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INDUSTRIES DEPARTMENT

NOTIFICATION

The 16th February 2009

SUBJECT— Restructuring of Orissa Small Industries Corporation Ltd. (O. S. I. C.)

No. 2268—IV-SI.-20/2007-I.—Orissa Small Industries Corporation has been sustaining losses from the year, 1998-99 due to various reasons such as high interest burden on account of Government Guaranteed Bond (Rs. 20 crore), loan from SIDBI (Rs. 9.48 crore) and losses on account of unviable subsidiary companies which have fallen sick and have been closed since long. The Corporation has been providing vital support and services to the M.S.M.E. Sector of the State and it is necessary to restructure and revive the Corporation.

The restructuring proposal of O.S.I.C. Ltd. was under active consideration of Government. After careful consideration Government have been pleased to accept the restructuring proposal of O.S.I.C. In the 44th Meeting of Cabinet held on the 1st February 2009 it was approved the Restructuring of O.S.I.C. in their Agenda Number 4 as intimated in Parliamentary Affairs Department Memo. No. 567, dated the 4th February 2009. A copy of the said Restructuring of O.S.I.C. is enclosed for wide publication.

ORDER— Ordered that the Notification be published in the next issue of the Extraordinary Gazette of Orissa and copy thereof be forwarded to all Departments of Government/all Heads of Departments/A.-G. (A. & E.), Orissa/all R. D. Cs./all Collectors/G. M./P. M. D. I. Cs./ all P. S. Us. under Industries Department for information.

By order of the Governor

SAURABH GARG

Commissioner-*cum*-Secretary to Government

SUBJECT— Restructuring of Orissa Small Industries Corporation Ltd. (O. S. I. C.)

1. The Orissa Small Industries Corporation Ltd. (O.S.I.C.) was established in the year, 1972 under the Companies Act, 1956 with the aim and objective to aid, assist and promote the interests of small industries of the State. The mandate of O.S.I.C. is to provide assistance to small scale industries for procurement of raw material, marketing of products and services, upgradation of technology and foster better manufacturing and management practices. O.S.I.C. has been discharging its responsibility towards the small scale sector of the State and has contributed immensely towards growth of micro and small enterprises since its inception through its network of 14 Nos. of raw material depots spread throughout the State and a technically well qualified manpower base. Beginning with a modest turnover of Rs.1.08 crore in the year, 1972, the Corporation has gradually grown its business and has achieved a turnover of Rs.217.00 crore in the financial year, 2007-2008. It has also achieved the distinction of being amongst the few State Public Sector Undertakings to have been certified as an ISO 9001:2000 Certified Company since the year, 2005 onwards.

2. In the 36 years of its existence, O.S.I.C. has handled a wide and diverse range of business and commercial activities in the interest of the micro and small scale industries of the State, predominantly in the fields of —

(a) infrastructure development through Industrial Estates,

(b) raw material assistance through Government of India/State Government schemes,

(c) marketing assistance through consortium and sub-contract approach.

It has also implemented various policies, schemes and projects of the Industries Department, Government of Orissa meant for the micro and small scale enterprises of the State and has been one of the front-runner institutions in the State in the industrial sector. It has provided vital assistance to the State Government in discharging the developmental functions towards the micro and small scale industries of the State.

However, the business handled by the Corporation has gone through several periodic changes in the past depending upon the overall industrial and economic policies of the State/ Central Government and the ever changing needs and requirement of its client base, i.e. micro and small enterprises. The first major change faced by O.S.I.C. was the transfer of the industrial infrastructure related activities to IDCO since the year, 1983-84 when the industrial estates promoted, developed and managed by O.S.I.C. were transferred to IDCO. The second major change occurred with the change in the economic policies of the Central Government by way of shifting from license/quota/permit dominated industrial sector to an open market economy. From 1991-92 onwards, the industrial economy has witnessed major changes due to which the erstwhile business of State controlled allocations of raw materials such as iron, steel, aluminium, petro-chemicals, etc. has changed to open market competition led system. These changes have resulted in a significant drop in the assured business of O.S.I.C. in the fields of raw material handling and marketing promotion activities. Moreover, the major client base of O.S.I.C., i.e. the micro and small enterprise of the State have been suffering in the changed scenario because of withdrawal of many kinds of protection and reservation based policies of the earlier industrial economy.

The turnover of the Corporation since inception is annexed vide Annexure 1. It is apparent that the Corporation has suffered loss from the year 1998-1999 till the year 2006-2007 leading to a cumulative loss of Rs.21.56 crore as on the 31st March 2007. Apart from working in a decontrolled industrial regime and with a sick SSI client base, the other major reasons for the losses suffered by O.S.I.C. from 1998-1999 onwards are low operating margins, lack of major industrial project activities in the State, changes in the stores purchase policy of the State Government, delay in receiving payment against supply to Government, high cost of fund, lack of recovery from local SSI units in credit based activities and the financially unviable subsidiary companies which were entrusted to O.S.I.C. from time to time. However,

(i) during the financial year, 2007-2008, the Corporation has staged an all time high turnover of Rs.216.65 crore and earned a record profit of Rs.3.08 crore. Accordingly the cumulative loss slated down to Rs. 18.48 crore.

(ii) during the current financial year, i.e. 2008-99 the Corporation has already achieved a turnover of Rs. 172.60 crore up to November, 2008 and has already registered a net profit of Rs.3.08 crore from all of its commercial activities. In addition to this, as per the instruction of Finance Department, Government of Orissa , the Corporation has negotiated with all the bondholders for waiver of interest for settlement of the outstanding dues under O.T.S. Almost all the bondholders have completely waived the existing interest amount of Rs.15.48 core. Similarly, the SIDBI has also agreed to waive the outstanding interest Rs.3.51 crore. As such, if the principal bond amount of Rs.20 crore and SIDBI loan of Rs.9.48 core is settled under O.T.S. on payment in one go, then the Corporation will earn an interest income of Rs 18.99 core. The total cumulative profit will be Rs.3.56 crore. In addition, the Corporation is set to achieve a total turnover of Rs.305 crore with a net profit of Rs.5.00 crore by the end of this financial year, 2008-2009. The total cumulative profit will therefore go up to Rs.7.00 crore ;

(iii) the Corporation has, therefore, wiped out all its cumulative loss and has become a profit making Corporation of Government of Orissa.

Considering the aforesaid growth of the Corporation, the High Level Committee chaired by the Principal Secretary, P.E. Department with Industries Department, Finance Department, O.S.I.C. and DFID have decided on 30th October 2008 to provide O.S.I.C. an additional equity share capital of Rs.29.48 crore so as to settle the Principal Bond Liabilities of Rs.20.00 crore and the SIDBI loan of Rs. 9.48 crore in one go in full and final settlement under O.T.S., Accordingly the restructuring proposal of O.S.I.C. has been modulated and submitted to Government for approval. By this, O.S.I.C. is expected to be able to pay dividend of Rs.4.07 crore to the Government each year as the Corporation will be saved from the recurring interest liabilities of equivalent amount.

3. An inter-ministerial review meeting on the performance of accumulated loss making State Public Sector Undertakings was held on the 14th September 2005 at Bhubaneswar jointly by Industries Department and Public Enterprises Department, Government of Orissa wherein the revival of potentially viable loss making Public Sector enterprises was discussed. The summary records of the inter-ministerial review are annexed vide Annexure-2. With respect to the case of O.S.I.C., after detailed deliberation, it was suggested that the Corporation may lay emphasis on commercial activities and concentrate on recovery of dues and take steps for further business tie ups. It was also directed to prepare its restructuring plan to be eventually placed for consideration of the Cabinet. Consequently, the O.S.I.C. finalized its restructuring report through a consultant, namely, M/s S.R.B. Consultancy (Pvt.) Ltd., Bhubaneswar. The restructuring report was submitted to the State Government after its approval by the Board of Directors of O.S.I.C. The extract of the restructuring report is annexed vide Annexure-3.

4. Subsequently, the restructuring of O.S.I.C. was discussed in a review meeting held under the Chairmanship of Chief Secretary, Orissa on the 2nd July 2007 at Bhubaneswar, minutes of the meeting are annexed vide Annexure-4. During the review, it was suggested to incorporate certain changes in the restructuring report of the consultant and prepare a revised proposal to be placed before the Cabinet for consideration. The revised restructuring proposal was further discussed in the Industries Department and reviewed by the Public Enterprises Department in a joint meeting with Industries and Finance Department on the 30th October 2008 wherein it was suggested to fine-tune the restructuring proposal in the light of recent positive developments in the business activities of O.S.I.C. and to submit the final proposal for consideration of the Cabinet as follows :

(A) FINANCIAL RESTRUCTURING.

(i) The Corporation has been working hard to improve its financial condition by adopting austerity measures, curtailing wasteful expenditure and by increasing the turnover through entering into new fields of profitable business activities. Consequently, the turnover of the Corporation has increased from Rs.96.00 crore in 2005-2006 to Rs.217.00 crore in 2007-2008 and the Corporation has made a net profit of Rs.3.08 crore in the year, 2007-2008 after a long gap of 10 years.

It has also reduced its cumulative loss from Rs.21.56 crore to Rs.18.48 crore as on the 31st March 2008. However, one major cause of impaired financial condition of O.S.I.C. is the non-operative financial charges appearing in its accounts on account of mounting unpaid liabilities towards Government guaranteed Bonds (Rs.20.00 crore) and Government guaranteed loan availed from SIDBI (Rs.9.48 crore). O.S.I.C. has paid Rs.7.60 crore to the Bondholders towards interest up to the 31st December 2002. O.S.I.C. has repaid to SIDBI Rs.1.02 crore towards principal and Rs.16.40 crore towards interest up to the 30th November 2006. The total dues outstanding on these two accounts as on the 30th September 2008 are as follows :

TABLE -1

		Principal Outstanding	Interest Outstanding
Loan from SIDBI	. .	Rs. 9.48 crore	Rs. 3.51 crore
Bond	. .	Rs. 20.00 crore	Rs. 15.78 crore
TOTAL	. .	Rs. 29.48 crore	Rs. 19.29 crore

(ii) The severely impaired financial situation of the Corporation does not enable it to pay these dues out of its own resources. It is, therefore, necessary to provide infusion of further funds by State Government in order to discharge these State Government guaranteed liabilities of O.S.I.C. O.S.I.C. has separately negotiated with the Bondholders as well as with SIDBI and has proposed to settle the liabilities on One-Time Settlement basis by paying the principal outstanding amount in one go and by waiving the entire outstanding interest component. Since the two liabilities are guaranteed by the State Government and in case of failure of O.S.I.C. to service these dues, these would have to be eventually paid by the State Government, it would be worthwhile to settle the dues on O.T.S. basis as negotiated by O.S.I.C. by paying only the principal outstanding amount. In case the rest 4 bondholders demand some interest, it will be met out of the own resources of O.S.I.C. The additional fund infusion on this account to O.S.I.C. to the tune of Rs.29.48 crore shall be provided to O.S.I.C. in the form of 0% redeemable preference share capital participation by the State Government in O.S.I.C. which will be redeemed in 10 years.

