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Turnaround Strategies in Indian Industries: A Few Cases

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Abstract

Turnaround strategy is the action of reversing a negative trend and turning around the organisation into profitability. Turnaround strategy derives its name from the action of reversing a negative trend and turning around the organisation into profitability. The turning around company aims at steady state and growth. The case studies on turnaround of five companies belonging to different industries are discussed and analyzed. In all most all the cases there is a change in management. The management in all the cases has acted in similar manner and after drawing up revival plan presented the same before various stakeholders. In serious situations, top priority is given to stop the outflow of cash i.e. stop the bleeding. To identify and divest those segments of business which are not contributing to cash flow. The emphasis shifts from ensuring cost reduction for survival to profit improvement with stability. The emphasis of growth strategy has been on revenue growth coupled with profit margin in long run. Planning for growth should be balanced with resources available and other constraints of the company. The possible turnaround strategies relating to finance, marketing, products and human resource which have been initiated are discussed. The communication strategies aimed at the various groups represent a key element for the successful turnaround of companies in critical conditions. The selected strategy needed to be pursued relentlessly and with all out effort to make it work. The set of actions overlapped to some extent but each also had its unique features, which tended to reflect and attempt to remedy the cause of sickness.

Keywords: Downsizing Strategy, Evaluation, Marketing and Product Mix Strategy, Organisational and Financial Restructuring, Situational Analysis, Steady State

1. Introduction

Turnaround strategy derives its name from the action involved i.e. reversing a negative trend and turning around the organisation to profitability.

1.1 Objective

The objective of turnaround strategy, in the face of declining trend in business performance, should obviously be to halt declining trend while improving long run efficiency of performance, stabilization, and return to growth[1]

1.2 Turnaround Management

All businesses grow in cycles and routinely experience periods of change. The first three stages of Start up, Growth, and Maturity requires entrepreneurial management.

The company when reaches peak position will go into the decline phase if it continues to follow the same strategy. Because environmental conditions always change, there are bound to be some competitors who will come out with improved products at most competitive cost, which will ultimately phase out the company's product (Figure 1).

Warning signals are clearly visible in the form of declining figures of financial performance. The declining trend continues if not taken care of from non crisis (positive profit) to crisis (negative profit or loss) area.

The company may go into liquidation if turnaround plan is not successfully implemented.

If a revival plan is carried out there may be renewal of the company (Figure 2).

There may be three possible outcome of the revival process.

1. Short term survival but eventual failure,
2. Mere recovery, neither further growth nor further decline,
3. Steady state and growth.

It is the third stage which is desirable and aimed at. The company reaches the growth stage of a fresh life cycle Figure 1.

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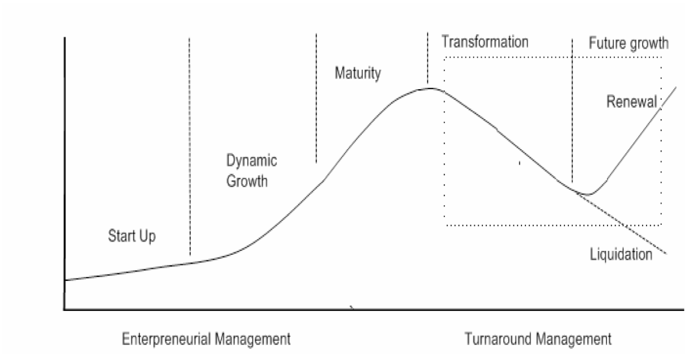

Figure 1. Different stages of Company's Life Cycle

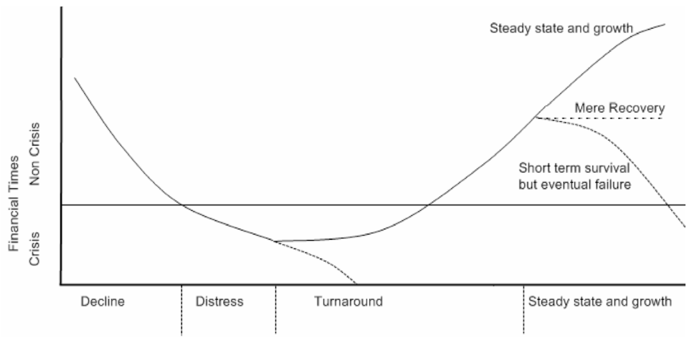

Figure 2. Decline and turnaround stages

We have taken up case studies of five companies from public as well as private sector belonging to different industries like Automobiles, Mining, Engineering and Food processing.

