

# Improvement in the Monitoring of Approved CAPEX Budget Codes

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## Abstract:

**T**his project represents the information regarding the various post-paid channel exposure of idea cellular Ltd. The main objective of the project is to study that where are the revenue leakages in the post-paid collection at channels and reason for the same. This research work will help in understanding the various reasons for revenue leakages and how to minimize them or reduce them to a level which is bearable by the company. For execution of this project, methodology adopted is the collection of data through unstructured interview taken from the person directly involved in the channels of collection of post-paid bill. The area for project study is Uttar Pradesh (West) only. Idea Cellular Ltd. post-paid customers bill collection responsibility is assigned to my idea. My ideas store is responsible for collection and on the timely collection they earn commission. The Uttar Pradesh west region is diverse and demography of the region is very complex. In this location, due to less connectivity to internet and low literacy rate the major part of bill payments by post-paid customers is made by cash method which gives a loophole for stores to rotate this cash for their own use. According to the study done this problem can be dealt with implementing strong and appealing reward system and better incentives for timely posting of bill payments in the iPoP (Idea post-paid payments system) and depositing the collected cash to the company accounts next day. Simultaneously Idea Cellular Ltd. should also implement an auditing mechanism in the channel for collection for knowing the information about my idea stores which are performing or struggling. With this mechanism Idea Cellular Ltd. can know about my idea stores which are not depositing timely and can focus on the stores for improving the performance of the channel partners. So the company should focus on the ways it can bring customers to the non-cash method of payment of their bill so that the revenue leakages in the channel can be minimized or removed from the system and stores can also earn revenues.

**Keywords:** Bill Collection, Monitoring Payment, Non-cash Purchase, Postpaid channel, Revenue leakages

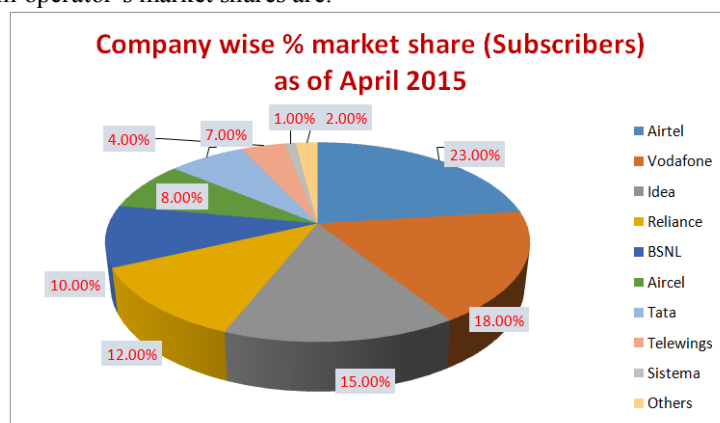
## I. INTRODUCTION

Telecommunications network in India is the second largest in the world based on the total number of the telephone users. It has the world third largest user base of internet. India underwent the fast pace liberalization and market growth with the announcement of the new economic policy in 1991. It helped the telecom sector to open up the market for private players.

The sector is divided in fixed line and mobile communications but large numbers of user base is in the mobile telephony. This has led to very competitive environment of mobile telecommunication and numbers of private player have entered in this sector after the policy reforms. They are driving the growth of the sectors. Private players are dominating this industry with growing number of user base.

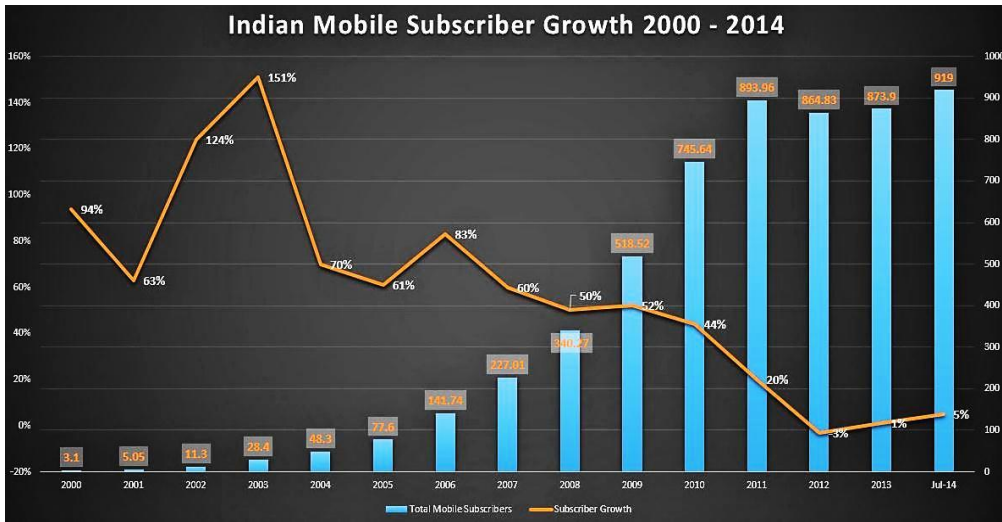
FDI in telecom sector has been made open to 100 percent. Foreign investors can invest in telecom in India up to 49 percent through automatic entry route and beyond 49 percent through foreign investment promotion board (FIPB) route subject to observance of licensing and security conditions by licensee as well as investors as notified by Department of Telecom (DoT) from time to time.

