DISCOVERY REPORT

Xx Pvt. Ltd

DD/MM/YY

WADHWANI ADVANTAGE PROGRAM

DISCOVERY REPORT

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COMPANY PROFILE:

GENARAL INFORMATION (LATEST FY):

Company Name:	Xx Pvt. Ltd.
Entrepreneur	Xx
CEO:	Xx
Industry:	Manufacturing - Auto, Aero, & Ship
# of Employees:	Total: 100 (Onpayrole: 70, Contract: 30)
Headquartes:	Aurangabad
Year of Establismnet:	1999
Annual Reveue:	INR xx Cr. In FY2020
Assigned Advisor/TM:	Xx

COMPANY DETAILS:

Company Description:	Started in 1999, the company is involved in the manufacturering of precision sheet metal stamping components and welded assemblies. Today it has xx manufacturing units
Main Products & Services:	Precision sheet metal stamping components and welded assemblies. The key target industries are Automobile, Chemical, Textile and Home appliances The company primarily caters to OEMs (e.g. Varroc) and Automotive manufacturers (e.g. Bajaj)
Growth Plans or Growth Expectations	It has seen 20% Y-O-Y growth over last five years and the vison is to reach revenue target of ~Rs xx cr. in next five years. The company see international markets and domestic after sales market as a potential avenues for growth.

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EXECUTIVE SUMMARY:

[Summary of overall health of the organization, focus areas for performance improvement, underlying issues and potential solutions to improve business performance. This also summarises the integrated plan to visualize and track the transformation journey]

This entire report comprises of three important sections:

- **Step 1:** Measures your business performance on critical KPIs and generates Wadhwani Index which indicates the overall health of the company. Also, this discovers areas of good, poor and at risk performance so that efforts could be prioritized in order to improve revenue & profitability
- **Step 2:** Deep dives on shortlisted individual KPIs from step 1 and uncovers deep rooted problems which are leading to subpar performance for that KPI. Individual Wadhwani Score for the KPIs helps understand the gravity of subpar performance. Basis the identified problem areas, potential solutions are recommended to resolve the issues
- **Step 3: C**harts out the **Integrated transformation plan** to improve business performance across the KPIs shortlisted in step 2. This is a balanced score card which entails key transformation projects, their potential impact on revenue & profitability, and efforts in terms of capital, resources & time.

Step 1 Summary: Your overall Wadhwani Index is **54.81%**. Overall, 12 out of 27 KPIs appear to be performing poorly and need immediate attention, and this situation is likely to weaken the competitive position. Logitudinally, there is weakness in certain KPIs during the downturn, calling into question the resilience of the company.

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The performance summary is mentioned below:

A. KPIs on which you need to maintain your very good performance and aspire to be a leader in your industry:	B. KPIs on which you need to maintain your good performance:	C. KPIs, which you need to monitor closely and improve your sub optimal performance:
1. Cash runway 2. Payables 3. SG&A 4. Employee Cost 5. Revenue / Employee	1. Receivables 2. Operating profit 3. Revenue overall	1. Late payments 2. Share of Digital channel in Total Revenue 3. CSAT 4. Shipments On-time delivery 5. Rejection rate 6. Capacity utlization rate 7. Employee Attrition

D. KPIs on which your performance appears to be poor/ very poor and these KPIs warrant top and immediate attention:	E. Logitunally weak KPIs in last and the next 2 quarers:
1. Acid Test 2. % revenue from top 3 customers 3. Order bookings from key customers 4. Market share 5. Supplier on time delivery	1. Debt – Equity ratio 2. Inventory 3. Gross Margin 4. Share of wallet 5. Manufacuring costs 6. Logistics costs 7. 6. Debt:Equity

[KPI Legends – Finance / Revenue / Operations / Workforce]

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Step 2 Summary: The shortlisted KPIs for deeper assessment are revenue, order bookings for key customers, gross margin, manufacturing cost and inventory. Targeting these will help you attain immediate improvement in revenue & profitability. You can enhance the performances across these KPIs by implementing the solutions recommended in the respective sections and step 3.

- **Revenue (score 50%):** you had to reduce your prices due to pressure from competitors which hit the revenue performance. You need to undertake 'Competitive Price Analysis' to understand the issues better
- **Order bookings for key customers (score 31%):** the poor performance can be attributed to the environmental factors. Your competitive position has weakened as the competitors seem to have quickly responded to changing market scenario by launching new or substitute products
- **Gross margin (score 60%):** While total score is above par, the score for product 1 is only 33.7%. The deteriorating gross margin for product 1 could be resulting from higher manufacturing cost and drop in price for that product
- **Manufacturing cost (score 45%):** higher manufacturing cost for product 1 can be attributed to higher raw material cost and lack of monitoring of costs in utility, maintenance and rework
- **Inventory days (score 11%):** high raw material inventory that is affecting your organization's average inventory days. This has resulted from lack of re-ordering level, lack of safety stock & minimum order quantity, incorrect Bill of Materials, poor supplier relationship, long lead time, and lack/low usage of inventory management software and data

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Step 3 Summary: You should immediately initiate transformation projects on market sizing, GTM strategy, market opportunity assessment, manufacturing cost benchmarking, vendor rationalization and overhead cost optimization in order to reach closer to the targets mentioned below, and improve revenue & profitability significantly.

