



# THE TAKEOVER



## PREFACE

**T**he decade of the 80's of this century has been characterised by the relative stagnation in the advancement of the organisation and struggles of the working class in India. While a large number of rural and urban poor remain unemployed or under-employed, the 80's have also witnessed a rapid closure of small, medium and large industrial, commercial and mining enterprises in the country. By the estimates of the government itself, several thousand such factories have been shut down in different parts of the country during this period, rendering several lakhs of workers jobless and without any source of income.

The trade unions and their sympathizers, both inside and outside the government, have been pressurizing the state or the central government to take over the management, and preferably the ownership as well, of such sick and closed enterprises. The National Textile Corporation, with nearly 120 textile factories under its control, is a classic illustration of this approach which was popular in the 60's and the 70's. However, with the advent of the 80's, changes in the national and international economic scenario and the new equation of the political forces led to the government takeover of sick and closed enterprises a near impossibility.

It is in the wake of this changed situation that the first ever workers' take-over of a factory—Kamani Tubes Limited, Bombay—in 1988 becomes a historic and profound event. Its implications are likely to affect the nature of the working class struggles and the role of trade unions on the one hand, and the managerial practices of private owners and industrialists on the other.

It is with this in view that we have documented this case study of the workers' takeover of Kamani Tubes Limited. This brief documentation is intended to serve as a vehicle of information and

education to those who are interested in advancing the cause of the working class in general, and to the workers and unions of the other similar closing and sick units in the country in particular.

On March 18, 1989, the first rod rolled out at the factory of Kamani Tubes Limited (KTL), Bombay, after almost four years of closure. This was not an ordinary rod rolling out from any metal company. It was a rod from a company which is now owned by the workers themselves. After the success of the trial run, the KTL workers were barely able to control their excitement. After years of unemployment and hunger, agony and distress, struggle and sacrifice, they have taken over the very company whose closure had rendered them jobless. Today they have created a historical milestone by this takeover. On September 19, 1988, the Supreme Court, the highest judicial body of the country, proclaimed the historical judgement which ordered the takeover of KTL by its employees' cooperative.



## Background

**K**amani Tubes Pvt. Limited was established in 1959-60 at Kurla, Bombay, by the Kamani group of industries, to produce non-ferrous metal tubes and rods. At one time, KTL accounted for nearly 60 percent of the total domestic production of non-ferrous tubes and rods. These products enjoyed a high prestige in the market, and catered to industries such as defence, power generation, oil refining, fertilizer, sugar, ship building, light electricals and air conditioning. The company was making a profit till 1974. However, in 1975, the balance sheet started showing losses although a high turnover was being maintained.

The Kamani Employees Union, which is a recognised union in the Kamani group of industries, could sense the causes for the changing fortunes of KTL. They were able to diagnose that the losses were due to the management's siphoning off funds from the unit. There was bungling through under-invoicing of bills and over-invoicing of materials, selling off first quality material as substandard, and over claiming for burning loss of materials, etc. The union immediately drew the attention of the government at the centre and the state to the situation at KTL and demanded that they arrest this process of mismanagement.

This mismanagement of the company coincided with the appointment of a new Chairman, Shri R.R. Kamani, in 1972 which was not acceptable to the rest of the Kamani family, and the feud began. One of the consequences of this family feud was that the Kamani started siphoning off funds into their own pockets. As a result, the group lost two of its companies, the Kamani Engineering Corporation and the Jaipur Metal and Electricals, and a number of other partnership and private limited firms were either closed or dissolved.

In 1977, R.R. Kamani filed a winding-up petition against the company for non-payment of a loan to Kamani Metallic Oxide, of which he was the chairman.

In 1978, the Bank of India, the company's lead bank, appointed a consultant to conduct a techno-economic viability study of the unit. The consultant concluded that the unit was economically viable, but a certain amount of professionalism of management was required. On the basis of this report, the bank offered additional facilities for a major capital investment on the condition that the entire assets of the company were mortgaged to the bank.

This the company could not do because of an undertaking given by Shri N.R. Kamani, the Chairman of the Company, to the Bombay High Court that its assets would not be sold or encumbered during the pendency of the winding up petition filed by Shri R.R. Kamani against the company. In view of this situation, the Bank of India could not extend any additional facilities, and even had to suspend the banking facilities in April, 1979.

Until now, the production from the factory had been good. In

1979, when the production began to decline, the workers were not paid their salaries for the months of September and October. However, at this point, after an indefinite hunger strike by the Union activists, the management paid the wages.

In February 1980, there was a state-level meeting at which government and financial institutions jointly proposed that the Kamanis should surrender their share holdings to the bank, accept an Executive Director appointed by the bank, accept bank nominees on the Board, etc. But the Kamanis did not agree to this proposal.

