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A Study on Inventory Management with special reference to motion Technologies in Bangalore

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ABSTRACT

The article is carried out Inventory management comprises the most important part of present resource of bigger greater part of production sector because of the comparative a largeness of stock managed by most companies, an important sum of an organization finance is being dedicated to them. in thus becomes absolutely crucial to handle stock effectively so as to prevent the cash of modifying production rates extra time stock out time during times of optimum requirement for their product the purpose of the research is to evaluate the present process of inventory control and its enhancement. Appropriate information was gathered from

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the additional resource different inventory method EOQ ,ABC, VED, and, . Research were provided and described .the research suggests the opportunities and enhance inventory control in sector and recommended to use EOQ method for regarding the components required for production.

Keywords Inventory , comparative, absolutely, stock effectively, optimum requirement,

Chapter- I

1.1. INTRODUCTION

The term inventory refers to the stock pile of the products a firm offering for sale and the components that makes up the product. In other words inventory is composed of assets that will be sold in future in the normal course of business operations. The assets which turns store as inventory in anticipation of need are raw-materials, work-in- progress and finished products. The raw material inventory removes dependency between various machine of a product line. The finished goods inventory removes between plants and its customers or market.

The items purchased by firms for use in production of finished product. Work-in-progress consists of all items currently in the process of production. These are actually partly manufactured products. Finished goods are goods that have completed the manufacturing process but have not yet been sold or distributed to the end user. Inventory constitutes one of the important items of current assets, which permits smooth operation of production and sale process of a firm. Inventory management is that aspect of current assets management, which is concerned

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with maintaining optimum investment in inventory and applying effective control system so as to minimize the total inventory cost.

The term inventory refers to the goods or materials used by a firm for the purpose of production and sale. It also includes the items, which are used as supportive materials to facilitate production. Inventory is an idle stock of physical goods that contain economic value, and are held in various forms by an organization in its custody awaiting packing, processing, transformation, use or sale in a future point of time. Inventory management refers the overseeing and controlling of the ordering, storage and use of components that a company will use in the production of the items it will sell as well as the overseeing and controlling of quantities . Everything has a price; nothing in this world is for free. This statement talks about the goods and services available to consumers and customers alike throughout the globe. The hospital industry is no way an exception to this statement, rather fact.

CHAPTER- II

2.1. OBJECTIVE OF THE STUDY

- To analyze the work flow mechanism of procuring, storing, issuing and other procedures followed in the organization.

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- To analyze the impact of lead time on the cost of inventory in the respective stores and user department.
- To examine the impact of stock out situation with the user department.
- To analyze the impact of excess stock maintained in the stores and user department on the cost of inventory.

2.2 SCOPE OF STUDY

- In the current scenario, the management of inventory should be carried out with great care. Inventory institutes a major part of current asst. so a large part finance is used for it. Hence arise the need for controlling inventories and applying modern inventory control.
- The study is focused only on materials management in motion technologies. This study seeks to explain a practical approach to evaluate the effectiveness of inventory management, and the study provides suggestions to improve inventory management in motion technologies duration.

2.3 NEED FOR THE STUDY

The Inventory Management system and the Inventory Control Process provides information to efficiently manage the flow of materials, effectively utilize people and equipment, coordinate internal activities, and communicate with customers. Inventory Management and the activities of Inventory Control do not make decisions or manage operations; they provide the information to Managers who make more accurate and timely decisions to manage their operations. The emphases on each area will vary depending on the company and how it operates, and what requirements are placed on it due to market demands. Each of the areas above will need to be addressed in some form or another to have a successful program of Inventory Management and Inventory Control.

2.4 STATEMENT OF THE PROBLEM

A study of inventory management at leading Automobile Company is undertaken in order to know the inventory performance and position of the company and to know the strength and weakness and to assess the profitability of the company. Inventories constitute most significant part of assets of large majority of the companies in India. Inventory a double edged sword is usually an asset of an organization, if not used properly it will become liability. It is therefore absolutely very important to manage inventories efficiently and effectively in order to overcome unnecessary investment. And "To identify the problems/challenges involved in the Inventory Management process at this company."

