



**ORIGINAL RESEARCH PAPER**

**Commerce**

**MERGER OF IDCOL WITH TATA; THE VIABLE CORPORATE RESTRUCTURING**

**KEY WORDS:**

**Santosh Kumar Panda**

Lecturer in Commerce Dharmasala Mahavidyalaya Dharmasala, Jajpur

**TATA ; The revival Hope :**

TATA has proved itself as a peerless company in the steel sectors. IDCOL Ferrochrome and Alloys Limited (IFCAL) on which the case study is based, is mainly a producer of ferrochrome, which is used for stainless steel and special steel. TATA is an emperor in this area. For revival of Industrial Development Corporation of Odisha Limited (IDCOL), merger with TATA has been well contemplated and suggested by the researcher. This merger can be achieved through **Public Private Partnership (PPP) Policy**. The state government has already established the mechanism for this and this mechanism has to be utilised by Industrial Development Corporation of Odisha Limited (IDCOL). At present, Industrial Development Corporation of Odisha Limited (IDCOL) is in a very precarious condition facing financial crunch, declining of profit, contraction of market, decrease of production, last but not the least degradation of work culture. It has to rid itself from the vortex of problems. Hence, the researcher has suggested the merger of Industrial Development Corporation of Odisha Limited (IDCOL) with TATA. TATA is not only a globally reputed company but also a company well aware of the industrial prospects of Odisha. Apart from variety of products, TATA has its penetration in the mining and industrial sector of Odisha. Therefore, it is high time, the merger of Industrial Development Corporation of Odisha Limited (IDCOL) with TATA which will help it for maximising the utilisation of technical know-how, increase of production, improvement of quality and expanse of market.

As a post-graduate in commerce and a faculty in the Commerce Department of a college in Odisha, the researcher has keen interest in updating himself with the economic scenario of the country and for that matter, the economy of the state of Odisha. It can be asserted that, and it is a common notion, the economy of a country or a state depends on the industrial growth. We had the experience, how the western countries brought for themselves the economic progress through industrialisation. The very small countries like England, Norway, Denmark, Australia have become rich and prosperous for industrial development and technological advancement. In the recent past, Japan has proved itself as a prosperous nation because of its industry and technology, though it was in a devastating condition after the second world war. The United States considered to be the super power of the world, has witnessed scintillating progress due to rapid industrialisation and magnificent advancements in the field of science and technology. Back in Asia, we see how the Chinese Dragon is masculating itself and giving a challenge to America, thanks to its development of industry, science and technology.

India, which was once considered one of the poorest nations of the world, has been doing wonderful job in the domain of industry and technology. After Independence, there was near total poverty in this country. In the five year plans, industrialisation was given emphasis in order to bring forth economic development and tackle unemployment and poverty. The process of industrialisation became not only successful but also India leapfrogged to the bracket of developing countries.

In the state of Odisha, which is chiefly inhabited by Schedule Caste and Schedule Tribe (SC & ST) and other backward class people, there was exigency on the part of the government to revitalise the state economy, the government had two option with it, i.e. growth of industry and agriculture. Hirakud Dam has been a blessing for the state for development of irrigation facility. In the industrial domain, Rourkella Steel Plant, Kalinga Tubes, Odisha

Textile Mill (OTM), Fertiliser Plant in Paradeep, Paradip Port and others were established which ushered in industrial progress in the state. This was not enough because Odisha is a state which is rich in mineral resources. So Odisha government took a wise step in establishing Industrial Development Corporation of Odisha Limited (IDCOL), with an objective of rapid industrialisation in the state accompanied by economic growth. After its inception, the subsidiary units like IDCOL Kalinga Iron Works Ltd. (IKIWL), IDCOL Ferrochrome and Alloys Ltd. (IFCAL), Konark Jute Ltd. (KJL), Orichem Limited, ABS Spinning Odisha Ltd. (ABSSOL), IDCOL Piping and Engineering Works Ltd. (IPEWL) SN Corporation Ltd. (SNCL), IDCOL Software Ltd. (ISL) and others were set up, which produced Pig Iron, High Carbon Ferrochrome (HCFC), Heavy Cess Cement Bags, Sod. Sulphate, Cotton and Synthetic Yarn, Stainless Steel and Titanium Condenser Tube, High Tensil Fasteners, Development of software and others respectively.

