

CHAPTER - II

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CHAPTER - II
HISTORICAL BACKGROUND OF
THE KAMANI TUBES LTD.

CASE STUDY OF KAMANI TUBES LIMITED

At present we have some instances of workers coming forward to accept the challenges of saving sick units from drowning and on many occasions performing this role. The study of KTL experience would facilitate in comprehending several dimensions of the problems and also help in formulating suitable revival plans. Before going deep in KTL experience we must know the role played by the workers cooperative society and the Kamani Employees union (KEU) in reviving KTL. All members of the society played various roles like owner promoter, entrepreneur, investor, manager, employee etc. This is a special feature which influenced functioning of the industry. The turnaround of European Countries indicate the following main features : -

- 1) It is indicated that worker's takeover of sick enterprises takes place not by choice but, in fact, by necessity in the context of viable sick enterprises. It was adverse economic circumstances and job preservation of workers in most cases that necessitated the takeover

of sick units by workers co - operatives.

- 2) After the take over, the enterprise passes through two phases - the recovery phase and the developmental phase, while an attempt is made to restore to status quo i.e restart of Commercial production in the first phase, developmental efforts. Like introduction of new production method, modernisation etc, take place in the second phase.
- 3) In the beginning, the enterprise so taken over by workers tends to be undermanaged due to the managerial vacuum created by the exodus of key persons from sick units to more prosperous units.
- 4) So far as the attitude of trade union is concerned, in most cases, It has not been sympathetic towards worker's take over of sick enterprises, Surprisingly enough, Some times, the trade union has become even hostile to worker's Co - operative.
- 5) On the whole, three factors are found contributing towards the success of workers take over. These are :
 - (i) The cohesive and homogeneous group of work force.
 - ii) Right and competent leadership coming from workers itself, and iii) Availability of effective and unabated external support to the enterprise.

Source : - Industrial sickness in India

(causes, consequences and cures)

Dr. S. S. Khanka.

Common wealth publishers, New Delhi

Pages : 103 and 104.

All the above features except No. four are applicable to Kamani Tubes Limited. The outlook of KEU, is not only sympathetic but it look lead in creating favorable atmosphere for worker's take over of KTL. KEU showed patience during the struggle, follow - up ability for take over and convincing capacity to government, IDBI, BIFR and supreme court. KTL take over experiment of worker's cooperative society and KEU proved to be the most successful experience in turn around of sick industries in India. It became the basis for study to other sick industries.

CASE STUDY OF A SICK INDUSTRIAL UNIT: KAMANI TUBES LTD

BACKGROUND

The company under study was established at Kurla (a suburb of Bombay) in 1960 by Shri Ramjibhai H. Kamani with 91% of the share holding held by the Kamanis themselves. It was recognised as Pioneer in the field of specialised non-ferrous, tubes, rods and sections. Its products were well accepted in the market during the 1960s and in the early 1970s. It established a monopoly for its product and earned high profits. Its major customers were sugar industry, Defence establishments, thermal power stations. It had a good technical team with technical know how past performance.

The following table gives information about turnover and profit and losses since 1961. It can be grouped in two parts. The first is of Earning profits upto 1974 and the second one of the steep fall in profits from 1973 onwards except the year 1982.

(Rs in Lakh)

Year	Turnover	Profit before tax
1961	20.88	- 1.60
1962	44.66	6.29
1963	104.41	14.91
1964	181.44	32.69
1965	222.06	28.64
1966	225.84	20.98
1967	212.62	2.80
1968	237.89	2.14
1969	24.96	7.51
1970	498.01	32.50
1971	484.91	76.46
1972	492.70	71.78
1973	520.62	35.30
1974	506.41	13.32
1975	591.91	- 24.04
1976	581.66	2.11
1969	24.96	7.51
1970	498.01	32.50
1971	484.91	76.46
1972	492.70	71.78
1973	520.62	35.30
1974	506.41	13.32
1975	591.91	- 24.04
1976	581.66	2.11
1977	580.09	- 0.37
1978	577.22	- 33.33
1979	530.26 ^a	22.56
1980	219.77	- 94.72
1981	369.50	- 88.98
1982	608.18	- 28.42
1983	539.61	1.18
1984	508.70	-104.52