1. Scooters India Ltd. (SIL)[2,3]
2. Bharat Coking Coal Ltd. (BCCL)[4]
3. Kamani Tubes Ltd. (KTL)[5]
4. Tata Refractories Ltd. (TRL)[6]
5. Tasty Bite Eatables Ltd. (TBEL)[7]

This paper aims to analyze the circumstances under which these companies have become sick. It examines the steps that have been taken by the management to affect a turnaround. It also observes the outcome of the turnaround actions and the present position of these companies. Whether the management has learnt its lesson well and is facing the challenges posed by the ever changing business environment.

2. Literature Review

2.1 Conditions for Turnaround

According to Dholakia[8] term lending institutions identify sickness on the following criteria:

- Continuous defaults in meeting four consecutive half-yearly installments of interest or principal of institutional loans.
- Continuous cash losses for a period of two years or continued erosion in the net worth by 50 per cent or more.
- Mounting arrears on account of statutory or other liabilities for a period of one or two years.

Suresh[9] has described that the following are some of the universally accepted danger signals, which a company should watch out for:

- Decreasing market share / decreasing constant rupee sales
- Decreasing profitability
- Increased dependence on debt / restricted dividend polices
- Failure to plough back the profits into business / Wrong diversification at the expense of the core business.
- Lack of planning
- Inflexible CEO / Management succession problems / Unquestioning Board of Directors
- A management team unwilling to learn from competitors.

2.2 Phases of Turnaround

Breiter[10] has observed that there are three ways in which turnarounds can be handled:

1. The existing chief executive and management team handle the entire turnaround strategy, with the advisory support of a specialist external consultant.
2. In another situation, the existing team withdraws temporarily and an executive consultant or turnaround specialist is employed to do the job. This person is usually deputed by the bank and financial institutions and, after the job is over, reverts to the original position.
3. The last method-and most difficult to attempt but that is most often used-involves replacement of the existing team, especially chief executive, or merging the sick organisation with a healthy one.

Suresh[9] has said that
There are three phases in any Turnaround Management.

1. The diagnosis of the impending trouble or the danger signals
2. Choosing appropriate Turnaround Strategy
3. Implementation of the change process and its monitoring.

2.3 Types of Operating Turnaround Strategies

Yadav[11], Breiter[10], and Ghosh[1] have all observed that there may be three types of operating turnaround strategies:

1. Cost reduction strategies,
2. Revenue generating strategies,
3. Disposal of assets.

3. Discussion

3.1 Early Identification Helps

"Prevention of sickness is always better than cure"

According to Hegde[6] although turnarounds can be effected, it is certainly much better to prevent sickness than to cure it. The choice of technology may also be important. The more versatile, adaptable, and updated the technology, the better its maintenance, and the lesser the probability of sickness. The better the rapport of management with the various stakeholders of the corporation (customers, employees, government, suppliers, etc.), the lesser the chance of sickness.

Timely action to help sick units requires early identification of sickness and for this purpose, it is necessary to identify other symptoms. The relevant criterion to identify sickness is the relative performance of a unit vis-à-vis other firms in the industry.

In favourable conditions, even marginal or inefficient firms with relatively high cost of production also make profits. When the boom is over, marginal or relatively inefficient firms are the first ones to show a sharp decline in profitability.

According to Yadav[11] early detection of sickness possibly may enable the management to take timely action to avert the crisis of such an occurrence. If there exist a forewarning system which helps in predicting corporate sickness, the attention can be focused on those concerns which are trudging towards sickness.

The early detection of sickness can be made by monitoring the financial parameters of a unit in respect of working capital, cash losses and erosion of net worth.

Out of all the case studies under consideration, only Tata Refractories could identify the sickness early and acted timely to turnaround.

