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COLLEGE OF ENGINEERING
ज्ञानम् सकलजनहिताय
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Project Report on

"A STUDY ON INVENTORY MANAGEMENT AT STELLA INDUSTRIES"

AISSMS
ALL INDIA SHRI SHIVAJI MEMORIAL SOCIETY
PREMIER HERITAGE GROUP OF INSTITUTES

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CERTIFICATE

This is to certify that Mr. Soham M. Waje has successfully completed the Industrial Inplant Training - II under our supervision at Stella Industries from 16 June 2021 to 15 December 2021 during academic year 2021-22 as a partial fulfilment of the requirement for the award of degree of Mechanical Engineering (Sandwich) of Savitribai Phule Pune University, Pune.

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EXECUTIVE SUMMARY

In the modern times, business men have shown growing responsiveness of the requirement for precession in the field of inventory control.

Previously, inventories were an indication of wealth; even though inventories are kept in liquidity has directed business man to hold cash and securities. There had been a solid tendency towards holding the means of purchase goods rather than the goods themselves.

An Exploratory study was adopted to achieve the objectives of the study, and the study was conducted in STELLA INDUSTRIES, NASHIK on “Inventory Management”. The general objective of the study was to analyses the inventory level in STELLA INDUSTRIES., However the study was conducted with the following specific objectives:

- To apprehend the concept of stock management as a primary approach for a production organisation.
- To analyse various inventory models and its application in STELLA INDUSTRIES.
- To have a look at the mode of inventory management techniques.
- To suggest appropriate measures for the efficient inventory management.

The major limitation of the study was the paucity of time. Even then, maximum care has been taken to arrive at appropriate conclusion. The method adopted for collection of data was personal interview with managers. It was also sourced from the secondary data. After collecting data from the respective sources, analysis & interpretation of data has been made.

Based on the findings, logical conclusions are drawn and future suitable suggestions and recommendations are bought out. The entire project is presented in the form of a report using chapter scheme in a logical sequence from Introduction to Annexure & Bibliography.

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

In the modern times, business men have shown growing responsiveness of the requirement for precession in the field of inventory control.

Previously, inventories were an indication of wealth; even though inventories are kept in liquidity has directed business man to hold cash and securities. There had been a solid tendency towards holding the means of purchase goods rather than the goods themselves.

Inventories are often referred to as “graveyard” as surplus stock has been principle cause of business failure. In business cycle is influenced in inventories which are also considered as destabilizing, in fact there is instability and collapse which have been the focal point. As a result almost fear of increasing inventories has developed by business men.

A examine on inventory management of STELLA INDUSTRIES is under taken to know how inventories are controlled through the business enterprise and various techniques which are used by the corporation in dealing with the stock effectively. To evaluate the overall performance of inventory many techniques and inventory ratios are used. By means of the study an strive has been made to come to a conclusion with the help of experience derived by the company and also with the help of theoretical understanding.

A manufacturing establishment converts raw materials into finished goods.it includes sales cost conversation cost as well as raw material cost. A manufacturing company has three types of inventory accounts: Raw ingredients, work in progress (WIP), finished goods and indirect material. Manufacturing company fundamental feature is to transform raw material into consumable products. In any company, in any agency, cost of sales within the total of the acquisition cost plus conversation cost of the products that is sold. The manufacturer therefore includes value of goods sold the cost of material and elements used the cost of labour and other cost incurred in manufacturing of goods that are sold. The cost must be obtained by collecting the aggregate numerous elements of manufacturing price.

Topic chosen for the study

Study on “Inventory management” at STELLA INDUSTRIES.

STATEMENT OF PROBLEM

Inventory management in manufacturing corporations needs inventory for smooth running of production activities. Inadequate stock control will cause stoppage of production and huge losses. A massive quantity of inventory may be stored idle. Since, funds has the cost, the company has to pay huge amount of interest. On the other hand inadequate inventory will affect the smooth running of production, which results in loss of sales due to not meeting the client requirements on time. Hence a study is required to analyse and understand the primary problem is to estimate and maintain the optimum level of inventory.

1.2 NEED OF THE STUDY

In order maintain various purposes Inventory is must for every organisation. The major component of working capital of any firm or organisation is inventory. Inventory management is an art of controlling the optimum level of inventory in any organisation such that there are no manipulation in the process of production due to insufficient inventory and high level of inventory will result in high carrying cost as well as block up of funds and diminish the organisation profitability. The intension of inventory is to availability if material in adequate quality as and when reduced and also to by adopting and analysing different inventory techniques.