You can achieve the following goals by implementing the recommended transformation projects:

Specific Score	Current Value	Target Value by FY 22
Overall Wadhwani Index	**55%**	**75%**
Revenue overall	50%	75%
Order bookings for customer accounting for 80% revenue	31%	75%
Gross Margin	60%	75%
Manufacturing cost as a % of revenue	45%	75%
Inventory days	11%	75%

YOU WOULD BE ABLE TO ACCELERATE YOUR REVENUE OF INR 98 CRORE BY 25%, AND EARNINGS BEFORE TAX MARGIN BY 7% POINTS OR 700 BPS, BY FY 22

The transformations projects would be governed by:

Strategic Committee Members	Executive Committee Members
1. [ ] 2. [ ]	1. [ ] 2. [ ] 3. [ ]

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STEP I: KPI BD REPORT INSIGHTS

	Wadhwani Index			54.81%		
STEP 1: KPI						
KPI	**PAST TREND 4 Quarters**	**PAST TREND 2 Quarters**	**FUTURE TREND**	**BENCHMARK Prefilled**	**Comparison to Industry**	**Analysis**
Finance KPIs						
Cash Runway	Improving	Improving	Improving	2.5	Average	Very good
Acid test Ratio	Deteriorating	Deteriorating	Deteriorating	0.83	Better	Poor
Debt to Equity Ratio	Deteriorating	Deteriorating	Deteriorating	1.5	Worse	Very poor
Average receivable days	Stable	Improving	Stable	36	Average	Good
Average payable days	Improving	Improving	Improving	75	Better	Very good
Average inventory days	Deteriorating	Stable	Deteriorating	40	Average	Very poor
Operating Profit Margin/EBIT Margin	Deteriorating	Deteriorating	Improving	0.09	Better	Good
SG&A expenses as % of revenue	Stable	Stable	Stable	0.402	Better	Very good
Number of payments paid late/overdue every quarter	Deteriorating	Stable	Improving	1	Worse	To be monitored
-						
Revenue KPIs						
Revenue	Stable	Stable	Stable	0	Average	Good
Revenue/Employee	Stable	Stable	Stable	0.25	Better	Very good
%Revenue from top three customers	Improving	Deteriorating	Stable	0.5	Worse	Poor
Order Booking for customers accounting for 80% sales	Deteriorating	Stable	Stable	0	Average	Poor
Market share of top 3 products	Stable	Stable	Stable	0.25	Worse	Poor
Gross Margin%	Deteriorating	Deteriorating	Stable	0.54	Worse	Very poor
Share of Wallet for top 3 customers	Deteriorating	Stable	Stable	0.5	Worse	Very poor
Share of Digital Channel in total Revenue	Deteriorating	Improving	Stable	0.05	Better	To be monitored
% Revenue from New Customers				0.2	Average	FALSE
-						
Operations KPIs						
CSAT(Customer Satisfaction Score)	Deteriorating	Improving	Improving	0.804	Worse	To be monitored
Manufacturing Cost as % of Total Revenue	Deteriorating	Deteriorating	Stable	0.46	Worse	Very poor
On Time Delivery (Shipment On Time)Rate	Deteriorating	Stable	Improving	0.9	Worse	To be monitored
Rejection Rate	Stable	Improving	Improving	0.04	Worse	To be monitored
Capacity Utilization Rate	Stable	Stable	Improving	0.794	Worse	To be monitored
Logistics Cost as % of Total Revenue	Stable	Improving	Deteriorating	0.11	Worse	Very poor
Supplier On Time Delivery Rate	Stable	Stable	Deteriorating	0.76	Average	Poor
-						
Workforce KPIs						
Employee Costs as % of Revenue	Stable	Stable	Stable	0.12	Better	Very good
Attrition Rate	Deteriorating	Deteriorating	Improving	0.025	Worse	To be monitored

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KPI DASHBOARD:

Revenue KPIs:

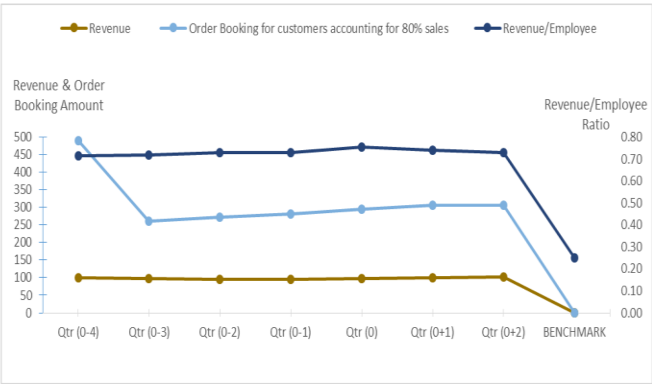


Exhibit 1

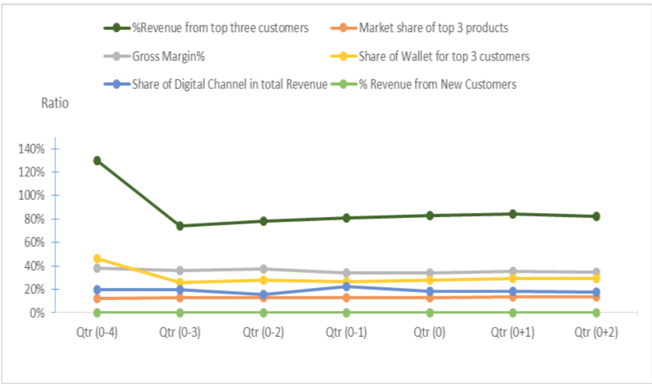
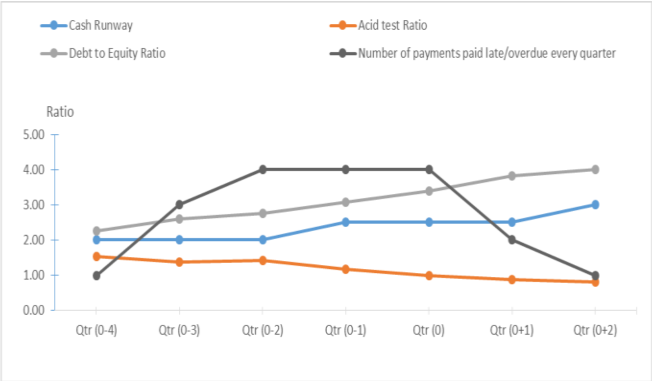


