Summary of Findings
Possible Instances of Excess Ordering
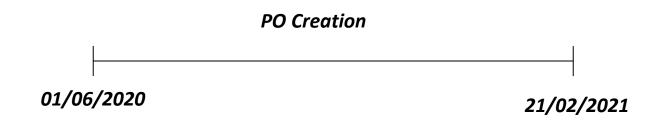
MAS Intimates (Private) Limited

26th July 2021

Criteria

The value of SO compared against the PO value raised for particular SO. There were 1141 SO's where PO Value is higher than SO value.

Since the number of SOs were high, we selected a sample of 55 SOs for further analysis covering each customer group.

Out of 55 SOs, we were unable to conclude 17 SOs due to delay/lack in feedback.

Scope of the Assignment...

PO Creation

|---|

01/06/2020   **21/02/2021**

Eliminated areas:

- *All Dummy SO's considered for inventory provisioning*

- *Order Cancellations, Order transfers to another SO as per rejection reason in SO*

- *Amante SO's*

Period of review:

- *SO Creation : before 16/11/2020*

Snapshot of findings…

Based on the feedbacks received from the business teams, following were identified as key reasons

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Dummy/Liability orders not shared with OFU

We have come across 10 SO's (Dummy/Liability) which were not included in the Dummy/Liability SO listing maintained by OFU. It was further noted that, those 10 SO's had purchases more than USD 3,328,572 for the review period.

In order to reduce this risk, It is recommended to maintain a separate SO type for Dummy/Liability and restrict creation of Dummy/Liability SO's to finance users.

SO No	SO Value ($)	PO Value ($)	GRN Value ($)	Customer group	Customer department	Comment form Business
1000501503	8	35,481	35,481	Amazon	BPL DEVELOPMENT	SO 1000501503 is used as a reserve SO for Amazon guidance model. Initially the materials ordered based on a assumed size breakdown using the SO# 1000501503 till the customer offer the actual size detail. The PO's proceed for the assumed size detail and re-ordered if the assumed size qty's were lesser than the actual size detail.
1000374895	-	337,168	315,168	Calvin Klein	CALVIN CLEIN	BD-CR Dummy SO-CKUW
1000085303	3	195,337	195,337	Calvin Klein	CALVIN CLEIN	CR DUMMY SO
1000436646	-	52,136	52,136	Calvin Klein	CALVIN CLEIN	DUMMY ORDER
1000218914	35,257	241,659	241,653	Gap	ATHLETA	Float ordering and qty to be allocated to running sales orders after creating new sales order based on brand confirmation
1000323565	1	83,244	83,244	Gap	ATHLETA	Chase orders cancelled by customer - to be allocated for future orders. Allocation will be complete by 04/20
1000376770	4	77,586	77,586	Industrie	PINK BRIEF	the reason given by the Pink brief team is that it is an instant Dummy SO and that it is used to GRN MCQ orders
1000417624	-	1,967,827	1,967,784	Thinx	THINX	Liability SO (CPO Comitment) - Need a discussion
1000418758	-	282,008	249,072	Thinx	THINX	Liability SO (CPO Comitment) - Need a discussion
1000095022	1	56,126	56,126	VSX	VSX	Pls note that the below mentioned s/o is maintained by the plant end. They use it to create P/O's for the plant stock maintaining materials

Order Reduction/Split

We have come across 10 SO's which either order reduced or cancelled. It was further noted that, 9 SO's had purchases more than USD 713,812 when SO value is $486,891 for the review period.

It was noted that no specific approval/operating process is there in for dealing with order reductions or cancellations hence there could be instances of incurred cost not being recovered.

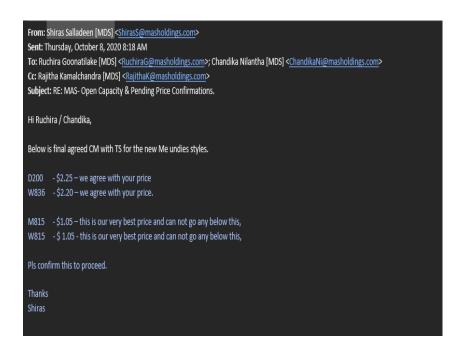| SO No	SO Value ($)	PO Value ($)	GRN Value R($)	Customer group	Customer department	Comment form Business
1000498183	63,840	95,940	95,940	Dunnes	DUNNES	These POs were initially planned for SL but then a partial quantity was planned for Bangladesh. At that time fabric and elastic POs were raised for SL and Bangladesh quantities at once
1000498182	52,455	66,121	66,121	Dunnes	DUNNES	These POs were initially planned for SL but then a partial quantity was planned for Bangladesh. At that time fabric and elastic POs were raised for SL and Bangladesh quantities at once
1000447016	33,128	40,368	40,368	ESSITY	ESSITY	There were few changes in the customer orders and SO 1000447016 was also a SO which was replaced with that for another SO while reducing order qty. As the ordering were already had completed, those material were allocated for the new SOs. (no new ordering was carried for the added 2 SOs)
1000483732	69,581	221,874	221,589	Gap	ATHLETA	Chase orders cancelled by customer - to be allocated for future orders. Allocation will be complete by 04/20
1000482584	64,673	66,034	66,034	Handel	VS BRA	Reason for this change was customer making a VSS to VSD order change. Initially the order qty for this particular SO/LI was 13,266 however later on this was changed as below.
1000480714	7,526	9,398	9,398	Handel	VSL LOGO	SO # 1000480714 LI 10 & 30 are cancelled and converted to VSS orders as below. I have done the fabric ordering for these SO s and ordering is correct as per the requirement.
1000455679	10,500	10,547	10,547	M&S	M&S - T 14	There is an excess ordering of elastic due to customer order quantity reduction. Excess ordered quantity has been utilized for another order as per customer direction
1000455678	10,448	10,543	10,543	M&S	M&S - T 14	There is an excess ordering of elastic due to customer order quantity reduction. Excess ordered quantity has been utilized for another order as per customer direction
1000448125	126,500	130,074	130,074	Thinx	THINX	Originally weve created this SO for 30,000units and later to customer request we had to keep 10k only with this SO and for the balance 20k we created new SO1000455442 . Yet all these two SO s (30,000) units were produced by RM transfer from original SO to newly created SOs and this is the reason why original SO1000448125 shown as excell RM ordering (Attached 1st email)