1.3 OBJECTIVE OF THE STUDY

- To apprehend the concept of stock management as a primary approach for a production organisation.
- To analyse various inventory models and its application in Stella industries.
- To have a look at the mode of inventory management techniques.
- To suggest appropriate measures for the efficient inventory management.

1.4 SCOPE OF THE STUDY

This study is related to the present practices being accompanied at STELLA INDUSTRIES. The study has been done for 2 years.. This research also attempts to find out the consumption materials in the production proce

RESEARCH METHODOLOGY

Records and data accumulation is a procedure of assembling and calculating facts and figure in an established systematic approach which will allows answering stated research questions. There are 2 basic types of facts collected.

PRIMARY DATA

Primary information has been gathered over interaction with the executives.

SECONDARY DATA

Secondary facts are received via referring to the file maintained by the organization like annual reports, inventory reviews, internet, and text book.

LITERATURE REVIEW

Samir K. Srivastava (2007)[1]: Has emphasised on the Green Supply Management which isn‟t always adequately technologically advanced numerous mathematical equipment and strategies are used to meet general and environmental worries to enable progress of industry and economy also ache from its nonappearance.

Douglas J. Thomas, Paul M. Griffin (2007)[2] : Has highlighted the 3 phases in deliver chain, procurement, manufacturing and distribution that have to be maintained independently. Growing inside the competitive pressures and market globalization companies emphases on developing supply chains that can satisfy the consumer requirements speedy.

Angappa Gunasekaran, Bulent Kobu (2005)[3]: Made an attempt to examine the performance measures and metrics are critical for effectively coping with logistics operations predominantly in an aggressive worldwide economy. The real challenge for mangers of any enterprise is to enhance the performance measures and metrics to make choice that contributes in to organisational development.

M.T Melo, S. Nickel (1999)[4]: Considers Facility location performs a difficult role when it comes to strategic decision of supply chain networks. Application of facility location models to supply chain network. Models are implemented in the framework of deliver chain management that assistances in decision- making in strategic deliver chain control.

Ana Maria Sarmiento, Rakesh Nagi [5]: Talks about the integrated analysis related to distribution production-distribution system. Choice associated with distribution and production that must take accurately for a simultaneous optimization.

Brent D. Williams, Travis Tokar (2008)[6]: Provides an evaluation on inventory control articles published in primary logistics channels, recognize themes from the literature and make available future direction for inventory management.

Imtiaz Ahmeed, Ineen Sultana (2014)[7]: Speaks about inventory are the material which is stored or in the processing stage. Inventory preserved idle may be loss or profit to any enterprise concern. Incurring cost subjected to spoilage and obsolescence can increase the cost so every business concern difficulty aimed towards reducing inventory tires which increases the efficiency.

Mahmut Parla[8]: This related to stock difficulties with random demand and also supply may be interrupted due to machine breakdowns, strikes and other occurring events.

Jeffrey I. McGill, (1999)[9]: It tells about the yield management this is focus on the forecasting, overbooking, seat inventory control, and pricing.

Steven Nahmias (1982)[10]: Speaks about Problem connected to the both fixed life and perishable stock, inventory subject to non-stop exponential decay with considering both deterministic and stochastic demand for single and numerous product

Timotly L. Urban[11]: Gives records about product collection and self-space allocation problems. Inventory needs to be allocated and self-spaced to keep away from loss.

Suresh K. Goyal, Yash P. Gupta[12]: Dealing with the combined inventory models (buyer-vendor coordination) has revised group to classify these models is presented.

Jinxiang GU, Marc Goestschalckx, Leon F. McGinnis (2006)[13]: Problems associated to warehouse operation planning troubles like receiving, storing, order picking and shipping and also bridge gap between academic researcher and warehouse practitioners, explaining about planning models and methods that are presently available for warehouse operation

.

Stephen C. Graves (1981)[14]: It speaks about production scheduling can be described as allocating the available manufacture sources to meet a few set of criteria. This paper tells approximately the problems confronted in production scheduling.

B. Mahadevan, David F. Pyke, and Moritz Fleischmann[15]: Speaks about sustainability has turned out to be a prime issue, inflicting many companies to emphasis on product recovery and reserve logistics. This research mainly focuses on product regaining.

