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The Corporate Restructuring of IDCOL: The Need of the Hour

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IDCOL: Problems and Prospects- Before throwing light on the research work, the researcher feels it proper to provide a brief overview of Industrial Development Corporation of Odisha Limited (IDCOL). Industrial Development Corporation of Odisha Limited (IDCOL) was established by the government of Odisha in the year 1969 with a mission to promote industries in the state of Odisha, which is poor, in spite of its mineral wealth. The objective of the establishment of IDCOL was to overcome the entrepreneurial deficiency in the state by setting up medium scale industries in Odisha, with a hope that the industrial growth will contribute to economic growth of the state, which is essential for addressing the spiralling poverty of the state. The vision was clearly demonstrated by the state government which preferred to keep pace with the rapid industrialisation in the country and for that matter, in the world. With an authorised capital of Rs. 50 crores, Industrial Development Corporation of Odisha Limited (IDCOL) started functioning and subsequently, Hirakud Industrial Work, Kalinga Iron Works, Ferrochrome Plant, Hira Cement Works, Hira Cables, Re-Rolling Mill, Boiler Piping and Accessories Works, Orichem Ltd., East Coast Breweries and Distilleries Ltd., ABC Spinning Odisha Ltd., Konark Jute Limited, NICCO Industries Ltd., SN Corporation Ltd. And other subsidiary units were established, which produced fabrication of transmission line towers, pig iron and cast iron, high carbon and low carbon ferrochrome, Portland cement, AAC and ACSR conductors, M.S. rods, fabrication of piping bend, Sod. Sulphate, beer, fine cotton and synthetic yarn, heavy cess cement bags, PVC cables, high tensile fasteners and other products respectively. Though Industrial Development Corporation of Odisha Limited (IDCOL) did good business and expanded its market in the initial stage, it suffered a decline after some years.

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The Corporate Restructuring of IDCOL: The Need of the Hour

Santosh Kumar Panda [α] & Anup Kumar Samantaray [σ]

I. IDCOL: Problems and Prospects

Before throwing light on the research work, the researcher feels it proper to provide a brief overview of Industrial Development Corporation of Odisha Limited (IDCOL). Industrial Development Corporation of Odisha Limited (IDCOL) was established by the government of Odisha in the year 1969 with a mission to promote industries in the state of Odisha, which is poor, in spite of its mineral wealth. The objective of the establishment of IDCOL was to overcome the entrepreneurial deficiency in the state by setting up medium scale industries in Odisha, with a hope that the industrial growth will contribute to economic growth of the state, which is essential for addressing the spiralling poverty of the state. The vision was clearly demonstrated by the state government which preferred to keep pace with the rapid industrialisation in the country and for that matter, in the world. With an authorised capital of Rs. 50 crores, Industrial Development Corporation of Odisha Limited (IDCOL) started functioning and subsequently, Hirakud Industrial Work, Kalinga Iron Works, Ferrochrome Plant, Hira Cement Works, Hira Cables, Re-Rolling Mill, Boiler Piping and Accessories Works, Orichem Ltd., East Coast Breweries and Distilleries Ltd., ABC Spinning Odisha Ltd., Konark Jute Limited, NICCO Industries Ltd., SN Corporation Ltd. And other subsidiary units were established, which produced fabrication of transmission line towers, pig iron and cast iron, high carbon and low carbon ferrochrome, Portland cement, AAC and ACSR conductors, M.S. rods, fabrication of piping bend, Sod. Sulphate, beer, fine cotton and synthetic yarn, heavy cess cement bags, PVC cables, high tensile fasteners and other products respectively. Though Industrial Development Corporation of Odisha Limited (IDCOL) did good business and expanded its market in the initial stage, it suffered a decline after some years. Maladministration, red-tapism, administrative incapacity, lack of political will, degrading work culture, compromise with the quality, non-exploration of market possibility, unwillingness for technological upgradation and other factors were responsible for the sorry state of affairs of Industrial Development Corporation of Odisha Limited (IDCOL). Since no sensible and conscientious attempts were taken by the government and the people in the helm of affairs, the situation worsened very fast. It is a tragedy for the state that IDCOL Cement Ltd. (ICL), IDCOL Rolling Mill (RML) and Hirakud Industrial Works Ltd. (HIWL), the subsidiary companies have already been disinvested. Out of eight subsidiary units of IDCOL under its control, only two, Ferrochrome unit of IDCOL (IFCAL) and Kalinga Iron Work unit of IDCOL(IKIWL) are running with a slow pace and producing pig iron and high carbon ferrochrome respectively, while other six units have become non functional.

This research work has been undertaken by adopting the case study of IDCOL Ferrochrome and Alloys Limited (IFCAL) with an objective of providing suggestion for restructuring of Industrial Development Corporation of Odisha Limited (IDCOL). IDCOL Ferrochrome and Alloys Limited (IFCAL) was established in the year 1969 and it was a reputed manufacturer of ferrochrome which is used for stainless steel and special steels. The variants of ferrochrome like High Carbon Ferrochrome (HCFC), Low Carbon Ferrochrome (LCFC) and Sl chrome are being produced by IDCOL Ferrochrome and Alloys Limited (IFCAL) at present. The raw materials for IFCAL are procured from its own captive chromite mines at Talangi and supplies required grade of chrome ore to the plant for consumption. In the initial stage of its establishment, IDCOL Ferrochrome and Alloys Limited (IFCAL) was doing excellent business because of its quality products. Its products were exported to the countries like Japan, Italy, Romania, USA, Korea, Australia, Philippines and Nether land etc.

