



**STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS
(2010-11)**

FIFTEENTH LOK SABHA

**MINISTRY OF CHEMICALS AND FERTILIZERS
(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

DEMANDS FOR GRANTS

(2011-2012)



TWENTIETH REPORT

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2011/ Sharvana 1933, (Saka)

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(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

**DEMANDS FOR GRANTS
(2011-2012)**

Presented to Lok Sabha on 4.08.2011

Laid in Rajya Sabha on 4.08.2011

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2011/ Sharvana 1933, (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON
CHEMICALS & FERTILIZERS (2010-11)**

Shri Gopinath Munde - Chairman	
MEMBERS	
LOK SABHA	
2	Smt. Susmita Bauri
3	Shri Udayanraje Bhonsle
4	Shri Prabhatsinh P. Chauhan
5	Smt. Santosh Chowdhary
6	Shri K.D. Deshmukh
7	Adv. Ganeshrao Nagorao Dudhgaonkar
8	Shri T.K.S. Elangovan
9	Shri Madhu Koda
10	Shri N. Peethambara Kurup
11.	Shri Baidya Nath Prasad Mahato
12	Shri Jagdambika Pal
13	Shri Tapas Paul
14	Shri Ponnamp Prabhakar
15	Shri Ashok Kumar Rawat
16	Shri Suresh Kumar Shetkar
17	Shri Ajit Singh
18	Shri N. Chaluvarya Swamy
19	Shri Narendra Singh Tomar
20	[#] Dr. Manda Jagannath
21	Vacant
RAJYA SABHA	
22	Shri Silvius Condpan
23	Smt. Naznin Faruque
24	Shri A.A. Jinnah
25	Shri Brijlal Khabri
26	Prof. Anil Kumar Sahani
27	Shri Raghunandan Sharma
28	Dr. C.P. Thakur
29	^{&} Shri Parshottam Khodabhai Rupala
30	^{&} Shri Abani Roy
31	^{&} Shri Biswajit Daimary

SECRETARIAT

- | | | | |
|----|----------------------|---|---------------------|
| 1. | Shri N. K. Sapra | - | Secretary |
| 2. | Shri Ashok Sarin | - | Joint Secretary |
| 3. | Shri C.S.Joon | - | Director |
| 4. | Shri A.K. Srivastava | - | Additional Director |

& Nominated w.e.f. 21.09.2010
Nominated w.e.f. 04.10.2010

INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2010-11) having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2011-12.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2011-12 which were laid in Lok Sabha and Rajya Sabha on 11 March, 2011.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) at their sitting held on 22 March, 2011.

4. The Committee considered and adopted the Report at their sitting held on 18 July, 2011.

5. The Committee express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for furnishing the material and other information, which they desired in connection with the examination of Demands for Grants of the Department for the year 2011-12 and for giving evidence before the Committee.

6. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi;
28 July , 2011
6 Shravana, 1933 (Saka)

Gopinath Munde
Chairman,
Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER I

Introductory

1.1 The Department of Chemicals and Petrochemicals under the Ministry of Chemicals and Fertilizers is entrusted with the responsibilities of planning, development and regulation of the chemicals and petrochemicals industry sector.

1.2 The Department of Chemicals and Petrochemicals aims:

- i. To formulate and implement policy and programmes for achieving growth and development of the chemical and petrochemical sectors in the country; and
- ii. To foster the spirit of public-private partnership for overall development of above-mentioned sectors of industry.

The Department has the mandate to deal with the following broad subject matters:

- i. Insecticides excluding the administration of The Insecticides Act, 1968 (46 of 1968);
- ii. Molasses;
- iii. Alcohol – Industrial and Potable from the molasses route;
- iv. Dyestuffs and Dye Intermediates;
- v. All organic and inorganic chemicals, not specifically allotted to any other Ministry or Department;
- vi. Planning, Development and control of, and assistance to, all industries being dealt with by the Department;
- vii. Bhopal Gas Leak Disaster-Special Laws relating thereto;
- viii. Petrochemicals;
- ix. Industries relating to production of non-Cellulose Synthetic Fibres (Nylons, Polyesters, Acrylic, etc.);
- x. Synthetic Rubber; and
- xi. Plastics including fabrication of plastic and moulded goods.

1.3 The Department has two functional divisions, namely, Chemicals and Petrochemicals. There are two Public Sector Undertakings (PSUs) in the chemical

sector, namely, Hindustan Organic Chemicals Ltd. (HOCL) and Hindustan Insecticides Ltd. (HIL) and one PSU in the Petrochemical sector, namely, Brahmaputra Cracker and Polymer Ltd (BCPL). The autonomous institutes under this Department are Central Institute of Plastic Engineering and Technology (CIPET) and Institute of Pesticides Formulation and Technology (IPFT), which are sanctioned financial grants by this Department.

1.4 The detailed Demands for Grants (2011-12) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) were presented to the Lok Sabha on 11 March 2011. The demand shows a budgetary support of Rs 822 crore [(Rs 800 crore (Plan) + Rs 22 crore (Non-Plan)]. The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2011-12. The detailed analysis, along with Observations/Recommendations of the Committee are presented in the succeeding chapters of the Report. The Committee expect the Ministry to take necessary steps for proper and timely utilization of funds so as to complete the various plans and projects in a time bound manner.

CHAPTER II

Overview of Chemicals and Petrochemicals industry

2.1 The chemicals industry, which includes basic chemicals and its products, petrochemicals, fertilizers, paints & varnishes, gases, soaps, perfumes & toiletries and pharmaceuticals is one of the most diversified of all industrial sectors covering thousands of commercial products. It plays an important role in the overall development of the Indian economy. It contributes about 3% to the GDP of the country.

2.2 The chemicals and petrochemicals sector in India presently constitutes 14% of the domestic industrial activity. Investments in this sector is highly capital intensive with long gestation periods. The growth of petrochemicals and chemicals is projected at 12.6% and 8% respectively during the 11th Five Year Plan.

Chemicals Sector- Production Trends

2.3 Chemicals Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. The Indian Chemicals Industry is the 6th largest in the world and 3rd largest in Asia. It provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather, etc. which are required in almost all walks of life. The Indian Chemicals Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

2.4 According to the Ministry, the actual production of major chemicals during the years 2005-06 to 2009-10 and upto September for the year 2010-11 is as under:-

Table- I: Production of selected major chemicals

(Figures in '000MT)

Sector	PRODUCTION						Growth (%)	
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 up to Sept.	2009-10/08-09	CARG 2009-10/05-06
Alkali Chemicals	5475	5269	5443	5442	5602	2890	2.94	0.58
Inorganic Chemicals	544	602	609	512	518	281	1.17	-1.2
Organic Chemicals	1545	1545	1552	1254	1280	649	2.07	-4.6
Pesticides (Tech.)	82	85	83	85	82	44	-3.53	0.0
Dyes & Dyestuffs	30	33	44	32	42	24	31.25	8.8
Total Major Chemicals	7676	7534	7731	7325	7524	3888	2.70	-0.5

CARG: Compound Annual rate of Growth

2.5 As regards the role played by the Department as facilitator for development of chemicals industry, the Department in a note has submitted as under:-

“The chemical industry is de-regulated. No industrial license is required except for few hazardous chemicals. The Department of Chemicals & Petrochemicals (DCPC) does not have direct control over chemical industry in the liberalized industrial regime. The entrepreneurs are free to set up chemical project depending upon the market / demand. However, this department plays an important role as a facilitator for the development of the chemical industry through the following:

- a) Consolidation of views on bilateral/multi-lateral trade agreements
- b) Offering views on proposals for Foreign Technology Collaboration (FTC), Foreign Direct Investments (FDIs) and recognition of R&D proposals

- c) Offering views of Department of Chemicals and Petrochemicals on matters relating to levy of safeguard and anti-dumping duty
- d) Offering views to Directorate General of Foreign Trade in matters relating to input-output norms, SCOMET applications, fixation of DEPB rates etc.
- e) Undertaking activities for promotion of Indian Chemical Industry.

In addition to the above, the Department of Chemicals & Petrochemicals has set up a Task Force on Chemicals to study various facets of the chemical industry, examine major policy issues and make recommendations for enhancing investment, global competitiveness, accelerated and sustainable development of the chemical sector as a major building block of the Indian economy. The Task Force will make an assessment of the present status of the Indian Chemical sector, make suggestions for a National Chemical Policy with a Vision for 2020 and suggest strategies to achieve the goal of sustainable development of chemical industry through actionable programmes, schemes, policies and guidelines. The report of the Task Force is expected to be submitted in April 2011.”

2.6 The Ministry has informed that the petrochemical industry mainly comprises synthetic fibres, polymers, elastomers, synthetic detergents, intermediates and performance plastics. The main sources of feedstock and fuel for petrochemicals are natural gas and naphtha. Today, petrochemical products permeate the entire spectrum of items of daily use, ranging from clothing, housing, construction, furniture, automobiles, household items, toys, agriculture, horticulture, irrigation, packaging to medical appliances.

2.7 There are three naphtha-based and an equal number of gas-based cracker complexes in the country with a combined annual ethylene capacity of 2.9 million MT. Besides, there are four aromatic complexes also with a combined Xylene capacity of 2.9 million MT. The actual production of major petrochemicals during the years 2005-06 to 2009-10 and up to September for the year 2010-11 is exhibited in Table-II

Table-II: Production of Selected Major Petrochemicals

(Figures In 000' MT)

Sub-group	PRODUCTION						Annual Growth %	
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 upto Sept	2009-10/08-09	CARG 09-10/05-06
Synthetic Fibers	1906	2250	2524	2343	2601	1362	11.01	8.08

Polymers	4768	5183	5304	5060	4791	2486	-5.32	0.12
Elastomers (S.Rubber)	110	101	106	96	106	51	10.42	-0.92
Synth. Detergent Intermediates	556	556	585	552	618	302	11.96	2.68
Performance Plastics	127	133	157	141	172	78	21.99	7.88
Total Major Petrochemicals	7467	8223	8676	8192	8288	4279	1.15	2.64

CARG: Compound Annual Rate of Growth

2.8 As regards the role played by the Department in the growth of Petrochemicals Sector, it has stated in a note as under:-

“Petrochemicals Industry is de-licensed and de-regulated. Upstream Petrochemical Industry is dominated by private players, which are capital and technology intensive and where investment decisions are taken on the basis of market situations. The downstream plastic processing industry, which is entirely in the private sector, is fragmented and is in operation both in Small Medium Enterprises (SMEs) and Large Enterprises. Currently, 100% Foreign Direct Investment (FDI) is permitted in petrochemicals. Further, imports of petrochemicals are under Open General Licence (OGL).

In its role as facilitator, the Department formulated National Policy on Petrochemicals (NPP) with the aim of addressing the fiscal, non-fiscal issues and increasing investment in the petrochemical sector. Under the implementation phase of NPP, the Department has taken some initiatives to boost the growth of the sector. With the objective of strengthening the fragmented downstream petrochemical industry in the areas of infrastructure, technology, marketing etc., the Department has come out with a cluster infrastructure scheme of Plastic Park. Recognizing the need for improving the existing petrochemical technology and research in the country to make the industry more competitive globally and to promote the development of new applications of polymers and plastics, the Department will be providing grant for setting up Centres of Excellence in existing educational and research institutions. Further, aiming at encouraging innovations in the field of Petrochemicals and downstream plastic processing industry, the Department has decided to set up an Award Scheme to incentivize meritorious innovations and inventions in the field of plastics/ elastomers /synthetic fibre /surfactants & intermediates / new emerging areas. In order to meet the requirements of skilled manpower, Central Institute of Plastics Engineering and Technology (CIPET) is being further strengthened and expanded. The Department has also come out

with Petroleum Chemicals & Petrochemical Investment Regions (PCPIR) Policy which aims at creating world class infrastructure that would facilitate investment in the upstream and downstream petrochemical sector.

Further, the Department has constituted an Inter-Ministerial Expert Committee for promotion of plastics in thrust areas. In the first phase, the following thrust areas were identified: plastics in agriculture (plasticulture), plastics in water management, plastics in construction and plastics in packaging. The stakeholder industry associations have been asked to prepare background papers on the above specific issues. Plastic Development Council, an advisory body, provides a platform to discuss all plastic processing related issues. The Department, on behalf of the plastic industry, interacted with Ministry of Environment and Forests to address issues of sustainable development related to plastic industry, with particular emphasis on plastic waste disposal and its effect on environment. The deliberations resulted in the Amended Plastic Waste (Management and Handling) Rule, 2011 Notification of February 2011. The Rules, *inter alia*, make users, industry and Municipal Authorities responsible for plastic waste management.

In addition, the Department also interacts with the national level industry associations and proactively takes up issues related to the petrochemicals industry for the sustainable development of the sector. During the Annual Budget exercise, the Department takes into account the domestic availability and demand for the raw material and recommends for any corrections (if necessary) to Ministry of Finance. The interests of the domestic petrochemical industry are kept in mind while providing inputs to Ministry of Commerce & Industry for policy interventions in general and for trade negotiations / agreements in particular. Similarly, the Department proactively interacted with the stakeholder industry associations during the global melt down and made recommendations for reduction in excise duty to maintain the demand growth. The Department keeps the interest of synthetic fibre / yarn, plastic woven sacks, molasses based chemical industry etc. paramount while deliberating with the concerned Ministries over policy initiatives related to these items.

The Department works closely with Department of Industrial Policy and Promotion (DIPP) on issues such as industrial policy, foreign direct investment, technology transfers which have strong bearings on the growth of petrochemical industry.”

2.9 In reply to a query regarding the present growth rate of Chemical and Petrochemical industries and about the continuation of stimulus packages announced in December 2008 and January 2009 for the Chemical and Petrochemical industry, the Department in a written reply has stated as under:-

“The industry experienced world-wide financial meltdown and recession during 2008-09 which impacted severely the growth of the chemical sector in the country. During this period, excise duty was levied @ 14% on the production of industrial chemicals. To arrest the decline in the growth, the Government announced stimulus package in December 2008 which included reduction in excise duty to 8% from the prevalent level of 14%

which helped the Indian industry to come out of the crisis and decline in growth rate was checked. Due to indications of positive trends in the chemical sector, the Government has partially rolled back the stimulus package and increased the excise duty to 10% in the budget for FY 2010-11. The same rate of excise duty has been retained in the FY 2011-12.

The stimulus package announced in January, 2009 reduced the Excise Duty to 8%. However, the Excise Duty was increased to 10% in 2010-11 Budget. This has been retained in the Budget 2011-12. Further, there has been no change in the Custom Duty rates (0%, 5%, 7.5% and 10%) for major petrochemicals items in 2011-12.

As indicated above, the major petrochemicals registered a growth rate at 9.92% during April 2010-Jan, 2011. During this period, 'polymers' and Performance plastics registered significant growth rates at 12.26% and 8.38% respectively.

The Department proactively monitors the performance of the industry and makes necessary recommendations for corrections to respective Ministries/Departments as per the needs of our industry. The various schemes of Government of India for Foreign Trade Policy (FTP) i.e. Duty Exemption Scheme for duty free import of raw material for export production, Export Promotion Capital Goods (EPCG) schemes for import of capital goods at Zero duty for export production and Duty Remission Scheme (Duty Entitlement Passbook/Duty Drawback), which enable post export replenishment/remission of duty on inputs used in the export product, are being continued for the growth of petrochemical sector.

