

'HINDUSTAN ANTIBIOTICS LIMITED'

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

**COMMITTEE ON PUBLIC UNDERTAKINGS
(2020-21)**

FOURTH REPORT

(SEVENTEENTH LOK SABHA)



**LOK SABHA SECRETARIAT
NEW DELHI**

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(2020-21)

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HINDUSTAN ANTIBIOTICS LIMITED

MINISTRY OF CHEMICALS & FERTILIZERS
(DEPARTMENT OF PHARMACEUTICALS)

Presented to Lok Sabha on 29.01.2021
Laid in Rajya Sabha on 29.01.2021



LOK SABHA SECRETARIAT
NEW DELHI

January , 2021/ Magha , 1942(Saka)

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**COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2020-21)**

Smt. Meenakashi Lekhi* - *Chairperson

Members

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Smt. K. Kanimozhi
5. Shri Raghu Ramakrishna Raju Kanumuru
6. Smt. Poonamben Hematbhai Maadam
7. Shri Arjunlal Meena
8. Shri Janardan Mishra
9. Shri Kinjarapu Ram Mohan Naidu
10. Prof. Saugata Roy
11. Dr. Arvind Kumar Sharma
12. Shri Ravneet Singh
13. Shri Sushil Kumar Singh
14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Prasanna Acharya
17. Shri Birendra Prasad Baishya
18. Shri Anil Desai
19. Shri Joginipally Santosh Kumar
20. Shri Om Prakash Mathur
21. Shri Surendra Singh Nagar
22. Shri M. Shanmugam

SECRETARIAT

- | | |
|------------------------|-------------------------------|
| Shri R.C. Tiwari | - Joint Secretary |
| Shri Srinivasulu Gunda | - Director |
| Shri G.C. Prasad | - Additional Director |
| Shri Satyakaam Yadav | - Assistant Executive Officer |

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2019-2020)**

Smt. Meenakashi Lekhi* - *Chairperson

Members

Lok Sabha

2. Kunwar Danish Ali
3. Dr. Heena Vijaykumar Gavit
4. Shri Chandra Prakash Joshi
5. Smt. K. Kanimozhi
6. Shri Raghu Ramakrishna Raju Kanumuru
7. Smt. Poonamben Hematbhai Maadam
8. Shri Arjunlal Meena
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14. Shri Uday Pratap Singh
15. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

16. Shri Prasanna Acharya
17. Dr. Anil Jain
18. Mohd. Ali Khan
19. Shri Om Prakash Mathur
20. Shri Mahesh Poddar
21. Shri A.K. Selvaraj
22. Shri Surendra Singh Nagar

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2020-21) having been authorized by the Committee to submit the Report on their behalf, present this Fourth Report on 'Hindustan Antibiotics Limited'.

2. The Committee on Public Undertakings (2019-20) had selected the said subject for detailed examination. As the examination of the subject remained inconclusive during the terms of the Committee on Public Undertakings (2019-20), the present Committee (2020-21) decided to carry forward the subject so as to complete the unfinished task.

3. The Committee (2019-20) was initially briefed about the subject by the representatives of the Hindustan Antibiotics Limited on 2nd December, 2019. Thereafter, the Committee on Public Undertakings (2019-20) took evidence of the representatives of Hindustan Antibiotics Limited on 17th August, 2020 and also took oral evidence of the representatives of Ministry of Chemicals & Fertilizers (Department of Pharmaceuticals) on 18th August, 2020.

4. The Committee (2020-21) considered and adopted the draft Report at their sitting held on 7 January, 2021.

5. The Committee wish to express their thanks to the representatives of Hindustan Antibiotics Limited and the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals) for tendering evidence before them and furnishing the requisite information to them in connection with examination of the subject.

6. The Committee also wish to express their sincere thanks to the predecessor Committee for their valuable contribution in examination of the subject.

7. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi:
7 January, 2021
17 Pausha, 1942 (S)

MEENAKASHI LEKHI
Chairperson
Committee on Public Undertakings

CHAPTER-I
INTRODUCTION

A. Hindustan Antibiotics Limited(HAL) – In Historical Perspective

1.1 The Hindustan Antibiotics Limited (HAL) has the distinction of being the first pharmaceutical company set up by the Government of India in the year 1954 for manufacturing antibiotic drugs. The HAL had started its manufacturing with bulk drug Penicillin antibiotic and subsequently added various antibiotics in its range of production like Streptomycin, Gentamycin, Ampicillin, Amoxycillin and 6APA. The HAL is the only Indian company having the distinction of inventing two antibiotics namely Hamycin for humans and Aureofungin for use in Agriculture for controlling the various fungal and bacterial diseases of plants. Besides Bulk Drug manufacturing, the HAL is also having well equipped Formulation Plants for manufacturing Dry Powder Injectables, Tablets, Capsules and Liquid Formulations.

1.2 The Company has its plant at 263 acres of freehold land at Pimpri, Pune and is having manpower strength of 464 employees at present. The Company is having fermentation based manufacturing facilities, which were earlier used for manufacturing fermentation based bulks like Penicillin-G, Streptomycin Sulphate, etc. This facility is lying idle at present. Presently, the company is focusing on manufacturing pharma formulations and agro-formulation to cater to wide range of pharma and agro market. The pharma products include various dosage forms like Injectables, Tablets, Capsules, Intravenous products, Liquid Syrup etc. The Research and Development (R&D) of the HAL has got potential to formulate various new products as per the market requirement. The HAL has drawn up ambitious plan for sustained growth by way of expanding the product-mix by introducing new antibiotics, antidiabetics and antihypertensive products. The effective procurement of order and supply resulted into achieving Rs. 67 crores in the year 2018-19 with 100% growth over previous year. The HAL has also two subsidiaries, namely (i) Manipur State Drugs & Pharmaceuticals Limited (MSDPL) at Imphal, which is closed since 1998 and (ii) Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL) at Nagpur, which is closed since 2003.

B. JOURNEY OF HAL

1.3 HAL furnishing its journey from a profit making PSU to loss making one submitted as follows:-

—Hindustan Antibiotics Ltd. (HAL) Pimpri, is the first pharmaceutical company set up by the Govt. of India in 1954 for manufacture of Penicillin antibiotic. Subsequently, HAL started manufacturing other antibiotics like Streptomycin, Gentamycin, 6APA, Ampicillin etc.

HAL was running as a profitable company till 1972-73. For the first time since its inception in 1954, HAL incurred loss of Rs. 1.48 Cr. in 1973-74. This was due to the steep increase in prices of petroleum products consequent to the oil crisis which led to overall increase in the cost of production of Penicillin and other bulk drugs. The Drug Price Control Orders (DPCO) price for Penicillin, which was fixed in 1970 at Rs 400/BOU remained unchanged till 1976, when it was increased marginally by about 8%. Thereafter, the price remained constant for about another 5 yrs till 1981.

Due to non-revision in DPCO prices, HAL incurred losses since 1973-74. To make good the cash loss from 1973-74 to 1981-82, non-plan loan was taken from the Govt. of India at varying interest rates to meet the working capital requirements. The interest liability added further burden on the company as the prices for the products fixed by DPCO remained by and large constant.

To overcome this problem, the company had put up a proposal to Govt. of India in 1982 to write-off this non-plan loan as it was the policy of the Govt. of India not to increase the price of this essential life saving drug needed for Govt. Hospitals and the general public. However, the entire loan and interest accumulated thereon was converted into a non plan loan.

The DPCO price for Pen G first Crystal and Streptomycin which was revised in 1982 remained constant for almost 5 years and the next revision was granted only in 1987. Consequently the company continued to incur losses till 1987-88. As a result of the losses incurred during the period 1982-87, the company had again approached the Govt. for write-off of the non plan loan given during the period 1973-74 to 1981-82 which was subsequently converted into a new loan. Even though it helped to meet the demand of working capital, it had increased the interest burden on the company, thereby affecting the profitability of the company. The company made profit from 1988-89 to 1992-93.

(i) Conversion of loans into equity

The Govt. of India vide letter No. 12(3)/90-PI (V) dt 18.3.1994 approved another capital restructuring w.e.f. 1.4.1992 converting outstanding loan into equity of the company.

For implementing the above orders, certain statutory requirement as specified in the Companies Act such as issue of Govt. Order under Section 81(4) of the Companies Act for converting the loan into equity share capital and specifying the terms and conditions of the conversion, laying before each House of Parliament the said order for a period of 30 days (under Section 81(6) of the Companies Act), etc. were required to be complied. While these actions were in progress, the Company had fallen sick due to heavy losses incurred during the period 1993-94 to 1996-97 and the company was declared sick w.e.f 31.3.1997. As such the above restructuring order of 1994 could not be implemented and was made an integral part of the Rehabilitation package then under consideration by BIFR.

Major input for manufacturing Penicillin and Streptomycin is Utilities (about 40%). Increase in the cost of utilities and high interest burden on the term loan affected the profitability of the company since Government gave financial assistance to the company in the form of term loan. In the nineties the company enhanced manufacturing capacity of Penicillin. The company also diversified into manufacturing of formulation products such as non-penicillin tablets, penicillin tablets, penicillin capsules, powder injectables and IVF.

(ii) JV with MX GB (Hindustan Max- GB)

In 1995, HAL entered into technical collaboration with Max-GB for manufacture of Penicillin and a new joint venture company Hindustan Max-GB (HMGB) was formed. During this period also, the company was incurring losses due to high interest burden. From 1995 to 2003, HMGB operated the Penicillin plant. During the period 2002-2003, Govt. had allowed import of Penicillin at very low rates. The import prices of Penicillin from China came down to as low as Rs 300 per BU whereas the break-even price for manufacturing of Penicillin in India was around Rs 500 per BU. (In China the manufacturing cost of Penicillin is very low due to low cost of utilities such as, power, furnace oil etc.) This drastically affected manufacturing of Penicillin in India by various companies such as SPIC, JK Pharma, Torrent, HAL and Alembic. Most of the companies closed down their plants. HMGB requested Govt. to reduce their lease rent, in view of the import of Penicillin at lowest rate from China, to enable them to continue their operations. However, no decision was taken in this regard. HMGB stopped their operation in HAL in Dec. 2003. Govt. also did not support indigenous Penicillin manufacturers by providing any relief measures by way of imposing antidumping duty on import of Penicillin from China or by providing any subsidy to Penicillin manufacturers of India.

HAL had seconded 415 people to HMGB for manufacture of Penicillin. HAL was supplying utilities on chargeable basis to them. HAL was also providing technical support to HMGB for which HMGB was reimbursing part salary of these officials. During this period, HAL had leased out part of Streptomycin facility for manufacture of Vitamin B-12 to RPG Life Sciences Ltd (RPGLS) and had seconded services of 125 persons to RPGLS. RPGLS also had to stop manufacturing of Vitamin B12 at HAL facility due to the competition faced from China. HAL was operating huge utility set up for catering to the utility requirements of these bulk plants. After HMGB and RPGLS ceased their operations in HAL, direct salaries of 540 persons seconded to HMGB and RPGLS were on HAL's account. In addition this HAL had to retain the support staff required for operation and maintenance of utilities, Finance Dept., Purchase Dept. Personnel Dept.etc who were indirectly supporting the operations of bulk plants of HMGB & RPGLS. The extra salary burden of these additional employees put a heavy financial burden on HAL and hence HAL suffered huge losses. VRS was offered in 2006 and about 496 persons were reduced from the rolls of HAL and still had more than 500 persons extra. As on 27.12.2019, the total strength of HAL is around 885 even though for operation of Formulation plant only around 350 to 400 persons are required. The total financial burden on account of salary is around Rs 50 to 54 Crores per annum. The company is proposing of saving 50% of this amount i.e. around Rs 25 Crores per annum by giving VRS to around 500 excess employees.

(iii) Monetisation of Excess land

Even though HAL was referred to BIFR in 1997, the Revival plan was approved only in 2007 i.e. around after 10 years. HAL was not having adequate working capital for operation and also has to make payment of salary of the extra people who were required for running of the bulk plants and its associated utilities and service depts. In 2007 revival package, it was envisaged for sale of part of its open land. Bidders had quoted good rates against the tender for sale of land. Even though MHADA a Govt. sector company from Maharashtra was the highest bidder, sale of the land was not approved by Ministry till 2016. Since land sale could not be completed HAL could not raise money required for giving VRS to the excess employees and also for working capital required for carrying out the manufacturing activities in full swing. It may be mentioned that in the Restructuring Plan of HAL, Govt. had approved restructuring to be effected from the funds raised from land sale and since the land sale could not take place, finances were never made available to HAL. Accumulated burden on account of extra manpower in the last 10 years is around Rs 458 Crores.”

C. PRESENT STATUS OF THE COMPANY

1.4 At the Cabinet meeting held on 28.12.2016, the Cabinet had decided to sell surplus land of Hindustan Antibiotics Limited (HAL) through open competitive bidding to Government agencies and clear the outstanding liabilities amounting to Rs. 820 Crores from the sale of proceeds. It was decided that after meeting the liabilities, HAL would be put up for Strategic Sale. HAL took earnest efforts for sale of surplus land through Government Agency M/s MSTC, but could not find buyers, despite issuing tenders several times. Meanwhile, the Department of Public Enterprises (DPE) has issued revised guidelines on 14.06.2018 in respect of disposal of land of the PSU. The Company has given CRS to 379 employees since December 2019 and the present strength of the Company is now 464. The process of relieving the employees is in progress as and when the funds from the Government are received. In the financial year 2017-18, HAL restarted their activities again and was able to reach the production level of around Rs. 35 Crores and Rs.63 Crores for the year 2018-19. As informed to the Committee, the HAL was hopeful to achieve the production level of around Rs. 100 Crores in the year 2019-20 and in the year 2020-21 of Rs.150 Crores.

CHAPTER-II

COMPANY PROFILE

A. BOARD OF DIRECTORS

2.1 The Committee during the examination of the subject had pointed out that the Corporate Governance Guidelines specifies Companies to have combination of Functional, Nominee and Independent Directors on Board besides having Committee such as Audit Committee, Remuneration Committee, etc. The Committee also asked HAL to elaborate on the functioning of various Committees in the Company as envisaged in the Corporate Governance Guidelines. The HAL in a written reply informed about the composition of the Board of Directors as under:

Sl.No.	Particulars	Sanctioned post	Actual strength	Vacancy
1.	Functional Director	2	1	1
2.	Government Nominee Director	1	1	NIL
3.	Independent Director	2	1	1

2.2 The HAL has also constituted various Committees which are as follows :-

- i. Audit Committee
- ii. Corporate Social Responsibility (CSR) Committee.
- iii. Nomination and Remuneration Committee.

B. ORGANIZATIONAL SET-UP

2.3 The functioning of HAL is managed through the following Departments:

- (i) Engineering Department
- (ii) Manufacturing Department
- (iii) Finance Department
- (iv) Marketing Department
- (v) Materials and Export Department
- (vi) Personnel Department
- (vii) Laboratory

2.4 The HAL is operating with 2 Branch Offices and 8 C&F which are functioning as Regional Offices of the respective States. Besides, HAL has also appointed 31 liaison

agents and 27 hospital distributors throughout India which are working under their Regional Offices.

C. HUMAN RESOURCES

2.5 The details of sanctioned strength and actual strength of HAL is as follows:-

Total Sanctioned Strength	:	1724 employees
Employees as on 01.11.2019	:	888 employees
Employees to be relieved on 30.11.2019	:	299 employees

Rationalization of manpower

2.6 HAL in its updated background note *inter- alia* informed about the rationalization of manpower as under:-

-During 2018-19, no permanent employee was recruited. The Company had 918 employees on 31st March, 2019 including 110 women employees. As on 1st August, 2020, the total number of employees is 464. Various social security schemes like Provident Fund, Gratuity & Medical schemes are also in place in the Company. During the year 2018-19, total 10 training programmes / seminars were arranged on topic like GMP, Safety & Hygiene, Good Documentation Practices, SOP's Welfare Schemes for Workers by Government, Eradication of Corruption – Build a New India, Personal Financial Planning for Women Employees, etc. About 165 officers & 260 workers attended these in-house training programmes. As indicated above, HAL has relieved about 379 nos. of employees through VRS.

Subsequent to that, it is necessary to revise pay scales as there is requirement of quality personnel in core areas. HAL has not received salary revision since 1997. The other CPSU's are already receiving salary as per 2007/2017 revision. HAL needs good quality people in forming a core team of Marketing, Production, Personal, Finance etc. For HAL employees 2007 pay scale are required immediately to boost productivity, by way of allowing HAL to circumvent the DPE guidelines for the same."

Failure to retain talent

2.7 HAL informed that since their Company was making losses, they could not implement 6th Pay Commission which resulted in the very low salaries of employees compared with their counterparts in the similar industries. Because of this HAL could neither retain the talents nor attract fresh talents.

Old Plant and Machinery

2.8 Most of the equipments were old with high maintenance problems. For meeting the requirements of formulation plants, the Company has to still use the huge utility systems which were actually designed for bulk plant operations. The operating and maintenance cost for these huge systems is very high. For operation of formulation equipments, simplified utilities systems is only required which will have low operating and maintenance cost. For want of funds, the Company was not able to take up the upgradation job for utilities, especially with respect to electrical, compressed air and chilled water, to meet low requirement for Formulation Plants. In 2006-07, the total production value was around Rs 50 Crores and this has increased to Rs. 140 Crores in the year 2007-08 and to 149 Crores in the year 2008-09. Subsequently, due to various factors, the production got affected and it started falling thereafter and came down to as low as Rs 11.36 Crores in the year 2016-17.

Computerization:

2.9 An internet based software system designed for tracking and managing finished product related activities is running successfully at Head Office as well as all sale points (HAL Branches and C&F/C&S Agents) throughout India. The system is very old and obsolete, hence HAL is in the process of implementation of Cloud based comprehensive ERP system.

CHAPTER-III

PERFORMANCE OF THE COMPANY

A. PHYSICAL PERFORMANCE

(i) Products manufactured by the Company

3.1 The HAL manufactures medicines not only for human beings but it has also got Agro-vet Division under which agriculture products and Veterinary products are manufactured and marketed by HAL. The company also manufactures some exclusive products which has been detailed in the next paragraph.

(ii) Exclusive Products

3.2 The HAL has to its credit production of exclusive products like —Sodium Chloride with Glycerin Injection” and —Potassium Iodate Tablets” for Defence Sector and —Narcotics Detection Kits” for security applications. The HAL has uploaded its pharma product list and corresponding pricelist on GeM (Government e- Marketplace) portal which provides procurement of goods and services required by Central and State Government organizations. The HAL has already started receiving orders from various organizations by referring to this portal. HAL has achieved an all time high sales of 59.92 lac pouches (6 gms) of Strptocycline during the year 2017-18. HAL is credited with developing and manufacturing exclusive products such as Anti freeze saline Sodium Chloride with glycerin injection which can be used at a high altitude areas and potassium Iodate Tablet for defense sector and Narcotics detection kits’ for security applications. On being asked about the data on the revenue earned from the sale of above products from Government clients for the last five years, the HAL replied as under:-

—There was no manufacturing and sales of Anti freeze saline, Sodium Chloride with glycerin injection and Potassium Iodate Tablets during the last five years. The data on the revenue earned from the sale of Narcotics Detection Kits to Govt. clients for the last five years (year wise) is as below:-

Year	Sales turnover from Govt. clients for above products (Rs. In Lakhs)
2015-16	87.11
2016-17	93.77
2017-18	122.26
2018-19	135.02
2019-20	171.54

(iii) **Products in Different Segments**

3.3 The HAL manufactures its products in three different segments viz. (a) human medicines-103 products (b) agricultural products- 06 and (c) veterinary products - 05. In Agro, Pharma and Hygiene segments, the HAL manufactured the following products:-

(a) Agro Products:

Streptovycline (Antibacterial)

(b) Pharma Products :

- a. Cephalosporins – Powder Injectables (In Various Doses)
- b. Penicillins– Powder Injectables (In Various Doses)
- c. Large Volume Parenterals(Intra Venus Fluids products
- d. Oral Dosage Forms (Tablets
- e. Plain Tablets (Human & Veterinary)
- f. Oral Dosage Forms (Tablets)
- g. Coated Tablets (In Different Strengths)
- h. Oral Dosage Forms (Tablets)
- i. Sustained Release Tablets (In Different Strengths Oral Dosage Forms (Capsules)
- j. Capsules (In Different Strengths)

(c) Hygiene products:

In light of the pandemic Covid -10, HAL to further to its range of pharma products and agro product also started developing, manufacturing and marketing of HALRUB – Alcoholic Hand Disinfectant, HAL – health Kiosk and Hand sanitization dispenser to partially fulfill the healthcare needs of the country.