The Union decided to approach the Central Government to look into the matter. In June 1980, the Central Government asked the Industrial Development Bank of India (IDBI) to study the economic viability of the unit. In its report IDBI confirmed the viability of the unit and suggested that the government take over. But the Central Government was willing to take over only if the state government was prepared to take on the managerial and financial responsibility. The state government again appointed a committee, which agreed in its report with the measures suggested by IDBI, but the state



government took no action.

In the meantime, the bank almost decided to withdraw its facilities, and file a case against the company for receiving their dues. But, the Secretary, Department of Industries, Maharashtra, intervened in April 1980 and successfully persuaded Canara Bank to extend facilities to the tune of Rs. 50 lacs for working capital requirements on an ad hoc basis till a new scheme was prepared, and the suit was not filed.

In 1982, the state Secretary, Department of Industries, put forward a proposal to nurse the company, provided the Kamanis agreed that the government and bank nominees would occupy more than 50 percent membership on the Board. But again the Kamanis did not agree, and pleaded that they should be allowed to negotiate directly with the bank. The matter ended there.

During all these the years company kept running on a barely subsistence basis, because of the temporary arrangements made by Canara Bank in 1981.

In September 1983 the Bank of India proposed a rehabilitation plan to nurse the unit but the Kamanis turned down the bank's demand of professionalisation of the management. The management, taking advantage of the deteriorating financial condition of the company, declared a lock-out on October 4, 1983, on flimsy grounds. The Canara Bank, realising the foul play of the management, suspended the temporary banking facilities in October 1983. Canara Bank resumed its facilities in February 1984, only after the Kamanis agreed to the Union's demands and to the conditions laid down by the Bank of India.

The company started operating again in February 1984. But this time the Kamanis started siphoning out funds with a vengeance. Production came down drastically. It took about one year for the banks to formulate its rehabilitation programme. The company was having problems in getting a Chief Executive and a Financial Controller. The Kamani Employees' Union finally approached Shri S.R. Gokhale, who had been the Chief Executive of the Kamani Metal Group till 1974. The Bank of India was seriously considering the submission of S.R. Gokhale regarding the viability of KTL.

## The Closure

**T**here was no legal closure declared, neither a lock-out or strike. The Tata Electric Company disconnected the power connection and the Bombay Municipal Corporation cut off the water supply in early October 1985. The production activities came to a grinding halt sometime in September 1985 itself. The workers had not been paid their wages for the last nine months prior to this closure.

The Kamani Employees' Union (KEU), which was running from pillar to post for the survival of the company since 1975, now had to think of something that the workers themselves could do without having to seek help from anybody else.

But during this difficult period, the workers were being attracted by another Trade Union which was promising the reopening of the company within a week, provided that the leadership of the Kamani Employees' Union left the premises of the company. The KEU being a democratic union, the general body asked KEU leadership to leave the premises of Kamani Tubes. The KEU leadership did not have any choice but to leave. They left KTL on September 27, 1985. The irony of the situation, however, was that the new union could not fulfill its promises and the disillusioned workers rejoined their old union. KEU started functioning again in KTL in March 1986. During this period, from October 1985 to february 1986, the KEU did not get involved in the Kamani Tubes issue at all. This time KEU leaders made it clear to the workers that they could not promise the workers anything except that they will fight for the cause and try their best.

## New Efforts

**K**EU started thinking of different ideas and alternatives with the sole objective of securing jobs for the workers in the company. As one activist of the Union said, "We were not interested in who runs the company - our concern was that it should run and the workers should get their payments" So far all the efforts of KEU to persuade the state or the central government to take over KTL had failed.

Now, they started considering the idea of workers take over. As the President of KEU puts it, "After this come back we took the line of workers take over" In this direction, KEU first approached the Supreme Court to look into the matter of recovery of the workers' wages for the last 14 months. The Supreme Court had earlier appointed a mediator, Justice A.C. Gupta, to resolve the internal dispute of the Kamani family, and now the Court ordered Justice Gupta to look into this matter as well.

At the same time, KEU proposed yet another scheme to the Kamanis to hand over the company to some third party on a business conducting basis. This would entail the provision of a certain amount of deposit as security and would fetch some amount of royalty. KEU proposed that the Kamanis could clear the workers' dues from this deposit. Another proposal was that the Kamanis hand over the company to KEU, also on a business conducting basis, on the condition that KEU would not pay any security deposit since the workers' dues were about 2 crores of rupees, which could be treated as security, and KEU would pay about 25-30 lacs of rupees as royalty per year. But this proposal was turned down by the Kamanis on the grounds that they wanted to sell the company.

During a meeting with the workers and the Kamani family in June 1986, Justice A.C. Gupta asked the Kamanis to find buyers for

their 90 percent shares within six weeks time. As A.C. Gupta writes in his minutes dated July 2, 1986:

“At the end of the discussion it was decided that the different groups of the family or any of them would try to find a buyer willing to buy the 90 percent shares held by the family in Kamani Tubes Limited as it is at present. The buyer will have to sit with the workers of the company to come to an agreement with them with regards to the payment of their dues. If the prospective buyer wishes to inspect the factories, no objection would be raised by the workers or the present management of the company. Parties will report to me within six weeks any progress made in this matter”.

