

**STORY OF NEW CENTRAL
JUTE MILL
(A WORKERS OWNED COMPANY)**

By

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General Secretary
Bharatiya Mazdoor Sangh
(West Bengal)



Bharatiya Shram - Shodh Mandal, Pune.

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FORWARD

New Central Jute Mills Co. Ltd. (NCJM) - a Sick Industry - employing about 13000 workers - restarted its functioning since 7.3.1987. It is an humble experiment of 'Labourisation' - a concept introduced by Bharatiya Mazdoor Sangh. It was necessary to overcome so many difficulties while restarting the Company and keeping it running throughout last few years.

This experiment may guide other workers to reopen or keep running the sick industries.

Shri Baij Nath Rai is a very senior trade unionist and a National Executive Committee Member of B.M.S., who played a major role in this experiment.

We are thankful to Shri Baij Nathji for accepting our request to pen down his experience about reopening of N.C.J.M. - West Bengal. We also thank Shri Vilas Paradkar of 'ANAND MUDRANALAYA' for printing the booklet in an attractive manner.

— Mukund Gore

BACK GROUND

New Central Jute Mills Co. Ltd. (NCJM) was incorporated in 1915. It is a large Jute Mill situated at Budge Budge under District South 24-Parganas of West Bengal having 810 Hessian and 452 sacking looms besides 26 other looms and 189 spinning frames.

The Mill was originally situated at Ghushuri under district Howrah of West Bengal. In the year 1955 two other Jute Mills viz Albion Jute Mills Co. Ltd. and Lothian Jute Mills Co. Ltd. of Budge Budge, South 24-Paraganas were amalgamated with the original Mill at Ghushuri.

In this way this Mill continued its operation at Budge Budge i.e. at present place. In 1974-75 the company set up its own Machinery Manufacturing Division (M.M.D.) inside its own premises at Budge Budge.

In addition a chemical plant was set up at Sahupuri, Benaras in 1955 but it was ultimately disposed of in 1980 on the ground that it was showing continued losses.

This company employs about 9735 persons in Jute Division and 342 persons in Machinery manufacturing division on permanent basis besides temporary workers. The total number would be about 13,000.

In September, 1982, the company approached IRBI for financial assistance for its modernisation-cum-renovation Scheme at a cost of Rs. 244 lakh. It was agreed that promoters would contribute Rs. 49 Lakhs and remaining Rs. 195 Lakhs would be shared by different financial Institutions (F.I.) such as IRBI, IDBI, IFCI, ICI Cl etc. However IRBI disbursed a sum of Rs. 64 Lakh against its commitment of Rs. 95 Lakh against first mortgage, debenture and personal guarantee of Sri Ashok Kumar Jain (Promoter) but other F.I.'s cancelled their share on one or another plea.

Gradually promoters became indifferent in investing further money in the company and as a result due to fund constraint and for some other reasons the company started becoming sick and as such it has to face lock-out for four times during 1982-87 i.e. the last five years on the usual fashioned plea of labour

who returned in the Power with such an attractive slogan remained silent when the workers repeatedly requested them for taking over their Mill and nationalise the same. The only answer from the State Govt. was that they had no money for Nationalising the same and that the Centre was not giving them money to take-over the Mill.

Attempts for re-opening of Mill

“What to do? was a big question. Promoters, Management and Governments had no solution. Workers were in a fix. Almost all the 12 Unions (except BMS) belonging to different Political Parties had no answers. They tried their best for re-opening of the Mills through their Political leaders but the Congress Govt. at Centre and State Govt. of West Bengal expressed their complete inability to do anything.

Role of B.M.S.

It is at this juncture Bharatiya Mazdoor Sangh's (BMS) affiliated Union namely New Central Jute Mill Shramik Sangh launched a campaign for running the Mill on “LABOURISATION” basis i.e. running the Mill by workers themselves by taking shares of the company. Local BMS Keryakartas under the leadership of Sarabasri Santraj Singh, Raghunath Singh, Harkishor Mahato, Ram Suchit Pathak, Santosh Dey and others (all workmen/employee of the Mill) held group meetings, street corner meetings and also with all the 12 trade unions and tried to convince them regarding their slogan of “Labourisation”. None of the Unions and workers believed in the concept of “labourisation”. They flatly argued that how workers could run a factory.

But due to repeated approaches and continuous campaign, starving workers came forward with BMS Union and a pressure was mounted upon all the Unions to run the Mill in the line of BMS philosophy of Labourisation.

