

**INDIAN PETROCHEMICALS
CORPORATION LTD.**

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

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1993-94**

TENTH LOK SABHA



**TWENTY SEVENTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)**

(TENTH LOK SABHA)

**INDIAN PETROCHEMICALS CORPORATION
LIMITED
(MINISTRY OF CHEMICALS AND
FERTILIZERS—
DEPARTMENT OF CHEMICALS AND
PETROCHEMICALS)**

**[Action Taken by Government on the
Recommendations contained in the 18th Report
of the Committee on Public Undertakings
(Tenth Lok Sabha)]**



*Presented to Lok Sabha on 23 December, 1993
Laid in Rajya Sabha on 23 December, 1993*

**LOK SABHA SECRETARIAT
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THE COMMITTEE ON PUBLIC UNDERTAKINGS.
(TENTH LOK SABHA)

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1993-94

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Shri Vilas Muttemwar

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(1993-94)**

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3. **Shri Chetan P.S. Chauhan**
4. **Shri R.K. Dhawan**
5. **Shri V. Narayanasamy**

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty Seventh Report (Tenth Lok Sabha) on Action Taken by Government on the recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Petrochemicals Corporation Limited.

2. The Eighteenth Report of the Committee on Public Undertakings was presented to Lok Sabha on 30th April, 1993. Replies of the Government to all the recommendations contained in the Report were received on 12th November, 1993. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 21st December, 1993.

3. An analysis of the action taken by the Government on the recommendations contained in the Eighteenth Report (1992-93) of the Committee is given in Appendix-II.

NEW DELHI:
December 22, 1993

Pausa I. 1915 (S)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Eighteenth Report (Tenth Lok Sabha) of the Committee on Public Undertakings on Indian Petrochemicals Corporation Ltd., which was presented to Lok Sabha on 30th April, 1993.

2. Action Taken Notes have been received from Government in respect of all the 26 recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/Observations that have been accepted by Government.
Sl. Nos. 1—6, 8—11, 14—17 and 21—26
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
Nil.
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
Sl. Nos. 13 and 18
- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited.
Sl. Nos. 7, 12, 19 and 20.

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

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

A. Structure of the Board

(Recommendation Sl. No. 4)

5. The Committee had noted that IPCL is in the process of transition from single location operation to multi-location, multi-product organisation having sizeable growth plan. IPCL had voiced the need for reviewing the division of responsibilities among directors and restructuring the Board of Directors. There was also a need to reorganise the headquarter of the Company and to delegate more powers to Nagothane Complex to enable speedy decision on the spot.

The Committee had stressed that these matters should be considered and appropriate measures taken with a sense of urgency to make IPCL's operations effective and efficient.

6. In their reply the Government have stated that action has been taken to appoint Director (Nagothane Complex) to be in overall charge of the Nagothane Complex. Additional officers, including General Manager (Personnel and Administration) have been posted at Nagothane. Delegation of powers has been revised and additional powers have been sub-delegated to the Executive Director and other functionaries e.g. General Manager, Deputy General Manager, etc. In addition, top management members visit Nagothane more frequently to sort out issues and to interact directly with Nagothane based officers/employees.

7. The Committee note that while action has been taken to delegate more powers to Nagothane Complex, the Government reply is silent on the recommendation made by the Committee that urgent steps should be taken to bring about organisational changes consistent with the efficient and smooth functioning of IPCL. They reiterate that a decision on the proposal made by IPCL to the Government with regard to division of responsibilities among directors and restructuring the Board of Directors should be taken and implemented without any further delay.

B. Vadodara Based Projects

(Recommendation Sl. No. 7)

8. The Committee had observed that there were four Baroda based projects viz. (i) Polypropylene Copolymer, (ii) Bicomponent Acrylic Fibre, (iii) Xylene Expansion and (iv) Gas Turbine Power Plant each costing over Rs. 50 crores completed during the last five years. The Company had slipped up adhering to time schedule of these projects. There had been delay ranging from 9 to 24 months in completion/commissioning of these projects. There was 25% cost-overrun in the case of Xylene Expansion. Increase in project cost coupled with uneconomic input prices appeared to have made this project economically unviable. The Committee had desired that the company exercise greater care in future to see that Feasibility Reports are reliable and the cost estimate realistic. The Committee had recommended that efforts should be made to break even on Xylene project soon.

9. In their reply, the Government have stated that the Xylene plant at Baroda Complex was designed for processing of Naphtha upto 1,20,000 metric tonnes per annum and 1,10,000 metric tonnes per annum of C5 Reformate. Since the price of C5 reformate fixed by Government was exorbitantly high, the Company discontinued processing of C5 Reformate. However, naphtha is being processed in the aromatics plant at Baroda complex at full capacity. The matter has

been taken up with the Ministry of Petroleum & Natural Gas and the Indian Oil Corporation Limited for fixing the price for C5 Reformate in relation with the international price for Ortho and Para Xylenes.

10. It would have been appropriate if the action taken by the Ministry of Petroleum & Natural Gas with regard to the proposal for fixing the price of C5 Reformate in relation to international price for Ortho and para Xylenes had been ascertained and conveyed to the Committee. The Committee urge that the matter should be pursued vigorously and they be apprised of the decision taken on the question of price of C5 Reformate. They reiterate that no efforts should be spared to make the Xylene Project economically viable.

11. The reply is also silent about the steps taken to ensure that in future feasibility reports are reliable and cost estimates of projects are realistic. The Committee trust that steps will be taken to plug all loopholes in the planning and implementation stages of projects with a view to avoid recurrence of cost and time overrun of projects in IPCL.

C. Creation of medical facilities

(Recommendation Sl. No. 12)

12. The Committee had emphasised the need for creation of adequate medical facilities near the industry to meet any eventualities. The Committee noted that IPCL management had mooted an idea of having a large hospital in association with other neighbouring industries such as RCF, HOC and other private industries located at such a site and area that it is easily approachable by all the industries in the district including those in Patalganga area. The Committee had desired that IPCL should translate this idea into reality soon.

13. The Government have stated in their reply that discussions were held by IPCL with the State Government authorities for setting up the facility in association with other neighbouring industries and the matter was being followed up.

14. The Committee feel that a final decision should have been taken by IPCL on the proposal by now. No doubt, implementing this noble idea of setting up a large hospital jointly by the PSUs and private industries located in the area would go a long way in discharging of social responsibilities as envisaged by the Committee in their 24th Report (1993-94) on 'Social Responsibilities and Public Accountability of Public Undertakings'. They therefore urge that the proposal should be followed up with all sincerity and implemented soon.

