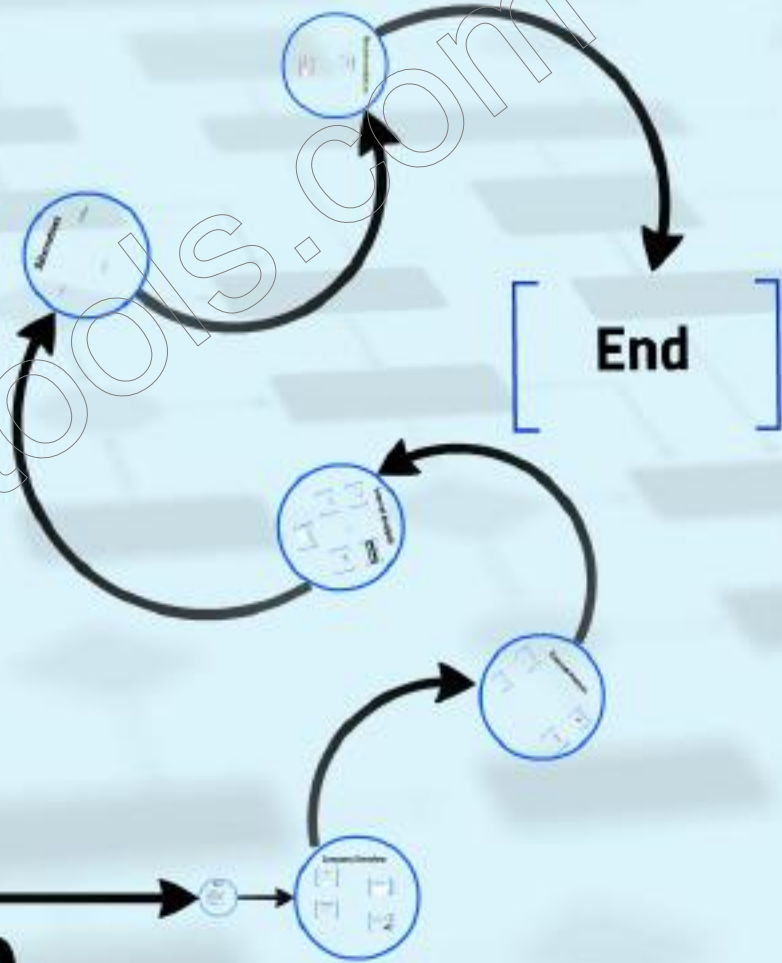
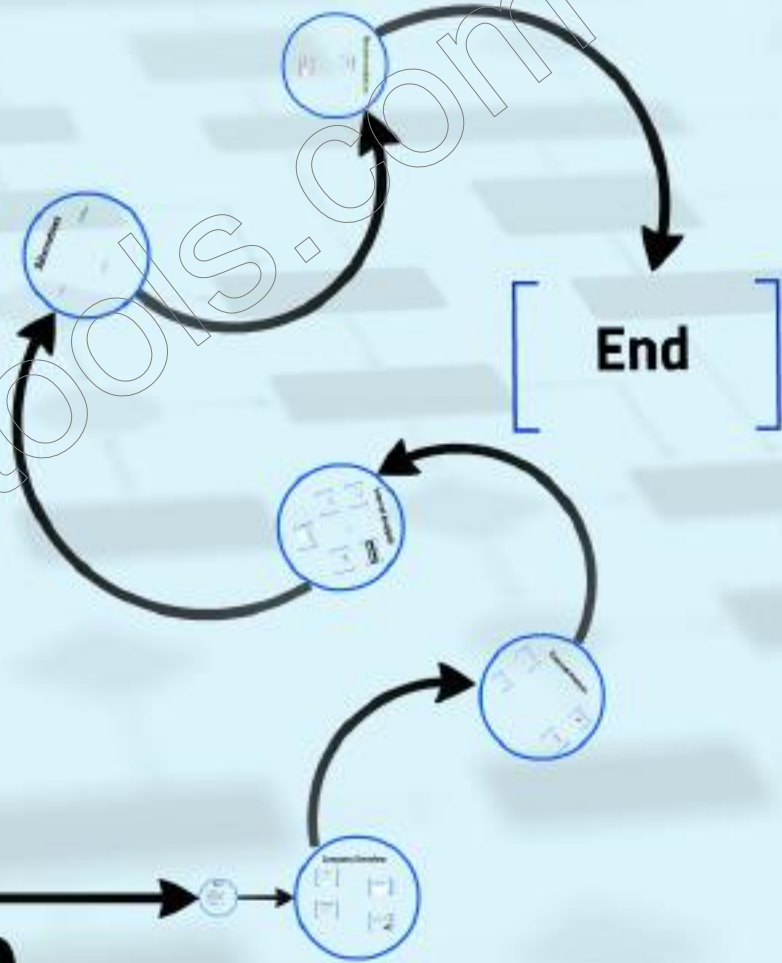