(iv) Manufacturing of products of national interest

3.4 In their background note, HAL has submitted that efforts are taken for manufacture and supply of products of national interest like anti TB, drugs for prevention and control of HIV, etc. With regard to the contribution of HAL in developing and

manufacturing the above mentioned drug, in a written reply, the HAL submitted as follows :-

—The enquiries for supply of anti TB drugs and drugs for prevention and control of HIV from Government Institutes are limited. This was in line with the discussion at ICMR and Ministry of Health which later on did not materialize. Hence, HAL is not focusing on developing and manufacturing of these drugs at present. The above drugs are not part of the Pharmaceutical Purchase Policy (PPP) list and HAL's focus is mainly on business through PPP list.”

(v) Production facilities

3.5 The Committee was informed that the HAL has the following production facilities:-

- a) -Bulk Plant: HAL is having fermentation based manufacturing facilities including 19X92 M3 fermentor along with its downstream processing, solvent recovery and associated utilities like steam, chilled water, cooling tower water, compressed air etc. This facilities earlier was used for manufacturing fermentation based bulks like Penicillin-G, Streptomycin Sulphate. This facilities is idle at present and is available for leasing
- b) Formulation facility: HAL is focusing at present on manufacturing Pharma formulation and promising Agro-formulation to cater to wide range of Pharma and Agro market. HAL Pharma products include various dosage forms like Injectable products, Tablets, Capsules, Intra-Venous products, Liquid Syrup etc.”

(vi) Production Capacity

3.6 The HAL informed about its present manufacturing capacities in Pharma and Agro-chem as under:-

Sr.No.	Production facilities	Capacities (Existing) Lac Nos. / annum
A.	Pharma Plants	
1	Powder Injectable	
	Cephalosporin	450
	Penicillin	450
2	Tablets	
	Penicillin	1200
	Non-Penicillin	2400
3	Penicillin Capsules	2500

4	I.V.Fluids	120
5	Liquid Syrup & External preparation	24
B	Agro-Chem Plants	
	Agro- Chem (Streptocycline)	180
	Humaur formulation	210 KL*
	Aureofungin Bulk	0.810 tonnes
	Azotomeal	50 KL*
	Phosphmeal	50 KL*
C	Alcoholic Hand Disinfectant (AHD)	12

*Capacity of these products can be increased depending upon requirement since HAL is having idle sizable fermentation facilities.”

(vii) Production Capacity Utilizations during the past 5 years

3.7 The capacity utilization in different segment during the period from the year 2009-10 to 2018-19 has been as under:

Capacity Utilization during the period from the year 2009-10 to 2018-19				
Year	Product	Installed Capacity	Production	% Capacity Utilization
2009-10	Vials(SD Basis)	630	507.3	80.52
	tablet	2400	2257.19	94.05
	capsules	2500	941.62	37.66
	IVF	120	96.48	80.4
	Asgro-chem	48	60.59	126.23
2010-11	Vials(SD Basis)	530	148.27	27.98
	tablet	2400	1158.71	48.28
	capsules	2500	202.55	8.1
	IVF	120	84.18	70.15
	Asgro-chem	48	38.6	80.42
2011-12	Vials(SD Basis)	450	141.28	31.39
	tablet	2400	977.67	40.74
	capsules	2500	249.04	9.96
	IVF	120	83.27	69.39
	Asgro-chem	72	50.25	69.79
2012-13	Vials(SD Basis)	787.5	178.04	22.61
	tablet	2400	590.36	24.6

	capsules	2500	642.78	25.71
	IVF	120	48.12	40.1
	Asgro-chem	72	33.28	46.22
2013-14	Vials(SD Basis)	900	126.73	14.08
	tablet	2400	146.04	6.09
	capsules	2500	127.4	5.1
	IVF	120	13.61	11.35
	Asgro-chem	72	36.39	50.54
2014-15	Vials(SD Basis)	900	39.74	4.42
	tablet	2400	37.99	1.58
	capsules	2500	34.08	1.36
	IVF	120	5.47	4.56
	Asgro-chem	72	38.8	53.89
2015-16	Vials(SD Basis)	900	5.95	0.66
	tablet	2400	95.72	3.99
	capsules	2500	34.12	1.36
	IVF	120	0	0
	Asgro-chem	108	44.8	41.48
2016-17	Vials(SD Basis)	900	8.81	0.98
	tablet	2400	21.35	0.89
	capsules	2500	13.35	0.53
	IVF	120		0
	Asgro-chem	180	36.2	20.11
2017-18	Vials(SD Basis)	900	57.52	6.39
	tablet	2400	627.86	26.16
	capsules	2500	137.31	5.49
	IVF	120	0	0
	Asgro-chem	180	67.36	37.42
2018-2019	Vials(SD Basis)	900	57.04	6.34
	tablet	2400	1042.97	43.46
	capsules	2500	194.96	7.8
	IVF	120	5.96	4.97
	Asgro-chem	100	51.47	51.47

(viii) Status of Plant and Machinery

3.8 Regarding the status of it's plants and machinery in view of their being in idle state for many years, the HAL informed as under:-

—The machinery of HAL plants are quite old. Formulation plants like IVF, FR II, (Cephalosporin and Betalactum) and FRIII are of the modern standards. HAL is trying to use its plants for manufacturing activities and no plant is obsolete or out dated except Penicillin G.”

(ix) Modernisation/upgradation of Plant/Machinery:

3.9 Responding to a query on the time to be taken for revival of the idle machinery and starting API production, the Secretary, Department of Pharmaceutical during the evidence on 18.08.2020 responded as under:-

“HAL will also require two years.....They have given the report. It is because they have the fermentation plant. But that machinery and all are now obsolete. They may have a building. But the machineries are obsolete. So, they require Rs.400 crore just to put up one API, that is penicillin. They will also require that much time. मैडम, वे 90 के दशक की मशीनें हैं। वे टेक्नोलॉजी के काम में भी नहीं एंगी और उसमें कॉस्ट भी ज्यादा लगेगी। अब नई मशीनें आ गई हैं, जिनकी कॉस्ट भी बहुत कम है। नई टेक्नोलॉजी आ गई है। They have to purchase. Even if we revive, a decision is taken by the Government to revive it, they have to go for the latest technology, latest machinery. उनकी जो पुरानी जो मशीनें हैं, वे काम में नहीं आएंगी।.....HAL actually is one of the best PSUs in this sector, but unfortunately the only reason is that they could not shed more manpower. आपका प्लांट बंद हो गया है, इसलिए आपको लोगों को निकालना चाहिए। खर्चा काफी बढ़ गया है। —

B. FINANCIAL PERFORMANCE

(i) Profit/Loss of the Company

3.10 The details of Production, Sales Turnover and Net Profit / Loss of HAL for the last five years are as under:

	(Rs in Crores)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Production	14.45	11.36	37.44	54.51	43.05
Sales Turnover	15.12	10.73	35.21	66.85	61.25
Net Profit (Loss)	(74.68)	78.24	208.32*	(71.10)	(72.42)

* Net Profit is the result of an extraordinary item of income viz. waiver by Govt. of India of its plan & non plan loan of Rs. 186.96 crore and the interest there on of Rs. 89.94 crore . In total Rs. 276.90 crore) loan and interest thereon.

3.11 Attributing its improved financial performance to restarting of production activities in 2019-20, the HAL in the background note submitted as under:

—During the year 2019-20, HAL achieved Sales turnover of Rs. 61.25 Crores as compared to Rs. 66.85 Crores during the previous year. This has been possible due to restarting of production activities of various plants including Pilot Plant (for manufacture of Aureofungin & Humaur) & IVF Plant (for manufacture of large volume parenterals). IVF Plant was restarted after almost four & half years.”

3.12 The aforesaid statement shows that the sales turnover stood at Rs. 61.25 crore in 2019-20 which is less than 40 % of the Rs.100 crore turnover aspired for by HAL for this financial year. In a written reply to the query as to why the sales turnover slipped by 40% vis-a-vis the targeted turnover. HAL in a written reply stated as under:

"The total revenue has slipped as during the year 2019-20, HAL was in the process of restructuring by way of giving VRS to its employees. The process of restructuring is now complete and this year the Company is expecting good sales which is reflected from the fact that HAL has achieved a revenue of Rs.18 crores for the first quarter of the year 2020-21 as compared to the corresponding period for the year 2019-20 which was Rs.9.91 crores."

3.13 When asked as to how the HAL despite approx. 90% increase of sales turnover from Rs. 35.21 crores in 2017-18 to Rs. 66.85 Crores in 2018-19, incurred loss of Rs. 71.10 crore, the Company in a written submission stated as under:-

"The Company incurred loss of Rs.71.10 crores because of huge employment cost and other fixed expenses."

(ii) Key financial ratios

3.14 The following are the key financial ratios as given in Annual Report of the Company for the year 2018-19:-

Particulars	2016-17	2017-18	2018-19
Earning per share (face value Rs.1000/-)			
(a) Basic	(1090.99)	(956.22)	(991.32)
(b) Diluted	(1090.99)	2904.70	(991.32)
Book value per share (face value Rs.1000)	1000.00	1000.00	1000.00

Turnover to gross fixed assets (%)	3.95	13.92	26.52
Finance cost to turnover (%)	237.30	85.92	48.72

3.15 The Actual (Gross Sales) and the Cash profit/ loss of HAL during the period from the year 2008-09 to 2018-19 has been as under:-

(Rs. In Crores)		
Year	Actual(Gross Sales)	Cash profit /Loss (+/-)
2008-09	147.39	(-)15.14
2009-10	117.87	(-) 43.64
2010-11	89.04	(-) 44.69
2011-12	72.02	(-) 67.69
2012-13	52.09	(-) 64.49
2013-14	30.19	(-) 79.47
2014-15	18.53	(-) 66.44
2015-16	15.12	(-)70.85
2016-17	10.73	(-) 74.22
2017-18	31.48	(-)64.89
2018-19	59.46	(-) 67.26

3.16 As there was no co-relation between the Gross sales and the losses incurred, a clarification was sought from HAL. Furnishing the clarification in this regard, HAL submitted as follows:-

(Rs. In Crores)					
Year/Parameter	2014-15	2015-16	2016-17	2017-18	2018-19
Value of production(in lakhs)	1728.56	1445.30	1135.58	3744.06	5451
Gross Sales	18.54	15.12	10.73	31.48	59.46
Cash Loss	-66.44	-70.85	-74.22	-64.89	-67.26

From the above, it can be noticed that the losses are almost in the range of Rs. 70 crores because of low volume of sales, company is not in a position to recover its fixed expenses. The fixed expenses will be recovered if on crossing of our sales from Rs. 180 crores to Rs. 200 crores. HAL was not in a position of paying salary/wages to its employees. Since 2017-18, part payment of salary is being made, hence which is also being added to loss.”

CHAPTER-IV

SUBSIDIARIES OF HAL

4.1 HAL at present has two subsidiaries viz. Maharashtra Antibiotics and Pharmaceuticals Ltd (MAPL) and Manipur State Drug Pharmaceuticals Ltd (MSDPL) Imphal. HAL had earlier formed one Joint Venture with Max G B for manufacturing Penicillin. Both the subsidiaries and Joint Venture are defunct now.

A. MAHARASHTRA ANTIBIOTICS AND PHARMACEUTICALS LIMITED (MAPL)

4.2 The Maharashtra Antibiotics & Pharmaceuticals Ltd (MAPL), Nagpur was incorporated in 1979 by the Central Government through HAL along with the Maharashtra State Government through SICOM and the financial institution, IDBI, as a central public sector undertaking at Hingana MIDC, Nagpur on the plot admeasuring about 12.5 Acres with a lease for 95 year. The share holding was as follows-

- HAL — 59%, SICOM — 33% and IDBI — 8%.
- Equity Capital was Rs. 1,23,97,000/-. Total No of Shares -123970 of Rs. 100 each.
- HAL — 73440 shares
- SICOM — 40910 shares
- IDBI — 9620 shares

4.3 As informed to the Committee, the MAPL has been ordered to wind up by BIFR and the said order has been confirmed by AAIFR. The winding up order was stayed by the Hon'ble High Court at Bombay, Nagpur Bench on the Writ Petition filed by the Group of Employees of MAPL. The said Writ petition came up for the hearing before Hon'ble High Court Bombay, Nagpur Bench on 21-11-2016. During the hearing, Group of Employees withdrew the case and accordingly the matter was disposed of. The W.P.No.265/2002 filed by Environmental Engineering Inc. came for hearing before the Hon'ble High Court Bombay, Nagpur Bench on 22/06/2017 on 10-7-2017 and it was disposed of by Court vide its order dated 12/07/2017. As per the decision of the Cabinet, the process for hiving off MAPL and MSDPL is being explored. The Accounts for MSDPL for the period from 1998-99 to 2017-18 and MAPL for the period from 2010-11 to 2017-18 were audited by the statutory Auditors and completed. The same are sent to C&AG

for their Audit.

4.4 With regard to the operations of the MAPL, the holding Company, HAL submitted as follows:-

—Right from the beginning MAPL started incurring losses due to working capital problems. Subsequently MAPL was declared a Sick Industrial Unit by BIFR on 04.09.2000. This decision was confirmed by the AAIFR on 20.07.2001. The Environmental Inc. (EEI) had submitted a revival plan in BIFR, which was not found to be financially sustainable by the BIFR. The orders of BIFR and AAIF13 have been challenged by the Environmental Inc. (EEI) in the Bombay High Court, Nagpur Bench, by Writ Petition No. 265/2002. In September 2002, Mr. Paliwal of EEI purchased the 33% share holding of SICOM. But MAPL did not enter his name as a share-holder since HAL objected to the transfer of the share holding of SICOM on the basis of the agreement wherein, HAL was given the right of first offer. The matter went to the Company Law Board (CLB), which allowed the transfer of shares from SICOM to EEI. Hal challenged the order of the in the Bombay High Court, Nagpur Bench. The matter is still pending in the High court.”

4.5 Adding further, HAL submitted as under :-

—In 2008, the Hon'ble Bombay High Court in W.P. No 265/2002, directed BIFR to again look in to the matter of closure of MAPL. Accordingly, the IDBI (Operating Agency) conducted a Techno Viability study and declared MAPL viable only if the dues of the Govt. and also that of the promoter company i.e. HAL were forgone and various concessions & reliefs were provided by the Govt. The Govt. through its letter dated 11.08.2008 to BIFR declared that its loan given to HAL for on-lending to MAPL would not be written off and Govt. had no intention of revival of MAPL through disinvestment. The BIFR has sent its final report to Hon'ble Bombay High Court, Nagpur Bench on 17.06.2010. The case is still pending for hearing in the Hon'ble Bombay High Court, Nagpur Bench. Meanwhile, HAL had received loans from GOI for on-lending to MAPL for payment of employee's dues, statutory dues and VSS benefits, which was to be returned to the Govt. of India @ 21.75% interest. Total interest to be returned by MAPL to HAL comes to more than Rs. 300 Crores till March 2016.

Loan extended by HAL to MAPL

Rs. 0.94 Crores — dt. 28.03.2002.

Rs. 6.94 Crores — dt. 03.10.2003.

Rs. 8.50 Crores - dt. 22.02.2006.

Rs. 16.38 Crores +Rs. 4 Crores previously given.

(1) Production activity at MAPL continued till the year 2003-04. Following three principle products were manufactured till the year 2003-04:-

Generic name of the products

- (i) Inj. Cefatoxime 1.00 gm / 500 mg
- (ii) Inj. Gentamicin 80 mg / 2 ml vial
- (iii) Inj. Cefoparazone 1 gm

(2) As per the Annual Report of MAPL for the year 2009-10 the fixed assets of MAPL were revalued on 17.10.2008, by Mr. Belekar Registered Valuer to reflect the net realization value. The valuation of Fixed Assets was valued Rs.245.79 lakhs in October, 2008. BIFR & AAIFR's Order for winding up of MAPL has been challenged' at Bombay High Court by Group of Employees and the Environment Engineers Inc. (EEI) in Writ Petition No.265/2002. In case decision is taken by the Govt. to revive the Company, a Revival Plan has to be filed in the High Court, based on which Hon'ble High Court will pass an Order for re-opening the case at BIER / AAIFR to prepare a Rehabilitation Plan.”

4.6 With regard to the present status, HAL has submitted the details as follows :-

- Hiving of Subsidiaries decision by Central Cabinet vide Government letter no. 54014/1/2016-PSU dated 09.01.2017
- Board of Directors yet to adopt minutes of cabinet on decision dated 17.01.2019
- NBCC is appointed/ being appointed as Land Management Agency (LMA)
- MSTC is appointed/ being appointed as Auctioning Agency 9AA).
- VRS – There are no employees in MAPL
- Last i.e. 30th AGM held on 01.02.2012 at Nagpur
- Last Board meeting i.e 131st Board of Directors Meeting held on 03.08.2018 at New Delhi.

B. MANIPUR STATE DRUGS & PHARMACEUTICALS LIMITED (MSDPL)

4.7 The status reports on MSDPL as given by HAL is as follows :-

—~~Stat~~ Report on MSDPL: Manipur State Drugs & Pharmaceuticals Ltd. (MSDPL), Tiddim Road. Keishampet Junction, Imphal- Manipur-795001 is a joint sector company promoted in the year 1989 by HAL and Govt. of Manipur through MANIDO and the shareholding of HAL and MANIDO in MSDPL is 51% and 49% respectively. HAL had invested Rs 43.35 lacs in equity share capital of MSDPL while MANIDO has invested the balance equity share capital of MSDPL.

HAL	-	43350 Equity Shares of Rs.100/- each
MANIDO	-	41650 Equity Shares of Rs.100/- each
Total:	-	85000 Equity Shares of Rs.100/- each”

4.8 The Committee was informed that initially HAL tried to finance the cost overrun of MSDPL out of its own resources, in addition to the equity share capital. HAL consequently invested substantial amount by way of loan in MSDPL. As informed to the Committee, the Chief Secretary, Govt. of Manipur vide his letter dated 30-11-2002 addressed to the Secretary, Department of Chemicals & Petrochemicals proposed to close down MSDPL to reduce further accumulation of liabilities and retrenchment/termination of staff by giving them the terminal benefits. The Department of Chemicals & Petrochemicals forwarded the said letter to HAL for its consideration vide letter dated 11-12-2002. The Board of Directors of MSDPL at its meeting held on 26-3-2003 decided in principle to wind up MSDPL and retrench the employees of MSDPL at a total cost of Rs 161.20 lacs. Based on the decision made by the Board of Directors, HAL Board of Directors also passed the resolution at their meeting held on 24-6-2003 approving the decision made by Board of Directors of MSDPL regarding closure of MSDPL and consequent retrenchment of its employees. The Board also resolved that the matter regarding half of the funds required to meet employees liability after the closure of MSDPL be taken up with the Govt. of India with a request to make the necessary funds available to HAL as proposed by Chief Secretary, Govt. of Manipur. HAL vide its letter dated 29-9-2003 informed the Deptt. of Chemicals & Petrochemicals about considering the sanction of half of the amount of Rs 161.97 lacs towards the employees liability. HAL also requested MD, MSDPL to take necessary steps for winding up of MSDPL after settlement of employee related liabilities on retrenchment/termination which is still pending. Last Production: 1997-98 Annual Report shows sales and productions.

4.9 The Committee was informed that as per the record, 10 acres of land was allotted by the Govt. of Manipur for MSDPL. The MSDPL created first charge on whole of their immovable properties admeasuring about 10(Ten) acres situated at village Nilakuthi, Imphal East in the state of Manipur in favour of the Manipur Industrial Development Corporation Ltd.(MANIDCO) through a mortgage deed dated 6th June, 1991. The minutes of 42nd meeting of Board of Directors of MSDPL held on 10th January 2008 indicate that MSDPL also possess the leasehold premises at Behala Commercial Complex, Kolkata, West Bengal which is at prime location prime and its value has

appreciated considerably since it was acquired. In the said BOD meeting, the BOD directed the Managing Director to approach the Director of Industries, Manipur and other State PSUs (including MFICL) in Manipur to transfer the same to it on mutually acceptable terms. The Board of Directors of MSDPL in its 44th meeting decided to handover its premises situated at Behala Commercial Complex Kolkata to HAL. The Board also decided to transfer plant and machinery from MSDPL, Imphal to HAL, Pune. The HAL submitted proposal offering HAL shares and interest in MSDPL to the Govt. of Manipur vide letter dated 23rd January, 2019 followed by three reminders.

