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**STANDING COMMITTEE ON  
CHEMICALS & FERTILIZERS  
(2016-17)**

**SIXTEENTH LOK SABHA**

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

*[Action Taken by the Government on the Observations/Recommendations contained in the Thirty Third Report of the Standing Committee on Chemicals and Fertilizers (Sixteenth Lok Sabha) on "Demands for Grants (2017-18) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)]*



**REPORT**

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

***August, 2017/ Shravana, 1939 (Saka)***

**THIRTY EIGHTH REPORT**

**STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS  
(2016-17)**

**SIXTEENTH LOK SABHA**

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

*[Action Taken by the Government on the Observations/Recommendations  
contained in the Thirty Third Report of the Standing Committee on Chemicals and Fertilizers  
(Sixteenth Lok Sabha) on "Demands for Grants (2017-18) of the  
Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals)]*

Presented to Lok Sabha on 10.08.2017

Laid in Rajya Sabha on 10.08.2017



**LOK SABHA SECRETARIAT  
NEW DELHI**

*August, 2017/ Shravana, 1939 (Saka)*

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**COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2016-17)**

**Shri Anandrao Adsul - Chairperson**

**MEMBERS  
LOK SABHA**

2. Shri George Baker
3. Smt. Anju Bala
4. Shri B.N Chandrappa
5. ShriSankar Prasad Datta
6. Smt. Veena Devi
7. Shri R. Dhruvanarayana
8. Shri Innocent
9. Shri K Ashok Kumar
10. Shri Chhedi Paswan
11. Smt. Kamla Devi Patle
12. Shri S. Rajendran
13. Shri Kotha Prabhakar Reddy
14. Dr. Kulamani Samal
15. Dr. Uma Saren
16. Dr. Krishna Pratap Singh
17. Shri Taslimuddin
18. Smt. Rekha Arun Verma
19. Shri Kirti Vardhan Singh
20. Shri Pankaj Chaudhary
21. Dr. (Smt.) Ratna De (Nag)

**RAJYA SABHA**

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri Sanjay Dattatraya Kakade
25. Shri Surendra Singh Nagar
26. Shri Narayan Lal Panchariya
27. Shri K Parasaran
28. Dr. Sanjay Sinh
29. Shri Abdul Wahab
30. Smt. Roopa Ganguly
- 31.\* Vacant

**SECRETARIAT**

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri A.K. Srivastava - Director
3. Shri S. Holkhopao Baite - Additional Director

\* Demise of Shri Palvai Govardhan Reddy, MP (RS) on 09.06.2017.

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## INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2016-2017) having been authorised by the Committee to present the Report on their behalf, present this Thirty Eighth Report (Sixteenth Lok Sabha) on Action Taken by the Government on the observations/ recommendations contained in the Thirty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers (2016-2017) on Demands for Grants (2017-2018) of the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals).

2. The Thirty Third Report (Sixteenth Lok Sabha) of the Standing Committee on Chemicals and Fertilizers was presented to Lok Sabha on 21.03.2017. The Action Taken replies of Government to all observations/ recommendations contained in the Report were received on 25.07.2016. The Standing Committee on Chemicals and Fertilizers (2016-2017) considered and adopted this Report at their sitting held on 09.08.2017.

3. An analysis of the Action Taken by the Government on the observations/ recommendations contained in the Thirty Third Report (Sixteenth Lok Sabha) of the Committee is given in Appendix-II.

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

New Delhi;  
09 August, 2017  
18 Shrawana, 1939 (Saka)

**ANANDRAO ADSUL**  
Chairperson  
Standing Committee on  
Chemicals and Fertilizers

## REPORT

### CHAPTER I

This Report of the Standing Committee on Chemicals and Fertilizers deals with the action taken by the Government on the Observations/Recommendations contained in the Thirty-Third Report (Sixteenth Lok Sabha) of the Committee on the Demands for Grants 2017-18 of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) which was presented to Lok Sabha on 21.3.2017. In all, the Committee made 08 Observations / Recommendations in the Report.

2. Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) were requested to furnish replies to the Observations / Recommendations contained in the Thirty-Third Report within three months from the date of presentation of the Report, i.e., by 20.07.2017. The Action Taken Replies of the Government in respect of all the 08 Observations / Recommendations contained in the Report have been received from the Ministry of Chemicals and Fertilizers (Department of Chemicals and Petrochemicals) vide their O.M. No. O.M. NO.23003/03/2017-Fin, dated 25<sup>th</sup> July, 2017. These Replies have been categorized as follows:-

- (i) Observations / Recommendations that have been accepted by the Government :-  
Sl.Nos. 1, 7 and 8 (Total =03)

This may be included in Chapter II of the Draft Report.

- (ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply :-  
Sl.No. Nil (Total = Nil)

This may be included in Chapter III of the Draft Report.

- (iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee :-  
Sl.No. 5 and 6 (Total = 02)

This may be included in Chapter IV of the Draft Report.

- (iv) Observations / Recommendations in respect of which final replies of the Government are still awaited:-  
Sl.Nos. 2, 3 and 4 (Total =3)

These may be included in Chapter V of the Draft Report.

3. **The Committee desire that the Action Taken Notes on the Observations / Recommendations contained in Chapter-I and V of this Report should be furnished expeditiously.**

4. **The Committee will now deal with action taken by the Government on all the Observations/Recommendations which still require reiteration or merit comments.**

**A. EXPORT AND IMPORT OF CHEMICALS**

**RECOMMENDATION SL.NO. 1**

5. While, recommending the Department to initiate prompt steps to promote indigenous production of chemicals and its productions, the Committee had recommended as under:-

"The Committee note that the imports of chemicals and products contributed 11.6% of the total imports in 2016-17 (upto September, 2016) in comparison to 10.6% in 2015-16 (upto September, 2015), whereas the exports contributed same 10.4% of total exports both in 2016-17 (upto September, 2016) and 2015-16 (upto September, 2015). The Committee also observe that most of the chemicals are under open general license under the provisions of current foreign trade policy. The Committee are of the strong view that increase in the domestic demand of chemical products without commensurate increase in the domestic production has led to increase in import and stagnation of export. The Committee, therefore recommend that the Department should take prompt steps to increase the indigenous production of chemicals and its products. The Committee would also like the Department to take up various fiscal measures like rationalization of tax structure, safeguard duty issues, anti-dumping measures with concerned authorities. The Committee would like to be informed of the action taken in this regard."

**REPLY OF THE GOVERNMENT**

6. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The chemical sector is de-licensed and de-regulated. The matter regarding rationalization / reduction of duties on chemicals and petrochemicals has been taken up with Ministry of Finance from time to time. The Government has taken various steps including rationalization of Custom Duties for having a complete synergy in the value chain in the manufacturing process involving building blocks, intermediate and final products. The basic custom duty on some of the building blocks/ raw materials such as Liquefied Natural Gas has been reduced from 5% to 2.5%, Ortho-Xylene from 2.5% to Nil, 2-Ethyl Anthraquinone from 7.5% to 2.5% etc. for the year 2017-18 which will help in the growth of the chemical sector.

The Govt. has introduced Goods and Services Tax (GST) from 1<sup>st</sup> July, 2017. The GST in general on chemical items falling under chapter 28, 29, 32 & 38 has been put under the category of 18% GST rate."

## COMMENTS OF THE COMMITTEE

7. With respect to the increasing percentage of the share of imports on Chemicals and products when that of its exports remain stagnant in the last two years, the Committee had raised concern and recommended that the Department should take prompt steps to increase indigenous production of chemicals and its products. The Committee suggested some fiscal measures including rationalization of tax structure, safeguard of duty issues, anti-dumping measures, among others.

