REHABILITATION SCHEME

TO

TAKE OVER AND REVIVE

K M A LIMITED

UNDER

KMA LTD. KAMGAR AUDYOGIK UTPADAK SAHAKARI SOCIETY LTD. (PROPOSED)

C/o Kamani Employees' Union, L B Shastri Marg, Kurla, Bombay 400 070.

KAMANI EMPLOYEES' UNION

(Registered Under Indian Trade Union Act, 1926)

(Regd. No. 1154)

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Ref. : KEU/ 41/377

Date 28-11-1991

Shri R.V.Iyer
Chief Manager (Technical)
Bank of Baroda
Bombay-400 038.

Dear Sir:

Reg: Case No.53/91 in the: KMA Limited, Bombay before Special Bench II of BIFR

Sub: Our proposal to take over and revive the above Company under a Workers' Co-operative

In continuation to our letter No.KEU/41/368 dated 3rd November, 1991 we enclose herewith a copy of our Rehabilitation Scheme to take-over and revive KMA Limited under a Workers' Co-operative, for your consideration and timely recommendation to the Hon'ble Bench II of the BIFR.

We take this opportunity to put on record the following few points:

(1) We have formulated our proposals keeping in view of the already achieved capacity of production in the past, the market potential and our market share and the margin on a conservative basis.

(2) The reliefs and concessions sought from the Banks, Financial Institutions, Government both at the States and the Central are very much below the normal consideration for workers' co-operative for similar take-over.

(3) The Excise Loan facilities have not been fully worked out and therefore we have sought only marginal assistance on this account. We may seek your assistance on this count later and suitable revision may be provided accordingly.

(4) The above scheme is worked out on the basis of the provisional data/projected Balance Sheet provided by the Management in their scheme.

(5) We are prepared to discuss on the lease arrangement intially to see that an early revival/re-start of the units are initiated.

We, at this stage, would only appeal to you to examine the whole proposal absolutely on a positive term. We are prepared to make suitable amendments as well as to provide additional data if any required at the time of examination of our proposal.

Expecting your timely and favourable response,

Yours faithfully,
For KAMANI EMPLOYEES' UNION

D.Thankappan

(D.THANKAPPAN)
WORKING PRESIDENT

Encl: As above.

I N D E X

KMA LIMITED KAMGAR AUDYOGIK UTPADAK SAHAKARI SOCIETY LTD. (PROPOSED)

The employees of KMA Limited have already decided to form a Workers' Co-operative under the name KMA Limited Kamgar Audyogik Utpadak Sahakari Society Limited (Proposed) in order to take over and run efficiently KMA Limited, a company registered under Companies Act. The above proposed society would have an authorised capital of Rs.4 crores. Initially the employees would raise Rs.20,000/- from their Providant Fund accumulation and thereby subscribe approximately Rs.2 crores as paid-up capital. With this fund the proposed co-operative intends to raise required Working Capital for running the Company.

Salient Features of the Scheme

The scheme envisages re-opening of the plants of KMA Limited situated at Kurla, Bombay and at White Field Road, Bangalore which are lying closed since March 1991 and September 1991 respectively after attending to the necessary repairs and other related work thereto. The proposed scheme estimates the rehabilitation cost of Rs.761/- lakhs. The proposed society would contribute 20% of the rehabilitation cost out of the equity capital raised by the society i.e. Rs.152/- lakhs and the balance should be financed by the consortium of banks as a Funded Working Capital Term Loan at 15% interest.

The society visualises the repayment of the above Funded Working Capital Loan Term within 10 years with an initial moratorium of 2 years. The repayment of funded term loans would commence from 3rd year i.e. 1994-95. The balance of employees' contribution available of Rs.48 lakhs after their contribution to funding along with surplus in the first two years would be utilised for the following:

(1) to acquire the Share Capital of KMA Limited from the present share-holders at a nominal rate, and

(2) to procure and instal 'Z' Mill and effect production of 600 MTs of radiator strips. The production of 600 MTs of radiator strips is considered from the 3rd year onwards in Kurla. During the first year, the scheme visualises an annual non-ferrous production of 3700 MTs comprisig of various product-mix including Conversion Order of 1620 MTs in Bombay. In the second year the production will be stepped up to 4500 MTs in which Conversion Orders would be 1620 MTs. However, with the installation of 'Z' Mill, the scheme envisages production of Radiator Brass and Radiator Copper 300 MTs each. But the conversion order from Defence is eliminated from 3rd year onwards. The production of ferrous items in Bangalaore unit can be of 5000 MTs during the first year and can be stepped up to 6000 MTs from the second year onwards.

Package of Assistance/Reliefs/Concessions

(a) Commercial Banks

i) Outstanding dues in respect of the principal amount of existing cash credit account, Inland Usance Bills acceptance facility etc., as on 31-3-1991 will be converted into Working Capital Term Loan I with an annual interest of 10% to be repaid in 10 years with moratorium of 2 years.

ii) The outstanding dues in interest account of the above principal amount as on 31-3-1991 will be funded to be repaid in 10 years with an interest of 10% with a moratorium of 2 years.

iii) No interest in these amounts due from 1-4-1991 till restart of commercial production will be paid.

(iv) Need based Working Capital estimated at Rs.693 lakhs in the first year, Rs.909 lakhs in the second year and Rs.1030 lakhs in the third year onwards would be provided on consortium basis at the rate of 20% per annum.

(b) All India Financial Institutions

(i) I.F.C.I.

Outstanding dues of Rs.28 lakhs will be repaid in 3 years with a moratorium of one year.

(c) Central Government

The Central Government would grant an Excice Duty Loan of Rs.25 lakhs on the terms and conditions stipulated under the existing policy.

