



**STANDING COMMITTEE ON**  
**CHEMICALS & FERTILIZERS**  
**(2009-10)**

**FIFTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS**  
**(2009-2010)**

**FOURTH REPORT**



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

*December, 2009/ Agrahayana 1931, (Saka)*

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(2009-10)**

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(DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

**DEMANDS FOR GRANTS**

**(2009-2010)**

*Presented to Lok Sabha on 15.12.2009*

*Laid in Rajya Sabha on 15.12.2009*

**LOK SABHA SECRETARIAT  
NEW DELHI**

***DECEMBER, 2009/ Agrahayana 1931 (Saka)***

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS &  
FERTILIZERS  
(2009-10)**

<b><u>Shri Ananth Kumar - Chairman</u></b>	
<b>Members Lok Sabha</b>	
2	Smt. Sushmita Bauri
3	Shri Prabhatsinh P. Chauhan
4	Shri K.D. Deshmukh
5	Shri Ganeshrao Nagorao Dudhgaonkar
6	Shri Madhu Koda
7	Shri N. Peethambara Kurup
8	Shri Baidyanath Prasad Mahato
9	Shri Ponnamm Prabhakar
10	Shri Ashok Kumar Rawat
11.	Shri Suresh Kumar Shetkar
12	Shri Ajit Singh
13	Shri N. Cheluvarayana Swamy
14	Shri Narendra Singh Tomar
*15	Vacant
16 to 21	Vacant
<b>RAJYA SABHA</b>	
22	Shri J.D. Seelam
23	Shri Raghunandan Sharma
24	Dr. C.P. Thakur
25	Shri Brijlal Khabri
26	Shri A.A. Jinnah
27	Shri Raj Mohinder Singh Majitha
28	Shri Biswajit Daimary
#29	Vacant
30 to 31	Vacant

\* Consequent upon nomination to the Committee on Information Technology Shri Tufani Saroj, MP (LS) ceased to be Member of the Committee w.e.f. 13.10.2009.

# Vacancy arisen due to demise of Shri Mahendra Sahni, MP (RS) w.e.f. 6 November 2009.

**SECRETARIAT**

- |    |                    |   |                      |
|----|--------------------|---|----------------------|
| 1. | Shri N. K. Sapra   | - | Additional Secretary |
| 2. | Shri P. Sreedharan | - | Joint Secretary      |
| 3. | Shri C.S.Joon      | - | Director             |

## INTRODUCTION

I, the Chairman, Standing Committee on Chemicals and Fertilizers (2009-10) having been authorised by the Committee to submit the Report on their behalf present this Fourth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2009-10.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2009-10 which were laid in Lok Sabha and Rajya Sabha on 9 July 2009.

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 7 October 2009.

4. The Committee considered and adopted the Report at their sitting held on 10 December 2009.

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 2009-10 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;

10 December, 2009  
19 Agrahayana, 1931 (Saka)

**ANANTH KUMAR**  
Chairman,  
Standing Committee on  
Chemicals and Fertilizers.

## Report

### **I     INTRODUCTORY**

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

2. The Department are entrusted with the responsibilities of addressing issues relating to the chemical and petrochemical industries. The Department have 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) Dye stuff 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 dealt with by the Department;
- (vii) Bhopal Gas Leak Disaster, Special Laws relating thereto;
- (viii) Petrochemicals;
- (ix) Industries relating to production of non-Cellulosic Synthetic Fibres (Nylons, Polyesters, Acrylic; etc.);
- (x) Synthetic rubber; and
- (xi) Plastics including fabrications of plastic and moulded goods.

3. The following Public Sector Undertakings/Institutions/Organisations are within the administrative control of the Department:-

#### Public Sector Undertakings:

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

#### Autonomous Organizations:

- (i) Central Institute of Plastics Engineering & Technology (CIPET)
- (ii) Institute of Pesticides Formulation Technology (IPFT)

## **II. IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN THE TWENTY-FIFTH REPORT ON DEMANDS FOR GRANTS (2008-09) OF THE DEPARTMENT OF CHEMICALS AND PETROCHEMICALS**

4. The Standing Committee on Chemicals and Fertilizers presented their Twenty-Fifth Report on Demands for Grants (DFG) of the Department of Chemicals and Petrochemicals (DOC&PC) for the year 2008-09 on 16 April 2008. The Report contained 19 recommendations out of which eight recommendations related to the present Department of Pharmaceuticals which has been carved out from the Department of Chemicals and Petrochemicals with effect from 1 July 2008. The Twenty-Eighth Report on 'Action Taken by the Government on the recommendations contained in the Twenty-fifth Report of the Committee on Demands for Grants (2008-09) was presented to Lok Sabha on 16 December 2008. Out of eleven recommendations, nine recommendations (Sl. Nos. 1,2,3,6,7,9,12,13 and 14) were accepted by the Government. The reply of the Government in respect of recommendation at Sl. No. 5 was not accepted by the Committee. The Committee reiterated this recommendation in their Twenty-Eighth Report. The replies of DOC&PC were of interim nature in respect of the recommendation at Sl. No.4. Subsequently, the then Minister of State in the Ministry of Chemicals and Fertilizers made a statement in Lok Sabha on 29 December 2008 regarding the status of implementation of the recommendations contained in the Twenty-Fifth Report on Demands for Grants (2008-09) under direction 73A of the Directions by the Speaker, Lok Sabha as follows:-

<b>Rec. Sl.No.</b>	<b>Recommendation in Brief</b>	<b>Implementation by Government</b>
<b>I.</b>	<b>Gist of the recommendations which were accepted by the Government</b>	
1	The Committee had recommended for implementation of the partially implemented/ not implemented recommendations contained in the Sixteenth Report on Demands for Grants (2008-09) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).	This particular paragraph pertains to follow up action on Demands for Grants 2007-08. It is derived from the Minister's statement that all the recommendations have either been implemented or are under implementation.
2	The Committee had recommended that Department should adopt proper planning to achieve the targets set out in the 11 <sup>th</sup> Five Year Plan so that the allocated funds should be utilized in proportionate manner during each year of the plan	The Department have stated that they are taking suitable steps to evenly spread the approved outlay during the five year plan period in a proportionate manner. They have also stated that appropriate planning measures are being initiated by them to make the chemical sector an engine of high economic growth.
3	The Committee had recommended that construction work at three new CIPET centres should be completed on schedule and the Plastics Waste Management Centre at Guwahati should be operationalized as early as possible to contain environmental problems created by plastic waste.	Though the Minister stated that the process for purchase of machinery for the plastics Waste Management Centre has already begun in CIPET, there is no mention of acquisition of Land. It has further been stated that the project is likely to be operationalised by March 2009.
6	The Committee had desired that all out efforts should be made to make the project complete and	The Minister stated that Government of India has released Rs.100.00 crore in June 2008 as



	functional within the stipulated time period. The Committee had also recommended that steps should be taken to properly utilize the employment potential of the Assam Gas Cracker Project and preference should be given to families whose land has been affected. The Committee had also desired that in addition to generate employment potential in Assam, similar efforts should be made to other North Eastern States including Sikkim in coordination with respective State Governments.	capital subsidy for implementation of Assam Gas Cracker project and the ground work including securing of allotted land and site development is being undertaken.
7	The Committee had recommended that sincere efforts should be made for developing eco-friendly Neem- based pesticide by the Ministry of Environment and Forests, the Ministry of Science and Technology, the Ministry of Commerce and other concerned organizations.	The Minister stated that IPFT is functioning smoothly and has initiated a project, viz. Development and Production of Neem products as environment friendly pesticides at national level.
9	The Committee had recommended that more awareness programmes should be organized as these are extremely relevant and beneficial to the delegates as presentations are made by experts covering the provisions of Chemical Weapons Convention (CWC) Act and its implication. The Committee had also desired that in the hazardous chemical industries, adequate provision of antidotes and other safety and protective measures should be arranged to contain any untoward incidents and the personnel engaged in such industries should be properly trained to use all the protective devices.	The Minister stated that fifteen awareness programmes in different parts of the country have been planned with concentration of chemical industry relevant to Chemical Weapons Convention (CWC) with due attention to the safety of factory workers and general public.
12	The Committee have recommended that Mega Chemical Estates should be set up in other States also which would encourage them to express their willingness in setting up PCPIR in their States. The Committee have also desired that the funds earmarked for Chemicals Promotion and Development Scheme (CPDS) be utilized fully to achieve the desired results.	The Minister has stated that Mega Chemical Industrial Estate have been subsumed in the Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIRs). Apart from this, Promotion of Export, Trade and Investment in the Sector is being promoted through setting up of PCPIRs holding of India Chem and other promotional steps. PCPIR proposal in respect of Vishakhapatnam, AP and Dahej, Gujarat has been cleared by High Powered Committee. Proposal of Haldia, West Bengal is being put up to High Powered Committee. For this funds are being used from Chemical Promotion Development Scheme.
13	The Committee had hoped that money earmarked for the new schemes would be utilized at the optimum level.	The Department of Chemicals and Petrochemicals has stated that they shall make every endeavour that the money earmarked for the new schemes would be utilized at the optimum level.
14	The Committee had desired that all the parameters should be explored in coordination with State Government and other agencies before setting up any unit so that unnecessary closure of units do not result into losses and the money spent on setting up the units is not wasted.	The Department of Chemicals and Petrochemicals has stated that adequate diligence will be made to ensure that all future projects to be set up by Hindustan Insecticides Limited (HIL) would be dealing with the requests of the State Governments, various agencies etc., and that the projects are functional in nature.
<b>II. Gist of recommendations in respect of which reply of the Government has not been accepted by the Committee.</b>		
<b>Recc. Sl. No.</b>	<b>Recommendation in Brief</b>	<b>Implementation by Government</b>
5	The Committee had recommended that steps taken for removal of toxic wastes from Union	The Minister has stated that the Madhya Pradesh Government has informed that 40 MT of

	Carbide Plant site be expedited and the Committee may be intimated about the action taken in this regard.	Lime Sludge has been transported from Bhopal to Pithampur in June 2008. The other 350 MT toxic waste has to be incinerated soon by Government of Madhya Pradesh to complete the Phase-II of the roadmap.
<b>III. Gist of recommendations for which replies of the Government were of interim Nature.</b>		
<b>Recc. Sl. No.</b>	<b>Recommendation in Brief</b>	<b>Implementation by Government</b>
4	The Committee had recommended that Government should disburse the compensation to the Bhopal Gas Disaster Victims in a time bound manner and the Committee be informed about the deadline by which the disbursement of pro-rata compensation will be completed which has been pending for a very long time.	The Minister has stated that as per the directions of the Supreme Court, pro rata compensation to the victims of Bhopal Gas Leak Disaster is still continuing. An application in respect of nearly 12,000 absentee claimants had been filed by the Welfare Commissioner, Bhopal in the Hon'ble Supreme Court to treat all such cases as closed.

5. The Committee have analyzed the implementation of the recommendations/observations contained in their Twenty-fifth Report on Demands for Grants for the year 2008-09 of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals). The analysis of the Committee shows that out of the 11 recommendations pertaining to the Department of Chemicals and Petrochemicals contained in their Report, nine recommendations (S. Nos.1,2,3,6,7,9,12,13 and 14) have been implemented by the Government. The reply of the Government in respect of recommendation at S.No.5 was not accepted by the Committee. The Committee, therefore, reiterated this recommendation in their Twenty-eighth Report. The reply of Department of Chemicals and Petrochemicals was of interim nature in respect of recommendation at S. No.4. The Committee, therefore, desire that the Government should implement the recommendations contained at SI. Nos 4 and 5 expeditiously. They would also like to be apprised of the conclusive action taken in this regard.

(Recommendation SI. No. 1)

### **III      Overview of the Chemicals and Petrochemicals Industry.**

6. The chemical industry which includes, as per National Industrial Classification, basic chemicals and its products, petrochemicals, fertilizers, paints and varnishes, gases, soaps, perfumes and toiletries and pharmaceuticals, is one of the most diversified of all industrial sectors covering thousands of commercial products. 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 comprises both small and large-scale units.

7. The petrochemical industry mainly comprises synthetic fibres, polymers, elastomers, (Synthetic Rubber) 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 daily use items and cover almost every sphere of life, ranging from clothing, housing, construction, furniture, automobiles, household items, toys, agriculture, horticulture, irrigation, packaging to medical appliances. There are three naphtha based and three gas-based cracker complexes in the country with a combined ethylene annual capacity of 2.9 million MT.

8. The Committee were informed that the chemical industry is de-regulated. No industrial licence is required and only Industrial Entrepreneur Memorandum (IEM) is sufficient to establish or expand a chemical project except for the following three hazardous chemicals;

- Hydrocyanic Acid & its derivatives
- Phosgene & its derivatives
- Isocyanates & Di-isocyanates of Hydrocarbons

9. With regard to the nature of assistance given to the industries coming under the purview of the Department, the Committee were informed that Department of Chemicals and Petrochemicals (DCPC) did not have formal control over the chemical and petrochemical industry in the liberalized industrial regime. The entrepreneurs were free to set up chemical and petrochemical projects depending upon the market/demand. However, the Department plays an important role as a facilitator for the development of these industries through the following:

- (i) Consolidation of views on bilateral/multi-lateral trade agreements.
- (ii) Offering views on proposals for FTC, FDIs and recognition of R&D proposals
- (iii) Contribution to proceedings for levy of safeguard and anti-dumping duty

- (iv) Contribution to DGFT in matters relating to input-output norms, SCOMET, fixation of DEPB rates, etc.
- (v) Facilitate compliance by the industry with norms of International Environment related treaties and conventions
- (vi) Showcase and promote Indian Chemical & Petrochemical Industry through international exhibitions and fairs
- (vii) Steering the setting up of large-scale infrastructure to support development of chemical/petrochemicals hubs under the PCPIR policy.