Meeting with Managing Director

As a result, on joint demand of all the Unions and workers a meeting was held with all Unions and Sri D. Gupta, Managing Director of the Mill in the month of November, 1986. In the meeting Sri D. Gupta made it clear that neither the old promotor Sri Ashok Kumar Jain nor the financial institutions and nor the

Govt. was ready to invest any paisa in the Company. However after hearing the BMS views he agreed that if workers come forward to participate in the equity share of the company and ready for other sacrifices then an attempt could be made. But he expressed his inability regarding any idea about the BMS concept of "Labourisation" as such he requested the BMS Union to elaborate on the issue. Local Karyakartas of BMS Union tried to convince him. However Sri D. Gupta preferred to meet senior leaders of BMS on the issue. Accordingly a meeting with Senior leaders of W.B. State Unit of BMS and the said Managing Director (M.D.) of the Mill was held some time in the month of December, 1986. Several queries were made by the M.D. and after repeated talks, he was convinced with the idea of Labour participation in the equity share for running the Mill but preferred some time to have full discussions with other officials and concerns of the Mill and also with the Government.

Historic Agreement

Finally a Historic Agreement of Labour participation in the equity share was signed on 31st January, 1987. The salient features of the said agreement were as follows:-

Bi-partite Agreement dt. 31st March, 1987

1. Short recital of facts:

For various reasons stated in notices issued from time to time the company had declared **lock-out** of the workmen of Albion and Lothian Jute Mills w.e.f. **1.00 P.M. of 16th April, 1986** by their notice dated 16th April, 1986. However, the Foundry Division and Machinery Division were outside the purview of the said lock-out but the workmen of the said Divisions had struck their work and gone on strike since 17th April, 1986 till 18th June, 1986. On account of various factors, the already precarious financial position of the company has since worsened. The Company has, in order to enable it to run its operations smoothly and tide over its financial difficulties, applied to Industrial Reconstruction Bank of India and State Bank of India for a package of assistance. Due to large accumulated losses it has been found necessary to induct large funds preferably

as Equity funds with participation of employees & State Government Institutions for rehabilitation of the Company. With the active support of the Trade Unions in the matter of Equity enhancement it has been possible to draw up a scheme of Reconstruction which is now receiving active consideration of the IRBI. Clearance of such package of assistance will take some time. In the meantime the workmen have approached the Management for early re-opening the Jute Mills of the company. The Chief Minister of West Bengal has been apprised of the Scheme and he has kindly promised all possible assistance for the revival of the Unit, Discussions and negotiations were also held by the Labour Commissioner, Government of West Bengal an Conciliation Officer in presence of the Minister of State; Labour; West Bengal on various dates. After protracted discussions and negotiations on all the issues involved, both the parties have arrived at a settlement on 31st January, 1987 to restart the Jute Mills on the terms and conditions mutually agreed and stated hereinafter.

2. Terms of Settlement :

- i) All employees of all Units/establishments of the Company agree to contribute toward enhancement of the capital Funds of the company in the following manner :-
 - A) Permanent & Special Badlis agree of contribute to the additional Equity of the company in the following manner :-
 - a) Convert the outstanding of bonus for the years 1984-85 and 1985-86 to Equity.
 - b) Convert to Equity the increases in all components of Wage due to D.A. escalations (Except for P.F. & E.S.I. Components) as from April, 1986 base for two years from the re-opening of the Mills.
 - c) Such amount out of (b) above may however be given as Term Loan to the Company as may be advised by the IRBI in the Scheme of Reconstruction.
 - d) The employees (Permanent and Special Badlis) agree to form an Industrial co-operative to acquire and hold the Equity in the Company on behalf of the employees.

- B) All Badli (Casual) employees will also provide contribution in similar way but the said contribution will be in the form of loan to the company as stated in clause 2 (i) A (C) hereinabove. However, the possibility of their participation in Equity would be considered in due course.
- C) Other than the category of workmen employees covered in category A & B hereinabove all other categories of employees will also agree to contribute toward enhancement of capital funds of the Company on the lines of those applicable for permanent and Special Badlis as in category A (a) hereinabove and by and large to the extent of per capita contribution to Equity for the workmen categories, since in all such cases D.A. element may not be there or D.A. element may be different.
- ii) The Company will agree to accept such additional Equity and complete all necessary formalities under related Sections of the company's Act and also formalities for reduction of existing capital to the extent as may be directed by the IRBI in its Scheme of Reconstruction in such manner as required.
- iii) The employees of the Company will agree to retain with the company such sums of money as may be progressively collected in terms of 2 (i) A (b) and C, for conversion to Equity of completion of formalities referred to in Clause (ii).
However, in case the company does not receive sanction for enhancement of equity or is restrained for any reason whatsoever to issue equity to the employees, then such funds as are to be collected shall be treated as a loan on such terms as may be specified in the Scheme of reconstruction, and the matter would be reviewed once again by all parties.
- iv) The company will accept such number of the nominees representing employees share holders as may be decided in the Scheme of Reconstruction to be finalised by the IRBI.

