FIFTH REPORT

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2004-05)

(FOURTEENTH LOK SABHA)

MINISTRY OF CHEMICALS & FERTILIZERS (DEPARTMENT OF CHEMICALS & PETROCHEMICALS)

DEMANDS FOR GRANTS

(2005-2006)

Presented to Lok Sabha on 21.04.2005

Laid in Rajya Sabha on 21.04.2005

LOK SABHA SECRETARIAT
NEW DELHI

April, 2005/Chaitra, 1927 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2004-05)

Shri Anant Gangaram Geete - Chairman

Members

Lok Sabha

2. Shri Afzal Ansari
**3. Shri Jai Prakash
4. Shri Prahlad Joshi
5. Shri Sukhdev Singh Libra
6. Shri Tek Lal Mahto
7. Shri Punnulal Mohale
8. Shri A.K. Moorthy
9. Shri P. Rajendran
10. Shri A. Venkatarami Reddy
11. Kunwar Akshyay Pratap Singh
12. Shri T. Madhusudhan Reddy
13. Shri Narsingrao H. Suryawanshi
14. Shri V.K. Thummar
15. Shri Mansukhbhai D. Vasava
16. Shri Bhanupratap Singh Verma
17. Shri A.K.S. Vijayan
18. Shri Bhal Chandra Yadav
19. Vacant
20. Vacant
21. Vacant

Rajya Sabha

22. Shri B.S. Gnanadesikan
23. Dr. Chhattrapal Singh Lodha
24. Shri Ajay Maroo
25. Shri Raju Parmar
*26. Shri Sanjay Rajaram Raut
27. Shri Gireesh Kumar Sanghi
28. Shri R. Shunmugasundaram
29. Shri Raj Mohinder Singh
30. Shri T.R. Zeliang
31. Vacant

Secretariat

1.	Shri P.D.T. Achary	-	Secretary
2.	Shri S.K. Sharma	-	Additional Secretary
3.	Shri P. Sreedharan	-	Joint Secretary
4.	Shri C.S. Joon	-	Director
5.	Shri S.C. Kaliraman	–	Under Secretary
6.	Shri Santosh Kumar	-	Committee Officer
7.	Smt. Madhu Bhutani	-	Senior Executive Assistant

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* *Consequent upon his nomination to the Standing Committee on Commerce ceased to be a Member of this Committee w.e.f. 24.03.2005.*

** *Consequent upon his nomination to the Standing Committee on Food, Consumer Affairs and Public Distribution ceased to be a Member of this Committee w.e.f. 19.04.2005.*

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2004-05) having been authorised by the Committee to submit the Report on their behalf present this Fifth Report on Demands for Grants of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) for the year 2005-06.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) for the year 2005-06 which were laid on the Table of the House on 21.03.2005.

3. The Committee took evidence of the representatives of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) at their sitting held on 1st April, 2005.

4. The Committee considered and adopted the Report at their sitting held on 19th April, 2005.

5. The Committee express their thanks to the officers of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) for furnishing the material and information which they desired in connection with the examination of Demands for Grants of the Department for the year 2005-06 and for giving evidence before the Committee.

6. The Committee place on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi;
April 20, 2005
Chaitra 30, 1927 (Saka)

ANANT GANGARAM GEETE
Chairman,
Standing Committee on
Chemicals & Fertilizers.

REPORT

PART – I

CHAPTER I

INTRODUCTORY

The main activities of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals) are to plan, develop, regulate and control industries in the field of chemicals, petrochemicals and drugs and pharmaceuticals. The following subjects are allocated to the Department of Chemicals & Petrochemicals:-

1. Drugs and Pharmaceuticals, excluding those specifically allotted to other departments.
2. Insecticides (excluding the administration of the Insecticides Act, 1968 (46 of 1968).
3. Molasses.
4. Alcohol-industrial and potable molasses.
5. Dye-stuffs and dye intermediates.
6. All organic and inorganic chemicals not specifically allotted to any other Ministry or Department.
7. Planning, development and control of and assistance to all industries dealt with by the Department.
8. Bhopal Gas Leak Disaster-Special Laws relating thereto.
9. Petrochemicals.
10. Industries relating to production of non-cellulosic synthetic fibres (Nylon, Polyster, Acrylic etc).
11. Synthetic rubber.
12. Plastics including fabrications of plastic and moulded goods.

1.2 The details of Public Sector Undertakings, Institutions and Organisations under the administrative control of the Department of Chemicals & Petrochemicals along with their Headquarters are given below:-

	Name of the company	Headquarters
1	Hindustan Organic Chemicals Ltd. (HOCL)	Rasayani, Maharashtra
2	Hindustan Insecticides Ltd. (HIL)	New Delhi
3	Indian Drugs & Pharmaceuticals Ltd. (IDPL)	Gurgaon, Haryana
4	Hindustan Antibiotics Ltd. (HAL)	Pune, Maharashtra
5	Smith Stanistreet Pharmaceuticals Ltd. (SSPL)	Kolkata, West Bengal
6	Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)	Kolkata, West Bengal
7	Bengal Immunity Ltd. (BIL)	Kolkata, West Bengal

<u>Other Organisations</u>

1	Petrofils Cooperative Ltd. (PCL)	Vadodara, Gujarat
2	Central Institute of Plastics Engineering & Technology. (CIPET)	Guindy, Chennai
3	National Institute of Pharmaceuticals Education & Research (NIPER)	Mohali, Punjab
4	Institute of Pesticides Formulation Technology. (IPFT)	Gurgaon, Haryana

<u>Attached Office</u>

National Pharmaceutical Pricing Authority. (NPPA)

1.3 The Budget Estimates (2004-05), Revised Estimates (2004-05) and Budget provisions for the year (2005-06) for the Department of Chemicals & Petrochemicals and Public Sector Undertakings/Organisation under their control are as under:-

(Rs. in crores)

Major Heads	Heads No.	Budget Estimates 2004-05			Revised Estimates 2004-05			Budget Provision 2005-06		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
REVENUE SECTION										
Secretariat-Economic Services	3451	0.01	6.64	6.65	0.01	6.64	6.65	0.05	7.14	7.19
North Eastern Areas	2552	4.71	--	4.71	6.00	--	6.00	8.30	--	8.30
Industries	2852	52.46	18.90	71.36	33.79	318.90	352.69	53.65	679.64	733.29
Total-Revenue Section		**57.18**	**25.54**	**82.72**	**39.80**	**325.54**	**365.34**	**62.00**	**686.78**	**748.78**
CAPITAL-SECTION										
Loans for Petrochemical Industries	6856	--	0.51	0.51	--	0.51	0.51	--	1.49	1.49
Loans for Chemical & Pharmaceutical Industries	6857	20.20	20.96	41.16	20.20	20.95	41.15	21.00	141.98	162.98
Total-Capital Section		**20.20**	**21.47**	**41.67**	**20.20**	**21.46**	**41.66**	**21.00**	**143.47**	**164.47**
GRAND TOTAL		**77.38**	**47.01**	**124.39**	**60.00**	**347.00**	**407.00**	**83.00**	**830.25**	**913.25**

1.4 These Budget provisions relate to Secretariat of the Department, Development for North-Eastern Areas, Bhopal Gas Leak Disaster, National Pharmaceutical Pricing Authority (NPPA) and the grants-in-aid for the Autonomous Bodies, namely Central Institute of Plastics Engineering and Technology (CIPET), Institute of Pesticide Formulation Technology (IPFT) and National Institute of Pharmaceutical Education & Research (NIPER) etc. There is also Budget provision for loans and advances to Public Sector Undertakings for capital expenditure as well as for Non-Plan support to meet cash losses and payment of salaries and wages in sick/closed PSUs. The Head-wise Budget allocation for BE & RE (2004-05) and BE (2005-06) are given below:-

(Rs. in crores)

Sl. No	Major Heads	Heads No.	Budget 2004-05			Revised 2004-05			Budget 2005-06		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	Secretariat-Economic Services	3451	0.01	6.64	6.65	0.01	6.64	6.65	0.05	7.14	7.19
Petrochemical Industries											
2	Central Institute of Plastics Engg. & Technology (CIPET)	2852	34.92	3.38	38.30	16.25	3.38	19.63	45.92	3.38	49.30
3	Subsidy to Assam Gas Cracker Project	2852	0.01	0.01	0.02	0.01	0.01	0.02	---	0.01	0.01
Chemical and Pharmaceutical Industries											
4	Bhopal Gas Leak Disaster	2852	-	5.11	5.11	-	305.11	305.11	-	663.71	663.71
5	Grant to Institute of Pesticides Formulation Technology (IPFT)	2852	5.73	-	5.73	5.73	-	5.73	3.33	-	3.33
6	National Institute of Pharmaceuticals Education & Research (NIPER)	2852	3.35	7.11	10.46	3.35	7.11	10.46	3.10	8.90	12.00
7	Chemicals Weapons Convention (CWC)	2852	0.05	0.03	0.08	0.05	0.03	0.08	0.05	0.03	0.08
8	National Pharmaceutical Pricing Authority (NPPA)	2852	-	3.23	3.23	-	3.23	3.23	-	3.56	3.56
9	Pharmaceutical Export Promotion Scheme (PEPS)	2852	-	0.03	0.03	-	0.03	0.03	-	0.05	0.05
10	Pharmaceuticals Research & Dev. Programme (PRDP)	2852	5.00	-	5.00	5.00	-	5.00	0.25	-	0.25
11	Chemical Promotion & Dev. Scheme (CPDS)	2852	3.40	-	3.40	3.40	-	3.40	1.00	-	1.00
	Total-Industries	2852	**52.46**	**18.90**	**71.36**	**33.79**	**318.90**	**352.69**	**53.65**	**679.64**	**733.29**
12	Lumpsum provision for N.E.Region & Sikkim	2552	4.71	--	4.71	6.00	--	6.00	8.30	--	8.30
13	***Non-Plan loans to Public Sector Undertakings***										
13.01	Smith Stainistreet Pharmaceuticals Ltd. (SSPL)	6857	--	0.01	0.01	--	0.01	0.01	--	3.09	3.09
13.02	Bengal Chemicals & Pharmaceuticals Ltd. (BCPL)	6857	..	0.01	0.01	..	0.01	0.01	…	10.00	10.00
13.03	Bengal Immunity Ltd. (BIL)	6857	--	0.01	0.01	--	0.01	0.01	--	1.69	1.69
13.04	Indian Drugs & Pharmaceuticals Ltd (IDPL)	6857	--	14.26	14.26	--	14.25	14.25	--	14.20	14.20
13.05	Petrofils Co-operative Ltd.(PCL)	6856	--	0.51	0.51	--	0.51	0.51	--	1.49	1.49
13.06	Hindustan Insecticides Ltd. (HIL)	6857	--	0.01	0.01	…	0.01	0.01	…	53.00	53.00
13.07	Hindustan Antibiotics Ltd. (HAL)	6857	…	6.66	6.66	…	6.66	6.66	…	60.00	60.00
	Total		**…**	**21.47**	**21.47**	**…**	**21.46**	**21.46**	**…**	**143.47**	**143.47**
14.	Plan loan and Investment in Public Enterprises										
14.01	Hindustan Organic Chemicals Ltd.	6857	7.19	…	7.19	7.19	…	7.19	7.00	….	7.00
14.02	Hindustan Inecticides Limited	6857	5.57	…	5.57	5.57	…	5.57	6.00	….	6.00
14.03	Indian Drugs & Pharmaceuticals Ltd.	4857	0.01	…	0.01	0.01	…	0.01	…	….	…
14.04	Hindustan Antibiotics Ltd.	6857	2.77	…	2.77	2.77	…	2.77	3.00	…	3.00
14.05	Bengal Chemicals & Pharmaceuticals Ltd.	6857	4.64	…	4.64	4.64	…	4.64	5.00	….	5.00
14.06	Smith Stanistreet Pharmaceuticals Ltd.	4857	0.01	….	0.01	0.01	…	0.01	….	….	….
14.07	Bengal Immunity Ltd.	4857	0.01	….	0.01	0.01	…	0.01	….	….	….
	Total		**20.20**	**..**	**20.20**	**20.20**	**…**	**20.20**	**21.00**	**…**	**21.00**
	Grand Total		77.38	47.01	124.39	60.00	347.00	407.00	83.00	830.25	913.25

1.5 Statement showing details about Supplementary Grants during 2003-04 and 2004-05 is as below:-

(Rs. in crore)

Year	Item details	Plan	Non-Plan	Total
2003-04	i) Non-plan loan to IDPL for implementation of VRS and for meeting Establishment related Expenditure.	-	121.35	121.35
	ii) Non-Plan Loan to Maharashtra Antibiotics & Pharmaceuticals Ltd. (MAPL) through Hindustan Antibiotics Ltd.(HAL) for meeting expenditure on Voluntary Separation Scheme.	-	6.94	6.94
	iii)Non-Plan Loan to Smith Stanistreet Pharmaceuticals Ltd.(SSPL) for implementation of VRS/VSS and for meeting establishment related expenditure.	-	22.26	22.26
	iv) Non-Plan Loan to Bengal Immunity Ltd.(BIL) for implementation of VRS/VSS and for meeting establishment related expenditure.	-	45.90	45.90
	Grand Total (2003-04)	**-**	**196.45**	**196.45**
2004-05	i) for meeting expenditure on account of exchange loss (Rs.299.00 crore) and establishment expenditure of Welfare Commissioner for Bhopal Gas Tragedy victims (Rs.1.00 crore).	-	300.00	300.00
	Grand Total (2004-05)	**-**	**300.00**	**300.00**

1.6 The Budget allocation and actual expenditure for 2004-05 as on 31st March, 2005 for Plan and Non-Plan schemes are as under:-

Non-Plan

(Rs. in crore)

Sl. No.	Sub-Head	BE 2004-05	RE 2004-05	Actual Upto 31.03.2004
Revenue				
1	Sectt.	6.64	6.64	6.35
2	CIPET	3.38	3.38	3.38
3	Assam	0.01	0.01	0.00
4	Bhopal	5.11	305.11	213.39
5	CWC	0.03	0.03	0.02
6	NPPA	3.23	3.23	2.94
7	PEPS	0.03	0.03	0.03
8	NIPER	7.11	7.11	7.11
9	IDPL	0.00	0.00	0.00
	Total	25.54	325.54	233.22

Capital Loan to PSUs				
1	SSPL	0.01	0.01	2.50
2	BCPL	0.01	0.01	0.00
3	BIL	0.01	0.01	0.00
4	IDPL	14.26	14.25	0.00
5	PCL	0.51	0.51	0.51
6	HIL	0.01	0.01	0.00
7	HOCL	0.00	0.00	0.00
8	HAL	6.66	6.66	4.50
Total		21.47	21.46	7.51
Grand Total		47.01	347.00	240.73

<u>Plan</u>

(Rs. in crore)

Sl. No.	Sub-Head	BE 2004-05	RE 2004-05	Actual Upto 31.03.2004
Revenue				
1	Sectt.	0.01	0.01	0.01
2	CIPET	34.92	16.25	4.65
3	Assam	0.01	0.01	0.00
4	IPFT	5.73	5.73	2.74
5	NIPER	3.35	3.35	3.35
6	RENPAP	0.00	0.00	0.00
7	PRDP	5.00	5.00	5.00
8	CPDS	3.40	3.40	0.56
9	CWC	0.05	0.05	0.05
	Total	52.47	33.80	16.36
Capital				
1	HOCL	7.19	7.19	5.59
2	HIL	5.57	5.57	5.57
3	IDPL	0.01	0.01	0.00
4	HAL	2.77	2.77	2.77
5	SSPL	0.01	0.01	0.00
6	BIL	0.01	0.01	0.00
7	BCPL	4.64	4.64	4.64
8	NE Region	4.71	6.00	1.82
Total		24.91	26.20	20.39
Grand Total		77.38	60.00	36.75

1.7 The above table indicates that in Non-Plan (2004-05) there is less utilisation of Rs. 106.27 crore in comparison to allocation made at RE stage. These cases mainly are Rs. 29 lakhs under the head Secretariat, Rs. 91.72 crore for Bhopal Gas, Rs. 29 lakh for NPPA, Rs. 11.64 crore for IDPL and Rs. 2.16 crore for HAL. Similarly, under plan, the Budget allocation was reduced a level of Rs. 60 crore from Rs. 77.38 crore. That amount too amount could not be utilised fully. The main savings are of Rs. 30.27 crore under CIPET, Rs. 2.99 crore for IPFT, Rs. 2.84 crore for CPDS and Rs. 1.60 crore for HOCL.

