



**FINANCE (P.U.D) DEPARTMENT**

**G.O. (Ms.) No. 3144/98/Fin., Thiruvananthapuram,**

**Dated 18<sup>th</sup> December 1998**

*Abstract.* - Public sector Undertakings-Sick Industrial Units Revival of-Preparations of project packages and allied matters—Instruction—Issued.

**ORDER**

As per the sick Industrial Companies Provisions Act, 1985, an undertaking which shows the signs of sickness has to be referred to the Board for Industrial and Financial Reconstructions (BIFR). Upon reference, B.I.F.R make a study of the Company's functioning and appoints an operating agency for remedial measures. Directions of B.I.F.R. are binding on all parties concerned. Usually rehabilitation package contain clearance of outstanding dues to financing institutions, fresh capital investment, conversion of loan and into equity deferent ad sales tax, uninterrupted power supply and other concessions to be extended to the Unit by the Government, financing agencies and management, and sacrifices on the part of workers.

2. It has been the experience that commitment on the part of Government is usually very high and for all practical purpose, almost entire cost of rehabilitation package comes to be borne by Government. Once a commitment is made before the B.I.F.R. and the B.I.F.R. approves it, it is irrevocable commitments are usually of diverse nature which include infusion of funds for one time settlement for acquisition of fresh assests, for meeting cash loss/shortfall in cash projections etc. Which result in heavy cash out flow. Apart from it, there are other indirect assistance and concessions affect the fiancé of the State. These include deferent of sales tax and electricity duty, uninterrupted power supply for a fairly long period and leavy of electricity charges at confessional rates. Viability of the revival project significantly depends upon these commitments. Some of these conditions are very difficult to comply with. Some of the packages even include concession of industrial Development Fund loan into equity of Government which is not all permissible as Industrial Development Funs is outside the purview of Consolidated Fund of the State.

3. The packages prepared by the operating agency also contain heavy concession/sacrifices on the part of Government. Finance Department can do very little as the package ids prepared by the operating agency appointed by B.I.F.R. In most cases, the package is sent to Finance Department for its concurrence after having been presented before the B.I.F.R. and after orders having

been passed by the B.I.F.R. to implement the same. At that stage, no meaningful scrutiny is possible in such cases.

4. In order to safeguard its interest, Government should have full picture of direct and indirect commitments or liabilities contemplated in the revival package by way of infusion of fresh funds, direct/indirect subsidies including deferment before the B.I.F.R. Hence it is essential that concurrence of finance department is obtained before making any financial commitment before the B.I.F.R. in all cases including one time settlement cases. Involvement of different department in Government too has to be ensured in the process of preparation of revival packages.

5. In the above circumstances, Government are pleased to issue the following orders for the strict compliance of all P.S.Us. and various Administrative Departments in the secretariat.

(i) The Administrative Department should consult the concerned departments such as power, Taxes, Finance etc. Before making commitments before the B.I.F.R. on various concessions direct or indirect, on issues involving these departments.

(ii) A review of implementation of all ongoing revival programmes should be made as this will help to take a mid-term stock of the situation and would also help to suggest correctional measures, if necessary, while the revival process is still on. This will make the revival process more realistic.

(iii) The ongoing revival packages under reference to the B.I.F.R. should be reviewed, taking into account of the amount spent by government so far, shortage of power in the state, progress achieved till the time of review etc. If necessary, B.I.F.R. may be moved for modification in the package.

(iv) All B.I.F.R. packages and other revival packages should be scrutinized at the preparation stage itself by a Committee to be constituted under the Chairmanship of the Chief Secretary. The committee shall consist of representatives of Finances, Taxes, Power and Planning Departments and the concerned Administrative Department, so that liabilities are assessed properly and Government's views as promoters of the Company are presented effectively before the B.I.F.R. The Committee shall also review the ongoing revival programmes as mentioned in items (ii) and (iii) above.

(v) In respect of Companies which do not come under the purview of B.I.F.R. it shall be mandatory for them to have their accounts prepared and audited up to date, before going in for any revival programme.

(By order of the Governor)

**VINOD RAI**

*Principal Secretary (Finance).*