



**STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS  
(2006-07)**

**FOURTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS  
(2006-07)**

*[Action Taken by the Government on the recommendations contained in the Eleventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2005-06) on Demands for Grants (2006-07) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)]*



**FOURTEENTH REPORT**

**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2006/Agrahayana, 1928 (Saka)*

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(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)**

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*Presented to Lok Sabha on 12.12.2006*

*Laid in Rajya Sabha on 12.12.2006*



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2006/Agrahayana, 1928 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**  
**(2006-07)**

**Shri Anant Gangaram Geete - Chairman**

***Members***

***Lok Sabha***

2. Shri Ajit Singh
3. Shri Suresh Angadi
4. Shri Afzal Ansari
5. Shri Jaiprakash (Mohanlal Ganj)
6. Shri Prahlad Joshi
7. Shri Sunil Khan
- \*8. Shri Shrichand Kripalani
9. Shri Subhash Maharia
10. Shri Punnu Lal Mohale
- \$11. Shri A. Narendra
12. Shri Prasanta Pradhan
13. Shri P. Chalapathi Rao
14. Shri Ashok Kumar Rawat
15. Shri Anantha Venkata Rami Reddy
16. Shri Narsingrao H. Suryawanshi
17. Shri Mansukhbhai Dhanjibhai Vasava
18. Shri D. Venugopal
19. Shri Bhanu Pratap Singh Verma
20. Vacant
21. Vacant

***Rajya Sabha***

22. Shri Devdas Apte
23. Shri B.S. Gnanadesikan
24. Shri Gireesh Kumar Sanghi
25. Shri V. Hanumantha Rao
- @26. Shri Mahendra Sahni
27. Shri Dilip Singh Judev
28. Shri R. Shunmugasundaram
29. Shri Raj Mohinder Singh Majitha
30. Shri T.R. Zeliang
31. Vacant

***Secretariat***

- |    |                          |   |                                   |
|----|--------------------------|---|-----------------------------------|
| 1. | Shri M. Rajagopalan Nair | - | <i>Additional Secretary</i>       |
| 2. | Shri P. Sreedharan       | - | <i>Joint Secretary</i>            |
| 3. | Shri Brahm Dutt          | - | <i>Director</i>                   |
| 4. | Shri S.C. Kaliraman      | - | <i>Under Secretary</i>            |
| 5. | Shri Prem Ranjan         | - | <i>Senior Executive Assistant</i> |

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\* ***Nominated w.e.f. 31.08.2006.***

\$ ***Nominated w.e.f. 25.09.2006***

@ ***Nominated w.e.f. 04.10.2006***

## INTRODUCTION

I, the Chairman, Standing Committee on Chemicals & Fertilizers (2006-07) having been authorised by the Committee to submit the Report on their behalf, present this Fourteenth Report on Action Taken by the Government on the recommendations contained in the Eleventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2005-06) on Demands for Grants (2006-07) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals).

2. The Eleventh Report of the Committee was presented to Lok Sabha on 19<sup>th</sup> May, 2006. The replies of Government to all the recommendations contained in the Eleventh Report were received on 29<sup>th</sup> September, 2006. The Standing Committee on Chemicals & Fertilizers (2006-07) considered the Action Taken Replies received from the Government and adopted the Draft Action Taken Report at their sitting held on 29<sup>th</sup> November, 2006.

3. An analysis of the Action Taken by the Government on the recommendations contained in the Eleventh Report (Fourteenth Lok Sabha) of the Committee is given in **Appendix-II**.

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

**NEW DELHI**  
**December 05, 2006**  
**Agrahayana 14, 1928 (Saka)**

**ANANT GANGARAM GEETE,**  
***Chairman,***  
***Standing Committee on***  
***Chemicals & Fertilizers.***

## REPORT

### CHAPTER- I

This Report of the Committee deals with the action taken by the Government on the recommendations contained in the Eleventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2005-06) on Demands for Grants (2006-07) relating to the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals), which was presented to Lok Sabha on 19<sup>th</sup> May, 2006.

2. The Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals) were requested to furnish replies to the recommendations contained in the Eleventh Report within three months from the presentation of the Report i.e. by 19<sup>th</sup> August, 2006. The action taken replies of the Government in respect of all the 21 recommendations contained in the Report were received on 29<sup>th</sup> September, 2006. These have been categorised as follows:-

- (i) Recommendations/ observations that have been accepted by the Government:-

Sl. Nos. 2, 3, 4, 5, 6, 7, 9, 11, 12, 13, 15 and 17 to 20

- (ii) Recommendation/ observation which the Committee do not desire to pursue in view of the Government's reply:-

Sl. No. Nil

- (iii) Recommendation/observation in respect of which reply of the Government has not been accepted by the Committee:-

Sl. No. 16

- (iv) Recommendations/ observations in respect of which final replies of the Government are still awaited:-

Sl. Nos. 1, 8, 10, 14 and 21

3. **The Committee desire that the final replies in respect of the recommendations for which only interim replies have been furnished by the Government should be furnished expeditiously.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations in the succeeding paragraphs.

A. **FOLLOW-UP ACTION ON RECOMMENDATIONS CONTAINED  
IN FIFTH REPORT OF THE COMMITTEE**

**Recommendation (Sl. No. 1)**

5. **The Committee had analysed the follow-up action by the Government on the recommendations contained in the Fifth Report of the Committee on Demands for Grants (2005-06) of the Department of Chemicals and Petrochemicals. The Committee had noted that certain recommendations were at the various stages of implementation by the Government. The Committee have further reviewed the progress of implementation (in the matters dealt with by the Committee in their Fifth Report) in their Eighth and Eleventh Reports and also the action taken replies furnished by the Government now. The Committee note that some of the recommendations of the Committee like approval of revival plans of Public Sector Undertakings (PSUs) under the administrative control of the Department, implementation of approved revival plans, finalisation of national policy on petrochemicals, establishment of Assam Gas Cracker Project, etc. are yet to be fully implemented. This has been reflected by the Committee in their various Reports. The Committee, therefore, recommend that the Govt. should take time bound conclusive action on the recommendations of the Committee.**

**B. DISBURSEMENT OF CLAIMS TO BHOPAL GAS VICTIMS**

**Recommendation (Sl. No.6)**

6. In the context of Supreme Court orders in regard to providing relief to Bhopal gas victims the Committee had desired that all cases relating to the disbursement of pro-rata compensation of Rs. 1503 crore should be disposed of by 30<sup>th</sup> April, 2006.

7. In their reply, the Department have stated that the work for distribution of pro-rata compensation to the victims of the Bhopal Gas Leak Disaster which was to be completed by 30<sup>th</sup> April, 2006 as per directions of the Supreme Court has almost been completed by that date by the Office of the Welfare Commissioner, Bhopal Gas Victims. However, an application in respect of the nearly 31,000 absentee claimants has been made by the Office of the Welfare Commissioner in the Hon'ble Supreme Court on 15<sup>th</sup> February, 2006 for treating all such cases as closed. The matter has not been heard by the Court yet. The process of distribution of pro-rata compensation is still going on. As on 16<sup>th</sup> June 2006, a sum of Rs.1485.48 crore has been distributed among 5,54,580 claimants.