During this meeting it was also decided that the workers would try to frame their scheme for-restarting the factory, after having discussed with the banks and other authorities. Regarding this decision, the KEU leadership says: “We had tried our best in the past for government take over but nothing happened; we tried for any other management to run the unit, either on a business conducting basis or take over but nothing moved. Hence it was more of an objective compulsion that we ourselves take over the factory than a systematic plan”.

Generally private sector companies do not come forward to take over sick units because they do not want to take on its liabilities. Another interesting development of 1986 was the enactment of the Sick Industrial Companies (Special Provision Act) 1985, which has a provision of sale or lease of the company to the cooperative society formed by its workers.



## **The Workers' Scheme**

**H**ence KEU started meeting with various professionals and bureaucrats to get assistance in forming the scheme, under the above Act. At the same time, KEU called for a general body meeting of all the workers, which was attended by about 400 workers, where this idea of forming a workers cooperative in order to take over the company was thrown open for discussion. After debating on the various issues for one week, the workers finally agreed.

At this stage, there were four basic areas which they needed to examine:

### **(i) The Market**

The Kamani workers did not opt for a professional market survey team to conduct the survey. Instead they approached a few sympathetic people active in this field to assess the situation. They

discovered that a number of their competitors were at present using their brand name to sell their products; however, the quality of the product was not as good as Kamani's and the supply was also erratic. Hence capturing the market would not be a difficult thing to do.

### **(ii) Assessment of Plant**

For the assessment of plant, KEU approached one of the old Executives of the Kamani group who agreed to help. They also approached some other technical experts who were sympathetic to their cause to help them in this area.

### **(iii) Professional & Technical Expertise to Manage the Unit**

Since a number of management and technical staff had left KTL, this was a great problem. But the workers got a boost of confidence when a lot of professionals and old executives of KTL agreed to help. KEU also thought that if entrepreneurs could hire expertise, then so can the workers.

### **(iv) Mobilising Funds**

The first idea which struck KEU was that if the workers could raise about Rs. 10 lacs, from their Provident Fund, then on that basis the state government will provide thrice that amount, that is Rs. 30 lacs thus adding up to a total of Rs. 40 lacs. Then, with this amount, the workers can raise working capital facilities from cooperatives and/or nationalised banks to the tune of Rs. 4 crores. This gave them tremendous confidence.

## Operationalising the Scheme

**A**fter debating on all these questions, the workers then started on operationalising the scheme. On September 12, 1986 they announced the scheme at a press conference. On October 1, 1986 the formation of cooperative took place.

Prior to the press announcement they had tested the idea of a workers' cooperative in August 1986 by asking the workers to become members of the cooperative by paying Rs. 11 as membership fee. Within fifteen days 667 workers became members and they signed papers to take loans of Rs. 2000/- per head from their PF trust for the seed money.

In the first two to three months there was a lot of apprehension regarding the viability of the scheme. Bankers were not coming forward to support the scheme. They were hesitant to finance an unidentified mass of workers who had formed a cooperative. The press, on the other hand, felt that the Union leadership was being unduly optimistic. Apart from all this, the union activists themselves were not clear either about this plan.

Legally, the path for such a takeover was cleared when Parliament enacted an Act called the Sick Industrial Companies (Special Provisions) Act, 1985.

However, despite having announced the scheme of the workers' takeover, the workers were waiting for the decision of the mediator appointed by the Supreme Court who had asked the management on July 2, 1986, to find a buyer for the 90 percent shares which were held by the family in KTL. The buyer was supposed to sit with the workers to work out an agreement with them with regard to the payment of their dues.

After waiting for more than six months, finally the workers approached the Supreme Court on January 22, 1987 asking that

## **SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT 1985.**

*The Act was passed in January 1986 with the objective of reviving sick or potentially sick companies. The legislation was passed because of the alarming increase in the incidence of sickness of industrial companies. The legislation has also been enacted with the point of view to*

- 1) Afford maximum protection of employment;*
- 2) Optimise the use of funds of the companies;*
- 3) Salvage the productive assets;*
- 4) Realise the amount due to the Banks etc.;*
- 5) Replace the existing time-consuming and inadequate machinery by efficient machinery for expeditious determination by a body of experts.*

*Under the Act, the Board for Industrial and Financial Reconstruction was set up in January 1987.*

*Section 18 of the Act provides for the reduction of interest or rights of the share holders in the sick industrial companies to the extent needed for reconstruction, revival or rehabilitation of the sick industrial company. Under the same section, there is the provision to transfer or issue the shares of the sick industrial company at the face value or at the intrinsic value, which may be a discounted value or such other value as may be specified to any industrial company or any person, including the executives/**employees of the sick industrial company.***

*The provision for transferring the shares to the employees makes it clear that the intention of the legislation is to encourage the employees to take-over the sick units. Under this provision, Kamani Tubes Limited was taken over by the worker's cooperative.*

all the shares of KTL be transferred to the cooperative at a price fixed by the court;  
the scheme of revival proposed by the KEU be considered;

assistance be given to revive the company, including directions for the management.