From the last part of the above agreement one can easily imagine how much amount of doubts regarding the success of such "Labour participation in Equity share of the Company" was prevailing in the minds of all concern inspite of repeated clarification by the BMS Unions. However such doubt was quite natural and reasonable.

Agreement with pressing creditors.

The agreement with worker was not quite enough to run the Mill. Still there were 2 big hurdles one from Pressing creditors and other for working capital.

Pressing creditors had no confidence on such arrangement of "Labour participation in equity share of the Company". They started demanding their money which was as liabilities in the company. They were raising a very reasonable question who is the guarantor for their money? How the company will pay back their money? etc. However detailed discussions were held with them. They were made to convince that if Company fails they would have to loose either entire past of their credited money or a big part of the same. In case of liquidation too, they could never get their entire money back. The only way of getting back their entire money is to allow the company to run on the aforesaid basis and the only guarantee for their money is the running of the Mill. Unless the Mill would run how could they get back their credited money. They were also convinced that they should not only allow the company to run but also to support this new Scheme. They should continue to supply all the necessary Inputs (such as Raw Jute, Stores needs etc.) so that factory should run to generate the money. So far as security of their money is concerned an arrangement might be made to provide them finished goods at market price in lieu of their old liabilities and also against price for supply of present Inputs for smooth operation of the Mill. However the idea of getting Finished goods and/or getting back the money by sale of Finished goods attracted them. As such an agreement was also made with them of which following three points were major :-

- a) All the big creditors such as Raw Jute Supplier, store supplier and others would continue to supply all the necessary Inputs on 2 months credit basis at a simple interest of 2%.

- b) Those who would be interested in trading of finished goods could get the same on market price.
- c) The company would deduct the salary, wages and other necessary expenses for running of the Mill and the balance would be paid to creditors on instalment basis.

Thus this agreement was significant for the entire operation of the Scheme. This did not only made the creditors to remain silent and assist but also generated necessary working capital in the form of materials.

The other creditors like Financial Institutions were also convinced about the scheme and some other petty creditors who did not at all agree were assured for payment of their money with the top priority.

Reopening of the Mill

With the help of all such arrangement the Mills were reopened on and from 7th March, 1987 in phased manner and started full operation from April, 1987.

Thus the workers and the management began their new journey on the path of a new destiny. Workers agreed to contribute Rs. 40/- per week/per worker till it reached to Rs. 3000/-each in order to purchase Equity Shares of the Company.

Minds were full of doubts but the hearts were full of confidence. All agreed to work in one team spirit. Unions forget their separate identity and different flags for the time being. All were committed for one cause and that is to run the Mill with all their abilities.

Workers were ready for any sacrifice, Unions for any hard task, management for any troubles and all for any challenge. And in this way the stands-still wheel of Mills again set in motion with all its traditional and musical tones.

Trial of Labour Participation Scheme

Until now the one phase was completed but sanctity of scheme and Rehabilitation of company were still far away. Only operation of the Mill was not enough to solve the aforesaid issue. So first of all an enquiry was felt necessary regarding the inner position of the Company. Thus, still there were following questions to be solved:-

- a) who is/are the promotor of the Company.
- b) How much liabilities are ?

- c) Whether it is a sick company in the eye of law ?
- d) Whether the finished goods has the market value ?
- e) Preparing of Scheme and getting sanction from the appropriate authority etc.

Owner/Promotor of the Company

On enquiry it was found that though there was share of some Promotors group in the company but they were not in the Board of Directors for the reasons best known to them. Sri A.K. Jain, the old promotor and the Chairman of the company had already resigned from the Board on 31st March, 1986. Other Promotors/Directors such as sarvashri B.P. Agarwal, M.P. Jalan, and Vijay Kumar Podder have also resigned and appreciations for their services have already been recorded in the Annual Report 1985-86 of the Company.

It was also surprising to note that the Management of the company was carried out by professionals only comprising sarvashree D. Gupta (Managing Director) N. Poddar (Wholetime Director) and K.L. Ray (he also resigned latter on). It was also found that it was declared as Relief undertaking under Relief Undertaking Act 1972 of Govt. of W.B. The Bankers and financial Institution agreed to study the new package of the company for its revival but due to lock-out nothing could be done.

The liabilities were around Rs. 24 Crores and cash losses had accumulated to nearly 31 Crores as on 31.3.87.