D. Report on Fire Accident

(Recommendation Sl. No. 13)

15. The Committee had observed that though 18 months had elapsed since submission of the report in October, 1991 by a high power committee which was appointed by the Government to enquire into the causes of the

fire accident at Nagothane Complex, the report has not been laid in Parliament. The report was not forthcoming inspite of repeated requests. Government was stated to be still in the process of finalising its views on the report. The Committee had recommended that the Government should take a view on the report without any further loss of time and lay the report in the next session of Parliament.

16. In their reply the Government have stated that the Mashelkar Report on the fire accident had made some recommendations which were being processed for necessary action. Meanwhile, certain clarifications were required to be obtained from IPCL for further action. These clarifications have since been received and the Report is being processed in the Ministry for taking a final decision.

17. The Committee regret to note that inspite of their recommendations in April, 1993, no serious efforts seem to have been made by the Government to process the Mashelkar Report submitted in October, 1991 on the fire accident which occurred in Maharashtra Gas Cracker Complex at Nagothane and lay the same in Parliament. The undue delay is regrettable. The Committee reiterate that the Government should take a final decision on the report and lay it in Parliament expeditiously so that the findings of the high power committee are made public.

E. Environment Audit

(Recommendation Sl. No. 18)

18. While commenting on the high level of pollution in Raigad District of Maharashtra, the Committee had *inter-alia* recommended that Government should take urgent steps to make environment audit a mandatory requirement for all companies and to incorporate this requirement as part of the Companies Act with a view to ensuring pollution free environment.

19. The Government have in their reply stated that as required by the rules framed under the Environment Protection Act, 1986 the Company has already submitted the Environment Statement Report for Negothane Complex in the prescribed format to the Maharashtra Pollution Control Board.

20. The Committee are constrained to observe that the Government have not taken the spirit of their recommendation with the seriousness it deserved. Preservation of environment is one of the major problems being faced by the country as a result of industrialisation. It was in this context that the Committee desired that the environment audit should be made a mandatory requirement for all companies and that his requirement should be incorporated in the Companies Act itself. The Government have simply stated that the Nagothane Complex of IPCL has submitted an Environment Statement Report to the Maharashtra Pollution Control Board. The Committee would therefore reiterate that the environment audit should be

made a mandatory requirement for all companies and necessary steps to incorporate such a requirement in the Companies Act should be initiated by the Ministry in the right earnest.

F. Research & Development

(Recommendation Sl. Nos. 19 & 20)

21. The Committee had noted that although the R&D Centre of IPCL had been functioning for over 15 years, the Company had left it to advanced countries to undertake research on plastics recycling, disposal, etc. and was awaiting the outcome of their research. The Committee had pointed out that the research at the R&D Centre of the Company should be need based and problem oriented. They had emphasised the need to study the chemical reaction of detergents and synthetic fiber on skin and the question of packaging of edible items on recycled material and such other vital problems involving the health of the people. The Committee wanted to know the outcome of studies in this regard.

22. The Committee were also not impressed by the level of expenditure in the R&D activities of IPCL which varied between 6 to 8 crores each year during 1988—92 (after exclusion of investment on a carbon fibre development project during 1989-91) The Committee had desired that the R&D outlay should be stepped up consistent with the need to maintain an edge in quality and cost in an emerging competitive situation.

23. The Government have stated in their reply that the available information through literature on the dermatological effects of detergents and synthetic fibres would be collected from the Industrial Toxicological Research Centre (ITRC), Lucknow, where some expertise existed. Similarly the Central Food and Technological Research Institute (CFTRI), Mysore would be approached to gather information on the packaging of edible items in recycled materials. The Government have stated that a status report would be submitted in due course.

24. The Government have further stated that major emphasis has been placed in the on-going R & D projects to develop quality and cost effective products and processes. In order to augment the financial outlay to meet the demands of the emerging scenario, in addition to the available internal resources, IPCL has approached the Oil Industry Development Board for a soft loan against specific projects which have major financial implications.

25. The Committee take a serious view of the fact that although almost more than seven months have elapsed since the recommendation was made, no headway has been made in conducting any study. They would, however, await the status report promised by the Government on the results of research on chemical reaction of detergents and synthetic fibre on skin and the impact of packaging of edible items on recycled material. The Government's reply seems to lack firm commitment on the question of enhancement of financial outlay for R&D projects. The Committee trust

that the Government would take their recommendation seriously and increase financial allocation for R&D with a view to give sufficient thrust to research and development activities in IPCL.

G. High Duty and Tax Structure

(Recommendation Sl. No. 22)

26. The Committee had *inter-alia* observed that the high rate of taxes and duties seemed to have adverse effect on the IPCL. According to the Eighth Five Year Plan document the prices of most of the petrochemicals products in the country are above the international levels, partly because of high rates of taxes. The drop in the import duty in respect of MEG and Xylene in the Budget had reportedly rendered production of these items unviable. The Committee had stressed the urgent need to rationalise taxes and duties on indigenous petrochemical products in consonance with the changes in import duty structure in order to enable Indian Petrochemical Industry integrate with the global market.

27. The Committee are constrained to observe that the Government has not furnished reply to this recommendation. They reiterate that the Government should review the existing duty and tax structure with regard to petrochemical products so that the indigenous petrochemical products become competitive as compared to global market. The Committee would like to be apprised of the action taken by the Government in this regard at the earliest.

H. Memorandum of Understanding (MOU)

(Recommendation Sl. No. 24)

28. While pointing out certain lacunae in the Memorandum of Understanding entered into by IPCL with the Government, the Committee had *inter-alia* recommended that the details of MOU and the evaluation thereagainst should be disclosed in the Annual Reports of the Company and of the Administrative Ministry in future for the information of Parliament and the public.