The Department, in its Action Taken Replies (ATR), had mentioned that the Chemical sector had been de-licensed and de-regulated and also highlighted the steps taken by them along the lines of the recommendation of the Committee. They also mentioned the various steps taken towards the rationalization of Custom duties, by way of deduction of custom duties of building blocks/raw-materials which were all intended to boost the growth of the chemical sector.

In the midst of these, the onset of the Goods and Services Tax (GST) regime, introduced by the Government of India from 1 July 2017, necessitated a fresh look on the issue. It appears that the GST in general on chemical items falling under Chapters 28, 29, 32 and 38 are on the higher category of 18% and 28% GST rates. The Committee desire to be informed from the Department the likely impact of the introduction of the GST on the chemical sector, and also its impact on the export and import of the chemicals.

### **B. BUDGET ALLOCATION**

#### **RECOMMENDATIONS SI.NO.2**

8. While addressing the lack of adequate allocation for various schemes/Programmes in the Budget, the Committee had recommended as under:-

"The Committee observe that as against proposal of Rs.480.73 crore the Department of Chemicals and Petrochemicals has been allocated an amount of Rs.298 crore for BE 2017-18 and out of this Rs.150 crore has been approved for Central Sector Scheme, Rs.123.39 crore has been approved for other central expenditure and Rs.24.61 crore



for capital section. The Committee also note that an amount of Rs.100 crore has been earmarked for Assam Gas Cracker Project (AGCP), an amount of Rs.68.08 crore and Rs.9.16 crore have been allocated for CIPET and IPFT respectively and under the New Schemes of Petrochemicals including the scheme for setting up of Plastic Parks a sum of Rs.142.388 crore was sought against which only a sum of Rs.48 crore has been allocated as curtailed budget allocation by Ministry of Finance. In view of the foregoing the Committee feel that funds allocated to the Department by the Ministry of Finance are abysmally low with reference to their proposal. In the absence of adequate funds available to them, the schemes undertaken by the Department would be adversely affected. The Committee are of the view that the schemes of Chemicals and Petrochemicals are of wide national importance and therefore recommend the Department should take up the issue of fund allocation vigorously with the Ministry of Finance and impress upon them to allocate funds as per the demand of the Department. The Committee would like to be informed of the action taken in this regard."

### **REPLY OF THE GOVERNMENT**

9. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The additional requirement of funds for the various schemes/ programmes implemented by the Department has been sought from the Ministry of Finance at 1<sup>st</sup> Supplementary stage during 2017-18. This includes Rs. 246.09 crore for implementation of the approved schemes of CIPET , Rs. 449.45 crore for balance amount of Capital Subsidy for the Assam Gas Cracker project , and Rs. 365.26 crore as Bridge loan in connection with the restructuring of the HOCL.

As regards, additional funds for Setting up of New Plastic Parks, the same shall be taken up with Ministry of Finance at the appropriate time."

### **COMMENTS OF THE COMMITTEE**

**10. The Committee, in their recommendation, had raised serious concern on the abysmally low allocation of funds for the various schemes and programmes of the Department by the Ministry of Finance. The Committee had pointed out that in the absence of adequate funding the schemes undertaken were bound to be adversely affected. In view of this, the Committee had urged the Department to vigorously take up the issue with the Ministry of Finance.**

**The Department, in their Action Taken Replies, had informed that the additional requirement of funds were being sought from the Ministry of Finance.**

**The Committee have their apprehension that the Ministry of Finance would yield to the Demand of the Department of Chemicals and Petrochemicals for additional funds in the supplementary Demands for Grants 2017-18. The Committee, therefore, desire that the Department should continue to take up the matter with the Ministry of Finance at Minister's level to obtain the requisite funds and communicate the action taken in this regard to the Committee.**

### **C. NEW SCHEMES OF PETROCHEMICALS**

#### **RECOMMENDATIONS SI.NO.3**

11. Looking into the new schemes of Petrochemicals the Committee emphasizing the setting up of plastic parks and centres of Excellence, the Committee had recommended as under:-

"The Committee observe that an amount of Rs. 48.00 crore has been sanctioned for New Schemes of the Petrochemicals for the year 2017-18. Under the Head of New Schemes of Petrochemicals there are three schemes, viz. Scheme for Plastic Parks (Rs.47.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for Centres for Excellence in Polymer Technology (CoE) (Rs.0.00 crore). The Committee are of the strong view that the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds."

#### PLASTIC PARKS

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. 47 crore allocated for Plastic Parks is totally inadequate to meet the requirement. At present, in the 1st phase, 10 Plastic Parks have been approved, out of which, Plastic Parks in Madhya Pradesh, Odisha and Assam are under implementation. For setting up a Plastic Park at Voyalur Village, Ponneri Taluk, Thiruvallur District in Tamil Nadu, the final approval has been accorded in June, 2016 and the Memorandum of Agreement has been signed on 24th November 2016 with the Tamil Nadu Plastic Park agency.

Further, in-principle approval has been accorded for setting up the remaining 6 Plastic Parks i) Devipur, District Deoghar in Jharkhand, (ii) Bilaua, District Gwalior in Madhya Pradesh, (iii) Khairjhiti, District Rajnandgaon in Chhattisgarh, (iv) Sitarganj, District Udham Singh Nagar in Uttarakhand, (v) Industrial Estate, District Panipat in Haryana and (vi) Barjora, District Bankura in West Bengal. In addition, keeping in view the additional demand from States, setting up 8 more Plastic Parks (in addition to 10 Parks already approved) has been accorded in-principle approval. Further, the Committee are given to understand that due to infrastructural and budgetary constraints, the Department will concentrate only on four parks in Odisha, Madhya Pradesh, Assam and Tamil Nadu till 2019.

The Committee are of the view that setting up of Plastic Parks will boost 'Make in India' programme and also generate huge employment. 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 by the Ministry of Finance. The Committee would like to be apprised of the progress made in this regard."

### **REPLY OF THE GOVERNMENT**

12. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The Department is implementing a Plastic Park scheme to support setting up of Plastic Parks to promote the domestic downstream plastic processing industry. Govt. of India provides grant funding up to 50% of the project cost subject to a ceiling of Rs.40 crore per project. Ten Plastic Parks have been approved by SFC. Out of which, parks in Madhya Pradesh, Odisha and Assam are presently being set up and are under various stages of implementation. Tamil Nadu Plastic Park has been accorded final approval in June 2016. A sum of 8.00 crore has been released to the Tamil Nadu Plastic Park as first installment.

Department of Chemicals & Petrochemicals shall make necessary efforts to seek additional funds from the Ministry of Finance at the appropriate stage of Supplementary Grants (2017-18) for implementing the 6 Plastic Parks, granted 'in-principle' approval."

### **CENTRE OF EXCELLENCE**

The Committee note that the Department has set up five Centres of Excellence (CoE) within the premises of reputed educational/research institutes viz (i) National Chemicals Laboratory (NCL), Pune – CoE for Sustainable Polymer Industry through Research, Innovation & Training (CoE-SPIRIT); (ii) Central Institute of Plastics Engineering & Technology (CIPET), Chennai – CoE for Green Transportation Network (GREET), (iii) IIT, Delhi – CoE for Advanced Polymeric Materials, (iv) CIPET, Bhubaneswar- CoE on Sustainable Green Materials and (v) IIT, Guwahati – CoE for Sustainable Polymers.

The Committee are of the view that the scheme is vital for improving the petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. The Committee are dismayed to note that no funds have been allocated under the scheme. The Committee, would therefore recommend the Department to take up the matter with the Ministry of Finance to provide funds under the scheme. The Committee would like to be informed of the action taken in this regard."

### **REPLY OF THE GOVERNMENT**

"Department of Chemicals & Petrochemicals is proposing to apprise the work done under the scheme in the existing Centres of Excellence to suggest the way forward.