**8. The Department of Chemicals & Petrochemicals have stated that pro-rata compensation to the victims, as per the directions of the Supreme Court, has almost been completed by 30<sup>th</sup> April, 2006. The Department have further stated that distribution of pro-rata compensation is still going on. Clearly, the process of payment of compensation is yet to be concluded. The Committee, therefore, desire that the disbursement claims should be completed at the earliest. The Committee would like to be informed of the latest position in the matter.**

C. DISPOSAL OF TOXIC WASTE FROM BHOPAL

Recommendation (Sl. No. 7)

9. The Committee were informed that on the directions of High Court of Madhya Pradesh, a Task Force under the Chairmanship of Secretary (C&PC) was monitoring the removal/disposal of about 47 MT of toxic wastes from Union Carbide Plant site at Bhopal. The Principal Secretary, Bhopal Gas Tragedy, Department of Relief and Rehabilitation, Government of Madhya Pradesh is the coordinator of the Task Force and Madhya Pradesh Pollution Control Board is the executive agency. The Committee were also apprised that the State Government of Madhya Pradesh had not yet prepared the project proposal for removal of the toxic wastes. NEERI and IICT had taken samples to assess the level of toxicity in the toxic wastes. Further, about 20 MT of toxic waste, which cannot be put in landfill, was to be taken to Ankleshwar in Gujarat for incineration. The Committee had recommended that after obtaining test result of samples from NEERI and IICT, the toxic wastes from Bhopal plant site should be removed without any further delay.

10. In their reply the Department have informed that for the removal of stored hazardous/toxic wastes, the Madhya Pradesh Pollution Control Board has prepared a plan in two phases. The first phase which *inter-alia* included collection of samples, analysis of samples through in-house and outside laboratories has been completed. Under the Phase-II, activities comprising of selection of expert/consultant, construction of the Secured Land Fill (SLF), Rapid Environment Impact Analysis (EIA) study and public hearing have been completed. The remaining work under Phase-II is to start shortly.

**11. Since the toxic waste is lying over two decades at the factory site, the Committee expect the Government to prepare a time schedule for the purpose and to implement it expeditiously.**

**D. IMPLEMENTATION OF ASSAM GAS CRACKER PROJECT**

**Recommendation (Sl. No.8)**

12. Considering the fact that Assam Gas Cracker Project was part of Assam Accord signed as far back as 1985, the Committee had recommended that necessary steps should be taken by the Department for early approval of Cabinet Committee on Economic Affairs (CCEA) and the Project should be commissioned as early as possible.

13. In their reply, the Department have stated that the project has been approved by the CCEA on 18 April, 2006. The cost of the project is Rs. 5460.61 crore. GAIL (India) Ltd. will be the main promoter under an equity arrangement of GAIL: 70%, OIL: 10%, NRL: 10% and Assam Industrial Development Corporation (Govt. of Assam): 10%. The project would also be given subsidy by the Government in terms of feed stock subsidy and capital subsidy.

**14. The Committee are happy to note that the Government have approved the Assam Gas Cracker Project which was under planning for the last about two decades. They also note that GAIL will be the main promoter. The Committee hope that the project should now become a reality and strive to meet the aspirations of the people. They desire that all out efforts should be made by the Government/ Promoter to complete the project within the stipulated cost and time schedule. The Committee would like to be apprised about the completion schedule and status of the project.**

E. R&D PROGRAMMES AT NATIONAL INSTITUTE OF PHARMACEUTICAL EDUCATION & RESEARCH (NIPER)

**Recommendation (Sl. No. 10)**

15. In the context of health care needs of the country, the Committee had asked the Government/NIPER to complete the programmes/ projects in a time bound manner so that the desired objectives of the planned funds which have been raised from Rs. 5 crore in 2005-06 to Rs. 18 crore in 2006-07 are achieved fully.

16. In their reply the Department have stated that NIPER has plan budget for Rs. 18 crore for the year 2006-07. Against this, a sum of Rs.4.93 crore has been released for which the activities have already been initiated by NIPER. For the release of the balance amount, approval of Planning Commission is awaited.

**17. The Committee regret to note that even after half the financial year is over, approval of the Planning Commission for release of a major part of the approved budget of NIPER is still awaited. The Committee, once again, reiterate that the Department should take effective steps and approach the Planning Commission to give its approval for the NIPER projects and release of the balance amount of the budget at the earliest.**

F. IMPLEMENTATION OF HEALTH INSURANCE SCHEME

**Recommendation (Sl. No. 12)**

18. In the context of non-availability of essential drugs at reasonable prices, the Committee were informed that the Govt. had mooted a policy called 'Health Insurance Scheme' for providing medicines free of cost to the people living below the poverty line. For lower middle class families also, the Government was considering a scheme on the lines of Rajasthan model where hospitals have their

own societies which are buying medicines in bulk and selling them to the patients at 50% of the cost. The Committee had recommended that these schemes should be considered for implementation expeditiously across the country for the benefit of the masses.

19. In their reply, the Department have stated that 'Health Insurance Scheme' has been transferred to the Ministry of Health & Family Welfare. The issue of Rajasthan model on medical relief societies has been considered and included in the draft Cabinet note on 'National Pharmaceuticals Policy, 2006', which has been circulated amongst various Departments concerned for their comments/ views.

**20. The Committee are happy to note that there has been some progress in regard to providing medicines to the people below the poverty line and lower middle class population and the matter is being pursued by the Ministry of Health & Family Welfare and Department of Chemicals & Petrochemicals in the form of 'Health Insurance Scheme' and 'National Pharmaceutical Policy 2006' respectively. The Committee trust that these measures will be taken to their logical end.**

**G. PROJECT PLANNING IN HINDUSTAN ORGANIC CHEMICALS LTD. (HOCL)**

**Recommendation (Sl. No. 16)**

21. The Committee's examination had revealed that faulty assessment and planning process in HOCL for setting up a tank farm at JNPT Terminal resulted in avoidable losses in the company. In this context, the Committee had asked the Department to make proper analysis and evaluation before going for such projects to avoid recurrence of unnecessary losses to the exchequer.

22. In their reply, the Department have stated that due to cheaper imports and adverse value addition in exports, the performance of chemical industry as a whole suffered a set back particularly during 1994-1998 period. Due to slow development of infrastructure in the JNPT area, the import/export activities from JNPT did not seem to be commercially attractive. Therefore, the company took a decision to stop the construction of partially created tank farm facilities and disposing them of. During 2005-06 the company got techno commercial assessment of JNPT project prepared by the consultant. Based on the recommendations of the consultant, the company is considering reviving the JNPT project again by handing over the facilities to a strategic partner on BOT basis. With this the company expect to unlock the partial value of the investment already made and retain ownership of facility and explore possibility of negotiating an upfront payment from the BOT contractor.

**23. While the Committee would like the Department/ HOCL to ensure that the losses made in the project are made up by reviving the project, they regret to note that the Department have not given any explanation about the steps taken to avoid recurrence of such losses in future. The Committee would, therefore, like to be apprised of the concrete action taken by the Government in this regard.**

**H. REHABILITATION SCHEME OF HINDUSTAN ORGANIC CHEMICALS LIMITED (HOCL) AND HINDUSTAN ANTIBIOTICS LTD. (HAL)**

**Recommendation (Sl. No. 17)**

24. The Committee had noted that the rehabilitation schemes of HOCL and HAL had been approved by the Cabinet Committee on Economic Affairs. The Committee had asked the Govt. for taking necessary steps for implementation of rehabilitation schemes for these PSUs within a time bound manner.

25. In their reply, the Department have stated that the Government approved scheme for rehabilitation of HAL at an estimated cost of Rs.508.50 crore. The Government has also released Rs. 57.90 crore for settlement of statutory dues, working capital and VRS schemes. The balance amount of Rs. 79.69 crore would be released as soon as the rehabilitation scheme is sanctioned by BIFR. In regard to revival package of HOCL the Department have stated that proposal for release of funds to the tune of Rs. 250 crore from the first batch of supplementary Demands for Grants for 2006-07 is under process.

**26. The Committee desire that the Govt. should take up with BIFR in getting concurrence for rehabilitation scheme of HAL. They would like to be apprised of the time schedule by which the company expects to reach at a break-even point. The Committee are dismayed to learn that the Department had not planned funds for HOCL for which the revival package was approved by the Government in March, 2006. At this stage, the Committee can only express the hope that this would be followed up now for early implementation of the revival package of HOCL.**

**I. REVIVAL PACKAGE OF HINDUSTAN INSECTICIDES LTD. (HIL)**

**Recommendation (Sl. No. 18)**

27. The Committee had asked the Government that the Rehabilitation Scheme of HIL should be got approved by the CCEA and implemented in stipulated time frame.