However it was observed that company was a sick company in the eye of law and could get Relief and concessions under the Sick Industrial (special provision) Co. Act 1985 and most heartening feature was that the Finished goods had market value and the company could be revived if it continued to give better production/productivity.

Reference to B.I.F.R.

So the very first task was making reference to the B.I.F.R under the Sick Industrial (Special Provision) Company Act 1985 in order to be declared as sick Industrial Company under Section 3 (1) of the said Act and get sanction of its Revival Scheme.

Hence the case was referred to B.I.F.R. which came up for hearing before Bench I on 12th January, 1988. After hearing and making necessary enquiries the Bench declared it as a

sick Industrial Company. After being satisfied it also appointed one of financial institution namely "IRBI" as its operating Agent and directed it for preparing a Scheme for Rehabilitation/Revival in consultation with Trade creditors, shareholders, State Govt. Banks and Labour and after obtaining their consent submit its report by 10th April, 1988.

Accordingly IRBI held separate meeting with workman/employee on 22nd Feb. 1988 and enquired about their participation in equity share. Workers agreed that they would take Equity share of Rs. 3 Crores through their own contribution and also adjusting their Arrear Bonus of Rs. 1.5 Crores. As such they agreed to contribute Rs. 40/- per week/per worker from their weekly wages.

Similarly separate discussions were held with State Bank of India (SBI) and other financial Institutions (F.I.) They were very much reluctant to accept the workers participation in Equity share of the Company. S.B.I. was vehemently opposed of this idea. Following vital questions were raised by almost all of them :-

- a) Who would be the guarantor on behalf of the workers for the funds to be given by F.I. to the Company.
- b) whether old promoters are ready to give up their share in favour of worker.
- c) In case promoters released their share, how they could be released from personal guarantorship for the old liabilities, specially Sri A.K. Jain who was personal guarantor for the loan from SBI.

These questions were not only puzzling but created such an atmosphere as if the whole efforts would be vitiated. Several discussions held. But it seemed to be very much difficult to get rid of these problems.

In spite of such great hurdles, Unions did not lose their heart. Govt. of W.B. was approached and convinced. The Iron determination of workers/employees and management made its own way and at last Govt. of India and Govt. of W.B. agreed to take keen interest. Govt. of India promised for all support for such a historical attempt of workers and Govt. of W.B. not only agreed to take equity share by way of investing their Arrear sales Tax and through contribution, amounting to Rs. 4 Crores but also agreed to become guarantor on behalf of workers. Of course the pressure of workers and special advantage of Chief Minister's Constituency played vital roles in convincing state Govt.

Again Sahu Jain group the existing promotor/entrepreneur agreed to step down from the Management and release their share in favour of worker provided they would be released from their old personal guarantees.

These developments crushed the bottleneck and made way again for the workers.

Finally a meeting with all financial Institutions was held on 26.2.88 Based on discussions and informations a "Draft Scheme" was drawn up keeping in view of the following points.

- i) Normal Relief concession as per R.B.I.'s guideline and as per State Govt.'s condition for sick-unit under Jute Modernisation Fund scheme.
- ii) Relief/concession as agreed by the parties.
- iii) Relief/concession as granted by various agencies.

But these hurdles put extra burden on the workers. As per this Scheme workers had to take Equity share of Rs. 5 Crores instead of Rs. 3 Crores as agreed upon earlier. As such workers agreed to contribute Rs. 5000/- each through their weekly contribution of Rs. 40/- per worker/per week and by way of converting Arrear Bonus of Rs. 1.50 Crores in the same.

The draft Scheme was prepared with a cut off date of 30.6.1988 and was placed before B.I.F.R. As per Scheme the Restructuring of the share capital was as follows :-

	Equity Value in Rs./Lakh	Shares %	Preference Value in Rs./Lakhs	Share %
i) Govt. of W.B.	400.00	41.95%	-	-
ii) Employees	500.00	52.43%	-	-
iii) Bank/Financial Institution/Public Institutions	2.18-	0.23%	3.42	41.45%
iv) IRBI-	28.00-	2.94%	-	-
v) Others	14.55-	1.52%	3.91	47.40%
vi) Promoters Group	8.87-	0.93%	0.92	11.15%
Total	<u>953.60-</u>	<u>100%</u>	<u>8.25</u>	<u>100%</u>

It was also proposed to reconstitute the Board of Directors in following manner.

- i) Chairman: A professional with adequate commercial and Industrial back ground.
- ii) Managing Director: A professional with adequate background and experience in Jute Industry.
- iii) Financial Instituton/Bank: 3 (three) nominees.
- iv) State Govt. W.B. 2 (two) nominees.
- v) Workers/employees: 3 (three) nominees.

