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Don't throw the baby at BIFR doorstep

If the Government deals with the PSUs successfully, for which it is fully equipped, BIFR can deploy its limited infrastructure and time in processing cases in the private sector, says *Uttam Gupta*

A group of ministers propose while the BIFR disposes. This, in brief, sums up the manner in which the contemplated restructuring, rehabilitation and modernisation programmes of various sick public sector enterprises have been handled by the Government.

Last year, the group of ministers approved the rehabilitation and modernisation package for the mills (about 123) under the National Textile Corporation (NTC). Likewise, the rehabilitation plan for the FCI and HFC group of units (excluding HFC-Haldia and FCI-Gorakhpur), was approved by the group of ministers about six months ago. On both these, the BIFR is yet to give the green signal. The fate of the Iisco modernisation plan too hangs in balance.

In the meanwhile, with every bit of delay, the cost of rehabilitation packages are rising requiring reassessment of the viability and reworking of the elements of the package. This may also entail with it the possibility of abandoning the rehabilitation programme altogether.

Where does the problem lie? One may be tempted to put the blame squarely at the doorsteps of BIFR. All the more so, because the infrastructure (including manpower) with it is too little in relation to the workload and its approach in handling and processing cases lacks professionalism. There is also a view in some quarters that BIFR itself is sick; so how can it be expected to deal effectively with the sickness of others?

These problems are, no doubt, significant but not insurmountable. In fact, the inadequacy of the infrastructure is the result of wanton neglect of the need for augmenting it in tune with increasing requirements. After all, when SICA was amended requiring reference of even sick PSUs to the BIFR, it was known that a number of them would automatically be referred to the Board thus increasing the workload substantially. The Government should have taken timely steps to prevent this bottleneck from coming up. Likewise, speed, efficiency and work ethos are issues that cannot be seen in isolation from Government functioning.

There is, however, a much more vital aspect of the rehabilitation packages remaining stuck up with the BIFR. It is required to take decisions that work. For this, it must secure not only the prior concurrence, but also, the specific commitments of the intended parties for implementation of the rehabilitation package. Herein lies the crux of the problem. Far from getting specific financial commitments, even the consent is not forthcoming. Inevitably, the contemplated packages involve major relief from FIs and commercial banks whose instant reply is 'no'.

What is even worse is that the moment the concerned PSU lands up in BIFR's lap, the banks stop providing working capital support. This accelerates the sick PSU into a coma as in the absence of adequate cash, even the limited production operations come to a grinding halt. Needless to say that the longer the undertaking stays with BIFR, the greater are the chances of the patient dying an unnatural death.

Much of the problem lies with the Government itself. That it has had a role in making majority of the PSUs sick is common knowledge. But, that apart, when the Government, on its own, consciously takes a decision to revive the sick unit, it is duty-bound to ensure that the rehabilitation plan is successfully implemented. And, in this, it must take the lead in arranging the much-needed financial support.

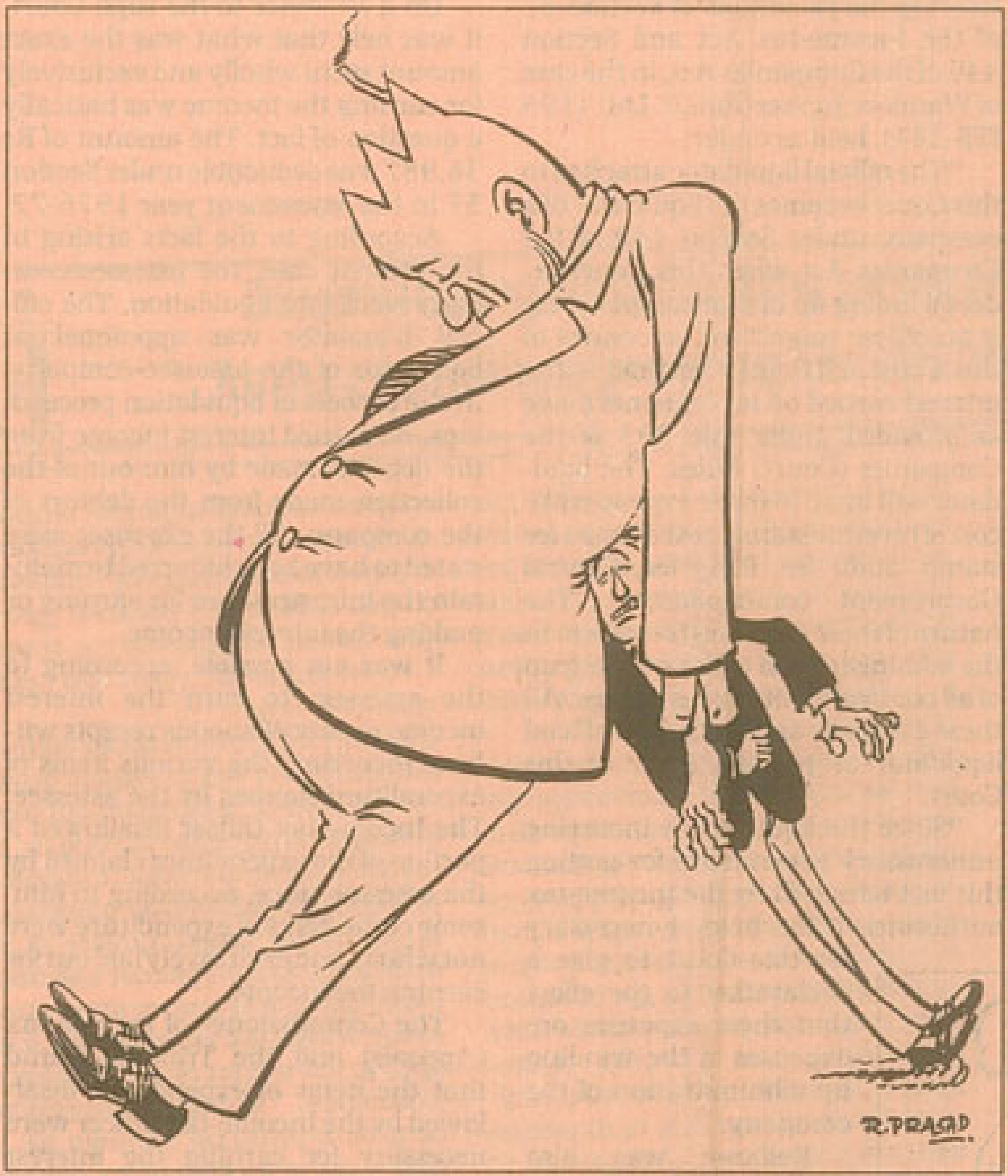
The sick PSUs have huge accumulated losses, their networth is not only fully eroded, but, substantially negative and plant/machinery in a virtually dilapidated condition necessitating huge investment. In view of this, no private promoter is expected to come forward. Is the Government playing its rightful role? What is the ground reality?

