



Business Development from Start to Scale
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Week - 03
Industry Structure and Company Analysis
Lecture - 15
Company Analysis

Hi friends, welcome to the NPTEL course Business Development from Start to Scale. We are in week 3 with the theme of Industry Structure and Company Analysis. In this lecture the 15th in the series we consider the topic of Company Analysis.



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Company Analysis

Company analysis and competitor analysis may be considered to be different by some because of the assumption that a company can know more of itself than of the competitor. However, the company and competitors need to be analysed on a similar plane. There are four major areas of a company (and competition) that need to be analysed.

• Conveys the performance strength and resilience

• Conveys the competitive positioning

Physical and Financial Performance

Vision, Mission, Strategy, Execution

Leadership Management and Competency Base

Resources, Assets, Network Relationships and Goodwill



• Conveys the growth drive

• Conveys the strategic strength


Sources

- Balance Sheet
- Analyst Reports
- Industry Data
- Conference Calls
- Press Meets
- Employee Feedback
- Network Sources
- Rating Reports
- Syndicated Studies

From the Indian perspective, the balance sheet, analyst reports and corporate disclosures constitute a rich source.



Generally, company analysis and competitive analysis are considered to be different people believe that we know about our company far more than about the competitor. Therefore, we




should focus on the competitor rather than ourselves is the perception. However, the company as well as the competitors need to be analyzed on a similar plane.

There are four major areas of a company and competition that need to be analyzed fundamentally we need to look at the physical and financial performance of both the company and its competitors. This conveys the performance strength and resilience. Secondly, we should analyze the vision mission strategy and execution.

This set conveys the competitive positioning of a company the next in line is the set of resources assets network relationships and goodwill this set conveys the strategic strength of the company. This is in contrast with the performance strength which we have talked about earlier.

The fourth set comprises leadership management and competency base this conveys the growth drive of the company. The sources for this level of information need to be many balance sheet, analyst reports, industry data, conference calls, press meets, employee feedback, network sources, rating reports and syndicated studies must be utilized to get this kind of strong deep and robust information.





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Performance Indicators


Performance indicators are many. These need to be culled out skillfully based on product-market context. Performance indicators must be assessed as standalone and relative numbers as well as growth rates, on a multi-year basis.

Physical Performance		Financial Performance	
SN	Factor	SN	Factor
1	Total Production and Sales in Units	1	Production and Sales Turnover
2	Product-wise Production and Sales in Units	2	Product-wise Production and Sales Turnover
3	Market-wise Production and Sales in Units	3	Market-wise Production and Sales Turnover
4	Total Market Share	4	Material Costs
5	Product-wise Market Share	5	Employee Costs
6	Market-wise Market Share	6	R&D Costs
7	Mfg. Productivity (Output per person)	7	Overheads
8	R&D Productivity (Projects per Person)	8	Profitability at Various Levels
9	Salesforce Productivity (Sales per Person)	9	Dividends and Retained Earnings
10	Availability of People Skills	10	Various Financial Ratios

The performance indicator database must be a continuously updated database that is constantly monitored for trends. The data must be filled in for the company as well as the competitors (to the extent available).



There are many performance indicators to analyze the performance of the company. These need to be culled out skillfully based on the product market context in an industry and for the

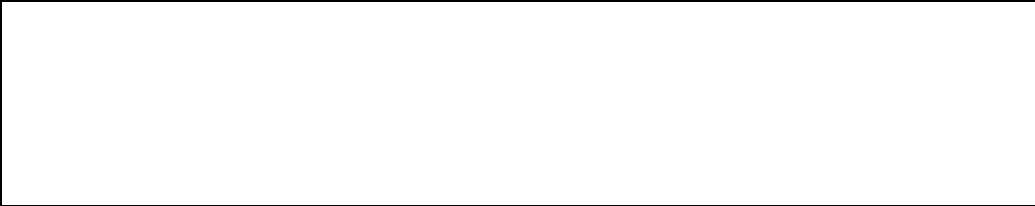


firm. Performance indicators must be assessed both as standalone and as relative numbers these also must be seen as physical numbers and growth rates on a multi-year basis.

Some of the factors relevant for physical performance are as follows. Total production and sales in units, product wise production and sales in units, market wise production and sales in units, total market share, product wise market share, market wise market share, manufacturing productivity that is output per person, R and D productivity that is projects per person, sales force productivity sales per person and availability of people skills.

In terms of the financial factors, we have production and sales turnover, product wise production and sales turnover, market wise production and sales turnover, material costs, employee costs, R and D costs, overheads profitability at various levels that is gross margin, PVT, PAT etcetera. Dividends and retained earnings various financial ratios.

The performance indicated database must be a continuously updated database it has to be constantly and continuously monitored for trends. This data must be filled in for the company as well as for the competitors.





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Positioning Indicators


Positioning indicators may be easier to obtain for the company than for the competitors. Some positioning aspects may be derived from the performance indicators, but more incisive data collection will be certainly required.

Strategic Positioning		Tactical Positioning	
SN	Factor	SN	Factor
1	Long Range Vision and Mission	1	Sales and Financial Guidance for the Year
2	Corporate and Business Strategies	2	Product Rollout Plan for the Year
3	Market-wise Production and Sales in Units	3	Market Expansion Plan for the Year
4	Different Functional Strategies	4	Vendor and Dealer Additions for the Year
5	Capital Allocation Strategies	5	Employee Additions for the Year
6	Product-Market Strategies	6	Market Share, Product- and Market-wise
7	Pricing and costing Strategies	7	Capex for the Year
8	Funding and Investment Strategies	8	Profitability for the Year at Various Levels
9	Business Continuity and Risk Management	9	Attrition Percentage
10	ESG Strategies	10	Various Financial Ratios for the Year

In the study of a company and its competitors, both strategic positioning and tactical positioning are critical.