Total 11 (Eleven) members of Board of Directors.

Formation of Co-operative

In the aforesaid bi-partite agreement between management and Unions it was agreed that an Industrial Co-operative would be formed. As such efforts were made to form the same. But it was observed that formation of Industrial Co-operative for such a sick and old Mill is difficult. A long process would have to be adopted for the formation of such Industrial Co-operative. Ammdement in law itself would be very much necessary for forming such co-operative for such old Mill. State Co-operative Minister and Secretariate were approached but none of them agreed for such ammendments in the law for the sake of a single Mill like "New Central".

Under these circumstances it was thought desireable to use the old co-operative credit society of the Mill which has been working since last several years. On enquiry it was found that some minor ammendments in the bye laws would empower the credit society to receive the progressive contribution of workmen/employees on a seperate account and again to re-invest the said amount for purchasing Equity Share of the Company in favour of individual capacities of workmen/employees. It was the only easiest possible way in such a situation.

Therefore it was agreed that all collections of workmen/employee would be deposited to "New Central Co-operative Credit Society Limited". This society would purchase the Equity Share on behalf of individual worker/employee and it would be the shareholder and it would nominate any person as workers nominee on the Board of Directors of the Company as per the Scheme.

It was merely a chance that such credit society was existing in the Mill and had well performance back ground since last several years and most of the workmen/employee of the Mill were its member. This made the problem very easy.

Accordingly necessary ammendment was made and another big hurdle was resolved, with the help of all concerned.

Central Govt. Assistance

Jute Mills come under the purview of Textile Ministry of Govt. of India. As such Textile Ministry was approached by us. They were made to know the struggle of worker for their survival on their own feet. The Ministry was convinced that this was an unique effort. The then Textile Secretary Sri Shiromani Sharma was very much convinced for the following reasons:

- i) All the 12 Unions of Mill and 2 Unions of Head Office were United.
- ii) Management and Unions were struggling hard for the survival of the company on their own honest, sincere and unique approach.

As such he came forward for assisting such significant approach of workers. Therefore Govt. of India also agreed to allocate Rs. 3 Crores for such scheme of workers as an interest free loan and also promise to provide all sorts of moral support.

Delay in getting Sanction of Scheme

In spite of all such novish efforts the Scheme could not get sanction from the B.I.F.R.

State Bank of India and Allahabad Bank were the Bankers of the Company. These bankers specially S.B.I. and other Financial Institutions continued to raise repeated objections on several points of the Scheme. Accordingly Scheme had to be changed several times. But then also the Scheme could not get through.

The Mill continued to remain in operation but no help came from any quarter. Govt.s gave their moral supports but could not provide any financial help on one or other plea. Some of the bureaucrats played very mischievous role, some other Jute employees also played notorious role with a view to fail the Scheme so that the Secrecy of the Jute Industry could not be a knowledge to everyone, specially the working class.

This delay affected badly the whole Scheme and also the moral of general workmen/employee in the following manner:

- a) Due to delay in getting sanction of the Scheme neither Bank, nor F.I. nor Govt. provided any monetary Assistance. As such the interest on the old liabilities continued increasing and thus total liabilities also increased.

- b) Defaultation in payment of old liabilities gave cause to many litigations.
- c) The case was never treated as a special one. It had to face all such objections which normally a private promotor had to face. In some cases it had to face more problems than the normal one because such Scheme was not going to oblige the vested interests of some bureaucrats.
- d) The delay caused frustration. Some of the workmen/employee began to mistrust the whole efforts. They came out from their Unions and formed a new Union in the name of Shramik Samity. This Union began to get popular support due to its negative approach. It started spreading false propaganda and rumours. They began to say that there was no labour participation Scheme for purchasing Equity Share in the Company and all the Unions and Management are befooling the working class etc.
- e) A dilemma evolved. The Company was not getting monetary help from any corner and workers had already contributed more than Rs. 5000/- each by way progressive contribution. It was difficult to continue further the contribution of Rs. 40/- per worker per week and similarly it was very difficult to run the Mill without continuing the said contribution. Because any stoppage of it was going to increase wage-load. Thus a very critical situation arose. All the 12 Unions who came forward for an Unique attempt became subject of acute criticism. Sometime some of them were phisically tortured by some mislead worker. Both the Management and the Unions began to get isolated and were abused daily in a routine manner.
- f) The said Shramik Samity Union created a strong rumour that all the 12 Unions and the Management are pet men of old promotor i.e. Shahu & Jain. Thus a very chaotic and confused situation arose.

