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**STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1995-96)**

TENTH LOK SABHA

**MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF CHEMICALS AND
PETRO CHEMICALS)**

TWENTY-FOURTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 1995/Agrahayana, 1917 (Saka)

TWENTY-FOURTH REPORT
STANDING COMMITTEE ON
PETROLEUM AND CHEMICALS
(1995-96)

(TENTH LOK SABHA)

DEMANDS FOR GRANTS — 1995-96

MINISTRY OF CHEMICALS & FERTILISERS
(DEPARTMENT OF CHEMICALS AND
PETRO CHEMICALS)

*[Action taken by Government on the recommendations contained
in the 19th Report of the Standing Committee on Petroleum &
Chemicals (1995-96)].*

Presented to Lok Sabha on.....8 OCT 1995
Laid in Rajya Sabha on.....



LOK SABHA SECRETARIAT
NEW DELHI

November, 1995/Agrahayana, 1917 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(1995-96)**

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Shri Sriballav Panigrahi

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*Lok Sabha***

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38. Shri Jagdish Prasad Mathur
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40. Shri Yerra Narayanaswamy
41. Shri Ramji Lal
42. Shri Chimanbhai Haribhai Shukla
43. Shri Balbir Singh
44. Shri S.S. Surjewala
45. Shri Dineshbhai Trivedi

SECRETARIAT

- | | | | |
|----|--------------------|---|-----------------------------|
| 1. | Shri S.N. Mishra | — | <i>Additional Secretary</i> |
| 2. | Shri G.C. Malhotra | — | <i>Joint Secretary</i> |
| 3. | Shri G.R. Juneja | — | <i>Deputy Secretary</i> |
| 4. | Shri Brahm Dutt | — | <i>Under Secretary</i> |
| 5. | Shri S.N. Dargan | — | <i>Asstt. Director</i> |

* Ceased to be Member of the Committee consequent upon their appointment as Ministers in the Council of Ministers w.e.f. 19th September, 1995.

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Twenty-fourth Report on Action Taken by Government on the recommendations contained in the Nineteenth Report of the Standing Committee on Petroleum and Chemicals (1995-96) (Tenth Lok Sabha) on 'Demands for Grants of the Ministry of Chemicals & Fertilisers, Department of Chemicals and Petrochemicals for the year 1995-96'.

2. The Nineteenth Report of the Committee was presented to Lok Sabha on 2nd May, 1995. Replies of the Government to all the recommendations contained in the Report were received on 6th November, 1995.

3. The replies of the Government were considered by the Committee on 16th November, 1995. The Committee considered and adopted the Report at their sitting held on 16th November, 1995.

4. An analysis of action taken by the Government on the recommendations contained in the Nineteenth Report (1995-96) of the Committee is given in Appendix II.

NEW DELHI;
November 25, 1995
Agrahayana 4, 1917 (Saka)

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

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Nineteenth Report (1995-96) (Tenth Lok Sabha) of the Standing Committee on Petroleum and Chemicals on 'Demands for Grants of the Ministry of Chemicals & Fertilizers, Deptt. of Chemicals and Petrochemicals for the year 1995-96', presented to Lok Sabha on 2nd May, 1995.

2. Action Taken notes have been received from the Government in respect of all the 11 recommendations contained in the Report. These have been categorised as follows :—

- (i) Recommendations/observations which have been accepted by the Government
Sl. Nos. 1, 2, 4 to 9 and 11
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government reply.
NIL
- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee.
NIL
- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited.
Sl. Nos. 3 and 10

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

4. The Committee will ~~not~~^{now} deal with the action taken by the Government on some of their recommendations.

A. Manpower Strength

Recommendation Sl. No. 3 (Para No. 19)

5. In the context of increase in manpower strength of the Ministry and the resultant increase in salary etc., the Committee had recommended in April, 1994 that for determining the actual manpower requirements of the Ministry, a scientific study should be conducted. In pursuance of the Committee's recommendations, the Ministry had entrusted this job to Ministry of Finance. (Staff Inspection Unit). The Committee had recommended for completing this study at the earliest.

6. In their reply the Ministry have stated that the study in the Ministry of Finance is still in progress.

7. The Committee regret to note that the Ministry of Finance have taken over a year to conduct the manpower study of Deptt. of Chemicals and Petro-chemicals. They (the Committee) desire that the Ministry of Finance should be asked to expedite this study. Needless to emphasise that prompt action would thereafter be taken by the Deptt. to implement the recommendations of the Study Team.