10. In their presentation before the Committee, the Department of Chemicals and Petrochemicals stated that chemicals including petrochemicals in India is

- One of the most diversified of all industrial sectors
- Stands 12<sup>th</sup> by volume in the world
- Is the 3rd largest in Asia, and
- 8.5% in the total exports of the country
- 6.8% in the total imports of the country
- Contribution to the country's GDP : 3%

11. As per the Annual Report of the Department of Chemicals and Petrochemicals for the year 2008-09 (provisional) was as follows:-

(In 000'MT)

Years	Alkali Chemicals	Other Inorganic Chemicals	Organic Chemicals	Pesticides (Tech)	Dyes & Dyestuffs	Total Major Chemicals	Annual Growth Rate (%)
2002-03	4792	404	1353	70	26	6641	
2003-04	5070	441	1474	85	26	7096	6.85
2004-05	5272	508	1506	94	28	7408	4.40
2005-06	5475	544	1545	82	30	7676	3.62
2006-07	5269	602	1545	85	33	7534	-1.85
2007-08	5443	609	1546	83	44	7725	2.54
2008-09 *	5550	622	1373	77	51	7673	-0.67
CAGR (%)*	2.58	8.55	2.76	3.47	11.10	3.07	

12. The Annual Report mentioned above indicated the performance of intermediates during the period 2003-04 to 2008-09 (provisional):-

Years	Fibre intermediates	Olefins	Aromatics
2003-04	2691	4282	2425
2004-05	2851	4668	2451
2005-06	2963	4671	2537
2006-07	3437	4995	3447
2007-08	3111	5211	3488
2008-09 *	2525	5120	3665

13. According to the aforesaid Annual Report, the performance of the major petrochemicals during the corresponding period was as follows:-

Years	Synth. Fibres	Polymers	Elastomers	Synthetic Detergent Intermediates	Performance Plastics	Total Major Petrochemicals	Annual Growth Rate (%)
2002-03	1755	4175	82	447	95	6554	
2003-04	1868	4499	87	453	99	7006	6.90
2004-05	1875	4776	97	488	113	7349	4.90
2005-06	1906	4768	110	555	127	7466	1.59
2006-07	2250	5183	101	556	133	8223	10.14
2007-08	2524	5304	105	585	157	8675	5.50
2008-09 *	2465	5425	103	630	163	8786	1.28
CAGR (%)*	7.54	4.90	5.07	5.53	10.57	5.77	

14. The Committee desired to know the reasons for the decline in growth of Chemicals and Petrochemicals. Department of Chemicals and Petrochemicals stated in a note as follows:-

“Though the annual rate of growth had dipped to (-) 1.85% in the year 2006-07, it had recovered and increased to 2.54% in the year 2007-08. The subsequent decline in 2008-09 is attributable to the effect of the global economic slow-down on the Indian Chemical Industry. Being a delicensed sector and closely integrated with the global economy, it is evident that the sector has been effected by international trends in the market. The remedial measures taken by the Government in this regard include reduction of Excise Duties on Chemicals from 14% to 8% to help increase domestic consumption and thereby increase domestic production. Further DEPB rates have been restored to March’08 levels to help exports.”

“The Petrochemical sector is delicensed and decontrolled. The role of the Department is that of a facilitator. The decreasing trend in annual growth rate of major petrochemicals since 2003-04 is attributed to the following factors:-

- Adverse impact due to several external factors (global economic slowdown since end- 2001, 9/11 tragedy in USA, outbreak of SARS, etc. and internal factors namely high cost issues, accelerated tariff reduction, etc.)
- The investment and absorption capacity of downstream processing industry where limiting factors for slowdown in the consumption of petrochemicals.
- The lower absorption capacity resulted in increased exports.
- Import led growth did not take place due to structural constraint in the downstream processing industry.
- There was no grass-roots investment after 2001, except for incremental increase in capacity by way of de-bottlenecking.”

“Demand shrinkages, changes in consumer behavioural patterns, availability of better alternatives, evolving market forces and cheaper imports are the reasons for decline in production trends in Caprolactum, Dimethyl Terphthalate (DMT), and Toluene.”

15. When asked about the remedial measures being taken in this regard and its impact so far, the Department in a note furnished after evidence stated:-

“As per the details available, the production of major chemicals began showing a declining trend from August 2008 (6,58,245 MT) to 5,62,849 MT in February 2009. However, since then, as a result of the remedial measures and the gradual improvement in the worldwide economy, the production of major chemicals has registered a positive trend with a figure of 6,20,698 MT in the month of August 2009.

Similarly, there has been an improvement in the growth of exports of basic chemicals including petrochemicals in rupee terms from (-)28.17% in May 2009 to (-)10.81% in the month of July 2009.

Also, the Department through their pre and post budget proposals on indirect taxes recommends corrections on the discrepancies in the customs and excise duty structure, subject to macroeconomic consideration, Ministry of Finance announces the indirect/direct taxes proposal.

Stimulus packages were announced in December 2008 and January 2009 which include the following:

- Reduction in the central excise duty from 16% to 14% rates & then to 8%.
- Roll back of reduction of Duty Entitlement Pass Book (DEPB) Scheme rates
- Incentives in exports sector
- Lowering of Prime Lending Rate (PLR) by financial institutions

The above mentioned steps have helped in stabilization of the domestic petrochemical industry in the face of global economic meltdown. However, the actual impact will be visible only when the present position improves.”

16. The Department in their note added that in the prevailing economic scenario, there has been a slowdown in domestic production in the short-term. However, it is expected, that as consumption is still growing *albeit* at a lower rate, the domestic production would pick up as the economy overcomes the current slowdown.

17. The Committee observe that the growth rate of production of selected major Chemicals had been constantly decreasing since 2002-03. From a growth rate of 6.85% in 2003-04, the rate had come down gradually to –1.85 in 2006-07 and further to -0.67 in 2008-09. Similarly, the growth rate of major petrochemicals is showing almost a decreasing trend in the annual growth rate since 2003-04 except 2006-07. In the year 2005-06 it was as low as 1.59 and further came down to 1.28% in 2008-09. The production of intermediates also showed a similar declining growth rate. All these clearly show that the growth of chemicals and petrochemicals sector has been hampered. The Department of Chemicals and Petrochemicals have attributed the fall in growth rate to external factors, absence of grassroots investment, structural constraints, demand shrinkages, changes in consumer behavioural pattern, etc. The Department have, however, expressed the hope that with the stimulus packages announced in December 2008 and January 2009, the declining trend in growth rate would get checked and the domestic industry will be stabilised. The Committee recommend that Department of Chemicals and Petrochemicals should play its designated role of the facilitator for the development of the sector in a proactive manner and ensure proper implementation of the stimulus packages so as to stabilize the petrochemical industry. The Committee would like to be apprised of the results achieved thereby.

(Recommendation No.2)



#### IV. Five Year Plans and Annual Plans

18. The Scheme-wise Outlays as approved by the Planning Commission for 11<sup>th</sup> Plan for the Department of Chemicals and Petrochemicals are as follows:-

##### **Approved 11<sup>th</sup> Plan outlay**

(Rs. crore)

S. No.	Name of the Scheme	Outlay
<b>I</b>	<b>Project Based Support to PSUs</b>	<b>139.83</b>
<b>II</b>	<b>Project Based Support to Autonomous Institutions</b>	<b>92.00</b>
1	Central Institute of Plastic Engineering and Technology (CIPET) #	67.00
2	Institute of Pesticides Formulations Technology (IPFT)	25.00
<b>III</b>	<b>Other Ongoing Schemes</b>	<b>212.00</b>
1	Assam Gas Cracker Project ##	200.00
2	Chemical Promotion & Development Scheme (CPDS)	7.50
3	Chemical Weapons Convention (CWC)	4.00
4	IT/Secretariat	0.50
<b>IV</b>	<b>New Schemes initiated in the XI Plan</b>	<b>120.00</b>
1	New Schemes of CIPET	70.00
2	Other New Schemes of Petrochemicals	50.00
	<b>Total</b>	<b>563.83</b>

19. The Committee were informed that the 11th plan outlay included Rs. 55.35 crore Externally Aided Projects (OPEC loan) and that only a token provision of Rs.200 crore has been taken into account for the Assam Gas Cracker Project in the XIth Plan allocation, out of the total approved capital subsidy for the project of Rs. 2,138 crore. It was also informed that the provision for Assam Gas Cracker Project is inclusive of the North East component.

20. The Committee were informed that while approving outlays for the Eleventh Plan in 2007-08, Planning Commission had, in view of the budgetary constraints and the economic climate prevailing then, sanctioned an outlay of Rs.1,960 crore in respect of the undivided Department of Chemicals & Petrochemicals, without any year-wise break-up. Subsequent to the carving out of the Department of Pharmaceuticals from Department of Chemicals & Petrochemicals in July 2008, Rs.563.83 crore come out to be the outlay in respect of the Plan Schemes of the Department of Chemicals & Petrochemicals and Rs.1,396.17 crore in respect of the schemes of Department of Pharmaceuticals.

21. The Committee desired to know the utilization of the allocations made during each of first three years of the 11<sup>th</sup> Plan. The Department of Chemicals & Petrochemicals furnished the following information:-

Name of the Scheme	11th Plan (2007-12) Outlay	2007-08 (BE)	2007-08 (actual)	2008-09 (BE)	2008-09 (Actual)	2009-10 (BE)
<b>I.Project Based Support to PSUs</b>	<b>139.83</b>	<b>7.00</b>	<b>12.00</b>	<b>0.00</b>	<b>0.00</b>	<b>40.13</b>

Name of the Scheme	11th Plan (2007-12) Outlay	2007-08 (BE)	2007-08 (actual)	2008-09 (BE)	2008-09 (Actual)	2009-10 (BE)
1.1 Hindustan Organic Chemicals Ltd.(HOCL)				0.00	0.00	15.13
1.2 Hindustan Insecticides Ltd. (HIL)				0.00	0.00	25.00
<b>II. Support to Autonomous Bodies on Project Basis</b>	<b>92.00</b>	<b>32.25</b>	<b>24.84</b>	<b>20.00</b>	<b>18.49</b>	<b>22.00</b>
2.1 Central Institute of Plastic Engineering & Technology (CIPET)-OPEC Loan	67.00	27.25	19.84	15.00	13.50	15.00
2.2 Institute of Pesticides Formulation Technology (IPFT)	25.00	5.00	5.00	5.00	4.99	7.00
<b>III Other Ongoing Schemes</b>	<b>212.00</b>	<b>63.47</b>	<b>39.01</b>	<b>101.75</b>	<b>102.58</b>	<b>153.49</b>
3.1 Assam Gas Cracker Project	200.00	60.52	37.43	100.00	100.00	150.24
3.2 Chemical Promotion & Development Scheme (CPDS)	7.50	1.55	0.95	1.00	1.87	2.00
3.3 Chemical Weapons Convention (CWC)	4.00	0.40	0.40	0.50	0.50	1.00
3.4 IT/Sectt.	0.50	1.00	0.23	0.25	0.21	0.25
<b>IV New Schemes initiated in the XI Plan</b>	<b>120.00</b>	<b>14.51</b>	<b>14.27</b>	<b>18.00</b>	<b>18.75</b>	<b>24.13</b>
4.1 New Schemes of CIPET	70.00	11.26	14.27	16.00	18.75	19.13
4.2 Other New Schemes of Petrochemicals	50.00	3.25		2.00		5.00
<b>Total</b>	<b>563.83</b>	<b>117.23</b>	<b>90.12</b>	<b>139.75</b>	<b>139.82</b>	<b>239.75</b>

22. The Committee were informed that the scheme-wise outlays proposed by the Department and finally approved by the Planning Commission and the Ministry of Finance were as follows:-

S. No.	Name of the Scheme	2009-10 Proposed	2009-10 Approved
<b>I</b>	<b>Project Based Support to PSUs</b>	<b>40.13</b>	<b>40.13</b>
1.1	Hindustan Organic Chemicals Ltd.(HOCL)	15.13	15.13
1.2	Hindustan Insecticides Ltd. (HIL)	25.00	25.00
<b>II</b>	<b>Support to Autonomous Bodies on Project Basis</b>	<b>17.00</b>	<b>22.00</b>
2.1	Central Institute of Plastic Engineering & Technology (CIPET)-OPEC Loan	10.00	15.00
2.2	Institute of Pesticides Formulation Technology (IPFT)	7.00	7.00
<b>III</b>	<b>Other Ongoing Schemes</b>	<b>474.25</b>	<b>153.49</b>
3.1	Assam Gas Cracker Project (AGCP)	471.00	126.26
3.2	Chemical Promotion & Development Scheme (CPDS)	2.00	2.00
3.3	Chemical Weapons Convention (CWC)	1.00	1.00
3.4	IT / Secretariat	0.25	0.25
3.5	Provision of NE		23.98
<b>IV</b>	<b>New Schemes initiated in the XI Plan</b>	<b>24.13</b>	<b>24.13</b>
4.1	New Schemes of CIPET	19.13	19.13
4.2	Other New Schemes of Petrochemicals	5.00	5.00
	<b>Total</b>	<b>555.51</b>	<b>239.75</b>

23. When asked as how the Department proposed to orient their planned activities keeping in view the reduced allocation and the balance time available during the 11<sup>th</sup> Plan period for execution of programmes/ schemes, the Department in their note stated as follows:-

“In the reduced plan outlay of Rs. 139.75 crore (later enhanced to Rs. 239.75 crore) for 2009-10, the reduction was only in respect of a single plan scheme, namely, Assam Gas Cracker Project. As regards the reduced allocation for Assam Gas Cracker Project, Hon'ble Minister of Finance in his Budget 2009-10 speech has made the following announcements:

The Assam Gas Cracker Project sanctioned in April 2006 is being executed at a cost of Rs.5,461 crore. The capital subsidy of Rs.2,138 crore for the project is to be provided by the Central Government. The outlay for this project is being stepped up suitably.

In the Revised Estimate for 2009-10, under Assam Gas Cracker Project Head, Department of Chemicals & Petrochemicals is requesting for Rs.166.07 crore as per Business Plan of Brahmaputra Cracker and Polymer Limited for 2009-10. Therefore, it is expected that additional funds would be made available at the RE stage, depending on the stage of the development of the Project. It is, therefore, felt that no reorientation need be made in the plan schemes on this account."

24. The Committee desired to know about surrender of savings, diversion of funds and appropriation of funds from one head to another. In this connection, the Department of Chemicals and Petrochemicals submitted the following note:-

Non-Plan

Against BE Rs.52.00 crore, the RE 2008-09 was approved at Rs.59.00 crore. The increase was mainly for payment of enhanced salaries and arrears to the employees of the Department and of Autonomous Bodies for the implementation of recommendations of Sixth Central Pay Commission. A sum of Rs.2.50 crore allocated to HIL under Non-Plan were re-appropriated to Hindustan Organic Chemicals Ltd, Bengal Immunities Limited and PCL for making payment for security of assets by BIL, payment for Hydrogen Plant upgradation by HOCL and payment for legal expenses for DRAT and High Court matter by PCL. The surrender of Rs.4.81 crore under Non-Plan during 2008-09 includes the amount of Rs.2.33 crore on account of reduction in staff strength in the Office of the Welfare Commissioner, Bhopal.

25. The Committee note that a total outlay of Rs.563.83 crore has been approved for the Department of Chemicals and Petrochemicals for the 11<sup>th</sup> Five Year Plan. Out of this, Rs.200 crore is towards Assam Gas Cracker Project, Rs.139.83 crore for project based support to Public Sector Undertakings, Rs.120 crore for new schemes and Rs.92 crore for autonomous institutions. The Committee, however, note that the actual allocation made during the year 2009-10 for the major project of the Department, viz. the Assam Gas Cracker Project has been much less than what has been projected and demanded. Considering the fact that the capital subsidy of Rs.2,138 crore for the project is to be made by the Government of India, the Committee recommend that additional funds should be made available at RE stage, depending on the stage of development of the project. The Committee also recommend that the Department should effectively monitor and ensure that the allocation made during the financial year for the plan schemes are optimally utilized.