BOM Errors

We have come across 4 SO's which had BOM Errors. It was further noted that 5 SO's had purchases more than USD 32,225 when SO Value was $ 13,421 for the review period.
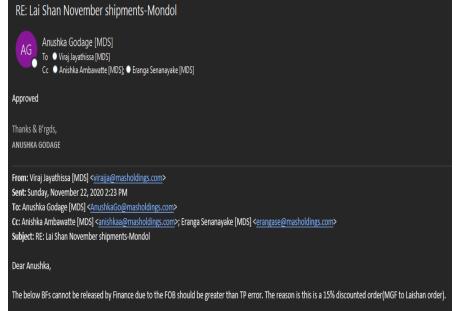
It is recommended to have an in-build system control to avoid creating PO's until the BOM is fully/adequate completed.

SO No	SO Value ($)	GRN Value ($)	PO Value ($)	Customer group	Customer department	Comment form Business
1000507934	50	10,625	10,584	Adore Me	ADOREME-DB	This is not a MOQ ordering and this excess will be allocation for below Sos
1000502372	1,839	7,617	15,234	Thinx	THINX	Initial order was place based on average consumption during 2020 Oct and then we have changed the BOMs to size wise consumption on Jan 15th 2021. Excess materials were allocated for other orders and issued only the SO requirement.
1000502372	5,292	7,617	15,234	Thinx	THINX SPEAX	Initial order was place based on average consumption during 2020 Oct and then we have changed the BOMs to size wise consumption on Jan 15th 2021. Excess materials were allocated for other orders and issued only the SO requirement.
1000488332	6,240	6,366	6,366	Thinx	THINX SPEAX	There was a BOM error and excess materials were order accordingly. After the BOM is corrected, excess materials were allocated to other SO as this is a common Thin Gusset material.

Price changes with approval

We have come across 3 SO's which have taken approval DGM. However in the approval mail, it doesn't mention the loss. These particular SO's had purchases USD 15,281 for the review period when SO Value is $15,033.

From: Shiras Salladeen [MDS] <ShirasS@masholdings.com>
Sent: Thursday, October 8, 2020 8:18 AM
To: Ruchira Goonatilake [MDS] <RuchiraG@masholdings.com>; Chandika Nilantha [MDS] <ChandikaNi@masholdings.com>
Cc: Rajitha Kamalchandra [MDS] <RajithaK@masholdings.com>
Subject: RE: MAS- Open Capacity & Pending Price Confirmations.

Hi Ruchira / Chandika,

Below is final agreed CM with TS for the new Me undies styles.

D200   - $2.25 – we agree with your price
W836   - $2.20 – we agree with your price.

M815   - $1.05 – this is our very best price and can not go any below this,
W815   - $ 1.05 - this is our very best price and can not go any below this,

Pls confirm this to proceed.

Thanks
Shiras

RE: Lai Shan November shipments-Mondol

AG Anushka Godage [MDS]
To ● Viraj Jayathissa [MDS]
Cc ● Anishka Ambawatte [MDS]; ● Eranga Senanayake [MDS]

Approved

Thanks & B'rgds,
ANUSHKA GODAGE

From: Viraj Jayathissa [MDS] <virajja@masholdings.com>
Sent: Sunday, November 22, 2020 2:23 PM
To: Anushka Godage [MDS] <AnushkaGo@masholdings.com>
Cc: Anishka Ambawatte [MDS] <anishkaa@masholdings.com>; Eranga Senanayake [MDS] <erangase@masholdings.com>
Subject: RE: Lai Shan November shipments-Mondol

Dear Anushka,

The below BFs cannot be released by Finance due to the FOB should be greater than TP error. The reason is this is a 15% discounted order(MGF to Laishan order).

Overall recommendation

- Standardize Dummy/Liability SO Process

- Introduce control on order reduction cancellation to recover the cost incurred.

- System improvements to avoid procurements to incomplete BOM's.

THANK YOU…