1.8 On being asked by the Committee about the reasons for less utilisation during the year 2004-05, the Ministry, in their written reply, stated as under:-

"Non-Plan

(i) The savings of Rs. 34.77 lakh under the head Secretariat is mainly due to the economy instructions of 10% cut at the RE stage of all head other than salaries and wages.

(ii) The savings of Rs. 95.10 crore under the head Bhopal Gas is due to saving on account of exchange rate variation due to non settlement of cases as per the action plan and consequent upon non-filling of the post of judicial officers and their supporting staff which has resulted in the saving in the salary head and office expenses head.

(iii) The savings of Rs. 29 lakh under the head NPPA is due to adoption of the economic instructions and non-filling of some vacant posts.

(iv) The savings of Rs. 11.64 crore under the head IDPL is mainly due to the allocation of non-plan loan to IDPL as the company was able to meet the salary expenditure from their earnings.

(v) The savings of Rs. 2.16 crore under the HAL is due to the non-payment of the terminal benefits to the employees of MAPL (subsidiary of HAL) on account of the SLP filed in the Supreme Court as per the advice of the Ministry of Finance.

Plan

(vi) The saving under the head CIPET is due to the external assistance of Rs. 30.27 crore towards OPEC loans for CIPET and CIPET centre in the North Eastern Region has to be surrendered as the same has not been received.

(vii) The saving under the head IPFT is due to the funds relating to OPCW facilities amounting to Rs. 2 crore would have to be surrendered as there was difficulty in obtaining the specialized manpower for the purpose.

(viii) The saving under the head CPDS is due to a sum of Rs. 1.84 crore out of the amount allocated for the expenditure towards conduct of feasibility study of setting up of mega chemical project was saved as the actual expenditure was less than the estimated expenditure.

(ix) The saving under the head HOCL is due to a sum of Rs. 1.60 crore out of the allocation of plan loan could not be released in view of the ceiling imposed by the Ministry of Finance that not exceeding one third of the allocation could be released in the last quarter of the year."

1.9 During the examination of Demands for Grants (2004-05), the Ministry had informed that out of total availability of fund of Rs. 29700.00 lakh under Non-Plan during 2002-03, the expenditure upto Rs. 31.03.2003 was Rs. 29497.52 lakh. During 2003-04, under Non-Plan, out of total availability of Rs. 45065.00 lakh, total expenditure upto 31.03.2004 was 39337.72 lakh. Similarly, out of total availability of Rs. 5500.00 lakh during 2003-04 (Plan), the expenditure upto 31.03.2004 was Rs. 4286.58 lakh only. There has been less utilisation under IPFT, CWC, CPDS, CIPET, etc. during 2004-05 too. In this connection, when the Committee asked what scheme-wise efforts made by the Government for full utilisation of allocations made during the first three years of 10th Plan period and what corrective steps are being taken by the Ministry to utilise full plan allocation made during the next two financial years of 10th Five Year Plan, the Ministry, in their written reply stated as under:-

"<u>Assam Gas Project</u>

In order to ensure implementation of the project, GAIL has been identified as the implementation agency. A detailed project report has been prepared and submitted for consideration of Project Implementation Board (PIB).

Central Institute of Plastic Engineering Technology (CIPET)

In case of Externally Aided Project funded through OPEC Loan, the scheme could not be launched, as there has been delay in signing loan agreement due to some legal issues. These have been cleared now. The loan agreement is expected to be signed in the financial year 2005-06 and scheme implemented thereafter.

In case of plastic recycling and waste management, pace of implementation has been slow since the scope of scheme was changed from establishing one centre at Chennai to two centers at Chennai and Ahmedabad, within the existing allocation Rs.1.5 crores.

Chemical Promotion and Development Scheme (CPDS)

An annual provision of Rs.40.00 lakhs was made under Chemical Promotion and Development Scheme (CPDS) Plan fund during the 10th Plan period for promotional activities of the Chemical Sector. Yearly utilization of funds depends on actual need basis. During 2004-05, this Department has incurred an expenditure of Rs.37.63 lakhs out of a budget provision of Rs.40.00 lakhs on the promotional activities of the Chemical Sector.

Institute of Pesticide Formulation Technology (IPFT)

Out of total allocation of Rs.1281 lakhs in the first three years of the 10th plan, actual expenditure has been Rs. 681.15 lakhs. The Department through the Finance and Administrative Committee and Governing Body regularly monitors the progress of work and utilization of funds of IPFT

Chemical Weapons Convention (CWC)

During the first three years of the Plan, an allocation of Rs.15 lakhs was made for CWC related activities. Out of this, an expenditure of Rs.7.70 lakhs was incurred in the last two years. Initially, level of expenditure was low because of activities relating to the Convention had not gained momentum. During 2004-05, a calendar of programmes for awareness generation was drawn up and implemented.

Pharmaceutical Research and Development Programme (PRDP)

In the last two years funds available under PRDP have been utilized fully. However, in financial year 2002-03, Rs.1.85 lakhs could not be utilized. PRDP is a Sectoral Progamme only for Pharmaceutical industry. The proposal for 2005-06 and 2006-07 is to utilize the fund created for the purpose, relating to activities directly and indirectly concerned with research activities in the pharmaceutical sector.

National Institute of Pharmaceutical Education and Research (NIPER)

NIPER was sanctioned grant-in-aid by the Department during the first 3 years of the Plan Period for the following schemes:

- Teaching Programme
- New Drug Discovery
- Chiral Drug Discovery System
- New Drug Delivery System
- Advance Centre for traditional medicine
- Insulin Signal Transduction
- National Centre viz, Bioavailability Centre,
- Impurity profiling and stability testing,
- Standardisation of herbal products,
- Technology Development Centre.
- Pharmacological and Toxicological facilities
- CIL, Library and Information Retrieval Centre & Computer Centre

The grant-in-aid sanctioned to the Institute during the last 3 years has been fully utilised.

Public Sector Undertakings

No Plan Provisions were made for IDPL, BIL and SSPL in the 10th Five Year Plan. In respect of remaining PSUs, following Plan Provisions were made during the First three years of the10th Five Year Plan:

(Rs. in Crore)

Sl. No.	Name of PSU	Year	Budgetary Support	Actual Expenditure
1	BCPL	2002-03 2003-04 2004-05	5.00 5.00 4.64	5.00 5.00 4.64
2	HAL	2002-03 2003-04 2004-05	3.00 3.00 2.77	3.00 2.00 2.77
3.	HIL	2002-03 2003-04 2004-05	5.20 4.00 5.57	5.20 4.00 5.00*
4.	HOCL	2002-03 2003-04 2004-05	9.10 6.00 7.19	9.10 6.00 3.20#

* *Rs. 0.57 has been approved by Finance Division subject to the approval of BOD of HIL and the Planning Commission. The matter is under consideration in the Department.*

The release of balance amount is under consideration of the Department.

The Plan funds for PSUs are released on the basis of proposals received from the PSUs concerned and subject to the Policy decisions of the Government.

In the case of NIPER as in past all out efforts will be made to utilise full plan grant-in-aid which would be made during the next two years of 10th Five Year Plan.

In case of IPFT the utilization of funds is reviewed on a regular basis through the Finance and Administrative Committee and the Governing Body of IPFT. The Governing Body of IPFT, in its meeting held on 11.01.2005 noted that the underutilization of capital support was due to inadequacy of manpower. Director IPFT has been asked to review the manpower structure including its vacant posts and the recruitment rules to ensure early filling up of posts, including restructuring.

In case of CIPET, the Department is appraising the schemes thoroughly to ensure timely implementation of the schemes. Further periodic reviews on progress of Implementation are taken up by the Secretary (C&PC). These steps will ensure full utilization of plan funds in the remaining two years of the 10th Plan.

In the case of CWC funds, the Department would draw a calendar of progammes for awareness generation on the lines similar to programmes of 2004-05 for the next two years.

CPDS is reviewed on regular basis by interaction with the industry so that the funds provided could be utilized to the maximum extent. Due to the efforts made by the department, the expenditure during the year 2004-05 has substantially increased i.e. Rs.37.63 lakhs out of Rs. 40 lakhs budgetary provision."

CHAPTER –II

REVENUE SECTION

The details of Revenue Section for BE and RE (2004-05) and BE (2005-06) are as under:-

(Rs. in crores)

Sl. No	Major Heads	Heads No.	Budget 2004-05			Revised 2004-05			Budget 2005-06		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	Secretariat-Economic Services	3451	0.01	6.64	6.65	0.01	6.64	6.65	0.05	7.14	7.19
Petrochemical Industries											
2	Central Institute of Plastics Engg. & Technology (CIPET)	2852	34.92	3.38	38.30	16.25	3.38	19.63	45.92	3.38	49.30
3	Subsidy to Assam Gas Cracker Project	2852	0.01	0.01	0.02	0.01	0.01	0.02	---	0.01	0.01
Chemical and Pharmaceutical Industries											
4	Bhopal Gas Leak Disaster	2852	-	5.11	5.11	-	305.11	305.11	-	663.71	663.71
5	Grant to Institute of Pesticides Formulation Technology (IPFT)	2852	5.73	-	5.73	5.73	-	5.73	3.33	-	3.33
6	National Institute of Pharmaceuticals Education & Research (NIPER)	2852	3.35	7.11	10.46	3.35	7.11	10.46	3.10	8.90	12.00
7	Chemicals Weapons Convention (CWC)	2852	0.05	0.03	0.08	0.05	0.03	0.08	0.05	0.03	0.08
8	National Pharmaceutical Pricing Authority (NPPA)	2852	-	3.23	3.23	-	3.23	3.23	-	3.56	3.56
9	Pharmaceutical Export Promotion Scheme (PEPS)	2852	-	0.03	0.03	-	0.03	0.03	-	0.05	0.05
10	Pharmaceuticals Research & Dev. Programme (PRDP)	2852	5.00	-	5.00	5.00	-	5.00	0.25	-	0.25
11	Chemical Promotion & Dev. Scheme (CPDS)	2852	3.40	-	3.40	3.40	-	3.40	1.00	-	1.00
	Total-Industries	2852	**52.46**	**18.90**	**71.36**	**33.79**	**318.90**	**352.69**	**53.65**	**679.64**	**733.29**
12	Lumpsum provision for N.E.Region & Sikkim	2552	4.71	--	4.71	6.00	--	6.00	8.30	--	8.30
	Grand Total		57.18	25.54	82.72	39.80	325.54	365.34	62.00	686.78	748.78

2.2 Under Revenue Section three major Heads are taken. These are – Major Head '3451' for Secretariat Economic Services dealing with expenditure on wages, OTA, medical treatment, office expenses, domestic & foreign travel, etc. of the Department of Chemicals & Petrochemicals, Major Head '2852' dealing with petrochemical, chemical and pharmaceutical industries and Major Head '2552' mentioning allocations for North-Eastern Region and Sikkim.

2.3 Some of the important schemes are being dealt in succeeding paragraphs:-

(i) Central Institute of Plastics Engineering & Technology (CIPET)

2.4 CIPET is a premier Autonomous Institution, under the administrative control of Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers. This institute has the privilege of being associated with United Nations Development Programme (UNDP)/United Nations Industrial Development Organisation (UNIDO), International Labour Organisation (ILO) and World Bank for the last thirty years. This has helped in strengthening its facilities and expertise for providing technical services to the plastic industries.

2.5 The institute has well developed facilities in the areas of plastic mould and product design including Computer Aided Design (CAD)/Computer Aided Manufacturing (CAM)/Computer Aided Engineering (CAE), tooling, processing and testing of plastics. The institute offers highly specialized and practical oriented training in the field of plastics engineering and technology. Besides the regular courses, the institute conducts specialized practical oriented training programmes to update and improve the caliber of technical manpower of plastics and its allied industries. The institute also offers technical services in the areas of product design and mould design including CAD/CAM/CAE, fabrication of moulds, tooling, process optimization, material selection, quality control & testing, application development, consultancy and advisory services.

2.6 Continuing schemes and new schemes of CIPET are as under:-

Sl. No	Details	Total cost			Expend-iture upto 2003-04 (Actual)	Outlay 2004-05		Proposed outlay 2005-06
		Original	Latest	New anticipat-ed		BE	RE	
A. Continuing Schemes								
1	Assistance from OPEC for capacity building of thrust areas	+ 67.50	# 55.35	55.35		30.27	30.27	24.00
2	GOI counterpart expendture for (1) above	7.52	6.17	6.17		3.37	3.37	2.67
3	Strengthening of training facilities	13.00	13.00	13.00	5.48	3.00	3.00	1.14
4	Construction of Corporate Office, faculty training centre & DG's residence	3.00	3.00	3.00	3.00			
5	Creation of facilities for Plastics Recycling & Waste Management	1.50	1.50	1.50	0.50	1.00	1.00	
6	CAD/CAM facilities at four regions	2.50	2.50	2.50	0.50	0.86	0.86	0.86
7	CIPET, Guwahati – Phase-II & Phase-III	--	--	--				
	(a) Infrastructure requirement, b) Erection & Commissioning	--	--	--	3.8440			
	(b) Constn. of staff quarters, geuest house and students hostel	--	--	--	3.5343			
	Total	95.02	81.52	81.52	16.86	38.50	38.50	28.67

+ US $ 15.00 mn @ 1 US $ = Rs. 45.00, US $ 1.37 mn @ 1 US $ = Rs. 45.00
 # US $ 12.30 mn @ 1 US $ = Rs. 45.00, US $ 1.37 mn @ 1US $ = Rs. 45.00

(Rs. in crore)

Sl. No	Details	Total cost			Expend-iture upto 2003-04 (Actual)	Outlay 2004-05		Proposed outlay 2005-06
		Original	Latest	New anticipat-ed		BE	RE	
B. New Schemes								
1	Establishment of New Extn. Centres					Nil	4.88	18.88
2	Extention & renovation of existing CIPET building (one time grant)					Nil	4.80	
3	UNIDO – Two projects							
	(i) Technology upgradation of Plastic Processing (ii) Plastic Recycling Sector in India through International Centre for Advancement of Manufacturing Technology (ICAMT), UNIDO to be implemented by CIPET.					Nil	1.00	2.00
	(ii) Centre for Advancement Design in Development of Tools at CIPET centre, Hajipur					Nil	3.50	3.50

4	"Lumpsum Provision for North Eastern Region and Sikkim"							
	Infrastructure requirement, erection & commissioning constn. of staff quarters, guest house and students hostel at Guwahati and the establishment of facility for Recycling of Plastics Waste at Gangtok (Sikkim) Shillong (Meghalaya)					Nil	4.73	
5	Infrastructure facilities for Imphal Centre (under DONER programme)					Nil	0.593	
	Total					0.00	19.50	24.38

2.7 To cope with the growing needs of plastic conversions and applications industries and the increasing demand for technical manpower, CIPET has expanded its scope of activities through establishment of Extension Centres, each of which lays emphasis on special thrust areas of application apart from basic training facilities. The CIPET centres have been established in different States and are located at Ahmedabad, Amritsar, Bhopal, Bhubaneswar, Chennai, Guwahati, Haldia, Hajipur, Hyderabad, Lucknow and Mysore. Apart from these extension centres, one centre at Imphal (Manipur) is under the process of establishment.