(Recommendation Sl. No.3)

## V. Demands for Grants For The Year 2009-10

26. The Ministry of Chemicals and Fertilizers presented to Parliament Demand No.6 on the Department of Chemicals and Petrochemicals. The Demand included a provision for the expenditure of the Secretariat, North-Eastern Region, subsidies and grants in aid to loans and advances to Plastic Engineering & Technology (CIPET), Assam Gas Cracker Company, Institute of Pesticides Formulation Technology (IPFT), Chemical Weapons Convention, Hindustan Organics Chemicals Ltd. and Hindustan Insecticides Ltd. under the control of the Department of Chemicals and Petrochemicals.

27. The Demands for Grants for the Department of Chemicals and Petrochemicals for the year 2009-10 which has since been voted by Parliament are as follows:-

MAJOR HEAD		2009-2010 BUDGET		
REVENUE SECTION		Plan	Non-Plan	Total
Secretariat-Economic Services	3451	0.25	13.15	13.40
North Eastern Area	2552	23.98	...	23.98
Industries	2852	161.39	11.13	172.52
<b>Total Revenue Section</b>		<b>185.62</b>	<b>24.28</b>	<b>209.90</b>
CAPITAL SECTION				
Loans for Petrochemical Industries	6856	14.00	1.10	15.10
Loans for Chemical & Petrochemicals Industries	6857	40.13	0.02	40.15
<b>Total Capital Section</b>		<b>54.13</b>	<b>1.12</b>	<b>55.25</b>
<b>GRAND TOTAL</b>		<b>239.75</b>	<b>25.40</b>	<b>265.15</b>

28. A detailed statement showing BE 2009-10 (Plan & Non-Plan) is as follows:-

(Rs. in crore)

Sub-Head	BE 2009-10
<b>Plan</b>	
<b>Revenue</b>	
Secretariat	0.25
CIPET	20.13
New Schemes of Petrochemicals	5.00
Assam Gas Cracker Project	126.26
CWC	1.00
CPDS	2.00
IPFT	7.00
N.E.Region	23.98
CIPET	
Assam Gas Cracker Project	
IPFT	
<b>Total Plan Revenue</b>	<b>185.62</b>
<b>CAPITAL Loan to PSUs/AB</b>	
CIPET	14.00
HIL	25.00
HOCL	15.13
<b>Total Plan Capital</b>	<b>54.13</b>
<b>Total Plan</b>	<b>239.75</b>
<b>Non-Plan</b>	
Secretariat	13.15
CIPET	3.00
Assam Gas Cracker Project	0.01
Bhopal Gas Leak Disaster	5.62
CWC	0.10

Sub-Head	BE 2009-10
IPFT	2.40
<b>Total Non-Plan (Revenue)</b>	<b>24.28</b>
PCL	1.10
HIL	0.01
HOCL	0.01
<b>Total Non-Plan (Capital)</b>	<b>1.12</b>
<b>Total Non-Plan</b>	<b>25.40</b>
<b>Grand Total</b>	<b>265.15</b>

29. The following Table gives the actual expenditure for the year 2007-08, BE and RE for 2008-09 and BE for 2009-10 of the Department of Chemicals and Petrochemicals (Demand No.6) :-

(Rs. in crore)

Major Head	Actual 2007-08			2008-09						Budget Estimates 2009-10		
	Plan	Non-Plan	Total	BE			RE			Plan	Non-Plan	Total
				Plan	Non-Plan	Total	Plan	Non-Plan	Total			
<b>Revenue</b>	95.03	34.17	129.20	251.50	45.30	296.80	216.50	52.30	268.80	185.62	24.28	209.90
<b>Capital</b>	72.0102	8.43	80.4402	43.50	6.70	50.20	33.50	6.70	40.20	54.13	1.12	55.25
<b>Total</b>	<b>167.0402</b>	<b>42.60</b>	<b>209.6402</b>	<b>295.00</b>	<b>52.00</b>	<b>347.00</b>	<b>250.00</b>	<b>59.00</b>	<b>309.00</b>	<b>239.75</b>	<b>25.40</b>	<b>265.15</b>

30. When asked as to why under the head Revenue-Plan and Non-Plan, there was decrease in BE (2009-10) from BE & RE (2008-09), the Committee were informed in a written note that the combined figures of Department of Chemicals & Petrochemicals with a much larger budget (under Grant No.6) in the year 2008-09 was segregated into Department of Chemicals & Petrochemicals and the Department of Pharmaceuticals w.e.f. 1 July 2008. Thereafter, from 2009-10, the budget for the Department of Pharmaceuticals was also separated under Grant No.8.

31. When further enquired about the increase in plan expenditure in BE (2009-10) from BE & RE (2008-09) and decrease in Non-Plan BE (2009-10) from BE & RE (2008-09) under the capital head, the Department of Chemicals & Petrochemicals stated in a written note that the major increase in Plan Capital in BE 2009-10 over and above 2008-09 was on account of loans of Rs.25.00 cr. and Rs.15.13 cr. provided to HIL and HOCL respectively whereas no amounts were provided to the Chemical PSUs in the financial year 2008-09. Further, the Non-Plan budget of the Department of Pharmaceuticals had been segregated from the budget of Department of Chemicals & Petrochemicals since the year 2009-10, hence the decrease.

32. When asked about the reasons for the variations in Budget Estimates, Revised Estimates and Actual Expenditure for the years 2007-08 and 2008-09 the Department of Chemicals and Petrochemicals in a note stated that in 2007-08, the BE allocation of Rs.258.00 crore was reduced to Rs.114.00 crore mainly in Assam Gas Cracker Project

where entire RE was utilized. The computerization programme of NPPA could not be materialized, as approval of Planning Commission could not be obtained due to non-finalisation of Pharma Policy. According to the Department, in 2008-09 there was a little variation in BE & RE due to reduction of the allocation under NIPER by Ministry of Finance. More than 98% amount under RE was utilized.

33. When asked about the extent the Department of Chemicals & Petrochemicals have been able to convert the outlays for different schemes and programmes into outcomes during the years 2007-08 and 2008-09, the Committee were informed in a written note that in 2007-08 for the combined Department of Chemicals & Petrochemicals and the Department of Pharmaceuticals, the major outcomes were as follows:-

- a) In Assam Gas Cracker Project – the entire amount of Rs.37.42 crore (including NE component) was utilized for the Joint Venture.
- b) NIPER, Mohali along with the 4 new NIPERs were started at Ahmedabad, Hyderabad, Hajipur, Kolkata by utilizing Rs.33.85 crore for imparting Master Programme in Pharmaceuticals Sciences and doing research work.
- c) CIPET had utilized approximately Rs.34.00 crore in running diplomas, post-diplomas and M. Tech courses in Plastic Eng. & Technical and Research.
- d) The PSUs viz. HIL, HOCL, BCPL and HAL used Rs.52.00 crore approximately which inter alia included utilization of funds for various upgradation of facilities, part of rehabilitation package of BCPL and Cephalosporin plant of HAL.

34. The major outcomes in 2008-09 were as follows:-

- a) Assam Gas Cracker project utilized Rs.100 crore (including the NE component) which was part of the Government approved capital subsidy of Rs.2138 crore for the Joint Venture.
- b) CIPET used Rs.32 crore (partly as soft loan from Organisation for Petroleum and Exporting Countries' for its new centers, new courses and some infrastructure developments along with purchase of equipments.
- c) NIPER, Mohali and the six new NIPERs like institutes at Ahmedabad, Hyderabad, Hajipur, Kolkata, Guwahati, Raibareli were released an allocation of Rs.68.46 crore for furthering the pharma courses and research.
- d) Hindustan Antibiotics Ltd. was given Rs.10 crore for the mandatory compliance under WHO, GMP and BCPL Rs.20 crore as part of its Rehabilitation package.

35. On being asked about the specific steps envisaged to achieve the allocated resources for various schemes/ programmes, the Department of Chemicals and Petrochemicals in a note stated as follows:-

“The major allocations have been made against the following schemes:

Assam Gas Cracker Project: Budget Head 2552, subsidy to Assam Gas Cracker Project Rs.23.98 crores and Budget heading 2852 consist of Rs.126.26 crores plan fund for subsidy to Assam Gas Cracker Project, which is already disbursed to Brahmaputra Cracker and Polymer Limited, the implementing agency for AGCP.

National Policy on Petrochemicals – New Schemes on Petrochemicals, Rs.5.00 crores has been approved. Department is in the process of finalizing the following three schemes.

- i) Setting up of technology innovation awards.
- ii) Setting up of centres of excellence in the area of petrochemicals
- iii) Setting up of Plastic parks to promote cluster approach for the downstream plastic processing industry and their associated ancillary industries.

PSUs under the Deptt, i.e. HIL and HOCL, where the SFCs have recently been conducted and approvals are being sought for further release of funds.

CIPET: Substantial releases have been made as per the drawn out plan of the autonomous organization.

Overall, the Deptt has already released 67% of its plan allocation after subjecting them to scrutiny and ensuring that the schemes are on the proposed track. The non-plan expenditure has also exceeded 40%, apart from the release of arrears.”

36. As regards the steps taken to keep the non plan-expenditure under control, the Department in a note stated:-

“As per the instructions from the Ministry of Finance, a cut of 10%/5% is being imposed on all the enlisted Non-Plan expenditure Heads, thereby resulting into a saving of Rs.47.00 lakh. This includes the allocation for the Autonomous Bodies as well. Other than that, all expenditure proposals under the Non-Plan Heads are scrutinized thoroughly and also subjected to economy instructions issued by the Deptt. of Expenditure from time to time.”



37. The Committee note that Parliament has since voted an amount of Rs.265.15 crore (net) to defray the expenditure for the Department of Chemicals and Petrochemicals for the year 2009-10. Out of this, Rs.239.75 crore is towards the Plan and Rs.25.40 crore for non-Plan expenditure. During the preceding financial year, i.e. 2008-09, a provision of Rs.250 crore for Plan and Rs.59 crore for non Plan at RE stage was made. Though the overall provisions have decreased under the Capital head, the Plan expenditure has increased from Rs.33.50 crore at BE stage (2008-09) to Rs.54.13 crore at RE stage during the year 2009-10. The Department of Chemicals and Petrochemicals have maintained that the allocation in the current year would be about Rs.43.85 crore less than the previous year due to the segregation of the non-Plan budget of the new Department of Pharmaceuticals which was earlier a part of the Department of Chemicals and Petrochemicals. Further, the reasons for the increased Plan Capital outlay in BE 2009-10 as compared to RE 2008-09 have been cited on account of provision of loans for Rs.25 crore and Rs.15.13 crore made for the Hindustan Insecticides Limited (HIL) and the Hindustan Organics Chemicals Limited (HOCL). The Committee desire that the Department of Chemicals and Petrochemicals should ensure that the loans are utilized fully and judiciously by both the PSUs in the current year to complete their ongoing schemes. Apart from this, the Department should also keep a strict watch and control over the factors impacting budgetary allocations and the expenditure thereon.

(Recommendation No.4)

## VI. MAJOR HEAD 2852 AND 6856

### CENTRAL INSTITUTE OF PLASTICS ENGINEERING & TECHNOLOGY (CIPET)

38. CIPET is an autonomous institute under the Department of Chemicals & Petrochemicals, Govt. of India. It was established in Chennai in 1968 with the assistance of UNDP & ILO. Its prime objectives include training of manpower in different disciplines of Plastics Engineering & Technology and Technology Support Services to industry on various aspects. CIPET has established 15 centres spread across the length and breadth of the country viz. Ahmedabad, Amritsar, Aurangabad, Bhopal, Bhubaneswar, Chennai, Guwahati, Hyderabad, Haldia, Hajipur, Imphal, Jaipur, Lucknow, Mysore and Panipat.

39. The following Table gives BE and RE for 2008-09 and BE for 2009-10 in respect of CIPET:-

HEADS	BE (2008-09)		RE (2008-09)		BE (2009-10)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
MH 2852 Grants-in-aid	19.50	--	18.75	2.86	25.13 #	3.00
MH 6856 Loans & Advances	13.50	--	13.50	--	14.00	--
<b>Total</b>	<b>33.00</b>	<b>--</b>	<b>32.25</b>	<b>2.86</b>	<b>39.13</b>	<b>3.00</b>

# Includes Rs.5.00 crore for new schemes of petro-chemicals.

40. In reply to the question why under Plan, there was a decrease in RE (2008-09) and further increase in BE (2009-10), the Department of Chemicals and Petrochemicals informed the Committee that CIPET was allocated Rs.19.50 crore out of which Rs.17.50 crore were utilized fully under CIPET's Plan schemes. However, out of remaining Rs.2.00 crore for new schemes of Petrochemicals a sum of Rs. 1.25 crore was utilized, as the RE budget allocation was reduced by the Ministry of Finance at the time of approval of RE Budget 2008-09. Therefore, in R.E. Rs.75 lakh were surrendered.

41. The Department of Chemicals and Petrochemicals informed the Committee that in BE (2009-10) a sum of Rs.5 crore was provided for "New schemes of Petrochemicals" and Enhancement in Civil & Technical infrastructure of CIPET" for Rs. 2.50 crore, there is an increase in BE 2009-10 from BE 2008-09.

42. The scheme-wise details of proposed utilization by CIPET during BE 2009-10 are as follows:

Sl. No.	Particulars	Rs. in Crore.
1	Enhancement of Training Capabilities for short Programmes aimed at Skill Up gradation of existing manpower.	2.00
2	Technology upgradation for New Courses to be offered by CIPET.	3.00
3	Creation of Civil & Technical Infrastructure for expansion of CIPET Centres.	7.50
4	Establishment of Advanced Design & Development of Tools & Establishment of High-End Testing Laboratories.	4.00

Sl. No.	Particulars	Rs. in Crore.
5	Creation of Digital Library.	0.65
6	R & D in Emerging areas.	1.98
7	Counterpart Funding from GOI for Capacity building in thrust areas.	1.00
8	New schemes of petrochemicals.	5.00
<b>Total</b>		<b>25.13</b>

43. Outlining the importance of recycling of plastics and waste management the Department of Chemicals and Petrochemicals informed the Committee in a note that Plastics were chemically inert substances. Most of the plastics were reprocessible and recyclable in nature. They were per se not harmful to the environment and health. It was the indiscriminate littering of plastic material and the absence of organized segregation/cleaning of plastic waste in urban centers, which was the main problem.