Exhibit 2

Finance KPIs:



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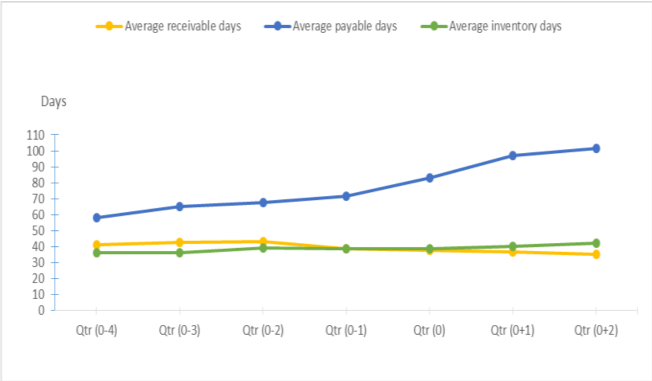
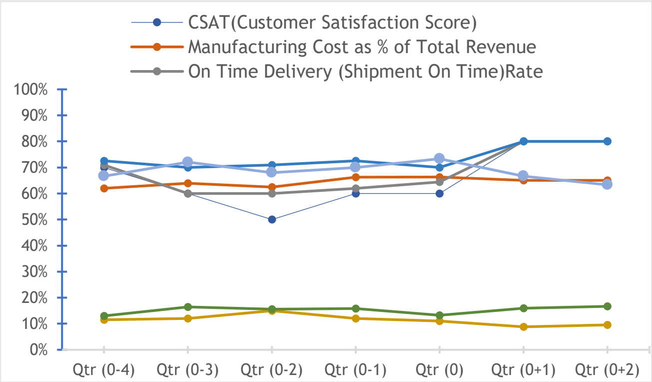


Exhibit 4

Operations and Workforce KPIs:



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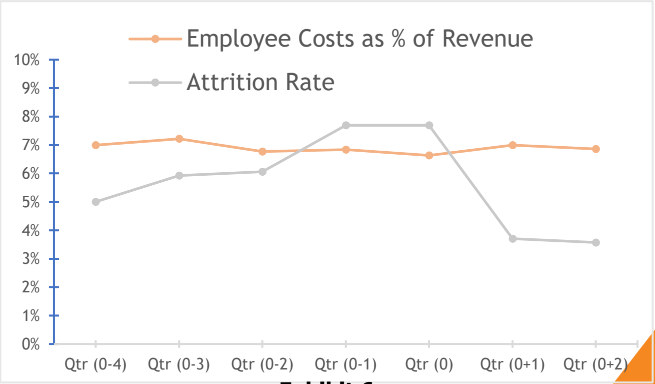

Exhibit 6

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Congratulations! Your revenue has been stable for the past quarters and that is a quite an achievement, given the tough circumstances. The projections for the next few quarters also seem to be stable (with slightly upward movement expected). That is a good sign from a survival point of view. However, your performance is average than the competition and you need to understand what they are doing differently to achieve better results. Also, you need to investigate the internal reasons that have not allowed you to grow in the past as well as hindering your future growth.

Investigate! Order bookings: Although the company revenue has been stable, the order bookings from your key customers has been decreasing in the last 4 quarters. We do not expect it to further decrease in the next 2 quarters. However, the demand from your key customers is expected to linger around all time low position in the last 4-6 quarters. This is a worrying sign, and you must act now to identify the underlying issues. The decreasing order bookings from key customers has also impacted your performance on three key KPIs viz. **revenue from top 3 customers, share of wallet from top 3 customers and market share of the top 3 products** in the last 4 quarters and we expect the same performance in the next 2 quarters. Your performance on these KPI is average or worse than the industry and requires to be monitored. Your key account management could be one of the root cause for these alerted and impaired. Also external factors such as changing market trends, change of strategy from key customers or change is customer buying behaviour may have caused the slowdown of demand. You should investigate the reasons for the same and fix your performance against these KPIs fast so that they do not endanger your current position and performance.

Investigate 'Revenue from New Customers%: Rate of acquisition of new customers and their contribution to your business is negligible and a significant lag from the desired levels of new business generation in your industry. Given that most of the players in your industry have grown on the strength of a few key Original Equipment Manufacturers or key customers and most of the players produce goods on the specs defined by your key accounts, you need to reduce dependence on the current customers, by broad basing your customer base rapidly, starting with your current successful products and then examining the expansion into new product areas.

Initiate transformation project on **'Revenue from Digital Channel%**': You need to make a start to develop a digital strategy to build revenues with this low cost to serve (CtS) ratio. In your industry, the benchmark currently stands at 5% but is expected to grow significantly in the next 3 years. E Commerce and digital channel-based revenue is like to grow to 30% by 2030 even in B2B segments. This does not need any further investigation and needs to be taken up as transformation project immediately.

