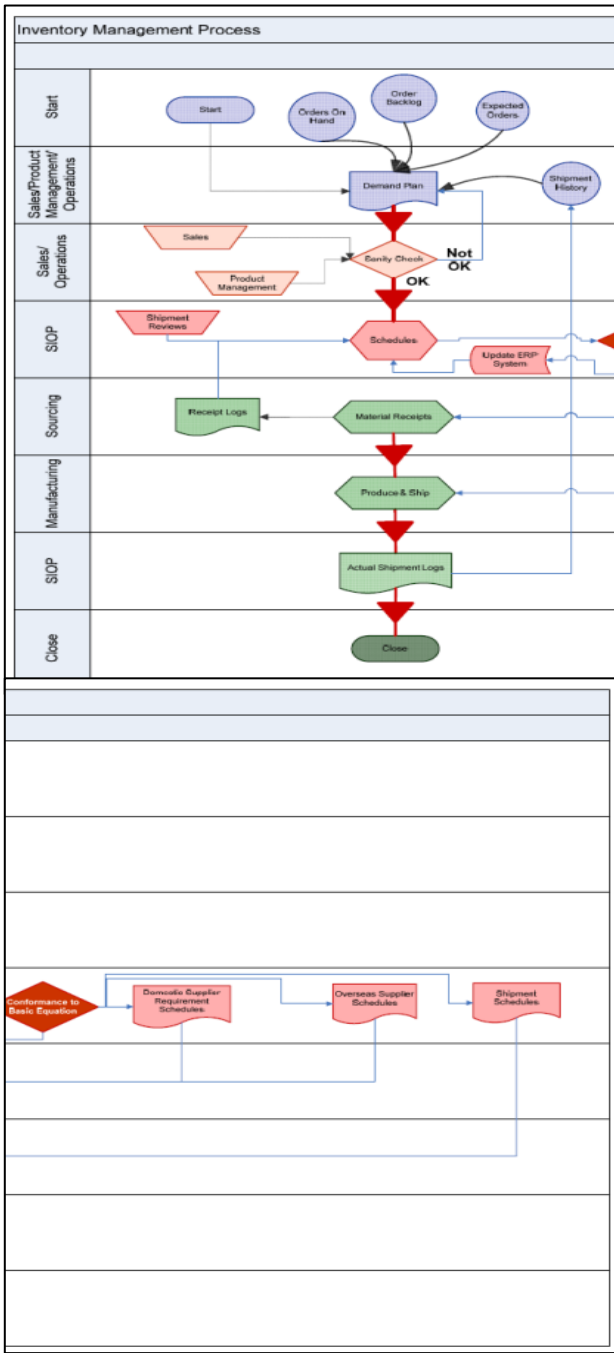


Inventory Management

The Process:



The Metrics:

- On Time Delivery
- Inventory Turns

The Maths:

$$\sum \text{On Hand Stock} + \sum \text{On Order Stock} = \text{Period Review Consumption} \times \text{Total Procurement Lead Time}$$

On Hand Stock = Physical Stock Of Component in Plant
On Order Stock = Open purchase orders for the component
Period Review Consumption = Average consumption of the component for shipment for the review period. If production and shipment reviews are done every week then it is the average weekly consumption of the component
Total Procurement Lead Time = Total time for procurement from order placement to final ready-to-use at point-of-use or assembly station.

The Actions:

| Review Frequency | Review Day | Participants | Process | Responsibility |
|------------------|------------|-------------------------------|--|----------------|
| Weekly | Friday* | Sales/SIOP | Review shipment till date, material position & update plans for next four weeks | SIOP |
| Monthly | Friday** | Sales/Product Management/SIOP | Review shipment till date, material position & update plans for next fifty two weeks | SIOP |

1. The minimum review window in each category will be equal to the longest lead time of the component in that category. E.g. if the longest lead time in the domestic supplier category is 12 weeks, then the minimum review window will be 12 weeks. If the longest lead time in the overseas supplier category is 26 weeks, then the minimum review window for the overseas category will be 26 weeks.
2. Achievement of set inventory targets will be based on the level of focus on the following areas :
 - a. Difference between planned and actual shipments to be zero
 - b. Frequent interactions between participants, particularly sales and operations and dynamic, real-time, decisions

* If the day is a holiday, then shift to previous day

** Last Friday of the month. If it is a holiday, then the previous day.

The Deliverables:

| Output |
|--|
| <ol style="list-style-type: none"> 1. Domestic supplier schedules for min review window. 2. Overseas supplier schedule for min review window. 3. Material receipt plan for next four weeks. 4. Shipment Plan for next four weeks. 5. List of Purchase orders to be updated in ERP for excess material basis basic control equation. |
| <ol style="list-style-type: none"> 1. Domestic supplier schedules for next 52 weeks. 2. Overseas supplier schedule for next 52 weeks 3. Demand Plan Update for next 52 weeks |