44. About the various methods of recycling, it was stated that today various methods and technologies were in existence depending on the type of plastic to be recycled, availability, level of investment and techno-economic feasibility for recovery costs. The various technologies being used for recycling of plastic waste/scrap were mechanical recycling, mixed waste recycling, chemical / feedstock recycling, etc. Some new methods like recovery of fuel from waste plastics, use in road construction were also being explored in the country.

45. It was informed that to avoid environmental problems concerted efforts by the Government industry and Non-Governmental Organisations were required for bringing awareness about the proper disposal of plastic waste and for developing suitable mechanism for systematic waste collection and recycling. In India, various awareness programmes for proper disposal of plastic waste were being conducted by Industry Associations CIPET, etc. and due emphasis had been given on Plastics and Environment Issues on the National Policy on Petrochemicals published in the Official Gazette on 30 April 2007.

46. When asked about the strategies being adopted for the growth of CIPET for the future, the Department of Chemicals and Petrochemicals in a note submitted to the Committee stated as follows:-

“The following strategies are adopted for enhancing the Institute’s academic strength and also for expanding the Organization:-

- The students enrolment through Academic programmes is expected to reach around 8,500 by the year 2011-12.
- The Institute has introduced the following two new Post Graduate programmes from the academic year 2009-10.

- (i) M.E. in CAD/CAM at CIPET-Chennai
  - (ii) M.Tech (Polymer Nano-Technology) at CIPET Bhubaneswar
- Further, the Institute has planned to introduce two more Undergraduate and Postgraduate Programmes from the academic year 2010-11:-
- (i) Four Year Full Time B.Tech in Manufacturing Engineering Technology at Chennai, Bhubaneswar & Lucknow.
  - (ii) Five Year Full Time M.Sc., (Tech) Material Science Engineering (Integrated Programme) at Chennai, Bhubaneswar & Lucknow.
- Also planned to introduce Four Year Full Time B.Tech Programme at new CIPET centres at Haldia (West Bengal) and at Murthal, Sonapat (Haryana).
  - CIPET is in the process of establishing Video Conferencing & Digital Library facilities at High Learning Centres of CIPET.
  - CIPET regularly conducts Faculty Development Programmes for enriching the knowledge of faculty in the relevant areas of Plastics Engineering & Technology.
  - CIPET has established 02 exclusive R & D centres viz (i) Advanced Research School for Technology & Product Simulation (ARSTPS) at CIPET Chennai and (ii) Laboratory for Advanced Research in Polymeric Materials (LARPM) at CIPET Bhubaneswar for carrying out Research & Developmental activities in the areas of Design & Development of Plastics Product Development and Advanced Research in Polymeric Materials respectively.
  - CIPET would broadly focus in the R&D activities pertaining to two major thrust areas:
    - a) Recycling of plastics waste generated from Packaging, Waste electronic and electrical equipment (WEEE) & End of life vehicles (ELV)
    - b) Development of Bio-degradable Polymers & its Composites & Nanocomposites.
  - The CIPET would concentrate on separation of plastic components & parts from the ELV, e-waste & packaging areas and effective utilization of the same using mechanical recycling process, development of value added eco-friendly blends, alloys using nanoclays, nanofibres, natural fibres for property enhancement with specific end-use applications. In addition to recycling of plastics waste, major strides in Research and Development activities in the areas of material development, in particular- biodegradable polymers would also be made.
  - Exploratory and fundamental research on Biodegradable Polymers – Biocomposites from jute, sisal, banana, PALF, cellulose, bamboo, coir etc. for Agricultural applications” would also be done. “Assessment of Biodegradability of Nanobiocomposites from carbon nanotubes, alumina nanowhisker, silver nanoparticles and cellulose microfibrils” to support the technological interests would be undertaken.
  - CIPET has also signed Memorandum of Agreement (MoA) with 06 World renowned Universities/Institutions at USA, Canada & Australia for collaboratiion of faculty/student exchange program, pursue joint research works and publications at Doctoral and Post Doctoral levels.
  - The infrastructure facilities are being strengthened through various Plan Schemes under XI Five Year Plan and OPEC soft loan to augment the increase in intake capacity of students through various long-term and short-

term programs and to carryout industry sponsored R&D projects in all the areas of Plastics Engineering & Technology.

- Based on the requirements of State Govts. where the CIPET centres don't exist, the CIPET services can be expanded in consultation with Planning Commission by way of establishing new CIPET centres in those States in the coming years."

47. Establishment of a Plastic Waste Management Centre (PWMC) at a total project cost of Rs.7.90 crore at Guwahati was being implemented by CIPET.

48. The Committee observed that the commencing of operation of PWMC was getting delayed and desired to know as to what steps were being taken by the Department to ensure the timely operationalization of PWMC. In reply, the Department of Chemicals & Petrochemicals informed that the State Government was persistently approached to extend their financial assistance to meet the cost of laying approach road towards the site and electricity connectivity works. Due to non-receipt of State share of funds to meet the enhanced project cost and due to local disturbances in the State, the implementation of the project activities for establishment of PWMC was affected / delayed. According to the Department, the issues have since been sorted out and the PWMC would commence operation by the end of August 2009.

49. About the present status of PWMC at Guwahati, the Committee were informed in a written note that all the construction activities to have been completed and all the machinery have been erected and commissioned and the Centre is now functional.

50. In reply to the question as to how many number of PWMCs were being looked after by CIPET, the Committee were informed that at present, a PWMC at Guwahati is being looked after by CIPET. However, Government of India vide their File No. 46016/3/2009-PC-II dt. February 2009 and 23 April 2009 has communicated that "the Government would set up a recycling centre at New Delhi to address the problem of plastic wastes. This would be carried out in collaboration with the State Government, CIPET, Industry, civic bodies, and non-governmental agencies, in a Public Private Partnership mode. Emerging Technology would be adopted". It was informed that subsequently meetings were held in the Department of C&PC, GOI towards expediting the Project. The Site identification for the Project was under progress and to implement the project in a PPP mode, the process of identifying a suitable partner was underway.

51. The Committee note that CIPET is an autonomous institute under the Department of Chemicals & Petrochemicals, Government of India with the objective to develop trained human resources for the plastics industry. The Committee note that a total amount of Rs.42.13 crore comprising Rs.25.13 crore under Plan expenditure, Rs.3 crore under non-Plan and Rs.14 crore as loan has been provided to CIPET in BE 2009-10. The schemes for which funds have been granted include, creation of civil and technical infrastructure, new schemes, technology upgradation, enhancement of training capabilities etc. The number of persons trained during last three years under this programme may be intimated to the Committee. The Committee desire that the funds should be optimally utilized for developing trained human resources with the requisite expertise for the plastics industry. CIPET should continue to lay emphasis in key areas including plastics waste management and strive to further enhance the academic and professional superiority of the organization.

(Recommendation No.5)

52. The Committee are happy to note that the Plastic Waste Management Centre (PWMC) established at Guwahati by CIPET at a total cost of Rs.7.90 crore has now started functioning. They would like the Government to make every effort to ensure that such centres are set up in various parts of the country. The Committee would also like to be apprised of the progress made by the PWMC, Guwahati within a month since it became functional in terms of the quantum of plastic recycled and the benefits accrued in halting environmental degradation.

(Recommendation No.6)

**53. The Committee note that a Plastic Waste Management Centre is scheduled to be established in New Delhi also on the pattern of PWMC, Guwahati by CIPET in collaboration with Government of NCT Delhi, civic bodies, industry and NGOs in Public Private Partnership model (PPP) model. The Committee feel that such a centre would be of immense use in addressing the problem of disposal of plastic waste in Delhi. The Committee hope that the centre prove a stepping stone in reducing the environmental degradation in Delhi to a great extent. While welcoming such a move by CIPET, the Committee recommend that further necessary action should be taken expeditiously in this regard in a time bound manner. They would like to be apprised of the progress made thereon within three months.**

**(Recommendation No.7)**



## **VII. ASSAM GAS CRACKER PROJECT**

54. The Assam Gas Cracker Project was approved by the Government on 18 April 2006. The project is located at Lepetkata, District Dibrugarh, Assam. The cost of the project is Rs.5,460.61 Crore (fixed cost). A Capital Subsidy of Rs.2,138 Crore for the project on fixed cost basis (phased during construction period of 5 years at constant prices) and a Feedstock subsidy of Rs.908.91 Crore for the project spread over 15 years operation period at constant prices shall be provided by the Department of Chemicals and Petrochemicals. The Gas Authority of India Ltd. (GAIL) is the main promoter, under an equity arrangement, i.e. GAIL: 70%, Oil India Ltd. : 10%, Numaligarh Refineries Limited : 10% and Assam Industrial Development Corporation (Government of Assam): 10%. The Feedstock for the project will be Natural Gas and Naptha. Oil India Ltd; (OIL) and Oil and Natural Gas Commission (ONGC) will supply Natural Gas. NRL will supply Naptha. The project will produce 2.20 lakh tones of ethylene and the principal end products will be polypropylene (PP) 60,000 TPA, High Density Polyethylene (HDPE)/ Linear Low Density Polyethylene (LLDPE) 220,000 TPA.

55. The Committee desired to know about the progress made so far with regard to the completion of the Assam Gas Cracker Project. In reply, the Department of Chemicals and Petrochemicals informed the Committee as under:-

- a) Hon'ble Prime Minister of India laid the Foundation stone for the project at Lepetkata in Dibrugarh, Assam on 9<sup>th</sup> April 2009.
- b) An agreement for constituting Joint Venture Company was executed on 18 October 2006, namely M/s Bramaputra Cracker & Polymer Limited (BCPL) which was incorporated on 8 January 2007.
- c) M/s Engineers India Limited has been appointed as the Project management Consultant.
- d) The project is scheduled for commissioning in April 2012 i.e 60 months from April 2007.
- e) 1,157 acres of land for plant, BCPL township, CISF Township and 45 bighas of land for setting up of compressor station at Duliyan has been taken possession of. Additional land is required for energy corridor and the same has been approved by the State Government in September 2009.
- f) Feed-stock agreement for Gas and for Naphtha were agreed upon with NRL, OIL & ONGC and final feed stock agreements are to be signed in October, 2009.
- g) A Consortium led by Punjab National bank was appointed as Lead Arranger for finalizing the Financial Closure. Financial Closure has been successfully completed and loan agreements for Rs. 1,756 Crores have been signed.

- h) Contracts have been awarded to licensors for Liner Low Density Polyethylene/ HDPE and PP units.
- i) Public Enterprises Selection Board (PESB) has conducted interviews for selection of the post of MD and Director (Finance) in BCPL in August, 2009 and the process for approval for these two is underway.
- j) Secretary (C&PC)) reviews the progress of the implementation of the Assam gas Cracker Project on regular intervals. Last meeting was held on 11-09-2009.

56. The Budget proposal for Assam Gas Cracker Project (AGCP) is as under:

*(Rs. in crore)*

<b>BE 2008-09</b>		<b>RE 2008-09</b>		<b>BE 2009-10</b>	
<b>Plan</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Non-Plan</b>
70.50	0.01	70.50	0.01	126.26	0.01

57. When asked about the Government's proposal to utilize Rs.126.26 crore in the year 2009-10, the Committee were informed in a written note that Brahmaputra Cracker & Polymer Limited (Assam Gas Cracker Project) have submitted a Business Plan of Rs.895.64 Crore for the year 2009-10. The major activities envisaged during 2009-10 are Plant & Machinery (Rs.251.23 crore), Site related Facilities (Rs.303.14 crore), Engineering Costs (Rs.168.35 crore), and Others (Rs.173.28 crore). An outlay of Rs.150.24 Crore has been provided for Capital Subsidy (Rs.126.26 Crore for AGCP + Rs.23.28 Crore provision for NE) for 2009-10.

58. When asked about the steps taken to ensure that the project was commissioned within the scheduled time i.e. by April 2012, the Committee were informed that Brahmaputra Cracker & Polymer Limited (BCPL) had submitted a 60 months project implementation schedule starting from April 2007. The project was scheduled for commissioning in April 2012. The BCPL Board met at regular intervals and reviewed progress of implementation as per Business Plan. A Monitoring Committee under the Chairmanship of Secretary(C&PC) is stated to have been reviewing the progress of the implementation of the Assam Gas Cracker Project at regular intervals. The Prime Ministers' Office was also monitoring the project under the flagship programme/initiative/iconic projects. Due to the intensive monitoring at higher levels, it was expected that the project would be commissioned within the scheduled time.

59. About the progress of completion of the Project, the Secretary, Ministry of Chemicals and Fertilizers, Department of Chemicals and Petrochemicals informed the Committee during evidence as under:-

“This project has been taken up for implementation and this project is on schedule. This will be completed in 2012. Only then will the production start.

Now, there is no production there. So, the BCPL does not produce any polymers as of now. It will start production after April, 2012.”

60. In this connection, the CMD, BCPL informed the Committee during evidence as under:-

“This plant will have a capacity of producing 2,80,000 tonne per annum polymer. The gas will be provided by ONGC, OIC and Numaligarh Refinery will provide Naptha as feedstock. The company has already entered into an agreement with these companies to provide feedstocks. The cost of the project is Rs.5461 crores and arrangements have been made for full funding of the project. State Government of Assam has already allotted land for the project. For major critical items which are required for the project, tendering process is on and it will be completed from November, 2009 to March, 2010 and the items/materials will start coming from June/July, 2010. Presently, about 60 buildings are under construction on the site. These are for control rooms, offices, laboratories and warehouses. Work is already on on the site groundening, plant leveling, boundary wall, water and electricity requirements. About 2500 workforce has been deployed for the project and this project is likely to be completed by April, 2012 and after one or two months the production will start. Another major activity is to develop the market and educate the people through CIPET and the State Government. Forty experienced engineers have been recruited so far; about 20 to 25 new engineers are being recruited.”

61. The Committee note that Assam Gas Cracker Project was approved by the Government on 18 April 2006 and the project is scheduled to be commissioned in April 2012. A joint venture company, viz Brahamputra Cracker and Polymer Limited (BCPL) has been incorporated for implementation of the project. The Committee observe that a monitoring Committee under the Chairmanship of Secretary (C&PC) is reviewing the progress of implementation of the project at regular intervals whereas the Prime Minister's Office also monitors the project under the flagship programmes/ initiatives/ iconic projects. The Committee recommend that all out efforts should be made to ensure that the project is complete and functional by the scheduled target date so as to make the expected benefits from the project available to the country at the earliest.

(Recommendation No.8)

## **MAJOR HEAD 2852**

### **VIII. Institute of Pesticides Formulation Technology (IPFT)**

62. The Institute located at the Gurgaon, is a non-profit organization registered under the Societies Registration Act in May 1991 under the Department of Chemicals and Petrochemicals. The main objectives of the Institute were development and production of the state-of-the art user and environment friendly pesticide formulation technology and promotion of efficient application technologies. The Institute carries out both in-house and external projects.

