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Bikes & Co. Ltd.: Business turnaround

Mani P. Sam, and Ramprasad G. wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Introduction

In September 2013, Varanasi Rao was appointed chief executive officer (CEO) of Bikes & Co. Ltd. (BCL), a major manufacturer of bicycles in the central Indian city of Nagpur. BCL was part of a well-known, professionally run business group and had been in the business of manufacturing and marketing bicycles for more than 70 years. The brand had enjoyed its peak success before the 1970s, when bicycles were the principal means of transportation in a newly independent India. Back then, manufacturers like BCL only had to manage shortages of raw materials and logistics challenges.

In 2013, BCL sold its bicycles through dealer outlets that predominantly sold only bicycles and sometimes only BCL brands. The rising income of middle-class Indians had led office workers to migrate to two-wheelers and then on to cars for personal transportation. Cycling continued to be a major commuting mode for lower income groups. However, cycling also emerged as an adjunct of a healthy lifestyle, and sporty bicycles (bikes) became the norm for young people and other health-conscious individuals. BCL had recently shifted from manufacturing all components in-house to sourcing components—first from vendors in Punjab and other centres in India, and then from China. High-end bikes were manufactured out of components that were sourced from across the world as well as from small-scale industries in the sprawling metropolis.

Rao had handled many similar turnarounds in other group companies and was considered a no-nonsense person. The product of a leading Indian business school, he had spent his early career with a well-known multinational in the fast-moving consumer goods (FMCG) industry. Rao was not the first manager to attempt a turnaround, and BCL’s management had given him just 12 months to get the business back in financial shape (see Exhibit 1).

A retail outlet stuck in time

One of the first items on Rao’s agenda was to visit retail outlets in and around Mumbai, and that mission led him to witness a movie-like scene on a hot, sweltering day in May. One of the older outlets of BCL was in Chembur, Mumbai. It was an old cubbyhole of an outlet, crammed with all kinds of bicycles—from kids’ bikes to geared bikes for adults. The outlet had been a star performer in the past, but its growth rate seemed to have stayed at 2 per cent over the past five years. As Rao was talking with the aged owner and his engineer son, a car pulled up to the outlet and deposited a family—an entire brood of dad, mom, uncle, aunt, and one small, eight-year-old girl, who was fussed over by all. The young girl gave a baleful look at the outlet but was attracted by the colourful bikes. They all trooped into the shop. The owner addressed the small girl and showed her a few bikes. After the first three bikes, the girl and her retinue of elders were confused. They were not able to decide which bike was suitable for the girl. Just then, the girl tripped over a bike, and the dam burst: all the discomfort of the shop’s heat and dust, and the frustration over not being able to get the bike she had in her mind’s eye, left her in tears. The family immediately moved to a nearby ice-cream shop to comfort the girl.

This event set Rao thinking. These days, kids (in fact, everybody) were used to a nice ambience at home, at school, and even while shopping. Tolerance levels for discomfort and dust had dropped considerably.

The head office

After taking almost a week to cover 100 outlets in cities and towns of varying sizes, Rao was back in his office and had a scheduled monthly review meeting with his managers. He could easily feel the managers’ weariness and despondency. This had been one more month of desultory performance: sales volumes were down, and to add to the misery, the majority of sales had been products in the standard segment. There was already considerable pressure on margins, and with highly volatile and bullish metals prices, costs were rising, and they could not be passed on. The other manufacturers were reluctant to raise prices, and so BCL was also unable to raise its prices. The review was finished quickly, and Rao asked the chief of buying and the head of finance to meet him separately with certain details. He was feeling weary in his well-cooled room. Just as Rao was thinking about what to do about the latest round of cost increases, a flustered gentleman barged into his office and introduced himself as Mandar Karmakar, a supplier of moulded plastic parts.

Having calmed himself down, Rao asked Karmakar what was bothering him. It turned out that Karmakar’s bills had not been paid for the past month or so, and as he had to pay in advance to get his inputs, he was in a very tight position financially. He was also upset about the lack of responsiveness about this from the buying and accounts departments. Rao asked Karmakar for details on his outstanding payments, and Karmakar handed over the relevant papers. When Rao saw them, he practically jumped out of his seat. Karmakar was supplying a small, hand-moulded plastic part, and the outstanding amount was nothing substantial. However, Rao was shocked to see that the lack of this specific part had been holding up the assembly line over the past several days—and the models of bikes that needed this part were the most popular models in the list of products that had been ordered but not yet supplied to the dealers.