The export of plastic and plastic products, which was US \$ 3,350 million in 2008-09 increased to 3,682 million US \$ in 2009-10 resulting into growth of about 9.9%. The excise duty was reduced to 8 % in January 2010 and increased in the budget 2010-11 to 10 %. The per capita consumption of polymers has increased from 5.6 kgs in 2009-10 to 6.2 kg. (estimated) during 2010-11.

For the growth of Indian petrochemicals sector and to protect the industry from injury arising from excessive imports at cheaper prices, various measures like anti dumping and safeguard duties were invoked in consultation with the Ministry of Commerce and Ministry of Finance, so as to provide a level playing field for the Indian industry, including both manufacturers and user sectors.

In general also, various steps are being taken to increase the competitiveness of the petrochemicals sector under the policy initiatives of the Department viz. Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) and National Policy on Petrochemicals."

CHAPTER III

XI Five year Plan and Annual Plans

3.1 The details of scheme-wise allocation made during each of the four years of the XI plan and the extent of actual utilization made against each are given below:-

(Rs in crores)

PLAN	2007-08			2008-09			2009-10			2010-11		
	BE	RE	Actual Exp.	BE	RE	Actual Exp.	BE	RE	Actual Exp.	BE	RE	Actual Exp. upto 31.1.11
N.E. Reg.	20.90	20.90	0.00	29.50	29.50	29.50	23.98	40.58	23.98	40.00	90.30	90.30
Sectt.(IT)	0.00	0.50	0.45	0.42	0.42	0.25	0.25	0.25	0.22	1.00	0.61	0.49
CIPET	20.51	12.45	13.62	17.50	17.50	17.50	20.13	20.13	20.13	69.94	74.02	61.80
New Schemes of petroch.	3.25	3.00	0.65	2.00	1.25	1.25	5.00	5.00	4.59	83.00	11.94	0.60
ASSAM GAS	42.62	12.10	37.43	70.50	70.50	70.50	126.26	275.73	292.33	172.74	701.44	422.44
IPFT	5.00	5.00	5.00	5.00	5.00	4.99	7.00	7.00	5.06	4.25	0.59	0.00
CWC	0.40	0.40	0.40	0.50	0.50	0.50	1.00	1.00	0.85	1.00	1.00	0.78
NIPER	35.66	34.00	33.85	75.00	65.26	68.46	-	-	-	-	-	-
CPDS	2.10	3.00	1.91	2.00	2.00	3.75	2.00	2.00	1.74	2.50	2.50	0.46
PEPS	17.05	14.00	1.20	37.50	23.65	10.50	-	-	-	-	-	-

NPPA	11.5 0	9.50	0.85	11.50	0.92	0.64	-	-	-	-	-	-
HAL						6.15	-	-	-	-	-	-
IDPL						2.00	-	-	-	-	-	-
Total Plan Revenue	158.99	114.85	95.36	251.50	216.50	216.16	185.62	351.69	348.90	374.43	882.40	576.87
CIPET	20.0 0	20.0 0	19.8 4	13.50	13.5 0	13.5 0	14.0 0	14.0 0	14.0 0	0.00	0.00	0.00
HOCL	1.00	1.00	6.00	0.00	0.00	0.00	15.1 3	15.1 3	15.0 3	5.57	5.57	0.00
HIL	6.00	6.00	6.00	0.00	0.00	0.00	25.0 0	25.0 0	24.9 3	20.0 0	15.0 3	0.00
HAL	1.00	0.00	20.1 7	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HAL(KAPL)	1.00	6.15	0.00	1.00	0.00	0.00	0.00	0.00	0.00	-	-	0.00
BCPL	20.0 0	20.0 0	20.0 0	30.00	20.0 0	20.0 0	0.00	0.00	0.00	-	-	0.00
IDPL	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IDPL(RD PL)	1.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Plan Capital	50.01	55.15	72.01	43.50	33.50	33.50	54.13	54.13	53.96	25.57	20.60	0.00
Total Plan	209.00	170.00	167.37	295.00	250.00	249.66	239.75	405.82	402.86	400.00	903.00	576.87

3.2 As only one year of 11th Plan is left, the Committee desired to know the specific strategy/ plan drawn up by the Department of Chemicals and Petrochemicals to achieve the targets laid down for 11th Five year Plan. In response, the Department has stated as under:-

“Though the Department had proposed an outlay of Rs. 1,023.64 crore for 2011-12, Planning Commission allotted Rs. 800 crore. While approving the outlay for 2011-12, the Commission observed, *inter alia*, that:-

- i. At least 10% of GBS should be earmarked for North-Eastern States.
- ii. Adequate provision may be made for SCSP/TSP and gender budgeting.”

3.3 The Scheme-wise outlays proposed by the Department and finally approved by Planning Commission are given below:-

(Rs. in crore)

Sl. No.	Name of the Scheme	2011-12 Proposed	2011-12 Approved
I	Project Based Support to PSUs	21.00	21.00
1.1	Hindustan Organic Chemicals Ltd.(HOCL)	1.00	1.00
1.2	Hindustan Insecticides Ltd. (HIL)	20.00	20.00
II	Support to Autonomous Bodies on Project Basis	1.00	1.00
2.1	Central Institute of Plastic Engineering & Technology (CIPET)-OPEC Loan	-	-
2.2	Institute of Pesticides Formulation Technology (IPFT)	1.00	1.00
III	Other Ongoing Schemes	896.42	684.61
3.1	Assam Gas Cracker Project+	+892.52	+675.71
3.2	Chemical Promotion & Development Scheme (CPDS)	2.50	7.50
3.3	Chemical Weapons Convention (CWC)	1.00	1.00
3.4	IT/Sectt.	0.40	0.40
3.5	Provision of NE	See 3.1	See 3.1
IV	New Schemes initiated in the XI Plan	105.22	93.39
4.1	New Schemes of CIPET	45.62	43.79
4.2	Other New Schemes of Petrochemicals	59.60	49.60
	Total	1023.64	800.00

+ Includes expenditure for development of NE region

3.4 As regards non-utilization of funds under Capital section of Plan Head of the Department during 2010-11, the Department in a note explained as under :-

“As against RE of Rs.15.03 crore for HIL for 2010-11, actual expenditure upto 28.2.2011 is Nil. The amount was approved for setting up a plant for manufacturing Mancozeb of capacity 20,000 MTPA at Rasayani at a total cost Rs.40 crore. Implementation of the same has got postponed and is proposed to be

surrendered. An amount of Rs.5.57 crore has been allocated for HOCL for meeting the expenditure on upgradation of its internal IT to an efficient ERP system under Phase II covering Rasayani. The proposal for release of the funds in the current financial year is awaiting approval of the Ministry of Finance.”

CHAPTER IV

Demands for Grants 2011-12

4.1 A detailed statement showing BE 2011-12 (plan and non-plan) is as follow:-

Statement showing BE 2011-12 (Plan & Non-Plan)

(Rs. in Cr.)

Sub-Head	BE 2011-12
PLAN	
Revenue	
Sectt.	0.40
CIPET	43.79
New Schemes of Petrochemicals	49.60
Assam Gas Cracker Project	595.71
CWC	1.00
CPDS	7.50
IPFT	1.00
N.E. Region	80.00
CIPET	
Assam Gas Cracker Project	
IPFT	
Total Plan Revenue	779.00
Capital Loan to PSUs/AB	
CIPET	0.00
HIL	20.00
HOCL	1.00
Total Plan Capital	21.00
[TOTAL PLAN]	800.00
NON-PLAN	
REVENUE	
Sectt.	13.38
CIPET	0.53
Assam Gas Cracker Project	0.01
Bhopal Gas Leak Disaster	3.86
CWC	0.10
IPFT	3.00
Non-Plan Revenue	20.88
CAPITAL	
PCL	1.10

HIL	0.01
HOCL	0.01
Non-Plan Capital	1.12
[TOTAL NON-PLAN]	22.00
Grand Total	822.00

4.2 On being enquired as to how the Department proposed to check the likely delay in the scheduled commissioning of the Assam Gas Cracker Project (AGCP) with the decreased allocation for the Project, the Department stated that it will approach the Ministry of Finance for enhancing the allocation for AGCP for 2011-12 RE stage as was done in 2010-11 and 2009-10.

4.3 As regards the specific steps the Department envisages to take to utilize the allocated funds optimally so as to achieve the desired outcome for various schemes, the Department submitted as under:-

“Assam Gas Cracker Project – A Monitoring Committee under the chairpersonship of Secretary, Department of Chemicals & Petrochemicals reviews the physical and financial progress of the project at regular intervals. Further, Principal Secretary to Prime Minister also regularly reviews the progress of Assam Gas Cracker Project, which is now on track, after initial delays.

A Monitoring Committee under the Chairmanship of Secretary (C&PC) reviews the progress of implementation of Assam Gas Cracker Project at regular intervals and all efforts are being made to ensure that the project is commissioned in scheduled time. The Committee is also monitoring the financial progress of the company and keeping a watch on the optimum utilization of funds by the company. The Prime Minister’s Office is also monitoring the project under the flagship programmes/initiatives/iconic project. Monitoring mechanism is in place in respect of PSUs, CIPET, IPFT and other schemes so that the funds allocated under the relevant schemes are optimally utilized to achieve the stipulated outcomes.

Other New Schemes for Petrochemicals – National Awards on Technology will be monitored through an Expert Committee constituted for the selection and scrutiny of nominations received from the Industry/Institutions/individuals. The evaluation of performance of Centres of Excellence is planned to be monitored through an Expert Committee which would include experts from Public Sector Undertakings/Department of Science & Technology, CSIR/External Experts. In the case of scheme of Setting up of Dedicated Plastic Park, a Scheme Steering Committee under the chairpersonship of Secretary, Department of Chemicals & Petrochemicals will monitor the progress of the Scheme.

CIPET

The physical and fiscal achievements of CIPET are reviewed on a quarterly basis at CIPET as also by the Department through various Committees as well as site – visits. The focus of the reviews is on the following:

- Ensure proper creation of technical & civil infrastructure in accordance with the requirement of AICTE guidelines / University Rules & Regulations.
- Ensure the achievement of deliverables as envisaged in the outcome budget.
- Ensure continuous increase in enrolment of students every year in long-term / short-term courses.
- Ensure continuous increase in physical quantities of Technology Support Services.
- Ensure Research & Development in the emerging areas through sponsored projects / paper publication and patent registration.”

4.4 On being asked to state the reasons for utilization of only Rs.633.44 crore (till 31 January 2011) as against the RE of Rs.1,663.59 crore during 2010-11, the Department replied as under :-

“The actual expenditure against the RE 2010-11 allocation of Rs 1,663.59 crore was Rs. 1123 crore as on March 2011.

Schemes like CIPET and Brahmaputra Crackers & Polymers Ltd. have utilized full allocation under the Plan. However, those schemes where full amount could not be utilized are mentioned below:-

(a) For the scheme of ‘New Schemes of Petrochemicals’, the allocation in RE was Rs 11.94 crore out of which only Rs. 4.85 crore is proposed to be utilized and the remaining allocation could not be utilized as the Planning Commission reduced the number of ‘Centres of Excellence’ from four to two due to which Rs 4.00 crore remained unutilized. The approval for ‘Plastic Parks’ came in Sep’09, which was followed by an SFC, floating of an EOI, which shall further delay the expenditure. Moreover the allocation of Rs. 1.00 crore for ‘Awareness Building’ could not be utilized as the scheme is being revamped. Another Rs 1.69 crore for Plastic Recycling Plant in Delhi could not be used as the land is yet to be allotted.

(b) Among the PSUs, the amount allocated for HOCL shall be released after the approval of the Ministry of Finance and the file has been forwarded to MoF accordingly. The amount meant for Mancozeb Project of HIL has been deferred to the year 2011-12 as further fine tuning of DPR was being resorted to, hence the amount of Rs.15.03 cr. remained unutilized.

(c) There is only one major Scheme in the Non-Plan, i.e., Bhopal Gas Leak Disaster. An amount of Rs. 740.28 crore was to be disbursed as *ex gratia* amongst 48,694 eligible cases of Bhopal Gas Victims as per the decisions of the Cabinet taken in its meetings held on June 2010 and November 2010. However, the Welfare Commissioner could join only on November 2010 and the disbursement of *ex gratia* could commence from December 2010. Re-allocation for this Scheme is Rs.744.18 crore out of

which Rs.340.28 crore is planned to be disbursed in the next financial year and therefore has now been surrendered.”

4.5 The Department has furnished the actual expenditure under the plan and non-plan heads separately for 2010-11 till 7 March 2011, as below:

Department of Chemicals & Petrochemicals

Statement showing BE 2010-11 (Plan & Non-Plan) & Exp. As on 7.03.2011

(Rs. In cr.)

Sub-Head	BE 2010-11	Suppl.	BE + Suppl.	RE 2010- 11	Exp. as on 7.3.2011
PLAN					
Revenue					
Sectt.	1.00		1.00	0.61	0.49
CIPET	69.94		69.94	74.02	72.87
New Schemes of Petrochem.	83.00		83.00	11.94	0.60
Assam Gas Cracker Project/NE	172.74	579.00	791.74	701.44	701.44
CWC	1.00		1.00	1.00	0.78
CPDS	2.50		2.50	2.50	0.67
IPFT	4.25		4.25	0.59	0.58
N.E. Region	40.00			90.30	90.30
Total Plan Revenue	374.43		953.43	882.40	867.73
Capital Loan to PSUs/AB					
CIPET					
HIL	20.00		20.00	15.03	0.00
HOCL	5.57		5.57	5.57	0.00
Total Plan Capital	25.57		25.57	20.60	0.00

[TOTAL PLAN]	400.00	579.00	979.00	903.00	867.73
NON-PLAN					
Sectt.	11.20		11.20	12.05	11.21
CIPET	0.53		0.53	0.53	0.53
Assam Gas Cracker Project	0.01		0.01	0.01	0.00
Bhopal Gas Leak Disaster	4.44	669.00	673.44	744.18	219.47
CWC	0.10		0.10	0.10	0.05
IPFT	2.60		2.60	2.60	2.60
Non-Plan Revenue	18.88		687.88	759.47	233.86
PCL	1.10		1.10	1.10	0.55
HIL	0.01		0.01	0.01	0.00
HOCL	0.01		0.01	0.01	0.00
Non-Plan Capital	1.12		1.12	1.12	0.55
[TOTAL NON-PLAN]	20.00		689.00	760.59	234.41
Grand Total	420.00		1668.00	1663.59	1102.14

CHAPTER V

Central Institute of Plastic Engineering and Technology (CIPET)

5.1 CIPET is a premier national Institution devoted to Academic and Technology Support & Research (ATR) activities for the growth of Plastics & allied industries in the country. CIPET has the following 15 centres spread across the length and breadth of the country: Ahmedabad, Amritsar, Aurangabad, Bhopal, Bhubaneswar, Chennai, Guwahati, Hyderabad, Hajipur, Haldia, Jaipur, Imphal, Lucknow, Mysore and Panipat. All the CIPET centres have state of the art infrastructure in the areas of Design, CAD/CAM/CAE, Tooling & Mould Manufacturing, Plastics processing, Testing and Quality control to cater to the needs of plastics & allied industries in the country.

