

**SIXTH REPORT**  
**STANDING COMMITTEE ON**  
**PETROLEUM & CHEMICALS**  
**(1994-95)**

**(TENTH LOK SABHA)**

**MINISTRY OF CHEMICALS & FERTILIZERS**  
**(DEPARTMENT OF CHEMICALS & PETRO-CHEMICALS)—**  
**DEMANDS FOR GRANTS (1994-95)**

*Presented to Lok Sabha on—*  
*Laid in Rajya Sabha on—*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

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Corrigenda to Sixth Report of the Standing  
Committee on Petroleum & Chemicals on  
Demands for Grants (1994-95) of Deptt. of  
Chemicals and Petrochemicals.

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COMPOSITION OF THE STANDING COMMITTEE ON PETROLEUM &  
CHEMICALS (1994-95)

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Shri Sriballav Panigrahi

MEMBERS

*Lok Sabha*

2. Shri Barelal Jatav
3. Dr. Ravi Mallu
4. Shri Surinder Singh Kairon
5. Shri Sant Ram Singla
6. Shri A.G.S. Rambabu
7. Shri R. Prabhu
8. Shri C.P. Mudalagiriappa
9. Shri V.S. Vijayaraghavan
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11. Shrimati Suryakanta Patil
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26. Shri Surya Narayan Singh
27. Shri Simon Marandi
28. Shri Pius Turkey
29. Shri Muhiram Saikia
30. Dr. Jayanta Rongpi

(iv)

*Rajya Sabha*

31. Shri Lakkhiram Agarwal
32. Shri E. Balanandan
33. Shri Mohd. Masud Khan
  
34. Shri Pasumpon Tha. Kiruttinan
35. Shri G. Y. Krishnan
36. Shri Jagdish Prasad Mathur
37. Shri V. Narayanasamy
38. Shri Yerra Narayanaswamy
39. Shri Chimanbhai Haribhai Shukla
40. Shri Balbir Singh
41. Shri S.S. Surjewala
42. Shri. Dineshbhai Trivedi

SECRETARIAT

1. Shri G.L. Batra – *Additional Secretary*
2. Shri G.R. Juneja – *Deputy Secretary*
3. Shri Brahm Dutt – *Asstt. Director*

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39. Shri Jagdish Prasad Mathur
40. Shri V. Narayanasamy
- \*\*41. Shri Mentay Padmanabham
- \*\*42. Smt. Satya Bahin
- \*\*43. \*Shri Vishvjit P. Singh
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2. Shri G.R. Juneja – *Deputy Secretary*
3. Shri Brahm Dutt – *Asstt. Director*

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\*Nominated w.e.f. 3.4.94 Vice Chowdhry Hari Singh retired on 2.4.94 from the membership of Rajya Sabha.

\*\*Ceased to be Members of the Committee consequent upon his/her retirement from Rajya Sabha w.e.f. 2.4.1994.



## INTRODUCTION

1. The Chairman, Standing Committee on Petroleum and Chemicals having been authorised by the Committee (1994-95) to submit the Report on their behalf, present this Sixth Report on Demands for Grants of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals for the year 1994-95.

2. The Committee (1993-94) examined/scrutinised the Demands for Grants pertaining to the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals for the year 1994-95 which were laid on the Table of the House on 17th March, 1994.

3. The Committee (1993-94) took evidence of the representatives of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals at their sitting held on 25th March, 1994.

4. The Committee (1994-95) feel obliged to the members of the Committee (1993-94) for the useful work done by them in taking evidence and sifting information which forms the basis of this Report.

5. The Committee (1994-95) wish to express their thanks to the Officers of the Ministry of Chemicals & Fertilisers, Deptt. of Chemicals & Petro-chemicals for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Ministry for the year 1994-95 and for giving evidence before the Committee.