Human resources Issues

Rao was also examining current data from the human resources (HR) department. Typically, HR made analyses of headcount and organizational structure and came up with a rotund organization—an organization that was heavy around the middle layer, even after many rounds of rightsizing. As Rao looked at the data, he realized that the company’s main concentration of employees at the middle layer was in the main plant. He found this to be a bit of a puzzle. Clearly, the rightsizing had missed out the bulge in the middle!

Earlier, practically all operations relating to bicycle manufacturing had been carried out in this plant, but a couple of years back, there had been a major outsourcing drive, and now the main plant did only the final operations: painting and kitting, the process of packing all the parts of the bicycle together. The bicycles were shipped to customers in this semi-fitted condition. The company had two other plants in Hyderabad and Noida, and these plants did not have this issue of a bulge in the middle, so Rao wondered why this bulge had happened in the main plant. When he looked at the list of main plant personnel, he realized that the designations and positions were like those in a full-fledged manufacturing plant. There was a deputy general for the main plant and two senior managers: one for production and the other for process lines. At the same time, there was only one deputy manager for vendor management. This was a highly skewed structure because no component manufacturing was done in house; it was outsourced to over 25 vendors, who assembled parts and components. Final assembly was the only production done in house. However, the pre-existing organizational structure had continued even after the processes were outsourced.

Rao had a chance to see the key HR areas requiring attention as part of a revamping of the company’s delegation of authority (DoA) manual. One of these areas was the importing of material. The company imported a sizeable quantity of material from China, and the plan was to increase such sourcing. In fact, as part of the attempt to not only improve cost position but also substantially enhance the range of bicycles offered in the market, the company was now planning to significantly increase such outsourcing. However, as per the DoA, the sourcing head could only authorize imports worth up to ₹500,000.[[1]](#footnote-1) This meant that practically every purchase order had to be signed by the CEO.

On the supply chain front, Rao noticed that there were constant complaints from distributors about delayed deliveries and lots of issues related to short deliveries. When he enquired, it turned out that the plant’s dispatch department would ship out goods but did not keep track of when they were delivered. Because this department was expected to minimize the cost of transport, dispatchers would wait for the best rates for a route (in which multiple distributors’ orders were combined), and only then would they dispatch the product. They also failed to track the quality of the delivery. Instead, they essentially acted as if their responsibility ended as soon as the consignment left the factory gates. Sales teams also refused to take responsibility for the condition of deliveries as they felt that their responsibility began only after the stocks had reached the distributor’s warehouse (referred to as a *godown* in India).

Rao realized that it would be necessary to carry out a complete re-evaluation of the company’s organizational structure, in line with the changes to the business and corresponding changes to the organizational context. Further, he would need to determine the competency levels of people occupying various positions: did they properly align with the job requirements?

Marketing and Branding issues

BCL sold its products under three brands—ASB, Samson, and Fellows—with each one occupying a different position in the consumer’s mind. While the ASB brand, which included children’s models, was more in line with the specialty segment, the other two brands competed in the standard price segment. When the product manager for the standard segment was asked why there should be two brands in the same segment, she had no answer other than that the Fellows brand continued to sell a few thousand units in a couple of specific locations. Every time the issue of rationalizing brands came up, the sales team would argue against this suggestion, claiming that there would be a substantial drop in market share. Essentially, the Fellows brand had been value engineered—produced using considerably reduced product and quality specifications—and it sold at a price that was nearly 6 per cent lower price than even the Samson brand. No sales team member wanted to see a low-priced product go out of the portfolio.

Vendor Management issues

A bicycle was made of over 100 small parts and components, and no bicycle manufacturer produced all parts. BCL recognized this and, following the example of the automobile business, it decided to outsource the manufacturing of the main parts such as the frame and fork of the bicycle. This was a radical move that differentiated BCL from the rest of the industry, and it meant that the main production of the bicycle shifted out of the company’s factories to those of the vendors. Since the vendors specialized in specific parts and had lower overheads compared to a large organization such as BCL, the intention was that overall costs would come down. However, after a few years of this initiative, it was found that there had not been much progress on the cost front. The company was left wondering whether it had been a mistake to have outsourced the manufacture of the main parts of the bike.

