

TATA Steel (Thailand) PCL

The ongoing Procurement Excellence Project



TATA Steel (Thailand) PCL, formerly Millennium Steel, is Thailand's leading steel manufacturing company. Headquartered in Bangkok they operate production plants in 3 locations at Chonburi, Rayong and Saraburi. TATA Steel Thailand is a subsidiary of TATA Steel, one on the world's largest steel-makers.

"We have seen the changes made to the way we work and to our team. The intention was to do better and we appreciate the knowledge from Renoir in sharing these ideas with us. Over the 20 weeks, Renoir blended in well with our team and worked together to achieve what they promised."

Rajiv Mangal
President and CEO
TATA Steel (Thailand)

Key Results

15% increase in
vendor visitations

15% increase in active
scrap suppliers

19.1% increase in alternative
grade tonnage

0.8% reduction in scrap cost

100% of Spend reviewed
with 83% identified
as impactable

4.3% potential annual spend
reduction locked in to
agreements

PROJECT GENESIS

As part of the company's ongoing efforts to improve performance and profitability, Tata Steel Thailand (TSTH) engaged Renoir to jointly execute a Procurement Excellence Project which would focus on reducing input costs.

ANALYSIS

Renoir conducted a 2 week analysis of the current situation. Sourcing practices, the management system employed and the spend categorisation were examined in detail. The findings included:

SCRAP SECTION

- Current scrap sourcing practices left many potential sources untapped.
- Use of alternative grades in processing not always maximised.
- Perceived lack of local availability led to increased import volumes.
- Identified and agreed that a potential 0.5% to 1% reduction in Scrap Costs was available.

NON-METALLIC SECTION

- Current practices in Non-Metallic Sourcing did not maximise leverage opportunities.
- The approach to procurement tended towards passive and predominantly driven by the production facilities demands.
- Spend often decentralised and on the spot as opposed to contract / price agreement.
- Identified and agreed that a potential 3 to 5% reduction in Non-Metallic costs was available.

PROJECT APPROACH

Structured over 20 weeks, this program was designed to make a significant impact on both spend areas in short space of time. In alignment with Renoir's methodology, two Management Action Teams (MATs) were established, and given the responsibility to review their practices, define and develop the changes and implement them. The MATs were chaired by the VP Procurement and reported in to a fortnightly Steering Committee. The teams were supported by full-time

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Renoir Consultants and a TSTH Taskforce, working together toward the objective of lowering the input costs by:

SCRAP SECTION

- Increased the productivity of the Scrap Sourcing team.
- Increased the focus on lower volume lower priced suppliers
- Increased the focus on alternative grades
- Establish visibility of performance to enable Management to take proactive decisions for continuous improvement
- Create a forum for all related department to meet and partake in improving Procurement process

NON-METALLIC SECTION

- Implemented strategic sourcing practices, including:
 - Establishing common specifications across different units
 - Demand analysis
 - Market analysis
 - Negotiation and Contracting
- Introduce 80:20 rule in Vendor allocations
- Review meetings were introduced to ensure reports are reviewed and actions are taken

KEY ACHIEVEMENTS

The results included:

NON-METALLIC SECTION

- 15% increase in vendor visitation
- 15% increase in active scrap suppliers
- 19.1% increase in alternative grade tonnage
- 0.8% reduction in scrap cost

NON-METALLIC SECTION

- 100% of Spend reviewed with 83% identified as impactable
- Agreements established on 51% of reviewed Spend
- 4.3% potential annual spend reduction locked in to agreements

Upon completion of the engagement, there was a noticeable difference in the organisation. Departments are working in unison to achieve common goals and it is apparent that with the implemented new way of working, future Procurement for both Sections will be carried out in a more structured methodological approach.

The Procurement Excellence Project has continued and is now an ongoing initiative within TSTH and continues to yield additional gains.

THE RENOIR GROUP

Renoir Consulting is a world leader in sustainable, implemented change. Founded in 1994, Renoir has offices located in North and South America, UK, Europe, Turkey, Middle East, Southern Africa, India, Pakistan, China, South East Asia and Australasia. With over 350 fully employed and highly trained consultants, their work across a wide range of industry sectors gives them a broader perspective of the issues facing your business, allowing them to be sensitive to your unique challenges, culture and specific business issues. This cross-pollination ensures truly effective, rapid and sustainable solutions.

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