“What to do?” became again a vital question. All the Unions and Management were in a fix”. Moreover on the request of Management and others, BMS again took the lead. It tried to expedite the matter by taking up the issue with all concerned such as Govt.s and B.I.F.R. we suggested not to worry with the situation but to proceed in following manner.

- a) All Unions should be present in the hearing of B.I.F.R. Hon'ble Bench members be requested to meet all the Unions seperately and clarify the position for delay. The said Sharamik Samity should also participate in the proceeding of B.I.F.R. with a view to verify the Scheme for participation in Equity share by the workmen/employee and also to know the reasons for delay.
- b) Textile Ministry and other State and Central Govt.'s Officials should be repeatedly approached for expediting the matter.
Hon'ble Bench members of B.I.F.R. specially honourable Sri M.S. Narayanan and others took a very positive role. They held seperate discussions with Unions and all other parties. Sometime they rebuked the Financial Institutions openly for their bad role.

Both the Govt.'s again provided their moral support and directed their officials to co-operate and assit with Unions and see that the scheme could get sanction at the earliest.

Sanction of the Scheme

In this way due to continuous efforts and long struggle the Scheme after much modifications could get sanction only on 20th September 1990 and a relief and joy emerged on the face of all Unions; workmen and the Management. The sanctioned Scheme is as follows:

Board for Industrial and Financial Reconstruction Case No. 80/87 Re: M/s. New Central Jute Mills Ltd.

ORDER

This case was first heard on the 12th January 1988 when the IRBI was appointed the operating Agency under Section 17 (3) of the Sick Industrial Companies (Special Provisions) Act, 1985 to prepare a package for the rehabilitation of the Company. The report of the IRBI was Submitted to the Board and discussed at a hearing on the 18th of November, 1988. Arising out of this, the operating Agency was directed to modify the report in some respects. This modified report of the IRBI was discussed at a hearing on the 23rd August 1989. At that time, the State Bank of India were not prepared

to accept some of the aspects relating to them in the draft published scheme. Further, the State Government's guarantee regarding working capital was also very vague. The Bench reserved orders till these two matters were clarified and asked the Operating Agency to revise this Scheme changing the 'cut off' date to 31.10.89. This revised Scheme was submitted by the Operating Agency and discussed at a hearing on the 30th of March this year. Matters could not come to a conclusion even at this hearing. The company wanted to change their projections and the State Bank of India insisted on guarantee from the State Government in respect of future working capital. The last hearing of this case was on the 23rd August, 1990 where the further revised report of the Operating Agency was discussed. The enclosed Scheme is sanctioned on the basis of these discussions and subsequent developments.

Sd/-
(R.R. Gupta)
member

Sd/-
(M.S. Narayanan)
member

Dated: 20.9.90.

Board for Industrial and Financial Reconstruction Case No. 80/87 In Re: M/s. New Central Jute Mills Ltd.

SANCTIONED SCHEME

CAPITAL STRUCTURE AND SHARE HOLDING PATTERN.

The authorised capital of NCJM is Rs. 500 lakhs. divided into 2 lakhs Preference Shares of Rs. 100/- each and 30 lakhs Equity shares of Rs. 10/- each. The issued and paid up capital of NCJM as on 31.3.1990 was as under:

		(Rs./lakhs)
25,60,000	Equity shares of Rs. 10/- each fully paid up	256.00
33,000	7% Cumulative Preference shares of Rs. 100/- each fully paid up	33.00
		<hr/>
		289.00
		<hr/>

2. Pattern of Share holdings :

	No. of Shares	Value (Rs.)	%
A. EQUITY SHARES			
i) Promoters Group			
1. Dharmayug Inv.	1,85,000	18,50,000	7.23
2. Ashoka Marketing Ltd.	1,50,000	15,00,000	5.86
3. Industrial Investors Ltd.	1,40,000	14,00,000	5.47
4. Mahavir Finance Ltd.	1,05,000	10,50,000	4.10
5. Caravan Commercial Co. Ltd.	1,60,000	16,00,000	6.25
6. Ashoka Holdings Ltd.	2,15,800	21,58,000	8.43
7. Ashoka Vinnyog Ltd.	68,931	6,89,310	2.69
	<u>10,24,731</u>	<u>1,02,47,310</u>	<u>40.03</u>
ii) Banks			
	42,842	4,28,420	1.67
iii) Financial Institutions.			
1. L.I.C.	31,500	3,15,000	1.23
2. U.T.I.	-	-	-
3. I.D.B.I.	-	-	-
4. I.F.C.I.	-	-	-
5. I.C.I.C.I.	-	-	-
6. I.R.B.I.	-	-	-
	<u>31,500</u>	<u>3,15,000</u>	<u>1.23</u>
iv) Public Institutions.			
G.I.C. and subsidiaries	-	-	-
v) Others			
	14,60,927	1,46,09,270	57.07
	<u>25,60,000</u>	<u>2,56,00,000</u>	<u>100.00</u>