(d) Maharashtra Government

(1) To register the KMA Limited Kamgar Audyogik_ Utpadak Sahakari Society Limited, under the Cooperative Act.

(2) To defer current tax dues such as Sales Tax, Electricity levy and Turnover Tax for two years.

(3) Will assist KMA in the matter of getting minimum demand charges and penalty thereon waived and deferment of arrears of electricity charges etc.

(e) Workers

(1) To raise equity capital from their Providant Fund_ accumulation at the rate of Rs.20,000/ per employee.

(2) To raise interest free fund by agreeing to contribute 10% of their wages every month for the first two years in case such a fund is required for raising either Working Capital or Term Loan.

(3) The workers will agree for no strike/goslow during the rehabilitation period and wholeheartedly cooperate to increase the productivity/efficiency.

(f) Shareholders

The present issued, subscribed and paidup Equity Capital of KMA Limited stands at Rs.102.50 Lakhs should be reduced to a minimal value in view of huge accumulated losses of the Company at present and transferred to the above Workers' Cooperative and allot new shares for Rs.1.60 crores to the Workers' Cooperative.

(g) Others

The principal amount of liabilities to other unsecured creditors shall be paid in 8 equal annual instalments after a moratorium of 2 years from the date of restart of commercial production, after their claims have been duly established and the audit of the accounts of the Company has been completed.

Brief History of the Company

KMA Limited (Formerly known as Kamani Metals & Alloys Limited) was set up in Bombay to manufacture copper and copper based alloys in the year 1944. Another unit to manufacture cold rolled steel strips was set up in Bangalaore in the year 1971.

KMA Limited, a pioneer in the field of non-ferrous production basically in copper based alloys, enjoys a reputation in the market for quality and its long standing customer relationship. A highly profitable unit till the mid 80s went into crisis mainly due to the mismanagement. The undesirable practices and underhand dealings specially in stock manipulation with which the management siphoned out substantial fund towards the end of 80s with the result the company was entangled into a liquidity crisis in the early period of 1990.

The Bankers have lost confidence in the management in view of the following reasons:

(1) The stock statements submitted to the banks were fictitious with the result the security of the banks was considerably eroded.

(2) The stock audit carried out at the instance of the consortium of banks clearly revealed that the losses are huge and that the facts were not revealed to the banks in time.

(3) The additional surety/personal guarantees of the major promoters i.e. Chairman, M.D. and Vice-Chairman were not being submitted to the bank.

(4) The sale proceeds of the KEC shares were kept in a bank ouside the existing consortium and operated without the knowledge of the consortium of banks. This was done at a time the consortium of banks were insisting on to keep the KEC shares or its sale proceeds as a deposit in the existing consortium of banks.

(5) Since the management has failed to fulfil the conditions of the banks, the consortium of banks consisting of Bank of Baroda, Dena Bank, Canara Bank and Standard Chartered Bank decided to suspend the banking facilities and move the court for the recall of advances.

Immediately thereafter the management suspended its operations of Kurla Plant with effect from 18th March, 1991 and declared a lock-out w.e.f. 3rd April, 1991.

In view of the precarious situation of the company and the negative attitude and approach of the management, Kamani Employees' Union (KEU) had approached BIFR for seeking its intervention under Sec.16(b) of Sick Industrial Comapnies (Special Provisions) Act, 1985 and to evolve appropriate remedial measures to rehabilitate the unit.

In the mean time the management had also made a reference to BIFR under Sec.15 of SICA for the determination of measures which shall be adopted with respect to the company.

The Special Bench II of BIFR in its first hearing held on 24-6-1991, was satisfied that the company had become a sick industrial company in terms of the provisions of Sec.3(1)(o) of the Act. The Bank of Baroda was appointed as Operating Agency. Shri B.K. Ghose was appointed as a Special Director.

The company was granted time to submit their proposal within 2 weeks from the date of hearing i.e. 24th June,1991. The Operating Agency was expected to submit their report ton the

Board latest within 90 days (i.e. 26th Sept.,1991) and send advance copies thereof to the Company, Banks, State Government, FIs, Workers Union(s). However the management did not submit its proposal within the stipulated period with the result the operating agency could not do anything on that.

The matter was reviewed by the Chairman of BIFR on 4th Oct., 1991 when it was revealed that the consultant engaged by Shri B. C. Dalal, Chairman of the company has already submitted techno-economic viability report of the company which was then under the scrutiny of the operating agency.

As per the suggestion of the Hon'ble Bench, the Union has also taken initiative to dialogue with the management headed by Shri B.C. Dalal on the techno-economic viability report and on the question of restart and revival of KMA Limited, during the period of August-October 1991. However our initiatives could not produce any appreciable results. Our view points on the above dialogue were communicated to Shri Dalal vide our letter No.KEU/41/367 dated 3rd Nov.1991. (Annexure-I)

Union View Points on Management Proposals

Our comments on the management attitude as well as on the proposed technoeconomic viability study of the consultants appointed by Shri B.C. Dalal are as follows:

(1) We are of the considered opinion that the continued lockout condition of the units in Bombay and Bangalore may adversely affect the revival potential of the company. An early restart of the plant can be of immense importance in view of the export prospects now available for the company's products. An early restart in turn can reestablish the company's market position and create a situation which will ensure a fast revival. But the management headed by Shri B.C. Dalal is not showing any indication to restart the unit. On the contrary in the midst of our dialogue, the production activities of Bangalore unit were kept in abeyance since 20th September, 1991. This indicates clearly the management attitude to delay the process which will put additional cost on the company's revival.

(2) The proposal made on behalf of the management with the support of their consultant's report also does not indicate any seriousness on the part of Shri B.C.Dalal.

