

Freed up US\$ 2.08 million Cash, by reduction of Non-Insured, Non-Moving Stock in Central Stores

BUSINESS CASE

Organization Trends:

- The organization procures two categories of items:
 - Insured
 - Non-Insured
- Stock is stored in the Central Stores
- Stock includes spares, spare equipment, machinery and other inventory for the smooth running of various plants

CHALLENGE

What and how much is the challenge

- Inventory utilization has been low over the last 10 years
- No. of stock items and the amount of stock has considerably increased due to various reasons
- Increase in inventory leading to an increase in carrying costs
- Non insured inventory has increased in the central stores leading to US\$ 2.23 million worth of capital locked

Where is the challenge

- Central stores of the organization

When was the challenge identified

- In FY 2014

IMPACT

What and how much is the impact

- US\$ 2.2 million worth of organization's capital is locked in inventory
- 90% of spares are from the following categories:
 - Care and Custody spares
 - Electrical and Instrument spares
 - Mechanical spares
 - Pipe yard spares
 - General spares

TARGET

What is the Target

- Identification and sale of obsolete and unusable inventory
- No unplanned addition to stock in warehouse Non-Insured Non-Moving category

How much is the Target

- Reduction of Non-Insured, Non-Moving stock from Central Stores by a minimum of 70%

OUTCOMES

Improved Profits

- Freed up capital of US\$ 2.08 million delivered by effective warehouse management

Operational Outcomes

- Decreased Non-Insured, Non-Moving inventory by 93%
- Maximum inventory lock activated and setup in ERP system
- Automated inventory level reporting at increased frequency with relevant alerts

Leaders of Tomorrow

- Belief system within employee towards sustaining the reduced inventory levels

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