COMMITTEE ON PUBLIC UNDERTAKINGS (1987-88)

(EIGHTH LOK SABHA)

INDIAN DRUGS AND PHARMACEUTICALS LTD.
(Ministry of Commerce)

[Action Taken by Government on the recommendations contained in the 29th Report of the Committee on Public Undertakings (Eighth Lok Sabha)]

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LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

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(1987-88)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 38th Report on Action Taken by Government on the recommendations contained in the 29th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Indian Drugs and Pharmaceuticals Ltd.

2. The 29th Report of the Committee on Public Undertakings was presented to Lok Sabha on 30 April, 1987. Replies of Government to all the recommendations contained in the Report were received on 4 December, 1987. The replies of Government were considered by the Action Taken Sub-Committee of Committee on Public Undertakings on 16 March, 1988. The Committee also considered and adopted this Report at their sitting held on 16 March, 1988.

3. An analysis of the action taken by Government on the recommendations contained in the 29th Report (1986-87) of the Committee is given in Appendix-II.

NEW DELHI;
25 March, 1988
5 Chaitra, 1910 (S)

VAKKOM PURUSHOTHAMAN
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Twenty-Ninth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Indian Drugs and Pharmaceuticals Ltd. which was presented to Lok Sabha on 30 April, 1987.

2. Action Taken Notes have been received from Government in respect of all the 29 rocommendations contained in the Report. These have been categorised as follows :—

(i) **Recommendations/observations that have been accepted by Government**

S. Nos. 1, 5, 6, 9—12, 15, 17—26 and 28.

(ii) **Recommendations/observations which the Committee do not desire to pursue in view of Government's replies**

S. Nos. 7, 8, 13, and 29.

(iii) **Recommendations/observations in respect of which replies of Government have not been accepted by the Committee**

S Nos. 2 3, 4, 14, 16 and 27

(iv) **Recommendations/observations in respect of which final replies of Government are still awaited**

S No. Nil.

The Committee will now deal with the action taken by Government on some of their recammendations :

A. Delay in approval of objectives and obligations

Recommendations Sl. Nos. 1, 2 and 3 (Paras 2.26 to 2.30)

3. The Committee noticed that the Department of Chemicals and Petrochemicals had lost the file relating to the approval of objectives and obligations of IDPL. This lapse was also admitted in evidence by the representative of Department of Chemicals and Petrochemicals. The file was reported to have

been sent by them to BPE in October, 1974. On the other hand, the representative of BPE denied in evidence the receipt of any such file from the Department of Chemicals and Fertilizers. BPE also stated that their approval was not at all necessary in terms of guidelines issued in 1973 and it was for the administrative Ministry to have accorded approval to the objectives submitted by the undertaking. In this connection, the Committee had also noted that similar file containing statement of abjectives and obligations of IPCL had also been lost by this very Department. While taking a serious note of this lapse on the part of the Department of Chemicals and Petrochemicals, the Committee had recommended for conducting a probe into the matter with a view to fixing responsibility.

4. In their reply, the Government have stated that as the officers concerned have either retired or been transferred long back, it has not been possible to probe in the matter at this late stage.

5. **The Committee considers the reply of the Government most unsatisfactory. This is the second case of the loss of file on the part of the Department of Chemicals and Petrochemicals. Since the loss of file is a serious lapse, it cannot be overlooked on the mere plea of transfer or retirement of officers. The Committee is apprehensive that the system of handling files in the Ministry needs to be reviewed and streamlined to ensure proper record of the lodgement of files. The Committee, therefore, reiterate the original recommendation of the Committee (1986-87) and recommend that the matter should be probed into with a view to fixing responsibility and streamlining the filing system without any furtherdelay. The Committee may also be apprised of the outcome of the probe conducted in this regard.**

B. White Paper on Actual Performance of the Company

Recommendation Sl. No. 4 (Para 2.31)

6. The Committee had desired that a White Paper with regard to the actual performance of the Company fulfilling its objectives should be brought out and placed before Parliament to enable members to assess the growth and achievement of the Company on a realistic basis.

7. **The reply of Government is silent about the bringing out of the White Paper in regard to the actual performance of the Company. The Committee reiterate that a White Paper on the actual performance of the Company in fulfilment of its objectives should be brought out and placed before Parliament within 3 months of presentation of this report.**

C. Corporate Plan

Recommendation Sl. No. 6 (Para 2.34)

8. The Committee had observed that besides the micro objectives, the Company also did not have any Corporate Plan approved by the Government. A draft corporate plan was reported to have been prepared by the Company but it was still in the process of finalisation. The representative of Department of Chemicals & Petrochemicals also admitted during oral evidence that the Company has not formulated any corporate plan as yet but now it was being done. He also stated that it was not mandatory on the part of the public undertakings to obtain approval of the Ministry to the Corporate Plan. The Committee recommended that the Corporate Plan should immediately be finalised and got approved by the Board so as to provide the Company a more definite basis to plan its future activities.

9. The Government have in their reply stated that the work of finalising the Corporate Plan of the Company has been entrusted to a group of officers of IDPL. It was expected that the Corporate Plan would be finalised by the Company by December, 1987.

10. **The Committee hope that the Corporate Plan of IDPL might have been finalised by now. The Committee would like to be informed of the latest position in this regard.**

D. Expansion Schemes for Hyderabad and Rishikesh Plants

Recommendation Sl. No. 9. (Para 3.55)

11. The Committee had observed that in order to increase capacity utilisation, schemes for the expansion of Rishikesh and Hyderabad Plants were undertaken by the Company with the approval of the Ministry and huge amount to the extent of Rs. 26.96 crore was spent on Rishikesh Plant and Rs. 31 crore on Hyderabad Plant. In spite of the huge investments incurred the performances of these plants continued to be far from satisfactory. The capacity utilisation of both these plants even after expansion remained at 70 per cent. The CMD, IDPL had also admitted in evidence that in the coming years it would further decline if one goes by what has happened in the Western world.

12. The Committee also noticed that expansion scheme had proved a mismatch between production and marketability. What was produced by the Company was not lifted by the market and what was required by market was not being produced. This resulted in huge accumulation of inventories of finished products to the extent of Rs. 49 crores in 1984-85 and Rs. 37 crores in 1985-86. These huge inventories resulted in the acute shortage of working capital as a result of which the

Company had to resort to drastic cut in the production of some of the essential drugs which had to be imported. The country spent foreign exchange worth about Rs. 25 crores per annum on the import of these drugs. The Committee felt that the expansion schemes of both Rishikesh and Hyderabad plant were ill-timed and ill-conceived and proper study of the demand of the drugs proposed to be produced was not undertaken before the expansion proposal was sanctioned and implemented. The Committee therefore, recommended that the whole matter should be looked into with a view to fixing responsibility and accountability of those responsible for this lapse. The Committee had also desired that matter should be gone into in all its perspectives and every effort should be made for the optimum utilisation of the capacities since created.

13. In their reply, the Government have stated that they have constituted a High Level Inter-departmental Experts Committee to go into *inter-alia*, shortcomings and deficiencies in investments made by the Company in various projects. The terms of reference of the Committee are as under :—

(i) To identify broadly the reasons for the losses incurred by IDPL during the last 10 years ;

(ii) to examine the soundness of the major investment decisions taken by the company during this period and to identify the areas of weaknesses in this regard ;

(iii) to fix responsibility for any lapses which may have occured; and

(iv) to suggest procedural and structural changes, if any, to cover weaknesses as identified in (i) and (ii) above.

14. **The Committee hope that the proposed High Level Inter departmental Experts Committee constituted to go into the shortcomings and deficiencies in investments etc. made by the Company in various projects, would complete their investigations at the earliest. The Committee would like to be apprised of the findings of the said Expert Committee and about the action taken by Government thereon.**

E. Protection against leakage of R & D efforts

Recommendatation S. No. 14 (Para 3.68)

15. The Committee had observed that many of the small scale units were thriving on the technology stolen from IDPL either through the retired persons or through those who were inside the company and were acting as black sheep. The Committee had recommended that to protect the interest of IDPL and HAL and to provide protection against the theft of their R & D efforts, the Government should consider the feasibility of bringing in a comprehensive

legislation to eliminate the chances of leakage of technology and to ensure that the fruit of R & D efforts of enterprising companies did not get lost or diffused and enjoyed by unscrupulous companies. The Committee had also felt that if the strictest quality control measures were insisted upon, the mushroom growth of small scale thriving at present on stolen technology would drop out.

