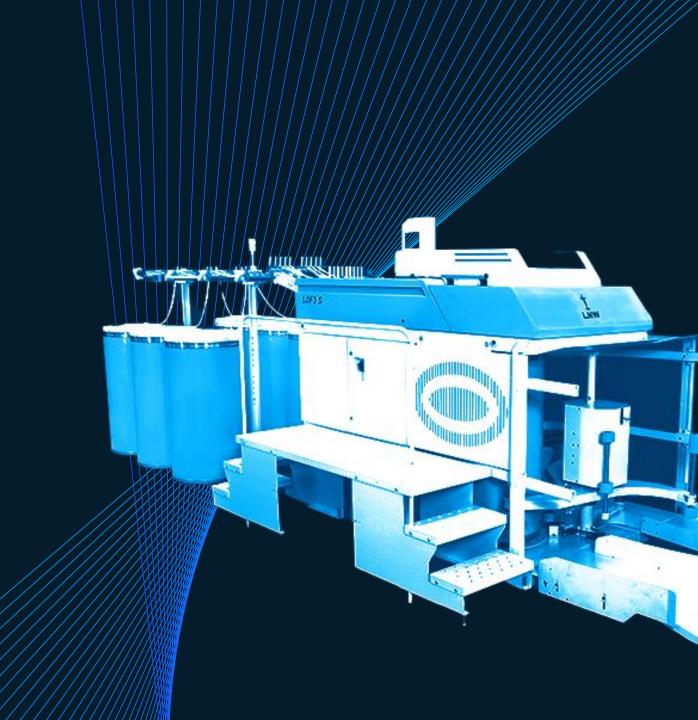
McKinsey & Company

Driving "Market beating growth" at ELGi

Commercial proposal

July 2023





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Recap: We believe ELGi will need a set of 17 interventions to secure the bold aspiration of 40%+ MS while being a customer-first reliable brand

Preliminary; to be detailed in design phase Illustrated ahead India's leading (40%+ MS) air compressors brand leveraging digital & analytics to deliver delightful customer experiences Customer-first brand Digital & Analytics at the core Future ready capabilities B Breakthrough ideas Fixing the core **Key Pillars Granular demand mapping:** Segmented pricing: Price Service to sales model: Improve conversion efficiency of existing Unlock 15-20% whitespace recommendation engine for customer base by 10%+ by offering distinctive service offerings e.g., opportunities distributors to calculate segmented granular service data points, pricing with max probable win rate Solution selling: Improve 10 Remote selling model for select products (e.g.,/solutions (e.g., AMCs) consideration and hence 6 Influencer engagement: Technical to improve coverage of long tail products/services conversion by enabling consultant mapping and 11 **Direct to customer** approach to win in low market share geographies engagement through partnerships salesforce (e.g., Linked, Lusha) **Impact** 3 Distributor performance 12 Partnership with new-age aggregator platforms to improve management: Improve efficiency Value segment: Capture share in coverage/service for unknown/ competitive clusters projects of nonperforming distributors with 20%+ market through separate 13 Disruptive new GTM for category creation, e.g., Build own operate data backed governance brand/ channel/ team and renting KAM 2.0: Revamp direct sales 8 Brand building: Create brand pull through best practices of key for ELGi through targeted B2B 14 Inorganic expansion through strategic acquisition of players in brand building initiatives adjacent spaces or in the core business accounts management 15 Digital data lake: Capability to collate data for building a digital bank of all assets with order lifecycle tracking DNA Garage: Create cross functional team to parse analytical insights from data to support multiple teams, e.g., sales, marketing

- **Foundational** enablers
- capabilities
- Sales force of the future: Industry best salesforce enabled by intelligent engines for lead prioritization, next best actions, and personalized pitches, etc.

Recap: 2 steps approach as per discussions with you

Focus of this document

STEP 1:

- (a) Fixing the core- Diagnosis, design and implementation of proven solutions with pilot proving the efficacy of proposed solutions
- (b) Idea generation for 'innovative/breakthrough" solutions (to be detailed in Step 2) along with expected growth in market share, substantiated with results from similar ideas in other industries or basis strong logic



Go/ No-go decision for Step 2

STEP 2:

Deliver impact through "innovative/breakthrough" ideas - decision on which idea(s) to go ahead with, followed by pilot/implementation.

