

**COMMITTEE ON PUBLIC UNDERTAKINGS
(1968-69)**

(FOURTH LOK SABHA)

THIRTIETH REPORT

**Action taken by Government on the Recommendations
contained in the 22nd Report of the Committee on
Public Undertakings (Third Lok Sabha)**

INDIAN DRUGS AND PHARMACEUTICALS LTD.

**(MINISTRY OF PETROLEUM & CHEMICALS
AND MINES & METALS)**

(DEPARTMENT OF CHEMICALS)



**LOK SABHA SECRETARIAT
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CONTENTS

CHAPTER :

	PAGE
COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69)	iii
INTRODUCTION	v
I Report	1
II Recommendations that have been accepted by Government	2
III Recommendations which the Committee do not desire to pursue in view of Government's reply	23
IV Recommendations in respect of which replies of Government have not been accepted by the Committee	30
V Recommendations in respect of which replies of Government are still awaited	34

APPENDICES :

I Copy of the correspondence between the Secretary, Ministry of Finance and Secretary, Ministry of Petroleum and Chemicals relating to revised procedure for approval of Central Projects including sanction of estimates ..	35
II A note containing the main features of the Marketing Organisation set up by the Indian Drugs & Pharmaceut icals Ltd	41
III A note on the Research & Development in Indian Drugs & Pharmaceuticals Ltd ..	42
IV Extracts of a letter from the Haffkine Institute regarding availability and suitability of the glandular raw materials from slaughter houses	46
V Analysis of the action taken by Government on the recommendations contained in the Twenty- Second Report of the Committee on Public Undertakings (Third Lok Sabha)	48

COMMITTEE ON PUBLIC UNDERTAKINGS

(1968-69)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Thirtieth Report on the action taken by Government on the recommendations contained in the Twenty-second Report of the Committee on Public Undertakings (Third Lok Sabha) on Indian Drugs and Pharmaceuticals Ltd.

2. The twenty-second Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 29th March, 1966. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 2nd September, 1967. Further clarification in respect of certain recommendations was called for from the Government on the 13th December, 1967 and replies thereto were received on the 16th February, and 8th March, 1968. The replies of Government to the recommendations contained in the aforesaid Report were considered by the Committee on the 17th December, 1968 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

3. The Report has been divided into the following five chapters :

- I. Report.
- II. Recommendations that have been accepted by Government.
- III. Recommendations which the Committee do not desire to pursue in view of the Government's reply.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.
- V. Recommendations in respect of which replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Twenty-second Report of the Committee is given in Appendix V. It would be observed, therefrom that out of 58 recommendations made in the report 74.14 per cent have been accepted by Government. The Committee do not desire to pursue 17.24 per cent of the recommendations in view of Government's reply. Replies of Government in respect of 8.62 per cent of the recommendations have not been accepted by the Committee.

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
February 17, 1969
Magha 28, 1890(S)

CHAPTER I

REPORT

The Committee are not satisfied with the replies furnished by Government to recommendations at Serial Nos. 8, 30, 34, 39 and 41 (Paras 28, 70, 80, 96 and 107 of the Twenty-Second Report). These have been included in Chapter IV of the Report.

Since the Indian Drugs and Pharmaceuticals Ltd. is again being examined by the Committee this year, they would like to pursue these matters during the course of their current examination of I.D.P.L.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee regret to observe that it took the Government ten years to put through proposals for establishment of the projects which were thought of in 1956 for inclusion in the Second Five Year Plan. The Projects were thought of because pharmaceutical factories in India were producing only negligible quantities of drugs. Most of these factories processed the drugs imported from abroad. Apart from the heavy drain of foreign exchange for their import, these drugs were costly and the availability was limited owing to import restrictions. The position was aggravated by the fact that the biggest plants depended for raw materials on foreign firms, who used their monopoly position to maintain high selling prices. It was with a view to get over these difficulties and make available drugs and Surgical Instruments on a mass scale that the establishment of these projects was thought of (Paragraph 9).

Reply of Government

The observation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 3)

To eliminate the possibility of preparation of wrong estimates on the basis of which projects are sanctioned, it would be better for the Government to supply all relevant data relating to availability and cost of raw materials, labour, fuel, power, overheads etc., so that the collaborating foreign party can work out exact figures of the cost of the projects and the costs of production. Unless these figures are available, it would be difficult to form an exact idea of the economics of a plant and its profitability. Such figures, if included in the Detailed Project Report would also provide the Government a yardstick with which to measure the actual performance. Such an estimate made by one with actual experience in the field and based on figures of the actual operation costs in his own country would be more useful and accurate than the one framed later by persons who have no experience of the line. The foreign collaborators in future should be persuaded to include estimates of the cost of a project and the costs of production in the Detailed Project Report. (Paragraph 15).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 4)

Based on the meagre data, Government had proceeded with the Phyto-chemical Project incurring a loss of Rs. 33.02 lakhs (out of which Kerala Government's share was Rs. 19.96 lakhs), before the Project was abandoned as an unworkable proposition. In other three projects also, the assumptions in regard to cost of raw materials etc. have not proved accurate resulting in higher costs of production and less profitability than originally assumed. It is essential that thorough realistic feasibility studies should be made so that Government is not ultimately burdened with a project which is not economically viable. (Paragraph 16).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 5)

The Detailed Project Report should have included the time schedule; but if for any reason, these were not included, the Company should have the same immediately prepared. Delay in this regard is apt to conceal any avoidable procrastination on the part of construction agencies, including suppliers of working drawings, equipment etc. (Paragraph 17).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 6)

The Committee cannot appreciate the reason given by the IDPL that the Project estimates of 1961 were based on inadequate data. The estimates were prepared by the IDPL itself and such items like deputation of Soviet Experts and training of Indian technicians in Russia should not have been left out. Such unrealistic estimates tend to give a distorted picture of the Project and make it difficult for Government to apportion the Plan expenditure particularly when variations in estimates occur to the extent of over 58 per cent. The Committee regret to note the preparation of such unrealistic estimates. The Committee would draw the attention of the Government

to their suggestions in the Thirteenth Report of the Committee on Management and Administration of Public Undertakings (para 149-150). They would add that the source material for the relevant data on which estimates are prepared should also be indicated so that in case variations occur later, the exact reasons can be pin-pointed. (Paragraph 21).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 7)

There has been considerable delay in the preparation and sanctioning of the projects estimates. Estimates should be prepared in time and sent to Government for approval before the expenditure is actually incurred. "Estimates" should be understood in its literal sense and should not be equated to actuals after the money has been spent. The Government should also on their part ensure that there is no avoidable delay by the undertaking or the Ministry in attending to them. Delays in preparing and sanctioning of estimates have been noticed in other Undertakings also (*e.g.* the Indian Oil Corporation and the Hindustan Steel Ltd.). The Government should lay down clear instructions in this regard.

The sanctioning of estimates is an inviolable part of financial control and sanction should invariably precede the expenditure and not follow it. As for the present case, the Board of Directors of the IDPL should finalise the estimates and send them to Government for approval if it has not already been done. (Paragraphs 23 and 24).

Reply of Government

The revised project estimates have since been received and approved by Government on the 30th October, 1966.

A revised procedure for approval of central projects including sanction of estimates has since been prescribed by the Ministry of Finance *vide* D.O. letter No. 3213-S(PF)/67 dated the 5th August 1967 from Secretary, Ministry of Finance. (Copy enclosed). [Appendix I].

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 9)

The Committee are not convinced by the reasons advanced for the wide disparity in the estimated cost of production in 1961 and the latest estimates particularly in the case of Rishikesh Plant, where it had risen by more than 70 per cent. The estimates of cost of production were stated to have been prepared in 1961 with a view to help the Government to take a

basic decision about the desirability of setting up the plants. Such figures should be realistic and not based on inadequate, insufficient and incorrect data. The fact that the Rishikesh Plant would still have a margin of profit, is no justification for deflecting from this principle. (Paragraph 32).

Reply of Government

The recommendation made has been noted. Necessary instructions have already been issued by the Ministry of Finance and these have been referred to in the reply to para 23.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 10)

The Government should have kept a closer watch over the rise in the estimated cost of production. The company should have also specifically brought this fact to the notice of the Government. The Committee recommend that Government should lay down a procedure whereby the undertakings keep Government informed of substantial increases of this nature. (Paragraph 35).

Reply of Government

Noted. After a project goes into production, the various periodical returns, e.g. Quarterly Financial Return, provide for the furnishing data regarding actual production cost in comparison with the standard/targetted figures.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 11)

The Company should try and obtain figures of costs of production in Russia and other foreign countries and also that of Indian manufacturers and compare them with their own. Such comparison would enable the Company to know how the cost of production stands *vis-a-vis* others and enable them to reduce them where the comparison is unfavourable. (Paragraph 36).

