

The Study on Inventory Management of Super Sales India Limited

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Abstract

This research project deals with the study on Inventory Management of Super Sales India Ltd. Inventory management is an essential part of a manufacturing organization. An inventory refers to the stock file of the products a firm is offering for sale and components that makeup the product. In other words, inventory is composed of assets that will be showed in the future in the normal course of business operations. As in case for Super sales India limited it is essential to manage inventory because of it being a manufacturing organization in which the management of inventory is essential for the day to day activities to be properly managed and taken care. In this study we apply few inventory management techniques such as EOQ and ABC analysis for the study of inventory management at Super sales India ltd.

Keywords: *Inventory management, Manufacturing organization, stock, products*

INTRODUCTION

Inventory management is an extremely important function within most businesses. The purpose of inventory management is to develop policies that will achieve an optimal inventory investment. A company can maximize its rate of return and minimize its liquidity and business risk by optimally managing inventory. Inventory

management involves comparison between the costs associated with keeping inventory versus the benefits of holding inventory. Successful inventory management minimize inventory, lowers cost and improves profitability. An optimal inventory level can be based on consideration of the incremental profitability to the opportunity cost of

carrying the higher inventory balances. Inventories play a major role in a business or depending on nature of the businesses. The inventories may be classified as under,

- 1) Raw material
- 2) Work in progress
- 3) Finished goods
- 4) Stores and Spares

There are various inventory management techniques like ABC analysis, EOQ analysis, Stock level calculation, VED analysis, Just in Time technique (JIT), FSM analysis.

RESEARCH METHODOLOGY

Research objectives:

- 1) To identify the economic order quantity (EOQ) for selected raw materials for the year 2013-2017.
- 2) To analyze its inventory management method with the help of ABC analysis for three years (2015-2017)

Research Design:

The research design used here is descriptive and analytical research design. The data has been gathered through interactions and discussions with the Chief financial officer. The study uses secondary data as a component to calculate various

techniques which has been collected from annual reports, company website, money control.com and other company related magazines.

Time Frame of Study

The study is limited for a period of 5 years (2013-2017) which has been taken for intensive study.

Analytical Tools

For analysis purpose MS-Excel was used for the calculation of EOQ and ABC analysis.

LITERATURE REVIEW:

- K.V. Sunitha (2010-2012) titled the “STUDY ON INVENTORY MANAGEMENT OF SUJANA METAL PRODUCTS” in their project has offered suggestions for the improvement of inventory management practices for the company Sujana Metal Products. The inventory management techniques like ABC analysis, EOQ and stock levels have been used to provide a suitable solution. The data has been taken for 5 years from 2006- 2010 which has been used to evaluate the management of inventory. It is found that the company should adopt new inventory management techniques for efficient management of inventory into

sales and also to manage the proper maintenance of stores and spares.

- Subham, (2017) in their paper “TO STUDY THE INVENTORY MANAGEMENT SYSTEM AT ORGANISATIONAL LEVEL” in which the main objective of this study is to investigate whether any of two selected methods could reduce inventory related costs at organizations central strandom. They calculated using ABC and EOQ analysis through which they can suggest ideas to manage the inventory control of the organization. The result stated that after calculating EOQ analysis they found that it will help the organization more to find out the organization to know the optimal number of items to order within a year and when to place new orders for each item. And through ABC analysis it ensures control over the costly items in

which a large amount of capital is invented.

- Tom Jose, (2013) in their paper, “ANALYSIS OF INVENTORY TECHNIQUES; A COMPARITIVE STUDY”, has stated that every company should have a proper and efficient management of inventory. In order to understand the nature of inventory in an organization they have analyzed different inventory control techniques for efficient inventory management system. They include EOQ, ABC analysis, safety stocks and FSN analysis. The result after calculating all these techniques is that the company is that they are following the EOQ techniques properly and all the other technique are maintained efficiently. It is good that the company maintains its inventories based on its value using controlling techniques.

