

Industrial Sickness

7.54 The BIFR has received 4001 references since its inception in May 1987. These references include 240 Central and State Public Sector Undertakings (CPSUs and SPSUs), under the Sick Industrial Companies (Special Provisions) Act, 1985, till the end of November 1999. Out of the references received, 2,841 were registered under Section 15 of SICA. While 516 references were dismissed as non-maintainable under the Act, 646 rehabilitation schemes, including 28 schemes by AAIFR (Appellate Authority of Industrial and Financial Reconstruction) / Supreme Court, were sanctioned and 658 companies were recommended to be wound up. 223 companies have been declared "no longer sick" and have been discharged from the purview of SICA, on their net worth turning positive, after the implementation of the schemes.

7.55 Among the 240 references for public undertakings, 170 (71 CPSUs and 99 SPSUs) were registered upto November 1999. Rehabilitation schemes were sanctioned for 24 CPSUs and 29 SPSUs. It was recommended that 9 CPSUs and 20 SPSUs be wound up. 2 CPSUs and 4 SPSUs were declared no longer sick. The disposal of cases by BIFR declined from 188 in 1997 to 141 in 1998 and further to 159 in 1999. Status of cases referred to BIFR, as at the end of November 1999, is given in Table 7.15.

| | Total (a) | Public sector | | | |
|---|--------------|----------------------|--------------|--------------|------------|
| | | Pvt. Sect. (b) | Cent. (c) | State (d) | (c+d) |
| 1. References received | 4001 | 3761 | 87 | 153 | 240 |
| 2. Registration declined | 1114 | 1046 | 15 | 53 | 68 |
| 3. Under scrutiny | 46 | 44 | 1 | 1 | 2 |
| A.4 References registered | 2841 | 2671 | 71 | 99 | 170 |
| Disposals | | | | | |
| 5. Dismissed as non-maintainable | 516 | 485 | 5 | 26 | 31 |
| 6. Rehabilitation Schemes approved /sanctioned | | | | | |
| (i) by BIFR | 618 | 565 | 24 | 29 | 53 |
| (ii) by AAIFR/SC | 28 | 28 | 0 | 0 | 0 |
| 7. Declared "no longer sick" out of (6) above. | 223 | 217 | 2 | 4 | 6 |
| 8. Winding up recommended to the concerned H.C. | 658 | 629 | 9 | 20 | 29 |
| 9. Net Worth became positive during enquiry. | 29 | 26 | 2 | 1 | 3 |
| B. Total (5+6+8+9) | 1849 | 1733 | 40 | 76 | 116 |
| Pending | | | | | |
| 10. Draft schemes circulated | 61 | 49 | 8 | 4 | 12 |
| 11. Winding up Notice issued | 50 | 43 | 5 | 2 | 7 |
| 12. Under Inquiry | 787 | 761 | 13 | 13 | 26 |
| 13. Schemes Failed and Reopened. | 24 | 19 | 2 | 3 | 5 |
| 14. Pending cases remanded by AAIFR/Courts | 25 | 24 | 1 | 0 | 1 |
| 15. Stay ordered by Courts | 45 | 42 | 2 | 1 | 3 |
| C. (A - B) | 992 | 938 | 31 | 23 | 54 |

BOX 7.3

New policy initiatives in 1999-2000 for the small scale sector

- Announcement of a new Credit Insurance Scheme in the Budget (1999-2000) for providing adequate security to banks and improving flow of investment credit to SSI units, particularly export oriented and tiny units.
- The working capital limit for SSI units is determined by the banks on the basis of 20 per cent of their annual turnover. The turnover limit for this purpose has been enhanced from Rs.4 crore to Rs.5 crore.
- To increase the reach of banks to the tiny sector, lending by banks to non-banking financial companies (NBFCs) or other financial intermediaries for purposes of on-lending to the tiny sector, has been included within the definition of priority sector for bank lending.
- Exemption from excise duty, as given to SSI units, will be extended to goods bearing a brand name of another manufacturer in rural areas.
- A National Programme for Rural Industrialisation has been announced, with a mission to set up 100 rural clusters every year, to give a boost to rural industrialization
- To coordinate the latest development with regard to the World Trade Organization (WTO), a cell has been set up in the Office of DC(SSI) to disseminate information to SSI Associations and SME units, regarding recent developments, prepare policies for SSIs in tune with the WTO agreements and organizing WTO Sensitization Seminars, Workshops.
- Cotton yarn has been included in the general excise exemption scheme for SSIs.
- Small job workers, engaged in printing of glazed tiles, have been exempted from excise duty.
- The investment limit for small scale and ancillary undertakings has been reduced from existing Rs. 3 crore to Rs. 1 crore.

7.56 As per information compiled by RBI from commercial banks, as on 31st March 1998, there were 2,24,012 sick/weak units consisting of 2,21,436 units in the SSI sector and 2,476 units in the non-SSI sector. Among these 2,476 units, the private sector, public sector and joint/co-operative sector accounted for 2,002 units, 291 units, and 183 units, respectively. The number of sick SSI units has declined from 2,35,032 units to 2,21,536 units. But the number of sick/weak units in the non-SSI sector has increased from 2,368 to 2,476. However, there

is an overall decrease of 5.64 per cent in total number of sick/weak units. The total bank credit blocked in the sick units has increased from Rs. 13,787 crore (as on March 31, 1997) to Rs 15,682 crore (as on March 31, 1998). The small scale sector has Rs 3,857 crore (24.6 per cent) blocked in its units while the non-SSI sector has Rs. 11,825 crore (75.4 per cent). Bank credit blocked in the non-SSI sector in private, public and joint/co-operative units was Rs 8,109 crore, Rs 3,014 crore, and Rs 702 crore, respectively.