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**STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS**

**(2015-16)**

**SIXTEENTH LOK SABHA**

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

**DEMANDS FOR GRANTS**

**(2016-17)**

**TWENTY SECOND REPORT**



**सत्यमेव जयते**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

***April, 2016/ Vaisakha, 1938 (Saka)***

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

**DEMANDS FOR GRANTS  
(2016-17)**

*Presented to Lok Sabha on 28 April 2016*

*Laid in Rajya Sabha on 28 April 2016*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 2016/ Vaisakha, 1938 (Saka)*

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(iii)

**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2015-16)**

**Shri Anandrao Adsul - Chairperson**

**MEMBERS  
LOK SABHA**

2. Shri Idris Ali
3. Smt. Anju Bala
4. Shri B.N. Chandrappa
5. Shri Sankar Prasad Datta
6. Smt. Veena Devi
7. Shri R.Dhruvanarayana
8. Shri Innocent
9. Shri K. Ashok Kumar
10. Shri Kamalbhan Singh Marabi
11. Shri Chhedhi Paswan
12. Smt. Kamala Devi Patle
13. Shri Rajendran S.
14. Shri Kotha Prabhakar Reddy
15. Shri Chandu Lal Sahu
16. Dr. Kulamani Samal
17. Dr. Uma Saren
18. Dr. Krishna Pratap Singh
19. Shri Taslimuddin
20. Smt. Rekha Arun Verma
21. Shri George Baker

**RAJYA SABHA**

22. Shri Biswajit Daimary
- 23.# Vacant
24. Shri Sanjay Dattatraya Kakade
25. Shri Mansukh L. Mandaviya
26. Shri Narayan Lal Panchariya
27. Shri K. Parasaran
28. Shri Garikapati Mohan Rao
29. Shri Palvai Govardhan Reddy
30. Dr. Sanjay Sinh
31. Shri Abdul Wahab

**SECRETARIAT**

1. Smt. Rashmi Jain - Joint Secretary
2. Shri A.K. Srivastava - Director
3. Shri Thangkhanlal Ngaihte - Sr. Committee Assistant

## INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2015-16) having been authorised by the Committee to submit the Report on their behalf present this Twenty-second Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for the year 2016-17.

2. The Committee examined the Demands for Grants (2016-17) pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) which were laid in Lok Sabha and Rajya Sabha on 16 March, 2016.

3. The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) at their sitting held on 22 March, 2016.

4. The Report was considered and adopted by the Committee at their sitting held on 26 April, 2016.

5. The Committee wish to express their thanks to the Officers of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) for their cooperation in furnishing the written replies and other material/ information and for placing their views before the Committee.

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

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters at the end of the Report.

**New Delhi;**  
**26 April, 2016**  
**06 Vaisakha, 1938 (Saka)**

**Anandrao Adsul**  
**Chairperson**  
**Standing Committee on**  
**Chemicals and Fertilizers**

**REPORT**  
**CHAPTER I**  
**INTRODUCTORY**

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

1.2 The Department has four major divisions viz. Chemicals, Petrochemicals, Planning & Evaluation (P&E) and Statistics & Monitoring (S&M). The Internal Finance Division is common to the three Departments in the Ministry of Chemicals and Fertilizers. There are three PSUs in the chemical sector namely Hindustan Organic Chemicals Ltd. (HOCL), Hindustan Insecticides Ltd. (HIL) and Hindustan Fluorocarbons Limited (HFL), which is a subsidiary of HOCL, and one PSU in the petrochemical sector viz. Brahmaputra Cracker and Polymer Ltd. (BCPL). The autonomous institutes under this Department are Central Institute of Plastics Engineering and Technology (CIPET) and Institute of Pesticides Formulation and Technology (IPFT).

- 1.3 The major goals of the Department are:
- I. Development of 4 PCPIRs to promote manufacturing and exports.
  - II. The Assam Gas Cracker Project (AGCP) has since been commissioned on 02.01.2016 and dedicated to nation by Hon'ble PM on 05.02.2016.
  - III. Strengthening of Central Institute of Plastic Engineering and Technology (CIPET) so as to achieve its targets of skill development.
  - IV. Set up Plastic Parks to promote MSMEs in the sector in a cluster approach.

1.4 In view of the delicensed and deregulated nature of the chemical and petrochemical sectors, public sector investment through Plan schemes is limited. The major Plan scheme being implemented, besides the releases made to PSUs and autonomous institutions, is the Assam Gas Cracker Project.

1.5 The Departmental Budget does not contain any component specifically benefiting women, children and/or SC/ST. The department is exempt from earmarking Plan outlays under SCSP (Special Component Sub Plan) and TSP (Tribal Sub Plan). However, the autonomous organizations under the Department undertake programmes benefiting women and SC/ST. Exclusive programmes for the benefit of SC/ST and Women candidates are organized by CIPET through sponsorship by respective State Governments for training professionals in entrepreneurship and skill development. This provides them with the competence to work in the industry at the operating level or start their own tiny or cottage level industry. The programmes are thus helpful in generation of both employment and self-employment. The programmes organized for the benefit of women are focused on developing self-help groups and creating necessary workforce for plastic waste management. A large number of women and SC/ST candidates have benefited from these programmes and this will continue during 2016-17.

**1.6 The detailed Demands for Grants (2016-17) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) were presented to the Lok Sabha on 16.3.2016. The demand shows a total budgetary support of Rs 202.04 crore [(Rs 160 crore (Plan) + Rs 42.04 crore (Non-Plan)] (See Annexure - I). The Committee have examined in-depth the detailed Demands for Grants of the Department for the year 2016-17. The detailed analysis, along with Observations / Recommendations of the Committee are stipulated in a separate chapter at the end of the Report. The Committee expect that the Department will take all the necessary steps for proper and timely utilization of funds ensuring completion of the various plans and projects in a time bound manner.**

## CHAPTER II

### Overview of Chemicals and Petrochemicals industry

2.1 The chemical industry is an important part of the growing Indian industry. It includes basic chemicals and its products, petrochemicals, fertilizers, paints, varnishes, gases, soaps, perfumes and toiletries and pharmaceuticals. It is one of the most diversified of all industrial sectors, covering thousands of commercial products.

Petrochemicals, which comprise plastics and a host of other chemicals, are downstream products of hydrocarbons derived from crude oil and natural gas. These hydrocarbons are valuable resources and constitute vital raw materials for industries. The value additions in the petrochemicals chain offer immense possibilities and cater to the need of textiles and clothing, agriculture, packaging, infrastructure, healthcare, furniture, automobiles, information technology, power, electronics and telecommunication, irrigation, drinking water, construction and a host of other articles of daily and specialized usage.

2.2 The chemical industry is a knowledge intensive as well as capital intensive industry. It is an integral constituent of the growing Indian Industry. It includes basic chemicals and its products, petrochemicals, fertilizers, paints, varnishes, gases, soaps, perfumes and toiletry and pharmaceuticals. The diversification within the chemical industry is large and covers more than eighty thousand commercial products. This Industry occupies a pivotal position in meeting basic needs and improving quality of life. The industry is the main stay of industrial and agricultural development of the country and provides building blocks for several downstream industries, such as textiles, papers, paints, varnishes, soaps, detergents, pharmaceuticals, etc.

2.3 According to National Accounts Statistics 2015, brought out by the Central Statistics Office (CSO), chemical and chemical products sector (industry division 20 and 21 of NIC 2008) accounted for 2.50% of the Gross Value Added (at 2011-12 prices) in 2013-14, compared to 2.45% in 2012-13. The share of this sector in the GVA of manufacturing sector at 2011-12 prices was 13.84% during 2013-14 as compared to 13.38% in 2012-13. As per quick estimates of Index of Industrial Production (released by the CSO on 12<sup>th</sup> January 2016), the cumulative growth in the chemicals and chemical products (Industry Division 24 of NIC 2004) during April-November 2015-16 over the corresponding period of 2014-15 has been 5.2 % as compared to 3.9% in the Manufacturing sector. The size of the Indian Chemical industry (industry division 20 and 21 of NIC 2008) in terms of value of output in the year 2013-14 was Rs. 839,460 crore.

2.4 The production of selected major chemicals and petrochemicals during the years 2011-12 to 2015-16 (up to September 2015) is given below. The production of major chemicals and petrochemicals in 2015-16 (up to September, 2015) was 11193 thousand MT, compared to 10522 thousand MT in 2014-15 (up to September, 2014) implying growth of 6.4%.



## Production of selected major chemicals and petrochemicals

Group	Production / Growth Rate	2011-12	2012-13	2013-14	2014-15	2014-15 (April 14 to Sep 14)	2015-16 (April 15 to Sep 15)
Alkali Chemicals	Production	6478	6487	6481	6619	3278	3322
	Growth Rate (%)	3.3	0.1	-0.1	2.1		1.3
Inorganic Chemicals	Production	881	873	892	922	457	482
	Growth Rate (%)	-1.9	-0.9	2.2	3.4		5.5
Organic Chemicals	Production	1640	1686	1792	1619	833	811
	Growth Rate (%)	5.8	2.8	6.3	-9.7		-2.6
Pesticides (Technical)	Production	156	155	179	187	92	100
	Growth Rate (%)	8.5	-0.5	15.4	4.2		8.2
Dyes & Pigments	Production	241	240	284	285	148	148
	Growth Rate (%)	-1.6	-0.6	18.4	0.6		0.2
Total Major chemicals	Production	9396	9441	9628	9632	4808	4863
	Growth Rate (%)	3.2	0.5	2.0	0.0		1.1
Synthetic Fibers	Production	3105	3124	3144	3527	1770	1767
	Growth Rate (%)	-0.6	0.6	0.6	12.2		-0.1
Polymers	Production	6211	6424	6784	6533	3182	3751
	Growth Rate (%)	17.4	3.4	5.6	-3.7		17.9
Elastomers (S. Rubber)	Production	100	96	105	172	77	132
	Growth Rate (%)	-4.7	-4.2	8.7	64.1		70.2
Synth. Detergent Intermediates	Production	623	627	597	596	311	276
	Growth Rate (%)	-2.4	0.7	-4.8	-0.1		-11.3
Performance Plastics	Production	969	945	783	766	374	405
	Growth Rate (%)	-0.7	-2.5	-17.1	-2.1		8.3
Total Basic Major Petrochemicals	Production	11008	11216	11412	11594	5713	6330
	Growth Rate (%)	8.6	1.9	1.8	1.6		10.8
Total Major Chemicals and Petrochemicals	Production	20404	20657	21041	21226	10522	11193
	Growth Rate	6.0	1.2	1.9	0.9		6.4

Note: Production is aggregated based on Monthly Production Returns from manufacturers under large and medium scale.

2.5 The data show that the major chemicals witnessed very stagnant growth posting overall growth rate of 1.1 percent during 2015-16 (up to September 15, 2015). The sector also registered zero growth rate during 2014-15. In this regard, the Department was asked the reasons for such a slow growth in the chemicals sector. In reply thereto, the Department stated as under:-

"The factors responsible for decline in the growth of the Chemicals and Petrochemicals Sectors include reduced global demand, expensive capital, lack of world class infrastructure and cheap imports, etc. Further the worldwide slowdown in the economy has also affected the growth in the Chemical sector."

2.6 When asked to spell out the steps being taken to accelerate the growth rate in the Chemicals sector, the Department replied that it has taken up various matters such as rationalization of tax structure, safeguard duty issues, anti dumping measures with concerned authorities.

2.7 The above data shows that while the petrochemicals sector saw higher overall growth rate, the group-wise growth is very uneven. Polymers, Synthetic Detergent Intermediates and Performance Plastics all registered very low and even negative growth rates during 2011-2015. When asked about the reasons for the negative growth in these petrochemicals, the Department replied in writing as under:-

"The production of Polymers, Synthetic Detergent Intermediates and Performance Plastics has registered low/negative growth rate due to shortage of basic building blocks and worldwide slowdown. Further, as free import is permitted in this sector, the market mechanism, based on demand supply of the products determines the production and trade in the sector. "

2.8 When further asked to highlight the steps taken, if any to accelerate the growth rate of the above-mentioned petrochemical groups, the Department stated as under:-

"To make easy availability of feedstock for the chemicals and petrochemicals, the Government has formulated the PCPIR Policy. The policy provides that each PCPIR would have a refinery / petrochemical feedstock company as an Anchor Tenant that will help in mitigating the problem of feedstock in the country. The Government is also exploring the possibilities of putting up production facilities in resource rich countries and bringing intermediates in India for further value addition and employment generation.

Government is implementing the 'Petrochemical Policy' which will help in realising the goal of 'Make in India'. Plastic Parks are being set up in the country with the objectives to increase the competitiveness and investments, achieve environmentally sustainable growth and adopt the cluster development approach to consolidate the capacities in plastic sector.

For giving further boost to polymer production, Brahmaputra Cracker and Polymer Ltd. complex has been commissioned on 2<sup>nd</sup> January, 2016, and it has been dedicated to the nation by the Hon'ble Prime Minister of India, Shri Narendra Modi on 5<sup>th</sup> February 2016. Located at Lepetkata, Dibrugarh. This Plant has a capacity of 2.8 lakh tons per annum of Polyethylene and Polypropylene, and the Government of India has invested about Rs.10,000 crore in it. The Project will attract substantial investments in setting up of downstream plastic processing industries as well as generate huge employment."

2.9 When asked about the specific policies and programmes introduced by the Department for achieving growth and development of the chemical and petrochemical sectors in the country during the last one year, the Department in its written reply stated as under:-

"The programmes conducted by the Department for achieving growth and development of the chemicals and petrochemicals sectors are as under:

Department of Chemicals and Petrochemicals in association with industry organizations have organized various International and National seminars, conferences, workshops etc. for the development and growth of Indian Chemical and Petrochemical industry. The important International seminars conducted during the year 2015-16 are India Chem Gujarat 2015, Poly India 2016, Advancements of Polymeric Materials 2016, 6<sup>th</sup> National Awards for Technology Innovation in Petrochemicals & Downstream Plastics Processing Industry (2015-16), etc. Conferences/seminars/workshops on subjects such as Plastic Waste Management, Coal Gasification, Plasticulture, Green Chemistry, Corrosion Management, promotion of chemical & petrochemical industry have been held.

In the Chemical & Petrochemical Sector, 100 percent FDI is permissible. Manufacture of most chemical & petrochemical products inter-alia covering organic/inorganic, dyestuffs and pesticides is delicensed excluding few chemicals such as Hydrocyanic acid & its derivatives, Phosgene & its derivatives and Isocyanates & di-isocyanates of hydrocarbons because of their hazardous nature. The entrepreneurs need to submit only Industrial Entrepreneurs' Memorandum (IEM) with the Department of Industrial Policy and Promotion provided no locational angle is applicable.

The import and export of chemicals is free except for a few chemicals attracting the provisions of International Conventions. Department is working as a facilitator for the growth of the Chemical Sector. Department has also taken up various fiscal matters i.e. rationalization of tax structure, safeguard duty issues, anti dumping measures with concerned authorities. Various Seminar / Workshop were held in association with stockholders on green chemistry, chemical safety and obligation under international protocols.

**'INDIA CHEM GUJARAT 2015'**, the 4<sup>th</sup> International Exhibition & Conference was held from October 28<sup>th</sup> to 30<sup>th</sup> at Mahatma Mandir, Gandhinagar, Gujarat with the theme "Chemicals - A way of life". Total 124 exhibitors, 6572 Business Visitors from 25 countries have participated in exhibition. There were various pavilions such as DIPP (Make in India), Gujarat Dyestuff Manufactures Association (GDMA), Pumps & Valves, Gujarat Pollution Control Board (GPCB), Government of Odisha, Industries Department.

**Poly India 2016**, the third International Exhibition and Conference on Plastics and Petrochemicals, was jointly organised by the Department, Central Institute of Plastics Engineering and Technology (CIPET) and Federation of Indian Chambers of Commerce and Industry (FICCI) from 28<sup>th</sup> to 30<sup>th</sup> January 2016 in Mumbai. Poly India 2016 comprised an exhibition, a conference and a CEOs Conclave. About 100 exhibitors and 5000 visitors participated in the exhibition, held at Bombay Exhibition Centre, Goregaon, Mumbai. As part of the event, a conference with the theme "Indian Plastics industry: challenges and opportunities" was organised on 29<sup>th</sup> January, 2016. This facilitated exchange of ideas and technology, buyers and sellers meet generating business."

2.10 The Committee desired to know the major initiatives taken by the Department to 'foster the spirit of public-private partnership' for the chemical and petrochemical sectors and the list of PPP projects undertaken by the Department during the last one year and the progress made therein so far. In its written reply, the Department stated, inter alia, as under:-

"India, being a signatory country to the Chemical Weapons Convention, is obligated to facilitation of compilation of annual declarations made by various industrial facilities. Under this obligation, The Department has set up Help Desks in PPP mode in association with the India Chemical Council (ICC) at various places with concentration of chemical industry of relevance to CWC, for facilitating compliance by the chemical industry in its obligation under CWC. The Help Desks are located at Hyderabad, Kolkata, Delhi, Mumbai, Chennai and Vadodara. These Help Desks have been set up for disseminating information on CWC to all stakeholders and on details of obligations of the chemical industry under the CWC Act, for identification of new units, which are potential declarants, through industry surveys and facilitate their filing declarations, for assisting the industrial units covered under the Convention in filing declarations as stipulated under the CWC Act and for conducting the awareness programmes. 20 Awareness Programmes have been conducted during the period 2015-16. Performance of Help Desks was reviewed with respect to awareness for submission of declaration and improvement in quality of declaration.

The Department of Chemicals and Petrochemicals acts as a facilitator for the growth and development of the chemical sector, and the activities of the Department are focused on resolving the issues hampering the growth of this sector.

A number of workshops/seminars have been conducted in collaboration with the Industry Associations/Stakeholders on various issues .

1) CWC Awareness Programmes, to sensitize the industry to discharge their obligations under the provisions of the convention.

2) Green Chemistry

3) Responsible Care

iii) DCPC organizes International / National Conferences and Exhibition in collaboration with the Industry associations for promotion, growth & development as well as showcasing the strengths of the sector.

2.11 Regarding production trends in the Chemical sector, the Department has informed that three new chemical products have been included in the coverage of the products that are monitored by the Department. These new products are: Hydrogen Peroxide, Calcium Carbonate (included under the group Inorganic Chemicals) and Inorganic Pigments (included under the group Dyes and Pigments. The production of major chemicals in 2014-15 (up to September 2014) was 4794 thousand MT, compared to 4722 thousand MT during the same period in 2013-14 implying a growth of 1.5%.

2.11 When asked to provide a note on R&D in Chemical and Petrochemical sector, the Department replied in writing as under:-

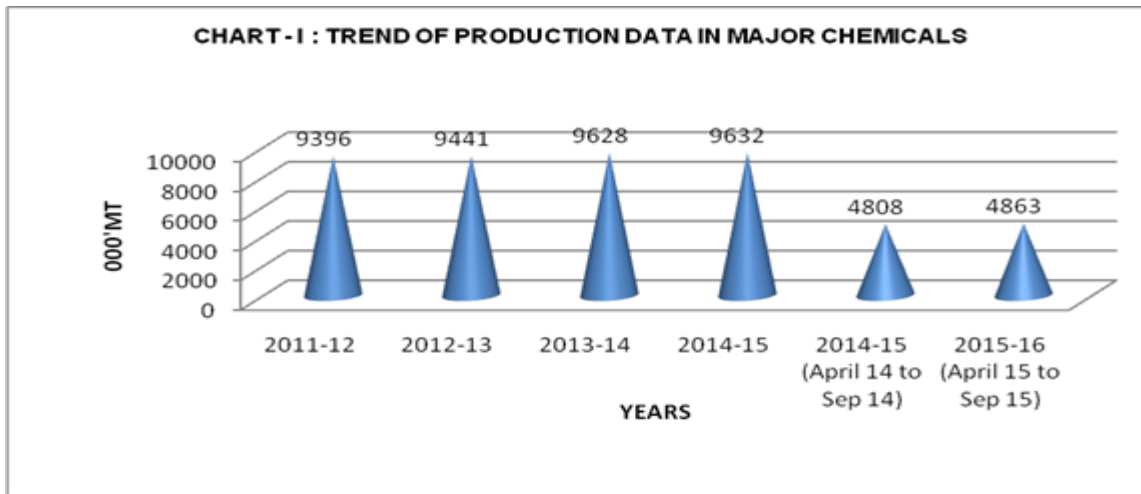
"Chemical:-

The Chemical sector is a highly heterogeneous sector encompassing many segments like organic, in-organics, dyestuffs, pesticides, paints, soaps and petrochemicals etc. Research and Development is critical and of paramount importance for the growth and development of this sector. Continued R&D efforts on the part of the industry helps to improve their quality standards, obtain higher yields resulting in reduction in cost of production and to earn competitive edge in the international market. With the introduction of The Patent Act 2005, product innovation has assumed high importance and reverse engineering is not possible in this sector.

The Indian chemical sector spends 1-2% of their total turnover on R&D as compared to around 5-10% by the chemical industry in the developed countries. Government as an incentive, has allowed weighted deduction on expenditure incurred on approved in-house R&D units under Income Tax Act. This will facilitate the chemical sector to have state-of-the-art R&D laboratories to enable them to develop new molecules."