**INDRAPRASTHA**  
**COLD STORAGE LTD.**  
**TheCaseSolutions.com**



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# Agenda

- Introduction
- Problem Statement
- External Analysis
- Internal Analysis
- Alternatives
- Recommendation

<http://www.pdf-tools.com>



# Company Overview

## History

- Started in 1980s in the US
- Saw growth in the global vegetable market
- Agri-business focus & technology
- High-quality Cold Storage
- 2007: Acquisition of Production assets



## Cold Storage Venture

- Cold Storage Facility (New York, California, Florida)
- High-quality Cold Storage
- 2010: Acquisition of Production assets



## Demand Anticipation

- RICE: Upgraded facilities
- Investment in new facilities
- Expansion into new markets
- High-quality Cold Storage

## Company Current Strategy

- Get Market Share + Add Revenue & Growth
- Differentiation Strategy



# History

- Started as Sugar Mill in Late 30's
- Saw Potential in Fruits and Vegetable Market
  - Agriculture Faces Challenges
  - Inadequate Cold Storage
  - Large Amounts of Produce is Wasted



# Cold Storage Venture

First Cold Storage Facility in Sidhi Pura, Delhi in 1944

- First Mover Advantage in Delhi
- Imported Latest Cold Storage Equipment from UK





# Demand Anticipation

## IPCSL Upgraded facilities

- Increased Storage Capacity
- Controlled Atmosphere Units
- Gas Controlled Cooling Units

<http://www.iodf-tools.com>

# Company Current Strategy

Gain Market Share + Avoid Price War & Survive

Differentiation Strategy





# Problem Statement

4 years of Deficit due to  
Unsuccessful Business Level  
Strategy of Differentiation.

- Better Value Cold Storage Business
- Charging Premium for Better Service & Top Technology

# External Analysis



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# General Environment Segments

## Political

- American political system
- Environmental policy



## Economic

- General economic conditions
- Environmental policy

## Social

- 40% of the population engaged in agriculture
- Income and expenditure
- Lifestyle and consumption





# Political

- Government subsidies and bank financing (NABARD)
- 50%-70% capital grant on projects
- National Cold Chain Development (NCCD)



www.shutterstock.com - 44841358

# Economic

- Second largest producer of fruits and vegetables (250 million tons)
- Store less than 11% of total produce

# Social

- 65% of the population is engaged in agriculture
- Income and urbanization
- Lifestyle: health conscious, varied foods, ease of access





# Porter's Five Forces

## Competitive Rivalry

High

- A 100% rivalry
- 2011 in only 2 government (E.ON, Iberdrola, Iberdrola, Iberdrola)
- 2011 in only 2 government (E.ON, Iberdrola, Iberdrola, Iberdrola)
- 2011 in only 2 government (E.ON, Iberdrola, Iberdrola, Iberdrola)

## Threat of New Entrants

Low

- Land purchase: 15-20% per month
- Electricity: 80% of total revenue
- High barriers to entry (e.g., high capital costs, regulatory requirements)

## Threat of Substitutes

Low

- No actual effective alternatives
- Customer

## Bargaining Power of Suppliers

Low

- Government controls electricity rates

## Bargaining Power of Buyers

High

- Good power supply security and costs



## Necessity

- Government controls electricity rates
- Government controls electricity rates
- Government controls electricity rates
- Government controls electricity rates

