

Apollo Tyres Ltd.: Recognition of Trade Union

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Abstract

This case is written on the labour unrest problem at Apollo Tyres, Vadodara Plant. Workers were agitating for recognition of fourth Trade Union and they were pressing their other demands like wage hike etc. This 19 days strike came to end when Government of Gujarat declared the strike illegal.

Keywords: Apollo Tyres, Gujarat, Labour Unrest, Trade Union

1. Introduction

“There were two committees formed for the plant workers’ welfare in the past. However, none of them could address the workers’ concerns. The company has also denied the workers their basic rights of decent wage hikes. Moreover, the company is not only refusing to recognise the new union, it is not even agreeing to retract suspension of two employees”, said Hussain Solanki, President of Gujarat chapter of Bharatiya Mazdoor Sangh (BMS).

On 23rd October 2012, 1500 workers stopped production in the Nylon tyres division at Vadodara Plant of Apollo Tyres. Workers went on strike due to non-recognition of the fourth union which was affiliated to Bharatiya Mazdoor Sangh (BMS). Management of the Company was not in favor of another trade union as there were already three unions operating in the plant.

2. Company

Apollo types was established in 1972 is a leading tyres manufacturing Company headquartered in Gurgaon Haryana. Company has a global presence with its product sold in over 100 countries; the company has manufacturing units in India and The Netherlands. Apollo is listed on the Bombay stock exchange with the name Apollo Tyres Ltd., 56% of company share are held by the public, Apollo Tyres had a turnover of around US\$ 2.08 billion as on 31st

March 2015, company is having about 16000 employees working globally.

The Vadodara unit of the company has an installed production capacity to roll out over 300 tonnes of cross ply tyres every day.

3. Workers’ Agitation

Workers were demanding recognition of fourth Union BMS and rolling back the suspension of two workers who have been suspended by the management due to alleged absenteeism, which the union felt was not justified.

The workers stopped going to work because the management allegedly called in police to lathi-charge to suppress their willingness to join new labour union, had earlier intimated the management about their plan to attend a non-violent protest outside the gate of the company under the banner of Bharatiya Mazdoor Sangh, a labour wing of BJP.

The agitating workers also felt that the management is not looking into their welfare and wages of the workers did not rise at the same pace at which the production at the facility.

4. Situation

On 25th October 2012, the Deputy Labour Commissioner of Government of Gujarat summoned the representative

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of management and the representative of fourth union to present before him to reach an agreement so that strike should end.

After many meetings, on 3rd November 2012 the management and the workers in consultation with Deputy Labour Commissioner reached to a consensus and signed an MOU to resume the work from second shift from 4th November 2012. However workers even after signing the MOU didn't returned to work. 5th November 2012 Deputy Labour Commissioner reported the matter to the state government. On 8th November 2012 the state government declared the strike illegal, and told the workers to return to work on 9th November 2012 third shift which starts at 10:30 pm. Gujarat government also gave permission to the company to hire new workers in case the workers do not return to the work on the said date.

After 19 days of strike, the agitating workers returned to work on 9th November 2012 and started working from third shift (Annexure 1).

5. The Impact

The company, however, said the labour unrest had minimal impact on sales as tyres were made available from existing inventories and some specific sizes were also compensated by additional production in other plants in the country.

According to Chairman of the company, Onkar S Kanwar the firm was incurring a production loss of Rs. 40-50 million per day. He said "The reasons behind frequent labour unrests hitting the Indian automobile sector are some misguided youth, who are disgruntled because of some issues. They are misguided by political interests" (Annexure 2).

Only 33% of the production was done, during this period, with some 500 workers working in Nylon tyres section out of 1500. The impact of strike was minimized by shifting the production requirement to different plants of the company in India.

6. Aftermath

There isn't any solution came out from the strike, the Fourth Union was not granted recognition but management gave assurance that matter related with wage hike will be addressed after the earlier agreement expires on Dec 2012. Management had taken back all workers suspended barring five workers. Workers demanded to pay wages for the 19 days on which they were on strike, but management only agreed to pay 50% of wages in advance for 19 days.

7. Questions

1. Explain the role of three actors in this case?
2. Which model of IR can be applicable to this case?
3. What was the problem in recognizing the fourth union?

