CHAPTER I

INTRODUCTION

1.1 Introduction

Industrial sickness is an offshoot of rapid industrialisation and goes hand in hand with industrial development. Growing competition and ever-changing international economic environment often lead to high incidence of corporate failure in developed market economies. The vast strides made in technological development render old technologies obsolete, industrial recessions make some unviable, international trade policies make some uncompetitive and tardy progress in some related sectors shrink markets for others. Marginal firms representing weak and ill conceived, inefficient and mismanaged projects often disappear from the industrial scene being unable to withstand the vicissitudes of changes and shifts (Rai, 1993, 897).

In common parlance, industrial sickness means business failure. Like human sickness industrial sickness is a painful reality affecting the society at large. It aggravates the problem of unemployment, reduces the availability of goods and services and enhances their cost. “Corporate Collapse has always
brought about fearful mental pain to proprietors and entrepreneurs and to their families. It always meant that employees lose their jobs, shareholders lose their savings and creditors lose cash and future business. The customer is deprived of the product. The local community may be plunged into despair. Failure has brought years and decades of legal wrangling in its wake. It ruins lives, destroys the health of its victims, it pushes them to the edge of suicide and beyond. It has always been so but each individual in our modern society is becoming so much more dependent upon companies and other organisations that the misery of failure is now spread far and wide" (Argenti, 1976).

Industrial sickness is a cause of concern though it is bound to exist in some form in every economic structure. For a healthy economy the loss by way of non-productive assets and capital sunk in sick industrial units must necessarily remain within sustainable limits. Developed economies, with their well-established social security systems, are equipped to combat this in a better way. But closure of industrial units in developing economies lead to serious consequences since their limited investible resources and relatively limited alternative employment opportunities cannot easily absorb resultant loss of jobs, production and revenue (Mehta and Harode, 1998, 71).

The sick industry syndrome in India was an isolated phenomenon in the early sixties restricted to a few hundred units in one or two industries. In the seventies, industrial sickness has emerged as a serious problem affecting the small, medium and large units (Economic Survey 1987-88, P.40). A large number of industrial units got closed down every year creating large-scale unemployment and loss of investment ultimately slowing down the economic progress of the nation. The statistics compiled by the Reserve Bank of India (RBI) reveals that there were 20651 sick industrial units in India at the end of June 1978 with outstanding bank credit of Rs.1187 crores locked up in them. By the end of March 2002 the number
of sick industrial units rose to 180597 units and the amount of outstanding bank credit against them reached the level of Rs.26065 crores. The trend in the growing incidence of industrial sickness and the outstanding bank credit locked up in sick industrial units are given in Table 1.1

<table>
<thead>
<tr>
<th>Period</th>
<th>No. of Sick Industrial Units</th>
<th>Institutional Funds (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1978</td>
<td>20651</td>
<td>1187</td>
</tr>
<tr>
<td>December 1980</td>
<td>24550</td>
<td>1809</td>
</tr>
<tr>
<td>December 1985</td>
<td>119606</td>
<td>4271</td>
</tr>
<tr>
<td>March 1990</td>
<td>221094</td>
<td>9353</td>
</tr>
<tr>
<td>March 1995</td>
<td>271206</td>
<td>13739</td>
</tr>
<tr>
<td>March 1999</td>
<td>309013</td>
<td>19464</td>
</tr>
<tr>
<td>March 2000</td>
<td>307399</td>
<td>23655</td>
</tr>
<tr>
<td>March 2001</td>
<td>252947</td>
<td>25777</td>
</tr>
<tr>
<td>March 2002</td>
<td>180597</td>
<td>26065</td>
</tr>
</tbody>
</table>

Source: Trend and Progress of Banking in India, RBI Bombay (Compiled from various issues).
The table shows that the number of sick industrial units in the country have increased by 8.8 times and the amount of institutional credit by 22 times between June 1978 and March 2002.

Taking cognizance of industrial sickness as a persisting problem affecting the industrial development of the country, the Government of India and the Reserve Bank of India initiated various remedial measures to put the unproductive assets of sick industrial units to productive use. In the sixties, the Government perceived industrial sickness as a threat to employment of labour and introduced the policy of taking over of the units closed. It worked well since the number of units closed was relatively low. The depressed and recessionary conditions experienced by the country in the late sixties left a large number of industrial units sick. Rehabilitation was the only remedy available for the industrial units, which have already become sick and are on the verge of collapse. This led to the establishment of the Industrial Reconstruction Corporation of India (IRCI) in 1971 as the principal reconstruction agency in the country. But the number of industrial units falling prey to industrial sickness continued unabated.