We envisage this to be 9+9 months transformation journey

Step 1 Step 2 Fixing the core 9 months 9 months **Diagnostics and MVP** Rapid prototyping and Implementation in Pan-India scale-up and sustainability of refinement pilot markets design solutions **B** Breakthrough ideas Idea generation for Design, build and deploy the idea innovative solutions

Approach for Step 1 (Fixing the core): 9 months journey of ELGi's growth transformation

Duration

2 months

Phase

Diagnostics and MVP design

Key Activities

A Diagnostic and benchmarking

Across all functions including channel, product, brand, organization and frontline processes using multiple sources of information:

- Industry best practices
- Team immersion
- Channel partner immersion
- Voice of customers

B Solution design for the core initiatives

including distributor management, customer segments, direct segmented channel and customer proposition, saleswar-room, granular planning, brand campaigns

G Granular growth planning

- Micro market mapping of customers (pilot markets)
- Influencer mapping in the pilot market
- Evaluate partners for route to market partnership

Digital MVP Builds

- Assessment of existing solution architecture
- Setup DNA (Digital and Analytics) garage
- MVP solution design of critical builds

Talent

- Talent to value assessment
- Redesigned organization
- Rewards and Recognitions design

Rapid prototyping of core initiatives

across the pillars of transformation

2 months

Rapid prototyping and refinement

- Channel
- Direct
- Product
- Demand Generation
- Digital and Analytics
- Team
- Customer Experience

Refinement of modules basis prototyping learnings

- Bottom-up planning for pilot markets basis micro market mapping (MMM) data
- Team journey cycle planning basis MMM data
- MVP build-out of priority DnA use cases (e.g. pricing recommendation, customized pitch, governance dashboards)

Initiate hiring for new capabilities (e.g., inside sales, digital sales, etc.)

Implementation in pilot markets

Launch of the refined modules across the pillars in pilot markets, e.g.

5 months

- Drive defined journey cycles with purposeful customer visits for key accounts using refined proposition
- Focused outreach to top "white space" clients from existing base in pilot markets

Launch cascaded cross- functional governance

- Set up transformation office
- Consistent, transparent performance dashboards for across the organization

1 Institutionalize change management

- Set up "academy" at regional and central level
- Create roadmap for pan-India scale-up

Detailed on next page

Breakthrough ideas

Defining strategic focus and problems to attack

Creating, prioritizing, upgrading concepts

Approach for Step 1 (Idea Generation for Innovative solutions): 3 months to shortlist "Breakout" ideas

Duration 1 month Defining strategic focus and problems to attack Phase

Key activities

Understanding ELGi's current play and aspirations

- Map ELGi's competitive advantage in current and potential offerings
- Quantify ELGi's aspirations (#units, market share, total revenue, service revenue, etc. to become dominant compressor player

B Aligned solution space

- Synthesize existing strategy and compare vs. market needs
- Foster alignment among leadership team (steerco) of areas and/or concepts to address

Short list of problems to solve (that new idea will address)

- Formulate early understanding of customer behavior, pain points and motivations via ethnographic research
- Test problems for size, intensity, suitability of alternatives

Market insights

- Create outside in view of market
- To be primary driver of concept ideation or contextualization of bottomup ideas

2 months

Creating and prioritizing breakthrough ideas

Collision session to create breakthrough ideas

- Collide customer, competitor, business model, regulatory lenses to create breakout concepts in an energizing format
- Synthesize and down select to priority ideas
- Sit on investment committee to finalize ideas

Feasibility test of shortlisted ideas

- Value at stake assessment
- In-market feasibility test by validating idea with all stakeholders including customers, teams and other relevant partners

Refined idea(s) 'North Star' vision

- Create early concept design
- Define 'north star' vision
- Opportunistically create list of top implicit assumptions underpinning vision

Step 1 objective will be to deliver impact in pilot markets

Preliminary

Pilot markets construct

Pilot to be conducted across 2-3 geographies:

- **Distribution pilot** covering 6-7 distributors ensuring the mix across parameters:
 - Size of market
 - Market share of ELGi (High vs Low)
 - Channel vs Direct contributions
 - Type of distributors (Small vs large)
- **Direct pilot** across 10-15 customers ensuring the mix across parameters:
 - Category of customers (FMCG/ Pharma/ Packaging etc.)
 - Segment of customers (Existing/ New)
 - Market share of ELGi (High vs Low)

Markers of success for pilot

Metrics to be aligned jointly, e.g.

- # Leads
- Funnel Conversion %
- Premium product contribution %
- PJP adherence

You will be supported by our team with functional and sectoral experts

Core Leadership Team

Lead partners



Nitesh Gupta Partner, Delhi



Abhishek Malhotra Partner, Mumbai



Sudipto Paul Partner, Mumbai



Karthi Purushothaman Partner, Coimbatore



Sambhav Malhotra
Associate Partner
15+ yrs. experience in traditional and new age business building

Working team¹



Monika Pandey Project Manager



Deepanshu Goyal Digital Expert, Gurgaon



mix of mix of 6-7 consultants/ analysts/ experts basis stage of engagement

Domain Experts

1 DNA Expert



Girish Phansalkar

25+ years of experience in DnA led growth transformation including solution design, digital architecture and overseeing agile digital builds