The Committee therefore desired that special measures should be taken by Government to ensure quality control in drug industry especially in the small scale sector.

16. The Government have stated in their reply that under provisions of the Drugs & Cosmetics Act & Rules every licenced drugs manufacturing Unit is required to adopt various quality control measures by providing facilities for testing samples of every raw material used in manufacturing a drug formulation' both active ingredients as well as pharmaceuticals aids and adjuncts which go in a formulation. The manufacturers are also required to test samples of every batch of formulation manufactured and also retain report on a sample of each batch of drug marketed. These provisions are applicable to all sections of drug industry i.e. large, medium and small scale units. However, it is observed that due to constraints of finance, the quality control measures adopted by small scale units are sometimes not to the same level as adopted by large scale drugs manufacturing units. With a view to ensuring quality control in drug industry especially in the small scale sector, Good Manufacturing Practices are being incorporated in the Drugs and Cosmetics Rules. As soon as these Good Manufacturing Practices are finalised every Drug Manufacturer, whether in small scale, or large scale will have his own testing laboratory to test the quality of raw materials used, to carry out in process controls, to test each batch of finisned formulations and to carry out stability studies etc. on drugs manufactured by him to ensure their quality during the entire shelf life. This will go a long way in ensuring quality of drugs marketed even by small scale units.

17. **The Government have not given any reply with regard to the suggestion of the Committee for bringing out a comprehensive legislation to eliminate the chances of leakage of technology and to protect the interests of enterprising companies against the theft of their R & D efforts particularly by employees and ex-employers of the company. The Committee hope that the Ministry has taken note of this suggestion and will bring in the desired legislation at the earliest. The Committee would like to be informed of the action taken by Government in this regard.**

F. Need for an expert to head R & D Division

Recommendation Sl. No. 16 (Para 3.70)

18. The Committee had noted that ever since the retirement of General Manager of R & D Division in Hyderabad Unit in April ,1986, R & D was

being looked after by a person who had never worked on the R & D side. The General Manager (Production) was concurrently looking after R & D. The Committee had desired that company should take immediate action to bring R & D under the charge of an expert in the field of R & D so that this vital field could be looked after in the best possible manner.

19. In their reply, the Government have stated that the overall requirements of the Company including R & D are being reviewed. After the review, action to bring R & D under the charge of an expert in the field of R & D will be taken up.

20. **The Committee regret to note that even after a lapse of more than eight months of presentation of their report to Parliament, the overall requirements of the company including R & D have not been reviewed yet. The Committee need hardly emphasise the urgent need of placing R & D Division of Hyderabad Unit under the charge of an expert in the field of R & D so that this vital field is looked after in the best possible manner.**

G. Subsidy for life-saving Drugs

Recommendation Sl. No. 27 (Para 5.40)

21. The Committee had desired that the Government should favourably consider the feasibility of subsidising IDPL on the analogy of fertilizer units which help increasing agricultural output for feeding the country's millions. In Committee's view there was a strong case for providing subsidy to IDPL as it supplied life saving drugs at a price lower than cost of production to countrymen and helps them maintaining their good health.

22. In their reply, the Government have stated that due to financial constraints, it will not be possible for Government to subsidize IDPL on the analogy of fertilizer units.

23. **The Committee are not convinced with the reply of Government. They feel that the Government have not given a serious throught to this suggestion of subsidizing IDPL. The Committee reiterate their original recommendation and desire that the Government should consider the matter in all its seriousness. The financial constraint should not come in the way of subsidising IDPL if it is expected to supply life saving drugs at a price lower than its cost of production.**

CHAPTER II

RECOMMENDATIONS THAT HAVE ACCEPTED BY GOVERNMENT

Recommendation Serial No. 1 (Paragraph No. 2.26 to 2.28)

In spite of BPE's instruction issued in November 1970 asking all the Government Companies to initiate action to formulate statement of their objectives and obligations and have them approved by the Ministry, practically no action was taken by IDPL for more than three year. When the Committee took up examination of IDPL in 1973-74 and recommended immediate finalisation of its objectives, only then the action to formulate objectives and obligations was initiated by the undertaking. This was also admitted by CMD during his evidence before the Committee.

In October, 1974 while forwarding action taken notes the Department of chemicals and Fertilizers informed the Committee that statement of objectives of IDPL was prepared and sent to BPE for their comments and approval. Again in their 76th Report (1975-76) on action taken by Government on the recommendations contained in 56th Report, the Committee re-emphasised the need for expeditious finalisation of the statement of objectives and obligations of IDPL. The Department of Chemicals and Fertilizers have now stated that IDPL did send the objectives approved by their Board to the Ministry and the Ministry approved them and sent them to BPE for their concurrence.

What is most surprising is that neither the undertaking sent any reminder to the Ministry nor the Ministry pursue the matter with the BPE once they had sent the statement of objectives and obligations for their concurrence in 1974. The undertaking reminded the Ministry only after 10 years i.e. 1984 and that to after an audit question in that regard was received by them. The Company have also stated that they did not feel it necessary to remind the Ministry as the Company after preparing the objectives, had been trying to attain them but did not give the same importance to the approval of objectives by the Ministry or BPE. However, it was admitted in evidence by CMD that if approval of Ministry was mandatory, the Company had then failed. The Ministry also cannot be absolved of their responsibility in this regard as even on this date their approval in writing to the objectives, reported to have been framed and approved by the Board of IDPL in 1974, has not been communicated to the undertaking. The Committee cannot but strongly

deprecate the lackadaisical manner in which both the undertaking and the Ministry have discharged their responsibilities in this regard. In Committee's view the approval of the objectives by the Ministry is mandatory and they cannot escape their responsibility in this manner.

Reply of Government

Both IDPL and Government have noted the observations of the Committee. Ministry's approval in respect of objectives and obligations of the company has since been conveyed to IDPL.

[Ministry of Industry. Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November 1987]

Comments of the Committee

(Please see Paragraph 5 of Chapter I of the Report)

Recommendation Serial No. 5 (Paragraph Nos. 2.32 & 2.33)

The Committee also find that as per directives of BPE issued in 1970 and reiterated in 1979 and 1983, Public Undertakings in addition to macro objectives should also have micro objectives consistent with broad objectives in contradistiaction to annual plans so that the performance of the undertaking could be judged with reference to macro and micro objectives and annual plans.

According to IDPL a set of micro objectives was prepared and placed before their Board in February, 1984. But their Board wanted the micro objectives to be re-drafted. The micro objectives were being re-drafted and were to be placed before the Board for approval shortly. In this connection, the CMD of IDPL admitted during evidence that re-drafting of micro objectives had taken some time as the Company had been more occupied with the question of its survival. The Committee strongly deprecate this inordinate delay in finalising the micro objectives also. The Committee urge that the micro objectives should be finalised by the Company and got approved by the Ministry without further loss of time.

Reply of Government

IDPL has since finalised its micro-objectives, which have also been approved by Ministry and conveyed to the Company on 8.9.1987.

[Ministey of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November 1987]

Recommeadation Serial No. 6 (Paragraph No. 2.34)

Besides the micro objectives, the Company also do not have any Corporate Plan approved by the Government. A draft corporate plan is reported to have been prepared by the Company but it still in the process of finalisation. In this connection, the representative of Department of Chemicals & Petrochemicals also admitted during his oral evidence that the Company has not formulated any corporate plan as yet but now it is being done. He also clarified that it is not mandatory on the part of the public undertakings to obtain approval of the Ministry to the Corporate Plan. The Committee, therefore, urge that the Corporate plan should immediately be finalised and got approved by the Board so as to provide the Company a more definitc basis to plan its further activities.

Reply of Government

The work of firalising the Corporate Plan of the Company has been entrusted to a group of officers of IDPL. It is expected that the Corporate Plan would be finalised by the Company by December 1987.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November 1987].