At the beginning KTL employed about 800 employees. It had mixed results swinging from very successful operations to difficulties from year to year. At one time it was a market leader having monopoly in its production till the death of Mr. P.R. Kamani, chairman of the company in 1972. After his death, his younger brother Mr. R.R. Kamani took

over the chairmanship of the group. But his brothers did not support this event. Family tensions among the brothers started to such an extent that went on tightening legal bottles over the owners of the Group's assets. Due to a series of legal suits, the functioning of the KTL and other sister concerns was badly affected. Profits came down heavily from 1973 onwards and the year 1975 ended with loss of Rs. 24.04 lakh which rose to Rs. 94.72 lakh in 1986 when the turnover also was the lowest at Rs. 219.77 lakh. It starts incurring heavy losses even though there were an increasing turnover, excepting for the two years, 1980 and 1981. The year 1984 showed the highest loss of Rs. 104.52 lakh. The KTL started defaulting in payment of the dues of employees as also the outstandings owed to banks and other authorities. Worker's agitations forced temporary solutions, but no serious attempts were made by the management. Employees were not paid their wages and salaries for September and October 1979. They went on hunger strike to compel the management to pay the arrears. Position of standstill in production in 1980, restart in 1981, closure of work in 1983, lock-out in 1985 were some of the events brought final closure in 1985.

Against such background the various efforts made by the Kamani Employees Union are noteworthy. Their efforts included approaches to the labour machinery, the State and Central Governments etc. but these efforts became fruitless. Several meetings at the official's level failed to develop

concrete solution. Financing institutions stopped financing. KEU had simultaneously persisted with its efforts with the Industrial Reconstruction Bank of India (IRBI), the Board for Industrial and Financial Reconstruction (BIFR) and also the Supreme Court. It finally secured a historic decision from the Supreme Court in September 1988, authorising The Worker's Cooperative Society (Kamani Tubes Kamgar Audhyogik utpadak Sahakari Society Ltd. - KTLSS) to purchase the shares of the company at a nominal price fixed by the BIFR and to take over the ownership and management of the unit with some conditions. The revival scheme originally drafted by KEU itself, modified by IDBI and sanctioned by BIFR and ratified by the Supreme Court involves considerable effort and sacrifice on the part of the labour which accepted this challenge.

PRESENT PERFORMANCE

The scheme of putting the plants into operation took six months. Actual trial - runs started immediately in March, 1989 and the factory was formally inaugurated on April 6, 1989. The following figures will disclose the performance of new management.

Year	Installed Capacity		Actual production		Turnover	
	Hollow Pipes & Tubes M.T.	Solid Rods & Sections M.T.	Hollow Pipes & Tubes M.T.	Solid Rods & Sections M.T.	Qty. M.T.	Rs. in lakh.
1988 - 89	3000	3250	-	-	11	1.09
1989 - 90	3000	3250	859	452	1309	1092.93
1990 - 91	3000	3250	935	542	1572	1430.35
1991 - 92	3000	3250	694	440	1256	1434.54
1992 - 93	3000	3250	666	431	1036	1370.73
1993 - 94	3000	3250	546	465	1232	1101.96

The company was licenced to produce Hollow Pipes and Tubes 1000 M.T. per annum and Solid Rods and sections 500 M.T. per annum.

The KTL had installed capacity of production much more than the licenced permission production of hollow pipes and tubes was more than 50% of the licenced tonnage but it was less than 50% in respect of solid rods & sections. There was no production in the year 1988-89. The first and second years of takeover showed encouraging production but thereafter declined trend emerged in respect of hollow pipes & tubes. Production of solid rods & sections maintained a range between 431 to 465 M.T.

The turnover amount after takeover is more than doubled that of the previous years except 1982. There is no continuous rising trend. It has got ups and downs. However taking into consideration various constraints the achievement recorded by the new management & the workers is note-

worthy.

REASONS FOR SICKNESS

We reproduce the para from the booth named Industrial Sickness in India (Causes Consequences and cures) by Dr. S.S. Khanka, Common wealth publishers, 1975 page 107. This para highlights the main reasons which brought KTL to sickness.

