KUNWAR ANALYTICS CASE STUD

The Rs.400 Crore Cost Transformation: An Operational Turnaround for a Mid-Sized Manufacturer

Cost Transformation + Operations | Industry: Manufacturing | Client: Mid-Sized Manufacturing Conglomerate (hypothetical) | Timeline: 16 weeks | Date: March 2026

Identified Rs.412 crore of EBITDA improvement (8.4% of revenue), of which Rs.236 crore was executed in 14 months - restoring the client's covenant headroom and funding a greenfield plant.

Frameworks: Zero-Based Budgeting . Should-Cost Modelling . OEE Benchmarking . Benefits Register . SMED / Changeover Reduction

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Challenge

A Rs.4,900 crore diversified manufacturer (auto components + industrial fasteners) was facing a perfect storm: raw material inflation of 14%, a customer demanding 6% annual price-downs, and EBITDA margin that had slipped from 11.2% to 7.8% in three years. The bank's covenant required an 8% margin by fiscal year-end - **11 months away**. The client's own cost-reduction program ("Project Lean 2.0") had delivered only Rs.28 crore in 18 months against a Rs.200 crore target.

The CFO's question: **"Where is the money actually hiding, and can we get it in time?"** The board wanted a Big-4-grade, evidence-based transformation - not another poster campaign.

Approach

We ran a 16-week cost transformation using a "cost-to-serve + zero-based" hybrid methodology, with five value workstreams:

1. Procurement - category-level should-cost modelling across 28 spend categories (Rs.2,100 crore annual spend), reverse-auction design, and supplier consolidation analytics.
2. Plant productivity - OEE (overall equipment effectiveness) benchmarking across 6 plants, changeover reduction studies, and shift-pattern optimisation using production data mining.
3. Zero-based budgeting (ZBB) - a line-by-line rebuild of Rs.680 crore of operating expenses (excluding COGS) rather than incremental cuts.
4. Working capital - inventory (raw, WIP, finished) and payables days benchmarking against peer sets.

5. Commercial reset - SKU rationalisation (1,400 SKUs > 900) and customer-account profitability analysis to stop serving unprofitable accounts.

Each workstream had a dedicated sprint team with plant-level data collectors; we tracked weekly "value captured" against a rigorous benefits register with owner, date, and verification method.

Analysis

Procurement was the single biggest pool. Should-cost modelling showed the company was paying 9-17% above best-in-class on 12 of 28 categories - largely due to fragmented buying (4 plants buying independently, 3,400 suppliers for Rs.2,100 crore of spend). Consolidating 60% of spend with 120 preferred suppliers unlocked Rs.96 crore.

OEE hid a 23% capacity illusion. Three plants ran below 55% OEE; the binding constraint was changeover time (average 74 minutes vs. 22-minute benchmark) and unplanned downtime. Shift-pattern and changeover-SMED programs unlocked the equivalent of a free shift at two plants - Rs.74 crore of avoided capex and Rs.41 crore of conversion-cost savings.

ZBB found the "creep." Rs.93 crore of opex was discretionary spend that had become structural - including Rs.11 crore of third-party logistics for inter-plant transfers that an internal milk-run design eliminated.

Inventory days of 68 vs. 46 benchmark trapped Rs.87 crore of cash; safety-stock recalibration alone released Rs.52 crore without a stockout risk above 0.3%.

Findings

1. Total addressable value: Rs.412 crore EBITDA (8.4% of revenue) across the five workstreams - 2.1x the board's initial ask.
2. Speed and sustainability conflict: quick wins (procurement renegotiation, logistics redesign) were worth Rs.168 crore in 6 months; structural levers (ZBB rebuild, OEE) delivered the rest over 12-18 months.
3. *The org wasn't the enemy - the incentives were.* Plant heads were measured on output, not conversion cost; category buyers on price deviation, not total cost of ownership. The transformation needed a KPI redesign to stick.
4. Covenant math worked even in the conservative case: a Rs.236 crore execution in 14 months lifts EBITDA margin to 8.4-8.8%, above the 8% covenant.

Recommendation

We recommended a **three-wave execution plan**:

- Wave 1 (months 0-6) - "Cash now": supplier consolidation + reverse auctions, logistics milk-run, inventory recalibration. Target: Rs.168 crore. Funded by a weekly war-room with the CFO.
- Wave 2 (months 6-14) - "Margin build": ZBB opex rebuild, changeover/SMED rollout across all six plants, SKU rationalisation to 900. Target: Rs.68 crore additional.
- Wave 3 (months 14-24) - "Structural": procurement digitisation (e-sourcing, spend analytics), plant-level P&Ls, and a zero-based budgeting cadence embedded in the annual cycle.

Non-negotiables: a benefits register audited quarterly by internal audit; a "no cost-cuts without process change" rule to avoid the bounce-back effect; and a transparent communication plan to protect employee morale - the #1 failure mode in transformations of this scale.

Outcome

Within 14 months, the client banked Rs.236 crore of the Rs.412 crore identified (57% of the total), restoring the 8% covenant with Rs.61 crore of headroom. Procurement savings alone funded the Rs.85 crore greenfield plant the board had shelved a year earlier. Two years on, the ZBB cadence is embedded in the annual cycle, and the EBITDA margin holds at 9.1% - above the pre-decline peak - with the benefits register showing no material leakage.

Case study reconstructed for illustration from typical engagement patterns. Client and figures are hypothetical.

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