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“A STUDY OF INVENTORY MANAGEMENT IN SANGHVI QUALITY PRODUCTS PVT.LTD.BARSHI”

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Abstract:

Inventories are resources of any kind having & economic value. Inventories constitute one of the most important elements of any system of dealing with supply, manufacturing & distribution of goods & services. Effective inventories management plays a critical role in the smooth & efficient running of any business. Reducing excess inventory & investing in the right inventories lead to improved customers service, increased inventory turnover, reduced costs & increased profitability. So inventory management is very essential for today business. “Inventory management is planning & devising procedures to maintain an optimum level of raw material, work-in-process, finished goods, consumables & stores.”

KEY-WORDS:

Inventory, Control, Management, Products , Equipment , Objectives .

1.INTRODUCTION

Today is world effective management of inventory could ultimately result in the maximization of owner's wealth. Inventory management constitutes balancing the need to minimize investment of the inventory & maintain stocks adequate to meet demand for products by the efficient production & sales operations. A good inventory management system provides information to efficiently manage the flow of material, effectively utilize people & equipment. Co-ordinate internal activities & communicate with customers.

Inventory is defined as, “a certain amount of stock these items is always maintained.” Inventory management does not make decisions or manage operations, but provides information to managers. Who make more accurate & timely decisions to manage their operations? Inventory is usually a company largest asset. But many companies are not satisfied or are ignorant about the contribution inventory makes towards the overall success of their business.

2 STATEMENT OF THE PROBLEM:

In a company raw material is seasonally not available. So company requirement is to maintain a raw material & use of this raw material is in better way. For this purpose of inventory management is necessary to a company. So the title of is “A Study of Inventory Management Sanghvi Quality Products Private Limited”.

3 OBJECTIVES OF THE STUDY:

- 1) To study of the various inventory control techniques as applied in Sanghvi Quality Products Pvt. Ltd.
- 2) To evaluate the effectiveness of the inventory control in the selected unit.
- 3) To study the inventory management system in the organization under Study.

4 SCOPE OF THE STUDY:

The study is related to inventory management. The term inventory included the stock of raw material, finished goods (semi) & finished goods. In present study are selected main component of the inventory in a company there are taken as 30 samples for the study.

The study focuses a on ABC analysis. As there is no another techniques of inventory control used in company, the analysis is limited one techniques only. However all important techniques such as XYZ, VED, FSN, SOS & SDE, GOLF are theoretically described in the present study. The data relating to inventory in the unit is supplied.

5 LIMITATIONS OF THE STUDY:

- a) The total number of material is 174, but for Study the selected sample material only 30 in numbers.
- b) The company has not disclosed the full data due to privacy. So this is also can of the limitation.

6 RESEARCH METHODOLOGY:

The following research methodology has been adopted for the completion of present study.

A] Method of data collection-

The study selected problem two types of data have been collected which is follow.

1] Primary Data-

I have collected the primary data through personal discussion with the company Managing Directors Mr. Vinay Sanghvi and interview with workers of the company. Also gives me information of companies Accountant Mr. Anand Deshmukh.

2] Secondary Data-

Secondary data was collected from the various departments prepared by the organization. They are from the Store Dept., Account Dept., & Inventory Control Dept.

7. RESULTS & DISCUSSION:

Analysis on the basis of ABC Technique:

The ABC analysis is also called the PARETO Analysis, developed by the Italian economist Wilfred Pareto. The classification of existing inventory is based an annual consumption & annual value of the items. Then obtained the quantity of inventory item consumed during the year & multiply it by unit cost to obtain annual uses cost. The items are arranged in the descending order of such annual uses cost. The ABC analysis useful for inventory management in Sanghvi Quality Products Private Limited. This technique classify inventory in the categories which is ABC categories for the purpose of exercising selective control on materials. This approach is called for classifying inventories into their broad categories ABC.

1. 'A' Categories-

An analysis of the material costs will show that a small percentage of the items of materials in the stores may contribute to large percentage of the value of consumption.

2. B Categories-

Between these two conditions those items more or less equal of consumption.

