



A Study on Inventory Management in Dodla Dairy Ltd., Palamaner

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ABSTRACT

Inventory exists in almost every organization, it is crucial for an organization to have good understanding and strategy about inventory management. Inventory management has significance for an enterprise in an inventory intensive manufacturing industry. Inventory Management System is extraordinarily beneficial to commercial enterprise owners, as they allow shops to properly keep sales and buy statistics. When stock is mismanaged, it results in disenchanted purchasers, slower income and stacked warehouses. The present study on inventory management in Dodla Dairy focuses on what different kinds of inventory control techniques are followed and how effectively the inventory is managed. Five year data from 2017 has been taken and analysed for various inventory related ratios to know the effectiveness.

KEY WORDS: Inventory, Inventory Management System, strategy, enterprise, ratio, effectiveness .

INTRODUCTION

Finance is one of the basic foundations of all kinds of economic activities. It is the master key, which provides access to all the sources for being employed in manufacturing. Hence it is rightly said that finance is lifeblood of any enterprise, besides being the scarcest elements, it is also the most indispensable requirement. Without finance neither any business can be started nor successfully run. Provision of sufficient funds the required time is the key to success of concern. As matter of fact finance may be said to be the circulatory system of economic body, making possible the needed co-operation among many units of the activity.

INTRODUCTION TO INVENTORY

Inventory in wider sense, is defined as any idle resource of an enterprise. It is a physical stock of goods kept dept. for the purpose of future affairs. The term is generally used to indicate raw materials in process, finished products, packing, spares and others – stocked in order to meet expected demand or distribution in the future. Though inventory of materials is an idle resource –it is not meant for immediate use – it is almost essential to maintain some inventories for the smooth functioning of an enterprise.

DEFINITION OF INVENTORY MANAGEMENT

Inventory is a list for goods and materials, or those goods and materials themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purposes of the possessions of someone who has died.

MILK INDUSTRY IN INDIA AND ABROAD

Although a beginning in organized milk handling was made in India with the establishment of military dairy farms (oldest Allahabad, 1889), the salient features of the market industry had been:

1. Handling of milk in Co-operative Milk Unions established all over the country on a small scale in the early stages.
2. Long distance refrigerated rail-transport of milk from Anand to Bombay since 1945.
3. Pasteurization and bottling of milk on a large scale for organized distribution was started at Aarey (1950), Worley (1961), Calcutta (Haringhta, 1959), Delhi (1959), Madras (1963) etc.,
4. Establishment of Milk plants under the five-year plans for Dairy Development all over India. These were taken up with the dual object of increasing the national level of milk consumption and ensuring better returns to the primary milk producer. Their main aim was to produce more, better and cheaper milk.

REVIEW OF LITERATURE

This chapter explains the meaning of inventory, classification of inventory, meaning of inventory-control and methods used to control inventory.

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For example, let us consider an enterprise that has no inventory of materials at all. When this enterprise receives a sales order, it will have to order out the raw material required to complete the order, wait till these arrive and then start production. This would keep the customers invariably to wait too long for the delivery of the goods ordered. Among other disadvantages of not maintaining the inventories, the enterprise may have. To purchase the raw materials at very high prices because of piece-meal buying; the production costs would also be high because of not being to take advantage of batching; the load on manufacturing shops would vary from period depending upon the orders on hand; the company may not be able to provide adequate customer service in the matter of completion, waiting and price.

DEFINITION OF INVENTORY MANAGEMENT

- Inventory is a list for goods and materials, or those goods and materials themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purposes of the possessions of someone who has died.
- Treats inventories, as "Locked, up capital". Inventory measured by rupee value constitutes the major element in the "Working Capital" (approximately 60% of current assets).
- John Hampton
- "Good inventory management is nothing but good financial management"

- S.C.Kuchal

MEANING OF INVENTORY MANAGEMENT

Raw materials Inventory – It remove dependency between suppliers and plants. Work-in-process – It remove dependency between machines of a product line. Finished Goods Inventory – It remove dependency between plant and its customers /market.

RAW MATERIALS

These are the basic inputs, which are converted into finished product through manufacturing process. Raw materials, inventories are those units, which have been purchased and stored for future production.

WORK IN PROGRESS

Materials issued to the stop floor which have not yet become finished products, they are value added materials to the extent of labor cost incurred.

FINISHED GOODS

Finished goods are those which are ready for sale.

