SCOOTERS INDIA LTD. :
The Case of an Extraordinary Turnaround

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ABSTRACT

Scooters India Ltd. (SIL) was established in the year 1972, by the Government of India , as a public sector enterprise, by importing old plant and machinery from a defunct automobile company in Italy. The company incurred losses ever since its inception so much so that at one point of time (in 1989-90 it made a loss of Rs. 404 million on a sale of Rs. 103 million. It had accumulated losses to the tune of Rs. 2125 million. The worker unions were agitating and fought pitched battle among themselves, against the management and the government. The government almost makes up its mind to wind up the company and appoints a new chief executive, who pleads against the winding up and works for revival of the company. The company however, gets covered under BIFR in 1992, who also feels that it is a mortuary case only to be burried. Undeterred, the new Chief Executive collects the pieces and start building up the organisation again. After seven years of slogging the company earns a net profit for the first time, in its silver jubilee year, breaking many myths in the process.

9.0 SCOOTERS INDIA LTD.

9.1 Introduction

"1997 has been a proud year for us", said a beaming Dr. Arun Sahay, Chairman and Managing Director of Scooters India Ltd. In the Silver Jubilee year of the company, it had made a net profit for the first time ever since its inception. "Surely it would not have been possible without the financial restructuring supported by the Government of India, and the rehabilitation scheme approved by the Board of Industrial and Financial Reconstruction (BIFR). But the seven-year period had been a period of hard toil and rigorous test for all of us. We are happy that the efforts have finally borne out fruits. An ordinary company dreads to come under BIFR, but it proved to be a saviour for us. BIFR, is generally perceived by the employees as a butcher and the company put on the chopping block. In fact, during one of the hearings, a member of the bench remarked "it is a mortuary case only to be buried". With various stakeholders seeing no possibility of revival, the management undertook the task of changing the opinion of the stakeholders. The Employees in the beginning were not convinced but continuously increasing production and sale changed the scenario. Unions, and Associations changed their view and decided to give the new management a chance. Management, Unions and Associations joined together to effectively advocate their case which resulted in getting a purposeful revival scheme published by BIFR. Sanction of a revival scheme appeared to be a dwarf, when compared with the Herculean task of changing minds of the employees and those of other stake holders', he concluded.

9.2 Brief History of the Company

Scooters India was established by the Government of India in 1972 as a public sector enterprise, by importing old plant and machinery from an automobile company in Italy, which had closed down its scooters manufacturing activity a few years back. The company was employing over 3200 persons, about 85% of which constituted the labour force. SIL's performance right from the beginning was poor and was deteriorating at a faster rate during the later part of eighties. Indeed during the year 1989-90, the company had made a net loss of Rs. 404 million on a sales of Rs. 103 millions and had accumulated loss of Rs 2125* millions. In 1987 the government had explored the possibility of selling the company to a leading automobile giant in private sector, but the talks failed, as the latter was reluctant to accept the total labour force, which was thought to be far in excess of the requirements of meagre production. (Further details about the background of the company are available in the SIL (A), (B) and (C) cases). In 8 years period, by 1998, the company had touched a sale of Rs. 1279 million, earning a net profit of Rs. 119 million and shattering several myths while achieving this performance level.

9.3 Background of the New Chief

Dr. Sahay had joined the company as General Manager (Fdy) in 1977 after stints in both public and private sector companies of repute In fact his first job was that of lecturer. In SIL, he had worked in various departments of the Company and handled all major functions like Manufacturing, Ancillary Development, Engineering, R&D, Personnel & Administration, Finance and Marketing. He had moved up to the position of General Manager (Prodn) and General Manager (Marketing); the position he held prior to proceeding on long leave (in the year 1989). He was called back to take charge from the then Executive Director Shri. P.S. Kapoor, who had come on deputation from Indian Railways. Mr. Kapoor was relieved in February, 1990 from the company on his request after a tenure of over 5 years to join back the Indian Railways.

When the then part time Chairman, Shri Vishwanath Anand, Jt. Secretary in the Ministry informed Dr. Sahay that Shri P.S. Kapoor is being released from the Company to join his parent department and that he should take over the charge from Shri Kapoor, Dr. Sahay was taken by surprise. Though, the seniority between the General Managers was disputed from time to time, but on record Mr. Joshi was senior and such action was rather unusual. For Dr. Sahay, however, it was Hobson's choice. Instead of taking over charge in haste, he thought that he should have a word with his senior colleagues and then respond. Shri P.D. Joshi was the first person he contacted and revealed to him the Government's intention. He also advised Shri Joshi that should he desire to represent, he should do so or else he should extend full co-operation so that they could work as a team and take the Company to revival path. Shri Joshi represented but, Ministry was firm on decision and Shri Kapoor was in a hurry to leave. After due consultations, Dr. Sahay finally took over the charge from Shri Kapoor on February 12, 1990 i.e., 3 days after receipt of the orders. Some of the Senior Managers remarked "Mr. Kapoor remained in the company for over five years but he will not be allowed to remain in the position even for five days". After taking over charge, during his interaction with the then Industry Minster, he was told that Government can not dole out further money to the company. It was also made clear that having failed to privatize the company, Government was considering to close down the company. Dr. Sahay, however, was convinced that the company could be turned-around and that he had some specific plans for the same but there were no takers of his views. He mentioned that if the company is to be closed down, then some one else should be assigned the job as he cannot work for the closure of SIL to which he was conveyed that even for closing down SIL a Managing Director is required. On his insistence that he can run the company profitably, he was asked as to what plans he had and what help he would need from the Ministry. He explained the overall situation and requested the Ministry to help in sorting out the problem between employees and the management because of which management was working in exile. Unions, Associations and the Management were called together for discussions at the conclusion of which the Union and Association were asked to cooperate with the Management. The Management, thereafter, made its entry into the plant despite apprehension shown by local administration about law and order situation. The first step in the right direction was thus taken, though there was no respite from the agitations even after the entry of management into the factory.

9.4 The Welcome Change

At the time of appointment of the new Chief Executive, the agitation and picketing at factory was still going on. The top management operated from the City Office. Dr. Sahay decided to face it squarely by announcing to operate from the regular office of the Chief Executive, situated in the factory premises itself, rather than from the City Office. It was fraught with grave risk as local police apprehended trouble leading to violence. Indeed, the concerned officials even tried to dissuade him from entering Office, which he refused to accept. Fortunately with the help and co-operation of District officials no ugly incident took place. Dr. Sahay impressed upon the workers that he would work with them to revive the company and try to protect the interest of employees.

9.5 Industrial Relation Situation

The industrial relations situation in the company was at the lowest ebb. The unions were fighting a pitched battle against both management as well as Government. Slogan shouting, picketing, rowdism were common. The workers, supervisors and officers had joined hands to form a Joint Action Committee (JAC) and forbade the entry of top executives i.e., the then Executive Director and General Manager (Operations), who were operating from a rented premises in the city, some 20 kms. away. The other worker's union was against the activities of JAC

"Those were hard times", said Dr. Sahay. I used to be in the factory right at 8.00 a.m. and returned well past 9.00 p.m. on regular basis. On some days I reached factory at 6 a.m. itself and also made surprise visits well past 10 p.m. However, a good part of it was sheer waste of time; warning people playing cards etc. The Challenge was not only to break their activities of gambling but to channelize their energy into gainful activities. With some churning within we took the flag of SUNDER LUCKNOW SAKCHHAR LUCKNOW. Under this banner we sent out many employees to teach illiterates and promote health in villages.

"Several factors contributed to such unruly behaviour", said a senior officer. "Firstly, the insecurity of future was driving people mad. The talks of handing over the company to private sector, winding up etc. had been in the air for several years. Then there was an intense rivalry between two unions fighting for supremacy, backed by two different political parties; one of which was in power at the Centre and the other in power in the State. There was a caste factor also, which gets into every thing in this State. And finally, an alleged game plan of some members of senior management during the agitation to meet their vested interests. Little did they realise that this was in no way going to help the company to survive" he said.