6. The Committee (1994-95) considered and adopted the report at their sitting held on 8th April, 1994.

7. For the sake of convenience, the recommendations have been printed in bold letters.

NEW DELHI;  
April 8, 1994

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*Chaitra 18, 1916 (Saka)*

SRIBALLAV PANIGRAHI,  
*Chairman,*  
*Standing Committee on*  
*Petroleum & Chemicals.*

## REPORT

### A. FIVE YEAR AND ANNUAL PLANS

The main objectives of the Department of Chemicals and Petro-chemicals are to plan, develop, regulate and control industries in the field of Chemicals, Pharmaceuticals and Petro-chemicals. Besides, 9 Public Sector Undertakings and 3 autonomous bodies, private sector has also a vast share in the field. As against the approved outlay of Rs. 706.55 crores for the 7th Five Year Plan (1985-90) for the PSUs under the administrative control of the Deptt. the actual expenditure was Rs. 1908.93 crores. The Annual Plan expenditure for the year 1990-91 and 1991-92 was Rs. 313.07 crores and Rs. 363.73 crores respectively. The approved outlay for the 8th Plan has been placed at Rs. 2402 crores.

2. During the course of examination the Committee pointed out that the actual plan expenditure during the year 1992-93 was Rs. 320.93 crores *i.e.* about 1/8th of the 8th Plan outlay. Similarly as against the Budgeted Annual Plan of Rs. 1205.96 for the year 1993-94, the estimated expenditure was Rs. 683.04 crores. Asked about the non-utilisation of plan outlays during 1992-93 and 1993-94, the Secretary, C&PC stated that it was mainly on account of not taking up the IPCL Projects during these years and accordingly the Annual Plan of IPCL for the year 1993-94 was revised from Rs. 972 crores to Rs. 503 crores.

3. Explaining it further CMD, IPCL stated that during the year 1993-94, out of Rs. 972 crores outlay the main components were Nagothane renewal/modernisation programme (Rs. 130 crores) and Gandhar Project (Rs. 550 crores). Due to change in economic policy, prices of certain products of the company came down and there was reduction in generation of internal funds. Furthermore there were also some technical problems in Nagothane Project. On account of these factors these projects could not start during the year.

4. When asked whether the funds of the order of Rs. 935.83 crores for 1994-95 Annual Plan (IPCL share alone Rs. 730 crores) would be arranged, the witness stated:

“Yes, Sir. Taking into account all these changed circumstances, we feel that the current provisions which we have provided and taking into account our capacity to generate funds, we feel that this is a workable capital expenditure for us and we should be able to fulfil that”.

5. The Committee further pointed out that apart from Annual Plans the total budget provision had come down from Rs. 137.71 crores in 1993-94 to Rs. 127.82 crores in 1994-95. Asked about the reasons for it, the Secretary C&PC stated that it was mainly due to less provision for VRS *i.e.* from Rs. 42 crores in 1993-94 to Rs. 27 crores in 1994-95.

6. **The Committee note that the plan outlay during the initial years of the 8th Five Year Plan is not being utilised by the concerned PSUs under the administrative control of the Deptt. of Chemicals and Petro-chemicals. Out of total outlay of Rs. 2403 crores for the 8th Plan, only Rs. 320 crores *i.e.* just**

1/8th was spent during the year 1992-93. Similarly as against the Annual Plan outlay of Rs. 1205 crores, for the year 1993-94, the estimated expenditure was Rs. 683 crores only. On account of non-generation of sufficient funds by concerned PSU's like IPCL some of the big projects could not be taken up in time. The Committee would like the Ministry to ensure that realistic plans should be prepared and thereafter these should be meticulously implemented so that production capacity of Public Sector Undertakings is built up well in time.