INVENTORY MANAGEMENT

Some characteristic of inventory in the broad content of working capital management are:

CURRENT ASSETS

It is assumed that inventories will be converted to cash in the current accounting cycle. 1.4.2 Level of Liquidity: Inventories are as first stage in cash cycle. For the most products this description is accurate.

Liquidity Lags

Inventories are tied to the firm's pool of working capital in a process that involves there specific lags, namely.

Creation Lag

In most cases, inventories are purchased on credit, an account payable. When the raw materials are processed in the factory, the cash to pay production expenses is transferred to future times. Whether manufactured or purchased the firm will hold inventories for same time period before payments is made. This liquidity lag offers a benefits to the firm.

Storage Lag

Once goods are available for resale, they will not be immediately converted into cash, thus the firm will usually pay suppliers, workers and overhead expenses before the goods are actually sold. This lag represents a cost to the firm.

Sale Lag

Once goods have been sold, they normally do not create cash immediately. Most sales occur on credit and become accounts receivable. The firm must wait to collect its receivable. This lag also represents a cost to the firm.

TYPES OF INVENTORY

Inventory can be classified into five basic types on the basic of their production. These various types of inventories cannot be identified and segregated within the organization: AS such types will not be represented in all organization. These five types are as follows.

LOT SIZE INVENTORY

These are result of buying materials in qualities larger than the immediately requirements, with a view to minimizing cost of transportation, buying, receipt and handling and to obtaining quantity discount.

FLUCTUATION INVENTORY

These are carried to ensure ready suppliers to consumer even when these are irregular and unpredictable fluctuation in their demand.

CYCLE INVENTORY

These result from management attempt to minimize the total cost of carrying and ordering inventory. They arise from ordinary in batches or lots, rather from needed basis.

PURPOSE OF INVENTORIES

The overall goal of inventory management is to feed the production with right quantity of raw materials with right quality at right time. The purpose of holding inventories is to allow the firm to separate the processes of purchasing, manufacturing and marketing of its primary products. The goal is to achieve efficiencies in areas where costs are involved and to achieve sales at competitive prices in the market place. Within this board statement of purpose we can identify specific benefits that accrue from holding inventories.

REDUCING THE RISK OF PRODUCTION SHORTAGES

Manufacturing firm's frequency produce goods with hundreds even thousands of components. If any of these are missing the entire production operation can halted, with consequent expenses. To avoid staring a producing run and then discovering the shortage of a vital raw materials or other component, the firm can maintain larger than needed inventories. These benefits arise because inventories provide a buffer between purchasing producing and marketing of goods.

NEED TO HOLD INVENTORY

Maintaining inventories involves tying up of the company's funds and in currency of storage and handling costs. There are three general motives for holding inventories.

TRANSACTION MOTIVE

Emphasizes the need to maintain inventories to facilitate smooth the production and sales operations.

PRECAUTIONARY MOTIVE

It necessitates holding of inventories to guard against the risk of unpredictable changes in demand and supply forces and other factors.

SPECULATIVE MOTIVE

It influences the decision to increase or reduce inventory levels to take advantage of price fluctuations.

OBJECTIVES OF THE STUDY

- To study the inventory management practices of Dodla Dairy Pvt Ltd
- To analyze the inventory control techniques of Dodla Dairy Pvt Ltd
- To know the effective utilization of inventory
- To know how the procurement of material is done.

RESEARCH METHODOLOGY

Research design in purely and simply the framework or plan for a study that guides the collection and analysis of the data. The function of researcher is to ensure that the required data are accurate and economical also.

An analytical research technique was adopted in the project. Generally, analytical techniques are designed to analyze something and it collects data for a definite and certain purpose. The project mainly focuses on the critical assessment of the inventory management of integral coach factory and deals with manufacturing accounts analysis, and inventory control.

DATA COLLECTION

Sources of data are only from secondary data.