One of biggest problem that Dr. Sahay faced, thus, was how to bring the warring groups to a common table. Reminiscing the days of turmoil he said, "In those days the situation was so volatile and the battle of supremacy so high as if nothing else mattered. Even a non-issue could lead to flare ups. For them it was a **"maan-samman ki ladai**". For example, at one point in time, evacuating an office bearer of the recognised union from a particular house, which he had unauthorisedly occupied, had become the most important and contentious issue for the rival unions. The fellow would have got a house allotted anyway sometime later, on his turn. Our Estate Officer had issued him notice for vacating the house and I had made my point clear that he had to abide by rules and regulations framed for housing. He went to the court and filed a writ petition. The matter became subjudice and we could not take any action. Similarly, the payment of Bonus at the time of Diwali* in 1991, became a contentious issue. We faced a peculiar situation here. In this company, the recognised union does not emerge out of an open election process. Instead, the labour department of the state government verifies the workmen membership of unions and recommends which union is to be recognised by the management. For a long time Union (A) had been recognised. In the year 1991, the labour department sent recommendation for recognising the other Union (B), which incidentally was affiliated to the party in power in the State. The Union B therefore, staked claims for negotiating the pay revision. The union (A) went to court and got over the matter of recognition stayed. Management thus, was pushed into the position of a husband having two warring wives, one given by the State the other given by judiciary. Wage negotiations became a long drawn affair and even after the agreement, the situation became explosive as to who will sign first. Finally, we had to sign almost 3200 separate agreements with each individual to effect the revision of pay. Perhaps a record for "Guinness Book", he said.

"Dr. Sahay's arrival was obviously not liked by the members of JAC, said another officer". "We felt situation was akin to 'from the frying pan to the fire'. We had expected, that the General Manager (Production) would be requested to takeover. Some even talked about openly that the previous Executive Director lasted for 5 years, Dr. Sahay would not last even 5 days", he said.

9.6 The Initial Moves

When Dr. Sahay took charge in February 1990, the production of scooters had dropped to zero level. There were problems of orders as the SIL scooters could not withstand the intense competition that had set in the two wheeler market (by over capacity in the industry and the entry of fuel efficient scooters), with its outdated technology and worn out plant and machinery. Luckily, the company also had a three wheeler technology, which met the requirements of low cost public transport system. But it had never been the focus of the company's attention. The production and sales of three-wheeler averaged around 100 per month that could fetch about Rs.90 million sales, which was not adequate to foot even the salary and wages bill that was over Rs.120 million.

"The first and foremost task was to build the confidence of people", said Dr. Sahay. "How to make them see the harsh reality, the impending threat of closure of the

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* A regional festival, which is celebrated with geity in many parts of the country.

company, and that by only superior performance the threat could be warded off, was a difficult task. The task was further compounded by the fact that some of the senior members of the management team were not co-operating. I was given the release order of the departing Executive Director and was asked to take charge of the company. The then General Manager (Manufacturing) perhaps, did not like it. He even used to obstruct some of my initiatives. Later on, however, he resigned from the company. I am told that some Directors of the Board thought that he orchestrated the worker-supervisor-officers agitation. One does not know the truth, but with his departure, some change in the attitude of officers was noticeable. So long he was there, people did not believe in my dream. While, I used to talk of 500-1000-1500 three-wheelers a month, he thought that it was not possible to produce more than 100 3W per month. Today, employees firmly believe that even higher out-put is possible" without additional plant and machinery or manpower., he concluded.

Commenting on the issue of perception of capacity for 3W manufacturing, a senior officer said," it is true. Though we had the machines that could be used for manufacturing both 2-Wheelers (scooters) and 3-Wheelers, but we had not realised the extent to which the facilities

could be geared up to make 3-Wheelers. As the democle sword of closure of the company hanged visibly during the hearings of the BIFR, the pressure built up and we started trying harder to get the best from the machines. The conversion of many two wheeler machines into 3 wheeler machines was the brain child, of new CED. The visit of Mr. Krishnamurthy (an eminent management professional, who had earned laurels for turning around several public sector companies in the '70s and '80s), helped us a lot in boosting our confidence. He told us that 3-Wheeler could be our bread winner. Why should it be confined to Lucknow? It should enter other markets of the country. Needless to say that the backing and pushing by our new chief, who not only toiled and slogged himself but made us slog and give the best.

The next difficulty to come in way was arranging working capital. The company had stretched the cash credit limits much beyond the permissible limits and defaulted in all its commitment to the Bank. Our bankers, therefore, were in no mood to help on working capital front. "As no outside help was available, we started identifying and selling scrap and requested the suppliers to extend a helping hand for reviving the company. We also asked our Dealers to place advance with the company for purchase of three-wheeler. Fortunately for us, we realised that there was a demand supply gap and that there was always a queue for the product, which enabled us to get advances from customers to work on", said Dr. Sahay. Unsatisfied demand and spare capacity in supply chain became major source of working capital.

Between 1990 and 1992, the output increased a bit, but still it was an uphill task as without radical structural changes it was not possible to make the company economically viable. On the one hand the company had staff far in excess of requirements, which could not be eased out in a public sector company in India (see Scooters India Ltd. 'C' Case). On the other hand it had inefficient technology worn out plant and machinery, weak suppliers and dealers and unwilling bankers and financial institutions.

"I realised that if we had to succeed we had to improve efficiency of our operations and pay attention to technology", said the CEO. "I started paying attention to maintenance and upkeep, layout, clearing the shop floor etc. Today (1998), we are producing more than 12 times the number of vehicles in half the space we used to occupy in 1990. We started

establishing contacts with leading engineering and technical institutions for the purpose of technology know how. It was not easy, as we did not have financial resources. However, despite improvements in efficiency, the losses were mounting. We were, indeed, caught in a vicious circle. Government helped us in keeping the show going by paying the bare salary and wages but it did not provide funds for the fringe benefits like LTC (Leave Travel Concession), medical, uniform etc. Therefore the war between hope and despair was going on in employee's mind.

Sharing the experiences of improving the efficiency of operations a senior executive said, "It was not easy for us to increase the production by making investment for modernisation. We did not have money for it. The concept of Business process Re-engineering helped us a lot. We improved the layout of the shop floor, processes and usage of machines. In doing so, we realised that some machines could do something beyond what we used to think earlier. Some of the machines are giving performance better than the new machines in certain areas. You will be surprised to learn that the workers prefer them. We also faced problems of procurement of raw material and components form vendors. Suppliers could meet marginal rise in our demand, but they were averse to invest for augmenting their capacity for meeting the growing requirements of a company whose future was uncertain and hanging on the mercy of Board of Industrial and Financial Restructuring (BIFR)." Notwithstanding, the CEO threw to us the challenge to double the production in half the shop area which initially we refuted but to our great surprise, we achieved when he started teaching us BECHMARKING techniques.

9.7 Coverage under BIFR

In September 1991, Sick Industries Control Act 1985 (SICA) was modified to cover the public sector enterprises also. Under the Act, an industrial undertaking whose accumulated losses were in excess of its net worth, come under the purview of the BIFR. Since SIL had accumulated losses in excess of the net worth long back in 1988 itself, the company informed the BIFR promptly to avoid personal liabilities of the Directors, if any. A few months later BIFR declared the Company sick under SICA.

The market sentiments changed rapidly as all the key stake holders like suppliers, dealers, bankers etc. got anxious. Dealers started asking to return their advance money and suppliers choked supply. They immediately sent delegation to discuss the issue with BIFR. CED tried his best to ward off any disruption of production and sales. Fortunately, SIL was meeting the commitment made to various stakeholders especially the bankers over the past two years, which enabled the company enjoy their confidence. They believed the Chief Executive (as he had been keeping his promises), although they were still not sure to what extent the company would be able to revive itself.

“Right from the beginning I had maintained that sale value realised will not be used for making any personal payments. The basic salary and wages were being paid by the government, but not the fringe benefits like LTC/ leave encashment etc. Our raw material component was roughly 60% of sale price. After making payment to suppliers, we were left with some money, which I thought should be used to pay the bankers to regularise our accounts. Our cash credit limit with SBI was around Rs. 5 crores, but it was already stretched to over Rs. 9 crores and with interest etc. it had reached Rs. 11 crores. The principal and the interest were not being paid. The account had become highly irregular and the bank was not ready to allow it to operate. The Cash credit account in IOB was equally alarming. While requesting the bank to allow us to operate the account, I promised to reduce the bank’s exposure by Rs. 5 lakhs per month. I was strictly following this. It restored the confidence of bankers, which helped in getting out of a very tight spot in which we found ourselves soon after referral to BIFR, when banks came forward in our support.