Comments of the Committee

(Please see paragraph 10 of Chapter I of the Report)

Recommendation Serial No. 9 (Paragraph No. 3.55)

The Committee have also observed that in order to increase capacity utilisation, schemes for the expansion of Rishikesh and Hyderabad Plants were undertaken by the Company with the approval and Ministry and huge amount to the extent of Rs. 26. 96 crore was spent on Rishikesh Plant and Rs. 31 crore on Hyderabad Plant. Inspite of the huge investments incurred on the expansion, the performances of these plants continue to be far from satisfactory. The capacity utilisation of both these plants even ofter expansion remains at 70 per cent. In the coming years it would further if decline one goes by what has happened in the western world, as was admitted by CMD of IDPL during his oral evidence. The expansion scheme has also proved a mismatch between production and marketablity. To Committee's dismay, what was produced by the Company was not lifted by the market and what was required by market was not beingproduced. This is evident from the fact of accumulation of such a hage inventories of finished Products to the extent of Rs. 49 crores in 1984-85. The inventories are reported to have come down to Rs. 37 crores in 1985-86. These huge

inventories resulted in the ecute shortage of working capital as result of which the Company had to resort to drastic cut in the production of some of the essential drugs which are now being imported. The country is spending valuable foreign exchange worth about Rs. 25 crores per annum on the import of these drugs. It is really pity that when the capacity remains underutilised, drug which can be produced indigenously should be imported. Therefore, in Committee's view the expansion scheme of both Rishikesh and Hyderabad Plant was ill-timed and illconceived. No proper study of the demand of the drugs proposed to be produced was undertaken before the proposal was sanctioned and implemented. For this lapse, the Ministry also cannot escape responsibility as they should have gone deep into the matter before affixing their seal of approval to the expansion proposal. The Committee, therefore, recommend that the whole matter should be looked into with a view to fixing responsibility and accountabilty of those responsible for this lapse. The Committee also desire that matter should be gone into in all its perspectives and every effort should be made for the optimum utilisation of the capacities since created.

Reply of Government

Ministry has constituted a High Level Inter-departmental Experts Committee to go into *inter-alia*, shortcomings and deficiencies in investments made by the Company in various projects. The terms of reference of the Committee are as under:—

(i) To identify broadly the reasons for the losses incurred by IDPL during the last 10 years.

(ii) To examine the soundness of the major investment decisions taken by the company during this period and to identify the areas of weaknesses in this regard.

(iii) To fix responsibility for any lapses which may have occurred.

(iv) To suggest procedural and structural changes, if any, to cover weaknesses as identified in (i) and (ii) above.

[Ministry of Industry, Department of Chemicals and Petrochemicals O. M. No. 50 (4)/87 PI (V) dated 26th November 1987]

Comments of the Committee

(Please see paragraph 14 of Chapter I of the Report)

Recommendation Serial No. 10 (Paragraph No. 3.56)

The Committee also find that for Rishikesh Plant an ambitious scheme was drawn for acquiring the latest technology for antibiotics and agreement was reached with an Italian firm and officers were sent for training to Italy and about Rs. 25 crores were spent in all for this purpose. Unfortunately, all the new sections opened have since been closed and officers trained in Italy for specific jobs are not doing those jobs and some of them have already left the Company. This in Committee's view is a clear case of bad planning and mismanagement of resources. Similarly in Hyderabad expansion of certain products such as Analgin, Folic Acid, Vit B1, B2 was reported to have been successful but the introduction of new products did not take off due to their failure to compete in the market. Further, certain products for which large capacities were created were subsequently banned by Government. While expressing their unhappiness over the whole affair, the Commttree recommend that IDPL/Government should take appropriate action to utilise gainfully the spare capacity created at Hyderabad Plant by Producing alternate drugs by making changes in production technology, where feasible.

Reply of Government

The plants for Analgin, Vitamin B-I and Vitamin B-2 are now in regular production. The two plants set up for the production of Sulphamethoxipyradizine and Sulphedimethoxine, could not be commissioned due to lack of sufficient demaod. However, these facilities were subseqnently converted for production of chloroquin Phosphate which has been taken up for regular production.

[Ministry of Industry, Department of Chemicals and Petrochemicals `O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987].

Recommendation Serial No.11 (Paragraph Nos. 3.57 & 3.58)

The Committee find that capacity utilisation position of Madras Unit is still worse. In terms of percentage, the capacity utilisation of Surgical Instrument Plant of Madras has declined from 20.9% in 1980-81 to 17.8% in 1983.84. The position has remained stagnant thereafter. In 1976, a formulation division, scalpel blade unit and fabrication unit were added under the expansion scheme but despite this the losses continued to mount and the new units continue to function at much below the installed capacity.

According to IDPL, this unit employes 1100 persons out of which 50 are utilised in general engineering side and 150 in the formulation unit and the remaining 900 are without work, they come, sit and go back. The possibility of utilization of these 900 persons in HMT and BEL was explored but no positive response has been received. The Committee are sorry to say that a sick concern like IDPL can not afford to pay to those 900 persons for practically doing no work for all times to come. The Committee desire that the possibility

of utilising these persons may by explored a afresh with HMT and BEL at the level of the Ministry. If these two organisations are still not prepared to take these personl, then the Company/Goverment should work out the "Golden Hand Shake Scheme" to enthue the workers to seek voluntary ratirement rather than sitting idle which in due course may make them incapable of doing any work.

Reply of Government

The Rehablitation Plan of the Company envisages reduction in the existing man power of the Company through a Voluntary seperation scheme.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987

Recommendation Serial No.12 (Paragraph No. 3.59 & 3.60)

The Committee are also distressd to note that whereas huge capacity of IDPL remains under or partially utilised it has agreed to the setting up its subsidiaries in U. P. resulting in crertion of formulation capacity beyond anybody's requirement. This was also admitted by Chairman of IDPL that the Company must have presented a rosy picture to the Planning Commission while seekieg their approval for this joint venture otherwise Planning Committee would not have agreed to this proposal. In Committee's view, it is a clear case of investment in a bad venture and should not have been agreed to.

The Committee has also been informed that some of the State Governments including Andhra Pradesh, Kerala and Karnataka have already set up their own drug units while others are proposing to do so. In Committee's view this will not only bring down further the capacity utilisation of IDPL but will also result in duplication of effort and wastage of public resources. The Committee, therefore, desired that the Govt. should take up the matter with the State Government and request them not to set up their own drug units in fields where IDPL has already the capacity but to purchase their drug requirment from IDPL. Government may also issue fresh instructions to all Central Government Departments. Hospitals and Medical Institute to purchase formulations etc. from IDPL so as to help the Company to clear its huge accumulated stock of drugs.

Reply of Government

Ministry has been requesting State Governments at the Cheif Ministers' level, to purchase their requirements of medicines from the public sector drug companies (including IDPL), keeping in view the large investments made by the Government for creating facilities for their manufacture.

However, some of the State Government have preferred to set up their own facilities in their keenness to extend field of industrialisation in their respective states.

Ministry is also operating a scheme of purchase preference under which all the Central Government Departments, hospitals and other Government institutions are required to purchase their requirements of items manufactured by the Public sector drug companies (including IDPL), but not produced in the small scale sector.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) Dated 26th November, 1987].

Recommendation Serial No. 15 (Paragraph No. 369)

The Committee are glad to note that the Government are going to give statutory basis to the good manufacturing practice. This will be applicable to small as well as large scale industries and all those who will not follow this practice will be punished under the Drugs and Cosmetics Act. Since the small scale units have to take permission from the State Drug Controller for starting their business, the Act is being applicable to them also. Furthermore, in the licence application form, a proforma is being stipulated whereby the Company has to give details of equipment proposed to be installed with capacity, cost etc. which will take care of the organised sector. The same set of guidelines are also proposed to be sent to the State Authorities to include them in their proforma for registration of industries because small scale industries are registered at the State level. The Committee hope that with these steps together with strict quality control measures would plug the loose ends and go a long way in arresting the growth of unscrupulous companies. The Committee would watch with interest the effect of implementation of these measures

Reply of Government

Draft of Good Manufacturing Practices has been published for public comments and comments have been received from different sources. These are under examination and will be finalised shortly. With implementation of these, Good Manufacturing Practices, it is expected that there will be uniformity in quality control measures to be adopted by each drug manufacturing unit, which will go a long way in ensuring quality of drug manufactured in the country.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87-PI (V) dated 4th December, 1987]

Recommendation Serial No 17 (Paragraph No. 4.67—469)

The sales of various products manufactured by IDPL during the last 4 years from 1982-83 to 1985-86 have been of the order of Rs. 105—45 crores, Rs. 107.45 crores, Rs. 115.93 crores and Rs. 117.47 crores respectively. The Committee regret to say that the sales have remained more or less stagnant due to poor and inefficient sales set-up. As a result the IDPL trade share declined to only 1.7 percent of the total retail sales of Rs. 1660 croros (in 1983-84). This in Committee's view is highly in commensurate with the size of the investment made by the Company. The trade share of some of the Private Companies like Glaxo, Sarabhai and Pfizer who are the market leaders at present is 5.0%, 4.8% and 3 5% respectively. The IDPL's insignificant share in trade sales has resulted in lower realisation as most of its sales are orders from Government agencies and institutions.