Let us look at the positioning indicators. Positioning indicators may be easier to obtain for the company than for the competitors. Some positioning aspects may be derived from the





performance indicators, but more incisive data collection will be certainly required. Positioning is of two types the strategic positioning and secondly, the tactical positioning.

Strategic positioning talks about the company's long-term posture in terms of growth and sustainability. The factors related to strategic positioning or the long-range vision and mission of the company as expressed in its documents corporate and business strategies as again expressed with the analyst calls and various other interactions, market wise production and sales in units, different functional strategies such as R and D strategy, operation strategy, HR strategy, financial strategy etcetera.

Capital allocation strategies, product market strategies, pricing and costing strategies, funding and investment strategies, business continuity and risk management, ESG Environmental Social and Governance strategies all of these things are not day to day matters they are long term matters.

So, how the company formulates its position on each of these strategic factors gives an inkling of the strategic posture this company is taking. Tactical positioning factors are quite different. Sales and financial guidance for the year usually given at the beginning of the year as also in a very quarterly update product rollout plan for the year.



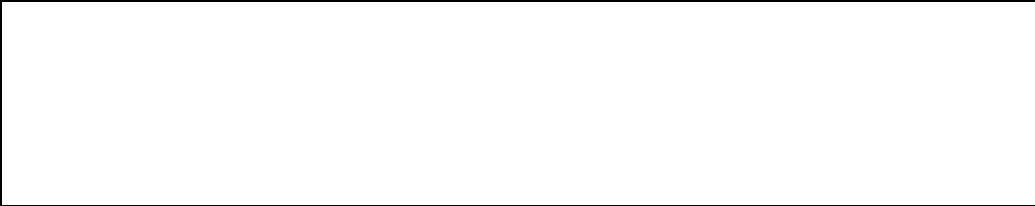



Market expansion plan for the year, vendor and dealer additions for the year, employee additions for the year, market share product and market wise capex for the year, profitability for the year at various levels attrition percentage and various financial ratios for the year.

In the study of a company and its competitors both strategic positioning and tactical positioning are critical. One does not preclude the other and one does not substitute for the other. Product rollout plan for the year as an example is extremely important to understand how the sales can be increased or the sales can be retrieved, but at the same time the R and D strategy of the company is more important from a long-term point of view.

In today's electric automobile industry, the R and D strategy is going to spell out what would be the share of the battery electrical vehicles and what would be the share of IC engine vehicles? But the same R and D strategy could even take a longer-term canvas and talk about other clean energy options including hydrogen and fuel cells.

But on the other hand, the product rollout plan for the year will be content with expressing the improvements that are envisaged for the year and in case a new product has been thought about earlier the launch of the new product. Similarly, the different functional strategies related to each of the functions will have a long-term posture as far as the strategic factors are concerned.





And a yearly posture as far as the tactical factors are concerned. Capital expenditure for the year ensures that the depreciation impact is well utilized and the company's facilities are kept at a high level of operation. But the funding and investment strategies for the long term are indicative of the company's strategic position.

Today Adani group has announced an intent to raise 5 billion dollars which is a huge sum for an Indian company by a way of equity and long-term funds and this indicates that the company is planning to get into strong investment intensive new energy and infrastructure segments of the industry and economic sectors related there too. So, its a very important strategic announcement and that has ramifications for companies that are operating in this space of infrastructure and energy.





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Strength and Resilience Factors


Covid-19 has demonstrated the importance of firms building strength and resilience in their businesses and organisations, physically and financially.

Company Strengths		Network Strengths	
SN	Factor	SN	Factor
1	R&D Asset Base	1	Vendor Relationships
2	Manufacturing Asset Base	2	Dealer Relationships
3	R&D Expenditure as a % of Sales	3	Strategic Alliances, Partnerships and JVs
4	Patent Estate	4	Access to Material Sources
5	Product Development Pipeline	5	Resource Sharing Arrangements
6	Marketing Infrastructure	6	Investor Relationships
7	Cash Reserves	7	Government Relationships
8	Proprietary Knowhow	8	Parent and Co-Company Relationships
9	Vertical Integration	9	Attorney Relationships
10	Operational and Financial Resilience	10	Relationships with Industry Bodies

It is no longer sufficient to build only company strengths internally – building of external network strengths in the overall ecosystem is also critical.



In terms of the strength and resilience factors, COVID-19 has demonstrated the importance of firms building strength and resilience in their businesses and organizations physically and



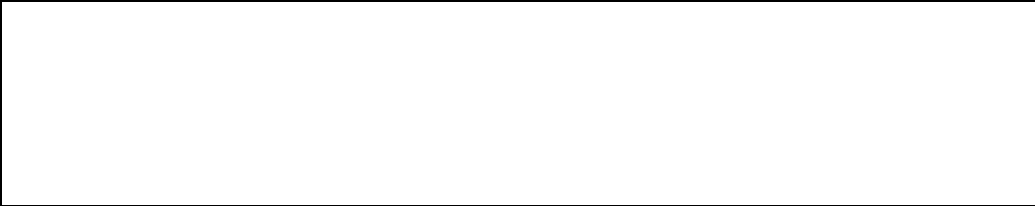
financially. By performance metrics can be easily seen in quantitative terms and analyzed, while the strategies and tactics can be experienced.


And therefore, analyzed and interpreted it is slightly more difficult to analyze the strength and resilience factors of a company. The strengths of the company relatively again are more direct while the strengths of the company because of its network are more difficult to evaluate, yet we need to understand the companys strength as well as the network strengths of the company.

