



Google Cloud

PRESENTS



SMART STRATEGIES
WINNING TEAMS • 2019

BRAND OF
CIO&LEADER ITNEXT



Ajanta Paints

A CASE STUDY

Gurgaon-headquartered Ajanta Paints is one of the oldest players in the INR 54,000 crore Indian paints industry. Founded in 1921 by Seth Narottam Aggarwal, the company is now being managed by Manish Jindal, the son-in-law of Harish Aggarwal, Seth Narottam's grandson.

The INR 4900-crore Ajanta Paints, earlier called Ajanta Chemical Industries, has traditionally been strong in government and public sectors. Some of India's iconic national buildings—many of which were built before independence—have been painted using Ajanta's products. Ajanta is also in industrial paints and quite strong

in the industrial sector. Starting with many of the public sector corporations, it had also managed to win some of India's largest corporate accounts.

Till the 90s, the company, despite being an industry leader in terms of profitability, did not grow fast enough, largely because of its narrow customer segment focus and correspondingly limited product portfolio.

In 2007, during the stint of Harish as CMD, Manish, as the Chief Strategy Officer, initiated the diversification into newer segments—SMEs and real estate. This was accompanied by three strategic changes—product diversification, geographical expansion and creation of a three-tier distribution model, by opening new sales offices, appointing distributors and dealers.

Today, Ajanta Paints is present in 112 cities and towns across the country, managed through seven branch sales offices, eight distributors and more than 300 retailers.

Financials

Ajanta registered a revenue of INR 4907 core in 2018-19, up from INR 4710 crore in FY 2017-18. Net profits, however, dropped from INR 381 crore to INR 319 crore. The last five year's CAGR has been 4.3%.

The Big Change

After Manish took over as Managing Director in 2012, the next logical step was to get into consumer segment, which was growing much faster. Though Manish had planned for it since long, what also necessitated the move was a slump in real estate market post 2015.

While this catalyzed the move to newer segments, in the short run, it derailed the soft transition that Manish had started, right after taking over the charge. With SME and real-estate markets slowing down, tactical steps had to be taken which took much of his and other senior management's time.

Finally, in October 2017, the board approved a formal foray into consumer segment. After



some initial marketing campaign and dealer communication and schemes—tactical moves at best—Manish, his chief of marketing Kakoli Sen and Head of the new consumer SBU, Amitabh Dixit realized that they cannot get into the market by being just another player and talking about the national buildings (which was all that their marketing messages contained initially) and some small product tweaks.

Last year, Manish hired Hrushikesh Swain—a chemical engineer by training (and who worked as one in his early years) who has spent more than a decade in the IT industry—as Chief Transformation Officer. While scope for his work was transformation of the entire organization, the immediate priority was creating a successful entry into the consumer paints segment.

After traveling to more than 30 locations in the first three months of his joining, Hrushikesh gave a single line proposition to Manish: Ajanta can be a premium player; there is always a room at the top. It appealed to Manish because it was in sync with Ajanta's strategy since its beginning—high value, high profits. Only difference: This time, it is not being done at the cost of growth, but for achieving growth.

The Strategy Meeting

Manish, Hrushikesh, Kakoli, Amitabh—and the CIO of the company, Narendra Karmakar, as a special invitee—sat to discuss



Hrushikesh's idea. Narendra was invited to comment on the feasibility of the idea in terms of tech implementation and add to it based on what else tech can do.

They all liked the idea: A strong consumer-centric approach requires creating a mindshare among the end-users and creating a pull situation, as in case of any strong consumer brand. Hrushikesh had suggested two means of achieving this.

One, for a product such as paints, there is a community of 'influencers' who play a crucial role in shaping mind share and generating demand. These are typically the painters, contractors, and the architects or consultants. For a company, it is extremely important to have a direct connect with this community.

Two, somehow reach out to consumers with the value add so that they see it as a brand that understands their problems.