3.2 Turnaround Strategies and Causes of Sickness

According to Yadav[11]

The choice of turnaround strategy would depend on various factors such as

- Stages of sickness i.e. tending towards sickness, incipient sickness and the gravely sick,
- Causes of sickness i.e. external or internal or both,
- Operational performance gap, strategic gap etc.

Sick units generally suffer from the performance gap. It may be operational performance gap or strategic performance or both.

Yadav[11] and Suresh[9] both are of the view that,

- If the company's financial position is critical, assets reduction strategy would be more appropriate.
- If the firm is operating substantially but not extremely below its breakeven level, then the appropriate turnaround strategy is to generate extra revenues.
- Operating closer but below breakeven levels calls for application of combination strategies. Under this method all the three namely cost reducing, revenue generating and asset reduction actions are pursued simultaneously in an integrated and balanced manner. Combination strategies have a direct favourable impact on cash flows as well as on profits.
- If the firm is operating around or above the breakeven level, cost reduction strategies are preferable as they are easy to carry out and the firms' profits rise once the unnecessary costs are cut down.

3.3 Stages of Turnarounds

Strategic turnarounds concentrate on divesting of the business which is not operationally viable and diverting the fund realized to finance the turnover of viable unit.

The turnover programme may commence at various stages of the company decline, it would vary depending upon the situation. If turnaround activity starts when the company has reached the stage of grave sickness, one is to go through all the stages of turnaround described below. If the symptoms of sickness have been detected in the early stages one may skip over some of the stages or at least move very rapidly through one stage to another.

Five stages of a turnaround are:

1. The Management Changes Stage.
2. The Evaluation Stage.
3. The Emergency Stage.
4. The Stabilisation Stage.
5. The Return of Normal Growth Stage.

3.3.1 Taking Charge

Management change means either replacing the existing top management or change in approach. In all most all the cases there is a change in management.

3.3.2 Evaluation

Efforts should be made to identify the thrust areas requiring urgent attention to revive the unit. Getting commitments from the parties concerned is the key for successful implementation of turnaround action plan.

The management in all the cases have acted in a similar manner and after drawing up the revival plan presented the same before various stakeholders, be it banks financial institutions, debtors, suppliers, workers , officers and staff etc.

3.3.3 Survival

The priority of activities to be implemented depends on the seriousness of the problem. In serious situations, top priority is given to stop the outflow of cash i.e. stop the bleeding. To identify and divest those segments of business which are not contributing to cash flow.

The Scooters India Ltd., have discontinued manufacturing of two wheelers.

Similarly Tasty Bites India ltd. has also withdrawn from frozen food business.

It is just like an emergency medical surgery to human body. Critical problems are identified and steps initiated to ensure survival and positive cash flow since it ensures the company's immediate survival and provides a foundation for profitable growth.

3.3.4 Profit Stability

The emphasis shifts from ensuring cost reduction for survival to profit improvement with stability having a reasonable rate of return on assets employed.

Strategies are to be formulated and implemented emphasizing the following aspects:

a. Profitability coupled with positive cash flow, since only sustained profitability can make the long-term cash required for growth of the unit. One time cost reduction and disposal of fixed assets can solve only short term cash flow problems.
b. Profit margin improvement along with sales volume growth.
   SIL has increased the volume of sales and production. Increase in volume by increase in market share as well as entering new markets.
   BCCL has outsourced machinery to increase the capacity and has also taken over abandoned line to commence mining activity.
c. Increasing of efficiency through effective systems of control.
   SIL could get tenfold rise in output with staff strength reduced to approximately 2/3.
   KTL could manage with less (600) number of workers, thereby increasing the efficiency.
   Tata Refractories also enhanced efficiency by implementing use of Information Technology; As a result it has resorted to smart sizing.
d. Looking for the business areas which are more attractive from growth point of view.

- SIL resorted to three wheelers.
- BCCL has taken over Dhanbad-Patherdih line to commence production.
- KTL developed new products i.e. brass wire for ball pen industry, fining quality copper tubes for air conditioning and refrigeration industry.
- Tata Refractories has set up new units and also diversified into new business ventures

3.3.5 Growth

It requires concentration on long-term planning leading to sustained growth in the long run. The emphasis of growth strategic should be on revenue growth coupled with profit margin in long run. Planning for growth should be balanced with resources available and other constraints of the company

Scooters India Ltd. (SIL) did not make any substantial investment in plant and machinery. The company undertook a serious exercise of Business Process Re- engineering (BPR).

