

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 collusion

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