The major telecom operator's market shares are:-

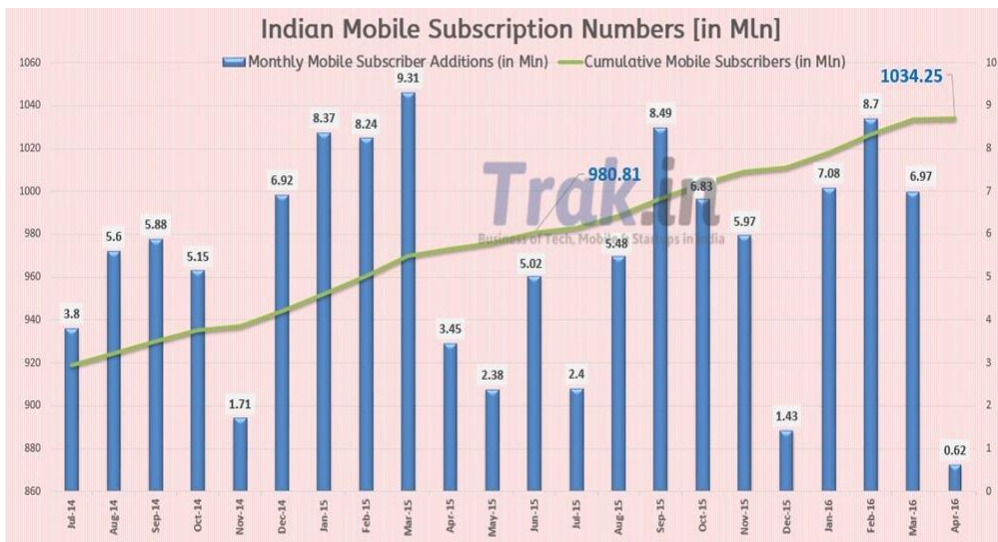


India has opted for the use of both the GSM (global system for mobile communications) and CDMA (code-division multiple access) technologies in the mobile sector. GSM is most prevalent in India with almost half of the mobile connection. Across the globe, CDMA has been losing out numbers to popular GSM technology, contrary to the scenario in India.

With an increase of 9.31 million in March 2015, total mobile subscriber base has reached to 969.89 million. India had 960.58 million subscribers by end of Feb 2015.

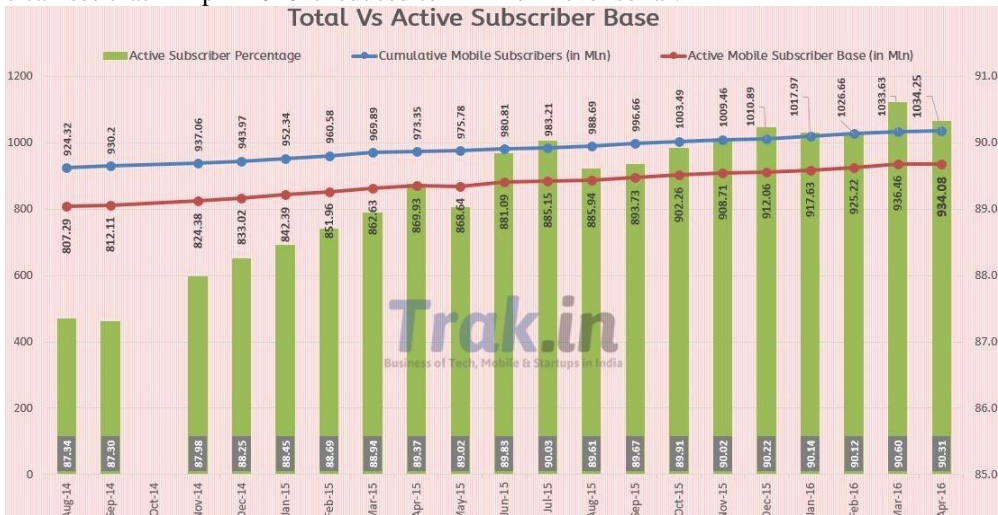


Source: Article: Indian Mobile Subscribers by 2015



Source : Trak.in : Indian Mobile Subscriber Stats 2016

As we can see that in April 2016 it reduced to minimum level so far.



Source : Trak.in : Indian Mobile Subscriber Stats 2016

As we look at the active subscribers, the numbers are quite competitive and Apr 2016 shows quite similar subscribers as on March, 2016.

Other studies were:

- Urban India witnessed a monthly decrease in subscription of 0.28 percent or 1.56 million subscribers, while rural mobile subscriber base increased by 2.70 percent or 10.88 million.
- Urban India has a total subscription of 555.71 million, while rural India has a total subscription of 414.18 million mobile subscribers.
- Urban mobile subscriber shares 57.30% as compared 42.70% of rural subscribers of total market.

In July 2014, India has close to 920 million total mobile subscribers and there are two major reasons that have fuelled this growth are low tariffs coupled with falling handset prices. Our telecom industry has evolved with the growth in the numbers of mobile subscribers. Now, we are in the process of launching 4G services across India and Mobile internet speeds are increasing, and more and more people are now coming on the Internet thanks to growth in Smart phones.

The other reason that has tremendously helped the telecom Industry is the regulatory changes and reforms that have been pushed for last 10 years by successive Indian governments.

- **National Telecom Policy, 1994**, government announced the national telecom policy which defined certain important objectives, including availability of telephone on demand, provision of world class services at reasonable prices, improving India's competitiveness in global market and promoting exports, attractive FDI and stimulating domestic investment. This was a major reform for telecom industry to flourish in India.
- **National Telecom Policy, 1999** was again a major milestone for the industry.
  - It laid down a clear roadmap for future reforms, contemplating the opening up of all the segments of the telecom sector for private sector participation.
  - It clearly recognized the need for strengthening the regulatory regime as well as restructuring the departmental telecom services to that of a public sector corporation so as to separate the licensing and policy functions of the Government from that of being an operator.
  - It also recognized the need for resolving the prevailing problems faced by the operators so as to restore their confidence and improve the investment climate.
- **National Telecom Policy, 2012**, The Policy aims at providing a pan India license, free roaming facility, affordable broadband and adequate availability of spectrum. The Policy plans on adopting what is known as the green policy in telecom. It will simplify the licensing framework, set up a common platform for interconnection and evolve a policy framework for financing the telecom sector.
  - The main feature of the policy is to provide broadband for all with minimum speed of 2 mbps.
  - To increase rural tele density of 39% to 70% in next 5 years.
  - The new policy aims to liberalize spectrum, ease the process of allocation of spectrum and licenses and to start a unified licensing regime.
  - The policy aims to incentivize and promote domestic manufacturing of telecom equipment's.