29. The Government's reply is silent on this recommendation. The concept of public accountability of public undertakings cannot be overemphasised. The need for greater transparency attains significance in the context of disinvestment as the company is now answerable to a large number of shareholders. The Committee, therefore reiterate that in future the details of MOU targets and performance evaluation thereagainst should be included in the Annual Reports of IPCL and the administrative Ministry.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

(Recommendation Serial No. 1)

IPCL is a dominant constituent of the petrochemical industry which has great significance for the economic growth of our country. The company has been making profit. However, the profit has declined/substantially during the last three years. The capacity utilisation is poor in respect of some products. There is also excess capacity in some cases. There has been delay and huge cost over-run in implementation of projects. The Xylene expansion product has become unviable. There were process problems in some of the new plants. The Baroda Complex faced a flash strike in July, 1992 which resulted in substantial production loss. The performance of Nagothane Complex is not satisfactory as yet. There was stoppage of operations in the complex for a long period due to a mishap. The complex is yet to achieve stabilisation. The committee recommend that taking note of the recommendations contained in this report, IPCL should initiate urgent steps to effect improvement in the overall performance of the company.

Reply of the Government

IPCL's performance depends mainly on the performance of Baroda Complex and Nagothane Complex plants to improve its financial position. While the average capacity utilisation of Baroda Complex plants is above 90 per cent, those at Nagothane Complex have now improved to around 70 per cent. Efforts are now on to bring down the cost of production at Baroda Complex by various measures such as (i) importing necessary feedstock like naphtha, kerosene, etc. from abroad; (ii) bring down consumption of catalysts, chemicals, additives, etc; and (iii) bring down consumption of energy by implementing energy conservation schemes.

Improvement in performance of Nagothane Complex is being done by improving its capacity utilisation. While most of the plants of Nagothane Complex have operated at design capacity, the Corporation is still facing problem in improving the capacity utilisation of the swing plant to produce High Density Polyethylene (HDPE) and Linear Low Density Polyethylene (LLDPE). Technology for these plants has been supplied by Messrs B.P. Chemicals Limited, U.K. with whom the Corporation had other contractual problems also. These are being resolved and experts from Messrs B.P. Chemicals Limited are likely to be at site within 3 to 4 weeks to assist IPCL in improving the performance of the plant. Various measures are also being taken in Nagothane Complex to reduce

consumption of raw materials, catalysts and chemicals and energy consumption. With these efforts the performance of the two Complexes will improve substantially and this will improve IPCL's financial position.

Sales performance for the period from April to September, 1993 is summarised below:

Average realisation per metric tonne during the period April to September, 1993 for major products like low density polyethylene, polypropylene, high density polyethylene, polyvinyl chloride, linear low density polyethylene, dimethyl terephthalate and monoethylene glycol was higher as compared to the corresponding period of last year.

Sundry Debtors	1.4.1993	1.10.1993
Sales days	35	19
Inventory in number of sales days	24	39*

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petro-Chemicals) D.O. No. 40012/4/93—PC. III dated 10th November, 1993]

(Recommendation Serial No. 2)

The Committee are distressed that the average realisation from Government's disinvestment of 20% of its equity holding in the company was as low as Rs. 65 per share while IPCL in a subsequent offer of shares to the public could realise a premium of Rs. 150 per share on a face value of Rs. 10/. This reflects poorly on the Government's ability to conceptualise and organise such sales. This also leaves room for suspicion as to whether there were irregularities in the sales of shares by Government. The Committee recommend that if there is any necessity in future to disinvest shares of Government companies, Government should review its strategy in order to gain the best realisable price.

Reply of the Government

The initial disinvestment of 20% government holding in the equity capital of IPCL was done by the Department of Public Enterprises in bundles alongwith those of other public sector undertakings.

The concerned Department has been apprised of the above recommendation for appropriate action.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 3)

With the offer of shares to the public, the ownership of the company stands difused. The Committee note that Government will however retain its control with its majority shareholding in the company. Wider ownership of the company's shares has rendered IPCL answerable to a large

* Efforts are on to reduce the sales days in respect of finished goods inventory.

community of shareholders. This would obviously necessitate change in managerial policies and practices. The Committee would await the steps taken by the company on this direction. The Committee suggest that induction of professionally qualified non-official Directors on the Board of Directors should be considered keeping in view the need to professionalise the management to meet the new challenges in the fast changing economic environment.

Reply of the Government

Change in ownership pattern involving over 2 lakh shareholders would mean (a) establishment of shareholder grievance redressal machinery, (b) the average cost of holding bearing reasonable relationship with the market price of the share, and (c) awareness of the aspirations of shareholders for a reasonable return on investment. These aspects have been and are being attended to. In the case of day-to-day management, however, as a professionally managed Company, change in ownership pattern does not call for any material change.

The recommendation of the Committee for induction of professionally qualified non-official Directors on the Board of Directors of the Company will be duly kept in view while making such appointments.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 4)

IPCL is in the process of transition from single location operation to multi-location, multi-product organisation having sizeable growth plan. IPCL has rightly voiced the need for reviewing the division of responsibilities among directors and restructuring the Board of Directors. There is also a need to reorganise the head quarters of the company and to delegate more powers to Nagothane Complex to enable speedy decision on the spot. The Committee stress that these matters should be considered and appropriate measures taken with a sense of urgency to make IPCL's operations effective and efficient.

Reply of the Government

Action has been taken to appoint Director (Nagothane Complex) to be in overall incharge of the Nagothane Complex. Additional officers, including General Manager (Personnel and Administration) have been posted at Nagothane. Delegation of powers have been revised and additional powers have been sub-delegated to the Executive Director and other functionaries e.g. General Manager, Deputy General Manager etc. In addition, top management members visit Nagothane more frequently to sort out issues and to interact directly with Nagothane based officers/employees.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 5 of Chapter I of the Report)

(Recommendation Serial No. 5)

The Committee note that amongst about 20 manufacturers of major petrochemicals products in the country, IPCL's share at present in capacity is about 50% for polymers and 33% overall in all products. It is heartening to note that due to expansion programmes and new complex/capacities being implemented by 1996-97. IPCL's market share for polymers will be sustained at about 50% level and will increase to 36% overall for all products with a production capacity of 12.4 lakh tonnes for major petrochemical products from three complexes at Baroda, Nagothane and Gandhar. The Committee hope that IPCL will sustain its efforts to continue to be the leader of Indian Petrochemicals industry and to take its rightful place in the international group of his performing petrochemical companies.