(*iii*) O.S.I.C. has availed Government Loan of Rs.1.80 crore from the year, 1996 for operating Raw Material Bank and Marketing Assistance Scheme for SSIs. Against this, O.S.I.C. has repaid Rs.0.07 crore towards principal and Rs.0.43 crore towards interest. The present outstanding on this account as on the 31st March 2008 is Rs.1.73 crore principal and Rs.2.57 crore interest. This credit based scheme has suffered from very low recovery because of sickness of SSIs. and non-availability of adequate collateral security. The ability to repay of the loanee SSIs. and therefore of O.S.I.C. is severely impaired. It is, therefore, proposed that Government may consider to waive the interest outstanding (Rs.2.57 crore as on the 31st March 2008) and to convert the principal amount outstanding (Rs.1.77 crore) to share capital of Government in O.S.I.C.

(*iv*) The authorized share capital of O.S.I.C. is Rs.15.00 crore and the paid-up share capital of the State Government is Rs.9.66 crore. As a consequence of the additional fund infusion of Rs 31.21 crore as mentioned above, the authorized share capital of O.S.I.C. shall be increased to Rs.50.00 crore and paid-up capital to Rs. 40.91 crore (Rs.9.66 crore + Rs.29.48 crore + Rs.1.77 crore). Since the Corporation is otherwise making operational profits, the above settlement of Government guaranteed outstanding against Bond and SIDBI loan shall substantially improve the financial health of the Corporation enabling it to further grow its business and achieve sound financial health. The projections made on the above settlement basis are annexed vide Annexure-5, wherein it is proposed to declare and pay dividend of at least 10 % to the State Government on its paid-up share capital of Rs.40.91 crore from the financial year, 2009-2010 onwards.

(B) MANPOWER RESTRUCTURING

(i) The gradewise staff strength of O.S.I.C. as on the 1st November 2008 is enclosed vide Annexure-6. As against sanctioned strength of 266, there are 230 employees in position excluding the Chairman and the Managing Director. As per proposed restructuring, the existing manpower needs to be synchronized with the present level of activities and future business plans in order to make the Corporation viable with increased responsibility and accountability at all levels. The Corporation is currently having nine (9) departments in the organization structure -Marketing, Commercial, Business Development, Construction, Legal, Recovery & Project, Administration, Finance and Secretarial and M.I.S. along with 14 depots across the State headed by Technical Managers. This current structure is proposed to be streamlined into two (2) departments at the Head Office categorized as Operational (Commerce, Construction and Marketing Departments) and Service (Finance, Personnel & Administration, Recovery & Law) functions along with 12 active raw material depots/branches. The total manpower has been, accordingly, proposed to be redeployed as given in Table-II hereunder :

TABLE - II

(Erstwhile departments to be reorganized)

Departments Operational		Proposed
(1)		(2)
Commercial	.	22
Construction	. .	13
Marketing	. .	14
Commercial (12 R. M. Ds.)	. .	89
Business Development	. .	10
Project & Recovery Service.	. .	6
Finance	. .	34
Personal & Administration	. .	17
Legal Cell	. .	7
M. I. S.	. .	8
Total Workforce	. .	220

(ii) It is also proposed to introduce an attractive V.R.S./V.S.S. package so as to further right-size the manpower. The modalities of V.R.S. / V.S.S. shall be worked out as per model V.R.S. Scheme prescribed by the Department of Public Enterprises, Government of Orissa.

(iii) Selective qualified professionals in the core areas like Finance and Marketing shall be trained for effective management. Specialized areas like Marketing where the Corporation does not have adequate expertise may be outsourced to reputed agencies for exploring new area of business such as export and import. Training shall also be imparted to all the employees on essential work related skills so as to keep the workforce in line with the current trend and practices in the industry.

(iv) Automation and computerization shall be introduced in Administration and Finance and other, sections. This will enable O.S.I.C. to save time and cost on clerical activities which may otherwise be diverted to more constructive areas.

(C) BUSINESS RESTRUCTURING

(i) The Corporation shall shift its attention from trading to marketing aimed at increased operation and volume of business and thereby improving the bottom line of the Corporation. The Corporation shall tread very cautiously in credit based support activities and shall put into place a system of checks and balance while dealing in schemes involving any element of credit.

(ii) The needs and requirements of micro and small enterprises having undergone significant changes in recent past, O.S.I.C. shall evolve new mechanisms for providing assistance to M.S.M.E. sector in areas of raw material sourcing, marketing promotion and technological upgradation. The responsibility vested on O.S.I.C. in the Industrial Policy Resolution, 2007 of the State Government shall be effectively discharged by promoting clusters of M.S.M.Es. and forming consortia of M.S.M.Es. in thrust areas such as ancillary and downstream industries, clusters based on products related to Rural Electrification, Agro processing, such as rice milling industries and petro-chemical based industries, such as P.V.C. pipes, packaging and related trades.

(iii) O.S.I.C. shall act as nodal agency of the State Government for procurement of goods and services from M.S.M.Es. of the State as per the mandate given in I. P. R., 2007.

(iv) O. S. I. C. shall act as nodal agency for procurement and distribution of allocation based raw materials to M.S.M.Es. such as coal, steel, aluminium, pig-iron, zinc, polymers and ores of various kinds.

(v) O. S. I. C. shall be the nodal agency to supply construction related material such as steel (T.M.T./Tor) and bitumen to State Government and agencies under the control of State Government.

(vi) O. S. I. C. will act as syndicate leader for marketing the products and services of M. S. M. Es. of the State and will be responsible for overall quality control and collect reasonable service charges from the concerned units. In order to derive the benefit of scale, major and bulk orders are to be routed through O. S. I. C. which will act as a consortium leader for M. S. M. Es. and organize raw material supply at reasonable rate.

5. RECOMMENDATIONS—Considering the above facts, State Government may consider to grant following reliefs and concessions to O.S.I.C. for its restructuring and revival :—

(i) State Government to repay the principal outstanding on Government guaranteed loan availed from SIDBI to the extent of Rs.9.48 crore and the same may be converted to 0% redeemable Preference share capital participation of Government in O.S.I.C. which will be redeemed in 10 years. SIDBI has already waived the interest outstanding of Rs.3.51 crore as on the 31st December 2008 on One Time Settlement basis.

(ii) State Government to repay the principal outstanding on account of Government guaranteed bonds issued by O. S. I. C. to the extent of Rs.20.00 crore and the same may be converted to 0% redeemable Preference share capital participation of Government in O. S. I. C. which will be redeemed in 10 years. 16 bondholders out of 20 have already waived the entire interest outstanding on such bonds on One Time Settlement basis. We are awaiting response from the rest bondholders. In case the rest 4 bondholders demand some interest, it will be met out of the own resources of O. S. I. C. However, all the bondholders have surrendered the bond certificates for payment.

(iii) O. S. I. C. has availed Government loan of Rs.1.77 crore. The interest due on this loan (Rs.2.57 crore as on the 31st March 2008) may be waived and the principal amount of Rs.1.77 crore may be converted to share capital of Government in O.S.I.C.

(iv) Government may increase the authorized share capital of O. S. I. C. to Rs.50.00 crore from the present authorized share capital of Rs. 15.00 crore.

(v) O. S. I. C. shall be the nodal agency to supply construction related material, such as steel (T. M. T./Tor) and bitumen to State Government and agencies under the control of State Government.

6. The Orissa Small Industries Corporation Limited is a vital arm of the State Government performing useful purpose of protecting and promoting the interest of micro and small enterprises of the State. The Corporation has proved its worth by commercially sustaining its activities in extremely difficult and competitive circumstances. It has also significantly streamlined its operation bringing them in tune with the present changed industrial and economic scenario. New waive of industrialization being witnessed in Orissa, in large and medium industrial sector provides opportunities for growth of local micro and small industries. However, the local micro and small enterprises require institutional support and services for their development and participation in the overall industrial process going in the State. O. S. I. C. is the only institution of the State Government which can provide this support and service to the M. S. M. E. Sector of the State and contribute significantly to the growth and development of the State.

The restructuring of O. S. I. C. is therefore, in the public interest and may be approved as proposed.

S. GARG

Commissioner-*cum*-
Secretary to Government

ANNEXURE - I

THE ORISSA SMALL INDUSTRIES CORPORATION LTD.

