

EXECUTIVE UPDATE

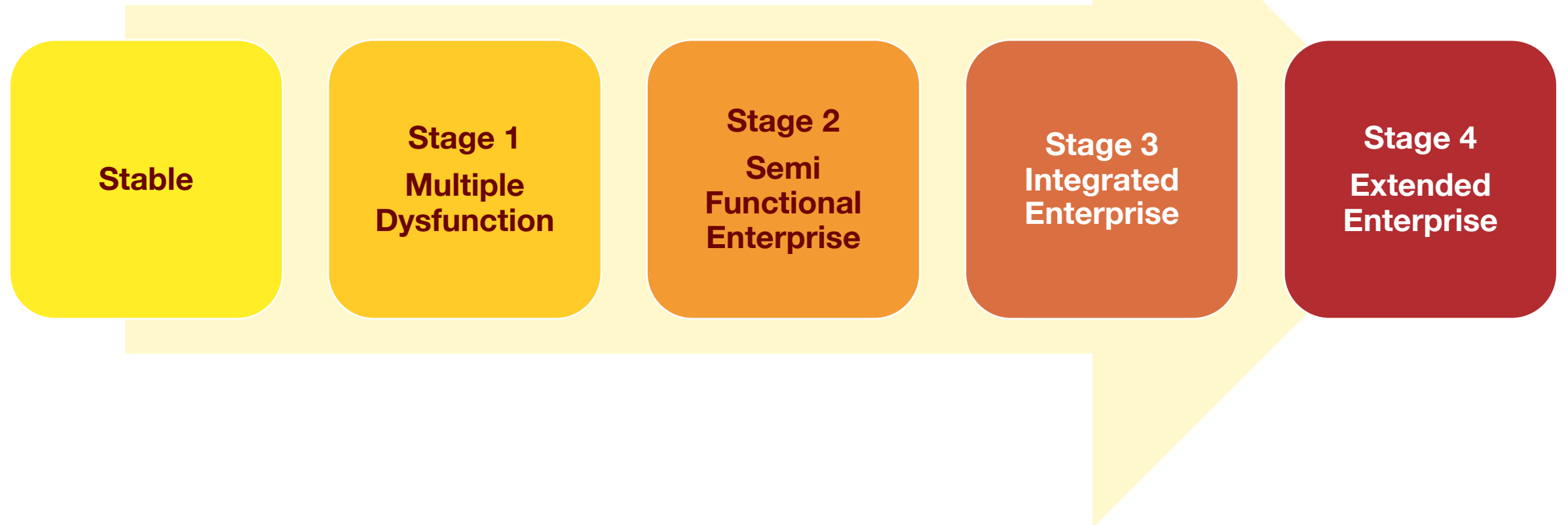
Supply Chain Management





Supply Chain Maturity Model – Learning from the Best

The Association for Supply Chain Management (ASCM) defines a four-stage supply chain maturity; we use this model to assess the current stage of FCCL & ACL





Supply Chain Maturity Levels

The ASCM defines six capabilities against four stages to assess the maturity level of a supply chain

Capability	Stage 1: Multiple Dysfunction	Stage 2: Semi-Functional Enterprise	Stage 3: Integrated Enterprise	Stage 4: Extended Enterprise
Internet	Static web sites	Online catalogs / order booking	Intranet across all functions	Correspondence with Supplier and Customer
Integration	None; no teamwork	Internal process partially Integrated	Internal process full Integrated	SC networks; process integration
Supply Chain Planning	Little information exchange	Informal, Low initiative coordination	Formal planning with Supplier	Integrated global planning; Global Supply chain
Production Scheduling	Basic MRP (Material Requirement Planning)	MRP-II (Manufacturing Requirement Planning)	ERP (Enterprise Resource Planning) MRP (manufacturing requirement planning)	Externally integrated ERP
Integration with Suppliers	Fax/phone	EDI (electronic data interchange)	EDI (electronic data interchange) with large suppliers	VMI (vendor manage inventory); online RFQ (request for quotation)
Integration with Customer	Fax/phone	EDI (electronic data interchange)	ATP (available to promise)	CTP (capable to promise)



