Project Report

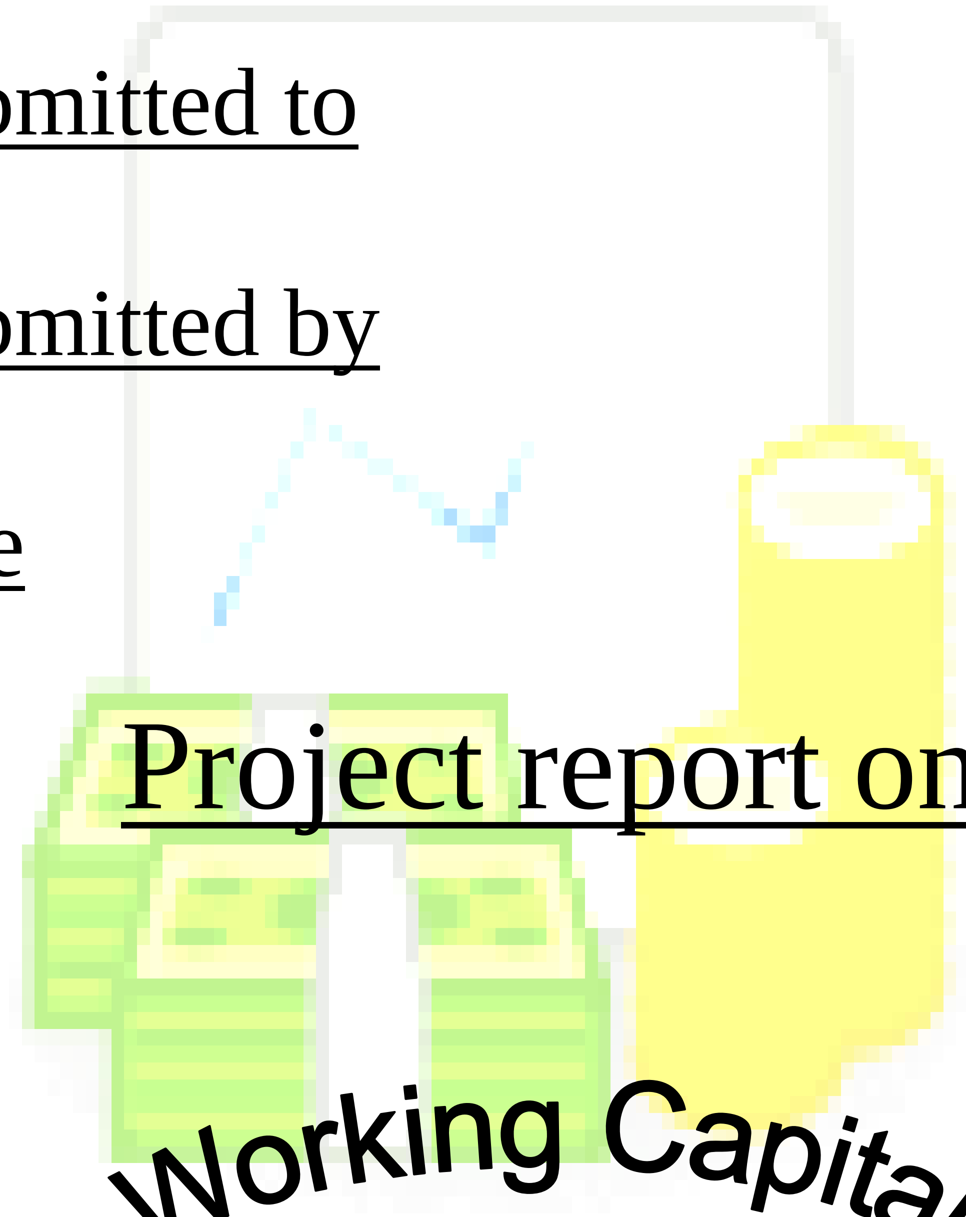
Bharat pump & compressor limited

Name

Submitted to

Submitted by

date



Project report on

Working Capital

TABLE OF CONTENTS

PREFACE

The instrument of government owing property is nothing new. It is almost as old as human civilization itself. We have reference of public places and buildings such as the great bath and municipal halls in the towns' valley civilization which also happens to be one of the oldest human civilizations of the world.

The Nehruvian vision was based on the principal mixed economy, with the public sector laying the foundation of the development of and private sector taking the baton from the public sector. BPCL was established with this very vision in its backdrop. The company was established to produce pumps, compressors and gas cylinder which were mainly use in core industries such as oil exploration, refineries, fertilizers, atomic power stations, and so on.

As an MBA student I have got the opportunity to undertake my summer assignment of BPCL, Naini, Under the initial impression, it was a challenge for me when I was given to study the marketing strategy of the company.

With this great responsibility on my shoulders, I have tried to present working capital of the BPCL.

I hope this report will not become the just another academic document but will in all practicability prove to be a use full tool for giving direction to the BPCL, which is the earnest call from the depth of my heart.

With this feeling in my heart I once again pray for the bright future of BPCL.

ACKNOWLEDGEMENT

A formal line of appreciation would hardly meet the end of justice expressing my sincere thanks to Mr.S.N. Pandey (Manager Training) & Mr. R.B Singh (Administrative Officer Training) & Mr. U.C Sharma,Mr. V.S Singh ,for providing me every possible help to complete my work within given time period of 4 weeks. As the task of completion was gigantic and stupendous, but I tried to give all efforts related to my training at my level best.

I as a vocational trainee with the place on record my gratitude and appreciation of continued support, guidance and co-operation extended by the different employees of each level of Finance, Human Resource and development, GAD, Welfare/Safety, Time office, Production, Purchase, Quality control, Store and Marketing. I specially thank to GM & DGM (Personnel) who contributed full support and valuable guidance during my project work and training period in the organization.

At the end I am thankful to all the employees of the BPCL, Naini, who gave their full support and co-operation during my training by giving me sufficient knowledge related to the organizational environment.

The completion of this training report is the result of valuable guidance, constructive suggestion, keen interest and eminent supervision of all the Training officials and every experienced employee of BPCL.

Thanking you.

Shailja Bharti

SHIATS, Naini, Allahabad

VT.No.

INTRODUCTION

Bharat Pumps and Compressors Limited, (the public sector enterprise) was incorporate in 1970. The factory is situated in the Trans Yamuna area of Naini Allahabad. The company has started its Business from 1973. Later on during year 1986, the company was brought out under the holding Company 'Bharat Yantra Nigam Limited.' With the objective to design research and development and manufacture and supply of capital goods in the fluid handing field including Provision of service connected there with. BPCL had entered into technical collaborations with World famous manufactures of Pimps, Compressors and Gas cylinders and high technology Oil Equipments. In a very short period the company absorbed the technology and establishes itself as a World renewed manufacturing of a wide range of high-tech products in the fluid handing areas.

In spite of being an import substitution oriented unit. BPCL competes with renowned international manufacturing and secure Prestigious orders from the counts core sector industrials. Almost all the national project in the areas of oil exploration and exploration. Refineries petrochemicals and Fertilizers process industries; thermal hydro and nuclear power plant have BPC's products which are functioning to the total satisfaction of the total satisfaction of the customers. The confidences reposed on BPCL by customer select in terms of steady and continuous ion order position as well as receipt of high value order to manufacturing and supply the high tech product like cementing units. Sucker Rod Pumping units and Nuclear Pumps besides Mud pimps for deep deleing oil rigs and compressors etc.