Reply of Government

The company have taken action in this matter and have approached Government organisations, private sector companies and the USSR Government. In the estimates of profitability which are under preparation, the company will take such data into consideration.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 12)

In accordance with the aims of a welfare State, all the modern life-saving drugs should be made available within the reach of ordinary people. It should, therefore, be one of the objectives of the IDPL to bring these medicines to the public at reasonable prices. This being so, it would not be justifiable for the IDPL to continue to base its prices on the existing market rates. Due to lack of experience there might be some justification for the company to base its prices on the existing market rates in the beginning but it should, within a year or so of commencement of production take steps to reduce the selling prices to a reasonable level. (Paragraph 40).

Reply of Government

The recommendation has been noted and will be implemented to the extent possible consistently with the economics of the project.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 14)

The Rishikesh and Pimpri plants should keep abreast of changes in production technology in the manufacture of antibiotics taking place in foreign countries and introduce them in their factories. Thereby they can bring down the cost of production of antibiotics and make them available to the public at cheaper rates. (Paragraph 42).

Reply of Government

The recommendation has been noted. A note on 'Research and Development' in the company has been appended in reply to recommendation made in paras 49-50.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 15)

As in the case of drugs, it should be the aim of the Management to see that these surgical instruments are made available to surgeons and hospitals at reasonable prices. The pricing should be based on a cost plus basis and every effort should be made to keep the costs down. (Paragraph 43).

Reply of Government

The recommendation is accepted and will be implemented progressively. In the initial stages, however, when limited production must bear the full cost of overheads, such a procedure would lead to instruments being priced higher than the existing market prices. To begin with, therefore, the company has priced the instruments in relation to the landed cost of such items as are imported and in relation to the market prices of such items as are

being indigenously manufactured, with a reasonable premium for the higher quality of the products.

In practice however, the company found that even though the quality is good, the instruments were considered very costly in relation to the similar indigenous products. In view of this and due to other reasons, there was no offtake for the instruments and the company is revising the selling prices with the following guide lines :

- (i) the quality extra should be charged in cases in which the products of the Surgical Instruments plant, Madras were markedly superior to the products available in the market;
- (ii) the prices for products of which the quality available in the market is good should, be at par or near the market prices; and
- (iii) as regards the products which are specially manufactured in the Surgical Instruments plant, the charges should be according to what the market will bear, as far as practicable, the accounting cost should be recovered.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 16)

The Company has not, so far, taken a final decision regarding the marketing of its products. In fact, in the case of Rishikesh and Hyderabad projects, the company was still at the stage of a market survey. Marketing is a very important matter and as the factories will be going into full production shortly it is necessary that the Company formulate the policy in regard to the marketing of its products at a very early date. (Paragraph 45)

Reply of Government

The company has formulated its basic marketing policy and procedure for its products. In accordance with this policy, the company will not directly enter the retail market for the present. The requirements of the Central/State Governments/Hospitals will be met directly by the company but retail selling in the market will be through agents appointed for the purpose.

The company has set up a marketing organisation in March 1967 and a note thereon is attached. (Appendix II).

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 17)

While welcoming the decision to sell the products of Rishikesh and Hyderabad Projects in bulk to buyers directly, the Committee would

recommend that the IDPL should appoint its own agents instead of selling through the existing whole-sellers only. (Paragraph 46).

Reply of Government

The recommendation has been accepted and it will be ensured, as far as possible, that the selling agents to be appointed are not drawn from the existing wholesalers only. .

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 18)

All Government Hospitals should obtain their purchases of drugs and medicines directly from Government owned factories instead of through private selling agents. This would keep the prices down at which the hospitals, would receive their supplies and also prevent adulteration of medicines at an intermediate level. (Paragraph 47).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967.]

Further reply of Government

The I.D.P.L. has decided to sell its products directly to buyers whose demand is in bulk. Government proposals fall in this category. The company is also building up its marketing organisation. Pending the full development of this organisation, it has, been found necessary in the initial stages to enlist the help of some distributors for securing bulk orders. The Company, it may be remembered, has to work largely in competition with products of imports origin and alternative products of similar therapeutic values.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 19)

The Soviet team of experts who visited the country in 1956 had laid special stress on the necessity to have a proper research organisation in the country in order to successfully achieve the programme of creating indige-

nous production of essential drugs and vitamins. In this connection they had suggested entrusting various problems relating to manufacture of synthetic drugs to the Fuel Research Institute, Dhanbad, Central Food Technological Institute, Mysore and School of Tropical Medicine, Calcutta. Further they had also recommended establishment of closer contact between Research Pharmaceutical Institute of this country and Russia.

It has not been possible for the Committee to enquire in detail about the progress of research in each of these lines, but from the information placed before them, they gathered that sufficient stress of research facilities has not been given by the Government of India and the company. As correctly pointed out by the Russian Experts it is necessary to conduct fundamental research in case the country is to produce drugs based on vegetable and animal raw material available in this country. A proper scheme for research should be planned after consulting all the known authorities on the subject in the country. The laboratories attached to the Rishikesh and Hyderabad Plants should also be manned by the competent and senior scientists who should try to evolve drugs and antibiotics based on vegetables and animals raw materials of Indian origin. The country possesses a great tradition in the field of Ayurveda which has specialised in the use of medicinal plants for curative purposes. It might be profitable to do research on these plants and synthesise their properties into drugs and medicines. Unless raw materials of Indian origin are used, our dependence on foreign manufacturers will not cease. (Paragraphs 49 and 50).

Reply of Government

A note on the 'Research and Development' in Indian Drugs & Pharmaceuticals Ltd. is attached. (Appendix III).

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 20)

The Report of the Indian Pharmaceutical Delegation (1964) highlighted the importance attached to the pilot plant studies in almost all the factories visited by them in Europe, U.K. and U.S.A. Experimental work conducted in these plants help in determining the possibility of adopting a laboratory process on plant scale. In the case of synthetic drugs, two general types are in use. In one type the Plant is designed for the study of a specific product. After the study is over, the Plant is dismantled. The other type is installed as a fixed set up and it is used for studies of a variety of process and products.

The principles enunciated by the Delegation will no doubt be adopted in the laboratories attached to the Plants. (Paragraphs 51 and 52).

Reply of Government

Pilot plants have been installed at the Antibiotics project and the Synthetic Drugs project. These are integral parts of the projects.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 21)

The Committee recommend that the research work at the laboratories of the Hindustan Antibiotics, Pimpri, the Central Drug Research Institute, Lucknow and the Rishikesh Plant should be properly coordinated. The work should be done under the supervision and guidance of the authority who should direct the various research projects, both of fundamental and applied nature. (Paragraph 53).

Reply of Government

The recommendation has been accepted and the note attached to reply to the Recommendation No. 19 (para 49-50) will show that there is proper coordination. The company will continue to take action on these lines.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 22)

New and better antibiotic drugs are being produced through advancement of technology. It is necessary to keep abreast of the latest developments in the field so that this country can catch up with the developments taking place elsewhere. It is here that the laboratory and the pilot plant at the Rishikesh Project can play a vital role. (Paragraph 54).

Reply of Government

The recommendation has been accepted and the note attached to reply to the Recommendation No. 19 (para 49-50) will show that there is proper coordination. The company will continue to take action on these lines.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 23)

The Hyderabad Plant should see that its laboratory gives due importance to these two aspects of the research work. Being the Plant with the largest product-mix, it is necessary that its research work should also be more broad-based and extensive. The Plant should also maintain coordination with the Fuel Research Institute, Dhanbad, the Central Food Technological Research Institute, Mysore and the School of Tropical Medicine, Calcutta, as also the Research Institute in foreign countries. (Paragraph 55).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 24)

As the research work is more of an applied nature, adequate equipment necessary for the purpose should be provided. It would also be useful for the Design and Development Unit of the Plant to obtain suggestions for modifications of instruments from the surgeons, who actually use such instruments. If this liaison with eminent surgeons is properly carried out, very useful results in this field can be achieved. (Paragraph 57).

Reply of Government

The recommendation has been noted; the company is maintaining proper contact with eminent surgeons. It has been found that the product-mix has not been done according to the market requirements. The company is now in the process of assembling a designs section in collaboration with surgeons, to take up development and designs of instruments required by the Indian market. Already the plant has achieved significant success in designing the instruments for ICUD and Vasectomy.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III, dated the 2nd September, 1967.]

