



International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

COST MANAGEMENT FUNCTION OF SP MINERALS, CHENNAI

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ABSTRACT :

Cost management is a cornerstone of organizational success, ensuring financial sustainability and operational efficiency. This paper explores the cost management practices at SP Minerals, a leading producer of sand and blue metal, to evaluate their methodologies for controlling expenditures and enhancing profitability. By leveraging tools such as activity-based costing, budgeting, and variance analysis, SP Minerals exemplifies how businesses can align financial strategies with their operational goals to drive long-term growth. The findings underscore the importance of integrating cost control measures with innovation and sustainability to foster resilience in a competitive market.

Keywords: Cost management is the systematic process of planning, monitoring, and controlling expenditures within an organization.

Introduction :

A Cost Management System (CMS) is a framework or software tool used by organizations to plan, manage, and control costs effectively throughout the life cycle of a project or business operation. Its primary goal is to ensure that costs are allocated and managed in a way that optimizes the use of resources, reduces waste, and increases profitability. Cost accounting information is also commonly used in financial accounting, but its primary function is for use by managers to facilitate their decision-making.

Objective of study

- Monitor project status to update project costs and manage changes to the cost baseline.
- Restrict funds that different employee levels have access to and use.
- Measure performance against cost targets and benchmarks.

Need of study

- It helps businesses minimize unnecessary expenditures, which can improve profit margins.
- It helps businesses maintain financial stability by anticipating and managing financial risks.
- It helps businesses create accurate budgets and forecasts by analyzing and controlling costs.

Scope of study

- It helps in identifying areas where cost overruns are occurring and implementing corrective actions.
- It involves analysing all processes and operations to identify and implement cost-saving measures.
- It ensures the accuracy and reliability of cost data.

Literature Review :

A literature review situates the study within the broader academic discourse. This section synthesizes existing research on cost management practices like Activity-Based Costing (ABC), Lean Manufacturing, and sustainability initiatives. The report's references to methodologies, such as variance analysis or

benchmarking, would be supported by citing influential authors or studies. By linking SP Minerals' practices to established theories, this section demonstrates the study's academic rigor.

Tools of Analysis in Cost Management :

The success of any financial or operational study depends significantly on the tools used to collect, analyze, and interpret data. In the study of SP Minerals' cost management practices, various analytical tools were employed to ensure a comprehensive evaluation of the company's financial performance and operational efficiency. These tools are instrumental in uncovering trends, identifying strengths and weaknesses, and making informed recommendations. This essay delves into the key tools utilized in the study.

Methodology :

The research methodology outlines how data was collected, analysed, and interpreted. For SP Minerals, this involves detailing the use of financial statements, ratio analysis, and comparative metrics. The methodology clarifies whether the study is qualitative, quantitative, or a mixed-methods approach. For example, the report's reliance on secondary data like annual reports would be described, along with tools used to analyse trends in revenue, costs, and profitability.

Ratio Analysis

Ratio analysis was another cornerstone of the study, offering quantitative insights into various aspects of SP Minerals' financial performance. Ratios serve as benchmarks to assess profitability, liquidity, efficiency, and solvency.

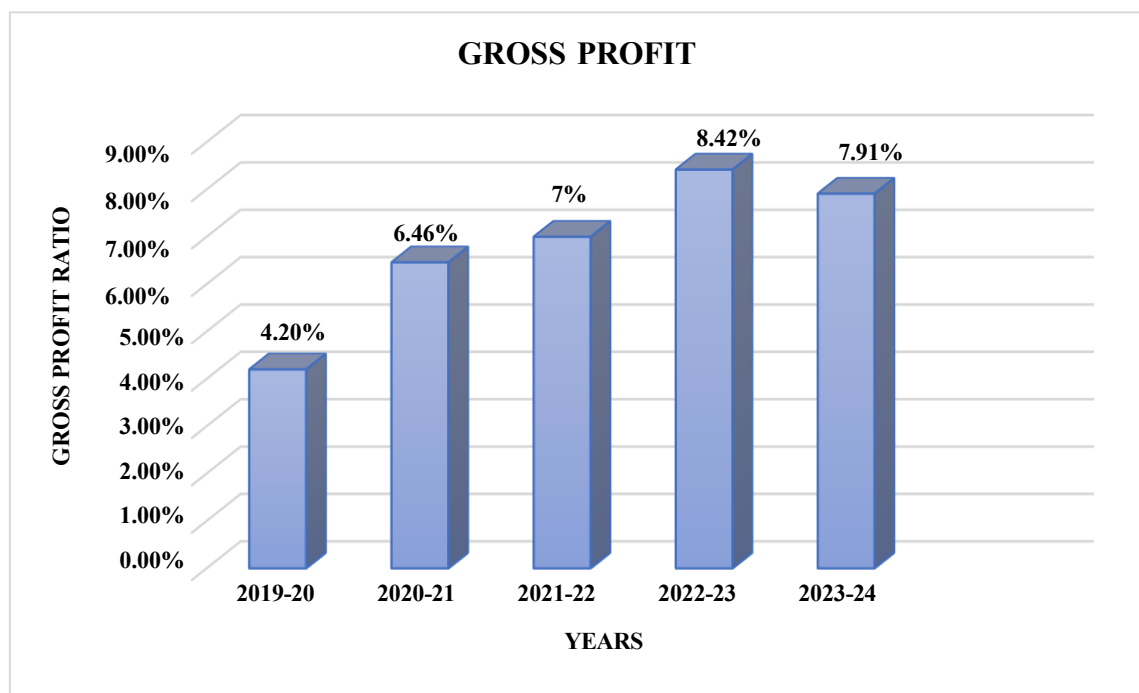
GROSS PROFIT RATIO

(Rs. in crores)

YEAR	2019-20	2020-21	2021-22	2022-23	2023-24
GROSS PROFIT	1.40	2.00	2.50	3.10	3.50
NET SALES	5.00	6.50	8.00	9.50	11.00
GROSS PROFIT RATIO	28%	30.77%	31.25%	32.63%	31.82%

Scale: X axis = Years

Y axis = Gross Profit Ratio



Conclusion :

The study on the cost management practices of SP Minerals highlights the critical role of financial planning, operational efficiency, and sustainability in achieving business success. Operating in the competitive construction materials industry, SP Minerals has demonstrated the importance of strategic cost control measures in driving profitability and fostering long-term growth. In conclusion, SP Minerals serves as a model for integrating cost management strategies with innovation and sustainability to achieve financial and operational excellence. As SP Minerals continues to build on its strengths, it stands well-positioned to drive future growth and set benchmarks in the construction materials sector.

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