The company had got a study done from a consulting firm which apart from product diversification, recommended reducing the manpower drastically to make it viable. The opportunity came in December 1993. The government had created a National Relief Fund, under which large sums were available for employees opting for voluntary retirement. All the officers had opted for it. Earlier, in 1990, the leaders of the two unions and JAC had requested the government to help. The then Prime Minister, had indeed referred the matter to IDBI through Industries Minister, but it could not complete the inquiry as the company got covered under SICA in 1992. The Ministry, therefore, had expressed to the worker/ staff

union representatives it’s inability to support the loss making company. After this curt reply from the Ministry and the fact that all the officers had applied for voluntary retirement, the leaders of the two unions also told their members plainly that it was for them to decide what course of action they would like to follow: whether to opt for voluntary retirement or wait and hope for the best from the BIFR decision. A large number of workers applied for VRS, about 850 or so. Banking on the grant from the government, from National Renewal fund, company accepted them all promptly and issued letter to that effect, indicating the date of release. However, the government grant did not come in time. Through money was available, there was no provision for SIL in the budget. The management was caught in a fix. It’s credibility was at stake. Dr. Sahay approached the bankers, who expressed their complete inability as it was beyond local head quarter’s powers. His spirit did not dampen. He went on pursing the matter with great perseverance which finally made SBI Local head quarter to refer the case to bank’s headquarters. “The then track record of meeting the promises made to bank helped the case. We kept our fingers crossed. Our credibility depended on their accepting our request. The employees were getting restless” said He. Shri K.K. Narula, General Manager(C & B), supported by Chief General Manager Shri. A.K Puri opened the door for the company’s future, recommending its case to their Head Quarter and advocating the same as it was a national cause. The Bank, while granting the loan, had set the time limit for repayment of the Rs. 3.5 Cr. loan The company had paid ahead of the time granted as it could manage the same to be provided for in Supplementary budget. The headquarters of the bank considered the proposal but sought government guarantee to release money for the purpose “We rushed to the government, who luckily agreed to do so. We were in a position to meet the promise. What a Herculean task it was!. Indeed, ,this became the turning point in the history of SIL”. The number of employees reduced, production increased. In the process the company lose out some good people also. In the workers category, the voluntary retirement of all was accepted but only some 20% of officers were released Under VR scheme. The Company needs some competent and qualified officers in certain areas”

Along with the release of about 850 workforce, management also dispensed with its’ fleet of vehicles, leasing it out to some of the retiring employees. “It was creating a big headache for us. There were perennial problems of breakdowns. Now we do not face the problems of breakdowns. The only car possessed by the company is used by the senior officials including the Chairman & Managing Director, but this is also used for receiving visitors and for meeting emergencies. “I come from home by a pooled car and in case of an emergency, I drive the car myself”, said the CEO.

The company also took some measures to rehabilitate the VRS employees. Each one of them was given a three wheeler at concessional rate to earn livelihood. Some were given small orders of supplies as ancillary. Some helped us in transportation of incoming and outgoing material of SIL, some were given dealership for Company’s products yet some others took to fabrication of body on SIL’s 3 wheelers.

“The organisation is quite open to us now, there is logic and transparency in management decisions” said an Officer. “For example, we observed that our forging shop was not having efficient operation. The outsourcing of components was cheaper. We then decided to close down the forging shop. The workers of the shop were shifted to various departments, including security department. One union even protested against the closure of shop and transfer of people. But the workers were happy. It was surprising. I am told that it was because they felt that with security uniform on their status back home had gone up. People at home thought that they have become Darogaji (Head Constable). In a way it solved another problem: of depleting security force. We had tried to work out through temporary staff, but it created various problems. The closure of forge shop was a blessing in disguise. It killed two birds with one stone.”

9.8 Marketing Challenges

Reflecting on the challenges earlier and now, the Dy. General Manager (Marketing) said, “before the present CEO took over, we produced 50-60 3Ws a month, they used to get sold in and around Lucknow. Company believed what was happening was the best. Nobody was prepared to think big. My first effort after arrival of Dr. Sahay was to seek the approval of State Transport Authorities (STA) of different states. You know all the (automobile) vehicles have to first get road worthiness certificate, either from ARAI, Pune or VRDE, Ahmednagar, without which the state transport authorities would not give approval for registration of vehicle in their state. They may still deny the permission on other criteria such as total vehicle population in the state being more than required etc. The next stage is getting permit from Regional Transport Authority (RTA), which is necessary in the case of commercial vehicles and without which they won't be allowed to ply, and therefore, no body will purchase it. We had permit for Uttar Pradesh (UP) and Bihar States only. They also had to be persuaded, because if they are not favourably inclined, they may not give permit as it happened in the case of Lucknow, when RTA refused to issue permit."

"The second problem we are facing is that of changed norms of emission (e.g., earlier the carbon monoxide permissible limit was 4%, now it is reduced to 2.5%. Likewise, hydrocarbon plus nitrox limit was 2 gm. now it is 0.97gm. Now I have to get all the products re-tested from ARAI, or VRDE and get approval from each state afresh. You can imagine the task from the fact that getting STA approval may take 6 months to 24 months. We are also facing the problem of technology. We have developed and produced in-house, a battery operated electric motor driven vehicle. We had also worked a project on electric car, but the opportunity was lost as we did not get permission from the appropriate authorities at the appropriate time.

I feel the quality of product is not up to our expectation. It has to improve further. The main reason for the same seems to be the lack of concern for it, perhaps because we always emphasized on quantity and production but did not match demand on quality. Even today we have some difficulty in convincing our people that in a competitive market, customer is the boss. We must give credit to the present CMD that he is relentlessly pressing the point that customer has to be listened and that customer is the only profit rest all are overheads. If the Service Department raises the issue of customer complaints, the manufacturing people would say that the vehicle which has been tested and passed here was good. The Service Department would be asked many questions to shut them up. To some extent they are also to be blamed for inadequacy of their analysis on account of lack of proper data to support the customers' viewpoint. Occasionally the modifications in the design get validated in the field, rather than fixing the quality standards, before the modifications are introduced".

When CEO set the Company to sail on 1S0-9000 path, employees were bewildered. Majority did not believe that SIL can acquire ISO -9000 certification. In fact, he himself took to teaching the staff about ISO-9000 and made us teach the employees lower down. It was an internal revolution. The company got awarded ISO 9001 certificate. "It was not easy to get. People even joked that if SIL got the ISO-9001, it must be humbug. Thanks to our CMD again that he persisted with the idea and made us work for it", he said. "Now he is emphasising on **TQN**".

"The third problem that we are facing", he said. "is the lack of education. The retirement was faulty and training scanty. Some people who were good had left the company. Those who were left were those who felt that they would not get a job or could not manage independently. Of course, there were some good ones also, who could not leave the town for family considerations. CMD was the only exception who had no other reason to stay except to fulfil a mission to change the course and turn it around. We thus had the task of building an organisation with demoralized employees. The challenge was to inject life into practically a dead body".

“Commenting upon the competition in the industry, an officer said,” Our main competitor is Bajaj Auto (with 81% share), Bajaj Tempo (with 5% share) and Piaggio Greaves (with 5% share). Besides, there are few marginal players, together having about 4% share. The main competitor i.e., Bajaj has some other products to fall back upon in case of recession. The marginal players should also not be underestimated. They are able to achieve viability even with 100 3wheelers per month on account of their small size and flexibility to recruit and relieve workers as per the demand fluctuations, something that we can’t do, being a public sector enterprise. Greaves, at one point of time was manufacturing 2000 3Ws per month with 250 people, we have 2000 people for a little over half of that volume. Even though BIFR order was to reduce the staff strength to 1676 employees for manufacturing 18000 3Ws, we have not been able to achieve it. Competition is telling this year; we have sold 800 3Ws less than last year, though our fall is less than others in the industry. Earlier we used to sell the vehicle by taking advance from the dealers, but now we are selling on 1 month credit terms.”

