

INDIAENGINEERING

PROCUREMENT & DISPOSAL SERVICES IN STEEL INDUSTRY

Synise Technologies Pvt Ltd

Shri Swami Samarth, 64 Adhyapak Society, Sahakar Nagar, Pune 411 009, INDIA
Tel: +91.24231573/4/5 Fax: +91.24231577 E-mail: bizdev@synise.com

TABLE OF CONTENTS

STEEL INDUSTRY - OVERVIEW	3
PROCUREMENT SERVICES IN STEEL INDUSTRY	4
Direct material bidding.....	4
Indirect material Bidding	4
Services - Logistics bidding.....	5
Capital Equipment Bidding.....	5
Capital Equipment critical MRO sourcing through Import substitution.....	6
Aggregation based sourcing.....	6
China (Global) Sourcing	6
Sourcing of Coke.....	7
DISPOSAL SERVICES IN STEEL INDUSTRY	7
Annual Recurring Scrap Disposal	7
Sale of Prime & Non-Prime Steel	8

Steel Industry - Overview

The Indian steel industry is increasingly confronted with challenges. Some of the several key challenges that are being faced by large steel firms today are pressures such as supply of key raw material inputs like coking coal and iron ore, the permanent cost / price squeeze for steel products, complexity caused by customers with diversified products and service requirements etc.

Coking Coal and Iron ore are the main raw materials for integrated steel producers (ISP) which account for more than 40% of the steel output in India. Around 900 kg of coke is required to make one tonne of steel, coke is among the high-value inputs for steel making. If the integrated steel makers face a problem of coke shortage, the secondary producers face a problem of steel scrap shortage. Typically, the secondary steel makers use steel scrap as the raw material.

This puts the Indian Steel Industry in a delicate situation. They need to ensure profitability in the face of rising input costs without increasing the prices. Therefore, cost reduction is probably the most important driver for ensuring competitiveness & profitability. This is typically done by reduction in product inventory (unsold stock), substitution of raw material, transportation and other related costs like freight costs etc.

Since procurement departments today in almost all the steel companies are tied down deep-neck into ensuring availability of raw material inputs, most large businesses internationally and in India are looking at outsourcing their conventional procurement processes to more efficient procurement service providers like **Indiaengineering**.

Given the increasingly challenging environment that many steel manufacturers are facing, Indiaengineering has expanded the scope of its procurement cost savings initiative to include additional services such as sourcing of Capital Equipment, Critical MRO Outsourcing through Import Substitution, Transportation Services, Annual Recurring Scrap Disposal & Sale of Prime and Non-Prime Steel.

Products and Services that Indiaengineering has been able to source and sell for the Steel Industry include :

Source :

- Coke
- Calcinated Lime
- Ferro Alloys
- Forged Alloy Rolls
- Graphite Electrodes
- Welding Electrodes
- Lubes & Oils

- Refractories
- SG Iron Rolls
- Capital Equipment
- Critical MRO through Import Substitution
- Transportation / Logistics Services

Sell :

- Annual Recurring Scrap Disposal and
- Sale of Prime & Non Prime Steel
- Sale of Plant & Machinery

Procurement Services in Steel Industry

Direct material bidding

(Hospet and Sunflag Steel)

Increasingly Buyers are realizing that Bidding is not just for commodities but can also be used to derive the best prices out of a closed and tight grouping of competing suppliers. It is not necessary to bring in new suppliers but find out who within a closed group can give the best price. This is typically useful in awarding new businesses which have no incumbent to start with.

Indiaengineering has seen an increasing trend of direct material bidding in closed group with the objective of getting best prices. Ultimately it is the negotiation which happens online while all other parameters are fixed offline. Part criticality and Supplier selection being the key, more time can be spent on that instead of negotiations.

Indiaengineering has conducted dynamic auctions for sourcing Ferro Alloys at Kalyani Steels and Ferro Chrome High Carbon Steel for Sunflag Iron and Steel with a reduction ranging from 5 to 10 %.