#### B. ANALYSIS OF DEMANDS FOR GRANTS FOR THE YEAR 1994-95

7. The Demands for Grants of the Ministry of Chemicals & Fertilisers (Deptt. of Chemicals & Petro-chemicals) (Demand No.5) contains the following figures of Revenue as well as Capital expenditure for the Year 1994-95:—

(Rs. in Crores)			
	Plan	Non-Plan	Total
Revenue Section	51.92	39.31	91.23
Capital Section	13.11	23.48	36.59
Total	65.03	62.79	127.82

8. The net budgetary provision for 1994-95 after adjusting provision for Voluntary Retirement Scheme (VRS) reimbursal from National Renewal Fund is as under:—

(Rs. in Crores)			
	Plan	Non-Plan	Total
Revenue Section	24.92	39.31	64.23
Capital Section	13.11	23.48	36.59
Total	38.03	62.79	100.82

9. The details of the actual Revenue and Capital expenditure for the year 1992-93, Budget Estimates and Revised Estimates for 1993-94 and Budget Estimates for 1994-95 of the Dept. are as under:—

## REVENUE SECTION

(in Crores of Rs.)

Sl. No.	Major Head	Items	Plan/ Non Plan	1992-93 Actuals	1993-94		1994-95
					B.E.	R.E.	B.E.
1.	3451	Secretariat	Plan	-	-	-	-
		Eco. Services	Non-Plan	-	-	-	-
	2852	B.I. Industries	Plan	1.38	1.44	1.52	1.57
		Petrochemicals					
2.		Central	Plan	-	23.10	18.60	23.00
		Institute of	Non-Plan	-	-	-	-
		Plastics Engineering Technology	Plan	3.00	3.00	3.00	3.00
3.		National	Plan	0.19	0.20	-	-
		Comm. on the	Non-Plan	-	-	-	-
		use of Plastic	Plan	0.04	-	-	-
		in Agriculture					
		Chemicals & Pharmaceuticals Industries					
4.		Bhopal Gas	Plan	-	-	-	-
		Leak Disaster	Non-Plan	26.12	34.03	31.95	34.44
5.		National	Plan	2.50	2.50	2.50	1.50
		Institute of	Non-Plan	-	-	-	-
		Pharmaceuticals					
		Education & Research					
6.		Other Programme	Plan	-	0.42	0.69	0.42
		IPFT/RENPA/	Non-Plan	0.58	0.25	0.39	0.30
		DCPI/CWC					
7.		Implementation	Plan	21.60	41.50	42.00	27.00
		of Voluntary	Non-Plan	-	-	-	-
		Retirement Scheme					
		Revenue Total		55.32	106.44	100.65	91.23
8.	4857	Investment in	Plan	6.40	6.40	7.50	13.11
		Public	Non-Plan	-	-	-	-
		Enterprises					
9.	6857	Non Plan loans	Plan	-	-	-	-
		to Public	Non-Plan	26.09	18.50	29.56	23.48
		Enterprises					
		Capital Total		32.49	24.90	37.06	36.59
		Total:		87.81	131.34	137.71	127.82

10. It may be seen from the above that under Revenue Section, the estimated expenditure on Secretariat Economic Services of the Deptt. of Chemicals and Petrochemicals during the current financial year (1994-95) is expected to be Rs. 1.57 crores. Out of this, Rs. 1.02 crores will be on Salaries, Rs. 3.20 lakhs on Wages, Rs. 4.53 lakhs on OTA, Rs. 9.50 lakhs on Travel Expenses, Rs. 36 lakhs on Office Expenses, Rs. 30 thousand on Payment for Professional and Special Services, Rs. 97 thousand on Publications and Rs. 50 thousand on Hospitality Expenses/Sumptuary Allowances.

11. The outlay of the order of Rs. 36.59 crores under Capital Section is for making investment in public enterprises and non-plan loans to public enterprises. The 'Head' wise demands are discussed in succeeding paragraphs.

### Revenue Section

#### *Major Head "3451" (Secretariat Economic Services)*

12. This head is mainly for salary of the Ministerial staff. As against the actual expenditure of Rs. 1.38 crores during the year 1992-93, the budget estimates for the year 1993-94 were Rs. 1.44 crores which was revised to Rs. 1.52 crores. For the year 1994-95 a provision for Rs. 1.57 crores has been made for the purpose.