The relentless pressure of growing incidence of industrial sickness in the country forced the Government to make drastic changes in its rehabilitation polices. Various policy measures for the rehabilitation of sick industrial units like the Soft Loan Scheme, Merger Policy -1977, Policy Guidelines on Sick Industrial units-1978, Policy Statement-1980, New Strategy-1981 etc., were initiated. But many of the schemes were not so successful in curbing the increasing trend in industrial sickness. The setting up of the Industrial Reconstruction Bank of India (IRBI) in 1985 by reconstituting the erstwhile IRCI to function as the principal credit and reconstruction agency for industrial rehabilitation in the country by coordinating the similar work of other institutions also failed to bring about the desired results.
This led to the enactment of the Sick Industrial Companies (Special Provisions) Act, 1985 (popularly known as SICA, 1985). The Act aimed at the timely detection of sick industrial companies and to expedite the revival of potentially viable sick units. The Board for Industrial and Financial Reconstruction (BIFR) was set up under the Act, with wide ranging powers in respect of approval of rehabilitation schemes and their implementation. Even the establishment of BIFR did not accelerate the process of rehabilitation of sick industrial units. The present study aims to evaluate of the extent of success of the BIFR in curbing industrial sickness by analysing the effectiveness of the implementation of the rehabilitation schemes and the causes of their failure.

1.2 Statement of the Problem

The BIFR was set up in 1987 under SICA, 1985 to oversee the rehabilitation of sick industrial units in the medium and large-scale sector. The Act makes it mandatory for a sick industrial undertaking to report the matter to the BIFR. The Board has wide-ranging powers for reconstruction, revival and rehabilitation of sick industrial units. The revival measures include restructuring of capital, sale of surplus assets, change in management, merger or amalgamation with another healthy company, sale/lease of the unit and winding up of the company where no revival is possible.

In rehabilitating a sick industrial undertaking the BIFR utilises the services of an Operating Agency. The Financial Institution/Bank having the maximum stake in the sick unit is normally appointed as the Operating Agency. It is the responsibility of the Operating Agency to study the problem of sickness in a company, to identify the causes of sickness and to prepare a rehabilitation scheme suggesting suitable revival proposals for the company.
Chapter I

The rehabilitation scheme spells out action to be taken by the management, promoters, employees, financial institutions and Governments. The management may be asked to restructure itself, the promoters may be asked to provide additional capital, the employees may be asked to accept a wage freeze, wage cut etc, for a period and the creditors or financial institutions may be asked to grant moratorium on repayment, waive penal charges and interest and to extend additional credit.

The BIFR became functional w.e.f 15 May 1987. Since its inception up to 31 December 2004, the BIFR had registered 5147 references. They included 4940 private sector companies and 207 public sector companies. The total accumulated losses of those companies stood at Rs.129144 crores and their networth were Rs.65565 crores. There were 2473229 employees in those companies.

Out of the 5147 registered companies, 2679 references were rejected, recommending winding up in 1302 cases and dismissing 1377 references as non-maintainable. Among the registered cases only 436 companies\(^1\) came out of the 'purview of the BIFR' after making their networth positive. This shows that the success rate is only 8.5 percent of the total number of references registered. The low success rate shows that the performance of the BIFR in rehabilitating sick industrial undertakings was not satisfactory. The details of the references registered by the BIFR up to 31 December 2004 are given in Table 1.2, which is self-explanatory.