Through quality of BPCL product in good as compared to any other competitors but the company did not perform well due to various reasons. The concept of holding company was this adopted by the government to recognize BPCL along with other five companies in a manner which was most conductive to their effective performance. In 1986, BPCL was made a subsidiary of Bharat Yantra Nigam limited. Who formed as holding for six companies which come under the Department of Heavy Industry?

BPCL is the only company in Asia to manufacturing a wide range of hi-tech products, heavy duty pumps and compressors and high pressure seamless and welded gas cylinders, under one roof.

VISION

To become an Indian MNC in the field of Fluid handling, Gas Compression, Gas storage equipment, services & project management.

MISSION

To provide quality products and services to core sector industries with special thrust on Oil and Natural Gas, Petrochemicals, Refineries, Nuclear and Thermal Power Plants, Fertilizers and Public Transport Services, complying with health and safety requirements

OBJECTIVES

- **To increase market shares of our products and services.**
- **To maximize customer's satisfaction by providing quality products and services with stipulated delivery.**
- **To increase the business of spares and rendering prompt after sale and services including refurbishment.**
- **Achieve export turnover of 15% by 2009-10.**

CAPABILITIES

BPCL A subsidiary of Bharat Yantra Nigam Ltd. A subsidiary of enterprise are engaged in the manufacturing of reciprocating pumps, reciprocating compressors, centrifugal pumps, and gas cylinders catering to the needs of a wide range of industries such as fertilizers, refineries. Petrochemical, oil and gas exploration, nuclear and thermal power, or processing and metal extraction, air separation refrigeration plants, etc.

ENGINEERING CAPABILITIES- BPCL have a complete team of design and development engineers specialized in the field of reciprocating compressors, reciprocating pumps, electrical drives and measurement and control instrumentation. The constituents of this team are thoroughly knowledgeable and experienced design and development of more than 15 years. Most of engineers have been trained at collaborators works and have through experience of a wide variety of applications handled by BPCL.

Pumps and compressors are designed in conformity of American Petroleum Institute Standards (e.g. API 628 for Reciprocating Compressors, API 610 for centrifugal pumps), PN-EUROPE or any other national/international codes specified by client consultants. In case of reciprocating machines, analogue digital pulsation study is carried out to evaluate and optimize performance during design stage itself. In case of centrifugal machines, seismic analysis is carried out wherever required.

MANUFACTURING CAPABILITIES- BPCL has excellent in-house facilities for reciprocating as well as centrifugal machines. The modernization machines, shop containing CNC machines, etc. Is well equipped to achieve the required manufacturing tolerance had finish on the pumps and compressor's components.

The machine shop is staffed by expert operators working under the supervisors and engineers who bring in the state of the art and technology in all products.

BPCL have a fully equipped test bed for pumps and compressors including clean room facilities.

A well known team of quality control and assurance engineers ensures high quality throughout all phases of manufacturing. Their party inspection by reputed inspection agencies, such as, bureau EIL, PIDL, UHDE, H&G are offered on all our products at client's discretion.

STRATEGIES, ACTION, PLAN

- **BPCL have already initiated action for attainment of ISO 9000 certification.**
- **BPCL is already registered with process consultants. Various export houses. We are receiving from EEPC, Mohan export, PEC etc.**
- **BPCL has initiated action to become of international trade council.**
- **Export possibility will also be dealt through our holding company i.e. BYNL.**
- **As agents are the main contact with the ultimate customers, we are also looking for appointing some agents of repute in foreign countries.**
- **To participate in international trade fairs which are held in India & Abroad.**
- **Containing ultimate and mailing our product leaflets and brochures to them.**

PRODUCT PROFILE

PRODUCTS

Pumps and Compressors	●	Centrifugal Pumps
	●	Pumps for Application in Power Plants.
	●	Reciprocating Piston and Plunger Pumps.
	●	Cementing Units.
	●	Sucker Rod Pumping Unit.
	●	Reciprocating Compressors.

Gas Cylinders	●	High Pressure Seamless Industrial Gas Cylinders.
	●	Welded Cylinders.
	●	Cylinders in Cascade for Storage of Compressed Natural Gas (CNG)

Range of Products

Centrifugal Pumps

Maximum Power	2500 KW
Maximum Pressure	140 kg/cm^2
Maximum Capacity	12,000 M^3/Hr
Fluids Handled	Demineralised water, Sea water, Hydrocarbons, Naphtha, LPG, Carbonate Solution, Boiler Feed Water, Benfield solution, Alkaline and Acidic Solution, Ammonia liquor and slurry

Reciprocating Pumps

Maximum Power	1700 KW
Maximum Pressure	675 kg/cm^2
Maximum	315 M^3/Hr

Capacity	
Fluids Handled	Drilling Mud, Cementing Slurry, Crude Oil steam, Condensate, Heavy Water, Fatty Acids, Ammonia Carbonate, Liquid Ammonia, Water Injection

Reciprocating Compressors	
Maximum Power	25,000 KW
Maximum Pressure	450 kg/cm^2
Maximum Capacity	70,000 NM^3/Hr
Fluids Handled	Air, Nitrogen, Oxygen, Carbon Di-Oxide, Hydrocarbons, Ammonia, Synthesis Gas, Hydrogen Sulphate, Coal Gas etc.

GAS CYLINDERS	
Maximum Pressure	400 kg/cm^2
Maximum Capacity	110 Litres.
Fluids Handled	Oxygen, Nitrogen, Hydrogen, Argon, Air, Helium, Carbon Di-Oxide, Nitrous Oxide, Acetylene, Ammonia, Chlorine, Freon, LPG, Compressed Natural

CUSTOMER OF BPCL

- Oil & Natural Gas Commission.
- Indian Oil Corporation.
- Hindustan Petroleum Corporation.
- Fertilizer Corporation of India Ltd.
- Indian Farmers Fertilizer Corporation.
- Gas Authority of India Ltd.
- Indian Petro-Chemicals Ltd.
- Madras Refineries Ltd.
- Oil India Ltd.
- Bharat Petroleum Corporation.
- Engineers India Ltd.
- National Fertilizer Corporation.
- Indo Gulf Fertilizers Corporation.
- Indraprastha Gas Limited.
- Bongaigaon Refineries & Petro-Chemicals Ltd.
- Cochin Refineries Ltd

Tamil Nadu Petro-Chemicals Ltd.

BRANCHES OF BPCL

Its manufacturing unit is at Allahabad only. But it has 6 more branches at-

- Delhi
- Mumbai
- Kolkata
- Chennai
- Dibrugarh (Assam)
- Baroda (Gujrat)

TURN AROUND HISTORY OF BPCL

THE TURN AROUND STORY – LEARNINGS & WAY FORWARD

ABOUT BPCL

Bharat Pumps & Compressors Ltd., (A Public Sector Undertaking under the control of Ministry of Heavy Industries & Public Enterprises, Govt. of India), was incorporated in 1970 with manufacturing facility at Naini, Allahabad. The company is engaged in manufacture and supply of heavy duty pumps & compressors and high pressure seamless and CNG gas cylinders / cascades to cater the needs of oil exploration & exploitation, refineries, petro-chemicals, chemicals and fertilizer, power [including nuclear power] sectors and other process downstream industries. Such high valued hi-tech products are functioning to the total satisfaction of the customers with least maintenance cost and optimum energy conservation.