5.2 CIPET's prime objectives include training of manpower in different disciplines of Plastics Engineering and Technology and provision of technical support/consultancy services to the plastics and allied industries on various technological aspects. CIPET has been accredited with ISO 9001-2000 OMS by BVQL and ISO 17025 by National Accreditation Board for Testing and Calibration Laboratories (NABL)

5.3 The Institute has well-developed facilities in the areas of plastic mould and product design including CAD/CAM/CAE, tooling, processing and testing of plastics. Besides the regular courses, the Institute offers highly specialized and customized training in the field of plastics engineering and technology to update and improve the skills of the technical manpower in 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, quality control and testing, application development, consultancy and advisory services to the plastics and its allied industries.

5.4 The Ministry have informed that the Budget proposals for CIPET are as given under:

Heads	BE (2010-11)		RE (2010-11)		BE (2011-12)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 2552 Grants for creation of cap assets	69.94	0.54	74.02	0.53	43.79	--
MH 6856 Loans and Advances	--	--	--	--	--	--
Total	69.94	0.53	74.02	0.53	43.79	-

5.5 As regards recycling of plastic and waste management, and role of the CIPET in the plastic and waste management, the Department in a note has submitted as under:-

“The indisciplined and indiscriminate management system of all types of municipal solid waste and industrial waste is one of the major causes for concern in India. The improper and ineffective plastics waste management system has led to the plight of litter and plastics have been targeted as a sole element responsible for it. The situation is something like treating an innocent man as a criminal just because we are unable to understand the real characteristics of the person. We have to accept that the major culprit is the civic sense of our society who litter and disposes the plastics waste indiscriminately and blaming the same. In addition, the municipalities and corporations who are handling the municipal solid waste do not apply their resources in the correct perspective while handling plastic waste.

Therefore, the main problem is lack of awareness and education of the society which is to be blamed for the environmental problems of the plastics waste. The need of the hour is to educate our society starting from school children to the household people for segregating the plastic waste at the source of end-use for proper disposal and collection for further recycling or incineration.

The following environmental issues related to plastic applications need to be addressed in the interest of sustained growth of Plastics Industries in India and to reach the envisaged consumption target of 12.0 Million tonnes by 2012 from the present consumption of 8.0 Million tonnes.

- Littering of plastics due to uncontrolled “Waste throw away” culture in India.
- Indiscriminate waste management system in India.
- Recycling of plastics waste by crude, unsystematic and non-scientific methods.
- Unhealthy competition (cost war) for supply of cheapest product (particularly in case of films / carry bags / pouches)

- Plastics carry bags being used as the packaging material to carry organic / biological waste / garbage for throwing into waste collector containers / bins.

However, the modus operandi for collection, segregation, recycling and incinerating the waste required to be systematically devised and awareness programmes for educating to people for the use of plastics should be conducted. The plastic waste is having more visibility in the public places because of the indisciplined habits of the people littering plastic waste indiscriminately everywhere. Though average per capita consumption of plastics in our country is about 6.5 kg only compared to 100 kg in the developed countries, even then waste is more visible in our country because of poor waste management.

The environmental concerns due to carry bags, flexible pouches, envelopes based on polyolefins (LDPE/LLDPE), disposable polystyrene cups, plates, PET bottles, etc. have arisen. Proper disposal of these wastes from source and collection centres is essential to be evolved in major cities and towns across the country.

Basic education programmes for awareness about the plastics and reuse as well as waste management are inevitable for the basic knowledge of the general public. Once the plastic waste is collected, segregated manually or automatically without more input of manual labour, the plastic waste can be recycled into value added products. In case the plastics are not recyclable / non-reusable, then the plastic waste should be incinerated to generate gases which in turn can lead to generation of electrical energy and other value added products.”

5.6 The Department has apprised the Committee about the performance of Plastic Waste Management Centre (PWMC), Guwahati in terms of quantum of plastics recycled and progress made in a note as under:-

“Plastics Waste Management Centre (PWMC) - a Unit of CIPET Guwahati is the first & foremost Plastics Waste Management Centre established in the country by the Government of India with the capital outlay of Rs.7.90 crores. It has started functioning since end of August 2009 with the objectives of developing trained manpower for the plastics recycling industries, disseminating the information related to plastic waste & effective waste management options, providing technology support services in the areas of Plastics Recycling & Waste Management. The PWMC-Guwahati was inaugurated by Hon'ble Minister of State for Chemicals & Fertilizers, Govt. of India on 22nd July, 2010.

During the year 2009-10, PWMC has trained 160 unemployed youth from North Eastern region through short duration training programmes in the areas of Plastics Processing and Recycling Technology. During the current year, 2010-11 (upto Dec'2010) , PWMC –Guwahati has trained 105 unemployed youth from North-Eastern region in the areas of Plastics Recycling under the sponsorship of North Eastern Council (NEC) and the Ministry of DONER.

The PWMC at Guwahati on an average recycle 3.0 Tonnes per month of plastic waste and convert into granules. 5 Local NGOs and 20 Plastic industries are utilizing the services either for granulation or for converting plastic recyclates into useful end products, thereby contributing towards halting environmental degradation. PWMC Guwahati has adopted nearby villages in the first phase and provide plastic waste collection bins @ 02 bins per household to promote source segregation of plastic waste. 10 professionally trained plastic waste collectors were provided with necessary waste collection tools viz; bins, tri-cycle, safety kits etc. to ensure that the collected household waste reaches PWMC for conversion into granules and subsequently into useful products. Apart from the above, the PWMC at Guwahati also acts as a catalytic centre in creating awareness on plastic waste management, organizing training programs, and educating the general public regarding source segregation, bin culture, etc.”

5.7 Regarding the progress made by the PWMC Centre, Guwahati, in terms of quantum of plastic recycled, the Department informed as under:-

“The PWMC Centre Guwahati has a pilot plant with a capacity of processing 10 tonnes per month. During the last one year, the Centre has converted around 60 tonnes of Plastic Waste into granules which were used in-house by CIPET for imparting Training on other Plastic Processing Technologies like Injection Moulding, Extrusion, Blow Moulding etc to various Long Term/Short Term course participants of CIPET.”

5.8 When asked to state the steps taken up by the Department for setting up of PWMC Centres in other parts of the country, the Department has submitted as under:-

“A Plastic Waste Management Centre (PWMC) at Delhi is proposed to be set-up to effectively handle plastic waste and to produce value added recyclates with the concept of Waste to Wealth under PPP mode.

The same is also in the terms of the recommendation of the Standing Committee on Chemicals & Fertilizers (2009-10) which in its 8th report has appreciated the initiatives taken by the Ministry and stated that “considering the importance of the plastic waste management as an important tool in checking the environmental degradation and in view of the fact that the Government of Delhi has recently initiated various steps to curb the pollution caused by plastic, the committee recommended that the Department should take up matter with Government of Delhi so that steps can be taken expeditiously in a time bound manner for setting up of PWMC in Delhi”.

CIPET has requested the Government of Delhi to allot about 2.5 hectares of land for setting up of Plastics Waste Management Centre at New Delhi. The matter is being followed up both by CIPET and Ministry and a meeting with representatives of the Government of Delhi and MCD was held on 9th March, 2011 in pursuance of the

same. CIPET is hopeful of getting some land from the Government of Delhi for a Plastic Waste Management Centre.”

5.9 Regarding the proposed PWMC at Delhi, the Department has further submitted as under:-

“A meeting was recently taken by the Secretary (C&PC) with representatives of the Government of Delhi and the MCD on 9th March, 2011. The MCD informed that while they have difficulties in identifying land for the project they could facilitate interaction of CIPET with private players who are engaged in the larger task of Municipal solid waste management, so as to facilitate synergies to ensure the best result for plastic waste management. However, the Government of Delhi indicated that they could consider allocation of land for the project. The Ministry has decided to additionally explore possibilities of getting some land in NCR territory, while maintaining the dialogue with Government of Delhi for a possible allotment in Delhi itself.”

5.10 On the issue of creation of a separate fund for setting up of PWMC as recommended by the Committee in their Report on Demands for Grants 2010-11, the Department stated that an allocation of Rs 8 Crore had been made for New Schemes under the National policy on Petrochemicals and the same includes setting up of a PWMC at Delhi which awaits allocation of land by the Government of Delhi.

5.11 To a specific question whether the Department has explored the feasibility of setting up Plastic Waste Management Centres in other parts of the country, the Department has replied as under:-

“The Department is taking up the matter with different State Governments & based on the proposals received from them, it will be further taken up with Ministry of Urban Development for setting up Plastic Waste Management Centres in various parts of the country under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Scheme. “

5.12 According to the Department of Chemicals and Petrochemicals, CIPET is in the process of preparing a 10-year perspective plan, which will include priority to be given to locations where plastic industries exist, but not CIPET Centres.

5.13 When the Committee desired to know about the time required for the preparation of a perspective plan by CIPET, the Department replied as under:-

“CIPET is constantly exploring the possibility of expanding its network of Centres throughout the country by setting up academic/testing centres at places where the plastic industry exists. Towards achieving this milestone, a Committee has been constituted. The Committee is in the process of identifying the probable locations and is likely to submit its report to the Department shortly.

Additionally, another Committee has been set up under Prof M. Anandkrishnan, former VC of Anna University and present Chairman of IIT-Kanpur to work out the future road map for the structure of CIPET. This report is expected to be ready in coming months.

After appraisal of the recommendation of these Committees by the administrative Ministry, the Perspective Plan of CIPET will be prepared during 2011-12 and the same will be incorporated in the XII Five Year Plan (2012-17) for approval by the Planning Commission.”

5.14 On being asked as to when the Expert Committee (under Prof. M. Anandkrishnan) is expected to submit its report on the future mode of CIPET, the Department replied that “The Expert Committee is expected to submit its report within a period of 6 months, i.e, by September, 2011.”

CHAPTER VI

Assam Gas Cracker Project

6.1 The Assam Gas Cracker Project was approved by the Government on 18 April 2006. The project is located at Lapetkata, District Dibrugarh, Assam. The cost of the project is Rs 5,460.61 crores (fixed cost). A capital subsidy of Rs 2,138 crore on fixed cost basis (phased during the construction period of 5 years at constant prices) and a feedstock subsidy of Rs 908.91 crore spread over a 15-year operation period at constant prices has been agreed to be provided by the Government of India for this project. Gas Authority of India Ltd (GAIL-India) is the main promoter of the project with an equity holding of 70%. Oil India Ltd (OIL), Numaligarh Refinery Limited (NRL) and Assam Industrial Development Corporation (Government of Assam) are the other promoters of the project holding 10% of the equity each.

6.2 The feedstock for the project will be Natural Gas and Naphtha. Oil India Ltd (OIL) and Oil and Natural Gas Commission (ONGC) will supply natural gas, while NRL will supply Naphtha. 7.35 MMS/CMD of gas and 1.6 lakh tonnes per annum (TPA) of Naphtha will be required for the project. The project will produce 2.20 lakh tonnes of Ethylene. The principal end products will be Polypropylene (PP) 60,000 TPA and High Density Polyethylene (HDPE)/Linear Low Density Polyethylene (LLDPE) totaling 220,000 TPA.

6.3 The progress made so far is outlined below:

- a) **Joint Venture Company:** - An agreement for constituting a joint venture Company namely 'M/s Brahmaputra Cracker & Polymer Limited (BCPL)' was executed on 18.10.2006. The company was incorporated on 8 January 2007.
- b) **Appointment of Project Management Consultant:** - M/s Engineers India Ltd has been appointed as the Project Management Consultant.
- c) **60 Months Project Implementation Schedule:** - As per the initial projections, the project is scheduled for commissioning in April 2012, that is, 60 months from April 2007. There were some delays in the initial phases but the implementation plan has been reworked and slippages are being arrested, to prevent further delay in its completion.
- d) **Land for the Project:** - 1,157 acres of land for the plant, a BCPL township, a CISF Township and 45 bighas of land for setting up of compressor station at Duliajan has been taken possession of. Land development & infrastructure

works are under progress. Land acquisition for railway siding is expected to be completed soon.

- e) **Feedstock agreement for Gas and for Naphtha:** - The feedstock agreement for supply of Natural Gas and Naphtha has been signed with OIL & ONGC and NRL respectively.
- f) **Financial Closure:** - A Consortium led by Punjab National bank was appointed as Lead Arranger for finalizing the Financial Closure. Financial Closure has been successfully completed on 1.10.2009 and loan agreements for Rs.1,756 crore have also been signed.
- g) **Status of Licensors' Selection for various Technology Units in the project:** - Contracts have been awarded to licensors for LLDPE/ HDPE and PP units. Process Technology Licensors have also been selected. Basic Design & Engineering Packages have been received from Licensors and accordingly, Material Requisition and ordering of equipments & contracts are in progress. All 16 critical Material Requisitions (MRs) & 10 critical Tenders have been ordered.
- h) **Major Physical Activities at Site:** The overall project progress is 28.4% as on 15.12.2010 against the cumulative schedule target of 54.5%. The major factors for slow progress of the project are delay in award of Process Technology Licensors, prolonged rains, poor response of bidders, labour problems, frequent bandhs and non-availability of adequate accessible borrow earth. The major activities at site are: -
- 64 buildings & infrastructure facilities are currently under construction.
 - Construction of Bachelor & Guest House accommodation, CISF Barracks & Armory at BCPL Township have been completed.
 - Civil & structural works for all the process units namely cracker, polyethylene & polypropylene units and gas processing, gas sweetening & gas de-hydration units are under progress.
- i) **Financial Progress:** Actual expenditure incurred as on 31.12.2010 during the year 2010-11 is Rs 637.17 Cr. and cumulative expenditure is Rs 1,391.19 crore.
- j) **Capital Subsidy:** The Department of Chemicals & Petrochemicals has released Rs 37.43 crore during the FY 2007-08, Rs. 100.00 crore during FY 2008-09 and Rs. 316.31 crore during 2009-10. In the year 2010-11, a budgetary allocation of Rs 212.74 crore was provided for the Assam Gas Cracker Project. The entire BE amount i.e. Rs. 212.74 crore has been released and the same has been utilized too. Further an additional

allocation of Rs 579 crore has been made at the RE stage taking the total allocation to Rs 791.74 crore for the financial year 2010-11. Out of Rs 579 crore, Rs 300 crore has been released and the remaining Rs 279 crore shall be released in the last quarter of the financial year and as per the requirement of the project. So far, the Department has released Rs 966.48 crore towards Capital Subsidy to BCPL, of which Rs 512.74 crore have been released during 2010-11.

