

## Case Study



# Facilitating Global Expansion



## About Avgol

Avgol, a listed company on the Tel-Aviv Stock Exchange, is one of the largest companies in the global hygiene market for ultra lightweight spun-melt non-woven fabrics. The company strives to bring quality products which contribute positively to the life and well being of millions of babies, mothers and senior citizens around the world. Avgol supplies manufacturers and brands in 25 countries through manufacturing plants in Israel, United States, China and Russia. In line with its global strategy, the company has recently entered India.

## Identifying the right geography

Avgol had been considering investing in India since 2010 and established its entity in India in 2011. After much research, Avgol finally chose to set up their first manufacturing plant, in co-location with one of its major global customers, in the state of Madhya Pradesh in 2016. As Avgol's implementation partner, Nexdigm (SKP) assisted with various establishment requirements, right from location planning to supporting in recruitment of the right personnel for a fully operational plant.

The rising per capita income and the resulting change in lifestyle makes the Indian market attractive and draws in a number of foreign companies. This change in lifestyle together with the level of diaper penetration rate would make India an attractive destination for a company like Avgol.

Besides the promising market, the Indian government's initiative on Swachh Bharat or the Clean India Campaign which focuses on providing better hygiene access to its people resonated with Avgol's passion for creating hygiene solutions. Furthermore, the Indian government's thrust on Make in India eased and incentivised manufacturing in India to a large extent and made it easy to set up and operate.

## Nexdigm (SKP)'s Value Proposition: Establishing a Greenfield Manufacturing Plant for Avgol

Nexdigm (SKP) worked as an implementation partner for the overall project, assisting in the planning and execution in the phases mentioned below:

### Incorporation and location planning

The team worked closely with the company's management and facilitated the establishment of the Indian entity in 2010. The team also worked on selecting a suitable land location which included evaluating three to four states in India. Once the area was determined, the team supported Avgol with the initial land acquisition from the concerned State Industrial Development Corporation. Eventually in 2016, Avgol decided to localize through co-location with one of its major global customers in Madhya Pradesh.

### Project management support

Nexdigm (SKP) began by providing project management support in nearly all key aspects of the manufacturing set-up. The work involved project planning, vendor identification, on-boarding, negotiations and management, tracking contractual obligations, obtaining registrations and approvals, providing human resources support, treasury, obtaining central and state-level incentives, bank loan syndication, supply chain management, information technology and several other areas. In addition, Nexdigm (SKP) also assisted with capital structuring considering several aspects including exchange control regulations, direct and indirect tax implications, company law, etc.

## Our Approach

Nexdigm (SKP)'s approach to this project was based on the four pillars of time, cost, quality and risk. A thorough monitoring system was put in place with daily, weekly, fortnightly and monthly reports, to identify obstacles early on and ensure that all activities were on track.

The set-up process involves getting the right approvals, appointing the right vendors, and ensuring smooth coordination between them. To meet this end, Nexdigm (SKP) deployed a dedicated project team on-site to ensure that every detail was executed as planned. This enabled Nexdigm (SKP) to prepare for and handle obstacles smoothly without hampering the flow of the project.



## The Outcome

**Timely Delivery:** Nexdigm (SKP) obtained crucial registrations in record time which were critical for completing the project on time. For example, the Pollution Clearance which must be obtained before setting up a factory in the State of Madhya Pradesh generally takes about 45 days. However, with the proactive approach of the project team and the concerned authorities, this was obtained in five days.

**Cost Savings:** Nexdigm (SKP) conducted various negotiations on behalf of the client with their vendors, bankers and suppliers, and resulted in a significant saving versus the initial project cost. Furthermore, the team systematically monitored costs and was involved in preparing and maintaining the project budget which was tracked periodically to identify optimal timing of capital infusion. Nexdigm (SKP) also conducted regular budgeted versus actuals checks to ensure that the project was on track.

**Incentives:** Nexdigm (SKP) identified, applied for and obtained incentives offered by the government through a dedicated liaising effort by its project team. These incentives were worth more than those available under regular state incentive schemes. This achievement was possible because Nexdigm (SKP) aided Avgol in convincing the State authorities of the value Avgol would bring to the state.

