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ERP at a pharma company

*Kemwell has been able to gain better insights into its manufacturing processes through an ERP deployment. Tighter control on costing is a big benefit, says **Abhinav Singh***



The pharma industry operates in a specialised environment where requirements are unique. To meet the needs of a pharma company, an ERP package has to be highly customisable. Kemwell is a pharma that does contract manufacturing for majors such as Johnson & Johnson, Himalaya, AstraZeneca and GSK. It has two manufacturing plants. The company has been in this field for more than 25 years now, and its turnover was Rs 30 crore in fiscal 2003-04. This doubled to Rs 60 crore for the year ending March 2005.

Home-grown system not good enough

Kemwell had been using a customised ERP system based on FoxPro that was developed in-house. There were many limitations that the company had to grope with, including the chances of data corruption in case of power failure. There were also limitations with regard to how many tables and indexes could be created. Says M C Nanaiah, the company's General Manager for Systems & Processes, "Since the system was based on DOS, modifying reports was tedious because even for making small reports one had to write programmes—a time-consuming affair. In addition, the package was not integrated with the system running at the other manufacturing plant." Bringing the system online entailed setting up a separate leased link as the in-house system was a bandwidth hog. Besides this, the home-grown system had a limited set of modules such as finance, inventory, quality, purchase and payroll.

mySAP selected

After Kemwell decided to go in for an ERP package, it picked mySAP. Explains Subhash Bagaria, Kemwell's Managing Director, "A standardised package requires a large investment. We needed a solution which would gel with our systems and was customisable." The choice of mySAP did not come easily as many packages were evaluated before they decided on mySAP. Nanaiah says, "We evaluated packages from vendors like JD Edwards and Oracle. I personally went and researched a number of ERP installations at different companies, and found mySAP to be the best as far as meeting our requirements was concerned." Kemwell representatives saw the successful running of SAP ERP at companies such as Balsara Home Products, Dystar India and Bilag Industries. Nanaiah adds, "mySAP has a proven track record in the pharma industry, and complies with good manufacturing practice. It is also compliant with the US Food & Drug Administration standards."

Challenging transition

After mySAP was chosen, the implementation exercise began and a team of seven members was picked to implement the package. This team had members from Kemwell as well as the systems integrator, CVS IT Services, which specialises in implementing ERP for pharma companies. The implementation began in September 2004 and the product went live in February 2005. Bagaria recalls, "The greatest challenge was to transfer relevant data from the home-grown system to the new one after removing irrelevant data from the former. Since the new system was set to bring in a cultural change in the organisation, there were problems in training people to use it. The systems integrator did a perfect job of training our workforce on the new system." Modules like finance, material management, production planning, quality management, plant maintenance, sales & distribution and asset management were implemented during this exercise. The cost of the project, including hardware, software, networking and training, came close to Rs 1.5 crore.

Snapshot of the implementation	
Enterprise application software	mySAP ERP from SAP
Hardware	Production Server: IBM x255 (Xeon Processor with 6 GB RAM) Development Server: IBM x225 (Xeon Processor with 4 GB RAM)
Operating Systems	Windows 2003
Database	Oracle 9i
Number of user licences	45
Cost	Rs 1.5 crore for the hardware, software, networking & training

Perfect integration

Although only three months have passed since the ERP package was implemented, some benefits have already accrued. Nanaiah says, "Ever since the system went live we have every module running online in real-time. The system, which has been extended to both manufacturing plants, has integrated perfectly. The major benefit has been that as every transaction can be displayed immediately whenever any audit is done, it is easier for us to churn out the requisite information."

The new system is a boon for Kemwell's customers as they can find out the production status online in real-time. In the pharma industry, being able to track production and control quality is everything. Since the parameters for quality control have been incorporated in the system, it sounds an alert in case a finished product is not up to pre-set norms. As far as manufacturing is concerned, the system has led to better production planning. It is easier to drill down to specifics of raw material as to when it arrived, how much was used, etc. Since the system is integrated with both the manufacturing plants, it is possible for company representatives to view production status across the two plants at any point of time.

Next: HR and payroll

Kemwell is planning to implement the HR and the payroll modules next. It also intends to go in for a business warehouse package so that data can be analysed. There are plans to integrate the mySAP ERP system with its customers' ERP systems based on their approval. As the company is into contract manufacturing, seamless integration with its customers' systems will further streamline the production process.

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