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2.5 LIMITATION OF THE STUDY

- Every project has its own limitations and some of those encountered during this study are listed below.
- The study is limited to the store of Motion technologies.
- This study is limited to the consumption pattern of the various user departments.
- Most of the data collected for the analysis has been extracted from past records hence it is retrospective and some of it's has been by means of interviews.
- The data collected for computation has been in quantitative terms rather than qualitative as it involves cost aspect.

CHAPTER –III

3.1 REVIEW OF LITERATURE

1.Author:-Bern at de William year 2007

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This study tells that the main focus of inventory management is an transportation and warehousing. the decision taken by management depends on the traditional methods of inventory control models. The traditional method of inventory management is how much useful in this days the another tell about it . He is also saying that be traditional method is not a cost reducing, this so much expansive. But the managing the inventory most important work for any manufacturing unit

2.Author:- Jon Schreibfeder year 2008

He said that it is easy to turn cash into inventory, the challenges is to turn inventory back into cash .In early 1990s many distributor recognize that they needed help controlling in and managing their largest assets inventory. The response to this need several companies developed comprehensive inventory management modules and systems. These new package includes many new features design to well distributors effectively manage warehouse stop. But after implementing this many distributors do not field that they have gained control their inventory

3. Author:- Wolf Bagby, Manageing Inventory

In this study Mr.W. BAGBY explains that by managing inventory it becomes easier for the organization to meet the profit goal, shorter the case cycle , avoid inventory shortage, avoid excessive caring cost for unused inventory, and improve profitability by decreasing cash conversation and adapot JIT systems. According to this study companies need to get smart about inventory.

4. Author:- Asfaque Ahmed October 12, 2009

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He said that most of the manufacture company Vendor have plan on schedule product which assume either infinite production capacity for calculating quantity of raw material and work in progress (WIP)requirement or infinity quantity of raw material and (wip) materials calculating production capacity. there are many problem with this approach and how to avoid these by making sure that the product you are buying indeeded takes to accounts finite quantities of raw materials of required material as well as finite capacities of work centers in yours manufacturing facility.

5.Author:-D. Hoopman april 7, 2010

In this article he said inventory optimization recognize that different industry have different inventory profiles and requirements. Research has indicate that solutions are price in as large range from tens of thousand of dollars to millions of dollars. In this niche market sector price is definitely not an indicators of the quality of solution. ROI and usability are paramount.

6. Author:-silver Edward December 22, 2011

This article considers the context of a population of items for which the assumption underlying the EOQ derivation hols reasonable well. However as is frequently the cash in practice there is an aggregate constraint are.

7.Author:- Charles Atkinson March 2012

In this study by Mr. Charles Atkinson, he explained the inventory management and asscessment of inventory levels. As per this study inventory management need to address two issue.

The study tells about what the manager should do and not to do , and how much amount should be order in one placed order. Average inventory can be calculated by simplistic method.

Average inventory= beginning inventory+ end inv/2.

8.Author:- Delaunay C. Sahin 2013

A lots 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 an exhansive review on the problem of supply chain management with inventory inaccuracies. The author said that aim in this work is also to present the most important criterion that allow a distribution between the different type of quality.

9.Author:- Mr. R. Rajeev Menon (2005) analyzed, Inventory management is of immense importance for the success of operations. An inventory represents perhaps the largest proportion of current asset which a university needs to run its administration and to perform all other activities. Efficiency of inventory management depends greatly on this department which has got to economize inventory financing cost, identifying different items of stock estimate the requirements arrange for the receipt of materials as well as for inspections, issue and dispatch and maintain stock report, stock control, stock taking and storing. So, clearly, stores management is a strategic factor for the successful management of inventories.

