



Identification of best product mix

Deliverables of MRM in brief

Having spent significant time reviewing business processes, while performing operation and management audits in various industries, our competent and experienced consultants bring to the table, extensive domain knowledge of many an industry. In brief, deliverable of MRM, is to put in place, a Total Cost Management System by identifying and focusing wholly on Critical Success Factors and Key Performance Indicators of each process. To highlight our expertise in bringing about Cost Reduction / Cost Control and to explain the methodology being followed, a few real time issues follow.

A textile company, in spite of maintaining high level of operating efficiency in production process, was consistently making low profits. On analysis, the following reasons were identified:

- a. Wide range of counts produced
- b. Higher realisation per kg of finer counts was not compensating for the higher process time involved and lower yarn realisation.
- c. Imbalance in capacity of preparatory and spinning section resulting in less than optimum utilization of the spinning section

To identify a solution for the problem, a mathematical model using the Linear Programming technique was formulated. For the objective function, contribution in Rs. per Kg of yarn produced was identified as the variable. Constraint equations were evolved in respect of market demand, the capacity of both spinning and back process sections, power requirement, etc.,

By solving for optimality, the following recommendations were offered.

- a. The average count should be between 45 and 50
- b. Count wise targets for production / selling were fixed.
- c. Recommendations for precise balancing machinery were also provided to increase the overall contribution.

The unit has since been operating under this configuration for more than a year. Even though balancing machinery has not been installed, the company has increased the profit percentage to turnover by 5%

