44

STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2017-18)

SIXTEENTH LOK SABHA

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

DEMANDS FOR GRANTS (2018-19)

FORTY FOURTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2018/ Phalguna, 1939 (Saka)

CC&F.No.44

FORTY FOURTH REPORT

STANDING COMMITTEE ON CHEMICALS AND FERTILIZERS (2017-18)

(SIXTEENTH LOK SABHA)

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

DEMANDS FOR GRANTS
(2018-19)

Presented to Lok Sabha on ….. March 2018

Laid in Rajya Sabha on ….. March 2018

LOK SABHA SECRETARIAT
NEW DELHI
March, 2018/ Phalguna, 1939 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON CHEMICALS & FERTILIZERS (2017-18)

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

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

RAJYA SABHA

22. Shri Biswajit Daimary
23. Shri Prem Chand Gupta
24. Shri B.K. Hariprasad
25. Dr. Bhushan Lal Jangde
26. Shri Ranvijay Singh Judev
27. Shri Sanjay Dattatraya Kakade
28. Shri K. Parasaran
29. Dr. Sanjay Sinh
30. Shri Abdul Wahab
31. Vacant

SECRETARIAT

1. Shri V.K. Tripathi - Joint Secretary
2. Shri A.K. Srivastava - Director
3. Shri U.C. Bharadwaj - Deputy Secretary
4. Shri N. Amarathiagan - Committee Officer

INTRODUCTION

I, the Chairperson, Standing Committee on Chemicals and Fertilizers (2017-18) having been authorised by the Committee to present the Report on their behalf, present this Forty Fourth Report on Demands for Grants of the Ministry of Chemicals and Fertilizers (Department of Chemicals & Petrochemicals) for the year 2018-19.

The Committee examined the Demands for Grants (2018-19) pertaining to the Ministry of Chemicals and Fertilizers (Department of Chemicals & Petrochemicals) which were laid in Lok Sabha and Rajya Sabha on 07 February, 2018.

The Committee took evidence of the representatives of the Ministry of Chemicals and Fertilizers (Department of Chemicals & Petrochemicals) at their sitting held on 22 February, 2018.

The Report was considered and adopted by the Committee at their sitting held on 12 March, 2018.

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

For facility of reference and convenience, the Observations/ Recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;
12 March, 2018
21 Phalguna , 1939 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

REPORT

CHAPTER – I

OVERVIEW ON INDIAN CHEMICAL & PETROCHEMICAL INDUSTRY

Aims and Mandate of Department of Chemicals and Petrochemicals

1.1 Department of Chemicals and Petrochemicals (DCPC) aims:

i. To formulate and implement policy and programmes for achieving growth and development of the chemical and petrochemical sectors in the country; and

ii. To foster the spirit of public-private partnership for overall development of above-mentioned sectors of the industry.

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

i. Insecticides excluding the administration of 'The Insecticides Act, 1968' (46 of 1968);

ii. Molasses;

iii. Alcohol - Industrial and Potable from the molasses route;

iv. Dye-stuffs and Dye-Intermediates;

v. All organic and inorganic chemicals, not specifically allotted to any other Ministry or Department;

vi. Planning, development and assistance to all industries dealt with by the Department;

vii. Bhopal Gas Leak Disaster-Special Laws relating thereto;

viii. Petrochemicals;

ix. Industries relating to production of non-cellulosic synthetic fibers (Nylon Polyesters, Acrylic etc.);

x. Synthetic Rubber; and

xi. Plastics including fabrication of plastic and moulded goods.

Origin, Growth and Development of Chemical Industry

1.3 Chemical Industry is one of the oldest domestic industries that came up soon after India’s independence. The roots of chemical industry were initially in West Bengal where factories came up in Jute packaging, Textiles and Steel. M/s Bengal Chemicals in Kolkata & FCI in Sindri are the first factories that came up in Independent India. The chemical sector slowly shifted to Gujarat and Maharashtra due to availability of better infrastructure and port facilities. The sector has evolved from being a basic chemical producer to becoming an innovative and knowledge based Industry.The chemical industry in India is the largest consumer of its own products, consuming 33% of its output. Growing disposable incomes and increasing urbanization are fuelling end-consumption demand for paints, textiles, adhesives and construction.

1.4 Petrochemicals and Plastics play a very important role in our day to day life. Petrochemicals and Plastics were developed during the 19th and 20th centuries and new innovations in this field are taking place continuously. The Petrochemical industry which started in India in the 1970s, registered a rapid growth in the 1980s and 1990s. Petrochemical industry mainly comprises synthetic fibres/yarns, polymers, synthetic rubber (elastomers), synthetic detergent, intermediates, performance plastics and plastic processing industries. Petrochemical industry plays a vital role in the growth and development of the manufacturing sector. The value addition in the petrochemicals industry is higher than that in most other industries.

Production, Consumption and Trade in Chemicals Industry

1.5 As per National Industrial Classification (NIC) 2008, Chemical & Chemical products are covered under the Industry Division '20'. The description of product groups at 4-digit level under this division is given below in Table-I **[Table-I]**:

Table I : Description of product groups

Class	Description
2011	Manufacture of basic chemicals
2012	Manufacture of fertilizers and nitrogen compounds
2013	Manufacture of plastics and synthetic rubber in primary forms
2021	Manufacture of pesticides and other agrochemical products
2022	Manufacture of paints, varnishes and similar coatings, printing ink and mastics
2023	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations
2029	Manufacture of other chemical products n.e.c.
2030	Manufacture of man-made fibres

The industry division 24 of NIC 2004 is equivalent of industry division 20 (manufacture of chemical & chemical products), 21(manufacture of pharmaceuticals, medicinal chemicals and botanical products) and 268 (manufacture of magnetic and optical media) of NIC 2008.

1.6 The production of Major Chemicals and Petrochemicals in 2017-18 (up to December 2017) was 19793 thousand MT, compared to 19210 thousand MT in 2016-17 (up to December 2016) implying growth of 3.03%. Production data of selected Basic Major Chemicals & Petrochemicals for four years (2013-14 to 2016-17) indicate that production of Chemicals & Petrochemicals is growing with a Compound Annual Growth Rate (CAGR) of 3.75%. The production of Selected Basic Major Chemicals and Petrochemicals during the years 2013-14 to 2017-18 (up to December 2017) is given in Table **[Table-II]**.

Table-II : Production of selected major chemicals and petrochemicals (*in 000'MT*)								
Sl. No	**Product**		**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2016-17 (April 16 to Dec. 16)**	**2017-18 (April 17 to Dec. 17)***
1	**ALKALI CHEMICALS**	Production	6481	6625	6802	7009	5210	5654
		Growth Rate (%)	-0.09	2.22	2.67	3.04		8.54
2	**INORGANIC CHEMICALS**	Production	906	944	1002	1053	792	800
		Growth Rate (%)	1.70	4.18	6.08	5.13		0.95
3	**ORGANIC CHEMICALS**	Production	1792	1619	1589	1638	1200	1318
		Growth Rate (%)	6.28	-9.67	-1.87	3.12		9.85
4	**PESTICIDES (Technica**	Production	179	186	188	214	160	162
		Growth Rate (%)	15.41	3.95	0.57	13.97		1.41
5	**DYES AND PIGMENTS**	Production	284	285	304	320	236	261
		Growth Rate (%)	18.40	0.58	6.60	5.28		10.41
6	**TOTAL BASIC MAJOR CHEMICALS (Sum of 1 to 5)**	**Production**	**9643**	**9660**	**9884**	**10234**	**7598**	**8195**
		Growth Rate (%)	**1.94**	**0.18**	**2.32**	**3.54**		**7.86**
7	**SYNETHETIC FIBERS**	Production	3144	3527	3554	3595	2708	2722
		Growth Rate (%)	0.63	12.18	0.75	1.16		0.54
8	**POLYMERS**	Production	7876	7558	8839	9163	6839	6819
		Growth Rate (%)	4.88	-4.04	16.95	3.67		-0.29
9	**ELASTOMERS (S. RUBBER)**	Production	105	172	242	285	205	220
		Growth Rate (%)	8.67	64.13	40.76	17.91		7.21
10	**SYNETHETIC DETERGENT INTERMEDIATES**	Production	597	596	566	664	507	550
		Growth Rate (%)	-4.82	-0.11	-5.09	17.36		8.58
11	**PERFORMANCE PLASTICS**	Production	1685	1591	1700	1799	1353	1286
		Growth Rate (%)	-0.37	-5.54	6.86	5.82		-4.98
12	**TOTAL BASIC MAJOR PETROCHEMICALS (Sum of 7 to 11)**	**Production**	**13406**	**13443**	**14900**	**15506**	**11612**	**11598**
		Growth Rate (%)	**2.75**	**0.28**	**10.83**	**4.07**		**-0.13**
13	**TOTAL BASIC MAJOR CHEMICALS AND PETROCHEMICALS (Sum of 6 and 12)**	**Production**	**23048**	**23103**	**24783**	**25739**	**19210**	**19793**
		Growth Rate (%)	**2.41**	**0.24**	**7.27**	**3.86**		**3.03**

***Provisional Data**

**Source : Monthly Production Returns received from manufacturers under large and medium scale unit only*

India is the net importer of polymers and with additional production by BCPL, there may be import substitution.

Chemical Weapons Convention (CWC)

1.7 India is a signatory and party to the Chemical Weapons Convention (CWC), of the Organization for the Prohibition of Chemical Weapons (OPCW) with Head Quarters at The Hague, Netherlands. The Convention is a universal, non-discriminatory, multi-lateral, disarmament treaty which prohibits the development, production, stock-piling and use of chemical weapons and monitors its elimination in order to secure chemical weapons free world. India signed the treaty at Paris on 14th day of January 1993. India, pursuant to provisions of the Convention enacted the Chemical Weapons Convention Act, 2000. As on date, 192 countries are parties to the Convention. India was the First State Party to secure the distinction of chemical weapon free state Party by destructing all its stockpile of its chemical weapons amongst all State Parties of the Convention. The Department of Chemicals & Petrochemicals is the administrative department for CWC Act, 2000.

1.8 The Department of Chemicals and Petrochemicals when asked to furnish a note on production, consumption, import and export of chemicals and chemicals products during the last three years and the likely trend in the near future, the details furnished contains *inter-alia* the following :

" 1. The Production , Consumption, Import and Export of Selected Major Chemicals and Petrochemicals during the years 2014-15 to 2016-17 is given as under

(Figures in 000'MT)

GROUP	2014-15	2015-16	2016-17	CAGR(%)
1	2	3	4	5
Total Basic Major Chemicals				
Production	9660	9884	10234	2.93
Consumption*	13623	14106	14150	1.92
Imports	5025	5360	5400	3.67
Exports	1061	1138	1484	18.24
Total Basic Major Petrochemicals				
Production	13443	14900	15506	7.40
Consumption*	16258	17822	18470	6.59
Imports	5068	5665	5920	8.09
Exports	2253	2742	2956	14.54
Total Basic Major Chemicals and Basic Major Petrochemicals				
Production	23103	24783	25739	5.55
Consumption*	29881	31928	32621	4.48
Imports	10092	11024	11320	5.91
Exports	3314	3880	4439	15.74

Note : 1.Production data is based on MPR received from large and medium scale units only.
2. Data Source in respect of imports and exports is DGCIS,Kolkata, M/O Commerce and Industry.
Note : $ Import and Export includes both technical and formulations.
**Derived consumption as Production + Imports – Exports*

The actual production of polymer by BCPL during 2015-16, 2016-17 and 2017-18 (up to Jan'18) is given under:

	2015-16	2016-17	2017-18 (up to Jan'18)
Production of Polymer in MT	3349	99540	166551

1.9 To a query regarding amount of foreign exchange outgo incurred due to imports of chemicals and petrochemicals during the last three years and the estimated expenditure in 2018-19, the Department of ;Chemicals and Petrochemicals submitted the information in the table below :

Table : Details of Foreign Exchange outgo incurred due to Imports of Chemicals and Petrochemicals during the last three years

					figures in million US$
Hs Code	**Commodity**	**2014-15**	**2015-16**	**2016-17**	**CAGR(%) during 2014-15 to 2016-17**
28	INORGANIC CHEMICALS; COMPOUNDS OF PRECIOUS METALS, OR RARE-E	5136.99	5068.24	4720.75	-4.14
29	ORGANIC CHEMICALS	17746.42	15618.20	15477.18	-6.61
32	DYEING, TANNING	1608.04	1599.81	1668.00	1.85
38	MISCELLANEOUS CHEMICAL	4177.55	4160.39	4569.91	4.59
	Total Chemicals	**28668.99**	**26446.64**	**26435.83**	**-3.97**
39	PLASTICS AND ARTICLES	11690.79	797.48	11568.50	-0.52
4002	SYNTHETIC RUBBER AND FACTICE	1097.48	11412.00	843.20	-12.35
54	MAN-MADE FILAMENTS	824.88	746.13	724.08	-6.31
55	MAN-MADE STAPLE FIBRES	743.75	673.93	570.46	-12.42
	Total Petrochemicals	**14356.90**	**13629.53**	**13706.24**	**-2.29**
	Total Chemicals and Petrochemicals	**43025.89**	**40076.18**	**40142.07**	**-3.41**
**Source: DGCIS portal,(http://www.dgciskol.nic.in/), as on 10.02.2018*					

Petroleum, Chemical and Petrochemical Investment Regions (PCPIRs)

1.10 Government of India notified Petroleum, Chemical and Petrochemical Investment Regions (PCPIR) policy in 2007 under which four Petroleum, Chemical and Petrochemical Investment Regions (PCPIRs) were approved in the States of Andhra Pradesh (Vishakhapatnam), Gujarat (Dahej), Odisha (Paradeep) and Tamil Nadu (Cuddalore and Nagappattinam). These PCPIRs have a long gestation period of around 20 years and their complete potential can be realized once they are fully functional. These four PCPIRs are at various stages of implementation. Production has started by the Anchor Tenants in Gujarat PCPIR (ONGC Petro Additions Limited) and Odisha PCPIR (IOCL Refinery). The feasibility study for Cracker cum petrochemical complex in Andhra Pradesh PCPIR has been completed. Production of Polypropylene by OPaL has led to enhancement in domestic production and thus to import substitution. OPaL has also started supply of chemicals byproducts to downstream units further enhancing domestic production. Further 730 Kilo Ton per annum Polypropylene plant of Indian Oil Corporation Ltd. (IOCL) is likely to commence production by mid of 2018. IOCL also has plans to set up MEG and Para-Xylene plants by 2021 to 2024. After final approval by Government of AP and HPCL-GAIL setting up of 1.0 Million Ton capacity cracker at Kakinada will take around 4 years. The cracker will produce various categories of polyethylene, Mono Ethylene Glycol (MEG) and Poly Vinyl Chloride (PVC) which are imported at present. A number of small units are also expected to come up around these plants in the PCPIRs significantly contributing to domestic production.

1.11 Brahmaputra Cracker and Polymer Ltd. complex has been commissioned on 2nd January, 2016 and it has been dedicated to the nation by the Hon'ble Prime Minister of India, on 5th February 2016, located at Lepetkata, Dibrugarh. This plant has a capacity of 2.8 lakh tons per annum of Polyethylene and Polypropylene, with an investment of about Rs.10,000 crore . The Project will lead to import substitution to some extent ,attract substantial investments in setting up of downstream plastic processing industries particularly in the North East area as well as generate huge employment.

1.12 Plastic Parks are being set up in the country with the objectives to increase the competitiveness and investments, achieve environmentally sustainable growth and adopt the cluster development approach to consolidate the capacities in plastic sector.

