



**CHAPTER VII**  
**SUBJECT SPECIFIC**  
**COMPLIANCE AUDIT**



## CHAPTER VII: SUBJECT SPECIFIC COMPLIANCE AUDIT

**Physical existence and safeguarding of assets in Non-Working PSUs under the Departments of Industries; Environment, Forest & Climate Change; Information Technology and Water Resources, Government of Bihar**

*Many of the sampled non-working PSUs did not have their establishments/premises at their registered addresses. The administrative departments of these PSUs had not taken adequate steps, for safeguarding their assets. These PSUs had not prepared/maintained proper books of accounts, along with supporting documents, in violation of the provisions of the Companies Act, 1956/2013, resulting in arrears of accounts. During the audit period, neither the PSUs, nor the State Government, had prepared any plans/ proposal for revival of these non-working PSUs. Further, the process of winding-up/liquidation/ strike-off of these PSUs, had been pending for a long time, due to delayed administrative decisions, which had created additional liabilities for the PSUs/GoB, in the form of accrual of salary and other entitlements of employees. The State Government had outstanding liabilities, towards salaries/pensions and other related statutory obligations (EPF etc.) of these PSUs, amounting to ₹ 399.08 crore (August 2022).*

### 7.1 Introduction

There were 77 Public Sector Undertakings (PSUs), in the State of Bihar, as on 31 March 2022. These PSUs had been established with the aim of boosting the economic growth of the State. However, over time, a number of these PSUs had been unable to achieve their objectives, having, in addition, failed to pay dividend on their invested capital, as also to disburse salaries and other retirement benefits to their employees, leading to their becoming non-working PSUs. As of 31 March 2022, there were 40 non-working State PSUs, under the control of 10 Departments of the Government of Bihar (GoB). In regard to five PSUs<sup>1</sup>, under the control of the Sone Command Area Development Agency (SCADA), Patna (Water Resources Department), closure had been approved in August 2000. On the recommendation of a high-level committee, the State Government, through a resolution, had decided (2003) to wind-up 27 non-working PSUs and had directed the respective administrative departments to take up steps for their winding-up, in accordance with the provisions of the Companies Act, 1956. Out of remaining eight non-working PSUs, decision regarding winding-up of four PSUs had been taken in earlier years and decision regarding winding-up/revival of four PSUs had not been taken by the State Government (**Appendix 7.1**). Thus, despite lapse of more

<sup>1</sup> Out of five non-working PSUs, four (from Sl. No. 19 to 22 of **Appendix 7.1**) had been covered in this SSCA and remaining one (at Sl. No. 31 of **Appendix 7.1**) had not been covered in this SSCA.

than 19 to 22 years of these decisions, these non-working PSUs were still under various stages of liquidation/ winding up.

## 7.2 Audit Objectives

The audit was conducted with a view to assess:

- the current status of these non-working State PSUs, in regard to their establishment, manpower, availability of records/ documents, maintenance of proper books of accounts, and utilisation of budgetary support
- whether they had an adequate system for safeguarding of their assets and had maintained proper records/ fixed assets registers, with supporting documents
- whether the concerned administrative departments had taken steps for their revival and
- the present status of these PSUs, in regard to their revival / winding-up/ liquidation/ striking-off<sup>2</sup>.

## 7.3 Audit Criteria

The Audit Criteria included:

- The Companies Act, 1956/2013
- Guidelines and instructions issued by the State/Central Government
- Circulars/Orders/Records of the concerned administrative departments of GoB and the PSUs.

## 7.4 Scope and Methodology of Audit

The Subject Specific Compliance Audit (SSCA) on “Physical existence and safeguarding of assets in non-working PSUs under the Departments of Industries; Environment, Forest & Climate Change; Information Technology and Water Resources, GoB”, was conducted for 22 non-working PSUs, for the period from 2017-18 to 2021-22.

The methodology of audit covered scrutiny of the records of these PSUs, as well as their administrative departments; physical existence of these non-working PSUs, in regard to their establishment, and manpower; receipt and utilisation of budgetary support; system in place for safeguarding of their assets; maintenance of books of accounts and supporting documents and policy decisions relating to the revival/ closure of these PSUs. Joint physical inspections were also conducted, in certain cases.

<sup>2</sup> *Revival*: The process of rejuvenating activities of a Company by infusing new capital.

*Winding up*: A legal process to dissolve the business of a company either by the Tribunal or voluntary.

