

Undesirable Effects For Pharma Machines India (PMI)

Sales

- Bad on Time deliveries
- Delay in commissioning
- Sending Incomplete Machines to site
- Taking large number of enquiries and making sales to them
- Customers coming to plant but machine is not ready as components are not there
- Launching of new products (Lyophilizer) but cannot do so
- Bad customer satisfaction
- Some customers pressurizing for delivery
- Some customers not lifted the machines

Manufacturing

- PMI 7 months of work order
- Shop floor is various stages of completion
- End of production/manufacturing some equipment's not complete since production not available
- No space here as completed machines are not going (due to space in warehouse)
- Customers come to visit factory. Lack of space for trial

Purchase Department

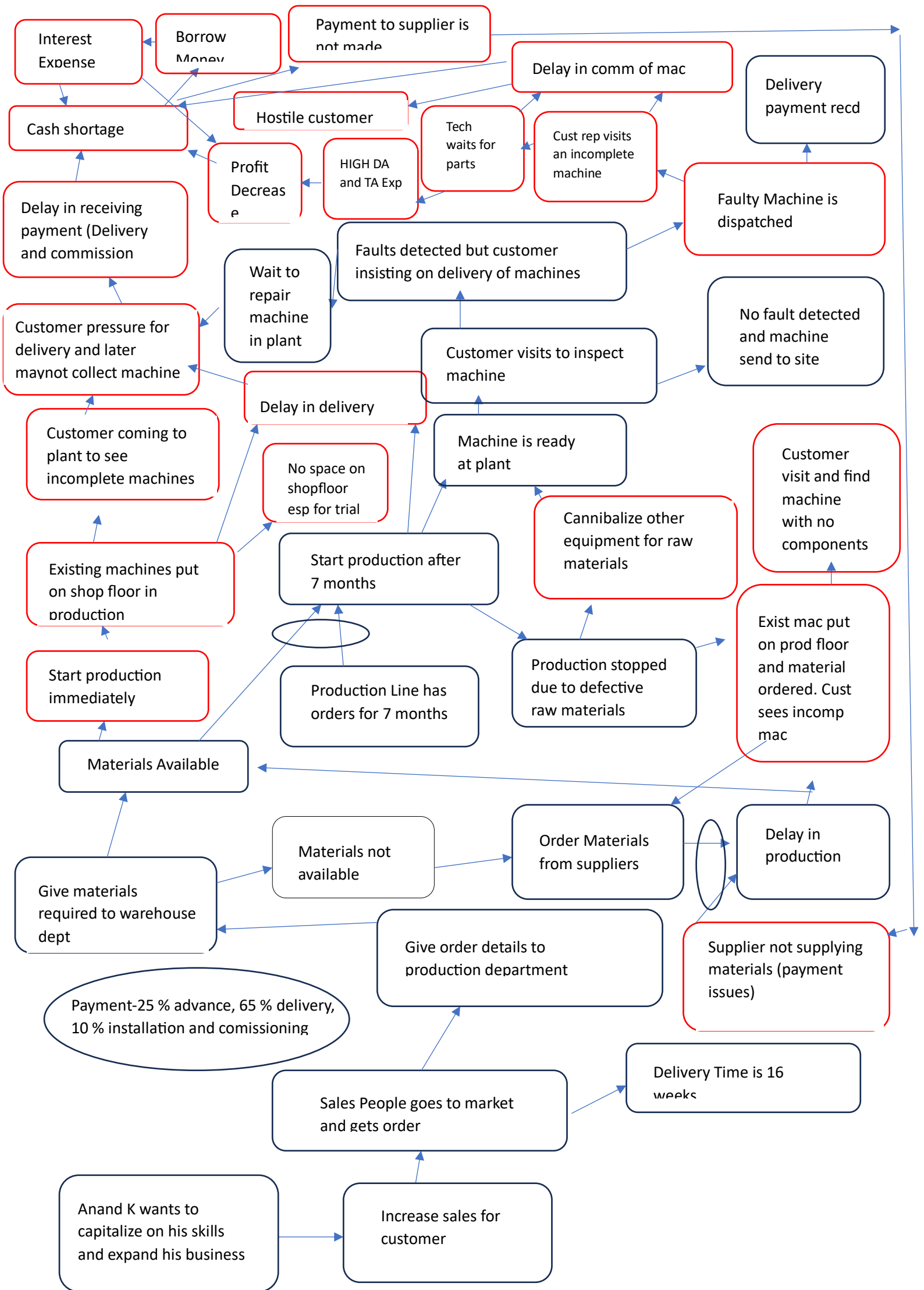
- Cash not available for purchase of components
- Cannibalizing of other machines to finish projects
- Technicians waiting at site for lack of materials (Bad customer service)

Finance Department

- Cash shortage due to payment not received
- TA and DA expenses of Customer representative not met
- Bank limits met but not sufficient cash to meet production

Customer Service Department

- Customer technician goes but cannot complete and is met by hostile customer (due to Delays and lack of components)
- Courier of missing components
- Delay of TA/Da Bills





Solution

There are 3 aspects of these projects

1) Expansion of a company. There are 2 process which companies need to grow to bring net growth of this organization. Increase of plant capacity and increase of sales of products. Sales targets should be 100 % of production capacity and they both should be increased simultaneously.

Sales can be increased instantaneously with any investment but not production. Investment is needed for purchasing space, machines etc. In this organization, sales have increased 4 times but not his investment. Hence it is needed to curb sales increase but improve production aspects. We may also charge high margins to increase profits (since production is bottleneck) and invest the same in factory upgradation.

2) Respecting and understanding the bottleneck. In this case, the bottleneck being production should be focused more rather than sales. We should avoid making commitments which cannot be fulfilled i.e. not getting sales on bad delivery times.

3) We should use critical chain process to improve production process. With the critical chain problem, we should focus on producing 2-3 items rather than producing all the items.

First and foremost, our task duration for every project will be reduced and hence work in process inventory will be reduced. Our cash position will improve as our receivable (payment against delivery and commissioning) increases. Also, the number of unfinished goods will decrease (machines whose production is stopped due to unavailability of manpower and machines). In this manner, if production is stopped due to less/defective items, we would be able to focus on the same.

If we are able to complete the machines and send fault free machines to site, then we will be able to install and commission our machines, our customers will be satisfied. Also, our customer representative people will not stay at site and raising expense and they will be focusing more on getting AMC and improving customer relationship.