4.10 With regard to the present status of MSDPL, HAL submitted as follows :

- Hiving of subsidiaries - decision by Central Cabinet vide Government letter no. S4014/1/2016-PSU dated 09.01.2017.
- Board of Directors yet to adopt minutes of Cabinet decision dated 17.07.2019.
- The Board of Directors of MSDPL is to be reconstituted as there is reshuffling in the portfolio of various officers of Government of Manipur who were on the Board of Directors of MSDPL as soon as Board of MSDPL is reconstituted, the Board meeting will be convened.
- The accounts has been finalized from 1998-99 to 2017-18
- C&AG Report received from 1998-99 to 2017-18
- Last i.e. 9th Annual General Meeting (AGM) held on 16.03.2017 at Imphal(Manipur)
- Last Board meeting i.e. 44th Board of Director held on 17.04.2018 at Imphal (Manipur)

CHPATER –V

INDIAN PHARMACEUTICALS SECTOR

A. PRESENT STATUS OF THE INDIAN PHARMACEUTICAL INDUSTRY

5.1 The Indian pharmaceutical industry is the third largest in the World in terms of volume and tenth largest in terms of value. The total size of the industry (including drugs & medical devices) is around US\$43 billion (Rs.3,01,000 crore) and is currently having a growth rate of 7-8% in drug sector and 15-16% in medical device sector. Total exports (drugs and medical devices) are to the tune of US\$20 billion (Rs.1,47,420 crore) of which drugs form around 90% of the total exports. The imports amount to around Rs. 72,800 crore of which medical devices form around 52%. India is the largest provider of generic drugs globally. Access to affordable HIV treatment from India is one of the greatest success stories in medicine. India is one of the biggest suppliers of low-cost vaccines in the world. Because of low price and high quality, Indian medicines are preferred worldwide, thereby rightly naming the country —the pharmacy of the world”. The Pharmaceutical sector currently contributes around 1.72% to the country’s GDP.

5.2 Indian pharma exports are destined to more than 200 countries including highly regulated markets of US, West Europe, Japan and Australia. India exported pharmaceuticals to the tune of Rs. 1,33,910 crore with a recorded growth of 10.72% in 2018-19. Drug formulations & Biologicals was the third largest among the principal commodities exported by India during 2018-19. India exports largely to USA, UK, South Africa and Russia. Imports of drugs during 2018-19 was of Rs. 35,000 crore with bulk drugs and intermediates comprising 63% of the total pharmaceutical imports followed by Drug Formulations and Biologicals (36%). India imports largely from China, USA, Italy and Germany. The country has had surpluses in pharmaceutical trade as shown in the table below.

B. PHARMACEUTICAL INDUSTRY: A STRATEGIC SECTOR

5.3 In written response to query as to how a foreign country has become a dominant player in Indian pharma sector and what made it to become a key player in Indian pharma market, the HAL submitted as under :-

—China is not only a prominent in Indian Pharma market, but they are global leaders in Pharma market. The conducive factors that gives China an advantage over other countries to lead the Pharma market are as follows :-

- a. Requiring all Pharmaceuticals manufacturers to meet GMP standards by 2004.
- b. Diminshing drugs sales through Hospitals
- c. Bidding publicly for drug purchase
- d. Implementing a National Health Care Insurance System.
- e. Strengthening intellectual Property Protection and FDA supervision.

The overall goal has been to improve manufacturing and distribution efficiencies, strengthen Drug Safety Supervision and separate Hospitals from Drug Retailing Business. Also, power which forms an essential requirement for drug manufacturing is available at a cheap rate in China as compared to India”

5.4 With regard to the efforts made by HAL for making available bulk drugs to Indian manufacturers with a view to reduce import dependency, the HAL in a written reply submitted as follows :-

—HAL is making every effort to turnaround and making useful contribution to the country so as to facilitate Indian manufacturers to purchase from domestic market and thereby reduce dependency on China. As a part of this plan, HAL has drawn up an ambitious plan of setting up of Bulk manufacturing facility viz. Amoxicillin Trihydrate within initial manufacturing capacity of around 50 to 60 tons per month. This facility is likely to be commissioned by end of this year. HAL has also plans to cater to Penicillin V tablets as and when required for various Govt. Health Schemes. HAL has already restarted production of Aureofungin, an antifungal antibacterial used for various plant diseases and is in the process of restarting manufacture of Hamycin, and antifungal antibacterial used for human application. HAL has developed Anti-freeze Saline (saline with glycerin) which can be used at a high altitude areas like Siachin. Similarly other critical product development activities are being undertaken by HAL for the Defence sector in the collaboration with DRDO. (HAL has the only active Pharma R&D in Public Sector). Similarly HAL is supplying Narcotic Detection Kits to Narcotic Control Bureau, Govt. of India . (HAL is the only Public Sector organization in India manufacturing these

kits). HAL has explored the possibility of restarting of Penicillin Bulk facility in various forums at Govt. level. However, as HAL has been slated for 'Strategic Sale' as per Cabinet decision, the said proposals are pending for approval, at various levels."

5.5 On a query as to regarding any specific policy to give preference to Indian CPSUs to ensure less dependence on import of the product from the foreign country, the Department of Pharmaceuticals (DoP) stated as follows :-

In the guidelines framed for the recently launched Production Linked Incentive (PLI) Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMs) / Drug Intermediates (Dis) / Active Pharmaceutical Ingredients (APIs), provision has been kept that if an application is received from any Central Public Sector Enterprise (CPSE) under the administrative control of DoP, subject to fulfilment of eligibility criteria as specified in the said Scheme, such applicant CPSE may be selected in the national interest. The decision would, however, be applicable subject to review of decision of strategic disinvestment of the company."

5.6 Responding to the Committee's apprehension that too much dependence on a particular country for life saving drugs is not desirable especially in view of geo-political issues and hence there is a need to diversify import source of the products, and the plans if any, in this regard, the Department of Pharmaceuticals submitted as under :-

The Department agrees that too much dependence on a particular country for live saving drugs is not desirable. In order to ensure drug security in the country, the Department has rolled out schemes for promotion of bulk drugs parks and incentivizing production. In turn, it will reduce cost of production by exploiting common facilities vis-à-vis incentivise mass production reducing cost of production".

5.7 The Committee was informed that the Government of India is planning for strategic sale of HAL. In written reply to a Committee's query as to why was it shortlisted for strategic sale especially in view of (i) its critical role in manufacturing of lifesaving drugs, Active Pharmaceutical Ingredients (APIs), bulk drugs and other items such as alcoholic hand rubs, health kiosks product etc. and (ii) its losses mainly due to imports

from China at cheaper rates, the Department of Pharmaceuticals in a detailed reply submitted as follows:-

-There are five Public Sector Undertakings (PSUs) under the aegis of the Department, namely Hindustan Antibiotics Limited (HAL), Indian Drugs & Pharmaceuticals Limited (IDPL), Rajasthan Drugs & Pharmaceuticals (RDPL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) and Karnataka Antibiotics & Pharmaceuticals Limited (KAPL). These PSUs were set up in the fifties and sixties onwards to give initial push in medicine manufacturing so as to ensure drug security and make the country self-reliant. However, as of now the indigenous private industry has grown to be healthy, robust, competitive and fully capable to serve the societal and the governmental needs. The annual turnover of the pharmaceutical industry is about Rs. 3 lakh crores. Of this, the exports constituted more than half. Pharmaceutical sector is a private enterprise driven industry and the contribution of the five pharma PSUs therein is quite negligible. The turnover of HAL at around Rs. 60 cr. is hardly 0.02% of the total pharma production in the country.

Despite three capital restructuring schemes in 1983, 1988 and 1994, the company was formally declared sick and referred to BIFR in the year 1997. Government of India approved the 4th Rehabilitation In March, 2006 with a cash assistance of Rs. 137.59 crore and non-cash assistance of Rs. 267.57 crore. Subsequently, again in December, 2016, the Government waived off its loan and interest amounting to Rs. 307.23 cr. (Principal Rs. 186.96 cr. + Interest Rs. 120.27 cr.), deferment of various dues amounting to Rs. 128.68 cr. and also sanctioned loan of Rs. 100 cr. to meet wages, salaries and other critical expenses. As the earlier revival/rehabilitation packages have failed to achieve desired results, the Union Cabinet, while considering another rehabilitation proposal for sale of part of surplus and vacant land of HAL for meeting its liabilities directed in April, 2016 that a Committee of three senior Ministers may comprehensively examine the status of all Pharmaceutical Companies in the public sector and suggest the future course of action. Separately, a High Level Committee of the NITI Aayog decided that the 'prioritization' of PSUs should be on the basis of the nature of activity performed by them and not on their financial performance. It categorized the PSUs on the basis whether they were serving any strategic purpose related to national security, performing sovereign or quasi sovereign functions, involved in an important developmental function where private sector was failing to perform or a public utility, where presence of public enterprise was desirable for serving public purpose. Any PSU, which met one of the above mentioned four criteria, was categorized as 'high priority'. Pharmaceuticals PSUs, which

were not performing any of the above functions were categorized as low priority sector. The Committee, after examining various PSUs, gave its recommendations regarding revival/ merger/ sale/ transfer to the State Government/ Closure/ lease/ Strategic Disinvestment etc. in respect of each PSU. The Committee, however, decided to keep its recommendations in respect of pharma PSUs in abeyance, till the decision was taken by the Ministers' Committee.

The Committee of Ministers' after comprehensively examining the issue, recommended that surplus land of HAL, IDPL, RDPL and BCPL as would be required to meet their liabilities be sold through open competitive bidding preferably to Government agencies and their outstanding liabilities cleared from the sale proceeds. It recommended that after liabilities have been met, IDPL & RDPL be closed and HAL & BCPL to be sold strategically. The recommendations of the Ministers' Committee were approved by the Union Cabinet on 28.12.2016. As no bids for surplus land were received from Government agencies, the Cabinet on 17.07.2019 modified its earlier decision and permitted sale of surplus land as per revised DPE's guidelines dated 14.06.2018 and also provided budgetary support as loan of Rs. 280.15 cr. to the company for payment of pending salaries and VRS to part of its employees. The Cabinet further decided for constitution of a Committee of Ministers for taking all decisions pertaining to closure/ strategic sale including the sale of assets and clearance of outstanding liabilities. The company has got valuation of its surplus land at its plant at Pune conducted through M/s NBCC Limited, the authorized Land Management Agency (LMA) and based thereon, the Committee of Ministers is likely to shortly take a decision regarding disposal of the same.

Realizing the high dependence of the country on critical Active Pharmaceuticals Ingredients (APIs) and Key Starting Materials (KSMs), the government has recently come up with schemes for providing financial assistance to the tune of Rs. 3000 cr. for setting up three Bulk Drug Parks in the country as well as scheme for Product Linked Incentive Scheme for promotion of domestic manufacturing of critical KSMs/ Intermediaries and APIs in the country to the tune of Rs. 6940 cr. HAL, which was set up in the year 1954 as a bulk drug manufacturing company, producing Penicillin and other bulk drugs, can play an important role in increasing domestic production of bulk drugs in the country. The company's formal proposal, if any, as per guidelines of the Schemes, would be duly considered by the Department. Separately, based on recommendations of the Standing Committee on

Chemicals and Fertilizers (17th Lok Sabha) of the Department for revisiting the decision of strategic disinvestment of KAPL & BCPL, two profit making Pharma PSUs, Hon'ble Minister (Chemicals & Fertilizers) has sought personal intervention of the Vice Chairman, NITI Aayog and Union Finance Minister on 3rd July, 2020 for reconsideration of the decision of disinvestment of not only profit making pharma PSUs, namely KAPL and BCPL but that of HAL too.

The Department desires to have pharma PSUs for ensuring drug security in the country and in this context has requested the NITI Aayog to get the feasibility of merger of the three PSUs under disinvestment into one entity examined either by the Aayog itself or through an independent agency.”

5.8 On being asked by the Committee for clarification on the legal status of NITI Aayog since the Department had maintained that they are consulting them for the various issues associated with HAL, during oral evidence, the representatives of the Department responded as under:-

“It is a recommendatory body. Even on the recommendation of the NITI Aayog which was considered by the Ministry of Finance, the fifth PSU, the KAPL was also decided to be sold strategically.”

5.9 In written reply to queries (i) about the role of NITI Aayog in disinvestment of PSUs, in general and the HAL in particular and (ii) whether the Administrative Ministry viz. M/o Chemicals & Fertilizers is not empowered to decide such issues independently, the Department submitted as under :-

—As per Allocation of Business Rules, the NITI Aayog has been mandated, amongst others, to evolve a shared vision of national development priorities, sectors and strategies and to design strategic and long term policy and programme framework and initiatives. The NITI Aayog plays an important role in resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda. A Committee of the NITI Aayog under its then Vice-Chairman while examining various loss making/sick/non-performing CPSEs, had prioritized different PSUs as ‘high priority’ or ‘low priority’. Based on such prioritization, it recommended further course of action in individual PSUs – for their revival, closure or disinvestment. The said Committee, however, kept its recommendations in

respect of Pharma PSUs in abeyance as a Committee of Ministers was looking into the loss-making pharma PSUs (including HAL) simultaneously. In issues involving major policy decisions, the Administrative Ministry does not decide alone, but after taking inputs and considering recommendations of the NITI Aayog, Department of Public Enterprises, Department of Investment and Public Assets Management, Ministry of Finance, etc.”

5.10 Responding to a query as to why was it decided to sell KAPL, the Secretary, Department of Pharmaceuticals appearing before the Committee on 18.08.2020 stated as under:-

—“a Committee was formed. Basically, they decided which public sector undertaking should be continued and which should be closed.”

5.11 Responding to a pointed query as to according to NITI Aayog, whether pharma is not a strategically important subject, the Secretary appearing before the Committee on 18.08.2020 replied as under:-

—“That is the report of the NITI Aayog. At that time, they have not included pharmaceuticals sector which requires existence of the PSUs in this sector. That is there.”

5.12 Responding to Committee’s query as to why HAL can’t be revived and whether the Department of Pharmaceuticals do not see the need for its revival in view of the ongoing pandemic and its adverse impact on the lives and livelihoods of the people, the Secretary appearing before the Committee on 18.08.2020 replied as under :-

“The pharmaceutical industry is a very strong industry in the country. Recently, during Covid-19 pandemic, we have provided much needed medicines, including HCQ, to the whole world. The Health Ministry had put a ban on HCQ. But we told that we can manufacture it in our country, and provide it to the whole world. That is what we could do. Even as regards the vaccination, India is taking a leadership role. That comes to other medicines also, be it Paracetamol or any other medicine. Even during lockdown, we did not allow a single unit to get closed down completely. We have provided medicines to the whole country and also to the whole world. The total manufacturing in our industries are around Rs.

3,00,000 crore out of which the exports stood at almost 50 per cent, that is, Rs. 1,50,000 crore. The whole Europe, USA, Canada, and even South America are dependent on us for life saving medicines. That way, I agree with you completely, that the Pharmaceutical Sector is very important, and we cannot be dependent on any other country.

What had happened during 1990s was this. I would not name a country but some countries strategically started looking at APIs which are very critical for essential drugs. Then, they started incentivising those large-scale industries by giving incentives, and giving export subsidy. They made manufacturing of APIs at very cheap rates in those countries. So, even those companies which were manufacturing these APIs in-house stopped its manufacturing, and started importing. Others, who were purchasing the APIs from private sector companies and HAL stopped purchasing from them, and started importing it from China. So, we became critically dependent on them. This happened in 1990. There were many reports regarding that, and many Committees took place. It is not that we are dependent on them for all kinds of APIs. There are more than 1200-1300 APIs of which we manufacture more than 500 APIs, and import small APIs. But the problem is that we are critically dependent on one country to the extent of 80 to 100 per cent for the essential drugs of 58 APIs. When I joined, there were already a lot of Committee Reports, and the department had made the representation that we should immediately incentivise and do something about it. We cannot depend upon others for that. So, I had the opportunity to make presentation to the right authorities and I was asked to prepare a scheme. We have come out with the Scheme. I can assure the hon. Committee that we should be reasonably self-reliant within two years as regards these APIs. This is the scheme which we have brought out. I have been given a total of Rs. 6,700 crore for Production Linked Incentive (PLI) Scheme for 53 APIs and Rs. 3,000 crore for putting up three Bulk Drug Parks. These parks will be the parks where anybody could go, put up their money and invest in APIs. They will be given all facilities at one place, where water is required, 24/7 electricity is required, laboratory testing facilities are required, and some other facilities are required. So, we are including that. We are doing one more thing. The research and development for APIs is not very strong in our country. So, all these bulk drug parks have to have a Centre of Excellence, where continuous research would be done. We have already launched this Scheme, and 13-14 States have already come up. But selecting the States is very difficult for us. So, we have decided that the State which will give the best facilities and benefits to investors in the form of reduced electricity rates, reduced water charges, reduced lease rent of the land will be selected on the basis of ranking. So, that Scheme is coming up.

As regards PLI Scheme, in fermentation-based production, we calculated the difference of cost between China and India. It is because of their policy why our cost is higher. We came to know that the cost difference is between 15-23 per cent. So, we have decided that we will give the incentive of 20 per cent on all incremental production. It is a very attractive scheme. As regards chemical-based production, we again calculated the cost, the technical Committees were set up, and all the industries were consulted. So, we are going to give 10 per cent incentive on the invoice value if they manufacture this with backward integration.”

5.13 The Secretary, Department of Pharmaceuticals stated further as follows:-

"The problems with our public sector undertaking are two. One is, HAL had problems because the prices were low in China, they could not compete and they had to close down the plant. That was one reason. They could not immediately come out with any alternative steps and entering into some other fields, manufacturing and keeping the company alive. As you have mentioned, four-five times they had been given incentives and packages, but they could not keep the company alive. There are two reasons for that. One is that simply because the private sector in India has grown exponentially. They have come out with cost-effective methods, automation and other things which HAL could not do; not only HAL, but other PSUs also could not do that. That was one reason. Then, a Committee was formed. The Cabinet decided that all PSUs either have to be closed or to be strategically disinvested. HAL is one of them. When we were taking a review during the Covid-19 Pandemic, at that time, we were under tremendous pressure because we knew that there is a problem of supply of APL and some other problem. So, at our level, we discussed with our hon. Minister that we should have, at least, one PSU that in case of need, we can fall back on them because asking a private sector company to manufacture API at a loss may not be possible. That is why, just one month ago, we have written to the NITI Ayog and our hon. Minister has written to the Finance Minister also that there is a need to reconsider this. I would like to bring to your notice that the Committee has suggested as to which are the strategic areas where PSUs are required. That has been accepted and accordingly our Committee of three Ministers also decided to either disinvest or close them. So, we have to bring them on board. We will ask them to again revisit this. We asked the Finance Minister also to revisit this. If they revisit this, then we will decide accordingly. Otherwise, I have to go to the Cabinet again to change the decision which they have taken to close down this PSU. We are preparing the data as to how this is required, what should be the role of HAL etc. Merger is one of the options. We are asking them as to how we can work in such a manner that at least one PSU is there in the pharmaceuticals sector which we fall back upon if there is a requirement.

5.14 The Committee drew the attention of the representatives of DoP during the evidence held on 18.08.2020 to their following recommendation on the Role of the NITI Aayog, contained in the Committee's 24th report on Review of Loss making CPSU's :-

The Committee observe that in the wake of a growing number of loss-making PSUs, the Government in their Budget announcement (2016-17) entrusted the task to NITI Aayog for identifying such PSUs and giving recommendations for their strategic sale, disinvestment or closure. They also note that despite DPE being the nodal Department for PSUs as well as the administrative Ministries of each PSU being entrusted with the task of identifying their sick PSUs respectively and preparing restructuring plans for them, no significant progress could be witnessed in the performance of these PSUs. Hence, now the NITI Aayog has been examining the sickness of PSUs and solely recommending on their closure / disinvestment / sale etc. The Committee hope that while NITI Aayog is given the mandate to recommend on loss-making PSUs, they would also be formulating a much-needed policy to regulate and monitor the financial health of the country's PSUs that emphasizes on a top-rated management, employees' welfare and control over extra overhead expenditure in the companies and would like to be apprised in this regard."

