

SAP Customer Success Story Chemicals – Fluorine-Based Specialty Chemicals



AT A GLANCE

Company

- Name: Navin Fluorine International Limited
- Location: Mumbai, India
- Industry: Chemicals
- Products and services: Fluorine-based specialty chemicals
- Revenue: US\$60 million
- Employees: 600
- Web site: www.nfil.in
- Partner: Mahindra Consulting Limited

Challenges and Opportunities

- Nonintegrated, nonharmonized business processes and software
- New liberalized and globalized economic environment
- New compliance requirements surrounding government regulations and pollution control
- Present and future growth

Objective

Consolidate all business systems into a single integrated enterprise resource planning (ERP) system

Solution and Services

mySAP™ ERP application

Implementation Highlights

- Comprehensive change management
- Fast countrywide implementation of 90 days

Why SAP

- Strong chemical industry functionality
- SAP's commanding presence in and commitment to the Indian market
- The software's support for local business regulations
- Impressive solution road map

Benefits

- ROI within 2 years
- 1% increase in gross revenues annually
- 1.5% reduction in approximately \$15 million worth of inventory
- Reduction of maintenance, repair, and overhaul (MRO) inventory to 3% of net asset value
- Asset availability of 98%
- 0.5% reduction in key raw material procurement costs

Existing Environment

Legacy software

Third-Party Integration

- Database: Microsoft SQL Server
- Hardware: IBM
- Operating system: Microsoft Windows

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Sanjay Mittal, CIO, Navin Fluorine International Limited

NAVIN FLUORINE

mySAP™ ERP Prepares Enterprise for the Globalized Marketplace and Delivers Unexpected Financial Benefits

What do you do when your government liberalizes the economy and opens it to the forces of globalization? Over time, as the impact filters down, you find yourself facing world-class competition while simultaneously having to fulfill the expectations of new global customers and harmonize your operations with new and existing suppliers. The challenges come from all directions at once; your enterprise may be hard pressed to respond.

These were precisely the circumstances that Navin Fluorine International Limited of Mumbai, India, was facing when it decided to implement SAP® software for enterprise resource planning (ERP).

A US\$60 million enterprise, Navin Fluorine supplies fluorine-based products to the pharmaceutical, refrigeration and cooling, and metal smelting industries. Founded more than 40 years ago, its growth really accelerated with the opening of the Indian economy in the early 1990s. As with many older operations, however, Navin had to function with outdated legacy software.

Unresponsive Business Systems

“We were facing multiple challenges,” recalls Sanjay Mittal, CIO of Navin Fluorine. “First, all the challenges of an open economy were there. Then we had two production centers; their business processes were not integrated or harmonized, nor were they delivering manufacturing data in real time. Further, as a chemical company, we have serious compliance considerations.”

And finally, Navin's existing business systems were unable to deal with the challenges brought on by the company's growth. Back-end processes and internal processes were improperly aligned, making it difficult to deliver effective service to world-wide customers. The company's legacy software systems were insufficiently scalable and were not able to accommodate the load resulting from growing demand. "If the company completed a sales transaction in the first week of any month, we would probably get the data after five or six weeks," says Mittal. "So data consolidation and data availability were also big issues." Slow data delivery also hampered decision making.

Criteria for an Enterprise Business System

When Navin management decided to consolidate all IT systems into a single ERP platform, it began by establishing three criteria for evaluating competing vendors. "First, the ERP vendor should be localized," says Mittal. "Second, it should have all the support, all the availability of the product, in India itself. And third, the vendor should have enough financial commitment in the Indian market to assure the future of the ERP product."

Of the three vendors considered, SAP won hands down. "SAP has made a huge financial commitment to the Indian market," notes Mittal. In addition to a continually expanding development facility in India (SAP Labs), SAP operates a complete customer support center in Bangalore.

There was another factor as well, notes Mittal. "We estimated ERP system lifetime in our organization to be a minimum of 20 to 25 years," he says. "SAP's strong industry knowledge and vision for the future needs of the chemical industry was clear from the solution road map the company team made available to us. Of course, since the time of our implementation, it has been broadened. But even then, it was very versatile."

Adds Vinesh Sadekar, managing director at Navin, "Frankly, after four years, if we were to review our decision, we would say we absolutely made the right one."

Preparing for Implementation

The management team was exceptionally careful in its preparation for the forthcoming implementation of the mySAP™ ERP application. The first pre-implementation phase was what Mittal describes as organizational readiness, which entailed preparing the implementation team and revising business practices as necessary.

Then, it immediately became clear that change management would be crucial to the success of the implementation. A company like Navin, with a 40-year history, would naturally have many

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senior employees who might have difficulty adapting to the new system. So the implementation team initiated a comprehensive change management program.

"We identified all the key users, all the key stakeholders in the SAP deployment project," Mittal remembers. "During the change management exercise, we spoke personally to each and every stakeholder, one on one, and addressed their concerns, their apprehensions, and we provided an effective answer for each."

Rollout in 90 Days

With the change management program completed, the IT team began preparing the infrastructure required to run mySAP ERP. And finally, the company was ready to deploy the software. "Interestingly, ours was the first company in India to roll out the entire mySAP ERP application within 90 days," Mittal says, and then adds, almost as an afterthought, "across all of India."