ANALYSIS & DISCUSSION

EOQ Calculation

Table 1: Showing EOQ analysis for the year 2013-2018

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Ordering cost	56219	37320	32287	18785	18785
Carrying cost	56909	35512	33148	18596	18596
EOQ	37479	24672	21525	12523	12523

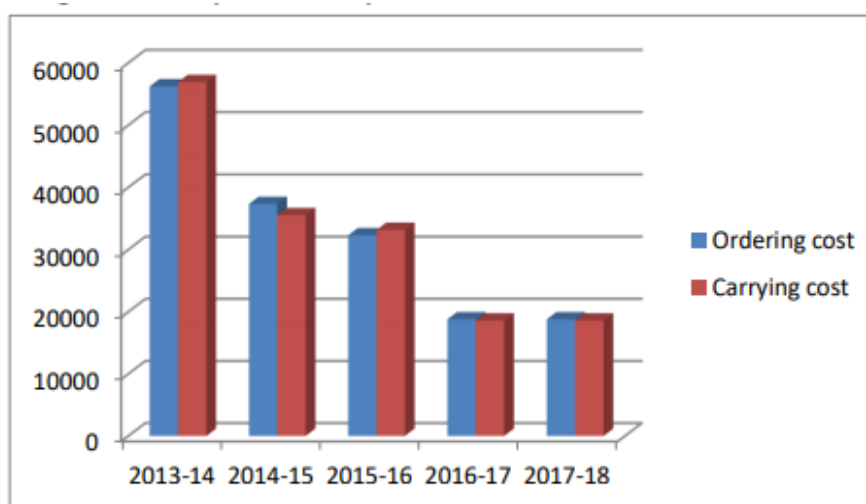


Chart 1: Showing EOQ analysis for the year 2013-2018

Interpretation:

- The ordering cost and carrying cost for the year 2013-14 shows that the ordering cost is less than the carrying cost showing that there is negative relationship between them. To reduce this problem of imbalances in ordering cost and carrying cost the company should purchase 60/1 CW WEFT 16 times a year buying 37479 quantity at a time to reduce over stocking and under stocking of products.
- The ordering cost and carrying cost for the year 2014-2015 which indicates that the ordering cost is greater than the carrying cost showing that the company is placing more of orders than holding back the products which in the previous year they were having more of carrying cost than ordering

cost. Too bring stability between the holding cost and the carrying cost the company should purchase 12 times a year buying 24672 quantity at a time to reduce over stocking and under stocking of products.

- The ordering cost and carrying cost for the year 2015-2016 shows that the ordering cost is lesser than the carrying cost which means that the company is having more of their products in stock which is more than that of the required which has led to the reduction in the ordering cost. The stability between the holding cost and the ordering cost can be done by purchasing the material 10 times by buying 21525 quantities at a time.

- The carrying cost and ordering cost data for the year 2016-2017 shows that the ordering cost is more than the carrying cost like for the year 2014-15 which indicates that the company is places more of orders which will increase the carrying cost. The problem of more carrying cost in the future can be balanced by purchasing the material 8 times a year buying 12523 quantities at a time.
- The data shows that the ordering cost is less than the carrying cost indicating that it there is more materials that are held unsold in hand which has caused a negative relationship between the carrying cost and the ordering cost. The problem can be solved by purchasing material for 11 times a year buying 22398 quantities at a time.

ABC analysis

Table 2: Showing Criteria for classification of ABC analysis

RANGE	CATEGORY
>85%	A
85-97%	B
98-100%	C

Table 2.1: Showing criteria for classification of range of items and values

CATEGORY	RANGE OF ITEMS	RANGE OF VAUES
A	10-25%	70-85%
B	26-41%	15-30%
C	42-67%	1-16%

Table 2.1.1 Showing ABC classification of inventory data (2017)