1.13 To a query about outcomes of action taken to bring down outflow of foreign exchange due to imports of chemicals and petrochemicals and their products during the last two years, the reply of the Department is as under :

> *" out of the four PCPIRs mentioned above, production has started by the Anchor Tenant in Dahej PCPIR and IOCL in Paradeep PCPIRs in 2016. OPaL project involve a global scale 1.1 MMTPA multi-feed cracker, 340 KTA Polypropylene Plant, 2x360 KTA LLDPE/ HDPE Swing Plant and 340 KTA dedicated HDPE plant which have been commissioned and started functioning. The plant is in stabilization process and has reached 60% of the production capacity.*
>
> *OPaL, post successful commissioning, has started consistent supplies of polymers and chemicals due to which near-by chemical and polymer clusters have been benefited in terms of availability of various feedstocks and raw materials. OPaL is currently catering to many chemical majors like BASF, Ineos Styrolutions, GSFC, Jubiliant, Panoli Intermediates (India) Pvt Ltd, Apcotex Industries Ltd, Panama Petrochemicals, Philips Carbon Black (India) Pvt Ltd., Bhansali Engineering Polymer Pvt. Ltd., Mehta Petro Refineries Ltd. etc. for various chemical feedstocks like Benzene, Butadiene, CBFS and C9+.*
>
> *Deepak Phenolics is planning downstream investment in Phenol with requirements of Benzene and Propylene from OPaL. GSFC is currently in talk with OPaL for investments in MMA (Methyl Metha Acrylates) based on C4 Raffinate. Plastic Parks, promoted by All India Plastics Manufacturer Association (AIPMA), at Dahej is likely to attract more units with investments coming into polymer downstream processing and conversions. OPaL is currently serving Export Oriented Units like Radhedarshan Petropack, Yaksh Polypack etc.*
>
> *In addition, with the commissioning of BCPL and production of polymers, there may be further improvement in bringing down the outflow of foreign exchange."*

1.14 During evidence, while responding to the concerns about the annual outgo of a considerable amount of precious foreign exchange on account of import of chemicals. Dr. Samir Kumar Biswas, Joint Secretary, Department of chemicals and Petrochemicals while deposing before committee on the subject matter, stated inter-alia as under:-

> *"Regarding import of chemicals, I would say that demand for chemicals in the country is rising on a steady rate. But the investment which is required to meet that kind of demand is not really coming to that extent. There are various reasons for it.*
>
> *One is lack of feedstock. We have a lot of shortage of natural gas. One of the raw materials is Olefins. Then, there are various basic chemicals that are required. Like HOCL uses Benzene, which comes out of refinery after refining crude oil. So, the shortage of feedstock is one of the problems that the country is facing regarding investment in chemical industry.*

Second, the neighboring Asian countries like China, Korea, Singapore have invested to a great extent hugely in this industry. What has happened is the cost of production has drastically gone down there. Our country has entered into an FTA with many of these countries. We are getting a lot of imports from those countries and we are not able to compete them. That is the position as on today."

1.15 When asked about the role and responsibilities of the Department with regard to matters pertaining to all deregulated chemical substances under its jurisdiction and steps taken to ensure availability of these chemicals substances at reasonable prices, the Department of Chemicals and Petrochemicals (DC&PC) in a written note submitted as under:-

" The main role of the Department is facilitating promotion and development of the chemicals and petrochemicals for sustainable growth. The industrial chemical sector is delicensed and decontrolled. The entrepreneurs are setting up units based on techno economic feasibility, demand and supply scenario and cost of feedstock/ raw materials and selling in the free market. Earlier, the Department had a role to supply important chemicals through PSUs. when many chemicals were not available in the market. Now, over the years the role is more to facilitate growth of the sector. Production of chemicals have impact on Environment, Health & Safety aspects, but issue/ regulations of hazardous chemicals fall in the domain of MoEF&CC who are taking necessary steps in this regard.

The Department has no direct role in the pricing of products in the sector as they are determined by interplay of demand and supply prevailing in the market. However, to ensure availability at reasonable prices, this Department liaises with industry for facilitating resolution of various problems and issues faced by industry. "

1.16 In response to a query of the Committee whether there is an absence of any chemical law, the Secretary, Department of Chemicals and Petrochemicals during evidence submitted as under :-

"So far as law with regard to this chemical industry is concerned, I would say that right now it is a deregulated sector. I cannot say it off hand that whether we need a law or not because I need to study this aspect."

1.17 Responding to the need to justify the functioning and outcomes of market driven and deregulated chemical industry in the country and absence of budgetary allocations to address problems, the Department of Chemical and Petrochemicals stated a under:-

" After adoption of liberal industrial, trade & FDI policy post 1991, the growth of the chemical industry has been driven by market forces and the industry has gained recognition in the global economy and at present ranks seventh in the world and fourth in Asia. Government has extended budgetary support for setting up Plastic Parks and promotion of R&D through Centers of Excellence, under the ambit of National Petrochemical Policy, 2007. The R&D and innovation in the high technology and scientific areas is recognized through National Award scheme on Petrochemicals".

1.18 In regard to a specific query relating to mechanism adopted by the Department to assess the status chemicals industry in the country and mode of data collection and compilation followed by the Statistics & Monitoring Division of the Department, the Department of Chemicals and Petrochemicals *inter-alia* stated as under :

"To ascertain the status of Chemical and Petrochemical industries in the country, the Department of Chemicals and Petrochemicals (DCPC) collects and compiles monthly data on Production and Installed capacity from Large and Medium Scale units. The data in respect of Exports and Imports of Chemical and Petrochemical items is obtained from DGCIS (Kolkata) under the Ministry of Commerce and Industry.

Index of Industrial Production Statistics brought out by the Central Statistics Office(CSO), Ministry of Statistics and Programme Implementation also provide the status of Chemical and Petrochemical sector vis-à-vis other sectors of the economy."

1.19. The Department of Chemicals and Petrochemicals while detailing about the problems faced by chemical industry of the country, stated *inter-alia* in a reply *inter-alia* as under :

"Per capita consumption of chemicals and petrochemicals in India is low as compared to western countries and there is enormous scope for enhancement. Rise in GDP and purchasing power is generating huge growth potential for the domestic market.

However, the sector faces challenges hindering its growth. The sector is highly fragmented and, therefore, unable to reap the benefits of scale. Small units in our country have higher costs and face stiff global competition. Inadequate availability of feed stocks/ raw materials prevents entry of new players with capacities and expansion of existing capacities. Inadequate availability of finance; high power tariffs and erratic power supply make the industry uncompetitive. Dumping by low cost producing countries such as China; Non-Tariff Measures (NTM) imposed by various European countries for export of chemicals from India to meet the specific technical specifications/parameters related to human health and environment and negative public perception about plastics are among other challenges being faced by the sector."

1.20 Further responding to a query whether the Department of Chemicals and Petrochemicals ever conducted any study to find out the specific problems faced by the domestic chemical and petrochemical industry and the steps taken to address the same, the Department submitted reply inter-alia as under :

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

this sector. Department has taken up various matters such as rationalization of tax structure, safeguard duty issues with concerned authorities.

In order to cater to skilled manpower problems faced by the petrochemical industry the Department had undertaken human resource requirement study in association with the plastics industry for the sector. As per the study completed in 2015 around 10 lakh skilled manpower will be required till 2025 by the industry at different levels and for different type of jobs. CIPET is the major institution providing skill training for the sector. In order to meet the industry demand 16 new CIPET centres have been approved and 37 courses for different job roles in Petrochemical sector have been aligned with National Skill Qualification Framework (NSQF). 55000 persons (excluding courses less than 16 hours) were trained in line with Common Norms prescribed under National Policy on Skill Development in 2016-17. In order to enhance access to training activities for on job employees 'on line' training modules are being developed by CIPET.

CIPET is also providing Technology Support through various technical assignments and consultancy to Plastics and allied industries. Around 64,000 such job works were undertaken during 2016-17. Research and Development support for specific problems related to new materials and technologies is provided by the two R&D Laboratories at Bhubaneswar and Chennai. CIPET is also playing key role in development of standards for polymer products for the benefit of industry as well as public.

To explore the domestic availability of Naphtha Feedstock, the Department at commissioned a study on 'Pooling of Naphtha'. Based on findings of the study, IOCL, MoPN&G has been asked to come forward with a plan on Naphtha Pooling with other stakeholders for new cracker projects at the port.

A study on need for Standards for plastics products and recommend development of standards in the Indian context had been undertaken by Department. Based on the recommendations of the Committee a standards cell has been set up for Petrochemicals / Plastics at CIPET and a Standing Monitoring has been set up in the Ministry to review the work."

1.21 To a post evidence query regarding the need for a comprehensive chemical law in the country, to facilitate availability of basic chemicals at affordable prices, the Committee have been informed as under :

" Chemicals sector is delicensed and deregulated except for few highly hazardous chemicals. No permission is needed to set up new industrial undertakings or for affecting substantial expansion under the I(D&R) Act 1951. Only Industries Entrepreneur Memorandum (IEM) is required to be obtained from DIPP. However the undertakings are required to obtain clearances regarding Environment, Health & Safety under the relevant provisions of environment protection Act 1986 and also to adhere to the threshold for discharge liquid effluent and gases emissions are laid down under the Water Act 1974 and Air Act 1981 respectively. Further the issues regarding occupational health and safety of workers are covered under Factories Act, 1948. Under these Acts, the issues of Environment, Health and Safety of industrial undertakings are addressed.

The market for chemicals is very competitive, having large number of manufacturers in the small, medium & large scale sector as such it is not possible for any manufacture to exercise market power. As such, economic rationale for price controls in such a fragmented and competitive market is not clear. This department has not received any complaints regarding collusion, *price manipulation or hoarding of chemicals which would have distorted the prices and on these grounds also, there appears to be no case for price regulation.*

Prices of chemicals depend upon demand and supply scenario, marketing mechanism of individual companies, scale of operation of plant capacity, type of technology used, global competitiveness and prevailing cost of feedstock etc. "

CHAPTER – II

EXAMINATION OF DEMAND NO.6 - DEMANDS FOR GRANTS PERTAINING TO DEPARTMENT OF CHEMICALS AND PETROCHEMICALS FOR 2018-19

The Budget Estimates of the Union Govt. in respect of Demand No.6 pertaining to the Department of Chemicals and Petrochemicals for the year 2018-19 are as under :-

(Rs. in crores)

	Actual 2016-17			Budget 2017-18			Revised 2017-18			Budget 2018-19		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
Gross	**142.16**	**24.61**	**166.77**	**273.39**	**24.61**	**298.00**	**249.84**	**384.87**	**634.71**	**199.65**	**--**	**199.65**
Recoveries	--	--	--	--	--	--	--	--	--	--	--	--
Receipts	--	--	--	--	--	--	--	--	--	--	--	--
Net	**142.16**	**24.61**	**166.77**	**273.39**	**24.61**	**298.00**	**249.84**	**384.87**	**634.71**	**199.65**	**--**	**199.65**
A. The Budget allocations, net of recoveries are given below												
Establishment Expenditure of the Centre												
1. Secretariat	**17.07**	**--**	**17.07**	**20.41**	**--**	**20.41**	**20.00**	**--**	**20.00**	**21.68**	**--**	**21.68**
Central Sector Schemes/Projects												
2. Assam Gas Cracker Project	**--**	**--**	**--**	**100.01**	**--**	**100.01**	**100.01**	**--**	**100.01**	**0.01**	**--**	**0.01**
3. Chemical Promotion & Development Scheme	**1.27**	**--**	**1.27**	**1.99**	**--**	**1.99**	**2.00**	**--**	**2.00**	**3.00**	**--**	**3.00**
4. Promotion of Petrochemicals	**33.84**	**--**	**33.84**	**48.00**	**--**	**48.00**	**26.51**	**--**	**26.51**	**55.50**	**--**	**55.50**
Total-Central Sector Schemes/Projects	**35.11**	**--**	**35.11**	**150.00**	**--**	**150.00**	**128.52**	**--**	**128.52**	**58.51**	**--**	**58.51**
Other Central Sector Expenditure												
5. Assistance related to Bhopal Gas Leak Disaster	**23.42**	**--**	**23.42**	**25.74**	**--**	**25.74**	**25.74**	**--**	**25.74**	**28.32**	**--**	**28.32**
6. Central Institute of Plastic Engineering and Technology (CIPET)	**57.67**	**--**	**57.67**	**68.08**	**--**	**68.08**	**68.08**	**--**	**68.08**	**83.64**	**--**	**83.64**
7. Institute of Pesticides Formulation Technology (IPFT)	**8.89**	**--**	**8.89**	**9.16**	**--**	**9.16**	**7.50**	**--**	**7.50**	**7.50**	**--**	**7.50**
8. Hindustan Organic Chemicals Ltd. (HOCL)	**--**	**24.61**	**24.61**	**--**	**24.61**	**24.61**	**--**	**384.87**	**384.87**	**--**	**--**	**--**
Total-Other Central Sector Expenditure	**89.98**	**24.61**	**114.59**	**102.98**	**24.61**	**127.59**	**101.32**	**384.87**	**486.19**	**119.46**	**--**	**119.46**
Grand Total	**142.16**	**24.61**	**166.77**	**273.39**	**24.61**	**298.00**	**249.84**	**384.87**	**634.71**	**199.65**	**--**	**199.65**
B. Developmental Heads												
Economic Services												
1. Industries	**125.09**	**--**	**125.09**	**223.18**	**--**	**223.18**	**202.44**	**--**	**202.44**	**158.07**	**--**	**158.07**
2. Secretariat Economics Services	**17.07**	**--**	**17.07**	**20.41**	**--**	**20.41**	**20.00**	**--**	**20.00**	**21.68**	**--**	**21.68**
3. Loans for Chemicals & Pharmaceutical Industries	**--**	**24.61**	**24.61**	**--**	**24.61**	**24.61**	**--**	**384.87**	**384.87**	**--**	**--**	**--**
Total Economic Services	**142.16**	**24.61**	**166.77**	**243.59**	**24.61**	**268.20**	**222.44**	**384.87**	**607.31**	**179.75**	**--**	**179.75**
Others												
4. North Eastern Areas	**--**	**--**	**--**	**29.80**	**--**	**29.80**	**27.40**	**--**	**27.40**	**19.90**	**--**	**19.90**
Grand Total	**142.16**	**24.61**	**166.77**	**273.39**	**24.61**	**298.00**	**249.84**	**384.87**	**634.71**	**199.65**	**--**	**199.65**
C. Investment in Public Enterprises												
1. Hindustan Organic Chemicals Ltd. (HOCL)	**24.61**	**--**	**24.61**	**24.61**	**--**	**24.61**	**384.87**	**--**	**384.87**	**--**	**--**	**--**

P-7 of Demands for Grants 2018-19)

2.2 An amount of Rs.199.65/- crore has been allocated in Revenue Section as Budget Estimates in respect of the Department of Chemicals and Petrochemicals for the year 2018-19. This BE of Rs.199.65/- crore for 2018-19 is higher than the actual expenditure of Rs.166.77/- crore in 2016-17. However, the budgetary provision for 2018-19 is very less as compared to 2017-18 wherein the BE was Rs.298 crore and RE was Rs.634.71 crore.

2.3 When asked to explain the reasons for the steep decline in BE 2018-19 than that of RE 2017-18, the Committee were informed as under:- " *Based on the pace of expenditure in 2016-17, the RE ceilings of the Department were fix at Rs.183.00 crore against the BE 2016-17 allocation of Rs.202.04 crore. Observing the trend of expenditure by the Department, Ministry of Finance initially fix the BE 2017-18 allocations at Rs.198.00 crore, subsequently an amount of Rs.100.00 crore was given for the AGCP scheme. This increased the BE 2017-18 allocation to Rs.298.00 crore. Further, during the year an amount of Rs.360.26 crore was given as cash supplementary to this Department for implementation of the restructuring plan of HOCL (as approved by the Cabinet in May, 2017). Thus the total grant of the Department stood at Rs.658.27 crore. During the RE – BE discussion with Ministry of Finance in November, 2017, the RE ceilings were fixed at Rs.634.71 crore. However, for 2018-19, the Ministry of Finance had allocated an amount of Rs.199.65 crore, which is less than the MTEF and includes only token provision of Rs.1.00 lakh for AGCP."*

2.4 The Committee wished to know reasons for non-allocation of funds under Capital Section under MH-4857, 6856 & 6857 taking into account the fact that restructuring exercise of HOCL, HFL is under-progress and the Assam Gas Cracker Project (AGCP) is yet to attain stabilization of its operation. The Committee had also sought details regarding outstanding balance amount of Capital Subsidy due for AGCP. In this regard, the written reply furnished by the Department of Chemicals and Petrochemicals is reproduced below :

> " *The funds required for restructuring of HOCL were received in 2017-18 to the tune of Rs.360.26 crore as cash supplementary. In HFL the parent company i.e. HOCL is to offload it's stake as per the strategic disinvestment. Hence no funds have been provided to HOCL & HFL in 2018-19.*
>
> *M/o Finance allocated only Rs.100 crore for 2017-18 which was released in May-June, 2017. Balance Rs. 449.45 crore has been sought in the Supplementary Demands for Grants for 2017-18 and also in RE 2017-18. However the same were not allocated. "*

2.5 When asked to furnish details regarding requirement of supplementary grants visualized during 2018-19 taking account the past experiences in the year 2017-18 and to furnish details thereof, the Committee were informed that - *" Since the required funds for AGCP (Rs.449.45 crore) have not been allocated, in BE 2018-19 the Department may have to seek supplementary Grants for the same."*

2.6 In response to a query relating to requirement of funds projected by the Department of Chemicals and Petrochemicals for 2018-19, it has inter-alia been stated that against a proposed total outlay of Rs. 480.73 Crores during 2018-19, the Ministry of Finance allocated only an amount of Rs. 199.65 Crores. This was further allocated scheme wise by the Department, as follows:-

Sr. No.	**Name of the Scheme**	**Proposed BE 2018-19**	**Approved 2018-19**
I	**Central Sector Schemes**		
1.1	**Assam Gas Cracker Project (AGCP)**	***0.00**	**0.01**
1.2	**Other New Schemes of Petrochemicals**	**68.42**	**54.50**
1.3	**Chemical Promotion & Development Scheme (CPDS)**	**5.40**	**3.00**
	Total	**73.82**	**57.51**
II	**Other Central Expenditure (Sectt/BGLD/ABs/PSUs)**		
2.1	**Secretariat/Economic Services**	**21.52**	**21.68**
2.2	**Central Institute of Plastic Engineering & Technology (CIPET)**	**156.47**	**83.64**
2.3	**Institute of Pesticides Formulation Technology (IPFT)**	**10.23**	**7.50**
2.4	**Hindustan Organic Chemicals Ltd.(HOCL)**	**0.00**	**0.00**
2.5	**Hindustan Insecticides Ltd. (HIL)**	**0.00**	**0.00**
2.6	**Hindustan Fluorocarbons Ltd (HFL)**	**0.00**	**0.00**
2.7	**Bhopal Gas Leak Disaster (BGLD)**	**26.05**	**28.32**
	Total	**214.27**	**142.14**
	Grand Total	**288.09**	**199.65**

***** The balance amount of capital subsidy of Rs. 449.45 crore were sought in the RE of 2017-18 and hence, not proposed in BE 2018-19.