B. Bhopal Gas Tragedy

Recommendation Sl. No. 5 (Para No. 34)

8. The Committee had examined the details of the relief to the victims of the Bhopal Gas Tragedy and found that even after a decade of the tragedy, the relief had not been provided or disbursed to all the affected families. Out of the 16,709 death cases, awards were passed in 7968 cases only. Similarly out of 6 lakh injury cases, awards were passed in 1.5 lakh cases only. Some of the courts could not function due to lack of requisite number of judges. In terms of Money, out of Rs. 1500 crores, awards had been passed for about Rs. 500 crores. The Committee had recommended that Govt. should take up the matter with Madhya Pradesh Govt./Welfare Commissioner at the appropriate level so as to avoid further delay in disbursing the relief to the victims and settling the pending cases within the stipulated period.

9. The Ministry in their reply have stated that though Bhopal Gas leakage disaster took place in December, 1984, the compensation amount was transferred by the Supreme Court of India to the Welfare Commissioner only in October, 1992 for disbursement to the victims. Out of a total number of 15310 death cases and 491047 injury cases, 13813 death cases and 204424 injury cases were decided on 14.7.95 respectively. Thus a total number of 218237 cases have been decided resulting in award of a total compensation of Rs. 601.54 crores. Of these 88,150 cases have been disposed of since January, 95. Efforts are being made by the Welfare Commissioner's organisation to dispose of the remaining claim cases as early as possible. The Govt. is closely monitoring the disposal of cases and having regular interaction with the Welfare Commissioner to remove any impediments that he may be facing in the disposal of cases. This matter had also been brought to the notice of the Govt. of Madhya Pradesh and office of Welfare Commissioner for necessary action.

10. The Committee note that in pursuance of their recommendation, cases have begun to be disposed of and award to the victims is being expedited. Since January, 1995 as many as 88,150 cases have been disposed of. Still over two lakh injury cases and 1500 death cases are yet to be settled. The Committee desire that the momentum gained for settlement of the pending cases, should be further expedited.

C. Revival of Indian Drugs & Pharmaceuticals Ltd. (IDPL)
Recommendation Sl. No. 10 (Para No. 62)

11. The Committee had noted that IDPL which was the first Public Sector Undertaking (PSU) cleared by the Board of Industrial and Financial Reconstruction (BIFR) for revival had failed to come up to the expectations. The production and sales achievements were below, the target set in the revival package. During 1994-95, i.e. first year of implementation of revival package, against the production target of Rs. 328 crores, the actual production was Rs. 215.39 and as against the target of sales of Rs. 306 crores, the achievement was Rs. 195 crores only. The Secretary stated that the targets were unrealistic and they proposed to review the revival package by placing the matter before the Group of Ministers. The Committee also observed that there was something very serious about the working of Indian Drugs and Pharmaceuticals Ltd. They, therefore, recommended that the Government should examine whether the management of the company failed to implement the revival package as was in the case of Smith Stanistreet Pharmaceuticals Ltd., and in case it was so, stern action must be taken by the Government against the guilty.

12. The Ministry in their reply have brought out that the performance of IDPL in 1994-95 was short of the targets envisaged in the revival plan. However, IDPL could still achieve a significant growth in production and sales as compared to those for the year 1993-94. The value of production in 1994-95 was Rs. 199.23 crores as against that of Rs. 165.02 crores in 1993-94. The sales were of the value of Rs. 183.03 crores as against Rs. 157.72 crs. for the year 1993-94. The estimated net loss in the year 1994-95 is Rs. 69.93 crores as against that of Rs. 69.64 crores for the year 1993-94. In the Rishikesh Plant, IDPL could achieve significant improvement in the production of Penicillin-G. The production was 588 MMU as against 447 MMU during 1993-94.

13. The Committee regret to note that even after six months of presentation of their Report, no concrete action has been taken by the Ministry in regard to their specific recommendation for examining whether the management of IDPL failed to implement the revival package considering the importance of this premier organisation, The Committee once again strongly reiterate that failure of management in implementation of revival package of IDPL should be examined at the earliest and Government should not hesitate in taking stern action against the guilty. The Committee also desire that they should be apprised of the action taken in this regard.

D. Sickness in Public Sector Undertakings (PSUs)
Recommendation Sl. No. 11 (Para No. 63)

14. In the context of sickness of PSUs, the Committee had recommended that complaints, corruption charges, mismanagement etc. against the top

officials of PSUs should be got investigated through CBI/Vigilance Commission and stern action must be taken in this regard.

