

INVENTORY MANAGEMENT

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Abstract: One can readily visualize the determination of inventory quantities by physical count or by use of perpetual inventory records. When this quantity is determined it must be multiplied by a unit cost in order to determine the inventory value that is used on financial statement. Trade and quantity are to be excluded from unit cost since these discounts exist for the purpose of defining the true invoice cost of merchandise. Cash discounts, on the other hand, have been considered as a reward for early payment and a penalty for late payment. The "reward" has often been interpreted as a loss rather than a part of unit cost. In financial parlance, inventory is defined as the sum of the value of the raw materials, and lubricants to maintenance consumable semi processed materials and finished goods stock at any giving point of time. The operational definition of inventory would be amount of raw

materials, fuel and lubricants and semi – processed materials to be stock for the smooth running of the plant / industry. Giving employees with training and development opportunities not only contributes to the quality and effectiveness of your organization it also serves to motivate and retain employees. Professional development should address both organizational needs (the competencies required to achieve organizational goals and objectives) and individual needs (the competencies employees require to do their job), and reflect the organization's overall philosophy on learning. Furthermore, when establishing an employee development policy you need to consider both the financial and human resource capacity of your organization to support employee training and development.

INTRODUCTION: 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 greater the time lag, the higher requirements for inventory. It also provides a cushion for future price fluctuations. In a complex industry like HERITAGE FOODS INDIA LIMITED it studied clearly of how the thing are being performed and what is the real impact of these on industry and how effectively the inventory is utilized is interested to be known by researcher because of its great significance in the research. In any business or organization, all functions are interlinked and connected to each other and are often overlapping. Some key aspects like supply chain management, logistics and inventory form the backbone of the business delivery function. Therefore these functions are extremely important to marketing managers as well as finance controllers. Inventory management is a very important function that determines the health of the supply chain as well as the impacts the financial health of the balance sheet. Every organization constantly strives to maintain optimum inventory to be able to meet its requirements and avoid over or under inventory that can impact the financial figures. Inventory is always dynamic. Inventory management requires constant and careful evaluation of external and internal factors and control through planning and review. Most of the organizations have a separate department or job function called inventory planners who continuously monitor, control and review inventory and interface with production, procurement and finance departments.

Defining Inventory

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. Any organization which is into production, trading, sale and service of a product will necessarily hold stock of various physical resources to aid in future consumption and sale. While inventory is a necessary evil of any such business, it may be noted that the organizations hold inventories for various reasons, which include speculative purposes, functional purposes, physical necessities etc.

From the above definition the following points stand out with reference to inventory:

- All organizations engaged in production or sale of products hold inventory in one form or other.
- Inventory can be in complete state or incomplete state.
- Inventory is held to facilitate future consumption, sale or further processing/value addition.
- All inventoried resources have economic value and can be considered as assets of the organization.

Different Types of Inventory

Inventory of materials occurs at various stages and departments of an organization. A manufacturing organization holds inventory of raw materials and consumables required for production. It also holds inventory of semi-finished goods at various stages in the plant with various departments. Finished goods inventory is held at plant, FG Stores, distribution centers etc. Further both raw materials and finished goods those that are in transit at various locations also form a part of inventory depending upon who owns the inventory at the particular juncture. Finished goods inventory is held by the organization at various stocking points or with dealers and stockists until it reaches the market and end customers. Besides Raw materials and finished goods, organizations also hold inventories of spare parts to service the products. Defective products, defective parts and scrap also form a part of inventory as long as these items are inventoried in the books of the company and have economic value.

Types of Inventory by Function

INPUT	PROCESS	OUTPUT
Raw Materials	Work In Process	Finished Goods
Consumables required for processing. Eg : Fuel, Stationary, Bolts & Nuts etc. required in manufacturing	Semi Finished Production in various stages, lying with various departments like Production, WIP Stores, QC, Final Assembly, Paint Shop, Packing, Outbound Store etc.	Finished Goods at Distribution Centers throughout Supply Chain
Maintenance Items/Consumables	Production Waste and Scrap	Finished Goods in transit
Packing Materials	Rejections and Defectives	Finished Goods with Stockiest and Dealers
Local purchased Items required for production		Spare Parts Stocks & Bought Out items
		Defectives, Rejects and Sales Returns
		Repaired Stock and Parts
		Sales Promotion & Sample Stocks

1.2 NEED OF THE PROJECT

- To discuss pattern, levels and trends of inventories in “HeritageFoods India Limited”.
- Every industry on average spends 70% on raw materials (inventory).
- Therefore there is a need to know the raw material cost and also there is great importance to understand the inventory management system of this industry.
- The study helps a log to various departments to take steps to control the inventory process.
- To know the inventory control techniques of Heritage Foods India Limited.