The critical areas of investigation in new customer business, include the following questions:

1. Do you know the market potential size and segments of the universe of the current products?

2. What is your new customer acquisition strategy for your current products?

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3. How would you prioritise your efforts and resources between current and incremental new customers?

4. How would you balance between the domestic market and international market to acquire new customers?

5. What is your GTM for new customers?

6. How could you become more significant in your value chain?

7. What is the level of change in capabilities (capacity, finance, talent, market access network, methods) needed to serve new customers vs current ones?

8. What pricing strategies should you practise with new customers? Why? 9. What channels would you implement for new customers? Why? 10. Should you change your business model? Why?

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FINANCE KPIs:

CASH RUNWAY:

Congratulations! You have consistently recorded the cash runway of more than 2 months in the last 4 quarters, equalling the benchmark of 2.5 in your industry. Also, you seem to be aligned to exceed that benchmark by 0.5 months in the future and that indicates your healthy position. During COVID-19, you have demonstrated resilience to keep your company healthy, indicated by the steady operating cash inflows and outflows. Cash liquidity and profitability should be balanced so that one doesn't come at cost of another.

However, in your case the Debt Equity ratio is higher than industry benchmark and that signifies that the stable cash has come at expense of higher debt. Also, high Inventory days could pose a threat to your stable cash situation in the future.

DEBT TO EQUITY RATIO: **Investigate Debt to Equity ratio:**

The trend of debt equity ratio indicates deterioration and is expected to deteriorate further based on the available information submitted by you. Currently, it is more than double of the industry benchmark of 1.5 and is expected to exacerbate in the future. A **high debt to equity ratio** is an indication of low liquidity. It means that the entity is unable to finance its obligations through the cash and reserves and is dependent on the creditors. The probabilities of the entity to go bankruptcy are **high** as this could potentially put your company into significantly a debt trap should you not be able to repay your debt or your revenue or operational KPIs are altered. The short-term working capital position seems to be in somewhat little with receivables and payables in check but inventory is not in a comfortable position. The long term debt needs to be investigated further and read together with the investment cash flows which indicate zero movement in the past 4 and the next 2 quarters. Also, a high debt-to-equity ratio could act as a major impediment for you to get any additional funding or you might get it only with unfavorable terms.

Risk to the forecast cash runway: We would like to examine the probability of your achieving a stable and improving forecast cash runway, given the incidence of underlying potential problems in the revenue and operational KPIs, as described in the remainder of the report.

ACID TEST RATIO, AVERAGE RECEIVABLES AND PAYABLES DAYS:

Your Acid Test ratio has shown consistent decline in the past 4 quarters and is expected to aggravate further in the upcoming 2 quarters where it will be lesser than the industry benchmark of 0.83., raising the questions at your company's ability to satisfy its short-term(current)financial obligations. It means that your company does not have short terms assets to cover your current liabilities. Your current ratio of 0.98 means that you own $0.98 of liquid assets to cover each $1 of your current liabilities. It certainly raises the question at your Cash Conversion

Cycle that is impacted by Average Receivables, Payables and Inventory days. You certainly have to take some strong measures to improve Average Inventory Days as in your case that is one of the major condiments conducive to lower liquidity. The movement from 1.54 to 0.93 from 4 quarters ago to current quarter certainly raises eyebrows at the way you manage the recoveries, although you are better with your suppliers. We need to pay attention to what it means when we study receivables and payables.

Monitor Receivables: In the period of COVID-19 you have recovered money on time, from your customers, as good as your recovery prior to COVID-19. In the next 2 quarters, you expect to maintain the same performance. With recovery performance being stable in the past 4 quarters and slight improvement in the last 2 quarters with an expectation to be stable thereafter for next two in future is a signal of mediocre performance that not necessarily contributes to your growth. This means that your payment collection process needs attention and should be made more efficient, which could put you on a growth trajectory and not just a stable trend. However, currently you are behind the industry average of 36 days and this means that your competitors are doing better off than you. This indicates the need to assess your market position and also identify gaps in current collection methods or any other factor impacting receivable days within your organization.

Congratulations on Payables!

You are doing well: Payables performance improved consistently in the past, and is expected to improve further. Additionally, it is better than the benchmark of 75 days and continues to get better in the next 2 quarters giving you enough liquidity.

This situation is an indication that your credit policies and healthy relationships with vendors are paying off. You need to maintain this lead position over industry average/your competitors and it will ensure working capital optimization. Higher ratio exudes the better liquidity/cash flow position of the company and its creditworthiness.

INVENTORY DAYS:

Investigate: Your inventory management has been deteriorating in the past and is expected to be deteriorate further in the next 2 quarters. You currently seem to be close to industry average of 40 days. This implies that your inventory turnover is not up to the standard and your working capital is increasingly being blocked in finished goods/ work in progress / raw material. If the situation is not addressed immediately, it might lead to cash flow shortage and reduced profitability. This raises three further questions:

1. Does the issue lie in Raw Material or Work in Progress of Finish Goods inventory? Each component would necessitate a different area of investigation.

2. Which products and customers are responsible for this performance?

3. Do you have monitoring system in place to measure this indicator effectively?

Inventory Days, Payables Days read together with the Revenue KPI of Gross Margin % and Operational KPIs of Mfg. Cost %, Rejection Rate %, Supplier on Time Delivery Rate %:

Inventory Days indicate that the potential problem lies in misalignment around the performances on raw material inventory related parameters .This KPI read together with Mfg. Cost and Rejection rate % indicate potential problems in the specific terms of engagement with your suppliers on quality of materials bought from suppliers, cost of rework resulting in non-productive capacity and consequently the poor performance on the cost of manufacturing.