2.7 On being asked to furnish comments on adequacy of budgetary support for 2018-19 against requirement of funds projected to the Ministry of Finance and also to state how the proposed BE of Rs.199.65 for 2018-19 would affect the functioning of the Department, the Committee were replied as under :

" The reduction in the allocation to the Department during 2018-19 at BE stage vis-à-vis the allocation proposed will have a bearing on the implementation of schemes such as the Plastic Park scheme and CIPET largely as the reduced allocation would affect setting up of additional Plastic Parks in the country as also setting up of new CIPET Centres. Further as per the approved RCE for BCPL, Govt. of India is expected to provide Rs.449.45 crore to BCPL in BE 2018-19. If it does not provide for meeting this liability, It may adversely impact financial health of BCPL."

2.8 In response to query seeking reasons for reduction in budgetary provisions for the Department of Chemicals and Petrochemicals in 2018-19 as against projected requirement of funds by the Department, it was *inter-alia* informed that Government has closed the window of investment in CPSEs since 03.02.2016 and accordingly no GBS is earmarked to the CPSEs in 2017-18. Against this backdrop, the Department was asked to state the avenues available for CPSEs needing capital requirements for their restructuring / expansion / new investment etc. In this regard, it has been replied as under :

" For meeting their capital requirements for restructuring / expansion / new investment etc., the profit making CPSEs can utilize their retained profit and surplus / reserves. Also, the CPSEs can raise debt from the markets or banks. In addition, internationals agencies provide financial assistances to CPSEs for their projects / schemes. For example, United Nations Industrial Development Organisation (UNIDO) has assured to provide grant to HIL for the company's Long Lasting Insecticidal Nets (LLIN) project under the UNIDO scheme of 'Development of non-POP alternatives to DDT'. "

2.9 The Committee took evidence of the Department of Chemicals and Petrochemicals on 22 February, 2018 on Demands For Grants of the Department for 2018-19. During evidence, the Committee expressed their concern over reduction of budgetary allocation for 2018-19 and under-utilization of budgetary resources during 2015-16, 2016-17 and in the current financial year. Responding to the points, Secretary, Department of Chemicals and Petrochemicals stated as under :

"Sir, our Budget allocation has been fluctuating from year to year depending on the yearly need. If there was something to be paid to BPCL or something was to be paid to HOCL, then that year the Budget became very high, Rs.1,000 crore. But actually, our annual expenditure is to the tune of Rs.150 crore for our schemes. If you take aside the PSUs, the money which we give as a grant to PSUs for meeting their requirements or loan which depends on from time to time our Assam Gas Cracker Plant, then for our own schemes like CIPET, for Centre of Excellence, for Plastic Parks, those kind of core schemes of the Department, our allocation has been to the tune of Rs.150 crore to Rs.200 crore. We are more or less getting it within that range and in that our expenditure has been between 88 to 90 per In 2015-16, it was less. The Budget Estimate was Rs.188 and the Revised Estimate was reduced to Rs.141 whereas our expenditure was Rs.121 crore. That 2015-16 is an anomaly. Otherwise, we have been spending between 88 to 90 per cent.

We needed to reorganize our scheme so that we could spend it properly. I think we have done it. We have reorganized the scheme and put all the four items in two schemes under the umbrella scheme. It is because of this fluctuation of the requirement of PSUs and other bodies that our expenditure has gone up and down over the last years. This is the macro picture. For micro picture, I would request Ms. Meenakshi Gupta to detail."

2.10 Supplementing the discussion on budgetary allocations for 2018-19 during evidence, the Financial Adviser, Department of Chemicals and Petrochemicals stated as under :

" Sir, in 2015-16, our performance did not appear good because originally we had planned for Rs.58 crore for Plastic Parks but depending on the progress only Rs.9 crore was released for it. So, our major saving of Rs.50 crore came out of it So far as Assam Gas Cracker Project is concerned, we got Rs.100 crore in the current Financial Year. We have made that payment to them. Similar is the case of HOCL. So, in 2017-18, our budget is looking very heavy as compared to the previous year but because of these two unusual features – Assam Gas Cracker Project and the Subsidy to the HOCL.

For our core schemes, that is, CIPET, IPFT and Plastic Parks and CPDS, we continue in the same range. In respect of Plastic Parks, our performance varies. If the Plastic Park SPVs are not doing well, then we are constraint and we cannot release the funds. But originally we thought that they should be doing well and we planned for that. In the current year, we planned for Rs.48 crore. But based on the performance we find that we will not be able to release that money to Plastic Parks.."

2.11 The Department of Chemicals and Petrochemicals when asked to justify the functioning and outcomes of market driven and deregulated chemical industry in the country and absence of budgetary allocations to address problems, if any, faced by the chemical industries of the country, submitted in a note as under :

" After adoption of liberal industrial, trade & FDI policy post 1991, the growth of the chemical industry has been driven by market forces and the industry has gained recognition in the global economy and at present ranks seventh in the

world and fourth in Asia. Government has extended budgetary support for setting up Plastic Parks and promotion of R&D through Centers of Excellence, under the ambit of National Petrochemical Policy, 2007. The R&D and innovation in the high technology and scientific areas is recognized through National Award scheme on Petrochemicals."

2.12 To a query seeking details of non-lapsable components of budget provisions, the Committee were informed that - *" The Department of Chemicals and Petrochemicals has been compulsorily mandated to allocate 10% of the Budget for the North Eastern Region (NER). Accordingly the Department operates the NER Major Head (code head 2552). During 2017-18 the allocation is expected to be utilized in full."*

CHAPTER - III

APPRAISAL ON SCHEMES AND PROGRAMMES AND PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS / AUTONOMOUS BODIES

A. SCHEMES AND PROGRAMMES

Department of Chemicals and Petrochemicals is implementing three Central Sector Schemes viz **Assam Gas Cracker Project, (AGCP)**, **New Schemes of Petrochemicals** (Plastic Parks Scheme & Scheme of Centre of Excellence) and **Chemical Promotion & Development Schemes (CPDS)**. In addition, the Department is also implementing other schemes for funding its Secretariat expenses, Central Institute of Plastic Engineering & Technology (CIPET) which is engaged in Academic, Technology Support, Research and Skill development activities, Institute of Pesticides Formulation Technology (IPFT) and Bhopal Gas Leak Disaster (BGLD).

3.2 The schemes/Programmes of the Department of Chemicals and Petrochemicals along with the break-up of BE of Rs.199.65/- crore are as given below:-

Sl No.	Schemes / Programmes	Budget Estimates (Rs. In Crore)
1.	**Central Sector Schemes** (i) Assam Gas Cracker Project (ii) New Schemes of Petrochemicals (iii) Chemical Promotion and Development Scheme	58.51
2.	**Other Central Sector Expenditure** (i) Central Institute of Plastic Engineering and Technology (CIPET) (ii) Institute of Pesticides Formulation Technology (iii) Bhopal Gas Leak Disaster	119.46
3.	**Establishment Expenditure of Secretariat**	21.68
	Total	**199.65**

1. Central Sector Schemes

(i) Assam Gas Cracker Project

3.3 The Assam Gas Cracker Project (AGCP) initiated in pursuance of the Memorandum of Settlement signed between Central Government, All Assam Students Union (AASU) and All Assam Gana Sangram Parishad (AAGP) on 15th August 1985 has the objective of overall socio-economic development of the North East Region. A Joint Venture Company namely 'Brahmaputra Cracker and Polymer Limited (BCPL)' was incorporated and registered for implementation of the project on 8th January, 2007. Hon'ble Prime Minister of India laid the foundation stone of the project at Lepetkata, Dibrugarh, Assam on 9.4.2007. The Cabinet Committee on Economic Affairs (CCEA), in its meeting held on 18th April, 2006, approved the setting up of the Assam

Gas Cracker Project (AGCP) at a project cost of Rs. 5460.61 crore. Under an equity arrangement, GAIL (India) Ltd. Is the main promoter with following shareholding i.e. GAIL: 70%, OIL: 10%, NRL: 10% and Assam Industrial Development Corporation (Government of Assam): 10%. It was decided that the feedstock for the project will be Natural Gas and Naphtha to be supplied, as per agreement, by Oil and Natural Gas Commission (ONGC) and Numaligarh Refinery Limited (NRL) respectively. The project would produce 2.20 lakh tones per annum (TPA) of High Density Polyethylene (HDPE)/Linear Low Density Polyethylene and 60,000 TPA Polypropylene (PP).

3.4 Due to time and cost overruns the Revised Cost Estimate (RCE-I) of Rs.8920 crore (on "as built basis") was approved by the Cabinet Committee on Economic Affairs (CCEA) on 16th November, 2011 with revised funding pattern consisting of Capital Subsidy of Rs. 4690 crore, Debt Rs.2961 crore and Equity Rs. 1269 crore to be completed by July, 2013 and commissioned by December, 2013. The total funds released as Capital Subsidy to BCPL upto 2013-14 were Rs.4690.00 crore.

3.5 However due to time overrun, foreign exchange fluctuations, price escalation, increase in statutory levies, BCPL proposed project cost Rs.9965 crore against the approved cost of Rs.8,920 crore (RCE-I), based on overall commissioning by December, 2015. The Project was finally commissioned on 2nd January, 2016 and was dedicated to the nation by the Hon'ble Prime Minister, Shri Narendra Modi on 5th February, 2016.

3.6 The estimated increase of Rs. 1045 crore was proposed to be funded by capital subsidy of Rs. 549.45 crore, equity of Rs. 148.67 crore and debt of Rs. 346.88 crore. A draft PIB note containing the proposal of Revised Cost Estimate-II (RCE-II) was circulated to the concerned Ministries/Departments for their comments. The Ministry of Finance (Department of Expenditure) conveyed its comments vide OM dated 28.03.2016 stating therein that as the increase in cost estimate is within the limit of 20% and absolute increase is more than Rs. 100 crore, therefore the approval forum is Minister in charge of the Administrative Ministry and there is no need of approval by PIB. The Project Appraisal and Management Division, NITI Aayog also made a detailed appraisal of the project and endorsed the above view of Deptt. of Expenditure on the steps to be taken for further necessary action, i.e. appraisal of the project by FA and approval by the Minister-in-charge of the Administrative Ministry. As per comments of Ministry of Finance and NITI Aayog, the SS&FA, DCPC appraised the proposal. The Revised Cost Estimate (RCE-II) was approved by the Hon'ble Minister (C & F) in July 2016. Based on the approvals, Ministry of Finance was approached for allocation of Rs.549.45 crore as capital subsidy. Out of which, there has been an allocation of Rs.100 crore so far.

3.7 Detailing the reasons for allocation of only 0.01 crore in BE-2018-19 as compared to Rs.100/- crore during RE-2017-18. the Department of Chemicals and Petrochemicals informed the Committee as under :

"the balance amount of capital subsidy of Rs 449.45 crore was projected in RE 2017-18 indicating therein that in case it was not accepted then the same may be provided in BE 2018-19, anticipating receipt of the same it was not repeated in BE 2018-19.. However, the said amount was neither allocated in RE 2017-18 nor in BE 2018-19. In view of the above situation the Department had made a token allocation at BE stage as an indication to enable seeking supplementary grants at a later stage".

3.8 The Department further submitted :

"Assam Gas Cracker Project (AGCP) has been commissioned by Brahmaputra Cracker & Polymer Limited (BCPL), Assam on 2nd January, 2016 and dedicated to the nation by the Hon'ble Prime Minister on 5th February, 2016. Rs.549.45 crore was sought during 2016-17 for Capital Subsidy for the Assam Gas Cracker Project. However, M/o Finance allocated only Rs.100 crore in BE 2017-18 which was released in May-June, 2017. Balance Rs.449.45 crore has been sought in the Supplementary Demands for Grants for 2017-18.

Efforts will be continued to seek funds from the Ministry of Finance."

3.9 Responding to profitability of AGCP since commencement of operations by BCPL, the Committee were informed as under :

"The plant was commissioned on 02.01.2016 and intermittent production commenced thereafter. Soon after stabilization, the plant suffered from issues like inadequate supply of natural gas both in terms of quantity and quality by M/s OIL and inadequate supply of naphtha by M/s NRL, which are beyond its control.

Various alternative measures viz arrangement of naphtha from M/s HPCL, arrangement of Butene-1 from various sources, arrangement of propylene from other source etc. have been taken by BCPL for ensuring sustained operation of the plant. As a result, the capacity utilization has remarkably improved since February, 2017 and the company has been able to book cash profits. In the current financial year, the plant is operating with average capacity utilization of around 75% and in the month of August, the plant achieved 100% capacity utilization.

The year wise profitability of BCPL is given below:

	*2015-16**	*2016-17*	*2017-18 (up to Jan'18)*
Capacity Utilization (%)	*5%*	*37%*	*75%*
Cash Profit (Rs Cr)	*-227*	*-455*	*52*
Net Profit (Rs. Cr)	*-270*	*-547*	*-63*

**the plant operated for only 3 months in 2015-16.*
In view of accumulated losses, there is no dividend interest."

(ii) New Scheme of Petrochemicals

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

(a) Setting up of Plastic Parks

(b) Setting up of Centres of Excellence of Polymer Technology

(c) National Awards for Technology Innovation in Petrochemical and downstream Plastic Processing Industry

(a) Plastic Parks

3.11 The scheme aims at setting up of need based plastic parks, an ecosystem with state-of-the-art infrastructure and enabling common facilities through cluster development approach, to consolidate and synergize the capacities of the domestic downstream Plastic Processing Industry. The larger objective of the scheme is to contribute to the economy by increasing investment, production, export in the sector and also generation of employment.

3.12 Under the scheme, Government of India provides grant funding up to 50% of the project cost, subject to a ceiling of Rs. 40 crore per project. The remaining project cost is funded by the State Government or State Industrial Development Corporation or similar agencies of State Government, beneficiary industries and loan from financial institutions.

3.13 Plastic Parks in States of Madhya Pradesh, Odisha, Assam & Tamil Nadu are being set up under the Scheme of Plastic Parks. During the year under report till October 2017 the Department has released remaining part of the 1stinstallment of Rs.4.11 crore of Grant in Aid to Tamil Nadu Plastic Park bringing the total 1st instalment grants released to the Park to Rs 8 crore. Further, a sum of Rs 6.69 crore has been released as a part of 3rd instalment for Madhya Pradesh Plastic Park Development Corporation Ltd., (MPPPDCL), for setting up of a plastic park at Tamot village, Gohargunj Tehsil, Raisen District, Madhya Pradesh.

3.14 As per the Output-Outcome-Framework for Schemes for 2018-19 pertaining to Demand No.6, Department of Chemicals and Petrochemicals, an amount of Rs.49.50/- crore has been allocated as budgetary provision for 2018-19 for the scheme for setting up of dedicated Plastic Parks.

3.15 When asked to furnish progress in setting up the four plastic and other 14 Plastic Parks subsequently approved by the Department and about the budgetary provisions made for the same ;in 2018-19, the reply furnished by the Department of Chemicals and Petrochemicals is as under :-

"The status of actual progress achieved and the details regarding the amount of funds released, etc. are given below:-

Sl. No.	Name of the Park (Year of approval)	Total amount approved	Total amount released	Physical Progress	BE 2018-19 (Rs. In Crore)
1	Bhopal, Madhya Pradesh		32.00	60%,	4.88
2	Jagatsinghpur, Odisha		19.88	40%	16.12
3	Tinsukia, Assam		22.00	35%	14.00
4	Thiruvallur, Tamil Nadu		8.00	yet to begin	14.00 (part payment)

In view of physical progress of the projects, allocation under BE 2018-19 appears to be adequate."

3.16 Detailed project reports have been received from 5 of the above approved projects except for West Bengal. A preliminary examination of the DPRs has been done by the Department in the absence of a Programme Manager and letters of deficiencies have been issued to the concerned State Governments.
No budgetary provisions have been made so far for the additional 14 Plastic Parks.