9.9 Reflections of the Trade Unions

“By 1990 we realized enough was enough. There wase too much of Dushmani (animosity). There was no law and order. We asked officers, how will all this make our future. We even contacted Mr. V.P. Singh. He promised to help. When he became Prime Minister, our case was referred for inquiry by IDBI. However, before any result could come out, the company got covered under BIFR. Ministry played havoc. They maintained that the work force is too high and therefore, the company can not run. We knew that in many sick companies’ people were working on 1976 scale, even in ‘90s. Wisdom dawned on us. So we sat down and decided to let dues be deferred and production increase. We had to accept the reality that the company could now be really closed down, and announced to our people that if they wished they could opt for voluntary retirement. We could not guarantee future. But, we did believe that if management gives us work, we could always perform. The machines, which were rejected earlier are giving 40% more output these days”. As the representatives left, the Chief of Personnel winked to the case writers “this firebrand man is a good machinist. He finishes the days work in 2 hrs, without having any quality problem.”

Sharing their experience of over 25 years, the representatives of Union A said, “From 1974 to 1985, the people used to think that they were government employees, do whatever they felt (good or bad) only to ensure their service. I think, there was a lack of responsibility at all levels. There was a feeling among the workmen/staff/officers that senior executives were not honest. Nobody bothered about profit or loss at any level. By 1986 the environment started changing. Government started feeling that it could not run loss making companies. Our union started thinking if the company is in loss, it has implications for us. In 1986 we had no work. From December ‘86 to June’87, we raised an Andolan (movement) “Give us 8 hours of work”. We were worried about the future. We did not seek monetary benefit. Not many people were with us, but we were undeterred. We met the Minister of Industry for work. He said you are getting salaries, leave the issue of work to us. We were laughed at and condemned ‘Netagiri Sawar Hai’ (wants to be a statesman), ‘Management Ke Chamche Hai’ (Stooge of management) etc. The Andolan (movement) died, but soon after the news of privatisation was in the air. People were worried, we started fighting again, asking the government for guaranteeing our jobs".

"The disillusionment and confusion lasted for 5 years up to 92. During this period some concern started developing that to some extent we are also responsible for whatever was happening in the company. With referral to BIFR it came out more emphatically. While government stand was for closing down the company, we felt it could run. Indeed, we formed a joint action committee (JAC) along with (supervisory) staff and officers. We also formed an expert group, who went for an extensive examination of viability, met all the past Chief Executives and came to the same conclusion. We submitted report to government, who rejected it. Government was willing to offer it to be run as cooperative, but was unwilling to write off the losses".

"There was some change in government attitude also. Government appointed a new Chief Executive (Dr. Sahay). We also thought we must cooperate and work. With Chief Executive from inside, the climate changed. BIFR said 'you people are responsible for loss', we realized that we must also admit our share of responsibility in company's mounting losses. It was not easy to convey this to people, but we told them after BIFR meeting plainly. Indeed, we maintained what we had said in 1986 (we must get 8 hours work) and that there was no alternative to work if the company was to survive".

"There has been some positive role played by the management. They promoted 10% people in 1991 before the company got covered under BIFR. Since, April 1995 to April 97, about 80% people have got promotion. Today we realise a mental revolution has taken place. Majority of people believe now that without work, no prosperity was possible. Now if a target is set (collectively) no body needs to be watched. Indeed, at times people go and ask others (down stream) whether there was any problem with what they produced".

"We do have some problems even now. When we increased production and profits, people started expecting more. When we raised the issue with CMD, he requested to defer it, and plough back the funds into the operations. We accepted it, but then the other unions say there is a nexus between us and CMD".

Reflecting his concerns for the future, the representatives said, "All of us (union A) also want that most workers should be with us. But beyond that we believe that there is an impending danger of technological obsolescence. People think that we can face future by further collaboration for import of technology for new product. But we believe that we can not bank on others coming forward to help us. We must improve our existing product itself".

Talking to the case writers, the executive members of Union B said, "We believe that if the management was honest, the company can run. In the past, we have been headless in real sense. We had good persons in top management/officer level, but they had Bhusa (husk) in their heads not brain. They did not know where to go. They did not move with time. Indira Government had announced change in policies in '80's itself, to go global. Indeed, the government had announced closure of SIL in 1979-80, but Indira Government continued it for political reasons. We are also sour about government going back on its undertaking to SIL (given in 1972) that all imports of 2W technology will be routed through SIL, while allowing LML to import technology in 1983 without talking to us. Management did not take note of it. They were too busy to pursue their own agendas: how to remove their superiors. We had for instance, once manufactured mopeds for the first time, on an export order. But the next Chief Executive dumped it, Rs.3.5 crore down the drain. Now the husk in the management's head has reduced somewhat, and we are in profit".

The meeting of case writers with the representatives of Union C was interesting. They raised two fundamental issues:

(a) What difference the patchwork, of an illustrative case writing on turnaround of Scooters India Limited, would make to the currently prevailing bureaucratic and political thinking of privatizing the public sector,
(b) How can we call the performance of SIL a success, if it has been achieved by loss of a large number of people (having made an exit through VRS, under threat of winding up by BIFR).

The Union D, too, echoed the sentiments against privatisation to justify their agitation. "Why should government still talk of SIL privatisation, when we have started performing like a private sector company in terms of our dealings and behaviour".

Explaining the reason for performance, the Union E said, "Our culture has undergone a change. We do agitate even now. But unlike 70's, after 1985 we do not strike work. Yes, you are correct that more than once the unions stopped executives from entering factory premises, but they also tried to keep the production on. Indeed, once during the supervisor's strike, we gave more production than normal days, to let them know their worth. We know how we can get more production from our people because we move with workers. But we won't tell you. It is our secret. We do use it for negotiating with management. However, we do not let down the company now. Each of us now knows that if the company's performance goes down, our future is not safe. We have not been able to forget the trauma of people committing suicide after taking Voluntary Retirement, unable to fend for themselves".

Commenting upon the change in union's attitude towards striking the work an officer said, "it is true that instances of striking the work have reduced now. But it is more an outcome of a land mark judgment of the Supreme Court: that "there should be no payment, if the work is not done", which the management has been strictly enforcing.

Q1. Critically analyse the context at the time of new chief executive taking over the charge of the company.
Q.2. Evaluate the achievements of the company during the 7-years period (1990-97).
Q.3. How the company has achieved the above performance?

Q.4. What were the "myths", referred in the case, which were shattered, when the company made turnaround?

9.10 Lessons from the Experience

The case illustrates the tasks, challenges and process of managing transformation in an ailing public sector company. It covers all the aspects of turnaround management; financial, marketing, production and above all the human resource management revealing the dynamic nature of the process of change. It reveals, how the leadership can get more than 12 times output from a substantially depleted workforce and wornout machinery. Indeed, wonder over the concept of installed capacity itself not only in terms of human potential to perform but even potential of machinery. How leadership can inspire people to give amazing performance. The cases raises some fundamental questions about exit policy so much talked about these days: When should we talk of exit, if at all? Are we giving up too soon, by following western fads of exit policy? Are certain western models of management practices relevant in the Indian context? Is there a need to hence a fresh look at Indian organizations' capacity to perform in general and of U.P. in particular? Is the concept of public sector enterprise relevant in the present day context? Is there a need for privatization of public sector companies in terms of shareholding? What is the role of BIFR, is it really useful rehabilitation of sick companies? Why is that only one PSU viz. SIL referred to BIFR succeeded in turnaround when all other failed?

Although short in length, the case is a fairly complex one. It encompasses many issues, which may not occur to one in normal course, being unique to this country. The following questions may help in highlighting them.

Q.1. Critically analyze the context at the time of new Chief Executive taking over the charge.

The context of the change gives an insight of the challenge of change involved considered along with the task of change (which will be apparent in response to question number 3).