ITEMS	NO.OF ITEMS	% OF ITEMS	%OF CUMULATIVE VALUES
A	3	21%	78%
B	4	29%	18%
C	7	50%	4%
TOTAL	14	100%	100%

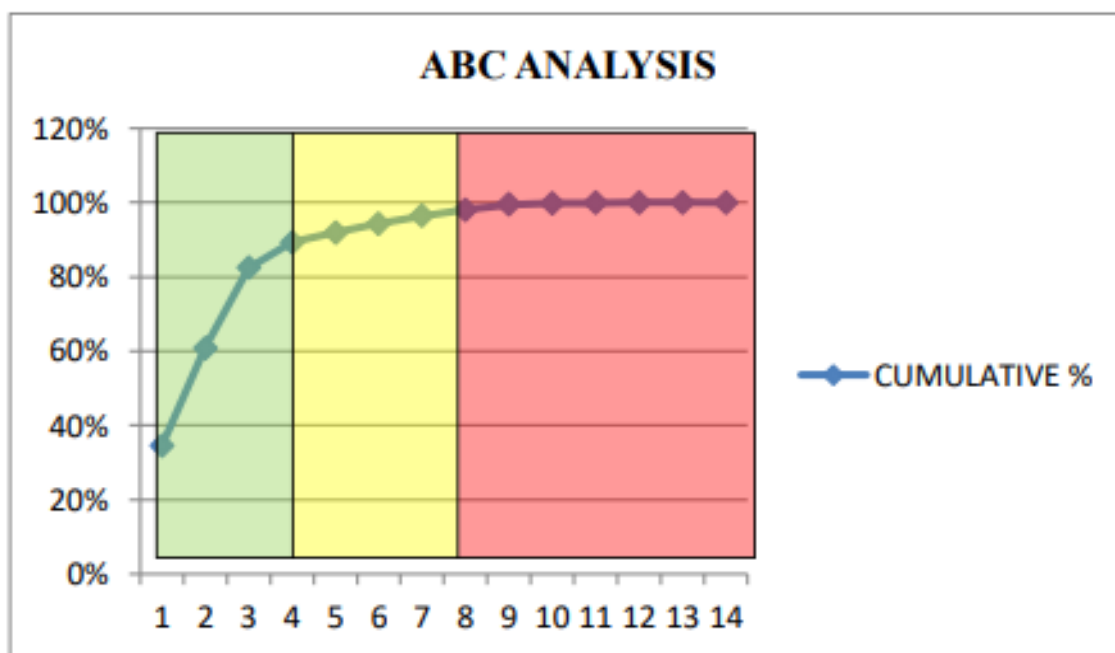


Chart 2.1.1 Showing ABC classification of inventory data (2017)

Interpretation

A ITEMS are goods that accounts for annual consumption value is the highest.

The top 70-85% of the annual consumption value of the company typically accounts for only 10-25% of total inventory items where in here it accounts for 82% of the annual consumption for only 21% of the total inventory items. 0% 20% 40% 60% 80% 100% 120% 1 2 3 4 5 6 7 8 9 10 11 12 13 14 ABC ANALYSIS CUMULATIVE %

B ITEMS are the interclass items with a medium consumption value. That 15-30% of annual consumption of the value typically accounts for 26-41% of the total inventory items. In this case it accounts for

16% of the annual consumption for 29% of total inventory items the inventory items.

C ITEMS are the contrary items with the lowest consumption values. The lower 1-14% % of the consumption value typically accounts for 42-67% of the total inventory items. The annual consumption in this case is 2% which typically accounts for 50% of total inventory items.

Table 2.1.2 Showing ABC classification of inventory data (2016)

ITEMS	NO.OF ITEMS	% OF ITEMS	%OF CUMULATIVE VALUES
A	3	21%	78%
B	5	36%	19%
C	6	43%	3%
TOTAL	14	100%	100%

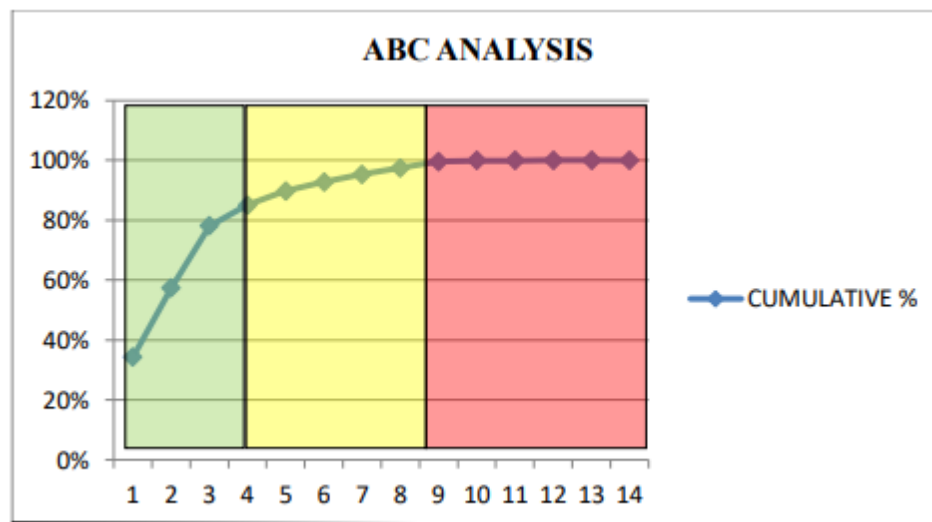


Chart 2.1.2 Showing ABC classification of inventory data (2016)

Interpretation

A ITEMS are goods that accounts for annual consumption value is the highest .The top 70-85% of the annual consumption value of the company typically accounts for only 10-25% of total inventory items where in here it accounts for 78% of the annual consumption for only 21% of the total inventory items.