\(^1\) 415 private sector companies and 21 public sector units.
### Table 1.2: Details of Sick Companies Registered by the BIFR
(as on 31/12/04)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Cases registered</th>
<th>Revived</th>
<th>Winding up recommended</th>
<th>Not maintainable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Sector Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of companies</td>
<td>4940</td>
<td>415</td>
<td>1230</td>
<td>1337</td>
</tr>
<tr>
<td>No. of workers</td>
<td>1443853</td>
<td>174751</td>
<td>394593</td>
<td>253375</td>
</tr>
<tr>
<td>Accumulated loss*</td>
<td>101800</td>
<td>3266</td>
<td>10697</td>
<td>26393</td>
</tr>
<tr>
<td>Networth*</td>
<td>53414</td>
<td>1892</td>
<td>5484</td>
<td>14393</td>
</tr>
<tr>
<td><strong>Central PSUs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of companies</td>
<td>88</td>
<td>9</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>No. of workers</td>
<td>772392</td>
<td>252427</td>
<td>88677</td>
<td>13564</td>
</tr>
<tr>
<td>Accumulated loss*</td>
<td>22048</td>
<td>2918</td>
<td>4931</td>
<td>1064</td>
</tr>
<tr>
<td>Networth*</td>
<td>9704</td>
<td>2228</td>
<td>1325</td>
<td>608</td>
</tr>
<tr>
<td><strong>State PSUs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of companies</td>
<td>119</td>
<td>12</td>
<td>41</td>
<td>31</td>
</tr>
<tr>
<td>No. of workers</td>
<td>256984</td>
<td>125169</td>
<td>44297</td>
<td>19025</td>
</tr>
<tr>
<td>Accumulated loss*</td>
<td>5295</td>
<td>1094</td>
<td>1234</td>
<td>668</td>
</tr>
<tr>
<td>Networth*</td>
<td>2447</td>
<td>501</td>
<td>435</td>
<td>350</td>
</tr>
<tr>
<td><strong>Total number of sick companies registered</strong></td>
<td></td>
<td></td>
<td></td>
<td>5147</td>
</tr>
<tr>
<td><strong>Number of companies declared no longer sick</strong></td>
<td></td>
<td></td>
<td></td>
<td>436</td>
</tr>
<tr>
<td><strong>Number of employees employed in sick units</strong></td>
<td></td>
<td></td>
<td></td>
<td>2473229</td>
</tr>
<tr>
<td><strong>Total accumulated loss</strong></td>
<td></td>
<td></td>
<td></td>
<td>129143</td>
</tr>
<tr>
<td><strong>Total networth</strong></td>
<td></td>
<td></td>
<td></td>
<td>65565</td>
</tr>
</tbody>
</table>

* Source: bifr.nic.in

* Rs. in crores.
The low success rate with the BIFR may be due to the following reasons:

i. Late reporting of sickness to the BIFR

Timely identification of sickness in an industrial unit is essential for its rehabilitation. As per the provisions of SICA, 1985 a company is considered as sick only when its total networth\(^2\) is eroded by accumulated losses. This is a state of imminent insolvency and it may be difficult for a sick unit to make a comeback by implementing a revival scheme.

ii. Delay in sanctioning and implementing rehabilitation scheme

Timely implementation of a rehabilitation scheme is essential for the revival of the sick unit. The BIFR being government machinery, the procedural delays and its quasi-judicial nature and the consensus approach in finalising the rehabilitation schemes make the BIFR process time consuming. It may affect the rehabilitation process adversely.

iii. Improper implementation of the rehabilitation scheme

The proper implementation of the rehabilitation scheme requires the support of all participating agencies. Timely fulfillment of commitments by various participating agencies is imperative. Often the rehabilitation schemes may not be implemented in accordance with the original plan due to the non-cooperation or delay in extending support by the participating agencies. This may also reduce the chances of success of the rehabilitation schemes.

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\(^2\)Networth means the sum total of the paid up capital and free-reserves- Section 3(1)(ga). Free reserves mean all reserves credited out of the profits and share premium account but do not include reserves created out of revaluation of assets, write back of depreciation provisions and amalgamation.
iv. Inherent weaknesses of the rehabilitation schemes

Proper remedial measures can be taken only if the real causes of sickness in an industrial unit are identified. The implementation of rehabilitation schemes without identifying the real causes of sickness in companies might have resulted in their failure. The shortage of resources also might have affected the adoption of proper remedial measures.

v. Lack of commitment on the part of management

Commitment on the part of the management is imperative for the rehabilitation of a sick unit. If the BIFR reference of a sick unit is taken by the management as an escape route to avail various relief and concessions and other benefits, it may affect the chances of revival of the company.

vi. Incompetence of Operating Agencies

Operating Agencies should have specialised expertise in preparing the rehabilitation schemes and monitoring their implementation. But in practice the financial institution/bank with the maximum stake in the sick unit is normally appointed as the Operating Agency without considering its technical and managerial competence. This may reduce the success of the rehabilitation schemes.

vii. Policy of the BIFR

The policy of the BIFR to take ‘ameliorative’ and ‘remedial’ measures ‘in public interest’ in sick units with doubtful viability might have resulted in initiating rehabilitation measures which in turn might have resulted in the failure of many rehabilitation schemes.