(3) Shri B.C. Dalal projects himself as a new promoter and seeks all concessions and reliefs beyond RBI guidelines and expects the workers to sacrifice the maximum. The fact is that Shri Dalal was a director of the company during the last 10 years or more therefore he cannot claim that he was unaware of the company's situation. It is important to note that he assumed the chairmanship of the company only after the stock manipulation issue was raised by Shri D.Thankappan, Working Presidant,(KEU) in the shareholders meeting of the company in December 1990.

Shri B.C. Dalal was not just an ordinary director but a close associate of Shri A.P. Kamani having the fullest knowledge of the company's affairs. He was also associated with the KMA's sister concern KMA International as a director. Further Shri Dalal's CIFCO had financial dealings iwith the company. The sale of KEC shares, opening a new bank account outside the existing consortium of banks, quick disbursement of entire proceeds of shares sale without the knowledge of consortium of banks etc. in which Shri Dalal was fully involved. We are of the opinion that he was one of the beneficiaries of this deal also. The management which was responsible for the mismanagement of the above unit cannot be entrusted with the revival of the above company. The investigation on the stock position as per the direction of the BIFR would throw light on this aspect. The persons responsible for the mismanagement must face the legal actions and also be made to repay to the company.

(4) It appears that the company's consultants were not provided with adequate data with the result they had to base their calculations on the basis of available data. This has further put the company's viability in doubtful position. This was mainly due to the following factors:

(a) The production capacity, production projections, product-mix, sales margin, market etc. were kept at low level with the result not only the management scheme expect the workers to sacrifice more but also reliefs and concenssions from banks and FIs far beyond RBI guidelines.

(b) The management is proposing too low level of addition injection of interest free funds and expecting the banks & institutions to finance 90% of the total rehabilitation costs. This also indicates their low level of interest in reviving the unit.

(c) The company can continuously get conversion orders to the extent of 30% of their production. This aspect was kept aside with the result they are proposing a higher requirement of working capital thus the higher interest burden.

(d) They kept the low level of production to see that the retrenchment of 30% of the workforce is enforced for which additional fund is sought from the banks to pay to the employees as Superanuation Benefit. This has inflated the rehabilitation costs higher.

(e) The export potential now available was not at all taken into account. The company can reasonably expect atleast 120 to 150 MTs of export orders at a quite good margin. The margin from export can be atleast 1-1/2 times higher than the margin available from domestic orders.

(f) Though the company has a higher melting capacity available and this fact was admitted by the consultants in their report; but the same was not considered for production of ingots of copper and brass on conversion basis.

(g) The utilisation of Cluster Mill facilities for the production and sale of finer gauge copper and brass strips for radiator market was suggested by the consultants in their report but was not considered for production.

(h) The consultants have very clearly identified the stock manipulation from 1986 onwards with the result they have also suggested "close monitoring of the accounts to ensure finanicial discipline and ethical commercial practices." This also gives an indirect indication that if undesirable practices are eliminated in commercial dealings, this unit will be viable with the reliefs and concenssions within the RBI guidlines.

(i) The voluntary separation amount projected in this respect amount of Rs.228 lacs is not at all required. Hence projection of project cost proposed by the management will drastically come down to 40-50 percent.

(j) The costs are worked out on the basis of programmes recorded as per the manipulated figures without taking into consideration the reality as well as productivity cost reduction and saving possibilities with the involvement of workers.

(k) There are a number of idle non-productive assets available with the company, such as (a) 'Sunita' Flat at Malabar Hill area, Flats at Ghatkopar and Kurla, (b) Flat at New Delhi, (c) Idle machineries of the company lying at Kalina Godown etc. can be disposed off and interest free fund can be raised.

(l) The consultants have not taken into account the excess capacity available with the company's Machine Shop at Kurla which can be used for job work and can generate additional revenues of atleast Rs.50,000/- per month.

(m) Though the company's consultants have analysed the past performance trend correctly, but failed to take into consideration the improvement which can be made in future with the involvement of workers as well as introduction of better organisational set-up emphasised in the report under the deading "Organisation And Management" (Page-11 of the Report).

(n) The company's consultants presume production of nearly 1300 MTs with the imported Berry Scrap or Cathode in place of Virgin Copper. Though the company's records show about production of material with Virgin Copper, in fact almost all production is carried out with Scraps or Cathodes. A realistic calculation will bring down the production cost considerably.

(O) The material input calculated on the basis of the past performance is far from reality. The stock manipulation resorted to during the last five years clearly distracts these facts. A realistic calculation is needed.

Under the circumstances we have come to the considered opinion that we cannot agree with the Management proposal. The employees have decided to form a Workers' Co-operative to revive the unit under Workers' Co-operative.The employees have also decided to raise the required capital from their Provident Fund accumulation to the extent of Rs. 2 crores. In the meantime we are of the opinion that the Operating Agency must necessarily consider the question of revival of the above Company under Workers' Co-operative.

The Reasons for Sorry State of Affairs of the Company

The management headed by Shri A.P. Kamani was mainly responsible for the continuous down fall of this company since mid 80s. It appears that Shri Kamani has developed antagonism against the Union especially after the Union's bid to take over Kamani Tubes Limited. The success of the Kamani Tubes workers to get their scheme sanctioned by the Hon'ble BIFR and approved by a historic judgement of Supreme Court, had not been taken lightly by Shri Kamani. He acted with vengence against the Union. It seems that he has resorted to a planned move to siphon out fund from this company with the result the liquidity crisis deepened and the banks have lost confidence in the management. It appears that the following types of undesirable practices have ultimately resulted into the sickness of the unit.

(1) Huge manipulation in stock with the result on one side mateirials are sold outside on undesirable basis without showing such a sale and on the other side the cost of material has been inflated in respect of production.

(2) Virgin Copper was never used in production but disposed off outside against scrap with the result the benefit taken out of the company was around Rs.10,000 per tonne.

