

A Case Study

on

**“A Case study of the Company’s growth pattern and business strategy” at Ashhtec Engineering Company**

By

**Dr. Dhara shah (Assistant Professor) and following students of MBA**

Chirag Rathod

Sagar Raval

Chintan Rathod

Dhiren Rathod

Sanjay Solanki

Sagar Niranjani

Khushal Chauhan

Naresh Gohel

Kaushal Barot

Imitiyaz Umadiya

Milan Barot

Bhoomi Prajapati

under

**Vikalp – Case Study Forum**

**L J MBA**

**2013-14**

## ***A Case study of the Company's growth pattern and business strategy***

### **Introduction**

The Company Ashhtec Engineering Company was established in the year 2006 under the leadership of Mr Bharat Patel & Mr.Dhaval Patel (Partners). The company is situated at G.I.D.C, Vatva, which is an industrial sector in Ahmedabad. Ashhtec Engineering Company has highly skilled and innovative team which comprises of professional engineers & technicians with good hands on experience. M/s Anupam Enterprise & M/s Anupam Automation & Integrators are sister concerns of Ashhtec Engineering Company. The company's manufacturing unit at Vatva Industrial Estate covering 900 square meters area has facilities for machining, fabrication, assembly and testing. Over the years it has modernized its work-shop with the latest machinery and testing facilities.

### **History, Progress and Growth of the Company:**

The company started its operations in the year 2006 with a man power strength of 3 persons only. Turnover for the financial year 2006-07 was Rs.65 lacs. Initially the Company supplied fabricated and machined parts on labour basis to only one customer i.e. Bosch Rexroth.

During the year 2007-08 the Company established its systems in accordance with the international quality management system standard ISO-9000 thus enhancing its image and the confidence level of its customers. In the same year it strengthened its work-force by addition of 6 new employees and modernized as well as expanded its capacity by installation of a new computerized numeric control (CNC) machine. It took up more jobs from Bosch Rexroth and also developed one more MNC customer i.e. Ingersoll rand. The turnover increased to Rs.175 lacs in that year.

In the following year i.e. 2008-09, the company strengthened its work force to 15 employees and expanded its work area with an extended shade for welding processes thus creating more space for other machines in the main work-shop. Turnover by this time reached Rs.270 lacs.

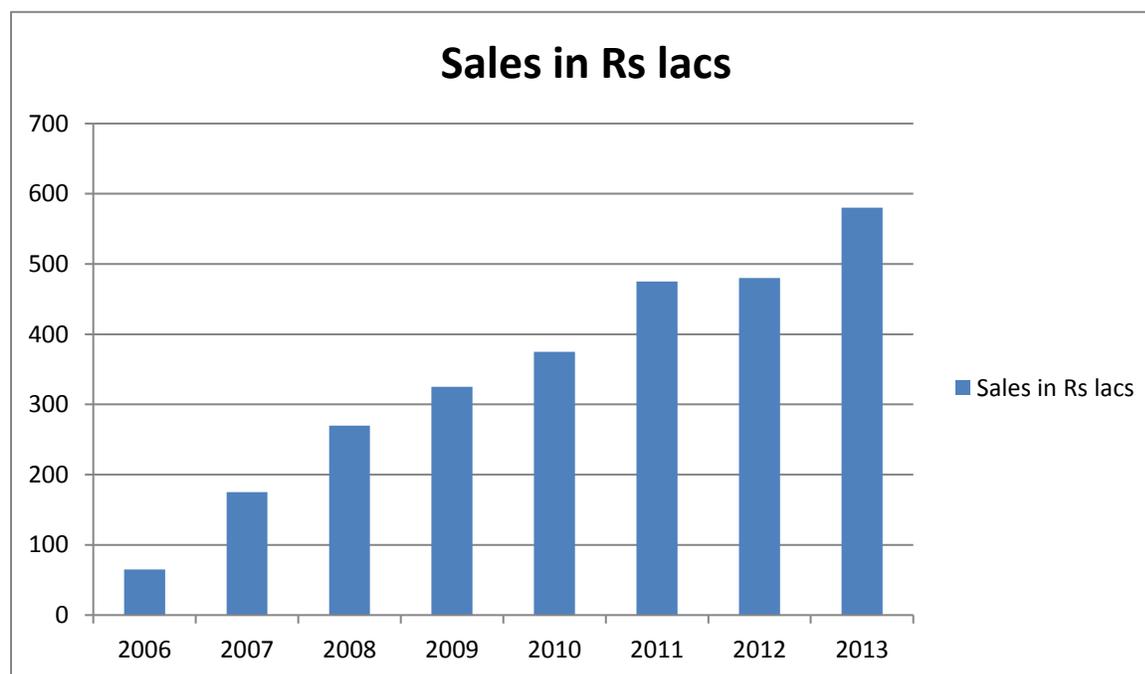
During the year 2009-10, it purchased new machinery and enhanced its production. It entered into a new market segment of Water Line ITT pumps with a USA based company and Stauff India Pvt Ltd a German based company. Turnover in the year reached Rs.325 lacs.

