

A Turnaround *Marvel*

BHARAT PUMPS & COMPRESSORS LTD.

Through sheer corporate strategy and employee motivation, Bharat Pumps & Compressors Ltd. has pulled itself back from the brink of closure.

ABOUT BPCL

Bharat Pumps & Compressors Ltd., (A Public Sector Undertaking under the control of Ministry of Heavy Industries & Public Enterprises, Govt. of India), was set up in the year 1970 at Naini, Allahabad as an import substitution unit for manufacture of sophisticated process pumps and compressors for core sector industries which were hitherto being imported. The company later on took up manufacture of High Pressure Industrial and CNG Gas Cylinders as part of diversification efforts for the first time in India, manufacturing of gas cylinders started in 1976.

BPC cater the needs of Core Sectors mainly:-

- **PETROLEUM & GAS**
- **CHEMICALS & FERTILIZERS**
- **POWER (INCLUDING NUCLEAR POWER)**
- **PROCESS DOWNSTREAM INDUSTRIES**
- **STEEL**

BPCL's products - pumps & compressors meet the specifications of International codes, such as, API and are fully guaranteed for performance on the basis of proven and updated designs. Gas Cylinders are manufactured as per specifications of international standards, such as, DOT, BS, BIS, ISO, etc. and usage approval from recognized national/international agencies. Our hi-tech products are functioning to the total satisfaction of the customers with least maintenance cost and optimum energy conservation.

BPC has this unique distinction of manufacturing all the above products under one roof

SCENARIO TILL 2004-05 & ROOT CAUSE FOR SICKNESS

BPCL was a sick company having suffered losses consistently since inception aggregating to Rs. 175.29 crores. The net worth of the company as on 31.03.2005 was negative at Rs. 121.61 crores.

As on March 2005, the company had manpower of 1244 employees. The employees also lost all zeal to work required for productive results as the Company could not generate enough production & obtain orders to maintain even a working business cycle. Bharat Pumps & Compressors Ltd., as such was on verge of closure with minimal production and failure in securing orders in competitive biddings.

The root cause for sickness was delay in meeting the commitment with respect to delivery of equipment to customers, which resulted into:-

- (i) Fluctuating or low level of order book
- (ii) Low level of production
- (iii) High overheads
- (iv) High manpower cost
- (v) Low employee productivity

The weak-spots of the organization, which added to sickness, along with above aspects were:

(i) Design & Technology

- ♦ No influx of talents & virtually non-existent Product Development / Research & Development
- ♦ Low level of computerizations & design software usage
- ♦ No upgradation of product knowledge by the executives
- ♦ No efforts for joint working with customers & suppliers for improvement in technology & design methodology

(ii) Materials Management & Stores

- ♦ A clerical Production Planning & Control Department
- ♦ Bureaucratic Purchase Management, fearful to take risk & busy in avoiding audit queries
- ♦ Poor relations with suppliers
- ♦ No fresh vendors
- ♦ Absence of vendor rating system, reliance on few selected vendors
- ♦ High Conversion time between Indent to Purchase Order

(iii) Marketing, Computerization & After Sales Service

- ♦ Product centric & Manager centric marketing in place of customer centric
- ♦ Poor customer relations
- ♦ Delay in response to offers
- ♦ Poor after sales service
- ♦ Delayed response to site complaints
- ♦ Erection & Commissioning Department at loggerheads with Marketing & Production
- ♦ Same marketing strategy for two different business of Pumps & Compressors and Gas Cylinders

(iv) Human Development & Communication

- ♦ A divided lot, no unity of purpose
- ♦ Casteism, Regionalism
- ♦ Political interference
- ♦ Workers / Unions divided on caste lines & political affinities
- ♦ Narrow selfish interest of leaders
- ♦ Promotions based on personal loyalties / caste, less on contributions or merit
- ♦ No emphasis on Training & Development
- ♦ No encouragement to attend conferences or presentation of papers
- ♦ Top Management focus more on production less on cost & quality
- ♦ Few efficient officers overburdened, without credits
- ♦ Negative, un-cooperative attitudes
- ♦ Poor image in local community
- ♦ Inability to punish offenders & undisciplined
- ♦ Rivalry among officers
- ♦ No communication with respect to challenges & requirements for growth of the organization



