

# Raise and Fall of Great Organizations

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## Abstract:

*Period 2005-10 was the time when the global meltdown affected the economies of several countries including those in Europe and North America. But even during this period, few Indian sick organisations, both under public sector and private sector, were getting turned around. Top world economists, industrial consultants, management training centers, and research scholars under different Universities are still studying and analyzing their success stories.*

*A lot of aspects were there behind the excellent accomplishment of many industrial enterprises and similarly, the reasons for disaster were many. Financial performance resulting in losses and characteristics of sickness varied from enterprise to enterprise. This article narrates the success stories, failure stories, and turnaround stories of few great companies.*

**Keywords:** Success, Failure, Performance, Turnaround.

## Air India:<sup>[1,2]</sup>

In India, during 1953, around twenty five domestic airlines were amalgamated together as a single entity 'Indian Airlines' through 'Air Corporation Act'. And along with that, the then existing Tata Airlines was taken over forming a corporation by the name 'Air India'. A high-power committee under the chairmanship of Mr. JRD Tata was formed in July 1967 to study about the civil aviation sector in India and submit recommendations. Based on their report, 'Airport Authority of India' was formed in 1971, and the four international airports in the country viz. Bombay, Calcutta, Delhi, and Madras were brought under their administrative control. Later, Thiruvananthapuram airport also was brought in during 1991. For managing domestic airports, the 'National Airports Authority' has been already formed in 1985. In March 1994, Air India and Indian Airlines were converted to limited companies. Further, Airport Authority of India and National Airports Authority were merged into one entity 'Airports Authority of India'. Air India was India's showcase to the world and was continuously performing well. The government then slowly deregulated the aviation policies and the privatization process was initiated.

First NDA Government under the prime minister ship of Shri. Atal Bihari Vajpayee was for the privatization of both Air India and Indian Airlines. A committee under Shri. Naresh Chandra was entrusted with this task in 2003 which recommended privatization of both the airlines. Later, when

the UPA-1 government came to power, the then aviation minister decided on the modernization of the fleet, and the Naresh Chandra report was shelved. A new company by name 'National Aviation Company of India Limited', fully owned by Government of India, was incorporated on 30<sup>th</sup> March 2007 through the merger of Indian Airlines and Air India. Company's name was changed to 'Air India Limited' effective from 24<sup>th</sup> November 2010. Benefits expected were (1) improved employee productivity (2) redeployment of aircraft in Gulf and south-east Asia (3) route rationalization (4) better inventory management (5) fuel procurement at better terms (6) easy handling of flights etc. But the post-merger results were disastrous, and the losses mounted. Merged entity ended with a turnover of Rs 13,638 Cr in 2007-08. Loss reported was Rs. 2,226 Cr. Net worth dropped down to Rs 5,813 Cr. Former Air India chairman Mr. Ashwani Lohani had also blamed this merger which has attributed to Air India's downfall.

Venkatesan R (2009)<sup>[3]</sup> has stated that the average age of aircraft in Air India was much higher than its competitors. In Air India, the average age of the fleet was 22 years for A300 and 13 years for A320 whereas the same in main competitors Jet and Kingfisher was 4 and 1.8. He identified this as a critical factor behind Air India's poor performance. Another reason for the loss of market share was the adverse perception of customers about the care and affection that they could expect from employees of the organization for different services like check-in, baggage handling, boarding, cabin service, etc. Another inferior position of Air India was in its ratio of cabin crew per aircraft. It was only 21 whereas the figure was 50 in Jet Airways. He states that strong union interference was there in Air India hampering the Management's approach in manpower rationalization. The author finally voted for the continuance of Air India in public sector stating that productivity improvement could be brought in through manpower rationalization, acquisition of new aircraft, better cost management, adopting aggressive marketing programs to gain market share, etc.. He emphasizes the need and presence of a PSU since a low-cost service air carrier was necessary to overcome the competitive threat of the post-merger of King Fisher with Air Deccan and Jet Airways with Sahara.

Jitender Bhargava (2013)<sup>[2]</sup> has commented that the decision taken in March 2007 to merge Indian Airlines with Air India was without proper evaluation of the implications of merger and hence it was not a right decision. The author also mentions with due emphasis on frequent changes in the management of the company. He further claims that the most accused factor behind the downfall of 'Air India' is the interference of the Government in the decision-making process of the company. According to him the company's attitude towards the Ministry officials including the Minister were servile. Unprofitable bi-lateral agreements containing cancellation of flights on profitable routes or giving them to other airlines, when Air India's market share itself was shrinking (a drop of 6.6% from 2005-06 to 2007-08 – source: Indian Airport Statistics) was a detrimental approach which affected

the company very badly. Acquisitions of planes at higher prices and later disposing them off at very low prices was yet another key factor behind Air India's failure. The decision to purchase 111 planes from Boeing and Airbus at a total cost of Rs 70000 Cr, without much thought towards how the consequent debt from the procurement would be addressed was immature. According to the author, the key persons responsible for these decisions which accelerated the downfall of the national carriers were the then CEO of the company and the then Cabinet Minister for Civil Aviation.

Later CAG of India has commented on this procurement plan as a "recipe for disaster". According to CAG, the estimated losses from the leasing of aircraft later stood at Rs 405.8 Cr between March 2011 and May 2014. Air India's decision to trade five Boeing 777-200 long-range aircraft to Etihad ended up with a loss of Rs 671 Cr, selling at even lower than the procurement price and that too discarding the offer from M/s AVITAS and M/s ASCENT. (Source: CAG report tabled in Indian Parliament in March 2017).

CBI has filed an FIR on this in May 2017. CBI has found many irregularities in the leasing of aircraft by Air India which was processed without due consideration or a proper route study and marketing-pricing strategy. They have noted that aircraft was leased out from one end and from the other end aircraft acquisition program was going on.

For intelligent leadership, one loss-making year is enough to alarm corrective strategies. Yet in Air India, the liability was getting accumulated year after year. The revival strategy announced by the Government earlier got limited to equity injection to meet various liabilities. Strategic plans conveniently avoided addressing various other critical issues related to different processes in the organization, organizational restructuring, the delegation of power and authority, ban on recruitment which had led to lack of fresh blood and ideas, huge human resources, labor cost working out to two times that of a comparable private player Jet Airways, leadership deficit, organizational culture, etc. The revival strategy only kept the organization live but didn't support its journey forward. In June 2017, CCEA, GoI approved strategic disinvestment of the company. No progress could be achieved till Dec 2019. In January 2020, Government again came out with complete disinvestment of the company or in case it fails closing down of the company itself.

Past two years, 2019-20 and 2020-21 witnessed unparalleled fluctuations and economic disaster consequent to COVID-19 pandemic. Airline industry worldwide is facing a very steep fall in demand. The nation-wide lockdown imposed from 25<sup>th</sup> Mar 2020 and other restrictions imposed by Central and State Governments had affected Indian aviation industry. Air India had to rest all scheduled domestic and international operations in obedience with the directions of DGCA. Consequent result is that the Company had to end up with a net loss of Rs.7,982.82 Cr as on 31<sup>st</sup> March 2020<sup>[4]</sup>.

Performance highlights of 2020-21 are yet to be released, no doubt it will be disastrous. Company has already initiated various cost control measures like salary reduction, withholding of certain allowances, doing away with contractual engagements, encouraging Leave without Pay, etc. to balance the hostile financial crisis. Disinvestment process is also in progress. Human Resources as on 31<sup>st</sup> Mar 2020 was 9041.

'Air India' is still a brand that brings nationalism to Indian's minds. Its Maharaja logo is a fitting icon that fuels a lot of emotions in Indians. For any Indian abroad, the moment they spot an Air India flight in an airport in other countries, it inspires their mind with nationalism. They feel their home is right there. The role played by Air India in airlifting Indians stranded up in China during the recent break out of 'Corona virus' was commendable. An airline with 'INDIA' in its name only can bring national thoughts and national unity among Indian citizens wherever they are.

#### **Bajaj Auto:**<sup>[5,6,7]</sup>

Established in 1926, today Bajaj Group enjoys the position of one among the first ten in the Indian corporate world and is engaged in a wide spectrum of industries such as scooters, bikes, auto-rickshaws, lighting and home appliances. They have extended their services to insurance, travel and finance too. Bajaj Auto enjoys the fourth position among the global largest three and two-wheeler manufacturers. "Kamalnayan Bajaj", who became the chief of the business group in 1942, initiated the diversification of activities. Rahul Bajaj took charge of the business in 1965 and is the key person behind Bajaj's spectacular growth in Turnover, Profit, Product portfolio, and brand image. In due course, his sons, Rajiv Bajaj and Sanjiv Bajaj, also were given key roles in running the organization. Rajiv Bajaj was a very humble and simple type of CEO who got involved directly in every activity of the organization including R&D, testing of prototypes, final acceptance of vendor-supplied items, with the sole objective of achieving 'perfection' in every activity of product development. But his younger brother Sanjiv was just contrary to this. However, they were united as one cohesive team and shared a common dream, to propel Bajaj Auto towards India's largest motorcycle manufacturer. "Rajiv Bajaj", son of Rahul Bajaj, became MD in 2005.