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.

SCENARIO TILL 2004-05

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 almost being closed with minimal production and failure in securing orders in competitive biddings. Table -1, below gives past performance and also performance in the turnaround year 2005-06:

PAST PERFORMANCE

Table-I

[Rs. In lakhs]

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	2421	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 moment of Pride and Recognition for BPCL had arrived 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 turnaround 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 Crores, till 2004-05. The turnaround 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.1.82 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	2421	3483	4959	42.37%
3.	Net Profit/(Loss)	(2494)	(1086)	182	Turnaround
4.	Net worth	(11340)	(12161)	(11715)	4% 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

- Vision document prepared for 10 years

- Rejection & rework reduction by 7%

- 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 Crores 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.18.34 crores a growth of 53% in turnover and 913% 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	14500	40.53%
2.	Value Added	3483	4959	6234	25.7%
3.	Net Profit/(Loss)	(1086)	182	1834	913%
4.	Net worth	(12161)	(11715)*	+5512	+147%
5.	No. of employees	1244	1233	1214	Reduction of 19 employees

* After revival package net worth will be positive – Rs.3438 lakhs

- 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.

- Measure such as:-
  (i) Smart Card Punching System
  (ii) Uniform to all Employees
  (iii) Canteen Up gradation
  (iv) Jatropha Plantation taken at Plant

- Model of Excellence introduced **"ABHAY MODEL of EXCELLENCE"** a copy right of MD, BPCL

- Vendor base widened

- Capacity utilization improved to 53% from 43%

EXPECTED RESULTS DURING 2007-08

The expected sales/production during current year shall be to the tune of Rs.185 crores. BPCL's present order book stands at Rs.160 crores.

The order booking is expected to be Rs.200 crores and estimated net profit after tax shall be Rs.24.27 crores i.e., a quantum jump in all the key performance areas is expected.

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
A.	As per Consultant					
1.	Value of Production	9429	10200	11232	11801	12524
2.	PAT	(148)	176	795	396	741
B.	As Achieved/ Planned by BPCL					
1.	Value of Production	10318	14500	18500	23500	29500
2.	PAT	182	1834	22427	2347	2762

It is pertinent to mention here that BPC have achieved the value of Production of 14500 lacs in 2006-07, which was not projected even up to 2009-10 by consultant. The Budget for 2007-08 and projections up to 2009-10, as given in Table-IV above, are one & half to two & half times of value of Production and 10 to 5 times Net Profit, as compared to projections made by the consultant

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 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 1233 strong 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. Strategic Business Plan has also been prepared for next 10 years. The year-wise plan for milestones is given at Table-IV.

YEARWISE MAJOR MILESTONES

Table-V

Year		Milestones
2006	-	Approval of Revival Plan
	-	Turnover – 135 Crores
	-	All reviewed Systems in place
	-	Turnaround
2007	-	Turnover – 185 Crores
	-	Private Sector Business
	-	Plan for listing of BPCL
2008	-	Start Exports
	-	Turnover – 235 Crores
	-	Listing of BPCL
	-	Plant Modernization/Investment
	-	Build a Brand Image
2009	-	Turnover – 295 Crores
	-	Obtain Mini Ratna status
2010	-	Turnover – 385 Crores
	-	Apply for CII-EXIM Award
	-	A case study on Turnaround
2011	-	Turnover – 500 Crores
2012	-	600 Crores
2013	-	800 Crores
2014	-	1000 Crores
2015	-	1200 Crores
	-	Add Foreign Base
	-	LSTK Projects
	-	Project Management & Consultancy

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 company has targeted 15% export turnover by 2009-10, increase in market share of the company from 20% to 45% and becoming Mini Ratna by 2009 as well as Indian multinational company by 2011, expand business to the tune of 1200 crores by 2015. The future growth plan is as per Table-V.

FUTURE GROWTH PLAN

Table-VI

	Parameter	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
1.	Value of Production	18500	23500	29500	38500	50000
2.	Value Added	7496	9398	11795	15395	19533
3.	Net Profit After Tax	2427	2347	2762	2807	7473
4.	Net worth	7111	8503	10450	12314	18577
5.	No. of employees	1099	1059	998	920	876

The major enablers for the turn-around have been the employees of My BPC, customers who reposed their confidence in our equipment and the Government which provided positive support for initiatives taken in hand to achieve this performance.

The salient achievements and learning's 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

B. **Learning's**

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

DEPARTMENTS OF BPCL

- FINANCE
- MARKETING
- PURCHASE
- HUMAN DEVELOPMENT
- STORE
- QUALITY CONTROL

SECTIONS OF FINANCE DEPARTMENT

- STORE BILL SECTION & FOREIGN PAYMENT –MR.C.N MISHRA
- SALES- MR. G.P SINGH
- PROVIDEND FUND – MS. GAURI
- SALARY – MR. M.N TRIPATHI
- MISCELLANEOUS – MR. B.V SINGH
- INCOME TAX- MR. RANJEET SINGH
- COSTING-MR. WAHIDI JI
- BOOK SECTION- MR. S.B GUPTA
- BANK SECTION-MR SANJAY GUPTA
- MEDICAL SECTION -MR. R.C PANDEY

STORE BILL SECTION

Base of placing the Purchase Order (PO)- Design Department raised indent for procurement of material for various products the main product of BPCL are:

1. **Reciprocating Compressor**
2. **Reciprocating Pumps**
3. **Centrifugal Pumps**
4. **Gas Cylinder (excluding LPG)**

After receipt of indent Purchase Department offer quotation from different suppliers through tenders. There are 4 types of tenders-

1. **Single tender (for only one reputed supplier).**
2. **Limited tender (Some regular suppliers are said to be providing quotation after receipt of quotation comparative statement is prepared in which price quality, past performances of the supplier are maintained. The comparative statement send to finance department for concurrence and final decision are given by finance department.**
3. **Global tender (These are given in newspaper and international supplier submits their quotations through this tender).**
4. **Open-tender (quotation calls for international).**

Purchase order (PO)- This is an arrangement between buyers and suppliers & suppliers and suppliers is bound to deliver the materials as mentioned in PO-

- **Items name**
- **Quantity**
- **Unit rate**
- **Packing & forwarding [0.5% to 5% of material value (mv)]**
- **excise duty**

  Up to 29-02-2008-16.48%

  Up to march 2008-14.42%

  Up to o7-12-2008-10.03%

  Up to 24-02-2009-8.24%

  Up to 27-02-2010-10.03%

- **VAT [MV+P&F+Excise duty] 5 %(19-02-2010) or [13.5% applicable in 5% cases].**
- **Service tax (10.3%is applicable on machinery work or labour job).**
- **Central Sales Tax (CST)- Presently 2% on [MV+P&F+ED].**
- **Government taxes like VAT, CST, Service Tax %age is not given in PO.**

Payment to the supplier –When supplier supplies the material, he provide bills invoice/ bill, taxable invoice [for moderate credit- credit taken which excise duty are paid by BPC to suppliers. BPC takes excise credit on the basis of taxable invoice.]