Navin used a phased approach, but completed the implementation with remarkable speed. The IT team members started with the first production facility, deployed the software in one day, then spent three days optimizing and stabilizing it. They then went on to the next key facility, deployed the software on the first day, monitored it for one more day, and moved on to the next facility.

Once the production facilities were up and running, the project team members moved from sales office to sales office, working their way across the country. The entire deployment was completed in the first month. “By that time, we had real-time, consolidated management information available to us from everywhere in India,” says Mittal.

After go-live, the following two months were spent stabilizing and optimizing the implementation.

Aligning Processes

For the next full year, Navin worked on aligning its business processes and bringing them into conformity with best practices as exemplified by the SAP software. Quarterly independent audits were also performed to verify the results the company was getting from its new software and to ensure that the data being captured was consistent and authentic.

Over the following two years, Navin focused on the adoption of best practices and the reengineering of business processes. Navin managers then evaluated the benefits the company was achieving with its mySAP ERP software. They were surprised and gratified by their findings.

Benefits Accrue, Year After Year

“In the second year of operation, we could immediately see that our top line, that is our gross revenue, had been increasing by 1% per year because of the SAP software,” Mittal states. “That was a clear-cut financial benefit; after all we deployed SAP software not just to create operational savings but to help us to gain competitive advantage. And the best part is that this is going to accrue, to repeat, year after year, as leveraging the software will help us gain market share from our competitors.”

Every year, Navin takes a particular facet of the operation and assesses its strategic effectiveness via key performance indicators (KPIs). Most recently, the company targeted inventory management and procurement as an area for improvement. “We realized that we could streamline our procurement processes and reduce our inventory by 1.5% per year,” Mittal observes. “That is, we could now reduce the lead time to establish correct inventory levels from four days to two-and-a-half days.” Given that inventory represents an investment on the order of \$15 million, that 1.5% represents a considerable savings.

But there’s more. “We saw that with new efficiencies and best practices inherent in the SAP approach, we could reduce the procurement costs of our key raw material by nearly 0.5%,” says Mittal. All of this, too, will translate into accrued savings, year after year.

Apart from streamlining its supply chain and manufacturing processes, Navin Fluorine was also able to optimize overall asset availability. With mySAP ERP, the company can plan maintenance demands, reducing the risk of breakdown and production disruptions. After the deployment of its SAP software, Navin

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Fluorine was able to reach asset availability of 98%, resulting in a higher return on installed assets. With improved maintenance planning, reactive maintenance is now at just 10% of total maintenance cost. Integrated maintenance planning and inventory management helped Navin reduce maintenance, repair, and overhaul (MRO) inventory to 3% of net asset value.

System Payback: Surprisingly Fast

So, with all those savings, how fast would CIO Mittal say mySAP ERP paid for itself? “Originally we had estimated a payback in the range of three to five years,” he says. “But we did not anticipate these huge financial benefits. We recovered the cost of our mySAP ERP program in just two years.”

There are also less tangible but no less important benefits arising from the mySAP ERP implementation. Navin is now fully prepared to meet the challenges of the future.

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“By harmonizing and integrating all our processes, we have prepared our organization to meet new challenges and opportunities in the marketplace,” says Mittal. “And we are more resilient with regard to day-to-day operational shocks; with the immediate availability of data, we can troubleshoot our processes and revise them as necessary.”

Plans to Upgrade and Add New Functionality

Navin has no intention of resting on its laurels, however. The intention is to upgrade its existing SAP capabilities and add extensive new functionality. Mittal says that the company is planning an upgrade because it wants to adopt enterprise service-oriented architecture (enterprise SOA). “Enterprise SOA is the best framework that any organization can put in place to get the maximum benefits of its SAP software,” says Mittal. At the same time, Navin will move to 64-bit processors. Mittal says that a second beneficial effect of the upgrade will be a more flexible and secure information system.

Beyond the upgrade, Navin plans to implement SAP business analytics and business intelligence functionality available in the SAP NetWeaver® Business Intelligence component. “We have a very good, authentic data repository available to us,” says Mittal. “So we want to move from online transaction processing to a decision-making system.” In addition, to support increasing knowledge-worker requirements due to globalization, Navin plans to implement SAP human capital management software in the near future.

Also, to help meet India’s commitment to the Kyoto Protocol, Navin will implement some pollution control measures to reduce its greenhouse gas emissions. “SAP has a sophisticated solution that can help us with this responsibility,” Mittal points out. The software Mittal is referring to is the SAP xApp™ Emissions Management composite application, a subset of SAP solutions for governance, risk, and compliance (SAP solutions for GRC).

Mittal sees Navin implementing additional functionality within SAP solutions for GRC in the not-too-distant future. “In the United States, you have the Sarbanes-Oxley Act; in India, we have Clause 49,” he says. “Within two to three years, we would like to completely automate our compliance processes using SAP software.”

An Effective Change Agent

Wrapping up, Mittal has a final observation: “SAP software has been – and continues to be – an effective change agent for us, facilitating business transformation and helping us to prepare for the challenges and opportunities associated with the globalization of the Indian economy.”