15. In their reply the Ministry have stated that the recommendations of the Committee would be kept in view while taking action on complaints of corruption, mismanagement or failure on the part of the top management of these PSUs.

16. **The Committee find Ministry's reply ambiguous as there is no mention as to whether presently there are some complaints pending against the management of PSUs. The Committee would like a specific reply in this regard including the action taken on such complaints.**

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT.

Recommendation Sl. No. 1 (Para No. 9)

The Committee regret to note that the Annual Plan outlay of the Deptt. have not been utilised in any of the first 3 years of the 8th plan. All annual plans during 8th plan period so far have been revised downward considerably and the actual expenditure have been far below the revised plans. For instance as against the budgeted plan outlay of Rs. 762 crores for 1992-93, the revised outlay and actual utilisation was Rs. 537 crores and Rs. 320 crores respectively.

Reply of Government

This is a factual statement.

[Ministry of Chemicals & Fertilizers) (Department of Chemicals & Petrochemicals) O.M.No. 16(6)/94-Fin. Dated 2nd November, 1995].

Recommendation Sl. No. 2 (Para No. 10)

Similarly as against the budgeted plan outlay of Rs. 1205 crores for 1993-94, the revised and actual expenditure were Rs. 683 crores and Rs. 399 crores respectively. The figures for 1994-95 also repeats the same sad state of affairs as the expenditure would be about Rs. 450 crores against the original plan outlay of Rs. 936 crores. According to the Ministry, environment clearance, non-availability of right type of technologies are the main reasons for low utilisation of funds. Reportedly due to change in Government policies and the duty structure, the profitability of major PSUs as well as their ability to raise funds from the market has been severely affected. In Committee's view, the Government should be able to anticipate all such factors as the time of finalisation of Annual Plans and once there are finalised/approved, these should be meticulously implemented so that desired results are achieved in time.

Reply of Government

The major portion of plan outlay are shared by the IPCL, PCL and HOCL. The capital investment plan of these PSUs are based on the assumption that the requisite funds will be generated through their business operation and no budgetary support from the Government is envisaged. Any shortfall in their earnings will affect their capital outlay.

The actual expenditure on capital plans against budgeted plan outlay for the years 1992-93, 1993-94 and 1994-95 in respect of IPCL, PCL and HOCL is as under :

	(Rs. in crores)								
	1992-93			1993-94			1994-95		
	BE	RE	Actual Exp.	BE	RE	Actual Exp.	BE	RE	Actual Exp.
IPCL	553	370	191	972	503	287	730	622	422
PCL	79.30	79.30	65.65	80.34	60.38	36.56	43.50	21.04	17.10
HOCL	85.00	57.00	45.00	100.00	60.00	42.09	90.00	90.00	52.45

The lower expenditure on capital plans in IPCL has been on account of substantial decrease in the internal accruals on account of increase in input prices of the feed-stock and heavy recession in the petrochemicals sector. In addition, there was dumping of product by international manufacturers supported by low tariff and misuse of VABAL scheme. PCL has since taken corrective action by making realistic projects based on number of milestones to be achieved and the progress monitored accordingly.

In respect of PCL, the shortfall in expenditure has been mainly on account of delay in environmental clearance for the project. In addition, there has been delay in commissioning of Polyester Expansion project and Spandex project on account of late receipt of critical equipment and delay in finalising the contractual arrangements. The geo-textile project is not likely to materialise during the 8th Five Year Plan period on account of steep decline in the internal accrual of the society, which will result in reduction of capital expenditure to the extent of Rs. 90 crores for the period 1992-97.

In HOCL the major part of the expenditure envisaged in the original 8th Plan was to be incurred towards TDI/MDI Rs. 250 crores, Phenol expansion Rs. 50 crores, Chloroform Rs. 30 crores. While in respect of MDI, the company could not succeed in getting technology, in respect of Chloroform, detailed viability calculations revealed that the project would not be viable. As regards phenol expansion, since the technology supplier of the existing plant felt that a revamp study of the existing capacity was necessary before taking up expansion, the expenditure envisaged initially in the first three years of the plan period in respect of this project has not materialised.