"As regards the genesis of sickness in the KTL, it is ascribed to a single major factor, i.e mismanagement or, so to say, inefficient management and corrupt and dishonest management practices of Kamani Brothers. The BIFR has also observed in its feasibility report that the mismanagement was took place in several forms. For example, the Kamani Employes union (KEU) in its letter to the Prime Minister dated July 5, 1976 highlighted these as: (i) Mass under-invoicing of bills, (ii) Over-recording of material at a substantially lower price than declared one, (iii) Selling of good quality material at a substantially lower price than declared one, (iv) Showing large quantity goods as scraps, dust and draws, siphoning off funds through improper channel, and (v) Gross overclaiming of burning losses. In short, it was mismanagement practised in various forms in the KTL which ultimately pushed the unit to the state of sickness."

THE CONSEQUENCES OF SICKNESS

- i) KTL stopped production and ceased working in August 1985.
- ii) KTL has not restored to closure of the unit or re-trenchment of the workers in accordance with provisions of law.
- iii) The workers have not been paid wages for over 8 months since December 1984 till stoppage of work in August 1985 and ever since. The arrears till August 1988 work out in the region of Rs. 6.5 crores.
- iv) The wages due to the workers amounting to approximately Rs. 2.5 crores till the stoppage of work have remained unpaid since Dec., 1984.
- v) Employee's contribution to provident fund actually deducted from the wages of the workers to the tune of Rs. 3.5 lakhs had been wrongfully retained by the management and prosecutions are pending in the Criminal Courts.
- vi) The starving workers who have not been paid wages since December 1984 have remained on the factory premises abandoned by the management, to keep day and night vigil for all these years since August 1985, in order to protect the plant.

SOURCE:-

The Supreme Court order in misc. petition No. 22428 of 1988 and in Special leave Petition (Civil) No. 15228 of 1983 pages 3 & 4.

THE ROLE PLAYED BY KAMANI EMPLOYEE'S UNION- A CONSTRUCTIVE APPROACH OF KEU

One fact that emerges clearly is that it is only the tenacity and single minded pursuit of the matter by the KEU which ultimately won. KEU has been working for more than 35 years and has been the sole representative of all the daily rated and monthly rated workers (numbering about 4,000) of the entire Kamani group of companies. It had successfully negotiated several collective bargaining agreements with the group companies. There is also Kamani Officer's Association. The two associations have been working in close cooperation and even have a common President. Representations have also been jointly made. Even after KEU's efforts with various authorities had met with only partial success, it adopted a constructive approach and took the initiative to formulate a scheme and presented it to BIFR. Essentially, the scheme aimed at purchasing the shares from the Kamanis (at a price to be fixed by the SC) and running the unit themselves with the help of professional managers. The scheme involved considerable sacrifice on the part of the workers. It implied the following:-lm 6

- i) Rationalisation of the work force and retirement and retrenchment for some of them.
- ii) Wage freeze for three years.
- iii) Payment of wages restricted to 75% of the wage level in the first year of operation and 85% from second year onwards.
- iv) Deferment of the annual increments for a period of two years.
- v) Postponement of payment of worker's dues during the closure period till all other dues were cleared.
- vi) Linking salary / wages with certain production norms.
- vii) Liquidation, through profit sharing, of loans taken by workers for their contribution.
- viii) Stoppage of absenteeism, overtime, late-coming etc.
- ix) Ban on stikes, go-slow for three years.

The workers displayed remarkable restraint and the acceptance by them, without any demur and without any coercion or compulsion, of a sacrifice of this type and of this order, is in contrast with the normal tendency to seek only. Concessions and intervention by the authorities or to resort to agitational tactics. But KEu, instead of adopting confrontationist stance decided to relentlessly pursue the matter till justice was obtained. KEu got fruitful results. This will perhaps open up a new chapter in the history of the labour movement.

The Supreme Court noted : "The plight of the workers notwithstanding, they exhibited exemplary conduct on their part, and KEU, extended its hand of cooperation to the Kamani family group as has been noticed by the learned mediator in his minutes dated July 2, 1986: The bonafides of the applicants would be clear from the fact that inspite of the fact that no wages have been paid to them for the last 14 months, yet, in order to demonstrate their spirit of cooperation, the workers, through their union, had offered in writing to cooperate with the management and accept deferred payment of unpaid wages. The applicants repeat and reiterate that offer. The workmen always were, and still are ready and willing to accept the arrears of unpaid wages increase of production and creation of surplus. It is noteworthy that even in the face of odds at practically every stage, both before and after the judgement, the KEU unwor-
vinly persisted in its efforts and finally secured for its members a victory which otherwise was not even imagined.