- K) **Business Plan for 2010-11:** Brahmaputra Cracker & Polymer Limited (BCPL) had earlier approved a Business Plan of Rs 2,272.32 crore (Rs 2,272 crore) for the year 2010-11. Subsequently, this was revised to Rs 1950.00 crore on the advice of Engineers India Limited. The major activities envisaged during 2010-11 are plant & machinery (Rs 1,358.00 crore), site related facilities (Rs 292.00 crore), engineering costs (Rs 97.00 crore), Cost to OIL & ONGC (Rs 100.00 crore) and others (Rs 103.00 crore). The proposed funding mechanisms for this Business Plan are Equity – Rs 253.31 crore, Capital Subsidy – Rs 792.30 crore, Loan –Rs 904.39 crore. The total cumulative expenditure as on 31.12.2010 is as given below:

2007-08	Rs 108.43 crore
2008-09	Rs 112.64 crore
2009-10	Rs 532.95 crore
2010-11(as on 31.12.2010)	Rs 637.17 crore
Total	Rs 1,391.19 crores

- l) **Appointment of Managing Director and Director (Finance) in BCPL:** The Government of India has approved the proposal for initial categorization of M/s Brahmaputra Cracker & Polymer Limited (BCPL) as Schedule “B” CPSE and creation of the post of Managing Director (in Schedule “B” scale of pay) and Director (Finance) in BCPL (in Schedule “C” scale of pay). Accordingly, Managing Director, BCPL and Director (Finance) have been appointed and have also assumed charge in December 2009 and January 2010 respectively.
- m) **Recruitment/Engagement Of Manpower:** The deployment of labour force at site has been varying between 6400-6800 and is increasing steadily. The present Manpower on BCPL’s payroll is 84, out of which 64% are locals. In addition, a total of 35 executives are working on deputation from GAIL and NRL. Further, the appointment of experienced Executives, Executive

Trainees and Graduate Executive Trainees is under process. The Government of Assam has deputed an officer of Additional Deputy Commissioner rank as OSD to BCPL for facilitating engagement of local workers and also to interact with locals engaged in construction works.

- n) **Deployment of CISF personnel at BCPL site:** The Ministry of Home Affairs has sanctioned the creation of 287 temporary posts for induction of CISF personnel at BCPL site and out of this, 117 personnel are expected to be deployed soon.
- o) **Monitoring Committee:** - A Monitoring Committee under the chairmanship of Secretary (C&PC) reviews the progress of the implementation of Assam Gas Cracker Project at regular intervals. Further, the project is also reviewed by the Prime Minister's Office (PMO) under the Delivery Monitoring Unit set up in the PMO.

6.4 The following table, according to the Ministry, indicates the Budget proposals for the Assam Gas Cracker Project (AGCP):

(Rs. in crore)

Head	BE (2010-11)		RE (2010-11)		BE (2011-12)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 2552 subsidies	40.00	-	90.30	-	80.00	-
MH 2852 Industries (NE)	172.74	0.01	701.44	0.01	595.71	0.01
Total	212.74	0.01	791.74	0.01	675.71	0.01

6.5 On being asked to state the reasons for the revision of fund amount sanctioned for AGCP for 2010-11 from Rs.172.74 crore BE to RE Rs.701.44 crore, the Department stated as under:-

“The Department had initially sought capital subsidy of Rs.900.00 crore for AGCP in BE 2010-11 based on a Business Plan of AGCP of Rs 2,272 crore. However, an allocation of Rs.212.74 crore was provided by the Ministry of Finance. This

allocation was subject to review at the stage of first supplementary. Accordingly, keeping in line with the progress, demand of the project and the reduced size of business plan, an additional allocation of Rs.579.00 crore only was sought and provided at first supplementary stage, resulting in the revision and final allocation of Rs.791.74 crore. “

6.6 On being asked to indicate whether the amount allocated for 2011-12 is sufficient to meet the demand for the project, the Department has replied as under:-

“The Department sought an allocation of Rs.892.52 crore as capital subsidy for Annual Plan 2011-12. However, the Planning Commission has provided an allocation of Rs.675.71 crore for the year. The project is entering into the crucial stage of execution in the year 2011-12 in which most of the supplies are expected to be delivered, major contracts to be completed and majority of imported equipment to be delivered. Any additional requirement to augment the financial resources would be projected at supplementary stages.”

6.7 Regarding the present status of the project, the Department of Chemicals and Petrochemicals informed the Committee as under:-

“The overall physical progress in AGCP is 32.8% as on 15.02.2011. The cumulative expenditure as on February 2011 is Rs.1,681.06 crore. The Financial commitment of Rs.6,953.10 crore has been made as on February 2011. The Civil and Structural Works for all the process units viz. Cracker, polyethylene and Polypropylene units and gas processing. Gas sweetening & Gas de-hydration units are under process with total deployment of 7,000 labour at plant site. BCPL has submitted a proposal for revised project cost along with revised commissioning schedule, which is currently under appraisal by an Expert Committee constituted specifically for this purpose. The physical and financial progress under the project is being periodically reviewed by the Monitoring Committee under the Chairmanship of Secretary, Department of Chemicals & Petrochemicals and by Principal Secretary to the Prime Minister under the DMU projects, with all Stake Holders to suggest remedial & corrective measures to enhance the pace of implementation.”

6.8 When the Committee asked the Department to indicate the likely amount of time and cost overruns in the project and the steps taken by the Department to check further slippage of the project from scheduled target of commissioning, the Department responded as under :-

“Brahmaputra Cracker and Polymer Limited (BCPL) have submitted revised cost estimates of Rs.9,285.04 crore as against the original cost estimate of Rs.5,460.61 crore for AGCP. As against the original target of commissioning by April 2012, the

BCPL has submitted the revised schedule for mechanical completion and commissioning by July 2013 and December 2013 respectively. The Department of Chemicals and Petrochemicals have set up an independent Expert Committee to look into the reasonability of the revised cost and schedule. The terms of reference of the Committee, *inter alia*, includes suggesting measures for early completion of the project.

The progress on the project is being closely monitored by taking monthly reviews of the project with project implementation authorities to check further slippages in the commissioning schedule. The activities on the critical path have been identified for close review & monitoring to check delays and to ensure expeditious progress on the project. In addition, high level reviews with contractors and local government agencies are also being ensured for smooth implementation of the project. But in view of initial delays and special conditions prevailing in the region, BCPL has submitted a proposal for revised project cost along with revised commissioning schedule, which is currently being appraised by an Expert Committee constituted specifically for this purpose.”

6.9 When the Committee specifically enquired as to when the expert committee constituted for the purpose would take a decision on revised project cost and revised commissioning schedule submitted by the Brahmaputra Crackers & Polymers Ltd (BCPL) for Assam Gas Cracker Project (AGCP), the Department replied that “the committee of Experts has since submitted the report to the Department on 20 April 2011.”

6.10 Responding to a query regarding acceptance of revised cost of the project by the Government, the Secretary of the Department has stated as under:-

“...We are going to the Public Investment Board for a decision. We have appointed an Expert Committee to get into that. That has been done. In the next one month, we will be going to the PIB for a final approval. But in the meanwhile, the Hon. Prime Minister’s Office (PMO) has given us the clearance”

6.11 Elaborating further, the representative of the Department of Chemicals and Petrochemicals stated as under:-

“...The highest office in the Government has already given in principle clearance to go ahead and commission the project. It is in the PIB now. This Financial year, 2011-12, you will see the results. Already, the major equipment reached the site. Erection and commission is taking place.”

6.12 As for the business plan of Brahmaputra Crackers & Polymers Limited (BCPL) for the year 2011-12, the Department has submitted as under:-

“Taking into account the impending revised estimated cost for Assam Gas Cracker Project (AGCP), the Brahmaputra Cracker and Polymer Limited (BCPL) has projected a Business Plan of Rs 3,940.89 crore for the year 2011-12. The projected Business

Plan shall be submitted to the Department after the approval of Board of Directors of BCPL.”

CHAPTER VII

Institute of Pesticide Formulation and Technology (IPFT)

7.1 Located at Gurgaon, Haryana, IPFT is a non-profit making organization, registered under the Societies Registration Act in May 1991, under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India. It has completed 19 years of operation. The main objective of IPFT as given in the Memorandum of Association of the Society is development and production of the state-of-the-art user and environment friendly pesticide formulation technology and promotion of efficient application technologies suiting the existing requirements of the newer formulations. IPFT has established a healthy rapport with the pesticides industry and has been able to successfully transfer technology for safer, efficient and environment friendly formulations. IPFT consists of three major divisions and a pilot plant. The Institute carries out both in-house and external projects.

7.2 The main objectives of IPFT as given in the Memorandum of Association of the Society are:

- i. Development and production of state-of-the-art user and environment friendly pesticide formulation technology.
- ii. Promotion of efficient application technologies suiting the existing requirements of the newer formulations.
- iii. Information dissemination of safe manufacturing practices, quality assurances, raw material specification and sources.
- iv. Analytical and consultancy services.
- v. Fostering improvements in the qualification and usefulness of pesticide scientists working in the agrochemical area.
- vi. Continuing education through specialized training for pesticide personnel.

7.3 According to the Department, the following were the achievements of the IPFT during the year 2010 -11:

- i. OPCW Proficiency Test: The IPFT participated in the 28th PT test in October-November 2010.
- ii. Analytical Division has submitted NABL accreditation renewal application for Pesticide Formulation analysis and got accreditation for two more years. The scope

of NABL accreditation has been extended for analysis of Chemical Weapon Convention (CWC) related chemicals also.

- iii. Formulation Division has developed two formulations for seed dressing based on botanicals (lead actives received from CSIR) and the product is performing well at laboratory and field scale. Work is in progress to file patent entitled, "Insecticidal enriched extract (Biopesticide) from *Nothapodytes foetida* (weight) sleumer."
- iv. Bioscience division has received 43 pesticide industry sponsored projects for data generation on bio-efficacy etc on various crops.

7.4 The following Table gives BE/RE for 2009-10 and BE 2010-11 in respect of IPFT:-

(Rs. In crore)

Heads	BE (2010-11)		RE (2010-11)		BE (2011-12)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 2852 Grants-in-aid-General	4.25	2.60	0.59	2.60	1.00	3.00
Total	4.25	2.60	0.59	2.60	1.00	3.00

7.5 The Committee desired to know the reasons for reduction in amount allocated for IPFT under plan head from Rs.4.25 crore to Rs.0.59 crore during 2010-11. In response, the Department informed the Committee as under:-

"The plan outlay for IPFT, *inter alia*, includes provisions for procurement of sophisticated scientific/technical equipment for development of ecological and environment friendly technology. The outlay was not adequately utilized in the year 2008-9 and 2009-10 due to shortcomings in procurement procedure. In view of inadequate utilization of funds allocated to IPFT and availability of unutilized balance funds in IPFT, the plan support for 2010-11 was reduced."

7.6 Regarding allocation of only Rs.1 crore for IPFT for the financial year 2011-12, the Department has submitted as under:-

"The Annual Plan 2011-12 requirements for IPFT were analyzed against the record of utilization of funds allocated to IPFT in the 11th Five Year Plan. In view of the low utilization of funds allocated so far and to first ensure effective utilization of funds already allocated and activities already planned for, only a provision of Rs. 1.00 crore has been kept for 2011-12. This provision is essentially to meet certain committed items of expenditure such as funds for undertaking requisite

research/work in Neem Project Plan-II and for a few other items such as household formulation project and other projects, pesticides data base, opening of sub-centre etc, where IPFT has a fairly certain plan of action. Any additional fund requirement, after review of physical and financial progress made in these activities, shall be projected at supplementary stage in 2011-12.”

7.7 As regards the procedural difficulties faced by IPFT, the Department has stated as under:-

“IPFT had earlier experienced inadequate utilization of allocated funds due to certain shortcomings in procurement procedure. The inadequate utilization delayed procurement of sophisticated/technical equipment for development of ecological and environment friendly technology.

The shortcomings in the procurement procedure have since been addressed. The corrective steps have been taken with the constitution of Justification and Specification Committee to ensure the streamlining of the procurement process. IPFT has utilized the entire amount of Rs.0.59 crore from the current year. IPFT shall also utilize the unspent balance of Rs.3.05 crore pertaining to the year 2009-10 before 31 March 2011.”

7.8 In response to the Committee’s query regarding details of external projects carried out by IPFT and how these will benefit the pesticide industry and farmers, the Department has stated as under:-

“IPFT is carrying out the following external projects:

- (i) Development of Lambda-Cyhalothrin 25% Capsule Suspension (CS) Formulation funded by M/s ENTOSAV, Turkey.
- (ii) Development of Deltamethrin 12.5% + Piperanyl Butosice 12.5% Water Dispersible Tablet (WT) Formulation funded by M/s ENTOSAV, Turkey.
- (iii) Formulation Division has also received consultancy services contract with M/s ENTOSAV, Turkey.
- (iv) Data generation on bio-efficacy etc. on various crops sponsored by 43 Pesticide Industry units.
- (v) Formulation development and application of Gibbago trianthema as mycoherbicide against Trianthema portulacastrum L. weed in Kharif crop pathogenicity tests funded by Department of Science and Technology.
- (vi) Monitoring of Pesticide Residue in various crops, etc. funded by the Ministry of Agriculture, Government of India.

- (vii) Persistence and shelf life studies of mosquito nets funded by M/s Reliance Industries Ltd.
- (viii) Residue analysis on tomato & chilli funded by M/s Chemtura India Pvt. Ltd.

The Institute continued to function as a Technical Coordinator Unit (TCU) of the Regional Network on Safe Pesticides Production and Information for Asia and the Pacific (RENAPAP) of UNDP / UNIDO on user and environment-friendly pesticide formulation technology and quality assurance. The Institute also continued to provide on behalf of the Government of India, secretarial assistance and logistic support to the RENAPAP.

IPFT is engaged in the development and production of state-of-the art user and environment-friendly pesticide formulation technology. It also promotes efficient application technologies which suit the existing requirements of the newer formulations and has been able to extend benefits to the intended target groups like the industry, farmers, extension workers, students, etc. Indian industries effectively utilize the data generated on bio-efficacy, phytotoxicity, and residue analysis of their products for registration under Central Insecticides Board. They also get the technical know-how from IPFT for ecological and environment-friendly pesticide formulations. Their technical personnel attend the workshop conducted by IPFT annually and get trained in various areas of IPFT expertise. workshops and training are organized every year in the area of pesticide application, technology, etc. for the benefit of farmers, extension workers and pesticide industries personnel.”

7.9 About the present status of the proposed separate feeder line to be provided by the Haryana Government for uninterrupted power supply to IPFT, the Department has submitted as under:-

“IPFT has received the estimates from the Government of Haryana for providing separate feeder line to the Institute. After due approval in F&AC meeting of IPFT scheduled in March 2011, the requisite cost of Rs. 21 lac shall be deposited with the State Government for likely commencement of work from April 2011.”

CHAPTER VIII

Chemical Weapons Convention

8.1 Chemical Weapons Convention (CWC) is a universal, non-discriminatory, multilateral, Disarmament Treaty, which bans the development, production, acquisitions, transfer, use and stockpile of all chemical weapons. India is a party to this Treaty. The Treaty has 188 Member States as its members as on 14.12.2010. India has a well-developed chemical industry relevant to the Convention. The Department is also an administrative department for the CWC Act, 2000, which is in force in the country. In terms of the allocation of work in relation to this CWC activity, the Department of C&PC is responsible for chemical industry matters and more specifically for preparation of declarations, facilitation of inspections by OPCW teams and also for creating awareness in the industry about its obligations under the Convention.