28. In their reply, the Department have stated that revival proposal in respect of HIL has been approved by the CCEA in its meeting held on 27 July, 2006. The revival proposal is under implementation.

**29. The Committee are not happy with the very brief reply of the Government. No details have been given either about the quantum of funds and time span for implementation of the package or the extent to which it would enable the company's revival, etc. The Committee, therefore, would like to be apprised about such details and also the latest position about the implementation of the revival package.**

**J. REVIVAL OF INDIAN DRUGS & PHARMACEUTICALS LTD. (IDPL)**

**Recommendation (Sl. No. 19)**

30. The Committee had taken note of the fact that the IDPL was formally declared sick by BIFR in 1992 and since then there have been efforts to revive this PSU. By introducing VRS scheme in IDPL, the staff strength of 6592 as on 31 December, 2002 has been reduced to 413 as on 1<sup>st</sup> October, 2005. The revival proposal was pending with the Department.

31. In their reply, the Department have stated that IDPL submitted draft Rehabilitation Scheme in May, 2006. IDPL has been asked to modify the scheme particularly with reference to not selling the land for financing its revival, scheme to be financed by sale of scraps, unserviceable equipment, etc., banks/financial institutions should accord in-principle approval for one time settlement and amount of loan should be verified with the PAO of the Department and reflected in the Rehabilitation Scheme. The modified rehabilitation scheme from IDPL is awaited.

**32. Considering the fact that the revival process of IDPL has been delayed inordinately, the Committee feel that the Department should assist the IDPL in finalising the revival package particularly when a sizeable portion of its manpower has taken VRS and there may not be**

**much qualified personnel left in the Technical/Financial Wings. Needless to emphasise, the Government should show urgency in processing and approval of the revival plan and its implementation. The Committee should be informed about the precise action taken in the matter.**

**K. REVIVAL PLAN OF BENGAL CHEMICALS AND PHARMACEUTICALS LIMITED (BCPL)**

**Recommendation (Sl. No. 20)**

33. The Committee had desired that Department should vigorously pursue the matter for early approval of revival package of BCPL at every stage so that the revival process of BCPL could be initiated without further loss of time.

34. In their reply, the Department have stated that the modified Rehabilitation Scheme of the company duly vetted by CRISIL was re-submitted to the Board for Reconstruction of Public Sector Enterprise (BRPSE) for its recommendations. BRPSE at its meeting held on 25 August, 2006 approved the Rehabilitation scheme. Draft note for Cabinet Committee on Economic Affairs has since been sent to Ministries/ Departments for eliciting their comments/ views on the proposal. Excepting the Ministry of Finance, comments of other Departments have been received. On receipt of comments of the Ministry of Finance, the revival scheme would be placed before the CCEA for final decision.

**35. The Committee once again emphasise that the Department should help BCPL to have the process of revival package expedited so that it is initiated at the earliest.**

L. REVIVAL OF BENGAL IMMUNITY LIMITED (BIL)

**Recommendation (Sl. No. 21)**

36. The Committee had recommended that serious efforts should be made by the Government for revival of all PSUs under the Department of Chemicals & Petrochemicals.

37. In their reply, the Department have stated that the Government is making efforts to revive sick pharma PSUs. In regard to BIL, it has been stated that an official Liquidator was appointed. However, employees Union of the company filed an appeal in the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) against the winding up order of BIL. AAIFR sought the comments/ views of the Department in the matter. High Court of Calcutta has stayed the appointment of the Liquidator. The Department has appointed a Committee to explore the possibility of revival of the company. The Committee had since submitted its report on 7.9.2006 to the Department. The Department is examining the report for taking a view in the matter.

**38. As detailed in preceding paragraphs, the Department is in the process of reviving PSUs under its administrative control including IDPL which had almost closed its operations. Considering the interest of the employees, the Committee trust that a positive view would be taken by the Government at the earliest for revival of BIL also. The Committee would like to be apprised of the action taken thereon.**

## CHAPTER- II

### RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation (Sl. No. 2)

The Committee note that under the Revenue Head during 2005-06, there was provision of Rs. 62.00 crore (Plan) and Rs. 686.78 crore (Non-Plan), which was revised to a level of Rs. 23.88 crore (Plan) and Rs. 720.83 crore (Non-Plan) respectively. The Budget Estimates during 2006-07 for this head has been kept at Rs. 57.85 crore (Plan) and Rs. 35.35 crore (Non-Plan). The main allocation during 2005-06 was meant for settling claims of Bhopal Gas Leak victims as per the directions of the Supreme Court. As per information furnished by the Department of Chemicals & Petrochemicals(C&PC), most of the claims have been settled by now. Under the Capital Head, during 2005-06, there was a provision of Rs. 21.00 crore (Plan) and Rs. 143.47 crore(Non-Plan), which was revised to Rs. 31.12 crore (Plan) and Rs. 29.05 crore (Non-Plan). The Budget Estimates for 2006-07 have been kept at Rs. 73.15 crore (Plan) and Rs. 3.05 crore (Non-Plan). Thus, the total Plan expenditure which was reduced from Rs. 83.00 crore to Rs. 55.00 crore in RE(2005-06) has been increased to Rs. 131.00 crore in 2006-07. Since this year although the Demands for Grants (2006-07) have already been passed by Parliament, the Committee's recommendations as detailed in the succeeding paragraphs relate to implementation of the plans/projects of the Department and PSUs/organizations under their administrative control. The Department should examine the adequacy of the allotted funds and if necessary, more funds should be sought at the supplementary stage.

### Reply of the Government

A sum of Rs.655 crore was provided for meeting the requirement of difference in exchange rate variation in the budget for the year 2005-2006. Since the amount available under this head got exhausted in the month of February 2006, the Office of the Welfare Commissioner, Bhopal Gas Victims, Bhopal requested for additional Rs.35 crore under this Head.

Rs.33.03 crore was provided by reappropriation. Finally Rs. 688.03 crore was available under this head. During the year 2005-2006, a sum of Rs.667.15 crore was booked under this head by the Reserve Bank of India, surrendering a balance of Rs.20.87 crore at the end of the financial year 2005-2006.

The Department has requested the Ministry of Finance, to provide Rs.50 crore for meeting the shortfall in disbursement of pro-rata compensation to the Bhopal Gas Victims, during 2006-07.

Department has initiated action for additional plan allocation for the upgradation /modernization/expansion of capacity of Karnataka Antibiotics & Pharmaceuticals Limited, a Joint Venture of Hindustan Antibiotics Limited and State Government of Karnataka and Rajasthan Drugs & Pharmaceuticals Limited, another Joint Venture of Indian Drugs & Pharmaceuticals Limited and State Government of Rajasthan. Government has since released Rs. 57.90 crore to HAL for the following purposes:

(i)	Settlement of statutory dues	Rs. 13.90 crore
(ii)	Working Capital & Schedule M requirements	Rs. 10.00 crore
(iii)	VRS	Rs. 34.00 crore
		<hr/>
		Rs. 57.90 crore

The balance amount of Rs.79.69 crore would be released as soon as the Rehabilitation Scheme is sanctioned by BIFR. The proposal to write off/ waiver of Plan & Non-Plan loan with interest/ final interest of Rs. 259.43 crore would be placed before the Parliament soon.