## II. KEY MARKETING ANALYSIS OF IDEA

### i. Idea with USP:

Idea  
Parent Company : Aditya Birla  
Category : Mobile service provider  
Sector : Telecommunication  
Tagline/ Slogans : An idea can change your life  
USP : Big brand with great service

### ii. STP (Segmentation, Targeting, Positioning) Analysis

Segment : Middle and upper middle class  
Target Group : Students (majority out station), workers, labourers  
Positioning : Smartness that comes with using Idea

### iii. SWOT Analysis

#### A. Strength

- a) Flexible plans
- b) Good advertising
- c) High brand visibility
- d) Celebrity brand ambassadors

#### B. Weakness

- a) Price competition from BSNL and MTNL
- b) Untapped Rural Market

**C. Opportunity**

- a) Fast expanding cellular market
- b) Latest and low cost technology
- c) Untapped rural market

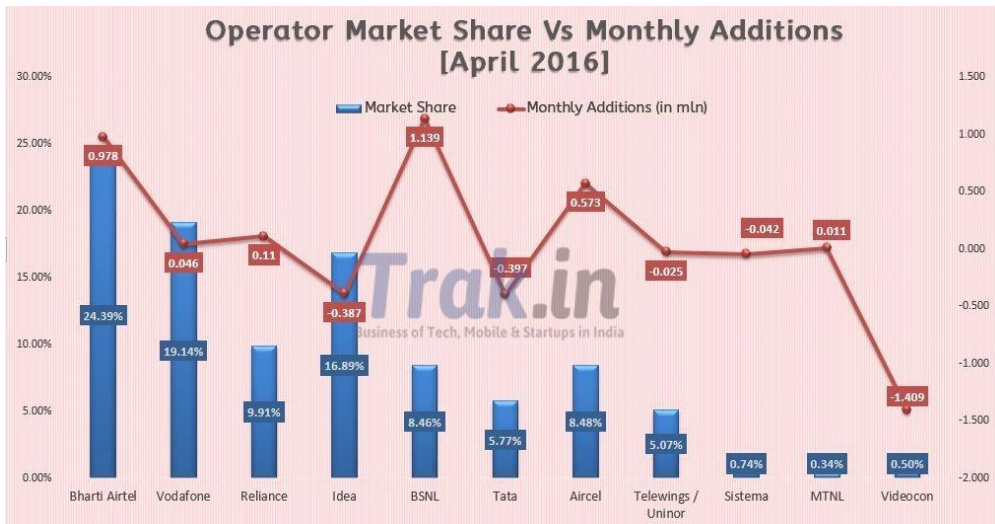
**D. Threats**

- a) New entrant's low price offering
- b) Saturation point in Basic telephony service
- c) Mobile Number Portability

**iv. Competition**

Competitors:

- 1. Airtel
- 2. Vodafone
- 3. Reliance
- 4. BSNL
- 5. TATA
- 6. Aircel
- 7. Uninor



Source: Market share of operators by Trak.in

As we can see that Idea witnessed a decrease of 0.387% in its Market share.

**III. RESEARCH METHODOLOGY**

**OBJECTIVES OF STUDY:**

- To standardize the process of procurement of for non- receipt contracted items.
- To monitor the functioning of the CAPEX budgets.
- To improve the functioning of the approved budgets codes.
- What are the factors that affect the CAPEX budgets.

**RESEARCH DESIGN:**

In this report, Analytical research design will be used.

Type: Analytical study

Scope: combination of theoretical as well as statistical study

Environment: field research

**In my report I used: PRIMARY DATA:**

- ✓ Survey of Idea employees at Noida office.
- ✓ It is collected with the help of questionnaire method and survey research.
- ✓ As well as unstructured observation has also been used at some part of study.

**DATA ANALYSIS:**

Data has been analyzed with the help of certain statistical tools.

- Questionnaire method
- Method of observation

**SAMPLING DESIGN:**

- POPULATION : Idea cellular ltd, Noida
- SURVEY AREA: employees of idea cellular
- SAMPLING METHOD: non – probability convenient sampling plan
- SAMPLE SIZE: 20 employees

**LITERATURE REVIEW**

**Capital Expenditure Planning: Using Metrics to Monitor Effectiveness**

Using improper metrics and evaluation methods is one of the top issues holding back capital expenditure programs from being more effective and efficient, according to Richard Rorem, a principal with Deloitte Consulting LLP and leader of its U.S. Finance Transformation practice, speaking during a Deloitte webcast, *Capital Productivity: Creating Value Through Capital Expenditure Planning*.

How to improve CAPEX programs through better planning and more effective frameworks was the focus of the discussion, with an emphasis on the benefits of metrics to monitor programs. “Using metrics to evaluate the effectiveness of a CAPEX program is a lot more than just lining up the ROI or NPV on a set of projects,” says Mr. Rorem. “Organizations have the opportunity to add some sophisticated analytics to their portfolio of investments and to compare the value different investments can bring by using an efficient frontier analysis.”

*Choosing CAPEX Metrics*

Which CAPEX metrics to use is determined by a range of factors. “Which metrics to use for your organization depends on the strategy in place, the nature of the projects, the kind of insights and answers that are needed and where the organization is in terms of skills around financial analysis,” says Charles Alsdorf, a director in Deloitte Financial Advisory Services LLP’s Valuation Services practice. He suggests companies consider using a range of metrics rather than relying on one metric. “Capital budgeting is very complex, and no one metric will likely give the range of insight that you want. Another benefit to using multiple metrics is that it allows users to vary the tool when they have particularly large and strategic projects.”

NPV is a fundamental metric, but it doesn’t help with the challenge of prioritizing many projects, and Mr. Alsdorf suggests considering others, including internal rate of return (IRR), benefit-to-cost and economic margin. “Economic margin is a useful number, though it does take more effort and data to quantify. It essentially considers the cash flow that has been generated from a project and makes some adjustments, taking into account that capital projects shouldn’t be viewed in perpetuity the way we view a business enterprise. Rather, economic margin recognizes that projects tend to have a value that decays over a few years. It also includes a cost of capital since there is an opportunity cost,” he adds. In addition, economic margin is considered to be a more encompassing metric as it looks at the gross assets that are being utilized as well as the capital expenditures that are being requested.

*Risk Measures and Portfolio Optimization*

Many organizations use a set of discount rates adjusted for the risk characteristics of a particular project or business unit, which is more effective than using one standard rate for all projects. “Discount rates, however, don’t necessarily give you a lot of insight to the risks,” says Mr. Alsdorf. “Sensitivity analysis,” he adds, “is an effective way to get some insights and quantify risk impact. Using decision analysis-based risk-scoring scales can also help quantify the impacts of risks, particularly across multiple projects to compare the relative riskiness.” For complex, strategic projects, a probabilistic or stochastic model, such as Monte Carlo simulation or decision-tree models, can provide an organization more insights.” These models quantify specific project risks and can provide useful insights, but they typically require a higher level of skill, such as designing dynamic models and assessing reasonable probability inputs considering what correlations there are.

