

## Case Study

# Indian Manufacturer of Automobile Electronic Products

Service(s) offered: **Business Process Review**

Sector/Industry: **Automobiles**



## Procurement Process Optimization

Our client is a Pune-based company set up over 30 years ago, involved in the engineering and manufacturing of automobile electronic products. It is one of the few pioneers from India who made a significant impact on engineering design and development in the world. It has a well-knitted presence in the automobile sector and has emerged as a top manufacturer and OEM supplier of electronic products.

With a production capacity of 80 million pcs/year in India and 30 million pcs/year overseas, the client generates revenue of INR 300+ crore including 350+ products. They have 75+ R&D members and a manpower of 1100+ in India and 100+ overseas.

It has 5 manufacturing plants including 1 overseas plant in Vietnam.

### Challenges

The key challenges encountered include the following:

- Lack of documented systems and processes
- Non-availability of location-level financial details
- Unidentified obsolete inventory
- Being an ownership company, the company adapted historic manual system/controls
- Possibility of imprecise records due to manual intervention

### Case Highlights

- Suggestion to integrate sales module with inventory module to ensure inventory levels are maintained as per the requirement
- Cost-savings by way of ensuring inventory monitoring and by ensuring that purchase price remains uninfluenced

- Absence of formal controls and uniform processes across locations
- Absence of integration between processes due to manual trackers designed for all processes

Nexdigm was appointed to assist in identifying the issues, provide resolutions, and optimize the procurement process.

## Approach

### Understanding and Review

- Existing procurement process across all categories of purchases
- Procurement budgeting and forecasting
- Vendor management
- Purchase to Pay cycle for significant vendors
- Employee vendor collusion
- Approval matrix and Segregation of Duties (SOD)

### Transaction Verification

- Transactional testing of documents pertaining to the Procurement to Pay process across categories of items
- Identify deviations in the process followed at Indian and international units
- Analyze anomalies and mitigate existing process gaps

### Exception Reporting

- Recommend additional controls to mitigate existing risk
- Suggest uniform best practice to be followed and identify the need for integration of processes
- Articulate the design-level and transactional-level gaps and deviations
- Irregularities in vendor management

## Solution

- Assisted the client in carrying out a 3-way match
- Highlighting conflicts of interests and revising the policy relating to conflict of interest to ensure prices are not influenced
- Identifying process gaps and remediating them
- Reporting and monitoring of non-moving inventory
- Integration of key business processes
- Comparison of vendor master and employee master suggesting collision

## Impact

- Nexdigm's advice and recommendations helped the client in identifying process gaps, which was well-accepted. The client also appreciated the team's efforts and innovative solutions
- Excess procurement resulting in non-moving and obsolete inventory
- Generated potential cost-savings for the client by assisting them in physical inventory monitoring
- Highlighted over price charged by vendors for same material at different locations

For more information on this case study, please write to us at:

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

**[www.nexdigm.com](http://www.nexdigm.com)**