5.15 The Committee also drew the attention of the representatives of Department during the evidence held on 18.08.2020 to their following recommendation contained in the Committee's 24th report on Review of Loss making CPSU's :-

The Committee note from the information furnished by DPE that out of 79 loss making CPSUs (as on 2015-16), NITI Aayog recommended strategic disinvestment for 36 CPSUs. Out of which, the Government has given in-principle approval for strategic disinvestment of 24 CPSUs or their units. The Committee are surprised to note that out of these 24 CPSUs, only 8 CPSUs have been shown in the list of loss making CPSUs which indicates that majority of the CPSUs selected for disinvestment are actually profit making entities. The Committee was informed that all CPSUs except those in the strategic areas are eligible for strategic disinvestment. However, divergent opinions were expressed before the Committee as to what constitute strategic areas. NITI Aayog was of the view that CPSUs serving national security purposes, sovereign or quasi sovereign functions could be categorised as strategic CPSUs and must be retained by the Government. The Department of Heavy Industries (DHI) was of the view that CPSUs providing essential goods and services and holding dominant market positions in petroleum, power, steel, mining and transportation sectors

are 'strategic'. Bharat Petro Resources Limited (BPRL), a wholly owned subsidiary of Bharat Petroleum Corporation Limited (BPCL) that is engaged in Oil and Gas exploration in India and overseas supporting a national policy, considered itself a 'strategic' CPSU. MTNL and BSNL that are operating in the telecommunication sector also consider themselves of 'strategic' importance. The Disinvestment Commission has classified CPSUs that operate in the "strategic" category such as (i) arms and ammunition, and allied items of defence equipment, defence aircrafts and warships, (ii) atomic energy, (iii) minerals specified in the schedule to Atomic Energy (Control of Production and Use) Order 1953, and (iv) Railway transport. Further, NIPFP, an expert organization who deposed before the Committee is of the view that CPSUs that are performing critical functions related to production of defence equipment or nuclear power production are strategic. The Committee are surprised to note that even the NITI Aayog had not held any consultations with CPSUs before arriving at the definition of 'strategic'. The Aayog, as per their own submissions, relies upon the definition provided in the year 1997 by the erstwhile Disinvestment Commission and the 14th Finance Commission. The Committee are worried as to how the criteria laid down almost two decades ago would still be serving the purpose particularly when divergent opinions on the definition of 'strategic' have been coming forth from CPSUs/ Departments of the Government. The Committee thus feel that, in the event of the Government itself not having a uniform parameter for categorising CPSUs as 'strategic' it would be difficult for them to arrive at any conclusion whether a particular CPSU is to be retained by the Government, closed or divested. In such a scenario, the Committee recommend the Government to work out a uniform definition/parameters of 'strategic' for classification of CPSUs".

5.16 Responding to the above mentioned recommendations of the Committee in the 24th report, the Secretary, Department of Pharmaceuticals appearing before the Committee on 18.08.2020 stated as under:-

"Madam in that connection only, we decided to write. I had told our hon. Minister that this is what we need to write because in times of crisis, we have to have, at least, one PSU. Now, whether it is one, two, or three; I have not decided. We can decide. We should merge all the three and make it a very strong one PSU so that you can use the capability of two other PSUs together; or you may keep two others separately and do it separately. But our desire is that we need one PSU. Madam, now, you are telling that you should put aside NITI Aayog. Madam, we will try because we need their help. I have had already one meeting with NITI

Aayog day before yesterday, and I have requested them to please help us.”

5.17 In response to the Committee’s apprehension that developments such as domination of the MNCs in Indian pharma sector, closing down of many Indian pharma companies’ manufacturing APIs due to competition from the foreign country, etc., do not bode well for phrama industry and the need for corrective action in this regard, the Secretary, DoP appearing before the Committee on 18.08.2020 stated as under:-

—We can only agree with you, Madam. As far as this aspect is concerned, there should be only one PSU, which will help us, to fall back on difficult times. We also decided the same time. That is what we desire.”

5.18 Responding to Committee’s specific query as to how the ‘Strategic sale’ tag of HAL will go, the Secretary, Department of Pharmaceuticals appearing before the Committee on 18.08.2020 stated as follows:-

—Madam, I have to go back to the Cabinet; and for that we need some papers. We have to work with NITI Aayog, and we will work. As I already told, we have written to them; and we have had one meeting also with them. The hon’ble Minister also will have a meeting with the concerned. We have requested them. We will see, Madam. We have different strategy. But the issue is that we have to convince the Government to ‘please include pharmaceuticals in the strategical sector.’ We will have to tell them.”

5.19 Taking into account the fact of (i) the continuation of loss making MTNL and BSNL in view of their being classified as ‘strategically important’, (ii) classification of PSU’s operating in certain sectors such as arms and ammunition, and allied items of Defence equipment, Defence aircraft and warships, atomic energy, minerals specified in the schedule, railway transport as strategic by the Disinvestment Commission (iii) NIPFP/NIPP’s views that CPSUs that are performing critical functions related to production of Defence equipment and nuclear powers production are strategic, the Committee sought to know whether ‘pharma sector’ should also be declared as

strategic. the Secretary, Department of Pharmaceuticals during the evidence held on 18.08.2020 replied as under:-

—We are telling that we require one PSU, we can fall back. We are of the view that we need one PSU and in critical times, we can use them. That is why we have written. Our Hon. Minister has written to the hon. Finance Minister, and also to the NITI Aayog. So, we do agree that we should have one PSU on which we call fall back...Yes, we think that it is of strategic importance.”

5.20 Furnishing further clarification, Secretary, Department of Pharmaceuticals added as follows :

—Yes, Madam. I just wanted to clarify this. You just added the NITI Aayog. Actually, when the NITI Aayog did consider these 74 or 79 PSUs, they also did consider pharma PSUs, but they did not make any recommendation of pharma PSUs because as I mentioned in my presentation, at that time of Group of Ministers, a higher body was looking into pharma PSUs. So, in our case, the decision is of a Committee of Ministers, which was approved by the Cabinet.

5.21 Referring to the incentive schemes such as bulk drugs park scheme, launched by Department of Pharmaceuticals to attract investments in pharma sector, the Committee sought to know whether HAL will be allowed to participate in the schemes especially in view of the ‘strategic sale’ tag attached to the CPSU, Secretary, DoP during the evidence held on 18.08.2020 submitted as follows :-

—have studied this, the PSU, in detail. One problem with PSUs and pharmaceutical PSUs is that they are not able to compete with private sector even if we give the benefits like subsidy or investment. Suppose, they take up the PLI Scheme, I include also, Madam, will they be able to keep their cost of production as equal to the private sector or even lower? It is according to our experience. They have to compete with private sector. Already, I have made a provision in PLI Scheme that the Government may give project to them to manufacture certain APIs. We have written ‘may’ because we have to get the order reversed. We have written to NITI Aayog. If they reverse, then, we can give them. There is no problem. The aspect of net worth and other aspects can be taken care of. It is not a very big issue. Our biggest problem is this. Will the HAL be able to manufacture as competitively and as efficiency as the private sector? —

5.22 Referring to HAL's submission of business plan for revival, the Committee sought the action taken on the same by the Department, Secretary Department of Pharmaceuticals during the evidence held on 18.08.2020 stated as under:-

—Actually, the problem is this. Even if, suppose, we want to give them, they will require Rs. 800 or Rs. 900 crores. That is what they are telling. They want to manufacture API for example. They require that much money. Secondly, their net worth is negative. So, no bank will give them loan. Actually, they have not paid the loan to the banks. Now, no bank is ready to give them loan also. So, you have to take a decision first that it should not be strategically sold. That is why, we say that some surplus land is sold. They can have the money. We have asked them that that land which is not required, please sell. That money comes there. You can take up the project.”

C. CPSU"sIN THE INDIAN PHARMACEUTICAL INDUSTRY

5.23 There are five Central Public Sector Undertakings (CPSUs) under the administrative control of the Department of Pharmaceuticals. The Government has decided to close two PSUs, viz. Indian Drugs & Pharmaceuticals Limited (IDPL) and Rajasthan Drugs & Pharmaceuticals Limited (RDPL) and strategically sell the remaining three PSUs, viz., Hindustan Antibiotic Limited (HAL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) and Karnataka Antibiotic & Pharmaceuticals Limited (KAPL). The gist of these PSUs is as under:-

(Summary of CPSUs of the Department) (As on December 2019)

	HAL	IDPL	RDPL	BCPL	KAPL
Established in	1954	1961	1978	1981	1981
Classification	Sick	Sick	Incipient sick	Sick (now Profit Making)	Profit Making
Net worth (in cr.)	-430.58	-7626.58	-76.88	-66.78	179.58
Turnover (in cr.)	66.85	33.96	Nil	100.50	360.36
Operating profit/ loss (in cr.)	-38.30	-13.25	Balance sheet not finalised	25.26	25.23
Liabilities (in cr.)	806.82	7812	114 Cr	208.92	168.81
No. of Employees	918	15	128	195	658
Officer level	174	3	12	51	225
Worker level	744	12	116	144	433
Total land	263.57 acres	1815.048 acre	9.35 acre	72.89 acre	40.34 acres
Leasehold	Nil	833.878 acre	9.35 acre	1.10 acre	Nil
Freehold	263.57 acres	981.17 acre	Nil	71.79 acre	40.34 acres

D. CABINET DECISION WITH REGARD TO PHARMA CPSUs

(A) Based on recommendations of a Committee of Ministers, the Cabinet in its meeting held on 28.12.2016 decided that:-

- (i) Only that much of surplus land of HAL, IDPL, RDPL and BCPL as would be required to meet the liabilities be sold through open competitive bidding to Government agencies and the outstanding liabilities be cleared from the sale proceeds. Voluntary Separation Scheme/Voluntary Retirement Scheme also be implemented in these PSUs to pave way for their closure. Remaining part of the land should be managed in accordance with guidelines of Department of Investment and Public Asset Management (DIPAM) and Department of Public Enterprises (DPE) in this regard and if need be, vested in a SPV created for this purpose.
- (ii) After liabilities have been met, balance sheet cleansed and the Voluntary Separation Scheme/ Voluntary Retirement Scheme effected, the Department to close IDPL and RDPL and HAL and BCPL be put up for strategic sale.
- (iii) While taking a decision to close the PSUs, the Department may also explore the possibility of hiving off the subsidiary companies of HAL and IDPL for private participation, wherever found viable.”

(B) As no bids for surplus land were received from Government agencies, the Union Cabinet on 17.07.2019 modified its earlier decision and permitted sale of surplus land as per revised DPE's guidelines dated 14.06.2018 and to provide budgetary support as loan of Rs 330.35 cr. for meeting the employees liabilities (Unpaid salary – Rs. 158.35 Crore + VRS Rs. 172.00 cr.) as under:

- a) IDPL – Rs. 6.50cr.
- b) RDPL – Rs. 43.70cr.
- c) HAL– Rs. 280.15cr.

The Cabinet further decided for constitution of a Committee of Ministers for taking all decisions pertaining to closure/strategic sale including the sale assets and clearance of outstanding liabilities. Further action for implementation of the Cabinet's decisions is being taken.

(C) Separately, the Cabinet Committee of Economic Affairs (CCEA) in its meeting held on 01.11.2017 accorded in-principle approval for strategic disinvestment of 100% Government of India equity in KAPL. The decision is presently kept on hold as the matter

is pending before the Supreme Court.

(D) Further, the Union Cabinet on 20.11.2019 has approved extension of Pharmaceutical Purchas Policy (PPP) till final closure/ strategic sale of the pharma PSUs.

CHAPTER-VI

NEED FOR INDIGENEOUS PRODUCTION

A. PHARMACEUTICAL INDUSTRY: A FUNDAMENTAL BASE FOR A HEALTHY NATION

6.1 The Annual Turnover of the Indian Pharmaceutical Industry was estimated to be about Rs. 2,58,534 Crore during the year 2018-19. The share of export of Bulk Drugs, Drug Intermediates and Drug Formulations, Biologicals was Rs.1,28,0282 crore for the year 2018-19. Indian pharmaceutical industry supplies a significant percentage of global supply of medicines including vaccines, APIs and finished products. India accounts for 20% of global exports in generics. India's Pharma exports mainly consist of Drug Formulations and Biologicals up to 77% followed by Bulk drugs and intermediates up to 21%.

B. AVOIDANCE OF EXCESSIVE DEPENDENCY ON IMPORTS

6.2 Import Dependence: Bulk Drugs: Bulk drugs/APIs are basic to growth of pharmaceutical industry Future growth of pharma sector is contingent upon -Our ability to ensure un-interrupted supply of quality bulk drugs and continued research and Our capacity to upscale their manufacturing during emergency situations. Bulk drugs formed 63% (USD 3.41 Billion) of the total pharma imports in the country during FY 2019-20. India imports bulk drugs largely for economic considerations.

6.3 Data on import and exports of bulk Drugs in the past 10 years:

	(USD Billion)	
Year	Exports	Imports
2009-2010	3.52	2.15
2010-2011	3.62	2.57
2011-2012	4.44	2.96
2012-2013	4.23	3.19
2013-2014	3.61	3.15
2014-2015	3.56	3.25
2015-2016	3.59	3.25
2016-2017	3.38	2.74
2017-2018	3.54	2.99
2018-2019	3.91	3.56

2019-2020	3.88	3.41
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6.4 Import Dependence: Medical Devices : The medical device industry is highly capital intensive has long gestation period requiring continuous induction of new technologies, continuous training of health providers to adapt to new technologies, well-developed eco-system and innovation cycle which is yet to be fully developed in India. The industry depends on imports up to an extent of 86% Domestic manufacturing is limited to surgical, cardiac stents and general medical devices and consumables

6.5 Data on imports of medical devices during the last five years as furnished by DoP is as under :-

Imports of Medical Devices	
	Rs in crores
2015-2016	26779
2016-2017	28688
2017-2018	32155
2018-2019	39861
2019-2020	41412

6.6 Segment wise Share of Import of Devices (2019-2020) as per DoPs data

Segment wise Share of Import of Devices(2019-2020)	
	%
Implants	7
IVD Reagent	9
surgical Instruments	10
consumables and Disposables	18
Electronics and equipments	56

6.7 The following are the challenges in the pharma sector :

- (i) API/Bulk Drugs: Import Dependence
- (ii) Medical Devices: Import Dependence
- (iii) R&D and Skilling: Need to focus on drug discovery

6.8 HAL in its replies to the queries regarding the reasons for its sickness inter-alia submitted that many companies manufacturing Penicillin, vitamins, other life-saving drugs, both in public and private sector in India, have closed down due to imports from China where the cost of manufacturing is very low due to low cost of utilities such as power, furnace oil, etc. Department of Pharmaceuticals, while furnishing its views in this regard, submitted that :-

"The Department agrees with the contention to the extent that certain APIs manufacturing in India became unviable in India due to cheap imports.

In respect of drugs such as Pencilin and other life-saving drugs there is marked dependence on China. To address this dependence, the Department had formed a Committee on Drug Security in January, 2020. Based on recommendations of the said Committee, the Department has come up with schemes for providing financial assistance to the tune of Rs. 3000 cr. for setting up three Bulk Drug Parks in the country as well as scheme for Product Linked Incentive Scheme for promotion of domestic manufacturing of critical KSMS/ Intermediaries and APIs in the country to the tune of Rs. 6940 Crore."

6.9 The data on the quantum of Penicillin imported from China/ a neighbouring country for the last 10 years along with the amount of forex spent on importing the same, the Department of Pharmaceuticals / HAL submitted as under :-

—~~AL~~ has not imported any quantum of Penicillin from China in the last ten years."

6.10 In a written response to a query as to whether the Department of Pharmaceuticals view that too much dependence on China for import of life saving drugs such as penicillin and other life saving drugs is desirable and if so, the action taken or proposed to be taken to reduce dependence on imports of life saving drugs, DoP in a written reply stated as under:-

—In order to give fillip to domestic manufacturing and reduce import dependence, two schemes, viz., Production Linked Incentive Scheme for promotion of domestic manufacturing of critical Key Starting Materials (KSMS)/ Drug Intermediates (DIs) and Active Pharmaceutical Ingredients (APIs) in India and Promotion of Bulk Drug Parks for promoting domestic manufacturing of critical bulk drugs have been approved by the Union Cabinet on 20th March,

2020. The scheme guidelines to implement the said schemes have been issued on 27th July, 2020 after detailed consultations with the industry and other stakeholders.”

C. CONSERVATION OF FOREIGN EXCHANGE

(a) Size of Pharma industry

6.11 Industry at a Glance (2019-20), as furnished by DoP is as under :

	Pharmaceuticals		Medical Devices		Total	
	Rs crore	USD Bn	Rs crore	USD Bn	Rs crore	USD Bn
Domestic Market	1,51,700	20.50	57,029	7.71	2,08,729	28.21
Import	40,139	5.42	41,412	5.60	81,551	11.02
Export	1,52,440	20.60	18,582	2.51	1,71,022	23.11
Industry Size	3,04,140	41.10	75,611	10.22	3,79,751	51.32

Growth Rate :Drugs:10-12%, Medical Device : 12-15%

6.12 FDI inflows in the pharma sector as per DoP are as under:-

Drugs:

- Rs. 3,650 crore in 2019-20
- Rs. 1,842 crore in 2018-19
- Increase of 98%

Medical Devices:

- Rs. 2,196 crore in 2019-20
- Rs. 1108 crore in 2018-19
- Increase of 98%

(b) Foreign Direct Investment (FDI) in Pharmaceutical Sector

6.13 As per Annual Report (2019-20) of Department of Pharmaceuticals, FDI in pharma sectors is allowed as under:-

—FDI upto 100% in pharmaceutical sector is permissible through automatic route for Greenfield investment and upto 74% for brown field investment. Beyond 74%, FDI in pharmaceutical sector for Brownfield investment is permissible through Government approval route. Union Cabinet in its meet-

ing held on 24.05.2017 approved the abolition of the Foreign Investment Promotion Board (FIPB). The administrative Ministries/ Departments are to process applications for FDI requiring Government approval. The proposals relating to Pharmaceutical Sector are being handled by this Department, based on the Standard Operating Procedure (SOP) issued by Department for Promotion of Industry and Internal Trade (DPIIT) and in consultation with related Government Agencies. After abolition of FIPB, under approval route, Department of Pharmaceuticals has approved 25 FDI proposals worth Rs. 2,496 crores approximately till now. Pharmaceutical is among the top eight sectors of India attracting FDI. FDI in medical devices is under automatic route for both brown field and green field sectors.”

CHAPTER-VII

COVID-19 PANDEMIC: IT'S IMPACT AND OTHER UNFORESEEN EVENTS

7.1 On being enquired about the impact of lockdown on the business of HAL, the Committee was informed that the entire nation has been adversely affected by the lockdown in view of COVID-19 pandemic and HAL is no exception to this impact. The price of bulk drugs has increased substantially thereby severely affecting their profitability. Price of Azithromycin (bulk drug) rose from Rs.8000-9000 per Kg to Rs. 14000-15000 per Kg. Price of Paracetamol (Bulk Drug) rose from Rs. 280-300 per Kg to Rs. 400-500 per Kg. Due to lockdown, transportation facility for staff had to be shutdown, thereby, staff coming from city area were not able to attend their duties. Only those staff staying in colony could attend their duties. Hence, company could not operate the Plant operations in all three shifts. Also, outside transport facility was not available for raw material & Finished goods, thereby, adversely affecting production plan. As local MSMEs were closed, major Packing material and Excipients supply got affected. HAL is in the process of restarting of IVF Plant, the machines are being overhauled for the same. However, due to closure of Engineering Industries, the overhauling of the machines is being held up. Despite these constraints, HAL continued the production activity with limited resources available at its disposal.

7.2 Elaborating on the hygiene products developed and manufactured, HAL has submitted that the following are developed to address the needs of the situation arising out of Covid- 19 pandemic :-

-HALRUB – ALCOHOLIC HAND DISINFECTANT: HAL is manufacturing and marketing HALRUB- Alcoholic Hand Disinfectant (AHD) with Propanol base in 50 ml, 100 ml, 500 ml and 5 litre can (a potent weapon in fight against COVID-19 Pandemic) to various Health Institutions, Government Hospitals, Municipal Corporations, Police Department etc.