B. Preference shares.

	No. of Shares	Value (Rs.)	%
i) Promoter Group Dharmayug Inv. Ltd.	3,685	3,68,500	11.17
ii) Banks	3,094	3,09,400	9.37
iii) Financial Institution L.I.C.	10,481	10,48,100	31.76
iv) Public Institutions.			
1) The New India Assu- rance Co. Ltd.	5	500] 0-32
2) National Insurance Co. Ltd.	100	10,000	
	105	10,500	
v) Others	15,635	15,63,500	47.38
	<hr/> 33,000	<hr/> 33,00,000	<hr/> 100.00

3. It is proposed that 90% of the Equity Share Capital and 75% of the Preference Share Capital is to be written off. At the extra ordinary General Meeting held on the 28th November, 1988, the consent of the share holders in principle, to such reduction of capital and to forego arrear dividend on Preference Shares has already been obtained. Shares of the erstwhile promoter group shall be transferred to the employees and to the Government of West Bengal, to the extent to which they have not already been transferred. Employees are investing Rs. 510.29 lakhs by way of equity and the Government of West Bengal are investing Rs. 400 lakhs by way of Equity. The remaining shares of the erstwhile promoter group (both Preference Shares and ordinary shares) shall be transferred to the workers at Re. 1/- per share. After the transfer, the share holding position as on 31.3.92 shall be as under:

	Equity Value in Rs./Lakh	Shares %	Preference Value in Rs./Lakhs	Share %
i) Govt. of W.B.	400.00	41.17	-	-
ii) Employees	500.25	52.51	0.04	12.12
iii) Bank/Financial Institution/Public Institutions	0.74	0.08	0.14	42.43
iv) I.R.B.I.	46.00	4.74	-	-
v) Others	14.61	1.50	0.15	45.45
Total	<u>971.60</u>	<u>100%</u>	<u>0.33</u>	<u>100%</u>

4. Cost of the project	(Rs./ Lakhs)
A) Cost of Capital Expenditure for Modernisation	264
B) Payment to pressing creditors:	
i) Arrear Gratuity/wages/salary (for already retired)	180
ii) Gratuity (Superannuated to be retired)	85
iii) Payment to Employees' Co-op. Credit Society	60
iv) Misc. Taxes & other dues	20
v) C.E.S.C.	32
VI) Jute & other creditors	<u>129</u>
	506
C) Secured and Unsecured Loans of Bodies Corporate	41
D) Payment of Statutory dues:	
i) 20% of PF dues upto 30.6.90	246
ii) 20% of ESI dues upto 30.6.90	<u>63</u>
	309
E) Margin money for working capital	<u>68</u>
	<u>1188</u>

5. Means of Finance.

	(Rs./Lakhs)				Total
	Empl yees	W.B. Govt.	Bank	Finan- cial Instn.	
i) Equity Participa- tion	-	263	-	-	263
ii) Loans from Insti- tutions/ Bank/ Excise loan	-	-	-4	270	274
iii) Special Loan					
A. Under JMFS	-	-	-	42	42
B. Under JDFS	-	-	-	309	309
iv) Special Interest free loan from Govt. of West Bengal	-	300	-	-	300
	-	563	4	621	1188

* The employees would be providing by 30.6.1990 a sum of Rs. 9 Crores to the Company (including outstanding Bonus of Rs. 150 Lakhs). Out of this, Rs. 5 Crores will be adjusted towards Equity and Rs. 2 Crores will be paid @ Rs. 20 Lakhs per annum and balance Rs. 2 Crores shall be continued as interest-free loan repayable from accumulated surpluses, after servicing the debts, on a year to yera basis, In addition, as mentioned above, the remaining shares of the erstwhile promoter group will also be transferred to the employees at the rate of Re. 1/- per share both Preference and Ordinary shares.

**W.B. Government has already contributed Rs. 137 Lakhs Balance Rs. 263 Lakhs shall be contributed after 30.6.1990 But the unwarranted delay put following burdens on the company and the workers.

- i) Workers have to take entire Equity share of the promoters. Thus they have to take shares of Rs. 510.25 Lakhs in place of Rs. 300 Lakhs as originally agreed.