13. During the course of examination the Committee wanted to know the steps taken to keep the administrative expenses like overtime allowance, office expenses, travelling expenses etc. The Deptt. of C&PC replied in a note that the Department has already taken number of measures to effect economy such as abolition of 6 posts, freeze on O.T.A., only marginal increase in O.E., despite substantial increase in costs/rates/tariffs etc.

14. As against the sanctioned staff strength of 210, the actual strength in the Deptt. is 180. Asked whether any Organisation & Methods (O&M) study had been undertaken to ascertain the manpower requirements, the Deptt. in a note replied that no O&M study has been conducted during the last 3 years and the staff strength has been built upon need based only.

15. The Committee further wanted to know the reasons for increase in foreign travel expenditure for which a provision of Rs. 4.5 lakhs has been made for 1994-95 as against the actuals of Rs. 2.50 lakhs each during 1992-93 and 1993-94. The Deptt. stated in note as follows:—

“Increase in outlay for the year 1994-95 was made due to the increase in foreign travel during the year 1993-94 where there was a spurt in foreign travel. This increase was due to India being a signatory to the Chemical Weapons Convention and officers of the Department had to attend meetings, trainings and seminars organised by the CWC.”

16. The Committee note that as against the actual expenditure of Rs. 1.38 crores during 1992-93 on salary etc. for the staff of the Deptt. and estimated expenditure of Rs. 1.52 crores during 1993-94, a provision has been made

for Rs. 1.57 crores for the year 1994-95. The Deptt. has reportedly taken economy measures such as abolition of 6 posts, freeze on O.T.A. etc. In the interest of overall economy, the Committee would like the Deptt. to ensure that effective measures are taken from the very beginning to restrict the expenditure on items like travelling, O.T.A., petrol consumption, office expenses, hospitality expenses etc. so that there is no need to ask for supplementary or additional grants during the later part of the year. Similar restrictions could be imposed on the PSUs and other offices under the administrative control of the Department. This will help PSUs to reduce their overhead expenses/operating cost so that these units are able to compete with the private/multinational companies.

17. The Committee find that the Deptt. has not carried out any O&M study during the last 3 years to know the actual requirements of manpower. The Committee recommend that some scientific study should be made to know the actual requirements of the Deptt. particularly in view of the fact that in the context of economic liberalisation policy of the Govt., many sections/Deptts. may have lost their role or significance.

*Major Head "2852"—Industries*

*Sub-Head B 1(1)—Central Institute of Plastics Engineering and Technology*

18. The main objectives of CIPET are Training, Development, Testing and Quality control. The Deptt. has stated that Budget provision of Rs. 23.00 crores has been made for CIPET during 1994-95 which includes a Grant of Rs. 17.00 crores to be received from the World Bank for the modernisation of its existing centres. The net budget provision of Rs. 6.00 crores is mainly required for the establishment of new centres at Amritsar, Mysore, Imphal and West Bengal. For this purpose, CIPET was given total grant of Rs. 18.60 crores during 1993-94 which includes grant received from World Bank amounting to Rs. 15.50 crores.

19. Taking note of the fact that during 1993-94 and 1994-95, a grant amounting to Rs. 32.50 crores has been provided by the World Bank for CIPET, the Committee would like the Deptt. to ensure that the money provided for the purpose should be utilised properly so that the Institute could bring desired results. The Committee also desire that proposed centres at Amritsar, Mysore, Imphal and West Bengal should be set up in a time bound schedule.