3.17 The Department of Chemicals and Petrochemicals while explaining reasons for slow pace of implementation of the scheme during the last two years and about the steps taken to ensure full utilization of the Scheme during 2018-19, in a written note submitted as under :

"The slow implementation is owing to a number of reasons ranging from problems in land acquisitions, adverse weather conditions in the north-east impeding construction, insufficient interest shown by enterprises to set up industries in the Parks in all the three Plastic Parks of Assam, Odisha, and Madhya Pradesh.

In the case of Assam Plastic Park, a meeting was convened with the SPV and consultant on 27/2/2017 and concerned officials were requested to expedite the implementation process. Again, in the Scheme Steering Committee Meeting held on 29th August 2017 the state representatives and Special Purpose Vehicles representatives were enjoined to speed up implementation and it was emphasised that there was need to bring down the expenditure on various components of the Plastic Parks to ensure that costs of Plots to entrepreneur is low, need to undertake aggressive marketing amongst local industry especially those Plastic Parks which were in advanced stage such as MP and Odisha and take help of CIPET for the purpose.

The Department is following the matter very closely with the SPVs of the Plastic Parks – Govt. of Assam and MD, AIDC for Assam Plastic Park regarding the poor implementation pace and the need for speeding up the work; individual meetings have also been held with SPVs of MP and Odisha to discuss measures required on the part of the state govts. to incentivise entrepreneurs to attract them to invest in the plastic parks."

3.18 The Department further submitted that - " *In the Scheme for setting up Plastic Parks, considering the fact that the Plastic Parks are State Govt. driven, on realistic assessment, physical establishment of one Plastic Park in 2018-19 has been targeted*. "

(b) Centres of Excellence(CoE) of Polymer Technology

3.19 As per the Output-Outcome-Framework for Schemes for 2018-19 pertaining to Demand No.6, Department of Chemicals and Petrochemicals, an amount of Rs.6/- crore has been allocated as budgetary provision for 2018-19 for the scheme for setting up Centres of Excellence.

3.20 The scheme aims at improving the existing petrochemicals technology and research in the country and to promote development of new applications in polymers and plastics. The Department has set up five Centres of Excellence (CoE) within the premises of reputed educational/research institutes:-

(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 CoE at Pune and CoE at CIPET, Chennai were approved during the 11th Five Year Plan and the remaining three CoEs were approved during the 12th Five Year Plan.

3.21 Government of India provides financial support to the extent of maximum of 50% of total cost of the project subject to an upper limit of Rs. 6 crore over a period of three years. The GoI grant of Rs. 6 crore has been released to the CoEs at Pune, Chennai and Bhubaneswar. An outlay of Rs. 2 crore has been provided for the scheme in the year 2016-17. The 3rdinstallment and final instalment of Rs. 2 crore has been sanctioned and released to IIT, Delhi in October, 2016. Thus the processes of funding of CoEs proposed in 11th and 12th Plan have been completed and the scheme is now extended up to 2020.

3.22 To a query regarding target set in terms of percentage for improving pace of implementation of the scheme, the Committee were informed that - *"In the Scheme for CoE, it is proposed to select the 3 CoEs and complete at least 50% work for setting up them by 31.03.2020 " and that - " Rs.2/- crore per Centre has been earmarked for each of the three proposed CoEs."*

(iii) <u>Chemical Promotion and Development Scheme (CPDS)</u>

3.23 The objective of Chemicals Promotion and Development Scheme (CPDS) is to facilitate growth and development of Chemicals and Petrochemicals Industry by creation of knowledge products through studies, survey, data banks, promotional materials etc. and dissemination of knowledge through conduct of seminars, conferences, exhibitions etc. to facilitate development of these sectors. The scheme also aims to incentivize research and innovation by awarding outstanding efforts in the field of chemicals and petrochemicals.

3.24 When asked to state the projected allocations sought by the Department for the implementation of Chemical Promotion and Development Scheme during 2018-19, the Department of Chemicals and Petrochemicals in a written note submitted as under :

> *"a sum of Rs.3 crore has been projected by the Department for the year 2018-19 for implementation of the Chemicals Promotion and Development Scheme."*

3.25 To a specific query of the Committee seeking reasons for poor implementation of CPDS and under-utilization of funds for the Scheme during the last three years and the steps taken to ensure optimal utilization of funds for CPDS during 2018-19, the Committee were replied as under :

> *"The fund utilized and number of activities conducted under CPDS for the last three years and the current FY 2017-18 is as under:*

(Rs. in crore)

Sl. No	FY	BE	RE	Actuals	No. of programmes conducted
1	2014-15	4.30	4.00	3.53	48
2	2015-16	1.90	3.90	2.79	51

3	2016-17	5.00	1.99	1.26	14
4	2017-18	1.99	2.00	0.83 (upto Feb, 2018)	07

The implementation of CPDS was affected due to various factors such as: the proposals received from industry associations, institutions, etc. were not in consonance with the objectives of the CPDS, the theme and topics of the proposals were repetitive in nature, the proposals were not comprehensive about the latest developments in products and services in chemical and petrochemical sector, the proposals were not addressing the critical issues affecting Indian chemical and petrochemical sector, etc. Therefore, the proposals were not approved and the funds were not fully utilized.

With increasing global trade in chemicals and petrochemical sectors, the greater need for interaction across the world market of various products, to encourage investment in the country in these sectors and to facilitate growth and development of Indian chemicals and petrochemicals industry, the Department has revised the CPDS guidelines in November, 2017. The revised guidelines are intended to bring forth more objective-oriented proposals. "

3.26 Regarding reasons for poor / lower achievements under the scheme for the last three years and about the specific steps taken to ensure full utilization of funds during 2018-19, the Committee were replied as under :

"The targets and achievements under the scheme have been low for the last three years due to various factors such as the proposals received from Industry Associations, institutions, etc. were not in consonance with the objectives of the CPDS, the theme and topics of the proposals were repetitive in nature, the proposals were not comprehensive about the latest developments in products and services in chemical and petrochemical sector, the proposals were not addressing the critical issues affecting Indian chemical and petrochemical sector, etc. Therefore, proposals were not approved and the funds were not fully utilized.

As per the revised CPDS guidelines, a notice has been placed on the website of the Department inviting the proposals from autonomous bodies/PSUs under the Department of Chemicals and Petrochemicals as well as from Industry associations for preparation of calendar events for 2018-19. On receipt of proposals, a meeting will be organized with stakeholders to finalize the events for organization for 2018-19."

3.27 To a specific query about the share of PSUs / autonomous-bodies of DC&PC in the implementation of the CPDS during the last three years, the Committee were given the following details :

"The share of PSUs/Autonomous bodies of the Department of C&PC in the implementation of CPDS during the last three years:

Financial Year	*% of the allocation of fund under RE*
2014-15	*29%*
2015-16	*58.68%*
2016-17	*48.96%*

No restriction is imposed on PSUs/Autonomous bodies of the Department of C&PC in the implementation of the CPDS scheme. They are at par with other Industry Associations as far as implementation of the scheme is concerned."

2. OTHER CENTRAL SECTOR EXPENDITURE

(i) Central Institute of Plastics Engineering & Technology (CIPET)

3.28 CIPET is an ISO 9001:2008 QMS, NABL, ISO/IEC 17020 accredited premier National Institution under the administrative control of Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India. The institute was set up in 1968 at Chennai and completing 50 years' of its successful journey in 2018. Its main activities involve Skill Development, Technology Support, Academics & Research (STAR) for the growth of polymer & allied industries in the country. CIPET has 30 functional centres spread across the country which include 5 High Learning Centres (HLCs) at Ahmedabad, Bhubaneswar, Chennai, Kochi and Lucknow, 18 Diploma Centres / Vocational Training Centres (VTCs) at Amritsar, Aurangabad, Bhopal, Guwahati, Hajipur, Haldia, Hyderabad, Imphal, Jaipur, Murthal, Mysore, Raipur, Bhubaneswar, Baddi, Vijayawada, Gwalior, Chandrapur and Valsad, 3 specialized centres at Advanced Tooling & Plastics Product Development Centre (ATPDC) at Madurai, Advanced Plastics Processing Technology Centre (APPTC) at Balasore and Plastics Waste Management Centre (PWMC) at Guwahati, 3 R&D wings at Advanced Research School for Technology & Product Simulation (ARSTPS), Chennai, Advanced Polymer Design & Development Research Laboratory (APDDRL), Bengaluru and Laboratory for Advanced Research in Polymeric Materials (LARPM), Bhubaneswar and 1 Polymer Data Service Centre (PDS).

3.29 Apart from the above, 9 Centres of CIPET are in process of setting up at Medak (Telangana), Jaipur (Rajasthan), Srinagar (Jammu & Kashmir), Ranchi (Jharkhand), Dehradun (Uttarkhand), Bihar, Varanasi (Uttar Pradesh), Agartala (Tripura) and Mumbai (Maharashtra).

3.30 An amount of Rs.83.64/- crore has been allocated as budgetary provision for 2018-19 for financial assistance to all centres of Central Institute of Plastic Engineering and Technology (CIPET) as against RE of Rs,68.08/- crore in 2017-18. The Committee also note that the projected requirement of funds for 2018-19 for CIPET Centres was Rs.156.47/- crore.

3.31 On being asked to comment on adequacy of budgetary support to CIPET centres for 2018-19 especially in the light of fact that all CIPET centres has general grievance that they need more land space for their efficient functioning, the Committee were apprised by the Department as under :

"The budgetary support of Rs. 83.64 crore to CIPET in 2018-19 is inadequate considering the commitments of implementation of CIPET Scheme "Enhancing the capabilities in Academic Activities (Skill Development) at CIPET Centres" including setting up of new centres and "Scheme for "Enhancing the capabilities in R&D and Technology Support at CIPET". Against the approved outlay of Rs. 496.42 crore, as approved by EFC and Ministry of Finance, for three years i.e. 2016-17 to 2018-19, the actual allocation has been only Rs. 209.39 crore only.

The new centres are set up on 50:50 cost sharing basis between Government of India and State Government. Required land is provided by the State Government free of cost. For 2018-19 an amount of Rs.83.64 crores only has been approved for CIPET schemes against the proposal of Rs.156.47 crores. As a result of this the timeline for implementation of the schemes has to be extended. The matter for additional allocation has also been taken up many times with the Ministry of Finance.

3.32 The statement showing Financial Strength in terms of revenue and expenditure during 2016-17 of all Functional CIPET Centre, as furnished to the Committee is given below :

Rs. in Crore

S.No.	Centre	Revenue Generated	Expenditure (including depreciation)	Net Surplus / deficit
1	Ahmedabad	17.40	17.85	(0.45)
2	Amritsar	6.32	6.69	(0.37)
3	ARSTPS, Chennai	4.31	4.44	(0.14)
4	ATPDC- Madurai	4.27	5.06	(0.79)
5	Aurangabad	12.30	10.76	1.54
6	Balasore	5.80	5.12	0.68
7	Bengaluru	0.01	1.56	(1.54)
8	BBSR campus-II	9.35	8.93	0.42
9	Bhopal	16.49	13.62	2.87
10	Bhubaneswar	11.64	13.42	(1.78)
11	CBPST - Kochi	5.82	5.46	0.36
12	Chandrapur	0.79	0.69	0.10
13	Chennai	14.40	22.84	(8.44)
14	Guwahati	6.29	6.88	(0.60)
15	Hajipur	15.91	11.73	4.18
16	Haldia	15.00	12.56	2.44
17	PDS	7.48	2.49	4.99
18	Hyderabad	12.12	9.02	3.10
19	Imphal	4.33	4.83	(0.50)
20	Jaipur	14.66	12.49	2.16

S.No.	Centre	Revenue Generated	Expenditure (including depreciation)	Net Surplus / deficit
21	Larpm BBSR	6.66	6.13	0.53
22	Lucknow	14.40	15.85	(1.45)
23	Murthal	16.01	12.28	3.73
24	Mysore	5.31	7.21	(1.90)
25	PWMC - Guwahati	2.49	2.82	(0.33)
26	Raipur	11.50	8.56	2.94
27	VTC-Baddi	8.05	3.35	4.70
28	VTC-Gwalior	3.38	3.03	0.35
29	VTC-Vijayawada	7.27	3.50	3.77
30	VTC-Agartala *	-	-	-
31	VTC-Ranchi *	-	-	-
32	VTC-Valsad	3.73	2.47	1.26
	TOTAL	**263.48**	**241.66**	**21.82**

It may be noted that the tuition fee for degree and diploma courses is highly subsidized as CIPET is a Government Institution. As such centres running such courses have a deficit. Further, Chennai Centre supports all centres but the cost are not allocated centre wise. Hence, the deficit in Chennai.

The new CIPET centres are being established in phased manner and in line with the budgetary allocations. The 16 centres approved in 2015 (5) and 2016 (11) are at different stages of implementation. Centres in Bihar (To be decided), Maharashtra (Mumbai), Rajasthan (Jaipur HLC), Telangana (Medak HLC), U.P. (Varanasi) and Uttarakhand (Dehradun) are yet to commence.

3.33 In regard to proposed break-up of budgetary support to be given to each of the eligible CIPET centres in 2018-19, the details furnished are as given below :

An amount of Rs.156.47 crores for CIPET schemes was proposed based on the requirement of all CIPET Centres concerned for the year 2018-19, out of which an allocation of Rs.83.64 crores has been made. Centre wise details of funds proposed to be released are mentioned in the Statement given below:

Sl.No.	***Description***	***2018-19***
		BE
1	*Construction of hostel facilities (ongoing) in CIPET Odisha; Bhubneswar*	*5.33*
2	*CIPET Centre at Gwalior (Madhya Pradesh)*	*12.62*
3	*CIPET Centre at Raipur (Chattisgarh)*	*9.01*
4	*CIPET Centre at Vijayawada (Andhra Pradesh)*	*5.84*
5	*CIPET Centre at Baddi (Himachal Pradesh)*	*5.84*
6	*CIPET Centre at APDDRL, Bengaluru*	*15.00*
7	*CIPET Centre at Ranchi (Jharkhand)*	*7.50*
8	*CIPET Centre at Chandrapur (Maharashtra)*	*7.50*
9	*CIPET Centre at Jaipur (Rajasthan)*	*5.00*
10	*CIPET Centre at Dehradun (Uttarakhand)*	*5.00*
11	*CIPET Centre at Agartala (Tripura)*	*5.00*
	Grand Total	***83.64***

(ii) Institute of Pesticide Formulation Technology (IPFT)

3.34 Institute of Pesticide Formulation Technology (IPFT) located at Gurgaon, Haryana, is a registered Society under the Societies Registration Act - 1860 under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India. IPFT is the only Institute of its kind devoted to the development of **state-of-the-art user and environment friendly new generation pesticide formulation technology.** The Institute has established a healthy rapport with the Indian agrochemical industries and has been able to successfully transfer technologies for safer, efficient and environment friendly formulations. IPFT is also helping the industries in data generation as per CIB/RC guidelines for bioefficacy, phytotoxicity and pesticide residue analysis for both agriculture and house hold formulations. IPFT undertakes both in-house and external funded R & D projects.

3.35 A BE of Rs.7.50/- crore has been made as budgetary provision for 2018-19 for financial assistance to Institute of Pesticide Formulation Technology (IPFT) against the projected requirement of Rs.10.23/- crore. In the current financial year (2017-18), RE for IPFT is Rs.7.50/- crore and in 2016-17, the actual expenditure of Rs.8.89/- crore.

3.36 On being asked about the reasons for reduced allocation of funds for IPFT for 2018-19 as compared to the preceding two years, the Committee were replied tha t - " *Funds are allocated on the basis of requirement for Creation of Capital Assets, Projects work and Salary grant. Salary grant has already been fixed for next five years. Apart from this, IPFT is taking a number of steps to increase its revenue in order to become self sustainable. IPFT has increased the rates of its services at commercial level to generate more revenue. Efforts are being made for revenue generation through formulation development on contract basis, consultancy services, data generation on Bio-efficacy, phyto-toxicity and residue analysis required for registration with CIB/RC, providing analytical services, Institutional charges from external funded projects, and providing other need based services to national and international industries."*

3.37 To a query regarding achievements of IPFT in the discharge of its assigned responsibilities, the Department replied *inter-alia* as under:

> " *Institute of Pesticide Formulation Technology (IPFT), established on May 31, 1991, located at Gurugram (Haryana), is a non-profit making organization, under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India, it has completed 25 years of operation. The main objective of*

the Institute of Pesticide Formulation Technology is Development and Production of the state-of-the-art user and environment friendly pesticide formulation technology and Promotion of efficient application technologies suiting the existing requirements of the newer formulations. IPFT has established a healthy rapport with the Pesticide Industry and has been able to successfully transfer technology for safer, efficient and environment friendly formulations. IPFT consists of three major divisions namely, Formulation Division, Bioscience Division and Analytical division in additional to this IPFT is equipped with a small Pilot Plant. The Institute carries out both In-house and Grants–in–Aid R & D projects. IPFT was set-up to develop various user & environment friendly new generation pesticide formulations and related activities for safety of user, farmers and environment.