- ii) The delay compelled the workers to continue their progressive collection which reached to Rs. 900 Lakhs as on the day of sanction of the Scheme in order to keep operation of the Mill.
- iii) It increased liabilities on the company which ultimately came on the shoulders of workers for no fault of theirs.
- iv) The contribution of the workers have to remain in vague till the Financial Institutions disbursed their agreed amount as per said sanctioned scheme.

Delay in disbursement of Sanctioned amount

The struggle did not stop here. Harassment continued. The financial Institution did not keep their word. They delayed the disbursement on one or another plea. Thus the sanctioned scheme could provide no relief to the company.

And again for the same reasons workers have to continue their progressive collection of Rs. 40/- each per week. There was no way out to stop the collection in order to keep the operation of Mill running. This again became subject of criticism. However it was agreed that the collected amount which would be beyond the amount of agreed Equity Share would be treated as Interest free loan on the Company to be paid back in future.

The continuous delay in disbursement was again causing much worry and difficulties. Hon'ble members of B.I.F.R. were again approached. The respected members of B.I.F.R. held a special meeting on 26th June, 1991 at Calcutta with all parties and finally warned the Financial Institution that if they would not disburse their agreed amount as per sanctioned scheme within 15th July, 1991 the Bench might take strong action against them even to the extent of putting them behind the bar.

It is on this threat that the said Financial Institution disbursed at least half of their agreed amount and then only the workers contributions were stopped. But still a good part remains undischursed. God knows when it would be paid.

Result of the delay

Thus delay was held in two parts, one for getting sanction of the Scheme i.e. from 1987 to 20th September, 1990 and other for getting disbursement of agreed amount by the participating agencies i.e. from 20th September, 1990 to the 1st week of July, 1991.

It is to be noted that inspite all such attempts I.R.B.I. Govt. of India and others have not disbursed fully their agreed amount as per Scheme till to-day.

However this delay resulted in following burdens on the company and the worker :

- a) From the date of drawing of the scheme till the date of sanctioning scheme i.e. from 1987 to 20.9.90 the Company suffered losses amounting to. (including interest component alone as Rs. 752 Lakhs) 1627 Lakhs
- b) On account of increase in interest and others due to delay in disbursement of agreed amount by the agencies 354 Lakhs
- c) Workers had to contribute extra than their Equity share 567 Lakhs

Thus these delays caused extra burden on the Company towards the liabilities to the tune of Rs. 26 Crores approximately and the "WORKERS COMPANY" has to shoulder it for their no fault. As such following questions emerge from such situation :

- a) Who is/are responsible for delay?
- b) Should workers who came for a noble cause and created history in survival of the Company be allowed to shoulder the said extra liabilities of Rs. 26 Crores approximately?

These are the questions to be answered by the society and the Government.

Significance of this scheme

However inspite of all the obstructions the result of the Company is encouraging.

- 1) Unions are working in one team spirit.
- 2) There are all together 12 Unions of workers and 2 Unions of Head Office-staff. But they jointly nominated 3 workers nominee on the Board of Directors without

any hesitations and election. These members are Sarbashree Khitish Bhusan Ray Barman (CITU) Subrata Mukherjee (INTUC) and Baij Nath Rai (BMS). New Board has already been constituted in August, 1991.

- 3) Production/Productivity and sales of Finished goods which are as follows:

	89-90	90-91	91-92
Spinning Efficiency			
(Fine Side-	76.2	74.7	76.3
Coash Side-	71.2	73.4	75.0
Production in (MT)	48.363	520.28	52,779
Skq%	48.4%	48.14%	(upto Dec)
Sales Turn over (Rs./Crore)	61.79	77.36	82.56
Average Daily employment	9464	9304	9246

- 4) The company which was sick and a loosing concern has not only revived but started giving profit to the tune of Rs. 5 Crores at least after August, 1991 i.e. after getting only 50% of the agreed amount of the sanctioned scheme.
- 5) In the Industrywise strike it remained working on the ground that is a WORKERS COMPANY.
- 6) No strike or Bangla Bandh affects the Working of the Mills inspite of different Unions of different political parties.
- 7) A number of diversification programmes have been initiated in order to earn more profit and increase more employment.
- 8) A Management committee of Unions and Management of plant level deals with day to day problems.

“Where there is will, there is the way” the proverb proved well in the case of New Central Jute Mill. Workers have proved that they could do whatever they desire. None can stop their way. The strong Iron determination and united action can do any miracles and yet another proverb “God helps those who helps themselves” has also proved well.

This act of workers have shown way to entire nation "let us stand on our own feet to solve our own problem" is the only slogan of the day.

We are trying hard to convince the Govt. to write off all old liabilities so that it could be a model WORKERS COMPANY of our Nation and create history for the whole working class.

JAI BHARAT