*Liquidation*: Liquidation is the process of closing the business of a Company which has become insolvent (can no longer meet its financial obligations) and distributing its assets to claimants.

*Strike off*: The process is an alternative mechanism for the winding up which involves two modes namely, strike off by the ROC (Registrar of Companies) and strike off by a company on its own accord under Section 248(1) and Section 248(2) of the Companies Act, 2013 respectively, after extinguishing all the liabilities of the Company.

22, out of the 40 non-working PSUs, were sampled for inclusion in this SSCA. Departments having three or more non-working PSUs and companies having arrears of accounts of more than 15 years, were sampled. PSUs, which had been struck-off<sup>3</sup>, or were under liquidation<sup>4</sup>, or had filed<sup>5</sup> for the Corporate Insolvency Resolution Process before the National Company Law Tribunal, or whose assets<sup>6</sup> had been sold by the Debt Recovery Tribunal, were excluded.

Entry Conferences for this SSCA were held on 28 June 2022 (Industries Department), 11 July 2022 (Environment, Forest and Climate Change Department), 01 August 2022 (Water Resources Department) and 05 August 2022 (Information and Technology Department) with the Principal/ Additional/ Special/ Deputy Secretary of the respective Departments. In the Entry Conferences, held with the Departments, audit objectives, sample selection, audit scope and methodology were discussed. In order to discuss audit findings arising out of the audit conducted and to elicit views and responses of the concerned departments, Exit Conferences were held on 19 July 2022 (Industries Department), 08 August 2022 (Environment, Forest and Climate Change Department), 02 August 2022 (Water Resources Department) and 10 August 2022 (Information and Technology Department) with the Principal/ Additional/ Special/ Deputy Secretary of the Departments.

### 7.5 Financial Position

The paid-up capital, of the 22 sampled non-working PSUs, was ₹ 42.05 crore and their long-term loans were ₹ 378.82 crore. The accumulated losses of these 22 non-working PSUs were ₹ 272.35 crore. Out of these, 13 non-working PSUs of the Department of Industries had paid-up capital of ₹ 33.64 crore (80 per cent), long-term loans of ₹ 378.82 crore (100 per cent) and accumulated losses of ₹ 270.33 crore (99.25 per cent). Thus, companies under the administrative control of the Department of Industries, had the major portion of investments and loans. The Government of Bihar had extended budgetary support of ₹ 130.03 crore, to five out of 22 non-working PSUs, during the period from FY 2017-18 to August 2022 (**Appendix 7.2**).

### 7.6 Audit Findings

As the State Government had not taken any steps to revive any of these non-working PSUs, through its administrative departments, audit observations regarding the physical existence and safeguarding of assets of these non-working companies only, are discussed in the succeeding paragraphs.

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<sup>3</sup> *Beltron informatics Limited, SCADA Agro Business & Industries Company Khagaul Limited.*

<sup>4</sup> *Bihar State Export Corporation Limited, Bihar State Finished Leather Limited, Bihar State Leather Industries Development Corporation Limited, Bihar State Small Industries Corporation Limited, Kumardhubi Metal Casting & Engineering Limited.*

<sup>5</sup> *Bihar State Construction Corporation Limited.*

<sup>6</sup> *Synthetic Resins (Eastern) Limited.*

### 7.6.1 Current Status of Non-Working PSUs

Despite the fact that these PSUs had become non-working, their assets and liabilities were yet to be settled. In order to carry out the exercise of settling their assets and liabilities, PSUs were required to be in possession of a proper office establishment, as well as minimum/skeleton manpower, so that their basic records, books of accounts, could be maintained and safeguarded for compliance of statutory obligations, till the process of winding-up could be completed.

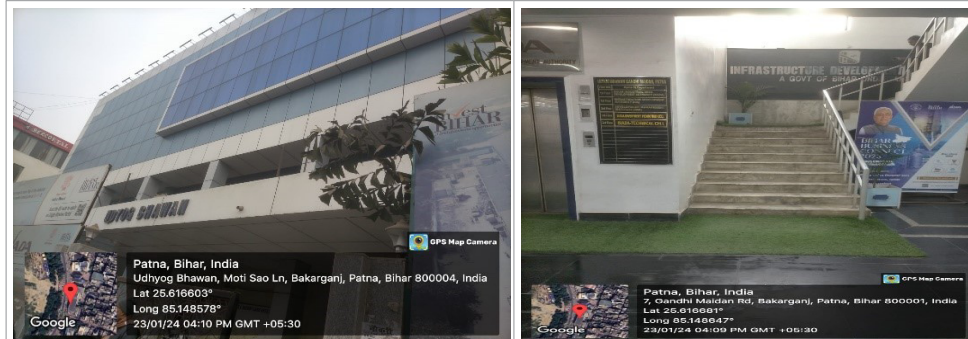
Audit, however, observed that:

- 13, out of the sampled 22 PSUs, did not have their establishments/premises, at the addresses registered with RoC. They had been relocated, either to the head offices of their Holding Companies or to their Administrative Departments, without any updation of the address with the RoC, Patna (**Appendix 7.3**). Neither these PSUs intimated RoC regarding changes in their addresses nor RoC had taken any action in this regard, as per the records/information made available to Audit.

Audit observed that: (i) assets and premises of two PSUs were transferred to the Bihar Industrial Area Development Authority (BIADA) (ii) Government/ private offices/ private properties were existing at the registered addresses of six PSUs and (iii) in respect of five PSUs, addresses registered with RoC were not traceable, Some of the cases noticed have been shown in *Images 1 to 3*.



**Image 1:** Government offices, located at the address of office of the Bihar State Textiles Corporation Limited (Lalit Bhawan, Bailey Road, Patna), registered with RoC.



**Image 2 and 3:** Office of the Government/ private companies, located at the address of the Beltron Mining System Limited and Beltron Video System Limited (Udyog Bhawan, Gandhi Maidan, Patna), registered with RoC.



- The office of the Bihar State Pharmaceuticals & Chemical Development Corporation Limited and its seven<sup>7</sup> subsidiaries were all situated at the same address, *i.e.*, 5<sup>th</sup> floor, A Complex, Maurya Lok, Patna. However, in the absence of any staff in these companies, the office building was neither being utilised, nor was it being maintained, and was in a dilapidated condition. As such, a significant area of the office premises (approx. 14,000 sq. ft.) was not in a condition to be utilised. Further, Scada Agro Business Company Limited, Patna, was also situated at the same address that was registered with the RoC, *i.e.*, Sone Bhawan Complex, Daroga Prasad Rai Path, Patna-800001. The remaining 13 PSUs had been shifted to the locations of their Holding Company/ies.
- Out of 22, 15 PSUs did not have manpower, due to which their basic records and books of accounts, were not being maintained and safeguarded for compliance of statutory obligations. The remaining seven PSUs also had the bare minimum staff.

### 7.6.2 Maintenance of Accounts

Sections 210/129 of the Companies Act, 1956/2013, respectively, stipulate that every Company has to prepare proper books of accounts, which shall include the balance sheet and profit & loss account for the specified period, to be laid before the annual general meeting of the company. Therefore, all these PSUs were required to keep/maintain proper books of accounts and these accounts were to be examined at least once, in every year. The administrative departments had the responsibility of overseeing the activities of the entities functioning under their administrative control and to ensure that their accounts were finalised and adopted within the stipulated period.

It was, however, observed that:

- the accounts of all 22 sampled non-working PSUs, were in arrears, with these arrears ranging from seven years to 45 years (company-wise details of arrears of accounts, are detailed in **Appendix 7.4**). Accounts of two, three and 15 companies were in arrears for 10 to 20 years, 20 to 30 years and 30 to 40 years, respectively.
- Four<sup>8</sup>, out of these 22 sampled non-working PSUs, had not prepared, even their first accounts, since their inception.
- reasons for non-preparation of accounts were lack of even skeleton staff, non-existence of proper office establishments and poor monitoring by the concerned controlling administrative departments.

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<sup>7</sup> Bihar Drugs & Chemicals Limited, Bihar Insecticides Limited, Bihar Maize Product Limited, Bihar State Glazed Tiles & Ceramics Limited, Jhanjharpur Paper Industries Limited, Magadh Minerals Limited and Vishwamitra Paper Industries Limited.

<sup>8</sup> Bihar Scooters Limited, Scada Agro Business and Industries Company Dehri Limited, Scada Agro Business and Industries Company Mohania Limited and Scada Agro Business and Industries Company Aurangabad Limited.

In the absence of finalised accounts, Audit could not ensure whether the investments made of ₹ 420.87 crore in these PSUs had been accounted for properly and whether the funds provided by the State Government were utilised/ being utilised for the intended purposes. Delay in finalisation of accounts was susceptible to fraud and leakage of public money, apart from constituting a violation of the provisions of the Act *ibid*.

