

■■■■ CHAPTER - I ■■■■

I N T R O D U C T I O N

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### 1.1 MATERIALS MANAGEMENT:- Its Importance.

Materials management is an important aspect of total management of any business of organisation, that produces a product or services of some economic value. Recently, materials management has been developed as a branch of management. The importance of materials management can be realised, when it is said that, purchases account for nearly 50 percent of an organisation's annual expenditure, that nearly 80 percent of the working capital is tied up in inventory and the inventory coming cost is almost 25 percent year, that materials represent 40 to 60 percent of sales price or 60 to 80 percent of the production cost of a product and that even a saving of 5 percent in material cost will substratially increase the profit margin of an enterprise.<sup>1</sup>.

#### For Example:-

Sales	--	Rs. 100
Materials cost	50%	Rs. 50
Direct Labour	25%	Rs. 25
Overhead	15%	Rs. 15
Profit	10%	Rs. 10

If the material cost is reduced by 5 percent i.e. by Rs. 2.50 by various cost reduction techniques, the

profit increases from Rs. 10.00 to Rs. 12.50, In order to obtain the same profit through sales, the sales have to be increased by 25 percent, i.e. from Rs. 100.00 to Rs. 125.00 at no extra selling expenses. Increasing sales by 25 percent is an extremely difficult task as it calls for considerable sales effort, increase in production and even increase in plant and machinery, which may not be economical. On the other hand, a small reduction in the material cost by greater co-ordination and by applying the various cost reduction techniques can give the same result.<sup>2</sup>

'Materials Management is the integrated functioning of purchasing and allied activities so as to achieve the maximum co-ordination and optimum expenditure in the area of materials.'<sup>3</sup>

## 1.2 MATERIALS MANAGEMENT: Its Scope:-

The following activities generally come within the sphere of materials management.

### A) Stock Control or Inventory Control:-

It includes planning and maintaining stock of raw materials, tools, general supplies etc. as well as classification, codification, ABC Analysis etc.

### B) Purchasing :-

It includes developing sources of supply, finalising prices, placing orders, obtaining materials by

the right time, contributing to standardisation, value analysis etc. and effecting disposal of surplus and scrap.

C) Storekeeping:-

It includes, receiving, storing, issuing, handling within the stores.

D) Traffic or C & F:-

It includes, clearing incoming materials i.e. inland and foreign, despatching finished goods.

The stock control maintains, a set of stock control cards, properly classified and codified for various items held in stock.

The function of the purchase section is to procure materials against purchase requisition received from stock control. Prices of several items are negotiated and pre-determined but for others, tenders are invited on receipt of purchase requisition. The quotations are tabulated and approved in accordance with the procedure laid down by the management. Orders are placed on the basis of quality, price, delivery time etc.

The responsibility of purchase section does not stop at placing orders. It has to ensure that materials do arrive at the right time. Various follow up methods are used for this purpose. It also contributes to cost reduction through value analysis, standardisation etc.

Materials management in sugar factory particularly in co-operative sugar factories, is also important, because it is a continuous process industry. Due to its continuous process nature, the materials manager must be very alert to see that there are no stoppages in the production process due to shortage of any inventory. Therefore, the role of materials manager is very important in such industries. The studies in the area of materials management particularly in co-operative sugar factories are not much more in number.

Therefore, this study relating to 'Ajinkyatara Sahakari Sakhar Karkhana Ltd., Shahunagar-Shendre' has been undertaken.

### 1.3 HYPOTHESIS:-

It is considered that the purchasing, storing and issuing procedure or systems in co-operative sugar factories are not generally efficient.

### 1.4 OBJECTIVES OF THE STUDY:-

The present study has been undertaken by the researcher to study the materials management of 'Ajinkyatara Sahakari Sakhar Karkhana Ltd., Shahunagar with respect to the following procedures.

1. Purchase procedure.
2. Stores procedure.

3. Issuing procedure.
4. Waste control procedure.

#### **1.5 RESEARCH METHODOLOGY:-**

Depending upon the nature of the study, the researcher has decided to collect the primary data, through the interview scheduled, for interviewing the concerned staff i.e. Agriculture officer, store keeper, Purchase officer, purchase clerk, store clerks etc.

The secondary data are collected through the published literature, various books, Journals, Reports etc.

#### **1.6 SCOPE AND LIMITATIONS OF THE STUDY:-**

The study is limited to include Raw material, spare-parts, Tools and Equipments only, leaving aside machinery, stationary, furniture, chemicals, hardware etc. The study is confined to 'Ajinkyatara Sahakari Sakhar Karkhana Ltd., Shahunagar-Shendre, Tal. & Dist. Satara.

Secondly, the study is to be completed within a prescribed time limit, therefore time is the main constraint.

### 1.7 CHAPTER SCHEME OF THE STUDY:-

The present study is divided into the following chapters.

- Chapter: I            Introduction.
- Chapter: II           Co-Operative sugar industry -  
                          A Historical Review.
- Chapter: III          Ajinkyatara Sahakari Sakhar Karkhana  
                          Ltd., Shahunagar - Shendre.  
                          A Profile.
- Chapter: IV          Materials Management -  
                          A theoritical frame work.
- Chapter: V           Materials Management in Ajinkyatara  
                          Sahakari Sakhar Karkhana Ltd.,  
                          Shahunagar - an Analysis.
- Chapter: VI          Conclusions and Suggestions.
- Appendix - I        Interview schedule.
- Bibliography.

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Referance:-

1. N.K. Nair: Purchasing and Materials Management  
P.3
2. N.K. Nair: Purchasing and Materials management.  
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3. N.K. Nair: Purchasing and materials management.  
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