8.2 The Ministry has indicated that Help Desks have been set up for undertaking the following activities: -

- i. Disseminate information on CWC to all stakeholders giving a clear over-view including details of obligations of the chemical industry under the CWC Act.
- ii. Identify units, which are potential declarants through industry surveys and facilitate them in filing declarations.
- iii. Assist the units in filling declarations proforma as stipulated under the CWC Act.
- iv. Prepare training material for circulation in consultation with the Department of C&PC.
- v. Conduct awareness workshops in the vicinity. 15 Awareness Programmes have been conducted during the period.
- vi. Give due publicity to the Chemical Weapons Convention.
- vii. Send a monthly report to the Department on the activities conducted by them.
- viii. Assist the Department in verification of the correctness of the declarations filed by scheduled units through visits to plants and scrutiny of declaration materials.
- ix. Any other work assigned to it relating to the CWC Act.

8.3 The following table, according to the Ministry, gives the budget proposals for the Chemical Weapons Convention:-

(Rs. In crore)

Head	BE (2010-11)		RE (2010-11)		BE (2011-12)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 2852	1.00	0.10	1.00	0.10	1.00	0.10

8.4 The Department has informed the Committee that awareness programmes as detailed below have been undertaken during the last three years:-

Year	No. of CWC Awareness Programmes
2008-09	13
2009-10	15
2010-11	13 (two more scheduled to be held in March 2011)

8.5 The Department has informed that apart from the experts, the technical officers of the Ministry also participate in the programme. Based on the feedback, the Department has proposed to continue the programme in the year 2011-12 also.

8.6 As regards inspections carried out by the Organization for Prohibition of Chemicals Weapons (OPCW), the Department of Chemicals and Petrochemicals in a note has submitted as under:-

“Chemical Weapons Convention is a universal, non-discriminatory, multilateral, Disarmament Treaty, which bans the development, production, acquisition, transfer, use and stockpile of all chemical weapons. India is a signatory to this Convention as also an important Member State with a fairly well developed chemical industry. It has 188 nation states as its members as on 11 March 2011. The Convention is being implemented by the Organization for the Prohibition of Chemical Weapons (OPCW) established at The Hague, the Netherlands.

Declarations and verification are the two important aspects for implementation of the Convention. Each State Party is required to submit annual declarations of the production, import and export of scheduled chemicals and their production facilities. Also declarations in respect of a relatively large number of plant sites of Other Chemical Production Facilities (also called OCPF) are required to be made. India has been submitting declarations to OPCW within the prescribed time frame. In the last annual declaration submitted in March 2010, 582 chemical industry plant sites were declared.

Inspections are routinely conducted by the OPCW to ensure that activities are in accordance with obligations under the Convention and are consistent with the information provided by the inspected State Party in its declarations. India has so far received Ninety six (96) such inspections. The same includes 4 during 2011 so far.

Inspection of Schedule 2 facilities is quite exhaustive. For schedule 2 chemicals, their production, processing, consumption, import and export are verified for the past three years as also for the current year till date of inspection. For schedule 3 facilities, production, export and import data is verified. For OCPF only production data is verified. The inspection time for Schedule 2 plant sites is 96 hours and 24 hours for schedule 3 and OCPF. There is also pre-inspection and post-inspection activities. Pre-inspection briefing is prepared prior to commencement of inspection. The Department deputed Escort Officers for preparing the facility being inspected and facilitating the inspection. In some cases, on-site sampling and analysis is also undertaken by OPCW inspection teams. For this purpose they bring their own equipments which include Gas Chromatograph Mass Spectrometer (GCMS) and sample collection and preparation kit, etc. In such cases, technical persons with expertise in such instrumentation have also to be deputed.

After the completion of the inspection, the Final Inspection Reports are received from the Technical Secretariat of OPCW. The same are examined in the Department and recommendations are forwarded through National Authority for acceptance.

It may be stated here that all the 94 inspections by OPCW have been successfully undertaken. All the Final Inspection Reports as received from OPCW are without any uncertainties and there are no pending issues.”

8.7 The Committee enquired as to when the registration procedure for the chemical industry is expected to be brought into force and how it would benefit the chemical industry. To this, the Department replied as under:-

“Section 18 of the CWC Act which relates to the registration procedure is in the process of being amended. The proposed amendment is intended to align the provisions of the Act with the provisions of the Chemical Weapons Convention (CWC), to which India is a party. The CWC Amendment Bill was introduced in the Rajya Sabha in March 2010. The Hon’ble Speaker referred it to the Standing Committee of Parliament and the report of this Committee has been received. The same has been examined in consultation with the National Authority-CWC and the Ministry of Law. The Department has been advised to re-submit the same to the Parliament after due approval of the Cabinet.

The proposed amendment will facilitate compliance by the Indian Chemical industry to its obligations and alignment of CWC Act with the provisions of the Chemical Weapons Convention.”

CHAPTER IX

Chemical Promotion and Development Scheme

9.1 The Chemical Promotion and Development Scheme (CPDS) is for undertaking promotional activities for the chemicals and petrochemicals industry. The same covers supporting of seminars, conferences, workshops, studies and exhibitions on various aspects of chemicals and petrochemicals sector. During 2010-11, there was an allocation of Rs 2.50 crore for these activities.

9.2 The Ministry have informed that the Budget proposals for CPDS are as given below:-

(Rs. In crore)

Head	BE (2010-11)		RE (2010-11)		BE (2011-12)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 2852 Grants-in-aid General	2.50	-	2.50	-	7.50	-

9.3 The Committee enquired about the utilization of funds meant for the Chemical Promotion and Development Schemes. The Department, in a written reply, has submitted as under:-

“The year 2011 has been declared as the International year of Chemistry by the United Nations General Assembly, with the following objectives:

- i) Celebrate achievements of chemistry and its contributions to the well being of humanity.
- ii) To increase public appreciation and understanding of chemistry and to highlight peaceful uses of chemicals.

The Department of Chemicals and Petrochemicals, as the administrative department for the promotion of the Indian chemical industry, proposes to undertake a series of measures/events to celebrate IYC 2011. The same are detailed as under:-

- a. A sustained media campaign (both print and TV) will be undertaken in association with the Indian chemical industry which will cover the entire country (esp. the small towns) to present a proper perspective of the chemical industry and its positive role in various walks of life. This is important to dispel its negative image.
- b. A short documentary will be prepared about the chemical industry and good management practices followed by the best and most responsible companies.

- c. To encourage and promote 'green chemistry', safety and occupational health measures to achieve sustainable growth in the sector.
- d. To set up a National Institute of Chemical Safety and Management with a view to educate and provide training as also to act as a national repository of knowledge in the sector. In addition, other promotional activities like organisation of conferences and seminars, sponsoring of relevant studies and support to industry organizations for organising various events to promote Indian chemical industry and to attract investment will be undertaken. The break-up of the proposed allocation is as under:-

e. (Rs. in lakh)

Items	Allocation in 2011-12
International Year of Chemistry 2010-11	500
India Chem events/Sector Specific events/ PCPIR/ Chemical/ Plastic hubs, etc.	100
Promotional activities such as conferences/ seminars	50
Studies, etc/Awareness campaigns about Chem/PC sectors/ international conventions such as PIC/REACH, etc. and Indian Chemical Centre / CMIE Cell/ Promotion of PC Policy, Plastic Waste awareness program.	100
Total	750

9.4 When the Committee asked for details regarding the setting up of the National Institute of Chemical Safety and Management, the Department replied as under:-

“Chemical accidents disrupt progress and destroy the hard earned fruits of painstaking developmental efforts and cause large scale displacement to nearby dwelling cities and villages. Occurrence of chemical accidents remains a cause of concern to the chemical manufacturers in particular and public at large. Thus, safety in management of chemical plants is of paramount importance, not only for the people engaged in the factory but also for the people living in the vicinity of these units.

In India, we have a strong legal framework and training institutes for the workers and management of the chemical factories. A substantial gap is there between requirements under the legal framework and the general understanding and awareness about chemicals and their safe handling and management. To fill up this

void, the need for establishment of the National Institute of Chemical Safety and Management has been recognized.

The overall objective of the National Institute of Chemical Safety and Management is to educate the personnel working in chemical plants to prevent occurrence of chemical accidents through sound management of chemicals and minimization or elimination of adverse effects on human health and environment.

The salient features of the proposed Institute are as under:

- To promote and support the development and implementation of safety innovative measures in chemical plants including utilization of cleaner and green production processes.
- To create awareness on regulatory mechanisms being implemented through various Acts of the Government in the chemical manufacturing facilities such as preparation of on-site emergency plans, safe handling of the hazardous substances, Local Crisis Group in the unit, etc.
- To minimize loss of life, property, risk to human health by adopting best safety practices in the chemical plants.
- Capacity building in the unit for implementation of sound management of chemicals and to promote programmes on chemical safety.
- Information exchange, absorption and dissemination related to chemical safety aspects.
- Practical training including mock drills on safety aspects.
- Implementation of chemical safety measures in accordance with ISO 18000 series.
- To impart knowledge on Standard Operating Procedure for chemical disaster management, etc.
- To function as the repository of safety knowledge related to the chemical industries.

This centre will be established by the Department of Chemicals and Petrochemicals under the PPP mode, drawing stake holders from Government, FICCI, CII, ASSOCHAM, ICC, etc. A registered society will be constituted under the relevant statutes to govern the functioning of this centre. The proposal for setting up of

National Institute of Chemical Safety and Management is still at an early stage and the details including requirement of funds are yet to be worked out.”

CHAPTER X

National Policy on Petrochemicals

10.1 The Government approved the National Policy on Petrochemicals on 12 April 2007. The policy, according to the Ministry, aims to:-

- (i) increase investments in the sector (both upstream and downstream) and capture a slice of the resurgent Asian demand in polymers and downstream processing through additions in capacity and production by ensuring availability of raw materials at internationally competitive prices, creating quality infrastructure and other facilities to ensure value addition and increase exports;
- (ii) increase the domestic demand and per capita consumption of plastics and synthetic fibres from the present level of 4 Kgs and 1.6 Kgs, increase the competitiveness, polymer absorption capacity and value addition in the domestic downstream plastic processing industry through modernization, research and development measures and freeing it from structural constraints;
- (iii) facilitate investment in the emerging areas of petrochemicals;
- (iv) achieve environmentally sustainable growth in the petrochemical sector through innovative methods of plastic waste management, recycling and development of bio and photo-degradable polymers and plastics; and
- (v) promote Research and Development in Petrochemicals and promote Human Resource Development

10.2 The Committee have been informed that the feasibility studies will further enable the Department of Chemicals & Petrochemicals to evolve necessary focus for promotion of plastics and for creating the right environment for attracting investment in the sector. In addition, the Department is promoting the petrochemicals sector by way of supporting conferences, workshops, seminars, meetings, etc. During 2010-11, a Budget of Rs. 11.94 crore (at RE stage) has been allocated under the New Schemes on Petrochemicals in the Plan Fund. For the year 2011-12, a total outlay of Rs. 49.60 crore (Plan) has been requested to be provided under 'Other New Schemes for Petrochemicals'.

10.3 The Department has submitted the following reasons for reduction in RE 2010-11 from Rs.83 crores to Rs.11.94 crores meant for new schemes of petrochemicals :-

- (a) "An original outlay of Rs.12.00 crore was kept for setting up of Centres of Excellence (COE) in the field of petrochemicals. During the course of approval, it was decided to set up only two COEs in the first phase of implementation i.e. 2010-11, for which an outlay of Rs.12.00 crore spread over 3 financial years is required. Hence, the revised fund of Rs.4.00 crore has been kept during 2010-11.
- (b) The Scheme for setting up of dedicated Plastic Parks initially envisaged 6 plastic parks during the 11th Five year plan. However, the Planning Commission, while according in-principle approval approved only 2 plastic parks for the 11th Five year plan within the Plan outlay of Rs 50 crore. The Plastic Parks scheme was considered by SFC twice and was finally approved only in September 2010. The Department formulated the Expression of Interest document for the appointment of Programme Manager. The EOI document was approved in the month of January 2011. The Department advertised in February 2011 and the proposals received are at approval stage. Hence, a revised outlay of Rs.1.00 crore only has been kept for payment of fees for Programme Manager to be appointed during the course of the year.
- (c) The outlay for National Award for Technology Innovation was reduced to Rs.60.00 lakh during the approval stage as against the outlay of Rs.1.00 crore.
- (d) An outlay of Rs.1.00 crore was kept for awareness programme, seminars and workshops etc. However, the Department decided to go for awareness building through some other effective alternative modes, which are in the process of being identified by CIPET.
- (e) An outlay of Rs.8.00 crore for further new schemes (a) New / Satellite Testing Centres for Plastic Products and Raw Material (b) Setting up of Post Consumer Waste Management Centre (c) Petrochemical Research and Development Fund and (d) Plastic Waste Management Centre (PWMC), Delhi was kept. However, various issues relating to schemes (a) to (c) are under consultation with stakeholders and with respect to (d), the land for setting up of PWMC at Delhi is yet to be allocated by the NCT of Delhi.

The amount utilized till date is Rs. 0.60 crore and the anticipated expenditure is likely to be Rs.4.25 crore by the end of the financial year."

10.4 On being asked about the progress achieved as a result of implementation of the National Petrochemicals Policy, the Department has stated as under:-

“In pursuance of National Petrochemical Policy, the Department commissioned feasibility studies on various issues emanating from the policy. Following the recommendations of the Feasibility Studies, the Department conceptualised and formulated three schemes. They have been approved by the Government in the year 2010-11. The Department has achieved the following milestones in the implementation of major three Schemes under National Petrochemical Policy:

The ‘National Awards for Technology Innovation’ was formulated to encourage innovation in the petrochemicals sector. After the in-principle approval of the Planning Commission, the scheme has been accorded administrative approval by the Ministry. It has also been uploaded on the website of the Department of Chemicals & Petrochemicals for wide publicity. The Central Institute of Plastic Engineering & Technology (CIPET) has been entrusted with the responsibility of implementing the scheme during 2010-11 and Rs. 60 lakhs has also been released to CIPET for taking further necessary action in this regard. There are eight awards to be given to industries, institutions and individuals/teams in the fields of (i) plastics (ii) synthetic rubber, synthetic fibre, surfactants & intermediates and in the new emerging areas. The Central Institute of Plastic Engineering and Technology (CIPET) has received 82 nominations for ‘National Award’ which are presently being evaluated by the Standing Committee on Awards.

A Scheme for the setting up of dedicated ‘Plastic Parks’ was formulated. The in-principle approval of the Planning commission was obtained for setting up of two dedicated plastic parks during the 11th five year plan period within the plan outlay of Rs.50 crore approved for 11th Plan. The Scheme was considered by the Standing Finance Committee (SFC) twice and the scheme was approved with modifications for setting up of two dedicated ‘Plastic Parks’. The scheme has also been accorded administrative approval. The scheme envisages Grant-in-aid of Rs.40 crores or 50% of the Plastic Park project cost whichever is less. Besides uploading the scheme on the website of the Department for wider publicity, all the State Governments were requested for submission of their preliminary proposals in this regard. Six State Governments have shown interest. However, only one state government has sent the preliminary proposal. The Department is in the process of appointment of Programme Manager, who will assist the Scheme Steering Committee in evaluation, selection and monitoring of the progress of the scheme.