**Capital Expenditure Controlling, Capital Expenditure Management and Capital Allocation**

Capital expenditure controlling refers to the actions, processes and tools used to identify, forecast, assess, decide and manage capital expenditure. Capital expenditure can be used to replace or expand existing plant and equipment, to invest in new equipment or to make use of strategic opportunities in new production or market contexts. It can be used on tangible or intangible, financial or current assets. In the broader sense capital expenditure controlling is also applied to expenditure incurred in the context of campaigns or projects typical for areas such as marketing or research & development.

Several aims are pursued through capital expenditure controlling. It supports the evaluation of alternative investments and makes use of quantitative and qualitative decision criteria to optimally allocate funds to alternative investment options in accordance with strategic requirements. An important component of such allocation optimization is portfolio management that takes into account exogenous and endogenous factors which influence the various portfolio elements and investment opportunities, as well as the links between them.

At the level of individual investments capital expenditure controlling provides indications about adaptation measures and coordinates the long-term planning of machine and human resources in coordination with sales and production planning. Ideally, investments should be tracked for their entire life cycles, i.e. before, during and after implementation, in order to learn from changes in the environment as well as from experiences made during implementation, thereby creating a better foundation for later decisions.

Scarce financial resources and increasing environmental uncertainty require efficient and holistic capital expenditure controlling. Steps have to be taken to ensure that only value-creating investments are made and that scarce

resources are allocated appropriately to company divisions and business units. This means that investment projects have to be tracked comprehensively and in a process-oriented fashion from budgeting through to follow-up. Not least, efficient capital expenditure controlling requires consistent and effective management of committees throughout the corporate group as a whole.

**Core issues that successful capital expenditure controlling has to address include:**

- How can capital expenditure controlling track investment projects comprehensively and in a process-oriented fashion - from budgeting the investment framework to doing follow-up calculations on a specific investment project?
- How can capital expenditure controlling be made to contribute as effectively as possible to optimal allocation of capital and portfolio management?
- How can investment monitoring be anchored in the management cycle throughout the entire process, from authorization to preparation, implementation and in actual usage in order to achieve greater capital efficiency and quality of planning?
- How can the management of committees be made consistent and effective in the interests of efficient capital expenditure controlling?
- Which tools and processes can be employed - especially under conditions of increasing volatility - to ensure sufficient and up-to-date transparency throughout the entire process of planning and implementing investments?
- What should be done to ensure that capital expenditure controlling also fulfils the increasing demands resulting from risk management?

**LIMITATIONS OF THE STUDY**

- The biggest limitation with respect to this topic was that the data provided was only secondary data and no primary data was provided because of the company rules and regulations.
- Gap between theoretical and practical application in the system.
- The interpretation has been done according to my knowledge about the topic which is also limited.
- The study is limited to the scope of data provided publically.
- The survey and research has been done only on Uttar Pradesh (west), therefore the results show the working position of Uttar Pradesh (west), so results cannot be considered as representatives of whole India.

**CAPITAL EXPENDITURE AUTHORIZATION (CEA) PROCESS:**

The CEA process begins when a department identifies the need for a specific project or a capital equipment project. Capital Authorization Requests are requested, authorized and managed in an electronic web- based system.

1. Department or representative determines the need for CEA.
2. Department or representative gathers the information and documents specific, written details of what the expenditure will constitute, accompanied by justification addressing the necessity of the expenditure.

**PROCEDURE:**

Step: 1 Indent receipt

User department will raise the indents in oracle of any goods required. These indents are approved as per the hierarchy by the user head and then by the Finance.

Step: 2 Indent review

Approved indent will flow to the commercial.

Commercial buyer gets a notification from oracle regarding the indent approval.

Checking for correct indent:

- 1 item code
- 2 taxes
- 3 unit rate
- 4 unit of material

Step: 3 Material reviews

Approved indent will flow to the commercial through oracle to the respective buyer .Commercial buyer gets the notification from the oracle regarding the indent approval. If new product need to procure then technical acceptance of the product is required from the user. In case material needs to procure from new supplier then commercial needs to select the vendor.

Step: 4 Comparative/ Note for approval (NFA) creation

Depending on the material required the buyer follows the following steps:

- 1 Float an inquiry of the items.
- 2 Check the previous purchase history for the item to bench mark.
- 3 Negotiate with the suppliers on the basis of the above information.
- 4 Comparative /NFA preparation and sign offs as per the Delegation of Authority (DOA) Policy.

Step: 5 Purchase order creation (PO)

Buyer will create purchase order in oracle on the basis of the approved NFA available. For the items, NFA approval to be taken from the corporate as per DOA.

The purchase order will contain all the mandatory documents attached. The buyer will than forward the purchase order to approver for the approval.

Step: 6 Purchase order approval

Approver will approve the purchase orders in the oracle system.

Step: 7 Purchase order dispatch

The purchase order is sent to the supplier and acknowledgement taken from the supplier .once sharing the PO to the supplier, buyer to get the PO acknowledgment whenever required.

Step: 8 PO Amendment/Cancellation required

If in any case supplier fails to supply the materials as per the required schedule then the buyer have to discuss with the other suppliers who can supply it at lower rates or current rate in consultation with the user. Approval taken for issuing the PO to the new supplier or amended and action taken against the non performing supplier as required in concurrence with the user if required.

Step: 9 Material receipts

The material is received at site/warehouse as per the shipment schedule provided by the buyer and as per the PO.MRN is made from the material.

\*The process starts with the approved indent from the user and it ends with the final delivery of the material and its receipt.

When user department needs the money it sends a written note to the planning department to raise an indent.

**HOW TO RAISE INDENT:**

When user department asks for raising indent, the planning department creates the indent in oracle.

1. Open the oracle application in the system.
2. In functions column select the requisition summary.
3. In results there are three options: a) headers b) lines c) distributions, select for lines.
4. In operating Unit column add the unit name: ICL UP-WEST.
5. In type column add "purchase request".
6. In preparer column add the name of the requester.
7. In item column add" item code", different items are assigned different codes as per the required item add its respective code. When item code is added to the column there pop up a note. In the note there is the clear description of the item need to purchased, if the item code and description matches to the user request then click ok option.
8. In quantity column add the number of units required.
9. In price column add per unit price of the respective material.
10. In ' need by' column add the date up to which material being required by the user department.
11. In 'description' and 'note to buyer' column add the detail of the product.
12. In the buyer column add the name of the buyer.
13. In hazard classes column add the type of purchase. There are four options available: a) Import –Regular, b) Import-Spares, c) Export-Regular, d) Export-Spares. Choose according to the type of buying requirement.
14. In the requisition lines add the 'product code', 'cost centre' and 'project code'.
15. In the approval, submit for approval and forward .A window pops up saying "your budgetary action completed". Select OK.