Recommendation (Serial No. 28)

The personnel requirements of the three projects should have been finalised earlier and the work load of various categories of staff fixed with a view to determine the exact number of persons required in various sections of the factories. To arrive at these norms of work loads, due consultation should have taken place with the Soviet authorities. After having fixed the personnel requirements, efforts should have been made to recruit the necessary staff and commence their training so that they may be in position by the time the factories were commissioned. The Directors should immediately finalise the personnel requirements of the factories. Once the decision has been taken in regard to the number of staff to be employed in each category in each factory that figure should be adhered to. Surplus staff exists in many factories in the Public Sector and the IDPL should curb such a tendency in their own factories. (Paragraph 64).

Reply of Government

The matter is receiving urgent consideration and the detailed requirements of personnel for the Surgical Instruments Plant have already been finally worked out. For the other two Plants, the requirements are also in the process of finalisation. It may, however, be added that recruitment at

the Plants has been proceeding, on the basis of phased programme which were drawn up to man the Plants in successive stages along with the plans for build-up of production. As the Plants are expected to reach their full rated capacity over a period of time, it is proposed to add to the strength, within the total requirements being finalised, in successive stages to ensure that there is no surplus staffing.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 29)

It was stated that a large number of people were on deputation because in the beginning, the company had to borrow experienced people to get the work going. Since the factories have almost started production, the deputationists should now be given an option to remain with the Company or return to their parent offices. It would not be desirable to keep large number of deputationists, especially on non-technical posts which apart from being more expensive, is not conducive to efficiency, as the deputationists keep looking to their parent offices for betterment of their prospects.

The Committee noticed in this connection that a number of junior staff like peons, drivers, typists, Junior Assistants etc. were on deputation. While it might be necessary to get experienced staff for a new project, it does not appear justifiable to get peons, drivers and typists on deputation, as they are available in the market. (Paragraphs 66 and 67).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967.]

Further reply of Government

It has been the policy of the Company to restrict the number of deputationists only to those categories for which either requisite personnel are not available in the market or those posts which are of short duration. As against 236 deputationists in 1965, the number of deputationists by the end of 1967 was 93. The existing number of deputationists will be further reduced when the construction phase of the Company will be completed. There are no deputationists in the category of peons, drivers and typists.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 31)

The Committee feel that dependence on foreign manufacturers for the supply of spare parts is extremely unsatisfactory specially as the production technology is constantly changing, thereby resulting in changes in the equipment. The company should persuade the Soviet Party and the other East European Suppliers to give the drawings of all the spare parts of the equipment so that they could be fabricated in the country. (Paragraph 72).

Reply of Government

The Company is already acting on this recommendation.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 32)

The progress made in setting up of the repair and mechanical shops is not satisfactory. Whereas these shops should have been set up before the construction of the plant, they are going to be set up now. These mechanical shops could be equipped to manufacture spare parts also. (Paragraph 74).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 33)

It was stated in regard to soyabean, an important raw material which is required in substantial quantities that certain samples grown in the Kangra Valley and Dehra Dun had been sent to Soviet Russia for analysis with a view to find out their suitability. This is a matter which should have been taken up three or four years ago. If the local variety was unsuitable, the right variety could have been introduced from abroad. This would have ensured that by the time factory went into production all the soyabean required would be available in the country. Similarly, it would have been possible to obtain items like potato starch, lactose etc. from indigenous sources. Steps should be taken immediately to investigate the possibilities of producing in the country all the thirty two raw materials which have now to be imported. (Paragraph 79).

Reply of Government

The recommendation has been noted and the company is taking necessary action. It has been reported recently that the company have not been able to locate large enough supplies of Soyabean stocks despite seeking the help of the ICAR. They are however carrying out experiments with cotton seed flour obtained from the RRL, Hyderabad.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 35)

It was stated that chlorotetracycline would be converted into tetracycline by process of dechlorination and that assuming that DMCT replaced tetracycline to an appreciable extent it was possible to switch production from one product to another. The Committee are not too sure if the problem is as simple as it is made out to be. It may not be advisable for the Company at this stage to change the product mix because that might delay the commissioning of the project. But it is necessary to review the quantities to be produced under each item in the light of the survey, at present being conducted. As soon as the result of the survey is known the change in product mix should be carried out without delay. (Paragraph 84).

Reply of Government

The recommendation has been noted. The company is examining the programme of production and the product mix and such items as are not required will be dropped.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 36)

The designing of all the building should have been entrusted to the Indian Engineers. The Indian Engineers have designed factory buildings of a much more complicated nature in the public sector and this work in the Antibiotics Project could have been undertaken by them. The Committee would draw the attention of the Company to their recommendation (para 118 of the Eighth Report on Township and Factory Buildings). (Paragraph 86).

Reply of Government

The recommendation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 37)

It was stated that in the Rishikesh project the contractors had to be changed due to slow progress and in the others because the quality of work was not found satisfactory. If only the right types of contractors had been chosen in the first instance this difficulty would not have arisen. (Paragraph 88).

Reply of Government

The observation has been noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch III, dated the 2nd September, 1967.]

Recommendation (Serial No. 42)

The Committee are of the view that the choice of the location of the Synthetic Drugs Project at Hyderabad was not a happy one because the disposal of effluents has created a very big problem for the factory. It will also involve incurring of enormous expenditure which could have been avoided if the Drug Projects Location Committee of the Planning Commission had heeded the advice of the experts. (Paragraph 111).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 43)

All the trouble and expenditure connected with the problem of effluents disposal could have been avoided if the factory had been located near the sea in which case the effluents could have been easily discharged into the sea. The Committee hope that the Company will soon find a permanent and cheaper solution to this problem. The Public Health Department of the Government of Andhra Pradesh should also be associated with the final decision so that it does not lead to any public hazards. (Paragraph 114).

Reply of Government

The Company has since finalised the plans for effluent disposal and the Public Health Department of the Government of Andhra Pradesh has been fully associated with these proposals. In fact, the scheme finally accepted is the one worked out by the Central Public Health Engineering Research Institute.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 44)

The effluents are stated to contain high percentage of sulphuric acid and if it could be separated it could be used to prepare super phosphate a valuable fertilizer. Research should be carried out in regard to this as its success will influence the financial results of the factory. (Paragraph 115).

Reply of Government

The Company is already taking action.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

The Research and Pilot Plant Laboratory have completed their studies on the availability of sulphuric acid recoverable from the effluents. This report is now under study to examine how far the process would be applicable when up-scaled; then the designing work in this connection would be undertaken.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 45)

It is necessary for the company to be definite about obtaining the steel requirements particularly the exact date by which the steel mills will be able to effect supplies so that the Company could arrange for necessary imports during this period. The Ministry of Petroleum and Chemicals should take up this matter urgently with the Ministry of Iron and Steel to ensure that the required quantity and quality of steel is produced in India to meet the demand on the Madras factory. (Paragraph 120).

Reply of Government

The requirements of the company have been communicated to the Department of Iron and Steel and the company have also been pursuing the matter with the steel projects. Most of the requirements will be met by the Alloy and Tool Steel plant and the project authorities are in touch with the suppliers.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 46)

It is clear, that Madras factory has made only a beginning both in terms of types of surgical instruments and their quantity and the production will touch only a fringe of the problem of indigenous manufacture of instruments required by the country. The Committee hope that after gaining experience the factory will be able to increase its production to satisfy the requirements of the country to a larger extent. (Paragraph 124).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 47)

The Government should, in consonance with the policy of encouraging indigenous production of surgical instruments, give all possible assistance to small scale producers of surgical instruments and help them to produce instru-

ments of good quality to meet shortage in the country. In fact, the small scale producers should be treated as complementary to the Madras factory and Government should apportion the production of various instruments between them so that the country's needs are adequately met and unhealthy competition avoided. (Paragraph 125).

Reply of Government

This will be acted upon consistently with the need to produce instruments of the requisite quality and to ensure the utilisation of the capacity of the Madras factory.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

This idea is being pursued. Talks have already been held with the Bombay Surgical Association at Bombay and with the Chief Secretary, Punjab. The matter has been followed up with the Joint Director of Industries, Punjab. Discussions have also been planned with the Calcutta groups.

The scheme broadly is to prepare a list of instruments required for various surgical specialists and to see whether it is possible to allocate their manufacture to all the sectors having regard to the needs of the profession and economies bearing on each manufacturer.

It may, however, be added that several difficulties have come to notice. Firstly, a large variety, nearly 1800 types, is required and the Indian manufacturers are at present covering about 400-500 only. Secondly the demand for most of the types is very small, thereby entailing high initial development charges and low subsequent off-take.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 48)

In view of shortage of surgical instruments it might be advisable to increase the capacity of the forging shops in the Surgical Instruments Plant in order to make surplus forgings so produced available to small scale producers of surgical instruments. (Paragraph 127).