(3) The disposals especially in by-product/scraps were sold at substantially low price as per the records and substantial part of the sale proceeds were taken out in cash depriving the company.

(4) In view of the absence of stricter system in respect of material control, control on purchasing and selling practices, various undesirable practices were resorted to with the result huge funds were taken out of the company.

(5) The income and expenditure trend assessed by the Prima Consultancy Corporation in its report (Appendix M-8) indicates very clearly the manipulation of the stock as well as the accounts were going on since 1986.

(6) The inflated expenses were booked in general stores purchases and unwarranted consultancy expenses and legal expenses were also booked in the accounts.

(7) The KEC debentures were sold in 1989 at par when the market rate value potential for it was excellent because of KEC performance.

(8) The manner in which the sale of KEC shares was executed and the speed with which the proceeds were disbursed indicate that tne management has not acted in a prudent way but with vested interest.

(9) The stock manipulation, undesirable practices etc. reflect the improper managerial practices. This stems from the ulterior motive of the management to make the unit sick and then seek concessions from the banks and financial institutions and put burden on the employees.

The above factors are not all the reasons but few of the factors that resulted into the sorry state of affairs of the company.

Improvement in Cost Reduction and Savings

The production cost in the past shown in the balance sheet is obviously inflated one especially in view of high material costs as well as other inflated costs in respect of other items of purchases. There are a number of areas in which improvement can be made. First of all improvement in managerial system is essential. We do fully agree with the Prima Consultancy Corporation's suggestion in respect of the following aspects.

The managerial set up must be revamped and greater emphasis should be laid on:

(1) Material Control, Control on Purchasing and Selling practices.

(2) Production Planning, Scheduling and Control.

(3) Operational and Technical Audit.

(4) Implementation of management information system together with standard costing, budgetory control and review of performance.

(5) Safety Audit of the Unit and Training on Industrial Safety to the workers' representatives.

(6) Human Resources Development so as to see that the employees are fully involved in Organisational Development.

With the involvement of workers, cost reduction as well as saving in the material recovery plan can be launched. The improvement in material recovery of various product mixes, reduction in wastages as well as improvement in productivity etc. would bring down the cost considerably.

The participation of workers in decision making especially in areas of production planning, implementation of cost reduction plan, plan to improve recovery of materials etc. would make remarkable results.

Further better utilisation of vacant spaces in the Head Office as well as 'Main Offices' in Kurla, leasing out or renting out vacant land for warehouse or godowns can generate additional revenues.

The Machine Shop capacity can be better utilised for taking up job work. And this can generate atleast an additional income of minimum Rs.6 lacs per annum.

The use of excess capacity in Electric Melting and Casting facilities for casting of ingots of standard alloys for different end users in unorganized sector, ingots for extrusion etc. This can be an additional source of revenue.

Market Potential for Non-Ferrous Metals

KMA's products in non-ferrous semis includ a wide range of items. KMA was a pioneer and pace setter in the industry. Its products are in great demand. Most of its products are import substitutional items. Its products include among others:

(i) Brasses in composition of 60/40, 63/37, 70/30, 80/20, 85/15, 90/10 and 95/5.

(ii) Coppers in DHP Grade and Electrolytic Copper

(iii) Nickel Silver

(iv) Phosphor Bronze in Grade I, II and III

(v) Leaded Brass and Horological Brass

It is pertinent to point out that KMA had successfully developed import substitute items like Horological Brass for watch industry, Copper Plates used in cooling of steel in continuous cast steel plant, Nickel Silver strips for telecommunications etc. KMA is the only private sector company to develop Cupro Nickel strips required for Coin Blanks for the Government of India Mint. The company is also in the process of development of Phosphor Bronze Grade-IV which is required for electronic siwitchgear system for telephones. The quality, customer relationship and reliability are added factors that strengthen the case of KMA in the market.

It is estimated that the total non-ferrous semis demand for copper based alloys is around 30,000 MTs per annum. The company can very well fetch nearly 15% of the over all demand in view of its capacity to produce as well as satisfactorily supply quality products.

The import substitution items in respect of Horological Brass, Nickel Silver strips,Cupro-Nickel strips, Close-tolerance material required by Defence, Detonator Industry, Coaxial Cable Industry etc. can fetch good margin. With the devaluation of rupee, the export potential of KMA products have subnstantially improved. A better margin for KMA's products in the international market is now assured. KMA can easily expect a market of 20 MTs order per month in the first year itself from foreign customers.

Under the existing market scenario, KMA can secure orders at an annual rate of 3700 MTs in the first year and can step up production upto 4500 MTs in the second year.

KMA can secure better revenue if it instals 'Z' Mill and go for radiator strips. Therefore it is planned to set up 'Z'-Mill in the 3rd year of operation in Kurla with an additional investment of approximately Rs.1.6 crores. This will enhance the profitability further.

Market Potential for Ferrous Semis

KMA, Bangalore Unit manufactures cold rolled steel coils of narrow width in various grades of EDD, DD, D&O grades. Thickness ranging from 1.6mm to 0.3mm and Widh from 15mm to 330mm.

These products are used in the manufacture of Shutters, Radiators, Tubes, Furniture, Flanges & Hinges, Gaskets and engineering material. Defence sector also consumes steel strips.

Demand

In the last over a decade, there has been a sharp increase in cold rolling capacity in the country to meet the increasing demand of various industries. Several units have modernised their facilities to enable manufacture sophisticated customer requirement, and also achieve production economy. A modernisation programme has been taken up in this unit also and the same is half way through. The unit can easily achieve a market share of 5000 to 6000 MTs per annum, mostly in the low technology application field.