Table - I: Below gives past performance:

PAST PERFORMANCE

Sl. No.	Parameter	2000-01	01-02	02-03	03-04	04-05
1.	Value of Production	5950	6643	6441	4750	7000
2.	Value Added	3044	2589	2793	2422	3483
3.	Net Profit/(Loss) After Tax	(559)	(1246)	(1292)	(2494)	(1086)
4.	Net Worth	(5413)	(6759)	(8470)	(11340)	(12161)
5.	No. of Employees	1583	1522	1376	1257	1244

THE TURNAROUND IN THE YEAR 2005-06

The moment of Pride and Recognition came for BPCL in 2005-06. The special efforts and corporate strategies put in place during the last quarter, after joining of present incumbent on 31.12.2005 have yielded the much awaited turn around of the Company which was on the verge of being closed on account of losses since its inception in 1970 for about 35 years as the Company had an accumulated loss of Rs. 175.29 Crs, till 2004-05. The turn around in less than a year from a near closure/winding up situation has been made possible through dedicated and sustained pursuits of revival strategies and following the fundamental concepts of excellence and with emphasis on participative management.

BPCL achieved a net profit of Rs. 1.84 crores during Financial Year 2005-06 after accounting for Govt. interest amounting to Rs. 13.50 crores as against a loss of Rs. 10.86 crores during previous year 2004-05. This remarkable feat of turnaround is more of significance since it has been achieved without considering the benefits of financial restructuring or any Govt. assistance. Table-II, below gives details of achievements in 2005-06.

SALIENT ACHIEVEMENT IN 2005-06

Table-II
[Rs. In lakhs]

	Parameters	2003-04	2004-05	2005-06	% change over last year
1.	Value of Production	4750	7000	10318	47.4%
2.	Value Added	2422	3483	4959	42.4%
3.	Net Profit/(Loss)	(2494)	(1086)	184	Turnaround
4.	Net worth	(11340)	(12161)	(11715)	3.7 % Improvement
5.	No. of employees	1257	1244	1233	Reduction of 11 employees

- ◆ BPCL, now known as "MY BPC" to employees and this was made visible to all through suitable Boards at entrance of the Plant
- ◆ A quarterly meeting/address to all employees together to share urgent issues/achievements.
- ◆ For the first time in the last 35 years, the Chief Executive started staying in a Township by the side of the Plant at Naini, instead of accommodation at far away place at Allahabad
- ◆ Vision document prepared for 10 years
- ◆ **Smile Meetings** to end the tug of war between the HODs.
- ◆ Initiative on **MAATI SE SONA**

- ♦ Improvement in communication
- ♦ Overall improvement through 5S initiative and cost savings to the tune of Rs.40.00 lakhs
- ♦ Capacity utilization improved to 43% from 29%

Further, energized by the performance and achievement of 2005-06, the Company targeted to achieve turnover of Rs.135 Crs in 2006-07 and net profit of Rs.16.3 crores, however, with dedicated and missionary efforts, the performance has been historical and turnover achieved is Rs.144 crores and net profit is at Rs.19.14 crores a growth of 53% in turnover and 940% in net profit. The Table-III, below gives performance highlights of 2006-07 and significant achievements.