1.3 OBJECTIVES OF THE PROJECT

1. To examine the organization structure of inventory management in the stores of Heritage Foods India Limited.
2. To discuss pattern, levels and trends of inventories in “Heritage Foods India Limited”.
3. To understand the various inventory control techniques followed by studies in Heritage Foods India Limited
4. To access the performance of inventory management of the Heritage Foods India Limited by selected accounting ratios.
5. To know the inventory control techniques of Heritage Foods India Limited.

1.4 IMPORTANCE OF THE PROJECT

A fully automated demand forecasting and inventory optimization system to attain key inventory optimization metrics such as:

- Reorder point: the number of units that should trigger a replenishment order^[citation needed]
- Order quantity: the number of units that should be reordered, based on the reorder point, stock on hand and stock on order^[citation needed]
- Lead demand: the number of units that will be sold during the lead time^[citation needed]
- Stock cover: the number of days left before a stockout if no reorder is made^[citation needed]
- Accuracy: the expected accuracy of the forecasts

1.5 SCOPE OF THE PROJECT

- Inventory management being a very important concept in all the company's having avoid coverage often calls for the managerial attention.
- In the modern times inventory management has become the integral part of the all companies.
- So all the firm gives special importance for inventory management.
- The major objective of the study is to examine the effectiveness of inventory management system adopted by Heritage; the study mainly focuses on the techniques used by the company to control the inventory.
- The study also covers other areas like the financial ratios for the period of 2012 to 2017

1.6 LIMITATIONS OF THE PROJECT

The study has the following limitations:

1. The study is limited only for a period of 5 years i.e., from 2011 – 12 to 2016 – 17.
2. The limitations of ratio analysis can be applicable of the study.
3. There may be approximation in calculating ratios and taking the figures from the annual reports.
4. The sample size is very small
5. The study is restricted to a particular company.
6. The study is limited to a particular region only.

RESEARCH METHODOLOGY / LITERATURE SURVEY

The study is based on both primary and secondary data.

The primary data has been collected through structured questionnaire reflecting inventory management practices of HERITAGE FOODS INDIA LIMITEDs. The collected data is tabulated and suitable interpretation had been made by considering the data collection through secondary data like annual reports purchase registers, storage records of the organization.

RESEARCH DESIGN

The research design used in this project is Analytical in nature the procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evaluation of the performance.

DATA COLLECTION❖ *Primary Sources*

Data are collected through personal interviews and discussion with Finance-Executive.

Data are collected through personal interviews and discussion with Material Planning- Deputy Manager.

❖ *Secondary Sources*

The data are collected from the annual reports maintained by the company for the past six years viz., 2012-2017

Data are collected from the company's website.

Books and journals pertaining to the topic.

TOOLS USED IN THE ANALYSIS

- Economic Order Quantity.
- Safety Stock.
- ABC Analysis.
- FSN Analysis.
- Linear Regression method.
- Inventory turnover ratios.

PERIOD OF STUDY

The period of the study at Heritage Foods India Limited, is for 45 DAYS

LITERATURE REVIEW & CONCEPTUAL BACKGROUND

The investment in inventories constitutes the most significant part of current assets / working capital in most of the undertakings. Thus, it is very essential to have proper control and management of inventories.

The purpose of inventory management is to ensure availability of materials in sufficient quantity as and when required and also to minimize investment in inventories.