Bharat Coking Coal Ltd. (BCCL), to overcome shrinkage in mine capacity and under investment in mining equipment hired productive machines and taken over Dhanbad- Patherdih railway line to commence mining.

Kamani Tubes Ltd. laid emphasis on marketing strategy and development of new Product.

Tata Refractories has drawn up growth plan of business expansion for products with potential demand supply gaps.

Tasty Bite Eatables Ltd. (TBEL), realizing the importance of quality as per US standard, got both the product and communication redesigned as per US customer.

4. Observations

The possible turnaround strategies relating to finance, marketing, products and human resource which may be initiated, are explained below:

4.1 Organizational Restructuring

KTL restructured its Board of Directors to incorporate workers representatives. It also constituted Plant level committee.

TBEL also reconstituted its management to come closer and be available for greater interaction with the plant people.

4.2 Financial Restructuring

1. Rescheduling of Debts of Financial Institutions (FIs) and Banks
   SIL requested FIs to waive off interest and allow one time settlement.
   Tata Refractories has adopted growth strategy to facilitate recapitalization.
2. Cost Reduction
   SIL did not increase the cost specially man power cost.

4.3 Marketing and Product-mix Strategy

Market strategies regarding pricing, product line and promotional efforts should concentrate on generating cash and reducing marketing cost.

SIL concentrated mainly on three wheeler market.

KTL developed products for ball pen industry as well as for refrigeration and air conditioning industry.

TBEL redesigned its product to suite needs of US customer.

The decision regarding dropping of poorly performing products should be made after proper analysis of the various aspects such as whether the sales volume of the product or product line is rising, stagnating or falling; whether the product is of high margin of low margin.

SIL withdrew from two wheeler market; TBEL has withdrawn from frozen foods.

4.4 Human Resource Development

BCCL has adopted various welfare measures for the workers.

KTL, Tata Refractories, TBEL organized training programmes for their employees.

4.5 Down Sizing

Overstaffing has been found one of the major problems in the case of sick units. An important aspect of this strategy is the retrenchment of surplus manpower and its management. It calls for evolving fair and acceptable separation, adequate compensation.

All the cases have witnessed downsizing; even in KTL which was managed by workers.

4.6 Communication Strategy

The communication strategies aimed at various stakeholders like shareholders, bankers, employees, customers and suppliers represent key element for the successful turnaround of companies. In almost all the cases the management maintained good communication with various stakeholders.

4.7 Present Position

4.7.1 Scooters India Ltd.

Scooters India Ltd. became sick and was referred to BIFR in 1992. Consequent upon the revival plan sanctioned in 1996, the company achieved a turnaround in its performance and posted profits consecutively till 2005–06. The performance of the company is not commensurate with the growth trends in the auto sector (Table 1, Figure 3). SIL started incurring losses again from 2006–07 onwards. The revival proposal based on the recommendation of Board for Reconstruction of Public Sector Enterprises (BRPSE) is under consideration.

Table 1. Scooters India Ltd. profit and loss statement for various years[13]

Year	Profit/ Loss Rs. (In Crores)
2001-02	2.26
2002-03	2.65
2003-04	3.16
2004-05	1.39
2005-06	1.90
2006-07	-22.50
2007-08	-22.47
2008-09	-27.65
2009-10	-28.01

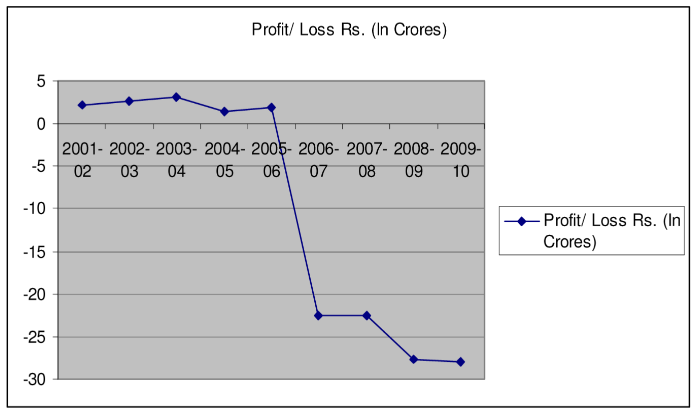

Figure 3. Profit/loss for Scooters India Ltd.[13]