### COMMENTS OF THE COMMITTEE

13. The Committee, in their recommendation, had opined that the budgetary allocation of Rs. 48.00 crore was too meagre for new schemes of Petrochemicals, considering the huge requirement of funds. While there were infrastructural and budgetary constraints, the Committee emphatically pointed out that setting up Plastic Parks would boost 'Make in India' programme as well as generate huge employment. In view of this, the Committee had recommended that the Department should ask for adequate funds at the time of Supplementary Demands with proper justification. Further, in respect of the Centre of Excellence, which would be vital in improving the Research and Technology of Petrochemicals and promote development of new application of polymers and plastics, the Committee had expressed their dismay at the non allocation of funds under the scheme. The Committee had also likewise recommended the Department to take up the matter with the Ministry of Finance.

The Department, in their Action Taken Replies pertaining to the Plastic Parks, had mentioned that they were on track in implementing the Plastic Park Scheme. The Department had also made known its commitment by making necessary efforts to seek additional funds from the Ministry of Finance at the appropriate stages of Supplementary Grants (2017-18). Regarding Centre of Excellence, the Department is proposing to go ahead with the appraisal of the work done under the scheme in the existing Centres of Excellence.

The Committee reiterate their recommendation to the Department to take up the allocation of funds for the Plastic Parks as also for the Centre of Excellence with the Ministry of Finance. The Committee desire that the appraisal of the work undertaken under the scheme for Centre of Excellence be considered by the Department of Chemicals and Petrochemicals to carry forward the scheme with full vigour and also

**that adequate funds be released by the Ministry of Finance for this purpose. The Committee would like to be apprised about the action taken in this regard.**

**D. BHOPAL GAS LEAK DISASTER**

**RECOMMENDATIONS SI.NO.4**

14. While concerning the Bhopal Gas leak Disaster in which even after three decades toxic waste of 300 tonnes remains to be incinerated, the Committee had recommended as under:-

"Concerning the Bhopal gas Leak Disaster in which after three decades toxic waste of 300 tonnes remains to be incinerated, the Committee recommended as under:-

The Committee observe that the Department in their Annual Report 2016-17 have stated that UCIL waste was successfully incinerated at common hazardous waste incineration at Pitham Pur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during 13-18 August 2015. During the course of evidence the Committee has been informed that 300 tonnes of wastes is still lying there and has to be incinerated by Government of Madhya Pradesh and it has been taken up with the Ministry of Environment and Pollution Control Board because it is to be done under their supervision and to their satisfaction.

The Committee are deeply anguished to note that even after three decades the toxic waste of 300 tonnes has not been incinerated so far. The Committee, therefore, recommend that the Department may take immediate action in the matter to ensure that toxic waste is incinerated without any further delay by taking up the issue with the concerned Departments. The Committee would like to be informed of the action taken in this regard."

**REPLY OF THE GOVERNMENT**

15. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Union Cabinet in its meeting held on 24/6/2010 had decided that Govt. of Madhya Pradesh would be responsible for undertaking disposal of hazardous wastes and remediation of the erstwhile UCIL plant at Bhopal. Union Cabinet also decided that an Oversight Committee be constituted in the Ministry of Environment, Forests and Climate Change to provide oversight and support to the State Government of Madhya Pradesh. As per the directions given by the Hon'ble Supreme Court in the Special Leave Petition (Civil) No. 9874 of 2012 UoI Vs Alok Pratap Singh and Others, 10 MT of erstwhile UCIL waste was successfully incinerated at Common Hazardous Waste Incinerator at Pithampur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during August 13-18, 2015 and thereafter the Ministry of Environment, Forests and Climate Change filed the report of incineration of 10 tonnes of UCIL waste to the Hon'ble Supreme Court.

After successful incineration of 10 MT of UCIL waste, a meeting was taken by Secretary, Department of Chemicals and Petrochemicals on 17/2/2016 with relevant stake holders to workout modalities for disposal of remaining UCIL waste of 337 MT (approximate). It

was decided in the meeting that State Govt. of Madhya Pradesh and CPCB will co-ordinate with each other and prepare technical, financial proposals and schedule for the disposal rest of the UCIL waste. The decision was further reiterated in the review meeting taken by Secretary, Department of Chemicals and Petrochemicals on 3/8/2016 with the representatives of State Govt. of Madhya Pradesh. Further, Govt. of Madhya Pradesh was requested to expedite the process of disposal of UCIL waste. Reminders were also issued to the Ministry of Environment Forests and Climate Change to expedite the pending issue of disposal of the remaining UCIL waste.

Chairman, CPCB took a meeting with representatives of Govt. of Madhya Pradesh, Department of Chemicals and Petrochemicals and Ministry of Environment, Forests and Climate Change on 23/9/2016 to discuss the modalities for disposal of remaining UCIL waste at TSDF, Pithampur and also invited Technical and Financial proposals for submission of the same to Oversight Committee.

Thereafter, Ministry of Environment, Forests and Climate Change has communicated the following decisions to the State Government of Madhya Pradesh on 9/5/2017:

- (i) Disposal of the remaining 337 tons of toxic waste at UCIL site, Bhopal and remediation of the site thereafter being the exclusive responsibility of the Govt. of Madhya Pradesh should be carried out by the State Government itself.
- (ii) CPCB will provide technical assistance for packaging , loading, transportation, unloading incineration, monitoring of the operation and assessment of emissions and other scientific requirements to the State Government for disposal of the waste.
- (iii) Madhya Pradesh Govt. should select the facility operator for final disposal of the waste. The parameters for technical qualification should remain one and same as with the facility during the disposal of the waste at trial stages in Pithampur.
- (iv) The selection process of the facility operator should have an integrated procurement offer with two bids, one for technical parameters and another for financial bid.
- (v) The technical parameters can open the offer to any facility operator in the country meeting all technical requirements. However, there must be a condition that a facility operator having the installation outside the State boundaries of Madhya Pradesh should provide a consent certificate and NOC from the State Govt. to the effect that the state toxic waste would be allowed to enter that State and would be permitted to be incinerated on the site located in that State.
- (vi) The final proposal would be forwarded by Madhya Pradesh Govt. to Oversight committee in Ministry of Environment, Forest and Climate Change for making recommendation to Department of Chemicals and Petrochemicals and D/o Expenditure for release of the funds to the State Govt.

The matter is followed up with the State Government of Madhya Pradesh"

#### **COMMENTS OF THE COMMITTEE**

**16. The Committee, in their recommendation, had expressed their dismay at the amount of toxic waste to the tune of over 300 tonnes still lying around to be incinerated. The Committee had urged the Department to take immediate action in this regard by taking up the issue with the Departments concerned.**

**In its Action Taken Replies, the Department had elaborately mentioned the role of various stake holders including the Government of Madhya Pradesh, the Ministry of Environment, Forests and Climate Change and the Central Pollution Control Board (CPCB). The Department also highlighted their initiative to workout modalities for disposing or incinerating the UCIL waste of about 337 MT. The Department also mentioned the latest decision of the Ministry of Environment, /forest and Climate Change which was communicated to the Government of Madhya Pradesh on 9 May 2017, which theirin spelt out the role of the State Government.**

**The Committee are of the view that the problem of incineration of 337 MT of toxic waste which is lying waste for the last 32 years needs to be addressed with urgency and with the earnestness that it deserved. This has become mockery before the whole world. It would be very effective if a time frame could be chalked out for a timely disposal of the toxic waste. The Department could consider impressing upon the various stake holders involved to convince them for incineration as communicated by the Ministry of Environment, Forests and Climate Change to the Government of the Madhya Pradesh. The Committee may be apprised on the steps taken in this regard.**

**E. HINDUSTAN ORGANIC CHEMICALS LIMITED (HOCL)**

**RECOMMENDATIONS SI.NO.5**

17. Expressing concern on the state of condition of the HOCL and looking at the decision for its revival, the Committee had recommended as under:

"It is observed that HOCL has been incurring losses since 2011-12 and as such it has been declared a sick company. Though, a structuring plan has been made by the Government for revival of HOCL in view of its strategic importance as HOCL is the only company to manufacture Nitrogen Tetra Oxide (N<sub>2</sub>O<sub>4</sub>) which is supplied to ISRO but revival plan has not yet taken off. The Committee are given to understand that in view of the poor financial position of HOCL, Rs. 24.61 crore was re-appropriated in the first batch of Supplementary Demands for Grants for 2016-17 by providing non plan loan to the company to enable it to pay the interest on the two Government of India Guaranteed Bonds of Rs. 100 crore and 150 crore raised by HOCL. As the company is not in a position to pay the interest of the Government an allocation of Rs.