*Sub-Head B(2) (1) (1)—Bhopal Gas Leak Disaster (Processing of Claims) Acts, 1985.*

20. The following table shows the provisions made under the head during the years 1992-93, 1993-94 and 1994-95:—

(Rs. in crores)			
Year	Amount for interim relief	Amount for establishment of office of Welfare Commissioner	Total
1992-93 (Actuals)	24.84	1.28	26.12
1993-94 (B.E.)	25.92	8.11	34.03
1993-94 (R.E.)	25.92	6.03	31.95
1994-95 (B.E.)	24.50	9.94	34.44

21. During the course of examination the Committee pointed that as against the annual relief of Rs. 24-25 crores to be given to the victims, annual expenditure of order of Rs. 8-9 crores was being spent on the machinery for distribution of the relief. Asked whether the establishment expenditure could not be curtailed, the Secretary P&C stated that the fund allocation for the relief did not have any relation with the establishment expenses as the relief was being distributed through the state machinery and the amount provided in the budget for the establishment expenses of the office of Welfare Commissioner relates to setting up courts etc. for disbursal of 6 lakhs claims for compensation.

22. When asked about the reasons for increasing the salary provision from Rs. 3.13 crores in 1993-94 to Rs. 6.04 crores in 1994-95, the Deptt. in a note stated:—

“The expenditure during 1993-94 under the Salary head has been less as the number of courts established were less than the courts proposed to be established during 1994-95. Initially the Government had sanctioned 36 courts for deciding the compensation cases but this number has been increased to 56 courts so that each ward could have one court. In the initial stage all the courts could not be established and the expenditure had been low at Rs. 3.13 crores. However, it is expected that during 1994-95 all the 56 courts will start functioning and therefore a provision of Rs. 6.04 crores has been proposed.”

23. Asked about the number of cases disposed so far, the witness stated:—

“They started having the whole system of dispersal of compensation of claims from October, 1992 onwards because the Supreme Court Judgement first came in October, 1991 and the actual compensation amount was made available to the organisation of the Welfare Commissioner in October, 1992.

We are proposing to set up 56 courts and so far 36 courts are functioning. The whole thing has started from October, 1992 onwards and the setting up of the courts and getting the people for that took some time. In the beginning the organisation started dealing with the death claims first. They were about 15,310 which have been filed. They took a lot of time because cause of death, etc. takes a little time to determine. Uptill 28.2.1994 of the 15,310 cases, 9,732 cases have been decided.

Simultaneously, they have started taking the injury cases also. Of the 2,801 injury cases of permanent or partial disablement, 509 have been decided. For temporary injury about 27,757 claims have been made and 6,976 have been decided. Minor injury cases are about 5,66,699 and out of that 17,985 have been decided.”

24. On being asked further whether any time bound programme had been fixed to settle all claims, the witness replied:—

“Now we are constantly in touch with the Commissioner. He says that he expects to complete the whole task in the next three years or so. We have recently appointed a Committee under the Chairmanship of a retired Judge of the Supreme Court, Mr. Justice Kasliwal to go into the whole procedure so that the procedures can be further shortened and they could be adopted in the courts.”

25. In reply to another question the Committee were informed that out of Rs. 1500 crores earmarked for compensation, an amount of Rs. 118 crores has been disbursed so far.

**26. The Committee feel concerned to note that out of Rs. 1500 crores earmarked for relief only an amount of Rs. 118 crores has been disbursed to the victims so far. The Committee have been informed that only in October, 1991 Supreme Court removed the hurdles for payment of compensation. To expedite the settlements of claims, the number of courts is to go up from 36 to 56. The Committee would like the Ministry to expedite the whole process of setting up courts, disbursement of relief etc. Concerted efforts should be made to settle all claims and related matters within the stipulated period of 3 years.**



*Sub-head B2(1)(5) and B2(1)(1)—Grants to PSUs for Voluntary Retirement Schemes*

27. The following table shows the amount given to various PSUs under the Head:

Year	(Rs. in crores)					
	HIL	SSPL	BCPL	BIL	IDPL	Total
1992-93 (Actuals)	1.60	1.40	2.00	1.00	15.60	21.60
1993-94 (B.E.)	2.50	1.00	2.50	1.50	34.00	41.50
1993-94 (R.E.)	2.50	1.50	2.00	2.00	34.00	42.00
1994-95 (B.E.)	2.50	1.00	2.00	0.50	21.00	27.00

28. The Committee wanted to know the response to VRS schemes introduced in various PSUs. The Secretary, Chemicals & Petro-chemicals replied:—

“The response has been very good. In HIL last year up to December, 1993, 102 employees took VRS, in IDPL 1780, in Bengal Chemicals 284, in BIL 203 and in SSPL 214. In fact, there are four sick companies and their strategy of revival to a great extent, depends on whether we are able to reduce the workforce and bring it to the manageable level in accordance with the industry norms. We have been actively pursuing the scheme and the response has been quite satisfactory.

