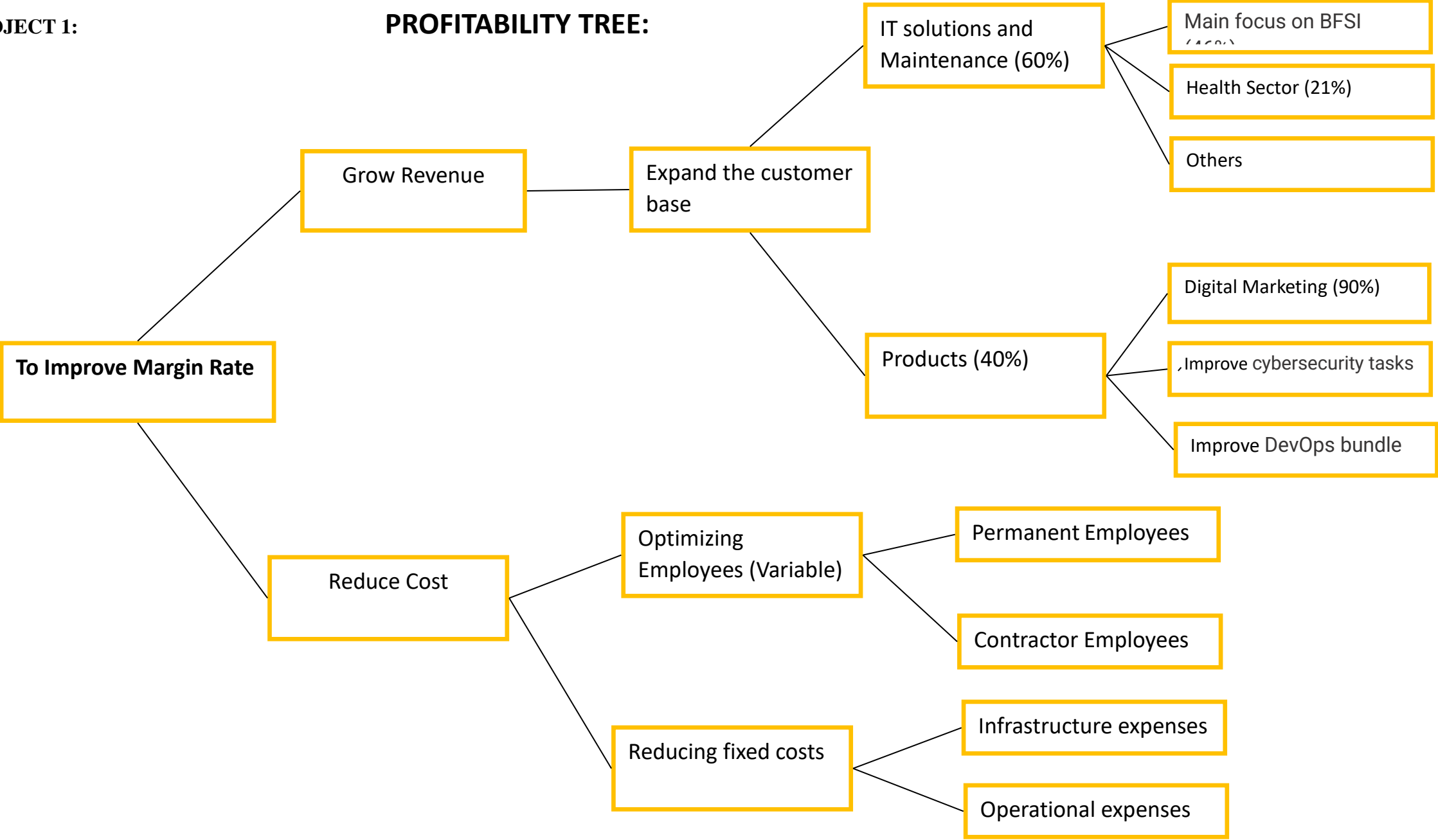


PROFITABILITY TREE:



The idea of acquiring the smaller organizations which specialize in niche technologies and having a large customer base will surely help the company in increasing its employee base and expand the business.