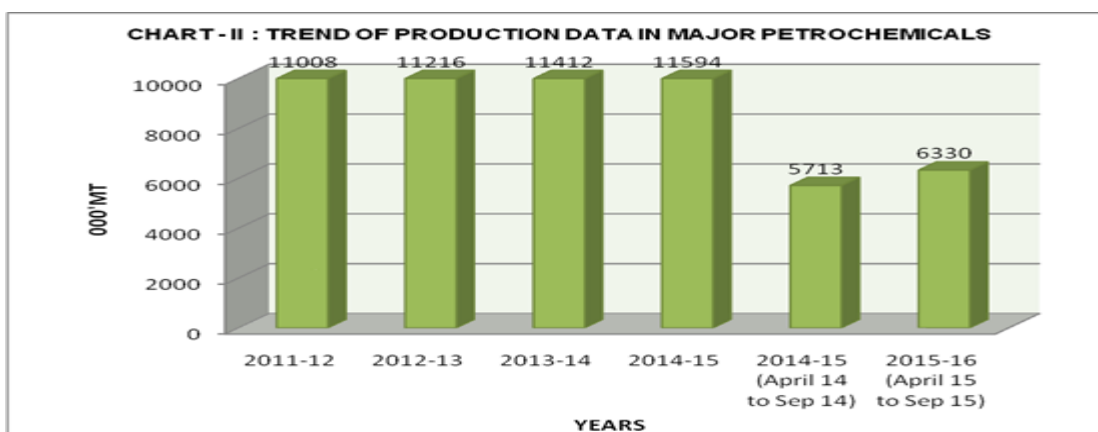
### **Production Trends**

2.11 The production of Alkali Chemicals accounts for around 69% of the total production of major chemicals. The production of major chemicals in 2015-16 (up to September 2015) was 4863 thousand MT, compared to 4808 thousand MT during the same period in 2014-15 (up to September 2014) implying a growth of 1.1%. The trend in the production of selected major chemicals is depicted in the Chart below.



2.12 Petrochemicals, which comprise plastic and host of other chemicals, are downstream hydrocarbons derived from crude oil and natural gas. The value additions in the petrochemicals chain offer immense possibilities and cater to the need of textiles and clothing, agriculture, packaging, infrastructure, healthcare, furniture, automobiles, information technology, power, electronics and telecommunication, irrigation, drinking water, construction and a host of other articles of daily and specialized usage amidst other emerging areas.

2.13 The production of polymers account for around 57% of the total production of basic major petrochemicals. The production of basic major petrochemicals in 2015-16 (up to September 2015) was 6330 thousand MT, compared to 5713 thousand MT in 2014-15 (up to September 2014) implying a growth of 10.8%. The trend in the production of selected major petrochemicals has been depicted in the Chart below.



### International Trade

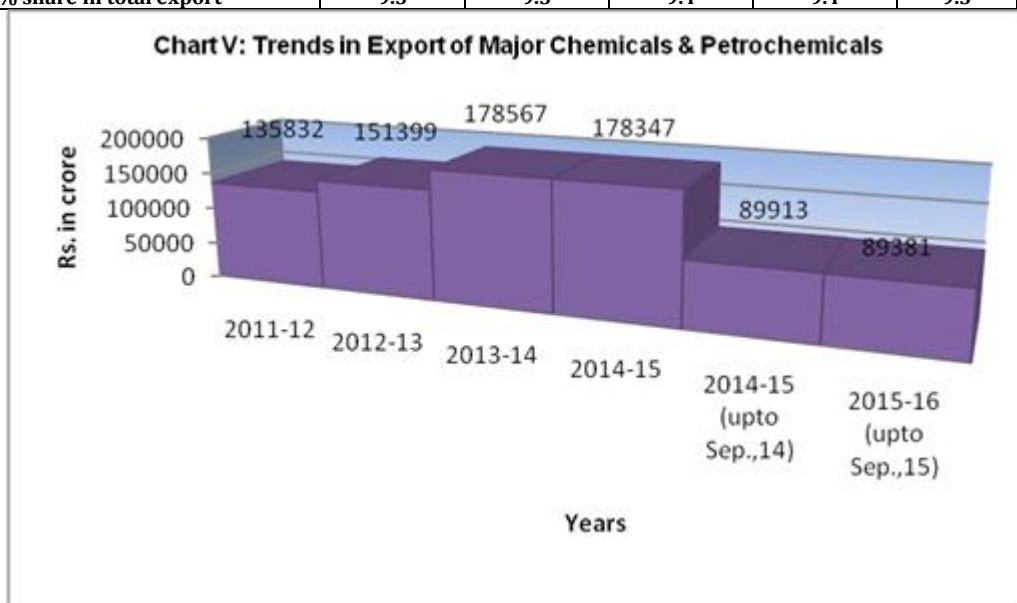
2.14 Trends in exports and imports of Chemicals and Chemical Products (excluding Pharmaceutical Products and Fertilizers) during 2011-12 to 2015-16 (up to September 2015) are given in the Charts below:-

Exports and Imports- Chemicals and Chemical Products (excluding Pharmaceutical Products and Fertilizers)

#### A. Exports

(In Rs. crore)

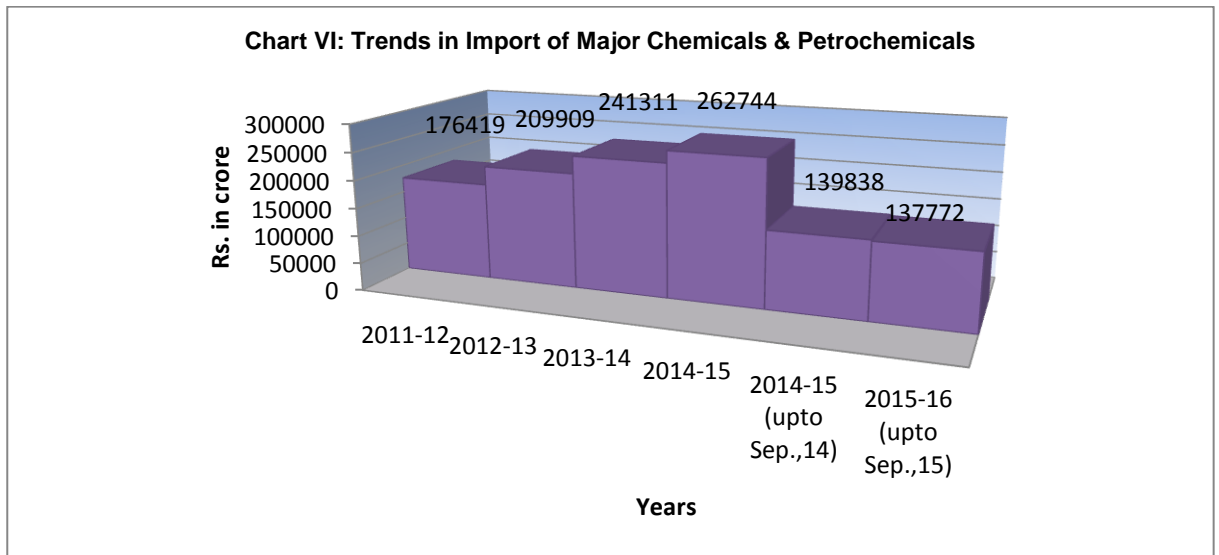
HS Code	Commodity	2011-12	2012-13	2013-14	2014-15	2014-15 (upto Sep.,14)	2015-16 (upto Sep.,15)
	<b>Total National Exports</b>	1465959	1634319	1905011	1896348	971716	848831
28	<b>Inorganic Chemicals</b>	8689	7176	8258	8749	4247	3685
29	<b>Organic Chemicals</b>	56659	66435	73565	73603	36240	37810
32	<b>Tanning or Dyeing</b>	9336	11372	15455	17206	9331	8018
38	<b>Miscellaneous Chemical Products.</b>	12485	15545	18694	19432	9578	8959
39	<b>Plastic and Articles thereof.</b>	25312	28012	34154	31022	16550	16634
4002	<b>Synthetic Rubber and Factice</b>	286	181	245	379	173	251
54	<b>Man-Made Filaments.</b>	12466	12112	15575	14621	7412	7343
55	<b>Man-Made Staple Fibres.</b>	10599	10565	12621	13334	6382	6681
<b>A:Total Chemicals and Chemical Products</b>		135832	151399	178567	178347	89913	89381
<b>% share in total export</b>		9.3	9.3	9.4	9.4	9.3	10.5



## B. Imports

(In Rs. crore)

HS Code	Commodity	2011-12	2012-13	2013-14	2014-15	2014-15 (upto Sep.,14)	2015-16 (upto Sep.,15)
	<b>Total National Imports of which</b>	2345463	2669162	2715434	2737087	1410029	1279924
28	<b>Inorganic Chemicals</b>	27792	28770	29063	31407	15131	16651
29	<b>Organic Chemicals</b>	69144	85439	103157	108351	59121	55287
32	<b>Tanning or Dyeing</b>	7097	8004	9254	9821	5171	5239
38	<b>Miscellaneous Chemical Products</b>	17855	20650	23107	25493	14014	14336
39	<b>Plastic and Articles thereof</b>	40578	52283	61072	71396	37644	38567
4002	<b>Synthetic Rubber And Factice</b>	7731	7562	7339	6697	3701	2862
54	<b>Man-Made Filaments</b>	3725	4149	4597	5042	2543	2477
55	<b>Man-Made Staple Fibres.</b>	2498	3052	3722	4539	2514	2352
<b>B: Total Chemicals and Chemical Products</b>		176419	209909	241311	262744	139838	137772
<b>% share in total import</b>		7.5	7.9	8.9	9.6	9.9	10.8



2.15 The imports of chemicals and products (excluding Pharmaceutical Products and Fertilizers) contributed 10.8% of total imports in 2015-16 (Up to September 2015) compared to 9.9% in 2014-15 ( Up to September 2014) whereas the exports contributed 10.5% of total exports in 2015-16 (Up to September 2015), compared to 9.3% in 2014-15(Up to September 2014).

2.16 The data on Exports and Imports show that the percentage share of chemicals and chemical products in total exports has remained more or less constant (9.3% to 9.4%) over the years since 2011-12 till 2014-15. The percentage share increased to 10.5 percent during 2015-16 (up to September 2015). In this regard, the Committee desire to know the reasons for stagnant growth of the sector in exports. In reply thereto, the Department stated as under:-

"The important reason for rising stagnant export of Chemicals and Petrochemicals product is increase in the domestic demand of these products without commensurate increase in the domestic production. Further the export / import of chemicals and petrochemicals is freely allowed except for a few chemicals attracting the provisions of international conventions. The consumers of chemicals procure them from domestic manufacturers or import the chemicals, depending upon their techno-commercial price considerations."

2.17 The figures also show a steady increase in the percentage share of total imports for chemicals and chemical products during the same period. While the contribution of this sector in total imports during 2011-12 was 7.5 percent, the same for the year 2015-16 (up to Sept, 2015) was 10.8 percent. When asked what are the factors that drive the higher imports, the Department replied as under:-

"The important reason for rising imports is increase in the domestic demand of these products without commensurate increase in the domestic production. Further the export / import of chemicals and petrochemicals is freely allowed except for a few chemicals attracting the provisions of international conventions. The consumers of chemicals procure them from domestic manufacturers or import the chemicals, depending upon

their techno-commercial price considerations. Imports are also made for value addition in the country."

2.18 On being enquired by the the Committee about the shortage of feedstock availability in the Country and the measures being taken to ensure availability of feedstock for sustainable growth of chemicals and petrochemicals sector, the Department in its written reply stated as under:-

"To make easy availability of feedstock for the chemicals and petrochemicals, the Government has formulated the PCPIR Policy. The policy provides that each PCPIR would have a refinery / petrochemical feedstock company as an Anchor Tenant that will help in mitigating the problem of feedstock in the country. The Government is also exploring the possibilities of putting up production facilities in resource rich countries and bringing intermediates in India for further value addition and employment generation. "

2.19 When asked to explain the policy measures, long-term and short-term, being taken to increase the production capacity for both Chemical and petrochemical industries in the Country, the Department replied in writing as under:-

"The department is taking various short terms measures such as rationalization of import duty for synergy in the chemical manufacturing chain, protection of domestic industry by imposition of safeguard duty etc. The department in association with stakeholders organizes international exhibition on chemical industry which facilitates trade, business, exchange of technology etc. Department also conducts various seminars / workshops / International Exhibition for promotion of green chemistry / processes, chemical safety, trade exchange of ideas and technology etc. Department is setting up PCPIRs for increasing the production capacity of chemicals and petrochemicals industry. Each PCPIR will have one anchor tenant refinery which will provide valuable support to the chemical and petrochemical value chain.

For growth and development of the Petrochemical sector, the following schemes for the petrochemical sector have been initiated:

#### **Setting up of Plastic Parks:-**

The scheme aims at setting up of need based plastic parks, an ecosystem with state of the art infrastructure and enabling common facilities to assist the sector to move up the value chain and contribute to the economy more effectively. Under the scheme, Government of India provides grant funding up to 50% of the project cost, subject to a ceiling of Rs. 40 crore per project. The remaining project cost is funded by the State Government or State Industrial Development Corporation or similar agencies of State Government, beneficiary industries and loan from financial institutions.

The setting up of 10 Plastic Parks (including current four Plastic Parks already approved) at a cost of Rs. 405 crore has been approved for implementation during 12th and 13th Plan Period. Out of these Plastic Parks, DCPC has accorded approval to the proposals for plastic parks received from States of Madhya Pradesh, Odisha and Assam and these parks are under various stages of implementation. The proposal of Govt. of Tamil Nadu for setting up a Plastic Park in the State has been approved in October, 2015.

The locations of the remaining six Plastic Parks has been identified by the Scheme Steering Committee (SSC) in its meeting held on 18.02.2016 wherein 'in principle' approval has been accorded for setting up of 6 additional Plastic Parks in the states of Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana, and West Bengal.



Further, considering additional demands being received from States, the Hon'ble Minister (C&F) has given 'in-principle' approval in September, 2015 for the setting up of 8 more Plastic Parks, in addition to 10 parks already approved.

**National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry -**

The scheme aims at incentivizing the meritorious innovations and institutions in various fields of petrochemicals and downstream plastics processing industry. Central Institute of Plastic Engineering and Technology (CIPET) was entrusted with the task of seeking and short listing nominations for the scheme. 17 "Winners" and 14 "Runners-Up" were selected for the 6<sup>th</sup> National Award for Technology Innovation in 2015-16 and the awardees were felicitated by the Minister (C&F) at a function held on 20.01.2016 in New Delhi.

**Setting up of Centres of Excellence(CoE) :-**

The scheme aims at improving the existing petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. During the 11<sup>th</sup> Five Year Plan, the following two CoEs were approved:

National Chemicals Laboratory (NCL), Pune- Centre of Excellence for Sustainable Polymer Industry through Research Innovation & Training (CoE-SPIRIT) and

Central Institute of Plastics Engineering & Technology (CIPET), Chennai - Centre of Excellence for Green Transportation Network (GREET).

Under the 12<sup>th</sup> Five Year Plan, the following 3 Centres of Excellence (CoE) have been approved:

CoE for advanced Polymeric Materials at IIT, Delhi

CoE on Sustainable Green Materials at CIPET Bhubaneswar and

CoE for Sustainable Polymers at IIT, Guwahati.

## CHAPTER III

### Five Year Plans and Annual Plans

3.1 A statement showing the scheme-wise details of plan outlays, physical & financial targets of the Department of Chemicals and Petrochemicals during each year of the 12<sup>th</sup> Five Year Plan(2012-2017) is shown below:-

(Rs. in crore)

Sr. No.	Name of the Scheme	12th plan	2012-13 (BE)	2013-14 (BE)	2014-15(BE)	2015-16(BE)	2016-17 (BE)
<b>I</b>	<b>Project Based Support to PSUs</b>						
1.1	Hindustan Organic Chemicals Ltd.(HOCL)	33.90	26.00	10.00	0.01	17.00	25.00
1.2	Hindustan Insecticides Ltd. (HIL)	4.60	14.00	0.00	15.00	10.00	15.00
1.3	Hindustan Fluorocarbons Ltd (HFL)				20.50	5.00	0.00
<b>II</b>	<b>Support to Autonomous Bodies</b>						
2.1	Central Institute of Plastic Engineering & Technology (CIPET)	280.15	110.00	140.96	102.98	92.68	57.67
2.2	Institute of Pesticides Formulation Technology (IPFT)	15.00	7.00	4.34	5.00	1.00	8.32
<b>III</b>	<b>Other Ongoing Schemes</b>						
3.1	Assam Gas Cracker Project	2552.00	1552.00	1000.00	0.01	0.01	0.01
3.2	Chemical Promotion & Development Scheme (CPDS)	15.00	10.00	3.00	4.30	1.90	5.00
3.3	Chemical Weapons Convention (CWC)	7.50	1.50	1.50	1.20	1.00	1.00
3.4	IT/Sectt.	2.50	0.30	0.70	0.50	1.00	0.00
3.5	Other New Schemes of Petrochemicals	103.35	36.20	39.50	57.50	58.41	48.00
	<b>Total (Rs. In Crores)</b>	<b>3013.00</b>	<b>1757.00</b>	<b>1200.00</b>	<b>207.00</b>	<b>188.00</b>	<b>160.00</b>

3.2 The Department has provided the following statement showing the scheme-wise details of Plan Outlays, expenditure incurred, shortfall and excess during the first year the 12<sup>th</sup> Plan (2012-13):-

2012-13:-

	Scheme	(Rs. crore)			% achievements w.r.t. RE
		BE 2012-13	RE 2012-13	Actual	
	<b>I. Support to Existing PSUs</b>	40.00	28.73	21.70	75.53
	<b>II. Support to Autonomous Bodies</b>				
1	Central Institute of Plastic Engineering and Technology(CIPET)	110.00	40.00	21.70	54.28
2	Institute of Pesticides Formulations Technology(IPFT)	7.00	4.34	0.19	4.38
	<b>III. Other ongoing schemes</b>				
1	Assam Gas Cracker Project	1552.00	1552.00	1552.00	100.00
2	Chemical Promotion & Development Scheme(CPDS)	10.00	2.00	1.19	59.50
3	Chemical Weapons Convention(CWC)	1.50	1.00	0.89	89.00
4	IT/Secretariat	0.30	0.30	0.30	100.00
5	Other New Schemes of Petrochemicals	36.20	8.63	8.63	100.00
	<b>Total</b>	<b>1757.00</b>	<b>1637.00</b>	<b>1606.60</b>	<b>98.14</b>

3.3 As per the Department, there was no significant shortfall in 2012-13, more than 98% of the RE was utilized. In case of CIPET, a scheme of creation of civil infrastructure to meet the requirement of NAAC and UGC guidelines in the CIPET, accounting for more than Rs. 81.00 crore

could not be initiated on account of reduction in the outlay from Rs. 110.00 crore to Rs. 40.00 crore in the RE. Moreover, in case of CIPET and IPFT, their new schemes were in the process of being finalized in consultation with Planning Commission and the internal Finance Division and therefore delayed in these two cases.

3.4 As per the Department, the following statement shows the scheme-wise details of Plan Outlays, expenditure incurred, shortfall and excess during the second year the 12th Plan (2013-14):-

**2013-14 :-**

	Scheme	(Rs. crore)			% achievements w.r.t. RE
		BE 2013-14	RE 2013-14	Actual	
<b>I. Support to Existing PSUs</b>		<b>10.00</b>	<b>8.04</b>	<b>0.00</b>	<b>00.00</b>
<b>II. Support to Autonomous Bodies</b>					
1	Central Institute of Plastic Engineering and Technology(CIPET)	140.96	140.96	140.96	100.00
2	Institute of Pesticides Formulations Technology(IPFT)	4.34	4.34	4.34	100.00
<b>III. Other ongoing schemes</b>					
1	Assam Gas Cracker Project	1000.00	976.96	976.96	100.00
2	Chemical Promotion & Development Scheme(CPDS)	3.00	3.00	2.83	94.33
3	Chemical Weapons Convention(CWC)	1.50	1.50	0.96	64.00
4	IT/Secretariat	0.70	0.70	0.70	100.00
5	Other New Schemes of Petrochemicals	39.50	39.50	31.34	79.34
<b>Total</b>		<b>1200.00</b>	<b>1175.00</b>	<b>1158.09</b>	<b>98.56</b>

3.5 The Department has informed that there was no significant shortfall in 2013-14, more than 98% of the RE was utilized. In case of Assam Gas Cracker Project, Rs. 23.04 was available with AGCP on account of interest accrued; hence RE was fixed to the tune of Rs. 976.96 crore from Rs. 1000.00 crore. Moreover, in case of HOCL, CPDS and CWC, shortfall was due to various reasons. HOCL being a defaulter company, no Plan loan was approved for release by Ministry of Finance. CPDS- approval for release of Rs. 12.00 lakh was received from Ministry of Finance after 31.03.2014. CWC- Certain awareness programmes on CWC Chemicals could not be held.

3.6 The following statement shows the scheme-wise details of Plan Outlays, expenditure incurred, shortfall and excess during the third year the 12<sup>th</sup> Plan (2014-15):-

**2014-15 :-**

	Scheme	(Rs. crore)			% achievements w.r.t. RE
		BE 2014-15	RE 2014-15	Actual*	
<b>I. Support to Existing PSUs</b>		<b>35.51</b>	<b>35.51</b>	<b>31.80</b>	<b>89.55</b>
<b>II. Support to Autonomous Bodies</b>					
1	Central Institute of Plastic Engineering and Technology(CIPET)	102.98	100.85	83.52	82.82
2	Institute of Pesticides Formulations Technology(IPFT)	5.00	1.69	1.68	100.00
<b>III. Other ongoing schemes</b>					
1	Assam Gas Cracker Project	0.01	0.01	0.00	00.00
2	Chemical Promotion & Development Scheme(CPDS)	4.30	4.00	3.32	83.00

	Scheme	(Rs. crore)			% achievements w.r.t. RE
		BE 2014-15	RE 2014-15	Actual*	
3	Chemical Weapons Convention(CWC)	1.20	1.20	0.86	71.67
4	IT/Secretariat	0.50	0.70	0.48	68.57
5	Other New Schemes of Petrochemicals	57.50	29.04	4.59	15.80
	<b>Total</b>	<b>207.00</b>	<b>173.00</b>	<b>126.25</b>	<b>72.98</b>

\*As on 13.03.2015

3.7 As per the Department, the Shortfall in Plan Expenditure was mainly in the “New Schemes of Petrochemicals”, which did not witness the envisaged releases of the installments to the respective Plastic Parks to be setup in the states of Tamil Nadu, Odisha, Madhya Pradesh and Assam.