So, what is are the strengths with reference to the company? R and D asset based that is the kind of equipment the kind of testing facilities you have for R and D are very important. If an automobile company has got simulators crash testing equipment, sound chambers, design studio then micro mixing capabilities in IC engines.

And everything then it has got good R and D asset base and if a company does not have all of these things and outsources most of these activities or short circuits some of these developments, then it has poor R and D asset strength and that reflects on the overall strength and resilience of the company for the future.

Similarly, the manufacturing asset base that implies whether the company has A the capacity and B the modularity to scale up depending upon the demand position. R and D expenditure







as a percentage of sale is a very important indicator of the commitment of the company towards R and D as well as the capability of the company in terms of R and D infrastructure.

This R and D expenditure could be in terms of capital expenditure as well as ongoing revenue expenditure. For a pharmaceutical company the investments made in facilities, the investments made in stability chambers and various items like that are capital expenditure items. The expenditure made in bio equivalence studies, clinical studies on an ongoing basis for a product are in the nature of revenue expenditure.

The patent estate of a company particularly in terms of the patent applications made and patent applications granted and the jurisdictions in which such activities have taken place are indicative of the company strengths. Product development pipeline in terms of its movement across the various stages of a product again is an important indicator of the company's strength.

In respect of the pharmaceutical industry, we need to understand how many molecules are there in the in vitro study that is in the lab scale development how many molecules are there in vitro that is animal study stage and how many molecules are there in phase 1 of clinical trials phase 2 A of clinical trials, phase 2 B of clinical trials and finally, phase 3 of clinical trials together this provides a pipeline of future development of products.



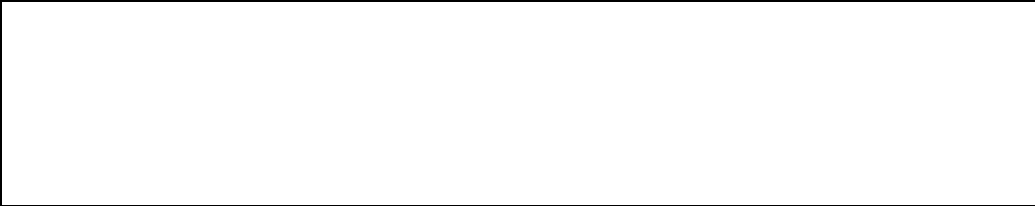



Marketing infrastructure is extremely important for every company which has got strong marketing ambitions and marketing infrastructure may include its own retail stores also the networking of external dealer network with its marketing plans. Cash reserves are important for any company.

And COVID-19 has brought into limelight the importance of cash without cash the businesses would not have survived at all in the COVID times that is why the Central Banks have invested and injected huge amounts of liquidity into the corporate system as well as into the economic system.

Proprietary know how which is slightly different from the patent estate is also an important aspect of company strength. Every company will have a particular method of developing a product, a particular development of transferring the technology and a particular development capability on the shop floor.

All of these things constitute the proprietary know how and the know why of the company and that is very unique to the company. Vertical integration is another facet of the company strengths that vertical integration could be backward in terms of the component manufacture as well as the materials that are required for components.



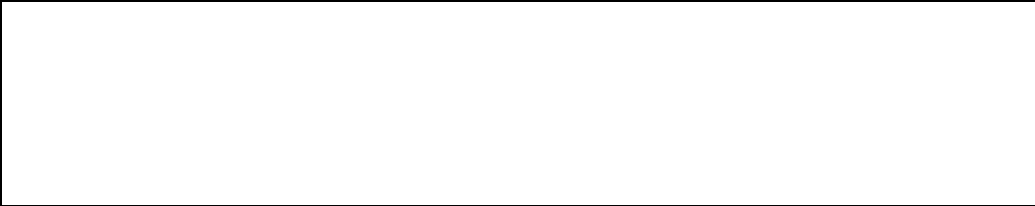


The forward vertical integration could be in terms of outbound logistics outbound distribution as well as the dealer and channel network and finally, we come to the operational financial resilience that is indicated for example, by the breakeven point. The lower the breakeven point of a company the higher is the ability of the company to withstand the vicissitude of business and economic cycles.

Similarly, the various financial parameters that is the inventory turns the debt servicing ratio are indicative of the financial resilience of the company. The network strengths again are many vendor relationships, dealer relationships, strategic alliances, partnerships and joint ventures access to material sources, revenue sharing arrangements, relationships with the investors.

Relationships with the government bodies, parent and co-company relationships, attorney relationships and relationships with industry bodies are indicative of the positioning of the company in the overall network which helps the company achieve its goals.


It is no longer sufficient to build only company's strengths internally we need to build strengths of the company with reference to the external network strengths in the overall economic ecosystem and this is an important fact that is often ignored by the analysts of company and corporate as well as competitor information.



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Leadership and Competency Factors

Leadership is the fountainhead of growth. Progressive leadership makes an organization a vibrant meritocracy, by encouraging development of competencies. This, in turns, helps a company gain and sustain competitive advantage.




Leadership Strengths		Competency Strengths	
SN	Factor	SN	Factor
1	Leadership Track Record and Potential	1	Functional Depth and Breadth
2	Board Track Record and Potential	2	R&D Competencies
3	Leadership Qualities of the CEO/CXOs	3	Manufacturing Competencies
4	Breadth and Depth of Management	4	Marketing Competencies
5	Skill Levels of Employees	5	Financial Competencies
6	Planning, Execution and Monitoring Skills	6	Digital Competencies
7	Unity of Values and Alignment of Purpose	7	Other Functional Competencies
8	Organizational Structure-Strategy Match	8	Collaboration Strengths
9	Agility, Adaptability and Flexibility	9	Employee Ownership
10	Core Competencies (R&D, Marketing etc.,)	10	Specific and Special Core Competencies

As C K Prahalad postulated, a company's core competencies fetch for the company sustainable competitive advantage.