### **7.6.3 Utilisation of budgetary support extended by the State Government**

Budgetary support, in the form of equity/ loans/ grants or subsidies, by the State Government, had become a necessity for discharging the liabilities of these PSUs, on account of payments of salaries/ pensions, as all the sampled PSUs had been non-working, for periods ranging from 17 to 45 years and, consequently, were not generating revenues.

In compliance to orders of the Hon'ble High Court, Patna, Government of Bihar, had provided budgetary support, in the form of loans and advances, to five non-working PSUs, *viz.*, ₹ 56.01 crore (September 2021) to the Bihar State Handloom and Handicrafts Corporation Limited (BSHHDCL); ₹ 20.00 crore (October 2021) to the Bihar State Industrial Development Corporation Limited (BSIDCL); ₹ 4.25 crore (September 2021) to the Bihar State Textiles Corporation Limited (BSTCL) and ₹ 0.87 crore (October 2017 to March 2020) to the Bihar State Forest Development Corporation Limited (BSFDCL) and ₹ 46.64 crore (September/ October 2021) to the Bihar State Pharmaceutical and Chemical Development Corporation Limited (BSPCDCL), towards making payments for arrears of salaries of their employees.

Out of 22 non-working PSUs, 17 had liabilities towards salaries/pensions and other related statutory obligations (EPF *etc.*), amounted to ₹ 399.08 crore. Government of Bihar had extended budgetary support of ₹ 127.77 crore to five PSUs, for discharging these liabilities, out of which ₹ 92.85 crore had been paid (up to August 2022) to the employees concerned, while payment of the balance amount, to the remaining employees, was in progress (**Appendix 7.5**).

### **7.6.4 System in place for safeguarding assets**

Physical verification of assets is primarily the responsibility of the management and assets should be verified at appropriate intervals of times, as per the periodicity decided by the management. Moreover, records in support of plant and machinery, investment register and other assets *etc.*, must also be maintained/scrutinised periodically, by the management. Details of assets, *viz.* land, buildings and plant and machinery, in regard to 14 PSUs, are shown in **Appendix 7.6**. During the course of audit, it was observed:

- In case of two PSUs, *viz.*, Bihar Scooters Limited and Bihar Handloom and Handicrafts Development Corporation Limited, their factories/ operating places/premises had been taken back/ handed over to the Bihar Industrial Area Development Authority (BIADA), in 2008 and April 2022, respectively.



- In respect of another PSU *i.e.*, Bihar Paper Mills Limited, the value of land had been assessed at ₹ 105.79 crore and the land had been handed over (November 2021) to BIADA. However, BIADA had not made payment for the land (as of August 2022).
- As per the records (Internal Audit Report: 2012-13) made available by the BSTCL, the production units of the company were situated at three separate locations *i.e.*, Readymade Garments, Hajipur; Industrial Cotton Yarn Project, Purnea; and Open-end spinning mills, Sitamarhi. As per the internal audit report, the value of the Company's fixed assets was ₹ 66.81 lakh. However, detailed information, in regard to these fixed assets, was not available with the company. The management of the company had not conducted physical verification of its assets. In the light of Resolution No. 52 (March 2018) of the Finance Department, GoB, the Department of Industries, GoB, directed (September 2020) BSTCL, to transfer its assets to BIADA, on 'as is where is' basis. Action taken by BSTCL, in compliance to the said order, was not available on records.
- As on 31 March 2022, SCADA Agro Business Company Limited, Patna and its three subsidiaries, did not have any assets.

Since the assets of above mentioned first four PSUs had been transferred to BIADA and latter four PSUs did not have any assets, the matter of safeguarding of assets of these PSUs has not been discussed. Deficiencies observed in regard to safeguarding the assets of the remaining 14 PSUs, have been discussed in the subsequent paragraphs.

## DEPARTMENT OF INDUSTRIES

### 7.6.5 Bihar State Industrial Development Corporation Limited (BSIDCL)

BSIDCL had six<sup>9</sup> production units. In addition, it had two subsidiary PSUs, *viz.* Bihar Paper Mills Limited (BPML) and Bihar Scooters Limited (BSL). BSIDCL had been established in 1960, with a view to acquiring and taking over the business of the Bihar Government Super Phosphate Factory and High Tension Insulator Project at Ranchi, with all assets, rights privileges and liabilities, for promoting, establishing and executing industries in the State of Bihar. The Company had become non-functional prior to FY 2005-06.