OBJECTIVES OF THE INSTITUTE

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

ACHIEVEMENTS

Activities carried by IPFT to achieve its objectives:

IPFT has successfully developed technologies of sixty user & environment friendly new generation formulations. The new generation formulations provide desired bio-efficacy and minimize the disadvantages and problems associated with the use of conventional and solvent based formulations. These formulations minimize the risk of skin toxicity, flammability and phytotoxicity and pesticide residue in food products. The synthetic and Bio-botanical pesticide formulations developed by IPFT safeguard the human health and environmental concerns due to use of conventional pesticide formulations. IPFT is the only Institute of its kind in the country for helping the Indian Agrochemical Industries in the field of pesticide formulations development. IPFT has established a healthy rapport with the Pesticide Industries and has been able to successfully transfer various formulation technologies to industries for commercialization.

IPFT has been working on various R& D Projects sponsored by United Nations Industrial Development Organization (UNIDO), Craft food, USA, Department of Chemicals & Petrochemicals (DC&PC), Defense Research & Development Organization (DRDO), Indian Council of Agricultural Research (ICAR), Organization for the Prohibition of Chemical Weapons (OPCW), Department of Science & Technology (DST), Department of Bio-technology (DBT), Council of Scientific and Industrial Research, Central Pollution Control Board (CPCB) etc.

IPFT has continuously worked to promote efficient application technologies suiting the existing requirements of the newer formulations. The field trials of new generation formulations are conducted in IPFT to check the bio-efficacy and performance of new generation formulations at field scale using latest application technologies. More than 500 projects sponsored by various pesticide companies on pesticide formulation applications at field scale bio-efficacy, phytotoxicity studies have *been successfully completed by IPFT. For promoting efficient application technologies among farmers, IPFT undertakes the following activities:*

- *Identifying and adopting villages for educating the farmers in Pesticide Application Technologies.*
- *Conducting survey and obtaining feedback to understand the termite pest problem in agriculture or storage lands with respect to climate change.*
- *Conducting survey and obtaining feedback on latest pests problems.*
- *Educating farmers about organic farming and propagating the use of indigenous techniques/traditional knowledge.*
- *Conducting workshops for judicious use of pesticide through Krishi Vigyan Kendras (KVKs).*
- *Participation in various Krishi Melas, Conferences, Agriculture Exhibitions etc. such as Annual Krishi Mela (Kharif) being held at CCS Agriculture University, Hisar, Haryana, Annual Krishi Unnati Mela held at Indian Agriculture Research Institute (IARI), Pusa, New Delhi.*
- *Organizing workshops in the different parts of the country for safe application, judicious use of pesticides along with promoting bio-botanical pesticides in crop pest management.*

IPFT organizes Workshops and Training Courses for various stakeholders in Agrochemical sector for ***Information dissemination of safe manufacturing practices, quality assurances, raw material specification and sources****.*

IPFT contributes towards Farmers Field Days and Farmers Meetings with significant impact under development of Rural Agriculture and Intensive Crop Management. Research scholars/executives from Indian agriculture universities/ pesticide industries come to IPFT for taking training on above areas. Recently, trainees from Australia, Turkey, Egypt and Sri Lanka and all over India have received training at IPFT.

IPFT has been offering Consultancy Services to various Agrochemical Industries in India and abroad from time to time on various aspects related to Pesticide formulations development and production, Establishment of QA/QC Laboratories etc.

IPFT has converted powder based hazardous formulations into water based suspensions and in the granular form called as water dispersible granules (WDG). These alternates of WP formulations are much safer during production, packing and application in the field for crop pest management.

IPFT is the only Institute of its kind in the country for helping the Indian Agrochemical Industries in the field of pesticide formulations development. IPFT has established a healthy rapport with the Pesticide Industries and has been able to successfully transfer more than sixty formulation technologies to Indian and Foreign companies for commercialization.

Being a recognized centre of CIB/RC, IPFT is undertaking industry sponsored projects for the data generation on Bioefficacy & Phytotoxicity, Pesticide Residue Analysis, Persistence Studies and Shelf Life Studies.

IPFT is one of the 25 Laboratories working on ICAR sponsored project on "Monitoring of Pesticide Residues at National Level". IPFT is analyzing the various food commodities for the monitoring of pesticide residues in Haryana *state. IPFT is analyzing the following food commodities and farm gate samples for the monitoring of pesticide residues.*

- *Vegetables: (Beans/Peas, Brinjal, Bitter guard, Bottle guard, Chili, Capsicum, Cabbage, Cauliflower, Cucumber, Okra, Tomato)*
- *Fruits: (Apple/Mango, Banana, Pomegranate)*
- *Cereals: (Wheat, Rice)*
- *Organic samples: 5 vegetables or fruits (available)*
- *Milk*
- *Water*

IPFT has developed 60 user & environment friendly pesticide formulation technology and transferred to industries. IPFT has also filed 12 patents during last five years. The Indira Gandhi National Open University (IGNOU) has recognized IPFT as programme study centre for aspect of analytical chemistry for the student of Post Graduate Diploma in Analytical Chemistry (PGDAC). IPFT has started this Post Graduate Diploma course from 15th January 2015 and more 80 students have completed their Post Graduate Diploma.

Recent pioneer work done by IPFT

- ***Bio-pesticides and their formulation development research:*** *IPFT have done pioneer research work on the efficacious biopesticides formulation development in order to make them popular among the farmers, particularly for organic farming.*
  - *Modified neem based formulation which is much more efficacious than neem alone. By this research outcome of IPFT, the cost of application of neem as a pesticide has decreased to half and at the same time the efficacy of neem as a pesticide has become doubled. Large scale field trials on tea crops are in progress.*
  - *IPFT has also identified a virus which can act as a safe alternate to synthetic chemical pesticide for vegetable crop pest management. The lab scale trials are in progress to confirm its suitability for crop pest management particularly in cabbage and other vegetable crops. IPFT has also identified a fungus based biological weedicide to control carpet weeds.*
- ***Pesticide dose reduction in crop pest management:*** *One of the breakthrough technology/product development achieved by IPFT is the reduction of recommended pesticide doses in different crop pest management by identifying the plant based adjuvant. IPFT has done extensive experimental studies to identify or through technology development to reduce the required pesticide doses in different crop pest management for the safety of environment and human kind.*
- *IPFT has identified a plant based material which when used during application, while diluting the pesticide for application in the field, can reduce the recommended dose of pesticides from 20 - 50%. Lab scale experiments have already been conducted to confirm these results and at present IPFT is in the process of doing large scale farmer field trail to confirm the dose reduction of pesticides for the safety of environment, human kind, reduction of pesticide residue in food commodities and safety of underground water contamination by application of different highly toxic synthetic chemical pesticides.*

- ***Mosquito attractant glue trap:*** *Recently, IPFT has developed a product/ formulation without any use of synthetic chemical pesticide, a glue trap which attracts the mosquito and when mosquito sit on the glue trap it gets stick on the surface and could not fly again. The laboratory scale trials have already been completed and IPFT is now planning to conduct the experiment in the field in collaboration with Malaria Research Centre.*
- ***Recognition of IPFT, Gurugram as Nodal Training Institute***

Ministry of Agriculture, GOI, MANAGE, Hyderabad has recognized IPFT, Gurugram as Nodal Training Institute under Agri-Clinics and Agri-Business Centres (AC&ABC) Scheme of Ministry of Agriculture and Farmers Welfare, wherein 35 students will be enrolled for 60 days residential training. The scheme aims to develop agriculture and allied graduates as well as 10 + 2 students of agricultural stream to setup Agri-clinics and Agri-business Centres for self employment and to provide quality extension services to the farmers.

3.38 When asked about financial strength and adequacy of budget allocations for research programmes during 2018-19, the written reply of the Department is as under :

The fund allocated for the year 2017-18 is adequate to meet the approved capital works of the Institute and to carry out proposed research work. An amount of Rs.7.50 crore has been allocated to IPFT in Budget Estimates 2018-19 on the basis of fund required to meet proposed salary, capital assets and research work.

Since IPFT is a R&D Institute, there is no commercial activity for generating revenue. In the past, all services were being offered by IPFT to various stakeholders at very nominal rates in order to serve the industry and society. As per General Financial Rules-2017 (Rule 229) - General Principles for setting up of Autonomous Organisations, all autonomous organisations, new or already in existence should be encouraged to maximise generation of internal resources and eventually attain self sufficiency. IPFT is taking a number of steps like diversifying the activities, to increase its revenue in order to become self sustainable. IPFT has increased the rates of its services at commercial level to generate more revenue. Efforts are being made for revenue generation through formulation development on contract basis, consultancy services, data generation on Bio-efficacy, phyto-toxicity and residue analysis required for registration with CIB/RC, providing analytical services, Institutional charges from external funded projects, and providing other need based services to national and international industries. The revenue of IPFT has been increased from Rs.78.73 Lakh in 2011-12 to Rs.158.00 lakhs in 2016-17.

(iii) Bhopal Gas Leak Disaster (BGLD)

3.39 In 2018-19, the budgetary allocations for Assistance related Bhopal Gas Leak Disaster is Rs.28.32 crore as against RE of 25.74/- crore. The Committee also observe that more than one fourth of the budgetary provisions i.e., Rs.6.05 crore is towards establishment charges for the Office of Welfare Commissioner, Bhopal Gas Victims, Bhopal.

3.40 An industrial disaster occurred in the night of 2nd /3rd December, 1984 when Methyl Iso-cyanate (MIC), a lethal gas stored in two tanks of Union Carbide India Limited (UCIL)'s pesticide unit at Bhopal, leaked into the atmosphere causing thousands of deaths and injuring a large number of people. The State Government of Madhya Pradesh as well as the Central Government undertook immediate relief and rehabilitation measures, for the victims of the gas leak disaster and their families. Various relief measures are still continuing.

Adjudication of Compensation Claims

3.41 A large number of civil and criminal cases were filed against UCIL and its management in various Courts by individuals and groups. To ensure proper legal representation of the victims and settlement of their claims, the Government of India enacted the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and a Scheme there under.

3.42 The Hon'ble Supreme Court vide its orders and settlement dated 14th and 15th February, 1989 finally settled the litigation on the compensation amount payable to Bhopal Gas Victims. Under the settlement, the Union Carbide Corporation was directed to pay a compensation of US $ 470 million, which was deposited by the Company with the Registrar of the Supreme Court of India, in February 1989.

Original compensation

3.43 Under the provisions of the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985, the Office of the Welfare Commissioner, Bhopal Gas Victims, Bhopal was set up in 1985 for speedy disbursal of the compensation amount to the survivors and families of the victims of the gas leak disaster. The actual disbursement of the compensation started from November 1992. The Office of the Welfare Commissioner has disbursed a total amount of Rs. 1549.34 Crore as compensation in 5,74,391 awarded cases of claimants belonging to the categories of death, permanent disability, temporary disability, injury of utmost severity cases, minor injury, loss of property/ PSU and loss of livestock.

Pro-rata compensation

3.44 It was brought to notice in the year 2004 that an amount of approximately Rs. 1500 crore, had accumulated with the Reserve Bank of India on account of accrual of interest and exchange rate variation. The Supreme Court vide order dated 19thJuly, 2004 had directed the Welfare Commissioner to disburse the said amount, on pro-rata basis (in the ratio of 1:1 of original compensation) to the claimants whose cases had been settled. The distribution of pro-rata compensation commenced from 15th November, 2004, as per the directions of the Supreme Court. A sum of Rs. 1517.70 Crore as pro-rata compensation has been awarded in 5,63,090 cases till 30.11.2017.

3.45 There are about 11,335 cases in which the concerned legal heirs did not turn up. To settle such absent cases, the Office of the Welfare Commissioner had issued notification published in the local newspapers with the direction to attend the Claim Tribunals for settlement of Pro-rata compensation. Besides this, the list of absentees was also provided to NGOs working for the Bhopal Gas Victims, to trace the genuine claimants. The work of disbursal of pro-rata compensation is continuing.

Disbursement of Ex-gratia

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

Categories of Ex-gratia payments to Gas victims

Category	Scale of Ex-gratia
Death	Rs.10 lakh (less amount already received)
Permanent disability	Rs. 5 lakh (less amount already received)
Injury of utmost severity	Rs. 5 lakh (less amount already received)
Cancer	Rs. 2 lakh (less amount already received)
Total Renal Failure	Rs. 2 lakh (less amount already received)
Temporary disability	Rs. 1 lakh (less amount already received)

3.47 An amount of Rs. 874.28 Crore has been approved by the Government for disbursement of ex-gratia by the Office of the Welfare Commissioner to an estimated 57694 gas victims in the above mentioned categories. The applications / claims under the category of cancer/ TRF are still being received. The total number of cases for payment of ex-gratia as on 30.11.2017 are 63824. The Office of the Welfare Commissioner has commenced disbursement of ex-gratia to the Gas victims on 19.12.2010. A total number of 58982 cases were decided till November, 2017 and a total amount of Rs. 803.00 crore was awarded.

Environmental Remediation of the erstwhile Union Carbide India Ltd. (UCIL) Plant site

3.48 As per Union Cabinet's decision taken in the year 2010, the GoMP would be responsible for undertaking disposal of hazardous wastes and remediation of the erstwhile UCIL plant at Bhopal. As per cabinet's decision, an Oversight Committee was constituted in the Ministry of Environment, Forest and Climate Change to provide oversight and support to
the GoMP in taking the necessary remedial actions. Hon'ble Supreme Court is seized with the issue of disposal of UCIL waste in the matter of SLP (Civil) No. 9874 of 2012 UoI Vs Alok Pratap Singh and Others. Ministry of Environment, Forest and Climate Change is complying with the orders issued by the Hon'ble Supreme Court then and there. As per the directions given by the Hon'ble Supreme Court, 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 .

For disposal of remaining 337 MT (approximate) of hazardous Bhopal gas waste lying at UCIL factory site, Bhopal, the Central Pollution Control Board (CPCB) has forwarded the draft Request for Proposal (REP) to the GoMP for inviting competitive open-bids for the project "Disposal of Remaining UCIL Waste" .The Detailed Project Report (DPR) on remediation of UCIL contaminated site as prepared by the GoMP was shared with CPCB for giving its assessment.

Petition

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

3.50 In response to a query asking about adequacy of budgetary allocations for 2018-19 for the action plan relating to Bhopal Gas Leak Disaster and details regarding proposed utilization of the budgetary allocations, the Department of Chemicals and Petrochemicals stated as under :

> *The process of adjudication and disbursement of compensation to the survivors and families of the victims of the Bhopal Gas Leak Disaster is done by the Office of the Welfare Commissioner, Bhopal Gas Victims, Bhopal. BE of Rs. 28.32 crore is proposed for 2018-19 for payment of ex-gratia to the eligible*

categories of gas victims, as approved by the Cabinet and also for establishment expenses of the Office of the Welfare Commissioner.

The compensation for Bhopal Gas Victims is adjudicated as per the directions of the Hon'ble Welfare Commissioner under provisions of the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985 and in compliance of the Order of Hon'ble Supreme Court of India. The office of the Welfare Commissioner disburses the ex-gratia to gas victims after due scrutiny and adjudication. The Funds are disbursed following due procedures.

Keeping in view of disbursal of ex-gratia in the past, inflow of claims, pending claims etc, the allocation of fund has been sought by the Office of the Welfare Commissioner for the FY 2018-19. Hence, the allocation of fund is enough to provide the assistance.

3.51 When asked to state the steps taken to overcome the problems caused due to delay in the process of verification of claims of beneficiaries so that the funds are utilized optimally, it has been replied as under :

"The disbursement of ex-gratia to gas victims is a judicial process. The Office is headed by the Hon'ble Welfare Commissioner, who is a sitting judge of Hon'ble High Court of Madhya Pradesh and functions on concurrent basis. Funds are disbursed after following due judicial process, thorough scrutiny of documents and verification of claimants.

The cases for payment of compensation/ ex-gratia are of typical nature, viz Succession Law under Muslim Law, Dispute with regard to identity of Legal Heirs, cases where fraud person took the original compensation and now the genuine victim is claiming the ex-gratia, certain cases where multiple beneficiaries are involved in single case etc. To verify the genuine beneficiary is a difficult task. These cases need cogent enquiry and police verifications and, therefore, take time. Office of the Welfare Commissioner is requested to devise procedure so as to overcome the problems caused due to delay in the process of verification of claims of beneficiaries."

3.52 Regarding the details pertaining to grant of financial assistance to victims of Bhopal Gas Leak Disaster, the reply of the Department is as under :

"The total number of cases registered and decided was 10, 29,519. The total number of cases awarded for compensation is 5,74,392. The number of cases in which payment pending is 437.

(ii) The number of people who have already been provided financial assistance out of US $ 470 million deposited by Union Carbide Corporation, USA is as under:

(a) <u>Original compensation</u> : Awarded cases 5,74,392
(b) <u>Pro-rata compensation</u> : Awarded cases 5,63,091. There are about 11,334 cases pending for disbursement of pro-rata compensation. In those cases, the claimants concerned of their legal heirs did not turn up to receive the compensation.