**INDENT IS CREATED.**

**TRANSMISSION NEED FOR INDENTING**

Once need for a specific item or service has been established the next step shall be to transmit the need to the purchasing people for processing at their end. It may require certain paper work or electronic media to do this job.

Transmission of need to Purchase department is usually done through any one of the **following three forms:**

**1) Standard Purchase Requisition**

A Purchase requisition is a document that is used to list down the requirement and is sent to Purchase department for further processing.

Since material requirement is a regular phenomenon for an organization, every organization develops a formalized paper or electronic requisition which is filled up by the user department who has assessed the need for the item.

It is also known as "Raising of an indent" or "Raising a "Materials Purchasing Requisition" The indents for purchase of materials/ job contracts is raised by the department concerned or any agency within the organization authorized to raise the indent. These Indents are prepared in a format designed by the organization. The indent carries a unique identification number and is also checked for its correctness by the higher authorities within the department, usually the Head of the Department. Appropriate ways are devised for control purposes.

In the indent, the Indenter gives complete information wert. The description and specification of the material to be procured such as description of the jobs to be executed along with the materials to be supplied and equipment.

For the items to be supplied, the quantity along with detailed specifications and drawing number, etc., are given in the indent.

Similarly, for the equipment to be deployed the desired capacities of the equipment, their ownership, procurement through rent/lease, etc., are specified in the Indent. The overall qualities of the jobs to be executed along with the expected Performance Guarantees are also mentioned in the Indent.

Normally the specifications given are standard ones conforming to national or international standards organizations such as IPSS, PS, ISS or DIN, etc. Wherever required, additional information in the form of Manufacturing Drawings, a check-list, a certificate on the prescribed Performa, in respect of proprietary items, incorporation of special requirement of inspection/check-list for special packing instructions, matching/complementary parts of an equipment/ assembly, etc are enclosed in adequate numbers with the Indent. In some organizations, especially bigger ones, the cost estimates also form part of the indent and as such are to be done by the indenter.

Estimated values provide a basis for examining the reasonableness of the prices offered by the parties.

## 2) **Traveling Purchase Requisition (TPR)**

Mostly found in manually operated purchase systems, it is usually done by the Inventory control section.

It is a simple printed card that is filed with the inventory control record for an item. Since TPR are a means to communicate and activate purchase it also carries information such as:

- Complete description of the item to be purchase
- List of approved suppliers for the items, maintained by the Materials Management department
- Last Purchased price
- Past Consumption record
- Reorder quantity value

Since TPRs are raised for Inventory items, the need of the item arises on the basis of certain forecasting methods employed by the Inventory control section. Popular methods are Periodic Review system, fixed quantity system or Reorder point system.

## 3) **Bill of Materials**

In brief, all the parts / components needed to make a product, when listed along with the individual quantity, is called Bill of materials.

This is basically a list, structured in the same way a product can be thought of. For example, when a design personal produces design of a new product then he may need a number of parts that ultimately when assembled shall produce the item concerned.

List of such parts is called Bill of Materials (BOM).

All other things remain the same as in case of other forms of transmission of need of an item

## **REGULATORY GUIDELINES FOR CORRECT INDENT:**

Sometimes, indent made is having faults due to which false indent being made and creates problems in the next levels of the processing. To avoid these there are few items which we may check in order to avoid the faulty results, wastage of time and delayed processing? The items are as follows:

1. **Item code:** Item code plays a major role in getting the particular material. Different items are given different codes and codes are somewhat similar to each other. In order to avoid the faults item code need to cross checked twice in order to create correct indent as required by the user department.
2. **Item name:** Item name is another significant part of indent so we need to give a thorough review to it.
3. **Quantity:** Quantity of the product is also important as sometimes wrong quantity is being added. Wrong quantity creates problem to the quantity but also to the budget of the particular item required.
4. **Price per unit:** Sometimes price per unit added is entered is incorrect. Wrong price stated will affect the budget and also at the time of GRN.
5. **Item nature:** The item nature defines the item need to be procured from, there are majorly four categories through which item is procured such as :
  - a) local regular
  - b) import regular
  - c) local spares
  - d) import spares,

Depending upon the type of material, the item need to be selected, wrong item nature will lead to wrong material and also wastage of time and money.

## 6. **CAPEX OR OPEX:**

Check for the item required is of capex / opex .in the organization felid check for the codes as there are different code for opex as well as capex items.

## 7. **Miscellaneous:**

Sometimes, the project is being closed or item code has been changed due to which indent is not approved.

Once the indent is being made it goes to the next level, indent being forwarded to the finance department for the budget allocation.



### **ROLE OF THE FINANCE DEPARTMENT:**

When finance department receives the indent, it checks for the item required and the amount needed by the user department.

In the budget tracker system, the item code is being searched for and with respect to its budget if there is budget available to the particular item then the indent is being approved by finance .further if the budget is not appropriate then it shows the negative balance into the amount column. If there is no budget the indent need to be rejected by the finance but when finance dep't. Rejects the indent it further needs to add the note as the reason due to which the indent being not approved.

### **CHALLENGES TO FINANCE DEPARTMENT:**

1. Once the indent is being approved by the finance it precedes towards the commercial, commercial selects the vendor from whom goods need to be procured. When indent approved by the finance, finance department deducts the indent amount from the total budget and now there is only available budget for the product left. But sometime due to certain reasons commercial rejects the project and send it directly to the user department due to which the finance does not have the detail about the project closer and the balance available is wrong. When new indent came from the user department for the same item the balance available with the finance showed is lesser as it hadn't reversed the transaction in the books, although it is available in actual but the books shows to the budget differently.

In order to remove this difficulty the finance officer has to go through the whole process which is quite lengthy and time consuming.

#### **REMEDY:**

So as to remove this problem the finance need to keep the track of the commercial working and asks for the indent cancellation details, whenever the commercial rejects any project it need to inform about it to the finance department and the finance need to reverse its previously made transactions. This will give better understanding to the finance department, saves time and also helps them achieving the efficiency to the books.