SALIENT ACHIEVEMENTS - 2006-07

Table-III
[Rs. In lakhs]

	Parameters	2004-05	2005-06	2006-07	% growth over last year
1.	Value of Production	7000	10318	14983	45.2%
2.	Value Added	3483	4959	6146	23.9%
3.	Net Profit/(Loss)	(1086)	184	1914	940%
4.	Net worth	(12161)	(11715)	+5695	Became positive
5.	No. of employees	1244	1233	1214	Reduction of 19 employees

- ♦ BPCL Certified for Integrated Management Systems in Dec. 2006, by M/s QS Services Zurich (Switzerland) i.e., ISO 9000/14001 & OHSAS 18001.
- ♦ Proposal for Strengthening & Financial Restructuring of BPCL approved by Cabinet in December, 2006.
- ♦ Deregistered from BIFR in February 2007.
- ♦ Measures such as :-
 - Smart Card Punching System
 - Uniform to all Employees
 - Canteen Upgradation
 - Jatropha Plantation taken at Plant
- ♦ Model of Excellence introduced "**ABHAY MODEL of EXCELLENCE**" a copy right of **CMD, BPCL**
- ♦ Vendor base widened
- ♦ Capacity utilization improved to 53% from 43%

Doubles turnover in two years - breakthrough progress in 2007-08

During the year 2007-08, BPCL achieved astounding historic performance with sales growth of 207% over 2005-06 & achieving profits for three consecutive years from a level of profit of Rs. 184 lakhs in 2005-06 to Rs.3185 lakhs in 2007-08. BPCL was accredited with API-7K monogram.

Bpcl defies the economic meltdown & registers growth of 21% during 2008-09

BPC achieved the turnover of 236.36 crores in 2008-09 @ net profit of Rs 26.86 crores. The company has entered into export market , by obtaining the breakthrough order from M/s Lavan Refinery Iran for supply of 6 Nos. Compressors , worth Rs 48.00 crores

PERFORMANCE AS COMPARED TO PROJECTIONS MADE BY CONSULTANT M/s S.B. BILLIMORIA & CO., AS PRESENTED TO BRPSE FOR APPROVAL OF REVIVAL PLAN IN APRIL 2005

Table-IV
[Rs. In lakhs]

	Parameters	Years				
		2005-06	2006-07	2007-08	2008-09	2009-10 (Prov.)
A.	As per Consultant					
1.	Value of Production	9429	10200	11232	11801	12524
2.	PAT	(148)	176	795	396	741
B.	As Achieved by BPCL					
1.	Value of Production	10318	14983	19177	23999	28194
2.	PAT	182	1911	3047	1856	2565

It is pertinent to mention here that BPC have achieved the value of Production of 15348 lakhs in 2006-07, which was not projected even up to 2009-10 by consultant. The performance as given in Table-IV above, are one & half to two & half times of value of Production and 5 to 7 times Net Profit, as compared to projections made by the consultant. Comparative charts are included here.

The performance in the year 2009-10, has been highest ever at a level of Turnover of Rs. 27112 Lakhs, & PBT of Rs. 4122 Lakhs.

MEASURES INITIATED FOR TURNAROUND

The corporate philosophy to implement the approach of Total Quality Management (TQM) and Integrated Management System (IMS) in order to achieve and sustain a reputation for Quality at a Competitive Cost in National & International Markets for BPCL products and services through collective involvement of all was initiated.

The short term & long term initiatives with respect to turnover, delivery commitment, market planning, measurement of productivity & gross margin through cost reduction, technology, etc. were undertaken and key personnel were made accountable for their implementation within the target date.

Besides, the concept of daily 11.30 Communication Meeting [Smile Meeting] was implemented which helped the organization in improving Inter Departmental Communication and immediate resolution of internal problems.

BPCL, is now IMS (INTEGRATED MANAGEMENT SYSTEM) certified Company, covering ISO 9000, ISO 14001 AND OHSAS 18001 and manufactures technically sophisticated and environmentally friendly products, equaling International Standards of quality and performance with the support of a modern and sophisticated machine(though old) having assembly, testing, heat treatment and fabrication workshops. A plan for modernization of machine tools and new capital equipment has already been made.

The rippling effect of company's tremendous progress is evident in the work force of the company, which for the first time ever feels motivated enough regarding future growth of the company. The progress and zeal to strike excellence is employee centric and growth oriented.

A Road Map and strategy for existing product portfolios based on SWOT analysis and market projections have been prepared.

