CHAPTER-III
IMPLEMENTATION OF SAP IN SUGAR INDUSTRY
3.1. **INTRODUCTION**

India is one of the highest Sugar consumption countries in the world. However, as per production is concerned, India has notched up 2nd position following Brazil, the largest sugar producer in the world. Normally cane harvesting is be done by normal course ie traditional methods by way of mechanical modes to perform cultivation and harvesting process which requires more manpower and time consumption and the sequence of operations is also more. The main object is implementation of system application product (SAP) in sugar industry particularly in cane cultivation and harvesting and transportation of cane to the factory with reduced manpower, reduced time and limited operations without paperwork. By implementing SAP (MM-Module) in sugar cane industry particularly in cane cultivation, harvesting and lifting of cane can definitely reduce the manpower which in turn increase the profitability of the company and more over it is very transparent in nature and we can get all the information about stock in yard, inside factory premises and incoming data etc all these information’s can be accessed within a second as and when required round the clock.

3.2. The System Application Product (SAP) Materials Management (MM-module) is implemented in India at various production oriented industries like Cement Industries, Food Processing Industries etc. to improve the production quality, quantity and profitability to the company and end users. Based on this, we are conducting studies on implementation of System Application Product(SAP) Materials Management(MM-Module) in sugar cane cultivation and Harvesting.

3.3. India is mainly constituted with villages and Agriculture is the main occupation. Sugar cane cultivation is one of the important commercial crops adopted by the farmers. The demand of
sugar consumption is regularly increasing day by day as a result more and more sugar industries are coming up in turn there is a scope for further increase in the sugar cane cultivation throughout the country. But the farmers cannot afford to bear the expenditure incurred for the cultivation of sugarcane due to hike in cultivation cost such as increase in fertilizer price, manual labour, pesticides, insecticides, transportation etc. As a result the farmers are badly needed the financial support. In this regard sugar industries are tie up with financial institutions, Bank to get the financial assistance to farmers under the guarantee of the company. The banks provide financial support to the farmers and recover the principal amount with interest while factory is made the payment to the farmers after the supply of cane. In order to obtain financial support from the Bank, various procedures/steps to be followed.

3.4. In any production oriented industry procurement of raw material is the major concept and it involves particular wing called raw material supply and procurement wing and this section will consists of exclusive staff for handling of materials. Almost all sugar industries consist of 10 to 15 members for material procurement and storage section. The manual method of material handling is tedious, time consuming and requires more manpower. The material handling will be simplified by adopting System Application Product (SAP) Materials Management (MM-MODULE). Based on these materials can be classified into three classes like A class, B class and C class items. A class consists of high consumption value items, B class consists of Moderate consumption value items and C class consists of low consumption value items. Based on the requirement, materials can be classified into various classes by feeding the data into SAP package. Frame work order is a purchasing document used to procure materials or external services. Instead of stipulating a delivery date, this type of purchase order has an extended
validity period. A framework order covers multiple procurement transactions over a longer period. In material handling system each material has its own transaction codes. By clicking a particular code the complete history of the material is available in the system, this includes class of the item, validity, warranty period, cost of the material, stock position, and average life of the material etc. Hence by implementing System Application Product (SAP), once entering the data in the system it is continued further deletion of data from the system administrator. Due to this material handling will be simple and easy and manpower requirement is considerably less.

3.5. SAP has been delivering on its Sugar industry strategy by expanding its capabilities for manufacturing and supply chain management, broadening its composite package applications in areas such as emissions management, pricing management, and manufacturing dashboards, and focusing on mid-market companies. To implement an integrated system of production planning and materials management, there must have a central database wherein anyone in the company can find out all there is to know about any material passing through the plant. Everyone must use the same rules and data structures when they enter data about material details. The integration of all material data in a single database object eliminates redundant data storage. Areas such as purchasing, inventory management, material requirements planning (MRP), invoice verification, and so on, can all use the same data. By implementing SAP (MM-Module) in sugar industry for invoice verification, the product can be ordered and received within safety period. Based on material group classified under ABC analysis. Planning can also be done on priority by calling vendors for particular commodities through online.

3.6. Outline agreement means a longer-term arrangement between a purchasing organization and a vendor for the supply of materials or provision of services over a certain period based on
predefined terms and conditions. A plan defining the release codes with which a purchase requisition item, a complete purchase requisition, or a complete external purchasing document must be released (that is, approved) and the sequence in which release is to be effected using these codes. This process is used to run the replenishment requirement of all materials at a plant. Each agency will be responsible for managing their inventory. At minimum, this includes a weekly review/assessment of the inventory. Agencies not using SAP to manage their inventory will review whatever re-order criteria is available to them to assess what stock needs to be replenished. Each plant will determine the frequency of running MRP – every other day, once a week. The purpose of MRP is to ensure the right material arrives at the right place at the right time. The MRP run is used to automatically generate planned orders or purchase requisitions enabling the replenishment of materials depleted by consumption and the planning of known requirements. The system tries to achieve a balance between optimizing needed materials and minimizing costs by keeping inventory levels at a minimum and having no stock outages.