The main reasons for the unsatisfactory growth of sales are stated to be due to the loss of even the institutional sales because of emergence of Joint Sector and increased competition from other Public Sector Units, State Sector and Small Sector Units. Production constraint due to paucity of fund, shortage of raw material, power and water have also badly affected the sales.

The Company also appears to have failed to take cognizance of the changes in the demand pattern resulting in huge loss due to the accumulation of inventory of finished products not being lifted by the market. The Committee feel that in order to improve the financial health of the Company its sales must increase substantially. Keeping in view the fact that payments from Government departments and Govt. organisations are very much delayed, greater emphasis should be on increasing market share of the trade. The Committee recommend that IDPL should evolve better strategy to improve its sales which will go a long way not only in wiping out the staggering losses but will also helpin the optimum utilisation of created production capacity. The Committee desire that IDPL should become market leader and fulfil its objectives of providing cheap drugs to the millions. The Committee also desire that the Central Govt. should extend purchase preference to those products which are manufactured by IDPL and other Public Sector Units. Such purchase preferences would definitely help in boosting the sales of public undertakings. Instructions in this regard may, therefore, be issued to all Government agencies.

Reply of Government

Better strategies are being evolved to increase the sales and realisations. The following steps have been taken by the Company to improve the sales and realisations :—

(i) Efforts to improve the industrial relations with field force.

(ii) Training and re-training programmes for the field force.

(iii) Monitoring of sales performance.

(iv) Sales promotion activities.

(v) Introduction of new products having better margig and large market.

(vi) Efforts to improve the realisations from the institutional sales.

As a result of all these measures, the Company has been able to increase its sales to Rs. 60 crores during the first half of 1987-88 as compared to Rs. 43 crores in the corresponding period of the previous year.

[Ministry of Industry, Department of Chemicals & Petro-chemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987].

Recommendation Serial No. 18 (Paragraph No. 4.70)

The Committee have also noticed that the Company is following a system of fixing sales targets for each bulk drug and formulation every year but the target fixed were never achieved even when these were revised downward. While expressing their unhappiness, the Committee desire that the sales targots should not only be fixed on a realistic basis but once these are fixed, every must be made to achieve those targets without any exception or excuse.

Reply of Government

According to IDPL, the sales target for 1987-88 has been fixed on a realistic basis, taking into consideration the market conditions and other relevant factors. The sales target for 1987-88 is Rs. 137 crores and sales during the first half of the year amount to Rs. 60 crores. The Company is hopeful of achieving the sales target. For the future also, the Company shall endeavour to fix sales targets on a realistic basis and to make every effort to achieve them.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987]

Recommendation Serial No. 19 (Paragraph No. 4.71)

The Committee note that the Company was manufacturing and supplying Cold Tablets to the Ministry of Defence as per their special requirements for

use in Armed Forces Medical Services. The supplies were being made by IDPL under an agreement entered into between the Ministry of Defence and IDPL and on the basis of orders placed by DGS & D. The Company supplied the Cold Tablets against 4 orders placed by the Ministry of Defence between 6-8-1981 to 13-8-1984. The Ministry of Defence accepted the supplies in full made by the Company against the first two orders placed on 6-8-1981 and 18-5-1983. Later, the Ministry of Defence rejected supplies of 3.25 million Tablets and 2.58 million Tablets as against orders of 5.93 million and 15 15 million Tablets placed respectively on 12.12.1983 and 13.8.1984. According to the IDPL, the main reason for the rejection was the new method of testing adopted by the Ministry of Defence, whereby they had detected some divergence in the content of ingredients as against their prescribed requirements. The Company is reported to have contested this new method of testing by the Ministry of Defenee on the plea that drug supplied by IDPL would have fulfilled the special requirements of the Defence Ministry, if the testing would have been done with the same method as was being followed during the last five years. Inspite of several meetings between the officials of IDPL and the Ministry of Defence, the dispute still remains unresolved. As the rejected stocks were manufactured by the Company between February, 1984 to February. 1985 these have developed free salicylic acid content higher than the permissible limit. Thus, there is no possibility of the material now being accepted by the Defence Authorities nor can it be sold in the open market. The manufacturing cost of the rejected stock is stated to be around Rs. 4.51 lakhs. The Committee recommend that the Company should make concerted efforts to resolve this dispute amicably. The Department of Chemicals & Petrochemicals should also use their good offices to bring about a settlement in this regard to the satisfaction of both the parties in terms of agreements between them. At the same time it should be ensured in respect of any future supplics there is a clear understanding between IDPL and the Ministry of Defence on the norms for testing the drugs so that the present type of situation does not recur.

Reply of Government

The dispute regarding acceptance of cold tablets could not be resolved inspite of a series of meetings with the defence authorities. The condition of the rejected stocks has also deteriorated further because of development of free Salicylic acid due to long storage. IDPL, therefore, does not consider it worthwhile to pursue the matter further with the defence authorities for acceptance of this stock as the free Salicylic acid content has exceeded the permissible limit. However, for future supplies, due care will be taken by the Company so that there is a clear understanding regarding the specifications and method of analysis before any commitment is made for supply of the product.

[Ministry of Industry, Department of Chemicals & Petrochemicals Q.M. No. 50 (4)/87 PI (V) dated 26th November, 1987).

Recommendation Serial No. 20 (Paragraph No. 4.72)

The special repuirement of certain State Governments is reported to be another constraint in the production of drug by IDPL. According to IDPL, State Govts. such as Tamil Nadu and U.P. insist on the State logo being embossed on the tablets and capsules and printed on the labels, tins, bottles, cartons etc. West Bengal Government want the CMS Catalogue No. (Central Medical Store No.) and the year of supply to be marked on the bottles labels, tins etc. In the case of Kerala, the words 'Kerala Health Service-Not for sale' are to be printed on the labels/cartons/tins. It has been represented to the Committee that these requirements of State Government hamper the normal commercial activities of the Company. They often result in delay in supplies, sometimes leading to cancellation of orders by State Governments. Accumulation of stocks of drugs and formulations also take place in anticipation of placement of orders. Such stocks cannot also be transferred from one State to another and the flexibility of diverting stocks for sale in the market is lost when logo is printed on the labels cartons vials etc. The printing of logos on the capsules, embossing of tins etc. also involves extra expenditure resulting in increase in the cost of production. The Committee desire that the Ministry to take up the matter with the concerned State Government and prevail upon them not to insist on embossing of state logo on drugs ordered by them. The Commttee also suggest that IDPL should enter into firm agreements with the State Governments stipulating that the State Governments must lift the full snpplies manufactured specially for the even where the delay occurs on account of meeting their special requirements. In the event of stocks not being lifted within the stipulated time the State Government must compensate the Company for unnecessary blocking of their funds.

Reply of Government

At present, the Company supply logo stocks only to the State Governments of Tamil Nadu and U.P. Necessary precautions are taken by the Company to ensure that advance orders are received for the logo stock requirements of these two State Governments and commitment is obtained from them for lifting of the stocks bearing the logo of the respective State Governments.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987.]

Recommendation Serial No. 21 (Paragraph No. 4.73)

The Committee regret to note that the marketing organisation of the Company is plagued by very serious problems. Its top Management has been

in a state of disarry and has not been able to function as a team being infected by groupism, each trying to pull in different direction. It appears to the Committee that the interest of the organisation was the last thing in the minds of managers of the marketing wing of the undertaking.

Reply of Government

The Company has taken action to revamp its Marketing Division on a priority basis to ensure that this Division functions with team spirit in order to achieve best results for the organisation.

[Ministry of Industry, Deptt. of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987).