For implementation of the revival proposal in respect of HOCL an amount of Rs.250 crore, which has been approved by the CCEA, has been allocated by the Ministry of Finance in the First Supplementary Demand for Grants for the year 2006-07. The fund is being released to the company.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 3)**

The Committee note that Plan outlay for the 10<sup>th</sup> Five Year Plan (2002-2007) was revised as Rs. 612.42 crore, with Rs. 418.42 crore as Budgetary support and Rs. 194.00 crore as IEBR from PSUs. Out of this Rs. 418.42 crore, only Rs. 141.93 crore have been spent during the first three years of the 10<sup>th</sup> Plan which comes to about 33 per cent only. Even if RE of Rs. 55.00 crore for the year 2005-06 and BE for the terminal year i.e. 2006-07 (terminal year of the 10<sup>th</sup> Plan) is utilised fully, the total utilization would be around Rs. 327.93 crore only, which is much less than the approved plan of Rs. 418.42 crore. Thus, the targeted plan performance in this sector stand distorted. Explaining the reasons for this unsatisfactory plan performance, the Department of Chemicals & Petrochemicals stated that, out of Rs. 194.00 crore of IEBR, the share of PSUs was Rs. 174.00 crore in respect of Hindustan Insecticides Limited (HIL), Hindustan Organic Chemicals Limited (HOCL), Hindustan Antibiotics Limited (HAL) and Bengal Chemicals & Pharmaceuticals Limited (BCPL). According to them, since all these PSUs are sick and referred to BIFR, they could not generate IEBR during the first three years of the Plan period. The Committee are not satisfied with the argument of the Department as the financial position of these PSUs was known to the Department. They trust that the shortcomings on this score would be taken note of by the Department for corrective measures in future.

### **Reply of the Government**

The observation of the Committee has been noted for compliance in respect of PSUs under the control of this Department.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 4)**

The Committee note that under the Secretariat Economic Services, the Plan provision during 2006-07 has been increased to Rs. 1.50 crore from a level of Rs. 5.00 lakh during 2005-06. The actual expenditure for Plan during 2004-05 was only about Rs. 83000. As per the information made available by the Department of Chemicals & Petrochemicals, a provision of Rs. 2.80 crore has been made for office expenditure during 2006-07. Out of that, an amount of Rs. 1.50 crore is for Plan and Rs. 1.30 crore is for Non-Plan budget. Provision of Rs.1.00 crore has been made for new schemes to be introduced by the Department and a sum of Rs. 0.50 crore has been provided for implementation of Information & Technology (IT) Plan of the Department. Considering the higher level of allocation of funds made under this head, the Committee desire that the proposed new schemes be finalized with a view to implementing them in a time-bound manner and achieving the underlying objectives.

### **Reply of the Government**

The Department has procured 15 Nos. of Personal Computers, 5 lap tops (partly delivered), one projector and other accessories like printers, UPS etc.

The expenditure of around Rs. 18 lakh is expected to have been incurred on IT and the rest of the plan activities will be undertaken to procure other approved items in phased manner and it is expected that the budget allotted will be utilized by the end of the financial year.

A token provision of Rs. 1.00 crore has been made for new schemes. The Department is considering the following proposals:

(i) Karnataka Antibiotics & Pharmaceuticals Limited (KAPL). The proposal for providing additional equity support of Rs.7.10 crore to KAPL for technological upgradation/modernization of the manufacturing facilities was sent to the Planning Commission for its “in-principle” approval. Planning Commission accorded in – principle approval to the undertaking of the project by KAPL at an estimated cost of Rs 22.45 crore provided the expenditure is met by the company out of its Internal Extra Budgetary Resources(IEBR) . The Standing Finance Committee under the chairpersonship of Secretary (C&PC) however felt that the equity support should be provided by promoters of the company considering that the company has small equity base. The Planning Commission has since sought further information in this regard. The Department would furnish information to the Planning Commission soon.

(ii) Rajasthan Drugs & Pharmaceuticals Limited (RDPL). The proposal for additional equity of Rs. 2.00 crores for undertaking modernization/expansion of capacity of the Plant and also to obtain WHO-GMP certification is under examination in the Department. It is likely to be sent to the Planning Commission soon.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

#### **Recommendation (SI. No. 5)**

The Committee note that the Plan budget of CIPET has been increased from Rs.23.00 crore in RE (2005-06) to Rs.50.00 crore in BE (2006-07). The Department of Chemicals & Petrochemicals had informed that out of this, an amount of Rs.15.00 crore is for establishment of new centres at Panipat, Jaipur and Aurangabad, Rs.2.00 crore for CIPET schemes; Rs.30.00 crore as OPEC loan and Rs.3.00 crore as government of India’s counterpart funding. The Committee’s examination revealed that there has already been much delay in

getting OPEC loan. The Committee, therefore, recommend that establishment of new centres of CIPET at Panipat, Jaipur and Aurangabad should be expedited.

### **Reply of the Government**

Based on past experience and the project report for the three new Centres, the project period is three years for establishment of a new CIPET Centre from the date of Government's approval. The Government's approval in the instant case was conveyed to CIPET on 31<sup>st</sup> March, 2006. Government will make all efforts to ensure that these Centres are fully set up within the stipulated period of three years i.e. by March, 2009.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 6)**

The Supreme Court in July,2004 directed the Welfare Commissioner for Bhopal Gas Leak Disaster to disburse the remaining amount of Rs.1503 crore accrued as exchange rate variation to the disaster victims on pro-rata basis. The disbursement of compensation started on 15.11.2004. About 5,72,378 claimants were given compensation as on 31.01.2006. The Department has informed that 297 appeals and 32 Review Petitions are lying with the Welfare Commissioner. Besides, 3275 applications are pending for scrutiny and motion hearing. The Supreme Court had directed that disbursement of pro-rata compensation should be completed by 30.4.2005. However Supreme Court has extended the date of disbursal of pro-rata compensation from 30.4.2005 to 30.4.2006. The Committee trust that all cases relating to the disbursement of pro-rata compensation would be disposed of by 30.4.2006.

### **Reply of the Government**

The work for distribution of pro-rata compensation to the victims of the Bhopal Gas Leak Disaster which was to be completed by 30th April,2006 as per directions of the Supreme Court has almost been completed by that date by the

Office of the Welfare Commissioner, Bhopal Gas Victims. However, an application in respect of the nearly 31,000 absentee claimants has been made by the Office of the Welfare Commissioner in the Honble Supreme Court on 15th February, 2006 for treating all such cases as closed. The matter has not been heard by the Court yet. The process of distribution of pro-rata compensation is still going on. As on 16.6.2006, a sum of Rs.1485.48 crore has been distributed among 5,54,580 claimants.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 8 of Chapter-I of the Report)

### **Recommendation (Sl. No. 7)**

The Committee have been informed that on the directions of High Court of Madhya Pradesh, a Task Force under the Chairmanship of Secretary(C&PC) is monitoring the removal/disposal of about 47 MT of toxic wastes from Union Carbide Plant site at Bhopal. The Principal Secretary, Bhopal Gas Tragedy, Department of Relief and Rehabilitation, Government of Madhya Pradesh is the coordinator of the Task Force and Madhya Pradesh Pollution Control Board is the executive agency. The Committee have been informed that the State Government of Madhya Pradesh has not yet prepared the project proposal for removal of the toxic wastes. The Secretary(C&PC) during oral evidence stated before the Committee that NEERI and IICT have taken samples to assess the level of toxicity in the toxic wastes. Further, about 20 MT of toxic waste, which cannot be put in landfill, is to be taken to Ankleshwar in Gujarat for incineration. The Committee desire that after obtaining test result of samples from NEERI & IICT, the toxic wastes from Bhopal plant site be removed without any further delay.

## Reply of the Government

For the removal of stored hazardous/toxic wastes, the Madhya Pradesh Pollution Control Board has prepared a plan and has also started work on a roadmap.