Indirect material Bidding

(Hospet Steels, Kalyani Steels, KCSSL, Metastrips, Tata Steel)

The indirect material form the ideal chunk of spend to be put through a quick and efficient bidding process, owing to its being a highly commoditized and fragment supply market. It also allows for newcomers to show their strength against suppliers deep rooted in the buyer's favorite list without any clear advantage.

The bidding also makes it easier for a buyer to look at a host of switching options based on the overall price performance ratio especially relevant for cutting tools etc which are purely performance based cost as against per piece cost.

Indiaengineering has worked with steel companies such as Hospet Steels, Kalyani Steels, Kalyani Carpenter Special Steels, Metastrips Ltd and Tata Steel on indirect spend bringing reduction ranging from 10% to 30%. Indirect Material items like Refractories, graphite electrodes, welding electrodes, SG Iron Rolls, Lubricants, Lime, etc form ideal spend for competitive bidding.

Services - Logistics bidding (Mukand Ltd, Hospet Steel, Tata Steel, KCSSL)

In a fragmented and ultra-competitive market like Services, the Dynamic negotiation tool seems to work the best. While there is a plethora of transporters called themselves Logistics provider, there are a many serious players which have emerged in the past few years who can take end to end responsibilities with contracts won online. One of the most significant advantages of this is that the prices are finalized in a very short time across multiple routes covering sources and destinations.

Imagine trying to finalize over 250 destinations in 4 regions of the country in 10 types of trucks, covering 37 transporters. The tool can help reduce the pain and prices drastically.

Indiaengineering has handled over a dozen unique transportation events for Steel Industry ranging from Inbound, Outbound, Ocean Freight logistics in the range from 8% to 20% reduction over market prices. Coke Transportation, Iron Ore Transportation, Finished Goods Transportation, Fuel Oil Transportation, LPG Gas Transportation and Ocean Freight Logistics are some of the several kinds of transportation events conducted by us. Indiaengineering provides in-depth consultancy, as also assists in drafting best terms and conditions on transportation.

It has a rich database of over 200 approved logistics providers working for our customers like Mukand Ltd, Hospet Steel, Tata Steel and Kalyani Carpenter Special Steels. These logistics providers own large fleets serving across country and are offered large loads at volume discounts through Indiaengineering.

Capital Equipment Bidding (Shree Precoated Steel)

Capital Equipment by its nature requires a thorough Technical and Functional capability study and assessment at the time of short-listing process. The purchase decision is typically between a limited three or four qualified suppliers. Negotiations between these are largely manual leading to lower negotiation efficiencies, especially if and the product is largely interchangeable. Reverse auctions have proved that the prices are typically realized 20-30% lower with Dynamic negotiations.

Typically high end suppliers tend to charge a huge premium on name which can be reduced through a transparent bidding process.

Indiaengineering has conducted online bidding for procuring capital equipment such as DC drives worth Rs 4.5 cr for Shree Precoated Steel where suppliers have negotiated online with the manufacturer, leading to reduction in prices by 15%.

Capital Equipment critical MRO sourcing through Import substitution (Hospet Steel)

Typically Plant and M/c have a lot of imported items which need replacement years down the line. While it may not be necessary to replace the same with an imported part, organizations don't tend to have time or willingness to search for import substitutes. It may also find the whole on time exercise as worthless in light of premium on Buyers time and his limited chances of success on same.

Sourcing team at Indiaengineering worked on a project for Hospet Steel, where a Helmeke make motor was replaced with Kirloskar make. The technical team at IE evaluated and finalized the specs and got a motor for Rs 5 lacs compared to a import quote from Helmeke at Rs 20 lacs.

Aggregation based sourcing (Kalyani Steel, KCSSL, Hospet Steel)

Aggregation has been the mantra for cost reduction since time immemorial only to be lip service until a new boom comes when all is forgotten. Attempts at Commodity purchases centrally are at best successful to being limited in nature, owing to lack of interest beyond commodities. This is again restricted to a company while actually a group can aggregate beyond the organization walls in driving such benefits.