Reply of the Government

This recommendation will be implemented through taking up expansion programmes and new complexes. IPCL will continue to maintain the petrochemical industry leadership through:

- maintaining credibility as a multi product manufacturer.
- flanking of existing product range.
- shortening of development cycle for new products/application.
- protection of large markets against inter-polymer/inter-material competition.
- achieving synergy with natural materials in the overall market situation.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 6)

The Committee are concerned to note that the country's first grass-root gas based mega petrochemicals complex at Nagothane has run into a variety of difficulties. The cost of the complex shot-up from the original estimate of Rs. 1167 crores to Rs. 1635 crores registering a steep increase of Rs. 468 crores. Inspite of huge cost escalation, IPCL expects to achieve a greater internal rate of return of 25% as against the original anticipation of 13.9% due to fortuitous rise in product prices. The project suffered a

delay ranging from 12 to 27 months in completion/commissioning of most of the projects in the complex. The project faced feed-stock constraint at the time of commissioning necessitating switching over of the feed-stock from C2/C3 to LPG. There was stoppage of operations for fairly a long period following a major accident in the Complex. There are still difficulties in stabilisation of production. The capacity utilisation expected in just 40% in 1992-93. The Committee desire that the problems should be overcome early and the complex made viable soon.

Reply of the Government

During the year 1992-93, all the plants in Nagothane Complex, excepting Ethylene Oxide Plant, contributed to the production. Ethylene Oxide production is expected to commence during 1993-94. Production in Nagothane Complex during the year 1992-93 was 1,38,534 metric tonnes representing a capacity utilisation of 39 per cent. The capacity utilisation could have been higher, but for the uneconomical pricing of propylene feedstock which resulted in lowering the polypropylene production.

Though the two lines of Linear Low Density Polyethylene/High Density Polyethylene Plant were commissioned in June, 1992 and September, 1992, it has not been possible to achieve sustained commercial production during the year. There are teething problems related to technology, design and performance of some equipment. These are being attended to and actions are underway for early achievement of commercial production on a sustained basis.

The production of Mono Ethylene Glycol was affected due to the excess capacity in the country and heavy imports. The production of wire and cable compound product was affected due to the non-availability of appropriate grade of LDPE and other inputs.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 8)

From the preceding paragraphs, it may be observed that though the project monitoring system has been redesigned on the recommendations of the Committee in 1986-87, the project implementation and operation still leaves much to be desired. The project execution and performance of Nagothane Complex and Baroda based projects indicates that there are still serious functional deficiencies in the matter of project implementation and operation. The Committee desire that IPCL should take effective steps to remove them.

Reply of the Government

IPCL had retained Messrs Engineers India Limited (EIL) as engineering consultant for the implementation of projects at Nagothane Complex. EIL are reputed and experienced in the field of setting up petrochemical plants, and were retained for detailed engineering of plants, procurement

and inspection of equipments and construction supervision at the site. The thorough job done by EIL is of very high quality, but time taken in implementation has been more.

This matter has been reviewed with EIL subsequently in order to reduce the project implementation time. This is expected to have its effect on projects implementation in the future. There have been certain design deficiencies in plants which have led to operational problems, specially at low throughout of plant operation. With the increased loading of plants, most of these problems have been overcome.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 9)

A gas based cracker complex at Gandhar at a cost of Rs. 3485 crores with a commissioning schedule in the first quarter of 1996-97 is under implementation by IPCL. Besides this, three expansion projects in Nagothane Complex and three in Baroda Complex have also been undertaken by the Company. It should be ensured that these projects are completed in time and within the estimated cost. The Committee desire that there should be an effective monitoring to apply on course correction promptly both at the Corporate and Ministry level.

Reply of the Government

IPCL has adopted a monitoring system for its projects. The same will be adopted for the Gandhar Complex as well the expansion projects at Baroda Complex and Nagothane Complex to ensure that the projects are completed in time and within the estimated cost. An effective monitoring arrangement exists in the Government whereby the Ministry of Programme Implementation, on the basis of periodic flash/evaluation reports, keeps a close watch on the implementation of major projects and the administrative Ministry is also kept informed of their evaluation.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993].

(Recommendation Serial No. 10)

The Committee noticed that in a number of cases, the project approval by Government took more than one year. The Committee are distressed that cost of the delay in decision making in terms of cost escalation and denial of timely benefit to the economy is seldom realised. Under the existing guidelines the appraising agencies and administrative Ministries are expected to arrive at a decision regarding a project within six months. The Committee hope that delay in project approval by Govt. would be avoided in future.

Reply of the Government

The Government will strive to minimise the delays in the project

approvals. The recommendation of the Committee has been communicated to the concerned Department and the appraising agencies for appropriate action.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 11)

A fire accident that occurred in November 1990 in the Outside Battery Limit (OSBL) unit of Gas Cracker plant in Nagothane caused the death of 32 persons. This also resulted in stoppage of operations causing production loss to the tune of Rs. 299 crores. The company was also saddled with an additional cost by way of interest burden, etc. to the extent of about Rs. 72 crores. It transpired during the committees examination that failure of the plate pin exchanger in OSBL at the nozzle of a weld joint caused the mishap and that IPCL failed to carry out 100% radiography of all weld joints. IPCL simply went by an Engineering Code which prescribed into a minimum 10% of the weld joints be radiographed and checked. The Committee fail to understand and how IPCL a company of long standing failed to take the elementary precaution of checking all weld joints to safeguard against defects in hazardous, equipment such as this which involves loss of human life. There should not have been such failures under any circumstances. The Committee desire that this kind of negligence should never be allowed to repeat in future.

Reply of the Government

All plate fin exchangers are manufactured as per the ASME Section VIII, Division 1, Code. All weld joints are in accordance with the ANSI D 31.3 piping code. The ASME and ANSI are internationally recognised codes. These codes are followed for designs and manufacturing of various equipment used in petrochemical plants, refineries and other process plants all over the world. For following these the IPCL codes had to conform to the best international manufacturing practices. The plate fin exchangers of IPCL were supplied by the world renowned manufacturer with long in line experience of supplying hundreds of such equipment to similar plants all over the world.

Following of these international codes is completely in line with the best practices adopted by all international companies anywhere in the world. The Corporation had arrived at the decision to adopt these international codes, alongwith the Corporation's engineering consultant — EIL. Manufacturing of plate-fin-exchangers according to these codes cannot be construed as negligence on the part of IPCL. However, to be absolutely conservative and as a matter of abundant

precaution, the Corporation has now instituted a practice of 100 per cent radiography of all concerned welds for plate-fin-exchanger for its plants. [Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 14)

The Committee find that the capacity utilisation in Xylene, Monoethylene Glycol, Acrylate and Dry Spun Acrylic Fibre (DSAF) plants of Baroda Complex was considerably low during the last three years. This is attributed to lower demand, feed stock limitations and process problems. The Committee have been informed that process problems have now been resolved and steps are being taken to overcome feed stock constraints. The Committee desire that the possibility of exporting the products facing domestic demand constraints should be explored and optimum capacity utilisation ensured.