For Coordinating the overall environmental remediation a Task Force has been constituted under the Chairpersonship of Secretary (C&PC), on the directions of the High Court of Madhya Pradesh, which is monitoring the removal/disposal of the toxic wastes in the Writ Petition No. 2802 of 2004(Alok Pratap Singh Vs. Union of India and others). The first meeting of the Task Force was held on 31<sup>st</sup> May,2005, at New Delhi followed by review meetings on 4<sup>th</sup> July,2005, 3<sup>rd</sup> August,.2005, 9<sup>th</sup> September,2005(at Bhopal), 18<sup>th</sup> October,2005, 17<sup>th</sup> November,2005 and 9<sup>th</sup> January,2006 and 18th April,2006 (at Bhopal). The Government of M.P. and M.P. Pollution Control Board have informed that Phase I of the roadmap has been completed and the work on Phase II would start shortly. The activities covered under the Phase I included:-

- (i) collection of soil, water and residue samples placed in bags;
- (ii) placing of all the material lying in bags in sheds in new bags, containers etc.;
- (iii) keeping the repacked material and covering with tarpaulin and placing it in a shed under security;
- (iv) preliminary analysis of these samples with available facilities and also through other labs.

Under the phase II the following activities will be covered:

1.(a) Identification of SLF site in the premises to be based on Geomorphological, Geohydrological, Edaphic and other Ecological evaluations to be done by an expert agency.

(b) Selection of the expert consultant/agency, which can undertake stabilization, encapsulation, etc. studies along with construction of the SLF based on CPCB/EP guidelines.

(c) Rapid EIA study and a public hearing to be conducted by the same agency identified in (b) or other agency.

- 2.(a) Construction of the SLF.
- (b) Initiation of Monitoring in peizometric holes.
- (c) Capping of the SLF.

The reports of the NEERI and IICT on the samples taken to assess the level of toxicity in the toxic wastes have been received in this Department and have been forwarded to the Chairman of the M.P. Pollution Control Board as directed by the High Court of Madhya Pradesh vide their Orders dated 22nd February,2006. The Technical Sub Committee of the Task Force would meet shortly to discuss these reports and give a clear recommendation on the method and protocol to be adopted for the removal of toxic wastes lying in and around the UCIL plant at Bhopal. \*

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 11 of Chapter-I of the Report)

### **Recommendation (SI. No. 9)**

The Committee note that the Institute of Pesticides Formulation Technology (IPFT) is getting Departmental grant for meeting day-to-day expenditure as well as capital support. The Committee find that a sum of Rs.3.33 crores could not be released in the first half of 2005-06 for want of utilization certificates for earlier releases. The Committee have also been informed that the reason for delay in utilization of grant is lack of scientific staff in IPFT. The Committee have further learnt that the cadre restructuring exercise has been completed and amendments to the Recruitment Rules for appointment on contract basis has been approved by the Department. The recruitment process has already being started and is likely to be completed by 30.06.2006. The Committee earnestly hope that the recruitment process would be completed in time, so that the funds earmarked for IPFT are utilized fully with a view to achieving the objective of the Institute.

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*\* At the time of factual verification, the Department of Chemicals & Petrochemicals informed (November, 2006) that under the Phase-II, activities comprising of selection of expert/consultant, construction of the Secured Land Fill (SLF), Rapid Environment Impact Analysis (EIA) study and public hearing have been completed. The remaining work under Phase-II is to start shortly.*

### **Reply of the Government**

IPFT has already initiated necessary action for filling up of various posts in terms of the cadre restructuring exercise and the amended recruitment rules. The Institute has filled up four posts through internal promotions where internal candidates were available. For other posts, the process of recruitment has begun. Advertisements through DAVP for filling up various vacant posts have been released in May 2006.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 11)**

The Committee note that the Government is providing grants for promotion of export of pharmaceuticals. However, only a meager amount of Rs. 5.00 lakh has been provided during 2005-06 and 2006-07. The Committee find that as per their earlier recommendations, the Non-Plan Budget for the year 2006-07 for Pharmaceutical Export Promotion Scheme (PEPS) was proposed to be raised from Rs. 5.00 lakh to Rs. 40.00 lakh, which has not been sanctioned in the Demands. The Committee feel that an amount of Rs. 5 lakh is too meager for a project like promotion of export of pharmaceuticals and accordingly recommend that allocation should be raised substantially for the purpose.

### **Reply of the Government**

The Department has noted the desire of the Committee and the matter will again be taken up for increase in Revised Estimates.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No.12)**

The Committee expresses their concern about non-availability of essential drugs at reasonable prices. The Secretary (C&PC), sharing the concern of the Committee, submitted during evidence that a very large section of our population, about 26 percent, live below the poverty line and they cannot afford to buy even low priced medicines. The Department has, therefore, mooted a policy called the 'Health Insurance Scheme' for providing medicines free of cost to the people living below the poverty line. For lower middle class families too, the Government is considering a scheme on the lines of the Rajasthan model where hospitals, etc. have their own societies and are buying medicines in bulk from the manufacturers and selling them to the patients at 50 percent of the cost. The Committee desires that these schemes be considered for implementation expeditiously across the country for the benefit of the masses.

### **Reply of the Government**

The issue of 'Health Insurance Scheme' was discussed in the meeting of Committee of Secretaries (COS) wherein it was decided that this matter may be transferred to the Ministry of Health and Family Welfare. The Ministry of Health and Family Welfare has been informed accordingly. The issue of 'Rajasthan Model of Medicare Relief Societies' has been considered and included in the Draft Cabinet Note on National Pharmaceutical Policy-2006, which has since been circulated amongst various Departments concerned for their comments/views.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 20 of Chapter-I of the Report)

### **Recommendation (Sl. No. 13)**

The Committee find that an amount of Rs. 1.00 crore has been made for new schemes like assistance to small and medium sector units of pharmaceuticals for Good Manufacturing Practices (GMP) compliance, public awareness on drugs and strengthening of Research and Development in pharmaceuticals. These schemes are yet to be approved. The Committee recommend that the Department of Chemicals & Petrochemicals should expedite the process of approval and implementation of these schemes to achieve the desired objectives.

### **Reply of the Government**

The reply to this para has been given at Recommendation No.4. The same is being reproduced here under.

A token provision of Rs. 1.00 crore has been made for new schemes. The Department is considering the following proposals:

(i) Karnataka Antibiotics & Pharmaceuticals Limited (KAPL). The proposal for providing additional equity support of Rs. 7.10 crores to KAPL for technological upgradation/modernization of the manufacturing facilities was sent to the Planning Commission for its "in-principle" approval. Planning Commission accorded in – principle approval to the undertaking of the project by KAPL at an estimated cost of Rs 22.45 crores provided the expenditure is met by the company out of its Internal Extra Budgetary Resources(IEBR) . The Standing Finance Committee under the chairpersonship of Secretary (C&PC) however felt that the equity support should be provided by promoters of the company considering that the company has small equity base. The Planning Commission has since sought further information in this regard. The Department would furnish information to the Planning Commission soon.

(ii) Rajasthan Drugs & Pharmaceuticals Limited (RDPL). The proposal for additional equity of Rs. 2.00 crores for undertaking modernization/expansion of capacity of the Plant and also to obtain WHO-GMP certification is under examination in the Department. It is likely to be sent to the Planning Commission soon.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 15)**

The Committee note that as per mandatory allocation and utilization of 10 per cent of plan outlays for North Eastern Region on Annual Plan basis, an amount of Rs. 15.71 crore out of total Plan expenditure of Rs. 141.93 crore during 2002-2005, has been released for non-lapsable pool for North-Eastern Region. The Committee have been informed that an amount of Rs. 5.50 crore i.e., 10 per cent of RE of 2005-06 is also to be released to North-Eastern Region during 2005-06. The Department has further informed that an amount of Rs. 56.37 crore was made for setting up of Assam Gas Cracker Project, which could not be implemented till now. In addition, an amount of Rs. 30 crore was also earmarked for development of North-Eastern Region. Moreover, the funds earmarked for special projects of CIPET-Guwahati too could only be utilized partially. Besides this, a special project for training, education, skill development and refresher courses for pharmaceutical personnel in public and private sector by NIPER, out of 10 percent allocation, was not approved by the Planning Commission as the assistance for such activities is available from non-lapsable pool of North-Eastern Region. The Committee find that neither the fund out of 10 per cent allocation nor out of non-lapsable pool for North-Eastern Region is being fully utilized. The Committee, are dismayed over the under –utilization trend of expenditure regarding the allocation made for North-Eastern Region and strongly recommend that the allotted funds for the purpose be utilized within the financial year and in rare cases funds should be allowed to go to the non-lapsable pool.