Future Sales

The estimated sale of the unit is as under:

Shutters	1800	t.p.a.
Radiator	1200	"
Tubes	600	"
Furniture & Engineering	1800	"
Defence	600	"
	6000	t.p.a.

The company's products are of excellent quality and has ready market.

XI - PROJECTED PROFITABILITY TREND & DEBT SERVICE COVER (COMPANY AS WHOLE) (RUPEES IN LACS)

	1992-93 1st Yr. (1)	93-94 2nd Yr. (2)	94-95 3rd Yr. (3)	95-96 4th Yr. (4)	96-97 5th Yr. (5)	97-98 6th Yr. (6)	98-99 7th Yr. (7)	99-00 8th Yr. (8)	00-01 9th Yr. (9)	01-02 10th Yr. (10)	02-03 11th Yr. (11)	03-04 12th Yr. (12)
A. Income												
Sales (Own & Conversion)	4142	5559	6696	6696	6696	6696	6696	6696	6696	6696	6696	6696
Others (Incl. Scrap)	133	168	180	180	180	180	180	180	180	180	180	180
Sub Total (A)	4275	5727	6876	6876	6876	6876	6876	6876	6876	6876	6876	6876
B. Raw Material Cost	3131	4250	5223	5223	5223	5223	5223	5223	5223	5223	5223	5223
C. Gross Margin (A -B)	1144	1477	1653	1653	1653	1653	1653	1653	1653	1653	1653	1653
D. Expenses												
Personnel Cost	509	509	509	509	509	509	509	509	509	509	509	509
Power & Fuel	183	224	224	224	224	224	224	224	224	224	224	224
Repairs	65	78	84	84	84	84	84	84	84	84	84	84
Consumable Stores	45	54	66	66	66	66	65	66	66	66	66	66
Miscellaneous	80	96	108	108	108	108	106	108	108	108	108	108
Sub Total; (D)	882	961	991	991	991	991	991	991	991	991	991	991
E. Gross Profit Beofre Interest Depreciatiion (C - D)	262	516	662	662	662	662	662	662	662	662	662	662
F. Interest: Working Capital	139	182	206	206	206	206	206	206	206	206	206	206
Term Loan	4	4	2	1								
G. Depreciation (Est.)	20	20	20	20	20	20	20	20	20	20	20	20
H. Sub Total (F + G)	163	206	228	227	226	226	226	226	226	226	226	226
I. Normal Profit (E - H)	99	310	434	435	436	436	436	436	436	436	436	436
J. Interest on past loss												
Debentures	35	35	35	35	35	32	30	27	24	21	18	15
Fresh Term Loan 15% (FTL)	92	92	81	72	63	54	45	36	27	18	9	-
W/C Term Loan 10% (WCTL)	30	30	27	24	21	18	15	12	9	6	3	-
F/I Term Loan 10% (FITL)	11	11	10	9	8	7	6	5	4	3	2	1
Sub Total (J)	168	168	153	140	127	111	96	80	64	48	32	16
K. Profit Before Tax	(69)	142	281	295	309	325	340	356	372	388	404	420
L. Provision For Tax	-	-	-	-	-	-	102	140	150	155	160	170
M. Profit After Tax	(69)	142	281	295	309	325	238	216	222	233	244	250
N. Repayments												
Old Term Loan	-	5	12	11	-	-	-	-	-	-	-	-
Non. Conv. Debentures	-	-	-	-	20	20	20	20	20	20	20	20
F I T L	-	-	14	10	10	10	10	10	10	10	10	10
W C T L	-	-	32	30	30	30	30	30	30	30	30	30
F T L	-	-	69	60	60	60	60	60	60	60	60	60

XI(a) - PROJECTED DEBT SERVICE COVER RATIO TREND (COMBINED OPERATION) (RUPEES IN LACS)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
I Debt Service Cover												
Profit After Tax	(69)	142	281	295	309	325	238	216	222	233	244	250
Depreciation	20	20	20	20	20	20	20	20	20	20	20	20
Interest on Fresh Term Loan	133	133	118	105	92	79	66	53	40	27	14	1
Total:	84	295	419	415	421	424	324	289	282	280	278	271
II Debts Service												
Fresh Term Loan	-	-	115	100	100	100	100	100	100	100	100	100
Interest	133	133	118	105	92	79	66	53	40	27	14	1
	133	133	233	205	192	179	166	153	140	127	114	101
III Debt Service Cover Ratio	0.63	2.22	1.80	2.02	2.19	2.37	1.95	1.89	2.01	2.20	2.43	2.72
IV Total Debt Service	3782											
Total Cover	1876											
Average DSCR	2.02											

PROJECTED FUNDS FLOW (COMBINED OPERATIONS) (RUPEES IN LACS)

	1992-93 1st Yr.	93-94 2nd Yr.	94-95 3rd Yr.	95-96 4th Yr.	96-97 5th Yr.	97-98 6th Yr.	98-99 7th Yr.	99-00 8th Yr.	00-01 9th Yr.	01-02 10th Yr.	02-03 11th Yr.	03-04 12th Yr.
I SOURCE												
A) Own Funds												
Profit After Tax	(69)	142	281	295	309	325	238	216	222	233	244	250
Depreciation	20	20	20	20	20	20	20	20	20	20	20	20
Fresh Capital	200	-	-	-	-	-	-	-	-	-	-	-
Total: (A)	151	162	301	315	329	345	258	236	242	253	264	270
B) Borrowed Funds												
Bank Finance	-	30	30									
Fresh Term Loan	609											
W/C Term Loan	302											
F/I Term Loan	114											
Total: (B)	1025	30	30									
Total: (A + B)	1176	192	331	315	329	345	258	236	242	253	264	270
II APPLICATION												
A) Long Term: Fixed Assets	20	80	80	20	20	20	20	20	20	20	20	20
Repayment of Old T.Loan	-	5	12	11	-	-	-	-	-	-	-	-
- Dbentures	-	-	-	-	20	20	20	20	20	20	20	20
- Fresh Term Loan	-	-	69	60	60	60	60	60	60	60	60	60
- W C T L	-	-	32	30	30	30	30	30	30	30	30	30
- F I T L	-	-	14	10	10	10	10	10	10	10	10	10
Total: (A)	20	85	207	131	140	140	140	140	140	140	140	140
B) Short Term												
Increase in Inventory	600	100	100	100	60	60	50	50	50	50	50	50
Increase in Debtors	410	-	40	60	80	100	-	-	-	-	-	-
Reduction in C/Liabilities	-	-	-	20	40	40	-	-	-	-	-	-
Pressing Creditora	140	-	-	-	-	-	-	-	-	-	-	-
Total: (B)	1150	100	120	180	180	200	50	50	50	50	50	50
Total: (A + B)	1170	185	327	311	320	340	190	190	190	190	190	190
S U R P L U S	6	7	4	4	9	5	68	46	52	63	74	80

