCL) has increased from Rs. 2050 lakh in 2002-03 to Rs. 2715 lakh in 2003-04. The net profit of Cochin Unit of HOCL has also declined from a level of Rs. 2957 lakh in 2002-03 to Rs. 2303 lakh in 2003-04. The Committee further note that the networth of the company has also decreased to a level of Rs. 7.17 crore as on 31 March, 2004 as against Rs. 95.57 crore as on 31.3.2003. The Committee, therefore, recommend that the Government should make all out efforts to improve the performance of HOCL. Efforts should also be made to ensure that Hindustan Fluorocarbon Ltd., a subsidiary of HOCL remains viable.

*(Recommendation No. 20)*

21. The Committee note that the Hindustan Antibiotics Ltd. (HAL), Pimpri is a sick Public Sector Company referred to the Board for Industrial and Financial Reconstruction (BIFR). The Finance Minister in Budget Speech of 2004-05 has announced that HAL will be given financial support for restructuring. The Department of Chemicals & Petrochemicals has also informed that revised modified draft rehabilitation scheme has been received from HAL which includes reliefs/ concessions like one time settlement with banks, payment of statutory dues, VSS and fixed/ working capital requirement, sale of land, waiver and sacrifices from Government of India, bank and financial institutions and budgetary support from the Government. The Committee feel that in order to ensure easy availability of antibiotics, the revival of HAL is imperative. The Committee, therefore, recommend that suitable reliefs/ concessions be given to HAL so that its



restructuring process is completed as early as possible leading to enhanced production of antibiotics by its sick units.

*(Recommendation No. 21)*

New Delhi;  
August 19, 2004  
Sravana 28, 1926 (Saka)

ANANT GANGARAM GEETE  
*Chairman,*  
*Standing Committee on*  
*Chemicals & Fertilisers*

**Appendix-I**

**MINUTES**

**STANDING COMMITTEE ON CHEMICALS & FERTILISERS  
(2004-05)**

**FIRST SITTING  
(11.8.2004)**

The Committee sat from 1030 hrs. to 1300 hrs.

**PRESENT**

**Shri Anant Gangaram Geete - Chairman**

**MEMBERS**

***LOK SABHA***

2. Shri Prahlad Joshi
3. Shri Sukhdev Singh Libra
4. Shri A.K. Moorthy
5. Shri P. Rajendran
6. Shri V.K. Thummar
7. Shri Bhanupratap Singh Verma
8. Shri Bhal Chandra Yadav

***RAJYA SABHA***

9. Shri Raju Parmar
10. Shri Ajay Maroo
11. Dr. Chhatrapal Singh Lodha
12. Shri Sanjay Rajaram Raut
13. Shri R. Shunmugasundaram

**SECRETARIAT**

1. Shri N. Rajagopalan Nair - Joint Secretary
2. Shri P.K. Grover - Director
3. Shri S.C. Kaliraman - Under Secretary

### **REPRESENTATIVES OF DEPTT. OF CHEMICALS & PETROCHEMICALS**

- |    |                           |   |                  |
|----|---------------------------|---|------------------|
| 1. | Shri Pratyush Sinha       | - | Secretary        |
| 2. | Shri Vinay Bansal         | - | Chairman (NPPA)  |
| 3. | Ms. Gayathri Ramachandran | - | AS&FA            |
| 4. | Shri G.S. Sandhu          | - | Joint Secretary  |
| 5. | Shri Ramesh Inder Singh   | - | Joint Secretary  |
| 6. | Shri Pradip Mehra         | - | MS (NPPA)        |
| 7. | Shri S.C. Gautam          | - | Economic Advisor |