Recommendation Serial No. 22 (Paragraph No. 4.74)

One of the serious problems faced by the Company is stated to be the unionisation and a very negative attitude taken by their field force. The Medical Representatives of the Company are required to disseminate the technical details regarding the products manufactured by IDPL to the medical profession through visual aids, literature and physician's samples, highlighting the advantages of the products with a view to generate prescriptions from doctors. In this connection, the Committee have been informed by IDPL that their Medical Representatives were not performing their functions well. They were also not visiting the doctors and chemists which was a part of the normal duties assigned to them. They were selling the samples given to them for free distribution to doctors. The Federation of Medical Representatives of all drug companies was stated to be main force behind such an attitude of field force toward their job. Majority of the Medical Representatives were members of this association. The Association was reported to be reserting to intimidatory tactics by threatening the Chemists not to keep the products of IDPL and also beating up the staff of IDPL. To tackle this problem, the CMD, IDPL had a talk with the President of the Fede:ation of Medical Representatives and asked them to stop blackmailing IDPL in such a manner. He is also reported to have warned them that drastic action would be taken against those IDPL Representatives who were found indulging in such activities. As regards taking no action against erring Medical Representatives, the C & MD, IDPL expressed helplessness because IDPL being a Grvernment Company, they were unable to issue even a charge sheet without it becoming a court matter which would unnecessarily drag on for year, whereas the private companies in such cases would just sack such persons with impunity. The Committee are dismayed over the lack of motivation in the marketing organisation and state of helplessness on the part of the management of the Company in taking any action against the erring medical Representatives of the Company. They feel that this

state of affairs should not be allowed to continue any further and indiscipline in any form should be put down with a heavy hand by taking hard decisions, if necessary. At the same time, the Committee recommend that immediate remedial measure should be taken to remove the genuine grievances, if any, of Medical Represent atives in consultation with their representatives and all efforts should be made to channelise their activities in the right direction. The motivation of the field force is a must and deserves special attention of top Management to pull the Company out of the red.

Reply of Government

Efforts are being made by the Company to improve the industrial relations with the field force. The Federation of Medical Representatives Association of India, representing the Medical Representatives of IDPL, has agreed to extend cooperation in maximizing sales of the Company's products. The Company has also revived the working of the Regional Grievance Committees and the Central Grievances Committee, a forum set up for discussing and settling the grievances of the field force staff in an amicable manner in the best interests of the Company. The Company has already settled some of the pending irritants.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1997].

Recommendation Serial No. 24 (Paragraph No. 4.75)

The Committee note that due to a very adamant posture taken by the Director (Marketing) and also rigid attitude of the Marketing Division. There were some problems in the smooth functioning of the Marketing Division. The Committee are, however, glad that for better co-ordination between the production Division and the Marketing Division, the C&MD, IDPL is reported to have sorted out the issue by finally moving the Marketing Division to Gurgaon, the main headquarter of IDPL. As regard's disciplinary action against the Director (Marketing) who was defying the CMD, it has since been reported that he has been sacked by the Government. The Committee trust that the Government in appointing a new incumbent to the post of Director (Marketing will keep in mind the thorough Professionalism required in tackling the complex problems facing the Conpany in the field of marketing. They, therefore, suggest that in selecting the new Director (Marketing) Government should exercise utmost care to avoid recurrence of the problems faced by the Company in the past.

Reply of Government

[Ministry has noted this recommendation of the Committee and a competent person has been selected as Director (Marketing]

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987].

Recommendation Serial No. 24 (Paragraph No. 4.76)

The Committee are informed that Marketing is one area of weakness of IDPL which requires rehabilitation. In this connection, the Company has been advised by the Consultants that the Company should lay more emphasis on marketing by way of forecasting and testing its products according to the demand. This strategy according to the Government is being worked out by the Company in consultation with the consultants. The need for revamping of marketing operations of the Company was also emphasised by the Minister of State in the Department of Chemicals & Petrochemicals during the course of half an hour discussion in Lok Sabha on 18. 3. 87 on the working of IDPL. The Committee, therefore, recommended that immediate action should be taken by the Company to remove the areas of weakness identified by the consultants. The process of revamping of marketing function of the Company should be given top priority so that the Marketing Division could effectivly play the role of improving the finanancial health of the whole organisation.

Reply of Government

The Company is taking action to remove the areas of weaknesses identified by the Consultants. The following steps hale been taken :-

i) Efforts to improve the industrial relations with field force.

ii) Training and re-training programmes for the field force.

iii) Monitoring of sales performance.

iv) Sales promotion activities.

v) Introduction of new products having better margin and large market.

vi) Efforts to improve the realisation from the institutional sales.

The revamping of the Mktg. Divn of the Company has been taken up on priority basis. As a result the sales are showing a rising trend.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M.No.50 (4)/87 PI (V) dated 26 the November, 1987].

Recommendation Serial No. 25 (Paragraph Nos. 4. 77 to 4.79)

The Committee are distressed to note that the Company is finding it difficult to sell its products due to the policy of Government to support the generic names of the products. In this connection the CMD, IDPL has stated during evidence that the products having brand names, if prescribed by the

doctor, do not face competition from small scale industries in terms of price, which are lower in their case. The Company is reported to have not been permitted by the Government to have brand names in case of most of its products as a result of which their marketing is proving to be a difficult proposition for the Company. The Company is stated to have now decided to use brand names for new products and formulations, mush to dislike of the Government.

In this connection, the Department of Chemicals & Petro-chemicals have informed the Committee during oral evidence that following Hathi Committee report and Drug Policy, 1978, the Ministry of Health & Family Welfare banned the use of brand names for 5 drugs through an amendment of the Drugs & Cosmetics Act in 1981 which covered all the drug companies including IDPL. Hence no specific directive was issued by the Government to IDPL in this regard.

According to the New Policy (1986) the generic names would now have to be displayed in twice the size of the Brand names. In this connection, the CMD, IDPL expressed his fears that this requirement will not prove to be a boon for the Company because of the fact that if any Brand Name is popular in the market the doctor would continue to prescribe it. Therefore, the Committee feel that the Company with the assistance of the administrative Ministry and the Ministry of Health should work out a strategy to start a nation wide campaign to educate the mass of consumers as well as the doctors about the fallacy of Brand names. For this purpose the Company may explore the possibility of holding a conference at Rishikesh or at any other plant to explain the highest standards maintained by the Company in the manufacture of drugs, formulations and other products. The Committee also recommend that the Company should mobilise its field force to educate the people about the quality of IDPL drugs through publicity in newspapers, All India Radio and Doordarshan, printing pamphlets, hand outs and also through posters etc.

Reply of Government

The Company had, in August, 1987, organised a visit to the Rishikesh Plant by about 25 Senior Medical/Health Administrators of the country. The visitors were taken around the Formulation Block, Micro Biology Block, Fermentation Block, Pharmacological Block and Quality Control Block. The visit to the Blocks was followed by symposium on Good Manufacturing Practices and Quality control checks at IDPL. The Company proposes to organise more visits of this type 3 to 4 times a year, in order to cover more and more opinion-making senior doctors of the country.

The Company is planning a publicity film on the quality of its products. The Company is also planning to release a set of advertisements in the Press.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50(4)/87 PI(V) dated 26th November, 1987].

Recommendation Serial No. 26 (Paragraph Nos. 5.34 to 5.39)

The Committee find that IDPL was making moderate profits from 1974-75 to 1978-79 but thereafter it started suffering losses which continued to mound relentlessly and progressively year after year. The losses increased from Rs. 13.23 crores in 1979-80 to Rs. 32.13 crores in 1985-86. The cumulative loss as on 31.3.1986 stood at Rs. 200 cror s as against the paid-up capital of Rs. 95.91 crores. The net result is that the Company has apart from wiping out its entire capital, have incurred a further loss of Rs. 100 crores.

The major factor for these losses is product-mix of IDPL. The Company's products predominantly comprised of life saving essential drugs and formulations made under category I & II for which there was a freeze in prices from 1976 to 1980 but the cost inputs continued to go up steeply eroding the profitability of the Company due to low mark-up. Another reason was the ambitious expansion of Rishikesh and Hyderabad Plants during 1977 to 1982 at a cost of Rs. 36.90 crores and Rs. 31.38 crores respectively. The share of the IDPL in drug trade, however, was not commensurate with the marketability and the size of investment.

The under and partial utilisation of capacity, increase in overhead costs, high interest liability, excess man power and emergence of Company's own subsidiaries are stated to be the other reasons for the Company's financial sickness.

The Company is also reported to have found it difficult to face the challenge from the mushroom growth of small scale units producing cheap drugs from intermediates causing cost efficiency problem for IDPL. All this has resulted in acute cash shortages which virtually reduced Company's credibility for prompt payment. As a result, the Company could not get the essential raw material in time which adversely affected its production and sale.