2. Sometimes when an indent come to the finance department the project is being closed or the item code has been changed in the oracle which creates problem to the finance department. When item code is being changed by the user department the finance department does not have the idea about changes keeps working over the previous data leads to misleading results on the part of the user and the finance.

#### **REMEDY:**

For the clear working of finance department as soon as the code gets changed or project is closed. The direct should information regarding the subject should be disclosed clearly.

3. Finance department allots the money to concerned department as and when required but finance officer can't check as the funds allotted are used for the concerned item and not on any other activity. The fund should be by whom and for what purpose it has been issued and exactly in the same manner as asked for.

#### **REMEDY:**

A tracking system should be established in order to check the allotted funds are used for the concerned purpose only. No distinction should be there either in the price or to the quantity of the goods specified.

The ROI Methodology is a scalable and systematic approach to program evaluation. Using a process model, five-level framework and operating standards to capture performance metrics from simple satisfaction scores to financial impact; the methodology enables you to collect appropriate data to report performance of a variety of initiatives and program types. The ROI Methodology generates both qualitative and quantitative data and provides techniques to isolate the effects of the program from other influences – resulting in credible metrics and ROI reports accepted by financial executives and stakeholders.

With over 5,000 organizations using this process, the ROI Methodology is the most used and implemented evaluation system in the world. The ROI Methodology not only provides the capability to evaluate program performance, but also improves the design of programs for optimal impact. A focused, proven and practical approach – the process is grounded in conservative standards and a cost effective approach to evaluation. ATC's "FOS-OpEx/CapEx Management" for Banking. A Solution for Operating & Capital Expenditure Control.

### **COMMERCIAL**

The approved indent from finance department goes to commercial ,where it selects the buyer.

For rate contract there are two methods:

1. GRC (global rate contracted)
2. LRC (local rate contracted) rate

For non rate contracted goods we need to get the rates of goods. There are two methods by which we gets the rate of goods:

1. **E-bidding:** in e-bidding the vendor bids the lowest prices of his goods and the vendor who gives lowest prices good at good quality is selected for the procurement of goods.
2. **E- RFQs:** in RFQs(request for quotation is being send to the vendor and vendor send the quotation about the rate of the goods to commercial and it selects the vendor who fits best for the purpose. In RFQs the comparative

is prepared checking the rates of different vendors and rates are closed and the vendor is selected from the entire quotation bases.

For the indent more than 30 lacs the commercial needs to sent NFA (note for approval) to finance for further workings.

Sometimes, goods are procured from inside the organization (from its different branches) it is known as ISO (internal sales order) . This procedures is quiet rare in idea.

### **PROCUREMENT OF GOODS**

For procurement of goods purchase order is prepared. Purchase order(PO) can be of two types:

- **Open:** In this the PO will be open until the delivery of the final goods. If the goods are coming in lots the untill the final lot is being delivered the PO will be kept open.
- **One time:** under this once the PO is being made the PO will be closed.

This PO is sent to the vendor and vendor send the shipment of goods.ASN(quantity , quality, IFSI codes, delivery date, date of placing order, detail of product) and invoices come along with shipment.

The shipment is sent to warehouse along with MRN (material receipt note). Once the materials is received invoices are validated along with MRN and goes to the finance department. Under the CAPEX items the goods budget is allocated for 6months and services are allotted 1 year to the maximum.

### **Material Receipt Note (MRN)**

Material Receipt Note (MRN) is a written record that indicates the receiving details of materials from a supplier to the inventory location.

Material receipt note represents a transaction that took place when the hardware items are supplied from a supplier and delivered at the inventory location. The MRN usually includes, various items, quantity of each item, date, order number, supplier name and inventory location name.

While receiving material, user may accept partial quantity as acceptable and partial quantity as damaged. Material received as damaged are marked with the quality status as "Broken".

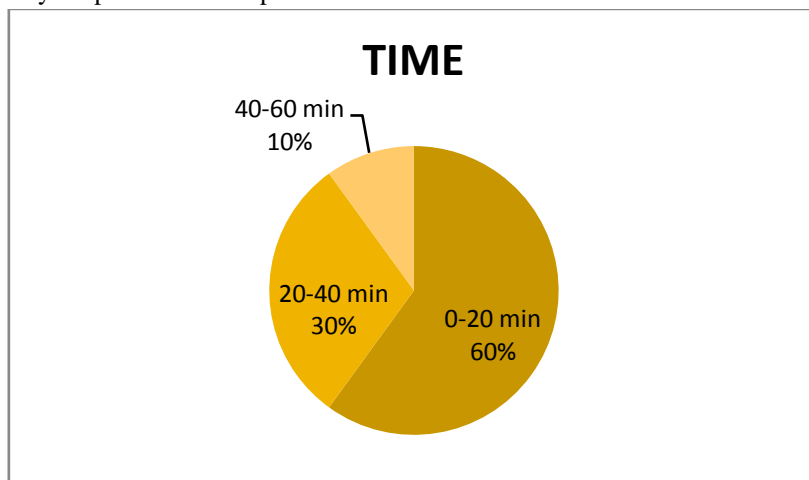
### **CHALLENGES ENCOUNTERED BY COMMERCIAL:**

The major problems which creates obstacle for commercial.

