A STUDY ON INVENTORY MANAGEMENT IN NEYCER INDIA LIMITED, VADALUR.

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ABSTRACT:

Inventory control is a system which ensures the provision of the required quantity of inventories of required quality at the required time with the minimum amount of capital investment. Thus the function of inventory control is to obtain the maximum inventory turnover with sufficient stock to meet all requirements. Inventory is an essential part of an organization. Every business or manufacturing organization however big or small to maintain some industry.

Key Words: capital investment, inventory control, turnover, sufficient.

INTRODUCTION:

Finance is the life Blood of an enterprise. Every enterprise, whether big, medium or small need a finance to carry its operation and to achieve its target. The business finance usually deals with the controls.

An 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 minimum financial impact on the customer. Inventory control is the activities that maintains stock keeping items at desired levels. In manufacturing since the focus is on physical product, inventory control focus on material control.

MEANING OF THE STUDY:

Inventory means all movable items in store either ready for sale or for consumption in the course of production with a view to convert them into finished stock for sales. Thus inventory includes stock of raw materials, work in progress, finished goods and accessories. Inventories from an integral part of working capital and requires a considerable investment. Is therefore necessary to have a control over the inventories.

DEFINITION:

According to ***John L. Burbidge*** defines *"**Inventory control***is then concerned with the control of the quantities and monetary values of these items a pre-determined level or within safe limits".

OBJECTIVES OF THE STUDY:

To analyze the efficiency of inventory management of Neycer India limited.

To identify optimum level of inventory which minimizes the cost.

To know whether the company maintain a large size of inventory at efficiently and in the smooth production.

To know the procedure of purchasing raw materials.

To identify the total assets position of the company.

To classify the various components based on its value and movements.

NEED FOR THE STUDY:

a) Every organization needs inventory for smooth running of its activities.
b) It serve as a link between production and distribution processes.
c) The investment in inventories constitutes the most significant part of current assets/ working capital in most of the undertaking.
d) Thus it is very essential to have proper control and management of inventories.
e) The purpose of inventory management is to insure availability of raw materials in sufficient quantity as and when required and also to minimize the investment in inventories.

SCOPE OF THE STUDY:

Inventory generally refers to the materials in stocks usually inventories are the raw materials which are stocked after purchasing before production.

- ❖ It is the main reason for getting the outputin best quality.
- ❖ It is the idle resources of the industry.
- ❖ It is used to give plan to the company what to order, when to order and how much to order.
- ❖ It was undertaken to know how the effective improvement inventory control is possible.
- ❖ It is useful for deciding operating policy and volume of inventory.
- ❖ It helps to develop the policies for the executives in inventory.
- ❖ It helps the company what items goods are categorized.
- ❖ Project helps to deal with forecasting in inventory.

IMPORTANCE OF THE STUDY:

With the available statistics of different policies, the study was conducted at the micro level. No study has so far been conducted at the micro level. Hence, as the study as the kind has been under taken. One would be able to know the various types of policies serves the needs of the people.

AREA OF THE STUDY:

The study on inventory management of the industry in Neycer India ltd, vadalur.

PERIOD OF STUDY:

The study covers the period of five years.

RESEARCH METHODOLOGY:

***" Redman and Mory* "** defines research as a systemaized effort to gain a new knowledge. Research in common parlances refers to search for knowledge. Research is a process in which the researcher wish to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as " A careful investigation on enquiry especially through search for new facts in branch of knowledge".

RESEARCH DESIGN:

The research design used in this project is analytical in nature, which researcher has to use facts or information already available and analyze these to make a critical evaluation of the performance.

DATA COLLECTION

- **PRIMARY SOURCES:**

Data are collected through personal interviews with Finance Executive and Material-Deputy manager.

For this study, the researcher has get information from staffs of NEYCER INDIA (Ltd).

- **SECONDARY SOURCES:**
  1. The data are collected from annual reports maintained by the company of past five years.
  2. Data collected from the company's website.
  3. Books and Journals pertaining to the topic.
  4. The data are collected from Libraries.

TOOLS USED IN THE ANALYSIS:

- ABC Analysis
- FSN Analysis
- Trend Analysis
- RatioAnalysis

LIMITATIONS OF THE STUDY:

The problems faced by the Research are:

1. The entire analysis only on NEYCER INDIA Ltd,Vadalur.
2. The study takes into account only in the quantitative data and the equivalent aspects were not taken into account.
3. This study is not one time exercise and the items are to be revised and re-categorized periodically.

