

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2539
ANSWERED ON:07.03.2003
REVIVAL OF TCOs AND BITCO
RAM VILAS PASWAN

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether a study on restructuring/revival of IDBI led TCOs including BITCO was made by IDBI;
- (b) if so, the salient findings of the study and the measures taken for restructuring of the TCOs;
- (c) whether salaries and other statutory payments like P.F. remained unpaid for long to the employees of BITCO;
- (d) if so, the action taken by the Government to clear their dues;
- (e) whether restructuring of IDBI by granting financial packages is contemplated; and
- (f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

- (a) The Industrial Development Bank of India (IDBI) had appointed the Moores Rowland consulting Pvt Ltd. (MRCL) to carry out an independent study on the viability of five IDBI-led Technical Consultancy Organisations (TCOs) including BITCO.
- (b) As reported by IDBI, the salient findings of the study pertaining to Bihar Industrial & Technical Consultancy Organisation (BITCO), Jammu & Kashmir Industrial & Technical Consultancy Organisation (J&KITCO), North Eastern Industrial & Technical Consultancy Organisation (NEITCO), Orissa Industrial & Technical Consultancy Organisation (ORITCO) and North East Consultancy Organisation (NECON) are indicated in the enclosed statement.
- (c) Yes, Sir.
- (d) IDBI along with other institutions is a shareholder of TCOs including BITCO and the day-to-day administration and other staff matters including payment of salaries and PF dues is the sole responsibility of each individual TCO.
- (e) Government is contemplating to repeal the IDBI Act, 1964 and convert IDBI into a company under the Companies Act, 1956. Accordingly, Government has decided to corporatise Industrial Development Bank of India and grant it a banking licence. A Bill, Industrial Development Bank (Transfer of undertaking and Repeal) Bill 2002, has been introduced in December, 2002 in Lok Sabha. The Bill has been referred to the Standing Committee on Finance for examination.
- (f) At the time of introduction of the Bill, it was recognized that the liability developing on the IDBI in terms of the differential rate of interest between its earlier borrowings and the current borrowings would need to be separately addressed by Government. Accordingly, in meetings of all stakeholders of IDBI, it has been decided that IDBI would service the interest on its existing borrowings as on the appointed day at 8% and the balance, viz, the amount representing the difference between the contracted rate and 8% would be paid by the Government each year. A provision of Rs.773.00 crore has been made for this purpose in the Union Budget, 2003-04.

Statement

The summarized findings of the study pertaining to these TCOs are as under:

1. BITCO

Bihar Industrial & Technical Consultancy Organisation (BITCO), situated in one of the more industrially backward States, has been showing a declining trend in performance over the years leading to a serious deterioration in its financial position. It has been facing serious employees problems, including suits filed by the staff against the TCO and vice-versa. It has excess staff with low productivity levels and morale. BITCO also has large outstanding liabilities against extremely meager assets. Some creditors have initiated legal action against the TCO. The internal and external factors impacting its operations indicate that it would be difficult for it to achieve the sustained viability in the future. MRCL has categorized BITCO as a non-viable TCO and stated that it might be closed down since, despite repeated assistance provided by its sponsoring institutions. BITCO had not been able to establish its viability. As MRCL

concluded that BITCO's sustained viability was in doubt, it was decided by IDBI to disassociate itself from BITCO.

2. J&KITCO

Jammu & Kashmir Industrial & Technical Consultancy Organisation (J&KITCO) has been adversely impacted by external as well as internal factors. The TCO has a negative net worth and sizeable outstanding liabilities, which are far in excess of its assets. Legal notice has been served on the TCO by a creditor. These inimical factors would make it difficult for the TCO to achieve viable operating levels on a sustained basis. Closure seems to be the only available option for J&KITCO.

3. NEITCO

North Eastern Industrial & Technical Consultancy Organisation (NEITCO) has been facing serious financial problems including scarcity of working capital and severe competition from larger private consultant besides the problem of excess staff with low productivity. In case its creditors agree on a consensus to waive about 80% of their dues, it might be possible for NEITCO to repay the balance out of its future operations over the next five years and be a viable TCO. However, in the absence of the requisite accommodation from its creditors, its closure would be the only available option.

4. ORITCO

Orissa Industrial & Technical Consultancy Organisation (ORITCO) has eroded its net worth and has built up large outstanding liabilities, which are far in excess of its assets. SBI has proceeded to recover its assistance through the Debt Recovery Tribunal. The inimical external and internal factors are likely to adversely impact ORITCO's operations in future. Therefore, for ORITCO too, closure seems to be the only considered option.

5. NECON

North East Consultancy Organisation (NECON) was able to generate profits in the past and consequently has a positive net worth together with investment of Rs. 20 lakh in bonds. It has built up a young and enthusiastic team of professionals who have pro-actively undertaken business development activities to cater to the varied requirements of its clients. This has generated considerable goodwill. NECON, therefore, appears to have reasonable future prospects and may not need any substantial infusion of funds from external sources. NECON, therefore, has a potential for revival.