

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION

O/o VC&MD Hyderabad – 624.

Case No: TR1/130(1)/2010-MED.

CIRCULAR NO:19/2010 - MED, Dt.11.08.2010

SUB: **TYRES** – Expenditure on RC/RT/REP Tyres – Controlling measures – Standardisation of Poly Cloth and Curing Bags - Strengthening the Systems at Tyre Retreading Shops – Reg.

REF: 1) Circular No: 29/1994 - MED, Dt. 12.09.1994. 2) Circular No: 02/2003 - MED, Dt. 06.01.2003.

888888

Corporation is spending around Rs.**120** Crores per annum on Tyres alone which constitutes **7%** of Rs.**1822** Crores of total expenditure being incurred on **MED** side. The expenditure on Tyres refers to the consumption of New Tyres, Tubes, Flaps, RC/RT/Rep Tyres and the other Tyre related material by the Depots.

As such the **annual expenditure** being incurred on all Tyre shops is Rs.**5224/-** lakhs out of which Rs.**1151/-** Lakhs is towards personnel wages, Rs.**3863/-** Lakhs towards material and Rs.**210/-** Lakhs towards the overheads. Corporation is producing around **2,08,000 RC** Tyres, **9,000 RT** Tyres and **47,500 Rep.** tyres **per annum** through its Seven Tyre Retreading shops and is self sufficient in meeting the demand of the Depots.

Accordingly, the **cost of RC** Tyre at Corporate level is Rs.**1902**/-, **RT** is Rs.**2464**/- and **Rep**, Rs.**400**/-. The costs of RC/RT/Rep Tyres are also analysed on the basis of expenditure incurred on personnel wages, material and overheads in respect of each individual process at Tyre Retreading Shops. The same analysis, when applied to a **RC Tyre** costing Rs. **1902**/-, is as follows:

Material cost Rs.**1546/-**Personnel Cost Rs.**291/-**Overheads cost Rs.**65/-**

As seen above, the **material cost** contributes **81%** to the total cost followed by **15% personnel** and **4% overheads**. Cost saving can be done by judicious consumption of material, improving the productivity of workforce and controlling the wastage of Electricity, water, etc., which come under overheads. It shall be done **without loosing the focus on the quality** of process and the final product.

The figures clearly indicate that the **area of concern is Material Cost**. The materials involved are Tread Rubber, Patches, Bonding Gum, Black Vulcanising cement, etc. Much work was done in case of Tread Rubber which is the costliest item of all, such as optimising the Tread lengths, widths, etc, besides adopting a policy of reusing the Tread Rubber wherever possible. The **Tyres** received with Casing damage beyond repairable condition but with considerable leftover Tread and fair wear are classified for Reuse. The activity of removing and sanding the Tread Rubber for further utilisation, have been outsourced. The **Tread Rubber consumption** which used to be more than **10** kg/RC Tyre, drastically came down to present consumption of around 9.80 kgs. Still ample scope is observed at some of the Tyre Retreading **Shops** in this area of concern as observed in consumption pattern. During the last financial year, the consumption of Used Tread Rubber in KRMR zone with two Tyre Retreading Shops at KRMR and WL, is only 0.7% followed by **VZM** with **1.2%** of total RC & RT production, where as it is **11.67%** at **UPL** and **6.5%** at **VJA**.

Similarly, consumption of other materials can be controlled in most of the cases by judicious usage, avoiding the wastage, further by way of exploring appropriate ways without loosing the quality as detailed below.

- Usage of Curing bags in place of Tubes in Electrical chambers was experimented long back and basing on the benefits, they were also standardised vide Circular cited at 1st reference. But the recent inspections revealed that certain Tyre Retreading Shops are still using Tubes. Latest study at UPL revealed that Curing Bag is getting 80 cures on an average against 15 cures of a Tube with a cost per cure being Rs.15/- and Rs.43/- in respective cases. As such AMEs(T) are advised to switch over to Curing Bags, if not done yet, and stop using Tubes with immediate effect.
- Experimental study conducted during the period Apr'09 to Mar'10 at UPL on usage of Poly Fabric in place of Poly film, resulted in reduced expenditure on process material and also in reduced consumption of Full skirt Envelopes. The total savings were estimated as Rs.6,68,687/during the same year. Therefore the Poly Fabric is henceforth standardised and AMEs(T) are advised to stop using Poly Film immediately.

Asst. Mechanical Engineers(T) involving their team of supervisors and workforce can further explore the areas of savings on Material side for reducing the overall expenditure in processing RC/RT/Rep Tyres.

The **personnel cost** is another area of concern which can be controlled by way of reducing **Process failures** and increasing the **productivity**. Process line inspections, cross checks and super checks are to be strengthened to reduce the Process failures. **Fixed quantity work order system**, if existing, **shall be stopped** and henceforth a flexible work order system suiting to the day to day demand variations is to be established. The incentive scheme for Tyre Retreading Shops is to be effectively utilised for this purpose.

Under the **Overheads cost**, the expenditure on **Electricity** is the area of concern. Corporation is spending around Rs. **75 lakhs** per annum only on Electricity bills at all Tyre Retreading Shops. Further, the burden is increasing from time to time whenever there is hike in electrical tariffs by A.P.Transco. Guidelines were earlier communicated vide the **Circular cited at 2nd** reference, highlighting the **ways to control the Electricity consumption**. These guidelines are to be inculcated in each and every employee of TRS irrespective of their position to reap maximum benefits.

Therefore all the **Assistant Mechanical Engineers(T)** are advised to bestow their personal attention in streamlining the cost control methods at their respective Units without further loss of time. Brainstorming sessions may also be conducted from time to time to generate good workable ideas leading to cost reduction at Tyre Retreading Shops.

Works Managers are advised to ensure proper orientation of potentiality available in Supervisors and Workforce towards the cost reduction at the Tyre Retreading Shops under their Jurisdiction and also in Workshops.

Executive Directors of Zones are requested to see that the awareness towards cost reduction is kept alive among the employees by encouraging the ideas and the people behind the ideas on a continuous basis.

11/8/2010

Vice-Chairman & Managing Director

Copy to: Dir (V&S) for information.

Copy to: ED(E&IT),FA,CAO,ED(A&P),ED(T&C)&Secy to Corpn for inf. and n/a.

Copy to: ED(AM&GHZ), ED(H&K), ED(V&V), ED(K&N) for information and n/a.

Copy to: CME(O), CME(C&B), CE(IT), CCOS for information & necessary action.

Copy to: All Regional Managers for information & necessary action.

Copy to: All Works Managers for necessary action.

Copy to: All Controllers of Stores for necessary action.

Copy to: All Dy.Chief Accounts Officers for necessary action.

Copy to: All Dy.Chief Mechanical Engineers for necessary action.

Copy to: All Asst. Mechanical Engineers (T) for necessary action.