



Cost Congress' 2019

TCM Architecture in Disruptive Environment

Manoj k. Sethi 26th November 2019 The Lalit Hotel, New Delhi

Subres DENSO



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<i>S. No.</i>	Presentation Agenda
1.	Subros : An Update
2.	TCM & Business Strategy
3.	Enterprise Level Cost Ownership
4.	Robust Cost Measurement System





Business

Segments

Plants

Centre

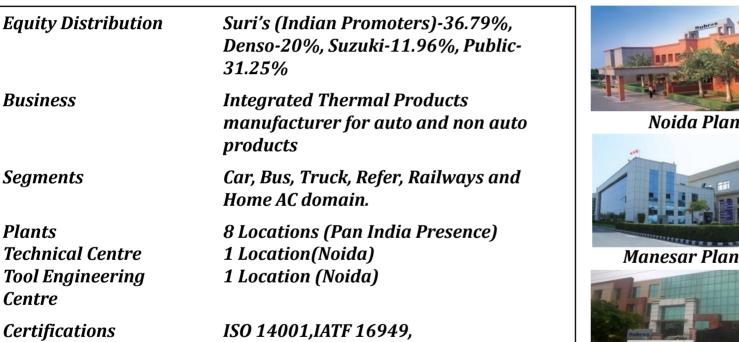
Market Shares

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Revenues

Established in 1985, Subros is the Largest Air Conditioning & Thermal Products company in India. A Joint Venture company between

Subres





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Pressure Die Casting





Sanand Plant



Technical Centre

45% (Passenger Car AC) 60% (Truck Aircon/Blower) Rs 2124 Cr (2018-19) (312 Million USD)