PHYSICAL AND FINANCIAL ACHIEVEMENT (Rs. in lakhs)

Year	Turnover (Qty. in M. T.)		Profit/Loss	Cumulative Profit/Loss
	Quantity	Amount		
(1)	(2)	(3)	(4)	(5)
1972-1973	5290.263	107.98	1.82	1.82
1973-1974	11164.612	245.39	5.58	7.40
1974-1975	7668.617	236.24	3.72	11.12
1975-1976	3024.541	95.69	(-) 16.26	(-) 5.15
1976-1977	2210.954	124.89	(-) 16.06	(-) 21.21
1977-1978	2621.382	187.35	(-) 13.19	(-) 34.40
1978-1979	6584.000	372.66	5.00	(-) 29.40
1979-1980	12900.164	683.06	56.35	26.95
1980-1981	13352.475	796.17	(-) 12.96	13.99
1981-1982	13875.493	668.47	3.54	17.53
1982-1983	12358.749	825.93	24.04	41.57
1983-1984	7486.756	707.64	(-) 18.97	20.60
1984-1985	9714.434	1094.09	(-) 28.69	(-) 6.09
1985-1986	10377.509	1360.42	(-) 21.17	(-) 27.26
1986-1987	14715.471	1432.80	10.05	(-) 17.21
1987-1988	12544.790	1531.83	(-) 22.77	(-) 39.98
1988-1989	17898.210	2132.10	(-) 30.47	(-) 70.45
1989-1990	19221.865	2953.13	3.34	(-) 67.11
1990-1991	21648.000	3643.41	46.96	(-) 2015
1991-1992	29608.063	6574.83	7.66	(-) 12.49
1992-1993	21787.360	7283.71	20.99	7.60
1993-1994	31879.448	7384.67	(-) 55.37	(-) 47.77
1994-1995	44997.887	10004.96	24.35	0.39
1995-1996	38305.884	10731.83	42.99	43.38
1996-1997	39108.090	12644.68	5.71	49.09
1997-1998	45197.259	12760.88	15.85	64.94
1998-1999	68164.004	13512.13	(-) 16.70	48.24
1999-2000	44777.655	14812.51	(-) 135.73	(-) 87.49
2000-2001	48261.474	14039.62	(-) 295.67	(-) 383.16
2001-2002	79105.080	9707.25	(-) 287.99	(-) 671.15
2002-2003	46383.753	8442.38	(-) 309.82	(-) 980.97
2003-2004	45236.022	7992.35	(-) 197.72	(-) 1178.69
2004-2005	40562.310	10209.84	(-) 283.65	(-) 1462.34
2005-2006	68374.689	9608.15	(-) 477.70	(-) 1940.04
2006-2007	91754.094	15852.25	(-) 261.11	(-) 2156.15
2007-2008	160657.355	21665.19	307.76	(-) 1848.39
2008-2009 (up to November 2008).	86674.731	17260.29	304.82	(-) 1543.57

Annexure - 2

Summary Records of the Inter-Ministerial Review on the performance of cumulative loss making State Public Sector Undertakings on the 14th September 2005 at 3-30 P. M. in the 3rd Floor Conference Hall of Orissa Secretariat

The Inter-Ministerial Review on the performance of IDCOL and its subsidiaries, IPICOL, Orissa State Financial Corporation, Orissa Small Scale Industries Corporation and Kalinga Studios Limited was held on the 14th September 2005 at 3-30 P. M. in the 3rd Floor Conference Hall of the Secretariat.The said review meeting was taken up by Mr. Biswabhusan Harichandan, Hon'ble Minister (Industries, Rural Development and Law), Mr. Kanak Vardhan Singh Deo, Hon'ble Minister (Urban Development and Public Enterprises), Shri B. K. Patnaik, Principal Secretary (Public Enterprises), Shri G. C. Pati, Principal Secretary (Industries), Shri Priyabrata Patnaik (C. M. D., IPICOL), Shri S. K. Paikray (M. D., O. S. F. C.) and Shri N. B. Dhal (M. D., O.S.I.C.) were also present in the meeting. The other members present in the meeting are at Annexure-I. Principal Secretary, Public Enterprises informed that the State Government is undertaking Public Enterprises Reform Programme as per MoU signed with Government of India on the 11th October, 2001. In pursuance with the same, the State Government, as a matter of policy, is now pursuing the policy of selective privatization/ disinvestment of loss making public and co-operative enterprises operating in 'non-core' sector. The primary objective of the Government's privatization policy has been to revive potentially viable loss making enterprises. As a part of this strategic policy choice, the State Government have consciously opted for a model of privatization to secure the interest of the workers and to create opportunities, for further job creation by catalyzing the dynamism of the private enterprise. Further, the State Government has also identified a set of core enterprises to operate in the domain of the public sector. Efforts are on by the Government to provide these enterprises optimum managerial autonomy so that they can run on sound commercial principles. Accordingly, the Stale Government shall endeavour to institute a system of good corporate governance practices in these core enterprises so as to enhance transparency and accountability in their operations and stimulate their performance. In addition, the State Government has committed under Orissa Socio Economic Development Loan Programme to complete the Public Enterprises Programme on or before the 30th November, 2007. In order to execute the aforesaid policy and programme in a time bound matter the Public Enterprises Department has convened this meeting.

IDCOL and its subsidiaries

Principal Secretary, Industries Department and C.M.D., IDCOL presented the report on the status of different IDCOL Units (Annexure-ll). Further it has been stated that before implementation of the V.R.S., the total number of employees was about 6,800 in IDCOL and its subsidiaries. Now, the employees position has come down to about 3,600 excluding Supply and Contractor workers. Now, efforts are on to reduce further surplus manpower by notifying the V. R. Scheme in line with the Model V. R. Scheme of the State Government. It has been further indicated that although the accounts of IDCOL shows an overall loss of Rs. 46.43 crore, the operating profit was Rs. 18 crores during 2003-2004. The loss was due to loss on sale of shares of IDCOL Cement Ltd. and write back of interest on loan given to subsidiary companies.

Similary, in 2004-2005, IDCOL has made an operating profit of more than Rs. 50 crore. But it has shown marginal loss of Rs. 2.78 crores due to adjustment made towards unrecoverable loans and advances made to A.B.S. Spinning Orissa Ltd. and S. N. Corporation Ltd.

IDCOL Kalinga Iron Works Ltd.(I.K.I.W.L.) has made profit of Rs. 3.90 crore in 2003-2004, but it has made a loss of Rs. 19.52 crore in 2004-2005 mainly because of scarcity of coke in the international market, resulting in purchase of the coke at a higher price by the Company. Meanwhile, it was proposed by Kudermukh Iron Ore Company to take over of I.K.I.W.L. and in this connection, they have entrusted the valuation assignment to S.B.I. Caps to value I.K.I.W.L . and Roida-C Mines. They have proposed to invest in I.K.I.W.L. for modernization of plant and machinery to improve the operational standards for generation of more profit.

IDCOL Ferro Chrome & Alloys Ltd. has made profit in both the years 2003-2004 and 2004-2005. Its main problem is non-availability of high grade ore in the mines. As a result, the company is purchasing ore from outside at high price. C.M.D. stated that Roida-C and Tailangi Chromite Mines have shown excellent result contributing a good surplus fund to the Corporation out of which it has been able to pay bond interest dues and other loans.

Relating to present status of Konark Jute Ltd., it was informed that the IDCOL will make fresh advertisement for take over as per order of Hon'ble High Court.

After due deliberations on the issues relating to IDCOL and its subsidiaries, the following decisions were taken :—

1. The proposed joint venture of IDCOL Kalinga Iron Works Ltd.(I.K.I.W.L.) in association with Kudermukh Iron Ore Company Ltd. (K.I.O.C.L.) may be worked out as follows :

* Transfer of Management control to K.I.O.C.L. be without transfer of mines. The mines may remain with IDCOL.

* Iron Ore may be supplied to the joint venture company on long term contract basis.

* If the proposed joint-venture will not materialize, open tender be invited to form joint venture company with I.K.I.W.L. with condition to modernize the same for steel making.

Industries Department may prepare a Memorandum indicating the above conditions and reasons thereof for placing the same before Cabinet for approval.

2. Disinvestment of IDCOL Ferro Chrome & Alloys may be expedited.

3. Fresh tender be invited for take over/sale of assets of K. J. L.

4. IDCOL Software Ltd. may be transferred to Orissa Computer Application Centre. Industries Department will prepare Memorandum in this regard for consideration of the Cabinet.

5. A report on action taken by IDCOL / I.K.I.W.L. against Utkal Moulders Ltd. with regard to claim during the period of conversion made in Dhanbad be submitted to Public Enterprises Department.

IPICOL

Chairman-*cum*-Managing Director presented the report on the present status of IPICOL (Annexure-III). It has been indicated that the major reasons attributed to Corporation's ailment are : (a) high cost of funds, (b) intense competition from banks by offering lower interest rates, (c) difficulty in adjusting to falling interest regime, etc. In order to address these problems, emphasis to be given to (a) reduction of cost of funds, (b) reduction in the lending rates to remain competitive and (c) mobilization of resources by pragmatic disinvestments. Over the last five years, due to persistent efforts, the Corporation could able to reduce overhead cost by 13%. Under a negotiated debt-restructuring package, S.I.D.B.I. has allowed interest reduction to 10.5% across the board on IPICOL outstanding. The benefits of reduction has been passed to the assisted units. In order to augment the resources, the Corporation has targeted to mobilize Rs. 13.6 crore during Financial year, 2004-2005 and 2005-2006.

In order to manage Non-performing Assets Account, the Corporation has taken steps like (i) assisted units are allowed to avail lower rate of interest, (ii) restructuring of age-old debt packages duly approved by all participating financial institutions and banks, (iii) initiating legal penal action against the defaulters, (iv) implementation of O.T.S. package for assisted units, wherever feasible.

A restructuring plan was prepared by M/s Karvy Investors Services Ltd., Hyderabad, which is now waiting for the approval of the Government, which *vis-a-vis* includes suggestion to improve the performance with suitable organizational and financial restructuring of the Corporation. Suitable modifications may be in the form of extending Single Window Service to allure outside investors to the State.

After discussion on various issues confronting the IPICOL in detail, it has been decided that Industries Department will prepare a Memorandum on the Report of the M/s Karvy Investors Services Ltd., after suitable modifications for consideration of the Cabinet.

Orissa State Financial Corporation :

Chairman-*cum*-Managing Director presented the report on the present status of O.S.F.C. (Annexure-IV). Principal Secretary, Industries stated that the Government in Industries Department has already approved the restructuring plan, which by and large based on the Restructuring Plan prepared by U. T. I. Bank Ltd.

In the status report, it has been indicated that the Corporation had disbursed an amount of Rs. 1,306.55 crore to 28,164 units and generated an employment of 2.07 lakh. The total recovery was. Rs. 1513.95 crore (Principal+Interest) as on the 31st March 2005. However, despite best of efforts, the cumulative loss of the Corporation was Rs. 378.12 crore. The overdue to different financial institutions and the State Government was Rs. 448.03 crore. The major reasons of this state of affairs were due to (i) increased N. P. A.-89%, (ii) Non-availability of fresh credit from S.I.D.B.I., (iii) No Government guarantee for S.L.R. Bond, (iv) high administrative overhead, etc. In order to resolve the issues, the Corporation have taken steps to diversify their activities to act as insurance/Corporate Valuers, loan syndication bridge financing, infrastructure project financing and micro financing to industrial units. The Corporation have introduced O. T. S. package to different categories of borrowers. Every loan account has been analyzed at the branch level to apply any of the following exit routes (i) Rephasement, (ii) Mutual Transfer, (iii) Reduction of interest rate by way of special rebate, (iv) One-Time Settlement, (v) Seizure & sale, (vi) Filing of money suits and D.R.T. cases.