29. In the context of reduced outlay for the year 1994-95, the Committee enquired whether any targets had been fixed for various companies. The witness replied:—

“There are targets fixed company-wise depending upon their revival package. And for the next year, for the three Bengal companies, the revival packages are still to be finalised. But if we find that our requirements for funds for VRS is more than what has been provided in the Budget, we have got a broad understanding from the Finance Ministry that to this extent, additional funds would be made available to us.”

30. The Committee have been informed that response to VRS introduced in sick PSUs like IDPL, BCPL, BIL and SSPL has been very good. Upto December 1993, as many as 2481 workers opted for VRS in these PSUs. With a view to make operations of these units viable, scientific study should be conducted to ascertain the actual manpower requirements and efforts should be made to keep the manpower strength within prescribed limit.

**Capital Section***Major Head 4857**Sub-heads AA1(1)(1)(1) and AA2(1)—Investments in Public Sector and other undertakings*

31. The following table brings out the investment trends in various PSUs by the Government:—

	(Rs. in crores)					
Year	HIL	IDPL	BCPL	SSPL	BIL	Total
1992-93 (Actuals)	0.75	1.17	0.28	0.50	0.50	3.20
1993-94 (B.E.)	1.00	1.25	0.38	0.08	0.50	3.21
1993-94 (Revised)	1.00	1.25	0.38	0.08	0.50	3.21
1994-95 (B.E.)	1.50	1.38	0.50	0.18	0.50	4.06

32. The Committee pointed out that some of the above PSUs viz. Indian Drugs & Pharmaceuticals Limited, Bengal Immunity Ltd., Bengal Chemicals & Pharmaceuticals Ltd. and Smith Stanistreet Pharmaceuticals Limited had been incurring heavy losses and had been referred to the BIFR. Asked whether investments worth a crore or even less could help these PSUs in any way, the Secretary, Chemicals & Petro-chemicals stated that the revival package of IDPL had been cleared by the BIFR and financial requirements as per the revival package had been provided to this company. Since the revival package of other PSUs viz., BIL, BCPL and SSPL was still under examination less provisions had been made for these PSUs. After finalisation of revival package, necessary funds would be arranged by the Government.

33. He further added:—

- “We are expecting that by the end of June, we shall be able to have the revival package finalised. We are having a positive attitude. The money that is provided in the Budget for these three companies is sufficient for the present level of their operations, as a holding type of situation, for the next three months. If the revival packages are approved by the BIFR, then, I hope whatever additional money that is required for their revival will be provided by the Finance Ministry... Once the packages are approved, I think, there will be no problem in getting the necessary budget provisions.”

34. Asked whether the PSUs would be in position to compete with private and multinational companies, the Secretary, C&PC replied:—

“We do agree that the revival of IDPL and the other companies is only one step forward. IDPL has a lot at stake with a great number of employees. If it has to come out of this sickness and be competitive *vis-a-vis* other companies, it has to face a very challenging task. This is true in the case of the other three Bengal units also. The most important aspect is that they should improve their marketing strategy. IDPL which gives bulk drugs cheaper has to have more value added formulations and they have to restructure their entire marketing strategy so that they can realise higher prices for their products and be competitive. The Bengal units have got some excellent products which are household names. They have to concentrate on their strength and try to expand their market base which is rather weak. I have personally written to all the Ministries and other organisations requesting them to purchase more from our public sector companies. But the problem is, sometimes when they sell to governmental organisations, realisation of funds gets delayed and the companies end up in a position where they cannot plough their resources back into their operations. If this continues, they cannot get out of their sickness. So, they have to do it in a balanced way. We have told them not to totally depend on institutional sales and that they have to move to trade sales where moneys are realised without any delay. So, they should review their marketing strategy as also their policies relating to product mix and so on. We have also told them to see that wasteful expenditure is curtailed. There is a managing committee with people from outside to monitor the functioning of the IDPL, which has been revived. They will be closely watching the internal operations of the company. I, myself, would be monitoring its working periodically. In this way, we can see that these companies are able to adhere to the revival plans and get out of the sickness.”