As per records<sup>10</sup> of BSIDCL (June 2019) made available, the company had 322.80 acres of land, valuing ₹ 1,278.95 crore, and plant and machinery, valuing ₹ 4.12 crore (**Appendix 7.6**).

It is essential that a company maintains the basic records of the land owned by it. However, the basic records of the land of one subsidiary (BPML) and three

<sup>9</sup> *High-Tension Insulator Factory, Electrical Equipment Factory, Bihar State Super Phosphate Factory, Malleable Cast Iron Foundry Factory, Swarnarekha Watch Factory in Jharkhand and Bihar Spun Silk Mills in Bhagalpur, Bihar.*

<sup>10</sup> *Valuation report of Committee of Government of Bihar and Jharkhand.*

production units<sup>11</sup>, were not found available with the Company. In the absence of basic records, the total area of land, under the possession of these units, could not be identified and encroachment on such land could not be ruled out. The Company had only bare minimum staff to look after its assets. As such, there was no system, in place, for safeguarding the assets of the Company.

#### 7.6.6 Bihar State Pharmaceuticals & Chemical Development Corporation Limited (BSPCDCL)

BSPCDCL had 14,000 sq. ft. area of office space, situated at the 5<sup>th</sup> Floor of the Maurya Lok Complex, Patna. The assets of its seven subsidiaries comprised of land, factories and godowns at various locations, as per the report submitted (March 2022) by the Department of Industries, to the Committee on Public Undertakings (COPU). Details of the report submitted, are as follows:

Sl. No.	Name of PSU	Area of land and other assets
1.	Bihar Insecticides Limited	6.84 acre of land at Purnea; buildings, iron godowns and canteen.
2.	Magadh Minerals Limited	10 acres of land <sup>12</sup> in Bodh Gaya, Bihar.
3.	Bihar Maize Products Limited	18 acres of land at Pandaul (Madhubani); godown and factory buildings, with plant and machinery.
4.	Bihar State Glazed Tiles and Ceramics Limited	9.15 acres of land at Dumraon (Buxar); building and godowns.
5.	Vishwamitra Paper Industries Limited	3.8 acres of land at Buxar; building, plant & machinery and drug unit building.
6.	Jhanjharpur Paper Mills Limited	3.8 acres of land at Jhanjharpur (Madhubani); machinery.

The assets of the Bihar Drugs & Chemicals Limited (a subsidiary of BSPCDCL) consisted of 5.5 acres of land, building and godown and these assets had been transferred (as on March 2021) to BIADA.

In regard to land owned by a company, it is required that the company maintain the basic records relating to such land, viz. *khata* no., *khesra* no., *mauza*, *rakba*, title deed *etc.*, of the land. However, the basic records of the land owned by the Company, were not found available with the Company. In the absence of these basic records, the total area of land could not be identified and encroachment on such land also could not be ruled out. In regard to assets other than land, it was noticed that, in the absence of manpower and physical verification, the assets had remained unsupervised/ unattended and were at the risk of theft/ damage *etc.* The condition of these assets is evident from the *images 4 and 5*, taken (August 2022) during audit:

<sup>11</sup> Electrical Equipment Factory, Bihar State Super Phosphate Factory and Bihar Spun Silk Mills.

<sup>12</sup> After transfer of 15 acres of land to BIADA.



**Image 4 and 5:** Dilapidated condition of the head office of the Bihar State Pharmaceuticals & Chemical Development Corporation Limited and its six subsidiaries (5<sup>th</sup> floor, Maurya Lok Complex, Patna)

## INFORMATION TECHNOLOGY DEPARTMENT

### 7.6.7 Beltron Mining System Limited, Patna (BMSL)

BMSL, a subsidiary PSU of the Bihar State Electronics Development Corporation Limited (BSEDCL), was incorporated in 1986, for manufacturing, importing and exporting mining related electronic equipment and instruments. The commercial operations of BMSL had been discontinued since 1998.