Effective inventory management is essential for providing best services for those for whom a company is meant, produce maximum efficiency and manage inventories at pre determined level to stabilize investments in inventories. Efficient inventory management

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requires the development of highly integrated and co coordinated system involving forecasting the planning of inventory requirements, procedures of requirements use and storing, ways of controlling and financing inventory pricing, costing procedures for scrap, spoiled goods, etc.. It is presumably possible in a company or in any other organization where individuals are vested with responsibility and authority over the various details of procuring maintaining and disposing the inventory.

3.2. RESEARCH METHODOLOGY

RESARCH:

Research is a process in which the research wishes 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 or enquire especially through search for new facts in branch of knowledge.

METHODOLOGY:

The project evaluates the inventory management one of the company with help of most appropriate tool of financial analysis like ratio analysis and comparative balance sheet. Hence it is essentially fact finding study.

MEANING OF RESEARCH

Research means a "Search for Knowledge". According to Clifford Woody research comprises, "defining and redefining problems, formulating hypothesis or suggested solution; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusion to determine whether or suit the formulated hypothesis Research can either be exploratory or descriptive

RESEARCH DESIGN

This study is basically analytical in nature. Analytical research on the other hand, attempts to use existing knowledge as an aid to the solution of some give problem/set of problems. The study mainly relies on the interrogation or respondents and data available by necessary sources. Thus descriptive research only suits the purpose appropriately.

DATA COLLECTION:

The data needed for the present study had been collect through the secondary data and primary data.

· **Primary data** - The primary data is collected by personal interviews with officials. primary data is the first hand information that is collection during the period of research. Primary data has been collected through discussion held with the staffs in the account department. Some types of information were gathered oral conversation with the cashier, taxation officer etc.

· **Secondary data -** Files, annual reports, periodicals, manuals and text book. Which have already been passed through the statistical process are the secondary data used.

- ✓ The data are collected from the annual reports maintained by the company for the past five years.
- ✓ Data are collected from the company website

TOOLS OF THE STUDY:

- **ABC ANALYSIS**

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- **VED ANALYSIS**
- **RATIO ANALYSIS**

CHAPTER – IV

DATA ANALYSIS AND INTERPRETATION

4.1.CURRENT RATIO (CR)

Current Ratio is the ratio of total current assets to total liabilities. It is expressed as follows:-

$$\text{Current Ratio (CR)} = \frac{\text{Current Ratio}}{\text{Current liability}}$$

Table –4. 1 (Rs. In Crores)

Year	Current Assets	Current Liabilities	Current Ratio
2010- 2011	743.55	408.97	1.82
2011 - 2012	1010.51	440.67	2.29
2012 – 2013	840.92	597.58	1.41
2013 - 2014	947.12	658.91	1.44
2014 - 2015	845.43	555.75	1.52

Source : Annual Reports

INFERENCE

Five years analysis of current ratio is a satisfactory liquid position in all years except 2006-2007, 2012-2013. In the financial year 2014-2015 the liquid position is more satisfactory than previous years.

4.2.QUICK RATIO

Quick ratio is the ratio of quick liabilities. It is expressed as follows.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

Quick ratio = Current asset – (Stock = Prepaid expenses)

Quick liability= Current liability- Bank overdraft

Table –4. 2 (Rs. In Crores)

Year	Quick Assets	Quick Liabilities	Quick Ratio
2010 - 2011	413.43	408.97	1.01
2011 - 2012	591.1	440.67	1.34
2012 - 2013	389.92	597.58	0.65
2013 - 2014	434.12	658.91	0.66

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2014 – 2015	428.43	555.75	0.77

Source : Annual Reports

INFERENCE

. The table shows 2006-2007 and 2012-2013 the ratios are low. But in the financial year 2013-2014 the ratio is more satisfactory than the previous years.