Reply of the Government

IPCL has exported products worth Rs. 7.47 crores during the period April to September, 1993. The break-up of the volume and value of products exported is as follows:

Product	Quality (MTS)	Value in	
		Rs/Crores	US \$/Million
APP	670	1.19	0.378
LDPE	702	1.38	0.441
LAB	2,621	4.90	1.607
	3,993	7.47	2.426

Petro chemical industry worldwide is passing through a deep recession due to the global over-capacity and weak demand. The low prevailing international prices have made exports largely unremunerative. In spite of the above situation, IPCL has kept its presence in the overseas market through exports of products as shown above.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 15)

The overall capacity utilisation in Baroda Complex during the last five years was between 83% and 93%. Though this level of capacity utilisation compares well internationally, the Committee feel that the percentage of utilisation of Baroda Complex could have been still higher but for the feedstock constraint. The loss of production suffered by IPCL due to feedstock shortage in 1990-91 alone was stated to be 11,800 tonnes costing over Rs. 44 crores. With the recent decanalisation of naphtha and other fuels,

IPCL is considering the alternative of importing naphtha to the extent feasible. For handling imported feedstock the company is also reportedly participating in implementation of projects to set up chemical port terminals at Dahej and Nava Sheva. As regards Nagothane Complex which is still in the process of stabilisation, IPCL expects to achieve over 80% capacity utilisation by the end of next year as against 40% in 1992-93. The Committee desire that IPCL should identify the deficiencies in achieving stabilisation in Nagothane Complex and take effective steps to remove them in order to achieve optimum utilisation early.

Reply of the Government

The problems in the operation of gas cracker, ethylene oxide/ethyleneglycol, polypropylene and low density polyethylene plants in Nagothane have been identified and most of these problems have been overcome. The operation of these units has already been established at their rated capacities. The debottlenecking of the remaining plants has been taken up in a phased manner and these activities will be completed during the shutdown period in 1994. This is expected to solve all the existing problems in these plants.

The new technology adopted in the linear low density polyethylene/high density polyethylene plant continues to pose problems, limiting the throughput due to hardware constraints and design inadequacy. Most deficiencies have been identified and a team from process licensor, Messrs B.P. Chemicals Limited, is being called to have a joint technical audit and for drawing up a comprehensive plan for correcting the deficiencies.

Further, over a period of time the plant personnel have improved their understanding of the process. The technology absorption is now at a higher level and this is expected to improve the operation levels as well as on stream factors of the plant which will ultimately lead to higher productivity.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 16)

The cost of production of various products has been considerably higher than the standard/budgeted costs during 1988-91 due to high consumption of raw materials, chemicals and utilities coupled with increase in price of raw materials. Energy consumption in most of the plants was also higher than norms in most of the plants. The Committee feel that there is an urgent need to achieve high cost-effectiveness in order to maintain profitability in the intensely competitive market place of the future.

Reply of the Government

Raw materials consumption for many plants in Baroda Complex is reasonably within the budgeted figures. However, in case of certain plants

like olefins, aromatic and linear alkyl benzene plants, where the feedstocks are taken from Indian Oil Corporation Limited (Gujarat Refinery), the consumptions are higher. This is mainly because of lower precursors content in the feedstock e.g. in naphtha for aromatic plant, the precursor is 37.5% in naphtha against 42% designed. In olefins plants, the precursors in naphtha is always less than 76%, which is normally required. LAB feedstock is supposed to have precursors more than 22%, but normally it is less than 20%. Efforts are being made to import some quantities of feedstock with higher precursors in order to reduce the cost of production and specific consumption. However, infrastructure at the port terminal is to be created first to handle the imports.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 17)

It is heartening to note that IPCL is treating the hazardous industrial effluent to acceptable levels and is also carrying out periodic monitoring to assess changes, if any, in the environmental quality. The studies conducted by National Institute of Oceanography following complaints regarding damage to marine life from the effluent of Nagothane Complex have dispelled such fears. The Committee suggest that the fears and doubts on this question in the minds of the people in the neighbourhood should be allayed. It is not clear whether the minimal national standards in quantum limits laid down by the Central Board for Prevention of Air and Water Pollution are met by IPCL. The Committee recommend that in case these are not already met by IPCL, immediate measures should be taken to see that the effluents from IPCL conform to the limits laid down.

Reply of the Government

To allay the fears and doubts in the minds of the people in the neighbourhood, IPCL's Nagothane Complex has undertaken to implement public awareness programmes. The communication modes used for it are:

- (i) Booklet—Printed Marathi Booklets in question and answer forms are being distributed to the villagers.
- (ii) Face to face—Meetings between group of villagers, their Sarpanches and IPCL personnel are organised at Community Halls of the villages.
- (iii) Visuals—Plant visits and video films covering all aspects of fire, safety & pollution control measures are shown to the nearby villagers.

The other major objective of the programme is to improve the awareness about IPCL's Nagothane Complex among the villagers and promote it as a neighbourhood friendly organisation.

Quality parameters of the treated effluent of IPCL's Nagothane Complex satisfy the standards laid down in Minimal National Standards (MINAS) for the petrochemical industry (basic and intermediates) issued by the Central Pollution Control Board, New Delhi. The quality of effluent discharged also meets the Standards stipulated by the Maharashtra Pollution Control Board in their "consent to operate" letter dated the 20th April, 1993.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 21)

The Committee find that the Baroda Complex of IPCL made a profit of over Rs. 290 crores in 1991-92 which is quite impressive. The overall profit of the company in that year was however just Rs. 52 crores primarily due to unsatisfactory performance of Nagothane Complex. The Committee are concerned to note that the overall profit of the company which stood at Rs. 116 crores in 1988-89 came down to touch a low of Rs. 46 crores in 1990-91. As against the profit target of Rs. 200 crores in the current year (1992-93), the achievement in the first half of the year was Rs. 41 crores. The Committee find that non-stabilisation of Nagothane Complex, decline in international price of petrochemical products, dumping of products, reduction import duty, etc. have their inevitable impact on IPCL. In order to improve profitability, the Committee urge that IPCL should ensure that the new projects are made viable, capacity utilisation improved, cost reduced and better marketing of products ensured. The Committee would await steps taken in this regard.