24.61 crore has also been made in BE 2017-18 for the same purpose. The Committee feel that the Company is of strategic importance and therefore recommend the Department to finalise the revival plan of HOCL at the earliest. The Committee hope that the restructure plan would soon be implemented and they would be informed accordingly.

#### **REPLY OF THE GOVERNMENT**

18. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The committee in their recommendation mentioned that the company is not in a position to pay the interest to the bond holders of the Rs.250 crore Govt. guaranteed bonds raised by HOCL. Accordingly an allocation of Rs.24.61 crore has been made in BE 2017-18 for payment of the said interest.

The Government on 17.05.2017 has approved a Restructuring Plan for HOCL. The Restructuring Plan involves closing down the operations of all the non-viable plants at Rasayani unit of HOCL except Di-Nitrogen Tetroxide (N<sub>2</sub>O<sub>4</sub>) plant which is to be transferred to ISRO on 'as is where is' basis, with about 20 acres of land and employees associated with the plant. 'In principle' approval has also been accorded for HOCL to be put up for strategic disinvestment through DIPAM after the process of disposing land and other unencumbered assets at Rasayani is completed.

Financial implication of the Restructuring Plan is Rs.1008.67 crore (cash) which is to be met partly from sale of 442 acres HOCL land at Rasayani to Bharat Petroleum Corporation Ltd. (Rs.618.80 crore) and the balance (Rs.365.26 crore) through bridge loan from the Govt. The funds will be used to liquidate the various liabilities of the company, including payment of outstanding salary and statutory dues of employees and repayment of Govt. guaranteed bonds of Rs.250 crore due for redemption in Aug.-Sept. 2017. The bridge loan amount, along with other Govt. liabilities of the company, is proposed to be repaid to the Govt. from the disposal of remaining unencumbered land and other assets of Rasayani unit.

Necessary action has been initiated by the Department to implement the above restructuring plan for HOCL."

#### **COMMENTS OF THE COMMITTEE**

**19. The Committee, in their recommendation, had noted that HOCL had been incurring losses since 2011-12 and its revival plan had not yet taken on despite the structuring plan made by the Government. Considering the strategic importance of the company, the Committee had recommended the Department to finalise the revival plan for the company at the earliest.**



**In its Action Taken Reply the Department had informed the Committee about the restructuring plan for HOCL as approved by the Government on 17 May 2017 which involved closing down operations of all the non-viable plants at Rasayani unit of the company except the Di-Nitrogen Textroside plant, which is to be transferred to ISRO on 'as is where is' basis with about 20 acres of land and employees associated with the plant. The Department had also informed that an 'in principle' approval had also been accorded for HOCL to be put up for strategic disinvestment through the Department of Investment and Public Asset Management (DIPAM) after the process of disposing land and other unencumbered assets of Rasayani is completed. The Department also informed that the financial implication of the restructuring plan is Rs. 1008.67 crore and now the same would be raised by sale of HOCL land and through bridge loan from the Government which would be used to liquidate the various liabilities of the Company.**

**The Committee, while earnestly recommending the revival of the company due to its strategic importance, are dismayed to learn that, contrary to its expectations and recommendation, an 'in principle' approval has been accorded for HOCL to be put up for strategic disinvestment. The Committee are deeply concerned on the deteriorating state of the company, which once was a Mini Ratna Company. The Committee are of the view that efforts for revival of the company had been lacking focus and expertise and that Department had failed to come up with a comprehensive proposal to convince the Government in the past, as a result of which the Government had decided to restructure HOCL by closing nine of its twelve plants. The Committee, therefore, reiterate its recommendation to the Department to devise a revival package with greater diligence and focus on long term commercial viability and sustainability. The Committee would like to re-emphasize on the formation of an Expert Management Team to effectively implement the Revival Plan. With regard to monetization of surplus land assets, the Committee would like to caution that the**

**Department must ensure proper financial management of the sale proceeds of 'excess land'. Besides, the Committee have empathy with the hardships of the workers who had been deprived of their salary for which the Department are urged to come up with an effective proposal to ensure payment of salaries and statutory dues and also an attractive VRS for them. In view of these, the Committee also reiterate its earlier recommendations and urge the Department to revisit the decision of the Government in which 'in principle' approval has been accorded for strategic disinvestment through DIPAM. The Committee desire that the Department should leave no stone unturned to come up with an alternative revival plan and apprise the Committee of the action taken in this regard.**

**F. HINDUSTAN FLUOROCARBONS LIMITED (HFL)**

**RECOMMENDATIONS SI.NO.6**

20. Emphasizing the need for a revival plan for the HFL the Committee, in their recommendation, had stated as under:-

"The Committee note that Hindustan Fluorocarbons Ltd. (HFL) a subsidiary of HOCL. has been incurring losses for the last three years. The net worth as on 31.03.2016 is (-)Rs. 63.67 crore. The Government has therefore , given in-principle approval of strategic disinvestment of HFL with the parent company of HOCL to exit the firm completely. The Committee observe that for revival of HFL, the company has diversified into profitable business of fluoro specialty chemicals which has higher profit margins than the existing grades of PTFE and adopted the strategy of switching over from single product to multiproduct facility to reduce dependency of PTFE. HFL has also developed superior grades of PTFE (modified PTFE or MPTFE) and fluoro specialty chemicals like TFE-Ether and Telomeres and started commercial facility of partial conversion of Telomeres. It has also developed Benzotrifluoride (BTF) on lab scale and sample has been accepted by the customer. The Committee also note that during 2016-17 (upto September, 2016), the company achieved a turnover of Rs. 17.24 crore and restricted its loss to Rs. 1.48 core, as per the provisional unaudited results.

The Committee are pained to note that inspite of the efforts made by the company to come out of loss by diversifying its various activities and also achieving a turnover of Rs. 17.24 crore (upto September 2016) in 2016-17, the Government has decided for strategic disinvestment of HFL. The Committee, therefore, recommend that instead of strategic disinvestment of HFL, the Government may make a revival plan for the Company keeping in view its diversified activities. The Committee would like to be appraised of the progress made in this regard."

## REPLY OF THE GOVERNMENT

21. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Despite the efforts made by HFL to come out of loss by diversifying its activities, the company has been making losses since 2013-14. For 2016-17, the loss is estimated at Rs.4.89 crore. As on 31.03.2017, the company has accumulated losses of Rs.88.17 crore and negative net worth of Rs.68.55 crore. Due to inadequate working capital, HFL is not paying 20% salary to its officers/ employees since January, 2015. Statutory dues of around Rs.15.92 crore remain outstanding as the company does not have sufficient funds to clear these dues. Wage revision arrears of approx. Rs.15.05 crore pertaining to 1997 and 2007 wage revisions have also not been paid due to shortage of funds. It is pertinent to mention here that the company is not in a position to generate the financial resources required to clear the above liabilities and to address the various factors like uneconomical plant capacity, old technology, high manpower cost, high interest cost due to outstanding loans, etc. that have been adversely affecting the company's performance over the years. Also, HFL does not manufacture any product of strategic interest for the country and can be categorised as a 'non priority' CPSE as per DPE guidelines dated 29.10.2015.