Manesar Plant-1



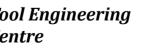
Manesar Plant-2



Tool Engineering Centre



Karsanpura Plant

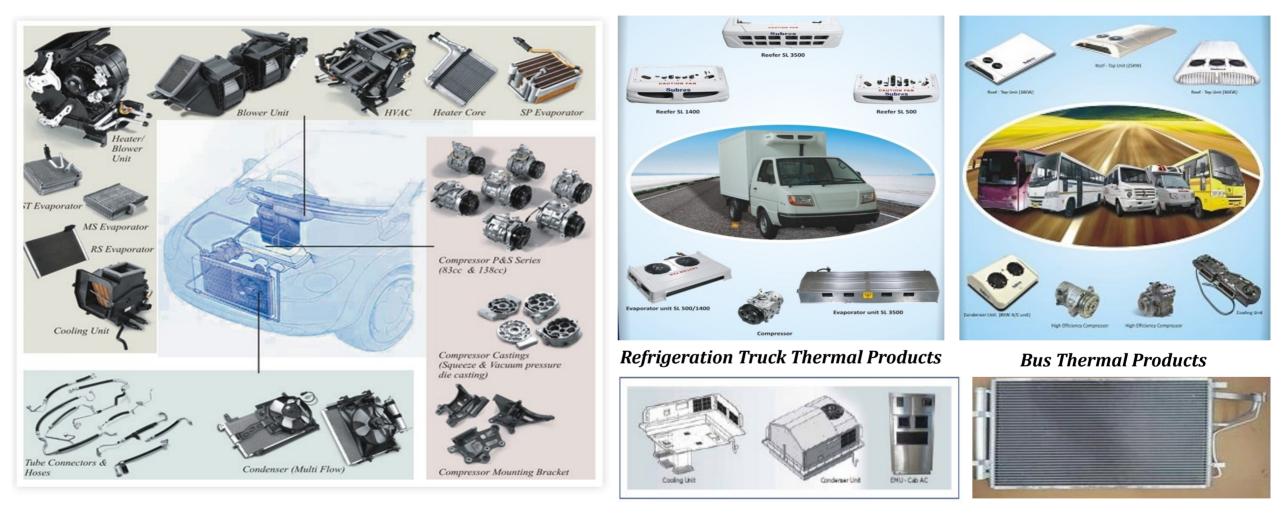




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Product Range



Passenger Car Thermal Products

Railways Thermal Products

Home AC Heat Exchanger

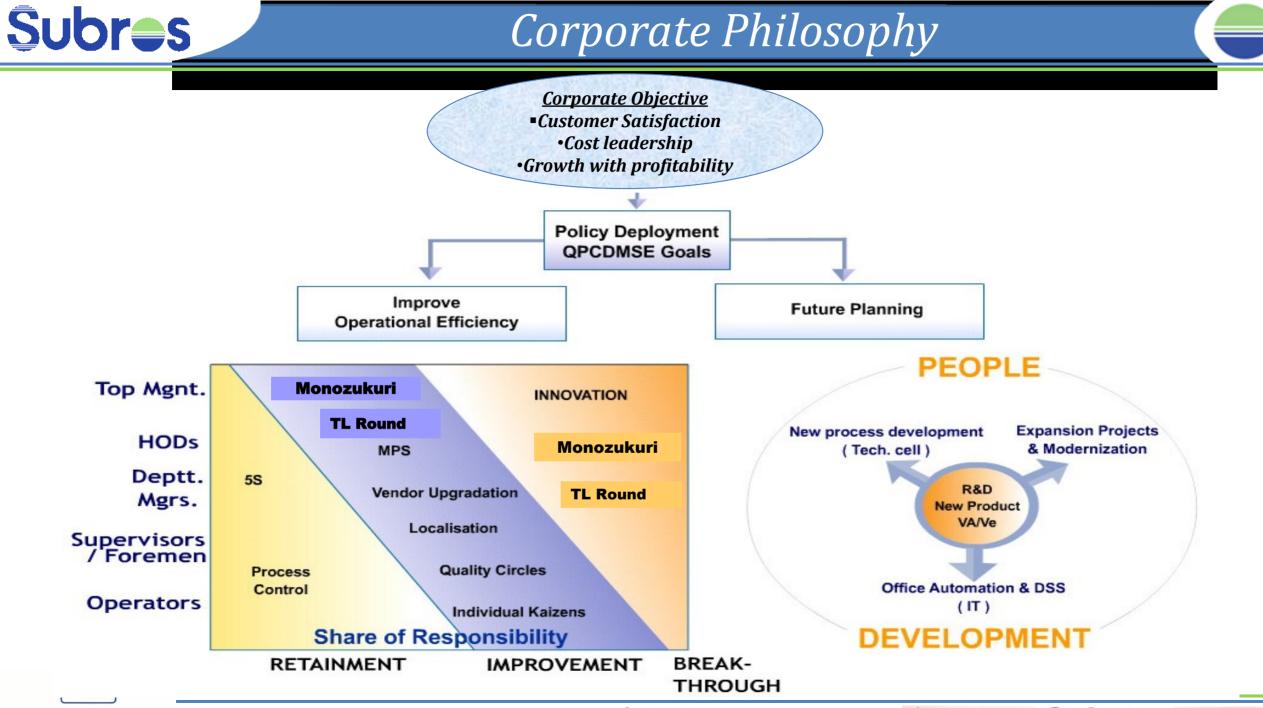


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2. TCM & Business Strategy







Total Cost Management focused on sustaining Customer Value is Important in the Current Economic Context

In this dynamic marketplace with ever-increasing pressures to retain customers.... continuous cost reduction has to sustain customer value in order to avoid losing customers