1.4 LIMITATIONS OF STUDY

- The study is confined to only STELLA INDUSTRIES.
- Research is achieved at the assumptions that the information received is accurate.
- The study is limited to information provided by the organization

CHAPTER-2

INDUSTRY PROFILE & COMPANY PROFILE

2.1 INDUSTRY PROFILE

In India there are few electronic component industries which may have distinct global competition edge with regards to cost and quality and in addition most effective growing industry.. In India has led to great aspiration and superb demand for automobiles that has boosted the demand for electronic component. In addition, various entries of international companies entering in India have led Indian businesses to adopt various progressive marketing strategies and ground breaking technology.

Development and monetary growth of the country depends upon the industrialization of the nation. At present India features the outsourcing centre for several global electronic component manufacturers.

Before the independence agriculture was the central source of the country, following independence India has offered more importance to industrialization through 5 years planning programs. Government has considered many steps to increase the industries in the any kind of country weather big or small, developed or under developed needs goods, infrastructural facilities such as public works; roads etc. primary requirement for the transportation is the infrastructural facilities for the movement of goods. Presently there is huge development in the technology and scientific research.

2.2 COMPANY PROFILE

Stella industries is a comprehensive suppliers of various components in the area of electronics and mechanical industry. In India electrical component sector has been navigated over a period of quick variations compelled by worldwide competition and the new modification.

ABOUT STELLA INDUSTRIES:

We at Stella Industries have expertise in manufacturing of Electrical and Mechanical Lugs, Neutral Links , Bus Bars, Ground Bars, Earth Bars, Grub Screws in metals like Aluminium, Copper , M.S and Brass.

The company has clearly defined mission statement, which says we at Stella Industries had envisioned future where we would promise only that which we could deliver and that how, we aim to keep it today , tomorrow and times to come in future, because we know that deliverance is the basic block in which a strong customer/client relation can be formed.

Here, we manage our business for long term sucess in a way i.e Economically, Enviornmentally and Socially responsible. We ensure that each and every one of our valued customer is rendered with good service on daily basis. This is acheived by providing the highest quality products, meeting exact specifications and promise to provide ontime delivery.

These plant is ISO 9001 (TUV) certified. It produces and trades products as
1)Electrical and mechanical lugs.

2)Neutral Links

3)Bus Bars

4)Ground Bars

5)Earth Bars

6)Grub Screws in metals like Aluminium,Copper,M.S and Brass

QUALITY POLICY

1. **Client satisfaction:**

   The primary objectives of Procuring Logistics are geared towards Satisfying customer necessities and guaranteeing consumer fulfilment. In order to ensure the best combo of function, it works with most parties concerned to deliver the best products with minimal cost.

2. **Responsibility for quality:**

   Stella industries guarantees excellence products, capital items, consumables and services. They are transparent and standardized measurements of performance. The quality of products meets international standards and is geared towards international standards.

3. **Supplier development:**

   For procurement of quality raw material they require solid and innovative suppliers and have to maintain long term healthy relationship with suppliers.

4. **Fairness and transparency:**

   Only on the basis of objective and understandable conditions purchasing decision will be made. Stella industries is reasonable and transparent in their particular business practices.

5. **Environmental awareness:**

   When it comes to choosing of components we always give highly recommendation to those materials which is often easily recycled, disposed, loaded and transported and also supplier selection. They worth environmentally sustainable solution.

6. **Market and product orientation:**

   They consider producing quality products and cost optimization products and services. In the improvement of product ground-breaking and technical proficiency supplies and successions products are involved.

7. **Process orientation and continues improvement:**

   Stella industries is dedicated to continuous progress. Through this they ensure standardized managing system which assists with bettering the economy.

8. **Development of human resources:**

   Stella industries is designed in enlightening their workers in the fields of entrepreneurial thinking, leadership quality as well as intercultural proficiency to accomplish their aims in purchasing and logistics.

2.2.1 PRODUCT PROFILE

Stella Industries focuses on quality and modern products. We sell products to different companies such as:

1. Saniyo-electrofab Pvt. Ltd.
2. SilverOak Engineering.
3. Supra Engineering.
4. Aerocrat Engineering
5. Narmada Electricals
6. Mahindra Susten

PRODOCTS:

ELECTRICAL LUGS

MECHANICAL LUGS

TERMINAL LINKS

NEUTRAL LINKS

2.2.3 NFRASTRUCTURE

As per the standard work place is designed that makes employees feel comfortable, cheerful, very safe in the organisation. Stella Industtries provides numerous facilities like

Medical Service

Stella Industtries provides ambulance service to their staffs. They provide annual master health check-up as well associated with many private hospitals in the location for the treatment of the workers.