Establishment of new CIPET centres in Rajasthan, Haryana and Maharashtra

2.8 It is proposed to establish three new CIPET centres in Rajasthan, Haryana and Maharashtra during the 10th Five Year Plan at the total cost of Rs. 35.64 crore. The cost of establishing CIPET centres would be shared by respective State Governments and Central Government of India on equal basis (as was the pattern during Ninth Five Year Plan). Therefore, a budget provision of Rs. 35.64 crore (50% share) from Central Government of India has been proposed which would be utilized for procurement of plant, machineries and equipment. The share from the State Government would be utilized for construction of buildings and other infrastructure.

2.9 The Ministry have stated that the establishment of CIPET centres in these States would be of great help in boosting the economy in the particular State as well as creating employment opportunities for the youth. The centre would also facilitate the tehnology upgradation of the existing plastic industry as well as creating new entrepreneurs in the State. By technical support from CIPET, the existing plastic industries as well as the new industries would be sustainable in the WTO scenario. CIPET centres would also facilitate in establishing good manufacturing practices of the finished products as well as maintaining the quality standard by which the farmer community would be benefited, in larger prospective as plastic pipes are being used for bore well and modern irrigation techniques like drip irrigation, lateral irrigation and micro irrigation, etc. Also by using modern techniques of irrigation, the agricultural produce productivity would be enhanced. The new CIPET centres would also be of great help in developing recycling technology for plastic and appropriate waste disposal system. Also the plastic waste would transform into value added products by appropriate technologies in addition to the construction of road by using commingled plastic waste. The establishment of CIPET centres would also facilitate in conservation of natural resources like water, wood, etc. as these products would be substituted by plastic for packaging, building and construction as well as in agriculture.

2.10 When the Committee asked whether sites for new centres of CIPET Rajasthan, Maharashtra and Haryana have been identified, the Ministry, in their written reply, furnished as under:-

> "The process of identification of location for CIPET centres in Rajsthan, Maharasthra and Haryana is under progress in consultation with respective State Governments. In case of Rajasthan officials of CIPET and state government have already jointly inspected four/five sites in Jaipur for the selection of site for the establishment of the new centre. In case of Maharashtra and Haryana, the nominated officials of CIPET and Government of Maharashtra are looking into the process of selection of site expeditiously."

(b) Plastic Recycling and Waste Management

2.11 From the information furnished by the Department of Chemicals & Petrochemicals, it is seen that presently there are about 22,000 downstream plastic processing units, of which more than 75% are in the Small Scale Sector. The Small Scale Sector accounts for only about 25% of polymer consumption. The plastic processing industry's consumption of virgin commodity plastics in 2001-02 was about 3.8 million tons. The industry also consumes recycled plastic, which constitutes 30 % of total consumption. The capacity utilization of the plastic processing industry is estimated to be around 60 %. The increased domestic availability of the polymers will help the small and medium scale downstream plastic processing industry to increase their capacity utilisation, investment on technology upgradation/ modernisation, innovative new products and export of value added plastic products which further increase the competitiveness of the downstream plastic processing industry.

2.12 According to the Report of the Task Force on Petrochemicals furnished to the Government in April, 2003, the plastic processing industry is fragmented, small in size and uses outdated technology. The crying need of the industry is to modernize and upgrade. In the wake of removal of Quantitative Restrictions (QRs) and with a view to harnessing advantage by the SSI sector, Small Scale reservation for Plastic processed Articles should be removed in a phased manner over the next 3 to 4 years. It comprises tiny, small, medium and large scale units, spread all over India, out of which more than 75% are in the Small Scale Sector. There is an investment restriction of Rs 1 crore in plant & machinery for the small scale sector. Some of the units are operating with obsolete technology and surviving with the concessions offered to the SSI sector. At present a number of plastic processed articles are reserved for exclusive manufacture in the small scale sector. There is no restriction on the import of plastic processed articles which are allowed to be imported under Open General License (OGL). Continuation of SSI reservation after the removal of Quantitative Restrictions is the major hurdle to the growth of the plastic industry. Denying the advantages of economies of scale and state-of-the art technology to the domestic producers will deny them a level playing field against imports from overseas producers.

2.13 According to the Task Force, the Jute Packaging Materials Act (JPMA), 1987 is outdated and denies the choice of packing material for the end use sectors. In the large interest of the users, the economic growth and the development of plastic industry, early phasing out of JPMA is desirable. Under the current provisions of the JPMA, entire quantities of food grains and sugar have to be compulsorily packed in jute sacks. The Act denies consumers the choice of packing material and poses a hurdle in the growth of plastic packaging materials.

2.14 Further, the lack of adequate infrastructural facilities like adequate power, roads, transportation, ports and logistic developments also reduces the competitiveness of the plastic processing industry. The high cost of capital for small and medium scale units is also a hurdle to the upgradation / modernisation of the plastic processing industry. When the Committee asked what was being done by Government to remove the hurdles of plastic industry, the Ministry, in their reply, stated as under:-

> "The problems being faced by the Petrochemical Sector are constantly reviewed and efforts are made to address them by taking up the issues with the concerned Ministries/Departments. In order to remove the constraints to the growth of the industry, the Government is proposing to introduce a large number of policy initiatives through the National Policy on Petrochemicals which is being finalized."

(c) Centre for Design and Development of Tools at Hazipur (Bihar)

2.15 In a note furnished to the Committee, the Department of Chemicals & Petrochemicals stated that currently the dyes, moulds and tools are being imported from Taiwan, Korea, Japan, etc. and the total cost of the import is approximately Rs. 3,000 crore. In Bihar as well as in neighbouring States like UP, Jharkhand, Orissa and West Bengal, the facility for design development and fabrication of moulds dyes and tools does not exist. Cost of establishing of Centre for Advance Design and Development of Tools would be to the tune of Rs. 9.95 crore. Building and other basic infrastructure would be costing approx. Rs. 1.00 crore, which is to be borne by State Government of Bihar and an amount of Rs. 8.85 crore to be provided by Government of India in a phased manner for the procurement of machinery and equipments. Presently, the mould and dyes for pipes and other irrigation equipments and other products are being imported from South-East Asian countries. By establishing a Centre for Advance Design and Development of Tools would facilitate the small and medium scale industries to source the moulds and dyes developed at CIPET centre, Hazipur at affordable cost and deliveries of the products in a reasonable time. This advance centre will facilitate in enhancing the productivity and efficiency as well as make them techno-commercially competitive in global market place. This will create a plethora of opportunities of employment generation and new entrepreneurs in the concerned State.

2.16 According to the Department, the proposal for setting up this Centre has been taken up with Planning Commission, so far.

2.17 In addition, there are proposals pending for sanction of grant-in-aid for setting up one project each with Ministry of Environment and Forests and Oil Industries Development Board (OIDB).

(ii) Assam Gas Cracker Project

2.18 The Assam Gas Cracker Project was proposed in 1984 for utilisation of petroleum fraction of natural gas resources of Assam. Assam Gas Cracker Project is being implemented as part of Assam Accord to give boost to the development activities in Assam. The Assam Industrial Development Corporation (AIDC), a State Government Undertaking, was issued Letter of Intent on 25.1.1991 for setting up a Gas Cracker of 3 lakh TPA Ethylene (later reduced to 2 lakh TPA).

The Letter of Intent was subsequently transferred to Reliance Assam Petrochemicals Limited (RAPL), a Joint Venture of AIDC and Reliance Industries Limited (RIL). With a view to making Gas Cracker project a viable commercial proposition, the Central Government in 1994 and 1997 approved special incentives/concessions in respect of capital subsidy (Rs. 377 crore), infrastructure subsidy (Rs. 72 crore) and gas at concessional prices of Rs. 600 per thousand standard cubic metres.

2.19 For the implementation of the project there were two critical issues viz. acquisition of land and signing of Gas Supply Agreements. The State Government has identified 1100 acres of land at Lapetkata for the project and there is no problem in making available the required land for the project to RAPL.

2.20 The main delay in setting up of this project is being caused due to the shortage of gas required for the project for the production of 2 lakh TPA of Ethylene. Agreement was signed with OIL on 19th October, 2000 for supply of 5 mmscmd OF Gas, which was considered adequate for production of 1,30,000 TPA of Ethylene only. ONGC, therefore, agreed for 1.35 mmscmd of Gas, which was considered adequate by RAPL for production of 28,000 TPA for the first five years and 16,000 TPA for the subsequent period of 10 years. As no additional gas was available, the Ministry of Petroleum & Natural Gas agreed to supply LPG to make up for the shortfall in supply of gas to achieve production level of 2 lakh TPA of Ethylene. When the issue of supply of feedstock was almost finalized, Ministry of Petroleum & Natural Gas informed that subsidy amounting to more than Rs. 6,000 crore would be required for supplying the feedstock to RAPL for a period of 15 years at a concessional rate of Rs. 600 per thousand cu. Mt. of Gas as was approved by the Cabinet in 1994. Therefore, a Note for the Cabinet dated 27.5.2003 was sent for making available the amount of subsidy by Ministry of Finance.

2.21 Since a large amount of subsidy from Government was involved, it was decided that some Oil PSU under the Ministry of Petroleum & Natural Gas should implement this project. Now, Gas Authority of India Limited (GAIL) has been identified for implementation of this project. GAIL have prepared a Detailed Feasibility Report (DFR) about the project. This Report has been examined in Ministry of Petroleum & Natural Gas and was discussed in the pre-PIB meetings held on 27.1.2005 and 8.2.2005. It has been decided by the Government that PIB approval will be obtained before taking the proposal to the Cabinet. The Ministry of Petroleum & Natural Gas has already sent the PIB Note to the Ministry of Finance on 11.2.2005. After clearance by the PIB the project would be placed before Cabinet.

(iii) Bhopal Gas Leak Disaster

2.22 The budget provision under this head mainly includes 'Exchange Rate Variation' and expenditure on the office of Welfare Commissioner. During BE (2004-05) an allocation of Rs. 5.11. Crore (Non-Plan) was made for Bhopal Gas Leak Disaster which was increased to a leval of Rs. 305.11 Crore at RE stage. The amount was increased as Supreme Court of India vide its Order dated 19th July, 2004 had directed that pro-rata compensation shall be paid to all Gas victims whose cases have been settled, keeping in view pending unsettled cases. The pro-rata compensation has to be paid to about 5.72 lakh gas victims amounting to about Rs. 1540 crore. Now in BE (2005-06) a provision of Rs. 663.71 crore (non-plan) has been made under this head.
An amount of Rs. 368.99 crore has been disbursed as pro-rata compensation to 1,25,657 affected persons till 23rd March, 2005. There are 8674 revision cases pending before the Welfare Commissioner as on 24th March, 2005. In addition, about 4.44 lakh cases are pending for payment of pro-rate compensation. The welfare commissioner had submitted an action plan to the Supreme Court in August, 2004, which has been approved by the Court in its order dated 26.10.2004. It has directed the Welfare Commissioner to commence disbursal of compensation from 15th Nov. 2004 and complete it by 30 April 2005. Welfare commission has sought for extension of time beyond this date.

(iv) Institute of Pesticides Formulation Technology (IPFT)

2.23 The Institute of Pesticides Formulation Technology (IPFT) was established in May, 1991 as a Government of India Society registered under the Societies Registration Act under the Department of Chemicals & Petrochemicals. The main objectives of the Institute as outlined in the Memorandum of Association are:-

- Development and production of the state-of-the-art user and environment friendly pesticide formulation technologies.
- Promotion of efficient application technologies suiting the requirements of the newer formulations.
- Information dissemination of safe manufacturing practices, quality assurance of raw material specification and source.
- Analytical and Consultancy services.
- Fostering the improvement in the qualification and usefulness of pesticide Scientists working in the agro chemical areas.
- Continuing education through specialized training for pesticide personnel.

2.24 During the year 2004-05 a provision of Rs. 573 lakh was made towards grant-in-aid to IPFT. The actual expenditure was only Rs. 273.65. The scheme-wise performance during 2004-05 is as under:-

(Rs. in lakh)

Name of the scheme	Budget allocation	Actual expenditure
Grant for day-to-day activities	75.00	75.00
Grant for capital support	468.00	169.65
Grant for servicing RENPAP	20.00	20.00
Neem Project	09.00	09.00
ETP & Cleaner Technology	01.00	---
Total	573.00	273.65

2.25 Scheme-wise Budget Estimates for (2005-06) are as under:-

(Rs. in lakh)

Name of the scheme	Budget allocation
Grant for day-to-day activities	75.00
Grant for capital support	177.00
Grant for servicing RENPAP	20.00
Neem Project (Phase-II)	60.00
ETP & Cleaner Technology	01.00

2.26 The Ministry have informed that IPFT is lacking in inhouse expertise. At present even the post of Chief (Formulation), Chief (Analytical), Head (PP), Dy. Chief (Bio-sciences), which are the main positions of the Institute are lying vacant. During the year 2004-05, a provision of Rs. 255 lakh was made for setting up of OPCW facility and Rs. 50 lakh for creation of library and data acquisition facility. This was deferred due to absence of qualified manpower.

2.27 Out of total allocation of Rs. 1281 lakh in the first three years of the 10th Plan, actual expenditure has been Rs. 681.15 lakh. In this connection, when the Committee asked whether qualified manpower is being appointed, the Ministry, in their written reply, submitted as under:-

> "The Governing Body of IPFT in its last meeting held on 11.1.2005 has directed to examine in detail the manpower structure of IPFT including the existing vacant post and the posts which need to be created either by surrender of the existing vacant posts or otherwise. The issue of suitable manpower for library and data acquisition facility shall also be taken care of by this review."