The fourth set of factors relate to leadership and competency factors. Leadership is the fountain head of growth progressive leadership makes an organization a vibrant meritocracy it




encourages development of competencies. This in turns helps a company gain and sustain competitive advantage what are the leadership strengths?


Leadership strengths are expressed in terms of the leadership track record and potential the track record of the board of directors and its potential. If a board has a diverse set of leaders and those leaders are seen to contribute to the board deliberations then we can say that the company has got good board oversight.

That is why when Harsh Mariwala wanted to professionalize the board or induct top level leaders into the board, he thought about good diversity of capabilities, multiple industry backgrounds, multiple functional strengths so, that the board could be not only imminent, but also fully equipped to undertake the task of providing holistic advice for the company.

So, both track record and potential are important parameters. Most companies today undertake an evaluation of the board as well as the individual directors to make sure that the boards are fulfilling the higher order vision that is set for the boards. The managing director is usually a part of the board.

But apart from the managing director the entire CSO team that is Chief Commercial Officer chief operating officer chief scientific officer and so on. Constitute the total leadership team and their record and potential are extremely important. Breadth and depth of management that





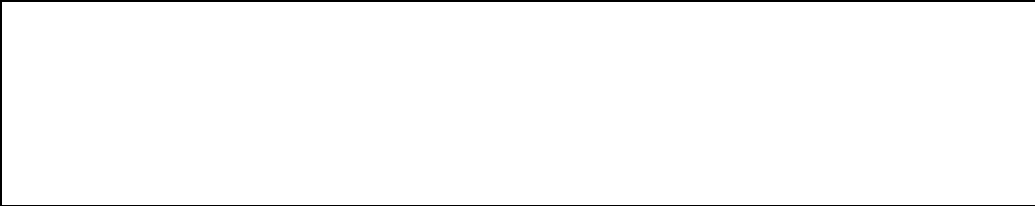
is it is not sufficient to have strong top-level leadership, but not have strong middle level leadership because that provides the succession pipeline.


In many companies you have a few leaders at the top and lots of operating people and there is really a huge gap in the middle. In some other companies you may have a strong or even over bloated middle, but very weak top-level leadership and very constrained operating executive manpower.

So, this is again not to be encouraged. So, breadth and depth of management is important all functions should be equally balanced in terms of the breadth and depth then the skill levels of employees. In an information technology company, the skill levels of employees need to be calibrated every 6 months because the technology is changing continuously.

Planning execution and monitoring skills are very important for an organization to move forward in a competitive manner there must not only be plans, but a methodology and capability to evaluate the plans based on the metrics based on the stage gates and course correct as required.

Another important characteristic of well-run companies is unity of values and alignment of purpose. Everybody in the company should share the same purpose should be aligned with the company's vision and goals and more fundamentally as I discussed also in the earlier lecture







values are very important the entire organization must be rallying around co values of the company the other important factor is organizational structure and strategy match.

You will see many times companies expressing lofty vision and high order strategies, but when you look at the organization you will find that the organization is not equipped in terms of people to execute the strategy. In any company in any growth paradigm people come first facilities come next and then only the results come.

Therefore, importance of people which means importance of organizational structure being in alignment with strategy needs to be taken care of. The other leadership strength is agility, adaptability and flexibility. While being systemically prudent and while being systematic and policy driven companies also need to be agile should be adaptable to changes and have flexibility to course correct as required.

And finally, the leadership strengths are in terms of the core competencies. When you look at Apple the core competencies of the apple chief executive Steve jobs are very much known. Similarly, the co competencies of the current CEO Tim Cook are also very well known. Every company has got leaders whose core competencies bring that extra capability to the organization that needs to be understood very well.



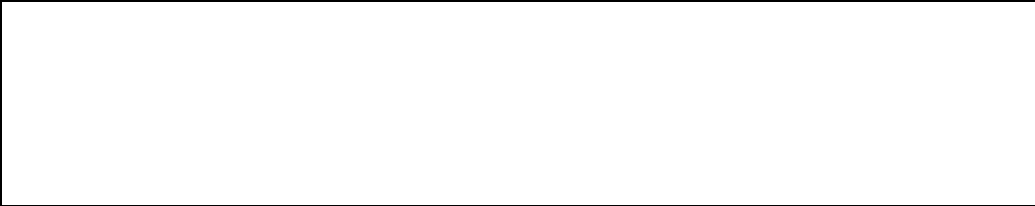


So, if a company brings in leaders who have this extra level of capability, then we in the company must be very thoughtful of this development and equip ourselves suitably. Similarly, we as a company could be proactive in terms of bringing in the best possible leadership and being ahead of the competition. Then what are the competency strengths that is strengths which are available in the organization as a whole and with individuals?

These factors are the functional depth and breadth that is you must understand completely about your function your business domain and the relationship between the functionality and the business domain then the R and D competencies, the manufacturing competencies, the marketing competencies, the financial competencies, the digital competencies and various other functional competencies.


An organizations competency set must include collaboration strengths. An ability to collaborate internally and externally is very much important for a company to be successful on a standalone basis as also in relation with the external environment. Ownership by the employees of the various initiatives of the company is also an important determinant of the competency strengths in an organization.

Apart from all of these things there will be very specific and very special core competencies for certain companies and they need to be taken care of in the analysis as CK Prahalad




postulated a company's core competency fetch for the company sustainable competitive advantage.