FCCL & ACL current supply chain maturity level

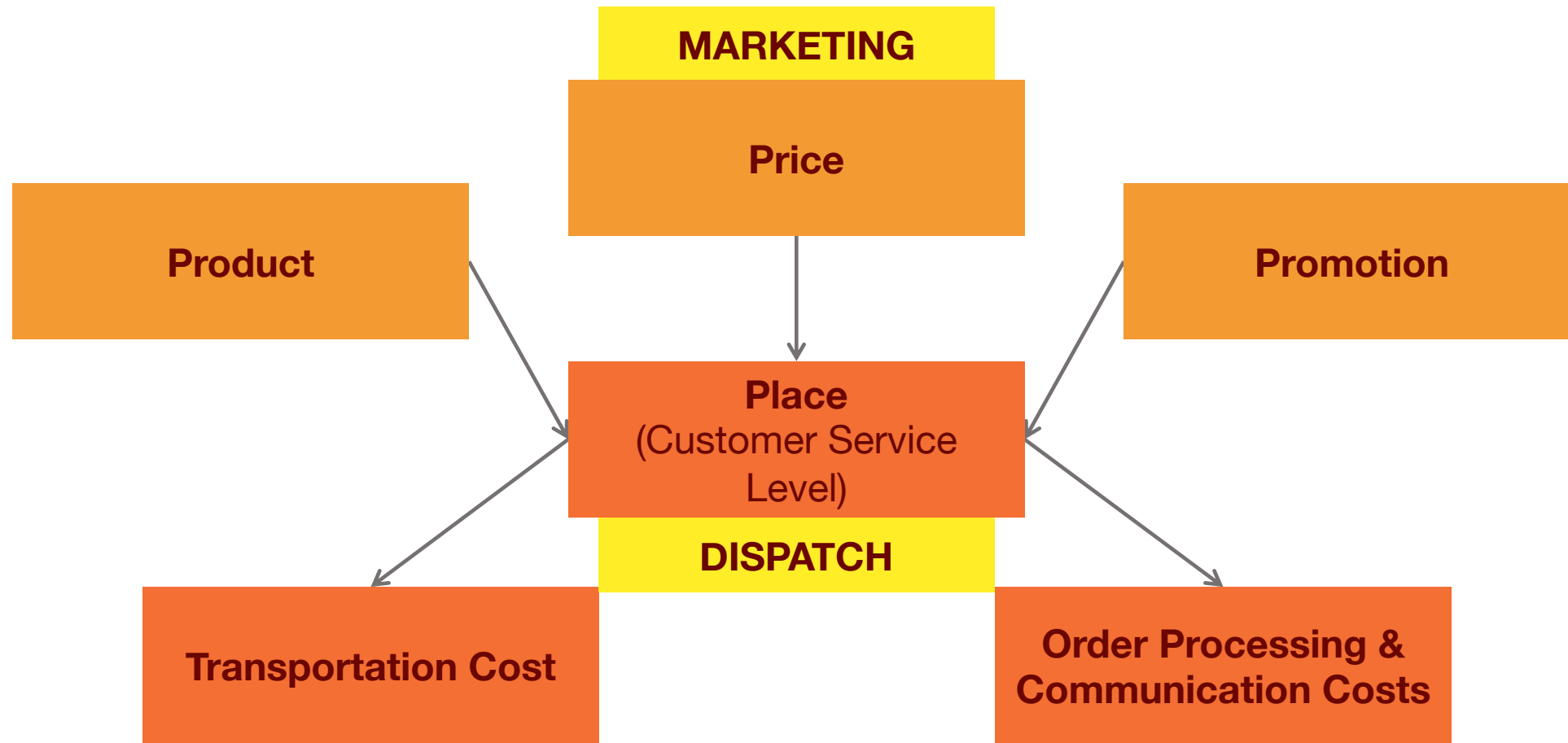
We assess FCCL & ACL supply chain maturity level in the light of six different capabilities

Sr. No.	Capability	FCCL & ACL Supply Chain Maturity Level	Stage
1	Internet	Static web sites	1
2	Integration	Internal process partially Integrated	2
3	Supply Chain Planning	Informal, Low initiative coordination	2
4	Production Scheduling	MRP-II (Manufacturing Requirement Planning)	2
5	Integration with Suppliers	Fax/phone	1
6	Integration with Customer	Fax/phone	1
	Average		1.5



FCCL & ACL Current Marketing & Dispatch Interface

The current Marketing and Dispatch Interface:





FCCL Freight Rate Analysis with respect to Current Market Freight

There is a 22% variance between FCCL and market freight rates.

Sr.#	Destination	FCCL Freight Rs./bag	Open Market Rs./bag Dated 1 st Sep, 19 (Fuel price increase Rs.5.35/ltr.(3.95%) translate in freight @1.38%
1	Islamabad	54	35
2	Rawalpindi	54	35
3	Peshawar	63	40
4	Gujranwala	93	65
5	Lahore	93	75
6	Faisalabad	98	80
7	Sargodha	100	65
8	Multan	100	80
9	Bahawalpur	92	95
10	Karachi	137	120
	Avg. Freight Rs./bag	88	69



Assessment of freight cost: FCCL Average Freight Rs./ Ton.