Reply of Government

A detailed market survey for instruments is being carried out by IDPL. This will help to establish the supply and demand relationship and to plan further necessary action to fill any gaps either at IDPL or in Small Scale Units.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 49)

The input-output ratio for the Surgical Instruments factory appears to be on the high side. The Company should compare the input-output ratio of this factory with similar figures of factories in other countries with a view to increasing its productivity and bettering its capital output ratio. (Paragraph 129).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee.

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

The Company has noted the recommendation and is endeavouring to collect the necessary data for making the suggested comparison. Meanwhile efforts are also being made to diversify the product pattern and improve overall productivity.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 8th March, 1968.]

Recommendation (Serial No. 50)

Since the Surgical Instruments Project is located in Madras city and the factory is well served by good public transport, it is perhaps not necessary to have a large township. The factory should economise on township during its expansion. (Paragraph 131).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

Noted for future guidance at the time of expansion. It may be mentioned that out of 1135 employees, only 512 have been provided accommodation in the township of the factory. The rest have their own arrangements for residential accommodation.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 51)

It is doubtful if the variations in the unit cost of construction of township in the Surgical Instruments Project exist to the extent of 50 per cent over the rates at Hyderabad. Nevertheless the matter requires looking into with a view to bring ing down the future cost of construction. (Paragraph 134).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee.

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

No further expenditure on township in Surgical Instruments Plant has been incurred after the recommendation of the Committee on Public Undertakings has been received. The recommendation will, however, be borne in mind for future construction, if any.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 52)

The Committee had in para 13 to 17 of their Thirteenth Report, on Management and Administration of Public Undertakings dealt with the faulty techno-economic study made in regard to the Phyto-chemical Project.

It is apparent that the infructuous expenditure amounting to Rs. 33.02 lakhs could have been avoided if a more careful assessment of the availability of raw materials had been undertaken. (Paragraph 137).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 54)

The main intermediates for the production of synthetic caffeine are Urea and Cyanomalonate ester. India already produces Urea and other intermediates are expected to be produced in the country in three or four years. The synthetic Drugs Project, Hyderabad should examine the possibility of manufacturing Synthetic caffeine in order to meet the needs of the country. (Paragraph 140).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee.

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67 dated the 13th December, 1967]

Further reply of Government

The National Chemical Laboratory, Poona, has been working on the project of Synthetic Caffeine on their own. I.D.P.L. is already in touch with N.C.L. The economic and technical feasibility will be examined as soon as the work done at the N.C.L. is ready for evaluation.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 56)

Even after the loan of Rs. 9.52 crores was offered by the Soviet Union in April, 1958, it should not have taken four years for the Government to put the proposals for setting up the projects into concrete shape. Besides the delay in the initial stage, there had been some procrastination during the construction stage. Unlike most public undertakings, this Company's activities concerned the welfare of a very large proportion of the public and hence a sense of urgency which is apparent now should have been shown from the beginning. (Paragraph 147)

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 57)

Out of the three projects of the Company, only one has been commissioned so far. As such the Committee is not in a position to comment upon the operational efficiency of these projects. But the one disquieting feature of which the Company shall have to take care is the tendency towards rise in the estimated cost of production. The Committee was alarmed at the rise of about 70 per cent in the cost of production envisaged at Rishikesh. The Company and the Government should take appropriate action to bring it down. (Paragraph 148).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67 dated the 13th December, 1967]

Further reply of Government

The following steps, have been initiated to bring down the estimated cost of production of the products.

1. Measures for Import substitution, have been initiated with a view to reduce cost as well as our dependence on imports. (Indigenously available. Iron Exchange resins are being tried as suitable substitutes of the Imported Soviet resins).

2. Improvements in production processes are being tried to reduce the cost. (In case of P.A. Sulphamide, an intermediate for the manufacture of Sulphanilamide Tech which in turn is used in the production of Sulphanilamide (P) and Sulpha guanidine, the specific consumption of raw materials (e.g. Acetanilide, Chlorosulphonic Acid, Soda Ash-Ammonia water) have been brought down by improved technology. The effect on the cost of P.A. Sulphamide is of the order of Rs. 3000 per tonnes.

3. Constant research is being conducted to substitute cheaper materials in the place of costly raw materials (e.g. we are considering replacement of Lactose by Cane Sugar and a mixture of Cane Sugar and hydrol in two successive experiments at the pilot plant).

4. Research is being made to reduce fermentation time to enable increased production in the same time by substituting materials. (Use of gram flour in partial replacement of corn steep has resulted in the reduction of fermentation time in the fermentors from 130-140 to 100-110 hours without affecting the yields or the quality of the product, Potassium Penicillin G).

Further measures to reduce cost of production are under study and investigation. These are expected to reduce the cost of production considerably.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

CHAPTER III

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

Recommendation (Serial No. 2)

These facts regarding the state of the drugs and pharmaceuticals industry in the country stated in the Report of the USSR team of Experts which visited India in 1956 should have warranted the grant of the highest priority to the establishment of the projects in our development schemes since the health standards were far from satisfactory. To have taken 10 years for the fulfilment of these objectives when the foreign credit was available as far back as 1958 is a matter of concern. (Paragraph 11).

Reply of Government

The observations have been noted. It may however be mentioned that the time taken cannot be considered as long. Soon after information in June 1957 was received that credit was being offered by the Soviet Government, that Government were requested to depute a team of Soviet experts for making recommendations on the establishment of the Drugs projects. The team visited India in August 1958 and furnished their report in October 1958. This report was examined by the Indian Government and on this basis, the credit agreement was concluded with the Government of USSR on the 29th May 1959. Immediately following this, a Soviet team visited India for collection of initial data for the projects, preparation of memorandum of instructions, etc., and contracts for the preparation of the Detailed Project Reports for the four projects were concluded in June 1960. The reports were to be received 10 to 12 months later and within which period *i.e.* on the 5th April 1961, the company for the implementation was registered.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 13)

The Committee suggested that there should be a pooled price for the antibiotics produced in the Pimpri and Rishikesh factories and the prices of the antibiotics should be reduced. This would not present any difficulty if the two factories are under a Common Management as suggested in para 60. (Paragraph 41).

Reply of Government

The prices of antibiotics produced at the Rishikesh factory will have to be approved by Government under the Drugs prices (Display and Control)

Order, 1966; and Government will take into account the prices of comparable antibiotics produced at the Pimpri factory and at other private units. It is not feasible to pool the prices of the products of these two factories unless they are brought under a common management, and this is not preferred for the reasons explained in reply to recommendation in para 60.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 25)

The Committee feel that it would be appropriate for Ministry of Health to be in charge of the IDPL projects, because they had to plan the entire health programme of the country including the requirements and supply of drugs and surgical instruments. The Ministry of Petroleum and Chemicals has, at present, necessarily to consult the Ministry of Health at each stage in regard to the development of the industry in public sector. By placing the IDPL under the Ministry of Health, the consultations would be direct instead of through an intermediary. (Paragraph 58).

Reply of Government

The Ministry of Petroleum and Chemicals are concerned with the planning, development and control of and assistance to various industries of which 'Drugs and Pharmaceuticals' is one. As they are concerned with production and development of drugs and pharmaceuticals in general, that is both the private and the public sector, it is proper that it should be in charge of the IDPL also. The Health Ministry, in so far as this matter goes, are mainly concerned with the administration of the Drugs Act and Rules made thereunder. For this reason, the Directorate General of Technical Development and not the Ministry of Health are consulted in technical aspects of the working of public sector projects.

A change in responsibility is therefore not favoured.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 26)

As regards merging the Hindustan Antibiotics factory and the Rishikesh factory, there is no doubt that by having a common management, a common Research and Development Unit and a common Sales Organisation, considerable economy can be effected. The difficulty about maintaining secrecy of production methods does not appear to be unsurmountable. It will perhaps have to be observed so long as foreign experts are there. Once they are gone the management of the factories in the public sector could be combined. (Paragraph 60).

Reply of Government

Government does not favour the merging of the Antibiotics Unit Rishikesh and Hindustan Antibiotics Ltd., Pimpri. The Antibiotics Unit has a

capital investment of Rs. 24 crores, while the HAL, Pimpri, built up from a modest beginning of about Rs. 2.5 crores, has on date capital assets worth Rs. 8 crores. It is now in a financially sound position and a merger of the two will not be to the advantage of the HAL, Pimpri.