63. In addition to the above, the main objectives of the Institute of Pesticide Formulation Technology were :-

- Information dissemination of safe manufacturing practices, quality assurances, raw material specification and sources.
- Providing analytical and consultancy services.
- Fostering improvement in the qualification and usefulness of pesticide scientists working in the agrochemical area.
- Continuing education through specialized training for pesticide personnel.

64. The Committee were informed in a written note that IPFT was engaged in the Development of Formulations of environment friendly Pesticides and plays a catalytic role for growth of Pesticides Industry. An amount of Rs.7 crore had been allocated to the Institute for 2009-10 BE (Plan) for undertaking requisite research in Neem Project Plan-II, hosting RENPAP Secretariat, household formulation project, NABL/Certified Reference Material / Application Technology, two new projects approved by the Research Advisory Board, infrastructure development for IPFT, capital support, etc.

65. The Budget details for the Institute is as under: -

*(Rs. in crore)*

<b>Actuals 2007-08</b>		<b>BE 2008-09</b>		<b>RE 2008-09</b>		<b>BE 2009-10</b>	
<b>Plan</b>	<b>Non- Plan</b>	<b>Plan</b>	<b>Non- Plan</b>	<b>Plan</b>	<b>Non- Plan</b>	<b>Plan</b>	<b>Non- Plan</b>
5.00	1.00	5.00	1.50	5.00	2.04	7.00	2.40

66. When asked as to why under the Plan head, there was an increase in BE for 2009-10 from Actual (2007-08) and BE, RE (2008-09), the Department of Chemicals & Petrochemicals informed the Committee as follows:-

“New state of the art instruments are being added to Formulation and Bio-sciences divisions respectively to improve the quality of research data being generated. IPFT does not have a library of its own and it uses the old library available at M/S HIL. Now it has been planned to have a modern library. Bio-

sciences division gets industry projects for the generation of Bio-efficacy and phytotoxicity data suitable for Central Insecticide Board registration. This requires a good modern farm facility which is planned to be developed. In addition, the pilot plant facilities that were procured in the year 1985 need modernization. Because of the above mentioned infrastructure development the plan budget has been increased to Rs. 7.0 crores under BE (Plan) for the year 2009-10.”

67. Asked how the Government proposed to utilize the allocation for the year 2009-10, the Committee were informed that the approved plan budget details are given in the table below:-

<b>No.</b>	<b>Item</b>	<b>Amount Rupees in Lakhs</b>
1	Grant for Capital support	400.00
2	RENAP Trust Fund and Secretariat	72.50
3	Data Base for Pesticides	13.00
4	Household Formulations	10.00
5	Neem Phase – II	187.76
6	Certified Reference Material /NABL/Bio-Science	16.74
	<b>Total</b>	<b>700.00</b>

68. The ongoing projects of IPFT were stated as follows:-

- (i) Production & Promotion of Neem Based Pesticides as Environment Friendly Biodegradable Alternatives to Chemical Pesticides
- (ii) Development of Environmental and user friendly Neem/Natural product based household pesticide formulations
- (iii) Development for safe & efficient application of agrochemicals and bio-products for reducing environmental contaminations
- (iv) Pesticide quality control laboratory in analytical division for doing NABL Accredited analysis of pesticide formulations
- (v) Certified reference material laboratory for making certified reference materials.
- (vi) Development and scale up of stable environment friendly water based micro emulsion formulation of Neem based pesticide sponsored by DST
- (vii) Formulation development of botanical leads against different groups of insects sponsored by Institute of Himalayan Bioresources Technology (IHBT), Palampur (CSIR)
- (viii) Monitoring of Pesticide Residues at National Level - Sponsored by the Ministry of Agriculture

69. The major achievements of IPFT during the year 2008-09 were stated to be as under:-

- (i) IPFT was given NABL accreditation in December,2008 under ISO: 17025:2005 for the scope of analysing different pesticide formulations.

- (ii) PFT successfully participated in the 24<sup>th</sup> international Proficiency test conducted by the Organisation for the Prohibition of Chemical Weapon, the Netherlands and was given 'B' grade for the first time.
- (iii) One of the sponsored projects on development of bio-diesel waste as a green solvent for pesticide formulation had been completed and a provisional application for joint Patent on "Improved Agrochemical Formulations" had been filed along with M/s United Phosphorous Limited, Mumbai.

70. The Committee were informed that the Institute continued to function as Technical Coordinator Unit (TCU) of the Regional Network on Safe Pesticides Production and Information for Asia and the Pacific (RENAP) 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 the secretarial assistance and logistic support to the RENAP.

71. When enquired how the title of 'National Accreditation Board for Laboratories' was going to help in the growth of IPFT, the Committee were informed through a written note that NABL accreditation followed international ISO 17025: 2005 guidelines and hence, the data generated using this label were internationally accepted. It would bring credibility and provide brand equity to the Institute. In India this certificate would help in controlling the quality of pesticides and their formulations in the market. This would help in getting more business for IPFT in terms of revenue generation.

72. The major difficulty being faced by IPFT is non-availability of electrical power supply from the Haryana Electricity Board for more than 8 hours in a day which is a major hurdle in the progress of IPFT.

73. When asked whether IPFT has been able to extend benefits to the intended target groups like the industry, farmers, extension workers, students etc., the Department of Chemicals and Petrochemicals in a note stated as follows:-

"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 eco and environmental friendly pesticide formulations. Their technical personnel attend the workshop conducted by IPFT annually and get trained in various areas of IPFT's expertise.

Workshops and training are organized every year in the area of Pesticide Application Technology for the benefit of farmers and extension workers. These workshops helps the farmers to control the quantity of pesticides effectively so that it does not harm the user and also it does not leave more than the recommended pesticide residue in the agriculture products.

In some of the projects sponsored by the Ministry, Department of Science and Technology, Indian Council of Agriculture Research, Council of Scientific and Industrial Research etc., post graduate students and Ph.D. holders join as research fellows and associates, respectively. They get necessary training in pesticides and related area while working in these projects."



74. The Committee note that the Institute of Pesticides Formulation Technology (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. The Committee were informed that the beneficiaries of these programmes were the chemical industries, Indian farmers, agriculture chemists, agriculture extension workers and students in addition to the technical personnel from developing nations. The Committee observe that as against the corresponding allocation of Rs.5 crore in RE 2008-09, an amount of Rs.7 crore has been allocated for IPFT under BE (plan) for 2009-10 for various schemes, viz. undertaking requisite research in Neem Project Plan-II, Household Formulation Project, Infrastructure Development for IPFT, Capital support, development of modern library, etc. The Committee hope that enhanced allocation would be productively utilized for the underlying objectives for which the organization has been established and extend the benefits to the intended target groups.

(Recommendation No.9)

**75. The Committee have been informed that the major difficulty being faced by IPFT is non-availability of electrical power supply from the Haryana Electricity Board for more than eight hours a day regularly. They, therefore, recommend that the Department of Chemicals and Petrochemicals should give utmost priority to this and take up the matter at the highest level with the Government of Haryana so that uninterrupted power supply is received by this Institute of great importance. The Committee wish to be apprised of the progress made in this regard within fifteen days.**

**(Recommendation No.10)**

## **MAJOR HEAD 2852**

### **IX Chemical Weapons Convention (CWC)**

76. The Committee were informed in a note that CWC was a universal non-discriminatory, multilateral, Disarmament Treaty, which banned the development, production, acquisition, transfer, use and stockpile of all chemical weapons. India is a party to this Treaty. It has 188 Nation States as its members as on 27 May 2009. India has a well-developed chemical industry relevant to the Convention. The Department of Chemicals and Petrochemicals is the administrative Department for Chemical Weapons Convention Act, 2000 and is responsible for submission of industry declarations, facilitation of inspections by Organisation for Prohibition of Chemical Weapons (OPCW) teams as also creating awareness in the industry about its obligations under the Convention. The activities for the year 2008-09 were as given below: -

- i) There was timely filing of industry declarations (Annual Declaration of Advance Activities (ADAA) and Annual Declaration of Past Activities (ADPA) in terms of the provisions of Chemical Weapons Convention. The number of declarations (ADPA) had gone up from 526 in 2007 to 589 in 2008.
- ii) 17 industry verification inspections from Organisation for Prohibition of Chemical Weapons (OPCW), the international body responsible for implementation of CWC were successfully hosted by the Indian chemical industry.
- iii) The Department in association with Indian Chemical Council (ICC) was organizing a series of awareness generation programmes about the obligations under the Chemicals Weapons Convention and the CWC Act, 2000 in various parts of the country. During the year 13 such programmes were organized.
- iv) A Help Desk had been set up in association with Indian Chemical Council, Gujarat Chapter at Vadodara. The Help Desk provided hand-holding to the chemical industry, organized meets, awareness programmes, provided training assistance in documentation and filing of declarations. A similar Help Desk is stated to have been approved for setting up at Chennai which would cover the States of Tamil Nadu, Karnataka and Kerala.

77. The Budget details under CWC are as under:-

(Rs. in crore)

<b>Actuals 2007-08</b>		<b>BE 2008-09</b>		<b>RE 2008-09</b>		<b>BE 2009-10</b>	
<b>Plan</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Non-Plan</b>	<b>Plan</b>	<b>Non-Plan</b>
0.3990	0.0031	0.50	0.05	0.50	0.05	1.00	0.10

78. When asked about the reasons for increase in BE(2009-10) from Actual (2007-08) and BE, RE (2008-09) and how did the Government propose to utilize the allocation for the year 2009-10, the Committee were informed in a written note that during 2009-10, the allocation had been increased from Rs.50 lakhs to Rs.100 lakhs and the same would be utilized for undertaking larger number of awareness workshops, publicity and setting up CWC Help Desks at Chennai, New Delhi and Mumbai to facilitate compliance by the Indian Chemical industry to its obligations in terms of the Chemical Weapons Convention. Further a Help Desk which was already functional at Vadodara, Gujarat would continue to operate. The funds allocated would be required for the following activities:-

(Rs. In lakhs)

Item	2009-10
<b><u>CWC</u></b>	
I.-Awareness workshops, - publicity, literature	50
II. Convention compliance assistance, Operation and Setting up of CWC Help Desks in Gujarat/ Chennai / Mumbai/ Hyderabad	50
<b>Total</b>	100

79. When asked whether any evaluation had been done about the impact of these programmes particularly on the industry and if so, what were the details, the Committee were informed that the purpose of organizing industry awareness programmes was to apprise the industry about its obligation under Chemical Weapons Convention (CWC) in regard to the declarability of certain chemicals which might be used by them. Another objective of these programmes was to educate the industry about how to file the correct declarations and be prepared for hosting successful inspections carried out by Organization for Prohibition of Chemical Weapons (OPCW) teams. The impact of these programmes could be gauged from the fact that the number of declarable chemical units had steadily increased from 160 in 2003 to 589 in 2009. So far, India is stated to have hosted 72 inspections by OPCW including 12 in 2009. All these inspections were conducted successfully in the sense that no negative comments had been received.

80. Emphasizing the need of providing adequate budgetary support under CWC, the Secretary, Department of Chemicals and Petrochemicals during evidence stated as under:-

“Coming to the Chemical Weapons Convention, that is the CWC, there was a question regarding the expenditure. India signed the Chemical Weapons Convention and this Convention has come into effect from the year 1997 onwards. We have fulfilled all our obligations under the Convention in terms of chemical weapons. Now, there are various industries which are producing toxic chemicals which are listed under the Convention. There is an international organization called OPCW which is based in The Netherlands at The Hague, which conducts these inspections from time to time in different countries. We

have also been receiving a lot of inspections which are relating not only to our chemical weapons part of it but also the chemical industry part of it. There are many private industries in the chemical sector which have received inspections. The inspection team's job is to come and see whether the declarations made by the industries are accurate or not. The teams come and see. Very small amount is provided in our Budget for fulfilling our obligations. It is not a big amount. We are also using the amount to incur expenditure for generating more awareness in the industry so that the industry will come to know as to what are their obligations because these are our national obligations and the industry has to fulfil its own obligations so that nationally we are able to fulfil our international obligations. For this we are conducting awareness seminars and workshops all over the country. We tell them as to what are their obligations and how they have to give declarations, how to receive inspections, what information they have to give to the international teams and how to protect their confidential commercial information, etc. We give them suggestions regarding all these when we conduct awareness seminars."

81. India is one of the signatories to the Chemicals Weapons Convention (CWC). The Department of Chemicals and Petrochemicals are responsible for submission of industry declarations, facilitation of inspections by the Organization for Prohibition of Chemical Weapons (OPCW) teams as also creating awareness in the industry about its obligations under CWC. The Committee note that the number of declarable chemical units has increased from 160 in 2003 to 589 in 2009. According to the Department of Chemicals and Petrochemicals all the 72 inspections including 12 in 2009, carried out by OPCW, no negative comments had been received. A brief note on the inspections conducted may be submitted to the Committee. The Committee desire that the funds of rupees one crore sanctioned to the Department for the purpose in BE 2009-10 under the relevant head should be efficiently used to continue not only in guiding the industry to make them aware of their obligations under CWC, but also in filing the requisite declarations in order that India's prestige as a responsible nation is boosted further.

(Recommendation No.11)

## **X. PETROLEUM, CHEMICALS AND PETROCHEMICALS INVESTMENT REGIONS (PCPIRS)**

82. 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. The Policy is expected to fundamentally change the way industries are provided with seamless and integrated services. This policy exemplifies an initiative to change with the times and to keep abreast of the evolving needs of industries.

83. The Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 9<sup>th</sup> March 2007 approved the Policy Resolution for setting up of PCPIRs. Such integrated PCPIRs would reap the benefits of co-sitting, networking and greater efficiency through use of common infrastructure and support services.

84. The PCPIRs is a specifically delineated investment region having an area of about 250 sq kms (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.

85. As per the PCPIR Policy, 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. Wherever necessary, requisite budgetary provisions for creation of these linkages through the public sector will also be made. The Central Government would also support the State Government concerned and its agencies in the dissemination of information, with a view to promoting domestic as well as global investment in the PCPIR. The State Government will play the lead role in setting up of PCPIRs. A nodal Department will be notified for coordinating the linkages. A Management Board constituted by the concerned State Government for each PCPIR, under the relevant legislation, will be responsible for the development and management of the PCPIR. It will also be empowered to issue/expedite state level approvals.

86. A High Powered Committee constituted by Government of India and headed by the Cabinet Secretary will scrutinize applications for setting up the PCPIR and subsequently monitor and expedite the progress of implementation. Based on the recommendations of the High Powered Committee, the proposal will be placed before the Cabinet Committee on Economic Affairs for decision.

