

The Avalon Edge

E ntrepreneurship
D edication To Excellence
G reat Value Creation
E thical Approach



AVALON
Consulting

Cordence
WORLDWIDE MEMBER

Helping a young cement player achieve peak performance

Leading cement player in South-East Asia

Client Situation

- The Client is a South-East Asian cement player
- Despite being a relatively young player the company is prominent in the market and growing in volume terms
- The local construction industry was slowing down since 2016 and this caused cement prices to drop. The company was unable to stay profitable.

Objectives

- Peak performance was crucial to sustain in pricing cycles
- Every dollar of value needed to be extracted from the business to create world-class efficiency and an unbeatable right to win.

Our Intervention

- The forecast for the local construction industry was estimated from the bottom up for each local market. The outlook was lukewarm, so it was imperative to tighten efficiency across the board.
- The value levers identified were:
 - Focus on high-margin proximity markets**
 - Leverage alternative energy sources**
 - Introduce high-margin blended products**

1. Focus on proximity markets – To improve profitability, output needed to be diverted to micro-markets with the highest realisations net of logistics costs. In these markets a twin-fork strategy was recommended

- Gain share in the institutional market via deeper customer relationship management
- Make a gradual foray into the historically weak retail bag segment.

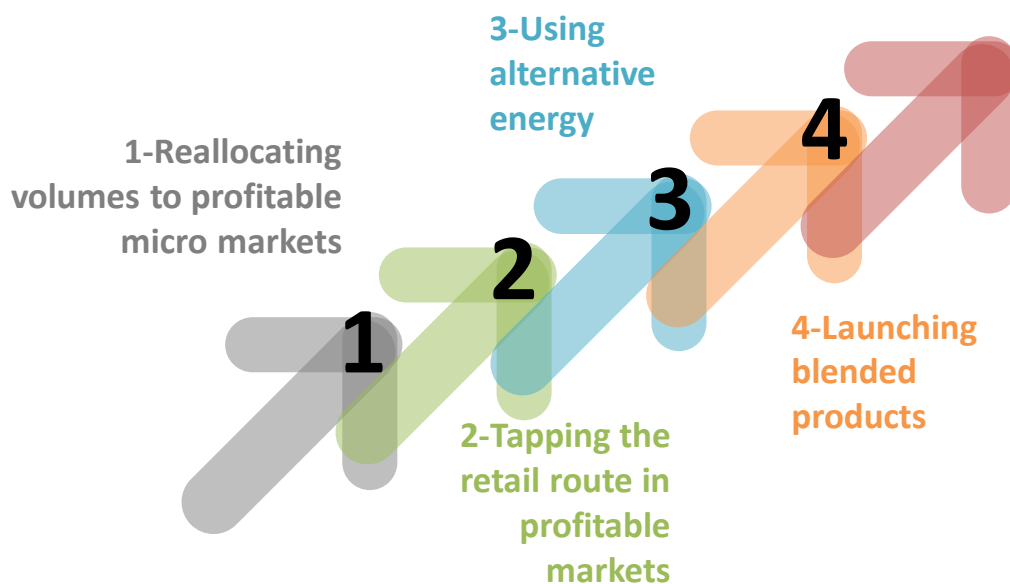
For the latter, it was important to create a pull for the brand and cultivate a base of retailers who would be served unflinchingly. A hands-on pilot was conducted in one market to assess how to win. Learnings were to be rolled out to other markets.

2. Leverage alternative energy sources – Usage of alternative fuel was below industry benchmarks. Options and sources were evaluated and a phase-wise switch was recommended.

3. Introduce high-margin blended products – Customer acceptability of cement blended with lower-priced material was assessed and found positive. Long term sources of blending material were identified and a phase-wise plan was created to gradually launch blended products.

- These value levers were baked into the strategy after an in-depth diagnostic, deep market checks and intense workshops with business leaders
- A step-wise implementation roadmap was co-created with the business leaders, with clear milestones, timelines and owners. Critical capability gaps were filled.

Our Impact



- After intense deliberations, the business leaders assumed full ownership of the strategy and execution has started on each of these value levers
- We are delighted to note that with our interventions the client will be in the top quartile on profitability in the region
- Our fees were less than 1% of the estimated EBITDA upside over five years**

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