### **REPRESENTATIVES OF PUBLIC SECTOR UNDERTAKINGS/ INSTITUTIONS**

- |    |                     |   |  |
|----|---------------------|---|--|
| 1. | Shri Rajendra Mohan | - | CMD, Hindustan Insecticides Ltd. (HIL)                                       |
| 2. | Shri M.C. Abraham   | - | CMD, Hindustan Antibiotics Ltd. (HAL)  |
| 3. | Shri S.K. Verma     | - | DG, Central Institute of Plastics Engineering & Technology (CIPET)           |
| 4. | Dr. C.L. Kaul       | - | Director, National Institute of Pharmaceuticals Education & Research (NIPER) |
| 5. | Shri P. Dasgupta    | - | Director (Mktg./ Fin.), Indian Drugs and Pharmaceuticals Ltd. (IDPL)         |
| 6. | Shri N.R.S. Phani   | - | M.D. Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)                          |
| 7. | Shri A.S. Didolkar  | - | CMD, Hindustan Organic Chemicals Ltd. (HOCL)                                 |
| 8. | Shri D. Sengupta    | - | Director, Institute of Pesticides Formulation Technology (IPFT)              |
| 9. | Shri S.P. Dua       | - | Regional Co-ordinator, RENPAP  |

At the outset, Hon'ble Chairman welcomed the Members to the first sitting of the newly constituted Committee on Chemicals and Fertilisers and extended heartiest congratulations to them on their nomination to the Committee. Thereafter, he acquainted the Members with the various functions of the Standing Committees and requested Members to get introduced themselves. Members introduced themselves accordingly.

2. Then the representatives of the Ministry of Chemicals & Fertilisers (Department of Chemical & Petrochemicals) were called. Hon'ble Chairman welcomed the representatives of the Ministry. Thereafter, the Committee took oral evidence of the representatives of the Department of Chemicals & Petrochemicals in connection with examination of Demands for Grants (2004-05).

3. During the course of evidence, the main issues which came up for discussion included less utilisation of funds allotted during the year 2003-04, matter regarding disbursement of amount to victims of Bhopal Gas tragedy, removal of toxic waste from site of union Carbide plant at Bhopal, delay in commissioning of Assam Gas cracker project, control on Prices of Drugs, working of National Pharmaceutical Pricing Authority (NPPA), prevalence of spurious drugs in market, Research and Development activity on drugs and pharmaceuticals, opening of new branches of Central Institute of Plastics Engineering and Technology (CIPET), recycling of plastic and waste management, future of Indian Drugs and Pharmaceuticals Ltd. (IDPL) and Chemical Weapons Convention (CWC) Act.

4. A verbatim record of the proceedings has been kept.

***The Committee then adjourned.***

**Appendix-II**

**MINUTES**

**STANDING COMMITTEE ON CHEMICALS & FERTILISERS  
(2004-05)**

**THIRD SITTING  
(19.08.2004)**

The Committee sat from 1000 hrs. to 1100 hrs.

**Present**

**Shri Anant Gangaram Geete - Chairman**

***Members  
Lok Sabha***

22. Shri Afzal Ansari
23. Shri Prahlad Joshi
24. Shri Sukhdev Singh Libra
25. Shri Punnulal Mohale
26. Shri A.K. Moorthy
27. Shri P. Rajendran
28. Shri A. Venkatarami Reddy
29. Shri V.K. Thummar
30. Shri Bhanupratap Singh Verma
31. Shri Mansukhbhai D. Vasava

***Rajya Sabha***

32. Shri Gireesh Kumar Sanghi
33. Shri Ajay Maroo
34. Dr. Chhatrapal Singh Lodha
35. Shri R. Shunmugasundaram
36. Shri Raj Mohinder Singh

***Secretariat***

- |    |                          |   |                             |
|----|--------------------------|---|-----------------------------|
| 1. | Shri P.D.T. Achary       | - | <i>Additional Secretary</i> |
| 2. | Shri M. Rajagopalan Nair | - | <i>Joint Secretary</i>      |
| 3. | Shri P.K. Grover         | - | <i>Director</i>             |
| 4. | Shri S.C. Kaliraman      | - | <i>Under Secretary</i>      |

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. Thereafter, the Committee considered the draft Report on Demands for Grants (2004-05) of the Ministry of Chemicals & Fertilisers (Department of Chemicals & Petrochemicals). After some discussions, the draft Report was adopted by the Committee with minor changes.

4.       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*  
          \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*       \*\*

5. The Committee authorised the Chairman to make consequential changes arising out of the factual verification of the Reports by the Departments of Chemicals & Petrochemicals and Fertilisers of the Ministry and present the same to both the Houses of Parliament in the current Session.

***The Committee then adjourned.***

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***\*\* Matters not related to the Report***