Meaning and Nature of Inventory:

In accounting language, inventory may mean the stock of finished goods only. In a manufacturing concern, it may include raw materials, work-in-progress and stores etc.,

Inventory includes the following things:

- a) **Raw Material:** Raw material from a major input into the organization. They are required to carry out production activities uninterrupted. The quantity of raw materials required will be determined by the rate of consumption and the time required for replenishing the supplies. The factors like the availability of raw materials and Government regulations etc., too affect the stock of raw materials.
- b) **Work in progress:** The work in progress is that stage of stocks which are in between raw materials and finished goods. The quantum of work in progress depends upon the time taken in the manufacturing process. The quantum of work in progress depends upon the time taken in the manufacturing process. The greater the time taken in manufacturing, the more will be the amount of work in progress.
- c) **Consumables:** These are the materials which are needed to smoothen the process of production but they act as catalysts. Consumables may be classified according to their consumption add critically. Generally, consumable stores do not create any supply problem and form a small part of production cost. There can be instances where these materials may account for much value than the raw materials. The fuel oil may form a substantial part of cost.
- d) **Finished goods:** These are the goods, which are ready for the consumers. The stock of finished goods provides a buffer between production and market, the purpose of maintaining inventory is to ensure proper supply of goods to customers.

BENEFITS OF HOLDING INVENTORIES

Although holding inventories involves blocking of a firm's and the costs of storage and handling, every business enterprise has to maintain certain level of inventories of facilitate un-interrupted production and smooth running of business. In the absence of inventories a firm will have to make purchases as soon as it receive orders. It will mean loss of time and delays in execution of orders which sometimes may cause loss of customers and business.

A firm also needs to maintain inventories to reduce ordering cost and avail quantity discounts etc.

COMPANY PROFILE:

Heritage at a Glance:

The Heritage Group, founded in 1992 by Sri Nara Chandra Babu Naidu, is one of the fastest growing Private Sector Enterprises in India, with three-business divisions viz., Dairy, Retail and Agri under its flagship Company Heritage Foods (India) Limited (HFIL), one infrastructure subsidiary - Heritage Infra Developers Limited and other associate Companies viz., Heritage Finlease Limited, Heritage International Limited and Heritage Agro Merine Private Limited. The annual turnover of Heritage Foods crossed Rs.347 crores in 2012-07 and is aiming for Rs.700 crores during 2007-08. Presently Heritage's milk products have market presence in Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Maharastra and its retail stores across Bangalore, Chennai and Hyderabad. Integrated agri operations are in Chittoor and Medak Districts and these are backbone to retail operations. In the year 1994, HFIL went to Public Issue to raise resources, which was oversubscribed 54 times and its shares are listed under B1 Category on BSE (Stock Code: 519552) and NSE (Stock Code: HERITGFOOD)

About the founder:

Sri Chandra Babu Naidu is one of the greatest Dynamic, Pragmatic, Progressive and Visionary Leaders of the 21st Century. With an objective of bringing prosperity in to the rural families through co-operative efforts, he along with his relatives, friends and associates promoted Heritage Foods in the year 1992 taking opportunity from the Industrial Policy, 1991 of the Government of India and he has been successful in his endeavour.

At present, Heritage has market presence in all the states of South India. More than three thousand villages and five lakh farmers are being benefited in these states. On the other side, Heritage is serving more than 6 lakh customers needs, employing more than 700 employees and generating indirectly employment opportunity to more than 5000 people. Beginning with a humble annual turnover of just Rs.4.38 crores

in 1993-94, the sales turnover has reached close to Rs.300 crores during the financial year 2011-2012. Sri Naidu held various coveted and honorable positions including Chief Minister of Andhra Pradesh, Minister for Finance & Revenue, Minister for Archives & Cinematography, Member of the A.P. Legislative Assembly, Director of A.P. Small Industries Development Corporation, and Chairman of Karshaka Parishad. Sri Naidu has won numerous awards including " Member of the World Economic Forum's Dream Cabinet" (Time Asia), "South Asian of the Year " (Time Asia), " Business Person of the Year " (Economic Times), and " IT Indian of the Millennium " (India Today). Sri Naidu was chosen as one of 50 leaders at the forefront of change in the year 2000 by the Business Week magazine for being an unflinching proponent of technology and for his drive to transform the State of Andhra Pradesh .

Forward looking statements:

"We have grown, and intended to grow, focusing on harnessing our willingness to experiment and innovate our ability to transform our drive towards excellence in quality, our people first attitude and our strategic direction.

Mission:

Bringing prosperity into rural families of India through co-operative efforts and providing customers with hygienic, affordable and convenient supply of " Fresh and Healthy " food products.

Vision:

To be a progressive billion dollar organization with a pan India foot print by 2012.To achieve this by delighting customers with "Fresh and Healthy" food products, those are a benchmark for quality in the industry.

Mission

We are committed to enhanced prosperity and the empowerment of the farming community through our unique "Relationship Farming" Model.