Government agree that coordination between the two units is essential, particularly in the fields of Research, marketing and exports. With this in view, a coordination committee consisting of the Chairman and Managing Director, IDPL as the Chairman, and Managing Director, HAL, Joint Secretary Ministry of Petroleum and Chemicals, Works Manager, HAL and General Manager, Antibiotics Projects, Rishikesh, has been formed.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 27)

The Committee agree that the consideration that it would facilitate consultations with M/s. Technoexport, the Technical Consultancy of the N.I.D.C., the D.G.S. & D., the D.G.T.D. and the Drug Controller if the Headquarters of the company remained in New Delhi, is vital during the formative stage of the Company. Once the factories have been established, there would no occasion for any large scale consultation with the authorities mentioned above. Thereafter the Headquarters of the Company should be shifted to Hyderabad which apart from being central, would at least be nearer to two plants. (Paragraph 61).

Reply of Government

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67 dated the 13th December, 1967]

Further reply of Government

In accordance with the decision of the Committee of the Cabinet on location of offices in Delhi, taken by them in the meeting held on the 29th April, 1965, the headquarters of the I.D.P.L. was to continue in Delhi till the 1st April, 1967. Before this period, the desirability of shifting the headquarters of the company was considered in all aspects in consultation with the company and the Ministry feel that for the following reasons, the headquarters of the company should be continued to be located in Delhi for a further period of three years till the 1st April, 1970 :

- (a) The Corporation is still in formative stage and the projects are yet to go into regular production;

- (b) The Surgical instruments plant has not yet been able to organise sales effectively with the result large stocks have accumulated. The other two projects will take some time to come up into commercial production. These projects will be throwing up considerable problems for coordination, etc. and consultation with Central Departments located in Delhi, will be necessary.
- (c) While the problems in regard to production require frequent consultation with the offices at Delhi, the sales of the products of the company would have to be centralised. Even if the headquarters have to be shifted the central office will have to be continued at Delhi.
- (d) The company is maintaining minimum staff in Delhi and if the office is shifted elsewhere, senior executives will still have to maintain establishment at Delhi.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 38)

The IDPL did not have the information in regard to the number of intermediates required by them which would be taken up for production in the Hindustan Organic Chemicals Ltd. Being a matter of vital interest, the IDPL should normally have watched the progress in this regard. The Company should take up this matter immediately with the Hindustan Organic Chemicals Ltd., and induce them to produce its requirements.

The Chairman, IDPL stated that the Hindustan Organic Chemicals Ltd., might manufacture some of the items only if they were able to obtain outside orders in addition to the IDPL's orders, as the requirements of the Hyderabad factory might not enable an economic production. This being so, it was all the more necessary for the IDPL to have taken up this matter with the Hindustan Organic Chemicals Ltd. (Paragraphs 94 and 95).

Reply of Government

The recommendation has been noted. But it may be noted that Hindustan Organic Chemicals Ltd. also would be in a position to take up the manufacture of chemicals that may be required by IDPL only if there is sufficient demand for economic production.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 40)

It is obvious that the demand for Vitamin 'C' in the country is in excess of the existing production. In view of what was stated by the Indian and Soviet Experts in their Reports of 1956 and 1958, the Hyderabad Plant

should have taken up the manufacture of this Vitamin from the beginning. The Committee hope that early steps will be taken to do so. (Paragraph 101).

Reply of Government

The recommendation is being examined. But it may be noted that Hindustan Antibiotics Ltd., another public sector unit, is setting up a plant for the manufacture of 125 tonnes of Vitamin 'C' with the process developed by the National Chemical Laboratory. It may not be advisable or necessary for IDPL also to take up the manufacture of this item.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67 dated the 13th December, 1967]

Further reply of Government

Hindustan Antibiotics, another public sector undertaking is at the moment engaged in developing and producing Vitamin C on the basis of indigenous technology in collaboration with National Chemical Laboratory, Poona. It may not, therefore, be advisable for I.D.P.L. to take up this line at this stage on the basis of foreign technology. Moreover it is necessary for I.D.P.L. to concentrate all its efforts in the next two years in achieving full capacity in respect of the items already chosen rather than take up a new item.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 53)

The Committee would draw attention to the recommendations made by the Soviet Experts who visited India in 1956 and 1958 regarding the very great necessity of producing drugs and medicines from Indian medicinal plants. With the abandonment of the Phyto-Chemical Project, a great possibility in this direction has been lost. The Government should further explore the possibilities of establishing a Phyto-Chemical Project in the public sector and exploit the large variety of flora in the country for the manufacture of life saving drugs and medicines. (Paragraph 138).

Reply of Government

Will be sent separately.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch.III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67 dated the 13th December, 1967]

Further reply of Government

The Phyto-Chemical project was abandoned mainly because of the difficulty in the availability in required quantities of tea waste for the production of caffeine which is the main item included in the programme of production and the uneconomic nature of the project. The Glandular Products plant was also abandoned sufficiently early because of the difficulty in the availability of glands.

The possibility of reviving the projects in the public sector when sufficient capacity has been created in the private sector for these items would hardly be justified, nor would it be economical. The alternative is to include them as part of the manufacturing programme of the present projects. This would also be unworkable because of the location and the special problems associated with each individual project. The present projects of the Indian Drugs and Pharmaceuticals Ltd. are still in the stage of initial production and it would not be advisable to load them with more projects for implementation, before they go into full production on a commercial basis. It is expected that when all the schemes in private sector are fully implemented, the country would be more or less self-sufficient in plant products as well as glandular products. If however at a later stage, a public sector project for these items is justified, the same can be considered.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Recommendation (Serial No. 55)

The Committee regret that in spite of the great importance of the Glandular Products project, practically nothing has been done even in regard to the preliminary research required before the setting up of the project. The Committee feel that either the research work has been entrusted to wrong hands or that the Institute is not taking the interest in the matter as it should. Government should examine the causes of the delay and ensure that the necessary investigations are carried out expeditiously. (Paragraph 146).

Reply of Government

Extracts of a letter from the Haffkine Institute which are self-explanatory are attached. (Appendix IV).

The question of establishing factories in the public sector for the manu-

facture of glandular products will be taken, if this is found necessary having regard to other developments that have been permitted in the private sector.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Recommendation (Serial No. 58)

The Government should also endeavour to set up projects for the preparation of Phyto-Chemicals and Glandular products, for which already some spade work has been done. (Paragraph 150).

Reply of Government

Please see replies to recommendations No. 53 and 55. †

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

CHAPTER IV

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

Recommendation (Serial No. 8)

The Chairman, IDPL, informed the Committee that in the case of Hyderabad Project, the Company would attempt to improve its profitability over a period of time by improving in technology, larger degree of formulations and by introducing some additional items. The Secretary of the Ministry of Petroleum & Chemicals, in his evidence before the Committee, was more optimistic over the working result of Hyderabad Project. He stated that it was likely to earn a profit of Rs. 57 lakhs per annum. Thus, conflicting opinions on the profitability of the Project are being held by the company and the Government. This matter requires looking into. The Committee hope that estimates of profitability will be worked out soon. At any rate, the working of this factory should be carefully watched and it should be ensured that all possible measures are taken so that losses do not occur (Paragraph 28).

Reply of Government

When Government approved the execution of the contract with the M/s. Technoexport, Moscow, for the supply of plant and equipment, the project was estimated to make a profit of Rs. 57 lakhs, with some minor changes, in the tableting programme. However, when the company went through the estimates in a preliminary way in 1964-65, they felt that the project will incur a loss. The company have been asked to expedite the revised estimates of cost of production and profitability. All efforts will be made to make it profitable by adjusting the programme of production to the extent possible.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Comments of the Committee

The Committee are not satisfied with the reply furnished by Government. They had desired that the estimates of profitability should be worked out soon. The Government's reply, however, does not make it clear whether this has been done. They would, therefore, like to pursue this matter further during the course of their current examination of I.D.P.L.

Recommendation (Serial No. 30)

Much progress does not appear to have been made in the setting up of ancillary industries both at Rishikesh as well as Hyderabad. Whereas the plants would soon go into production, the ancillary industries are yet at the stage of 'licences'. Further in the case of Rishikesh Project the Ancillary industries so far licensed are only of the post production type. The Company should immediately take up the matter of setting up of the industries expeditiously with the respective State Governments. In case private enterprise is not forthcoming, the company should enter into firm contracts with outside suppliers to ensure that the production programme does not suffer because of the delay in establishing ancillary industries. (Paragraph 70).