Reply of the Government

Reference is invited to the reply furnished in regard to recommendation S. No. 1. In addition to this, the following steps were taken for better marketing of products:

- Customer relations were strengthened by way of optimum number of customer contacts, visits, holding of seminars and workshops.
- Activities were streamlined to obtain market information in time. To enable IPCL to respond speedily to these inputs, IPCL introduced Quick Market Intelligence (QMI) formats for flow of information.
- IPCL also ensured availability of major grades throughout the country to enable the consumers to purchase from the shelf.
- IPCL also organised distribution of materials through railway wagons and containers to gain time and also to ensure availability of materials during the recent transport operators strike.
- IPCL undertook efforts to maximise sale of value added grades like agrifilms, cap covers, BOPP films, multifilaments and polypropylene copolymer.

- Consignment Stockist handling chemical products were given more products to improve market penetration.
- Greater flexibility was given by IPCL to their polymer distributors for providing better service to be consumers.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

(Recommendation Serial No. 22)

The high rate of taxes and duties seems to have adverse effect on the IPCL. According to the Eighth Five Year Plan document the prices of most of the petrochemical products in the country are well above the international levels, partly because of high rates of taxes. The drop in the import duty in respect of MEG and Xylene in the recent Budget has reportedly rendered production of these items unviable. The Committee feel that there is an urgent need to rationalise taxes and duties on indigenous petrochemical products in consonance with the changes in import duty structure in order to enable Indian Petrochemical Industry integrate with the global market. Incidentally, the Committee suggest that IPCL should also develop new strategies and promote value added products to maintain profitability.

Reply of the Government

As suggested by the Committee, the steps taken by IPCL are as follows:

- Optimisation of cost-effective product mix by balancing production of grades between Baroda and Nagothane Plants.
- Product / market development strategies were drawn up aimed at maximising product sales of value added grades e.g. agrifilms, cap covers, BOPP, multifilament, polypropylene copolymer and post-reactor compounds.
- MOU agreements with major customers were entered into to maintain / improve market share.
- Introduction of distilled Solvent CIX for the first time in the domestic market for better sales realisation.
- Certain products such as orthoxylene were marketed to the non-phthalic anhydride (PAN) sector at prices higher than the imported prices.
- Customer mapping on regional basis were carried out to optimise points of supply for quicker servicing, reducing logistics problems, using least cost transportation options and to be tax effective in terms of sales tax, purchase tax and turn over tax.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 27 of Chapter I of the Report)

(Recommendation Serial No. 22)

The auditors report of IPCL for the year 1991-92 has remarked that the internal audit system of the company needs to be strengthened so as to commensurate with the size and nature of its business. IPCL is stated to have since appointed professional auditing firms to do the internal audit of all the regional offices and sales centres. The Committee trust that IPCL will not be found wanting in this regard in future.

Reply of the Government

The Company has an internal audit system operated by the Company's own Internal Audit Department for the Baroda Complex. over and above the inhouse internal audit department, IPCL has retained professional firms of Chartered Accountants for carrying out internal audit of Nagothane Complex, CATAD and Regional offices. These arrangements are proposed to be further strengthened, so as to be commensurate with the size and nature of operations.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993.]

(Recommendation Serial No. 24)

The Committee are surprised that MOU performance of IPCL has been rated 'Excellent' with a composite score of 1.24 in 1990-91 while the Committee's examination of the company's performance for the year reveals substantial shortfall in achievement of budget targets in respect of gross turnover, value added, profit and gross internal resources, failure of the Nagothane Complex going on stream as planned, stoppage of operations due to a major accident in Nagothane Complex and negligible sales realisation of Rs. 2 crores as against the target of Rs. 488 crores in Nagothane Complex. On examining the MOUs of IPCL for the last three years, the Committee feel that something is basically wrong in the system of MOU targets and evaluation. There is no synchronisation of DPR, plan, budget and MOU targets of the company. Imported indicators such as value added, capital investment and labour productivity have not found place in the MOU. There has been replacement of MOU indicators in successive years which defies comparison of MOU performance over the years. Commitments from the government included in MOU are seldom evaluated. The Committee desire that all these deficiencies should be removed in consultation with the Department of Public Enterprises. The Committee feel that MOU score should genuinely reflect total enterprise performance. The Committee would also urge that the details of MOU and

the evaluation thereagainst should be disclosed in future in the Annual Report of the Company and of the Administrative Ministry for the information of Parliament and the Public.

Reply of the Government

As already mentioned earlier, in the evaluation of performance against MOU targets for 1990-91, production performance at Nagothane was ignored owing to the extra-ordinary/uncontrollable factor, i.e. the fire/explosion that occurred in that Complex during that year. Relevant extracts from the IPCL's letter No. SC/2/MOU (1990-91) dated May 6, 1991 in this regard are reproduced below:

"The evaluation of performance of a large undertaking like IPCL, should take into consideration extra-ordinary/uncontrollable factors and special pathbreaking endeavours not specifically included in the MOU. In November 1990 the mishap which occurred in the Nagothane Complex was an extraordinary event which affected to some extent the performance targets of production and turnover of the Corporation. It would be relevant to mention that major mishaps have occurred elsewhere in the world in well established petrochemical complexes (as for example in)

1. Nizhne Kamsk Ethylene Plant in USSR—January, 1991.
2. Pemex's Pajaritos VCM Plant in Mexico—March, 1991.
3. Union Carbide's Seadrift EO Plant in USA—March, 1991.
4. Sabah Gas Industries, Methanol Plant in Mexico—April, 1991.

A distorted analysis of performance would emerge, if an extraordinary event is taken cognizance of and the performance is evaluated. It is therefore suggested to exclude the performance of Nagothane Complex while evaluating IPCL's performance in 1990-91.

It would be appropriate to mention that during the year 1990-91, the Corporation was adjudged the third best performer amongst the petrochemical companies world wide (placed after Occidental Petroleum and General Electric) in a study carried out by Chemical Insight, London.

To sum it is our submission that extraordinary aspects and new pathbreaking endeavours need to be reckoned in the rating of IPCL performance against MOU targets."

Synchronisation of targets in budget estimates and MOU has been institutionalised from 1991-92 onwards.

Regarding disclosure of financial targets, it has been agreed with the approval of the High Power Committee, that such targets would be given in a sealed cover to the Secretary of the Department which would be opened at the time of evaluation. It is therefore felt that it is not desirable to disclose the financial targets.