4.3.NET WORKING CAPITAL RATIO

$$\text{Net Working Capital Ratio} = \frac{\text{Net working Capital}}{\text{Net Assets}}$$

Table –4. 3 (Rs. In Crores)

Year	Net Working Capital	Net Assets	Net Working Capital Ratio
2010 - 2011	334.58	680.1	0.49
2011 - 2012	569.84	739.2	0.77
2012 - 2013	243.34	1107.9	0.22
2013 - 2014	288.21	1374.62	0.21
2014 – 2015	289.68	1511.78	0.19

Source : Annual Reports

INFERENCE

The above table shows that the working capital ratios from 2004-2005 to 2013-2014. The net working capital ratio of the company shows positive figures. So, the liquidity position of the company is satisfactory. This is a good sign of the liquid liability of the company.

4.4.INVENTORY TURNOVER RATIO

Inventory turnover ratio indicates the efficiency of the firm is selling its product. It is calculated by dividing the cost of goods sold by average inventory. The average inventory is the average of opening and closing balances of finished goods.

$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

Table – 4.4 (Rs. In Crores)

Year	Cost of Goods Solds	Average Inventory	Inventory Turnover Ratio
2010 - 2011	2656.81	330.12	8.05
2011 - 2012	3002.12	419.41	7.16
2012 - 2013	3292.33	451	7.30

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2013 - 2014	3693.93	513	7.20
2014 – 2015	4070.44	417	9.76

Source : Annual Reports

INFERENCE

A high inventory turn over ratio indicates efficient management of inventory because more frequently the stocks are sold; the lesser amount of money is required to finance the inventory.

4.5.DEBTORS TURNOVER RATIO

Credit is used as a marketing tool y a number of companies. Debtors turnover indicates the number of times debtors turnover each year through there is no idle ratio, generally the value of debtors turnover the more efficient is the management of credit. Debtors turnover is found out by dividing sales by debtors.

$$\text{Debtors Turnover Ratio} = \frac{\text{Sales}}{\text{Debtors}}$$

Table – 4. 5 (Rs. In Crores)

Year	Sales	Debtors	Debtors Turnover Ratio
2010 - 2011	2656.81	156.52	16.97
2011 - 2012	3002.12	175.52	17.10
2012 - 2013	3292.33	203.6	16.17
2013 - 2014	3693.93	155.13	23.81
2014 – 2015	4070.44	87.28	46.64

Source : Annual Reports

Inference

The table shows debtors turnover ratio shows a rising trend except 2006-2007. In the last financial year 2013-2014 the debtors turnover ratio is very high, this shows the highest efficiency in the management of debtors.

4.6.CREDITTORS TURNOVER RATIO

This ratio indicates the relationship between credit purchase and track creditors and shows the average disbursement period. It is calculated as follows.

Creditors turn over ratio = Purchase

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Creditors

Table – 4. 6 (Rs. In Crores)

Year	Sales	Debtors	Debtors Turnover Ratio
2010 - 2011	1431.09	380.14	3.76
2011 - 2012	1850.34	415.72	4.45
2012 - 2013	2258	403	5.60
2014 - 2013	2385	475	5.02
2014 – 2015	2795	420	6.65

Source : Annual Reports

INFERENCE

The table shows creditor's turnover ratio shows an increasing trend from 2004-2005 to 2006-2007. After 2006-2007 creditors turnover ratio shows a decreasing trend. This is a good sign in the firm's dealings with creditors. But the financial year 2013-2014 shows a higher turnover ratio.