In this context the identification of the reasons for the low success rate of the BIFR is imperative in order to take appropriate action to fulfill the established objectives of the BIFR in rehabilitating sick industrial units. The present study aims to
evaluate the extent of success of the BIFR in curbing industrial sickness by analysing the effectiveness of the implementation of the rehabilitation schemes and the causes for their failure.

1.3 Review of Literature

A number of empirical studies have been conducted to analyse the causes of failure, to identify the symptoms of failure, to develop failure prediction models and to evaluate various rehabilitation methods. Some of the studies related to the rehabilitation of sick industrial units are summarised below.

Tiwari Committee (1984) in its report examined the legal and other difficulties faced by banks and financial institutions in the rehabilitation of sick industrial undertakings and suggested remedial measures including changes in law. It recommended the need for a new enabling law and the creation of a Board for industrial revival. A cause-wise analysis of industrial sickness was conducted and it indicated the relief and concessions which should be provided by the Government, sacrifices to be made by the management, labour, creditors, shareholders and so on. The report revealed that 52 percent of the units became sick due to deficiencies in management, 23 percent due to market recession and environmental factors, 14 percent due to technical factors and faulty initial planning, 9 percent due to infrastructure factors and 2 percent due to labour trouble.

Biswa Roy et al (1990) attempted to depict the institutional arrangements available in India to combat the menace of industrial sickness. A detailed evaluation of the operational performance of the Industrial Reconstruction

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1Based on the recommendations of the Tiwari Committee, the Sick Industrial Companies (Special Provisions) Act, 1985 was enacted and the Board for Industrial and Financial Reconstruction (BIFR), a quasi-judicial body was established under the Act to provide exclusive attention to tackle the problem of sickness in industrial units in the medium and large sectors.
Corporation of India (IRCI) was made along with an empirical study selecting the IRCI assisted units, using Altman’s ‘Z’ score model to assess their revival position.

Sriram (1990) analysed the practical problems in rehabilitating the sick industrial units. Apart from the delay in identification of sickness and finalisation of the rehabilitation packages, the involvement of a multiplicity of agencies made the rehabilitation process difficult. The concurrence of promoters and of All India Financial Institutions, respective State Financial Corporation, respective State Industrial Development Corporation, State Electricity Board and Banks acted as a stubborn bottleneck to finalisation, sanction and implementation of a rehabilitation scheme.

The speech delivered by Shri. R Ganapati, the then Chairman, of the BIFR on 9 July 1990 at Calcutta was regarded as the first official deliberation about the operating performance of the BIFR and the criticisms leveled against it. He justified the high rate of the winding up of companies registered with BIFR saying, “... the sorts of cases that come before the BIFR are almost mortuary cases”. He pointed out that though the preamble of SICA stated that timely detection of sick companies as the important objective of the Act the definition of a sick unit is too restrictive to take up remedial measures to curb sickness since companies reported to the BIFR after the erosion of its total networth were often mortuary cases. He suggested a change in the definition of a sick industrial company so that the BIFR can tackle the problem of sickness in a unit at the incipient stage itself.

Shinde (1991) made a well-accounted description of the growing incidence of industrial sickness in Indian industries and the role of the BIFR in rehabilitating them. He critically examined the operational performance of the BIFR up to 31 October 1990 and suggested that the task that lies ahead was not the
identification of chronically sick units but the ensuring of a reasonably healthy loan portfolio for the commercial banking system to take timely preventive action.

The Goswami Committee (1993) was also critical of the working of the BIFR since the process has been time consuming because of its quasi-judicial nature and its working on the basis of consensus of all the parties having veto power. The committee also criticised the Board’s inclination towards rehabilitation of sick units instead of going in for closure. The report emphasised the need to make the BIFR a ‘fast tract facilitator’ rather than an arbitrator. The committee was instrumental for the Sick Industrial Companies (Amendment) Act, 1993, which incorporated radical changes in the definition of a ‘Sick Industrial Undertaking’ to enable detection of sickness at the incipient stage so that the implementation of a viable rehabilitation scheme becomes easy and effective.