In the absence of threatening competition, Bajaj enjoyed a monopoly status in the two-wheeler market with their scooter brand 'Chetak' in '70s. New brands like 'Priya', Super, etc. were introduced in the '80s along with the brand slogan 'Hamara Bajaj'. Later Honda entered the Indian two-wheeler market with their scooter model 'Activa' and later motorcycle model 'Hero Honda'. Bajaj confined itself in the scooter segment and their geared model began to decline in the two-wheeler market. Share of motorcycles among two-wheelers increased gradually. Customers were drifting away from

prestigious Bajaj scooters to mobikes and that too to other brands like Hero Honda, TVS and Yamaha. It was too late by the time Bajaj joined with Kawasaki and entered the motorcycles market in 1986.

For Bajaj, it was a challenge to project itself as a motorcycle manufacturer. Perception about Bajaj among the customers was that of a high quality reliable scooter manufacturer. Brand 'Bajaj' had a high rating, 'Hamara Bajaj' jingle was very popular among Indians. The task before the Management was how to grate the image of just a scooter manufacturer and get the same acceptance as a high-quality reliable motorcycle manufacturer. This appeared extremely tough. The challenges were (1) establishing a new exclusive plant, product development cell and R&D center for motorcycles (2) retraining employees and dealers (3) reorganizing dealership and distribution network (4) huge financial investment.

Bajaj's motorcycle journey: Commenced in 1986 > First model economy bike 'KB100', collaboration with Kawasaki of Japan > Model in many variants continued for 10 years > 'Boxer' replaced 'KB 100' in 1997 > Launched 'Caliber', executive commuter bike in 1998 > Launched 'Pulsar' and 'Eliminator' in the premium segment in 2001 > 'Wind 125', standard street bike, replaced 'Caliber' in 2003 > 'Boxer' gave way for 'CT100' in 2004 > 'Discover' launched in 125 cc segment in 2004 > 'Avenger' replaced 'Eliminator' in 2005 > Launched 'Platina' in 100 cc segment in 2006 > Bajaj Auto acquired a 14% stake in Austrian manufacturer KTM in 2007 > Bajaj became the exclusive manufacturer of 'Duke' range of KTM bikes.

Chetak' lost its life by 2005. Bajaj launched its gearless scooter 'Kristal' in 2006 but failed miserably. By 2009, Bajaj's market share went down drastically. MD, Rajiv Bajaj, decided to quit the scooter segment. The business world was really surprised. Just like leaving the game almost at the finishing point and that too at the winning stage. Gearless scooters started capturing the minds of customers. This led to the fast growth of this segment, from 14% in 2008 to about 25% by 2014. Had Bajaj continued the production of gearless scooters, capturing a market share of at least 15% of the market, it would have been more beneficial for the organization. Honda took the advantage. Withdrawing from scooter segment did continue to hurt Bajaj.

Company identified 'ATTITUDE' as the root cause of failure. The most demanded product, Bike, was only a small fraction of their business (10% in 1996), and accordingly mobike wing was given only second importance resulting in bikes of inferior quality. In 1997, Rajiv Bajaj ordered stopping the production in their Aurangabad plant realizing that a shock treatment was essential to implement change initiatives for propelling the growth. A number of steps were taken, vendor base was brought down to 200 from 1000, around 12000 employees were encouraged to get separated through VRS,



Japanese productivity tools were introduced for bringing down the cost of production. Brothers took a crucial decision, establish a new bike plant at their Chakan factory, a place with a new culture, new system, new practices, etc. Worker productivity was doubled, which later became the target level for all other units. Lot of product improvements were also undertaken based on market surveys. Pulsar (150 cc and 180cc) was introduced to attract the youngsters who were keen to possess a bike with rugged styling and higher power. 'Discover' was developed and introduced which had the reliability equivalent to Hero Honda in 125 cc segment with the stylish features of Bajaj Pulsar and that too without compromising the price and fuel efficiency. This was a very crucial step since it affected the profit margin. Still, the end of the story was success. Mr. Bajaj taught his team about the perception of people about an organization's products and services. To succeed in a very competitive market, the company has to prefer a brand approach over the commodity approach. Successful brands enjoy pricing power and assure profit margin. A product is just a product that serves an existing category while the brand is one step above a product and creates a new category itself. Pulsar succeeded and became a brand because it created a new category. At the same time, other variants like the Platina, Boxer or CT 100 were mere followers. Bajaj realized the necessity of establishing a new bike category. 'Discover 100' bike was launched to take advantage of the brand 'Discover'. It was a great success. South-East Asian market demanded a product at par with Japanese standards of quality but at the Chinese price level. For this Bajaj commenced assembling bikes at their collaborator, Kawasaki's factory in the Philippines. Bajaj brothers were very cautious about entering the Chinese market when they found that China had over a thousand two-wheeler manufacturers operating in substandard garages supported with hidden subsidies and other unethical means. According to Mr. Sanjiv, Bajaj's brother, Shanghai is only a showpiece for China whereas the real picture is poverty of the mass in interior regions. Bajaj's achievements were excellent, remarkable growth in terms of customer acceptance, sales volume, market share, turnover, and profit. This was achieved through cost reduction of existing models and also through the introduction of new products to suit the particular segment of customers who were hitherto were attracted towards their competing brands. This again underlines the famous quote of Professor Yamaguchi, TPM Guru, "Business starts when the customer says 'NO'". Rajiv Bajaj became a poster boy of the international automotive industry by turning around his organization. US business magazine 'Forbes' had carried a cover story in one of its issues profiling Rajiv Bajaj as a Turnaround expert.

Success factors of Bajaj Auto can be listed as follows:

- Cost reduction in existing products
- Introduction of new products in a changing market
- Transformation of the company's perception from a starchy scooter maker

Into a stylish motorcycle manufacturer

- Attitude change and total acceptance towards change initiatives.
- Integrity, dedication, resourcefulness, and determination of the Bajaj team.

Performance of the company 2019-20:<sup>[8]</sup>

Operating Income (Total Turnover): Rs. 31,652 Cr. & PAT: Rs. 5,100 Cr.

Model 'KTM' - 64,058 units, a growth of 26%.



Fig: 1 – Bajaj Auto – Twelve years Digest – 2009-20 – Total Operating Income, Operating Profit & Profit<sup>[9]</sup>

Management Discussion and Analysis: “We at Bajaj Auto are confident about our products, our customers and every one of our employees. A large and profitable company like ours has the financial strength to deal with the economic impact of this pandemic. We have people who have earned us the distinction of becoming **The World’s Favourite Indian** with industry-leading metrics.”

#### **Bharat Pumps & Compressors Ltd. (BPCL):**<sup>[9,10,11,12,13]</sup>

BPCL was established in 1970 for import substitution and was incorporated as a PSE under the Ministry of Heavy Industries & Public Enterprises, Govt.

In March 1992, Company’s Net worth completely got eroded and was referred to BIFR. In 1995 a revival package was released but failed to meet the objectives. Net worth touched (-) Rs. 121.61 Cr in March 2005. Reasons cited for this failure were operational inefficiency, low employee productivity, poor vendor development, delayed deliveries, loss of customer confidence, low order receipt, incapability to meet competition, higher expenses for salaries and wages and higher expenses towards overheads etc.

A revival package of Rs. 156.52 Cr was sanctioned in Dec 2006 along with financial, knowledge, and management support from other PSEs like ONGC and BHEL. The scheme also included 1997

pay revision. The company utilized the financial support for technology up-gradation, working capital, reduction of manpower through VRS, settling of its bad debts, etc. The company took so many initiatives for cost reduction, productivity improvement, delivery commitment, and accountability. 1997 pay scale and raising the retirement age from 58 to 60 have boosted the morale of the employees. With persistent efforts, the company could be turned around in less than a year, net worth going up to Rs 56.95 Cr with a PBT of Rs. 19.14 Cr by end Mar 2007. Later, in September 2010, the company has been conferred 'Miniratna' status.

Success factors behind this turnaround can be summarized as follows:

- As immediate strategies, task teams were formed for improvement in productivity, delivery commitment, and increase in turnover.
- As a long-term strategy, a vision document was prepared.
- TQM and IMS concepts were implemented
- Brought an end to group rivalry among executives
- Steps were initiated to improve the communication, morale and team spirit among employees
- Cost reduction exercises were undertaken to improve the profit margin.
- Modernization exercise was initiated
- The passion for the turnaround, patience and commitment from all employees towards delivery commitment and quality assurance.

But the company again started deteriorating. In October 2016, CCEA decided for the disinvestment of BPCL. Consequently, DIPAM initiated the process, but the response was poor. Gol is now planning to wind up the company.