Suggestion regarding inclusion of labour productivity and value added capital investment are being communicated to the Department of Public Enterprise for appropriate action.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 29 of Chapter I of the Report).

(Recommendation Serial No. 25)

The Baroda Complex of IPCL faced a flash strike by non-supervisory personnel followed by management's lock out from 23rd to 30th July, 1992 on a relatively insignificant issue of payment of HRA arrears to the tune of Rs. 46 lakhs. What is shocking to the Committee is not the resultant production loss of around Rs. 14 crores which in itself is a matter of serious concern by the manner in which the plant which process highly inflammable and toxic chemicals were exposed to the danger of a catastrophe not only to the plants, persons working around but also the community at large in the vicinity. Fortunately nothing untoward happened. But this speaks volumes of the cordiality that the management enjoyed with its employees and the extent of workers' safety consciousness in handling hazardous plants such as these. The Committee urge that IPCL should give top priority to inculcate safety consciousness among its workers and situation of this kind should never be allowed to repeat under any circumstances. The Committee also desire that Grievances of employees should be resolved amicably in time and industrial peace and harmony ensured.

Reply of the Government

IPCL is regularly conducting courses in safety awareness to cover almost all employees. Practical demonstrations are also given periodically. A good system prevails in each plant which ensures safe operations in the plant.

The following steps have been taken to prevent recurrence of flash strike and to maintain industrial peace and harmony in the company.

- (i) In a settlement dated 31.7.1992, signed between the IPCL and the representatives of the two Unions, both the Unions have agreed not to resort to strike without giving a minimum 14 days notice, as stipulated under the provisions of Industrial Disputes Act. The Unions have also agreed to follow good Code of Conduct and Discipline.
- (ii) Bilateral forums comprising the representatives of the management and the Unions have been evolved to resolve the issues raised by the Unions from time to time. A joint negotiating team has been

constituted to resolve issues under the charter of demands submitted by the Unions.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993.]

(Recommendation Serial No. 26)

The Committee are glad to note that by way of discharging social responsibility IPCL has formed a trust named MCC Complex Area Development Research Foundation to initiate various development activities in the area and an amount Rs. 19 lakhs earmarked for the year 1992-93 for the purpose. The Committee in this connection desire that IPCL should work out certain schemes as to how the social responsibility can be discharged to the good of the society especially the poorest among the poor. The Committee in their report on IDBI have laid emphasis in this connection for provision of drinking water, medical facilities etc. The Committee desire that IPCL should attempt to solve the drinking water problem of the district where Nagothane complex is located and take steps in this regard in coordination with IDBI, district and local administration authorities. The Committee is certain that grappling with the people's problems with firmness, willingness & imagination thousands of small and big industries situated in this district in all sectors including cooperative can help solve people's problems; thus becoming a precedent and example to all not only in the true Gandhian spirit of discharging social responsibility but also in tune with Mahatma's concept of trusteeship.

Reply of the Government

IPCL has been extending assistance to the neighbouring communities and other backward areas at the Baroda Complex and the Nagothane Complex as part of discharging its social obligation.

To share the benefits of the progress made by the company, activities aimed at the well being of the society have been institutionalised. The areas chosen for providing assistance and services to the neighbouring communities have been employment to PAPs, education, public health, family planning, provision of civic amenities like roads, drinking water, promotion of sports and assistance during natural calamities.

The Corporation has agreed to supply water free of charge to the Project Affected villagers for a period of five years from May, 1990. The Company has also decided to undertake the expenditure for laying down the pipeline for filtered water supply to the Nagothane village.

IPCL has formed a trust named MGCC Area Development Research Foundation for discharging social responsibilities and to initiate various development activities in the area. A sum of Rs. 19 lakhs has been earmarked for the year 1992-93 for the said purpose. A detailed plan to solve the drinking water problem of the district where the Nagothane

Complex is located will be drawn up in consultation with the Industrial Development Bank of India and the district as well as the local administration authorities. IPCL Nagothane Complex has conveyed to the Maharashtra Industrial Development Corporation Limited, Bombay to work out a scheme of drinking water supply to Nagothane village. The expenditure of about 8 lakhs has also been agreed to and this has been communicated to the MIDC.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993.]

CHAPTER III

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

— NIL —

CHPATER IV

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

(Recommendation Serial No. 13)

Though 18 months have elapsed since submission of the report in October 1991 by a high power committee was appointed by the Government to enquire into the causes of the accident, the report has not been laid in Parliament. The report was not forthcoming inspite of repeated requests. Government is stated to be still in the process of finalising its views on the report. The delay is intriguing. The Committee require that the Government should take a view on the report without any further loss of time and lay the report in the next session of Parliament.

Reply of the Government

The Mashelkar Report and made some recommendations which were being processed for necessary action. Meanwhile, certain clarifications were required to be obtained from IPCL for further action. These clarifications have since been received and the Report is now being processed in the Ministry for taking a final decision.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993.]

Comments of the Committee

(Please see paragraph 17 of Chapter I of the Report)

(Recommendation Serial No. 18)

The Committee note that Raigad District of Maharashtra which has major units of RCF, HOC, ONGC, Reliance etc. apart from IPCL experiences high level of pollution. The Committee need hardly emphasise that co-ordinated effort by all these units would be required to ensure that the entire district remains pollution free. The Committee are glad that IPCL has agreed to coordinate efforts in this regard. The Committee would await the steps taken by IPCL in this connection. The Committee desire that Government should take urgent steps to make environment audit a mandatory requirement for all Companies and to incorporate this requirement as part of the Companies Act with a view to ensuring pollution free environment.

Repley of the Government

With the view to coordinate the efforts regarding steps to be undertaken for maintaining the entire district pollution free, a meeting was arranged on the 4th September, 1993 inviting all the executives of various industries in the district. However, due to the poor response from the participants, this meeting had to be postponed. The Corporation is now planning to call the meeting for action plan discussions to have safeguards against pollution in the district some time in the month of December, 1993. In the meantime, the Corporation had also organised a one-day Environmental Awareness Programme for the benefit of the People of the nearby villages on the 17th July, 1993. The response was very good and the Corporation is now proposing to widen the scope of such programmes in the district.