The key aspects of the context of change in this case are:

1) The company had been making losses ever since its inception, living as a poor performing public sector undertaking for nearly 18 years.
2) Had accumulated losses to the tune of over Rs.656 million (as at 3.3.96) funded through loans, which had pushed it into a vicious circle.
3) On account of (2) above company became a BIFR case, BIFR initially felt that company was beyond redemption and should be wound up.
4) The financial institutions were disinterested and not keen to extend further help.
5) The owner (Government) too was disinterested in carrying out the "dead horse".
6) There was violent trade unionism, compounded by officers joining it. There was complete demoralization at all levels.
7) The company had old plant and machinery, some of them being 30-40 years old.

8) The company had an installed capacity of 2500 3 Ws per annum, but had never produced beyond 1435 per annum till the new Chief Executive took over.
9) There was a market for 3W, but the company never realized it, neither made any sincere efforts to capitalize from it.

Q.2. Evaluate the achievements of the company during the 8-years period (1989-97).

The company gave an extra-ordinary performance during the period.

1. The sales went up from Rs.10.3 million to Rs.119.1 million (11.3 times).
2. The company earned a net profit 109 million in 1996-97 as compared to a net loss of Rs.404 million on a sale of 103 million in 1989-90.
3. The 3W production went up from 1435 to 15618 i.e., 10.9 times.
4. This was achieved, when the work force was reduced from about approximately 3000 to 2000 or so.
5. There has been no substantial change in the investment. Gross block increased from Rs.251 million to Rs.297 million (the net block indeed reduced from Rs.86 million to Rs.60 million).
6. The rise has not been overnight, but through a sustained effort, highlighting the slogging done in achieving the results.

The achievement becomes all the more significant in the context of the company before turnaround mentioned in Q.1. above.

Q.3. How the company has achieved the above performance?

1. A quick look at the profit and loss account and the balance sheet (Exhibit 1 and 4) would reveal that the company made a net profit (in 1997) by waiver of interest burden, which may be attributed to the rehabilitation scheme approved by the BIFR and endorsed by the Government of India and Financial Institutions. But that shall be a gross understatement of the gigantic efforts of the management and workers, as discussed in following paragraphs. Getting a waiver of interest reflects on the ability of the Chief Executive to influence external environment.

2. The profits of the company could increase either by increasing the revenue or by reducing the cost. The company has done both.

3 The revenue can be increased, by increasing the price and volume. The company has done both. The price effect over the 8 years period is only to the extent of (11.3/10.8) i.e., about 50%.

4 The increase in volume could be achieved by penetration of 50% the same market or by expanding the market. The company has done more of the latter. In fact the company could not sell much in home-town, Lucknow, as the RTO Lucknow did not register any 3W since 1996-97. The company had to make extra-ordinary efforts for the purpose.

5 Increase in sales volume requires increase in production. This could be done either by augmenting the capacity or increase in the productivity.

The company did not have money to make investment for expanding capacity. So it banked on increasing productivity. This was not easy, as there were violent agitation against management. In any case getting over 10 folds rise in output with staff strength reduced to approximately 2/3, (comprising less competent people) is not an easy task.

This specific points needs to be stressed: What is our concept of man? Can productivity be increased 10 fold, given same plant and machinery? Any organization that could do it would be in profit. Scooters India case highlights how the immense organizational potential may remain untapped, on account of Hanuman effect and what result an appropriate leadership can bring out from the "written off" lot of people and machinery.

6 Even if the leadership was able to motivate people, could the production be increased without increase in the plant and machinery? How the company has been able to increase manufacturing capacity. The company has not made substantial investment in the plant and machinery; as can be seen from the Exhibit 4. How then the production is increased? From the Exhibit 3, it would also be seen that the installed capacity has been increasing steadily. How the installed capacity is increased? The explanation comes from Exhibit 11. The company undertook a serious exercise of Business Process Re-Engineering (BPR) and did lot of slogging on it. The Exhibit indicates the areas in which actions were taken, both for bought out items and for in- house manufacturing ones, which led to increase in the installed capacity.

7 That is not all. The over all production capacity of a company is not determined by the installed capacity of plant and machinery for in house manufacturing alone, something that does not occur at the first instance. Development of vendors for raw material and components is equally challenging a job, especially for companies in the state in which SIL finds itself – the future hanging in balance with BIFR court and there being less chances of survival. In such a state it is not easy to convince suppliers to invest for expanding their capacity to meet the growing SIL demands for component.

8 Coming to the reduction in costs, the management did not allow the cost to increase, especially the manpower costs, despite all the pressures. By not investing in fixed assets, it kept depreciation at low level.

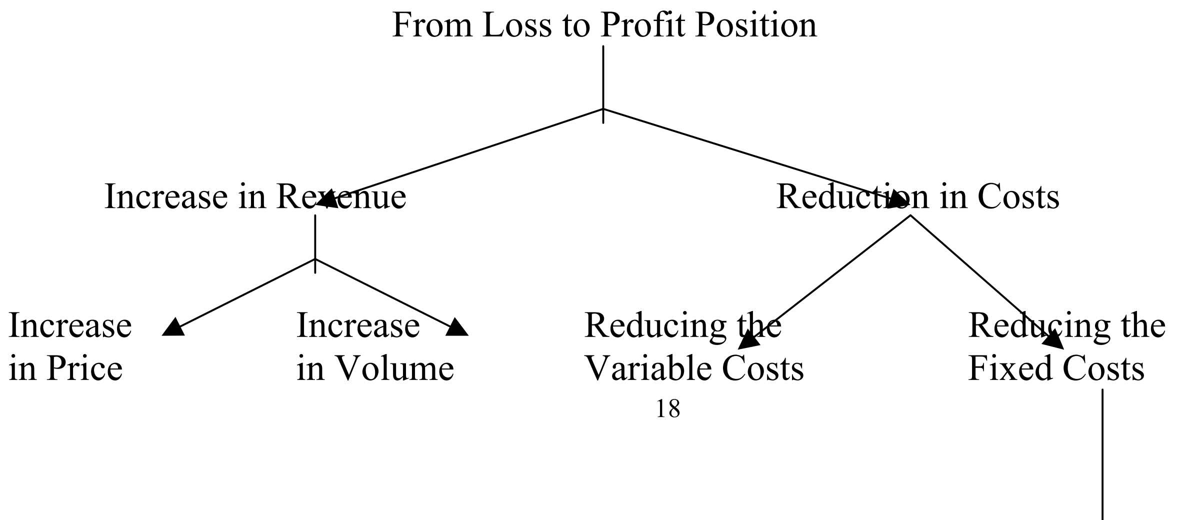
It is only on account of above factors that the Chief Executive was able to impress upon the Financial Institution to waive off interest and agree for one time settlement to be funded by the government. It was also able to make government agree to waive interest and write off non-plan loans given in form of payment of salary, rather than converting it into equity (first time for any public sector company in India). A signal achievement indeed, of course, it took 7 year to do it.

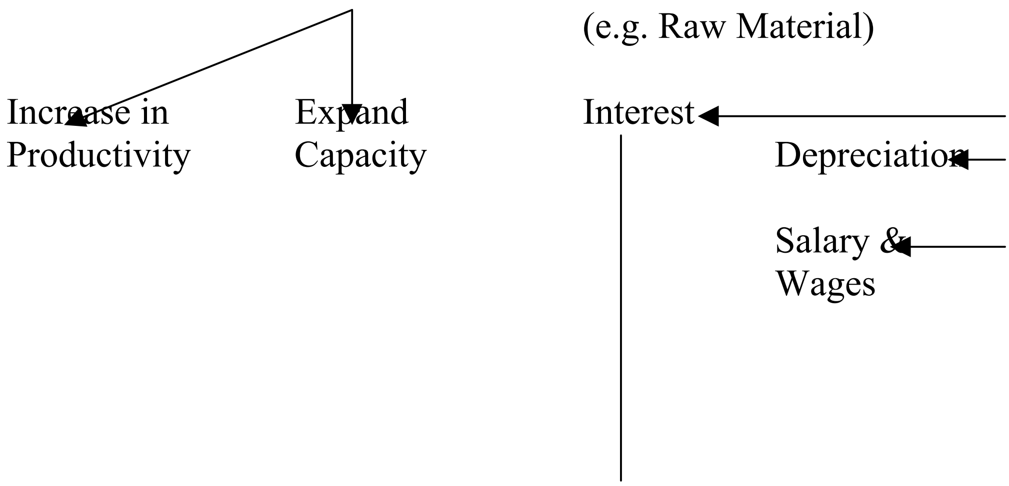
9 A factor that may remain underemphasised, if due care is not taken to highlight it, is the role of BIFR. The fact that the company got covered under BIFR, created a level of organizational dis stress that was enough to make people panic, officers and workers alike; which was demonstrated by a large number of them asking for voluntary retirement. Unfortunately many of them could not settle down well (some even committed suicide). This made the others (who had not sought/did not get voluntary retirement) to come closer and slog together. It was matter of life/survival for them.