On October 13, 1987, the Supreme Court issued an order to BIFR to file a feasibility report with respect to the scheme proposed by the workers for the revival of KTL.

As per the directions of the Court, the Board held a number of meetings with all the parties concerned (like KEU, Financial Institutions, Banks, State Government, Central Government and different groups of the Kamani family).

The Board (BIFR) asked IDBI (an apex institution in the field of term lending), one of the operating agencies of BIFR, to examine the KEU's scheme, particularly with regard to the technical health of the plant and the time required to start it, as well as other assumptions made in respect to costs/prices, estimate of production, demands, working capital requirement, etc. The IDBI submitted its report, and based on this report, BIFR prepared its feasibility report and submitted it to the court.

After considering the BIFR's report and hearing various parties, the Supreme Court directed that the matter be placed before BIFR for consideration as to whether it should proceed to pass an order in terms of the proposed scheme as revised by IDBI. The Board was requested to arrive at a decision after giving notice to all parties.

The Board offered a hearing to all the parties on May 20, 1988, and, after examining the submissions of all the parties concerned, finalised a scheme of revival of KTL, and gave its sanction on September 6, 1988.

And on September 19, 1988, the landmark judgement came into existence. It was a historical victory for the workers.

## **Factors for Success**

**W**hat then were the key factors which led to the successful take over of the factory by the KTL workers? It seems that several factors in combination helped KEU to score this victory. The two main factors related to the role of the Union and its strategy. Of course, other factors also helped. The enactment of the Sick Industrial Company (Special Provision) Act was very timely. A Board for Industrial and Financial Reconstruction (BIFR) was set up under the above Act in January 1987. Since BIFR has the power to decide on the future of a sick industry, including its sale or lease to a workers' cooperative, this helped provide a focus to KEU efforts. Secondly, the Kamani had lost credibility in the eyes of the judiciary and financial institutions due to various litigations and problems within the Kamani family and KTL. This also helped the KEU's efforts.

### **(i) The Union's Role**

The most important factor for the success of this case was the role played by the Kamani Employees' Union. First of all, the union decided to shed the narrow traditional role of unions which is to keep the management of an enterprise outside the purview of the union. By doing so, it could play an active role in conceptualising and elaborating the scheme from the perspective and experiences of the workers concerned.

As a consequence of this changed role, the union leadership began the process of dialogues and discussions with the workers of Kamani Tubes Limited as well as other members of the Kamani Employees' Union in the sister enterprises. These discussions became an educa-

tional process to help formulate the role of the Union in conceptualising and elaborating such schemes.

Of course, by accepting this new role the Kamani Employees Union had to take on the responsibility of evolving a strategy which had to deal with the central issues of management and administration of an industrial enterprise.

### **(ii) The Union's Strategy**

The second most important factor for the success of this case was the comprehensive strategy evolved and implemented by the union in pursuing of its objective. This strategy had several components. The most important one was to do solid background work in respect of all the aspects related to the management and running of Kamani Tubes Limited. Another aspect of the strategy was to influence officials in the government and managers of financial institutions without a priori prejudice towards the bureaucracy. The Kamani Employees' Union strategy included indepth preparation of the lawyers who were representing its case in the Supreme Court through an active and concerted effort. These elements of the strategy were put in place by two other aspects. On the one hand, the Kamani Employees Union sought support to its initiatives for workers take over of Kamani Tubes Limited, on the other hand it sought to influence public opinion in its favour through the press. It was this comprehensive support which lead to the successful outcome of this case.

### **(iii) Solid Ground Work**

The KTL workers made detailed preparations and ground work, specially in the preparation and presentation of the scheme. When they prepared the scheme for the first time, they were not very thorough and the scheme was rejected by IDBI. In the first scheme they had not included the repayment schedule. But the revised scheme which was presented to IDBI was a model schemes, and can be used as a classic example even for management experts.

While commenting on this revised scheme and the submissions an IDBI official observed, "None of the Indian employers so far can match the quality of the submissions made by the Union to the BIFR".

KEU also used the services of professionals who were sympathetic to workers' cause. With the help of these professionals they prepared the scheme and supported all their arguments with a substantial amount of data. They had access to management information systems, rapport with the staff and officers, and a healthy relationship with the exofficials of the company.

As KEU's president says, "Our submissions were so convincing that nobody could raise any valid objection".

#### **(iv) Influencing Bureaucracy**

It is generally believed that one of the most corrupt institutions today is our bureaucracy. But the KEU experience reveals that this is not necessarily true. They found the bureaucracy willing to help - without asking for any bribes. "As a matter of fact, they actually wanted to contribute to this struggle", says the working president of the union. While reflecting on his experiences he says, "Generally bureaucrats are influenced by public debates in the newspapers. When the issue is publicly debated in the media, the bureaucracy responds respectfully". He also cited an example of how a senior official changed ~~change~~ his attitude towards the workers' scheme following a supportive media reporting.