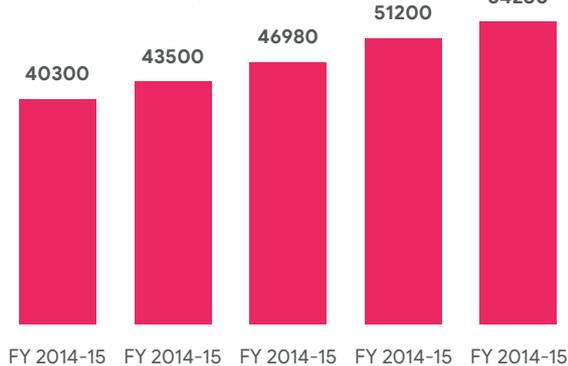
Kakoli combined the two to suggest that they could build

design studios in important locations where the architects and consultants could meet the customers and give them consultations for free. Ajanta will organize this and will be seen to provide value to the consumers. The influencers will be indebted to Ajanta for making them meet prospective customers. It will be a win-win-win for all the three parties involved.

Everyone seemed to like the idea. There were some enhancements suggested by others—like creating Proof of Concepts of homes, appointing some traveling experts who could be part of Ajanta and would visit these studios on specified days. The studios will not just help consumers but will also give them valuable insights into the consumers' minds, thus helping in product positioning.

When developed, these studios need not be restricted to consumers but can be used for the business customers like real estate developers and enterprise customers as well.

Growth of Indian Paints Industry (in INR Crores)



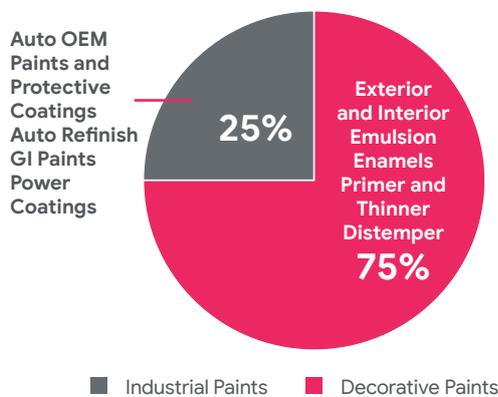
Source: Industry reports

Indian Paints Industry

Indian paints industry's double-digit growth has been hampered in the last three years. Today, the industry is worth INR 55,000 crores.

Decorative paints account for three-fourths of the market while industrial paints account for one-fourth.

Composition of Indian Paints Industry



But Manish had a question. The studios would have to be built, equipped and the consultants and architects need to be lined up. While it can easily be organized in large cities, scaling it up to include smaller location could be a challenging task, he felt. Hrushikesh, while reiterating that it is a great idea and Ajanta must go for it—if only for the sake of pioneering the model—he feared that this cannot reach a lot of potential customers in a short time. And time was extremely important for Ajanta. His further fear was about other players—especially the top two—replicating it in smaller locations.

“Can we have something that will help us reach out to a large set

of customers, in most locations?” Hrushikesh asked.

“Why a large set of customers? Why not potentially everyone—at all locations,” asked Narendra. Everyone was surprised. They had hardly seen Narendra like this ever. A man of few words, he hardly speaks loudly and excitedly. Everyone looked at him.

“Today mobile is everywhere. Why cannot we try to create the same experience—or similar experience—leveraging a mobile app, or apps. In fact, we can have customized apps for different segments. That will reach out to everyone. This is not an either-or. We still can have the studios and

the mobile apps will extend the reach and we can find a way of integrating the two,” he said in one breath.

It was almost a natural standing ovation that followed. Kakoli, who suggested the studio idea, almost jumped from her chair. “I think we should take decision on this right now; I am sure Narendra has the plans ready,” she said.

“To be honest, the idea came to me just now, after Kakoli’s studio idea. It is experience, not the studio or app that matters,” Narendra told humbly but firmly.

Everyone loved the proposition. Ajanta would create an online platform for communities of influencers, retailers, painters and customers—both business and consumers—who could connect on the platform.

The group deliberated on what other value could the app deliver.

They agreed on three objectives. The immediate objective is to provide ‘the experience’, create goodwill and hook the stakeholders. That also remains the primary objective. The medium-term objective is to get insights from the data that the company will collect from stakeholders’ usage of the platform. The long-term objective—and now not more than a wish—is to create an ecosystem around itself, a kind of platform model. The last one is a long shot and they did not get too much into it.

Manish wholly supported the idea, and everyone turned to the team of Kakoli, Hrushikesh and Narendra for the implementation.

“While we can reach out to many stakeholders quickly through the app, nothing can replace face-to-face communications. So, while we go on building the app, we must try to enhance the studio experience leveraging technology,” said Hrushikesh. A good friend of Narendra, he knew the latter would come out with a host of ideas to make that possible.

Manish added two more dimensions.