Rao wondered whether—just because the manufacturing had been outsourced—there was any difference in terms of the cost, quality, and delivery parameters that were expected. That’s when it struck him: the mistake was not that the company had gotten out of manufacturing but that it had *thought* it had gotten out of manufacturing. Company personnel had forgotten that they had to ensure that the vendors’ plants functioned as well as a company-run plant. While the company was constantly haggling with the vendors over the prices it paid, it also expected vendors to bear the brunt of the price reductions it was affecting in the market. Further, the company was also attempting to match the prices of competitors, who delayed price revisions in the market in the wake of material cost increases. The extreme volatility that had started in metal prices (which formed nearly 60 per cent of the costs) over the past few months had led to a situation where the vendors were left with big exposure to this volatility. Vendors, instead of attempting to address cost issues through tighter controls over their processes, resorted to blaming their vulnerability on BCL, and this resulted in considerable friction in the relationship.

Rao wondered, should the company’s personnel be assisting the vendors in improving their operations to achieve higher productivities and hence better cost efficiencies? If vendors saw the company assisting them in managing their costs and operations, would they not be more co-operative?

For instance, on his first visit to the Hyderabad plant, Rao had visited a vendor and found that the plant was in terrible condition. It had a poor layout and inadequate lighting, the machinery was in poor condition, and the work environment was unsafe; there was just no sign of any quality management systems and practices. Rao immediately took pictures of the working environment and circulated them over email to the other team members. This helped stimulate thinking in the team regarding what they could do about it. The manufacturing head immediately sent two people from the main plant in Nagpur to go to Hyderabad with a clear mandate to set the place right within a week’s time. The two employees set about the task with great zeal and applied all principles of good plant management.

In about 10 days, the vendor’s plant was transformed, and it became a model manufacturing establishment. The vendor, who had been very critical of the company when Rao first met him in Hyderabad, wrote a thank-you email to Rao after this exercise. The company team also gained a much clearer understanding about what was expected and what value they could add to vendors’ facilities.

Sourcing issues

Many vendors who had been in the business for many years had not upgraded their facilities or processes. In one instance, a buffalo had destroyed the vendor’s plant premises. Vendors were also deeply resentful of the company’s move to source parts from China. They had neither belief nor awareness of the improvements that they could potentially make in their plants. All along, they had operated on the assumption that they should negotiate hard with the company and thereby get better deals.

When a new facility for testing and developing parts was set up in Ulhasnagar, there were numerous instancesof consignments being dispatched by Ulhasnagar vendors to plants and then being rejected on quality grounds. There were many disputes between the vendors and the company about quality definitions and acceptance tests. In many cases, the vendors did not have the required equipment. However, other manufacturers to whom they supplied the same or similar products were not so particular about quality. Therefore, the vendors were very upset with BCL. Not only did the company reject products after receiving the material at the plant, but it also failed to inform the vendors about it for quite some time. This had various repercussions; the plant would run out of critical sourced parts and, ultimately, payments to vendors would be badly delayed.

When Rao noted that many consignments of material supplied from Ulhasnagar had been rejected at Nagpur or Hyderabad, he was assured by the materials team that the transport costs were being debited to the vendors. However, the materials team had no answer when Rao pointed out that there were instances of stock-outs of vital parts or that vendors were very unhappy about the high rate of rejections.

Overall, there was a great deal of animosity in the relationship between the company and its vendors. However, when Rao visited vendors in Ulhasnagar, they heaped praise on the company because of the various initiatives it had taken over the years to develop vendors’ capabilities. While the company was taking steps that were much greater than those of the other players in the industry, these steps were clearly not enough. Rao realized that this industry needed to implement the same principles followed by two-wheeler or automobile manufacturers so that the vendors’ capabilities could improve in line with the market requirements. This would enable both BCL and the vendors to be cost-competitive while maintaining high quality standards and remaining viable. In fact, some of the more evolved vendors had also realized this, and the realization had benefited them to the extent that they had become vendors for some European bike retailers and manufacturers.

Sales system issues

While on a visit to a branch office in a major city, Rao asked the sales executive what he considered to be his most important activity. The sales executive’s answer was typical: “To book orders from the trade.”

Rao reflected on this. There was a huge flood of orders at the end of every month in the plants. The plants complained that the sales system seemed to have an uncanny ability to book orders for exactly those models that either were in short supply or were more complicated and difficult to produce. The sales system, in turn, blamed the factories’ “inability to satisfy market requirements” for the company’s shortfall against targets.