The Committee takes a serious view of the erosion of the Company's working capital and lack of its credibility in the market. The Committee recommend that the Government should take urgent measures to pull the Company out of the red. Adequate availability of short term working capital and critical raw material should be ensured to the Company to enable it to continued the manufacture of life saving drugs.

Besides this, the Government may also decide to strengthen and restructure the Company's capital base and grant a moratorium on the repayment of loan and interest which will go a long way to improve the financial performance of the Company. The Committee would, however, like to caution

the Company that all these concessions and financial reliefs will be of no avail unless it is able to gear up its production and cost control and improve its profitability.

Reply of Government

Additional funds amounting to Rs. 11.40 crores for working capital have been made available to the Company as per details given below :-

(a) Rs. 4.5 crores have been given by the Ministry as Non-Plan assistance.

(b) A short term loan of Rs. 5 crores was given by M/s. IPCL in March, 1987.

(c) The State Bank of India made available, an *ad hoc* cash credit limit of Rs. 1.90 crores for a period of 3 months and is considering additional working capital limits.

The financial restructuring is under consideration.

[Min. of Industry, Deptt. of Chemicals and Petrochemicals, O.M. No. 50(4)/87-PI(V) dated 26th November, 1987].

Recommendation Serial No. 28 (Paragraph Nos. 5.41—5.42)

The Committee find that proposals for capital re-structuring were submitted by IDPL to the Government on 5.5.1984, 31.7.1984 and 11.7.1985. An Action Plan and Rehabilitation Plan were also submitted in October, 1985 and November, 1985 respectively. However, in March, 1986 the Government desired IDPL to redraft the rehabilitation plan on the lines of the plan of Bengal Chemicals & Pharmaceuticals Ltd. The IDPL after seeking the assistance of external management consultant redrafted the rehabilitation plan and after getting it vetted by their Board submitted the same to the Ministry on 15-12-1986.

The Committee have been informed by the Government that the action is being taken on the various suggestions made in the rehabilitation plan. A non-plan loan of Rs. 3.5 crores has been granted to IDPL to increase its working capital in 1986 87. The Committee hope that the loan granted to IDPL would be realised immediately to the Company. The Committee also desire that the Government should also arrange to raise further loans for the Company from Banks and other financial institutions. The Committee hope that question of restructuring of the capital which is reported to be under consideration of Government, would also be decided at the earlilst.

Reply of Government

A Non-Plan loan of Rs. 3.50 crores was given to the Company in March, 1987. Another Non-Plan loan of Rs. 1 crore has been given to the Company in August, 1987. M/S. IPCL gave a short term loan of Rs. 5 crores to the Company in March, 87. State Bank of India has, in August, 87 sanctioned an adhoc increase in the cash credit limit of the Company by Rs. 1.50 crores for a period of 3 months. The Company has asked for an increase in its cash credit limit by Rs. 10 crores. The matter is being pursued so as to provide additional funds to the Company for its working capital requirements.

The question of capital restructuring of the Company will be decided by the Government after taking into account all the relevant factors.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M.No. 50 (4)/87 PI (V) dated 26th November, 1987].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation Serial No. 7 (Paragraph No. 2.35)

The Committee are of the firm opinion that dismal performance of IDPL, which will be clear from following Chapters of this report is the result of several factors, one important factor being its clear failure to frame macuro and micro objectives and the corporate Plan even after 27 years of its being set up. The Ministry are equal partners in this failure.

Reply of Government

Major reasons for the poor performance of IDPL have been technological problems, power shortage/fluctuations shortage/non-availability of raw materials, and market and financial constraints. However the performance of the company has shown a marked improvement in recent months as a result of efforts made by the Government and the management and staff of the company.

[Ministry of Industry Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987.]

Recommendation Serial No 8 (Paragraph No. 3.53 & 3.54)

The Committee find that IDPL has licensed capacity to Manufacture only 86 drugs out of 107 essential bulk-drugs listed in Drugs Statistics (1982-83). IDPL is also reported to have not implemented the licensed capacity for tuberculosis drugs like thiacetazone and isoniazid and also for diethylcarbamazine citrate meant for treatment of filarisis. Till August, 1984, IDPL had no idea what to do with 22 million ampouling capacity at its Gurgaon Plant and by November, 1984 the Company concluded that it would be best to do away with all the equipments wherein the capacity utilisation is marginal or where there is no hope of improving it in the near future. Not only the production of IDPL for various drugs was much below the installed capacity but also when the targets were fixed less than the installed capacity, the plants failed to achieve even them. The present production of IDPL is reported to be worth Rs. 120 crores but nearly 50% of installed capacity is lying idle. In spite of having such a high under-utilised capacity, the Company is reported to have parcelled

out orders to others in the name of patronising small sector units and large amount of funds were advanced to these units.

The low capacity utilisation and shortfall in targets of production are stated by the Company mainly due to shortage of raw materials, power fluctuations, shortage of power and water, high inventory of finished goods and low off-take by market, competition from small scale units and paucity of funds. The Committee are surprised that IDPL has been in the field of drug production for such a long time yet it has not been able to assure itself adequate raw materials, supply of power and water. The Committee are sure that had the Ministry taken appropriate steps to help the undertaking in this regard, these problems could have been minimised, if not altogether eliminated. In this connection, the Committee need hardly emphasis that power interruptions could result in the contamination of drugs produced which could endanger human life. The Committee, therefore, desire that the Ministry may take up the matter with the concerned State Governments so as to assure uninterrupted supply of power and water to IDPL. The Committee would also like to caution the Company to make every effort to see that pure and uncontaminated drugs reach the consumers. If necessary, the Company may consider the feasibility of having its own captive power plants to ward off the danger of contamination due to power fluctuation. As regard improving the liquidity position and market credibility of the Company to enable it to get adequate and good quality of raw materials, the Committee have given their comments in the Chapter on 'Financial Matters' of this Report.

Reply of Government

Ministry had been taking up, from time to time, with the concerned State Governments, at various levels including the level of Minister the question of uninterrupted power supply to IDPL's plants. However, the State Governments could not exempt IDPL's plants from power cuts.

Setting up of captive power plants have not been found feasible by the Company because of high capital and operating costs.

The quality of the drugs manufactured by the company is tested by their Quality Control Department which ensures that no substandard drug is passed on to the consumer. This is a statutory requirement.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) Dated 26th November 1987].

Recommendation Serial No. 13 (Paragraph No. 3.61 to 3.67)

The Committee find that so far 17 bulk drugs including penicillin and polio vaccines were exclusively reserved for production by Public Sector Units.

But according to new drug policy, keeping in view the large gap between capacity created and likely demand by 1989-90 of penicillin and polio vaccines production of these two vital drugs has been opened to all sectors. It has also been stated that the demand for these two essential drugs would continue to be met through imports till such time the indigenous production has been reached a stage where import becomes unnecessary.

During evidence, the C & MD of IDPL informed the Committee that historically, Rishikesh Plant posses huge amount of capacity for manufacturing penicillin with the technology originally received from Russia. The Company was producing 8000 units of penicillin per milli litre but in seventies with the introduction of Italian technology, production capacity of penicillin increased to 20000 units. Subsequently, by mutual exchange of technology with HAL and incorporating HAL process, the output of penicillin went upto 40000 units per milli litre thereby increasing the yield of penicillin five folds. Further more the Rishikesh Plant has 44 fermentors out of which only 8 are being used at present for penicillin production. If all 44 fermentors are mobilised by bringing in certain technology available in Europe, the Company will de able to produce enough penicillin to meet the country's total demand by 2000 AD. The C & MD of IDPL also stated that many of the machines are lying unused for decades and by spending a couple of crores of rupees on these machines these would produce the entire penicillin requirement of the country. For this purpose the Government are also reported to have given their approval for modernisation of the plant on the lines of technology available in Europe.

The Committee feel that under the new drugp olicy, many of the multinationals who are not prepared to share technology with IDPL would enter the field in the good of collaboration with small scale units and would jeopardise the interest of IDPL. About 15 firms with foreign tie up are reported to have approached the Ministry so far the licence to manufacture penicillin. The Ministry have also admitted to have received so far Industrial Licence Applications from 9 companies.