As required by the rules framed under to the Environment (Protection) Act, 1986, the Company has already submitted the Environment Statement Report for Nagothane Complex in the Prescribed format to the Maharashtra Pollution Control Board. This is the first time that such an Environment Statement Report has been submitted.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

CHAPTER V

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

(Recommendation Serial No. 7)

There were four Baroda based projects viz. (i) Polypropylene Copolymer; (ii) Bicomponent Acrylic Fibre (iii) Xylene Expansion and (iv) Gas Turbine Power Plant each costing over Rs. 50 crores completed during the last five years. The Company has slipped up badly in adhering to time schedule of these projects. There was delay ranging from 9 to 24 months in completion/commissioning of these projects. There was 25% cost-overrun in the case of Xylene Expansion. Increase in project cost coupled with uneconomic input prices appears to have made this project economically unviable. The Committee hope that the company will exercise greater care in future to see that Feasibility Reports are reliable and the cost estimates realistic. The Committee desire that efforts should be made to break even on Xylene project soon.

Reply of the Government

The Xylenes Plant at Baroda Complex is designed for processing of Naphtha upto 1,20,000 metric tonnes per annum and 1,10,000 metric tonnes per annum of C5 Reformate. Since the price of C5 Reformate fixed by Government is exorbitantly high, the Corporation has discontinued processing of C5 Reformate. However, naphtha is being processed in the aromatics plant at Baroda Complex at full capacity. The matter has been taken up with the concerned Ministry viz. Ministry of Petroleum & Natural Gas and the Indian Oil Corporation Limited for fixing the price for C5 Reformate in relation with the international price for Ortho and Para Xylenes.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 10 and 11 of Chapter I of the Report)

(Recommendation Serial No. 12)

The Committee note that petrochemical industry is hazardous by nature and inspite of the best of safety measures adopted by the industry the possibility of a disaster can not be ruled out. The Committee's examination

has brought to light the deaths occurred due to an accident in the complex. It is quite possible that many such deaths might have occurred in the area due to some other hazardous industries which might have gone unnoticed. The need for creation of adequate medical facilities near the industry to meet such eventualities cannot therefore be over emphasised. The Committee in this connection note that IPCL management had mooted an idea of having a large hospital in association with other neighbouring industries such as RCF, HOC and other private industries located at such a site and area that it is easily approachable by all the industries in the district including those in Patalganga area. The Committee would urge that IPCL should translate this idea into reality soon.

Reply of the Government

Discussions have been held by IPCL with the State Government authorities for setting up such a facility, in association with other neighbouring industries and the matter is being followed up.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/4/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 14 of Chapter I of the Report)

(Recommendation Serial No. 19)

The R&D Centre of IPCL has been functioning for over 15 years. It is disheartening to learn that IPCL has left it to advanced countries to undertake research on plastics recycling, disposal etc. and is awaiting the outcome of their research. Without underrating the achievements of the R&D Centre of the Company, the Committee would like to point out that the research should be need based and problem oriented. There is an urgent and imperative need to study the chemical reaction of detergents and synthetic fibre on skin and the question of packaging of edible items on recycled material and such other vital problems involving the health of the people. The Committee would await the outcome of studies in this regard.

Reply of the Government

The available information through literature on the dermatological effects of detergents and synthetic fibres will be collected from the Industrial Toxicological Research Centre (ITRC), Lucknow, where presently some expertise exists. Similarly the Central Food and Technological Research Institute (CFTRI), Mysore will be approached to gather information on the packaging of edible items in recycled materials. A status report will be submitted in due course.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/14/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 25 of Chapter I of the Report)

(Recommendation Serial No. 20)

The Committee are also not impressed by the current level of expenditure in the R&D activities of IPCL which varied between 6 to 8 crores each year during 1988-92 (after exclusion of investment on a carbon fibre development project during 1989-91). This is obviously insignificant compared to outlay in R&D in advanced countries. The Committee feel strongly that the R&D outlay should be stepped up consistent with the need to maintain an edge in quality and cost in an emerging competitive situation.

Reply of the Government

Major emphasis has been placed in the on-going R&D projects to develop quality and cost effective products and processes. In order to augment the financial outlay to meet the demands of the emerging scenario, in addition to the available internal resources, IPCL has approached the Oil Industry Development Board for a soft loan against specific projects which have major financial implications.

[Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) D.O. No. 40012/14/93—PC III dated 10th November, 1993]

Comments of the Committee

(Please see paragraph 25 of Chapter I of the Report)

NEW DELHI;
December 22, 1993

Pausa 1, 1915 (Saka)

VILAS MUTTEMWAR
Chairman
Committee on Public Undertakings

APPENDIX I

Minutes of the 15th sitting of Committee on Public Undertakings held on 21 December, 1993

The Committee sat from 1530 hrs. to 1630 hrs.

PRESENT

Shri Vilas Muttemwar — *Chairman*

MEMBERS

2. Shri Chetan P.S. Chauhan
3. Shri Ramesh Chennithala
4. Smt. Saroj Dubey
5. Shri B.M. Mujahid
6. Shri Ramdew Ram
7. Dr. C. Silvera
8. Shri Virendra Singh
9. Shri V. Narayanasamy
10. Shri Pravat Kumar Samantaray
11. Shri G. Swaminathan

SECRETARIAT

1. Smt P.K. Sandhu — *Deputy Secretary*
2. Shri P.K. Grover — *Under Secretary*

OFFICE OF THE COMPTROLLER AUDITOR GENERAL OF INDIA

1. Shri R. Chandramauli — Assistant C&AG (Commercial) and Secretary, Audit Board.

1. * * * * *
2. The officers of C&AG then withdrew from the meeting. Thereafter the Committee considered the following Draft Reports as approved by Action Taken Sub-Committee and adopted the same:—

(i) * * * * *
(ii) Action Taken by Government on the recommendations contained in 18th Report of Committee on Public Undertakings (1992-93) on Indian Petrochemicals Corporation Limited.

3. * * * * *

4. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministry/ Undertaking concerned and audit (in respect of report mentioned in para 1) and to present the same to Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by the Government on the recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Petrochemicals Corporation Ltd.

I.	Total number of recommendations	26
II.	Recommendations that have been accepted by the Government (vide recommendations at Sl. Nos. 1-6, 8-11, 14-17 and 21-26)	20
	Percentage to total	76.9%
III.	Recommendation which the Committee do not desire to pursue in view of the Government's reply	Nil
	Percentage to total	Nil
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 13 and 18)	2
	Percentage to total	7.7%
V.	Recommendations in respect of which final reply of the Government are still awaited (vide recommendation at Sl. Nos. 7, 12, 19 and 20)	4
	Percentage to total	15.4%