The Scheme for setting up of Centres of Excellence (COE) in the field of petrochemicals was formulated based on the feasibility study commissioned by the Department. After getting the in-principle approval of the Planning Commission, the scheme has also been accorded administrative approval by the Ministry. Besides uploading the details of the scheme on the website of the Department, for wider publicity, proposals were also invited from academic / research institutions working in the relevant fields. The Department has received applications from thirteen academic institutions. Six institutions were shortlisted and thereafter evaluated by the Expert Committee. The Expert Committee has identified four institutions for setting up of Centres of Excellence. The Department approached the Planning Commission for increasing the number of Centres of Excellence to be

set up in the Eleventh Plan from two to four. However, the Planning Commission suggested taking up the matter of setting up of additional COEs in the 12th Five Year Plan. The two identified institutions are in the process of approval. “

10.5 When the Committee asked for updates on the two Centres of Excellence (CoE) approved by the Planning Commission and the total amount required and expended for them till date, the Department submitted as under:-

“The total amount required for setting up of Centre of Excellence is determined by the applicant institute. However, Government of India would provide financial support of a maximum of 50% of the total investment / cost of the project subject to an upper limit of Rs 6.00 crores over a period of 3 years. Department has identified two institutes for setting up of COE and Rs 2.00 crore has been recently released to each institute, viz. Central Institute of Plastic Engineering & Technology (CIPET) and National Chemical Lab. (NCL), Pune. “

10.6 When the Committee specifically enquired about the state government which had sent the preliminary proposal for setting up a Plastic Park and what was its status, the Department replied as under:-

“The Government of Tamil Nadu has forwarded the preliminary proposal for setting up of Plastic Park in the State. The State Government was requested to submit a suitably amended proposal complying with the scheme guidelines. The revised proposal is presently being examined in the Department.”

10.7 The Committee desired to know about the steps being taken by the Department to motivate other state governments to participate in the scheme. In response thereto, the Department submitted as under:-

“The Department had earlier forwarded the scheme details to all State Governments requesting for submission of their proposals. Further the scheme was also placed on the website of the Department for wider publicity. Subsequently, the State Governments, which have shown their interest in the scheme, have also been requested for submission of Expression of Interest/Preliminary Proposals from interested entities as per the scheme guidelines. The Department would conduct workshops / roadshow / campaigns through Programme Manager, to sensitize and increase awareness among State Governments.

CHAPTER XI

Petroleum, Chemicals, Petrochemical Investment Regions (PCPIRs)

11.1 According to the Ministry, the major features of the Policy on Petroleum, Chemicals, Petrochemicals Investment Regions (PCPIRs) are as under:

- i) The PCPIR Policy is a window to ensure the adoption of a holistic approach to promote the petroleum, chemicals and petrochemical sectors in an integrated and environment friendly manner on a large scale. Such integrated PCPIRs would reap the benefits of co-siting, networking and greater efficiency through use of common infrastructure and support services.
- ii) The PCPIR is a specifically delineated investment region having an area of about 250 sq. km. (with minimum 40% of the designated area earmarked for processing activities). This region will be a combination of production projects, public utilities, logistics, environmental protection, residential areas and administrative services.
- iii) The Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 8th March 2007 approved the Policy Resolution for setting up of PCPIRs. As per the PCPIR Policy, the Government of India is to ensure availability of external physical infrastructure linkages to the PCPIR including Rail, Road (National Highways), Ports, Airports and Telecom in a time bound manner. This infrastructure will be created/upgraded through Public Private Partnerships to the extent possible and the Central Government will provide necessary viability gap funding (VGF) through existing schemes.

11.2 Approval of PCPIRs & their current status is as below:

- i) The proposals of the governments of Andhra Pradesh, Gujarat and West Bengal were approved by the CCEA in its meeting of 23 February 2009. These PCPIRs are expected to create infrastructure worth Rs 43,751.7 crore. The industrial investment in these regions is expected to be to the tune of Rs 4,86,180 crore while employment generation for about 30 Lakh persons is expected over a period of a time.

- ii) A Memorandum of Agreement have since been signed between the Government of India represented by the Department of Chemicals and Petrochemicals and the three State Governments duly indicating the respective commitments, with timelines for further steps to be taken by the Central and State Governments.
- iii) A monitoring mechanism chaired by the Secretary (C&PC) has been established to review the progress in respect of each of these PCPIRs. The State Governments have made significant progress in the process of environmental clearance, completion of infrastructure projects and attracting further investments as outlined below:
- a) **West Bengal PCPIR**
- Ministry of Environment and Forests have approved terms of reference of the Environment Impact Assessment.
 - Completion of IOCL's upgradation of the 6 MMTPA refinery to 7.5 MMTPA.
 - Constitution of the West Bengal PCPIR Management Board and notification to this effect.
 - Notification of the PCPIR is complete.
 - Launch of website www.wbpcpir.com
 - Signing of Power Purchase Agreement with the Power Tenant with a committed investment of Rs 12870 crore
 - Signing of MoU with Air Liquide
- b) **Gujarat PCPIR**
- Signing of MoU between the State Government and the Anchor Tenant
 - Notification of the PCPIR under the Special Investment Region (SIR) Act.
 - Completion of a detailed study of 18 villages involving rehabilitation.
 - Terms of Reference of EIA study have been sent to M/o E&F for approval
 - Acquisition of 60 to 70% of land
 - Rs 70,000 crore of investment has been attracted since the notification of the PCPIR.
 - Petronet LNG is setting up a 1200 mega watt power plant.
- c) **Andhra Pradesh PCPIR**
- Award of Feasibility Study for the rail line linking APSEZ to Gangavaram Port to RITES Limited.
 - Acquisition of additional 34.77 sq.km of the processing land
 - Selection of consultants for preparation of Master Plan under way
 - Constitution of a Special Development Authority to function as Management Board
 - Engaging of EPTRI as consultant for EIA studies
 - Additional committed investments to the tune of Rs 9,600 crore
 - Completion of Notification of the PCPIR is completed.

- iv) The Cabinet Committee on Economic Affairs (CCEA) has approved the proposal of the Government of Orissa for hosting a PCPIR at Paradeep in the Jagatsinghpur and Kendrapara districts covering an area of 284.15 sq kms with a processing area of 123.014 sq kms (43.29%). Indian Oil Corporation Ltd. (IOCL) has been identified as the Anchor Tenant for the Orissa PCPIR and is setting up a 15 MMTPA grassroots refinery at Paradeep, which is likely to be commissioned by March 2012 at a cost of Rs 29,777 crore. Total investment of about Rs 2,77,734 crore is expected in the OPCPIR, with total employment generation for about 6,48,000 persons comprising direct employment to 2.27 lakh persons and indirect employment to 4.21 lakh persons. The PCPIR envisages total investment of Rs 13,634 crore towards external infrastructure including Rs 716 crore of support from Government of India by way of VGF.
- v) Another proposal from the Government of Tamil Nadu for setting up a PCPIR at Cuddalore and Nagapattinam has been considered by the concerned Departments/Ministries of GoI and the outstanding issues based on their comments have now been resolved through an inter ministerial meeting chaired by Secretary (C&PC). The proposal is being placed before the High Powered Committee chaired by the Cabinet Secretary. The total investment estimated in the region is Rs. 99,750 crore. The total estimated investment in external infrastructure of Rs 13,800 crore includes support from Government of India to the tune of Rs 5,120 crore.
- vi) The Department of Chemicals and Petrochemicals has actively showcased and promoted the PCPIRs through various investor meets, exhibitions and national and international road shows.

11.3 Details of PCPIRs proposals and their present status as furnished by the Department are further given below:-

“Four PCPIR proposals from the State Governments of Andhra Pradesh, Gujarat, West Bengal and Orissa have been approved by the Government of India. The details of these proposals and their present status are as follows:

Andhra Pradesh: The Government of Andhra Pradesh proposes to set up a PCPIR at Vishakhapatnam-Kakinada-Rajahmundry within the Vishakhapatnam and East Godavari Districts of Andhra Pradesh covering an area of 603.58 sq. km. The total industrial investment in the Andhra Pradesh PCPIR is estimated at Rs. 3,43,000 crore including committed investments of Rs. 1, 63,890 crore. The direct and

indirect employment in the PCPIR is estimated to be about 5.25 lakh and 6.73 lakh persons respectively. The Government of Andhra Pradesh has identified HPCL and GMR-led consortia as the two Anchor Tenants for this project. The proposal envisages development of physical infrastructure such as roads, rail, air links, ports, water supply, power, etc. at a cost of Rs. 17,971 crore. The Central Government will provide the necessary Viability Gap Funding (VGF) of approximately Rs.1,054 crore subject to VGF guidelines existing from time to time. This amount will not be met by the Department of Chemicals and Petrochemicals, but by the concerned Ministries/Departments of GoI, concerned with the relevant infrastructure by way of VGF/Budgetary support.

Current Status:

- A Memorandum of Agreement was signed between the Government of India and Government of Andhra Pradesh outlining the respective commitments towards establishing this PCPIR on October 1, 2009.
- Notification of the PCPIR is completed.
- Constitution of a Special Development Authority to function as Management Board
- Award of Feasibility Study for the rail line linking APSEZ to Gangavaram Port to RITES Limited.
- Acquisition of additional 34.77 sq.km of the processing land
- Selection of consultants for preparation of Master Plan under way
- Engaging of EPTRI as consultant for EIA studies
- Additional committed investments to the tune of Rs. 9,600 crore

West Bengal: The Government of West Bengal proposes to host a PCPIR in Haldia in Purba Medinipur district covering the existing Haldia Municipal Area and the adjoining areas of Haldia Development Authority (including Nayachar Island). It will cover an area of 250.19 sq.km., which includes 200.83 sq.km. on the mainland and 49.36 sq.km on the Nayachar Island. It will exclude the CRZ I (i) area of 2.64 sq.km on the island. The State Government has estimated a total investment of Rs. 93,180 crore in the proposed PCPIR, including a committed investment of Rs. 48,180 crore. The total employment generation from the WBPCPIR is expected to be 10 lakh persons, which includes direct employment to 4 lakh persons. Indian Oil Corporation Limited and CALS Refinery Ltd. have been identified as the Anchor Tenants for this PCPIR. The proposal envisages development of physical infrastructure such as roads, rail, air links, ports, water supply, power etc. at a cost of Rs. 18,031 crore. The State Government has sought support from Government of India to the tune of Rs. 2,108 crore involving road works, port facilities and a submarine cable landing station. In addition, projects worth Rs 15,923 crore are expected to be implemented through the State Government through the PPP mode. This amount will not be met by the Department of Chemicals and petrochemicals, but by the concerned Ministries/Departments of GoI, concerned with the relevant infrastructure by way of VGF/Budgetary support.

Current Status:

- A Memorandum of Agreement was signed between the Government of India and Government of West Bengal outlining the respective commitments towards establishing this PCPIR on October 29, 2009.
- Constitution of the West Bengal PCPIR Management Board and notification to this effect.

- Notification of the PCPIR is complete.
- Ministry of Environment and Forests have approved terms of reference of the Environment Impact Assessment.
- Completion of IOCL's upgradation of the 6 MMTPA refineries to 7.5 MMTPA.
- Launch of website www.wbpcpir.com
- Signing of Power Purchase Agreement with the Power Tenant with a committed investment of Rs 12,870 crore
- Signing of MoU with Air Liquide

Gujarat: The Government of Gujarat has proposed to set up a PCPIR at Dahej spreading over Vagra and Bharuch blocks in the district of Bharuch, south Gujarat covering an area of 453 sq km. Total investment of about Rs. 50,000 crore is expected in the Gujarat PCPIR with committed investment of Rs. 22,930 crore. The total employment generation from the GPCPIR is expected to be 8 lakh persons of whom the estimated direct employment in the PCPIR will be about 1.9 lakh over a period of time. ONGC Petro Additions Limited (OPaL), a joint venture company promoted by ONGC and Gujarat State Petroleum Corporation (GSPC) is the Anchor tenant for the PCPIR. The proposal envisages development of external infrastructure linkages at a cost of Rs. 7,749.7 crore. The Government of Gujarat has sought support from Government of India to the tune of Rs. 80.5 crore, to cover the 20% Viability Gap Funding for 8 roads and 2 rail projects costing a total of Rs. 402.5 crore through the PPP mode. While the State Government is committed to provide a matching amount of Rs. 80.5 crore towards VGF funding, it is also committed to an amount of Rs. 253 crore towards other infrastructure projects to be met entirely with State Government budgetary support. In addition, private developers together with State Government agencies are also committed to implementing projects worth Rs.7,094.2 crore on cost recovery mode. This amount will not be met by the Department of Chemicals and Petrochemicals, but by the concerned Ministries/Departments of GoI concerned with the relevant infrastructure by way of VGF/Budgetary support.

Current Status:

- A Memorandum of Agreement was signed with Government of Gujarat on 07 Jan'10.
- Signing of MoU between the State Government and the Anchor Tenant
- Notification of the PCPIR under the Special Investment Region (SIR) Act.
- Completion of a detailed study of 18 villages involving rehabilitation.
- Terms of Reference of EIA study have been sent to M/o E&F for approval
- Acquisition of 60% to 70% of land
- Rs.70,000 crore of investment has been attracted since the notification of the PCPIR.
- Petronet LNG is setting up a 1,200 mega watt power plant.

Orissa: The Cabinet Committee on Economic Affairs (CCEA) approved the proposal of the Government of Orissa for hosting a PCPIR at Paradeep in the Jagatsinghpur and Kendrapara districts covering an area of 284.15 sq km with a processing area of 123.014 sq km (43.29%) on 7 December 2010. Indian Oil Corporation Ltd. (IOCL) has been identified as the Anchor Tenant for the Orissa PCPIR and is setting up a 15 MMTPA grassroot refinery at Paradeep, which is likely to be commissioned by March 2012 at a cost of Rs.29,777 crore. Total investment of about Rs.2,77,734

crore is expected in the OPCPIR, with total employment generation for about 6,48,000 persons comprising direct employment to 2.27 lakh persons and indirect employment to 4.21 lakh persons. The PCPIR envisages total investment of Rs.13,634 crore towards external infrastructure including Rs.716 crore of support from Government of India by way of VGF. This amount will not be met by the Department of Chemicals and Petrochemicals, but by the concerned Ministries/Departments of Gol, concerned with the relevant infrastructure by way of VGF/Budgetary support.

Status: Draft Memorandum of Agreement between the Department of Chemicals and Petrochemicals and the Government of Orissa has been sent to the State Government for its views and will be signed shortly.”