Another major source of strength was that the entire bureaucracy which was involved in this case, whether bankers or IDBI officials, were impressed by the strength of the scheme and the detailed submissions made by the workers. They were impressed by the hard work of the workers and were willing to help them. They found KEU an organisation not only willing to help workers but also working very hard in making their dreams come true.

#### **(v) Preparation of Lawyers**

"You have to provide the arguments - lawyers just voice them"

This is what KEU has learnt in this entire case. One of the union leaders says, "Most of the lawyers do not have the time and patience to go through all the papers and documents. You need to brief them with not only the facts and arguments but also with those emotions which you experience. Just getting a good lawyer is not enough; you have to prepare him. In this case the emotional preparation we did with our lawyer helped him to argue the case with the same intensity of emotions. As a result, he was able to move the court not only with the arguments but with the emotions as well. That is why the court, in its judgement observed:

"More than a thousand brimming eyes are waiting to replace the tears of despair by tears of relief."

To a very great extent, it was the publicity generated by the media which motivated the lawyers to fight the case of KTL. No lawyer in Bombay was prepared to fight the case, but once it was publicised, lawyers from Delhi came forward.

### **Suffering of Workers**

*Since September 1985, workers suffered during this struggle. Three workers committed suicide because of unemployment and hunger. About 10 percent workers went back to their villages in search of food. But a number of them remained in Bombay, trying hard to get jobs. "We were not even able to get a job worth Rs. 10!", cried a worker. "We have tried everything possible. There is nothing that we have not done".*

*The workers were not paid their wages from February 1985, but still kept working in the hope that one day they will get all their dues. The plight of these workers was observed by Justice A.C. Gupta, who wrote in his minutes dated July 2, 1986:*

*"The bonafides of the applicant workers 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."*

*A number of children of KTL workers could not pursue their studies. In some cases, marriages fixed for their daughters fell through because of lack of money, and in some cases it was indefinitely postponed. "It was really an agony for many of us", one worker concludes.*

*The Supreme Court, in its order observed that "three of the starving workers have committed suicide on account of their inability to survive the burden of misfortune heaped on them."*

*The workers put the number of deaths somewhere around 12, mostly due to deterioration of health conditions, mainly starvation.*

*"The workers suffered like anything during this struggle", observed the General Secretary of the Union. "But these workers were a pillar of strength for us, and it was because of them that we were able to fight through."*

*During this period workers of other Kamani-owned factories also came forward to help their colleagues as much as possible. As a matter of fact, the Union could fight the battle because of the funds generated from other workers.*

### **(vi) Seeking People's Support**

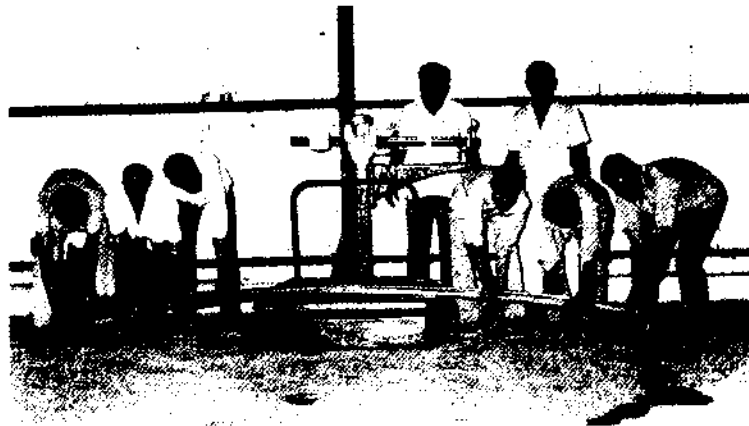
The Kamani Employees' Union could fight out this battle because of the tremendous support from all sides. KEU did not leave any stone unturned. They approached everybody and anybody who was willing to support them, whether it was the media, or professional help, workers or experts, trade unions or bureaucrats. As one of the KEU activist, puts it, "It was not a fight which only KEU had to fight. It was the fight of every person who was willing to join in". The Kamani Employees' Union also has a history of such an approach. The KEU is considered to be one of the most democratic unions in Bombay. As an independent union, in KEU the office bearers are from different political backgrounds. Everybody has the right to disagree on any point and such disagreements are discussed publicly, they are not ignored. This culture enabled KEU to seek support and fight the battle through.

The support rendered by the workers of KEC and KMA (the two other sister enterprises on the same premises as KTL) was of crucial importance throughout this process. This included financial as well as emotional support to the KTL workers and direct support to the legal expenses incurred in the case. The workers of the erection wing of KEC International made the most contribution.