In order to drop N. P. A. percentage, the Corporation have taken steps to convert N.P.A. to standard accounts by way of reduction of interest. S.I.D.B.I. has in principle agreed to restructure the outstanding debt at present cost of re-finance and waive 50% of interest outstanding. Further, the Corporation reduced its Branch Office from 23 to 18 and proposed to reduce staff strength from 913 to 436 by way of introduction of V. R. Scheme.

After detailed deliberation, it was suggested that—

* the management may sensitize all the existing borrowers/potential borrowers to take advantage of various schemes/policies implemented by the Corporation by opening Information Centers by displaying banners/posters in different Branch offices.

* the management may identify the interested assisted units, where, there is a possibility to diversify their activities and accordingly guide them to change their loan port-folio. The Corporation may engage expert consultants for this purpose. D.F.I.D. assistance may be allowed for this.

* the activity monitoring mechanism be strengthened to prevent sickness of assisted units.

In addition, it has been decided that restructuring plan prepared by U. T. I. Bank Ltd. be placed before Cabinet for approval by Industries Department.

Orissa Small Industries Corporation (O.S.I.C.)

Chairman-*cum*-Managing Director presented the report on the present status of O.S.I.C. (Annexuer-v). The investment of the Company was Rs 1414.41 lakh and the accumulated loss was Rs. 1164.85 lakh as on the 31st March 2004. The present statf strength is 243, out of which 221 numbers are cadre employees. The company has prepared a O.T.S. package and also taken steps to recover the dues outstanding by Government Departments to mobilize the resources for meeting working capital deficiencies. Steps have been taken by the Company to increase their turnover through personal contacts, advertisements. In the process, they have taken steps to open a coal depot at Jharsuguda and to obtain -9001-2000-ISO Certification. The Company has engaged S. R. B. & Associates to prepare a comprehensive restructuring of the Company.

After detailed deliberation, it was suggested that the Company in the present scenario, may lay emphasis on commercial activities and concentrate more on recovery of dues and take steps to negotiate with National Small Industries Corporation for business tie up. Accordingly, it has been decided that the suggested Restructuring plan should be completed on or before the 30th November 2005 for consideration of the Cabinet.

Kalinga Studio Ltd

Chairman-*cum*-Managing Director presented the report on the present status of Kalinga Studios Ltd. (Annexure-Vl). The total investment in this company was Rs. 276.89 lakh and the cumulative loss was Rs. 274 .93 lakh. The State Government have already decided to privatize the studio and steps are being taken to search best options for the same to upkeep greater interest of Film Industries in Orissa. At present there are 38 employees working for the Company. The Company finds it difficult to compete with private studios due to old and obsolete equipment. In addition, the Company could not invest in new equipment.

After due deliberations, it was decided to search a Joint Venture Partner for operating the studio and Public Enterprises Department will place the same proposal before Cabinet Committee on disinvestment for consideration.

B. B. HARICHANDAN Minister (Industries R. D. and Law)	K. V. SINGH DEO Minister (U. D. & Public Enterprises)
G. C. PATI Principal Secretary (Industries)	B. K. PATNAIK Principal Secretary (Public Enterprises)
S. K. PAIKARY M. D., O. S. F. C.	N. B. DHAL M. D., O. S. I. C.

Annexure - 3

THE ORISSA SMALL INDUSTRIES CORPORATION LIMITED

EXTRACT OF RESTRUCTURING REPORT

INDEX

Sl. No.	Particulars	Amount as on the 31st March 2005 (Rs. in Lacs)
1	Likely Recoverable from Government and PSUs.	356.81
2	From Government and PSU's (Back to Back)	1056.95
3	Set offs	284.09
4	From Private parties and own units	1169.27
	Total . .	2867.12

Concerning outside liabilities—

Apart from the secured loans of Rs. 1681.64 lacs, there are other liabilities to the extent of Rs.3561.32 lacs under various heads payable by the corporation.

Sl. No.	Particulars	Amount (Rs. in Lacs.)
1	Sundry Creditors	2007.46
2	Advances received	752.32
3	Other Liabilities	801.54
	Total . .	3561.32

Redundant stocks —

Inventory amounting to Rs.6.59 Lacs is considered to be non-moving/damaged mainly consisting of—

*	Finished Goods (Agricultural implements)	Rs. 4.52 Lacs
*	Material with sub-contractors	Rs. 0.45 Lacs
*	Finished Goods (Udyog Showroom)	Rs. 0.81 Lacs
*	ID Card Materials	Rs. 0.81 Lacs

Manpower

The manpower strength currently standing at 246 comprises of—

Group (1)	Particulars (2)		Nos. (3)
	Managing Director	. .	1
A	G. Ms. (Tech.1 & Fin.1)	. .	2
	D.G.M. (Tech. 4 & Prof. 4)	. .	8
	Company Secretary.	. .	1
B	Manager (Tech.)	. .	6
	Manager (Gen.)	. .	3
C	Joint Managers (Gen. 3 & Tech. 2)	. .	5
D	Administrative Officer	. .	1
E	Asst. Manager (Tech.)	. .	10
	Assistant Manager (Fin., Law, M.B.A.)	. .	9
F (i)	Junior Manager (Tech.)	. .	16
(ii)	Junior Manager (General)	. .	15
H	Assistants (Sr. & Jr.)	. .	37
I	Supervisors	. .	13
J	Typist/D.E.O./Steno. (Sr. & Jr.)/Diarist	. .	15
K	P. A. & P. S.	. .	11
L	Driver	. .	4
Q	V Vatchman/Messenger	. .	65
	Other regular employees	.	12
	Total	. .	246

The Corporation needs to reshuffle its manpower considerably.

Strengthening of organization structure

The organization structure is weak. The structure needs to be strengthened with accompanying accountability at all levels by induction and recruitment of more qualified professionals in the respective areas of discipline.

Clogged-up M.I.S.

The M.I.S. flow is far from satisfactory' needs improvement to see return on location-wise contribution and individual profit centre analysis for better internal control and decision-making. The flow of information for preparation of financial needs substantial improvement for taking corrective measures at the appropriate time.

IT and Sales Tax related cases with impending financial obligations

Income tax assessment has been done up to Assessment year, 2002-2003. A demand of Rs. 2.98 crore has been made by the Department against which the Corporation has appealed.

Sales tax assessment is completed up to 2001-2002. The Department has demanded Sales Tax of Rs. 6.36 crore and Rs. 34.88 lac towards Entry Tax. The Corporation has preferred appeal against the demands.

Pending legal cases

The Corporation is facing several legal cases. Total cases filed by the Corporation runs to about 226 and about 189 cases are filed against. All these cases are pending at various courts of law.

Manpower

The Corporation currently has 14 depots all over Orissa, out of which about 7 depots are active and .substantially contribute to the operations. The Corporation employs a workforce of about 246 people in different cadres. The entire workforce support comprises of people from various age groups and disciplines (both qualified professionals as well as semi-qualified people). A large proportion of employees are semi and unskilled workforce, whose contribution in the present circumstances doesn’t appear very significant. The Corporation had achieved a turnover level of about Rs. 72 crore in Financial year 2000-2005 and about Rs. 96 crore in Financial year 2005-2006. The contribution per employee, if numerically estimated doesn’t look appreciative compared to similar organisations in the private sector. Looking at the larger and long-term interest of the Corporation, the Corporation may look towards reshuffling/ trimming down the existing manpower level to optimise the utilisation of the physical force.

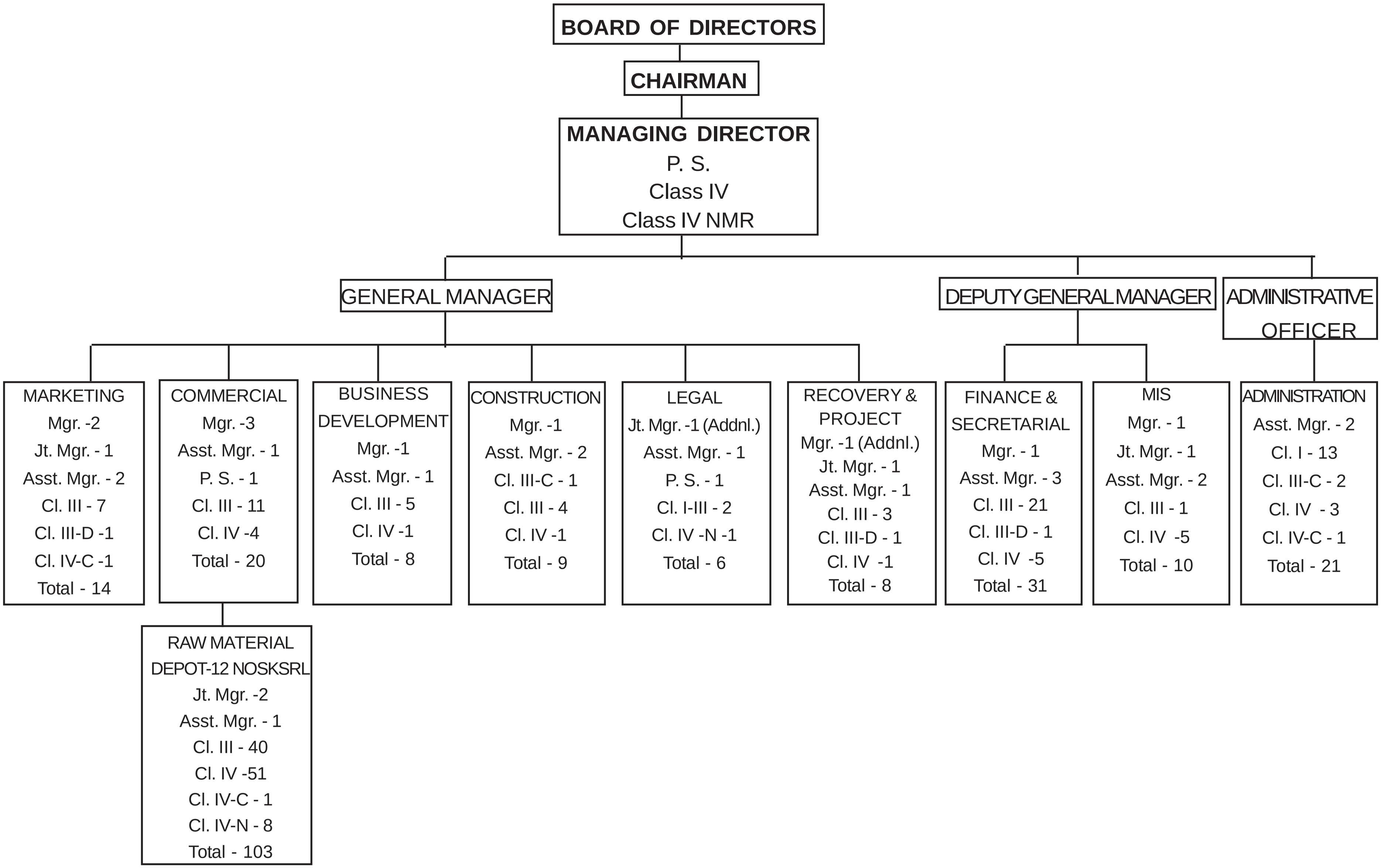
The business needs to be run professionally warranting the reduction of costs and overheads. In the existing scenario, the salaries and wages constitute about 3.00% of the turnover and 3.40% of the total expenses, which though appears high, is necessary considering the growing prospects of the Corporation. The need of the hour is thus, optimising on the present resources by appropriate reshuffling and cutting down on the contract staff. The existing manpower needs to be synchronised with the present activities and future plans to make the Corporation viable with accompanying responsibility and accountability at all levels. The proposed structure is expected to increase the efficiency and effective utilisation of the manpower considerably to a level that the Corporation can withstand.