11.4 Regarding Tamil Nadu, the Department has submitted as under:-

“Another proposal from the Government of Tamil Nadu for setting up a PCPIR at Cuddalore and Nagapattinam has been considered by the concerned Departments/Ministries of Gol and the outstanding issues based on their comments have now been resolved through an inter ministerial meeting chaired by Secretary (C&PC). The proposal is being placed before the High Powered Committee chaired by the Cabinet Secretary. The total investment estimated in the region is Rs. 1,02,740 crore. The total estimated investment in external infrastructure of Rs.13,725 crore includes support from Government of India to the tune of Rs.4,945 crore. “

11.5 When the Committee desired to know whether they have received any proposal for viability gap funding (VGF), the Department has stated as under:-

“No proposal has been received as yet from any State Government for VGF. However, feasibility studies for identified items of infrastructure as in the case of Andhra Pradesh for rail line linking APSEZ to Gangavaram Port have been commenced and once these are completed, such proposals are expected to be received.”

CHAPTER XII

Public Sector Undertakings

12.1 The Department of Chemicals and Petrochemicals has two functional divisions, namely, Chemicals Division and Petrochemicals Division.

Within the Chemicals Division, there are two Public Sector Undertakings:-

- i) Hindustan Organic Chemicals Limited (HOCL)
- ii) Hindustan Insecticides Limited (HIL)

There is one Public Sector Undertaking (PSU) in the Petrochemicals Sector, namely, Brahmaputra Cracker and Polymer Ltd. (BCPL)

Hindustan Organic Chemicals Ltd. (HOCL)

12.2 The Hindustan Organic Chemicals Limited (HOCL) was incorporated on 12 December 1960 for setting up manufacturing capacities for chemicals/intermediates which are required for production of dyes, dye-intermediates, rubber chemicals, pesticides, drugs and pharmaceuticals, laminates, etc. It was expected that indigenous manufacture of these chemicals and intermediates would give impetus to downstream industry resulting in setting up of chemical units and achieving self-sufficiency for the country in this area. The objective of setting up HOCL has been achieved as over the years, more than 500 units based on HOCL's products have been set up all over the country which have not only helped in achieving self sufficiency but have also entered the international market by exporting chemicals, dyes and drugs over the last many years.

12.3 The products manufactured by HOCL include phenol, acetone, formaldehyde, nitrobenzene, aniline, nitro toluene, sulphuric acid/oleum, acetanilide and hydrogen peroxide. The raw materials used by HOCL are benzene, toluene, LPG, methanol, naphtha and sulphur, most of which come from petroleum refineries.

12.4 HOCL has two units at Rasayani (Maharashtra) and Kochi (Kerala). It also has a subsidiary company, M/s Hindustan Fluorocarbons Limited (HFL) located at Rudraram

(Andhra Pradesh) for manufacture of poly-tetra-fluoro-ethylene (PTFE), a high-technology engineering plastic.

12.5 The Kochi Unit has been achieving more than 100% capacity utilization due to the measures taken for continuous supply of raw materials through pipeline network established between BPCL-KR and HOC Plant, which has helped the company to streamline the production without any interruption. It has also helped the company to reduce overheads and expenditure for sampling and totally eliminate the handling losses that occurred when the raw material was received by tanker lorries, thus improving the efficiency of operation and safety aspects.

12.6 The following are details of the physical and financial performance of the Company for the last five years:

(Rs in crore)

Year	Production (MT)	Turnover (Rs in Crores)	Net Profit/ Loss (Rs in Crores)
2005-06	216224	451.03	(-) 56.61
2006-07	207110	591.25	(+) 17.04
2007-08	242013	666.59	(+) 13.61
2008-09	245192	620.90	(-) 25.27
2009-10	221249	520.71	(-) 83.07

12.7 During 2008-09, the chemicals industry experienced the effects of a global meltdown and recession especially in the second half, resulting in a net loss of Rs (-) 25.27 crore in 2008-09 and (-) Rs 83.07 crore in 2009-10.

12.8 The Budget details of HOCL are given below:-

(Rs in crore)

Head	BE 2010-11		RE 2010-11		BE 2011-12	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 6857 loans and advances	5.57	0.01	5.57	0.01	1.00	0.01
Total	5.57	0.01	5.57	0.01	1.00	0.01

12.9 When asked to indicate the present status of caustic chlorine plants of HOCL of Rasayani, Maharashtra, the Department has replied as under:-

“The plant was commissioned after revamping in the year 2008 and was operated till October 2009. Due to rise in power cost, which increased from Rs. 4.25 to Rs. 6.15 per unit and sudden slump in the sale price of caustic soda from Rs.20,000 to Rs. 10,000 PMT as a result of dumping of caustic soda in India, the production at the plant had to be discontinued. Efforts are on to set up a captive power plant based on Natural Gas which will provide power at cheaper cost.”

12.10 Regarding captive power plant for Rasayani Unit of HOCL, the Department in a note has submitted as under:-

“Viability study has been conducted for setting up of a 16 MW CPP at Rasayani. Request for Qualification was floated, and parties have been shortlisted for the next stage of bidding which is Request for Proposal. Financial model have been prepared to be incorporated in the RFP document. In the meantime, clearance has been sought from the Revenue Department of the State Government of Maharashtra for allowing JV with the private sector for CPP, as the land is leased by State Government. The permission is awaited.”

12.11 The Committee, during their study visit to HOCL, Mumbai in January 2011, had observed that there was no sound marketing policy in HOCL and the post of Director was lying vacant for a long time. The Committee desired to know about the steps taken by HOCL to formulate sound marketing policy as well as to fill up the post of Director (Marketing) in the company. Responding thereto, the Department has stated as under:-

“HOCL has formulated a Marketing Policy for the year 2010-11 which has been approved by the Board. This policy covers pricing of products, credits and discounts. The company is exploring the possibility of engaging a suitable Consultant to advise it on formulating a marketing strategy for its products. The company is also reorganizing its Marketing Department with introduction of more Marketing Officers. Efforts are being made to reach the direct consumers with better offers and services.

The matter with regard to filling up the post of Director (Marketing) is being taken up by the Ministry with the Appointments Committee of the Cabinet (ACC) for scrapping of the existing single name panel and re-advertisement of the post.”

12.12 During the same study visit, the Committee had also observed that the sales volume of HOCL was quite less as compared to its production volume. During the year 2009-10, the production at Rasayani Unit was 83,519 MT and sales were 60,321 MT whereas in Kochi Unit, it was 1,37,730 MT and 65,191 MT respectively.

12.13 On being asked about the steps taken by the Department to improve the sales volume, the Department of Chemicals and Petrochemicals has stated as under:-

“Initiatives have been taken to reduce the cost of production by changing the feedstock at the Rasayani Hydrogen plant from Naphtha to CNG and operating boilers at both the units by replacing Furnace Oil with CNG. At the Kochi Unit, process modifications are carried out to reduce the cost of production of Phenol and Acetone. This would result in competitive pricing and improved sales.”

12.14 On being asked about the specific reasons for lesser sales at Kochi unit than Rasayani unit, the Department has replied as under:-

“The part of the production at both Kochi and Rasayani are used for captive consumption of the end product. Hence, there is a difference in the figures of production and sales.

For example, nitric acid and sulphuric acid and nitrobenzene produced in the Rasayani unit are captively utilized for the production of nitrobenzene, nitro toluene and aniline. Similarly, cumene & propylene produced at Kochi unit is used for the production of phenol / acetone. Hence, production figures are much higher than sales figure.”

12.15 As regards the steps taken, or proposed to be taken by the Department to check increasing loss to HOCL and put it back on track, the Department has stated as under:-

“Initiatives have been taken to reduce the cost of production by changing the feedstock from naphtha to CNG at Rasayani, furnace oil to CNG at both the units and setting up a Captive Power Plant (CPP) with CNG to bring down the cost of power.

Market and viability study is done for a Green Field 1,00,000 MTPA Phenol Acetone plant. The project is under scrutiny.

Initiatives are being taken for the gainful utilization of existing infrastructure and vacant land available at Rasayani. The first phase of ERP covering Kochi Unit has been implemented. This will bring about improvement in operational efficiency.”

Hindustan Insecticides Ltd. (HIL)

12.16 The Hindustan Insecticides Limited (HIL) was incorporated in 1954. It had set up its factory in Delhi for manufacturing DDT to meet the demand of National Malaria Eradication Programme (NMEP) presently known as National Vector Borne Disease Control Programme (NVBDCP) launched by the Government of India. This plant went into production in April 1955. In 1957, the company set up their second factory at Udyogamandal, near Cochin for the manufacture of DDT. The company set up a plant at Rasayani, Maharashtra in 1977 for the manufacture of Malathion, an insecticide used in public health. Another DDT plant was set up at Rasayani in 1983. DDT is even today the most effective tool to fight dreaded diseases like malaria, dengue, kala azar, and Japanese encephalitis, etc. The company has contributed a lot in keeping these diseases under check in India. Today, HIL is the largest producer of DDT in the world and the only other producer is China.

12.17 With a view to make quality pesticides available to farmers as part of the Green Revolution, HIL has put up manufacturing facilities for various agro-pesticides at Udyogamandal, Kerala and Rasayani, Maharashtra. The company manufactures technicals such as Endosulfan, Dicofol, Malathion Butachlor, DDVP, Monocrotophos, Mancozeb, etc. and around 27 agro formulations at its plants at Udyogamandal (Kerala), Rasayani (Maharashtra) and at Bhatinda (Punjab). The company has a well-equipped Central R&D Complex at Udyog Vihar, Gurgaon, Haryana along with an experimental farm.

12.18 The Company achieved an export turnover of Rs 14.29 crore (previous year Rs 13.48 crore). The year 2009-10 witnessed one of the worst ever drought faced by India during the last two decades. In spite of it, HIL improved its performance and posted operational profits for yet another year. HIL has been continuously improving its turnover and has posted profit for five years in succession. Among the 36 restructured PSUs, HIL is one of the 11 PSUs, which have continuously posted profits. The Company achieved an all time record turnover of Rs 243.88 crore (previous year, Rs 215.35 crore) and recorded a gross margin of Rs 9.20 crore (previous Year, Rs 7.61 crore) before providing for depreciation, interest and tax. The net profit for the year after providing for depreciation and interest was Rs 3.06 crore (previous year, Rs 2.71 crore). The company got 'excellent' MoU rating in the year 2007-08 and 'very good' rating in 2008-09. As per self-evaluation, the company is poised to get "Excellent" rating in 2009-10.

12.19 The performance of the company for the last five years is as follows: -

(Rs In crore)

YEAR	Production (MT)	Sales Turnover	Net Profit/Loss
2005-06	19,866	175.50	(+) 21.41
2006-07	20,852	200.57	(+) 05.66
2007-08	19,845	210.19	(+) 06.52
2008-09	16,415	215.35	(+) 02.71
2009-10	18,263	243.88	(+) 03.06

12.20 The Budget proposals for the Hindustan Insecticides Ltd. are as follows:-

(Rs in crore)

Head	BE 2010-11		RE 2010-11		BE 2011-12	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
MH 6857 loans and advances	20.00	0.01	15.03	0.01	20.0	0.01
Total	20.00	0.01	15.03	0.01	20.0	0.01

12.21 When the Committee desired to know about the progress of the Mancozeb project of HIL, the Department, in a reply, stated as under:-

“HIL has a manufacturing facility for 1,000 MT of Mancozeb at Udyogamandal Unit, Kerala. HIL conceived another Mancozeb project expecting an exponential growth in demand in the domestic as well as international market. As the demand did not pick up to the expected level and the prices dropped, the company is considering investment in the project in 2011-12. In case, the project is found feasible, HIL will come up with specific project proposal for utilizing Rs.20.00 crore in 2011-12 so that the money need not be surrendered.”

12.22 As per a news item, captioned “Endosulfan licence of HIL revoked”, published in the *Times of India* online edition, dated 28 May 2011, the Kerala Government has decided to stop the production of Endosulfan at HIL units in Kerala. Similar reports have also been published in *The Hindu* and *Business Standard* newspapers on the same day. When asked to clarify the factual position on the news items, the Department has replied as under:-

“HIL manufactures Endosulfan Technical at the Udyogamandal Unit in Kerala only though its formulations are done in Rasayani and Bhatinda, besides Udyogamandal unit.

The Kerala State Pollution Control Board issued a Consent Variation Order, dated 27 May 2011 directing that Endosulfan in any form shall not be produced in the Unit.

The Supreme Court also passed an ad interim order to immediately ban production, use and sale of Endosulfan all over India and directed the statutory authorities to seize the permit given to the manufacturers of Endosulfan till further orders, against which Directorate of Agriculture, Trivandrum has directed HIL to surrender certificate of registration to Secretary, Central Insecticides Board & Registration Committee.

The Department of Agriculture has also stated that the licence issued for production of Endosulfan has become null and void in the light of Hon’ble Supreme Court’s directives and has directed HIL to surrender licence to the officer of the Department of Agriculture.”

PART II

OBSERVATIONS/RECOMMENDATIONS

1. The Committee note that the production of major chemicals had recorded growth rate of 2.07 % in case of organic chemicals, 1.17 % in case of inorganic chemicals, -3.53 % in case of pesticides (technicals) during the period from 2008-09 to 2009-10 and the Compound Annual Rate of Growth (CARG) of these chemicals was -0.5 % from 2005-06 to 2009-10. Similarly, the annual growth of production of some selected major petrochemicals was not satisfactory during the period from 2008-09 to 2009-10 as it was -5.32 % in case of polymers. The total annual growth rate of these petrochemicals was only 1.15 % during the period from 2008-09 to 2009-10 and the CARG was only 2.64 % during the same period. Consequent upon announcement of stimulus package by the Government during December 2008-January 2009, the growth rate of major chemicals, petrochemicals and intermediates are stated to have shown slight improvement. While emphasizing the need for continuance of stimulus packages for some more time, the Committee expect the Department to proactively play the designated role of facilitator for the development of chemicals and petrochemicals industry.

2. The Committee note that the Department's role is limited as a facilitator only for the development of chemical industry and accordingly, the Department of Chemicals and Petrochemicals has formulated the National Policy on Chemicals with the aim of addressing various issues as well as for increasing investment in the petrochemicals sector. The Department has also come out with a cluster infrastructure scheme of plastic parks besides setting up an award scheme to incentivize meritorious innovations in the field of plastics/ elastomers/ synthetic fibres/ surfactants/intermediates. The strengthening and expansion of the Central Institute of Plastic Engineering & Technology (CIPET) is also stated to have been carried out. The Department aims to create world class infrastructure for the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIRs) which would enable investment in the petrochemicals sector. Further, a Task Force has been set up by the Department to examine various issues relating to the chemicals industry, the report of which is yet to be finalized. The Committee expect the Department

to vigorously implement these measures and would like the report of the Task Force be finalized at the earliest so as to enable the Department to take necessary steps for early stabilization of the chemicals industry. As regards the petrochemicals sector, the Department needs to ensure proper implementation of various initiatives like the National Policy on Petrochemicals, Petroleum Chemicals and Petrochemical Investment Regions (PCPIR), etc., undertaken by the Department.