3.8 According to the Department, for 2015-16, Ministry of Finance had allocated an amount of Rs. 188.00 Crores for Plan which included as follows:-

(Rs. In crores)

Chemical and Petrochemical Industries	130.00
Investment in Public Enterprises	32.00
NER Provisions	25.00
Others	1.00
<b>Total</b>	<b>188.00</b>

This was further allocated by the Department as follows:-

	Scheme	(Rs. crore)			% achievements w.r.t. RE
		BE 2015-16	RE 2015-16	Actual*	
<b>I. Support to Existing PSUs</b>		<b>32.00</b>	<b>15.00</b>	<b>0.00</b>	<b>0.00</b>
	HOCL	17.00	0.00		
	HIL	10.0	10.00		
	HFL	5.00	5.00		
<b>II. Support to Autonomous Bodies</b>					
1	Central Institute of Plastic Engineering and Technology(CIPET)	92.68	107.68	107.68	100.00
2	Institute of Pesticides Formulations Technology(IPFT)	1.00	1.00	1.00	100.00
<b>III. Other ongoing schemes</b>					
1	Assam Gas Cracker Project	0.01	0.01	0.00	0.00
2	Chemical Promotion & Development Scheme(CPDS)	1.90	3.90	2.60	66.67
3	Chemical Weapons Convention(CWC)	1.00	1.00	1.00	100.00
4	IT/Secretariat	1.00	0.80	0.48	60.00
5	Other New Schemes of Petrochemicals	58.41	12.50	8.85	70.80
	<b>Total</b>	<b>188.00</b>	<b>141.89</b>	<b>121.61</b>	<b>85.70</b>

\*As on 29.03.2016

3.9 The Department has explained that the Substantial Reduction at RE stage (2015-16) was witnessed again in the allocation to New Schemes of Petrochemicals as the agencies to setup the Plastic Parks in the states of Tamil Nadu, Odisha, Madhya Pradesh and Assam did not approach the Department for release of installments by attaining the envisaged milestones. Hence, RE ceilings were reduced for this scheme.

It further added that there was no significant shortfall in 2015-16, more than 85% of the RE was utilized. The Ministry of Finance vide its orders dated 17.2.2016 reiterated its decision

dated 03.02.2015 not to release any loans to PSUs. Hence, the funds that stood allocated to PSUs in the Capital Section stood unreleased till date.

3.10 When asked about the steps taken/proposed to be taken and suggestion for the improvement in the implementation of the schemes, the Department replied in writing as under:-

"In order to utilize optimum and timely utilization of allocated funds to achieve the laid down financial and physical targets, the Department monitors implementation of the schemes through regular monthly/quarterly review meetings, in close coordination with nodal/implementing agencies, Industry Associations, project management consultants for expediting the execution and achievement of physical and financial targets."

3.11 When the Committee enquired about the Mid-term appraisal of schemes /programmes and corrective measure the Department has undertaken, the Department replied in writing as under:-

**"Scheme of setting up Plastic Parks:-** Considering the fact that the existing 12<sup>th</sup> Plan budgetary allocation for the scheme is insufficient even for the 4 proposals under implementation, DCPC is unable to consider good proposals from States like Haryana, Uttar Pradesh, Gujarat and Kerala. Accordingly, Department would request NitiAayog/ Ministry of Finance during Mid-Term Appraisal to enhance the Plan allocation for Plastic Parks scheme to Rs.400 crore for enabling it to set up 10 Plastic Parks.

**Central Institute of Plastics Engineering & Technology (CIPET):-** CIPET meets its running expenditure from its own resources and DCPC provides budgetary support for their capital expenditure from Plan funds. CIPET needs substantial additional investment for building up its infrastructure to the required level. The total budget allocation for the entire 12<sup>th</sup> Plan period comes to Rs.280.15 crore and CIPET has sought additional funds in the Mid Term Appraisal to the tune of Rs.306.45crore.

#### **Chemicals Weapons Convention:-**

India is being signatory country to the Chemical Weapons Conventions is obligated to facilitate the compilation of annual declarations made by various industrial facilities. Under this obligation the Department has also set up Help Desks in PPP mode in association with the India Chemical Council (ICC) at various places with concentration of chemical industry of relevance to CWC, for facilitating compliance by the chemical industry in its obligation under CWC. The help Desk have been set up for disseminating information on CWC to all stakeholders and on details of obligation of the chemical industry under the CWC Act, for identification of new units, which are potential declarants, through industry surveys and facilitate their filing declarations, for assisting the industrial units covered under the Convention in filing declarations as stipulated under the CWC Act and for conducting the awareness programmes. 15 Awareness Programmes have been conducted during the period 2014-15 and 20 programmes during 2015-16.

Performance of Help Desks was reviewed with respect to awareness for submission of declaration and improvement in quality of declaration. Suggested improvements were found upto the requirement of CWC Act 2000.

#### **Chemical Promotion and Development Scheme (CPDS):-**

Under CPDS, Department of C&PC provides financial support for conducting seminars, workshops etc. in association with industry organizations such as ICC, CII, FICCI,

Dyestuffs Manufacturers Association of India (DMAI) etc. for the development and growth of Indian Chemical Industry.

Feedback from fund users is being taken from time to time along with supporting documents for verification purposes. Topics such as Green Chemistry, safe usage of agrochemicals, specialty chemicals safety and security aspect in chemical industry will be included as new thrust areas in the chemical sector. A composite international event of the Department, India Chem 2014 was held during October, 2014 in Mumbai for attracting business and investments from domestic and overseas companies in chemicals, Petrochemicals and Pharmaceuticals sector. The cost of the event is partially funded from CPDS. The event was successful. The Department also supported the India-Chem Gujarat in 2015 and is also to organize the India-Chem 2016 during 2016-17.

### **Public Sector Undertakings.**

**Hindustan Organic Chemicals Ltd. (HOCL):-** HOCL was allocated a budgetary support of Rs.10 crore in 2013-14 which was subsequently reduced to Rs.8.04 crore in R.E. The same could not be released to HOCL as necessary approval from Ministry of Finance could not be received since HOCL was a defaulter in repayment of its loans and interest thereon. For the FY 2014-15, no Plan funds have been allocated to HOCL and for FY 2015-16 Rs. 17.00 crore have been allocated. For the same reasons it could not be released the allocated amount of Rs. 17.00 Crores in 2015-16. An amount of Rs. 25.00 Crores is allocated to HOCL during 2016-17.

**Hindustan Insecticides Limited (HIL):-** During 2013-14, HIL was not allocated any budgetary support. HIL's proposal for Rs.4.00 crore in RE was approved by Planning Commission but the amount could not be released as the corresponding re-appropriation of funds was not approved by the Ministry of Finance as the approval of Planning Commission was received late.

For the FY 2014-15, HIL has been allocated Rs.15.00 crore for investment in plant refurbishment and new initiatives (Rs. 4.00 crore) and investment in plant for manufacture of Pendimethalin Technical (Rs. 11.00 crore). Following grant of in principle approval of NITI Aayog, the entire amount has been released to the company

For the FY 2015-16 Rs. 10.00 crore was allocated. The proposal for release has been recommended to Ministry of Finance for consideration of grant of concurrence for release of the same. The decision of Ministry of Finance is still awaited.

An amount of Rs. 15.00 Crores is allocated during 2016-17.

**Hindustan Fluorocarbons Limited(HFL):-** For 2013-14, a proposal of Rs. 3.60 crore for the manufacture of modified PTFE was approved by Planning Commission but the same could not be released due to non-availability of funds.

During 2014-15, HFL has been allocated Rs.20.50 crore. Out of this, an amount of Rs. 16.80 crore for modified PTFE (Rs. 3.60 crore) and refurbishment plant and HFP & FEP related investments (Rs. 13.20 crore) has so far been released. For the balance amount of Rs. 3.70 crore, 'in principle' approval of NITI Aayog has been received on 04.03.2015. However, the amount was not released as the project/scheme for which the amount was required, was deferred by HFL.

The proposal of the Department to release the allocated amount of Rs. 5.00 Crores to HFL as Plan Loan was not agreed to in view of the directions of the Ministry of Finance dated 17.02.2016."

3.12 When the Committee enquired about the system of monitoring and control over the performance of the schemes/programmes under the Department, the Department replied as under:-

"The implementation of all the Plan Schemes is continuously monitored and evaluated at regular intervals i.e. at the time of formulation of Annual Plan proposals, during Annual Plan discussions and preparation of Budget Estimates and Revised Estimates. In addition, progress of utilization of funds is monitored at the time of releases of funds as well. Now, for monitoring of expenditure under Long Term Fiscal Management Act, releases are monitored closely. There is a mechanism of regular monitoring of progress of implementation of the plan schemes in the Department."

## CHAPTER IV

### Demand for Grants 2016-17

As per the Department's Detailed Demand for Grants, the budgetary allocation under Plan and Non Plan under Major Head and Capital during the year 2015- 2016 and 2016-2017 are as below.

**(Rs. in crore)**

Major Head	Budget Estimates 2015-16			Revised Estimates 2015-16			Budget Estimates 2016-17		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Revenue	156.00	67.15	223.15	126.89	48.27	175.16	120.00	42.01	162.01
Capital	32.00	0.03	32.03	15.00	24.61	39.61	40.00	0.03	40.03
Total	188.00	67.18	255.18	141.89	72.88	214.77	160.00	42.04	202.04

4.2 The Committee noted that the Plan allocation of funds under Revenue Head has decreased from Rs. 126.89 crore in RE 2015-16 to Rs. 120.00 crore in BE 2016-17. Similarly, Non-Plan allocation of funds under Revenue Head has also decreased from Rs.48.27 crore in RE 2015-16 to Rs.42.01 crore in BE 2016-17? When asked to explain the reasons for the decrease in Plan/Non-Plan allocation of funds, the Department replied as under:-

"Keeping in view, the pace of Expenditure upto RE stage and non-release of funds against certain schemes (including Revenue Section) under Plan, the overall RE ceilings stood reduced. Accordingly, it also had an effect on the BE (Plan) allocations for 2016-17. Similarly, in the Non-Plan, the pace of Release/Expenditure was also less than expected at RE stage. This was mostly due to lower releases observed against the Bhopal Gas Leak Disaster claims (funds to the tune of Rs. 20.00 Crore were surrendered). Further, the Department also decided to discontinue the Non-Plan support to The Institute of Pesticides Formulation Technology. Both these items taken together had an effect on the lower Non-Plan BE allocations of 2016-17."

4.3 When asked to give reasons for the sharp increase in Plan allocation under Capital Head from RE 2015-16 (Rs. 15.00 crore) to BE 2016-17 (Rs. 40.00 crore), the Department furnished its reply as under:-

"Ministry of Finance while allocating Rs. 160.00 crore to the Department inter-alia envisaged that Rs. 120 Crore be earmarked for "Industries" (Revenue/ Schemes) of the Department. Hence, the balance amount of Rs. 40.00 Crore was allocated to the Capital Section. Further, the Ministry of Finance did not provide for the requirement of funds for the Capital (Non-Plan) Section of the Budget for meeting the contingent liabilities of the PSUs (HOCL) i.e. payment of interest to the Banks against the bonds issued by them on the sovereign Guarantee extended by the Government. The money allocated in the Capital Plan Section is intended to be used for payment of the interest to the Banks, with the approval of the Competent Authority."

4.4 The Committee observe that there is also a sharp drop in allocation under Non-plan allocation under Capital Head from RE 2015-16 (Rs. 24.61 crore) to BE 2016-17 (Rs. 0.03 crore). When asked to explain this, the Department stated as under:-

"The Department had proposed an amount of Rs. 903.34 Crore in the Non-Plan section of the Budget during 2016-17, including Rs. 833.00 Crore for HOCL. However, only an amount of Rs. 42.04 Crore was allocated by Ministry of Finance in the Non-Plan Section.



Hence, a token provision was indicated against the three Chemical PSUs to seek further funds in case of a dire situation."

4.5 The details of Budget Proposals, proposals for Gross Budgetary Support (GBS) and amount actually provided by the erstwhile Planning Commission/Niti Aayog for different schemes in Annual Plan 2016-17 along with their comments, as furnished by the Department, is as below:-

"The Department had proposed a Plan outlay of Rs. 1011.50 crore for 2015-16, against which the Ministry of Finance allotted Rs. 188.00 crore. Similarly, against a proposed Plan outlay of Rs. 921.51 Crores, the Ministry of Finance allocated only an amount of Rs. 160.00 Crores. While approving the outlay for 2016-17, the Ministry of Finance inter alia stipulated that an amount of Rs. 120 crore be allocated to the "Industries", in view of which the Major Head wise allocation stood as follows:-

**BE 2016-17(Plan):-**

Major Head	Allocation (Rs. in crore)
2552 (Lump Sum Provision for North East Region)	16.00
2852 (Industries)	104.00
6856 /6857 (Capital)	40.00
Total	160.00

This was further allocated scheme wise by the Department, as follows:-

Sr. No.	Name of the Scheme	Proposed BE 2016-17	Approved 2016-17
I	Project Based Support to PSUs	26.02	40.00
1.1	Hindustan Organic Chemicals Ltd.(HOCL)	0.01	25.00
1.2	Hindustan Insecticides Ltd. (HIL)	0.01	15.00
1.3	Hindustan Fluorocarbons Ltd (HFL)	26.00	0.00
II	Support to Autonomous Bodies	189.59	65.99
2.1	Central Institute of Plastic Engineering & Technology (CIPET)	181.27	57.67
2.2	Institute of Pesticides Formulation Technology (IPFT)	8.32	8.32
III	Other Ongoing Schemes	705.90	54.01
3.1	Assam Gas Cracker Project	549.45	0.01
3.2	Chemical Promotion & Development Scheme (CPDS)	23.58	5.00
3.3	Chemical Weapons Convention (CWC)	1.00	1.00
3.4	IT/Secretariat	0.00	0.00
3.5	Other New Schemes of Petrochemicals	131.87	48.00
	Total	921.51	160.00

4.6 The Committee observe that while only Rs. 0.01 crore was proposed for HOCL, an amount of Rs. 25 crore has been sanctioned and asked the Department to justify the sharp increase in allocation. In reply thereto, the Department replied as under:-

"Since, the company was already a defaulter and sick, no Plan funds could ordinarily be released. Hence, a token amount of Rs. 0.01 Crore was sought at the proposal stage, in anticipation of approval of its revival package. On the other hand, the company also had

contingent liabilities in the form of payment of interest to the Banks against the bonds issued to them under the sovereign guarantee. However, since the Finance Ministry allocated only Rs. 42.04 Crore against the Non-Plan, an amount of Rs. 25.00 crore was allocated in the Plan funds to meet this contingent liability."

4.7 The Committee also note that while only Rs. 0.01 crore was proposed for HIL, an amount of Rs. 15 crore has been sanctioned. When asked to explain the reason, the Department replied in writing as under:-

"Ministry of Finance while allocating Rs. 160.00 crore to the Department inter-alia envisaged that Rs. 120 Crore be earmarked for "Industries" (Revenue/ Schemes) of the Department. Hence, the balance amount of Rs. 40.00 Crore was allocated to the Capital Section. After allocating Rs. 25.00 Crore to HOCL, the balance amount of Rs. 15.00 Crore was allocated to HIL to consider for upgradation of plant and machinery. This allocation is only an indicative amount and its actual release will depend on the techno-economic feasibility and appraisal of the project/ scheme submitted by the PSU.

4.8 While the Department had proposed allocation of Rs.26 crore for HFL, no amount was eventually allocated for the company. In this regard, the Committee desire to know how the Company will function without any financial allocation. In reply thereto, the Department stated as under:-

Initially (in Oct. – Nov. 2015) HFL had planned setting up of a 3000 MTPA AHF plant (Anhydrous Hydrofluoric acid) for backward integration as part of its revival / restructuring plan. Estimated cost of the AHF plant was around Rs.26 crore. However, considering the relatively small capacities of existing products of HFL viz. 500 MTPA of PTFE (Poly Tetra Fluoro Ethylene) and 1265 MTPA of CFM-22 (Chloro Di Fluoro Methane), setting up of the 3000 MTPA AHF plant was not found to be economically viable. Hence, the same has not been included in the revival / restructuring plan for HFL presently under consideration of the Department. Accordingly, the proposed allocation of Rs.26 crore for AHF plant was also dropped."

#### **Autonomous Institutions**

4.9 Among the Autonomous Institutions, the allocation for **CIPET** was also sharply slashed from the proposed amount of Rs. 181.27 crore to Rs. 57.67 crore. The Department's explanation for this drastic reduction of allocation is as under:-

"The decrease in allocation of funds to CIPET from the proposed amount of Rs. 181.27 crore to Rs. 57.67 crore in BE 2016-17 is due to overall deduction in overall plan outlay of the Department for 2016-17 from the proposed Rs. 921.51 crore to Rs. 160 crore.

4.10 Central Institute of Plastic Engineering and Technology (CIPET)

Major Head 2852						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
83.68	--	83.68	98.68	--	98.68	57.67	--	57.67

4.11 When asked whether the sharp decrease in allocation of funds to CIPET for 2016-17 will have any adverse effects on the activities of CIPET, the Department replied in writing as under:-

"An allocation of Rs. 181.27 crore was sought as Plan assistance in 2016-17 for new schemes for enhancing the (i) Capabilities in Academic Activities (Skill Development

Training Programs) and (ii) Research activities at two R & D Centres and Technology Support Services at CIPET Centres. These schemes, proposed in mid-term appraisal of implementation of CIPET programmes, envisage strengthening of CIPET's civil, technical and research capabilities, opening of new CIPET centres / Vocational Training Centres (VTCs) and consequent skill development initiatives undertaken by CIPET. "

Furthermore, in order to meet additional skill development targets of 1.0 lakh persons per year and around 12 lakh technical skilled manpower by 2024, a proposal to set up 11 new centres / VTCs of CIPET in the country has been taken up for implementation during 2016-17 to 2018-19, requiring additional GoI funding of Rs. 277.50 crore in the implementation period. The department requested for an allocation of Rs. 305 crore for CIPET at BE stage 2016-17 which is curtailed to 57.67 crore due to overall reduction in department's outlay. This reduction in plan funding will make it difficult to achieve revenue and physical targets of CIPET and thereby impinge upon the objectives of activities undertaken under "Make in India", "Skill India", R&D and "Start Up India" by the Department / CIPET. It will be difficult to open new centres, increase skill development target, procure new machinery and equipment for training, technical assistance and R&D which is directly linked to Government objectives of manufacturing, employment, entrepreneurship, R&D, Swachh Bharat and social relevance of the schemes. CIPET has been utilizing 100% of its plan allocation during the last 3 years therefore reduction in budget is not justified. The Department has taken up with Ministry of Finance for increase allocation for CIPET and will sought requisite additional outlays for implementing these schemes in supplementary grants in the year 2016-17.

#### 4.12 INSTITUTE OF PESTICIDE FORMULATION TECHNOLOGY (IPFT)

MAJOR HEAD 2852						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.00	3.70	4.70	1.00	4.05	5.05	8.32		8.32

4.13 The data shows that there is a big jump in total allocation to IPFT for 2016-17 to Rs.8.32 crore from Rs.5.05 crore the previous year. When asked how IPFT plans to utilize the allocated amount, the Department replied in writing as under:-

"IPFT plans to utilize the allocated funds for the procurement of capital equipment to strengthen the existing infrastructure and facilities required for the execution of ongoing and future R&D Projects. It is also proposed to revamp the Pilot Plant of IPFT by rectifying the existing equipment and procurement of some new equipment required for up-scaling of the processes developed at IPFT (Funds allocated to Pilot Plant – Rs.465.00 lakh and to others projects – Rs.367.00 lakhs = Rs.832.00 lakhs)."

#### 4.14 SUBSIDY TO ASSAM GAS CRACKER PROJECT (AGCP)

(Major Head 2852)						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
0.01	0.01	0.02	0.01	0.01	0.02	0.01		0.01

4.15 The Committee observe that the proposed allocation of Rs. 705.90 crore for Assam Gas Cracker Project was reduced to Rs. 0.01 crore at the time of approval. When asked to explain the reasons for this drastic reduction in allocation, the Department furnished its reply as under:-

"As per the table of allocated fund scheme, the amount of Rs. 705.90 crore has been allocated for "Other ongoing schemes" whereas for Assam Gas Cracker Project (AGCP), the allocated amount is Rs. 459.45 crore.

With the release of Rs 1000 crore in 2013-14, the Department of Chemicals & Petrochemicals has released the entire sanctioned amount of capital subsidy of Rs. 4690 crore for AGCP. A token provision of Rs. 0.01 crore each has been provided in Budget Estimates (2014-15,2015-16 and 2016-17). This explains the drop in allocation.

