

Indus Consumer Products Limited

Minutes of the Meeting of the I.T. Steering Committee

April 13, 2013

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Present :

1. Maya Poori – CEO
2. Vijay Arora – CFO
3. Neil Salve – CIO
4. Sheela Gupta – VP Operations
5. Arshad Sayeed – VP HR
6. Cyrus Bharucha – VP Marketing

Maya chaired the meeting and welcomed Neil, the new CIO, to his first meeting of the IT Steering Committee. She explained that the company wished to recognise the importance of IT as a very critical strategic and operational resource and this was why a person as senior in the industry as Neil was brought into the team.

In the past, IT had been largely looked upon as a support function, to enhance operational efficiency. In most cases the IT resources were acquired and deployed on a case-by-case basis, to solve specific problems that largely involved dealing with significant amounts of data as the company grew. She noted that the MFG/PRO system seemed to have outlived its utility and the IT department was already evaluating alternative ERP solutions. While she was happy that several systems were now in place for improving the efficiency of all functions, these functioned largely autonomously and were limiting the company from achieving its ambitious growth objectives.

Maya pointed to the use of IT networks and the Internet by various companies in India, not only to integrate all operations, but also to reach out to customers and suppliers in real time. She provided examples of companies in the FMCG sector that were creatively using data and software to help speedy and accurate decision-making, resulting in enhanced growth and profitability.

Maya also referred to the increasing budget allocated over the years for the IT department and the provision of INR 145 million for IT in the budget for 2013-14. She subsequently invited the heads of Operations, Marketing, and HR to make brief presentations of projects that they believed required IT resources for the current year.

Cyrus set out the objectives of the marketing department for the year. There would be a dual focus – on the urban markets, which had so far always got the lion's share of budgets and management attention, and a new initiative to penetrate the semi-urban and rural markets. Dealing first with the urban markets and their servicing, he said that this was largely a supply

chain management issue and requested Sheela to present the proposal that they had jointly worked on.

Sheela pointed out that the present planning system for the company's operations, both from the manufacturing and marketing perspectives, relied largely on annual and monthly forecasts of demand for a slew of products. Much of the forecasting was done based on past sales data and did not really take into account the total potential of the market or the capacity of individual markets to absorb the company's products.

Forecasts were constantly being revised based on feedback from the market, but most of the data were collated manually on a monthly basis leading to a lag in market intelligence. Since manufacturing also planned their raw material procurement and manufacturing schedules on the basis of these forecasts, the factory was not able to react quickly to changes in forecasts. This resulted in frequent stock-outs and loss of sales on the one hand and build-up of large unsold stocks at all locations on the other. Retailers and distributors were increasingly complaining about this situation and the company's sales force was also hard-pressed to deal with their customers.

Sheela shared her dream system with the members present. She wanted a system which would record the sale of a bottle of hair colour as it was invoiced at a store in a small town in far-away Assam in real time; send signals all the way down through the distribution system that replenishment of this stock would be required, and even affect the planning of production for the product and consequently the procurement of materials for manufacturing, all in a seamless manner.

While she accepted that all this would be a gigantic task in terms of money and time, she felt that the present system was seriously outdated and the company needed to work on a complete reengineering of the system and all processes.

Cyrus then referred to various studies that have shown that the real untapped growth for FMCG products lies in the small towns and villages of India where over 70% of the population live. The challenge here was to create a demand for the company's products most of which are lifestyle products that require a change in the culture and living habits of the rural folk. While there would be logistical challenges in physically delivering products to stores in the rural areas, he felt that the first task of the company was to win the trust of the consumer, so that she would be open to listening to a sales pitch for the company's products. He wanted that the company become the "friend of the consumer" first, finding ways of helping her/him to tackle everyday problems through technology solutions. Farmers need access to information on commodity prices, weather forecasts and best farming practices; they also need updates of various government schemes such as the NREGA and other national and local programmes. Technology could also provide means of booking travel tickets online, etc.

At the same time, this resource, if available, would bring back valuable data on consumption needs and patterns and ultimately integrate into the regular planning and information system operating for the more mature markets.

Maya lauded the presentations made by Sheela and Cyrus and expressed her broad agreement with the concepts that were outlined. She invited comments from the others at the meeting.

Arshad wanted Neil to recognise that, while the company had been winning several awards for its good HR practices, there was a considerable unfinished task with respect to automation of some of the HR functions, chiefly that of performance appraisal. He was concerned that focusing on creating the kind of systems that Sheela and Cyrus had presented could result in on-going projects in HR taking the back seat.

Reacting to the discussion, Neil remarked that these were all important initiatives. He said that analyzing the trade-offs between these projects and zeroing in on initiatives for the current year was no easy task for him and his team. He requested more detailed project proposals from Sheela and Cyrus for his study and reactions.

Neil also drew attention to Maya's observation about the failure of the present MFG/PRO ERP system to give an integrated view of the company's operations. He stated that he had already commissioned a study of alternative systems and a detailed proposal was being made out by his department for a new ERP system that would provide the backbone for many growth initiatives in the company.

Maya reminded the members that the year 2013-14 had already commenced and if plans for such projects had to be appraised and sanctioned, there was no time to lose. She also requested Neil to keep in mind that many companies were looking at outsourcing their IT operations to get the benefit of latest technologies, best of breed capabilities, and speedy execution, and this route should also be considered.

The meeting closed with a plan to meet again within four weeks.