THE WAY FORWARD

Short term and long term goals established as part of strategic business plan (Road Map) for next 10 years clearly reflects current visionary leadership. Large investments of nearly Rs.90,000 crores have been planned in refinery, pipelines, Oil & Gas and Nuclear Power sector in next 5-10 years and as such there will be substantial requirement of BPCL products. BPCL expects its share to the tune of Rs. 1500 crores in

next 4-5 years. CNG network is being expanded to major cities and huge demand of CNG cylinders and cascades is expected. The major enablers for the turn-around have been the employees of My BPC, customers who re-posed their confidence in our equipment and the Government provided positive support for initiatives taken in hand to achieve this performance through the REVIVAL PACKAGE .

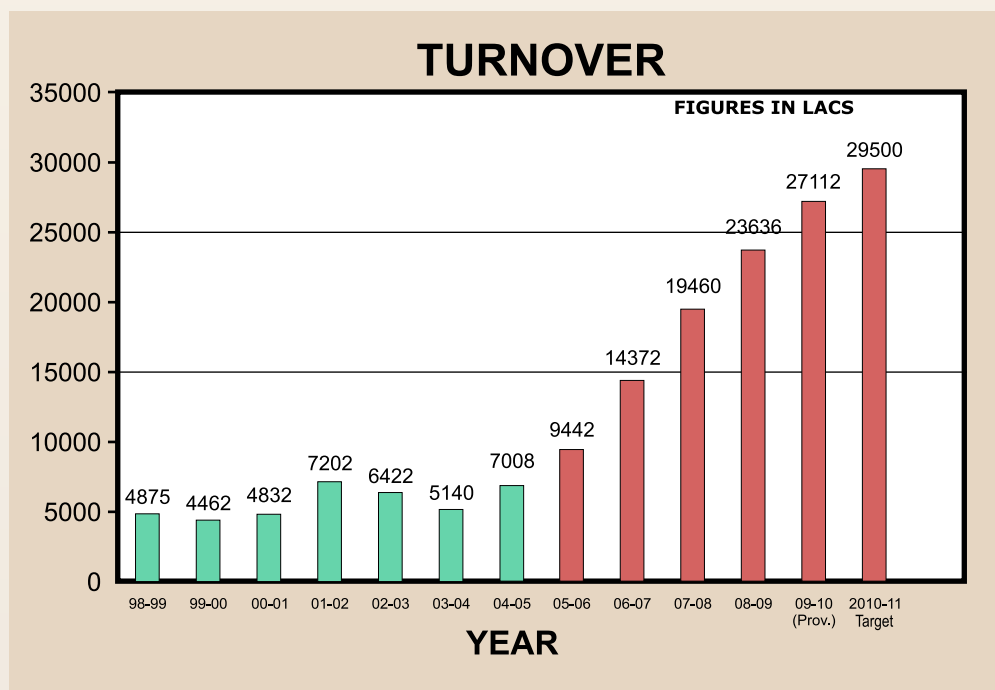
THE ACHIEVEMENTS AND LEARNINGS OF THE TURNAROUND PROCESS ARE,

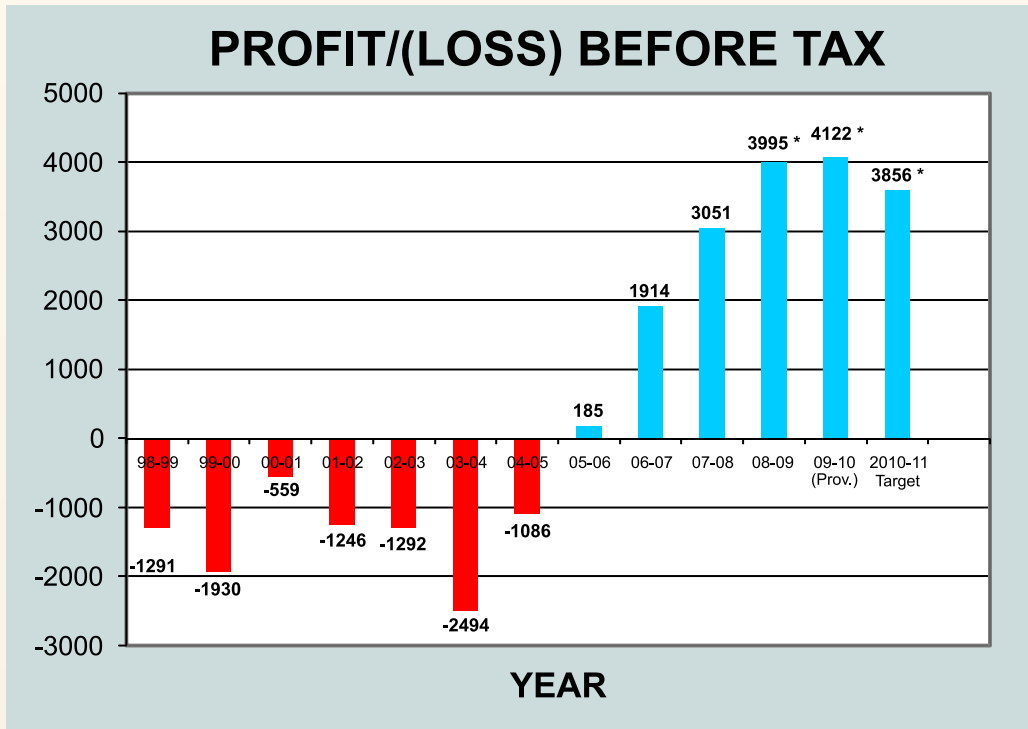
A. Achievements.

1. Pride to individuals & Image of organization
2. Improvement in customer commitment resulting in customer confidence
3. Strengthening & restructuring package approved by Competent Authority
4. De-listing from BIFR
5. Unparallel growth in Turnover & Profitability Parameters
6. Change of mind set towards productivity, Product Mix, Business Portfolio and urgency for the initiatives
7. Emotional connect & passion for performance and result orientation
8. Production Mind Set to service Mind Set
9. Employee became part of solution as compared to part of problem
10. Wage Revision 1997, sanctioned & implemented in the year 2008
11. Retirement age increased from 58 years to 60 years in May 2009

B. Learnings

1. Power of Expectations, makes us to become what we want to be.
2. To get help from others from outside, first, we have to help ourselves.
3. Every employee responds to positive transparent & genuine urgencies expressed by the Leadership.