4. It is mainly secondary data used for the purpose of this analysis.
5. The study has been covered for five year inventory reports, because the duration is short period.
6. The study does not consider the whole inventory activities of the concern about only it should be consider for part in it.

LITERATURE REVIEW:

Bern at de William (2008) The study tells that the main focus of inventory management is on transportation and warehousing. The decision taken by management depends on the traditional method of inventory control methods. The traditional method of inventory management is how much useful in these days the author tells about it. He is also saying that the traditional method is not a cost reducing and it is so much expensive but managing the inventory is important work for any manufacturing unit.

Delaunay. C and Sahin. E (2007) A lot of work has been done but now if we want to go ahead we must have good visibility upon this field of research that is why we are focused on frame work for exhaustive receiever on the problem of supply chain management with inventories in accuries. The author said that aim in this work is also to present the most important criterion that allow a distinction between the different type of managing the inventory.

Aslague Ahmed (2004): He said that most of manufacturing company vendors have planning and scheduling product which assumes either infinite production capacity for calculating quantities of raw materials and work in progress (WIP) and requirements or infinite quantities of raw materials and WIP materials for calculating production capacity. There are many problems with this approach and how to avoid these by making sure that the product you are buying indeed takes into account finite. A quantity of required materials as well as finite capacities of work centers in your manufacturing facilities.

D. Hoopman (2003): In this article he said that inventory optimization recognize that different industry have different inventory profiles and requirements. Research has indicated the solution are priced in large range from tens of thousands of dollars to millions of dollars.

Silver Edward. A (2002): The article considers the context of a population of items for which assumption underlying the EOQ derivation holds reasonable well. However, is frequently the cash in practices there is an aggregate constraint. They are i) Existence of budget to be allocated among the stock of items, ii) purchasing production facility having the capability to process at most certain number of replenishment per year.

Ramya (2000): In this review Miss. Ramya, who done the project about inventories at whirlpool of India limited it constitutes the most significant part of the current assets of a large majority of companies it carried out. The norms were fixed for each of the inventory part taken into account for the project. There by the inventory to be kept for the production of each model was also arrived at.

Charles Atkinson (2000): In this review Mr. Charles Atkinson explains inventory management topics, he explains average inventory levels, in this topic he explained about two parts. The first half part of this article covers how to find, what inventory levels should be and the second half covers how to evaluate it. Average inventory levels.

ABC Analysis:

Category	**Items in classes**	**Percentage**
A	16	31.3
B	20	39.2
C	15	29.4
Total	**51**	**100**

INTERPRETATION:

The above table indicates that classification of various components as A, B & C classes using ABC analysis techniques based on unit value. From the price value of all items to be converted into more than or less than Rs. 100. A classes are those whose unit value is more than Rs.100 and constitutes 31.3% of total components. B classes are those whose unit value is between Rs.20-

100 constitutes 39.2% of total components and C classes are those whose unit value is less than Rs.15 constitutes 29.4% of total components . It is good that the company maintains its inventories based on its value using controlling techniques.

FSN Analysis:

Category	Items in classes	Percentage
F	19	52.7
S	17	47.3
N	0	0
Total	**36**	**100**

INTERPRETATION:

The above table shows that classification of various components as FSN items using FSN analysis techniques based on movements .from the classification F items are those which moves fastly and constitutes 52.7% of total components . S items are those which moves slowly constitutes 47.3% of total components and N items are those which is non-moving and thus constitutes 0% of total components. It is not good as the company maintains low percentage in fastly moving items compared to slow moving items.

Trend Analysis:

YEAR	INVENTORIES	X		

(X)	Rs. (Y)	X = x - 2012	X^2	XY (Rs.)
2009-10	49736151	-2	4	**-99472302**
2010-11	68435559	-1	1	**-68435559**
2011-12	91445828	0	0	**0**
2012-13	75189831	1	1	**75189831**
2013-14	74439953	2	4	**148879906**
Total	**359247322**	**0**	**10**	**56161876**

$\overline{x} = \sum x/n = 0/5 = 0$

$\overline{y} = \sum y/n = 359247322 / 5 = 71849464.4$

$b = \sum xy - n\overline{xy} / \sum x^2 - n\overline{x^2}$

=56161876 – (5)(0)(71849464.4) / 10 – 5 (0)

b = 5616187.6

$a = \overline{Y} - b X$

= 71849464.4 – 5616187.6

a = 66233277.8

Y = a + bx

= 66233277.8 + 5616187.6

Y = 71849464.4

The forecast of inventory for the year 2015 is computed by substituting x = 2015 in the above equation .