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A Basic Company Analysis
Sudarshan Chemicals

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Now, let us look at the analysis of a company to bring us into focus on deployment of these kinds of developments, but the analysis of the company cannot straight away start with the four sets of indicators that I have mentioned earlier. There is no point in taking a balance sheet and trying to take all the data points and start comparing more fundamental to that is to have a broad-brush analysis of the company what is this company doing in the overall?


Where is the company position in the industry and in the global markets and where does the company want to proceed a broad pressure understanding what we may call a helicopter view of the company's vision strategy and execution as well as the structure are required before you go very deep into the individual performance factors or strategic strength factors, resilience factors, leadership factors and so on.

So, this is a company analysis of Sudarshan chemicals one of the leading companies in the Indian Chemical Industry this is an IIT, Madras study project as part of my MBA course conducted in the Department of Management Studies Indian Institute of Technology Madras.




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Introduction about Sudarshan Chemicals



- Leading Colour & Pigment manufacturer
- More than 60 years of experience in the business
- A global, world-class colour and chemical solutions provider with a focus on sustainable results
- Creates value for stakeholders with an exciting and vibrant, performance-driven work environment



So, what is the company? The company Sudarshan chemicals is a leading color and pigment manufacturer. More than 60 years of experience in the business, a global world class color



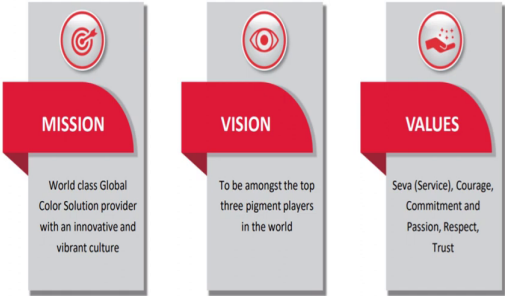

and chemical solution provider with a focus on sustainable results and it has a track record of creating value for the stakeholders.

It has an exciting and vibrant performance driven work environment. When you read about the company, you get a fair idea of its industry its product characteristics its heritage, its legacy and its global positioning.



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Mission, Vision and Values




MISSION
World class Global Color Solution provider with an innovative and vibrant culture

VISION
To be amongst the top three pigment players in the world

VALUES
Seva (Service), Courage, Commitment and Passion, Respect, Trust



First, we have to study the mission vision values of the company. The mission of this company to be a world class global color solution provider with an innovative and vibrant



culture it is not merely the pigment that is sought to be provided it is the pigment with the coloring capability that is the mission.

The vision is to be amongst the top three pigment players in the world. So, a global understanding is there and a global aspiration is there and the third is the set of values Seva means service, courage, commitment, passion, respect and trust these are the values of the company.



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Sudarshan Performance

- Total sales Rs 1864 crores
- PBIT Rs 190 crores
- Market Capitalization Rs 3592.2 crores

- World's fourth largest producer of pigments.
- Widened its base from classical pigments to high-performance pigments and cosmetics.




How has been the performance of the company? It is not too small a company not too nor is it too large a company it has a turnover of 1864 crore in rupees, a PBIT of 190 crore; that



means, 10 percent profit margin market capitalization is twice that of the sales at rupees 3600 crores approximately.

Point to be noted it is the world's fourth largest producer of pigments, it has widened its base from classical pigments to high performance pigments and cosmetics that is the trend of the company.



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A Decade's Journey – As Told by Sudarshan



66 From being a manufacturer of Pigment, Agro Chemical, Masterbatches in 2011, we have traversed a journey to be a focussed **Pigment player**

66 From ~30% domestic market share in 2011 to **capturing around 35%** in 2021, we have given our best to strengthen our position year-on-year


66 During the decade, we have climbed from being amongst the top 20 pigment players in 2011, to **becoming the 4th largest pigment producer globally**, strategically reinforcing our brand position

66 From 1 R&D lab in India to **2 labs in India and Germany**, we have redefined our innovation quotient to build a robust product portfolio

66 From sourcing 0% renewable energy in 2011 to **20% in 2021**, we have progressed consistently in our sustainable journey to make the world a better place for our stakeholders

66 From being a classical pigment manufacturer we have widened our base to include **high performance and cosmetics product range**.

So, how was the decades journey and this is as told by Sudarshan. From being a manufacturer of pigment agro chemical master batches into 211, we have traversed a journey to be a

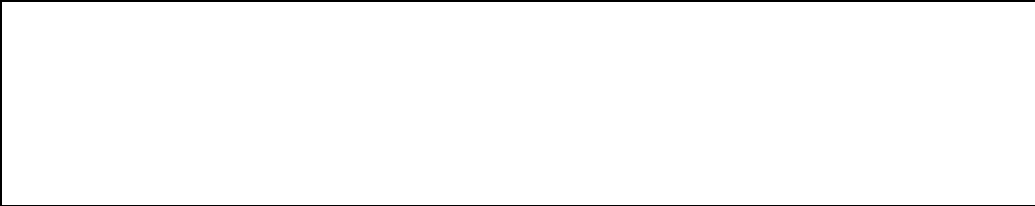


focused pigment player. From a 30 percent domestic market share in 2011 to capturing around 35 percentage in 2021.

We have given our best to strengthen our position year on year; that means, each year it has gained a market share percentage of one percent in a highly competed chemical industry. During the decade we have climbed from being amongst the top 20 pigment players in 2011 to becoming the fourth largest pigment producer globally and that strategically reinforced the brand position.

Similarly, from 1 R and D lab in India to 2 labs in india and Germany, Sudarshan has redefined its innovation quotient to build a robust product portfolio. From sourcing 0 percent renewable energy in 2011 to 20 percent in 2021 the company has progressed consistently in the sustainability journey and the idea is to make the world a better place for the stakeholders to the extent an individual company can do.