HAL HEALTH KIOSK: The Corona virus has affected maximum those who are having poor immunity. In order to identify the immunity of a person, HAL has introduced a Health Kiosk in the market. This is a sort of Health ATM which identifies 23 health parameters, as mentioned below, from

which one can identify their physical fitness & take corrective action accordingly. This Health Kiosk stores data of the person on its cloud storage & can be very useful to Health Institutions, Govt. Hospitals, CPSEs etc. The health parameters covered by the Kiosk are Blood Glucose, Hemoglobin, Blood Pressure, Blood Oxygen, Pulse Rate, Temperature, Eye, Height, Weight, BMI, Body Fat, Fat Free Weight, Subcutaneous Fat, Visceral Fat, Body Water, Skeletal Muscle, Muscle Mass, Bone Mass, Protein, BMR, Meta Age, Physique rating and Health Score. HAL has already installed a unit of this Health Kiosk at Kirkee Cantonment Board & various other places and there has been a very positive response to it. Also, this Kiosk is in the process of being installed at Pune Cantonment Board , Pimpri-Chinchwad Muncipal Corporation (PCMC), Office of Commissioner of Police , Pimpri etc.”

7.3 With regard to developing products for replacing imports, HAL submitted as follows :-

-APIs: India has largely been dependent on China for supply of Active Pharmaceutical Ingredients (APIs) & Key Starting Material (KSM) required for manufacture of Bulk Drugs. HAL has identified 4 nos. of APIs which shall reduce country’s dependence on China to some extent. These APIs are Amoxicillin Trihydrate, Meropenem, Gabapentin & Telmisartan. The production of these APIs is expected to commence by end of financial year 2020 onwards.”

7.4 With regard to other products / processes it is developing HAL has submitted as under:-

—DVS CULTURE: Direct Vat Set (DVS) Culture are freeze dried bacterial cultures that can be directly added to the milk to produce popular dairy products like curd, cheese, butter milk etc. These cultures are used in producing high quality cheese, yogurt and other dairy products. HAL has identified this product to be manufactured at its Pimpri works. The manufacturing of this product is also expected to commence from by end of financial year 2020 onwards.

- HYDROXY CHLOROQUINE: HAL has obtained license for manufacture of Hydroxy chloroquine. However, we could not start manufacturing due to non availability of API.
- SUPPLY OF PHARMA PRODUCTS: HAL continued to manufacture and supply essential drugs like Paracetamol, Cetrizine, Levofloxacin, over and above other Pharma products required for management of COVID-19 infection to various State Government Institutes.”

CHAPTER-VIII

STEPS TAKEN BY GOVERNMENT

A. STRATEGIC SALE: RECONSIDERATION

8.1 The Committee was informed that in December 2016, the Government waived off its loan and interest amounting to Rs. 307.23 cr. (Principal Rs. 186.96 cr. + Interest Rs. 120.27 cr.), deferred various dues amounting to Rs. 128.68 cr. and also sanctioned loan of Rs. 100 cr. to meet wages, salaries and other critical expenses. As the earlier revival/rehabilitation packages failed to achieve desired results, the Union Cabinet, while considering another rehabilitation proposal for sale of part of surplus and vacant land of HAL for meeting its liabilities directed in April, 2016 that a Committee of three senior Ministers may comprehensively examine the status of all Pharmaceutical Companies in the public sector and suggest the future course of action. Separately, a High-Level Committee of the NITI Aayog decided that the ‘prioritization’ of PSUs should be on the basis of the nature of activity performed by them and not on their financial performance. It categorized the PSUs on the basis whether they were serving any strategic purpose related to national security, performing sovereign or quasi sovereign functions, involved in an important developmental function where private sector was failing to perform or a public utility, where presence of public enterprise was desirable for serving public purpose. Any PSU, which met one of the above mentioned four criteria, was categorized as ‘high priority’. Pharmaceuticals PSUs, which were not performing any of the above functions were categorized as low priority sector. The Committee, after examining various PSUs, gave its recommendations regarding revival/ merger/ sale/ transfer to the State Government/ Closure/ lease/ Strategic Disinvestment etc. in respect of each PSU. The High level Committee, however, decided to keep its recommendations in respect of pharma PSUs in abeyance till the decision was taken by the Ministers’ Committee.

8.2 The Committee was informed during briefing/evidence and through written submissions that the Government of India was planning for strategic sale of HAL. To a query as to why HAL was shortlisted for strategic sale especially in view of (i) its critical role in manufacturing of lifesaving drugs, Active Pharmaceutical Ingredients (APIs), bulk drugs and other items such as alcoholic hand rubs, health kiosks product etc. and (ii) its

losses were mainly due to imports at cheaper rates, the Ministry in written reply stated as under :-

—There are five Public Sector Undertakings (PSUs) under the aegis of the Department, namely Hindustan Antibiotics Limited (HAL), Indian Drugs & Pharmaceuticals Limited (IDPL), Rajasthan Drugs & Pharmaceuticals (RDPL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) and Karnataka Antibiotics & Pharmaceuticals Limited (KAPL). These PSUs were set up in the fifties and sixties onwards to give initial push in medicine manufacturing so as to ensure drug security and make the country self-reliant. However, as of now the indigenous private industry has grown to be healthy, robust, competitive and fully capable to serve the societal and the governmental needs. The annual turnover of the pharmaceutical industry is about Rs. 3 lakh crores. Of this, the exports constituted more than half. Pharmaceutical sector is a private enterprise driven industry and the contribution of the five pharma PSUs therein is quite negligible. The turnover of HAL at around Rs. 60 cr. is hardly 0.02% of the total pharma production in the country.

The Committee of Ministers' after comprehensively examining the issue, recommended that surplus land of HAL, IDPL, RDPL and BCPL as would be required to meet their liabilities be sold through open competitive bidding preferably to Government agencies and their outstanding liabilities cleared from the sale proceeds. It recommended that after liabilities have been met, IDPL & RDPL be closed and HAL & BCPL to be sold strategically. The recommendations of the Ministers' Committee were approved by the Union Cabinet on 28.12.2016. As no bids for surplus land were received from Government agencies, the Cabinet on 17.07.2019 modified its earlier decision and permitted sale of surplus land as per revised DPE's guidelines dated 14.06.2018 and also provided budgetary support as loan of Rs. 280.15 cr. to the company for payment of pending salaries and VRS to part of its employees. The Cabinet further decided for constitution of a Committee of Ministers for taking all decisions pertaining to closure/ strategic sale including the sale of assets and clearance of outstanding liabilities. The company has got valuation of its surplus land at its plant at Pune conducted through M/s NBCC Limited, the authorized Land Management Agency (LMA) and based thereon, the Committee of Ministers is likely to shortly take a decision regarding disposal of the same."

B. PROMOTION OF BULK DRUGS PARKS SCHEME

8.3 Submitting further, Department of Pharmaceuticals stated as follows :-

-Realizing the high dependence of the country on critical Active Pharmaceuticals Ingredients (APIs) and Key Starting Materials (KSMs), the government has recently come up with schemes for providing financial assistance to the tune of Rs. 3000 cr. for setting up three Bulk Drug Parks in

the country as well as scheme for Product Linked Incentive Scheme for promotion of domestic manufacturing of critical KSMs/ Intermediaries and APIs in the country to the tune of Rs. 6940 cr. HAL, which was set up in the year 1954 as a bulk drug manufacturing company, producing Penicillin and other bulk drugs, can play an important role in increasing domestic production of bulk drugs in the country. The company's formal proposal, if any, as per guidelines of the Schemes, would be duly considered by the Department.

Separately, based on recommendations of the Standing Committee on Chemicals and Fertilizers (17th Lok Sabha) of the Department for revisiting the decision of strategic disinvestment of KAPL & BCPL, two profit making Pharma PSUs, Hon'ble Minister (Chemicals & Fertilizers) has sought personal intervention of the Vice Chairman, NITI Aayog and Union Finance Minister on 3rd July, 2020 for reconsideration of the decision of disinvestment of not only profit making pharma PSUs, namely KAPL and BCPL but that of HAL too.

The Department desires to have pharma PSUs for ensuring drug security in the country and in this context has requested the NITI Aayog to get the feasibility of merger of the three PSUs under disinvestment into one entity examined either by the Aayog itself or through an independent agency.

C. PRODUCTION LINKED INCENTIVE SCHEME

8.4 The Production Linked Incentive (PLI) schemes for promoting domestic manufacturing of KSMs, DIs and APIs and medical devices will go a long way including to boost domestic manufacturing of 53 bulk drugs, on which India is critically dependent on imports. The list of 41 products contained in the scheme guidelines will enable domestic production of 53 bulk drugs. Financial incentives will be given to a maximum of 136 manufacturers selected under the scheme as a fixed percentage of their domestic sales of these 41 products manufactured locally with required level of domestic value addition. The incentives would be subject to annual ceilings communicated in the approval letter. The incentives would be given for a period of 6 years. In case of fermentation based products, the rate of incentive is 20% for first four years, 15% for the fifth year and 5% for the sixth year.

8.5 In case of chemically synthesized products, rate of incentive is 10% for all six years. The selected manufacturers shall have to complete committed investment above a threshold investment mandated for each product and achieve a prescribed minimum installed capacity before they are eligible to receive incentives. Threshold investment is

Rs 400 crore for four fermentation-based products and Rs 50 crore for ten fermentation-based products. Similarly, threshold investment is Rs 50 crore for four chemically synthesised products, and Rs 20 crore for 23 chemically synthesised products. Minimum installed capacity to be achieved for each of the 41 products is prescribed in the guidelines. The incentives for fermentation-based products would be available from FY 2023-24 i.e. after a two-year gestation period during which the selected applicant has to complete the committed investment and install the committed capacity.

8.6 For chemically synthesized products the incentives would be available from financial year 2022-23 i.e. after a gestation period of one year during which the selected applicant has to make the committed investment and install the committed capacity. Any company, partnership firm, proprietorship firm or an LLP registered in India and possessing a minimum net worth(including group companies) of 30% of proposed investment is eligible to apply for incentives under the scheme. An applicant can apply for any number of products.

8.7 The applicants will be selected on the basis of a transparent composite evaluation criteria which include the annual production capacity committed by the applicant and the sale price of the product quoted by the applicant. Applicant quoting low sale price and higher production capacity will get higher marks in the evaluation. The salient features of the four schemes are:-

The scheme is open for applications for a period of 120 days from the date of issuance of guidelines and the approval will be given to the selected applicants within 90 days from the closure of application window. Applications will be received only through an online portal. The total financial outlay of the scheme is Rs. 6,940 crore.

Scheme for promotion of Bulk Drug Parks: The scheme envisages creation of 3 bulk drug parks in the country. The grant-in-aid will be 90% of the project cost in case of North-East and hilly States and 70% in case of other States. Maximum grant-in-aid for one bulk drug park is limited to Rs.1000 crore. States will be selected through a challenge method. The States interested in setting up the parks will have to ensure assured 24*7 supply of electricity and water to the bulk drug units located in the park and offer competitive land lease rates to bulk drug

units in the park. The location of proposed park from environmental angle and logistics angle would be taken into account while selecting the States.

The ease of doing business ranking of the state, incentive policies of the State applicable to bulk drug industry, availability of technical manpower in the state, availability of pharmaceutical/chemical clusters in the state will also be factored in while selecting the States. The interested States will be scored and ranked on an evaluation criteria, given in the guidelines, which captures above parameters. The States getting top 3 ranks will be selected. The States have to submit their proposal within 60 days of the date of issuance of the guidelines. Selection will be done and in-principle approval will be given to three selected States within 30 days of last date of submission of proposals.

Thereafter, the 3 selected States will have to submit a Detailed Project Report (DPR) within 180 days of the in-principle approval based on which final approval will be given. The grant-in-aid will be released in four installments. First three installments will be 30% each and the last will be 10% of the grant-in-aid. The selected States will have to complete the park as per the approved DPR within two years of date of release of first installment of grant-in-aid. It is envisaged to have a single window system in these parks for all regulatory approvals under one roof. The creation of a centre of excellence is also envisaged to enable an ecosystem for Research and Development. The total financial outlay of the scheme is Rs.3,000crore.—

D. MARKET SHARE & MARKETING STRATEGIES

8.8 The Committee asked HAL what was its present market share and which are the other prominent private players in the market? HAL in a written reply stated as under:-

—A present HAL is supplying products mostly to Government Institutions. The production and supply re-started from 2017-18. Many of the State Govt. corporations are not following the Pharmaceutical Purchase Policy. Therefore it is difficult to ascertain the % of the market share. HAL has complied to the orders received from various institutions. We have received the satisfactory supply certificate from various institutions in 2018-19. In 2019-20, the supply position has further improved.

Since there are 5 Pharma CPSUs, it can be said that HAL's share is $1/5^{\text{th}}$ i.e. 20% of entire share of CPSUs.

There is no specific Private firm ready to supply 103 product. However, there are various private players in the Pharmaceutical market. To name a few, following are the major private players:-

- a) Dr. Reddy Laboratories
- b) Lupin Pharmaceuticals
- c) Emcure Pharmaceuticals
- d) Torrent Pharmaceuticals
- e) Aurobindo Pharmaceuticals”

Regulatory Framework for Pharma CPSU's and Govt Support:

8.9 As per information submitted to the Committee, the HAL is mostly operating in Institution Sector as per the Purchase Preference Policy and at NPPA approved rates. Though this has helped the CPSUs to a greater extent but in absence of specific instruction to purchase 103 items from CPSUs, many of the State Government corporations are not following the Pharmaceutical Purchase Policy . In the open tenders, private firms are attending the tenders for limited products and probably quoting the different rates in different States. In case of price hike in bulk, they do not prefer to supply for some or other reasons. In case of HAL, irrespective of Price Hike of Bulk drug, NPPA approved price is to be maintained for all supplies through-out India.

E. MERGER OF 3 PHARMA CPSU“sINTO ONE

8.10 The Committee referring to the Department of Pharmaceutical's decision to request NITI Aayog for carrying out feasibility for merging three CPSUs namely KAPL, BCPL and HAL into one entity, sought to know the exact role of NITI Aayog. The Secretary, Department of Pharmaceuticals appearing before the Committee on 18 August 2020 stated as follows:-

"The problems with our public sector undertaking are two. One is, HAL had problems because the prices were low in China, they could not compete and they had to close down the plant. That was one reason. They could not immediately come out with any alternative steps and entering into some other fields, manufacturing and keeping the company alive.

As you have mentioned, four-five times they had been given incentives and packages, but they could not keep the company alive. There are two reasons for that. One is that simply because the private sector in India has grown exponentially. They have come out with cost-effective methods, automation and other things which HAL could not do; not only HAL, but other PSUs also could not do that. That was one reason.

Then, a Committee was formed. The Cabinet decided that all PSUs either have to be closed or to be strategically disinvested. HAL is one of them. When we were taking a review during the Covid-19 Pandemic, at that time, we were under tremendous pressure because we knew that there is a problem of supply of APL and some other problem. So, at our level, we discussed with our hon. Minister that we should have, at least, one PSU that in case of need, we can fall back on them because asking a private sector company to manufacture API at a loss may not be possible. That is why, just one month ago, we have written to the NITI Aayog and our hon. Minister has written to the Finance Minister also that there is a need to reconsider this.

I would like to bring to your notice that the Committee has suggested as to which are the strategic areas where PSUs are required. That has been accepted and accordingly our Committee of three Ministers also decided to either disinvest or close them. So, we have to bring them on board. We will ask them to again revisit this. We asked the Finance Minister also to revisit this. If they revisit this, then we will decide accordingly. Otherwise, I have to go to the Cabinet again to change the decision which they have taken to close down this PSU. We are preparing the data as to how this is required, what should be the role of HAL etc. Merger is one of the options. We are asking them as to how we can work in such a manner that at least one PSU is there in the pharmaceuticals sector which we fall back upon if there is a requirement."

8.11 In a written reply to the query as to the timeline for merger of KAPL, BCPL and HAL, the Ministry submitted as follows:-

–The Department had requested the NITI Aayog to get the feasibility of merger of the pharma PSUs under disinvestment examined. In response, the NITI Aayog vide their letter dated 25.08.2020 have informed that a study to consider the proposal of the Department is being commenced and that it will share the findings of the study subsequently."

8.12 Recent Developments

- Company has recently given VRS to 379 employees.
- Surplus land valuation done by NBCC. Matter to be considered by Committee of Ministers for its sale.
- While Departmental Parliamentary Standing Committee has recommended for revisiting the decision of strategic disinvestment of KAPL & BCPL (profit making PSUs), Hon'ble Minister (Chemicals & Fertilizers) has requested Vice Chairman, NITI Aayog and Union Finance Minister on 3rd July, 2020 for

reconsideration of the decision of disinvestment of not only KAPL & BCPL but that of HAL too.

- Department has requested the NITI Aayog on 29th July, 2020 to get the feasibility of merger of the three PSUs under disinvestment, into one entity and its likely role examined.

F. MONETIZATION OF SURPLUS LAND

8.13 The Committee was informed that as per the cabinet decision taken in December 2016, some land assets of Hindustan Antibiotics Limited (HAL) was to be sold off to reduce the burden of its losses and for its revival. The HAL in a written submission furnished the total area of land available with the Hindustan Antibiotics Ltd (HAL) as follows :

Sr. No.	Particular	Location	Area
1.	Factory	Pimpri-Waghare	90.97 Acres
2.	Colony	Pimpri-Waghare	109.90 Acres
3.	Vacant Land	Pimpri-Waghare	*62.70 Acres
Total -			*263.57 Acres

* Including 3.70 Acres Reserved for High School.

8.14 The Committee desired to know the present course of action being taken in light of the cabinet decision. The Committee also desired to know the strategy for the revival, land monetization or Strategic stake sale or partnership, Hindustan Antibiotics Limited (HAL) informed the Committee that 87 acres of land has been approved by the Cabinet for sale through NBCC as evaluator and MSTC as auctioneer. On a query regarding the revival of the Company from the Capital that will be received through the sale of land, HAL in a written reply submitted the following:-

-As per the Cabinet decision HAL attempted to sale its 87.70 acres of land by floating tender through MSTC in 2017-18. There is no response to the said tender floated by HAL for sale of its land. However, EPFO expressed their interest to purchase 3.5 acres of HAL land at a reserve price which was fixed and was approved by Board Level Committee (BLC) of HAL as well as Board of Directors of HAL. After the approval of Board of Directors the proposal is sent to Ministry for its approval. Approval is awaited.

As per the Cabinet decision held on 17/7/2019 revised DPE guidelines dated 14/6/2018 is to be followed by HAL. As per the revised DPE guidelines NBCC is appointed as Land Management Agency (LMA) and MSTC as an Auctionery Agency (AC). The requisite documents of HAL 87.70 acres as well as its subsidiaries is provided to NBCC. Further steps are to be initiated by NBCC as per DPE guidelines.Regarding whether the land monetization of the company of strategic sale or partnership is to be decided by Ministry.Presently, NBCC is in the process of valuation of 87.70 acres of land."

Present Status:

8.15 HAL is having 263 acres of land, out of which Cabinet has sanctioned sale of 87.7 acres of land to meet up its liabilities. The Company has signed an MOU with NBCC on 26.10.2019 as Land Management Agency for sale of land. The Company has submitted details of surplus land of HAL and all properties of its 2 Subsidiary Companies namely, MAPL, Nagpur and MSDPL, Manipur to NBCC.NBCC has appointed M/s. Collier International Ltd. Pune, for valuation of 3.5 acres of land to be sold to EPFO, out of 87.7 acres permitted for sale by Cabinet. NBCC has submitted the valuation report and the same has been submitted to the Administrative Ministry for approval, by HAL.

8.16 The Committee asked HAL regarding the Sale of Surplus land that about 87.70 acres of surplus land out of total land of 263.57 acres available with the company was proposed for sale to government agencies to meet the liabilities of the company. Accordingly, HAL has appointed M/s. NBCC as Land Management Agency (LMA) and M/s. MSTC as Auctioning Agency (AA) were appointed. However the committee wanted to know whether any land owned by HAL was sold to clear outstanding dues? HAL in a written submission stated as under:-

-No land owned by HAL has been sold till now to clear outstanding dues.HAL has attempted to sell the land twice in the year 2013-14 and again twice in the year 2017-18, but there was no response and as such no land could be sold. However, recently after Cabinet's decision dated 17.07.2019, NBCC has been appointed for doing the valuation and thereafter as per DPE Guidelines the process of land sale will be re-started. This time it will be auctioned through NBCC and therefore there is fair chance of sale of land."

8.17 In view of the above the Committee asked HAL that despite many restructuring efforts as mentioned above, why the company has not turned around on sustainable basis. HAL in a written submission stated as under:-

-Every restructuring scheme included a clause of utilization of funds from land sale, but land sale could not take place. The scheme was made available to HAL with specific objective set during that period. These schemes were partially successful as a result of which HAL has survived so far. Market forces, changes in policies are some of the factors which has affected performance of the company and thereby failure to turn around the company. However, since October 2016, cohesive efforts made by the company to turn around has started giving results and hopefully, the company shall make turn around by the next financial year. Recently, the Govt. of India supported HAL by providing necessary funds for payment of pending salaries and relieving of its employees through VRS.”