(iii) <u>Ex-gratia</u> : One of the major decisions taken by the Government of India in the year 2010 was to pay ex-gratia to an estimated 57,694 gas victims falling under certain eligible categories. The applications / claims under the category of

Cancer/ TRF are still received. The total number of cases for payment of ex-gratia is estimated at 67,495. Out of that, 59,575 cases were decided and 7920 cases are pending.

3.53 Regarding administration of funds deposited by the UCIL, Bhopal, the reply of the Department is as under :

Under the settlement, the Union Carbide Corporation, USA was directed to pay a compensation of US $ 470 million, which was deposited by the Company. The amount is lying with RBI, New Delhi. Hon'ble Supreme Court of India Vs. UoI IA No. 46 & 47 of Appeal No. 3187 , 1987-88, vide order dated 19.7.2004, have inter-alia issued direction , according to which, as and when the Hon'ble Welfare Commissioner, Bhopal Gas victims makes request to the RBI, the RBI may place the funds at the disposal of the Hon'ble Welfare Commissioner from time to time. No part of the fund shall be released by the RBI except upon a certificate from the Hon'ble Welfare Commissioner that the amount represents substantially the quantum of the compensation determined from time to time against the claims of the victims. The withdrawal or release of the funds from the account from time to time shall, broadly, though not mathematically, correspond to the quantum of the compensation actually determined from time to time.

The total amount of utilization till 31.1.2018 is Rs. 3066.54 crore. A sum of Rs. 37.24 crore is lying as balance in this account."

3.54 Elaborating the process of rehabilitation of the affected people in Bhopal and about adequacy of budget for providing financial assistance for the purpose, the Department in their written reply submitted as under :

"The adjudication and award/disbursement of compensation to the survivors and families of the victims of the Bhopal Gas Leak Disaster are made as per the directions of Hon'ble Welfare Commissioner under the provisions of the Bhopal Gas Leak Disaster (processing of Claims) Act, 1985 after following due judicial process and scrutiny of medical records of claimants. The funds demanded by the Office of the Welfare Commissioner for disbursement of ex-gratia are on the basis of pending cases, disbursal in the past etc. Hence the fund demanded in B.E 2018-19 is adequate for payment of sanctioned cases."

B. PUBLIC SECTOR UNDERTAKINGS

(i) Hindustan Insecticides Limited (HIL)

3.55 Hindustan Insecticides Limited (HIL) was incorporated in 1954 in New Delhi for manufacturing and supply of DDT (dichloro diphenyl trichloroethane) for Malaria Eradication Programme of Government of India. In the year 1957, the company set up a factory at Udyogmandal, Kerala, for manufacturing of DDT. HIL set up another factory in 1977 at Rasayani, Maharashtra, for manufacturing Malathion, an insecticide. The third manufacturing unit of the company was set up at Bathinda, Punjab, in 2003 by shifting its erstwhile Delhi factory. Rasayani and Udyogmandal Plants have both DDT and agrochemical manufacturing facilities while Bathinda has only formulations manufacturing and packaging facility. The company has 7 Regional Sales Offices across India and a wide network of dealers for marketing and distribution of its products. Authorized and paid up share capital of HIL is Rs.100 crore and Rs.91.33 crore respectively. 100% of its shares are held by the Govt. of India. HIL is the sole supplier of DDT to the National Vector Borne Disease Control Programme (NVBDCP) of the Ministry of Health and Family Welfare, Government of India. The Company diversified into agrochemicals in the late 1970s to ensure supply of quality pesticides at reasonable prices to the agricultural sector. Today it has a range of technical and formulation grade pesticides to meet the varied requirements of the farming community.

3.56 To further consolidate its position, HIL in 2012-13 ventured into seed production and marketing business. The company has been recognized as a nodal agency by the Ministry of Agriculture and Farmers Welfare for production and marketing of certified seeds for crops and vegetables. The company actively participated in seed production and supply of seed minikits high yielding varieties under National Food Security Mission (NFSM), National Mission on Oil Seeds and Oil Palms (NMOOP) and Mission on Integrated Development of Horticulture (MIDH) as National Level Seed Agency. Turnover from seed business during the financial year 2016-17 was Rs.52 Crore.

3.57 In 2015-16, with a vision to become one stop shop for all the agricultural inputs needs of farmers, HIL further diversified into fertilizers business. It has been inducted by the Department of Fertilizers as an agency to import fertilizers. The company achieved a turnover of Rs.82 crore from supply of fertilizers during 2016-17.

Financial Performance

3.58 After implementation of revival package in 2006-07, HIL has been continuously posting profits. Financial performance in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.3.2017 are given below:

(Rupees in crore)

Year	Turnover	Net Profit / (Loss)
2012-13	301.11	2.92
2013-14	330.35	1.84
2014-15	339.90	1.60
2015-16	334.75	1.83
2016-17	369.51	3.26
	Net worth as on 31.3.2017: ***Rs.96.81crore***	

During current FY 2017-18 (up to September, 2017), the company has achieved turnover of Rs.95.07 crore and net profit of Rs.0.57 crore, as per provisional unaudited results.

3.59 No budgetary allocation has been made in the 2018-19 Union budget for providing any financial assistance to Hindustan Insecticides Ltd. (HIL) as in the previous financial years and Nil actual expenditure in 2016-17 against a BE of Rs.15/- crore for the year.

3.60 When asked about the details regarding demand for further capital infusion by the HIL in the recent past along with action taken thereon and reasons for non-allocation any funds during the last three years and for the current financial year, the Committee have been informed as under :

> *" Plan loan of Rs.15.00 crore was provided to HIL in 2014-15 which has been utilized by the company for setting up Pendimethalin plant at its Udyogmandal unit (Rs.11.00 crore) and for plant / machinery refurbishment schemes (Rs.4.00 crore). The Pendimethalin plant has been completed and production activities are scheduled to commence in February, 2018.*
>
> *For 2015-16, proposal was received from HIL for release of Plan loan of Rs.10 crore for setting up multi-product facility at Rasayani Unit which was referred to Ministry of Finance for seeking prior approval as HIL has defaulted in the repayment of Govt. loans and interest. However, as the decision / approval of Ministry of Finance was not received in the Department by the end of FY 2015-16, the Plan provision of Rs.10 crore had to be surrendered in RE 2015-16.*
>
> *The above proposal was received from M/o Finance in June, 2016. M/o Finance, requested the Department to re-examine the proposal in terms of M/o Finance's OM dated 3.2.2016 which instructs that the window of investment and working capital loan to CPSUs from Govt. of India, in general, is closed. Accordingly, the Multi-product facility project and its viability was re-examined by HIL in consultation with M/s PDIL (a PSU under the D/o Fertilizers) and the company decided to drop the project as it was quite sensitive to raw material price (mainly imported from China). As no other project/scheme was proposed by HIL, and in view of Finance Ministry's orders for closure of investment and working capital loans to PSUs, no funds were allocated for HIL in RE 2016-17 and in the current FY 2017-18."*

3.61 Regarding R&D facilities at HIL, the Department informed the Committee as under:

> *HIL is having a well functional R&D facility at its Udyogamandal Unit, Kerala, which undertakes the following activities:*
>
> - *To tackle periodical process related problems for quality maintenance and to give technical assistance for commercial level scale up activities of various products, as and when needed.*
> - *To perfect the technology for Pendimethalin Technical, conduct shelf-life studies of the product and to conduct plant trials at large scale for commercial production.*
> - *To continue the study for new solvents, fillers, emulsifiers and other raw materials used in various agro formulations, which are eco-friendly and cost effective in order to make the products competitive in the market.*

HIL is further planning to set up a new R&D facility at its Rasayani Unit, Maharashtra, for perfecting the technology/ manufacturing process for Long Lasting Insecticidal Nets (LLIN) project, conduct shelf-life studies of the product and to conduct plant trials at large scale to make commercial production. The facility will also study and investigate the deviations occurring in production process and streamline the production process of the products manufactured at the Rasayani Unit.

In addition to the above, autonomous bodies under the Department like IPFT and CIPET are engaged in R & D activities in the field of pesticide formulations, polymeric materials, etc. The outcome of such R & D activities, wherever applicable, are also shared with HIL. For example, CIPET has supported HIL in the development of LLIN technology for the company's LLIN project. Also, other institutions like Institute of Chemical Technology (ICT), Mumbai, are developing technology on behalf of HIL for alternative non-POP molecules to DDT."

3.62 When asked to state the operational status of a Pendimethalin (Herbicide) plant being set up by HIL at its Udyogmandal unit at an estimated cost of Rs.11/- crore, the Committee were informed that - "*The Pendimethalin plant (Herbicide) at the Udyogmandal Unit has been mechanically completed in December, 2017. Water flushing and hydro testing of pipelines and equipments have been successfully completed. Water trial runs have been initiated. The major raw materials have already been procured and procurement of few other input materials are underway. Thereafter, the company expects to commence the plant operations / production by end February, 2018."*

3.63 ***The e***stimated financial performance of HIL in 2017-18 is given in the following tables:

Sr. No.	**Description**	**Projection for 2017-18** (Rs. in crore)
1.	Revenue from Operations	415.00
2.	Gross Profit (PBDIT)	27.00
3.	Less : Depreciation	6.50
4.	Less: Interest	17.00
5.	Profit Before Tax	3.50
6.	Income Tax	0.70
7.	Net Profit	2.80

Details of estimated outstanding liabilities of HIL, as on 31.03.2018, are as follows:

Sr. No.	**Description**	**Amount** (Rs. in crore)
1.	Government Loan	40.84
2.	Interest on Govt. loan	23.57
3.	Bank Borrowings	150.00
4.	Other Current Liabilities	160.11

There are no Govt. guarantee related liabilities outstanding in respect of HIL.

(ii) Hindustan Organic Chemicals Limited (HOCL)

3.64 Hindustan Organic Chemicals Limited (HOCL) was incorporated on 12th December, 1960 as a Government company with the objective of setting up manufacturing capacities for chemicals / intermediates required for production of dyes, dyes – intermediates, rubber chemicals, pesticides, drugs and pharmaceuticals, laminates, etc. The company has two manufacturing units located at Rasayani (Maharashtra) and Kochi (Kerala). The Rasayani unit (Chemical Complex) started production from 1970-71 and the Kochi Unit (Phenol Complex) commenced production from 1987-88. The company has plants to manufacture phenol, acetone and hydrogen peroxide at Kochi unit and concentrated nitric acid and di-nitrogen tetroxide (N_2O_4) at Rasayani unit. HOCL is the sole manufacturer of N_2O_4 in India which is supplied to Indian Space Research Organisation (ISRO) for use in rocket launching programme. HOCL has a subsidiary company M/s Hindustan Fluorocarbons Limited (HFL) located at Rudraram, Telangana.

3.65 No budgetary allocation has been made in the Union budget for 2018-19 for providing any financial assistance to Hindustan Organic Chemicals Ltd. (HOCL). Actual expenditure incurred by the Department towards financial support to HOCL in 2016-17 was Rs.24.61/- crore and as per RE of 2017-18 the budgetary support to HOCL during the current financial year is Rs.384.87/- crore.

Financial Performance

3.66 Financial performance of HOCL in terms of turnover and net profit / loss for the last 5 years and net worth as on 31.03.2017 are given below:

(Rs. in crore)

Year	Turnover	Net Profit / (Loss)
2012-13	624.19	(137.99)
2013-14	236.80	(176.85)
2014-15	167.19	(215.49)
2015-16	120.79	(173.91)
2016-17	158.21	(255.57)
	Net worth as on 31.3.2017: ***(-)Rs.969.93 crore***	

During 2017-18 (up to September, 2017), the company achieved gross turnover of Rs.67.88 crore and net loss of Rs.50.58 crore, as per the provisional unaudited results. The low turnover and loss is due to the fact that most of the plants / operations of the company have generally remained shut down for several months due to acute shortage of working capital.

Restructuring plan for HOCL

3.67 The Government of India on 17.05.2017 has approved a restructuring plan for HOCL which involves closing down the operations of all the non-viable plants at Rasayani unit of HOCL except Di-Nitrogen Tetroxide (N_2O_4) 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 N_2O_4 plant is of strategic importance as it is the only indigenous source of N_2O_4 which is used as liquid rocket propellant by ISRO in the space launch vehicles. 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. 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 is being taken by the Department and HOCL for implementation of the restructuring plan.

3.68 The Department have undertaken an exercise to restructure HOCL as per which, HOCL is to close down all the unviable plants at Rasayani except N2O4 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. However, the Kochi unit of HOCL is to continue its operations, '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. In this context, the Committee desired to know about the steps taken to shore up the functional efficiency and performance of the remaining plants of HOCL so that the truncated HOCL is able to function properly and it is conducive for its strategic disinvestment. In this regard, the Committee were furnished reply as under :

> *" The Kochi unit of HOCL has Phenol / Acetone and Hydrogen Peroxide plants. The unit had achieved turnover of Rs.581.38 crore with net profit of Rs.130.08 crore in 2010-11. Thereafter, financial performance of the unit dropped substantially due to*
>
> *various factors such as withdrawal of Anti-dumping duty (on Phenol / Acetone), fluctuations in crude oil prices affecting input feedstock prices and severe working capital shortage due to continuous losses since 2011-12.*

After CCEA approval of the restructuring plan for the company in May, 2017, following steps have been taken by HOCL to improve the performance of Kochi unit:

- *The operations of Phenol / Acetone plant has been revived with the major raw material supplier BPCL extending 30 days credit facility from October, 2017.*
- *Advance from major customers are being obtained to ensure timely payment of dues to suppliers.*
- *Old outstanding dues of BPCL has been partly settled (Rs.33 crore) from the first tranche of land sale to BPCL and balance dues will be settled out of the proceeds from the balance land sale to BPCL.*
- *Efforts are being made to tie up working capital facility with banks at attractive terms.*

During December, 2017, Kochi unit generated profit before interest and tax (PBIT) of around Rs.5.10 crore. It is expected that with the availability of sufficient working capital, regular supply of raw materials and reduced overhead cost (interest cost and overhead), the unit can maximize production / turnover and be in a position to register profit in the near future on a sustainable basis. However, it may be added that the performance of Kochi unit will also depend significantly on future developments relating to continuation of Anti-dumping duty and crude oil prices which are factors beyond the control of the company.

3.69 Regarding progress achieved in the tie-up with ISRO to hand over N2O4 plant at Rasayani, the Committee were informed as under :.

As per the CCEA approved restructuring plan for HOCL, transfer of N2O4 plant at Rasayani to the Department of Space / ISRO is to be done on `as is where is basis', comprising of (a) HOCL would transfer the N2O4 plant to ISRO with about 20 acres of land and plant & machinery; (b) ISRO will take over all the liabilities associated with the N2O4 plant, including past, present and future liabilities of all the associated employees.

Agreement for Transfer of Plant (ATP) for the transfer of N2O4 plant to ISRO has been signed between HOCL and ISRO which is effective from 1st October, 2017. As per the ATP, HOCL will extend support for operating the plant for 6 months or until factory license is transferred, whichever is later, and ISRO will pay Rs.1.40 crore per month as charges to HOCL for services rendered. A Joint Working Group has been formed comprising of HOCL and ISRO personnel to oversee all plant related activities and facilitate smooth transfer of plant to ISRO. Out of 150 employees associated with the plant, 19 employees who opted for VRS have been relieved. Remaining 131 employees will be transferred to/taken on the rolls of ISRO, though their current salaries are being paid by ISRO through HOCL.

NOC for transfer of the 20 acres land to ISRO has been received by HOCL from the Government of Maharashtra on 31.01.2018. The land will be transferred to ISRO after demarcation and bifurcation of survey numbers for BPCL and ISRO land is completed and new 7/12 extracts are issued by the local Revenue authorities and formalities related to formation of legal entity for the transferred N2O4 plant is completed by ISRO. Following liabilities relating to the N2O4 plant are to be taken over by ISRO:

Sl. No	Item	Amount (Rs. in crore)
1	Liability of 131 employees and other suppliers dues (up to March, 2017)	38.83
2	VRS dues to 19 employees	10.47
3	Dues of 30 retired employees' outstanding	7.55
4	Inventory of Raw materials & Stores and Spares	3.00
	TOTAL	**59.85**

3.70 When asked to furnish details of outstanding liabilities of HOCL as on date and to state as to whether the funds mobilized from sale of excess land would be sufficient to liquidate all outstanding liabilities of HOCL including the bridge loan extended under CCEA approved restructure plan, the Committee were informed as under :

"*Against the company's total liabilities (excluding Govt. of India dues) of Rs.1008.67 crore, as on 30.06.2017, projected in the CCEA note on restructuring plan for HOCL, liabilities of Rs.384.87 crore has been settled up to 9.2.2018 as per the following details:*

(Rs. in crore)

Sl. No.	*Items*	*Balance liabilities outstanding (as on 09.02.2018)*
I.	***Suppliers and Contractors***	
i)	*Dues to BPCL*	*135.63*
ii)	*Contractors and other Suppliers*	*33.48*
iii)	*Power and Water dues: (MSEB/KSEB/MIDC/KWA etc.)*	*41.82*
iv)	*Statutory Dues other than employees related (Excise Duty/Service tax/WCT/Prof. Tax / etc.)*	*2.41*
II	***Employees related***	
i)	*Statutory Dues - Income Tax-TDS, CPF & EPS, Gratuity etc.*	*26.86*
ii)	*Salary dues of employees*	*145.32*
iii)	*VRS/VSS payments*	*184.13*
III	***Banks / Financial Institutions***	
i)	*SBI Mumbai - Cash Credit & Corp. Loan*	*52.35*
ii)	*Canara Bank*	*1.80*
IV	***GoI guaranteed Bonds***	
i)	*Repayment of principal amount*	*0.00*
ii)	*Interest payment*	*0.00*
	Total – I to IV	***623.80***
V	***Bridge Loan from Government***	***384.87***
		1008.67

The balance outstanding liabilities of Rs.1008.67 crore (as on 9.2.2018) is expected to be cleared shortly from the proceeds of sale of 442 acres land to BPCL.