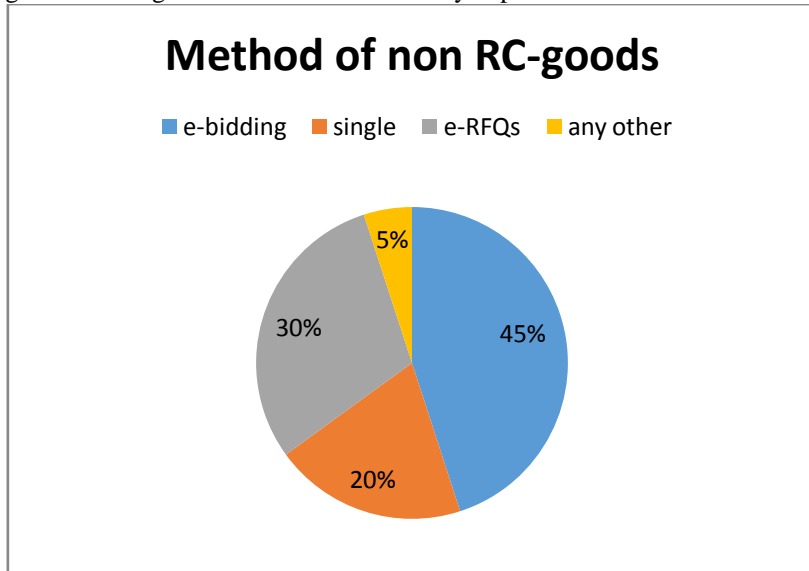
- 1: Inventory order level: How much inventory need to be ordered and when as the excess of inventory increases the cost of warehouses and low inventory hinders the manufacturability. Inventory in idea keeps here for period not more than 10 days, whatever the inventory should be consumed with this period only. But it is being seen that the inventory in stock should not be kept for more than 6 days. So we need to standardize this problem.
- 2: Supplier: The supplier need to educated properly as they often send the inventory according to their own conveniency. If 100 units are required from march to august then the proper divison of units is to be decided as to how much to be receive by april, may as the excess increases the cost of warehousing and lesser creates the problem in production.
- 3: User: User or our customers need to be informed properly about the usage of the product and there preference should be checked upon.
- 4: Need By: it is often seen that the need by column of indent is placed wrongly which hinders the commercial workings as it increase the cost of inventory.

### **IV. DATA ANALYSIS AND INTERPRETATION**

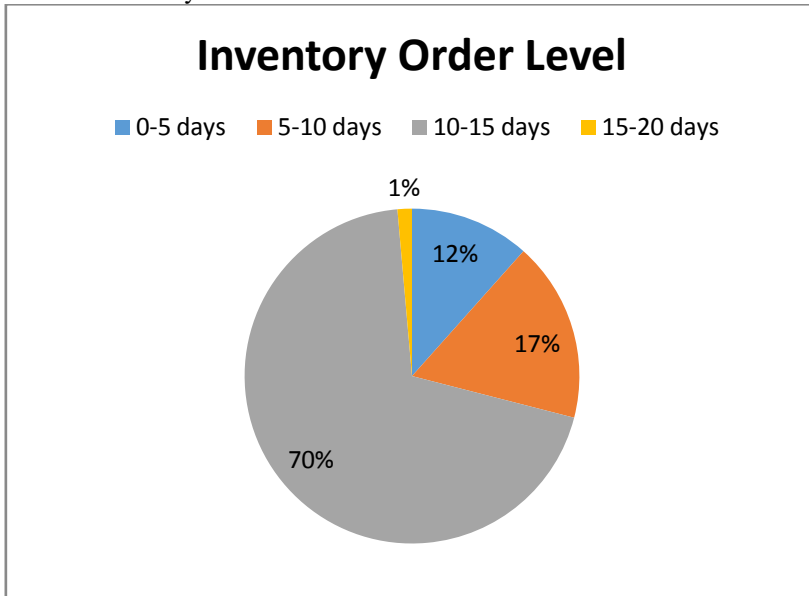
1. How much time you spend on indent process?



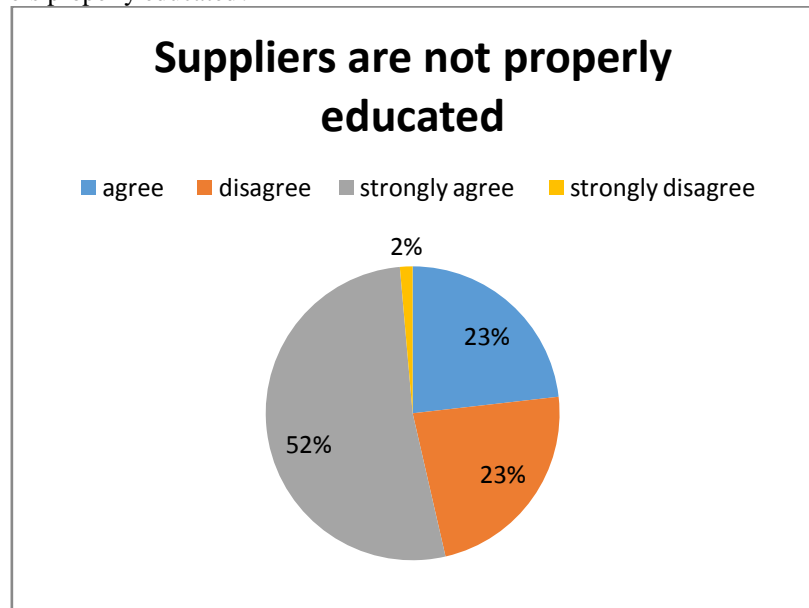
2. For purchasing of non RC- goods which method would you prefer?



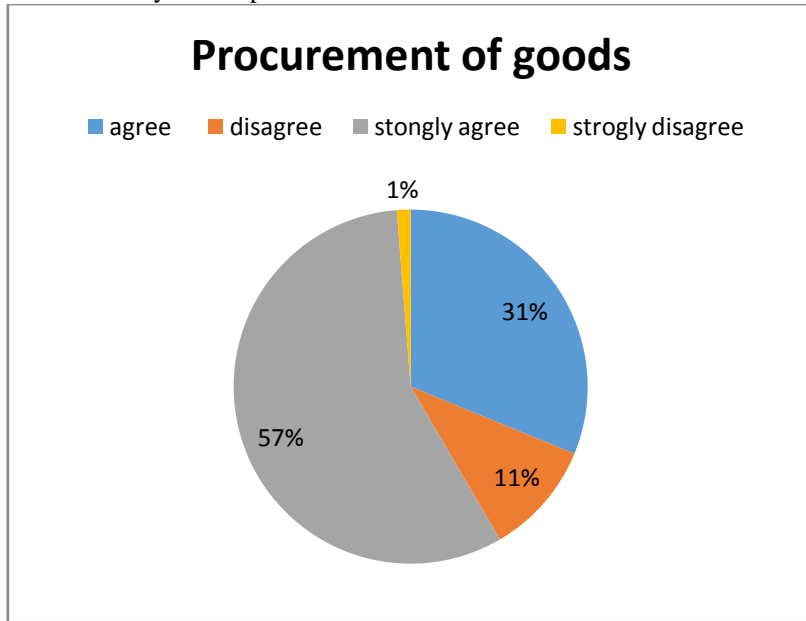
3. What is the estimated inventory order level?



