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LABOUR & EMPLOYMENT DEPARTMENT

ORDER

The 26th December 2008

S.R.O. No. 12/2009—Whereas the Employer of M/s Reliance Industries Ltd., Dhenkanal Manufacturing Division, P.O. Baulpur, Via Gadasila, Dist. Dhenkanal (Orissa) through its President Shri A. R. Bhatt, dated the 7th November 2008 applied under sub-section (4) of Section 25-O of the Industrial Disputes Act, 1947 for permission of intended closer of M/s Reliance Industries Ltd., Dhenkanal Manufacturing Division with effect from the 6th February 2009 for the reasons mentioned in the said application, dated the 7th November 2008;

And whereas the State Government in Labour & Employment Department have made such inquiry as was considered necessary and have given reasonable opportunity of being heard the employer represented by the President and others, the workmen represented for the Orissa Synthetics Ltd. Employees' Union, At Laxminagar, Baulpur, Dhenkanal and the Orissa Synthetics Shramik Sangha, At Sana Baulpur, P.O. Sadashivapur, Dist. Dhenkanal and other persons having interest in such closure.

Now, therefore, in pursuance of the provision under sub section (2) of Section 25-O of the Industrial Dispute Act, 1947 (Act 14 of 1947), the Government of Orissa do hereby refuse to grant permission for the intended closure of M/s Reliance Industries Ltd., Dhenkanal Manufacturing Division, P.O. Baulpur, Via Gadasila, Dist. Dhenkanal (Orissa) on the grounds as described in details at *Annexure-A.*

[No. 13037—1I/21-34/2008-LE.]

By order of the Governor

GUNANIDHI JENA

Deputy Secretary to Government

Annexure-A

Reliance Industries Ltd. has applied for closure of its establishment at Baulpur, Dist. Dhenkanal under sub-section 4 of Section 25 (O) of the Industrial Disputes Act,1947. The application was received in the Department on the 7th November 2008. The parties concerned i.e., Reliance Industries Ltd., Orissa Synthetics Employees' Union, Ajay Kumar Swain and other 23 permanent affected employees of Reliance Industries Ltd,. Industries Department, persons affected by displacement and employed by RIL and Orissa Synthetics Ltd. Shramik Sangha were heard in the matter on the 19th December 2008. I have also seen the report by District Labour Officer, Dhenkanal.

The following reasons are given by Reliance Industries Ltd. for closure of the unit at Baulpur :—

1. Low margins on PSF due to increase in raw material cost
2. The conversion and utility cost is high
3. Lowering of import duty has reduced the margins of domestic producers
4. Over supply in the market leading to pressure on margins
5. Logistics involving distance from raw material source and markets of finished products
6. Technology has become obsolete as the economic size of the plant should be at least 1200 TPD.
7. High fixed cost and manpower cost

The reasons given above and the counter points by the Unions and others are discussed below.

1. The argument of low margins is not valid. It is true that petroleum prices have gone up to $ 147 per barrel during June, 2008 but the same have now fallen to $ 40 to 45. The raw material of the company PTA and MEG are the down stream products from petroleum refining. Their prices have already fallen and are likely to fall further. The argument is not, therefore, valid.
2. The argument that the conversion costs and utility costs are high is also not valid. Even for a DG set, the furnace oil cost has come down due to fall in petroleum prices. Moreover, Orissa is a power surplus State and it should not be difficult to get power at reasonable price. Moreover, it is submitted by the Union that the plant is being used as a research and development wing by RIL leading to higher wastage whereas the developed product is produced in other units. While the development cost is counted against the present unit at Baulpur, the higher realization from the developed products goes to other units.
3. The decline in import duty does not directly lead to reduction in prices in view of depreciation of the rupees. Moreover, the company has not submitted any figures of increasing import of their finished product. In any case, there is no import export linkage of the company. Its raw material as well as finished product are procured and sold within the country.

4. The demand supply mismatch is also not a valid argument. There is increase in the consumption in PSF as seen from the annual report of RIL for different years. With passage of time, the mismatch is likely to even out. RIL is a big conglomerate which can bear the losses in the short-term. Fluctuations in demand supply are a normal business risk.

5. The argument about distance from raw material source and markets is equally applicable to the different units of the company located in places like Barabanki, Hoshiarpur etc. In any case, the raw material is available from the nearby State of West Bengal.

6. With the developments in technology, industries become scale neutral. The claim that a big unit only is capable of competing in the modern world can not be sustained in view of the fact that concentrated industry will have to pay higher cost of freight etc. for the final product whereas the dispersed units do not face this problem.

7. The argument that there is high fixed cost and manpower cost is not valid. The company has already taken out assets worth Rs. 156 crores in removing machines related to areas of production other that PSF. Moreover, the manpower cost is mostly contributed by the large number of executives employed on high pay. Many of the costs like CST (which is likely to wither away in view of the latest legislation by the Central Government), ware housing cost, modvat taxes etc. have been added by the company just to inflate the cost. There is no explanation regarding the source from which the high fixed costs have come. Lastly, the Reliance conglomerate consists of a large number of units in different areas of activity and location. It is possible manipulate accounts of a standalone unit in terms of transfer pricing and apportioning of enterprise costs. As such, the accounts submitted are not very reliable.

The Reliance Industries Ltd. at Baulpur originally started as a joint venture of J. K. Group and IPICOL in 1987. Subsequently, Orissa Synthetic Ltd. was referred to BIFR in 1992 and was finally merged with the J. K. Corporation Ltd. Reliance took over the company in 2000 and named it Orissa Polyfibres Ltd. By that time, the price of PSF had already crashed and the company was aware about sourcing of raw materials from outside the State and no local market for finished product. The company has taken no steps for any major expansion of the plant to ensure an economic size. It appears from facts as if the company had taken over the unit only to do some asset stripping.

In the circumstances, Government find no reasons to permit the closure of the unit under sub-section 4 of Section 25(O) of the Industries Disputes Act, 1947.

P. K. NAIK

Minister of State, (Independent Charge)

Labour & Employment, Orissa

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