In the subsequent years, the Company continued to strengthen its resources and diversify its customer base and the market segment resulting in enhanced sales turnover as follows:

- Year 2010-11 – Rs.375 lacs
- Year 2011-12 – Rs.475 lacs
- Year 2012-13 – Rs.480 lacs
- Year 2013-14 – Rs.580 lacs

As a part of its strategic planning, the Company added new market segments periodically, almost every year, with the objective to balance the downturn in one sector by an upturn or stability in another.

The trend in sales during the period 2006 to 2013 is given in the graph below:



The company has achieved a phenomenal growth of almost 800 % over the past 8 years.

The Quality Policy of Ashhtec Engineering Company states the following:

“Customer satisfaction shall always govern our thoughts and actions in all areas of our business”

Therefore the Company measures and monitors its Customer Satisfaction level periodically. The aggregate rating of this factor achieved during the previous financial year was 95%.

However in order to achieve a high rating of this factor, the Company has to maintain consistent quality of its product and service.

Therefore the Company never compromises on Quality, which is given the topmost priority by the organization. All quality standards are strictly adhered to and as a result the Company's overall internal rejection is less than 1%. Only flawless products are dispatched to customers. All the processes, right from the initial stage of procurement of raw materials to the final dispatch of finished goods, are carried out under strict quality control as per Company's Quality Plans. Complaints received from customers are properly documented. Problems are defined, their causes analyzed and corrective actions taken in order to prevent its re-occurrence. Feedback is given to the customer on the actions taken and the status of the complaint is monitored till it is resolved.

Ashhtec Engineering assigns due importance to customer feedback. It believes in understanding the perceptions of its customers with respect to the quality of its product, success rate of its delivery and its response to complaints. Each attribute is documented in a prescribed form and customer satisfaction derived from the overall rating of all factors.

All the reports and records are well maintained by the Company and data is periodically analyzed for improvement. The Company follows the 5 S concept for maintenance of orderliness at its workplace and office. Employees are motivated on an ongoing basis.

**SWOT Analysis of Ashhtec Engineering is as follows:**

Strengths are:

- Excellent Product Quality.
- On time Delivery.
- Competitive pricing.
- Prompt Response.
- Strong Engineering Capabilities.
- Best Customer Satisfaction -- After sale Support.

Weaknesses are:

- Small business units
- Brand portfolio
- Investments in research and development
- Competitive market

Opportunities are as follows:

- Continual up gradation of technology and process targeted to tap larger customer base

Threats are as follows:

- Technological problems
- Price changes
- Increase in labor costs

### **Economical Factor affecting Hydraulics industry in India:**

TechNavio's analysts forecast the Hydraulic Cylinder market in India will grow at a CAGR of 14.54 percent over the period 2013-2018. One of the key factors contributing to this market growth is the increasing demand for earth-moving, material-handling, and mining equipment. The Hydraulic Cylinder market in India has also been witnessing the deployment of smart

cylinder technology. However, the lack of effective product differentiation could pose a challenge to the growth of this market.