#### **Bharat Sanchar Nigam Ltd. (BSNL)<sup>[14,15]</sup>:**

Indian Telecommunication system was earlier a department under the Gol. Later it was decided to form a company for providing these services following the Government's decision to open up Telecom sector to the private players too. Thus, a new company was incorporated as BSNL on 1<sup>st</sup> October 2000 with hundred percent shares vested with Gol. At the same time, a separate company by name 'MTNL' was formed exclusively for Mumbai and Delhi metropolitan cities. BSNL became the largest public sector next to Indian Railways, with human resources more than three lakhs direct employees and one lakh indirect workers. Today, throughout the Nation except for Delhi and Mumbai, all telecom services are provided by this company.



Mobile services commenced in India way back in 1995. Private players were first to capitalize this opportunity whereas BSNL was comfortable with and enjoyed its monopoly in the landline segment with a customer base of over 2.8 Cr. BSNL's decline started with the private companies establishing their strength in the mobile segment and mobile services capturing the landline customers. It was too late when the company realized this threat and entered the segment. Only in 2002, BSNL launched its mobile service under the brand 'Cell one'. However, the growth of 'Cell one' was appreciable. But private players were quick and far ahead of BSNL in their technological advancement of mobile services. BSNL was late in entering 3 G. And even in April 2020, it is not sure whether they will launch 4 G services as promised. Even though the company has incorporated all the advancements in landline technology, it was not so successful in the mobile field. Both these factors became their liability. Landline users slowly started getting shifted to mobile services and this affected companies projected return from investment in landline services. A typical example of strategic planning failure.

BSNL fell into a loss trap of Rs 1823 Cr in 2009-10 and could never come out of this. The Loss in 2014-15 was Rs 8234 Cr. As on 31<sup>st</sup> Dec 2016, the number of employees in its roll was two lakhs, a substantially large figure. Thus, expenses over income, huge human resources, lapses in policies, and delays in bringing new infrastructure were the key factors that led to the failure of this telecom giant. Other factors that accelerated the downfall were, company's failure in adding its network capacity due to delay in its tendering procedures, the Government's interference in the decision making process making it prolonged and difficult, its inability in withstanding sector stresses, low tariff rate, and heightened competition, not providing 4 G services, entry of "Jio" in 2016, etc.

The company failed in its manpower planning proportional to technological advancement and investment. Around 75 % of its income was spent on salary to its employees. And there were instants of deferment of the salary too by 2019. The company defaulted hundreds of crores in payments to its vendors. Realizing the threat to its existence, the company started implementing revival strategies one by one. The first step was to reduce the manpower drastically through the introduction of VRS scheme. Those who have completed 50 years were given the option for VRS. More than 50% of total strength, 78500 employees from BSNL and 17000 from MTNL accepted the package and got separated from the company in January 2019. This brought down the salary expenses by more than Rs 7000 Cr in BSNL and by Rs 1750 Cr in MTNL. Plan is there to bring MTNL as a subsidiary under BSNL. Restructuring of the organization, standardizing the work plan, outsourcing and insourcing of work, generation of income from excess and nonperforming assets, both through leasing out and outright sale, are the other strategies planned. Implementing drastic changes in landline services and improvement in mobile services including acquiring 4 G spectrum worth Rs

13885 Cr are also a part of the revival package. Other proactive steps undertaken are generating more revenue from Wi-Fi, spectrum, tower sharing, launching FTH services, etc. New opportunities like IoT, smart cities are also being thought off.

Financial year 2018-19 ended with a loss of Rs 14904 Cr and 2019-20 with Rs 15500 Cr. Net Worth as on end March 2020 is Rs (-) 10722 Cr.<sup>[16]</sup>

Telecom is a strategic sector and BSNL was considered as a National asset. In the case of national calamities, Gol could rely only on BSNL for providing free service. BSNL has its presence all over India. 'Connecting India' is its tag line.

Failure story of this giant, from the status of a Navaratna company to an incipient sick status one is really astonishing.

#### **Braithwaite & Co Ltd.**<sup>[12,17]</sup>

Braithwaite & Co Ltd. (India), a subsidiary of Braithwaite & Co. Engineers Limited (UK) was established in 1913. This company was registered and incorporated as a PSE in December 1976. Since August 2010 the administrative control of the company is with the Ministry of Railways, Gol.

Company's Net worth got eroded completely by 1992 and was referred to BIFR. A revival scheme was announced in 1995, but the package failed to achieve the desired objectives. The reason cited was the company's over-dependence on Railways. Net worth touched (-) Rs. 11648 L in March 2005. Another revival package of Rs. 288.21 Cr was sanctioned in Dec 2006. Company adopted a multi-pronged strategy plan giving thrust on productivity, marketing and diversification, manufacturing of non-railway wagons and export wagons, pressure vessels, bogies and couplers, fabrication of bridge girders, augmentation of infrastructural facilities, manpower reduction, technology tie-up and technology up-gradation, better working capital management, etc. Later 1997 pay scale was also implemented which boosted the morale of the employees. The company was turned around soon, with +vet Net worth of Rs 44112 L, and an operational profit of Rs 611.3 L as on 31<sup>st</sup> Mar 2006. Thereafter for the next eight years, 2006-14, the performance was very good and in 2014-15, performance again came down. It is learned that production was affected due to the non-receipt of the matching set of free supply items. This was a very rare unfortunate assignable cause poor performance.

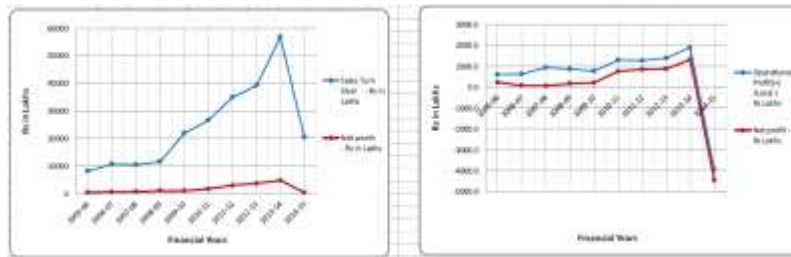


Fig: 2 – Braithwaite & Co Ltd. - Ten year Digest – 2005-15 – Sales Turnover, Net worth & Profit<sup>[19]</sup>

During later years, the Company started receiving orders from zonal Railways for wagon repairs. Wagon repairing and reconditioning has been now developed as a major business activity. Other new ventures adopted are retro fitment of twin pipe brake system of wagons at site, manufacturing of SS chairs for Railways etc. Realization of working capital and cash flow management also could be improved to a very great extent. Management initiated various corrective measures like building team spirit, motivating employees through "Save Braithwaite, Save Pride" slogan.

Performance during 2018-19:<sup>[19]</sup> Turnover - Rs. 317 Cr, Net Profit - Rs. 7.86 Cr. Net Worth stood at Rs. 63.68 Cr. as on 31<sup>st</sup> Mar, 2019. Total contribution to Exchequer-Rs. 51.86 Cr.

#### **Cement Corporation of India Ltd. (CCI):<sup>[20]</sup>**

CCI was incorporated as a PSE during 1965 under the Ministry of Heavy Industries & Public Enterprises, GoI, for achieving self-sufficiency in cement.

CCI was in red for many years. Problems faced by the company were high transportation cost of the product due to location of the plant, takeover of sick units, high input costs and consequent high production cost, failure to claim various tax concessions, non-augmentation of capacity, technology up-gradation not being attempted, high manpower cost, lack of marketing strategies, shortage of working capital, high-interest rate of borrowing, etc. Its net worth got eroded by 1994-95 and was referred to BIFR in 1996. As on 31<sup>st</sup> Mar 2005, its net worth was (-) Rs. 2152.86 Cr. A revival package of Rs. 1452.24 Cr was sanctioned in March 2006. The company was allowed to close down its 7 unviable units and concentrate its complete resources in running the remaining 3 plants to its full capacity. The scheme resulted in expansion, technology up-gradation, modernization of viable units, cost reduction, productivity improvement, reduction of manpower through VRS/VSS, provision for implementation of 1997 pay revision. With persistent efforts, the company could be turned around in less than a year, with an operating profit of Rs. 91.26 Cr by the end of 2006-07. But later the company again slipped into red. However, since then there was a steady growth in Turnover and

Net worth and that the company was producing a positive Operational and Net profit, it was expected that the company would again turnaround. Finally, it got materialized during 2018-19.

