

CHAPTER - FIVE

CHAPTER 5 Summary & Conclusions

GPI, a well - known engineering unit in Kolhapur, has a good track-record as far as earning sales revenue and controlling inventory is concerned. As indicated earlier, data for 4 years (and sometimes) three years) have been used for the purpose of drawing the conclusions.

Summary

The GPI sales have increased from Rs. 3102 lakh in 1992 to Rs. 5612 lakh in 1995. The average annual growth of sales comes to 20.23%.

Finished goods inventory to sales ratio does not show a specific relationship during the four year period of this study. The ratio has shown fluctuations and there is nothing wrong about it.

The ratio of raw materials to sales was 4.48% in 1992. It dropped year after year with a 2.25% in 1995. The absolute amount involved in the raw material inventory also showed a similar trend with a marginal increase in 1995.

Stores & spare parts to sales ratio was 2.54% in 1992 which came down consistently upto 1995 and was 1.07% in 1995. As in case of raw material inventory, the absolute amount invested in stores & spare parts showed a consistent decrease upto 1995.

Work-in-progress inventory to sales ratio was 10.8% in 1992. It could be brought down in each of the succeeding years with 5.5% in 1995. The absolute amount involved in WIP inventory also came down for the first three years the marginal increase in the year 1995.

Total inventory to sales ratio showed a decreasing trend throughout the four year period. In 1992, the ratio was 20.5% which came down to 11.89% in 1995.

In all the above cases, inventory reduction was to the extent of about 50% or more. It is a good achievement.

Conclusions

In controlling raw materials, stores & spare parts & Work-in-progress inventory, the members of the management team (like Senior Managers for Purchase, Quality Control etc. and Vice-President for Maintenance) have

made consistent and concentrated efforts. Preparation of Bill of Material, laying down purchase procedure, paying attention to vendor development, selective control measures etc. were some of the important practices followed at GPI. These measures have paid GPI good dividends in the form of substantial reduction of inventory of raw materials, stores & spares and Work-in-progress.