4.7.2 Bharat Coking Coal Ltd.

Bharat Coking Coal Ltd. (BCCL) was a terminally sick company having suffered losses consistently since inception. A revival plan was formulated to reverse the trend and implemented on a fast track in 2003-04. The company turned around from a near bankruptcy situation in less than two years. Thus the company is on steady state of growth

4.7.3 Kamani Tubes Ltd.

The unit, closed since September 1985 was reopened in 1988 when, at the behest of the Hon'ble Supreme Court of India, a workers' co-operative society took over the company after the sanction of rehabilitation scheme by BIFR in September 1988. To implement the scheme IDBI Bank was appointed the MA (Monitoring Agency). However, as the company could not implement the sanctioned scheme, BIFR at a hearing held on May 26, 1995 declared the scheme as failed. Subsequent attempts to revive the Company failed to materialise and a scheme agreeable to all parties to generate funds & settle dues could not be formulated.

KTL was a sick company that was taken over by Mrs. Kalpana Saroj in 2006. The new management has paid off existing debt & liabilities and has installed state-of-the-art technology at the plant in Wada.

Table 2. Bharat Coking Coal Ltd. profit and loss statement for various years[14]

Year	Profit/ Loss Rs. (In Crores)
1997-98	-140.91
1998-99	-442.34
1999-2000	-692.32
2000-01	-1276.70
2001-02	-755.0
2002-03	-507.13
2003-04	-569.85
2004-05	-959.43
2005-06	205.08
2006-07	52.30
2007-08	97.05
2008-09	-1376.99
2009-10	793.93
2010-11	1093.69
2011-12	822.36

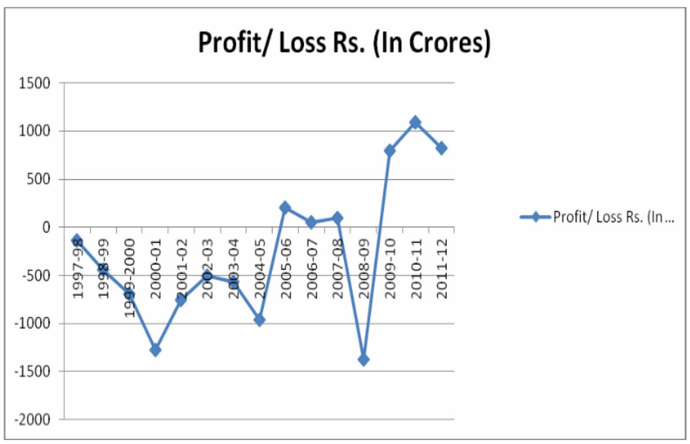

Figure 4. Profit/loss for Bharat Coking Coal Ltd.[14]

The new management of KTL led by Mrs. Kalpana Saroj has shown serious intent in reviving the company and turning its fortunes around. KTL has started its operations in its new premises at Wada and now is no longer a Sick Company.

4.7.4 Tata Refractories Ltd.

After acquisition of 51% shares of Tata Refractories Limited by Krosaki Harima Corporation (KHC), Japan (a leading refractory player with global presence and advanced technology) from Tata Steel, Tata Refractories Ltd. has changed its name to TRL Krosaki Refractories Limited in June 2011. Tata Steel continues to hold 26.46% equity stake in TRL Krosaki.

The company is on a steady state of growth, looking into the profit and loss statement of last six years.

4.7.5 Tasty Bite Eatables Ltd.

The company was deregistered as sick company by BIFR in 1999. The figures for Profit and Loss Statement for last seven years are given in Table 4.

We find that company has successfully turned around and on a steady growth.

5. Conclusion

Some of the companies were born sick like Scooters India Ltd. and Bharat Coking Coal Ltd.

The companies like Scooters India Ltd. Tasty Bites Eatables could not foresee the changing environment.

In the case of Scooters India Ltd. (SIL), the main reason of sickness was old plant and machinery, poor product quality and stiff competition from competitor. The opportunity lied in three wheelers product which it exploited and withdrew from two wheelers market.