Besides, emphasis on training, computerisation for systematic flow of information, independence of the Internal Audit System, streamlining the existing line of business as well as gradually exploring new areas of activity, strengthening the Marketing aspect, etc. would definitely give a new dimension to the Corporation.

Existing Manpower

Group		Particulars		Nos.
(1)		(2)		(3)
A		G. Ms. and D. G. Ms.	. .	2
B		Managers	. .	10
C		Joint Managers	. .	5
D		Administrative Officer	. .	1
E		Asst. Managers	. .	18
F	(i)	Junior Managers (Tech.)	. .	10
		Total	. .	46
F	(ii)	Junior Manager (General)	. .	19
G		Private Secretary	.	3
H		Personal Assistant	. .	8
I		Supervisors	. .	13
J		Senior Assistant	. .	23
K		Senior Stenographer	. .	8
L		Junior Assistant	. .	14
M		Senior Typist	. .	3
N		Senior D. E. O.	. .	3
O		Junior Typist	. .	4
P		Delivery Assistant	. .	4
Q		Watchman/Messenger/Sweeper	. .	65
R		Others (Drivers, Record Keeper, Despatcher, etc.)	. .	17
		Total	. .	184
		Total	. .	230
		On Contract basis	. .	06
		N. M. R.	. .	10
		Total	. .	246

ORGANISATION STRUCTURE (Existing)



It may be seen from the above table that strength of 184 employees are employed below a level of Junior Managers (Tech.).

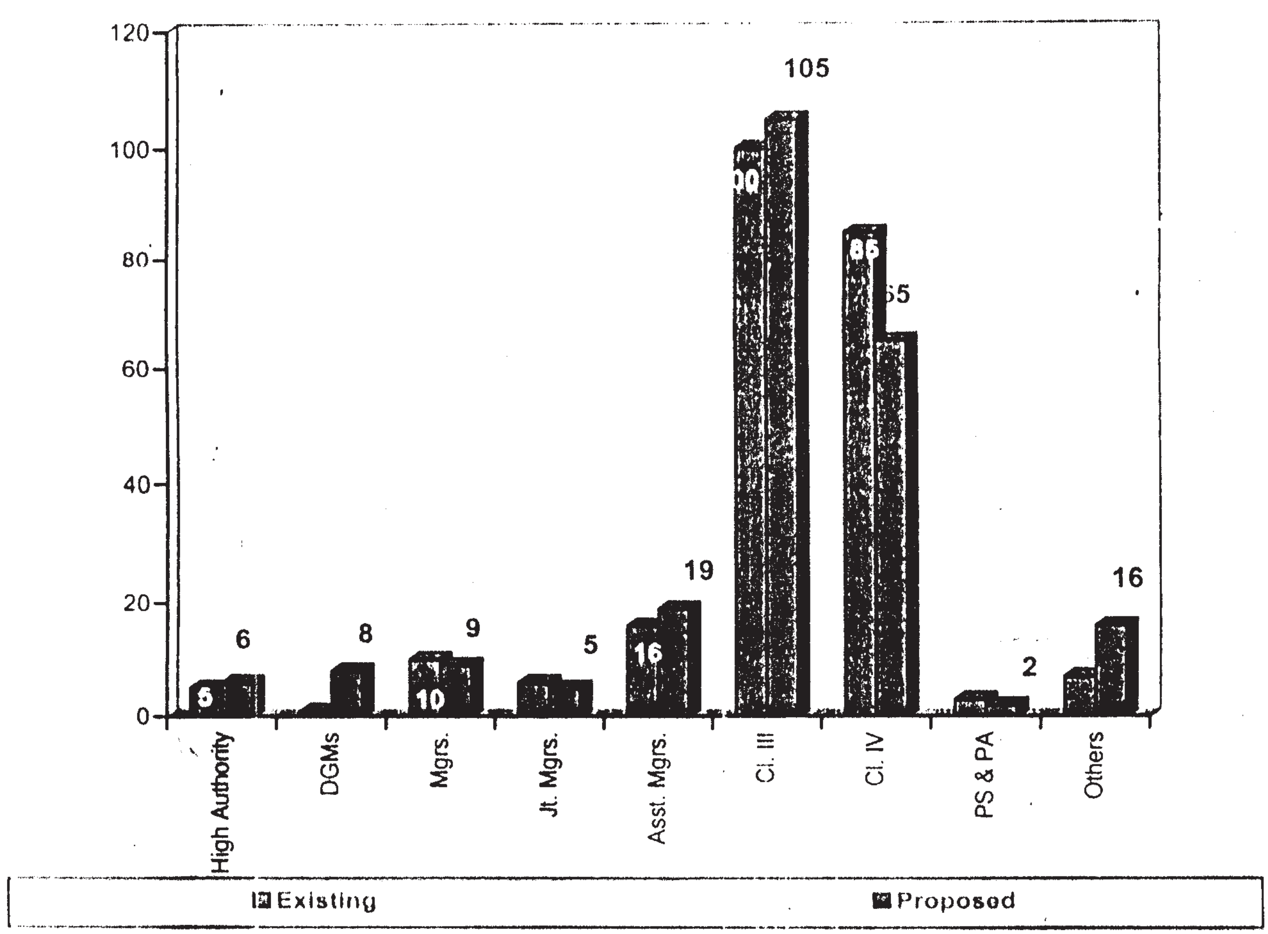
Watchman / Messenger / Sweeper account for 65. Senior Assistants 23 to name a few.

Proposed Structure

Keeping in view the current crisis, health of the Corporation and the requirement, there is a need to reshuffle the manpower.

The proposed structure is suggested in accordance with the long-term objective of the Corporation. The emphasis is given on *"last mile coverage"* principle wherein the operation should be carried out more aggressively at the branches. The marketing aspect should be given prime importance to regain its sustenance.

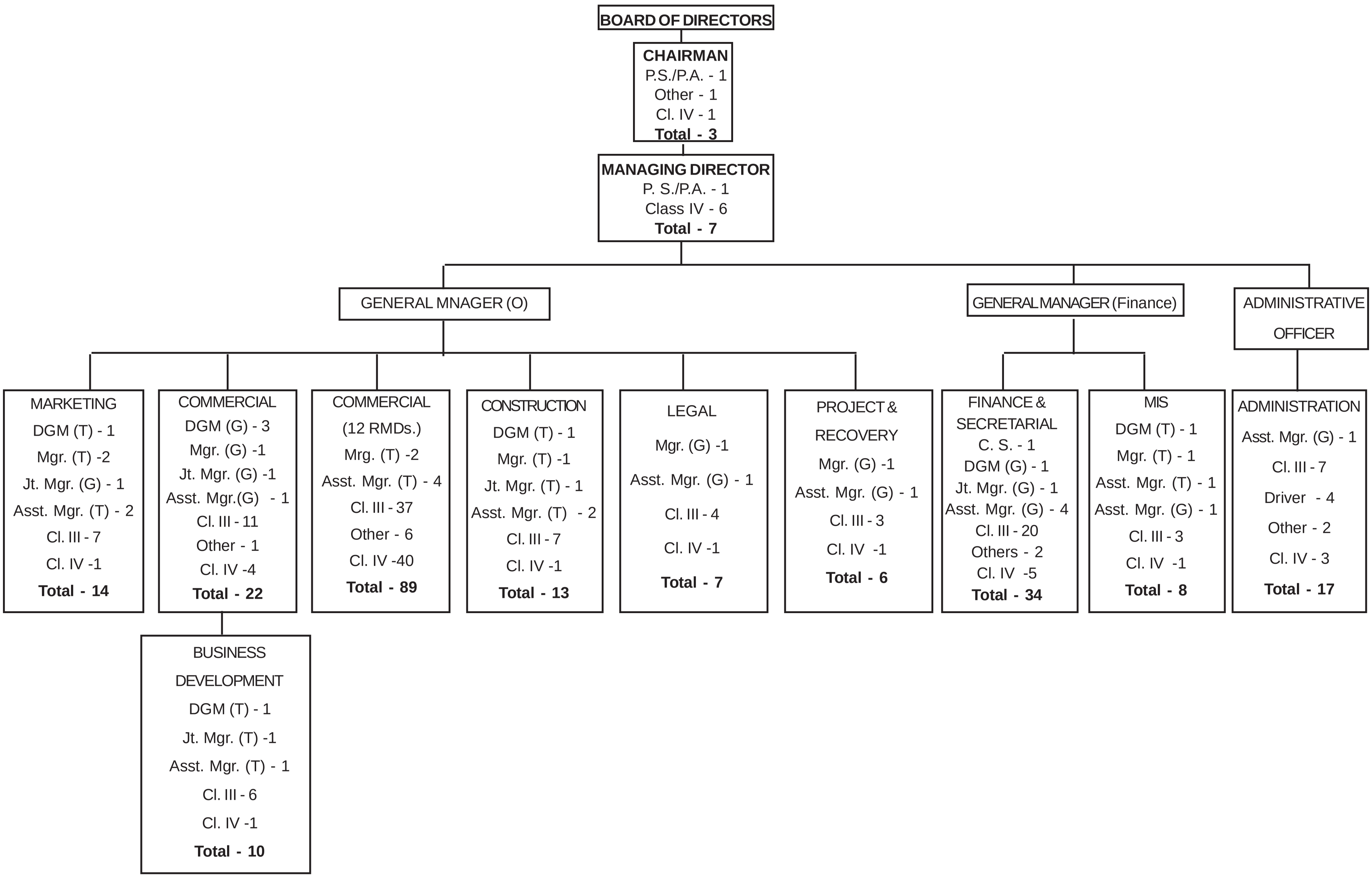
The Corporation is proposed to operate with *seven* active branches across the State with Head Office (*operational*) at Cuttack. The existing Manpower can be shuffled and deployed in the fashion proposed as under :