The '*in principle*' approval for strategic disinvestment of HFL has been accorded by the Government/Cabinet Committee on Economic Affairs (CCEA) based on due examination of the matter by and based on the recommendations of the NITI Aayog and the Core Group of Secretaries on Disinvestment (CGD). As the decision for strategic disinvestment of HFL has been taken by the competent authority in the Government of India, further necessary action is being taken by the Department for implementing the said decision, in accordance with the guidelines / instructions issued by the Department of Investment and Public Asset Management (DIPAM) on disinvestment of CPSEs and their subsidiaries / units."

## COMMENTS OF THE COMMITTEE

22. **The Committee, in their recommendation, had pointed out that for revival of HFL, the Company had diversified into profitable business, a strategy of switching over from single product to multi-product facility. The Committee had also pointed out that the Company had started to achieve a turnover (of Rs. 17.24 crore) and restricted its loss. In view of this positive development, the Committee had urged, in their recommendation, that the Government may make a revival plan for the Company instead of its strategic disinvestment, keeping in view, its diversified activities.**

**In its Action Taken Replies, the Department, while elaborating the liabilities of the Company including the statutory dues and salaries due to the employees as a result of shortage of funds, stated that the Government is on the course for strategic disinvestment of the Company. They had pointed out that the decision for the strategic disinvestment had been taken by the competent authority in the Government of India.**

**The Committee desire that the strategic disinvestment of HFL should be gainfully done and that the sale should not incur any loss to the State exchequer. Having said this, the Committee is of the view that the Government should have a stand-by plan or alternative plan in case the strategic sale could not be arrived to its logical conclusion. The Committee, in this backdrop, recommend the Department that the Government should revisit their decision once more and apprise the Committee of the action taken in this regard.**

**G. CENTRAL INSTITUTE OF PLASTICS ENGINEERING AND TECHNOLOGY (CIPET)**

**RECOMMENDATIONS SI.NO.7**

23. Emphasizing the need for adequate funding for CIPET, the Committee had recommended as under:-

"The Committee are dismayed to note that a very meagre sum of Rs. 68.08 Crore has been made to CIPET during the year 2017-18 against the projection of Rs. 314.17 Crore. This is inspite of the fact that CIPET is an ISO 9001:2008 QMS, NABL, ISO/IEC 17020 accredited premier national institution and proposed to set up 11 new centers. The Committee feel that such a petty amount would not only obstruct the road map of setting up new CIPET Centers but also impede R&D work . The Committee are of the view that lesser allocation to CIPET at a time when plastic waste management is the need of hour would affect the scheme of Swatch Bharat Mission. The Committee observe that the issue of inadequate budget allocation to CIPET has been taken up with the Ministry of Finance by the Department of Chemicals and Petrochemicals on several occasions but that yielded no result. The Committee, therefore, strongly recommend the Department of Chemicals and Petrochemicals to take up with the Ministry of Finance the issue of fund allocation again highlighting the activities of CIPET as an institute of national importance for skill development in its field."

## **REPLY OF THE GOVERNMENT**

24. In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Department of Chemicals and Petrochemicals has continuously taken up the issue with Ministry of Finance and would continue to follow up. In reply to the letter dated 09.02.2017 from the Minister (Chemicals & Fertilizers) regarding inadequate budget allocation to CIPET, Minister of State for Finance & Corporate Affairs vide DO letter dated 04.04.2017 addressed to Minister (C&F) has informed that allocations to Departments are based on the availability of fiscal space and absorptive capacity of the Department, etc. However, the Department will follow up the matter of inadequate budget with Ministry of Finance on regular basis. The Department has also taken up with Ministry of Finance for additional funds to the tune of Rs. 246.09 crore during 2017-18 for implementation of the approved schemes of CIPET at the 1<sup>st</sup> Supplementary Stage."

## **COMMENTS OF THE COMMITTEE**

25. The Committee in their recommendation, had noted with grave concern the meagre budgetary allocation to CIPET which is a premier national institution proposing to set up eleven new centres and which also had an important role in plastic waste management. In this backdrop, the Committee had urged the Department to again take up the issue of fund allocation with the Ministry of Finance by highlighting the activities of CIPET as an institute of national importance.

The Department, in their Action Taken Replies, had informed the Committee that they had continuously taken up the issue with the Ministry of Finance and, *inter-alia*, mentioned that additional funds to the tune of Rs. 246.09 crore during 2017-18 for implementation of the schemes of CIPET at the first supplementary stage has been taken up with the Ministry of Finance.

While noting that the Department of Chemicals and Petrochemicals would take up the matter of less allocation to CIPET with the Ministry of Finance on regular basis, the Committee are apprehensive that the Department would obtain additional funds to the tune of Rs. 246.09 crore at first supplementary stage of Demands for Grants 2017-18. The Committee, therefore, recommend that the Department should pursue the matter vigorously with the Ministry of Finance at the highest level. The Committee are of the view that keeping in view the past performance of CIPET and its absorptive capacity of funds, there should not be any problem in granting additional funds to CIPET at the first supplementary stage. The Committee would like to be informed in this regard.

## CHAPTER – II

### OBSERVATIONS / RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

#### Recommendation No. 1

##### EXPORT AND IMPORT OF CHEMICALS

"The Committee note that the imports of chemicals and products contributed 11.6% of the total imports in 2016-17 (upto September, 2016) in comparison to 10.6% in 2015-16 (upto September, 2015), whereas the exports contributed same 10.4% of total exports both in 2016-17 (upto September, 2016) and 2015-16 (upto September, 2015). The Committee also observe that most of the chemicals are under open general license under the provisions of current foreign trade policy. The Committee are of the strong view that increase in the domestic demand of chemical products without commensurate increase in the domestic production has led to increase in import and stagnation of export. The Committee, therefore recommend that the Department should take prompt steps to increase the indigenous production of chemicals and its products. The Committee would also like the Department to take up various fiscal measures like rationalization of tax structure, safeguard duty issues, anti-dumping measures with concerned authorities. The Committee would like to be informed of the action taken in this regard."

#### REPLY OF THE GOVERNMENT

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The chemical sector is de-licensed and de-regulated. The matter regarding rationalization / reduction of duties on chemicals and petrochemicals has been taken up with Ministry of Finance from time to time. The Government has taken various steps including rationalization of Custom Duties for having a complete synergy in the value chain in the manufacturing process involving building blocks, intermediate and final products. The basic custom duty on some of the building blocks/ raw materials such as Liquefied Natural Gas has been reduced from 5% to 2.5%, Ortho-Xylene from 2.5% to Nil, 2-Ethyl Anthraquinone from 7.5% to 2.5% etc. for the year 2017-18 which will help in the growth of the chemical sector.

The Govt. has introduced Goods and Services Tax (GST) from 1<sup>st</sup> July, 2017. The GST in general on chemical items falling under chapter 28, 29, 32 & 38 has been put under the category of 18% GST rate."