SECONDARY DATA

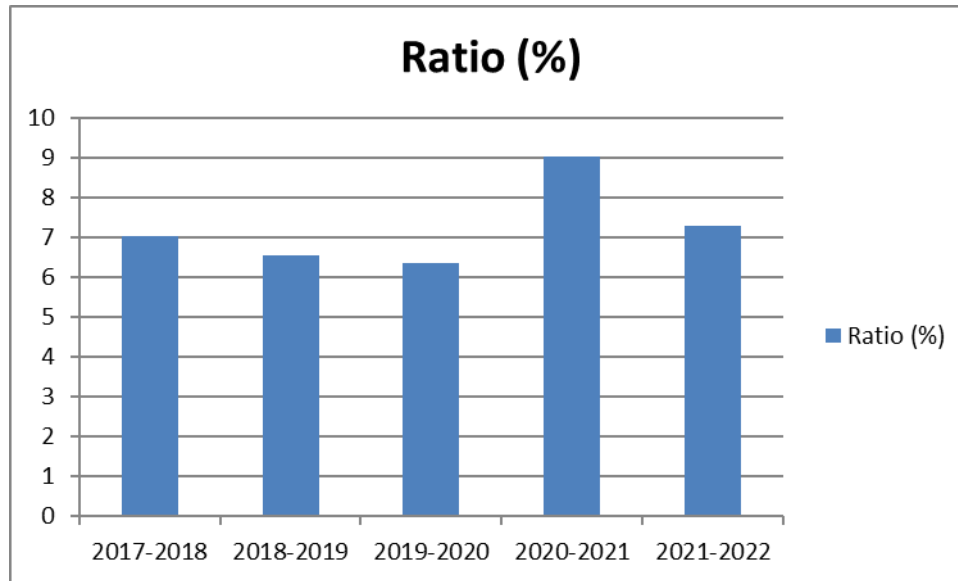
The secondary data are collected from annual reports, manufacturing accounts statements, department manuals, brochures and other printed materials issued by the company. The annual reports are 2017-2018 to 2021-22.

$$\text{Inventory turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

1. Calculation of Inventory Turn Over Ratio:

Years	Sales	Inventory	Ratio (%)
2017-2018	37460.60	5317.72	7.04
2018-2019	37316.74	5676.78	6.57
2019-2020	44543.31	6992.14	6.37
2020-2021	67998.50	7519.23	9.04
2021-2022	58435.06	8015.16	7.29

Source: (Data collected from balance sheets Graphical representation of inventory turnover ratio:



Source: (Data collected from balance sheets)

INTERPRETATION:

In the inventory turnover ratio in the year 2017-18 the ratio is 5317.72 and the ratio is 7.04 % then the sales have gradually increased year by year from 2018-19 then automatically the ratio is also increased. In the year 2020-21 the sales have increased the stock is also to be maintained of 9.04 %.

SCOPE OF THE STUDY

This study has been conducted in Dodla Dairy Pvt Ltd, Palamner. The study seeks to find out the factors used in Inventory Management. To conduct this study the researcher has analyzed the Statements, ledgers, and other books of accounts of the concern. The data collected has been analyzed and the researcher has arrived on findings which have proved it worth to know about the areas of Inventory Management.

FINDINGS

1. As the analysis of the above data it is found that the inventory turnover ratio, in the year 2016-2021 it is observed that the increase in stock and slit changes are occurred in the ratio.
2. From the above working capital turnover ratio , in the year 2016-17 it is 8.21 % , in 2017-18 it is 7.23 % , in 2018-19 it is 8.61 % , in 2020-21 it is 8.73 % and the slit decrease of capital is occurred.
3. In the holding period of inventory, it is observed that the stock that is prepared in all the 360 days, stock is stored in sufficient days only that are required.
4. From the inventory as a percentage of current assets, it is observed that in the year 2016-17 it is 10.97 % and except that year in all the years it increased only 1 % frequently up to 2021.
5. Turnover Ratio of the company is satisfactory. Because the average collection period is good.
6. From the analysis working capital turnover ratio is increased in the year of 2020-2021. Working capital turnover ratio is fluctuating throughout the study period.
7. It is found that the minimum and maximum s tock each of opening stock, closing stock and consumption varies with items of raw materials.

SUGGESTIONS

- As company converted into own sales it should have its own inventory policy which can produce better results by minimizing costs it maximum.
- The company should aim for right person that are to be recruited which minimizes inventory maintenance cost.
- The company inventory management is at moderate level. Hence effective steps have to be taken to see that the inventory management is made more efficient so that the inventory can be used for working capital required.
- The company has to concentrate much on credit policy for speed collections of accounts receivable.

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- Even though inventory conversion period is moderately good, still there is lot of scope to improve it.
 - Suitable measures should be taken for improving shorts term solvency position, current ratio and working capital.
 - 8. It is also found out that the number of orders increased with increase in consumption.
 - 9. Economic order quantity of ghee is high in 2018-19 compare to all products.
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Conclusion

After analyzing the inventories of the company during the last five years it is clear that, inventory of the company is stable.

- The company by strictly following inventory management techniques like EOQ, ABC analysis which can increase its profits.
- By supplying the finished products at reasonable prices to the customers and thus increase its period of existence in the market.
- The company inventory position is up to some extent satisfactory.

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