The rapid boom in Indian infrastructure industry, along with the more moderate growth of the manufacturing sector, has stabilized the demand for hydraulic components in India. The Government of India's planned investment of \$45 trillion in infrastructure in the 12th five year plan (2012-2017) will be a major boost to construction equipment and thereby, hydraulic components. Mirroring the twofold increase of sales in the construction equipment market by 2015, the market for hydraulic components in construction and bulk material handling will also double during that period. The increased investments and expansions in core sectors such as infrastructure, steel, cement, mining, as well as oil and gas is driving the market for ancillary products such as hydraulic components. "Emphasis on the Indian power sector is also expected to give a leg up to the hydraulic component market," says the analyst of this research. "With rapid capacity additions and expansions, the market is anticipated to grow by more than 15 percent over the next five years."

However, despite the projected double-digit growth rate, the absence of reliable tube suppliers for hydraulic cylinders, low availability of raw materials and competition from the unorganized sector restrains further growth of the hydraulic components market. Raw materials account for almost 50 percent of the total cost of the hydraulic component. Consequently, escalating input costs directly affects the margins of component manufacturers. The scarcity of raw materials results in higher costs, compounding the challenge for component manufacturers.

The trend to source from low-cost countries has gained momentum, and India, with its rich experience in manufacturing, large pool of skilled manpower, and ever increasing domestic volumes, has made the most of this environment to become a manufacturing hub for the global market. This new status will result in many multinationals clamoring to set up manufacturing facilities in India. "The initial challenge of delivery lead times is reducing as global hydraulic component manufacturers are setting up manufacturing or assembling units in India," notes the analyst. "With the rising prevalence of multinational companies in the country, competition from the price-sensitive unorganized sector will reduce." The elimination of these hurdles will clear the way for uninhibited growth of the hydraulic component market.

### **Technological factor affecting Hydraulics industry in India:**

The Indian hydraulic industry started in early sixties primarily with an objective of import substitution of some of the hydraulic products being used by the industry in various applications. Since most of the Indian industries have been set up, based upon the variety of technological sources, the range of their specifications is very wide. Due to this the range of products in the oil hydraulic industry is also quite wide resulting in a very small batch for each product. It is, therefore, difficult to specify a minimum economically viable capacity for the industry. While there has been a continued overall growth in the oil hydraulic products business due to large variety of specialised products to meet specific individual applications, volume growth in individual products has been very low. With low volumes and high development costs concerning tooling, casting and forging, the industry has not been able to adopt modern production methods. Current production technology in use is largely dictated by production volumes, quality requirements and costs. Since the Indian industry has to manufacture a large variety of products with low volumes, the industry is not able to use the modern high production lines. Most the manufacturers, with exception to some (who have installed dedicated SPM's and CNC Machines for the manufacture of components), are currently using general purpose machines with special toolings and some special purpose machines for specialised metal cutting operations. Although the industry has shown a reasonable growth over the years, but it is still far away from the volumes which would lead to adopting modern production methods. Also the limited demand is being shared by over 20 firms resulting in uneconomical volumes for most of them. It is unlikely that the situation would change drastically in the coming decade due to variety of factors mentioned above.

### **Future outlook of the company:**

- To become a leader in the Hydraulic industry, Transmission and Automation and a significant global player, by building technology, business process capability, providing customer satisfaction and improving the image of the Company in the minds of the Customers.
- Future plan of the company is to be the leader in developing high quality Clamping elements, Prefabricated Pipes Header, Hydraulic Machine and other hydraulic parts in the

world. The company wants to differentiate themselves from their competitors through their efforts on quality and needs to satisfy customers.

**Summary and conclusion:**

Ashhtec Engineering Company started its operations as a small scale industry with 3 employees and achieved a turnover of Rs.65 lacs during 2006-07, the first year of its inception. However, its growth in the next 8 years was phenomenal by about 800% reaching a turnover of Rs.580 lacs.

Business strategy and acumen adopted by the Company's top management have contributed to such progress and growth.

**Exhibit 1**

Detail	Year						
	2007	2008	2009	2010	2011	2012	2013
Turnover (In Lakhs)	175	270	325	375	475	480	580
Production Quantity in units	44623	58981	48000	97800	78542	63811	73076
No of customer complaints	9	15	13	15	14	26	33
Rejection percentage	1.50%	3.50%	3.50%	1.01%	0.26%	0.19%	0.19%
No of employees	9	15	19	26	30	32	32