B ITEMS are the interclass items with a medium consumption value. That 15-30% of annual consumption of the value typically accounts for 26-41% of the total

inventory items. In this case it accounts for 19% of the annual consumption for 36% of total inventory items the inventory items.

C ITEMS are the contrary items with the lowest consumption values. The lower 1-14% % of the consumption value typically accounts for 42-67% of the total inventory items. The annual consumption in this case is 3% which typically accounts for 43% of total inventory items.

Table 2.1.3 Showing ABC classification of inventory data (2015)

ITEMS	NO.OF ITEMS	% OF ITEMS	%OF CUMULATIVE VALUES
A	3	21%	81%
B	4	29%	15%
C	7	50%	4%
TOTAL	14	100%	100%

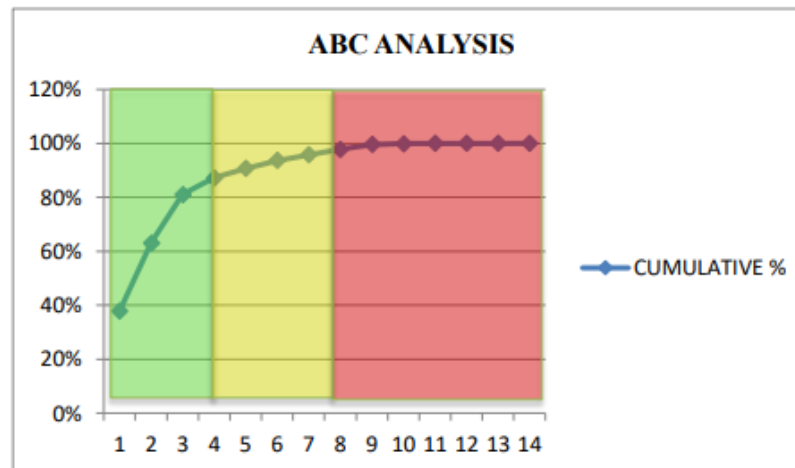


Chart 2.1.3 Showing ABC classification of inventory data (2015)

Interpretation

A ITEMS are goods that accounts for annual consumption value is the highest. The top 70-85% of the annual consumption value of the company typically accounts for only 10-25% of total inventory items where in here it accounts for 81% of the annual consumption for only 21% of the total inventory items. Here the A items are Packing materials, Spares and Vehicles. The company should focus more on packing materials as they export in and outside India the yarn they manufacture out of cotton where packing of those is really a essential one and it is

better to concentrate more on packing materials next is the spares that are used to repairing the manufacturing machines and the third is the vehicles which is also a important factor that contribute for export. By maintaining all these three effectively these accounts for the major annual consumption in the company.

B ITEMS are the interclass items with a medium consumption value. That 15-30% of annual consumption of the value typically accounts for 26-41% of the total inventory items. In this case it accounts for

15% of the annual consumption for 29% of total inventory items the inventory items.

C ITEMS are the contrary items with the lowest consumption values. The lower 1-14% % of the consumption value typically accounts for 42-67% of the total inventory items. The annual consumption in this case is 4% which typically accounts for 50% of total inventory items. 0% 20% 40% 60% 80% 100% 120% 1 2 3 4 5 6 7 8 9 10 11 12 13 14 ABC ANALYSIS CUMULATIVE %

Suggestions:

- 1) The EOQ analysis helps to reduce the total cost of inventory and it also helps in reducing the imbalances in holding cost and ordering cost.
- 2) Under ABC analysis the management can have more control on the A items than that on B and C items because A items constitute a higher annual consumption values.
- 3) From the analysis it can be concluded that if there is saving of materials by implementing ABC analysis and EOQ then these will provide huge money savings and minimizes the wastage of materials.

CONCLUSION

Through this study it is known that a better inventory management will surely be helpful in solving the problems that a company may face in inventory and will pave way for reducing the huge investment or blocking of money in inventory. Inventory is a physical asset of the company that can create problem if there is shortage, while in production and also if it's in excess even after production.

Inventory is constantly changing as quantities are sold and replenished. Inventory management is important for 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.

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