Note on Profitability Workings

- Moratorium of 2 years is considered for funded term loans.

- Repayment for Funded Term Loan to commence from the 3rd year, i.e. 1994-95.

- With the balance of employees contribution available Rs.60 lacs, after their contributio to funding and surplus in the first 2 years, 'Z' Mill will be installed and the effect of production of 600 MTs of Radiator Stips is considered from 3rd year onwards.

- Other sources of revenue generations not taken are :

  (a) Disposal of Idle Machineries.

  (b) Disposal of 'Sunita' Flat and Flats at Delhi; and at Ghatkopar & Kurla, Bombay.

  (c) Utilisation of Melting capacity for other industries in small scale sector.

- Basis of other Cost Working enclosed.

- Results upto 31-3-1991 are taken same as the ones projected by the company's consultants in their report.

KMA LIMITED

I. PRODUCT MIX & SALE PRICE (KURLA UNIT)

	Avg.Sale Price (Rs./Kg)	Ist Year Qty. (Ts)	Ist Year Value (Rs in Lacs)	2nd Year Qty. (Ts)	2nd Year Value (Rs in Lacs)	3rd Year Qty. (Ts)	3rd Year Value (Rs in Lacs)
A. Own Sales							
Brass	130	1200	1560	1200	1560	1200	1560
Copper	165	300	495	480	792	480	792
Phosphor Bronze	195	240	468	360	702	360	702
Nickel Silver	210	100	210	120	252	120	252
Radiator Brass	135	-	-	-	-	300	405
Radiator Copper	170	-	-	-	-	300	510
Dealers	140	-	-	360	504	480	672
Export	135	240	324	360	486	480	648
		2080	3057	2880	4296	3780	5541
B. Conversion							
Brass	16	600	96	600	96	600	96
Copper	20	120	24	120	24	120	24
Defence	12	900	108	900	108	-	-
		1620	228	1620	228	720	120
TOTAL: (A + B)		3700	3285	4500	4524	4500	5661

II(a). RAW MATERIAL COST (KURLA UNIT)

(Own Sales only)	Cost Per Kg (Rs.)	Cost (Rs in Lacs)	Cost (Rs in Lacs)	Cost (Rs in Lacs)
Brass	110	1320	1320	1320
Copper	135	405	648	648
Phosphor Bronze	145	348	522	522
Nickel Silver	170	170	204	204
Radiator Brass	110	-	-	330
Radiator Copper	135	-	-	405
Dealers (Avg.)	120	-	432	576
Export	110	264	396	528
TOTAL:		2507	3522	4533
Less Sales Tax Set Off		95	135	173
Cost of Sales		2412	3387	4360

II(b). RAW MATERIAL COST WORKING

(Based on MMTC Price of October 1991) (Rupees Per Tonne)

	Copper	Zinc	Tin	Nickel
Basic Price	128,000	59,000	-	387,000
Octroi 2.5%	3,200	1,475	-	9,675
Sale Tax 4%	5,248	2,419	-	15,867
Handling Charges	300	300	-	300
Landed Cost	137,548	63,194	350,000	412,842
Less Price Benefit of Scrap/Cathode	10,000			
	127,548	63,194	350,000	412,842

Alloy Cost (Rs. Per Tonne)

	Copper (Composition	Zinc	Tin Percentage)	Nickel	Metal Loss		Say
Brass	65%	35%	-	-	5%	110,275	110/-
Copper	100%	-	-	-	5%	134,925	135/-
Phosphor Bronze	95%	-	5%	-	5%	145,204	145/-
Nickel Silver	55%	27%	-	18%	5%	169,602	170/-

III. OTHER INCOME (KURLA UNIT)

(Rs. in Lacs)

	Ist Year	2nd Year	3rd Year
Machine Shop Revenue	6	6	6
Lease Revenue	-	12	12
Others	6	6	6
Scrap Sales	60	72	84
	72	96	108

IV(a). PRODUCT MIX & SALE PRICE (BANGALORE UNIT)

	Ist Yr.	2nd Yr.	Avg.Sale	Ist Yr.	2nd Yr.
	Qty.	(Tonnes)	Price (Rs./Kg)	Value	(Rs in Lacs)
Shutters	1800	1800	17.50	315	315
Radiators	1000	1200	17.00	170	204
Tubes	400	600	18.50	74	111
Engg. Ind. & Furnitures	1200	1800	19.50	234	351
Defence	600	600	19.00	114	114
Total:	5000	6000		907	1095
Less Exice Duty				50	60
				857	1035

IV(b). RAW MATERIAL COST (Rs. in Lacs)

	(Rs. in Lacs) Ist Yr.	2nd Yr.
Input Qty. (Ts)	5750	6900
Cost @ Rs.12,500/Tonne	719	863

Process Loss is taken at 15%.