These 3 KPIs read together with the KPI of on-time delivery performance indicate the potential problem is also in the terms of engagement in misalignment with the performance of your suppliers' ability to deliver material on time, as these four operational KPIs indicate poor performance. **This has impacted adversely the performance on Gross Margin%, a Revenue KPI** which seems to indicate that you witnessed a deteriorating trend in the past but expect it to be stable in the next 2 quarters. However, you still lag the industry average, which could potentially erode the position of your cost competitiveness in the industry. Read below for details.

This interpretation begs 3 questions.

1. Is there a need to rationalise current vendors or find better vendors of specific supplies of materials that have adversely impacted your performance on these related KPIs?

2. Do you have right processes and systems to manage and assess vendors?

3. Do you have right talent to manage the vendors and materials?

GROSS MARGIN %:

Investigate: Your gross margin is 33.7% with more than 2000 bps lag with the industry benchmark of 54%. This is a severely impaired KPI and needs top attention. This is the biggest threat to your performance on Cash runway estimates in the next 2 quarters in particular the receivables position. Gross margin needs to be investigated on two broad segments. First is the segment of price points of your FG and the second is the segment of direct costs. The direct cost of materials, labour, overheads, logistics and inventory carrying costs, form the major components of the gross margin cost structure.

OPERATIONS KPIs:

Investigate Operational KPIs of Mfg. Cost %, Rejection Rate % read together:

Manufacturing Cost% has been around 66% currently that actually has deteriorated in the past from 62% and is expected to be stable around 65% in the next 2 quarters. However, with it far above the industry benchmark of 46% could potentially erode the position of your cost competitiveness in the industry in the future, thus shrinking the gross profit and making you very assailable to sustain in the future to even meet your operating expenses as it would create a threat to your performance on Cash Runway eventually. Another potential threat to upsurge of your manufacturing cost% is your rejection rate% that is staggeringly high to 12%, while the industry benchmark is 4%. In your industry, the leaders have a near zero% of the rejection rate. *Rejection rate percentage demands top attention.*

Investigate Operational KPIs of Logistics Cost%:

Logistics Cost% has been around 13% and is expected to deteriorate further in next 2 quarters which is above the industry benchmark of 11%. While there is only 200 bps lag from the benchmark, we still need to investigate its two major components, outbound and inbound logistics since this level does not seem to help the KPIs of manufacturing cost% and gross margin%.

Investigate CSAT

Your current CSAT is at 60 while industry benchmark is at 80. You have been oscillating between 50% and 70% in the past, with a projection to reach 80 in the next 2 quarters. It is unclear why the forecast is 80% unless you correct the issues in costs and quality and delivery cycle times. **The difference of 2000 bps is significant and demands top attention. In this case, we would need to question your forecast of 80%.**

Rejection Rate %, Receivables % and CSATs read together:

This investigation begs three questions:

1. Which products are witnessing high rejection%, how frequently, on which work centres on the shop floor, on which materials, from which supplier, for which customer? Why?

2. How has it not impacted the performance on receivables (which seems to have improved in past 4 quarters) and CSATs as yet since poor quality should discourage the customers to pay for the materials and CSAT assessment does not indicate?

3. Do you have processes, systems and talent to manage quality at source and quality on the shop floor before the materials reach the stage of FG?

We need to investigate whether you are correcting quality before it reaches the customer and, in the process, suffering from high cost of rework, longer cycle time of manufacturing and the resultant adverse impact on the gross margin and manufacturing costs.

Investigate Supplier on Time Delivery Rate

Your current performance is at 73% that is expected to deteriorate to 63% in the next 2 quarters in future. The reason for this downward trend certainly needs to be evaluated as it could crop up unanticipated issues and could create ripple effects across the supply chain. There should be no reason for you accepting late deliveries from your suppliers anymore, given your good and amiable relations with them. You have been oscillating between 66% and 73% in the past, while industry benchmark is at 76% and this difference of 300 bps is good enough to warrant attention.

This investigation begs three questions:

1. Which suppliers are slipping on on-time delivery rates, how frequently, for which materials, and why?

2. Has it impacted the cycle times for the orders and consequentially CSATs? When?

3. Do you have processes, systems and talent to manage reduce the incidence and match the industry benchmark?

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STEP II - DETAILED INSIGHTS:

REVENUE:

Product 1: The Selling Price/Unit has been reducing over the past few quarters, but the Future trend looks promising. Also, you are better than your competitors. However, your competitors have reduced their prices, due to which you have also had to reduce your own prices, leading to loss of revenue. You need to undertake 'Competitive Price Analysis' to understand the issues better. The competitive price analysis will help you discover the reasons why your competitors have reduced their prices, their price and cost structures, and will finally give you insights on how you can counter this threat.

There are multiple issues pertaining to your revenue performance. Based on your responses, we recommend that you undertake the following interventions:

- Market Sizing: To help you understand your customer segments better and the business potential in your markets from these segments
- Channel Performance Analysis: To help you understand the various nuances of your channel ecosystem and how you can improve the productivity and efficiency of the ecosystem)
- GTM Strategy Creation: A comprehensive strategy of how you should be approaching the market - from a product, customer, competition, marketing, sales, etc. perspectives, to run a more profitable business
- Value Channel Analysis: To help you understand your potentials for achieving economies of scope and scale, and also how much value you can add to your customers and products)
- Financial Projection: To help you create budgets and a financial model for the future of your business

ORDER BOOKINGS FOR CUSTOMER ACCOUNTING FOR 80% REVENUE:

Customer 1: Your total score for the 'Order Bookings for Customers Accounting for 80% Sales' KPI is 31%. This indicates that your product or the marketing strategies are not currently aligned with the market trends/demand.