High cost of transportation may limit the penetration in new territories

Category	FY 16-17 (Rs./ton)	FY 17-18 (Rs./ton)	FY 18-19 (Rs./ton)
Freight for project (Bag Packing)	815	1,080	1,665
Freight for project (Bowser/Bulker)	767	870	1,570
Freight for Dealer (Bag Packing)	890	1,160	1,820
Average (Overall)	824	1,036	1,685



FCCL Dispatch Staff Productivity Analysis

This analysis can help to optimise the resources at the dispatch section at the plant site

	FCCL	ACL – Nizampur	ACL – Wah
Total dispatch for 2018-19 in tons	3,037,623	1,292,752	1,060,743
Total dispatch staff	23	17	10
Average dispatch staff productivity ton / year	132,070	76,044	106,074
Average productivity in term of vehicle documentation / day	16	09	13



FCCL Supply Chain Management SWOT Analysis

STRENGTHS

- Strong dealer network with a cement transport business
- Institutional sales account for 35%
- Excellent product diversification
- Strategic Geographic Location

OPPORTUNITIES

- SCM can be a new source of value creation
- SCM can provide a competitive edge for efficiency gains
- Integrated SCM can provide better visibility, velocity & reduce variation
- SCM can help to optimise inventories
- SCM can help to improve cash flow

WEAKNESSES

- Dispatch Process risk
- Lack of real time visibility of dispatch status update (Technology Dashboard)
- Slow SCM adoption
- Lack of SCM skill set
- Lack in SCM planning and way forward

THREATS

- NHA Excel weight regime poses a colossal threat to the dispatch, this has been deferred for one year
- Fuel Prices hike, change in fuel price translate in higher freight
- Threat of innovative ideas & Collaboration from competitors such as fleet management, Logistics arrangement
- Shortage of cargo vehicles in near future as no new investment in the trucking sector observed
- High cost of transportation may limit the penetration in new territories



ACL Supply Chain Management SWOT Analysis

STRENGTHS

- Strong exports to Afghanistan by Afghan vehicles
- Strong dealer network with a cement transport business
- Strategic Geographic Location (Wah & Nizampur)

OPPORTUNITIES

- SCM can be a new source of value creation
- SCM can provide a competitive edge for efficiency gains
- Integrated SCM can provide better visibility, velocity & reduce variation
- SCM can help to optimise inventories
- SCM can help to improve cash flow

WEAKNESSES

- Dispatch Process risk
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THREATS

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Preparing for Supply Chain Innovations & Collaborations to meet future challenges

Sr. No.	SC Innovations & Collaboration	Salient Feature
1	Careem and Unilever Partner for a Cost Effective Logistics Solution¹	<ul style="list-style-type: none"> ▪ The digital solution provided by Careem will improve service levels and reduce costs for Unilever by implementing new business models ▪ Key target areas will include: delivery of leftover stock that can be transported through Careem, delivery of stock to remote locations, and urgent deliveries
2	Karandaaz bankability of transport sector²	<ul style="list-style-type: none"> ▪ The freight transport sector seems to be lucrative with a profit margin of 21% ▪ The cost of purchasing a vehicle is recovered by the owners in a fairly short time span
3	Board of Investment: Bol Logistics Sector Brief 2019³	<ul style="list-style-type: none"> ▪ Opportunities to invest in the logistics sector ▪ Projected demand for freight transport will increase even further, doubling by 2025 and increasing six-fold by 2050 to 600 billion trucks

Sources:

1. <https://propakistani.pk/2019/05/08/careem-and-unilever-partner-for-a-cost-effective-logistics-solution/>
2. <https://karandaaz.com.pk/wp-content/uploads/2018/11/Bankability-of-the-Transport-Sector-2-1.pdf>
3. <https://invest.gov.pk/logistics>



Supply Chain Initiative by Competitors in Cement industry

Sr. No.	Cement Company	Supply Chain Initiative by Competitors in Cement industry	Enterprise Resource Planning
1	Bestway	Bestway cement expanding fleet and operations through fleet financing by Karandaaz bankability of transport	SAP
2	Lucky	Lucky cement expanding fleet and operations through fleet financing by banks	SAP
3	Maple Leaf	Introduce “Maple Leaf Truck Adda” for efficient down stream logistics	Oracle
4	Cherat	Heading to achieve efficient working capital management objective by Supply Chain Management	SAP
5	Kohat	Efficiently manage order management & dispatch	Oracle
6	Dewan	Efficiently manage order management & dispatch	Oracle
7	ACL & FCCL	Mostly manual	Homegrown



Gap analysis between the current and desired state

Present State

Organisation focus:

- Manufacturing & Sales
- Manufacturing Resource Planning & Dispatch

Observation:

All functional areas of the supply chain (Procurement, Dispatch, Warehouse and Logistics) operate in different silos with minimal integration and communication