When he looked at the total process of order fulfilment, two things stood out: (1) the order booking system was largely manual, in the sense that the sales team members booked these orders based on their individual perceptions of the market requirement (to use an extreme term, orders were *manipulated*); and (2) plants had very little information about what was really required and had very little time to adjust to the heavily fluctuating order flows. After futile attempts to fulfil such requirements, the plants gradually resorted to just producing what was convenient—ironically, blaming the sales system for not being able to generate “proper orders.” Of course, there were justifications for the actions of both the sales team and the plants. However, these actions were leading to situations such as a lack of growth in sales, complaints from dealers about lack of supplies, and huge piles of inventory, while there were also many pending orders.

The company was also heavily dependent on both credit to trade and trade schemes. The overall trade outstanding, measured in months of sales, was over 2.1 (over 70 days). This was justified on two grounds: (1) it was standard industry practice; and (2) it helped fill up the shelves of dealers, who might otherwise take up competitors’ products. Many dealers were feeling left out in the retail business. Bicycle dealers were once seen as being socially important, but that role had been become considerably diminished in stature. Dealers saw the rise of many retail outlets nearby—whether medical shops or opticians or textile outlets—which had become a lot more contemporary, with glass frontage, good lighting, and even new merchandise. The cycle shop, unfortunately, remained trapped in time: it was still a dull, dingy outlet that no longer attracted high-profile customers.

Rao realized that the role of the salesperson needed to change completely. People in primary sales had once been responsible for getting dealers to buy the company’s stock, but in the current context, this was no longer feasible. Even if dealers took stock, they were not paying the company. Those who had taken high volumes of stock under primary trade schemes were keen only on liquidating the stock in the market at the earliest opportunity, for which they started discounting. Combined with a high level of credit in the company, this was leading to a huge amount of overtrading.

Apart from the basic system concerns noted above, Rao realized that BCL’s distribution network remained highly dependent on the wholesalers. Although nearly 25,000 outlets were involved in distributing the bicycles throughout the country, the company dealt directly with only 2,500 or so outlets. Most of the company’s direct dealers functioned as distributors. They serviced the requirements of smaller outlets, or sub-dealers. BCL had little information on these sub-dealers and no ongoing contact with them. The company’s distributors—the direct dealers—were reluctant to share details about these sub-dealers because they felt that their control would be diluted.

This was similar to the situation with other consumer products in India. Unless companies had ongoing contact with sub-dealers, it could not expect to have any worthwhile influence on their choice of brands, apart from ensuring basic visibility and merchandising for these brands. At the same time, the marginal cost of servicing such sub-dealers was far higher than the sales that could be generated from them. The FMCG sector had come up with a system that included an additional layer at the base level of the sales team, called a contract sales team. These sales team members were not employees of the brands. They were, however, attached to the brand companies’ sales executives, who supervised their service to sub-dealers in addition to handling their own dealers. The contract sales teams focused on servicing the sub-dealers and ensuring that their linkages to specific dealers were established.

Supply Chain ownership issues

Rao also noticed that there was a question regarding who was responsible for getting product from the factory gate to the dealership: the plant or the sales team? He was shocked by comments made in a review meeting by the sales manager, who complained that his sales executive was unable to get orders from various dealers in a specific geographic area due to non-availability of one item. Why was this happening? When Rao quizzed the sales manager, he seemed somewhat surprised but went on to explain that, unless the sales executive was able to fill up a truckload on a specific route, he would not be able to service a set of customers on that route. When Rao looked at the process flow for servicing orders from customers, he noticed that the onus was on the sales team to service the customers by booking a specific volume of orders from a set of customers on a specific route. Was it not the responsibility of the plant to deliver as per the customers’ orders? Otherwise, the crucial aspect of capturing the true demand for various models would be corrupted and the sales team would instead create artificial customer orders, which would end up as dead stock with customers in due course, depleting the distribution system. Hence, it was decided that the plant would be responsible for delivery of *actual* orders from customers from the factory to the customer’s location. The trade schemes were also creating a bullwhip effect, which was distorting production plans and having a direct effect on ordering of parts from numerous vendors.

Customer Service issues

One change undertaken at this time was a renaming of the dispatch department, which became the customer service department (CSD). This renaming meant that the people who staffed the department were required to change their approach, which was easier said than done. While the dispatch team had previously filled up trucks with extra items that were available in stock but had not been ordered by customers, the newly named customer service staff had to prevent the dispatch team from adding these items to consignments. The CSD also became responsible for the consignment until it reached the vendor.

Another major change required CSD to fulfil orders within three days of receipt. The department had to ensure delivery at the customers’ location by this point. This left the CSD with little leeway in arranging transport for orders and forced CSD staff to arrange transport, necessitating a change in the contracts with transport agents. The department could no longer wait for the optimal quantity (to fill a truck). Therefore, partial loads had to be shipped, in some cases, to abide by the requirement of supplying exactly what customers had ordered.