In view of time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies etc., further cost and time escalation has occurred and therefore, BCPL has proposed revised project cost of Rs. 9,965 crore as against the approved project cost of Rs.8,920 crore. The project cost has been estimated based on timelines for overall commissioning by December, 2015. The estimated increase in project cost of Rs. 1045 crore is proposed to be funded by capital subsidy of Rs. 549.45 crore, equity of Rs. 148.67 crore and debt of Rs. 346.88 crore. The Public Investment Board (PIB) Note has been prepared and the same will be placed before the Public Investment Board (PIB) and Cabinet Committee on Economic Affairs (CCEA) as per the laid down procedure for release of capital subsidy of Rs. 549.45 crore to BCPL. After approval of RCE, the request to the outlay for Capital Subsidy for AGCP shall be sought in supplementary grants for the year 2016-17.

The Project has since been commissioned on 02.01.2016 and dedicated to the nation by Hon'ble Prime Minister on 05.02.2016."

#### 4.16 NEW SCHEMES OF PETROCHEMICALS

MAJOR HEAD 2852 (Rs in Crores)								
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
42.41	--	42.41	4.24	--	4.24	48.00	--	48.00

4.17 The Committee observe that there are very sharp fluctuations in terms of allocation for New Schemes of Petrochemicals. The proposed Rs. 42.41 crore for BE 2015-16 was reduced to Rs. 4.24 at RE stage. Now the Department has proposed Rs. 48 crore for BE 2016-17. When asked to explain these fluctuations, the Department replied as under:-

"The BE and RE allocations under Plan Head (MH 2552 & 2852) for New Schemes for Petrochemicals for 2015-16 are:

BE- 58.41 crore

RE- 12.50 crore

The BE allocation of Rs. 58.41 crore for 2015-16 comprised an allocation of Rs. 53.00 crore (approx.) for the scheme for setting up of Plastic Parks. At present, three plastic parks are under implementation in MP, Assam and Chattisgarh. Further, the Tamil Nadu Plastic Park has been approved in October, 2015. The allocation of Rs. 53.00 crore (approx.) was planned for release of GOI grant in instalments to these four parks.

However, the release of funds in instalments under the Scheme for Plastic Park is subject to completion of certain milestones in the project. The Plastic Park project is implemented by the State Government agencies. The Department has been monitoring and reviewing the performance of the Plastic Parks periodically for expeditious implementation of the projects. Despite this, sometimes, due to non-achievement of the milestones stipulated in the scheme guidelines, the concerned State Governments did not submit proposal for release of the next instalment as originally planned. As a result, the funds were reduced at RE stage.

The Department had planned in much advance for the New Schemes for Petrochemicals for 2016-17 and projected its entire requirement. However, as the allocation of Rs. 48.00 crore (under plan head for New Schemes for Petrochemicals for the BE for FY 2016-17) is much less than the required funds, it would not be possible to implement the complete plan as envisaged by the Department.

4.18 When asked to justify the reduction of allocation for Other New Schemes of Petrochemicals from the proposed amount of Rs. 131.87 crore to only Rs. 48 crore at the approval stage, the Department replied in writing as under:-

"The requirement of the Department for Other New Schemes of Petrochemicals, projected for BE 2016-17, remains the same. However, the allocation has been reduced and only Rs. 48 crore has been provided for Other New Schemes of Petrochemicals under BE 2016-17."

4.19 When asked how the Department plan to utilize the Rs. 48 crore allocated in BE 2016-2017, the Department replied in writing as under:-

"The Rs. 48 crore allocated in BE 2016-2017 is proposed to be spent for implementation of the following three Schemes under the New Schemes for Petrochemicals:

- (1) Setting up of Plastic Parks
- (2) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry
- (3) Setting up of Centres of Excellence (CoE)

The allocated Rs. 48.00 crore for New Schemes for the Petrochemicals is proposed to be spent for the three schemes as per the break-up given below:

Scheme for Plastic Park:	Rs. 45.00 crore
Scheme for National Award:	Rs.1.00 crore
Scheme for CoE:	Rs.2.00 crore

#### 4.20 **BHOPAL GAS LEAK DISASTER (BGLD)**

MAJOR HEAD 2852 (Rs in Crores)								
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
--	47.64	47.64	--	27.18	27.18	--	25.11	25.11

4.21 The Committee desire to know how the Department plan to utilize Rs. 25.11 crore allocated for Bhopal Gas Leak Disaster for the year 2016-17. In reply thereto, the Department replied as under:-

"A total amount of Rs. 874.28 crore was approved by Cabinet in June, 2010 for payment of Ex-gratia to an estimated 62,448 Bhopal Gas victims. During the period from 19.12.2010 to 29.2.2016, a total number of 56,877 cases were decided by the Office of the Welfare Commissioner. (Awarded cases 46,046 + Rejected cases 10,831). An amount of Rs. 767.08 crore has been awarded to 46,046 claimants. The disbursement of ex-gratia is still continuing. In addition to this, the cases for ex-gratia compensation for Cancer and Total Renal Failure cases are being received continuously in the Office of the Welfare Commissioner, Bhopal. Looking into the trend and consequence to absence of claimants before the tribunals for receiving ex-gratia, a reduced demand of Rs. 20 crore was raised for payment of ex-gratia to gas victims during the FY 2016-17 as compared to Rs. 40.26

crore during the FY 2015-16. The remaining amount of Rs. 5.11 crore demanded in BE 2016-17 is required for establishment of the Office of the Welfare Commissioner."

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

4.22 India is a signatory and party to the Chemical Weapons Convention (CWC), of the Organization for the Prohibition of Chemical Weapons (OPCW) with Head Quarters at The Hague, Netherlands. The Convention is a universal, non-discriminatory, multi-lateral, disarmament treaty which prohibits the development, production, stock-piling and use of chemical weapons and monitors its elimination in order to secure chemical weapons free world. India signed the treaty at Paris on 14<sup>th</sup> day of January 1993. India, pursuant to provisions of the Convention enacted the Chemical Weapons Convention Act, 2000. As on date, 192 countries are parties to the Convention. India was the First State Party to secure the distinction of chemical weapon free state Party by destructing all its stockpile of its chemical weapons amongst all State Parties of the Convention. The Department of Chemicals & Petrochemicals is the administrative department of CWC Act, 2000. Department of Chemicals & Petrochemicals (DCPC) is responsible for all matters relating to production, consumption, import and export of Schedule II and Schedule III chemicals producing units, including Other Chemical Producing Facilities (OCPF), that includes preparation and filing of Annual Declaration of Past Activates (ADPA) and Annual Declaration of Anticipated Activates (ADAA). (AR, p. 28).

4.23 India hosts OPCW Inspections as per the provisions of the Convention to ensure that the activities do not violate the provisions of the CWC of the Scheduled Chemicals and OCPF. Till date, India hosted 206 such inspections under CWC, however, the inspection teams did not find even traces of presence of Schedule I chemicals in any one of the above inspections. The DCPC deputed competent technical officers for on sight industrial inspections along with visiting international inspection teams for preparation of pre-inspection briefing and for smooth conduct of inspections.

4.24 As per CWC, each State Party is required to file Annual Declarations twice in a year i.e. Annual Declarations of Anticipated Activities (ADAA) and Annual Declaration of Past Activities (ADPA) of Schedule II, Schedule III producing industrial units including OCPFs. DCPC has been inviting on line declarations from the declarable chemical units and filing the error-free declarations within the stipulated time-limits. India has the distinction to become the only Second State Party to collect online declarations from declarable chemical industrial units after USA. It is an important way forward step in promoting e-governance in administration.

4.25 A total of 597 ADPA and 81 ADAA declarations have been filed during the 2015 calendar year.

4.26 The Department has set up six Help Desks in PPP Mode in association with the Indian Chemical Council at various places having industry presence as indicated in Table.

Sl. No.	Help Desk	States
1.	Hyderabad	Andhra Pradesh, Telangana, Orissa, Chhattisgarh
2.	Kolkata	West Bengal, Bihar, Jharkhand and North Eastern Region
3.	Delhi	Uttar Pradesh, Himachal Pradesh, Haryana, Punjab, Chandigarh, Uttarakhand and Jammu & Kashmir and Delhi
4.	Mumbai	Maharashtra, Goa, Rajasthan, Madhya Pradesh
5.	Chennai	Tamil Nadu, Kerala and Karnataka
6.	Vadodara	Gujarat

4.27 India has the distinction to be the First State Party to set up Help Desks amongst all the State Parties of the Convention. These Help Desks act as an important interface between Government and Chemical Industry, covered under the convention for facilitating compliance with the obligations of the convention. These Help Desks promote awareness guidance and encourage the industrial units and make them understand the necessity under the Convention to file declarations. Further, the Help Desks organize several training / awareness programmes in their respective jurisdiction for representatives of declarable industrial units. Under CWC Plan Scheme, an amount of Rs.1 Crore have been utilized out of the sanctioned amount of Rs.1 Crore, to conduct various activities of the Help Desks. Apart from the above, the Help Desks undertake the following activities:

Disseminate information on CWC and the obligations of the chemical industry, under the CWC Act.

Identification of new units, which are potential declarants, through industry surveys and facilitate their filing of declarations.

During the year 2015, total 20 awareness programmes have been conducted.

4.28 Inspection of chemical plant sites covered under the Convention is routinely conducted by the Organisation for Prohibition of Chemical Weapons (OPCW) to ensure that the activities in scheduled and unscheduled chemicals are in accordance with the provisions of the Convention. India has so far received a total 206 industry inspections as on 15.12.2015.

4.29 In this regard, the Committee desire to know how many new chemical industry units have been identified to be declarants and how many units have filed their declarations during the last two years. In reply thereto, the Department stated in writing as under:-

"A total of number of 15 new chemical industry have been identified to be declarants and have filed declarations during ADPA 2015, which are as under:-

List of New Declarants

1. INDOFIL INDUSTRIES LIMITED, THANE
2. INDO AMINES LTD. UNIT-1, DOMBIVALI
3. INDO AMINES LTD. UNIT-2, DOMBIVALI
4. SHASUN PHARMACEUTICAL LIMITED, PUDUCHERRY
5. SHASUN PHARMACEUTICAL LIMITED, CUDDALORE
6. RAMPEX LABS PVT LTD, PARAWADA, ANDHRA PRDESH
7. HONOUR LAB LIMITED, MEDAK
8. EASTERN NAPHTHA-CHEM LIMITED, BOKARO

9. SAI SULPHONATES PVT.LTD.-KHARAGPUR
10. SAI SULPHONATES PVT. LTD (SARSUNA UNIT), SARSUNA
11. ALLCHEM LABORATORIES, VADODARA
12. GSP CROP SCIENCE PRIVATE LIMITED, NANDESARI
13. PI INDUSTRIES LTD, SAROD, BHARUCH
14. SHIVA PHARMACHEM LTD., BHARUCH
15. VITAL CHEMTECH LLP, BHARUCH

Details of declarations filed by the industry units for the last 02 years are as under:

#### ADPA Declarations

Regime	No. of plant sites Declared in ADPA 2014	No. of plant sites Declared in ADPA 2015
Schedule-2	32	36
Schedule-3	43	45
OCPFs	517	513
Non Declarable	40	33
<b>Total</b>	<b>632</b>	<b>627</b>

#### ADAA Declarations

Regime	No. of plant sites Declared in ADAA 2015	No. of plant sites Declared in ADAA 2016
Schedule-2	34	39
Schedule-3	39	42
OCPF	00	00
No. of rejections	04	01

4.30 When asked about the major findings of these inspections and any other follow up action that may has been taken on the findings, the Department replied in writing as under:-

"India hosts OPCW Inspections as per the provisions of the Chemical Weapons Convention (CWC) to ensure that the activities at plant sites do not violate the provisions of the CWC with regard to Scheduled Chemicals and OCPF. India hosted 206 such inspections under CWC, till December, 2015. However, the inspection teams did not find even traces of presence of Schedule I chemicals in any one of the above inspections.

Further, no adverse comments have been passed by the OPCW Inspection Team in any of the inspections hosted by India. Hence, no follow up action was necessitated."

#### 4.31 **Budgetary Allocations during 2016-17 for CWC**

MAJOR HEAD 2852						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.00	0.01	1.01	1.00	0.01	1.01	1.00		1.00

4.32 When asked how the Department plan to utilize Rs. 1 crore allocated for the Chemical Weapons Convention (CWC) for the year 2016-17, the Department replied as under:-

"Out of Rs. 1 crore allocated for CWC during 2016-17, Rs. 75 lakhs will be spent for continuation of 06 CWC Help Desks at various locations in the country and Rs. 25 lakhs will be utilised to organise 20 CWC Awareness Programme at different locations and chemical clusters through CWC Help Desks."

#### **Chemical Promotion and Development Scheme**

4.33 Under CPDS, Department of C&PC provides financial support for conducting seminars, workshops etc. in association with industry organizations such as ICC, CII, FICCI, Dyestuffs



Manufacturers Association of India (DMAI) etc. for the development and growth of Indian Chemical Industry.

"Feedback form fund users is being taken from time to time along with supporting documents for verification purposes. Topics such as Green Chemistry, safe usage of agrochemicals, specialty chemicals safety and security aspect in chemical industry will be included as new thrust areas in the chemical sector. A composite international event of the Department, India Chem 2014 was held during October, 2014 in Mumbai for attracting business and investments from domestic and overseas companies in chemicals, Petrochemicals and Pharmaceuticals sector. The cost of the event is partially funded from CPDS. The event was successful. The Department also supported the India-Chem Gujarat in 2015 and is also to organize the India-Chem 2016 during 2016-17."

4.34 As per the Department, an allocation of Rs. 5.00 crore has been made for undertaking various promotional activities for chemical and petrochemical industry, viz:

- (i) Promotion of chemical industry by organizing **India Chem** and **India Chem Gujarat** events. These events are undertaken in association with FICCI once in two years alternately. During the year 2015-16, the Department along with FICCI, successfully promoted 3<sup>rd</sup> International exhibition 'Poly India 2016' on 28-30 January 2016 at Bombay Exhibition Centre, Goregaon, Mumbai. The Department also organized 7<sup>th</sup> International Conference on 'Advancement in Polymeric Materials APM-2016' at Ahmedabad, Gujarat on 11 - 12 February, 2016.

The Department will supplement the efforts of the industry associations for holding both domestic and international seminars/conferences etc. for the promotion and development of chemical as well as petrochemical sector. This will include road shows in countries with developed chemical industry as also those having good market potential for Indian industry. International Buyer-Seller Meet is also envisaged.

- (ii) Action will also be taken to promote PCPIRs. Promotional activities for the promotion of chemical/plastic hubs will also be undertaken."

4.35 When asked to provide details of all activities like seminars, workshops, etc. undertaken by the Department under the CPDS during the last one year and the funds spent thereon, the Department replied as under:-

"During the FY 2015-16 (till 16/03/2016), an amount of Rs. 2.86 crore has been spent for organization of various conferences, seminars, workshops, studies, etc.

4.36 Budgetary allocation for CPDS is as under:-

MAJOR HEAD 2852						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.90	--	1.90	3.90	--	3.90	5.00	--	5.00

4.37 The Committee further note that the proposed allocation of Rs. 23.58 crore for Chemical Promotion and Development Scheme (CPDS) for 2016-17 has been reduced to Rs. 5 crore only at the approval stage. In this regard, the Department furnished the following explanation for the reduction of funds for CPDS:-

"The Department has originally contemplated for setting up of chemical inventorization committee/board, bureau of corrosion of control, chemical safety committee/board during the financial year 2016-17. These new initiatives require the approval of Standing Finance Committee (SFC) after consultation from various Ministries/Govt. agencies, industries associations and various stakeholders. The process initiated by the Department could not be completed. Therefore it has been decided to reduce the BE for 2016-17 to Rs. 5 crore at the approval stage. The reduction will not affect the functioning of CPDS because more funds proposed originally are meant for new initiatives."

4.38 The Committee observe that the budgetary allocation for CPDS increased from Rs. 1.90 crore in BE 2015-16 to Rs. 3.90 crore in RE 2015-16 further to Rs. 5 crore in BE 2016-17. When asked about the reasons for the steady increase in budgetary allocation from 2015-16 to 2016-17, the Department replied as under:-

"It has been decided to set up Help Desks/PCPIR Facilitation Desks with the objective to promote investment and trade in the chemical and petrochemical sector and also permanent advisory committee of experts to review the latest trends, developments in domestic and international chemical/petrochemical market, trade and technology and will recommend suitable policy interventions to the government during the FY 2016-17. Therefore, there is an increase in the allocation of budget for 2016-17."

4.39 LUMPSUM PROVISION FOR PROJECT/SCHEME FOR THE BENEFIT OF THE N.E. REGION AND SIKKIM

MAJOR HEAD 2852						(Rs in Crores)		
BE 2015-16			RE 2015-16			BE 2016-17		
Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
25.00	--	25.00	17.26	--	17.26	14.00	--	14.00

4.40 The Committee note that while the amount proposed under this head was Rs. 14 crore as per the Detailed Demand for Grants, the amount indicated for the same was Rs.16 crore as per the Preliminary Material (p. 29).When asked to clarify the discrepancy on the allocation, the Department replied as under:-

"10% of the GBS is allocated to the North Eastern Region Head(MH2552). Accordingly, Rs. 16 crore of the total Plan allocation has been provided to NER Head. Rs. 2.00 crore has been provided to CIPET and Rs. 14 crore has been provided to the scheme " New Schemes for Petrochemicals" during 2016-17.This has been reflected in the page 2 of the DDG. The Department further add that the Rs. 2 Crore allocated to CIPET under this head will be utilized to provide technology support services at CIPET Centres in the North East."

4.41 The Committee observe that there is no separate allocation of funds for PCPIRs and desire to know how the Department plan to sustain the schemes without direct financial allocation by the Central Government. In reply thereto, the Department stated as under:-

"As per the existing PCPIR Policy, Government of India would ensure the availability of external physical infrastructure linkages to the PCPIR including Rail, Road (National Highways), Ports, Airports, and Telecom, Common Utility infrastructure and Effluent Treatment facilities, in a time bound manner. This infrastructure would be created/upgraded through Public Private Partnerships to the extent possible. Central

Government has to provide the necessary Viability Gap Funding (VGF) through existing schemes. Wherever necessary, requisite budgetary provisions for creation of these linkages through the public sector would also be made. At present, creation of basic & common utility infrastructure is being considered by Government of India by way of VGF only. Department of Chemicals & Petrochemicals, has submitted draft revised PCPIR Policy for consideration of Committee of Secretaries (CoS) incorporating provisions of financial assistance by way of Budgetary Allocation upto Rs. 1000 Crore for each PCPIR for creation of Internal Infrastructure, Common Utilities, Technical Assistance etc. The same shall apply to existing PCPIRs as well. The revised Policy, after approval, would create a positive environment for investments and expedite implementation of PCPIRs.

4.42 During evidence the Secretary mentioned about the problem faced by them due to the inadequate allocations and stated as under:-

I would like to bring to your notice that we do not have a very huge amount as Plan budget. In 2015-16, BE was Rs 188 crore which was reduced to Rs. 141.89 crore at RE stage. This reduction was huge in view of the small budget. In 2016-17, we put up the demand for Rs. 921.56 crore against which we were given Rs. 160 crore. A big chunk of our budget i.e. around Rs. 500 crore was to be allocated to the Brahmaputra Crackers and Polymers limited. We do not have a problem there as we have carried forward this proposal and we will get the budget at supplementary stage whenever the cabinet Committee approves it on account. Technical Education and polymer sciences are our two sectors from which we have huge expectations and the Committee too has pinned hopes on them. CIPET has a pivotal role in the fields and there has been a considerable reduction in the budget for this purpose. We faced a lot of problems when RE was reduced last time. In 2015-16, we would be able to give only Rs. 57 crore. This will definitely curtail their activities because 11 centres are proposed to be set up and the allocation is far less than the amount required in this regard. The plan outlay we have got is not meeting our requirement.

I need to point one more thing. For the last two years budget includes committed amounts. Like this time, out of the allocation of Rs. 160 crore, Rs. 40 crore have been committed for public sector undertakings. It is the department opinion there should be no provision of committed amounts and there should be more flexibility since it becomes very difficult to maneuver the small budgetary allocation as per requirement when there is a committed amount to be taken into account. My only submission is that the Committee is fully aware of the Department's primary activities and if we get enhanced budgetary allocations then we can certainly fare much better in the chemicals and Petrochemical sector.

## CHAPTER V

### PUBLIC SECTOR UNDERTAKINGS (PSUs)

#### I. Hindustan Organic Chemicals Limited (HOCL)

5.1 Hindustan Organic Chemicals Limited (HOCL) was incorporated on 12<sup>th</sup> December, 1960 as a Government company with the objective of setting up manufacturing capacities for chemicals / intermediates required for production of dyes, dyes – intermediates, rubber chemicals, pesticides, drugs and pharmaceuticals, laminates, etc. The company has two manufacturing units located at Rasayani (Maharashtra) and Kochi (Kerala). The Rasayani unit (Chemical Complex) started production from 1970-71 and the Kochi Unit (Phenol Complex) commenced production from 1987-88. Main products manufactured by HOCL include phenol, acetone and hydrogen peroxide at Kochi unit and aniline, nitrobenzene, formaldehyde, concentrated nitric acid and di-nitrogen tetroxide (N<sub>2</sub>O<sub>4</sub>) at Rasayani unit. HOCL is the sole manufacturer of N<sub>2</sub>O<sub>4</sub> in India which is supplied to ISRO for satellites launching programme.

5.2 HOCL also has a subsidiary company M/s Hindustan Fluorocarbons Limited (HFL) located at Rudraram, Telangana, which manufactures Poly tetra fluoro ethylene (PTFE), a high tech engineering plastic, and chloro di-fluoro methane (CFM-22), a refrigerant gas and feedstock for PTFE.

