

Can the government revive Hindustan Antibiotics?

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The Maharashtra-based HAL was the first drug manufacturing unit in the country to commercially produce antibiotics like Penicillin, Streptomycin, Gentamicin, Ampicillin and Amoxycillin among others.

In 1954, when India was celebrating its seventh year of independence from the British rule, the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) along with the government of India came together to set up HAL in the public sector.

The company was declared shaky way back in 1996. It was then referred to Board for Industrial and Financial Reconstruction (BIFR) in 1997, and the rehabilitation package was implemented by the government only from 2007 onwards.

"Such delays in decision-making has also contributed to the dismal situation of the company, inspite of its attempts to rise up through diversification and modernization," regretted Mr Varkey.

Bulk Penicillin manufacturing is an energy-intensive process. The steep hike in the energy cost in India resulted in unviability of Penicillin manufacturing in India, and all such units in the country were shut.

"Meanwhile, China captured 90 per cent of the global market for Penicillin by offering favorable incentives to manufacturers,

taking advantage of the globalization policy of the Indian government," he reasoned.

Currently, HAL employs double the required manpower with pending outstanding loans. The company is struggling to meet its day-to-day administrative expenses and its pending salaries for several months.

"As there is no money for buying raw materials, the production is possible if only advance payments for raw materials are received. A VRS Scheme is under the consideration by the government," said Mr Varkey.

Today, the company's liabilities is getting accumulated at the rate of Rs 7 crore per month due to idling of the world-class plants and trained manpower.

"The plants, buildings and utilities are deteriorating day-by-day due to lack of maintenance. It may be noted that if working capital of Rs 44 crore is made available, it is very easy to attain a turnover of Rs 250 crore as there is good demand for HAL products because of its high-quality, produced in a world-class plant," elucidated Mr Varkey.

He continued, "This will fetch around Rs 40 crore per annum in the form of excise duty and sales tax to the government in addition to the profits. The indirect revenues and social benefits are extra. Alternatively, if the unit is closed, it is liable to clear all the liabilities which is much more than the money required for HAL's revival. The industrial relations in the company has reached an explosive stage as workers are suffering for so many years."

Right now, a revival proposal for an amount of Rs 525 crore has been submitted, and the government is said to be seriously considering the proposal. Majority of the amount consists of the pending loans, statutory liabilities and pending dues of the employees.

Hindustan Antibiotics Mazdoor Sangh (HAMS) is the name of the recognized Trade Union in HAL. HAMS has sent a letter to the Prime Minister Shri Narendra Modi in this regard.

To raise the required capital, tenders were issued many times for selling its vacant land. "But for some reason or the other, the final approval has not been received for the same. As per the latest quotation received, the vacant land is worth more than Rs 1000 crore," revealed Mr Varkey.

Maharashtra Housing and Area Development Authority (MHADA) was the highest bidder in the latest tender floated in April 2013. "Subsequently, we were directed by the Ministry in July 2014 that the government will support the revival plan through the Plan Fund and hence land need not be sold," said Mr Varkey.

The Cabinet Minister Shri Ananth Kumar is also said to have expressed his strong desire to revive HAL and has asked the HAL management to prepare a road map for revival and growth of the company. The revival plan has been submitted by HAL to the authorities, which is under scrutiny.

"Shri Ananth Kumar has directed the Department of Pharmaceuticals to take necessary action for the release of three months salary immediately. However, our management representatives could not meet Union Minister Shri Nitin Gadkari so far. We have met the Union Minister Shri Prakash Javadekar and appraised of the realities. He expressed great concern and promised us that he will bring it to the attention of Prime Minister and offered all possible help," opined Mr Varkey optimistically.

So far HAL also has set up two subsidiary companies namely Maharashtra Antibiotics & Pharmaceuticals, and Karnataka Antibiotics & Pharmaceuticals.

When asked about HAL's interest in mergers or acquisitions, Mr Varkey explained, "This is a policy matter and hence we have not got in touch with any company. It is possible for us to venture into domains like pharmaco-informatics, nanomedicine, chemo-informatics, and pharmaco-vigilance. We also propose to venture into high-tech areas like chipped capsules, magnetic tablets, and drug delivery systems. Collaboration with pharma and IT companies is a must. HAL is ready to support this kind of ventures by all possible means, after streamlining the present operations."

At present HAL employs around 1,050 professionals. "They are facing acute poverty due to non-payment of salaries. They are still drawing meager salaries as per the 1997 pay-revision. It is a task to manage such a demotivated work force who have not even got salaries for their survival. No recruitments were done for many years, and no promotions were granted to the deserving employees due to the precarious financial conditions," Mr Varkey lamented.

At present HAL's key customers include State Governments and the Central Government organizations like defense, railways, and ESIC. "Farmers are also the end users for our agricultural and veterinary products which are eco-friendly and

cost-effective," Mr Varkey said.

Though in a dismal stage at present, the R&D department at HAL have done a commendable job in the past and present.

"The only two molecules invented in India, namely Hamycin and Aureofungin, are from the R&D department of HAL. Right now, we are in the development of specialty medicines like Potassium Iodate tablets, Ringer Lactate with Glycerin injection, Prussian Blue tablets, Ketamine detection kit, and Glipizide tablet, required for security forces, defense departments, and nuclear or cyanide disasters. New bio-fertilizers like Potash solubilizing bacteria is also being developed. It is heartening to find that though the stomach is empty, the brain is still active at HAL," expressed Mr Varkey joyfully, who was appointed as HAL's MD in November 2012.

The company exports its medicines to Netherlands, Tanzania, Uganda, UAE, Sri Lanka, Kenya, Peru, and Republic of Yemen.