Visual Designer



Nandini Krishnamurthy

6+ yrs. in designing intuitive interfaces, creating "dev-ready" design assets and supervising front end build

3 Branding



Kanika Kalra

16+ yrs. in marketing analytics, designing/ executing digital campaigns, & driving adoption of digital solutions

4 UX Designer



Jinita Shroff

10+ yrs. in re-imagining user journeys, ethnographic research, concept testing & interaction design

5 Digital Marketing



Lalit Baghia

20+ yrs. Experience in digital marketing & digital business building

6 Consumer Research



Sayak Chakraborty

11+ years of experience in customer insights & analytics topics like GTM strategy, Branding, Customer Decision Journeys, Pricing and other predictive analytics topics

Industrial Experts (Compressors and IoT Solutions)



Mikhail Savin
Partner, Amsterdam



Mikael Robertson
Senior Partner, Stockholm



Robin Feng

Associate Partner, San Francisco

Key resources that ELGi will need to allocate for the transformation

| | Role | Responsibilities | Ideal time commitment | |
|---------------------|---------------------------------------|--|------------------------------|--|
| Leadership | Sponsor | Overall responsibility to deliver targets for ELGi | 30% | |
| | | Holds teams accountable | | |
| | | Leads organization mindset and behavior change | | |
| | CTO (Chief Transformation officer) | Anchor TO review along with Program Sponsor, and validate progress of transformation | 100% | |
| Transfor- mation | | Provide guidance and debottlenecking support | | |
| office | TO Leads | Support with consolidated updates from workstreams | 66% | |
| | | Oversee initiatives for their workstream and push to completion | | |
| | Academy team | Drives change management | 100% | |
| | | Responsible to drive execution on ground delivering both input and output metrics | | |
| Work- streams | Workstream leads | Hold the overall accountability for delivery of the workstream and aspirations | ~50% | |
| | | Lead idea generations to fill pipeline and ensure on-time implementation & sustainability of results | | |
| | Workstream Team | Own delivery of individual initiative end to end, drive the team to action | As required (usually 30-80%) | |
| DNA Garage | Garage Lead | Drives the vision of digital first organization guided by aligned DNA use cases | >50% | |
| | Garage Team | Product manager, Data and Analytics manage and business translators to design, test and deploy prioritized use cases | As required (usually 30-50%) | |

Professional arrangements for "Step 1" spanning 9 months

| Scope | Step 1 impact delivery + Step 2 ideas shortlist |
|----------------------------|--|
| Duration | 9 months (we will invest 1 month from our side in the spirit of initiating our relationship with ELGi) |
| Standard Professional Fees | INR 2.6 Cr + 15% out of pocket expenses per month with 15% risk premium in Fixed + Outcomes linked |
| per month | model |

Professional fee options:

| | Option 1 (Fully fixed) | | | Option 2 (Fixed+ Outcomes linked) | | |
|--|------------------------|--------------------------------------|--|-----------------------------------|---|--|
| | | Total Fees (with 1 month investment) | Pay-out period | % Fees contribution | Total Fees (with 1 month investment & 15% risk premium) | Pay-out period |
| Fixed Fee plus out of pocket expenses | | INR 24 Cr | 9 equal instalments payable at the end of each month | 60% | INR 16.5 Cr | 9 equal instalments payable at the end of each month |
| Capability outcomes linked fee | | | | 20% | INR 5.5 Cr | On completion of milestones (to be mutually aligned) |
| Pilot market outcomes linked fee | NA | | | 20% | INR 5.5 Cr | On delivery of aligned input and output metrics in pilot markets |

- This is all inclusive fees (including all expenses, basic research costs, team travel & stay, access to McKinsey experts & databases etc.)
- Excluding govt. taxes (i.e. GST), as applicable

Proposed ways of working



One team: McKinsey and ELGi teams will work together (one team) to co-create the solution, open and collaborative partnership committed to get the right answer through joint problem-solving and iterations



Workshop led solutioning: to ensure robustness of design through participation of all stakeholders (including channel partners, service teams, etc.)



Daily working sessions: Our working team would **spend 5 days/week** at your offices/ field (depending on phase), collaborating closely with your team for **daily working sessions**



DnA led: Data and analytics driven design with digital first mindset to increase efficiency across processes



Agile ways of working with daily stand ups, bi-weekly sprint reviews and 4-weekly retrospective for working teams and structured reviews with leadership



Rapid prototyping: Iterative approach for sales pitch through rapid protype testing to create segmented value proposition and customer journey



Impact based prioritization: Focus on continuous prioritization of levers and resources towards delivering holistic and sustained impact

ELGi India'sgrowth transformation