New requirements meant that several new parameters were tracked: (1) turnaround time for each order, from order date to delivery; (2) items ordered but not supplied; (3) secondary transportation cost, which had not been tracked earlier because it was being borne by the dealer; and (4) order fulfilment percentage, which included not only the total quantity but also the line-wise fulfilment, with time constraints built in. Most of these parameters were tracked by the system itself, once all process parameters had been updated online.

Enterprise resource planning issues

An expensive enterprise resource planning (ERP) system had been installed, but there were questions about whether it was really used. The performance reports for each month were only ready by the 10th day of the subsequent month, and data capture took place neither at the actual locations nor in real time. For instance, shop floor data was input manually once a week or so, and it was done centrally. This rendered the ERP system quite useless for any kind of analysis or decision-making. For this reason, any review was primarily an exercise in reconciling various figures from different sources for the same parameter. Most of the reports were geared toward corporate tallying, rather than giving analytical information to the operating managers. For this task, the key step taken was to ensure data was captured *online* at all ends, starting at the plants. Doing so helped improve the availability of real, authentic data for analysis—a single source of truth.

Product Design issues

One critical aspect of the business was product development. Rao found that this vital department was functioning practically independently from the two other key functions: marketing and production. Marketing was seen more as a communication function and was not carrying out the core task of ensuring consumer understanding. The product managers in the marketing department primarily acted as liaisons with the advertising agency and assisted the sales team with promotions development and implementation. Rao formed a product development team that involved members from marketing, production, and product design in an attempt to link the entire chain—from understanding customer needs to forming the basis of product design. This plan was then put into production in a time-bound and cost-effective manner.

The connection between product engineering (which was attached to manufacturing) and product design (which was attached to marketing) was also improved. In order to strengthen capabilities and skills in these areas, the company initiated a partnership with the National Institute of Design. This relationship allowed operational people from departments such as marketing, sourcing, manufacturing, and vendor management to go through a design sensitization program that would help improve cross-functional team work, which was needed in the organization. Further, select team members visited international fairs to better understand new trends in product design.

Product Range

With the exercise in repositioning the two major brands—ASB and Samson—there was also a need to revamp the product range. To achieve this goal, the company used a market segmentation exercise to identify various demographic segments—kids, young adults, adults, and special segments— and different products were then developed for each segment.

Based on the team visits to international fairs, the company realized that it could not develop all products locally. The country with the largest production of bicycles in the world was China, which had not yet been used as an organized source of bicycles by any Indian manufacturer. Visits to fairs in China, which were the largest in the world, and to various bicycle manufacturing units in China, helped open the eyes of the team members to the vast difference in capabilities and skills in bicycle design and manufacture.

Rao quickly realized that, in order to gain an advantage over competition in the market, the company urgently needed to build a premium range of products, although it would take some time to develop the required manufacturing capabilities. Therefore, the company decided to source bikes directly from China and market them under the BCL brands. The prices for these bikes were over twice those for the highest-priced bikes in the company’s existing range. Understandably, the team was hesitant about marketing such bikes because, despite some improvement, the required ambience in the retail outlets and selling skills of the team to sell such premium bikes were not yet in place.

Engineering

There were many intricate parts to be developed for BCL’s products. This involved a lot of fixtures, tools, and dies, which were the responsibility of the product design team. The final aesthetic and functional aspects of the products were determined by this team.

Another aspect of engineering, production engineering, was considerably neglected. Areas with major gaps or a need for improvements included the layout of plants at all locations; the work processes, especially for welding; and the development of technological capabilities in terms of materials (e.g., aluminum and plastic components and parts) and joining technologies (e.g., tungsten inert gas welding). The issue of technological capabilities became even more significant with the introduction of new models that had improved aesthetics and materials such as plastic and aluminum. Even carbon fibre was being examined, in line with the company’s attempt to improve the product range and make it much more contemporary.

Retail Outlets

Rao was reminded of the young girl’s reaction to the bicycle outlet on that unpleasantly hot day in Chembur. The bicycle outlet was considered a kind of unmentionable place that could not be redeemed. Many of the owners of bicycle outlets looked longingly at the ready-made garment outlets, the opticians, or even the medical shops, which had all evolved into much better lighted, laminate-gilded, and more colourful entities. Some of them were even air-conditioned! The bicycle shop did not compare to these new outlets, but Rao wondered why not.