In Bharat Coking Coal Ltd. (BCCL), the main reason for sickness was shrinkage in mining area. It took over abandoned railway line and started production with hired machinery.

Table 3. Profit and loss statement TRL Krosaki Refractories Ltd. (Tata Refractories Ltd.)[15]

Year	Profit/Loss Rs. (In Million)
2005-06	354
2006-07	189.8
2007-08	216.6
2008-09	344.4
2009-10	384.7
2010-11	426.9

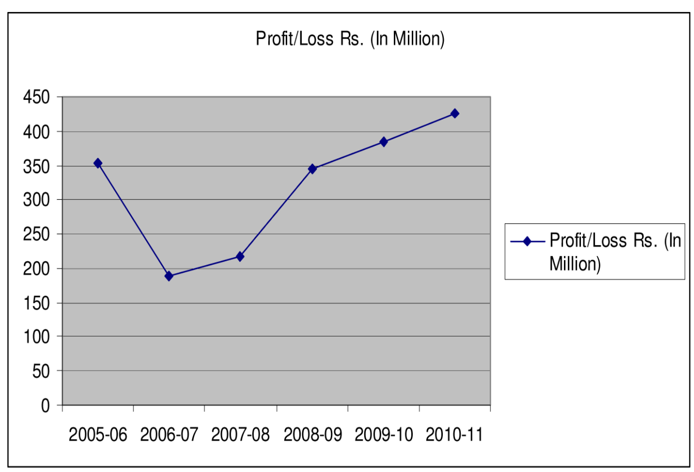

Figure 5. Profit/loss for Tata Refractories Ltd.[15]

Table 4. Profit and Loss Statement for Tasty Bites Eatables Ltd.[10, 16]

Year	Profit/ Loss Rs. (In Million)
2000-01	13.43
2001-02	22.91
2002-03	11.75
2003-04	-24.33
2004-05	-2.68
2005-06	5.58
2006-07	8.66
2007-08	11.70
2008-09	14.10
2009-10	69.69
2010-11	18.88
2011-12	16.62

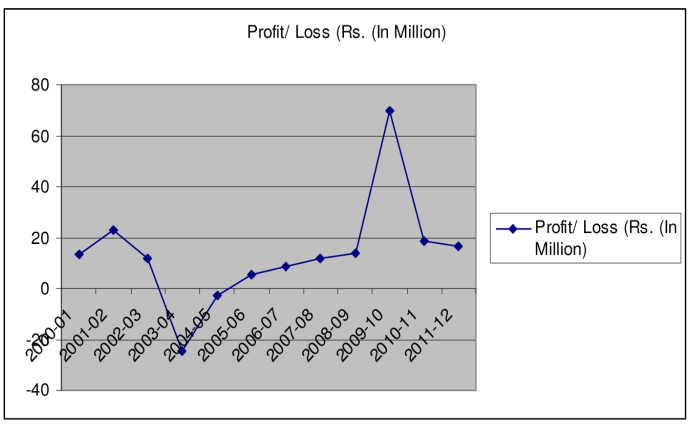

Figure 6. Profit/Loss for Tasty Bites Eatables Ltd.[16]

The Kamani Tubes Limited (KTL) identified two new products for development i.e. brass wires in ball pen industry and fine quality copper tubes for air conditioning and refrigeration.

Tata Refractories embarked upon, modernisation of facilities, business expansion for products with potential demand supply gap, setting up new units through strategic analysis.

Tasty Bite Eatables Ltd. was having problems due to difference in perception about the quality in the US and India. It embarked upon training and development programme on quality amongst the employees, and ensuring that the suppliers also follow the quality programme to get quality supplies.

The selected strategy needs to be pursued relentlessly and with all out effort to make it work. Success will crown the efforts of those who will accomplish the interest of the various stake holders. For each cause of sickness, a number of turnaround actions, some organisations in character, some strategic, and some operational were executed. The set of actions overlapped to some extent but each also had its unique features, which tended to reflect and attempt to remedy the cause of sickness.