(v) National Institute of Pharmaceutical Education & Research (NIPER)

2.28 The National Institute of Pharmaceutical Education & Research (NIPER) has been set up at a cost of Rs. 99 crore, at Mohali (Punjab), as a part of the economic package for the State of Punjab. It has been conceived as a mother institution to set standards of excellence for pharmaceutical sciences and for research and development in the field of pharmaceuticals. It is the first national level institute in India in the field of pharmaceutical sciences and has been declared as an Institute of National Importance by an Act of Parliament on 26.6.1998.

2.29 The institute is conducting masters and doctoral programmes in nine disciplines and is helping the Indian Pharmaceutical Industry in solving their R&D related problems. NIPER also conducts regular programmes for academia and industry in various disciplines. Since the inception of academic programmes, 200 Masters and 30 Doctoral Students have graduated from this Institute. Besides this, 28 Master scholars in Business Administration have graduated in June 2004. The programmes in nine disciplines being conducted by the Institute are:-

Masters' Programme : Duration – 4 semestres
MS (Pharm)/M. Pharm/M.Tech (Pharm)
MBA (Pharm)
Ph. D. Programme

2.30 With financial assistance from the Department of Science and Technology, Government of India, the Institute has established a Bio-availability Centre, which is one of the two centres in the world approved by the World Health Organization (WHO) for conducting Bio-availability studies for fixed combinations of anti-tubercular drugs.

2.31 The Institute has been selected as a nodal agency in the capacity building project funded by the World Bank under the Government of India, Ministry of Health and Family Welfare for providing training to drug regulatory personnel, analysts, and personnel from small scale industry. The Institute intends to provide training to about 2000 professionals within the next five years.

2.32 The Institute is given grants-in-aid by the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers. The grants-in-aid sanctioned and the expenditure incurred by the Institute during the last 4 years is as under:-

Year	Grants-in-aid sanctioned		Expenditure	
	Plan	Non-Plan	Plan	Non-Plan
2001-02	1610.00	-	1610.00	-
2002-03	1507.00	344.00	1507.00	344.00
2003-04	1200.00	762.00	1200.00	760.00
2004-05	335.00	711.00	-	-

2.33 The head-wise allocation & utilization during the year 2004-05 is as under:-

(Rs. In lacs)

Budget Head	Allocation (2004-2005)	Expenditure Including Commitments (2004-2005)
Plan		
Equipment	311.00	311.00
Infrastructure Facilities	62.00	62.00
Recurring Expenditure For research Activities	437.00	437.00
Total	810.00	810.00

Non Plan

Salary & Allowances	220.00	220.00
Power & Electricity	90.00	90.00
Chemicals & Glassw.	110.00	110.00
Books & Periodicals	55.00	55.00
Office Expenses	236.00	236.00
Total	711.00	711.00

2.34 Scheme-wise financial targets of NIPER for the year 2005-06 are as under:-

(Rs. in lacs)

SCHEME	2005-06
Plan	
Teaching Programme	14.00
New Drug Discovery	135.00
Chiral Drug Discovery System	53.00
New Drug Delivery System	98.00
Advance centre for Traditional Medicine	78.00
Insulin Signal Transduction	82.00
National Centre viz.	
Bio-availability Centre	37.00
Impurity Profiting and Stability Testing	7.00
Standardization of Herbal Products	44.00
Technology Development Centre	10.00
Pharmacological and Toxicological Screening Facilities	20.00
CIL, Library & Information Retrival Centre & Computer Centre	42.00
Total	**620.00**
Non-Plan	
Salary & Allowances	351.00
Power & Electricity	100.00
Chemicals & Glasswares	170.00
Books & Periodicals	70.00
Insurance	8.00
Consultancy & Legal	
Prof. Charges	2.00
Office Expenses	169.00
Intel. Property Mgt.	85.00
Total	955.00
Total (Plan + Non-Plan)	**1575.00**
IEBR	450.00
Government support	1125.00
Total	**1575.00**

2.35 No new drug in regard to tuberculosis, malaria, leishmania and diabetes has been discovered by NIPER till date. However, some of the leads in these areas have been identified by NIPER through constant research efforts. The discovery and development of new drug in any area involves pre-clinical and clinical test for its efficacy and safety and requires a period of about 12 to 15 years.

2.36 NIPER has identified tuberculosis, malaria, leishmania and diabetes as thrust areas for new drug discovery programmes. All these areas are extremely relevant to the health care need of the country. In some of these areas, multinational pharmaceutical companies have limited interest. With the development of multi drug resistance in tuberculosis, malaria and leishmania and lack of suitable drugs for such conditions, the situation can grow very serious. When the Committee desired to know about the efforts being made by NIPER to provide such drugs for these diseases, the Ministry, in a post-evidence reply, stated as under:-

> "To combat with the multi drug resistance for tuberculosis, malaria, leishmania, NIPER is making its efforts to understand the mechanisms involved in this process. Understanding the mechanisms will lead to development of new drugs to overcome the multi drug resistance. NIPER established the protocol development resistance leishmanial parasite. A similar effort is also followed and Developed Animal Models for malaria, P. yoelli nigeriensis, a naturally chloroquine-resistant malaria parasite is being used for screening."

(vi) *National Pharmaceutical Pricing Authority (NPPA)*

2.37 National Pharmaceutical Pricing Authority (NPPA), an independent body of experts, has been established on 29.8.1997 under the Ministry of Chemicals & Fertilizers, Department of Chemicals & Petrochemicals. The Authority was entrusted with the task of price fixation/revision and other related matters such as monitoring the prices of decontrolled drugs and formulations and enforce and implement the provisions of the Drugs (Prices Control) Order, 1995 (DPCO, 95).

2.38 The NPPA has fixed/revised the prices of scheduled bulk drug in184 cases which included 114 bulk drugs and 70 derivatives of scheduled bulk drugs and 2658 formulations since its inception. Of these, the prices of 5 scheduled bulk drugs including 1 derivatives and 101 formulations were fixed/revised during the period of 1.1.2004 to 31.10.2004.

2.39 The NPPA monitors and analyses month-wise price movements of medicines based on ORG-MARG/IMS reports. The prices of these formulations are fixed/determined by manufacturers themselves depending on various factors like the cost of production, market competition, company's profitability status etc. NPPA with very limited staff available to it, monitors the prices of non-scheduled formulations through various methods like : (a) scrutiny of the price lists submitted by manufacturers (b) analysis of monthly 'Retail store audit reports' published by ORG-MARG/IMS, and (c) complaints/references received from officials and non-official sources. Wherever substantial price increase is noticed, letters are sent to the manufacturers of such formulations to clarify the reasons for such price increases. The manufacturers are also invited to NPPA to attend a Personal Hearing before the competent authority wherever replies are not satisfactory. The manufacturers are impressed upon to bring down the prices voluntarily and to maintain the price levels for reasonable period of time in future. This is an ongoing process and letters are sent to all manufacturers regularly.

2.40 The NPPA has also identified a basket of drugs representing various therapeutic groups in order to monitor their prices and to develop a price index for medicines.

2.41 The NPPA holds meetings with drug manufacturers at periodic intervals, where matters relating to non-availability/shortage in rural areas etc. and other related issues are discussed. Meetings are also being held with the Industry Associations, and NGOs from time to time.

2.42 When the Committee asked what are the remedies, if the prices of drugs are not reduced by the manufacturers voluntarily, the Ministry, in a post-evidence reply, stated as under:-

> "So far as non-scheduled formulations are concerned, as per provisions of DPCO, 1995, manufacturers are free to fix the prices by themselves and without seeking approval of Govt./NPPA. Such prices are normally fixed depending on various factors like cost of bulk drugs used in the formulation, cost of excipients, cost of R&D, cost of utilities/packing materials, sales promotion cost, trade margin, quality assurance cost etc.
>
> However, as part of its price monitoring activity, NPPA regularly monitors the movement in prices of non scheduled formulations on the basis of monthly reports of M/s ORG IMS.. There are certain approved guidelines (approved by NPPA/Authority) for monitoring increases in prices of non-scheduled formulations. These guidelines are uniformly followed for the whole pharma industry. The guidelines are suitably modified from time to time based on experience.
>
> Wherever unreasonable price increase is noticed, letters are sent to the manufacturers of such formulations to clarify the reasons for such price increases. The manufacturers are also invited to NPPA to attend a personal hearing before the competent authority wherever replies received are not found to be satisfactory. The manufacturers are impressed upon to bring down the prices voluntarily. This is an ongoing process.
>
> NPPA called various companies for personal hearing to explain the reasons for steep price increase. 14 companies have reduced the price voluntarily in respect of 23 formulation packs ranging between 2.14 % to 34.62%.
>
> In case price is not reduced by the manufacturer , Government has power to fix the price under para 10(b) of DPCO, 1995 as indicated above."

2.43 On being enquired by the Committee as to what steps have been taken by the Government to reduce the huge margin between production price of drugs and the maximum retail price, the Ministry, in their post-evidence reply, stated as under:-

> "A Committee under the Chairmanship of Joint Secretary (PI) was constituted to examine the span of price control (including trade margin) in the light of National Common Minimum Programme and the observations of the Supreme Court in SLP N0, 3668/2003 and to suggest measures for fulfilling the objective of National Common Minimum Programme to ensure the availability of life saving drugs at reasonable prices. This Committee has submitted its interim report to the Government. The Committee has recommended, inter-alia, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cells in all States on the model of Karnataka etc., efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc. Follow up action on the recommendations of the Committee has been initiated."

(vii) Pharmaceuticals Export Promotion Scheme (PEPS)

2.44 Pharmaceutical Export Promotion Cell (PEPC) has been set up in the Pharmaceuticals Division with the twin objective of giving boost to export by domestic pharmaceutical industry and production of quality drugs. A sum of Rs. 3.00 lakh was provided in the current budget allocation to this Cell under Pharmaceutical Export Promotion Scheme for meeting expenditure on Workshops for the benefit of pharmaceutical exporters and for meeting expenditure of Joint Ventures on Pharmaceutical for which this Department participates. A sum of Rs. 5 lakh has been provided in BE (2005-06) for this scheme.

2.45 Export of Drugs, pharmaceuticals and fine chemicals during the last four years has been as follows:-

(Rs. in crore)

2000-01	2001-02	2002-03	2003-04 (Provisional)
8757.5	9834.7	12826.1	14321.1

2.46 An Export Promotional Cell in the Pharmaceutical Division has been functioning with the objective of boosting pharmaceutical exports and to act as a nodal centre for all queries/issues regarding pharmaceutical exports. The Cell also undertakes promotional activities for acceleration of pharmaceutical exports and considers suggestions for modifications in Exim Policy from the industry. The Cell has also been entrusted with the organization of seminars and workshops on standards, quality control requirements of important countries so as to prepare the domestic companies for exporting their products. During the year, meetings of India-Tunisia Joint Working Group on Pharmaceuticals and Indo-Russian Working Group on Pharmaceuticals were held in this Department and discussions were held on various aspects of pharma industry and ways and means of boosting exports to these countries.

(vii) Pharmaceutical Research & Development Programme (PRDP)

2.47 Budget provisions and expenditure incurred for PRDP for the first three years of 10th Five Year Plan are as under:

S.N	Year	Amount Provided in Budget Rs./Lacs	Amount Sanctioned Rs./Lacs	Purpose/achievements
1.	2002-03	25.00	(a) 1.00 (b) 6.15 ©16.00	For developing a new Process by NIPER - (production of chiral precursor). Against the release of Rs.20.90 lacs, Rs.20.02 lacs was spent as of Nov. 2004. A patent was filed for the invention made. -do- For developing a new process by NIPER – design & synthesis of new chemical entities as anti-parasitic agents. The project is continuing and Rs 15.37 lacs was spent upto Feb. 2005. Expected time of completion is July 2005.
2.	2003-04	25.00	1.00 1.00 © 12.50 (d)10.50	Paid as operating agency fee for BCPL. –do- to NIPER for 'Determination of Molecular basis of diabetic Complications'. The project is continuing and Rs13.87 lacs was spent till Nov. 2004. To NIPER for ' Permeability Studies on Rifampicin'. The activity of the project is going on. Rs.7.83 lacs was spent as of Dec 2004.
3	2004-05	500	500	To NIPER for the research project 'strengthening of impurity profiling facilities at NIPER'. NIPER is finalising the modalities for purchase of the equipments LC-NMR and LC-MS/MS, which would cost approximately Rs. 500 lacs.

2.48 In the Department of Chemicals & Petrochemicals, a budgetary provision of Rs. 500 lakh was made in the year 2004-05 to fund R&D projects and related studies in the pharmaceutical sector. Budgetary provision for 2005-06 is Rs. 25 lakh.

2.49 The thrust so far has been to give a fillip to the R&D initiatives in NIPER, which being a premier organisation in Research works as the R&D arm of the Department. From the limited resources available so far, for taking up new R&D projects, the National Institute for Pharmaceutical Education & Research (NIPER) has been sanctioned funds from PRDP head for the following purposes in the past years:

(i) Developing a new process for S-Duloxetine by synthesising the crucial homochiral alcohol intermediate through microbial reduction of 2-Acetylthiophene;

(ii) Design and synthesis of new chemicals entities as anti-parasitic agents;

(iii) Determination of molecular Basis of Diabetic Complications;

(iv) Permeability Studies on Rifampicin in the presence of various anti-retroviral agents.

2.50 The Department of Science and Technology has also a dedicated programme for promoting R&D in the drugs and pharmaceutical sector. A corpus fund of Rs. 150 crore has been set up for this purpose. As per the announcement made by the Finance Minister in his Budget Speech on 28.2.2005 for the year 2005-06, this fund is to be suitably augmented in the coming years. A two-tier structure exists to manage the programme, viz., an Apex Executive Committee at the Secretariat level, chaired by the Secretary, DST and an Expert Committee at the operational level. To be globally viable in R&D, high-level expertise and adequate human resources as also modern facilities in specified areas of drug development are required.

2.51 In accordance with the information available from D.G.C.I.S., the Ministry have informed that the imports of medicinal and pharmaceutical products for the last four years have been as under:-

Year	Import of Medicinal & Pharmaceutical products (in Rs. crore)
2000-01	1701.46
2001-02	2026.58
2002-03	2865.20
2003-04	2955.63 (Provisional)

2.52 Further, the Patent Act of 1970 is being amended to usher in the era of product patents for the pharmaceutical sector, in line with the obligations under the WTO and TRIPS. This would necessarily mean that the Indian Pharmaceutical Industry has to focus on Research and Development. There may be price increase of medicines due to this. In this connection, when the Committee asked whether Government have conducted any market survey of pricing vis-à-vis the customer's view, the Secretary, Department of Chemicals & Petrochemicals during the official evidence deposed as under:-

> "There is an institution in the Ministry of Health called the Drug Controller General of India. It carried out some kind of internal survey, I am not aware whether they made contacts with the general public but they did carry out survey of the likely impact of the project patent on the prices of drugs. They came to a few conclusions. One was that most of the popular medicines which are in large measure used by common people, except HIV and cancer medicines, would be off patent and so the impact on prices would be minimal. It is not correct to say that there would be no price rise but it would not be very significant. I had a meeting with the Union Health Secretary and we have decided that in our Ministry and also in the Ministry of Health we shall set up a mechanism which will closely monitor the price behaviour in the wake of patents and see what best can be done to moderate this."