10 At the back of it all, there was also a factor of leadership, who fought and also negotiated well with all the key stakeholders (suppliers, workers, officers, customers, financial institutions including the government); and convinced them to make SIL a success.

a) The case highlights the following leadership characteristics responsible for the success of Transparency in dealing.
b) Genuineness and concern in dealings.
c) Values to be maintained.
d) Keeping the promises.
e) Courage and conviction: Sticking to the guns where necessary.
f) Understanding of the business.
g) High stress threshold.
h) Environmental sensitivity.
i) Empowering skills
j) Integrative skills.
k) Ability to develop plans and confidence to achieve them.
l) Innovation skills.

SIL





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Thus, the major managerial action and the challenge faced were as depicted in diagram 1.

Q.4. What were the "myths", referred in the case, that were shattered when the company made turnarounds?

There were several myths that the company shattered while making the turnaround;

1. For the first time in the country, a company made net profit after 25 years of its existence. It was a historical event. It gives hope to strategists of the future; a company can be turnaround at any point of time in its history.
2 The turnaround was not a cakewalk. It was out of sustained efforts of management and workers. Any company can be turnaround if it can increase it output by 10 times, without almost any increase in its plant and machinery and by reducing its manpower by 1/3.
3 The company shattered the concept of installed capacity by making efforts through business process re-engineering.
4 The company also questioned the myth that referral to BIFR means being a "mortuary" case. Indeed, it reinforces the role of BIFR as a body, which can make amends to thinking process of workers at large that can't assume survival of the company without slogging.
5 The case questions the relevance of EXIT policy the in Indian context without making a serious effort to manage, a fad that has gained popularity these days. When a company should call it a day? Is exit policy synonymous to failure of handling by the raising the issue as to the leadership issue?

SIL (D)

Exhibit No. 1

Sales	Year Ended 31.3.1998 Rs.	Year Ended 31.3.1997 Rs.	Year ended 31.3.1996 Rs.	Year ended 31.3.1995 Rs.	31.3.1994
Vijai Super	1,414,121	4,545,692	33,08,533	41,45,712	71,20,352
LambrettaCento/Sunny Fr.	95,514	188,962	1,51,853	6,37,542	31,38,593
Power-Pack (2 Wheeler)	150,604	-	45,888	40,830	1,09,019
Power-Pack (3 Wheeler)	573,256	24,862	79,86,33,240	45,66,57,604	22,02,13,218
Three-Wheeler	1,228,468,662	1,436,385,089	-	23,950	1,27,62,519
Spare-parts	36,606,721	34,209,856	2,35,67,987	1,58,63,198	3,64,30,701
Fans	1,047,920	7,547,808	1,86,93,986	1,29,74,744	66,01,362
Petrol, Diesel, Lubricants etc.	10,652,501	8,104,119	84,94,000	78,78,378	----------
	-------------		----------	-----------	28,63,75,764
	1,279,009,299		85,28,95,487	49,82,21,958	

SIL (D)
EXHIBIT
1(B)

STATEMENT OF INCOME

(Rs. in lakhs)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Income													
Sales			1134.57	1127.55	1027.74	1149.24	2484.43	2291.60	2863.76	4982.22	8528.95	11910.06	12790.09
Other Income			57.97	37.40	51.44	52.14	50.40	232.16	1145.29	254.32	143.80	179.35	343.73
Accre. (Decre.) to WIP/FG			22.65	60.43	47.37	83.40	158.24	175.98	199.02	304.97	80.04	489.90	20.84
			1215.19	1104.52	1031.81	1284.78	2693.07	2699.73	3810.03	5541.51	8592.71	12579.31	13154.66
Expenditure													
Materials			751.91	703.42	735.38	799.63	1659.37	1539.25	1779.21	3013.96	4621.01	6512.85	6705.36
Employee Renumeration & benefits			858.98	1014.22	1210.54	1334.80	1446.03	1625.16	2168.58	1416.45	1761.95	1825.42	2149.22
Other Expenses of Mfr./admin/selling & distol			467.53	508.79	457.17	505.04	923.00	835.95	838.80	1408.50	2204.76	2897.22	2953.44
Depreciation			127.32	82.38	91.49	85.96	73.51	65.79	62.43	63.77	65.60	67.75	84.03
Interest			1682.95	2100.60	2589.45	3180.59	3962.06	4839.26	6621.01	7831.12	9157.09	232.49	127.80
			3888.69	4409.41	5084.03	5906.02	8063.97	8905.41	11470.03	13733.80	17810.41	11535.73	12019.85
Less: Expd. included in the													
above items capitalised			16.39	17.92	14.97	16.11	14.59	13.99	37.15	37.17	36.10	49.30	54.20
Loss for the year			3872.30	4391.49	5079.06	5889.91	8049.38	8891.42	11432.88	13696.63	17774.31	11486.43	11965.65
			2657.11	3286.97	4037.25	4605.13	5356.31	6191.69	7622.85	8155.12	9181.61	1392.88	1189.01
Prior period adjustments			54.83	433.91	251.96	219.56	42.64	100.61	2996.10	117.12	7.75	33.08	1.41
Loss Carried over to balance sheet			2711.94	3720.88	4289.18	4824.69	5313.67	6091.07	10618.95	8272.24	9189.36	1059.80	1187.60

EXHIBIT 2

SALES PERFORMANCE OVER THE YEARS

SALES	Year Ended 31.03.1998 Rs.	Year Ended 31.03.1997 Rs.	Year Ended 31.03.1996 Rs.	Year Ended 31.03.1995 Rs.	Year Ended 31.03.1994 Rs.	Year Ended 31.03.1993 Rs.	Year Ended 31.03.1992 Rs.	Year Ended 31.03.1991 Rs.	Year Ended 31.03.1990 Rs.	Year Ended 31.03.1989 Rs.	Y 3
Vijay Super	1,414,121	4,545,692	33,08,533	4,145,712	7,120,352	9,928,354	16,594,602	6,014,932	2,738,034	6,903,055	1
to/Sunny Fr.	95,514	188,962	151,853	637,542	3,138,593	5,126,009	3,391,957	543,221	396,294	1,446,229	
(2 Wheeler)	150,604	0	45,888	40,830	109,019	28,213	78,996	0	132,600	10,098	
(3 Wheeler)	573,256	24,862	798,633,240	456,657,604	220,213,218	140,117,959	160,419,943	74,060,342	57,610,470	66,712,746	4
ree-Wheeler	1,228,468,662	1,136,385,089	0	23,950	12,762,519	11,227,380	23,210	0	0	213,543	
Spare-parts	36,606,721	34,209,856	23,567,987	15,863,198	36,430,701	55,656,411	9,590,373	9,794,254	7,201,514	8,206,570	1
Fans	1,047,920	7,547,808	18,693,986	12,974,744	6,601,362	7,075,686	51,450,860	19,023,570	29,219,803	23,689,317	3
bricants etc.	10,652,501	8,104,119	8,494,000	7,878,378			6,893,044	5,487,459	5,475,123	5,573,198	
Total	1,279,009,299	1,191,006,388	852,895,487	498,221,958	286,375,764	229,160,012	248,442,985	114,923,778	102,773,838	112,754,756	11

EXHIBIT 3

LICENCED AND INSTALLED CAPACITY

	Licenced Capacity		Installed Capacity					
	1997-98	1996-97	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
Two-wheeler	100,000	100,000	12,000	12,000	12,000	12,000	12,000	12,000
Two-wheeler Power Pack	0	0	2,000	2,000	2,000	2,000	2,000	2,000
Three-wheeler Vikram	30,000	30,000	16,500	15,000	12,000	7,500	5,000	2,500
Moped Vinai	50,000	50,000	0	0	0	0	0	0
Fans Ganesh	75,000	75,000	60,000	60,000	60,000	60,000	60,000	60,000

