



**“With SAP ERP, we now have one harmonized, standardized, and integrated solution, from project-award to cash. Having succeeded in the tougher terrains, the company is now in the process of extending the implementation to other locations”.**

Satish Pendse, Chief Information Officer, HCC

## AT A GLANCE

### Company

- Name : Hindustan Construction Company
- Industry : Infrastructure & Real Estate
- Products & Services : Transportation, Power, Irrigation, water supply, marine works, environmental
- Revenue : Rs 2600 crores
- Employees : 3000+
- Web site : www.hccindia.com
- Implementation Partner : IBM

### Challenges & Opportunities

- Rapid growth in the company
- Unorganized information which made information access a big challenge
- Close monitoring of projects and tracking was an imperative for better execution
- Eroding margins due to increased competition and increasing prices of raw materials
- Need for a new business model to increase growth and improve profitability
- Need for diversification within the industry to fuel growth rates
- To improve project tracking for better control and execution

### Objectives

- To derive competitive advantage by adopting industry best practices
- Establish a solid information systems platform for facilitating growth
- Closely monitor projects to take informed and timely business decisions

### SAP® Solutions & Services

- SAP® ERP 6.0 , SAP for Engineering, Construction and Operations

### Implementation Highlights

- Implementation across far flung places including remote, mountainous locations with over 10,000 ft altitude, the highest SAP implementation in the world
- Fast track implementation executed in 7 months
- Internal IT enabled to customize future SAP enhancements
- First SAP ECO implementation in the country

### Why SAP

- Functionality SAP offers for the construction industry
- Tailor-made solution matching the needs of HCC
- Powerful systems available for efficient scheduling, costing and project execution

### Benefits

- More control on equipments & tools at project sites increasing capacity utilization and optimizing on costs
- Clear visibility into cost implications during project execution
- Better control of projects through clear visibility of major highlights
- Quick retrieval of reliable information across the organization
- Better inventory management
- Better project management at sites

## Hindustan Construction Company

**SAP ERP has helped HCC get clear visibility into cost implications across sites.**

At the top of the world - literally and figuratively large projects across sectors, and an order book position that is several times the last year revenue – no business could ask for a better position to be in. Operating in the infrastructure industry, however, and carrying our diverse projects in far flung locations, eighty year old veteran Hindustan Construction Company realized that they needed on going visibility into their projects and adopt world class practices if they needed to scale rapidly in response to market opportunities.

Hindustan Construction Company is an eighty year old organization with a track record in executing complex infrastructure projects across sectors. HCC has implemented challenging projects across the length and breadth of India in such widely divergent areas as power, roads and bridges, dams, buildings and environmental projects. The Rs 2600 crore company is a winner of several national and international awards.

Construction Industry in India has seen stupendous growth in the recent years due to the increased investments in the infrastructure and the real estate boom. With the boom in the infrastructure industry, and an order book position which was almost five times its revenue, Hindustan Construction Company could not have asked for more.

However, the projects in the pipeline were across some of the most difficult and inaccessible terrains in the world, and the number of on-going projects on the rise, the HCC management realized in quick time that they needed to upgrade their project monitoring systems in order to gain visibility into the various projects.

HCC faced rapid growth and with it the challenges of managing growth. Information management was unorganized, which made information access and intelligent decision making an enormous challenge. Hurdles in information access made project tracking difficult and HCC needed support here to sharpen project control and execution. HCC also found margins increasingly eroding due to increasing price of raw materials and increasing price cuts from competition. Bid management was one area, where HCC needed insightful analysis. HCC could have converted some of the failed bids into successes, had it been for insightful intelligence that would have helped in sharper bidding.

What HCC needed was a new business model, which would help it diversify and improve its profitability and growth rate. HCC was looking at a solution that can help it stay agile, competitive and innovative.

### **Challenges ahead**

There were challenges to be surmounted, though. Says Satish Pendse, Chief Information Officer, HCC, “Being an eighty year old company, existing processes were not always in line with modern management practices, and we realized the need for a change management exercise to effect the proposed changes.”