4.7.WORKING CAPITAL TURNOVER RATIO

Working capital of a concern is directly related to sales. The current assets like debtors, bills receivables, cash, and stock changed with the increases or decrease in sales.

$$\text{Working Capital turn over ratio} = \frac{\text{Sales}}{\text{Working Capital}}$$

Table – 4. 7 (Rs. In Crores)

Year	Sales	Working Capital	Working Capital Turnover Ratio
2010 - 2011	2656.81	334.58	7.94
2011 - 2012	3002.12	569.84	5.27
2012 - 2013	3292.33	243.34	13.53
2013 - 2014	3693.93	288.21	12.82
2014 – 2015	4070.44	289.68	14.05

Source : Annual Reports

INFERENCE

The table shows last financial year 2013-2014 shows the highest ratio because there was reduction in the amount of working capital.

4.8.AVERAGE COLLECTION PERIOD RATIO

The average collection period represents the average number of days for which a firm has to wait before its receivables are converted into cash. The ratio can be calculated as follows.

$$\text{Average Collection Period Ratio} = \frac{\text{No. of working days}}{\text{Debtors turn over ratio}}$$

The number of working days may be assumed to be 365 days.

Table – 4. 8 (Rs. In Crores)

Year	Days in the Year	Debtors Turnover Ratio	Average Collection Period Ratio
2010 - 2011	365	16.97	22 days
2011 - 2012	365	17.10	21 days
2012 - 2013	365	16.17	23 days
2013 - 2014	365	23.81	15 days

2014 – 2015	365	46.64	8 days

Source : Annual Reports

INFERENCE

. The above table shows the last 3 financial years average collection period is in a decreasing trend and the last year it is 8 days. It shows the better is the quality of debtors. This helps to the quick payment by debtors.

4.9.ANALYSIS OF COMPONENTS OF CURRENT ASSETS

The various components of current assets and there values of the company from the year 2004-2005 to 2013-2014 are disclosed in the table.

Table – 9 (Rs. In Crores)

Item	2010-11	2011-12	2012-13	2013-14	2014-15
Inventories	330.12	419.14	452	513	417
Sundry Debtors	156.52	175.14	203	155.13	87
Cash and Bank Balance	110.43	68.71	73	75	98.7
Other Current Assets	0.02	0.21	14	12.84	0.5

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Loans & Advances	146.46	184.39	193.7	178.68	195.27
Total	**743.55**	**847.59**	**935.7**	**934.65**	**798.47**

Source : Annual Reports

INFERENCE

The table shows Year 2004-2005 current assets were 743.55 crores. From the financial year 2004-2005 to 2006-2007 there was an increasing trend in the current assets. In the financial year 2006-2007 it is about 935.7 crores. But in the next year shows a slight decrease in the current assets to 934.65. In the last financial year current assets are again decline it to 798.47 crores.

4.10.ANALYSIS OF COMPONENTS OF CURRENT LIABILITIES.

The various components of current liabilities and their values during the period of study are given in the following table.

Table – 4. 10 (Rs. In Crores)

Item	2010-11	2011-12	2012-13	2013-14	2014-15
Sundry Creditors	373.22	339.4	403	475	420
Interest accrued but not due	5.84	6.92	4.52	2.5	8.81

Unpaid Dividend	4.75	1.66	15.99	1.78	2.29
Provisions	33.53	24.95	55.38	93.09	95.63
Current Liability	**417.34**	**372.93**	**478.89**	**572.37**	**526.73**

Source : Annual Reports

INFERENCE

From the above graph the value of current liabilities of the company was Rs. 417.34 in 2004-2005. Which is decreased by 44.41 crores in 2005-2006. In the next 2 years it is about 572.37 crores. But in the last financial year 2013-2014 there was a decrease in the current liabilities of Rs. 45.64 crores from the previous year.

4.11.TREND ANALYSIS

Table – 4. 11 (Rs. In Crores)

Year	Working Capital (y)	X = (X-2005)	X²	XY
2010 - 2011	334.58	-1	4	-669.16
2011 – 2012	569.84	-1	1	-569.84
2012 - 2013	243.34	0	0	0.00

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2013 - 2014	288.21	1	1	288.21
2014 – 2015	289.68	2	4	579.36
Total	**1725.65**	**0**	**10**	**-371.43**

Source : Annual Reports

INFERENCE

From the above graph the value of current liabilities of the company was Rs. 334.54 in 2011-2012. Which is decreased by 569.84 crores in 2010-2011. In the next 2 years it is about 572.37 crores. But in the last financial year 2012-2013 there was a decrease in the current liabilities of Rs. 288.68 crores from the previous year.