During the high peak period of IFCAL Plant, the production of High Carbon Ferrochrome (HCFC), Silico Chrome (SC) and Low Carbon Ferrochrome (LCFC) was 3780.5, 2782 and 2959.25 in M.T. respectively on average. The annual net turnover of the plant is approximately 300 million. IFCAL achieved the production to the tune of 5936 M.T. in the year 2007-08.

Inventory resulting in a lower demand and reduced Ferrochrome globally production fell by 27.95% by 2009. Ferrochrome production in India has been stabilised at around 10000 MT per year since 2010, out of which about 50% is domestic consumption and the rest is being exported. India's output was expected to increase by 10% in 2015. The expectation was due to improved domestic market condition and expanding

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global market. At present, TATA steel plant and ESSAR steel Ltd. have been producing quality ferrochrome by exploration of market possibilities. These plants have also been technologically updated. They have a solid administrative structure, research and analysis wing and market expansion mechanism. On the other hand IDCOL Ferrochrome and Alloys Limited (IFCAL) which had once the global reputation for this product has degenerated itself like anything. Its production has decreased, market has been contracted, employability has dwindled and technology adoption has not been up to the market. In the policy making and regulatory mechanism, it has fallen short of global standard and the industrial unit known for its excellence and quality is on the verge of extinction.

The researcher convinced himself to undertake this project with an objective of providing suggestions for revival and rejuvenation of IDCOL Ferrochrome and Alloys Limited (IFCAL). On-spot visit, interaction with the stakeholders, study of literature, internet browsing and comparative analysis made the researcher assured that unless some viable and innovative measures are initiated by IDCOL Ferrochrome and Alloys Limited (IFCAL), the possibility of its existence is remote. Since IDCOL Ferrochrome and Alloys Limited (IFCAL) is a subsidiary unit of IDCOL, the structural change and reforms must be adopted by Industrial Development Corporation of Odisha Limited (IDCOL), to give a new lease of life to IFCAL. Hence, the case study of IDCOL Ferrochrome and Alloys Limited (IFCAL) is oriented towards restructuring of IDCOL, which will not only help rejuvenation of IFCAL but also other subsidiary units of Industrial Development Corporation of Odisha Limited (IDCOL).

For rejuvenation of Industrial Development Corporation of Odisha Limited (IDCOL), restoration of its past glory and for making it globally competitive, the researcher, after thorough study and analysis, has reached the conclusion that corporate restructuring of Industrial Development Corporation of Odisha Limited (IDCOL) is the only alternative.

II. The Rationale of Restructuring of IDCOL

The reason for degradation and decline of Industrial Development Corporation of Odisha Limited (IDCOL) are many and these have been discussed in detail in the thesis. With the present structure of functioning, the hope of its revival and rising up to the mark is flickering. Hence, the researcher has pondered over the critical aspects of corporate restructuring and has discussed how these can be implemented in case of Industrial Development Corporation of Odisha Limited (IDCOL). It goes without mention that Industrial Development Corporation of Odisha Limited (IDCOL) has not been functioning as was expected at the time of its inception. The survey by the researcher establishes the fact that if Industrial Development Corporation of Odisha Limited (IDCOL) is not restructured, the objective can never be fulfilled. The interaction of the researcher with different stakeholders convinces him that, with the present structure of functioning, the future of Industrial Development Corporation of Odisha Limited (IDCOL) is gloomy. The critical aspects of restructuring; revival and rejuvenation have not been given wise thought by the people who matter in the administration of Industrial Development Corporation of Odisha Limited (IDCOL). The on-spot visit, interaction, literature review, study of materials and tools of research by this scholar have validated the fact that some concrete attempts need to be undertaken to make Industrial Development Corporation of Odisha Limited (IDCOL) an agent competent enough to prove its credential in the globally competitive industrial market. It has to be immune from the traditional, monolithic and obsolete functioning. It must be worthy of market and profit. For this, the viable aspects of restructuring must be considered.

Across the globe, industries and companies are undergoing dramatic changes. Even the socialistic countries like China have risen to the occasion and have adopted the policy of restructuring. One of the most pragmatic aspects of restructuring is Public Private Partnership (PPP). The Union Government has framed the PPP Policy in order to revitalise the public sectors. It goes without mention that excessive political interference, widening gap between administrators and workers, lack of work culture, inadaptability of technology and etc. have crippled the Public Sector Undertakings (PSUs) in this country. The Union Government has adopted the PPP Policy, keeping in mind giving new dividend and dimension to PSUs. Odisha Government has also framed PPP Policy in 2007, falling in line with the central government. The objective behind the policy is mainly to bring in structural reforms in the industrial sectors and utilisation of human resource, particularly the youth force. The statistics tells us after adoption of PPP policy, there has been marked change in the industrialisation of Odisha which has ultimately boosted the state economy. The growth of GDP in Odisha over the national average bears the testimony to it.

III. Conclusion

It is high time Industrial Development Corporation of Odisha Limited (IDCOL) should go for restructuring through PPP mode. There seems to be no hope if it goes on being sustained by the government. Since all the attempts by the government have failed miserably, the researcher is pretty convinced that through PPP policy, Industrial Development Corporation of Odisha Limited (IDCOL) can be given a new lease. The researcher has also contemplated on different

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aspects of restructuring, but the conclusion is that merger is the last option for Industrial Development Corporation of Odisha Limited (IDCOL). All over the world and also in India, merger/amalgamation has been successful for revitalising industry and for energising the market. The critical aspects of disinvestment, accounting policy, market possibilities with regard to merger have been discussed by the scholar and finally it is surmised that the possibility of merger of Industrial Development Corporation of Odisha Limited (IDCOL) with TATA will be a very pragmatic approach.

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