## Growth Potential

High

- Government controls electricity rates
- Government controls electricity rates

# Competitive Rivalry

**High**

- 6,300 facilities
- 60% in only 4 provinces (Uttar Pradesh, Gujarat, West Bengal and Punjab)
- Undifferentiated & price war

# Threat of New Entrants

**(Med-High)** Operating expenses

- Land: purchase, RS 80-90 per cubic ft.
- Electricity: 30% of total expenses
- Fixed assets: plant and machinery, building, insulation and panels



# Threat of Substitutes

**Low**

- No actual effective alternatives
  - ↳ Cellar or pit

<http://www.pdf-tools.com>

# Bargaining Power of Buyers

**High**

Tied to purchasers

- Local farmer output: seasonality and losses

<http://www.pdf-tools.com>

# Bargaining Power of Suppliers

**Low**

- Government controls electricity rates

<http://www.pdf-tools.com>

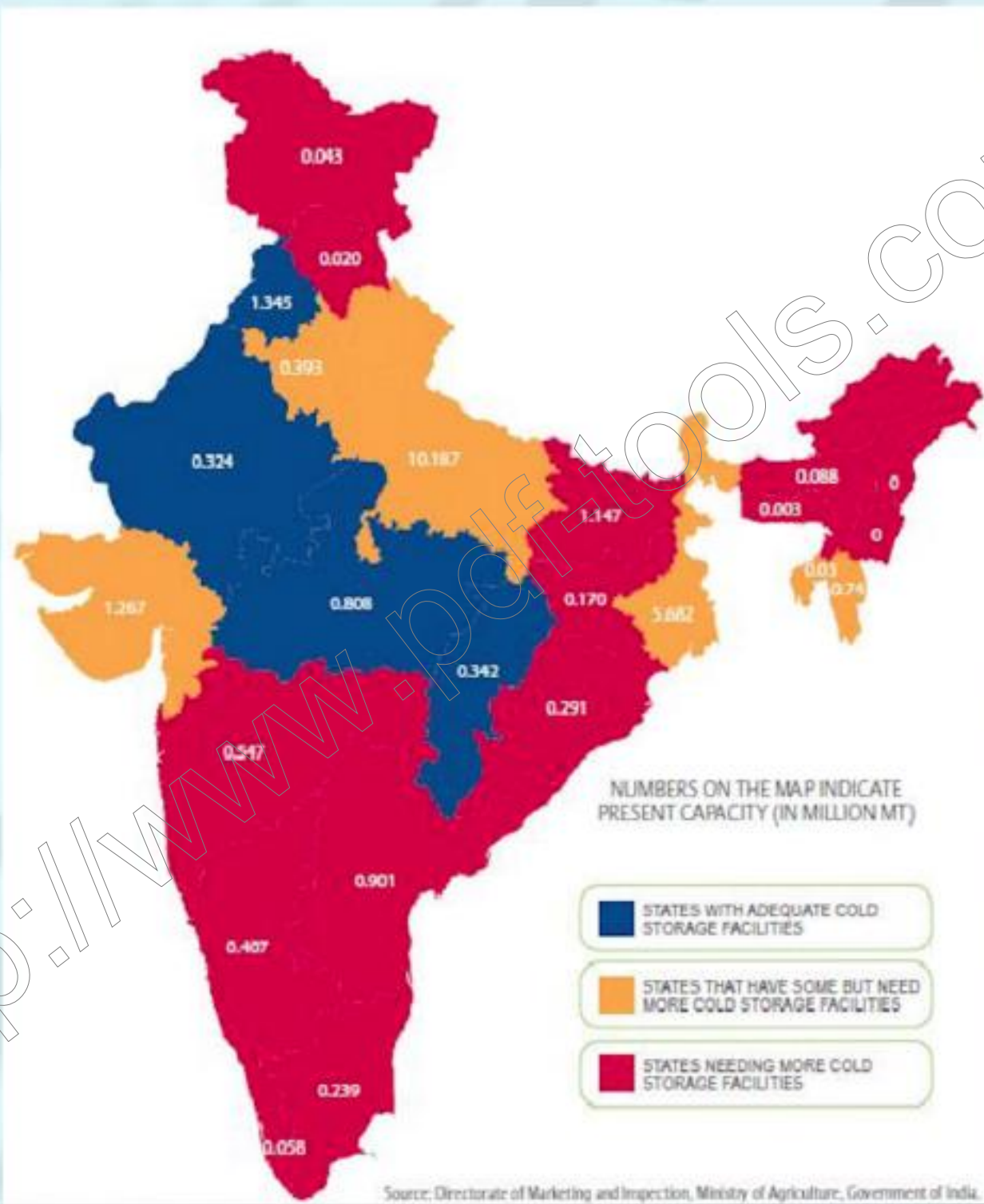


# Necessity

## High

- Uneven cold storage distribution (24 provinces under-served)
- One third of food produced is wasted
- Population exceeds 1 Billion