Similarly, from an overall product market perspective from being a classical pigment manufacturer the company has widened its base to include high performance and cosmetics product range. So, this is the decades journey as told by Sudarshan.



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Core Values

The diagram illustrates the core values of an organization. At the center is a blue circle labeled "Core Values". Surrounding this central circle are five other circles, each representing a specific value: "Service" (orange, top), "Courage" (red, top-right), "Commitment and Passion" (red, bottom-right), "Respect" (brown, bottom-left), and "Trust" (grey, left). The NPTEL logo is located in the top right corner of the slide.



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Products Offered



Organic Pigments

Inorganic Pigments


Effect Pigments





What are the core values? Service, courage, commitment and passion, respect and trust the products offered are organic pigments inorganic pigments effect pigments.

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Product Range – 1





Sudaperm™
pigments for high performance:
A premium range of high performance pigments with technical benefits for most demanding plastic and coatings applications.




Sudafine™
easy-to-use stir-in pigments:
A complimentary range of high-pigment content, water-based, resin free, pastes in easy-to-use stir-in form, for decorative paints and other applications.


Sudafast™
medium performance pigments:
A consistent high-quality range of medium performance organic pigments, increasing options available for colouration.



Sudatex™
pigments dispersions for textiles:
A carefully selected range of concentrated water-based dispersions, ideal for the surface and thorough coloration of textiles.




So, what is the product range comprising of? Every company has its branded name Sudaperm, Sudafine, Sudafast, Sudatex and so on. So, the word the letters Suda or the prefixes for all the



types of the products and that is the corporate brand weaving itself into the product brands there are pigments for high performance with technical benefits for most demanding plastic.

And coating applications then Suda fine is easy to use stir in pigments this is a complementary range of high pigment content water-based resin free pastes easy to use stir in form for decorative paints and other applications. Sudafast is comprise medium performance pigments consistently high-quality range of medium performance organics increasing options available for coloration.

Sudatex are pigments dispersions for textiles a carefully selected range of concentrated water-based dispersions ideal for the surface and thorough coloration of textiles some are therefore, for conventional painting applications or therefore, textile applications then you have coloring pigments.



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Product Range – 2



Sudacolor™
quality, value, and easy-use pigments:
A well-designed range of organic pigments that provide the best combination of quality, value, and easy use.



Sumica™
pearlescent pigments:
This product in the pearlescent pigment's category offers a full range of general purpose, high-performance pigments and effect pigments with a unique lustre effect, enhancing the aesthetic appeal of plastics, coatings, and inks.


Sudadur™
pigments for durable colour:
An extensive range of traditional inorganic pigments that impart excellent colour, durability, and coverage for the most demanding applications.



Sumicos™
pearlescent pigments:
Mica crystalline platelets, coated with metal oxides produce iridescent, lustre, bronze, and glitter that create new illusions in colour for cosmetic applications.



Well, designed range of organic pigments that provide the best combination of quality value and easy to use deployment. Then you have got pearlescent pigments a full range of general purpose high performance pigments and effect pigments they provide the color luster and

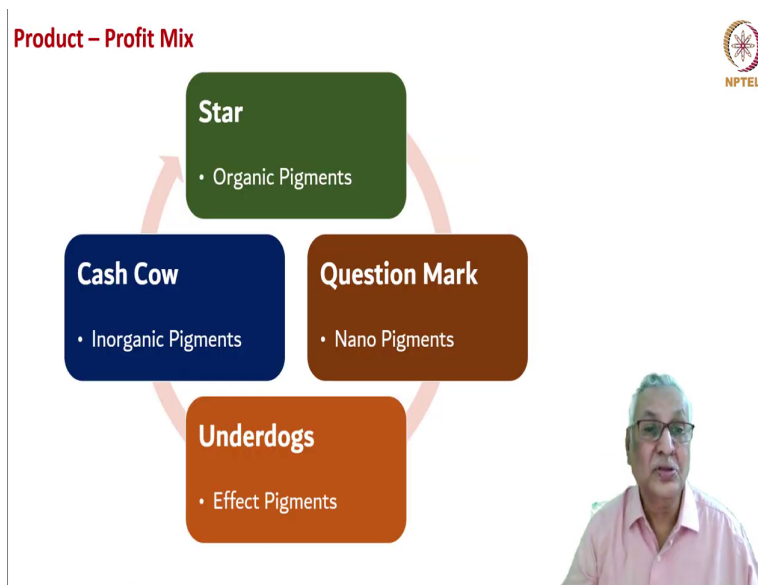



sparkling effect they enhance the aesthetic appeal of plastics coatings and links Sudadur is a pigment range for durable color.

These are inorganic pigments they provide much deeper color durability and coverage for the most demanding applications. And finally, pearlescent pigments called Smicos which are mica crystalline platelets coated with metal oxides they provide iridescent luster bronze and glitter that create new illusions in color for cosmetic applications. So, you can see that from basic pigments to lustrous and off beat pigments the company has everything.




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So, when you have large number of products you need to also understand the profitability or the relative market profitability relative market share of those products. In this case star products are the organic pigments, cash cows are the earlier established inorganic pigments.

They have funded the growth of the inorganic pigments range as well as the new organic pigments range question mark nano pigments and pets are underdogs effect pigments this is the grouping of the various products.