The potential root cause for the decreasing order bookings for 'Product 1' (as indicated by the Logic Tree) are:

- The environmental factors – Technology change in particular has impacted the order bookings for 'Product 1'
- Your competitors seem to have developed a good understanding of the changing trends and have quickly responded to the changing market scenario by launching new or substitute products

It is highly recommended that you undertake below actions to rectify and resolve the issue of falling order bookings for 'Product 1'

- Market Assessment: Conduct situational analysis (Political, Environmental, Social, Technology and Legal environment analysis) and industry trends, drivers, inhibitor analysis
- Market Sizing: Undertake the market sizing activity to know the total addressable market
- Competitive Analysis: Identify key competitors and research their products, sales, and marketing strategies in order to create business strategies that are superior that your competitors.
- Product Benchmarking: Do the comparison between your product and the product form industry leader on a range of key performance parameters in order to create robust product strategy

GROSS MARGIN & MANUFACTURING COST AS A % OF REVENUE:

Product 1: Your gross margin is 33.7% with more than 2000 bps lag with the industry benchmark of 54%. The total score for the 'Gross Margin' KPI for product one is 60%. This indicates that the product one is not generating profits that is expected putting more pressure on your Cash Runway

The two potential root cause for the deteriorating gross margin are:

- Higher manufacturing cost: Increased material cost (procurement cost and logistic cost in particular), Cost of Goods Sold (Factory overheads, maintenance and miscellaneous cost)
- Drop in Price / Unit: Industry wide drop in price/unit may have resulted in deteriorating Gross Margins for product one.

Manufacturing Cost as a % of Revenue:

Product 1: The Total Score % for manufacturing cost % KPI is well below 50%. As the manufacturing cost % is really high and continues to increase, it shrinks the gross profit, making you very assailable. In the future it can also make it difficult to even meet your operating expenses by creating a threat to your performance on Cash Runway. You are behind the industry benchmark/average of 46% and that might put you trailing behind your competitors in the future by potentially eroding the position of your cost competitiveness in the industry. The biggest reason behind higher manufacturing cost is the higher cost of procurement, higher logistics cost (around 13% currently), higher overhead costs and increasing material rejection rate that has not only hit the gross profit but also your position among the existing customer base and in the market. The potential problems behind this situation could be one or more of the following:

- Your specific terms of engagement with your Logistics Partners and with your Suppliers (on the quality of materials bought), or
- You could be overlooking the potential substitutes for the current raw materials,
- You may not be mindful about the utility costs and equipment maintenance costs and the cost of rework resulting in non-productive capacity and leading to an upsurge in manufacturing costs.

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There might possibly be room to renegotiate with your logistics partners, suppliers, and rent agreements, as well an opportunity to consider a review of your engagements with them to bring your procurement cost, logistics cost, and overhead cost down. Additionally, you could consider developing refined, updated and robust QC processes to alleviate the rejection rate%.

There are numerous issues pertaining to your Gross margin and manufacturing cost performance. Based on the responses, it is recommended that you take the following interventions:

- Spend Analysis: It involves identifying, gathering, cleansing, grouping, categorizing and analysing an organization's spend data with the goal of decreasing procurement costs and improving efficiencies by increasing visibility and transparency.
- Vendor Rationalization: It is the process of shrinking the supply base by reducing the number of active suppliers. The primary agenda of supplier rationalization is to streamline the organization's spend to fewer suppliers and driver better value from those relationships.
- Inbound Logistics Cost Analysis: It is primarily performed to reduce the logistics cost by Freight Optimization and Selection, Load ability Analysis, Optimal Distance and Routing Analysis, Optimizing the Resources (staff and labour) and Sourcing Analysis.
- QC Process Optimization: It involves using the tools and techniques to reduce the rejections and defects of products that occur due to improper control over the quality of product. It focuses on using the standard tools that increase the level of standard products and increase productivity
- Overhead Cost Optimization: It primarily focuses on monitoring, distributing and reducing the overhead expenses of an organization such as Administrative Expenses, Rent, Utilities, and Depreciation etc.
- Maintenance Cost Rationalization: It focuses on abating the overall maintenance costs though rationalization on maintenance strategy without increasing overall risk to operations and still assuring compliance to mandatory maintenance.
- Competitive Analysis: Identify key competitors and research their products, sales, and marketing strategies in order to create business strategies that are superior that your competitors.

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AVERAGE INVENTORY DAYS:

A deeper dive into average inventory days reveals that out of the three - Raw material, Work in progress and finished goods, it is the high raw material inventory that is affecting your organization's average inventory days. You have been able to keep your finished goods inventory level under control, with your revenue has been stable in the past 4 quarters and is expected to remain around the same mark in the future it indicates your sales forecast has been in line with the demand. Your work in progress inventory is also under control, indicating high possibility of a good throughput (RM to FG conversion time), and production efficiency and process optimization in the organization.

Following are the areas that have caused high raw material inventory levels: a) Lack of re-ordering level b) Lack of safety stock and minimum order quantity c) Incorrect Bill of Materials d) Poor supplier relationship e) Long lead time f) Lack/low usage of inventory management software and data. High raw material inventory has a direct impact on your cash flow, gross margin and profitability and hence it is important to take corrective measures to bring raw material inventory under control while ensuring production doesn't suffer because of understocking.