Total Manpower (Summary)

Chairman	..	1
Managing Director	..	1
General Manager	..	2
D. G. M. (T)	..	4
D. G. M. (G)	..	4
Company Secretary	..	1
Administrative Officer	..	1
Manager(T)	..	6
Manager (G)	..	3
Joint Manager (T)	..	2
Joint Manager (G)	..	3
Asst. Manager (T)	..	10
Asst. Manager (G)	..	9
Class lll	..	105
Class IV	..	65
Others	..	12
P.A.& P.S.	..	2
Driver	..	4
Total	..	235

ORGANISATION STRUCTURE (Proposed)



Vendations

tset, the following measures could be implemented.

sis on Redeployment:

Oposed Organisation structure and hierarchy is laid keeping in view the nature of business of Corporation. The prime revenue earning area being trading, it is visualized that strengthening the branches and limiting the official and administrative responsibilities to the Head Office for better ing and control, would entail a more focussed approach. Hence, the Workforce in the es/depots is fortified with qualified and experienced people. The existing manpower is re. proposed to be redeployed and shuffled as per the required parameters.

Surplus manpower may be redeployed if necessary; the Management may otherwise take riate decisions keeping in view the present crisis. It is suggested that V.R.S. / V.S.S. may be rented compulsorily to all the remaining employees and with an option for the employees above el of junior managers to opt for the scheme.

Dalities of the V.R.S. / V.S.S. may be worked out as per the practices prevailing for the State Government rises. Employees given V.R.S. / V.S.S. may be taken on contractual basis as per need.

So suggested that Internal Audit may be put under direct control of the Managing Director for Independence.

asis on training

ive qualified professionals in the core areas like Finance, Marketing may be trained for effective management. Specialized areas like marketing where the corporation does not have the expertise be outsourced to reputed agencies for penetrating and exploring new areas of business. ng may also be imparted to all employees on time-to-time basis to keep the workforce in line the current trends and practice in the industry.

Basis on Computerization

hlire gamut of operations need to be computerized for better system and control. This would nfy enable easy and quick access to information, but also save on time lost on clerical activities, could be otherwise diverted to more productive arenas.

basis on Shifting Focus

ous steps need to be taken for effective management and shifting the focus from trading to eting and aimed at increasing the operations and volume of business and thereby improving the m line of the Corporation.

Justification for Revival

1. The Corporation was incorporated to provide support to the small and tiny industries in the form of raw material like steel, coal, etc. under one roof with less hassle and process throo and was acting as a single window entry for S. S. Is.
2. The Corporation is in the line of activity for more than three decades.
3. The Corporation is active and has registered a turnover of Rs. 81.00 crore approxment for March 2005.
4. The Corporation is mainly engaged in trading and contract services having network of depots in 12 districts and also has expertise in sourcing products and services to S.S.I. units, the only of its kind in the State.
   It may also have advantage of booming industrialization in the State in near future.
5. The Corporation in most of the cases has shifted focus from stockist, storer trader to consignment trader. Thus the risk is very much reduced and the operating cost covering buying, transporting, insuring and funding cost (interest) is reduced to a very great extent.
6. The Corporation is the only big player in this range of products.
7. The Corporation is the sole distributor of Tata Tiscon Rebars for the State of Orissa and has plans to sell 25,000 MT through its 12 depots.
8. Order from Central Service Organization C.S.O. for supply of Aluminium conductors to NESCO, SOUTHCO & WESCO to the tune of Rs 500 lacs. The work is already in progress with the consortium partner Gupta Cable and the Corporation is expected to get 1% profit margin.
9. The Corporation is the Bitumen Distributor of I.O.C.L. & H.P.C. Ltd. The Corporation would be getting around Rs. 700 per MT.
10. The Corporation has a team of experienced technical and commercial manpower.
    The quality assurance exhibited can be effectively and commercially utilized to the advantage of S.S.I. units.

Balance Sheet

Balance Sheet (latest audited, dated the 31st March 2004) has been qualified and fraught with many incongruities.

Net Worth position as per the provisional Balance sheet as at dated the 31st March 2005 stands at a negative figure of (494.33) lacs, which implies that the Net Worth has been eroded which in turn has resulted in the oration becoming sick. One of the reasons for this crisis is the non-recoverable constituents of the sheet.

Current position (dated the 31st March 2005 Provisional) of each item of balance sheet along with their position 3.06 Estimated) as per our proposed restructuring model is dealt is detail below:

Secured Loans

Secured loans position as per the provisional figures stands at Rs. 1681.64 lacs, which was utilised working capital requirements availed in the form of cash credit from SBI, Andhra Bank and Line of from S.I.D.B.I.

Outstanding Balance as per 30-09-05 is—

* Rs. 382.51 lacs, C.C. from S.B.I.
* Rs. 250.85 lacs, C.C. from Andhra Bank
* Rs. 979.80 lacs, LoC from S.I.D.B.I. which includes Rs. 31.80 lacs as interest. Total outstanding balance of Rs. 1613.16 lacs is not fully covered by the current assets.

Hence, the above items as per our proposed model is to be treated as below:

* The outstanding cash credits from S.B.I. and Andhra Bank amounting to Rs. 633.36 lacs is proposed to be covered by current assets worth Rs. 294.26 lacs including a margin of 15%. The balance amount of Rs. 383.00 Lacs is considered uncovered by current assets and hence converted to Working Capital Term Loan.
* The outstanding LoC from S.I.D.B.I. including interest amounting to Rs. 979.80 lacs is also proposed to be converted to Working Capital Term Loan.
* The proposed terms and conditions of the above loans are as follows:

  Concessional Rate of Interest of 8% p.a.

  Repayment period of 10 years including 1 year of holiday.

  Repayment in 36 equal quarterly installments.

  Month of first installment is June 2007.

  Month of last installment is March 2016.

Linsecured loans

The unsecured loans position as per the provisional figures stands at Rs. 3242.11 lacs, which includes Loan from Government of Orissa, Bond issue against Government guarantee, Loan for revival of sick units, house-building loans on behalf of the employees and short-term loan from O.S.F.C. The outstanding position of the above loans as on 30th September 2005 is given below:

* Loan from Government of Orissa Rs. 345.00 lacs including an interest of Rs. 172.00 lacs.
* Bonds issued against Government Guarantee Rs.2,749.00 lacs including interest of Rs. 749.00 Lacs. (Utilization attached in Annexure I).
* Short-term Loan from O.S.F.C. Rs. 37.62 Lacs including interest of Rs. 2.62 lacs.

* The House Building Loan stands at Rs. 154.00 lacs and is repaid from the monthly salary of the employees.
* The loan for revival of sick units Rs. 107.43 lacs.

The above items as per our proposed model is treated as below:

* The outstanding principal loan amount from Government, Rs. 173.00 lacs is converted to a fresh interest free Term Loan repayable in 10 years including 1 year of holiday. The 1st instalment is proposed to be paid in June 2007. The interest accrued Rs. 172.00 lacs is proposed to be waived.
* The Bond liabilities amounting to Rs. 2749.00 lacs are proposed to be converted to redeemable 15 years 3% Preference Share Capital. The shares will be issued in Rs. 10 denomination and redeemed in four phases in the 12th, 13th, 14th and 15th year.
* The outstanding principal amount of O.S.F.C. loan, Rs. 35.00 lacs is converted to a fresh interest free Term Loan repayable in 5 years including 2 years of holiday. The 1st installment is proposed to be paid in June 2008. The interest accrued Rs. 2.62 lacs is proposed to be waived.

Current Liabilities

Current liabilities amounting to Rs. 3561.32 lacs as per the provisional figures, which includes Sundry Creditors amounting to Rs. 2007.46 lacs, Advances received Rs. 752.32 lacs and other liabilities Rs. 801. 54 lacs.

Current liabilities amounting to Rs. 166.65 lacs towards Sundry Creditors is considered Non-payable Advances from others amounting to Rs. 260.05 lacs and other liabilities amounting to Rs. 101.01 lacs have been set off against corresponding debits and advances extended. The balance of Rs. 2480.12 lacs is kept intact assuming that it would be paid.

Investments

The investment position as per the provisional figures stands at Rs. 193.42 lacs, which includes Rs 130.00 lacs investment in subsidiary Company and Rs. 63.42 lacs investment in other companies as fully paid up equity share capital. The entire investment is considered redundant on account of in existence of the companies where investments have been made.

The investments would be written off to that extent in the Financial year, 2006 as there is no chance of recovery.

Loans and Advances

Loans and advances amounting to Rs. 3720.60 lacs as per the Provisional Balance Sheet constitutes of Rs. 305.28 lacs extended to subsidiaries, Rs. 3138.82 lacs to others and Rs. 276.51 lacs to tax authorities.

An additional amount of Rs. 249.12 lacs is included in the cash and bank balance of Financeial year, 2005.

Out of the total loans and advances, an amount of Rs. 1070.24 lacs is considered recoverable, an amount of Rs. 988.52 lacs is set off against Sundry Creditors and the balance of Rs. 1661.81 lacs is long outstanding and considered non-recoverable, hence proposed to be written off in Financial year, 2006.

Break up of Loans & Advances

Sl. No.	Particulars	Amount (Rs. in lacs)
1	Set offs	988.52
2	Back -to- back	0.00
3	Likely to recover	1070.24
4	Non-recoverable	1661.81
	Total . .	3720.57

The entire dues are considered recoverable and hence would be kept intact.