[Ministry of Chemicals & Fertilizers) (Deptt. of Chemicals & Petrochemicals)
O.M. No. A-20011/6/94 Estt. Dated 2nd November, 1995]

Recommendation Sl. No. 4 (Para No. 22)

The Committee regret to note that as against Rs. 23 crores budget for 1994-95 the Institute could spend only Rs. 8.50 crores. Due to tardy pace of

work Institute could get only Rs. 4 crores out of the proposed assistance of Rs. 17 crores from the World Bank. The Ministry has stated that main reason for non-utilisation of earmarked funds were delay in finalisation of bids and opening of letter of credit. The Committee would like the Ministry to ensure that project is completed in the stipulated time and cost estimates so that World Bank grant is utilised fully. The Committee hope that funds of the order of Rs. 16 crores allocated for 1995-96 will be utilised fully.

Reply of Government

CIPET could not utilise the amount of Rs. 17 crores earmarked under the World Bank assistance during 1994-95 on account of time taken in the finalisation of international bids for the procurement of equipments and opening of letter of credit. The purchase of equipments through international competitive bidding requires systematic procedure to be followed which takes about 7 months time from the date of issue of bid documents to the newspapers upto acceptance of offer. Subsequently, another 4-6 months is required by the party to fabricate/manufacture and supply of equipments. The equipments being imported under the World Bank assistance are committed through opening of letter of credit and the same money can not be claimed or reimbursed by the World Bank unless the equipment is supplied, installed and commissioned. Moreover, during the process changes/modifications may be required as per the directive of the World Bank and approval obtained for the same.

The CIPET has stated that they are now familiar with the purchase procedure and other rules of the World Bank which may enable them to accelerate the process of purchase and thereby spend the money in the coming years. They have further stated that they will spend the entire money within the project period.

Against a provision of Rs. 16 crores for the capital plan of CIPET during 1995-96, Rs. 11.5 crores is earmarked for purchase of equipments under the World Bank assistance. The CIPET is likely to utilise this amount during 1995-96.

[Ministry of Chemicals & Fertilizers) (Department of Chemicals & Petrochemicals) O.M. No. 16(6)/94-Fin. Dated 2nd November, 1995]

Recommendation Sl. No. 5 (Para No. 34)

The Committee's Examination of the Details about the relief to the victims of the Bhopal Gas Tragedy has revealed that even a decade after the Tragedy the Relief has not been provided/distribution to all affected families/persons. Out of the 16,709 death cases, awards have been passed in 7968 cases. Similarly out of about 6 lakh injury cases awards have been passed in 1.5 lakh cases only. some of the courts could not function due to lack of requisite

number of judges. In terms of money out of Rs. 1500 crores, awards have been passed for about Rs. 500 crores (Rs. 65 crores for death cases, and Rs 432 crores for injury cases). The committee once again urge upon the Government to take up the matter with madhya pradesh government/ welfare commissioner at the appropriate level so that there is no further delay in disbursing the relief to the victims and pending cases of victims for relief are settled positively within the stipulated period. In this connection the committee also reiterate their recommendations made in their report.

Reply of Government

Though Bhopal gas leakage disaster took place in December, 1984 the compensation amount was transferred by the Supreme Court of India to the Welfare Commissioner only in October, 1992 for disbursement to the victims.

The progress of adjudication of compensation claims which was slow in the initial stages, has now improved considerably. Out of a total number of 15310 death cases, 13813 cases were decided as on 14.7.1995. Similarly, out of 4,91,047 injury cases, 2,04,424 cases were decided on that date. Thus a total number of 2,18,237 cases have been decided resulting in award of a total compensation of Rs. 601.54 crores. Of these, 88,150 cases have been disposed of since January, 1995. Efforts are being made by the Welfare Commissioner's organisation to dispose of the remaining claim cases as early as possible.

The Government is closely monitoring the disposal of cases and having regular interaction with the Welfare Commissioner to remove any impediments that he may be facing in the disposal of cases.

The recommendation of the Committee has also been brought to the notice of the Government of Madhya Pradesh and Office of the Welfare Commissioner for necessary action.

[M/o Chemical and Fertilizers, Department of Chemicals & Petrochemical
U.O. No. 16/6/94-Fin. Dated 2nd November, 1995]

Comments of the Committee

Please See Para 10 of Chapter I of the Report.

Recommendation Sl. No. 6 (Para No. 35

The Committee are happy to note that the Government has decided to set up a 500 bed referral Hospital at Bhopal with All Modern Facilities. The land for this Project has been given by the Madhya Pradesh Government. The Committee desire that Government should take all possible measures to get the plans cleared from the concerned authorities and construct the Hospital in time

bound schedule. Needless to emphasise that Hospital would give utmost priority to victims of Gas Tragedy and also carry out necessary research for the possible diseases in the coming years.