### **(vii) Building Public Opinion**

KEU also successfully used the press during this entire struggle to mobilize public opinion on this issue. Initially KEU had not thought of using the press. But, when one of the senior lawyers whom they approached to take up their case was reluctant to do so, then they thought of mobilizing public opinion on this issue. KEU used the press not only to publicise the issue but also to educate the public about their side of the story. In the beginning they approached the press through contacts and mobilized them to write about the struggle. Once the issue was picked up, KEU's role was just to keep supplying information. The KEU leadership, very categorically says that the press has played a crucial role in this case. Extensive national coverage made this case an important and historical one, and generated tremendous public interest. It also hastened the proceedings of the case.

"The only harm this publicity did was that it projected personalities, which was not asked for", concludes the Working President of KEU.



## Lessons Learnt

**T**he experiences of the Kamani Employees' Union over these three years of struggle to take over the Kamani Tubes Limited taught the union, its leadership and membership several important lessons in this regard. These lessons might also be relevant for those others who are considering undertaking similar efforts in their own contexts.

### **(i) Democratic Functioning Helps**

While reflecting back on this entire struggle, the KEU President says, "Workers of this union feel that it is their union and not anybody else's. To strengthen this feeling we keep on working democratically because we believe that people always come to the right path; they can always make right choices". However, he also pointed out that it is at times difficult to function democratically and to keep one's faith in people.

Among the office bearers of the union, one can find people with varying political inclinations. Every issue is thoroughly discussed before arriving at any decision. There is a culture within the union of going to the General Body to debate on the issues and then take the decisions. "We never suppress any opposition or difference of opinion; we have a culture of discussions. And the final decision is taken in the General Body", reflects the KEU President.

In September 1985, when the workers wanted KEU to withdraw from Kamani Tubes, they did so. "We thought the workers should go through this experience. If they were demanding our withdrawal, then who were we to continue? And at that time we thought it may help in reopening the plant". An activist, reflecting on the entrance of the other Trade Union in KTL says, "Everybody came back within

six months. Their coming back was not only because they were disillusioned with new union, but also because they knew that this is their own union, and they had every right to come back”.

Throughout the struggle KEU always kept the workers informed about their strategies, the progress, their plans, etc. “It was a struggle of the whole community; they (workers) went through all the hardship” reflects KEU President. During the entire struggle, the workers were always taken in confidence. At no point of time was anything done without the workers’ knowledge. And this process helped both ways. “We were drawing strength from this”, says the President of the KEU.

### **(ii) Homework is needed for any victory**

“The most important lesson learned during this struggle is that to be able to fight and win you need to do a lot of homework; without this it is not possible”, says an activist of the union.

During the entire struggle KEU kept doing its homework. For example, when the union thought about the workers’ takeover, they first thought: Is it possible or not? If it is possible, then how? And it was only after having prepared the rough outline that they then talked to the workers as to whether they were willing fight for such a thing. Once the workers all agreed on this decision, then the union prepared the scheme, approached the banks to find out whether they were willing to support the scheme, sought professional help, and then prepared a detailed scheme. This scheme motivated the court to ask BIFR to step into the matter. If the union had only asked for a takeover by the employees, it might have not helped. But their case was made stronger by the fact that they had also prepared a scheme for the court to look into. Despite this preparation, however, IDBI raised several questions, and while replying to their questions the union did not leave any scope for further objections, and submitted detailed answers to each and every question, along with a revised scheme. “Our submissions were very convincing”, says the President of the union. An IDBI officer said, “This is one of the best set of submission I have ever come across in my 25

years of service”.

Similarly, when it came to briefing the lawyer, the union told the lawyer everything he needed to know to argue the case, and did not leave anything for lawyer to find out on his own.

While fighting this case, the union did not leave any stone unturned in order to win this case, whether it was to seek publicity or help from professionals, or to mobilize the bureaucracy, lawyers etc.

And the union's hard work paid them back. When the Supreme Court compared the two schemes, one of the workers and the other of Ashish Kamani, it observed, “When the two schemes are viewed in juxtaposition, there is no manner of doubt that the scheme presented by the applicant (Ashish Kamani) appears in a rather poor light”.

This was possible only because of the union's solid home work.

### ***Scheme presented by the Workers***

1. It contemplates starting operations with the existing machinery after effecting necessary repairs and reconditioning of the plant to the extent necessary. It is envisaged that the production can be commenced within about six months.

2. The scheme is fully backed by the same Nationalized banks as are secured creditors of KTL. These banks have also made firm commitments for further financial assistance.

### ***Scheme presented by Shri Ashish Kamani***

1. It envisages the replacement of the existing machinery by imported second-hand press and plant equipment, at an estimated cost of Rs. 345 lakhs. It is not known how much time will elapse in replacement and when operations can be commenced. There is not even a vague idea about this factor.