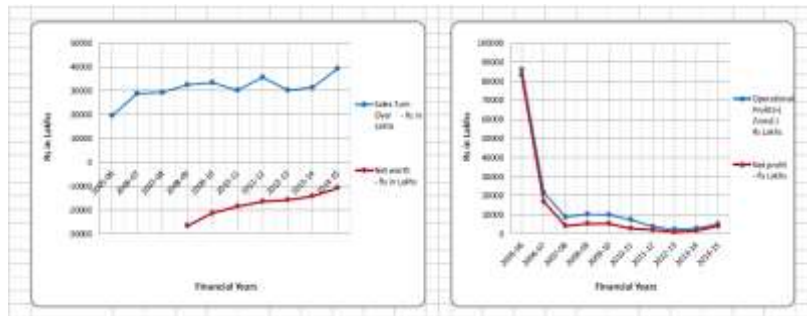


Fig: 3 – CCI - Ten year Digest – 2005-15 – Sales Turnover, Net worth & Profit<sup>[21]</sup>



Fig: 4 – CCI - Five year Digest – 2014-19 – Sales Turnover, Net worth & Profit<sup>[22]</sup>

Performance during 2018-19:<sup>[22]</sup> Turnover-Rs. 276.66 Cr, Net Profit-Rs. 6.35 Cr, 553 employees on rolls. As on end March 2019, Net worth of the company has reached positive.

**Cochin Shipyard Ltd. (CSL)** [23,24]:

CSL, a shining star among Indian PSEs, has emerged as an integrated marine building, repair, and training service provider and has a world class commercial and defence ship and offshore structure building facility. CSL has built the largest ship, a 93500 DWT Double Hull Crude Oil tanker for Shipping Corporation of India and took up the construction of Nation’s most prestigious defence project namely the first indigenous Aircraft Carrier as per the design provided by the Indian Navy. India is the fifth nation in the world to design and build an Aircraft Carrier of this size. The forty-two years old organization has several achievements to its credit. However, the launching of the first indigenously built aircraft carrier-Vikrant on 12 August 2013 was the most defining moment. The focus of the entire world was on India. CSL was able to stand up to the expectation of this great

country and it was certainly the proudest moment for every person in the company when Vikrant was floated at CSL. Very few countries have constructed an aircraft carrier of this size.

CSL has exported 40 high-tech ships, mainly offshore platform vessels, in the last decade to discerning clients in Europe and US. Cochin Shipyard is also the leading ship repairer in India. Cochin Shipyard has undertaken repairs of over 1800 ships of all types over the last 32 years. CSL has an enviable reputation for quality and timely delivery of vessels. CSL is the only yard that has been undertaking underwater repairs to the existing aircraft carrier of the Indian Navy, INS Viraat. The yard has also successfully undertaken afloat repairs to jack-up rigs of ONGC and other international clients. The shipyard also trains marine engineers for the mercantile fleet. The Marine Engineering Training Institute run by CSL has been consistently graded 'excellent' by the Credit Rating Agency since 2004.

Having created success stories in the shipbuilding and ship repairing space, the company is on a steady growth path. Company's performance for the past many years is Excellent. CSL has been regularly paying a dividend for the last several years and is financially robust and almost a debt-free company.

The company has passionately adopted CSR and Contributed to sectors including Integrated Community Development, Technology Development, and Rural Development, etc. Cochin Shipyard Limited's most important contribution to shipbuilding industry is that it has established brand India as a reliable and quality conscious manufacturer of ships in the global scenario.

Performance during 2019-20:<sup>[25]</sup> Total Income - Rs. 3670 Cr. (2.34 times during a span of 10 years), Net Profit - Rs. 637.7 Cr. (2.8 times), Net worth – Rs. 3732 Cr. ( 3.86 times), Contribution to Exchequer Rs. 514 Cr., 1710 employees on rolls. Really excellent performance.

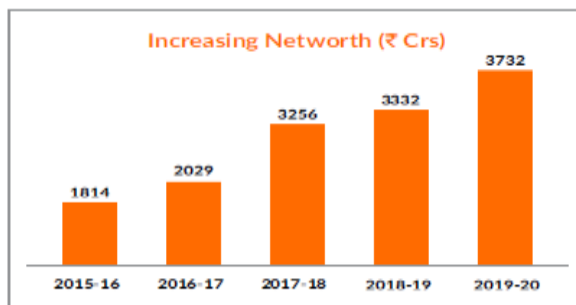


Fig: 5 – CSL – Five year Digest – 2015-20 – Net worth<sup>[25]</sup>

**Heavy Engineering Corporation Ltd. (HEC):**<sup>[26,27,28]</sup>

HEC was incorporated as a PSE under the Ministry of Heavy Industries & Public Enterprises, Gol on 31<sup>st</sup> Dec 1958 for achieving self-sufficiency and self-reliance in heavy equipment and machinery required for core sector industries – Iron and Steel industry, Mining, Metallurgical, and Engineering Industries.

Company was continuously producing losses during the period 1992- 2005. Accumulated losses resulted in Net worth getting completely eroded. On 24<sup>th</sup> Feb 1992, HEC was declared as sick and had to be referred to BIFR. On 26<sup>th</sup> Aug 1996, a rehabilitation package was announced by BIFR. Gol's approval was obtained on 7<sup>th</sup> Feb 1997. But the scheme failed to achieve the desired objectives. On 6<sup>th</sup> June, 2004, BIFR ordered for the winding up of the company. At the end of 2004-05, its Net worth was (-) Rs. 1623.14 Cr. The causes of sickness were leadership deficit, incapability of the Management, lack of vision, lack of appropriate business strategies, operational inefficiency, poor work culture, low employee productivity, financial crunch, insufficient revenue generation, high-interest burden, acute shortage of working capital, higher expenses towards overheads, higher expenses towards salaries and wages, high infrastructure, obsolete Plant & Machinery, lack of Technology up-gradation in production, poor marketing strategies and wide range of products.

Before the Hon'ble High Court of Jharkhand, HEC filed a writ petition on 6<sup>th</sup> July 2004 against the winding-up order issued by BIFR. Accepting the petition, the Hon'ble High Court directed all the three parties viz. HEC Ranchi, State Government of Jharkhand, and Gol to submit proposals for the revival of the company. During the period September 2004 to November 2009, the case was posted and heard several times.

BRPSE recommended a multi-pronged revival package in Dec 2005. Salient features of the package were (1) Government loans & interest due thereupon – Conversion or Waiver, (2) Bridge loan, (3) Working capital - Governments to provide a guarantee for mobilizing the fund, (4) Resources generation from surplus assets, (5) Monetization of land, (6) Settlement of various liabilities, (7) CAPEX, (8) Implementation of 1997 pay scales, strengthening of top management etc.

Revival Packages was duly approved by the Union Cabinet on 15<sup>th</sup> Dec 2005. And the proposals included were bridge loan of Rs. 102 Cr, plan loan – conversion, nonplan loan – waiver, interest on above, dues as on 31-3-2005. Rs 102 Cr as bridge loan was released to the company in March 2006. State Government submitted the affidavit committing support to HEC for revenue generation through surplus assets, (surplus land, residential and nonresidential buildings identified by the company would be taken over and the proceeds would be handed over to HEC), waiver of sales tax, waiver of water charges and settlement of electricity dues etc.



Desired objectives, substantial improvement in the company's performance, were achieved. The financial status of the company improved to a great extent with the income generated through the monetization of surplus assets. All liabilities were settled. The package has resulted in increased morale of the employees, strengthened the company's efforts in mobilizing working capital, up-gradation of production facilities, reduction of interest burden, etc. The appointment of all functional Directors has led to effective corporate governance. The company's turnaround strategy included HR initiatives for changing the mindset of employees, creating trust in Management, other motivational policies like performance reward scheme, pay revision, reduction in the number of unions, introducing multi skill concepts through training and retraining of employees. Operational initiatives like sticking to the core area, removal of bottlenecks in operation, cost reduction techniques, productivity improvement, increased marketing efforts, thrust in delivery commitment, improved customer base and customer relationship were also undertaken. Through dedicated hard work, total commitment, and the team effort of the management and employees, the company could be turned around in a year, with a net profit of 2.86 Cr in 2006-07.

Hon'ble High Court of Jharkhand finally disposed of the writ petition on 13<sup>th</sup> Nov 2009 directing all the parties to uphold the revival scheme as finally approved by the Hon'ble Court in its letter and spirits and to act as per the terms contained therein. Hon'ble High Court nullified the earlier winding up proceedings. Hon'ble High Court also wished and stated that the past shall not be repeated. Hon'ble High Court expected that HEC, which is the mother of Industries and the Nation's pride would full fill its objectives and continue to serve the nation.

Thereafter up to 2012-13, Turnover was following an increasing trajectory and reached Rs 682.83 Cr in March 2013. Net profit was Rs 20.38 Cr. But by 2013-14, things started getting to worsen again affecting the performance badly. Acute shortage of working capital and declining condition of Plant & Machinery were the root causes. Added to this, few pending orders had to be executed under losses. The company started incurring operating losses. Non-clearance of supplier's bills came in the way of outsourcing efforts. Improvements were noticed during 2016-17 as a result of strategic initiatives taken such as priority of spare parts production which brought better profit margin, executing high-value orders of special forgings ordered by the Nuclear sector, etc. Operating losses could be brought down compared to the previous year. Turnover went up to Rs 399 Cr during 2017-18 and again started falling down and reached Rs 132.68 Cr in 2019-20.<sup>[29]</sup> Net loss was Rs 405 Cr while net worth touched Rs. (-) 400.73 Cr.<sup>[29]</sup> Reasons behind this failure are stated to be long pending modernization of the plant and frequent breakdown of some critical machines coupled with acute shortage of working capital. However, order booking of Rs 1013.47 Cr surpassing the target of Rs 650 Cr projects yet another bright feature for the company.