As per the CCEA approved restructuring plan for HOCL, Govt. of India liabilities of the company, including the bridge loan extended under the restructuring plan, are to be settled later from the proceeds of the disposal of the *remaining unencumbered land and other assets of the company at Rasayani unit. Necessary action is being taken by HOCL for facilitating the disposal of the remaining, encumbrance free land and other assets of Rasayani unit and it is expected that the funds mobilized from their sale will be sufficient to liquidate the Govt. of India liabilities of the company."*

3.71 During the evidence of the Department of Chemicals and Petrochemicals before the Committee on Demands for Grants for 2018-19 on 22-02-2018, the Committee wanted to know reasons for withdrawal of anti-dumping duty on phenol and the steps being taken to improve operational viability of Koch plants of HOCL before its disinvestment. In this regard, Dr. Samir Kumar Biswas, Joint Secretary, DC&PC stated inter-alia as under :

" Sir, anti-dumping duty is imposed generally for a fixed period. After that, it needs to be renewed. In the past, once it had been withdrawn. Again, it has been reimposed. At present, anti-dumping duty is in force. But the issue is not only that much. There are various other issues due to which it went into loss further. The most and the primary factor was that the scale of production is only 40,000 metric tonne per annum, whereas the global scale demands at least 2 lakh metric tonne. That will only make it feasible. Below that, it is not at all feasible. The technology that it uses, like the catalyst, is also outdated. That consumes lot of raw material. That makes it again unviable. These are two important points on the fronts of technology and scale. Besides that, manpower being on the higher side, expenditure on manpower also has been very high. It had taken money from market by raising bond. On that, interest had to be paid. There are so many such factors which really resulted into loss of the unit. Besides that, phenol is imported to a great extent. That is imported at much lesser price than what is our cost of production. That is directly related to the price of crude. That fluctuates very fast. Everyday the price of phenol is changing, whereas HOCL buys raw material and other feed stock at a monthly rate. There is a lot of fluctuation and HOCL really could not manage this high fluctuation.

Madam, regarding disinvestment, the decision of the Cabinet is like this that there are two units of HOCL. One is at Rasayani and one is at Kochi. The Rasayani is totally wound up and assets are to be disposed of to discharge the existing liabilities. Once these liabilities are disposed of, then the balance sheet of the company will automatically improve and with that improved balance sheet, it will be possible really to disinvest to a private entity who can bring in much more efficiency with a new technology, new kind of manpower and a new business model altogether because that will require expansion at least three times, I mean 2.5 to 3 times. There are already competitors coming up in India like in a private sector, we are already going to have a project which will be producing two lakh ton in a year that is rivok phenolics, that is going to come very soon whereas HOCL is having only 40,000. It is more than 2.5 times. That is the plan at present to discharge all the liabilities through disposal of assets at Rasayani, then the balance sheet will improve and then it can be disinvested for the betterment of the employees and for the overall economy

3.72 When asked about the reasons for withdrawal of anit-dumping duty on Phenol and Acetelene by the Government , the Department in a written note submitted as under :

" The anti-dumping duty on phenol and acetone (not Acetelene mentioned in the question above) was withdrawn based on the mid-term review by the Designated Authority, Directorate General of Anti-Dumping and Allied Duties under the Union Ministry of Commerce & Industry. The main reasons cited in the Designated Authority's order was that no adverse impact on the domestic industry was found during the investigation period due to continued imports, no evidence found of price suppression and or depression during the investigation period and that withdrawal of anti-dumping duty was unlikely to cause material injury to domestic industry.

Anti-dumping duty was re-imposed on phenol and acetone, country-wise, at varying times in 2014, 2015 & 2016. These are valid for varying periods (country-wise) upto March, 2009 to March, 2021."

3.73 In response to a post evidence query as to whether the proposed sale proceeds of HOCL's excess land at Rasayani would be sufficient to liquidate all its outstanding liabilities, the Department in their written reply submitted as under :

As per the CCEA approved restructuring plan for HOCL, the outstanding liabilities of the company are to be settled from funds to be generated through sale of 442 acres of land at Rasayani to M/s BPCL and disposal of the remaining unencumbered land and other assets of Rasayani unit (except 20 acres land to be transferred to ISRO with the N2O4 plant) and from bridge loan extended to the company by the Govt. of India. While bridge loan of Rs.360.26 crore has already been sanctioned to HOCL and has been utilised for settling liabilities relating to redemption of Govt. guaranteed bonds and part payment of priority statutory dues, necessary action is underway for sale of land to BPCL and for disposal of remaining, encumbrance free land and other assets. It is expected that the funds so mobilized will be sufficient to liquidate all outstanding liabilities of the company.

(iii) <u>Hindustan Fluorocarbons Ltd. (HFL)</u>

3.74 No budgetary allocation has been made in the 2018-19 Union budget for providing any financial assistance to Hindustan Organic Chemicals Ltd. (HOCL) as in previous two financial years.

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

3.76 HFL started making losses from its inception in 1987-88 resulting in erosion of its net worth and reference to BIFR in 1994. A rehabilitation package for HFL under the operating agency M/s IDBI was approved by BIFR on 03.12.2007. Total cost of rehabilitation package was Rs.19.28 crore and did not involve infusion of any Govt. funds. Following implementation of the rehabilitation package, HFL made marginal profits from 2007-08 to 2012-13. However, the company suffered loss of Rs.24.82 crore in 2013-14 mainly on account of provisioning for wage revision arrears of 1997 and 2007 and reduction in sales realization. During 2014-15, 2015-16 and 2016-17 also the company suffered losses of Rs.3.77 crore, Rs.11.11 crore, and Rs.4.89 crore respectively due to reduced sales realization. HFL continues to make losses and Net worth of the company is negative.

3.77 For revival and growth of HFL, the company had taken steps to diversify into business of fluoro specialty chemicals and adopted the strategy of switching over from single product to multi-product facility to reduce dependency on PTFE. However, due to commercial unviability of the products, HFL is currently selling HCFC-22 along with PTFE filled grades based on the market conditions.

Strategic Disinvestment of HFL

3.78 The Government on 27.10.2016 has given ‘in principle’ approval for strategic disinvestment of HFL with the parent company HOCL to exit the firm completely. The strategic disinvestment is being processed by the Department in accordance with the guidelines / instructions issued by the Department of Investment and Public Asset Management (DIPAM) from time to time. An Inter-Ministerial Group (IMG) chaired by Secretary (C&PC) has been constituted for selection of Transaction Adviser (TA) and Legal Adviser (LA), deciding qualification criteria, preparing PIM and EoI, etc. An Evaluation Committee under chairpersonship of AS &FA, M/o Chemicals & Fertilizers, has also been constituted for fixing reserve price, making recommendations for approval of strategic partner, bid amounts etc. Transaction Adviser and Legal Adviser have also been appointed by the Department and Asset Valuer appointed by HOCL for providing advisory services and managing the strategic disinvestment process. Requisite preparatory steps for strategic disinvestment of the company are presently under process.

3.79 Regarding HFL's request for financial assistance in the light of proposed disinvestment in HFL, if any, the Committee were replied as under :

"HFL has not made any request for financial assistance in 2016-17, 2017-18 and 2018-19 (BE). Apart from the fact that no request for financial assistance has been made by HFL, no funds have been allocated for HFL in 2016-17, 2017-18 and BE 2018-19 in view of OM dated 3.2.2016 of Ministry of Finance which instructs that the window of investment and working capital loan to CPSUs from Govt. of India, in general, is closed."

3.80 Regarding financial performance of the HFL in 2017-18 and its viability in future, the Committee were informed as under:-

" Financial performance of HFL in 2017-18 (Provisional up to Dec. 2017) is summarized below:

(Rs. in crore)

i) Total Revenue (Net)	*26.22*
ii) Gross profit *(Earnings before interest, tax, depreciation and amortization)*	*2.33*
iii) Net Profit/(Loss)	*(1.01)*

The major factors responsible for sub-optimal performance of the company over the years are uneconomical and small plant capacity (PTFE: 500 MTPA and CFM-22: 1265 MTPA) vis-à-vis industry standards and high manpower cost (average of about 40% of Revenue). To address the difficulty of competing in the market with the above products, the company tried to diversify into manufacturing fluoro specialty products which can be sold in niche market with more margins as compared to PTFE and CFM-22. However, such efforts could not be successful due to the following reasons:

- *Company does not have indigenous technology to develop various fluoro specialty chemicals.*
- *To sell such niche product, state of the art R&D centre along with dynamic marketing team is a pre-requisite.*
- *High capital expenditure is involved depending on the type of product/s and capacity.*

Further, it is relevant to mention that production of CFM-22 / HCFC-22 and its consumption as non-feedstock has been partially restricted from 2015 by the Ministry of Environment, Forest and Climate Change, Govt. of India, as per the provisions of Montreal Protocol (1992) since CFM-22 falls under Ozone Depleting Substances (ODS) category. Though the company has been generating positive contribution and profitability from direct sale of CFM-22, this scenario may not continue from 2020 onward due to the compliance requirement with Montreal Protocol.

In view of the above, and considering the continuous losses sustained by HFL since its inception (except for nominal profits made during 2007-08 to 2012-13) and negative net worth of Rs.68.56 crore (as on 31.03.2017), the company does not have the resources to revive and turn-around its operations on a sustainable basis."

OBSERVATIONS / RECOMMENDATIONS

RECOMMENDATION NO. 1

Status of Chemical Industry

The Committee take note that the chemical industry which includes basic chemicals and its products, petrochemicals, fertilizers, pesticides, paints, varnishes, gases, soaps, perfumes and toiletry and pharmaceuticals and covers more than eighty thousand diversified commercial products, occupies a pivotal position in meeting basic needs and improving quality of human life. This industry is the mainstay of industrial and agricultural development of the country and provides building blocks for several downstream industries, such as textiles, papers, paints, varnishes, soaps, detergents, pharmaceuticals, etc. According to National Accounts Statistics 2017, brought out by the Central Statistics Office (CSO), Chemical and Chemical products sector (industry division 20 and 21 of NIC 2008) accounted for 2.39% of the Gross Value Addition (GVA) (at 2011-12 prices) in 2015-16, compared to 2.23% in 2014-15. The production of Major Chemicals and Petrochemicals in 2017-18 (up to December 2017) was 19793 thousand MT, as compared to 19210 thousand MT in 2016-17 (up to December 2016) implying growth of 3.03%. The Committee have been informed that after adoption of liberal industrial, trade & FDI policy post 1991, the growth of the chemical industry has been driven by market forces and the industry has gained global recognition. The Indian chemical industry ranks seventh in the world and fourth in Asia. Taking into account the foregoing, the Committee feel that the Department shall strive to promote and support the Indian chemical industry with all necessary financial and trade measures and through suitable schemes and programmes for its further growth and development. The Committee think that, if necessary a comprehensive chemical law may be enacted to regulate production, consumption and trade in chemicals and to safeguard the interests of the domestic chemical industry in consonance with provisions of WTO rules provisions. The Committee may be informed of the initiatives taken by the Department in this regard.

RECOMMENDATION NO. 2

Under-utilization of Budgetary Allocations

The Committee are concerned to note that the Department of Chemicals and Petrochemicals has been under-utilizing their budgetary allocations since the year 2015-16, 2016-17 and 2017-18 the current financial year as well. In the year 2015-16, the Department could spent only Rs.189.71/- crore against RE of Rs.214.77/- crore. Similarly, in the year 2016-17, the actual expenditure was Rs.166.77 crore against RE of Rs.183/- crore. Further, it has also been informed that in the current financial year i.e. 2017-18 also the actual expenditure would be Rs.594.91/- crore approximately against RE of 634.71/- crore. The Committee also take a serious view of the failure of the Department for allowing a situation wherein two of the three Public Sector Undertakings under its administrative control i.e. Hindustan Organic Chemicals Limited (HOCL) and Hindustan Fluorocarbons Limited (HFL) have become unviable and are awaiting closure / disinvestment. The Committee, therefore, strongly recommend that the Department must take all necessary steps to ensure that the budgetary allocations for 2018-19 are fully utilized. Further, the Committee also recommend that the Department shall take proactive steps in dealing with matters under its purview and issues / problems faced by the chemical industry in the country and if necessary, suitable new way-outs be devised and implemented to address the same. The Committee desire that the actions taken in this regard may be apprised to the former.

RECOMMENDATION NO. 3

Budget Allocation

The Committee observe that an amount of Rs.199.65/- crore has been allocated as BE for the year 2018-19 as against the projected requirement of Rs.288.09/- crore by the Department of Chemicals and Petrochemicals for the year. Reduced allocations have been made in the BE-2018-19 for (i) Central Institute of Plastic Engineering and Technology (Rs.83.64/- cr. against Rs.156.47/- cr.), (ii) New Schemes of Petrochemicals (Rs.55.50/- cr. against Rs.68.42/- cr.), (iii) Chemicals Promotion and Development Scheme (Rs.3.00 cr. against Rs.5.40/- cr.) and Institute of Pesticides Formulation Technology (Rs.7.50 against Rs.10.23/- cr.). Apart from the aforesaid reduced allocations, only a token amount of Rupees one lakh has been allocated for Assam Gas Cracker Project (AGCP) in 2018-19 budgetary provisions against Rs. Rs.449.45/- crore as unpaid balance of capital subsidy payment to AGCP. The Committee feel that the reduction in funds-allocations to the Department for 2018-19 will adversely affect the implementation of schemes and programmes of the Department. The Committee foresee that the Department intends to seek supplementary grants later on to meet the requirements of funds for AGCP, CIPET, etc. The Committee, therefore, recommend that the Department should project their additional funds requirement to the Ministry of Finance in time and in a convincing manner and impress upon them to allocate adequate funds to the Department in 2018-19 at RE stage. The Committee, would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 4

Export And Import of Chemicals

The Committee are concerned to note that the foreign exchange outgo on account of imports of chemicals and petrochemicals during 2014-15 was Rs.43,025.89/- crore and it was Rs.40,076.18/- in 2015-16, and in the year 2016-17, it marginally rose to Rs.40,0142.07/- crore. The Committee are aware that the Government is taking various steps including setting up of four Petroleum, Chemical and Petrochemical Investment Regions (PCPIRS) to enhance domestic production of chemicals and petrochemicals to attain self-reliance. Nevertheless, the Committee, recommend that the Department should take prompt steps for domestic production of imported chemicals and to increase production of those chemicals which are short-in-supply. The Committee, would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 5

Strengthening of Statistics and Monitoring Mechanism

The Committee note that the data relating to chemical industry in the country including problems/issues faced by it are the collected and compiled by the Statistics and Monitoring Division of the Department from the Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata and from the Industry Associations. The Committee are also aware that the Department of Chemicals and Petrochemicals is administrative Department for administration of the Chemicals Weapons and Convention Act, 2000. A strong monitoring and statistics mechanism is, therefore, very essential for identifying issues and problem areas in chemicals sector. The Committee, therefore, recommend that the Statistics and Monitoring Division of the Department suitably strengthened and equipped for effective discharge of the mandated responsibilities. The Committee, would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 6

Assam Gas Cracker Project (AGCP)

The Committee note that a joint venture company, the Brahmaputra Cracker and Polymer Limited (BCPL) was set up for the implementation of Assam Gas Cracker Project (AGCP). The BCPL, [70% share held by Gas Authority of India Limited (GAIL) ; 10% by Oil India Limited (OIL) ; 10% by Numaligarh Refinery Limited (NRL) and the remaining 10% by State Govt. of Assam] was commissioned on 02-01-2016. The total project cost is Rs.9,965/- crore. Out of the total project cost, an expenditure of Rs.5,239.45 crore is to be funded as Capital Subsidy for the project by the Union Government. At present, an amount of Rs.449.45/- crore is pending as unpaid balance of Capital Subsidy for the project. The Committee note that an amount of Rs.1.00 lakh only has been made as BE towards financial assistance to BCPL for the year 2018-19. They further note that the company is already facing acute inadequacy of working capital, high cost of raw material, etc. Therefore, it becomes, imperative that timely payment of balance Capital Subsidy of Rs.449.45/- crore for BCPL is very crucial to enable it to attain financial and operational stability. However, an amount Rupees only lakh has been allocated in the BE for 2018-19 for BCPL. The Committee, therefore, strongly recommend that the Department of Chemicals and Petrochemicals shall take up case for additional allocation of funds at RE stage for payment of Capital Subsidy dues to BCPL in 2018-19. The Committee also hold the view that since the 90% of share of BCP is held by PSUs under the administrative control of Ministry of Petroleum and Natural Gas, a workable administrative model be devised for the smooth functioning of BCPL. The action taken in the matter may please be informed to the Committee.