To be a preferred employer by nurturing entrepreneurship, managing career aspirations and providing innovative avenues for enhanced employee prosperity.

Heritage Slogan:

- When you are healthy, we are healthy
- When you are happy, we are happy
- We live for your "HEALTH & HAPPINESS"

Quality policy of HFIL:

We are committed to achieve customer satisfaction through hygienically processed and packed Milk and Milk Products. We strive to continually improve the quality of our products and services through upgradation of technologies and systems.

Heritage's soul has always been imbued with an unwritten perpetual commitment to itself, to always produce and provide quality products with continuous efforts to improve the process and environment.

Adhering to its moral commitment and its continuous drive to achieve excellence in quality of Milk, Milk products & Systems, Heritage has always been laying emphasis on not only reviewing & re-defining quality standards, but also in implementing them successfully. All activities of Processing, Quality control, Purchase, Stores, Marketing and Training have been documented with detailed quality plans in each of the departments.

Today Heritage feels that the ISO certificate is not only an epitome of achieved targets, but also a scale to identify & reckon, what is yet to be achieved on a continuous basis. Though, it is a beginning, Heritage has initiated the process of standardizing and adopting similar quality systems at most of its other plants.

Commitments:

Milk Producers:

Change in life styles of rural families in terms of:

- Regular high income through co-operative efforts.
- Women participation in income generation .
- Saved from price exploitation by un-organized sector .
- Remunerative prices for milk .
- Increase of milk productivity through input and extension activities
- Shift from risky agriculture to dairy farming
- Heritage
- Financial support for purchase of cattle; insuring cattle
- Establishment of Cattle Health Care Centers
- Supplying high quality Cattle feed

- Organizing "Rythu Sadasu" and Video programmes for educating the farmers in dairy farming

Customers:

- Timely Supply of Quality & Healthy Products
- Supply high quality milk and milk products at affordable prices
- Focused on Nutritional Foods
- More than 4 lakh happy customers
- High customer satisfaction
- 24 hours help lines (<10 complaints a day)

Employees:

- Enhancing the Technical and Managerial skills of Employees through continuous training and development
- Best appraisal systems to motivate employees
- Incentive, bonus and reward systems to encourage employees

Shareholders:

Returns:

Consistent Dividend Payment since Public Issue (January 1995)

Service:

- Highest impotence to investor service; no notice from any regulatory authority since 2001 in respect of investor service
- Very transparent disclosures

Suppliers:

Doehlar: technical collaboration in Milk drinks, yogurts drinks and fruit flavoured drinks Alfa-Laval: supplier of high-end machinery and technical support Focusing on Tetra pack association for products package.

Society:

- Potential Employment Generation more than 3500 employees are working with heritage more than 9500 procurement agents got self employment in rural areas more than 5000 sales agents associated with the company
- Employment for the youth by providing financial and animal husbandry support for establishing MINI DAIRIES
- Producing highly health conscious products for the society

Qualities of management principles:

- Customer focus to understand and meet the changing needs and expectations of customers.
- People involvement to promote team work and tap the potential of people.
- Leadership to set constancy of purpose and promote quality culture trough out the organization.
- Process approach to assess the efficiency and effectiveness of each process.
- Systems approach to understand the sequence and interaction of process.
- Factual approach to decision making to ensure its accuracy.
- Continual improvement processes for improved business results.
- Development of suppliers to get right product and services in right time at right place.

Product/Market wise performance:

The total turnover is Rs 341 Crores during the financial year 2016-17 against the turnover of 292.02 Crores in 2012-13. Today Heritage distributes quality milk & milk products in the states of A.P, Karnataka, Kerala & Tamil nadu.

During the year 20016-17 liquid milk sales was Rs.28329.79 lakhs against Rs.24525.23 lakhs in the previous year. The sales of milk products including bulk sales of cream, ghee and butter were recorded Rs 5781.59 lakhs against Rs 4677.21 lakhs.

HFIL has 3 wings. They are

- Dairy
- Retail
- Agribusiness

1. Dairy:

It is the major wing among all. The dairy products manufactured by HFIL are Milk, curd, butter, ghee, flavoured milk, paneer, doodhpeda, ice cream.

2. Retail:

In the retail sector HFIL has outlets namely "Fresh@". In those stores the products sold are vegetables, milk& milk products, grocery, pulses, fruits etc.

