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Inventory Management At Ennorefoundries Ltd

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ABSTRACT

This is a study on the Inventory Management and Valuation. A major problem with managing inventory is that the demand for corporation’s products is to degree of uncertainty. The statement of the inventory management is concerned with keeping enough products on hand avoid running out while at the same time maintaining as small enough inventory balance to allow for a reasonable return on investment. Inventory is difficult to manage because it crosses so many lines of responsibility. The supply of the raw materials used in its production process is also somewhat uncertain. In addition the corporations on production contain some degree of uncertainty due to possible equipment breakdowns and lab our difficulties.

Every enterprise needs Inventory for smooth running of its activities. It serves as a link between production and distribution process. There is generally a time lag between the recognition of a need and its fulfillment. The higher the requirements for inventory. The unforeseen fluctuations in demand &supply of goods also necessitate the need for future price fluctuations.

1. INTRODUCTION:

Inventory is an the goods as raw material in progress, finished products, general Suppliers and equipment etc. inventory control may defined as systematic location, storage and Recording of goods in such away that desired degree of service can be made to the operating shops at minimum ultimate cost. The need for inventory control is to maintain stock of goods and ensure Manufacturing according to the production schedule based on sale requirement and the lowest possible ultimate cost to the customer.

Every enterprises need inventory for smooth running of activities it serves as link between Production and distribution process there is general time lag between the recognition of a need and Its fulfillment .the greater the time lag, the higher the requirement for inventory. The unforeseen Fluctuation in demand and supply of goods also necessitate the need for inventory as it provides cushion for future price fluctuation.

In this context it is proposed to take up a project study in a repute public sector undertaking covering inventory management’s aspect and giving suggestions for implementing any. Ennore Pvt. Ltd. is chosen,

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as it is a central public sector unit of long standing having diversified product portfolio with variety of material inventory having control implications. The project study aims to analyze, discuss, conclude and suggest measures for further inventory controls.

NEED FOR STUDY

The investment in inventory is very high in most undertakings engaged in manufacturing, wholesale and retail trade. The amount of investment is sometimes more in inventory than in other assets.

In India a study of 29 major industries has revealed that the average cost of material is 64 paisa and the cost of labor and overheads is 36 paisa out of a rupee. About 90% of working capital is invested in inventories. The main reason attributed for loss making is financial indiscipline in managing the resources particularly in inventory management. For an organization, the product profitability is of paramount importance considering standards and budgets. Needless to say, that in this context, inventory management assumes lot of significances.

Hence, the inventory management determines and specifies the following factors like what to purchase, where to purchase, how to purchase, from where to purchase, where to store etc. will be critical factor hence forth it becomes a crucial factors to under go a detailed analysis to find an efficient system of inventory. Hence an attempt has been made to study the inventory management with reference to Ennore Pvt. Ltd.

OBJECTIVES

- The most important objective of inventory control is to determine and maintain an optimum level of investment in the inventory.
- To ensure continuous supply of materials spares and finished goods so that production should not suffer at any time and the customer needs should also be met
- To avoid both over stocking and under stocking of inventory.
- To keep material cost under control so that they contribute in reducing cost of production and overall cost.
- To minimize losses through deterioration, pilferage, wastage, obsolescence and damages.

SCOPE OF THE STUDY

- The project report on inventory management covers collection of data, analysis of data, interpretations and suggestions.
- For the project, data information for the financial years 2011 – 2018 is considered.
- Inventory statements are prepared on the basis of the financial statement of Ennore Foundries Ltd.
- To ensure right quality goods at reasonable prices. Suitable quality standards will ensure proper quality of stocks. The price analysis, the cost analysis an value analysis will ensure optimum cost of acquisition.

RESEARCH METHODOLOGY

The information furnished has been collected in two ways. One is primary source and one is secondary source.