G. API AND OTHER RAW MATERIALS MANUFACTURING

8.18 Realizing the high dependence of the country on critical Active Pharmaceuticals Ingredients (APIs) and Key Starting Materials (KSMs), the government has recently come up with schemes for providing financial assistance to the tune of Rs. 3000 cr. for setting up three Bulk Drug Parks in the country as well as scheme for Product Linked Incentive Scheme for promotion of domestic manufacturing of critical KSMs/ Intermediaries and APIs in the country to the tune of Rs. 6940 cr. HAL, which was set up in the year 1954 as a bulk drug manufacturing company, producing Penicillin and other bulk drugs, can play an important role in increasing domestic production of bulk drugs in the country.

CHAPTER-IX

CORE COMPETENCY OF HAL

A. HUGE LAND ASSETS

9.1 The information submitted by the HAL to the Committee regarding the huge land assets of the Company is as under :

Sr. No.	Particular	Location	Area
1.	Factory	Pimpri-Waghare	90.97 Acres
2.	Colony	Pimpri-Waghare	109.90 Acres
3.	Vacant Land	Pimpri-Waghare	*62.70 Acres
Total -			*263.57 Acres

* Including 3.70 Acres Reserved for High School.

B. ESTABLISHED PRODUCTION FACILITIES

9.2 The Committee was informed that the HAL has the following production facilities:-

- a) -Bulk Plant: HAL is having fermentation based manufacturing facilities including 19X92 M3 fermentor along with its downstream processing, solvent recovery and associated utilities like steam, chilled water, cooling tower water, compressed air etc. This facilities earlier was used for manufacturing fermentation based bulks like Penicillin-G, Streptomycin Sulphate. This facilities is idle at present and is available for leasing
- b) Formulation facility: HAL is focusing at present on manufacturing Pharma formulation and promising Agro-formulation to cater to wide range of Pharma and Agro market. HAL Pharma products include various dosage forms like Injectable products, Tablets, Capsules, Intra-Venous products, LiquidSyrup etc.”

9.3 As per information submitted to the Committee, the HAL has adequate manufacturing capacities in Powder Injectables, Tablets, Penicillin Capsules, I.V. Fluids, Liquid Syrup & External preparations, Alcoholic Hand Disinfectant (AHD) besides having Agro-Chem Plants for manufacturing agro products.

C. RESEARCH & DEVELOPMENT CENTRE

9.4 HAL has undertaken the following Research & Development activities during 2018-19:-

- R&D activities are carried out in various areas like Pharmaceuticals, Agricultural and Veterinary Products.
- Development of Newer Formulations carried out which covers number of conventional dosage forms especially Anti-Inflammatory, Antihistammic and Anti- infective drugs as per the market needs.
- Improvement and Manufacturing of Standard size Narcotic Drugs Detection Kits, Precursor Chemicals Detection Kits and Ketamine Detection Kits to make them more users friendly as per the requirements of Narcotic Control Bureau, Department of Internal Security, Ministry of Home Affairs, Government of India, New Delhi carried out. Work initiated to develop Kit for 16 new narcotic drugs notified by Government of India.
- Anti-tuberculosis drugs kit developed, further studies are in progress.
- Efforts to improve and make the existing drug formulation cost effective are continuously taken.
- Production of Non sterile Penicillinase.
- Potash solubilizing bacteria and NPK formulation re-started. Commercialization is in pipeline.
- Production of Aureofungin – antifungal antibiotics for agricultural use has been revived.
- Production of Humaur – a foliar spray for crops has been revived.
- Analytical development for testing done as per IP 2018.
- Swachhata Abhiyan carried out from time to time in R & D and surrounding area.

9.5 With regard to the R&D potential of HAL, in the Background note, it stated as follows :-

-Research and Development of HAL has got potential to formulate various new products as per the market requirement. HAL has drawn up ambitious plan for sustained growth by way of expanding the product-mix by introducing new antibiotics, anti-diabetics and antihypertensive products. Effective procurement of order and supply resulted into achieving 67 crores in 2018-19 with 100% growth over previous year.”

- I. Substantially improvement in supply to Defence and ESI.
- II. Supply position improved to all the states specially NE states like Tripura, Arunachal Pradesh & J&K.
- III. Started supplying through GeM portal .
- IV. Efforts are taken to manufacture and supply of products of national interest like anti-TB , drugs used for prevention and control of HIV etc.
- V. Efforts are taken for making available bulk drugs facilitating Indian manufacturer to purchase from domestic market reducing dependency on China.”

9.6 Responding to a query on the status of R&D at HAL, Managing Director, HAL, appearing before the Committee on 17.08.2020 replied as under:-

—Madam, actually, HAL's condition is that it is going for natural death. We are having 30 persons in R&D but there is no work for them. Main thing is that we are identified for strategic sale. So, everyone is just waiting because everything is a long term plan. Unless the tag of strategic sale is removed, no one will do anything.”

D. PATENTS/INVENTIONS

9.7 HAL has the distinction of inventing two antibiotics viz. Hamycin for humans and Aureofungin for use in Agriculture for controlling the various fungal and bacterial diseases of plants. In written response, HAL informed that:-

"Hamycin (antifungal antibiotic for Human use) and **Aureofungin** (antifungal antibiotic for use in agriculture for controlling various fungal diseases of crop plant) were invented in R & D Division by late Dr. M. J. Thirumalachar.

9.8 Annual Report (2016-17) of HAL mentions Development of newer therapeutic drugs as per Company's Marketing Divisions' requirement. In response to a query as to the expected revenue from the same to the Company through this initiative. HAL in a written submission stated as under:-

Hindustan Antibiotics Limited mainly manufactured drug formulations under 4 categories viz. Anti-infective, Anti-histaminic, Anti-inflammatory & Anthelmentic. The details of revenue generated by the drug formulation developed in R & D Division and commercialized for 3 years is as follows:

(Rs. in Lakhs)

Therapeutic category	2016-17	2017-18	2018-19
Anti-infective	23.82	650.66	1638.08
Anti-histaminic	-----	-----	10.13
Anti-inflammatory	3.74	55.86	52.76
Anthelmentic	-----	52.38	39.18

E. ESTABLISHED BRAND AND GOODWILL

9.9 In the background note, HAL had stated that effective procurement of orders and supply resulted in achieving sales of Rs. 67 Crore in 2018-19 with 100% growth over previous year. Responding to a query as to whether the initiative can be replicated in future, HAL in a written reply stated as follows :-

—HAL has gained the confidence of institutions by virtue of prompt and regular supply. We have received the Satisfactory Supply Certificate from many of the institutions. Some of these are enclosed for the ready references. Therefore the order flow has increased. We have also strengthened our marketing net-work and appointed professional volume distributors and liaison agents, who have good rapport with the Indenting Authorities, which resulted into bagging the orders in favour of HAL.

We have been registered as —Seller” in the GeM (Government e-Marketing) Portal and we are getting good quantum of orders for our range of products from various Government Institutions. The Govt. of India has also extended the Pharmaceuticals Purchase Policy (PPP) for 104 products including Alcoholic Hand Disinfectant (AHD) and HAL in the only CPSE, having the requisite manufacturing facility for AHD. The ESIC Rate Contract for CPSU has also been extended further with effect from 01.12.2019, which will help us to get sufficient orders from various ESIC Hospitals. The above strategy has helped HAL to achieve 100% growth over previous year. The same strategy is being followed in future also, which will result in growth in this year also.”

F. PERFORMANCE RATING UNDER MoU:

9.10 HAL has entered into MOU for the year 2018-19 with the Ministry of Chemicals & Fertilizers, Deptt. of Pharmaceutuicals, Based on the Audited Results of the Company, HAL has been rated —GOD” in the MOU 2017-18 and 2016-17 by Department of Public Enterprises (DPE).

CHAPTER-X

STEPS FOR SPEEDY REVIVAL OF HAL

A. MODERNIZATION/UPGRADATION OF PLANT/MACHINERY

10.1 HAL informed about its projects implemented so far and also about its projects planned for future.

(i) Projects implemented so far: HAL has completed setting-up of new Cephalosporin powder injectable facilities. This facility was accredited with WHO-GMP certification in July 2010. The upgradation of Betalactam & Quality Control Lab is complete and ready for WHO-GMP inspection. Non-Parental facility is also being planned to be upgraded to WHO-GMP compliance, during 2020-21.

(ii) Planned Projects: HAL is planning up gradation of following facilities to generate more funds for the company:

Facility for manufacture of bulk drugs like Telmisartin, Meropenam and Gabapentin having capacity of 100 M.T per annum, 24 M.T per annum and 117 M.T per annum respectively

- i. State-of-the-Art Facility for Alcoholic Handrub Disinfectant, the only CPSU to have such facility.
- ii. Manufacture and supply of Health Kiosk by the name HAL Cloud Clinic which measures 23 health parameters like blood pressure, blood sugar, oxygen level amongst other parameters.
- iii. Manufacture and supply of touchless Sanitizer which measures the temperature of a person and if found within limit, automatically dispenses sanitizer on hands.
- iv. Supply of various Covid-19 related products like PPE kit, face shield, hand gloves, N-95 respirator, Infrared thermometer etc.
- v. Restarting of IVF Plant.

10.2 The funding for the above projects shall be done through internal resources. HAL has already relieved 379 employees through VRS which has greatly reduced the salary burden and also help in enhancing the productivity of the balance 464 employees. The manufacturing of bulk API's shall compliment the Hon'ble Prime Minister's 'Make in India' initiative for bulk drugs / API's and HAL shall also be participating in the

Production Linked Incentive Scheme for manufacture of bulk drugs/APIs floated by Govt. of India.

B. ADOPTION OF COST CUTTING MEASURES

10.3 During the deliberations HAL had informed the committee that the cost of production is very high, due to high electricity costs and It was cheaper to import antibiotics from China than producing it indigenously. In written response to a query as to as to the measures taken , subsequent to the capital infusion , to tackle this high cost of production and make it competitive enough for it to manufacture antibiotics again for domestic supply, HAL in a written reply stated as under:-

—Inorder to tackle high cost of Production of Formulation Plants HAL is planning to reduce it's energy cost by carrying out Energy Audit of its existing Electrical Facility and also planning to set up a Roof Top Solar Panels for generating power for in-house consumption. At the meeting held on 21.12.2016 and 17.07.2019 Cabinet has taken decision of 'Strategic Sale' of the Company. In order to install Solar Plants, 25 years of usage commitment is required to be given. Due to this 'Strategic Sale' tag, HAL is unable to give 25 years commitment, since it is coming in the way. Cost of production of Penicillin is too high since it consists of 40% of electricity cost.”

10.4 The Committee during evidence held on 17.08.20 sought from MD, HAL the cost cutting measures implemented, if any, stated as follows:-

—The second question was sales turnover at Rs. 35 crore since 2017-18 has gone up by 90 per cent and stood at Rs. 66 crore in 2018-19. However, the Company incurred loss of Rs. 71 crore. Because of huge employment cost, we were having 1000 employees. There was no production and this company was closed for 9 years. After I joined in 2016, we started the activities and gradually from Rs. 10 crore, we came up to Rs. 35 crore and then to Rs. 66 crore. But during last year, it was Rs. 60 crore just because we received funds from the Ministry amounting to Rs. 280 crore. We have given VRS to 380 employees. Our wage bill per month was around Rs. 3.6 crore which has come down to Rs. 2 crore permonth now. We are having applications of another 200 employees who want to leave the company on VRS. We are asking funds from the Ministry. If we get more support, we can release these employees and reduce the expenses. For example, we are saving around Rs. 15 lakhs per month on canteen and around Rs. 15 lakhs per month on medical, and around Rs. 10 lakh on transport. There is a saving of around Rs. 60 lakhs per month on this account. On wage bill, it

is Rs. 1.6 crore. That means we are saving Rs. 2.25 crore every month, after giving VRS to 318 employees. During this COVID period, we have come up with one product that is alcoholic hand disinfectant. We have created a state-of-the-art facility also which we are going to start on first of September. That is a propanol-based alcohol hand disinfectant. We have also come up with one machine, that is like health ATM. We go to the ATM, insert the card and withdraw money. In a health ATM, a person stamps on the machine, it will take 23 tests within five minutes. We have given demonstrations in many places and everyone has liked this product. This single machine will give more than Rs. 110 crore turnover in one year. This is costing Rs. 3 lakhs. HAL has been identified for strategic sale by Government of India. If Government decides that HAL can manufacture APIs and if we get approval, we can think of APIs also.”

10.5 HAL in a written note had informed further about the following Cost cutting measures:-

- a. System of regular monitoring of A category raw material and packaging material with respect to the standard consumption norms is being introduced.
- b. Utilization of funds to reduce interest burden and controls on fund management.
- c. Cost cutting measures in all the areas of operation is strictly enforced.
- d. Optimum utilization of available manpower is enforced.
- e. In written reply to a query as to the reasons for private pharma-companies in the Indian market making profit while Government PSUs in the same sector are making losses?, HAL in a written reply stated as under:
- f. The expenditure on account of HR over-heads and also other over-heads are sufficiently more in case of HAL as compared to private firms. Besides, HAL is mostly operating in Institution Sector as per the Purchase Preference Policy and at NPPA approved rate. Though this has helped the CPSUs to a greater extent , but in absence of specific instruction to purchase 103 items from CPSUs , many of the State Govt. corporations are not following the Pharmaceutical Purchase Policy . In the open tender Private firms are attending the tenders for limited products and probably quoting the different rates in different states. In case of price hike in bulk, they do not prefer to supply with some or other reason. In case of HAL, irrespective of Price Hike of Bulk drug, NPPA approved price is to be maintained for all supplies through-out India.

C. OUTSOURCING OF NON-CORE FUNCTIONS

10.6 HAL in reply to a written query on outsourcing of operations of Non-core areas submitted that HAL has outsourced non-core areas like Transport and optimized the operations of Canteen and Hospital for better economy.

D. DEVISING EFFECTIVE MARKETING STRATEGY

(i) MoU with Mishradhatu Nigam

10.7 HAL has entered into Memorandum of Understanding with Mishra Dhatu Nigam Limited (MIDHANI), an ISO 9001:2008 Company established in 1973 at Hyderabad, Telangana, a Hi-tech Metallurgical plant manufacturing Titanium BioImplants. These Bio Medical Implants are used in advance technologies like intra-medullary nails, spinal products and maxilla facial implants used for versatile fracture care by the medical professionals. These Bio Medical Implants manufactured by MIDHANI can be supplied to different hospitals through the distribution system of HAL and can generate revenue for both the PSUs. Thus, it will be an win-win situation for HAL & MIDHANI, both the PSUs.

(ii) Sales and Marketing

10.8 At present HAL is supplying products mostly to Government Institutions. The production and supply re-started from 2017-18. Many of the State Govt. corporations are not following the Pharmaceutical Purchase Policy. Therefore, it is difficult to ascertain the % of the market share. HAL has complied to almost 80% of the order received from various institutions. The company has received the satisfactory supply certificate from various institutions in 2018-19. There is no export business in the last five years.

10.9 In the background note submitted to the Committee, it has been stated that HAL's sales are at present largely dependent on institutional sale with PPP model. For reducing the dependence on PPP business following strategy would be adopted:-

- Enhancing the Trade Sale through well established distribution network of distributors, C & F agents and branches to support product supply chain..
- Inducting new products having high value & high margin & phasing out products which are at the end of their life cycle.
- Increasing the sales of existing high margin products.

- To be competitive in Institutional business with cost reduction.
- To expand Agro-vet business having high potential & better margin.
- To capture growing export markets since the manufacturing facilities would be WHO-GMP compliant.

(iii) **CLIENTELE**

10.10 The Committee was informed by HAL that the major portion of their sales comes from Central and State Government Agencies. The major Government clients of HAL are as under:-

- a) Defense Institutions
- b) Government Medical Store Depots
- c) ESIC Hospitals
- d) CPSUs – Railways, Steel, BARC, NTPC, etc.
- e) Government Medical Colleges
- f) Directorate of Health Services of various states
- g) National Health Mission
- h) Entire Agriculture sector of the country for Agriculture products like Streptocycline, Humaur, Aureofungin, Phosphomeal, Azetomeal etc.

10.11 The Committee in a written question asked the Ministry to clarify whether it was a fact that National Pharmaceuticals Pricing Authority (NPPA) had worked out the prices of 154 formulations of 103 medicines under Pharmaceutical Purchase Policy (PPP) and these are applicable to purchase by the Govt. Deptts., PSUs and Autonomous Bodies, and also for purchase of medicines by State Governments under health programmes funded by the Government of India such as NRHM but in practice, many State Govt. Corporations had not been following the Pharmaceutical Purchase Policy (PPP). The Committee also enquired from the Ministry about the steps taken to ensure that the States follow the PPP in letter and spirit. The Ministry in a written reply, informed to the Committee as under:-

-A Purchase Preference Policy for drugs produced by pharma CPSUs under the aegis of the Department was approved in August, 2006 for a period of five years. Subsequently, in December, 2013 a sector specific Pharmaceuticals Purchase Policy (PPP) was approved for a period of five years in respect of medicines manufactured by pharma CPSUs and their subsidiaries. The said policy was applicable to purchases by Central Government departments, their Public Sector Undertakings & Autonomous Bodies and also to purchase of

medicines by State Governments under Health Programmes funded by Government of India. PPP is a facility, which can be availed by the Government institutions/ organizations to procure drugs at reasonable prices, but there is no element of compulsion on any Government entity to procure drugs following it. The Policy was framed with an objective that the pharma CPSUs and their subsidiaries could strengthen their marketing capabilities for a larger market share in the open market and for enabling optimum utilization of their installed capacities. The CPSUs have, however, not come up to the expected level of performance in spite of the availability of the advantage of the policy. As such, the Government has taken a decision for their closure/ strategic disinvestment. However, the Government has extended the PPP in November, 2019 till final closure/ strategic disinvestment of the pharma PSUs. All the Central/ State Governments have thereafter been advised on 04.12.2019 to take benefit of the policy. NPPA has worked out revised prices of 133 formulations and the remaining 23 formulations are under active consideration. In case of any instance brought by any pharma PSU, including HAL, the Department advises the entity concerned to take advantage of the policy.”

(iv) **Sale through Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP)**

10.12 With an objective of making quality generic medicines available at affordable prices to all, Pradhan Mantri Bhartiya Jan Aushadhi Pariyojana (PMBJP) was launched in November, 2008. Under this scheme, dedicated outlets known as Pradhan Mantri Bhartiya Janaushadhi Kendra (PMBJK) are opened to provide generic medicines. Under Jan Aushadhi scheme, at least one Jan Aushadhi Store will be setup in each District of the country. The objectives of the Pariyojana are as under:-

- Ensure access to quality medicines for all the section of the population especially for the poor and the deprived ones.
- Create awareness about generic medicines through education and publicity to counter the - perception that quality is synonymous with high price only.
- Generate employment by engaging individual entrepreneurs in opening of PMBJP Kendra.

10.13 The Department of Pharmaceuticals runs the scheme "Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) which is being implemented through a registered society namely Bureau of Pharma PSUs of India (BPPI) which is working under the administrative control of Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, Government of India. The Product Basket of the scheme now

covers more than 800 medicines and 154 surgical& consumables in all major therapeutic categories such as Anti-infectives, Anti-allergic, Anti-diabetics, Cardiovasculars, Anti-cancers, Gastro intestinal medicines, etc. As on 15.11.2018, 4410 PMBJP Kendras are functional in 35 States/Union Territories of the country. On being asked as to whether HAL is supplying any of its products to Janaushadhi Kendras (JAKS), the committee was informed by the Ministry in a written reply as under:-

-HAL has supplied its product to Janaushadi Kendras from the year 2011-12 to 2015-16 for a total value of about Rs.2.87 cr. The details are as under: Subsequently, the company could get no orders from Janaushadi Kendras.”