**Loan Syndication:** Nexdigm (SKP) assisted in loan syndication with three banks (two nationalised banks and one private bank) and was able to get sanctions for term loans in foreign currency which justified the business case of the project.

**Outsourced CFO Position:** Nexdigm (SKP) deployed a lean finance and accounts team covering all aspects of a CFO in India for this project. The team worked in tandem with Avgol's global finance team.

Nexdigm (SKP)'s assistance included setting up an accounting and compliance function including designing accounting policies that were aligned to global policies, initialising an accounting software, managing regulatory compliances without delays, preparation and finalisation of financial statements and MIS, and liaising with auditors. This also entailed managing the treasury function including forecasting monthly cash flows and advising on timing and modes of fund infusion.

**ERP implementation support:** Nexdigm (SKP) assisted in the implementation of SAP ERP for Avgol in India. It included assisting with a design review to the existing global SAP system to align with Indian tax regulatory compliances including GST and withholding taxes as well as the Indian accounting and reporting standards.

**Import support:** Nexdigm (SKP) supported the company in imports of nearly 100 containers, goods were imported from over 10 different countries across the globe. Nexdigm (SKP) also assisted in the appointment of a specialised Customs consultant to ensure duty benefits on the import of capital goods.

**Mitigating Risks:** By working proactively with various stakeholders, Nexdigm (SKP) helped identify risks in various areas such as, legal, compliance, financial and commercial amongst others.

**HR Recruitment Support:** Nexdigm (SKP) assisted in organizing and conducting a successful on-site recruitment program. Recruitment support for hiring the General Manager and top functional personnel, technical and non-technical hiring. The team assisted with commercial negotiations for all salaries involved.

**On-site safety:** Despite an average workforce of 400+ on-site on any given day, the team successfully achieved 450,000 man hours of safe time during project execution as on 1 August 2017.

**Policies:** Assisted in the implementation of Group level policies (viz. HR Policy, Safety and Security Policy, etc.) after fine-tuning these to suit Indian requirements.

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This engagement with Avgol involved an integrated approach, wherein the cross-functional team worked on HR, supply chain, line, building, commercial, legal, financial, tax, treasury, and regulatory aspects of the project, bringing out Nexdigm (SKP)'s value proposition of being a trusted global advisor, with a passion for solutions.

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Nexdigm (SKP) and Avgol's relationship started back in 2010 when the company was initially looking for its expansion in India. The company immediately realized that Nexdigm (SKP) was the right partner, with its professional approach and high enthusiasm to meet Avgol's needs.

Upon finalization of Avgol's localization in India, Nexdigm (SKP) provided Avgol with project management support, covering all aspects of the project. This included tenders execution with various contractors, local negotiations with vendors, legal support to meet the Indian regulations, human resource support, banking and treasury guidance, Accounting and Compliance Support along with assistance with SAP Implementation, recruitment support, obtaining state incentives and bank loans, etc.

On top of the above, Nexdigm (SKP) project team were relocated to Bhopal in order to provide on-site 24/7 support during the whole project period. The team has monitored the progress of work with various contractors, and provided solution to ongoing challenges during the project period.

Nexdigm (SKP) has been a great project management partner, demonstrated depth around business advisory services and most importantly, acted as our business partners and our extended arm. We see Nexdigm (SKP) as a trusted adviser helping us on various fronts, from strategy to implementation. Nexdigm (SKP)'s support was always there for us, even on matters beyond the scope. Nexdigm (SKP) helped us think through various complex situations and solve various problems with practical solutions. The team is highly professional and transparent, proactively coming forward to meet the demands of the situation with complete ownership. We are extremely satisfied and glad to have chosen Nexdigm (SKP) as our partner for this strategic project. We will continue our journey with them to cater to our global needs.

No doubt that the great achievement of the project would not have happened without the high level of skill, dedication and hard work of the entire Nexdigm (SKP) team. Working with Nexdigm (SKP) is like working with a Family of dedicated, skilled and enthusiastic people who strive to bring positive results without compromise. ”

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You can also visit our website to know how our services resulted in tangible business benefits:

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