3. C Categories-

A large percentage of items may represent of material in the stores to smaller percentage of the value of

items consumed.

Company raw material used in 174 items, but selected at present 30 items in ABC analysis, that are as follows:

Table - 1

ABC Analysis of Sanghvi Quality Products Pvt. Ltd.

Sr. No	Items	Qty.	Rs. (P.U.)	Total Rs.	% Qty.	%Total Rs.	Class
1	6 Benzyl Adenine	28,204	4.16	1,17,328.64	28.78	6.04	C
2	4 C P A	3,500	9.50	33,250.00	3.57	1.71	C
3	Alphox -200	338.60	121.53	41,150.06	0.34	2.12	A
4	Ammonium Sulphate	1,900	12.00	22,800.00	1.94	1.17	B
5	Artikake-100	215.05	250.00	53,762.50	0.22	2.76	A
6	Bentonite Granule	16,495	3.44	56,742.80	16.83	2.92	C
7	Bio-organic Emulsion	81.00	250.00	20,250.00	0.08	1.04	A
8	Borax Decahydrate	10393.5	36.09	3,75,101.42	10.60	19.30	B
9	Buly Acrylate Monomer	293	151.16	44,290.00	0.30	2.28	A
10	Calcium Nitrales Granules	2,774	30.79	85,418.46	2.83	4.39	A
11	Calcium Oxalate	226.26	700.00	1,58,382.00	0.23	8.16	A
12	Caustic Potash Flakes	972	59.54	57,873.00	1.00	2.98	A
13	Caustic Soda Flakes	1755.60	20.80	36,517.00	1.80	1.88	B
14	Citric Acid	154.75	51.05	7,900.00	0.16	0.40	B
15	Colchicines	112	300.00	33,600.00	0.11	1.73	A
16	Colodial Silicon Di-oxide	10	2034.00	20,340.00	0.01	1.05	A
17	Copper Carbonate	50	310.00	15,500.00	0.05	0.80	B
18	Copper Complex	94	90.00	8,460.00	0.10	0.44	B
19	Copper Sulphate	1,419	103.26	1,46,525.94	1.45	7.54	A
20	Di-Potassium Hydro Phosphate	628	130.96	82,242.88	0.64	4.23	A
21	Edta Calcium	530.28	174.08	92,311.14	0.54	4.75	A
22	Edta Copper	91.70	229.95	21,086.42	0.09	1.08	A
23	Edta Di Sodium Salt	98.70	200.00	19,740.00	0.10	1.02	A
24	Edta Ferrous	600	187.53	1,12,518.00	0.61	5.78	A
25	Edta Magnesium	713.06	175.78	1,25,341.68	0.73	6.44	A
26	Humic Powder	1,564	25.00	39,100.00	1.60	2.01	B
27	Hypro Liquid Protin	1,071	50.00	53,550.00	1.09	2.75	A
28	Industrial Solvent	1849.50	21.82	40,356.00	1.89	2.08	B
29	Lysine Monohydrate	16,448	0.70	11,513.60	16.78	0.60	C
30	Ethaphone	5,418	2.00	10,836.00	5.53	0.56	C
	Total	98,000		19,43,787.54	100	100	

(Source- Annual Reports of the Company from 2007-08 to 2011-12)

In the table there are 30 items with corresponding quantity & their values are selected from Sanghvi Quality Products Private Limited. The items divided in to A, B, C category. 'A' category 10.37% items showing 60.09% value of inventory. 'B' category 18.14% items showing 28.08% value of inventory. 'C' category 71.49% items showing 11.83% value of inventory.

Table - 2

ABC Analysis of Sanghvi Quality Products Pvt. Ltd.