According to PO supplier invoice/ bill the same or past as per PO rate terms & conditions.

Late delivery inventory- 0.5% per week subject to maximum of 5% of delayed supply is deducted from the bill. If supply is delayed beyond delivery period (as per PO delivery period is 4 weeks from the date of PO), all payments are released through cheques / RTGS.

Note-; ED, VAT, ST or refunded/credited by sales tax department & excise department.

Contractor transport payment- Annual contract is awarded for transportation of materials from BPCL to any place within India & all over India to BPCL. Presently there are 3 transporters. e.g.- ETO (Economic Transport Organisation), ARC (Associated Road Organisation), Indo Aryan Organisation.

For different jobs, construction of roads, building, foundation of machinery tanks the contract is awarded on the basis of tender.

Income tax - @ 2.06% of labour job amount. Machinery is deducted from the supplier's bill. Finally store department provide Store Receipt Voucher (SRV) to finance for valuation.

Purchase of imported materials- On the basis of PO, materials are imported by 2 ways-; (1) through letter of credit (LC) - 90%

(2) On collection basis-10%

Establishment of LC-

1. **Banker- SBI Naini**
2. **Consignee- overseas supplier, foreign vendors (supplier) beneficiaries.**
3. **Consignee- SBI Naini a/c, BPCL Naini (receiver)**

Foreign payment-:

After placement of the PO purchase department sent request letter to finance department.

Foreign payment section along with 2 copies of PO and suppliers consent letter for establishing LC. Finance department on the basis of PO prepare the following documents:

1. **Letter addressed to SBI Naini (chief manager) in which PO no., date, value in foreign currency, freight forwarders, name and address are mentioned.**
2. **Shipping documents. In this document the following points are indicated:**

    i. **Airway bill / Bill of lading**
    ii. **Invoice/Bill**
    iii. **Packing list**
    iv. **Country or origin**
    v. **Test Inspection Certificate**
    vi. **Certificate of utilities**
    vii. **Specification of Goals**
    viii. **Certificate of completion of supply**
    ix. **Warranty/ Guarantee**

    Total LC value in FC suppliers name, name of freight forwarders, late delivery penalty if applicable, PBC (Performance Bank Guarantee) if applicable, requirement of advance set of documents for shipping of materials.

3. <u>Guarantee LC form (2) suppliers name, FC value, price term [free on boat</u>]

All charges from suppliers workshops to sea/ airport like handling charges, documentation charges, warehousing charges, paid by suppliers and finally charges in his invoice.

4. <u>Foreign exchange control</u>.

- **Name of supplier**
- **Material cost**

The LC is established by the buyer through his banker (SBI, Naini) with a prime bank located in the country of supplier. Confirmation of LC is confirmed by the buyers banker only.

Terms of dispatch/ shipment (fob)- in this case supplier is responsible for transportation of material upto port, documentation charge, warehouse charge will be paid by the supplier and finally charged in this bill.

Ex-works: The supplier is only responsible on his work place. The freight forwarder of buyer is responsible for material handling upto port and all expenses at port.

Cost insurance and freight of air/ship- will be born by the supplier.

Port of Loading- The supplier shipped the material with the consultant of freight forwarder in his country.

Port of Discharge- Material discharge of Mumbai port and the clearing agent of buyer shall provide all expense of the port along with freight bill.

Releasing of material from port- after payment freight port trust expenses custom duty and receipt of original documents like bill/invoice, packing list, country of origin and AWB/ BL. Invoice/bill and AWB/ BL must be signed by chief manager SBI Naini. In some cases original documents are not received in SBI Naini and material reached and Mumbai port then in case of air release order duly addressed to freight forwarder and signed by chief manager SBI Naini. In case of sea indemnity bond is issued and also signed by SBI is sent to freight forwarder for increasing the material from the port. After releasing the materials through our transporters, materials are send ton BPCL Naini.

MICSCELLANEOUS PAYMENT SECTION.

Function of miscellaneous payment section

1. Payment of transport bills
2. Payment of mobiles and telephones
3. Miscellaneous advance and adjustment
4. AMC (annual maintenance contracts)
5. Publication and advertisement
6. Payment of leased houses
7. Security/earnest money deposits and payment
8. Reduction of income tax &payment
9. Training and seminar
10. Power payment
11. Miscellaneous payments

DEDUCTION AND PENALTY IN CASE OF PENALTY

Deduction on late arrival (for all types of vehicles)

$$= \frac{\text{Contract amount +diesel hike/25}}{2*1\%}$$

Extra mileage rate rs.5.60 per km

Penalty **case**

$$\frac{\text{Contract amount +diesel hike}}{\text{Days in a month or 25 days/}}$$

25 hrs *hrs indicated in the bill 4 or 3

LANDLINES

36 landlines connection –DGM (60000/-)

90 Mobiles are issued to the officer diff.department

IMPEREST

Imperest is an advance being paid to each and every department to meet out the expenses of emergent and petty nature.

MISCELLANEOUS ADVANCE AND ADJUSTMENT—it includes material handling ,local cash purchase ,repair handling ,welfare /press and publication expenses etc.

AMC-annual maintenance contracts
AMC for computers
AMC for crane services
AMC for weighing machines
AMC for electronic punching machines
AMC for electronic data processing(EDP)

PUBLICATION AND ADVERTISEMENT

Advertisement for tender notice
Advertisement for recruitment
Advertisement for goodwill and sales promotion

SECURITY/EARNEST MONEY DEPOSITS AND PAYMENT

Earnest money –it is being deposited at the time of issuing tender form .it is refundable just after the party is failure to obtain contract.
Security money-it is being deposited after finalization of contract and security deposits is refundable after termination of contracts.

REDUCTION OF INCOME TAX &PAYMENT

TDS is being deducted from the parties payment under two section
1st-sec 194(c)
2nd-sec 194 (j)
Sec194(c)-ths sec. covers the payments of parties who are rendering their services with their own means and cost .e.g. transporter's bill.

(A) rate of TDS-2.06%
(B) Rate of TDS-1.03% is being deducted from the bill of the parties who do the work of mediator or broker.\
e.g satya advertising agencies
sec 194(j)

TDS at the rate of-10.30%
This rate is applicable on the payment of professional, retainers and service consultants. Tax will be deposited on before the 7th of the coming month.

SALARY SECTION

As per the government rules and regulations the salary section calculates the salary of employees by involving-:
DA (IDA)-industrial dearness allowance
DA is changed according to the survey made by consumer forum in several cities to know the prices of various products.
Presently DA is 127.5% of basic

HRA(house rent allowance)

Classification of cities	HRA
A-1(population>50 lac)	30% of basic pay
A,B-1,B-2(population between 20-50 lac)	15% of basic pay
C (population between 10-20 lac)	7.5% of basic pay
Unclassified (below 10 lac)	5% of basic pay

CCA(city compensatory allowance)

Washing allowance Rs 60/- per month
Canteen allowance Rs 400/-per month
Children education allowance
Attendance award Rs55 for 100% attendence

PROVIDEND FUND SECTION

UP/4882/2612 –code given by PF Commissioner to BPCL.
P.F no –up/4882/2612
12% is cut down from individual salary same amount is added to a/c which is provided by company.
Contribution involved in the separate a/c of employee:

(1) Employee contribution
(2) Employer contribution
(3) Voluntary provident fund
    VPF is a/c to the will of employee which is provided by company Randomly .maximum limit that can be cut down 6000/- or 72000 per year.