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Annexure-A

Highlights of "SCOOTERS INDIA LTD.: The Case of an Extraordinary Turnaround"[2] by Krishna Kumar, R. Srivastava

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

1. The company had been making losses ever since its inception, and had accumulated losses to the tune of over Rs.656 million (as at 3.3.96) funded through loans.
2. The company became a BIFR case, BIFR initially felt that company should be wound up.
3. The financial institutions and the Government too were disinterested and not keen to help.
4. The company had old plant and machinery, some being 30-40 years old.
5. There was a market for 3W, but the company never realized it,

The company has prepared an action plan having following main features

1. The company increased the revenue and reduced the cost.
2. To increase the revenue, the company has increased the price and volume by expanding the market.
3. The company banked on increasing productivity by increasing production with 2/3 staff strength.
4. The company undertook a serious exercise of Business Process Re-Engineering (BPR). The areas in which actions were taken, both for bought out items and for in- house manufacturing.
5. The management did not allow the cost to increase, especially the manpower costs,

The Chief Executive impressed upon the Financial Institution to waive off interest and agree for one time settlement.
The company gave an extra-ordinary performance during the period.

1. The 3Wheeler production went up from 1435 to 15618 i.e., 10.9 times.
2. The sales went up from Rs.10.3 million to Rs.119.1 million (11.3 times).
3. 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.
4. 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.

Annexure-B

Highlights of "BHARAT COKING COAL LTD. THE TURNAROUND STORY"[4] A Report by A. Prakash

Bharat Coking Coal ltd. was incorporated in 1972 to operate coking coal fields, of Jharia and Raniganj taken over by the Government of India. BCCL was a terminally sick company having suffered losses consistently since inception.

Scenario Prevailing Till 2003-04

- Cash losses of Rs. 300 Crores p.a. resulted in accumulation of huge liabilities to PF authorities, Employees, CISF, and Suppliers. Salary payments were delayed by 3-4 weeks.
- Old Machinery, Ageing equipment leading to declining production.
- Raw Coking Coal production declined from 8.44 mill t to 4.31 mill t between 1999-00 to 2003-04.
- Washeries continued to incur substantial losses.

Measures Initiated for Turn Around

A revival plan was formulated to reverse the trend and implement on a fast track,

1. Securing support of Rs. 300 Crores and initiating action for procurement of equipment.
2. Initiative was taken to introduce hired productive machines in isolated open cast patches.
3. Dismantling Dhanbad-Patherdih railway line to commence coal production by digging out the fire with hired HEMM (Heavy Earth Moving Machine).
4. To achieve focus on quality of coal production rather than quantity.
5. Introduction of internet based e-marketing to establish free, fair and transparent access to coal for all consumers.
6. Initiatives taken to improve work culture by introducing faster decision making, streamlining backup services, procurement of material in time, minimizing stock out of production, introduction of 100% payment to workers through banks.

Results Achieved

1. Coal production is registering positive growth in 2005-06.
2. Reversing the trend of losses till 2003-04, washeries have earned profit.
3. The company could discharge entire dues of around Rs. 360 crores towards pension fund, interest and penalties thereon. Time lag in payment of salaries has been eliminated.
4. In effect the company turned around from a near bankruptcy situation in less than two years.

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Annexure-C

Highlights of "Workers' Cooperative and Turnaround of a Sick Enterprise: The KTL Experience"

Background of the Kamani Tubes Limited[5] by S. Mookherjee

Kamani Tubes Ltd. came into existence in 1959. It produced non ferrous tubes and rods, copper and copper based alloys; brass sugar tubes, and admiralty aluminum tubes.

However the premium position of the company started eroding from the beginning of 1970s. It slowly started incurring losses due to mismanagement and legal feud. In September 1985, the closure took place due to accumulated losses.

Kamani Employees Union (KEU) decided to form a producer's cooperative of the employees of KTL and run the organisation.

Action plan for Turnaround

Management Structure: The board of directors was reconstituted to include representatives of workers' cooperative of KTL and experts.

A plant level committee was constituted to monitor day to day working of the plant.

Streamlining Personnel: KTL also engaged the services professionals for functional requirements such as Income Tax, Sales Tax, and Excise Duty etc. KTL was able to rationalize the manpower at the lowest level and improve the morale of the employees.