5.4 Following globalization and liberalization of the Indian economy in the early 1990's resulting in competition from international players, HOCL incurred losses for the first time in 1997-98. Due to continued losses leading to negative net worth by 2003-04, the company was referred to Board for Industrial and Financial Reconstruction (BIFR) in February, 2005. Based on the recommendations of Board for Reconstruction of Public Sector Enterprises (BRPSE), Govt. approved a revival package for the company on 9<sup>th</sup> March, 2006 providing (i) cash infusion of Rs.270 crore by way of preference share capital (redeemable) for repayment of high interest bonds, bank loans and implementation of VRS and (ii) continuation of Govt. of India guarantee of Rs.100 crore for full term of 10 years to be utilised to liquidate high cost debt. Following implementation of the package, the company made nominal profits during 2006-07 and 2007-08 and came out of BIFR.

5.5 However, the company again suffered losses in 2008-09 and 2009-10 mainly due to recessionary trend in the market as an effect of global meltdown. Though it earned profit during 2010-11, the situation worsened thereafter with losses during 2011-12 and 2012-13 following withdrawal of anti-dumping duties on its main products phenol and acetone. As the financial position of HOCL became precarious and in order to enable the company to tide over its liquidity problems, the Govt. on 1<sup>st</sup> August, 2013 approved postponement of redemption of

Rs.270 crore preference shares issued to the Govt. of India (date of allotment 24.01.2008), which was due for redemption from 2011-12 to 2015-16. The Govt. guarantee of Rs.100 crore was also further extended up to August, 2017.

5.6 Further, Govt. guarantee of Rs.150 crore was provided to HOCL in July, 2014 for issue of bonds by the company for meeting its working capital requirement and payment of liabilities towards raw material suppliers, employee dues etc. Funds of Rs.150 crore were raised by HOCL in October, 2014 against the Govt. guarantee which enabled the company to restore manufacturing operations at Kochi Unit and restore operations of Nitrobenzene plant and N<sub>2</sub>O<sub>4</sub> plant at Rasayani Unit. However, the global fall in the prices of petroleum products caused severe crash in the prices of Phenol and Acetone and the company faced difficulties in selling the products at profitable rates and generating adequate working capital. This has led to frequent shutting down of operations at both Kochi and Rasayani units thereby further aggravating the financial crisis of the company.

5.7 Financial performance of HOCL in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.3.2015 are given below:

(Rs. in crore)

Year	Turnover	Net Profit / (Loss)
2010-11	738.04	25.72
2011-12	606.37	(78.07)
2012-13	624.19	(137.99)
2013-14	236.80	(176.85)
2014-15	167.19	(215.49)
Net worth as on 31.3.2015: (-)Rs.534.16 crore		

5.8 During 2015-16 (up to December, 2015), the company achieved a turnover of Rs.97.39 crore and loss of Rs.133.70 crore, as per the provisional unaudited results. The low turnover and loss is due to the fact that most of the plants / operations of the company have generally remained shut down for the last several months due to acute shortage of working capital.

5.9 With accumulated losses resulting in eroding of company's net worth to (-) Rs.128.50 crore in 2012-13, HOCL again made a reference to BIFR in November, 2013 for registration as a sick company. In the hearing held on 22.7.2015, BIFR declared HOCL as a sick company.

5.10 With a view to address the persistent financial problems of the company, HOCL had earlier in January, 2014 appointed M/s FEDO (FACT Engineering and Design Organization) as a consultant for conducting a revival study. However, the FEDO report was not accepted by the Board of Directors of HOCL on the ground that that the report did not take into account the scenario prevailing in the domestic and international market, crashing crude prices and drastic downfall in the prices of phenol and acetone. Therefore, the Board of Directors in January, 2015 decided to appoint a new consultant for preparing a fresh revival plan.

5.11 A revival plan for HOCL prepared by the new consultant (M/s JPS Associates) has been approved the Board of Directors of HOCL. Based on the information contained in the revival plan report, a revival / restructuring plan for HOCL is presently under consideration of the Department.

5.12 In light of the above, the Committee desire to know the reasons why the revival plan of HOCL was not approved by BIFR. In reply thereto, the Department stated as under:-

"The first hearing on HOCL's reference to determine the company's sickness was held in BIFR on 27.01.2015. Having considered the submissions made during the hearing, BIFR *inter alia* gave the direction that the business model of revival plan for the company should be placed before BIFR on the next date of hearing scheduled on 22.07.2015. In this regard, it is mentioned that the Board of Directors of HOCL in its 356<sup>th</sup> meeting on 13.01.2015 had decided to appoint a new consultant for preparing a fresh revival plan as the earlier revival report (FEDO report) did not take into account the macro economic factors such as fall in crude oil prices, volatile markets and fast changing domestic & international scenario in the chemical sector. However, as the revival plan report of the new consultant (M/s JPS Associates) was approved by the Board of HOCL only on 3.9.2015, same could not be placed before the BIFR in the hearing on 22.7.2015.

In the hearing on 22.7.2015, BIFR declared HOCL as a sick company in terms of Section 3(1)(o) of SICA, 1985. BIFR appointed State Bank of India as the Operating Agency (OA) with directions to prepare a viability study report and revival scheme for the company. HOCL was directed to submit the draft rehabilitation proposal / revival plan to the OA which was required to examine the same, convene a joint meeting with all the stakeholders and submit the minutes thereof to BIFR before the next date of hearing scheduled on 4.11.2015. A copy of the Board approved revival plan report was accordingly submitted by HOCL to the OA/ SBI. However, further action in the matter could not be taken since all hearing listed from 28.10.2015 onwards were postponed by BIFR till further orders. No further intimation regarding hearing on HOCL's revival has so far been received from BIFR."

5.13 When asked to give the updated status of the revival study proposals by M/S JPS Associates and the Department's plan of action on the matter, the Department replied in writing as under:-

"The revival plan report prepared by the new consultant (M/s JPS Associates) was approved by the Board of HOCL on 3.9.2015. Based on the information contained in the revival plan report, a restructuring plan for HOCL was prepared by the Department examining the options of (i) Revival of operation of HOCL; (ii) Shutting down of operation and selling of operational assets; and (iii) Privatization / Disinvestment.

Subsequently, keeping in view the shut down of most of the plants at both the Kochi and Rasayani units of HOCL for the past several months, various options for restarting operations of the shut down plants were discussed in a meeting chaired by Secretary (C&PC) on 9.2.2016. After deliberations, following decisions were taken:

(i) HOCL should approach BPCL and make necessary arrangements for enhancing the credit limit so that raw material required for running the Kochi and Rasayani units can be procured and the shut down plants are restarted at the earliest.

(ii) Similarly, HOCL should negotiate with SBI for increasing the company's CC limit.

(iii) Given the critical financial position of the company, HOCL should work out an arrangement with the employees / workers / unions for payment of salaries only out of

any surplus left after meeting the working capital and operational requirements of the company.

Based on the above decisions, a plan to revive the company's operations by utilizing / monetizing its surplus land assets (refer Ans. 54 above) is now under consideration of the Department."

5.14 When the Committee asked the Department to indicate the alternative steps/measures taken to revive HOCL and make it viable again, the Department replied in writing as under:-

"Presently, most of the plants of HOCL at Kochi (Phenol and Acetone) and Rasayani (Nitrobenzene, Formaldehyde and Concentrated Nitric Acid) are not operational due to acute working capital shortage. Only Hydrogen Peroxide plant at Kochi and Di-nitrogen tetroxide (N<sub>2</sub>O<sub>4</sub>) plant at Rasayani are being operated but the revenue generation from these plants are not significant. To enable the company to run its operations at least to minimize losses, the company needs immediate working capital infusion of around Rs.40 crore so as to resume the operations of its major revenue earning plants at Kochi and Rasayani. Assuming that no cash support is to be provided by the Government, it is proposed to use the surplus land assets of the company to generate the requisite working capital funds to restart the operations. However, certain non-cash financial support would also be required from the Government to clean up its books and facilitate restart of HOCL's operations.

Accordingly, a plan for reviving the operations of HOCL on the basis of minimal cash outgo and without considering any fresh / new investments except for working capital requirement has been worked out and is presently under consideration of the Department.

5.15 The Committee desire to know how much money HOCL owed to the Government as loans and interest dues and what efforts are being made to repay those dues and take the company on the growth path. In reply thereto, the Department stated as under:-

"The amount of outstanding Government loans and interest of HOCL, as on 31.12.2015, are given below:

(i) Principal – Rs.99.65 crore

(ii) Interest - Rs.75.46 crore

HOCL has been incurring continuous losses since 2011-12 and had an accumulated loss of Rs.927.55 crore as on 31.03.2015. The financial position of HOCL continues to be poor (Provisional loss of Rs.133.70 crore during 2015-16, up to 31.12.2015), and it does not have adequate funds to meet its working capital and other operational requirements. Salaries and statutory dues of the employees have also not been paid for the past several months. Under these circumstances, HOCL is not in a position to repay the outstanding Govt. loans and interest."

5.16 When asked to state the status of salary payment of employees of HOCL, the Department stated as under:-

"The salary / wages of HOCL employees are outstanding for almost one year now (February to May, 2015 and August, 2015 to February, 2016) and their statutory dues are outstanding for varying periods up to February, 2016. Similarly, salary and statutory dues of the retired and resigned employees have also not been paid for varying periods up to February, 2016. The total outstanding salary / wages and statutory dues is around Rs.158 crore, comprising of Rs.48.54 crore for Kochi unit and Rs.109.46 crore for Rasayani unit.

5.17 When asked to highlight any steps/measures taken to fix responsibility for this poor financial state of HOCL, the Department replied in writing as under:-

"There are several reasons for the poor financial condition of HOCL. Nevertheless, the Government on 22.2.2016 has pre-maturely terminated the tenure of Shri V. B. Ramachandran Nair, who had assumed the charge of Chairman & Managing Director (CMD) of HOCL on 17.6.2013 for a period of five years. The continuously deteriorating performance of the company despite the Government assistance provided to HOCL in August, 2013 (postponement of redemption of Rs.270 crore preference shares from 2011-12 to 2015-16 and extension of GoI guarantee for Rs.100 crore for another 5 years i.e. up to 28.8.2017) and again in July, 2014, (GoI guarantee for raising Rs.150 crore through bonds for working capital requirement and payment of other liabilities), was one of the factors considered by the Department while recommending the pre-mature termination of tenure of Shri V. B. R. Nair."

5.18 On the steps being taken to recover the encroached land of HOCL, the Department furnished the following information:-

"The Government of Maharashtra had acquired 1061 acres of land for HOCL project at Rasayani and handed it over to HOCL in 1960. The villagers residing within the area of the acquired / handed over land were to be resettled in alternate land identified for the purpose as a part of rehabilitation. However, these villagers did not shift as per the terms of land acquisition and were occupying land to the extent of approx. 11 acres originally. In the absence village site boundaries, further encroachments on HOCL land adjacent to these villages have come during the last 25 to 30 years thereby increasing the total encroachment area to the extent of 39.63 acres.

HOCL has been making efforts over the years to control the encroachments through the district and local police authorities, in particular near the village boundary lines. Attempts of the villagers in the recent past to encroach HOCL land for construction of houses etc. have been prevented by the company with the help of police and revenue authorities. In some cases, court cases have also been filed. However, the company's efforts have not been successful because of several factors like stiff opposition by the local leaders and panchayats, regularization / registration of constructions by the local panchayats, inadequate response by the local authorities to the company's repeated requests for removing encroachments, etc. Further, due to the current poor financial position of the company it does not have the funds required to carry out fencing of the entire land at Rasayani.

## **II. Hindustan Fluorocarbons Limited (HFL)**

5.19 Hindustan Fluorocarbons Ltd. (HFL), a subsidiary company of Hindustan Organic Chemicals Ltd. (HOCL), was incorporated on 14.07.1983. It is located at Rudraram, District Medak, Telangana. The company started production in the year 1987 and is engaged in the manufacture of Poly Tetra Fluoro Ethylene (PTFE) and of Chloro Di Fluoro Methane (CFM-22). PTFE is extensively used in chemical, mechanical, electrical and electronic industries and has strategic applications in defence and aerospace sectors. CFM-22 is used as a refrigerant gas and also as feedstock for production of PTFE.

5.20 HFL started making losses from its inception in 1987-88 resulting in erosion of its net worth and reference to BIFR in 1994. A rehabilitation package for HFL under the operating agency M/s IDBI was approved by BIFR on 03.12.2007. Total cost of rehabilitation package was



Rs.19.28 crore and did not involve infusion of any Govt. funds. Following implementation of the rehabilitation package, HFL made marginal profits from 2007-08 to 2012-13. However, the company suffered losses in 2013-14 (Rs.24.82 crore) mainly on account of provisioning for wage arrears and in 2014-15 (Rs.3.77 crore) due to reduced sales realization of its main product PTFE. HFL continues to be registered with BIFR as a sick company since the net worth of the company is negative.

### Financial Performance

5.21 Financial performance of HFL in terms of turnover and net profit/loss for the last 5 years and net worth as on 31.3.2015 are given below:

(Rs. in crore)

Year	Turnover	Net profit / (Loss)
2010-11	33.52	2.23
2011-12	50.33	2.52
2012-13	44.48	0.95
2013-14	31.34	(-)24.82
2014-15	32.75	(-)3.77
Net worth as on 31.3.2015: (-)Rs.52.55 crore		

5.22 During 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.25.40 crore and loss of Rs.7.00 crore, as per the provisional unaudited results. This is mainly due to plant shut down for refurbishment / revamping activities.

5.23 Further, for long term and sustainable growth of the company, a revival / restructuring plan for HFL is also under consideration of the Department.

5.24 In this regard, the Committee asked the Department to give a highlight of the restructuring plan under consideration. In reply thereto, the Department stated in writing as under:-

"Following are the highlights of the restructuring plan for HFL under consideration of the Department:

(i) Reducing high manpower cost by giving VRS to about 35 employees costing approx. Rs.14.10 crore. Presently about 144 employees are on the rolls of the company as against actual requirement of 110.

(ii) Payment of outstanding statutory dues of employees amounting to Rs.10.95 crore. If HFL has to pay these dues from its working capital, its overall operational and financial position will deteriorate further.

(iii) Diversification of products focusing on development of fluoro specialty chemicals to overcome uneconomical plant capacity

(iv) Restructuring of outstanding HOCL loans of Rs.32 crore into equity shares of HOCL in HFL and outstanding interest of Rs.6.16 crore to be waived by HOCL.

(v) Moratorium on repayment of total Plan loans of Rs.16.80 crore (sanctioned in 2014-15) and interest thereon for three years up to 2017-18 and extension of loan / interest repayment period from 5 years to 10 years

The total funds of Rs.25.05 crore required for (i) and (ii) above is proposed to be provided by the Govt. in the form of grants-in-aid.

Timelines for implementation and completion of the above revival / restructuring plan would be known only after the plan is approved by the competent authority."

5.25 When the Committee asked about the plans of the Department/HFL to make the company financially viable and profitable, the Department replied in writing as under:-

"Existing PTFE (Poly Tetra Fluoro Ethylene) manufacturing capacity of HFL is 500 MTPA (575 MTPA of TFE) and 1265 MTPA of CFM-22 (Chloro Di Fluoro Methane) which are uneconomical and small vis-à-vis industry standards. Since it is difficult to compete with small capacities, the company is diversifying into making products which can be sold in niche market with more margins as compared to PTFE. Therefore, company is focusing on development of fluoro specialty chemicals, wherein contribution is more as compared to PTFE, and has already developed TFE-ETHER, Telomeres etc. The company has also started development work on other new fluoro specialty chemicals like Benzotrifluoride (BTF). Also, since existing PTFE grades are not competitive due to higher input cost, HFL has developed advanced grades of PTFE i.e. Modified PTFE (MPTFE), which has higher margins than ordinary PTFE. HFL exported about 7.2 MT of MPTFE to Italy in 2014-15. The company expects income of about Rs.3 crore per year from MPTFE.

HFL has also implemented plant refurbishment schemes and small projects with Plan loan of Rs.13.60 crore sanctioned by the Govt. in 2014-15. This is expected to result in revenue generation of about Rs.6 crore and savings of Rs.2 – 3 crore per annum due to production of value added products and improvement in the efficiency / productivity of the plant."

### **III. Hindustan Insecticides Ltd. (HIL)**

5.26 Hindustan Insecticide Limited (HIL) was incorporated in March, 1954 for manufacture and supply of DDT (dichlorodiphenyltrichloroethane). In 1957, the company set up a factory at Udyogmandal, Kerala, for manufacture of DDT and in 1977 at Rasayani, Maharashtra, for manufacture of Malathion, an insecticide. The third unit of HIL was set up at Bhatinda, Punjab, in 2003. Rasayani and Udyogmandal Plants have both DDT manufacturing and agrochemical manufacturing facilities while Bathinda has only formulations manufacturing and packaging facility. All the units of HIL are today holding the Integrated Management System certification (i.e. combination of all the ISO Certificates). The company has 7 Regional Sales Offices across India and a wide network of dealers for marketing and distribution of its products.

5.27 DDT accounts for almost 50 % of the turnover of the company. HIL is the sole supplier of DDT to the National Vector Borne Disease Control Programme (NVBDCP) of the Ministry of Health and Family Welfare, Govt. of India. The company also exports DDT to some African countries.

5.28 HIL diversified into agrochemicals in the late 1970s to ensure supply of quality pesticides at reasonable prices to the agricultural sector. Today it has a range of technical and formulation grade pesticides to meet the varied requirements of the farming community. To further consolidate its position, HIL in the year 2012-13 ventured into the seed production and

marketing business. The company has been recognized as a nodal agency by Ministry of Agriculture for production and marketing of certified seeds for crops and vegetables. The company is participating in Seed Minikit Programme of Ministry of Agriculture & Farmers Welfare to popularize the latest high yielding varieties among the farmers.

5.29 HIL has also identified a new thrust area of fertilizers business. It has been recently inducted by the Department of Fertilizers as an agency to import fertilizers. Further, Bathinda plant of the company is planned to be utilized for producing water soluble fertilizers. This diversification will enable the company to become a one stop shop for the farming community by providing all the three critical agricultural inputs viz. seeds, pesticides and fertilizers.

5.30 The company has been continuously posting profits since the last 10 years. Financial performance in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.3.2015 are given below:

(Rs. in crore)		
Year	Turnover	Net Profit / (Loss)
2010-11	271.04	1.58
2011-12	279.82	1.60
2012-13	301.11	2.92
2013-14	330.35	1.84
2014-15	339.90	1.60
Net worth as on 31.3.2015: Rs.92.56 crore		

5.31 During 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.132.78 crore and net profit of Rs.0.25 crore, as per the provisional unaudited results.

5.32 The Committee note that while HIL has made profit continuously since 2010-11, the profit margin remains small and stagnant at less than Rs. 2 crore per annum. In this regard, the Committee asked how the Department/HIL plan to increase the profit margins of HIL. In reply thereto, the Department stated as under:-

"HIL has drawn a roadmap for focusing in new areas viz. Pesticides, Seeds and Fertilizers segments, to enhance its market share and to increase its profit margin. HIL has also drawn aggressive short-term and medium-term strategies to grow in all its spheres of operation and consolidate its position. The focus areas are as under:

**(i) Increase the number of Technicals:**

Considering the increase in demand of fungicides and weedicides, HIL has doubled the capacity of Mancozeb at its Udyogamandal Unit.

The Endosulfan plant which is currently idle has been retrofitted to manufacture Glyphosate which is the largest selling weedicide in the world.

HIL is also setting up a Pendimethlin manufacturing facility at Udyogamandal.

Setting up an integrated plant to manufacture Hexaconazole, Tebuconazole, etc. with Plan loan of Rs.10 crore (under consideration of the Govt.)

**(ii) Seed Activities:** Seed Production targets are 20,000 tons in 2016-17 and around 25,000 tonnes in 2017-18.

**(iii) Venturing into Fertilizers:** The company has taken an initiative to diversify into fertilizers business. The Govt. has approved induction of HIL into the nutrient based subsidy policy for decontrolled phosphatic and potassic fertilizers. The company is planning to enter into marketing tie ups with various fertilizer companies as per its marketing requirement. The fertilizer business is going to be well established in 2016-17.

In the present scenario, seed production and its marketing is most profitable business operation of the company."

5.33 HIL achieved exports of Rs.26.99 crore in 2014-15 as against exports of Rs.8.73 crore during 2013-14. The company exported DDT to African countries likely Zimbabwe, Mozambique, South Africa etc. for the malaria control programme in these countries. It exported agrochemicals to countries like Mexico, Costa Rica, Russia, Peru, Israel, Spain and Myanmar.