Canteen Facility

Canteen is good and can easily accommodate 15 to 20 employees. Food is offered and breakfast, lunch, supper, tea/coffee and snacks is provided

SWOT ANALYSIS

SWOT analysis is a premeditated planning technique which is used to calculate Strength, Weaknesses, Opportunities and Threats. This recognizes internal and exterior factors that are favourable and unfavourable to accomplish the corporation finale objectives.

STRENGTHS

- Stella industries have wide marketplace because of it‟s for products.
- Company offers good infrastructure and advanced technology in component manufacturing.
- Company had progress R&D facility for frequent innovation.
- High consumer satisfaction

WEAKNESS

- Adaptability of change is low.
- Decision making is usually delayed as a result of lengthy procedure.
- Delay in implementing of new technology in producing products.

OPPORTUNITIES

- Innovation in goods.
- It can easily diversify in to various line of business.
- Can easily manufacture even more cost-effective products.

THREATS

- Several alternative products in the market.
- Increase in competition.
- Competitors are providing products at cheaper cost.
- High cost of labour.

CHAPTER-3

THEORETICAL BACKGROUND OF THE STUDY

INVENTORY

According to FERD HANSUM “Inventory is an idle source of any kind offered that, such resources possess some monetary value”

In accordance to accounting principles board, Inventory means the blend of those items of tangible personal property which:

1. Intend for transaction everyday course of organisation
2. Happen in the process of producing for such sales.
3. Are to become presently consumed within the manufacturing of goods or perhaps services to be obtainable for sale.

INVENTORY MANAGEMENT

Inventory management have been described as “systematic control and regulation of purchase, safe keeping system and procedures which usually will minimize total expenditure relative to inventory decision and related function.

Inventory control defined as “systematic control and regulation of purchase, storing and consumption of materials are such a way so as to uphold uniform flow of production and at the same time evading unnecessary investment in inventories.

NATURE OF INVENTORY

- By manufacturing process raw materials could be converted in to finished goods. For further production raw components are procured and warehoused.
- Work-in-progress is semi-finished goods.
- Finished goods inventories are finished goods which is usually ready for sale. Therefore inventories serves as a linkage between production and consumption of goods.

PURPOSE OF INVENTORY MANAGEMENT

- Inventory management assist with in sales forecasting
- To meet companies predetermined goals
- Sales and procedure planning
- Material requirement and production planning

MOTIVES OF HOLDING INVENTORIES

- For transaction motive that facilitates non-stop manufacturing and well-timed accomplishment of sales order.
- Precautionary motive which necessities the retaining of inventories to satisfy the irregular variation in demand and supply of material.
- Speculative motive which incorporates preserving inventories for taking benefit of price variations, saving in the ordering costs and quantity discount etc.

PROMINENCE OF INVENTORY MANAGEMENT

Inventory management talks about the manner of coping with the stock of finished goods, semi-finished goods and raw materials by the industry. If the inventory managed is maintained well any firm can bring down the cost and increase the revenue.

How a great deal one must capitalize inventory management? The reaction to this question realize upon the quality and value inventory proportion of total asset. Importance of stock management varies industries to industries.

NEED FOR HOLDING INVENTORIES

The query coping with inventories arises when the company hold inventories. Enterprise have to preserve adequate inventory to make sure smooth and interrupted production. It is very expensive to maintain inventories then the question arises why do companies hold inventories?

The precise benefits from retaining inventory

- **Avoiding loss in sales**

  When the products are not available to the clients this cannot be taken as the breathing space for not holding inventories. This could occur due to absence of inventory then the customers will shift to company‟s competitors.

- **Gaining quantitative discounts**

  If the company is purchasing goods in bulk suppliers might give discounts. Buying goods on bulk with discounts will reduce the cost of goods sold and there by contributing to margin profit.

- **Accomplishing well-organized production runs**

  Whenever a firm set up worker and machines to produce item, start-up charges are incurred. Those are absorbed as manufacturing begins. The longer the run, the smaller the cost to being producing the goods, the longer runs involves lower costs are compared to frequent setups.

- **Checking the seasonality of materials**

  In agro based industries certain materials are available only in particular season. When the season ends company should take the risk of storage of materials.