**Hindustan Insecticides Ltd. (HIL):**<sup>[30,31]</sup>

Hindustan Insecticides Limited, incorporated as a PSE under the Ministry of Chemicals & Petrochemicals, GOI in March 1954. The mandate given to the company was to supply sufficient quantity of DDT required for Gol's eradication program of National Malaria. Later HIL diversified into other products like agrochemicals, agropesticides, insecticidal nets, seeds and fertilizers etc. Product portfolio widened to 15+. R&D activities were in going jointly with the Institute of Chemical Technology, Mumbai for developing bio-degradable equivalent to DDT.

HIL was incurring loss for many years. The reasons were many, location disadvantage, low production, technical problems, working capital constraints, insufficient sales force, high-interest burden, high manpower cost, poor marketing reach, lack of Government orders, inadequate return in DDT, etc. The company was referred to BIFR in 2003 due to total erosion of net worth and was declared sick in 2004.

BRPSE recommended a revival package of Rs 240.01 Cr which included the waiver of Government loan, writing off and conversion of part loan into equity and waiver of interest, Government guarantee for raising loans from financial institutions, VRS, revision of formula for fixation of price of DDT supplied by HIL to NAMP etc. No cash infusion was recommended as the company was confident of coming out of sickness through improved operational efficiency. The company undertook various measures such as technology up-gradation, aggressive marketing by getting into strategic tie-ups with fertilizer companies, employment of field force on contract, so as to improve the reach, widening the product profile, tapping of the export market, etc. The company initiated various steps for improving capacity utilization, optimum inventory level, reducing the interest burden, procurement of BOPs at a reduced cost, reduction of overheads, manpower rationalization, etc. With the systematic implementation of the revival package, the company could produce profit from the very first year after restructuring itself. On its net worth becoming positive, HIL was de-listed from the purview of BIFR in 2007. Thereafter too company continue to perform well and the net worth of the company reached Rs 104.44 Cr as on 31<sup>st</sup> Mar 2020.<sup>[32]</sup>

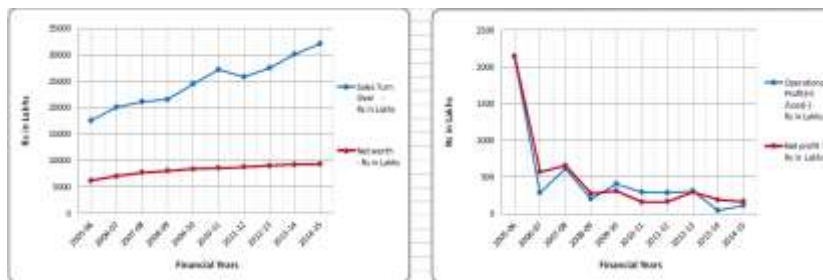


Fig: 6 – HIL - Ten year Digest – 2005-15 – Sales Turnover, Net worth & Profit [31]

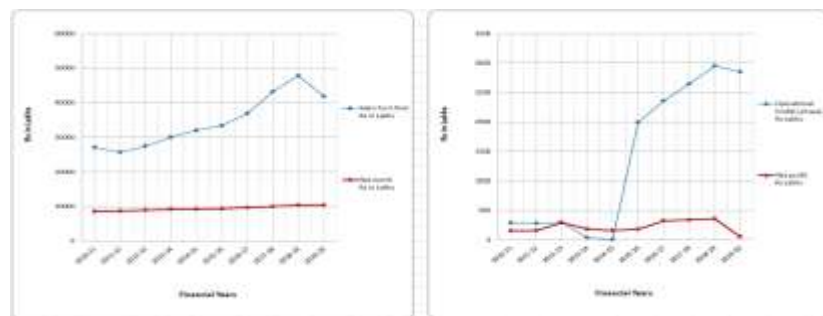


Fig: 7 – HIL - Ten year Digest – 2010-20 – Sales Turnover, Net worth & Profit [32]

**HLL Lifecare Ltd. (HLL)**[33]:

HLL was incorporated as an Indian PSE by name "Hindustan Latex Limited" under the Ministry of Health & Family Welfare, Gol. Diversification of products and other activities led to the re-registration of the company under a new name "HLL Lifecare Limited" in 2009. Today HLL is a leading healthcare conglomerate having eight manufacturing units with state-of-the-art production facilities and seven associate/subsidiary companies too.

The first mandate given to HLL was to prevent the spread of sexually transmitted diseases in the country. The second one was to address the problem of unplanned, unexpected and unwanted pregnancies in women.

HLL has diversified into many other areas such as procurement consultancy, project execution, running MRI centers, diagnostic clinics, pharma outlets, small hospitals, management development institutes, etc. Procurement and consultancy, infrastructure development, and diagnostics have taken HLL to the 1000 Cr group.

HLL vision 2020 document states HLL will be a Rs 10,000-Cr company by 2020. HLL uniqueness is that along with protecting the interest of its stakeholders, it also serves the needy. MRI Centre set up in all the premier medical colleges in Kerala, India where each scan costs only 40% of the prevailing market rate is an example of its commitment towards society. Added to this, below poverty line patients can enjoy free checkups.

HLL and Life Acumen Fund USA have associated together under a 50:50 joint venture arrangement, 'Life spring' hospitals. The first phase of the project was to establish twelve maternity hospitals in Andhra Pradesh. The uniqueness in these hospitals is quality services at a very nominal affordable price. The charge for delivery is only Rs.3,999 in these hospitals. 'Life spring' hospitals are now in other places too.

The company has stepped into vaccine business too through trading of the same. The company has been nominated by the Gol to undertake the revamping of three vaccine manufacturing units - Pasteur Institute of India, Coonoor, Bacillus Calmette - Guerin vaccine Laboratory, Guindy and Central Research Institute, Kasauli. HLL has successfully completed this task. HLL has gone much ahead in the direction of vaccines through establishing a subsidiary company HLL Biotech having its manufacturing plant at Chengalpattu, Chennai.

'Quality Products and Services at Affordable Price' is the company's business purpose and motto. HLL's secret of success is capacity augmentation, product diversification, new business ventures, acquisition, joint ventures, etc. The company's strength is its highly motivated workforce and its strength in establishing quality systems of global standard.

HLL has established a market share of 70% in the area of contraceptives establishing its presence in more than 115 countries. HLL Lifecare Ltd is now continuing its journey towards business excellence.

Performance during 2018-19:<sup>[34]</sup> Total Income - Rs. 1472 Cr., PAT - Rs. 18.47 Cr., Net worth-Rs. 461.12 Cr. and Employee strength-1569.

#### **HMT Machine Tools Ltd. (HMT MTL)<sup>[12,35,36,37,38]:</sup>**

The second phase of Machine Tools manufacturing in India, production of center lathes, started in 1953, with the commencement of HMT (Hindustan Machine Tools Ltd.) in collaboration with Oerlikon, UK. The third phase, which happened in the sixties, was characterized by the production of other types of machines in the Machine tools family. Japanese firms manufacturing under licensing arrangements was the fourth phase which occurred in the mid-eighties. The fifth phase

Commented [MS1]:

commenced in the early nineties after the introduction of the open market economy. Public sector undertaking, HMT, had to compete with private sector companies owned by technocrats on the other side which enjoyed the benefits of entrepreneurial spirit, lean management principles, operational flexibility, etc. As the Machine Tools industry is driven by automobile and defence units, the demand was surging towards CNC controlled machines.

Indian Engineering industry also was affected badly by the recession in 1967. But HMT converted this threat as opportunities and diversified into other types of machine tools too viz. Die casting, Plastic injection molding, Printing machines, Presses, and Press Brakes. Company set up the subsidiary HMT I Ltd. for boosting the export share. A number of new machine tools manufacturing units came up during the post liberalization period. Period 1990-2000 was of slow growth and very competitive for the Machine Tools industry. HMT also struggled a lot during this period. HMT also started production of CNC Systems, Ball screws, etc. which were till then imported. HMT Machine Tools Limited (HMT MTL) was formed and brought as a subsidiary under the holding company HMT in August 1999. Till 2012-13 Company has delivered over one lakh machines within the country and another 18000 to other countries. The company won several awards for excellent performance, exports, products, technology, quality, productivity, etc.

Very strong technical know-how, excellent R&D set up, very talented engineers and skilled workforce, nine exclusive manufacturing units located across the country, etc. enabled HMT MTL to dominate the Machine Tools industry.