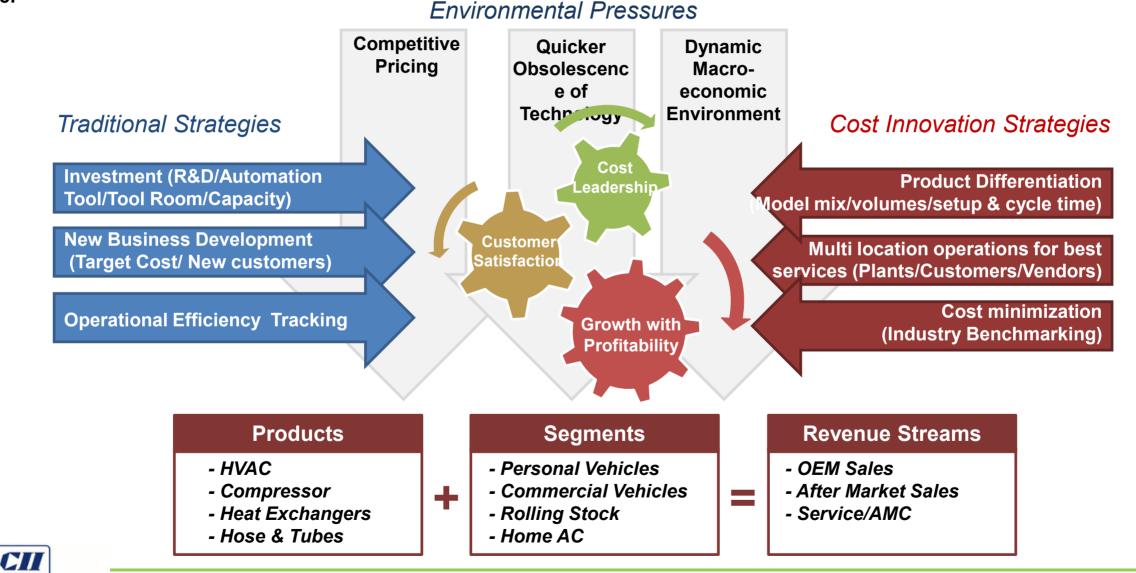
Competing to Win in this complex business environment requires a "Triple A" Advantage						
Agile capabilities, cost base and operating model	Adaptive growth and innovation engines, exploiting the	Aligned				
	ecosystem	with customer and stakeholder demands				

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Competitively Sustainable Business model combining cost innovation advantages with existing strengths as an established player



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Comprehensive Excellence at Subros





Subros strives continually to excel on all 10 pillars of Comprehensive Excellence in our Journey of Excellence

Monozukri Activities

MSSE Activities

TL Round Activities

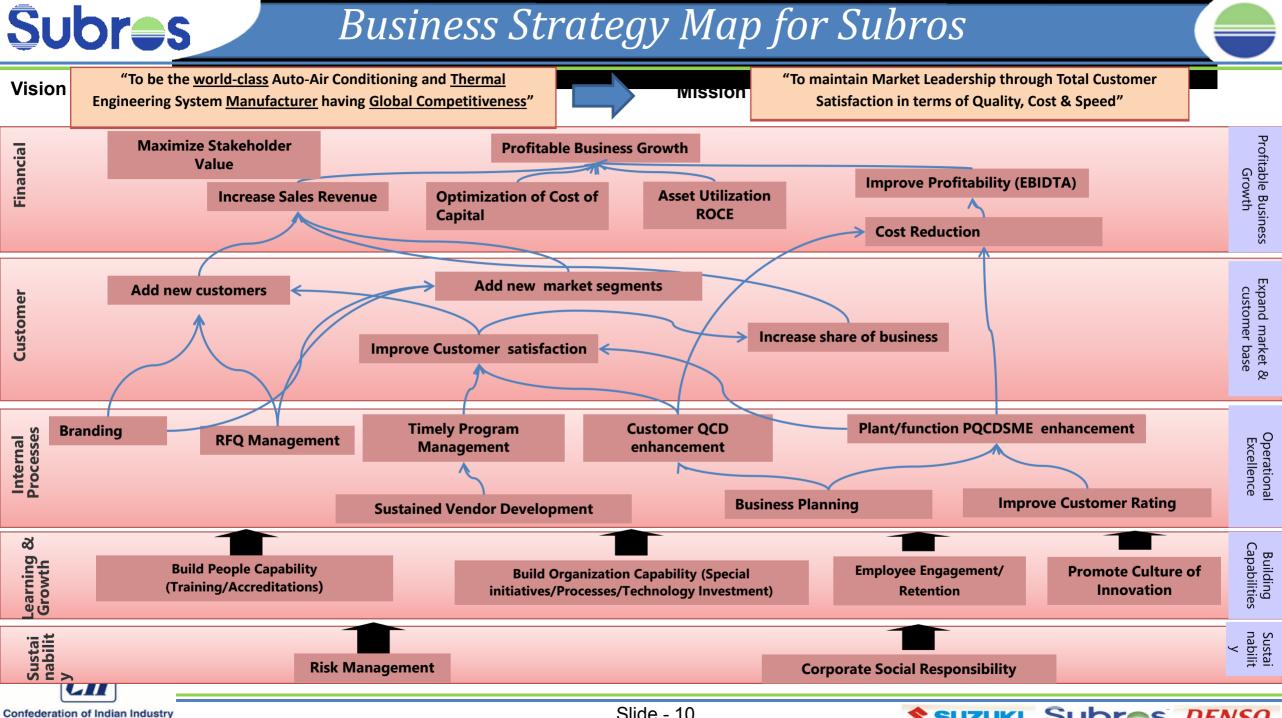
DOJO Activities

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Cost leadership being one of the key corporate objectives of Subros, excellence on Cost is deeply embedded / integrated as organizational DNA