3. The Committee note that the Department of Chemicals and Petrochemicals has constituted an Inter-ministerial Expert Committee for promotion of plastics in thrust areas, namely, plastic in agriculture (plasticulture), water management, construction and packaging. The Department also interacts with the industry associations at the national level and pro-actively takes up issues related to petrochemical industry for sustainable development of the sector. The Committee have also been given to understand that stimulus packages announced in December 2008 and January 2009 reduced the excise duty to 8% from the existing rate of 14% which was, however, increased subsequently in the Budget 2010-11 to 10%. As a result of reduction in excise duties, polymers and performance plastics had registered significant growth rates of 12.26% and 8.38%, respectively. Together, the major petrochemicals registered a growth rate of 9.92% during the period from April 2010 to January 2011. These increases in growth rate can be attributed, at least in part, to the reduction in excise duties and other measures taken as part of the stimulus package. The Committee, therefore, recommend that the Department of Chemicals and Petrochemicals should impress upon the Ministry of Finance to reduce the excise duty to 8% from the present rate of 10% in order to further boost production and sustain the present momentum of growth in the sector. The Committee feel that the initiative of stimulus package should not be a short term measure but the same should continue till the per capita use of polymers and plastics comes at par with the developed countries of the world.

4. The Committee observe that for various schemes being implemented by the Department, the Budget Estimates (BE) were significantly lower or higher than that of Revised Estimates (RE) during each of the previous four years of the 11th Plan. This is evident from the fact that it was Rs 209 crore under BE and Rs 170 crore under RE during 2007-08, Rs 295 crore under BE and Rs 250 crore under RE during 2008-09, Rs 239.75 crore under BE and Rs

405.82 crore under RE for 2009-10, Rs 400 crore under BE and Rs 903 crore under RE during 2010-11.

It may also be observed that during the first two years of the Plan, the RE was less than BE whereas the RE was considerably higher than BE during the 3rd and 4th years of the Plan, i.e., 2009-10 and 2010-11, resulting in huge fluctuations in allocations from year to year, which in turn adversely affected the completion schedules of schemes. The Committee feel that there is an urgent need for proper planning and drawing up of realistic estimates and timely and prudent use of approved outlays. The Department of Chemicals and Petrochemicals should also endeavour to impress upon the Planning Commission and the Ministry of Finance to allocate necessary funds for the various schemes and programmes that are asked for.

5. The Committee note that a Plastic Waste Management Centre (PWMC), set up in Guwahati, has started functioning since August 2009. This Centre is a unit of CIPET-Guwahati, and is the first of its kind in the country. The Committee believe that proper plastic waste management is the need of the hour in which the Department should play a pivotal role. The Committee appreciate the steps taken by the Department to set up other Plastic Waste Management Centres in various parts of the country, including Delhi. The matter in this connection is being taken up by the Department with State Governments whose proposals will be further taken up with the Ministry of Urban Affairs for implementation under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The Committee feel that the process for setting up and operationalization of these centres need to be expedited with a missionary zeal. The Committee would like to be apprised of any new measures and progress made in this regard.

The Committee also note that The Plastic Waste (Management and Handling) Rules, 2011, were notified by the Ministry of Environment and Forests (MoEF) on 7 February 2011. Under the new Rules, use of plastic materials and sachets for storing and packing gutka, tobacco and pan masala, has been banned. Also, no food stuff is to be packed in recycled plastics and compostable plastics. All recycled carry bags are required to carry specific BIS standard markings. The Rules also recognize the role of waste pickers and envisage a predominant role for municipal bodies in waste disposal and management. The Committee call upon the Department of

Chemicals and Petrochemicals to ensure that the new Rules are implemented expeditiously and applied uniformly throughout the country.

6. The Committee note that the average per capita consumption of plastics in India is about 6.5 kg only in one year compared to 100 kg in the developed countries. There is, thus, huge potential for increased production and use of plastics in our country. In this regard, the Committee feel that the role of specialized institutions like the Central Institute of Plastics Engineering and Technology (CIPET) need to be further strengthened in its endeavour of popularizing plastics for everyday use, quality upgradation of plastic products, and proper management of wastes. With this purpose in mind, the Committee recommend that CIPET centres should be further expanded so as to reach down to the district level, preferably in collaboration with district-level educational trust societies. The Committee expect the Department to take proactive steps in this regard.

7. The Committee observe that instances of non-utilization and under-utilization of funds are quite common at the Institute of Pesticide Formulation Technology (IPFT) which they have been pointing out from time to time. This is evident from the fact that there was a reduction in the funds allocated to IPFT under Plan Head during 2010-11 from Rs 4.25 crore to Rs 0.59 crore. Further, for the financial year 2011-12, only a sum of Rs 1 crore has been allocated. The Department had cited poor utilization of allocated funds in the previous two years as the reason for this drastic reduction in fund allocation. The inadequate utilization of allocated funds was further blamed on certain shortcomings in procedure for the procurement of sophisticated technical equipments for the development of ecological and environmental-friendly technology. The Committee are disappointed to note that the Department had, instead of trying to fix responsibility for such lapses and finding ways to improve the Institute's dismal performance, resorted to simply cutting fund allocations. The Committee also note that the Department has since instituted a Justification and Specification Committee to address problems in the procurement process. In the light of these, the Committee expect better performance and results from this important Institute and wish to be apprised of the status and progress of the Justification and Specification committee thus set up.

8. The Committee note that the Assam Gas Cracker Project (AGCP) was approved by the Government on 18 April 2006 as a part of projects

undertaken for rapid economic growth of the State of Assam. AGCP is scheduled for commissioning in April 2012 and a joint venture company, Brahmaputra Cracker & Polymer Limited (BCPL) has been incorporated for execution of this project. A capital subsidy of Rs 2,138 crore on fixed cost basis (phased during construction period of 5 years at constant prices) has to be provided by the Department for this project. The Committee note that as against planned capital subsidy of Rs 662.78 crore for the first three years, the amount actually provided and released for AGCP was Rs 453.74 crore. For the year 2010-11, as against the subsidy of Rs 900 crore asked for by the Department, only Rs 212.74 crore have been provided. However, at a supplementary stage, additional allocations of Rs 579 crore was sought and was provided, resulting in the revision and final allocation of Rs 791.74 crore. As for the annual plan for 2011-12, the Department sought an allocation of Rs 892.52 crore as capital subsidy, but the Planning Commission sanctioned only Rs 675.71 crore. The overall physical progress at the project, as on 15 February 2011 was 32.8%. Compared to last year's figure of 11.8%, this is an improvement, but not yet enough. The Committee regret to observe that as against the original target of commissioning by April 2012, the BCPL has submitted a revised schedule for mechanical completion and commissioning by July 2013 and December 2013 respectively. The Committee are inclined to conclude that delay in execution of this important project will not only result in cost escalation but also deprive the State of Assam of the envisaged benefits which would have accrued to them earlier. The Committee, therefore, recommend that the Department, as the implementing agency for AGCP, should take expeditious concrete steps for removal of hurdles so as to ensure the execution of the project at the earliest. The Committee also wish to point out that despite the provision of a mechanism of non-lapsable pool fund for North Eastern States in the budgetary allocations, if such important projects suffer on account of constraint of funds, the onus of delay is only on the Department. The Committee would like to be apprised of the steps taken in this regard.

9. Regarding the National Policy on Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR), which the Government approved in April 2007, the Committee note that the policy aims to adopt a holistic approach to promote the petroleum, chemicals and petrochemicals sector in an integrated, environment-friendly manner on a large scale. According to the Department, the PCPIR is a specifically delineated investment region having

an area of about 250 sq km. (with minimum 40% of the designated area earmarked for processing activities). This region will be a combination of production projects, public utilities, logistics, environmental protection, residential areas and administrative services. The Committee also note that the investment expected in these regions is to the tune of Rs 4,86,180 crore and the number of employment to be generated is 30 lakh. In other words, the country has a huge stake in the development and success of these dedicated Regions. The Committee note that four PCPIR proposals from the State Governments of Andhra Pradesh, Gujarat, West Bengal and Orissa have already been approved by the Government of India. Another proposal from Tamil Nadu for setting up two PCPIRs at Cuddalore and Nagapattinam is under process. The Committee desire that the approval for these two PCPIRs should be obtained expeditiously. The Committee also recommend that the Department of Chemicals and Petrochemicals should harness optimum benefits from these Regions and deliver the same to all the stakeholders and public at large. The Committee would like to be informed about the action taken in this regard.

10. The Committee note that there are problems afflicting the two units of the Hindustan Organic Chemicals Ltd (HOCL), a public sector undertaking under the Department of Chemicals and Petrochemicals. The two units are located at Rasayani in Maharashtra and Kochi in Kerala. During their recent Study Visit to Mumbai in January 2011, the Committee had expressed concern about the low sales volume in relation to production at the two units. The Committee had also observed that there was no sound marketing policy being followed at HOCL and that the post of Director at HOCL, Mumbai was lying vacant for a long time. The Committee were apprised that the chemicals industry had borne the brunt of the global meltdown and this partly accounted for revenue losses during 2008-09. The Department had assured the Committee that remedial measures were being taken in all these spheres. The Committee would like to be informed about the concrete steps taken on these issues within three months of presentation of this Report.

11. The Committee are glad to note that the Hindustan Insecticides Ltd (HIL), a public sector undertaking (PSU) under the Department of Chemicals and Petrochemicals, has been continuously improving its turnover and has posted profit for five years in succession. Among the 36 restructured PSUs, HIL is one of the 11 PSUs which has continuously posted profits. The

Company achieved an all-time record turnover of Rs 243.88 crore during 2009-10 compared to Rs 215.35 crore the previous year. The HIL is today the largest producer of DDT in the world.

However, the Committee note that the Kerala government had, on 27 May 2011, ordered the closure of HIL units producing Endosulfan in the State, which is now banned throughout the State. The Department has confirmed that the Supreme Court has placed an immediate ban on the production, use and sale of Endosulfan all over India and that the licence issued for HIL for production of the same has since been withdrawn. The Committee are disturbed to read news reports suggesting that the Company had repeatedly violated directions by the Kerala State Pollution Control Board (KSPCB) to remove hazardous chemical wastes from HIL units. While the Committee are aware that the stoppage of production of Endosulfan will affect the Green Revolution as well as the Company's profit margins, they are of the firm view that public health considerations cannot be compromised in any way. The Committee expect the Company to take urgent steps to keep the Company viable while exploring alternative venues to relocate manpower displaced. The Committee also recommend that safe alternatives to Endosulfan be found out in view of its efficacy in plant protection. The Committee desire to be kept informed about all remedial steps taken in this regard.

New Delhi;
28 July , 2011
6 Shravana, 1933 (Saka)

Gopinath Munde
Chairman,
Standing Committee on
Chemicals and Fertilizers

MINUTES

**MINUTES OF THE EIGHTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS**

(2010-11)

The Committee sat on Tuesday, the 22 March, 2011 from 1720 hrs. to 1810 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

Present

Shri Gopinath Munde - Chairman

Members

Lok Sabha

2. Smt. Sushmita Bauri
3. Shri. Udayanraje Pratapsingh Bhonsle
4. Smt. Santosh Chowdhary
5. Shri K. D. Deshmukh
6. Adv. Ganeshrao Nagorao Dudhgaonkar
7. Shri N. Peethambara Kurup
8. Shri Tapas Paul
9. Shri Ponnamm Prabhakar
10. Shri Ashok Kumar Rawat
11. Shri Suresh Kumar Shetkar
12. Dr. Manda Jagannath

Rajya Sabha

13. Shri Silvius Condapan
14. Shri Abani Roy

Secretariat

1. Shri N. K. Sapra - Additional Secretary
2. Shri Ashok Sarin - Joint Secretary
3. Shri C. S. Joon - Director

I. MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)

1.	Shri M. Raman	Secretary
2.	Dr. V. Rajagopalan	Additional Secretary & Financial Advisor (AS & FA)
3.	Shri S.C. Gupta	Joint Secretary
4.	Smt. Neelkamal Darbari	Joint Secretary
5.	Shri A.K. Vishandass	Deputy Director General
6.	Shri N.K. Sharma	Deputy Director General

II. REPRESENTATIVES OF PSUS/ AUTONOMOUS INSTITUTIONS

1.	Shri B.C. Tripathi	CMD, Gas Authority of India Limited (GAIL) & Chairman, Brahmaputra Crackers and Polymers Limited (BCPL)
2.	Shri R.N. Madangeri	Acting CMD, Hindustan Organic Chemicals Limited (HOCL)
3.	Shri K. Hari Kumar	CMD, Hindustan Insecticides Limited (HIL)
4.	Dr. S.K. Raza	Director, Institute of Pesticides Formulation Technology (IPFT)

2. At the outset, Hon'ble Chairman welcomed the members of the Committee and officials of Department of Chemicals and Petrochemicals and Public Sector Undertakings and stated that the sitting of Committee has been convened to take oral evidence of representatives of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) on 'Demands for Grants of the Department for the year 2011-12'. The Chairman also invited their attention to the provisions contained in Direction 55(1) of the Directions by the Speaker, Lok Sabha regarding confidentiality of the Committee's proceedings.

3. To begin with, power point presentation was made by the Secretary of Department of Chemicals and Petrochemicals. Thereafter, Chairman and members of the Committee raised some queries which were replied to by the Secretary and other senior officials of the Department of Chemicals and Petrochemicals. They also assured to send the requisite information in writing which was not readily available with them. The following issues were discussed during the course of meeting:-

- (i) Plan and non-plan expenditure of the Department
- (ii) Slow progress of Assam Gas Cracker Project
- (iii) Performance of Central Institute of Plastic Engineering and Technology
- (iv) Setting up of Plastic Waste Management Centre in Delhi
- (v) Budget Grants for setting up of Plastic Parks and Centres of Excellence
- (vi) Performance of Hindustan Organic Chemicals Ltd. (HOCL) and Hindustan Insecticides Ltd. (HIL)

4. A verbatim record of the proceedings of the sitting has been kept.

The Committee then adjourned.

MINUTES

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2010-11)

THIRTEENTH SITTING

(18.07.2011)

The Committee sat on Monday from 1500 hours to 1600 hours.

Present

Shri Gopinath Munde - *Chairman*

Members

Lok Sabha

2. Smt. Susmita Bauri
3. Shri Prabhatsinh P. Chauhan
4. Smt. Santosh Chowdhary
5. Shri K.D. Deshmukh
6. Adv. Ganeshrao Nagorao Dudhgaonkar
7. Shri Baidya Nath Prasad Mahato
8. Shri Jagdambika Pal
9. Shri Tapas Paul
10. Shri Ashok Kumar Rawat
11. Shri N. Chalugaraya Swamy

Rajya Sabha

12. Shri Silvius Condpan
13. Shri Brijlal Khabri
14. Prof. Anil Kumar Sahani
15. Shri Raghunandan Sharma
16. Shri Parshottam Khodabhai Rupala
17. Shri Abani Roy

Secretariat

1. Shri N.K. Sapro - Secretary
2. Shri Ashok Sarin - Joint Secretary
3. Shri C. S. Joon - Director
4. Shri A.K. Srivastava - Additional Director

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

3. The Committee thereafter took up for consideration the following draft Reports :

(i), (ii), (iii), (iv) and (v) *** *** *** *** *** *** ***

(vi) Draft Report on Demands for Grants (2011-12) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals); and

(vii) *** *** *** *** *** *** *** *** *** ***

4. The Committee adopted the draft reports with minor amendments and authorized the Chairman to present the same to both the Houses of Parliament.

The Committee then adjourned.

***** Matters not related to this Report.**