Reply of Government

The Company is rendering such assistance as it is in a position to offer to the State Governments for setting up ancillary industries. As to the basic facilities like land, water, power and other services have to be made available by the State Governments, the Company's role in the field is rather limited. The company would, however, ensure that its production programme does not suffer because of delay in establishing ancillary industries and would make suitable arrangements for obtaining its requirements, if necessary, from outside suppliers.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Comments of the Committee

The Committee regret to note that the reply does not state which are the pre-production ancillary industries and what arrangements have been made to get them established. It does not also indicate whether firm contracts have been entered into with outside suppliers in the event of the ancillary industries not coming up in time. The Committee are thus not satisfied with the reply of Government and would like to pursue the matter during the course of their current examination of I.D.P.L.

Recommendation (Serial No. 34)

The possibility of using tapioca which is pre-eminently starch (as a raw material in the preparation of antibiotics should be examined. This is a field which is probably untapped so far and if research could be conducted successfully for its utilisation, it will be beneficial to the plant because tapioca is grown in abundance in the country. (Paragraph 80).

Reply of Government

The company has already initiated action in this matter.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Further information called for by the Committee

Precise nature of the action and the present position in regard to the recommendation.

[Lok Sabha Secretariat O.M. No. 17-PU/67, dated the 13th December, 1967]

Further reply of Government

The Company has noted the suggestion for necessary action. The research work will be organised as soon as possible.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 16th February, 1968.]

Comments of the Committee

The Committee are sorry to note that the reply furnished by Government is not satisfying. Government have not stated as to why research work has not been organised so far. The Committee would, therefore, like to pursue this matter further during the course of their current examination of I.D.P.L.

Recommendation (Serial No. 39)

Early action is needed to determine the total requirements of the intermediates for all the pharmaceutical and drug factories and set up plants for producing them. The Committee realize that no country can be absolutely self-sufficient in all intermediates, but an import of Rs. 1.75 crores of intermediates by the IDPL alone is something which cannot be viewed with equanimity. (Paragraph 96).

Reply of Government

The recommendation has been noted. This matter is under consideration and it is expected that a large number of raw materials will eventually be available in the country.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Comments of the Committee

The Committee regret to note that the reply does not state what specific action was taken to determine the total requirements of intermediates as recommended by the Committee. As regards import substitution of raw materials, the statement that 'a large number of raw materials will eventually be available in the country' is not satisfactory. The Committee would, therefore, like to pursue the point during the course of their current examination of I.D.P.L.

Recommendation (Serial No. 41)

Since the profitability of the Synthetic Drugs Plant depends largely on formulations it would be worthwhile reviewing the formulation programme

of the Plant both in terms of quantities and the varieties to be formulated. There should not be a multiplicity of formulations merely for the sake of earning larger profits but the factory should take up formulations found useful on clinical considerations or those that are widely prescribed by the medical profession. The Government might have this aspect examined by competent persons. (Paragraph 107).

Reply of Government

The formulation programme at the Drugs Plant has been reviewed by a Committee of Experts set up by the Company. It is desirable that no rigid limits be prescribed for sale of the Company's products in bulk or in formulated form as fluctuation in the market demand would necessitate the Company being placed in a position to operate with a measure of flexibility in this respect.

[Ministry of Petroleum & Chemicals O.M. No. 8(34)/66-Ch. III dated the 2nd September, 1967.]

Comments of the Committee

The Committee are not satisfied with the reply furnished by Government. The recommendation regarding formulations lays emphasis on the public utility aspect as against the profit motive. Government's reply only refers to the appointment of an Expert Committee and also points out that rigidity may be avoided and a certain amount of flexibility retained. In the Committee's view these are only general guidelines with which everyone would agree. The Committee would, therefore, like to further pursue this question during the course of the current examination.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT ARE STILL AWAITED

NIL

G. S. DHILLON,
Chairman,

Committee on Public Undertakings.

NEW DELHI;

February 17, 1969.

Magha 28, 1890 (S).

APPENDIX I

(Vide reply to recommendation at Serial No. 7 page 4)

COPY OF THE CORRESPONDENCE BETWEEN THE SECRETARY, MINISTRY OF FINANCE AND SECRETARY, MINISTRY OF PETROLEUM & CHEMICALS RELATING TO REVISED PROCEDURE FOR APPROVAL OF CENTRAL PROJECTS INCLUDING SANCTION OF ESTIMATES.

Copy of d.o. No. 3213-S(IPF)/67, dated August 5, 1967 from Shri P. G. Nair, Secretary, Ministry of Finance addressed to Shri P. R. Nayak, Secretary, Ministry of P. & C., New Delhi.

The Deputy Prime Minister has written to your Minister separately (copy enclosed) on the planning of industrial and mineral projects in the Public sector, emphasising the need for the preparation of adequate Feasibility Study. *Mutatis mutandis* his observations also apply to Central projects in the field of Power and Transport.

2. My limited purpose in addressing you is to set out the mechanics of consultation with the Finance Ministry up to the stage of issue of a detailed financial sanction for the project. It has been the case that Administrative Ministries have had to secure clearances from different Departments of the Ministry of Finance before a project was approved. Apart from the time taken in separate references, this procedure for seeking clearances leads to avoidable duplication of effort and sometimes results in conflicting advice being tendered.

3. It is proposed to rationalise the arrangements for seeking the approval of the Ministry of Finance to new projects (including major expansion schemes) so that there will be only one focal point in the Finance Ministry for reference at each stage of a project. Broadly, the stages prior to plant construction are :

- (1) Project formulation on the basis of the Five Year Plan.
- (2) Preparation of a preliminary project report or feasibility study.
- (3) Preparation of a detailed project report.

4. The first stage—of planning or project formulation—begins usually with sectoral studies for the Five Year Plan, and should end with the commissioning of one or more Feasibility Studies. Besides the Administrative Ministry (which should take the initiative), the Planning Commission and the Finance Ministry are also vitally concerned with this initial stage of consideration, when the need for additional investment in the public sector, has to be established, and the scope for such investment is determined in broad terms. The Departments of Expenditure and Economic Affairs in the

Finance Ministry both being concerned with project formulation, it has been arranged that a joint unit will be functioning for this purpose in the Ministry, under my charge, consisting of one Joint Secretary in Economic Affairs (at present Shri Ajit Mozoomdar) and the Director (Capital Budget) in the Deptt. of Expenditure (at present Shri R. Ganapati). I would request that Shri Ajit Mozoomdar, or in his absence Shri Ganpati, may be associated as a representative of the Finance Ministry, in all discussions, preliminary studies etc., undertaken by your Ministry at the planning stage of new projects. When it is decided that a Feasibility Study is to be commissioned, the approval of your Financial Adviser has to be sought for the expenditure involved.

5. When the Preliminary Project Report or Feasibility Study has been prepared, on the lines indicated in the Planning Commission's manual entitled "Feasibility Study for Public Sector Projects", it should be referred (enclosing at least four copies) to your Financial Adviser. From this stage onwards, the Financial Adviser will be the focal point for all references and he will be responsible for arranging such consultations as may be necessary with his colleagues in other parts of the Finance Ministry, including the Bureau of Public Enterprises and the Department of Economic Affairs. The Financial Adviser will then indicate to you the considered view of the Finance Ministry as a whole on the investment proposal. We shall try to set a time limit to the consideration of Feasibility Studies in this Ministry.

6. If at this stage particular sources of external credit have to be explored for financing the project in question, the Department of Economic Affairs, in the appropriate division, should be consulted, keeping the Financial Adviser informed.

7. When a Feasibility Study has been accepted, and the investment approved in principle, the further action which will follow will be—

- (i) Commissioning of a Detailed Project Report or preparation of detailed engineering designs and cost estimates.
- (ii) Sanction to preliminary expenditure.
- (iii) Initial budget provision.

Your Financial Adviser will continue to be the sole point of reference at the stages following the investment approval. It will be for him to consult the Bureau or any other agency while scrutinising the DPR or detailed cost estimates. The Financial Adviser will be responsible for conveying to you the views of this Ministry as a whole so far as the detailed estimates are concerned.

8. I hope this procedure will meet with your approval, and that you will ensure that the stages are understood by your officers.

(COPY)

No. 1942-DPM/67

DEPUTY PRIME MINISTER

INDIA

*New Delhi,**August 3, 1967.*

My dear,

The question improving the planning of industrial and mining projects in the public sector, and of streamlining the procedures for examination and sanction in my Ministry, has been engaging my attention for some time. The criticisms that have been voiced in many quarters, of the low returns earned by public sector plants, could have been avoided to a considerable extent if there had been a better understanding of the economics of investment proposals at the time that approvals were given to them. In accurate and generally exaggerated estimates of demand, lack of attention to the problems of economic location, plant size and product-mix, inadequate appreciation of the importance of estimating outlays and incomes over time, and the absence of any real analysis of the benefits and costs of a project to the economy as a whole, are some of the deficiencies in project-planning and appraisal.