Reply of Government

Having regard to the availability of funds, and the need to provide the specialised medical facilities at this hospital, the present proposal is to construct a 260 bed hospital. The hospital would be modular in nature and extra beds will be added as and when additional funds are available.

M/s. Hospital Services Consultancy Corporation, a Public Sector Company under the Ministry of Health and Family Welfare, have been selected as Prime Consultant for planning, designing, supervising the construction and equipping the hospital. The Prime Consultant has completed the site survey and got the architectural design etc. approved by the Bhopal Municipal Corporation. Tenders for civil works for hospital and residential complex were approved and contracts for the civil construction works have been awarded. The actual construction works at the site has commenced in September, 1995. The progress in the matter is reviewed by the Empowered Committee in this Department in its periodical meetings.

[Ministry of Chemicals & Fertilizers, D/o Chemicals & Petrochemicals U.O., No. 16/6/94-Fin. Dated 2nd November, 1995]

Recommendation Sl. No. 7 (Para No. 39)

The Committee note that owing to various disadvantages of setting up of Assam Gas Cracker Project at the cost of over Rs. 3000 crores in Assam, the Government would give one time capital subsidy of Rs. 377 crores. The Government would also give associated gas at a fixed price for 15 years. Out of Rs. 377 crores, the Ministry has made a provision of Rs. 75 crores for the years 1995-96. Since the project is likely to be completed in years time, the Committee would like the Ministry to release the money in some instalments after ensuring the progress of the project.

Reply of Government

The recommendation has been noted for compliance by the Department of Chemicals and Petrochemicals.

[Ministry of Chemicals & Fertilizers) (Department of Chemicals & Petrochemicals) O.M.No. 16/6/94-Fin. Dated : 2nd November, 1995]

Recommendation Sl. No. 8 (Para No. 60)

The Committee find that quantum of investment and loans to PSUs has declined to Rs. 19.92 crores in 1995-96 from Rs. 40.34 crores in 1994-95. The Committee view this shortfall with concern as four PSUs under the Ministry viz. IDPL, BIL, SSPL and BCPL are implementing the revival packages after these have been approved by BIFR. Even through the Ministry has stated that provision of necessary funds in the Budget for 1995-96 has been made in accordance with the requirements projected in the approved revival packages, the Committee would, however, like the Ministry to ensure that revival packages of PSUs do not suffer on account of shortage of funds.

Reply of Government

The position, company-wise, is explained below :

Indian Drugs & Pharmaceuticals Limited (IDPL)

In the revival plan, which was approved by the BIFR on the 10th February, 1994, a total sum of Rs. 46.05 crores was envisaged as Non-Plan working capital assistance in two years i.e. 1993-94 and 1994-95. The plan fund support envisaged was Rs. 7.89 crores over a period of three years from 1993-94 to 1995-96. In addition, a sum of Rs. 66 crores as Grant-in-Aid from the NRF, over a period of two years, i.e. 1993-94 and 1994-95 was envisaged on account of the cost of implementation of the Voluntary Retirement Scheme. According to the existing plan no non-plan support in 1995-96 was envisaged from the promoters. The plan support in the form of Equity and Loan was envisaged at Rs. 1.32 crores and Rs. 1.31 crores respectively.

2. In terms of the existing revival package, an Equity support (investment) of Rs. 1.32 crores and a provision of Plan Loan of Rs. 1.31 crores has been made in the Budget for 1995-96. In addition, a provision of Rs. 5 crores as a bridge loan on account of plan expenditure has also been made. In the year 1994-95 also, a sum of Rs. 5 crores was provided to IDPL as a bridge loan on account of capital expenditure.

3. Out of the total estimated expenditure of Rs. 31.06 crores on account of capital expenditure, as envisaged in the existing revival plan, a major part amounting to Rs. 23.17 crores is supposed to be met through generation of funds from sale of land/surplus equipment/internal accruals. The generation of internal resources did not materialise in 1994-95 and therefore, the additional amount of Rs. 5 crores as bridge loan was made available to IDPL. Similarly, a provision of Rs. 5 crores has been made in the Budget for 1995-96 and this has also been released to IDPL as a bridge loan. As of now, there is no major problem envisaged in the Plan capital expenditure.

4. A sum of Rs. 4 crores as Non-Plan support, although not envisaged in the existing revival plan, has been released to the company during 1995-96. Additional requirements, if any, would be considered and projected in the revised estimates for 1995-96.