Acquisition definitely helps for improving the margins due to following reasons:

1. Acquire smaller organizations specializing in niche technologies that complement the company's existing offerings and have a larger customer base, also provide cross-sell opportunities.
2. They mainly Focus on potential growth sectors such as BSFI, health, retail sector in different countries like India, US, Europe can raise the margins to new level.
3. Acquiring organizations, can increase the margins by analysing the market trends.

ROOT PROBLEM:

An Indian IT service and product-based company mainly struggling on improving the margin rate in India. As we can see that year-on-year margin improvement rate which is 11% v/s 26% by other comparable IT companies in India.

PROFITABILITY TREE STRUCTURE:

Using the MECE technique, we divide this problem into various parts and forms a kind of an Issue Tree. The profitability tree is shown above.

It will be created as follows: -

There are two ways to increase margins - Grow Revenue or Reduce costs, further to grow the revenue we have one options - Grow No. of customers in both IT solutions and maintenance, products.

In India:

IT solutions and maintenance:

1. BFSI sector:
Though they provide IT solutions in all the domains, 46% of their revenue comes from BFSI sector which seems to be a good margin in India. If we focus more on BFSI sector and explore more growth opportunities with in this sector, we can expand the customer base which will definitely increase the margins.
2. Health Care sector:
In India health care sector also plays an important role in increasing margin level. As we can see 21% revenue comes from this sector. If we improve the advancements in health care technologies ,that can increase the customer base.
3. The retail sector in India has immense growth potential due to a growing middle class, increasing consumer spending, and the shift towards organized retail. Here company can focus of providing the IT solutions for the e-commerce platforms.

Products:

The three products they offer are DevOps bundle, cybersecurity and digital marketing.

1. Firstly, we focus more on digital marketing, as 90 % of revenue comes from the digital marketing. So, we continue to invest in its development and expansion.
2. Then Evaluate the market demand for DevOps and cybersecurity products and develop the innovated products with targeted strategies that increases the revenue.

To reduce cost:

1. Employee costs:
60% of the contractors are in India. These contractors are on an average 1.4 times costlier than permanent employees. Here either we can optimize the cost of contractor employee or we can replace them with permanent employees. By this way we can reduce the cost, which result in increase in margin rate.
2. Other Costs:
 - Conduct a thorough cost analysis to identify areas of potential cost reduction, such as procurement, infrastructure, and operational expenses.
 - Explore opportunities for process optimization and automation to streamline operations and reduce costs.

In US and Europe: As the margin from USA (48%) and Europe (44%) seems pretty good, by making some modifications might increase the margin and make the company even more profitable in these regions.

- BFSI Sector: Explore more advanced technologies in US and Europe, and invest accordingly in the BFSI sector can raise the margins.
- Healthcare Sector: The US and Europe healthcare sector seems to be promising due to steady growth of aging population and advancements in medical technology. Expanding healthcare sector will be beneficial for the company to get good gains.
- Retail Sector: The retail sector in the US and Europe is also experiencing a shift towards e-commerce. So, Innovation -developing new and improved process can increase the margins.

GEOGRAPHICAL POTENTIAL GROWTH IN DIFFERENT SECTORS:

The company is looking forward to investing in India, US and Europe. From the above-mentioned points about growth in different sectors, we can infer that:

1. US, Europe: a. Promising sectors: Healthcare b. Other sectors to explore
2. India: a. Promising sector: BFSI b. Other sectors to explore

RECOMMENDATIONS:

1. Company can Invest in Niche Technologies: This will help in expanding the company's margins and provide cross-sell opportunities.
2. They can also Focus on Geographical Potential Growth:
 - a. US and Europe: Since the healthcare sector is promising in these regions, the company should invest in developing healthcare-specific IT solutions and products to capitalize on the growth opportunities.
 - b. India: Given the strong presence of the BFSI sector, the company should continue focusing on providing IT solutions and products specifically tailored for the financial industry in India.

3. company can invest in research and development to set up high margins for an Innovations that provide new IT solutions and products that attracts the large customer base.
4. Invest in employee training and development programs to enhance skills and expertise in niche technologies.