### **New initiatives, projects and proposals of HIL**

5.34 With a view to widen the product profile and further reduce the company's dependence on DDT revenue, new initiatives and projects taken up by HIL to diversify its operations are:

- (i) It has set up a facility for manufacturing Glyphosate (Tech.), a broad- spectrum systematic herbicide used to kill weeds, by retrofitting its Endosulfan plant at Kochi unit. The plant has been commissioned and trial runs started. Capacity enhancement of Manczeb facility from 1000 to 2000 MT has also been commissioned successfully at the Kochi unit.
- (ii) The company has taken an initiative to diversify into fertilizers business. The Govt. has approved induction of HIL into the nutrient based subsidy policy for decontrolled phosphatic and potassic fertilizers. The company is planning to enter into marketing tie ups with various fertilizer companies as per its marketing requirement.
- (iii) To develop alternative vector control methods, the company in association with a renowned University is developing a new product to be used for Indoor Residual Spray (IRS) as an alternative for DDT. The lab scale molecule has been isolated and work on pilot scale designing is in progress. HIL has also developed Long Lasting Insecticidal Net (LN) Technology in collaboration with CIPET, Chennai. Product is under process for CIB registration and WHOPES approval.
- (iv) With the Plan loan of Rs.11 crore provided by the Govt. of India in 2014-15, HIL is setting up a plant at its Kochi unit to manufacture Pendimethalin, a herbicide mainly used to control annual grasses and certain broadleaf weeds which interfere with yield and quality of agricultural and horticultural crops. The company has finalized the tender and applications have been submitted for getting statutory clearances.
- (v) The company further proposes to set up a multiproduct plant facility at a cost of Rs.11 crore to manufacture Hexaconazole and Tebuconazole (fungicides used to control many type of fungal infection on crops and have versatile application on crops) at its Rasayani unit. Plan loan provision of Rs.10 crore for this project is provided in the Department's budget and the same is being processed for release to the company.

5.35 When asked to give the updated report on the proposed multi-product facility in Rasayani, the Department replied in writing as under:-

"The proposal for release of Plan loan of Rs.10.00 crore to Hindustan Insecticides Ltd. (HIL) for setting up a multi-product facility for the manufacture of Hexaconazole and Tebuconazole at the company's Rasayani unit, Maharashtra, has been referred to Ministry of Finance as their prior approval is required before the loan is sanctioned to HIL. Approval of Ministry of Finance is presently awaited. A reminder has been sent to the Ministry of Finance for expediting their approval.

The multi-product plant facility is planned to be completed within 24 months of release of funds.

5.36 During the Study Visit to Mumbai on 5.11.2-15, HIL informed that Spurious pesticides, among others, have adversely affected the performance of its operations. In this regard, the Committee desired to know the extent of spread of spurious pesticides and the measures being taken to check their spread and use by farmers. In reply thereto, the Department stated as under:-

"As informed by HIL, spurious pesticides are widespread and producers of such pesticides have captured about 25% to 30% of the total pesticides market. In so far as HIL is concerned, the company has carved out a niche as a dependable supplier of pesticides with stable prices so that high quality pesticides as per the requirements of the farmers can be provided at reasonable market price. However, as matters relating to regulation of pesticides in the country comes under the domain of the Department of Agriculture & Cooperation (DAC) under the Ministry of Agriculture and Farmers Welfare, measures to be taken to check the widespread use of spurious pesticides by farmers needs to be considered by DAC. This Department has already taken up the issue of spurious pesticides with DAC at the Secretary level."

#### **IV. ASSAM GAS CRACKER PROJECT (AGCP)**

5.37 The Assam Gas Cracker Project (AGCP) was initiated in pursuance of the Memorandum of Settlement signed between Central Government and All Assam Students Union (AASU) and All Assam Gana Sangram Parishad (AAGP) on 15<sup>th</sup> August 1985. This Project is of economic significance for the States of Assam and North East Region. Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 18<sup>th</sup> April, 2006, approved the setting up of the Assam Gas Cracker Project (AGCP) at a project cost of Rs. 5460.61 crore (fixed cost). A joint venture company namely M/s Brahmaputra Cracker and Polymer Limited (BCPL), is implementing the project. Owing to various reasons, the project has witnessed time and cost overruns. The revised cost estimate of Rs. 8920 Crore (on "as built basis") was approved by the CCEA on 16<sup>th</sup> November, 2011 with mechanical completion by July, 2013 and commissioning by December, 2013.

5.38 There had been further delay in commissioning of AGCP. All efforts were made to commission the Project by September 2015, however, on 09.09.2015, due to heavy leakage observed from the top of the Cold Box Package, all the ongoing commissioning activities in ECU had to be stopped for attending to the leakage. Rectification of the leakage in the cold box has been carried-out by the concerned agencies.

5.39 The Project has been commissioned on 2<sup>nd</sup> January, 2016. As of December, 2015, the actual expenditure incurred, excluding outstanding liabilities, was Rs. 8718 crore, as against the approved cost of Rs.8920 crore.

5.40 In view of time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies etc., further cost and time escalation has occurred and therefore, BCPL has proposed revised project cost of Rs. 9965 crore as against the approved project cost of Rs.8920 crore. The revised project cost has been estimated based on timelines for overall commissioning by December, 2015. The estimated increase in project cost of Rs. 1045 crore is proposed to be funded by capital subsidy of Rs. 549.45 crore, equity of Rs. 148.67 crore and debt of Rs. 346.88 crore.

5.41 Further, in order to make the project economically viable, BCPL has also proposed in-principle approval for feedstock subsidy on natural gas with an annual review for 15 years of plant operation for maintaining a minimum Internal Rate of Return (IRR) of 10% and revenue subsidy of Rs. 26 crore to fund the cash deficit during initial one year.

5.42 When asked to state the present status of proposed in-principle approval for Feedstock Study, the Department replied in writing as under:-

"Assam Gas Cracker Project was conceptualized with the requirement of feedstock subsidy to make it viable. Approval to the initial project cost and revised project cost by CCEA in 2006 and 2011 respectively considered the concessional price of natural gas for the project. In the earlier approvals, the requirement of the feedstock subsidy was considered to maintain the minimum IRR of 10%. However, with the current price of natural gas, and one year average polymer and naphtha prices, there is no requirement of feedstock subsidy presently.. Therefore, In-principle approval of the feedstock subsidy as required for the project to maintain the minimum IRR of 10% for 15 years of plant operations along with an annual review to ascertain feedstock (natural gas) subsidy requirement based on gas, naphtha and polymer prices to ensure minimum IRR of 10% has been requested in the PIB Note under circulation as per laid down procedure."

5.43 When asked how much employment directly or indirectly is being generated particularly for the local people of the region at this time of the Project's commissioning, the Department replied in writing as under:-

"At present, the project has generated direct employment to the tune of 700 personnel and indirect employment of around 2000-2500 inside the project complex. Apart from this, employment generation of around one lakh people over a period of time is expected through setting up of downstream plastic processing industries & ancillaries in the Northeast region, which will source polymers from BCPL as their raw material."

5.44 When asked to state the present level of production of polymers by the AGCP and whether the aim of 2.8 lakh MT polymers per year is a realistic goal, the Department stated in writing as under:-

"Commissioning of the entire BCPL, Lepetkata complex has been achieved on 02.01.16. Hon'ble Prime Minister of India dedicated the BCPL plant to the Nation on 5<sup>th</sup> February, 2016. Total cumulative production as on date is 2228 MT of LLDPE (Film Grade) pellets and 80 MT of PP (raffia Grade). The capacity utilization is envisaged to be gradually be increased to the installed capacity of 2.8 lakh MT over a period of next three years."

## CHAPTER VI

### NEW SCHEMES OF PETROCHEMICALS

#### National Policy on Petrochemicals

6.1 Department of Chemicals and Petrochemicals is implementing the following three schemes under the National Policy on Petrochemicals:-

- (i) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry
- (ii) Setting up of Centres of Excellence in Polymer Technology
- (iii) Setting up of Plastic Parks

6.2 When asked to give details of all the Schemes being planned under the head of New Schemes of Petrochemicals, the Department replied in writing as under:-

#### **i) Setting up of Plastic Parks:-**

The scheme aims at setting up of need based plastic parks, an ecosystem with state of the art infrastructure and enabling common facilities to assist the sector to move up the value chain and contribute to the economy more effectively. Under the scheme, Government of India provides grant funding up to 50% of the project cost, subject to a ceiling of Rs. 40 crore per project. The remaining project cost is funded by the State Government or State Industrial Development Corporation or similar agencies of State Government, beneficiary industries and loan from financial institutions.

The setting up of 10 Plastic Parks (including current four Plastic Parks already approved) at a cost of Rs. 405 crore has been approved for implementation during 12th and 13th Plan Period. Out of these Plastic Parks, DCPC has accorded approval to the proposals for plastic parks received from States of Madhya Pradesh, Odisha and Assam and these parks are under various stages of implementation. The proposal of Govt. of Tamil Nadu for setting up a Plastic Park in the State has been approved in October, 2015.

The locations of the remaining six Plastic Parks has been identified by the Scheme Steering Committee (SSC) in meeting held on 18.02.2016 wherein 'in principle' approval has been accorded for setting up of 6 additional Plastic Parks in the states of Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana, West Bengal.

Further, considering additional demands being received from States, the Hon'ble Minister (C&F) has given 'in-principle' approval in September, 2015 for the setting up of 8 more Plastic Parks, in addition to 10 parks already approved.

#### **ii) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry -**

The scheme aims at incentivizing the meritorious innovations and institutions in various fields of petrochemicals and downstream plastics processing industry. Central Institute of Plastic Engineering and Technology (CIPET) was entrusted with the task of seeking and short listing nominations for the scheme. 17 "Winners" and 14 "Runners-Up" were selected for the 6<sup>th</sup> National Award for Technology Innovation in 2015-16 and the awardees were felicitated by the Minister (C&F) at a function held on 20.01.2016 in New Delhi. The 7<sup>th</sup> National Awards for Technology Innovation will be implemented during 2016-17.



**iii) Setting up of Centres of Excellence(CoE) :-**

The scheme aims at improving the existing petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. During the 11<sup>th</sup> Five Year Plan, the following two CoEs were approved:

- (i) National Chemicals Laboratory (NCL), Pune- Centre of Excellence for Sustainable Polymer Industry through Research Innovation & Training (CoE-SPIRIT) and
- (ii) Central Institute of Plastics Engineering & Technology (CIPET), Chennai - Centre of Excellence for Green Transportation Network (GREET).

Under the 12<sup>th</sup> Five Year Plan, the following 3 Centres of Excellence (CoE) have been approved:

- (i) CoE for advanced Polymeric Materials at IIT, Delhi
- (ii) CoE on Sustainable Green Materials at CIPET Bhubaneswar and
- (iii) CoE for Sustainable Polymers at IIT, Guwahati.

6.3 The Committee note that only Rs. 4.24 crore was sanctioned for the year 2015-16 for New Schemes of Petrochemicals. When asked to explain, the Department replied in writing as under:-

"The RE allocation under Plan Head (MH 2552 & 2852) for New Schemes for Petrochemicals for 2015-16 is Rs. 12.50 crore. It is mentioned that the release of funds in instalments under the Scheme for Plastic Park is subject to completion of certain milestones in the project. The Plastic Park project is implemented by the State Government agencies. The Department has been monitoring and reviewing the performance of the Plastic Parks periodically for expeditious implementation of the projects. Despite this, sometimes, due to non-achievement of the milestones stipulated in the scheme guidelines, the concerned State Governments did not submit proposal for release of the next instalment as originally planned. As a result, the funds were reduced at RE stage."

6.4 When asked how the Department plan to utilize the Rs. 48 crore allocated in BE 2016-2017, the Department replied in writing as under:-

"The Rs. 48 crore allocated in BE 2016-2017 is proposed to be spent for implementation of the following three Schemes under the New Schemes for Petrochemicals:

- (1) Setting up of Plastic Parks
- (2) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry
- (3) Setting up of Centres of Excellence (CoE)

The allocated Rs. 48.00 crore for New Schemes for the Petrochemicals is proposed to be spent for the three schemes as per the break-up given below:

Scheme for Plastic Park:	Rs. 45.00 crore
Scheme for National Award:	Rs.1.00 crore
Scheme for CoE:	Rs.2.00 crore

6.5 Given that the Rs. 48 crore allocated for New Schemes of Petrochemicals for this year is much less than the required funds, the Committee desire to know what the Department plan to do about the shortage of funds. In reply thereto, the Department replied in writing as under:-

"As the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds, the Deptt. will ask for the balance funds at the time of Supplementary Demands. Further, the Deptt. will also take up the matter with the concerned authorities in the M/o Finance for allocation of additional funds so that the requisite funds are made available as originally planned.

As regards shortfall in allocation of funds for the Plastic Park, it is mentioned that the progress of the implementation of the existing Parks (already under implementation) will be adversely affected due to it. Further, it will not be possible to release any funds for setting up the 6 new Plastic Parks which have been recently approved 'in-principle' by the SSC in February, 2016."

## **Plastic Parks**

6.7 When asked to provide a detailed updated report on the status of the Plastic Parks planned in Madhya Pradesh, Odisha, Assam and Tamil Nadu, the Department replied in writing as under:-

"The updated status report of the three plastic parks being implemented in Madhya Pradesh, Odisha, Assam is given below:-

### **1. Madhya Pradesh Plastic Park**

Out of approved project cost of Rs. 108.00 crore for setting up a Plastic Park in Madhya Pradesh, the SPV has till now incurred a total expenditure of Rs. 10.54 crore. An expenditure of Rs 8.78 crore has been incurred on physical infra and utilities and the remaining expenditure on soft interventions and other administrative expenses.

The SPV has awarded the contract for Rs. 47.45 crore for Site Development, Roads and Drains, Water Supply, Sewerage System, Power Supply & Street Lightning, Admin Complex, Warehouses, Residential Facilities etc.

### **2. Assam Plastic Park**

Out of approved project cost of Rs. 93.65 crore for setting up plastic park in Assam, Assam Industrial Development Corporation (AIDC) has incurred a total expenditure of Rs. 9.02 crore. An expenditure of Rs 6.15 crore has been incurred on physical infra and utilities and the remaining Rs 2.87 crore on soft interventions and other administrative expenses. The work is in progress in respect of Site Development & Compound Wall, Civil Works for industrial sheds, Road Network, Power Supply, Civil Works for warehouse building, etc.

### **3. Plastic Park in Odisha**

Out of approved project cost of Rs. 106.78 crore, the SPV has incurred a total expenditure of Rs 1.53 crore. An expenditure of Rs 1.00 crore has been incurred on Physical infrastructure and Utilities. Tender for construction of Boundary Wall and Approach Road has been awarded at a total cost of Rs. 8.68 crore. A tender for Road works for an amount of Rs 6.58 crore has also been awarded.

6.8 The Committee desire to know the concrete benefits that are expected to accrue to the petrochemicals sector as a result of the Plastic Parks scheme. In reply thereto, the Department stated in writing as under:-

"At present, plastic industries/units are located in different parts of the country, in a scattered manner. The Scheme for setting up of Plastic Parks provides an enabling ecosystem and provides the following benefits:

- i) Integrated growth of plastic processing units at one location.
- ii) The scheme, through cluster mode development, aims to make available state-of-the-art infrastructure, common facilities, effluent treatment facility, etc.
- iii) Due to the above steps, it will help to consolidate and synergize the capacities of the domestic downstream plastic processing industry.
- iv) The cluster based development in plastic parks will be most cost effective and beneficial, particularly for the small and medium segments of domestic plastic processing units.
- v) The world class infrastructure will provide competitive edge to the plastic processing units not only in domestic market but also in enhanced exports.
- vi) As the per capita consumption of plastics in India is 9.7 Kg which is much less than the world average, thus, there exists a huge scope of growth in this sector. The plastic park will help in attracting investment, increasing production thereby helping in achieving the goal of "Make in India".
- vii) The scheme will also give a boost to employment.

6.9 When asked to give details of the location and action plan on the 18 Plastic Parks already approved, the Department furnished its response in writing as under:-

"At present, three plastic parks at Tamot Village, Raisen District in Madhya Pradesh; Siju Village, Kujanga Tehsil, Jagatsinghpur District in Odisha and Gellapukhuri, Tinsukia District in Assam are under various stages of implementation. Government has approved in October, 2015 setting up of a Plastic Park in Thiruvallur District in the State of Tamil Nadu. The State Government has been advised to mobilize and deposit the required amount to enable the Department to accord final approval for the project and also release the first installment of the grant.

Based on the proposals received from various State Governments, the setting up of 6 additional Plastic Parks have been accorded 'in principle' approval in February, 2016 in the following locations:

1. Plastic Park at Devipur, Deoghar District in Jharkhand
2. Plastic Park at Bilaua, Gwalior District in Madhya Pradesh
3. Plastic Park at Khairjhiti village, Rajnandgaon District in Chhattisgarh
4. Plastic Park at Sitarganj, Udham Singh Nagar District in Uttarakhand.
5. Plastic Park at Industrial Estate, Panipat District in Haryana
6. Plastic Park at Barjora, Bankura District in West Bengal

The State Governments are required to submit Detailed Project Reports (DPRs) to the Department within a period of 6 months, as per the scheme guidelines. Thereafter, the proposals in DPRs received from the State Governments, will be examined in the Department in consultation with the Project Manager and decision for according final approval will be taken by the Scheme Steering Committee.

Regarding the 8 additional new Plastic Parks, these have been accorded 'in-principle' approval and after obtaining financial approval, their locations will be decided in consultation with the State Governments. "

6.10 Regarding the number of employment expected to be generated by these 18 Plastic Parks, the Department replied in writing as under:-

"At present, only 4 Plastic Parks have been finally approved in MP, Odisha, Assam and Tamil Nadu. The 3 Plastic Parks under implementation in MP, Odisha and Assam are likely to generate employment to the tune of 50,000. The Tamil Nadu Plastic Park project proposal estimates generation of employment to the tune of 39,000 (approx.). The extent of employment to be generated in the remaining 6 approved (in-principle) Plastic Parks will be known after receipt of DPRs from the State agencies.

Regarding the 8 additional new Plastic Parks, these have been accorded 'in-principle' approval and after obtaining financial approval, their locations will be decided in consultation with the State Governments. The extent of employment generation will be known thereafter only."

6.11 Regarding the Scheme of setting up Plastic Parks, the Department has informed that 'the Department has been monitoring and reviewing the performance of the Plastic Parks periodically for expeditious implementation of the projects. Despite this, sometimes, due to non-achievement of the milestones stipulated in the scheme guidelines, the concerned State Governments did not submit proposal for release of the next installment as originally planned. As a result, the funds were reduced at RE stage'. In this regard, the Committee desire to know whether there are proposals or measures being taken to ensure better coordination and synergy between the Department and the concerned State Governments/agencies so that current impediments to expeditious execution of the scheme may be overcome. In reply thereto, the Department stated as under:-

"The Department makes an all out effort for execution of the Plastic Parks as per the timelines. A mechanism has been put in place for periodically monitoring and reviewing the performance of the Plastic Parks for their expeditious implementation in a time bound manner. The high level 'Scheme Steering Committee' (SSC), is tasked with the responsibility of reviewing the progress of the projects. The project implementing agencies (SPVs) report their performance on a monthly basis to the Department and the same are analyzed for further improvement. However, as the implementation of the Plastic Parks is undertaken by the concerned State Government agencies, sometimes, there is a delay in the project execution, despite continuous persuasion by the Department. The Deptt., therefore, proposes to monitor the projects more closely and frequently now and take up the matter with the concerned State Government(s)/SPV(s) for expediting the completion of the projects."

6.12 When asked to highlight the latest position with regard to the proposed Plastic Parks in Tamil Nadu, the Department stated in writing as under:-

"The proposal for setting up of a plastic park in the State of Tamil Nadu has been approved in October, 2015. The concerned State Government agency has been asked to mobilize 20% of the SPV's equity capital contribution in the plastic park project, as per the scheme guidelines, and deposit the said amount in prescribed bank account, so that further necessary action for according final approval is taken. The State Govt./ SPV is reported to be working on it for the mobilization of 20% of the SPV's equity capital contribution."

### **Centres of Excellence**

6.13 As per the Department, only Rs. 2 crore have been allocated for Centres of Excellence (CoE) for 2016-17. In this regard, the Committee asked how the Department plan to utilize the amount for optimum results. In reply thereto, the Department stated in writing as under:-

"Out of Rs. 48.00 crore allocated for New Schemes for the Petrochemicals, only Rs. 2.00 crore can be made available for CoEs in 2016-17. As the third instalment of Rs. 2.00 crore is yet to be released to CoE for Advanced Polymeric Materials at IIT, Delhi, this amount will be utilized for the same."

6.14 The Committee further asked how the Centres of Excellence (CoEs) will contribute to improving the existing petrochemicals technology and research. In reply thereto, the Department replied in writing as under:-

"The existing petrochemicals technology and research is benefitted by the work of CoEs as given below:

- i) The CoEs may help in development of new products, newer applications, innovation and improvement of technology, process innovation, quality, development of environmentally sustainable technology, etc.
- ii) The CoEs may also help in building brand image for India in exports.
- iii) Institutions, through this project, interact and pass on their research findings, expertise etc. to the industry which may lead towards modernization of the petrochemical industry, both upstream and downstream."

## CHAPTER VII

### **Bhopal Gas Leak Disaster**

7.1 Bhopal Gas Leak disaster was an industrial disaster occurred in the intervening night of 2nd/3rd December, 1984, when Methyl Iso-cyanate (MIC), a lethal gas stored in two tanks at the pesticide plant site of Union Carbide India Limited (UCIL) at Bhopal, leaked into the atmosphere causing death and injury to a large number of people. Various relief and rehabilitation measures were initiated immediately after the disaster. Some of these are still continuing. (AR, p. 31)

#### **Adjudication and disbursement of Compensation**

7.2. The process of adjudication and disbursement of the compensation was commenced in 1992. The office of Welfare Commissioner has awarded / disbursed Rs. 1548.59 crore as compensation in settled cases of 5,74,386 claimants belonging to the categories of death, permanent disability, temporary disability, injury of utmost severity cases, minor injury, loss of property/PSU and loss of livestock.

