

Finlatics Project - 1

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Link for Issue Tree

https://miro.com/app/board/uXjVK1pXXxU=?share_link_id=790414555044

1. Identify the root problem and use the MECE (mutually exclusive, comprehensively exhaustive) principle, discussed already in the module videos, to break down the problem.

Root Problem : The company is struggling to keep up with competitors in terms of year-on-year margin improvement, achieving only 11% compared to the industry average of 26%.

2. Using the profitability tree down structure, divide it in two parts 'Revenue' and 'Cost'.

Profitability Tree Analysis

1. Revenue

- IT Solutions and Maintenance (60%)
 - BFSI Sector (46% of revenue, 42% margin)
 - Healthcare Sector (21% of revenue)
 - Other Sectors (33% of revenue, including Retail, Public Sector, Manufacturing, Travel, Entertainment, etc.)
- Products (40%)
 - Digital Marketing (90% of product revenue)
 - DevOps Bundle
 - Cybersecurity

2. Cost

- Employee Costs
 - Permanent Employees (73% in India, others globally)
 - Contractors (690, 60% in India, 5% in Australia, 7% in Asia Pacific, 1.4 times costlier than permanent employees)
- Operational Costs
 - IT Infrastructure
 - Office Spaces

- Utilities
- 3. Further branching can be done according to your logic but do keep in mind that those parameters shouldn't overlap. Eg. Revenue and profit are overlapping parameters.**
- 4. For revenue, 60% of it comes from IT solutions and maintenance, and rest comes from its products.**
- 5. The company is looking forward to investing in India, US and Europe. See the potential growth for different sectors in these geographical locations.**

Revenue Potential by Geographical Location and Sector

Geographical Focus:

- India
 - BFSI sector (potential growth despite low current margins)
 - US and Europe
 - Healthcare sector (promising growth opportunities)
 - Other Asia Pacific
 - Potential for growth in sectors other than BFSI due to current low margins (e.g., Healthcare, Retail)
- 6. In the US and Europe, the healthcare sector seems promising and the same for India with the BFSI sector. Explore other options and see what could be done differently.**

Current Strengths:

- High revenue from BFSI (46%) and Healthcare (21%).
- Strong presence in the US and Europe, with high margins (48% and 44% respectively).

Current Weaknesses:

- Low margins in India (9%) and other Asia Pacific countries (14%).
- Higher contractor costs impacting overall profitability.
- Growth rate in margins significantly lower than competitors (11% vs. 26%).

Exploring Other Options

Enhancing Operational Efficiency

Contractor Cost Management: With contractors being 1.4 times costlier, the company could reduce costs by:

- Hiring more permanent employees in regions with lower labor costs.
- Negotiating better rates with contractors.
- Utilizing contractors more strategically for high-impact, short-term projects only.

7. Finally, provide recommendations for where the company should invest and what kind of acquisitions it should do.

Recommendations

1. Investment Focus: Prioritize acquisitions in sectors with high-margin potential (e.g., BFSI, Healthcare) in target geographies (India, US, Europe).
2. Acquisition Criteria: Target firms that complement existing capabilities or offer new technologies that align with market trends (e.g., AI, cybersecurity).
3. Operational Efficiency: Alongside acquisitions, focus on optimizing contractor costs and operational efficiencies, particularly in regions with lower margins (India, Asia Pacific).
4. Product Development: Consider investing in the development of high-margin products (e.g., expanding offerings in cybersecurity, DevOps) to diversify revenue streams and capture market demand.