2. With a view to eliminating these deficiencies and ensuring a thorough study of all factors relevant to project selection, the Planning Commission issued a Manual in May, 1966 for the preparation of Feasibility Studies for industrial projects in the Public Sector. The Manual in its final form was issued after discussion with the Ministries concerned, and I am informed that there was broad agreement on the need for such studies.

3. I am sure demand studies, studies of alternative plant-size and product-mix, estimates of fixed and operating costs, and of the phasing of investments—and summing up these factors by way of profitability and cost-benefit analyses—are essential pre-requisites for wise investment decisions. Since all these studies have to be undertaken in any case, rather than doing these piecemeal, it should be an advantage in every case to prepare a full Feasibility Study on the lines indicated in the Manual. Such a Feasibility Study would help not only the Administrative Ministry in project selection but would also speed up consideration of the project by the Finance Ministry since all the data necessary for an economic appraisal would be available at the same time.

4. Although the Manual was issued more than a year ago, it is noticed that project reports which are being received not only do not cover the requirements prescribed in the Manual but lack even basic essential data. The result would be a repetition of the mistakes we have made in the past, apart from the very considerable delay that would ensure due to references

and cross-references between the Ministry of Finance, administrative Ministries, and project authorities concerned. I would, therefore, like to underline the absolute need for the preparation of proper Feasibility Studies as indicated in the Manual—even if it is not possible to adhere strictly to the letter of the Manual, maximum effort should be made in this direction. I shall be grateful if you could kindly look into this matter personally and impress this need on the officials in your Ministry and the project authorities concerned. An Annexure is attached which summarises the main points to be covered in the Feasibility Study.

5. It is my intention that the Feasibility Study should normally be the basis on which an investment decision can be taken by Government. Prior to the approval of the Study by the Finance Ministry, no expenditure should be incurred on a project other than the outlay on preparing the study itself. After an investment decision has been taken, and even prior to the preparation of detailed cost estimates, if there is urgency, administrative Ministries would be able to obtain Finance's clearance to specific items of preliminary expenditure, such as land acquisition and the site preparation etc. Budget provision for the new project would also normally be made only after approval of the Feasibility Study.

6. The Feasibility Study will be followed by the preparation of a detailed project report or of detailed cost estimates based on full process design and engineering. Formal expenditure sanction to the project as a whole will be given after examination of the detailed project report/detailed cost estimates. Once such sanction has been given, the project authorities can incur expenditure according to the approved estimates without further reference to Government. At present, it sometimes happens that projects are commenced before the detailed cost estimates have been approved. In such cases, the project authorities are unable to exercise their powers to sanction expenditure and have to come up to Government for approval of individual items. Apart from the fact that such piecemeal sanctioning defeats the objective of cost control and hinders any overall view of the entire project, it also means procedural delays in the Administrative and Finance Ministries.

7. The procedure that I have outlined here for feasibility studies and detailed project reports should not only help Government to avoid the sort of mistakes in planning projects that have occurred so far, but also lessen administrative delays among the various Ministries. As a corollary I should like to emphasise that once the outlines of the sectoral programmes in the Plan are settled, the Ministries should take up the formulation of projects immediately. As soon as there is general agreement with the Planning Commission and the Finance Ministry on the need for a project, the administrative Ministry should undertake or commission the preparation of feasibility studies. For most of the projects likely to be undertaken during the Fourth Plan period, approvals and financial sanctions have been issued. For the

few projects which remain, it is desirable that feasibility studies should be completed, and appraised by the Ministry of Finance as soon as possible. On account of the constraint on resources, investment on new projects has had to be slowed down somewhat in 1966-67 and 1967-68. The shortfall in agricultural production and slowing down of the rate of growth in the economy generally make it necessary for us to undertake fresh assessments of the demand for most commodities, including capital goods. This reassessment of demand should not be restricted to the period upto 1970-71, but should be projected forwards beyond the Fourth Plan period, to enable Ministries to formulate investment projects for the Fifth Plan, on which it may be necessary to undertake some outlay before 1970-71.

With kind regards,

Yours sincerely,
Sd/- MORARJI DESAI.

Addresses of DPM's letter dated 3rd August, 1967.

1. Shri Fakruddin Ali Ahmed, Minister of Industrial Development & Company Affairs, New Delhi.
2. Shri Asoka Mehta, Minister of Petroleum and Chemicals and Planning, New Delhi.
3. Prof. V. K. R. V. Rao, Minister of Transport and Shipping, New Delhi.
4. Dr. M. Channa Reddy, Minister of Steel, Mines and Metals, New Delhi.
5. Dr. Ram Subhag Singh, Minister of Parliamentary Affairs and Communications, New Delhi.

Copy to Dr. Dhananjayarao Gadgil, Deputy Chairman, Planning Commission, New Delhi.

ANNEXURE

Main points to be covered in a Feasibility Report

1. *Demand Study*
 - Requirements as estimated for the 5-year Plan period
 - Present and anticipated production
 - Present imports
 - Export potential
 - Price elasticity
 - Pattern and location of demand
 - Time phasing of demand
 2. *Technical Features*
 - Process selection
 - Plant size
 - Raw material requirements
 - Product-mix
 3. *Location*
 - In relation to raw materials
 - In relation to market
 - Transport, Water supply, power, etc. facilities available
 - Alternative locations study and comparative advantages
 - Detailed site studies undertaken
 4. *Project Estimates (Capital Cost)*
 - Construction cost (as at page 112 of the Manual)
 - Foreign exchange component of capital cost, giving details of in-escapable imports of plant and equipment
 5. *Project Estimates (Operating and production costs)*
 - Working capital (as at page 117 of the Manual)
 - Direct costs of production, overhead or indirect costs
 - Depreciation and residual value
 6. *Profitability and Cash Flow Analysis*
 - Pages 128 to 130 of the Manual
 - Application of investment criteria
 7. *Cost-Benefit analysis*
-

APPENDIX II

(Vide reply to recommendation at S. No. 16 page 7)

A note containing the main features of the Marketing Organisation set up by the Indian Drugs & Pharmaceuticals Ltd.

MARKETING DEPARTMENT

1. A department of marketing was set up in March, 1967. The functions of the department were defined as follows :—

- (a) To carry out market survey in the products manufactured in the three plants with reference to their intrinsic potential for sale, possibility of competition and price trends.
- (b) To undertake distribution of products according to the policy formulated, with the assistance of the department, by the Board of Directors.

2. The blue-print for the organisation was settled with the advice of the Productivity and Personnel Services appointed, as consultants, in my predecessor's time.

Briefly speaking, it called for a Central Marketing Department with regional offices and a commercial officer, for processing orders, despatches and customers' accounts, in the Plants.

This organisation is in the process of being established.

It is the intention to set up a nucleus of the 'eyes and ears' of the Indian Drugs and Pharmaceuticals Limited in the field and to expand it only as and when the load of work justifies it.

3. The primary responsibility of the department is to (a) formulate a base for sound pricing decisions (b) to judge the extent of competition which will affect in the short and the long run (c) to suggest the best method of distribution which will be effective and simultaneously reasonably priced (d) to undertake measures for promotion of advertisement with a view to placing Indian Drugs and Pharmaceuticals Limited on the pharmaceutical map of India and particularly among medical persons (e) to promote sales outside India.

4. The present structure consists of a Chief Sales Manager at Headquarters helped by a Deputy Chief Sales Manager (Promotion). There will be four-five Regional Sales Managers (at present we are starting with four) helped by about half a dozen district organisers.

5. We have been fortunate in the selection of personnel as sales experience of all the big pharmaceutical companies in India is represented such as Merck, Sharp and Dohme, Srabhais, Voltas and others. Enterprising salesmen have thrown in their lot with us which gives a hope for the future.

APPENDIX III

(Vide reply to recommendation at S. No. 19 page 9)

A note on the Research and Development in Indian Drugs & Pharmaceuticals Ltd.

INDIAN DRUGS AND PHARMACEUTICALS LIMITED

RESEARCH AND DEVELOPMENT

Institutional Arrangements.

Research Committee at the Board Level.

For fixing programmes of work according to priorities of economics, techniques and finance.

For receiving reports on the work done.

For providing liaison with CDRI and NCL.

2. Development & Design Section at Headquarters.

The Chief Chemist of the section is also the Secretary of Committee at (1); keeps in touch with the plant; with the CSIR, ICAR, IVRI, IDRI and Research facilities on the medical side.