Actual Production

	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Two-wheeler	0	181	223	110	403	1,558	1,806	650	276	912	1,441
Two-wheeler Power Pack	10	0	6	6	12	3	10	0	20	2	1
Three-wheeler Vikram	16,000	15,618	11,095	7,863	4,222	2,704	2,961	1,616	1,435	1,911	1,414
Moped Vinai	0	0	0	2	0	0	0	0	0	0	0
Fans Ganesh	212	8,893	27,169	22,257	48,681	96,032	95,168	40,884	59,062	31,016	100,279

SIL(D)

Exhibit 4

Sources and Uses of Funds

Sl No	PARTICULAR(S)	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
1	SOURCES OF FUNDS												
	(i) Snaceholders Funds												
	(a) Capital	383788	368788	78113	78113	78113	78113	78113	78113	78113	78113	78113	75613
	(b) Reserves and Surplus	926	926	926	926	926	926	926	926	926	926	926	926
	TOTAL	384714	369714	79039	79039	79039	79039	79039	79039	79039	79039	79039	76539
	(ii) Loan Funds												
	(a) Secured	79209	124192	283747	268960	271902	238836	201699	199244	183486	180150	166289	160761
	(b) Unsecured	95870	132218	626965	533728	450544	346611	288486	235523	191067	155549	125098	100512
	TOTAL	175079	256410	655340	560624	477735	370494	308656	255448	209416	173564	141727	116588
	TOTAL SOURCES OF FUNDS	559793	626124	663244	568528	485638	378398	316560	263352	217319	181468	149631	124242
2	APPLICATION OF FUNDS												
	(i) Fixed Assets												
	(a) Gross Block	311574	297677	283416	274062	268461	263667	262523	260322	257653	255651	253241	250738
	(b) Less Depreciation	251738	243414	236746	229988	223751	217580	211780	204368	193403	181083	176944	164267
	(c) Net Block	59836	54263	46670	44074	44710	46087	50743	55954	64250	74568	76297	86471
	(d) Capital Work in Progress	5426	300	2678	1857	1674	1939	1893	2021	1944	2109	2336	1838
	TOTAL	65262	54563	49348	45931	46384	48026	52636	57975	66194	76677	78633	88309
	(ii) Investments	336	336	7038	7038	7038	7038	7038	7038	7038	7038	7038	7038
	(iii) Current Assets, Loans & Advances												
	(a) Inventories	286979	319798	288880	244086	159400	166183	164119	140019	130838	128927	143969	140941
	(b) Sunday Debtors	42016	13304	10552	15767	23668	21324	16394	13751	18058	22500	24696	24627
	(c) Cash & Bank Balances	299227	176304	130990	50945	59800	16778	21554	13619	9070	18312	1769	1349
	(d) Loans & Advances	37915	23736	34053	31641	18270	20163	25400	25209	25962	27721	31812	29930
	TOTAL	666137	533142	464475	342439	169574	224448	227467	192598	183928	197460	202246	196847
	LESS- Current Liabilities & Provisions												
	(a) Liabilities	305633	253875	293813	257230	195455	139189	145731	123467	123609	119695	118893	108788
	(b) Provisions	199	37728	151088	91134	74433	106888	117765	112041	90127	48600	3864	3823
	TOTAL	305832	291603	444901	348364	269888	246077	263496	235508	213736	168295	122757	112611
	NET CURRENT ASSETS/(-) LIABILITIES	360305	241539	19574	-5925	142585	-21629	-36029	-42910	-29808	29165	79489	84236
	(a) Miscelenous Expenditures to the extent not written off/adjusted		4	676	1364	2066	2805	3316	4145	4971	5920	7352	10238
	(b) Project & Loss Account	133891	329681	655580	563687	486964	374774	313864	260727	212480	169588	13238	105260
		559794	626123	663244	568528	635098	378398	316560	263352	217319	181468	185750	124242

SIL(D)

Exhibit 5

OTHER INCOMES

PARTICULARS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
I. Miscelleneus receipts sale of:											
a. Tools	696570	1340192	1283182	1184410	2416741	3978767	6362550	3394703	1836316	1430951	1552824
b. Emplies	18383	33787	22075	25121	143	44452	31621	174532	167786	253516	152846
c. Miscellaneous item	1050343	1480859	1493702	1685485	805336	2294433	3033089	3170039	4810598	5926353	6273880
(B) Interest:											
a. Loans to UPIL	564489 @										
b. Vehicle advance to employee	130676	214455	155987	87669	84992	105616	106594	71287	34858	112299	73138
c. Suppliers/Dealers	57740	25666	46599	48436	125137	76570	308395	1209084	854623	298930	217422
d. Short term deposits						194082	21895	356383	2869501	4200186	22642072
(C) Bus body fabrications			1436044	769100	794009						
(D) Export Subsidy											
Cash Assistance	1941274	116139	211884	829256	131312						
Duty draw back	254198	2050	2590	23081	20770	63803		400751			
(E)Profit on sale of F.Assets	33496	23942		43781	20106	1341004	32438	121086	60604	19446	84987
(F) Gain in forex due to rate fluctuations									232723	126753	
(G)Service charges										1415090	1418544
(H)Other receipts	1049766	502875	491644	517449	641284	1079320	1101386	903487	2198276	2040193	1346290
TOTAL	5796935	3739965	5143707	5213788	5039830	9178047	10997968	9801352	13065285	15823717	33762003
II. Grant in aid from GOI:											
a. For consultancy										1463000	611000
b. From national renewal fund for implementation of volunatry retirement scheme						14038000	103530543	15630528	1314398	648570	
TOTAL						14038000	103530543	15630528	1314398	2111570	611000
GRAND TOTAL	5796935	3739965	5143707	5213788	5039830	23216047	114528511	25431880	14379683	17935287	34373003

SIL(D)
Exhibit 6
Staff Expenses

ARS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
ages & bonus	71322296	78479920	92579171	100636729	107581654	117571797	126269773	103482747	136287556	126249680	172992203
n Vol.retirement					2316662	6143435	62666432	6808814	126421	333983	
& FP scheme	4538071	5277967	6219329	6670909	7292191	8313267	7765953	6884020	4865130	928075	3482717
share of									2452627	6902569	9424210
osidy on HBA	241392	263276	294272	369068	431245	518404	429474	518512	536117	591571	641887
n to ESI scheme	1924937	1719757	277197	12402	11582	2923204	1529078	47371	52014	1259483	5047523
n to employee's	315190	405347	492491	585498	566271	478814	505136	356281	391138	437815	478891
rance scheme											
efits	833719	1634457	2934029	4239018	4160498	2061282	2060598	3290713	4707953	3565388	1755896
penses	2377002	2583442	2571339	2961502	3265366	3359319	3573229	3168521	2425971	2530963	3004637
xpenses	2685966	2848291	2739653	2957634	3054364	3390923	3584579	3506173	3017679	3206769	3394366
ehold Accomo.)	156655	143400	131600	89450	70700	70050	87260	93810	64950	125436	145550
	381816	7012506	10491512	11894494	7916610	16422585	4480235	12216728	11387184	2796332	12812638
el concession	45411	571316	1217403	1286317	6748066	378072	2716954	308288	8349216	32432699	
	748485	220798	175996	896201	374789	54852	277247	114207	568912	112882	162977
expenses	28234	104813	70542	38350	75308	107880	60432	68180	83822	224648	505860
ucation allow.			636000	643755	569580	566965	663295	460500	464805	447910	650237
nses	298795	157130	223647	198627	168123	154910	188531	320902	413710	395367	422568
	85897969	101422420	121054181	133479954	144603009	162515759	216858206	141645767	176195205	182541570	214922160