$$= 66233277.8 + 5616187.6\ (2015 - 2012)$$

$$= 66233277.8 + 5616187.6\ (3)$$

$$= 66233277.8 + 16848562.8$$

$$= 83081840.6$$

Ratio analysis

Inventory turnover ratio with velocity calculation

Formula for the ratio is , **net sales / total inventory**

Velocity =No. of days in a year / Inventory turnover ratio

Inventory turnover ratio and velocity:

YEAR	NET SALES Rs.	INVENTORY (Rs.)	RATIO	VELOCITY (IN DAYS)
2014-15	178684535	49736151	3.59: 1	**100**
2015-16	205768399	68435559	3.01: 1	**121**
2016-17	223932488	91445828	2.49: 1	**146**
2017-18	245914106	75189831	3.28: 1	**111**
2018-19	254068430	74439953	3.41: 1	**107**

INTERPRETATION:

The above table reveals that inventory turnover ratio for the past years. The ratio showing the declining trend from 3.59 to 3.41 in the year **2014-19**. Whereas in the velocity of inventories shows less in 2019 compared to 2014 which is 107 days in 2019 and 100 days in 2020 and except in the year of 2015 and 2016 is increasing the velocity of 121 and 146 days, this shows that inventories are easily converted into sales with the shortest period i.e, the company was able to sell Rs. 3.41 by investing rupee one in the stock 2019.

FINDINGS OF THE STUDY

- From the ABC classification, the price value of all items to be converted into more than or less than Rs. 100. A classes are those whose unit value is more than Rs.100 and constitutes 31.3% of total components. B classes are those whose unit value is between Rs.20-100 constitutes 39.2% of total components and C classes are those whose unit value is less than Rs.15 constitutes 29.4% of total components .
- It is known from the ABC analysis that the company maintains its inventory based on its value using controlling techniques.
- From the FSN classification it is identified that the F items are those which moves fastly and constitutes 52.7% of total components . S items are those which moves slowly constitutes 47.3% of total components and N items are those which is non-moving and thus constitutes 0% of total components.
- It is found that the company maintains low percentage in fast moving items in compared to slow moving inventories based on movements.
- From the calculation it shows that the percentage of inventories increases from 11.2 to 6.82 in the year of 2014-19.the inventory for the year 2015is expected to be 18.78 % which is again in the increasing trend . this indicates increasing efficiency of the management.
- The ratio showing the declining trend from 3.59 to 3.41 in the year 2014-19. Whereas in the velocity of inventories shows less in 2019 compared to 2014 which is 107 days in 2019 and 100 days in 2019 and except in the year of 2020 and 2021 is increasing the velocity of 121 and 146 days.

- Inventory velocity ratio shows that inventories are easily converted into sales with the shortest period i.e, the company was able to sell Rs. 3.41 by investing rupee one in the stock 2019.

SUGGESTIONS

- Under the ABC analysis, the management must have more control on A and B than C , because A and B classes constitute more 70% of higher values. There should be tight control exercised on stock level to avoid deterioration.
- The company must not go to the non-moving items as far as possible because there will be unnecessary blocking of working capital. This would hinder the other activities of the organization.
- It is advised to maintain more fast moving items and less slow moving items with a view to avert any adverse situation like shortages of inventories.
- The past data shows increase in inventory and the company is also expecting more inventories for the future period i.e., 2020. The management is required to maintain same inventory trend in the forth coming year also.
- Inventory turnover ratio indicates whether investment in inventory is within proper limit or not. It also requires how quickly inventory is sold. It requires to maintain a high turnover ratio than lower ratio. A low ratio implies a worse inventory management and it also reflects inefficient business activities.
- Inventory to sales ratio shows that the investment in shrinking in relation to increase the sales. This effectively manages your inventory level and its cash flow.
- Inventory to current assets ratio shows the lower inventory to current assets lowers the liquidity as concern. It requires a decline in proportion of inventory to maintain an efficient inventory management for upcoming years.

CONCLUSION

The best inventory management will surely help in solving the problems. The company faces with respect to the inventory and will pave way for reducing the huge investment or blocking of money in inventory. From the analysis, we can conclude that the company can follow based on ABC analysis and maintain high percentage in fast moving items in inventories as per on FSN analysis foe efficient running of the inventory. Since the trend analysis shows increasing trend there will be more demand for the product in the future period. The inventory turnover ratio is required to maintain a higher ratio than the lower ratio. A firm follows both inventory to sales ratio and inventory to current assets ratio for effective managing of inventory level and its cash flow. If they properly implement and follow the norms and techniques of inventory management, they can enhance the profit with minimum cost.

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