7.3. It was brought to notice in the year 2004 that an amount of approximately Rs. 1500 crore, had accumulated with the Reserve Bank of India on account of accrual of interest and exchange rate variation. The Supreme Court vide order dated 19<sup>th</sup> July, 2004 had directed the Welfare Commissioner to disburse the said amount, on pro-rata basis (in the ratio of 1:1 of original compensation) to the claimants whose cases had been settled. A sum of Rs. 1511.21 crore as pro-rata compensation has been awarded in 5,63,028 cases till 31.12.2015. The work of disbursal of pro-rata compensation is continuing. As very few claimants were appearing for pro-rata compensation, the Welfare Commissioner sought the directions of the Supreme Court on the issue of closure of cases of absentee claimants for pro-rata compensation. The Supreme Court of India has directed to amend the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and Scheme there under with the approval of the Parliament and see that these claims be transferred to Judicial or Quasi-Judicial authority for further action in the pending claims.

#### **Disbursement of Ex-gratia**

7.4 After the reconstitution of the Group of Ministers (GoM) on Bhopal Gas Leak Disaster on 26.05.2010, the Government took certain decisions to provide further relief and rehabilitation to the gas victims. One major decision taken by the Government was to pay ex-gratia to the following categories of gas victims:

#### **Categories of ex-gratia payments to gas victims**

Category	Ex-gratia
Death	Rs. 10 lakh (less amount of original and pro-rata compensation already received )
Permanent disability	Rs. 5 lakh (less amount of original and pro-rata compensation already received )
Injury of utmost severity	Rs. 5 lakh (less amount of original and pro-rata compensation already received )
Cancer	Rs. 2 lakh (less amount of original and pro-rata compensation already received )

Total Renal Failure	Rs. 2 lakh (less amount of original and pro-rata compensation already received )
Temporary disability	Rs. 1 lakh (less amount of original and pro-rata compensation already received )

An amount of Rs. 874.28 crore has been approved by the Government for making payment of ex-gratia by the Welfare Commissioner to an estimated 62,448 Gas Victims falling in the above mentioned categories. The disbursement of Ex-gratia commenced on 19.12.2010. A sum of Rs. 764.48 crore has been sanctioned/ disbursed in 56,690 cases till 31.12.2015.

### **Action plan for Rehabilitation of Bhopal Gas Victims**

7.5 The Government of Madhya Pradesh is in the process of implementation of various rehabilitation schemes as approved in the New Plan of Action. The State Government has apprised that till December, 2015, an amount of Rs. 141.64 crore has been spent / Administrative approvals issued, out of allocated sum of Rs. 272.75 crore.

7.6 Social Rehabilitation: An estimated 5000 Widows of Gas Victims are to be paid pension of Rs. 1000 p.m. for a period of five years, for which Rs. 30 crore has been allocated. Till December, 2015, an amount of Rs. 21.78 crore has been released as pension to 4,837 beneficiaries. A sum of Rs. 40 crore was allocated for construction of free houses for 2500 families of gas victims residing around the UCIL factory. The State Government has acquired 14 acres of land for this purpose. BGTR&R Department of Govt. of Madhya Pradesh in consultation with other Departments is preparing schemes for construction of houses with the fund provided under New Action Plan and also marginal money being proposed to be collected from the beneficiaries.

7.7 Medical Rehabilitation: Construction of new buildings/ renovations of the six Gas Relief Hospitals, earlier set up under the First Plan of Action for free treatment of gas victims, have been undertaken. New equipments for these hospitals are being purchased.

7.8 Economic Rehabilitation: For ensuring employment to gas victims, the State Government has launched an entrepreneurship training Programme scheme with built-in employment opportunity. The State Government selected, through a transparent procedure, 21 Institutes for providing training in different trades to the gas victims. 12155 beneficiaries were selected for training in different fields and trained. The selected institutions have reported 9300 placements, of which 4411 placements of 17 institutions are under verification. Expenditure incurred on this account till December, 2015 is Rs. 18.13 crore. As the scheme is not attractive, the Government of Madhya Pradesh is actively considering a new proposal in the place of entrepreneurship training Programme scheme for the approval of the Government of India.

7.9 Clean Drinking Water: Out of Rs. 50 crore allocated for providing clean drinking water to the gas victims, Government of MP has utilized Rs. 42.28 crore till December, 2015 for provision of clean drinking water to the residents of gas affected wards of Bhopal.

### **Environmental Remediation of the UCIL Plant site**

7.10 As per the decision of the Government in the year 2010, an Oversight Committee has been constituted in the Ministry of Environment, Forest & Climate Change under the Chairmanship of Minister, Ministry of Environment, Forest & Climate Change and Co-chairmanship of Minister-in-charge of BGTR&R Department, Government of Madhya Pradesh with members of concerned Departments/Agencies to provide oversight and support to remediation actions relating to UCIL plant site to be taken by Govt. of Madhya Pradesh. Government of Madhya Pradesh would be responsible for disposal of hazardous waste from the site of UCIL in Bhopal as well as for remediation of the site. The disposal of his toxic waste is being overseen and monitored by Hon'ble Supreme Court of India. A trial disposal was carried out through incineration by the Central Pollution Control Board in August, 2015. It was successful.

### **Curative Petition**

7.11 On the direction of the Cabinet, a Curative Petition No. 345-347 was filed in December 2010 by Union of India V/s Union Carbide Corporation (UCC), USA, Dow Chemicals, USA and Others claiming enhanced compensation from UCC and/ or successor companies of UCC, by seeking a review of the Court's earlier judgment of 1989, settling the compensation amount at US \$470 million. The compensation claimed in the Curative Petition is due to the difference between the number of cases assumed by the Hon'ble Supreme Court at the time of passing the orders for settlement in 1989 and the actual number of cases awarded by the Office of the Welfare Commissioner, Bhopal Gas victim, Bhopal. In addition to increase in the amount of compensation settled with UCC in 1989, the petition also claims reimbursement of costs incurred by the Government for various rehabilitation measures for victims and also the amount required for environmental remediation. The Curative Petition is pending before the Supreme Court.

7.12 When asked to provide details of utilization of the funds allocated during 2015-16 for BGLD, the Department replied in writing as under:-

"The allocation of fund and its utilization by the Office of the Welfare Commissioner during 2015-16 for BGLD is as under:

1. BE: Rs. 47.54 Crore
2. RE: Rs. 27.18 Crore
3. Funds released (upto 11/03/2016): Rs. 20.58 crore

#### **Details of utilization**

Head	Expenditure upto 11/03/2016 (Rs. in crore)
<b>Ex-gratia to Bhopal gas victims</b>	<b>14.6438</b>
Salaries	3.1322
Wages	0.3767
Medical treatment	0.0329
Domestic travel expenses	0.0332
Office expenses	2.3683
Profession services	0.0022
<b>Total</b>	<b>20.5893</b>



7.13 The Committee desired to have a detailed status report on the number of claims for compensation settled as well as those still pending and the time by which the pending claims are likely to be settled including the efforts being made in this regard. In reply thereto, the Department stated in writing as under:-

"Out of 63,819 claims received by the Office of the Welfare Commissioner for payment of ex-gratia to Bhopal gas victims, 46,046 claims were awarded and 10,831 claims were rejected till February, 2016. Thus, the total number of settled cases is 56,877 and pending cases is 6942. In the absence of any cut-off date for the receipt of applications under Cancer/Total Renal Failure category, the Office of the Welfare Commissioner is continuously receiving the applications under these categories. The efforts being made by Office of the Welfare Commissioner for disposal of the claims are as follows:

- (i) Serving notices to the claimants persistently
- (ii) Using electronic and print media to give wide publicity among public of Bhopal
- (iii) BAR council actively supporting to reach the authentic claimant
- (iv) Frequent sittings for hearing of pending appeals/revision petitions."

(RLOP, No. 42)

## **CHAPTER - VIII**

### **Miscellaneous**

#### **Environmental pollution and degradation**

8.1 When the Committee pointed out the serious damage to the natural environment that chemical and petrochemical industries wrought in the absence of proper treatment of effluent and what the Department plan to do about it, the Secretary of the Department, during the course of evidence, stated as under:-

"I want to suggest something. Maharashtra Government has taken a decision that wherever a treatment plant in Maharashtra Industrial Development Corp. is necessary, a part of infrastructure like Road, electricity, water and transport, etc. will be done by the Government and the cost will be taken care by the industry. It is possible in cluster system and that is why emphasis need to be laid on this. If chemical zone is to be constructed then land should be earmarked. If private land is to be taken, then road construction, drainage and other things are their responsibility. If the concerned States are involved and laws formulated, then the problem of treatment plant would be resolved in a lasting manner. As the Hon'ble Member has stated rightly, there are still many problems, we have also been there, and more attention need to be paid to it. We will recommend that work should be done like this. This is our suggestion."

8.2 During the course of evidence, the Secretary of the Department further stated as under:-

We deal with pesticides. The Committee had detailed discussion on the issues relating to bio-pesticides in our meeting. Work is being done speedily in this field. 25 molecules are required for . We are reviewing this matter and hope that we would be able to commercialize it by the end of the year. As far as pesticides are concerned, we will putting emphasis on bio-pesticides. As I said earlier, fertilizers is not related to us directly, but your concern is genuine and we recognize that as long as we don't shift to bio-pesticides, the danger of chemicals on the fertility of the soil will remain."

8.3 In response to the Committee's concerns about the environment, ground water and ecological pollution and the need for better research on organic farming and bio-fertilizers, the Secretary of the Department, during evidence, submitted as under:-

"Sir, basically I entirely support what the hon. Member said. Pollution because of chemicals is a very serious issue. But unfortunately this has been given by way of subject to the States and to the Ministry of Environment and Forests. Chemical industry should have done something about it like at least assessing the impact of these hazardous chemicals and then acting as a watchdog and forcing the other agencies to coordinate and act as per the law. We will positively consider this aspect and we will try to do something so that by way of study we should have data available with us and then we can coordinate with the State Government and the Pollution Control Boards of the States and the Centre and force them to strictly monitor the effluent norms. This has not happened in the past, that is why this problem. This is across the whole country. Everywhere we go if there is a chemical industry you will find that the whole water table is getting contaminated and people are suffering because of that. So, this Department will positively set up a mechanism to monitor this and then coordinate with the State Governments, Central Government, the regulatory bodies to come up with something of that kind.

The second point, as you have very rightly pointed out the task at hand is enormous. But you need resources for that. Industries are saying, you please set up the common effluent treatment plant, charge money to us later on, we will give you back. But initial investments are of very high order and if you load it on their project cost, it becomes unviable immediately. So, the solution lies in that that the Government comes out with the investments for common effluent treatment plants and later on collects the money from them and moves on does it in some other place.

In that regard, I request that the Committee may recommend something of this kind so that we get the required strength and move ahead with that. I would like to point out that all the chemicals, particular the petrochemicals, come from two streams. One is the chemical side that is petroleum and natural gas. The other is from the natural side. For example, the plastic bottles at present are of two types. One type is coming from petroleum and natural gas side and the other is coming from the bio side. It becomes bio-degradable. So, it is all possible. For example, ethanol is manufactured from biomass. That will produce plastics also but that will be totally degradable. So, it is all possible. As you said, a lot of research needs to be done on that account. In addition, chemical sector should also do something about bio products."

## Part II

### OBSERVATIONS / RECOMMENDATIONS

#### 1. Stagnant growth in production of chemicals and petrochemicals

The Committee observe that the major chemicals witnessed very stagnant growth, posting overall growth rate of 1.1 percent during 2015-16 (up to September 15, 2015). The sector also registered zero growth rate during 2014-15. Regarding major petrochemicals, while the sector saw higher overall growth rate, the group-wise growth is very uneven. Polymers, Synthetic Detergent Intermediates and Performance Plastics all registered very low and even negative growth rates during 2011-2015.

According to the Department, the slowdown of growth in the chemicals sector is a reflection of the global trend and other factors like expensive capital, lack of world class infrastructure and cheap imports, and reduced global demand, etc. As for the petrochemicals, factors like shortage of basic building blocks, policy of free import, the worldwide slowdown and other market mechanisms are responsible for slow growth.

In this regard, the Committee are of the view that while there are global factors that are beyond the control of the Government, perennial issues like lack of infrastructure and shortage of basic building blocks are domestic issues that need to be addressed urgently. The Committee recommend that the Department should take a long-term view of the situation and make concerted efforts to upgrade the basic infrastructure and address the issue of shortage of basic building blocks for rapid growth. The Committee also desire that issues of cheap imports should be addressed so that the domestic industry should not suffer.

#### 2. Exports and Imports of chemicals and petrochemicals

The Committee note that the percentage share of chemicals and chemical products in total exports has remained more or less constant (9.3% to 9.4%) over the years since 2011-12 till 2014-15. The percentage share increased from a stagnant figure of 9.3/9.4 percentage during 2011-2015 to 10.5 percent during 2015-16 (up to September 2015). On the other hand, the export/import data also show a steady increase in the percentage share of total imports for chemicals and chemical products during the same period. While the contribution of this sector in total imports during 2011-15 were 7.5 percent, 7.9 percent, 8.9 percent, 9.6 percent and 9.9 percent respectively, the same for the year 2015-16 (up to Sept, 2015) was 10.8 percent.

In this regard, the Department has informed that one of the important reasons for the stagnant export of Chemical and Petrochemical products and the rising imports of chemicals and petrochemicals is the increase in the domestic demand of these products without commensurate increase in the domestic production. Further, as per the Department, the fact that export / import of chemicals and petrochemicals is freely allowed except for a few chemicals attracting the provisions of international conventions also contributed to the situation. The Department has stated that schemes like Plastic Parks, National Award for Technology Innovation in Petrochemical and downstream Plastic Processing Industry, and Centres of Excellence (CoE) are meant to increase the production capacity for both chemical and petrochemical industries. Further, the PCPIR Policy has been formulated and has been implemented to make easy availability of feedstock for the chemicals and petrochemicals in the country.

Given the above, the Committee are concerned that there is no commensurate increase in domestic production of chemicals and petrochemicals to cater to the rising demand for the same, which resulted in increased imports. Therefore, the Committee recommend that the Department should expedite the ongoing schemes of PCPIRs, Plastic Parks and Centres of Excellence (CoE) so as to give fillip to the production capacities commensurate with the rising demand for chemicals and petrochemicals materials in the country.

### **3. Mid-term appraisals**

The Committee observe that the mid-term appraisal of the funding and allocation for the schemes/programmes under the Department have shown major problems with regard to Plastic Parks, CIPET and Hindustan Fluorocarbons Ltd (HFL). Since the existing 12<sup>th</sup> Plan budgetary allocation for the Plastic Parks scheme is insufficient even for the 4 proposals under implementation, the Department is unable to consider proposals from States like Haryana, Uttar Pradesh, Gujarat and Kerala for implementing Plastic Parks in their States. As for CIPET, there is a need to increase budgetary support given by the Department for capital expenditure from Plan funds as CIPET needs substantial additional investment for building up its infrastructure to the required level for existing CIPET centres and also for its expansion in other States. For HOCL, all the budgetary support sanctioned for it from 2013-14 to 2015-16 could not be released as HOCL has been a defaulter in repayment of its loans to the Government.

The Committee further note that the Ministry of Finance vide its orders dated 17.2.2016 had reiterated its decision dated 03.02.2015 not to release any loans to PSUs,

and because of that, the funds that were allocated to the PSUs in the Capital Section for 2015-16 could not be released.

In view of the above, the Committee recommend that the Department should take remedial steps with regard to the problems uncovered during the mid-term appraisal of schemes and programmes. As regards HOCL, non-repayment of loans and interests which resulted in its being barred from receiving more funds, will further aggravate the crisis in the company. The problems has been there for a long time and needs effective intervention from the Department to alleviate the crisis. The Department therefore should work with the Niti Aayog and the Ministry of Finance so that the required funds for PSUs and Plastic Parks may be sanctioned. Infusion of funds to refurbish the basic infrastructure of CIPET may also be carried out. The Committee expect the Department to take effective measures on the above issues and intimate the action taken to the Committee at the earliest.

#### **4. Budget proposals and actual allocation**

Looking at the Budget Estimates of the Department of Chemicals and Petrochemicals, the Committee are distressed to observe the wide disparity between proposed outlays and actual allocations. The Committee observe that for 2015-16, the Department had proposed a Plan outlay of Rs. 1011.50 crore, against which the Ministry of Finance allotted Rs. 188.00 crore. Further, against a proposed Plan outlay of Rs. 921.51 Crores by the Department for 2016-17, the Ministry of Finance allocated only an amount of Rs. 160.00 Crores. That means, the percentage figure of actual allocation *vis-a-vis* the proposed allocation during 2015-16 is 18.59 percent and only 17.36 percent of the proposed amount for 2016-17 is actually allocated. The Committee further observe that such a reduction in allocation seriously impede the execution of the projects and schemes under the Department. Therefore, the Committee strongly feel that there is a pressing need to evolve regular appraisal of projects and schemes of the Department with the Niti Aayog / Finance Ministry so that such drastic cuts may be avoided.

In light of the huge cuts in actual allocations granted to the Department, the Committee recommend that the Department may propose for the requisite funds in the form of supplementary demand for grants with proper justification for the same to the Ministry of Finance/Niti Aayog. The Department should apprise the Committee about action taken in this regard.

**5. Autonomous Institutions and other Schemes**

**(A) CIPET and IPFT**

**(i) The Committee observe that there is sharp decrease in the allocation made to Central Institute of Plastics Engineering and Technology (CIPET) in the year 2016-17. As against RE 2015-16 of Rs. 98.68 crore, BE 2016-17 have been reduced to Rs. 57.67 crore. The Committee have also been informed that the Department has sought an allocation of Rs. 181.27 crore as Plan assistance for new schemes viz. (i) Capabilities and academic activities, (ii) R&D activities and technology support services at CIPET Centres and thereby sought an overall allocation of Rs. 305 crore for CIPET for the year 2016-17 which has been curtailed to Rs. 57.67 crore due to overall reduction in Department's outlay.**

**Considering that low allocation of funds would impact various activities and infrastructure development for CIPET centres, the Committee recommend the Department to take up the matter with the Ministry of Finance to enhance the allocation especially for CIPET so that the progress of this premier institution is not affected due to meagre allocation of funds.**

**(ii) As regards the allocation to Institute of Pesticide Formulation Technology (IPFT), Committee note that there is substantial increase in the total allocation to it for the year 2016-17. It was Rs. 5.05 crore in RE 2015-16 which rose to Rs. 8.32 crore in BE 2016-17. The Committee further note that the Department has plans to utilize the allocated funds for the procurement of capital equipment to strengthen the existing infrastructure and facilities required for the execution of ongoing and future R&D projects of IPFT. The Committee therefore desire that the Department may ensure that the allocated funds are fully utilised.**

**(B) Chemical Promotion and Development Scheme (CPDS)**

**The Committee note that the Budgetary allocation for Chemical Promotion and Development Scheme (CPDS) has increased from Rs. 3.90 crore in RE 2015-16 to Rs. 5 crore in the year 2016-17.**

**The Committee are given to understand that this money shall be utilised for setting up Help Desks/PCPIR Facilitation Desk with the objective to promote investment and**

trade in Chemical and Petrochemical Sector among other things. The Committee hope that an impetus would be given by making the optimum utilization of fund which would ultimately promote the Scheme.

**(C) Lumpsum provisions to North-Eastern Region**

The Committee note that Rs. 16 crore has been allocated to North-Eastern Region. Out of this amount Rs.2 crore has been allocated for CIPET and Rs. 14 crore has been allocated to 'New Schemes for Petrochemicals'. The Committee further note that the Department has not spelt out the details of such New Schemes.

The Committee, therefore, recommend that the Department may ensure full utilization of all the funds allocated for the benefit of the region. The Committee would like to know action taken in this regard at the earliest.

**6. Public Sector Undertakings**

I. The Committee note that during 2015-16 (up to December, 2015), Hindustan Organic Chemicals Ltd (HOCL) achieved a turnover of Rs.97.39 crore and loss of Rs.133.70 crore. As per the Department, the low turnover and loss is due to the fact that most of the plants of HOCL at Kochi (Phenol and Acetone) and Rasayani (Nitrobenzene, Formaldehyde and Concentrated Nitric Acid) were not operational due to acute working capital shortage. As a result, the HOCL was declared sick again on 22 July, 2015. As per the Department, a new revival plan for HOCL prepared by the consultants (M/s JPS Associates) has been approved by the Board of Directors of HOCL and based on the revival plan report, a revival restructuring plan for HOCL is presently under consideration of the Department. Regarding the Hindustan Fluorocarbons Ltd (HFL), a subsidiary of HOCL, as per the Department, during 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.25.40 crore and loss of Rs.7.00 crore, as per the provisional unaudited results. This is mainly due to plant shut down for refurbishment / revamping activities. A revival / restructuring plan for HFL is also under consideration of the Department for long term and sustainable growth of the company. In view of the above, the Committee recommend that the Department should take all steps necessary to revive HOCL and its subsidiary company, HFL for long-term sustained growth. The sickness of the company have gone on for so long and require concrete action to revive it. The Committee desire that the latest revival plan for HOCL prepared by M/s JPS Associates may be finalized at the earliest and revival measures may be taken on priority.



Similarly, restructuring plan for HFL may also be implemented expeditiously. The roadmap for revival may be communicated to the Committee at the earliest.

II. As for the Hindustan Insecticides Ltd (HIL), the Committee appreciate that the company has been continuously posting profits since the last 10 years. The Committee note that during 2015-16 (up to December, 2015), the company has achieved a turnover of Rs.132.78 crore and net profit of Rs.0.25 crore, as per the provisional unaudited results. The Company has now diversified to decrease its dependence on revenue from DDT. The Committee note that HIL proposes to set up a multi-product plant facility at a cost of Rs. 11 crore at its Rasayani unit. The proposal has been referred to the Ministry of Finance for approval. The Committee desire that the approval be expedited. The Committee also recommend that the HIL/Department should make earnest efforts to make successful all the initiatives taken by the company to increase its profits. The Committee would like to be apprised of the action taken in this regard.

