

# **A STUDY ON INVENTORY MANAGEMENT IN STEEL AUTHORITY OF INDIA LIMITED IN SALEM DISTRICT, TAMILNADU.**

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## **ABSTRACT**

In order to the process that takes place inside the steel plant industry in Salem steel plant, in people working HRM,CRM, and process taking place inside those mills. This study analyzes the inventory management like raw materials, work in progress and finished goods in Salem steel plant. This study used the inventory turnover ratio, it is very useful to predict the previous and past year of inventory in the company.

**Keywords :** work in progress, Inventory turnover ratio, Stock and wholesale & Material manufacture.

## **INTRODUCTION**

Inventory control is vitally important to almost every type of Business, whether product or service oriented. Inventory control touches almost every facets if operation. A proper balance must be struck to maintain Proper inventory with the minimum financial impact on the customer. Inventory Control is the activities that maintain stock keeping items at desired levels. In manufacturing control focus on material control.

“Inventory means physical stock goods, which is kept in hands for smooth and efficient running of future affairs of an organization at the minimum cost of funds blocked in inventories. The fundamental reason for carrying inventory is that it is physical impossible and economically impractical for each stock item to arrive exactly where it is needed, exactly when it is needed.

Raw materials, goods in process and finished goods auell represent various forms of inventory. Each type represents money tied up until the inventory leaves the company as purchased products. Because of the large size of the inventories maintained by firms, a considerable amount of funds is required to be committed to them. It is therefore absolutely imperative to manage inventories efficiently and effectively in order to avoid

unnecessary investments. A firm neglecting the management of inventories will be jeopardizing its long run profitability and may fail ultimately.

Inventory management is the integrated functioning of an organization dealing with supply of material and allied activities in order to achieve the maximum coordination and optimum expenditure on material.

### **MEANING AND DEFINITION OF INVENTORY:**

It means of inventory is a “detailed list of goods, furniture etc.” Many understand the word inventory, as a stock of goods, but the generally accepted meaning of the word ‘goods’ in the accounting language, is the stock of finished goods only. In a manufacturing organization, however, in addition to the stock of finished goods, there will be stock of partly finished goods, raw materials and stores. The collective name of these entire items is ‘inventory’.

The term ‘inventory’ refers to the stockpile of production a firm is offering for sale and the components that make up the production. The inventory means aggregate of those items of tangible personal property which

- Are held for sale in ordinary course of business.
- Are in process of production for such sales.
- They are to be currently consumed in the production of goods or services to be available for sale.

Inventories are expandable physical articles held for resale for use in manufacturing a production or for consumption in carrying on business activity such as merchandise, goods purchased by the business which are ready for sale. It is the inventory of the trader who does not manufacture it.

### **NEED FOR THE STUDY**

- Every organization needs inventory for smooth running of its activities. It serves as a link between production and distribution processes
- The investment in inventory constitutes the most significant part of current assets/working capital in most of the undertakings.
- Thus, it is very essential to have proper control and management of inventories.
- The purpose of inventory management is to ensure availability of materials in sufficient quantity as and when required and also to minimize investment in inventories.
- So, in order understand the nature of inventory management of the organization, I took this inventory management as a topic for my project, to give findings and suggestion and analyzing different inventory control techniques.

#### **SCOPE OF THE STUDY**

- The Scope of the study is extended to materials department in particular and purchases and stores departments, in general further the study confiner to the company.
- This study was mainly concentrated on inventory management adopted by the company.
- The mode of selecting of the vendors, managing the orders and further actions for satisfying the requirements are analyzed.
- The company's purchase procedure will influence more on the level of inventory of the company.
- So the study of finance has vital role to understand the efficient system of the company.

#### **SIGNIFICANCE OF THE STUDY**

- The firm has to maintain adequate for smooth production and selling activities. It has to minimize the investment in inventory to enhance firm probability

- Inventory management help in maintaining a tradeoff between carrying cost and ordering cost.
- Inventory management avoid the stock-out problem that a firm otherwise would face in the lack of proper inventory management.
- Inventory management suggests the proper inventory control system to be applied by firm to avoid losses, damages and misuses.