87. According to the information furnished by the Department of Chemicals and Petrochemicals the Cabinet approved proposals for setting up PCPIRs from the State of Andhra Pradesh, West Bengal and Gujarat in February, 2009. This decision has been conveyed to the concerned State Governments and the Department of Chemicals and Petrochemicals will now enter into a Memorandum of Agreement with each State Government concerned indicating the respective commitments, with timelines for further steps to be taken by the Central and State Governments. Proposals from the States of Karnataka, Orissa and Tamil Nadu have also been received and are under scrutiny in the Department of Chemicals and Petrochemicals in consultation with the concerned State Governments.

88. The PCPIR approved in the State of Andhra Pradesh will be located at Visakhapatnam and East Godavari districts (Vishakhapatnam-Kakinada Rajahmundry region) covering an Area of 603 sq. kms. PCPIR in Gujarat will be spread over the blocks of Vagra and Bharuch in the district of South Gujarat covering an area of 453 sq. kms, while the PCPIR in West Bengal will be located in Haldia in Purba Madinipur district covering the existing Haldia Municipal Area and adjoining areas of Haldia Development Authority (incluign Nayachar Island) spread over an area of 250.19 sq. kms.

89. The said PCPIRs are expected to create infrastructure worth Rs.39,744 crore covering Roads, Rail Air links, Ports, Telecom, Power, Water Treatment, Sewerage, Effluent treatment and Green Buffers etc. The industrial investment in these regions is expected to be to the tune of Rs.4,86,180 crore and the employment generation is expected to be to the tune of about 30 lakh persons over a period of a time.

90. About the status of proposals for establishing PCPIRs, the Committee were informed in a written note that World-class investment hubs in the Chemicals and Petrochemicals sectors through provision of state-of-the-art infrastructure under the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) policy were proposed to be established in Andhra Pradesh, Gujarat and West Bengal. Memorandum of Agreement with each of these States would be signed before 30 August 2009. The Cabinet Committee on Economic Affairs approved the PCPIR proposals of the Governments of Andhra Pradesh, Gujarat and West Bengal on 23 February 2007. In accordance with the PCPIR policy, Department of Chemicals and Petrochemicals (DCPC) is supposed to enter into a Memorandum of Agreement (MoA) with the State Governments concerned, indicating the respective commitments of the Central and State Governments after the PCPIR has been approved by CCEA and notified by the DCPC.

91. It was further informed that DCPC had already prepared and circulated Draft MoA to various ministries and departments including Ministry of Law for their comments and based on the comments received, the Drafts were suitably modified, wherever



considered necessary. The drafts were subsequently approved by Hon'ble Minister (C&F) and were sent to the concerned State Governments for their response. The process was continuing as per schedule and the DCPC is expected to be able to sign the Draft MoA with the three State Governments by 30 August, 2009, as planned.

92. As per the information furnished by the Department of Chemicals and Petrochemicals in respect of the PCPIR proposals approved, Government of India would provide the following support:

- (i) Andhra Pradesh – Rs. 1,267 crore subject to evaluation of Detailed Project Reports and VGF guidelines of DEA.
- (ii) Gujarat – Rs. 80.5 crores subject to evaluation of Detailed Project Reports and VGF guidelines of DEA.
- (iii) West Bengal – Rs.2,108 crores on account of various infrastructure projects already approved under the Eleventh Plan.

93. The present status of the proposals received from Orissa, Tamil Nadu and Karnataka State Governments was stated to be as under:-

Orissa – Based on discussions with this Department, the State Government has submitted a revised proposal in September '09. The proposal is now being circulated among concerned Departments/Ministries of Govt of India after which the High Powered Committee will consider it in terms of the PCPIR policy.

Tamil Nadu – The State Government was advised to submit a revised proposal in June'08. The same is awaited though the State Government has been reminded repeatedly in this regard, the latest being a communication from Secretary (C&PC) to Chief Secretary, Government of Tamil Nadu.

Karnataka – The proposal of the State Government was circulated among Ministries/Departments of Government of India. Their response was sent to the State Government (2008). Despite repeated reminders, no further reply has been received from the State Government till now. A response was awaited.

94. The Secretary, Department of Chemicals & Petrochemicals during evidence informed the Committee about PCPIRs as under:-

“We are also trying to catch up with them, but one cannot say when it will be done. We are trying our level best to develop the chemical and petrochemical industries. You asked about dispersal of industries. Through our PCPIR policy, we want to disperse industries throughout the country. But at the same time, chemical industries have their own requirements; they need common facilities; they have to be environment-friendly; they have to have common effluent treatment facilities; and they have to have external linkages. We cannot give external linkages separately in every place because that would cost a lot. That is why we have announced the PCPIR policy in 2007. Under this policy, we have given permission for setting up three PCPIRs. We have received another three applications which we will be processing depending on the kind of proposals we receive from the State Governments. These will definitely create complexes to be

set up all over the country and it will disperse the industry. At the same time, I have already mentioned that this industry is widely dispersed. There are a lot of chemical and petrochemicals industries. We want to encourage them under the PCPIR policy. We want them to have world-class standards in terms of facilities so that they can take advantage of competitiveness that would be generated in a particular complex. The States have a major role to play in this. They promote industrial complexes like plastic complexes in their own areas by providing them common facilities. Through this policy we are hoping that definitely industries will disperse and the State Governments will be playing a major role”.

95. About the status of signing of MoUs by the State governments of Gujarat, Andhra Pradesh and West Bengal, the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) informed in a post evidence note that the Government of India had approved the PCPIR proposals of the State Governments of Andhra Pradesh, Gujarat and West Bengal on 23 February 2009. In keeping with the PCPIR policy, a Memorandum of Agreement (MoA) was signed between the Government of India represented by Department of Chemicals and Petrochemicals and the Government of Andhra Pradesh on 1 October 2009, outlining broad commitments of the two parties. Another MoA was signed between Government of India and the Government of West Bengal outlining the respective commitments towards establishing this PCPIR on 29 October 2009.

Another proposal for setting up a PCPIR in the Paradeep Region of Orissa has been circulated among concerned Ministries/ Departments of the Government of India. After receipt of responses from these Ministries/ Departments, the High Powered Committee (HPC) chaired by the Cabinet Secretary will consider the proposal.

96. The Committee note that the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) policy is a window to ensure the adoption of holistic approach to promote the petroleum, chemicals and petrochemicals sectors in an integrated environment friendly manner on a large scale. According to the Department of Chemicals and Petrochemicals the PCPIRs are expected to create an infrastructure worth Rs.39,744 crore covering roads, rail, air links, ports, telecom, power, water treatment, sewerage, effluent treatment and green buffers, etc., besides industrial development in these regions to the tune of approximate Rs.4,86,180 crore and employment generation of about 30 lakh persons. The Committee have been informed that the Cabinet has, in February 2009, approved proposals for setting up PCPIRs in the States of Andhra Pradesh, West Bengal and Gujarat. Besides this, the States of Karnataka, Orissa and Tamil Nadu are also stated to have furnished their proposals which are under the scrutiny of Department of Chemicals and Petrochemicals in consultation with the State Governments. The State Governments of Andhra Pradesh and West Bengal have signed the agreements in October 2009. The Committee welcome the laudable and ambitious objectives of the PCPIR policy and hope that the scheme will take off well with the active involvement of the States in achieving the expected results. They would like to be kept apprised of the progress made in the implementation of the policy in various States.

(Recommendation No.12)

## **XI. NATIONAL POLICY ON PETROCHEMICALS**

97. The National Policy on Petrochemicals was approved by the Government on 12 April, 2007. The Policy aims to:-

- i) Increase investments in the sector both upstream and downstream
- ii) Increase the domestic demand and per capital consumption of plastics and synthetic fibres and to increase the use of petrochemicals in thrust areas;
- iii) Increase the competitiveness, polymer absorption capacity and value addition in the domestic downstream plastic processing industry through modernization, research and development measures and by freeing it from structural constraints;
- iv) Facilitating investment in the emerging areas of the petrochemical sector and achieve environmentally sustainable growth through innovative methods of plastic waste management, recycling and development of bio, photo-degradable polymers and plastics.
- v) Promote research and development in petrochemicals and promote human resource development.

98. The Committee pointed out that despite the policy, in the recent past, the industry has shown a declining growth rate. Responding to the same, the Department of Chemicals and Petrochemicals in a note stated:-

“The declining growth rate on Petrochemical Industry is mainly due to global economic slowdown. The Department interacted with the industry associations to reduce the impact of global slowdown by way of imposing safeguard duty, anti-dumping duties and other mechanisms. In addition, Government is also taking pro-active steps to push the investment in petrochemical sector through its policy initiatives as brought out in question no.6(ii) and also promoting development of PCPIR regions.”

99. When asked about the steps being taken to achieve the pronounced aims of the new policy, the Department in their note *inter-alia* stated as follows:-

- (A) The Department is monitoring the implementation of Assam Gas Cracker Project to be implemented by Brahmaputra Cracker and Polymer Limited (status of the project is in question no.8(i)). Other investment decisions are made by Oil PSUs and Private Entrepreneurs based on the techno-economic feasibility of the project.
- B) The progress made so far in respect of the National Policy on Petrochemicals is as follows:-
  - i. A Standing Committee on Petrochemical Feedstock has been constituted.

- ii. Plastic Development Council under the IDR Act, 1951 has been constituted.
- iii. Inter-Ministerial Expert Committee on Development of Plastics in Thrust Areas has been constituted.

100. The following feasibility studies were undertaken by the Department:-

- i) Feasibility studies on setting up of Centres of Excellence in the field of Petrochemicals.
- ii) Setting up of dedicated plastic parks to promote a cluster approach in the areas of development of plastic applications and plastic recycling.
- iii) Schemes of national awards for technology.
- iv) Promotion of recycling technology for post consumer plastic waste.
- v) Extension of support for introduction of suitable course curricula for downstream plastic processing sector for development of low end skills.
- vi) Testing centers as certifying agency for testing plastic products and raw materials and augmentation of testing facility.
- vii) Fixation of standards for plastic products.
- viii) Petrochemical Research and Development Fund (including downstream plastic processing).
- ix) Feasibility studies on feedstock and alternate Feedstock for Petrochemicals industries.
- x) Capacity Building of Urban Local Bodies.

The feasibility studies will further enable the Department of Chemicals & Petrochemicals to formulate necessary schemes etc. for promotion of plastics and for creating the right environment for attracting investment in the sector.

- C). The draft reports have been received for S.No (i) to (vii). These reports are under examination by the Department. Reports on (viii) Petrochemical Research and Development Fund (including downstream plastic processing (ix )Feasibility studies on feedstock and alternate Feedstock for Petrochemicals industries and (x) Capacity Building of Urban Local Bodies are awaited.

101. On the following feasibility studies Department is currently in the process of formulating schemes for implementation, as per provisions of National Policy for Petrochemicals during 2009-10:-

- Setting up of Centre of Excellence
- National Awards for Technology Innovations in Petrochemicals and downstream Plastic Processing Industry.
- Setting up of dedicated Plastic Parks to promote a cluster approach in the areas of development of plastic applications and plastic recycling.

In addition Department is supporting the following initiatives

- Promoting the petrochemical sector by way of supporting conferences, workshops seminars, meetings etc.

102. Dealing with per capita consumption of Chemicals and Petrochemicals in the country, a representative of the Department stated in evidence:-

“Our per capita consumption of chemical petrochemical products/ plastic is 5.2 kg. against the average 25 kg. of other countries of the world while it is 100 kg. in case of developed countries.”

The witness further stated that “the endeavour of the Department of Chemicals and Petrochemicals would be to create a synergetic effect so as to attract investments for the industries engaged in production of chemicals and petrochemicals. They are in process to identify some issues which shall create right environment to the investors as they would be convinced that testing and human resources was available, infrastructure was improving, products were being developed and there was sufficient R&D. This would automatically attract the investors towards these industries and the target of attaining 12 kg. per capita would be possible to be achieved during the 11<sup>th</sup> plan.”

103. The Committee note that the National Policy on Petrochemicals which was approved on 12 April 2007, *inter alia* seeks to increase investments, competitiveness, domestic demand, facilitate innovative methods of plastic waste management, promoting research and development, etc. The Committee are constrained to observe that despite the new policy, the industry has registered a declining growth rate. The Department of Chemicals and Petrochemicals have, however, contended that the declining growth rate was mainly due to the global economic slowdown. They have also recounted the various initiatives being taken by them to implement the policy which included, monitoring the implementation of the Assam Gas Cracker Project, constitution of several committees for dealing with different aspects of the policy, undertaking feasibility studies, etc. According to them, they were in the process of formulating some schemes for implementation in 2009-10. The Committee recommend that the various proposed initiatives should be expeditiously taken to their logical conclusions so that the underlying objectives behind the new policy are achieved and results in the overall development of the sector. The Committee would like to be informed of the results achieved viz-a-viz new policy initiatives.

(Recommendation Sl. No.13)

## **XII. REVIVAL OF PUBLIC SECTOR UNDERTAKINGS(PSUs)**

104. The Department of Chemicals and Petrochemicals have two Public Sector Undertakings under their administrative control, viz., Hindustan Organic Chemicals Limited (HOCL) and Hindustan Insecticides Limited (HIL), both of which were loss making.

105. 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 down-stream industry resulting in setting up of chemicals units and achieving self-sufficiency for the country in this area.

106. HOCL has two units, one at Rasayani (Maharashtra) and the other at Kochi (Kerala). It also has a subsidiary company, M/s Hindustan Fluorocarbons Limited located at Rudraram (Andhra Pradesh) for manufacture of poly-tetra-fluoro-ethylene (PTFE), a high technology engineering plastic.

107. The following were the details of physical and financial performance of the Company for the last five years.

Year	Production (MT)	Turnover (Rs. Crore)	Net Profit/Loss (Rs. Crore)
2003-04	291484	484.56	(-) 164.61
2004-05	313460	751.48	(+) 6.40
2005-06	216224	451.03	(-) 56.61
2006-07	207110	591.25	(+) 17.04
2007-08	242013	666.59	(+) 13.61

108. During examination, the Committee were informed that the revival package for HOCL was approved in March 2006 and that the company had come out of BIFR in May 2008. When asked about its present performance, the Department of Chemicals and Petrochemicals in a note furnished after evidence stated :-

“As a result of rehabilitation package, company made a profit of Rs.17.04 crore during 2006-07 and Rs.13.61 crore in 2007-08. The company came out of BIFR in May, 2008. Due to Economic global melt-down during 2008-09, when the prices of the raw materials experienced unprecedented fall resulting in large stock losses of raw materials, intermediate and finished products, the Company suffered a loss of Rs.15.24 crores. The company continues to make losses and that the same amounts to Rs.40 crores till August, 2009 of the current financial year, against a projected profit of Rs.8.65 crore till August, 2009 with reference to the MoU signed. The poor performance during the current financial year is attributed to large scale dumping of Phenol, Acetone and Aniline which are main products of the company. The company has taken action by filing anti dumping application to the appropriate authority in Ministry of Commerce. The company is confident and competent of facing global competition in a level playing field.”