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Porter's Five Forces



- Bargaining Power of Buyers - High**
 - Many players in competition with local players using substandard ingredients (lead based pigments). So the options for buyers in the low-cost segment are many, though not all are safe. For high value items, international players with specification support are available
- Bargaining Power of Suppliers - Moderate**
 - With Sudarshan getting into the downward integration model, making its own raw materials, it can control the impact from the suppliers
- Threat of New Entrants - Moderate**
 - The industry is well established and supported by a wide network of established players. Environmental regulations are tough and hence a new player would find the approval processes tough.
- Threat of Substitutes - Moderate**
 - Colour is an integral part of any object. Colours are an essential part of life. Sudarshan is already into all the four different segments of the colour industry: Organic, Inorganic, Nano and Effect pigments
- Industry Rivalry - Very High**
 - Sudarshan has moved into the global arena (Germany where the established strong players like Clariant and BASF have their bases), establishing itself as a significant player by volume (Global 3rd). Sudarshan can buy out smaller global players with its strong cash-rich status to reduce the level of industry rivalry.



If you try to apply the Porter's five forces theory, you will find that the bargaining power of buyers is relatively high. Because there are many players in competition with the local players



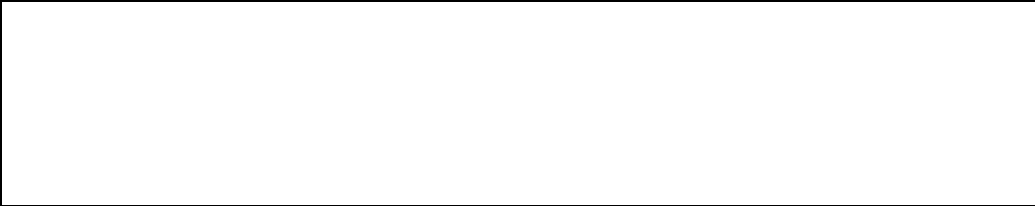
and unfortunately, they get away with using substandard ingredients even lead based pigments.


The options for bias in the low end are many, but they are not safe yet for cost reasons they sustain in the marketplace for high value items of course, the international players with specification support are available as good customers loyal customers for Sudarshan. What is the bargaining power of suppliers it is moderate.

Because Sudarshan is getting into downward or backward integration model making its own raw materials therefore, it can control the impact from the suppliers. The threat of new entrants is moderate because the industry is well established and supported by a wide network of established players environmental regulations are tough.

And a new player would find it difficult to enter this market with the kind of environmental capability that the existing players such as Sudarshan have established. Threat of substitutes again is moderate, color is an integral part of any object it is impossible to imagine a world where color is absent these are an essential part of life.


Sudarshan is already into the all the four segments of the color industry organic, inorganic, nano and effect pigments, but the industrial rivalry is very high because the company has moved into the global arena including Germany where established strong players such as





Clariant and Basf other bases. It has established no doubt as a significant player by volume, but it needs to diversify its country mix.


Sudarshan can buy out in this process smaller global players given the strong cash rich position and reduce the intensity of industry rivalry. So, this is the application of the five forces it tells the company as to what to do what the company should be wary of.



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The strategic focus for growth is in terms of the focus area of business pigments that is the core, but the company also must integrate itself vertically into various segments of the

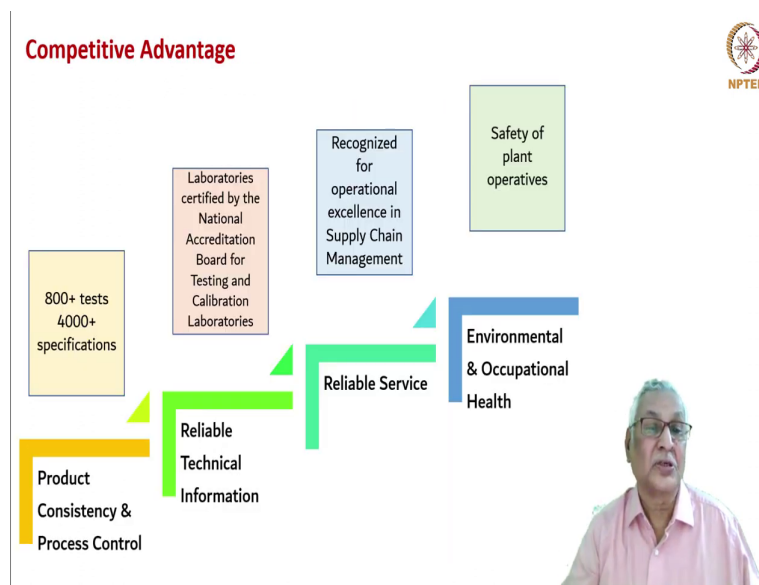


pigment so, that its product position is unassailable and the core is defended and grown, but a new core is brought in through these emerging pigments.


Every product must serve multiple customers and there must be global business development there is a strategic focus for growth of this company.



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Where does the competitive advantage for Sudarshan chemicals come from? It comes from the product consistency and process control at the very base 800 plus tests and 4000 plus specifications mark the product manufacturing portfolio. There is also very reliable technical





information that is justified nationally and globally all the laboratories are certified by the national accreditation board for testing and calibration laboratories.

The company is known for its reliable service it is recognized for operational excellence in supply chain management. When you are operating in global markets you have to be very cognizant of the timely supplies and finally, environmental and occupational health the safety of plant operatives is uppermost in the managements mindset.




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Strategic Focus	
Investing for Growth	Close to commissioning capex projects of ~Rs 600 crores which are crucial for the growth journey ahead
Towards world-class manufacturing	Building world-class operations with Integrated transformation across productivity, quality (including change management), safety and others
Invested in renewable energy	Investment in solar power plant with capacity of 19.495 MWh power, cost saving ~ Rs 201 lakhs.