(ix) *Drug Prices Equalisation Account (DPEA)*

2.53 The Drug Prices Liabilities Review Committee (DPLRC) has been constituted under the Chairmanship of a Judge of Delhi High Court (now retired) along with two members to review the entire matter relating to liabilities of each of the drug companies arising on account of the implementation of provisions of the Drugs (Prices Control) Order, 1979. Department of Chemicals & Petrochemicals had referred 72 assessment cases to the DPLRC for its recommendations. The Committee had furnished its recommendations in 50 cases for taking further necessary action to recover the due amounts. In all the remaining cases, the concerned companies have either obtained individual interim stay orders from the High Courts or have claimed that their cases were covered by the Interim Stay Order dated 30.06.1997 of the Bombay High Court obtained by the Organisation of Pharmaceutical Producers of India (OPPI) and Indian Drugs Manufacturers'

Association (IDMA) restraining the Department of Chemicals & Petrochemicals as well as DPLRC from issuing fresh notices to the companies with regard to DPEA liabilities under Drugs (Prices Control) Order, 1979. Even out of these 50 cases, companies in 18 cases have moved various High Courts and obtained stay orders.

2.54 At present there are 32 cases pending with the Drug Prices Liabilities Review Committee (DPLRC) including 22 cases held up because of stay granted by Hon'ble High Court of Bombay in the Writ Petition filed by the Indian Drugs Manufacturers' Association (IDMA) and Others restraining the Government and its Committee from taking any action pursuant to and/or in implementation of the notices issued under Para 7(2) of the DPCO, 1979. The tentative amount of liability involved in all these cases is approximately Rs.142.00 crore.

2.55 The DPLRC has quantified the liability of drug companies in terms of revised guidelines in respect of 23 cases (including linking one case with another case). Thus the total companies are 22 in numbers. The amount of liability in respect of the 22 companies is Rs.129.24 crore as per two Members and Rs.108.21 crore as per the quantification made by the Chairman, DPLRC.

2.56 There are 24 cases pending in the Supreme Court of India and in various High Courts. A tentative amount of recovery held up due to Court cases is approximately Rs.101.00 crore.

2.57 When the Committee asked what are the chances of early recovery of overcharged amount, the Department of Chemicals & Petrochemicals, in the post-evidence reply submitted as under:-

> "All possible efforts are being made by Government for early recovery of DPEA liabilities. Necessary action is initiated against the defaulter companies as per the provisions of Para 29 of the DPCO 1979 read with Section 7-A of the Essential Commodities Act 1955. A Transfer Petition has also been filed in the Supreme Court of India under Article 129(1)(A) of the Constitution of India for transferring all the cases pending

in the various High Courts to the Supreme Court of India, which will help in raising and recovering the demand under DPCO 1979 effectively."

2.58 On being enquired by the Committee whether there would be possibility that drug companies deposit a certain percentage of amount before challenging DPLRC order, the Ministry, in the post-evidence reply, stated as under:-

"The Drug Prices Liabilities Review Committee (DPLRC) has been constituted to assist in determining/quantifying the liability of the drug companies arising on account of the implementation of provisions of Drugs (Prices Control) Order 1979 (DPCO,1979). On the basis of the recommendations of the DPLRC, the DPEA liability is determined by the Government and demand notices are issued to the drug companies. There is no provision for appeal in the DPCO 1979 against the demand notices/orders. Various drug companies have, therefore, moved the different High Courts by filing Writ Petitions against the orders of the Government for the recovery of the liability. The power of the High Court to exercise Writ jurisdiction is a basic feature of the Constitution. It does not seem legally possible to prescribe a condition , which in any way diminishes the rights available under the Constitution for judicial review by the Courts. The Department of Legal Affairs have advised that it will not be legally tenable to either amend the DPCO, 1979 or the Essential Commodities Act, 1955 to overcome the drug company's approach of delaying the matter by moving the courts, as it could amount to taking away the powers of judicial review of the High Courts.

In all the cases, where drug companies file writ petition in various courts against the demand notices/orders of DPEA liabilities determined by the Department, efforts are made through the courts by the Government that litigants are made to first deposit at least 50 percent of the amount due from them in the DPE Account before stay is granted by the court."

(x) Setting up of a Mega Integrated Industrial Estate for Chemical and Petrochemical Industry

2.59 The Chemical and Petrochemical industry occupies an important place in India's economy constituting around 14% industrial production of the Country. Exports from this constitute 10.7% of the total exports from the country. By its very nature, the chemical and petrochemical industry requires certain basic infrastructural facilities, including a good port, chemicals storage terminal, adequate berthing facilities, a common effluent treatment plant and most important an effective green belt to segregate the industrial units from human settlements.

2.60 Ministry have stated that at present each unit in this sector has to create specialized facilities on its own which leads to duplication of effort and investment. If related industries are set up in close proximity in an industrial estate, they could be vertically integrated resulting in a saving on the transfer cost of feedstock and finished goods. This, coupled with lower investment on infrastructure as a result of sharing, would tremendously improve the cost competitiveness of the Indian products in the world market. The Ministry have informed that the matter was taken up with the captains of the Indian Chemical industry, who were of the opinion that the production and export earnings of this sector would receive a quantum jump if an industrial estate dedicated to the chemical industry could be set up on lines with countries including Singapore, Thailand, Saudi Arabia and China.

2.61 Accordingly, a decision was taken to set up a Mega Chemical Industrial Estate. An amount of Rs. 340 lakhs was allocated under the CPDS scheme during 2004-05. This included an amount of Rs. 300 lakhs for undertaking the consultancy study for establishment of Mega Chemical Industrial Estate (MCIE) and Rs. 40 lakhs for other promotional activities for the chemical sector. The Ministry have stated that action has been initiated for preparing a feasibility report on setting up such a mega chemical industrial estate. This task has been entrusted to M/S Mott MacDonald. The study has alredy commenced. As part of the study, the Consultants have since submitted the Concept Paper, the Inception Report and the Market Study Report. The findings of the study are to be brought to the notice of Industry and the State Governments for follow up action. As on 31.03.2005 the expenditure for MCIE promotional activities has been to the tune of Rs. 56 lakh only.

(xi) North-Eastern Region

2.62 The Government has made it mandatory for each Department/Ministry to provide for 10% of the total planned budget for each year as contribution towards non-lapsable central pool of resources for funding specific programmes in the North-Eastern States and Sikkim. Under the above 'Head', provision of Rs. 5.50 crore, Rs. 5.50 crore and Rs. 4.71 crore were made for the year 2002-03, 2003-04 and 2004-05 respectively. Provision of Rs. 8.30 crore has been made for the year 2005-06. Under this Head, only two schemes are being undertaken by the Government. These are; (i) establishment and strengthening of CIPET centre; and (ii) commissioning of Assam Gas Cracker Project.

(a) Establishment and strengthening of CIPET centres

2.63 During the financial year 2002-03, an amount of Rs. 1.37 crore of CIPET Guwahati centre was received and utilised for creating infrastructure requirements of which plant and machinery were procured, erected and commissioned. Also, an amount of Rs. 1.5 crore was received and utilised for the construction of staff quarters, guest-house and students hostel at Guwahati centre. During the financial year 2003-04, an amount of Rs. 2.47 crore was received and utilised for the procurement of plant and machinery, erection and commissioning for CIPET Guwahati and an amount of Rs. 2.03 crore was received towards construction of student hostel and guest house. The amount was released in March, 2004 and hence could be spent only during 2004-05. The work is in progress which may be completed by June, 2005.

2.64 During the financial year 2004-05, Ministry have informed that proposals have been submitted towards creating facilities of recycling plants one at Guwahati centre with Rs. 40.00 lakh and another at Sikkim at a cost of Rs. 1.40 crore. An amount of Rs. 1.63 crore has been released in March, 2005 for construction of staff quarters, guest house and student hostel. On being asked about late release of fund, the Ministry replied that the amount is released as and when required.

2.65 An allocation of Rs. 0.593 crore was made during 2004-05 for establishment of infrastructure facilities of CIPET at Imphal under DONER programme. No expenditure has been incurred during 2004-05.

(b) Commissioning of Assam Gas Cracker Project

2.66 Under the Assam Gas Cracker Project, in the Annual plan 2005-06 of this Department a token provision of Rs.1 lakh has been kept. Once the project is approved, further funds would be required as substantial subsidy from the Government as proposed by GAIL in its feasibility report. This is to be approved by PIB and Cabinet.

2.67 Due to non-realisation of targets, the following amounts were transferred to the Non-Lapsable Pool for the last five Financial Years:

Year	Rs. in Crore
2000-2001	0.50
2001-2002	2.20
2002-2003	2.63
2003-2004	0.99
2004-2005	2.89
Total	9.21

2.68 When the Committee wanted to know as to whether any new scheme has been incorporated by the Government for North-Eastern Region and Sikkim for the year 2005-06 and 2006-07, the Department replied as under:-

> "Efforts would be made to formulate some new schemes for North East region. A proposal is under discussion for setting up a state-of-the-art pharmaceutical educational institution for the North-East. Discussions in this regard are being held with experts in this field."

CHAPTER – III
CAPITAL SECTION

Capital Section deals with investment, loans, and advances in PSUs and other Undertakings. In the Capital Section, a total provision of Rs. 164.47 crore (Rs. 21.00 crore as Plan and Rs. 143.47 crore as Non-Plan) has been made in Budget Estimates (2005-06). During 2004-05, an allocation of Rs. 20.20 crore (Plan) and Rs. 21.47 crore (Non-Plan) was made at BE stage which was revised to Rs. 20.20 crore (Plan and Rs. 21.46 crore (Non-Plan). Now, we deal head-wise allocation for investment, loans and advances in PSUs and their brief performance relevant under the Section.

Major Head '4857'

3.2 This Head deals with investments in Public Sector and other Undertakings under the Department. There is no allocation for investment in BE (2005-06). The details of investment made during BE (2004-05), RE (2004-05) and BE (2005-06) are as under:-

(Rs. in lakh)

Name of PSU	Budget Estimates 2004-05			Revised Estimates 2004-05			Budget Estimates 2005-06		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
IDPL	1.00	-	1.00	1.00	-	1.00	--	--	--
SSPL	1.00	-	1.00	1.00	-	1.00	--	--	--
BIL	1.00	-	1.00	1.00	-	1.00	--	--	--

Major Head '6856'

3.3 This head deals with loans for Petrochemicals Industries. Details of loans and advances made under this Head in BE (2004-05), RE (2004-05) and BE (2005-06) are as under:-

(Rs. in lakh)

Major Heads	Budget Estimates 2004-05			Revised Estimates 2004-05			Budget Estimates 2005-06		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Petrofils Cooperative Limited (PCL)	--	51.00	51.00	--	51.00	51.00	--	149.00	149.00

3.4 In regard to allocation of Rs. 1.49 crore in BE (2005-06), the Ministry have informed that the requirement of funds is for the office of Liquidator as assessed by a team of officers from the Department of Chemicals & Petrochemicals and the office of the Central Registrar of Cooperative Societies (CRCS). The recommendation of the team for Rs. 8.50 lakh as expenditure per month excluding some one time payment was accepted and they are releasing further funds accordingly. A provision of Rs. 1.49 crore has been made in 2005-06 since full amount of expenditure could not be released in 2004-05.

Major Head '6857

3.5 This head deals with loans for Chemicals & Pharmaceutical industries. Under this, the details of loans and advances made to chemicals and pesticides industries in BE (2004-05), RE (2004-05) and BE (2005-06) are as under:-

(Rs. in lakh)

Name of PSU	Budget Estimates 2004-05			Revised Estimates 2004-05			Budget Estimates 2005-06		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
HIL	557.00	1.00	558.00	557.00	1.00	558.00	600.00	5300.00	5900.00
HOCL	719.00	--	719.00	719.00	-	719.00	700.00	--	700.00

(i) ***Hindustan Insecticides Limited (HIL)***

3.6 Hindustan Insecticides Limited was incorporated in 1954 to meet the demand for National Anti Malaria Programme (NAMP). HIL has their plants at Bhatinda, Udyogamandal near Cochin and Rasayni in Maharshtra. The Delhi unit of HIL has ceased operation from 1.12.1996 as per orders of Hon'ble Supreme Court and hence the unit was relocated at Bhatinda.

3.7 The Company has a well equipped Central R&D Complex at Udyogvihar, Gurgaon along with experimental farm. The Company has added several agro-pesticides formulations to its product-range during the last couple of years.

3.8 Udyogamandal Unit of HIL has separate plants for the manufacture of Endosulfan Technical, Dicofol Technical, Mancozeb and DDT. The Endosulfan Plant with a capacity of 1600 TPA was installed in the year 1980. However, due to technical reason, the plant could not do commercial production well. After prolonged R&D activities by HIL, the plant started commercial production in the year 1990. Subsequently, this plant become a profit centre for HIL in terms of value addition and export earnings. The plant capacity utilisation during last two years are given below:-

(Approximate)

Year	Production	Turnover from Endosulfan	Contribution (Rs. in crore)
2002-03	1532 MT	37.37	12.00
2003-04	1549 MT	36.30	12.00

3.9 There was a major fire accident in Endosulfan Technical plant, Udyogamandal on 06.07.2004. Second, third and fourth floors of the plants have badly been affected and the equipment/piping and instrumentation installed on these floors were almost completely damaged. The electrical and instrumentation systems has also been totally gutted. In order to assess the damage to the civil structures, the matter was referred to Civil Engineering Department, Cochin University. Initial investigation revealed that structurally the fourth floor of the plant needs major re-construction/strengthening whereas the other floors are less damaged and can be strengthened by guiniting work.

3.10 The Ministry have informed that in view of value addition and contribution this plant earns, it is imperative that the plant be urgently rehabilitated and start production. The plant has a workforce of about 200 NOs. whose salaries and wages amounts to Rs. 5.30 crore p.a including for Endosulfan Formulation plant which would be redundant without availability of technical material from technical plant. Hence, it is all the more essential that minimum time is spent in putting back the plant in operation. In order to revamp the Endosulfan Technical Plant and to put it back into production at the earliest possible time, a Task Force has already been constituted at the unit level.

3.11 The estimated expenditure considering the installation of modern safety devices to further strengthen the existing safety system, to improve the solid waste handling system in line with latest CPCB guidelines as well as the revamping of the equipment and machinery is around Rs. 7.11 crore. This proposed capital expenditure has been approved by the Board of Directors of HIL in their 263rd meeting held on 08.09.2004.

3.12 The Endosulfan Plant was been insured for Rs. 3.91 crore and the claim is under process by Reliance General Insurance Company Limited. The insurers in the meanwhile have made "On account" payment of Rs. 50 lacs pending final assessment of loss. Though the plant has been insured for Rs. 3.91 crore, the plant being very old, the final compensation that would be assessed for loss on account of plant would at best be in the vicinity of Rs. 1.00 crore.

3.13 The Government has imposed a ban on the production of BHC in the country. Hence, the company has stopped the operation of BHC Plant at Alwaye Unit w.e.f. 01.04.1997.