109. M/s Hindustan FluoroCarbons Limited (HFL) is a subsidiary Company of Hindustan Organic Chemicals Limited. HFL was incorporated on 14 July 1983. The Registered Office of the company is located at No.1402, Babukhan Estate, Bashir Bagh, Hyderabad. The company is engaged in the manufacture of Poly Tetra Fluoro Ethylene (PTFE) and Chloro Di Fluoro Methane (CFM-22). PTFE extensively used in chemical, mechanical, electrical and electronic industries and had strategic applications in the defence and aerospace sectors. The factory is located at Rudraram, District Medak, Andhra Pradesh. The Rehabilitation package under the operating agency M/s. IDBI was approved by BIFR on 03 December 2007. The HOCL management had already taken up implementation of the same. Necessary statutory approval for Clean Development Mechanism (CDM) process had also been obtained. With the implementation of CDM, the company is expected to have positive net worth by 2012-13 as per schedule. Expected net revenue earning would be around 16-18 crores, besides regular earning of Rs.20 crore per annum.

110. Hindustan Insecticides Limited (HIL) was incorporated in 1954 and 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. The plant came as a gift from WHO and went into production in April 1955. In 1957, the company set up their second factory at Udyogmandal, near Cochin for 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 cost effective tool to fight dreaded diseases like Malaria, Dengue, Kala Azar, Japanese Encephalities, etc. The company has contributed a lot in keeping these diseases under check in India and in some African countries through its DDT exports. HIL is today the largest producer of DDT in the world. The only other producer is in China.

111. The Committee were informed by the Department of Chemicals and Petrochemicals that with a view to making quality pesticides available to farmers as part of Green Revolution, HIL put up manufacturing facilities for various agro pesticides at Udyogmandal, Kerala and Rasayani, Maharashtra. The company today manufactured technicals such as Endosulfan, Dicofol, Malathion, Butachlor, DDVP, Monocrotophos, Mancozeb etc. and around 27 agro formulations at its plants at Udyogmandal (Kerala), Rasayani (Maharashtra) and Bhatinda (Punjab).

112. The Company, which was incurring losses due to non-operational reasons, has undergone Capital Restructuring and Rehabilitation package approved by Cabinet Committee of Economic Affairs on 27 July 2006. As per the information made available to the Committee during evidence (power point presentation), the sales/ turnover of HIL

during the last three years were Rs.200.57 crore, Rs.210.19 crore and Rs.215.35 crore respectively. The net profits earned by HIL during the last three years were Rs.5.66 crore, Rs.6.52 crore and Rs.2.71 crore respectively. The Committee were also informed that HIL had come out from BIFR in September 2007.

113. As regards the latest position of HIL, the Department in a note furnished after evidence stated that as a result of revival package, HIL made a profit of Rs.5.66 crore in 2006-07 and Rs. 6.52 crore in 2007-08. The company came out of BIFR in September, 2007 and thereafter it had been making profits regularly.

114. As per detailed Demands for Grants (2009-10) loans and advances allocations for both the PSUs under the Department of Chemicals and Petrochemicals were as under:-

Major Head 6857	ACTUALS 2007-08		BE 2008-09		RE 2008-09		BE 2009-10	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
HIL	6.00	2.50	--	2.50	--	--	25.00	0.01
HOCL	6.00	--	--	3.15	--	3.56	15.13	0.01
<b>Total</b>	<b>12.00</b>	<b>2.50</b>	<b>--</b>	<b>5.65</b>	<b>--</b>	<b>3.56</b>	<b>40.13</b>	<b>0.02</b>

115. In reply to a question the Committee were informed that Non-Plan loans to HIL decreased to a level of Rs.0.01 crore in BE (2009-10) from BE (2008-09) because the rate of interest on non-plan loan was higher than the rate of interest at which HIL got the funds for Working Capital from Bank. The rate of interest on Non-Plan Loan charged by the Govt. was 14% while Banks were advancing working capital at 12.5%. Accordingly, no request for Non Plan loan was made by HIL in 2009-10.

116. In reply to a question as to why plan loans to HIL increased to a level of Rs.25 crore at BE stage (2009-10) whereas no provision was made in BE & RE (2008-09), the Committee were informed that a provision of Rs.25 crores had been made in the BE for 2009-10 for product diversification. At present, HIL is heavily dependent on DDT and Endosulfan. Both the products had limited market. DDT was primarily used only for vector control purposes for control of malaria and kala-azar and its supply is only done according to orders placed by Ministry of Health. Usage of Endosulfan was also getting restricted. Therefore, it was essential for HIL to diversify its product portfolio and this provision has been made for this purpose. The selection of new products had been made considering its viability, return on investment and long term advantage. The products identified are Imidacloprid Technical, Acetamaprid and Buprofezin. Since the company did not propose any proposal during the year 2008-09, no provision was made in BE and RE of 2008-09.

117. The Committee were informed that Plan loans to HOCL were increased to a level of Rs.15.13 crore at BE stage (2009-10) whereas no provision was made in BE & RE (2008-09) because the amount of Plan loan proposed for the year 2009-10 for HOCL

would help in making the operations of the company more efficient and economically viable.

118. When asked for what purpose the loan and advance allocations had been made in respect of HIL and HOCL, the Committee were informed that allocation of plan loan of Rs.25 crores during the current financial year for HIL has been made for the following activities.

- Retrofitting the existing Malathion Technical Plant.
- Setting up a Multi-Product manufacturing facility.
- Setting up manufacturing facility for production of Buprofezin.
- Setting up manufacturing facility for production of Carbon Disulphide.

119. Similarly, allocation of plan loan of Rs.15.13 crores during the current financial year for HOCL has been made for following activities.

- Hydrogen plant upgradation of existing burner system of reformer to dual feedstock system Naphtha/Natural gas
- Upgradation of DCS System for C.NA/ N2O4/ Aniline
- Implementation of ERP at Kochi unit – networking of Corporate, Marketing office with Branch offices and Kochi unit- Phase-I.
- Debottlenecking of Hydrogen Peroxide plant capacity from 10,000 TPA to 14,000 TPA

120. According to the Department of Chemicals and Petrochemicals, the new project proposed to be financed from the Plan outlay of Rs.25 crores would help HIL to diversify the product portfolio. Contribution from these new products would help HIL to remain a profit making PSU. As HIL was the only PSU in the Public Health & agro-chemical sector, the Company played a stellar role in making quality products available to Govt./Farmer at a reasonable price.

121. As regards HOCL, the Committee were informed that the activities proposed to be implemented by HOCL with the allocation of Rs.15.13 crores in 2009-10 would help in making the operations of the company more efficient and economically viable.

122. About the performance of HOCL and HIL, the Secretary, Department of Chemicals and Petrochemicals informed during evidence as under:-

“Coming to the HOCL and the HIL’s performance, there was a question regarding our role. Our role is not just limited to these two public sector undertakings because we are responsible for the overall promotion and growth of the chemicals and petro-chemicals industry in the country. This is a de-licensed sector. If anybody wants to set up a unit in this in the private sector, he does not need any industrial licence. If they want to bring financial and technical collaboration from abroad, even for that they do not need any licence. They can do it through automatic route. We are constantly in touch with all the industry associations in

the country. For everything they have an industry association. They have an industry association for dye manufacturers; they have an industry association for the plastic manufacturers; they have an industry association for the alkali manufacturers. We have constant dialogue with these industry associations. We call them and they call us for discussions. Whatever help they need we extend that help. We try and evolve policies. We try and interact within the Government on their behalf to ensure that their interests are taken care of. So, that is the major part of our role, where we are trying to promote the growth of these industries. PCPIRS policy is one such initiative which we have taken”.

123. In this context, the Secretary, Department of Chemicals and Petrochemicals further added as under:-

“We are trying to see that investments come in through the PCPIR policy. We are helping the industry also to attract the investment because there are private companies. There are also the other companies in the State public sector. They are interested in tie-ups with the foreign companies to get in investment, to get in technology. Hindustan Organic Chemicals Limited and the Hindustan Insecticides Limited want our help. I mentioned during my presentation why they have become sick. HOCL was a Mini Ratna company but it became sick for very specific reasons. It was doing very well before that. Now, it is coming round. It came round. It came out of BIFR. It started earning profits. But, again, the global slow down in 2008-09 affected the entire industries. It is not only so in the case of HOCL. HOCL’s competitors in the Indian market have also suffered.”

124. Emphasizing the need of Budgetary support to HOCL and HIL the Secretary, Department of Chemicals and Petrochemicals stated as under:-

“A question was raised why we are giving money to HOCL and HIL. In fact, there was a question which we got from the Standing Committee. But this year, because of all these combined problems, they have to increase their profitability; they have to take some corrective steps. That is why, they have asked for money. This money is not a grant. It will be a loan which will have to be recovered from them. So, we will recover the loan. It will be based on payment of interest by the company. Hence, we are scrutinizing each of these proposals. It is only when we are satisfied that they are going to generate adequate returns from them, the pay back period is good and they will be able to earn profits that we are giving them money as a loan. We will recover that. But, at the same time, these companies have to stand on their own legs. They have to ensure returns. We keep up the pressure on the company to ensure that is competitive, it carried out its business in the best commercial interest. Initially, HOCL produced some very essential chemicals for our market. Now, the other competitors are also there. HOCL has to fend for itself, has to ensure that it is competitive.”

125. The Committee note that the Department of Chemicals and Petrochemicals have two Public Sector Undertakings under its administrative control, viz Hindustan Organic Chemicals Limited (HOCL) and Hindustan Insecticides Limited (HIL), both of which were loss making. The Committee note that after its revival package in March 2006, HOCL has earned profits amounting to Rs.17.04 crore and Rs.13.61 crore during the years 2006-07 and 2007-08 respectively. The Committee, however, note with concern that during the 2008-09 the company again incurred losses. According to the Department of Chemicals and Petrochemicals, HOCL has incurred a loss of Rs.40 crore against a projected profit of Rs.8.65 crore till August 2009. The Department have attributed the poor performance to large scale dumping of phenol, acetone and aniline which are the main products of the company. The Committee strongly recommend that all necessary steps should be taken to bring HOCL back to the track expeditiously. The Committee also hope that with the budgetary support of Rs.15.13 crore in the BE 2009-10 as plan loan, HOCL would be able to fine tune its operations so as to make it more efficient and economically viable.

126. The Committee observe that Hindustan Fluorocarborn Limited (HFL), a subsidiary company of HOCL which is engaged in the manufacture of polytetra fluro- ethylene, has also gone red. A rehabilitation package for HFL was approved by BIFR in December 2007. The Committee have been informed that HOCL management has taken up the implementation of the same. The Committee would like to be informed of the status of implementation of the package and its effect.

127. The Committee further note that after implementation of the revival package approved in 2006, the Hindustan Insecticides Limited (HIL) has earned net profits amounting to Rs.5.66 crore, Rs.6.52 crore and Rs.2.71 crore respectively in the last three years. The Committee have been informed that HIL has come out of BIFR in September 2007. The Committee hope that with the budgetary support of Rs.25 crore in BE 2009-10 for product diversification, HIL will be able to enhance its performance level and achieve better results.

(Recommendation No.14)

New Delhi;  
10 December 2009  
19 Agrahayana, (Saka)

**ANANTH KUMAR**  
Chairman,  
Standing Committee on  
Chemicals and Fertilizers.

## **APPENDIX I**

### **MINUTES**

## **STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2009-10)**

### **FOURTH SITTING**

**(7.10.2009)**

The Committee sat from 1500 hours to 1710 hours.

### **Present**

Dr. C. P. Thakur - In the Chair

### **Members**

#### **Lok Sabha**

2.	Smt. Sushmita Bauri
3.	Shri Baidyanath Prasad Mahato
4.	Shri Ponnamm Prabhakar
5.	Shri Tufani Saroj
6.	Shri Suresh Kumar Shetkar
7.	Shri N. Cheluvarya Swamy
8.	Shri Madhu Koda
<b><u>Rajya Sabha</u></b>	
9.	Shri J. D. Seelam
10.	Shri Raghunandan Sharma
11.	Shri Brijlal Khabri
12.	Shri A. A. Jinnah
13.	Shri Raj Mohinder Singh Majitha

### **SECRETARIAT**

- |    |                       |   |                      |
|----|-----------------------|---|----------------------|
| 1. | Shri N. K. Sapra      | - | Additional Secretary |
| 2. | Shri P. Sreedharan    | - | Joint Secretary      |
| 3. | Shri C. S. Joon       | - | Director             |
| 4. | Shri A.K. Srivastava  | - | Deputy Secretary     |
| 5. | Smt. Archana Pathania | - | Under Secretary      |

**I. MINISTRY OF CHEMICALS AND FERTILIZERS**  
**(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)**

1.	Shri Bijoy Chatterjee	Secretary (C&PC)
2.	Shri Mathew C. Kunnumkal	Additional Secretary & Financial Adviser
3.	Shri B.P. Pandey	Joint Secretary
4.	Ms. Neel Kamal Darbari	Joint Secretary
5.	Dr. P.S. Chandurkar	Plant Protection Adviser, Deptt. of Agriculture & Cooperation
6.	Shri P.V. Rajeev Sebastian	Economic Adviser

**II. REPRESENTATIVES OF PSUs/ AUTONOMOUS INSTITUTIONS**

1.	Pr.(Dr.) S. K. Nayak	DG, Central Institute of Plastic Engineering & Technology (CIPET)
2.	Shri A.S. Didolkar	CMD, Hindustan Organic Chemicals Limited (HOCL)
3.	Shri K. Hari Kumar	CMD, Hindustan Insecticides Limited (HIL)
4.	Shri M. Vairamani	Director, Institute of Pesticides Formulation Technology (IPFT)
5.	Shri B.C. Tripathi	Chairman & MD, Gas Authority of India Limited (GAIL) and Chairman, Bengal Chemicals & Pharmaceuticals Limited (BCPL)
6.	Shri T. S. Gaikwad	MD, Hindustan Fluorocarbons Limited (HFL)

2. At the outset, owing to the absence of Chairman of the Committee, the Committee chose Dr. C. P. Thakur, a member of the Committee, to act as Chairman in accordance with Rule 258(3) of Rules of Procedure and Conduct of Business in Lok Sabha.

3. Thereafter, the officials of the Ministry of Chemicals and Fertilizers (Department of Chemicals & Petrochemicals), the Public Sector Undertakings and the Autonomous Institutions were called and their attention was invited to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

4. Then the officials of the Department and others introduced themselves. Thereafter, the Secretary, Department of Chemicals & Petrochemicals briefed the Committee about the subject 'Demands for Grants of the Department for the year 2009-10' and also gave an audio-visual presentation.