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3. Enterprise Level Cost Ownership





Strategic Intent-Corporate

- a) XX % Market share in each product domain
- b) XX% Share of Business with all OEM customers
- c) XX:XX Business Ratio between Car and Non Car Thermal product
- d) XX% TEB business of total revenue of the company
- e) PBT > X %, EBIDTA Level of > XX% and ROCE > XX%

Approach to realise Strategic Intent

- a) Customer delight on QCDD Parameters and high vendor scores thru operational excellence
- b) Technology and Engineering capability build up to meet market expectation.
- c) Marketing excellence to support long term target and domain expansion
- *d) Cost leadership in all domain to achieve MSR, EBIDTA & PBT targets*
- e) Capacity build up to meet customer demand for sustained business with focus on ROCE
- *f) High performing work culture and competency building to meet business need*
- g) Risk mitigation against business environmental uncertainty.





BSC based scorecards form the basis of the performance management architecture on which the targets are set ; Accomplishments against these targets are regularly reviewed through the PMS process

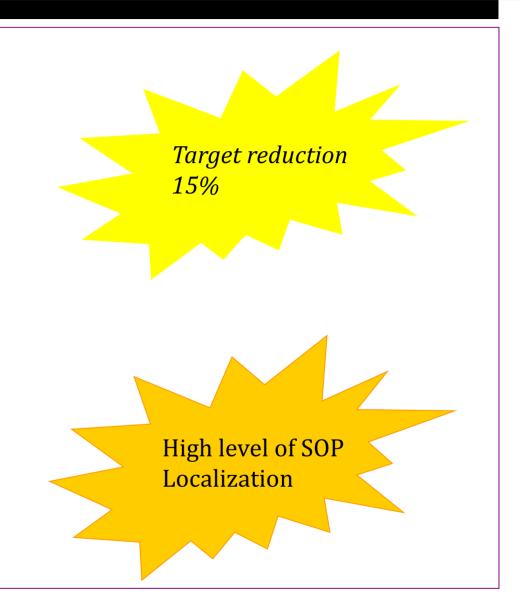
	Performance Measurement Architecture					Performance Management Process		
Vertical d	alignment Departm Functio scorecc Section Head scorecard	nal Function ard scorecar Horizontal	ing of PIs & in the ards	 Performance Management Cycle Frequency of Review Mechanism of review Linkage to Financial Cycle Key Components- Performance Planning, Mid Year Review & Year end Review Elements of Performance Appraisal (come from Performance architecture) KRAs / KPIs Weightages Targets Rating scales Roles & Responsibilities in the Performance Management System Normalization Process & Communication of Final Ratings ; Appeals process				
	Individual KRA/KPIs				Linkage to Other HR Systems & Processes			
	7							

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Strategic Cost Management

- Strategic Sourcing
 - Material Cost Reduction
 - Localisation
 - Alternate Sourcing
 - Zero Base Costing
 - Vendor Consolidation
 - Volume base discounts
 - Design Improvement & Breakthrough
 - New Product Development
 - New Technology
 - VAVE
 - Standardization







- Cost Alignment of all improvement initiatives
 - *TPM / TQM*
 - Kaizen Activities
- Effective Resource Planning
 - Inventory Management
 - Input vs. Output analysis
- Productivity Improvement
- Efficiency Improvement by control on Opportunity Loss Areas
 - Effective Resource Planning
 - Process Control/ Improvement
 - Automation
 - Manufacturing Cost Reduction
 - Overheads Control

