

CASE: Partnering Growth in a Chemical trading organization

About the Client:

The client is a chemical trading organization with a standing of over 2 decades. The client has a turnover of about 17 Crore, trading in domestic and international markets. He did not foresee fast growth in the trading business with the current product line and customer profile, so was looking towards expansion into some other business. The client evaluated the Private LPG distribution business and wanted to explore opportunities in the LPG sector to continue with the current business.

Key Challenge:

The client realized that the LPG distribution business is different from the one they are engaged in. The client, therefore, wanted to understand the key drivers of the business. Further, the client wanted to understand what competencies are required to build and scale the business. The client also had questions about the investment required and the phasing of the same. Finally, the client wanted to build a business plan complete with sales, cost, profitability, and cash flow projection to evaluate a go/no go decision.

Engagement with AIRA Consulting:

AIRA Consulting deployed their research model where the team conducted primary and secondary research to identify the demand for LPG in the targeted market. The objective of the research was to understand the market scenario, competitors, and sales process in the LPG industry segment

AIRA Consulting identified four potential users for the product – Jewellers, Roadside food stalls, Restaurants, Hotels and Caterers, Welding shops, and other manufacturing units in the vicinity, that would use Private LPG. A detailed questionnaire was prepared to comprise all the factors required viz. Customer details, Operational processes, Fuel consumption, Initial installation cost, Payment cycle, Competition scenario, Delivery frequency, and replacement cycle. The questionnaire helped AIRA team to conduct a primary research in the Commercial and Industrial areas of the targeted market. Consultants personally visited over Three Hundred potential customers across the identified target customers.

LPG competitor's survey was also conducted to understand the Sales and delivery process. This also included interaction with delivery agents, modes of transport, storage space, and cost centers. Multiple agencies were met to understand their operation and validate data.

With the help of all these data points, area-wise and sector-wise analysis were mapped. SWOT analysis was done to understand internal and external business factors. This also gave an overview of multiple opportunities and threats.

Based on research, AIRA Consulting drafted a conceptual business model considering all direct and indirect cost factors corresponding to the target market.

AIRA Consulting prepared a detailed business plan complete with a sales plan, manpower plan, and cost structure including manpower, storage, and indirect costs. The business plan also presented multiple scenarios of sales conversion and the consequent impact on margins, profitability, and cash flow. The plan enunciated investment phasing and ROI plan. The breakeven point was worked on to clearly specify the sales volume and time required for the business to be profitable.

The business plan was presented, and the client had a detailed discussion on the same, evaluating the pros and cons of the decision. The discussion also helped them understand the impact of the decision on their current business and how the management bandwidth needs to be apportioned to afford focus on both businesses. A comprehensive view was then arrived on the expansion plan.