5. During the discussion, the Chairman and members of the Committee raised some queries which were replied to by the Secretary, Department of Chemicals & Petrochemicals and other officials. They also assured to send the requisite information in writing which was not readily available with them.

6. The Committee decided to hold their next sitting on 14 October 2009 to have a briefing on the subject 'Fertilizer Education Projects' by the officials of the Ministry of Chemicals and Fertilizers, Department of Fertilizers.

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

***The Committee then adjourned.***



## **APPENDIX II**

### **EXTRACT OF MINUTES**

#### **STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2009-10)**

#### ***TENTH SITTING* (10.12.2009)**

The Committee sat from 1500 hours to 1600 hours.

**Shri Ananth Kumar - in the Chair**

#### **MEMBERS**

#### **LOK SABHA**

2. Smt. Sushmita Bauri
3. Shri Ganeshrao Nagorao Dudhgaonkar
4. Shri N. Peethambara Kurup
5. Shri Poonam Prabhakar
6. Shri Suresh Kumar Shetkar

#### **Rajya Sabha**

7. Shri Biswajit Daimary

#### **SECRETARIAT**

1. Shri Ashok Sarin - Joint Secretary
2. Shri C. S. Joon - Director
3. Shri A.K. Srivastava - Deputy Secretary

. At the outset Hon'ble Chairman welcome the members to the sitting of the Committee

3. The Committee thereafter took up for consideration the following draft Reports on:
  - (i) Demands for Grants (2009-10) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals),
  - (ii) xxx xxx xxx xxx xxx

4. The draft Reports were adopted by the Committee with minor amendments.

5. The Committee authorised the Chairman to make consequential changes, if any, arising out of the factual verification of the Reports by the Ministry of Chemicals and Fertilizers (Department of Chemicals and Fertilizers) and xxx xxx xxx and present the same to both the Houses of Parliament.

***The Committee then adjourned.***

***xxx \*Matters not related to this Report***

### APPENDIX III

#### STATEMENT OF RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

Reco. No.	Para No.	Recommendations/Observations
1	5	The Committee have analyzed the implementation of the recommendations/observations contained in their Twenty-fifth Report on Demands for Grants for the year 2008-09 of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals). The analysis of the Committee shows that out of the 11 recommendations pertaining to the Department of Chemicals and Petrochemicals contained in their Report, nine recommendations (S. Nos.1,2,3,6,7,9,12,13 and 14) have been implemented by the Government. The reply of the Government in respect of recommendation at S.No.5 was not accepted by the Committee. The Committee, therefore, reiterated this recommendation in their Twenty-eighth Report. The reply of Department of Chemicals and Petrochemicals was of interim nature in respect of recommendation at S. No.4. The Committee, therefore, desire that the Government should implement the recommendations contained at Sl. Nos 4 and 5 expeditiously. They would also like to be apprised of the conclusive action taken in this regard.
2	17	The Committee observe that the growth rate of production of selected major Chemicals had been constantly decreasing since 2002-03. From a growth rate of 6.85% in 2003-04, the rate had come down gradually to -1.85 in 2006-07 and further to -0.67 in 2008-09. Similarly, the growth rate of major petrochemicals is showing almost a decreasing trend in the annual growth rate since 2003-04 except 2006-07. In the year 2005-06 it was as low as 1.59 and further came down to 1.28% in 2008-09. The production of intermediates also showed a similar declining growth rate. All these clearly show that the growth of chemicals and petrochemicals sector has been hampered. The Department of Chemicals and Petrochemicals have attributed the fall in growth rate to external factors, absence of grassroots investment, structural constraints, demand shrinkages, changes in consumer behavioural pattern, etc. The Department have, however, expressed the hope that with the stimulus packages announced in December 2008 and January 2009, the declining trend in growth rate would get checked and the domestic industry will be stabilised. The Committee recommend that Department of Chemicals and Petrochemicals should play its designated role of the facilitator for the development of the sector in a proactive manner and ensure proper implementation of the stimulus packages so as to stabilize the petrochemical industry. The Committee would like to be apprised of the results achieved thereby.
3	25	The Committee note that a total outlay of Rs.563.83 crore has been approved for the Department of Chemicals and Petrochemicals for the 11 <sup>th</sup> Five Year Plan. Out of this, Rs.200 crore is towards Assam Gas Cracker Project, Rs.139.83 crore for project based support to Public Sector Undertakings, Rs.120 crore for new schemes and Rs.92 crore for autonomous institutions. The Committee, however, note that the actual allocation made during the year 2009-10 for the major project of the Department, <u>viz.</u> the Assam Gas Cracker Project has been much less than what has been projected and demanded. Considering the fact that the capital subsidy of Rs.2,138 crore for the project is to be made by the Government of India, the Committee recommend that additional funds

		should be made available at RE stage, depending on the stage of development of the project. The Committee also recommend that the Department should effectively monitor and ensure that the allocation made during the financial year for the plan schemes are optimally utilized.
4	37	<p>The Committee note that Parliament has since voted an amount of Rs.265.15 crore (net) to defray the expenditure for the Department of Chemicals and Petrochemicals for the year 2009-10. Out of this, Rs.239.75 crore is towards the Plan and Rs.25.40 crore for non-Plan expenditure. During the preceding financial year, i.e. 2008-09, a provision of Rs.250 crore for Plan and Rs.59 crore for non Plan at RE stage was made. Though the overall provisions have decreased under the Capital head, the Plan expenditure has increased from Rs.33.50 crore at BE stage (2008-09) to Rs.54.13 crore at RE stage during the year 2009-10. The Department of Chemicals and Petrochemicals have maintained that the allocation in the current year would be about Rs.43.85 crore less than the previous year due to the segregation of the non-Plan budget of the new Department of Pharmaceuticals which was earlier a part of the Department of Chemicals and Petrochemicals. Further, the reasons for the increased Plan Capital outlay in BE 2009-10 as compared to RE 2008-09 have been cited on account of provision of loans for Rs.25 crore and Rs.15.13 crore made for the Hindustan Insecticides Limited (HIL) and the Hindustan Organics Chemicals Limited (HOCL). The Committee desire that the Department of Chemicals and Petrochemicals should ensure that the loans are utilized fully and judiciously by both the PSUs in the current year to complete their ongoing schemes. Apart from this, the Department should also keep a strict watch and control over the factors impacting budgetary allocations and the expenditure thereon.</p>
5	51.	<p>The Committee note that CIPET is an autonomous institute under the Department of Chemicals &amp; Petrochemicals, Government of India with the objective to develop trained human resources for the plastics industry. The Committee note that a total amount of Rs.42.13 crore comprising Rs.25.13 crore under Plan expenditure, Rs.3 crore under non-Plan and Rs.14 crore as loan has been provided to CIPET in BE 2009-10. The schemes for which funds have been granted include, creation of civil and technical infrastructure, new schemes, technology upgradation, enhancement of training capabilities etc. The number of persons trained during last three years under this programme may be intimated to the Committee. The Committee desire that the funds should be optimally utilized for developing trained human resources with the requisite expertise for the plastics industry. CIPET should continue to lay emphasis in key areas including plastics waste management and strive to further enhance the academic and professional superiority of the organization.</p>
6	52.	<p>The Committee are happy to note that the Plastic Waste Management Centre (PWMC) established at Guwahati by CIPET at a total cost of Rs.7.90 crore has now started functioning. They would like the Government to make every effort to ensure that such centres are set up in various parts of the country. The Committee would also like to be apprised of the progress made by the PWMC, Guwahati within a month since it became functional in terms of the quantum of plastic recycled and the benefits accrued in halting environmental degradation.</p>

7	53	The Committee note that a Plastic Waste Management Centre is scheduled to be established in New Delhi also on the pattern of PWMC, Guwahati by CIPET in collaboration with Government of NCT Delhi, civic bodies, industry and NGOs in Public Private Partnership model (PPP) model. The Committee feel that such a centre would be of immense use in addressing the problem of disposal of plastic waste in Delhi. The Committee hope that the centre prove a stepping stone in reducing the environmental degradation in Delhi to a great extent. While welcoming such a move by CIPET, the Committee recommend that further necessary action should be taken expeditiously in this regard in a time bound manner. They would like to be apprised of the progress made thereon within three months.
8	61	The Committee note that Assam Gas Cracker Project was approved by the Government on 18 April 2006 and the project is scheduled to be commissioned in April 2012. A joint venture company, viz Brahmaputra Cracker and Polymer Limited (BCPL) has been incorporated for implementation of the project. The Committee observe that a monitoring Committee under the Chairmanship of Secretary (C&PC) is reviewing the progress of implementation of the project at regular intervals whereas the Prime Minister's Office also monitors the project under the flagship programmes/ initiatives/ iconic projects. The Committee recommend that all out efforts should be made to ensure that the project is complete and functional by the scheduled target date so as to make the expected benefits from the project available to the country at the earliest.
9	34	The Committee note that the Institute of Pesticides Formulation Technology (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. The Committee were informed that the beneficiaries of these programmes were the chemical industries, Indian farmers, agriculture chemists, agriculture extension workers and students in addition to the technical personnel from developing nations. The Committee observe that as against the corresponding allocation of Rs.5 crore in RE 2008-09, an amount of Rs.7 crore has been allocated for IPFT under BE (plan) for 2009-10 for various schemes, viz, undertaking requisite research in Neem Project Plan-II, Household Formulation Project, Infrastructure Development for IPFT, Capital support, development of modern library, etc. The Committee hope that enhanced allocation would be productively utilized for the underlying objectives for which the organization has been established and extend the benefits to the intended target groups.
10	75	The Committee have been informed that the major difficulty being faced by IPFT is non-availability of electrical power supply from the Haryana Electricity Board for more than eight hours a day regularly. They, therefore, recommend that the Department of Chemicals and Petrochemicals should give utmost priority to this and take up the matter at the highest level with the Government of Haryana so that uninterrupted power supply is received by this Institute of great importance. The Committee wish to be apprised of the progress made in this regard within fifteen days.

11	81	<p>India is one of the signatories to the Chemicals Weapons Convention (CWC). The Department of Chemicals and Petrochemicals are responsible for submission of industry declarations, facilitation of inspections by the Organization for Prohibition of Chemical Weapons (OPCW) teams as also creating awareness in the industry about its obligations under CWC. The Committee note that the number of declarable chemical units has increased from 160 in 2003 to 589 in 2009. According to the Department of Chemicals and Petrochemicals all the 72 inspections including 12 in 2009, carried out by OPCW, no negative comments had been received. A brief note on the inspections conducted may be submitted to the Committee. The Committee desire that the funds of rupees one crore sanctioned to the Department for the purpose in BE 2009-10 under the relevant head should be efficiently used to continue not only in guiding the industry to make them aware of their obligations under CWC, but also in filing the requisite declarations in order that India's prestige as a responsible nation is boosted further.</p>
12	96	<p>The Committee note that the Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) policy is a window to ensure the adoption of holistic approach to promote the petroleum, chemicals and petrochemicals sectors in an integrated environment friendly manner on a large scale. According to the Department of Chemicals and Petrochemicals the PCPIRs are expected to create an infrastructure worth Rs.39,744 crore covering roads, rail, air links, ports, telecom, power, water treatment, sewerage, effluent treatment and green buffers, etc., besides industrial development in these regions to the tune of approximate Rs.4,86,180 crore and employment generation of about 30 lakh persons. The Committee have been informed that the Cabinet has, in February 2009, approved proposals for setting up PCPIRs in the States of Andhra Pradesh, West Bengal and Gujarat. Besides this, the States of Karnataka, Orissa and Tamil Nadu are also stated to have furnished their proposals which are under the scrutiny of Department of Chemicals and Petrochemicals in consultation with the State Governments. The State Governments of Andhra Pradesh and West Bengal have signed the agreements in October 2009. The Committee welcome the laudable and ambitious objectives of the PCPIR policy and hope that the scheme will take off well with the active involvement of the States in achieving the expected results. They would like to be kept apprised of the progress made in the implementation of the policy in various States.</p>
13	103	<p>The Committee note that the National Policy on Petrochemicals which was approved on 12 April 2007, <i>inter alia</i> seeks to increase investments, competitiveness, domestic demand, facilitate innovative methods of plastic waste management, promoting research and development, etc. The Committee are constrained to observe that despite the new policy, the industry has registered a declining growth rate. The Department of Chemicals and Petrochemicals have, however, contended that the declining growth rate was mainly due to the global economic slowdown. They have also recounted the various initiatives being taken by them to implement the policy which included, monitoring the implementation of the Assam Gas Cracker Project, constitution of several committees for dealing with different aspects of the policy, undertaking feasibility studies, etc. According to them, they were in the process of formulating some schemes for implementation in 2009-10. The Committee</p>

		<p>recommend that the various proposed initiatives should be expeditiously taken to their logical conclusions so that the underlying objectives behind the new policy are achieved and results in the overall development of the sector. The Committee would like to be informed of the results achieved viz-a-viz new policy initiatives.</p>
14	125-127	<p>The Committee note that the Department of Chemicals and Petrochemicals have two Public Sector Undertakings under its administrative control, <u>viz</u> Hindustan Organic Chemicals Limited (HOCL) and Hindustan Insecticides Limited (HIL), both of which were loss making. The Committee note that after its revival package in March 2006, HOCL has earned profits amounting to Rs.17.04 crore and Rs.13.61 crore during the years 2006-07 and 2007-08 respectively. The Committee, however, note with concern that during the 2008-09 the company again incurred losses. According to the Department of Chemicals and Petrochemicals, HOCL has incurred a loss of Rs.40 crore against a projected profit of Rs.8.65 crore till August 2009. The Department have attributed the poor performance to large scale dumping of phenol, acetone and aniline which are the main products of the company. The Committee strongly recommend that all necessary steps should be taken to bring HOCL back to the track expeditiously. The Committee also hope that with the budgetary support of Rs.15.13 crore in the BE 2009-10 as plan loan, HOCL would be able to fine tune its operations so as to make it more efficient and economically viable.</p> <p>The Committee observe that Hindustan Fluorocarbon Limited (HFL), a subsidiary company of HOCL which is engaged in the manufacture of polytetra fluoro- ethylene, has also gone red. A rehabilitation package for HFL was approved by BIFR in December 2007. The Committee have been informed that HOCL management has taken up the implementation of the same. The Committee would like to be informed of the status of implementation of the package and its effect.</p> <p>The Committee further note that after implementation of the revival package approved in 2006, the Hindustan Insecticides Limited (HIL) has earned net profits amounting to Rs.5.66 crore, Rs.6.52 crore and Rs.2.71 crore respectively in the last three years. The Committee have been informed that HIL has come out of BIFR in September 2007. The Committee hope that with the budgetary support of Rs.25 crore in BE 2009-10 for product diversification, HIL will be able to enhance its performance level and achieve better results.</p>

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