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JAN AUSHADHI SALE ALL LOCATIONS		
Sr. No.	YEAR	PERIOD VALUE
1	2011-12	3736895.23
2	2012-13	1140946.68
3	2013-14	1539615.1
4	2014-15	378355.67
5	2015-16	21976878.89
6	2016-17	0
7	2017-18	0
8	2018-19	0
9	2019-20	0
10	2020-21	0
	TOTAL:	28772691.57

10.14 The Committee specifically desired to know if there is any preference to Pharma PSUs for supplying medicines to Janaushadhi Kendras and if not, what were the reasons therefor. The Committee was informed by the Ministry as under:-

-Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) is implemented by a society formed by pharma PSUs of the Department, namely Bureau of Pharma PSUs of India (BPPI). The Managing Director of HAL, along with CMD/MDs of other PSUs, is a member of Governing Council of BPPI. BPPI procures medicines and other products for sale in Pradhan Mantri Bhartiya Janaushadhi Kendra (PMBJK) by open e-tender through the central procurement portal. Thus, L1 bidders, who are technically qualified are awarded rate contract for supply of medicines for a particular period. However, central pharma PSUs are not required to participate in the tender process. They can be awarded rate contract provided they match L1 rates. Further, the minimum requirement of WHO-GMP certification as required for other vendors is not mandatory for

central pharma PSUs. BPPI also shares a list of its product basket along with procurement rate with the central pharma PSUs and requests them to supply products directly. BPPI also gives preference to PSUs covered under Pharmaceutical Purchase Policy (PPP) of the Department. They are also given preference in payment for purchases.”

CHAPTER-XI

STATUS OF PENDING C&AG PARAS

11.1 The Committee in a written question enquired from HAL about the status of Audit Paras regarding Trade Recoveries wherein only an amount of approx. Rs. 50,000 out of Rs. 28.87 crore could be recovered leaving a balance of Rs. 28.38 crore unrecovered mostly from the Government clients. The Committee desired to know the specific steps taken to recover the balance amount of Rs. 28.38 crore, the HAL in a written note responded as under:-

-A Committee was formed for detailed study and recovery of the said amount. In the detailed study, it was noticed that majority amount was due from Govt. Institutions and pertaining to the year 1972 to 2014. Further, it was noticed that the said amount has been deducted by the concerned authority as LD charges, penalty, interest etc. After detailed review and audit by Statutory Auditors, the matter was placed before the Board on 07.08.2020 and Board has considered and approved for write-off of the same. The effect has been given in 2019-20 Annual Accounts.”

11.2 When further asked about the latest status on the inordinate delay in renewal of lease agreement and non recovery of rent amounting to Rs. 96.44 lakh, the HAL clarified as under:-

—Every effort is being made to avoid delay in renewal of lease agreements. The issue is pending in the Court. The Company has made continuous, regular and vigorous follow up to renew the lease agreement which is fetching good rent to the company. It is not easy to evict the lessee, but every effort is being made to renew the lease to get continuous income out of assets of the company. However, if required, eviction proceedings are also conducted if lessee fails to renew or accept terms and conditions of the company. The latest status is that discussions/negotiations are on with Govt. tenants like UCO Bank, Vijaya Bank, Post Office and a firm decision in HAL’s favour is expected shortly. Two tenants namely Punjab Chemicals and M/s.Nashikar have gone in litigation and the matter is presently sub-judice.”

PART II

OBSERVATIONS AND RECOMMENDATIONS

1. Hindustan Antibiotics Limited (HAL) – An Overview

The Committee note that the Hindustan Antibiotics Limited(HAL) was established during the year 1954. The registered office and manufacturing facilities of the Company are located at Pimpri, Pune Maharashtra. The Company was set up for manufacturing of bulk drugs, lifesaving drugs and other formulations. Over the years, several new products were added/undertaken for manufacturing like those used in agriculture and veterinary medicines. The Company formed two subsidiaries, namely Manipur State Drugs & Pharmaceuticals Limited (MSDPL) at Imphal which is closed since 1998 and Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL) at Nagpur which is closed since 2003. The Company has its own plant at 263 acres of freehold land at Pimpri, Pune in Maharashtra and is having manpower strength of 464 employees at present. The Company is having fermentation based manufacturing facilities for manufacturing of bulk drugs like Pencillin-G, Streptomycin Sulphate, etc. Presently, the Company is focusing on manufacturing pharma formulations and agro formulation to cater to wide range of pharma and agro market. The pharma products include various dosage in forms like Injectables, Tablets, Capsules, Intravenous products, Liquid Syrup, etc. The Company for the first time incurreds loss in the year 1973-74 and was declared sick by the BIFR in March 1997. In June 2007, the Government sanctioned a rehabilitation scheme with a cost of Rs. 137.59 crore which was financed by way of budgetary support of Rs. 80.63 crore and interest free loan of Rs. 56.96 crore. Subsequently in December 2016, the Government waived off its loan and interest amounting to Rs. 307.23 crore that included Principal

amount of Rs. 186.96 Crore and Interest of Rs. 120.27 crore, deferred various dues amounting to Rs. 128.68 crore and also sanctioned loan of Rs. 100 crore to meet wages, salaries and other critical expenses. Subsequently, based on the recommendations of the Committee of Ministers, the Cabinet decided on 28.12.2016 to sell surplus land of the Company to meet its liabilities. The Cabinet on 17.07.2019 however modified its earlier decision and permitted sale of surplus land as per the revised DPE guidelines and also provided budgetary support as a loan of Rs. 280.15 crores for payment on account of salaries and VRS of employees. As per information furnished to the Committee, the Government had decided for strategic disinvestment of the Company. However, on the advice of the Parliamentary Standing Committee on Chemicals and Fertilizers, the Government has requested NITI Aayog and the Ministry of Finance to reconsider the decision of disinvestment of the Company. The HAL has submitted a business plan to the Department of Pharmaceuticals and also indicated its willingness as a strategic partner. In their report, the Committee on Public Undertakings have examined the key issues relating to the performance of the Company and also about its core competence, strength, opportunities and scope of reviving the Company in view of the need for retaining it with the Government. The Committee are hopeful that their observations and recommendations given in the succeeding paragraphs will be implemented in the right perspective so as to achieve the excellence in physical and financial performance of the company in the coming years.

2. HAL – The Journey so far

The Committee note that Hindustan Antibiotics Ltd.(HAL) has seen many ups and downs in its performance during the last 65 years of its existence. The Company which had been earning profit during its initial 20

years" period incurred losses first time in the year 1973-74. The Committee observe that the main reason for the HAL in suddenly going into losses in the year 1973-74 was the spurt in petroleum prices on one side and no corresponding increase in the prices of the drugs on the other side. The Committee though appreciate the policy of the Government not to increase the prices of essential life saving drugs needed for Government hospitals and by the general public, are however of the firm opinion that nothing prevented the Government from evolving an effective compensatory mechanism during that crisis which could have saved the Company from falling into the depressive cycle of losses.

3. The Committee further observe that another capital restructuring plan approved in the year 1994 for converting outstanding loan into equity of the company could not fructify as the compliance of statutory requirements for the said proposal took considerable time and when these actions were in progress, the Company had fallen sick due to heavy losses incurred during the period 1993-94 to 1996-97 and the company was declared sick w.e.f 31.03.1997. As such, the capital restructuring plan of 1994 could not be implemented and was made an integral part of the Rehabilitation package then under consideration by the BIFR. The Committee observe that even though HAL was referred to BIFR in 1997, the revival plan was approved only in the year 2007 *i.e.* almost after 10 years of its being declared as sick company. Meanwhile, lack of working capital and the need to bear the administrative and overhead cost for running of the bulk plants and its associated utilities and service departments accentuated its financial troubles. The proposed sale of excess land as part of 2007 revival package was not approved by the Ministry till the year 2016 despite stated receipt of good rates from the bidders including State owned entities and this also adversely impacted the operations of the Company as is

evident that the total production value which was around Rs 50 Crores in 2006-07 and had increased to Rs 140 Crores in the year 2007-08 and to Rs.149 Crores in the year 2008-09 but nosedived to Rs. 11.36 Crores in the year 2016-17. The Committee observe that the import prices of Penicillin being much lower to those manufactured in India further worsened the business operation of HAL. The Committee are constrained to observe that though maintaining sound financial health of HAL was well within the capabilities of the Government but this opportunity was missed due to dithering in decision making process and also because of inadequacy in the action taken to address the critical issues affecting the financial health of the Company.

4. The Committee's analysis of the facts thus reveal that historically it was combination of various factors viz. spurt in petroleum prices, non revision/revision of the drug prices not commensurate with the increase in cost of production, interest burden, delay of about 10 years since 1997 for putting in place the revival package, delay in monetization of excess land, high utilities' charges, availability of imported drugs at cheaper rates etc. which contributed the HAL's continued losses and also pushed the HAL in a vicious cycle of depression. The Committee are of the considered view that it is not the Company specific issue alone that drove the Company's performance to such a low position rather it had been the accumulated result of the various external factors that led to the deterioration of financial health of HAL over a period of time. The Committee hope that at least now the Governmental machinery will take all necessary measures in a structured way so as to revive the HAL to make it a robust bulk drug manufacture in the country in the near future.

5. HAL – on the way To Recovery

The Committee observe that in the process of funding to HAL in December 2016, the Government waived off HAL's loan and interest amounting to Rs. 307.23 cr. (Principal Rs. 186.96 cr. + Interest Rs. 120.27 cr.), deferred various dues amounting to Rs. 128.68 cr. and also sanctioned loan of Rs. 100 cr. to meet wages, salaries and other critical expenses. The Committee observe that the sales turnover for the last four years has witnessed upward trend as it has gone up from Rs. 10.73 crore in 2016-17 to Rs.35.21 crore in 2017-18, Rs.66.85 crore in 2018-19 and Rs.61.25 crore in 2019-20. The sales turnover, therefore has increased by six times in the last four years. However, the Committee note that the losses at around Rs. 70 crores per year are due to high fixed costs like power and payment towards salaries and wages. As part of its efforts to increase the turnover, the Company has taken many initiatives such as (i) entering into veterinary segments, (ii) restarting production in agro segments, (iii) developing hygiene products such as HALRUB, health Kiosk and Hand sanitization dispensers, (iv) developing unique items viz. (a) Anti-freeze Saline (saline with glycerin) which can be used at a high altitude areas like Siachin, and (b) Narcotic Detection Kits for Narcotic Control Bureau, etc. The Committee note that many of its plans such as (i) setting up of Bulk manufacturing facility viz. Amoxicillin Trihydrate with initial manufacturing capacity of around 50 to 60 tons per month, (ii) manufacturing of Penicillin V tablets to cater to various Govt. Health Schemes, (iii) Modernisation of one API - Penicillin G plant are stuck up due to uncertainty about the future of the Company. The Committee are hopeful that appropriate decision in the interest of HAL will be taken by the Government very soon so as to enable the HAL to regain its past glory and emerge again as a leading manufacturer of bulk drugs in the country.

6. Pharma - Need to be in Strategic Sector

The Committee observe that a high level Committee consisting of Ministers had recommended that surplus land of HAL, IDPL, RDPL and BCPL be sold through open competitive bidding preferably to Government agencies and their outstanding liabilities cleared from the sale proceeds. It was further recommended that after meeting the liabilities, IDPL & RDPL be closed and HAL & BCPL to be sold strategically. The Cabinet on 17.07.2019 however modified its earlier decision and permitted sale of surplus land as per revised DPE's guidelines dated 14.06.2018 and also provided budgetary support as loan of Rs. 280.15 cr. to the company for payment on account of pending salaries and VRS of employees. The Cabinet further decided for constitution of a Committee of Ministers for taking all decisions pertaining to closure/ strategic sale including the sale of assets and clearance of outstanding liabilities. The Committee however observe that in the meantime, the NITI Aayog decided that the „prioritization“ of PSUs should be on the basis of the „nature of activity“ performed by them and „not on their financial performance“. It categorized the PSUs on the basis whether they were serving any strategic purpose related to national security, performing sovereign or quasi sovereign functions, involved in an important developmental function where private sector was failing to perform or a public utility, where presence of public enterprise was desirable for serving public purpose. Any PSU, which met one of the above mentioned four criteria, was categorized as „high priority“. Pharmaceuticals PSUs, which were not performing any of the above functions were categorized as low priority sector. The NITI Aayog, after examining various PSUs, recommended for revival/ merger/ sale/ transfer to the State Government/Closure/lease/Strategic Disinvestment etc. in respect of each PSU but decided to keep its recommendations in respect of pharma PSUs in abeyance. The Committee observe that the country has been importing

quite a huge quantity of drugs from a particular foreign country. The Committee are of the firm opinion that too much dependency on import from one particular country specifically for life saving drugs is not desirable and therefore, it is in the national interest that there should be at least one PSU in pharma sector to fall back upon in case of health emergency in the country as even indigenous private sector firms may not come up to the level to meet our requirement in critical times. The Committee are therefore of the considered view that pharma should be categorised as a strategic sector so that the health and well being of around 1.3 billion population of the country are effectively taken care of in the situations arising out of uncertainties due to geo-political reasons and health emergencies, etc. The Committee therefore urge the Government to give serious considerations to all these factors while taking a conclusive decision about the future of Hindustan Antibiotics Limited.

7. Subsidiaries of HAL

The Committee observe that HAL has two subsidiaries viz. (i) Manipur State Drugs & Pharmaceuticals Limited (MSDPL), and (ii) Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL). The MSDPL is a joint sector company promoted in the year 1989 by HAL and Government of Manipur through MANIDO. The Company is located at Imphal. The shareholding of HAL and MANIDO in MSDPL is 51% and 49% respectively. Due to the law and order problem in the State of Manipur and the financial difficulties, MSDPL project could not be completed. The present status of MSDPL is that it is closed since 1998 and the Cabinet on 09.01.2017 decided for hiving of the subsidiary. The Board of Directors are however yet to adopt minutes of the cabinet decision. The accounts of MSDPL for the period 1998-99 to 2017-18 have been finalised and the last Board meeting of MSDPL was held

on 17 April 2018. The another subsidiary viz. Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL) was incorporated in 1979 with the Maharashtra State Government through SICOM and the financial institution IDBI, as a Central Public Sector Undertaking at Hingana MIDC, Nagpur on a plot measuring about 12.5 acres with a lease of 95 year. The share of IDBI in MAPL is 8% and that of SICOM is 33% and the rest of the 59% share is with HAL. Right from the beginning, the MAPL started incurring losses due to working capital problems. Subsequently MAPL was declared a sick industrial unit by BIFR on 04.09.2000. HAL submitted a revival plan to the Secretary, Department of Pharmaceuticals in February 2015. About the present status of MAPL, the HAL stated that the Cabinet vide its letter dated 09.01.2017 has decided to hive of MAPL. The Board of Directors, in this case also, are yet to adopt the minutes of the Cabinet decision. It is learnt that the NBCC has been appointed as the Land Management Agency (LMA) and MSTC has been appointed as the Auctioning Agency (AA). As informed by HAL, apart from pending dues of Rs. 6 Crore to the Sales Tax authorities, MAPL also has outstanding dues of Rs. 21.66 Crore towards SICOM, Rs. 76.50 lakh towards IFCI and Rs. 1.30 Crore towards IDBI. At present there are no employees in MAPL and the Company is closed since 2003. The Committee observe that these 02 subsidiaries of HAL have not yielded any positive contribution to the business of HAL but rather engaged the time and energy of the holding Company in sorting out the various issues. The Committee therefore recommend that finality to the Cabinet decision should be given at the earliest to hive of these two subsidiaries. Their accounts may be settled with the adjustment of their assets and liabilities and whatever accruals or receivables of assets in terms of land, cash and inventories come to the share of HAL, it should be utilized for strengthening the business operation of the HAL. The Committee recommend for a time bound action in this regard.

8. Capacity Utilization

The Committee note that the capacity utilisation of various pharma and agro-chem products of HAL is gradually increasing since 2016-17 onwards. The Committee's analysis of the data submitted to them reveals that in case of Tablets, the capacity utilisation increased from 0.89% in 2016-17 to 43.46% in 2018-19. In case of Capsules, it increased from 0.53% in 2016-17 to 7.8% in 2018-19. Similarly in case of IVF, it increased from 0% in 2016-17 to 4.97% in 2018-19 and in case of Agro-Chem, it increased from 20.11% in 2016-17 to 51.47% in 2018-19. The Committee however observe that the percentage capacity utilisation in case of Vials that was 0.98% in 2016-17 though increased to 6.39% in 2017-18 but decreased to 6.34% in the year 2018-19. The Company has stated that capacity of these products can be increased depending upon requirement since HAL is having idle sizable fermentation facilities. The Committee are happy to note that HAL had been successful to gradually increase the capacity utilization in various segments of their drug manufacturing and hope that HAL will continue this momentum so as to achieve the maximum capacity utilization level and run the plant at optimum level in near future.

9. Research and Development (R&D) Initiatives

The Committee note that the R&D Division of HAL is credited with the distinction of inventing two antibiotics viz. Hamycin and Aureofungin for use in Agriculture controlling the various fungal and bacterial diseases of plants. HAL has carried out R&D activities in various areas like pharmaceuticals, agricultural and veterinary products in the past as well as in 2018-19. These include (i) development of newer formulations which covers anti-inflammatory, anti-histamic and anti-infective drugs as per the market needs, (ii) improvement and manufacturing of standard size narcotic

drug detection kits, precursor chemicals detection kits and ketamine detection kits, (iii) development of anti-tuberculosis drugs kit, (iv) improvement in making existing drug formulation cost effective, (v) production of of non-sterlite penicillinase, (vi) restarting of potash solubilizing bacteria and NKP formulation, (vii) revival of production of Aureofungin, (viii) revival of production of Humaur, etc. The Committee learn that R&D is the core competence of HAL. The Committee however observe that due to the 'strategic sale' tag and uncertain future of the Company, the R&D activities are not gaining momentum. The Committee are of the view that the positive results of R&D initiatives may not be reflected instantly but these activities have a bearing on the enhancement in performance, cost-effectiveness and profits of the Company in the long run. The Committee observe that Pharma industry being a dynamic sector continuously faces new challenges with unexpected dimensions in health care sector which require a strong R&D base for timely inventing and developing new formulations to deal with such crisis. The Committee and therefore recommend that R&D activities should be strengthened with adequate and qualified professionals and sound infrastructure so that the business operations of the organization are well equipped and are timely reoriented to effectively mitigate the hardships in times of crisis.

10. Projects Implemented and Future Planning

The Committee note that HAL has completed setting-up of new Cephalosporin powder injectable facilities that was accredited with WHO-GMP certification in July 2010. HAL has also completed the upgradation of Betalactam & Quality Control Lab and it is ready for WHO-GMP inspection. Non-Parental facility has been planned to be upgraded to WHO-GMP compliance during 2020-21. Besides, HAL has also planned gradation of many facilities to generate more funds for the company which include (i)

Facility for manufacture of bulk drugs like Telmisartan, Meropenam and Gabapentin having capacity of 100 M.T per annum, 24 M.T per annum and 117 M.T per annum respectively, (ii) State-of-the-Art Facility for Alcoholic Handrub Disinfectant, the only CPSU to have such facility, (iii) Manufacture and supply of Health Kiosk by the name HAL Cloud Clinic which measures 23 health parameters like blood pressure, blood sugar, oxygen level amongst other parameters, (iv) Manufacture and supply of touchless Sanitizer which measures the temperature of a person and if found within limit, automatically dispenses sanitizer on hands, (v) Supply of various Covid-19 related products like PPE kit, face shield, hand gloves, N-95 respirator, Infrared thermometer etc., and (vi) Restarting of IVF Plant. The Committee hope that the indigenous manufacturing of bulk API"s will significantly compliment the ambitious „Make in India“ initiative of the Government and the participation of HAL in the Production Linked Incentive Scheme for manufacturing of bulk drugs/APIs as floated by the Government will definitely be a sound step to turn around the financial health of the Company.

11. Human Resources

The Committee note that HAL at present is operating with 2 Branch Offices and 8 C&F which are functioning as their Regional Offices of the respective states. Besides, they have appointed 31 Liaison Agents and 27 hospital distributors throughout India working under the respective regional offices. Since HAL was making losses, the Company could not implement the 6th Pay Commission which resulted in very low salaries of employees compared to their counterparts in the similar industries. Because of this, HAL neither retain the talents nor attract fresh talents. The sanctioned strength of HAL is 1724. The Committee observe that most of the functioning in a business operation is now-a-days carried out in a

mechanized process with minimum human interface. The Committee therefore recommend that HAL should explore for introduction of extensive mechanized processes in their manufacturing and other departments so that the quality of the finished products gets improved and the administrative costs and other liabilities are reduced to a maximum extent.