2. The Scheme does not show that there is even a tentative commitment much less a firm commitment by any Banks or financial institutions to finance the project. Nor is it shown that the applicant himself is investing any sizeable amounts to launch the project. The Scheme is



altogether silent as to how the resources are to the modernization programme involving Rs. 694 laksh.

**3.** The Central Govt. and the State Govt. have agreed to grant tax concessions having regard to the fact that it is the first Scheme of its kind for reviving an industrial unit framed by the very workers rendered jobless on account of the sickness.

**3.** Neither the Central Govt. nor the State Govt. has shown its willingness to give any concession to the applicant. In fact there appears little likelihood of such concessions having regard to the special factor relating to public interest involved in enabling the workers themselves to revive the sick industrial unit does not exist in the case of the applicant.

**4.** The workers themselves have agreed (1) to make wage sacrifice of 25% for the first year of operations and 15% for the next two years. In other words the workers have agreed to forego 15% to 25% of the wages which they would be otherwise entitled to having regard to the fact that it is the workers' own Scheme calculated to benefit them atleast in future (2) to deferment of annual increments for two years as also (3) to rationalisation of the staff pattern by persuading the workers to be retrenched on payment of compensation in the larger interest of the workers and to restrict the workers to 600 (4) to forego dues subsequent to 31.12.85 (5) to deferment of pre-stoppage dues till other dues are paid off.

**4.** The workers would not agree to forego any part of their wages or make a wage sacrifice to enable the applicant to take over the unit. Nor the workers would accept deferment of dues or to rationalization of staff pattern or retrenchment. Learned counsel for KEU has stated that the are not at all prepared to do so.

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| <p><b>5.</b> The secured creditors have agreed to convert 50% of dues into interest free loan repayable within 10 years and a moratorium of one year for 50% of outstandings.</p>  | <p><b>5.</b> There is no such commitment on behalf of the secured creditors. Nor such concession for the benefit of the applicant.</p>      |
| <p><b>6.</b> The Scheme has been found to be feasible and viable by experts and by the operating agency viz. IDBI, which is fully equipped to form the opinion in this behalf.</p> | <p><b>6.</b> The feasibility of the applicant's claim has not be examined by any competent or authorised agency acceptable to the BIFR.</p> |

### **(iii) Professional Approach**

The Kamani Employees' Union is the sole representative of the workers of the Kamani group of industries. "We always fought on principles, and that is why KEU enjoys the goodwill of the officers. We never tried to pull down any officer to settle any scores", reflects a KEU activist. "The gap between the workers and the management is not such that they cannot see eye to eye" This relationship was not acquired overnight. The union very worked systematically to develop this relationship. On a number of occasions when the union sat on the negotiation table with the officers of the management, KEU never tried to project any officer as a culprit. Rather, they projected their demands on solid grounds. A number of times the union even sought help from the officers in terms of information, etc.

At the same time, the union trained its activists in different aspects of management. For example, they were trained to read between the lines of a balance sheet. "We can understand management dynamics better than a Manager", says the working President of KEU. "We also kept ourselves informed about the market, the quality of production, the current market price of finished products, the margin available, etc. This has been a regular practice of this union. This puts us on a much more firm ground to negotiate our demands with the management"

During this struggle the union not only enjoyed the help of ex-

perts and professionals, it also had all the necessary data to argue its point and to identify the loopholes in the financial statements.

This professional approach of the union is the only responsible factor which could motivate professionals like Mr. Gokhale (who owns his own factory also) and Mr. Arvind to come forward to help the Kamani Tubes Employees in realizing their dreams of a takeover. Professionals such as these helped KEU in the formation of the scheme and now are helping in the implementation.

#### **iv) The Economic Reality**

In the course of evolving the scheme, preparing submissions and having discussions with BIFR officials and the management of the IDBI and other commercial banks, the leadership of the Kamani Employees' Union had to face the hard economic reality involved in reaching an agreement among diverse parties. It learnt from operational organisations like IDBI the technical aspects and considerations in evolving such a proposal; it learnt about the assumptions underlying the notions of viability from the managers of commercial banks; it had to learn to find ways to evolve a workable compromise which will be acceptable to the workers on the one hand, and IDBI and commercial banks on the other, under the close and critical scrutiny of the BIFR.

It was this process which resulted in the Kamani Employees' Union agreeing to apparent wage freeze and rationalisation of work force when the Kamani Tubes Limited reopened. It is these kinds of adjustments and negotiations, based on continuous discussions with the workers, which taught the Kamani Employees' Union leadership some practical lessons in dealing with contemporary economic realities.