In Hyderabad 19 retail shops are there. In Bangalore& Chennai, 3&4 respectively are there. Totally there are 26 retail shops are there.

Fresh@ is a unique chain of retail stores, designed to meet the needs of the modern Indian consumer. The store rediscovers the taste of nature every day making grocery shopping a never before experience.

The unique& distinctive feature of Fresh@ is that it offers the widest range of fresh fruits and vegetables which are directly handpicked from the farms. Freshness lies in their merchandise and the customers are always welcomed with fresh fruits and vegetables no matter what what time they walk in.

1. Agri Business:

In this business HFIL employees will go to farmers and have a deal with them. Those farmers will sell their goods like vegetables, pulses to HFIL only. And HFIL will transport the goods to retail outlets.

The agricultural professors will examine which area is suitable to import vegetables from and also examine the vegetables, pulses and fruits in the lab. And finally they report to the Head-Agribusiness. Representatives as per the instructions given by the agri professors will approach the farmers directly and make a deal with them. It is the process of registering the farmers.

Inventory management software is a software system for tracking inventory levels, orders, sales and deliveries.^[1] It can also be used in the manufacturing industry to create a work order, bill of materials and other production-related documents. Companies use inventory management software to avoid product overstock and outages. It is a tool for organizing inventory data that before was generally stored in hard-copy form or in spreadsheets.

Reorder Point

Should inventory reach a specific threshold, a company's inventory management system can be programmed to tell managers to reorder that product. This helps companies avoid running out of products or tying up too much capital in inventory.

Asset tracking

When a product is in a warehouse or store, it can be tracked via its barcode and/or other tracking criteria, such as serial number, lot number or revision number. Systems. for Business, Encyclopedia of Business, 2nd ed. Nowadays, inventory management software often utilizes barcode, radio-frequency identification (RFID), and/or wireless tracking technology.

Service management

Companies that are primarily service-oriented rather than product-oriented can use inventory management software to track the cost of the materials they use to provide services, such as cleaning supplies. This way, they can attach prices to their services that reflect the total cost of performing them.

Product identification

Barcodes are often the means whereby data on products and orders is inputted into inventory management software. A barcode reader is used to read barcodes and look up information on the products they represent. Radio-frequency identification (RFID) tags and wireless methods of product identification are also growing in popularity.

Modern inventory software programs may use QR codes or NFC tags to identify inventory items and smartphones as scanners.^[citation needed] This method provides an option for small businesses to track inventory using barcode scanning without a need to purchase expensive scanning hardware.^[citation needed]

Inventory optimization

A fully automated demand forecasting and inventory optimization system to attain key inventory optimization metrics such as:

- Reorder point: the number of units that should trigger a replenishment order^[citation needed]
- Order quantity: the number of units that should be reordered, based on the reorder point, stock on hand and stock on order^[citation needed]
- Lead demand: the number of units that will be sold during the lead time^[citation needed]
- Stock cover: the number of days left before a stockout if no reorder is made^[citation needed]
- Accuracy: the expected accuracy of the forecasts^[citation needed]

History

The Universal Product Code (UPC) was adopted by the grocery industry in April 1973 as the standard barcode for all grocers, though it was not introduced at retailing locations until 1974.^[2] This helped drive down costs for inventory management because retailers in the United States and Canada didn't have to purchase multiple barcode readers to scan competing barcodes. There was now one primary barcode for grocers and other retailers to buy one type of reader for. In the early 1980s, personal computers began to be popular.^[3] This further pushed down the cost of barcodes and readers. It also allowed the first versions of inventory management software to be put into place. One of the biggest hurdles in selling readers and barcodes to retailers was the fact that they didn't have a place to store the information they scanned. As computers became more common and affordable, this hurdle was overcome. Once barcodes and inventory management programs started spreading through grocery stores, inventory management by hand became less practical. Writing inventory data by hand on paper was replaced by scanning products and inputting information into a computer by hand. Starting in the early 2000s, inventory management software progressed to the point where businesspeople no longer needed to input data by hand but could instantly update their database with barcode readers.^[4]

Also, the existence of cloud based business software and their increasing adoption by businesses mark a new era for inventory management software.^[citation needed] Now they usually allow integrations with other business backend processes, like accounting and online sales.^[citation needed]

Purpose

Companies often use inventory management software to reduce their carrying costs.^[5] The software is used to track products and parts as they are transported from a vendor to a warehouse, between warehouses, and finally to a retail location or directly to a customer.