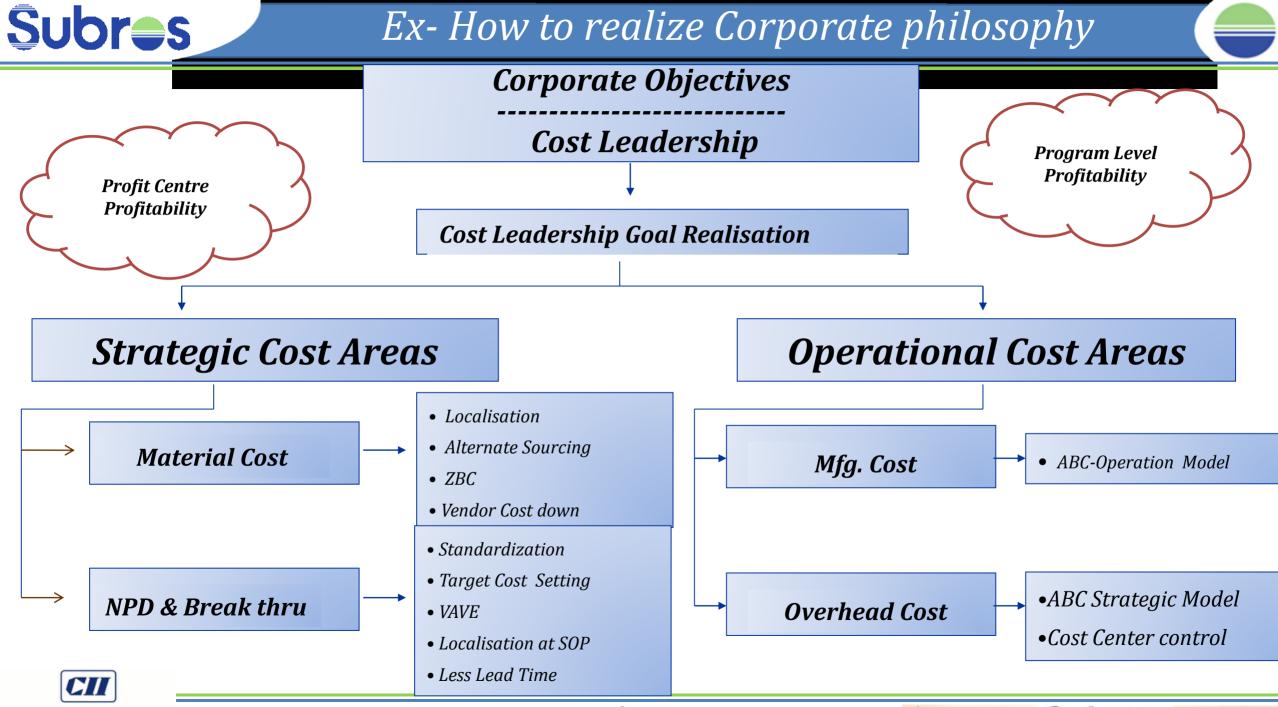






4. Robust Cost Measurement System

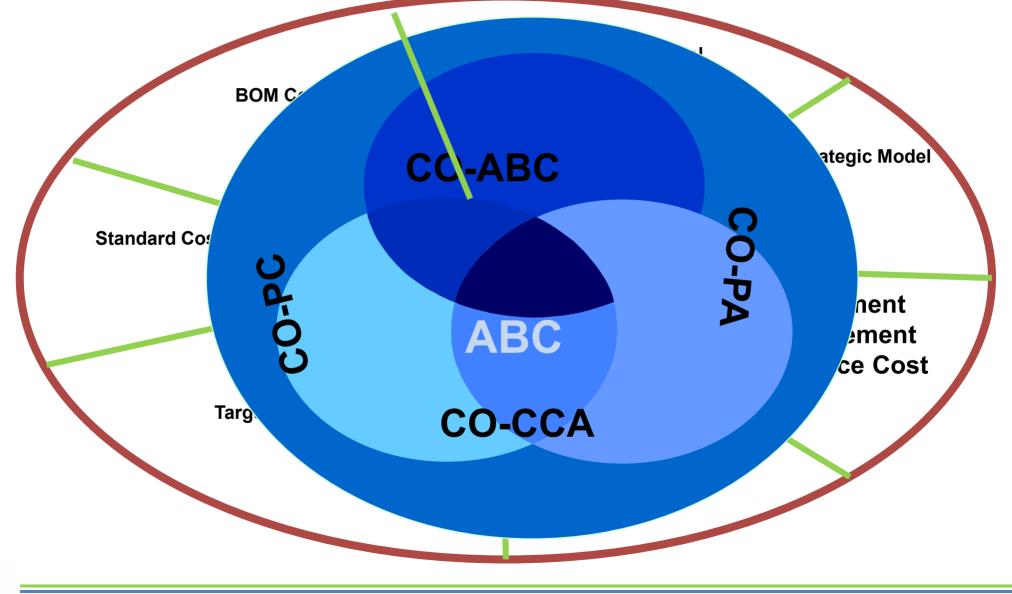




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Robust Cost Measurement & Management