- In last two month Feb. &mar individual can exceed the amount 6000/- to maintain 72000/- in that year
- 8.33% or Rs 541/- whichever is lower one is cut from the 12% of the salary then we get the amount.

<u>Types of loan</u>
Non refundable
Condition 1- 90% of the amount is provided
Condition2-(basic+DA)*36

Refundable
Condition 1- 90% of the amount is provided after 10 year of service if taken 75%provided only refundable
Condition 2-(basic + DA)*6

<u>Deduction</u>
Provident fund -12% of basic +DA
8.5% interest on PF
Voluntary provident fund
Max 6000/- can be deducted as VPF

- Income tax deduction
- Bus charge
- GLIC/LIC Deduction

MEDICAL SECTION

Medical section of finance department provides financial help for medical facilities to the employee and their dependents.

In the month of April 95% of the basic payment is provided to the employee for normal disease.

For each month=$\frac{\text{95\%of the basic}}{12}$

Following are the hospital in which financial help is provided:

(1)Srijan vatsalya hospital pvt.ltd

(2) Akshay vat and trama hospital.

(3) saraswati heart care

(4)Nazareth hospital.

(5) government hospitals

FUNCTIONING OF MARKETING PURCHASE DEPARTMENT OF BPCL

MARKETING

(1)REQUIREMENT OF CUSTOMER

(a) directly from customers
(b) Through internet.
(c) Print media.
(d) Consultants.
(e) Lump sum turn key vendor.

(2)ACTION BY MARKETING

(a) We get registered.
(b) On submission of enquiry from customer we analyze the specification Technical details and commercial details.
(c) techno-commercial offer is made and tender/bid/offer.
(d) The technical scruting is done by the customer and technically qualified parties short listed for price bid openings.
(e) The price bid is open and purchase order is placed to the lowest bidder.

PURCHASE

Material required for direct production or non production is purchased by purchase department of BPCL.

There are two categories of material:

(1) metallic
(2) non–metallic

Two group in purchase:

(1) linked to direct production
(2) linked to non production

FUNCTION OF PURCHASE

- D.P.I (departmental purchase indent)
- Checking availability of material in store house.
- Accurate information in purchase
- Enquiry letter (to the vendors)
- Competitive statement
- Final order

WORKING CAPITAL

Working capital, also known as "WC", is a financial metric which represents operating liquidity available to a business. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. It is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a **working capital deficiency**, also called a **working capital deficit**. Net working capital is working capital minus cash (which is a current asset) and minus interest bearing liabilities (i.e. short term debt). It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows).

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable and cash.

CALVULATION OF WORKING CAPITAL

Current assets and current liabilities include **three accounts** which are of special importance. These accounts represent the areas of the business where managers have the most direct impact:

- accounts receivable (current asset)
- inventory (current assets), and
- accounts payable (current liability)

The current portion of debt (payable within 12 months) is critical, because it represents a short-term claim to current assets and is often secured by long term assets. Common types of short-term debt are bank loans and lines of credit.

An increase in working capital indicates that the business has either increased current assets (that is has increased its receivables, or other current assets) or has decreased current liabilities, **for example** has paid off some short-term creditors.

Implications on M&A: The common commercial definition of working capital for the purpose of a working capital adjustment in an M&A transaction (i.e. for a working capital adjustment mechanism in a sale and purchase agreement) is equal to:

Current Assets - Current Liabilities excluding deferred tax assets/liabilities, excess cash, surplus assets and/or deposit balances.

Cash balance items often attract a one-for-one purchase price adjustment

WORKING CAPITAL MANAGEMENT

Decisions relating to working capital and short term financing are referred to as *working capital management*. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

By definition, working capital management entails short term decisions - generally, relating to the next one year period - which are "reversible". These decisions are therefore not taken on the same basis as Capital Investment Decisions (NPV or related, as above) rather they will be based on cash flows and / or profitability

One measure of cash flow is provided by the cash conversion cycle - the net number of days from the outlay of cash for raw material to receiving payment from the customer. As a management tool, this metric makes explicit the inter-relatedness of decisions relating to inventories, accounts receivable and payable, and cash. Because this number effectively corresponds to the time that the firm's cash is tied up in operations and unavailable for other activities, management generally aims at a low net count

- In this context, the most useful measure of profitability is Return on capital (ROC). The result is shown as a percentage, determined by dividing relevant income for the 12 months by capital employed; Return on equity (ROE) shows this result for the firm's shareholders. Firm value is enhanced when, and if, the return on capital, which results from working capital management, exceeds the cost of capital, which results from capital investment decisions as above. ROC measures are therefore useful as a management tool, in that they link short-term policy with long-term decision making. See Economic value added (EVA).

Guided by the above criteria, management will use a combination of policies and techniques for the management of working capital. These policies aim at managing the *current assets* (generally cash and cash equivalents, inventories and debtors) and the short term financing, such that cash flows and returns are acceptable.

- Cash management. Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs.
- **Inventory management**. Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials - and minimizes reordering costs - and hence increases cash flow; see Supply chain management; Just In Time (JIT); Economic order quantity (EOQ); Economic production quantity
- **Debtors management**. Identify the appropriate credit policy, i.e. credit terms which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence Return on Capital (or *vice versa*); see Discounts and allowances.
- **Short term financing**. Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier; however, it may be necessary to utilize a bank loan (or overdraft), or to "convert debtors to cash" through "factoring".

CASH CONVERSION CYCLE

In management accounting, the **Cash Conversion Cycle** (**CCC**) measures how long a firm will be deprived of cash if it increases its investment in resources in order to expand customer sales. It is thus a measure of the liquidity risk entailed by growth. However, shortening the CCC creates its own risks: while a firm could even achieve a negative CCC by collecting from customers before paying suppliers, a policy of strict collections and lax payments is not always sustainable.

Definition

CCC **= # days between disbursing cash and collecting cash in connection with undertaking a discrete unit of operations.**

$$= \text{Inventory conversion period} + \text{Receivables conversion period} - \text{Payables conversion period}$$

$$= \frac{\text{Avg. Inventory}}{\text{COGS} / 365} + \frac{\text{Avg. Accounts Receivable}}{\text{Revenue} / 365} - \frac{\text{Avg. Accounts Payable}}{\text{COGS} / 365}$$

CORPORATE FINANCE

Corporate finance is an area of finance dealing with financial decisions business enterprises make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to maximize corporate value [1] while managing the firm's financial risks. Although it is in principle different from managerial finance which studies the financial decisions of all firms, rather than corporations alone, the main concepts in the study of corporate finance are applicable to the financial problems of all kinds of firms.