35. In reply to a question about operating costs of PSUs *vis-a-vis* private sector, the witness stated:—

“One of the key aspects for the revival of all these companies is that their salaries cost should not be more than the industry average of 14 or 15 per cent. In many of these companies this component is as high as 35 to 40 per cent. They have to reduce the staff strength accordingly.”

36. When asked about the involvement of workers in reviving the sick PSUs, the witness replied:—

“About the workers’ participation—that of course, is a must because not only the revival package is prepared after interacting with the workers but before its decision the BIFR calls the workers and they speak before the BIFR and then only it decides the package. After the package is through then we have to set up some organisational machinery to get their support for the task which have to be done for the revival. For example in the IDPL, we have to set up an Officers and Workers Committee to look into various aspects of its revival.”

37. The Committee further wanted to know whether PSUs can stand in market in future particularly when multinational companies were entering in all industrial sectors. The witness stated that in view of vastness of the growing population and needs for extending health services, PSUs could continue to play their role.

38. The Committee note that Demands for the year 1994-95 provide a sum of Rs. 4.06 crores for investment in some of PSUs. It is a matter of concern to the Committee that out of 9 PSUs under the administrative control of the Department as many as 4 PSUs had been incurring huge losses and had been referred to BIFR. These were IDPL, BIL, BCPL and SSPL. The Committee were informed that the revival package of IDPL had since been approved by BIFR and necessary funds were being provided for its revival. The revival packages of other PSUs are reportedly under finalisation' scrutiny and the same are expected to be finalised by June 1994. The Committee recommend that all out efforts should be made to expedite the revival packages. Since there is no provision of funds for revival packages (except IDPL) in the Demands, some arrangement may be made with the Finance Ministry so that adequate funds are made available to these PSUs even at a short notice.

39. In the context of revival of sick PSUs, the Committee need not over emphasise the importance of restricting the operating costs of these PSUs. Admittedly, the salary cost of PSUs is as high as 35 to 40 per cent as compared to the industry average of 14 or 15 per cent. The Committee trust that all possible measures would be taken to reduce the avoidable and infructuous expenditure of the PSUs. The Ministry should keep a constant vigil over the functioning of the PSUs. The Government nominees on Boards of the PSUs can also play an active and effective role over the functioning of public sector undertakings.

### *Major Head 6857*

#### *Sub-head CC—Loans for Public Sector and other undertakings*

40. Apart from investment, the Government has been providing plan and non-plan loans to PSUs like HIL, IDPL, SSPL, BCPL and BIL etc. Quantum of such loans has been as under:—

	(Rs. in crores)		
Year	Plan	Non-Plan	Total
1992-93 (Actuals)	3.20	26.09	29.29
1993-94 (B.E.)	3.19	18.50	21.69
(Revised)	4.29	29.56	33.85
1994-95 (B.E.)	9.05	23.48	32.53

41. Asked whether loan requirement of various PSUs particularly the sick units had been met, the Department in a note stated:—

“The requirement projected for 1992-93 and 1993-94 by the PSUs in the Pharmaceutical Industry Sector, namely IDPL, BCPL, BIL and SSPL were as per the revival packages which were prepared by the management in September, 1992. Both Plan and Non-Plan assistance as envisaged, was provided for in the Revised Estimates for 1992-93 and the Budget Estimates for 1993-94. The Budget Estimates for 1994-95 are based on the requirement to sustain the current operations of BIL, BCPL and SSPL. For IDPL, the provisions made in 1993-94 and 1994-95 are as per the revival package.”