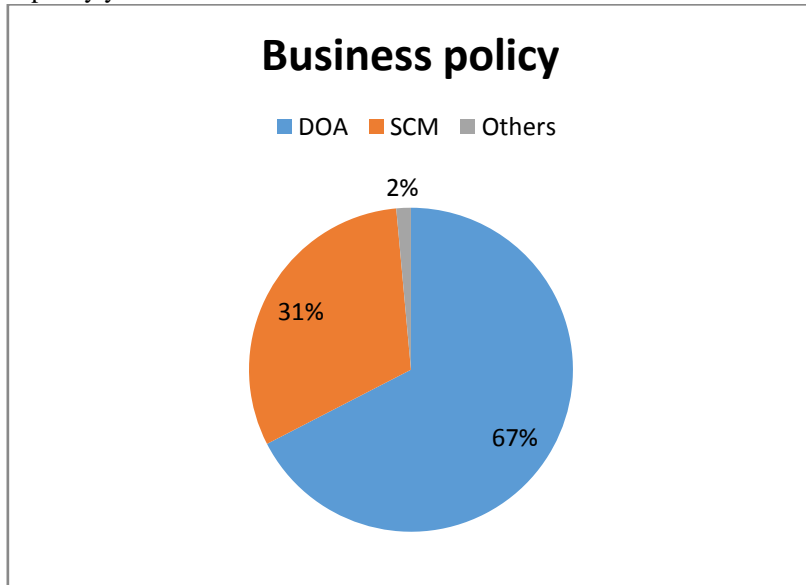
4. Are the suppliers properly educated?



5. Does Contractor create delays in the procurement of time?



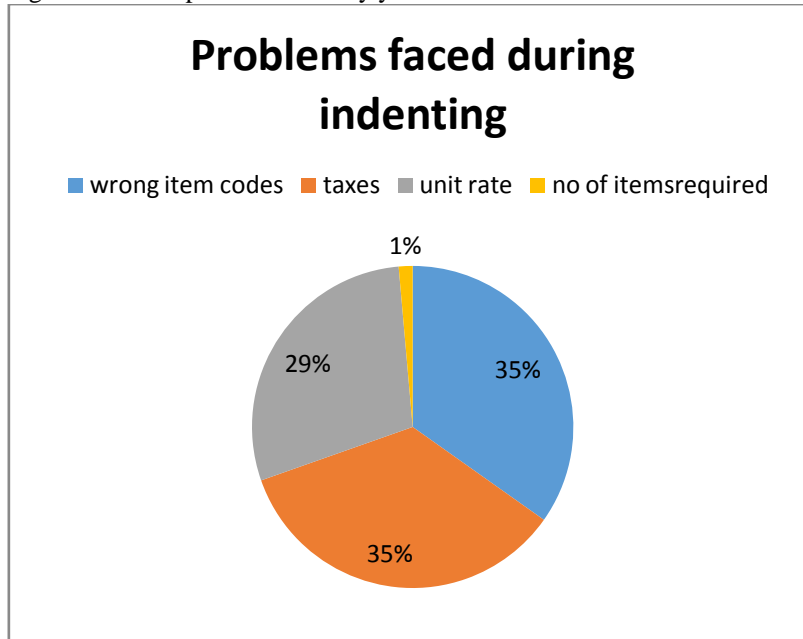
6. Which business policy you often recommend



7. If suppliers fail to supply material as per the schedule, then what you do?



8. During indenting what are the problem faced by you



### V. FINDINGS

Once the indent is being approved by the finance it precedes towards the commercial, commercial selects the vendor from whom goods need to be procured. When indent approved by the finance, finance department deducts the indent amount from the total budget and now there is only available budget for the product left. But sometime due to certain reasons commercial rejects the project and send it directly to the user department due to which the finance does not have the detail about the project closer and the balance available is wrong. When new indent came from the user department for the same item the balance available with the finance showed is lesser as it hadn't reversed the transaction in the books, although it is available in actual but the books shows to the budget differently.

Sometimes when an indent come to the finance department the project is being closed or the item code has been changed in the oracle which creates problem to the finance department. When item code is being changed by the user department the finance department does not have the idea about changes keeps working over the previous data leads to misleading results on the part of the user and the finance.

### VI. CONCLUSIONS

The telecom sector is witnessing a consolidation phase in the current environment and those companies which are able to retain talent and grow in this environment can only survive.

The project deals with the problem faced by Idea Cellular Ltd. are of monitoring the approved CAPEX budgets codes. The current model which company is following is non –RC goods model for the procurement of goods from different vendors. This model is beneficial but it has a loophole for procurement of non-RC goods. This problem can be dealt with by initiating and improving both finance and commercial workings.

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- [2] Telecom Regulatory Authority of India (TRAI), (Year 2013-14, 2012-13)

**ANNEXURE: QUESTIONNAIRE**

**Employees Survey Questionnaire CAPEX Monitoring**

The objective of this study is to collect information about problems encountered by the employees in the organization during the monitoring of CAPEX budgets. Please provide us your spontaneous response to all the questions that pertain to your experience. All information provided by you is kept confidential and we shall be only publishing the outcomes. Please provide us correct information.

1. What are the problems faced during the CAPEX budgeting?  
-----
  2. How much time you spend on indent process?  
a) 0-20 min                      b)20-40 min                      c)40-60 min
  3. For purchasing of non RC- goods which method would you prefer?  
a) E-bidding   b)single   c)E –RFQS      d)any other
  4. What is the estimated inventory order level?  
a) 0-5days      b)5-10 days      c)10-15 days      d)15-20 days
  5. Suppliers are not properly educated.  
a) Agree   b) disagree   c) strongly agree   d)strongly disagree
  6. Contractor creates delays in the procurement of times.  
a) Agree   b) disagree   c) strongly agree   d)strongly disagree
  7. Which business policy you often recommend.  
a) DOA (delegation of authority)  
b) SCM policy
  8. If suppliers fail to supply material as per the schedule, then what you do?  
a) Discuss with other suppliers.  
b) Current consultation with users  
c) PO cancelled to suppliers  
d) Others -----
  9. During indenting what are the problem faced by you?  
a) wrong item codes  
b) taxes  
c) unit rate  
d) no of items required
  10. Suggestions/ feedback.
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