Based on your responses, we recommend that you undertake the following interventions:

- Raw material forecast techniques : To maintain re-order and safety stock levels so as to keep raw material at optimum level
- Inventory management: To ensure better tracking and visibility of raw material inventory with the help of systems and processes.
- Supplier Negotiations : To ensure low raw material lead time (ideally implement just in time)

STEP III - INTEGRATED TRANSFORMATION PLAN:

Prioritization Matrix Modelling:

					IMPACT			EFFORT							
KPI	**RAG STATUS**	**Total Score %**	**Target Score %**	**Transformation Project Recommendation**	**Revenue growth by FY22**	**Earnings before Tax growth by FY22 (% points not mutually exclusive)**	**ROCE improvement by FY22**	**Capital Investment**	**Resources/ Skills**	**Time to Results**	**PRIORITY**	**OWNER**	**FUNCTION**	**START DATE**	**END DATE**
				Weight	**40%**	**40%**	**20%**	**40%**	**30%**	**30%**					
Revenue	To be monitored	50	75	Estimate Market Size for Products X, Y, Z	NA	NA	4%	2	3	4	P0				
				Improve channel productivity	10%	1%	5%	1	4	3	P1				
				Develop GTM Strategy	12%	2%	4%	3	3	3	P0				
				Value Chain Analysis	2%	2%	10%	2	3	3	P1				
				Develop Financial Projections for the next 3 years	NA	NA	4%	2	4	2	P2				
				Focus on X, Y, Z products	NA	2%	5%	1	4	3	P1				
				Assess Competitive Position for Products X and Y	NA				4	3	P1				
				Trade up Product X prices	1%	3%	6%	3	3	3	P0				

Prioritization Matrix Modelling:

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					IMPACT			EFFORT							
KPI	**RAG STATUS**	**Total Score %**	**Target Score %**	**Transformation Project Recommendation**	**Revenue growth by FY22**	**Earnings before Tax growth by FY22 (% points not mutually exclusive)**	**ROCE improvement by FY22**	**Capital Investment**	**Resources/ Skills**	**Time to Results**	**PRIORITY**	**OWNER**	**FUNCTION**	**START DATE**	**END DATE**
				Weight	**40%**	**40%**	**20%**	**40%**	**30%**	**30%**					
Manufacturing Cost% of Revenue	Poor	45	75	Spend Analysis	NA	0%	3%	4	4	3	P2				
				Logistics Cost Analysis	NA	2%	4%	2	3	4	P1				
				Vendor Rationalization	NA	1%	2%	1	4	3	P0				
				QC Process Optimization	NA	2%	4%	3	5	4	P1				
				Overhead Cost Optimization	NA	3%	5%	2	3	3	P0				
				Maintenance Cost Rationalization	NA	0%	4%	3	4	2	P2				

DISCOVERY REPORT

TRANSFORMATION PLAN CHARTER:

TRANSFORMATION CHARTER I

Objectives		**Roles**	
Transformation Project Name		Chief Sponsors	Xx
Company Name	Xx Pvt. Ltd.	Project Lead	Xx (Marketing Head)
Project Area	Market Sizing	Project Team	Xx
Target Audience	MD, CFO, Marketing Head	Wadhwani Transformation Lead	Xx
Current Status	Yet to Start	External Consultant	None
Start Date	01/02/2021	Project Duration	6 Weeks
Problem Statements		**Outcomes**	
• Lack of knowledge about the Market Size, Growth, Trends etc. • No insights into Market Segmentation • Inability to identify Target Group and implement appropriate Positioning • Unclear understanding of customer needs and pain points • Very limited idea of the competitive landscape		Revenue Growth Acceleration	25% YoY
		Profit Margin Improvement	10%
		ROCE % improvement	-
		Revenue from New Customers	3.5 Crores
		Market Share	Increase by 5%
Scope		**Approach**	

DISCOVERY REPORT

• Voice of Consumers (VOC) / Consumer Survey
• Market Sizing, Forecasting & Trends Analysis
    • Estimated market size (April 2019 to March 2020, FY 21 (COVID Impact)
    • Past Growth Rates (FY 16, FY 17, FY 18, FY 19)
    • Market Share by various aspects (product types, geography, sales channel etc.)
    • Future Market Estimates (Key Demand Drivers, market forecasts etc.)
• Competitive Mapping & Profiling
    • Industry structure / Market Mapping: Who are the key players?
    • Trade Scenario: Export, Imports. Extent of imports
    • Geographic presence of key players (Head Office, Manufacturing Plants)
    • What are the various products and services / solutions that are offered?
    • Target customer segments – Any glaring gaps in the Competitive offerings
    • Price points of the products offered (order of magnitude estimates)
    • Channel-To-Market and Partnerships
    • After sales: how is it being addressed today
    • Views on their future growth – expansions plans, etc.
	• Use Wadhwani data from our extensive experience and from our partner databases and their research reports to extract information which would be a great starting point for this engagement
	• Access Presentations / Reports Websites and Press Releases of top players, News Articles, Journals, and Paid Databases, Industry reports , Knowledge papers researched, association data, etc. as secondary sources
	• Primary sources will be interviewed to obtain and verify critical qualitative and quantitative information as well as to assess the future prospects of the market.
	• Market Sizing Approach and Future Trend Forecasting would be based on
	    • Demand Side Approach
	    • Supply Side Approach
	    • Experts and Secondary View
	    • Macro-Economic Trends
	• Detailed approach document would be made available before the start of the project

