



# CASE STUDY

IIM-LUCKNOW • PIPAL TREE



## PIPAL TREE CASE STUDY



### Background Information:

In India, construction is the largest employment generating industry after agriculture. It employs more than 50 million workforce and is expected to grow to 100 million workers in next 5 years. 90% of the people working in the industry are unskilled and semiskilled workers. Most of the large construction companies do not take workers on their payroll but allot work to contractors, who in turn allot it to subcontractors. Eventually most of these workers work on payroll of such petty sub-contractors and are deprived of the benefits of an organised job. There are no employment benefits like Provident Fund, Insurance Coverage etc., nor is there a clear career progression for such workers. Even basics like on-time payment of salary or on-site amenities like adequate accommodation and drinking water are usually absent. Adding to this is the construction site atmosphere where there is perennial risk of life and limb due to a lack of safety standards.

Due to these issues, construction is among the least preferred industries for the Indian youth. This is evident from the fact that even during a slowdown construction companies face a shortage of skilled labours while there is a large number of jobless school drop outs wanting jobs with Government or IT companies. Normally school dropouts from very poor families with no alternate career prospects want to work in this industry. The workers turnover is also very high in this industry at around 300% per year.

However financially this industry is very rewarding. If a person picks up a skill (such as mason, painter, tiling mason etc.) s/he can easily double or triple his/her income within two years. A construction worker who normally gets a starting salary of INR 10,000 per month (including free accommodation), can earn more than INR 25,000 - 30,000 per month within two years if s/he picks up an additional skill. Compared to the uneducated youth working in other industries such as IT (entry level jobs), Healthcare, Automotive and Retail can only hope to get around INR 10,000 - 15,000 after 2 years of employment.

Since construction companies always suffer from a shortage of skilled manpower, once a person picks up a skill s/he can never be unemployed. S/he can choose to work anywhere in India (even in a town close to his/her village) and expect a handsome income. Even during periods of recession there is consistent labour shortage which is the leading cause of project delays in construction.

### About Pipal Tree Ventures:

Pipal Tree Ventures was started in 2007 as a social enterprise, an organisation to maximise social benefits while trying to build a self-sustainable model. Our mission is to create a sustainable livelihood for poor youth and women with a focus on school drop outs from poor villages across India.

We run 20 training schools in 9 states across India - Andhra Pradesh, Bihar, Gujarat, Jharkhand, Maharashtra, Odisha, Telangana, Uttar Pradesh and West Bengal - and train around 7000 youth and women annually. Till date we have trained more than 25000 youths and women in the construction field.



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Given social issues such as untimely salaries, no PF etc. and the opportunities mentioned above, we have decided to focus only on the construction industry and today we are the largest private construction skills training provider with a sustainable model. We provide training to school dropouts in almost all skills related to the construction industry and provide them with jobs through our staffing company. This way we can provide them with an organized job and offer them all employment benefits like PF, insurance, decent accommodation, water, uniforms, timely payments etc. We also provide them with on-the-job training to ensure career progression. Normally a youth who joins the construction site as an unskilled worker quickly moved to semi-skilled worker within one year and becomes supervisor in two years. Besides this, our students also have an option of becoming contractors (who work with us) or becoming a trainer after successfully completing 4 years on the job.

To facilitate this model, we work as a construction contractor with large construction companies. We take complete building construction projects (villas/ small buildings), as well as complete finishing projects (which includes plumbing, painting, tile masonry, electrical, water proofing etc.). We execute these projects using our well trained staff from our training centers. While we pay regular salaries to our students, construction companies pay us only for the work executed and if it meets their quality standards. This makes our model financially challenging as we always have to ensure that we put our money where our mouth is i.e. by continuously improving the skills of our workers with the help of on-the-job training. Our customers include most of the well-known construction companies in India such as Godrej, Tata Housing, Shapoorji, Simplex, L&T etc.

### Challenge/Opportunity:

Pipal Tree has been successfully executing construction projects with excellent quality using its workforce for the last 4 years and is growing at a reasonable pace. Now we want to increase our growth rate as our model has stabilised and we want to acquire more clients. Our focus is mainly on finishing projects (i.e. plumbing, painting, tile masonry, electrical, water proofing etc.).

Our objectives are:

- To attract more construction companies in category A and B (we want to stay away from C and D category builders). Normally Category A construction companies have revenue of above INR 1000 crores, while Category B companies have revenue in the range of INR 100 to 1000 crores. All companies below INR 100 crores are considered as C and D category, based on their revenues
- We also want to demand price of A class sub-contractors (price premium paid for the quality), as we are already delivering excellent quality (but still have to compete with petty contractors or very small contractors on pricing)

Being a startup and execution focus organisation we do not have large marketing budget. So the challenge is to suggest low cost marketing strategies to achieve the above objectives.

### Expected Outcome/ Deliverable:

- Strategy to create pull factor (not push factor), for category A and B construction companies
- Strategy to build an image of a quality contractor
- Achieve these objectives while keeping marketing budget low

### Recommended Methodology:

- Meet senior management of large construction companies to understand the way contracting works and ways to influence it (specially finishing work)
- Meet construction site managers to understand the process (as they are major influencers)
- Do background study using internet / web surfing



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### Useful References for Facts and Industry Insights:

#### Websites:

[www.pipaltreeventures.com](http://www.pipaltreeventures.com)

[www.homepaintingsolutions.com](http://www.homepaintingsolutions.com)

#### Facebook:

[www.facebook.com/Pipaltreeventures/](http://www.facebook.com/Pipaltreeventures/)

<https://www.facebook.com/homefinishingcontractor/>

#### Youtube:

<https://www.youtube.com/watch?v=-UlqQAIUGkA>

<https://www.youtube.com/watch?v=tVW9mtWi-b8>

<https://www.youtube.com/watch?v=u8aB4Xc9Nvk>

[https://www.youtube.com/watch?v=jBZhscUUT\\_l&feature=youtu.be](https://www.youtube.com/watch?v=jBZhscUUT_l&feature=youtu.be)

#### NSDC website:

[www.nsdcindia.org](http://www.nsdcindia.org)

#### Mentor Details:

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