ANNEXURE I

UTILISATION OF BONDS

Sl. No.	Payment particulars	Date of payment	Amount (Rs. in lacs)
(1)	(2)	(3)	(4)
1	IDCO	13-03-2000	207.00
2	OSFC	14-03-2000	500.00
		03-06-2000	50.00
		06-06-2000	250.00
		Sub-Total . .	800.00
3	TISCO	09-02-2000	54.65
		11-02-2000	23.39
		16-02-2000	26.03
		23-02-2000	25.40
		24-02-2000	69.56
		03-03-2000	14.94
		14-03-2000	48.92
		15-03-2000	52.68
		16-03-2000	31.39
		18-03-2000	4.81
		23-03-2000	11.84
		25-03-2000	13.85
		Sub-Total . .	377.46

(1)	(2)	(3)		(4)
4	S.B.I. Commercial Branch, Cuttack *Ad hoc* limit.	04-04-2000		500.00
5	BALCO–Credit purchases	23-02-2000		47.23
		26-03-2000		18.71
		25-02-2000		20.00
		Sub-Total	..	85.40
6	S.B.I., Sambalpur Branch for K.S.R.L.	16-03-2000		30.77
		22-03-2000		0.30
		Sub-Total	..	31.07
		Total	..	2000.93

Conversion to Term Loans

The outstanding cash credits from S. B. I. and Andhra Bank as on the 30th September 2005 amounting to Rs. 633.36 lacs is covered by current assets worth Rs. 294.26 lacs including a margin of 15%. The balance amount of Rs. 383.00 lacs is considered uncovered by current assets and hence proposed to be converted to Working Capital Term Loan at the end of Financial year, 2006, repayable @ 8% P.A. in 10 years including 1 year of holiday in 36 equal quarterly installments.

The outstanding Line of Credit from S.I.D.B.I. including interest amounting to Rs. 979.80 lacs is also proposed to be converted to Working Capital Term Loan at the end of Financial year, 2006, repayable @ 8% P.A. in 10 years including 1 year of holiday in 36 equal quarterly instalments.

The outstanding principal loan amount from Government Rs. 173.00 lacs is proposed to be converted to a fresh Interest Free Term Loan at the end of Financial year, 2006, repayable in 10 years including 1 year of holiday.

The outstanding principal amount of O.S.F.C. loan Rs. 35.00 lacs is proposed to be converted to a fresh Interest Free Term Loan at the end of Financial year, 2006, repayable in 5 years including 2 years of holiday.

Bond Liabilities

The Bond liabilities amounting to Rs. 2749.00 lacs (Rs. 2000 lacs as principal and Rs. 749 lacs as interest accrued) are proposed to be converted to Redeemable 15 years 3% Preference Share Capital at the end of F.Y. 2006. The shares will be issued in Rs. 10.00 denomination and redeemed at face value in four phases in the 12th, 13th, 14th and 15th year i.e. Financial year, 2018, 2019, 2020, 2021.

One-Time Settlement

The Corporation may also explore the possibilities of settling the outstanding dues of the following—

1. Bank's and other institutional investors invested in the Bonds

2. Line of credit availed from S.I.D.B.I.

The settlement amount may be arrived at by mutual discussion and negotiation with the concerned institutions/lenders.

Profitability assumptions

1. Commercial activity (Trading)

The Quantity of Materials projected to be traded is as follows :—

For Steel (Direct Sales)	. .	8700 to 13800 TPA
For Steel (Through Dealers)	. .	8700 to 13800 TPA
Iocal	. .	
Bitumen	. .	8700 to 15000 TPA
Aluminium	. .	500 to 2000 TPA
Cement	. .	1000 to 6000 TPA

2. Marketing activities

The marketing activities include marketing of agricultural implements, MS Door/ Windows, Pig Lead/Lead Wool, Paints, Motorised Pump Set, Dual Desk. Rural Electrification Work. Aluminium Conductor and other miscellaneous items. A growth trend of 3% Year-over-Year in turnover is considered.

3. Construction Division :

The Corporation is expected to achieve a turnover of about Rs. 1 crore in Financial year, 2006 as per the current trend. The Corporation is likely to achieve and maintain a 3% Year-over-Year growth trend in turnover in this division.

4. Business Development Division

The Corporation is expected to achieve a turnover of about Rs. 1 crore in Financial year, 2006 as per the current trend. The Corporation is likely to achieve and maintain a 3% Year-over-Year growth trend in turnover in this Division.

5. M. I. S.

A nearly constant turnover is assumed over the years in M. I. S. Division

6. New Products

Aluminium—Discussions initiated with BALCO & NALCO for trading of aluminium ingots focusing all utensil manufacturers. Deal with BALCO is on the verge of finalisation with orders to lift 500 to 2000 TPA materials.

Cement—Discussions initiated with L. & T. and Lafarge for trading of Cement focusing D.R.D.A., B.D.Os., Real Estate Developers and other Government agencies.

Scrap—The Corporation also plans to enter into Scrap business. It estimates to achieve a turnover of about Rs. 200.00 lacs in the Financial year, 2007 and thereby, increase the volume to about Rs. 500 lacs by Financial year, 2011. A margin of 10% is expected to be earned from this business.

7. New Avenues

The Corporation intends to initiate export and inter-State sales of Orissa handloom, handicrafts, accessories, etc. along with cluster development. O.S.I.C., would charge consultancy fees for the same. A minimum income from these activities is considered while working out the financial projections.

8. The Margins Considered for various activities are as under—

For Steel (Direct Sales)	. .	Rs. 1300 per tonne
For Steel (Through Dealers)	. .	Rs. 900 per tonne
For Steel (Project Sales)	. .	Rs. 1500 per tonne
Coal	. .	Rs. 150 per tonne
Bitumen	. .	Rs. 750 per tonne
Aluminium	. .	Rs. 200 pm tonne
Cement	. .	Rs. 200 per tonne
Marketing Division	. .	2% on turnovor
Construction Division	. .	3% on turnover
Scrap	. .	10% on turnover

9. Other expenses are assumed in the current trend

WORKING CAPITAL REQUIREMENTS—

1. The holding period for the various items are considered as follows :

Trading Materials	. .	1 month with 25% margin
Sundry Debtors	. .	15 days with 40% margin
Sundry Creditors	. .	7 days

2. Bank Borrowings for Working Capital requirement is worked out from Financial year, 2011 assuming that the Corporation won't require external working capital finance till a turnover of Rs. 140.00 crore. Interest on Working Capital finance is considered at 10% P.A.

FINANCIAL INDICATORS

After considering all the above treatments in Financial year, 2006, the financials have been worked out for 10 years, which reflect the following salient indicators :—

Gross Turnover	. .	Rs. 105.54 crore in Financial year, 2007 to Rs. 185.64 crore in Financial year, 2016.
Gross Profit	. .	Rs. 4.77 crore in Financial year, 2007 to Rs. 7.50 crore in Financial year, 2016.
Average Gross Profit Margin	. .	4.24%.
Average Net Profit Margin	. .	2.57%.
D.S.C.R.	. .	1.65

ANNEXURE - 4

MINUTES OF THE REVIEW MEETING ON ACTIVITIES AND PERFORMANCE OF OSIC LTD. CUTTACK HELD ON THE 2ND JULY 2007 AT 10-00 A.M. IN THE 2ND FLOOR CONFERENCE HALL OF SECRETARIAT, BHUBANESWAR.

Chief Secretary was on the Chair. The other officials who attended the review meeting are listed at Annexture I

It was observed that the Corporation has a loan liability of Rs. 31.64 crore as on the 31st March 2007 against Government guarantee, and a further loan liability of Rs. 4.05 crores against loan availed from Government. Though the Corporation has made gross profit during the last 5 years although the net cumulative loss as on the 31st March 2007 is Rs. 20.42 crore. The gross profit in essence translates to loss due to the growing interest burden on loan liability and low business margin.

After detailed discussion, the following decisions were taken :—

* Industries Department will take up with all Government Departments and issue necessary circular for procurement of Iron and Steel materials, Bitumen and Tata Tiscon reburs through O.S.I.C. by all indenting Government Departments.

  Action : Industries Department

* O.S.I.C. be declared as Nodal Agency for trading of scrap, available with different Government Departments through a transparent policy. Industries Department/ Finance Department will formulate required policy guidelines within a period of one month.

  Action : Industries Department/Finance Department

* The Government loan liability amounting to Rs. 4.05 crore and Bond liability of Rs. 31.64 crore as on the 31st March 2007 be converted to Equity Participation of State Government so that O.S.I.C. can discharge its responsibility very smoothly and effectively for overall growth of S.S.I. units in the State.

  Action : Industries Department/Finance Department

* Minor Irrigation Department is likely to procure huge quantity of Polymer pipes. The Industries Department should ensure and make all out efforts so that the procurement of the said material can be made through O.S.I.C.

  Action : Irrigation Department/Industries Department

* Industries Department shall take up the matter with S.I.D.B.I. to allow O.S.I.C. to operate the lane of Credit of the loan of Rs. 10.50 crore at a low rate of interest.

  Action : Industries Department

* There will be huge procurement of equipments and machinery and materials for construction work to be executed for different bills of the state. O.S.I.C. should make all out efforts to obtain the orders for execution with adequate necessary support of the Industries Department.

  Action : OSIC/Industries Department

* Commissioner-*cum*-Secretary, Panchayati Raj Department to initiate steps for linking of self-help groups promoted by ORMAS and Directorate of Handicrafts in order to market their cottage and handicraft products as well as to supply their need based raw materials through O.S.I.C.

Action : O.S.I.C./Industries Department

* Finance Department be requested to make budget provision for release of outstanding dues of O.S.I.C. pending with Government Departments or to make Supplementary budget provision for early release of outstanding dues of O.S.I.C.. Dues of O.S.I.C. kept under Civil Deposit by defferent Government Departments should be released immediately.

Action : Industries Department/Finance Department

* O.S.I.C. to put up an advertisement of the O.T.S. Scheme formulated by it in order to persuade the defaulting private parties to settle their dues through it. The parties who will fail to settle their dues under O.T.S. scheme shall be blacklisted, so that they cannot participate in the Government purchase for supply of their products.

Action : O.S.I.C./Industries Department

* An exhibition-*cum*-sale of S.S.I. and P.S.U. products of the State may be organised by O.S.I.C. Hon'able Chief Minster and M. D. of all P.S.Us. may be invited for opening of the exhibition where outstanding dues of O.S.I.C. pending with P.S.Us. will be discussed and concerned P.S.U. will be requested to repay the same.