Source: Directorate of Marketing and Inspection, Ministry of Agriculture, Government of India.

# Growth Potential

High

- Government action and trends
- Expected growth at 13% per year



## Porter's 5 Forces Summary

Competitive Rivalry	High
Threat of New Entrants	Med-High
Threat of Substitutes	Low
Bargaining Power of Suppliers	Low
Bargaining Power of Buyers	High
Necessity	High
Growth Potential	High

► **Moderately Attractive Industry**

# Key Success Factors

## Reputation

### Customer Loyalty

- Word of mouth

## Capacity

- How much can you hold (space)
- What you can hold (Type)

# Reputation

## Customer Loyalty

- Word of mouth

<http://www.ppttools.com>



# Capacity

- How much can you hold (space)
- What you can hold (Type)

<http://www.pointtools.com>

# Competition

## An online storage provider in New York

- Market penetration
- Cost leadership
- Differentiation
- New geographic areas



## Price comparison

- Comparison of prices across different providers
- Identification of the most competitive offer

## Competitor business strategy

- Horizontal leadership
- Low cost provider: 24-hour service and cost savings
- Differentiation through service quality

<http://www.pdf-tools.com>

# 91 cold storage facilities in New Delhi

- 26 with 2000 MT capacity or more
- 9 with 3500 to 5000 MT
- 7 with 5000 to 8000 MT
- ALL had multipurpose facilities, but no gas/atmosphere controlled technology

<http://www.pdf-tools.com>

# Price comparison

- Competitors' cold storage price: Rs10 per box for Indian fruits, NO premium for imported fruits
- Indraprastha: Rs20 per box of Indian fruits and Rs60 per box of imported fruits

<http://www.pdf-tools.com>



# Competitor business strategy

- Most are Cost Leadership
- Some competitors: 24 hour/ 7 days a week cold storage
  - ▶ Differentiation through superior service

<http://www.pdf-tools.com>

# Competition Summary

- Most competitors with no distinct competencies

▶ Indraprastha was right to capitalize on that

# Internal Analysis

**Resources**

- Highly experienced management of 1000 M
- Management Information System
- Experienced team

**Core Competencies**

Competency	Strength	Weakness	Opportunity	Threat
Customer Relationship	High	Low	High	Low
Product Development	Low	High	Low	High
Operational Efficiency	High	Low	High	Low
Financial Stability	High	Low	High	Low

**Capabilities**

- Highly skilled workforce
- Advanced technology
- Strong financial position

**Strategies**

- Product Diversification
- Operational Efficiency
- Customer Relationship Management

**Value Chain Analysis**

Well proven ability of marketing

- Product Development
- Operational Efficiency



# Resources

- Highly sophisticated storage capacity of 5000 MT
- Management body (Sanjay Aggarwal)
- Excellent location



# Capabilities

## Management Style:

- Forward thinking
- Willingness to take risks
- Technology adaptation

## Offered three kinds of storage technologies:

- 1- Gas controlled Cold Storage
- 2- Controlled Atmosphere Cold Storage
- 3- Deep freezer Storage

<http://www.pdf-tools.com>

# Management Style:

- Forward thinking
- Willingness to take risks
- Technology adaptation

<http://www.soft-tools.com>

Offered three kinds of storage technologies:

1-Gas controlled Cold Storage

2- Controlled Atmosphere Cold Storage

3-Deep freezer Storage

<http://www.pdf-tools.com>

# Core Competencies

Capability	Rare	Non-substitutable	Costly to imitate	Valuable
<b>Management style</b>	Yes	Yes	Yes	Yes
<b>Advanced facilities</b>	Yes	No	No	Yes