Muralidharan (1993) examined the adaptability of the different measures of rehabilitation under SICA, 1985. He suggested that the amalgamation of a sick unit with a healthy unit is the effective measure for rehabilitation where the viability of the sick unit is doubtful and the rehabilitation of it is necessary in the ‘public interest’.

Kaveri (1994) analysed the challenges faced by the BIFR in rehabilitating sick industrial units. He pointed out that the quasi-judicial nature of the BIFR proceedings and the consensus approach in all stages of the preparation and implementation of the rehabilitation schemes affected the timely implementation of the revival schemes. He made certain structural changes that were required to improve the efficiency in the working of the BIFR.

Singh and Kumar (1994) pointed out that about 40 percent of companies reported to BIFR were either denied registration after preliminary scrutiny of the application or found non-maintainable after an enquiry by the BIFR under section 16 of SICA. They tried to find out a solution to this problem by analysing the
definition given under the Act and by interpreting the provisions of law in the light of the BIFR and the AAIFR decisions.

Harish Parameswar (1997) put forward his view that a sick industrial unit is not a total liability and that by a proper mix of inputs, finance and management strategies meaningful revival packages can be worked out. In the monograph an attempt is made to give a brief account of sick industry revival process with the BIFR and the stages through which a company passes before it is declared by the BIFR as revived or failed. A critical evaluation of the role of Operating Agencies in the revival process was also included. He suggested the need for the takeover of weak units by healthy ones.

Pahwa and Puliani (2000) in ‘Sick Industries and BIFR’ judicially interpreted all landmark judgments relating to rehabilitation of sick industrial units. They included provisions of law with detailed explanations in the light of cases decided by the BIFR and the AAIFR. It can be used as a handbook for all those who deal with sick industries.

However no serious attempt has been made to identify the causes of failure of the rehabilitation schemes sanctioned by the BIFR. This study aims at filling this vacuum.

1.4 Objectives of the Study

This study proposes to evaluate the effectiveness of the rehabilitation schemes sanctioned by the BIFR. The study has the following objectives.

i. To evaluate the rate of success in rehabilitation of companies reported to the BIFR.

ii. To evaluate the performance of the Operating Agencies in rehabilitating sick industrial companies.

iii. To examine whether the appointment of Operating Agencies improve the success rate of rehabilitation schemes.
iv. To evaluate the performance of companies reported to the BIFR and for which rehabilitation schemes were sanctioned and implemented.

v. To identify the inherent weakness, if any in the provisions of the legislation relating to the working of the Board for Industrial and Financial Reconstruction (BIFR) and the Appellate Authority for Industrial and Financial Reconstruction (AAIFR).

vi. To study the impact of different variables in the rate of success of the rehabilitation schemes.

vii. To suggest measures for improvement in the design of revival schemes and their proper implementation.

1.5 Hypotheses of the Study

To give a specific focus to the objectives related to the empirical aspects, the following hypotheses have been framed.

i. The success rate of the companies reported to the BIFR with already implemented rehabilitation schemes is higher than that of the companies with newly formulated rehabilitation schemes.

ii. Diversification increases the success rate of rehabilitation schemes.

iii. The success rate of the rehabilitation schemes of different Operating Agencies differs.

iv. The rate of success in rehabilitation schemes is influenced by various factors such as increase in sales and scale of operation, reduction in cost of production, diversification of activities, level of implementation of the rehabilitation scheme, government policy, effects of globalisation, co-operation of the Participating Agencies, financial restructuring, change in management and defects in the rehabilitation schemes implemented.

v. The implementation of the rehabilitation schemes has made no significant improvement in the performance of the companies.
1.6 Methodology

The methodology adopted for the study is described under the following heads.

1.6.1 Nature of the Study

The study is analytical and descriptive in nature.

The effectiveness of the working of the BIFR in curbing industrial sickness was evaluated by analysing the rate of success of the rehabilitation schemes. The impact of different variables affecting the implementation of the rehabilitation schemes was also analysed.