In this connection, Department of Chemicals & Petro-chemicals have also informed the Committee that IDPL has only recently made a claim tomeet the domestic need of penicillin whereas the policy of dereservation was decided on the part performance of the Company. The Committee are really shocked over the grave ignorance of the Ministry about the capability and capacity of their own unit especially when they have themselves agreed to the proposal of IDPL to modernise Rishikesh Plant for increasing the penicillin production. The Committee see no reason for dereserving the production of penicillin which will not only permit all sectors to manufacture penicillin but will also enable the multinationals, who are not prepared to share technology with IDPL to enter the field from the back door by collaboration with small units.

According to the Ministry, the penicillin has got a protected technology and as such too many companies would not come forward to manufacture penicillin. When asked whether Government had consulted IDPL & HAL before deciding the question of dereservation of penicillin, the representative of the Ministry stated in oral evidence "I can say that there was no formal consultation." When again asked whether Government specifically put to IDPL that the Govt. proposed to dereserve the penicillin, the witness then stated "No, that has not been put."

The Committee are informed that at present penicillin is being imported in the country to the tune of Rs. 25 crores per annum. During evidence, the representative of the Department of Chemicals & Petrochemicals tried to justify the import of penicillin on the ground that whereas price of imported penicillin is Rs. 324 per BU, the cost of production of indigenous penicillin is Rs 650 per BU. The Committee are not convinced of this reasoning and feel that if price is the only justification for the import of an item, then everything that is being manufactured in the country can as well as be imported at cheaper cost and there is no need to have an industrial policy at all.

The Committee deprecate the casual manner in which the question of dereservation of penicillin has been decided by Government even without consultation with their own public undertakings. In Committee's view this is not a step in the right direction as it will in the ultimate analysis give concessions to the multinationals and undermine the capacity of penicillin production available with IDPL and HAL. The Committee recommend that in the light of claim made by IDPL to meet the entire penicillin demand of the country, the Government should appoint a Committee to assess thoroughly the capacity and capability of Public units and if that Committee feels satisfied with the claim of IDPL, the Government should then reconsider the policy of dereservation. In the meantime, Government should proceed with caution on the question of issuing licences for the manufacture of or for the import of penicillin. Since major part of indigenous production of penicillin is claimed by IDPL, the Government may consider the feasibility of regulating the import of penicillin, if considered absolutely necessary, through IDPL who may also have control over sales and distribution of this item.

Reply of Government

The production of Penicillin was reserved for Public Sector units till the announcement of new measures in December, 1986. Only two public sector companies HAL & IDPL are licenced to manufacture penicillin. The total installed capacity of Penicillin in public sector is 574 MMU. However, under the minimum economic scheme HAL has been sanctioned a capacity of 1000 MMU. This capacity still remains to be installed. Thus the total sanctioned capacity as on date between HAL and IDPL is 1574 MMU. The

production of Penicillin by these two public sector companies for the last 10 years has been as under :—

Year	*Production (MMU)*
1977-78	314.57
1978-79	319.95
1979-80	326.96
1980-81	336.82
1981-82	360.61
1982-83	358.37
1983-84	316.74
1984-85	221.68
1985-86	269.11
1986 87	266.64

As would be seen, the production fluctuated around 200—300 MMU per year whereas the demand for penicillin as a drug and as an intermediate on the basis of the estimates by the Working Group on Seventh Five Year Plan, was much higher The demand estimates are given below :—

Year	*Demand (MMU)*
1982-83	890
1983-84	1010
1984-85	1150
1985-86	1320
1986-87	1520
1987-88	1765
1988-89	2040
1989-90	2270

It is evident from the figures given above that the huge quantity of Penicillin has to be imported to meet the indigenous requirements of the country. This demand is likely to be around 6200.9 MMU by the year 2000 A.D. as per the prospective plan for drugs and pharmaceuticals. Currently, the annual import bill is around 30 crores rupees for this item. As has been stated earlier Penicillin is being increasingly used as a drug intermediate for the production of later genetations of antibiotics. A large number of these antibiotics are already introduced in the world market. Quite a few of them are being produced in India and many more may be produced in the near future. The demand therefore, may even be more than anticipated.

4. The public sector will not be able to cater to such increased level of demand even after the entire installed capacity is put up Therefore, to create self-sufficiency for such a vital drug additional capacity will have to be created

so as to ensure that the country does not depend, for all times to come, on imports. The Committee on Public Undertakings itself has observed that the technology available with the public sector companies requires to be upgraded in view of better technologies developed elsewhere in the world. In fact efforts are already under way to upgrade the existing technology by importing technology from developed countries so as to make maximum use of the infrastructure already created for this item. It is true that efforts are already being made to modernise the IDPL Rishikesh Plant and also to expand its capacity. The existing capacity of IDPL is 414 MMU and it is proposed to be expanded to 1000 MMU which is the minimum ecooomic size. Only after this the IDPL would be in a position to produce around 1000 MMU per annum. The capacity and the number of fermentors which the IDPL has reported were in fact not meant for pencillin alone but for other antibiotics also. It is obvious that the IDPL could not have installed more than its liecenced capacity. However, the other fermentors could be utilised for penicillin with some modifications but then too the capacity would not go beyond 1000 MMU.

5. Even if both HAL & IDPL produce to the maximum possible extent at the minimum economic size capacities of 1000 MMU or more each, their total production would range around 1600-1800 MMU at the level of 80-90 percent capacity utilisation, which, given the circumstances appears to be rather optimistic. Even at that level of production the country will fall short of around equivalent quantity by the year 1989-90 and by 2000 AD by more than 4000 MMU.

6. The factual position given above in regard to demand, supply and indigenous production, clearly indicates that the producation of Pencillin in the country is urgently required to be augmented. The capacity of the public sector, M/s. HAL and IDPL even after its enhancement and infusion of additional funds, will not be sufficient to cater to the demands. Therefore the Government decided to open production of Penicillin to other sectors also. The intention is not to create competition against the public sector units but to supplement the efforts of public sector in meeting the demand for such a vital drug. The decision was taken after consultion with all concerned including IDPL and HAL.

[Ministry of Industry, Deptt. of Chemicals and Petrochemicals O.M. No. 50 (4)/87-PI (V) dated 26th November, 1987]

Recommendation Serial No. 29 (Paragraph No. 5.43 to 5.44

The Committee are surpirsed that in spite of the Company facing financial crisis, it allowed the sundry debtors to increase year after year. On 31.3.85 the amount of the outstanding was of the order of Rs. 36.60 crores which came down to Rs. 30.61 crores on 31.3.1986. The outstanding are reported to have come down to Rs. 16 crores by 31st December, 1986.

According to IDPL, the major defaulters are State Governments (Rs. 8.36 crores), Central Government (Rs. 5.02 crores) and Public Undertaking (Rs. 86 lakhs) and other private parties (Rs. 1.97 crores). The Committee hope that the vigorus efforts will be made to recover the dues and in future such a huge amount will not be allowed to be blocked as debts. As the Company is not at present charging any interest on the amount not paid on the expiry of the stipulated period the Committee desire that the Government/IDPL should consider the feasibility of adding an interest cluase in the future sales agreements with State Governments and other organisations after leaving a reasonable grace period.

Reply of Government

Efforts are being made by the Company to collect the outstanding payments as quickly as possible. The Company has been able to make considerable improvement in realising payments from trade parties. Efforts are also being made to improve the realisations from the institutions by appointing institutional del credere agents wherever required.

The past experience of the Company shows that Government institutions do not accept any stiplulation regarding payment of interest for delayed payments of the supplier's bills. As the Company has to compete for orders from Government institutions on the basis of tenders, any special condition given by the Company in its quotation which is not covered by the standard terms and conditions of the tenders floated by Government Institutions, will place the Company in a disadvantageous position viz-a-viz the competitors. The Company has not, therefore, pursued the question of incorporating an interest clause in the orders placed by the Government institutions.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November 1987].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 2 (Paragraph No. 2.29)

The IDPL has also informed the Committee that the attempt was made only in February, 1987 to locate the file in Department of Chemicals and Petrochemicals as also in BPE, but the same could not be traced. The representative of the Ministry also admitted during evidence that in spite of the best efforts they have not been able to trace the file number or the docket number by which the file containing objectives of IDPL was sent to BPE. Subsequently, in March; 1987 during the oral evidence of the representatives of BPE the Additional Secretary, BPE denied the receipt of any file from the Department of Chemicals and Fertilizers regarding objectives of IDPL. The witness also stated that the approval of BPE was not at all necessary in accordance with the guidelines laid down in 1973 According to them, it was for the administrative Ministry to accord approval to the objectives and obligations of the undertaking. Again, BPE after having checked up their record have categorically stated in their letter dt. 24.3.1987, that they have not received any letter or file from the Department of Petroleum and Chemicals on the subject. The Committee are, therefore, baffled as to who should be believed in this regard. The Committee also fail to understand as to why the objectives were sent by the Ministry to BPE when these were not required to be approved by them. Even if the file was sent to BPE as stated by the Ministry, it could have been returned by BPE with the remarks that their approval was not necessary. The Committee recommend that since the loss of file is a serious matter and cannot be overlooked, the question of locating the misssing file should be probed into with a view to fixing responsibility. The Committee find it interesting to note that a similar file of statement of objectives and obligations of IPCL has also been lost by this very Ministry.