#### **Comments of the Committee**

(Please see Para No.7 of Chapter- I of the Report)

## **RECOMMENDATIONS SI.NO.7**

While, the Committee had recommended as under:-

Emphasizing the need for adequate funding for CIPET, the Committee had recommended as under:-

"The Committee are dismayed to note that a very meagre sum of Rs. 68.08 Crore has been made to CIPET during the year 2017-18 against the projection of Rs. 314.17 Crore. This is inspite of the fact that CIPET is an ISO 9001:2008 QMS, NABL, ISO/IEC 17020 accredited premier national institution and proposed to set up 11 new centers. The Committee feel that such a petty amount would not only obstruct the road map of setting up new CIPET Centers but also impede R&D work . The Committee are of the view that lesser allocation to CIPET at a time when plastic waste management is the need of hour would affect the scheme of Swatch Bharat Mission. The Committee observe that the issue of inadequate budget allocation to CIPET has been taken up with the Ministry of Finance by the Department of Chemicals and Petrochemicals on several occasions but that yielded no result. The Committee, therefore, strongly recommend the Department of Chemicals and Petrochemicals to take up with the Ministry of Finance the issue of fund allocation again highlighting the activities of CIPET as an institute of national importance for skill development in its field."

## **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Department of Chemicals and Petrochemicals has continuously taken up the issue with Ministry of Finance and would continue to follow up. In reply to the letter dated 09.02.2017 from the Minister (Chemicals & Fertilizers) regarding inadequate budget allocation to CIPET, Minister of State for Finance & Corporate Affairs vide DO letter dated 04.04.2017 addressed to Minister (C&F) has informed that allocations to Departments are based on the availability of fiscal space and absorptive capacity of the Department, etc. However, the Department will follow up the matter of inadequate budget with Ministry of Finance on regular basis. The Department has also taken up with Ministry of Finance for additional funds to the tune of Rs. 246.09 crore during 2017-18 for implementation of the approved schemes of CIPET at the 1<sup>st</sup> Supplementary Stage."

## **Comments of the Committee**

(Please see Para No.25 of Chapter- I of the Report)

## **RECOMMENDATIONS SI. NO.8**

While, the Committee had recommended as under:-

"As regards the allocation to Institute of Pesticide Formulation and Technology (IPFT), as against the proposal of Rs.44.80 Crore of the Department for the year

2017- 18, Rs 9.16 Crore has been allocated . The Committee strongly feel that the funds allocated to the Department by the Ministry of Finance is abysmally low with reference to their proposals. In the absence of adequate funds available with them, the programmes undertaken by the IPFT would be adversely affected. The Committee, therefore, strongly feel that the Ministry of Finance should allocate the funds as per the proposed requirement of the Department and would like that the Department may strongly take up the matter with the Ministry of Finance. At the same time, the Department, on their part, should ensure that funds allocated to them are utilized fully."

### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

An amount of Rs. 9.16 crore has been allocated to IPFT during 2017-18.

"Funds are provided by the Department to each of the schemes / cost centres in BE based on the availability of fiscal space and absorptive capacity for the individual activities and on the basis of priority accorded by the Department. Wherever, the Department witnesses adequate progress in individual activities / schemes, the same are augmented through Supplementary Grants or re-appropriations to enable completion of the envisaged activities to attain the desired outcomes. In case additional funds are required by IPFT during 2017-18, the matter shall be reviewed duly and taken up appropriately.

The recommendation of Standing Committee has been noted for compliance."



**CHAPTER - III**

**OBSERVATION / RECOMMENDATION WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY**

**-NIL-**

## **CHAPTER – IV**

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION**

#### **RECOMMENDATIONS SI.NO.5**

Expressing concern on the state of condition of the HOCL and looking at the decision for its revival, the Committee had recommended as under: \_

"It is observed that HOCL has been incurring losses since 2011-12 and as such it has been declared a sick company. Though, a structuring plan has been made by the Government for revival of HOCL in view of its strategic importance as HOCL is the only company to manufacture Nitrogen Tetra Oxide (N<sub>2</sub>O<sub>4</sub>) which is supplied to ISRO but revival plan has not yet taken off. The Committee are given to understand that in view of the poor financial position of HOCL, Rs. 24.61 crore was re-appropriated in the first batch of Supplementary Demands for Grants for 2016-17 by providing non plan loan to the company to enable it to pay the interest on the two Government of India Guaranteed Bonds of Rs. 100 crore and 150 crore raised by HOCL. As the company is not in a position to pay the interest of the Government an allocation of Rs. 24.61 crore has also been made in BE 2017-18 for the same purpose. The Committee feel that the Company is of strategic importance and therefore recommend the Department to finalise the revival plan of HOCL at the earliest. The Committee hope that the restructure plan would soon be implemented and they would be informed accordingly.

#### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The committee in their recommendation the company is not in a position to pay the interest to the bond holders of the Rs.250 crore Govt. guaranteed bonds raised by HOCL. Accordingly an allocation of Rs.24.61 crore has been made in BE 2017-18 for payment of the said interest.

The Government on 17.05.2017 has approved a restructuring plan for HOCL. The restructuring plan involves closing down the operations of all the non-viable plants at Rasayani unit of HOCL except Di-Nitrogen Tetroxide (N<sub>2</sub>O<sub>4</sub>) plant which is to be transferred to ISRO on 'as is where is' basis, with about 20 acres of land and employees associated with the plant. 'In principle' approval has also been accorded for HOCL to be put up for strategic disinvestment through DIPAM after the process of disposing land and other unencumbered assets at Rasayani is completed.

Financial implication of the restructuring plan is Rs.1008.67 crore (cash) which is to be met partly from sale of 442 acres HOCL land at Rasayani to Bharat Petroleum Corporation Ltd. (Rs.618.80 crore) and the balance (Rs.365.26 crore) through bridge loan from the Govt. The funds will be used to liquidate the various liabilities of the company, including payment of outstanding salary and statutory dues of employees and repayment of Govt. guaranteed bonds of Rs.250 crore due for redemption in

Aug.-Sept. 2017. The bridge loan amount, along with other Govt. liabilities of the company, is proposed to be repaid to the Govt. from the disposal of remaining unencumbered land and other assets of Rasayani unit.

Necessary action has been initiated by the Department to implement the above restructuring plan for HOCL."

### **Comments of the Committee**

(Please see Para No.19 of Chapter- I of the Report)

### **RECOMMENDATIONS SI.NO.6**

Emphasizing the need for a revival plan for the HFL the Committee, in their recommendation, had stated as under:-

"The Committee note that Hindustan Fluorocarbons Ltd. (HFL) a subsidiary of HOCL. has been incurring losses for the last three years. The net worth as on 31.03.2016 is (-)Rs. 63.67 crore. The Government has therefore , given in-principle approval of strategic disinvestment of HFL with the parent company of HOCL to exit the firm completely. The Committee observe that for revival of HFL, the company has diversified into profitable business of fluoro specialty chemicals which has higher profit margins than the existing grades of PTFE and adopted the strategy of switching over from single product to multiproduct facility to reduce dependency of PTFE. HFL has also developed superior grades of PTFE (modified PTFE or MPTFE) and fluoro specialty chemicals like TFE-Ether and Telomeres and started commercial facility of partial conversion of Telomeres. It has also developed Benzotrifluoride (BTF) on lab scale and sample has been accepted by the customer. The Committee also note that during 2016-17 (upto September, 2016), the company achieved a turnover of Rs. 17.24 crore and restricted its loss to Rs. 1.48 core, as per the provisional unaudited results.

The Committee are pained to note that inspite of the efforts made by the company to come out of loss by diversifying its various activities and also achieving a turnover of Rs. 17.24 crore (upto September 2016) in 2016-17, the Government has decided for strategic disinvestment of HFL. The Committee, therefore, recommend that instead of strategic disinvestment of HFL, the Government may make a revival plan for the Company keeping in view its diversified activities. The Committee would like to be appraised of the progress made in this regard."

### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Despite the efforts made by HFL to come out of loss by diversifying its activities, the company has been making losses since 2013-14. For 2016-17, the loss is estimated at Rs.4.89 crore. As on 31.03.2017, the company has accumulated losses of Rs.88.17 crore and negative net worth of Rs.68.55 crore. Due to inadequate working capital, HFL is not paying 20% salary to its officers/ employees since January, 2015. Statutory dues of

around Rs.15.92 crore remain outstanding as the company does not have sufficient funds to clear these dues. Wage revision arrears of approx. Rs.15.05 crore pertaining to 1997 and 2007 wage revisions have also not been paid due to shortage of funds. It is pertinent to mention here that the company is not in a position to generate the financial resources required to clear the above liabilities and to address the various factors like uneconomical plant capacity, old technology, high manpower cost, high interest cost due to outstanding loans, etc. that have been adversely affecting the company's performance over the years. Also, HFL does not manufacture any product of strategic interest for the country and can be categorised as a 'non priority' CPSE as per DPE guidelines dated 29.10.2015.

The '*in principle*' approval for strategic disinvestment of HFL has been accorded by the Government/Cabinet Committee on Economic Affairs (CCEA) based on due examination of the matter by and based on the recommendations of the NITI Aayog and the Core Group of Secretaries on Disinvestment (CGD). As the decision for strategic disinvestment of HFL has been taken by the competent authority in the Government of India, further necessary action is being taken by the Department for implementing the said decision, in accordance with the guidelines / instructions issued by the Department of Investment and Public Asset Management (DIPAM) on disinvestment of CPSEs and their subsidiaries / units."

#### **Comments of the Committee**

(Please see Para No.22 of Chapter- I of the Report)

## **CHAPTER – V**

### **OBSERVATIONS/ RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT ARE STILL AWAITED**

#### **RECOMMENDATIONS SI.NO.2**

Addressing the lack of adequate allocation for various Schemes/Programmes in the Budget, the Committee had recommended as under:-

"The Committee observe that as against proposal of Rs.480.73 crore the Department of Chemicals and Petrochemicals has been allocated an amount of Rs.298 crore for BE 2017-18 and out of this Rs.150 crore has been approved for Central Sector Scheme, Rs.123.39 crore has been approved for other central expenditure and Rs.24.61 crore for capital section. The Committee also note that an amount of Rs.100 crore has been earmarked for Assam Gas Cracker Project (AGCP), an amount of Rs.68.08 crore and Rs.9.16 crore have been allocated for CIPET and IPFT respectively and under the New Schemes of Petrochemicals including the scheme for setting up of Plastic Parks a sum of Rs.142.388 crore was sought against which only a sum of Rs.48 crore has been allocated as curtailed budget allocation by Ministry of Finance. In view of the foregoing the Committee feel that funds allocated to the Department by the Ministry of Finance are abysmally low with reference to their proposal. In the absence of adequate funds available to them, the schemes undertaken by the Department would be adversely affected. The Committee, are of the view that the schemes of Chemicals and Petrochemicals are of wide national importance and therefore recommend the Department should take up the issue of fund allocation vigorously with the Ministry of Finance and impress upon them to allocate funds as per the demand of the Department. The Committee, would like to be informed of the action taken in this regard."

#### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The additional requirement of funds for the various schemes/ programmes implemented by the Department has been sought from the Ministry of Finance at 1<sup>st</sup> Supplementary stage during 2017-18. This includes Rs. 246.09 crore for implementation of the approved schemes of CIPET , Rs. 449.45 crore for balance amount of Capital Subsidy for the Assam Gas Cracker project , and Rs. 365.26 crore as Bridge loan in connection with the restructuring of the HOCL.

As regards, additional funds for Setting up of New Plastic Parks, the same shall be taken up with Ministry of Finance at the appropriate time."

#### **Comments of the Committee**

(Please see Para No.10 of Chapter- I of the Report)

## **NEW SCHEMES OF PETROCHEMICALS**

### **RECOMMENDATIONS SI.NO.3**

Looking into the new schemes of Petrochemicals the Committee emphasizing the setting up of plastic parks and centres of Excellence, the Committee had recommended as under:-

"The Committee observe that an amount of Rs. 48.00 crore has been sanctioned for New Schemes of the Petrochemicals for the year 2017-18. Under the Head of New Schemes of Petrochemicals there are three schemes, viz. Scheme for Plastic Parks (Rs.47.00 crore), Scheme for National Award (Rs.1.00 crore) and Scheme for Centres for Excellence in Polymer Technology (CoE) (Rs.0.00 crore). The Committee are of the strong view that the allocation of Rs. 48.00 crore for New Schemes of Petrochemicals is much less than the requirement of funds."

#### **PLASTIC PARKS**

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. 47 crore allocated for Plastic Parks is totally inadequate to meet the requirement. At present, in the 1st phase, 10 Plastic Parks have been approved, out of which, Plastic Parks in Madhya Pradesh, Odisha and Assam are under implementation. For setting up a Plastic Park at Voyalur Village, Ponneri Taluk, Thiruvallur District in Tamil Nadu, the final approval has been accorded in June, 2016 and the Memorandum of Agreement has been signed on 24th November 2016 with the Tamil Nadu Plastic Park agency.

Further, in-principle approval has been accorded for setting up the remaining 6 Plastic Parks i) Devipur, District Deoghar in Jharkhand, (ii) Bilaua, District Gwalior in Madhya Pradesh, (iii) Khairjhati, District Rajnandgaon in Chhattisgarh, (iv) Sitarganj, District Udham Singh Nagar in Uttarakhand, (v) Industrial Estate, District Panipat in Haryana and (vi) Barjora, District Bankura in West Bengal. In addition, keeping in view the additional demand from States, setting up 8 more Plastic Parks (in addition to 10 Parks already approved) has been accorded in-principle approval. Further, the Committee are given to understand that due to infrastructural and budgetary constraints, the Department will concentrate only on four parks in Odisha, Madhya Pradesh, Assam and Tamil Nadu till 2019.

The Committee are of the view that setting up of Plastic Parks will boost 'Make in India' programme and also generate huge employment. 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 by the Ministry of Finance. The Committee would like to be apprised of the progress made in this regard."

#### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"The Department is implementing a Plastic Park scheme to support setting up of Plastic Parks to promote the domestic downstream plastic processing industry. Govt. of India provides grant funding up to 50% of the project cost subject to a ceiling of Rs.40 crore per project. Ten Plastic Parks have been approved by SFC. Out of which, parks in Madhya Pradesh, Odisha and Assam are presently being set up and are under various stages of implementation. Tamil Nadu Plastic Park has been accorded final approval in June 2016. A sum of ` 8.00 crore has been released to the Tamil Nadu Plastic Park as first instalment.

Department of Chemicals & Petrochemicals shall make necessary efforts to seek additional funds from the Ministry of Finance at the appropriate stage of Supplementary Grants (2017-18) for implementing the 6 Plastic Parks, granted 'in-principle' approval."

#### CENTRE OF EXCELLENCE

The Committee note that the Department has set up five Centres of Excellence (CoE) within the premises of reputed educational/research institutes viz (i) National Chemicals Laboratory (NCL), Pune – CoE for Sustainable Polymer Industry through Research, Innovation & Training (CoE-SPIRIT); (ii) Central Institute of Plastics Engineering & Technology (CIPET), Chennai – CoE for Green Transportation Network (GREET), (iii) IIT, Delhi – CoE for Advanced Polymeric Materials, (iv) CIPET, Bhubaneswar- CoE on Sustainable Green Materials and (v) IIT, Guwahati – CoE for Sustainable Polymers.

The Committee are of the view that the scheme is vital for improving the petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. The Committee are dismayed to note that no funds have been allocated under the scheme. The Committee, would therefore recommend the Department to take up the matter with the Ministry of Finance to provide funds under the scheme. The Committee would like to be informed of the action taken in this regard."