### Reply of the Government

The department has sent a proposal for setting up of a Plastic waste management Centre in North-Eastern Region by CIPET at a cost of Rs.12 crore for approval of the Government of Assam and Ministry for Development of North Eastern Region (DONER) for recommending to the Planning Commission. Once the Planning commission conveys its approval, the funds can be earmarked for this project out of 10% budget allocation of the department. State Govt. of Assam has since recommended the proposal to Planning Commission.

As the Assam Gas Cracker project has since been approved and during its first year of construction, a requirement of Rs. 84.52 crore has been projected as plan budget support. Even if only the Rs. 56.37 crore allocated for 10<sup>th</sup> plan are spent in 2006-07, it shall be more than the 10% stipulated. It is, therefore, felt that in future the 10% funds earmarked for NE region shall not be required to be surrendered to non-lapsable pool.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### Recommendation (Sl. No. 17)

The Committee note that the rehabilitation schemes of HOCL and HAL have been approved by the Cabinet Committee on Economic Affairs. The Committee desire that all necessary steps should be taken for implementation of the scheme for these PSUs within a time-bound manner.

### Reply of the Government

(i) HAL- On 9.3.2006, Government approved scheme for rehabilitation of HAL. The rehabilitation package is estimated to cost Rs.508.50 crores. Of this, there would be cash infusion to the extent of Rs.137.59 crores. Government has since released Rs.57.90 crores to HAL for the following purposes:-

(i) Settlement of Statutory dues	-	Rs.13.90 crore
(ii) Working Capital & Schedule M requirements	-	Rs.10.00 crore
(iii) VRS	-	Rs.34.00 crore
<b>Total</b>	-	<b>Rs.57.90 crore</b>

The balance amount of Rs.79.69 crore would be released as soon as the Rehabilitation Scheme is sanctioned by BIFR. The proposal to write off/waiver of Plan & Non-Plan loan with interest/penal interest of Rs.259.43 crores would be placed before the Parliament soon.

(ii) HOCL- Cabinet Committee on Economic Affairs approved the revival package of HOCL on 9.3.2006. A proposal for release of funds to the tune of Rs.250.00 crores from the first batch of Supplementary Demands for Grants for 2006-07 is under process.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

#### **Comments of the Committee**

(Please see Para No. 26 of Chapter-I of the Report)

#### **Recommendation (SI. No.18)**

The Committee have also been informed that the revival proposal in respect of Hindustan Insecticides Ltd. (HIL) has been approved by BRPSE. A draft Note for CCEA has been circulated to the concerned Ministries/Departments for their comments. Thereafter, the rehabilitation scheme will be placed before CCEA. The Committee desire that the rehabilitation scheme of HIL be got approved by CCEA and implemented in a stipulated time span.

#### **Reply of the Government**

The revival proposal in respect of HIL has been approved by the CCEA in its meeting held on 27.7.2006. The revival proposal is under implementation.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

#### **Comments of the Committee**

(Please see Para No. 29 of Chapter-I of the Report)

### **Recommendation (Sl. No. 19)**

The Committee have also learnt that the Board of Directors of Indian Drugs & Pharmaceuticals Limited (IDPL) has approved the rehabilitation scheme of the company on 22.03.2006. The proposal is now lying with the Department of Chemicals & Petrochemicals. Similarly, revival proposal of Hindustan Insecticides Limited (HIL) is to be placed before CCEA for approval. The Committee desire that all necessary efforts should be made for revival of IDPL and HIL in a time-bound manner.

### **Reply of the Government**

(i) Indian Drugs & Pharmaceuticals Limited- IDPL submitted Draft Rehabilitation Scheme in May, 2006. IDPL has been asked to modify the scheme in respect of the following matters:-

- (a) The land of the company should not be sold for financing its revival;
- (b) The scheme should be financed by sale of scraps, unserviceable equipments etc.
- (c) Banks, Financial Institutions, PSUs etc should agree in-principle for one time settlement.
- (d) The amount of loan – plan and non-plan including interest and penal interest thereon should be duly verified with the PAO of the Department and reflected in the Rehabilitation Scheme. \*

Department has released Rs. 6 crores as non-plan loan for commencing the work of making the units of IDPL Schedule 'M' compliant and upgrading the facilities at Muzaffarpur & Hyderabad.

(ii) Hindustan Insecticides Limited – The revival proposal in respect of HIL has been approved by the Cabinet Committee on Economic Affairs(CCEA) on 27<sup>th</sup> July, 2006.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 32 of Chapter-I of the Report)

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\* *At the time of factual verification, the Department of Chemicals & Petrochemicals informed (November, 2006) that the modified rehabilitation scheme from IDPL is awaited.*

### **Recommendation (Sl. No. 20)**

The Committee note that BIFR sanctioned a Modified Revised Rehabilitation Scheme on 14 January, 2004 for the revival of Bengal Chemicals & Pharmaceuticals Limited(BCPL). This envisages a number of relieves and concessions from the Government and other agencies. The Committee learnt that the matter of relief and concessions for BCPL; have already been placed before the Board for Reconstruction of Public Sector Enterprises (BRPSE). The matter will, then, be placed before the Committee of Secretaries and thereafter for final approval of CCEA. The Committee recommend that the Department of Chemicals and Petro-Chemicals should vigorously pursue the matter for its early approval at every stage so that the revival process of BCPL could be initiated without further loss of time.

### **Reply of the Government**

The Modified Rehabilitation Scheme of the company duly vetted by CRISIL was resubmitted to Board for Reconstruction of Public Sector Enterprises (BRPSE) for its recommendations. BRPSE at its meeting held on 25.8.2006 approved the rehabilitation scheme. Draft note for the Cabinet Committee on Economic Affairs has since been sent to Ministries/Departments for eliciting their comments/ views on the proposal. \*

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 35 of Chapter-I of the Report)

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*\* At the time of factual verification, the Department of Chemicals & Petrochemicals informed (November, 2006) that excepting the Ministry of finance, comments of other Departments have been received. On receipt of comments of Ministry of Finance, the revival scheme would be placed before the CCEA for final decision.*

CHAPTER – III

RECOMMENDATION/OBSERVATION WHICH THE COMMITTEE DO NOT  
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

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NIL

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## CHAPTER – IV

### RECOMMENDATION/OBSERVATION IN RESPECT OF WHICH REPLY OF THE GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (Sl.No.16)

The Committee note that the Hindustan Organic Chemicals Ltd. (HOCL) failed to assess the market potential before taking up the construction of a storage tank terminal facility at JN Port area and subsequently abandoned the project midway resulting in blockage of Rs. 23.49 crore. A loss of Rs. 13.38 crore too occurred towards annual lease rent and wharfage charges. The Department of Chemicals & Petrochemicals has cited the reason that while the project was partly completed, the economic scenario changed with cheaper imports which restricted production at Rasayani unit of HOCL. Subsequently, also due to changed circumstances, the rent of the storage terminal came down dramatically and the project became unattractive. The Committee are dismayed that the faulty assessment and planning process of HOCL as well Department led to the avoidable loss. They feel that the company as well as the Department should make proper analysis and evaluation before going for such projects to avoid recurrence of unnecessary loss to the exchequer.