One, he wanted to know how IT could help in making manufacturing process better and smarter—not just more efficient. Ajanta had already invested on some plant automation solution and IoT solutions. But it was just being used as an automation solution that made the plant a little more efficient. “It is a crime not to use the data that we generate,” he said.

Secondly, he wondered if they could use Artificial Intelligence for business advantage. Hrushikesh, who was doing a couple of pilots with startups, had some idea. But he was facing the data challenge. They were working on creating a predictive model for people’s choice. Since they did not have a lot of consumer data, it had not progressed much.

Manish urged both Hrushikesh and Narendra to look at these aspects too.

Over to Tech

As Hrushikesh, Narendra and Kakoli deliberated further, what Hrushikesh realized is



that it is not studio or app or anything specific that Kakoli gets excited about. She wants to be out with something new, delivering some new value to customers and influencers, all the time.

So, he proposed if Narendra could come up with something that can make it possible. But it has to be cost-effective, a company like Ajanta cannot burn a lot of capital—not because it lacks, but because of the risk involved. Doing completely new things has its own risks.

Narendra said that is the easier part: Cloud is the option. Not only does it require no/little capital expenditure, it also minimizes risk and saves valuable time by making available many third-party specialized APIs (functionalities) that can be plugged straight into the apps.

Hrushikesh knew CFO Sanjay Jain was already excited about the cloud idea. After all, Ajanta was already using some applications on cloud, including CRM and stores management.

But Narendra had a word of caution. “Not everything is as rosy and smooth as it seems. Developing applications continuously, modifying them, marketing them to users and making them better and better all the time is not an easy task. There are various challenges.” But he took it upon himself to get that done.

Ajanta implemented SAP in 2008. Now, most of the IT runs from their two data centers—one located in their Gurgaon headquarters and another co-located with an Indian service provider in Mumbai. There is a DR center with another third party at Chennai, where the company also has sizeable manufacturing. While there are some marketing and CRM applications on SaaS, overall exposure to cloud is limited.

Hrushikesh and Narendra met separately to discuss the tech issues. Narendra, after elaborating the broad contours of the plan, listed five challenges:

1. While he could try the online community platform on cloud, doing only that would

defeat the purpose, as it is not an isolated project. They are trying to build the business for the company. His proposition was to take a significant (relevant) workload of the existing IT to the cloud. For that, **his team does not have skills. That is the most critical challenge.**

- Ajanta has only limited number of offices, but the company is planning to go for at least 20-25 locations for design studios to begin with, which **needs to be seamlessly connected**, but the experts cannot be everywhere all the time. **And the studios need to be connected with the respective branch office as well.** Experts need to be able to connect with users over videoconferencing in the centers. That facility needs to be made available to users on their personal devices like mobile phones, tablets and laptops as well.
- The design studios and the online platform, which eventually will cross-leverage each other, will also host the business customers as well as the partners and influencers. **It needs to be extremely secure.** Even a small breach has the potential to derail the entire thing.
- Even before they go full-fledged into consumer business, they need to ensure that the head office has all the sales, customer data in almost real time. That is a challenge now, with many smaller branch offices not on the enterprise data platform. They often send data on mail/ftp. The issue is lack of seamless connectivity of all those offices.
- As discussed earlier, **developing apps on an almost on-demand basis and keeping them updated** has its own challenges.

Your Task

Your brief—in a single line—is to create a tech plan that should be in sync with all the objectives of Ajanta and should explicitly address the challenges listed by Narendra, using the solutions presented to you today.

The technology plan should have:

- A clear business outcome associated with each tech initiative or investment.
- Detailed enough to illustrate what are the components/solutions and what technology(ies) will each of the components
- There should be a roadmap—with timelines and priorities. Please justify your prioritization.
- It should only use the technologies presented to you today.
- Give budgets, resources, and challenges.
- Make suitable assumptions as long as they do not contradict any of the given facts.





Current IT Environment @ Ajanta Paints

Software: SAP ERP, Supply Chain Management, SAP Warehouse Management System. A custom Dealer Management System. Plant Automation System, Industrial IoT System. A basic BI System. A SaaS-based CRM Solution. Disaster Recovery & Business Continuity Solution, Oracle HRMS, various IT security tools.

Infrastructure: Two data centers—one located in Gurgaon, one co-located in Mumbai. DR center with another third party at Chennai. More than 70 virtual servers.