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Annexure 1

Chronology of Events

23 rd October 2012	1500 Workers went on strike on demand of recognition of the fourth union.
25 th October 2012	Deputy Labour commissioner summoned Management and workers representative before him.
29 th October 2012	Workers and Management presented before Deputy Labour Commissioner.
3 rd November 2012	Workers Signed MOU with Management to join the work from 4 October 2012.
5 th November 2012	Deputy Labour Commissioner reported the matter to the State Government.
8 th November 2012	Strike was declared illegal by State Government of Gujarat.
8 th November 2012	Chairman Onker S. Kanwar in a press statement told that the strike is because of some misguided youth, who are politically influenced.
9 th November 2012	Strike ends, workers resume to work from third shift.

Annexure 2

	June'13	Mar'13	Dec'12	Sept'12	June'12
Net Sales/Income from operations	2,164.71	2,036.17	2,036.09	2,282.87	2,152.37
Other Operating Income	--	--	--	--	--
Total Income From Operations	2,164.71	2,036.17	2,036.09	2,282.87	2,152.37
Expenditure					
Consumption of Raw Materials	1,463.53	1,210.53	1,405.28	1,615.01	1,636.55
Purchase of Traded Goods	64.31	52.17	70.85	66.65	64.23
Increase/Decrease in Stocks	-35.32	135.02	-31.92	20.84	-131.31
Power and Fuel	--	--	--	--	--
Employees Cost	114.62	99.95	110.21	107.33	109.36
Depreciation	59.40	55.69	54.80	54.80	54.80
Excise Duty	--	--	--	--	--
Administration and Selling Expenses	--	--	--	--	--
R&D Expenses	--	--	--	--	--
Provisions and Contingencies	--	--	--	--	--
Expenses Capitalized	--	--	--	--	--
Other Expenses	303.54	292.48	276.64	247.42	252.03
P/L Before Other Inc., Int., Exceptional Items and Tax	194.63	190.34	150.24	170.83	166.71
Other Income	8.00	24.78	19.15	8.47	4.98
P/L Before Int., Exceptional Items and Tax	202.62	215.12	169.39	179.30	171.69
Interest	63.30	62.88	66.84	69.47	61.79
P/L Before Exceptional Items and Tax	139.33	152.24	102.55	109.83	109.90
Exceptional Items	--	--	--	--	--
P/L Before Tax	139.33	152.24	102.55	109.83	109.90
Tax	45.76	64.01	28.72	34.64	34.62
P/L After Tax from Ordinary Activities	93.57	88.23	73.82	75.19	75.28
Prior Year Adjustments	--	--	--	--	--
Extra Ordinary Items	--	--	--	--	--

	June'13	Mar'13	Dec'12	Sept'12	June'12
Net Profit/(Loss) For the Period	93.57	88.23	73.82	75.19	75.28
Equity Share Capital	50.41	50.41	50.41	50.41	50.41
Reserves Excluding Revaluation Reserves	--	--	--	--	--
Equity Dividend Rate (%)	--	--	--	--	--
EPS Before Extraordinary					
Basic EPS	1.86	1.75	1.46	1.49	1.49
Diluted EPS	1.86	1.75	1.46	1.49	1.49
EPS After Extraordinary					
Basic EPS	1.86	1.75	1.46	1.49	1.49
Diluted EPS	1.86	1.75	1.46	1.49	1.49
Public Share Holding					
No. of Shares (Crores)	28.54	28.54	28.54	28.54	26.75
Share Holding (%)	56.63	56.63	55.63	55.63	53.06
Promoters and Promoter Group Shareholding					
(a) Pledged/Encumbered					
Number of shares (Crores)	3.58	3.57	3.31	3.51	3.67
Percentage of shares (as a % of the total share of promotion and promoter group)	16.36	16.34	15.15	16.06	15.51
Percentage of shares (as a % of the total Share Capital of the company)	7.09	7.08	6.57	6.97	7.28
b) Non-encumbered					
Number of shares (Crores)	18.28	18.29	18.55	18.35	19.99
Percentage of shares (as a % of the total share of promotion and promoter group)	83.64	83.66	84.85	83.94	84.49
Percentage of shares (as a % of the total Share Capital of the company)	36.28	36.28	36.80	36.40	39.66

Source: Dion Global Solution Limited as viewed on http://www.moneycontrol.com/stocks/company_info/print_main.php