## **STATEMENT OF THE PROBLEM**

Management should be particularly interested in knowing financial strengths of the firm to make their best use and to be able to spot out financial weaknesses of the firm to take suitable corrective actions. The future plans of the firm should be down in view of the firm, s financial strengths and weaknesses Thus financial Analysis, starting point for making plans, before using any sophisticated forecasting and planning procedure. Understanding the past is a anticipating the future.

Financial performance analysis is defined as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet profit and loss account. There are various methods or techniques that are used in analyzing financial statement, trend analysis and ratio analysis.

## **OBJECTIVEN OF THE STUDY**

The main objectives of inventory management area operational and financial. Listed below are some of the main objectives of inventory management.

- To have stock available as and when required.
- To maintain adequate accounting and understanding of inventory.
- To avoid both overstocking and under stocking of inventory.
- To ensure right quality goods at reasonable price.
- To design proper organization for inventory management.

## **PERIOD OF THE STUDY**

For the purpose of study, period 2010-2015 was taken in to consideration. This period was chosen particularly because; there was a sudden boom in the inventory management finance activity during these years in India.

## **RESEARCH METHODOLOGY**

Research is the systematic process of collecting and analyzing data in order to increase our understanding of the phenomenon about which we are concerned or interested. It is the in-depth search for knowledge. It is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. The study exhibits both descriptive and analytical character. Regarding the theoretical concept it is descriptive since it interprets and analysis the secondary data in order to arrive at appropriate conclusion, it is also analytical in character. The interpretation of data is done based on ratio and percentage

## **RESEARCH DESIGN:**

Research Design is the strategy for the study and the plan by which the strategy is to be carried out. It is the set of decisions that make up the master plan specifying the methods and procedures for the collection, measurement and analysis of data.

Research has used descriptive research. Descriptive studies are fact finding investigation with adequate interpretation. It focuses on particular aspects of in the study. It is designed to gather descriptive informant and provides information for formulating more sophisticated studies.

## **DATA SOURCE**

### **➤ SECONDARY DATA**

## **SECONDARY**

Secondary data's has been obtained from published reports like the annual reports of the company, balance sheets, and profit and loss account, booklets, records such as files, transports maintained by the company.

Profit and loss account reveals the income and expenditure of the company. Balance Sheet reveals the financial position of the organization. Those twostatements are prepared by the highly qualified and experts with the help of available information or data.

### **Tools & Techniques of data collection**

- Inventory turnover ratio
- Ratio analysis

### **LIMITATION OF THE STUDY**

The Study is conducted at the company the findings may not be applicable throughout the financial year.

- The findings of the study are applicable exclusively to company name.
- Further, in order to maintain the confidentiality of certain aspects a few alterations have been made without hampering the authenticity of the data.
- As the study is purely for academic purpose the inexperience of the author Make the analysis less processed when compared with the professional analysis.
- Study was bounded for only inventor management finance.
- Details study about all the finance was not possible because of the time limit Some of the information were kept confidential.

### **INVENTORY TURNOVER RATIO**

**(Rs in cores)**

<b>YEAR</b>	<b>NET SALES</b>	<b>AVERAGE INVENTORY</b>	<b>RATIO</b>
<b>2010-2011</b>	10343.10	97.68	10.59