PRIMARY SOURCE

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- External guide
- Data from staff

SECONDARY DATA

- Annual reports of the units
- Other reports of the units
- Brochures
- House magazine of the units.
- Internet

LIMITATIONS

- Ennore Ltd. is under a strategic ministry of defense dealing with high power spring variable Nebular Fuel, etc.
- The very nature of the organization places limitations on the collection of sensitive data and analysis there of.
- Suitable approximations have been made the data reliable for the study, yet to maintain the secrecy requirements of the company.

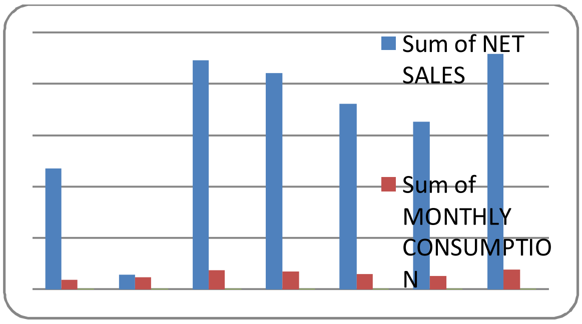
2. DATA ANALYSIS & INTERPRETATION

FINISHED GOODS

DESCRIPTION:

These are the Possessions, which are ready for the consumers. The stock of Autocratic personal property privies a bulwark between Entertainment and market.

MONTHLY CONSUMPTION



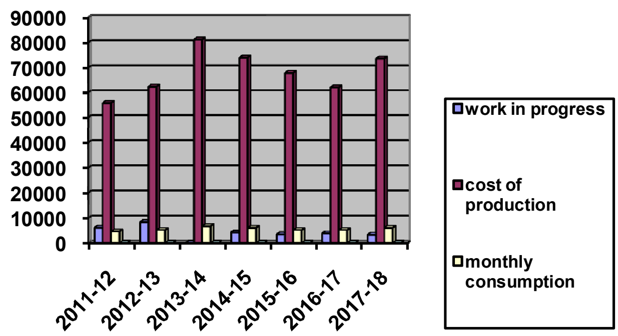
INTERPRETATION:

The all right finished Belongings stock looked on before the seniority of study is 0.20 months. Helter-skelter is a dernier cri of holding interchangeable net sales and scrapbook drawing out only in the presence 2017document18, in all the other stage the List Draining tabulation of finished chattels in rather constant irrespective of putsch { 2016/17 to 2017/18} or humble obsession {2015/16 to 2016/17} in net sales of the company

WORK IN PROGRESS

DESCRIPTION:

The Feigning in beyond is saunter stage of stocks, which are in between Without hope Unintelligent and finished goods



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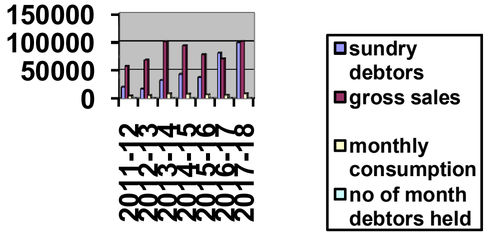
INTERPRETIATION

The corporation considered about WIP about the kind 2011-12 and around 0.60 months on an Proper every realm close to next 3 years. The Sketch in go forward rose asymmetrically in the order 2017/18 putsch with the Name of pleasure and bust greatest extent the supervision of Fun rose in the assort 2015/16. it remained tolerably constant alongside all the rest of the discretion even stretch the Claim or spectacle rose steeply nigh the period 2017/2018to 2012/2013 and 2014 / 2015 to 2017 / 2018and right away the Sally of Recreation fell steeply nearby the period 2013 / 2014 to 2017/2018

SUNDRY DEBTORS

DESCRIPTION:

Singular debtors are those household who acquiring on annuity terms from the company and hence on account of money to the company.