Bengal Chemical & Pharmaceuticals Limited (BCPL)

5. In terms of the revival package, approved by the BIFR on the 28th March, 1995 and formally sanctioned on the 4th April, 1995, a total sum of Rs. 8.60 crores is envisaged as fresh assistance from the Government, as detailed below :-

Years	Plan		Non-Plan loan	Grant-in-Aid (VRS)	Total
	Equity	Loan			
1994-95	0.50	0.50	3.10	4.00	8.10
1995-96	0.25	0.25	NIL	NIL	0.50
					8.60

6. As against the above requirements, the provision made and actual releases in 1994-95 and 1995-96 (upto 31/10/95) are as under :-

Years	Plan		Non-Plan Loan	Grant-in-Aid (VRS)	Total
	Equity	Loan			
1994-95	0.50	0.50	3.10	2.50*	6.60
1995-96 (prov.)	0.50	0.50	2.10	1.50	4.60
1995-96 Actual Release upto 31/10	0.15	0.15	2.00	NIL	2.30

* The Grant-in-Aid of Rs. 2.50 crores was released taking the utilisation into account. The balance requirements has been provided in 1995-96.

7. As may be seen, a provision of Rs. 2.10 crs. has been made as Non-Plan working capital support in 1995-96, although no support was envisaged in the BIFR approved package. However, in terms of the overall conditions of the approved package, the said provision of Rs. 2.10 crores as Non-Plan loan was made. The current indications are that BCPL may need only a marginally higher amount than that provided for in the Budget for 1995-96. The additional requirements estimated at Rs. 45 lakhs, can be considered and provided in the Revised Estimates or 1995-96.

Bengal Immunity Limited (BIL)

8. The revival package approved and sanctioned by the BIFR on the 3rd January, 1995, envisages the following fresh financial assistance from the Government :-

(Rs./Crores)

Years	Plan		Non-Plan Loan	Grant-in-Aid (VRS)	Total
	Equity	Loan			
1994-95	0.25	0.25	4.37	1.00	5.87
1995-96	0.25	0.25	0.29	1.00	1.79
1996-97	0.50	0.50	NIL	NIL	1.00
					8.66

9. As against the above requirements, the provision made and the actual releases in 1994-95 and upto 31/10/95 are as under :-

(Rs./Crores)

Years	Plan		Non-Plan Loan	Grant-in-Aid (VRS)	Total
	Equity	Loan			
1994-95	0.25	0.25	4.37	1.00	5.87
1995-96 (Prov).	0.50	0.50	2.29	0.50	3.79
1995-96 (Actual releases upto 31/10/95)	0.20	0.20	1.50	NIL	1.90

10. As may be seen, a provision of Rs. 2.29 crs. as Non-plan working capital support has been made in 1995-96, although the assistance envisaged, as per the BIFR approved package, was Rs. 0.29 crores. The provision on account of Non-Plan support in the Budget has been made in keeping the overall conditions of the approved package. The current indications are that the company may need additional support which would be projected in the Revised Estimates for 1995-95.

Smith Staninstreet Pharma Ceuticals Limited (SSP)

11. The revival package, approved, by the BIFR on the 31st August, 1994, envisaged the following financial support from the promoters (Government of India) :—

Years	Plan		Non-Plan Loan	Grant-in- Aid (VRS)	Total
	Equity	Loan			
1994-95	NIL	NIL	3.82	1.00	4.82
1995-96	NIL	NIL	0.22	0.60	0.82
					5.64

The plan also envisaged a capital expenditure of Rs. 1.12 crores to be funded by a term loan from the IRBI, Calcutta.

12. As against the above requirements of fund from the Government, the provisions made, actual releases in the year 1994-95 and 1995-96 are as under:-

Years	Plan		Non-Plan Loan	Grant-in- Aid (VRS)	Total
	Equity	Loan			
1994-95	NIL	NIL	3.82	0.50*	4.32
1995-96 (Prov.)	0.50	0.50	2.22	0.50	3.72
1995-96 (Actual releases upto 31/10/95)	NIL	NIL	1.50	NIL	1.50

* This amount was released taking the utilisation into account. The balance requirement has been provided for in 1995-96.

13. As may be seen, the capital expenditure is proposed to be financed through a term loan from a Financial Institution (IRBI, Calcutta). Although a marginal Non-Plan support of Rs. 0.22 crores was envisaged in 1995-96 from the Government, an additional provision of Rs. 2 crores has been made. The current indications are that the company may need further support, which would be projected in the Revised Estimates for 1995-96.