Indiaengineering as third party was able to prove the benefits with aggregation spanning across categories like Furnace Oil, Transportation, Refractories etc working with a group or a industry at times.

China (Global) Sourcing (KCSSL)

China is a huge sourcing base and very much the meaning of Global sourcing today. What a supplier elsewhere produces in Million they produce in Billion. Better still they want to do it in trillion. Thanks to a very abundant, good and cheap labour base, the same is possible in almost every sphere of manufacturing. The fact is inspite of the boogey of poor quality, China offers everybody to choose its quality. From a low cost and low quality bearing to world class, its all there to the budget and specifications. Like it or not no OEM or major TI can ignore China based sourcing of

quality suppliers. The items such as Pig iron, Chlorine, Coke, Caustic soda etc are huge opportunities coming out of China. Similarly, parts in the automotive industry have a huge opportunity.

How would a company go about setting its China sourcing strategy. The issue of Supplier Audit, Facility Report, Samples, Pre-delivery Inspections etc are best handled by an expert in the business.

Indiaengineering has built partnership with some of the most renowned Certification and Supply Knowledge intermediaries to bring the benefits of China to India. It researches and enables complete sourcing of parts.

Indiaengineering could source graphite electrodes for KCSSL at 25% lower price on landed from the quality supplier from China. We also successfully closed the deal on coke sourcing from China for Hospet Steels.

Sourcing of Coke (Hospet Steels)

Considering China's "insatiable" demand for steel and the global shift of steel making facilities from the developed to the developing countries, it is expected that the demand for coke will grow in India in the near future. In order to cater to such requirement, Synise has developed capability on Sourcing of Coke from the international market . In the volatile market and a scenario of " scarcity of coke" , we have been able to source Metallurgical Coke from China from the developed sources at a very competitive price.

We have developed capabilities in understanding the complete process of coke sourcing from Draft contract to deliveries. Today we handle end-to-end Coke sourcing to deliveries for Hospet Steels. Activities involved as a part of this process include Source finalisation, Price negotiation, Contract terms and conditions finalisation, Contract Draft Approval, Performance Bond Guarantee, Stevedoring activity finalisation, Local delivery transport rate finalisation and Supply tracking and follow up with Transporters.

Indiaengineering has a Genuine Global database of Coke Suppliers who can be relied upon for quality coke supplies.

Disposal Services in Steel Industry

Annual Recurring Scrap Disposal (Ferrous & Non-Ferrous – Tata Steel)

Recurring Scrap Disposal is one of our major areas of expertise. Indiaengineering has signed end-to-end contract for annual recurring scrap disposal with one of the major steel manufacturing companies – Tata Steel.

Our key account manager works hand in hand with the seller for material identification, detailing, cataloging, inspection, online bidding, payment collection and lifting.

The necessary domain and expertise in Scrap disposal coupled with an efficient and objective disposal process ensures end-user participation, effective handling of scrap disposal and higher price realization.

Sale of Prime & Non-Prime Steel

(Kalyani Carpenter Special Steels, Tata Steel and Kalyani Steels)

Steel companies sometimes face difficulty in selling their non-prime steel or slow moving steel, resulting out of material rejected by the client. Indiaengineering helps such companies in selling their non prime steel through our online disposal services resulting in higher realization through end-user participation.

Major steel manufacturing companies such as Kalyani Carpenter Special Steels, Tata Steel and Kalyani Steels have been able to successfully use our services in this category.

Sale of Plant & Machinery

(TISCO)

Over the last three years, Indiaengineering has developed the expertise in disposal of plant and machinery such as GPMs/SPMs anywhere across India. Indiaengineering's technically qualified and professional market makers help in identifying the target buyers for these assets.

Excellent data base in terms of large traders, retrofitters and end users has resulted in giving our Customers (sellers) best realization on the assets sold.

Tata Steel has successfully utilized our Asset Disposal Services for disposing off their Plant & Machinery worth Rs 10 crores.