The overhead costs associated with the inventories are

- **Material costs**

  Those are the expenses of buying the goods including carrying and handling costs.

- **Ordering costs**

  Ordering costs are those cost with preparation of purchase ordered and follow up actions taken by the purchase department, transportation of materials ordered from scrutiny and handling at the warehouse for string.

- **Carrying cost**

  These costs includes insurance, hire or depreciation in warehouse, salaries of store keeper, security personnel‟s financing cost of money locked up in inventories, spoilage, tax and many others

- **Cost of funds tied up with inventory**

  There are two types of costs they are

  a. Direct material such are raw material which is converted to completed goods which can be produced with using of single raw material item or couple of item
  b. Indirect material such as oil, grease, screw and nuts which aren‟t part of final products that are tools to produce final products.

TECHNIQUES OF INVENTORY MANAGEMENT

- **Fixation of levels:** it is a tool by which materials are maintained within the stores by using different level namely maximum level; re-order level, minimum level and danger level. Those levels are fixed taking into consideration of cost, nature of raw material, lead time storage space many others

- **ABC analysis:** Materials are graded as A,B,C wherein material "A" grade are costlier in its value but less in number where as materials with "C" grade are cheaper value but more in number . Grade "B" materials are mild in value and mild quantity of such objects are maintained.

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- **VED analysis:** materials are labelled into vital, essential, desirable components. Much significance is given to vital as well as desirable.

- **FSN analysis:** under this technique materials are grouped according to the movement. Fast transferring materials are stored in massive quantity to meet the necessities. Sluggish moving materials are hardly ever very less as they rarely required.

- **Economic order quantity (EOQ)**: this technique is related to purchase of raw materials. The firm has to decide lot to be bought on every replenished.

- **Perpetual inventory system:** Records are maintained in continuous basis as and when materials are obtained and issued hence it is called perpetual inventory system.

Classification of materials in

StellaIndustries

Components of inventory

1. Raw materials (ABE)
2. Goods in transit (GIT)
3. Work in progress (WIP)
4. Finished goods (FG)
5. Tools and consumables (IDM)
6. Machinery spares and replacement parts (MAZE)

These are some of the names assigned to all components and sub components, which are the abbreviations of meaning in German language.

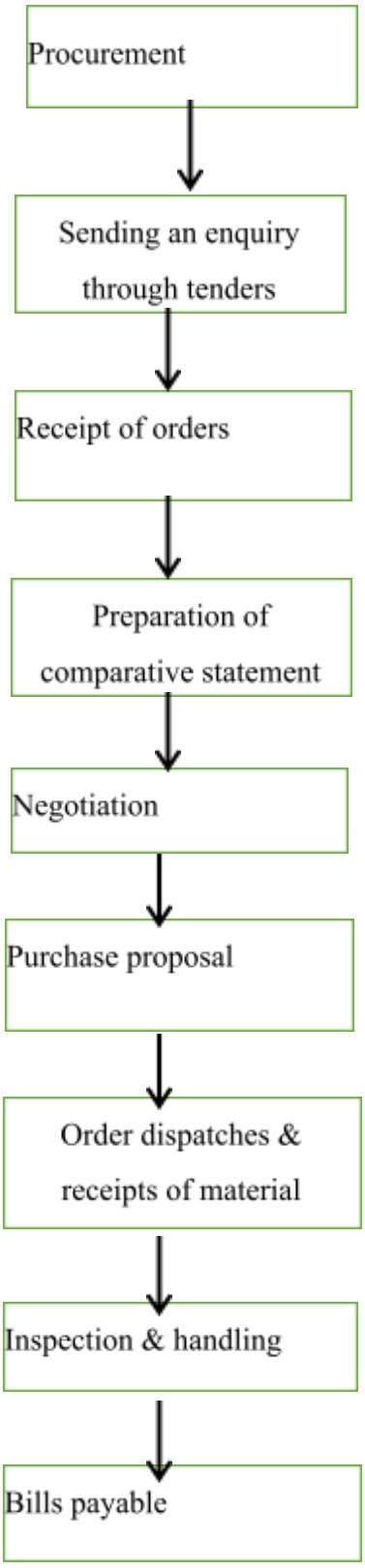
Purchase Department

The purchase department in Stella Industries is decentralized and every department is chargeable for the requirement.

The head of purchase department is responsible for powerful discharge of function, obligations and responsibilities.

A letter will be issued to suppliers indicating the price for various items, date, terms of payment etc.