IDCOL Ferrochrome and Alloys Ltd. (IFCAL) which is one of the major units of Industrial Development Corporation of Odisha Limited (IDCOL), was set up at Jajpur Road, Jajpur, and it produced High Carbon Ferrochrome (HCFC), Low Carbon Ferrochrome (LCFC) and Silco Chrome, which are mainly used for stainless steel and special steels. For some years, its production had appreciable market and the products were exported to the countries like Japan, Italy, Romania, USA, Korea, Australia, Philippines and Nether land etc.. the company also made profit and provided security to its employees, apart from other extension activities.

Post globalisation, it was expected that IDCOL Ferrochrome and Alloys Ltd. (IFCAL) will rise up to the occasion and will be able to make its mark in the industrial arena of the world. Call it misfortune or mismanagement, the reputation of Industrial Development Corporation of Odisha Limited (IDCOL) declined and it became almost marginalised. While most of the subsidiary units of Industrial Development Corporation of Odisha Limited (IDCOL) have been sick or dead, IDCOL Ferrochrome and Alloys Ltd. (IFCAL) is still running. To say that it is running, will be improper because it is limping. Its prospects have become dark.

The researcher gave a deep thought to the miserable condition of IDCOL Ferrochrome and Alloys Ltd. (IFCAL) and took up the project of IFCAL as case study vis-à-vis the future of IDCOL. The objective behind this case study was to have thorough analysis of the past and condition of IDCOL Ferrochrome and Alloys Ltd. (IFCAL) and to provide suggestion so as to make IFCAL rejuvenated. The rejuvenation of IFCAL depends on the structural change in IDCOL which is the parent organisation. Hence, the researcher took up the project , **“Corporate Restructure of Industrial Development Corporation of Odisha Limited (IDCOL); A Case Study of IDCOL Ferrochrome and Alloys Ltd. (IFCAL), Jajpur Road, Jajpur”**.

**Corporate Restructuring : the viability in IDCOL :**

Corporate Restructuring has been a catch ward in the modern industrial paradigm. Expected results have been achieved by the companies through corporate restructuring. This restructuring involves reengineering of means of production, management, finance structure and market revamp which are well connected with strengthening of a company, boosting its business prospects and giving new dimension to its function.

There are various aspects of corporate restructuring like Joint venture, Sell off and Spin off, Divestiture, Equity carve out,

leveraged buy out, Management buy out, Master limited partnership, Employees stock ownership plan, Ownership restructuring, Business restructuring, Asset restructuring and others. These aspects have been critically examined and implemented by the companies all over the world. We have the statistics, how the sickening and dying companies have salvaged themselves through corporate restructuring. They have adopted innovative approaches and technological means for giving new shape to themselves.

This research work throws light on all these important and critical aspects of restructuring while analysing the present and future condition of Industrial Development Corporation of Odisha Limited (IDCOL). On-spot visit, interaction with the stakeholders, literature review, study of materials, internet browsing and access to new areas of study made the researcher was convinced that the only alternative left for Industrial Development Corporation of Odisha Limited (IDCOL) is the merger / amalgamation which will go a long way in not only reviving Industrial Development Corporation of Odisha Limited (IDCOL) but also restoring its past glory.

#### **Merger with TATA; An Alternative :**

Merger has been a common phenomenon in the post globalised industrial world. The common implication of merger is mixing or uniting together. In the industrial parlance, this merger is the amalgamation of two companies to the process of which the properties and liabilities become possession and burden of the amalgamating company. It may so happen that the transferor company may disinvest its share or may continue as a shareholder. After the amalgamation is materialised, the transferee company is entrusted with ensuring production, market and other affairs. Through certain financial modalities like revaluation of assets, liabilities and reserves, account statements, flow of credit, issue of bonus shares and others are given new consideration. The most important aspect of merger is goodwill, which is usually connected with the reputation, capacity, brand value, product acceptability and market prospects of a company. Hence, amalgamation is materialised and goodwill is given new emphasis.