3. Departments of Research and Development at the Plants are under the management of a Superintendent in the grade of Rs. 1600-2000 working directly under the project head. These arrangements apply to Antibiotics Project, Rishikesh, and Synthetic Drugs Project, Hyderabad.

The departments are provided with well equipped laboratories and pilot plants.

The work, in the preliminary phases, has consisted of (a) proving of processes in the pilot plant and training of personnel (b) upgrading of indigenous raw materials for pharmaceutical industry (c) substitution of foreign raw materials to the extent possible at this stage.

Applied and fundamental work has also been taken in hand.

SURGICAL INSTRUMENTS PLANT, MADRAS

4. There are no development arrangements for SIP Madras. This plant is in immediate need of developing new lines of products to suit the Indian market. The emphasis was on purchasing Russian know-how and even tools and fixtures. The indigenous industry in the small and medium private sector is reproducing, though not elegantly for want of resources, instruments of world-wide fame. We have decided to cancel all contracts for tooling with the Russians who have agreed except in two cases in which shipment has already taken place.

We are in the process of assembling a bold designs section, in collaboration with surgeons, to take up developments and designs of instruments required by the Indian market. Already we have achieved significant success in designing the instruments for IUCD and Vasectomy. The former have been approved and a trial order has been placed for about Rs. one lakh.

The latter will be approved by the Family Planning Commissioner shortly.

FURTHER DETAILS.

5. In the succeeding paragraphs will be found a few details of important items of development and research on which the relevant staff in Antibiotics Plant and Synthetic Drugs Plant is engaged.

IMPORTANT PROGRAMME OF WORK OF ANTIBIOTICS PROJECT, RISHIKESH.

6. (i) To increase yields of antibiotic microbial strains received from the USSR. So far Penicillin and streptomycin strains have been received and work is proceeding on them.

(ii) To develop fermentation media using indigenous raw materials in place of foreign raw materials.

(iii) To work on the new anti-fungal antibiotic Pantene G-8 produced by streptomyces annandii.

(iv) Establishment of authentic collection of microbial cultures for research, industrial production and testing.

(v) The study of basic mechanisms involved in the development of resistance to antibiotics.

(vi) Upgrading of Indian raw materials and substitution of foreign raw materials covering all the processes.

(vii) Modifications required to get over patent difficulties.

(viii) Chemical modifications of tetracyclines.

SYNTHETIC DRUGS PLANT, HYDERABAD.

7. (i) Import substitution and upgrading of Indian raw materials.

(ii) Development of chemical process :

(a) Revised process for chlorosulphonation of acetanilide. This is an essential process in the production of sulphamide, a key material for sulpha drugs. The objective is to effect an improvement in the yield and recoveries of acids as by-products (now being disposed of as effluent), demonstrated at pilot plant level.

(b) Acid hydrolysis of sulphamide using dilute Hydrochloric acid in preference to the alkaline hydrolysis suggested by the project report.

Objective : higher yield; less of operational time and economy in material consumption.

(c) Preparation of *para-Nitrobenzoyl-glutamic acid*.

It is an important intermediate for synthesis of folic acid. Objective is to modify the method preparing it with a view to saving in raw materials.

(d) Ethoxylation, reduction and acetylation stages for the preparation of Phenacetin have been studied largely with a view (a) to evaluate the indigenous manganese-dioxide as a catalyst & (b) reduction of organic chlorine impurities.

It may be recalled that the project report, accepted by Government, required the chlorine content to be *maximum* 500 ppm but Indian Pharmacopoeia now requires that it should not exceed 236 ppm.

A fair success has been achieved to bring it to revised Indian Pharmacopoeia specifications.

(e) *Acetylation of sulphamide*.

The project recommends it in pyradine medium. Pyradine is imported. Acetylation is being tried in glacial acetic acid and acetic anhydride.

(f) *Esterification of Isonicotinic acid*.

The project report recommends esterification via thionyl chloride, an imported chemical. Esterification is being attempting through indigenous materials.

(g) *Phenobarbitone Synthesis*.

The project report recommends dicynadamide for condensation with Phenyl-ethyl-malonic ester. Dicynadamide is imported. It is being substituted by urea.

(iii) *Development of New Products*.

8. 1. *Thiosemicorbazide and Thiacetazone*.

Thiacetazone is used now therapeutically with INH for combating tubercular maladies. If we can succeed in finding out a successful method of synthesis of both, the first being the intermediate of the other, we would improve the saleability of INH.

2. *Nikethamide*.

It is a cardiac stimulant and is prepared from INH and diethylamine, both of which will be produced in the plant. An economical method of synthesis is being developed.

3. *Paracetamol.*

Investigations are in progress regarding economic production from the para-aminophenol as raw material or from para-chloro-nitrobenzodol as raw material.

4. *Urine Testing Pills.*

On the lines of the famous Clinitest, these have been successfully developed and are now being produced for clinical trials.

9. (iv) *Research in Chemotherapy.*

A programme of work in the fields of furans, isoquinolines and quinnazolines has been initiated. Basic intermediates required for synthesis are being prepared.

APPENDIX IV

(Vide reply to recommendation at S. No. 55 page 28).

Extracts of a letter from the Haffkine Institute regarding availability and suitability of the glandular raw materials from slaughter houses.

EXTRACTS REFERRED TO IN REPLY TO PARA NO. 146

The assignment given to Haffkine Institute was to find out total availability and suitability of the glandular raw-materials from slaughter houses and to determine the contents the various products like Insulin, Pepsin, A.C.T.H. etc. in order to get a reliable idea about the raw-material potential and the likely output of the different products that could be had from the available raw-material.

This assignment was entrusted to us on the basis of the report of the team of Soviet Experts on Glandular Project (1956), in which they had projected that their theoretical estimates were based on the data obtaining in their own country and that to get a better and correct information, the analysis of endocrinic raw materials of India be made. This particular assignment only and not the project of manufacture of Glandular Project was assigned to this Institute in 1959 by the Ministry of Commerce and Industry. This assignment was successfully carried out and completed and the Report in terms of total number of different animals slaughtered in Bombay, the average weights of the different glands, the average yields of the different products that could be had and the maximum output possible for these products from the slaughter house waste in Bombay was sent in 1963 and also a communication giving these particulars was submitted to Indian Journal of Technology in 1963 and published in 1964. (Copy enclosed for reference). In completing this assignment, we trained up 2 C.S.I.R. Research Fellows and also received assistance of a U.S.S.R. Scientist who was assigned for 2 months to work with us.

We would like you to understand that this Institute is not making any Glandular or endocrine preparations at any time but the facilities were made available to meet this assignment despite the known fact that (1) a modern slaughter house does not exist in India, (2) transport in cold is difficult, (3) no facilities exist for cold storage in slaughter house on spot, (4) and animals slaughtered belong to private contractor who is not interested in allowing immediate delicate mechanical dissection of the glands within few minutes of death of the animals.

According to para 142 of the Report, the Indian Pharmaceutical Delegation to Soviet Russia (1956) stated that "a beginning can be made in this direction by preserving the pituitary glands in acetone solution immediately after slaughter and working them up for recovery to active principles such

as A.C.T.H. at the Haffkine Institute in Bombay. It is desirable to investigate this possibility immediately even before establishment of modern slaughter house which are being projected in Bombay and other cities".

This possibility was found unworkable because the animals slaughtered in Bombay are not the property of Government or Municipality but belong to contractors who insist on killing by incision on neck and allowing the animals to bleed to death over long period and which mode does not permit the collection of the Pituitary gland immediately, as it has to be extricated after breaking open the skull with suction within few minutes. Further, there are no facilities for suction, electric saw, power for deep-freeze store or containers to store chilled acetoned glands.

The above facts would show that Haffkine Institute has fully completed the assignment taken by it with full interest and responsibility with the available facilities at its disposal.

APPENDIX V

(Vide Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Twenty-Second Report of the Committee on Public Undertakings (Third Lok Sabha)

I. Total Number of recommendations made ..	58
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 1, 3, 4, 5, 6, 7, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, 31, 32, 33, 35, 36, 37, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 54, 56 and 57) ..	43
Percentage to total ..	74.14%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at S. Nos. 2, 13, 25, 26, 27, 38, 40, 53, 55, and 58) ..	10
Percentage to total ..	17.24%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at S. Nos. 8, 30, 34, 39 and 41) ..	5
Percentage to total ..	8.62%
V. Recommendations in respect of which final replies of Government are still awaited ..	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House 82, Janpath, New Delhi.	95
27.	J. M. Jain & Brothers, Mori Gate, Delhi.	11	37.	Bookwell 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singhs, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	59
32.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			



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