Risks & Dependencies	**Resources and Skills required**
• Availability of appropriate secondary data/research papers/industry trends • Availability of subject matter experts for data validation as well as insights • Reviews and feedback turnaround times	Resources: • Finance: • Strategic: [ ] • Human Resources: [ ] • Technology: [ ]

DISCOVERY REPORT

• Revision of scope post the commencement of the project	• Others: [ ] Skills: • Marketing: • Research & Insights: [ ] • Strategy planning: [ ]

TRANSFORMATION CHARTER II

Objectives		**Roles**	
Transformation Project Name		Chief Sponsors	xx (MD)
Company Name	Xx Pvt. Ltd.	Project Lead	Xx (Marketing Head)
Project Area	Go-To-Market (GTM) Strategy	Project Team	Xx
Target Audience	MD, CFO and Marketing Head	Wadhwani Transformation Lead	Xx
Current Status	Yet to Start	External Consultant	None
Start Date	01/02/2021	Project Duration	8 Weeks
Problem Statements		**Outcomes**	
• Lack of knowledge about the opportunities in the market • No insights into where the investments need to be made and resources need to be allocated • Inability to identify the Strategic Fit for the company • Unclear about the success drivers and the steps that need to be taken • Offerings and Services not clearly defined. Value Proposition for the offerings missing		Revenue Growth Acceleration	25% YoY
		Profit Margin Improvement	10%
		ROCE % improvement	3.5%
		Revenue from New Customers	7 Crores
		Market Share	Become no. 1 and no.2 in the two prime offerings of the company

DISCOVERY REPORT

Scope	**Approach**

• Evaluate the Maturity Level of all current offerings of the company
• Define the Strategic Objectives for these offerings – 6 month, 1 year, 2 year, 5 year time-frame
• Develop Value Matrix to help identify messaging
• Market Sizing, Forecasting & Trends Analysis
    • Estimated market size (April 2019 to March 2020, FY 21 (COVID Impact)
    • Market Share by various aspects (product types, geography, sales channel etc.)
    • Future Market Estimates (Key Demand Drivers, market forecasts etc.)
• Competitive Mapping & Profiling
    • Industry structure / Market Mapping: Who are the key players?
    • Trade Scenario: Export, Imports. Extent of imports
    • Geographic presence of key players (Head Office, Manufacturing Plants)
    • What are the various products and services / solutions that are offered?
    • Target customer segments - Any glaring gaps in the Competitive offerings
    • Price points of the products offered (order of magnitude estimates)
    • Channel-To-Market and Partnerships
    • After sales: how is it being addressed today
• Framework for Sales Funnel Optimization. Understand the sales journey (contact, qualification, business case, evaluation, negotiation, closure, renewal) and lay down steps for improvement
	• Identify the significant business problem(s) in a Vertical or Business Line
	• Identify the Target Segments (Buying Centers and Personas) within the Vertical: Sub Vertical, Revenues, and Tech Portfolio etc.
	• Assess the size of the opportunity in overall $ terms and # of firms
	• Who are the competitors? How entrenched are they? What do they offer? How mature are their offerings?
	• Select a gap in services being offered to the market and define an offering:
	    - Capability exits internally for which offering can be defined
	    - Acquire capability through an investment
	    - Acquire capability through a partnership
	• Select a gap in services being offered to the market and define an offering:
	• Differentiate the offering based on expertise (Manufacturing process, operational excellence, methodologies, and domain knowledge), skills and solutions.
	• Create a value proposition for the offering
	• Define a governance mechanism for the ongoing review and thereafter refine the offering based on wins, losses, feedback from market

• Understand the Distribution options (distribution network) better. Identify gaps in the current setup and suggest improvements • Develop the Marketing (Traditional, Digital, PR, Internal marketing) plan for the company	
Risks & Dependencies	**Resources and Skills required**
• Availability of appropriate secondary data/research papers/industry trends • Availability of subject matter experts for data validation as well as insights • Reviews and feedback turnaround times • Revision of scope post the commencement of the project	Resources: • Finance: • Strategic: • Human Resources: • Technology: • Others: Skills: • Marketing: • Research & Insights: • Strategy planning:

NEXT STEPS:

1. Once the Wadhwani Transformation Team (working along with your internal team) has completed the above two projects, viz. Market Sizing and GTM Strategy, we will look at the other aspects of your business that need attention. Basically, we will look at the 'Very Poor' ones as per the KPI Sheet in Step 1. We will prioritize which ones to take up first in discussion with you. In case you want to explore the possibility of multiple projects in parallel at any point of time, we can discuss on that too and proceed accordingly.
2. For each KPI based transformation initiative that we take up, we will define a governance, review and 'progress monitoring' mechanism by which the KPI will be monitored on a regular basis going forward. Any red flags will be communicated to you and you can take appropriate corrective actions.

3. Benchmarking data is a dynamic entity. It is our endeavor to constantly update the industry benchmarks. As such, if there are any changes in the benchmarks pertaining to your KPIs, we will update the same for you and present you the modified data.
4. There are multiple KPIs where you are doing good. Over a period of time (as we engage deeper with you and work on the weaker performing KPIs), in case you feel that you might be faltering on the KPIs where you were initially doing well, we can relook at those KPIs also. We will co-create a framework of continuous improvement with you to drive you towards excellence.
5. We will establish a process by which there is a periodic interaction between you and Wadhwani Senior Management. This will help both parties discuss and understand the gaps (if any) in the process and take remedial measures.