The discipline can be divided into long-term and short-term decisions and techniques. Capital investment decisions are long-term choices about which projects receive investment, whether to finance that investment with equity or debt, and when or whether to pay dividends to shareholders. On the other hand, the short term decisions can be grouped under the heading "Working capital management". This subject deals with the short-term balance of current assets and current liabilities; the focus here is on managing cash, inventories, and short-term borrowing and lending (such as the terms on credit extended to customers).

The terms corporate finance and **corporate financier** are also associated with investment banking. The typical role of an investment bank is to evaluate the company's financial needs and raise the appropriate type of capital that best fits those needs.

CAPITAL INVESTMENT DECISION

Capital investment decisions [2] are long-term corporate finance decisions relating to fixed assets and capital structure. Decisions are based on several inter-related criteria. (1) Corporate management seeks to maximize the value of the firm by investing in projects which yield a positive net present value when valued using an appropriate discount rate. (2) These projects must also be financed appropriately. (3) If no such opportunities exist, maximizing shareholder value dictates that management must return excess cash to shareholders (i.e., distribution via dividends). Capital investment decisions thus comprise an investment decision, a financing decision, and a dividend decision

The investment decision

Management must allocate limited resources between competing opportunities (projects) in a process known as capital budgeting [3]. Making this capital allocation decision requires estimating the value of each opportunity or project, which is a function of the size, timing and predictability of future

Project valuation

each project's value will be estimated using a discounted cash flow (DCF) valuation, and the opportunity with the highest value, as measured by the resultant net present value (NPV) will be selected (applied to Corporate Finance by Joel Dean in 1951; see also Fisher separation theorem, John Burr Williams: theory). This requires estimating the size and timing of all of the incremental cash flows resulting from the project. Such future cash flows are then discounted to determine their *present value* (see Time value of money). These present values are then summed, and this sum net of the initial investment outlay is the NPV. See Financial modeling.

The NPV is greatly affected by the discount rate. Thus, identifying the proper discount rate - often termed, the project "hurdle rate" [5] - is critical to making an appropriate decision. The hurdle rate is the minimum acceptable return on an investment—i.e. the project appropriate discount rate. The hurdle rate should reflect the riskiness of the investment, typically measured by volatility of cash flows, and must take into account the financing mix. Managers use models such as the CAPM or the APT to estimate a discount rate appropriate for a particular project, and use the weighted average cost of capital (*WACC*) to reflect the financing mix selected. (A common error in choosing a discount rate for a project is to apply a WACC that applies to the entire firm. Such an approach may not be appropriate where the risk of a particular project differs markedly from that of the firm's existing portfolio of assets.)

In conjunction with NPV, there are several other measures used as (secondary) selection criteria in corporate finance. These are visible from the DCF and include discounted payback period, IRR, Modified IRR, equivalent annuity, capital efficiency, and ROI. Alternatives (complements)

to NPV include MVA / EVA (Stern Stewart & Co) and APV (Stewart Myers). See *list of valuation topics*.

Valuing flexibility

In many cases, for example R&D projects, a project may open (or close) paths of action to the company, but this reality will not typically be captured in a strict NPV approach.[6] Management will therefore (sometimes) employ tools which place an explicit value on these options. So, whereas in a DCF valuation the most likely or average or scenario specific cash flows are discounted, here the “flexibile and staged nature” of the investment is modelled, and hence "all" potential payoffs are considered. The difference between the two valuations is the "value of flexibility" inherent in the project.

The two most common tools are Decision Tree Analysis (DTA) [7] and Real options analysis (ROA) [8]; they may often be used interchangeably:

- DTA values flexibility by incorporating *possible events* (or states) and consequent *management decisions*. (For example, a company would build a factory given that demand for its product exceeded a certain level during the pilot-phase, and outsource production otherwise. In turn, given further demand, it would similarly expand the factory, and maintain it otherwise. In a DCF model, by contrast, there is no "branching" - each scenario must be modelled separately.) In the decision tree, each management decision in response to an "event" generates a "branch" or "path" which the company could follow; the probabilities of each event are determined or specified by management. Once the tree is constructed: (1) "all" possible events and their resultant paths are visible to management; (2) given this “knowledge” of the events that could follow, and assuming rational decision making, management chooses the actions corresponding to the highest value path probability weighted; (3) this path is then taken as representative of project value. See Decision theory: Choice under uncertainty.

- ROA is usually used when the value of a project is *contingent* on the *value* of some other asset or underlying variable. (For example, the viability of a mining project is contingent on the price of gold; if the price is too low, management will abandon the mining rights, if sufficiently high, management will develop the ore body. Again, a DCF valuation would capture only one of these outcomes.) Here: (1) using financial option theory as a framework, the decision to be taken is identified as corresponding to either a call option or a put option; (2) an appropriate valuation technique is then employed - usually a variant on the Binomial options model or a bespoke simulation model, while Black Scholes type formulae are used less often; see Contingent claim valuation. (3) The "true" value of the project is then the NPV of the "most likely" scenario plus the option value. (Real options in corporate finance were first discussed by Stewart Myers in 1977; viewing corporate strategy as a series of options was originally per Timothy Luehrman, in the late 1990s.)

Financial risk management

the process of measuring risk and then developing and implementing strategies to manage that risk. Financial risk management focuses on risks that can be managed ("hedged") using traded financial instruments (typically changes in commodity prices, interest rates, foreign exchange rates and stock prices). Financial risk management will also play an important role in cash management. This area is related to corporate finance in two ways. Firstly, firm exposure to business risk is a direct result of previous Investment and Financing decisions. Secondly, both disciplines share the goal of enhancing, or preserving, firm value. All[citation needed] large corporations have risk management teams, and small firms practice informal, if not formal, risk management. There is a fundamental debate on the value of "Risk Management" and shareholder value that questions a shareholder's desire to optimize risk versus taking exposure to pure risk. The debate links value of risk management in a market to the cost of bankruptcy in that market.

Derivatives are the instruments most[citation needed] commonly used in financial risk management. Because unique derivative contracts tend to be costly to create and monitor, the most cost-effective financial risk management methods usually involve derivatives that trade on well-established financial markets or exchanges. These standard derivative instruments include options, futures contracts, forward contracts, and swaps. More customized and second generation derivatives known as exotics trade over the counter aka OTC.
Relationship with other areas in finance ---- ----------- Investment banking

Use of the term "corporate finance" varies considerably across the world. In the United States it is used, as above, to describe activities, decisions and techniques that deal with many aspects of a company's finances and capital. In the United Kingdom and Commonwealth countries, the terms "corporate finance" and "corporate financier" tend to be associated with investment banking - i.e. with transactions in which capital is raised for the corporation.[16]

Personal and public finance

Corporate finance utilizes tools from almost all areas of finance. Some of the tools developed by and for corporations have broad application to entities other than corporations, for example, to partnerships, sole proprietorships, not-for-profit organizations, governments, mutual funds, and personal wealth management.

WORKING CAPITAL WORKS

What Is Working Capital?

Working capital refers to the cash a business requires for day-to-day operations, or, more specifically, for financing the conversion of raw materials into finished goods, which the company sells for payment. Among the most important items of working capital are levels of inventory, accounts receivable, and accounts payable. Analysts look at these items for signs of a company's efficiency and financial strength.