So, the strategic focus is threefold one investing for growth the company is close to commissioning capex projects of 600 crores which are crucial for the growth journey ahead. It



is also poised towards world class manufacturing, integration transformation, across productivity quality including change management is attempted along with safety.

And others it is invested in renewable energy a solar power plant with a capacity of 20 megawatt hour power and cost saving of rupees 2 crores has already been integrated into the energy system of the company.



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Towards USD Billion Turnover



Indian Economy

- Indian economy opened up in the 1990s, with consistent growth; now globalising rapidly

Domestic Market

- The per capita consumption levels of paints, inks and other consumer markets are very low compared to global peers

Global Market


- Expansion into the global markets only recent (in the last decade) – presents a major opportunity for the Company

Technology

- A low risk-taker on new technology adoption
- Lack of disruptive technology development
- Reliance on overseas partners



The company is poised towards 1 billion dollar turnover Indian economy has opened up in the 1990s and has seen consistent growth it is probably the highest GDP growth country in the



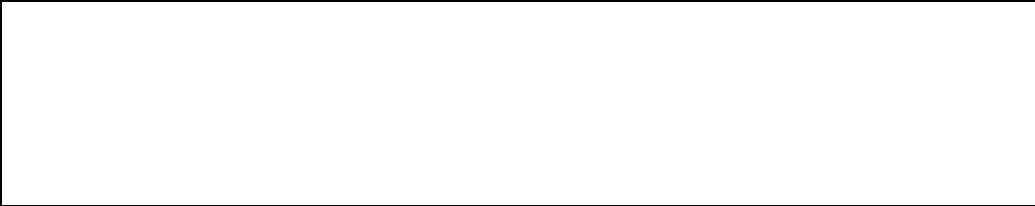
world today perhaps surpassing even China, globalization of the Indian economy is not relenting a bit it is going to only accelerate.

The per capita consumption levels of paints inks and other consumer markets which use the pigments of the company are very low compared to the global peers the global market are attractive, but they are also very competitive. Sudarshan has entered into the global markets only recently over the last decade.

Therefore, there is a major opportunity for the company and it is hoped that the learning phase of getting into the global market has been fruitfully utilized and the fourth is the technology. One negative factor about the company is that its not a great risk taker in terms of new technology adoption.

It has been developing its technologies through a careful blend of organic and some bottle technologies. But the aggression of the technology is nothing to write home about in this company therefore, one may say that there is lack of disruptive technology development and there is lot of reliance on overseas partners.

If only a company comes in with strong technological edge it is likely that Sudarshan chemicals could be disrupted it is a risk for the business which the companies promoters and leadership must be cognizant off.



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Advanced Analysis




Once a preliminary analysis is carried out to get an overall appreciation of the company, a detailed multi-factor analysis has to be carried out of the company and the competitors

- Physical and Financial Performance Metrics
- Strategic and Tactical Positioning Indicators
- Strength and Resilience Factors
- Leadership and Competency Strengths



This is as far as the Sudarshan chemicals is concerned at a helicopter level. You would need to do this kind of analysis for any company you would like to analyze in depth because



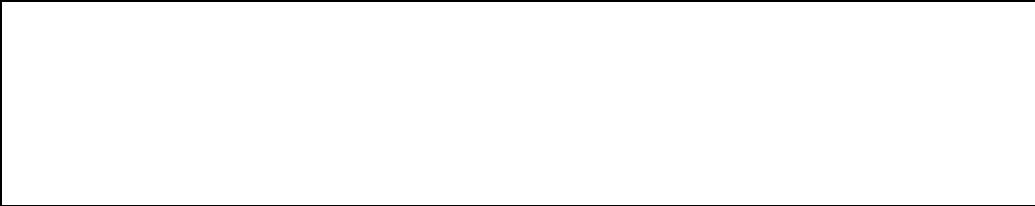
understanding the overall company, its overall strategy, overall structure, the vision and mission and its positioning in the global industry is important.


The technology capabilities the network relationships it has the level of sales the capability in terms of profitability all of these things must be understood. But once this preliminary analysis is carried out to get an overall perception and appreciation of the company the analyst must undertake a detailed multi factor analysis.

And that alone will bring out the capabilities of the company in true depth. But if you do not conduct the overall analysis as we have done so, far it is likely that you will be searching for needles in the haystack. Now having conducted a broader analysis of the company you know where the company is moving towards.

And how the company is moving towards that goal and then take an appropriate measurement of its various metrics. So, the four things which you need to analyze are the physical and financial performance metrics, the strategic and tactical positioning indicators the strength and resilience factors and the leadership and competency strengths

In the case of Sudarshan for example, you will compare the physical and financial performance of Sudarshan with various other chemical companies including the number 1





and number 2 pigment manufactures and what is the gap between the second pigment manufacturer and Sudarshan chemical and how soon this gap can be bridged.

Similarly, the strategic and tactical positioning indicators could be looked at the real strategic plan that has been rolled out and to what extent the company has resources to execute on the strategic plan. The strength and resilience factors would include the kind of R and D personnel that are there the kind of technical leaders and professional leaders that the company has, the nature of the board and things like that.

And the leadership and competency strengths would involve understanding the leadership track record in terms of managing the growth, planning for the growth and executing for the growth. Once all these sets of factors which I have outlined in each case for the four types of metrics that is physical and potential, strategic and tactical, strength and resilience leadership and competency I have out claimed.

80 factors which need to be taken care of and if those 80 factors are brought out and comparatively analyzed the position of the company will be well understood. So, will the position of the competitors be understood. So, this is the overall perspective on company and competitor analysis. So, with this we come to the end of this lecture I thank you for your attention hope to see you in the next weeks lectures.