14. In the existing Demands for Grants for 1995-96, a lump-sum provision of Rs. 10 crores has been made in addition to the company-wise requirements, as per the existing revival packages, as Loans and Advances under Major Head "6857". This amount has since been allocated to the four sick PSUs, namely, IDPL (Rs. 4 crores), BCPL (Rs. 2 crores), BIL

(Rs. 2 crores) and SSPL (Rs. 2 crores). Therefore, the Budget provisions for 1995-96 on account of non-plan support has been shown after taking this allocation into consideration.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16 (6)/94-Fin. Dated : 2nd November, 1995]

Recommendation Sl. No. 9 (Para No. 61)

In regard to the impact of revival package, the Secretary (C&PC) informed the Committee that it was a mixed one. There was success in case of Bengal Chemicals Ltd., Bengal Immunity Ltd., while it failed in case of SSPL and IDPL. In case of SSPL, it was a management failure and MD had to be removed and efforts were now being made to appoint a new MD to implement the revival package.

Reply of Government

The current charge of the post of Managing Director, SSPL was entrusted to Shri P. Roy, Managing Director, Bengal Chemicals & Pharmaceuticals Ltd., Calcutta (BCPL) since the 28th February, 1995 afternoon. On the basis of the recommendations of the Public Enterprises Selection Board (PESB), a proposal for appointment of a regular incumbent was made. With the approval of the Central Government, orders for appointment of Shri A. K. Mallik to the post of Managing Director, SSPL have been issued on the 28th August, 1995. Shri Mallik has taken over the charge on 11/10/1995.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16 (6)/94-Fin. Dated : 2nd November, 1995]

Recommendation Sl. No. . 11 (Para No. 63)

In the context of sickness of PSUs the Committee also desire that complaints/charges of corruption, mismanagement etc. against the top official of these PSUs should be got investigated through CBI/Vigilance Commission and stern action be taken against the delinquent officials. This will ensure a clean and efficient management and would definitely have the moral support of the workers. Needless to emphasize healthy industrial relations holds key to success of any industrial concern. The Committee accordingly desire that all out efforts should be taken to inspire confidence amongst workers and thus restore such congenial climate to achieve the desired results.

Reply of Government

The recommendations of the Committee would be kept in view while taking action on complaints of corruption/ mis-mangement or failure on the part of the top management of these PSUs.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16 (6)\94-Fin Dated : 2nd November, 1995]

Comments of the Committee

Please *See* Para 16 of Chapter I of the Report.

CHAPTER III

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

- NIL -

CHAPTER IV

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

- NIL -

CHAPTER V

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

Recommendation Sl. No. 3 (Para No. 19)

The Committee find that the expenditure under the Secretariat Services has increased sharply from Rs. 1.45 crores in 1993-94 to Rs. 2.60 crores in 1995-96. The increase is mainly on account of salary which increased due to rise in manpower strength of the Deptt. from 188 to 287 in 1994 and further to 327 in 1995. The Deptt. has informed the Committee that increase in staff is on account of transfer 113 posts from DGTD as part of an overall decision of the Government. The Committee note with satisfaction that in pursuance the recommendation made last year the Ministry has entrusted a manpower study to Ministry of Finance (Staff Inspection Unit). The Committee would like the Ministry to have the study completed at the earliest with a view to reationalise the staff deployment in the Ministry.

Reply of Government

The manpower study for the Department of Chemicals and Petrochemicals, undertaken by the Ministry of Finance (Staff Inspection Unit), is in progress. The Ministry of Finance was provided with requisite information/data as desired by them. Subsequently, additional information/data was also furnished to them. The SIU is likely to undertake on the spot study during November, 1995.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. A-20011/6/9-Estt. Dated : 2nd November, 1995]

Comments of the Committee

Please See Para 7 of chapter I of the Report.

Recommendation Sl. No. 10 (Para No. 62)

The Committee are distressed to note that IDPL, which was the first PSU to be cleared by BIFR for revival and which as such was supposed to be the model has failed to come up to the expectations. The production and sales achievements are far below the target set in the Revival Package. During 1994-95, i.e. first year of implementation of revival package against the production target of Rs. 328 crores, the actual production was worth RS. 215.39 crores.