4.12.ANALYSIS OF FINANCIAL PERFOMANCE OF ATL

The following table shows the turnover, total expenditure, profit before tax and profit after tax for the last five years of ATL.

Table – 4. 12 (Rs. In Crores)

Year	Turn over	Total Expenditure	Pft. Before depreciation & Tax	Depr. & Transfer from revaluati	Pft. Before tax & exception	Provision for tax	Profit after tax

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				on reserve	al items		
2010 – 2011	2245.3	2103.60	141.70	56.79	84.91	17.28	67.63
2011 – 2012	2625	2452.00	173.00	73	100	28	72
2012 – 2013	3392.33	3132.68	259.65	74.23	185	72	113.42
2013 – 2014	3703.15	3281.89	421.26	87.81	333.45	114.4	219.3
2014 – 2015	4070.44	3801.27	269.17	98	171.17	63.05	108.12

Source : Annual Reports

INFERENCE

The above graph shows the performance of the company for the last five years. All year's turnover is greater than total expenditure. The highest profit is 219.3 crores in 2012-2013. The lowest profit is 67.63 in 2004-2005. The performance of the company is good.

CHAPTER-V

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FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 FINDINGS

1. Current ratio show a satisfactory liquid position in all years except 2004-2005 (1.82) and 2005-2006 (2.29). IN the financial year 2013-2014 (1.52) liquidity position is more satisfactory than previous year.
2. In this analysis quick ratio is very low 2006-2007 (0.65) , 2012-2013 (0.66), 2013-2014 (0.72). it is not satisfactory.
3. The average inventory turnover ratio of Apollo Tyres Ltd is 9.76 (2008-09). Usually a high inventory turnover indicates efficient Management of inventory because more frequently the stock are sold, the lesser amount of money is required to finance the preventory.
4. Debtors turnover ratio show cases a rising trend in 2007 – 2008 (23.81) and 2008 – 2009 (46.64). Generally higher the value of debtors turnover, the more efficient is the management of debtors/sales. So management of debtors in Apollo Tyres Ltd. is satisfactory.
5. There is decline in the profitability ratio and increase in the volume of production. This because increase in the cost of raw materials leads to increase in the cost of product.
6. The company follow the centralized purchasing.
7. Company using only the ABC analysis and VED analysis for the inventory management.

5.2. SUGGESTIONS

1. A value item needs to be controlled very strictly and very low value of safety stock should be maintained.
2. A value item should be handled by top level management and take maximum effort to reduce lead time.
3. B value needs to be controlled moderately and low value of safety stock should be maintained.
4. C value item needs controls may be loose and high value of safety stock may be maintained.
5. Current assets have to keep in order to meet the liability. But is could not be higher than the standard rate. The company always have to maintain current assets and current liability in the ratio 2 : 1.
6. The should use the FIFO method for the inventory management that is a remarkable one.

5.3 CONCLUSION

Managing and controlling the inventories, say raw materials, components, spare parts, or finished goods is very significant and indispensable in any organization, since it forms 80 % to 90 % of the working capital of the company. It is therefore, necessary for the officer familiar with ways to control inventories effectively so that there can be efficient allocation of funds and it leads to reduce investment in inventories to the optimum level and leave sufficient funds for more profitable channels which will ultimately result in maximization of the shareholder's wealth. The techniques of inventory management help in determining the optimum level of inventory as well as how much should be ordered and when it should be ordered. All these techniques are helpful in efficient management of inventories and balancing the advantages of holding additional inventory against the cost of carrying inventory.

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