SIL(D)
Exhibit 7
Interest on Loans

PARTICULARS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Government of India	138796536	175705672	225059818	282883081	354527945	436383974	611089560	734004839	870481559	154082	3482534
Financial Institutions	7796933	9951134	10977535	12165419	13047809	15148477	16884058	18814484	21034675		
Banks	19310008	20968159	19378116	20250440	26342258	31099354	32010376	29404805	23758592	22868670	8907951
Hundies	867067	1219973	448097	46442	729236	72778	1290439	80692	19172	65810	378489
Custom Duty	1480913	1282152	842113	818097	572699	447618	260385	230749	395959		
Cento Deposits	4125	895884	874989	566327	787040	11705	13514	7480			
Others	39039	36664	1364265	1328759	199395	762164	552869	569044	16579	160613	10957
TOTAL	168294621	210059638	258944933	318058565	396206382	483926070	662101201	783112093	915706536	23249175	12779931

SIL(D)

Exhibit 8

Details of Loans and Advances

ARS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
es	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000		
nd Advance from Financial												
ons and Banks												
	14300000	14300000	14300000	14300000	14300000	14300000	14300000	14300000	14300000	14300000		
	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000	5000000		
	64479308	63858308	64911167	63638526	62095570	62013586	73180590	76997848	41028984	56987578	50263212	5024
	30233144	30528082	30854588	27273372	34773834	28485532	42112075	38988668	24084755	35218563	27606409	1108
g Loan Interest Accrued	21547	21547										
	5637123	6187123	6737123	7287123	7837123	8387123	8937123	9487123	10037123	10587123		
	27123855	31617045	36575933	42063377	48018256	54733756	62147158	70362972	79454452	89543985		
	4989626	5503530	12750736	14803856	17094445	19698285	22646364	25946338	29640210	33786648		
	3975880	4273659	4020519	4119737	4125126	4080993	5212678	25818997	46641970	27160309	46321931	1788
	160760513	166289294	180150066	18348599	199244354	201699275	238535988	271901946	255187494	277584206	124191552	7920
Loans												
m Loans and Advances												
	11122426	15631504	19511096	20279989	13048072	20126315	22579813	22280112	16650943	10000000		
PSIDC	1340000	1340000	1340000	1340000	1340000	1790000	1790000	1790000	1790000	1790000		
OI	8701000	8701000	8701000	8701000	8701000	8701000	8701000	8701000	120986626	134092526		
oans and Advances												
	5380000	5380000	5380000	5380000	5380000	5380000	5380000	5380000	5380000	5380000		
)	2633000	2144000	1621000	1060000	459000							
	515374263	620874263	746874263	877874263	104887426	121677426	134877426	147847426	377309000	161717526	80500000	9550
Accured and Due												
	6247828	7809572	9567196	11567554	13808356	16379635	19286956	22582753	26318808	30566019		
	13389828	14182781	14353671	14420740	14441750	13928603	19752287	26436578	34606067	49920781	51717689	
C	3313981	3992106	4766462	5653075	6652670	7387396	8717072	10239543	11982620	13984112		
	437622681	570927060	743381788	964397090	124253421	159439757	203113101	292956424	366715063	454700448		37

	100512500	125098228	155549647	191067371	235523932	288486478	346611241	450544849	535105433	761674592	132217689	9587

SIL(D)
Exhibit 9
Gross Block at Cost

ARS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Land	1069395	1055416	1041437	1027458	1013479	999500	985521	971542	957563	943584	929605	915626
luding roads, services & tube wells)	2270042	2213975	2097031	2014210	1925101	1835082	1744998	1658082	1645845	1586072	1521439	1458482
achinery*	5309887	4499438	4487287	3678390	3029654	2076770	1759636	1572338	1416329	1692816	2106493	2123361
uipments	1446609	1081648	1323780	1168336	1048768	948068	841976	749097	705264	831931	1754331	2446790
xture and Office equipments	3004778	2733824	2658340	2141926	1863259	1874879	2196001	1924753	1879173	1889740	2707696	6416372
uipments, installation and fittings	4969631	4077831	3498087	2756219	2108261	1873274	1592009	1348371	1164896	1054524	1055141	1154233
	181139	214025	202993	231045	372692	570190	538080	517528	495048	482932	1240915	1436056
	8647085	7629687	7456782	6425098	5595402	5074264	4608706	4471059	4407472	4666987	5426328	5983614
rtain tools and machinery, temporarily e Company to some Ancillary ers for manufacture of components ers.												

SIL(D)
Exhibit 10
Capital Work-in Progress

ARS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
achinery*	1837948	2335860	2109238	1944209	2021285	1874481	1907344	1670853	1775118	2596000	197890	5425522
						18988	31855	3098	82001	82358	101813	
	1837948	2335860	2109238	1944209	2021285	1893469	1939199	1673951	1857119	2678358	299703	5425522
lant and Machinery under inspection o Rs.5,83,684 (Previous Year).												

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Exhibit 11

Business Process Re-engineering Carried out at the Plant

BOUGHT-OUT COMPONENTS

1 **ILYNASTRATER:** Old source not capable to meet the requirement. New sources developed.
2 **DIESEL ENGINE:** Capacity constraint. Party acquired new factory.
3 **STEERING GEAR BOX:** Alternate source developed.
4 **BRAKE SYSTEM:** Alternate source developed.
5 **SPEEDOMETER:** Alternate source developed.
6 **CLUTCH COVER AND CLUTCH DISC:** Alternate source developed.
7 **TIE ROD:** Alternate source developed.
8 **ELECTRICAL LIGHTS, SWITCHES, WIRING HARNESS etc.:** Good vendors located and developed.
9 **DIFFERENTIAL GEARS:** New sources developed.
10 **WIPER MOTER:** New sources developed.
11 **SHOCKERS:** New good vendors added.
12 **CENTRAL LUG:** Second good source developed.
13 **LEAF SPRINGS:** New source added.
14 **SILENCER:** New source added.
15 **BRAKE SHOE LINGERS alternate** sources developed.
16 **WINDSHIELD BEADING:** Alternate source developed.
17 **OIL SEALS:** Better quality source developed.
18 **SPEEDO GEAR & PINION:** Better quality source developed.

NOTE

1 For all components, dual sourcing of vendors has been done by Vendor Development Cell.
2 Bad vendors have been weeded out and new quality vendors have been added to maintain the quality of product.
3 Rationalization of in plant capacity by changing the make and buy decision. More than 200 components have been off loaded to augment in plant capacity.

IN PLANT ITEMS

1 **ASSEMBLY LINE:** From track assembly we switched over to conveyor line.

2 **FRAME LINE:** Re-layout of Frame assembly section and balancing of the line.

3 **WELDING LINE:** Re-layout.

4 **PRESSINGS:** Smaller components off loaded.

5 **ELECTROPLATING SHOP:** Eliminated and components were made BOF. Thus surplus manpower have been utilized for production of critical components.

6 **PAINT SHOP:** Power coating and other equipment got added to increase the capacity.

7 **AXLE HOUSING:** Re-layout.

8 **3W MACHINE SHOP:** All machines got shifted from 3W area to 2W machine shop to make space for above. This also reduced the material movement time.

9 **TRAILING LINK LH & RH:** New layout for better productivity.

10 **FRONT AND REAR WHEEL DRUM:** Re-layout and process change for better productivity.

11 **DIFFERENTIAL CAGE:** Re-layout.

12 **DIFFERENTIAL HOUSING:** Re-layout and process change for better productivity.

13 **AXLE SHAFT AND TRANSMISSION SHAFT:** Process changed and loaded on other machines for spline hobbing. New Induction Hardening Machine added for removing bottlenecks of heat treatment.

14 **DIE-CASTING SHOP:** Machining centre was shifted from Machine Shop to Die Casting Shop for complete components to be supplied for fitment.

15 **DOG COUPLING:** Milling machine added.

16 **NEW JIGS, FIXTURES, TOOLINGS** were added for higher productivity and better quality wherever required.

17 **FORGINGS:** Forge Shop was discontinued and the components have been sourced from outside. Thus manpower released have been given to Press Shop and Foundry where bottlenecks were occurring for want of manpower.

SIL(D)
Exhibit 12
Dealership Network (Yearwise)

Year	No. of Dealers
1991	40
1992	52
1993	64
1994	80
1995	85
1996	107
1997	156
1998	193