'A'		'B'		'C'	
% Qty.	% Total Rs.	% Qty.	% Total Rs.	% Qty.	% Total Rs.
0.34	2.12	1.94	1.17	28.78	6.04
0.22	2.76	10.60	19.30	3.57	1.71
0.30	2.28	1.80	1.88	16.83	2.92
2.83	4.39	0.16	0.40	5.53	0.56
0.23	8.15	0.05	0.80	16.78	0.60
1.00	2.98	0.10	0.44		
0.11	1.73	1.60	2.01		
0.01	1.05	1.89	2.08		
1.45	7.54				
0.64	4.23				
0.54	4.75				
0.09	1.08				
0.10	1.02				
0.61	5.78				
0.73	6.44				
1.09	2.75				
0.08	1.04				
10.37	60.09	18.14	28.08	71.49	11.83

(Source- Annual Reports of the Company from 2007-08 to 2011-12)

ANALYSIS ON THE BASIS OF INVENTORY TURNOVER RATIO:

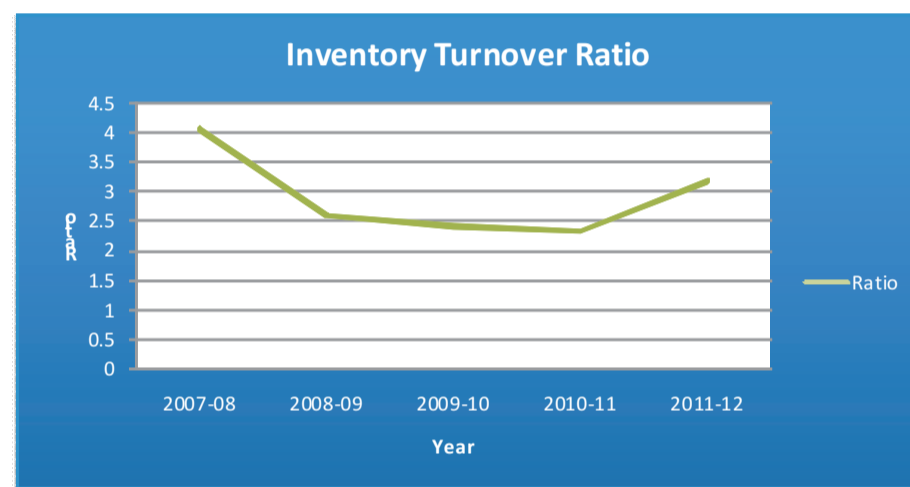
The following analysis shows the 5 year inventory turnover ratio of Sanghvi Quality Products Private Limited. This ratio indicates the numbers of time inventory is replaced during the year. The inventory turnover ratio can be calculated by dividing the cost of goods sold by the average inventory.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

Table - 3
Inventory Turnover Ratio

Year	2007-08	2008-09	2009-10	2010-11	2011-12
Cost of goods sold	4,83,86,031	4,35,52,070	5,48,87,440	6,09,28,571	6,75,02,682
Average Inventory	1,19,29,507	1,67,58,716	2,27,16,216	2,59,84,135	2,13,16,012
Ratio	4.06	2.60	2.42	2.34	3.17

Figure -1



All inventory means, raw material, semi finished goods & finished goods. The year wise information shows that the volume of inventory was 4.06 in 2006-07, 2007-08 in 2.60, and 2008-09 in 2.42, 2.34 in 2009-10 & 3.17 in 2010-11. Volume of inventory was decreased in 2007-08 to 2009-10 & also increased in 2006-07, when comparing with year 2010-11.

8. SUGGESTIONS:

1. They should formulate the strategy to procure the material of appropriate level, with considering its limiting factor like seasonal availability of material.
2. They maintain the sufficient level of raw material with considering maximum & minimum level of stock.
3. To utilized the company's raw material in proper way.
4. They should apply ABC technique for procurement of raw material & inventory control for the betterment of company's control on raw material.
5. Control the company 'A' categories items, because it is not easily available in the market.
6. Collect the maximum raw material of 'A' categories items, because it is not regularly available.

9. CONCLUSION:

Inventory Management must be designed to meet of the market place & support the company's strategic plans. The many changes in the market demand, new opportunities due to worldwide, global sourcing of materials & new manufacturing technology means many companies need to change their inventory management approach & change the process for inventory control.

Company should achieve smooth & efficient working of the manufacturing units with low investment inventory control system. It helps for smooth & efficient running of a business. It provides

services to customer with wastage of items & ultimately it is helpful to reduce cost of production. So that proper way of inventory management is essential for all kind of inventory & sale kind of organizations.

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