Take a simplistic case: a spaghetti sauce company uses $100 to build up its inventory of tomatoes, onions, garlic, spices, etc. A week later, the company assembles the ingredients into sauce and ships it out. A week after that, the checks arrive from customers. That $100, which has been tied up for two weeks, is the company's working capital. The quicker the company sells the spaghetti sauce, the sooner the company can go out and buy new ingredients, which will be made into more sauce sold at a profit. If the ingredients sit in inventory for a month, company cash is tied-up and can't be used to grow the spaghetti business. Even worse, the company can be left strapped for cash when it needs to pay its bills and make investments. Working capital also gets trapped when customers do not pay their invoices on time or suppliers get paid too quickly or not fast enough.

The better a company manages its working capital, the less the company needs to borrow. Even companies with cash surpluses need to manage working capital to ensure that those surpluses are invested in ways that will generate suitable returns for investors.

Not All Companies Are the Same

Some companies are inherently better placed than others. Insurance companies, for instance, receive premium payments up front before having to make any payments; however, insurance companies do have unpredictable cash outflow as claims come in.

Normally, a big retailer like Wal-Mart (NYSE:WMT) has little to worry about when it comes to accounts receivable: customers pay for goods on the spot. Inventories represent the biggest problem for retailers; as such, they must perform rigorous inventory forecasting or they risk being out of business in a short time.

Timing and lumpiness of payments can pose serious troubles. Manufacturing companies, for example, incur substantial upfront costs for materials and labor before receiving payment. Much of the time they eat more cash than they generate.

Evaluating Companies

Investors should favor companies that place emphasis on supply-chain management to ensure that trade terms are optimized. Days-sales outstanding, or DSO for short, is a good indication of working capital management practices. DSO provides a rough guide to the number of days that a company takes to collect payment after making a sale.

Receivables/ Annual Sales/365 Days

Rising DSO is a sign of trouble because it shows that a company is taking longer to collect its payments. It suggests that the company is not going to have enough cash to fund short-term obligations because the cash cycle is lengthening. A spike in DSO is even more worrisome, especially for companies that are already low on cash.

The inventory turnover ratio offers another good instrument for assessing the effectiveness of WCM. The inventory ratio shows how fast/often companies are able to get their goods completely off the shelves. The inventory ratio looks like this:

Cost of Goods Sold (COGS)/Inventory

Broadly speaking, a high inventory turnover ratio is good for business. Products that sit on the shelf are not making money. Granted, an increase in the ratio can be a positive sign, indicating that management, expecting sales to increase, is building up inventory ahead of time.

For investors, a company's inventory turnover ratio is best seen in light of its competitors. In a given sector where, say, it is normal for a company to completely sell out and restock six times a year, a company that achieves a turnover ratio of four is an underperformer.

Computer giant and stock market champion, Dell (Nasdaq:DELL), recognized early that a good way to bolster shareholder value was to notch up working capital management. The company's world-class supply-chain management system ensures that DSO stays low. Improvements in inventory turnover increase cash flow, all but eliminating liquidity risk, leaving Dell with more cash on the balance sheet to distribute to shareholders or fund growth plans.

Dell's exceptional WCM certainly exceeds those of the top executives who do not worry enough about the nitty-gritty of working capital management. Some CEOs frequently see borrowing and raising equity as the only way to boost cash flow. Other times, when faced with a cash crunch, instead of setting straight inventory turnover levels and reducing DSO

SWOT ANALYSIS

STRENGTHS

* Good engineering capabilities.
* Good design backed by reputed foreign pump manufacture.

* Good manufacturing & testing facilities.
* Good performance of equipment already . . supplied.
* Good quality & high degree of reliability
* Stable industrial relations.

WEAKNESSES

* High material and manufacturing cost.
* Delays in delivery.
* Lack of planning and scientific monitoring of . . jobs.
* Lack of reliable vendors for casting and other bought outs.
* Inadequate after sales services & delay in resolving customer's problems higher fixed costs & administrative

  expenses.
* Poor liquidity position & market credibility.
* Reference to BIFR.

OPPORTUNITIES

* Large investment planned in oil and gas, petrochemicals, refineries , power & chemical industries , etc during 8th plan period.

* Growing demand for pumps in all the core sectors.

THREATS

* Entry of foreign suppliers due to recession in the world market increased competition from private sector companies and entry of more and more foreign companies into Indian market resulting in cut throat competition.
* Dependence on world bank , other agencies for funds results in large scale import equipment.
* Project consultants/process licensers imposing preferences on Indian customers leading to imports.
* Foreign companies quoting dumping prices.
* Reduction in customs duties has made offer from overseas companies more competitive in comparison to Indian counterparts.
* Due to financial constraints customers going in for turnkey packages with credit package thus altogether eliminating domestic equipment manufacturers/suppliers.
* Company's own ex-collaborator's are now competing with it.
* Ability of foreign companies to quote very competitive price.
* Recession in steel industry is hitting the gas cylinders.

SEGMENTATION

" By grouping individual into market segments , a degree of homogeneity is attained , making it possible to tailor optimal marketing strategies to each segment . The sum of all such market segments is known as market ".

---Edward F. Cundiff & Richard R. Still

Market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub – markets or segments , each of which tends to be homogenous in all significant aspects.

Market consists of buyers and they differ in many ways . Market can be segmented in a number of ways . A market segment consists of large identifiable groups with in a market . A company that practices segment marketing recognises that buyer's differ in their wants , purchasing power , geographical location , buying attitude and buying habits.

Thus segmentation is mid point between mass marketing and individual marketing. The consumers belonging to a segment are assumed to be quite similar in their want and needs

Market segmentation reflects reality in market situation . Consumers have different needs and preferences . Hence in reality market demand is heterogeneous and not homogenous . When differences in customer needs are analysed , the analysis may reveal that certain customer needs are being met and the marketer can exploit such marketing needs and fulfil these needs . This can yield profits and prospects for growth . Segmentation ensures higher customer satisfaction because of these factors.

- Marketers are in a better position to locate and compare marketing opportunities , market can be defined more precisely in terms of customer needs.
- When customer needs are fully understood . The marketer can effectively formulate and implement marketing programme which will be turned with the demands of the market.

- Marketer can make finer adjustments in their products and communication. They can use rifle approach instead of shotgun approach.
- Competitive strengths and weakness can be assured effectively and marketers can avoid fierce competition and use resources more profitably by catering to customers demand which is not met by rivals.
- Segmentation leads to more effective utilization of marketing resources because customer is the focus of marketing efforts and only target markets are served .

An effective market segmentation is essential for the working of any organisation. Market segmentation offers several benefits over mass marketing . BPCL can also work more effectively and efficiently if it adopts an effective market segmentation of various product ranges.

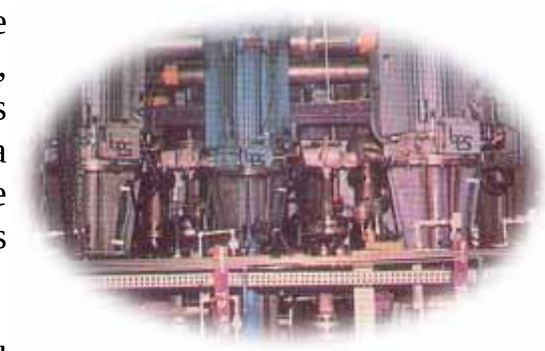
QUALITY ASSURANCE

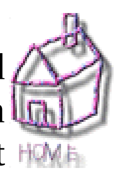
Quality Assurance Programmes conform to International specifications and requirements.