3.14 The Delhi unit of HIL has ceased operations from 1.12.1996 as per orders of Hon'ble Supreme Court and the employees were kept "as in active employment" until the unit was relocated at Bathinda. The burden of idle expenses amounting to Rs. 48.00 crore until 2002-03 was borne by HIL which severely affected its Working Capital. The plant has been experiencing teething troubles and has not yet reached optimum production. The relocated plant at Bathinda costed HIL Rs. 12.00 croe against which Rs. 7.50 crore only was taken as Plan Support and the balance Rs.4.50 crore was also diverted from working capital which further put a strain on company's resources. The relocated plant which is only a formulation unit has just started commercial operations and cannot absorb the huge manpower which has been transferred from erstwhile Delhi Unit.

3.15 The financial performance of HIL since 1999-2000 are as under:-

(Rs. in crore)

	2003-04	2002-03	2001-02	2000-01	1999-2000
Sales (including export)	156.54	145.39	114.76	120.49	123.96
Net profit for the year	(-) 21.92	(-) 15.48	(-) 15.41	(-)15.45	(-)14.08

3.16 During 2003-04, HIL has recorded sales of Rs. 156.54 crore (Previous Year Rs. 145.39 crore). The total sales (other than NAMP) excluding export were Rs. 72.87 crore against Rs. 64.35 crore during the previous year. The export during the year 2003-04 was Rs. 13.97 crore (Previous year Rs. 15.87 crore).

3.17 All these factors in addition to loss of production and profits which were hitherto earned by erstwhile Delhi Unit and loss on account of subsidiary of HIL have resulted in cash losses of Rs. 73.95 crore between 1998-99 to 2003-04. Thus, HIL on erosion of its total net-worth was registered as sick company with BIFR on 29.01.2004. A modified capital restructuring proposal duly approved by Board of Directors has been submitted to the Government for approval.

3.18 A token provision of Rs. 6.00 crore as Plan and Rs. 53.00 crore as Non-Plan has been made in 2005-06 as against Rs. 5.57 crore as Plan and Rs. 1 lakh as Non-Plan (RE) of the last year.

3.19 The Company has sought for additional requirement of Rs. 7.11 crore in RE in view of the fire accident in the Udyogamandal unit of the Plant. However, this amount was not made available at RE stage as there has been a plan cut of Rs. 15 crore at RE stage. The Ministry have stated that additional provision has been made in the Plan 2005-06 for this purpose. The requirement of funds proposed in the Plan covers the following schemes:

Repair	:	Rs. 6.55 crore
New schemes	:	Rs. 3.45 crore

(ii) Hindustan Organic Chemicals Limited (HOCL)

3.20 Hindustan Organic Chemicals Limited (HOCL) was incorporated on 12th December, 1960 for setting up manufacturing capacities for chemicals and chemical intermediates, etc. The company has two units, one at Rasayani (Maharashtra) and the other at Kochi (Kerala).

3.21 The products manufactured by HOCL include phenol, acetone, formaldehyde, nitrobenzene, aniline, nitro toluene, chlorobenzene, nitrochlorobenzene and hydrogen peroxide. At present more than 500 units based on HOCL's products have been set up all over the country which have not only enabled achieving self-sufficiency but also enabled India to reach the international market earning precious foreign exchange by way of exporting chemicals, dyes and drugs over a number of years.

3.22 The production and sales during the year witnessed increases over the previous year. As against the production of 278399 MTs during 2002-03, the company achieved production of 291484 MTs during 2003-04. Sales, volume-wise as well as value-wise, registered increases at 155914 MTs and Rs. 403.42 crore (net of excise duty) as against 147094 MTs and Rs. 390.72 crore respectively achieved in the year 2002-03.

3.23 The overall financial performance of the company for the year 2001-02, 2002-03 and 2003-04 is as follows:-

(Rs. in crore)

Particulars	2001-02	2002-03	2003-04
Income	30096	40004	41479
Net sales	29795	41175	44055
Expenditure	30797	37299	41416
Operating Profit/Loss	(-) 1002	3877	2639
Interest	4602	4519	3790
Cash profit/loss	(-)5604	(-)642	(-) 1151
Depreciation	2828	2816	2810
Provisions	713	682	-
Loss of sale/disposal of Assets	0	12	0

3.24 As on 31.03.2004, the company's authorised and paid up capita were Rs. 70 crore and Rs. 67.27 crore respectively. The present net worth of the company stood at Rs. (-) 72.46 crore as on the 31st March, 2004. Since the net worth of the company completely eroded during the financial year 2003-04, the company has filed the statutory documents under the Sick Industrial Companies (Special Provisions) Act (SICA), 1985 with the BIFR on 20th January, 2005. The company, therefore, stands referred to the BIFR, as a sick company.

3.25 The Ministry have informed that revival by way of infusion of funds, etc. or otherwise would depend on the outcome of the proceedings before the Board.

3.26 Loans and advances made to drugs and pharmaceuticals industries under this Head during (2004-05) and in BE (2005-06) are as under:-

(Rs. in lakh)

Name of PSU	Budget Estimates 2004-05			Revised Estimates 2004-05			Budget Estimates 2005-06		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
IDPL	..	1426.00	1426.00	…	1425.00	1425.00	…	1420.00	1420.00
HAL	277.00	666.00	943.00	277.00	666.00	943.00	300.00	6000.00	6300.00
SSPL	…	1.00	1.00	…	1.00	1.00	…	309.00	309.00
BCPL	464.00	1.00	465.00	464.00	1.00	465.00	500.00	1000.00	1500.00
BIL	…	1.00	1.00	…	1.00	1.00	..	169.00	169.00

3.27 The performance of IDPL, HAL & BCPL follows in the succeeding paragraphs:-

(iii) Indian Drugs & Pharmaceuticals Limited (IDPL)

3.28 Indian Drugs & Pharmaceuticals Limited (IDPL) was incorporated on the 5th April, 1961 with the primary objective of crating self sufficiency in essential life saving drugs and medicines. The company has presently three manufacturing plants, one each at Rishikesh in Uttaranchal, Hyderabad in Andhra Pradesh and Gurgaon in Haryana. Physical and financial performance of these units of IDPL from April, 2004 to December, 2004 are as under:-

3.29 There is no production of bulk drugs in Rishikesh Plant which was discontinued since October, 1996 for want of funds. However with the available limited funds, the production of a few formulations having high market demand are being produced like Tetracycline, Ampicillin, Inseptin MF, Vivocycline, Idimox and Cebexin-Z Caps, Idifulvin, Proxy, Sukcee tabs and Oral Contraceptive pills. The total production of formulations in the plant from April, 2004 to December, 2004 was for Rs. 301 lakhs.

3.30 In Gurgaon Plant also, with the limited funds available, a few formulations having high market demand are being produced like Deacos syrup and Cebexin, Idibend tabs. & oral contraceptive pills. The total production of formulations in the plant from April, 2004 to December, 2004 was for Rs. 137 lakh.

3.31 There has been no production of bulk drugs in Hyderabad Plant since October, 1996 and of formulations since March, 2003 for want of funds. The plant is running its effluent treatment plant and also treating effluents of its own as well as of nearby industries. The income generated by the plant on this account from April, 2004 to December, 2004 was Rs. 63 lakh.

3.32 Further, IDPL has two wholly owned subsidiaries, namely, IDPL (Tamil Nadu) Limited, Chennai in Tamil Nadu and Bihar Drugs & Organic Chemicals Limited at Muzaffarpur, Bihar and two joint sector undertakings, promoted in collaboration with the respective State Governments. These are Rajasthan Drugs and Pharmaceuticals Limited (RDPL), Jaipur and Orissa Drugs & Chemicals Limited (ODCL) Bhubaneshwar.

3.33 IDPL was formally declared sick by the Board for Industrial & Financial Reconstruction (BIFR) on the 12th August, 1992. A revival package for the company was formulated and the package was approved by BIFR on the 10th February, 1994. BIFR heard the case from time to time. On the 8th March, 2001, BIFR issued a show cause notice to all the parties concerned for winding up of the IDPL. In the meanwhile, the Government intimated to the BIFR the following concessions/facilities for cleaning up of the balance sheet of the company that the Government intend to provide to facilitate its privatization through the induction of strategic partner:-

(a) Conversion of loan into equity;

(b) Waiver of interest/penal interest and guarantee fee by the Government of India.

(c) Payment of outstanding statutory dues and funding of VRS.

3.34 Accordingly, BIFR directed the Operating Agency inviting proposals for privatization of all the units of IDPL including two wholly owned subsidiaries. BIFR in its meeting held on 4.12.2003 confirmed its prima-facie opinion that it would be just, equitable and in public interest if the sick company IDPL was wound up in terms of Section 20(1) of the Act. Thereafter, a reference was made by BIFR to Punjab and Haryana High Court, Chandigarh on 29.12.2003 for initiating the appointment of a liquidator. However, Department of Chemicals & Petrochemicals filed an appeal against the opinion of BIFR in AAIFR on 10.02.004 after consulting the Law Ministry. Subsequently, the Hon'ble High Court of Punjab and Haryana at Chandigarh issued a notice for its hearing on 9.4.2004 for appointment of liquidator, where it adjourned the proceedings sine die in view of the appeal filed by the administrative Ministry in AAIFR.

3.35 At present, the Department has appointed an Expert Committee to study the techno-financial feasibility for rehabilitating IDPL. The Committee is likely to give its report by 15th April, 2005.

3.36 Government also offered VRS to the employees of the IDPL in consultation with the Department of Public Enterprises and Finance Ministry . The Government had also released funds to the extent Rs. 470.63 crore till 31.3.2004 towards implementation of VRS. As a result of implementation of VRS the total strength of 6592 employees (inclusive of both wholly owned subsidiaries as on 31.12.2002), has been reduced to 440 employees as on 1.9.2004.

3.37 A loan provision of Rs. 14.20 crore (Non-Plan) has been made in BE (2005-06) as against RE of Rs. 14.25 crore of last year i.e. 2004-05.

3.38 In this context, when the Committee asked how RE of Rs. 14.25 crore (Non-Plan) has been spent during the year 2004-05 and how do Government propose to spend Rs. 14.20 crore as Non-Plan loan for the year 2005-06, the Ministry, in their written reply, stated as under:-

> "A non – plan budget provision of Rs. 14.25 was made for IDPL in RE-2004-05 for meeting the expenses relating to salary and wages of remaining employees and other expenses. The amount was not released to them as IDPL generated some income during 2004-05, which was sufficient for meeting the expenditure towards salaries etc. The Department has sent a proposal to Ministry of Finance to re-appropriate Rs. 2.50 crores out of IDPL budget to provide money to SSPL to meet the shortfall in VSS dues."

(iv) Rajasthan Drugs & Pharmaceuticals Limited (RDPL)

3.39 Rajasthan Drugs & Pharmaceuticals Limited (RDPL) is a joint Sector Undertaking promoted by Indian Drugs & Pharmaceuticals Limited (IDPL) and the Rajasthan Industrial Investment Corporation (RIICO). IDPL holds 51% of the equity shares and the rest is with RIICO. The company was incorporated in 1978 and the commercial production was commissioned in April, 1981. The company has its manufacturing unit and the registered office located at V.K.I. Industrial Area, Jaipur (Rajasthan). This is a formulation unit engaged in the production of Tablets, Capsules, Liquid Orals and Injectables. The Disinvestment Commission has recommended divesting the shares of IDPL in the company if necessary along with the shares of RIICO.

3.40 Installed capacity and actual (physical) performance of the company during the last three years are as below:-

Sl. No.	Item	Unit	Installed capacity		Actual Production		
			2001-02	2002-03 & 2003-04	2001-02	2002-03	2003-04
1	Tablets	Million	300.00	300.00	426.14	411.98	347.68
2	Capsules	Million	45.00	45.00	60.16	65.62	26.50
3	Liquid Orals	K. Ltrs.	400.00	400.00	326.90	319.90	269.53
4	Powder	M. Tonne	50.00	100.00	71.82	131.59	137.17
5	Vials/Ampoules	No. in lacs	15.00	15.00	8.36	5.91	6.93

3.41 Financial performance of the company during the last three years is as below:-

(Rs. in lakh)

Description	2001-02	2002-03	2003-04
Sales	1867.99	2053.66	1912.00
Net Profit	145.82	193.82	117.64
Income Tax	57.00	74.50	39.85
Dividend (with Tax on Dividend)	15.99	18.04	12.03
Paid-up Capital	106.61	106.61	106.61
Reserves & Surplus	333.24	413.46	477.89
Earning per Share (Rs.)	8.33	9.55	7.17
Book value per Share (Rs.)	41.26	43.78	54.83
Contribution to Govt. Exchequer	383.57	462.28	384.84

3.42 During the study visit of the Committee to Jaipur in October, 2004, it was informed that RDPL has some plans to upgrade the plant and machinery to withstand competition from private drug manufacturers and also in the light of coming WTO regime. In this connection, the Ministry have informed that a proposal has been received from RDPL to provide an additional equity of Rs. 1.00 crore through Crucial Balancing Scheme as a part of capital investment in order to upgrade the plant. Subsequently, a proposal was received to help them in getting the inter-corporate loan for this purpose. The Ministry have stated that the RDPL has been asked to send a self contained proposal in the matter.

(v) Hindustan Antibiotics Limited (HAL)

3.43 Hindustan Antibiotics Limited (HAL), Pimpri, Pune was incorporated on the 30th March, 1954. This was the first Public Sector company in drugs and pharmaceuticals. The company produces a wide range of Pharmaceutical formulations including agro-vet products.

3.44 There are three joint sector units promoted by HAL in collaboration with the respective State Government. These are Karnataka Antibiotics & Pharmaceuticals Limited (KAPL), at Bangalore, Maharashtra Antibiotics & Pharmaceuticals Limited (MAPL) at Nagpur in Maharashtra and Manipur State Drugs & Pharmaceuticals Limited (MSDPL) at Imphal, in Manipur. In addition it had formed a joint venture, namely, HMGB, with a private sector company Max GB.

3.45 The company was referred to the BIFR in January, 1997. The BIFR declared the company as formally sick on 31.3.1997. The BIFR appointed the Industrial Development Bank of India (IDBI), Mumbai as the Operating Agency for a techno-economic viability study and report. BIFR heard the case from time to time. After due consideration, the Government in March, 2002, communicated to the BIFR that it was not in a position to submit a fully tied up proposal for rehabilitation of the company and that the Government was agreeable for a change in management of the company and would be willing to consider a financial restructuring package without infusion of additional funds along with and as part of disinvestment to a strategic partner.

3.46 The BIFR issued a Public Show Cause Notice dated September 5, 2003, about winding up of M/s Hindustan Antibiotics Limited (HAL). The Operating Agency (IDBI) convened a Joint Meeting of all the Stake holders. Another Meeting was convened by the Operating Agency (IDBI) on November 24, 2003. The case was last heard by BIFR on 18.12.2003. The Board decided to hold the Show Cause Notice in abeyance and granted further time to the company and the other bidders to submit their comprehensive and fully tied up revival proposal to the OA

(IDBI). The OA held a Joint Meeting on 30th April, 2004 in which the proposal submitted by HAL was decided to be pursued. HAL was accordingly asked to submit certain details by the OA.