<http://www.pdf-tools.com>



# Value Chain Analysis

Weak primary activity of marketing



Resulted in the weak demand for the advanced facilities



<http://www.pdf-tools.com>

# Strategies

Business-level Strategy: Differentiation

Corporate-level Strategy: Single Business



## Internal Analysis Summary

Strengths: Innovative Management style and equipment

↳ Allowed them to Survive this Long

Weakness: Marketing & Analysis Capabilities

↳ Did not Predict Low Demand

<http://www.profitools.com>

# Alternatives

## Alternative 1 Alliance into Cold Chain



## Alternative 2 Forward Integration



## Alternative 3 Diversification into Pharmaceuticals



<http://www.pdf-tools.com>



# Alternative 1

## Alliance into Cold Chain

### Pros

- Unified Solution
- Cater to those who need modern cold storage equipment
- Justifies premium pricing
- More government subsidies

### Cons

- Lack of demand
  - ▶ Too niche, both sectors already struggling
- Lack of knowledge or need by domestic customers

### Companies in alliance would benefit

- Market share and customers are exchanged
- Share complementary assets and capabilities

# Pros

- Unified Solution
- Cater to those who need modern cold storage equipment
- Justifies premium pricing
- More government subsidies

# Cons

- Lack of demand
  - ▶ Too niche, both sectors already struggling
- Lack of knowledge or need by domestic customers

<http://www.pdf-tools.com>

# Companies in alliance would benefit

- Market share and customers are exchanged
- Share complementary assets and capabilities

<http://www.pdf-tools.com>



## Alternative 2

# Forward integration

Take on role of intermediaries (forwarding agent and commission agent) by buying fruits directly from farmers and selling off season to retailers

### Pros

- Profits gained from new roles outweigh cost
  - ↳ Middle men are cut out
  - ↳ Good margin
- Control over previously wasted storage space

### Cons

- Logistics
- Costs
- New entrant into already established network of distributors

- The focus would be on off season selling of fruits while renting storage space from another city

- Potential for exporting

- Try to engage previously lost export (middle class)

- A Change in Corporate level Strategy from single business to possibly Related Diversified

# Pros

- Profits gained from new roles outweigh cost
  - ▶ Middle men are cut out
  - ▶ Good margin
- Control over previously wasted storage space

# Cons

- Logistics
- Costs
- New entrant into already established network of distributors

- **The focus would be on off season selling of fruits while renting storage space from excess capacity**
- **Potential for exporting**
  - ▶ Try to regain previously lost exports (Middle East)
- **A Change in Corporate-level Strategy from single business to possibly Related Constrained**



## Alternative 3

# Diversification into Pharmaceuticals

- Current facilities can hold them with some customization

### Pros

- Value justifies premium price
- Uses capacity and modern equipment
- Demand in India
- In line for emerging pharmaceutical markets
- A necessity
- Differentiate further away from price war

### Cons

- New division of industry
- i.e. Drugs to be common
- Entry potential issues

# Pros

- Value justifies premium pricing
- Uses capacity and modern equipment
- Demand in India
  - ▶ In top five emerging pharmaceutical markets
- A necessity
- Differentiate further away from price war

# Cons

- New division of industry

↳ i.e. Changes to accommodate

↳ Many potential issues

<http://www.pdf-tools.com>

# Recommendation

## Alternative 2

- Provide Corporate-level diversification by entering the fruit trading business
- Greater control in fruit and cold storage industries
- Extensive knowledge in the whole industry
- Generating advanced cold storage demand by setting example

## Implementation Plan

www.pdf2tools.com

- Forwarding Agent Commission = 2%
- Commission Agent Percentage = 6%



# Alternative 2

- Pursue Corporate-level diversification by entering the fruit trading business
- Greater control in fruit and cold storage industries
- Extensive knowledge in the whole industry
- Generating advanced cold storage demand by setting example

<http://www.pdf-tools.com>

# Implementation Plan

Grower → Forwarding Agents → Commission Agent → Wholesalers → Sub-wholesalers →  
Retailers → Consumers

- Forwarding Agent Commission = 2%
- Commission Agent Percentage = 6%



**End**

<http://www.pdf-tools.com>