

Tata International gathers valuable insights on EPA management from Tata Steel

The metal trading vertical of Tata International – Products for Aluminium Industry (PAI) – follows an asset-light model, a primary component of which are the external processing agents (EPA), which take care of the processing. Tata International was keen to understand how Tata Steel, which has a robust network of EPAs, manages them and monitors the key performance indicators (KPIs) related to them.

Accordingly, Tata Business Excellence Group (TBExG) facilitated the sharing of Tata Steel's practices around EPA management with Tata International. Two sessions for sharing of the best practices took place between the companies in October 2020 and November 2020.

Session 1: Metrics for performance evaluation of EPAs

Avinash Mehta, Chief SPC & Services, Tata Steel, conducted the first session on EPA management in October 2020. Steel Processing Centres (SPCs) at Tata Steel process four MT of steel quarterly, with numerous value addition activities, primarily for the auto industry. A safety, technical, and financial due diligence is conducted, post which an SPC executes the contract.

Some of the KPIs monitored by Tata Steel are:

1. Delivery compliance.
2. Safety: Near miss, LTI, first aid, number of observations logged, compliance to safety audit plan.
3. High age stock: > 60 Days, >90 Days, >180days.
4. Overall stock (prime, second scrap).
5. Number of self-improvement projects initiated (SIP).
6. Rejection percentage (raw material and process).
7. Open process audit and non-compliance points.
8. Rolling compliance percentage at the SPC mills.
9. Bills not raised.
10. Yield percentage.
11. Number of contracts coming to end in the next six months.
12. Number of partner grievances still open.

An evaluation of each SPC is undertaken annually on four parameters – safety, quality, customer service, and innovations and improvements. Apart from the KPIs, improvement projects are driven:

- (i) At corporate level (no involvement of SPC)
- (ii) With partners through the SRM (Supplier Relationship Management) programme in which projects are driven to value both the parties.

Session 2: Network design

Tata International's operational distance is much smaller compared to Tata Steel, yet the volumes of material movement is high. To understand the optimisation of the same, Rajiv Banka, Head- Scheduling & Delivery (LP) from Tata Steel, provided a demonstration of the supply-chain-planning model through the 'Linear Programming Optimiser', in November 2020. The model emphasised on the analytics for determining the source plant and network optimisation.

Going forward, Tata International plans to implement the learnings as follows:

- > Work with Tata Steel's analytics and insights team or other consultants to get an optimiser tool for capacity utilisation and cost optimisation
- > Review all KPIs with respect to those shared by Tata Steel
- > Focus more on constraints like capacity, information flow, processes, and systems, at EPAs.

Participant speak

“ Mr Mehta's session was very informative, and he gave us the bigger picture of EPA management, especially the focus areas. The critical learning for us was that we should work on our constraints and monitor their performance closely. The KPIs shared were pretty similar to what we currently use, but it is clear that we can expand on them and use all the parameters. In the second session for LP (linear programming) optimiser, Mr Banka demonstrated a useful tool for cost optimisation. We can implement it with suitable modification at our end. Both the sessions were pretty engaging. ”

Rajiv Ranjan, Senior Manager, Supply Chain - PAI Division, Metals Vertical, Tata International