BMSL had leasehold land, measuring 3.73 acres, for its manufacturing plant, situated at the Kandra Industrial Area, Dhanbad (Jharkhand). The lease agreement had been cancelled (September 2008) and the assets<sup>13</sup> had been taken over by the Bokaro Industrial Area Development Authority, Bokaro, Jharkhand. This cancellation was challenged (2010) in the Hon'ble High Court, Ranchi, Jharkhand, and the matter was *sub judice*. As the assets of the PSU had been taken over by the Bokaro Industrial Area Development Authority, the issue of safeguarding of these assets, by BMSL, did not arise.

### 7.6.8 Beltron Video System Limited, Patna (BVSL)

BVSL, a subsidiary PSU of the Bihar State Electronics Development Corporation Limited (BSEDCL), was incorporated in 1984, for manufacturing, importing, exporting, assembling and distributing all types of video related electronic equipment and parts thereof. The commercial operations of BVSL had been discontinued since 1998.

BVSL had two manufacturing-cum-assembling plants, one each in Jharkhand and Bihar. One plant, across one acre of leased land, was situated at Namkum (Ranchi), Jharkhand. The lease agreement of this land had been cancelled (2012) by the Jharkhand Industrial Area Development Authority (JIADA). However, BVSL had challenged (April 2012) this cancellation, in the Hon'ble High Court, Ranchi, Jharkhand, and the matter was *sub judice*. As the assets had been taken over by JIADA, the issue of safeguarding of these assets, by BVSL, did not arise.

<sup>13</sup> Leasehold land with all structures.

Another plant of the Company was situated in a piece of land measuring 2.61 acre, at Industrial Area, Hajipur (Vaishali), Bihar. The Department of Industries, GoB, had requested (August 2013) the Company to surrender the leasehold land to BIADA, in lieu of a refundable amount of ₹ 2.17 crore, for the remaining period of lease for the land, under the exit policy<sup>14</sup> of Bihar Industrial Area Development Authority (BIADA). However, the land was still in the possession of the Company (as of June 2022).

Due to paucity of funds and lack of manpower, the factory building, along with stores and stock, had deteriorated, as evident from the *images 6 and 7*, taken (July 2022) during joint physical inspection with the management of the Company.



*Images 6:* Roof corridor of manufacturing plant of BVSL, at Industrial area, Hajipur (Vaishali)



*Images 7:* Stores/ stocks at the manufacturing plant of BVSL, at Industrial area, Hajipur (Vaishali)

It is evident from the photographs above that: (i) the building of the plant had been damaged (ii) silt debris and store/stock was laying on the floor and (iii) the building was not in a condition to carry out any commercial activities.

#### **7.6.9 Bihar State Forest Development Corporation Limited (BSFDCL)**

BSFDCL had been incorporated in 1975, to explore forest produce (mainly Kendu leaves<sup>15</sup>) and develop industries related to forest products. The activities of the Company had ceased since 2003, after the GoB had passed a resolution (October 2003), for withdrawal of the activities, viz. collection, processing, storage & marketing of “Minor Forest Produce (mainly Kendu leaves)”, from the Corporation.

The value of the total fixed assets of BSFDCL, consisting of leasehold land (₹ 0.05 lakh), godown, plant and machinery and vehicle, was ₹ 50.09 lakh, as on 31 March 2002 (as per the valuation report). However, it had declined to ₹ 1.78 lakh only, as on 31 March 2016 (internal auditor’s report for the year 2015-16) and these assets had become obsolete, with the passage of time, owing to their non-maintenance.

<sup>14</sup> Bihar Industrial Area Development Authority (BIADA) introduced an exit policy for surrender of land and refund of the balance lease amount, in respect of the plots allotted to various non-working Companies in the industrial areas of BIADA.

<sup>15</sup> Kendu leaves are used for wrapping “Bidis” (an indigenous form of leaf rolled cigarettes).



### **7.6.10 Bihar Solvent and Chemicals Limited (BSCL)**

BSCL had been incorporated in 1979, as a subsidiary PSU of BSFDCL. It had discontinued its operations since March 1996, i.e. for more than 26 years.

As per records (internal audit report: 2002-03), the value of its fixed assets was ₹ 75.63 lakh mainly comprised of land (₹ 1.75 lakh), building (₹ 49.83 lakh) and plant & machinery (₹ 20.95 lakh). Its assets had remained idle and in a non-working condition and therefore, had become obsolete, with the passage of time and owing to their non-maintenance (August 2022). Further, due to the absence of manpower, there was no system in place for safeguarding these assets.