Reply of Government

As the officers concerned have either retired or been transferred long back, it has not been possible to probe in the matter at this late stage.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987]

Comments of the Committee

(Please see Paragraph 5 of Chapter I of the Report).

Recommendation Serial No. 3 (Paragraph No. 2.30)

The Committe are pained to say that both the undertaking and the Ministry have shown scant respect to the recommendations of this Committee as is evident by the fact that in response to recommendation made by the Committee in 1973-74, the Committee had been informed by the Ministry that statement of objectives and obligations of IDPL framed by the undertaking had been sent to BPE for approval but thereafter the matter was forgotten altogether for ten years and revived only when an audit question was received. The Committee deprecate this in the strongest terms and desire that responsibility for this indefensible lapse should be fixed and action taken intimated to the Committee within next three months.

Reply of Government

As stated in reply to Recommendation No. 2, as the officers concerned have either retired or been transferred long back, it has not been possible to probe in the matter at this late stage. However the Department assures to Committee that such a lapse shall not occur in future.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26, November 1987]

Comments of the Committee

(Please see Paragraph 5 of Chapter I of the Report)

Recommendation/Conclusion Serial No. 4 (Paragraph No. 2.31)

The Committee also desire that the statement of objectives and obligations of IDPL should immediately be approved by the Ministry and communicated in writing to the undertaking so that the Company should have a clear idea of its aims and objectives which will also enable others to make a critical evaluation of its performance. The Committee also desire that a white paper with regard to the actual performance of the Company fulfilling its objectives should be brought out and placed before Parliament to enable members to assess the growth and achievement of the Company on a realistic basis.

Reply of Government

Ministry's approval to the statement of objectives and obligations of IDPL has been communicated to the Company on 8.9.1987.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November 1987].

Comments of the Committee

(Please see Paragraph 7 of Chapter I of the Report)

Recommendation Serial No. 14 (Paragraph No. 3.68)

The Committee have been informed that many of the small scale units are at present thriving on the technology stolen from IDPL either through the retired persons or through those who are inside the company and are acting as black sheep. This, according to IDPL, is evident from the fact that many of the small scale units are at present using the same raw materials as is being used by IDPL. No multinational company would part the know-how as it is the preserve of very few in the world. The Committee, therefore, desire that in order to protect the interest of IDPL and HAL and to provide protection against the theft of R&D efforts of the undertaking, the Government may consider the feasibility of bringing in a comprehensive legislation to eliminate the chances of leakage of technology and to protect the enterprising companies vigorously pursuing R&D efforts by getting product and process patents similar to those as are available to companies in the western countries so that the fruit of R&D efforts do not get lost or diffused and enjoyed by unscrupulous companies. The Committee also feel that if the strictest quality control measures are insisted upon, the mushroom growth of small scale units thriving at present on stolen technology would drop out. In this connection, the representative of Department of Chemicals and Petrochemicals admitted during evidence that quality control was absolutely vital in drug industry but it was a fact that in the case of small scale sector the quality control was not being given as much importance as was required. The Committee desire that special measures should be taken by Government to ensure quality control in drug industry especially in the small scale sector.

Reply of Government

Under provisions of the Drings and Cosmetics Act & Rules every licenced drugs manufacturing Unit is required to adopt various quality control measures by providing facilities for testing samples of every raw material used in manufacturing a drug formulation, both active ingredients as well as pharmaceuticals aids and adjuents which go in a formulation. The manufacturers are also required to test sample of every batch of formulation manufactured and also retain report on a sample of each batch of drug marketed. These provisions are applicable to all sections of drug industry i.e. large, medium and small scale units.

However, it is observed that due to constraints of finance, the quality control measures adopted by small scale units are sometimes not to the same level as adopted by large scale drugs manufacturing units.

With a view to ensuring quality control in drug industry especially in the small scale sector, Good Mannfacturing Practices are being incorporated in

the Drugs and Cosmetics Rules. As soon as these Good Manufacturing Practices are finalised every Drug Manufacturer, whether in small scale, or large scale will have his own testing laboratory to test the quality of raw materials used, to carry out in process controls, to test each batch of finished formulations and to carry out stability studies etc. on drugs manufactured by him to ensure their quality during the entire shelf life.

This will go a long way in ensuring quality of drugs marketed even by small scale units.

[Ministry of Industry, Department of Chemicals and Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 4th December, 1987.]

Comments of the Committee

(Please see Paragraph 17 of Chapter I of the Report)

Recommendation Serial No. 16 (Paragraph No. 3.70

The Committee also note that even since the retirement of General Manager of R&D Division in Hyderabad Unit, in April, 1986. R&D is being looked after by a person who has never worked on the R&D side. The General Manager (Production) is concurrently looking after R&D. It is surprising that even in a period of more than one year the Company could not find a suitable person to head R&D Division at Hyderabad. The Committee desire that Company should take immediate action to bring R&D under the charge of an expert in the field of R&D so that this vital field is looked after in the best possible manner.

Reply of Government

The overall requirements of the Company including R&D are being reviewed. After the review, action to bring R&D under the charge of an expert in the field af R&D will be taken up.

[Ministry of Industry, Deptt. of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987].

Comments of the Committee

(Please see Paragraph 20 of Chapter I of the Report)

Recommendation Serial No. 27 (Paragraph No. 5.40)

The Committee also desire that the Government may favourably consider the feasibility of subsidising IDPL on the analogy of fertilizer units which help

increasing agricultural output for feeding the country's millions. In Committee's view there is a strong case for providing subsidy to IDPL as it supplies life saving drugs at a price lower than cost of production to country men and help them maintaining their good health.

Reply of Government

Due to financial constraints, it will not be possible for Government to subsidize IDPL on the analogy of fertiliser units.

[Ministry of Industry, Department of Chemicals & Petrochemicals O.M. No. 50 (4)/87 PI (V) dated 26th November, 1987).

Comments of the Committee

(Please see Paragraph 23 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

—NIL—

NEW DELHI ;
March 25, 1988
Chaitra 5, 1910 (S)

VAKKOM PURUSHOTHAMAN
Chairman:
Committee on Public Undertakings.

APPENDIX I

Minutes of the 31st Sitting of Committee on Public Undertakings (1987-88) held on 16 March, 1988.

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

1. Shri Vakkom Purushothaman—*Chairman*
2. Shri Dinesh Goswami
3. Prof. P.J. Kurien
4. Shri Keshorao Pardhi
5. Shri Lal Vijay Pratap Singh
6. Prof. Saif-ud-din Soz
7. Shri Zainul Basher
8. Shri Jagesh Desai

SECRETARIAT

1. Shri R.D. Sharma—*Chief Financial Committee Officer.*
2. Shri Rup Chand—*Senior Financial Committee Officer.*

The Committee considered and adopted the following draft Action Taken Reports, as approved by the Action Taken Sub-Committee :

*** *** ***

(ii) Action Taken by Government on the recommendations contained in the Twenty-Ninth Report (1986-87) of the Committee on Public Undertakings on Indian Drugs and Pharmaceuticals Ltd.

*** *** ***

The Committee authorised the Chairman to finalise the draft Reportson the basis of factual verification by the Ministries and Undertakings concerned and present the same to Parliament.

The Committee then adjourned.

APPEMDIX II

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 29th Report of the Committee on Public Uundertakings.
(Eighth Lok Sabha)

I.	Total number of recommendations made	29
II.	Recommendations that have been accepted by the Government (vide recommendations at Sl. Nos. 1, 5, 6, 9—12, 15, 17—26 and 28)	19
	Percentage to total	65.5%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (vide recommendations at Sl. Nos. 7, 8, 13 and 29)	4
	Percentage to total	13.8%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 2, 3, 4, 14, 16 and 27)	6
	Percentage to total	20.7%