4. Turnaround needs passion, patience, commitment, role model & sharing of vision/plans leading to benefits of organization & society at large.
5. The extra-ordinary results can be achieved from ordinary people. All employees of BPC are same as earlier and results achieved without any outside help, except for self joining from BHEL in Dec. 2005.
6. 11.30 meetings with HOD's have helped in stopping Tug of War between HOD's/Section Heads.
7. The identified change agents of processes are capable of helping in change management.
8. We need to guide & provide assistance at all levels, to enable the Process Owners to achieve desired results. The process part needs to be left to them.
9. Participative Management helps in Good Governance & Good Governance ensure employees at all levels, to change their role from one of pulling each other to a role of partnership & trusteeship in the growth of organization.
10. The customer has reposed confidence and the customer centric approach has resulted in meeting commitments and better order book.





4 HF/3 Compressor for IOCL, Baroda



Mud Pump for ONGC



HP Gas Cylinders



CNG Cascades

Our Strategic Vision Unfolds Nothing but Growth

**Fifth
Consecutive
Year of
Profit**



* Before extra ordinary expenditure

At Bharat Pumps and Compressors Limited, the size of operations is not the only benchmark for growth, but growth in our customers' satisfaction and trust, growth in our efficiency and growth in our confidence - all have contributed to set landmark in the history of the company with highest ever growth. With ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007, Certification and API 7K monogram Licence, the Company is engaged in manufacturing **Heavy Duty Pumps & Compressors, High Pressure Gas Cylinders & CNG Cascades as per International Standards** and taking long strides to reach the pinnacle of glory & success.



Bharat Pumps & Compressors Ltd.
(A Govt. India Enterprise)
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