### **7.6.11 Bihar State Tannin Extract Limited (BSTEL)**

BSTEL had been incorporated in 1984, as a subsidiary PSU of BSFDCL, with the objective of extraction of tannin, for which a production plant had been established at Latehar (Jharkhand). BSTEL had discontinued operations since 1996.

As per records (internal audit report: 2001-02), the value of its fixed assets was ₹ 1.40 crore, mainly comprising of land (₹ 2.62 lakh), building (Factory and Non-Factory) (₹ 60.62 lakh), Plant & Machinery (₹ 76.27 lakh) etc. As the company had ceased to operate since 1995-96 (i.e., for more than 25 years), these assets had remained idle and in a non-working condition and had, therefore, become obsolete (August 2022). Further, due to the absence of manpower, there was no system in place for safeguarding these assets.

As the assets (other than land) of these non-working PSUs had not been utilised for a long period and therefore, had deteriorated over the years.

**Had these PSUs been wound up in a timely manner, the assets of these PSUs could have been disposed off, and the funds received therefrom, could have been utilized for the settlement of their outstanding liabilities.**

## **7.7 Status of Winding-Up/ Revival/ Liquidation/ Valuation of Assets of Non-Working PSUs**

Neither these PSUs, nor the Government, had any plan/proposal, for their revival. Government had decided to wind-up these 22 non-working PSUs, after discharging their liabilities. The present status (as of August 2022) of winding-up/ liquidation of these PSUs, is discussed below.

### **DEPARTMENT OF INDUSTRIES**

#### **7.7.1 Bihar State Industrial Development Corporation Limited (BSIDCL)**

Consequent upon the formation of Jharkhand State (November 2000), the assets and liabilities of BSIDCL were to be divided between Bihar and Jharkhand. Both States had formulated (May 2018) the modalities for valuation of assets and liabilities. Accordingly, the assets and liabilities of the Corporation had been

valued at ₹ 1,278.95 crore, in June 2019. However, these assets and liabilities were yet to be divided between the two States and, as such, the process for winding-up of BSIDCL was pending (August 2022).

#### **7.7.2 Bihar Paper Mills Limited (BPML)**

BPML had been established in 1977, with the objective of manufacturing and dealing in all kinds and classes of paper board and pulp, including writing paper, newsprint paper, wrapping paper, tissue paper *etc.* However, the company had not commenced these activities and had remained non-working since its inception.

As per Resolution 52 (March 2018) of the Finance Department, GoB, the assets of BPML were to be transferred to BIADA and the process of winding-up the Company was to be taken up after its liabilities had been discharged. However, it was seen that the assets of BPML were yet to be handed over to BIADA (as of August 2022). Further, as per the Ministry of Corporate Affairs (MCA), GoI, the Company had an outstanding charge of ₹ 7.40 crore towards the Bank of India and BPML had not taken any steps to satisfy this charge. As such, the process of winding-up was yet to commence (as of August 2022).

#### **7.7.3 Bihar State Handloom and Handicrafts Development Corporation Limited (BSHHDCL)**

BSHHDCL was incorporated in 1974, with the objective of promoting, assisting or financing the setting up, of handloom, powerloom and handicraft industries, in Bihar.

The company had ceased its operations since FY 1996-97. It had filed a petition (2016) for voluntary winding-up, before the Patna High Court. However, in the light of Resolution no. 52 (March 2018) of the Finance Department, GoB, wherein the department had decided to settle the liabilities of the Company, in the form of arrears of the employees' salary, the Company withdrew (November 2018) its petition. The Department of Industries, GoB, granted a loan, amounting to ₹ 56.01 crore, to the Company, during FY 2021-22 and the Company had paid ₹ 39.45 crore (up to March 2022), towards the arrears of salary, from this amount. Since the payment of liabilities was under progress, the winding-up process had not been initiated (August 2022).

#### **7.7.4 Bihar Scooters Limited (BSL)**

BSL, a subsidiary Company of BSIDCL, was incorporated in 1978, under the Companies Act, 1956. The Company had established a scooter manufacturing unit in Fathua, on leasehold land allotted by BIADA. However, due to lack of funds and onset of new technology, its production activities had ceased during FY 1987-88.

The assets of BSL had been transferred to BIADA (2008) for ₹ 1.06 crore, which had been paid by BIADA, as the final settlement. BSL, however, had (August 2022) a liability, amounting to ₹ 4.82 crore, towards the salary/pension



of its employees. As such, the liability of the Company could not be set off from the amount realised from the sale of its assets. Due to this, the winding-up process had not commenced (as of August 2022).