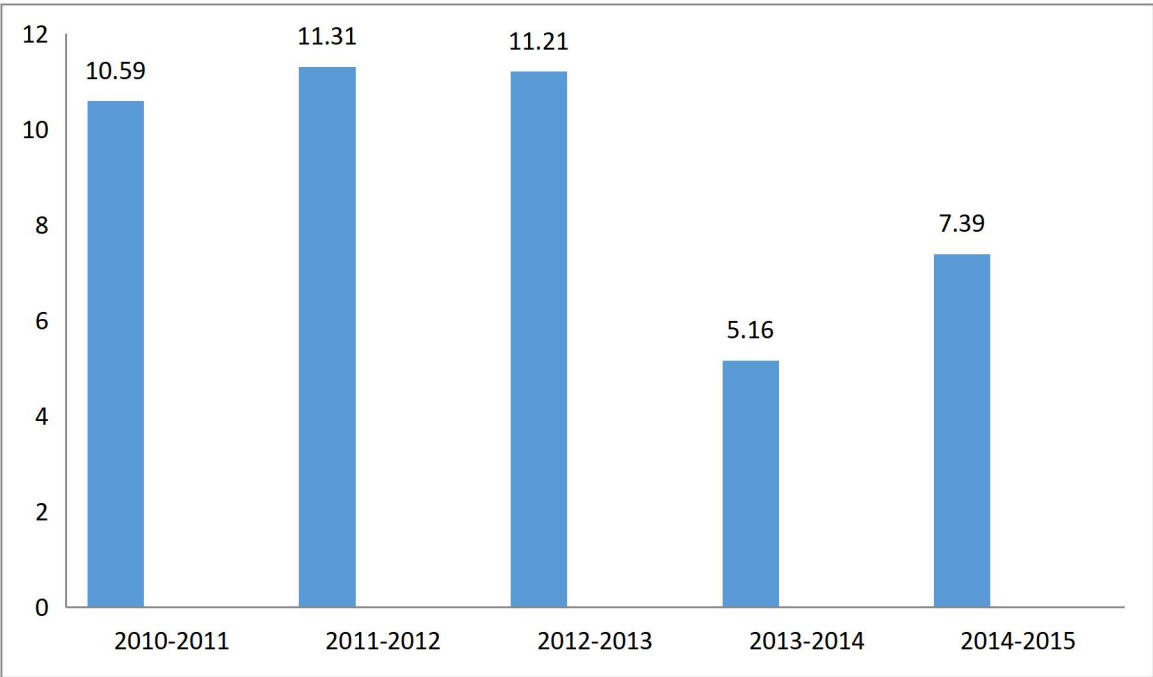
<b>2011-2012</b>	12398.86	1096.04	11.31
<b>2012-2013</b>	14303.00	1275.59	11.21
<b>2013-2014</b>	11598.39	2248.10	5.16
<b>2014-2015</b>	16367.78	2215.01	7.39

**Source;** Company Annual Report

**INTERPRETATION;**

The above table shows that higher inventory turnover indicates efficient management of inventory because more frequently the stock sold. In the year 2012-2013 the ratio is in higher position. Next highest value of ratio is 11.21 10.59 and 7.39. The lowest value of ratio is 5.16 in the year 2014-2015. A low stock turnover ratio is not desirable it reveals the accumulation absolute stock.

**INVENTORY TURNOVER RATIO**



**FINDINGS**

- Inventory turnover ratio is very low (5.16) during 2013-2014 the value is high (11.31) 2011-2012. But the ratio is decreased in the last year.
- The company takes more times to clear their stock.
- Inventory conversion period compared to last year sudden decreased in the year of 2014 (49.39)
- Raw material inventory turnover ratio shows decreasing trend from 2012-2013 (6.26) to 2013-2014 (5.08). And again increased (8.33) in 2014-2015.
- Work in process turnover ratio compared to 2014-2015 high(18168) is in the year of 2014.
- Finished goods turnover ratio was high during 2010-2011 (292.05). And suddenly decrease in 3 year. But last year again increased (265.75) 2013-2014.
- Inventory current asset ratio decreased as 0.19 in the year of 2010-2011.
- Inventory net working capital ratio increased as 0.90 in the year 2013-2014.

## **SUGGESTION**

- As current liabilities are higher than current assets this explains the investment of short-term debt in fixed asset this policy is not suitable at all. Instead, long-term sources should more be enough to cover fixed assets and a portion current assets.
- For smooth production should provide adequate supply of items . This in turn will lead to timely delivery of goods to customer.
- Inventory should be given in accordance the change of technology.
- To impact the overall working capital, the inventory which has been as major component should well managed as well as the liquidity and receivable.
- Regular feedback should be take from the inventory management.
- The amount of debts was significantly high, even beyond shareholder funds, which is unsatisfactory status. The leverage should be reviewed for improving the solvency ratio.

## **CONCLUSION**

Inventory management has to with keeping accurate records of finished goods that are its. This often means posting the production of newly completed goods to the inventory totals as well as subtracting the most recent of finished goods to buyer. When company there is usually a sub-category contained in the finished goods inventory to account for any returned goods that are reclassified or second grade quality.



Inventory management is important keeping costs down, while meeting regulation. Supply and demand is a delicate balance, and inventory management hopes to ensure that the balance is undisturbed. Highly trained Inventory management and high-quality software will help make Inventory management a success. The return on investment of inventory management will be seen in the forms of increased revenue and profits, positive employee atmosphere, and overall of customer satisfaction

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