Marketing and Product Development: KTL laid emphasis on the formulation of a marketing strategy and development of new products.

Training and Orientation: A series of training programmes for the workers were organized, to make the workmen understand and comprehend managing the manufacturing organisation.

KEU laid special emphasis on educating the workers about the adverse effect of absenteeism, restrictive work practices, indiscipline, improper conduct and behavior at work place.

Operational Highlights: The company made a net profit of Rs. 34.00 Crores in 1990-91.

Learning from the Turnaround Experience

The process of turnaround at KTL corresponds to the democratic mode of decision making At every stage of decision making with regard to commercial, operational, and personnel matters workers involvement was adequately ensured.

Some important features under workers' management were: conformity to ethical management practices, product development, diversification of new product lines etc.

Annexure-D

Highlights of "A Case Study in Intrapreneurship: The Turnaround at Tata Refractories"[6] by C. D. Kamath

This is an account of a 40 year old company- The Tata Refractories Ltd. (TRL) - with a record of uninterrupted profitability turning sick for a variety of reasons and thereafter 'turning around' through a series of initiatives.

The Liquidity Crisis

The cash flow crisis came about principally because of the following factors:

- Capital investments which failed to yield returns as projected.
- Poor finance management.
- Poor Competitive position in the market because of obsolete technology and high costs.

All this led to a steep fall in profitability.

The Turnaround Process

Some of the initiatives taken by the management on various fronts were as follows:

Improving and Strengthening Business Systems: To go in for an ERP system, and to have a re-look at the existing processes that enabled many of the inefficient ones to be re-engineered. The management drew up an investment plan to eliminate obsolescence in the company.

Intensification of HRD Programme: The management embarked upon the programme of human resource development for both executives and workmen to enhance skills.

Initiatives for Smart Sizing: There has been a significant reduction in overall numbers of employment and increase in the efficiency of business processes.

Recapitalizing the Company: The growth strategy that Tata Refractories outlined provided a cogent case for recapitalization.

Outlining an Aggressive Growth Strategy

Tata Refractories had drawn up an ambitious growth plan involving, inter alia,

a. Modernization of facilities;
b. Business expansion for products; and
c. Setting up new units.
d. Diversification into new business ventures.

Business Excellence as a Holistic Initiative

In house business excellence programme aptly termed Tata Business Excellence Model (TBEM) made easier the task of achieving the turnaround.

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Annexure-E

Highlights of "The Tasty Bite Story: The Turnaround"[7] by G. Bajaj

Tasty Bite Eatables (TBEL) was incorporated in 1986. It set up a state-of-the art Ready to Serve (RTS) food and frozen vegetables production facility in India. Its attempt to sell in the Indian Markets failed, even in Middle East, Russia, and the US the sales failed to pick up.

TBEL had accumulated losses. In 1997, HLL converted its unsecured loans to preference capital. However, HLL had decided against venturing into frozen foods business.

In 1999, TBEL registered profit for the first time in 13 years. BIFR deregistered TBEL in 1999.

Unraveling the Turnaround Issues:

Salaries and statutory dues such as PF were delayed. The workers morale was low.

Turnaround Journey

Internal communication at TBEL

A core value that the top management decided and resolved to ensure in TBEL was to be honest and transparent.

The second objective the management set for itself was to work closely with workers at the factory, enable extensive interaction with them to understand the problems and help in resolving them.

1. ***Grievance Redressal to Unions:*** New team ensured timely payment and job security for all. In return they asked that production is not stalled for even a single day.
2. ***Enhancing Day- to- Day Interaction:*** The management worked very closely with the workers to resolve day- to- day issues.
3. ***Bringing about social change:*** Explaining and listening over and over again and no dictates.
   Several other initiatives such as reducing power usage, improving electro conductivity or PH level of the soil, and many such programmes were taken up by the community. Training was made an ongoing process.
4. ***Investing in Communication Technology for Future Returns:*** In 1999, after the implementation of Move-Ex ERP software the work culture transformed.
5. ***External Communication Strategy:*** TBEL got both the product and its communications redesigned to suit the US customer.
   TBEL continuously educated the suppliers to help them develop the quality of the raw material (pulse, cardamom and spices etc.).