Purchase procedure



Stores Department

The stores department is wherein all the inventories are stored. All store transaction like storing, processing, maintenance, salvage and also maintaining of proper records are done in stores department.

Stores in charge have the following duties

- **Receipt of materials:** To receive the materials from suppliers and additionally verify the suppliers code and take a look at the quality and quantity of materials
- **Accounting:** To maintain the proper record of receipts, issue and stock of materials.
- **Holding/storing materials:** Storing of materials in appropriate place and to check and receive purchased materials.
- **Purchase requisition:** Purchase requisitions for the replacement of stocks whenever the stock level reaches the re-order level.
- **Issue management:** To issue materials whenever required quantities against authorized requisition list.
- **Internal check and controlling:** to check the book balance, with the actual physical stock at frequent intervals control over wrong issue of materials.

Production Department

Manufacturing is the process in which raw materials are converted into finished goods. Bosch is into manufacturing of many unique alternators and starters, the product action moves step by step and dispatched.

Objectives

- To follow production time tables as in line with the plan.
- To uphold healthy relationship with various department.
- To improve the technical efficiency of manufacturing

COMPONENTS OF INVENTORY

Raw material

Raw material inventory is the overall cost of all components parts currently in stock that have not yet been used in work-in-progress or finished goods.

There are two subcategories of raw material, which are

- **Direct materials:** These are the materials that are directly used in production of finished goods. For example, this is wood used to manufacture a cabinet.
- **Indirect material:** these are the materials that are not incorporated in producing of finished good but which help in producing the products. For example, oil, light, lubricant, rags, and so forth consumed in the typical manufacturing facility.

Finished Goods

Finished goods that are goods that have accomplished the manufacturing process, or purchased in a completed form, but which have not yet been sold to customers. Merchandise is the other name for goods that have been purchased in finished form.

Stores and spares

Spare parts-items held in inventory that are used to replace a failed parts or components.

Scrap

Scrap is the excess unusable materials that are left over after a product has been manufactured.

CHAPTER 5

FINDINGS, SUGGESTIONS & CONCLUSION

5.1 FINDINGS

- The major part of inventory can be seen in raw material, finished goods and remaining part is work in progress.
- Total inventory growth is showing increase trend from the base year i.e. 2010 to 2015 in the year 2012 it is accounted to -7.43 therefore is a positive impact at the end of the study period.
- In the total current average inventory result in 22.70%.
- Inventory turnover ratio is decreasing trend from 2010-1013 accounted to 6.4 to 5.3.
- Finished goods is showing increasing trend.
- The raw material turnover ratio is showing decreasing trend from 2010-2015 i.e. 12.8 to 9.7
- Finished goods turnover ratio is not doing well as they take more days to clear the stock which indicates the low sales.
- It also shows that the inventory holding falls that indicates that the company is not keeping enough stock on hand to meet the demand for its products.

5.2 SUGGESTIONS

- The investment in current asset should be optimal.
- As the finished goods are not sold immediately company can use promotion, discount and other strategies to clear the stock.
- The company has to optimize the utilization of raw material more effectively because wastage of raw materials is observed.
- The company has to maintain a minimum inventory level in the total current asset.
- To convert work in progress to finished goods the company inculcate advanced production system.
- The company has to maintain less inventory conversion period and high turnover of inventory.
- The company can localise RM sourcing to reduce the inventory holding period.
- The company can introduce new method of production (Automated Production Process) as against labour intensive technique to convert RM to FG in short time.
- In many plant, the company runs used machines more than 20 years old for production. This has to be replaced/ upgraded to new machines for better productivity.

5.3 CONCLUSION

From the analysis it is clear that there is high accumulation of inventory in STELLA INDUSTRIES. The company has installed all the type of machines to carry the production as well as systematic examining of goods but the only thing the company needs to maintain sound inventory management process and use of appropriate techniques to make sure greater ease in the production. Technique economized the use of resources by minimizing the total inventory cost.

There must be periodic review by the management mainly, material planning and control department must check the level of inventories are depending upon circumstances and avoid unnecessary building up of stocks which result in locking up of funds.

In conclusion one should draw effective inventory management can make a significant contribution to company‟s objective of maintain quality, increase market share and profitability. To improve inventory management system, the company should be open to:

- Regular monitoring of inventory.
- Reduce lead time of ordering.
- Localisation.
- Better planning of MOQ level
- Periodic stock counting.

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