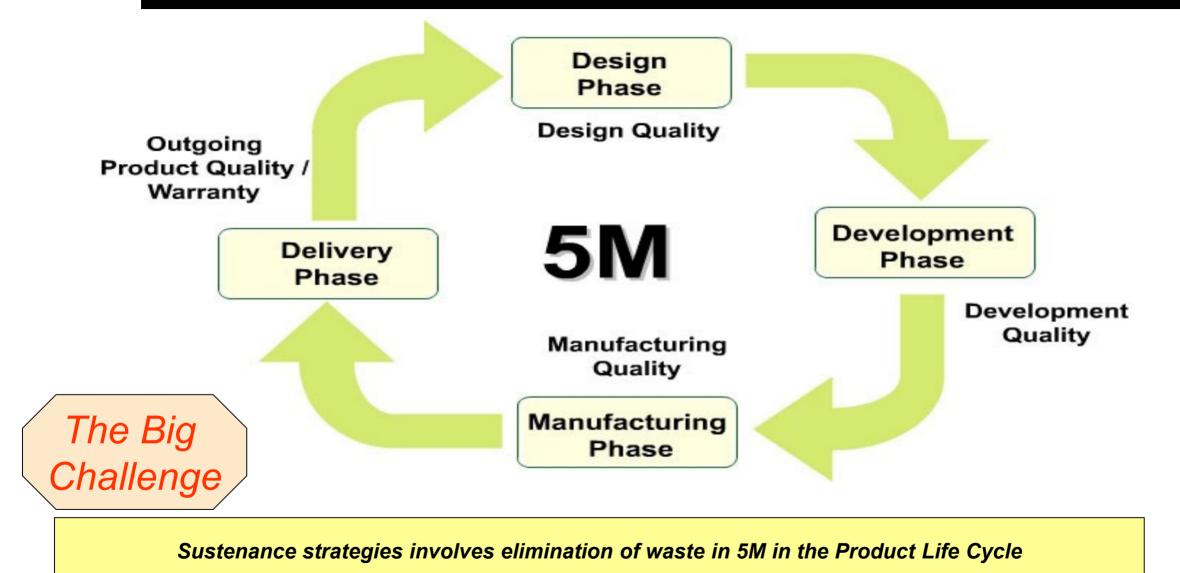


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Business Life Cycle



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7 Steps Program for Austerity actions in the Company

1 Sales Forecasting improvement	2 Manpower cost Optimization	3 Operational Efficiency improvement	4 Efficiency in value chain Process	5 Investment Optimization	6 Financial management efficiency	7 Customer Engagement & Support
Using our own forecasting model based on historical performance	Policy level changes & Nos. Rationalization	Shift management , consumable cost, Power cost, Direct Man power optimization	Inventory management thru Norms revisions, Make or Buy and Logistic cost optimization	Further CAPEX frozen and past investment recovery expedite	Optimum cost of sources of Funds and Working Capital cycle check	SOB adjustment and payment term negotiations





- Cost Leadership The concept & the TCIVI Architecture Integration
- Cost Leadership Sustainability
 - Passion, Enthusiasm & Energy Top down and bottom up
 - Short term vs long term approach
 - Continuous education to remain relevant
- The Organizational Design for Sustainable Cost leadership
 - The External Focus Risk Management
 - The Local & the global competition
 - The Ever Evolving Customer needs & wants
 - The Legal/ Public policy framework & business modeling
 - The Internal Focus Organization culture
 - Company Vision/Mission/Operating Principles
 - Organization education for cost sensitivity
 - Innovation as a tool for cost leadership
 - » Management Decision making with cost sustainability focus
 - » Product Cost Improvements using target costing
 - » Manufacturing Cost Improvement using Activity Based Costing
 - Governance The structure for execution control

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Sum up



Thank you



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