3.47 Subsequently, the Finance Minister in the Budge Speech of 2004-05 announced to provide financial support for the restructuring of the company. After the announcement, the HAL has submitted a revised Rehabilitation Scheme for its revival. The Ministry have informed that the Draft Rehabilitation Scheme received from the HAL has been sent to the Board of Reconstruction of Public Sector Enterprises (BRPSE) for its consideration.

3.48 A token provision of Rs. 3.00 crore as Plan and Rs. 60.00 crore as Non-Plan has been made during 2005-06 against Rs. 2.77 crore as Plan and Rs. 6.66 crore as Non-Plan (RE) in 2004-05. The Ministry have informed that the amount of Rs. 2.77 crore (Plan) has been utilised fully. The amount of Rs. 3.00 crore (Plan) and Rs. 60.00 crore (Non-Plan) has been provided in 2005-06 for R&R activities and rehabilitation of the company respectively.

(vi) Bengal Chemicals & Pharmaceuticals Limited (BCPL)

3.49 Bengal Chemicals & Pharmaceuticals Works (BCPL) a sick company in the private sector, was nationalised on the 15th December, 1980 and was incorporated on the 17th March, 1981as new public sector company in the name of Bengal Chemicals & Pharmaceuticals Limited (BCPL). The company has four manufacturing units one each at Maniktala at Kolkata, Panihati at 24 Parganas (North) (West Bengal), one at Mumbai (Maharashtra) and the fourth one at Kanpur (UP). The company manufactures and markets a wide range of industrial chemicals, a large number of Drugs and Pharmaceuticals besides Cosmetics and Home Products. In the Home Products, the well known products include Cantharidine Hair Oil and Lamp Brand Phenol.

3.50 The company was formally declared sick by the Board for Industrial and Financial Reconstruction (BIFR) on the 14th January, 1993. A revival package based on the report of the Operating Agency (IRBI), was approved by BIFR on the 4th April, 1995. The revival period was for ten years beginning from 1994-95. The Ministry have informed that the company could achieve a consistent growth of about 20% in the years 1994-95 and 1996-97. The net losses per annum were also coming down significantly. The company was also able to finalise the sale of surplus land of 8 acres to the Coast Guard Organisation of the Ministy of Defence and raised Rs. 15.68 crore in 1995-96. As per the sanctioned scheme, the outstanding old dues of IRBI (now IIBI) and United Bank of India have been paid out of the sale proceeds of surplus land. The company has obtained WHO GMP (World Health Organisation-Good Manufacturing Practice) and ISO 9002 License for manufacture of tablets and capsules.

3.51 The Ministry have further informed that a review meeting by the Operating Agency was taken on the 4th October, 2002, in Kolkata to consider the further revised Rehabilitation Scheme submitted by BCPL. The Government conveyed their in principle approval to BIFR in December, 2002, to the reliefs and concessions sought in the modified revised rehabilitation scheme. The matter was heard by BIFR from time to time. The BIFR has sanctioned a Modified Revised Rehabilitation Scheme on 14.1.2004 for the revival of BCPL. This envisages a number of reliefs and concessions from the Government and other agencies. The Scheme is under consideration of the Government. They have stated that it will be circulated to Ministries/Departments for their comments.

3.52 A token provision of Rs. 5.00 crore as Plan and Rs. 10.00 crore as Non-Plan has been made in BE (2005-06) as against Rs. 6.64 crore as Plan and 1.00 crore as Non-Plan (RE) of the last year i.e. 2004-05.

3.53 When the Committee asked as to how BE/RE (2004-05) has been spent and how the BCPL proposes to utilise the sum during 2005-06, the Ministry informed as under:-

> "According to the information received from BCPL, the actual expenditure is Rs. 464 lakh during the year 2004-05. Out of an amount of Rs. 15 crore sanctioned to BCPL for 2004-05, BCPL proposes to spend Rs. 5.00 crore (Plan) on the approved on going schemes to ensure Schedule M compliance. Rs. 10 crore (Non-Plan) will be spent mainly on the reduction of manpower by introducing VRS."

PART-II

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

The Committee note that the budgetary provisions of the Department of Chemicals & Petrochemicals for the year 2005-06 are Rs. 913.25 crore which consist of Rs. 83.00 crore for Plan and Rs. 830.25 crore for Non-Plan. In BE (2004-05), the total provision was Rs. 124.39 crore (Plan Rs. 77.38 crore and Non-Plan 47.01 crore) which was increased in RE (2004-05) to a level of Rs. 407.00 crore (Plan Rs. 60.00 crore and Non-Plan Rs. 347.00 crore). The Non-Plan loan to PSUs has been kept at Rs. 143.47 crore in 2005-06 from a level of Rs. 21.47 crore from BE (2004-05). Plan investment and loan has been kept at Rs. 21.00 crore in 2005-06 in comparison to Rs. 20.20 crore in BE (2004-05). The Committee find that there has been less utilisation in 2004-05 in schemes of Bhopal Gas, HAL, CIPET, IPFT, CPDS, NPPA and HOCL. IPFT could not utilise a fund of Rs. 5.73 crore fully as there was difficulty in obtaining the required specialised manpower for the purpose. In case of CPDS, the amount of Rs. 3.40 crore allocated for the expenditure towards conduct of feasibility study of setting up of mega chemical project was saved as there was delay in appointing the advisor for the project. There is saving under CIPET as the agreement for OPEC loan could not be finalised. The same trend exists in the schemes of HAL, HOCL and Bhopal Gas. The Committee further note that during the first three years of 10th Five Year Plan too, there has been less utilisation in some schemes of Institute of Pesticide Formulation and Technology (IPFT), Chemical Weapon

Convention (CWC) and Chemical Promotion and Development Scheme (CPDS). Out of total allocation of Rs. 1281 lakh in the first three years of the 10^{th} Plan for IPFT, actual expenditure has been Rs. 681.15 lakh, only. Under CWC, out of Rs. 15 lakh, an expenditure of Rs. 7.70 lakh, was made during the first two years of 10^{th} Plan. The Committee had also noted in their 40^{th} Report (13^{th} Lok Sabha) on Demands for Grants (2003-04) of the Department of Chemicals & Petrochemicals that in the Ninth Five Year Plan, out of a total allocation of Rs. 4012.56 crore, only Rs. 3398 crore were utilised by the Government. These facts clearly establish that the utilisation of budgetary resources has not been satisfactory. In the process, there has been slippages in achieving the targets fixed during the first three years of 10^{th} Five Year Plan as well. The Committee, therefore, desire that the reasons for underutilisation of budgetary allocations should be thoroughly analysed and the Department should gear up their machinery to realise the intended purposes and also achieve the targets in the remaining two years of Plan. With this, the Committee endorse the Demands for Grants of the Department of Chemicals & Petrochemicals of the Ministry of Chemicals & Fertilizers for the year 2005-06.

(Recommendation Sl. No. 1)

2. The Central Institute of Plastics Engineering & Technology (CIPET) is an autonomous institution, under the administrative control of the Department of Chemicals & Petrochemicals. The Institute is expected to help in strengthening its facilities and expertise for providing technical services to the plastic industry. The Committee have been informed that three new CIPET centres in Rajasthan, Haryana and Maharashtra are to be established during the remaining period of 10^{th} Five Year Plan with financial assistance of Government of India and respective State Governments. These centres will create employment opportunities for youth and facilitate technology up-gradation of existing plastic industry. This will also invite new entrepreneurs in these States and boost their economy. The Committee note that though the officials of CIPET and State Government of Rajasthan have inspected four/five sites in Jaipur, the same exercise is yet to be completed in case of Haryana and Maharashtra. The Committee are happy that the CIPET network is sought to be extended to wider areas. They hope that this would result in the overall promotion of the plastic industry in the country. The Committee, therefore, desire that the work in regard to establishment of new CIPET centres be done expeditiously so that these centres may be established within the target in the remaining period of 10^{th} Five Year Plan itself.

(Recommendation Sl. No. 2)

3. The Committee note that presently plastic industry is engulfed with many problems. In this connection, the Committee note that according to the Task Force on Petrochemicals, the capacity utilisation of the industry is low around 60% and continuation of SSI reservation after removal of Quantitative Restrictions and the provisions of the Jute Packaging Materials Act (JPMA) are stated to be coming in the way of the development of this industry. There is investment restriction of Rs. 1 crore in plant and machinery due to SSI reservation which reportedly restricts them to become techno-commercially competitive in global market to sustain competition from China, Korea, Taiwan, etc. The JPMA, Act, 1987 does not leave scope for use of plastic for packaging of foodgrains and sugar as it stipulates that entire quantities of foodgrains and sugar have to be compulsorily packed in Jute sacks. Since plastic is going to play a major role in the coming future, the Committee recommend that the problems of this industry be addressed urgently and for this a National Policy on Petrochemicals be framed at the earliest.

(Recommendation Sl. No. 3)

4. The Committee note that presently dyes, moulds and tools are being imported from Taiwan, Korea, Japan, etc. amounting to total cost of import around Rs. 3000 crore. The facility for design development and fabrication of mould, dyes and tools does not exist in Bihar, U.P., Jharkhand, Orissa and West Bengal and for this, the Government have proposed to establish a centre for design and development of tools at Hazipur (Bihar) at a financial cost of Rs. 9.95 crore to be borne by State Government of Bihar and Government of India. Presently the proposal is under the consideration of Planning Commission. The Committee, therefore, desire that the matter may expeditiously be taken up with the Planning Commission for early establishment of the centre at Hazipur.

(Recommendation Sl. No. 4)

5. Assam Gas Cracker Project was proposed as early as in 1984 for the utilisation of petroleum fraction of natural gas. The Project has been pending for a long time. The Committee note that the main delay in setting up of this Project is

due to shortage of gas requirement for production of 2 lakh TPA of ethylene. When the agreement for supply of Gas was signed in October, 2000, Reliance Assam Petrochemicals Ltd. (RAPL) considered the gas supply inadequate for production of 2 lakh TPA of ethylene. Consequently, the Ministry of Petroleum & Natural Gas agreed to supply LPG to make up the shortage. Since a large amount of subsidy from Government was involved, it was decided that some PSUs under the Ministry of Petroleum & Natural Gas should implement this project and accordingly Gas Authority of India Limited (GAIL) has been identified for implementation of Assam Gas Cracker Project for which they have prepared a detailed feasibility report. The Committee have now been informed that Ministry of Petroleum & Natural Gas has sent the proposal to the Ministry of Finance for clearance of the Project by PIB. In view of the considerable time already taken, the Committee desire that the requisite procedures may be expeditiously completed so that the Project can take off without any further delay and thereby the aspirations of the people of the Region may be accomplished.

(Recommendation Sl. No. 5)

6. The Committee note that out of a total budget allocation of Rs. 748.78 crore under Revenue Section in 2005-06, Rs. 663.71 crore has been earmarked for Bhopal Gas Leak Disaster which is about 88% of total Revenue allocation. This has been necessitated owing to the orders of the Supreme Court for disbursement of the compensation to the victims on account of variations in the exchange rate. The Ministry have informed that till 23 march 2005, pro-rata compensation amounting to Rs. 368.99 crore has been disbursed in 1,25,657 cases and 8674 revision petitions and about 4.44 lakh pro-rata compensation cases are pending before the Welfare Commissioner who as per Supreme Court direction, has to complete this task by 30th April, 2005. It has also been informed that the Welfare Commissioner has sought for extension of time beyond 30th April, 2005. The Committee would like to be apprised of the status of the disbursement.

(Recommendation Sl. No. 6)

7. The Institute of Pesticides Formulation Technology (IPFT) is a registered society under the Department of Chemicals & Petrochemicals engaged in the development and production of pesticide formulation technologies. The Committee note that out of total allocation of Rs. 1281 lakh for IPFT in the first three years of the 10th Five Year Plan, the actual expenditure has been Rs. 681.15 lakh which includes an allocation of Rs. 573 lakh during 2004-05 wherein the actual expenditure was only Rs. 273.65 lakh. The Ministry have informed that the provision of Rs. 255 lakh for setting up of Organisation for Prohibition of Chemical Weapons (OPCW) facility and Rs. 50 lakh for creating library and data acquisition could not be utilised due to absence of qualified manpower. IPFT is lacking in-house expertise and several important positions are lying vacant. The Committee, therefore, recommend that effective steps should be taken for provision of the requisite inhouse expertise in order to enable the Institute to undertake their assigned activities.

(Recommendation Sl. No. 7)

8. The National Institute of Pharmaceutical Education & Research (NIPER) had been conceived as a mother Institution to set standards of excellence for

pharmaceutical scenario and for research and development in the field of pharmaceuticals. The Committee note that besides the budgetary allocation, funds are being made available to NIPER from Pharmaceutical Research and Development Programme (PRDP) to undertake R&D in drugs and pharmaceuticals. Though NIPER has made progress, no new drug in regard to Tuberculosis, Malaria, Leishmania and Diabetes has been discovered as yet. The Committee feel that research in all these areas is extremely relevant for the health care need in the country where multinational pharmaceutical companies/other companies have limited interest. This also has become necessary in the light of the statement of the Department of Chemicals & Petrochemicals that the R&D for discovery of new medicines in Tuberculosis, Malaria, Leishmania has become quite important as multi drug resistance has developed in these diseases. The Committee, therefore, recommend that concerted efforts be made to develop and discover new drugs in Tuberculosis, Malaria, Leishmainia, etc..

(Recommendation Sl. No. 8)

9. The Committee note that after amendment in the Patent Act of 1970 under obligation of WTO and TRIPS, the product patent regime would be introduced in pharmaceutical sector and this may alter the prices of drugs in the country. At this crucial time, there is a pronounced need for the Government to keep the prices of drugs within the reach of common man. The Committee, therefore, recommend that the Ministry of Chemicals & Fertilizers in co-ordination with other concerned Ministries should set up a mechanism which will closely monitor the price behaviour in the wake of the amendments in the Patents Law and take appropriate corrective measures for enforcing proper moderations.

(Recommendation Sl. No. 9)

10. In the opinion of the Committee, in the wake of the amendments to the Patents Act, there is an imperative need to give more thrust on Research & Development. The Committee, therefore, trust that the Department will extend all necessary support in the overall interests of both the drugs and pharmaceutical sector as also the common man at large.

(Recommendation Sl. No. 10)

11. National Pharmaceutical Pricing Authority (NPPA) is entrusted with the task of price fixation/revision and other related matters such as monitoring the prices of decontrolled drugs and formulations and enforce and implement the provisions of the Drugs (Prices Control) Order (DPCO), 1995. The prices of non-scheduled formulations are fixed by manufacturers. NPPA monitors the prices through scrutiny of the price list submitted by manufacturers, ORG-MARG/IMS report and complaints received from official and non-official sources. It is common knowledge that instances of shortages and charging of high prices are rampant in the country, particularly in rural areas in the case of drugs and formulations and for this a further closer scrutiny is required. The Committee, therefore, recommend that an effective monitoring of prices of drugs be done which are not covered under the Price Control Order. They feel if possible, a ceiling on trade margin of drugs may also be fixed.