A descriptive evaluation of the various provisions of the legislation relating to the working of the Board for Industrial and Financial Reconstruction (BIFR) was made to examine whether there is any inherent weaknesses in the Act.

1.6.2 Data Collection

The study made use of both primary and secondary data.

Primary data were collected from the sick companies reported to the BIFR. Data such as the time taken for reporting sickness, determining sickness and sanctioning rehabilitation schemes, the different types of rehabilitation schemes and the extent of their implementation were collected from the sick companies.

Pre-tested questionnaires were used for collecting primary data (Appendix-1). The census method was used for collecting primary data. As on 31 July 2000 there were 1855 sick companies for which Operating Agencies were appointed. Questionnaires were sent to all sick companies but only 185 companies responded positively providing necessary information.
Data regarding 18 companies wound up after the failure of the rehabilitation schemes and the performance of the Operating Agencies were collected from the BIFR records.

Among the 203 companies selected for the study, data for only 32 companies were available in the Bombay Stock Exchange. Data regarding eight companies were collected by personal visits and these 40 companies were selected for analysing the financial performance after implementing the rehabilitation schemes. Further, case studies of eight companies were also made. For case studies, companies in Kerala state were selected for convenience in making the study. Informal interviews and discussions with the Finance Managers and other officers of the sick companies selected for the case studies were conducted to collect primary data about the causes of sickness, viability of the company, rehabilitation strategy and revival measures.

1.6.3 Analysis of Data

For analysis, data are presented in tables which facilitate calculations of averages, percentages, ratios and co-efficient of variations. The performance of sick industrial companies was analysed with help of trend ratios representing profitability, solvency, current assets and overall performance after implementing the rehabilitation schemes using Altman’s ‘Z’ score4.

The performance of the BIFR and the Operating Agencies were analysed with the help of percentages, tables and diagrams.

Chi-square test has been used to verify the differences in the success rates of different Operating Agencies, rehabilitation schemes of companies and that of Operating Agencies and diversified and non-diversified companies. The variables used for this analysis include time taken for reporting sickness, determining

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4 See page no 151
sickness and sanctioning rehabilitation schemes. In order to examine the relationship between these variables and the rate of success of rehabilitation schemes, Karl Pearson’s coefficient of correlation has been used.

The impact of different variables affecting the implementation of the rehabilitation schemes was analysed with multiple regression using dummy variables.

1.7 Scope and Limitation of the Study

The scope of the study is restricted to analysing the effectiveness of the rehabilitation schemes sanctioned by the BIFR in the medium and large scale companies. No attempt is made to go into matters such as the causes, symptoms and the stages of sickness in industrial companies. Similarly the study does not focus on the advisory measures adopted by the BIFR in the case of companies reported with ‘incipient sickness’ under section 23 of the SICA, 1985. For the study sick companies registered with the BIFR up to 31 July 2000 only were taken into consideration. Further the study is subject to the following limitations:

a) for the analysis of performance after implementing the rehabilitation schemes companies listed in the Bombay Stock Exchange only were considered. This was adopted because of the availability of data about the existing as well as companies wound up after the failure of rehabilitation schemes,

b) companies which implemented the rehabilitation schemes sanctioned by the BIFR are classified in to two categories. Those companies which came out of the purview of the BIFR after making their networth positive are classified ‘declared no longer sick’ and all other companies, ‘not declared no longer sick’ and,

c) the sample does not include companies for which no Operating Agency has been appointed.
1.8 Organisation of the Study

The study is presented in seven chapters. The first chapter gives an introduction to the study covering the statement of the problem, review of literature, objectives, methodology and scope and limitations of the study.

As a background to the study the various aspects of industrial sickness in India and the role of different agencies in reviving sick industrial units are presented in the second chapter.

The various measures for the rehabilitation of sick industrial units under the Sick Industrial Companies (Special Provisions) Act, 1985 are included in the third chapter together with the operational performance of the BIFR and the Operating Agencies.

The fourth and the fifth chapters form the analysis part. They cover an evaluation of the effectiveness of the rehabilitation schemes sanctioned by the BIFR and the performance of companies reported to it.

Case studies of eight sick industrial companies in Kerala state are given in the sixth chapter.

The last chapter concludes the study furnishing the summary, findings, suggestions and the scope for further research.

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