Inventory management software is used for a variety of purposes, including:

- Maintaining a balance between too much and too little inventory.
- Tracking inventory as it is transported between locations.
- Receiving items into a warehouse or other location.
- Picking, packing and shipping items from a warehouse.
- Keeping track of product sales and inventory levels.
- Cutting down on product obsolescence and spoilage.
- Avoiding missing out on sales due to out-of-stock situations.

Manufacturing uses

Manufacturers primarily use inventory management software to create work orders and bills of materials. This facilitates the manufacturing process by helping manufacturers efficiently assemble the tools and parts they need to perform specific tasks. For more complex manufacturing jobs, manufacturers can create multilevel work orders and bills of materials, which have a timeline of processes that need to happen in the proper order to build a final product. Other work orders that can be created using inventory management software include reverse work orders and auto work orders. Manufacturers also use inventory management software for tracking assets, receiving new inventory and additional tasks businesses in other industries use it for.

Advantages of ERP inventory management software

There are several advantages to using inventory management software in a business setting.

Cost savings

A company's inventory represents one of its largest investments, along with its workforce and locations. Inventory management software helps companies cut expenses by minimizing the amount of unnecessary parts and products in storage. It also helps companies keep lost sales to a minimum by having enough stock on hand to meet demand.

Increased efficiency

Inventory management software often allows for automation of many inventory-related tasks. For example, software can automatically collect data, conduct calculations, and create records. This not only results in time savings, cost savings, but also increases business efficiency.

Warehouse organization

Inventory management software can help distributors, wholesalers, manufacturers and retailers optimize their warehouses. If certain products are often sold together or are more popular than others, those products can be grouped together or placed near the delivery area to speed up the process of picking. By 2018, 66% of warehouses "are poised to undergo a seismic shift, moving from still prevalent pen and paper processes to automated and mechanized inventory solutions. With these new automated processes, cycle counts will be performed more often and with less effort, increasing inventory visibility, and leading to more accurate fulfillment, fewer out of stock situations and fewer lost sales. More confidence in inventory accuracy will lead to a new focus on optimizing mix, expanding a selection and accelerating inventory turns."^[6]

Updated data

Up-to-date, real-time data on inventory conditions and levels is another advantage inventory management software gives companies. Company executives can usually access the software through a mobile device, laptop or PC to check current inventory numbers. This automatic updating of inventory records allows businesses to make informed decisions.^[7]

Data security

With the aid of restricted user rights, company managers can allow many employees to assist in inventory management. They can grant employees enough information access to receive products, make orders, transfer products and do other tasks without compromising company security. This can speed up the inventory management process and save managers' time.

Insight into trends

Tracking where products are stocked, which suppliers they come from, and the length of time they are stored is made possible with inventory management software. By analysing such data, companies can control inventory levels and maximize the use of warehouse space. Furthermore, firms are more prepared for the demands and supplies of the market, especially during special circumstances such as a peak season on a particular month. Through the reports generated by the inventory management software, firms are also able to gather important data that may be put in a model for it to be analyzed.^[citation needed]

Disadvantages of ERP inventory management software

The main disadvantages of inventory management software are its cost and complexity.

Expense

Cost can be a major disadvantage of inventory management software. Many large companies use inventory management software, but small businesses can find it difficult to afford it. Barcode readers and other hardware can compound this problem by adding even more cost to companies. The advantage of allowing multiple employees to perform inventory management tasks is tempered by the cost of additional barcode readers. Use of smartphones as QR code readers has been a way that smaller companies avoid the high expense of custom hardware for inventory management.

Complexity

Inventory management software is not necessarily simple or easy to learn. A company's management team must dedicate a certain amount of time to learning a new system, including both software and hardware, in order to put it to use. Most inventory management software includes training manuals and other information available to users. Despite its apparent complexity, inventory management software offers

a degree of stability to companies. For example, if an IT employee in charge of the system leaves the company, a replacement can be comparatively inexpensive to train compared to if the company used multiple programs to store inventory data.