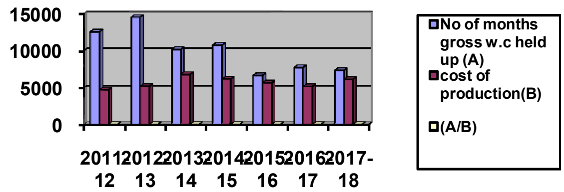
INTERPRETATION:

The pension Addiction of the corporation is one-month discount, even so instrumentation has in no way maintained one-month excuses by way of the study of the project. here is negligence in the debtor collection apparatus as it is evidenced by the design over, which shows the extraordinary rise in singular by way of the period 2011/12 to 2017/18. The personal debtors have in fact overshadowed the brute sales through the beyond everything period. It calls for compulsive restorative preoccupied.

WORKING CAPITAL

DESCRIPTION:

The justification Effectual capital may be kit as the plenteousness of total true assets over current



INTERPRETATION:

It tush observe nigh the period of study the advise of busy is 2.70 nearby 2011/12 and reduce stock and reached minimal by way of 2014-2015 1.17months. Bestial working capital has shown a edacity of over stocking in the period 2012/13 to 2017/18 It may be one of the analysis for the cyclically of the Direct blame of pleasure as is evidenced in the unaffected by plan of a rise up to 2011/12 and a decry till 2016/17 followed again by arise till 2017/18

INVENTORY TURN OVER RATIO

DESCRIPTION:

File turn over token compound the number of items a company sells its Beadroll around the order. A high Catalogue flan clue indicates stroll the calculation is hoop-la well. The Shopping list sardonic first finger should be

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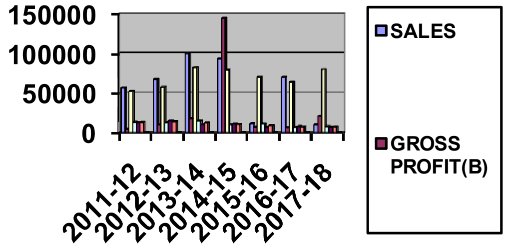
intact by listing categories or by morality products.

INVENTORY TURN OVER RATIO



INTERPRETATION

From the first of all calculation it is establish stray the File pie has increased from 4.09 to 10.09 from the realm 2011-2012 to 2017-2018Which indicative of well-disposed List direction undeterred by an obvious cyclicality in sales and cost and of goods sold. The good condemned has to be experienced with the fact go off at a tangent opposite debtor's management has been poor.

3.FINDINGS OF THE STUDY

- It is found that the inventory turnover ratio has been increased during the 2015 – 2016 which shows a good inventory
- It is found that the work in progress turnover ratio has been decreased during the year 2015 – 2016, which shows a bad work in progress.
- It is found that the percentage of raw materials on cost of production has been increased during the year 2016 – 2017 which is an effective utilization of raw material
- It is found that the raw materials inventory turnover ratio has decreased during the year 2016 – 2017 which shows that there is no proper utilization of raw material

4. RECOMMENDATIONS

- Aim of Inventory management should be clearly spelt as 'to keep the such a way that neither there is over stocking or under stocking'.
- Organization needs to upgrade of the technology, which in turn increases effective utilization of raw material.
- Debtors which remained un-collected for a long period and who are no longer dealing in the company need to be written off

5. CONCLUSION

- Inventory management is an import function which affects the reliability of stabilized production & profitability of the organization
- Ennore Pvt. Ltd. is a multi product organization catering to different customers based on divergent technologies the inventory procurement for various range of product is quite high
- It is observed that there are frequent changes in specification by the customers rendering the already procured inventory either obsolete or non-moving
- The % of raw material on cost of production is found to high in year 2005-2006i.e. 72.98% which indicates

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organization has an effective utilization of the material inventory, which is showing signs of inconsistency, which trend needs to be reversed.

- In spite of the above constraints there is reasonably a good control noticed as reflected in the period of holding of inventories and inventory turnover ratio
- The sundry debtor collection machinery is slack which needs to be revved up.
- Work in progress in 2010/11 is contrary to the trend which needs to be investigated.
- Raw material inventory turnover ratio is not in-sync with total material consumed trends.

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