#### Reply of the Government

The company had decided to set up a tank farm at JNPT Terminal as a part of diversification strategy following Govt. initiatives towards liberalization of the economy. It was expected that liberalization would open up vast potential for the import/export activities. Accordingly the company acquired the two hectares of land from JNPT on lease. The planned facility was for 43,000 KL to be implemented in two phases viz. 15,000 KL initially and balance to be installed as Phase II. By the time the project was under implementation and while around 15,000 KL storage tanks were in place, the economic scenario with respect to import/export became unstable. This was mainly because of the cheaper imports

and adverse value addition in exports. It is a well known fact that during the period 1994 till 1998 the performance of chemical industry as a whole suffered a set back. This was true for HOCL also.

Due to slow development of infrastructure in the JNPT area the import/export activities from JNPT did not seem to be commercially attractive. Therefore, the company took a decision to stop the construction of partially created tank farm facilities and dispose them of. The company attempted to dispose the facilities twice by fixing reserve price of Rs 24 crores. At both the instances the successful bidders backed out by forfeiting the respective EMDs.

During 2005-06 the company got techno commercial assessment of JNPT project made by M/s Dalal Mott MacDonalds. Based on their recommendations the company is considering to revive the JNPT project again by handing over the facilities to a strategic partner on BOT basis. The Board of Directors in the 302<sup>nd</sup> meeting dated 26/5/2006 approved the appointment of M/s SBI Capital Markets Ltd. for the bid process management for transferring the HOCL's JNPT facilities to a strategic partner on BOT basis. With this the company expects (1) to unlock the partial value of the investment already made without diverting its own scarce funds (2) retain ownership of the facility that can yield rich benefits on expiry of the BOT contract, having gained sufficient insight into the tank terminal business which HOCL does not have at the moment (3) explore possibility of negotiating an up-front payment from the BOT contractor which can be used to either retire some of the high interest debts or fund more remunerative projects.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 23 of Chapter-I of the Report)

## CHAPTER - V

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

#### Recommendation (Sl. No. 1)

The Committee have analyzed the implementation of recommendations/ observations contained in their fifth Report on Demands for Grants (2005-06), as detailed in the Annexure. The analyses shows that out of 22 recommendations contained in the Report, Government have implemented only 5 recommendations viz. at Sl. Nos. 2, 6, 8, 17 and 19 so far. The recommendations regarding revival of sick/closed PSUs (Rec. No. 20) and increasing export of drugs & pharmaceuticals (Rec. No. 14) have been partially implemented. The recommendations regarding utilization of funds earmarked for North-eastern region (Rec. No. 18) and establishment of centre for design and development, Hazipur (Rec. No. 4) have not been implemented. The other recommendations, as per latest information submitted to the Committee, are at the various stages of implementation. The Committee, therefore, desire that the Government should implement the remaining recommendations expeditiously. They would also like to be apprised of the conclusive action in regard to such recommendations

#### Reply of the Government

The updated status on the rehabilitation of sick PSUs are:

(I) Hindustan Antibiotics Limited (HAL)- On 9.3.2006, Government approved scheme for rehabilitation of HAL. The rehabilitation package is estimated to cost Rs. 508.50 crore. Of this, there would be cash infusion to the extent of Rs. 137.59 crores .Government has since released Rs. 13.90 crore to HAL for the following purposes:

(i) Settlement of statutory dues	Rs. 13.90 crore
(ii) working capital & Schedule M requirements	Rs. 10.00 crore.
(iii) VRS	Rs. 34.00 crore
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	Rs. 57.90 crores

The balance amount of Rs. 79.69 crore would be released as soon as the Rehabilitation Scheme is sanctioned by BIFR. The write off/waiver of Plan & Non-Plan loan with interest/penal interest of Rs.259.43 crores would be placed before the Parliament soon.

(II) Indian Drugs & Pharmaceuticals Limited (IDPL)- IDPL submitted Draft Rehabilitation Scheme in May 2006. The company has been asked to modify the scheme in respect of the following matters: -

- (a) The land of the company should not be sold for financing its revival.
- (b) The scheme should be financed by sale of scraps, unserviceable equipments etc.
- (c) Banks, financial institutions, PSUs etc should agree in principle for one time settlement,
- (d) The amount of loan-plan & non-plan, including interest & penal interest thereon should be duly verified with the PAO of the Department and reflected in the rehabilitation scheme.

The Department, however released Rs.6 crores as non-plan loan for commencing the work of making the units of IDPL Schedule ' M ' compliant and upgrading the facilities at Muzaffarpur & Hyderabad.

(III) Bengal Chemicals & Pharmaceuticals Limited (BCPL). The Modified Rehabilitation Scheme of the company duly vetted by CRISIL was resubmitted to Board for Reconstruction of Public Sector Enterprises (BRPSE) for its recommendations. BRPSE at its meeting held on 25.8.2006, approved the rehabilitation scheme. Draft note for the Cabinet Committee on Economic Affairs has since been sent to Ministries/Departments for eliciting their comments/views on the proposal.

(IV) Bengal Immunity Limited (BIL) - An official Liquidator was appointed in case of BIL. However, employees Union of the company filed an appeal in AAIFR against the winding up order of BIFR. AAIFR sought the comments/views of the Department in the matter. High Court of Calcutta has stayed the appointment of the Liquidator. Department has appointed a Committee to explore the possibility of

revival of the company. The Committee has since submitted the report on 7.9.2006 to the Department. The Department is examining the report for taking a view in the matter.

(V) Hindustan Organics Chemicals Limited (HOCL)– The revival proposal in respect of HOCL has been approved by the CCEA in its meeting held on 9<sup>th</sup> March 2006. The revival proposal is under implementation

(VI) Hindustan Insecticides Limited (HIL)- The revival proposal of Hindustan Insecticides Limited has been approval by CCEA in its meeting held on 27.7.2006. The revival proposal is under implementation.

(VII) CIPET Centre- Setting up a Design and Tool Room Center of CIPET at Hajipur was not an approved scheme in the Tenth Five year Plan and the Planning commission did not approve this scheme for inclusion in the Tenth Plan at the time of mid-term appraisal.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 5 of Chapter-I of the Report)

### **Recommendation (Sl. No. 8)**

The Committee have been informed that the Gas Authority of India Ltd; (GAIL) has been identified as lead promoter with 70 percent equity participation to implement the Assam Gas Cracker Project with Oil India Limited, Numaligarh Refinery Limited and Assam Industrial Development Corporation each having 10 percent equity participation in the project. The Committee find that the Public Investment Board (PIB) has approved the project and the comments of various Ministries/Departments have also been received in this regard. After incorporating these views/comments, the final Draft Cabinet Note would be sent to the Cabinet Committee on Economic Affairs (CCEA). The Committee desire that necessary

steps should be taken for obtaining early approval of CCEA and the Assam Gas Cracker Project be commissioned as early as possible, particularly when the project is a part of Assam Accord signed as far back as 1985.

### **Reply of the Government**

The Assam Gas Cracker Project has been approved by the Cabinet Committee on Economic Affairs (CCEA) on the 18<sup>th</sup> April, 2006. The cost of the project is Rs.5460.61 Crores (fixed cost). GAIL (India) Ltd. will be the main promoter, under an equity arrangement of GAIL: 70%, OIL: 10%, NRL: 10% and Assam Industrial Development Corporation (Government of Assam): 10%. A Capital Subsidy for Rs.2138 Crores for the project on fixed cost basis (phased during construction period of 5 years at constant prices) and a Feedstock subsidy for Rs.908.91 Crores for the project spread over 15 years operation period (beginning from 6<sup>th</sup> year and continuing up to 20<sup>th</sup> year) at constant prices shall be provided by Government of India.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 14 of Chapter-I of the Report)

### **Recommendation (SI. No.10)**

The Committee note that the National Institute of Pharmaceuticals Education & Research(NIPER) is engaged in providing research and development in pharmaceutical area and setting higher standards in pharmaceutical education. To achieve its objective, NIPER organizes post graduate/Ph.D. programme and also carries out research in selected areas. Keeping in view the importance of its objective, the plan budget of the Institute has been raised from Rs.5.00 crore in the 2005-06 to Rs.18.00 crore in the year 2006-07, particularly to meet the specific health care needs of the country as in some of prevalent diseases in the country, multinational pharmaceutical companies have limited interest. The Committee

would like the Government /NIPER to complete the programmes/projects in a time bound manner so that desired objectives of the plan funds are achieved fully.