Many of the bicycle outlet owners found that they could not interest their sons or even nephews in the business any longer. Therefore, they also did not see it as worthwhile to invest anything further in the outlets. Rao thought about this issue. If the company could interest the numerous bicycle outlets (over 30,000 in the country) in store makeovers, would it not make a big difference to the business overall? Instead of dull and dingy, retail outlets could be smart, colourful, and enticing, which could change the image of the company’s brands and become a galvanizing force for the product category and the industry in general.

Rao realized that turning the company around called for changes in the way all departments functioned. He set out an action agenda for his forthcoming meeting with the group management board. He would need the board’s approval for any actions relating to non-performing or surplus managers (who would normally be shifted to the corporate HR department for further deployment).

Rao did not have the power to replace slow performers. Should he try to reform them? How could he manage simultaneous changes in all his departments? Maybe he should persuade the entire senior team—including the heads of the engineering, production, HR, information technology, logistics, procurement, CSD, and marketing departments—to take part in a free-flowing discussion to draft actionable plans to achieve desired results. He asked his assistant to identify a three-day period for the team workshop, where these issues would be thoroughly discussed as a team.

Exhibit 1: BIKES & CO. LTD.—Financial Performance

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Ten Year Financial Data (in ₹ Millions)** | | | | | | | | | |
| **FY (April–March)** | **2004–2005** | **2005–2006** | **2006–2007** | **2007–2008** | **2008–2009** | **2009–2010** | **2010–2011** | **2011–2012** | **2012–2013** |
| **Volume (in ’000s)** | | | | | | | | | |
| Standards | 838 | 855 | 804 | 786 | 822 | 1,117 | 1,057 | 1,097 | 1,137 |
| Specials | 730 | 852 | 823 | 937 | 1,104 | 1,402 | 1,676 | 1,809 | 1,768 |
| Total | 1,568 | 1,707 | 1,627 | 1,723 | 1,926 | 2,519 | 2,733 | 2,906 | 2,904 |
| Gr. over PY |  | 9% | (5%) | 6% | 12% | 31% | 8% | 6% | 0% |
| **Sales (in ₹ Millions)** | | | | | | | | | |
| Cycles | 1,792 | 2,093 | 2,096 | 2,263 | 2,595 | 3,445 | 3,870 | 4,137 | 4,182 |
| Exports | 389 | 684 | 631 | 378 | 304 | 335 | 300 | 99 | - |
| Traded | 72 | 119 | 156 | 178 | 214 | 263 | 306 | 300 | 335 |
| Total | 2,252 | 2,896 | 2,883 | 2,820 | 3,112 | 4,043 | 4,476 | 4,536 | 4,516 |
| Gr. over PY |  | 29% | 0% | (2%) | 10% | 30% | 11% | 1% | 0% |
| Contribution | 335 | 486 | 559 | 561 | 620 | 859 | 884 | 876 | 860 |
| % to Sales | 15% | 17% | 19% | 20% | 20% | 21% | 20% | 19% | 19% |
|  |  |  |  |  |  |  |  |  |  |
| Fixed Expenses | 293 | 431 | 444 | 435 | 445 | 592 | 642 | 674 | 617 |
| % to Sales | 13% | 15% | 15% | 15% | 14% | 15% | 14% | 15% | 14% |
| Operating Income | 42 | 55 | 114 | 126 | 174 | 268 | 242 | 202 | 244 |
| % to Sales | 2% | 2% | 4% | 4% | 6% | 7% | 5% | 4% | 5% |
| Non-Operating Expenses | 0 | 0 | 9 | 10 | 37 | - | 45 | 1 | 40 |
| Financial Charges | 41 | 81 | 88 | 86 | 81 | 82 | 104 | 114 | 90 |
| % to Sales | 2% | 3% | 3% | 3% | 3% | 2% | 2% | 2.5% | 2% |
| Earnings before Taxes | 0.5 | (25.4) | 17.4 | 29.6 | 57.2 | 185.7 | 93.4 | 86.4 | 114.0 |
| % to Sales | 0% | (1%) | 1% | 1% | 2% | 5% | 2% | 2% | 3% |

Note: ₹ = INR = Indian rupee; US$1 = ₹62.65 on September 30, 2013; Gr. over PY = growth over previous year

Source: Created by the authors based on case materials.

1. ₹ = INR = Indian rupee; US$1 = ₹62.65 on September 30, 2013; all currency amounts are in ₹ unless otherwise specified. [↑](#footnote-ref-1)