HMT commanded a market share above 40% during the pre-liberalization era. This was retained up to 2002-03 but dropped down to 7% by 2011-12 because of the severe competition and reduction in import duties. Market share again rose to 10% in the succeeding year.<sup>[44]</sup>

Effect of liberalization in the Machine Tools sector: When Indian Machine Tool industries were facing severe issues like the high cost of finance and the long gestation period for their investments, 'Liberalization' permitted 100% FDI in the Machine Tools Industry. No prior industrial license was mandatory for commencing Machine tools production. (Global players like Makino, Seiko, Guhring, Fanuc, etc. were the beneficiaries). Import duties on components and finished goods too were reduced, resulting in mixed effects on Machine Tools industries. QR (Quantity Restrictions) was removed for Machine Tools. Services of CMTI Bangalore, IMTT Batala, and CITD Hyderabad were extended to Machine Tools units for their R & D requirements. Tax complications were reduced through the introduction of VAT (Value Added Tax) system. 'Indian Patents Act' was introduced. Free Trade Agreements were facilitated which led to trading at zero duty. This coupled with technically better machines from abroad further affected badly the Indian machine Tool builders.

The most significant factor behind the failure of HMT Machine Tools Ltd. was 'Liberalization' as per the 'Study Report 2006-07' submitted by the Tariff Commission. 'Liberalization' permitted 100% FDI in Machine Tools Industry, when Indian Machine Tool industries were facing severe issues like the high cost of finance and the long gestation period for their investments,. No prior industrial license was mandatory for commencing Machine tools production. Global players like Makino, Seiko, Guhring, Fanuc, etc. were the beneficiaries. Import duties on Machine Tools were reduced. QR was removed for Machine Tools. Free Trade Agreements were facilitated which led to trading at zero duty. The global recession (1996-2001) had its negative impact also on public sector giant HMT Machine Tools Ltd. New industrial units which came up in the sector, availability of equivalent products and services, increased choice for the customers, increase in their bargaining power, increase in the opportunities for the component suppliers, etc. intensified HMT's problems. Added to this low-price realization for its products, stiff competition from both domestic and international players, import of reconditioned secondhand machines and brain drain put HMT in great difficulties which all led to losing the monopolistic position which HMT was enjoying during the pre-liberalization era.

An analysis of HMT's balance sheet over a period has revealed that around 45% of its expenses were towards Employee cost whereas for Materials, it was only around 27%.<sup>[44]</sup> Other factors that led to the downfall of HMT were brain drain, shortage of skilled workforce, low employee morale, loss of customer confidence because of delivery slippages, lack of investment in Technology, obsolete plant and machinery leading to low productivity, acute shortage of working capital, etc.

Company ended with a loss of Rs 63.8 Cr and Rs 98.7 Cr as on end March 2019 and 2020 respectively. Net worth of the company is negative<sup>[39]</sup>.

#### **HMT Watches Ltd. (HMT W)<sup>[40,41]</sup>:**

HMT Watches, India's first indigenous watchmaker, a giant once up a time, with a market share of 90% for more than 3 decades since its inception in 1961, failed primarily because the company could not compete with counterparts in the private sector like TITAN and Allwyn as a consequence to liberalization policy announced by Gol.

HMT was always enjoying the benefits of the Government policy of restricted imports. Watch retailers all over the country were having only one option, HMT watches. The company enjoyed the monopoly for about two decades. In 1981 another public sector undertaking, Hyderabad Allwyn Ltd, with collaboration with Seiko, Japan entered the market, and consequently, HMT's fortunes started declining. Added to this, customers were not happy with HMT's quartz model which was launched



in 1981. In 1994, when HMT ended up with a loss of Rs.60 Cr, the competitor Titan achieved a profit of Rs.19.09 Cr. Since then, HMT was struggling to perform.

The net worth of the company has been eroded. The Gol accorded approval for the closure of HMT Watches on 6th Jan 2016 by offering an attractive VRS scheme to its employees as per 2007 pay scales and settlement of their dues. The movable and immovable assets of the companies will be disposed of as per the Government policy. Accordingly, on 18-1-2016, Company Board approved the proposal to wind up the company.

The lesson from the failure of HMT Watches is that Government shall take at most care in bringing only the optimum level of competition. Very less competition makes any business lethargic and insensitive to consumer expectations. At the same time, a very high level of competition can lead to unviable situations.

#### **Indian Drugs & Pharmaceuticals Ltd. (IDPL)<sup>[42,43,44]:</sup>**

IDPL came into existence as an Indian PSE in April 1961. IDPL resulted in operating profit during the periods 1965-68 and 1971-74 and net profit during 1974-79. Import of Bulk Drugs to the country is a profitmaking segment in the Pharma business. IDPL was the agency for this import till 1979. Since then, STC is the approved agency. This change in Government policy for the import of bulk drugs only put IDPL in trouble. Company's Net worth completely got eroded by 1982-83. The reasons identified behind this failure were 1) shift in Gol policy for the import of bulk drugs, depriving IDPL of the privilege, (2) Government's pricing policy, (3) high competition from private players, (4) huge monolith-type integrated production facilities, (5) obsolete technology, (6) obsolete Plant & Machinery, (7) frequent changes at top management, (8) high employee strength, (9) high overheads expenditure for maintaining the township etc.

IDPL was declared sick in Aug 1992. A rehabilitation scheme was approved by BIFR for its implementation w.e.f. 1<sup>st</sup> April, 1994. But the scheme failed in achieving the objectives. Reasons cited were (1) funds were not released completely as per the scheme, (2) capital restructuring not implemented, (3) working capital requirements were not supported by the Banks, (4) land sale could not happen and (5) non-realistic fixation of sales target.

IDBI was appointed as the Operating Agency (OA) in January 1996 and took up the techno-economic evaluation of the revival scheme. By October 1996, production came to a halt in the company's Hyderabad, Rishikesh and Muzaffarpur Plant. The reason was an acute shortage of working capital. Privatization of the company was also considered during 2001-02. But no worthy proposal was received. In Dec 2003, BIFR ordered for the winding up of the company. An appeal

was filed before AAIFR by the Government. Admitting the appeal, in Aug 2005, AAIFR directed the Government to submit a road map for the revival of the company. A committee of experts was constituted with Director NIPER as its Chairman. Committee noted that the plant & machinery were in good condition and suitable for the production of formulations. This could be improved for compliance with 'Schedule M' requirements with minimal investment. IDBI accepted the findings of the Expert Committee. BIFR's order dated 4<sup>th</sup> Dec 2003 was set aside by AAIFR. BIFR was directed to further proceed in accordance with the law and to issue further necessary orders to facilitate the rehabilitation of the company. IDPL submitted a revival scheme to BRPSE. After the study of the scheme by the Cabinet Committee on Economic Affairs and Group of Ministers, the company was advised to revise the scheme considering public interest and viability of the operation. E&Y was appointed as the agency for the task. A revised scheme was submitted to BIFR with a cut-off date as 31<sup>st</sup> March 2011. BIFR approved the scheme in Aug 2014 and forwarded to Gol. Proposal was self-financing in nature, to meet the financial liability through the disposal of non-performing assets. In Dec 2016, Union Cabinet accorded approval for the sale of surplus land stipulating that income generated through this process shall be used only for payment against liabilities and for implementing VRS. Once liabilities are cleared, balance sheet cleaned and implementation process of VRS is completed, the company shall be taken up for strategic sale. But regret to learn that this plan has not yet materialized. Company is now in the process of closure.

As on end Dec 2019, Net worth of the company has reached (-) Rs 7627 Cr and only 15 employees are on rolls.<sup>[44]</sup>

#### **Instrumentation Limited (IL)**<sup>[12,45,46,47,48]</sup>.

Instrumentation Ltd was incorporated as a PSE in 1964, under the Ministry of Heavy Industries, Gol. The mandate given to the company was to address the Control & Instrumentation requirements of core industrial sectors such as Steel, Power, and Oil Refinery.

Company was continuously producing losses and was declared as sick and referred to BIFR in 1994. BIFR sanctioned a revival package in March 1999. Salient features of the plan were financial restructuring of Rs. 42.98 Cr, a fresh infusion of funds of Rs. 66 Cr, Rs 35 Cr for the implementation of VRS, Rs. 28 Cr to be raised from markets under Gol guarantee to meet the financial requirements of working capital, 10% of three years requirements of BSNL to be supplied by IL, disinvestments and JV formation. In 2001-2002, the company achieved production of Rs. 125 Cr.

While the Kota unit of Instrumentation Limited has been in red for many years, the Palakkad unit has been making profits. Gol requested respective state Governments to take over the units in their respective states. Rajasthan rejected the proposal whereas Kerala reacted positively. Gol finally

decided to close down ILK and to transfer ILP to GoK. Union Cabinet accorded approval for this proposal on 30<sup>th</sup> Nov 2016. Rs 400.02 Cr was released in March 2017 towards VRS and pending dues of separated employees of ILK. By August 2017, another Rs 164.14 Cr was also released. All the employees were relieved on 18.04.2017. IL Kota had been closed down.

