

*Making sure the money
is well spent*

Operational Due Diligence

The primary objective for ODD is to get a robust understanding of the target ...

... with a focus on identifying upside opportunities and assessing potential risks which may impact the valuation

Identify
potential
upsides

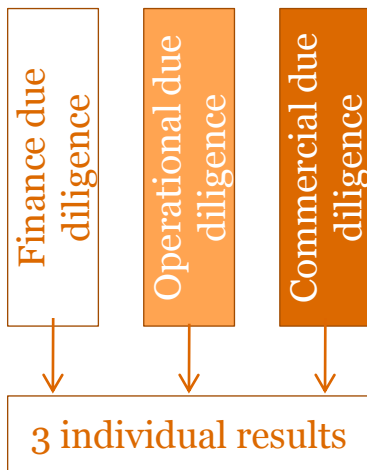
Assessing key
operational
risks

Gather
information
for post deal
planning

ODD provides a head start to the integration planning process and can help identify and plan for potential challenges of integration.

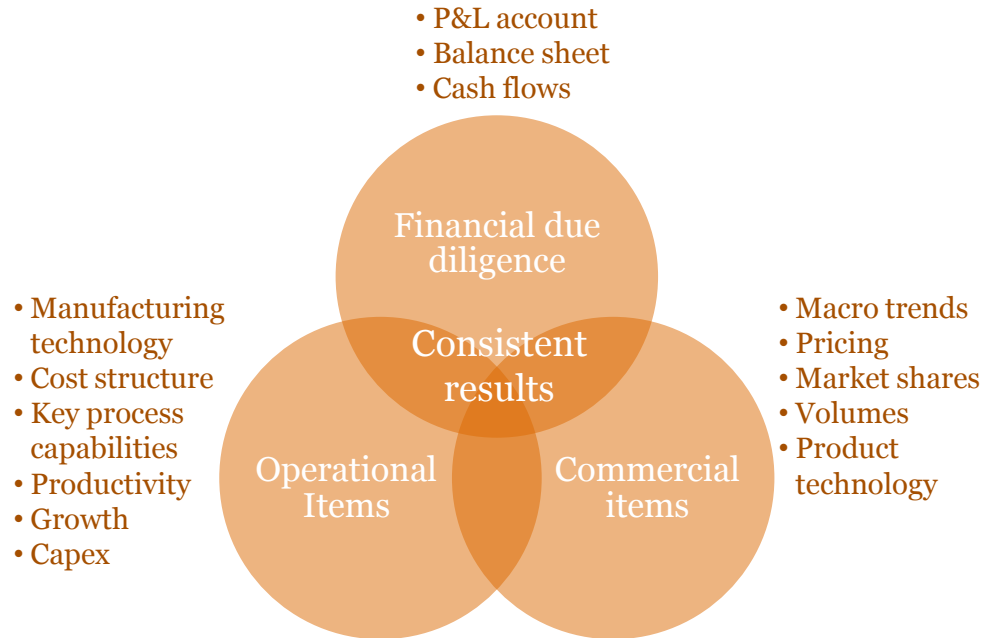
Operational due diligence is a key component of the integrated business due diligence approach

“Traditional” DD



- Three interfaces with the customer
- Sequential approach with time loss

Integrated business due diligence



- Integrated and fully reconciled due diligence report across the major business area
- Less project management efforts due to reduced number of advisors
- More efficient and simultaneous availability of results

The potential levers for ODD are . . .

	Sales and marketing	R&D	Procurement	Production and materials mgmt.	Logistics and supply chain
Value Chain	<ul style="list-style-type: none"> Retention and penetration of existing customers Marketing function effectiveness Sales and service function effectiveness 	<ul style="list-style-type: none"> Product pipeline & portfolio optimisation Manufacturing cost reduction R&D cost reduction 	<ul style="list-style-type: none"> Specification review & optimisation Purchasing price reduction & best price evaluation Material consumption reduction 	<ul style="list-style-type: none"> Equipment utilisation Labour productivity improvement Quality improvement Capex spend optimisation 	<ul style="list-style-type: none"> Distribution strategy optimisation Logistics costs optimisation for warehousing & transportation Inventory optimisation
Functions	IT	• System optimisation	• Outsourcing	• IT portfolio	
	HR	• Provisions/arrangements	• Alignment & metrics	• Enhance integration	
	Finance	• Process improvement	• Shared services	• Reporting	
	Working Capital	• Accounts payable	• Accounts receivable	• Financing	
	Improvement	• Project management	• Reporting and controlling	• Scope improvement	

ODD minimizes the risks of a transaction and focuses on the value going forward ...

Identify the risks embedded in the business and its business plan

- Identification of issues such as production costs, quality, restructuring programmes, capex, etc.

Identify the upside potentials

Quantify and prioritize the upside potentials

- Identification, quantification and prioritisation of improvement levers such as lean production, supply chain, working capital, etc.

Prepare the improvement plan and “First 100 days”

- Preparation of a dedicated action plan to ensure a smooth take over and to mitigate transition risks
- Preparation of organisation structure and footprint going forward including performance tracking tools

***For a more detailed discussion on this subject
please contact:***

Salil Agrawal

Leader - Delivering Deal Value practice
PricewaterhouseCoopers Private Limited
8th Floor, Building 8B, DLF Cyber City,
Gurgaon 122 002
Phone: +91 124 462 0552
Email: salil.agrawal@in.pwc.com