(Recommendation Sl. No. 11)

12. In this connection, the Committee note that a Committee set up by the Government on the subject has submitted its interim report containing wide-ranging recommendations for ensuring availability of life saving drugs at reasonable prices. Apart from the need for intensive monitoring and fixation of a ceiling on trade margin, the recommendations also *inter-alia* included, introduction of the system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model Life Line Fluid Stores (Hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturers and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO Cell at States, initiating efforts towards public awareness, to give wide publicity to policy decisions, etc.. The Committee desire that appropriate follow-up action on those recommendations should be taken with a view to ensuring availability of drugs at affordable prices to the common man. The Committee would like to be informed of the specific action taken thereon.

(Recommendation Sl. No. 12)

13. Another related aspect which engaged the attention of the Committee related to the widespread usage of drugs banned by the World Health Organisation and other similar Organisations, in the country. The Committee desire that this menace requires to be met effectively with by the authorities concerned.

(Recommendation Sl. No. 13)

14. The Committee note that Pharmaceutical Export Promotion Cell (PEPC) has been set up to give a boost to export by domestic pharmaceutical industry and production of quality drugs. Export of drugs, pharmaceuticals and chemicals have been made to the tune of Rs. 14321.1 crore in 2003-04 from a level of Rs. 8757.5 crore in 2000-01. The Committee are happy to find that export of drugs and pharmaceuticals has since increased in rupee terms from 2000-01 to 2003-04.

The Committee, therefore, desire that in the Post WTO era, consistent efforts should be made for increasing export of drugs and pharmaceuticals and to establish India a global leader in pharma sector. For achieving this, the Department may also consider increase in budgetary allocation.

(Recommendation Sl. No. 14)

15. The Committee note that the Drug Prices Liabilities Review Committee (DPLRC) has been constituted to assist in determining/quantifying the liability of the drug companies arising on account of the implementation of the provisions of the Drug (Price Control) Order, 1979. On the basis of the recommendations of the DPLRC, the Drug Prices Equalisation Account (DPEA) liability is determined by the Government and demand notices are issued to the drug companies. The Committee have been informed that, presently, 32 cases are pending with the DPLRC including 22 cases held up because of stays granted by High Court of Mumbai involving a total amount of Rs. 142 crore. In all there are also 24 cases pending in the Supreme Court of India and in various High Courts involving approximately Rs. 101.00 crore held up for recovery from various drug manufacturers due to these Court cases. The Ministry have informed that a transfer petition has been filed in the Supreme Court for transferring all the cases pending in various High Courts to the Supreme Court of India. While expressing their concern over the extent of dues locked up, the Committee desire that the matter be pursued vigorously for early realisation of the legitimate dues to Government. The Committee would like to be apprised of the latest position including the details of the recovery and the extent of pending liabilities.

(Recommendation Sl. No. 15)

16. The Committee have been informed by the Government that it would not be legally tenable to either amend the DPCO, 1970 or the Essential Commodities Act, 1955 to overcome the drug companies approach of delaying the matter by moving to the Courts, as it could amount to taking away the power of judicial review of the High Courts. The Committee find that there was no provision in the DPCO, 1979 for appeal against the demand notices/orders issued by Government to the drug companies. This was a lacuna in the order and therefore, drug companies went for legal redressal of their grievances under writ jurisdiction. The Committee feel that there should be a provision of appeal and a certain percentage of amount must be deposited by the concerned drug companies before going in appeal on the line of the latest amendment made in other Acts such as the Consumer Protection Act, 1986. The Committee, therefore, desire that Department of Chemicals & Petrochemicals should make all efforts through the Courts to ensure that drug companies initially deposit a certain percentage, say half of the amount due before they resort to judicial remedies.

(Recommendation Sl. No. 16)

17. The Committee note that the Government have taken a decision to set up a Mega Chemical Industrial Estate (MCIE) with a view to enabling increase in production and export earnings in Chemical Sector. A provision of Rs. 340 lakh was made in BE (2004-05) for this purpose and for promotional activities of (CPDS), out of which an expenditure of Rs. 56 lakh has been incurred. The Ministry, have informed that the study has been entrusted to the consultant who has submitted Concept Paper, Inception Report and Market Study Report. The Committee desire that they may be kept apprised of the further development in the matter.

(Recommendation Sl. No. 17)

18. The Government have made it mandatory for each Ministry/Department to provide for 10% of the total planned budget for each year as contribution towards Non-lapsable Central Pool of resources for funding specific programmes in the North-Eastern States and Sikkim. The Committee note with concern that the pace of utilisation of amount for North-Eastern areas is not up to the mark. An amount of Rs. 9.21 crore has been transferred in this regard to Non-Lapsable Pool during the last five years due to non-realisation of targets. Assam Gas Cracker Project has not been initiated and no expenditure has been made for creation of infrastructure facilities of CIPET centre, Imphal under DONER programme. The Committee desire that in keeping tune with the pronounced Government Policy, North-Eastern Region should be given priority in bringing them in the national mainstream. They, therefore, desire that the amount allocated for North Eastern Region be utilised fully within the stipulated period and more schemes be also considered for the all round development of the area.

(Recommendation Sl. No. 18)

19. Hindustan Insecticides Limited (HIL) is engaged in the production of insecticides. The Committee note that heavy damage has been caused in Endosulfan Technical Plant of Udyogamandal unit of HIL due to a major fire accident in July, 2004. The assessment of damage has been done by Civil Engineering Department, Cochin University. The company had sought for an additional amount of Rs 7.11 crore in view of the fire accident in the Udyogmandal unit of the plant. The Ministry have informed that this amount was not made available to them at RE stage as there was a plan cut of Rs. 15 crore. The Committee find that Endosulfan Formulation plant would be redundant without availability of technical material from technical unit and hence it is imperative that the plant be urgently rehabilitated and it started production. Further, there is a heavy wage and salary bill amounting to Rs. 5.30 crore for under-utilised/idle workforce. The Committee, therefore, recommend that the Endosulfan Technical Plant be urgently reconstructed and put back into production at the earliest possible time.

(Recommendation Sl. No. 19)

20. The Committee find that Hindustan Insecticides Limited (HIL), Indian Drugs & Pharmaceuticals Limited (IDPL), Hindustan Antibiotics Limited (HAL), Hindustan Organic Chemicals Limited (HOCL), Bengal Chemicals & Pharmaceuticals Limited (BCPL) have been declared sick and referred to the Board for Industrial & Financial Reconstruction (BIFR) from one point of time or another. HIL has submitted a modified capital restructuring proposal duly approved by their Board of Directors. The proposal is under consideration of the Government. In regard to IDPL, a revival package was approved by BIFR on 10.02.1994. At present, the Department has appointed an Expert Committee to study the techno-financial feasibility for rehabilitating IDPL and its report is expected in the near future. A draft rehabilitation scheme is before the consideration of Board of Reconstruction of Public Sector Enterprises (BRPSE) in case of HAL. So far BCPL is concerned, the BIFR has sanctioned a Modified Rehabilitation Scheme for it. The Ministry have informed that it has been examined and was in the process of being circulated to the Ministries/Departments concerned for their comments. In regard to HOCL, revival by way of infusion of funds etc. or otherwise would depend on the outcome of the proceedings before BIFR. The Committee feel that the problems of sick PSUs under the Department of Chemicals & Petrochemicals are not being dealt with promptly and there is considerable delay in revival of the companies resulting in huge financial outgo towards establishment cost and other expenditure. Majority of the workforce remain untilised and idle wages are being paid. In view of the above, the Committee desire that revival of all the sick/closed companies potentially fit for revival be taken up seriously and promptly and a decision in this regard be taken urgently.

(Recommendation Sl. No. 20)

21. As regards IDPL, the company had been established with the primary objective of creating self-sufficiency in essential life saving drugs and medicines. However, it became sick long back in 1992 and it seems that no serious efforts have been made for revival of IDPL till date. The Committee feel that much delay has already been caused and there should be no further time lost in revival of IDPL. They strongly recommend that all out efforts be made for rehabilitation of IDPL just after techno-economic feasibility report is received so that the company can strive again to achieve its objectives and thereby the common man may get life saving drugs at affordable prices in time.

(Recommendation Sl. No. 21)

22. Rajasthan Drugs & Pharmaceuticals Limited (RDPL) is a joint sector undertaking promoted by IDPL and the Rajasthan Industrial Investment Corporation (RIICO). The Committee were informed that RDPL has formulated a plan to upgrade its plants and machinery to withstand competition from private manufacturers and to expand its market share in the changed scenario. RDPL has sent a proposal in this regard to the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals). During an on-the-spot study visit of the Committee to the company in October, 2004, the matter was also brought to their notice. The Committee were informed that the company needed some financial support for providing it an additional equity of Rs. 1.00 crore as a part of capital investment in order to upgrade the plant. The Committee learnt that the there had been instances when subsidiaries of Public Sector Undertakings were extended such financial assistance, in the past. They feel that the Government might not face much difficulty in helping RDPL also . The Committee, therefore,

recommend that the Government should come forward for assisting RDPL and the latter's proposal should be considered by the Ministry expeditiously.

(Recommendation Sl. No. 22)

New Delhi;
April 20, 2005
Chaitra 30, 1927 (Saka)

ANANT GANGARAM GEETE
Chairman,
Standing Committee on
Chemicals & Fertilizers.

Appendix-I

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2004-05)

ELEVENTH SITTING

(01.04.2005)

The Committee sat from 1630 hrs. to 1800 hrs.

Present

Dr. Chhattrapal Singh Lodha - In the Chair

Members

Lok Sabha

2. Shri Afzal Ansari
3. Shri Jai Prakash
4. Shri Sukhdev Singh Libra
5. Shri P.Rajendran
6. Shri A. Venkatarami Reddy
7. Shri T. Madhusudhan Reddy
8. Shri V.K. Thummar
9. Shri Bhanupratap Singh Verma
10. Shri Bhal Chandra Yadav

Rajya Sabha

11. Shri Ajay Maroo
12. Shri T.R. Zeliang

Secretariat

1. Shri S.K. Sharma - *Additional Secretary*
2. Shri P. Sreedharan - *Joint Secretary*
3. Shri C.S. Joon - *Director*
4. Shri S.C. Kaliraman - *Under Secretary*
5. Shri M.K. Madhusudhan - *Assistant Director*

Representatives of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals)

1.	SHRI PRATYUSH SINHA	-	SECRETARY
2.	SHRI SATISH CHANDRA	-	CHAIRMAN, NPPA
3.	SHRI ASHOK CHAWLA	-	AS & FA
4.	SHRI G.S. SANDHU	-	JOINT SECRETARY
5.	SHRI RAMESH INDER SINGH	-	JOINT SECRETARY
6.	SHRI MUKESH KACKER	-	JOINT SECRETARY
7.	SHRI PRADIP MEHRA	-	MS (NPPA)
8.	SHRI S.C. GAUTAM	-	ECONOMIC ADVISOR

Representatives of Public Sector Undertakings (PSUs)

1.	SHRI RAJENDRA MOHAN	- CMD, HINDUSTAN INSECTICIDES LTD. (HIL) AND INDIAN DRUGS & PHARMACEUTICALS LTD. (IDPL)
2.	SHRI K. HARIKUMAR	- DIRECTOR (MKTG.), HINDUSTAN INSECTICIDES LTD. (HIL)
3.	SHRI M.C. ABRAHAM	- CMD, HINDUSTAN ANTIBIOTICS LTD. (HAL)
4.	SHRI K.A. R. SUBRAMANIAM	- DY. DIR. (CORPORATE) CENTRAL INSTITUTE OF PLASTICS ENGINEERING & TECHNOLOGY (CIPET)
5.	DR. P. RAMARAO	- DIRECTOR, NATIONAL INSTITUTE OF PHARMACEUTICALS EDUCATION & RESEARCH (NIPER)
6.	SHRI P. DASGUPTA	- DIRECTOR (MKTG./FIN.), INDIAN DRUGS & PHARMACEUTICALS LTD. (IDPL)
7.	SHRI N.R.S. PHANI	- M.D., BENGAL CHEMICALS & PHARMACEUTICALS LTD.(BCPL)
8.	SHRI M. VENKATESAN	- DIRECTOR (FIN.), BENGAL CHEMICALS & PHARMACEUTICALS LTD.(BCPL)
9.	SHRI A.S. DIDOLKAR	- CMD, HINDUSTAN ORGANIC CHEMICALS LTD. (HOCL)
10.	SHRI J.P. SINGH	- HEAD F.A.T., INSTITUTE OF PESTICIDES FORMULATION TECHNOLOGY (IPFT)
11.	DR. RAMDEV	- ASSTT. REGIONAL CO-ORDINATOR, RENPAP

2. In the absence of Chairman of the Committee, Members chose Dr. Chhattrapal Singh Lodha, MP, to act as Chairman in accordance with Rule 258 (3) of Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Hon'ble Chairman then welcomed the Members, officials of the Department of Chemicals & Petrochemicals and representatives of Public Sector Undertakings (PSUs) to the sitting.

4. Thereafter, the Department of Chemicals & Petrochemicals made a brief audio-visual presentation highlighting the various activities of Chemicals & Petrochemicals Sector.

5. During the course of evidence, the following issues came up for discussion:-

(i) Finalisation of agreement for OPEC loan to CIPET;
(ii) Plastic Recycling & Waste Management;
(iii) Approval of project by PIB in regard to Assam Gas Cracker Project;
(iv) Compensation to Bhopal Gas victims;
(v) Delay in framing rules and regulations under Chemical Weapon Convention Act;
(vi) Research & Development and new drug discoveries;
(vii) Problems in respect of Drug Prices Equalisation Account (DPEA);
(viii) Revival of sick/closed Public Sector Undertakings; and
(ix) Price rise of drugs after passage of Patent Act.

6. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

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Appendix-II

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2004-05)

TWELFTH SITTING

(19.04.2005)

The Committee sat from 1600 hrs. to 1715 hrs.

Present

Shri Anant Gangaram Geete- ***Chairman***

Members

Lok Sabha

2. Shri Sukhdev Singh Libra
3. Shri P. Rajendran
4. Shri T. Madhusudhan Reddy
5. Shri Narsingrao H. Suryawanshi
6. Shri Bhanupratap Singh Verma

Rajya Sabha

7. Dr. Chhattrapal Singh Lodha
8. Shri Ajay Maroo
9. Shri Raju Parmar
10. Shri Gireesh Kumar Sanghi
11. Shri R. Shunmugasundaram

Secretariat

1.	Shri S.K. Sharma	-	Additional Secretary
2.	Shri P. Sreedharan	-	Joint Secretary
3.	Shri C.S. Joon	-	Director
4.	Shri S.C. Kaliraman	–	Under Secretary
5.	Shri M.K. Madhusudhan	-	Assistant Director

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. ** ** ** ** ** ** ** ** ** ** **
** ** ** ** ** ** ** ** ** ** **

4. The Committee then considered the draft Report on Demands for Grants (2005-06) of the Ministry of Chemicals & Fertilizers (Department of Chemicals & Petrochemicals). The draft Report was also adopted by the Committee without any changes.

5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Report by the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers and present the same to both the Houses of Parliament in the current Session.

The Committee then adjourned.

*** Matters not related to this Report*