### **Reply of the Government**

National Institute of Pharmaceuticals Education & Research (NIPER) has a plan budget of Rs.18.00 crores for the year 2006-07. Against this a sum of Rs.4.93 crores has been released for which the activities have already been initiated by the NIPER. For the release of balance amount, the approval of Planning Commission is awaited. On release of the funds, the target of the NIPER will be achieved accordingly.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Comments of the Committee**

(Please see Para No. 17 of Chapter-I of the Report)

### **Recommendation (SI. No.14)**

The Committee note that at times the drug companies overcharge the price of their drugs and till the matter come to the notice of NPPA, substantial amount is already overcharged from the consumers/patients. When the demand notice for the recovery of overcharged amount is sent, the companies prefer to go to the court and obtain the stay orders thereon. In this way, a large amount of money overcharged from the consumers remain with the drug manufacturers for years. The Committee find that under the Drugs (Prices Control) Order 1979, out of 345 bulk drugs, the Department have computed tentative liabilities in respect of 47 bulk drugs only, which amounts to Rs.326.00 crore. The Committee feel that there may be a large number of liability cases in respect of the remaining 298 bulk drugs where the liability could not be quantified due to court stay orders. The Committee are seriously concerned about this unsatisfactory state of affairs. They, therefore, recommend that vigorous efforts should be made to get such stay orders vacated

and recover the over-charged amounts. The Committee also desire that liabilities be fixed in respect of the remaining 298 bulk drugs expeditiously.

### **Reply of the Government**

Vigorous efforts are being made by the Department for the vacation of the Interim Stay Order granted by Hon'ble Bombay High Court in the Writ Petition No.2368/1996 filed by Indian Drug Manufacturers Association (IDMA) and Organisation of Pharmaceutical Producers of India (OPPI), restraining the Department and its committees etc., from issuing fresh notices to the drug companies calling for information required for determining liabilities. A Transfer Petition has also been filed in the Hon'ble Supreme Court of India under Article 139 (A) of the Constitution of India for transferring all the cases pending in the various High Courts to the Supreme Court of India. Out of the 345 bulk drugs under price control in DPCO,1979, the Department has computed the liabilities on tentative / suo-moto basis in respect of 47 bulk drugs. In respect of remaining 298 bulk drugs, the Department is not in a position to quantify the liabilities as no fresh notices to the drug companies can be issued for calling information, required for determining the liabilities in view of Interim Stay Order dated 30.6.97 granted by Hon'ble Bombay High Court.

In connection with overcharging cases pertaining to DPCO,87 and DPCO,95, the court cases are regularly monitored and vigorously pursued by NPPA with the SGI, ASG and concerned Counsels and Branch Secretariat of the Department of Legal Affairs for early disposal of the cases. As and when it is observed that hearing in any court case is delayed, NPPA takes steps to file urgent applications for early hearing the matter by the concerned courts.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

### **Recommendation (Sl. No. 21)**

Having gone through the facts in regard to working of PSUs under the Department of Chemicals & Petrochemicals, the Committee find that their performance has not at all been satisfactory. Petrofils Cooperative Limited (PCL) and SSPL have been wound up and are under liquidation. All the employees of BIL too, have been relieved under VSS and the company has been wound up as per decision of BIFR. The ex-employees of the company have approached AAIFR against the recommendation of BIFR for winding up of the company. The hearings are in process. The other PSUs i.e. HOCL, HAL, BCPL, HIL, IDPL except in a few cases, have been continuously making losses. The revival schemes for HAL and HOCL have been approved by the Government. However, the revival schemes in the cases of IDPL, BCPL and HIL are under process. Revival scheme of IDPL has not yet been received by the Government. The Committee feel that in the prevailing scenario of PSUs in the country, there is need for their revival in public interest and to meet contingencies like outbreak of diseases like cholera, plague, etc. The Committee, therefore, recommend that serious efforts should be made for revival of all PSUs under the Department of Chemicals & Petrochemicals.

### **Reply of the Government**

The Government is making efforts to revive sick Pharma PSUs. In the case of BIL, an official Liquidator was appointed. However, Employees Union of the company filed an appeal in AAIFR against the winding up order of BIL. AAIFR sought the comments/views of the Department in the matter. High Court of Calcutta has stayed the appointment of the Liquidator. Department has appointed

a Committee to explore the possibility of revival of the company. The Committee has since submitted its report on 7.9.2006 to the Department. The Department is examining the report for taking a view in the matter.

[M/o Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)  
O.M. No. 16 (4)/2006-Fin dated 29.09.2006]

**Comments of the Committee**

(Please see Para No. 38 of Chapter-I of the Report)

**New Delhi;  
December 05, 2006  
Agarhayana 14, 1928 (Saka)**

**ANANT GANGARAM GEETE  
*Chairman,*  
Standing Committee on  
Chemicals & Fertilizers.**

## **Appendix-I**

### **MINUTES**

#### **STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2006-07)**

#### **FOURTH SITTING (29.11.2006)**

The Committee sat from 1500 hrs. to 1600 hrs.

#### **Present**

**Shri Narsingrao H. Suryawanshi - In the Chair**

#### ***Members Lok Sabha***

2. Shri Sunil Khan
3. Shri Prasanta Pradhan
4. Shri Ashok Kumar Rawat
5. Shri Bhanu Pratap Singh Verma

#### ***Rajya Sabha***

6. Shri Devdas Apte
7. Shri Gireesh Kumar Sanghi
8. Shri V. Hanumantha Rao
9. Shri Mahendra Sahni
10. Shri R. Shunmugasundaram

#### ***Secretariat***

1. Shri Brahm Dutt - *Director*
2. Shri S.C. Kaliraman - *Under Secretary*

2. At the outset, in the absence of Chairman of the Committee, the Committee chose Shri Narsingrao H. Suryawanshi, MP (LS) and a Member of the Committee to act as Chairman under rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The Chairman welcomed the Members to the sitting.

3. Thereafter, the Committee considered the Draft Report on Action Taken by the Government on the recommendations contained in the Eleventh Report of the Committee on Demands for Grants (2006-07) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals). After a brief discussion, the draft Report was adopted by the Committee.

4. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Report by the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals) and present the same to both the Houses of Parliament in the current Session.

***The Committee, then, adjourned.***

## Appendix – II

*(Vide Para 3 of the Introduction)*

***Analysis of Action Taken by the Government on the recommendations contained in the Eleventh Report (Fourteenth Lok Sabha) of the Standing Committee on Chemicals & Fertilizers (2005-06) on Demands for Grants (2006-07) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals).***

I	Total No. of Recommendations	21
II	Recommendations which have been accepted by the Government <i>(Vide Recommendations at Sl. Nos. 2, 3, 4, 5, 6, 7, 9, 11, 12, 13, 15, 17, 18, 19 and 20)</i>	15
	Percentage to Total	71.43%
III	Recommendation which the Committee do not desire to pursue in view of Government's Reply	Nil
	Percentage of Total	Nil
IV	Recommendation in respect of which reply of the Government has not been accepted by the Committee <i>(Vide Recommendations at Sl. No. 16)</i>	1
	Percentage of Total	4.76%
V	Recommendations in respect of which final replies of the Government are still awaited <i>(Vide Recommendations at Sl. Nos. 1, 8, 10, 14 and 21)</i>	5
	Percentage of Total	23.81%