In the case of FCI/HFC, shortly after the finalisation of the rehabilitation package by the group of ministers, the Finance Ministry declined to provide budgetary assistance. Instead, it asked the Department of Fertiliser (Administrative Ministry for FCI/HFC) to request other cash-rich PSUs under its jurisdiction to either take over selected plants for rehabilitation or provide financial assistance.

The PSUs concerned when approached by the Department of Fertiliser declined either of the two proposals as they required surplus funds for implementing their own expansion and modernisation programmes. Diversion of funds to the sick units would clearly mean that they cannot implement their own projects as the Government will simply not come forward to provide budgetary support when needed.

The Department of Fertiliser is now trying the impossible i.e. seeking funds from the FIs/banks. When the Government itself has categorically refused to provide funds from the Budget, how can the FIs/banks be expected to lend support. All the more so, when the latter are under constant threat from none other than the former to show improved profits in the liberalised regime.

While the FCI/HFC present a grim situation from the funding angle, the Iisco modernisation package is a shade better. Of the estimated requirement of a little over Rs 4,000 crore, the bulk is proposed to be contributed by SAIL. The expectation from the Government by way of budgetary support is only about Rs 1,100 crore. On this also, the Finance Ministry has been dragging its feet.



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Availability of funds is not the only constraint. That, there are other stumbling blocks is clear from the fate of the NTC rehabilitation and modernisation programme. In this case, funding should not pose any problem at all. In fact, as part of the package approved by the group of ministers, the Government had proposed sale of surplus land and other assets with 15 textile mills (13 in Bombay and two in Kanpur), which would yield revenue of about Rs 2,300 crore against the estimated cost of about Rs 2,000 crore for implementing the package.

True, there is a technical snag. The 15 mills under reference are not owned by the Government as yet; only the management was taken over by the Government. Consequently, the Government should become the owner of these mills before it can sell their property. It would require nationalisation of these mills for which the necessary amendment has to be passed by Parliament. However, this is not a difficult task given the necessary will. In fact, it should have been done much earlier.

Now, there is a subtle move to bury the very idea of rehabilitating and restructuring the NTC mills on frivolous grounds. Recently, the Consultative Committee of Parliament attached to the Ministry of Commerce argued that since the present management of the NTC is inefficient and corrupt, it cannot undertake sale of surplus land, handle the proceeds and implement the modernisation programme.

Management inefficiency and corruption is no ground for not taking up implementation of the package or even postponing it. The Government is well within its rights and has all the necessary powers to change the management. Delay in not doing so is reprehensible as continuation of inefficient management is bound to make matters worse and ultimately, increase the cost of rehabilitation.

In the case of NTC, all that the Government needs to do is to instal a new CE and give him a free hand in selecting a professional and result-oriented management team. The CE should be given full powers and autonomy to implement the rehabilitation plan. The Government, on its part, should endeavour to remove hurdles, including legal and administrative, to smoothen the process of sale of surplus land/other assets and ensure that the management gets the funds soon.

Even for other undertakings where the rehabilitation programme is not self-supporting, given the necessary will and commitment to set things right, finding resources should not pose much of a problem. After all, when the Government can go out of the way to make huge allocation for social assistance schemes like mid-day meal etc. with unusual speed, why can't it provide a one-time budgetary support for funding rehabilitation and modernisation? In fact, such a grant will pay for itself as the revival of the undertaking will not only obviate the need for providing perennial budgetary support (towards paying wages and salaries and other overhead expenses), but also generate surpluses.

As owners and managers of PSUs, the Government should involve itself proactively in reviving them. Needless to say that this was the prime objective of constituting the group of ministers. Participation of the highest authorities in the group (it is chaired by the Finance Minister) was to ensure that appropriate decisions on all critical issues like pumping of additional capital, financial restructuring and reliefs by way of duty exemption etc. could be taken up promptly to save time and prevent avoidable cost overruns.

The group should work in this spirit, approve workable packages and authorise concrete steps to ensure that these are implemented and taken to their logical conclusion. In case, the group is convinced that the unit cannot be revived even after infusing fresh capital, it should announce closure and see to it that all follow-up actions are taken without loss of time.

If the Government deals with its own babies successfully, for which it is fully equipped, there will be no need to refer them to the BIFR. The Board can then, deploy its limited infrastructure and time in processing and disposing of cases pertaining to sick companies in the private sector.

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