IV(c). OTHER INCOME (Rs. in Lacs)

	Ist Yr.	2nd Yr.	Avg.Sale Price	Ist Yr.	2nd Yr.
	Qty.	(Tonnes)	(Rs./Kg)	Value	(Rs in Lacs)
Scrap Sales	750	900	7.00	52	63
Lease Rent				6	6
Machine Shop Revenue				3	3
				61	72

V.PERSONNEL COST (Rs. in Lacs)

	KURLA UNIT				BANGALORE UNIT
	Officers	Staff	Workmen	Total	Total
Basic	20	10	20	50	24
D. A.	30	120	130	280	24
H. R. A.	1	4	8	13	3
L. T. A.	2	4	6	12	1
Others	-	3	7	10	6
P.F. & F.P. Contributioin	5	13	15	33	5
Canteen Subsidy	1	3	6	10	4
Gratuity	3	6	6	15	1
Medical,Uniform etc.	2	5	5	12	6
Total:				435	74
Grand Total:				509	

Labour cost is worked out on January 1991 level of D.A. and no increase is considered for the subsequent years. Increase, if any, will be offset by retirement of the employees. No bonus provision is considered. No reduction in the strength is planned.

VI. - POWER & FUEL

	KURLA UNIT			BANGALORE UNIT	
	Ist Yr.	2nd Yr.	3rd Yr.	Ist Yr.	2nd Yr.
Production (Ts)	3700	4500	4500	5000	6000
(a) Power Cost					
Units in Lacs @ Rs.2500/T & @ Rs. 400/T for Kurla & Blr. respectively.	91	112	112	20	24
(b) Furnace Oil					
(Rs. in Lacs)					
@ 100 litres/T & (Rs.4.5/Litre)	16	20	20	-	-
Total Cost;	153	188	188	30	36

KURLA	153	188	188
BANGALORE	30	36	36
	183	224	224

VII - OTHER MANUFACTURING AND SELLING & ADM. EXPENSES

	KURLA UNIT			BANGALORE UNIT	
	Ist Yr.	2nd Yr.	3rd Yr.	Ist Yr.	2nd Yr.
a) Repairs & Maintenance @ Rs.1200/T & @ Rs. 400/T for Kurla & Blr.resply.	45	54	60	20	24
b) Stores & Spares @ Rs.800/T & @ Rs.300/T for Kurla & Blr.	30	36	36	15	18
c) Miscellaneous (est.)	60	72	84	20	24

COMBINED OPERATIONS

a) Repairs (Rs in lac)	Kurla	45	54	60
	BLR.	20	24	24
		65	78	84
b) Stores (Rs in Lac)	Kurla	30	36	48
	BLR.	15	18	18
		45	54	66
c) Misc. (Rs in lac)	Kurla	60	72	84
	BLR.	20	24	24
		80	96	108

VIII(a) - WORKING CAPITAL ASSESSMENT - KURLA UNIT - (Rs. in Lacs)

	Margin	No. of Months	Ist Year Reqt.	Ist Year Margin	2nd Year Reqt.	2nd Year Margin	3rd Year Reqt.	3rd Year Margin
Raw Material	25%	1.0	210	53	300	75	360	90
Work in Process	30%	0.5	120	36	170	51	200	60
Finished Material	25%	0.5	130	28	180	45	220	55
Stores	100%		40	40	50	50	50	50
Debtors (through banks)			200		300		325	
			720	157	1000	221	1155	255

	Ist Year	2nd Year	3rd Year
Working Capital	720	1000	1155
Term Loan(WCTL)	- 157	- 221	- 255
	563	779	900
Interest @ 20%	113	156	180

VIII(b) - WORKING CAPITAL ASSESSMENT - BANGALORE UNIT (Rs. in Lacs)

	Margin	No. of Months	Requirement	Margin
Raw Material	25%	1.0	75	19
Work in Process	30%	0.5	40	12
Finished Material	25%	0.25	22	6
Stores			20	20
			157	57
Debtors (through banks)			30	-
			187	57

Working Capital Term Loan(WCTL) Rs.130 Lacs

Interest @ 20%: Rs.26 Lacs

VIII(c) - INTEREST ON WORKING CAPITAL (Rs. in Lacs)

	Ist Yr.	2nd Yr.	3rd Yr.
KURLA UNIT	113	156	180
BANGALORE UNIT	26	26	26
	139	182	206

IX - COMPUTATION OF BANK IRREGULARITY & MODE OF FINANCE

(RS. IN LACS)

	KURLA	BANGALORE	TOTAL
Total Outstanding	518	227	745
Security DP at 75%	140	50	190
Irregularity	378	177	555
Care Portion	300	102	402
Interest Component	78	75	153
Margin at 25% Care Portion	75	25	100
Margin Interest	20	19	39
F I T L	58	56	114
W C T L	225	77	302
Margin Money	95	44	139

Repayment of Term Loan

	FITL Int. @ 10% O/S	FITL Int. @ 10% Int.	WCTL Int. @ 10% O/S	WCTL Int. @ 10% Int.
1st Yr.	114	11	302	30
2nd Yr.	114	11	302	30
3rd Yr.	100	10	270	27
4th Yr.	90	9	240	24
5th Yr.	80	8	210	21
6th Yr.	70	7	180	18
7th Yr.	60	6	150	15
8th Yr.	50	5	120	12
9th Yr.	40	4	90	9
10th Yr.	30	3	60	6
11th Yr.	20	2	30	3
12th Yr.	10	1	-	-

N.B. The figures are same as 'Annexure-X' of the techno-economic viability report prepared by Prima Consultancy Corporation.