12. Sales and Marketing

The Committee note that HAL at present is supplying products mostly to Government organizations viz. Defence Institutions, Government Medical Store Depots, ESIC Hospitals, CPSUs, Government Medical Colleges, Directorate of Health Services of various States, National Health Mission and Agriculture sector of the country etc. HAL's sales is largely dependent on institutional sale with PPP model. For reducing the dependence on PPP business, HAL has adopted (i) enhancing the Trade Sale through well established distribution network of distributors, C&F agents and branches to support product supply chain, (ii) inducting new products having high value & high margin & phasing out products which are at the end of their life cycle, (iii) increasing the sales of existing high margin products, (iv) being competitive in institutional business with cost reduction, (v) expanding the Agro-vet business having high potential & better margin, and (vi) to capture growing export markets since the manufacturing facilities would be WHO-GMP compliant. The Committee note that the HAL during these years has gained the confidence of institutions by virtue of its prompt and regular supply and has received the Satisfactory Supply Certificate from many of the institutions and therefore the order flow has increased. It has strengthened its marketing net-work and appointed professional volume distributors and liaison agents who have good rapport with the Indenting Authorities which resulted into bagging the orders in favour of HAL. Further, HAL have registered as "Seller" in the GeM (Government e-

Marketing) Portal and they are stated to be getting good quantum of orders for their wide range of products from various Government Institutions. The Govt. of India has also extended the Pharmaceuticals Purchase Policy (PPP) for 104 products including Alcoholic Hand Disinfectant (AHD) and HAL is the only CPSE having the requisite manufacturing facility for AHD. The ESIC Rate Contract for CPSU has also been extended further with effect from 01.12.2019 which will help HAL to get sufficient orders from various ESIC Hospitals. As informed to the Committee, these strategies have helped HAL to achieve sales of Rs. 67 Crore in 2018-19 with 100% growth over previous year. For its growth, HAL plans to follow the same strategy in future also.

13. The Committee further note that HAL has entered into a Memorandum of Understanding (MoU) with Mishra Dhatu Nigam Limited (MIDHANI), an ISO 9001 : 2008 Company established in 1973 at Hyderabad, Telengana, a Hi-tech Metallurgical plant manufacturing Titanium Bioimplants. HAL expects that the Bio Medical Implants manufactured by MIDHANI can be supplied to different hospitals through the distribution system of HAL and can generate revenue for both the CPSUs. The Committee are hopeful that the marketing strategies adopted, initiatives taken to reduce its dependency on PPP business and Memorandum of Understanding (MoU) signed with MIDHANI, clubbed with other measures will yield positive results and HAL will significantly improve its sales and profits in future.

14. *Sales through PMBJP*

The Committee observe that with an objective of making quality generic medicines available at affordable prices to all, the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) was launched by the Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers. Under the scheme, dedicated outlets known as Pradhan Mantri Bhartiya Janaushadhi Kendras

(PMBIK) are opened to provide generic medicines. Besides ensuring access to quality medicines for all the section of the population especially for the poor and the deprived ones, the pariyojna's objective is also to generate employment by engaging individual entrepreneurs in opening of PMBJP Kendras. The product basket of the scheme covers more than 800 medicines and 154 surgicals & consumables in all major therapeutic categories such as anti-infectives, anti-allergies, anti-diabetics, cardiovasculars, anti-cancers, gastro intestinal medicines, etc. As on 15.11.2018, 4410 PMNJP Kendras were functional in 35 States/ Union Territories of the Country. The Committee was informed that HAL had supplied its products to Janaushadhi Kendras from the year 2011-12 to 2015-16 for a total value of about Rs. 2.87 Crore. However, subsequently, HAL could not get orders from Janaushadhi Kendras. On a query regarding any preference given to pharma CPSUs for supplying of medicines to Janaushadhi Kendras, the Department of Pharmaceuticals (DoP) clarified that the PMBJP is implemented by a society formed by pharma CPSUs of the Department of Pharmaceuticals (DoP) viz. Bureau of Pharma PSUs of India (BPPI). The Managing Director of HAL alongwith the CMD/MDs of other CPSUs are member of the Governing Council of BPPI. The BPPI procures medicines and other products for sale in PMBJK by open e-tender through the central procurement portal. Thus, L1 bidders who are technically qualified are awarded rate contract for supply of medicines for a particular period. However, central pharma CPSUs are not required to participate in the e-tender process. They can be awarded the rate contract provided they match L1 rates. Further, the minimum requirement of WHO-GMP certification as required for other vendors is not mandatory for the central pharma CPSUs. The BPPI also shares the list of its product basket alongwith the procurement rate with the central pharma CPSUs and requests them to supply products directly. Besides, it also gives preference

to PSUs covered under Pharmaceutical Purchase Policy (PPP) of the Department and they are also given preference in payment for purchases. The Committee while noting the various preference and exemptions given to central pharma CPSUs in PMBJP, are unable to comprehend as to why HAL did not supply its products to the Janaushadhi Kendras since 2016-17 though it had supplied products valuing Rs. 2.87 Crores during the period from the year 2011-12 to 2015-16. The Committee are of the firm opinion that for achieving better financial growth in a commercial organization, its sales and marketing department should have been proactive in procuring orders from different national and international clients and non-receiving orders, in the present case, under the PMBJP for the last many years indicates slackness on the part of the organization. The Committee therefore recommend that HAL must adopt multi-pronged sales and marketing strategy to boost their sales through various avenues available in the national and global markets. The Committee would like to know the precise action taken in this regard.

15. Need for retaining HAL as CPSU

The Committee observe that the Hindustan Antibiotics Limited is the oldest public sector drug company of the country serving the nation for the last 66 years since its inception in 1954. The misfortune of the company started in the year 1973-74 when for the first time the Company's business which had otherwise been quite profitable during all these years, went into losses due to increase in the cost of production on account of spurt in petroleum prices. The absence of timely relief to the company and somewhat complacent approach of the organization brought many ups and downs thereafter in the business operations of HAL but largely the negative trend which emerged in 1973-74 had been overshadowing the functions of the Company since then. It is painful to note that the various financial assistance given to the company by the Government also failed to restore the past glory of HAL and rather the Company had to grapple with all its strength in

meeting its current and fixed liabilities. Astonishingly, some of the steps initiated for bringing improvement turned out to be counter productive and further worsened the business of the company as is evident that the decision to put the Company for strategic sale instead of helping the Company rather led it to a situation where the Company, due to this strategic sale tag, could not acquire substantial future orders from the clients and further because of the uncertainties attached with its future, the company could not work on its full strengths and take long term decisions. In the eyes of the prospective national and global customers, it also heavily dented the Company's image and withered the prospects of securing substantial business from the market. The Committee observe that the HAL has strong fundamental infrastructure and well-established plant and machinery at its strength. The HAL is well placed with its strong fundamental in the areas like:

- (i) core competence in manufacturing several drugs & formulations,
- (ii) having distinction of inventing antibiotics,
- (iii) having dedicated and efficient R&D team,
- (iv) having efficient marketing team and network channel,
- (v) having experienced professionals and slim manpower,
- (vi) reduced cost and increased effectiveness ensured by HAL through various measures,
- (vii) adequate production facilities,
- (viii) owning precious landed property at prime location,
- (ix) having established brand & goodwill; etc.

The HAL is thus well equipped with all the needed resources and infrastructure to create robust business in future. The Committee therefore strongly recommend the Government to take into consideration the core competencies of the HAL and its strong infrastructure base as narrated above to revive and retain it as a public sector PSU.

16. The Committee further observe that the Department of Pharmaceuticals should have approached the Cabinet instead of the NITI Aayog to persuade the Government on the strategic importance of the pharma sector in general and that

of HAL in particular and should have made all out efforts to retain the Company with the Government. Further, the Department should have acted on time on the ambitious programme of „Make in India“ launched 6 years ago on 25 September 2014 to make the country „Atmanirbhar“ in the pharma sector also instead of relying and increasing the dependency on imports. The recent Covid pandemic is an eye-opener that has made the nation realise in a more painful way that in difficult times when the import channel is broken and the private sector does not meet our expectations, it is only the government and the public sector functionaries that come to our rescue and help the society and the country. The Committee therefore strongly recommend the Government to consider all these aspects seriously and consider declaring the pharma sector as a strategic sector. The Committee desire that once the „pharma“ is declared as „strategic“ sector, immediate steps need to be initiated for preparing a sound business plan for HAL with required capital investment as delay in doing so will lead to further deterioration of its financial health. The Committee observe that many of the plans of HAL for entering into new product segments, expansion of the existing products, upgradation of old plant and machinery etc. are on hold due to strategic sale tag. The Committee therefore earnestly hope that the Government will take conclusive decision in this matter at the earliest.

New Delhi;
7 January, 2021
17 Pausha, 1942 (S)

MEENAKASHI LEKHI
Chairperson
Committee on Public Undertakings

APPENDIX I

MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2020)

The Committee sat on Monday, 2nd December 2019 from 1530 Hrs. to 1800 Hrs. in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Smt. Meenakshi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Kunwar Danish Ali
3. Shri Chandra Prakash Joshi
4. Shri Raghu Ramakrishna Raju Kanumuru
5. Smt. Poonamben Hematbhai Maadam
6. Shri Janardan Mishra
7. Prof. Saugata Roy
8. Shri Uday Pratap Singh
9. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

10. Shri Prasanna Acharya
11. Dr. Anil Jain
12. Mohd. Ali Khan

SECRETARIAT

1. Shri R.C. Tiwari - Joint Secretary
2. Smt. Mamta Kemwal - Director
3. Shri Khakhai Zou - Additional Director
4. Shri G.C. Prasad - Additional Director

**REPRESENTATIVES OF THE RAILTEL CORPORATION OF INDIA LIMITED FROM
1530 TO 1630 HRS**

1. Shri Puneet Chawla - Chairman & Managing Director
2. Shri Sanjai Kumar - Director/Network Planning & Marketing
3. Shri A.K. Singh - Director/Finance
4. Shri Shaminder Singh - ED/Project

**REPRESENTATIVES OF THE HINDUSTAN ANTIBIOTICS LIMITED
FROM 1700 TO 1745 HRS**

1. Ms. Nirja Saraf - Managing Director
2. Shri R.K. Gupta - Business Manager
2. ***** Not related to HAL Report
3. ***** Not related to HAL Report
4. ***** Not related to HAL Report
5. ***** Not related to HAL Report

The Witnesses then withdrew and the Committee adjourned for Tea.

(The sitting resumed after tea-break at 1700 Hrs.)

6. The Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Hindustan Antibiotics Ltd. (HAL) to the sitting convened to have a briefing on the subject 'Corporate Governance in CPSUs'. She then drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

7. The Chairperson desired clarification on various issues viz. HAL not having a full fledged Board of Directors, performance of subsidiaries or joint ventures formed by HAL, the present status of HAL after the Government proposing for its closure and NITI Aayog recommending for strategic disinvestment, management of land assets and the status of NBCC being entrusted by the Government to sell HAL's land to reduce burden of losses,

requirement of staff by HAL in future, liabilities on HAL on account of staff retiring, VRS packages, etc.

8. The MD, HAL then gave a power point presentation on the subject highlighting the background of the Company and its functional areas. She informed the Committee about the reasons for the company's continuous losses, competition from private players, role of Chinese Pharma Companies in the market, HAL's strength and weak areas, its manufacturing capabilities, marketing strategies, core expertise, diversifying activities to reduce loss burden, land asset management, etc. She also sought help of the Committee in highlighting the strategic position of the company and its capability to make a turn-around if certain exemptions, aid on manpower, reduction in power tariff are given.

9. The Chairperson and Members thereafter sought clarification on land value, liabilities, etc. The representatives of HAL clarified some issues on which information was readily available with them. The Chairperson also directed that a revival plan by HAL may be submitted before the Committee for consideration. In respect of points for which information was not readily available, the Chairperson directed that written replies may be furnished to the Committee Secretariat within 15 days.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX II

MINUTES OF THE SECOND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2020-2021)

The Committee sat on Monday, the 17th August 2020 from 1510 Hrs. to 1600 Hrs. in Committee Room No. __B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Chandra Prakash Joshi
4. Shri Raghu Ramakrishna Raju Kanumuru
5. Shri Arjunlal Meena
6. Dr. Arvind Kumar Sharma
7. Shri Ravneet Singh

Rajya Sabha

8. Shri Prasanna Acharya
9. Shri Anil Desai
10. Shri Surendra Singh Nagar
11. Shri M. Shanmugam

SECRETARIAT

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|----|------------------------|---|---------------------|
| 1. | Shri R.C. Tiwari | - | Joint Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 3. | Shri Khakhai Zou | - | Additional Director |
| 4. | Shri G.C. Prasad | - | Additional Director |

OFFICE OF C&AG

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|---------------------------------|--|
| 1. Ms. Shubha Kumar | - Dy. C&AG (Commercial) |
| 2. Ms. Ritika Bhatia | - Principal Director (Commercial) |
| 3. Shri Shailendra Vikram Singh | - Principal Director (Parliamentary Committee) |
| 4. Shri Ashok Sinha | - Principal Director (Audit) |

REPRESENTATIVES OF HINDUSTAN ANITIBIOTICS LIMITED

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|--------------------|---------------------|
| 1. Ms. Nirja Saraf | - Managing Director |
| 2. Shri C.V. Puram | - DGM (Finance) |

2. At the outset, the Chairperson welcomed the Members of the Committee and representatives of 'Hindustan Antibiotics Limited (HAL)' to the sitting of the Committee convened to take evidence of the representatives of HAL in connection with its comprehensive examination and drew their attention to Direction 55(1) of the 'Directions by the Speaker', Lok Sabha regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

3. The Chairperson in the initial remarks observed that the Company had been running under losses for the last so many years though it had a very glorious past in terms of production and profit. In this context, the Chairperson desired to know the efforts now being made and the business plan prepared by HAL for its revival, steps taken to reduce the overhead expenditure and losses, efforts made to retain it as a PSU especially due to the need to lessen the dependence on drug/pharmaceuticals imports in the context of the experience gathered due to COVID-19, status of the proposal of strategic sale etc. The Members also raised certain queries about the functioning of the HAL and its revival plan.

4. The representatives of HAL briefed the Committee about the steps taken to reduce the expenditure, status of VRS to employees, the new products launched such as alcoholic disinfectant and health Kiosk, plan for participation in the Bulk drugs park scheme, inabilities of the HAL in taking various initiatives due to 'strategic sale' tag attached to it etc.

5. The representatives of HAL replied to the queries raised by the Members. To the queries on which information was not readily available, the Chairperson desired that written replies be sent within 10 days to the Committee Secretariat.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX III

MINUTES OF THE THIRD SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (2020-2021)

The Committee sat on Tuesday, the 18th August 2020 from 1445 Hrs. to 1550 Hrs. in Committee Room No. E, Basement, Parliament House Annexe, New Delhi.

PRESENT

Smt. Meenakshi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Dr. Heena Vijaykumar Gavit
3. Shri Raghu Ramakrishna Raju Kanumuru
4. Smt. Poonamben Hematbhai Maadam
5. Shri Arjunlal Meena
6. Shri Janardan Mishra
7. Dr. Arvind Kumar Sharma
8. Shri Sushil Kumar Singh

Rajya Sabha

9. Shri Om Prakash Mathur
10. Shri Surendra Singh Nagar
11. Shri M. Shanmugam

SECRETARIAT

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|----|------------------------|---|---------------------|
| 1. | Shri R.C. Tiwari | - | Joint Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 3. | Shri Khakhai Zou | - | Additional Director |
| 4. | Shri G.C. Prasad | - | Additional Director |

**REPRESENTATIVES OF MINISTRY OF CHEMICALS & FERTILIZERS
(DEPARTMENT OF PHARMACEUTICALS)**

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|-------------------------|--|
| 1. Shri P.D. Vaghela | - Secretary, Department of Pharmaceuticals |
| 2. Smt. Alka Tiwari | - Additional Secretary and Financial Advisor,
Department of Pharmaceuticals |
| 3. Shri Rajneesh Tingal | Joint Secretary, Department of
Pharmaceuticals |

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and the Officers of the Department of Pharmaceuticals to the sitting convened to take evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Pharmaceuticals) in connection with the comprehensive examination of the subject 'Hindustan Antibiotics Limited (HAL)'. The Chairperson then drew their attention to Direction 55(1) of the 'Directions by the Speaker' regarding maintaining confidentiality of evidence tendered before the Parliamentary Committees.

3. In the initial remarks, the Chairperson referred to the losses suffered by HAL and sought to know the efforts now being made by HAL to improve its performance, status of the proposal for strategic sale, the need for its review especially in view of the experiences gathered during the COVID-19 pandemic, need to reduce the import dependence for drugs and also the need to revive/keep HAL as a PSU, especially in view of the ambitious goal of Atmanirbhar Bharat'. Members also raised certain issues relating to the functioning of the HAL.

4. The Secretary, DoP made a power point presentation (PPT) on the subject and also clarified points raised by the Chairperson and Members. The Secretary apprised the Committee that the Pharmaceuticals Industry should be treated as a strategic sector and the manufacturing of API's of essential drugs in the country is a priority. He also informed that to ensure self-reliability in manufacturing pharmaceuticals and drugs, at least one Government owned PSU in the pharmaceutical sector is essential and

accordingly the NITI Aayog has been requested for reconsideration on the issue of strategic sale of HAL.

5. The representatives of Department of Pharmaceuticals responded to the queries raised by the Chairperson and Members. To the queries on which information was not readily available, the Chairperson desired that written replies be sent within 10 days to the Committee Secretariat.

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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APPENDIX IV

COMMITTEE ON PUBLIC UNDERTAKINGS

(2020-2021)

MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE

The Committee sat on Thursday, the 7th January 2021 from 1210 Hrs. to 1310 Hrs. in Committee Room No. 3, Ground Floor, Block A, Parliament House Annexe Extension (PHAE), New Building, New Delhi.

PRESENT

Smt. Meenakashi Lekhi - Chairperson

MEMBERS

Lok Sabha

2. Shri Arjunlal Meena
3. Shri Janardan Mishra
4. Prof. Saugata Roy
5. Dr. Arvind Kumar Sharma
6. Shri Sushil Kumar Singh
7. Shri Uday Pratap Singh
8. Shri Ramdas Chandrabhanji Tadas

Rajya Sabha

9. Shri Prasanna Acharya
10. Shri Birendra Prasad Baishya
11. Shri Surendra Singh Nagar

SECRETARIAT

- | | | | |
|----|------------------------|---|---------------------|
| 1. | Shri R.C. Tiwari | - | Joint Secretary |
| 2. | Shri Srinivasulu Gunda | - | Director |
| 4. | Shri G.C. Prasad | - | Additional Director |

**REPRESENTATIVES OF THE NATIONAL THERMAL POWER CORPORATION
LIMITED (NTPC)**

1.	Shri Gurdeep Singh	-	CMD
2.	Shri Anil Kumar Gautam	-	Director (Finance)
3.	Shri Ramesh Babu V	-	Director (Operations)
4.	Shri Dilip Kr. Patel	-	Director (HR)
5.	Shri Chandan Kr. Mondol	-	Director (O)
6.	Shri Ujjwal K. Bhattacharya	-	Director (Projects)

2. At the outset, the Hon'ble Chairperson welcomed the Members of the Committee and apprised them about the agenda for the sitting. As a first agenda item, the Chairperson proposed for consideration and adoption of the draft reports on the following subjects:-

- (i) Airports Authority of India (AAI)
- (ii) Central Coalfields Limited (CCL)
- (iii) Food Corporation of India (FCI)
- (iv) Hindustan Antibiotics Limited (HAL)
- (v) NBCC (India) Limited

(vi) Action taken by the Government on the Observations/Recommendations contained in the Twenty-second Report (16th LS) of the Committee on Public Undertakings on —Financing of Renewable Energy Projects by Indian Renewable Energy Development Agency Limited (based on Performance Audit Report No.12 of 2015)".

(vii) Action taken by the Government on the Observations/Recommendations contained in the Twenty-fourth Report (16th LS) of the Committee on Public Undertakings on —Review of Loss Making CPSUs".

3. The Committee then considered the aforesaid draft reports and adopted it without any changes/modifications. The Committee thereafter authorized the Chairperson to finalize the report on the basis of factual verification by the concerned Ministry/Department and consider for presenting the reports to Hon'ble Speaker since Parliament is not in session.

(The representatives of NTPC were then called in)

- 4. **** **** ****
- 5. **** **** ****
- 6. **** **** ****
- 7. **** **** ****

The Committee then adjourned.

(A verbatim record of the proceedings has been kept separately).

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