RECOMMENDATION NO. 7

Plastic Parks

The Committee note that Plastic Parks are the major component of the New Scheme of Petrochemicals. An amount of Rs.49.50/- crore has been allocated as budgetary provision for setting up of Plastic Parks in the year 2018-19. However, the Committee are dismayed to note that although the Plastic Park scheme was launched way back in 2013-14 and 10 Plastic Parks were planned to be set up in phase-I of the scheme, the progress in setting up of the plastic parks have been found to be very slow. Funds utilization for the scheme has also been noted to be very less. At present, works for setting up of only four Plastic Parks are under progress and the said four Plastic parks are under different stages of completion. Works have not been started in respect of other 14 additional Plastic Parks which were subsequently announced to be set up. In this context, the Committee strongly recommend that firm targets be set for the implementation of the parks in a time bound manner and progress be reviewed with all stake-holders periodically to give impetus in the pace of implementation of the Scheme. The Committee hope that at least, in the current financial year and in 2018-19 the Department will show positive results in improving the pace of setting up of Plastic Parks. The Committee would like to be apprised of the progress made in this regard.

<u>RECOMMENDATION NO. 8</u>

<u>Centre of Excellence</u>

The Committee appreciate that the Department of Chemicals and Petrochemicals is implementing the scheme of Centre of Excellence for improving the petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. The Committee also note that five Centres of Excellence (CoEs) have already been set up at (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 Department has now undertaken to set up three more Centres of Excellence and an amount of Rs.6/ crore has been allocated for the purpose. The Committee, are desirous that the proposed three CoEs be set up expeditiously in a time bound manner. The Committee also recommend that Department shall take steps for extension of the COE scheme to suitable educational and research institutions that may contribute for the promotion of chemical industry as well. The Committee would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 9

Chemical Promotion and Development Scheme (CPDS)

The Committee are unhappy to note that the Department of Chemicals and Petrochemicals have not been able to implement their Chemical Promotion Development Scheme (CPDS) in a professional manner to achieve desired goals. The figures of actual expenditure for CPDS during the year 2014-15 was Rs.3.53 crore against RE of Rs.4.00 crore ; in 2015-16 it was Rs.2.79 crore against RE of Rs 3.90 crore ; in 2016-17 it was Rs.1.26 crore against RE of Rs.1.99 crore and in the current year, the expenditure is Rs.83 lakh upto Feb, 2018 against RE of Rs.2.00 crore. A budgetary allocation of RS.3.00 crore has been made for the implementation of CPDS during year 2018-19. The Committee also take note that eligible projects under the CPDS are implemented by the autonomous bodies / PSUs under the Department of Chemicals and Petrochemicals. The Committee, taking into account the poor implementation of the scheme in the past 4 years, desire that the Department take all necessary action to fully utilize the BE of Rs. 3.00 crore allocated for the scheme.

RECOMMENDATION NO. 10

Central Institute of Plastics Engineering & Technology (CIPET)

The Committee are dismayed to note that a much lower allocation of 83.64/- crore has been allocated as BE 2018-19 for the implementation of Central Institute Plastic Engineering and Technology (CIPET) against the projected requirement of Rs.156.47/- crore. The Committee also note that at present 25 CIPET centres are functional; 5 CIPET centres are to be started soon and setting up of 9 CIPET centres and under progress. The Department has also acquiesced to the fact that the budgetary allocations for CIPET during 2018-19 is inadequate. The Committee, therefore, strongly recommend that the Department of Chemicals and Petrochemicals shall take up the issue of additional fund allocation with the Ministry of Finance highlighting the activities of CIPET as an institute of national importance for skill development in its field. The Committee would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 11

Institute of Pesticides Formulation Technology (IPFT)

The Committee find that an amount of Rs.7.50 crore has been allocated for financial assistance to Institute of Pesticide Formulation and Technology (IPFT) during 2018-19 as against the projected requirement of Rs.10.23/- crore. The main objective of IPFT is development and production of the state-of-the art user and environment friendly pesticide formulation technology and promotion of efficient application technologies suiting the existing requirement of newer formulations. Further, IPFT is the only institute of its kind in the country for helping Indian Agrochemical Industries in the field of pesticide formulations development. It has developed 60 user & environment friendly pesticide formulation technology and transferred to industries and filed 12 patents during the last five years. As a reason for reduced allocation, the Committee have been informed that as per General Financial Rules-2017 (Rule229), General Principles for setting up of Autonomous Organizations, all autonomous organizations, new or already in existence should be encouraged to maximize generation of internal resources and eventually attain self sufficiency. Taking into account the importance of the institution for the agrochemical sector and its non-profit making status, the Committee strongly recommend that funds required for R&D initiatives of the institution be fully catered for and the institution should not be allowed to suffer for want of funds. The Committee would like to be informed of the action taken in this regard.

RECOMMENDATION NO. 12

Hindustan Insecticides Limited (HIL)

The Committee are happy to note that Hindustan Insecticides Limited (HIL) is expected to post a net profit of 2.80 crores in the current financial year. The Committee have also taken note that though HIL has dropped its plan to set up a multi-product facility at Rasayani due to cost factor of the major raw material Oxirane, mainly imported from China, the company would be starting commercial production of Pendimethalin from its new plant by mid-march, 2018 and its plant for production of Long Lasting Insecticidal Nets (LLIN) would start production in June, 2018. The Committee have also been informed that HIL is planning to set up a new R&D facility at its Rasayani Unit, Maharashtra, for perfecting the technology / manufacturing process for Long Lasting Insecticidal Nets (LLIN) project, conduct shelf-life studies of the product and to conduct plant trials at large scale to make commercial production as the facility would be useful for studying and investigating the deviations occurring in production process and streamline the production process of the products manufactured at the Rasayani Unit. However, no budgetary provision has been made in the budget for any financial assistance to HIL in 2018-19. Considering the role played by HIL in the production and supply of quality pesticides to the farmers of the country, the Committee are keen that the HIL is given necessary support in the form of financial grants / assistance to enable it to run the company profitably for the welfare all stake-holders. The Committee are afraid lest the HIL meet the same fate as that of HOCL and HFL in the absence of necessary support. The Committee, therefore, recommend that all necessary assistance may be provided to HIL to enable it to set up a new R&D facility at its Rasayani Unit, Maharashtra, for perfecting the technology / manufacturing process for its Long Lasting Insecticidal Nets (LLIN) project. Accordingly, the Department, if necessary, may take up case with Ministry of Finance, for necessary budgetary provisions for this purpose in 2018-19 at RE stage. The Committee desire that action in this regard may be informed at the earliest.

RECOMMENDATION NO. 13

Hindustan Organic Chemicals Limited (HOCL)

The Committee has taken note of the facts that HOCL has been making continuous cash losses since 2011-12. As on 31.3.2017, it had accumulated losses of Rs.1357.22 crore and negative net worth of (-) Rs.970.12 crore. The company has not paid salary regularly to its employees since February, 2015 and does not have working capital to run the plants. Severe competition is forthcoming in the sector with a private sector company setting up a 2 lakh MT per annum capacity Phenol plant which would meet majority of the 2.75 lakh MT domestic demand in the country. Further, HOCL is unable to compete with imports in the absence of anti-dumping duties and struggles to compete even with the levying of anti-dumping duties. In this background, the Government/Cabinet Committee on Economic Affairs (CCEA) on 17.05.2017 approved a restructuring plan for HOCL by closing down the operation of its nine production plants at Rasayani and operating only 3 plants (including 2 plants at Kochi and the strategically important N2O4 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. While Kochi unit will continue its operations, '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. The Committee have been informed that as part of the restructuring plant the agreement for Transfer of Plant (ATP) for the transfer of N2O4 plant to ISRO has been signed between HOCL and ISRO which is effective from 1st October, 2017. The Committee also take note that the outstanding liabilities of HOCL as on 09-02-2018 is Rs.1008.67 crore including bridge loan of Rs.384.87/- crore from the Government. The liabilities of HOCL are to be settled from the proceeds of the disposal of the unencumbered land and other assets of the company at Rasayani unit. However, no budgetary support has been catered for HOCL for 2018-19 towards financial assistance, if any, for its operations / restructuring. Taking into account all the foregoing developments and circumstances, the Committee are apprehensive that the restructuring plan of the Government especially the disinvestment of shares will take a longer time as the HOCL has been a loss making body for the last more than five years. Hence, the

Committee are of the view that the unencumbered land-assets and other assets of the company at Rasayani needs to be disposed expeditiously for the time-bound completion of the restructuring exercise. In this regard, the Committee strongly recommend that the restructuring exercise be carried out in a time bound manner and required financial assistance be provided to the Company for its continued operations. The Committee in particular recommend that all avenues including imposition of anti-dumping duties and other tariff measures be adopted to run remaining plants of HOCL profitably till completion of disinvestment process undertaken by the Government of India.

RECOMMENDATION NO. 14

Hindustan Fluorocarbons Limited (HFL)

The Committee are aware that the Cabinet Committee on Economic Affairs (CCEA) of the Government approved the restructuring of Hindustan Organic Chemicals Limited (HOCL) on 17-05-2017 and the CCEA also accorded 'in-principle for strategic disinvestment of Hindustan Flurocarbons Limited (HFL), the subsidiary unit of HOCL based on the recommendations of the NITI Aayog and the Core Group of Secretaries on Disinvestment (CGD). In this context, the Committee in their 38th Report (16th Lok Sabha) presented on 10-08-2017 had expressed desire that the strategic disinvestment of HFL should be gainfully be done and that the sale should not incur any loss to the State exchequer. The Committee had also recommended that the Department should revisit their decision once more and apprise the Committee of the action in this regard. Subsequently, the Committee, in their 42nd Report presented on 21-12-2017, recommended that the Government may also consider to purchase the shares of HFL held by its parent company i.e., HOCL on 'as is where is basis', in case the strategic sale is not feasible and the disinvestment in HFL may be pursued after the restructure of HOCL is completed. Taking into account the foregoing and the possible longer time period envisaged for completion of restructuring / disinvestment of HOCL, the Committee further recommend that HFL may be given necessary financial support including working capital requirements, if any, to enable it to explore all avenues to become a profit making body before its strategic sale / disinvestment. The Committee desire that their recommendation may be given due consideration and action taken in the matter may be informed to the Committee

RECOMMENDATION NO. 15

Bhopal Gas Leak Disaster

The Committee note that a budgetary allocation of Rs.28.32/- crore has been made in 2018-19 for providing financial assistance for rehabilitation for Bhopal Gas Leak Disaster (BGLD). The Committee also note that as on 31.01.2018, a sum of Rs.37.24 Crore only is lying as balance out of compensation amount of $470 million deposited by Union Carbide Corporation with RBI in 1989. The Committee, therefore, hope that budgetary support for BGLD shall not suffer due to the reason that the compensation amount deposited with the RBI is likely to exhaust in the near future.

The Committee also take note that 300 tonnes of toxic wastes still lying in the premises of Union Carbide India Limited were not disposed even after lapse more than 30 years from the occurrence of the disaster. This point was emphasized in the 38th Report (16th Lok Sabha) also. In this regard, the Committee recommend that Department of Chemicals and Petrochemicals shall take up the matter with Government of Madhya Pradesh for expediting the disposal and remediation of the area and if necessary, the Ministry of Urban Affairs and Housing may also be requested to look into the matter under their Swachh Bharat Mission (Urban). The Committee would like to be informed of the action taken in this regard.

New Delhi;
12 March, 2018
21 Phalguna, 1939 (Saka)

Anandrao Adsul
Chairperson
Standing Committee on
Chemicals and Fertilizers

MINUTES OF THE EIGHT SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2017-18)

The Committee sat on Thursday, the 22nd February, 2018 from 1230 hrs. to 1415 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Anandrao Adsul - Chairperson

MEMBERS

LOK SABHA

2. Dr. (Smt.) Ratna De (Nag)
3. Dr. (Prof.) Azmeera Setaram Naik
4. Shri Chhedi Paswan
5. Shri S. Rajendran
6. Dr. Kulamani Samal
7. Dr. Krishna Pratap Singh

RAJYA SABHA

8. Shri Biswajit Daimary
9. Shri Prem Chand Gupta
10. Shri B. K. Hariprasad
11. Dr. Bhushan Lal Jangde
12. Shri Ranvijay Singh Judev

SECRETARIAT

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

LIST OF WITNESSES

I. MINISTRY OF CHEMICALS AND FERTILIZERS

(DEPARTMENT OF CHEMICALS & PETROCHEMICALS)

1.	Shri Jai Priye Prakash	Secretary (C & PC)
2.	Ms. Meenakshi Gupta	AS & FA
3.	Ms. Ranjana Kale	Sr. Economic Adviser
4.	Dr. Samir Kumar Biswas	Joint Secretary
5.	Smt. Aparna S. Sharma	Joint Secretary
6.	Shri R. K. Kamra	DDG

II. PSU/AUTONOMOUS INSTITUTIONS AND OTHER INSTITUTIONS

1.	Dr. S. K. Nayak	DG, CIPET
2.	Dr. Jitender Kumar	Director, IPFT
3.	Sh. S. B. Bhide	CMD, HOCL
4.	Sh. S. P. Mohanty	Dir (Marketing) & CMD(addtional Charge) HIL
5.	Sh. T. S. Gaikwad	MD, HFL
6.	Sh. Ajay Srivastava	Registrar-in-charge, Bhopal Gas Tragedy Relief and Rehabilitation
7.	Sh. B. C. Tripathi	Chairman, BCPL

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and representatives of the Ministry of Chemicals & Fertilizers (Department of Chemicals and Petrochemicals) to the sitting convened for examination of Demands for Grants of the Department for 2018-19. He also invited the attention of all to the provisions contained in Direction 55(1) of the Directions by the Speaker regarding confidentiality of the Committee's proceedings.

3. After the witnesses introduced themselves, representatives of the Department of Chemicals and Petrochemicals made a power point presentation to the Committee regarding salient features of Demands for Grants 2018-19 pertaiing to the Department of Chemicals and Petrochemicals. The power point presentation was followed by discussion on several aspects of Demands for Grants of the Department. During the discussion, the Hon'ble Chairperson and Members of the Committee raised queries on several issues such as:-

(i) Budget provision and expenditure during 2015-16, 2016-17 and 2017-18 and adequacy of BE of Rs. 199.65 crore (Revenue Account) for 2018-19 for schemes/programmes of Department ;

(ii) Progress in setting up of Plastic Parks and delay in setting up Plastic Park in Paradeep (Orissa);

(iii) Issues relating to sickness of HOCL and restructuring exercise / disinvestment in Hindustan organic Chemicals Limited (HOCL) and Hindustan Flurocarbons Limited (HFL) ;

(iv) Non-allocation of funds for payment of balance amount of capital subsidy to Brahmaputra Cracker and Polymers Limited (BCPL) and issues relating to shortage of feedstock for BCPL. ;

(v) Import/Export of Chemicals and Chemicals products ;

(vi) Funds allocated for development of central Institutes of Plastic Engineering & Technology (CIPET) and opening of new CIPET ;

(vii) Need for a comprehensive Chemicals law in the country to regulate production, consumption, import/export of chemicals and to facilitate availability of basic chemicals at reasonable prices especially for sanitation, hygiene, and health sectors.

4. The Secretary, Department of Chemicals and Petrochemicals and other officials responded to the aforesaid concerns/issues raised by the Committee.

5. The Chairperson thanked the witnesses for appearing before the Committee as well as for furnishing valuable information to the Committee. They were also asked to send written replies at the earliest in respect of those points/queries for which requisite information / clarification was not readily readily available

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

The Committee then adjourned.

MINUTES OF THE NINTH SITTING OF THE
STANDING COMMITTEE ON CHEMICALS & FERTILIZERS

(2017-18)

The Committee sat on Monday, the 12 March, 2018 from 1500 hrs. to 1530 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. Shri Chhedi Paswan
7. Shri S. Rajendran
8. Dr. Kulamani Samal
9. Dr. (Smt.) Ratna De (Nag)

RAJYA SABHA

10. Dr. Bhusan Lal Jangde
11. Shri Ranvijay Singh Judev
12. Shri B. K. Hariprasad

SECRETARIAT

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

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

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

(i) xxx xxx xxx

(ii) Draft report on 'Demands for Grants 2018-19' (Department of Chemicals and Petrochemicals;

(iii) xxx xxx xxx

4. After deliberations the Draft Reports were adopted by the Committee. without any changes/amendments.

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

The Committee then adjourned.