Action : O.S.I.C./Industries Department

* A separate meeting may be arranged with Tata Steel Ltd. for supply of Tata Tiscon re-bar through OSIC to the Mega Projects in Orissa.

Action : O.S.I.C./Industries Department

* Different Mega Projects are comming up to Keonjhar district. O.S.I.C. should open its Project Office at Keonjhar for liaisoning with them to bag substantial orders for execution.

Action : O.S.I.C.

* O.S.I.C. should contact Reliance Industries for new business and infrasructure development of the State O.S.I.C. may supply plastic materials by procuring from S.S.I. units from Micro., Medium and Small Scale Industries to Agriculture and Horticulture Department for use in plantation work.

Action : Industries Department/
Agriculture & Horticulture Department/O.S.I.C.

* O.S.I.C. should initiate action for obtaining bulk orders from OMFED for execution of the same through plastic manufacturing units of the State.

Action : O.S.I.C.

* Irrigation Department requires repair & maintenance of irrigation gates. O.S.I.C. should approach Irrigation Department for procurement of orders in the matter for execution through S.S.I. units of the State.

Action : O.S.I.C. & Irrigation Department

* O.S.I.C. may go for benefaction low grade Chrome ore through S.S.I. units under consortium marketing approach.

Action : O.S.I.C./Industries Department/
Mining Department/O.M.C./I.D.C.

* O.S.I.C. may act as Indenting Agency on behalf of Directorate of E.P. & M., Orissa so that S.S.I. units will get marketing support and also get their dues in time. Director, E.P. & M. may formulate policy in this regard.

Action : O.S.I.C./Director, E.P. & M.

* NALCO is charging Entry Tax @ 1% instead of @ 0.5%, Finance Department may issue necessary clarification instruction in this matter to NALCO, so that O.S.I.C. can able to provide Alumvinium Raw Materials to S.S.I. units by procuring from NALCO with 0.5% Entry Tax.

Action : Finance Department/O.S.I.C.

* Works Department to consider for renewal of Super Class Licence of O.S.I.C. free of cost as applicable to other P.S.Us.

Action : Works Department

* Industries Department to consider increasing the service charge of O.S.I.C. from 1% to 3% in I.P.R., 2007 along with exemption of E.M.D. and to get tender paper free of cost while participating in Government tender by O.S.I.C. and allow O.S.I.C. to deposit 25% of security deposit instead of 100% whererver applicable.

Action : Industries Department

The meeting ended with a vote of thanks to the Chair.

A. K. TRIPATHY
Chief Secretary

ANNEXURE - 5

THE ORISSA SMALL INDUSTRIES CORPORATION LTD.

PROJECTIONS FOR SIX YEARS (Rs. in lakhs)

	Actuals			Projected			
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Gross Turnover							
(a) Commercial	17856.13	21427.36	25712.83	28284.11	31112.52	34223.77	37646.15
i) Iron steel	1336.18	1603.42	1924.10	2116.51	2328.16	2560.98	2817.07
ii) Torsteel	7867.15	9440.58	11328.70	12461.57	13707.72	15078.49	16586.34
iii) Bitumen	8652.80	10383.36	12460.03	13706.04	15076.64	16584.30	18242.73
(b) Marketing	578.11	693.73	832.48	915.73	1007.30	1108.03	1218.83
i) Rural Elec.Work	193.23	231.88	278.25	306.08	336.68	370.35	407.39
ii) DTET	152.64	183.17	219.80	241.78	265.96	292.56	321.81
iii) EPM	66.54	79.85	95.82	105.40	115.94	127.53	140.29
i iv) Product Marketing	165.70	198.84	238.61	262.47	288.72	317.59	349.35
(c) Construction	498.68	598.42	718.10	789.91	868.90	955.79	1051.37
i) Scrap	136.52	163.82	196.59	216.25	237.87	261.66	287.83
ii) Project Construction	324.79	389.75	467.70	514.47	565.91	622,51	684.76
iii) Iron Ore Fines	37.37	44.84	53.81	59.19	65.11	71.62	78.79
(d) BDD	1560.60	1872.72	2247.26	2477.01	2730.73	3011.02	3320.79
i) Dual Desk	34.83	41.80	50.16	60.19	72.22	86.67	104.00
ii) Coal	1525.77	1830.92	2197.11	2416.82	2658.50	2924.35	3216.79
(e) M.I.S.	36.41	43.69	52.43	57.67	63.44	69.78	76.76
i) ITService	36.41	43.69	52.43	57.67	63.44	69.78	76.76
TOTAL GROSS TURNOVER	20529.93	24635.92	29563.10	32524.42	35782.89	39368.40	43313.90
COST OF MATERIALS							
(a) Commercial	16701.85	20042.22	24050.66	26455.73	29101.30	32011.43	35212.58
i) Iron steel	1291.46	1549.75	1859.70	2045.67	2250.24	2475.26	2722.79
ii) Tor steel	6992.34	8390.81	10068.97	11075.87	12183.45	13401.80	14741.98
iii) Bitumen	8418.05	10101.66	12121.99	13334.19	14667.61	16134.37	17747.81
iv) Coal	1427.20	1712.64	2055.17	2260.68	2486.75	2735.43	3008.97
(b) Marketing	546.59	655.91	787.09	865.80	952.38	1047.62	1152.38
i) Rural Elec.Work	190.64	228.77	274.52	301.97	332.17	365.39	401.93
ii) DTET	138.22	165.86	199.04	218.94	240.83	264.92	291.41
iii) EPM	60.49	72.59	87.11	95.82	105.40	115.94	127.53
iv) Product Marketing	157.24	188.69	226.43	249.07	273.97	301.37	331.51
c) Construction	463.57	556.29	667.55	734.30	807.73	888.50	977.35
i) Scrap	126.91	152.29	182.75	201.02	221.13	243.24	267.56
ii) Project Construction	301.92	362.31	434.77	478.25	526.07	578.68	636.55
iii) Iron Ore Fines	34.74	41.69	50.02	55.03	60.53	66.58	73.24
d) BDD	34.14	40.97	49.16	54.08	59.49	65.43	71.98
i) Dual Desk	34.14	40.97	49.16	54.08	59.49	65.43	71.98
e) M.I.S.	32.04	38.45	46.14	50.75	55.83	61.41	67.55
i) IT Service	32.04	38.45	46.14	50.75	55.83	61.41	67.55
Cost of materials	19205.39	23046.47	27655.77	30421.34	33463.48	36809.82	40490.81

ANNEXURE - 6

GRADEWISE STAFF STRENGTH OF O. S. I. C. AS ON THE 1ST NOVEMBER 2008

Sl. No.	Grade	Scale of pay	Sanctioned Strength	O.S.I.C. Cadre	Deputed from Departmental unit	Deputed from Government	Total staff in position	Vacancy position
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	C. G. M.	14,300–18,300	1	. .	. .	. .	. .	1
2	G. M.	12,000–16,500	1	. .	. .	2	2	(-) 1
3	D. G. M.	10,650–15,850	3	. .	. .	. .	. .	3
4	Manager (Gen.)	9,350–14,550	6	5	. .	. .	5	1
5	Manager (Tech.)	9,350–14,550	6	3	. .	. .	3	3
6	Jt. Manager (Gen.)	8,000–13,500	4	3	. .	. .	3	1
7	Jt. Manager (Tech.)	8,000–13,500	5	2	. .	. .	2	3
8	Administrative Officer	8,000–13,500	1	. .	. .	. .	. .	1
9	Asst. Manager (Gen.)	6,500–10,500	14	7	. .	. .	7	7
10	Asst. Manager (Tech.)	6,500–10,500	11	7	. .	. .	7	4
11	Jr. Manager (Gen.)	5,900–9,700	22	13	1	. .	14	8
12	Jr. Manager (Tec.)	5,900–9,700	12	9	. .	. .	9	3
13	Sr. Assistant	4,750–7,500	28	22	. .	. .	22	6
14	Jr. Assistant	4,000–6,000	15	14	. .	. .	14	1
15	Sr. Private Secretary	8,000–13,500	1	. .	. .	. .	. .	1
16	Private Secretary	6,500–10,500	3	3	. .	. .	3	. .
17	Personal Assistant	5,900–9,700	9	7	1	. .	8	1
18	Sr. Stenographer	4,750–7,500	8	7	. .	. .	7	1
19	Sr. Typist	4,000–6,000	3	3	. .	. .	3	. .
20	Jr. Typist	3,050–4,590	4	4	. .	. .	4	. .
21	Sr. D. E. O.	4,000–6,000	3	3	. .	. .	3	. .
22	Supervisor	5,000–8,000	13	13	. .	. .	13	. .
23	Ferroprinter	3,050–4,590	1	1	. .	. .	1	. .
24	Head Driver	4,000–6,000	1	. .	. .	. .	. .	1
25	Sr. Driver	4,000–6,000	1	1	. .	. .	1	. .
26	Driver	3,050–4,590	5	5	. .	. .	5	. .
27	Crane Operator	3,200–4,900	3	3	. .	. .	3	. .
28	Diarist/Despatcher	3,050–4,590	3	3	. .	. .	3	. .
29	Record Keeper	4,000–6,000	1	1	. .	. .	1	. .
30	Record Supplier	2,650–4,000	1	1	. .	. .	1	. .
31	Treasury Sarkar	2,650–4,000	1	1	. .	. .	1	. .
32	Daftary	2,610–3,540	1	1	. .	. .	1	. .
33	Delivery Asstistant	2,650–4,000	6	4	. .	. .	4	2
34	Messenger/Watchman/ Sweeper/Crane Helper.	2,550–3,200	69	64	. .	. .	64	5
		Total . .	266	210	2	2	214	52
35	Contract	. .	. .	. .	. .	. .	6	. .
36	N. M. R.	. .	. .	. .	. .	. .	10	. .
		GRAND TOTAL	. .				230	

* Supervisor–sanctioned strength-12 + appointment of Shri D. R. Patnaik as Supervisor vide Order No. 556, dated the 15th January 2000

** Abolished under V.R.S. : F.C.S.-1, Jr. Manager (T)-1, Delivery Assistant-1, Zamadar-1, Class-IV-1

*** Abolished as per 144th Board meeting, dated the 31st December 2004 vide Order No. 1314-O.S.I.C., dated the 3rd March 2005 : Manager (G)-1, A. M. (G), Jr. Assistant-4, Driver-2 & Class-IV-12.

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