

EBITDA Calculation

<u>Total Sales</u>	Sales Qty Domestic + Sales Value Domestic + Sales Qty Export + Sales Value Export + Waste Sale/Others
<u>Sales & Distribution Expenses</u>	Outward Freight + Ocean Freight + Commission + Cash Discount + Rate Discount + Internal Freight + Warehouse charges
<u>Net Sales</u>	Total Sales- Sales & Distribution Expenses
<u>Melt</u>	Melt = PTA + MEG/ Other Raw Materials cost including Conversion cost
<u>Gross Margin</u>	Net Sales - Melt
<u>Subtotal VCC</u>	Power + Heating + Antimony + Additives & chemicals + Packing materials + Procured RM (Chips, spandex- Other than PTA & MEG)) + NRV + Inventory Cost + Other VCC
<u>Contribution</u>	Gross Margin/spread - Subtotal VCC (Variable Cost)
<u>Subtotal FC Conversion cost</u>	Stores & repairs + Manpower (Payroll) + Contract Manpower + Insurance + Overheads
<u>Margin Jolwa</u>	Contribution - Subtotal FC Conversion cost - Internal shifting of SFG (Or any other unallocated cost of Jolwa)
<u>Subtotal corporate Expense</u>	Corporate Expense Payroll, Other Expenses
<u>EBITDA</u>	Margin Jolwa - Subtotal corporate Expense

- **Breakdown:** Full support for SKU, product, and plant-wise allocation; reportable per kg for fine granularity.
- **Reporting Frequency:** Generates daily, month-to-date, and “T-2” (two days lag) management dashboards.

Important Points:

Decision to be taken : How to take care of the Common Cost center expenses at SKU/Product Level ?

Sales & Net Sales

- **Sales Data Sources:**

Directly sourced from SAP, reflecting Domestic, Export, and Waste/Other sales. Sales quantity and value are captured separately for each segment and product SKU.

- **Key Adjustments:**

Sales Returns: SAP entries adjust sales on the actual return date.

Dealer Commission & Rate Differences: Fetched at invoice level and allocated per SKU.

Waste Sales: Classified under "Others," mapped using specific SAP waste codes pending more granular SKU mapping.

Distribution Expenses: Include Outward Freight, Ocean Freight, Commission, Cash Discount, Rate Discount, Internal Freight, and Warehouse Charges.

- **Net Sales Formula:**

Net Sales=Total Sales–Sales Distribution Expenses

- **Reporting:** Drill-downs possible, and credits or adjustments are posted by date for monthly closing.

Sales Total Value= (Sales Value Domestic+ Sales Value Export)–Sales Returns Value–Dealer Commission ± Price/Rate Differences

Net Sales = Sales Total Value – Sales Distribution Expenses

Melt (PTA & MEG) Module

- **Logic:**
 - Consumption mapped through BOM:** Each SKU's daily output \times BOM factor gives PTA/MEG consumption.
 - Pricing:** Initially uses last costed price, adjusted at month-end with actual procurement rates.
 - Consumption Mapping:**
 - BOM defines the standard consumption of PTA for each SKU.
 - With the daily production plan, PTA consumption is derived by multiplying the SKU output quantity by the BOM consumption factor.
 - This allows automated mapping of consumption to SKU on a daily basis.
 - Manual Rate Handling**
 - Until actual cost is finalized, the last manual entry of PTA rate (standard price) will be used for daily costing.
 - The same manual rate continues till it is updated, ensuring consistency.
- **Comment:** Tracks impact of raw material volatility and aligns cost allocation dynamically.

Gross Margin = Net Sales – Melt Raw Material Cost

Variable Cost Contribution (VCC) Module

- **Components:** Power, Heating, Antimony, Additives/Chemicals, Packing Material, Procured RM Chips & Spandex, Other VCC.
- **Power:** Calculated as per plant and production line. Rate and quantity norms are maintained in the system and multiplied with plant-wise correction factors.
- **Heating:** Merge Factor applied per SKU to establish required heating quantity, then costed at the latest manual rate.
- **BOM Mapping:** Antimony, Additives, Chemicals, and Packing are tracked by combining quantity (from BOM/production plans) with rates from SAP/material masters.
- **Procured RMs:** Last cost from SAP material master × actual usage.
- **NRV and Inventory Cost :** NRV is defined as the estimated selling price of an asset in the ordinary course of business, less the expected costs necessary to complete and sell the asset
NRV=Estimated Selling Price – Costs to Produce – Costs to Sell.
Inventory Cost will be calculated for EBITDA
- **Other VCC:** Plant-wise consumable costs split using merge factors for SKU-wise allocation.
- **Highlights:** Ensures daily, SKU-level allocation with audit trails for all variable costs.

Contribution= Gross Margin–Total VCC

Fixed Cost Conversion Module

- **Components:** Stores & Repairs (SAP), Manpower Payroll (Manual), Contract Manpower (IGMS + SAP), Insurance (Manual), and Overheads (Manual/historical).
- **Allocation:** Fixed costs mapped to SKUs via merge factors or production distribution logic. Payroll can be adjusted with factors for leaves or overtime.
- **Insurance:** Two options—(1) Upfront allocation as per planned sales quantity per SKU/product or (2) Daily spread using recurring monthly journals.
- **Comment:** Provides daily control and transparency over plant-level conversion costs.

Internal Shifting Cost of SFG

- **Definition:** Margin after variable and fixed costs, key performance indicator for Jolwa (primary producing) site.
- **Adjustments:** Accounts for "Internal Shifting of SFG" (semi-finished goods), with COGM and opening stock handled based on SAP data and production postings.
- **Purpose:** Crucial for site and product profitability analysis. Jolwa plant in scope, with options to extend logic to other sites.
- **SAP Integration:** Weighted average of COGS maintained daily for accuracy.

Margin at Jolwa = Contribution – Total Fixed Cost Conversion – Internal Shifting Cost of SFG

Corporate Expenses Module

- **Components:** Corporate Payroll, Other Corporate Expenses, Corporate Income.
- **Modeling:** Allocated using last month/quarter averages, grouped under four cost centers. Can be bucketed as "Others" or given dedicated reporting heads based on management decision.
- **Purpose:** Segregates headquarters costs from operational plant costs, allowing cleaner plant performance tracking.

Total Corporate Expenses = Corporate Expense Payroll + Corporate Expense Others - Corporate Income

EBITDA = Margin at Jolwa – Total Corporate Expenses

Key Process Highlights

- More than 500 SKUs handled with flexibility for cost forecasting, SKU-level drill downs, and daily margin tracking.
- Dynamic integration between SAP, IGMS, and manual controls ensures comprehensive cost capture and management review-ready reporting.
- Designed to support margin maximization, process efficiency, and proactive management decision-making at all levels
- The EBITDA application will fetch required information from S&OP application and will calculate the projected EBITDA. So, the projected feature will be delivered post Go-Live of S&OP module.