Another major challenge was that the company wanted the implementation to be spread across the length and breadth of the country, including locations in Kashmir at an altitude of over 10,000 ft. However, the company was clear on what they expected from the IT system - it had to support operations that were spread across remote locations, and a business that was growing at a furious pace. The system should provide management with the much needed visibility into key business parameters and also help expedite action

at the project site based on available information. It should also enable smooth functioning of key areas such as HR and Finance.

HCC needed a solution, which would help in gaining competitive advantage by adopting industry best practices by establishing a solid platform that could be banked on for further growth. The system had to help it improve bid management by giving better business insights and intelligence. HCC needed a solution that will help it closely monitor projects and help in faster and sharper decision making. Equipment and Tools management was one parameter HCC was seriously evaluating while choosing an enterprise solution.

### **SAP® ERP – the right mix for the construction industry**

Having decided on the broad objectives of the system, HCC started the process of selecting the right solution. Given the company’s desire to emulate world class practices, they preferred a solution from a globally reputed organization that would handle the rigors of their remote operations. Also, they wanted a solution that fitted well with the needs of the infrastructure industry.

**In SAP ERP, HCC found the right mix that it was looking for. A world class enterprise solution which was tailor made for Indian business environment and regulations. HCC found value in SAP ERP as it had a set of solutions that encompassed the best practices for the Engineering, Construction and Operations Industry.**

SAP had a strong solution that could help in Equipment and Tools Management and this was a strong reason for HCC choosing SAP. SAP for Engineering, Construction and Operations had a set of effective estimation tools that help in intelligent bid management, something HCC was heavily impressed with. Further, SAP ERP had powerful tools available for efficient scheduling, costing and execution of projects.

SAP also had solutions that were localized for India which would help HCC meet statutory norms defined by the Indian Government. SAP also had a pay roll system customized for India that matched HCC's requirements. HCC decided on SAP as it met all their criteria. In addition, it had a large installed base in the global construction industry, an enviable track record HCC could bank on.

The scope of implementation covered a range of business functions-time and cost planning, materials procurement and inventory, equipment mobilization, maintenance and operations, quality control, payroll, recruitment and appraisal, general ledger, accounts receivables, accounts payable & asset accounting, cash flows & fund balances, cost management and client billing and other revenues.

Given the comprehensive footprint and complexities of the implementation, HCC opted for an experienced implementation partner. The company chose IBM owing to their track record in handling complex implementations spanning multiple locations.

HCC implemented SAP ERP as well as SAP for Engineering Construction and Operations. The initiative, called Sankalp, had total management commitment and was accompanied by a change management initiative. Despite the logistical complexity of the project, the implementation was completed ahead of schedule, in seven months.

**This was an incredible achievement given the magnitude and complexity of the task - "Project sites like those in Jammu & Kashmir are testing grounds for the company's IT initiative. Moving large equipment typical of the construction industry to such inaccessible areas can be daunting. The SAP implementation helped our project managers to anticipate such situations more easily and source their requirements well in advance," says Pendse.**

Adds Pendse, "There were many factors that contributed to the success - total support from the management, the change management initiative and a competent implementation partner."

### **Scaling new heights**

The SAP implementation has provided Hindustan Construction Company an opportunity to get ready for the future. On the one hand, business processes in finance and HR are being streamlined. On the other hand, project management at site may go up several notches.

With SAP ERP, HCC today can have better control on equipments & tools at project sites increasing capacity utilization and optimizing on costs. With this control, project execution at HCC can scale new heights.

SAP ERP has helped HCC get clear visibility into cost implications across sites. This will greatly improve control over projects as every piece of the execution is clear and information is seamlessly available for decision making across the organization.

HCC today has improved transparency of available stock and has been able to match supply with demand. In turn, demand could be better forecast by analyzing usage trends with the SAP solution. Reliable inventory management, transparency of goods receipt and issue, and identification of sizes and life span will all result in better inventory management and significant reduction of inventory stock replenishment lead time.

Concludes Pendse, "With SAP ERP, we now have one harmonized, standardized, and integrated solution, from project-award to cash. Having succeeded in the tougher terrains, the company is now in the process of extending the implementation to other locations".

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