42. When asked further as to what extent these loans have helped the PSUs in improving their production and financial performances, the Department replied:—

“The non-plan loans given in 1992-93 and 1993-94 were mainly for the purpose of supplementing the working capital resources of these companies, but for which the operations of atleast BIL, BCPL and SSPL could not have been sustained. These companies also availed Cash Credit facilities from the Bankers and the loans helped in supplementing the working capital requirements of the companies.”

43. The Committee find that besides investment, the Government provides funds to PSUs, through plan and non-plan loans. The health and growth of PSUs under the Department can be gauged by the fact that during the last 2-3 years the plan loans was of the order of Rs. 2 crores whereas non-plan loan was about Rs. 18—30 crores. For the year 1994-95 as against the provision of plan loan of Rs. 7.55 crores, the non-plan loan is Rs. 23.48 crores. The increase in plan loan appears to be on account of finalisation of revival package of IDPL. The Committee would like the Ministry to make necessary efforts to reduce the non-plan outlay/loans once the working of sick units is stabilised.

### C. RESEARCH AND DEVELOPMENT

44. During the course of examination the Committee pointed out that another important area which needed urgent attention was R&D particularly in view of fierce competition with multinational companies. Asked why adequate funds were not being made available for R&D projects, Secretary, Chemicals and Petrochemicals stated during evidence:—

“The point about the importance of R&D is very well recognised. But different companies have got different provisions for R&D. Some have been reflected in the Budget and some have not been. For example, IPCL have got Rs. 10 crore for R&D. They have done it out of their own resources. But HCCL has got Rs. 5 crore. These are big companies putting money in R&D. The drug companies which are sick will be putting money for R&D only after they are revived.”

45. Asked further about taking up more and more R&D work particularly in the area of life saving drugs, the witness stated:—

“This issue is very much under active consideration. First of all, R&D Budget provisions are partly reflected here. Also the other Departments like Science and Technology fund some R&D work. In the New Drug Policy, certain incentives, etc. are being thought of, which would give encouragement for investment towards R&D. This issue is very alive and it is being addressed separately. It is not only addressed through Budget provision medium but also the pharmaceutical industry, which is so highly-technological oriented, particularly after the post Dunkel scenario will have to be even more R&D oriented. So, this issue is getting top most priority. We will have to give some concrete shape to it. And once we are clear about the Drug Policy, we will be able to do it.”

46. Secretary, C&PC also stated that the Ministry wanted to establish Petrochemical Development Agency. For this purpose, the Planning Commission had not agreed to approve one crore rupees to start the project. It was also brought out that the Ministry could raise the substantial money from the industry and the only problem was of providing some seed money for the task.

47. The examination of Demands for Grants of the Department by the Committee has revealed that one of the most important areas viz., Research and Development has been neglected so far as substantial funds have not been allocated for the activities related to R&D. The Secretary, C&PC deposed before the Committee that some of the PSUs like IDPL provide funds out of their budgets. The Committee wonder how the sick units could have concentrated on R&D activities when some of them were not having even working capital to run their units. The Committee therefore recommend that adequate provisions should be made in the Demand for R&D work which is crucial for economic growth.

48. The Committee were also informed that the Ministry proposed to set up Petro-chemicals Development Agency. However, the Planning Commission has not agreed to it so far. Since the Department has sought only a crore of rupees as seed money for the same and they are hopeful to raise necessary funds from the industry, the Committee find merits in the suggestion. The Committee accordingly recommend that Planning Commission/Finance Ministry should reconsider the matter.

NEW DELHI;  
April 8, 1994  
 Chaitra 18, 1916 (Saka)

SRIBALLAV PANIGRAHI,  
 Chairman,  
 Standing Committee on  
 Petroleum & Chemicals.