Meetings were held on 11.01.2017, 31.05.2017 & 21.11.2017 between GoK and DHI, GoI to discuss the modalities of transferring Palakkad Unit to GoK. Regarding the cutoff date for finalizing the amount payable on the takeover, it was finalized as 31.03.2017. But handing over is held up due to the dispute over the compensation of land and other fixed assets.

### **Jaguar Land Rover (JLR):**<sup>[49,50,51,52,53]</sup>

The thought of having a business association with Jaguar Land Rover (JLR), legendary British marques, rose in the minds of Tatas in early 2007. After a discussion with a few other senior executives, a nine-month due diligence process was taken up. Main factors which led to this desire were 1) reputation of both organizations 2) great brands possessed by both 3) heavy investment already made by Ford for quality improvement process 4) well laid production shops 5) high customer satisfaction rankings 6) new models under development like Jaguar XJ, XF and Land Rover 7) dedicated, loyal and faithful dealers. Tatas got attracted towards the excellent engineering base of JLR and also realized that JLR team was a very committed and passionate who were keen in product developments. Finally, Tata Motors acquired Jaguar Land Rover in the very next year.

Very soon, Tata Motors which was till then a debt-free company found itself burdened with a debt of Rs. 21,900 Cr. It was at the same time Tata Motors was in the process of launching their cheapest car, 'Nano'. The share price of Tata Motors went down to Rs. 126.45 on 20 November 2008, the market value of the company plunged to Rs 6,503.2 Cr which itself was less than what the company invested for acquisition. In March 2009 Company ended up with a net loss of Rs 2500 Cr, JLR contribution itself was Rs 1800 Cr due to a drop in sales in US and Europe.

The company was under severe financial crisis since Banks lost confidence and were not ready to release any more funds. Still, the parent company was very confident that JLR acquisition was the right step and would be successful in the end. The company realized cash as the first priority item to be tackled. The advice of consultants KPMG was sought. Munich-based Roland Berger Strategy Consultants were engaged in 2009 for the only objective 'make JLR profitable'. They developed a three-tier model. First, a short-term goal to manage liquidity was put in place. It was followed by a mid-term target to contain costs at various levels. Around ten to eleven cross-functional teams were formed. A new chief for JLR and many other similar organizational changes were implemented. Then a long-term goal was drawn up for revitalizing the existing models and developing new ones. The

next decision taken and implemented was to divest stakes in group companies. All the revenue was directed into Tata Motors to make JLR profitable. At the same time, product development plans were going as per the plan which matched with the revival of the global economy and customers were again pouring into JLR showrooms. Another drastic step was to standardize the workforce. During 2008-2009, the number was brought down to below 15000 from the level of 27000. Tatas received very good support from Unions too in this journey of excellence. Few external factors such as currency exchange rate and increased sales due to market sentiments to existing models aroused from the announcement of new product launches also accelerated the turnaround. New models which were more fuel-efficient and growth in UK, US and European market led to increased sales by around 30%. New Jaguar XJ has been very successful. JLR's contribution to Tata Motors' business grew to more than 50% and the company's profit level got multiplied by many times. By 31 December 2009, the debt-to-equity ratio came down to 1.6 from 4.5. The share value closed at Rs. 1,302.15 on 10 November 2009 in Bombay Stock Exchange. Market capitalization reached the level of Rs. 79,573.08 Cr.

For few years thereafter, JLR served as a cash cow for Tatas. Later, demand for fossil-fuel vehicles started declining in the market. Cash inflow has weakened. Losses are mounting up. Now the question is how long Tatas can continue this set up. . Tata Motors is planning various strategies.<sup>[53]</sup>

#### **Scooters India Ltd. (SIL):** <sup>[54,55]</sup>

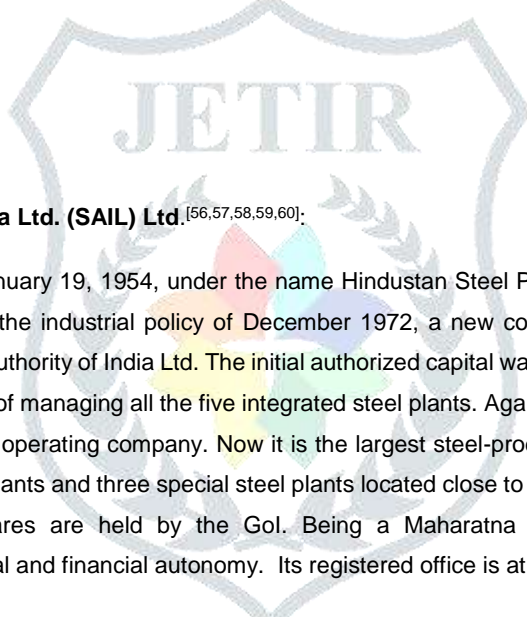
SIL was incorporated as a PSE in 1972 under the Ministry of Heavy Industries, Gol. SIL was under losses since its inception in 1972. The company was declared as sick and referred to BIFR in August 1992. A revival package of Rs 600 Cr was sanctioned in 1996. The infusion of funds could revive the company but could sustain only for a few years and again fell into losses since 2002-03. Again in 2006-07, Rs 19 Cr was sanctioned, but even this could not bail out the company. The company reported net losses of Rs 22.5 Cr and Rs 28 Cr during 2007- 08 and 2008-09. The company's Net worth again got eroded by March 2009 and was again declared as sick in Feb 2010. The company was recommended for sale. But no buyers could be found and finally, the government reversed its decision of sell-off in Dec 2011. Again, another revival package of Rs. 201.96 Cr was announced by Gol in Feb 2013. Salient features of this scheme were (1) Plan & Nonplan loan - conversion into Equity. (2) Waiver of interest on above (3) Infusion of fresh funds.

State Bank of India, the OA, prepared the DRS. Pending finalization of DRS, BIFR, on 19<sup>th</sup> June, 2013, approved a miscellaneous application filed by SIL praying immediate implementation of revival scheme. The features of the scheme were (1) Raising of authorized share capital from Rs 75 Cr to Rs 250 Cr. (2) Conversion of Rs 85.21 Cr (plan and non-plan loan) into Equity (3) Infusion of

additional equity shares of Rs 10.49 Cr against share application money pending allotment (4) Adjusting accumulated losses of Rs 85.21 Cr through reduction of equity share capital for an equivalent amount (5) Plan & Non-Plan Loan of Rs 26.376 Cr. (6) Writing off interest on non-plan Loan of Rs 189.00 L etc.

The net worth of SIL as on 31-03-2014 turned positive. Based on the recommendations of OA, BIFR discharged the company from the purview of SICA on 15<sup>th</sup> Sep 2015.

On 27<sup>th</sup> Oct 2016, CCEA decided for 100% disinvestment of SIL. Appointment of Technical Adviser, Asset Valuer & Legal Adviser and follow-up action, etc. have been already initiated in line with the policy document released by DIPAM. But as the response is poor, Gol is now planning to wind up the company.



#### **Steel Authority of India Ltd. (SAIL) Ltd.** <sup>[56,57,58,59,60]:</sup>

SAIL was set up on January 19, 1954, under the name Hindustan Steel Private Limited. Later, on 24-01-1973, based on the industrial policy of December 1972, a new company was formed and incorporated as Steel Authority of India Ltd. The initial authorized capital was Rs. 2000 Cr. SAIL was entrusted with the task of managing all the five integrated steel plants. Again, in 1978, the company was restructured as an operating company. Now it is the largest steel-producing company in India having five integrated plants and three special steel plants located close to domestic sources of raw materials. 75% of shares are held by the Gol. Being a Maharatna company, SAIL enjoys considerable operational and financial autonomy. Its registered office is at Ranchi, Bihar.

SAIL, a prestigious public sector giant in steel production, which was considered as a jewel among Indian PSEs, fell into deep trouble during 1998-99 and ended with a loss of Rs 1574 Cr and was referred to BIFR. The reasons behind this downfall were (1) Economic slowdown in the country (2) Drop in infrastructure investments (3) import duty reduction for steel (4) Low demand for steel in the country (5) increase in procurement cost of raw materials for steel production (6) underutilization of modernized plant (7) Merger of loss-making VISL (8) Raising of retirement age from 58 to 60.