The researcher has gone deep into nuances of this amalgamation and has reached the conclusion that via Public Private Partnership (PPP) mode merger of IDCOL with TATA will be a viable alternative. TATA has not only established itself as a company of household accessibility but also a company which has been true and ethical to its objective of growing production, quality assurance and market expansion. In the context of Odisha and for that matter, India, TATA has been a template of industrial revolution. The researcher has also gone through the profile of TATA, its track record, its global presence, its penetration in Odisha and other states, upgradation through technology, employee's trust on the company, increasing profit and finally, the sustainability of the company. Therefore, the researcher is of the opinion that IDCOL's merger with TATA will help a sickening IDCOL to be immune from its depreciable condition. If a genuine thought is given to this possibility of merger by the state government and the persons in the helm of affairs of Industrial Development Corporation of Odisha Limited (IDCOL), at least IDCOL will be saved from being decimated. Once IDCOL bites the dust, along with it IFCAL will lose its identity. Hence, it will be wise on the part of the government of Odisha, department of Industry Planning & Coordination, to ponder over merger of IDCOL with TATA. The researcher is hopeful that with a vibrant mining environment in Odisha and the skilled manpower accompanied by advanced technology of TATA, Industrial Development Corporation of Odisha Limited (IDCOL) will breathe a new life, which, in turn, will capacitate IDCOL Ferrochrome and Alloys Ltd. (IFCAL) to increase its production, improve its quality and expand its market.

The researcher is of the opinion that IDCOL Ferrochrome and Alloys Ltd. (IFCAL), on which the case study was made, has the prospect of being revitalised even if it is in a sickening condition. This will be possible only when restructuring is adopted by Industrial Development Corporation of Odisha Limited (IDCOL). The restructuring in the form of merger will bring in the structural change and by the help of TATA the future of IDCOL will be

ensured. The sooner the better. The government needs to rise up to the occasion and initiate the process of merger, which is the only option of restructuring of Industrial Development Corporation of Odisha Limited (IDCOL). As a conscientious citizen of the state and a scholar interested in the area of restructuring, the researcher would like to extend the well calculated and calibrated suggestions to the government of Odisha for an early initiation of the process of merger of IDCOL with TATA.

#### **Conclusion :**

This merger, to the mind of the researcher, will be the part of the greater agenda of industrial development of Odisha. The fact stands that during these 10 years, Odisha has made some progress. Odisha Economic Survey 2017-18 states that the GDP growth in Odisha has been 6.6 % which is not so satisfactory. At the same time the growth is not a complacent one as it came down from 8.7 % in 2014-15. The government claims that Odisha is one of the top FDI destinations where investors are being allured by a conducive industrial and business ambience of the state. By March 2017, a tune of 92,788 Crore Rupees has come from foreign investors which is a positive signal for the state economic growth. The survey indicates that 252 large and medium industries have been set up in 22 districts of the state, which has helped the employment, prospect to the tune of 1.18 Lakh. If the government statistics is genuine, it can be said that the progress graph of Odisha is in upward direction.

Having said and accepted the survey report of Odisha government, it is alarming to mention that GDP per capita rank of Odisha is 24. India is still one of the poorest states though poverty has declined to certain extent and according to government economic survey at present, it is hovering around 32 %. The GDP by individual sector, according to Odisha economic survey 1917-18 is 34 %, while other sources say it is only 28 %. Odisha has 25 % of India's iron reserves. The researcher is of the opinion that, with this mineral wealth, poverty and unemployment can be addressed if the government retunes its industrial policy and approach. The government data claims that unemployment in Odisha is below 10% both in rural and urban area but a pragmatic understanding could convince us that this data is unauthenticated. Since GDP by services in Odisha is more than that of industry sector, the acute unemployment problem can not be solved without growth of GDP by industrial sector. A simple mathematics tells us that the states like Maharastra are rich because of industrial development. The growth of industry in this states is corroborating economic growth, yielding to almost elimination of poverty. Unemployment and poverty are the major stumbling blocks in the path of progress of any state. In the context of Odisha, these two needs to be addressed with vision, strategy and viability. Certain attention are being made by the state government for a business and industry savvy environment. This is a positive sign but the researcher, after thorough study and analysis, is pretty convinced that Corporate Restructuring in Industrial Development Corporation of Odisha Limited (IDCOL) is the need of the hour.