X - ESTIMATED PROJECT COST (RS. IN LACS)

	KURLA	BANGALORE	TOTAL
Start up Expenses	25	10	35
Margin Money Working Capital	255	77	332
Bank Irregularity	95	44	139
Pressing Creditors	100	40	140
Statutory Dues	20	10	30
Employees Dues	80	5	85
			761
Less Employees Contribution @ 20%			152
Funded W/C Term Loan @ 15% interest repayable in 10 years.			609

Repayment Year	Instalment	Interest 15%
1	-	92
2	-	92
3	69	81
4	60	72
5	60	63
6	60	54
7	60	45
8	60	36
9	60	27
10	60	18
11	60	9
12	60	-

ANNEXURE-I

KAMANI EMPLOYEES' UNION

(Registered Under Indian Trade Union Act, 1926)
(Regd. No. 1154)

37

Phones : 511 51 80
511 51 83
514 51 31
514 43 48

Kerson Velji Chawl, L. B. Shastri Marg, Kurla, Bombay - 400 070.

Ref. : KEU/ 41/367

Date November 3, 1991

Shri B C Dalal
Chairman
M/s KMA Limited
LBS Marg, Kurla
Bombay 400 070

Dear Shri Dalal,

In continuation to our series of discussions on the question of restart and revival of KMA Limited during the last three months, we would like to place before you our observations in respect of current stage of our dialogue.

(1) During the course of dialogue, we could not make any progress in the discussions so as to get the lock-out in KMA Factories and Offices in Bombay, is lifted. In the midst of our dialogue the operations of KMA Factory at Bangalore was illegally kept at abeyance with effect from 20th September, 1991 and also issued illegal suspension orders against Shri N.Sahadevan and Shri Rama Reddy, General Secretary and Treasurer respectively of KEU, Bangalore. All these actions were carried out to depress our initiative and create impediments in our effort to restart the unit without any further delay. It is pertinent to state here that the above suspension orders were issued without any valid reasons and that too framing baseless charges primarily to harass, intimidate and pressurise the Union at a time when the Bangalore workers were extending all the possible co-operation to revive the company.

(2) In spite of all these impediments, we have very patiently urged upon you the need to lift the lock-out and effect atleast one month's wages/salaries to your workmen whose wages have not been paid since February 1991, inspite of court orders. You could very well understand the plight of your workmen in the context of continued non-payment of wages to them all these months. Also the need to restart the plant in the interest of the very revival/viability of the unit.

(3) Our repeated request in the interest of the company and for the very revival of the unit was not taken into consideration by you with the result we are forced to accept the fact that your management is not that serious in reviving the unit.

(4) We have already made our view points clear in our letter dated 27th September, 1991 addressed to you in regards to your Consultant's Techno-Economic viability study. Further your consultant's view points in respect of our observations annexed to your letter dated 3rd October,1991 was not taken into consideratio of the objective reality and the calculation submitted along with the above observation is also found to be erroneous as our proposals were calculated by your consultant on the basis of our sales margin per kg, without taking into consideration of the benefit of Mod-vat and the realisation of scrap sales. If these two aspects are taken into consideration, the additional income generation would be in the range of atleast Rs.2.28 crores. This automatically makes the unit very viable even without the export market prospects now available. This is clearly revealed to your consultants.

(5) Your consultants are very well aware of the intrinsic viability of the unit provided the undesirable practices are eliminated. It is also a fact that your consultants were not provided with adequate data with the result they fixed the parameters in respect of production capacity, product-mix, market, sales margin etc. on a conservative basis. They do realise that their calculations need to be revised on the basis of export prospects now available for the company's products and the excellent sales margin available for the exports. Further an objective analysis of the total working on the basis of the realistic data would understandbly push up the viability calculations made by your consultants.

(6) Shri Kamani is operating from an office elsewhere carrying on expenses by operating an account outside the existing consortium of banks. This is being done at your instance and with your full knowledge at a time all the vital activities are suspended and wages legally due to your workmen are denied. The KEC shares sales proceeds were also routed through a bank outside the existing consortium and the account number and the name of bank are still kept as a secret inspite of our repeated requests. You were quite aware that the wage payment must necessarily be given top priority over all other payments. But this was not considered.

(7) You are also aware that in spite of our best co-operation your management is delaying the audit and other related work unnecessarily. This also indicates the management's intension to delay the revival process which in turn will put an additional cost on revival.

(8) It was clearly understood between us that the continuance of Shri A.P. Kamani in the management set up would deter the banks and other authorities from extending assistance in respect of revival and it would be appropriate for the revival of the unit Shri Kamani must step down from the management responsibilities. It appears that you are still formulating your view points on the basis of Shri Kamani's directions and under such circumstances professional initiative cannot take root to revive the unit.

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November 3, 1991

This also gives us an impression that you are acting on behalf of Shri Kamani and we are quite sure that his influence, interference or involvement would be detrimental to the revival of this unit. It is pertinent to point out at this stage that an impartial stock audit would reveal the manipulations of the management headed by Shri A.P. Kamani in the past. Your consultant's report has already indicated clear clues in manipulation in this respect since 1986.

Under the circumstances we just cannot afford to wait with a hope that you would be in a position to revive this unit. The entire attempt seems to delay the whole issue and push the unit to a situation where the revival cost will be high for the workers.

In view of this, we are constrained to put it to you that we are agreeable to disagree with you at this stage.

We will be now reporting to the Operating Agency as well as the Hon'ble Bench of the BIFR on this and proposing our proposals to revive the unit under a workers' co-operative.

Thanking you,

Yours faithfully,
For KAMANI EMPLOYEES' UNION

D. Thankappan

D. THANKAPPAN
WORKING PRESIDENT

cc: The Bank of Baroda
Bombay.

cc: The Registrar, BIFR
New Delhi.