In Feb 2000, the Gol approved a revival package of Rs 2000 Cr for reviving SAIL. The company was also instructed to implement a business restructuring plan with a detailed schedule. SAIL appointed global consultant Mckinsey for submitting the plan for the same. Based on their report SAIL implemented the various turnaround strategies. SAIL prepared and implanted a cost reduction map



for the next 5 years through reducing consumption of coal, increasing yield, improving operational performance etc. During a span of five years, 1997-2002, SAIL achieved a cost saving of Rs 3000 Cr. Another Rs 172 Cr was generated through disinvestment and leasing out of non-performing assets, vacant residential buildings in the township. Through VRS, around 10000 employees were separated from the company in 2½ years bringing down the expenses towards salary and wages. SAIL entered into a JV arrangement with Tata Steels and Kalyani Steels and created a metaljunction.com in 2000 to manage their e-market place. International Steel Industry recovered during 2003-04. The domestic requirement for steel also increased by 5% and continued in the succeeding years too. The year 2003-04 was not only a turnaround year for SAIL; it was a year of remarkable performance. Turnover, growth percentage, and Profitability broke the earlier records. The year ended with a turnover of Rs.24,178 Cr, Rs 4,650 as operational profit. Profit after tax was Rs. 2512 Cr, highest since inception and against Rs (-) 1618 in 1998-99. There was a drastic reduction in energy consumption, an increase in blast furnace productivity, and labour productivity (11%). Capacity utilization reached 104%. There was a substantial improvement in the company's financial strength too. Debt burden came down to Rs. 8,689 from Rs. 12,928 Cr during this one year. Cost and Works Accountants recognized SAIL's efforts towards cost reduction through bestowing the award, "Excellence in Cost Reduction (Manufacturing Sector) for the year 2003". Accepting that favorable market boom was the critical factor for this spectacular achievement, the internal initiatives taken for strengthening the company's performance on techno-economic parameters were the main change agent that provided the required momentum for a turnaround. SAIL's turnaround is considered as the country's one of the most impressive recovery.

SAIL ended the year 2014-15 with a turnover of Rs.50,627 Cr, Rs 5586 as operational profit, and Rs.2,093 Cr as profit after tax. Its net worth has reached Rs 43505 Cr, a growth of 3.5 times with a span of ten years. The company is continuing its efforts towards a higher rate of growth, venturing into new opportunities, and widening the product range. Employee–Employer relationship is very cordial and is evident from the figure for Labour Productivity (LP) achieved in 2014-15, 302 TCS/Man/Year. Total human resources at the yearend were 9352. Based on the prescribed eligibility factors such as global presence, turnover, net worth, and profit after tax, SAIL was accorded 'Maharatna' status. PM's Trophy, "Best Integrated Steel Plant for the year 2011-12" was bestowed on Bhilai Steel Plant. For the efforts and the results achieved in the area of cost management, the company was appreciated by ICAI. Steel Authority of India Limited was bestowed with the First Prize for Excellence in Cost Management. SAIL continues to play an influential role in the infrastructure growth and industrial development of the Nation. Its contribution towards developing technical and managerial expertise is commendable. Company is now ready with their "Vision 2025" document.





Fig: 8 – SAIL – Performance Highlights as on end March 2020

Source: <https://www.sail.co.in/sites/default/files/2020-09/Performance-highlights-Q4-FY-20.pdf> [60]

“Enhanced production, judicious recruitments, building competencies and infusing a sense of commitment and passion among employees to go beyond and excel are factors behind our success story”, Chairman Managing Director wrote to the shareholders.[60]

#### Turnaround through acquisition:[7]

Loss-making Wallis Laboratories of UK was taken over by Indian company Wockhardt in 1998. When the issue of appointing a CEO came up, there were two options. One choice was a European for the post. Another thought was that an Indian CEO would be better to establish the culture of Wockhardt in Wallis Laboratories. Finally, an Indian CEO was appointed, and Wallis was merged with the Indian company. It took only 6 months to achieve the desired results.

Loss-making Tetley of UK was taken over by Tata Tea in 2000 and the company's performance started improving as a result of a debt restructuring exercise that reduced interest costs indicating signs of an early turnaround in 2001. Later Tata group made many other acquisitions - Daewoo Commercial Vehicles, US telecom network operator Tyco Global, Boston's Ritz Carlton hotel, etc. Tata Daewoo Commercial Vehicle Ltd. (TDCV) recorded a 26% growth in turnover and 163% growth in profit.

Few units of UK's Arista Tubes and Telecom Packaging were taken over by Essel Propack during 2004 and 2005. Both the acquired companies were turned around through increased capacity utilization. Gujarat Heavy Chemicals Limited acquired 65% shares of SC Bega Upsom (Romanian soda ash company) and which led to a 34% improvement in production in Bega Upsom.

In June 2005, Continental Engines, Gurugram based auto component manufacturer acquired European re-manufactured engines, which were continuously producing losses till then, firm Vege Motors. The acquired unit could be turned around within six months.

Business strategy of mergers and acquisitions only led Bharat Forge to become the world's second largest forging company.

Generally, stories of mergers and acquisitions tell us the story of up to 50% in business growth. Since 2000, Indian companies have taken over more than 300 overseas companies. It is learned that through acquisitions, production could be shifted partially to India and thereby achieving substantial savings in the cost of production. Also, the order position of the acquiring company improved substantially. No doubt, every case study is different. But, on the principles applied there can be many similarities.

**Conclusion:** Out of 39 PSEs referred to and approved by BRPSE for revival, 20 have turned around. 11 of them have posted profit consecutively for three years 2008-09, 2009-10 and 2010-11. According to the then Chairman of BRPSE, “while the causes for sickness varied from one enterprise to another, the magic stick for recovery is conformity to the discipline of the balance sheet.” (BRPSE, 2010)<sup>[12]</sup>.

Pradip N Khandwalla. (1988)<sup>[61]</sup> has studied the various factors which lead to sickness of PSEs and endorsed the earlier findings that the prime responsibility lies with the Units and Management. However, the Government and the Financial institutions too have a major responsibility in detecting incipient sickness and preventing it.

Case studies of acquisition discussed prove that Indian companies have taken over other companies not just due to enthusiasm or as a passion. Through turning around the acquired companies and also achieving a substantial improvement in their financial performance, they have proved their exceptional value-creating management expertise before the industrial world. This has enabled them to raise money from the international capital market.

#### Abbreviations:

AAIFR : Appellate Authority for Industrial Financial Reconstruction

AI : Air India

IA : Indian Airlines

BCL : Braithwaite & Co Ltd.

BIFR : Board for Industrial and Financial Reconstruction

BPCL : Bharat Pumps & Compressors Ltd.

BRPSE: Board for Reconstruction of Public Sector Enterprises

BSNL : Bharat Sanchar Nigam Limited

CAG : Comptroller and Auditor General of India

CAPE : Capital Expenditure

CBI : Central Bureau of Investigation  
CCEA : Cabinet Committee on Economic Affairs  
CCI : Cement Corporation of India Ltd.  
CEO : Chief Executive Officer  
CMD : Chairman and Managing Director  
CMTI : Central Machine Tools Institute.  
CPSEs : Central Public Sector Enterprises  
CPSUs : Central Public Sector Undertakings  
CRR : Counselling, Retraining, and Redeployment  
CSL : Cochin Shipyard Ltd.  
CSR : Corporate Social Responsibility  
CVC : Central Vigilance Commission  
DDT : Dichloro Diphenyl Trichloro Ethane  
DHI : Department of Heavy Industries  
DIPAM: Department of Investment and Public Assets Management  
DoT : Department of Telecommunication  
DPE : Department of Public Enterprises  
DRS : Draft Rehabilitation Scheme  
DTO : Department of Telecom Operations  
DTS : Department of Telecom Services  
E&Y : Earnest & Young  
FTH : Fibre to Home  
GoI : Government of India  
GoK : Government of Kerala  
HEC : Heavy Engineering Corporation  
HIL : Hindustan Insecticides Ltd.  
HLL : Hindustan Latex Ltd. / HLL Lifecare Ltd.  
HMT : Hindustan Machine Tools Ltd. / HMT Ltd.  
HMT MTL : HMT Machine Tools Ltd.  
HMT W : HMT Watches Ltd.  
HR : Human Resources  
IDBI : Industrial Development Bank of India  
IDPL : Indian Drugs & Pharmaceuticals Ltd.  
IL : Instrumentation Ltd.  
ILK : Instrumentation Ltd. Kota.  
ILP : Instrumentation Ltd. Palakkad.



IMS : Integrated Management System  
IoT : Internet of Things  
JV : Joint Venture  
MD : Managing Director  
MTNL : Mahanagar Telephone Nigam Limited  
NAMP: National Air Quality Monitoring Programme.  
NDA : National Democratic Alliance  
NIPER : National Institute of Pharmaceutical Education and Research  
OA : Operating Agency  
PAT : Profit After Tax (Net Profit)  
PBDIT : Profit Before Depreciation, Interest & Taxes. (Operational profit)  
PBT : Profit Before Tax  
PSE : Public Sector Enterprise  
PSU : Public Sector Undertaking  
QR : Quantity Restrictions  
R&D : Research and Development  
SAIL : Steel Authority of India Limited  
SICA : Sick Industries Companies Act  
SIL : Scooters India Ltd.  
STC : State Trading Corporation  
TPM : Total Productive Maintenance  
TQM : Total Quality Management  
UPA : United Progressive Alliance  
VAT : Value Added Tax  
VRS : Voluntary Retirement Scheme  
VSS : Voluntary Separation Scheme



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