#### 7. Assam Gas Cracker Project

The Committee observe with satisfaction that the Assam Gas Cracker Project is at last completed and commissioned on 2 January, 2016. However, the Department has stated that in view of time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies etc., further cost and time escalation has occurred and therefore, Brahmaputra Crackers and Polymers Ltd. (BCPL) has proposed revised project cost of Rs. 9,965 crore as against the approved project cost of Rs.8,920 crore. The estimated increase in project cost of Rs. 1045 crore is proposed to be funded by capital subsidy of Rs. 549.45 crore, equity of Rs. 148.67 crore and debt of Rs. 346.88 crore. The Department has further stated that in order to make the project economically viable, BCPL has proposed in-principle approval for feedstock subsidy on natural gas with an annual review for 15 years of plant operation for maintaining a minimum Internal Rate of Return (IRR) of 10% and revenue subsidy of Rs. 26 crore to fund the cash deficit during initial one year. The capacity utilization of the Plant is envisaged to be gradually be increased to the installed capacity of 2.8 lakh MT over a period of next three years. The Department also stated that the project at present provides direct employment to 700 personnel and indirect employment to around 2000-2500 persons inside the project complex.

However, still, there are numerous challenges as stated above to make the project fully functional. The Committee desire that the Department sort out all the pending

issues and should take all the desired actions and ensure that the project should help in the economic development of the entire northeast region through production of polymers and other petrochemical products and by opening up employment avenues to thousands of youths in the region. The Committee accordingly recommend that the Department/AGCP should chalk out a realistic plan to achieve its targets in terms of capacity utilization and employment. The Committee expect to be apprised of the action taken in this regard.

#### **8. New Schemes of Petrochemicals**

The Committee observe that the allocated amount of Rs. 48.00 crore for New Schemes for the Petrochemicals for 2016-17 is proposed to be spent for the three schemes, viz. Scheme for Plastic Park (Rs. 45.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for CoE (Rs.2.00 crore). However, the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds, and the Department informed that it will ask for the balance funds at the time of Supplementary Demands.

In this regard, the Committee note that Plastic Parks are the most ambitious schemes which takes the lion's share of the allocation. However, as per the Department, even the amount of Rs. 45 crore allocated for Plastic Parks is totally inadequate to meet the requirements. At present, three plastic parks at Tamot Village, Raisen District in Madhya Pradesh; Siju Village, Kujanga Tehsil, Jagatsinghpur District in Odisha and Gellapukhuri, Tinsukia District in Assam are under various stages of implementation. Government has approved in October, 2015 setting up of a Plastic Park in Thiruvallur District in the State of Tamil Nadu. Because of the shortfall, progress of the implementation of the existing Parks (already under implementation) will be adversely affected. Further, it will not be possible to release any funds for setting up the six new Plastic Parks which have been approved 'in-principle' by the Scheme Steering Committee in February, 2016. The six Plastic Parks are to be located in the States of Jharkhand, Madhya Pradesh, Chhattisgarh, Uttarakhand, Haryana, West Bengal. Moreover, there are eight additional new Plastic Parks, which have been accorded 'in-principle' approval and after obtaining financial approval, their locations will be decided in consultation with the State Governments. In short, the Department is planning to set up a total of 18 Plastic Parks all over the country.

In light of the above, the Committee recommend that the Department should ask for the requisite funds at the time of Supplementary Demands with proper justification so that the same may be sanctioned. Further, Plastic Parks have been implemented with the

concerned State Governments on a 50:50 sharing basis subject to a ceiling of Rs. 40 crore per project. Hence, the success of these projects depend on how well the Department works with the concerned State Governments. Therefore, the Committee recommend that the Department should institutionalize a proper mechanism for coordination with the State Governments so that there is complete synergy between the Department and the States on the matter for effective implementation of the project. The action taken in pursuance of this recommendation may be intimated to the Committee at the earliest.

#### **9. Bhopal Gas Leak Disaster**

On the Bhopal Gas Leak Disaster, the Committee note that the work of disbursement of pro-rata compensation to the victims is still continuing. As per the Department, out of 63,819 claims received by the Office of the Welfare Commissioner for payment of ex-gratia to Bhopal gas victims, 46,046 claims were awarded and 10,831 claims were rejected till February, 2016. Thus, the total number of settled cases is 56,877 and pending cases is 6942. As for the remaining claims, the Supreme Court had directed to amend the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and Scheme there under with the approval of the Parliament and see that these claims be transferred to Judicial or Quasi-Judicial authority for further action in the pending claims. The Committee further note that the various components of rehabilitation, viz. Social, medical, economic and clean drinking water are still ongoing. (Para 8.1-13).

The Committee recommend that the rehabilitation process be speeded up so that pending cases may be resolved soon. The Department/Office of Welfare Commissioner should try to resolve the pending 6942 cases for compensation within a stipulated time. Measures taken in this regard may be communicated to the Committee at the earliest.

#### **10. Environmental Concerns**

The Committee observe that one of greatest concern arising out of chemical plants and industries is the pollution and degradation that it causes to the surrounding environment. The Committee are distressed to note that still there is so much wanting in the areas of proper effluent treatment plants, preservation of ground water and ecological health.

The Committee note that the model developed in Maharashtra in which wherever a treatment plant in Maharashtra Industrial Development Corporation is to be developed, a part of infrastructure like Road, electricity, water and transport, etc. will be

done by the Government and the cost will be taken care of by the industry. It is possible in chemical clusters too. The concerned States should be involved in all these aspects so that there can be a lasting solution. The Committee desire that the Department should seriously study this model and convince other states to follow on these lines. The Committee note that since the initial cost for common effluent treatment plants are so high and the private companies are often not ready to foot that bill in one go, it may be necessary for the Government to come out with the investments for common effluent treatment plants and later on collects the money from the industries. The Committee seriously view the present situation in which there is no proper mechanism or common standard for environmental safety. Common effluent treatment plants are an essential component of any chemical/petrochemical project and the Government should ensure that the required funds are made available. The Committee strongly recommend that the Department may set up a mechanism to monitor all environmental concerns in coordination with all stakeholders and should also review the existing environmental safeguards in all projects under its ambit and make amends speedily wherever necessary. The action taken on the above points may be communicated to the Committee at the earliest.

New Delhi;  
26 April, 2016  
*06 Vaisakha, 1938 (Saka)*

Anandrao Adsul  
Chairperson  
Standing Committee on  
Chemicals and Fertilizers

**MINISTRY OF CHEMICALS AND FERTILISERS**

DEMAND NO. 6

**Department of Chemicals and Petrochemicals**

A. The Budget allocations, net of recoveries and receipts, are given below:

Major Head	Actual 2014-2015			Budget 2015-2016			Revised 2015-2016			<i>(In crores of Rupees)</i> Budget 2016-2017		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	Revenue	119.58	44.23	163.81	156.00	67.15	223.15	126.89	48.27	175.16	120.00	42.01
Capital	31.80	...	31.80	32.00	0.03	32.03	15.00	24.61	39.61	40.00	0.03	40.03
<b>Total</b>	<b>151.38</b>	<b>44.23</b>	<b>195.61</b>	<b>188.00</b>	<b>67.18</b>	<b>255.18</b>	<b>141.89</b>	<b>72.88</b>	<b>214.77</b>	<b>160.00</b>	<b>42.04</b>	<b>202.04</b>
<b>BE 2016-2017</b>												
1. Secretariat-Economic Services	3451	...	...	...	...	...	...	...	...	...	16.87	16.87
2. Assam Gas Cracker Project	2852	...	...	...	...	...	...	...	...	0.01	0.01	0.02
3. Autonomous Bodies and Public Undertakings	2552	...	...	...	...	...	...	...	...	2.00	...	2.00
	2852	...	...	...	...	...	...	...	...	63.99	0.01	64.00
	6856	...	...	...	...	...	...	...	...	...	0.01	0.01
	6857	...	...	...	...	...	...	...	...	40.00	0.02	40.02
<b>Total</b>	...	...	...	...	...	...	...	...	...	105.99	0.04	106.03
4. Promotion of Chemical Industries												
4.01 Chemicals Promotion & Development Scheme(CPDS)	2852	...	...	...	...	...	...	...	...	5.00	...	5.00
4.02 Chemical Weapons Convention (CWC)	2852	...	...	...	...	...	...	...	...	1.00	0.01	1.01
<b>Total- Promotion of Chemical Industries</b>	...	...	...	...	...	...	...	...	...	6.00	0.01	6.01
5. Promotion of Petro-Chemical Industries												
5.01 Schemes of Petro-Chemicals	2852	...	...	...	...	...	...	...	...	34.00	...	34.00
5.02 Provision for North East and Sikkim	2552	...	...	...	...	...	...	...	...	14.00	...	14.00
<b>Total- Promotion of Petro-Chemical Industries</b>	...	...	...	...	...	...	...	...	...	48.00	...	48.00
6. Bhopal Gas Leak Disaster (BGLD)	2852	...	...	...	...	...	...	...	...	...	25.11	25.11
<b>RE 2015-2016</b>												
7. Secretariat-Economic Services	3451	0.48	13.99	14.47	1.00	15.79	16.79	0.80	17.02	17.82	...	...
<b>Industries</b>												
<b>Petrochemical Industries</b>												

<i>(In crores of Rupees)</i>														
	Major Head	Actual 2014-2015			Budget 2015-2016			Revised 2015-2016			Budget 2016-2017			
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
8.	Central Institute of Plastics Engg. and Technology (CIPET)	2852	100.85	...	100.85	83.68	...	83.68	98.68	...	98.68	...	...	...
9.	Subsidy to Assam Gas Project	2852	...	...	...	0.01	0.01	0.02	0.01	0.01	0.02	...	...	...
10.	New Schemes of Petrochemicals	2852	12.17	...	12.17	42.41	...	42.41	4.24	...	4.24	...	...	...
<b>Total-Petrochemical Industries</b>			<b>113.02</b>	...	<b>113.02</b>	<b>126.10</b>	<b>0.01</b>	<b>126.11</b>	<b>102.93</b>	<b>0.01</b>	<b>102.94</b>	...	...	...
<b>Chemical and Pharmaceutical Industries</b>														
11.	Bhopal Gas Leak Disaster (BGLD)	2852	...	29.43	29.43	...	47.64	47.64	...	27.18	27.18	...	...	...
12.	Institute of Pesticides Formulation Technology (IPFT)	2852	1.68	0.84	2.52	1.00	3.70	4.70	1.00	4.05	5.05	...	...	...
13.	Chemical Weapons Convention (CWC)	2852	0.87	...	0.87	1.00	0.01	1.01	1.00	0.01	1.01	...	...	...
14.	Chemicals Promotion & Development Scheme (CPDS)	2852	3.53	...	3.53	1.90	...	1.90	3.90	...	3.90	...	...	...
<b>Total-Chemical and Pharmaceutical Industries</b>			<b>6.08</b>	<b>30.27</b>	<b>36.35</b>	<b>3.90</b>	<b>51.35</b>	<b>55.25</b>	<b>5.90</b>	<b>31.24</b>	<b>37.14</b>	...	...	...
<b>Total-Industries</b>			<b>119.10</b>	<b>30.27</b>	<b>149.37</b>	<b>130.00</b>	<b>51.36</b>	<b>181.36</b>	<b>108.83</b>	<b>31.25</b>	<b>140.08</b>	...	...	...
15.	Lumpsum provision for Project/Scheme for the benefit of the N.E. Region & Sikkim	2552	...	...	...	25.00	...	25.00	17.26	...	17.26	...	...	...
<b>16. Loans to Public Enterprises</b>														
16.01	Hindustan Fluorocarbons Ltd. (HFL)	6856	...	...	...	...	0.01	0.01	5.00	...	5.00	...	...	...
16.02	Hindustan Insecticides Ltd.(HIL)	6857	...	...	...	...	0.01	0.01	10.00	...	10.00	...	...	...
16.03	Hindustan Organic Chemicals Limited (HOCL)	6857	...	...	...	...	0.01	0.01	...	24.61	24.61	...	...	...
<b>Total- Loans to Public Enterprises</b>			...	...	...	...	<b>0.03</b>	<b>0.03</b>	<b>15.00</b>	<b>24.61</b>	<b>39.61</b>	...	...	...
17.	Investment in Public Enterprises	6856	16.80	...	16.80	5.00	...	5.00	...	...	...	...	...	...
		6857	15.00	...	15.00	27.00	...	27.00	...	...	...	...	...	...
	<b>Total</b>		<b>31.80</b>	...	<b>31.80</b>	<b>32.00</b>	...	<b>32.00</b>	...	...	...	...	...	...
<b>18. Waiver of Interest</b>														
18.01	Hindustan Insecticides Ltd.	2852	...	...	...	...	...	...	...	...	...	...	...	...
18.02	Less - Receipts Netted	0049	...	...	...	...	...	...	...	...	...	...	...	...
18.03	Less - Receipts Netted	0852	...	...	...	...	...	...	...	...	...	...	...	...
	<b>Net</b>		...	...	...	...	...	...	...	...	...	...	...	...
19.	Recoveries of Overpayment	2852	...	-0.03	-0.03	...	...	...	...	...	...	...	...	...
<b>Grand Total</b>			<b>151.38</b>	<b>44.23</b>	<b>195.61</b>	<b>188.00</b>	<b>67.18</b>	<b>255.18</b>	<b>141.89</b>	<b>72.88</b>	<b>214.77</b>	<b>160.00</b>	<b>42.04</b>	<b>202.04</b>
	Head of Dev		Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
<b>B. Investment in Public Enterprises</b>														
<i>Chemical and Pharmaceutical Industries</i>														

	Head of Dev	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total	Budget Support	IEBR	Total
3.01 Hindustan Organic Chemicals Ltd. (HOCL)	12857	...	150.00	150.00	17.00	...	17.00	...	...	...	...	...	...
3.02 Hindustan Insecticides Limited (HIL)	12857	...	...	...	10.00	...	10.00	...	...	...	...	...	...
3.03 Hindustan Fluorocarbons Limited	12856	...	...	...	5.00	...	5.00	...	...	...	...	...	...
<b>Total-Chemical and Pharmaceutical Industries</b>		...	150.00	150.00	32.00	...	32.00	...	...	...	...	...	...
<b>Total</b>		...	150.00	150.00	32.00	...	32.00	...	...	...	...	...	...
<b>C. Plan Outlay</b>													
1. Petro-Chemical Industries	12856	129.82	...	129.82	131.10	...	131.10	107.93	...	107.93	98.00	...	98.00
2. Chemical and Pharmaceutical Industries	12857	21.08	150.00	171.08	30.90	...	30.90	15.90	...	15.90	46.00	...	46.00
3. Secretariat-Economic Services	13451	0.48	...	0.48	1.00	...	1.00	0.80	...	0.80	...	...	...
4. North Eastern Areas	22552	...	...	...	25.00	...	25.00	17.26	...	17.26	16.00	...	16.00
<b>Total</b>		<b>151.38</b>	<b>150.00</b>	<b>301.38</b>	<b>188.00</b>	...	<b>188.00</b>	<b>141.89</b>	...	<b>141.89</b>	<b>160.00</b>	...	<b>160.00</b>

1. **Secretariat:** Provision is for secretariat expenditure of the Department.

2. **Assam Gas Cracker Project:** Provision is for Assam Gas Cracker Project.

3. **Autonomous Bodies and Public Undertakings:** This includes provision for Central Institute of Plastic Engineering and Technology (CIPET). The provision is for enhancing its capabilities in Academic activities (Skill Development Training Programme) and for research, development work in emerging areas and technology support. This also includes provision for Institute of Pesticides Formulation Technology (IPFT), for equipment upgradation and project completion aimed at the development of environment-friendly pesticide formulations; provision for Hindustan Fluorocarbons Ltd. (HFL); upgradation of Plants and Machinery granted as loans to HOCL; and Hindustan Insecticides Ltd.

4. **Promotion of Chemical Industries:** Provision under Chemical Promotion and Development Scheme (CPDS) is for promotion of chemicals, by organizing various seminars, studies, conferences, workshops as well as for matters pertaining to setting up of Help Desks Facilitation Desks with the objective to promote investment and trade in the sector in PCPIRs etc.. Provision under Chemicals Weapons Convention (CWC) is for promotional and other activities related to CWC. In order to discharge the obligation of the Chemical Weapons Convention, a National Authority has been set up in India. The agency undertakes trial inspections of the units, monitors activities of dual purpose chemical industry, makes arrangements for training of suitable personnel and assists OPWC with regard to the implementation of CWC.

5. **Promotion of Petro-Chemical Industries:** The provision is for various activities under Schemes of Petro-Chemicals viz. National Awards for Technology Innovations in Petrochemical and Downstream Plastic Processing Industry, setting up of Centres of Excellence (CoE) in Polymer Technology, setting up of dedicated Plastic Parks in the field of petrochemicals etc.

6. **Bhopal Gas Leak Disaster:** The provision is for (i) disbursement of ex-gratia to Bhopal Gas Leak Disaster victims; (ii) Secretariat expenditure of the Office of the Welfare Commissioner, Bhopal (iii) expenditure of various courts set-up for deciding the cases of compensation to the victims.

**MINUTES OF THE ELEVENTH SITTING OF THE  
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2015-16)**

The Committee sat on Tuesday, the 22 March, 2016 from 1130 hrs. to 1300 hrs. in Room No. G-074, Parliament Library Building, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Shri B. N. Chandrappa
3. Shri Shankar Prasad Datta
4. Shri R. Dhruvanarayana
5. Shri K. Ashok Kumar
6. Shri Chhedi Paswan
7. Shri S. Rajendran
8. Dr. Kulamani Samal
9. Dr. Krishna Pratap Singh
10. Shri Tasleem Uddin
11. Shri Kotha Prabhakar Reddy
12. Shri George Baker

RAJYA SABHA

13. Dr. M. S. Gill
14. Shri Narayan Lal Panchariya
15. Shri Garikapati Mohan Rao
16. Shri Palvai Govardhan Reddy

SECRETARIAT

- |    |                       |   |                 |
|----|-----------------------|---|-----------------|
| 1. | Smt. Rashmi Jain      | - | Joint Secretary |
| 2. | Shri A. K. Srivastava | - | Director        |
| 3. | Shri Nishant Mehra    | - | Under Secretary |

LIST OF WITNESS

DEPARTMENT OF CHEMICALS AND PETROCHEMICALS

- |    |                           |                 |
|----|---------------------------|-----------------|
| 1. | Shri Vijay Shankar Pandey | Secretary       |
| 2. | Shri Vinod Kumar Thakral  | SSA & FA        |
| 3. | Shri Avinash Joshi        | Joint Secretary |
| 4. | Dr. Samir Kumar Biswas    | Joint Secretary |



## PSU/ AUTONOMOUS INSTITUTIONS

- |    |                         |                         |
|----|-------------------------|-------------------------|
| 1. | Prof. (Dr.) S. K. Nayak | Director General, CIPET |
| 2. | Dr. S. K. Raza          | Director, IPFT          |
| 3. | Shri S. P. Mohanty      | Dir (Marketing), HIL    |
| 4. | Shri T. S. Gaikwad      | MD, HFL                 |

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) and other officials to the sitting. 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.

3. After the witnesses introduced themselves the Secretary of the Department of Chemicals and Petrochemicals gave a brief highlight of the major projects and activities of the Department pertaining to the Demands for Grants (2016-17). Thereafter, the Secretary and other officials replied to the queries raised by the Members relating to the subject. Members *inter-alia* expressed deep concern over shortage of allocation of funds for the year 2016-17 for various schemes taken up by the Department and also for environmental pollution and ecological destruction that may be caused by chemicals related industries. They also emphasized on the need to give priority to employment of local people in schemes like PCPIRs.

4. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee.

5. A copy of the verbatim record of the proceedings of the sitting has been kept.

*The Committee then adjourned.*

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

**(2015-16)**

The Committee sat on Tuesday, the 26 April, 2016 from 1500 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

Shri Anandrao Adsul - Chairperson

*Members*

*Lok Sabha*

2. Smt. Anju Bala
3. Shri Sankar Prasad Datta
4. Smt. Veena Devi
5. Shri K. Ashok Kumar
6. Shri Kamalbhan Singh Marabi
7. Smt. Kamala Devi Patle
8. Shri S. Rajendran
9. Shri Chandu Lal Sahu
10. Dr. Kulamani Samal
11. Smt. Rekha Arun Verma
12. Shri George Baker

*Rajya Sabha*

13. Shri Biswajit Daimary
14. Shri Narayan Lal Panchariya
15. Shri Palvai Govardhan Reddy
16. Shri Abdul Wahab

Secretariat

- |    |                      |   |                     |
|----|----------------------|---|---------------------|
| 1. | Smt. Rashmi Jain     | - | Joint Secretary     |
| 2. | Shri A.K. Srivastava | - | Director            |
| 3. | Shri H. Ram Prakash  | - | Additional Director |

2. At the outset, the Hon'ble Chairperson welcomed the members of the Committee.

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

- a)      xxxx                                  xxxx                                  xxxx                                  xxxx
- b)      Demands for Grants (2016-17) of the Ministry of Chemicals and Fertilizers  
(Department of Chemicals and Petrochemicals)
- c)      xxxx                                  xxxx                                  xxxx                                  xxxx

4. The draft Reports were adopted by the Committee without any amendment.

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

6.       xxxx                               xxxx                               xxxx                               xxxx

*The Committee then adjourned.*

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*xxxx Matters not related to this Report.*