#### **7.7.5 Bihar State Textiles Corporation Limited (BSTCL)**

BSTCL was incorporated in 1978, to carry out business in regard to clothes, threads and other related/ ancillary activities.

In compliance with orders of the Supreme Court of India, the Department of Industries had provided (September 2021) ₹ 4.25 crore, to BSTCL, in the form of loan, for making payment of employees' arrears of salary. The Company had paid ₹ 2.16 crore (up to March 2022), for this purpose and kept ₹ 2.09 crore in its bank account, for discharging other statutory staff related obligations (EPF *etc.*). Since the process of discharging of liabilities was in progress, the winding-up process had not been initiated (as of August 2022).

### **INFORMATION TECHNOLOGY DEPARTMENT**

#### **7.7.6 Beltron Video System Limited, Patna (BVSL) and Beltron Mining System Limited, Patna (BMSL)**

BVSL and BMSL had outstanding liabilities for payment, amounting to ₹ 13.80 crore and ₹ 4.64 crore, respectively, relating to the dues (as on 31 March 2022) of salaries and pensions of their employees. As the matter of division of the assets and liabilities of these PSUs was *sub judice*, the assets and liabilities of both these companies had not been divided, even after more than twenty one years of the division of Bihar and Jharkhand. The Secretary, IT Department (GoB), had requested the Government of Jharkhand, on a number of occasions, during the years 2019 and 2020, to take an appropriate decision with regard to the division of assets and liabilities, under the provisions of Bihar Re-organisation Act, 2000. However, the matter had not yet been resolved. As such, the process of winding-up of these PSU had not been initiated.

### **WATER RESOURCES DEPARTMENT**

#### **7.7.7 SCADA Agro Business Company Limited, Patna (SABCO) and its three subsidiary PSUs, viz. SCADA Agro Business & Industries Company Mohania Limited, SCADA Agro Business & Industries Company Dehri Limited and SCADA Agro Business & Industries Company Aurangabad Limited**

SCADA Agro Business Company Limited, Patna (SABCO) and its three subsidiary PSUs, were incorporated in 1993, to carry out activities relating to agricultural seed production. Subsequently, the agricultural lands, transferred to these PSUs, were taken back by the State Government for purposes other than seed production, due to which the activities of these PSUs diminished and they eventually became non-functional.

The Executive Committee of the SCADA decided (August 2000) to wind-up these PSUs. However, the strike-off process, of the three subsidiary PSUs of SABCO, had remained pending since June 2010, as RoC had observed that loans, amounting to ₹ 2.10 crore (SABCO, Mohania), ₹ 2.10 crore (SABCO, Dehri) and ₹ 0.60 crore (SABCO, Aurangabad), were outstanding, for payment to SBI, Sambhalpur, Odisha and the Odisha State Financial Corporation, Odisha. The management took almost nine years to respond (November 2019) to RoC, on the matter. Owing to this delay, the matter had not been resolved and the process of striking off the SABCO, and its three subsidiary PSUs, had remained pending (August 2019).

## **ENVIRONMENT, FOREST AND CLIMATE CHANGE DEPARTMENT**

### **7.7.8 Bihar State Forest Development Corporation Limited (BSFDCL), Bihar Solvent & Chemicals Limited (BSCL) and Bihar State Tannin Extract Limited (BSTEL)**

As on 31 March, 2022, BSFDCL had an accumulated liability of ₹ 46.87 crore, in regard to dues of salaries, pensions and other emoluments of its employees. Similarly, BSCL and BSTEL had accumulated liabilities of ₹ 6.13 crore and ₹ 3.03 crore, respectively, towards dues of salaries, pensions and other emoluments, as on 31 March 2022.

Consequent upon the formation of the State of Jharkhand, the assets and liabilities of these PSUs were to be divided between Bihar and Jharkhand. However, due to non-division of the assets and liabilities of these PSUs, between Bihar and Jharkhand, the process of winding-up of these PSUs had not been initiated (August 2022).

#### **Recommendation:**

*As the continued existence of these non-working PSUs constitutes a substantial drain on the public exchequer, in the form of establishment expenditure, Audit recommends that the State Government:*

- (i) may take an appropriate decision, regarding the continuance or winding up of the four Non-working PSUs.*
- (ii) may expedite the winding-up process of the remaining non-working PSUs.*