#### Comments of the Committee

(Please see Para No. 13 of Chapter- I of the Report)

#### **BHOPAL GAS LEAK DISASTER**

##### **RECOMMENDATIONS SI.NO.4**

"Concerning the Bhopal gas Leak Disaster in which after three decades toxic waste of 300 tonnes remains to be incinerated, the Committee recommended as under:-

The Committee observe that the Department in their Annual Report 2016-17 have stated that UCIL waste was successfully incinerated at common hazardous waste incineration at pithampur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during 13-18 August 2015. During the course of evidence the Committee has been informed that 300 tonnes of wastes is still lying there and has to be incinerated by Government of Madhya Pradesh and it has been taken up with the

Ministry of Environment and pollution control Board because it is to be done under their supervision and to their satisfaction.

The Committee are deeply anguished to note that even after three decades the toxic waste of 300 tonnes has not been incinerated so far. The Committee, therefore, recommend that the Department may take immediate action in the matter to ensure that toxic waste is incinerated without any further delay by taking up the issue with the concerned Departments. The Committee would like to be informed of the action taken in this regard."

### **REPLY OF THE GOVERNMENT**

In reply to the afore-mentioned recommendation of the Committee, the Department of Chemicals and Petrochemicals has stated as under:-

"Union Cabinet in its meeting held on 24/6/2010 had decided that Govt. of Madhya Pradesh would be responsible for undertaking disposal of hazardous wastes and remediation of the erstwhile UCIL plant at Bhopal. Union Cabinet also decided that an Oversight Committee be constituted in the Ministry of Environment, Forests and Climate Change to provide oversight and support to the State Government of Madhya Pradesh. As per the directions given by the Hon'ble Supreme Court in the Special Leave Petition (Civil) No. 9874 of 2012 UoI Vs Alok Pratap Singh and Others, 10 MT of erstwhile UCIL waste was successfully incinerated at Common Hazardous Waste Incinerator at Pithampur, District Dhar, Madhya Pradesh by Central Pollution Control Board (CPCB) during August 13-18, 2015 and thereafter the Ministry of Environment, Forests and Climate Change filed the report of incineration of 10 tonnes of UCIL waste to the Hon'ble Supreme Court.

After successful incineration of 10 MT of UCIL waste, a meeting was taken by Secretary, Department of Chemicals and Petrochemicals on 17/2/2016 with relevant stake holders to workout modalities for disposal of remaining UCIL waste of 337 MT (approximate). It was decided in the meeting that State Govt. of Madhya Pradesh and CPCB will co-ordinate with each other and prepare technical, financial proposals and schedule for the disposal rest of the UCIL waste. The decision was further reiterated in the review meeting taken by Secretary, Department of Chemicals and Petrochemicals on 3/8/2016 with the representatives of State Govt. of Madhya Pradesh. Further, Govt. of Madhya Pradesh was requested to expedite the process of disposal of UCIL waste. Reminders were also issued to the Ministry of Environment Forests and Climate Change to expedite the pending issue of disposal of the remaining UCIL waste.

Chairman, CPCB took a meeting with representatives of Govt. of Madhya Pradesh, Department of Chemicals and Petrochemicals and Ministry of Environment, Forests and Climate Change on 23/9/2016 to discuss the modalities for disposal of remaining UCIL waste at TSDF, Pithampur and also invited Technical and Financial proposals for submission of the same to Oversight Committee.

Thereafter, Ministry of Environment, Forests and Climate Change has communicated the following decisions to the State Government of Madhya Pradesh on 9/5/2017:

- (vii) Disposal of the remaining 336 tons of toxic waste at UCIL site, Bhopal and remediation of the site thereafter being the exclusive responsibility of the Govt. of Madhya Pradesh should be carried out by the State Government itself.
- (viii) CPCB will provide technical assistance for packaging, loading, transportation, unloading incineration, monitoring of the operation and assessment of emissions and other scientific requirements to the State Government for disposal of the waste.



- (ix) Madhya Pradesh Govt. should select the facility operator for final disposal of the waste. The parameters for technical qualification should remain one and same as with the facility during the disposal of the waste at trial stages in Pithampur.
- (x) The selection process of the facility operator should have an integrated procurement offer with two bids, one for technical parameters and another for financial bid.
- (xi) The technical parameters can open the offer to any facility operator in the country meeting all technical requirements. However, there must be a condition that a facility operator having the installation outside the State boundaries of Madhya Pradesh should provide a consent certificate and NOC from the State Govt. to the effect that the state toxic waste would be allowed to enter that State and would be permitted to be incinerated on the site located in that State.
- (xii) The final proposal would be forwarded by Madhya Pradesh Govt. to Oversight committee in Ministry of Environment, Forest and Climate Change for making recommendation to Department of Chemicals and Petrochemicals and D/o Expenditure for release of the funds to the State Govt.

The matter is followed up with the State Government of Madhya Pradesh"

#### **Comments of the Committee**

(Please see Para No. 16 of Chapter- I of the Report)

New Delhi;  
09 August, 2017  
18 Shrawana, 1939 (Saka)

**ANANDRAO ADSUL**  
Chairperson  
Standing Committee on  
Chemicals and Fertilizers

**MINUTES OF THE EIGHTEENTH SITTING OF THE  
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS  
(2016-17)**

The Committee sat on Wednesday, the 09 August, 2017 from 1500 hrs. to 1540 hrs. in Room No. 139, Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Anandrao Adsul - Chairperson**

**MEMBERS**

**LOK SABHA**

2. Shri George Baker
3. Smt. Anju Bala
4. Smt. Veena Devi
5. Shri K. Ashok Kumar
6. Smt. Kamla Devi Patle
7. Shri S. Rajendran
8. Dr. Kulamani Samal
9. Dr. Ratna De (Nag)

**RAJYA SABHA**

10. Shri Narayan Lal Panchariya

**SECRETARIAT**

1. Shri Vinod Kumar Tripathi - Joint Secretary
2. Shri A. K. Srivastava - Director
3. Shri R. C. Sharma - Deputy Secretary

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 Action Taken Reports on :-

- (i) Demands for Grants 2017-18' of Department of Fertilizers;
- (ii) Demands for Grants 2017-18' of Department of Pharmaceuticals;
- (iii) Demands for Grants 2017-18' of Department of Chemicals and Petrochemicals; and
- (iv) Implementation of policy on promotion of city compost of Department of Fertilizers.

4. After some deliberations the Draft Action Taken Reports were adopted by the Committee without any changes. The Committee authorised the Chairperson to make consequential changes, if any, arising out of the factual verification of the Action Taken Reports by the Department of Fertilizers, Department of Pharmaceuticals and Department of Chemicals and Petrochemicals of the Ministry of Chemicals and Fertilizers.

5. The Committee thereafter decided to hold its next meeting on 23rd August, 2017.

***The Committee then adjourned.***

**(Vide Para 3 of the Introduction)****ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY-THIRD REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2016-17) ON 'DEMANDS FOR GRANTS (2017-18)' OF THE MINISTRY OF CHEMICALS AND FERTILIZERS (DEPARTMENT OF CHEMICALS AND PETROCHEMICALS)**

I	Total No. of Recommendations	8
II	Observations / Recommendations which have been accepted by the Government:  (Vide Recommendation Nos. 1,7 and 8 )	3
Percentage of Total		37.5%
III	Observations / Recommendations which the Committee do not desire to pursue in view of the Government's reply:-  NIL	0
Percentage of Total		0%
IV	Observations / Recommendations in respect of which reply of the Government have not been accepted by the Committee and which require reiteration:-  (Vide Recommendation Nos. 5 and 6 )	2
Percentage of Total		25
V	Observations / Recommendations in respect of which final replies of the Government are still awaited:  (Vide Recommendation Nos. 2,3 and 4)	3
Percentage of Total		37.5%