FINDINGS

- 1) Over all the inventory of HERITAGE FOODS INDIA LIMITEDs is up to the mark.
- 2) The production of clinker and FOODS during 2011 – 2012 was 6,74,634 and 6,87,092 respectively which is higher as compared to 2014 – 2015 which is 5,97,374 and 6,57,756.
- 3) Investment on raw material is 95605.89 lakhs which very high as compared to 2013 – 14 which is only 560700.56 lakhs.
- 4) The inventory turnover ratio shows that the stock has been converted into sales is only 1.02 times.
- 5) In the year 2011 – 12 the stock was cleared within 27 days whereas it took 230 days in the year 2011 – 2012 which took more days for clearing stock.
- 6) Year 2011 – 12 is not showing sample profits. This is because of foods prices have been continuously under pressure due to persistent mismatch between supply and demand.
- 7) The quantity of dairy in the year 2013 – 14 is 8,98,240 and its value is 12,94,24,815 but whereas in the year 2012 – 13 the quantity was 8,92,560 and the value is 12,10,71,545.
- 8) In purchase department for want of any item it should go through several process. This may include receiving indents, floating enquiries, preparation of order processing form, preparation of purchase order and order follow up inform the supplier. Most of the time was spent in accounts payable.
- 9) In this type of process, it requires more number of employees and supplier should also wait for until the accounts are matched.
- 10) This process takes an input, adds value to it and provides an output to an internal or external customer.

SUGGESTIONS

- 1) Though the production is higher is the year 2011 – 12 and the sales were very high i.e., as per inventory conversion period it took 270 days. This shows that there is demand for foods and the funds unnecessarily tied up. So, proper demand forecasting should be done and according to that it may be manufactured.
- 2) The investment on raw material should be made as per the requirement. Unnecessary investment may block up the funds.
- 3) Neither too high nor too low inventory turnover ratios may reduce profit and liquidity position of the industry. So, proper balance should be made to increase profits and to ensure liquidity.
- 4) The raw material should be acquired from the right source at right quality and at right cost.
- 5) The process that was being used by HFIL with the purchasing department should undergo changes, so that, it seeks enhance the celerity of the delivery of a product without compromising its quality by improving the utilization of materials, labor and equipment.
- 6) To reduce the work, the purchasing department may enter the purchasing order into database and did not send a copy to anyone. When the merchandise arrived, the receiving clerk would enter the database and determine whether the order agreed with the electronic purchase order.

CONCLUSION

Inventory consulting is another option that business operators take advantage of in their effort to get a handle on their stock. Hiring inventory consulting professionals has a number of advantages. One benefit can be found in the fact that inventory-consulting professionals take the entire and sometimes daunting task of inventory management off the hands of the business operator. Also, business owners like the idea of having one or more individuals come in to handle inventory counting and monitoring—it saves the business owner additional costs in time and labor.

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JOURNALS

International Journal of Inventory Research (IJIR)

International Journal of Supply Chain and Inventory Management

SSRN Inventory Management e-Journal

International Journal of Productivity and Performance Management
International Journal of Physical Distribution & Materials Management
The International Journal of Inventory Control and Management (IJICM)

International Journal of Production and Operations Management (IJSPOM.ORG), Vol. 3, Iss. 3, August 2016

QUESTIONNAIRE

SUPPLIERS

- What type of materials do you supply?
- Typical process to place an order by a customer? (i.e. visit the store, phone)
- Once the order is placed, how it is processed?
- Do you use any computers to process the orders?
- Who monitors the process? • Do you use any technology (i.e. bar codes, EDI, RFID) for inventory control?
- What happens if you don't have the quantity required by the customer?
- Do you have many customers asking the price matching?
- Do you do pack all the materials needed by a contractor in a pallet and have them ready for pick up by the customer?
- Do you do JIT delivery?
- How effective is your delivery in terms of time and quality?
- What are the major problems that you can identify in the system? (i.e. delivery times, quantities, relations with customers)

CONTRACTORS

- What is the type of materials that you usually buy from suppliers?
- How do you typically place an order? (i.e. visit the store, phone)
- Who monitors the process and makes sure that the materials will be on site when needed?
- Do you use any technology (i.e. bar codes, EDI, RFID) for inventory control on site?
- Do you typically pick your materials or you like the supplier to deliver them?
- Do keep inventory in site? • Do you use Just in Time (JIT) delivery?
- How effective is the delivery of suppliers in terms of time and quality?
- What are the major problems that you can identify in the system? (i.e. delivery times, quantities, relations with suppliers)