

CHAPTER III: DEPARTMENT OF BIO-TECHNOLOGY

Indian Vaccines Corporation Limited

3.1.1 Loss due to delay in taking decision on the closure of a project

The Company incurred wasteful expenditure of Rs.9.09 crore during April 1993 to March 2006 due to delay in deciding upon the closure of the project for manufacture of vaccines.

Indian Vaccines Corporation Limited (Company) was incorporated (March 1989) with the participation of three promoters viz. Department of Bio-technology (DBT) GOI, M/s. Pasteur Merieux Serums and Vaccine (PSMV) of France, (technical collaborator) and Indian Petrochemicals Corporation Limited to undertake a project for manufacture and research and development of viral vaccines including Injectable Polio Vaccine (IPV). The project was scheduled to be completed by July 1994.

During review of the project by the promoters (November 1991 to February 1992) it became apparent that World Health Organisation would advocate preferential use of Oral Polio Vaccine (OPV) in developing countries. The project implementation was therefore, suspended (February 1992) pending policy decision of the GOI on the type of vaccine to be used for polio eradication. Subsequently, the GOI decided (July 1992) to continue with the use of OPV as a vaccine of choice and the project promoters decided (September 1992) to form a Committee to study the techno-economic feasibility of the project for manufacture of Vero cell OPV, in addition to other vaccines. The report which was finalised in February 1993 found that the project for manufacture of Vero cell OPV and other vaccines was technically viable but suffered from financial constraints. As per the report, a further investment of Rs.170.46 crore was required for continuing with the project while the incremental cost of closing it down was Rs.20 crore.

It was observed in Audit (December 2005) that the report was discussed by the promoters in several meetings but the decision to close the project was taken only in November 1995. Since the process of closure was time consuming, PMSV withdrew from the project (September 1998) by selling its share to DBT. Instead of closing the project, the remaining promoters considered various options of selecting a strategic partner for production of immunobiologicals and vaccines. Neither any strategic partner could be selected nor was the project closed (March 2006) resulting in avoidable revenue expenditure of Rs.9.09 crore during April 1993 to March 2006 towards operation of the Company.

The Management stated (December 2005) that efforts had been continuing since long for restructuring and revival of the Company but it was delayed due to unavoidable factors like Indian Petrochemicals Corporation Limited becoming a private company under the GOI's disinvestment programme and subsequent change in the Government policy of disinvestment.

The reply was not acceptable in view of delay in taking decision on the project even after 13 years of suspension of its activities. When the matter was earlier raised by Audit (June 2001) a similar reply was given (August 2001) by the Company stating that they were trying to locate a strategic partner for the project. Thus, due to delay in deciding the fate of the project the Company incurred wasteful expenditure of Rs.9.09 crore.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).