Similarly as against the target of sales of Rs. 306 crores, the achievement was Rs. 195 crores only. According to the Secretary, the targets were unrealistic one and they propose to review the revival package by placing the matter before group of Ministers. After having accepted the targets and giving a different explanation at a much later stage does not give a good account of a big PSU like IDPL. In Committee's view there seems to be something very serious about the working of IDPL. They, therefore, recommend that the Government should examine whether the management of the company failed to implement the revival package as was the case in SSPL. In case it was found so, the Government should not hesitate in taking stern action against the guilty.

Reply of Government

The performance of IDPL in 1994-95 was short of the targets envisaged in the revival plan. However, IDPL could still achieve a significant growth in production and sales as compared to those of the year 1993-94. The value of production in 1994-95 was Rs. 199.23 crores as against that of Rs. 165.02 crores of 1993-94. The sales were of the value of Rs. 183.03 crs. as against Rs. 157.72 crs. of the year 1993-94. The estimated net loss in the year 1994-95 is Rs. 69.93 crs. as against that of Rs. 69.64 crores of the year 1993-94. In the Rishikesh Plant, IDPL could achieve significant improvement in the production of Penicillin-G. The production was 588 MMU as against 447 MMU of 1993-94.

2. The reasons advanced by the management are mainly the constraints of working capital, availability of cheaper imported bulk drugs, unremunerative prices, non-availability of the support from the bankers, etc. The IDPL management has, keeping the experience of the operations in 1994-95, proposed modifications in the existing package. These modifications are presently under examination of the Government. The matter is being placed before the Group of Ministers (GOM) for a decision. The extent of inadequacies in the managerial inputs and failures on the part of the existing management, would also be looked into and such modifications and changes, as are necessary, will be effected.

[Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals O.M. No. 16 (6)\94-Fin.]

Comments of the Committee

Please See Para 13 of Chapter I of the Report

NEW DELHI;
November 25, 1995
Agrahayana 4, 1917 (Saka)

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

APPENDIX I

MINUTES

STANDING COMMITTEE ON PETROLEUM & CHEMICALS

(1995-96)

Seventeen Sitting

(16.11.1995)

The Committee sat from 1100 to 1130 hrs.

PRESENT

Shri Sriballav Panigrahi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Barelal Jatav
3. Shri Sant Ram Singla
4. Shri C. P. Mudalagriyappa
5. Shri Arvind Tulshiram Kamble
6. Smt. Suryakanta Patil
7. Shri Gopi Nath Gajapathi
8. Shri Janardan Prasad Mishra
9. Shri Kashiram Rana
10. Shri Somabhai Patel
11. Shri Devendra Prasad Yadav
12. Dr. Asim Bala

Rajya Sabha

13. Shri Lakkhiram Agarwal
14. Shri Mohd Masud Khan
15. Shri Pasumpon Tha. Kiruttinan
16. Shri Yerra Narayanaswamy

17. Shri Ramji Lal
18. Shri Dineshbhai Trivedi

SECRETARIAT

1. Shri G. R. Juneja — *Deputy Secretary*
2. Shri Brahm Dutt — *Under Secretary*

The Committee considered the following Draft Reports on:

(i) Action taken by Government on the recommendations of the Committee contained in their 18th Report on 'Demands for Grants relating to Ministry of Chemicals & Fertilisers, Deptt. of Fertilisers for the year 1995-96';

(ii) Action taken by Government on the recommendations of the Committee contained in their 19th Report on 'Demands for Grants relating to Ministry of Chemicals and Fertilizers, Deptt. of Chemicals and Petro-chemicals for the year 1995-96'. After some discussion the Committee adopted the draft reports with some verbal changes.

2. The Committee also authorised the Chairman to finalise the reports after factual verification by the concerned Departments and present the same to the Parliament.

The Committee then adjourned.

APPENDIX II

(Vide Para 4 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the Nineteenth Report of the Standing Committee on Petroleum and Chemicals (Tenth Lok Sabha) on 'Demands for Grants 1995-96' relating to Ministry of Chemicals & Fertilisers, Department of Chemicals & Petro-Chemicals.

I	Total number of recommendations	11
II	Recommendations that have been accepted by the Government (Vide Recommendation at Sl. Nos. 1,2, 4 to 9 and 11). Percentage to Total	9 81.81%
III	Recommendation which the Committee do not desire to pursue in view of Government's reply.	NIL
IV	Recommendations in respect of which replies of Government have not been accepted by the Committee	NIL
V	Recommendations in respect of which final replies of Government are still awaited (Vide Recommendation at Sl. Nos. 3 and 10) Percentage to Total	2 18.18%