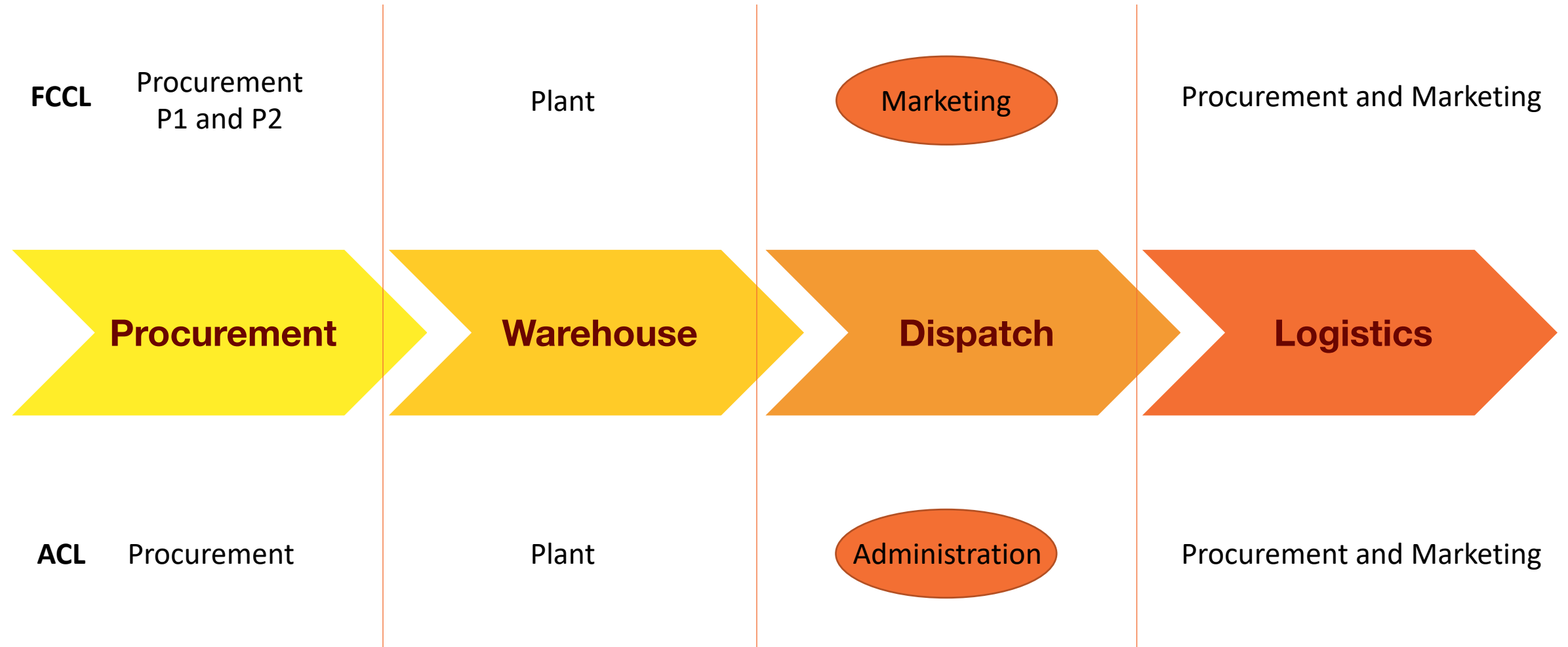
Desired State:

- Supply Chain Management, through a world-class ERP system can be another source of value creation in FCCL & ACL
- An efficient & effective supply chain will improve customer fulfillment and cash flow



Current State of Supply Chain Management at FCCL and ACL

All functional areas of the supply chain (Procurement, Dispatch, Warehouse and Logistics) operate in different silos with minimal integration and communication





Proposed Integrated Supply Chain Management

Recommendation: Integrate the functional areas under one Supply Chain Management system, through a professional, world-class ERP system for better efficiency and effectiveness to improve customer fulfillment, cash flow and penetration in new territories





Recommendations

	Activity	Recommendation
1	Supply Chain Function	<ul style="list-style-type: none"> ▪ Integrate all functional areas of supply chain management through a world class, professional ERP system i.e procurement, warehousing, dispatch, order management, inventory management
2	Order Management	<ul style="list-style-type: none"> ▪ Standardise the order management process to improve efficiency i.e Customer order request, customer order form, Authority letter/Permit, Loading Advice, Dispatch order
3	Logistics Arrangement	<ul style="list-style-type: none"> ▪ Review current inbound and outbound logistics arrangements ▪ Potential gain of market share from the rationalisation of freight logistics agreements; open market average earned per bag by delivery partners is circa Rs 69 while FCCL logistics providers make 22% above that at circa Rs 88
4	Dispatch Process	<ul style="list-style-type: none"> ▪ Identify the dispatch process risk & development of control strategy
5	Freight Cost	<ul style="list-style-type: none"> ▪ Optimise freight cost in order to penetrate in new territories



THANK YOU