#### **Highlights of the Sanctioned Scheme**

- \* *The shares of Rs. 10/- have been valued at Rs. 1/- for transferring them to the worker's cooperative. Hence the total payment for the shares of Rs. 96 lakhs is Rs. 96 lakhs.*
- \* *Workers' Equity capital of Rs. 70 lacs to be matched by a contribution of Rs. 70 lacs by the State Government.*

- \* *The Bankers, State Government, IDBI, and other authorities have been asked to support in the implementation of the scheme.*
- \* *Payment of dues such as sales tax, excise duty, electricity, bank interest etc. have been deferred for suitable periods.*
- \* *Other unsecured creditors shall be paid in installments after two years of implementation of the scheme*
- \* *Initial membership of the cooperative would be not more than 600 workers while the total number of workforce at the time of closure was 748 workers.*
- \* *Wage freeze for next three years.*
- \* *Payment of wages restricted to 75 percent of the wage level of 1985 for the first year, and 85 percent from the second year onwards.*
- \* *Deferment of annual increment for a period of two years.*
- \* *Foregoing of workers' dues after 31-12-85 till commissioning of the plants i.e. during the closure period. The dues prior to 31.12.85., which amount to around Rs. 200 lakhs will be payable only after all other dues are cleared.*



## **The Challenges Ahead**

**K**amani Tubes Limited is today owned by the workers—a cooperative of all employees including workers, staff and officers. The commercial production of the factory has started and the factory was formally inaugurated on April 6, 1989. The management of Kamani Tubes Limited is now in the hands of the reconstituted board of directors, as per their sanctioned scheme. Most of the workers have rejoined the factory and its commercial production is in full swing.

Yet, Kamani Tubes Limited today poses tremendous challenges for its workers, for the union and for the new board of directors. It poses challenges for the state government, IDBI and commercial banks. These challenges today are primarily the result of the fact that the workers' takeover of Kamani Tubes Limited is a novel experiment. It is an unique example of workers' takeover of an industrial enterprise in the country, and as such there is hardly any experience of issues and ways to deal with such a situation. Thus the workers, the union, the Board of Directors and the management of Kamani Tubes Limited alongwith other supportive institutions, will have to chart its own course and build its own path as it moves forward in the years to come.

The workers of Kamani Tubes Limited are excited about their future and the future of the company. They have dreams and hope. "We are the owners of this company, now we should do our best to run it well. It closed down because of mis-management but such a thing should never happen again. We will see that this does not happen."

The workers are going to be confronted by new roles and new responsibilities. They are not merely workers or staff, they are the owners of this company and union. So it is a challenge to them

to be able to play their multiple roles effectively. This will entail education and retraining of the workers on the one hand, and reorientation to the supervision and management processes and systems of the company, on the other.

The challenges for the management and the board of directors of the company include recreating the sense of confidence and hope in the company within, and rebuilding its credibility in the outside world and in the market. More importantly, it has to reorient itself, the processes and systems of management to respond to its new situation of workers being owners of the company. They have to work towards creating and sustaining the culture which builds on the changed reality of the ownership and management of Kamani Tubes Limited.

Perhaps the most important set of challenges is posed to the Kamani Employees' Union—the union and its leadership. On the one hand, the Kamani Employees' Union has to learn how to play multiple roles under the changing context. It has to learn to play a collaborative role in running affairs of the company with professional executives and managers. It has also to continue to work towards ensuring the advancement of rights of the workers as workers. It has a very important role in helping workers to recognise their new roles and responsibilities and creating conditions for the learning, relearning and growth of all the workers, staff and officers. It has to take the lead in helping articulate and establish the new management style and work culture which builds on the workers' sense of ownership and control over the running of Kamani Tubes Limited. "The Union's role is to establish workers say in the management," says the Working President of the Kamani Employees Union. "If the safety of the workers in the plant does not increase, then in what way is it different; if a new relationship is not there between the management and workers then in what way is it different. To be able to do this, the workers' representatives will have to play an effective and meaningful role "

On the other hand, the Kamani Employees' Union also has to contend with already emerging reactions from other trade unions and sympathisers of the working class. These reactions are

predominantly of two types. The first set of reactions questions the veracity and desirability of the union taking up such a role in proposing a scheme for workers' takeover of a sick company. In particular the Union's acceptance of wage freeze and legitimised work force as part of the scheme. The Kamani Employees' Union leadership needs to respond to these reactions logically, imaginatively and futuristically.

The second set of reactions comes from unions and workers of those other commercial enterprises which are sick and closed. They have been inspired by the example of Kamani Tubes Limited and they are seeking information and ideas from the Kamani Employees' Union to initiate and formulate their own efforts for similar take over of their own sick and closed enterprises. The Kamani Employees' Union must find ways to play this role to provide the information and assistance in formulation of such schemes and extend its support to such possibilities of further initiatives for workers takeover in other parts of the country.

On the face of it, these challenges look daunting. But so did the very idea of workers' takeover in 1985. If history is any guide, it is hoped that the workers, the management and the union of Kamani Tubes Limited will rise to these challenges and substantially change the future of the working class in this country



## ABOUT US

The Society for Participatory Research in Asia (PRIA), New Delhi is a non-profit voluntary organization registered under the Indian Society's Act.

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We provide support through research, training, evaluation, networking with groups on common issues and preparation and dissemination of learning materials.

We are a team of 15 people working with several partner groups all over India.

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