Research and Development efforts are supported by test facilities for model testing in the centrifugal pumps, reciprocating pumps and compressors area and also carry out live testing of expendables etc.

Fully groomed Installation, Commissioning and Spare Parts Division renders Product Support, Technical Assistance and advice besides providing quick and effective after sales service

COMPETENCY





A strong Design Department has been established which houses Computer aided Design Center. Highly qualified, trained, experienced and competent engineers are involved in application engineering, thermodynamic calculations, hydraulic calculations and systems design in the area of piping, instrumentation, electrical, operational control etc.

The company undertakes long term maintenance contract of the equipments installed and commissioned at customers' plants, with the objective to maximise their profits and minimise their risks.

RECOMMENDATIONS/STRATEGIES

Due to the increased competition BPCL will have to change its present Segmentation approach so that it becomes potent enough to face the weird competition .

The following measures have to be adopted to counter external threats and offset its internal weaknesses.

Changing the Segmentation Approach

The segmentation of product wise in BPCL should be replaced by industry wise as this will help the industry to have a proper coordination among various products so this approach also helps in reducing the import problems, delivery delays and technology up gradation with reduced manpower and increased efficiency .

Changing the Marketing Mix

The traditional 4P marketing mix should be changed to 6P in which the new P's added apart from Product , Price , Place , Promotion are Packaging & Delivery and Pace of Technology.

These two added P's help the company to get more close to the customers and to deliver orders according to customers specification.

Re - looking into Pricing Policy

In the view of very tough market conditions and world wide decision and low order book position :

- Orders will be booked on marginal costing basis.
- Review of pricing policy once order book position improves , recovery of overhead from spare parts.

Separate Costing Centres for different products

Since machining facilities and labour requirements are different for different products , separate costing centres shall be created so that each product price is competitive as compared to our competitors.

Pre - Order Purchasing Activities by Marketing

These are the pre – order purchasing activities done by marketing department :

- To have competitive detailed offers for bought outs and major casting / forging.
- To have complete details of bought outs before finalisation of order by the customer.
- Sub ordering time period will be reduced.
- Sub vendors can offer better discount as they will be a partner to our jobs.
- Reduction in overall cost will be assured.

Strengthening of Branch Office

- For day to day dealings with the customers and to have latest feed back on orders and competitors activities.
- To improve upon business relationship with the customers and consultants.

Aggressive Marketing

- Frequent interactions with end users and consultants.
- Impress upon customers to include conditions in favour of BPCL .
- To impress upon customers to recommend to turn – key bidders for buying BPCL made equipments only.
- Marketing intelligence reports and take immediate action on it.

Services and Spare Parts

- Prompt after sales service and supply of spare parts.
- Posting of service personnel at major centres.

Taking up Turn – Key Projects

- It will help to improve book order position as well as financial position.
- It will also help to have more orders for as now most of the customers are going for turn – key jobs rather than having more vendors for different items.
- BPCL will act as Co-partners to BYNL.

Optimum selection

- Optimum selection of BPCL products as well as brought outs to meet customers requirements.

Entry to Thermal Power sectors

Since 60% of total pump requirements are from power sector , entry to this business will give additional business to the tune of 300 to 500 lacs initially.

This will require :

- Simplification of design.
- Procurement of castings and manufacturing will be done in batches.
- Tie ups with BHEL and other turn – key contractors.

Improvement in Deliveries

- By creating separate marketing cell for review of orders.
- By installing SAP/ERP packages to inform the customers of their deliveries on-line.
- Production / Purchase controls sales order wise.

Sales Promotion Strategies

- Maintaining close liaison with the government and public sector clients and consultants.
- Participation in trade delegations , trade fairs and exhibitions with in India and abroad.

- Organising seminars and workshops for important users and consultants.
- Improving the level of customer satisfaction by :

    1. Mail questioners and discussion either personally or on phone.
    2. Organising camps at various sites for a limited period , listening to customers problems , resolving them and providing guidance.

- Presentation to customers / consultants before projects zero date through audio visual presentation / slides / flims.
- Tie ups with turn – key contractors.
- Scanning and circulation of tender notices advertised in news papers , government bulletins.

Increasing Exports

Pumps and compressors are being manufactured with latest design and technology . Once quality & delivery is maintained entry into export market will not be difficult with little additional efforts.

Export market exists for following products :

- Centrifugal & Reciprocating Pumps.
- Reciprocating Compressors.
- Gas Cylinders.
- Finished Castings , components for Pumps and Compressors.

Target Markets :

- Middle East & African Countries such as Saudi Arabia , UAE , Iran , Iraq , Uganda , Ethiopia , Philippines , Nigeria , Sudan , Kenya.
- South East Asian countries such as Malasiya , Indonesia , Thailand , Singapore , etc.
- Neighbouring countries such as Bangladesh , Sri Lanka , Nepal ,etc.

CETIFICATE OF APPRECIATION

To Whomsoever It May Concern

This is to certify that Mr. SAMIR KUMAR , student of Indian Institute Of Modern Management , Pune has successfully completed his training in BHARAT PUMPS & COMPRESSORS Ltd. , NAINI – ALLAHABAD.

He did his project on
“ TO GIVE PROFIT AND GROWTH STRATEGIES TO ADAPT WITH THE CHANGED SEGMENTATION APPROACH “ under the guidance of Mr. N . Mistry (Chief Marketing). The duration of his project was two months from 5/10/2001 to 30/11/2001.

During the course of his training his performance was excellent . We wish him best of luck for all his future endeavours.

For BHARAT PUMPS & COMPRESSORS Ltd.,
Naini - Allahabad

N. Mistry
(Chief Marketing) , BPCL

OBSERVATION & SUGGESTION –

OBSERVATIONS

These were certain things which were being observed during the tenure of the project.

- Being a PSU(Public Sector Unit) BPCL has its traditional problem Of overstaffing.
- There is a huge Time – Lag in procurement of raw materials so the delivery schedule is compliance is a problem.
- Problem of Red – Tapism is there i.e. BPCL has to prove to the government that the bid quoted is the least one.
- Very few Export - Orders are there .
- Lack of Aggressive marketing is there.
- Delivery performance of BPCL is very poor among its competitors except in the Gas – Cylinder section.
- Quality and Technology of Products of BPCL are considered to be superior than its competitors.
- Sales Promotion activities done by BPCL are very few as compared to its competitors.
- After sales service and Spare parts back up is not up to the mark.
- Less Turn – Key projects are taken up.
- Diversification plans are implemented now days.
- Customer feed back is very rarely taken.
- Delivery status of the order is only told if asked for.

SUGGESTIONS:

- **BPCL- should have export division.**
- **Better IT networking and communication**
- **Training and development should be considered.**
- **Research and development programmes should be initiated.**
- **BPCL should make list of fast moving equipments.**
- **Better medical facilities should be provided inside the campus.**
- **Proper maintenance of sanitary environment within BPCL.**