

M. E. I. EMPLOYEES UNION

KALWE, THANE

Krishna Sudama Bldg., Chatrapati Shivaji Path, Near Riv. Station, THANE (West) - 400 602.

Ref. No. _____

Date 5/10/1993.

M/s. Mafatlal Engineering Industries Ltd.

Case no. 257/87 before B.I.F.R. Bench I

Short History of M/s. MEIL

M/s. MEIL was established in year 1947, as a joint venture between leading Textile Mill Owners of India and M/s. Platt Bros. of U.K. Who were at that time prime Textile Machinery suppliers to India. The name of unit at that time was M/s. National Machinery Manufacturers Ltd. (NMM) and it was the biggest Textile Machinery manufacturing unit in India perhaps in ASIA.

In earlier years Technical Management was provided by M/s Platt Bros. who also had 40% stake in equity capital, while Mr. K.M.D. Thackersy was the Chairman.

In year 1972, another unit at Baroda was started for the manufacture of machinery for synthetic fibres, purchasing the assets of M/s. Navin Glass Works a Company belonging to Mafatlal Group. Also around that time, M/s. Platt Bros liquidated their holding which were purchased by M/s. Mafatlal and thus with approx. 25% holding gained control in management.

By 1980 Company had achieved turnover of about Rs.50 crores and also had added several new products to its manufacturing range and also ranked as No.2 in Text. Machinery Mfg. Units in India, next to M/s. Laxmi Machine Works (LMW).

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Till 1975 recognised Trade Union was 'Kamgar Sabha' led by Mr. R.J. Mehta. From 1976 onwards Bombay Mazdoor Sabha led by Mr. Manohar Kotwal was the recognised Union. In 1981 many workers switched loyalty and joined Kamgar Aghadi a Union led by Dr. Datta Samant. Management taking the advantage of this split, suspended the operations for about 13 months. This suspension was declared legal by Bombay High Court and unit reopened amidst uncertainty in Dec. 82. Management skillfully exploited the situation and slowly started showing losses and blaming it on workers as well as Market situation which was totally dependent on Textile Industry. It was also successful in obtaining a letter from Mr. Manohar Kotwal stating that he has no followers. Management on the strength of this letter encouraged 'Kamgar Utkarsh Sabha' led by Mr. Gulab Joshi. Neither BMS nor KUS thrashed out the issue of recognition and management also ignoring this aspect signed an agreement with KUS to retire about 900 workers who have completed 25 years of service. Since this violated the standing orders the oldest union (M/s. MEIEU- followers of original union Kamgar Sabha challenged this agreement and fighting the case upto Supreme Court got a verdict in their favour and in Feb. 89 management was asked to reinstate all the workers with full back wages from 1986 July, when they were compulsorily retired. Management tried to dodge the issue by appealing to Supreme Court as well as asking for stay order. Appeal was not admitted nor stay was granted so management sought permission from Govt. of Maharashtra to close down the unit pretending that they have no money to pay to workers. There after without waiting reply from GOM, closed down the ...3/-

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unit from 27.5.89.

Also during period 1984 to 1989 management had taken certain actions which also aggravated the financial position of the Company. In 1985, Baroda Unit was sold at a paltry sum of Rs. 2.5 crores to M/s. Padma Tex Ltd. while the actual assets were much more. M/s. Padmatex also is Mafatlal group Company and engaged in similar activity (Mfg. of Textile Machinery) as MEIL and Mr. Padmanabh Mafatlal & Mr. V.G.Rajadhyksha who had decisive powers in MEIL Management also were closely associated with M/s. Padmatex.

In 1986 a huge loan of Rs. 16 crores was obtained from ICICI for rehabilitation.

In 1986 reference was made to B.IFR to get the Unit declared as sick. In 1987 the company was declared as Sick Unit by BIFR.

Case History of hearings before BIFR

As mentioned above MEIL was declared as sick unit and M/s. ICICI was appointed as Operating Agency.

OA after the study submitted a proposal of diversification and modernisation requiring further funds to the extent of Rs. 40 crores for rehabilitation. However no Banks or FIs were prepared to sanction further funds as the Total dues by 1989 were about 28 crores.

In its hearing on 29.9.89 BIFR came to the conclusion that the unit is not viable and a notice for winding up was to be issued. However representative of MEIEU showed

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willingness to take over the unit by forming a WIC. BIFR therefore in this meeting asked to submit suitable proposal within 2 months. MEIEU with help of experts submitted the proposal instipulated time. M/s. ICICI however remained silent on this proposal and only after 4-5 months started discussion with MEIEU representative. Also it was suprising that ICICI as well as MEIEU officials were stationed in Bombay but exchange of views was done through BIFR office in Delhi thus causing unnecessary delay. Market situation in 1990 was extremely favourable a fact which was also confirmed by ICICI and had the proposal come through in 1990 as expected the unit would have been revived without the sale of surplus land. In fact with this in mind and also thinking that the huge burden of loanstaken by the previous management will not be passed on workers shoulder, MEIEU scheme did not envisage sale of surplus land.

ICICI and other banks however adamant of this point and in its final report GOM's permission for sale of land was insisted upon. GOM representatives attending the meetings from the beginning were only stating that GOM will consider the case sympathetically and will let the committee know the decision shortly. But based on this assurance the draft scheme was published by BIFR on 2.12.91 and thereafter a period of 1 $\frac{1}{2}$ yrs. has already passed. Thus GOM has wasted nearly 3 $\frac{1}{2}$ yrs. on this issue and in July 93 had informed BIFR that the permission can not be granted as the land falls under ambit of ULC act. This fact already was known to BIFR, ICICI, GOM etc. since long and in the interest of 3500 workers & the revival of unit a

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recommendation was made to GOM to grant permission to sale the land, do this is not a logical answer to the recommendation. MEIEU has therefore moved to Bombay High Court and till the decision of this writ petition stay order is served on BIFR.

Thanking you,

Yours faithfully,



(APPA SAMANT)

M.E.I. EMPLOYEES UNION.